Santa Clara Valley Water District
Board of Directors

HQ. Bldg. Boardroom, 5700 Almaden Expressway, San Jose, California
Join Zoom Meeting: https://valleywater.zoom.us/j/84454515597

REGULAR BOARD MEETING
AGENDA

Tuesday, August 11, 2026
1:00 PM

District Mission: Provide Silicon Valley safe, clean water for a healthy life, environment and economy.

DISTRICT BOARD OF DIRECTORS
Tony Estremera, Chair-District 6
Richard P. Santos, Vice Chair-District 3
John L. Varela-District 1
Shiloh Ballard-District 2
Jim Beall-District 4
Nai Hsueh-District 5
Rebecca Eisenberg-District 7

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MELANIE RICHARDSON
Interim Chief Executive Officer

CANDICE KWOK-SMITH
Clerk, Board of the Directors
(408) 630-3193
www.valleywater.org

Note: The finalized Board Agenda, exception items and supplemental items will be posted prior to the meeting in accordance with the Brown Act.

Santa Clara Valley Water District
Board of Directors

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AGENDA

Tuesday, August 11, 2026	**1:00 PM**	**HQ. Bldg. Boardroom, 5700 Almaden Expressway, San Jose, California** **Join Zoom Meeting:** **https://valleywater.zoom.us/j/84454515597**

IMPORTANT NOTICES AND PARTICIPATION INSTRUCTIONS

Santa Clara Valley Water District (Valley Water) Board of Directors/Board Committee meetings are held as hybrid meetings, conducted in-person as well as by telecommunication, and are compliant with the provisions of the Ralph M. Brown Act.

To maximize public safety while maintaining transparency and public access, members of the public have the option to participate via teleconference/video conference or attend in person. To participate in the meeting via teleconference/video conference, please refer to the meeting link located at the top of the agenda. If attending in-person, you are required to comply with Ordinance 22-03 - AN ORDINANCE OF THE SANTA CLARA VALLEY WATER DISTRICT SPECIFYING RULES OF DECORUM FOR PARTICIPATION IN BOARD AND COMMITTEE MEETINGS located at https://s3.us-west-2.amazonaws.com/valleywater.org.if-us-west-2/f2-live/s3fs-public/Ord.pdf

In accordance with the requirements of Gov. Code Section 54954.3(a), members of the public wishing to address the Board/Committee during public comment or on any item listed on the agenda, may do so by filling out a Speaker Card and submitting it to the Clerk or using the “Raise Hand” tool located in the Zoom meeting application to identify yourself in order to speak, at the time the item is called. Speakers will be acknowledged by the Board/Committee Chair in the order that requests are received and granted speaking access to address the Board. Written comments on any item on the agenda may be submitted to clerkoftheboard@valleywater.org or board@valleywater.org.

- Members of the Public may test their connection to Zoom Meetings at: https://zoom.us/test
- Members of the Public are encouraged to review our overview on joining Valley Water Board Meetings at: https://www.youtube.com/watch?v=TojJpYCxXm0

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This agenda has been prepared as required by the applicable laws of the State of

California, including but not limited to, Government Code Sections 54950 et. seq., and has not been prepared with a view to informing an investment decision in any of Valley Water's bonds, notes, or other obligations. Any projections, plans, or other forward-looking statements included in the information on this agenda are subject to a variety of uncertainties that could cause any actual plans or results to differ materially from any such statement. The information herein is not intended to be used by investors or potential investors in considering the purchase or sale of Valley Water's bonds, notes or other obligations and investors and potential investors should rely only on information filed by Valley Water on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures and Valley Water's Investor Relations website, maintained on the World Wide Web at https://emma.msrb.org/ and https://www.valleywater.org/how-we-operate/financebudget/investor-relations, respectively.

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Meeting ID: 844 5451 5597
Join by Phone:
1 (669) 900-9128, 84454515597#

1. CALL TO ORDER/ROLL CALL:

1.1. Roll Call.

2. CLOSED SESSION:

Notice to the Public: The Board of Directors meets in Closed Session in accordance with the Ralph M. Brown Act. Following the conclusion of Closed Session discussion, the Board will return for the remaining items on the regular meeting agenda.

3. 1:00 PM - TIME CERTAIN:

3.1. Pledge of Allegiance/National Anthem.

3.2. Orders of the Day.

A. Approximate Discussion Time (Board); and
B. Adjustments to the Order of Agenda Items.

3.3. Time Open for Public Comment on any Item not on the Agenda.

Notice to the public: Members of the public who wish to address the Board/Committee on matters not listed on the agenda may do so by completing a Speaker Card and submitting it to the Clerk, or by using the "Raise Hand" feature within the Zoom meeting application to request recognition. Speakers will

be acknowledged by the Board/Committee Chair in the order requests are received and, when recognized, will be granted speaking access to address the Board/Committee.

Public comments shall be limited to three (3) minutes per speaker, or such other time as determined by the Chair. State law does not permit the Board/Committee to take action on, or engage in extended discussion of, any item not appearing on the posted agenda, except as otherwise authorized under applicable law. If Board/Committee action is requested, the matter may be scheduled for consideration at a future meeting.

All public comments requiring a response will be referred to staff for a written reply. The Board/Committee may take action on any item of business appearing on the posted agenda.

3.4. Conduct a Continued Public Hearing on Proposed Modifications to Projects under Priorities E and F of the Safe, Clean Water and Natural Flood Protection Program. (Continued from July 14, 2026) 26-0638

Recommendation: Conduct a continued Public Hearing to receive comments on the proposed modifications to the following projects in the Safe, Clean Water and Natural Flood Protection Program: **Project E5**: San Francisquito Creek Flood Protection, and **Project F6**: Good Neighbor Program: Graffiti and Litter Removal and Public Art; and

A. Close the public hearing, deliberate, and if appropriate, take action on the proposed modification(s); or
B. Continue the public hearing to a subsequent regularly scheduled Board meeting as determined by the Board.

Manager: Luz Penilla, 408-630-2228

Attachments:
Attachment 1: Change Control Process At-a-Glance
Attachment 2: Audit Report
Attachment 3: Notice of Public Hearing and Schedule
Attachment 4: FAQs
Attachment 5: Project Timeline
Attachment 6 PowerPoint
Handout 3.4-A: H. Hitchings
Handout 3.4-B: J. Shore
*Handout 3.4-C: J. Shore, Supplemental
*Handout 3.4-D: K. Irvin
*Handout 3.4-E: H. Hitchings
*Handout 3.4-F: T. Rindfleisch

Est. Staff Time: 15 Minutes

3.5. Receive an Update on the Issuance of Water System Refunding Bonds and Revenue Notes in an Aggregate Not-to-Exceed Amount of $600 Million and Adopt a Resolution Approving the Form of a Preliminary Official Statement in Connection with the Issuance of Water System Refunding Revenue Bonds and Revenue Notes and Certain Acts in Connection Therewith. 26-0607

Recommendation:
A. Receive an update on the issuance of Water System Refunding Revenue Bonds and Revenue Notes in an aggregate not-to-exceed amount of $600 million; and
B. Adopt resolution APPROVING THE FORM OF A PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH THE ISSUANCE OF WATER SYSTEM REFUNDING REVENUE BONDS AND REVENUE NOTES AND CERTAIN ACTS IN CONNECTION THEREWITH.

Manager: Darin Taylor, 408-630-3068

Attachments: Attachment 1: Resolution
Attachment 2: WU Preliminary Official Statement
Attachment 3: PowerPoint

Est. Staff Time: 10 Minutes

REGULAR AGENDA:

4. CONSENT CALENDAR: (4.1 - 4.1) (Est. Time: 5 Minutes)

Notice to the public: There is no separate discussion of individual consent calendar items. Recommended actions are voted on in one motion. If an item is approved on the consent vote, the specific action recommended by staff is adopted. Items listed in this section of the agenda are considered to be routine by the Board, or delegated to the Board Appointed Officers (BAOs) yet required by law or contract to be Board approved (EL-7.10). Any item may be removed for separate consideration at the request of a Board member. Whenever a resolution is on the consent calendar, a roll call vote will be taken on the entire calendar. Members of the public wishing to address the Board on any consent items may do so by filling out a Speaker Card and submitting it to the Clerk or using the "Raise Hand" tool located in the Zoom meeting application to identify themselves to speak.

4.1. Consider and Approve Appointment to the Safe, Clean Water and Natural Flood Protection Independent Monitoring Committee. 26-0572

Recommendation: Consider and approve appointment to the Safe, Clean Water and Natural Flood Protection Independent Monitoring Committee.

Manager: Wendy Ho, 408-630-3874

Attachments: Attachment 1: SCVWD Resolution No. 21-10
Attachment 2: Davenport Application, Redacted

5. BOARD OF DIRECTORS:

5.1. Approve the Agreement A5823A with Sjoberg Evashenk Consulting, Inc., for 2026 Board Audit Consultant On-Call Services, PB File No. VW0676 for a Five-Year Term and a Total Not-to-Exceed Fee of $1,500,000. 26-0628

Recommendation: Approve the Agreement A5823A with Sjoberg Evashenk Consulting, Inc., for 2026 Board Audit Consultant On-Call Services, PB File No. VW0676 for a five-year term and a total not-to-exceed fee of $1,500,000.

Manager: Darin Taylor, 408-630-3068

Attachments: Attachment A: Gov. Code 84303
Attachment 1: Agreement (VW0676)

Est. Staff Time: 5 Minutes

5.2. Board Committee Reports.

6. WATER UTILITY ENTERPRISE:

7. WATERSHEDS:

7.1. Santa Clara Valley Water District Greenhouse Gas Reduction Plan and Final Negative Declaration. 26-0577

Recommendation:
A. Discuss the potential environmental effects of Santa Clara Valley Water District's Greenhouse Gas Reduction Plan as discussed in the Final Negative Declaration;
B. Adopt the Resolution ADOPTING THE FINAL INITIAL STUDY/NEGATIVE DECLARATION FOR THE GREENHOUSE GAS REDUCTION PLAN; and
C. Adopt the Resolution ADOPTING THE GREENHOUSE GAS REDUCTION PLAN, INCLUDING A CARBON NEUTRALITY TARGET OF 2045 AND ASSOCIATED EMISSIONS REDUCTION MEASURES.

Manager: Lisa Bankosh, 408-630-2618

Attachments: Attachment 1: Reduction Measures and weblink to Final IS/ND and
Attachment 2: Resolution (CEQA)
Attachment 3: Resolution (GHGRP)
Attachment 4: Notice of Determination
Attachment 5: Powerpoint

Est. Staff Time: 20 Minutes

8. ASSISTANT CHIEF EXECUTIVE OFFICER:

8.1. Approve Agreement No. A5792A with AQC Environmental Brokerage 26-0551

Services Inc. for Carbon Offset Brokerage Services for the Anderson Dam Seismic Retrofit Project, Project No. 91864005, for a Total Not-to-Exceed Amount of $5,000,000 (Morgan Hill, District 1).

Recommendation: Approve Agreement No. A5792A with AQC Environmental Brokerage Services Inc. for carbon offset brokerage services for the Anderson Dam Seismic Retrofit Project, Project No. 91864005, for a Total Not-to-Exceed Amount of $5,000,000.

Manager: Ryan McCarter, 408-630-2983

Attachments: Attachment A: Gov. Code 84308
Attachment 1: Agreement No. A5792A
Attachment 2: PowerPoint

Est. Staff Time: 15 Minutes

9. EXTERNAL AFFAIRS:

10. CHIEF EXECUTIVE OFFICER:

10.1. Approve the Central Fiscal Year 2025-26 Year-End and Fiscal Year 2026-27 Budget Adjustments. 26-0569

Recommendation: Approve the Central Fiscal Year 2025-26 Year-End and Fiscal Year 2026-27 Budget Adjustments.

Manager: Darin Taylor, 408-630-3068

Attachments: Attachment 1: SCVWD Resolution No. 26-30
Attachment 2: FY25-26 and FY26-27 Central Budget Adjustments

Est. Staff Time: 5 Minutes

10.2. CEO and Chiefs' Report.

11. ADMINISTRATION:

12. DISTRICT COUNSEL:

13. BOARD POLICY PLANNING CALENDAR/PROPOSED FUTURE BOARD AGENDA ITEMS:

13.1. Review the Fiscal Year 2027 Board Policy Planning Calendar.

14. BOARD MEMBER REPORTS/ANNOUNCEMENTS:

15. CLERK REVIEW AND CLARIFICATION OF BOARD REQUESTS:

16. ADJOURN:

16.1 The Board will convene its next Special Board meeting at 9:00 a.m. on Thursday, August 13, 2026, in the Boardroom of the Santa Clara Valley Water District Headquarters Building, 5700 Almaden Expressway, San Jose, California, and via Zoom teleconference.

File No.: 26-0638

Agenda Date: 8/11/2026
Item No.: 3.4.

BOARD AGENDA MEMORANDUM

Government Code § 84308 Applies: Yes ☐ No ☒
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:
Conduct a Continued Public Hearing on Proposed Modifications to Projects under Priorities E and F of the Safe, Clean Water and Natural Flood Protection Program. (Continued from July 14, 2026)

RECOMMENDATION:
Conduct a continued Public Hearing to receive comments on the proposed modifications to the following projects in the Safe, Clean Water and Natural Flood Protection Program: **Project E5**: San Francisquito Creek Flood Protection, and **Project F6**: Good Neighbor Program: Graffiti and Litter Removal and Public Art; and

A. Close the public hearing, deliberate, and if appropriate, take action on the proposed modification(s); or
B. Continue the public hearing to a subsequent regularly scheduled Board meeting as determined by the Board.

SUMMARY:
In November 2020, Santa Clara County voters approved Measure S, renewing Santa Clara Valley Water District's (Valley Water) Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water Program or Program). This measure provides continued funding through a special parcel tax for projects delivering safe water, natural flood protection, and environmental stewardship. The Safe, Clean Water Program, effective July 1, 2021, replaced the 2012 Safe, Clean Water and Natural Flood Protection Program in its entirety, carrying forward funding for previously identified capital projects and replacing other projects with comparable initiatives.

The Program addresses six community priorities:

Priority A: Ensure a Safe, Reliable Water Supply
Priority B: Reduce Toxins, Hazards, and Contaminants in Our Waterways
Priority C: Protect Our Water Supply and Dams from Earthquakes and Other Natural Disasters
Priority D: Restore Wildlife Habitat and Provide Open Space
Priority E: Provide Flood Protection to Homes, Businesses, Schools, Streets, and Highways
Priority F: Support Public Health and Public Safety for Our Community

Each priority includes specific operational and capital projects, along with associated Key Performance Indicators (KPIs). The KPIs enable Valley Water to monitor the progress of specific projects, identify potential issues, and maintain accountability.

As the Program progresses, adjustments or modifications to the projects and sometimes the KPIs may be necessary due to inflation, regulatory changes, or evolving project conditions. Valley Water follows a Board-approved Change Control Process for implementing any adjustments and modifications to the Program, which was last updated by the Board on February 24, 2026 (a simplified version of the process is provided in Attachment 1). Adjustments are changes to the Safe, Clean Water Program's project text or funding allocation that do not impact the delivery of any project KPI, or changes to a project schedule. Adjustments may include change(s) to a KPI when the purpose of such change(s) is to clarify the project KPI to be consistent with the applicable project description in the approved Program. Modifications are changes to project description, project KPI, or funding allocation that impact the delivery of any project KPI. Adjustments can be approved by the Board during publicly noticed Board meetings, while modifications require a formal Public Hearing.

Safe, Clean Water Program Performance Audit

To ensure accountability and transparency to voters, Measure S requires the Valley Water Board of Directors to obtain an independent professional audit of the Safe, Clean Water Program at least once every five years. Although an independent audit is required at least every five years, the Independent Monitoring Committee (IMC) requested an earlier review of the Program, and the Board concurred.

PMA Consultants (Auditor) conducted the independent audit, which assessed Program implementation during its first three years and evaluated governance, compliance, transparency, and progress toward meeting the Program's priorities and KPIs.

On November 12, 2025, the Board received the Safe, Clean Water Performance Audit Report (Audit Report), covering the period from July 1, 2021, through June 30, 2024 (Attachment 2). The audit report includes nine findings, two of which provide recommendations for Valley Water to evaluate whether to modify the KPIs for several projects to ensure that they are financially sustainable, remain aligned with current project activities, and that their descriptions clearly articulate the project's scope and deliverables. At the November 12 meeting, the Board directed the Chair to work with the CEO to identify and assign an appropriate Board committee to review the Auditor's findings and evaluate whether any KPI changes are necessary. The Board Policy and Monitoring Committee (BPMC) was assigned, and on April 21, 2026, received staff's evaluation and recommendations in response to the independent audit findings relating to KPIs. To view the April 21, 2026, BPMC meeting, visit: <https://fta.valleywater.org/dl/JqPTJw6xykH6>

The BPMC supported staff's recommendations, and on June 9, 2026, staff brought forward the recommended adjustments for the Board's review and approval. The purpose of this item is to address the outstanding recommendations for proposed modifications.

Below is a summary of staff's evaluation and recommendations for modifications to the Safe, Clean Water Program:

Audit Report Finding #7: Project E5 - San Francisquito Creek Flood Protection, San Francisco Bay to Upstream of Highway 101 - Palo Alto

Auditor's Finding

In Finding 7, the Auditor noted that the KPIs for Project E5 are misaligned with Valley Water's role and authority because the "KPI holds Valley Water accountable for delivering a specific community outcome (protecting parcels from a 70-year flood event), yet Valley Water no longer has the direct control or authority to ensure this outcome is achieved" and the "KPI, as currently worded, does not accurately reflect Valley Water's role as a funding partner." The current KPIs for Project E5 are:

1. Preferred project with federal, state and local funding: Protect more than 3,000 parcels by providing 1% (100-year) flood protection.

2. With state and local funding only: Protect approximately 3,000 parcels by providing 1% (100-year) flood protection downstream of Highway 101, and approximately 1.4% (70-year) protection upstream of Highway 101.

Based on its findings, the Auditor recommended that Valley Water re-evaluate the KPI for Project E5 and consider options for shifting the KPI from an outcome-based metric to one that measures Valley Water's specific, controllable contributions, such as a funding or partnership-based deliverable.

Staff's Evaluation and Proposed Modifications to the KPIs

Staff agrees that Valley Water is not the lead agency responsible for the delivery of Project E5. The project description makes clear that the project is led by the San Francisquito Creek Joint Powers Authority (SFCJPA), of which Valley Water is a member agency. The SFCJPA is responsible for the overall project design, securing and finalizing permits, and securing project funding.

Since the existing KPIs imply that the delivery of the project is within Valley Water's control, staff recommends modifying the KPIs by replacing the existing KPIs #1 and #2, with a modified KPI#1 to allow for more flexibility in project planning and design and incorporation of other SFCJPA member agencies' requirements, as the SFCJPA continues to implement the remainder of the project. To align with the Auditor's recommendation that the KPIs for this project should focus on deliverables within Valley Water's control, staff proposes a modified KPI that focuses on Valley Water's funding contributions rather than project development and delivery, making it clear in the KPI that Valley Water's financial contributions should be commensurate with the value of the benefits that the project will provide for Santa Clara County. Below are staff's recommended modifications to the KPIs:

1. ~~Preferred project with federal, state and local funding: Protect more than 3,000 parcels by providing 1% (100-year) flood protection.~~

~~2.~~ ~~With state and local funding only: Protect approximately 3,000 parcels by providing 1% (100-year) flood protection downstream of Highway 101, and approximately 1.4% (70-year) protection upstream of Highway 101.~~

1. Provide the San Francisquito Creek Joint Powers Authority a portion of funds commensurate with the project's benefits to Santa Clara County, to provide flood protection along San Francisquito Creek.

Staff Recommended Modification: Project F6 -- Good Neighbor Program: Graffiti and Litter Removal and Public Art

In addition to the Audit Report findings and recommendations referenced above, to better align the Public Art Program with Valley Water's strategic goals, available funding, and staffing capacity, staff has identified a need to change Project F6's KPI#3 (along with its Description and Benefit Sections), which currently authorizes grant funding for public art on Valley Water property to deter graffiti and litter.

Staff proposes expanding the scope of this KPI#3. This change would allow funding for eligible art projects throughout Santa Clara County, moving beyond Valley Water-owned infrastructure and property. The goal is to leverage public art as a tool for community education on water and environmental stewardship, while deterring graffiti and litter.

This proposed change also increases the feasibility, supports greater community benefit, and ensures the program can be delivered within existing resources.

The current KPI#3 reads:

> "Provide up to $1.5 million over 15 years to implement public art projects on Valley Water property and infrastructure."

Staff proposes the following change for KPI#3:

> "Provide up to $1.5 million over 15 years to implement or fund public art projects ~~on Valley Water property and infrastructure~~."

To maintain consistency with the proposed change to KPI#3, staff recommends the following changes to the Project F6 description:

> "This project allows Valley Water to continue responding to requests for cleanup of illegal dumping, trash and graffiti on Valley Water's property and rights-of-way. Cleanup efforts include graffiti removal from floodwalls, concrete embankments, signs, structures and other Valley Water assets, as well as maintaining, repairing and installing fences and gates so that Valley Water structures and facilities remain safe and clean. The project also funds installation and maintenance of public art projects, such as murals, ~~to beautify Valley Water property and infrastructure, to~~ in public spaces throughout Santa Clara County to educate the public about water and environmental stewardship, which in turn will also help deter graffiti and litter."

Staff is also requesting that the Board approve a text adjustment to the 5th bullet under the Benefits section to align with the proposed modifications. Staff's recommended adjustments reads as follows:

"Helps deter graffiti and litter by implementing public art projects ~~to beautify Valley Water property and infrastructure~~ in public spaces while providing opportunities to educate the public about water and environmental stewardship throughout Santa Clara County."

Public Outreach and Engagement

Informing the public about the proposed modifications to the Safe, Clean Water and Natural Flood Protection Program and the associated Public Hearings is an important component of Safe, Clean Water Program public outreach and engagement efforts.

To encourage public participation, Valley Water has conducted a comprehensive outreach effort to inform the community about the proposed modifications to the Safe, Clean Water and Natural Flood Protection Program and to encourage participation in the Public Hearing. Valley Water outreach efforts include:

- Publishing Public Hearing notices in local news publications. See Attachment 3 for the public notice advertisement and the publication schedule.
- Publishing a District News article and creating a Facebook event for the Public Hearing.
- Posting notices on Nextdoor and other Valley Water social media channels, including Facebook, LinkedIn, and X (formerly Twitter).
- Distributing an electronic newsletter and a follow-up reminder about the Public Hearing.
- Sending email announcements to Independent Monitoring Committee (IMC) members, subscribers to the Safe, Clean Water Program email list, and applicable project-specific distribution lists.
- Posting the information on Valley Water's website and relevant project webpages.

Furthermore, at its June 23, 2026, meeting, the Board established the date, time, and location of the Public Hearing and directed staff to prepare a Frequently Asked Questions (FAQ) document addressing questions raised by the public and interested parties regarding the proposed Program modifications. Staff prepared and posted the FAQ document on Valley Water's website to provide additional information in advance of the Public Hearing (Attachment 4).

For additional context, staff also prepared the San Francisquito Creek Flood Protection Project timeline (Attachment 5).

Staff has and will continue to engage with interested parties, including the San Francisquito Creek Joint Powers Authority (SFCJPA) Executive Director and City of Palo Alto staff, to discuss the proposed modifications and respond to questions.

Next Steps

Pursuant to the Program's Change Control Process and the associated standard process timeline (see slide 16 in the PowerPoint presentation, Attachment 6), Valley Water is required to hold at least two Public Hearing meetings before the Board considers and acts on the proposed Program modifications.

At the August 11 public hearing, the second public hearing following the first public hearing on July 14, the Board will determine whether to close the public hearing and consider action on the proposed modification(s), or continue the hearing to a future regularly scheduled Board meeting.

ENVIRONMENTAL JUSTICE IMPACT:
There are no environmental justice impacts associated with this item.

FINANCIAL IMPACT:
The financial impact associated with this item is the cost of placing the public notice ad. The cost for the public notice ad, including the continuation of public hearing to September 8, is approximately $20,000 and there is sufficient budget in the FY 26 and FY27 budget for the Safe, Clean Water Program Implementation Project (Project No. 26061012).

CEQA:
The recommended action does not constitute a project under CEQA because it does not have potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:
Attachment 1: Change Control Process At-A-Glance
Attachment 2: Audit Report
Attachment 3: Notice of Public Hearing and Schedule
Attachment 4: FAQs
Attachment 5: Project Timeline
Attachment 6: PowerPoint
Handout 3.4-A: H. Hitchings

Handout 3.4-B: J. Shore
*Handout 3.4-C: J. Shore, Supplemental
*Handout 3.4-D: K. Irvin
*Handout 3.4-E: H. Hitchings
*Handout 3.4-F: T. Rindfleisch

UNCLASSIFIED MANAGER:
Luz Penilla, 408-630-2228

Safe, Clean Water Program
Change Control Process—At-A-Glance

YOUR TAX DOLLARS AT WORK

Valley Water

Safe, Clean Water and Natural Flood Protection

What is the Change Control Process?

The Change Control Process outlines how Valley Water evaluates and implements decisions to **adjust, modify, or not carry out** a Safe, Clean Water project. It ensures projects stay on track, use funds wisely, and meet community needs. Every project has clear outcomes, called key performance indicators (KPIs), that are used to measure progress and results.

Types of Changes

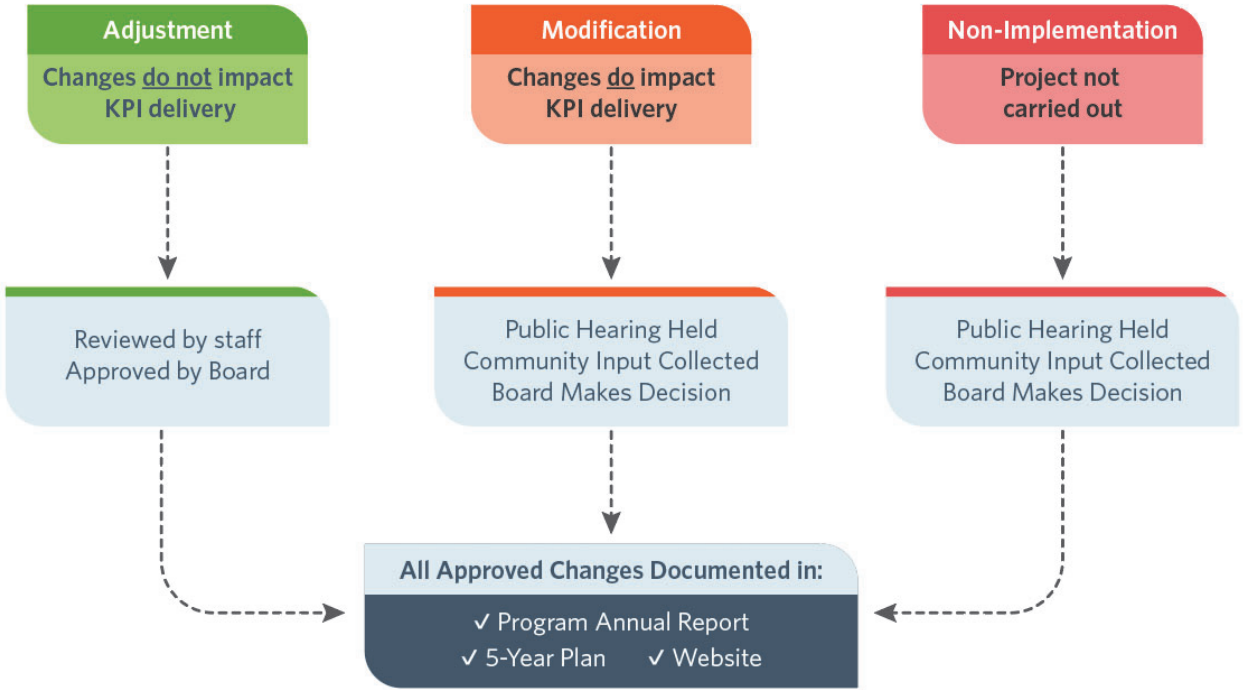
Type of Change	What It Means	Public Hearing Needed?
Adjustment	**Changes** to project text or funding allocation that **do not impact** the delivery of any project **KPI**, or changes to a project schedule. Adjustments may include change(s) to a KPI when the purpose of such change(s) is to clarify the project KPI to be consistent with the applicable project description in the approved Program.	No public hearing—Board approves during regular meetings.
Modification	**Changes** to project description, project KPI, or funding allocation that **impact** delivery of any project **KPI.**	Yes—requires a public hearing.
Non-Implementation	A decision not to carry out a project.	Yes—requires a public hearing.

Public Hearings—Your Role

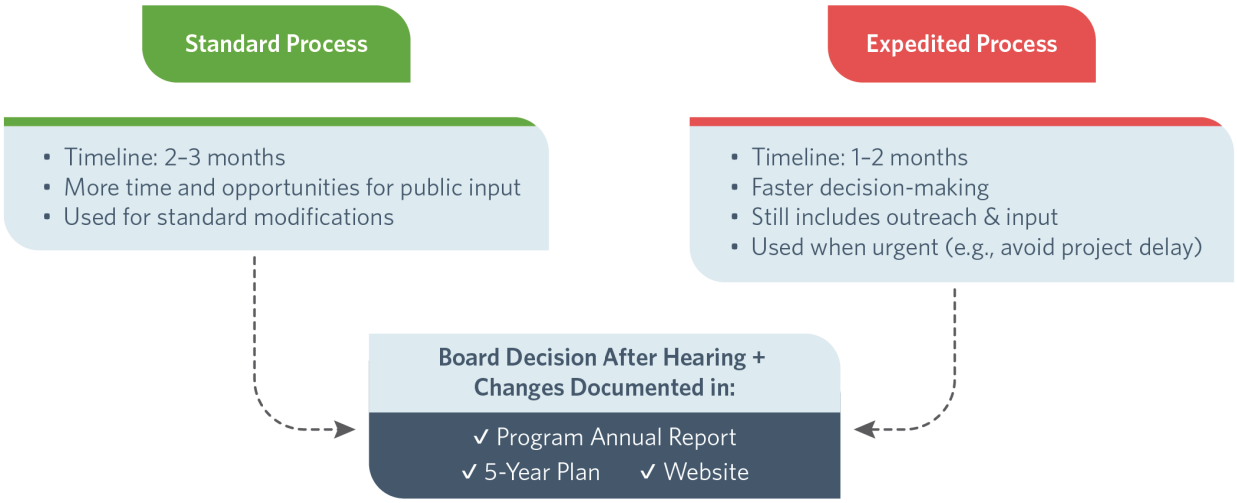
- When?
  Usually, no later than April.
- How long?
  Standard process (2–3 months) or expedited process (1–2 months if urgent).
- How are you notified?
  Notices in local newspapers, Valley Water's website, social media, and email updates.
- How can you participate?
  Attend hearings, sign up for email updates, and join public meetings.

Continued on back...

How a Proposed Project Change Flows



Standard vs. Expedited Public Hearing



Summary

- Changes with no impact to KPI delivery are approved during Board meetings.
- Changes with any impact to KPI delivery are approved by the Board after holding a noticed public hearing.
- Your voice helps shape the future of Safe, Clean Water projects.

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Santa Clara Valley Water District

Safe, Clean Water and Natural Flood Protection Program (Measure S)

Performance Audit Report FY22 – FY24

Prepared by:

PMA Consultants
San Jose, California
July 2025

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EXECUTIVE SUMMARY

A. Introduction

The Santa Clara Valley Water District (Valley Water) ensures current and future water supplies, protects water resources from contaminants, provides flood protection, safeguards infrastructure from natural disasters, and restores ecosystems within Santa Clara County. In November 2020, voters in Santa Clara County approved Measure S, establishing the renewed Safe, Clean Water and Natural Flood Protection Program (SCW Program). This measure provides continued funding via a special parcel tax for projects delivering safe water, natural flood protection, and environmental stewardship. The renewed SCW Program, effective July 1, 2021, replaced the previous 2012 Safe, Clean Water and Natural Flood Protection Program in its entirety, carrying forward funding for previously identified capital projects and replacing other projects with comparable initiatives under the renewed program structure.

To ensure accountability and transparency, Measure S requires the Valley Water Board of Directors to conduct independent professional audits of the SCW Program at least every five years while the program is in effect. In fulfillment of this requirement, Valley Water engaged PMA Consultants to conduct this independent performance audit of the renewed SCW Program.

B. Overall Audit Objectives

The primary objective of this independent performance audit was to assess the renewed Safe, Clean Water and Natural Flood Protection (SCW) Program for the period covering July 1, 2021, through June 30, 2024. The audit evaluated key aspects of program implementation, including:

- **Governance and Transparency:** The audit evaluated the effectiveness of overall program governance, managerial oversight and independent monitoring, including the roles of the Board of Directors and the Independent Monitoring Committee (IMC), and assessed the transparency and accuracy of public reporting on program progress and outcomes.
- **Compliance:** The audit verified the program's compliance with key provisions of the Measure S tax measure. This included assessing whether funds were collected and expended appropriately and whether the Board-approved Change Control Process was properly implemented for project adjustments, modifications and non-implementation.
- **Performance:** The audit assessed Valley Water's progress toward meeting the SCW Program's six priorities and its key performance indicators (KPIs). This assessment included deep-dive reviews of a sample of projects to evaluate project management effectiveness in meeting scope, budget, and schedule commitments.

The remainder of this report provides the detailed procedures, findings, and recommendations resulting from this work.

C. Summary of Key Findings

The audit concluded that Valley Water has established the formal governance, oversight, and reporting structures mandated by Measure S, and the audit identified several noteworthy practices demonstrating effective program management. The audit also resulted in nine findings that identified opportunities for improvement. The key findings, which are summarized below, focus on opportunities to improve the processes for reporting project progress and to strengthen the governance of complex partnerships and program oversight.

Key findings are summarized below:

- **Opportunity to Improve Reporting for SCW Program Projects:** The audit identified opportunities to improve the processes used to report on the funding allocations and schedules for SCW Program projects. For project funding allocations, the methods for reconciling adjustments can be improved to ensure more accurate and timely reporting in the SCW Annual Report. Similarly, for project schedules, improving the reconciliation of changes approved in the Capital Improvement Program's Five-Year Plan (CIP Plan) would make it easier for stakeholders to trace the impact of adjustments on the delivery of project KPIs.
- **Governance and Partnership Complexity:** The audit identified governance challenges with the San Francisquito Creek flood protection project (Project E5), where Valley Water's evolution from project lead to funding partner has resulted in a misalignment between its accountability for a specific outcome and its current role and authority. Additionally, opportunities were identified to enhance the effectiveness of the Independent Monitoring Committee (IMC), and a prior audit recommendation regarding the Conflict of Interest policy for the IMC remains unresolved.

D. Summary of Key Recommendations

The recommendations in this report are intended to support Valley Water's continuing efforts to maintain and enhance a robust, transparent, and effective oversight and governance framework for the SCW Program. The key recommendations are:

- **Improve Reporting Processes and Transparency:** Strengthen the processes for reporting on SCW Program projects by requiring a formal reconciliation of all funding allocations and schedule changes. This will ensure changes approved through the CIP Plan are accurately translated and reported, improving the clarity and transparency of the SCW Annual Report.

- **Strengthen Governance and Partnership Management:** Enhance the management of key external partnerships, such as on the San Francisquito Creek flood protection project (Project E5), by developing tools to better track strategic decisions and risks, and continuing efforts to align project KPIs with Valley Water's evolving role. Strengthen the processes for recruiting IMC members and resolve the outstanding Conflict of Interest policy issue.

D. Findings, Recommendations, and Management Responses Overview

Our procedures identified improvement opportunities that are listed in the following table and presented in detail in the Procedures, Findings, and Recommendations section of this report. All improvement opportunities are also summarized in Appendix C.

Summary of observations	**Detail on Page #**
1. <u>The Program is Operating in Compliance with Key Measure S Provisions, with One Minor Procedural Discrepancy Noted</u> The audit identified a minor procedural discrepancy in how Valley Water files Measure S tax resolutions with Santa Clara County.	14
2. <u>Process for Reconciling SCW Project Funding Allocations with CIP Adjustments Needs Improvement to Enhance Reporting Reliability.</u> The process for reconciling SCW capital project funding allocations with CIP Plan adjustments needs improvement to support accurate and timely reporting in the SCW Annual Report.	15
3. <u>A Clearer Crosswalk is Needed between CIP and SCW Schedule Adjustments</u> A clearer crosswalk is needed between CIP and SCW schedule adjustments to improve transparency and traceability.	18
4. <u>A Prior Audit Recommendation Regarding the IMC Conflict of Interest Policy Remains Unresolved</u> A prior audit recommendation to implement a conflict-of-interest policy for the Independent Monitoring Committee (IMC) remains unresolved.	21
5. <u>Ongoing Vacancies on the Independent Monitoring Committee Impact its Effectiveness</u> Ongoing vacancies on the Independent Monitoring Committee have created challenges in meeting quorum requirements and distributing workload.	21

Summary of observations	Detail on Page #
6. <u>Management of Key Partnership Projects Could Be Enhanced</u> Valley Water's current management tools are not fully suited to its evolving role as a funding partner in externally led projects like Project E5.	23
7. <u>The KPI for a Key Partnership Project is Misaligned with Valley Water's Role and Authority</u> The KPI for Project E5 does not reflect Valley Water's current role as a funding partner and may overstate its accountability for project outcomes.	24
8. <u>Performance Data Impacted by Inconsistent Data Entry and Reporting</u> Discrepancies in operational data reporting for Projects D1 and F5 stemmed from inconsistent data entry and compilation.	24
9. <u>KPIs that are Open-Ended or Do Not Fully Reflect Program Activities Pose Long-Term Financial and Communication Risks</u> There is an opportunity to improve KPIs to ensure long-term financial sustainability and clearer communications. Project F1.1's KPI represents a perpetual maintenance commitment, and KPIs for Projects D1 and F3 could be enhanced for clarity and scope.	25

I. INTRODUCTION

A. Background on the Safe, Clean Water and Natural Flood Protection Program

In November 2020, Santa Clara County voters approved Measure S, establishing the renewed Safe, Clean Water and Natural Flood Protection Program (hereafter referred to as the "SCW Program" or "the Program"). This measure replaced the prior 2012 program of the same name and the original 2000 Clean, Safe Creeks and Natural Flood Protection Plan. Effective July 1, 2021, the renewed SCW Program provides a dedicated and continuous funding source through a special parcel tax levied on properties within the Santa Clara Valley Water District (Valley Water).

The purpose of the special tax is to fund projects and activities aligned with Valley Water's core mission areas. These missions include ensuring safe and reliable water supplies, protecting water resources from toxins, providing natural flood protection, safeguarding infrastructure from natural disasters, and restoring creek and bay ecosystems. The renewed Program's priorities were developed with community and stakeholder engagement to ensure alignment with the priorities of Santa Clara County residents. The Program operates on 15-year financial planning cycles and includes specific projects with Key Performance Indicators (KPIs) to monitor long-term performance and maintain accountability. As part of this long-term framework, Measure S also mandates that the Board of Directors evaluate the continued need for the special tax every fifteen years, ensuring ongoing public oversight.

The renewed SCW Program is organized around six key priorities that guide the allocation of funds and the execution of specific projects. The six priorities are:

- **Priority A: Ensure a Safe, Reliable Water Supply:** Focuses on upgrading water infrastructure, supporting water conservation efforts, and ensuring emergency water supply reliability.
- **Priority B: Reduce Toxins, Hazards, and Contaminants in Our Waterways:** Addresses water quality through pollution reduction, hazardous material response, supporting volunteer cleanups, and managing urban runoff.
- **Priority C: Protect Our Water Supply and Dams from Earthquakes and Other Natural Disasters:** Centers on the seismic retrofitting of critical infrastructure like Anderson Dam to ensure public safety and water supply security.
- **Priority D: Restore Wildlife Habitat and Provide Open Space:** Includes projects for managing vegetation, revitalizing habitats, improving fish passage, supporting ecological data collection, restoring natural creek functions, and conserving habitat lands.

- **Priority E: Provide Flood Protection to Homes, Businesses, Schools, Streets, and Highways:** Concentrates on major capital construction projects to reduce flood risk in vulnerable areas, often involving partnerships with federal and state agencies.
- **Priority F: Support Public Health and Public Safety for Our Community:** Encompasses a range of multi-benefit projects, including vegetation and sediment management for flood channel capacity, emergency response planning, encampment cleanups, and community grant programs.

B. Audit Objectives and Methodology

As mandated by Measure S, the primary objective of this performance audit was to provide the Board of Directors, stakeholders, and the public with an independent and transparent assessment of the renewed Safe, Clean Water and Natural Flood Protection (SCW) Program. The audit was designed to evaluate program governance, compliance, transparency, and performance since the renewed program's inception.

To achieve these objectives, the audit team performed procedures aligned with the key tasks outlined in the Scope of Work. The methodology for each major area of the audit is described below.

Prior Audit Documentation Review: The audit commenced with a review of prior audits of the 2012 Safe, Clean Water Program, including an initial audit dated June 1, 2017, and a closeout performance audit dated March 25, 2024. The findings from those reports were discussed with Valley Water management to provide context and inform the scope and focus of the current audit. Based on this review, it was determined that no modifications were needed to the planned scope of work.

Reporting and Transparency Review: To assess the program’s transparency, the audit team reviewed public-facing documents, including financial reports and project status updates, to evaluate their accuracy and clarity. The audit also included a review of the Independent Monitoring Committee's (IMC) roles and responsibilities as outlined in the SCW Program Resolution, along with related documentation such as meeting minutes and annual reports.

Program Oversight and Governance Review: The audit team evaluated the effectiveness of the program's governance framework and managerial oversight mechanisms. This included conducting interviews with key personnel, including members of the Board of Directors, the IMC, and Valley Water management, to understand oversight roles and responsibilities. The procedures also included assessing compliance with key provisions of the Measure S tax measure by reviewing financial data to determine if funds were collected and expended appropriately. Finally, the audit evaluated whether Valley Water is properly implementing the Board-approved Change Control Process for program adjustments.

Program and Project Performance Assessment: This phase of the audit assessed whether Valley Water is making reasonable progress toward meeting the Program's six priorities and associated Key Performance Indicators (KPIs). The methodology involved a multi-step process:

- **Project Selection:** To facilitate the review of program execution and progress, a representative sample of projects was selected from the renewed SCW Program. A judgmental sampling approach was used to select approximately one-third of the projects while ensuring diversity across several criteria, including representation from each of the program's six priorities, project budget size, and project complexity. The initial selection was discussed with Valley Water staff, leading to minor refinements to ensure adequate coverage.
- **Project Deep Dives:** For each selected project, the audit team performed deep-dive reviews to evaluate project management effectiveness. This included obtaining and evaluating project management artifacts (e.g., schedules, budgets, progress reports) and assessing performance against scope, schedule, budget, and KPIs. These procedures were designed to identify any deficiencies or challenges, such as funding delays or hyper-escalation, and to form a basis for recommending improvements.

C. Audit Scope and Period

The scope of this audit focused exclusively on the renewed SCW Program. The audit period covered program activities from July 1, 2021, through June 30, 2024, which aligns with the first three fiscal years of the program's implementation. This report reflects audit activities and the status of findings and recommendations as of July 28, 2025—the date fieldwork was completed. It does not reflect any subsequent developments or client actions occurring after that date.

To provide further clarity, the scope of this audit did not include: a review of the prior 2012 Safe, Clean Water Program, other than for historical context; an opinion on Valley Water's overall financial statements, as this was a performance audit, not a financial statement audit; a deep-dive review of every project within the SCW Program portfolio, as our work was based on a representative sample; or a technical validation of project designs or construction quality. Furthermore, the audit focused on assessing progress toward the formal Key Performance Indicators (KPIs) defined in the Measure S program text and did not include an evaluation of the ultimate attainment of the separate project "Benefits" that are also described in the SCW Annual Report. The audit assessed whether Valley Water is making "reasonable progress" toward its KPIs based on activities and evidence from the audit period; the objective was not to conclude on the ultimate achievement of long-term KPIs but to evaluate the program's management and progress to date.

D. Acknowledgements

The audit team wishes to thank the many individuals at Valley Water who contributed to this performance audit. We appreciate the time and effort provided by the Safe, Clean Water Program team and other staff, whose cooperation and responsiveness were essential to our work.

II. COMMENDATIONS

In addition to the findings and recommendations detailed later in this report, the audit identified several practices that demonstrate effective program management and oversight. These practices are highlighted to provide a balanced assessment of the program and to acknowledge areas of strength that support the successful implementation of the Safe, Clean Water Program.

- **Established and Transparent Governance Structure:** The audit confirmed that Valley Water has established the formal, multi-faceted governance structure mandated by Measure S, consisting of the Board of Directors, the Independent Monitoring Committee (IMC), and dedicated program staff. The Board provides ultimate oversight and decision-making authority, utilizing its standing committees for more detailed review of SCW projects. The IMC serves its mandated role of providing independent annual review and recommendations directly to the Board, and its operations are transparent, with information such as meeting dates, agendas, and minutes made publicly available. This overall structure creates a continuous cycle of oversight encompassing strategic planning, financial governance, and project monitoring.
- **Adherence to Annual Reporting Requirements:** Valley Water adheres to the Measure S requirements for both annual rate-setting and annual financial reporting. For each year of the audit period, the CEO prepared and published the SCW Annual Rate-Setting Report, which was formally accepted by the Board of Directors at a public meeting. Similarly, the Chief Financial Officer filed a fiscal year report with the Board in compliance with the required deadline. These annual reports contained the mandated information, including the amount of funds collected and expended and the status of authorized projects.
- **Public Access to Information:** Valley Water uses multiple channels to provide the public with access to program information. These include a monthly Valley Water eNewsletter with over 50,000 subscribers, project-specific email lists and public meetings, and the SCW Program webpages. These webpages feature an archive page that contains all program reports, change control documents, five-year implementation plans, and audit reports. Additionally, the SCW Program project pages are updated at least once each quarter.
- **Comprehensive Capital Project Management Framework:** The audit observed that SCW-funded capital projects are managed under a comprehensive framework guided by the Capital Improvement Program (CIP) Program Manual. This framework provides a strong foundation for project execution, including detailed work plans, phase-based delivery procedures, and a clear hierarchy of oversight meetings. While the findings in

this report identify opportunities to improve the reconciliation between the CIP and the SCW Program's external reporting, the underlying project management structure is a key strength.

- **Effective Performance of Operational Projects:** The audit of selected projects indicated that six of the seven[1] active operational, maintenance (e.g., performance-based), and fiscal-based projects included in our sample of projects are consistently meeting or exceeding their annual Key Performance Indicator (KPI) targets.
- **Strategic Use of Tiered KPIs for Risk Management:** The audit identified that the use of a tiered KPI structure for certain complex capital projects, which includes both a preferred KPI and a "local-funding-only" alternative, serves as an effective risk management tool, providing a pre-approved path for project progress under different funding scenarios.

[1] See Finding 9 on page 25 regarding Project D1 (Management of Riparian Planting and Invasive Plant Removal).

III. PROCEDURES, FINDINGS AND RECOMMENDATIONS

This section of the report presents the summary of findings and recommendations resulting from our audit procedures. The findings are organized by the major audit objectives outlined in Section I.

A. Reporting and Transparency

This area of the audit focused on assessing the transparency and accuracy of reporting on the renewed SCW Program's progress and outcomes, including the public disclosure of financial information, project status updates, and the roles and responsibilities of the Independent Monitoring Committee (IMC).

Procedures Performed

To evaluate reporting and transparency, audit procedures included reviewing key documents required by Measure S. This involved examining the Annual Rate-Setting Reports prepared by Valley Water's CEO for each year of the audit period to confirm they included the required proposed tax rates. We also reviewed the annual fiscal year reports prepared by the Chief Financial Officer to verify they were filed on time and contained the required information on funds collected and expended, and the status of funded projects. Additionally, the audit reviewed the operations of the Independent Monitoring Committee (IMC). Procedures included examining the public availability of meeting schedules, agendas, and minutes, and reviewing Valley Water's Conflict of Interest policy applicable to the IMC.

B. Program Oversight and Governance

This area of the audit focused on evaluating the overall program governance and the effectiveness of managerial oversight mechanisms. The audit also verified compliance with key provisions of the Measure S tax measure and the implementation of the Board-approved Change Control Process.

Procedures Performed

To evaluate program oversight and governance, our audit procedures were designed to assess the framework from multiple perspectives:

- **Review of the Governance Framework:** We reviewed the governance structure mandated by Measure S and established in Valley Water documentation. To understand the roles, responsibilities, and effectiveness of this structure, we conducted interviews with members of the Board of Directors, the Independent Monitoring Committee (IMC), and key Valley Water management and staff.

- **Assessment of Compliance:** To assess compliance with key provisions of Measure S, we reviewed publicly available documentation, including Annual Reports and Board meeting materials, to evaluate adherence to the measure's requirements. This included assessing whether program funds were collected and expended appropriately.
- **Evaluation of the Change Control Process:** We reviewed the Board-approved Change Control Process and examined a sample of project adjustments and modifications made during the audit period to determine if the process was being implemented as designed.

Findings, Recommendations and Management Responses

Finding 1: The Program is Operating in Compliance with Key Measure S Provisions, with One Minor Procedural Discrepancy Noted.

Issue: The audit's review of compliance with key Measure S provisions found that Valley Water adheres to the primary procedural, financial control, and reporting mandates. A minor discrepancy was noted regarding Measure S, Provision C, which specifies that tax resolutions be filed with the "Auditor-Controller" and the "County Recorder." Current practice involves filing these documents with the County Clerk-Recorder's Office and the County Tax Assessor's Office. This variance appears related to changes in County departmental structures since Measure S was drafted. While the specific titles of the offices differ, the filings appear to achieve the functional intent of the provision by ensuring the relevant county entities are formally notified for billing and recording purposes.

Risk: Without formal documentation explaining the variance between the procedural text in Measure S and current practice, there is a risk of perceived non-compliance with the voter-approved measure. Such perceived non-compliance may make it more difficult for future such initiatives to pass.

Recommendation: To address the minor discrepancy in filing offices for tax resolutions, Valley Water should formally document its assessment that the current process meets the functional intent of Measure S, Provision C. Furthermore, standard clarifying language should be incorporated into future Board resolutions to explicitly state the specific County offices where certified copies will be filed. These actions will enhance transparency by creating a clear and complete public record, demonstrating the Program's adherence to Measure S requirements.

Management's Response: Agree. Management agrees with the recommendation and staff will implement this recommendation.

Responsible Party: Chief Financial Officer (CFO), Financial Planning & Management Services Division.

Completion Date: Q4, FY26 for FY2026-2027 Annual Rate Setting Report (May 2026).

Finding 2: Process for Reconciling SCW Project Funding Allocations with CIP Adjustments Needs Improvement to Enhance Reporting Reliability.

Issue: To support Valley Water's ongoing efforts to improve the Safe, Clean Water (SCW) Program, this finding identifies an opportunity to enhance the reporting of long-term project funding allocation adjustments. Primarily there is a need to strengthen the procedural methods for reconciling CIP Plan adjustments to project funding allocations in order to increase data accuracy and reliability. Additionally, there is an opportunity to clarify the language in the Board-approved Change Control Process to specify what information regarding these adjustments will be reported and where information related to budget adjustments and changes to project funding allocations will be made publicly available. This issue is specific to the program's capital projects, as our audit work found no similar material discrepancies in the reporting for operational projects. Our audit of the SCW Program's capital project budgets found that the cumulative "Board Appv'd Adj" figures reported in Appendix A-1.2 of the SCW Annual Reports for FY23, and FY24 did not reconcile to supporting documentation. We were unable to determine the magnitude of the reconciliation discrepancies as performance of detailed reconciliations was outside the scope of our procedures, and staff's efforts to update the reconciliation is ongoing. In response to our inquiries, staff indicated they had identified an error in the methodology used for their detailed review of Board-approved adjustments, which was initiated as part of the FY24 reporting cycle. As staff explained, this methodology used the Capital Improvement Program's Five-Year Plan (CIP Plan) as the baseline for identifying funding allocation adjustments instead of the SCW Program's 5-Year Implementation Plan. While the Change Control Process for capital projects appropriately uses the CIP Plan cycle for approving changes, there is an opportunity to improve the methods used to identify, reconcile, and report those approved changes within the SCW Annual Report in an accurate and timely manner. Staff have been proactive in addressing this issue and plan to restate and republish the FY23 and FY24 annual reports once their detailed review and reconciliation is complete. The following recommendations are intended to support these ongoing improvement efforts.

Risk: When the funding allocation data presented in the SCW Annual Report is not presented in an accurate, complete, and timely manner, there is a risk that public accountability is diminished. This condition could have an impact on effective oversight by the Board.

Recommendation: To help ensure the accuracy, completeness and timeliness of the SCW Program's long-term budgetary reporting, we recommend that Staff revise the methods and processes used to identify, reconcile and report funding allocation adjustments within the SCW Annual Reports. This revised process should include:

1. **A Corrected and Auditable Baseline:** Complete an updated, comprehensive review and reconciliation of all Board-approved funding allocation adjustments made since FY22,

starting from the SCW 5-Year Implementation Plan. This corrected baseline must be documented and used for all future reporting.

2. **A Formal Reconciliation Procedure:** For any CIP change affecting a SCW project, a standard procedure must be followed to formally document the specific impact on the SCW Program's 15-year allocation. This reconciliation and supporting documentation must be retained as auditable evidence.
3. **Independent Review:** This SCW-specific reconciliation should be reviewed and approved by management before the SCW Annual Report is finalized.
4. **Accurate and Transparent Reporting:** Ensure the "Board Appv'd Adj" column in Appendix A-1.2 and its corresponding footnotes accurately reflect the reconciled, cumulative adjustments to only the renewed SCW Program funding allocations, clearly distinguishing it from the total project costs reported in the CIP Plan.
5. **Informed Board Approval of the CIP Plan:** When presenting the annual CIP Plan for Board approval, management should include a summary schedule that explicitly quantifies how proposed CIP planned expenditures will impact the 15-year funding allocations of the corresponding SCW Program projects. This ensures the Board is fully informed of the SCW Program implications at the time of the CIP decision.
6. **Clarify the Change Control Process Policy:** In conjunction with the procedural improvements, update the language in the Board-approved Change Control Process to better clarify how fiscal year budget adjustments and changes to project funding allocation will be made publicly available through reporting and posting on the Program's web page.

Management's Response: Agree. Management agrees with the recommendation. Staff will address the recommendation as follows:

1. **A Corrected and Auditable Baseline:** As noted in the report, staff is proactively addressing this issue. Staff completed a detailed review and reconciliation of all Board-approved funding allocation adjustments made since FY22 and republished the FY23 and FY24 annual reports. Staff is also implementing measures to strengthen and enhance processes for identifying, reconciling, and reporting funding allocation adjustments to Safe, Clean Water projects.
2. **A Formal Reconciliation Procedure:** Currently, the standard process for capital projects follows the annual Capital Improvement Program's Five-Year Plan (CIP Plan) development cycle, which includes Change Management Memos (CMMs) outlining scope, schedule and budget adjustments, financial analysis to determine fund impacts, CIP evaluation team review, recommendations for Board approval, and activation of the Change Control Process for any changes that affect any key performance indicators (KPIs). To address the audit recommendation and enhance accountability, staff plans to

strengthen this process by implementing a requirement for the CMMs to clearly identify impacts on Safe, Clean Water projects and developing a standardized reconciliation template to clearly quantify and document any SCW-related financial impacts from CIP changes. These documents will be retained as auditable evidence.

3. **Independent Review:** The SCW annual report is approved by the management, including Deputy Operating Officers, Chiefs, CFO, ACEO, and the CEO, prior to Board approval. The CFO will review and validate the standardized reconciliation template being developed prior to its implementation to clearly quantify and document any SCW-related financial impacts from the CIP Plan planned expenditure changes.
4. **Accurate and Transparent Reporting:** In future annual reports, staff will ensure that the Board Approved Adjustment column in Appendix A-1.2 and its footnotes accurately reflect that the reconciled, cumulative adjustments are specifically related to the renewed SCW Program funding allocations. It will clearly differentiate these adjustments from the total capital project reported in the CIP Plan.
5. **Informed Board Approval of the CIP:** The current Annual Process for Development of the CIP Five-Year Plan (CIP Plan Process) for Safe, Clean Water projects will be enhanced to implement the recommendation. Currently, staff brings to the Board all project scope, schedule, and cost changes. The Project Plan Updates attachment is presented every year to the Board to provide details regarding the changes incorporated into the CIP Plan and all Safe, Clean Water projects are noted with a reference to the SCW project number. Furthermore, through the financial modeling presented and discussed as part of the preliminary CIP plan and rate-setting process, staff assesses and determines if there are any impacts on the fund's health that would trigger the Safe, Clean Water Program's Change Control Process.

   To enhance clarity and visibility, staff plans to implement the following changes:

   a. Currently, any changes to the scope, schedule, or costs of a capital project must be documented through a Change Management Memo (CMM). This memo is submitted by the Project Manager to the Deputy Operating Officer for approval. The CMM template is being updated to specifically identify if the proposed change affects the scope, schedule, or cost of a SCW project. The memo will specify whether the change impacts the project KPI(s), the scheduled delivery date, or funding allocations. If any of these elements are affected, the CMM will indicate this, alerting staff to initiate the Change Control Process.
   b. The Project Plan Updates provided to the Board as part of the CIP Plan development will include information specific to each SCW project scope, schedule, or cost change. It will capture the impact of these changes and clearly state if it triggers the Program's Change Control Process.

c. Similarly, for Operating projects, the Budget Adjustment Form is being updated to clearly specify whether the requested adjustment is for an SCW project and whether it impacts the project's funding allocations and/or KPI delivery. If any of these elements are affected, the form will indicate this, alerting staff to initiate the Change Control Process.

6. **Clarify the Change Control Process Policy:** The Safe, Clean Water Program Change Control Process is being enhanced to expand opportunities for public engagement. The enhancement will include updating language to better clarify how fiscal year budget adjustments and changes to project funding allocation will be made publicly available through reporting and posting on the Program's web page. The enhanced Change Control Process, first presented to the Board in June 2025, is scheduled for formal approval in FY26 Q2.

These enhancements will ensure that all CIP planned expenditure changes affecting SCW projects are transparently assessed, clearly documented, and readily available for audit purposes.

Additional Clarification: It should be clarified that the SCW Annual Report is retrospective in nature and does not serve as a forward-looking planning document. Its primary purpose is to transparently report on progress and expenditures for public accountability. Accurate and complete financial information in the report is indeed vital for transparency and monitoring, and we are committed to achieving that. However, it is important to note that the data presented in the SCW Annual Report does not directly influence budget or funding decisions. These determinations are made through a separate, forward-looking process, namely, the long-term forecast and the financial modeling that supports the development of the CIP Plan and the rate-setting process. As part of this process, staff evaluate whether any funding needs impact the overall health of the SCW Fund and, if so, whether those impacts warrant action through the established Change Control Process.

Responsible Party: CFO, Financial Planning & Management Services Division (1, 3, 4, and 5.c) ; and Assistant Officer (AO), Office of Integrated Water Management – Business Planning and Analysis Unit (2, 5.a, 5.b, and 6).

Completion Date: Q4, FY26.

Finding 3: A Clearer Crosswalk is Needed between CIP and SCW Schedule Adjustments

Issue: Similar to the budget reporting process, there is an opportunity to enhance the transparency of project schedule reporting by providing a clearer crosswalk between the schedules presented in the CIP Plan and those in the SCW Annual Report. Additionally, there is an opportunity to clarify the language in the Board-approved Change Control Process to specify

what information will be reported and where information related to adjustments to project schedules will be made publicly available. The SCW Change Control Process appropriately uses the CIP Plan as the primary vehicle for approving schedule changes for capital projects. However, the two reports are prepared on different bases and at different times, which can make it challenging for an external stakeholder to independently reconcile the information. As management explained, a key reason for these differences is the timing of when each report is produced. The CIP Plan is adopted in May and reflects planned schedules and expenditures for the upcoming fiscal year. In contrast, the SCW Annual Report is published after the fiscal year has ended and reflects actual project developments. This can lead to situations where a project's schedule is adjusted in the SCW Annual Report based on year-end progress, but that change is not yet reflected in the already-published CIP Plan.

Risk: While this approach is reasonable for internal management, and the schedules in the SCW Annual Report are clear, the lack of a formal, public-facing reconciliation between these two reporting methodologies makes it difficult for stakeholders to independently trace the impact of a schedule change approved in the CIP Plan on the delivery of a project's KPI. This places the burden of reconciling the different reporting frameworks on the reader and reduces the ease with which stakeholders can track the impact changes to the CIP plans will have on the project's KPI schedule.

Recommendation: To improve the clarity and consistency of project schedule reporting, we recommend that Valley Water:

1. Continue the practice of clearly and visually differentiating the milestone for achieving a project's KPI from the milestones for other project phases (e.g., design, plant establishment, closeout) in the SCW Annual Report's schedule graphics.
2. Provide a clear reconciliation on the SCW Program webpage that illustrates and explains how Board-approved changes to capital project construction schedules in the CIP Plan impact the delivery schedule for the corresponding SCW Program KPI.
3. When presenting the annual CIP Plan for Board approval, explicitly report on how proposed schedule changes will affect the KPI delivery dates for SCW projects, ensuring the Board understands the direct impact on program commitments at the time of their decision.
4. In conjunction with the procedural improvements, update the language in the Board-approved Change Control Process to better clarify how adjustments to project schedules will be made publicly available through reporting and posting on the Program's web page.

Management's Response: Agree. Management agrees with the recommendation and will implement the following:

1. **Differentiated milestones:** In the Safe, Clean Water Program Annual Report schedule graphics, Valley Water will continue the practice of clearly and visually differentiating the milestone for achieving a project's KPI from the milestones for other project phases (e.g., design, plant establishment, closeout).
2. **Schedule Reconciliation:** At the end of each fiscal year, staff will provide the Board with a summary of all schedule adjustments impacting KPI delivery, including those approved as part of the Board's approval of the CIP Plan. Currently, these schedule adjustments are reported in the SCW Program annual report. Going forward, a consolidated summary will also be available to the public on the Program's webpage.
3. **CIP Plan Impacts on KPI Delivery:** The current CIP Plan Process for SCW projects will be enhanced to implement the recommendation. Currently, staff brings to the Board all project scope, schedule, and cost changes. The Project Plan Updates attachment is presented every year to the Board to provide details regarding the changes incorporated into the CIP Plan and all SCW projects are identified through the SCW project number.

   To enhance clarity and visibility, staff plans to implement the following changes:

   a. The CMM template is being updated to specifically identify if the proposed change affects the scope, schedule, or cost of a SCW project. The memo will specify whether the change impacts the project KPI(s), the scheduled delivery date, or funding allocations. If any of these elements are affected, the CMM will indicate this, alerting staff to initiate the Change Control Process.
   b. The Project Plan Updates provided to the Board as part of the CIP Plan development will include information specific to each SCW project scope, schedule, or cost change. It will capture the impact of these changes and clearly state if it triggers the Program's Change Control Process.
4. **Clarify the Change Control Process Policy:** The Safe, Clean Water Program Change Control Process is being enhanced to expand opportunities for public engagement. The enhancement will include updating language to better clarify how adjustments to project schedules will be made publicly available through reporting and posting on the Program's webpage. The enhanced Change Control Process, first presented to the Board in June 2025, is scheduled for formal approval in FY26 Q2.

Responsible Party: AO, Office of Integrated Water Management – Business Planning and Analysis Unit

Completion Date: Q4, FY26.

Finding 4: A Prior Audit Recommendation Regarding the IMC Conflict of Interest Policy Remains Unresolved

Issue: A 2024 closeout audit of the prior Safe, Clean Water Program recommended that Valley Water develop a conflict-of-interest policy for the Independent Monitoring Committee (IMC) to manage real or perceived conflicts. During our audit period, we noted that Valley Water is actively working to address this recommendation. However, a formal, updated Conflict of Interest framework specifically for the IMC has not yet been finalized and implemented.

Risk: Without a formal, implemented conflict-of-interest policy tailored to the specific advisory role of the IMC, there is a risk that real or perceived conflicts could arise. This could potentially undermine the credibility of the committee's independent oversight function and diminish public trust in the governance of the SCW Program.

Recommendation: We recommend that Valley Water finalize and implement a formal Conflict of Interest framework for the Independent Monitoring Committee.

Management's Response: Agree. Management agrees with the recommendation and on Sept. 23, 2025, the Board adopted a resolution establishing new conflict of interest disclosure requirements for IMC members.

Responsible Party: AO, Office of Integrated Water Management – Business Planning and Analysis Unit; and Clerk of the Board (COB), Office of the Clerk of the Board.

Completion Date: Q2, FY26.

Finding 5: Ongoing Vacancies on the Independent Monitoring Committee Impact its Effectiveness

Issue: Interviews with members of the Independent Monitoring Committee (IMC) highlighted operational challenges that could impact the effectiveness of this key oversight body. Members noted that ongoing vacancies on the committee have created difficulties in consistently attaining a quorum for meetings and have led to an uneven distribution of workload.

Risk: The operational challenges facing the IMC, including persistent vacancies, could hinder its ability to consistently and effectively fulfill its mandated oversight responsibilities. This could lead to delays in the IMC's annual review process, reduce the depth of its analysis, and ultimately weaken a key component of the SCW Program's public accountability framework.

Recommendation: To support Valley Water's ongoing efforts to ensure the effectiveness of the Independent Monitoring Committee, we recommend that management partner with the Board of Directors to enhance the processes for recruiting committee members. This could include:

- **Enhancing Recruitment:** Exploring additional recruitment strategies beyond standard website postings to identify, attract, and recruit qualified candidates to fill committee vacancies in a timely manner. This could involve targeted outreach to subject matter experts or community organizations.

Management's Response: Agree. Management agrees with the recommendation and staff will explore additional recruitment strategies in partnership with the Board of Directors.

Responsible Party: COB, Office of the Clerk of the Board.

Completion Date: Q4, FY26; and will be implemented on an ongoing basis.

C. Program and Project Performance

This area of the audit focused on assessing whether Valley Water is making reasonable progress toward meeting the SCW Program's six priorities and their associated Key Performance Indicators (KPIs). This assessment was based on detailed reviews of a representative sample of projects to evaluate project management effectiveness and the adequacy of the KPIs themselves.

Procedures Performed

To evaluate program and project performance, the audit team performed the following procedures:

- **Assessed Progress Toward KPIs:** We assessed Valley Water's progress toward meeting the Program's six priorities by evaluating the reported progress for a selection of projects against their established KPIs. Our assessment included a review of progress documented in the FY22, FY23, and FY24 SCW Annual Reports and an evaluation of documented project challenges and risks impacting KPI achievement.
- **Reviewed KPI Adequacy and Structure:** We reviewed the KPIs for the selected projects to determine their adequacy and inherent achievability. This review included an assessment of each KPI's clarity and measurability, its alignment with the corresponding Program Priority, and its structure in measuring project outputs (e.g., construction deliverables) versus community outcomes (e.g., parcels protected).
- **Evaluated Project Management:** We performed deep-dive reviews of the selected projects to understand and evaluate how each is being managed. This included conducting interviews with Project Managers and other key staff to discuss the management of project scope, budget, schedule, and progress toward achieving KPIs.

- **Verified Project Artifacts:** We obtained and evaluated a variety of project management artifacts, such as project plans, work-tracking reports, budget vs. actual expenditure reports, and risk assessments. The purpose of this review was to identify process strengths, deficiencies, and challenges, and to obtain evidence supporting the reported progress towards reported project milestones.

Findings, Recommendations and Management Responses

Finding 6: Management of Key Partnership Projects Could Be Enhanced

Issue: For Project E5 (San Francisquito Creek Flood Protection), Valley Water's role has evolved from project lead to that of a primary funder and influential partner within the San Francisquito Creek Joint Powers Authority (SFCJPA). The project's existing management mechanisms, which are designed for direct project execution, may not be the most effective tools for managing this evolving role. This presents an opportunity to supplement existing processes with a more strategic tool to effectively track risks to Valley Water's investment, coordinate its positions on key issues, and document decisions within the multi-agency partnership.

Risk: Without a formal mechanism to track and manage its position on key decisions within the partnership, there is a risk that Valley Water may not be able to effectively influence project outcomes, protect its financial investment, or ensure alignment with its strategic goals. This could lead to a misalignment of priorities between Valley Water and the lead agency, potentially impacting the project's success and the return on public funds.

Recommendation: To effectively manage its role in externally led partnerships like Project E5, Valley Water should develop and implement a 'Strategic Decision & Risk Log' to formalize its partnership management. This tool would serve as a formal mechanism to 1) identify and monitor the key technical, funding, and governance decisions being managed by the partner agency; 2) formally document Valley Water's official position on each critical issue; 3) identify the associated risks to Valley Water's investment and policy goals; and 4) define and track a proactive position strategy.

Management's Response: Agree. Management agrees with the recommendation and where applicable, staff will develop and implement a Strategic Decision & Risk Log to formalize its partnership management.

Responsible Party: Chief Operating Officer (COO), Watersheds.

Completion Date: Q4, FY26.

Finding 7: The KPI for a Key Partnership Project is Misaligned with Valley Water's Role and Authority

Issue: The KPI for Project E5 holds Valley Water accountable for delivering a specific community outcome (protecting parcels from a 70-year flood event), yet Valley Water no longer has the direct control or authority to ensure this outcome is achieved. The transfer of project leadership to the SFCJPA means the KPI, as currently worded, does not accurately reflect Valley Water's role as a funding partner, making it an inadequate measure of its performance and accountability for the public funds invested.

Risk: When a project's KPI is not aligned with Valley Water's actual role and authority, there is a risk that the organization will be held accountable for outcomes it cannot control. This can lead to a misrepresentation of Valley Water's performance, diminish public accountability, and make it difficult to accurately assess the effectiveness of its contributions to the project.

Recommendation: Valley Water should continue to formalize the re-evaluation of the Project E5 KPI to align it with current realities. This evaluation should consider options for shifting the KPI from an outcome-based metric to one that measures Valley Water's specific, controllable contributions, such as a funding or partnership-based deliverable.

Management's Response: Agree. Management agrees with the recommendation and staff will reevaluate Project E5: San Francisquito Creek Flood Protection KPIs to determine how best to reflect current realities. If it is determined that modifications to the KPIs are required, management will propose them in accordance with the Change Control Process.

Responsible Party: COO, Watersheds.

Completion Date: Q4, FY26.

Finding 8: Performance Data Impacted by Inconsistent Data Entry and Reporting

Issue: For the two projects noted below, the performance information included in the SCW Annual Reports does not align with detailed operational activities performed. Our audit identified an opportunity to improve the processes for entering data into the Maximo work management system and compiling data from the system for reporting.

- **Project D1 (Management of Riparian Planting and Invasive Plant Removal),** Variances exist between the operational data recorded in the Maximo work management system and the summary figures published in the SCW Annual Reports because of incorrect summary information being pulled from the system. While these variances did not materially affect the project's overall achievement of its KPI targets for the years reviewed, this represents an opportunity to strengthen procedural controls.

- **Project F5 (Good Neighbor Program: Encampment Cleanup)**, Our sample of work orders reviewed identified instances where the amount of work recorded in completed work orders differed from the amount of work expected and actually performed. These differences in the manual entry of "acreage of work accomplished" resulted in both under-reported and over-reported amounts of the acreage in our sample of work orders. As a result of our audit, staff have corrected the data entry errors identified and are performing a review of similar data to ensure its accuracy.

These two observations—the first related to the compilation of summary data for Project D1 and the other to the initial entry of source data for Project F5—point to an opportunity to improve procedures for ensuring data integrity from its initial entry in Maximo to its final publication in the SCW Annual Report.

Risk: When operational data is not accurately entered into the source system, or when it is not correctly compiled for reporting, there is a risk that the reliability of performance data in the SCW Annual Report could be diminished. This could reduce the ability of stakeholders to independently validate the program's progress.

Recommendation: We recommend that management enhance procedures for entering operational data into the Maximo work management system and compiling data for reporting to ensure accuracy and reliability. These procedures should include, at a minimum,

- **Data Review Processes:** Implement a supervisory review for key data fields (such as acres managed for Project F5) within Maximo work orders to verify data accuracy, comparing the amounts entered against expected results.
- **Data Reporting:** Define processes for extracting data from source systems and for reconciling detailed supporting data to the figures that will be published in the SCW Annual Report, to ensure accuracy and completeness.

Management's Response: Agree. Management agrees with the recommendations and staff will develop a process to verify that the data entered is aligned with the work performed.

Responsible Party: Deputy Operating Officer (DOO), Watersheds Operations and Maintenance Division.

Completion Date: Q4, FY26.

Finding 9: KPIs that are Open-Ended or Do Not Fully Reflect Program Activities Pose Long-Term Financial and Communication Risks

Issue: There is an opportunity to improve KPIs to ensure long-term financial sustainability and clearer communications. The KPI for Project F1.1 ("Maintain completed flood protection

projects for flow conveyance") represents a perpetual maintenance commitment. While appropriate for the project's flood protection function, an open-ended commitment of this nature poses a long-term financial commitment and risk for the program. For projects D1 and F3, the audit identified instances where specific KPI language could be enhanced for clarity and scope. The KPI for Project D1 (Management of Riparian Planting and Invasive Plant Removal) focuses exclusively on removing *Arundo donax*, which does not fully capture the work done by Valley Water on other high-priority invasive species. For Project F3 (Flood Risk Assessment Studies), the KPI's reference to "FEMA standards" for map updates could be misinterpreted by stakeholders, as the primary deliverable is an internal planning map, not an official FEMA regulatory map.

Risks:

- Project F1.1: A perpetual maintenance commitment creates a potential long-term financial risk, as unforeseen increases in future maintenance costs could consume a disproportionate amount of SCW Program funds. This could impact the funding available for other new projects and priorities in future 15-year cycles of the program.
- Projects D1 and F3: When KPI language is not clear or does not fully reflect the scope of work being performed, there is a risk of miscommunicating the program's accomplishments and challenges to the public and oversight bodies. This can lead to a misunderstanding of the project's value and progress and could create incorrect expectations about project deliverables.

Recommendation: Valley Water should enhance its review of KPIs to ensure they are financially sustainable, remain aligned with current project activities, and that their descriptions clearly articulate the project's scope and deliverables. Should this review identify the need for a modification to a KPI, management should use the established Change Control Process to bring a formal proposal to the Board.

Management's Response: Management acknowledges the recommendation. Staff is assessing related policies and processes. Depending on the outcome of those efforts, Valley Water may consider modifying the KPI in the current 15-year financial cycle or revisit it in the next 15-year financial cycle.

Responsible Party: COO, Watersheds.

Completion Date: Q4, FY26.

IV. APPENDICES

A. List of Projects Selected for Review

To facilitate the review of SCW Program execution and progress, a representative sample of projects was selected from the projects included in the renewed SCW Program.

Selection Rationale and Criteria

A judgmental sampling approach was used to select approximately one-third of the projects (11 projects were chosen). The key criteria used for selecting the sample and ensuring diversity included:

- Representation from each of the SCW Program's six priorities.
- Proportional representation based on total project budget, with more selections from priorities having higher total budgets.
- Inclusion of projects managed by different project managers and across different Valley Water divisions.
- A mix of large and small projects based on budget.
- Representation of various Key Performance Indicator (KPI) types.
- Consideration of project complexity and geographic location.
- Exclusion of projects that had not yet started or were in very early stages, as they offered limited audit evidence.
- Adaptation of the selection as needed, such as adjusting selections between priorities to ensure adequate coverage.

The initial selection was discussed with Valley Water staff, leading to minor refinements.

Final Sampled Projects

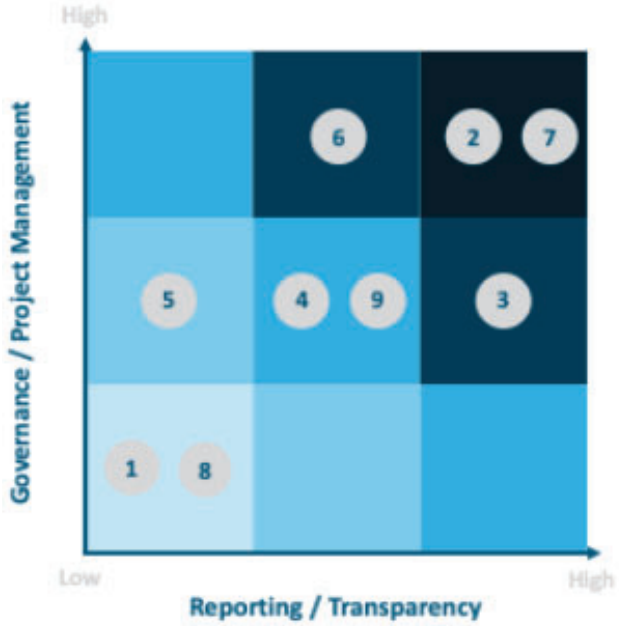
The final list of 11 projects selected for detailed audit procedures, including interviews and documentation review, is as follows:

- A2: Water Conservation Rebates and Programs
- B1: Impaired Water Bodies Improvement
- C1: Anderson Dam Seismic Retrofit
- D1: Management of Riparian Planting and Invasive Plant Removal
- D4: Fish Habitat and Passage Improvement Projects (including D4.1-D4.5 subprojects)

- E1: Coyote Creek Flood Protection
- E5: San Francisquito Creek Flood Protection: SF Bay to Upstream of Hwy 101
- E6: Upper Llagas Creek Flood Protection
- F1.1: Vegetation Control for Capacity (Flood Protection)
- F3: Flood Risk Assessment Studies
- F5: Good Neighbor Program: Encampment Cleanups

B. Prioritization of Findings

To assist the reader, this appendix summarizes the audit findings and assigns a priority level (High, Medium, or Low) to each. The priority is judgmentally determined by assessing the finding's impact on two key areas: 1) internal **Governance and Project Management** and 2) external **Reporting and Transparency**. Findings with a high impact on either area are assigned a high priority.



Finding No.	Topic	Finding Title	Priority (High / Medium / Low)
1	Measure S	The Program is Operating in Compliance with Key Measure S Provisions, with One Minor Procedural Discrepancy Noted	Low
2	Change Control / Annual Reporting	Process for Reconciling SCW Project Budgets with CIP Adjustments Needs Improvement to Enhance Reporting Reliability.	High
3	Change Control / Annual Reporting	A Clearer Crosswalk is Needed between CIP and SCW Schedule Adjustments	High
4	IMC	A Prior Audit Recommendation Regarding the IMC Conflict of Interest Policy Remains Unresolved	Medium
5	IMC	Ongoing Vacancies on the Independent Monitoring Committee Impact its Effectiveness	Medium
6	Project E5	Management of Key Partnership Projects Could Be Enhanced	High
7	Project E5	The KPI for a Key Partnership Project is Misaligned with Valley Water's Role and Authority	High
8	Projects D1 & F5	Performance Data Impacted by Inconsistent Data Entry and Reporting	Low
9	Project F1, D1 & F3	KPIs that are Open-Ended or Do Not Fully Reflect Program Activities Pose Long-Term Financial and Communication Risks	Medium

C. Summary of Findings, Recommendations and Management Responses

Issue and Recommendation Summary		Responsible Party	Summary of Management Response/Implementation Plan
Finding 1: The Program is Operating in Compliance with Key Measure S Provisions, with One Minor Procedural Discrepancy Noted			
Issue:	The audit identified a minor procedural discrepancy in how Valley Water files Measure S tax resolutions with Santa Clara County. While the measure specifies filing with the Auditor-Controller and County Recorder, current practice is to file with the County Clerk-Recorder and Tax Assessor, reflecting changes in County office structure.	CFO, Financial Planning & Management Services	Agree.
Recommendation:	Formally document the assessment that the current process meets the functional intent of Measure S, Provision C. Furthermore, incorporate clarifying language into future Board resolutions to explicitly state the specific County offices where certified copies will be filed. Document the rationale supporting the current filing process and include clarifying language in future Board resolutions specifying why certified copies are filed with the current County offices.		Management agrees with the recommendation and staff will implement this recommendation. **Implementation Date:** Q4, FY26 for FY2026-2027 Annual Rate Setting Report (May 2026).

Issue and Recommendation Summary		Responsible Party	Summary of Management Response/Implementation Plan
Finding 2: Process for Reconciling SCW Project Funding Allocations with CIP Adjustments Needs Improvement to Enhance Reporting Reliability (Priority High)			
Issue:	The process for reconciling SCW capital project funding allocations with adjustments approved in the CIP Plan needs improvement to support accurate and timely reporting in the SCW Annual Report.	CFO, Financial Planning & Management Services and AO, Office of Integrated Water Management – Business Planning and Analysis Unit	Agree. Management agrees with the recommendation and staff will implement the recommendation. **Implementation Date:** Q4, FY26.
Recommendation:	Revise methods for identifying, reconciling, and reporting SCW funding allocation adjustments. Establish a corrected baseline, create a formal reconciliation process for CIP changes, require management review before publication, and clarify public reporting expectations in the Change Control Process.		

Issue and Recommendation Summary		Responsible Party	Summary of Management Response/Implementation Plan
Finding 3: A Clearer Crosswalk is Needed between CIP and SCW Schedule Adjustments (Priority High)			
Issue:	A clearer crosswalk is needed between CIP and SCW project schedule adjustments to improve transparency for stakeholders. Currently, differences in reporting cycles and formats make it challenging to track the impact of schedule changes on KPI delivery.	AO, Office of Integrated Water Management – Business Planning and Analysis Unit	Agree.
Recommendation:	Continue the practice of clearly and visually differentiating the milestone for achieving a project's KPI from the milestones for other project phases; illustrate and explain how adjustments to capital project schedules in the CIP Plan impact the delivery schedule for the corresponding SCW Program KPI; when presenting the annual CIP Plan for Board approval, explicitly report on how proposed schedule changes will affect the KPI delivery dates for SCW projects; and update the Change Control Process to clarify how schedule changes will be made publicly available through reporting and posting on the Program's web page.		Management agrees with the recommendation and staff will implement the recommendation. **Implementation Date:** Q4, FY26.

Issue and Recommendation Summary		Responsible Party	Summary of Management Response/Implementation Plan
Finding 4: A Prior Audit Recommendation Regarding the IMC Conflict of Interest Policy Remains Unresolved			
Issue:	A prior audit recommendation to implement a conflict-of-interest policy for the Independent Monitoring Committee (IMC) has not yet been finalized or implemented.	AO, Office of Integrated Water Management – Business Planning and Analysis Unit and COB, Office of the Clerk of the Board	Agree. Management agrees with the recommendation and on Sept. 23, 2025, the Board adopted a resolution establishing new conflict of interest disclosure requirements for IMC members. **Implementation Date:** Q2, FY26.
Recommendation:	Finalize and implement a formal Conflict of Interest framework for the Independent Monitoring Committee.		
Finding 5: Ongoing Vacancies on the Independent Monitoring Committee Impact its Effectiveness			
Issue:	Ongoing vacancies on the IMC have made it challenging to consistently meet quorum requirements and distribute workload among members.	COB, Office of the Clerk of the Board	Agree. Management agrees with the recommendation and staff will explore additional recruitment strategies in partnership with the Board of Directors. **Implementation Date:** Q4, FY26.
Recommendation:	Partner with the Board to enhance recruitment strategies, to identify, attract, and recruit qualified candidates.		

Issue and Recommendation Summary		Responsible Party	Summary of Management Response/Implementation Plan
Finding 6: Management of Key Partnership Projects Could Be Enhanced (Priority High)			
Issue:	Valley Water's role in this externally led partnership, Project E5, has shifted from project lead to funding partner. The project's existing management mechanisms, designed for direct project execution, may not be the most effective tools for managing this evolving role.	COO, Watersheds	Agree.
Recommendation:	Implement a Strategic Decision & Risk Log to identify and monitor key decisions, document Valley Water's official positions, assess associated risks, and guide proactive engagement.		Management agrees with the recommendation and where applicable, staff will develop and implement a Strategic Decision & Risk Log to formalize its partnership management. **Implementation Date:** Q4, FY26.

Issue and Recommendation Summary		Responsible Party	Summary of Management Response/Implementation Plan
Finding 7: The KPI for a Key Partnership Project is Misaligned with Valley Water's Role and Authority (Priority High)			
Issue:	The KPI for Project E5 holds Valley Water accountable for a community outcome it no longer directly controls due to the transfer of leadership to the SFCJPA. The KPI, as currently worded, does not accurately reflect Valley Water's role.	COO, Watersheds	Agree.
Recommendation:	Continue to re-evaluate the KPI, shifting from an outcome-based metric to one that measures Valley Water's specific, controllable contributions, such as a funding or partnership-based deliverable.		Management agrees with the recommendation and staff will reevaluate Project E5: San Francisquito Creek Flood Protection KPIs to determine how best to reflect current realities. If it is determined that modifications to the KPIs are required, management will propose them in accordance with the Change Control Process. **Implementation Date:** Q4, FY26.

Issue and Recommendation Summary		Responsible Party	Summary of Management Response/Implementation Plan
Finding 8: Performance Data Impacted by Inconsistent Data Entry and Reporting			
Issue:	Inconsistent processes for entering and compiling operational data impacted the accuracy of reported performance figures. For Project F5, inconsistencies were noted in the initial entry of source data, while for Project D1, reported figures in the SCW Annual Report varied from the underlying data in the Maximo system.	DOO, Watersheds Operations and Maintenance Division	Agree.
Recommendation:	Enhance procedures to ensure accurate data entry and processes for ensuring final reports align with source data.		Management agrees with the recommendations and staff will develop a process to verify that the data entered is in alignment with the work performed. **Implementation Date:** Q4, FY26.

Issue and Recommendation Summary		Responsible Party	Summary of Management Response/Implementation Plan
Finding 9: KPIs that are Open-Ended or Do Not Fully Reflect Program Activities Pose Long-Term Financial and Communication Risks			
Issue:	KPIs could be improved to support long-term financial sustainability and more accurately reflect the scope of program activities. Project F1.1's KPI represents a perpetual maintenance commitment, while KPIs for Projects D1 and F3 could be enhanced for clarity and scope.	COO, Watersheds	Acknowledge.
Recommendation:	Enhance review of KPIs to ensure they are financially sustainable, remain aligned with current project activities, and that their descriptions clearly articulate the project's scope and deliverables.		Management acknowledges the recommendation. Staff is assessing related policies and processes. Depending on the outcome of those efforts, Valley Water may consider modifying the KPI in the current 15-year financial cycle or revisit it in the next 15-year financial cycle. **Implementation Date:** Q4, FY26.

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Safe, Clean Water Program Public Notice Advertisement Publication Schedule:

- San Jose Post-Record – June 26, July 6, and August 7.
- Palo Alto Daily – June 29, July 6, and August 7.
- Silicon Valley Community Newspapers (SVCN) – July 3, July 10, and August 7.
- Morgan Hill/Gilroy – July 3, July 10, and August 7.
- El Observador – July 3, July 10, and August 7.
- Vietnam Daily – July 3, July 10, and August 7.

Safe, Clean Water and Natural Flood Protection Program Modifications - Countywide

Topic: Public Hearing on Proposed Modifications to the Safe, Clean Water and Natural Flood Protection Program

Who: Santa Clara Valley Water District (Valley Water)

When: Tuesday, August 11, 2026, 1:00 p.m.

Where: Valley Water Headquarters Building Boardroom
5700 Almaden Expressway, San Jose, CA
and by Zoom Teleconference at **https://valleywater.zoom.us/j/84454515597**

Valley Water invites you to a Public Hearing regarding proposed modifications to the Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water Program or Program).

Priority E: Provide Flood Protection to Homes, Businesses, Schools, Streets, and Highways

E5: San Francisquito Creek Flood Protection, San Francisco Bay to Upstream of Highway 101 – Palo Alto (Modify Key Performance Indicators)

As part of the voter-approved Measure S, Valley Water conducted an independent professional audit of the Safe, Clean Water Program. The auditor assessed Program implementation during its first three years and evaluated governance, compliance, transparency, and progress toward meeting the program's priorities and key performance indicators (KPIs). KPIs are measurable targets used to track project outcomes and ensure program accountability under Measure S.

Among the auditor's findings was that Project E5: San Francisquito Creek Flood Protection Project's (E5) current KPIs do not fully align with Valley Water's role, because the San Francisquito Creek Joint Powers Authority (SFCJPA), not Valley Water, is the lead agency responsible for overall project delivery. In response, Valley Water is proposing modifications to Project E5's KPIs to better reflect Valley Water's role as a funding partner in the project.

The proposed modification replaces the existing KPIs #1 and #2 with a modified KPI #1 to focus on Valley Water's funding contributions rather than project delivery outcomes outside Valley Water's direct control.

Proposed KPI Modifications:

1. ~~Preferred project with federal, state and local funding: Protect more than 3,000 parcels by providing 1% (100-year) flood protection.~~

2. ~~With state and local funding only: Protect approximately 3,000 parcels by providing 1% (100-year) flood protection downstream of Highway 101, and approximately 1.4% (70-year) protection upstream of Highway 101.~~

1. ***Provide the San Francisquito Creek Joint Powers Authority a portion of funds commensurate with the project's benefits to Santa Clara County, to provide flood protection along San Francisquito Creek.***

Priority F: Support Public Health and Public Safety for Our Community

F6: Good Neighbor Program – Graffiti and Litter Removal and Public Art (Modify KPI and Expand Project Scope)

Staff also proposes expanding the scope of Project F6: Good Neighbor Program – Graffiti and Litter Removal and Public Art (F6), specifically the Public Art Program and the associated KPI #3. The proposed modification is to extend the Public Art Program beyond Valley Water-owned property and infrastructure. The proposed modification would allow funding for eligible public art projects throughout Santa Clara County, rather than limiting funding to projects on Valley Water property and infrastructure. It will better align the program with Valley Water's strategic goals, available funding, and staffing capacity. It aims to use public art to support broader community benefit, create more opportunities for public education regarding water and environmental stewardship, deter graffiti and litter, and ultimately increase community benefit.

Proposed KPI #3 Modification:

> "*Provide up to $1.5 million over 15 years to implement* ***or fund*** *public art projects* ~~*on Valley Water property and infrastructure*~~*."*

Proposed Description Modification (Scope)

To maintain consistency with the proposed change to KPI#3, staff recommends the following modification to the Project F6 description:

> "This project allows Valley Water to continue responding to requests for cleanup of illegal dumping, trash and graffiti on Valley Water's property and rights-of-way. Cleanup efforts include graffiti removal from floodwalls, concrete embankments, signs, structures and other Valley Water assets, as well as maintaining, repairing and installing fences and gates so that Valley Water structures and facilities remain safe and clean. The project also funds installation and maintenance of public art projects, such as murals~~, to beautify Valley Water property and infrastructure, to~~ **in public spaces throughout Santa Clara County to educate the public about water and environmental stewardship, which in turn will also** help deter graffiti and litter."

This meeting is being held in accordance with the Brown Act. The 1:00 p.m., August 11, 2026, public hearing will be held during a board meeting and is accessible for public in-person participation at the time, date, and location shown above, and by public virtual participation at the Zoom link above. Document(s) associated with this hearing are available for public inspection prior to the meeting in the Clerk of the Board's Office and online at *valleywater.org*, and will be available at the meeting.

For more information, contact Luz Penilla, Assistant Officer, at **408-630-2228**.

Important Notices:

Valley Water, in complying with the Americans with Disabilities Act (ADA), requests individuals who require special accommodations to access and/or participate in Valley Water Board meetings to please contact the Clerk of the Board's office at (408) 630-2277, at least 3 business days before the scheduled Valley Water Board meeting to ensure that Valley Water may assist you. Reasonable efforts will be made to accommodate persons with disabilities.
重要通知：
Valley Water 遵守美國殘疾人法案 (ADA)，要求需要特殊便利才能訪問和/或參加 Valley Water 委員會會議的個人請致電 (408) 630-2277 聯繫委員會辦公室的書記員，網址為在預定的 Valley Water 委員會會議召開前至少 3 個工作日，以確保 Valley Water 可以為您提供幫助。將做出合理的努力以容納殘疾人。

Thông báo quan trọng:
Valley Water, để tuân thủ Đạo luật Người Mỹ Khuyết tật (ADA), yêu cầu những cá nhân cần điều chỉnh đặc biệt để tiếp cận và/hoặc tham gia các cuộc họp của Hội đồng Valley Water vui lòng liên hệ với Văn phòng Thư ký của Hội đồng theo số (408) 630-2277, tại ít nhất 3 ngày làm việc trước cuộc họp đã lên lịch của Hội đồng Valley Water để đảm bảo rằng Valley Water có thể hỗ trợ bạn. Những nỗ lực hợp lý sẽ được thực hiện để hỗ trợ người khuyết tật.

Aviso Importantes:
Valley Water, en cumplimiento de la Ley de Estadounidenses con Discapacidades (ADA), solicita a las personas que requieren adaptaciones especiales para acceder y/o participar en las reuniones de la Junta de Valley Water que se comuniquen con la oficina del Secretario de la Junta al (408) 630-2277, al menos 3 días hábiles antes de la reunión programada de la Junta de Valley Water para asegurarse de que Valley Water pueda ayudarlo. Se harán esfuerzos razonables para acomodar a las personas con discapacidades.

FREQUENTLY ASKED QUESTIONS

Proposed Modifications to the Safe, Clean Water Program: Projects E5 and F6

YOUR TAX DOLLARS AT WORK

Valley Water

Safe, Clean Water and Natural Flood Protection



San Francisquito Creek

Frequently Asked Questions (FAQ)

This FAQ addresses proposed modifications to two projects in the voter-approved Safe, Clean Water and Natural Flood Protection Program.

Project E5 is the San Francisquito Creek Flood Protection Project, for which Reach 2, stretching from Highway 101 upstream to the Pope-Chaucer Bridge, remains to be completed. Project F6 is the Good Neighbor Program: Graffiti and Litter Removal and Public Art, which provides countywide benefits.

General

Why is Valley Water proposing changes to these projects?

Valley Water wants to change Project E5 Key Performance Indicators (KPIs), so its performance goals align with the agency's responsibilities. An independent audit of the Safe, Clean Water Program recommended changing the KPIs so they better reflect Valley Water's role and keep the program transparent and accountable. For Project F6, staff suggested changes to improve community benefits and better match Valley Water's goals and resources.

What role did the independent audit play?

PMA Consultants reviewed the program implementation from July 1, 2021, through June 30, 2024. Their audit identified nine findings and recommended changing certain project KPIs so they stay financially realistic, match current project activities, and clearly show what each project is supposed to deliver. The full audit report is available at *tinyurl.com/SCWauditFY22-24*.

The audit recommended reevaluating the KPI for Project E5. Their suggestion was to change it so it reflects Valley Water's actual role as a funding partner and as one of the five member agencies in the San Francisquito Creek Joint Powers Authority (SFCJPA), rather than holding Valley Water accountable for outcomes controlled by another agency.

continued on back →

Has the Valley Water Board approved these modifications?

No. On June 23, 2026, the Board began a public hearing process after the Board Policy and Monitoring Committee (BPMC) reviewed the proposed recommendations and supported them.

The Board has not approved the proposed modifications. The public hearing will open on July 14, 2026, and continue through August 11, 2026. The Board will then decide whether to continue or close the hearing. The purpose of the public hearing is to gather community input before the Board decides whether to approve, revise, or reject the recommended modifications. The Board will make its decision after the public hearing has closed.

Why is a public hearing required?

The Safe, Clean Water Program Change Control Process requires a public hearing whenever a proposed modification affects a project's description, KPI, or funding allocation in a way that impacts KPI delivery. The hearing provides transparency and an opportunity for public participation.

Are these changes reducing Measure S funding?

No. The proposed modifications do not reduce the Safe, Clean Water Program funding allocated to either Project E5: San Francisquito Creek Flood Protection or Project F6: Good Neighbor Program: Graffiti and Litter Removal and Public Art.

Are KPIs allowed to change after voters approved Measure S?

Yes. Measure S includes a Board approved Change Control Process that allows the Board to consider modifications to the program. This process defines a modification as any change to a project's description, project KPI, or funding allocation that affects the delivery of any KPI. Any proposed modification must go through the required public process. The public hearing gives the community a chance to review the proposed modifications and share input before the Board decides.

Can the Board modify the proposed KPI based on public input?

Yes. The purpose of the public hearing is to gather comments and recommendations from the public. After reviewing that input, the Board may approve the proposal as presented, direct changes to it, or reject the proposed modifications.

How can the public participate?

Community members are encouraged to take part throughout the Change Control Process. They can submit written comments, attend Board meetings and the public hearing, and share testimony before the Board considers the proposed modifications. The Board will review all public comments before deciding whether to approve, revise, or reject the proposed modifications. While the public may suggest changes, any modifications to the Safe, Clean Water Program KPIs must be formally considered and approved by the Valley Water Board through the Change Control Process.



Friendship Bridge at San Francisquito Creek

Project E5 : San Francisquito Creek Flood Protection

Who is responsible for delivering the San Francisquito Creek project?

The San Francisquito Creek Joint Powers Authority (SFCJPA) is responsible for planning, designing, permitting, coordinating funding, and constructing the project. Valley Water is one of five member agencies and participates according to the SFCJPA Joint Powers Agreement.

Community members who want to follow the pace or direction of the San Francisquito Creek project can attend SFCJPA Board meetings or send comments directly to the SFCJPA. Meeting schedules, agendas, and contact information are available on the *SFCJPA website*.

Why is Valley Water proposing to modify the Project E5 KPI?

The independent performance audit found that the current KPI measures an outcome that Valley Water does not control. The San Francisquito Creek Joint Powers Authority (SFCJPA), not Valley Water, is responsible for delivering the overall project. The proposed KPI is meant

continued on back →

to better match Valley Water's actual responsibilities as one of five member agencies with equal roles, and as a funding partner.

Is Valley Water withdrawing from the San Francisquito Creek project?

No. Valley Water remains a member of the SFCJPA and continues to participate according to its responsibilities as outlined in the *SFCJPA member agreement*. The proposal does not reduce Valley Water's funding commitment under the Safe, Clean Water Program.

Valley Water continues to provide funding for known project elements, including the local cost share for the Newell Road Bridge Replacement. At the same time, the SFCJPA is continuing to seek additional federal, state, and local funding for the remaining project elements that are still being planned.

Does this proposal weaken Valley Water's commitment to the project?

No. The proposal only changes how Valley Water measures its performance under Measure S; it does not change the project's flood protection objectives, Valley Water's participation in the project or SFCJPA partnership, or any existing funding commitments.

In fact, Valley Water's Safe, Clean Water Program funding for Project E5 has increased over time as project costs have been refined. Since the renewed Safe, Clean Water Program began, funding for Project E5 has grown from approximately $11.5 million to approximately $26.3 million, showing Valley Water's continued financial commitment to the project.

Does this proposal eliminate Valley Water's commitment to flood protection?

No. Flood protection is still the primary purpose of the project, and this benefit is clearly stated in the proposed KPI. The proposed KPI focuses on the responsibilities Valley Water can directly measure under the Safe, Clean Water Program, rather than the overall project outcome, which is not within Valley Water's control.

Why isn't the proposed KPI based on flood protection outcomes?

Valley Water is not the lead agency, so it cannot independently guarantee delivery of the overall flood protection outcome. The project outcome depends on the actions of the SFCJPA and its five member Board. Valley Water holds one of five seats on the SFCJPA Board. The cities of East Palo Alto, Menlo Park, Palo Alto and One Shoreline hold the other four seats, and they all equally share responsibility for project implementation and funding according to the current SFCJPA member agreement.

The SFCJPA is responsible for overall project planning, design, permitting, funding coordination, and construction. The proposed KPI modification, therefore, measures Valley Water's responsibilities under Measure S rather than outcomes that depend on actions taken by all SFCJPA member agencies, each of which has one vote as a member agency.

Does the proposed KPI change Valley Water's contractual obligations?

No. The *existing agreement* among the SFCJPA member agencies remains unchanged. The proposal only changes the Measure S performance metric. It does not change Valley Water's funding responsibilities, partnership commitments, or any other responsibilities established through the existing membership agreement.

Why is Valley Water's role different now from the lead role it took on the Reach 1 project?

Valley Water's role as the lead for construction of Reach 1 was established in a Construction Management agreement between the SFCJPA and Valley Water in 2015 (see the San Francisquito Creek Project Timeline). There is no similar current agreement that designates Valley Water as the lead for project planning, design, or construction of Reach 2.

If the SFCJPA Board determines that it is in the best interest of the project for Valley Water to serve as the lead for any phase, agreements similar to those used for the Reach 1 project can be executed.

If members of the public want to advocate for Valley Water to have a lead role in the Reach 2 project, *SFCJPA Board meetings* are an appropriate venue for those public comments.



Aerial view of San Francisquito Creek

continued on back →

What does 'commensurate with the project's benefits to Santa Clara County' mean?

The Safe, Clean Water Program/Measure S is a Santa Clara County voter approved special parcel tax and is fully funded by Santa Clara County taxpayers.

Safe, Clean Water funds are intended to provide benefits for Santa Clara County through the delivery of the program's priorities. Because of this, the proposed language recognizes that Valley Water's financial participation should be proportional to the flood protection benefits the project provides within Santa Clara County. It does not change the project's existing funding under the program or modify existing agreements among the partner agencies. It simply acknowledges that Valley Water's financial participation should align with the level of flood-protection benefits the project delivers within Santa Clara County.

Does this proposal affect Valley Water's current role or technical support?

No. The KPI addresses performance measurement only. It does not establish or eliminate technical support that may be provided through separate agreements, Board direction, or Valley Water's participation in the SFCJPA. It also does not change Valley Water's role as a member agency of the SFCJPA.

Why is Valley Water proposing this change now?

The proposal went through several steps. It began with the independent performance audit. After that, the Board directed staff to send the audit's recommended changes to the Board Policy and Monitoring Committee (BPMC) for review. Staff evaluated the audit recommendations, and the BPMC reviewed them and expressed support. With that completed, the Board then directed staff to begin the public hearing process.



Graffiti and Litter Removal and Public Art

Project F6 : Good Neighbor Program - Graffiti and Litter Removal and Public Art

What changes are proposed for the Public Art Program?

The proposal would allow Valley Water to implement or fund eligible public art projects beyond Valley Water-owned property and infrastructure, expanding accessibility and opportunities for public education about water resources and environmental stewardship while helping deter graffiti and litter.

Does this reduce graffiti removal or litter cleanup?

No. Graffiti removal, litter cleanup, fence maintenance, and related activities would continue as described in the project.

Why expand public art beyond Valley Water property?

The proposed change is intended to increase community benefit, public engagement, improve program feasibility, and better align the program with Valley Water's strategic goals and available resources.

CONTACT US

To find out the latest information on Valley Water projects or to submit questions or comments, use our **Access Valley Water** customer request system at ***access.valleywater.org***.

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San Francisquito Creek Project Timeline

1998
During the February 1998 El Nino event a flood of record on San Francisquito Creek caused an estimated $28 million in damages in Palo Alto, East Palo Alto, and Menlo Park. The impact of this flood event was widespread because San Francisquito Creek runs along the border of San Mateo and Santa Clara counties.

1999
The cities of East Palo Alto, Palo Alto, Menlo Park, the San Mateo County Flooding and Sea Level Resiliency District, and Valley Water formed the San Francisquito Creek Joint Powers Authority (SFCJPA) to lead projects that mitigate the risk of flooding along San Francisquito Creek and the Bay.

2000
The Clean, Safe Creeks and Natural Flood Protection Plan (Clean, Safe Creeks Plan) was approved by voters, providing funding for the San Francisquito Creek Flood Protection Project.

2009
The Project was separated into two reaches: Reach 1 was the San Francisco Bay to Highway 101; and Reach 2 was focused on Upstream of Highway 101.

2012
The Safe, Clean Water and Natural Flood Protection Program was approved by voters and replaced the Clean, Safe Creeks Plan in entirety. Work continued with planning and design, with Valley Water providing technical expertise and support in the management of the design consultant.

2014
SFCJPA member agencies entered into a construction funding agreement for the SF Bay to Highway 101 project (Reach 1) with Valley Water providing the bulk of the construction funding, which required shifting funds originally planned for use on the Upstream of Highway 101 project (Reach 2)

2015
Valley Water's role as the lead for construction of Reach 1 was established in a Construction Management agreement between the SFCJPA and Valley Water.

2016
Based on an agreement with the SFCJPA, Valley Water bid and awarded a construction contract for the Reach 1 Project and served as the construction lead.

2019
Construction of Reach 1 was completed, providing 100-year (1%) flood protection downstream of Highway 101.

2019
An Environmental Impact Report (EIR) was adopted by the SFCJPA Board. Valley Water utilized existing on-call consultant agreements to issue task orders for design and the US Army Corps of Engineers (USACE) CAP 205 study for channel widening began for the Upstream of Highway 101 reach (Reach 2).

2020
In November the renewed Safe, Clean Water Program was approved by voters.

2021
The Safe, Clean Water Program's Independent Monitoring Committee recommended that the Board initiate the first of the Program's required independent professional audits earlier than the planned initiation for the 5th year of the Program. The Board directed staff to first initiate a closeout audit of the 2012 Safe, Clean Water Program. After its completion, staff initiated the audit for the renewed Safe, Clean Water Program.

2022
Valley Water issued task order for channel widening design.

2022
The December 31, 2022 flood event produced the second-highest of recorded flows.

2023
In May 2023, Valley Water sent a letter to request guidance from the SFCJPA on the desired design flow, which also confirmed Valley Water is leading the design of several project elements.

2023
In June 2023, Valley Water submitted a technical memoranda on updated stream hydrology and capacity based on findings from the December 31, 2022 flood event to the SFCJPA.

2023
In September of 2023 the SFCJPA response letter stated that the SFCJPA would conduct an independent analysis of hydraulics and updated capacity, and will confirm the design with its members and would provide its findings to Valley Water.

2024
In February 2024, an independent review led by the SFCJPA was completed and confirmed Valley Water's hydrology and updated capacity findings. **The results required a reevaluation and redesign of the Reach 2 Project.***

2025
In the fall of 2025, the renewed Safe, Clean Water and Natural Flood Protection Program audit was completed. The audit was conducted by PMA Consultants and evaluated the Safe, Clean Water and Natural Flood Protection Program's implementation from July 1, 2021, through June 30, 2024. The audit identified nine findings and included recommendations to review and update certain project KPIs to ensure they remain financially sustainable, aligned with current project activities, and clearly reflect project scope and intended deliverables. The audit report can be found at *tinyurl.com/SCWauditFY22-24*.

2025
The Board received the Audit Report on November 12, 2025, and directed that the appropriate Board committee evaluate the Auditor's recommendations and determine whether KPI revisions were warranted. The Board Policy and Monitoring Committee (BPMC) was assigned.

2026
On April 21, 2026, the BPMC reviewed proposed revisions to the KPIs of the renewed Safe, Clean Water Program, which included a review of the proposed modified KPI language for the San Francisquito Creek Flood Protection Project (Project E5) and a staff recommended modification to Project F6, the Good Neighbor Program: Graffiti and Litter Removal and Public Art. **Following staff's presentation, the SFCJPA Executive Director made a public comment in support of the proposed revisions to Project E5, the San Francisquito Creek Flood Protection Project.** To view the April 21, 2026, BMPC meeting, visit: *https://fta.valleywater.org/dl/JqPTJw6xykH6*

2026
On June 23, 2026, the Valley Water Board of Directors reviewed proposed modifications to Projects E5 and F6 and set the time and place for a public hearing on the proposed modifications to Projects E5 and F6 of the Safe, Clean Water and Natural Flood Protection Program for 1:00 PM on July 14, 2026, at the Santa Clara Valley Water District Boardroom, 5700 Almaden Expressway, San Jose, California, and via Teleconference Zoom Board Meeting

***As of June 2026, the SFCJPA is continuing to re-evaluate and re-design the Reach 2 Project.**

The proposed modification to the KPI does not reduce the project's funding under the Safe, Clean Water Program. Because the project has not yet been fully defined or designed by the SFCJPA, and the benefit to Santa Clara County remains undefined, an accurate and reliable cost estimate is not currently available. Consequently, it is not possible at this time to determine the portion of funding that is commensurate with the project's benefits to Santa Clara County.

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Safe, Clean Water and Natural Flood Protection

Proposed Modifications

Presented by: **Jessica Collins,** Business Planning and Analysis Unit Manager

August 11, 2026

Valley Water

Agenda

- Renewed Safe, Clean Water Program
- Change Control Process
- Proposed Modifications
- Next Steps

History of Voter-approved Measures



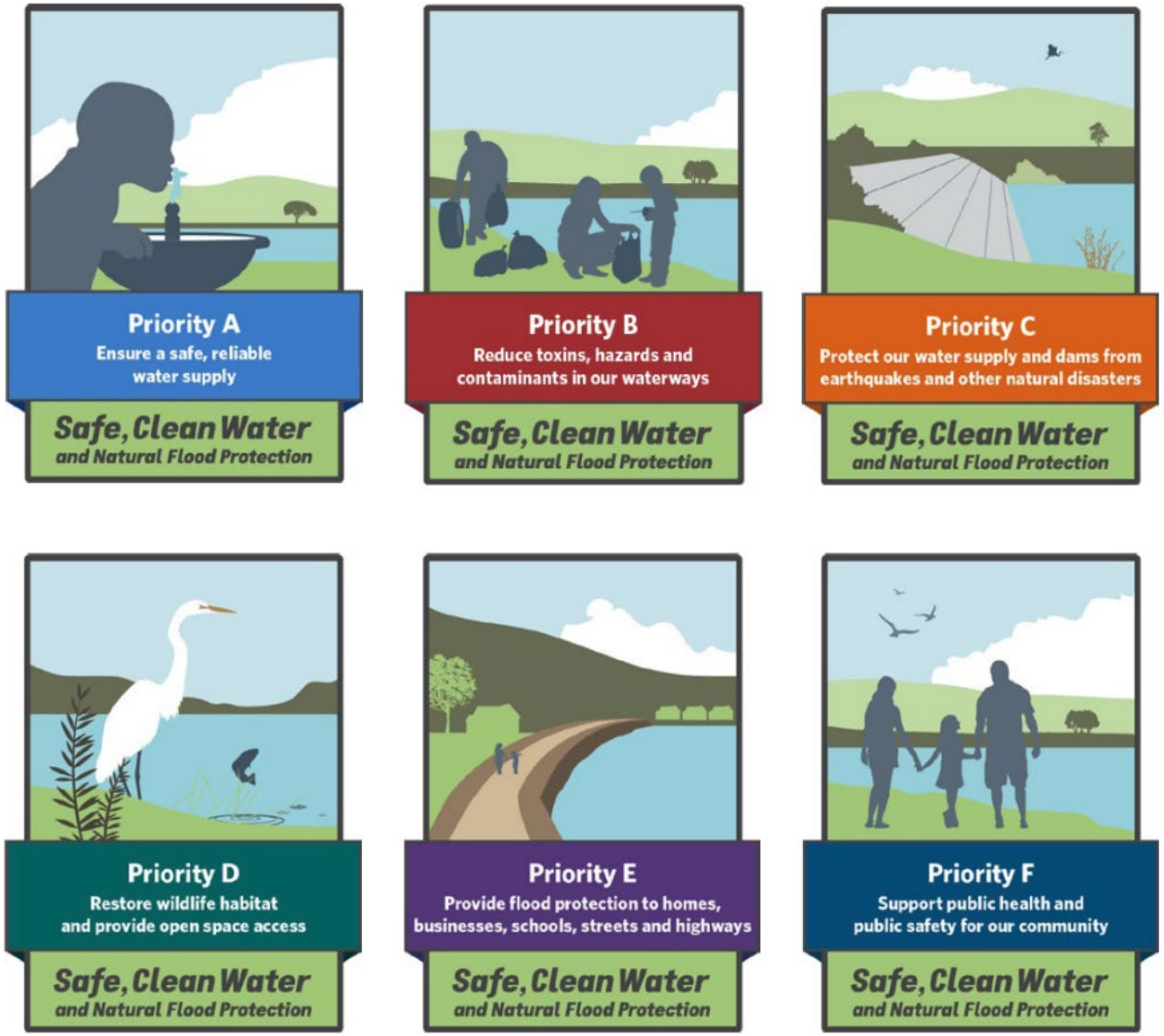
Two-thirds of voters approved the 15-year Clean, Safe Creeks and Natural Flood Protection Plan

74% of voters approved the 15-year Safe, Clean Water and Natural Flood Protection Program focused on 5 priorities

75% of voters approved the renewal of the Safe, Clean Water and Natural Flood Protection Program, focused on 6 priorities

Valley Water

Community-Preferred Priorities



Transparency and Accountability



Multiple 15-Year Financial Planning Cycles



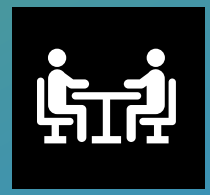
5-Year Checkpoints and Implementation Plans



Annual Reports; Website Updates



Independent Monitoring



5-Year Professional, Independent Audits



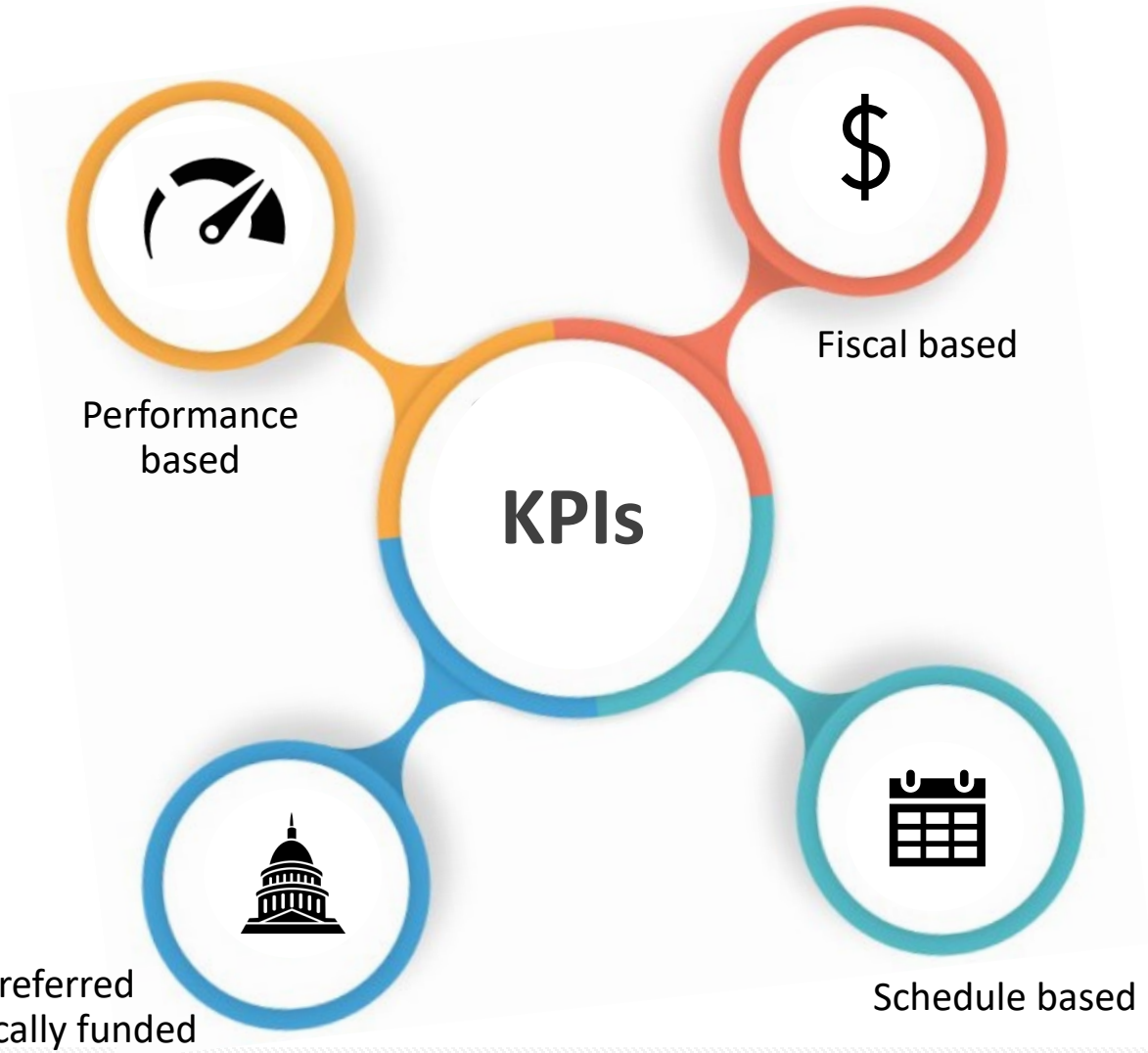
Change Control Process



Public & Interested Parties Engagement Process every 15-years

Monitoring Projects & Program Performance

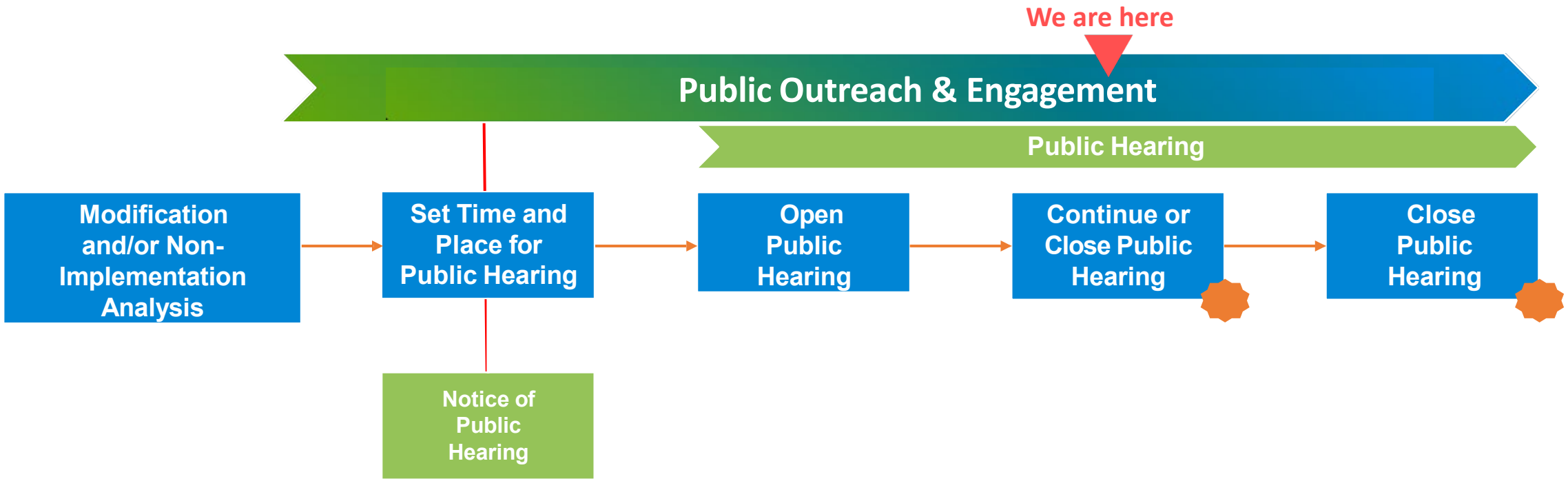
- KPIs are contained in the election resolution approved by the voters
- Staff, IMC, or Board may recommend KPI adjustment or modification
- Board may modify or adjust KPIs as per the Change Control Process



Change Control Process

Change Control Process: Recent Improvements

Standard Process Timeline*



Board Meeting

Public Hearing Process

Public Outreach & Engagement

Board Direction Provided After Close of Public Hearing

* Estimated duration 2-3 months, may require Board Committee Meetings.

Change Control Process: Recent Improvements

Definitions

Adjustment (publicly noticed Board meeting)	**Changes** to the project text or funding allocation that **do not impact** the delivery of any project **KPI**, or changes to a project schedule. Adjustments may include change(s) to a KPI when the purpose of such change(s) is to clarify the project KPI to be consistent with the applicable project description in the approved Program
Modification (formal public hearing)*	**Changes** to project description, project KPI, or funding allocation that **impact** the delivery of any project **KPI.**
Not Implement (formal public hearing)*	**A decision** by the Board to **not implement** a **project**

*Aligns with District Act (Section 12(a)) for public notice requirements.

Proposed Modifications

Project E5: San Francisquito Creek Flood Protection (Palo Alto)

Auditor Finding #7 and Proposed Modifications

Current KPI #1 and KPI #2:

1. "Preferred project with federal, state and local funding: Protect more than 3,000 parcels by providing 1% (100-year) flood protection."

2. "With state and local funding only: Protect approximately 3,000 parcels by providing 1% (100-year) flood protection downstream of Highway 101, and approximately 1.4% (70-year) protection upstream of Highway 101."

Auditor Finding (Finding 7):

- KPI holds Valley Water accountable for flood protection outcome, while Valley Water has no direct control or authority to ensure this outcome is achieved

- KPI does not accurately reflect Valley Water's current role as a funding partner

Project E5: San Francisquito Creek Flood Protection (Palo Alto)

Auditor Finding #7 and Proposed Modifications

Proposed KPI #1 and KPI #2 Revisions:

~~1. "Preferred project with federal, state and local funding: Protect more than 3,000 parcels by providing 1% (100-year) flood protection."~~

~~2. "With state and local funding only: Protect approximately 3,000 parcels by providing 1% (100-year) flood protection downstream of Highway 101, and approximately 1.4% (70-year) protection upstream of Highway 101.~~

1. Provide the San Francisquito Creek Joint Powers Authority a portion of funds commensurate with the project's benefits to Santa Clara County, to provide flood protection along San Francisquito Creek.

Project F6: Good Neighbor Program: Graffiti | Litter Removal |Public Art

Proposed Modifications

Current KPI #3:

3. "Provide up to $1.5 million over 15 years to implement public art projects on Valley Water property and infrastructure."

Purpose of Proposed Modification:

Allow funding of public art projects beyond Valley Water property and infrastructure to educate the public about water and environmental stewardship

Proposed KPI #3:

3. "Provide up to $1.5 million over 15 years to implement or fund public art projects ~~on Valley Water property and infrastructure~~."

Project F6: Good Neighbor Program: Graffiti | Litter Removal |Public Art

Proposed Modifications

Project Description (Scope):

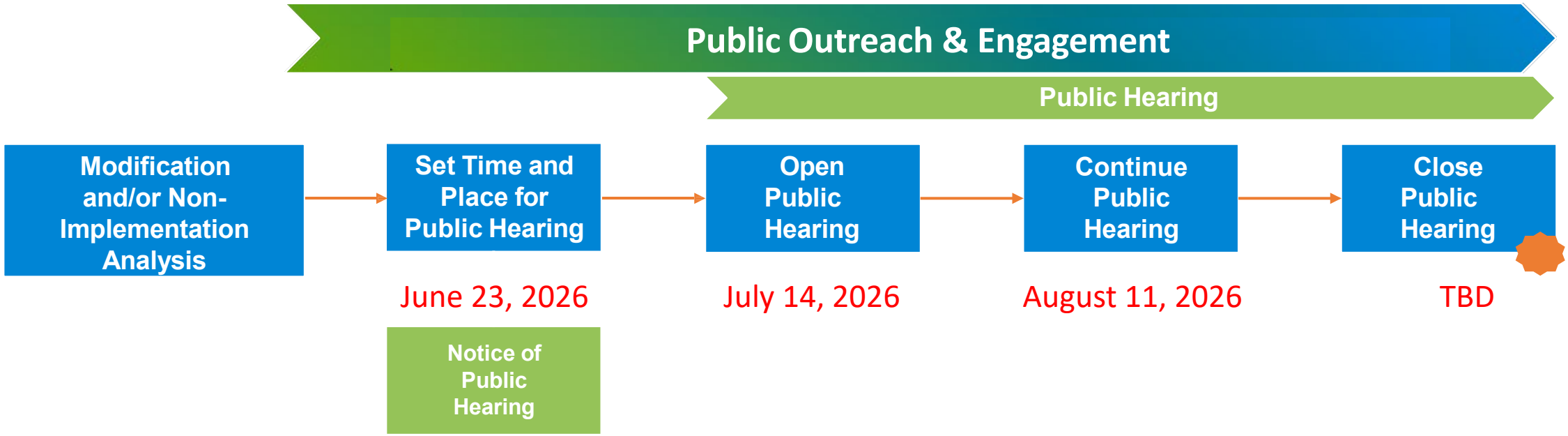
To maintain consistency with the proposed change to KPI#3, staff recommends the following changes to the Project F6 description:

> "This project allows Valley Water to continue responding to requests for cleanup of illegal dumping, trash and graffiti on Valley Water's property and rights-of-way. Cleanup efforts include graffiti removal from floodwalls, concrete embankments, signs, structures and other Valley Water assets, as well as maintaining, repairing and installing fences and gates so that Valley Water structures and facilities remain safe and clean. The project also funds installation and maintenance of public art projects, such as murals, ~~to beautify Valley Water property and infrastructure, to~~ in public spaces throughout Santa Clara County to educate the public about water and environmental stewardship, which in turn will also help deter graffiti and litter."

Next Steps

Change Control Process: Recent Improvements

Standard Process Timeline*



Board Meeting

Public Hearing Process

Public Outreach & Engagement

Board Direction Provided After Close of Public Hearing

* Estimated duration 2-3 months, may require Board Committee Meetings.

QUESTIONS



Valley Water



Valley Water

Clean Water • Healthy Environment • Flood Protection

Frequently Asked Questions and Answers (FAQs)

Q1: Are KPIs allowed to change after voters approved Measure S?

A.

- *Yes. Measure S (Safe, Clean Water Program or Program) includes a Board-approved Change Control Process that allows the Board to consider modifications to the Program.*
- *Any change impacting project descriptions, benefits, KPI, or funding allocations follows the Board-approved Change Control Process*
- *Public hearing to modify a project ensures transparency and provides the opportunity for community input before a Board action*

FAQs (continued)

Q2: Why is Valley Water proposing changes to these projects?

A. ***Project E5***

- *Responds to the independent performance audit recommendation*
- *Current KPIs measure outcomes outside Valley Water's control*
- *Proposed KPI aligns with Valley Water's role as a funding partner and one of the five equal members of SFCJPA*

Project F6

- *Staff-initiated proposal*
- *Increases community benefits*
- *Improves long-term program feasibility*
- *Better aligns the project with Valley Water's strategic priorities and available resources*

FAQs (continued)

Q3: Who is responsible for delivering the San Francisquito Creek project?

A.
- *SFCJPA is the lead agency responsible for:*
  - *Project planning and design*
  - *Environmental permitting*
  - *Funding coordination*
  - *Construction delivery*
- *Valley Water is one of five SFCJPA member agencies*
- *Valley Water participates in accordance with the Joint Powers Agreement*
- *Community members interested in the pace or direction of the project may provide input directly through SFCJPA Board meetings and public comment opportunities*

FAQs (continued)

Q4: Is Valley Water withdrawing from the San Francisquito Creek project?

A.

- *No. Valley Water remains an SFCJPA member*
- *Safe, Clean Water Program funding commitment remains unchanged, including the local cost share for the Newell Road Bridge Replacement*
- *SFCJPA continues pursuing additional federal, state, and local funding for the remaining project elements, which are still being planned*

Q5: Does this proposal weaken Valley Water's commitment to the project?

A.

- *No. The proposal only changes how performance is measured under the Program*
- *It does not change Valley Water's commitment, and Valley Water remains an active SFCJPA partner with no change to existing responsibilities or funding commitments*
- *Project's flood protection objectives remain unchanged*
- *Since 2022, Program funding has increased from $11.5 million to ~$26.3 million, reflecting Valley Water's continued financial commitment*

FAQs (continued)

Q6: Does this proposal eliminate Valley Water's commitment to flood protection?

A.

- *No. Flood protection remains the project's primary purpose and benefit.*
- *The proposed KPI focuses on Valley Water's measurable responsibilities under the Program*
- *Overall flood protection outcomes depend on the collective actions of the SFCJPA, not Valley Water alone*

Q7: Why isn't the proposed KPI based on flood protection outcomes?

A.

- *SFCJPA is the lead agency responsible for planning, design, permitting, funding coordination, and construction*
- *Valley Water is one of five SFCJPA member agencies and funding partners, participating under the Joint Powers Agreement*
- *Project outcomes depend on all five SFCJPA member agencies, not Valley Water alone*
- *Proposed KPI measures Valley Water's responsibilities under the Program, rather than outcomes outside its control*

FAQs (continued)

Q8: Does the proposed KPI change Valley Water's contractual obligations?

A.
- *No. Existing SFCJPA agreements remain unchanged.*
- *Proposal only changes the Program's performance metric*
- *No changes to funding responsibilities or partnership commitments, or other responsibilities established through the existing membership agreement*

Q9: Why is Valley Water's role in Reach 2 different from Reach 1?

A.
- *Valley Water led Reach 1 under a 2015 Construction Management Agreement*
- *No comparable agreement exists for Reach 2*
- *SFCJPA remains the lead agency for Reach 2*
- *Future lead roles would require SFCJPA Board approval and new agreements*
- *SFCJPA Board meetings are the best venue for public input on Valley Water's role in Reach 2*

FAQs (continued)

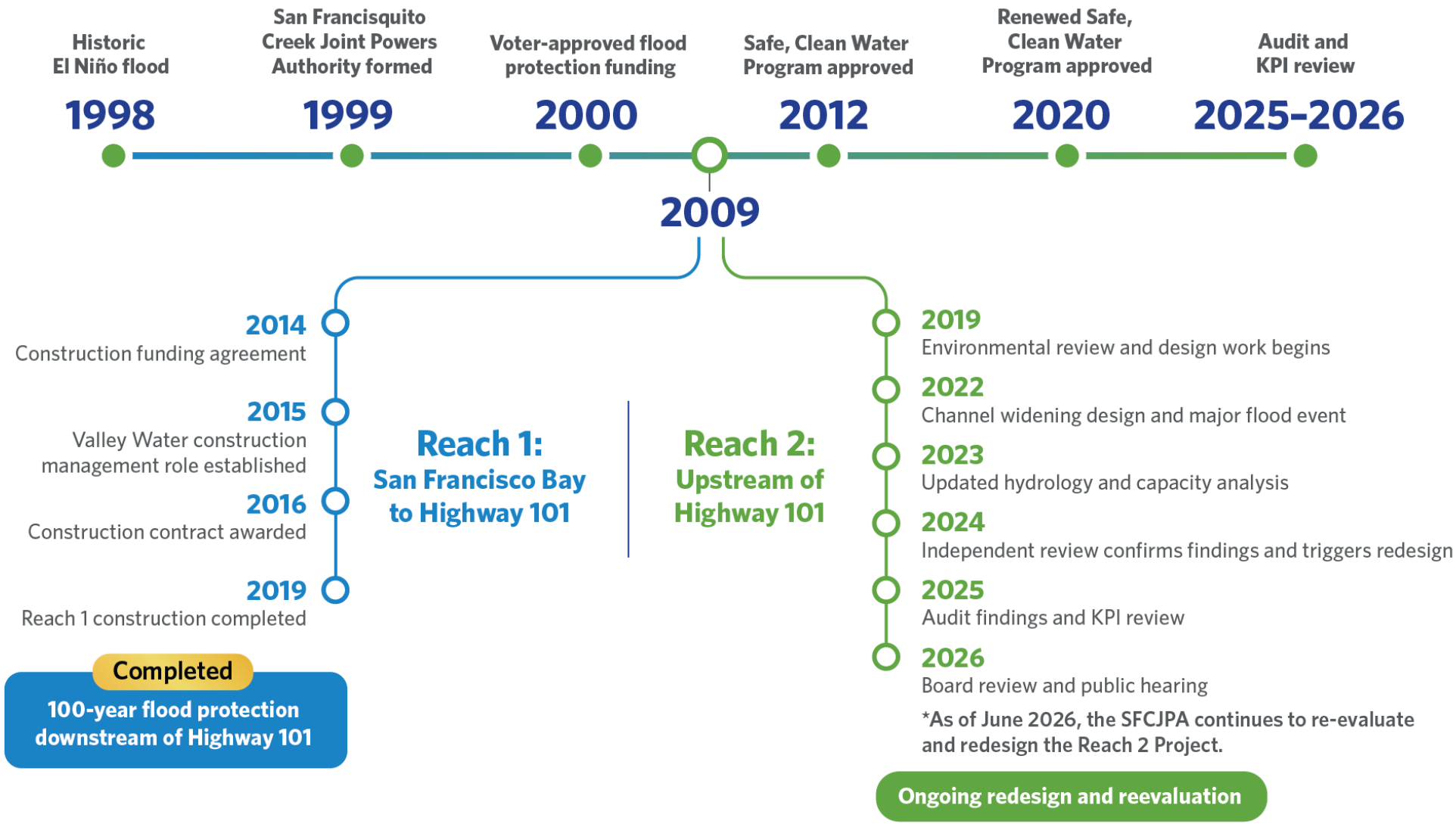
Q10: What does "commensurate with the project's benefits to Santa Clara County" mean?

A.
- *Safe, Clean Water Program is funded by Santa Clara County taxpayers*
- *Valley Water's financial participation should be proportional to the flood protection benefits the project provides within Santa Clara County*
- *No change to current Program funding allocations or SFCJPA agreements*
- *Provides a framework for future funding decisions as project benefits are defined*

Q11: Does this proposal affect Valley Water's current role or the technical support provided by Valley Water?

A.
- *No. KPI change affects performance measurement only*
- *No change to Valley Water's role as an SFCJPA member agency*
- *Technical support continues under existing agreements and Board direction*

San Francisquito Creek Project Timeline



The proposed modification to the KPI does not reduce the project's funding under the Safe, Clean Water Program. Because the project has not yet been fully defined or designed by the SFCJPA, and the benefit to Santa Clara County remains undefined, an accurate and reliable cost estimate is not currently available. Consequently, it is not possible at this time to determine the portion of funding that is commensurate with the project's benefits to Santa Clara County.



Valley Water

Clean Water • Healthy Environment • Flood Protection

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Outlook

Clarification Requested on Measure S KPI E5 and San Francisquito Creek Flood Protection

From Hamilton Hitchings <hitchingsh@yahoo.com>
Date Tue 06/30/2026 08:04 PM
To Board of Directors <board@valleywater.org>

***** This email originated from outside of Valley Water. Do not click links or open attachments unless you recognize the sender and know the content is safe. *****

Dear Chair and Members of the Valley Water Board,

Ahead of the July 14 discussion of Measure S KPI E5 for San Francisquito Creek Flood Protection, I am writing to request clarification on Valley Water's ongoing role, technical participation, and funding commitment to the San Francisquito Creek Joint Powers Authority.

At the June 23 Valley Water Board meeting, staff publicly assured the community that the proposed KPI E5 modification would change only how Valley Water measures the success of its work with the JPA, not Valley Water's participation, role, or funding allocation. Specifically, during the staff presentation, staff stated:

"This proposed KPI modification has no impact on Valley Water's participation with or role with the San Francisquito Creek Joint Powers Authority or on the project's funding allocation. The KPI revision is only pertinent to how we track Safe Clean Water Program and Project Performance."

That assurance was helpful. However, I am concerned that Director Hsueh's comments at the April 21 Valley Water Board Policy and Monitoring Committee meeting may suggest a more restrictive interpretation. Director Hsueh stated that Valley Water stands ready to provide technical support, but that such support must be initiated by the JPA through an agreement with clear roles and responsibilities. I have included the video link and timestamp for reference:

https://scvwd.granicus.com/MediaPlayer.php?view_id=3&clip_id=2406 timestamp starting at 17:02

I respectfully request that Valley Water staff and Director Hsueh clarify the following for the public, the City of Palo Alto, and the SFC JPA:

1. Does Valley Water agree that the existing JPA member agreement remains sufficient for the SFC JPA to request and receive Valley Water technical support?
2. Is Valley Water saying that a new agreement is needed before technical support can continue?
3. Will Valley Water continue to make its experienced technical staff and subject matter experts available to support the Reach 2 project when requested by the SFC JPA?
4. Will eligible Valley Water technical support for this project continue to be funded through Measure S, consistent with past practice?

I believe this clarification should be stated clearly on the record and, ideally, reflected in the KPI

language. Regardless of which agency serves as project lead, Valley Water's technical participation and subject matter expertise are vital to the success of San Francisquito Creek flood protection.

Finally, Valley Water's website, last updated in April 2026, currently lists $53.5 million in funding for this project. Please clarify whether that funding amount remains unchanged under the proposed KPI modification. In addition, has Valley Water provided the SFC JPA, and made public, how much Measure S funding has been spent so far on San Francisquito Creek Flood Protection and, at least at a high level, how those funds were used? This information is necessary for the SFC JPA, Palo Alto, and the public to understand the remaining funding available and to plan the Reach 2 project responsibly.

Thank you for your consideration and for clarifying these issues before or during the July 14 discussion.

Sincerely,

Hamilton Hitchings

Max Overland

From: Mr. Shore <jshore1905@gmail.com>
Sent: Thursday, July 2, 2026 11:37 AM
To: John Varela; Shiloh Ballard; Richard Santos; Jim Beall; Nai Hsueh; Tony Estremera; Rebecca Eisenberg; Clerk of the Board
Cc: greer.stone@paloalto.gov; lgauthier@smcgov.org; mdinan@cityofepa.org; Combs, Drew; Keith.Reckdahl@paloalto.gov; keakin@redwoodcity.org; cttaylor@menlopark.gov; rabrica@cityofepa.org; Margaret Bruce; Shikada, Ed; Melanie Richardson
Subject: Proposed Modification of Project E5 Key Performance Indicator
Attachments: SCVWD-E5_KPI--Edgewood--01Jul2026.pdf

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***** This email originated from outside of Valley Water. Do not click links or open attachments unless you recognize the sender and know the content is safe. *****

Please find attached a comment letter on the above-referenced subject for your consideration.

Respectfully,

Jeffrey Shore

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July 2, 2026

VIA EMAIL

To: jvarela@valleywater.org, sballard@valleywater.org, rsantos@valleywater.org, jbeall@valleywater.org, nhsueh@valleywater.org, testremera@valleywater.org, reisenberg@valleywater.org, clerkoftheboard@valleywater.org

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Re: Comments Regarding Proposed Modification of Project E5 Key Performance Indicator — San Francisquito Creek Reach 2 — July 14, 2026 Public Hearing

Dear Chair Estremera, Vice Chair Santos and Members of the Board,

I am writing on behalf of myself and more than a dozen other families whose homes on Edgewood Drive in Palo Alto border San Francisquito Creek just upstream of Highway 101. After the February 1998 flood, East Palo Alto authorized a developer to raise above flood level a creek-adjacent site opposite our homes and construct a multi-story apartment complex on it. In response, Valley Water worked with homeowners, the developer, permitting agencies and officials from Palo Alto, East Palo Alto and San Mateo County to spearhead the San Francisquito Creek Levee Project in 2002, protecting our homes and surrounding properties from increased flood risk associated with the raised site. That project, like the one now before this Board, required construction through backyards, coordination across four jurisdictions, and no small measure of diplomacy — on a much smaller scale than Reach 2, but drawing on the same skills and experience this project will require.

I. Our Request

Speaking for our neighborhood, and also as someone who has lived adjacent to San Francisquito Creek just upstream of Highway 101 since 1996, has attended innumerable Board meetings of the San Francisquito Creek Joint Powers Authority ("*SFCJPA*"), served on Valley Water's former Lower Peninsula Flood Control and Watershed Advisory Committee for many years, and who voted for the renewal of the SCW Program in 2020, we have one request.

Before advancing the modification of the Project E5 Key Performance Indicator ("*KPI*"), we urge Valley Water to make a sustained and genuine effort to adjust its role in and authority

over SFCJPA's Reach 2 project (the "*Project*") and preserve the current KPI.[1] Having made a commitment to voters in 2020, the burden should fall on Valley Water to demonstrate that no adjustment — of whatever form — could preserve the existing KPI. It is the KPI that should be protected, and Valley Water's role or authority that should be adjusted — not the reverse. As a first step, we ask the Board to direct staff to prepare a framework defining the roles and responsibilities that would allow the existing KPI to be preserved, as described further below.

II. Why This Matters Now

Valley Water has been the principal funder of flood risk reduction improvements on San Francisquito Creek for many years, and the community is mindful of that investment, as well as the genuine resource constraints that Valley Water currently faces. The concern raised here is not with Valley Water's commitment to date, but with what the proposed KPI would mean for the Project going forward.[2]

The proposed KPI modification would be unwelcome at any time, but it comes at a moment of heightened stress for the Project. Federal funding constraints are tightening across the board, every dollar of local funding is under pressure, and within the affected communities there remains genuine disagreement about the relative benefits of the leading solution and whether its costs are proportionate to the protection they would deliver. In this environment, community and institutional confidence in the Project's leadership and accountability structure is not a nicety — it is a precondition for the Project moving forward at all.

III. Why Valley Water's Engagement Is Structurally Necessary

The SFCJPA was never designed to deliver the Project independently. Its lean staff and its member agencies have no comparable experience managing a flood control capital project of this complexity. A funding-only KPI would not simply reflect Valley Water's reduced role; it would codify and entrench it, removing the outcome-based pressure that gives Valley Water reason to fully engage and depriving the SFCJPA of the informed scrutiny that Valley Water's active involvement brings to the Project. What the Board is being asked to ratify is Valley Water's transformation — unannounced and until December 2024 unknown to the public — from a full partner in Project delivery into a source of Project funds.

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[1] The Reach 2 Project covers the extent of San Francisquito Creek from Highway 101 upstream to Middlefield Road. The current Project E5 KPI is a 2-part outcome-based metric, as follows: *1. Preferred project with federal, state and local funding: Protect more than 3,000 parcels by providing 1% (100-year) flood protection. 2. With state and local funding only: Protect approximately 3,000 parcels by providing 1% (100-year) flood protection downstream of Highway 101, and approximately 1.4% (70-year) protection upstream of Highway 101.*

[2] The proposed Project E5 KPI would replace the current 2-part KPI with the following funding-only metric: *1. Provide the San Francisquito Creek Joint Powers Authority a portion of funds commensurate with the project's benefits to Santa Clara County, to provide flood protection along San Francisquito Creek.*

IV. Reexamining the Audit's Role as the Impetus for the KPI Modification Proposal

The Performance Audit Report of the Safe, Clean Water and Natural Flood Protection Program (the "*SCW Program*" aka "*Measure S"*) for FY22-24 (the "*Audit Report*") was prepared by PMA Consultants (the "*Auditors*"), based on fieldwork that ended in July 2025, and was received by the Board in November 2025. Findings 6 and 7 are central to the proposed modification.

A. Finding 7 — KPI Misalignment with Valley Water's Role and Authority

In Finding 7, the Auditors noted that the KPI for San Francisquito Creek flood protection ("*Project E5*") is misaligned with Valley Water's role and authority because the "KPI holds Valley Water accountable for delivering a specific community outcome (protecting parcels from a 70-year flood event), yet Valley Water no longer has the direct control or authority to ensure this outcome is achieved" and that the "KPI, as currently worded, does not accurately reflect Valley Water's role as a funding partner." Based on Finding 7, the Auditors recommended that Valley Water re-evaluate the KPI for Project E5 and consider options for shifting the KPI from an outcome-based metric to one that measures Valley Water's specific, controllable contributions, such as a funding or partnership-based deliverable."

There are legitimate questions about whether and when Valley Water relinquished "direct control or authority" over the Reach 2 Project, and, if so, whether SFCJPA staff's assumption of that "direct control or authority" was authorized. In the Committee Agenda Memorandum prepared by staff for the meeting of the Board Policy & Monitoring Committee (the "*BPMC*") on December 6, 2024 (the "*December 2024 Memo*"), staff assert that Valley Water turned over project design leadership to the JPA in February 2023, at the JPA's request.[3] Publicly available SFCJPA Board agendas and minutes show no evidence that the transfer was authorized by Board-level action or documented in writing.

Section 9(e) of the Second Amended and Restated JPA Agreement (the "*JPA Agreement*") states that "no Action of the Authority shall be effective or binding unless and until such action has been authorized by the Board of Directors." If the SFCJPA's assumption of project design leadership was an Action of the Authority, it would appear to require SFCJPA Board authorization. In addition, section 24 of the JPA Agreement includes a customary integration clause, which states that "there are no oral understandings or agreements not set forth in writing herein." The absence of any written record of the transfer may not merely constitute a procedural gap; it is potentially inconsistent with the JPA Agreement's own integration clause. Valley Water signed the JPA Agreement in August

[3] A copy of the December 2024 Memo is attached as Exhibit A. Compare the statement in related Finding 6: "*Valley Water's role has evolved from project lead to that of a primary funder and influential partner within the . . . SFCJPA*." This notion of an "evolving" role change is echoed in an observation made by Valley Water's SFCJPA Board representative in an exchange with Menlo Park's Board representative at a SFCJPA Board meeting on February 26, 2026.

2023, five months after the reported transfer, without any reference to the transfer appearing in the JPA Agreement's text or in any contemporaneous JPA Board agendas or minutes.

In their written response to the December 2024 Memo, SFCJPA staff did not concede that Valley Water's authority over the Reach 2 Project had been limited (the "*SFCJPA December 2024 Response*").[4] SFCJPA staff argued the opposite: that Valley Water's role at the time was unchanged from its role in the completed Reach 1 Project.[5] However, SFCJPA staff simultaneously acknowledged that, beginning in 2020, at Valley Water senior staff's encouragement and by mutual agreement, SFCJPA staff took on an increasing share of the Project's coordination, planning, design and management, as Valley Water staff cited heavy workloads and competing priorities. In effect, SFCJPA staff's own account is not that the role changed, but that Valley Water voluntarily stepped back from it.

Finding 7 concludes that Valley Water's Project E5 KPI is misaligned with its current role because it "no longer has the direct control or authority" to ensure the 70-year flood protection outcome is achieved. This conclusion appears to rest on the premise that the reported February 2023 transfer of project design leadership was legitimate, authorized, and irreversible. A premise of that kind would typically be confirmed by verifying that the role shift was authorized by the appropriate governing body, documented in a written agreement or resolution, disclosed to and ratified by the SFCJPA Board, and consistent with the governance requirements of the JPA Agreement itself. The Audit Report does not appear to reflect that this verification took place.

Furthermore, Section 5(i) of the JPA Agreement explicitly authorizes the Authority to "assign, delegate, or contract with a Member Entity or third party to perform any of the Authority's duties." This provision confirms that even if Valley Water's role is limited, it is not a structural feature of the JPA. It is a governance choice that the Authority has the power to reverse at any time through a formal delegation. This provision suggests that the misalignment between Valley Water's role and its KPI is remediable within the existing governance framework — a possibility the Audit Report does not appear to address.

B. Finding 6 — Enhanced Partnership Project Management

Finding 6 recommends that Valley Water develop better tools, specifically a Strategic Decision & Risk Log, to more effectively manage its position within the SFCJPA partnership, protect its financial investment, and influence project outcomes. Management agreed with this recommendation. Finding 6 is a recommendation for more strategic

[4] A copy of the SFCJPA December 2024 Response is attached as Exhibit B.
[5] The Reach 1 Project involved the extent of San Francisquito Creek from the San Francisco Bay to Highway 101.

engagement, not less. It does not recommend that Valley Water accept a passive funding role.

C. A Timing Question Worth Probing

The December 2024 Memo, which recommended consideration of a funding-only KPI to address Valley Water's limited authority over the Reach 2 Project, was written approximately eleven months before the Board reviewed the audit findings now being cited to justify a funding-only KPI. The Board may wish to ask staff to clarify the extent to which staff representations and recommendations reflected in the December 2024 Memo were shared with the Auditors and the extent to which the audit findings informed a position that, on the public record, appears to have been considered in advance of the findings.

V. Clarifying Roles and Preserving the KPI Are Not Mutually Exclusive

At the BPMC meeting on April 21, 2026, a public commenter suggested that the revised KPI should include not only a funding deliverable but also an engineering design support deliverable, noting that Valley Water is the only JPA member with a deep bench of flood-control engineering experts and that residents in the floodplain have a legitimate interest in expecting Valley Water to hold itself accountable for engineering design quality assurance. The BPMC Chair declined, stating that the purpose of this KPI modification is to clarify roles and responsibilities, that Valley Water stands ready to support the technical development of the Project but needs a request from the JPA because it is not Valley Water's project, and that technical support would require a separate bilateral agreement initiated by the JPA that defines roles and responsibilities.

This response sits uneasily alongside Finding 7. Finding 7 recommended shifting the KPI to measure Valley Water's "specific, controllable contributions, such as a funding or partnership-based deliverable." Engineering design support is squarely a partnership-based deliverable within the meaning of that recommendation. Valley Water could pursue both: a bilateral agreement clarifying roles and responsibilities with the SFCJPA, and a KPI that retains outcome-based accountability to the voters who funded the SCW Program. Treating these as mutually exclusive is a choice rather than a requirement of the governance structure, and it is worth asking what that choice optimizes for. A bilateral agreement that clarifies roles and responsibilities without preserving an outcome-based KPI would give Valley Water welcome administrative clarity, but without corresponding accountability to the community for the outcome that clarity is meant to serve.

At the Valley Water Board meeting on June 23, 2026, the BPMC Chair again offered the same "clarification-of-roles-and-responsibilities" rationale for the KPI modification.[6] She observed that the existing KPI gives the false impression that Valley Water is solely responsible for the accomplishment of the entire SF Creek project, when in fact an independent JPA is responsible for delivering the project, and Valley Water is only one of five member agencies that shares that responsibility. This rationale is worth examining on two points.

First, if the problem with the existing KPI is that it creates a misleading impression of sole responsibility, the remedy is to reword the KPI to accurately reflect shared responsibility, not to eliminate the outcome commitment entirely. The proposed replacement language does not say "Valley Water, as one of five SFCJPA member agencies, shares responsibility for delivering 70-year flood protection upstream of Highway 101." It says nothing about flood protection levels at all. The "shared responsibility" rationale calls for a clarification of accountability, not an abandonment of it. As a Palo Alto Emergency Services Volunteer stated on the June 23 public record, the Board should "direct staff to bring back a revised KPI that preserves accountability for actual flood protection while clarifying Valley Water's role with the JPA."

Second, this "shared responsibility" rationale sits in some tension with how Valley Water led and delivered the downstream Reach 1 project. At the SFCJPA Board meeting on February 26, 2026, Valley Water's representative on the SFCJPA Board confirmed that Valley Water served as project manager and then project construction manager for Reach 1, but that its role has since evolved. The SFCJPA's multi-agency structure — and Valley Water's status as one of five member agencies — was no different during Reach 1 than it is today. If shared responsibility among member agencies did not require diluting the outcome-based KPI for Reach 1, it is unclear why the same shared structure requires diluting it for Reach 2. The more plausible explanation is not a structural feature of the JPA, but a governance choice by Valley Water that can be revisited, using the delegation mechanism already available under Section 5(i) of the JPA Agreement.

The Executive Director of the SFCJPA has stated that Valley Water staff kept her apprised of the KPI modification initiative as it developed. She endorsed the initiative as sensible at a SFCJPA Board meeting in February 2026 and endorsed the specific proposed KPI language at a BPMC meeting in April 2026. On June 23, with that language unchanged, she reversed her position. The Executive Director stated that the proposed language is ambiguous, potentially subject to manipulation, and contrary to Valley Water's voter commitments, and that SFCJPA staff were never consulted about the specific language before that language was posted publicly for the BPMC meeting on April 21. She committed to collaborating with Valley Water on revised language that better serves both agencies' objectives. The Board has not yet had the

[6] The "clarification-of-roles-and-responsibilities" rationale was also attributed to Valley Water staff by the SFCJPA Executive Director at the SFCJPA Board meeting on February 26, 2026.

benefit of a public explanation for that reversal, and one may well exist. In its absence, the Board should give real weight to the fact that an informed participant in this process, who found the proposed KPI sensible as recently as April, concluded by June that it was not.

VI. Most of the Original Justifications for the Revised KPI Have Been Overtaken by Events

The perception of structural misalignment between Valley Water's role and the current KPI appears to stem from institutional tensions that accumulated over several years without being openly examined or resolved. This perception broke into public view at a Special Meeting of the BPMC on December 6, 2024. The agenda memorandum for that meeting (previously referenced and attached as Exhibit A ("*December 2024 Memo*")) bundled the issue of Valley Water's KPI together with broader concerns about its governance relationship with the SFCJPA, its financial obligations, the JPA's financial controls, and the direction of the Project, without clearly distinguishing which of those concerns independently justifies a permanent modification to the KPI. The December 2024 Memo catalogued seven concerns as potential justifications for a KPI modification (apart from limited control or authority over the Project). The status of each, as of this writing, is summarized below:

A. Uncertainty about Level of Flood Protection SFCJPA Would Pursue

On January 30, 2025, the SFCJPA Board formally reaffirmed the 7,200 cfs design goal corresponding to 70-year flood protection, consistent with the 2019 certified EIR. Neither Valley Water staff nor the Auditors cited this resolution as a material development.

B. Apparent Infeasibility of Four-Element Design for Reach 2 following December 2022 Revelation that the Creek has 25% Less Capacity than Previously Modeled

In May 2025, the SFCJPA's consultant presented its Alternatives Evaluation Technical Report, which detailed preliminary design alternatives that would achieve the design goal of containing 7,200 cfs. Neither Valley Water staff nor the Auditors cited this Report as a material development.

C. The SFCJPA's Failure to Complete Required Financial Audits for Five Years

On March 26, 2026, the SFCJPA Board accepted audits for all five outstanding fiscal years. Valley Water staff did not cite this resolution as a material development.

D. Valley Water's Indirect Subsidy of SAFER Bay Project Operations through Inadequate Expense Separation

The SFCJPA December 2024 Response disputed this characterization as untrue. If this concern remains disputed rather than affirmatively resolved, the Board may wish to ask staff whether it continues to be treated as a basis for the proposed KPI modification.

E. Lack of Project Ownership is Inconsistent with Capital Project Status

San Francisquito Creek Flood Protection (E5) was transferred from the CIP Five-Year Plan into an Operating Project for budgeting and long-term forecasting by the Valley Water Board on January 13, 2026, "to be more consistent with other similar projects where Valley Water is not the project owner or lead agency." Unlike the concerns above, this is not a December 2024 concern that the SFCJPA resolved. It is a subsequent action by Valley Water itself, and it bears directly on the transformation referenced in Section III above.

F. A Funding-Voting Mismatch on the SFCJPA Board

Valley Water has one vote of five on the SFCJPA Board despite contributing most of the project funding. Staff suggested Valley Water consider seeking weighted voting rights. There is no evidence in the public record that Valley Water has pursued this remedy. Therefore, this concern remains unresolved.

G. Funding Gap Anticipated Without Credible Funding Plan

As the December 2024 Memo explained, total Project costs cannot be determined until the level of protection for the upstream reach is finalized. Even the then-current design — which did not achieve 70-year flood protection — carried an approximate $25 million funding gap after applying all remaining SCW Program funds. Valley Water staff estimated that achieving 70-year protection would require additional infrastructure and $50 to $100 million or more in funding beyond that already-unfunded amount. A formal cost-sharing agreement awaits selection of a preferred design alternative with an associated cost estimate, and funding sources beyond the SCW Program will still need to be identified to close the resulting gap.

Of the eight concerns bearing on the proposed KPI modification, Valley Water's purported limited authority over the Project — the central premise of Finding 7 — appears to rest on an unauthorized and undocumented 2023 transfer of project leadership that, as discussed above, is remediable at any time through the JPA Agreement's own delegation mechanism. Of the seven remaining concerns catalogued in the December 2024 Memo, three have been affirmatively resolved by the SFCJPA's own subsequent actions (the reaffirmed design goal, the viable design alternative, and the completed audits). One — the SAFER Bay expense-separation

concern — remains disputed rather than resolved. Two — the funding-voting mismatch and the anticipated funding gap — remain entirely unaddressed. The seventh — reclassifying the Project from a Capital Project to an Operating Project to reflect that Valley Water is not the Project's owner or lead agency — was among the actions the December 2024 Memo itself put before the BPMC for consideration. Unlike the KPI modification now before the Board, that action did not require a public hearing. Valley Water's Board implemented it on January 13, 2026. On this accounting, the central justification for the proposed KPI modification is not a structural fact but a governance choice that remains reversible; roughly half of the supporting concerns catalogued in December 2024 no longer hold; and where Valley Water has already acted on a December 2024 concern, it has done so without the kind of public process now being extended to the KPI question.

VII. Proposed KPI Language Creates an Unmeasurable Funding Standard

If the purpose of the modification is to align the KPI with Valley Water's actual role as a funding partner, the proposed language should clearly define that obligation. Instead, it makes Valley Water's funding contribution contingent on "the project's benefits to Santa Clara County" — a metric that is undefined, unmeasurable at the time of any given funding decision, and subject to unilateral determination by unspecified parties. Several distinct ambiguities follow from this undefined standard.

A. No Connection to Reach 2 Specifically

"Benefits to Santa Clara County" are not defined as benefits from Reach 2. Read broadly, the language could permit Valley Water to treat its funding obligation as satisfied — or reduced — by pointing to benefits from other Santa Clara County flood-control investments on San Francisquito Creek entirely unrelated to Reach 2. Nothing confines "benefits" to the Project itself.

B. No Defined Methodology

The proposed language states no method for measuring "benefits" — no reference to parcels protected, property value, cost-benefit ratio, population served, or any comparable metric. Without a methodology, the term is not merely imprecise but potentially self-justifying. Any funding level could be rationalized after the fact by selecting a favorable measure of "benefits."

C. No Distinction Between County-Wide and City-Level Benefits

Measuring Valley Water’s funding commitment by reference to the Project’s benefits to Santa Clara County raises the question whether benefits to the City of Palo Alto would be considered identical to, part of or separate from the benefits to Santa Clara County. The

County's benefits do not necessarily align with the City's benefits. After all, the City is a member of the JPA and may have its own project funding obligation.

D. No Defined Timing

It is unclear when "benefits" are assessed – whether annually, at project milestones, only at completion, or on a continuous basis. This uncertainty leaves unclear when Valley Water's funding obligation attaches and could permit funding delays justified by an assertion that benefits have not yet been demonstrated.

E. No Floor, Cap, or Link to Protection Level

The language does not state whether Valley Water's contribution is capped, has a floor, or is fully open-ended and discretionary. Absent a floor, "benefits-based" funding could in principle be reduced to a nominal amount without violating the KPI's own terms. Nor is it clear whether the modification is intended to permit Valley Water to reduce its financial obligation if the Project ultimately delivers less than 70-year flood protection.

F. No Accounting for Cross-Jurisdictional Benefit

The proposed language does not specify whether "benefits" are measured Project-wide, along the full reach shared with San Mateo County communities, or only for the portion of flood protection benefit attributable to Santa Clara County parcels. Because San Francisquito Creek forms the boundary between the two counties, and flood protection improvements on one bank affect hydraulic conditions on the other, an undefined "benefits" metric leaves unclear whether cross-jurisdictional protection needs are accounted for in determining Valley Water's contribution — a question the Board should resolve regardless of how the underlying cost-share is ultimately allocated among member agencies.

VIII. Our Request, First Step

The voters who approved Measure S in 2020 were promised a specific outcome — 70-year flood protection upstream of Highway 101 — not a funding pass-through of indeterminate amount to an agency of indeterminate capacity pursuing an indeterminate level of protection. As Valley Water's own presentation materials confirm, those KPIs are contained in the election resolution approved by the voters. They are not administrative targets. They are voter commitments.

The audit findings cited in support of the proposed KPI modification describe a misalignment between Valley Water's current role and its existing KPI. But misalignment is not a reason to modify the KPI. It is a reason to restore the role.

The public record leading to the public hearing on July 14 reflects broad, informed, and technically credible opposition to the proposed language — from neighborhood organizations, Stanford Civil Engineering faculty, long-term SFCJPA participants and an emergency services volunteer. That record does not support approving the proposed language as written.

As a first step, we respectfully request that the Board direct Valley Water staff to prepare, for the August 11 Board meeting, a draft framework that both defines a minimum set of Valley Water roles and responsibilities for the Reach 2 Project and lays out the steps to implement them — sufficient, once implemented, to permit Valley Water to preserve its existing KPI for the Reach 2 Project flood protection outcome.

Respectfully

Jeffrey Shore
jshore1905@gmail.com

cc: Greer Stone, Chairperson, SFCJPA Board
Lisa Gauthier, Vice-Chairperson, SFCJPA Board
Drew Combs, SFCJPA Board Member
Mark Dinan, SFCJPA Board Member
Keith Reckdahl, SFCJPA Alternate Director, City of Palo Alto
Kaia Eakin, SFCJPA Alternate Director, San Mateo County Flood and Sea Level Rise
Cecilia Taylor, SFCJPA Alternate Director, City of Menlo Park
Ruben Abrica, SFCJPA Alternate Director, City of East Palo Alto
Margaret Bruce, Executive Director, SFCJPA
Ed Shikada, City Manager, City of Palo Alto
Melanie Richardson, Interim CEO, Valley Water
Edgewood Neighbors

Exhibit A

Santa Clara Valley Water District

File No.: 24-1039

Agenda Date: 12/6/2024
Item No.: 4.1.

COMMITTEE AGENDA MEMORANDUM
Board Policy and Monitoring Committee

Government Code § 84308 Applies: Yes ☐ No ☒
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:
Discuss San Francisquito Creek Flood Protection Project (Project) and Issues Related to Santa Clara Valley Water District's Participation in the San Francisquito Creek Joint Powers Authority (SFCJPA) and Provide Feedback.

RECOMMENDATION:
A. Receive an update on Project status and issues related to Santa Clara Valley Water District's participation in the SFCJPA; and
B. Discuss and identify opportunities for improvement to help resolve these issues and provide feedback to staff on next steps.

SUMMARY:
At Santa Clara Valley Water District's (Valley Water) September 24, 2024, Board meeting, the Board approved payment of Valley Water's annual member contribution to the SFCJPA Operating Budget. At that time, the Board referred recently encountered policy issues associated with the SFCJPA and the Project to the Board Policy and Monitoring Committee (Committee) for further discussion. The summary below provides the background on the SFCJPA and the Project, a Project status update, and a summary of policy issues to be discussed by the Committee.

Background
San Francisquito Creek forms the boundary between San Mateo and Santa Clara Counties, with the cities of Menlo Park and East Palo Alto to the north and the City of Palo Alto to the south. The creek has overtopped and caused flooding in the surrounding communities several times in the past. The largest flood on record occurred in 1998 and was considered a once in 70-year flood event. The most recent flood event occurred on December 31, 2022, and was the second-largest flood on record.

The SFCJPA was formed in 1999 following the 1998 flood event and consists of five member agencies: Valley Water, the City of East Palo Alto, the City of Menlo Park, the City of Palo Alto, and the San Mateo County Flood and Sea Level Rise Resiliency District (One Shoreline). Each of the member agencies designate their own elected representative to the SFCJPA Board. Since its formation in 1999, the SFCJPA has been working to implement the San Francisquito Creek Flood

Protection Project (Project).

The Project is part of Valley Water's Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water Program) that voters renewed in November 2020. Each project in the Safe, Clean Water Program has established key performance indicators (KPIs) that are used to monitor the progress and completion of the project. Flood protection projects reliant on federal funding have two KPIs; one for the preferred project with federal funding and another for a local-funding-only project. This approach allows progress on local KPIs while pursuing additional federal funding sources. Valley Water is currently aiming to achieve the local funding KPI listed below for this Project:

> *"With state and local funding only: Protect approximately 3,000 parcels by providing 1% (100-year) flood protection downstream of Highway 101, and approximately 1.4% (70-year) protection upstream of Highway 101."*

The Project consists of two reaches: The downstream reach from San Francisco Bay to US Highway 101 and the upstream reach from US Highway 101 to Middlefield Road. The downstream reach of the Project was completed in 2018 and provides 100-year flood protection, thus meeting the Safe, Clean Water KPI for the downstream reach. The project included sediment removal, channel widening, levee improvements, and floodwalls. Valley Water took a lead role in implementing the downstream reach of the Project and managed the design and construction. There was no formal agreement for Valley Water to lead the project; rather, it was an informal arrangement between the SFCJPA Executive Director, Valley Water executive management, and other member agencies at the time. Valley Water contributed $51.2 million, or over 70% of the total cost of the downstream reach. Approximately $46.8 million was funded by the Safe, Clean Water Program, with the remainder funded by Valley Water's Watershed Stream Stewardship Fund.

The upstream reach of the Project is in progress. An EIR was approved in September 2019, and the preferred alternative included four project elements that would protect from a 70-year flood event. These four elements moved forward into design and have reached various levels of completion, listed below:

1. Pope-Chaucer Bridge Replacement - 90% design (by Valley Water)
2. Channel Widening (4 separate sites) - 90% design (by Valley Water)
3. Newell Road Bridge Replacement - design complete (by City of Palo Alto)
4. Top-of-Bank Improvements (floodwalls) - 60% design (by Valley Water)

Current Project Status

As a result of the December 31, 2022 flooding, Valley Water staff determined that the existing creek capacity was less than estimated in previous models. Consequently, the four above-mentioned project elements would no longer convey the 70-year design flow. The Project, as designed, does not meet the Safe, Clean Water KPI for the upstream reach to provide 70-year flood protection.

Valley Water continued to lead the design of the four upstream project elements until February 2023, when at the SFCJPA's request, Valley Water turned over project design to the SFCJPA to lead. In spring 2024, the SFCJPA hired a consultant to re-evaluate the project alternatives and reaffirm the

preferred alternative (the four elements). Currently, the Pope Chaucer Bridge replacement, channel widening, and top-of-bank improvements are on hold until that analysis is complete.

The City of Palo Alto completed the Newell Road Bridge replacement design and is now proceeding to project construction since it has been determined that the bridge replacement will provide flood protection benefits without transferring risk downstream, and the project has grant funding. This project is being funded by a Caltrans Highway Bridge Program grant, with Valley Water contributing the local match funds for the grant of approximately 11% through a cost-share agreement with the City of Palo Alto.

Summary of Issues

The issues related to Valley Water's participation in the SFCJPA fall into three categories:

1. Valley Water's role in the SFCJPA
2. Project direction
3. Financial concerns

Valley Water's Role in the SFCJPA
Valley Water has limited authority over the Project outcome. Valley Water has limited voting rights as one of five member agencies, each having one vote. Furthermore, while San Mateo County has three member agencies and three votes (One Shoreline, City of East Palo Alto, and City of Menlo Park), Santa Clara County has only two member agencies and two votes (Valley Water and City of Palo Alto). This creates some inequity in representation on the SFCJPA Board between the two counties. In addition, Valley Water is no longer leading the project and SFCJPA staff has taken over the lead role.

Despite this limited authority over the Project outcome, Valley Water has committed a total of $81.5 million, which is the majority of funding for the Project. As of Fiscal Year 2024, Valley Water has expended approximately $60.4 million (which includes both Safe, Clean Water and Watershed Stream Stewardship funding), and approximately $21.1 million remains in Safe Clean Water funding.

For the downstream reach, Valley Water contributed $51.2 million (which includes both Safe, Clean Water and Watershed Stream Stewardship funding), while the four other member agencies contributed a combined total of $4.5 million, as outlined in the First Amended Construction Funding Agreement for the downstream reach. The SFCJPA also received $8.8 million in Department of Water Resources Proposition 1E and Proposition 84 grant funding for the downstream reach, with Valley Water leading pursuit of the Proposition 84 grant.

For the upstream reach, the City of Palo Alto is currently securing a $12.5 million Caltrans Highway Bridge Program grant for Newell Bridge Construction. The SFCJPA has executed an agreement for Proposition 1 grant funds in the amount of $5 million and is pursuing approximately $8.2 million is U.S. Army Corps of Engineers (USACE) CAP 205 funding.

While other member agency contributions and grant funding have been important to the Project's success, Valley Water's funding has been substantial in comparison.

Additionally, although Valley Water has limited authority over the Project outcome, the Safe, Clean Water Program KPI implies that Valley Water is responsible for project delivery. The Project's KPI calls for delivering 70-year flood protection for the upstream reach. However, Valley Water's altered role more closely aligns with a 'funding contribution' KPI. Several projects in the Safe, Clean Water Program are measured by funding contribution KPIs. One such example is Project F8: Sustainable Creek Infrastructure for Continued Public Safety, with the KPI to "*Provide up to $7.5 million in the first 15-year period to plan, design and construct projects identified through Watershed Asset Management Plans."*

Lastly, the Project is included in Valley Water's Capital Improvement Program (CIP) Fiscal Years 2025-29 Five-Year Plan. Aside from USACE partnership projects, this is the only project in Valley Water's CIP that is being led by another agency. Other similar projects where Valley Water is not the project owner and only contributing funds through partnership agreements are included in operating budgets rather than the CIP. Examples of these types of projects include the Los Vaqueros Reservoir Expansion Project, the Delta Conveyance Project, and the B.F. Sisk Dam Raise and Reservoir Expansion Project. Valley Water has limited authority over the delivery of these projects, and therefore, they are included in operating budgets rather than the CIP.

Project Direction
The next issue, which is also discussed above under 'Project Status,' is that the current project does not meet the Safe, Clean Water KPI to provide 70-year flood protection. Following the December 2022 flood event, it became evident that the Project as designed would no longer provide 70-year flood protection, and the SFCJPA hired a consultant to re-evaluate the preferred project alternative. SFCJPA staff is currently working with its consultant and the JPA Board to reaffirm the preferred alternative and select an updated level of flood protection. It is uncertain what level of protection the SFCJPA will pursue. If the SFCJPA proceeds with the current design, it will not meet Valley Water's KPI. If the SFCJPA proceeds with 70-year flood protection, additional flood protection elements will need to be added to the design.

Financial Concerns
Until the updated level of protection for the upstream reach of the Project is determined, the total project costs are unknown. Even with the remaining Safe, Clean Water funding applied to the Project as currently designed, which does not provide 70-year flood protection, there is an approximate $25 million funding gap. Valley Water estimates that 70-year flood protection would require additional infrastructure, and $50 to $100 million or more in funding.

Other financial concerns are related to SFCJPA operations. The SFCJPA Agreement requires annual financial audits, but these have not been completed for the past five (5) years. Financial audits are required by law at least bi-annually.

Additionally, there is no clear delineation of operations expenses between the two projects that the SFCJPA leads: the San Francisquito Creek Flood Protection Project and the SAFER Bay Project. The SAFER Bay Project provides coastal and sea level rise flood protection along the San Mateo County Shoreline. The SAFER Bay Project is located in and fully benefits San Mateo County. At a

File No.: 24-1039 **Agenda Date:** 12/6/2024
Item No.: 4.1.

2022 SFCJPA Board meeting, Valley Water and the City of Palo Alto raised concerns about continuing to contribute toward operating costs unless there was a clear separation of funding between the two projects. The purpose of separating expenses is to ensure that no portion of Valley Water or the City of Palo Alto's annual member contribution (approximately $350,000) is funding SAFER Bay project operations expenses, which benefits San Mateo County.

Next Steps

Some potential next steps for the Committee's consideration are provided below.

1. *Investigate options for Valley Water's long-term participation in the SFCJPA:* Valley Water staff could investigate options for Valley Water's continued participation in the SFCJPA, how the San Francisquito Creek Flood Protection Project would proceed under each option, and the pros and cons associated with each option. Options include withdrawing from the SFCJPA, taking a lead role in the SFCJPA, or continuing in the current limited role. The SFCJPA Agreement includes a clause for withdrawal, which would need to occur by May 1st to avoid payment of the following year's annual member contribution.

2. *Take steps to improve the existing SFCJPA and SFCJPA Agreement:* If Valley Water wishes to continue to participate in the SFCJPA, there are actions that may help resolve some of the identified issues, including:

    a. Request to amend the Agreement to include weighted voting rights: Weighted voting rights would provide Valley Water with more authority over project direction and could be based on funding contribution and/or equal weighting between Santa Clara and San Mateo Counties. Some other JPAs that Valley Water participates in include weighted voting based on funding contribution.

    b. Request to amend the Agreement so member contribution is contingent upon financial audits and clear separation of SAFER Bay expenses: The Agreement could be amended so that payment of member contributions is contingent on the SFCJPA conducting annual financial audits and demonstrating clear separation of expenses between the San Francisquito Creek and SAFER Bay projects. This would provide more transparency regarding how Valley Water funds are being used by the SFCJPA.

    c. Confirm and advocate for Valley Water's preferred level of protection: Valley Water may wish to confirm the level of protection it desires for the project to provide (70-year or other). Confirming the level of protection may include an abbreviated planning effort or other cost-benefit analysis. Once determined, Valley Water's representative on the SFCJPA Board could advocate for Valley Water's preferred level of protection.

    d. Advocate for additional funding from other members or outside sources: It's clear that no matter which level of protection is selected or how Valley Water chooses to continue to participate, additional funding will benefit the Project and the SFCJPA. Valley Water may wish to advocate for additional funding from other SFCJPA members or other local, state, or federal sources.

File No.: 24-1039

Agenda Date: 12/6/2024
Item No.: 4.1.

3. *Consider modifications to the Safe, Clean Water Program*: Depending on how Valley Water chooses to participate in the SFCJPA and the level of protection offered by the Project, Valley Water will need to modify the Safe, Clean Water Program, specifically the Project KPI. If Valley Water continues its current role, a funding contribution KPI more accurately reflects that role. Additionally, the Project level of protection will need to be modified once determined by the SFCJPA unless it remains at the 70-year level.

4. *Consider Changing the Project from a capital to an operations project*: Unless Valley Water becomes the project owner, consider removing the Project from the Capital Improvement Program (CIP) to be more consistent with other similar projects where Valley Water is not the project owner or lead agency.

Staff is requesting feedback from the Committee on proceeding with any of the above listed or other next steps that the Committee recommends.

ENVIRONMENTAL JUSTICE AND EQUITY IMPACT:
This action is unlikely to or will not result in adverse impacts and is not associated with an equity opportunity.

ATTACHMENTS:
Attachment 1: PowerPoint

UNCLASSIFIED MANAGER:
Bhavani Yerrapotu, 408-630-2735

Exhibit B

SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY

Valley Water Board Policy and Monitoring Committee Meeting Friday, December 6, 2024
Agenda Item 4.1
SFCJPA Comments for the Record.

Summary of Issues Raised in Valley Water Committee Staff Report

1. Valley Water's Role: Valley Water staff feel that they have limited authority over Project Outcome

SFCJPA Response: Valley Water's current role is the same as it was in the completed Reach 1 Project. The SFCJPA bid and managed the design of the Reach 1 Project, including Engineer of Record during construction and As-Builts. The SFCJPA held additional contracts during construction, including PG&E utility relocation and sanitary sewer realignment. In total, the SFCJPA had 10 contracts for design and construction, while Valley Water had two- construction and construction management.

This same role is duplicated with the Newell Road Bridge Replacement Project- where this project is being delivered by the City of Palo Alto, who holds the design contract, with Valley Water funding 11% of the Newell Road Bridge project (the 'non-federal portion') using Measure S funds through an agreement between the City of Palo Alto and Valley Water.

At Valley Water Sr. Staff's encouragement, beginning in 2020, the SFCJPA has taken on a larger and larger share of the project's coordination, planning, design and management. It was by *mutual agreement* that the SFCJPA took on the formal role related to design and implementation. This occurred after the hydraulics review confirmed that the envisioned project design would need to be reconsidered. At the time, Valley Water staff acknowledged their heavy workloads and competing priorities.

2. Project Direction: The Safe Clean Water KPI indicates Valley Water is responsible for Project delivery; the Project is included in Valley Water's CIP. The Project does not provide 70-year protection to meet the Safe Clean Water KPI.

SFCJPA Response: The Safe Clean Water KPI describes the goal for the level of protection, not that Valley Water is singularly responsible for project delivery (see pages 126 - 128 of the Valley Water Annual Report FY 2023-24). We agree that the current Valley Water design is deficient in meeting this KPI, due to the new understanding of channel capacity. The SFCJPA has not changed the design objective, which is documented in the 2019 EIR; although, with the updated hydraulics, this goal will be more difficult to attain. Ultimately, the SFCJPA board will confirm the specific project goal, and will select the actions to meet that goal, based on various factors such as cost, constructability, and the largest benefit to the community.

The KPI will need to be revised in any case since it currently specifies 70-year protection using state and local funding only. The SFCJPA has had a federal partnership with USACE for specific project elements since 2020 under the CAP 205 Program.

SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY

3. Financial Concerns: The Project does not have enough funding for construction

SFCJPA Response: SFCJPA agrees with this statement. This fact has been known by all member entities for many years. The known project costs and the known available funding (from grants and from Measure S) have been regularly conveyed to the members of the SFCJPA. Members of the SFCJPA are cognizant of their responsibilities to close the funding gap.

a) Has contributed the majority of Project funding

SFCJPA Response: SFCJPA agrees that Valley Water has contributed the majority of San Francisquito Creek project funding, but the presentation does not show the $11.8 M grant that SFCJPA obtained and managed for Reach 1, awarded for project benefits to the underserved community of East Palo Alto, nor does it reflect contributions made by or, payments to, other SFCJPA members.

b) SFCJPA annual financial audits have not been completed in five years

SFCJPA Response: SFCJPA agrees; these are being worked on. As reported to the Board and Finance Committee, due to technical, software provider, and IT issues, audit work has been delayed but is in-process with SFCJPA auditors. All past due audits are expected to be completed and brought to SFCJPA Finance Committee first then the SFCJPA Board for acceptance within the next six months. Note that while audit work has been delayed, SFCJPA staff has consistently provided the SFCJPA Finance Committee and Board with mid-year and yearly financial reports including updates on project related expenses.

The purpose of an annual audit is to ensure the SFCJPA's financial statements are a fair and accurate representation of its financial transactions and financial position. Annual audits also ensure the SFCJPA has appropriate procedures and controls in place to ensure the accuracy of its financial representations. The annual audits are not the source of information about staff time and grant-funded consultant work.

c) No clear delineation of SAFER Bay Project operations expenses-

SFCJPA Response: This is not a true statement. The SFCJPA tracks staff time to comply with State and federal grant reporting requirements. The SFCJPA rebills SAFER Bay project staff time to grants awarded to the SFCJPA for the SAFER Bay project. Because applicable staff time is re-billed to the grants supporting the SAFER Bay project, the amount of member contributions for operational costs expended towards the SAFER Bay project related staff hours is miniscule.

Valley Water contributes 20% of the SFCJPA's operating expenses. Since April 2022, SFCJPA staff have spent approximately 9.1% of their time on the SAFER Bay Project (Figure 1).

The SAFER Bay project has been part of the SFCJPA since 2011, with multiple unanimous approvals over the years by the SFCJPA Board. Furthermore, shoreline flooding/sea level rise is codified as part of the five-party member agreement (last update completed in December 2023).

SAN FRANCISQUITO CREEK
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The SAFER Bay project geographic scope is currently limited to San Mateo County. However, the SFCJPA completed the Feasibility Study for the City of Palo Alto in 2019. At that time, the City decided to participate in the South Bay Shoreline Project which had been granted $67.5M in funding from the San Francisco Bay Restoration Authority. After the recent determination of a lack of federal interest by the US Army Corps of Engineers, we understand that the northern Santa Clara County portion of the Shoreline project is on hold, and the City of Palo Alto is evaluating options to accomplish their goal of sea level rise protection. In July the City of Palo Alto asked the SFCJPA to include Palo Alto in the official request to the San Francisco Bay Joint Venture Project for official adoption for the SAFER Bay Project by their board. This formal adoption was approved by their Board in October 2024. Staff time spent preparing for the Joint Venture presentation accounts for the 105 unbillable SAFER hours shown in Figure 1.

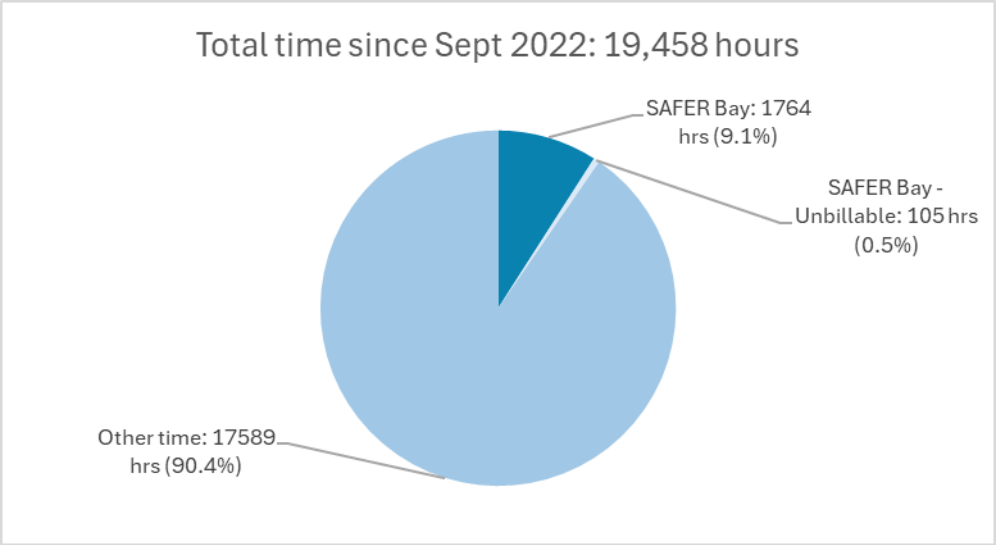


Figure 1: Time spent on SAFER Bay vs. other tasks since September 2022.

The SFCJPA welcomes the opportunity to answer any questions and concerns that any Valley Water board member or staff member may have. The concerns raised in the staff report could have easily been addressed in a manner that did not publicly call into question the capability or integrity of the other SFCJPA members and the staff of the SFCJPA.

POTENTIAL ACTIONS AND LIKELY CONSEQUENCES

The Board Policy and Monitoring Committee is asked to evaluate the following actions:

1. Options for Long Term Participation in SFCJPA
   We have already demonstrated that Valley Water's role has not changed, so we focus on the option of VW's withdrawal from the agreement. It should be noted that this agreement was recently amended (concluding in December 2023) and included robust Valley Water participation.

SAN FRANCISQUITO CREEK
JOINT POWERS AUTHORITY

This action would not serve the needs of the Santa Clara County residents who have been waiting anxiously for the project to be implemented.

Another point to consider is that the City of Menlo Park has been paying their 20% of SFCJPA operations costs and contributed to the costs of the Reach 1 project although the residents of Menlo Park have yet to benefit from these investments.

2. Modifying agreement – The founding agreement was recently updated (December 2023) as discussed above. Valley Water actively participated in that 18-month process. If the issue of concern is the JPA's shoreline flood risk reduction work, we have already demonstrated that SAFER costs are differentiated, fully documented through timekeeping and invoicing, and what is not billed back to grants is a negligible amount. And further, the JPA's shoreline engagement preserves future options for the City of Palo Alto.

   Options 2C and 2D- confirm and advocate for Valley Water's preferred level of protection and advocate for additional funding ***are already being done.***

3. Modify the Clean Safe Water Program- this action is already needed due to the changed hydraulics and KPI at a minimum, which has been known since 2020.

4. Consider changing project from capital to operations-
   As demonstrated above, Valley Water's role on the project has not changed, but it appears that Valley Water staff or board members' perceptions have changed. Changing the budget category from which Valley Water funds this work may be of interest to the Santa Clara County residents who voted for the program.

   We note that this change was not indicated with City of Palo Alto's Newell Road Bridge Replacement Project, where Valley Water is paying a fixed 11% of the Newell Road Bridge Replacement Project and Valley Water did not move it to their operations project.

In short, the SFCJPA wants to continue to work with Valley Water and does not understand this very recent change in perception of the Reach 2 Project. We want to continue to work together to implement a flood risk reduction project that is the best we can do with available funding, as soon as we can accomplish it, and preserve opportunities for future improvements.

A question of commensurate transparency –

The Valley Water report on the San Francisquito Creek Reach 2 project for last fiscal year (FY23-24) indicated an annual expenditure of $1.320 Million dollars. Of that amount, slightly more than $320 thousand was Valley Water's annual SFCJPA operational budget contribution. What did Valley Water spend nearly $1M of Measure S Reach 2 project funds on while the project was largely on pause as we considered the implications of what we learned from the '22 NYE storm?

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From:	Mr. Shore
To:	John Varela; Shiloh Ballard; Richard Santos; Jim Beall; Nai Hsueh; Tony Estremera; Rebecca Eisenberg; Clerk of the Board
Cc:	greer.stone@paloalto.gov; lgauthier@smcgov.org; mdinan@cityofepa.org; Combs, Drew; Keith.Reckdahl@paloalto.gov; keakin@redwoodcity.org; cttaylor@menlopark.gov; rabrica@cityofepa.org; Margaret Bruce; Shikada, Ed; Melanie Richardson
Subject:	Proposed Modification of Project E5 Key Performance Indicator - July 14 - Agenda Item 3.4
Date:	Monday, July 13, 2026 12:48:17 AM
Attachments:	SCVWD-E5_KPI-Edgewood_Supplemental-13Jul2026.pdf

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Please find attached a supplemental comment letter for the Board Meeting on July 14, 2026, Agenda Item 3.4 (File 26-0600). This letter supplements the letter dated July 2 (Handout 3.4-B).

Respectfully,

Jeffrey Shore

Jeffrey Shore
[redacted]

July 13, 2026

VIA EMAIL

To: jvarela@valleywater.org, sballard@valleywater.org, rsantos@valleywater.org, jbeall@valleywater.org, nhsueh@valleywater.org, testremera@valleywater.org, reisenberg@valleywater.org, clerkoftheboard@valleywater.org

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Re: Supplemental Comments Regarding Proposed Modification of Project E5 Key Performance Indicator — San Francisquito Creek Reach 2 — July 14, 2026 Public Hearing

Dear Chair Estremera, Vice Chair Santos and Members of the Board,

This letter briefly supplements our letter of July 2, 2026 (Handout 3.4-B), submitted on my own behalf and on behalf of more than a dozen other families whose homes on Edgewood Drive in Palo Alto border San Francisquito Creek just upstream of Highway 101. It responds to the FAQs (Attachment 4), the Project Timeline (Attachment 5), and the PowerPoint slides (Attachment 6) recently posted for tomorrow's hearing. Three aspects of these materials warrant the Board's attention: a new rationale for the proposed KPI that Valley Water's own Reach 1 experience contradicts, a timeline that undercuts the premise on which the proposal depends, and new admissions about how the proposed funding standard would work or fail to work.

Lead Agency Status

The FAQs redeploy a formally defined designation for a new purpose. According to the FAQs, the proposed KPI is not outcome-based because Valley Water "is not the lead agency [for Reach 2], so it cannot independently guarantee delivery of the overall flood protection outcome." That rationale does not appear in Finding 7 of the Audit Report — the finding staff have cited throughout this proposal as the basis for modifying the KPI. Nor does it serve that purpose in Valley Water staff's own December 2024 Memo (Exhibit A to our July 2 letter). The Memo does use the term "lead agency" — but only once, and for a different purpose. Staff cited Valley Water's non-lead-agency status to justify reclassifying Project E5 from the Capital Improvement Program to the Operating Budget (Next Steps 4). They did not cite it to justify any change to the KPI. The rationale the Memo offers for the KPI change itself (Next Steps 3) rests instead on Valley Water's "limited authority" and "altered role" — never on lead-agency status. Staff had the lead-agency designation in hand eighteen months ago and chose not to invoke it in justifying the KPI. Its appearance in the FAQs now, as the justification for deleting the outcome-based KPI, is not a continuation of staff's original reasoning — reasoning the Auditors themselves carried forward into Finding 7 without ever citing lead-agency status. It is a new rationale, introduced for this hearing.

The SFCJPA was designated lead agency in both the Reach 1 EIR (2012) and the Reach 2 EIR (2019), yet the existing outcome-based KPI governed Reach 1 and was met when Reach 1 was completed in 2019. Valley Water's role on Reach 1, as the FAQs and the Timeline now describe it, was a delegated, phase-specific function within a project the SFCJPA led throughout. According to the SFCJPA December

2024 Response (Exhibit B to our July 2 letter), SFCJPA held ten contracts for Reach 1 design and construction, including Engineer of Record, while Valley Water held two, both construction-related, under a 2015 Construction Management agreement. If non-lead-agency status is disqualifying, as the FAQs now assert, it was equally disqualifying when the Reach 1 KPI was written and met.

The result of all this is a contradiction Valley Water cannot escape: in the same set of hearing materials, staff tell the Board that Valley Water cannot be held to an outcome-based KPI for Reach 2 because it is not the lead agency, and staff simultaneously confirm that the exact tool that gave Valley Water outcome-relevant standing on Reach 1 without being lead agency — a bilateral delegation agreement — remains available and unused for Reach 2. The absence of that agreement is not a structural barrier. It is an unexercised option.

Transfer of Project Leadership

Valley Water staff's own Timeline (Attachment 5) undercuts the February 2023 project leadership transfer narrative that both staff and the Auditors relied on. Our letter questioned whether the reported February 2023 transfer of project design leadership to the SFCJPA had indeed occurred and, if it occurred, whether it was ever authorized. That transfer event does not appear anywhere in the Timeline or in staff's hearing-day timeline at Attachment 6, slide 26, even though it is the premise on which the Auditors' Finding 7, and this entire proposal, depends. The Timeline instead asserts that Valley Water was "leading the design of several project elements" in May 2023 and submitting the governing hydrology findings in June 2023, months after the reported transfer. Either the transfer did not occur as reported, or Valley Water did not act as though it had. Staff's own Timeline forces that choice, and neither answer supports Finding 7.

Valley Water Funding Standard

New material posted for tomorrow's hearing confirms that the funding concerns raised in our July 2 letter have merit. Our letter argued that tying Valley Water's funding to "benefits to Santa Clara County" is unworkable because the term has no defined methodology, no timing and no floor — meaning no one could say, at any given moment, what Valley Water owes. The Timeline's own footnote (Attachment 5) now confirms exactly that: "an accurate and reliable cost estimate is not currently available," and "it is not possible at this time to determine the portion of funding that is commensurate with the project's benefits to Santa Clara County." In Valley Water staff's own words, the standard cannot currently be applied to produce a number.

The FAQs ask, "Are these [KPI] changes reducing Measure S funding?" which they answer with a flat "No," later citing Project E5 funding growth from roughly $11.5 million to $26.3 million as proof of "Valley Water's continued financial commitment to the project." But an assurance against reduction is only as good as the baseline it is measured from, and staff have already admitted — in the Timeline's own footnote — that no such baseline can currently be calculated, since it depends on unknowns like project scope and benefit measurement that remain undetermined. Without a baseline, the public has no way to measure the size, or even the existence, of any reduction in Measure S funding. Staff cannot tell the Board both that the number is unknown and that the number will not go down — one of those two statements must give way, and the Board should ask staff which one before relying on either.

Finally, where the FAQs do explain how the standard would work, they confirm the specific risk our letter raised as an open question: whether Valley Water could reduce its funding if the Project ultimately delivers less than 70-year protection. The FAQs state that Valley Water's financial participation "should be proportional to the flood protection benefits the project provides within Santa Clara County." Attachment 6,

Q10, slide 25, adds that the KPI "provides a framework for future funding decisions as project benefits are defined." Neither statement rules out a reduction tied to a lower level of protection delivered. A funding standard expressly keyed to "benefits provided" and "protection delivered," with no floor stated anywhere in the record, does nothing to foreclose a reduction in Measure S funding for the project based on protection level. Our letter asked the Board to rule this outcome out. Nothing in these new materials does so.

Taken together, the funding points made above resolve into three admissions in Valley Water staff's own hearing materials, and each one leads to the next. First, staff admit they cannot define the funding standard today. Second, that admission undermines the assurance Valley Water staff give the public in the FAQs — that funding won't be reduced — because a promise not to reduce an amount is unverifiable if staff cannot yet say what the baseline amount is. Third, and separately, the funding standard itself contains no floor or minimum — so even setting the verification problem aside, nothing in the standard as written would prevent Valley Water's contribution from falling below its current level. Here is why that matters: if Valley Water's contribution ever drops below the $26.3 million its FAQs cite as proof of commitment, staff could simply say the lower number reflects the undefined "benefits to Santa Clara County" calculation — not a reduction at all. No one could prove them wrong, because that calculation doesn't exist yet. The Valley Water Board is not being asked to adopt a finished metric. The Board is being asked to adopt a blank one, filled in later based on staff's promise alone.

****

For the reasons set out in our July 2 letter and above, we respectfully renew our request that the Board direct staff to prepare, for the August 11 continued hearing, a draft framework defining a minimum set of Valley Water roles and responsibilities for the Reach 2 Project — and the steps to implement them — sufficient to permit Valley Water to preserve its existing KPI, rather than replace it with an undefined funding standard.

Respectfully,



Jeffrey Shore
jshore1905@gmail.com

cc: Greer Stone, Chairperson, SFCJPA Board
Lisa Gauthier, Vice-Chairperson, SFCJPA Board
Drew Combs, SFCJPA Board Member
Mark Dinan, SFCJPA Board Member
Keith Reckdahl, SFCJPA Alternate Director, City of Palo Alto
Kaia Eakin, SFCJPA Alternate Director, San Mateo County Flood and Sea Level Rise
Cecilia Taylor, SFCJPA Alternate Director, City of Menlo Park
Ruben Abrica, SFCJPA Alternate Director, City of East Palo Alto
Margaret Bruce, Executive Director, SFCJPA
Ed Shikada, City Manager, City of Palo Alto
Melanie Richardson, Interim CEO, Valley Water
Edgewood Neighbors

From: ifdrupaladmin@ifsight.net on behalf of Santa Clara Valley Water
To: Clerk of the Board
Subject: SCVWD Agenda Comment Form
Date: Sunday, July 12, 2026 8:57:22 PM

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Submitted on Sun, 12 Jul 2026 - 20:51

Submitted values are:

Name
Katja Irvin

Address
San Jose, California

Email
katja.irvin@sbcglobal.net

Board Meeting Date
2026-07-14

Agenda Item Number
3.4

I would like to
No Position--Comment Only

Comment Form
At a recent meeting of local environmental organizations, attendees expressed concern about the modification of Safe, Clean Water and Natural Flood Protection Program Project F6 -- Good Neighbor Program: Graffiti and Litter Removal and Public Art KPI #3 to expand public art projects beyond Valley Water-owned infrastructure and property. Most of the concern is due to the possible impacts from lighting. Lighting to specifically illuminate artworks should not be allowed.

It is likely that other interested parties would have comments or questions about implementation of this expanded public arts funding. Therefore, I encourage the Board to request that the Board Planning and Monitoring Committee develop and approve specific public art grant requirements under the Safe Clean Water Program so the public and interested parties can provide input.

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From:	Hamilton Hitchings
To:	Clerk of the Board; Jim Beall; John Varela; Nai Hsueh; Rebecca Eisenberg; Richard Santos; Shiloh Ballard; Tony Estremera
Cc:	ed.shikada@cityofpaloalto.org; dcombs@menlopark.gov; lgauthier@smcgov.org; cttaylor@menlopark.gov; keakin@redwoodcity.org; keith.reckdahl@cityofpaloalto.org; Richard Santos; rabrica@cityofepa.org; Margaret Bruce; Melanie Richardson; Pat Burt
Subject:	Valley Water Proposed KPI Changes for SFC Flood Control - Against
Date:	Sunday, July 12, 2026 5:51:28 PM

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Dear Valley Water Board,

Below are my comments regarding the proposed change to the KPI for San Francisquito Creek that you will be meeting at 1 pm on Tuesday to discuss. Thank you.

Hamilton Hitchings

My name is Hamilton Hitchings. I live in Palo Alto and serve as a volunteer Neighborhood Preparedness Coordinator with the City's Emergency Services program, representing Duveneck/St. Francis and writing this letter in my personal capacity. Our neighborhood sits in the deepest parts of the San Francisquito Creek flood zone and was severely flooded in 1998.

I ask the Board not to approve the proposed Project E5 KPI change.

The voter-approved KPI commits Valley Water to a measurable public-safety result: protection for approximately 3,000 parcels, including roughly 70-year protection upstream of Highway 101. The replacement KPI measures only whether Valley Water provides the JPA an undefined "commensurate" share of funding — with no protection level, no dollar amount, and no way for the public to know whether the project succeeded.

Valley Water says it cannot be accountable for an outcome the JPA controls. But Reach 1 disproves that. The JPA was the lead agency there too — yet Valley Water was deeply involved in the design and, through a 2015 agreement with the JPA, led construction. The result: 100-year flood protection downstream of Highway 101, meeting its KPIs. That success was built on a strong Valley Water–JPA partnership — one that has since deteriorated. Your own FAQ acknowledges that similar agreements "can be executed" for Reach 2. So the barrier is not authority — it is willingness. Deleting the outcome KPI removes the incentive to collaborate on design and construction.

The timing makes this worse. Technical staff across the JPA agencies, including Valley Water's, now believe a viable preferred alternative can contain 7,200 cfs and replace the Pope-Chaucer Bridge. If Valley Water steps back now — during design — it might later say

it cannot responsibly lead construction of a project it did not help shape or approve. Retreat during design makes retreat from construction far more likely.

Please reject this KPI change, or direct staff to return with a revised KPI that preserves accountability for actual flood protection. At minimum, defer any change until the JPA selects a preferred alternative. Don't ratify a retreat — require re-engagement, and deliver the protection voters were promised.

Hamilton Hitchings

From:	Thomas Rindfleisch
To:	Clerk of the Board; Jim Beall; John Varela; Nai Hsueh; Rebecca Eisenberg; Richard Santos; Shiloh Ballard; Tony Estremera
Cc:	Drew Combs; Greer Stone; Lisa Gauthier; Nai Hsueh; Cecilia Taylor; Kaia Eakin; Keith Reckdahl; Richard Santos; Ruben Abrica; Margaret Bruce; Melanie Richardson; Ed Shikada
Subject:	Comments Against the Proposed Modification of Project E5 Key Performance Indicators
Date:	Saturday, July 11, 2026 4:29:47 PM
Attachments:	TCR Input to SCVWD Board Public Comment re E5 KPI Change.260714.pdf

*** This email originated from outside of Valley Water. Do not click links or open attachments unless you recognize the sender and know the content is safe. ***

Dear Santa Clara Valley Water District Board Members, Please find attached my comment letter on the above-referenced subject for your consideration as part of your July 14 meeting on proposed updates to the E5 San Francisquito Creek Safe, Clean Water Program project.

Respectfully, Tom Rindfleisch

Thomas Rindfleisch
Sr Research Scientist, Emeritus
Stanford University

July 11, 2026

Re: Comments Regarding Proposed Modification of Project E5 Key Performance Indicators — San Francisquito Creek Reach 2 — July 14, 2026 Public Hearing

Dear Chair Estremera and Members of the Valley Water Board.

I am Tom Rindfleisch and I live in the San Francisquito Creek flood zone in northern Palo Alto. I am writing on behalf of the Creek Neighborhood Group, a set of residents with technical backgrounds and two Stanford Civil Engineering faculty members, as well as of the Crescent Park Neighborhood Association, representing over 1,000 resident email addresses.

Crescent Park has been the hardest hit by San Francisquito Creek flooding caused by the Pope-Chaucer bridge. East Palo Alto was also hit hard before Reach 1 was completed. 1,500 homes were badly damaged in the 1998 flood. Now we are facing another rain season with a projected extreme El Niño event, perhaps even stronger than the one of 1997/1998 that brought that flood of record.

Crescent Park and Palo Alto supported Measures B and S since 2012, with over 70% “yes” votes, to fund Valley Water to help protect San Francisquito Creek communities from floods. We expected to benefit from Valley Water's deep technical and project management expertise. That expertise was demonstrated on Reach 1, which was completed in 2019 on time and met its Key Performance Indicators.

We are therefore alarmed that Valley Water is moving toward a passive funding role on Reach 2, leaving direct responsibility for project delivery to the JPA. The community does not understand how the working relationship that succeeded so well on Reach 1 has seemingly broken down so completely on Reach 2. The San Francisquito Creek Joint Powers Authority Board comprises five independent agencies with little civil engineering experience at the Board level. It has struggled to conceive and manage a coherent Reach 2 project. Valley Water's technical and project management expertise is needed now more than ever.

As background, I want to comment on the VW San Francisquito Creek Timeline chart prepared for this meeting. In its brief list of events between New Year’s Eve 2022 and the status as of 2024, it left out the fact that prior to the NYE flood in December 2022, Valley Water was taking the lead and homing in on a 90% design for Reach 2. It involved four elements: pinch point/obstruction widening, bank stabilization, flood walls, and bridge replacements, and looked very promising. After the NYE flood, VW staff noticed that there was evidence of overflows (water height marks the day after) that could not be explained by the then current (USACE/Noble) HEC-RAS creek model. Further analysis that spring led VW to conclude that a revised HEC-RAS model consistent with the new creek flow observations meant that the ongoing Reach 2 design could no longer work and it would be impossible to replace the Pope-Chaucer bridge and maintain 7,200 cfs protection downstream (a conclusion presented at a special meeting of the SFCJPA Board on June 8, 2023).

This was stunning information with the apparent result that the north Palo Alto Crescent Park and Duveneck/St. Francis neighborhoods would continue unprotected as "sacrificial" communities, i.e., with no improved flood protection.

The logical reaction of the SFCJPA to this position by Valley Water was to examine this result further. The JPA stepped back and sought a second opinion on recalibrating the HEC-RAS model with the best fit USGS data for the actual flow level, on analyzing how the new model of the creek worked in detail, and on determining how the Reach 2 design might be updated to contain the 7,200 cfs flow goal, including replacement of the Pope-Chaucer bridge. Initiating these studies led to the JPA taking on a role parallel to that of VW to solicit opinions from Schaaf & Wheeler Consulting Civil Engineers to validate the HEC-RAS model, and a study by WRA Environmental Consultants of a set of Reach 2 alternatives that would contain a 7,200 cfs flow. These follow-on studies showed that VW was correct in its update of the San Francisquito Creek HEC-RAS model but that there were several alternative interventions in Reach 2 that could contain flows up to 7,200 cfs and replace the Pope-Chaucer bridge so that all residents affected by Reach 2 flooding would be protected. We understand that after many more months of studying and refining the Reach 2 alternatives, technical personnel in the

principal JPA agencies, including VW, are now satisfied that there can be a preferred alternative that would protect all residents along Reach 2. Further studies are needed but it is essential that all of the technical and managerial resources in the JPA community cooperate to flesh these ideas out.

It is easy for an outside observer to surmise that this bifurcation of the leadership roles for the SFC Reach 2 project studies in 2023 led VW to reconsider and pull back from its own previous leadership role in the project. To many Palo Alto residents this appears to be a most unfortunate step on the part of VW that may seriously impede the promised solution to the SFC flooding threat.

We have come to understand that VW's internal management and administrative procedures are separate from the technical support VW could continue to make available to the Reach 2 project, including the possibility of being chosen to lead and manage the execution of whatever alternative for Reach 2 flood protection may be chosen. There remains the further question about how the implementation of such a plan could be funded. Obtaining funding will likely be possible only if there is the most professional and experienced project leadership in place and with a consensus that the proposed Reach 2 solution is credible and that its execution will be well-managed by the most experienced agency in the JPA, i.e., Valley Water.

We strongly urge Valley Water to reconsider the step they are proposing today. Specifically, we ask that Valley Water maintain Reach 2 as a full Capital Improvement Project, retain its outcome-based KPI commitment to 70-year flood protection, and re-engage as a joint leading and active technical partner with the JPA in project delivery. As a constructive first step, we suggest that Valley Water designate a working group to meet with a reciprocal JPA Board group to reestablish a productive joint leadership — and finally deliver the Reach 2 conveyance improvements that creek communities were promised.

Thank you for your consideration.

Respectfully,

Thomas Rindfleisch
Sr Research Scientist, Emeritus
Stanford University
tcr@stanford.edu

cc: Greer Stone, Chairperson, SFCJPA Board
Lisa Gauthier, Vice-Chairperson, SFCJPA Board
Drew Combs, SFCJPA Board Member
Mark Dinan, SFCJPA Board Member
Keith Reckdahl, SFCJPA Alternate Director, City of Palo Alto
Kaia Eakin, SFCJPA Alternate Director, San Mateo County Flood and Sea Level Rise
Cecilia Taylor, SFCJPA Alternate Director, City of Menlo Park
Ruben Abrica, SFCJPA Alternate Director, City of East Palo Alto
Margaret Bruce, Executive Director, SFCJPA
Ed Shikada, City Manager, City of Palo Alto
Melanie Richardson, Interim CEO, Valley Water
Neighborhood Group

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Santa Clara Valley Water District

File No.: 26-0607

Agenda Date: 8/11/2026
Item No.: 3.5.

BOARD AGENDA MEMORANDUM

Government Code § 84308 Applies: Yes ☐ No ☒
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:
Receive an Update on the Issuance of Water System Refunding Bonds and Revenue Notes in an Aggregate Not-to-Exceed Amount of $600 Million and Adopt a Resolution Approving the Form of a Preliminary Official Statement in Connection with the Issuance of Water System Refunding Revenue Bonds and Revenue Notes and Certain Acts in Connection Therewith.

RECOMMENDATION:

A. Receive an update on the issuance of Water System Refunding Revenue Bonds and Revenue Notes in an aggregate not-to-exceed amount of $600 million; and
B. Adopt resolution APPROVING THE FORM OF A PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH THE ISSUANCE OF WATER SYSTEM REFUNDING REVENUE BONDS AND REVENUE NOTES AND CERTAIN ACTS IN CONNECTION THEREWITH.

SUMMARY:
Board approval of staff recommendations will allow the Santa Clara Valley Water District (Valley Water) to adopt a resolution (Attachment 1) approving the publishing of the Preliminary Official Statement (Attachment 2) bond disclosure document pursuant to the Securities Exchange Act Rule 15c2-12, and proceed with the issuance of Water Utility (WU) Enterprise debt in an aggregate not to exceed a principal amount of $600 million as authorized by the Board on May 12, 2026, for the following purposes:

1. Issue Refunding Revenue Bonds to refund all outstanding tax-exempt WU Series 2017A and 2019A debt for debt service savings;
2. Issue Refunding Revenue Bonds to refund outstanding Commercial Paper Notes and Revolving Line of Credit Certificates issued to finance projects for the WU Enterprise (the "outstanding short-term obligations");
3. Issue Revenue Notes to acquire and/or construct, or reimburse the cost of the acquisition or construction of, certain WU capital improvements and to capitalize interest on the Revenue Notes; and
4. Pay costs of issuance.

The Revenue Notes will be used primarily to fund Anderson Dam Seismic Retrofit Project costs in advance of entering into a planned Water Infrastructure and Financing Innovation Act (WIFIA) construction loan with the United States Environmental Protection Agency.

Based on current projections of interest rates and funding needs, the aggregate principal amount of the combined issuance is anticipated to total approximately $530 million. The projections and estimates provided herein may change depending on market conditions; however, the total debt issuance amount cannot exceed $600 million pursuant to Board Resolution 2026-25, adopted on May 12, 2026.

Valley Water Disclosure Responsibilities / Preliminary Official Statement

Valley Water's Board and executive team are responsible for ensuring that no material facts are omitted or misstated in the Preliminary Official Statement in accordance with federal securities laws and disclosure requirements outlined in the Valley Water Debt Management Policy.

As the primary securities offering document to potential investors, the Preliminary Official Statement must contain all material information relevant to the Refunding Revenue Bonds and Revenue Notes (the "Obligations") and the security thereof. The materiality standard is determined in the context of all the facts and circumstances and is based on whether there is a substantial likelihood that a reasonable or prospective investor would consider the information important in deciding whether to invest. Confidentiality and political considerations are not exceptions to the requirement for full disclosure. If the Board, executive team, or any Valley Water staff contributing to and/or reviewing the Preliminary Official Statement has concerns about the accuracy or completeness of the disclosure, those concerns should be raised and discussed with Valley Water's Chief Financial Officer and the debt management staff immediately. Additionally, as per federal securities law, Valley Water has an obligation to provide material updates, if any, to the Official Statement(s) up to 25 days after the closing date of the Obligations (in addition to continuing disclosure obligations laid out in the Continuing Disclosure Agreement, the form of which was approved by this Board on May 12, 2026). As described below, it is currently contemplated that the tax-exempt series of the Refunding Revenue Bonds and Revenue Notes will be sold separately from, and approximately two weeks earlier than, the taxable Refunding Bonds. If the sale process occurs in this manner, the Preliminary Official Statement presented at this meeting will be revised into two Preliminary Official Statements. Each Preliminary Official Statement will describe the Obligations being offered thereunder, however, the information regarding Valley Water will be identical in both documents.

Additional information on municipal disclosure responsibilities and consequences of non-compliance with securities laws is attached (Attachment 3).

Method of Sale

The Obligations are being sold on a competitive basis, which is expected to result in the lowest overall financing cost. Valley Water has issued multiple series of Water Utility debt obligations in recent years, and investors are familiar with the credit structure, so the competitive sale approach in the current market is expected to be the most cost-effective method. The Notice of Sale will specify minimum qualifications as follows: (1) the firms with the winning bids must be in compliance with the

Valley Water Board of Directors' Executive Limitation (EL) 4.7.7 by having an Environmental, Social, and Governance (ESG) rating of medium or better (small local firms are exempt) and (2) the firm is currently qualified in the California State Treasurer's Office underwriter pool. Notice of Sale advertisements will be placed in the San Jose Post, El Observador, and Vietnam Daily, as well as the Bond Buyer, the daily municipal bond publication, to ensure a broad and diverse audience of potential bidders is informed of the competitive sale. In addition to the aforementioned outreach, the Procurement team will advertise the Notice of Sale on the PlanetBids VendorLine government bidding platform utilized by Valley Water.

In addition, the sale of the tax-exempt Obligations will occur in August and the sale of the taxable Obligations will occur approximately 15 days later in September. The separation would allow Valley Water to structure the Obligations in a manner to reduce overall debt service cost and is necessary for the structure to comply with certain tax law requirements.

Financing Plan

The financing structure of the Obligations is summarized in the table below.

	Refunding Bonds - 2017A/2019A Debt	**Refunding Bonds - Short-Term Obligations**	**Revenue Notes**
Purpose	Refund $50.2 million of outstanding tax-exempt debt for savings	Refund $327.1 million of outstanding short-term obligations	Generate $150 million of proceeds to fund future construction costs
Repayment Term/Maturity	23 years	30 years	3 ¼ years
Annual Debt Service	Stepped down on a combined basis; optimized for debt service savings		
Security	Net Water Utility System Revenues pursuant to the Parity Master Resolution		

The Obligations will be issued under Valley Water's Water Utility System Parity Master Resolution (16 -10), adopted on February 23, 2016 (as amended by Resolution No. 16-82, the "Parity Master Resolution"). The authority to issue the Obligations is provided for in Sections 53580-53589.5 of the California Government Code and the District Act.

Outstanding debt previously issued under the Parity Master Resolution ("Parity Debt") is currently rated 'AA+' by Fitch Ratings ("Fitch") and 'Aa1' by Moody's Investors Service ("Moody's), both one-notch below the highest possible ratings of 'AAA' and 'Aaa,' respectively. Staff will be requesting ratings for the Obligations from Fitch and Moody's and anticipates receiving similar high-grade credit ratings for this transaction.

Board approval of the Preliminary Official Statement does not commit Valley Water to a definite

course of action with regard to any particular project and does not limit Valley Water in exercising any discretion following California Environmental Quality Act (CEQA) review of any project, including (i) considering other feasible alternatives and mitigation measures to avoid or minimize project impacts, (ii) making modifications deemed necessary to reduce project impacts, or (iii) determining not to proceed with one or more component of a project. Additionally, approval does not obligate Valley Water to approve the construction of any of the projects.

Estimated Sources and Uses of Bond Proceeds

An estimate of sources and uses of funds for the Obligations is set forth below. Details of the true interest cost, finance charge, total proceeds, and payment amounts are provided in the "Good Faith Estimated Costs" section below.

	Tax-Exempt Refunding Bonds (2026A)	**Taxable Refunding Bonds (2026B)**	**Tax-Exempt Revenue Notes (2026C)**	**Total**
Sources				
Principal Amount	$ 277,400,000	$ 87,960,000	$ 164,630,000	$ 529,990,000
Premium	13,445,764	--	10,699,304	24,145,068
Debt Service Funds	1,254,375	--	--	1,254,375
TOTAL	**$ 292,100,139**	**$ 87,960,000**	**$ 175,329,304**	**$ 555,389,443**
Uses				
Repay Short-Term Debt	$ 239,600,000	$ 87,500,000	--	$ 327,100,000
Refund 2017A/2019A Bonds	51,027,793	--	--	51,027,793
New Project Funds	--	--	150,000,000	150,000,000
Capitalized Interest	--	--	24,453,551	24,453,551
Underwriters' Fee	1,109,600	351,840	658,520	2,119,960
Costs of Issuance	362,746	108,160	217,233	688,139
TOTAL	**$ 292,100,139**	**$ 87,960,000**	**$ 117,329,304**	**$ 555,389,443**

Note that, in comparison to the estimated sources and uses included in the May 12, 2026, Board memo, the Revenue Notes were upsized to generate $50 million more in new project funds to adequately fund projected capital costs.

Good Faith Estimated Costs

Pursuant to California Government Code Section 5852.1, the good faith estimates are as follows: (1) the true interest cost is currently estimated to be 4.66%; (2) the finance charge (which means the sum of all fees and charges paid to third parties) is estimated to be $2,808,099 (3) the amount of proceeds received by Valley Water (which is net of the finance charge) is estimated to be

$526,873,418; and (4) the total payment amount (which means the sum of all debt service payments to the final maturity not paid from debt proceeds) is estimated to be $861,648,468.

The estimates provided are based on market rates as of July 13, 2026, plus 0.50%. Actual results will differ depending on the market rate on the pricing dates, which are expected to occur in August/September 2026.

Issuance Costs

The estimated total costs of issuance will be paid from the proceeds of the debt issuances upon or shortly after closing:

Description	**Estimate**
Rating Fees (Fitch/Moody's)	$ 287,000
Bond Counsel	205,000
Municipal Advisor	122,978
Trustee	35,000
Official Statement Publication	5,000
Notice of Sale Advertisements	2,500
Verification Agent	1,550
Contingency	29,111
Total	**$ 688,139**

Additionally, underwriting costs, totaling approximately $2,119,960 and dependent on the amounts bid for the Obligations, will be retained at closing by the winning firm(s).

Financing Schedule

The current financing schedule is summarized below:

Description	**Date**
Board Meeting - Preliminary Official Statement	August 11, 2026
Receive Credit Ratings	August 12, 2026
Post Tax-Exempt Debt Preliminary Official Statement	August 14, 2026
Publish Notice of Sale	August 14 - 18, 2026
Competitive Tax-Exempt Bids Due	August 25, 2026
Post Taxable Debt Preliminary Official Statement	August 30, 2026
Competitive Taxable Bids Due	September 9, 2026
Closing	September 17, 2026

ENVIRONMENTAL JUSTICE IMPACT:

There are no Environmental Justice impacts associated with this item.

FINANCIAL IMPACT:
The estimated total costs of issuance in the amount of $688,139, plus underwriter's fees of approximately $2,119,960, will be paid from the proceeds of the debt issuance. The Board adopted FY 2026-27 Budget includes sufficient funds for debt service costs for the Obligations in the Water Utility fund.

Based on market rates as of July 13, 2026, plus 0.50%, the refunding of the tax-exempt 2017A and 2019A debt is estimated to result in total savings of $5.3 million. Actual results will differ and depend on market rates on the pricing dates currently targeted for August/September 2026.

CEQA:
The recommended action does not constitute a project under California Environmental Quality Act (CEQA) because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment, as outlined in the State CEQA Guidelines, Section 15060(c)(2).

ATTACHMENTS:
Attachment 1: Resolution
Attachment 2: WU Preliminary Official Statement
Attachment 3: PowerPoint

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068

BOARD OF DIRECTORS
SANTA CLARA VALLEY WATER DISTRICT

RESOLUTION NO. 2026-

APPROVING THE FORM OF A PRELIMINARY OFFICIAL STATEMENT IN CONNECTION WITH THE ISSUANCE OF WATER SYSTEM REFUNDING REVENUE BONDS AND REVENUE NOTES AND CERTAIN ACTS IN CONNECTION THEREWITH

WHEREAS, the Santa Clara Valley Water District ("Valley Water"), is a water supply and flood protection special district duly organized and existing under and pursuant to the Constitution and laws of the State of California; and

WHEREAS, the Board of Directors of Valley Water (the "Board") previously authorized the issuance, sale and delivery of refunding bonds and revenue notes in one or more series (the "Obligations") to refund certain outstanding obligations and to finance certain capital improvements of Valley Water, and approved the execution and delivery of certain documents in connection therewith pursuant to Resolution No. 2026-25, adopted on May 12, 2026; and

WHEREAS, Valley Water now desires to approve the form of a Preliminary Official Statement in connection with the issuance of the Obligations; and

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Santa Clara Valley Water District does hereby find, determine, declare, and resolve as follows:

Section 1. **Preliminary Official Statements and Official Statements**. The preparation and distribution of the Preliminary Official Statement in substantially the form on file with Valley Water is hereby approved. In the event the Obligations are to be sold on different dates, the Chief Executive Officer (or any acting or interim of such position), the Clerk of the Board, the Chief Financial Officer or the designee of each of the foregoing (each an "Authorized Officer" and together the "Authorized Officers") are each hereby authorized to prepare and distribute additional Preliminary Official Statements, each in the form of the Preliminary Official Statement on file with Valley Water, with such revisions as necessary to reflect the plan of sale.

Each Authorized Officer is individually authorized to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 relating to each Preliminary Official Statement, and to approve the release of each Preliminary Official Statement to prospective purchasers of the Obligations. Each Authorized Officer is individually authorized and directed to execute, approve and deliver one or more Official Statements each in the form of the related Preliminary Official Statement, with such changes, insertions and omissions as may be approved by such Authorized Officer executing the same, said execution being conclusive evidence of such approval, and are directed to deliver copies of any final Official Statement(s) to all actual initial purchasers of the Obligations.

Section 2. **Other Actions**. The Authorized Officers and such other officers and staff of Valley Water are authorized and directed, acting singly, to do any and all things and to execute and deliver any and all documents which such officers may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Obligations, and otherwise effectuate the purposes of this Resolution, and such actions in connection therewith previously taken by such officers and staff are hereby ratified and confirmed.

Section 3. **Effect**. This Resolution shall take effect immediately.

PASSED AND ADOPTED by the Board of Directors of the Santa Clara Valley Water District by the following vote on August 11, 2026:

AYES: Directors

NOES: Directors

ABSENT: Directors

ABSTAIN: Directors

SANTA CLARA VALLEY WATER DISTRICT

_____
TONY ESTREMERA
Chair, Board of Directors

ATTEST

_____
CANDICE KWOK-SMITH
Clerk, Board of Directors

Affix Seal Here

I hereby certify that the foregoing is a full, true and correct copy of the original thereof on file in my office.

DATED: August 11, 2026

_____
Candice Kwok-Smith
Clerk, Board of Directors

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PRELIMINARY OFFICIAL STATEMENT DATED AUGUST __, 2026

NEW ISSUE-Book Entry Only **See "RATINGS" herein.**

**$_____*
Santa Clara Valley Water District
Water System Refunding Revenue Bonds,
Series 2026A**

**$_____*
Santa Clara Valley Water District
Water System Refunding Revenue Bonds,
Taxable Series 2026B**

$_____*
**Santa Clara Valley Water District
Water System Revenue Notes, Series 2026C**

Dated: Date of Delivery **Due: As shown on the inside cover**

The proceeds of the Santa Clara Valley Water District Water System Refunding Revenue Bonds, Series 2026A (the "2026A Bonds") are being issued to provide a portion of the money to (i) refund the outstanding Santa Clara Valley Water District Water System Refunding Revenue Bonds, Series 2017A (the "2017A Bonds") and the outstanding Santa Clara Valley Water District Water System Refunding Revenue Bonds, Series 2019A (the "2019A Bonds"); (ii) pay a portion of the principal of the currently outstanding Revolving Certificates and Commercial Paper Notes issued to finance projects for the Water Utility System; and (iii) pay costs of issuance of the 2026A Bonds, all as more fully described herein.

The proceeds of the Santa Clara Valley Water District Water System Refunding Revenue Bonds, Taxable Series 2026B (the "2026B Bonds" and together with the 2026A Bonds, the "2026 Refunding Bonds") are being issued to provide a portion of the money to (i) pay a portion of the principal of the currently outstanding Revolving Certificates and Commercial Paper Notes issued to finance projects for the Water Utility System; and (ii) pay costs of issuance of the 2026B Bonds, all as more fully described herein.

The 2026 Refunding Bonds are being issued pursuant to Resolution No. 16-10 adopted by the Board of Directors of Valley Water on February 23, 2016 (as amended to the date hereof, the "Parity Master Resolution"), Resolution No. 2026-25 adopted by the Board of Directors of Valley Water on May 12, 2026 (the "2026 Resolution"), and an indenture of trust, dated as of May 1, 2026 relating to the 2026 Refunding Bonds (the "Refunding Bond Indenture") by and between Valley Water and U.S. Bank Trust Company, National Association, as trustee thereunder (the "Trustee"). Interest due on the 2026 Refunding Bonds is payable on each June 1 and December 1, commencing December 1, 2026. **The 2026 Refunding Bonds are subject to optional, mandatory sinking fund and extraordinary redemption prior to maturity as described in this Official Statement**

The proceeds of the Santa Clara Valley Water District Water System Revenue Notes, Series 2026C (the "2026 Notes" and together with the 2026 Refunding Bonds, the "2026 Obligations") are being issued to (i) finance the costs of certain Water Utility System improvements; and (ii) pay costs of issuance of the 2026 Notes, all as more fully described herein.

The 2026 Notes are being issued pursuant to the Parity Master Resolution, the 2026 Resolution, and an indenture of trust, dated as of May 1, 2026 relating to the 2026 Notes (the "Note Indenture" and together with the Refunding Bond Indenture, the "Indentures") by and between Valley Water and the Trustee. Interest due on the 2026 Notes is payable on each June 1 and December 1, commencing December 1, 2026. **The 2026 Notes are subject to optional and extraordinary redemption prior to maturity as described in this Official Statement.**

The 2026 Obligations are being issued in fully registered form and, when the 2026 Obligations are delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2026 Obligations. Purchasers of beneficial interests will not receive certificates representing their interest in the 2026 Obligations. So long as Cede & Co. is the registered owner of the 2026 Obligations, as nominee of DTC, references herein to the registered owners shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners of the 2026 Obligations. Individual purchases of the 2026 Obligations will be made in book-entry form only in authorized denominations of $5,000 or any integral multiple thereof. Principal of and interest on the 2026 Obligations are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC is obligated to remit such principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the 2026 Obligations.

The principal and interest on the 2026 Obligations are secured by a pledge of and lien under the Parity Master Resolution on Water Utility System Revenues and are payable from Net Water Utility System Revenues. Valley Water has covenanted in the Parity Master Resolution that it will not create or allow any lien on the payment from the Water Utility System Revenues superior to the obligation to pay Bonds and Contracts, including the 2026 Obligations. The principal and interest on the 2026 Obligations are secured by Water Utility System Revenues and are payable from Net Water System Revenues on a parity with the obligation of Valley Water to pay debt service and to make installment payments on Bonds and Contracts outstanding (taking into account the refunding of the 2017A Bonds and 2019A Bonds described herein), as of August 3, 2026, in the aggregate

* *Preliminary, subject to change.*

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

principal amount of $954,710,000. The revenues of Valley Water's flood control system and parcel tax revenue of the Safe, Clean Water Program, as well as property taxes levied by Valley Water to pay certain State Water Project costs, are not included in Water Utility System Revenues pledged to the payment of the 2026 Obligations. No reserve fund has been created or will be funded with respect to the 2026 Obligations.

The obligation of Valley Water to pay the principal of and interest on the 2026 Obligations does not constitute a debt of Valley Water or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

In the opinion of Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the 2026A Bonds and the 2026 Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the 2026 Obligations (and original issue discount) is exempt from State of California personal income tax. See "TAX MATTERS — 2026A Bonds and 2026 Notes" and "— 2026B Bonds" herein with respect to tax consequences with respect to the 2026 Obligations.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. Capitalized terms used and not defined on the cover of this Official Statement have the meanings ascribed thereto in this Official Statement.

The 2026 Obligations are offered when, as and if issued and delivered to the Purchasers, subject to the approval as to the legality of certain matters by Stradling Yocca Carlson & Rauth LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for Valley Water by Interim District Counsel, Linda Mason, Esq., and for the Trustee by its counsel. It is expected that the 2026 Obligations will be available for delivery in book-entry only form through the facilities of DTC on or about September 17, 2026.

Dated: August __, 2026

MATURITY SCHEDULES

$_____
Santa Clara Valley Water District
Water System Refunding Revenue Bonds, Series 2026A

Payment Date (June 1)	*Principal Amount*	*Interest Rate*	*Yield*	*Price*	*CUSIP*[†]

$_____ ____% 2026A Term Bonds due June 1, 20__ − Yield ____% − Price _____ CUSIP[†] _____

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$_____
Santa Clara Valley Water District
Water System Refunding Revenue Bonds, Taxable Series 2026B

Payment Date (June 1)	*Principal Amount*	*Interest Rate*	*Yield*	*Price*	*CUSIP†*

$_____ ____% 2026B Term Bonds due June 1, 20__ − Yield ____% − Price _____ CUSIP† _____

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$_____
Santa Clara Valley Water District
Water System Revenue Notes, Series 2026C

Payment Date (June 1)	*Principal Amount*	*Interest Rate*	*Yield*	*Price*	*CUSIP*[†]

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SANTA CLARA VALLEY WATER DISTRICT

5750 Almaden Expressway
San Jose, California 95118

BOARD OF DIRECTORS AND OFFICERS OF VALLEY WATER

Tony Estremera, Chair, District 6
Richard P. Santos, Vice Chair, District 3
John L. Varela, Director, District 1
Shiloh Ballard, Director, District 2
Jim Beall, Director, District 4
Nai Hsueh, Director, District 5
Rebecca Eisenberg, Director, District 7

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Aaron Baker, Chief Operating Officer – Water Utility Enterprise
Darin Taylor, Chief Financial Officer
Christopher Hakes, Chief Operating Officer – Watersheds
Tina Yoke, Chief Operating Officer, Information Technology and Administrative Services
Rachael Gibson, Chief of External Affairs
Candice Kwok-Smith, Clerk of the Board

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Newport Beach, California

TRUSTEE

U.S. Bank Trust Company, National Association
San Francisco, California

MUNICIPAL ADVISOR

Public Resources Advisory Group
Los Angeles, California

VERIFICATION AGENT

Samuel Klein and Company, Certified Public Accountants
Newark, New Jersey

No dealer, broker, salesperson or other person has been authorized by the Purchasers, Valley Water or the Trustee to give any information to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2026 Obligations by a person in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. This Official Statement is not to be construed as a contract with the purchasers or any of the owners of 2026 Obligations. Any statement made in this Official Statement involving estimates, forecasts or matters of opinion, whether or not expressly so stated, is intended solely as such and not as representations of fact. The information set forth herein has been furnished by Valley Water, The Depository Trust Company, and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as representations by the Purchasers.

In reliance upon exemptions contained in such acts, the 2026 Obligations have not been registered under the Securities Act of 1933, as amended, nor have the Indentures been qualified under the Trust Indenture Act of 1939, as amended. The registration or qualification of the 2026 Obligations in accordance with applicable provisions of securities laws of any state in which the 2026 Obligations have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation. Neither those states nor any of their agencies have passed upon the merits of the 2026 Obligations or the accuracy or completeness of this Official Statement.

The Purchasers have provided the following sentence for inclusion in this Official Statement:

> The Purchasers have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Purchasers do not guarantee the accuracy or completeness of such information.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Purchasers. The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Valley Water since the date hereof.

Valley Water maintains a website, however, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2026 Obligations.

References to website addresses other than Valley Water's website presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12 of the United States Securities and Exchange Commission.

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**$_____*
Santa Clara Valley Water District
Water System Refunding Revenue Bonds,
Series 2026A**

**$_____*
Santa Clara Valley Water District
Water System Refunding Revenue Bonds,
Taxable Series 2026B**

**$_____*
Santa Clara Valley Water District
Water System Revenue Notes, Series 2026C**

INTRODUCTION

General

This Official Statement, including the cover page, inside cover page and Appendices, is provided to furnish certain information in connection with the offering of (i) $_____* aggregate principal amount of the Santa Clara Valley Water District Water System Refunding Revenue Bonds, Series 2026A (the "2026A Bonds"), (ii) $_____* aggregate principal amount of Santa Clara Valley Water District Water System Refunding Revenue Bonds, Taxable Series 2026B (the "2026B Bonds," and together with the 2026A Bonds, the "2026 Refunding Bonds") and (iii) $_____* aggregate principal amount of Santa Clara Valley Water District Water System Revenue Notes, Series 2026C (the "2026 Notes," and together with the 2026 Refunding Bonds, the "2026 Obligations").

The Santa Clara Valley Water District ("Valley Water") is a multi-purpose special district organized and existing in accordance with the Santa Clara Valley Water District Act, Chapter 1405 of Statutes 1951 of the State of California, as amended to the date hereof, including by Assembly Bill 939 and Assembly Bill 1469, each effective on January 1, 2024 (the "District Act").

Capitalized terms used herein with respect to the 2026 Obligations and not otherwise defined shall have the meanings set forth in "APPENDIX B—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

The 2026 Obligations

2026 Refunding Bonds. The 2026 Refunding Bonds are being issued pursuant to Resolution No. 16-10 adopted by the Board of Directors of Valley Water on February 23, 2016 (as amended to the date hereof, the "Parity Master Resolution"), Resolution No. 2026-25 adopted by the Board of Directors of Valley Water on May 12, 2026 (the "2026 Resolution"), and an indenture of trust, dated as of May 1, 2026 relating to the 2026 Refunding Bonds (the "Refunding Bond Indenture") by and between Valley Water and U.S. Bank Trust Company, National Association, as trustee thereunder (the "Trustee").

The 2026A Bonds are being issued to provide a portion of the money to (i) refund the outstanding Water System Refunding Revenue Bonds, Series 2017A (the "2017A Bonds") and the outstanding Water System Refunding Revenue Bonds, Series 2019A (the "2019A Bonds") ; (ii) pay a portion of the principal of the currently outstanding Revolving Certificates and Commercial Paper Notes issued to finance projects for the Water Utility System; and (iii) pay costs of issuance of the 2026A Bonds, all as more fully described herein.

The 2026B Bonds are being issued to provide a portion of the money to (i) pay a portion of the principal of the currently outstanding Revolving Certificates and Commercial Paper Notes issued to finance projects for the Water Utility System; and (ii) pay costs of issuance of the 2026B Bonds, all as more fully described herein. See the caption "PLAN OF FINANCE — The Refunding Plan."

---

* *Preliminary, subject to change.*

2026 Notes. The 2026 Notes are being issued pursuant to the Parity Master Resolution, the 2026 Resolution, and an indenture of trust, dated as of May 1, 2026 relating to the 2026 Notes (the "Note Indenture" and together with the Refunding Bond Indenture, the "Indentures") by and between Valley Water and the Trustee.

The 2026 Notes are being issued to provide to (i) finance the costs of certain Water Utility System improvements; and (ii) pay costs of issuance of the 2026 Notes, all as more fully described herein. See the caption "PLAN OF FINANCE — The Project."

Security for the 2026 Obligations. Each series of the 2026 Obligations are secured by a pledge of the Water Utility System Revenues of Valley Water's Water Utility System (as such terms are defined in the Parity Master Resolution and as more particularly described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 OBLIGATIONS—Pledge of Water Utility System Revenues") and amounts on deposit in certain funds and accounts established under Parity Master Resolution and the related Indenture. The obligation of Valley Water to pay principal of and interest on the 2026 Obligations is a special obligation of Valley Water payable solely from Net Water Utility System Revenues of the Water Utility System. Net Water Utility System Revenues of the Water Utility System of Valley Water include the Water Utility System Revenues remaining after payment of Operation and Maintenance Costs, and transfers to and from the Rate Stabilization Fund and Special Purpose Funds. Valley Water's obligation to pay debt service on the 2026 Obligations from Net Water Utility System Revenues is on a parity with Valley Water's currently outstanding Parity Obligations (as defined herein) and any obligations hereafter issued or incurred on a parity therewith subject to the terms and conditions of the Parity Master Resolution. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 OBLIGATIONS — Pledge of Water Utility System Revenues" and "DEBT STRUCTURE OF VALLEY WATER."

No Reserve Fund for the 2026 Obligations. No reserve fund has been created or will be funded with respect to the 2026 Obligations.

Redemption. The 2026 Refunding Bonds will be subject to optional, mandatory, and extraordinary redemption prior to maturity. The 2026 Notes will be subject to optional and extraordinary redemption prior to maturity. See the caption "THE 2026 OBLIGATIONS."

Issuance of Revenue Bonds Under District Act and Validation Proceedings

The District Act provides that Valley Water may issue revenue bonds in accordance with the District Act, and the applicable provisions of Government Code Section 54300 *et seq.* (the "Revenue Bond Law"), after Valley Water has submitted to the qualified voters of Valley Water at a special election, a proposition as to whether Valley Water may authorize and sell revenue bonds under the District Act. At an election held on November 6, 1984, the qualified voters within Valley Water approved a proposition authorizing Valley Water to issue revenue bonds in accordance with the District Act (the "Proposition"). Prior to the amendments to the District Act pursuant to Assembly Bill 939 ("AB 939"), which became effective on January 1, 2024, revenue bonds issued in accordance with the District Act were required to be repaid prior to the payment of operation and maintenance costs. AB 939 amended the District Act to provide, among other changes, that revenue bonds issued pursuant to the District Act shall be repaid from applicable Valley Water revenues after the payment of operation and maintenance costs (i.e. in accordance with the structure set forth in the Parity Master Resolution).

On January 29, 2024, Valley Water, acting pursuant to the provisions of Sections 860 et seq. of the California Code of Civil Procedure and Government Code Section 53511, filed a complaint in the Superior Court of the State of California for the County of Santa Clara seeking judicial validation of the proposed issuance of revenue bonds under the District Act, as amended by AB 939, the voter-approved Proposition, the Parity Master Resolution and the indenture for such revenue bonds. On April 26, 2024, the court entered a default judgment (the "Validation Judgment") to the effect, among other things, that: (i) revenue bonds issued

under the District Act will be, upon their sale and delivery, legal, valid and binding obligations of Valley Water, duly and properly sold and delivered in accordance with the authorization under the voter-approved Proposition, the District Act, as amended by AB 939, and the Revenue Bond Law; and (ii) revenue bonds issued under the District Act will be valid and binding obligations of Valley Water under the Constitution and laws of the State and in accordance with the voter-approved Proposition. The last day of the appeal period for the validation action was May 27, 2024. No timely appeal was filed with respect to the Validation Judgment.

Senior Obligations

Valley Water does not have any obligations secured by Water Utility System Revenues senior to Bonds and Contracts, including the 2026 Obligations. Valley Water has covenanted in the Parity Master Resolution that it will not create or allow any lien on the payment from the Water Utility System Revenues superior to the obligation to pay Bonds and Contracts, including the 2026 Obligations.

Parity Obligations

The obligation of Valley Water to pay principal of and interest on the 2026 Obligations from Net Water Utility System Revenues is secured by a pledge of the Water Utility System Revenues and certain funds and accounts established under the Parity Master Resolution and are payable from Net Water Utility System Revenues on a parity with Parity Obligations (as defined below) outstanding as of August 3, 2026 (taking into account the refunding of the 2017A Bonds and the 2019A Bonds as described herein) in the principal amount of $954,710,000 consisting of:

(i) the obligation of Valley Water to pay principal of and interest on Valley Water's Water System Refunding Revenue Bonds, Taxable Series 2016B (the "2016B Bonds") in the aggregate principal amount of $75,215,000;

(ii) the obligation of Valley Water to make installment payments under an installment purchase agreement dated as of February 1, 2016 (the "2016 Installment Purchase Agreement") by and between Valley Water and Santa Clara Valley Water District Public Facilities Financing Corporation (the "Corporation"), which installment payments secure $16,325,000 aggregate principal amount of Valley Water's Revenue Certificates of Participation (Water Utility System Improvement Projects) Taxable Series 2016D (the "2016D Certificates");

(iii) the obligation of Valley Water to pay principal of and interest on Valley Water's Water System Refunding Revenue Bonds, Taxable Series 2019B (the "2019B Bonds") in the aggregate principal amount of $67,740,000;

(iv) the obligation of Valley Water to pay principal of and interest on Valley Water's Water System Refunding Revenue Bonds, Series 2019C (the "2019C Bonds") in the aggregate principal amount of $24,100,000;

(v) the obligation of Valley Water to pay principal of and interest on Valley Water's Water System Refunding Revenue Bonds, Series 2020A (the "2020A Bonds") and Taxable Series 2020B (the "2020B Bonds" and together with the 2020A Bonds the, "2020AB Bonds") in the aggregate principal amount of $92,650,000;

(vi) the obligation of Valley Water to make installment payments under an installment purchase agreement dated as of September 1, 2020 (the "2020 Installment Purchase Agreement") by and between Valley Water and the Corporation, which installment payments secure $97,695,000 aggregate principal amount of Valley Water's Revenue Certificates of Participation (Water Utility System Improvement Projects) Series 2020C and Taxable Series 2020D (collectively, the "2020 Certificates");

(vii) the obligation of Valley Water to pay principal of and interest on Valley Water's Water System Refunding Revenue Bonds, Series 2023A (the "2023A Bonds") and Taxable Series 2023B (the "2023B Bonds" and together with the 2023A Bonds the, "2023AB Bonds") in the aggregate principal amount of $117,450,000,

(viii) the obligation of Valley Water to make installment payments under an installment purchase agreement dated as of November 1, 2022 (the "2022 Installment Purchase Agreement") by and between Valley Water and the Corporation, which installment payments secure $37,495,000 aggregate principal amount of Valley Water's Revenue Certificates of Participation (Water Utility System Improvement Projects) Series 2023C-2 (the "2023C-2 Certificates"),

(ix) the obligation of Valley Water to pay principal of and interest on Valley Water's Water System Refunding Revenue Bonds, Series 2024A-1 (the "2024A-1 Bonds") and Taxable Series 2024B-1 (the "2024B-1 Bonds" and together with the 2024A-1 Bonds the, "2024AB Bonds") in the aggregate principal amount of $192,150,000,

(x) the obligation of Valley Water to pay principal of and interest on Valley Water's Water System Revenue Bonds, Series 2024C (the "2024C Bonds") in the aggregate principal amount of $38,935,000,

(xi) the obligation of Valley Water to pay principal of and interest on Valley Water's Water System Refunding Revenue Bonds, Series 2025A (the "2025A Bonds") and Taxable Series 2025B (the "2025B Bonds" and together with the 2025A Bonds the, "2025AB Bonds") in the aggregate principal amount of $194,955,000, and

(xii) the obligation of Valley Water to pay principal of and interest on any obligations hereafter issued or incurred on a parity therewith subject to the terms of the Parity Master Resolution (collectively, the "Parity Obligations").

See the captions "DEBT STRUCTURE OF VALLEY WATER" and "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 OBLIGATIONS — Additional Bonds and Contracts."

WIFIA Loans

Valley Water, the Corporation and the United States Environmental Protection Agency have entered into a master loan agreement under the authorization of the Water Infrastructure Finance and Innovation Act ("WIFIA") for one or more loans to be obtained thereunder to finance certain Water Utility System projects. In connection with such WIFIA master loan agreement, Valley Water entered into an installment purchase agreement with the Corporation pursuant to which Valley Water will be obligated to make installment payments from Net Water Utility System Revenues to the Corporation, which will be applied by the Corporation to repay the WIFIA loan. The obligation of Valley Water to make such installment payments from Net Water Utility System Revenues is on a subordinate basis to the 2026 Obligations and any future Bonds and Contracts. However, upon a bankruptcy related event with respect to Valley Water or the Corporation such installment payments will be payable from Net Water Utility System Revenues on a parity with the 2026 Obligations and other existing and future Bonds and Contracts. See the caption "DEBT STRUCTURE OF VALLEY WATER." Also see the caption "POTENTIAL INVESTMENT CONSIDERATIONS — Impacts of Federal Policy on Loans and Grants."

Rate Covenants

Parity Obligations. Valley Water has covenanted under the Parity Master Resolution, to the fullest extent permitted by law, to fix and prescribe rates, fees and charges for Water Service at the commencement of each Fiscal Year, which, together with other Current Water Utility System Revenues or Net Water Utility System Revenues (as such terms are defined in the Parity Master Resolution), as the case may be, are

reasonably expected to be at least sufficient to yield during each Fiscal Year (i) Current Water Utility System Revenues in an amount sufficient to meet the Maintenance and Operation Costs and the Debt Service for the then current Fiscal Year, and (ii) Net Water Utility System Revenues which are at least 1.25 times the sum of all Debt Service for such Fiscal Year. Debt Service under the Parity Master Resolution includes the principal of and interest on the 2026 Obligations.

Valley Water may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the Current Water Utility System Revenues or Net Water Utility System Revenues, as the case may be, from such reduced rates, fees and charges are reasonably expected to be sufficient to meet the foregoing requirements. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 OBLIGATIONS — Rate Covenant" herein.

So long as Valley Water has complied with its obligations described above, the failure of Current Water Utility System Revenues to meet the threshold in clause (i) in the second preceding paragraph or the failure of Net Water Utility System Revenues to meet the threshold in clause (ii) in the second preceding paragraph will not constitute a default or an event of default under the Parity Master Resolution.

Additional Parity Debt Test

The Parity Master Resolution provides for the incurring of Parity Obligations payable from Net Water Utility System Revenues on a parity with the 2026 Obligations upon satisfaction of certain conditions. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 OBLIGATIONS — Additional Bonds and Contracts" and in Appendix B — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE WATER UTILITY MASTER RESOLUTION — BONDS AND CONTRACTS — Additional Bonds and Contracts."

Rate Stabilization Fund

Valley Water has established a Rate Stabilization Fund under the Parity Master Resolution to be held by Valley Water. Valley Water may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Water Utility System Revenue Fund for application in accordance with the Parity Master Resolution. Amounts transferred from the Rate Stabilization Fund to the Water Utility System Revenue Fund may be taken into account as Water Utility System Revenues for purposes of the calculations for the rate covenant and the issuance of additional Bonds or Contracts under the Parity Master Resolution. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 OBLIGATIONS — Rate Stabilization Fund." Based on unaudited actual amounts for Fiscal Year 2025-26, Valley Water estimates that approximately $3.1 million was transferred to the Water Utility System Revenue Fund to fund the costs of contributions to certain communities/agencies for water conservation, recycled water, purified water, wastewater treatment plant upgrades (referred herein as the "GP5 Reimbursement Program") in Fiscal Year 2025-26. Valley Water estimates that of the $63.2 million balance available in the Rate Stabilization Fund at the commencement of Fiscal Year 2026-27, approximately $5.7 million will be transferred to the Water Utility System Revenue Fund to fund the GP5 Reimbursement Program in Fiscal Year 2026-27. Subject to the final operating results for Fiscal Years 2025-26 and 2026-27, Valley Water may transfer amounts from available reserves to the Rate Stabilization Fund after the end of such Fiscal Years.

See the caption "FINANCIAL INFORMATION OF VALLEY WATER — Projected Operating Results and Debt Service Coverage."

Special Purpose Funds

The Parity Master Resolution authorizes Valley Water to establish Special Purpose Funds. Upon certain determinations made by the Board, Valley Water may withdraw all or any portion of the amounts in a

Special Purpose Fund and transfer such amounts to the Water Utility System Revenue Fund for application in accordance with the Parity Master Resolution. Amounts transferred from a Special Purpose Fund to the Water Utility System Revenue Fund may be taken into account as Water Utility System Revenues for purposes of the calculations for the rate covenant and the issuance of additional Bonds or Contracts under the Parity Master Resolution. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 OBLIGATIONS — Special Purpose Funds." Valley Water has currently designated the Drought Reserve, the San Felipe Emergency Reserve, the Advanced Water Purification Center Reserve and the Supplemental Water Supply Reserve as Special Purpose Funds. As of June 30, 2026, there was approximately $13.4 million in aggregate on deposit in such Special Purpose Funds. Valley Water does not expect to transfer amounts from the Special Purpose Funds to the Water Utility System Revenue Fund in Fiscal Year 2026-27. See the caption "FINANCIAL INFORMATION OF VALLEY WATER — Projected Operating Results and Debt Service Coverage."

Flood System Obligations, Parcel Tax Revenue and State Water Project Property Taxes are not Water Utility System Revenues

Valley Water has one installment purchase agreement outstanding as of August 3, 2026 (the "Flood Control System Obligations") secured by revenues of Valley Water's flood and storm water control system (the "Flood Control System"). No Water Utility System Revenues are pledged to payment of this installment purchase agreement and the revenues of the Flood Control System are not pledged to the payment of the 2026 Obligations. As of August 3, 2026, the outstanding principal amount of the Flood Control System Obligation was $20,425,000 and the final maturity is in 2030.

Valley Water also receives parcel tax revenues in connection with its Safe, Clean Water Program. On November 3, 2020, voters within Valley Water's service area approved a ballot measure to renew the authority to levy the parcel tax for the Safe, Clean Water Program. On December 6, 2022, Valley Water issued its Safe, Clean Water Program Refunding Bonds, Series 2022A (the "SCW 2022A Bonds") and executed and delivered an installment purchase agreement in connection with the Safe Clean Water Program Refunding Revenue Notes, Series 2022B (the "SCW 2022B Notes") in the aggregate principal amount of $121,740,000 of which $116,230,000 was outstanding as of August 3, 2026. In February 2023, in connection with a WIFIA loan obtained from the EPA, Valley Water entered an installment purchase agreement with the Corporation pursuant to which Valley Water will be obligated to make installment payments to the Corporation from certain parcel tax revenues with respect to the Safe, Clean Water Program which will be applied by the Corporation to repay the WIFIA loan (the "SCW WIFIA Installment Purchase Agreement" and together with the SCW 2022A Bonds and the SCW 2022B Notes, the "SCW Obligations"). As of August 3, 2026, $34.0 million has been drawn on the WIFIA loan for the Safe, Clean Water Program. No Water Utility System Revenues are pledged to payment of the SCW Obligations and the revenues of the Safe, Clean Water Program are not pledged to the payment of the 2026 Obligations.

Valley Water levies additional property taxes to pay certain costs under Valley Water's State Water Project contract. Such State Water Project contract costs are not Maintenance and Operation Costs of the Water Utility System. Such State Water Project property taxes are not pledged to the payment of the 2026 Obligations.

Limited Obligations

The obligation of Valley Water to pay principal of and interest on the 2026 Obligations described herein are secured by a pledge of and lien on, Valley Water's Water Utility System Revenues and are payable from the Net Water Utility System Revenues (which remain after the payment of Maintenance and Operations Costs). The obligation of Valley Water to pay the principal of and interest on the 2026 Obligations does not constitute a debt of Valley Water or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Miscellaneous

Brief descriptions of the Parity Master Resolution, the 2026 Obligations, the security and sources of payment for the 2026 Obligations and Valley Water are provided herein. Such descriptions do not purport to be comprehensive or definitive. Definition of certain capitalized terms used herein with respect to the Parity Master Resolution may be found in Appendix B — "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS." All references made to various documents herein are qualified in their entirety by reference to the forms thereof, all of which are available for inspection at the office of the Clerk of the Board of Valley Water at the address on the inside cover of this Official Statement.

Continuing Disclosure

Valley Water has covenanted in separate Continuing Disclosure Agreements for each of the 2026 Refunding Bonds and 2026 Notes for the benefit of the respective holders and beneficial owners of such 2026 Obligations to provide certain financial information and operating data relating to Valley Water by not later than each April 1, commencing April 1, 2027, and to provide notices of the occurrence of certain enumerated events. The Annual Reports and the notices of material events will be filed by Valley Water with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system or any successor repository prescribed by the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Reports and the notice of material events is set forth hereto in Appendix E — "FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE 2026 REFUNDING BONDS" and Appendix F — "FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE 2026 NOTES." These covenants have been made in order to assist the Purchasers in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934.

For a discussion of Valley Water's compliance with prior continuing disclosure undertakings, see the caption "CONTINUING DISCLOSURE UNDERTAKING."

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the captions "CAPITAL IMPROVEMENT PROGRAM" and "FINANCIAL INFORMATION OF VALLEY WATER" herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. VALLEY WATER DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

PLAN OF FINANCE

The Refunding Plan

2017A Bonds and 2019A Bonds. A portion of the proceeds of the 2026A Bonds together with certain other moneys, will be applied to defease the outstanding 2017A Bonds on the date of issuance of the 2026A Bonds and redeem such 2017A Bonds on December 1, 2026. The 2017A Bonds were issued pursuant to an Indenture of Trust, dated as of March 1, 2017 (the "2017 Indenture"), by and between Valley Water and U.S. Bank Trust Company, National Association. Pursuant to the Refunding Bond Indenture, Valley Water will deliver a portion of the proceeds of the 2026A Bonds to U.S. Bank Trust Company, National Association, as escrow agent (the "Escrow Agent") under the Escrow Agreement (Series 2017A) dated as of May 1, 2026, by and between Valley Water and the Escrow Agent for deposit in an escrow fund (the "Series 2017A Escrow Fund") established thereunder. Such amounts, together with certain amounts transferred to the Escrow Agent from Valley Water and deposited in the Series 2017A Escrow Fund, will be held in cash or invested in direct general obligations of the United States of America (the "Defeasance Obligations"). The cash and Defeasance Obligations held in the Series 2017A Escrow Fund will be scheduled to mature in such amounts and at such times and bear interest at such rates to provide amounts sufficient to pay on December 1, 2026 the regularly scheduled interest due on the 2017A Bonds and the redemption price of the outstanding 2017A Bonds (equal to 100% of the principal amount thereof).

A portion of the proceeds of the 2026A Bonds together with certain other moneys, will be applied to defease the outstanding 2019A Bonds on the date of issuance of the 2026A Bonds and redeem such 2019A Bonds on December 1, 2026. The 2019A Bonds were initially issued pursuant to an Indenture of Trust, dated as of March 1, 2019 (the "2019 Indenture"), by and between Valley Water and U.S. Bank Trust Company, National Association. Pursuant to the Refunding Bond Indenture, Valley Water will deliver a portion of the proceeds of the 2026A Bonds to the Escrow Agent under the Escrow Agreement (Series 2019A) dated as of May 1, 2026, by and between Valley Water and the Escrow Agent for deposit in an escrow fund (the "Series 2019A Escrow Fund") established thereunder. Such amounts, together with certain amounts transferred to the Escrow Agent from Valley Water and deposited in the Series 2019A Escrow Fund, will be held in cash or invested in Defeasance Obligations. The cash and Defeasance Obligations held in the Series 2019A Escrow Fund will be scheduled to mature in such amounts and at such times and bear interest at such rates to provide amounts sufficient to pay on December 1, 2026 the regularly scheduled interest due on the 2019A Bonds and the redemption price of the outstanding 2019A Bonds (equal to 100% of the principal amount thereof).

The amounts held with the Escrow Agent with respect to the 2017A Bonds and the 2019A Bonds are pledged solely to the payment of the 2017A Bonds and the 2019A Bonds, respectively. Such funds will not be available for the payment of principal or interest with respect to the 2026 Obligations. As a result of the deposit and application of funds, the 2017A Bonds and the 2019A Bonds will be defeased pursuant to the provisions of the 2017 Indenture and the 2019 Indenture, respectively, and the obligation of Valley Water with respect to the 2017A Bonds under the 2017 Indenture and with respect to the 2019A Bonds under the 2019 Indenture will be discharged as of the date of issuance of the 2026A Bonds.

Revolving Certificates and Commercial Paper Notes. A portion of the proceeds of the 2026 Refunding Bonds will be applied to pay $127.1 million principal of outstanding Revolving Certificates and $200.0 million principal of outstanding Commercial Paper Notes on or about the date of issuance of the 2026 Refunding Bonds.

In order to pay the outstanding Revolving Certificates and Commercial Paper Notes, pursuant to the Refunding Bond Indenture, Valley Water will transfer a portion of the proceeds of the 2026 Refunding Bonds to U.S. Bank Trust Company, National Association, as paying agent, which, together with certain available funds of Valley Water, will be held in cash or invested in certain securities. Such cash and securities will be scheduled to mature in such amounts and bear interest at such rates to provide amounts sufficient to pay the

$327.1 million principal amount of such Revolving Certificates and Commercial Paper Notes and accrued interest thereon through the payment date.

Verification of Mathematical Computations. Upon delivery of the 2026 Obligations, Samuel Klein and Company (the "Verification Agent"), a firm of independent public accountants, will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Municipal Advisor relating to the adequacy of the maturing principal of and interest earned on the Defeasance Obligations, together with the cash to be concurrently deposited with U.S. Bank Trust Company, National Association, to pay on December 1, 2026, the regularly scheduled payment of interest with on the 2017A Bonds and the 2019A Bonds, and the redemption price of the outstanding amounts of such obligations on such date.

Water Utility System Infrastructure Improvements

Valley Water expects to apply a portion of the proceeds of the 2026 Notes to finance and reimburse Valley Water for certain projects within the capital improvement program for the Water Utility System, including but not limited to, costs relating to the Anderson Dam Seismic Retrofit Project, Rinconada Water Treatment Plant reliability improvements, and Almaden Valley Pipeline replacement project (collectively, the "Project"). See the caption "CAPITAL IMPROVEMENT PROGRAM."

In the event that any portion of the Project described above is not undertaken or is discontinued, Valley Water has the right pursuant to the Note Indenture to substitute other projects for such portions of the Project.

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Estimated Sources and Uses of Funds

The estimated sources and uses of funds with respect to the 2026 Obligations are set forth below.

Table 1
SANTA CLARA VALLEY WATER DISTRICT
Estimated Sources and Uses of Funds

Sources	***2026A Bonds***	***2026B Bonds***	***2026 Notes***	***Total***
Principal Amount of 2026 Obligations				
[Plus/(Less)] Net Original Issue [Premium/Discount]				
Transfer from Valley Water[(1)]				
TOTAL				
Uses				
Transfer to Series 2017A Escrow Fund				
Transfer to Series 2019A Escrow Fund				
Transfer to Series 2026C Acquisition and Construction Fund				
Transfer to Paying Agent for the Revolving Certificates				
Transfer to Paying Agent for the Commercial Paper Notes				
Costs of Issuance[(2)]				
TOTAL				

(1) Amounts equal to the regularly scheduled interest due on the 2017A Bonds and the 2019A Bonds on December 1, 2026.
(2) Includes fees for the Trustee, Municipal Advisor's fees, legal fees, printing costs, rating agency fees, Purchasers' discount and other costs of delivery.

THE 2026 OBLIGATIONS

Terms of the 2026 Obligations

The 2026A Bonds will be issued in the aggregate principal amount of $_____*, the 2026B Bonds will be issued in the aggregate principal amount of $_____* and the 2026 Notes will be issued in the aggregate principal amount of $_____*. The 2026 Obligations will be dated the date of initial issuance thereof, will bear interest from such date at the rates per annum set forth on the pages following the cover page hereof, payable on each June 1 and December 1, commencing December 1, 2026 (each, an "Interest Payment Date"), and will mature on the dates set forth on the inside cover page hereof. Interest on the 2026 Obligations will be computed on the basis of a 360 day year of twelve 30 day months.

The 2026 Obligations will be issued only in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2026 Obligations. Ownership interests in the 2026 Obligations may be purchased in book-entry form, in denominations of $5,000 or any integral multiple thereof. See the caption "—Book-Entry Only System" below and Appendix C attached hereto.

In the event that the book-entry only system described below is discontinued, the principal of and redemption premium (if any) on the 2026 Obligations are payable by check or draft of the Trustee upon presentation and surrender thereof at maturity or upon prior redemption at the office of the Trustee in St. Paul, Minnesota, California (the "Office of the Trustee"). Interest on the 2026 Obligations is payable on each Interest Payment Date to the person whose name appears on the registration books maintained by the Trustee (the "Registration Books") as the Owner thereof as of the close of business on the fifteenth day of the calendar month preceding the Interest Payment Date (the "Record Date"), such interest to be paid by check or draft of the Trustee, sent by first class mail to the Owner at such Owner's address as it appears on the Registration Books. An Owner of $1,000,000 or more in principal amount of a series of 2026 Obligations may, at such Owner's option, be paid interest by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the applicable Record Date. The principal of and interest and premium, if any, on the 2026 Obligations will be payable in lawful money of the United States of America.

Interest on any 2026 Obligation will be payable from the Interest Payment Date preceding the date of issuance thereof, unless such date is after a Record Date and on or before the succeeding Interest Payment Date, in which case interest thereon will be payable from such Interest Payment Date, or unless such date is on or before November 15, 2026, in which case interest thereon will be payable from the date of initial delivery.

Redemption of 2026A Bonds

Optional Redemption. The 2026A Bonds shall be subject to redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed in a Written Request of Valley Water provided to the Trustee at least 30 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date, on or after June 1, 20__ at a redemption price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

Mandatory Sinking Fund Redemption. The Series 2026A Bonds with a stated maturity on June 1, 20__ are subject to mandatory sinking fund redemption in part (by lot), on each June 1 on and after June 1, 20__, in integral multiples of $5,000 at a redemption price of the principal amount thereof plus accrued interest evidenced thereby to the Redemption Date, without premium, in accordance with the following schedule:

* *Preliminary, subject to change.*

Redemption Date (June 1)	*Principal Amount*

* Final Maturity.

Redemption from Insurance or Eminent Domain Proceeds. The 2026A Bonds shall be subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed in a Written Request of Valley Water provided to the Trustee at least 30 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date in integral multiples of $5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in the Parity Master Resolution, at a redemption price equal to the principal amount thereof multiplied by the Accreted Price (as defined below), plus accrued interest thereon to the Redemption Date. See Appendix B under the caption "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE WATER UTILITY MASTER RESOLUTION — COVENANTS OF THE DISTRICT — Eminent Domain and Insurance Proceeds" for a description of the circumstances under which the 2026A Bonds could be subject to extraordinary redemption from Net Proceeds of insurance or condemnation.

Selection of 2026A Bonds for Redemption. Whenever provision is made in the Refunding Bond Indenture for the optional redemption or redemption from Net Proceeds of less than all of the 2026A Bonds, the Trustee will select the 2026A Bonds for redemption as a whole or in part on any date as directed by Valley Water and by lot within each maturity in integral multiples of $5,000 in accordance with the Refunding Bond Indenture.

Redemption of 2026B Bonds

Optional Redemption. The 2026B Bonds shall be subject to redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed in a Written Request of Valley Water provided to the Trustee at least 30 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date, on or after June 1, 20__ at a redemption price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

Mandatory Sinking Fund Redemption. The 2026B Bonds maturing on June 1, 20__ are subject to mandatory sinking fund redemption in part, by lot, on each June 1 on and after June 1, 20__, in integral multiples of $5,000 at a redemption price of the principal amount thereof plus accrued interest evidenced thereby to the Redemption Date, without premium, in accordance with the following schedule:

Redemption Date (June 1)	*Principal Amount*

* Final Maturity.

Redemption from Insurance or Eminent Domain Proceeds. The 2026B Bonds shall be subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed in a Written Request of Valley Water provided to the Trustee at least 30 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date in integral multiples of $5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in the Parity Master Resolution, at a redemption price equal to the principal amount thereof multiplied by the Accreted Price (as defined below), plus accrued interest thereon to the Redemption Date. See Appendix B under the caption "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE WATER UTILITY MASTER RESOLUTION — COVENANTS OF THE DISTRICT — Eminent Domain and Insurance Proceeds" for a description of the circumstances under which the 2026B Bonds could be subject to extraordinary redemption from Net Proceeds of insurance or condemnation.

Selection of 2026B Bonds for Redemption. Whenever provision is made in the Refunding Bond Indenture for the optional redemption or redemption from Net Proceeds of less than all of the 2026B Bonds, the Trustee will select the 2026B Bonds for redemption as a whole or in part on any date as directed by Valley Water and by lot within each maturity in integral multiples of $5,000 in accordance with the Refunding Bond Indenture.

Redemption of 2026 Notes

Optional Redemption. The 2026 Notes shall be subject to redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed in a Written Request of Valley Water provided to the Trustee at least 30 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date, on or after June 1, 20__ at a redemption price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

Redemption from Insurance or Eminent Domain Proceeds. The 2026 Notes shall be subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity as directed in a Written Request of Valley Water provided to the Trustee at least 30 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date in integral multiples of $5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in the Parity Master Resolution, at a redemption price equal to the principal amount thereof multiplied by the Accreted Price (as defined below), plus accrued interest thereon to the Redemption Date. See Appendix B under the caption "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS — DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE WATER UTILITY MASTER RESOLUTION — COVENANTS OF THE DISTRICT — Eminent Domain and Insurance Proceeds" for a description of the circumstances under which the 2026 Notes could be subject to extraordinary redemption from Net Proceeds of insurance or condemnation.

Selection of 2026 Notes for Redemption. Whenever provision is made in the Note Indenture for the optional redemption or redemption from Net Proceeds of less than all of the 2026 Notes, the Trustee will select the 2026 Notes for redemption as a whole or in part on any date as directed by Valley Water and by lot within each maturity in integral multiples of $5,000 in accordance with the Note Indenture.

Accreted Price

With respect to the redemption of any 2026 Obligations from Net Proceeds of insurance or condemnation, the term "Accreted Price" means the greater of (1) 100% and (2) the price of such 2026 Obligation calculated in accordance with the industry standard method of calculating bond price, excluding any accrued interest, as of the applicable Redemption Date utilizing the respective "Yield" for such 2026

Obligation shown in the maturity schedules starting immediately after the cover page of this Official Statement.

Notice of Redemption

When redemption is authorized or required, such notice will be given at least twenty (20) days but not more than sixty (60) days before any redemption date, to the respective Owners of any 2026 Obligations designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and the Information Services; provided, however, that so long as a book-entry system is used for the 2026 Obligations, the Trustee will send notice of redemption only to the Securities Depositories and Information Services. Notice of redemption to the Securities Depositories shall be given by the method required by such Securities Depositories. Each notice of redemption will state the date of notice, the redemption date, the place or places of redemption, the redemption price, will designate the maturities, CUSIP numbers, if any, and, if less than all 2026 Obligations of any such maturity are to be redeemed, the serial numbers of the 2026 Obligations of such maturity to be redeemed by giving the individual number of each 2026 Obligation or by stating that all 2026 Obligations between two stated numbers, both inclusive, have been called for redemption and, in the case of 2026 Obligations to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed.

Each such notice shall also state that on the redemption date there will become due and payable on each of said 2026 Obligations or parts thereof designated for redemption the redemption price thereof or of said specified portion of the principal thereof in the case of a 2026 Obligation to be redeemed in part only, together with interest accrued thereon to the redemption date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such redemption date interest thereon will cease to accrue, and will require that such 2026 Obligations be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any 2026 Obligation. Notice of redemption of 2026 Obligations shall be given by the Trustee at the expense of Valley Water.

With respect to any notice of optional redemption of 2026 Obligations, such notice will state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such 2026 Obligations to be redeemed and that, if such moneys shall not have been so received, said notice will be of no force and effect and the Trustee will not be required to redeem such 2026 Obligations. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Book-Entry Only System

One fully-registered 2026 Obligation of each maturity and series will be issued in the principal amount of the 2026 Obligations of such maturity and series. Such 2026 Obligation will be registered in the name of Cede & Co. and will be deposited with DTC.

Valley Water may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2026 Obligations will be printed and delivered and will be governed by the provisions of the Indentures with respect to payment of principal and interest and rights of exchange and transfer.

Valley Water cannot and does not give any assurances that DTC Participants or others will distribute payments of principal of and interest on the 2026 Obligations received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis,

or that DTC will service and act in the manner described in this Official Statement. See Appendix C – "BOOK-ENTRY SYSTEM" for additional information concerning DTC.

Transfers and Exchanges Upon Termination of Book-Entry Only System

In the event that the book-entry system described above is abandoned, the 2026 Obligations will be printed and delivered as provided in the Indentures. Thereafter, any 2026 Obligation may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such 2026 Obligation for cancellation at the Office of the Trustee, accompanied by delivery of a duly executed instrument of transfer in a form approved by the Trustee. Upon the surrender of a 2026 Obligation for transfer, the Trustee is to issue a new 2026 Obligation or 2026 Obligations of the same maturity, for a like series and aggregate principal amount and of authorized denomination or denominations. The Trustee may charge a sum for each new 2026 Obligation issued upon any transfer. The Trustee may require the payment by any 2026 Obligation Owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2026 Obligations, the Trustee will cancel and destroy the 2026 Obligations it has received.

2026 Obligations may be exchanged at the Office of the Trustee for a like aggregate principal amount of 2026 Obligations of other authorized denominations of the same series and maturity. The Trustee may charge a sum for each new 2026 Obligation issued upon any exchange except in the case of any exchange of temporary 2026 Obligations for definitive 2026 Obligations. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2026 Obligations, the Trustee will cancel and destroy the 2026 Obligations it has received.

The Trustee is not required to register the exchange or transfer of any 2026 Obligation during the period in which the Trustee is selecting 2026 Obligations for redemption or for any 2026 Obligation which the Trustee has selected for redemption.

SECURITY AND SOURCES OF PAYMENT FOR THE 2026 OBLIGATIONS

Pledge of Water Utility System Revenues

Pursuant to the Parity Master Resolution, Valley Water has continued and agreed to maintain, so long as any Bonds or Contracts remain outstanding, the Water Utility System Revenue Fund. Valley Water has covenanted that all Water Utility System Revenues received by Valley Water will be deposited in the Water Utility System Revenue Fund. Amounts in the Water Utility System Revenue Fund will be disbursed, allocated and applied solely to the uses and purposes described in the Parity Master Resolution. Pursuant to the Parity Master Resolution, amounts held in the Water Utility System Revenue Fund will be accounted for separately and apart from all other accounts, funds, money or other resources of Valley Water.

Pursuant to the Parity Master Resolution, all Water Utility System Revenues have been irrevocably pledged to the payment of the Bonds and Contracts (as defined in the Parity Master Resolution), and such Water Utility System Revenues will not be used for any other purpose while any Bonds and Contracts remain outstanding; provided that out of the Water Utility System Revenues and amounts on deposit in the Water Utility System Revenue Fund there may be apportioned for such purposes as are expressly permitted in the Parity Master Resolution. Such pledge constitutes a lien on Water Utility System Revenues, the Water Utility System Revenue Fund and all amounts on deposit therein as permitted in the Parity Master Resolution for the payment of Contracts and Bonds in accordance with the terms thereof. See "— Allocation of Water Utility System Revenues" below.

The 2026 Obligations are Bonds under the Parity Master Resolution and are secured by the pledge and the liens created therein. Pursuant to each Indenture, in order to carry out the pledge contained in the Parity

Master Resolution, Valley Water will transfer Net Water Utility System Revenues from the Water Utility System Revenue Fund to the Trustee to pay the principal of and interest on the related 2026 Obligations when due, all in accordance with the terms of the Parity Master Resolution and each Indenture. No reserve fund has been created with respect to the 2026 Obligations.

Water Utility System Revenues are defined in the Parity Master Resolution to be, with respect to any Fiscal Year or other period, (i) Current Water Utility System Revenues (which include any transfers to the Water Utility System Revenue Fund from Special Purpose Funds), plus (ii) deposits to the Water Utility System Revenue Fund from amounts on deposit in the Rate Stabilization Fund, representing amounts other than Current Water Utility System Revenues, less (iii) any Current Water Utility System Revenues transferred from the Water Utility System Revenue Fund to the Rate Stabilization Fund.

Current Water Utility System Revenues are defined by the Parity Master Resolution to be, for any Fiscal Year or other period, (1) all gross income and revenue of the Water Utility System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees, charges (including connection fees, contributions in aid of construction legally available for Debt Service, and charges and standby or water availability charges), amounts allocated to Valley Water pursuant to Article XIIIA of the Constitution of the State of California and Section 95 et seq. of the California Revenues and Taxation Code (or any successor or supplementary provisions) and allocated by the Board of Directors of Valley Water to the Water Utility System and all other income and revenue howsoever derived by Valley Water from the ownership or operation of the Water Utility System or arising from the Water Utility System, (2)(a) all income from the deposit or investment of any money in the Water Utility System Revenue Fund and the Rate Stabilization Fund and (b) all income from the investment of money held in any construction or acquisition fund established pursuant to a Trust Agreement to the extent such income is required to be deposited in the Water Utility System Revenue Fund, and (3) deposits to the Water Utility System Revenue Fund from amounts on deposit in Special Purpose Funds made in accordance with the Parity Master Resolution; but excluding benefit assessments and proceeds of taxes, including but not limited to proceeds of taxes levied to pay costs with respect to the State Water Project, and excluding also any refundable deposits made to establish credit and advances or contributions in aid of construction.

Net Water Utility System Revenues are defined by the Parity Master Resolution to be, for any Fiscal Year or other period, the Water Utility System Revenues during such Fiscal Year or period less the Maintenance and Operation Costs during such Fiscal Year or period. The obligation of Valley Water to pay the principal of and interest on the 2026 Obligations from Net Water Utility System Revenues is absolute and unconditional.

THE OBLIGATION OF VALLEY WATER TO PAY THE PRINCIPAL OF AND INTEREST ON THE 2026 OBLIGATIONS IS A LIMITED OBLIGATION OF VALLEY WATER PAYABLE SOLELY FROM NET WATER UTILITY SYSTEM REVENUES OF VALLEY WATER'S WATER UTILITY SYSTEM AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF VALLEY WATER, THE COUNTY OF SANTA CLARA, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS IS PLEDGED FOR THE PAYMENT OF THE 2026 OBLIGATIONS. THE OBLIGATION OF VALLEY WATER TO PAY THE PRINCIPAL OF AND INTEREST ON THE 2026 OBLIGATIONS DO NOT CONSTITUTE INDEBTEDNESS OF VALLEY WATER IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION.

Allocation of Water Utility System Revenues

The Parity Master Resolution provides for the allocation of Water Utility System Revenues as described below. As set forth under the Parity Master Resolution, all Current Water Utility System Revenues are deposited initially in the Water Utility System Revenue Fund.

Parity Master Resolution. Water Utility System Revenues will be allocated only as provided in the Parity Master Resolution to the following purposes, at the following times and in the following order of priority:

(a) to provide for the payment of Maintenance and Operation Costs of the Water Utility System as Valley Water requires;

(b) to pay Debt Service at the times and in the amounts required by applicable Bonds or Contracts or the trust agreements securing each Bond or Contract;

(c) to each trustee for deposit in the applicable reserve fund with respect to such Bonds or Contracts, if any, an amount equal to the amount, if any, at such times as required to be deposited therein to build up or replenish such Bond or Contract reserve fund as and to the extent required by the applicable Bond or Contract or the resolutions, trust agreements, indentures or other instruments securing each Bond or Contract;

(d) so long as Valley Water reasonably determines that there will be sufficient Current Water Utility System Revenues to make the transfers described in (a) through (c) above for the remainder of such Fiscal Year, for any purpose of the Water Utility System; and

(e) so long as Valley Water reasonably determines that there will be sufficient Current Water Utility System Revenues to make the transfers described in (a) through (c) above for the remainder of such Fiscal Year, for any lawful purpose of Valley Water.

Rate Covenant

Valley Water has covenanted under the Parity Master Resolution, to the fullest extent permitted by law, to fix and prescribe rates, fees and charges for Water Service at the commencement of each Fiscal Year, which, together with other Current Water Utility System Revenues or Net Water Utility System Revenues, as the case may be, are reasonably expected to be at least sufficient to yield during each Fiscal Year (i) Current Water Utility System Revenues in an amount sufficient to meet the Maintenance and Operation Costs and the Debt Service for the then current Fiscal Year, and (ii) Net Water Utility System Revenues of at least 1.25 times the sum of all Debt Service for such Fiscal Year.

Valley Water may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the Current Water Utility System Revenues or Net Water Utility System Revenues, as the case may be, from such reduced rates, fees and charges are reasonably expected to be sufficient to meet the foregoing requirements.

So long as Valley Water has complied with the foregoing requirements, the failure of Current Water Utility System Revenues to meet the threshold in clause (i) of the second preceding paragraph or the failure of Net Water Utility System Revenues to meet the threshold in clause (ii) of the second preceding paragraph will not constitute a default or an event of default under the Parity Master Resolution.

No Reserve Fund for the 2026 Obligations

No reserve fund has been created with respect to the 2026 Obligations.

Rate Stabilization Fund

The Parity Master Resolution establishes a special fund designated as the "Rate Stabilization Fund" to be held by Valley Water in trust, so long as any Bonds or Contracts remain outstanding. Amounts in the Rate

Stabilization Fund shall be disbursed, allocated and applied solely to the uses set forth in the Parity Master Resolution. Amounts in Rate Stabilization Fund shall be accounted for separately and apart from all other accounts, funds, money or other resources of Valley Water.

All amounts on deposit in the Rate Stabilization Fund and the Rate Stabilization Fund are irrevocably pledged to the payment of the Bonds and Contracts, including the 2026 Obligations; provided that amounts on deposit in the Rate Stabilization Fund may be apportioned for such purposes as are expressly permitted in the Parity Master Resolution. Such pledge constitutes a first lien on amounts on deposit in the Rate Stabilization Fund for the payment of Contracts and Bonds in accordance with the terms of the Parity Master Resolution.

Valley Water may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Water Utility System Revenue Fund for application in accordance with the Parity Master Resolution. Amounts transferred from the Rate Stabilization Fund to the Water Utility System Revenue Fund during or within 270 days after the end of a Fiscal Year, may be taken into account as Water Utility System Revenues for purposes of the calculations to issue additional Bonds or execute additional Contracts and for the calculations described under "—Rate Covenant" above, to the extent provided in the definition of Water Utility System Revenues.

Under certain circumstances, moneys received in one Fiscal Year may be required or permitted by generally accepted accounting principles applicable to governmental agencies such as Valley Water to be recorded as revenue in a subsequent Fiscal Year, regardless of whether such moneys have been deposited in the Rate Stabilization Fund. See "Appendix A — AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025 AND MEMORANDUM OF INTERNAL CONTROL."

Based on unaudited actual amounts for Fiscal Year 2025-26, Valley Water estimates that approximately $3.1 million was transferred from the Rate Stabilization Fund to the Water Utility System Revenue Fund to fund the GP5 Reimbursement Program in Fiscal Year 2025-26. Valley Water estimates that of the $63.2 million balance available in the Rate Stabilization Fund at the commencement of Fiscal Year 2026-27, approximately $5.7 million will be transferred to the Water Utility System Revenue Fund to fund the GP5 Reimbursement Program in Fiscal Year 2026-27. Subject to the final operating results for Fiscal Years 2025-26 and 2026-27, Valley Water may transfer amounts from available reserves to the Rate Stabilization Fund after the end of such Fiscal Years. See the caption "FINANCIAL INFORMATION OF VALLEY WATER — Projected Operating Results and Debt Service Coverage

Special Purpose Funds

The Parity Master Resolution authorizes the establishment of Special Purpose Funds. Amounts in Special Purpose Funds shall be accounted for separately and apart from all other accounts, funds, money or other resources of Valley Water.

All amounts on deposit in Special Purpose Funds and the Special Purpose Funds are irrevocably pledged to the payment of the Bonds and Contracts, including the 2026 Obligations, as provided in the Parity Master Resolution; provided that amounts on deposit in the Special Purpose Funds there may be apportioned for such purposes as are expressly permitted by the Parity Master Resolution. Such pledge constitutes a first lien on amounts on deposit in the Special Purpose Funds for the payment of Contracts and Bonds in accordance with the terms of the Parity Master Resolution.

Valley Water may withdraw all or any portion of the amounts on deposit in a Special Purpose Fund and transfer such amounts to the Water Utility System Revenue Fund upon a determination by resolution of the Board of Directors of Valley Water substantially to the effect that (a) (i) non-routine expenditures resulting from extraordinary events, including but not limited to droughts and natural disasters, are reasonably expected to be incurred, and (ii) reduced Current Water Utility System Revenues have resulted from such an

extraordinary event, (b) application of amounts on deposit in one or more Special Purpose Funds to the payment of such expenditures is financially prudent and necessary, and (c) the Board of Directors has adopted a budget amendment, if necessary, to reflect such expenditures and the transfer of such amounts from Special Purpose Funds to the Water Utility System Revenue Fund. Amounts transferred from Special Purpose Funds to the Water Utility System Revenue Fund during or within 270 days after the end of a Fiscal Year, may be taken into account as Current Water Utility System Revenues for purposes of the calculations to issue additional Bonds or execute additional Contracts and for the calculations described under "—Rate Covenant" above.

Valley Water has currently designated the Drought Reserve, the San Felipe Emergency Reserve, the Advanced Water Purification Center Reserve and the Supplemental Water Supply Reserve as Special Purpose Funds. As of June 30, 2026, there was approximately $13.4 million on deposit in such Special Purpose Funds. Valley Water does not expect to transfer amounts from the Special Purpose Funds to the Water Utility System Revenue Fund in Fiscal Year 2026-27. See the caption "FINANCIAL INFORMATION OF VALLEY WATER — Projected Operating Results and Debt Service Coverage."

Additional Bonds and Contracts

No Senior Obligations. Valley Water does not have any obligations secured by Water Utility System Revenues senior to Bonds and Contracts, including the 2026 Obligations. Valley Water has covenanted in the Parity Master Resolution that it will not create or allow any lien on the payment from the Water Utility System Revenues superior to the obligation to pay Bonds and Contracts, including the 2026 Obligations.

Additional Parity Obligations. Valley Water may at any time incur or issue additional Bonds or Contracts (that is, obligations the payments of which are payable from the Water Utility System Revenues on a parity with the 2026 Obligations), provided:

(a) The Net Water Utility System Revenues for the most recent audited Fiscal Year preceding the date of execution of such Contract or the date of adoption by the Board of Directors of Valley Water of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year to increases or decreases in rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by a calculation prepared by Valley Water, shall have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year plus the Debt Service which would have been payable on any Contracts executed or Bonds issued since the end of such Fiscal Year assuming such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year, plus the Debt Service which would have been payable had such Contract been executed or Bonds been issued at the beginning of such Fiscal Year; and

(b) The estimated Net Water Utility System Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest Date of Operation of any uncompleted Parity Project, as evidenced by a certificate of an Authorized Officer of Valley Water on file with Valley Water, including (after giving effect to the completion of all such uncompleted Parity Projects) an allowance for estimated Net Water Utility System Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed, prescribed or received for the Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of an Authorized Officer on file with Valley Water, shall produce a sum equal to at least one hundred twenty-five percent (125%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Parity Projects.

Notwithstanding the foregoing, Bonds may be issued or Contracts may be executed to refund outstanding Bonds or Contracts if Average Annual Debt Service on the Bonds and Contracts after the refunding is not greater than Average Annual Debt Service on the Bonds and Contracts prior to the refunding.

As of July 1, 2026, Valley Water has tax and revenue notes ("TRANs") outstanding in the amount of $300,000,000 securing the Revolving Certificates which are payable from Net Water Utility System Revenues subordinate to the 2026 Obligations and other Bonds and Contracts. See the caption "DEBT STRUCTURE OF VALLEY WATER— Short Term Borrowing Programs" below for a description of the letter of credit which supports Valley Water's commercial paper program, the certificate purchase and reimbursement agreement relating to the Revolving Certificates and the currently outstanding amounts of the Commercial Paper Notes and Revolving Certificates.

Subordinate Obligations. Valley Water may incur obligations secured by a pledge of Water Utility System Revenues, the Water Utility System Revenue Fund and all amounts on deposit in the Water Utility System Revenue Fund and payable therefrom on a basis subordinate to the pledge of the Parity Master Resolution securing the 2026 Obligations and the Installment Payments.

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DEBT SERVICE SCHEDULE

Set forth below is a schedule of debt service with respect to the 2026 Obligations, and the schedule debt service of the outstanding Parity Obligations due in each annual period ending June 30 of the following years.

Outstanding Parity Debt Service Schedule[1]
(As of August 3, 2026 for Other Parity Obligations)

Year Ending June 30	*Series 2026A*			*Series 2026B*			*Series 2026C*			*Other Parity Obligations[2]*	*Total[2]*
	Principal	*Interest*	*Total*	*Principal*	*Interest*	*Total*	*Principal*	*Interest*	*Total*		
2027										$ 69,645,284	
2028										69,636,169	
2029										69,606,812	
2030										69,597,065	
2031										69,576,166	
2032										66,149,919	
2033										66,130,651	
2034										66,063,818	
2035										64,881,044	
2036										64,026,498	
2037										62,134,270	
2038										62,135,712	
2039										62,124,745	
2040										62,128,631	
2041										62,138,358	
2042										62,184,799	
2043										62,191,409	
2044										62,188,002	
2045										62,184,712	
2046										62,178,479	
2047										48,376,867	
2048										48,378,752	
2049										48,484,875	
2050										43,971,400	
2051										32,067,895	
2052										32,072,534	
2053										21,272,065	
2054										21,268,159	
2055										5,969,225	
2056										0	
Total										**$1,598,764,313**	

(1) Totals may not add due to independent rounding. All amounts are reported on a cash basis.

(2) Includes scheduled debt service on outstanding debt issued pursuant to the Parity Master Resolution. Reflects the refunding of the 2017A Bonds and the 2019A Bonds. See the captions "PLAN OF FINANCE" and "DEBT STRUCTURE OF VALLEY WATER."

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VALLEY WATER

Organization, Purpose and Powers

The Santa Clara Valley Water District is a special district organized and existing in accordance with the Santa Clara Valley Water District Act, Chapter 1405 of Statutes 1951 of the State of California, as amended, including as amended by Assembly Bill 939 and Assembly Bill 1469, each effective January 1, 2024 (the "Law"). Valley Water is authorized to supply water and provide flood protection services in Santa Clara County, California (the "County"), which includes 15 cities / towns (Campbell, Cupertino, Gilroy, Los Altos, Los Altos Hills, Los Gatos, Milpitas, Monte Sereno, Morgan Hill, Mountain View, Palo Alto, San José, Santa Clara, Saratoga and Sunnyvale). Valley Water encompasses all the territory within the County, one of the nine counties which make up the San Francisco Bay Area, and constitutes a major portion of "Silicon Valley."

Valley Water has broad powers relating to the management of flood and storm waters within the County. Valley Water is also authorized to import, store, treat and distribute water within its jurisdictional boundaries to provide water in sufficient quantity and quality for present and future beneficial use by the lands and population within Valley Water.

Valley Water has been providing flood protection services since 1951. These services include maintenance and construction of flood protection facilities. Valley Water's priority is to provide flood protection in a non-structural way, through coordination with the local land use agencies, resorting to using structural flood protection methods only as a last alternative. Valley Water aims as a matter of policy to protect people and property from flooding by applying a comprehensive, integrated watershed management approach that balances environmental quality, sustainability, and cost.

Valley Water seeks to provide water supply of adequate quantity and quality to meet the desired quality of life in the community. To fulfill this mission, Valley Water imports water into the County, manages two primary groundwater subbasins, and owns and operates three water treatment plants, an advanced water purification center, a state-of-the-art water quality laboratory, 10 reservoirs, three pumping stations, 19 instream recharge facilities and 99 percolation ponds in seven major recharge systems, and related distribution facilities.

Valley Water wholesales water to water retailers as well as protects and augments groundwater for the benefit of multiple water retailers, mutual water companies and thousands of private well owners that pump groundwater. Water retailers then deliver water to the consumers in the County. Valley Water receives revenue from groundwater charges for water pumped from areas receiving benefit from Valley Water groundwater management activities, and the sale of treated water, nonpotable surface water and recycled water. See the caption "GENERAL LITIGATION—Stanford University Claims" for a discussion of certain litigation relating to Valley Water's imposition of charges on groundwater producers.

Valley Water's current contracts with its water retailers for the sale of treated water have a term of the greater of: (1) 70 years from the date of execution (the expiration dates of the current contracts range from January 2051 to September 2054) or (2) the date all loans and debt service for the construction of Valley Water's water treatment and distribution facilities have been paid (currently 2062). In the event Valley Water terminates a contract due to a water retailer's failure to cure a material breach (such as failure to remit payment), Valley Water may pursue remedies to which it is entitled under applicable law, which may include recovery of amounts Valley Water would have received if the retailer had not breached the contract and any other damages that are reasonably foreseeable from the water retailer's breach. Valley Water has not experienced any material delinquencies in the payment of amounts due from its water retailers.

Some of the water retailers within Valley Water's service area also receive supplies from the San Francisco Public Utilities Commission through the Bay Division Pipelines ("SFPUC" or "Hetch Hetchy"). Additional storage and supply are provided by San Jose Water Company, which owns and operates two small surface water reservoirs, Williams and Elsman, and two small water treatment plants within the County. Some

local governmental agencies operate water reclamation projects. Valley Water does not receive revenue from the sale of water from the SFPUC water source, San Jose Water Company local water sources or wastewater reclamation sources other than the South County Regional Wastewater Authority's Gilroy Reclamation Facility.

The sources of water for Valley Water are the California State Water Project ("SWP"), the U.S. Bureau of Reclamation's ("USBR") Central Valley Project ("CVP"), Valley Water reservoirs, naturally recharged groundwater, imported water purchases through water transfer and exchange agreements and recycled water produced by the South County Regional Wastewater Authority. Valley Water is one of the 29 contractors with the SWP. Valley Water typically receives imported SWP water through the South Bay Aqueduct. Valley Water also typically receives imported water through the San Felipe Division of the CVP. Both the SWP and the CVP water are transported to Valley Water from the San Francisco Bay/Sacramento San Joaquin River Delta Estuary ("Bay-Delta" or "Delta"). Locally, Valley Water owns and operates ten surface water reservoirs, which collect runoff during the winter rains. Valley Water also owns and operates the Silicon Valley Advanced Water Purification Center, which can deliver up to 8 million gallons per day ("MGD") of purified water which is blended with recycled water for nonpotable uses.

Valley Water operates a conjunctive water management system in which Valley Water recharges surface water from the imported water sources and the local reservoirs into the Santa Clara and Llagas groundwater subbasins to augment natural recharge. Valley Water uses streams and constructed ponds as recharge facilities. The groundwater subbasins serve as natural storage, conveyance, and treatment facilities.

The Law authorizes Valley Water to exercise the power of eminent domain; to levy and collect taxes; to levy and collect a groundwater charge for the production of water from groundwater supplies benefited by Valley Water recharge activities; and to contract for the fixing, revision and collection of rates or other charges under contract for the delivery of treated water, use of facilities or property or provisions for service. Valley Water may also issue bonds, borrow money and incur indebtedness. Valley Water may also acquire property of any kind; enter into contracts; and adopt ordinances with the force of law to effectuate its purposes.

As provided under State of California law, Valley Water receives a share of the County-wide 1% tax levy. Historically, the Board of Directors has allocated a small portion of the 1% property tax to the Water Utility System and has allocated the substantial majority of Valley Water's share of the 1% property tax to the Watershed and Stream Stewardship Fund. The 1% property tax allocated to the Watershed and Stream Stewardship Fund has been used to fund the costs of Valley Water's Flood Protection and Stream Stewardship Program, including payments of Flood Control System Obligations. See "WATER UTILITY SYSTEM — Primary Sources of Revenues— *Valley Water Revenue Derived from Property Taxes*" for a description of the covenant of the Board of Directors adopted in 2021 to allocate 1% property tax as necessary, to the Safe, Clean Water Program, which could materially change future availability of the 1% property tax to be allocated to the Watershed and Stream Stewardship Fund and the Water Utility System.

Board of Directors and Management

Board of Directors. Valley Water Board of Directors is composed of seven members each elected from equally-divided districts drawn through a formal process. The purpose of the Board, on behalf of the County, is to protect the public health and safety and enhance the quality of living within the County by comprehensively managing water resources in a practical, cost-effective, and environmentally-sensitive manner. The Directors serve overlapping four-year terms, a structure created pursuant to the adoption of the Law. The current Directors are:

John L. Varela (District 1): Mr. Varela was reelected to the Board in November 2022. Mr. Varela has served as a member of the City Council and Mayor of the City of Morgan Hill. In addition, Mr. Varela is active in the Silicon Valley Chamber Coalition Regional Economic Development Initiative. Mr. Varela has experience as an entrepreneur in the solar/clean energy and bio-fuel industries. District 1 encompasses the

South County cities of Morgan Hill and Gilroy; the community of San Martin; the Evergreen and Silver Creek neighborhoods of San José; parts of south San José; and hills east of San José and Milpitas.

Shiloh Ballard (District 2): Ms. Ballard was elected to the Board in November 2024 to represent District 2. Ms. Ballard has served as the executive director for the Silicon Valley Bicycle Coalition, a nonprofit that works to build communities that foster biking, walking and public transit use as our main modes of transportation and spent 15 years working for the Silicon Valley Leadership Group, a high-tech trade association that coordinates policy needs between Silicon Valley companies and public agencies. In those roles, Ms. Ballard was the center of many critical initiatives to improve public transit and build more affordable housing. Ms. Ballard also served as co-chair of Valley Water's 2020 renewal of the Safe, Clean Water Program. Ms. Ballard has a degree in environmental studies from UC Santa Cruz with an emphasis in environmental economics.

Richard P. Santos (District 3): Mr. Santos became a member of the Board in 2000 and was reelected to the Board in November 2024 to represent District 3 and is the current Vice-Chair of the Board. Mr. Santos retired as a Fire Captain from the San Jose Fire Department with 33 years of service. While at the San Jose Fire Department, Mr. Santos served for 12 years on the San Jose Police and Fire Retirement Board and was a labor representative of the San Jose Firefighters local union. Mr. Santos has served on the San Jose Police & Fire Retirement Plan Board as a trustee for 24 years. He was then and is still very active as a volunteer for community services and has spearheaded several civic activity fundraiser projects. Mr. Santos received a bachelor's degree in public administration from Farelston and Nova Colleges and received associate's degrees in political science and fire science. He also has a lifetime teaching credential from the California Community College system, where he taught fire science at Mission College. District 3 is in the northeastern portion of the county and includes the City of Milpitas, portions of San José (Berryessa area, the Alum Rock area north of McKee Road and the Alviso area) and portions of Sunnyvale and Santa Clara.

Jim Beall (District 4): Mr. Beall began his tenure on the Board in 2022. Mr. Beall represents District 4 which includes City of Campbell, portions of the Willow Glen and Cambrian communities, and North Almaden and Blossom Hill area of San José. Mr. Beall has over four decades of experience in public service – first, as a San José City Councilman (1980-1994), then as a Santa Clara County Supervisor (1994-2006), and finally as a Legislator in the Assembly and Senate (2006-2020). In such capacities, Mr. Beall's legislative work covered transportation projects, foster youth benefits, criminal justice issues and affordable housing. Mr. Beall earned his degree in Political Science from San Jose State University with a focus on Urban Planning and Public Finance.

Nai Hsueh (District 5): Ms. Hsueh was reelected to the Board in November 2020 and was reelected in November 2024 to serve District 5. Ms. Hsueh has more than 25 years of experience working on various aspects of water resources issues, including previously serving as Chief Operating Officer, Capital Program Services of Valley Water. During her tenure at Valley Water, she first progressed through the engineering career path from Assistant Engineer to Senior Engineer to one of Valley Water's Chief Operating Officers. In such capacity, Ms. Hsueh was responsible for managing and implementing Valley Water's capital improvement program to support its water supply, flood protection and environmental stewardship missions. Ms. Hsueh is a registered civil engineer in California and received her bachelor's degree in agricultural engineering from National Taiwan University and her master's degree in hydraulic engineering from the University of Iowa. District 5 includes portions of Cupertino, San José, Saratoga and Sunnyvale.

Tony Estremera (District 6): Mr. Estremera began his tenure on the Board in 1996 and is the current Chair of the Board. His government experience includes volunteering in both appointed and elected positions including the Santa Clara County Grand Jury, Santa Clara County Housing Task Force, Valley Medical Center Advisory Board, Santa Clara County Personnel Board, San Jose Municipal Stadium Task Force, (San Jose) Mayor's Committee on Minority Affairs and the San Jose/Evergreen Community College District Board of Trustees. Mr. Estremera received his law degree from the Boalt Hall School of Law, Berkeley. Mr. Estremera retired in 2019 as Directing Attorney/CEO of the Legal Aid Society of Santa Clara County after 31 years. He

is an active member of the State Bar of California and the Santa Clara County Bar Association. District 6 includes the northeastern portion of the City of San José (Alum Rock to the north and Monterey Road/Capital Expressway to the south).

Rebecca Eisenberg (District 7): Ms. Eisenberg was elected to the Board in 2022 and represents District 7 which includes the cities of Palo Alto, Mountain View, Los Altos, the Town of Los Altos Hills, the Town of Los Gatos, Monte Sereno, and parts of South San Jose. She has served as an executive, entrepreneur, investor, and attorney in Silicon Valley for 30 years. Ms. Eisenberg operates a small positive impact investment fund called Netskink Positive Impact Investments, making angel and other investments primarily through a gender and environmental justice lens. She also operates a boutique law firm, Private Client Legal Services (PCLS), focusing on employment agreements and other transactions that involve private company stock. Prior to Netskink and PCLS, Ms. Eisenberg served as General Counsel or senior counsel of numerous notable technology companies. She joined PayPal in 2001 and assisted with its initial public offering, secondary offering, and consequent merger with eBay Inc. In addition to PayPal, Ms. Eisenberg was the founding General Counsel of Reddit, Trulia, AdBrite, Vouch, and Flip Video. She earned her BA in Decision Science at Stanford University, where she graduated with Departmental Honors and Phi Beta Kappa. Ms. Eisenberg earned her Juris Doctorate cum laude from Harvard Law School, where she served as an editor of the Harvard Law Review.

Management. Valley Water is headed by a Chief Executive Officer, Assistant Chief Executive Officer, Operations, District Counsel, Chief Operating Officer – Water Utility Enterprise, Chief Financial Officer, Chief Operating Officer – Watersheds, Chief Operating Officer, Administrative Services, Chief of External Affairs, and Clerk of the Board.

Melanie Richardson, Interim Chief Executive Officer. Ms. Richardson was appointed as Interim Chief Executive Officer on January 28, 2025. On February 24, 2026, the Board adopted a resolution extending Melanie's tenure as Interim Chief Executive Officer, effective March 12, 2026. Ms. Richardson will serve in the role for up to one year from the date of her appointment. Ms. Richardson had previously served as Assistant Chief Executive Officer, Operations from July 2020 through February 2024. Prior to such role, Ms. Richardson was the Chief Operating Officer for Watersheds at Valley Water. Ms. Richardson's tenure with Valley Water spans over 30 years and has served in the following roles: Associate Civil Engineer, Assistant Operating Officer of Water Supply, Deputy Administrative Officer of Corporate Business Services, and Deputy Operating Officer of Watersheds Design & Construction. Ms. Richardson is a registered Civil Engineer in California and has served as one of the two Designated Engineers for Valley Water.

Rita Chan, Assistant Chief Executive Officer, Operations. Ms. Chan was appointed Assistant Chief Executive Officer of Valley Water effective August 14, 2024. She has worked for Valley Water in the Office of District Counsel since December 2008, most recently serving as Senior Assistant District Counsel supporting environmental review and regulatory compliance related matters. Ms. Chan began her legal career at Pillsbury Winthrop Shaw Pittman LLP, where she practiced in the firm's environmental, land use, and natural resources group. Before her legal career, she held positions as a professional civil engineer at Valley Water and at the Los Angeles County Sanitation Districts. Ms. Chan graduated from Santa Clara University School of Law and received a Bachelor of Science and Master of Science degrees in Civil Engineering from UCLA and Stanford University respectively.

Linda Mason, Interim District Counsel. Ms. Mason was appointed Interim District Counsel in June 2026 and previously served as Senior Assistant District Counsel to Valley Water. Prior to joining Valley Water, Ms. Mason was the Housing Authority of the City and County of San Francisco's General Counsel and Chief People Officer overseeing the Legal Department, Policy Initiatives, Government Affairs, Communications and Human Resources. In her roles with the Authority, Ms. Mason advised the Authority Board of Commissioners, and was a liaison to the U.S. Department of Housing and Urban Development, Office of Inspector General, San Francisco Police Department and various other stakeholder partners.

Aaron Baker, Chief Operating Officer – Water Utility Enterprise. Mr. Baker was appointed as the Chief Operating Officer – Water Utility Enterprise as of October 13, 2020. Mr. Baker has over 20 years of progressively broadening experience and responsibility in the Water Utility Enterprise at Valley Water. He began his career at Valley Water in 1999 as an Assistant Engineer and then took on incrementally greater roles as Associate Engineer, Engineering Unit Manager, Assistant Operating Officer, and most recently, as Deputy Operating Officer. Mr. Baker holds a Bachelor of Science degree in Civil Engineering from the University of Southern California and certification as a Professional Engineer.

Darin Taylor, Chief Financial Officer. Mr. Taylor became Valley Water's Chief Financial Officer effective December 19, 2016, after 15 years as a senior project manager with Valley Water. Mr. Taylor has more than 20 years of governmental financial planning and management experience with Valley Water. Mr. Taylor holds a bachelor's degree in economics from Claremont McKenna College, and a master's degree in business administration from San Jose State University. Mr. Taylor is a Certified Public Financial Officer, a certification designated by the Government Finance Officers Association.

Christopher Hakes, Chief Operating Officer – Watersheds. Mr. Hakes was appointed as the Chief Operating Officer of Watersheds on August 28, 2023. Mr. Hakes started his career at a private engineering firm before joining Valley Water in 2004. From there, Mr. Hakes worked his way up through the agency and across the Watersheds and Water Utility business areas as an Associate then Senior Civil Engineer, before becoming an Engineering Unit Manager in Watersheds Design and Construction and then Assistant Officer in the Water Utility Capital Division. In 2018, Mr. Hakes served as the Deputy Operating Officer of Valley Water's Dam Safety and Capital Delivery Division before being appointed Chief Operating Officer of Watersheds in 2023. Mr. Hakes holds a Master of Science degree in Structural Engineering, a Bachelor of Science degree in Civil Engineering and is a Registered Professional Engineer in the State of California.

Tina Yoke, Chief Operating Officer, Information Technology and Administrative Services. Ms. Yoke joined Valley Water in August 2017. Ms. Yoke has over 20 years of experience working in public service. As Chief Operating Officer, Administrative Services, Ms. Yoke oversees Information Technology, Procurement, Facilities, Fleet, Emergency and Security Services and Environmental Health and Safety units. Ms. Yoke is a Certified Purchasing Manager and has worked in procurement, contracting and material and supply chain management for the Santa Clara Valley Transportation Authority, the City of Mountain View, and the City of San Diego. Ms. Yoke currently serves as Chair of the Santa Clara Valley Chapter of the California Association of Public Purchasing Officers and has served as Director (North), Treasurer, Vice Chair or Chair over the last 17 years for either the Santa Clara Valley or San Diego Chapters.

Rachael Gibson, Chief of External Affairs. Prior to being appointed as the Chief of External Affairs, Ms. Gibson had been the Deputy Administrative Officer for the Office of Government Relations at Valley Water. Ms. Gibson leads Valley Water's efforts in strategic communications to the media, community, and the public, leads all government relations efforts on local, regional, state, and federal levels, leads strategic civic engagement efforts throughout the community, and is responsible for keeping the Chief Executive Officer and other Valley Water staff informed of and engaged on public policies that directly affect Valley Water. Ms. Gibson has over 20 years of public sector experience, including 11 years with the Office of Government Relations at Valley Water. Ms. Gibson has a Bachelor of Science degree in environmental studies.

Candice Kwok-Smith, Clerk of the Board. Ms. Kwok-Smith was appointed Clerk of the Board on April 22, 2025. Ms. Kwok-Smith has been with the district since 2004 and has had over eight years of experience in providing support to elected officials of special districts. As Clerk, Ms. Kwok-Smith's responsibilities include ensuring that Valley Water complies with regulations and deadlines for Board and committee meetings, agenda publications, Surface Water Charge Protests, Board Correspondence, Elections, Lobbyist Ordinance compliance, public record requests, and the Board, Board Advisory and Ad Hoc Committees, Clerk of the Board and Board of Directors annual budgets, and provides administrative support to the directors. Ms. Kwok-Smith is a member of the California Municipal Clerks Association and the International Institute of Municipal Clerks.

Employment Matters. Between November 2024 and February 2025, allegations were raised by Valley Water employees against the then Chief Executive Officer (CEO) of Valley Water. Valley Water engaged an impartial, third-party investigator to investigate the allegations and the investigation concluded in fall 2025. In February 2026, the Board of Directors announced the resignation of the former CEO taking effect March 1, 2026. The Separation Agreement with the former CEO included a provision wherein the former CEO would remain an employee of Valley Water for one year. As of the date of this Official Statement, no litigation has been filed related to this matter.

In January 2025, allegations were raised against another high-ranking official employed by Valley Water. Valley Water engaged an impartial, third-party investigator to investigate the matter. The investigation concluded in spring 2026 with no reportable action taken by the Board or Directors. As of the date of this Official Statement, no litigation has been filed related to this matter.

Valley Water does not anticipate a material adverse effect on Valley Water's ability to pay debt service on the 2026 Obligations based on any of the above-mentioned matters.

Insurance

General Liability Insurance. Since January 1, 1987, Valley Water has maintained a self-insurance program in connection with its general liability risks, including vehicular and non-vehicular loss exposures due to premises, operations, personal injury and product liability.

Under this program, Valley Water is responsible for the first $3,000,000 per occurrence for all General Liability claims. Valley Water also purchases general liability insurance with limits of not less than $50,000,000 per occurrence and aggregate in excess of its $3,000,000 self-insured retention.

Valley Water maintains a risk management information system to track claims, litigation and establish claims reserves which are used to derive self-insurance fund requirements. These funding requirements are reviewed by outside actuaries biannually. The last biannual review was completed in June 2026.

Property Appraisal and Insurance. A property appraisal and valuation of Valley Water's buildings and contents was prepared in November 2019 for the period ending that date. The appraisal was in conformity with generally accepted appraisal practices for purposes of establishing insurable values and property records. The report provides current replacement costs for buildings and equipment in the event of a loss.

Valley Water maintains blanket property insurance coverage for its buildings and equipment, covering all traditional perils, but excluding earth movement (earthquakes) and floods. The current blanket limit for this coverage is $500,000,000. There are sub-limits for particular perils consistent with normal property policies and appropriate to Valley Water loss exposures. Valley Water's dams are not insured.

Workers' Compensation. Since January 1, 1994, Valley Water has maintained a self-insurance program in connection with its workers' compensation risks. Under this program, Valley Water is responsible for the first $1,000,000 per occurrence of any loss. Valley Water also purchases workers' compensation insurance with statutory limits above this self-insured retention and employers' liability limits of $2,000,000 per employee/accident.

Valley Water contracts with a third-party claims administrator to review, investigate, track, pay and set case reserves for workers' compensation claims. As with the general liability self-insurance program, these reserves are used to derive funding requirements. Actuarial study frequency and funding confidence levels are the same as described above for the general liability program.

In addition to the above, Valley Water also purchases crime coverage up to $2,000,000 per occurrence. Such coverage includes public employee dishonesty, including public officials who are required

by law to give bonds for the faithful performance of their service, forgery or alteration and computer fraud, subject to a $5,000 deductible for Board members and $10,000 for non-Board members, except for false pretense which is $50,000.

Cyber Liability Insurance. Valley Water maintains cyber liability insurance coverage with a current coverage amount of $10,000,000 with a self-insured retention of $50,000. The liability associated with cybercrime, unauthorized access and failure to protect sensitive information are mitigated by cyber security insurance. See the caption "POTENTIAL INVESTMENT CONSIDERATIONS —Cybersecurity."

For all insured risks, settled claims have not exceeded commercial insurance coverage in any of the past three Fiscal Years. For more information with respect to Valley Water's insurance coverage, see Note 13 to Valley Water's audited financial statements attached hereto as Appendix A.

Budgeting Process

Valley Water's budget process uses a goal-driven approach that spans the planning, development, adoption and execution phases of the budget. These practices encourage development of organizational goals, and establishment of policies and plans to achieve these goals and policies. The guidelines used by Valley Water in developing this formal budget process are the recommended budget practices for state and local government budgeting prepared by the National Advisory Council on State and Local Budgeting and the Government Finance Officers Association.

The Law requires that the budget be adopted prior to June 30 for any given year. Valley Water develops an annual budget for all funds. The budget process includes capital project planning, long-term cost forecasting and annual budget development. After adoption by the Board, Valley Water has authority to expend the appropriations for the given Fiscal Year. During the Fiscal Year, budget amendments and adjustments may be made to reflect changes in financial conditions, programs and/or authorizing laws that affect ongoing expenditures. The budget cycle is completed with the review and alignment of staff work plans to be consistent with the resource allocation made in the adopted budget.

Beginning with the Fiscal Year 2022-23 budget, Valley Water implemented a two-year rolling biennial budget process. With respect to the biennial budget process, the Board will adopt the first year budget and approve a plan for the following year. In the second year, the Board will adopt the budget for the next new Fiscal Year and a plan for the following year such that the budget process will continue to "roll" forward with a budget and plan to be approved by the Board annually. The annual approval of the rolling biennial budget process is in compliance with the Law, Valley Water Policies and State guidance. Valley Water believes the implementation of a rolling biennial operating and capital budget process is conducive to long-term planning while remaining responsive to the dynamic and ever-changing needs of the organization.

The current biennial budget, which covers Fiscal Year 2026-27 and the plan for Fiscal Year 2027-28 was approved by the Board on May 12, 2026. See the caption "WATER UTILITY SYSTEM—Primary Sources of Revenues— *Water Charge Setting Process*."

PAWS Report

In compliance with the Law, Valley Water prepares an Annual Report on the Protection and Augmentation of Water Supplies, which provides an analysis of Valley Water's present and future water requirements and supply reliability, programs to promote reliability and an overview of Valley Water's future capital improvements, maintenance and operating requirements. This report also generally forms the basis on which Valley Water proposes its groundwater production and water charges for the next fiscal year. See caption "WATER UTILITY SYSTEM—Primary Sources of Revenues—*Water Charge Setting Process*" for more information with respect to Valley Water's rate-setting process.

On February 27, 2026, Valley Water released its Annual Report on the Protection and Augmentation of Water Supplies for 2026 (the "2026 PAWS Report"). Copies of the 2026 PAWS Report may be obtained from Valley Water's website, however, the contents of the 2026 PAWS Report are not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the 2026 Obligations.

DEBT STRUCTURE OF VALLEY WATER

Outstanding Indebtedness

The following table shows Valley Water's Bonds and Contracts outstanding as of August 3, 2026 (other than the 2026 Obligations and reflects the refunding of the 2017A Bonds and the 2019A Bonds as described herein). The table also shows obligations relating to Valley Water's Flood Control System and Safe, Clean Water Program which are not secured by revenues of the Water Utility System. In addition to the outstanding Bonds and Contracts below, Valley Water has executed and delivered installment purchase agreements in connection with certain WIFIA loans. See the caption "—WIFIA Loans" below.

SCHEDULE OF LONG-TERM INDEBTEDNESS

Type of Indebtedness	*Final Maturity*	*Balance Outstanding*
Water Utility System Obligations:		
Water Utility System Bonds and Contracts:		
Water System Refunding Revenue Bonds, Taxable Series 2016B	2046	$75,215,000
Revenue Certificates of Participation (Water Utility System Improvement Projects), Taxable Series 2016D	2029	16,325,000
Water System Refunding Revenue Bonds, Taxable Series 2019B	2049	67,740,000
Water System Refunding Revenue Bonds, Taxable Series 2019C	2036	24,100,000
Water System Refunding Revenue Bonds, Series 2020A and Taxable Series 2020B	2050	92,650,000
Revenue Certificates of Participation (Water Utility System Improvement Projects), Series 2020C and Taxable Series 2020D	2041	97,695,000
Water System Refunding Revenue Bonds, Series 2023A and Taxable Series 2023B	2052	117,450,000
Revenue Certificates of Participation (Water Utility System Improvement Projects), Series 2023C-2	2041	37,495,000
Water System Refunding Revenue Bonds, Series 2024A-1 and Taxable Series 2024B-1	2054	192,150,000
Water System Revenue Bonds, Series 2024C	2038	38,935,000
Water System Refunding Revenue Bonds, Series 2025A and Taxable Series 2025B	2055	194,955,000
Total Water Utility System Bonds and Contracts:		**$954,710,000**
Anderson WIFIA Master Agreement[1]	2059	$73,904,324
Total Water Utility System Obligations:		**$1,028,614,324**
All Other Debt Not Secured by Water Utility System Revenues[2]:		
Flood Control System Obligations:		
1995 Installment Purchase Agreement[3]	2030	$ 20,425,000
Total Flood Control System Obligations:		**$ 20,425,000**
Safe Clean Water Program Obligations[4]:		
Safe, Clean Water Program Refunding Bonds, Series 2022A	2049	$ 69,785,000
Safe Clean Water Program Revenue Certificates of Participation, Series 2022B	2026	46,445,000
Safe Clean Water WIFIA Master Agreement[5]	2061	34,044,027
Total Safe Clean Water Program Obligations:		**$150,274,027**
Total Outstanding Indebtedness		**$1,199,313,351**

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(1) Valley Water, the Corporation and the EPA have entered into a WIFIA master loan agreement for loans thereunder to finance Water Utility System improvements in an aggregate principal amount not to exceed $579,408,264 and one planning and design loan agreement thereunder to finance certain costs relating to Anderson Dam in a principal amount of $73,904,324. Valley Water has drawn the full $73,904,324 amount of WIFIA Anderson Loan 1. See the caption "WIFIA Loans — *Anderson WIFIA Master Agreement and Loan*" below.

(2) Obligations are secured by revenues of the Flood Control System and are not secured by revenues of the Water Utility System.

(3) Installment payments under the Installment Purchase Agreement dated as of June 27, 1995 (the "1995 Installment Purchase Agreement"), by and between Valley Water and the Corporation, secure Valley Water's Refunding and Improvement Certificates of Participation, Series 2017A (the "2017A Certificates"). Proceeds of the 2017A Certificates were used to finance and refinance Valley Water's Flood Control System facilities.

(4) Obligations are secured by revenues of the Safe, Clean Water Program and are not secured by revenues of the Water Utility System.

(5) Valley Water, the Corporation and the EPA have entered into a master WIFIA master loan agreement for loans thereunder to finance Safe, Clean Water Program improvements in an aggregate principal amount not to exceed $146,662,503 and one loan agreement thereunder in a principal amount of $41,327,580. See the caption "WIFIA Loans — *Safe Clean Water WIFIA Master Agreement and Loan*" below. As of August 3, 2026, Valley Water had drawn $34.0 million under WIFIA SCW Loan 1.

Source: Valley Water.

Short Term Borrowing Programs

Revolving Certificates. Valley Water may issue from time to time TRANs to secure Valley Water's Revolving Certificates (as defined below) or other short term obligations. The TRANs are payable from taxes, income, revenue, cash receipts and other moneys which are received by the Water Utility System of Valley Water for the then-current Fiscal Year and which are lawfully available for the payment of current expenses and other obligations of Valley Water. The obligation of Valley Water to make payments of principal and interest on the TRANs is a general obligation of Valley Water. Valley Water has additionally pledged Net Water Utility System Revenues to secure the TRANs on a subordinate basis to Bonds and Contracts (as defined in the Parity Master Resolution), in accordance with the Parity Master Resolution.

The current TRANs in the combined aggregate principal amount of $300 million, which secure the Revolving Certificates, are dated July 1, 2026 and mature on October 1, 2027.

Valley Water has entered into a Certificate Purchase and Reimbursement Agreement, dated as of April 1, 2022, as amended by the First Amendment to Certificate Purchase and Reimbursement Agreement, dated as of April 29, 2025, and by the Second Amendment to Certificate Purchase and Reimbursement Agreement, dated as of March 30, 2026, each with the Corporation and U.S. Bank National Association (as such agreement may be further amended from time-to-time, the "Certificate Purchase Agreement") pursuant to which Revolving Certificates (Non-Syndicated) (the "Revolving Certificates") may be issued and purchased from time-to-time by U.S. Bank National Association. Valley Water may issue Revolving Certificates under the Certificate Purchase Agreement from time to time in a principal amount not to exceed $200 million to be purchased by U.S. Bank National Association. As of August 3, 2026, $127.1 million principal amount of Revolving Certificates were outstanding under the Certificate Purchase Agreement, all of which were issued to finance projects for the Water Utility System. On or about the delivery date of the 2026 Obligations, Valley Water expects to repay $all of such outstanding amount of Revolving Certificates under the Certificate Purchase Agreement from proceeds of the 2026 Refunding Bonds. The Certificate Purchase Agreement is currently scheduled to terminate on April 30, 2029.

Commercial Paper Notes. Effective January 1, 2024, the District Act was amended, which among other amendments, authorizes Valley Water to directly issue short-term notes (the "Commercial Paper Notes") with a maturity not in excess of five years, and subject to a limit as to the principal and interest thereon that is not in excess of 85 percent of the estimated amount of the revenues, charges, taxes, and assessments of or allocable to Valley Water that will be available for payment of the Commercial Paper Notes in the fiscal year that they mature. Valley Water has a commercial paper program which provides for the issuance by Valley Water of Commercial Paper Notes. While the obligation of Valley Water to make payments of principal and

interest on the Commercial Paper Notes is a general obligation of Valley Water, Valley Water has additionally pledged Net Water Utility System Revenues on a subordinate basis to Bonds and Contracts (as defined in the Parity Master Resolution), in accordance with the Parity Master Resolution. Amounts due on the Commercial Paper Notes are secured by draws on a letter of credit provided by Sumitomo Mitsui Banking Corporation, acting through its New York branch, a principal amount not to exceed $250 million, which letter of credit is currently scheduled to terminate on December 9, 2029.

As of August 3, 2026, $250.0 million principal amount of Commercial Paper Notes were outstanding, $200.0 million of which were issued to finance projects for the Water Utility System. On or about the delivery date of the 2026 Obligations, Valley Water expects to repay $200.0 million of such outstanding amount of Commercial Paper Notes from proceeds of the 2026 Refunding Bonds.

WIFIA Loans

Anderson WIFIA Master Agreement and Loan. Valley Water, the Corporation and the EPA have entered into a WIFIA Master Agreement dated as of February 14, 2023 (the "Anderson Master Loan Agreement") under the authorization of the Water Infrastructure Finance and Innovation Act for one or more loans to be obtained thereunder in an aggregate principal amount not to exceed $579,408,264. Valley Water, the Corporation and the EPA have entered into a WIFIA Loan Agreement ("WIFIA Anderson Loan 1") pursuant to the Anderson Master Loan Agreement in a principal amount of $73,904,324. Valley Water and the Corporation are seeking to enter into a second WIFIA Loan Agreement pursuant to the Anderson Master Loan Agreement to fund Anderson Dam seismic retrofit construction costs; however, the timing and amount are yet to be determined.

Proceeds of WIFIA Anderson Loan 1 may be applied to fund design and planning costs of the Anderson Dam seismic retrofit project and the Coyote Percolation Dam Replacement project. See the caption "—Anderson Dam Seismic Retrofit Project and FERC Directive" below. As of August 3, 2026, Valley Water had drawn $73,904,324 under WIFIA Anderson Loan 1.

In connection with WIFIA Anderson Loan 1, Valley Water entered into an installment purchase agreement with the Corporation pursuant to which Valley Water will be obligated to make installment payments from Net Water Utility System Revenues to the Corporation, which will be applied by the Corporation to repay WIFIA Anderson Loan 1. The obligation of Valley Water to make such installment payments from Net Water Utility System Revenues is on a subordinate basis to the 2026 Obligations and other existing and future Bonds and Contracts. However, upon a bankruptcy related event with respect to Valley Water or the Corporation, the Anderson Master Loan Agreement requires such installment payments to be payable from Net Water Utility System Revenues on a parity with the 2026 Obligations, and other existing and future Bonds and Contracts. See the caption "POTENTIAL INVESTMENT CONSIDERATIONS—Development Default Under WIFIA Loans."

Safe, Clean Water WIFIA Master Agreement and Loan. Valley Water, the Corporation and the EPA have entered into a WIFIA Master Agreement dated as of February 14, 2023 (the "SCW Master Loan Agreement") under the authorization of the Water Infrastructure Finance and Innovation Act for one or more loans to be obtained thereunder in an aggregate principal amount not to exceed $146,662,503. Valley Water, the Corporation and the EPA have entered into a WIFIA Loan Agreement ("WIFIA SCW Loan 1") pursuant to the SCW Master Loan Agreement in a principal amount of $41,327,580. Valley Water and the Corporation are seeking to enter into a second WIFIA Loan Agreement pursuant to the SCW Master Loan Agreement in a principal amount of $105,334,923, however, the timing is yet to be determined.

Proceeds of WIFIA SCW Loan 1 may be applied to fund certain costs of the SCW Program. As of August 3, 2026, Valley Water had drawn $34.0 million under WIFIA SCW Loan 1.

In connection with WIFIA SCW Loan 1, Valley Water entered into an installment purchase agreement with the Corporation pursuant to which Valley Water will be obligated to make installment payments from certain revenues with respect to the Safe, Clean Water Program, consisting primarily of amounts derived from a parcel tax. Installments payments with respect to the WIFIA SCW Master Loan Agreement, including WIFIA SCW Loan 1 are not secured by and are not payable from Water Utility System Revenues. Installments payments with respect to the WIFIA SCW Master Loan Agreement, including WIFIA SCW Loan 1 are payable from the Safe, Clean Water Program parcel tax on a parity with the outstanding obligations set forth under the heading "Safe Clean Water Program Obligations" in the table "SCHEDULE OF LONG-TERM INDEBTEDNESS' above, and any additional obligations which may be incurred on a parity therewith in the future.

See the caption "POTENTIAL INVESTMENT CONSIDERATIONS—Development Default Under WIFIA Loans."

Proposed Water Infrastructure Financing Program Loan

Valley Water is currently in discussions for a master loan agreement for one or more loans thereunder under the United States Corps Water Infrastructure Financing Program (the "CWIFP Loan Agreement") (administered by the United States Army Corps of Engineers ("USACE")) to fund certain costs of seismic retrofit and safety improvements to Almaden, Calero, Coyote and Guadalupe dams. The maximum principal amount of the loans under the master loan agreement is currently expected to be approximately $652.9 million and the first loan thereunder is currently expected to be approximately $112.6 million. Valley Water expects that debt service under the CWIFP Loan Agreement will be secured by Net Water Utility System Revenues on a subordinate basis to the 2026 Obligations and other existing and future Bonds and Contracts. However, upon a bankruptcy related event with respect to Valley Water such payments will be secured by Net Water Utility System Revenues on parity with the 2026 Obligations and other existing and future Bonds and Contracts. No assurance can be made that Valley Water and USACE will execute and deliver the CWIFP Loan Agreement.

WATER UTILITY SYSTEM

Service Area

Valley Water's service area encompasses all of Santa Clara County, one of nine counties that make up the San Francisco Bay area. The service area is approximately 1,330 square miles and constitutes a major portion of "Silicon Valley." According to the U.S. Census Bureau, the County's estimated population increased by approximately 7.45% between April 1, 2010 and July 1, 2025 to a total of approximately 1,914,391. Of the approximately 300,000 acre-feet of water used in the County on average annually over the last ten years, Valley Water estimates that approximately 60 percent of water use is residential, 20 percent is commercial, 5 percent is industrial, 10 percent is agricultural and 5 percent is public water use. The water used in the County includes treated water provided by Valley Water, local groundwater pumped by the water retailers and individual well owners, water provided by the SFPUC, local surface water, and recycled water.

Primary Sources of Revenues

Water Charges. Water charges are established by the Board and are not subject to regulation by the California Public Utilities Commission or by any other local, state or federal agency. For a discussion of the applicability of certain substantive and procedural requirements of the California Constitution to Valley Water's treated water rates see the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES." In addition, see the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES" herein for a discussion of certain constitutional limitations applicable to certain rate setting authorities of the Board.

Groundwater Charges. The Board has the power to, and does, levy and collect a groundwater charge for the production of water from the groundwater supplies within zones of Valley Water that will benefit from the recharge and protection of groundwater supplies or the distribution of imported water in such zones. Valley Water prepares an annual PAWS report supporting the basis for the groundwater charges that are adopted. The charges are levied upon the production of groundwater from all water-producing facilities within groundwater benefit zones, whether public or private. A fixed and uniform rate per acre-foot is set for agricultural water, and another rate per acre-foot, by zone, for all water other than agricultural water.

Valley Water's groundwater charges have been the subject of litigation. See the captions "GENERAL LITIGATION — Stanford University Claims" and "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES — Proposition 26" herein.

Treated Water and Other Charges. The groundwater charge per acre-foot for water other than agricultural water becomes the basic user charge per acre-foot for treated water delivered pursuant to Valley Water's treated water delivery contracts. The contracts also provide for the imposition of a treated water surcharge which is annually set by the Board. Water that is purchased and delivered in greater than the contracted deliveries under the contract is charged at a non-contract rate per acre-foot. Surface water deliveries of Valley Water to users are charged at variants of these rates. In the southern portion of the County, rates are charged for usage of recycled water produced by the South County Regional Wastewater Authority and sold by Valley Water under a producer-wholesaler agreement.

Water Charge Setting Process. Each year, the Board establishes groundwater production charges for groundwater benefit zones in accordance with the Law. Zone W-2 refers to the northern area of the County and largely coincides with the Santa Clara Plain portion of the Santa Clara Groundwater Subbasin. Zone W-5 approximately coincides with the valley floor of the Llagas Subbasin, Zone W-7 approximately coincides with the southern portion of the Santa Clara Subbasin and Zone W-8 approximately coincides with upland areas of the Llagas Subbasin, below Uvas and Chesbro Reservoirs. Although not required under the Law, the Board also sets surface water charges, recycled water charges, treated water surcharges and the amount of the SWP cost to be recouped through the SWP tax, within the framework of the groundwater charge setting process. The Water Utility Taxing and Pricing Policy, Resolution No. 99-21 and legal requirements, guide staff in the development of the overall structure for such charges. The water charge setting process is conducted consistent with Board Resolution 12-10.

Under the Law, an annual PAWS report is to be filed with the Clerk of the Board on or before the first Tuesday in April. A noticed public hearing must be held on or before the fourth Tuesday in April. In addition, all well owners on record are notified of the public hearing at least 45 days in advance. Groundwater production charges must be determined for the ensuing fiscal year prior to July 1. For each groundwater benefit zone, uniform groundwater production charges must be fixed per acre-foot for agricultural water and per acre-foot for all water other than agricultural water. The Law sets forth the allowable uses for Valley Water's groundwater production charges.

The Board may establish groundwater benefit zones in accordance with the Law. The objective of establishing various groundwater benefit zones is to recover costs for the benefits of Valley Water activities to protect and augment groundwater supplies in the applicable zone. As provided for in the annual PAWS report, staff describes those benefits and costs which are apportioned to the groundwater benefit zone by customer class.

The projected operating results under the caption "FINANCIAL INFORMATION OF VALLEY WATER—Historical and Projected Operating Results and Debt Service Coverage" for Fiscal Years 2027-28 through 2029-30 reflect the effect of the forecasted rate increases in the 2026 PAWS Report for Fiscal Years 2027-28 through 2029-30. There can be no assurances that the Board will adopt rate increases for Fiscal Years 2027-28 through 2029-30 consistent with the 2026 PAWS Report for these Fiscal Years.

Water Revenue Zones. The treated water deliveries are all for municipal and industrial water use. The non-contract treated water may be available at the discretion of Valley Water to encourage more treated water use and reduce groundwater pumping to maintain local aquifer storage. The water charges for the northern area of the County are higher than the southern area because the three water treatment plants and most of the distribution system service the northern area of the County. The southern area depends solely on groundwater, raw surface water, and recycled water, rather than treated water. See the caption "VALLEY WATER FACILITIES—Groundwater Subbasins" for a description of the groundwater basins managed by Valley Water.

HISTORICAL WATER RATES
(DOLLARS ($) PER ACRE-FOOT) [(1)]

		Groundwater		*Treated Water*		*Surface Water*		*Reclaimed Water*	
Fiscal Year	*Zone*	*Non-Agricultural*	*Agricultural*	*Non-Contract*	*Contract*	*Non-Agricultural*	*Agricultural*	*Non-Agricultural*	*Agricultural*
2022-23	W-2	$1,724.00	$36.85	$1,924.00	$1,839.00	$1,771.10	$83.95	-	-
	W-5	513.00	36.85	-	-	560.10	83.95	$493.00	$64.25
	W-7	582.50	36.85	-	-	629.60	83.95	-	-
	W-8	368.50	36.85	-	-	415.60	83.95	-	-
2023-24	W-2	1,974.00	36.85	2,174.00	2,089.00	2,028.00	90.85	-	-
	W-5	543.50	36.85	-	-	597.50	90.85	523.50	67.20
	W-7	657.50	36.85	-	-	711.50	90.85	-	-
	W-8	398.00	36.85	-	-	452.00	90.85	-	-
2024-25	W-2	2,229.00	39.80	2,429.00	2,344.00	2,290.00	100.80	-	-
	W-5	579.00	39.80	-	-	640.00	100.80	559.00	70.15
	W-7	750.50	39.80	-	-	811.50	100.80	-	-
	W-8	430.00	39.80	-	-	491.00	100.80	-	-
2025-26	W-2	2,450.00	43.00	2,650.00	2,565.00	2,517.00	110.00	-	-
	W-5	624.50	43.00	-	-	691.50	110.00	604.50	73.35
	W-7	834.50	43.00	-	-	901.50	110.00	-	-
	W-8	464.00	43.00	-	-	531.00	110.00	-	-
2026-27	W-2	2,673.00	46.50	2,873.00	2,788.00	2,746.00	119.50	-	-
	W-5	665.50	46.50	-	-	738.50	119.50	645.50	76.85
	W-7	913.00	46.50	-	-	986.00	119.50	-	-
	W-8	501.00	46.50	-	-	574.00	119.50	-	-

(1) In Fiscal Year 2025-26 the agricultural rates were set at 9.25% of the Zone W-8 non-agricultural (M&I) groundwater rate. The agricultural rates for surface water include certain surcharges.

Source: Valley Water.

Projected Rates and Charges. The water charges listed in the following table are the projected charges for Fiscal Years 2027-28 through 2031-32 based on the 2026 PAWS Report. The projected water charges set forth below have not been approved by the Board.

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PROJECTED WATER RATES
(DOLLARS PER ACRE-FOOT)[1][2]

		Groundwater		*Treated Water*		*Surface Water*		*Reclaimed Water*	
Fiscal Year	*Zone*	*Non-Agricultural*	*Agricultural*	*Non-Contract*	*Contract*	*Non-Agricultural*	*Agricultural*	*Non-Agricultural*	*Agricultural*
2027-28	W-2	$2,916.00	$50.00	$3,116.00	$3,031.00	$2,995.50	$129.50	-	-
	W-5	709.50	50.00	-	-	789.00	129.50	$689.50	$80.35
	W-7	999.00	50.00	-	-	1,078.50	129.50	-	-
	W-8	541.00	50.00	-	-	620.50	129.50	-	-
2028-29	W-2	3,181.50	54.00	3,381.50	3,296.50	3,268.00	140.50	-	-
	W-5	756.50	54.00	-	-	843.00	140.50	736.50	84.35
	W-7	1,093.00	54.00	-	-	1,179.50	140.50	-	-
	W-8	584.00	54.00	-	-	670.50	140.50	-	-
2029-30	W-2	3,471.00	58.50	3,671.00	3,586.00	3,565.50	153.00	-	-
	W-5	806.50	58.50	-	-	901.00	153.00	786.50	88.85
	W-7	1,195.50	58.50	-	-	1,290.00	153.00	-	-
	W-8	631.00	58.50	-	-	725.50	153.00	-	-
2030-31	W-2	3,728.00	63.00	3,928.00	3,843.00	3,829.50	164.50	-	-
	W-5	859.50	63.00	-	-	961.00	164.50	839.50	93.35
	W-7	1,308.00	63.00	-	-	1,409.50	164.50	-	-
	W-8	681.00	63.00	-	-	782.50	164.50	-	-
2031-32	W-2	4,004.00	68.00	4,204.00	4,119.00	4,113.00	177.00	-	-
	W-5	916.00	68.00	-	-	1,025.00	177.00	896.00	98.35
	W-7	1,431.00	68.00	-	-	1,540.00	177.00	-	-
	W-8	735.00	68.00	-	-	844.00	177.00	-	-

[1] The projected agricultural rates shown for groundwater and surface water are 9.25% of the projected Zone W-8 non-agricultural (municipal and industrial) groundwater rates and include certain surcharges for surface water.
[2] Such rates are projected and have not been approved by the Board.
Source: Valley Water.

Historical Water Deliveries and Sources of Water Delivered. Valley Water records the volume of water delivered by Valley Water. The following tables present a summary of historical water deliveries by fiscal year and the sources of water supply by calendar year for the five most recent years. The tables below do not include natural groundwater recharge, SFPUC managed water, recycled water produced by Palo Alto, Sunnyvale or South Bay Water Recycling, or San Jose Water Company or Stanford local surface water. Valley Water estimates that natural groundwater recharge between 2021 and 2025 provided an average of approximately 53,200 acre-feet of water per year, however, there has been substantial variation in the amount of recharge from year to year.

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HISTORICAL WATER DELIVERIES AND SOURCES OF WATER DELIVERED
(In acre-feet)[1]

Deliveries

Fiscal Year Ending June 30	*Municipal & Industrial*	*Agriculture*	*Total*	*% Increase/ (Decrease)*
2021	218,880	27,620	246,500	6.74%
2022	196,026	28,029	224,055	(9.11)
2023	170,172	28,177	198,349	(11.47)
2024	179,416	24,945	204,361	3.03
2025	190,953	29,030	219,983	7.64

Sources

Calendar Year	*Local Surface Water[2]*	*Central Valley Project[3]*	*SFPUC Intertie[4]*	*State Water Project[5]*	*Other Imported Water[6]*	*Other[7]*	*Total*
2021	28,700[8]	87,900	70	39,500	12,400	2,100	170,670
2022	42,700[8]	61,800	0	31,800	50,200	2,700	189,200
2023	391,000[8]	121,300[9]	(100)	15,500	6,500	2,400	536,600
2024	145,400[8]	96,000	0	20,400	9,000	2,300	273,100
2025	61,000	91,500	(810)	26,400	8,800	2,300	189,190

(1) Certain amounts reflect adjustments made subsequent to the relevant year.
(2) Reservoir inflows plus supplies from storage, which may include flood releases, spills, and flows to the environment that may not be used for water supply. 2023 experienced higher than average precipitation. Valley Water estimates that approximately 323,000 acre-feet was released to the environment in such year.
(3) Reflects only CVP contract water delivered through the South Bay Aqueduct and San Felipe Division.
(4) Reflects the net difference between SFPUC water taken less water provided to SFPUC via the intertie.
(5) Reflects only SWP contract water delivered through the South Bay Aqueduct and San Felipe Division.
(6) Includes all non-contract water (CVP, SWP, and non-project water transfers and exchanges) delivered through the South Bay Aqueduct and San Felipe Division. Increase in 2022 primarily as a result of purchases of emergency transfer supplies as a result of drought conditions.
(7) Includes recycled water produced by South County Regional Wastewater Authority.
(8) Due to the Anderson Dam Seismic Retrofit Project, Anderson Reservoir will be maintained approximately two feet above deadpool (a volume of water below the lowest intake with a size equivalent to 3.5% of the total reservoir's storage capacity) and completely drained during the second phase of the project (see the caption "VALLEY WATER FACILITIES—Anderson Dam Seismic Retrofit Project and FERC Directive"), resulting in higher environmental flows and less utilization of local water surface supplies.
(9) Increases primarily as a result of a CVP allocation of 100% of contracted amounts for both agricultural water and municipal and industrial water in 2023.

Source: Valley Water.

Drought conditions affect local surface water runoff as well as CVP and SWP allocations. During drought years, Valley Water offsets certain reductions in CVP and SWP allocations through conservation, exchanges, transfers, and other supplemental supplies. See the caption "FACTORS AFFECTING WATER SUPPLIES —Drought Management.

Water deliveries and sources may vary significantly from one year to the next. Factors such as voluntary and mandatory water use reductions, hydrologic conditions, environmental conditions, new development, operations of the SWP and the CVP and the economy affect water delivery volume. Water source volume is generally affected by hydrology and State water regulations. During years of wet hydrological conditions, Valley Water deliveries may decrease as a result of decreased demand (i.e., for irrigation uses); however, sources of water may increase during such periods as a result of increased surface

water runoff. Increased sources during years of wet hydrological conditions may be stored for delivery during years of dry hydrological conditions. For example, imported water sources in 2023 were significantly greater than the deliveries shown in the table above. The water stored in the groundwater subbasins managed by Valley Water and groundwater banked outside of the County during years of wet and normal hydrological conditions accounts for a substantial amount of the difference between the volume of deliveries and the volume of sources in years of dry hydrological conditions. See the captions "VALLEY WATER FACILITIES — Groundwater Subbasins" and "SANTA CLARA COUNTY WATER SUPPLY."

Projected Water Deliveries and Sources of Water Delivered. The following tables present a summary of projected water deliveries by fiscal year and sources of water supply by calendar year for the current and next four years. The tables below do not include natural groundwater recharge, SFPUC managed water, recycled water produced by Palo Alto, Sunnyvale, or South Bay Water Recycling, or San Jose Water Company or Stanford local surface water. Valley Water estimates that natural groundwater recharge will supply an average of approximately 52,500 acre-feet of water per year, based on the 10-year average (2016 to 2025) from the most recent groundwater simulation.

PROJECTED WATER DELIVERIES AND SOURCES OF WATER DELIVERED

(In acre-feet)

Deliveries

Fiscal Year Ending June 30	*Municipal & Industrial*	*Agricultural*	*Total*	*% Increase/ Decrease*
2026	188,577	27,358	215,935	(1.44)%
2027	194,072	27,442	221,514	2.58
2028	196,930	27,545	224,475	1.34
2029	198,039	27,648	225,688	0.54
2030	199,582	28,152	227,734	0.91

Sources

Calendar Year	*Local Surface Water*	*Central Valley Project*	*State Water Project*	*Other*[3]	*Total*
2026[1]	55,900	123,200	105,400	2,400	286,900
2027[2]	84,200	108,750	65,000	2,400	260,350
2028[2]	84,200	108,750	65,000	2,400	260,350
2029[2]	84,200	108,750	65,000	2,400	260,350
2030[2]	84,200	108,750	65,000	2,400	260,350

(1) Projected calendar year 2026 local surface water, CVP and SWP supplies assume a 90% exceedance probability. Projected CVP and SWP supplies in the calendar year include carryover, exchanges, and transfers. Certain supplies may be transferred to storage facilities for use during a future year depending on local hydrologic and water demand conditions, or include environmental flows and flows to the San Francisco and Monterey bays.

(2) Projected local surface and imported water supplies in calendar years 2027-2030 represent the 50% exceedance probability. CVP and SWP supplies are based on historic imported water allocations from 1989 to present. The projected CVP and SWP supplies represent forecasted availability; however, certain supplies may be transferred to storage facilities for use during a future year depending on local hydrologic and water demand conditions. Water supplies may also include environmental flows and flows to the San Francisco and Monterey bays.

(3) Other includes recycled water produced by South County Regional Wastewater Authority. Projected data for calendar years 2026-2030 is a five-year average of calendar years 2021-2025.

Source: Valley Water.

As described above under the caption "*—Historical Water Deliveries and Sources of Water Delivered*," the water stored in the groundwater subbasins managed by Valley Water during years of wet

hydrological conditions accounts for a substantial amount of the difference between the volume of deliveries and the volume of sources in years of dry hydrological conditions.

Historical Water Charge Revenues. The following table shows Valley Water's historical water charge revenues for the last five fiscal years for which audited financial statements are available.

HISTORICAL WATER CHARGE REVENUES[1]

Fiscal Year Ending June 30	*Groundwater*	*Treated Water*	*Surface & Recycled Water*	*Total*	*% Increase/ (Decrease)*
2021	$132,111,494	$154,912,013	$2,747,092	$289,770,599	8.57%
2022	125,029,429	145,365,475	2,003,338	272,398,242	(6.00)
2023	106,935,552	159,215,177	1,950,130	268,100,859	(1.58)
2024	148,743,728	169,632,794	2,261,406	320,637,928	19.60
2025	176,173,362	202,844,299	2,955,025	381,972,686	19.13

[1] Fluctuations in revenues are a result of, among other factors, hydrological conditions and water conservation levels.
Source: Valley Water.

Projected Water Charge Revenues. The following table shows the annual water charge revenues projected by Valley Water for Fiscal Year 2025-26 (based on estimated actual results) and the following four fiscal years. The projections reflect an assumption by Valley Water staff that the water charges will be increased for each fiscal year from 2027-28 through 2029-30 through the rate setting process described under the caption "—Primary Sources of Revenues" and the projected deliveries under the caption "—*Projected Water Deliveries and Sources of Water Delivered*" above. Such increases would be required to be approved by the Board and there can be no assurance that such increases will be implemented as currently projected.

PROJECTED WATER CHARGE REVENUES

Fiscal Year Ending June 30	*Groundwater*	*Treated Water*	*Surface & Recycled Water*	*Total*	*% Increase/ (Decrease)*
2026[1]	$213,834,000	$198,403,000	$2,582,000	$414,819,000	6.92%
2027[2]	233,004,000	231,016,000	2,526,000	466,546,000	12.47
2028[3]	261,248,000	251,897,000	2,738,000	515,883,000	10.57
2029[3]	287,411,000	274,535,000	2,969,000	564,915,000	9.50
2030[3]	316,185,000	298,645,000	3,726,000	618,556,000	9.50

[1] Based on estimated actual results.
[2] Based on budgeted amounts.
[3] Increases reflect the effect of the forecasted rate increases in the 2026 PAWS Report, however, no assurances can be made that the Board will adopt rate increases consistent with the 2026 PAWS Report for future Fiscal Years. See the caption "WATER UTILITY SYSTEM—Primary Sources of Revenues—*Water Charge Setting Process*."
Source: Valley Water.

Valley Water Revenue Derived from Property Taxes. The County levies a 1% property tax on behalf of all taxing agencies in the County, including Valley Water. All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, nonprofit hospitals and charitable institutions.

The taxes collected are allocated to taxing agencies within the County, including Valley Water, on the basis of a formula established by State law enacted in 1979 and modified from time to time. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis

of "situs" growth in assessed value (due to new construction, change of ownership, or a 2% inflation allowance allowed under Article XIIIA of the State Constitution) prorated among the jurisdictions which serve the tax rate area within which the growth occurs. Tax rate areas are groups of parcels which are taxed by the same taxing entities. Cities, counties, special districts and school districts share the growth of "base" revenues from each tax rate area. Assessed valuation growth is cumulative, i.e., each year's growth in property value becomes part of each agency's allocation in the following year. Notwithstanding the foregoing, counties could also broadly reassess properties (i.e. during economic recessions) and adjust property values downwards.

California law exempts $7,000 of the assessed valuation of an owner-occupied dwelling but this exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes which would have been payable on such exempt values is made up by the State.

Under Assembly Bill 454 (Statutes of 1987, Chapter 921), the State reports to each county auditor-controller only the county-wide unitary taxable value of State-assessed utility property, without an indication of the distribution of the value among tax rate areas. The provisions of Assembly Bill 454 apply to all State-assessed property except railroads and non-unitary properties, and do not constitute an elimination of a revision of the method of assessing utilities by the State Board of Equalization. Assembly Bill 454 generally allows valuation growth or decline of State-assessed unitary property to be shared by all jurisdictions within a county.

From time to time legislation has been considered as part of the State budget to shift property tax revenues from special districts to school districts or other governmental entities. While legislation enacted in connection with the 1992-93 State budget shifted approximately 35% of many special districts' shares of the countywide 1% ad valorem property tax, the share of the countywide 1% ad valorem property tax pledged to debt service by special districts, such as Valley Water, was exempted.

In Fiscal Year 2024-25, Valley Water established an Excess Educational Revenue Augmentation Fund ("ERAF") Contingency Reserve Fund which sets aside 22% of Valley Water's ERAF receipts from Fiscal Years 2020-21 to 2023-24, 20% of receipts in Fiscal Year 2024-25, and 18% thereafter, in anticipation of a potential required repayment to the State. The potential for the required repayment is a result of the State's fiscal year 2024-25 budget which retroactively amends the current calculation of the disbursement of excess ERAF funds to also include Charter Schools, reducing the amount of funds returned to agencies in five counties (Marin, San Francisco, Santa Clara, San Mateo, and Napa), including Valley Water. Santa Clara County and Marin County have filed lawsuits to attempt to block these changes. If successful, the funds will not have to be repaid to the State, and will remain with Valley Water. If the lawsuits are not successful, then Valley Water must refund the reserved funds. This reserve will no longer be necessary after a favorable ruling or the repayment to the State, contingent on the outcome of the pending litigation.

Proposition 1A. On November 2, 2004, California voters approved Proposition 1A, which amended the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State may not, among other things: (i) shift property taxes from local governments to schools or community colleges; or (ii) change how 1% ad valorem property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature. Beginning in Fiscal Year 2009-10, the State is allowed to shift to schools and community colleges a limited amount of local government property tax revenues if certain conditions are met, including: (a) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State; and (b) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 22. On November 2, 2010, the voters of the State approved Proposition 22, known as "The Local Taxpayer, Public Safety, and Transportation Protection Act" ("Proposition 22"). Proposition 22,

among other things, broadens the restrictions established by Proposition 1A. While Proposition 1A permits the State to appropriate or borrow local property tax revenues on a temporary basis during times of severe financial hardship, Proposition 22 amends Article XIII of the State Constitution to prohibit the State from appropriating or borrowing local property tax revenues under any circumstances. The State can no longer borrow local property tax revenues on a temporary basis even during times of severe financial hardship. Proposition 22 also prohibits the State from appropriating or borrowing proceeds derived from any tax levied by a local government solely for the local government's purposes. Furthermore, Proposition 22 restricts the State's ability to redirect redevelopment agency property tax revenues to school districts and other local governments and limits uses of certain other funds. Proposition 22 is intended to stabilize local government revenue sources by restricting the State government's control over local revenues.

There can be no assurance that the property tax revenues Valley Water currently expects to receive will not be reduced pursuant to State legislation enacted in the future. If the property tax formula is permanently changed in the future it could have a material adverse effect on the receipt of property tax revenue by Valley Water. Valley Water currently expects that existing reserves and the statutory authority to raise water rates may offset any potential future property tax revenue losses. In addition, Valley Water could undertake cost-cutting measures to address any future loss of tax revenues.

As a result of the implementation of the tax distribution system commonly referred to as the "Teeter Plan" by the County and the participation by Valley Water, Valley Water receives 100% of its share of the 1% property tax levies without regard to delinquencies. There can be no assurance that the Teeter Plan or the participation of Valley Water therein will be continued indefinitely.

The table below sets forth the total amount of revenue received by Valley Water from Valley Water's share of the one-percent *ad valorem* property taxes levied in the County in each of the last five audited fiscal years.

VALLEY WATER SHARE OF 1% PROPERTY TAX LEVY

Fiscal Year Ended June 30	***District Share of 1% Levy***	***% Increase/ (Decrease)***
2021	$117,309,251	6.04%
2022	127,301,502	8.52
2023	138,809,442	9.04
2024	146,115,477	5.26
2025	154,439,808	5.70

Source: Valley Water.

Valley Water determines the allocation of the one-percent ad valorem property tax to the Water Utility System, the Watershed and Steam Stewardship Fund and the Safe, Clean Water Program annually. As shown in the table below, historically, the Board of Directors has allocated a small portion of the 1% property tax to the Water Utility System and has allocated the substantial majority of Valley Water's share of the 1% property tax to the Watershed and Steam Stewardship Fund. The 1% property tax allocated to the Watershed & Stream Stewardship Fund has been used to fund the costs of Valley Water's Flood Protection and Stream Stewardship Program.

Valley Water is undertaking its Safe, Clean Water Program pursuant to the voter approval described below, which consists of projects to restore habitat, maintain healthy creek and bay ecosystems, improve water quality, reduce flood risks, and provide open space and recreational opportunities. On November 3, 2020, voters in the County approved Measure S by the required two-thirds majority, which continues a special parcel tax to fund the Safe, Clean Water Program, unless repealed by the Board of Directors or by voters. On May 11, 2021, the Board of Directors adopted Resolution No. 21-34 pursuant to which the Board of Directors

covenanted to allocate to the Safe, Clean Water Program, amounts of Valley Water's share of the County-wide 1% property tax in an amount sufficient, together with other revenues of the Safe, Clean Water Program (which consists primarily of the special parcel tax authorized by Measure S), to repay principal of and interest on the obligations of the Safe, Clean Water Program. Once an amount of 1% property tax moneys is allocated to the Safe, Clean Water Program by Valley Water, such moneys are revenues of the Safe, Clean Water Program and are pledged to the payment of principal of and interest on the obligations of the Safe, Clean Water Program in accordance with Resolution No. 21-34 and the terms of such obligations.

In the event revenues of the Safe, Clean Water Program (which consists primarily of the special parcel tax authorized by Measure S) are insufficient to pay obligations of the Safe, Clean Water Program, the amount of the 1% property tax available to be allocated to the Water Utility System and the Watershed and Steam Stewardship Fund would be reduced, and the allocation of the 1% property tax as shown in the table below could materially change in future years.

In Fiscal Year 2024-25, Valley Water allocated approximately $11.7 million (approximately 7.6%) to the Water Utility System. Based on estimated actual results for Fiscal Year 2025-26, Valley Water estimates that it will receive $163.6 million of one-percent ad valorem property tax, of which approximately $12.4 million (or approximately 7.6%) has been allocated to the Water Utility System. Valley Water budgeted an allocation of approximately $12.6 million (approximately 7.6%) of one-percent ad valorem property tax to the Water Utility System for Fiscal Year 2026-27. The table below sets forth the total amount of revenue received by Valley Water from Valley Water's share of the 1% *ad valorem* property taxes levied in the County for the last five fiscal years for which audited financial statements are available, as well as Valley Water's allocation of such property taxes.

SANTA CLARA VALLEY WATER DISTRICT
ALLOCATION OF VALLEY WATER'S SHARE OF 1% PROPERTY TAX
FISCAL YEAR ENDING JUNE 30[(1)]

Allocation	*2021*	*2022*	*2023*	*2024*	*2025*
Watershed & Stream Stewardship Fund	$ 98,621,201	$ 106,997,869	$ 116,705,972	$ 122,830,223	$ 129,840,107
General Fund	9,777,201	10,650,548	11,581,449	12,240,054	11,678,629
Water Utility Fund	8,901,849	9,653,085	10,522,021	11,045,199	12,921,072
Safe, Clean Water Fund	-	-	-	-	-
Total:	$ 117,309,251	$ 127,301,502	$ 138,809,442	$ 146,115,477	$ 154,439,808

(1) The amount received by Valley Water under its allocation of the County's 1% property tax is affected by its participation in the County's Teeter Plan. The County or Valley Water could change their participation in the Teeter Plan and this could affect Valley Water's allocation of such amounts.

Source: Valley Water.

An additional property tax that is levied by Valley Water to pay State Water Project contract costs are not pledged to the payment of the 2026 Obligations and other Bonds and Contracts, and are not included in the amounts shown above.

SANTA CLARA COUNTY WATER SUPPLY

Valley Water derives its water supply from four main sources: (i) local natural recharge to the underlying groundwater subbasins, (ii) local surface water runoff that enters Valley Water reservoirs, (iii) water imported by Valley Water through SWP facilities, and (iv) water imported by Valley Water through CVP facilities. Valley Water also sells a small (relative to overall sales) amount of recycled water from the South County Regional Wastewater Authority's Wastewater Treatment and Reclamation Facility (the "SCRWA Reclamation Facility"), and delivers purified water from the Silicon Valley Advanced Water Purification Center ("SVAWPC") to the South Bay Water Recycling program, operated by the City of San

José. See the caption "VALLEY WATER FACILITIES—Water Treatment and Water Purification—*Silicon Valley Advanced Water Purification Center*."

Valley Water receives revenue from the sale of treated water produced by its three water treatment plants, revenue from untreated surface water sales, a small amount of revenue from recycled water at the SCRWA Reclamation Facility, and revenue from a groundwater production charge. Some of the water retailers within Valley Water also receive water supplies from the SFPUC. Also, San Jose Water Company owns and operates two small surface water reservoirs, Williams and Elsman, and two small water treatment plants, within the County. Valley Water does not currently receive revenue from the sale of water from SFPUC, Williams and Elsman Reservoir, and recycled water facilities other than the SCRWA Reclamation Facility. However, all the sources of supply contribute to water supply reliability in the County and, therefore, are considered together in this discussion.

Summary Table of the County of Santa Clara's Water Supply

Based on a ten-year average for 2016-2025, approximately 45% of the County's water supply comes from local sources – surface water (40%) and recycled water (5%). Surface water is heavily dependent upon rainfall and runoff. Approximately 55% of the County's water supply comes through imported water purchases from CVP and SWP (40%), as well as from the SFPUC (15%). The following table summarizes the County's sources of its water supply for the last five calendar years. As shown in the table below, the amounts from each source of supply varies from year to year, which variations can be significant depending on, among other factors, hydrological conditions.

SANTA CLARA COUNTY WATER SUPPLY
(ACRE-FEET)[1]

Calendar Year	*SWP*	*CVP*	*Other Imported Water*	*SFPUC*	*Recycled Water*	*Local Surface Water*	*Natural Groundwater Recharge*	*Total*
2021	39,500	87,900	12,400	47,000	17,000	30,100	48,300	282,200
2022	31,800	61,800	50,200[3]	45,000	17,000	48,600	48,400	302,700
2023	15,500	121,300[2]	6,500	44,000	16,000	403,600	64,100	672,600
2024	20,400	96,000	9,000	48,000	17,000	155,500	58,800	395,200
2025	24,400	91,500	8,800	48,000	16,400	68,000	46,200	303,300

[1] Certain amounts reflect adjustments made subsequent to the relevant calendar year.
[2] Increases primarily as a result of a CVP allocation of 100% of contracted amounts for both agricultural water and municipal and industrial water in 2023.
[3] Increase in 2022 primarily a result of purchases of emergency transfer supplies as a result of drought conditions.
Note: The sources of water supply listed in this table include sources that are not directly managed by Valley Water, such as San Jose Water Company, SFPUC, and natural groundwater recharge. These non-Valley Water supplies contribute to the County's water supply and are important for overall water supply reliability in Valley Water's service area.
Source: Valley Water.

Local Supplies

The County's local water supplies fall into two major components: (1) the major surface tributary drainage area yields; and (2) the natural groundwater basin recharge. These two components, when combined, represent the total local supply available to the County.

The availability of local surface water and natural groundwater recharge depends upon local rainfall. An analysis of 151 years (1874-2024) of rainfall data from two rainfall gauges in central San José shows that the average (or mean) annual rainfall is approximately 14.2 inches. An analysis of the last 10 years (2016-2025) of rainfall data from the National Weather Service's rainfall gauge (Station 86) shows that the average

(or mean) annual rainfall is approximately 12.56 inches. This period includes portions of the two droughts between 2012-2016 and 2020-2022. Station 86, located at the Norman Y. Mineta San Jose International Airport (the "San Jose International Airport") since 2007 but previously co-located with Station 31, has been in use since 1874 and is currently operated by the City of San José in cooperation with the National Weather Service. Another rainfall gauge that is owned by the City of San José but maintained by Valley Water has been located at Station 31 at the northwest corner of North San Pedro Street and West Mission Street (currently the City of San José's main police complex) since 1992 after having been originally installed nearby at the San Jose International Airport in 1986. There is variability in rainfall, with many years of above normal rainfall and many years of below normal rainfall. Valley Water stores water from wetter years for use during drier years.

Surface Water

Local surface water refers to reservoir inflow. During years of especially high rainfall, not all surface flows can be captured in the reservoirs or put to beneficial use. In these years, there can be considerable local surface flows to the San Francisco Bay and Monterey Bay.

Valley Water operates ten surface water reservoirs, with a total capacity of approximately 166,000 acre-feet, which generally provide seasonal storage for downstream releases to recharge facilities and for treatment at the water treatment plants. Historically, Anderson Reservoir, the largest of Valley Water's reservoirs, provided carryover storage from one year to the next. As a result of the FERC Directive (as defined below), Valley Water is required to lower the elevation at Anderson Reservoir to 490 feet and will be further lowered during the construction phase of the ADSR Project (as defined below). Such elevations are based on and relative to the North American Vertical Datum, a standard point of reference, and 490 feet equates to approximately 3,159 acre-feet of water storage volume for Anderson Reservoir or 3.5% of the total reservoir's storage capacity. In an April 4, 2024 memorandum, the Federal Energy Regulatory Commission ("FERC") allowed for Valley Water to operate two feet above deadpool at an elevation of 492 feet "to provide for consistent flow through the outlet portal and quicken the transit of releases from Coyote reservoir through Anderson reservoir." Local and imported surface water are also stored in the County's two primary groundwater subbasins and are used to support annual pumping and drought reserves. See the caption "VALLEY WATER FACILITIES—Local Reservoirs."

The total amount of surface water flowing into the County does not necessarily represent local water supply yield. The yield of the major tributary drainage area is defined as that portion of the historical surface water that can, on a long-term basis, be put to beneficial use through surface diversions and/or groundwater recharge, considering the available storage, recharge, and conveyance capacities of the distribution facilities. The remaining water is released to San Francisco Bay or Monterey Bay. Based on 2019 through 2023 data (the most recent years for which actual data is available), between 3,000 acre-feet and 323,000 acre-feet of water per year was released to the bays. The average release was about 95,000 acre-feet per year, with 2023 having above average hydrological conditions. See the caption "VALLEY WATER FACILITIES—Seismic Considerations."

Groundwater Recharge

Recharge to the groundwater subbasins consists of natural groundwater recharge and managed recharge with local and imported surface water. Natural groundwater recharge includes recharge from rainfall, net leakages from pipelines, seepage from the surrounding hills, seepage into and out of the basin, and net irrigation return flows to the groundwater subbasins. Managed recharge is controlled recharge that occurs due to Valley Water releases in specific streams, in off-stream recharge pond facilities, and in one in-stream recharge pond facility. Valley Water uses local water in surface water reservoirs and imported water from both the SWP and CVP for managed recharge.

Imported Supplies

Although the residents of the County recognized the decreasing groundwater supplies and the threat of land surface subsidence in the 1920's, the need for supplemental imported water supplies became more apparent during the 1940's when an increasing population and a series of locally dry years combined to dramatically increase groundwater pumping.

To meet this growing water need, the City and County of San Francisco first started delivering water in 1956 to municipalities in the northern area of Valley Water's service area. The SFPUC water supply continues to provide approximately 15 percent of the water supply in the County; however, Valley Water does not receive revenue for the SFPUC water supply.

Valley Water started importing SWP water in 1965 and CVP water in 1987. The SWP water and CVP water are either treated in Valley Water's water treatment plants or recharged in the groundwater subbasins. By approximately 1970, the recharge of SWP water contributed to Valley Water's success in halting permanent land surface subsidence due to groundwater overdraft in the northern Santa Clara Subbasin. Because Valley Water recharges and manages the groundwater subbasins, Valley Water collects a groundwater production charge when groundwater is pumped from the zones receiving benefit from Valley Water groundwater management activities. Treated water wholesaled by Valley Water reduces the demand for groundwater, which also serves to prevent further land surface subsidence and ensure groundwater sustainability.

State Water Project

In 1961, Valley Water contracted with the California Department of Water Resources ("DWR") for a new water supply from the State Water Project (the "SWP Contract") up to a maximum of 100,000 acre-feet annually. SWP water deliveries began in 1965 and are typically transported to Valley Water service area via the South Bay Aqueduct. This imported supply normally provides water for groundwater recharge and for treatment at two Valley Water water treatment plants, the Rinconada and Penitencia Water Treatment Plants ("WTPs"), but can also be used to supply the Santa Teresa WTP. The original term of the SWP Contract was effective through the project repayment period, or for 75 years (2035), whichever was longer. In certain years, Valley Water can receive additional SWP water consisting of temporary flood flow in the Delta, or it can receive non-SWP water deliveries, neither of which count against the maximum annual amount under the SWP Contract. Valley Water's SWP allocation under its SWP Contract for 2026 is currently 45 percent of its maximum annual contract amount. Such allocation increases or decreases in accordance with the provisions of the SWP Contract and has varied dramatically from a 5% allocation as recently as 2022 to a 100% allocation in 2023. See the caption "WATER UTILITY SYSTEM — Primary Sources of Revenues — *Historical Water Deliveries and Sources of Water Delivered*."

The SWP Contract requires Valley Water to reimburse the State for capital costs (including interest thereon) and minimum operating, maintenance, power and replacement costs of the SWP transportation and conservation facilities. A property tax is levied by Valley Water to pay the cost of this obligation. Such property taxes are not pledged to the payment of the 2026 Obligations and such costs are not Maintenance and Operation Costs of the Water Utility System. To the extent property taxes are insufficient, Valley Water would be required to apply revenues of the Water Utility System to pay such costs. The State re-estimates Valley Water's total commitment for reimbursement of such costs annually.

All SWP water service contracts continue until December 31, 2085 or the period ending with the latest maturity date of any bond issue used to finance construction of SWP facilities, whichever is longer.

DWR faces various challenges in the continued supply of imported water to Valley Water and other member agencies. A description of the challenges DWR faces in continuing to supply imported water as well

as a variety of other operating information with respect to DWR is included in detail under the caption "STATE WATER PROJECT WATER SUPPLY" in DWR'S Official Statement dated February 10, 2026, relating to its Central Valley Project Water System Revenue Bonds (2026 General Bond Resolution) 2026 Series A ("DWR's Water Supply Disclosure"). Valley Water incorporates DWR's Water Supply Disclosure by specific reference in this Official Statement. DWR's Water Supply Disclosure is the disclosure of DWR and, accordingly, Valley Water does not make any representations as to the accuracy or completeness of DWR's Water Supply Disclosure or as to the absence of material adverse changes in DWR's Water Supply Disclosure after the date hereof.

The ability for DWR to convey SWP supply to Valley Water also depends on the reliability of the South Bay Aqueduct as a water conveyance system. The Santa Clara Pipeline section of the South Bay Aqueduct conveys water to Valley Water's service area and has experienced several leaks in the past 10 years. DWR intends to improve reliability of the pipeline and completed an asset management plan for the South Bay Aqueduct in April of 2022. The plan identified a number of corrective actions to be implemented through 2027. Valley Water currently estimates such costs will be approximately $6.64 million, however, such estimates are preliminary and no assurances can be made as to the actual costs. The actual costs may be materially greater than the current estimates.

DWR has entered into certain continuing disclosure agreements pursuant to which it is contractually obligated for the benefit of owners of certain outstanding obligations to file with certain information repositories annual reports, notices of certain material events as defined under Rule 15c2-12 of the Exchange Act ("Rule 15c2-12") and annual audited financial statements (the "DWR Information"). This information is to be filed by DWR with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at https://emma.msrb.org/. DWR disclosure documents and annual reports should be reviewed for information pertaining to water supply matters. DWR has not entered into any contractual commitment with Valley Water, the Trustee, or the Owners of the 2026 Obligations to provide DWR Information to Valley Water or the Owners of the 2026 Obligations. Valley Water has not incorporated by reference the information filed by DWR described above and neither Valley Water nor the Purchasers assume any responsibility for the accuracy of DWR Information.

DWR HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND HAS MADE NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO DWR. DWR IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH DWR INFORMATION, FOR THE BENEFIT OF VALLEY WATER OR THE OWNERS OF THE 2026 OBLIGATIONS UNDER RULE 15c2-12.

See the caption "FACTORS AFFECTING WATER SUPPLIES" for further information with respect to the SWP water deliveries.

Central Valley Project

On June 7, 1977, Valley Water entered into a contract (the "CVP Contract") with USBR for water service from the San Felipe Division of the CVP. The CVP Contract provides for both agricultural and municipal and industrial ("M&I") water deliveries to Valley Water up to a total contract amount of 152,500 acre-feet per year.

On May 19, 2026, USBR announced updated agricultural and M&I water allocations for 2026, subject to revision by the USBR. For CVP contractors south of the Bay-Delta, including Valley Water, the allocations were set at 25% percent of contracted amounts for agricultural water and 75% of historical use or Public Health and Safety ("PHS"), whichever is greater, for M&I use. See the caption "WATER UTILITY SYSTEM — Primary Sources of Revenues — *Historical Water Deliveries and Sources of Water Delivered*." In certain years, Valley Water can receive additional CVP water consisting of temporary flood flow in the Delta which

does not count against the CVP Contract amount. Valley Water's CVP supplies provide surface water to the Santa Teresa WTP, Rinconada WTP, surface water customers, local reservoirs for storage, groundwater recharge, and can also be used to supply the Penitencia WTP. The CVP Contract specified initial water rates for agricultural and M&I water service and provides for periodic adjustment of the respective water rates in accordance with prevailing CVP water rate policies commencing in the years 1993 for the in-basin M&I rate component, 1996 for the agricultural O&M rate component and 2001 for the full agricultural water rate. The methodology of CVP water rate setting has historically recovered current year operating costs, and over 50 years, the applicable construction costs.

Valley Water's initial CVP water rates were determined based upon a November 1974 CVP water rate policy and estimated construction costs of the San Felipe Division. The actual construction costs of the San Felipe Division were significantly higher than the estimates used in the initial rate calculation, and changes in the Federal Reclamation Law during the 1980's have led to the development of new CVP water rate policies. A new agricultural water rate policy was adopted in 1988 and the M&I water rate policy was adopted in 2020.

The CVP Contract established a fixed rate for repayment of San Felipe Division facilities during the first 20 years of water deliveries (1987 through 2006) in recognition of Valley Water's need to expand its local infrastructure to accept CVP water. The fixed rate provided for partial repayment of annual capital interest expense, and the cumulative shortfall was being tracked by the USBR as an alleged "operation and maintenance deficit," even though Valley Water self-funds and performs San Felipe Division operation and maintenance. Valley Water contested the USBR's accounting for project costs, and a settlement was achieved in March 2005. The settlement reduced Valley Water's costs for CVP water by approximately $5,000,000 per year.

In 2007 Valley Water amended the CVP Contract to comply with the 1992 Central Valley Project Improvement Act, amongst other things. The 2007 Amendment further clarifies Valley Water's role as the Operating Non-Federal Entity and provides for a fixed repayment schedule for the outstanding capital construction costs of the San Felipe Division facilities.

The first water from the CVP was delivered in January 1988. In preparation for this source of supply, Valley Water completed construction of raw water pipelines from Coyote Pumping Plant to Calero Reservoir and across south San José to deliver CVP water to Santa Teresa WTP, Guadalupe recharge facilities, Vasona Pumping Plant and Rinconada WTP. The 100 MGD Santa Teresa WTP was completed in 1989 to treat CVP and local reservoir water and serve the increasing water needs of the County.

On December 16, 2016, Congress enacted the Water Infrastructure Improvements for the Nation Act ("WIIN Act"). Under the WIIN Act, a CVP contractor could request conversion of its multi-year term water service contract into a permanent repayment contract. In a water service contract, construction costs owed by the contractor are paid on a per acre-foot basis in proportion to its CVP water deliveries. However, in a repayment contract under the WIIN Act, construction costs are paid up front as a lump sum or three-year accelerated schedule irrespective of water deliveries. By agreeing to prepay construction costs up front, the WIIN Act provides for a repayment contract that does not expire.

In 2021, under the provisions of the WIIN Act, Valley Water converted its CVP Contract from a water service contract to a repayment contract for allocated construction costs, with respect to Valley Water's share of CVP "in-basin" facilities only. Valley Water's outstanding obligation for the capital construction costs of the San Felipe Division, or "out-of-basin facilities" were not included in the WIIN Act conversion. The costs of the "out-of-basin facilities" continue to be repaid according to the amortized schedule negotiated in the 2007 Amendment described above. The current annual payments for the "out-of-basin facilities" costs are approximately $15.5 million, and the final payment is due in 2036. In connection with the conversion, Valley Water paid a lump sum payment in the amount of $13,191,551.

Under the terms of contract conversions under the WIIN Act, the USBR requires all contractors, including Valley Water, to file validation actions in Superior Court to establish conclusively that the new, converted contract is valid, and the contractor has the legal authority to enter into such contract conversion. Valley Water received the default judgment for such validation action on April 21, 2023 and no timely appeal was filed. However, various environmental groups filed an action against USBR, alleging that the United States violated federal law in converting water service contracts to permanent repayment contracts under the WIIN Act without undergoing Endangered Species Act review. CVP contractors, including Valley Water, were joined in this litigation. The district court granted judgment in favor of USBR and the CVP contractors. The plaintiffs have appealed this decision.

Pursuant to a contract with Mercy Springs Water District, Valley Water and Westlands Water District are assigned a portion of Mercy Springs Water District's contracted CVP water allocation. Under such arrangement, Valley Water has secured 25% of the water made available by the Mercy Springs Water District's contracted CVP water allocation, or approximately 3,500 acre-feet since 2020. The terms for providing Mercy Springs Water District's water to Westlands Water District and Valley Water are contained in a 2-year renewal interim water service agreement. In 2022, the parties completed negotiations to convert this interim water service agreement into a permanent repayment contract (the "Mercy Springs Repayment Contract") under the WIIN Act. The USBR finalized the Mercy Springs Repayment Contract and Valley Water approved its execution. Valley Water filed a validation complaint on June 24, 2020 with respect to the Mercy Springs Repayment Contract. Valley Water received the default judgment for such validation action on April 21, 2023 and no timely appeal was filed.

See the caption "— Bay-Delta/Imported Water Litigation" for further information with respect to litigation relating to conversion of water service contracts to repayment contracts under the WIIN Act. See the caption "FACTORS AFFECTING WATER SUPPLIES" and "—Participation in Water Supply and Storage Projects—B.F. Sisk Dam Raise and Reservoir Expansion Project" for further information with respect to CVP water deliveries.

VALLEY WATER FACILITIES

Local Reservoirs

General. Valley Water owns, operates, and maintains a County-wide water conservation and distribution system to convey water for recharge and treatment. Included are 10 local surface water reservoirs, which conserve winter runoff for either managed recharge of the groundwater subbasins or treatment at Valley Water's three water treatment plants. Water from the Anderson/Coyote and the Almaden/Calero Reservoir systems can be delivered to the water treatment plants. Anderson Reservoir, the largest reservoir in the County, will not be available until seismic retrofit activities have been completed. See the caption "— Anderson Dam Seismic Retrofit Project and FERC Directive."

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The following table lists the significant features of Valley Water's reservoirs:

SIGNIFICANT FEATURES OF VALLEY WATER RESERVOIRS

Reservoir	*Capacity (acre-feet)*	*DSOD Restricted Capacity (acre-feet)*	*Year Completed*	*Surface Area at Capacity (acres)*	*Approximate Dam Height (feet)*
Almaden	1,555	1,443	1935	57	108
Anderson[(1)]	89,278	3,485	1950	1,253	240
Calero	9,819	4,472	1935	348	98
Chesbro[(2)]	7,967	7,967	1955	271	95
Coyote	22,541	11,843	1936	633	138
Guadalupe	3,320	2,152	1935	73	129
Lexington[(2)(3)]	18,534	18,534	1952	409	200
Stevens Creek[(2)]	2,949	2,949	1935	93	130
Uvas[(2)]	9,688	9,688	1957	287	105
Vasona[(2)]	463	463	1935	52	30
Total	**166,114**	**62,996**		**3,476**	

Sources: The most recent area-capacity and surface areas surveys were performed in 2016 for Anderson and Coyote reservoirs. Chesbro and Uvas reservoirs were surveyed in 2017. Lexington and Vasona reservoirs were surveyed in 2018. Almaden and Guadalupe reservoirs were surveyed in 2019. Stevens Creek and Calero reservoirs were surveyed in 2024. All reservoirs, except Almaden Reservoir, were surveyed using the North American Vertical Datum of 1988 (NAVD 88) and converted to local, using the spillway; Almaden was surveyed in NAVD 88 and remains in that datum.

(1) Pursuant to the FERC Directive, Anderson Reservoir has been lowered to just above deadpool. See the caption "—Anderson Dam Seismic Retrofit Project and FERC Directive" and "—Anderson Reservoir Drawdown Impacts on Water Supply Reliability" below.

(2) Indicates no Division of Safety of Dams restriction is applicable to reservoir.

(3) Lexington's dam height was calculated using the stream elevation near the previous outlet.

Valley Water monitors, collects, and analyzes seepage and vertical and horizontal movement data monthly and reports the information to the DWR Division of Safety of Dams ("DSOD"). DSOD has an annual dam inspection program. Valley Water also implements a comprehensive asset management program to track the condition of its facilities. Using this asset management system and the visual and data monitoring programs, Valley Water determines and performs the maintenance or improvements needed at each dam.

Dam safety operating restrictions have been placed on Almaden, Anderson, Calero, Coyote, and Guadalupe reservoirs and have resulted in loss of about two-thirds of the total surface storage capacity.

In a November 2023 letter, DSOD advised Valley Water that the rating on Coyote Dam was changed from Satisfactory to Poor, on Calero Dam from Fair to Poor, on Almaden Dam from Fair to Poor, and on Guadalupe Dam from Fair to Poor. The reasons for such changes generally include seismic instability, spillway capacity deficiencies due to updated safety standards, and degraded spillway conditions, as more particularly described in the November 2023 letter.

DSOD required Valley Water, by July 1, 2024, to submit a master schedule that includes dates for major milestones (30, 60, 90 and 100-percent design and approval) for the seismic retrofit or improvements of Coyote, Calero, Guadalupe and Almaden dams and to begin construction of the seismic remediation of either Calero or Guadalupe dam by the summer of 2026. Valley Water met with DSOD in June 2024, and proposed Calero Dam as the first remediation project. A master schedule was submitted to DSOD on July 1, 2024, that reflects a 2027 completion date for the Calero Dam design package based on the inability of DSOD to provide an expedited review. DSOD has not expressed any objections to the updated schedule, but if objections are

raised, Valley Water may be required to implement additional risk reduction measures with respect to Calero Dam.

Valley Water expects to incur costs to comply with the seismic remediation described above as well as to comply with any additional risk reduction measures with respect to the foregoing dams. The current capital improvement program includes approximately $794 million of costs related to the seismic retrofitting of Almaden, Calero, Coyote, and Guadalupe dams, as well as preliminary planning activities for seismic stability activities at certain other Valley Water dams, excluding Anderson Dam. The full extent of the costs to comply with the seismic remediation described above could be substantially more than the costs included in the current capital improvement program. The costs to comply with the direction in the DSOD November 2023 letter are expected to be included and updated in future PAWS reports and the updates to the capital improvement program as Valley Water develops a better understanding of the timing and costs of such activities. See the captions "DEBT STRUCTURE OF VALLEY WATER—Proposed Water Infrastructure Financing Program Loan" and "—Anderson Dam Seismic Retrofit Project and FERC Directive" below.

Anderson Dam Seismic Retrofit Project and FERC Directive

A seismic study conducted in 2011 showed that a large earthquake along the Calaveras fault or the Coyote Creek fault could cause significant damage to Anderson Dam and the outlet works. Since that time, Valley Water has been operating Anderson Dam and Anderson Reservoir at elevations approved by DSOD. In 2012, Valley Water initiated the Anderson Dam Seismic Retrofit Project (the "ADSR Project"), which initially consisted of replacing the outlet pipe, increasing the wall height of the concrete spillway and increasing the height of the dam's crest. In 2017, after a series of storm events caused severe damage at Oroville Dam in the County of Butte, DSOD revised its criteria for spillway design, and both FERC and DSOD requested that Valley Water perform a comprehensive condition assessment of the spillway at Anderson Dam. Based on the assessment results, Valley Water will remove and reconstruct the spillway at Anderson Dam. In October 2019, Valley Water submitted certain results of studies during the design phase of the ADSR Project to FERC, which indicated that Anderson Dam was at greater risk of damage from a seismic event than prior studies had shown. A large seismic event along the Calaveras fault or the Coyote Creek fault could lead to dam failure and uncontrolled release into the surrounding communities.

On February 20, 2020, FERC issued a directive (the "FERC Directive") requiring Valley Water to immediately lower the elevation of Anderson Reservoir to 565 feet, and to further lower the reservoir to 490 feet starting on October 1, 2020. Valley Water has lowered the elevation of Anderson Reservoir and is operating the reservoir to remain in compliance with the FERC Directive. Rainfall-runoff raises the storage temporarily in winter seasons; however, Valley Water expects to make every effort to lower the reservoir storage as quickly and safely as possible in compliance with the latest FERC approved Reservoir Drawdown and Operation Plan.

The ADSR Project is currently planned to be constructed in two stages. The first stage entails the construction of a temporary low-level outlet. Construction of the first stage was awarded in April 2021 and is expected to be completed by the end of 2026. The second stage involves construction of a low-level outlet and a high-level outlet, and reconstruction of the spillway and the dam embankment. The second stage is expected to commence after completion of the first stage and is expected to take approximately seven years to complete (approximately between 2027-2033). The foregoing schedule is subject to Valley Water's ability to obtain the necessary permits, complete the necessary environmental review and finalize agreements with consultants and contractors for the ADSR Project.

The ADSR Project is currently estimated to cost approximately $2.8 billion (accounting for inflation), an increase of approximately $800 million from the $2.03 billion estimated in the Fiscal Year 2027-2031 CIP Five-Year Plan. Valley Water's Board approved the award of the construction contract for $1.88 billion on July 24, 2026, which is approximately $700 million higher than previously projected. The increased construction cost will be incorporated into the Fiscal Year 2028-2032 CIP Five-Year Plan in June 2027 and is

projected to be escalated by approximately $100 million. The increased cost is not expected to materially impact the Fiscal Year 2026-27 capital budget. The current estimate is substantially greater than the estimate of $1.0 billion in the Fiscal Year 2023-24 capital improvement program budget largely as a result of design changes during the design phase, scope refinements, general market conditions and industry inflation. Instead of seismically stabilizing the dam with additional materials, as initially envisioned, the current design entails removal of the existing dam and replacing it with a new dam that is designed to meet current dam safety and performance standards. In addition, the current spillway is planned to be fully replaced and extended, instead of undergoing spot repairs, as initially planned. Valley Water expects to fund $26.8 million of such costs from the parcel tax revenue of the Safe, Clean Water Program and the balance from revenues of the Water Utility System. With respect to the portion of the ADSR Project costs allocated to the Water Utility System, Valley Water expects to fund such costs from current revenues, reserves and from the proceeds of additional Bonds and Contracts. See the caption "CAPITAL IMPROVEMENT PROGRAM" for a description of Valley Water's current financing plan with respect to the ADSR Project.

Valley Water has submitted an application for an additional loan under the WIFIA program to finance costs of the ADSR Project and is in discussions with the EPA to commence loan documentation and negotiations. However, no assurances can be made that such additional loan will be made or as to the timing thereof.

As described herein, Valley Water has a diverse water supply and storage portfolio. Valley Water does not expect the FERC Directive or the loss of storage capacity at Anderson Reservoir during the construction of the ADSR Project to have a material adverse effect on its ability to deliver water. See the captions "SANTA CLARA COUNTY WATER SUPPLY" and "FACTORS AFFECTING WATER SUPPLIES." As described under the caption "CAPITAL IMPROVEMENT PROGRAM," Valley Water is undertaking and participating in additional water storage projects.

Anderson Reservoir Drawdown Impacts on Water Supply Reliability

Anderson Reservoir is a key component of Valley Water's annual water supply portfolio, which provides a local water supply and operational flexibility. In addition to providing a local water supply, the large capacity of Anderson Reservoir stores water for emergencies. Anderson Reservoir also provides Valley Water with the operational flexibility to carry water over from one year to the next to help guard against the impacts of dry years and to address water quality issues in San Luis Reservoir.

Anderson Reservoir is part of a complex system physically connected to Coyote Reservoir and Valley Water's raw water distribution system. The distribution system conveys imported water supplies and local surface water supplies, including Anderson Reservoir supplies, to recharge groundwater in both the Santa Clara and Llagas subbasins. The Coyote Valley and southern Santa Clara Plain are particularly dependent on recharge releases from the Anderson system via Coyote Creek and the Coyote Percolation Pond. Along with imported water, Anderson Reservoir supplies Valley Water's surface water treatment plants that provide treated water throughout North County.

As described above under the caption "—Anderson Dam Seismic Retrofit Project and FERC Directive," Anderson Reservoir was drawn down in compliance with the FERC Directive. After the initial drawdown, rainfall-runoff could raise the storage temporarily in future winter seasons; however, Valley Water expects to make every effort to lower the reservoir storage to deadpool level as quickly and safely as possible in compliance with the latest FERC approved Reservoir Drawdown and Operation Plan. The deadpool level is the volume of water in Anderson Reservoir that cannot be drained by gravity through the existing outlet works. The current deadpool volume is 3,159 acre-feet. For the next 10 years, during construction of two stages of the ADSR Project, the loss of storage capacity at Anderson Reservoir will significantly reduce water supply benefits from Anderson Reservoir, except for occasional groundwater recharge from instream flows due to precipitation. The impact to Valley Water's overall water supply will depend on future operational conditions, which will benefit from the mitigation measures that Valley Water has initiated. While Anderson Dam is in

construction, Anderson Reservoir cannot store water for beneficial use. Valley Water leverages various options within its portfolio to supply the County's demand. This includes imported water, groundwater, local water stored within its other reservoirs, and carry over water stored at San Luis Reservoir or the Semitropic Groundwater Banking Program.

Mitigation Measures to Lessen the Impacts of a Dewatered Anderson Reservoir

Valley Water has proposed many Avoidance and Minimization Measures ("AMMs") to lessen the impacts of the inability to store water in Anderson Reservoir for approximately 10 years. This includes continued releases of imported water downstream of Anderson Reservoir for the purposes of groundwater recharge. Valley Water completed a Cross Valley Pipeline Extension to bring imported water to Coyote Creek downstream of Ogier Ponds, while maintaining a cold water management zone upstream of Ogier Ponds for fisheries through the completion of installation of chillers to allow for the release of cooled imported water. The Cross Valley Pipeline Extension enables Valley Water to maintain groundwater recharge operations in the creek and the Coyote Percolation Pond to benefit the Coyote Valley and the Santa Teresa area of south San José.

In July 2025, Valley Water completed construction of the Coyote Percolation Dam Replacement project to replace the flashboard dam at the Coyote Percolation Pond with a rubber bladder dam that can be inflated and deflated in less than an hour. The Anderson Dam Tunnel, once constructed, will allow a rapid drawdown of the reservoir. Large flows from the dam outlets (up to 2,500 cubic-feet per second) would overtop the existing flashboard dam. To avoid this risk, the dam would be removed earlier in the winter. This would result in the loss of the ability to perform managed groundwater recharge in the Coyote Percolation Pond for up to six months per year and could potentially impact Valley Water's ability to exercise its water rights. However, by replacing the flashboard dam with a bladder dam, Valley Water would maintain existing managed groundwater recharge throughout the year. The bladder dam would be lowered during heavy storms and then brought back up after storm events.

The above AMMs, among others, are incorporated into Valley Water's capital improvement program for Fiscal Years 2026-27 through 2030-31.

Groundwater Subbasins

Valley Water depends upon the local groundwater subbasins for natural water storage, conveyance, and treatment and they are an integral part of Valley Water's conjunctive water management system. Valley Water manages the groundwater subbasins for both water supply and water quality.

Two major groundwater subbasins underlie the valley floor of the County: Santa Clara Subbasin and Llagas Subbasin. Valley Water further delineates the Santa Clara Subbasin into two groundwater management areas: Santa Clara Plain and Coyote Valley. These subbasins and their operational storage capacities are described below. There are very small portions of two other subbasins within Santa Clara County: the San Mateo Plain Subbasin in the northwest and the North San Benito Subbasin in the southeast. See the captions "FACTORS AFFECTING WATER SUPPLIES—Water Banking" and "POTENTIAL INVESTMENT CONSIDERATIONS—Risks Related to Water Utility System Facilities and Operation—*Sustainable Groundwater Management Act.*"

Santa Clara Subbasin – Santa Clara Plain Groundwater Management Area

Santa Clara Plain, the northern portion of Santa Clara Subbasin, extends from the northern boundary of the County at the San Francisco Bay to approximately Metcalf Road in the south. The Santa Clara Subbasin is bounded on the west by the Santa Cruz Mountains and on the east by the Diablo Range. The Santa Clara Plain portion of the Santa Clara Subbasin covers a surface area of approximately 280 square miles. The northern and central area of the Santa Clara Plain is underlain with a laterally extensive aquitard comprised of

low-permeability sediments, resulting in confined aquifer conditions. The southern area and eastern and western edges comprise the unconfined area or recharge area where higher-permeability gravel and sand sediments are more predominant. Valley Water's managed recharge of local and imported surface water occurs in various off-stream and in-stream facilities within the recharge area. DWR's 1955 Bulletin Number 7 estimated 1,900,000 acre-feet of storage capacity in the Santa Clara Subbasin, including Coyote Valley. However, permanent subsidence may resume if groundwater elevations drop below subsidence threshold elevations for an extended period of time. As a result, Valley Water estimates that the Santa Clara Plain has an operational storage capacity of approximately 350,000 acre-feet. The operational groundwater storage estimate does not reflect the total amount of available supply in the basin, which is substantially greater. The operational storage reflects current knowledge and modeling of the volume that can be withdrawn before increased risk of surface subsidence resuming or other negative consequences to portions of the basin, such as seawater intrusion and high groundwater level nuisance that impact structures located below ground.

Santa Clara Subbasin – Coyote Valley Groundwater Management Area

The Coyote Valley, the southern portion of Santa Clara Subbasin, extends from approximately Metcalf Road in the north to Cochrane Road in the south. The Coyote Valley portion of the Santa Clara Subbasin covers approximately 17 square miles. Groundwater in the Coyote Valley is generally unconfined, with no laterally extensive layers of clays or silts. Valley Water conducts in-stream managed recharge within the Coyote Valley via Coyote Creek. The estimated operational storage capacity for the Coyote Valley is between 23,000 and 33,000 acre-feet.

Llagas Subbasin

The Llagas Subbasin extends from near Cochrane Road in the north to the Pajaro River at the southern border of the County. This subbasin covers approximately 74 square miles and is bounded by the Santa Cruz Mountains to the west and the Diablo Range to the east. Laterally extensive clay and silt layers are present in the central and southern portion of the subbasin, resulting in confined aquifer conditions. Valley Water's managed groundwater recharge activities occur in various off-stream and in-stream facilities in the northern unconfined area, or recharge area, of this subbasin. Bulletin Number 7 by DWR estimates the total storage volume at 510,000 acre-feet of water. Valley Water estimates that the operational storage capacity is between 152,000 and 165,000 acre-feet of water.

Managed Recharge Facilities

Valley Water owns and operates seven managed aquifer recharge systems. Within these systems, Valley Water supplies recharge ponds and supplements natural flow in existing stream channels to recharge local and imported surface water into the groundwater subbasins. In 2025, it was estimated that Valley Water replenished the groundwater subbasins with approximately 102,000 acre-feet of local and imported surface water through managed recharge. The volume of managed recharged each year varies based on hydrological conditions and the availability of surface water. From 2019 to 2023, Valley Water's average managed recharge was 89,000 acre-feet per year. Significant features of these managed recharge systems appear in the following table.

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MANAGED RECHARGE SYSTEMS

Recharge System	*Number of Ponds*[1]	*Pond Surface Area (in acres)*[2]	*Miles of Stream*[3]	*Average Annual Recharge Quantity (acre-feet per year)* [4]
Westside	2	3	29	4,000
Los Gatos	29	73	12	22,000
Guadalupe	21	82	24	16,000
Penitencia	20	16	2	3,000
Coyote	1	41	14	24,000
Upper Llagas	22	29	9	8,000
Lower Llagas	3	36	9	12,000
Total	**98**	**279**	**98**	**89,000**

(1) The number of total ponds includes two ponds that are operated but not owned by Valley Water.
(2) Pond water surface area based on survey data. (Numbers may not add up due to rounding.)
(3) Approximate miles of stream based on ArcGIS Instream Recharge Layer. (Numbers may not add up due to rounding.)
(4) Average Annual Recharge Quantity is based generally on recharge averaged over calendar years 2019 through 2023.

Raw Water Conveyance System

Valley Water uses several major pipelines to transport imported and locally conserved water to various locations for treatment and groundwater recharge. This conveyance system first meets the demands of critical stream flows and water treatment plants and then delivers the remaining water to recharge systems on an ability to convey basis. The major components of this conveyance system consist of the Central Pipeline, the Rinconada Force Main, the Almaden Valley Pipeline, the Calero Pipeline, and the Cross Valley Pipeline. Another facility, the Stevens Creek Pipeline, tees off of the Rinconada Force Main and conveys water to west side recharge facilities. Valley Water also operates and maintains the San Felipe Division of the CVP which delivers imported water into the County. The San Felipe Division conveys water from the San Luis Reservoir through eight miles of tunnels, thirty-one miles of pipelines, and two pumping plants.

Valley Water also owns and operates the Vasona Pumping Plant, with a total power capacity of 1,200 horsepower, which is located at the juncture of the Central Pipeline, the Rinconada Force Main, and the Almaden Valley Pipeline. The Vasona Pumping Plant can boost the water pressure in any of these three pipes. Valley Water also operates two pumping plants on the San Felipe Project: the Pacheco Pumping Plant and Coyote Pumping Plant, with a combined capacity of 36,000 horsepower. The Anderson hydro-electric station is non-operational. On May 5, 2026, FERC issued the Final Surrender Order outlining the requirements for decommissioning the hydroelectric facility and the surrender of the exemption for Anderson Dam.

The table below sets forth each of the pipelines described above, its diameter and the year it was completed.

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RAW WATER PIPELINES

Line	*Diameter (in inches)*	*Year Completed*[(1)]
Central Pipeline	66	1964
Rinconada Force Main	72	1967
Stevens Creek Pipeline	30-36	1966, 1968
Almaden Valley Pipeline	72-78	1965, 1980-1981
Calero Pipeline	78	1989
Cross Valley Pipeline	78	1979, 1982-1984
San Felipe Division	96-120	1982-1984

(1) Where multiple years are shown, such years reflect the timeframes for completion of construction of various phases of a pipeline.

Source: Valley Water.

Water Treatment and Water Purification

General. Valley Water owns and operates three drinking water treatment plants: Santa Teresa WTP, Penitencia WTP, and Rinconada WTP. The design capacities of the three drinking water treatment plants are 100 MGD, 40 MGD, and 80 MGD, respectively.

Valley Water's treated water system provides flexibility if one water treatment plant is shut down. Penitencia and Santa Teresa WTPs are both connected to East Pipeline. Santa Teresa WTP was designed to be capable of delivering treated water to the retail customers of both treatment plants. The water retailers receiving water from Santa Teresa WTP are able to use Penitencia water, the SFPUC water through the Valley Water-SFPUC joint intertie and/or groundwater if Santa Teresa WTP is shut down. The water retailers served by Rinconada WTP can use groundwater or SFPUC water to replace Rinconada water during low flow season if the treatment plant is shut down. In general, the major water retailers within the County can acquire either SFPUC water or groundwater to replace Valley Water treated water if necessary.

In 1995, the State governor signed Assembly Bill 733 into law, which requires fluoridation of any public water system with at least 10,000 customers if sufficient funds to cover capital and any associated costs necessary to install such a system were made available. Local health officials advocated for large-scale fluoridation to be applied to maximize the public health benefits and minimize the cost of treatment at municipal water supplies. Fluoridation at Valley Water's three drinking water treatment plants was identified as the most cost-effective means of providing fluoride to Santa Clara Valley. In November 2011, the Board adopted a policy to add fluoride to Valley Water's water treatment plants. A project to provide fluoridation facilities at both Santa Teresa WTP and Penitencia WTP began construction in May 2016 and was completed in July of 2017. As a result, the fluoridation systems at Santa Teresa WTP and at Penitencia WTP are now on-line. Rinconada WTP is expected to begin fluoridating with the anticipated completion of the Rinconada Water Treatment Plant Reliability Improvement Project in 2029.

Santa Teresa Water Treatment Plant. First operated in 1989, Santa Teresa WTP is the largest of Valley Water's three treatment plants with the ability to treat and deliver up to 100 MGD. The plant is primarily supplied by imported water from the San Luis Reservoir, a key component of the federal CVP. In addition, the plant is also fed from Valley Water's local supplies at Anderson and Calero reservoirs. See the caption "VALLEY WATER FACILITIES—Anderson Dam Seismic Retrofit Project and FERC Directive."

The Santa Teresa WTP is a conventional treatment plant utilizing coagulation, flocculation, sedimentation, filtration, and disinfection. In spring of 2006, Valley Water completed significant upgrades to the Santa Teresa WTP which were highlighted by the addition of ozone to the treatment process. Ozone is a strong disinfectant that creates less disinfection byproducts than chlorine. Disinfection byproducts at high

levels can be a health concern. In December 2016, the fluoridation system at Santa Teresa WTP was commissioned and Santa Teresa WTP became the first of the three Valley Water's treatment plants to provide fluoridated water to customers. Drinking water from the plant serves most of the southern portion of the City of San José (Almaden Valley, Blossom Valley, Santa Teresa), supplying water to both residential and commercial users.

Penitencia Water Treatment Plant. First operated in 1974, the Penitencia WTP has the ability to treat and deliver up to 40 MGD. The South Bay Aqueduct, owned by DWR, provides most of the "raw" water to the Penitencia WTP. Water from the Sacramento-San Joaquin Delta is pumped into the California Aqueduct and then into the South Bay Aqueduct in Tracy. The Penitencia WTP is also capable of receiving local reservoir water or federal water, if necessary.

The Penitencia WTP is a conventional treatment plant utilizing coagulation, flocculation, sedimentation, filtration, and disinfection. In the summer of 2006, Valley Water completed significant upgrades to the Penitencia WTP which were highlighted by the addition of ozone to the treatment process. Between October 2016 and July 2017, Penitencia WTP was shut down for eight and a half months to allow parallel constructions of four major capital improvement projects, including Penitencia Delivery Main / Penitencia Force Main Seismic Retrofit Project, Clearwell Roof Replacement Project, Operations Building Seismic Retrofit Project, and the Fluoridation Project. In July 2017, the fluoridation system at Penitencia WTP was brought online after the completion of all four capital projects, and Penitencia WTP started to provide fluoridated water to customers. Drinking water from this plant typically serves an area of the northeastern portion of the County in the City of San José, and to residential and commercial users in San José and Milpitas.

Rinconada Water Treatment Plant. First operated in 1968, the Rinconada WTP is the oldest of the three surface water treatment plants in the Valley Water system. As the second largest of Valley Water's treatment plants, the Rinconada WTP can currently treat and deliver up to 80 MGD. The Rinconada WTP draws water from the South Bay Aqueduct and from the San Luis Reservoir. The plant can also be supplied from Valley Water's local Anderson and Calero reservoirs. See the caption "VALLEY WATER FACILITIES—Anderson Dam Seismic Retrofit Project and FERC Directive."

Significant upgrades to the Rinconada WTP's coagulation, flocculation, and sedimentation processes, from upflow clarifiers to conventional basins, were completed in 2020. Upgrades to the residuals handling facility were completed in 2024. Valley Water is currently continuing the upgrades at the Rinconada WTP to a 100 MGD plant with ozone disinfection, new filters, as well as the fluoridation system. The Rinconada WTP is also expected to provide fluoridated water to the customers by the completion of such upgrade.

Drinking water from Rinconada WTP serves both residential and commercial users in the west valley including the cities of Los Gatos, Santa Clara, Campbell, Sunnyvale, Cupertino, Mountain View, Los Altos, and Los Altos Hills.

Silicon Valley Advanced Water Purification Center. The Silicon Valley Advanced Water Purification Center is owned and operated by Valley Water. Commissioned in March 2014, the SVAWPC has the ability to deliver up to eight MGD of purified water. The SVAWPC is an advanced treatment facility that utilizes microfiltration, reverse osmosis and ultra-violet light disinfection processes that purify secondary treated wastewater to near-distilled quality water. This purified water is delivered to the South Bay Water Recycling program operated by the City of San José and blended with tertiary treated recycled water to enhance water quality for non-potable use by customers in San José, Milpitas and Santa Clara for irrigation and industrial uses that offset potable water supplies.

Valley Water and the City of San José entered into a ground lease and property use agreement (the "Ground Lease") with respect to the City of San José-owned site on which the SVAWPC is located. In addition, Valley Water and the City of San José have entered into an integration agreement (the "Integration Agreement") with respect to the operation of the SVAWPC.

In June 2025, the city councils of the City of San José and the City of Santa Clara and Valley Water's Board approved the finalization and execution of the City of San Jose Option Agreement for First Amendment to Ground Lease and Property Use Agreement (the "Option Agreement"). The Option Agreement provides Valley Water with the option to amend the Ground Lease to expand the property leased thereunder in order to accommodate the construction of the Pure Water Silicon Valley - Phase 1 direct potable reuse demonstration facility described under the caption "CAPITAL IMPROVEMENT PROGRAM— *Pure Water Silicon Valley Project*." Once the CEQA process for the project is complete, the other agreements that enabled SVAWPC will also be amended, including the Operations and Maintenance Agreement and the Integration Agreement. The Integration Agreement amendment is expected to revise the cost-sharing revenue formula with respect to the operation of the SVAWPC. In addition, the terms of the Ground Lease, Operations and Maintenance, and Integration Agreement will be extended from 2050 to 2065.

Treated Water Storage and Distribution System

Treated water is stored in a clearwell at each of the three treatment plants and one reservoir at Rinconada WTP and then distributed to Valley Water's retail customers by nine treated water pipelines. The total storage capacity is 30 million gallons.

The following table depicts Valley Water's water treatment facilities and treated water storage facilities and distribution systems:

WATER TREATMENT AND STORAGE FACILITIES AND DISTRIBUTION SYSTEM

Treatment Plant	*Storage Facility*	*Distribution System*
Rinconada Water Treatment Plant	Rinconada Clearwell Rinconada Reservoir	West Pipeline Santa Clara Distributary Sunnyvale Distributary Mountain View Distributary Campbell Distributary
Penitencia Water Treatment Plant	Penitencia Clearwell	East Pipeline Milpitas Pipeline
Santa Teresa Water Treatment Plant	Santa Teresa Clearwell	East Pipeline Snell Pipeline Graystone Pipeline

Source: Valley Water.

Seismic Considerations

Over time, Valley Water has conducted studies that focused on evaluating the seismic performance of major facilities of Valley Water. Certain improvement projects at Valley Water dams and water treatment facilities have been completed as a result of these studies. Studies completed in 1993 and 1994 defined the faults and fault systems most likely to generate destructive earthquakes, and the level of movement expected at Valley Water's three water treatment plants from a major earthquake occurring on any of the nearby active faults. The San Andreas, Hayward, and Calaveras faults are the most likely sources of strong seismic activities. Other faults are also known to have a potential for earthquakes.

Beginning in the late 2000's, Valley Water embarked on another series of studies to re-evaluate the seismic performance of major Valley Water dams in accordance with modern seismic design criteria. These

studies are performed in cooperation with and reviewed by the DSOD. The seismic stability evaluations and results for the following dams have been completed to date:

Summary of Recent Seismic Stability Evaluations of Valley Water Dams

Dam	*Year Study Completed*	*Result Summary*
Anderson	2011	Seismic retrofit of dam is required. Interim operating restriction of 45 ft. from crest of dam (32% storage capacity lost) implemented pending seismic retrofit project. (This voluntary restriction was subsequently increased to approximately 55 ft. from the crest of dam (42% storage capacity lost) in 2017). The elevation at Anderson Reservoir was lowered as required by the FERC Directive. See the caption "—Anderson Dam Seismic Retrofit Project and FERC Directive" above.
Almaden	2012	Embankment dam meets modern seismic design criteria. However, seismic retrofit of intake structure, spillway improvements, and dam raise are required. Interim operating restriction of 10 ft from crest of dam (7% storage capacity lost) implemented pending capital improvements.
Calero	2012	Seismic retrofit of dam is required. Interim operating restriction of 25 ft. from crest of dam (54% storage capacity lost) implemented pending seismic retrofit project.
Guadalupe	2012	Seismic retrofit of dam is required. Interim operating restriction of 25 ft. from crest of dam (35% storage capacity lost) implemented pending seismic retrofit project.
Lenihan	2013	Embankment dam meets modern seismic design criteria. No restrictions necessary.
Stevens Creek	2013	Embankment dam meets modern seismic design criteria. No restrictions necessary.

Source: Valley Water.

In 2025, seismic evaluations of Chesbro and Uvas were completed and concluded that such dams are structurally sound. Valley Water is currently working on the seismic retrofit of Coyote, Calero and Guadalupe Dams; and on the capital improvements for Almaden Dam. See the caption "—Anderson Dam Seismic Retrofit Project and FERC Directive" above. Valley Water facilities have been and continue to be designed in accordance with applicable standards to withstand the effects of earthquakes with acceptable damage levels. Seismic upgrading has been implemented as noted above. Seismic loads are taken into account in the design of all facilities. Damage to Valley Water facilities in historic earthquakes has been modest (there has been damage to pipelines, water treatment plants, and dams) with no resulting injury or loss of life.

Earthquake effects on dams, pipelines and other water facilities are expected to vary depending upon the nature of the facility and the magnitude of the seismic forces (which depend upon a number of factors, including the energy released, proximity to the epicenter, duration of strong shaking, etc.). In the design of new facilities, care is taken to avoid active faults, liquefaction areas and landslide terrain when feasible. Under

some earthquake scenarios, significant damage is predicted for Valley Water raw and treated water pipelines. A project was completed in December 2007 to obtain adequate spare pipe which will reduce outage periods from seismic damage to pipelines. Studies are in progress to further evaluate ways of mitigating the damage and minimizing loss of water and impacts to level of service. Independent studies indicate that some Valley Water facilities might be subject to damage from fault displacement or moderate earthquakes on faults previously thought to be low-risk. Valley Water conducts periodic engineering studies, inspections and maintenance of Valley Water facilities, including Valley Water dams, which informs Valley Water's future planning and design work.

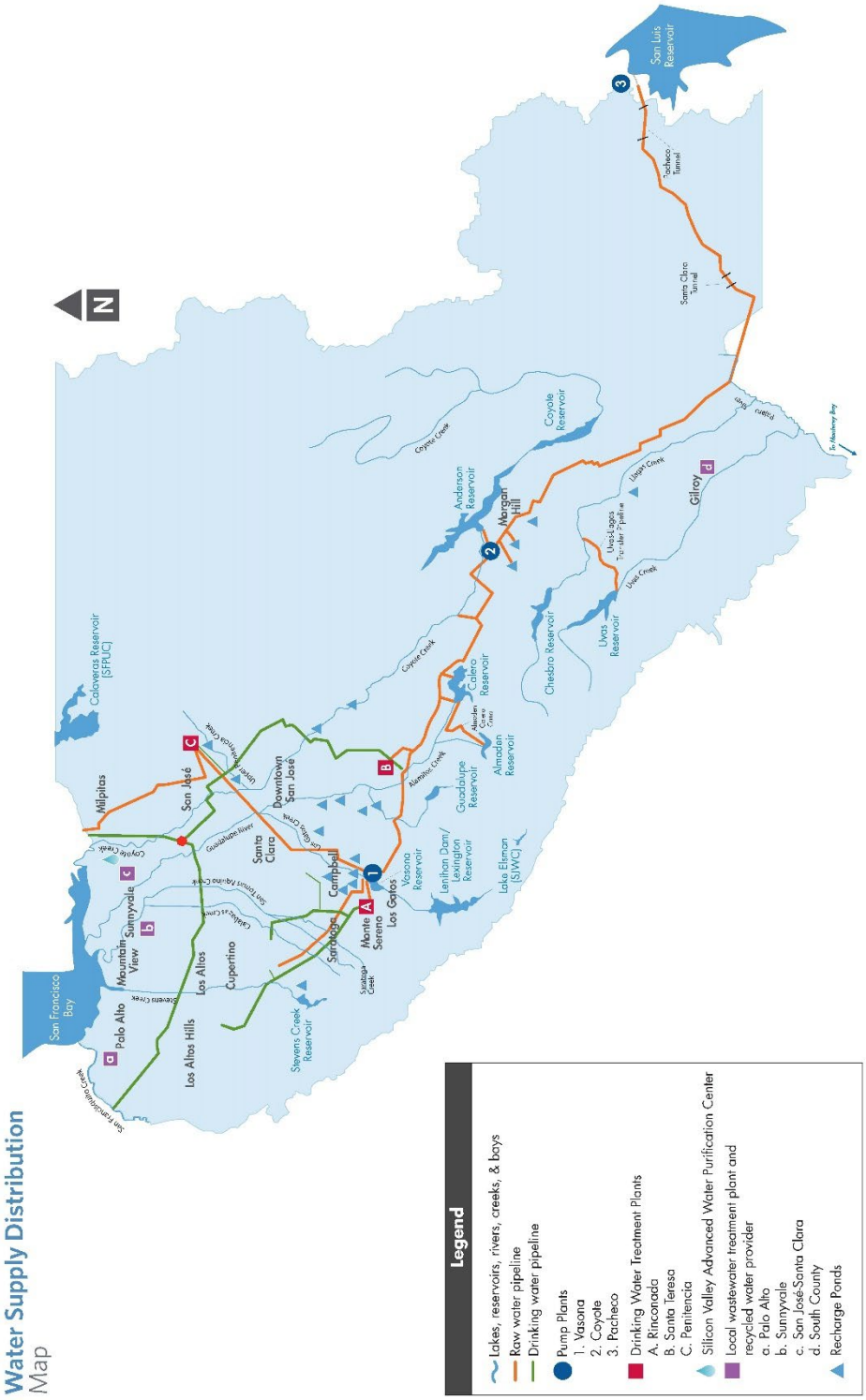
Valley Water has established a program for inspecting its dams and activating its Emergency Operations Center ("EOC") immediately following a major (5.0 or greater on the Richter scale) earthquake occurring within 20 miles of Valley Water dams. The program provides for the self-deployment of trained Valley Water personnel to specific sites, the inspection and recording of any damage at those sites and the reporting of the status back to the EOC.

See the caption "Local Reservoirs—*General*" for a discussion of seismic remediation measures required by DSOD.

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Water Distribution System

The following map illustrates Valley Water's water distribution system components that are utilized to serve the water demands of the County.



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Water Usage

Valley Water receives revenue from the sales of treated water, non-potable surface water and recycled water, and from a groundwater production charge. The following charts list: treated water and groundwater usage in acre-feet, receipts from water retail customers, and total usage of non-agricultural groundwater, agricultural groundwater, treated water, surface water, and recycled water. Water production refers to the total quantity of water pumped from the groundwater benefit zones or delivered through pipelines to water retailers and individual water users.

Valley Water's treated water and groundwater usage by water retailers and other accounts for the two most recent Fiscal Years for which such information is available is listed below.

TREATED WATER AND GROUNDWATER USAGE
(ACRE-FEET)[(1)]

	Fiscal Year 2023-24			*Fiscal Year 2024-25*		
	Groundwater	*Treated Water*	*Total*	*Groundwater*	*Treated Water*	*Total*
WATER RETAILERS						
San Jose Water Company	43,370	48,263	91,633	49,067	52,396	101,463
Santa Clara, City of	10,626	3,363	13,989	11,919	3,277	15,196
San José, City of	1,021	9,771	10,792	962	10,277	11,239
California Water Service	4,044	6,441	10,485	4,832	6,472	11,303
Great Oaks Water Co.	9,473	0	9,473	10,738	-	10,738
Sunnyvale, City of	151	7,978	8,129	165	7,835	8,000
Gilroy, City of	7,646	0	7,646	8,622	-	8,622
Morgan Hill, City of	6,756	0	6,756	7,389	-	7,389
Milpitas, City of	0	2,505	2,505	-	3,221	3,221
Cupertino, City of	54	1,998	2,052	202	2,117	2,319
Mountain View, City of	155	882	1,037	188	943	1,131
Subtotals Water Retailers	83,296	81,201	164,497	94,083	86,538	180,621
Other Groundwater Customers	36,636	0	36,636	35,524	-	35,524
Total	**119,932**	**81,201**	**201,133**	**129,607**	**86,538**	**216,144**

(1) Certain water usage reflects adjustments made subsequent to the relevant Fiscal Year.
Source: Valley Water.

GROUNDWATER, TREATED WATER, SURFACE WATER
AND RECYCLED WATER USAGE[(1)]
(ACRE-FEET)

	Groundwater		*Treated Water*	*Surface Water*	*Recycled Water*	*Total*
Fiscal Year Ended June 30	*Agricultural*	*Non-Agricultural*				
2021	26,192	111,302	104,975	2,520	1,510	246,499
2022	28,029	102,600	90,065	1,873	1,488	224,055
2023	28,177	80,611	86,577	1,542	1,442	198,349
2024	24,946	95,407	81,201	1,359	1,449	204,362
2025	29,030	101,155	86,538	1,668	1,592	219,983

(1) Certain water usage reflects adjustments made subsequent to the relevant Fiscal Year.
Source: Valley Water.

VALLEY WATER RECEIPTS FROM WATER AGENCIES AND COMPANIES FOR TREATED WATER AND GROUNDWATER (DOLLARS)

	Fiscal Year 2023-24			*Fiscal Year 2024-25*		
	Groundwater	***Treated Water***	***Total***	***Groundwater***	***Treated Water***	***Total***
WATER RETAILERS						
San Jose Water Company	$85,542,115	$100,820,801	$186,362,917	$102,561,246	$122,812,291	$225,373,537
Santa Clara, City of	20,974,974	7,026,223	28,001,196	24,411,339	7,682,155	32,093,494
San José, City of	1,606,992	20,412,079	22,019,071	1,590,491	24,089,147	25,679,638
California Water Service	7,983,823	13,456,716	21,440,539	9,645,529	15,169,782	24,815,311
Sunnyvale, City of	298,686	16,666,042	16,964,728	314,066	18,364,888	18,678,954
Great Oaks Water Co	8,326,018	-	8,326,018	10,675,126	-	10,675,126
Milpitas, City of	-	5,235,742	5,235,742	-	7,554,169	7,554,169
Gilroy, City of	4,160,301	-	4,160,301	4,692,077	-	4,692,077
Cupertino, City of	107,346	4,173,070	4,280,416	220,560	4,961,967	5,182,527
Morgan Hill, City of	4,023,629	-	4,023,629	4,631,832	-	4,631,832
Mountain View, City of	305,279	1,842,122	2,147,401	395,023	2,209,900	2,604,923
Subtotals Water Retailers	**$133,329,164**	**$169,632,794**	**$302,961,958**	**$159,137,289**	**$202,844,299**	**$361,981,588**
Other Retailers	9,794,116	-	9,794,116	11,696,031	-	11,696.031
Other Groundwater Customers	5,620,449	-	5,620,449	5,340,042	-	5,340,042
Total	**$148,743,728**	**$169,632,794**	**$318,376,522**	**$176,173,362**	**$202,844,299**	**$379,071,661**

Source: Valley Water.

San Jose Water Company. San Jose Water Company is the largest water retailer served by Valley Water and currently provides water service to over 1,000,000 customers. San Jose Water Company is a wholly-owned subsidiary of H2O America (formerly known as SJW Group), a publicly traded company. For the fiscal year ended June 30, 2025, Valley Water received approximately $225.4 million in charges for treated water and groundwater from San Jose Water Company consisting of approximately 59.5% of all charges for treated water and groundwater.

The principal business of the San Jose Water Company consists of the production, purchase, storage, purification, distribution and retail sale of water. The San Jose Water Company provides water service to customers in portions of the cities of Cupertino and San José and the cities of Campbell, Monte Sereno, and Saratoga, the Town of Los Gatos, and adjacent unincorporated territory, all in the County.

In May 2025, Valley Water received a letter from a law firm representing San Jose Water Company in which San Jose Water Company protested the increased water charges for Fiscal Year 2025-26 adopted by Valley Water's Board on May 27, 2025 (see the table titled "HISTORICAL WATER RATES" above). The letter requested that Valley Water forego such increases for Fiscal Year 2025-26. As of the date of this Official Statement, Valley Water has not received any claim required under State law or further communication from San Jose Water Company threatening litigation. No assurances can be made that San Jose Water Company will not file a claim, initiate litigation or take other action with respect to Valley Water's water charges. Valley Water believes that its increased water charges were adopted in compliance with applicable law. See "Great Oaks Case" under the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES — Proposition 26" for a description of litigation with respect to Valley Water's groundwater charges.

Neither San Jose Water Company nor H2O America, nor any of H2O America's subsidiaries is an obligor with respect to the 2026 Obligations. The 2026 Obligations are obligations of Valley Water payable from Valley Water's Net Water Utility System Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 OBLIGATIONS."

H2O America is subject to the informational requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports and other information with the Securities Exchange Commission (the "Commission"). The Annual Report on Form 10-K (the "Form 10-K") for the year ended December 31, 2025,

has been filed by H2O America with the Commission. The Form 10-K and other annual and periodic reports of the H2O America (including financial information) may be inspected and copied at the public reference facilities of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549 and the Commission's regional offices. Valley Water makes no representations as to the accuracy or the adequacy of any of the filings of H2O America with the Commission described below. References made herein to San Jose Water Company and H2O America are for informational purposes only. The filings described below are strictly those of H2O America and not of Valley Water and such filings are not incorporated by reference herein. Neither Valley Water nor the Underwriter assume any responsibility for the accuracy of such information.

Water Retailer Delinquencies. No retail water purveyor has defaulted on any payments to Valley Water during the last five Fiscal Years.

FACTORS AFFECTING WATER SUPPLIES

General

Valley Water has access to several sources of water, both imported and local, which provides flexibility in managing its water supplies to meet the needs of the County. Under normal water conditions, the County's water supply is half imported (Valley Water imports approximately 40% of its water supply under contracts with the California SWP and the federal CVP), with the other half from local surface water and groundwater resources. Some water retailers in the County also import water from the SFPUC's Regional Water System, have their own local surface water supplies, and/or can deliver recycled water. To address factors which may impact these water supplies, Valley Water has engaged in long-range planning efforts focused on identifying strategies to safeguard the reliability and sustainability of County and State-wide water resources on which Valley Water relies, assessing risks from climate change, economic and regulatory uncertainties, environmental and social conflicts, and other considerations.

Valley Water's Water Supply Master Plan ("WSMP") is the guiding document for Valley Water's long-term water supply investments to ensure water supply reliability for Santa Clara County. Updated approximately every five years, this long-range plan assesses projected future County-wide demands and evaluates and recommends water supply and infrastructure projects to meet those demands to achieve Valley Water's level of service ("LOS") goal through the planning horizon. Valley Water's LOS goal, as established by Board policy, is to "Meet 100 percent of annual water demand during non-drought years and at least 80 percent of demand in drought years."

Valley Water has developed the WSMP 2050 to evaluate and respond to changing conditions such as severe drought, reductions in imported water supplies, shifting water demands, and concerns about affordability. The WSMP 2050 identifies water supply strategies and the level of investment needed by 2050 in order to maintain a viable supply for the County's current and future needs. Depending on future demand and supply conditions and project options, the future investment needs could range from $3.9 billion to $4.5 billion (in 2025 dollars). Given uncertainty in project development and forecasted future conditions, Valley Water will use an adaptive management process to make incremental investment decisions. The adaptive management includes annual reporting to track project progress and provides up-to-date information. Such information is expected to help inform decision-making and will be aligned with the annual Capital Improvement Program Five-Year Plan and budget and water rate-setting process. The WSMP 2050 was adopted by the Board on November 12, 2025.

Valley Water completed its 2025 Urban Water Management Plan ("UWMP") on June 9, 2026, pursuant to California Water Code Sections 10610 through 10656 (the "Urban Water Management Planning Act"). The Urban Water Management Planning Act requires urban water suppliers such as Valley Water to review, update and adopt an UWMP every five years. Valley Water's current UWMP was prepared in coordination with water retailers (majority of such water retailers also must prepare their own UWMPs), the County, and local cities and towns. The plan also included Valley Water's Water Shortage Contingency Plan,

which addresses dry year objectives and operations and outlines response actions to water shortages caused by droughts and/or other emergency situations. The UWMP is informed by and aligned with the WSMP 2050. Completion of UWMP updates allows Valley Water to remain eligible for State water bank assistance and for State grant funding.

Participation in Water Supply and Storage Projects

General. Valley Water is currently considering participating in water storage projects being developed by other public agencies (the Sites Reservoir Project and the B.F. Sisk Dam Raise and Reservoir Expansion Project) and a water supply project (Delta Conveyance (Tunnel) Project) as described below. Valley Water's investments in these projects are in addition to the proposed improvement and expansion of Valley Water's own water storage projects. See the caption "CAPITAL IMPROVEMENT PROGRAM." The extent of Valley Water's investment in such projects is being evaluated in connection with the update to the WSMP.

Sites Reservoir Project. The Sites Reservoir Project is a proposed off-stream reservoir of approximately 1.5 million acre-feet to be located in Colusa County. The Sites Reservoir Project would provide storage and additional water supply that can be used by Valley Water for dry-year benefits. Through Board resolution, Valley Water has provided the Sites Reservoir Project with approximately $2.1 million in funding since 2016. The Sites Project Authority board of directors, with recommendation from the Sites Reservoir Committee, approved the final environmental impact report and approved the Sites Reservoir Project on November 17, 2023. Based on updated estimates as of June 2025, the total capital cost for the Sites Reservoir Project is estimated to be between approximately $6.2 and $6.8 billion (in 2025 dollars), plus an estimated 10-15% change order allowance. However, the final costs may be higher. In April 2026, Valley Water increased its participation in the Sites Reservoir Project from 0.2% to 0.66%, which provides for a storage allocation of 9,351 acre-feet and capital costs of approximately $48.5 million. Valley Water is currently on the waiting list to potentially increase Valley Water's participation from 0.66% to 2.65%, which, if increased, would translate to approximately 37,404 acre-feet in maximum storage allocation and capital costs of approximately $183.6 million (in 2025 dollars). See the caption "POTENTIAL INVESTMENT CONSIDERATIONS—Risks Related to Large-Scale Projects."

The Sites Reservoir Project was awarded conditional funding by the California Water Commission ("CWC") for up to $1.096 billion of project costs through Proposition 1 (which authorized the State to issue general obligation bonds to fund certain water supply and storage infrastructure projects). The EPA has invited the Sites Project Authority to apply for a WIFIA loan to fund a portion of the cost of the Sites Reservoir Project. The Sites Project JPA submitted the application in 2023 and the EPA deemed the application complete in 2023. Valley Water cannot predict if or when the WIFIA loan agreement will be executed and delivered.

The federal share of the project cost is estimated to be between approximately $992 million to $1.088 billion (based on a total project cost between $6.2 and $6.8 billion). USBR has announced that a total of approximately $798 million in federal funding has been secured for the federal share of the project cost. No assurances can be made that funding for the remaining federal share will be secured.

B.F. Sisk Dam Raise and Reservoir Expansion Project. USBR and the San Luis & Delta-Mendota Water Authority ("SLDMWA") are jointly developing the B.F. Sisk Dam Raise and Reservoir Expansion Project (the "Sisk Dam Raise Project"). The Sisk Dam Raise Project plans to raise the existing B.F. Sisk Dam by 10 feet and increase the storage capacity of San Luis Reservoir, the nation's largest off-stream reservoir, by 130,000 acre-feet. The Sisk Dam Raise Project is separate and distinct from the B.F. Sisk Safety of Dams Modification Project, which is being undertaken by USBR and DWR to address seismic risks of the existing dam and which will not increase the dam's storage capacity. However, in order for the Sisk Dam Raise Project to move forward at a desirable cost and timeline, the Sisk Dam Raise Project will need to be constructed concurrently with the seismic retrofit project. In addition, portions of California State Highway 152, which traverses across the eastern boundary of San Luis Reservoir will need to be raised and improved.

SLDMWA, on behalf of the Sisk Dam Raise Project participants, including Valley Water, negotiated a management and cost share agreement with USBR for this project in late 2024, which was subsequently approved by all participants and executed by SLDMWA and USBR in 2025. The management and cost share agreement describes how the costs and benefits of the Sisk Dam Raise Project will be shared between USBR and SLDMWA, acting on behalf of its participating members. Project participants are expected to pay 70% of project costs and receive 70% of new storage, and USBR is expected to pay 30% of costs and receive 30% of new storage. Valley Water is not a party to the management and cost share agreement; instead, Valley Water's participation and benefits from the Sisk Dam Raise Project is governed through an activity agreement with SLDMWA and all other participants. Under the activity agreement, as amended, most project decisions require the weighted vote of participants collectively holding at least 85% of total project storage.

On April 8, 2025, Valley Water's Board approved a Valley Water participation level in the Sisk Dam Raise Project between 63,560 acre-feet and 70,000 acre-feet, depending on whether additional space becomes available. This is equivalent to between 49 to 54 percent of total additional project storage (130,000 acre-feet), and between 70 to 77 percent of the additional local participant project storage (91,000 acre-feet).

Valley Water has made a total financial contribution of $3.4 million towards the planning phase of the Sisk Dam Raise Project. Additional planning funding of $10.3 million is budgeted for Fiscal Year 2026-27, while construction funding for the Sisk Dam Raise Project is expected in 2028. Valley Water currently estimates that its share of the total planning and design costs will be approximately $38 million (in 2026 dollars) and that Valley Water's share of the construction costs will be in the range of approximately $414 million to $512 million (in 2026 dollars).

On May 30, 2024, USBR announced $75 million in WIIN Act funding in addition to prior funding commitments for the Sisk Dam Raise Project, bringing the total federal commitment to the Sisk Dam Raise Project to $170 million. The WIIN Act funding will count towards the federal investment in the Sisk Dam Raise Project and will not offset costs for project participants.

Delta Conveyance (Tunnel) Project. On May 8, 2018, the Board of Directors authorized Valley Water to be a member of the Delta Conveyance Design and Construction Joint Powers Authority ("DCA"). The DCA was originally formed for the purpose of implementing the design and construction of California Water Fix, originally a two tunnel project which has evolved to be a single 45-mile conveyance tunnel from the Sacramento River to Bethany Reservoir with a 6,000 cubic-feet per second ("cfs") capacity as described below. The Board of Directors also authorized Valley Water's participation in the Delta Conveyance Finance Authority (the "Financing JPA") on July 6, 2018. Valley Water has joined the DCA and the Financing JPA.

In February 2019, Governor Gavin Newsom announced his support for a revised Bay-Delta Plan which includes one tunnel as opposed to two tunnels with respect to the diversion facilities and revised the name of the project from California Water Fix to the "Delta Conveyance Project" or "DCP."

Since July 24, 2019, SWP contractors and DWR have been engaged in negotiations to amend the SWP contract for inclusion of the DCP. The amendment is intended to determine how costs of the DCP will be shared among participating SWP contractors. If Valley Water executes the amendment and the DCP is constructed, Valley Water will be obligated to pay for its share of capital construction costs and future operations and maintenance costs.

Several SWP contractors are not supportive of, or are opposed to, the DCP. Valley Water cannot make any predictions with respect to the approvals necessary for the DCP to proceed or the timing thereof.

On August 6, 2020, DWR adopted certain resolutions to authorize the issuance of bonds to finance costs of DCP environmental review, planning, design and, if such DCP is approved, the costs of acquisition and construction thereof. The same day, DWR filed a complaint in Sacramento County Superior Court seeking to validate DWR's authority to issue the bonds. Several project opponents demurred or answered,

denying that DWR's resolution was statutorily authorized. The trial court ruled that DWR's broadly-worded master bond resolution lacked statutory authorization. This decision was appealed and the trial court's decision was upheld on appeal in a published decision on December 31, 2025.

In early 2025, DWR issued a second, more narrowly-worded DCP master bond resolution and immediately filed a new complaint for validation of its bonding authority. In light of the Court of Appeal decision upholding the trial court's ruling in the first bond validation action, DWR voluntarily dismissed its second DCP bond validation action in May of 2026. Valley Water currently expects that DWR will issue a third bond resolution. Valley Water makes no representation as to the ultimate likelihood of success DWR (or project participants) will have in seeking validation of DWR's authority to issue revenue bonds to construct the DCP and in issuing such bonds.

Since November 2020, Valley Water's Board has approved approximately $21 million for preliminary environmental, planning and design costs for DCP through calendar year 2027.

DWR certified the Final EIR for the DCP on December 8, 2023 and approved the Bethany Reservoir Alignment alternative on December 21, 2023. The approved conveyance facilities include intake structures on the Sacramento River, with a total capacity of 6,000 cfs, and a single tunnel to convey water to a new pumping facility in the south Delta that would lift water into the existing Bethany Reservoir, part of the California Aqueduct. On August 20, 2020, the USACE, as the lead agency for the DCP under NEPA, issued a notice of intent for the development of the environmental impact statement for the DCP. The USACE issued a final programmatic environmental impact statement for the DCP in November 2025, and is currently expected to issue a Record of Decision in the summer of 2026. The National Marine Fisheries Service and U.S. Fish and Wildlife Service issued final biological opinions authorizing construction of the DCP in May 2026.

Several plaintiffs filed suit against DWR alleging that DWR violated CEQA, the Delta Reform Act, the Public Trust Doctrine and other laws in approving the Final EIR for the DCP. In 2024 the trial court issued a preliminary injunction halting geotechnical work on the project on the grounds that DWR was required but failed to file a consistency determination with the Delta Stewardship Council ("DSC") under the Delta Reform Act before proceeding with the geotechnical work. DWR subsequently filed a consistency determination with the DSC for its DCP geotechnical work and the DSC issued a decision finding that this work was not subject to a consistency determination filing. In addition, in October 2025, the Court of Appeal issued a ruling overturning the trial court's opinion and grant of an injunction, and DCP geotechnical work has recommenced.

In May 2024, the DCA released an updated cost estimate for the DCP as approved by DWR. The updated total project cost estimate includes construction and other program costs (including, among other things, planning, design, construction management, land acquisition, environmental mitigation and costs of a community benefit program), as well as certain contingency and risk treatment costs to address uncertainty at the conceptual stage of project development. The DCA's updated total cost estimate is approximately $20.1 billion in 2023 un-discounted dollars (increased from a 2020 estimate of $15.9 billion), which includes a 30 percent overall contingency applied to the construction cost estimate, and a contingency between 15 percent and 30 percent added to each element of other program costs.

The Sites Reservoir Project and the DCP have received approval by the CWC to receive significant State financial support. Valley Water can make no assurances that any of the proposed water storage and supply projects will be completed and cannot project at this time the ultimate financing plan for the costs of such projects. There can be no assurance as to Valley Water's ultimate participation level in the foregoing projects. See the caption "POTENTIAL INVESTMENT CONSIDERATIONS—Risks Related to Large-Scale Projects."

California Water Policy Framework and Developments

General. Valley Water holds contracts with the USBR and DWR, respectively, for water service from the CVP and the SWP. Valley Water's water supply under its contracts with the SWP and CVP is imported through the Bay-Delta. The Bay-Delta is the largest estuary on the west coast and supports more than 750 species of plants and wildlife. Water diverted and re-diverted from the Bay-Delta also provides water supply to more than two-thirds of the population in the state and to agricultural users in the Central Valley and the San Felipe Division of the CVP. However, decades of competing demands have taken a toll on the Bay-Delta ecosystem, leading to layers of regulatory actions to protect threatened or endangered fisheries and water quality. Such regulatory actions have led to additional compliance requirements for the SWP and CVP.

Federal and State Endangered Species Acts. Valley Water's imported and local supplies are subject to regulatory restrictions due to implementation of the federal Endangered Species Act ("ESA") and the California Endangered Species Act ("CESA"). The listing of winter-run Chinook salmon in 1989 and delta smelt in 1993 resulted in pumping restrictions imposed on the state and federal water projects to protect these species. These pumping restrictions, as well as the passage of the Central Valley Project Improvement Act in 1992, have resulted in reduced deliveries from the SWP and CVP in certain years.

Currently, the United States Fish and Wildlife Service and National Marine Fisheries Service impose requirements on USBR's CVP operations and on DWR's SWP operations through terms and conditions contained in 2024 biological opinions governing long-term operations of the CVP and SWP.

The long term operations of the SWP under the California Endangered Species Act is governed by a 2024 incident take permit ("ITP") issued by the California Department of Fish and Wildlife ("CDFW").

Bay-Delta Water Quality Control Plan and Proposed Healthy Rivers and Landscapes Alternative Plan. The State Water Resources Control Board ("SWRCB") regulates water quality requirements in the San Francisco Bay/Sacramento-San Joaquin Delta through the Bay-Delta Water Quality Control Plan (the "Bay-Delta Plan") and associated water rights orders and decisions. The Bay-Delta Plan establishes water quality control measures needed to provide reasonable protection of all beneficial uses of water in the Bay-Delta watershed. The SWRCB implements the Bay-Delta Plan through water rights proceedings or through regulations. Currently, SWRCB Decision D-1641 imposes obligations on the CVP and SWP to meet various water quality objectives, including flow in the Delta and salinity. SWRCB Decision D-1641 limits the pumping, or export, of CVP and SWP water when necessary to meet water quality objectives in the Delta. Order 90-5 establishes water quality objectives on the Sacramento River, through the water right requirements on the USBR's operations of Keswick Dam, Shasta Dam, the Spring Creek Power Plant and the Trinity River Division. Such requirements relate to temperature control in the Upper Sacramento River for the protection of fishery resources and require monitoring and reporting to evaluate compliance.

The SWRCB is in the process of developing and implementing updates to the Bay-Delta Plan including establishing unimpaired flow criteria for tributaries to the Bay-Delta to protect beneficial uses in the Bay-Delta watershed. These updates are occurring in phases. Phase 1 of the updates developed flow objectives for the Lower San Joaquin River and its major salmon bearing tributaries and updated the southern Delta salinity objectives included in the Bay-Delta Plan. Phase 2 involves updates to flow objectives for the Sacramento River and its major tributaries and other changes to the Bay-Delta Plan to protect beneficial uses not addressed in Phase 1. Phase 3 is expected to involve changes to water rights and/or other measures to implement changes to the Bay-Delta Plan from Phases 1 and 2.

On December 12, 2018, the SWRCB adopted new water quality objectives and amendments for the Phase 1 update to the Bay-Delta Plan (the "Phase 1 Amendments"). The Phase 1 Amendments require that all water rights holders along the lower San Joaquin River and its tributaries not divert water unless there is at least 30 to 50 percent of unimpaired flow running in the river (with a starting point of 40 percent of unimpaired flow) from February through June. The SWRCB has defined unimpaired flow as the water production of a

river basin, unaltered by upstream diversions, storage, or by export or import of water to or from other watersheds.

In July 2022, the SWRCB issued a Notice of Preparation under CEQA for issuing new regulations to implement the Phase 1 Amendments to the Bay-Delta Water Quality Control Plan ("WQCP"); however, it has not issued any proposed regulations yet.

In 2025, the SWRCB proposed new water quality objectives and amendments for the Phase 2 update to the Bay-Delta Plan ("Phase 2 Amendments"). The Phase 2 Amendments require that all water rights holders along the Sacramento River and its tributaries not divert water unless there is at least 45 to 65 percent of unimpaired flow running in the river (with a starting point of 55 percent of unimpaired flow) from February through June. The Phase 2 Amendments also establish a new cold water habitat objectives, and new objectives for fall Delta outflows and interior Delta flows. The Phase 2 Amendments also include the Voluntary Agreements as a compliance path (described below under the caption "*—Healthy Rivers and Landscapes Alternative Program*") for water rights included in approved Voluntary Agreements and other flow-only provisions for water rights not included as part of the approved Voluntary Agreements. Agencies that choose to be bound by the Healthy Rivers and Landscapes program will be subject to less stringent water supply restrictions. On December 12, 2025, SWRCB staff released a draft Substitute Environmental Document for limited recirculation, supporting the updates to Phase 2, together with an updated Bay-Delta Plan draft.

The new objectives are not expected to be implemented until the SWRCB assigns responsibilities either through water rights proceedings during Phase 3 or issues new implementing regulations.

Healthy Rivers and Landscapes Alternative Program. The Healthy Rivers and Landscapes Program (or "HRL"), originally termed the "Voluntary Agreements," is an alternative to the Bay-Delta Plan updates being considered for implementation by the SWRCB. The HRL would provide additional flows for fish and wildlife combined with commitments to contribute substantial funding for structural habitat improvements and scientific investigations.

On March 29, 2022, the State of California and several large water agencies announced agreement in principle on a term sheet to implement Voluntary Agreements/HRL as an alternative means to achieving the Bay-Delta WQCP's goals and objectives. If the term sheet is implemented, the HRL program would increase total outflow from the Bay-Delta to the ocean in three out of five water year types (dry, below normal and above normal) by approximately 750,000 to 825,000 acre-feet, while also providing funding for more than 45,000 acres in habitat improvements over an eight-year term. Required water agency financial contributions are a combination of lump sum commitments and a water user fee that ranges from $1 per acre-foot to $10 per acre-foot depending on the location of the diversions. A portion of the per acre-foot fees will go into a water resources fund to purchase water for environmental flows and a portion will fund science and habitat restoration. South-of Delta SWP and CVP contractors, including Valley Water, will contribute $10 per acre-foot ($7 per acre-foot will fund the purchase of water for environmental purposes and $3 per acre-foot will fund scientific research and habitat restoration). Under the HRL term sheet, SWP and CVP contractors will agree to share equally in a reduction in water exported south of the Delta in three out of five water year types – by 125,000 acre-feet in dry and below normal years (62,500 each) and 175,000 acre-feet reduction in above normal years (87,500 each). There will be no reductions in critical or wet years. In addition, SWP contractors will make an additional 30,000 acre-feet of water available for purchase to support environmental flows in dry, below normal, and above normal water years through the new water resources fund.

If implemented, the HRL program will result in a reduction in the amount of CVP and SWP water supplies received by Valley Water; however, this reduction in supplies is less than what would result if the SWRCB implemented the Phase 2 framework unimpaired flow approach to the Sacramento River and North Delta watersheds. Based solely on the proposed $10 per acre-foot charge, the cost to Valley Water under the HRL term sheet is approximately $1.5 million per year. Preliminary estimates of Valley Water's share of export reductions is between 0-6% per year, depending on the water year type and how the CVP share is

allocated between agricultural and municipal and industrial water service contractors. In contrast, export reductions associated with Phase 2 tributaries meeting a 55% unimpaired flow requirement would be up to 27% per year.

In addition, given the magnitude of water being made available from north of Delta water users in the HRL proposal, implementation of the HRL program could significantly reduce the amount of available transfer and exchange supplies available on the open market, reducing Valley Water's ability to purchase supplemental water.

The SWRCB has held several days of public workshops to discuss the HRL program and to explain the pathway for SWRCB enforcement, if the SWRCB were to adopt the HRL as an approved alternative to the updated Bay-Delta WQCP. The SWRCB has not yet approved the HRLs for implementation; however, HRL implementation details continue to be negotiated.

Oroville Spillway Repair Costs. In response to heavy rains, in February 2017, the concrete emergency spillway to the SWP's largest dam, Oroville Reservoir, broke apart, necessitating repair. DWR's total projected cost for the Oroville Spillways Emergency Recovery Project is $1.17 billion. The Federal Emergency Management Agency's ("FEMA") Public Assistance program allows for the reimbursement of up to 75 percent of eligible costs for federally declared disasters and determined a total reimbursement of $605 million for the project. DWR has issued revenue bonds to cover the remaining project costs and is including these costs in annual charges for all SWP contractors. Valley Water's share of project costs is estimated to total $25 million through 2052.

Bay-Delta/Imported Water Litigation

2024 California Incidental Take Permit Litigation. Four lawsuits have been filed challenging the new 2024 ITP, including claims under the Delta Reform Act, CEQA, and Public Trust Doctrine. These cases have only recently been filed and this litigation is in its early stage. On October 8, 2025, the lawsuits were consolidated in the Sacramento Superior Court.

Bay-Delta Water Quality Control Plan Phase 1 Amendments Litigation. As described above, in late 2018, the SWRCB released the Phase 1 Amendments to the Bay-Delta Plan. Among other things, the Phase 1 Amendments require an adaptive 40% unimpaired flow requirement on all major tributaries to the San Joaquin River, including the Tuolumne River, from which the SFPUC Hetch-Hetchy system obtains its water supplies. The unimpaired flow requirement could reduce imported SFPUC supplies in the northern part of the County, causing increased groundwater pumping. Several public agency plaintiffs alleged that the unimpaired flow requirements are arbitrary and capricious, not based on the best available science, and/or are too restrictive. Environmental groups allege that the requirements are not protective enough of fish.

These lawsuits were consolidated in Sacramento Superior Court, and the trial court issued a decision in favor the SWRCB, upholding the Plan's Phase 1 Amendments against all causes of action. Several parties appealed and these appeals are pending.

DCP EIR Litigation. (Sacr. Sup. Ct. Case Nos. 24WM00006 et al.) Several plaintiffs filed suit against DWR alleging that it violated CEQA, the Delta Reform Act, Watershed Area of Origin Protection Act, Fish & Game Code, the Public Trust Doctrine and other laws in approving the Final EIR for the DCP.

In 2024, the trial court issued a preliminary injunction halting geotechnical work on the DCP on the grounds that DWR was required but failed to file a consistency determination with the DSC under the Delta Reform Act before proceeding with geotechnical work. DWR appealed the trial court's issuance of the preliminary injunction, and the Court of Appeal reversed the trial court grant of the injunction. The trial court has not yet addressed the merits of the plaintiffs' CEQA claims and this action remains pending.

[First] DWR DCF Bond Validation Action (Sierra Club v. DWR). (Sacramento County Sup. Ct. Case No. 34-2020-80003517 [lead case]). DWR, through its bond counsel, filed this action to validate its authority to adopt a master revenue bond resolution to finance the environmental review, planning, engineering and design, and, if approved, construction of a Delta conveyance project under the CVP Act and Burns-Porter Act. Sierra Club and other NGOs filed a lawsuit alleging that DWR's bond resolution violated CEQA and lacked statutory authority. In early 2024 the trial court issued a decision finding that DWR's broadly-worded master bond resolution was not authorized by the CVP Act or Burns-Porter Act. This decision was affirmed on appeal in full on December 31, 2025.

[Second] DWR DCF Bond Validation (DWR v. All Persons Interested). (Sacramento County Sup. Ct. Case No. 2025CV000704. In response to the trial court's decision in the first DCP bond validation action, in January 2025, DWR issued a new, more narrowly-tailored DCP master bond resolution and then filed a second validation action, seeking judgment that DWR has this bonding authority under existing law. Valley Water joined this action in support of DWR. In light of the Court of Appeal's decision in the first bond validation action, which strongly suggested the second validation action would fail, DWR voluntarily dismissed this action with prejudice. See the caption "California Water Policy Framework and Developments—*Delta Conveyance (Tunnel) Project*" above.

WIIN Act Conversion Litigation. On May 20, 2020, the Center for Biological Diversity, Restore the Delta, and the Planning and Conservation League filed a complaint against the USBR, David Bernhardt, in his official capacity as Secretary of the Interior, and the United States Department of the Interior for declaratory and injunctive relief regarding USBR's execution of WIIN Act repayment contracts with 14 CVP contractors, including Valley Water (on August 13, 2020, the Hoopa Valley Tribe filed a related complaint and these cases were consolidated in the U.S. District Court for the Eastern District of California). Plaintiffs allege that USBR, by executing the 14 repayment contracts, violated NEPA, the Administrative Procedures Act ("APA"), and the ESA and seek an order and judgment restraining USBR from entering into any other repayment contracts. No monetary damages are sought. After plaintiffs were ordered to join the affected CVP contractors, they did so, bringing Valley Water and others into the lawsuit.

The plaintiffs and USBR and the CVP contractor defendants filed cross-motions for summary judgment. On June 30, 2025 the U.S. District Court issued a decision finding in favor of USBR and the CVP contractors on all causes of action. Plaintiffs have appealed this decision to the Ninth Circuit Court of Appeals.

Valley Water cannot predict the outcome of the cases described above. However, Valley Water believes that any new decision or order by a State or federal court related to one or more of the above-described cases would not have a material impact on Valley Water's ability to pay debt service on the 2026 Obligations.

Allocation of Water Deficiencies

Valley Water's SWP maximum annual contract amount is 100,000 acre-feet. The SWP Contract provides that water shortages will be shared equally among all SWP contractors based on relative contract amounts. These rules were established pursuant to a comprehensive set of contract amendments in 1994 (known collectively as the Monterey Amendment) that also gave contractors the right to establish groundwater banking and exchanges to meet dry year reliability needs. Valley Water subsequently purchased rights to 350,000 acre-feet of groundwater banking capacity in a program operated by Semitropic Water Storage District in Kern County to enhance its dry-year water supply reliability.

Valley Water's maximum annual CVP Contract amount is 152,500 acre-feet, with an irrigation contract allocation or amount of 33,100 acre-feet and an M&I contract allocation or amount of 119,400 acre-feet. The contract provides flexibility to convert the entire amount to M&I use in future years. In 1994, USBR developed a M&I water shortage policy that gives M&I use a higher degree of protection than agricultural use

in drought periods. USBR had implemented this policy as an Interim Policy since 1994. In November 2015, USBR finalized the policy and signed a Record of Decision, supported by the CVP Municipal and Industrial Water Shortage Policy Final Environmental Impact Statement, specifying how USBR intends to allocate M&I water supplies during shortages. The policy generally provides a minimum of 75% of historic use to M&I contractors during times of shortage, with "historic use" calculated from average CVP water deliveries during the last three years of unconstrained water deliveries, adjusted for population growth, extraordinary conservation measures, and non-CVP water supplies used in-lieu of CVP water supplies. Based on the rules and adjustment mechanisms in such policy and negotiations between Valley Water and USBR, USBR set Valley Water's historic use at 131,699 acre-feet.

Water Banking

In May 1996, the Board took the first step in implementing a groundwater banking strategy when it approved an agreement with Semitropic Water Storage District, located in Kern County, to store 45,000 acre-feet of SWP water. In 1997, the Board approved a long-term agreement with Semitropic Water Storage District. Under the terms of this agreement, the total banking capacity available to Valley Water is 350,000 acre-feet, with a minimum guaranteed return of 31,500 acre-feet of pumped groundwater in any one year. This agreement expires on December 31, 2035.

Since implementation, Valley Water has stored approximately 648,000 acre-feet of water in Semitropic Groundwater Banking Program and withdrawn about 344,000 acre-feet of supply. As of May 1, 2026, Valley Water had approximately 304,000 acre-feet in storage. In the event of a major disruption in the Delta, failure of the Delta pumping plants or drought conditions, delivery of water from the Semitropic Groundwater Banking Program to Valley Water would be significantly affected along with other imported water deliveries from Valley Water's SWP and CVP contracts. Because the Semitropic Groundwater Banking Program is located in Kern County downstream of Valley Water, banked water must be returned by exchange with SWP water from the Delta. In critically dry years or in the event of a Delta disruption, there may be insufficient SWP supplies to facilitate withdrawal of supplies from the bank. To date, all of Valley Water's withdrawal requests have been accommodated, but the risk to future withdrawals remains, especially in dry and critically dry years. To the extent that SWP water may be conveyed through or is stored in the San Luis Reservoir and is available, deliveries from the Semitropic Groundwater Banking Program could be accomplished through the San Felipe Division.

In compliance with the State Sustainable Groundwater Management Act ("SGMA"), Semitropic Water Storage District formed a groundwater sustainability agency ("Semitropic GSA"). The Semitropic GSA is within the San Joaquin Valley – Kern County Subbasin and is coordinated with other Kern County Groundwater Sustainability Agencies ("GSAs") at the sub-basin level. In March 2023, DWR determined that the groundwater sustainability plans ("GSP") submitted for the Kern County Subbasin were inadequate and referred the subbasin to the SWRCB for state intervention. The GSAs submitted an updated draft 2025 GSP in June 2025 in an effort to address deficiencies identified by the SWRCB. On September 17, 2025, the SWRCB determined that a probationary designation for the Kern County Subbasin was not necessary and on December 8, 2025 returned the Kern County Subbasin to DWR jurisdiction, determining that the major deficiencies had been resolved.

While Valley Water does not currently expect that SGMA or the activities of Semitropic GSA in implementing its GSP will have a material adverse effect on Valley Water's ability to pay principal and interest on the 2026 Obligations, Valley Water is monitoring Semitropic GSA's activities with respect to SGMA, as well as the activities of other adjacent GSAs. Valley Water cannot predict what effect, if any, Semitropic GSA or subbasin GSAs activities with respect to the SGMA will ultimately have on the water currently stored, or water which may be stored or withdrawn in the future, by Valley Water in the Semitropic Groundwater Banking Program. See the caption "POTENTIAL INVESTMENT CONSIDERATIONS—Risks Related to Water Utility System Facilities and Operation—*Sustainable Groundwater Management Act.*"

Semitropic Water Storage District has reported elevated concentrations of 1,2,3-Trichloropropane in certain of its groundwater wells. Semitropic Water Storage District is piloting a treatment technology and Valley Water expects updated information on the design and construction of a treatment system and its operational implications in late-2026. Potential impacts could include higher pumping, recovery, and treatment costs and impaired recovery of banked water supplies.

Valley Water's Local Water Right Permit and Licenses

In July of 1996, the Guadalupe Coyote Resources Conservation District ("GCRCD") filed a complaint with the State Water Board alleging that Valley Water's exercise of its water rights harmed fish and wildlife resources and water quality in the Coyote and Stevens Creeks and the Guadalupe River, in violation of Fish and Game Code section 5937, the public trust doctrine, and other applicable law.

In May 2003, Valley Water, California Trout, Inc., the CDFW, Fly Fishers International, and other entities signed the "Settlement Agreement Regarding Water Rights of the Santa Clara Valley Water District on Coyote, Guadalupe, and Stevens Creeks." This Fish and Aquatic Habitat Collaborative Effort ("FAHCE") Settlement Agreement set out flow and non-flow measures that Valley Water would implement to protect fish and wildlife resources in the Coyote and Stevens Creeks and the Guadalupe River. Execution and implementation of the FAHCE Settlement was subject to Valley Water's compliance with CEQA and other preconditions specified therein.

Under the terms of the FAHCE Settlement Agreement, Valley Water conditionally agreed to undertake restoration measures at a cost not to exceed $42 million for each of three consecutive 10-year phases (for a total of $126 million over the three 10-year phases). Costs for activities to complete the conditions precedent, including environmental review and permitting, do not count against this cap. Actual costs for the restoration measures over these 30 years could exceed $126 million if the projects are expanded to accomplish additional Valley Water goals.

In September 2022, San Francisco Baykeeper ("Baykeeper") filed a lawsuit against Valley Water in Santa Clara County Superior Court, alleging violations of Fish and Game Code sections 5937 and 5948, the Public Trust Doctrine, and of the California Constitution.

In June 2023, Valley Water published its Final Environmental Impact Report on implementing Phase 1 of the FAHCE Settlement Agreement, and in September 2023, Valley Water filed amended water right change petitions for all of Valley Water's ten water rights in the Guadalupe River and Stevens Creek watersheds. Due to the Anderson Dam Seismic Retrofit Project (and prior FERC compliance project), Valley Water expects to submit change petitions for its water rights in the Coyote Creek watershed at a later date. In October 2023, Valley Water implemented its FAHCE Program, which includes "FAHCE Plus" flows from updated reservoir rule curves on Stevens Creek and in the Guadalupe River Watershed.

In June 2024, Baykeeper, California Trout, Inc., Northern California Council, Fly Fishers International, and the CDFW submitted protests to Valley Water's change petitions.

In January of 2026, Valley Water, Baykeeper, and all of the other protesting parties reached a settlement agreement concerning Valley Water's local water rights and operations. Pursuant to this settlement, if the SWRCB approves Valley Water's proposed amended water rights licenses and Valley Water's updated FAHCE plan, all of the parties will dismiss their water rights change petition protests, and Baykeeper will also dismiss its lawsuit. See the caption "GENERAL LITIGATION—San Francisco Baykeeper v. SCVWD" for information relating specifically to the lawsuit Baykeeper filed against Valley Water.

This settlement will apply to Valley Water's submission of change petitions for its water rights in the Coyote Creek watershed as well, provided that they are consistent with those in the Guadalupe River and Stevens Creek watersheds. In the event that there is a dispute as to Valley Water's implementation of the

FAHCE plan or its Coyote Creek watershed change petitions, the parties may only seek relief before the SWRCB and may not file litigation.

The State Board Administrative Hearing Officer has issued a draft order approving the proposed settlement and proposed water rights change petitions. Valley Water expects that the SWRCB will approve this settlement and the proposed amended water rights in conformance with the parties' proposed settlement, however, no assurances can be made that the settlement will be approved.

Drought Management

Governor's Executive Orders. Hydrological conditions in California can vary widely, both in location and from year to year. The water years 2020 through 2022 combined ranked as the three driest years in California's statewide precipitation record. (A water year begins on October 1 and ends on the following September 30.) Beginning in April 2021, Governor Newsom issued a series of drought emergency proclamations and executive orders. On May 24, 2022, in response to one executive order, the SWRCB adopted a new emergency water conservation regulation. The new regulation bans irrigating turf at commercial, industrial, and institutional properties, such as grass in front of or next to large industrial or commercial buildings. The ban does not include watering turf that is used for recreation or other community purposes, water used on residential lawns, or water used to maintain trees. The regulation also requires all urban water suppliers to implement conservation actions under Level 2 of their water shortage contingency.

Valley Water Drought Response Actions and Impact. Valley Water projects that it will be able to meet existing demands for at least the next three years, provided retailers continue to achieve high levels of water savings. During the 2020-2022 drought, Valley Water's Board called for a 15% water use reduction in June 2021 from calendar year 2019 water usage, and approved a program to enforce restrictions on outdoor watering, which went into effect in June 2022. The enforcement ordinance was updated in 2023 to apply to both drought and non-drought times. The Board also adopted a resolution with specific strategies to promote long-term water conservation.

As part of the 2025 UWMP update, Valley Water also updated its Water Shortage Contingency Plan ("WSCP") to establish actions and procedures for managing water supplies and demands during water shortages due to droughts and other emergencies. Valley Water's WSCP adopts the State-prescribed six standard shortage stages and defines actions associated with each stage. In the event of prolonged droughts or other emergency situations, Valley Water considers all available tools to maximize the use of available supplies in order to address potential shortage, including public education and community outreach, coordinating response among the County's municipalities and retailers, augmenting supplies from supplemental sources, calling for short-term water use reductions, and balancing demands for treatment plants and recharge facilities. The WSCP also summarizes planning for natural disasters, drought-related revenue impacts, and Valley Water's legal authority to respond to water shortages. This plan will be used to guide Valley Water's drought management.

To promote a drought-resilient water supply portfolio, Valley Water is continuing its water conservation efforts such as outreach to the community and customers, operating the Water Waste program, providing water conservation rebates and technical assistance, and working with local agencies and retailers on ordinance development to support additional water conservation. Valley Water will continue augmenting local supplies by using water from the Semitropic Groundwater Banking Program, purchasing supplemental water supplies as needed, and increasing water reuse. Valley Water has also updated its WSMP , which identifies the programs, projects and additional water conservation that are needed to further ensure a reliable water supply. See the caption "FACTORS AFFECTING WATER SUPPLIES—General" for more information.

Valley Water continues to review and balance water use and conservation targets with financial planning. Valley Water is obligated under the Parity Master Resolution to set rates and charges which are reasonably expected to provide Net Water Utility System Revenues at least to 1.25 times the sum of all Debt

Service due in each Fiscal Year as more particularly described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 OBLIGATIONS—Rate Covenant." Valley Water's projections set forth under the caption "WATER UTILITY SYSTEM—Primary Sources of Revenues—Projected Water Deliveries and Sources of Water Delivered" are based on growth assumptions included in the WSMP.

Invasive Species – Mussel Control Programs

Golden Mussel Overview. The golden mussel, an invasive freshwater mollusk native to China and Southeast Asia, was first detected in North America in October 2024 in the Sacramento–San Joaquin Delta. Since its discovery, golden mussels have been spreading southward through California's interconnected water conveyance systems, including facilities associated with the SWP and CVP.

Golden mussels pose significant ecological and operational risks as they can rapidly reproduce and attach to hard surfaces in large numbers. This results in biofouling of water infrastructure, including intake structures, screens, pipelines, pumps, cooling systems, and other conveyance facilities. If left unmanaged, infestations may reduce hydraulic capacity, increase maintenance and operational costs, impair facility reliability, and adversely affect aquatic ecosystems through competition with native species and alteration of habitat conditions. Large-scale mussel die-offs may also contribute to localized water quality concerns.

Monitoring and Prevention Programs. In response to the emergence of golden mussels in California, Valley Water has developed and is implementing a comprehensive strategy focused on early detection, infrastructure protection, and long-term operational resilience. Valley Water's response builds upon existing invasive mussel prevention and monitoring programs that were established following the discovery of zebra mussels in San Justo Reservoir in 2008 and have since been expanded and adapted to address risks associated with golden mussels.

Current monitoring efforts utilize a multi-layered approach designed to detect golden mussels at different life stages. Monitoring includes environmental DNA testing for early detection of mussel presence, microscopic analysis of plankton samples to identify free-swimming larval stages (veligers), and deployment of substrate monitoring plates to detect settled juvenile and adult mussels. Valley Water continues to coordinate with State and federal agencies, water contractors, and regional stakeholders to track the spread of golden mussels and evaluate emerging monitoring and management practices.

Infrastructure Protection. Valley Water is assessing infrastructure modifications to improve resilience against potential mussel colonization. Evaluations include protective measures for small-diameter pipelines, service water systems, cooling water systems, and other vulnerable facilities. Mitigation strategies under consideration include periodic hot-water treatment, filtration technologies, ultraviolet disinfection systems, and other engineering controls designed to reduce biofouling and maintain reliable operations.

Current Conditions. In April 2026, a juvenile golden mussel was identified at the raw water intake of the Penitencia WTP, representing the first confirmed detection at a Valley Water facility. In April 2026, an adult golden mussel was identified in a raw water strainer at the Santa Teresa WTP.

As of June 2026, monitoring efforts have not detected golden mussels in Valley Water reservoirs. Valley Water continues to conduct monitoring and surveillance activities throughout its facilities and water supply system and to evaluate operational, engineering, and management measures necessary to reduce risks associated with golden mussels. Valley Water also continues to assess the potential operational and financial impacts of mussel colonization on water conveyance, treatment, and storage facilities.

WATER QUALITY

Groundwater

Groundwater in the County is generally of high quality, with no treatment beyond disinfection required at most public water supply wells. Due to historic and ongoing sources including synthetic fertilizers and septic systems, elevated nitrate is present in about 30 percent of domestic water supply wells tested in the southern portion of the County (Coyote Valley and Llagas Subbasin). Per- and poly-fluoroalkyl substances ("PFAS") have been detected in some water supply wells as described below. PFAS, are a group of thousands of human-made chemicals that resist heat, oils, stains and water. They have been widely used in consumer products like nonstick cookware, stain resistant carpets and fabrics, waterproofing clothing, and food packaging. They have also been used in industrial processes and firefighting foams. PFAS are often called "forever chemicals" because they break down very slowly and can accumulate in humans, animals and the environment. PFAS have been found in water, air, and soil worldwide. Perfluorooctanoic acid ("PFOA") and perfluorooctane sulfonic acid ("PFOS") are two common PFAS chemicals.

Some of these regulated PFAS have been detected in certain groundwater wells as described below. Water retailers within the County that use groundwater as a source distribute it directly to their end user customers. Retailers typically do not have to treat pumped groundwater, other than disinfection. The retailers are responsible for monitoring and reporting the quality of water they serve. Some water retailer wells are expected to be impacted by the PFAS Maximum Contaminant Level ("MCL"), which may require additional treatment, removal from service, or other actions.

In April 2024, the SWRCB adopted an MCL of 10 parts per billion (ppb) for hexavalent chromium (chromium-6) in drinking water which is now in effect. Hexavalent chromium is present in local groundwater due to natural sources but is generally lower than the MCL. Based on available data, Valley Water anticipates very limited impacts to water retailer wells or privately owned wells from this regulation.

Valley Water implements numerous programs to protect groundwater quality. Each year, Valley Water analyzes water quality data from approximately 300 wells (sampled by water retailers and Valley Water) to assess current conditions, evaluate trends, and identify any action needed to protect groundwater quality. Elevated nitrate concentrations in domestic wells in the southern portion of the County resulting from rural and agricultural land use pose an ongoing groundwater protection challenge. Valley Water continues to implement various efforts to monitor nitrate occurrence and reduce nitrate concentrations in groundwater. Valley Water also conducts outreach on groundwater protection through meetings with well users, groundwater fact sheets, and website information. Valley Water's well construction and destruction programs help ensure wells and other deep excavations are constructed, maintained, and destroyed such that they will not cause groundwater contamination.

Valley Water also engages in policy and project review with land use agencies on activities that may affect groundwater quality. Similarly, Valley Water also provides technical input to regulatory agencies, such as the Regional Water Quality Control Boards, the Department of Toxic Substances Control, and the EPA for certain cleanup sites and the development of standards for groundwater protection. Valley Water is continuing to support the Central Coast Regional Board's efforts to regulate perchlorate cleanup in the Llagas Subbasin. Cleanup is progressing well, with fewer than five domestic wells requiring replacement water as of June 2024. In addition, Valley Water is working closely with the Central Coast Regional Board, to ensure that the long-term corrective action plan meets the community's interests for water supply and groundwater cleanup.

On November 22, 2016, the Board adopted the 2016 Groundwater Management Plan to comply with SGMA. This plan documents Valley Water goals, strategies, programs, and performance metrics to continue to sustainably manage local groundwater resources and ensure their long-term sustainability. The plan was submitted to DWR as an alternative to a GSP for both the Santa Clara and Llagas subbasins and was approved by DWR in July 2019. In November 2021, the Board adopted the 2021 Groundwater Management Plan,

which was submitted to DWR in December 2021 as the first periodic evaluation of the plan as required under SGMA. In June 2024, DWR approved the 2021 Groundwater Management Plan confirming the alternative to a GSP satisfies the objectives of SGMA and complies with related regulations. Valley Water is currently in the process of drafting a 2026 Groundwater Management Plan, due to DWR in December 2026. As part of the 2026 Groundwater Management Plan, the District expects to build on the 2021 Groundwater Management Plan and address DWR recommendations.

Ground Water Rule. The EPA promulgated the final Ground Water Rule ("GWR") in October 2006 to reduce the risk of exposure to fecal contamination that may be present in public water systems that use groundwater sources. The rule establishes a risk-targeted strategy to identify groundwater systems that are at high risk for fecal contamination. The GWR also specifies when corrective action (which may include disinfection) is required to protect consumers who receive water from groundwater systems from bacteria and viruses. Valley Water would be subject to the GWR if the Campbell Wellfield ("CWF") were to be used as a drinking water supply and in compliance with the source water monitoring requirements. This rule would also apply to the West Pipeline retailers that receive water from the CWF. However, Valley Water has maintained the CWF for emergency backup and has never delivered water from the three wells at the wellfield. More recently, Valley Water applied for a permit amendment from the Division of Drinking Water ("DDW") to change the status of the CWF from active to inactive sources. The request was approved by DDW on March 6, 2026.

Per- and Poly-Fluoroalkyl Substances (PFAS). State and federal agencies continue to move toward increased public notification and the regulation of several PFAS in drinking water. The SWRCB has set and revised over time, regulations which require water providers to either take a water source out of service, provide treatment, or notify customers in writing if certain levels of PFAS, PFOS, perfluorobutane sulfonic acid ("PFBS") or perfluorohexanoic acid ("PFHxA") are detected.

In April 2024, the California Office of Health Hazard Assessment adopted Public Health Goals ("PHGs") for PFOA and PFOS. PHGs are based exclusively on public health considerations and, are considered by the SWRCB in setting drinking water regulatory standards for PFOA and PFOS.

Public water systems were required to test for various PFAS between 2023 and 2025 under the Unregulated Contaminant Monitoring Rule Round 5 ("UCMR5"). New monitoring orders are expected to go into effect in 2027.

On April 10, 2024, the EPA established Maximum Contaminant Levels for six types of PFAS. MCLs are enforceable drinking water standards. On June 7, 2024, American Water Works Association and the Association of Metropolitan Water Agencies filed a Petition for Review asking the D.C. Circuit Court to decide whether the EPA acted appropriately in setting MCLs for six PFAS. Subsequently, the National Association of Manufacturers, American Chemistry Council, and The Chemours Company FC, LLC filed petitions for review, and the NRDC and several community groups filed motions to intervene in support of EPA's final rule. On May 14, 2025, the EPA announced its plans to address PFAS contamination in drinking water, while also extending the associated compliance deadline. Water systems now have until 2031 to meet the drinking water standards for PFOA and PFOS, allowing for two additional years beyond the original 2029 compliance deadline. In May 2026, the EPA rescinded the MCLs for PFHxS, Perfluorononanoic acid ("PFNA"), and HFPO-DA (GenX) chemicals individually, as well as the Hazard Index MCL for any combination of PFHxS, GenX chemicals, PFNA, and PFBS.

Valley Water's testing of the CWF as part of the SWRCB orders indicates the presence of low levels of PFAS. Valley Water detected PFOA and PFOS at or just above the MCLs (as of the time of testing) in two of the three water supply wells owned for emergency backup supply, and more recently deemed inactive (as of March 2026). PFBS was also detected at one of the wells. The levels of PFOA, PFOS, and PFBS detected were below the notification levels set by the SWRCB. No water from these wells has been delivered to water retailers (or consumers), and Valley Water has plans to decommission the wells.

Valley Water conducted voluntary quarterly monitoring from 2020 to 2021, at its three drinking water treatment plants, which serve seven local water retailers. None of the six PFAS regulated under the new EPA rule were detected in Valley Water's treated water. Water supplied by Valley Water continues to meet all federal and State regulatory requirements, including the new PFAS drinking water limits. Currently, Valley Water does not anticipate a significant impact to its treatment plant operations.

Valley Water has conducted voluntary PFAS testing in monitoring wells in limited areas near recycled water irrigation sites since PFAS are often found in wastewater. This includes prior testing at one site in the Santa Clara Subbasin and ongoing testing at multiple sites in the Llagas Subbasin. At the Santa Clara Subbasin site, PFOA and PFOS were sporadically detected above notification levels and MCLs (as of the time of testing) in shallow monitoring wells. In the Llagas Subbasin sites, PFOA and PFOS are consistently detected above notification levels and MCLs (as of the time of testing) in some monitoring wells. These wells are not used for drinking water supply. PFBS has not been detected above the current SWRCB notification level in monitoring wells near recycled water irrigation sites.

On December 16, 2025, DDW issued an order requiring that Valley Water collect four consecutive quarters of PFAS monitoring at its raw water sources, at the following locations: Almaden Reservoir, Coyote Reservoir, Calero Reservoir, San Luis Reservoir. Sampling is underway in compliance with this requirement. The order listed Campbell Wells A, B, and C as having completed initial monitoring via prior orders. Sampling at Anderson Reservoir will take place once the source is returned to service.

To assess the occurrence of PFAS beyond the limited areas tested through ongoing monitoring, in February 2020, Valley Water voluntarily sampled PFOA, PFOS and certain other PFAS at 55 monitoring wells throughout the County. These regional results and other available data indicate that PFAS are not widely present above current SWRCB notification levels, response levels, or MCLs (as of the time of sampling). Voluntary Valley Water sampling of approximately 30 domestic wells throughout the County between 2023 and 2024 indicates that PFAS are not detected in most wells but that PFOA and/or PFOS are present above MCLs (as of the time of sampling) in five wells. In 2025, additional voluntary sampling by Valley Water continued to show that PFAS are not detected in most wells, but that PFOA and PFOS are present above MCLs (as of the time of sampling) in eight and ten wells, respectively. Domestic wells are privately owned and not subject to State or federal drinking water standards. However, when sharing testing results with these well owners, Valley Water provided information on drinking water regulations and treatment options for their consideration.

Several local water retailers have conducted PFAS testing in water supply wells and all will be required to complete testing under UCMR5. San Jose Water Company has been monitoring PFAS compounds in all their wells since 2019 and placed ten wells on standby for exceeding the PFOS notification level between 2019 and 2020. San Jose Water Company is designing a treatment system to address PFAS at their largest well field. The City of Gilroy has detected PFOA and PFOS above the MCL (as of the time of detection) in one well. No public water supply wells in the County have had PFAS detections above the response level, which requires taking the source out of service, treatment, or notification.

In November 2022, Valley Water was provided notice of a November 15, 2022, report submitted on behalf of the Santa Clara County Central Fire Protection District (“County Fire”) to the San Francisco Bay Regional Water Quality Control Board regarding an investigation at the Sunnyoaks Fire Station and McCormack Training Center at 485 W. Sunnyoaks Avenue, Campbell, California. These facilities are adjacent to several of Valley Water’s Sunnyoaks percolation ponds and site runoff drains to one pond. PFAS compounds were detected in low concentrations in all samples, including the surface water sample from one of Valley Water’s percolation ponds and in tap water. Valley Water has temporarily stopped using this percolation pond for groundwater recharge and is investigating the matter further. In May 2024, Valley Water tested site runoff at various locations and detected various PFAS well above EPA drinking water limits and background levels seen at other locations. In December 2024, County Fire submitted a Technical Memorandum Report for results of PFAS from training tower concrete and asphalt chip sampling. These

results revealed the presence of PFAS associated with these materials. In February 2025, the San Francisco Bay Regional Water Quality Control Board requested that County Fire submit i) a completion report for stormwater sampling, and ii) a workplan to further assess PFAS impacts at the site, including soil and groundwater sampling, and source mitigation. On June 9, 2025, the San Francisco Bay Regional Water Quality Control Board requested that County Fire submit completion reports for work proposed in the Monitoring Well Installation Workplan and the completion report for stormwater sampling as soon as possible. Valley Water continues to explore timely solutions in coordination with County Fire, which operates the fire station and training center, and the City of Campbell, which owns the fire station land. In June 2025, County Fire has confirmed that no water has been applied to the site and all wet-operation fire training activities were ceased since runoff studies and tower concrete and asphalt chip sampling efforts were initiated. County Fire is currently exploring different source mitigation actions and alternatives. In December 2025, Valley Water conducted voluntary soil sampling within the one pond that receives site runoff and detected PFAS in sediment above environmental screening levels. The San Francisco Bay Regional Water Quality Control Board may also request additional site investigation and/or cleanup by County Fire as more information and results are obtained from the aforementioned requested completion reports.

While one retailer has voluntarily taken some wells out of service, Valley Water does not believe at this time that the response level for PFOA, PFOS, PFHxS, PFHxA, or PFBS implemented by DDW will result in a material reduction in pumping of groundwater within Valley Water's service area. However, Valley Water cannot predict how changes to current response levels will affect future groundwater pumping within Valley Water's service area. In addition, Valley Water cannot predict how the SWRCB (via DDW) or the federal EPA may revise the current drinking water standards for PFAS. If the thresholds are lowered below the current State notification or response levels and/or below the current federal MCLs, there could be a potential impact to water retailers' use of groundwater.

Valley Water continues to closely track and engage in regulatory and technical developments related to PFAS, and to work with local water retailers and other agencies to understand the occurrence, extent, and potential source of PFAS in local groundwater. Valley Water has also entered into the multi-district litigation against PFAS manufacturers.

Surface Water

Valley Water relies heavily on imported surface water from the SWP, operated by DWR, and the CVP, operated by USBR. Additionally, Valley Water stores local surface water supplies in its own reservoirs. Valley Water participates in statewide activities aimed at reducing contamination of imported supplies and implements programs to protect local supplies. Surveys of imported and local water supplies are conducted every five years, in accordance with state regulations, to ensure they are suitable drinking water sources.

Valley Water's imported supplies from the SWP and the CVP are occasionally low in quality because of elevated levels of bromide and organic content. Since both the SWP and the CVP water is pumped out of the Bay-Delta Estuary, the quality of those supplies is affected by tidal influences, natural organic materials of the peat soil in the Delta and discharge from agricultural and urban runoff. Constituents such as bromide and organics are of concern to Valley Water because they are disinfection by-product precursors.

Increased water temperatures because of climate change can cause harmful algal blooms ("HABs") to occur within Valley Water's imported and local supplies, particularly in the late summer and fall. Some of the algal blooms may release cyanotoxins that can be harmful to humans and animals. HABs can also lead to taste and odor issues. Two of the most common compounds responsible for tastes and odors are geosmin and 2-methylisoborneal, which result in earthly and musty taste and odor. Even though these compounds are harmless, the human senses of taste and smell are extremely sensitive to them and can detect them in the water at concentrations as low as 4 ppt. Valley Water and state government agencies are working together to control or reduce the impact of algal blooms to water quality.

Increased water temperatures could also provide favorable conditions for invasive mussels, such as quagga, zebra, and golden mussels (see the caption "FACTORS AFFECTING WATER SUPPLIES—Invasive Species – Mussel Control Programs"), to establish themselves, which can pose a significant threat to existing infrastructure and water supply, and result in enormous economic costs. To protect against invasive species, Valley Water has a Mussel Prevention Plan which covers extensive mussel monitoring in Valley Water's reservoirs, as well as a Vessel Inspection Program in partnership with Santa Clara County Parks and Recreation Department.

In March 2023, Valley Water conducted voluntary PFAS testing in the Los Gatos Recharge System, which can receive both local and imported surface water. PFAS were detected at generally low concentrations in various ponds and stormwater outfalls sampled. PFOS and/or PFOA were detected above the MCL at 3 of 7 stormwater locations and 3 of 28 ponds sampled, respectively. PFAS were generally not detected in source water samples (including Los Gatos Creek and imported water from the State Water Project). Of the 25 PFAS analyzed in those samples, only PFPeA was detected at low levels close to the analytical reporting limit. There are no regulatory standards or guidance for PFPeA in drinking water. Ongoing PFAS testing of imported water conducted by DWR does not indicate the presence of any regulated PFAS above MCLs.

Treated Water

Valley Water produces treated water that meets or exceeds all current requirements of the Safe Drinking Water Act and California drinking water regulations.

Over time, the EPA has enacted, and California has subsequently adopted, new drinking water regulations affecting the treatment of surface waters. These key regulations are the Interim Enhanced Surface Water Treatment Rule ("IESWTR"), the Long Term 1 and Long Term 2 Surface Water Treatment Rules ("LT1" and "LT2"), and the Stage 1 and Stage 2 Disinfectant/Disinfection By-Products Rules ("DDBPR"). The regulations were enacted in segments with the IESWTR and the DDBPR (Stage 1) going into effect by 2001 and the LT2 and DDBPR (Stage 2) becoming effective in January of 2006. In order to assure compliance with these regulations Valley Water developed major capital improvement projects for its treatment plants. The projects are referred to as the Treated Water Improvement Project Stage 1 ("TWIP1") and the Treated Water Improvement Project Stage 2 ("TWIP2"), and correspond to the grouping of the four regulations. The TWIP1 was implemented at all three of Valley Water's drinking water treatment plants and was completed in 2002. The TWIP2 was implemented at two treatment plants and was completed in 2006. The third plant (Rinconada WTP) is incorporating upgrades of the TWIP2 into a larger project known as the Reliability Improvement Project ("RIP") that is targeted for completion in 2029.

Valley Water's three water treatment plants: Santa Teresa WTP, Rinconada WTP, and Penitencia WTP, provide high-quality treated water to the residences and businesses in the County. Two of the treatment plants, Santa Teresa WTP and Penitencia WTP utilize a conventional treatment process of flocculation, sedimentation, filtration, and disinfection to provide high-quality water. As part of TWIP2, these two treatment plants added advanced treatment technologies, including ozone as the primary disinfectant. The improvements ensure that Valley Water continues producing high-quality drinking water that meets recent and future more stringent drinking water standards. Valley Water brought ozone systems on-line at Santa Teresa WTP in January 2006 and at Penitencia WTP in July 2006. Construction of the comparable RIP project broke ground in July 2015 at the Rinconada WTP, Valley Water's oldest treatment facility.

The Filter Backwash Recycling Rule ("FBRR") was published in June 2001. The goal of this rule, in conjunction with the goals set forth in DDW's 1995 Cryptosporidium Action Plan ("CAP"), is to improve public health protection by assessing and changing, where needed, recycle practices for improved contaminant control, particularly microbial contaminants. This rule applies to public water systems that use surface water or groundwater under the direct influence of surface water. The FBRR requires that recycle streams be returned to the point of primary coagulant addition. In 2003 Valley Water notified the DDW regarding the recycle practices at Valley Water's three WTPs. The Valley Water meets all the treatment technique and record

keeping requirements of the FBRR. All Valley Water's WTPs use conventional filtration and recycle filter backwash water and decant water from the solids dewatering process to the plant headworks.

Under TWIP2, additional improvements were made to minimize the occurrence of Cryptosporidium at the Santa Teresa WTP, including construction of filter-to-waste, washwater clarification and equalization facilities. The Rinconada WTP Residuals Management Processes, implemented between October 2014 and October 2016, included installation of two gravity thickeners and centrifuges. Additional improvements to the residuals management were completed in 2024 to resolve operational challenges. The Penitencia WTP's residuals management project design started in 2021 and construction is anticipated to be completed by 2030.

In 2016, Valley Water started adjusting the fluoride level of drinking water to prevent tooth decay. The Santa Teresa WTP and Penitencia WTP began fluoridation in December 2016 and in July 2017, respectively. The Rinconada WTP is slated to begin fluoridating in 2029.

To assure the microbiological quality of the water in the Valley Water's transmission system, Valley Water maintains a chloramine residual in the West Pipeline and the East Pipeline. Valley Water's laboratory executes a sampling plan which exceeds the requirements of the revised Total Coliform Rule.

Valley Water's Corrosion Control Program ensures compliance with the Lead and Copper Rule.

To assess the occurrence of PFAS at the WTPs, in November 2020, Valley Water initiated four quarters of voluntary PFAS sampling of raw and treated water at Valley Water's three water treatment plants. After four quarters, only perfluorohexanoic acid ("PFHxA") was detected in the treated water at low levels at the treatment plants. PFHxA does not have a notification level, response level or PHG established by the SWRCB. PFOA, PFOS, PFBS, PFHxS, PFNA, and GenX, certain of which EPA has adopted enforceable regulatory standards, have been non-detectable in all raw and treated water samples for all four quarters. All results of this voluntary sampling effort have been reported to DDW.

CAPITAL IMPROVEMENT PROGRAM

General. The report on the capital improvement program for Fiscal Years 2026-27 through 2030-31 was approved by the Board on May 12, 2026. Valley Water currently expects to undertake approximately $2.4 billion of improvements to the Water Utility System from Fiscal Years 2026-27 through 2030-31. Valley Water expects to fund approximately 70% of such costs from additional debt issuance and the balance from other non-financing sources. Certain of the major capital improvement projects included in the capital improvement program for Fiscal Years 2026-27 through 2030-31 are described below.

Anderson Dam Seismic Retrofit Project. Valley Water has completed the design phase for the ADSR Project, which currently has an estimated cost of approximately $2.8 billion (which amount accounts for estimated inflation). See the caption "VALLEY WATER FACILITIES—Anderson Dam Seismic Retrofit Project and FERC Directive." In July 2025, Valley Water completed construction of the Coyote Percolation Dam Replacement project, a FERC Directive project and a sub-project of the ADSR Project, to replace the flashboard dam at the Coyote Percolation Pond with a rubber bladder dam that can be inflated and deflated in less than an hour.

Valley Water's Board approved the final environmental impact report for the ADSR Project in February 2025. Valley Water is working with FERC, the USACE, and the federal EPA to ensure NEPA coordination among federal agencies engaged with the project. In the spring of 2026, FERC issued an order approving the ADSR Project and the decommissioning of the hydroelectric facility. On June 11, 2026, the USACE issued a Section 404 water resources permit for the project. Valley Water awarded the construction contract on July 24, 2026, and construction is scheduled to begin in January 2027.

Valley Water currently expects to fund the costs of the ADSR Project from available funds, proceeds of the Commercial Paper Notes, Revolving Certificates, loans under the Anderson Master Loan Agreement and obligations issued from time to time. Valley Water may repay such short-term/interim financing from a combination of proceeds of Bonds and/or other obligations. Valley Water may also repay such amounts from loans under the Anderson Master Loan Agreement. See the caption "DEBT STRUCTURE OF VALLEY WATER—WIFIA Loans."

Pure Water Silicon Valley Project (formerly known as San Jose Purified Water). Valley Water has developed a Countywide Water Reuse Master Plan in collaboration with recycled water producers, wholesalers, retailers, and other interested stakeholders that evaluates and recommends potable and non-potable reuse projects that are projected to produce up to 24,000 acre-feet per year of purified water for potable reuse. The Countywide Water Reuse Master Plan was accepted by the Board in June 2021. This effort is consistent with Valley Water's earlier response to prior droughts which was to evaluate the production of purified water for potable water reuse to expand the County's water supply.

The current capital improvement program includes the Pure Water Silicon Valley - Phase 1 direct potable reuse demonstration facility (with an estimated inflation-adjusted cost of $106.8 million) and a Phase 2 full-scale direct potable reuse facility (with an estimated inflated-adjusted cost of $2.5 billion). The demonstration facility is currently in the planning and design phase. Costs of the Phase 1 facility are currently being funded from available funds of the Water Utility System, proceeds of the Commercial Paper Notes, Revolving Certificates, and obligations issued from time to time.

Design of the Phase 2 full-scale facility is not expected to commence until Fiscal Year 2028-29 and construction is not expected to commence until Fiscal Year 2031-32. The costs of the Phase 2 facility are expected to be funded through the Water Utility System. Future Board approvals will be needed for the commencement of design of the Phase 2 facility as well as for the funding source. See the caption "VALLEY WATER FACILITIES—Water Treatment and Water Purification—*Silicon Valley Advanced Water Purification Center*."

FINANCIAL INFORMATION OF VALLEY WATER

Financial Statements

A copy of the most recent audited financial statements of Valley Water prepared by Valley Water staff and audited by Vasquez & Company LLP, Glendale, California (the "Auditor") is attached as Appendix A hereto (the "Financial Statements"). The Auditor letter concludes that the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Valley Water as of June 30, 2025 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Valley Water's Financial Statements for Fiscal Year 2024-25 were accepted by the Board on January 13, 2026 and filed on EMMA on March 5, 2026.

The Auditor has not been engaged to perform and has not performed, since the date of the Financial Statements, any procedures on the financial statements addressed in the Financial Statements. The Auditor has not performed any procedures relating to this Official Statement.

Valley Water's government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which Valley Water gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, benefit assessments and grants. On an accrual basis, revenues from property taxes and benefit assessments are recognized in the fiscal year for which the taxes and

assessments are levied; revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied; and revenue from investments is recognized when earned.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property taxes, benefit assessments, interest, grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences are recorded when payment is due. Capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and capital leases are reported as other financing sources.

Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting and distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Enterprise Fund is the sale of water to outside customers. The principal operating revenues of Valley Water's internal service funds are charges for services provided to internal departments. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Proprietary funds operating revenues, such as charges for services, result from the exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Fiduciary funds are used to account for assets held by Valley Water in a fiduciary capacity as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary funds use the economic resource measurement focus and accrual basis of accounting for reporting assets and liabilities.

See the Financial Statements attached hereto as Appendix A for a discussion of accounting practices of Valley Water.

Historical Operating Results and Debt Service Coverage

The following table summarizes Valley Water's combined revenues and expenses relating to the Water Utility System recorded in Fiscal Year 2020-21 through Fiscal Year 2024-25. Historical results have been derived from the Financial Statements of Valley Water but exclude certain non-cash items and include certain other adjustments as required or permitted by the Parity Master Resolution.

Valley Water accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to governmental agencies such as Valley Water ("GAAP"). In certain cases GAAP requires or permits moneys collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses paid or incurred in one Fiscal Year to be recognized in a subsequent Fiscal Year. See Appendix A "—AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025 AND MEMORANDUM OF INTERNAL CONTROL." Except as otherwise expressly noted herein, all financial information derived from Valley Water's audited financial statement reflect the application of GAAP.

Fiscal Year 2024-25 Financial Highlights for the Water Enterprise Fund

The following provides a summary of the financial position of Valley Water's Water Enterprise fund at the end of Fiscal Year 2024-25:

- Net position of the Water Enterprise fund at the end of Fiscal Year 2024-25 was approximately $1.4 billion, which was $169.0 million higher than the Fiscal Year 2023-24 amount.

- Operating revenues increased by approximately $61.6 million from Fiscal Year 2023-24, primarily due to an increase in groundwater production charges.

- Operating expenses decreased by approximately $85.4 million primarily due to a decrease in administration and general expenses.

- Net non-operating revenues increased by approximately $1.1 million, primarily due to an increase of $5.9 million of investment income, which was offset by approximately $4.9 million in interest and borrowing costs.

For further information with respect to Valley Water's operating results for Fiscal Year 2024-25, see Appendix A "—AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025 AND MEMORANDUM OF INTERNAL CONTROL."

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SANTA CLARA VALLEY WATER DISTRICT
HISTORICAL OPERATING RESULTS & DEBT SERVICE COVERAGE
FISCAL YEAR ENDING JUNE 30
(Dollars in Thousands)[1]

	2020-21	*2021-22*	*2022-23*	*2023-24*	*2024-25*
Water Utility System Revenues					
Groundwater Charges[2]	$132,111	$125,029	$106,936	$148,744	$176,173
Treated Water Charges[2]	154,912	145,365	159,215	169,633	202,844
Surface and Recycled Water Charges[2]	2,747	2,003	1,950	2,261	2,955
Property Taxes[3]	8,911	9,654	10,522	11,045	11,679
Investment Income[4]	4,067	3,509	6,868	14,434	14,600
Operating Grants/Intergovernmental Services	4,019	5,341	5,376	5,184	4,885
Transfers In[5]	593	1,000	26,061	1,093	11,428
Transfers Out[6]	(6,600)	(1,200)	(3,874)	(3,927)	(10,844)
Other[7]	1,170	1,645	1,029	1,605	7,790
Total Revenues	$301,930	$292,346	$314,083	$350,072	$421,510
Maintenance and Operation Costs					
Sources of Supply[8]	$78,817	$112,700	$88,844	$104,626	$65,570
Water Treatment	47,320	53,700	52,341	53,858	55,929
Transmission and Distribution					
Raw Water	17,226	18,900	19,226	20,988	20,201
Treated Water	2,158	2,800	2,509	2,792	1,854
Administration and General[9]	24,948	35,945	37,158	45,808	45,890
Total Operating Expenses	$170,469	$224,045	$200,078	$228,072	$189,444
Net Water Utility System Revenues	**$131,461**	**$68,301**	**$114,005**	**$122,000**	**$232,066**
Debt Service on Senior Obligations					
Series 2006 Bonds[10]	$1,781	$438	$ -	$ -	$ -
Total Senior Debt Service	$1,781	$438	-	-	-
Transfers to (-)/from (+) Rate Stabilization Fund[11]	-	10,000	13,003	35,000	1,412
Transfers from Special Purpose Funds[11]	-	8,000	-	-	-
Net Water Utility System Revenues Available for Parity Obligations Debt Service	**$129,680**	**$85,863**	**$127,008**	**$157,000**	**$233,478**
Debt Service on Parity Obligations					
2016 Bonds	$8,545	$8,545	$8,546	$8,545	$8,546
2016 Installment Purchase Agreement	10,689	10,687	10,696	10,689	10,691
2017A Bonds	4,362	4,368	4,339	4,376	4,352
2019AB Bonds	5,495	5,497	5,492	5,495	5,488
2019C Bonds	2,775	3,022	3,044	2,992	3,013
2020AB Bonds	2,043	3,239	3,239	3,239	3,239
2020 Installment Purchase Agreement	2,260	8,509	8,511	8,511	8,510
2023AB Bonds	-	-	2,184	7,136	7,132
2023 Installment Purchase Agreement	-	-	775	3,639	3,648
2024AB Bonds	-	-	-	-	9,588
2024AB Notes	-	-	-	-	2,402
2024C Bonds	-	-	-	-	3,370
Total Parity Debt Service	$36,169	$43,687	$46,826	$54,622	$69,979
Parity Obligations Debt Service Coverage	**3.59**	**1.96**	**2.71**	**2.87**	**3.34**
Debt Service on Subordinate Obligations					
Commercial Paper and Revolving Certificates[12]	138	-	2,249	2,597	2,502
Total Debt Service on Senior, Parity and Subordinate Obligations	$38,088	$44,305	$49,075	$57,219	$72,481
Revenues Remaining for Capital Improvements	$93,373	$41,996	$77,933	$99,781	$160,997
Senior Debt Service Coverage	73.81	-[10]	-	-	-
Senior, Parity and Subordinate Obligations Debt Service Coverage	**3.45**	**1.96**	**2.59**	**2.74**	**3.22**

(1) Amounts rounded to nearest thousand.

(Footnotes continued on following page)

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(2) Rate increases for groundwater, treated water, and surface and recycled water charges were implemented in all years except for Fiscal Year 2020-21 when they were held at the Fiscal Year 2019-20 rates. Combined groundwater, treated water, and surface and recycled water deliveries increased year over year in Fiscal Years 2020-21, 2023-24, and 2024-25, and decreased year over year in Fiscal Years 2021-22 and 2022-23.

(3) Includes adjustments for homeowners' property tax relief and certain other property tax receipts not constituting Water Utility System Revenues. Excludes property taxes levied by Valley Water to pay certain State Water Project costs.

(4) Does not include fair market value adjustments per GASB 31 or income earned on capitalized interest funds that were used to make interest payments on Water Utility Series 2023C-1 and 2023D certificates of participation in Fiscal Years 2023-24 and 2024-25.

(5) Includes transfers from the General Fund and Watershed & Stream Stewardship Fund for the open space credit provided for agricultural rates and charges. Increase in Fiscal Year 2022-23 includes a one-time $25 million transfer from the Watershed & Stream Stewardship Fund to stabilize rates. Increase in Fiscal Year 2024-25 includes $6.3 million for the Anderson Dam Seismic Retrofit project from the Safe, Clean Water and Natural Flood Protection Fund.

(6) Includes transfers to the General Fund to support the drought emergency response project. Fiscal Years 2020-21 through 2024-25 includes transfers out for information technology upgrades.

(7) Includes imported water revenue, well permit fees, rental income, claims and judgments, refunds and adjustments, reimbursements relating to the San Felipe Division, homeowners' property tax relief payments from the State, and other non-operating income. Increase in Fiscal Year 2024-25 is primarily the result of $4.6 million in claims and judgments' receipts and $1.4 million in increased refunds and adjustments.

(8) Increase in Fiscal Year 2021-22 is a result of supplemental water purchases due to drought conditions. Increase in Fiscal Year 2023-24 is a result of a $36.3 million accounting entry to expense capital work in progress costs for the Palo Alto Purified Water Project, which the Board has defunded. Net of the foregoing one-time entry, Fiscal Year 2023-24 expenses were $68.3 million, which represents a $20.5 million decrease that is primarily the result of lower drought emergency response, water banking, and South Bay Aqueduct delivery costs. See the caption "WATER UTILITY SYSTEM—Primary Source of Revenues—*Historical Water Deliveries and Sources of Water Delivered*."

(9) Includes, professional service, banking, and letter of credit fees. Increase in Fiscal Year 2021-22 includes an increase in labor costs of approximately $5 million and an increase of approximately $4.3 million for Distribution System Master Plan Implementation and the SCADA Master Plan Implementation costs. Increase in Fiscal Year 2023-24 is primarily due to increased operating expenditures for the 10-Year Pipeline Inspection and Rehabilitation project.

(10) In June 2022, Valley Water prepaid the outstanding amount of the 2006B Bonds from proceeds of commercial paper certificates.

(11) The Parity Master Resolution authorized the designation of the Rate Stabilization Fund and Special Purpose Funds. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 OBLIGATIONS — Rate Stabilization Fund" and "— Special Purpose Funds."

(12) Constitutes interest only on Commercial Paper Notes and Revolving Certificates.

Source: Valley Water.

The property taxes levied by Valley Water to pay costs under the SWP Contract are not included in Water Utility System Revenues and the SWP Contract costs are not included in Maintenance and Operations Costs.

Projected Operating Results and Debt Service Coverage

The estimated projected operating results for the Water Utility System for Fiscal Year 2025-26 (based on estimated actual results) through Fiscal Year 2030-31 are set forth below, reflecting certain significant assumptions concerning future events and circumstances. Unless otherwise specified below, the amounts shown for Fiscal Year 2026-27 are based on the adopted budget for such year and the amounts shown for Fiscal Year 2027-28 are based on the planned amounts shown in the biennial budget.

The financial forecast represents the estimate of projected financial results of Valley Water based upon Valley Water's judgment of the most probable occurrence of certain important future events. The assumptions set forth in the footnotes to the chart below are material in the development of the financial projections of Valley Water, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

The financial forecast also incorporates the rate increases forecasted in the 2026 PAWS Report for Fiscal Years 2027-28 through 2029-30. Such rate increases for Fiscal Year 2027-28 and thereafter have not been approved by the Board and Valley Water can make no assurance that such rate increases will be approved. See the caption "WATER UTILITY SYSTEM— Primary Sources of Revenues — *Water Charge Setting Process*." If such rate increases are not instituted or other adjustments are made to Water Utility System Revenues and/or Maintenance and Operation Costs, the projected operating results for Fiscal Years 2027-28 through 2029-30 will vary from those presented below, and such variance could be material.

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SANTA CLARA VALLEY WATER DISTRICT
PROJECTED OPERATING RESULTS & DEBT SERVICE COVERAGE
FISCAL YEAR ENDING JUNE 30
(Dollars in Thousands)[1]

	2025-26[2]	*2026-27[2]*	*2027-28[2]*	*2028-29*	*2029-30*
Water Utility System Revenues					
Groundwater Charges[3]	$213,834	$233,004	$261,248	$287,411	$316,185
Treated Water Charges[4]	198,403	231,016	251,897	274,535	298,645
Surface and Recycled Water Charges[5]	2,582	2,526	2,738	2,969	3,726
Property Taxes[6]	12,436	12,753	13,015	13,408	13,878
Investment Income[7]	7,066	9,707	9,707	2,719	2,490
Operating Grants/Intergovernmental Services[8]	1,518	1,347	1,432	1,448	1,475
Transfers In[9]	1,159	5,544	4,979	4,441	5,429
Transfers Out[10]	(11,985)	(17,527)	(16,635)	(9,448)	(3,295)
Other[11]	713	722	732	742	753
Total Revenues	$425,726	$479,092	$529,113	$578,226	$639,287
Maintenance and Operation Costs					
Sources Of Supply[12]	$137,848	$111,587	$113,800	$127,078	$138,975
Water Treatment[13]	57,580	58,919	64,100	65,327	67,485
Transmission And Distribution[14]					
Raw Water	20,183	22,225	23,135	21,112	21,706
Treated Water	3,518	4,221	3,837	3,614	3,722
Administration and General[15]	43,833	42,735	45,948	49,516	51,286
Total Operating Expenses	$262,962	$239,687	$250,820	$266,647	$283,174
Transfers to (-)/from (+) Rate Stabilization Fund[16]	3,075	5,689	5,689	5,689	5,689
Transfers from Special Purpose Funds[16]	-	-	-	-	-
Net Water Utility System Revenues Available for Parity Obligations Debt Service	**$165,839**	**$245,094**	**$283,982**	**$317,268**	**$361,802**
Debt Service on Parity Obligations					
2016 Bonds	$5,887	$3,230	$3,230	$3,230	$3,230
2016 Installment Purchase Agreement	6,212	5,831	5,874	5,801	-
2017A Bonds[17]	4,403	920	-		-
2019AB Bonds[17]	5,492	4,839	4,501	4,504	4,503
2019C Bonds	2,955	2,982	2,963	2,940	2,921
2020AB Bonds	3,239	3,239	3,239	3,239	3,239
2020 Installment Purchase Agreement	8,509	8,511	8,510	8,511	8,511
2023AB Bonds	7,135	7,136	7,135	7,136	7,134
2023C-2 Certificates	3,613	3,610	3,613	3,612	3,611
2024A-1/B-1 Bonds	9,304	10,969	10,965	10,970	10,970
2024A-2/B-2 Notes[18]	3,288	-	-	-	-
2024C Bonds	4,393	4,392	4,395	4,391	4,391
2025AB Bonds	12,406	15,241	15,211	15,273	21,089
2026AB Bonds	-	20,071	22,569	25,289	25,295
2026C Notes	-	-	-	-	-
Future Debt Issuances[19][20]	-	-	19,348	29,206	34,325
Total Parity Debt Service	$76,836	$90,971	$111,553	$124,102	$129,219
Parity Obligations Debt Service Coverage	**2.16**	**2.69**	**2.55**	**2.56**	**2.80**
Debt Service on Subordinate Obligations					
Commercial Paper and Revolving Certificates[19][21]	$1,515	$11,982	$11,881	$5,100	$5,270
Anderson WIFIA Master Agreement	-	-	-	-	-
Total Debt Service on Parity and Subordinate Obligations[22]	$78,351	$102,953	$123,434	$129,202	$134,489
Revenues Remaining for Capital Improvements	$87,488	$142,141	$160,548	$188,066	$227,313

	2025-26[(2)]	*2026-27*[(2)]	*2027-28*[(2)]	*2028-29*	*2029-30*
Parity and Subordinate Obligations Debt Service Coverage	**2.12**	**2.38**	**2.30**	**2.46**	**2.69**

(1) Amounts rounded to nearest thousand.

(2) Fiscal Year 2025-26 amounts are based on adjusted budget and estimated actual results. Fiscal Year 2026-27 amounts are based on the adopted budget for such year. Amounts shown for Fiscal Year 2027-28 are based on the forecasted amounts shown in the biennial budget.

(3) Reflects compound annual growth rate of 10.7% per annum between Fiscal Year 2026-27 and Fiscal Year 2029-30. Assumes the water rates and charges set forth under the caption "WATER UTILITY SYSTEM—Primary Sources of Revenues—*Projected Rates and Charges*."

(4) Reflects compound annual growth rate of 8.9% per annum between Fiscal Year 2026-27 and Fiscal Year 2029-30. Assumes the water rates and charges set forth under the caption "WATER UTILITY SYSTEM—Primary Sources of Revenues— *Projected Rates and Charges*."

(5) Reflects compound annual growth rate of 13.8% per annum between Fiscal Year 2026-27 and Fiscal Year 2029-30. Assumes the water rates and charges set forth under the caption "WATER UTILITY SYSTEM—Primary Sources of Revenues— *Projected Rates and Charges*." Increase in Fiscal Year 2029-30 is due to the projected increase of recycled water sales from the SCRWA Reclamation Facility from 1,300 acre-feet to 2,300 acre-feet.

(6) Reflects compound annual growth rate of 2.9% per annum between Fiscal Year 2026-27 and Fiscal Year 2029-30. Does not include State Water Project property tax.

(7) Reflects projected interest earnings at an average annual yield of 3.0% from Fiscal Year 2026-27 to Fiscal Year 2029-30. Decreased amounts in Fiscal Years 2028-29 and 2029-30 reflect conservative interest rate assumptions. The projected interest earnings do not include any assumptions for market value adjustments or estimated investment income on trustee-held bond proceeds.

(8) Includes operating grant revenue and reimbursements from local municipalities and agencies, including reimbursements from San Benito County Water District for operations and maintenance projects on the San Felipe Division.

(9) Includes projected transfers in (a) from the Watershed & Stream Stewardship Fund and the General Fund for open space credits provided for agricultural water rates and (b) from the Safe, Clean Water Fund for water conservation measures.

(10) Includes all transfers out to other Valley Water funds.

(11) Includes primarily imported water revenue, well permit fees, rental income, claims and judgments, refunds and adjustments, and homeowners' property tax relief payments from the State.

(12) Includes projected costs for only the SWP portion of the Delta Conveyance Project (does not include CVP portion). Projected costs reflecting further participation in the Delta Conveyance Project are subject to Board approval. See the caption "FACTORS AFFECTING WATER SUPPLIES—California Water Policy Framework and Developments." Reflects compound annual growth rate of 7.6% between Fiscal Year 2026-27 and Fiscal Year 2029-30. Includes estimated GP5 Reimbursement Program costs of $3.1 million in Fiscal Year 2025-26 and projected GP5 Reimbursement Program costs of $5.7 million annually in all other Fiscal Years. GP5 Reimbursement Program costs are projected to be offset by transfers from the Rate Stabilization Fund (see footnote 16 below). Variances from Fiscal Year 2024-25 through Fiscal Year 2026-27 are due primarily to fluctuations in costs for water banking, water conservation, and South Bay Aqueduct and San Felipe Division deliveries.

(13) Reflects compound annual growth rate of 4.6% per annum between Fiscal Year 2026-27 and Fiscal Year 2029-30.

(14) Reflects compound annual growth rate of -0.8% for raw water and -4.1% for treated water between Fiscal Year 2026-27 and Fiscal Year 2029-30.

(15) Includes professional service, banking, and letter of credit fees. See the caption "VALLEY WATER EMPLOYEE RELATIONS" for information with respect to Valley Water's pension and post-employment benefit liabilities and cost.

(16) The Parity Master Resolution authorized the designation of the Rate Stabilization Fund and Special Purpose Funds. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 OBLIGATIONS — Rate Stabilization Fund" and "— Special Purpose Funds." Fiscal Year 2025-26 includes an estimated transfer of $3.1 million from the Rate Stabilization Reserve to fund GP5 Reimbursement Program costs. Fiscal Years 2026-27 to 2029-30 include projected annual transfers of $5.7 million from the Rate Stabilization Reserve to fund the GP5 Reimbursement Program.

(17) Reflects the refunding of the 2017A Bonds and the 2019A Bonds. See the caption "PLAN OF FINANCE."

(18) Excludes principal with respect to the 2024A-2 Notes and the 2024B-2 Notes. Valley Water redeemed the 2024A-2 Notes on May 1, 2026 from proceeds of Revolving Certificates. Valley Water paid the 2024B-2 Notes at maturity from proceeds of the WIFIA Anderson Loan 1. See the caption "DEBT STRUCTURE OF VALLEY WATER —WIFIA Loans."

(19) Assumes the issuance of new-money short-term and/or long-term debt projected at $407.0 million in Fiscal Year 2026-27, $329.2 million in Fiscal Year 2027-28, $370.3 million in Fiscal Year 2028-29, and $453.7 million in Fiscal Year 2029-30, including the periodic issuance of long-term debt to refund the short-term debt.

(20) Calculated assuming fixed interest rates ranging between 5.0% and 7.0% per annum between Fiscal Year 2026-27 and Fiscal Year 2029-30.

(21) Calculated assuming interest only payments on projected short-term debt balances at assumed rates ranging between 4.2% and 6.2% per annum between Fiscal Years 2026-27 and 2029-30. See the caption See the caption "DEBT STRUCTURE OF VALLEY WATER — Short Term Borrowing Programs."

(22) Excludes letter of credit and professional fees and other banking costs, which are paid as Maintenance and Operation Costs.

Source: Valley Water.

The property taxes levied by Valley Water to pay costs under the SWP Contract are not included in Water Utility System Revenues and the SWP Contract costs are not included in Maintenance and Operations Costs.

VALLEY WATER EMPLOYEE RELATIONS

Bargaining Units

On February 20, 2026, the Board approved new multi-year memorandum of understanding agreements ("MOUs") between Valley Water and the bargaining units. The agreements became effective on January 1, 2026 and expire on December 31, 2029. The current agreements include across the board annual salary adjustments beginning in the fourteenth bi-weekly pay period in 2026 at 4.5%, 2027 at 4.0%, 2028 at 3.5% and 2029 at 3.0% (late June or early July of each year).

Valley Water participates in the California Public Employment Retirement System ("CalPERS"), a cost sharing multiple-employer defined benefit plan operated on a statewide basis. Valley Water's contract with CalPERS includes a three-tier benefit level: (1) benefits at the 2.5% of fiscal year compensation benefit level for every year of service for employees at age 55 ("2.5% @ 55") hired prior to March 19, 2012; (2) benefits at the 2% of fiscal year compensation benefit level for every year of service for employees at age 60 ("2% @ 60") hired on or after March 19, 2012 and before January 1, 2013, and (3) benefits at the 2% of fiscal year compensation benefit level for every year of service for employees at age 62 ("2.0% @ 62") hired on or after January 1, 2013 (See the caption "—Employees Retirement Plan — *Benefits Provided*" below).

Employees participating in the 2.5% @ 55 tier contribute only the 8.0% employee contribution rate and do not contribute any additional amount to the employer contribution. Effective June 24, 2024, Valley Water will contribute both the employee and employer portions for employees participating in the PERS 2.0% @ 60 formula. Employees participating in the 2% @ 62 (2.5% @ 67) tier will pay 50% of the normal cost as determined by CalPERS.

Employees are eligible for the following retiree medical coverage: (1) an employee hired on or after July 1, 1988 and prior to March 1, 2007 is eligible for (a) medical coverage for the employee with a minimum of 10 years (20,800 hours) of continuous service at Valley Water, and (b) medical coverage for the employee plus one eligible dependent with a minimum of 15 years (31,200 hours) of continuous service at Valley Water; and (2) an employee hired on or after March 1, 2007 is eligible for (a) medical coverage for the employee with 15 years (31,200 hours) of continuous service at Valley Water, and (b) medical coverage for the employee plus one eligible dependent with 20 years (41,600 hours) or more years of continuous service at Valley Water. For purposes of satisfying continuous service thresholds, employees who have a minimum of five years (10,400 hours) of continuous service at Valley Water and are employed or hired during any portion of the term of the current MOUs (beginning January 1, 2026) are credited for any prior employment at the State or any political subdivision thereof, including any city, county, or special district. Effective April 1, 2024, Valley Water pays all healthcare premiums for employees and their dependents, including domestic partners, and retirees and their eligible dependents.

Employees' Retirement Plan

All qualified permanent and probationary employees are eligible to participate in the agent multiple employer defined benefit pension plan (the "Plan") administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website (https://www.calpers.ca.gov/), however, the contents on such website are not incorporated by reference herein.

Benefits Provided. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of CalPERS credited service, the member's benefit formula, age and average final compensation. Members with five years of total service are eligible to retire at age 50 (if enrolled in the 2.5% @ 55 or 2% @ 60 benefit formulas) or age 52 (if enrolled in the 2% @ 62 benefit formula) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of CalPERS service credit. The death benefits are based on the members' eligibility to retire and consist of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit and the 1959 Survivor Benefit. The cost of living adjustments for each plan are applied as specified by the California Public Employees' Retirement Law.

See Note 11 to Valley Water's audited financial statements attached hereto as Appendix A for more information with respect to Plan's provisions and benefits in effect on June 30, 2025.

Valley Water's employer contribution rate for normal costs for Fiscal Year 2024-25 was 10.57% and the amount required to be paid for the unfunded liability was $24,811,698. Valley Water's employer contribution rate for normal costs for Fiscal Year 2025-26 was 10.46% and the amount required to be paid for the unfunded liability was $26,881,012. Valley Water paid such amounts in Fiscal Years 2024-25 and 2025-26.

For Fiscal Year 2026-27, the employer normal cost rate is 10.15% and the amount required to be paid for the unfunded liability is $28,362,333. Valley Water budgeted $46,606,791 as its contribution to CalPERS for Fiscal Year 2026-27, including amounts to fund the normal cost contribution ($16,008,228), the annual prepayment option for the unfunded liability ($27,444,563), and an additional discretionary contribution ($3,154,000). Valley Water expects to satisfy its Fiscal Year 2026-27 obligation with respect to the unfunded liability through the annual prepayment option.

CalPERS latest actuarial valuation report of Valley Water's pension plan as of June 30, 2024 was released in 2025. In this latest CalPERS actuarial valuation report, the projected normal cost ranges between 9.2% and 10.0% between Fiscal Years 2027-28 and 2031-32. The projected unfunded liability dollar contribution is $29,463,000 in Fiscal Year 2027-28 and is projected to increase to $33,373,000 in Fiscal Year 2031-32. Among other assumptions, the foregoing projections assume an investment rate of return of 6.8%.

In its 2024-25 Annual Investment Report, CalPERS reported that the actual investment return for Fiscal Year 2024-25 was 11.6%, which exceeded the 6.8% investment rate of return assumed in the actuarial valuation report as of June 30, 2024. As a result, the actual contribution requirements for future Fiscal Years can be expected to differ from the projections in the previous paragraph.

Employees Covered. The following number of employees were covered by the benefit terms of the Plan as of Fiscal Year 2024-25, using the CalPERS actuarial valuation report with a measurement date of June 30, 2024:

Inactive employees or beneficiaries currently receiving benefits	1,257
Active employees	849

Contributions. California Government Code Section 20814(c) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Valley Water is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The table below provides a recent history of the required employer contributions for the Plan, as determined by the annual actuarial valuation, as well as the required employer contributions for Fiscal Years 2022-23 through 2026-27. The information below does not account for prepayments or benefit changes made during a fiscal year.

Fiscal Year	*Employer Normal Cost*	*Unfunded Liability Payment*
2022-23	10.170%	$22,840,019
2023-24	10.940	21,957,410
2024-25	10.570	24,811,698
2025-26	10.460	26,881,012
2026-27	10.150	28,362,333

Source: Miscellaneous Plan of the Santa Clara Valley Water District Annual Valuation Report as of June 30, 2024.

Net Pension Liability. Valley Water's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan as of Fiscal Year 2024-25, was determined using the CalPERS actuarial valuation report with a measurement date of June 30, 2024. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions. The total pension liabilities in the June 30, 2023 actuarial valuation were determined using the following actuarial assumptions:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Actuarial cost method	Entry-age normal cost method
Discount rate	6.90%
Inflation	2.30%
Salary increases	Varies by entry age and service
Mortality rate table[(1)]	Derived using CalPERS' membership data for all funds
Post retirement benefit increase	Contract COLA up to 2.30% unit purchasing power protection allowance floor on purchasing power applies, 2.30% thereafter.

(1) The probabilities of mortality are based in the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% Scale MP-2020 published by the Society of Actuaries.

Source: GASB 68 Accounting Valuation Report prepared for the Santa Clara Valley Water District Miscellaneous Plan, measurement date as of June 30, 2024.

Discount Rate. CalPERS reviews all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle. In recent years, the CalPERS Board has lowered the discount rate. Such reductions in the discount rate are expected to increase Valley Water's required employer contributions as well as Valley Water's unfunded accrued pension liability. See the caption "*— Sensitivity of the Net Pension Liability to Changes in the Discount Rate*" for the estimated effect of changes in the discount rate to Valley Water's net pension liability. Valley Water does not expect such reductions in CalPERS' assumed discount rate and increases in its required payments to CalPERS which may result therefrom to have a material adverse impact on its ability to pay debt service on the 2026 Obligations. CalPERS may adjust the discount rate in the future, which will require action by CalPERS' Board and proper stakeholder outreach.

In 2025, CalPERS completed its most recent asset liability management study incorporating actuarial assumptions. In November 2025, the CalPERS board adopted a new investment governance model called the total portfolio approach which took effect on July 1, 2026. Under a total portfolio approach, the focus will be on which investments can best contribute to the performance of the entire CalPERS portfolio, as opposed to achieving individual asset allocation targets. The CalPERS board maintained the discount rate assumption at 6.80%. The CalPERS board also updated actuarial assumptions based on recent demographic and economic trends.

Changes in the Net Pension Liability. The following table shows the changes in net pension liability recognized over the measurement period.

	Increase (Decrease) (in millions)		
	Total Pension Liability (a)	***Plan Fiduciary Net Position (b)***	***Net Pension Liability (c) = (a) – (b)***
Balance at 6/30/2024[(1)]	$ 1,088.1	$ 777.8	$ 310.3
Changes Recognized for the Measurement Period:			
Service Cost	22.5	-	22.5
Interest on Total Pension Liability	74.8	-	74.8
Changes of Assumptions	-	-	-
Changes of Benefits	-	-	-
Difference between Expected and Actual Experience	14.2	-	14.2
Contribution from Employer	-	41.5	(41.5)
Contribution from Employees	-	10.0	(10.0)
Net Investment Income	-	75.4	(75.4)
Benefit Payments, including Refunds of Employee Contribution	(57.8)	(57.8)	-
Administrative Expense	-	(0.6)	0.6
Other Miscellaneous Income/Expenses	-	-	-
Net Changes During 2023-24	53.7	68.4	14.7
Balance at 6/30/2025[(1)]	$ 1,141.8	$ 846.2	$ 295.6

(1) The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense.

Source: GASB 68 Accounting Valuation Report prepared for the Santa Clara Valley Water District Miscellaneous Plan, measurement date as of June 30, 2024.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. Valley Water's net pension liability is affected by the discount rate used to project return on investments. See Note 11 to Valley Water's audited financial statements attached hereto as Appendix A for a discussion of the discount rate.

Funding History. The following table sets forth the schedule of funding progress in connection with Valley Water's Plan.

Actuarial Valuation Date	***Actuarial Accrued Liability***	***Market Value of Assets***	***Unfunded Actuarial Liability***	***Funded Ratio***	***Annual Covered Payroll***
6/30/20	$ 934,989,298	$652,552,527	$282,436,771	69.8%	$103,622,600
6/30/21	1,002,118,636	800,214,091	201,904,545	79.9	112,310,542
6/30/22	1,061,034,027	736,773,603	324,260,424	69.4	121,145,675
6/30/23	1,115,372,406	777,601,193	337,771,213	69.7	124,875,605
6/30/24	1,167,113,145	845,817,476	321,295,669	72.5	129,408,064

Source: Miscellaneous Plan of the Santa Clara Valley Water District Annual Valuation Report as of June 30, 2024.

Pension Plan Fiduciary Net Position. Detailed information about Valley Water's pension plan fiduciary net position is available in the separately issued CalPERS financial reports.

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Pension Expenses and Deferred Outflow/Inflow of Resources. For the Fiscal Year ended June 30, 2025, the reported Valley Water pension expense is $57.4 million. The deferred outflows and inflows of resources related to pensions are as follows (in millions):

	Deferred Outflow of Resources	*Deferred Inflow of Resources*
Pension contribution subsequent to measurement date	$ 44.6	
Change of assumptions	9.5	$ --
Difference between actual and expected experience	23.3	--
Net differences between projected and actual earnings on plan investments	11.0	--
Total	**$ 88.4**	**$ --**

Source: Valley Water and GASB 68 Accounting Valuation Report prepared for the Santa Clara Valley Water District Miscellaneous Plan, measurement date as of June 30, 2024.

As reported in Valley Water's Annual Comprehensive Financial Report for Fiscal Year 2024-25, based on a measurement date of June 30, 2024, $44.6 million was reported as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction from the net pension liability in the following fiscal year. The $44.6 million of pension contributions subsequent to the measurement date, together with the deferred outflows reported in the table below ($43.8 million), equals the total deferred outflow of resources of $88.4 million shown in the table above. Deferred outflows for contributions subsequent to the June 30, 2024 measurement date are expected to be reported in Valley Water's Annual Comprehensive Financial Report for Fiscal Year 2025-26. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of the June 30, 2024 measurement date will be recognized as pension expense as shown in the succeeding table:

Measurement Period	*Deferred Outflows/(Inflows) of Resources*
2026	$ 14.0
2027	30.4
2028	1.9
2029	(2.6)
2030	-
Thereafter	-
Total	**$ 43.8**

Source: GASB 68 Accounting Valuation Report prepared for the Santa Clara Valley Water District Miscellaneous Plan, measurement date as of June 30, 2024.

For more information with respect to Valley Water's Plan, see Note 11 to Valley Water's audited financial statements attached hereto as Appendix A.

Other Post-Employment Benefits. Valley Water provides post-employment health care benefits ("OPEB"), in accordance with the negotiated MOUs with employee groups adopted by the Board for retired employees and/or their surviving dependents who meet the eligibility requirements and elect the option. As of June 30, 2026, there were 657 inactive employees or beneficiaries receiving such benefits (based on a valuation date of June 30, 2023).

Governmental Accounting Standards Board ("GASB") published Statement No. 45 ("GASB 45"), requiring governmental agencies that fund post-employment benefits on a pay-as-you-go basis, such as Valley Water, to account for and report the outstanding obligations and commitments related to such post-employment benefits in essentially the same manner as for pensions.

Valley Water participates in the CalPERS California Employer's Retiree Benefit Trust Program ("CERBT"), a prefunding plan trust fund. On June 24, 2008, the Board approved the reallocation of $17.7 million from its existing reserves for the initial prefunding of the unfunded liability as part of its multiyear financial planning strategy. Valley Water's OPEB plan and its contribution requirements are established by memorandum of understanding with the applicable employee bargaining units and may be amended by agreements between Valley Water and the bargaining groups. The annual contribution is based on the actuarially determined contribution ("ADC"). The ADC represents the annual employer contribution that along with member contributions and investment income is projected to fully fund the OPEB plan over a static 30 years beginning in Fiscal Year 2007-08. For the fiscal year ended June 30, 2025, Valley Water's total contribution to the OPEB plan amounted to approximately $16.9 million. This amount reflects what was paid in employer OPEB contributions in Fiscal Year 2024-25, and accounts for approximately 1.8% of Valley Water expenses (approximately $958.4 million) recognized in the same fiscal year. Based on estimated actual results, Valley Water paid $17.6 million in OPEB contributions in Fiscal Year 2025-26 and has budgeted $17.0 million for the OPEB contribution in Fiscal Year 2026-27.

Valley Water's net OPEB liability was measured on June 30, 2024 for the reporting date of June 30, 2025. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2023, based on the following actuarial methods and assumptions:

Discount Rate[(1)]	6.00%
Inflation	2.80%
Payroll Growth Rate	2.80%
Investment Rate of Return	6.00%
Mortality Rate[(2)]	Derived from CalPERS Study of Miscellaneous Public Agency Experience
Pre-Retirement Turnover	Derived from CalPERS Study of Miscellaneous Public Agency Experience
Healthcare Trend Rate	Medical and Part B trend rate begin at 5.0% then taper to 4.0% by 2025/26; dental and vision are 3.0%

(1) The discount rate is the expected long-term rate of return on Valley Water assets using investment strategy #1 within the California Employers' Retiree Benefit Trust.

(2) The mortality rate table was developed based on CalPERS' non-industrial miscellaneous public agency experience study for 20 years ending June 2011.

The discount rate of 6.00% is the expected long-term rate of return on Valley Water assets using investment "Strategy 1" within the CERBT. The projected cash flows used to determine the discount rate assumed that Valley Water contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The objective of the CERBT Strategy 1 portfolio is to seek returns that reflect the broad investment performance of the financial markets through capital appreciation and investment income. The CERBT Strategy 1 portfolio is invested in various asset classes in percentages approved by the CalPERS board.

In March 2024, Valley Water was informed that the CERBT lowered their Strategy 1 expected long-term rate of return from 7.59% to 6.00%, which required the same reduction to Valley Water's GASB 75 discount rate. As a result, Valley Water's Net OPEB Liability increased significantly from $47.7 million as of June 30, 2023 to $100.2 million as of June 30, 2024. In addition, the projected point of "zero unfunded liability" is estimated to be extended by seven years (from July 1, 2028 to July 1, 2035). For Fiscal Year 2024-25, Valley Water's Net OPEB Liability decreased from Fiscal Year 2023-24 primarily due to a 11.0% return on investments reported by CERBT for the reporting date ending June 30, 2025, which was higher than the investment return assumption of 6.0%. Currently, Valley Water is not making annual contributions to CERBT

and does not plan to start making annual contributions to CERBT despite this update to the expected long-term rate of return.

Valley Water's change in net OPEB liability for the Fiscal Year ended June 30, 2025, calculated and presented in accordance with GASB 75 are as follows (in millions):

Total OPEB Liability	***June 30, 2025***
Service Cost	$ 4.3
Interest on Total OPEB Liability	14.1
Benefits Payment	(13.1)
Change in Actuarial Assumption	--
Other Liability Experience Loss/(Gain)	(0.6)
Net Change in OPEB Liability	4.5
Total OPEB Liability, Beginning	238.8
Total OPEB Liability, Ending	**$ 243.4**
Plan Fiduciary Net Position	
Contributions	$ 13.1
Benefits Payment	(13.1)
Net Investment Income	6.9
Expected Investment Return	8.3
Administrative Expense	(0.07)
Net Change in Fiduciary Net Position	15.1
Plan Fiduciary Net Position, Beginning	138.6
Plan Fiduciary Net Position, Ending	**$ 153.7**
Net OPEB Liability, Ending	**$ 89.6**

Source: Valley Water.

As of June 30, 2025, Valley Water's OPEB plan fiduciary net position was 63.17% of total OPEB liability and Valley Water's net OPEB liability was 67.38% of covered payroll (approximately $133.0 million).

For more information with respect to Valley Water's OPEB, see Note 12 to Valley Water's audited financial statements attached hereto as Appendix A.

Other Benefits. Valley Water provides employer-paid benefits as follows: medical, dental, vision, basic life, and basic long-term disability. Employees may also purchase supplemental life, supplemental long-term disability, and accidental death and dismemberment.

Valley Water has established a deferred compensation plan for employees wishing to defer part of their salaries. Under certain conditions, Valley Water makes matching contributions. In the Fiscal Year ended June 30, 2025, Valley Water contributed approximately $1.7 million to the deferred compensation plan.

GENERAL LITIGATION

In addition to litigation described elsewhere in this Official Statement, certain litigation affecting Valley Water is described below.

Howard Jarvis Taxpayer Association v. Coachella Valley Water District

Howard Jarvis Taxpayers Association is pursuing litigation against Coachella Valley Water District ("Coachella") challenging Coachella's collection of the SWP tax and use of SWP tax proceeds. Among other things, the lawsuit alleges that Coachella violated the California Constitution in imposing a SWP tax without evidence showing that this was necessary, i.e., that Coachella's water rate revenue was insufficient to pay SWP expenses. The trial court agreed with plaintiff, in holding that SWP expenses should generally be paid through water rates and not taxes, and Coachella's SWP tax was unlawful because the record failed to show that it was necessary for Coachella to impose the SWP tax, i.e., that it was infeasible to pay SWP expenses through its rates. The trial of this action was bifurcated and the damages phase of trial has not yet started. A final judgment will likely be entered in 2026, and Coachella will likely appeal.

Many SWP contractors, including Valley Water, rely on the imposition of the SWP tax to pay for all or most of their SWP expenses. If the trial court's decision is appealed and upheld on appeal, this could impair the ability of Valley Water and other SWP contractors to pay for their SWP expenses through use of the SWP tax, resulting in a significant increase in their water rates.

San Francisco Baykeeper v. SCVWD

In September 2022, petitioner Baykeeper filed a petition for writ of mandate and declaratory relief against Valley Water in Santa Clara County Superior Court for alleged violations of the California Fish and Game Code, violation of the public trust doctrine, and violation of the California Constitution. (San Francisco Baykeeper v. Valley Water, Santa Clara County Superior Court, Case No. 22CV403523). The petition alleged that Valley Water does not operate its dams and waterways to allow sufficient water flows to maintain fish stocks in good condition and has failed to manage its waterways to protect habitat values for fish and wildlife.

In 2024 the Court granted Valley Water's motions to stay this action pending resolution of the SWRCB hearing on Valley Water's water rights' change petitions and Valley Water's submission of change petitions for water rights in the Coyote Creek watershed after certification of the Anderson Dam Seismic Retrofit Project EIR.

As noted above, in January 2026, Valley water reached a settlement in principle with Baykeeper regarding this lawsuit as well as Baykeeper's protest to Valley Water's water rights change petitions in the Guadalupe River and Stevens Creek watersheds. As part of this settlement, if the SWRCB approves Valley Water's proposed amended water rights licenses and its updated FAHCE plan, Baykeeper will dismiss its water rights change petition protest and its lawsuit. This settlement will apply to Valley Water's submission of change petitions for its water rights in the Coyote Creek watershed as well, provided that they are consistent with those in the Guadalupe River and Stevens Creek watersheds. In the event that there is a dispute as to Valley Water's implementation of the FAHCE plan or its Coyote Creek watershed change petitions, the parties may only seek relief before the SWRCB and may not file any litigation.

The State Board Administrative Hearing Officer has issued a draft order approving the proposed settlement and proposed water rights change petitions. Valley Water expects that the SWRCB will approve this settlement and the proposed amended water rights in conformance with the parties' proposed settlement, however, no assurances can be made that the settlement will be approved. Valley Water does not expect this settlement, if approved in its current form, to materially adversely affect Valley Water's ability to pay debt service on the 2026 Obligations.

Santa Clara Valley Water District v. 3M Company; et al.

In response to required testing for PFAS chemicals at various fire-fighting training sites, Valley Water learned that PFAS were detected at one of its recharge ponds immediately adjacent to a fire training site. (The site drains to the pond.) In addition, several Valley Water retailer wells have tested positive for PFAS

chemicals above State and federal recommended or mandated levels. In response, Valley Water has expended monies conducting testing for PFAS chemicals at a wide variety of sites and wells throughout the County. The EPA has proposed drinking water test standards for various PFAS chemicals, and PFAS are proposed to be listed as hazardous substances under federal law, imposing potential cleanup liability on any entity that handles, processes, or transports PFAS chemicals. This could impact Valley Water's disposal of sludge or reverse osmosis concentrate from its water treatment plants.

Valley Water filed suit against PFAS manufacturers to recoup current and anticipated future costs relating to PFAS testing and remediation, and this action was removed and transferred, pursuant to a Multi-District Litigation Order applicable to all PFAS cases involving aqueous film-forming foam, to the U.S. District Court for the District of South Carolina for all pre-trial proceedings. Valley Water has not settled its claims with any of the PFAS manufacturers that have entered into class action settlements (e.g., 3M, Dupont/Chemours, BASF, Tyco) and this matter remains pending in the district court.

Stanford University Claims

On April 23, 2021, Valley Water received a claim from Stanford University ("Stanford") challenging Valley Water's application of groundwater charges in Charge Zone W-2 to Stanford. Stanford sought a refund of the Fiscal Year 2020-21 groundwater charges that it paid to Valley Water that fiscal year. Stanford has subsequently presented additional claims for a refund of all groundwater charges it has paid each fiscal year since this time though 2025. Valley Water denied all of Stanford's claims.

Stanford argued that Valley Water's groundwater charges, as applied to Stanford, violated Proposition 26 (California Constitution, Article XIIIC) and the District Act, and unlawfully interferes with Stanford's water rights and constitutes a taking. In its claim, Stanford asserted that imposition of the groundwater charges on Stanford are unlawful because Stanford does not materially benefit from Valley Water's groundwater recharge or other water utility activities due to its location. However, Valley Water's consultant concluded in a 2020 groundwater benefit zone study that the groundwater basin from which Stanford pumps water benefits from Valley Water's groundwater recharge activities. This comprehensive study was relied upon by the Board when the Board updated Valley Water's groundwater charge zones in 2020.

In September 2025, Valley Water and Stanford signed a settlement agreement, under which Valley Water will give Stanford a financial incentive credit, to be applied against its groundwater charges, for a certain amount of water (at least 60 acre-feet but no more than 300 acre-feet per year), after accounting for applicable regulatory requirements, that it recharges into the basin each fiscal year through its own collection or diversion of water into Lake Lagunita, an ephemeral lake on Stanford property. Valley Water does not expect this settlement to materially adversely affect Valley Water's ability to pay debt service on the 2026 Obligations.

County of Santa Clara – Dunne Avenue Damages

The County submitted a claim to Valley Water seeking damages for alleged landslide and settlement damages to its East Dunne Avenue roadway adjacent to Anderson Reservoir. The County maintains that the damages were caused by Valley Water's draining of the reservoir for a capital project. While no amount was specified in the claim, the County has since asserted that its estimated damages exceed $4.2 million. Valley Water is currently evaluating the claim with respect to liability.

Litigation Related to SWP and CVP Operations

Litigation relating to SWP and CVP operations and related contracts is ongoing, the outcome of which could impact Valley Water's water sources and finances. See the captions "SANTA CLARA COUNTY WATER SUPPLY — State Water Project" and "— Central Valley Project," "FACTORS AFFECTING WATER SUPPLIES — Bay-Delta/Imported Water Litigation."

General

No litigation is pending or, to the knowledge of Valley Water, threatened, in any way questioning or affecting the validity or enforceability of the Parity Master Resolution, the 2026 Obligations, or the Indentures. Neither the creation, organization or existence of Valley Water, nor the title of the present directors or officers of Valley Water to their respective office is being contested.

In addition to the litigation described above, Valley Water is engaged in routine and non-routine litigation incidental to the conduct of its business which is not described above. In the opinion of Valley Water's District Counsel, the aggregate amounts recoverable against Valley Water with respect to such routine litigation not described above, taking into account insurance coverage, are not material.

POTENTIAL INVESTMENT CONSIDERATIONS

The following factors, along with other information in this Official Statement, should be considered by potential investors in evaluating the risks in the purchase of the 2026 Obligations. The investment considerations included in this section are not exhaustive and other events or factors could materially adversely affect Valley Water's operations and financial condition.

Rate Covenant Not a Guarantee

The 2026 Obligations are payable from Net Water Utility System Revenues of the Water Utility System. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 OBLIGATIONS." Valley Water's ability to pay debt service with respect to the 2026 Obligations depends on its ability to generate Net Water Utility System Revenues at the levels required by the Parity Master Resolution. Although Valley Water has covenanted in the Parity Master Resolution, to the fullest extent permitted by law, to fix and prescribe rates, fees and charges as more particularly described under the caption "—Rate Covenant" under "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 OBLIGATIONS," and expects that sufficient Net Water Utility System Revenues will be generated through the imposition and collection of such rates and charges, there is no assurance that the imposition and collection of such rates and charges will result in the generation of Net Water Utility System Revenues in the amounts required by the Parity Master Resolution. No assurance can be made that revenues of the Water Utility System, estimated or otherwise, will be realized by Valley Water in amounts sufficient to pay debt service on the 2026 Obligations. Among other matters, the availability of and demand for water, and changes in law and government regulations could adversely affect the amount of revenues realized by Valley Water.

Valley Water staff's practice in recent years has been to budget for two times debt service coverage on its outstanding obligations. Such practice, however, is not Board policy and could be modified at any time by staff or by the Board. Valley Water has covenanted under the Parity Master Resolution to the fullest extent permitted by law, to fix and prescribe rates, fees and charges to maintain debt service coverage at the levels more particularly described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE 2026 OBLIGATIONS—Rate Covenant."

Water Utility System Expenses

There can be no assurance that Maintenance and Operation Costs will be consistent with the levels projected by Valley Water in this Official Statement. Changes in technology, increases in the cost of water or other expenses could reduce Net Water Utility System Revenues, and could require substantial increases in rates or charges in order to comply with the rate covenant.

Valley Water is currently studying the implementation of significant capital projects which, if undertaken, would significantly increase Maintenance and Operation Costs and debt service after Fiscal Year 2027-28. These projects include the Pure Water Silicon Valley Project and participation in the Sites Reservoir

Project and the Sisk Dam Raise Project. See the captions "FACTORS AFFECTING WATER SUPPLIES—Participation in Water Supply and Storage Projects" and "CAPITAL IMPROVEMENT PROGRAM."

Statutory and Regulatory Compliance

Laws and regulations governing the treatment and delivery of water, the storage of water and the recharge of groundwater basins are enacted and promulgated by federal, State and local government agencies. Compliance with these laws and regulations is and will continue to be costly, and, as more stringent standards are developed, such costs will likely increase.

Valley Water is unaware of any claim against Valley Water for failure to comply with applicable laws and regulations, other than the lawsuits described under the captions "GENERAL LITIGATION—Stanford University Claims" and "—San Francisco Baykeeper v. SCVWD" above. However, if such a claim were to be filed and be successful, such claim may be payable from assets of Valley Water or from other legally available sources. In addition to claims by private parties, changes in the scope and standards for public agency water systems such as that operated by Valley Water may also lead to administrative orders issued by federal or State regulators. Future compliance with such orders can also impose substantial additional costs on Valley Water. No assurance can be given that the cost of compliance with such laws, regulations and orders would not adversely affect the ability of Valley Water to generate Net Water Utility System Revenues sufficient to pay debt service with respect to the 2026 Obligations.

Limitations on Revenues

The ability of Valley Water to generate Net Water Utility System Revenues sufficient to pay principal of and interest on the 2026 Obligations may be adversely affected by actions and events outside of the control of Valley Water and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. See "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES." Furthermore, the remedies available to the owners of the 2026 Obligations upon the occurrence of an event of default under the Parity Master Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

Limitations on Remedies Available; Bankruptcy

The enforceability of the rights and remedies of the Owners and the obligations of Valley Water may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equitable principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercising of powers by the federal or State government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

No Obligation to Tax

The obligation of Valley Water to pay debt service with respect to the 2026 Obligations, does not constitute an obligation of Valley Water for which Valley Water is obligated to levy or pledge any form of taxation or for which Valley Water has levied or pledged any form of taxation. The obligation of Valley Water to pay debt service with respect to the 2026 Obligations, does not constitute a debt or indebtedness of any

agency, the State of California or any of its political subdivisions, in contravention of any constitutional or statutory debt limitation or restriction.

Change in Law

In addition to the other limitations described herein, the California electorate or Legislature could adopt a constitutional or legislative property tax decrease or an initiative with the effect of reducing revenues payable to or collected by Valley Water. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could reduce the revenues and adversely affect the security of the 2026 Obligations.

Constraints on SWP and CVP Water Deliveries

Various ongoing factors and new developments with respect to SWP and CVP facilities and operations could have a material impact on Valley Water's imported water sources. Implementation of certain biological opinions have curtailed the amount of surface water conveyed south of the Delta to water agencies, including Valley Water. The undertaking of the Delta Conveyance Project and Valley Water's ultimate level of participation in such project, if any, could have a material impact on the amount of Valley Water's imported water deliveries in the future. In addition, USBR and DWR requested re-initiation of consultation for coordinated long-term operations due to new information learned after multiple years of drought, low populations for listed species and new scientific information. The outcome of such process could have a material impact on Valley Water's imported water supplies. See the caption "FACTORS AFFECTING WATER SUPPLIES." There can be no assurance that CVP allocated by USBR will be maintained at levels described in the table "HISTORICAL WATER DELIVERIES AND SOURCES OF THE WATER DELIVERED."

Risks Related to Water Utility System Facilities and Operation

The operation of the Water Utility System, and the physical condition of the Water Utility System facilities, are subject to a number of risk factors that could adversely affect the reliability of Valley Water to provide water service, or increase the operating expenses of the Water Utility System. Prolonged damage to the Water Utility System facilities could interrupt the ability of Valley Water to realize Net Water Utility System Revenues sufficient to pay principal of and interest on the 2026 Obligations, or require Valley Water to increase expenditures for repairs significantly enough to adversely impact Valley Water's ability to pay the principal of or interest on the 2026 Obligations. These factors could include, among others, the following:

Flooding and Other Natural and Man-Made Disasters. Flooding and other natural disasters, including without limitation flooding, seismic events, landslides, and fire, or man-made disasters, accidents or damage due to theft and vandalism (during construction or otherwise) could interrupt operation of the Water Utility System, result in liability claims against Valley Water, or otherwise adversely impact the Water Utility System's ability to provide services or collect revenues. See "—Potential Impact of Climate Change." For example, major rainstorms in 2017 caused flooding in areas surrounding Valley Water-managed facilities, resulting in property damage and claims against Valley Water.

The area encompassed by Valley Water as well as areas from where DWR and USBR provide water to Valley Water, like that in much of California, may be subject to unpredictable seismic activity. Valley Water and such DWR and USBR facilities are located within a regional network of several active and potentially active faults. If there were to be an occurrence of severe seismic activity in Valley Water or affecting such DWR and USBR facilities, there could be an impact on the ability of residents to pay rates and charges for water service, diminishing Net Water Utility System Revenues, which could have an adverse effect on Valley Water's ability to pay the principal of and interest on the 2026 Obligations.

Valley Water's water storage facilities require the operation and maintenance of a number of dams. The structural integrity of dams can be impacted by seismic events and heavy rainfall. For example, in February 2017, heavy rainfall damaged the main and emergency spillways of the Oroville Dam, which is owned and operated by DWR. Such damage prompted evacuation of certain populations living downstream along the Feather River.

Valley Water undertakes studies and retrofits of Valley Water dams in accordance with updates to design criteria. Such studies are performed in cooperation with and reviewed by the DSOD. Several of Valley Water's dams are subject to capacity restrictions by DSOD and DSOD is requiring seismic retrofitting of such dams. However, no assurances can be made that major seismic and/or heavy rainfall will not damage Valley Water dams, which damage could be significant. Valley Water's dam facilities are not insured. See the captions "VALLEY WATER FACILITIES—Local Reservoirs," "—Seismic Considerations" and "—Anderson Dam Seismic Retrofit Project and FERC Directive."

California is currently experiencing a number of significant wildfires. To date, Valley Water's operations have not been materially affected by such wildfires. However, Valley Water's facilities and operations could be materially affected by wildfires in the future, including due to evacuation orders affecting Valley Water's employees.

Labor Actions. Valley Water has historically maintained a positive relationship with its employees. Nonetheless, a work stoppage or other labor action could limit Valley Water's ability to operate the Water Utility System facilities and adversely impact Water Utility System Revenues.

Casualty Losses. Valley Water's risk management program includes both self-insured and insured coverages; however, the program does not provide coverage for every conceivable risk of loss. Damage attributable to seismic events and flooding are excluded. See the caption "VALLEY WATER—Insurance." Valley Water is not required to either insure against or self-insure against every potential risk of loss, and there is a risk that damage or destruction of property and equipment comprising the Water Utility System could occur for which no insurance or self-insurance funds will be available. There can be no assurance that insurance providers will pay claims under any policies promptly, or at all, should a claim be made under such policies in connection with property loss or damage. It is possible that an insurance provider will refuse to pay a claim, especially if it is substantial, and force Valley Water to sue to collect on or settle the insurance claim. Further, there can be no assurances that any insurance proceeds will be sufficient to rebuild or replace any damaged property.

Safety and Security. The occurrence of military conflicts and terrorist activities may adversely impact the operations of the Water Utility System or the finances of Valley Water. Valley Water continually plans and prepares for emergency situations and immediately responds to ensure services are maintained. However, there can be no assurance that any existing or additional safety and security measures will prove adequate in the event that military conflicts or terrorist activities are directed against the Water Utility System or that costs of security measures will not be greater than presently anticipated.

Power Supply. Valley Water and/or its retail customers could experience power outages as a result of natural disasters or other events. Pacific Gas & Electric ("PG&E"), which is the electric utility provider in Valley Water's service area, has implemented a Public Safety Power Shutoff Program pursuant to which PG&E would voluntarily turn off power to certain areas during times of heightened fire risk (i.e. gusty winds or dry conditions). To prepare for power outages, Valley Water has built back-up power resources to serve its infrastructure, including permanent and mobile generators. While Valley Water believes that it has the necessary contingency plans in place to continue its operations in the event of a temporary loss of power supply from PG&E, Valley Water can make no assurances that such loss of power would not cause an interruption in Valley Water's operations.

Sustainable Groundwater Management Act. On September 16, 2014, the California Governor signed SGMA into law. SGMA constitutes a Statewide legislative structure for local agencies to manage groundwater with the potential for State intervention if local efforts fail to meet prescribed requirements.

SGMA requirements apply to all basins designated as "high" or "medium" priority basins by DWR. The prioritization is based on factors including population, groundwater reliance, and documented historical or current adverse impacts. SGMA requirements are the same for high and medium priority basins. There are four groundwater subbasins in Santa Clara County. The two large subbasins actively managed by Valley Water (Santa Clara and Llagas) are entirely within the County while the other two subbasins have only have small portions within the County (San Mateo Plain and North San Benito). DWR has designated the Santa Clara and Llagas subbasins as high priority basins, the North San Benito Subbasin as a medium priority basin, and the San Mateo Plain Subbasin as a very low priority basin.

SGMA required groundwater sustainability agencies ("GSAs") to be formed to manage each high and medium priority groundwater basin by June 30, 2017. A groundwater sustainability plan ("GSP") had to be submitted to DWR by January 31, 2020 for basins designated as critically over-drafted, or by January 31, 2022 for all other high and medium priority basins. Pursuant to California Water Code section 10733.6, local agencies could submit a prescribed alternative to a groundwater sustainability plan (the "Alternative Plan"), which could include a plan developed under Part 2.75 of Division 6 of the California Water Code or other law authorizing groundwater management, management pursuant to an adjudication action, or an analysis demonstrating that a groundwater basin has operated within its sustainable yield for at least 10 years. Such Alternative Plans were required to be submitted by January 1, 2017 and updated every five years thereafter. As SGMA continues to be implemented, basin priorities and boundaries may change. When periodic basin reprioritizations are finalized by DWR, basins newly subject to SGMA must form GSAs within two years and adopt GSPs within five years (or submit an Alternative Plan within two years).

Valley Water is the exclusive GSA for the Santa Clara and Llagas subbasins, which are entirely within the County. Valley Water submitted an Alternative Plan prepared pursuant to authority granted by the SGMA and the Law to DWR on December 21, 2016. In July 2019, DWR approved the Alternative Plan for both the Santa Clara and Llagas subbasins. Valley Water submitted the first five-year periodic update of the approved Alternative Plan to DWR by January 1, 2022, as required under SGMA.

Valley Water is also the exclusive GSA for the small portions of the North San Benito Subbasin within the County; San Benito County Water District is GSA for the portions in San Benito County. With Valley Water's support, the San Benito County Water District GSA completed and submitted a GSP (which was also adopted by Valley Water) for the entire North San Benito Subbasin in January 2022. On July 27, 2023, DWR approved the GSP, determining that it satisfies the objective of SGMA.

Valley Water does not currently expect the enactment of the SGMA or the implementation of the Alternative Plan/GSP with respect to the Santa Clara, Llagas, or North San Benito groundwater basins described above to have a material adverse effect on Valley Water's ability to pay principal of and interest on the 2026 Obligations.

Through the Semitropic Groundwater Banking Program, Valley Water also stores a portion of imported water in a groundwater basin outside of the boundaries of Valley Water in the San Joaquin Valley-Kern County groundwater subbasin, which has been designated by DWR as a high priority basin that is critically over-drafted. For a discussion of the activities of the Semitropic GSA, the Kern County Subbasin GSAs and the potential effects of the activities thereof on water currently stored by Valley Water, and water which may be stored by Valley Water in the future, see the caption "FACTORS AFFECTING WATER SUPPLIES—Water Banking." While Valley Water does not currently expect that enactment of the SGMA or the activities of the Semitropic GSA or the KGA resulting therefrom will have a material adverse effect on Valley Water's ability to pay principal and interest on the 2026 Obligations, Valley Water is monitoring the Semitropic GSA's and the KGA's activities with respect to SGMA. Valley Water cannot predict what effect,

if any, Semitropic GSA or KGA activities with respect to the SGMA will ultimately have on the water currently stored, or water which may be stored or withdrawn in the future, by Valley Water in the Semitropic Groundwater Banking Program.

Risks Related to Large-Scale Projects

Valley Water is currently considering constructing or participating in several proposed large-scale water storage and conveyance projects such as the Sites Reservoir Project, the Sisk Dam Raise Project and the Delta Conveyance Project. Valley Water is also considering the development of the Pure Water Silicon Valley Project and is currently undertaking the Anderson Dam Seismic Retrofit Project. See the captions "FACTORS AFFECTING WATER SUPPLIES—Participation in Water Supply and Storage Projects," "—California Water Policy Framework and Developments" and "CAPITAL IMPROVEMENT PROGRAM." The environmental review, design and construction of such projects, if undertaken, is expected to require substantial funding and to occur over a long period of time. Such large-scale projects in California have historically been subject to significant delay and cost increases due to, among other factors, litigation, State and federal regulatory review and approval process, labor and material cost increases, funding delay, damage to the improvements during construction (including due to theft and vandalism) and political factors. It can be expected that the projected timeframe and costs for such projects set forth in this Official Statement will change and such changes could be material. In addition, there can be no assurance that such projects will be undertaken, or if undertaken, whether they will be completed in the timeframe currently projected.

Cybersecurity

Valley Water has adopted information security practices and maintains an active information security posture, which is annually reviewed by independent third-party consultants engaged by Valley Water. Valley Water has appointed a Deputy Operating Officer for Information Technology and a Unit Manager for Infrastructure Services, who together are responsible for updates to information security practices and are charged with identifying and monitoring threats which are typically addressed by Valley Water's Infrastructure Services team and educating staff concerning vulnerabilities. Valley Water security practices support network, computer and mobile device security (both digital and physical), email security, anti-virus and anti-malware requirements, operating system and application patching, encryption requirements, personnel, third party management, asset management, business continuity and disaster recovery, PCI compliance and secure computing asset disposal. Valley Water currently engages external consultants to audit and assess internal controls of the information security program annually.

Valley Water maintains liability insurance covering certain cyber losses. See the caption "VALLEY WATER — Insurance — *Cyber Liability Insurance*" for more information. Valley Water requires vendors contracted to work on technology-related projects to purchase Technology Errors & Omissions coverage.

Valley Water is also reliant on other entities and service providers in connection with the administration of the 2026 Obligations, including without limitation the County tax collector for the levy and collection of property taxes and the Trustee. No assurance can be given that Valley Water and these other entities will not be affected by cyber threats and attacks in a manner that may affect the owners of the 2026 Obligations.

Potential Impact of Climate Change

Climate change is an important issue facing water resources planning. Therefore, Valley Water is evaluating climate change risks and vulnerabilities in its long-term water supply planning for future water supply reliability. There is scientific consensus that increasing concentrations of greenhouse gases have caused and will continue to cause increases in global temperatures, which will result in a wide range of changes in climate patterns (i.e. climate change). Moreover, there is evidence that a warming trend occurred during the latter part of the 20th century and will likely continue through the 21st century. These changes will

have a direct effect on water resources in the State, and numerous studies on climate and water in the State have been conducted to determine the potential impacts. Based on these studies, climate change is likely to result in various types of impacts on Valley Water's Water Utility System, including among others, changes in the quantity, timing, intensity, and annual variability of precipitation, increased incidences and intensity of wildfires that could degrade water quality, sea level rise and riverine flooding, increased storm intensity and flooding, and increased temperatures. The foregoing is not an exhaustive list of the potential impact of climate change on Valley Water's operations. Such changes, among others, could affect the Water Utility System's water source reliability as well as water utility assets.

In July 2021, Valley Water completed an agency-wide Climate Change Action Plan ("CCAP") that includes vulnerability and risk assessments. The CCAP discusses Valley Water's current greenhouse gas emissions and climate efforts, Santa Clara County's climate and projected climate changes, Valley Water's vulnerabilities and risks due to climate change impacts, and goals, strategies, and possible actions to mitigate and adapt to climate change. The CCAP identifies seven goals—three that address GHG mitigation, three that address adaptation in each of Valley Water's mission areas—water supply, flood protection, and ecosystem stewardship—and one pertaining to emergency preparedness. Strategies are identified in the CCAP to achieve each goal. With respect to GHG mitigation, the CCAP identifies reductions to be achieved through adding fuel efficient/EV vehicles to Valley Water's fleet, replacing older equipment and consideration of GHG emissions when designing new capital projects. With respect to adaptation, the CCAP sets forth goals to maximize climate resilience of the County water supply, diversify local water supplies, increase the reliability of imported water and ensure that residents, waterways and infrastructure are protected from risks associated with increased flooding. With respect to emergency preparedness, the CCAP sets forth actions to maximize resilience to climate change-related emergencies which include improving Valley Water's internal procedures for emergency education and response as well as Valley Water's engagement with external emergency planning groups.

Valley Water staff is conducting further studies into a few of the issues above to look at climate change-related water supply risks and uncertainties into the late 21st century. Staff is evaluating risks and uncertainties related to climate-change related changes in: water demand, evaporative losses, changes in volume and timing of reservoir inflow, and degraded imported water reliability. Preliminary results indicate that climate change may result in increased water demand and overall decreased water supply reliability. Based on these preliminary studies and the results of literature reviews, the potential impacts of climate change on the Water Utility System are not expected to have a material adverse effect on Valley Water's ability to pay debt service on the 2026 Obligations. Valley Water staff continues to monitor the available scientific information relating to climate change. Valley Water's water supply planning studies are updated regularly and will consider new or changing climate information as it becomes available.

The effect of sea level rise on water utility assets has been, and continues to be, evaluated. Valley Water's 2015 Infrastructure Reliability Plan considered the potential impact of sea level rise on the Water Utility System. Valley Water's delivery of drinking water is dependent on imported water that is delivered through the Bay Delta, which is vulnerable to sea level rise and storm surges. However, Valley Water does not currently believe that the potential for sea level rise will have a material adverse effect on Valley Water's ability to pay debt service on the 2026 Obligations.

Economic, Political, Social and Environmental Conditions

Changes in economic political, social, or environmental conditions on a local, state, federal, and/or international level may adversely affect investment risk generally. Such conditional changes may include (but are not limited to) fluctuations in business production, consumer prices, real estate or financial markets, unemployment rates, availability of skilled labor, technological advancements, shortages or surpluses in natural resources or energy supplies, changes in law, social unrest, fluctuations in the crime rate, political conflict, acts of war or terrorism, environmental damage, and natural disasters.

Impact of Economic Conditions on Project Costs and Schedules

The estimated costs of, and the projected schedules for, the capital projects expected to be financed and/or refinanced with proceeds of the 2026 Obligations are subject to change based on factors related to negative general economic conditions. Such negative general economic conditions may include, but are not limited to, cost increases due to demand for labor and materials, material and/or labor shortages, unforeseen site conditions, unanticipated levels of inflation, and other macro- or micro- economic uncertainties in both the global and domestic markets. Valley Water cannot predict the impact of any of these factors and conditions and their effects, if any, on the estimated costs of, and the projected schedules for, the capital projects expected to be financed and/or refinanced with proceeds of the 2026 Obligations .

Impacts of Federal Policy on Loans and Grants

Recent actions taken by the current federal administration could impact federal funding to local governments, including Valley Water. Executive Orders and federal regulations adopted in response thereto which relate to, among other matters, diversity, equity, and inclusion, gender ideology, and defunding sanctuary jurisdictions (some of which are being legally challenged) may have an impact on loans and grants which have been committed by the federal government, as well as future competitive federal grant and loan opportunities. No assurances can be made that actions by the federal administration will not adversely affect current or future federal commitments to the federal loans and grants for Valley Water's projects or for projects in which Valley Water participates, including, but not limited to the WIFIA loans which Valley Water has executed and delivered. See the caption "DEBT STRUCTURE OF VALLEY WATER — WIFIA Loans."

Change in Tax Law

As discussed under "TAX MATTERS," current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2026A Bonds and 2026 Notes to be subject, directly or indirectly, in whole or in part, to federal income taxation or the 2026 Obligations to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest.

Failure to Maintain Credit Ratings

Certain rating agencies have assigned ratings to the 2026 Obligations. The ratings issued reflect only the views of such rating agencies. Any explanation of the significance of these ratings should be obtained from the respective rating agencies. See "RATINGS." There are no assurances that current ratings will continue for any given period or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in the respective judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings could be expected to have an adverse effect on the market price or the marketing of the 2026 Obligations. Valley Water undertakes no obligation to maintain its current credit ratings on the 2026 Obligations or to oppose any such downward revision, suspension or withdrawal.

Secondary Market

There can be no guarantee that there will be a secondary market for the 2026 Obligations or, if a secondary market exists, that the 2026 Obligations can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

From time-to-time, Valley Water issues Commercial Paper Notes to finance projects of the Water Utility System. Due to the foregoing risks described above with respect to the availability of a secondary

market for the 2026 Obligations, Valley Water can make no assurances that there will continue to be a market for such short-term obligations.

Uncertainties of Projections, Forecasts and Assumptions

Certain information contained in this Official Statement is based upon assumptions and projections. Projections and assumptions are inherently subject to significant uncertainties. Inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur and actual results are likely to differ, perhaps materially, from those projected. Accordingly, such projections are not necessarily indicative of future performance, and Valley Water assumes no responsibility for the accuracy of such projections. See the caption "INTRODUCTION — Forward-Looking Statements."

Development Default Under Water Utility WIFIA Loan

Under the Anderson Master Loan Agreement, a "Development Default" will have occurred if, with respect to a project financed from proceeds of a loan made thereunder, (a) Valley Water abandons work related to such project or fails, in the reasonable judgment of the EPA, to diligently prosecute the work related to such project or (b) Valley Water fails to achieve the stage at which such project is able to perform the functions for which such project is designed (i.e. substantial completion), within twenty four (24) months following the projected date for substantial completion as set forth in the Anderson Master Loan Agreement as of its effective date. If a Development Default occurs, the EPA may, among other remedies, declare the unpaid principal amount of such loan obtained under the Anderson Master Loan Agreement to be immediately due and payable. In such circumstance, Valley Water would either need to pay such amount from available Water Utility System Revenues or issue Bonds or incur Contracts or other obligations to pay such amount. Debt service on such bonds, notes or other obligations could be materially higher than payments on the loan obtained under the Anderson Master Loan Agreement. See the captions "DEBT STRUCTURE OF VALLEY WATER" and "CAPITAL IMPROVEMENT PROGRAM."

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Article XIIIB

An initiative constitutional amendment entitled Limitations on Government Appropriations was approved by California voters on November 6, 1979. Under the amendment which added Article XIIIB to the California Constitution ("Article XIIIB"), State and local government agencies are subject to an annual limitation on certain appropriations. Appropriations subject to limitation consist of "tax revenues," State subventions and certain other funds (together herein referred to as "proceeds of taxes"). Article XIIIB does not affect the appropriation of money excluded from the definition of "appropriations subject to limitation," such as debt service on indebtedness existing or authorized before January 1, 1979 or subsequently authorized by the voters and appropriations mandated by any court having proper jurisdiction. Article XIIIB also excludes from limitation the appropriation of proceeds from regulatory licenses, user charges or other fees to the extent such proceeds equal "the costs reasonably borne by such entity in providing the regulations, product or service."

In general terms, Article XIIIB provides that the appropriations limit will be based on certain 1978-79 expenditures and will be adjusted annually to reflect changes in cost of living, population and transfer of financial responsibility of providing services from one governmental unit to another. Article XIIIB also provides that if an agency's revenues in any year exceed the amount which is appropriated by such agency in compliance with the provisions of Article XIIIB, the excess must be returned during the next two fiscal years by revising tax rates or fee schedules. Valley Water's revenues do not exceed any applicable appropriations limit.

Proposition 218

General. An initiative measure entitled the "Right to Vote on Taxes Act" (the "Initiative") was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIIC and Article XIIID to the California Constitution. According to the "Title and Summary" of the Initiative prepared by the California Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges."

Valley Water and District Counsel do not believe Valley Water's wholesale water rates charged under its contracts with retail agencies are subject to the substantive and procedural requirements of Article XIIID. See "Great Oaks Case" under the caption "— Proposition 26" below for a discussion of previous litigation with respect to Valley Water's groundwater charges.

Article XIIID. Article XIIID defines the terms "fee" and "charge" to mean "any levy other than an *ad valorem* tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service." A "property-related service" is defined as "a public service having a direct relationship to property ownership." Article XIIID further provides that reliance by an agency on any parcel map (including an assessor's parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed. The agency must then conduct a public hearing on the proposed fee or charge not less than 45 days from the notice. At the hearing, the agency must consider any protests from anticipated payers, and the proposed fee or charge may not be imposed or increased if written protests against it are filed by a majority of owners of the identified parcels. As a result, if and to the extent that a fee or charge imposed by a local government for water or wastewater service is ultimately determined to be a "fee" or "charge" as defined in Article XIIID, the local government's ability to increase such fee or charge may be limited by a majority protest. Within 45 days of the public hearing, the agency must also hold an election and may not impose a new fee or charge, or increase an existing fee or charge, unless it is approved by a majority of the property owners subject to the fee or charge, or at the option of the agency, two-thirds vote of the electorate in the affected area. Under Article XIIID, however, majority approval by the property owners and the election requirement do not apply to fees or charges for sewer, water or refuse-collection services.

In addition, Article XIIID includes a number of limitations applicable to existing fees and charges including provisions to the effect that: (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Based upon the California Second District Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the California Supreme Court, it was generally believed that Article XIIID did not apply to charges for metered water, which had been held to be commodity charges related to consumption of the service, not property ownership. In a decision rendered in February, 2004, the California Supreme Court in *Richmond et al. v. Shasta Community Services District* (S105078) upheld a Third District Court of Appeal decision that water connection fees were not property-related fees or charges subject to Article XIIID while at the same time stating in dicta that fees for ongoing water service through an existing connection were property related fees and charges. In October 2004, the California Supreme Court granted review of the decision of the Fourth District Court of Appeal in

Bighorn-Desert View Water Agency v. Beringson, 120 Cal. App. 4th 891 (2004), in which the appellate court had relied on *Howard Jarvis Taxpayers Association v. City of Los Angeles* and rejected the Supreme Court's dicta in *Richmond et al. v. Shasta Community Services District*. On March 23, 2005, the California Fifth District Court of Appeal held in *Howard Jarvis Taxpayers Association v. City of Fresno*, 127 Cal. App. 4th 914 (2005) that an "in lieu" fee which is payable to the City of Fresno's general fund from its water utility and which is included in the city's water rate structure was invalid. In reaching its decision, the court concluded that the city's water rates were "property related" fees, governed by the limitations of Article XIIID. The City of Fresno requested a review of this decision by the California Supreme Court, which denied review. On July 24, 2006 the Supreme Court ruled in *Bighorn-Desert View Water Agency v. Verjil*. The Court restated the dicta in *Richmond et al. v. Shasta Community Services District* that fees and charges for ongoing domestic water service through an existing connection were property related fees and charges under Article XIIID.

Article XIIIC. Article XIIIC provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIIIC does not define the terms "local tax," "assignment," "fee" or "charge." On July 24, 2006, the Supreme Court held in *Bighorn-Desert View Water Agency v. Verjil* that the provisions of Article XIIIC included rates and fees charged for domestic water use. The Supreme Court noted, however, that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations of the public agency involved in the litigation. Valley Water and its District Counsel do not believe that Article XIIIC grants to the voters within the jurisdiction of Valley Water the power to repeal or reduce wholesale rates and charges or groundwater charges in a manner which would be inconsistent with the statutory or contractual obligations of the legislative body of District. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the obligations. Remedies available to beneficial owners of the obligations in the event of a default by Valley Water are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the obligations are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix D), will be similarly qualified.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge,

or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

In 2005, Great Oaks Water Co. ("Great Oaks") filed suit against Valley Water alleging, among other things, that Valley Water's groundwater production charges violated Proposition 218 because proceeds are used to fund projects and services that disproportionately benefit other entities, such as retailers that receive treated imported surface water from Valley Water, as compared to Great Oaks (the "Great Oaks Case"). While the 2005 Great Oaks case was pending, Great Oaks filed additional annual claims and additional annual lawsuits challenging Valley Water's groundwater production charges for each year after 2005.

On February 3, 2010, the trial court issued a judgment ruling that Valley Water owed Great Oaks a refund of groundwater charges of approximately $4.6 million plus interest at 7% per annum. Valley Water appealed, and in 2015, the Court of Appeal reversed in full the judgment of the trial court, finding that Valley Water's groundwater production charges did not violate Proposition 218 or the law. Great Oaks petitioned the California Supreme Court to review the Court of Appeal's ruling, and the Supreme Court granted its petition but placed it on hold pending the California Supreme Court's decision in a similar case, City of Buenaventura v. United Water Conservation District ("UWCD"). In late 2017, the California Supreme Court issued its opinion in the UWCD case, finding that Proposition 218 does not apply to groundwater charges, but that Article XIIIC (Proposition 26) of the California Constitution applies instead.

On June 12, 2020, an amended proposed omnibus "Master Complaint" of plaintiffs was filed in which Great Oaks alleged that Valley Water's groundwater production charges violated Proposition 26, and that Valley Water did not levy or collect groundwater charges from agricultural pumpers but instead used property taxes to pay these charges. The trial court entered a judgment in Valley Water's favor and Great Oaks appealed. In a February 28, 2025, decision, the Sixth District Court of Appeal ruled in favor of Valley Water affirming the trial court's judgment in full, holding that Valley Water's groundwater charges were not more than necessary to cover the reasonable costs of Valley Water's activity and the manner in which Valley Water allocated these costs bore a fair and reasonable relationship to the benefits Great Oaks receives from and burdens it imposes in satisfaction of Proposition 26. The Court of Appeal also determined that Valley Water's use of ad valorem taxes to fund a discounted agricultural rate was not unlawful. Great Oaks filed a petition for rehearing, which was denied. Great Oaks then filed a petition for review with the California Supreme Court but this was denied in July of 2025, ending this litigation.

Valley Water believes that it did not "impose" any groundwater charge after November 2, 2010, as such term is used in Proposition 26. Moreover, Valley Water believes that all groundwater charge rates adopted after November 2, 2010, satisfy the substantive limitations of Proposition 26. Future lawsuits challenging Valley Water's groundwater charges could arise and no assurances can be made as to the outcome of such future matters, if any, and their effect on Valley Water's groundwater charges.

Future Initiatives

Articles XIIIB, XIIIC and XIIID were adopted as a measure that qualified for the ballot pursuant to California's initiative process. From time to time other initiatives could be proposed and adopted affecting Valley Water's revenues or ability to increase revenues.

CERTAIN LIMITATIONS ON RIGHTS AND OBLIGATIONS

In addition to the specific limitations on remedies contained in the applicable documents themselves, the rights and obligations with respect to the 2026 Obligations are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The

various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix D), will be similarly qualified.

TAX MATTERS

2026A Bonds and 2026 Notes

In the opinion of Stradling Yocca Carlson & Rauth LLP, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2026A Bonds and 2026 Notes (together, the "Tax-Exempt Obligations") is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. However, it should be noted that, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), generally certain corporations with more than $1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) on the Tax-Exempt Obligations might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Tax-Exempt Obligations is exempt from State of California personal income tax.

The excess of the stated redemption price at maturity of a Tax-Exempt Obligation over the issue price of a Tax-Exempt Obligation (the first price at which a substantial amount of the Tax-Exempt Obligation of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Tax-Exempt Obligation Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Tax-Exempt Obligation Owner will increase the Tax-Exempt Obligation Owner's basis in the applicable Tax-Exempt Obligation.

Bond Counsel's opinion as to the exclusion from gross income of interest on the Tax-Exempt Obligations is based upon certain representations of fact and certifications made by Valley Water and others and is subject to the condition that Valley Water complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Tax-Exempt Obligations to assure that interest on Tax-Exempt Obligations will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Tax-Exempt Obligations to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Obligations. Valley Water has covenanted to comply with all such requirements.

The amount by which a Tax-Exempt Obligation Owner's original basis for determining loss on sale or exchange in the applicable Tax-Exempt Obligation (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Tax-Exempt Obligation Owner's basis in the applicable Tax-Exempt Obligation (and the amount of tax-exempt interest received with respect to the Tax-Exempt Obligations), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Tax-Exempt Obligation Owner realizing a taxable gain when a Tax-Exempt Obligation is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Tax-Exempt Obligation to the Owner. Purchasers of the Tax-Exempt Obligations should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax exempt bond issues, including both random and targeted audits. It is possible that the Tax-Exempt Obligations will be selected for audit by the IRS. It is also possible that the market value of the Tax-Exempt Obligations

might be affected as a result of such an audit of the Tax-Exempt Obligations (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Tax-Exempt Obligations to the extent that it adversely affects the exclusion from gross income of interest on the Tax-Exempt Obligations or the market values of the Tax-Exempt Obligations.

It is possible that subsequent to the issuance of the Tax-Exempt Obligations there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Tax-Exempt Obligations or the market value of the Tax-Exempt Obligations. Recently, proposed legislative changes have been introduced in Congress, which, if enacted, could result in additional federal income or state tax being imposed on owners of tax-exempt state or local obligations, such as the Tax-Exempt Obligations. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the Tax-Exempt Obligations. No assurance can be given that subsequent to the issuance of the Tax-Exempt Obligations such changes (or other changes) will not be introduced or enacted or interpretations will not occur. Before purchasing any of the Tax-Exempt Obligations, all potential purchasers should consult their tax advisors regarding possible statutory changes or judicial or regulatory changes or interpretations, and their collateral tax consequences relating to the Tax-Exempt Obligations.

Bond Counsel's opinion may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indentures and the Tax Certificate relating to the Tax-Exempt Obligations permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest for federal income tax purposes with respect to any Tax-Exempt Obligation if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth LLP.

Although Bond Counsel has rendered opinions that interest (and original issue discount) on the Tax-Exempt Obligations is excluded from gross income for federal income tax purposes provided that Valley Water continues to comply with certain requirements of the Code, the ownership of the Tax-Exempt Obligations and the accrual or receipt of interest on the Tax-Exempt Obligations may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Tax-Exempt Obligations, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Tax-Exempt Obligations.

2026B Bonds

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the 2026B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code but interest (and original issue discount) on the 2026B Bonds is exempt from State of California personal income tax.

Except for certain exceptions, the difference between the issue price of a 2026B Bond (the first price at which a substantial amount of the 2026B Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such 2026B Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Owner of a 2026B Bond will increase the 2026B Bond Owner's basis in the 2026B Bond. Owners of 2026B Bonds should consult their own tax advisor with respect to taking into account any original issue discount on the 2026B Bonds.

The federal tax and State of California personal income tax discussion set forth above with respect to the 2026B Bonds is included for general information only and may not be applicable depending upon a 2026B Bond Owner's particular situation. The ownership and disposal of a 2026B Bond and the accrual or receipt of interest with respect to the 2026B Bond may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences.

In the event of a legal defeasance of a 2026B Bond, such obligation might be treated as retired and "reissued" for federal tax purposes as of the date of the defeasance, potentially resulting in recognition of taxable gain or loss to the applicable 2026B Bond Owner generally equal to the difference between the amount deemed realized from the deemed redemption and reissuance and the 2026B Bond Owner's adjusted tax basis in such obligation.

The federal tax and State of California personal income tax discussion set forth above with respect to the 2026B Bonds is included for general information only and may not be applicable depending upon a 2026B Bond Owner's particular situation. The ownership and disposal of a 2026B Bond and the accrual or receipt of interest with respect to the 2026B Bond may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2026B Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2026B Bonds.

RATINGS

Valley Water expects that Moody's Investors Service, Inc. ("Moody's") will assign the 2026 Obligations the rating of "___" (stable outlook) and that Fitch Ratings, Inc. ("Fitch") will assign the 2026 Obligations the rating of "___" (stable outlook). There is no assurance that any credit rating given to the 2026 Obligations will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by Moody's and Fitch if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the 2026 Obligations. Such ratings reflect only the views of Moody's and Fitch, as the case may be, and an explanation of the significance of such ratings may be obtained from Moody's and Fitch, as the case may be. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from Valley Water which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

Valley Water has covenanted in each Continuing Disclosure Agreement for the 2026 Obligations to file on EMMA, notices of any ratings changes on the related 2026 Obligations. See the caption "CONTINUING DISCLOSURE UNDERTAKING" below, Appendix E and Appendix F. Notwithstanding such covenant, information relating to ratings changes on the 2026 Obligations may be publicly available from the rating agencies prior to such information being provided to Valley Water and prior to the date Valley Water is obligated to file a notice of rating change on EMMA. Purchasers of the 2026 Obligations are directed to the ratings agencies and their respective websites and official media outlets for the most current ratings changes with respect to the 2026 Obligations after the initial issuance of the 2026 Obligations.

CONTINUING DISCLOSURE UNDERTAKING

Valley Water has covenanted in separate Continuing Disclosure Agreements for each of the 2026 Refunding Bonds and 2026 Notes for the benefit of the holders and beneficial owners of such 2026 Obligations to provide certain financial information and operating data relating to Valley Water by not later than each April 1, commencing April 1, 2027 to provide notices of the occurrence of certain enumerated events, and to provide notices of the occurrence of certain other enumerated events, if material. The Annual Reports and the notices of enumerated events will be filed by Valley Water with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system. The specific nature of the information to be contained in the Annual Report and the notice of material events with respect to the 2026 Obligations are set

forth in Appendix E—"FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE 2026 REFUNDING BONDS" and Appendix F—"FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE 2026 NOTES." These covenants have been made in order to assist the Purchasers in complying with Section (b)(5) of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the "Rule").

Over the past five years, Valley Water has been subject to obligations under various continuing disclosure certificates entered into pursuant to the Rule (collectively, the "Prior Continuing Disclosure Undertakings"). Pursuant to the Prior Continuing Disclosure Undertakings, Valley Water agreed to file its audited financial reports, certain operating data with respect to the Water Utility System and Flood Control System, as well as notices of certain enumerated events.

In order to implement a process for compliance with continuing disclosure undertakings under Rule 15c2-12, Valley Water's Debt Management Policy was updated to include disclosure procedures effective March 1, 2016 (the "Disclosure Procedures"). Pursuant to the Disclosure Procedures, the Treasury and Debt Officer is required to take steps to ensure that continuing disclosure filings are prepared and filed in a timely manner. Valley Water updated the Disclosure Procedures in Fiscal Year 2019 to include processes with respect to event notices relating to financial obligations, as required by the amendments to Rule 15c2-12 which became effective February 27, 2019. Valley Water also updated the Disclosure Policies to acknowledge recent legal bulletins of the SEC staff relating to public statements by municipal issuers, such as Valley Water. A copy of the Disclosure Procedures is available from the Treasury and Debt Officer of Valley Water at 5750 Almaden Expressway, San Jose, California Telephone: (408) 265-2600.

UNDERWRITING

The 2026A Bonds were purchased at a competitive sale on _____, 2026 by _____ (the "2026A Bonds Purchaser"). Under the Notice of Sale, the 2026A Bonds Purchaser has agreed to purchase all, but not less than all, of the 2026A Bonds for an aggregate purchase price of $_____ (representing the principal amount of the 2026A Bonds, less a purchaser's discount of $_____, [plus/less] an original issue [premium/discount] of $_____). The Notice of Sale provides that the 2026A Bonds Purchaser will purchase all of the 2026A Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions in the Notice of Sale, the approval of certain legal matters by counsel and certain other conditions.

The 2026B Bonds were purchased at a competitive sale on _____, 2026 by _____ (the "2026B Bonds Purchaser"). Under the Notice of Sale, the 2026B Bonds Purchaser has agreed to purchase all, but not less than all, of the 2026B Bonds for an aggregate purchase price of $_____ (representing the principal amount of the 2026B Bonds, less a purchaser's discount of $_____, less a net original issue discount of $_____). The Notice of Sale provides that the 2026B Bonds Purchaser will purchase all of the 2026B Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions in the Notice of Sale, the approval of certain legal matters by counsel and certain other conditions.

The 2026 Notes were purchased at a competitive sale on _____, 2026 by _____ (the "2026C Notes Purchaser" and together with the 2026A Bonds Purchaser and the 2026B Bonds Purchaser, the "Purchasers"). Under the Notice of Sale, the 2026C Notes Purchaser has agreed to purchase all, but not less than all, of the 2026 Notes for an aggregate purchase price of $_____ (representing the principal amount of the 2026 Notes, less a purchaser's discount of $_____, [plus/less] an original issue [premium/discount] of $_____). The Notice of Sale provides that the 2026C Notes Purchaser will purchase all of the 2026 Notes if any are purchased, the obligation to make such purchase being subject to certain terms and conditions in the Notice of Sale, the approval of certain legal matters by counsel and certain other conditions.

The initial public offering prices stated on the pages following the cover page of this Official Statement may be changed from time to time by the Purchasers. The Purchasers may offer and sell the

respective 2026 Obligations to certain dealers (including dealers depositing 2026 Obligations into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

MUNICIPAL ADVISOR

Valley Water has retained Public Resources Advisory Group, of Los Angeles, California, as municipal advisor (the "Municipal Advisor") in connection with the issuance of the 2026 Obligations. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Public Resources Advisory Group is an independent municipal advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The payment of certain fees of the Municipal Advisor for the 2026 Obligations is contingent upon the issuance and the execution and delivery thereof, respectively.

CERTAIN LEGAL MATTERS

Bond Counsel will render an opinion with respect to the 2026 Obligations substantially in the form set forth in Appendix D hereto. Copies of such opinion will be furnished to the Purchasers at the time of delivery of the 2026 Obligations. Certain legal matters will be passed upon for Valley Water by Interim District Counsel to Valley Water, Linda Mason, Esq. and for the Trustee by its counsel. The payment of the fees of Bond Counsel is contingent upon the issuance of the 2026 Obligations. Bond Counsel expresses no opinion to the owners of the 2026 Obligations as to the accuracy, completeness or fairness of this Official Statement or other offering materials relating to the 2026 Obligations and expressly disclaims any duty to advise the Owners of the 2026 Obligations as to matters related to this Official Statement. From time to time, Stradling Yocca Carlson & Rauth LLP represents the Purchasers on matters unrelated to the 2026 Obligations.

MISCELLANEOUS

This Official Statement has been duly approved, executed and delivered by Valley Water. Copies of this Official Statement may be obtained from the Treasury and Debt Officer of Valley Water at the address indicated on the inside cover page of this Official Statement.

The general purpose financial statements of Valley Water, a summary of the principal legal documents related to the 2026 Obligations, information with respect to the book-entry only system relating to the 2026 Obligations, the form of opinion of Bond Counsel and the forms of the proposed Continuing Disclosure Agreements are attached hereto as Appendices. The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

The delivery of this Official Statement, including the Appendices and other information herein, has been duly authorized by Valley Water.

SANTA CLARA VALLEY WATER DISTRICT

By:_____
Interim Chief Executive Officer

Attest:

_____
Clerk of the Board of Directors

4923-2727-7491v7/022817-0054

APPENDIX A

AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025 AND MEMORANDUM OF INTERNAL CONTROL

APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Parity Master Resolution and the Indentures which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the respective agreement for a full and complete statement of the provisions thereof.

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE WATER UTILITY PARITY SYSTEM MASTER RESOLUTION

DEFINITIONS

Unless the context otherwise requires, capitalized terms used under the caption "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE WATER UTILITY PARITY SYSTEM MASTER RESOLUTION" will have the meanings defined below. Unless the context otherwise requires, all capitalized terms used below and not defined below will have the meanings ascribed thereto in the Water Utility Parity System Master Resolution.

Authorized Officer. The term "Authorized Officer" means (i) the Chief Executive Officer/General Manager of the District or, if there is no officer designated as the Chief Executive Officer/General Manager, the highest ranking officer of the District (excluding members of the Board of Directors of the District), (ii) the Chief Administrative Officer of the District, or (iii) the Chief Financial Officer of the District.

Average Annual Debt Service. "Average Annual Debt Service" means the average of (a) the interest payable on all Bonds, Contracts or Senior Obligations, as applicable, for all Fiscal Years, assuming all Bonds, Contracts or Senior Obligations, as applicable, are retired as scheduled (including by reason of sinking fund payment redemption), and (b) the principal amount of the Bonds, Contracts or Senior Obligations scheduled to be paid for all Fiscal Years (including any sinking fund payment redemptions due), including the Fiscal Year in which the calculation is made.

Bonds. "Bonds" means all revenue bonds or notes of the District authorized, executed, issued and delivered by the District, which are secured by a pledge of and lien on the Water Utility System Revenues in accordance with the Water Utility Parity System Master Resolution and are payable from Net Water Utility System Revenues in accordance with the Water Utility Parity System Master Resolution.

Business Day. "Business Day" means any day other than a Saturday, Sunday or legal holiday or a day on which banking institutions are authorized or required by law to be closed in the State of New York, or in the State of California for commercial banking purposes.

Contracts. "Contracts" means all installment purchase agreements or other contracts of the District authorized and executed by the District, which are secured by a pledge and lien on the Water Utility System Revenues in accordance with the Water Utility Parity System Master Resolution and are payable from Net Water Utility System Revenues in accordance with the Water Utility Parity System Master Resolution, but excluding contracts entered into for operation and maintenance of the Water Utility System.

Current Water Utility System Revenues. "Current Water Utility System Revenues" means, with respect to any Fiscal Year or other period, (1) all gross income and revenue of the Water Utility System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees, charges (including connection fees, contributions in aid of construction legally available for Debt Service, and charges and standby or water availability charges), amounts allocated to the District pursuant to Article XIIIA of the Constitution of the State of California and Section 95 et seq. of the California Revenues and Taxation Code (or any successor or supplementary provisions) and allocated by the Board of Directors of the District to the Water

Utility System and all other income and revenue howsoever derived by the District from the ownership or operation of the Water Utility System or arising from the Water Utility System, (2)(a) all income from the deposit or investment of any money in the Water Utility System Revenue Fund, the Rate Stabilization Reserve Fund and (b) all income from the investment of money held in any construction or acquisition fund established pursuant to a Trust Agreement to the extent such income is required to be deposited in the Water Utility System Revenue Fund, and (3) deposits to the Water Utility System Revenue Fund from amounts on deposit in Special Purpose Funds made in accordance with the Water Utility Parity System Master Resolution; but excluding (x) benefit assessments and proceeds of taxes, including but not limited to proceeds of taxes levied to pay costs with respect to the State Water Project, and (y) any refundable deposits made to establish credit and (z) advances or contributions in aid of construction.

Date of Operation. "Date of Operation" means, with respect to any uncompleted component Parity Project, the estimated date by which such uncompleted component Parity Project will have been completed and, in the opinion of the District, will be ready for operation by or on behalf of the District.

Debt Service. "Debt Service" means, for any period of calculation, the sum of: (1) the interest payable on all outstanding Bonds during such period, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are prepaid or paid from sinking fund payments as scheduled (except to the extent that such interest is capitalized or is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111 5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program); (2) those portions of the principal amount of all outstanding serial Bonds maturing in such period (but excluding Excluded Principal), (3) those portions of the principal amount of all outstanding term Bonds required to be prepaid or paid in such period (but excluding Excluded Principal), and (4) those portions of the Contracts required to be paid during such period, (except to the extent the interest evidenced and represented thereby is capitalized or is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111 5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program) (but excluding Excluded Principal); but less the earnings to be derived from the investment of moneys on deposit in debt service reserve funds established for Bonds or Contracts; provided that, as to any such Bonds or Contracts bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service will, for all purposes, be assumed to bear interest at a fixed rate equal to the higher of: (i) the then current variable interest rate borne by such Bonds or Contracts, and (ii) if such Bonds or Contracts have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, or if such Bonds or Contracts have not been outstanding for the twelve prior months, the average rate borne by reference to an index comparable to that to be utilized in determining the interest rate for the Bonds to be issued or the Contracts to be executed; provided further that if any series or issue of such Bonds or Contracts have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year, Debt Service will be determined for the period of determination as if the principal of and interest on such series or issue of such Bonds or Contracts were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of forty (40) years from the date of calculation; and provided further that if the Bonds or Contracts constitute Paired Obligations, the interest rate on such Bonds or Contracts will be the resulting linked rate or the effective fixed interest rate to be paid by the District with respect to such Paired Obligations; and provided further that the amount on deposit in a debt service reserve fund on any date of calculation of Debt Service will be deducted from the amount of principal due at the final maturity of the Bonds and Contracts for which such debt service reserve fund was established and to the extent the amount in such debt service reserve fund is in excess of such amount of principal, such excess will be applied to the full amount of principal due, in each preceding year, in descending order, until such amount is exhausted.

District. "District" means the Santa Clara Valley Water District, a water district duly organized and existing under and by virtue of the laws of the State of California.

Excluded Principal. "Excluded Principal" means each payment of principal of Bonds or Contracts with a maturity of less than 42 months and which the District specifies in a certificate of the District signed by an Authorized Officer and filed with each Trustee that the District intends to pay from the proceeds of Bonds or Contracts, other bonds, notes or other obligations of the District or moneys other than Water Utility System Revenues, Current Water Utility System Revenues or Net Water Utility System Revenues. No such determination will affect the security for such Bonds or Contracts or the obligation of the District to pay such Bonds or Contracts from Net Water Utility System Revenues.

Experienced Banker or Advisor. "Experienced Banker or Advisor" means a reputable investment banker experienced in underwriting obligations of the type which is the subject of an opinion rendered in accordance with a provision of the Water Utility Parity System Master Resolution, or a reputable financial advisor experienced in advising issuers in connection with such issuers' issuance of obligations of the type which is the subject of an opinion rendered in accordance with a provision of the Water Utility Parity System Master Resolution.

Fiscal Year. "Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other accounting period hereafter selected and designated by the Board of Directors of the District as the Fiscal Year of the District.

Generally Accepted Accounting Principles. "Generally Accepted Accounting Principles" means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

Independent Certified Public Accountant. "Independent Certified Public Accountant" means any certified public accountant or firm of such accountants appointed and paid by the District and who, or each of whom— (i) is in fact independent and not under domination of the District; (ii) does not have any substantial interest, direct or indirect, with the District; and (iii) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make annual or other audits of the books of or reports to the District.

Maintenance and Operation Costs. The term "Maintenance and Operation Costs" means, for any Fiscal Year or other period, (i) costs for maintenance and operation of the Water Utility System calculated in accordance with Generally Accepted Accounting Principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water Utility System in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the Water Utility System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of engineers, auditors, accountants, attorneys, consultants, trustees, fiscal agents, letter of credit providers, dealers and remarketing agents and other charges and fees payable to credit or liquidity providers (other than payments of principal and interest constituting Debt Service) and insurance premiums, and including all other reasonable and necessary costs of the District or charges (other than Debt Service) required to be paid by it to comply with the terms of the Water Utility Parity System Master Resolution or any other Bond or Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds or the execution of such Contract, (ii) all costs of water purchased or otherwise acquired for delivery by the Water Utility System (including any interim or renewed arrangement therefor), including both fixed and variable components thereof except to the extent payable from amount identified in clause (x) of the definition of Current Water Utility System Revenues, and (iii) all amounts payable with respect to Maintenance and Operation Obligations, including both fixed and variable components thereof; but excluding in all cases depreciation, replacement and

obsolescence charges or reserves therefor and amortization of intangibles, other bookkeeping entries of a similar nature and other maintenance and operation costs of a non-cash basis.

Maintenance and Operation Obligation. "Maintenance and Operation Obligation" means any contractual obligation with respect to any facilities, properties, structures, works, services, water or rights to receive water, or any loan of credit to or guaranty of debts, claims or liabilities of any other person (including a joint powers agency of which the District is a member) with respect to any facilities, properties, structures, works, services, water or rights to receive water, so long as in each case the payments thereunder are designated as Maintenance and Operation Costs by the Board of Directors of the District; provided however Bonds and Contracts will not constitute Maintenance and Operation Obligations.

Net Water Utility System Revenues. "Net Water Utility System Revenues" means, for any Fiscal Year or other period, the Water Utility System Revenues during such Fiscal Year or period less the Maintenance and Operation Costs and less the principal and interest with respect to Senior Obligations payable during such Fiscal Year or period.

Parity Project. "Parity Project" means any additions, betterments, extensions or improvements to the District's Water Utility System designated by the Board of Directors of the District as a Parity Project, the acquisition and construction of which is to be paid for with the proceeds of any Contracts or Bonds.

Paired Obligations. "Paired Obligations" means any Bond or Contract (or portion thereof) designated as Paired Obligations in the Trust Agreement authorizing the issuance or execution and delivery thereof, (i) the principal of which is of equal amount maturing and to be redeemed or prepaid (or cancelled after acquisition thereof) on the same dates and in the same amounts, and (ii) the interest rates which, taken together, were intended to result in a fixed interest rate obligation of the District for all or a portion of the term of such Bond or Contract, all as certified by an Experienced Banker or Advisor.

Rate Stabilization Reserve Fund. "Rate Stabilization Reserve Fund" means the fund of the District by that name continued pursuant to the Water Utility Parity System Master Resolution.

Senior Master Resolution. "Senior Master Resolution" means Resolution No. 94-58 adopted by the Board of Directors of the District on June 23, 1994, entitled "A Resolution of the Board of Directors of the Santa Clara Valley Water District Providing for the Allocation of Water Utility System Revenues and Establishing Covenants to Secure the Payment of Obligations Payable from Net Water Utility System Revenues," as amended and supplemented from time to time.

Senior Obligations. "Senior Obligations" means obligations of the District secured by a pledge of and lien on Water Utility System Revenues under the Senior Master Resolution and payable from Net Water Utility System Revenues on a basis senior and superior to the payment of Bonds and Contracts. For avoidance of doubt, Maintenance and Operation Obligations do not constitute Senior Obligations under the Water Utility Parity System Master Resolution and nothing therein shall preclude the incurrence of Maintenance and Operation Obligations.

Special Purpose Funds. "Special Purpose Funds" means each fund of the District designated by resolution of the Board of Directors of the District as a special purpose fund including but not limited to the existing Drought Reserve Fund.

Trust Agreement. "Trust Agreement" means any resolution, indenture, trust agreement or other security documents providing for the issuance of Bonds or the execution and delivery of Contracts.

Trustee. "Trustee" means any entity appointed by the District as a trustee or fiscal agent under any Trust Agreement.

Water Service. "Water Service" means the water service furnished, made available or provided by the Water Utility System.

Water Utility System. "Water Utility System" means, subject to the Water Utility Parity System Master Resolution, (i) all property rights, contractual rights and facilities of the District relating to water, including all facilities for the treatment, conservation, storage, transmission and distribution of water now owned by the District; and (ii) all other properties, structures or works for the treatment, conservation, storage, transmission and distribution of water and the generation and delivery of hydroelectric power in connection therewith hereafter acquired and constructed by or for the District and determined by the District to be a part of the Water Utility System; and (iii) all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed.

Water Utility System Revenue Fund. "Water Utility System Revenue Fund" means the fund by that name continued pursuant to the Water Utility Parity System Master Resolution.

Water Utility System Revenues. "Water Utility System Revenues" means, with respect to any Fiscal Year or other period, (i) Current Water Utility System Revenues, plus (ii) deposits to the Water Utility System Revenue Fund from amounts on deposit in the Rate Stabilization Reserve Fund, representing amounts other than Current Water Utility System Revenues, less (iii) any Current Water Utility System Revenues transferred from the Water Utility System Revenue Fund to the Rate Stabilization Reserve Fund.

WATER UTILITY SYSTEM REVENUES

Establishment of Water Utility System Revenue Fund. The District has established and agreed to maintain, so long as any Bonds or Contracts remain outstanding, the Water Utility System Revenue Fund to be held by the District. Amounts in the Water Utility System Revenue Fund will be disbursed, allocated and applied solely to the uses and purposes described in the Water Utility Parity System Master Resolution, and will be accounted for separately and apart from all other accounts, funds, money or other resources of the District.

All Water Utility System Revenues, the Water Utility System Revenue Fund and all amounts on deposit in the Water Utility System Revenue Fund are irrevocably pledged to the payment of the Bonds and Contracts as provided in the Water Utility Parity System Master Resolution; and the Water Utility System Revenues and all amounts on deposit in the Water Utility System Revenue Fund will not be used for any other purpose while any of the Bonds and Contracts remain outstanding; provided that out of the Water Utility System Revenues and amounts on deposit in the Water Utility System Revenue Fund there may be apportioned for such purposes as are expressly permitted in the Water Utility Parity System Master Resolution. Such pledge will constitute a lien on Water Utility System Revenues, the Water Utility System Revenue Fund and all amounts on deposit therein as permitted in the Water Utility Parity System Master Resolution for the payment of Contracts and Bonds in accordance with the terms thereof subordinate solely to the lien created under the Senior Master Resolution.

Allocation of Water Utility System Revenues. In order to carry out and effectuate the obligations of the District to pay Debt Service, the District has agreed and covenanted that all Current Water Utility System Revenues received by it will be deposited when and as received in the Water Utility System Revenue Fund. The District will transfer or make payments from the Water Utility System Revenue Fund the amounts set forth below at the following times and in the following order of priority: (a) Such amounts at such times as the District requires to provide for the payment of Maintenance and Operation Costs; (b) To each trustee to pay the principal of and interest with respect to Senior Obligations at the times and in the amounts required by the Senior Obligations; (c) To each trustee with respect to Senior Obligations for deposit in the applicable reserve fund created with respect to Senior Obligations, an amount equal to the amount, if any, at such times as required to be deposited therein to build up or replenish each Senior Obligations reserve fund as and to the extent required by the Senior Obligations or the resolutions, trust agreements, indentures or other instruments

securing the Senior Obligations; (d) Debt Service at the times and in the amounts required by applicable Bonds or Contracts or the Trust Agreements securing each Bond or Contract; (e) To each Trustee for deposit in the applicable reserve fund with respect to such Bonds or Contracts, if any, an amount equal to the amount, if any, at such times as required to be deposited therein to build up or replenish such Bond or Contract reserve fund as and to the extent required by the applicable Bond or Contract or the resolutions, trust agreements, indentures or other instruments securing each Bond or Contract; (f) On any date prior to the last Business Day of each Fiscal Year, after making each of the foregoing payments, the balance of the money then remaining in the Water Utility System Revenue Fund may be used for any lawful purpose of the Water Utility System; and (g) On the last Business Day of each Fiscal Year, the balance of the money then remaining in the Water Utility System Revenue Fund may be used for any lawful purpose of the District.

On and after the date no Senior Obligations are outstanding clause (f) and (g) above will no longer be operative and the following provisions will become effective: (h) So long as the District reasonably determines that there will be sufficient Current Water Utility System Revenues to make the transfers in (a) through (e) above for the remainder of such Fiscal Year, for any purpose of the Water Utility System; and (i) So long as the District reasonably determines that there will be sufficient Current Water Utility System Revenues to make the transfers in (a) through (e) above for the remainder of such Fiscal Year, for any lawful purpose of the District.

BONDS AND CONTRACTS

Additional Bonds and Contracts. The District may at any time execute any Contract or issue any Bonds, as the case may be, in accordance with the Water Utility Parity System Master Resolution; provided:

(a) The Net Water Utility System Revenues for the most recent audited Fiscal Year preceding the date of execution of such Contract or the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year to increases or decreases in rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by a calculation prepared by the District, will have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year plus the Debt Service which would have been payable on any Contracts executed or Bonds issued since the end of such Fiscal Year assuming such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year, plus the Debt Service which would have been payable had such Contract been executed or Bonds been issued at the beginning of such Fiscal Year; and

(b) The estimated Net Water Utility System Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest Date of Operation of any uncompleted Parity Project, as evidenced by a certificate of an Authorized Officer of the District on file with the District, including (after giving effect to the completion of all such uncompleted Parity Projects) an allowance for estimated Net Water Utility System Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed, prescribed or received for the Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of an Authorized Officer on file with the District, will produce a sum equal to at least one hundred twenty-five percent (125%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Parity Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Parity Projects.

For the avoidance of doubt, Net Water Utility System Revenues include transfers from the Rate Stabilization Fund and excludes transfers to the Rate Stabilization Fund as permitted by the Water Utility Parity System Master Resolution.

Notwithstanding the foregoing, Bonds may be issued or Contracts may be executed to refund outstanding Bonds, Contracts or Senior Obligations if Average Annual Debt Service on the Bonds, Contracts and other outstanding Senior Obligations after the refunding is not greater than Average Annual Debt Service on the Bonds, Contracts and all Senior Obligations outstanding prior to the refunding.

Nothing in the Water Utility Parity System Master Resolution prevents the District from incurring obligations secured by a pledge of Water Utility System Revenues, the Water Utility System Revenue Fund and all amounts on deposit in the Water Utility System Revenue Fund on a basis subordinate to the pledge continued in the Water Utility Parity System Master Resolution or payable from Net Water Utility System Revenues on a basis subordinate to Bonds and Contracts in accordance with the Water Utility Parity System Master Resolution.

Separate Utility Systems. The District may create, acquire, construct, finance, own and operate one or more additional systems for water supply, transmission or other commodity or service by a written determination of the Board of Directors of the District. The revenue of that separate utility system will not constitute Current Water Utility System Revenues and may be pledged to the payment of obligations issued to purchase, construct, condemn or otherwise acquire or expand such separate utility system. Neither the Water Utility System Revenues, the Net Water Utility System Revenues, the Water Utility System Revenue Fund or amounts on deposit in the Water Utility System Revenue Fund will be pledged by the District to the payment of any obligations of a separate utility system nor will such obligation be payable from Water Utility System Revenues except in either case on a basis subordinate to the Bonds and Contracts.

COVENANTS OF THE DISTRICT

Against Liens and Encumbrances. The District will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, to or for the District in, upon, about or relating to the Water Utility System and will keep the Water Utility System free of any and all liens against any portion of the Water Utility System. In the event any such lien attaches to or is filed against any portion of the Water Utility System, the District will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the District desires to contest any such lien it may do so. If any such lien is reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the District will forthwith pay or cause to be paid and discharged such judgment.

Against Sale or Other Disposition of Property. The District will not sell, lease or otherwise dispose of the Water Utility System or any part thereof essential to the proper operation of the Water Utility System or to the maintenance of the Net Water Utility System Revenues, and will not enter into any agreement or lease which would impair the operation of the Water Utility System or any part thereof necessary to secure adequate Net Water Utility System Revenues for the payment of Bonds or Contracts or which would otherwise impair the rights of the holders of Bonds or Contracts with respect to the Net Water Utility System Revenues or the operation of the Water Utility System; provided, that any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water Utility System, or any material or equipment which has become worn out, may be sold if such sale will not reduce the Net Water Utility System Revenues below the requirements to be maintained under the Water Utility Parity System Master Resolution.

Maintenance and Operation of the Water Utility System; Budgets. The District will maintain and preserve the Water Utility System in good repair and working order at all times and will operate the Water

Utility System in an efficient and economical manner and will pay all Maintenance and Operation Costs as they become due and payable. Not later than the first Business Day of each Fiscal Year, the District will adopt and, if requested, make available to each Trustee, a budget approved by the Board of Directors of the District setting forth the estimated Maintenance and Operation Costs, the estimated payments for Debt Service, the estimated reimbursement payments and the estimated debt service payments on all Bonds and Contracts for the then current Fiscal Year; provided, that any such budget may be amended at any time during any Fiscal Year and, if requested, such amended budget will be made available to each Trustee.

Compliance with Contracts. The District will comply with, keep, observe and perform all material provisions of agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the purchase of water for, and the provision of Water Service from the Water Utility System and all other material provisions of contracts affecting or involving the Water Utility System to the extent that the District is a party thereto; provided however nothing contained in the Water Utility Parity System Master Resolution will prevent the District from entering into supplements, modifications or amendments to such contracts (including any interim or renewed contract relating thereto).

No Superior Liens. The District will not create or allow any lien on the payment from the Water Utility System Revenues or Net Water Utility System Revenues or any part thereof prior or superior to the obligation to pay Bonds or Contracts as provided in the Water Utility Parity System Master Resolution or which might impair the security of any Bonds or Contracts. The District will not issue or incur any additional Senior Obligations under the Senior Master Resolution.

Insurance. The District will procure and maintain such insurance relating to the Water Utility System which it deems advisable or necessary (based on the annual written approval of the District's risk manager) to protect its interests, which insurance will afford protection in such amounts and against such risks as are usually covered in connection with facilities, properties, structures and works similar to the Water Utility System; provided, the District will not be required to procure or maintain any such insurance unless such insurance is commercially available at reasonable cost; provided, further, that any such insurance may be maintained, fully or partially, under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with facilities, properties, structures and works similar to the Water Utility System.

Accounting Records and Financial Statements. (a) The District will keep appropriate accounting records in which complete and correct entries will be made of all transactions relating to the Water Utility System, which records will be available for inspection by each Trustee at reasonable hours and under reasonable conditions. (b) The District will prepare and file with each Trustee annually within two hundred and ten (210) days after the close of each Fiscal Year financial statements of the District for the preceding Fiscal Year prepared in accordance with Generally Accepted Accounting Principles.

Payment of Taxes and Compliance with Governmental Regulations. The District will pay and discharge all taxes, assessments and other governmental charges which may now or later be lawfully imposed upon the Water Utility System or any part thereof when the same becomes due. The District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water Utility System or any part thereof, but the District will not be required to comply with any regulations or requirements so long as the validity or application thereof are contested in good faith.

Collection of Rates, Fees and Charges. The District will charge and collect or cause to be collected the rates, fees and charges applicable to the Water Service and will not permit any part of the Water Utility System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State of California and any city, county, district, political subdivision, public corporation or agency of any thereof) if such use would prevent the District from complying with the requirements of the Water Utility Parity System Master Resolution.

Eminent Domain and Insurance Proceeds. If all or any part of the Water Utility System is taken by eminent domain proceedings, or if the District receives any insurance proceeds resulting from a casualty loss to the Water Utility System, the proceeds thereof will be used to substitute other components for the condemned or destroyed components of the Water Utility System or applied to the cancellation of Bonds and Contracts.

MISCELLANEOUS

Benefits of the Water Utility Parity System Master Resolution Limited to Parties. Nothing contained in the Water Utility Parity System Master Resolution, expressed or implied, is intended to give any person other than the District, the Trustee, or the owners of Bonds and Contracts any right, remedy or claim under or pursuant thereto, and any agreement or covenant required therein to be performed by or on behalf of the District will be for the sole and exclusive benefit of such other parties.

Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required by the Water Utility Parity System Master Resolution to be performed by or on the part of the District is contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof will be null and void and will be deemed separable from the remaining agreements and covenants or portions thereof and will in no way affect the validity thereof. The District declares that it would have adopted the Water Utility Parity System Master Resolution, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase thereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases thereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Funds. Any fund required to be established and maintained in the Water Utility Parity System Master Resolution by the District may be established and maintained in the accounting records of the District either as an account or a fund, and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, will be treated either as an account or a fund; but all such records with respect to any such fund will at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the rights of the holders of Bonds and Contracts.

Investments. Any money held by the District in any of the funds provided in the Water Utility Parity System Master Resolution will be invested in lawful investments of District funds, provided that money held in any fund established under a Trust Agreement with respect to Bonds and Contracts will be invested as required in such Trust Agreement.

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DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES

The following is a summary of certain provisions of the Indentures. This summary does not purport to be comprehensive and reference should be made to the Indentures for a full and complete statement of the provisions thereof. Except as noted below, the Indentures are substantially identical, and the general terms of the Indentures are summarized below.

APPENDIX C

BOOK-ENTRY SYSTEM

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that Valley Water believes to be reliable, but Valley Water takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2026 Refunding Bonds and the 2026 Notes (the "2026 Obligations"), payment of principal, premium, if any, accreted value, if any, and interest on the 2026 Obligations to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2026 Obligations and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2026 Obligations. The 2026 Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Obligation will be issued for each annual maturity of the 2026 Obligations, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated AA+ by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2026 Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2026 Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2026 Obligations are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in 2026 Obligations, except in the event that use of the book-entry system for the 2026 Obligations is discontinued.

To facilitate subsequent transfers, all 2026 Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2026 Obligations with DTC and their registration in the name

of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2026 Obligations; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2026 Obligations are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2026 Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2026 Obligations, such as redemptions, tenders, defaults, and proposed amendments to the 2026 Obligations documents. For example, Beneficial Owners of 2026 Obligations may wish to ascertain that the nominee holding the 2026 Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2026 Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2026 Obligations unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Valley Water as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2026 Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the 2026 Obligations will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Valley Water or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or Valley Water, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Valley Water or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

An Obligation Owner shall give notice to elect to have its 2026 Obligations purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such 2026 Obligations by causing the Direct Participant to transfer the Participant's interest in the 2026 Obligations, on DTC's records, to the Trustee. The requirement for physical delivery of 2026 Obligations in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2026 Obligations are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2026 Obligations to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the 2026 Obligations at any time by giving reasonable notice to Valley Water or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

Valley Water may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, 2026 Obligations will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE 2026 OBLIGATIONS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2026 OBLIGATIONS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX D

FORM OF BOND COUNSEL OPINION WITH RESPECT TO THE 2026 OBLIGATIONS

Upon issuance of the 2026 Obligations, Stradling Yocca Carlson & Rauth LLP, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

[Closing Date]

Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, California 95118

Re: $_____ Santa Clara Valley Water District Water System Refunding Revenue Bonds, Series 2026A and Taxable Series 2026B and $_____ Santa Clara Valley Water District Water System Revenue Notes, Series 2026C

Members of the Board of Directors:

We have examined a certified copy of the record of the proceedings of the Santa Clara Valley Water District (the "District") relative to the issuance of the Santa Clara Valley Water District Water System Refunding Revenue Bonds, Series 2026A (the "2026A Bonds") and Taxable Series 2026B (the "2026B Bonds" and together with the 2026A Bonds and the "2026 Refunding Bonds") and Santa Clara Valley Water District Water System Revenue Notes, Series 2026C (the "2026 Notes" and together with the 2026 Refunding Bonds, the "Obligations"), dated the date hereof, and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the District, the initial purchasers of the Obligations and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Obligations are being issued in accordance with Resolution No. 16-10 adopted on February 23, 2016 by the Board of Directors of the District, as amended by Resolution No. 16-82 adopted on December 13, 2016 (the "Resolution") by the Board of Directors of the District, and two indentures of trust, each dated as of May 1, 2026 (each an "Indenture" and together, the "Indentures"), by and between the District and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"). The Obligations mature on the dates and in the amounts referenced in the related Indenture. The Obligations are dated their date of delivery and bear interest at the rates per annum referenced in the related Indenture. The Obligations are registered in the form set forth in the related Indenture.

Based on our examination as Bond Counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. The proceedings of the District show lawful authority for the issuance and sale of the Obligations under the laws of the State of California now in force, and the Indentures have been duly authorized, executed and delivered by the District, and, assuming due authorization, execution and delivery by the Trustee, as appropriate, the Obligations and the Indentures are valid and binding obligations of the District enforceable against the District in accordance with their terms.

2. The obligation of the District to make the payments of principal of and interest on the Obligations from Net Water Utility System Revenues (as defined in the Resolution) is an enforceable obligation of the District and does not constitute a debt of the District, or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and

does not constitute an obligation for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the 2026A Bonds and the 2026 Notes (together the "Tax-Exempt Obligations") (and original issue discount) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, it should be noted that, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), interest (and original issue discount) on the Tax-Exempt Obligations might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed on such corporations

4. Interest on the Obligations (and original issue discount) is exempt from State of California personal income tax.

5. The excess of the stated redemption price at maturity of a Tax-Exempt Obligation over the issue price of a Tax-Exempt Obligation (the first price at which a substantial amount of the Tax-Exempt Obligations of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Tax-Exempt Obligation Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Tax-Exempt Obligation Owner will increase the Tax-Exempt Obligation Owner's basis in the applicable Tax-Exempt Obligation.

6. Except for certain exceptions, the difference between the issue price of a 2026B Bond (the first price at which a substantial amount of the 2026B Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such 2026B Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by a 2026B Bond Owner will increase the 2026B Bond Owner's basis in the applicable 2026B Bond.

7. The amount by which an Obligation Owner's original basis for determining loss on sale or exchange in the applicable Obligation (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code by Owners of the Tax-Exempt Obligations and which may at the election of owners of the 2026B Bonds be amortized under Section 171 of the Code. With respect to the Tax-Exempt Obligations, such amortizable bond premium reduces the Owner's basis in the applicable Tax-Exempt Obligation (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. With respect to the 2026B Bonds, such amortizable bond premium reduces the Owner's basis in the applicable 2026B Bond (and the amount of taxable interest received) and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of Obligation premium may result in an Obligation Owner realizing a taxable gain when an Obligation is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Obligation to the Owner.

The opinions expressed herein as to the exclusion from gross income of interest on the Tax-Exempt Obligations are based upon certain representations of fact and certifications made by the District and are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Tax-Exempt Obligations to assure that such interest on the Tax-Exempt Obligations will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Tax-Exempt Obligations to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Obligations. The District has covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indentures and the Tax Certificate relating to the Tax-Exempt Obligations permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest on the Tax-Exempt Obligations for federal income tax purposes with respect to any Tax-Exempt Obligation if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the Tax-Exempt Obligations.

By delivering this letter, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the Resolution, the Obligations or the Indentures. The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indentures and the Obligations are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. We express no opinion herein with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Resolution, the Indentures or the Obligations, or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on any assets thereunder.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Obligations or other offering material relating to the Obligations and expressly disclaim any duty to advise the owners of the Obligations with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE 2026 OBLIGATIONS

Upon issuance of the 2026 Refunding Bonds, Valley Water proposes to enter into a Continuing Disclosure Agreement in substantially the following form:

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE 2026 NOTES

Upon issuance of the 2026 Notes, Valley Water proposes to enter into a Continuing Disclosure Agreement in substantially the following form

Presentation to Santa Clara Valley Water District

Disclosure Responsibilities Under the Federal Securities Laws

Doug Brown, Esq.
Stradling Yocca Carlson & Rauth LLP
(916) 449-2338
dbrown@stradlinglaw.com

August 11, 2026

Why Is Disclosure Necessary?

- The Santa Clara Valley Water District issues securities in the public capital markets
- Investors in municipal securities have rights under federal securities laws
- All “material” information must be disclosed

The Securities Act Of 1933

- **1933 Act has two substantive rules:**
- **Registration requirement (municipal securities exempt)**
- **Antifraud rule**
- **Antifraud Rule applies to municipal securities**
  - Prohibits any person from, directly or indirectly, obtaining money or property by means of any untrue statement of a material fact or by a misleading omission.
  - "Person" includes state and local public agencies.
  - Negligence standard (should have known)

Why is Disclosure Compliance Important

- SEC has an active enforcement staff, including in San Francisco
- SEC has brought enforcement actions against public agencies in California as well as throughout the US
  - County of Orange – failure to describe nature of investment portfolio
  - City of San Diego – misleading pension disclosure
  - Westlands Water District – failure to describe certain extraordinary accounting
  - Montebello Unified School District – failure to disclose dispute with auditor
  - Sweetwater Union High School District – misleading budget projections

Securities Exchange Act Of 1934 Rule 10b-5

- Also contains antifraud provisions (Rule 10b-5)
- Antifraud provisions apply to government issuers
- Must show intent or recklessness

Rule 10b5

- "It shall be unlawful for any person . . .

  a) **To employ any device, scheme or artifice to defraud, or**

  b) **To make any untrue statement of a material fact or to omit to state a *material* fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading . . . ."**

The "Materiality" Standard

- "[w]hether or not there is a substantial likelihood that a reasonable investor or prospective investor would consider the information important in deciding whether or not to invest."
- Materiality is determined in context of all the facts and circumstances, but in hindsight
- Guidance comes primarily from court decisions, SEC enforcement cases and SEC legal bulletins.

What Should Be Disclosed?

- Unlike corporate securities, there is no “line item” set of rules for what goes into an Official Statement (“OS”)
- Various groups have suggested disclosure for particular market segments and general guidelines for OS content
- Look at practices in the industry; recent developments (e.g. Pension, Continuing Disclosure Compliance)
- In the end, Valley Water must use its own good judgment

When Do Disclosure Rules Apply?

- New offerings
- Annual Report under Rule 15c2-12
- Any other circumstance where an Issuer is "speaking to the market", including speeches and presentations by senior staff and by elected officials

Primary Disclosure

- Official Statement is offering document to investors
- Must contain all material information for the particular bond sale
- Underwriters, municipal advisers and lawyers can help develop the Official Statement but Valley Water is ultimately responsible for content

Disclosure Principles

- Broad description of Valley Water's financial and economic condition
- Description of budget process, major revenue sources and expenditure programs
- Information on recent and current budgets – "structural" deficit?
- Information on debt – types and amounts
- Information on derivatives
- Litigation

Disclosure Principles – *(cont.)*

- Description of enterprise
- Description of capital improvement program
- Historical and projected revenues, expenses and debt service coverage
- Rate covenant and additional bonds test
- Regulatory issues
- Information on debt – types and amounts
- Information on derivatives
- Litigation

Disclosure Principles – *(cont.)*

- Provide main points but do not overwhelm readers with detail
- Highlight important developments “up front”
- Determine appropriate level of importance for any particular event or budgetary item
- Bringing all these factors together into final product is ongoing process of give and take
- Important to maintain Attorney-Client privilege for sensitive issues

Timing Considerations For Bond Sale

- **Progression of an offering**
  - POS ⇨ sale ⇨ final OS ⇨ closing
- **Supplements are possible**
  - Not preferred, can be disruptive after sale
- **Be mindful of public actions or releases likely to occur**
  - Budget actions, mid-year reports
  - Status of ongoing litigation or investigations
  - Permit issuance (for revenue issuers)

Process

- Input from involved departments
- Empower staff at all levels
- Valley Water coordinates; Counsel helps pull information together and maintains document
- Important to maintain attorney client privilege at this stage of development
- Drafts reviewed by working group
- “Due diligence” meeting before distribution of Preliminary Official Statement

Current Hot Topics

- Cybersercurity
- Status of fund balance and reserves
- Climate Change/Natural Hazards
- Expected increases in retirement related payments; unfunded liabilities (pension and OPEB)
- Accounting practices

Disclosure Considerations

- Tomorrow's "hot topic" may be different than today's
- Disclosure must evolve to reflect changing circumstances
- Read the disclosure with "fresh eyes"
- If you think something may be a concern, raise the issue with Valley Water staff and legal counsel, consider discussing with the working group
- Political sensitivity and confidentiality considerations are not exceptions to disclosure

Content of Annual Reports

- Audited Financial Reports
- Information (i.e. tables) identified in Continuing Disclosure Undertaking
- Additional voluntary information
- Consider Rule 10b5 implications – if Valley Water does voluntary disclosure on one issue, are there other material topics to disclose?

Investor Communications

- No obligation to communicate with investors
- Tension between market (and SEC) desire for transparency and potential issuer liability
- Establish a single point of contact
- Speeches and presentations by officers of Valley Water (Chief Executive Officer, etc.) as well as Board Members may be “speaking to the market”

Highlights of the SEC staff legal bulletin issued on February 7, 2020

- All statements of a municipal issuer reasonably expected to reach investors are subject to antifraud provisions, regardless of compliance with continuing disclosure obligations;
- Fact that the information was not published for the purpose of informing the markets is not relevant;
- Legal bulletin is not legally binding but is a statement of SEC staff view and may be used by SEC staff in enforcement actions.

Recent SEC Legal Bulletin

- **Types of statements which are subject to anti-fraud rules:**

  A. Websites – would include Valley Water owned/operated websites and sub/micro web pages, including links to external websites

  B. Public Reports Delivered to Governmental and Institutional Bodies – would include Board meeting agendas and public reports issued to external regulators, etc. – Recent SEC enforcement action

  C. Statements made by municipal issuer officials – both verbal and written made by Valley Water officials (Chief Executive Officer, etc.) as well as Board Members

Topics of Recent SEC Enforcement Actions

- Misleading or Incomplete Financial Disclosures
- Inadequate Pension Disclosures
- Disputes with Auditors
- Failure to disclose missed Continuing Disclosure Filings

Increasingly Aggressive Actions by SEC in Recent Years

- **Filings against States:** N.J., Illinois, Kansas
- **Levying fines against issuers:** Wenatchee, Westlands
- **Increasingly charging issuer officials along with the issuer:** Miami, Allen Park, Harvey, Wenatchee, Victorville, Westlands, RIEDC, Ramapo
- **Levying fines against individual defendants:** San Diego, Allen Park, Harvey, Westlands, RIEDC
- **Officials barred from future involvement in municipal finance:** Allen Park, Harvey; sought in Ramapo

Increasingly Aggressive Actions by SEC in Recent Years *(cont.)*

- **Official who did not participate in bond deal charged as "controlling person" because he directed actions of others:** Allen Park; Ramapo
- **Individuals charged with "aiding and abetting" securities law violations:** RIEDC, Ramapo
- **Criminal charges against issuer officials:** Ramapo
- **Charging securities law violations in a situation which did not involve a bond offering:** Harrisburg

Increasingly Aggressive Actions by SEC in Recent Years *(cont.)*

- **Mayor and Financial Advisor (unregistered) charged with securities law violations for providing false projections to the State of Louisiana to obtain approval of bond issuance by a state agency and failed to disclose prior misuse of bond funds to investors:** Sterlington, Louisiana

- **School District finance director and CFO and financial advisor charged with failing to disclose School District's deteriorating financial condition and municipal advisor failed to disclose conflicts of interest with other municipal clients:** Rochester City School District, New York

Increasingly Aggressive Actions by SEC in Recent Years *(cont.)*

- **Most settlements require implementation of remedial actions and training; in some cases issuer required to hire outside disclosure counsel for a period of years:** Harvey, sought in Ramapo

- **SEC brings actions even when there was no default, no rating downgrade, or any evident market impact on the bonds.** (Port Authority; MCDC cases) **Unlike in a private action, the SEC does not need to prove damages or reliance.**

Consequences of Bad Disclosure

- SEC Investigation – fees for lawyers and consultants
- Adverse publicity
- Personal Fines
- Reduced market access
- May have to impose new procedures and oversight to settle SEC actions
- Rating Downgrades (triggers increased credit/liquidity provider fees)

Summary

- Investors must be provided all material information—When in doubt, disclose
- Officials participating in the disclosure process must be in a position to know material information (i.e., “the right people must be in the room”)
- Valley Water should support and encourage vigorous disclosure program
- Involved officials must receive training; Valley Water should maintain rigorous disclosure practices
- Protect Attorney-Client Privilege
- Adopt formal disclosure policy, including policies and procedures to ensure to ensure continuing disclosure compliance
- SEC Legal Bulletin regarding public communications by senior staff and elected officials

Santa Clara Valley Water District

File No.: 26-0572

Agenda Date: 8/11/2026
Item No.: 4.1.

BOARD AGENDA MEMORANDUM

Government Code § 84308 Applies: Yes ☐ No ☒
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:
Consider and Approve Appointment to the Safe, Clean Water and Natural Flood Protection Independent Monitoring Committee.

RECOMMENDATION:
Consider and approve appointment to the Safe, Clean Water and Natural Flood Protection Independent Monitoring Committee.

SUMMARY:
At the February 23, 2021, Board meeting, the Board adopted Resolution No. 21-10, creating a 14-member Safe, Clean Water and Natural Flood Protection Independent Monitoring Committee of the Santa Clara Valley Water District (Attachment 1).

Each Director is allotted two committee member nominations for appointment consideration: one committee member to serve a two-year term, and one committee member to serve a three-year term.

Stated below, for Board consideration, is the individual nominated for new appointment and the terms of service. The Committee Application for the nominee is included as Attachment 2.

Applicant Name: Laneya Davenport

Nominating Director: Director Jim Beall, District 4

Length of Term: Two years

ENVIRONMENTAL JUSTICE IMPACT:
There are no environmental justice impacts associated with this action. This action is unlikely to or will not result in adverse impacts.

FINANCIAL IMPACT:

The Office of the Clerk of the Board, Project No. 60301001, has budgeted funds to support the business meetings of the Board's Advisory Committees in the FY 2026-2027 Adopted Operating and Capital Budget.

CEQA:
The recommended action does not constitute a project under CEQA because it does not have potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:
Attachment 1: SCVWD Resolution No. 21-10
Attachment 2: Davenport Application, Redacted

UNCLASSIFIED MANAGER:
Wendy Ho, 408-630-3874

BOARD OF DIRECTORS
SANTA CLARA VALLEY WATER DISTRICT

RESOLUTION NO. 21-10

PROVIDING FOR A SAFE, CLEAN WATER AND NATURAL FLOOD PROTECTION PROGRAM INDEPENDENT MONITORING COMMITTEE OF THE SANTA CLARA VALLEY WATER DISTRICT

RESOLVED by the Board of Directors of the Santa Clara Valley Water District as follows:

I. GENERAL

A. Resolution 20-64, approved by the voters of Santa Clara County by the passage of the November 3, 2020, Safe, Clean Water and Natural Flood

Protection Program (Program) (ballot Measure S), requires that the Santa Clara Valley Water District (Valley Water) Board of Directors (Board) appoint an external Independent Monitoring Committee (Committee) to: (1) conduct an annual review of Valley Water's fiscal year report on the Program; (2) provide an annual report from the Committee to the Board regarding implementation of the intended results of the Program; (3) review each five-year implementation plan for the Program prior to its submittal to the Board for approval; and (4) review and recommend to the Board and Public every fifteen years whether the special tax should be reduced or repealed, or is needed to build additional projects to achieve related programmatic benefits in accordance with the priorities of the Program. The Committee also may, through its review of the annual reports and five-year implementation plans, make recommendations to the Board regarding reasonably necessary measures to meet the priorities of the Program.

B. The Committee shall be comprised of 14 members who reside within Santa Clara County: two members to be nominated by each member of the Board. In nominating Committee members, Board members shall strive to ensure fair treatment and meaningful involvement of all peoples regardless of race, color, gender identity, disability status, national origin, tribe, culture, income, immigration status, English language proficiency, or religion.

C. In order to provide continuity, each Board member shall nominate one Committee member to serve a three-year term, and one Committee member to serve a two-year term. The terms of office of Committee members shall begin on July 1 of a given year and are subject to reappointment by the full Board.

D. Committee members shall be subject to Valley Water's Conflict of Interest Code (Code), including its filing requirements for statements of economic interest, if the Code is subsequently amended to specifically include them.

E. Independent of Valley Water's Conflict of Interest Code, Committee members shall have an obligation to promptly disclose to Valley Water and the Committee Chair any existing membership, employment, management, or governance relationship with any entity actively seeking or receiving monetary grants from the Program.

F. Meetings of the Committee shall be governed by the Ralph M. Brown Act, Government Code Sections 54950-54961.

II. PURPOSE

A. The Committee will provide for a regular meeting to be held not less than once per year.

B. Between December and February every year beginning in December 2022, the Committee shall conduct an annual review of the Program's prior fiscal year annual report and prepare and submit a summary of its findings to the Board, which shall be made available to Santa Clara County residents, regarding the Committee's review of the implementation of the intended results of the Program.

C. The Committee shall review each five-year implementation plan for the Program prior to its submittal to the Board for approval. In this review, the Committee will reasonably inform itself to the extent necessary to determine the degree to which Valley Water's five-year implementation plans for the Program are being accomplished.

D. Through its review of the annual reports and five-year implementation plans, the Committee may make recommendations to the Board regarding reasonably necessary measures to meet the priorities of the Program.

E. Every fifteen years, starting in 2035, the Committee shall review and recommend to the Board and Public whether the special tax should be reduced or repealed, or is needed to build additional projects to achieve related programmatic benefits in accordance with the priorities of the Program.

F. Valley Water shall fund clerical support.

III. CONDUCT OF MEETINGS

A. A majority of the Committee will be determined based upon the simple majority of the number of Committee members holding office.

B. The Chairperson or a majority of the Committee membership may call for a special meeting of the Committee from time to time in accordance with Section 54956 of the Government Code. Such meetings shall be held at the Valley Water Headquarters or such other place and time as the Chairperson may designate. Valley Water may request the Chairperson or Committee to convene a special meeting.

C. Notices of each Committee meeting, together with an agenda thereof and the draft minutes of the preceding meeting, shall be electronically mailed or sent by first class mail, postage prepaid, to each Committee member, and made available to the public in accordance with the Ralph M. Brown Act.

D. The Committee may adjourn any regular, adjourned regular, special, or adjourned special meeting to a time and place specified in the order of adjournment. Less than a quorum may so adjourn from time to time.

E. The powers of the Committee shall be vested in the members thereof in office from time to time. A majority of the full membership of the Committee shall constitute a quorum for the purpose of conducting its business and exercising its powers and for all other purposes, but a smaller number may adjourn from time to time until a quorum is obtained. With the exception above specified, actions of the Committee may be taken upon the affirmative vote of not less than a majority of a quorum present and voting.

F. The voting on all matters shall be by voice vote unless a roll call vote is called for by any member of the Committee.

G. Discussion on any particular matter by either Committee members or by any member of the general public may be limited, in the discretion of the Chairperson, to such length of time as the Chairperson may deem reasonable under the circumstances.

H. Whenever the Committee authorizes and instructs the Chairperson to appoint a subcommittee of the Committee or a committee composed of persons who are not members of the Committee, the members of such subcommittee or committee shall serve at the pleasure of the Chairperson. The Chairperson of such subcommittees and committees shall be appointed by the Chairperson of the Committee. All subcommittee meetings shalt be conducted in accordance with the Ralph M. Brown Act.

I. All meetings of the Committee shall be open and public.

J. The Committee may be adjourned sine die by the Chairperson at the close of consideration of the business before it and may thereafter be returned to a course of regular meetings upon the call of the Chairperson or of a majority of the Committee membership in the manner prescribed for a call a special meeting.

IV. OFFICERS

A. The officers of the Committee shall be a Chairperson and Vice Chairperson, both of whom shall be members of the Committee. The Committee shall elect its officers at the first meeting of the Committee's annual review cycle. The Chairperson and Vice Chairperson shall serve a term of one year. All officers shall hold over in their respective offices after their term of office has expired until their successors have been elected and have assumed office.

B. The Chairperson shall preside at all meetings of the Committee. The Chairperson shall sign all resolutions and all other instruments made or promulgated by the Committee and he or she shall perform such other duties as the Committee may prescribe consistent with the purpose of the Committee.

C. The Vice Chairperson shall perform the duties of the Chairperson in the absence or incapacity of the Chairperson; and in case of the resignation of or death of the Chairperson, the Vice Chairperson shall perform such duties as are imposed upon the Chairperson until such time as a new Chairperson is elected by the Committee.

D. Should the office of Chairperson or Vice Chairperson become vacant during the term of such office, the Committee shall elect a successor from its membership at the earliest meeting at which such election would be practicable, and such election shall be for the unexpired term of such office.

E. In the event the Chairperson and Vice Chairperson are both absent from a meeting, the Committee may elect a Chairperson Pro-tempore to preside over the meeting during the absence of the Chairperson and Vice Chairperson.

F. Additional bylaws may be adopted for the purpose of conducting the business of the Committee.

V. AMENDMENT

A. Amendment of this resolution consistent with or necessary to carry out or support the purpose of the Committee may be proposed by vote of the Committee or by Valley Water's Board of Directors. The Board will consider and act upon the proposed amendment without delay but following not less than three calendar days (72 hours) written notice to each Committee member of the time and place when and where the proposed amendment is to be acted upon.

PASSED AND ADOPTED by the Board of Directors of the Santa Clara Valley Water District by the following vote on February 23, 2021:

AYES: Directors Hsueh, Santos, Keegan, Kremen, LeZotte, Varela, Estremera

NOES: Directors None

ABSENT: Directors None

ABSTAIN: Directors None

SANTA CLARA VALLEY WATER DISTRICT

TONY ESTREMERA
Chair, Board of Directors

ATTEST: MICHELE L. KING, CMC

Clerk, Board of Directors

APPLICATION FOR A SANTA CLARA VALLEY WATER DISTRICT COMMITTEE

Please complete this application in its entirety and submit an original signed copy to the Office of the Clerk of the Board at 5750 Almaden Expressway, San Jose, California 95118. If more space is needed, please attach additional pages. Applications are valid for one year from the date of receipt and are public record. This application is available on-line at www.valleywater.org under "Board of Directors." For assistance, please contact the Office of the Clerk of the Board at (408) 265-2607, extension 2277.

A. CONTACT INFORMATION

Name of Committee: Independent Monitoring Committee			
Name (First, Middle, Last): Laneya Davenport			
Home Phone:	Work Phone:	Cell Phone:	Fax:
Mailing Address: (Street Address, City, State, ZIP)			
E-mail:			
If Applicable, Present Employer (Name and Address): The Uisge Foundation		Job Title: Executive Director of Operations	
Do you have a current contractual relationship with the Santa Clara Valley Water District? ☐ Yes ☒ No If *Yes*, please describe (if more space is needed, please attach additional pages):			

B. VOLUNTEER EXPERIENCE

List current and previous volunteer experience. Include experience with charitable organizations, committees and commissions, or public offices you may have held and relevant dates. If more space is needed, please attach additional pages.

DATE(S):	NAME:	RESPONSIBILITIES/EXPERIENCE:
March 2026 - Present	Cahalan Canoas Neighborhood Association	Board Member (Treasurer, Assistant Secretary)
September 2020 - Present	Almaden Country Day School	Various
March 2018	FIRST Robotics Global Innovation Awards Presentation	Assisted with contestant activities before the awards ceremony

2016 (various sessions)	PwC's Earn Your Future	Co-led (group-taught) financial literacy sessions for high school students, organized and planned first annual "mega" event in 2015
2014 (various sessions)	Reading Partners	Worked with elementary school students on a weekly basis to improve literacy skills

C. INTEREST AND AVAILABILITY

How did you hear about this committee opening?

- ☐ District Website
- ☐ Committee Member (please specify):
- ☐ Director (please specify):
- ☒ Other (please specify): Water 101 Academy

Please describe your interest in serving on this committee:

I believe projects that benefit the community grow stronger when there is independent oversight. Oversight promotes best practices and diverse viewpoints, and it increases the public's trust. I would love to show commitment to my community and support of our water resources by being part of this committee.

Please describe your relevant qualifications, such as specific skills, training, or knowledge that should be considered in applying for this committee:

My background is in tax accounting. As an accountant my job is to thoroughly analyze and assess data, and to prepare for audits. These skills along with my passion for all things water will help me perform my duties and responsibilities in this committee.

How would the community benefit by your participation on this committee?

I have strong ethics and a team-based view. I would represent my community in a dedicated and honest manner.

Are you available to attend committee meetings when scheduled? (please go to www.valleywater.org for committee meeting schedule details) ☒ Yes ☐ No If *No*, please describe:

If you have a disability, what accommodations would you need to serve on this committee?

n/a

D. EMERGENCY CONTACT INFORMATION

In case of emergency, contact:

1. Name: Phone:
2. Name: Phone:

I, HEREBY, ATTEST THAT THE ABOVE INFORMATION IS TRUE TO THE BEST OF MY KNOWLEDGE AND MAY BE VERIFIED BY THE SANTA CLARA VALLEY WATER DISTRICT. I UNDERSTAND THAT MISREPRESENTATION OR OMISSIONS MAY BE CAUSE FOR MY IMMEDIATE REJECTION AS AN APPLICANT OR TERMINATION FROM APPOINTMENT TO A COMMITTEE.



Applicant Signature

04/23/26

Date Signed

Santa Clara Valley Water District

File No.: 26-0628

Agenda Date: 8/11/2026
Item No.: 5.1.

BOARD AGENDA MEMORANDUM

Government Code § 84308 Applies: Yes ☒ No ☐
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:
Approve the Agreement A5823A with Sjoberg Evashenk Consulting, Inc., for 2026 Board Audit Consultant On-Call Services, PB File No. VW0676 for a Five-Year Term and a Total Not-to-Exceed Fee of $1,500,000.

RECOMMENDATION:
Approve the Agreement A5823A with Sjoberg Evashenk Consulting, Inc., for 2026 Board Audit Consultant On-Call Services, PB File No. VW0676 for a five-year term and a total not-to-exceed fee of $1,500,000.

SUMMARY:
With this agreement, the Consultant will serve as advisor to the Board of Directors' Audit Committee (Board Audit Committee) in fulfilling its duties, responsibilities, and functions. Specifically, the Consultant will assess operational risks and advise on potential audits to ensure Santa Clara Valley Water District (Valley Water) is in compliance with its policies, procedures and regulations. The recommended audits may or may not be conducted by the Consultant. The Consultant will also assist in preparing an annual program of audits with associated calendars, schedules and budgets and prepare formal and informal reports and presentations to the Board Audit Committee and to the full Board of Directors.

Consultant Selection Process

Prior to publishing the RFP, staff conducted outreach to 507 firms that were registered in the Valley Water Procurement Portal, PlanetBids (PB). The following National Institute of Governmental Purchasing, Inc (NIGP) Categories codes were targeted for RFP outreach to firms: 91800 - Consulting Services, 91804 Accounting/Auditing/Budget Consulting, and 94620 Auditing. Staff also issued advertisements in the SJ Post and SBEINC.com prior to publishing the RFP.

On March 13, 2026, a Request for Proposal (RFP) for 2026 Board Audit Consultant On-Call Services was published on Valley Water's Procurement Portal, Planet Bids. The RFP was sent to 513 firms that are registered in Planet Bids under the NIGP Category codes that outreach was sent to.

Valley Water received proposals from two consultant firms, Macias Gini & O'Connell LLP, and Sjoberg Evashenk Consulting, Inc. An Evaluation Committee (EC), consisting of three subject matter experts with audit services of Valley Water and one Valley Water Board Member, ranked the written proposals. Two firms, Macias Gini & O'Connell LLP, and Sjoberg Evashenk Consulting, Inc. were invited to participate in the subsequent virtual oral interviews conducted on May 21, 2026.

Based on the combined (written and oral) rating scores, the EC recommended staff to proceed with the highest ranked firm, Sjoberg Evashenk Consulting, Inc., for contract negotiations.

ENVIRONMENTAL JUSTICE IMPACT:
There are no environmental justice impacts associated with the approval of an agreement. This action is unlikely to or will not result in disproportionate impacts on any specific community(ies) relative to the general population from the execution of this agreement.

FINANCIAL IMPACT:
The Agreement with Sjoberg Evashenk Consulting, Inc. for 2026 Board Audit Consultant On-Call Services has a five-year term and a total not-to-exceed amount of $1,500,000. The duration of this agreement spans multiple budget cycles. Funding for this item is partially included in Fiscal Year 2026-27, and the remainder will be requested by staff in future budget cycles for Fiscal Years 2027-28, 2028-29, 2029-30, and 2030-2031 under project 60131014 (Continual Improvement).

CEQA:
The recommended action to approve the Agreement does not constitute a project under the California Environmental Quality Act (CEQA) because it does not have the potential to result in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:
Attachment A: Gov. Code § 84308, Sjoberg Evashenk Consulting, Inc.
Attachment 1: Agreement.

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068

Attachment A: Gov. Code § 84308

Approve the Agreement A5823A with Sjoberg Evashenk Consulting, Inc., for 2026 Board Audit Consultant On-Call Services, PB File No. VW0676 for a not-to-exceed fee of $1,500,000

List of Parties and Their Agents/Representatives Known to Staff:

Organization Name	**Name**	**Role**	**Location**
Sjoberg Evashenk Consulting, Inc.	George J. Skiles	Project Manager	455 Capitol Mall, Suite 700 Sacramento, CA 95814

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This agreement (Agreement) is effective once fully executed (Effective Date), by and between SANTA CLARA VALLEY WATER DISTRICT (Valley Water), and SJOBERG EVASHENK CONSULTING, INC., a California corporation (Consultant), individually the Party or collectively the Parties.

WHEREAS, Valley Water desires certain services hereinafter described and Consultant affirms it has the requisite experience and expertise, and desires to provide such services.

NOW, THEREFORE, Valley Water and Consultant, for the consideration and upon the Terms and Conditions specified, agree as follows:

SECTION ONE

SCOPE OF SERVICES

The Scope of Services (Services) to be performed pursuant to this Agreement is described in the Schedule, Scope of Services, attached hereto and incorporated herein by this reference (Schedule). Valley Water may require Consultant to provide all or a portion of these services (Services) through subsequently executed task orders (Task Orders). Task Orders will be in the form of the template described in Section Twelve, Miscellaneous Provisions, subsection 13. Task Orders and in the Standard On-Call Consultant Agreement, Appendix Three, Task Order Template. These Services will be provided on an on-call basis (On-Call).

SECTION TWO

DUTIES OF CONSULTANT

1. Performance

A. Each Scope of Service described in an attached Schedule must be performed by Consultant, or at its direction, to meet the purposes specified in this Agreement. References to “Consultant” herein include those performing any portion of the Services at its direction such as Subconsultants, vendors, suppliers, subcontractors, and other business entities and individuals.

B. Unless the requirements for the Services described in the attached Schedule are specifically modified in writing, Consultant must perform Services and provide all deliverables as required.

C. Consultant shall not undertake any Services not described in the attached Schedule unless authorized in writing by Valley Water prior to the performance of such Services by issuance of a Task Order or pursuant to an amendment to this Agreement signed by both Parties.

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2. Consultant Controlled Areas

Consultant is responsible for the security and safety of the area(s) it controls wherein it is required to perform field operations pursuant to the Scope of Services.

3. Licensing – [NOT USED]

4. Valley Water's Approval of Deliverables

Deliverables prepared by Consultant, notwithstanding acceptance and approval by Valley Water, which Valley Water determines must subsequently be modified due to errors or omissions, will be corrected at no additional cost to Valley Water.

5. Errors and Omissions

Consultant is responsible for any direct or actual damages incurred by Valley Water which Valley Water determines result from Consultant's errors or omissions in Consultant's deliverables.

6. Valley Water Standardization Requirements

A. Consultant shall perform the Services utilizing Valley Water nomenclature, standardized forms, software requirements, documented procedures, and best management practices. Consultant shall use Microsoft Office software at the time(s) Valley Water issues a Notice to Proceed pursuant to this Agreement.

7. Consultant's Key Staff and Subconsultants

A. Consultant's and firms subcontracted by the Consultant (Subconsultants) assigned to perform the Services are identified in the Schedule(s), Scope of Services, Attachment Three, Consultant's Key Staff and Subconsultants.

B. The Project team organization chart and delegated responsibilities of each team member will be submitted to Valley Water for concurrence.

C. Consultant may utilize Subconsultants it deems appropriate to the complexity and nature of the required Services.

1) Consultant must obtain Valley Water's approval of all Subconsultants. Upon Valley Water's request, Consultant must provide copies of all Subconsultant agreements.

2) Consultant must require its delegates or Subconsultants to agree, in writing, to adhere to Terms and Conditions of this Agreement.

D. Any delegation or use of Subconsultants by Consultant will not operate to relieve Consultant of its responsibilities as described in this Agreement.

E. If any of Consultant's designated key staff persons or Subconsultants fail to perform to the satisfaction of Valley Water, on written notice from Valley Water, Consultant will have

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15 calendar days to remove that person from the Project and provide a replacement acceptable to Valley Water.

F. Consultant will not charge Valley Water for the time it takes Consultant's replacement personnel to obtain Valley Water-specific Project knowledge in the possession of the person(s) being replaced.

G. Consultant's Key Staff: Valley Water's Project Manager (VMPM) or authorized representatives may approve any revisions to Consultant's list of key staff assigned to the Project as an administrative modification to this Agreement, and such approval will be confirmed in writing.

H. Consultant's Subconsultants

1) Valley Water Project Manager may approve any revisions to Consultant's list of authorized Subconsultants when the Subconsultant is deleted from the list and the Scope of Services is deleted from the Agreement or such services are assumed by the Consultant; such approval will be confirmed in writing.

2) Valley Water's authorized representative may approve any revisions to Consultant's list of authorized Subconsultants when a listed Subconsultant is replaced (to perform the same Scope) or a new Subconsultant is added (to perform new Scope), provided the firm complies with all insurance requirements established by Valley Water for such work; such approval will be confirmed in writing.

8. Compliance with All Laws

A. Consultant's performance must be in compliance with the most current versions of any and all laws relevant to the Services it performs pursuant to this Agreement, including, but not limited to adherence to: all applicable governmental laws, statutes, ordinances, rules, codes, regulations, orders, and other requirements; governmental requirements, applicable to state and federal compliance with the Professional Land Surveyors Act; State and Federal Endangered Species Act; state and federal water quality laws; and all other state and federal laws or regulations regarding environmental protection and compliance, health, safety, wages, hours, equal employment opportunity, nondiscrimination, working conditions, and transportation. In the event that Valley Water's assistance is necessary to achieve such compliance, Consultant shall promptly notify Valley Water.

B. Consultant shall provide, at Valley Water's request, documentation demonstrating Consultant's compliance with all laws as described herein. After reasonable notice and according to reasonable conditions, Valley Water has the right to inspect and copy any records of Consultant regarding such compliance.

C. Consultant represents and warrants that neither Consultant nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any federal government department or agency.

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9. Occupational Safety and Health

A. Consultant will perform the Services in compliance with the most current versions of all laws, standards, rules, and regulations of the Occupational Safety and Health Act, and all state and federal laws and regulations relating to safety and health standards. Consultant shall perform the Services in compliance with, will furnish only supplies, articles, and equipment that comply with such laws, standards, and regulations.

B. Consultant shall immediately notify Valley Water in the event of any personal injury accident or occurrence occurring during the performance of the Services. Upon Valley Water's request, Consultant shall provide Valley Water with documentation fully describing the accident and injury and the actions implemented to prevent similar occurrences.

10. Consultant as Independent Contractor

Consultant will perform all Services as an independent contractor and not an agent or employee of Valley Water. Consultant represents and warrants that it and its contractors who are performing any of the Services as Subconsultants will perform such Services as an independent contractor, and neither Consultant nor Subconsultants nor their employees are the servants, agents or employees of Valley Water. Except as expressly provided in this Agreement, Valley Water exercises no direction, supervision or control over Consultant, its employees, agents, or Subconsultants.

11. Standard of Care

A. Consultant must possess and maintain during the term of this Agreement all certifications, licenses, permits, and qualifications to perform the Services and prepare all deliverables. Consultant must perform all Services and prepare all deliverables in accordance with those standards and practices of care, skill, and diligence that are generally recognized and customarily observed by competent persons in Consultant's area of specialty in the State of California at the time such Services are rendered.

B. Consultant shall perform the Services and prepare all deliverables without any errors or omissions, and in accordance with Section Two, Duties of Consultant, subsection 8. Compliance with All Laws.

C. Consultant and its Subconsultants must perform the Services in compliance with all applicable written federal, state and local codes, statutes, laws, regulations, and ordinances, including, but not limited to, environmental, energy conservation, and disabled access requirements as per the provisions of Section Two, Duties of Consultant, subsection 8. Compliance with All Laws.

D. Consultant warrants that: all work under this Agreement shall be Consultant's original work and none of the services or inventions or any development, use, production, distribution or exploitation thereof will infringe, misappropriate or violate any intellectual property or other right of any person or entity (including, without limitation, Consultant); and Consultant has the full right to allow it to provide Valley Water with the assignments and rights provided for herein.

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SECTION THREE

DUTIES OF VALLEY WATER

1. Available Data

Valley Water will make available to Consultant all data and information in its possession and control and which it deems necessary to the preparation of the deliverables specified in the Schedule. Valley Water will actively aid and assist Consultant in obtaining such information from other agencies and individuals as it deems necessary. Valley Water is not responsible for providing data and information that it does not possess.

2. Review of Deliverables

A. Valley Water will designate a Project Manager (Valley Water Project Manager or Authorized Representatives) for purposes of administering and managing this Agreement.

B. Consultant's progress in completing the Services will be reviewed by Valley Water Project Manager at each milestone identified in an executed Task Order or at such other time(s) at the discretion of Valley Water.

C. Consultant must notify Valley Water in writing when it completes and has submitted to Valley Water each deliverable as per an executed Task Order. Deliverables deemed satisfactory and in compliance with this Agreement are subject to approval by Valley Water. Within 30 calendar days of receipt of each deliverable, Valley Water will either (1) notify Consultant that Valley Water accepts the deliverable, or (2) notify the Consultant that the deliverable is not acceptable and must be revised.

D. If Valley Water advises Consultant that a deliverable must be revised due to errors or omissions by the Consultant, Consultant must correct, at no cost to Valley Water, those deficiencies as soon as possible and shall notify Valley Water upon completion of the revised deliverable and submit to Valley Water.

E. Valley Water will then review the revised deliverable and within 30 calendar days of receipt, advise the Consultant if the revised deliverable is acceptable. All deficient deliverables will be revised at no cost to Valley Water and this process will continue until Consultant has corrected all deficiencies identified by Valley Water.

F. None of the proposed changes or revisions or anything else in this Agreement will be construed to relieve the Consultant of professional or legal responsibility for the performance of the Services as otherwise required by the Terms and Conditions of this Agreement. Corrections to any deliverable as a result of Consultant's errors or omissions, as determined by Valley Water, will not result in additional costs or expenses to Valley Water.

3. Access to Valley Water Facilities

Valley Water will facilitate access to Valley Water facilities as required for the Consultant to

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perform the Services.

SECTION FOUR

FEES AND PAYMENTS

1. Total Fixed Not-to-Exceed Fees

A. Payment for all Services performed by Consultant to the satisfaction of Valley Water, as described in the Schedule will be based on the hourly rates, subject to the Total Fixed Not-to-Exceed (NTE) Fees stated in the Schedule, Attachment One, Fees and Payments. Valley Water will make payments to the Consultant according to the terms provided for herein and in Schedule, Attachment One, Fees and Payments. Payments made by Valley Water to the Consultant for Services rendered will be considered full compensation for all personnel, materials, supplies, Subconsultant(s), equipment, and reimbursable expenses, incurred by the Consultant to perform the Services. All Service requests will be made by Valley Water on an as-needed basis, subject to future Task Order(s) executed by Valley Water and Consultant.

B. It is understood and agreed that there is no guarantee, either expressed or implied, as to the actual dollar amount, if any, of services that will be authorized under this Agreement, and that Valley Water is not obligated to request any service(s) from Consultant at all. However, in valuable consideration for Consultant's agreement to be on-call to perform services for Valley Water upon request with no minimum guaranteed amount of work, Valley Water will pay Consultant Five Hundred Dollars ($500) on or before the expiration of this Agreement if Valley Water has not requested to utilize Consultant's services during the agreement term.

C. The Schedule, Attachment One, Fees and Payments, sets forth the hourly rates and NTE fee, if any, for Services Consultant may perform pursuant to an executed Task Order.

D. Services to be performed pursuant to a Task Order will commence only after written approval by both Valley Water's authorized representative referenced in the Standard On-Call Consultant Agreement, Appendix One, Additional Legal Terms, and Consultant's authorized representative.

E. Notwithstanding any other provision of this Agreement, Valley Water agrees to pay Consultant in accordance with the terms set forth in an executed Task Order. Consultant represents and warrants that the amounts charged to Valley Water for Services do not exceed the amounts normally charged by Consultant to other customers for similar Services.

F. Upon the written approval of Valley Water, the Services described in a Task Order task may be reduced, revised, or deleted.

G. Automobile travel mileage expenses will be paid at the current Internal Revenue Service (IRS) rate. Valley Water will not reimburse Consultant nor its Subconsultants for mileage nor travel time to and from Valley Water Headquarters and surrounding campus located

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at 5700 Almaden Expressway, San Jose, California. However, Valley Water will reimburse Consultant and its Subconsultants for mileage incurred from Valley Water Headquarters or Consultant's and Subconsultants' firm addresses, whichever is closer to the destination, to Project site(s) and, if directed or authorized by Valley Water, to meeting locations such as with regulatory agencies, for community outreach activities and meetings, for partnering meetings, and Dispute Review Board meetings.

2. Consultant Invoices

A. Consultant's invoices will be prepared in accordance with the terms of this Agreement, Section Four, Fees and Payments, and represent Services performed and reimbursable costs incurred during the identified billing period. Invoices must be consistent with Scope of Services and executed Task Orders, and include the following:

1) Employee classification and name itemized with all labor charges by Service task;

2) Summary of the amount Consultant has been billed by their Subconsultants and further detailed by Service task;

3) A description of the site where Services were performed, if applicable;

4) The name of Valley Water staff requesting Services

5) The dates when Services were performed;

6) Other direct charges and reimbursable expenses by Task Order task;

7) Other direct charges and expenses must reflect actual fees versus the Task Order not-to-exceed fees as stated in the Schedule(s), Attachment One, Fees and Payments; and/or Task Orders;

8) Level of Small Business (SB) participation, if applicable, documenting the level of SB participation for each Task Order;

9) The total amount due for completing the Services specified in that Task Order, which must not exceed the not-to-exceed amount specified in that Task Order; and

10) To the extent that the Consultant is adding an administrative, processing, overhead or mark-up fee, Valley Water will not pay for such duplication of costs for both the Consultant and its Subconsultants.

B. Before submitting monthly invoices, a draft invoice (in Adobe PDF format) will be provided in electronic format by the Consultant for preliminary review by Valley Water Project Manager. Upon preliminary approval by Valley Water, Consultant will email the complete, signed, and dated electronic copy invoice, including all supporting documentation. Valley Water's preliminary review of the draft invoice does not represent final approval of the electronic copy invoice, but is intended to reduce potential for re-submittals of electronic copy invoice by Consultant.

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C. Invoices will include a summary of labor expenditures, direct costs, and billed Subconsultant charges. Invoices will be organized such that the billing categories correspond with the Task Order.

D. Notwithstanding language to the contrary in an executed Task Order, Consultant must invoice Valley Water for a Task Order within 30 calendar days of Valley Water accepting the deliverables of that Task Order.

E. Consultant shall email all invoices to: APinvoice5750@valleywater.org

Valley Water mailing address for invoices, if needed:

Santa Clara Valley Water District
Attention: Accounts Payable
P.O. Box 20670
San Jose, CA 95160-0670

F. Consultant must also ensure that each invoice and corresponding attachments contain the following information:

1) Agreement number;

2) Task Order number;

3) Full legal name of Consultant/Firm;

4) Payment remit-to address;

5) Invoice number;

6) Invoice date (the date invoice is emailed);

7) Detailed description of Services provided, including the "distribution account(s)" for those Services;

8) Number of hours spent by each person performing services and a brief description of the Services performed by each person; and

9) Beginning and end date for billing period that services were provided.

G. Consultant shall invoice for its performance of the Services as stated in an executed Task Order on a monthly basis consistent with the task fee breakdown stated in the Task Order(s), Attachment A. Unless otherwise specified in a Task order, Consultant will be paid for the Services as described in an executed Task Order.

H. Valley Water Project Manager will review Consultant's written invoice within five Valley Water business days of receipt, address any questions with Consultant's Contact/Principal Officer and approve the undisputed amount of the invoice within ten

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working days of receipt of the invoice. Valley Water will pay undisputed invoice amounts within 30 calendar days from date invoice is received by Valley Water Project Manager.

I. Invoice Disputes

1) Valley Water may in good faith assert a bona fide dispute as to all or a portion of fees specified in any invoice. If any portion of an amount due to Consultant under this Agreement is subject to a bona fide dispute between the Parties, within 30 calendar days of Consultant's delivery of the invoice on which a disputed amount appears, Valley Water will notify Consultant in writing of the specific items in dispute, and will describe Valley Water's reason(s) for disputing each such item.

2) Consultant and Valley Water Project Manager must act in good faith to resolve this dispute in a timely manner. If the dispute is not resolved by the Consultant and Valley Water Project Manager within 30 calendar days of Consultant receiving Valley Water's written notice of dispute, Consultant and Valley Water will attempt to resolve the dispute pursuant to the Standard On-Call Consultant Agreement, Appendix Two, Dispute Resolution.

J. Consultant's Services will be performed by its staff members and Subconsultants' staff members at the lowest hourly and unit rates commensurate with the complexity of the required Services.

K. Consultant shall ensure that its personnel performing services pursuant to this Agreement document their time doing so.

3. Prevailing Wages [NOT USED]

4. Retention [NOT USED]

SECTION FIVE

SCHEDULE OF COMPLETION

1. Performance of Tasks

Consultant will commence performing the tasks described in the Scope of Services of an executed Task Order upon receipt of the Task Order Notice to Proceed (NTP) issued by Valley Water.

2. Task Order Schedule

Consultant will perform and complete the Services in accordance with the schedule (Schedule) as described in each Task Order. Consultant will coordinate Services with Valley Water to provide the timeline of all tasks and subtasks including the site visits, document review, meetings, and deliverables.

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3. Project Delays

Consultant will make all reasonable efforts to comply with the Schedule as stated in a Task Order. In the event the Task Order Schedule will be delayed, Consultant will notify Valley Water Project Manager as soon as possible, providing the reason why, the length of the delay, and a description of the actions being taken to address the delay. In the event Consultant is delayed in performance of its Services by circumstances beyond its control, Valley Water may, at its discretion, grant a reasonable adjustment in the Schedule.

4. Changes to the Schedule

Valley Water's Project Manager and Consultant may agree to modify the Schedule specified for Consultant's performance in an executed Task Order as an administrative modification to the Task Order and will confirm such modifications in writing.

SECTION SIX

AGREEMENT MODIFICATIONS

The Parties may agree to modify the Terms and Conditions of this Agreement by executing a written amendment hereto.

SECTION SEVEN

TERM AND TERMINATION

1. Term & Automatic Termination

No Task Order will be written which extends beyond the expiration date of this Agreement. Consultant will not undertake to provide Services where it reasonably appears that the Services cannot be performed and completed within the Term of this Agreement. Uncompleted and/or unfinished Task Orders will co-terminate with this Agreement.

2. Valley Water Rights

A. Suspension: Valley Water may, by written notice to Consultant, suspend any or all Services pursuant to this Agreement or to any individual Task Order. Valley Water may subsequently terminate this Agreement or any Task Order for convenience, or determine to proceed. If a decision to proceed is not made within 90 days from the date of the notice of suspension, any decision to proceed must be conditioned upon execution of a new Notice to Proceed or Task Order.

B. Termination for Convenience: Valley Water may, by written notice to Consultant, terminate all or part of this Agreement or any Task Order at any time for Valley Water's convenience. Upon receipt of such notice, Consultant will immediately cease all work as specified in the notice. If this Agreement or any Task Order is so terminated, Consultant will be compensated as set forth in Section Seven, Term and Termination, subsection 3. Consultant's Compensation upon Termination or Suspension.

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C. Termination for Breach: If Consultant violates any of the covenants, agreements or stipulations of this Agreement or a Task Order, or if Consultant fails to fulfill in a timely and proper manner its obligations pursuant to this Agreement or any Task Order, and does not cure such failure or violation within 30 days (or a reasonable extension thereof, if requested, which extension will not be unreasonably withheld) after receipt of written notice from Valley Water specifying such failure or violation, Valley Water will thereupon have the right to terminate this Agreement and any or all uncompleted Task Orders by giving written notice to Consultant of such termination. Such notice will specify the effective date thereof, and Consultant will not be entitled to compensation for Services or expenses beyond the specified termination date.

D. If, after notice of termination for breach of this Agreement or any Task Order, it is determined that Consultant did not breach the Agreement or Task Order, the termination will be deemed to have been implemented for Valley Water's convenience, and Consultant will receive payment that is allowed by this Agreement for a termination for convenience.

E. The rights and remedies provided herein to Valley Water are in addition to any other rights and remedies provided by law, this Agreement, or a Task Order.

3. Consultant's Compensation upon Termination or Suspension

In the event of termination of this Agreement or any Task Order, or suspension of Services by Valley Water, Consultant shall receive compensation based on satisfactory performance, accepted by Valley Water, as follows:

A. Direct Labor: Consultant shall be entitled to receive compensation for all authorized direct labor performed prior to termination pursuant to the provisions of this Agreement or Task Order and all authorized labor expenses incurred to demobilize from the Project after the date of termination;

B. Other Direct Costs and Expenses: Consultant shall be entitled to receive compensation for all authorized other direct costs and expenses incurred prior to termination and all authorized expenses incurred to demobilize from the Project after the date of termination; and

C. In no event shall the total compensation paid for any item of Service exceed the payment specified in the Agreement or applicable Task Order for that item of Service.

4. Survival

The Terms and Conditions of this Agreement, that by their context and a standard of reasonableness, are intended to survive termination, suspension, completion, and expiration of this Agreement, shall survive, including but not limited to, the following Sections and subsections: Independent Contractor Status, Confidentiality, Indemnification, Insurance Requirements, and Dispute Resolution, as well as any Consultant representations and warranties.

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SECTION EIGHT

INDEMNIFICATION

1. Notwithstanding any other provision of this Agreement, Consultant agrees to indemnify, defend and hold harmless Valley Water, its agents, officers, directors, and employees from and against any and all demands, claims, damages, losses and reasonable expenses, including but not limited to liabilities, obligations, claims, costs, reasonable expenses (including, without limitation, interest, penalties and reasonable attorney's fees), fines, taxes, levies, imposts, assessment, demands, damages or judgments of any kind or nature, whether in law or equity (including, without limitation, death or injury to any person, property damage, administrative and judicial orders and consents, or any other loss) to the extent they arise out of, pertain to, or relate to Consultant's negligence, recklessness, or willful misconduct.
2. The foregoing does not limit any strict liability imposed on Consultant by law. The rights, duties, and obligations of the Parties as set forth above in this Section Eight, Indemnification, survive termination, expiration, completion, and suspension of this Agreement.

SECTION NINE

INSURANCE REQUIREMENTS

Insurance requirements applicable to this Agreement are set forth in the Standard On-Call Consultant Agreement, Appendix Four, Insurance Requirements. Consultant must provide and maintain at its own expense, during the term of this Agreement, or as may be further required herein, all insurance coverages as detailed in the Standard On-Call Consultant Agreement, Appendix Four, Insurance Requirements, and comply with all provisions stated therein.

SECTION TEN

OWNERSHIP AND REUSE OF DELIVERABLES

1. Valley Water Ownership

All deliverables and other materials prepared by Consultant, including computer programs and media developed by Consultant, to perform the Services, during the term of this Agreement, will be and remain the property of Valley Water following payment in full to Consultant for each task or portion of a completed task, or in accordance with Section Seven, Term and Termination. In the event the work is not completed, the completed portions thereof will become the property of Valley Water. Consultant will provide Valley Water with such deliverables and material at appropriate times during this Agreement. Consultant may retain a copy for its records. Consultant does not convey, assign, or transfer the intellectual property rights it has, so as to limit its ability or right to develop, design, or provide services on other projects of or for its other clients.

2. Reuse of Instruments of Service

If Valley Water desires to reuse the completed plans, specifications, or other deliverables, in

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total or in part, on project sites associated with this Agreement, or any other site, or to complete any incomplete portion of construction documentation which Valley Water has already paid Consultant, Valley Water will release Consultant from any liability incurred by Valley Water from reusing said deliverables.

3. Copies of Data

Copies of data exchanged by, through, and between Valley Water and Consultant that may be relied upon are limited to printed copies. Computer-generated files, disks, or tapes of text, data or graphics that are furnished are only for the mutual convenience of the Parties.

4. Computer-Generated Material

Any risk of translation or reliance on information obtained or derived from computer-generated material is at the user's sole risk, and no representations are made, either express or implied, as to the long-term performance of data thus transferred.

5. Work for Hire

Any and all original correspondence, memoranda, reports, designs, plans, specifications, data compilations, computer programs, or drawings delivered to Valley Water by Consultant according to the Terms of this Agreement, in or by any medium is deemed to be "work for hire" according to the copyright laws of the United States and the copyright belongs to Valley Water.

6. Copyright Claims

Co-venturers, subcontractors, Subconsultants, suppliers, and vendors to Consultant are likewise bound by these copyright terms. Valley Water makes no copyright claim and requires no release for copyrighted material or trademarked names used incidentally by Consultant.

SECTION ELEVEN

EQUAL OPPORTUNITY

1. Equal Opportunity Employer

Valley Water is an equal opportunity employer and requires its consultants to have and adhere to a policy of equal opportunity and non-discrimination. In the performance of the Agreement, Consultant will comply with all applicable federal, state, local laws and regulations, and will not discriminate against any subcontractor, employee, or applicant for employment in the recruitment, hiring, employment, utilization, promotion, classification or reclassification, transfer, recruitment advertising, evaluation, treatment, demotion, layoff, termination, rates of pay or other forms of compensation, and selection for professional development training (including apprenticeship), or against any other person, on the basis of sex (which includes pregnancy, childbirth, breastfeeding and medical conditions related to pregnancy, childbirth or breastfeeding), race, religion, color, national origin (including language use restrictions), ancestry, religious creed (including religious dress and grooming practices), political affiliation, disability (mental and physical, including HIV or AIDS), medical

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condition (cancer and genetic characteristics), genetic information, marital status, parental status, gender, age (40 and over), pregnancy, military and veteran status, sexual orientation, gender identity and gender expression, the exercise of family and medical care leave, the exercise of pregnancy disability leave, or the request, exercise, or need for reasonable accommodation.

2. Compliance with Applicable Equal Opportunity Laws

Consultant's policy must be in conformance with applicable state and federal guidelines including the Federal Equal Opportunity Clause, 41 Code of Federal Regulations, Part 60-1, §60-1.4; Title VII of the Civil Rights Act of 1964 as amended; the Americans with Disabilities Act of 1990; the Rehabilitation Act of 1973 (§503 and §504); the Age Discrimination Act of 1975 (42 U.S.C. §6101 et seq.); the California Fair Employment and Housing Act (Government Code §12900 et. seq.); and California Labor Code §1101 and §1102.

3. Investigation of Claims

Consultant must designate a specific position within its organization to be responsible for investigating allegations of non-compliance with the anti-discrimination and anti-harassment provisions of this Agreement. Consultant must conduct a fair, prompt, and thorough investigation of all allegations directed to Consultant by Valley Water. In cases where such investigation results in a finding of discrimination, harassment, or hostile work environment, Consultant must take prompt, effective action against the offender.

SECTION TWELVE

MISCELLANEOUS PROVISIONS

1. Entire Agreement

This Agreement, which includes the Terms and Conditions, Appendices, the Schedule(s), Schedule(s)' Attachments, and all executed Task Orders, represents the entire understanding between the Parties hereto relating to the Services described in this Agreement and its executed Task Orders, which are incorporated herein by this reference, and supersedes any and all prior proposals or agreements, whether written or oral, that may exist between the Parties. This Agreement may not be modified or amended except in writing as stated herein. To the extent that any Schedule conflicts with this Agreement, this Agreement shall control.

2. Formation of Agreement

A. No agreement between the Parties is formed until all applicable actions have been completed to the satisfaction of Valley Water. Valley Water Project Manager will not issue a Notice to Proceed until all required documents have been submitted and accepted by Valley Water.

B. Formation of this Agreement between the Parties requires accomplishment of the following, as applicable:

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1) Execution of the Agreement by Consultant;

2) Submission by Consultant, and acceptance by Valley Water, of evidence of all required insurance coverages and documents;

3) Submission by Consultant, and acceptance by Valley Water, of evidence of all required Form 700 documents, if applicable;

4) Submission by Consultant, and acceptance by Valley Water, of all required Non-Disclosure Agreements (NDA) as provided in the Schedule(s), Attachment Four, Reference Materials, if applicable;

5) Submission by Consultant, and acceptance by Valley Water, of a Health and Safety Plan, if applicable;

6) Any other requirements that are deemed necessary by Valley Water; and

7) Execution of the Agreement by Valley Water.

3. No Assignment

A. The expertise and experience of Consultant are material considerations for Valley Water's award and execution of this Agreement. Consultant will not assign or transfer any interest in this Agreement nor the performance of any of Consultant obligations hereunder, without prior written consent of Valley Water in the form of an amendment executed by the Parties, and any attempt to so assign this Agreement, or any rights, duties or obligations arising hereunder, will be void and of no effect. Any assignment of monies due or to become due in accordance with this Agreement, will be to the extent permitted by law, and will be subject to all proper set-offs, deductions, and withholdings in favor of Valley Water.

B. In no event shall an assignment of any interest in this Agreement release Consultant from its duties and responsibilities as described in this Agreement nor shall Consultant be released from liability created by the provision of Services as described in this Agreement until such assignment takes effect. Any attempted or purported assignment without Valley Water's written consent in the form of an amendment executed by the Parties is null and void.

4. Reasonableness

Discretionary actions or approvals to be performed by the Parties will be exercised in a reasonable manner.

5. Gifts

Consultant hereby acknowledges that Valley Water policy prohibits the acceptance by Valley Water personnel of gifts of any kind from its contractors, consultants, suppliers or vendors. Consultant shall honor this policy by not sending or bringing gifts to Valley Water.

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6. Audits

Consultant agrees that Valley Water and its agent(s) have the right to review, obtain, and copy all records pertaining to performance of this Agreement. Consultant agrees to provide Valley Water and its agent(s) with any relevant information requested, in electronic and hard copy format, at Valley Water's discretion, and will permit Valley Water and its agent(s) access to its premises, upon reasonable notice, during normal business hours for the purpose of interviewing employees (alternatively, by phone at Valley Water's discretion) and inspecting or copying books, records, accounts, computerized records, and other materials that may be relevant to the matter under investigation or subject to audit, such as by a government agency, providing Valley Water with grant funds to pay for Consultant's services, for the purpose of determining compliance with this Agreement. Consultant further agrees to maintain such records for a period of three years after final payment as provided for in this Agreement.

7. Force Majeure

Neither Party will be held responsible for delays caused by acts beyond its control, such as acts of God or public enemies, utility or communication delays, or failures not caused by such Party's negligence or fault, accidents not caused by such Party's negligence or fault, labor disputes, war, or failure of the other Party to provide data as required pursuant to this Agreement.

8. Binding Effect

This Agreement is binding on the heirs, executors, administrators, successors and assigns of the Parties.

9. Choice of Law and Venue

The Parties agree that this Agreement is to be governed, construed, and enforced in accordance with the laws of the State of California. The Parties also agree that the venue of any litigation arising out of or connected with this Agreement will lie exclusively in the state trial court or Federal District Court located in Santa Clara County in the State of California, and the Parties consent to jurisdiction over their persons and over the subject matter of any such litigation in such courts, and consent to service of process issued by such courts.

10. Confidentiality

A. Due to the nature of the services Consultant will provide pursuant to this Agreement, there may be disclosures made to Consultant of detailed information about Valley Water's operations, including on a need-to-know basis information which may be protected from public disclosure by confidentiality laws, the attorney-client privilege, and/or other provisions of law which govern the nature and timing of disclosure of public information.

B. Consultant understands and acknowledges that Valley Water staff members providing information to the Consultant do so with the understanding that such information will be handled appropriately.

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C. In the event Consultant receives such restricted or confidential information, Consultant will limit access to the information to only those of Consultant's employees, its subcontractors and its Subconsultants authorized by Valley Water to have the information.

D. Consultant will notify Valley Water immediately of any request by any third party to have access to confidential information and will not disclose the requested information without first receiving express written authorization from Valley Water.

E. Notwithstanding the aforementioned Confidentiality requirements, upon the request of Valley Water Project Manager Consultant, and its Subconsultants shall execute Valley Water's most current Non-Disclosure Agreement in effect at that time.

F. The requirements stated herein will survive completion, expiration, suspension, and termination of this Agreement.

11. Release of Information Prohibited

Consultant is not permitted to provide any information concerning the Project to the media nor anyone other than authorized Valley Water personnel. Consultant will not release any information pertinent to the Project for publication, public disclosure, or in any other manner without first obtaining clearance and a release in writing from Valley Water. Any media inquiry at any time to Consultant relating to any matter concerning Services provided or requested to be provided pursuant to this Agreement will be referred immediately to Valley Water. Consultant will not communicate with the media regarding any such matter.

12. Conflict of Interest

A. Consultant represents that there exists no actual or potential conflict of interest concerning the services to be performed pursuant to this Agreement.

B. Consultant represents that Consultant's performance required as stated in this Agreement does not require the breach of any agreement or obligation to keep in confidence the proprietary information of another party. Consultant will not bring to Valley Water, or use in the performance of Consultant's duties as described in this Agreement, any materials or documents of another party considered confidential or proprietary unless Consultant has obtained written authorization from such party, and the informed consent of Valley Water, for the possession and use of such materials.

C. Consultant represents and warrants that during the term of the Agreement, Consultant, Consultant's parent company, Consultant's subsidiaries, or any affiliated entity sharing substantially similar ownership of or control with Consultant, shall not act as a Consultant or expert for any party in support of any potential or active claim or legal action against Valley Water by such party.

D. CALIFORNIA FAIR POLITICAL PRACTICES COMMISSION STATEMENT OF ECONOMIC INTEREST FORM 700 ("FORM 700"): Upon Valley Water's request, Consultant employees, officers, agents, Subconsultants, and subcontractors shall complete, execute, and submit a Form 700 as follows:

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1) Consultant employees, officers, agents, Subconsultants, and subcontractors assigned to perform services pursuant to this Agreement, shall file, in a manner prescribed by Valley Water, an Assuming Office Statement. The Assuming Office Statement shall be filed:

   a. Within 30 calendar days of the effective date of this Agreement; or

   b. Within 30 calendar days of Consultant hiring, adding, or promoting to a designated filer position, employees, officers, agents, Subconsultants, and subcontractors to perform services pursuant to this Agreement;

2) Consultant employees, officers, agents, Subconsultants, and subcontractors assigned to perform services pursuant to this Agreement, that filed an Assuming Office Statement, shall file in a manner prescribed by Valley Water, an amendment to their Form 700 any time there is a need to correct or change disclosure information;

3) Consultant employees, officers, agents, Subconsultants, and subcontractors assigned to perform services pursuant to this Agreement, that filed an Assuming Office Statement, shall file an Annual Statement in a manner prescribed by Valley Water, during the annual filing season, as determined by Valley Water;

4) Consultant employees, officers, agents, Subconsultants, and subcontractors assigned to perform services pursuant to this Agreement, that filed an Assuming Office Statement, shall file in a manner prescribed by Valley Water, a Leaving Office Statement with Valley Water when one of the following occurs:

   a. Upon termination of this Agreement; or

   b. Within 30 calendar days of Consultant employees, officers, agents, Subconsultants, and subcontractors vacating a designated filing position (i.e., removed from the Project, promotion, demotion, transfer to non-designated position, end of employment, or as a result of changes in designated filer positions in Valley Water's Conflict of Interest Code);

5) Consultant understands and agrees that its employees, officers, agents, Subconsultants, and subcontractors may be disqualified from providing services to Valley Water pursuant to the California Political Reform Act, Government Code §81000 et. seq. and §1090. If any of Consultant's employees, officers, agents, Subconsultants, and subcontractors are disqualified from providing services, on written notice from Valley Water Project Manager, Consultant will have 15 calendar days to remove said employee(s), officer(s), agent(s), Subconsultant(s)' and subcontractor(s)' employee(s) from the Project and provide a replacement acceptable to Valley Water;

6) The failure of Consultant's employees, officers, agents, Subconsultants, and subcontractors to file an Assuming Office, Annual, Amended, or Leaving Office Statement within the time prescribed by Valley Water is deemed a material breach and may result in termination of the Agreement for cause.

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13. Task Orders

A. All tasks and Services may be assigned to Consultant through issuance of Task Orders. The Valley Water Project Manager will identify and communicate the applicable tasks and services based on the menu of tasks listed in the Scope of Services to be provided to the Consultant. After the tasks and Services are identified and communicated to Consultant by Valley Water Project Manager, Consultant will prepare a proposed Task Order request (see Standard On-Call Consultant Agreement, Appendix Three, Task Order Template). The proposed Task Order must identify the following:

1) Description of the Services, including deliverables;

2) The total Not-to-Exceed Fees for Consultant to complete the Services, including estimated number of hours per assigned staff to complete the Services;

3) Proposed staff that will be assigned to complete the Services, including resumes if not previously provided to Valley Water's Project Manager;

4) Estimated cost of each other direct cost and reimbursable expense, including any applicable fees;

5) Schedule for completing the Services; and

6) Copies of applicable state and federal permits required to complete the Services, unless previously provided to Valley Water.

B. Consultant agrees that the Not-to-Exceed Fees specified in a proposed Task Order will be the product of a good faith effort in exercising its professional judgment. After an agreement has been reached on the negotiable items, the finalized Task Order will be signed by both Valley Water's authorized representative referenced in the Standard On-Call Consultant Agreement, Appendix One, Additional Legal Terms and Consultant's authorized representative.

C. Consultant must not commence performance of work or services on a Task Order until it has been approved by Valley Water's authorized representative and Notice to Proceed has been issued by Valley Water Project Manager. No payment will be made for any services performed prior to approval or after the period of performance of the Task Order. The period of performance for Task Orders will be in accordance with dates specified in the Task Order. No Task Order will be written which extends beyond the expiration date of this Agreement. The total amount payable by Valley Water for an individual Task Order will not exceed the amount agreed to in the Task Order.

D. Prevailing Wage Requirements: [NOT USED]

14. Good Neighbor

Valley Water always strives to be a good neighbor to the community adjacent to its facilities. Consultant will ensure that disturbance to neighbors is minimized. Consultant, its staff, and

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Subconsultants will always interact with the members of the public in a polite and professional manner.

15. Governmental Permits and Notifications [NOT USED]

16. Taxes and Benefits

Consultant has full and exclusive liability for the payment of, and Consultant will pay, any and all taxes and contributions for unemployment insurance, retirement benefits, workers' compensation insurance or benefits, life insurance, pensions, annuities and similar benefits and any other employment-related costs, obligations, and duties that may now or hereafter be imposed by law, collective bargaining agreements or otherwise with respect to persons employed by Consultant for the performance of Services pursuant to this Agreement.

17. Nonwaiver of Rights

The failure of either Party to this Agreement to object to or to take affirmative action with respect to any conduct of the other Party that is in violation of the terms of this Agreement will not be construed as a waiver thereof, or as waiver of any future breach or subsequent wrongful conduct.

18. No Third-Party Beneficiaries

Nothing in this Agreement, whether express or implied, shall be construed to give any person or entity, other than the Parties hereto, any legal or equitable right, remedy, or claim under or in respect of this Agreement or any covenants, conditions, or provisions contained herein.

19. Severability

If a court of competent jurisdiction holds any provision of this Agreement to be illegal, unenforceable, or invalid in whole or in part for any reason, the validity and enforceability of the remaining provisions, or portions of them, will not be affected, unless an essential purpose of this Agreement would be defeated by the loss of the illegal, unenforceable, or invalid provision.

20. Debt Limitation

This Agreement is contingent on the appropriation of sufficient funding by Valley Water for the services described in this Agreement. Valley Water is subject to laws or policies which limit its ability to incur debt in future years. Nothing in this Agreement shall constitute an obligation of future legislative bodies of Valley Water to appropriate funds for purposes of this Agreement.

21. Notices

Unless otherwise specified in this Agreement, all requests for written approval or legal notices must be sent to the representatives below. All notices are deemed to have been given when made in writing and when delivered or mailed to the representatives of Valley Water and Consultant at their respective addresses as follows:

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VALLEY WATER:

Deputy Operating Officer, as listed in the attached Schedule, Scope of Services, Section 1. Representatives.

CONSULTANT:

Consultant Principal Officer, as listed in the attached Schedule, Scope of Services, Section 1. Representatives.

22. Appendices

The following list of Standard On-Call Consultant Agreement Appendices are incorporated herein by this reference as though set forth in full:

Appendix One - Additional Legal Terms
Appendix Two - Dispute Resolution - NOT USED
Appendix Three - Task Order Template
Appendix Four - Insurance Requirements

23. Schedule and Attachments

Schedule OC, Scope of Services, and the following listed Attachments are incorporated herein by this reference as though set forth in full:

Attachment One - Fees and Payments
Attachment Two - Schedule of Completion
Attachment Three - Consultant's Key Staff and Subconsultants
Attachment Four - Reference Materials

(SIGNATURES FOLLOW ON NEXT PAGE)

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IN WITNESS WHEREOF, THE PARTIES HAVE SET FORTH BELOW THEIR CONSENT TO THE TERMS AND CONDITIONS OF THIS AGREEMENT THROUGH THE SIGNATURES OF THEIR DULY AUTHORIZED REPRESENTATIVES.

SANTA CLARA VALLEY WATER DISTRICT
Valley Water

By: _____
Tony Estremera
Chair, Board of Directors

Date: _____

ATTEST:

_____
Candice Kwok-Smith
Clerk, Board of Directors

SJOBERG EVASHENK CONSULTING, INC.
Consultant

By: Signed by: George J. Skiles 6B9C8B3AC8C54C5...
George Skiles
Partner & Board Chair

Date: 7/9/2026

Consultant's Address:
455 Capitol Mall, Suite 700
Sacramento, CA 95814

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STANDARD ON-CALL CONSULTANT AGREEMENT
APPENDIX ONE
ADDITIONAL LEGAL TERMS

1. Conflict of Interest

Consultant, Consultant's parent company, Consultant's subsidiaries, or any affiliated entity sharing substantially similar ownership of or control with Consultant shall not submit a proposal for any single or sole source products/services related to the Services pursuant to this Agreement, or have a financial stake in any single or sole source products/services resulting from this Agreement.

2. Dispute Resolution - NOT USED

3. Small Business Enterprise (SBE) Outreach Program Participation - NOT USED

4. Task Order Approvals

A. Services to be performed pursuant to a Task Order may only commence once a specific Notice to Proceed for that Task Order has been issued by Valley Water.

B. Task Orders are subject to approval by Valley Water's Deputy Operating Officer unless delegated to an Assistant Operating Officer and/or Unit Manager.

C. Valley Water Assistant Operating Officer is authorized to approve individual Task Orders in an amount not-to-exceed $[authorization amount]. [NOT USED]

D. Valley Water Unit Manager(s) is authorized to approve individual Task Orders in an amount not-to-exceed $ [Authorization Amount]. [NOT USED]

E. The total not-to-exceed amount for any one Task Order shall not exceed $ [NOT-TO-EXCEED AMOUNT]. [NOT USED]

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STANDARD ON-CALL CONSULTANT AGREEMENT
APPENDIX TWO
DISPUTE RESOLUTION

NOT USED

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STANDARD ON-CALL CONSULTANT AGREEMENT
APPENDIX THREE
TASK ORDER TEMPLATE

Task Order No. _____

Title: _____

Agreement: Standard On-Call Consultant Agreement _____ (Agreement) by and between the Santa Clara Valley Water District (Valley Water) and _____ (Consultant), dated _____.

Valley Water:

_____

Consultant: _____

Dollar Amount of Task Order: Not-to-Exceed $_____

1. Upon full execution of this Task Order No. _____, as set forth in the Standard On-Call Consultant Agreement, Section Twelve, Miscellaneous Provisions, subsection 13. Task Orders, and the issuance of a Notice to Proceed by Valley Water Project Manager, the Consultant is hereby authorized to perform the Services described in Attachment A to this Task Order. Any costs incurred, Services performed or expenditures by the Consultant before this Task Order is executed or before the issuance of the Notice to Proceed will be considered outside the contracted Scope of Services and will not be eligible for payment.

2. Both the Scope of Services to be performed and the deliverables to be provided in accordance with this Task Order are described in Attachment A which is attached hereto and incorporated by this reference. Attachment A shall include at a minimum the following:

   A. The Consultant personnel to be assigned to perform the Services, including resumes if not previously provided to Valley Water;

   B. The total not-to-exceed fees amount for Consultant to complete the Services, including estimated number of hours required to perform the Services assigned to each Consultant classification;

   C. Estimated cost of each other direct cost and reimbursable expense, including any applicable fees;

   D. The distribution detail for each service, direct cost, and reimbursable expense. This information must be included in the invoice for the services authorized under this task order; and

   E. Project schedule for completing the Scope of Services.

3. Consultant shall be compensated at fixed fees or at the hourly rates established in Schedule OC, Attachment One, Fees and Payments, of the Agreement. Consultant agrees that it will

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provide all equipment, furnish all materials, except as may be otherwise noted in the Attachment A.

4. This Task Order becomes effective on the date of full execution by authorized representatives of the Parties and remains in effect until the earlier of: completion of the tasks set forth in Attachment A or [expected completion date].

5. Copies of applicable local, state and federal permits required to perform the Services described in Attachment A are attached to this Task Order, unless the Consultant previously provided the appropriate permits to Valley Water.

6. Consultant shall perform all Services described in Attachment A to this Task Order in accordance with the Terms and Conditions of the Agreement.

7. Prevailing Wage Requirements [NOT USED]

   A. The Scope of Services described in this Task Order is considered by Valley Water to be "Public Works" requiring the payment of prevailing wages. See the Standard On-Call Consultant Agreement, Section Four, Fees and Payments, subsection 3. Prevailing Wages.

   B. In accordance with prevailing wage laws, the Director of the California Department of Industrial Relations (Director) has ascertained the general prevailing rate of wages and employer payments for health and welfare, pension, vacation, and similar purposes available to the particular craft, classification, or type of workers employed on the Project. These rates are set forth in the latest determination obtained from the Director, which is on file in Valley Water's Office of the Clerk of the Board of Directors and incorporated herein by reference the same as though set forth in full. The rates are also available on the State of California Department of Industrial Relations website at http://www.dir.ca.gov.

8. Signatures:

Signature: _____ _____
[NAME OF CONSULTANT FIRM] DATE
[PRINT NAME]
[PRINT TITLE]

Signature: _____ _____
SANTA CLARA VALLEY WATER DISTRICT DATE
[PRINT NAME]
[PRINT TITLE]

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STANDARD ON-CALL CONSULTANT AGREEMENT
APPENDIX FOUR
INSURANCE REQUIREMENTS

Please Note: Failure to comply with the instructions below could result in a delay in receiving the Notice to Proceed. Santa Clara Valley Water District ("District" or "Valley Water") will not be responsible for time lost or costs incurred due to failure to comply with these requirements. Please refer to the checklist of documents required at the end of this document.

Without limiting the Consultant's indemnification of, or liability to, Valley Water, the Consultant must provide and maintain at its own expense, during the term of this Agreement, or as may be further required herein, the following insurance coverages and provisions as listed below.
The Consultant must provide its insurance broker(s)/agent(s) with a copy of these requirements and warrants that these requirements have been reviewed by Consultant's insurance agent(s) and/or broker(s), who have been instructed by Consultant to procure the insurance coverage required herein.

In addition to certificates, the Consultant must furnish Valley Water with copies of all original endorsements that affect coverage required by this document. The certificates and endorsements must be signed by a person authorized by the insurer to bind coverage on its behalf. **All endorsements and certificates are to be received and approved by Valley Water before the Agreement is executed**. In the event of a claim or dispute, Valley Water has the right to require Consultant's insurer to provide complete, certified copies of all required pertinent insurance policies, including endorsements that affect the coverage required by this document.

If your insurance broker has any questions about the above requirements, please advise him/her to email Valley Water Risk Manager at RiskManager@valleywater.org.

1. **Certificates of Insurance**

The Consultant shall furnish Valley Water with a Certificate of Insurance. The certificates will be issued on a standard ACORD Form.
The Consultant shall instruct their insurance broker/agent to submit all insurance certificates and required notices electronically in PDF format to the designated Valley Water Contract Administrator.

The certificates will:

A. Identify the underwriters, the types of insurance, the insurance limits, the deductibles, and the policy term.
B. Include copies of all the actual policy endorsements required herein; and
C. In the "Certificate Holder" box include:

Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118
Agreement No. A5823A
PlanetBids No. VW0676

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IMPORTANT: The Agreement number and/or PlanetBids number must be included.

D. In the Description of Operations/Locations/Vehicles/Special Items Box:

1. Certificate Holder shall be named as Additional Insured, and any other policy endorsement required in the contract, for example, Waiver of Subrogation and Primary and Non-Contributory, shall be stated.
2. Valley Water agreement or project number shall appear.
3. The list of policies scheduled as underlying on the Umbrella policy shall be listed.

If Consultant receives any notice that any of the insurance policies required by this document may be cancelled or coverage reduced for any reason whatsoever, Consultant or insurer shall immediately provide written notice to the Valley Water Risk Manager that such insurance policy required by this document is canceled or coverage is reduced.

2. **Maintenance of Insurance**

If Consultant fails to maintain such insurance as is called for herein, Valley Water, at its option, may suspend payment for work performed and/or may order Consultant to suspend all Consultant's work at Consultant's expense until a new policy of insurance is in effect.

3. **Renewal of Insurance**

The Consultant will provide Valley Water with a current Certificate of Insurance and endorsements thirty (30) business days prior to the expiration of insurance.

The Consultant shall instruct its insurance broker/agent to:

A. Submit all renewals of insurance certificates and required notices electronically in PDF format.

B. Provide the following information in the "Certificate Holder" box:

Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118
PlanetBids No. VW0676
Agreement No. A5823A

IMPORTANT: The Agreement number and/or PlanetBids number must be included.

4. **Required Coverages**

Consultant must, at its sole cost and expense, procure and maintain during the entire period of this Agreement, or for such other time as required herein, the following minimum insurance coverage(s).

A. **Commercial General/Business Liability Insurance** which shall be written on an occurrence basis, with coverage as indicated:

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$2,000,000 per occurrence / **$2,000,000** aggregate limits for bodily injury, personal and advertising injury, and property damage.

General Liability insurance must include without limitation:

1. Be written on standard ISO forms or inspected and approved by the Risk Manager.
2. Include coverage at least as broad as found in standard ISO form CG 00 01.
3. Contractual Liability expressly including liability assumed under this contract.
4. Severability of Interest provision.
5. Products-Completed Operations coverage.
6. Broad Form Property Damage liability
7. Include Premise and Operations
8. An endorsement covering damage to property in the care, custody, or control of the Consultant.

B. **Business Auto Liability Insurance** with coverage as indicated:

$1,000,000 combined single limit for bodily injury and property damage per occurrence, covering all owned, non-owned and hired vehicles.
Excess or Umbrella policies may be used to reach the above limits for the General Liability and/or Business Auto Liability insurance limits, however all such policies must contain a primacy clause (See Section 2, General Conditions) and meet all other General Conditions below.

C. **Professional/Errors and Omissions Liability Insurance** with coverage that shall include, without limitation:

$1,000,000 per claim/ **$2,000,000** aggregate
This insurance requirement applies when the Consultant is providing project management, design-build, engineer, architect or other types of professional services to the Valley Water.
Professional/Errors and Omission Liability appropriate to the Consultant's profession, and the policy shall include:

1. Covers claims related to errors, omissions, or negligence in the delivery of professional services.
2. Includes defense costs, settlements and judgements arising from covered claims.
3. Coverage may be written on a claims-made form. If coverage is on a claims-made basis, the coverage must be maintained for at least 5 years after all Services under this Agreement are complete.
4. To the fullest extent permitted by law, contractual liability coverage for liability assumed under contract, for the indemnity obligations forth in this Agreement.
5. The policy must have a retroactive date which is the same as or predates the
    i. execution of this Agreement.

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D. **Workers' Compensation and Employer's Liability Insurance**

Statutory California Workers' Compensation coverage covering all work to be performed for Valley Water.

Employer Liability coverage for not less than **$1,000,000** each accident; **$1,000,000** policy limit bodily injury by disease; **$1,000,000** each employee bodily injury by disease.

E. **Cyber Liability Insurance**

$1,000,000 per claim/ **$2,000,000** aggregate.

1. Liability arising from the unauthorized access to, disclosure, acquisition, loss, dissemination, and/or use of Confidential Information. For purposes of this section, "Confidential Information" shall include, but not be limited to, personally identifiable information (PII), protected health information (PHI), financial account information, security codes, access codes, passwords, security codes or personal identification numbers (PINS), and any other information protected by the Agreement or applicable privacy laws;
2. Costs arising from mandatory or contractual notifications related to unauthorized access, disclosure, acquisition, loss, or use of confidential information and related mitigation costs, including but not limited to, credit monitoring, identity theft protection services, call center support, forensic investigation, legal fees, and regulatory fines or penalties imposed under the California Consumer Privacy Act (CCPA), California Privacy Rights Act (CPRA), or other applicable privacy and data protection laws;
3. Network security liability arising from the unauthorized access to, use of, or tampering with computer systems, including hacker attacks and ransomware coverage.
4. Liability arising from the introduction of a computer virus into or otherwise causing damage to vendor (first party) or customer's (third party) computer, computer system, network, or similarly related property and the data, software and programs thereon.
5. Certificate of Insurance shall clearly state that the coverage is claims-made.
6. Policy retroactive date must coincide with or precede the Consultant's start of work (including subsequent policies purchased as renewals or replacements).
7. Policy must allow for reporting of circumstances or incidents that might give rise to future claims.
8. Insurance must be maintained, and evidence of insurance must be provided for at least three (3) years after completion of the contract of work.

5. **General Requirements**

With respect to all coverages noted above, the following additional requirements apply:

A. **Additional Insured Endorsement(s):** Consultant must provide an additional insured endorsement for Commercial General/Business Liability (for both on-going and completed operations) Pollution Liability, and Business Automobile liability coverage

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naming **Valley Water, its Directors, officers, employees, and agents, individually and collectively,** as additional insureds, and must provide coverage for acts, omissions, and negligence arising out of the named insureds' activities and work. Other public entities may also be added to the additional insured endorsement as applicable, and the Consultant will be notified of such requirement(s) by Valley Water. This section does not apply to the Workers' Compensation, Cyber Liability, and Professional Liability policies.

NOTE: Additional insurance on the Certificate of Insurance is **NOT** acceptable without separate endorsement such as Form CG 20 10, CG 20 33, CG 20 37, CG 20 38, and applicable endorsements for Waivers of Subrogation (CG 24 04) and Primary & Non-contributory (CG 20 01). Editions dated 07/04 are not acceptable.

B. **Primacy Clause:** Except for Workers' Compensation and Professional Liability, Consultant will provide evidence (either through the Certificate of Insurance, endorsement or language in the insurance policy) that Consultant's insurance is primary with respect to any other insurance which may be carried by Valley Water, its Directors, its officers, agents and employees, and Valley Water's coverage must not be called upon to contribute or share in the loss.
NOTE: This section does not apply to the Workers' Compensation or Professional Liability policies.

C. **Cancellation Clause**: Consultant or its insurer shall provide at least thirty (30) days prior written notice to Valley Water of cancellation of any insurance required under this Agreement.

D. **Acceptability of Insurers:** All coverages must be issued by companies admitted to conduct business in the State of California, which hold a current policy holder's alphabetic and financial size category rating of not less than A- VII, according to the current Best's Key Rating Guide or a company of equal financial stability that is approved by Valley Water's Risk Manager. Non-Admitted companies may be substituted on a very limited basis at the Risk Manager's sole discretion.

E. **Self-Insured Retentions or Deductibles:** Any deductibles or self-insured retentions must be declared to and approved by Valley Water. At the option of Valley Water, either the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects Valley Water, its officers, officials, employees and volunteers; or the Consultant shall provide evidence satisfactory to Valley Water of its financial ability to satisfy the SIR. Consultant agrees that in the event of a claim they will pay down any agreed upon SIR in a prompt manner as soon as bills are incurred in order to trigger the insurance related to the SIR.

F. **Subconsultants:** The Consultant shall secure, maintain or shall be responsible for ensuring that all subconsultants performing the Contract Services secure and maintain all insurance coverages appropriate to their tier and scope of work in a form and from insurance companies reasonably acceptable to Valley Water.

G. **Amount of Liability not Limited to Amount of Insurance:** The insurance procured by Consultant for the benefit of Valley Water must not be deemed to release or limit any liability of Consultant. Damages recoverable by Valley Water for any liability of

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Consultant must, in any event, not be limited by the amount of the required insurance coverage.

H. **Coverage to be Occurrence Based:** Except for Professional Liability and Pollution Liability, all coverage must be occurrence-based coverage. Claims-made coverage is not allowed.

I. **Waiver of Subrogation:** Consultant agrees to waive subrogation against Valley Water to the extent any loss suffered by Consultant is covered by any Commercial General Liability policy, Automobile policy, Workers' Compensation, and Pollution Liability policy described in **Article 4. Required Coverages** above. Consultant agrees to advise its broker/agent/insurer and agrees to provide evidence (either through the Certificate of Insurance, endorsement or language in the insurance policy) that subrogation has been waived by its insurer.

J. **Severability of Interest:** Except for Workers' Compensation and Professional Liability, a severability of interest must apply to all the additional insureds, ensuring that Consultant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the insurer's limits of liability.

K. **Non-compliance**: Valley Water reserves the right to withhold payments to the Consultant in the event of material noncompliance with the insurance requirements outlined above.

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STANDARD ON-CALL CONSULTANT AGREEMENT
APPENDIX FOUR
INSURANCE REQUIREMENTS

CHECK LIST OF DOCUMENTS NEEDED

General Liability:	A.	Limits **($2,000,000/$2,000,000)**	
	B.	Additional Insured (Endorsement)	
	C.	Waiver of Subrogation (COI, Endorsement or policy language)	
	D.	Primacy (COI, Endorsement or policy language)	
	E.	Cancellation Endorsement	

Auto Liability:	A.	Limits **($1,000,000)**	
	B.	Additional Insured (Endorsement)	
	C.	Waiver of Subrogation (COI, Endorsement or policy language)	
	D.	Primacy (COI, Endorsement or policy language)	
	E.	Cancellation Endorsement	

Umbrella:	A.	Limits ($ enter amount $)	
	B.	Primacy (Endorsement or policy language)	

Workers Comp:	A.	Limits **(Statutory)** Employers' Liability **($1,000,000)**	
	B.	Waiver of Subrogation (Endorsement or policy language)	
	C.	Cancellation Endorsement	
Professional Liability:	A.	Limits **($1,000,000/$2,000,000)**	
	B.	Cancellation Endorsement	
Cyber Liability:	A.	Limits **($1,000,000/$2,000,000)**	
	B.	Cancellation Endorsement	

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SCHEDULE OC
SCOPE OF SERVICES

1. Representatives

A. Valley Water's representatives are as listed below. Unless otherwise provided in this Agreement, all correspondence to Valley Water must be addressed to Valley Water's Project Manager (VWPM).

K. Anthony Mendiola (Valley Water Project Manager)
Program Administrator
Continual Improvement
Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118-3638

Phone: (408) 630-2437
Email: AMendiola@valleywater.org

Darin Taylor (Division Operating Officer)
Chief Financial Officer
Financial Planning & Management Services Division
Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118-3638

Phone: (408) 630-3068
Email: dtaylor@valleywater.org

B. Consultant's Project Manager is as listed below. All Valley Water questions and correspondence pertaining to this Agreement shall be referred to the Consultant's Project Manager.

George J. Skiles (Consultant Project Manager)
Sjoberg Evashenk Consulting, Inc.
Chair, Board of Directors
455 Capitol Mall, Suite 700
Sacramento, CA 95814

Phone: (916) 443-1300
Email: george@secteam.com

C. Consultant's Principal Officer for this Agreement is as listed below. As per the Agreement, Section Twelve, Miscellaneous Provisions, subsection 21. Notices, all notices pertaining to this Agreement must be submitted to the Consultant's Principal Officer.

Catherine Brady (Project Partner)
Sjoberg Evashenk Consulting, Inc.
Chief Financial Officer
455 Capitol Mall, Suite 700
Sacramento, CA 95814

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Phone: (916) 443-1300
Email: cathy@secteam.com

2. Scope of Services

A. Consultant shall be responsible for, but not limited to, performing on-call board audit consultant services (Project). These services will be requested on an "as-requested" or "as-needed basis" to assist Valley Water in its continual improvement efforts. Valley Water may request services to be performed by the Consultant at any time during the term of this Agreement and by staff at different levels of experience and expertise. The requested tasks may involve audits, investigations, benchmarking surveys, and/or other analytical services to continually improve operations and services provided to the community.

B. The scope of On-Call services will generally include, but is not limited to the following areas of:

1) Risk Assessments
2) Performance Audits
3) Investigations
4) Benchmarking Analysis
5) Other Analytical Services

3. Project Objectives

A. The Santa Clara Valley Water District (Valley Water) implements a number of capital and operational projects and programs to meet its mission and goals in water supply, flood protection and watershed stewardship. The on-call services provided pursuant to this Agreement will augment the services of Valley Water staff and provide additional auditing, investigative, and analytical services as needed.

B. To analyze Valley Water efforts and identify areas of risk, and provide recommendations that would assist Valley Water to implement industry best practices while also reducing or mitigating risks.

C. All Services required pursuant to this Agreement will be provided only on an as-needed/as-requested basis by the issuance of an authorized Task Order by the Valley Water to the Consultant. A project scope will be developed for each task order, including deliverables for a total not-to-exceed amount. No work will be performed without a task order. The Consultant will perform services on a Task Order Basis as authorized by the VWPM, as set forth in the Standard On-Call Consultant Agreement, Section Twelve, Miscellaneous Provisions, subsection 13. Task Orders.

4. Background

A. The mission of the Santa Clara Valley Water District, now known as Valley Water, is to provide Silicon Valley safe, clean water for a healthy life, environment, and economy.

Valley Water is a public agency providing water supply, flood protection, and stream stewardship for Santa Clara County. Valley Water manages an integrated water resources system that includes the supply of clean safe water, flood protection and stewardship of streams on behalf of Santa Clara County's 2 million residents. Valley Water effectively manages ten dams and surface water reservoirs, three water treatment

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plants, a state-of-the-art water quality laboratory, and more than 275 miles of streams. For information about Valley Water, visit www.valleywater.org.

5. Assumptions and Requirements

A. General Assumptions and Requirements

1) **Manage Scope of Services**. Consultant shall manage the Scope of Services such that the work is completed within the Not-to-Exceed Fees limit and in accordance with the Project schedule and ensure that all services and deliverables meet Valley Water and Project objectives and requirements.

2) **Deliverable Format**. Consultant shall submit deliverables in both electronic and hardcopy format, if requested. Deliverables shall be submitted in PDF and native (editable) format, including Word documents, Excel spreadsheets, PowerPoint files, AutoCAD files, etc. The hard copy deliverables shall be printed in professional quality presentation and submitted in 5 (five) copies, if requested. Valley Water may require original copies of signed documents and/or scanned (Adobe PDF) versions.

3) **Review of Deliverables**. Valley Water will review and comment on all Project deliverables and forward to the Consultant for revision and preparation of final versions. As determined by Valley Water, some of the deliverables may also be subject to review and comment from regulatory agencies and stakeholders following Valley Water review process. For each deliverable, Valley Water will collect comments from all Valley Water stakeholders and provide a single set of consolidated comments to the Consultant. The comments provided by Valley Water staff during the workshops will be documented by the Consultant as meeting minutes and will be included in the next revision of the documents.

4) **Valley Water Quality Environmental Management System**. Valley Water maintains a Quality Environmental Management System (QEMS) which has procedures, guidelines, and work instructions for the performance of various Valley Water work. If requested, the Consultant will perform the applicable Agreement tasks and/or sub-tasks in accordance with the QEMS framework. In such situations, the VWPM will provide the Consultant with the specific QEMS procedure, guideline, and/or work instruction prior to the preparation of such deliverables.

5) **Consultant Responsibility**. Consultant, with its expertise in performing the Services described herein, is responsible for making the appropriate assumptions in each task to complete each task's deliverables and to achieve the Project objectives of this Agreement as described in section 3. Project Objectives.

6) **Document Control**. Consultant is responsible for establishing and maintaining its own document control system to execute this Scope of Services. An internal document control system for this Project is maintained by Valley Water.

7) **File Exchange Service.** Consultant will provide a file exchange service, accessible to all parties as designated by Valley Water, to facilitate communications; particularly of large files over three megabytes. Difficulties in using and transmitting information with this exchange service shall be resolved by Consultant. In the event that transmitting or receiving information does not occur in a timely manner, Valley Water

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will not be responsible for delays in completing Project work. Consultant may need to coordinate with Valley Water's Information Technology Division to address any firewall issues and/or permissions required to allow for these communications.

B. Project-Specific Assumptions and Requirements

1) **Auditing Standards to be Followed:** Audits conducted by or on behalf of the Committee shall conform with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing (RED Book) or the Generally Accepted Government Auditing Standards established by the U.S. Government Accountable Standards (YELLOW Book), or both.

2) **Working Paper Retention and Access to Working Papers**:

A. All working papers and reports must be retained, at the auditor's expense, for a minimum of three years (3) years from the final termination date of this agreement unless the firm is notified in writing by Valley Water of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designee:
   i. Valley Water
   ii. Auditors or entities of which Valley Water is a sub recipient of grants
   iii. State of California
   iv. Parties designated by Valley Water as part of an audit quality review process

3) All Services required pursuant to this Agreement will be provided only on an as-needed/as-requested basis by the issuance of an authorized Task Order by Valley Water to the Consultant. A project scope will be developed for each task order, including deliverables for a total not-to-exceed amount. No work will be performed without a task order. The Consultant will perform services on a Task Order Basis as authorized by the VWPM, as set forth in the Standard On-Call Consultant Agreement, Section Twelve, Miscellaneous Provisions, subsection 13. Task Orders.

A. Task Orders will not be issued to Consultant when Consultant cannot perform the Services due a conflict of interest or if all funds in this Agreement have been expended.

B. Conflict of Interest. In addition to Valley Water's General Terms and Conditions, the following will apply with regard to conflict of interest:

   1) Consultant may be awarded multiple Task Orders pursuant to this agreement, for the same Valley Water Project.
   2) Consultant is precluded from performing services for any other entity, or in any other capacity for Valley Water, on the same Valley Water project, for which a Task Order has been issued.
   3) Task Orders will be voided when the Consultant cannot perform the Services due to a conflict of interest.
   4) Consultant must bring the conflict of interest to Valley Water's attention as soon as the Consultant is aware of the potential conflict.

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5) If Consultant is already performing services on a Valley Water project, unrelated to this Agreement, in any capacity, a Task Order related to that project will not be issued pursuant to this Agreement.

6. Scope of Services Tasks

The On-Call Scope of Services will generally include, but not be limited to the Tasks described below. Tasks and deliverables will be determined on a task order basis.

Task 1 – Project Management

1.1 The purpose of this task is for Consultant to manage this Scope of Services such that the work is completed within the not-to-exceed fees limit stated in Schedule OC-GEN, Attachment One, Fees and Payments, and in accordance with the Project Schedule stated in Schedule OC-GEN, Attachment Two, Schedule of Completion, while ensuring that all services and deliverables by the Consultant meet Valley Water and Project requirements.

1.2 Kickoff Meeting

Consultant will attend kickoff meeting with Valley Water. The purpose of the kickoff meeting is to introduce key Valley Water and Consultant team members to one another, acquaint all participants with the purpose of and expectations for the Project, describe team members' roles and responsibilities, describe Project procedures, and summarize scope and schedule.

1.3 **Progress Meeting and Workshops.** Valley Water and Consultant key staff and subconsultants, as determined necessary and appropriate by Consultant, subject to VWPM approval, or at Valley Water's direction, will coordinate and attend periodic progress meetings and workshops with Valley Water staff, regulatory and resource agencies, and review boards, as needed, to review, discuss and progress of the work. For each meeting or

1.4 **Weekly One-on-One Meetings with Valley Water.** Consultant Project Manager must provide a brief update of the team's work activities completed within the week, the look-ahead activities, and the issues and actions that require Valley Water's attention, if requested. The meeting schedule will be established by Valley Water, weekly/biweekly either in person, or at Valley Water's discretion.

1.5 **Coordination and Communication with External Agencies.** Consultant will assist the VWPM with coordination and communication with appropriate regulatory or other agencies, as necessary, to execute this Scope of Services. This task includes support in drafting correspondence related to the Consultant's Project design activities as requested by Valley Water.

1.6 **Public Outreach.** If requested, Consultant will provide support and assistance with Valley Water's public outreach activities. Such assistance may include coordination, preparation, and participation including, preparing presentation materials, attendance at meetings, preparation of newsletters, graphics, updates to the Project website, developing responses to questions, and other tasks as directed by the VWPM.

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1.7 Project-Specific Sub-Tasks

1.7.1 Consultant shall recommend convening and attending meetings, workshops and consultations with Valley Water as needed to complete the tasks.

Task 1 – Deliverables

1. Meeting agendas, minutes, and presentations
2. Weekly or twice-a-week meetings/conference calls attendance and notes; frequency of meetings and/or calls will be at Valley Water's discretion, if requested.

Task 1 – Assumptions

1. It is assumed the Consultant will be requested to perform all tasks.
2. To be determined on a task order basis

Task 2 - General Audit Services

2.1 The Consultant shall manage the Scope of Services such that the work is completed within the fixed fee limit stated in a Task Order and in accordance with the schedule and ensure that all services and deliverables meet the Internal Audit Program requirements.

2.2 Valley Water maintains a Quality Environmental Management System (QEMS) which has procedures, guidelines, and work instructions for the performance of various Valley Water work. The Consultant shall perform the tasks and/or subtasks in accordance with the QEMS framework. As needed, Valley Water Project Manager will provide the Consultant with the specific QEMS procedure, guideline, and/or work instruction prior to the production of deliverables.

2.3 The Consultant will conduct an assessment of the current Audit Program and evaluate the audits and assessments currently underway. The Consultant's project services will support the Board Audit Committee in fulfilling its duties, responsibilities and program objectives as follows:

A. General Board Audit Committee services

1. Provide advice and recommendations on audits of government programs.
2. Develop an annual audit program and calendar.
3. Conduct audits as directed by the Board Audit Committee (BAC).
4. Prepare and deliver formal and informal audit reports and presentations.
5. Attend Board Audit Committee and Board meetings.
6. Meet with Valley Water staff as needed.
7. Provide additional staff resources as determined by the Board Audit Committee.
8. Priority rankings of each recommended improvement

B. Specific audit services

The Consultant may conduct certain audits as directed by the Board. Following the completion of any audit the auditor shall issue a report that contains at a minimum:

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1. An executive summary of the audit.
2. Methodology and data used.
3. The accuracy and fair representation of any financial transactions.
4. Compliance with applicable laws, regulations, voter mandates, and policies.
5. Effectiveness of internal controls governing Valley Water operations and finances.
6. Material strength and weaknesses of programs reviewed by the auditor.
7. Recommended improvements, if any.

Reports will be provided in both a written and an unalterable electronic format for use by Valley Water. All final audit reports are public documents under state and federal law and are to be made available upon any public request.

Task 2 – Deliverables

3. To be determine on a task order issuance basis

Task 2 – Assumptions

1. It is assumed the Consultant will be requested to perform all tasks.
2. To be determine on a task order issuance basis

Task 3 - Supplemental Services

Valley Water may require, and the Consultant will perform, Supplemental Services on an as-needed basis. Prior to performing any Supplemental Services, Consultant must receive an approved Task Order issued by Valley Water and executed by both Parties. Refer to the Standard Consultant Agreement, Section Twelve, Miscellaneous Provisions, subsection 13. Task Orders, and Appendix Three, Task Order Template.

3.1 Specific examples include:

3.1.1 Training
3.1.2 Best Practices Research

3.2 **Additional Services.** Consultant will provide additional quantities of previously identified services as requested by Valley Water. Consultant will provide additional services for any quantity of tasks and deliverables beyond those stated in Task 1 through 2 as Task 3 Supplemental Services, to include but not be limited to:

3.2.1 Additional meetings;
3.2.2 Additional time allotted for meetings;
3.2.3 Additional status/progress reports;
3.2.4 Additional phone conference calls;
3.2.5 Additional pages or copies of technical memoranda, plans, reports, drawings, and specifications; and
3.2.6 Additional public outreach visual material

Task 3 – Deliverables

1. Deliverables will be identified in each Task Order

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Task 3 – Assumptions

1. Assumptions will be identified in each Task Order

7. Attachments

The following Standard On-Call Consultant Attachments are incorporated herein by this reference as though set forth in full:

Attachment One - Fees and Payments
Attachment Two - Schedule of Completion
Attachment Three - Consultant's Key Staff and Subconsultants
Attachment Four - Reference Materials

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SCHEDULE OC
ATTACHMENT ONE
FEES AND PAYMENTS

1. Total Authorized Funding

Total payment for Services performed, to the satisfaction of Valley Water, as described in the Schedule and in all approved Task Orders will not exceed a total amount of **$1,500,000** (Not-to-Exceed Fees or NTE). Under no condition will the total compensation to the Consultant exceed this NTE payment amount without a prior written amendment to this Agreement executed by Valley Water's Board of Directors (Board) or its designee.

It is understood and agreed that this total amount is only a not to exceed amount, and the total amount of Services to be requested by Valley Water of Consultant, and the total amount to be paid to Consultant, may be substantially less than this amount. **There is no guarantee, either expressed or implied, as to the actual amount of services requested under this Agreement or dollar amount of services authorized pursuant to this Agreement.** However, in valuable consideration for Consultant's agreement to be on-call to perform services for Valley Water upon request with no minimum guaranteed amount of work, Valley Water will pay Consultant Five Hundred Dollars ($500) on or before the expiration of this Agreement if Valley Water has not requested to utilize Consultant's services during the agreement term.

2. Terms and Conditions

A. Payments for Services performed, as described in each Task Order, which applies to the specific Services, will be based on the following terms:

1) Valley Water will pay for Services provided by the Consultant according to the rates for professional, technical, and administrative personnel, as well as materials and supplies as listed below in the Hourly/Unit Rate Schedule.

2) The stated hourly rates are effective for the term of this Agreement unless otherwise revised via an amendment.

B. **Reimbursable Expenses**

1) All reimbursable expenses not already covered in overhead may include, but are not limited to, mapping, rendering, printouts, leased equipment, mailing and delivery services, printing services, film and processing, plotting, and supplies. These other direct expenses as approved by Valley Water Project Manager (VWPM) will be billed on a monthly basis at actual cost plus 5% linked to each Agreement Task, provided that the Task total NTE amount is not exceeded. Consultant shall provide detailed receipts for each other direct expense item(s) with monthly invoices submitted.

2) Equipment purchased on behalf of Valley Water that costs $50 or more must receive the prior written approval of Valley Water Project Manager (VWPM). All equipment

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purchased on behalf of Valley Water and paid for by Valley Water shall become the property of Valley Water and be delivered to Valley Water prior to expiration of this Agreement.

3) All travel expenses must be reasonable and necessary and will be reimbursed at actual costs. Prior written approval for travel and overnight accommodations, including per diem, must be obtained from the Valley Water Project Manager (VWPM), and will be paid at reasonable cost not to exceed the U.S. General Services Agency Per Diem Rates for Sunnyvale/Palo Alto/San Jose, California area. For air travel, Valley Water will pay the cost of a coach class or equivalent ticket. Where air travel is required, Valley Water will pay the total cost of taxi, rideshare, public transportation, or a rental car, which may include insurance, gas, car fee, and taxes and will be paid at the actual costs incurred. Vehicle rental is limited to a compact or economy model, unless prior approval has been obtained from Valley Water Project Manager (VWPM) for a different type of vehicle.

4) No markup will apply for Consultant to manage Subconsultants, subcontractors and vendors, including lab services.

5) For staff with rates exceeding the rate of $[RATE LIMIT]/hr., the Consultant must obtain written approval from the Valley Water Project Manager (VWPM) as to the numbers of hours per task prior to that individual working on the Project. [NOT USED]

C. **Prevailing Wage Requirements** [NOT USED]

1) The Scope of Services described in a Task Order may be considered by Valley Water to be “Public Works” requiring the payment of prevailing wages. See the Standard On-Call Consultant Agreement, Section Four, Fees and Payments, subsection 3. Prevailing Wages, to ascertain whether any other Task/s would include “Prevailing Wage Requirements.”

2) In accordance with prevailing wage laws, the Director of the California Department of Industrial Relations (Director) has ascertained the general prevailing rate of wages and employer payments for health and welfare, pension, vacation, and similar purposes available to the particular craft, classification, or type of workers employed on the Project. These rates are set forth in the latest determination obtained from the Director, which is on file in Valley Water’s Office of the Clerk of the Board of Directors and incorporated herein by reference the same as though set forth in full. The rates are also available on the State of California Department of Industrial Relations website at http://www.dir.ca.gov.

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SCHEDULE OC
ATTACHMENT ONE
FEES AND PAYMENTS

HOURLY/UNIT RATE SCHEDULE

CLASSIFICATION / STAFF	HOURLY / UNIT RATE				
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Consultant: Sjoberg Evashenk Consulting					
Partner	$269	$278	$287	$296	$305
Director	$206	$213	$220	$227	$234
Manager	$155	$160	$165	$170	$176
Managing Senior Consultant	$132	$136	$141	$146	$151
Senior Consultant	$120	$124	$128	$132	$136
Associate Consultant	$96	$99	$102	$106	$110
Staff Consultant	$91	$94	$97	$100	$103

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SCHEDULE OC
ATTACHMENT TWO
SCHEDULE OF COMPLETION

1. This Agreement commences on the Effective Date, subject to accomplishment of all conditions to formation of an agreement listed in the Standard On-Call Consultant Agreement, Section Twelve, Miscellaneous Provisions, subsection 2. Formation of Agreement.

2. This Agreement expires **five (5) years after the Effective Date**, unless, prior to its expiration, its term is modified by a written amendment hereto, and signed by both Parties.

3. Each Task Order will state the schedule for Consultant's performance of that Task Order.

4. Valley Water and Consultant may agree to modify the schedule specified for Consultant's performance in an executed Task Order, as an administrative modification to the Task Order and will confirm such modification in writing.

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SCHEDULE OC
ATTACHMENT THREE
CONSULTANT'S KEY STAFF AND SUBCONSULTANTS

1. Consultant's key staff assigned to the Project are as follows:

Team Member	Classification	Project Role	Contact Information
George Skiles	Partner	Chief Audit Executive	455 Capitol Mall, Suite 700 Sacramento, CA 95814 george@secteam.com (916) 443-1300
Catherine Brady	Partner	Project Manager	455 Capitol Mall, Suite 700 Sacramento, CA 95814 Cathy@secteam.com (916) 443-1300
Lynda McCallum	Partner	Project Manager	455 Capitol Mall, Suite 700 Sacramento, CA 95814 Lynda@secteam.com (916) 443-1300
Margarita Fernandez	Director	Project Manager	455 Capitol Mall, Suite 700 Sacramento, CA 95814 Margarita@secteam.com (916) 443-1300
Lien Luu	Director	Project Manager	455 Capitol Mall, Suite 700 Sacramento, CA 95814 Lien@secteam.com (916) 443-1300
Chris Paparian	Manager	Project Manager	455 Capitol Mall, Suite 700 Sacramento, CA 95814 Chris@secteam.com (916) 443-1300

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SCHEDULE OC
ATTACHMENT FOUR
REFERENCE MATERIALS

Ref No.	Description
1	Santa Clara Valley Water District Non-Disclosure Agreement (NDA) (FC 1650)
2	ISO Standards 9001 & 14001 (Quality & Environmental Management standards)

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Santa Clara Valley Water District

File No.: 26-0577

Agenda Date: 8/11/2026
Item No.: 7.1.

BOARD AGENDA MEMORANDUM

Government Code § 84308 Applies: Yes ☐ No ☒
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:
Santa Clara Valley Water District Greenhouse Gas Reduction Plan and Final Negative Declaration.

RECOMMENDATION:

A. Discuss the potential environmental effects of Santa Clara Valley Water District's Greenhouse Gas Reduction Plan as discussed in the Final Negative Declaration;
B. Adopt the Resolution ADOPTING THE FINAL INITIAL STUDY/NEGATIVE DECLARATION FOR THE GREENHOUSE GAS REDUCTION PLAN; and
C. Adopt the Resolution ADOPTING THE GREENHOUSE GAS REDUCTION PLAN, INCLUDING A CARBON NEUTRALITY TARGET OF 2045 AND ASSOCIATED EMISSIONS REDUCTION MEASURES.

SUMMARY:
Santa Clara Valley Water District's (Valley Water) 2021 Climate Change Action Plan (CCAP) established goals, strategies, and actions to support climate adaptation and ongoing reduction of greenhouse gas emissions. As recommended in the CCAP, Valley Water developed a CEQA-qualified Greenhouse Gas Reduction Plan (GHGRP; Attachment 1) which aims to reduce Valley Water's emissions, achieve carbon neutrality by 2045, and streamline GHG CEQA analyses for future Valley Water projects that are consistent with the GHGRP.

The GHGRP has been prepared in accordance with CEQA Guidelines Section 15183.5, which allows a public agency to analyze and mitigate greenhouse gas emissions through a qualified greenhouse gas reduction plan, and to use that plan to support tiering and streamlining of greenhouse gas analyses for later projects. To serve this purpose, the plan must quantify existing and projected greenhouse gas emissions within a defined geographic area; establish, based on substantial evidence, an emissions level below which covered activities would not result in a cumulatively considerable greenhouse gas impact; identify and analyze emissions from anticipated actions or categories of actions; specify measures, including performance standards, that substantial evidence demonstrates would collectively achieve the specified emissions level if implemented on a project-by-project basis; establish a mechanism to monitor progress and require amendments if the plan is not achieving the specified levels; and be adopted in a public process following environmental review. The GHGRP is consistent with these criteria because it quantifies Valley Water's existing and

projected emissions through 2045, establishes greenhouse gas reduction targets and a carbon budget, identifies reduction measures and implementation actions to achieve those targets, and includes tracking and adaptive management provisions to monitor progress over time. The GHGRP Consistency Review Checklist provides the project-level mechanism for future discretionary Valley Water projects to demonstrate consistency with the GHGRP by documenting applicable reduction measures or other evidence showing that the project would not impede achievement of the GHGRP's targets or cause Valley Water to exceed its carbon budget, thereby supporting tiering and streamlining of greenhouse gas analysis in future CEQA documents, as appropriate.

During development of the GHGRP, staff conducted extensive internal and external stakeholder outreach in developing the GHGRP. Throughout 2023-2025, internal subject matter experts (SMEs) reviewed historic and projected emissions calculations for accuracy, reduction measures to ensure they were actionable, and the draft GHGRP. In December 2024, the Draft GHGRP was published on Valley Water's website for public comment and staff from the Metropolitan Water District's Office of Sustainability, Resilience, and Innovation completed a peer review with the support of Rincon Consultants. Comments and questions from the public review and peer review mainly related to what was included in Valley Water's emissions calculations and mitigation suggestions. Staff responded to all comments as well as feedback received from the June 2025 Board Policy and Monitoring Committee and then began the CEQA process. After completing the Initial Study/Negative Declaration (IS/ND), Valley Water posted the CEQA documents and draft GHGRP on Valley Water's website for a 31-day public comment period. Staff received and responded to two comments, neither of which required edits to the GHGRP or CEQA analysis.

Emissions Inventory

The GHGRP inventories Valley Water GHG emissions in a manner consistent with current guidance from the California Air Resources Board, expanding Valley Water's original GHG emissions reduction framework. Specifically, the GHGRP emissions inventory accounts for additional indirect (Scope 3) emissions from construction and maintenance activities and other emissions sources not previously included due to lack of data. The emissions inventory establishes Valley Water's baseline GHG emissions using a five-year average from 2017 to 2021. Using a five-year average accounts for variability in operations and imported water deliveries, which drive annual variability in emissions. The baseline inventory indicates that indirect (Scope 3) emissions from construction, maintenance, and imported water are Valley Water's largest GHG sources, accounting for approximately 70% of total emissions. These results reflect the success of Valley Water's previous efforts to reduce direct (Scope 1) emissions and emissions from purchased electricity (Scope 2).

Emissions Forecast

The GHGRP forecasts future emissions through 2045 based on historical trends, consultation with subject matter experts at Valley Water on likely future trends in emissions drivers such as fuel usage, electricity usage, and construction activity, and emissions-reducing regulations. Valley Water's emissions are forecast to decrease approximately 50% by 2045 due to legislative reductions. Construction emissions will continue to comprise the largest remaining emissions source; they are predicted to account for 67% of Valley Water's total emissions in 2045. Emissions from future projects that have their own CEQA mitigation measures requiring net-zero construction emissions, such as the Anderson Dam Seismic Retrofit Project, are not included in the GHGRP construction

emissions forecast.

Greenhouse Gas Reduction Measures
The GHGRP identifies the gap between forecasted emissions and Valley Water's 2045 carbon neutrality target and establishes GHG reduction measures to reduce emissions across Valley Water's operations (Attachment 1). Each measure quantifies cumulative emissions reductions anticipated by 2030 and 2045 and includes specific implementation steps. The largest emissions reductions will be derived from Measures OF-1 (Zero Emission Off-Road Fleet), CN-1 (Zero Emission Off-Road Construction Vehicles), and CS-1 (Sequester Carbon). Measures OF-1 and CN-1 require that zero emission fuels comprise an increasing share of fuel usage by Valley Water's off-road fleet and contracted off-road construction vehicles. Zero-emission fuels include renewable diesel, biodiesel, electricity, and hydrogen. Measure CS-1 establishes a framework to track emissions reductions derived from the additional carbon sequestered by restoration projects that Valley Water implements, such as the South San Francisco Bay Shoreline Phase I Project (Shoreline Phase I). Restored tidal marsh is highly efficient at sequestering carbon relative to other ecosystems. As demonstrated in the GHGRP, Valley Water can meet its emissions reduction targets by applying a percentage of estimated carbon sequestration from Shoreline Phase I as an emissions reduction. Staff will work with Shoreline Phase I partner agencies to document that carbon sequestration will not be double counted by Valley Water or its partners. Additional restoration projects, such as the Calabazas/San Tomas Aquino Creeks-Marsh Connection Project, will be evaluated for inclusion in Measure CS-1 as projects are identified and on track for implementation. Collectively, the GHGRP reduction measures provide a pathway for Valley Water to achieve carbon neutrality by 2045, consistent with California's emission reduction targets established by AB 1279.

Implementation and Monitoring Plan
Valley Water will track its future emissions against a carbon budget that provides a maximum limit for emissions from 2025 through 2045. Progress toward meeting GHG reduction targets will be monitored and reported bi-annually, and inventory and forecast updates and the latest technological developments in GHG reduction measures will be incorporated into the GHGRP every five years. This update process will allow Valley Water to refine its GHG reduction measures and actions to account for changing construction project schedules, market conditions, costs, and technological developments.

ENVIRONMENTAL JUSTICE IMPACT:
There is no environmental justice impact associated with the Greenhouse Gas Reduction Plan. Implementation of the GHGRP would reduce Valley Water's GHG and air pollutant emissions, thereby reducing Valley Water's overall environmental impact. None of the GHGRP measures would result in a negative impact to environmental justice.

FINANCIAL IMPACT:
Implementing projects identified in the GHGRP will be included in future Valley Water budgets when those projects are approved to be implemented by the Board of Directors. There is no financial impact directly related to the adoption of the GHGRP and Initial Study/Negative Declaration

resolution.

CEQA:
Valley Water, acting as the lead agency under the California Environmental Quality Act, prepared a Final Initial Study (IS), which determined that the GHGRP would not have a significant effect on the environment. Therefore, a Negative Declaration (ND) was prepared for the GHGRP. Together, the IS/ND evaluates potential environmental effects of the GHGRP in accordance with CEQA and its implementing regulations, the CEQA Guidelines.

The IS/ND was made available for public review and comment for a 31-day period, from May 8, 2026, to June 8, 2026, in accordance with CEQA Guidelines Section 15105. Valley Water received two comment letters during the public review period. Responses to these comments are included in the Final IS/ND.

Pursuant to CEQA Guidelines Section 15183.5, Valley Water intends to use the GHGRP for tiering and streamlining of the GHG analysis in future Valley Water CEQA documents for projects through 2045. Future discretionary Valley Water projects that have not initiated the CEQA process, and projects currently undergoing CEQA review that have not yet released a CEQA document for public review, may tier from the GHGRP. Projects that tier from the GHGRP must demonstrate consistency with the GHGRP through the Consistency Review Checklist or a quantitative analysis showing that the project would not impede achievement of the GHGRP's GHG reduction targets or cause Valley Water to exceed its carbon budget.

The Board is requested to adopt the Final IS/ND prior to taking action to approve the GHGRP. Upon Board adoption of the Final IS/ND and approval of the GHGRP, staff will file a Notice of Determination with the Santa Clara County Clerk and the State Clearinghouse within five working days of Board approval, as required by CEQA Guidelines Section 15075.

ATTACHMENTS:
Attachment 1: Reduction Measures and weblink to Final IS/ND and GHGRP
Attachment 2: Board Resolution (CEQA)
Attachment 3: Board Resolution (GHGRP)
Attachment 4: Notice of Determination
Attachment 5: PowerPoint

UNCLASSIFIED MANAGER:
Lisa Bankosh, 408-630-2618

Attachment 1

The Greenhouse Gas Reduction Plan and Negative Declaration can be accessed at:
https://assets.valleywater.org/files/2026-06/FinalISND_compiled.pdf

Greenhouse Gas Reduction Measures included in the Plan

Reduction Measure	Description
Scope 1 Measures	
VF-1: Zero Emission On-Road Fleet	Convert 35% of Valley Water's on-road fleet fuel use to zero-emission fuels (e.g., electricity, renewable diesel) by 2030, and 100% by 2045. *This measure is described further in Section 2.3.*
OF-1: Zero Emission Off-Road Fleet	Require the use of zero-emission fuels (e.g., electricity, renewable diesel) instead of conventional diesel in 95% of Valley Water's off-road fleet by 2030, and 100% by 2045.
HG-1: Phase Out High-GWP Refrigerants	Replace high-GWP refrigerants with low-GWP alternatives above and beyond the requirements of SB 1206.
FE-1: Facility Electrification	Electrify 30% of existing facility natural gas use by 2030, and 76% by 2045. *This measure is described further in Section 2.3.*
Scope 3 Measures	
EC-1: Reduce Employee Commute Emissions	Implement incentives to encourage employees to reduce their VMT or reduce emissions from their commute vehicle.
SW-1: Increase Solid Waste Diversion	Divert 80% of waste from Valley Water offices from landfills by 2030, and 90% by 2045. Improve solid waste tracking by conducting regular assessments of waste characterization.
CN-1: Zero Emission Off-Road Construction Equipment	For all contracted construction projects, require the use of zero-emission fuels (e.g., electricity, renewable diesel) instead of conventional diesel in 17% of off-road construction equipment fuel use in equipment greater than 25 hp by 2030, and 70% by 2045 regardless of the engine Tier.
CN-2: Zero Emission On-Road Construction Vehicles	For all contracted construction projects, require the use of zero-emission fuels (e.g., electricity, renewable diesel) instead of conventional fuel in 35% of on-road construction vehicle fuel use by 2030, and 100% by 2045.
WA-1: Increase Water Conservation	Increase communitywide water conservation to 98,800 acre-feet per year by 2030 and 118,000 acre-feet per year by 2045.
CS-1: Sequester Carbon	Sequester carbon in habitat enhancement and restoration projects. Collaborate with regional conservation agencies to identify projects that are beyond project mitigation (Non-anthropogenic source).
CS-2: Purchase Carbon Offsets	Purchase carbon offsets from verified offset registries, prioritizing local or reginal projects and, if necessary, projects outside of the state, but within the U.S. Prohibit carbon offset purchases that are unverified or located outside of the U.S. (Non-anthropogenic source)

Notes: GHG = greenhouse gas, GHGRP = Greenhouse Gas Reduction Plan, GWP = global warming potential, SB = Senate Bill, VMT = vehicle miles traveled.

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BOARD OF DIRECTORS
SANTA CLARA VALLEY WATER DISTRICT

RESOLUTION NO. 2026-

ADOPTING THE FINAL INITIAL STUDY/NEGATIVE DECLARATION FOR THE GREENHOUSE GAS REDUCTION PLAN

WHEREAS, the Santa Clara Valley Water District (Valley Water), the lead agency under the California Environmental Quality Act (CEQA), has prepared a Final Initial Study/Negative Declaration (IS/ND) for the Greenhouse Gas Reduction Plan (Project) to evaluate the potential environmental impacts of the adoption and implementation of the proposed Project, as required by CEQA and its implementing regulations, the CEQA Guidelines (Code of Regs., Title 14, § 15000 et seq.); and

WHEREAS, the IS/ND was published and circulated for public review and comment between May 8, 2026, and June 8, 2026. The IS/ND was filed with the State Office of Planning and Research under State Clearinghouse Number 2026050417; and

WHEREAS, Valley Water received two public comments on the Draft IS/ND during the public review and comment period and has considered and/or addressed these comments prior to preparing the final IS/ND.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Santa Clara Valley Water District as follows:

A. ADOPT THE FINAL NEGATIVE DECLARATION

1. The Board of Directors has reviewed and considered the information contained in the Final IS/ND and the record and other matters deemed material and relevant prior to making a decision on the Project.

2. The Final IS/ND reflects the independent judgment and analysis of Valley Water.

3. The Final IS/ND has been completed in compliance with CEQA and the CEQA Guidelines.

4. The initial study shows that there is no substantial evidence, in light of the whole record, that the project will have a significant effect on the environment.

5. The analysis and conclusions in the Final IS/ND are supported by substantial evidence in the record.

6. Consistent with Public Resources Code Section 21081.6(a)(2), the documents which constitute the record of proceedings for approving this Project are located with the Clerk of the Board at 5700 Almaden Expressway, San Jose, California.

BE IT FURTHER RESOLVED that the Chief Executive Officer is hereby authorized and directed to, on behalf of Valley Water's Board of Directors, to execute any such documents and to perform any such acts as may be deemed necessary or appropriate to accomplish the intention of this resolution.

PASSED AND ADOPTED by the Board of Directors of the Santa Clara Valley Water District by the following vote on August 11, 2026.

AYES: Directors

NOES: Directors

ABSENT: Directors

ABSTAIN: Directors

SANTA CLARA VALLEY WATER DISTRICT

_____
TONY ESTREMERA
Chair, Board of Directors

ATTEST

_____
CANDICE KWOK-SMITH
Clerk, Board of Directors

BOARD OF DIRECTORS
SANTA CLARA VALLEY WATER DISTRICT

RESOLUTION NO. 2026-

ADOPTING THE GREENHOUSE GAS REDUCTION PLAN

WHEREAS, climate change, including warmer temperatures, changing precipitation and runoff patterns, reduced snowpack, and rising sea level, presents risks to water supply reliability, flood protection, natural ecosystems, and the communities Valley Water serves; and

WHEREAS, reducing greenhouse gas emissions supports Valley Water's mission and its role as an environmental steward; and

WHEREAS, Valley Water has prepared the Greenhouse Gas Reduction Plan to update Valley Water's greenhouse gas emissions inventory, forecast future emissions, establish greenhouse gas reduction targets, identify greenhouse gas reduction measures, and provide implementation, monitoring, reporting procedures, and consistency review procedures; and

WHEREAS, the Greenhouse Gas Reduction Plan contains all of the elements for a plan under California Environmental Quality Act (CEQA) Guideline section 15183.5, subdivision (b)(1), including quantifying greenhouse gas emissions from Valley Water's activities, both existing and projected, establishing a level below which greenhouse gas emissions from activities in the plan would not be cumulatively considerable, identifying and analyzing greenhouse gas emissions resulting from specific actions within Santa Clara County and through the procurement of imported water, specifying a group of measures supported by substantial evidence that will collectively achieve the specified emissions level, establishing a mechanism to monitor the plan's progress toward achieving the specified emissions level, and the plan has been adopted in a public process following environmental review; and

WHEREAS, the Greenhouse Gas Reduction Plan establishes a target for Valley Water to achieve carbon neutrality by 2045, consistent with the State of California's carbon neutrality goal under Assembly Bill 1279; and associated greenhouse gas reduction measures; and

WHEREAS, the Board of Directors has considered the environmental effects of the Greenhouse Gas Reduction Plan as analyzed in the Final Initial Study/Negative Declaration prepared for the Plan; and

WHEREAS, by separate action in a public process, the Board of Directors has adopted the Final Initial Study/Negative Declaration for the Greenhouse Gas Reduction Plan; and

WHEREAS, the Board of Directors desires to adopt the Greenhouse Gas Reduction Plan, establish the 2045 carbon neutrality target, and adopt the greenhouse gas reduction measures identified in the Plan, while preserving Valley Water's discretion to implement the Plan in a manner consistent with available funding and operational and technical feasibility.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Santa Clara Valley Water District does hereby:

1. Adopt the Greenhouse Gas Reduction Plan as Valley Water's CEQA-qualified greenhouse gas reduction plan under CEQA Guidelines section 15183.5.

2. Establish a target for Valley Water to achieve carbon neutrality by 2045.

3. Direct staff to use the greenhouse gas reduction measures included in the Greenhouse Gas Reduction Plan to guide future emissions reduction efforts, implementation planning, monitoring, reporting, and consistency review for future Valley Water projects. Nothing in this Resolution shall limit Valley Water's ability to modify or update greenhouse gas reduction measures, provided that such actions remain consistent with the overall purpose of the Greenhouse Gas Reduction Plan, Valley Water's carbon neutrality goal, and applicable CEQA requirements.

PASSED AND ADOPTED by the Board of Directors of the Santa Clara Valley Water District by the following vote on August 11, 2026:

AYES: Directors

NOES: Directors

ABSENT: Directors

ABSTAIN: Directors

SANTA CLARA VALLEY WATER DISTRICT

_____
TONY ESTREMERA
Chair, Board of Directors

ATTEST

_____
CANDICE KWOK-SMITH
Clerk, Board of Directors

NOTICE OF DETERMINATION

Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118
(408) 265-2600

☐ Office of Land Use and Climate Innovation
1400 Tenth Street, Room 121
Sacramento, CA 95814

☒ County of Santa Clara County Clerk
110 West Tasman Drive
San Jose CA 95134

Subject:
Filing of Notice of Determination in compliance with Section 21108 or 21152 of the Public Resource Code.

Contact Person:	Telephone No:	State Clearinghouse No:
Christopher Hall	(408) 630-2317	2026050417

Project Title: Greenhouse Gas Reduction Plan

Project Applicant: Santa Clara Valley Water District

Project Location: Santa Clara County

Project Description: Valley Water developed a GHGRP which aims to reduce Valley Water's emissions and achieve carbon neutrality by 2045. The GHGRP updates and expands the approach from Valley Water's original voluntary GHG emissions reduction framework. Consistent with guidance from the California Air Resources Board, the GHGRP emissions inventory accounts for additional indirect (Scope 3) emissions from construction and maintenance activities and other emissions sources not previously included due to lack of data. The GHGRP will allow for the streamlining of GHG analysis in future Valley Water CEQA documents for projects that demonstrate consistency with the Plan. Collectively, the GHGRP reduction measures provide a pathway for Valley Water to achieve carbon neutrality by 2045, consistent with California's emission reduction targets established by AB 1279.

This is to advise that the Santa Clara Valley Water District, acting as a [☒ Lead Agency ☐ Responsible Agency], has approved the above described project on July 14th, 2026, and has made the following determinations regarding the above described project:

1. The project [☐ will ☒ will not] have a significant effect on the environment.
2. ☐ An Environmental Impact Report was prepared for this project pursuant to the provisions of CEQA.
   ☒ A Negative Declaration was prepared for this project pursuant to the provisions of CEQA.
3. Mitigation measures [☐ were ☒ were not] made a condition of the approval of the project.
4. A mitigation reporting or monitoring program [☐ was ☒ was not] adopted for this project.
5. A statement of Overriding Considerations [☐ was ☒ was not] adopted for this project.
6. Findings [☐ were ☒ were not] made pursuant to the provision of CEQA.

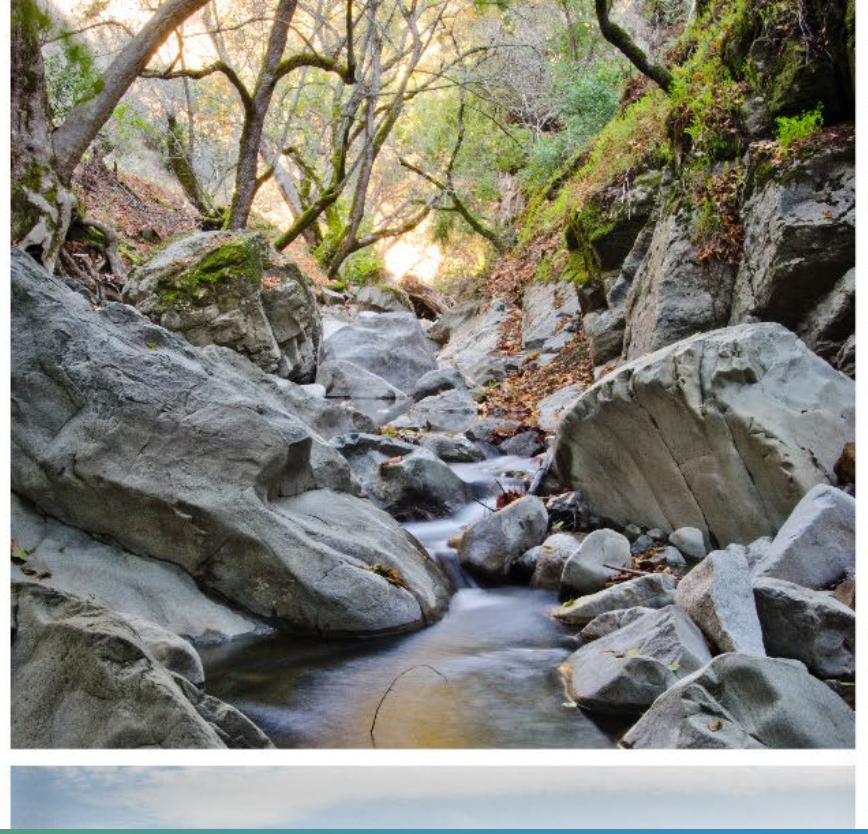
This is to certify that the final Initial Study/Negative Declaration with comments and responses and record of project approval is available to the General Public at:

Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118

Signature (Public Agency):	Title: Chief Executive Officer	Date:

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Greenhouse Gas Reduction Plan

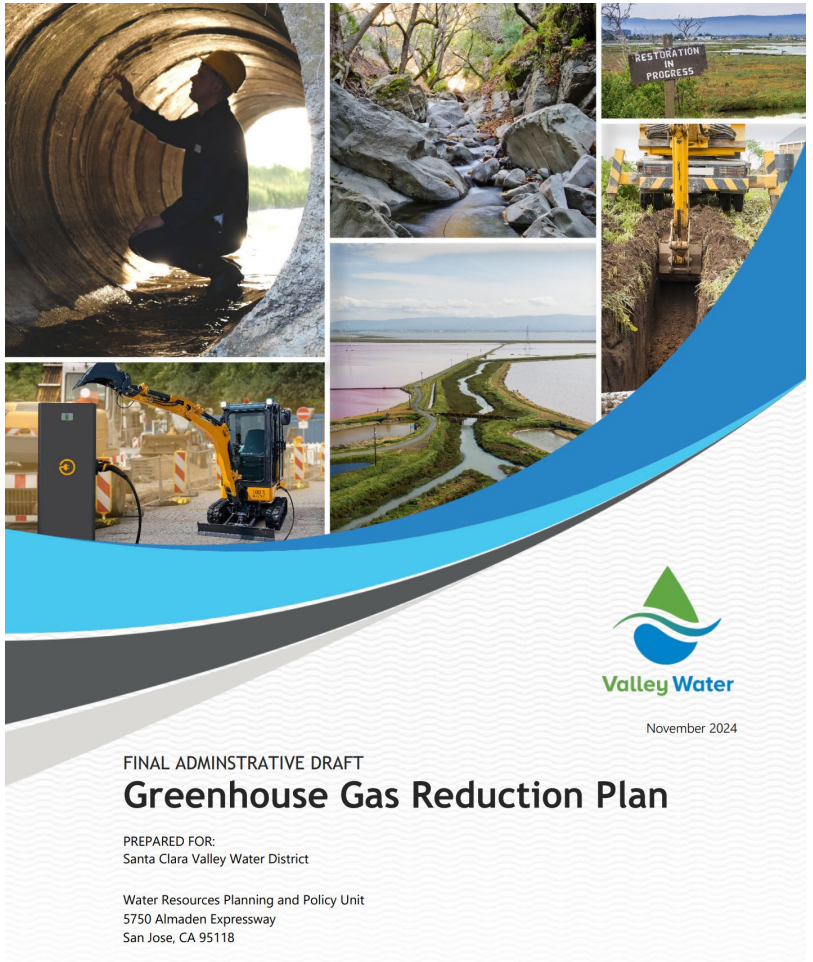
Samantha Greene, Ph.D., Water Resource Planning and Policy Manager

August 11, 2026

Valley Water

Presentation Outline

1. Baseline Greenhouse Gas (GHG) Inventory
2. Emissions Forecast and Reduction Targets
3. Carbon Budget
4. GHG Reduction Measures
5. CEQA review



2021 Climate Change Action Plan

Goals, strategies, and actions address climate adaptation, emergency preparedness, and **climate mitigation**

CCAP Mitigation Strategies and Actions		
Reduce Direct Emissions	**Expand Renewable Energy & Improve Efficiency**	**Reduce Indirect Emissions**

Action 1.6.2: Expand GHG inventory

Action 1.6.4: Prepare CEQA-Qualified GHG Reduction Plan

Valley Water

CEQA-Qualified GHG Reduction Plan



Reduce GHG emissions

CEQA

Streamline environmental review (CEQA) of future projects

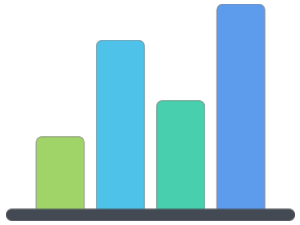
OFFICE OF PLANNING AND RESEARCH · STATE OF CALIFORNIA

CALIFORNIA AIR RESOURCES BOARD

Create consistency with GHG regulations

Valley Water

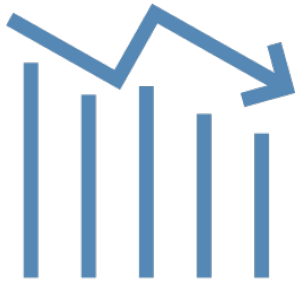
GHG Reduction Plan Contents



Baseline Emissions Inventory



Reduction Targets & Carbon Budget

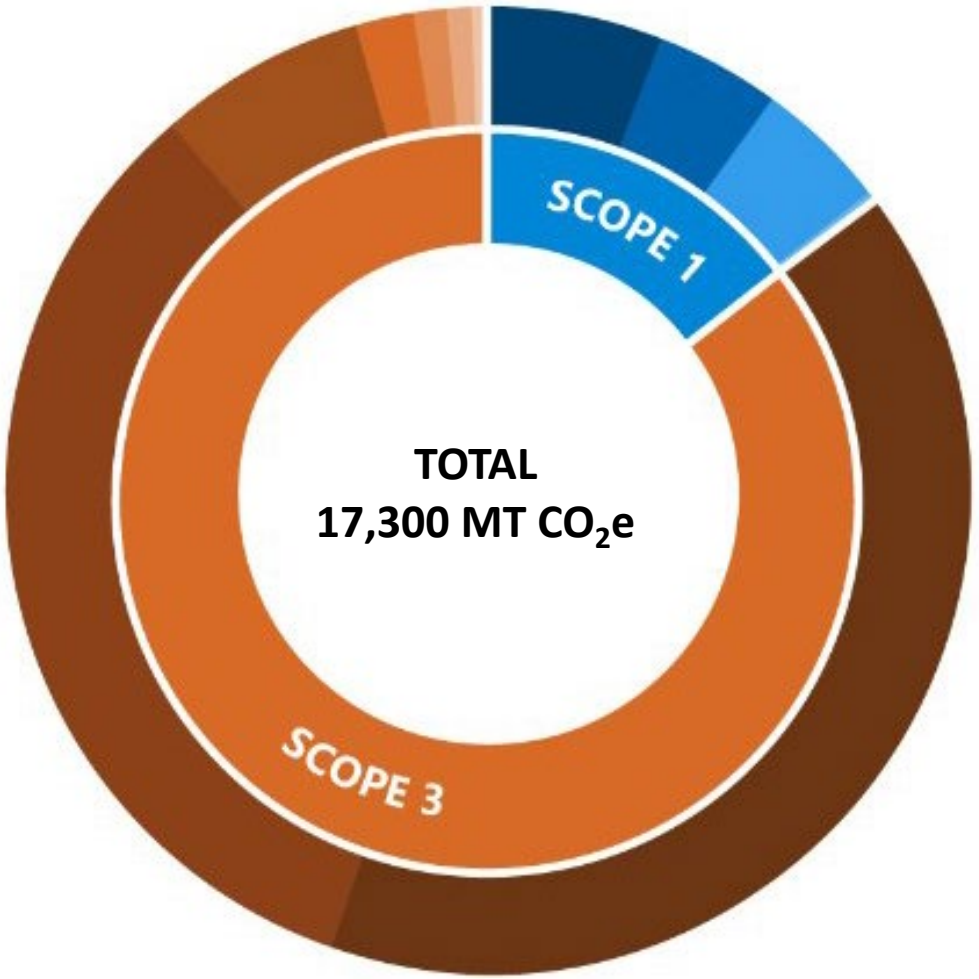


Emissions Forecast



Reduction Measures

Baseline Emission Inventory



2017-2021 Baseline Inventory

SCOPE 1 **2,600 MT CO_2e**

- **6%** ON-ROAD FLEET
- **4%** NATURAL GAS USE IN BUILDINGS
- **4%** OFF-ROAD FLEET
- **<1%** HIGH GWP GASES

Direct Emissions

SCOPE 2 **20 MT CO_2e**

- **<1%** FACILITY ELECTRICITY USE

Purchased Electricity Emissions

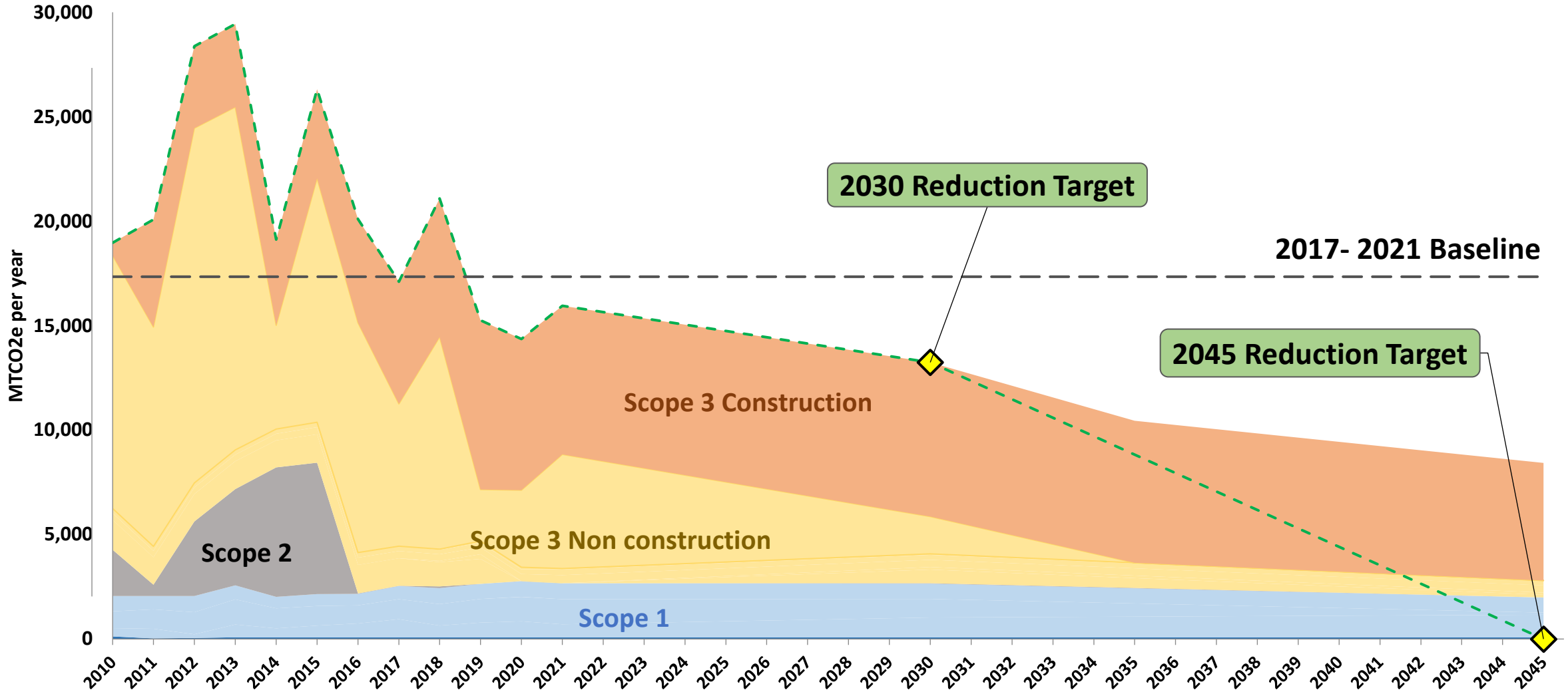
SCOPE 3 **14,700 MT CO_2e**

- **40%** CONSTRUCTION
- **33%** IMPORTED WATER
- **7%** EMPLOYEE COMMUTE
- **2%** WASTEWATER
- **1%** BUSINESS TRAVEL
- **1%** SOLID WASTE
- **<1%** SEDIMENT HAULING

Indirect Emissions

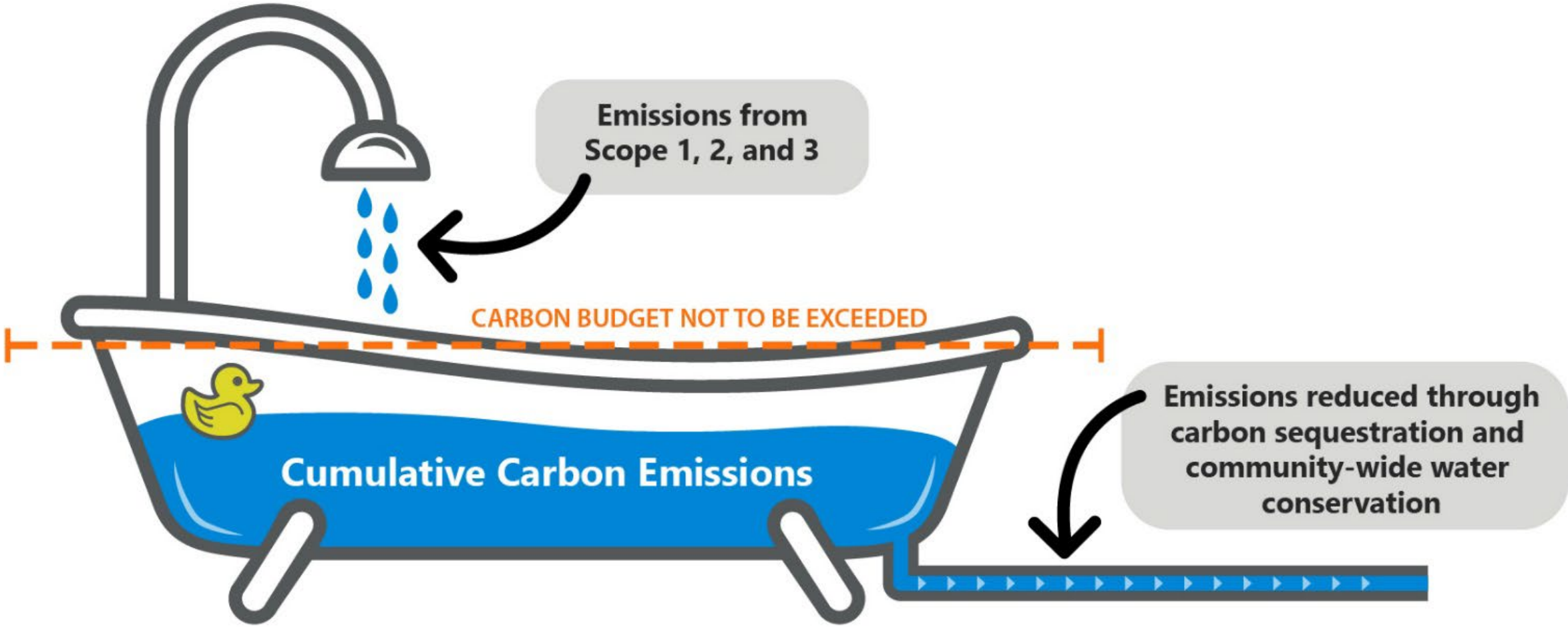
Valley Water

Past and Forecast Emissions



Valley Water

Carbon Budget Concept



Scope 1 Emissions Reduction Measures

Emissions Source	Measure Number	Measure Name
Valley Water Fleet	VF-1	Zero Emission On-Road Fleet
Valley Water Fleet	OF-1	Zero Emission Off-Road Fleet
High Global Warming Potential (GWP) Gases	HG-1	Phase Out High-GWP refrigerants
Valley Water Facility Energy	FE-1	Facility Electrification

Scope 3 Emissions Reduction Measures

Emissions Source	Measure Number	Measure Name
Employee Commute	EC-1	Reduce Employee Commute Emissions
Solid Waste	SW-1	Increase Solid Waste Diversion
Contracted Construction	CN-1	Zero Emission Off-Road Construction Equipment (Contractor vehicles)
Contracted Construction	CN-2	Zero Emission On-Road Construction Vehicles (Contractor vehicles)
Water Conservation	WA-1	Increase Water Conservation
Carbon Sequestration	CS-1	Carbon Sequestration in Valley Water Restoration Projects
Carbon Offsets	CS-2	Purchase Carbon Offsets

Construction Emissions Reduction Measures

Measure Name	Measure Description	2025-2030 Cumulative Reduction	2025-2045 Cumulative Reduction
Zero Emission Off-road Equipment (CN-1)	Require zero-emission fuels • 17% by 2030 • 45% by 2045	2,900 MT CO_2e	29,000 MT CO_2e
Zero Emission On-road Vehicles (CN-2)	Require zero-emission fuels • 35% by 2030 • 95% by 2045	300 MT CO_2e	1,200 MT CO_2e

Zero-emission fuels: renewable diesel, biodiesel, electricity, hydrogen

Valley Water

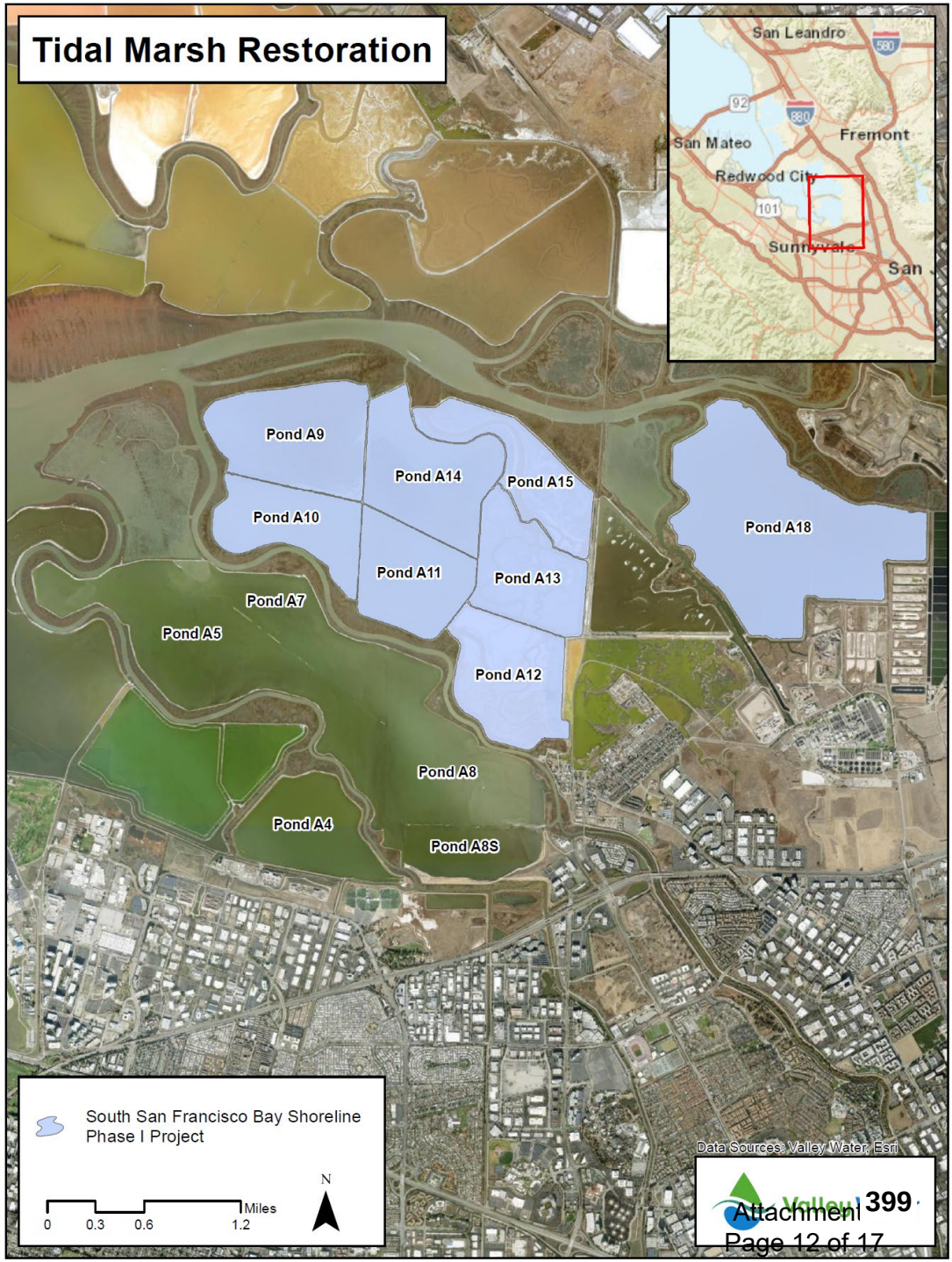
Carbon Sequestration Program

Reduction Measure CS-1

South San Francisco Bay Shoreline Phase I Project

- Restores 2,900 acres of former salt ponds
- Tidal marsh restoration projected by 2030

Future restoration projects will also be considered for Sequestration Program



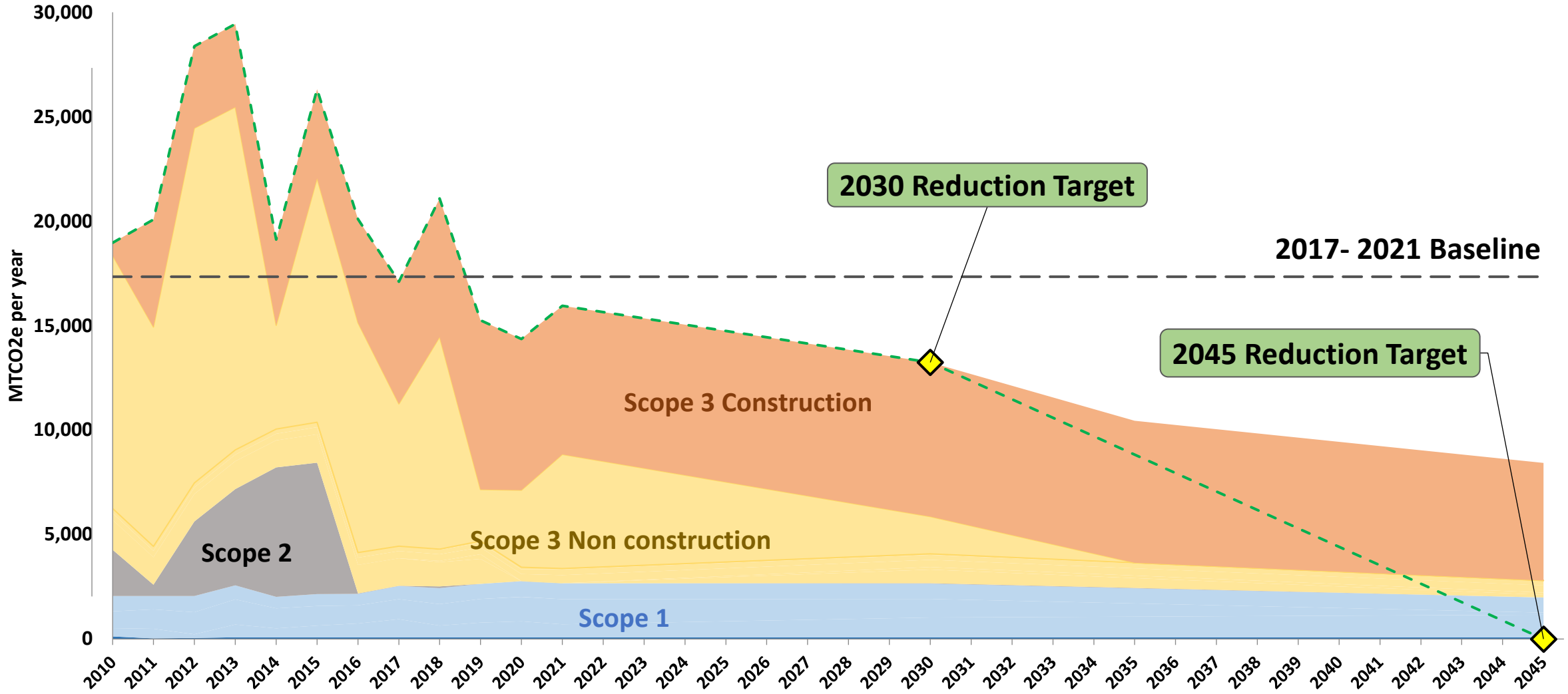
Carbon Sequestration Program Requirements

- **Real**: Documented actions
- **Quantifiable**: Reliably calculated and tracked
- **Additional**: No double counting
- **Enforceable**: Regulatory agencies can ensure compliance
- **Verifiable**: Data reviewable by third parties
- **Permanent**: Last at least 100 years



Restored tidal marsh in the South Bay
Courtesy South Bay Salt Pond Restoration Project

Past and Forecast Emissions



Valley Water

Stakeholder Review

Internal Review	• Confirmed past and future emissions • Refined emission reduction actions
Public Review	• December 2024 public posting and June 2025 BPMC • Clarification of emission scopes, excluded emissions
MWD Peer Review	• Nov 2024 Metropolitan Water District + Rincon Consultants • Refined inventory calculations • Improved measure implementation process
CEQA	• Initial Study/Negative Declaration • Public review - two comments

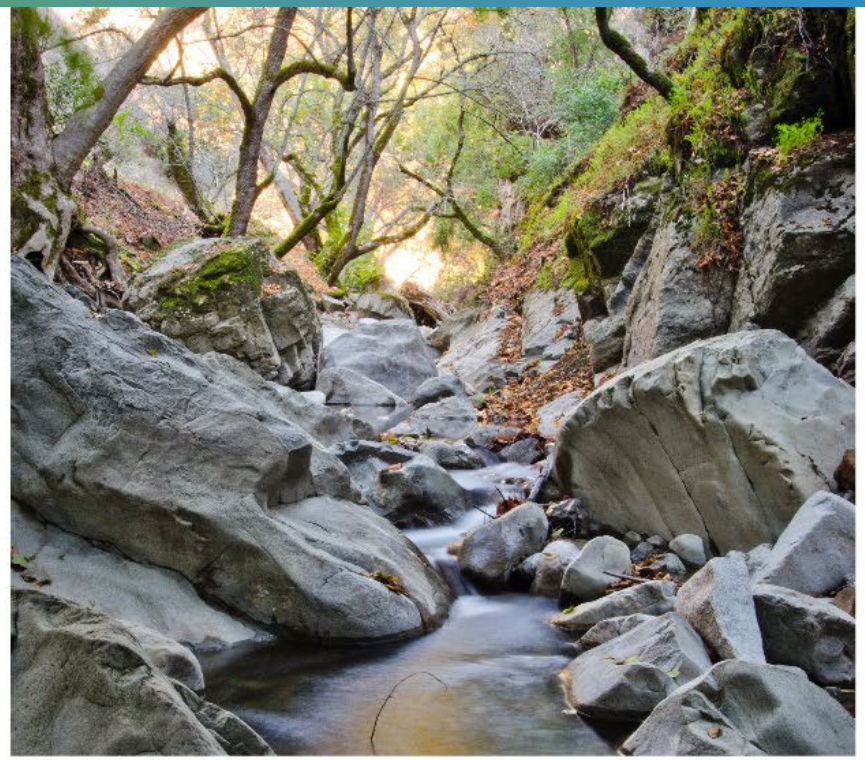
Recommended Board Actions

Adopt the Resolution Adopting the Final Negative Declaration

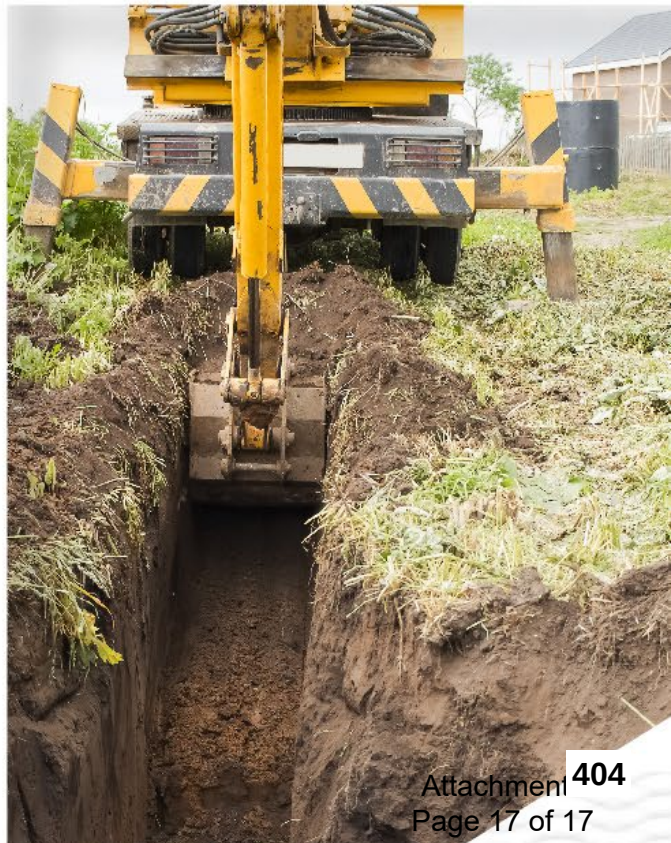
Adopt the Resolution Adopting the Greenhouse Gas Reduction Plan

Questions?













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Santa Clara Valley Water District

File No.: 26-0551

Agenda Date: 8/11/2026
Item No.: 8.1.

BOARD AGENDA MEMORANDUM

Government Code § 84308 Applies: Yes ☒ No ☐
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:
Approve Agreement No. A5792A with AQC Environmental Brokerage Services Inc. for Carbon Offset Brokerage Services for the Anderson Dam Seismic Retrofit Project, Project No. 91864005, for a Total Not-to-Exceed Amount of $5,000,000 (Morgan Hill, District 1).

RECOMMENDATION:
Approve Agreement No. A5792A with AQC Environmental Brokerage Services Inc. for carbon offset brokerage services for the Anderson Dam Seismic Retrofit Project, Project No. 91864005, for a Total Not-to-Exceed Amount of $5,000,000.

SUMMARY:
The Anderson Dam Seismic Retrofit Project (ADSRP or Project) involves retrofitting and upgrading Anderson Dam and its associated facilities to meet public safety requirements imposed by the Federal Energy Regulatory Commission (FERC) and California Department of Water Resources Division of Safety of Dams (DSOD). Specifically, the Project will correct dam safety deficiencies that were identified between 2008 and 2016. The Project will allow Santa Clara Valley Water District (Valley Water) to maximize water supply and provide related benefits, while avoiding and minimizing environmental impacts. The Project also includes decommissioning the hydroelectric facility at the dam, implementing conservation measures along Coyote Creek to avoid and minimize adverse impacts, and conducting habitat and species monitoring during construction.

The Final Environmental Impact Report (FEIR) for ADSRP applies a net-zero greenhouse gas (GHG) threshold to Project construction emissions and includes enforceable mitigation measures to reduce and offset construction-related GHG emissions. Mitigation Measure GHG-1 requires construction emissions reductions via use of alternative fuels and electrified equipment, where feasible. Mitigation Measure GHG-2 requires Valley Water to offset remaining unavoidable Project-related construction GHG emissions to achieve no net increase in construction-related GHG emissions.

Valley Water does not maintain internal expertise or direct market access necessary to identify, evaluate, procure, transfer, and retire voluntary carbon offsets in accordance with the requirements of FEIR Mitigation Measure GHG-2. Specialized brokerage services are needed to support compliance

with the mitigation measure and to navigate the voluntary carbon market.

Agreement No. A5792A with AQC Environmental Brokerage Services Inc. will provide carbon offset brokerage services needed to support Valley Water's implementation of FEIR Mitigation Measure GHG-2, specifically the procurement of carbon offsets from the voluntary carbon market. The scope of services includes project management; annual evaluation of carbon market conditions; identification, evaluation, and sourcing of appropriate voluntary carbon offsets; development of annual procurement strategies and pre-transaction coordination; purchases of carbon offsets on Valley Water's behalf; offset transfer and transmittals of chain-of-custody documentation; annual retirement of offsets; and annual reporting support.

In accordance with FEIR Mitigation Measure GHG-2, offsets procured under the Agreement must be voluntary and not otherwise required by law or regulation, must avoid double counting or competing ownership claims, and must not be used to satisfy any separate compliance obligation. The Agreement requires geographic preference to be applied using the hierarchy identified in Mitigation Measure GHG-2, prioritizing offsets originating within the San Francisco Bay Area Air Basin, then within California, and finally within other U.S. states. Offsets from outside the United States will not be used. Offsets must also meet applicable criteria for being real, additional, quantifiable, permanent, verifiable, and enforceable, and must be registered with recognized and reputable carbon registries.

On March 30, 2026, Valley Water issued Request for Proposals No. VW0680 for Carbon Offset Brokerage Services to support implementation of Mitigation Measure GHG-2 for the Anderson Dam Seismic Retrofit Project. Before advertising the RFP, Valley Water conducted outreach through its PlanetBids procurement portal to firms registered under the applicable National Institute of Governmental Purchasing codes and published the solicitation in accordance with Valley Water procurement requirements. The solicitation was distributed through the PlanetBids vendor network and Valley Water's vendor list, and three timely electronic proposals were received.

A multidisciplinary evaluation committee reviewed the proposals using the criteria established in the RFP, and all three proposers were invited to participate in interviews. Following the interviews, AQC Environmental Brokerage Services, Inc. was ranked first and determined to be the firm best qualified to provide the required services based on its overall qualifications, technical approach, and understanding of the scope of services.

The Agreement establishes a total not-to-exceed amount of $5,000,000. The majority of this amount is anticipated to be used for the purchase of carbon offset credits required to implement Mitigation Measure GHG-2, with the remainder covering brokerage commissions, consulting services, and other authorized compensation under the Agreement. Actual expenditures will depend on the quantity of offsets required and prevailing market prices during the Agreement term. Brokerage services will be provided throughout the Agreement term of three years and coordinated with Valley Water staff. The Agreement also provides Valley Water the option to extend the term for up to two additional two-year periods through written amendments executed prior to expiration of the Agreement. Purchase and retirement of carbon offsets will occur annually for the upcoming construction year (e.g., offsets for anticipated 2027 construction emissions would be purchased in 2026), as required by Mitigation Measure GHG-2.

ENVIRONMENTAL JUSTICE IMPACT:
There are no environmental justice impacts associated with this action. This action is unlikely to or will not result in human health or environmental effects. However, the carbon offsets procured through this Agreement may be derived from projects with positive environmental and community co-benefits, such as forest restoration, improved forest management, methane capture, or other project types that reduce or sequester greenhouse gases. To the extent such projects improve air quality, restore habitat, or provide other environmental benefits, they may result in positive environmental justice outcomes for the communities in which the offset projects are located.

FINANCIAL IMPACT:
The Anderson Dam Seismic Retrofit Project, Project No. 91864005, is included in the Capital Improvement Program (CIP) Fiscal Years (FY) 2027-31 Five-Year Plan and in the FY 2026-27 Adopted Budget. Approval of Agreement No. A5792A will authorize a total not-to-exceed fee of $5,000,000 for carbon offset brokerage services, including authorized carbon offset credit purchases, brokerage commissions, and consulting fees.
There are adequate funds in the Project's FY 2026-27 Adopted Budget to encumber the anticipated expenditures for the Consultant's services performed during this fiscal year. Funds to cover Consultant services in subsequent fiscal years will be included in the biennial budget process and recommended by staff during the annual fiscal year budget process or through budget adjustments, if needed.

Approval of Agreement No. A5792A does not change the total Project cost reflected in the CIP's FY 2027-31 Five-Year Plan.

The Project may receive up to $54.1 million from the renewed Safe, Clean Water & Natural Flood Protection Program (Fund 26), with the remainder of the total project cost funded by the Water Utility Enterprise Fund (Fund 61), with 80.50% of the costs allocated to North County Zone W-2, 7.80% to South County Zone W-5, and 11.70% to South County Zone W-7.

A portion of the ADSRP project cost is projected to be financed by the Water Infrastructure Finance and Innovation Act (WIFIA) pursuant to the United States Environmental Protection Agency WIFIA Master Agreement with Valley Water entered into through its Santa Clara Valley Water District Public Facilities Financing Corporation, for the SCVWD Master Program for Water Reliability Program (WIFIA Agreement) dated February 14, 2023.

CEQA:
The recommended action does not constitute a project under the California Environmental Quality Act (CEQA) because it does not have the potential to result in a direct or reasonably foreseeable indirect physical change in the environment. In addition, all carbon offsets purchased under Agreement No. A5792A would be consistent with the requirements outlined in the Anderson Dam

Seismic Retrofit Project Final Environmental Impact Report, which was certified by the Board of Directors on February 25, 2025.

ATTACHMENTS:
Attachment A: Gov. Code § 84308
Attachment 1: Agreement No. A5792A
Attachment 2: PowerPoint

UNCLASSIFIED MANAGER:
Ryan McCarter, 408-630-2983

Attachment A
Government Code §84308

Approve Standard Consultant Agreement with AQC Environmental Brokerage Services Inc., to provide Carbon Offset Brokerage Services for the Anderson Dam Seismic Retrofit Project (ADSRP), Agreement No. A5792A, PB File No. VW0680, for a Not-to-Exceed Fee of $5,000,000.

List of Parties and Their Agents/Representatives Known to Staff

Organization Name	**Name**	**Role**	**Location**
AQC Environmental Brokerage Services Inc.	Jackie Ferlita	President, Emissions Desk	5881 Engineer Drive, Huntington Beach, CA 92649

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This agreement (Agreement) is effective once fully executed (Effective Date), by and between SANTA CLARA VALLEY WATER DISTRICT (Valley Water or District), and AQC ENVIRONMENTAL BROKERAGE SERVICES INC., a California corporation (Consultant), individually the Party or collectively the Parties.

WHEREAS, Valley Water desires certain services hereinafter described and Consultant affirms it has the requisite experience and expertise, and desires to provide such services.

NOW, THEREFORE, Valley Water and Consultant, for the consideration and upon the Terms and Conditions specified, agree as follows:

SECTION ONE

SCOPE OF SERVICES

The Scope of Services (Services) to be performed pursuant to this Agreement is described in the Schedule(s), Scope of Services, attached hereto and incorporated herein by this reference (Schedule(s)). Services described in each Schedule are considered a Scope of Services that is separate and apart from the Scope of Services described in another Schedule.

SECTION TWO

DUTIES OF CONSULTANT

1. Performance

A. Each Scope of Service described in an attached Schedule(s) must be performed by Consultant, or at its direction, to meet the purposes specified in this Agreement. References to “Consultant” herein include those performing any portion of the Services at its direction such as Subconsultants, vendors, suppliers, subcontractors, and other business entities and individuals. Consultant will collaborate with Valley Water staff in engineering, asset management, operations, and maintenance units to be made aware of Valley Water operational constraints, procedures, or preferences relevant to Consultant’s performance of the Services described in the attached Schedule(s).

B. Unless the requirements for the Services described in the attached Schedule(s) are specifically modified in writing, Consultant must perform Services and provide all deliverables as required.

C. Consultant shall not undertake any Services not described in the attached Schedule(s) unless authorized in writing by Valley Water prior to the performance of such Services by issuance of a Task Order or pursuant to an amendment to this Agreement signed by both Parties.

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2. Consultant Controlled Areas

Consultant is responsible for the security and safety of the area(s) it controls wherein it is required to perform field operations pursuant to the Scope of Services.

3. Licensing

Services performed by Consultant will be undertaken only by persons appropriately licensed, certified, or registered in California, as applicable to the Services described herein, when required by statutes or regulations, as well as pursuant to the relevant standard of care as described in Section Two, Duties of Consultant, subsection 11. Standard of Care. Examples of such Services include those performed by: California State Licensed Contractors, Professional Engineers and Architects, Inspectors, and Surveyors. Consultant shall make available upon Valley Water's request documentation of qualifications and licensing of personnel performing Services described herein. Consultant must be registered with the California Department of Labor Standards Enforcement if the Services or a portion thereof is determined to be "Public Works" pursuant to California Labor Code §1720(a)(1).

4. Valley Water's Approval of Deliverables

Deliverables prepared by Consultant, notwithstanding acceptance and approval by Valley Water, which Valley Water determines must subsequently be modified due to errors or omissions, will be corrected at no additional cost to Valley Water.

5. Errors and Omissions

The Services may include preparation of deliverables by Consultant to be implemented in a public works construction project. Consultant is responsible for any direct or actual damages incurred by Valley Water which Valley Water determines result from Consultant's errors or omissions in Consultant's deliverables, including, but not limited to, any increase in Valley Water's payment(s) due to its construction contractor, which increase is directly attributable to required revisions to the construction Contract Documents to the extent caused by Consultant's negligent acts, errors, or omissions.

6. Valley Water Standardization Requirements

A. Consultant shall perform the Services utilizing Valley Water nomenclature, standardized forms, software requirements, documented procedures, and best management practices. Consultant shall use Microsoft Office software and Autodesk Civil 3D software that is compatible with Valley Water's current Microsoft Office software and Autodesk software used at the time(s) Valley Water issues a Notice to Proceed pursuant to this Agreement.

B. Engineering drawings prepared by Consultant must be in compliance with Valley Water's Computer-Aided Design and Drafting (CADD) standards including line types, line weights, text sizes, text orientation, dimensioning, labeling/numbering system for detailed plan views and detailed section views. Drawings prepared using different CADD software and versions must be converted to be compatible with Valley Water's CADD software at no additional cost to Valley Water. Prior to acceptance, Valley Water

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reserves the right to test the submitted CADD files to verify that the files are not corrupted or missing linkages (for blocks, etc., used in the drawings) and that the standards are retained during the conversion process used by Consultant.

7. Consultant's Key Staff and Subconsultants

A. Consultant's Key Staff and firms subcontracted by Consultant (Subconsultants) assigned to perform the Services are identified in the Schedule(s), Scope of Services, Attachment Three, Consultant's Key Staff and Subconsultants.

B. The Project team organization chart and delegated responsibilities of each team member will be submitted to Valley Water for concurrence.

C. Consultant may utilize Subconsultants, subcontractors, suppliers, or vendors it deems appropriate to the complexity and nature of the required Services.

1) Consultant must obtain Valley Water's approval of all Subconsultants. Upon Valley Water's request, Consultant must provide copies of all Subconsultant agreements.

2) Consultant must require its delegates or Subconsultants to agree, in writing, to adhere to Terms and Conditions of this Agreement.

D. Any delegation or use of Subconsultants by Consultant will not operate to relieve Consultant of its responsibilities as described in this Agreement.

E. If any of Consultant's designated key staff persons or Subconsultants fail to perform to the satisfaction of Valley Water, on written notice from Valley Water, Consultant will have 15 calendar days to remove that person from the Project and provide a replacement acceptable to Valley Water.

F. Consultant will not charge Valley Water for the time it takes Consultant's replacement personnel to obtain Valley Water-specific Project knowledge in the possession of the person(s) being replaced.

G. Consultant's Key Staff: Valley Water's authorized representative may approve any revisions to Consultant's list of key staff assigned to the Project as an administrative modification to this Agreement, and such approval will be confirmed in writing.

H. Consultant's Subconsultants

1) Valley Water's authorized representative may approve any revisions to Consultant's list of authorized Subconsultants when the Subconsultant is deleted from the list and the Scope of Services is deleted from the Agreement or such services are assumed by the Consultant; such approval will be confirmed in writing.

2) Valley Water's authorized representative may approve any revisions to Consultant's list of authorized Subconsultants when a listed Subconsultant is replaced (to perform the same Scope) or a new Subconsultant is added (to perform new Scope), provided the firm complies with all insurance requirements established by Valley Water for such work; such approval will be confirmed in writing.

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8. Compliance with All Laws

A. Consultant's performance must be in compliance with the most current versions of any and all laws relevant to the Services it performs pursuant to this Agreement, including, but not limited to adherence to: all applicable governmental laws, statutes, ordinances, rules, codes, regulations, orders, and other requirements; governmental requirements applicable to state and federal compliance with the Professional Land Surveyors Act; state and federal Endangered Species Act; state and federal water quality laws; and all other state and federal laws or regulations regarding environmental protection and compliance, health, safety, wages, hours, equal employment opportunity, nondiscrimination, working conditions, and transportation. In the event that Valley Water's assistance is necessary to achieve such compliance, Consultant shall promptly notify Valley Water.

B. Consultant shall provide, at Valley Water's request, documentation demonstrating Consultant's compliance with all laws as described herein. After reasonable notice and according to reasonable conditions, Valley Water has the right to inspect and copy any records of Consultant regarding such compliance.

C. Consultant represents and warrants that neither Consultant nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any federal government department or agency.

9. Occupational Safety and Health

A. Consultant will perform the Services in compliance with the most current versions of all laws, standards, rules, and regulations of the Occupational Safety and Health Act, and all state and federal laws and regulations relating to safety and health standards. Consultant shall perform the Services in compliance with, will furnish only supplies, articles, and equipment that comply with such laws, standards, and regulations.

B. Consultant shall immediately notify Valley Water in the event of any personal injury accident or occurrence occurring during the performance of the Services. Upon Valley Water's request, Consultant shall provide Valley Water with documentation fully describing the accident and injury and the actions implemented to prevent similar occurrences.

10. Consultant as Independent Contractor

Consultant will perform all Services as an independent contractor and not an agent or employee of Valley Water. Consultant represents and warrants that it and its contractors who are performing any of the Services as Subconsultants will perform such Services as an independent contractor, and neither Consultant nor Subconsultants nor their employees are the servants, agents or employees of Valley Water. Except as expressly provided in this Agreement, Valley Water exercises no direction, supervision or control over Consultant, its employees, agents, or Subconsultants.

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11. Standard of Care

A. Consultant must possess and maintain during the term of this Agreement all certifications, licenses, permits, and qualifications to perform the Services and prepare all deliverables. Consultant must perform all Services and prepare all deliverables in accordance with those standards and practices of care, skill, and diligence that are generally recognized and customarily observed by competent persons in Consultant's area of specialty in the State of California at the time such Services are rendered.

B. Consultant shall perform the Services and prepare all deliverables without any errors or omissions, and in accordance with Section Two, Duties of Consultant, subsection 8. Compliance with All Laws.

C. Consultant and its Subconsultants must perform the Services in compliance with all applicable written federal, state and local codes, statutes, laws, regulations, and ordinances, including, but not limited to, environmental, energy conservation, and disabled access requirements as per the provisions of Section Two, Duties of Consultant, subsection 8. Compliance with All Laws.

SECTION THREE

DUTIES OF VALLEY WATER

1. Available Data

Valley Water will make available to Consultant all data and information in its possession and control and which it deems necessary to the preparation of the deliverables specified in the Schedule(s). Valley Water will actively aid and assist Consultant in obtaining such information from other agencies and individuals as it deems necessary. Valley Water is not responsible for providing data and information that it does not possess.

2. Review of Deliverables

A. Valley Water will designate a Project Manager (Valley Water Project Manager) for purposes of administering and managing this Agreement.

B. Consultant’s progress in completing the Services will be reviewed by Valley Water Project Manager at each milestone identified in the Schedule(s) and at such other time(s) at the discretion of Valley Water.

C. Consultant must notify Valley Water in writing when it completes each deliverable described in the Schedule(s) and provide Valley Water with said deliverable. Deliverables deemed satisfactory and in compliance with this Agreement are subject to approval by Valley Water. Within 30 calendar days of receipt of each deliverable, Valley Water will either (1) notify Consultant that Valley Water accepts the deliverable, or (2) notify the Consultant that the deliverable is not acceptable and must be revised.

D. If Valley Water advises Consultant that a deliverable must be revised due to errors or omissions by the Consultant, Consultant must correct, at no cost to Valley Water, those deficiencies as soon as possible and shall notify Valley Water upon completion of the revised deliverable and submit to Valley Water.

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E. Valley Water will then review the revised deliverable and within 30 calendar days of receipt, advise the Consultant if the revised deliverable is acceptable. All deficient deliverables will be revised at no cost to Valley Water and this process will continue until Consultant has corrected all deficiencies identified by Valley Water.

F. None of the proposed changes or revisions or anything else in this Agreement will be construed to relieve the Consultant of professional or legal responsibility for the performance of the Services as otherwise required by the Terms and Conditions of this Agreement. Corrections to any deliverable as a result of Consultant's errors or omissions, as determined by Valley Water, will not result in additional costs or expenses to Valley Water.

3. Access to Valley Water Facilities

Valley Water will facilitate access to Valley Water facilities as required for the Consultant to perform the Services.

SECTION FOUR

FEES AND PAYMENTS

1. Total Fixed Not-to-Exceed Fees

A. Payment for all Services performed by Consultant to the satisfaction of Valley Water, as described in the Schedule(s) will be based on the hourly rates, subject to the Total Fixed Not-to-Exceed (NTE) Fees stated in the Schedule, Attachment One, Fees and Payments, for completion of the associated tasks. Valley Water will make payments to Consultant according to the terms provided for herein and in the Schedule, Attachment One, Fees and Payments. Payments made by Valley Water to the Consultant for Services rendered will be considered full compensation for all personnel, materials, supplies, Subconsultant(s), equipment, and reimbursable expenses, incurred by the Consultant to perform the Services.

B. Upon the written approval of Valley Water Deputy Operating Officer referenced herein, remaining funds previously budgeted for tasks that are completed, reduced, or deleted, may be reallocated to tasks that have not yet been completed, provided the Agreement Total Not-to-Exceed Fee is not exceeded. Transferring funds from a task not yet completed to a different task is not permitted.

C. Upon the written approval of Valley Water Deputy Operating Officer referenced herein, the Scope of Services described in a task may be reduced, revised, or deleted. If the Scope of Services of a task is reduced or deleted, the portion of the funds attributed to that reduced or eliminated task may be reallocated to existing tasks, or transferred to a Supplemental Services task, if provided for herein.

D. Any reduction or deletion of tasks and any inter-task transfers will be clearly noted and described in the subsequent monthly progress report to Valley Water.

E. Services to be performed pursuant to the Supplemental Services task, if provided for herein, will commence only after issuance of a fully executed Task Order.

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F. Automobile travel mileage expenses will be paid at the current Internal Revenue Services (IRS) rate. Valley Water will not reimburse Consultant nor its Subconsultants for mileage nor travel time to and from Valley Water Headquarters and surrounding campus located at 5700 Almaden Expressway, San Jose, California. However, Valley Water will reimburse Consultant and its Subconsultants for mileage incurred from Valley Water Headquarters or Consultant's and Subconsultants' firm addresses, whichever is closer to the destination, to Project site(s) and, if directed or authorized by Valley Water, to meeting locations such as with regulatory agencies, for community outreach activities and meetings, for partnering meetings, and Dispute Review Board meetings.

2. Consultant Invoices

A. Consultant's annual invoices will be prepared in accordance with the terms of this Agreement, Section Four, Fees and Payments, and represent Services performed and reimbursable costs incurred during the identified billing period. Invoices must be consistent with Scope of Services described in the Schedule(s) attached hereto, and include the following:

1) Quantity, vintage, unit price, and associated registry of purchased Verified Emission Reduction Credits (VERs);

2) Brokerage fee;

3) Annual consulting fee;

4) The name of Valley Water staff requesting Services;

5) The dates when Services were performed;

6) Other direct charges and expenses by Service task;

7) Other direct charges and expenses must reflect actual fees versus the Agreement Not-to-Exceed Fees as stated in the Schedule(s), Attachment One, Fees and Payments, and/or Task Orders; and

8) To the extent that the Consultant is adding an administrative, processing, overhead or mark-up fee, Valley Water will not pay for such duplication of costs for both the Consultant and its Subconsultants.

B. Before submitting annual invoices, a draft invoice (in Adobe PDF format) will be provided in electronic format by the Consultant for preliminary review by Valley Water Project Manager. Upon preliminary approval by Valley Water, Consultant will email the complete, signed, and dated electronic copy invoice, including all supporting documentation. Valley Water's preliminary review of the draft invoice does not represent final approval of the electronic copy invoice, but is intended to reduce potential for re-submittals of electronic copy invoice by Consultant.

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C. Each annual invoice must include an annual report that documents Services completed, the execution of the tasks described in the Scope of Services, and enable Valley Water to evaluate the Consultant's progress and performance towards completion of the Services. If not already submitted prior to the annual invoice, the annual report shall include the items listed in Scope of Services, Task 4.

D. Consultant shall submit final invoices through Projectmates or other document control system designated by Valley Water. All inquiries regarding Projectmates must be directed to Valley Water's Capital Project Management and Project Controls Program (CPMPC@valleywater.org).

E. Consultant must also ensure that each invoice and corresponding attachments contain the following information:

1) Agreement number;

2) Consultant Invoice number in the following format: Agreement Number followed by a three-digit consecutive numbering sequence and separated by a period. For example, A1234A.001, A1234A.002, etc.

3) Full legal name of Consultant/Firm;

4) Payment remit-to address;

5) Invoice date (the date invoice is emailed);

6) Beginning and end date for billing period that services were provided.

F. Consultant shall invoice for its performance of the Services on an annual basis consistent with the task fee breakdown stated in the Schedule, Attachment One, Fees and Payments, which applies to the specific Scope of Services.

G. Valley Water Project Manager will review Consultant's written invoice within five Valley Water business days of receipt, address any questions with Consultant's Contact/Principal Officer and approve the undisputed amount of the invoice within ten working days of receipt of the invoice. Valley Water will pay undisputed invoice amounts within 30 calendar days from date invoice is received by Valley Water Project Manager.

H. Notwithstanding Section E, if AQC acquires carbon offsets on behalf of Valley Water more than once during a calendar year, including carbon offsets acquired in advance for anticipated future compliance obligations, AQC may submit additional invoices for such transactions. All such invoices shall comply with the requirements, procedures, and payment provisions set forth in this Section, including the requirement for an annual report.

I. Invoice Disputes

1) Valley Water may in good faith assert a bona fide dispute as to all or a portion of fees specified in any invoice. If any portion of an amount due to Consultant pursuant to this Agreement is subject to a bona fide dispute between the Parties, within 30

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calendar days of Consultant's submission of an invoice in which a disputed amount is included, Valley Water will notify Consultant in writing of the specific items in dispute, and will describe Valley Water's reason(s) for disputing each such item.

2) Consultant and Valley Water Project Manager must act in good faith to resolve the dispute in a timely manner. If the dispute is not resolved by Consultant and Valley Water Project Manager within 30 calendar days of Consultant receiving Valley Water's written notice of dispute, Consultant and Valley Water will attempt to resolve the dispute pursuant to the Standard Consultant Agreement, Appendix Two, Dispute Resolution.

3. Prevailing Wages-NOT USED

4. Retention -NOT USED

SECTION FIVE

SCHEDULE OF COMPLETION

1. Performance of Tasks

Consultant will commence performing the tasks described in this Agreement, in accordance with the attached Schedule(s), Scope of Services, upon receipt of the Notice to Proceed (NTP) issued by Valley Water.

2. Project Schedule Table

Consultant will perform and complete the services described in the Scope of Services in accordance with the Project Schedule table (Project Schedule) as stated in the Schedule, Attachment Two, Schedule of Completion. Consultant will coordinate services with Valley Water to provide the timeline of all tasks and subtasks, including the site visits, document review, meetings, and deliverables.

3. Monitoring of Project Schedule

The approved Project Schedule will be monitored monthly. Changes to the schedule for performance of tasks and deliverables are subject to advance written approval by Valley Water.

4. Project Delays

Consultant will make all reasonable efforts to comply with the Project Schedule as stated in the Schedule, Attachment Two, Schedule of Completion. In the event the Project Schedule will be delayed, Consultant will notify Valley Water Project Manager as soon as possible, providing the reason why, the length of the delay, and a description of the actions being taken to address the delay. In the event Consultant is delayed in performance of its services

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by circumstances beyond its control, Valley Water may, at its discretion, grant a reasonable adjustment in the Project Schedule.

5. Changes to the Project Schedule

Valley Water Project Manager and Consultant may agree to modify the Project Schedule specified for Consultant's performance as an administrative modification to the Agreement and will confirm such modifications in writing.

SECTION SIX

AGREEMENT MODIFICATIONS

The Parties may agree to modify the Terms and Conditions of this Agreement by executing a written amendment hereto.

SECTION SEVEN

TERM AND TERMINATION

1. Term & Automatic Termination

This Agreement encompasses all Services that Consultant is responsible to perform within the time limits and Not-to-Exceed Fees set forth herein. Consultant will not undertake to provide Services where it reasonably appears that the Services cannot be provided and expenses cannot be incurred within said total compensation limit and the applicable Not-to-Exceed Fees of any Task Order.

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2. Valley Water Rights

A. Suspension: Valley Water may, by written notice to Consultant, suspend any or all Services pursuant to this Agreement or to any individual Task Order. Valley Water may subsequently terminate this Agreement or any Task Order for convenience or determine to proceed. If a decision to proceed is not made within 90 days from the date of the notice of suspension, any decision to proceed must be conditioned upon execution of a new Notice to Proceed or Task Order.

B. Termination for Convenience: Valley Water may, by written notice to Consultant, terminate all or part of this Agreement or any Task Order at any time for Valley Water's convenience. Upon receipt of such notice, Consultant will immediately cease all work as specified in the notice. If this Agreement or any Task Order is so terminated, Consultant will be compensated as set forth in Section Seven, Term and Termination, subsection 3. Consultant's Compensation upon Termination or Suspension.

C. Termination for Breach: If Consultant violates any of the covenants, agreements or stipulations of this Agreement or a Task Order, or if Consultant fails to fulfill in a timely and proper manner its obligations pursuant to this Agreement or any Task Order, and does not cure such failure or violation within 30 days (or a reasonable extension thereof, if requested, which extension will not be unreasonably withheld) after receipt of written notice from Valley Water specifying such failure or violation, Valley Water will thereupon have the right to terminate this Agreement and any or all uncompleted Task Orders by giving written notice to Consultant of such termination. Such notice will specify the effective date thereof, and Consultant will not be entitled to compensation for services or expenses beyond the specified termination date.

D. If, after notice of termination for breach of this Agreement or any Task Order, it is determined that Consultant did not breach the Agreement or Task Order, the termination will be deemed to have been implemented for Valley Water's convenience, and Consultant will receive payment that is allowed by this Agreement for a termination for convenience.

E. The rights and remedies provided herein to Valley Water are in addition to any other rights and remedies provided by law, this Agreement, or a Task Order.

3. Consultant's Compensation upon Termination or Suspension

In the event of termination of this Agreement or any Task Order, or suspension of Services by Valley Water, Consultant shall receive compensation based on satisfactory performance, accepted by Valley Water, as follows:

A. Direct Labor: Consultant shall be entitled to receive compensation for all authorized direct labor performed prior to termination pursuant to the provisions of this Agreement or Task Order and all authorized labor expenses incurred to demobilize from the Project after the date of termination;

B. Other Direct Costs and Expenses: Consultant shall be entitled to receive compensation for all authorized other direct costs and expenses incurred prior to termination and all

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authorized expenses incurred to demobilize from the Project after the date of termination; and

C. In no event shall the total compensation paid for any item of Service exceed the payment specified in the Agreement or applicable Task Order for that item of Service.

4. Survival

The Terms and Conditions of this Agreement, that by their context and a standard of reasonableness, are intended to survive termination, suspension, completion, and expiration of this Agreement, shall survive, including but not limited to, the following Sections and subsections: Independent Contractor Status, Confidentiality, Indemnification, Insurance Requirements, and Dispute Resolution, as well as any Consultant representations and warranties.

SECTION EIGHT

INDEMNIFICATION

1. Notwithstanding any other provision of this Agreement, Consultant agrees to indemnify, defend and hold harmless Valley Water, its agents, officers, directors, and employees from and against any and all demands, claims, damages, losses and reasonable expenses, including but not limited to liabilities, obligations, claims, costs, reasonable expenses (including, without limitation, interest, penalties and reasonable attorney's fees), fines, taxes, levies, imposts, assessment, demands, damages or judgments of any kind or nature, whether in law or equity (including, without limitation, death or injury to any person, property damage, administrative and judicial orders and consents, or any other loss) to the extent they arise out of, pertain to, or relate to the Consultant's negligence, recklessness, or willful misconduct.

2. The foregoing does not limit any strict liability imposed on the Consultant by law. The rights, duties, and obligations of the Parties as set forth above in this Section Eight, Indemnification, survive termination, expiration, completion, and suspension of this Agreement.

SECTION NINE

INSURANCE REQUIREMENTS

Insurance requirements applicable to this Agreement are set forth in the Standard Consultant Agreement, Appendix Four, Insurance Requirements. Consultant must provide and maintain at its own expense, during the term of this Agreement, or as may be further required herein, all insurance coverages as detailed in the Standard Consultant Agreement, Appendix Four, Insurance Requirements, and comply with all provisions stated therein.

SECTION TEN

OWNERSHIP AND REUSE OF DELIVERABLES

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1. Valley Water Ownership

All deliverables and other materials prepared by Consultant, including computer programs and media developed by the Consultant, to perform the Services, during the term of this Agreement, will be and remain the property of Valley Water following payment in full to Consultant for each task or portion of a completed task, or in accordance with Section Seven, Term and Termination. In the event the work is not completed, the completed portions thereof will become the property of Valley Water. Consultant will provide Valley Water with such deliverables and material at appropriate times during this Agreement. Consultant may retain a copy for its records. Consultant does not convey, assign, or transfer the intellectual property rights it has, so as to limit its ability or right to develop, design, or provide services on other projects of or for its other clients.

2. Reuse of Instruments of Service

If Valley Water desires to reuse the completed plans, specifications, or other deliverables, in total or in part, on project sites associated with this Agreement, or any other site, or to complete any incomplete portion of construction documentation which Valley Water has already paid Consultant, Valley Water will release Consultant from any liability incurred by Valley Water from reusing said deliverables.

3. Copies of Data

Copies of data exchanged by, through, and between Valley Water and Consultant that may be relied upon are limited to printed copies. Computer-generated files, disks, or tapes of text, data or graphics that are furnished are only for the mutual convenience of the Parties.

4. Computer-Generated Material

Any risk of translation or reliance on information obtained or derived from computer-generated material is at the user's sole risk, and no representations are made, either express or implied, as to the long-term performance of data thus transferred.

5. Work for Hire

Any and all original correspondence, memoranda, reports, designs, plans, specifications, data compilations, computer programs, or drawings delivered to Valley Water by Consultant according to the Terms of this Agreement, in or by any medium is deemed to be "work for hire" according to the copyright laws of the United States and the copyright belongs to Valley Water.

6. Copyright Claims

Co-venturers, subcontractors, Subconsultants, suppliers, and vendors to Consultant are likewise bound by these copyright terms. Valley Water makes no copyright claim and requires no release for copyrighted material or trademarked names used incidentally by Consultant.

SECTION ELEVEN

EQUAL OPPORTUNITY

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1. Equal Opportunity Employer

Valley Water is an equal opportunity employer and requires its consultants to have and adhere to a policy of equal opportunity and non-discrimination. In the performance of the Agreement, Consultant will comply with all applicable federal, state, local laws and regulations, and will not discriminate against any subcontractor, employee, or applicant for employment in the recruitment, hiring, employment, utilization, promotion, classification or reclassification, transfer, recruitment advertising, evaluation, treatment, demotion, layoff, termination, rates of pay or other forms of compensation, and selection for professional development training (including apprenticeship), or against any other person, on the basis of sex (which includes pregnancy, childbirth, breastfeeding and medical conditions related to pregnancy, childbirth or breastfeeding), race, religion, color, national origin (including language use restrictions), ancestry, religious creed (including religious dress and grooming practices), political affiliation, disability (mental and physical, including HIV or AIDS), medical condition (cancer and genetic characteristics), genetic information, marital status, parental status, gender, age (40 and over), pregnancy, military and veteran status, sexual orientation, gender identity and gender expression, the exercise of family and medical care leave, the exercise of pregnancy disability leave, or the request, exercise, or need for reasonable accommodation.

2. Compliance with Applicable Equal Opportunity Laws

Consultant's policy must be in conformance with applicable state and federal guidelines including the Federal Equal Opportunity Clause, 41 Code of Federal Regulations, Part 60-1, §60-1.4; Title VII of the Civil Rights Act of 1964 as amended; the Americans with Disabilities Act of 1990; the Rehabilitation Act of 1973 (§503 and §504); the Age Discrimination Act of 1975 (42 U.S.C. §6101 et seq.); the California Fair Employment and Housing Act (Government Code §12900 et. seq.); and California Labor Code §1101 and §1102.

3. Investigation of Claims

Consultant must designate a specific position within its organization to be responsible for investigating allegations of non-compliance with the anti-discrimination and anti-harassment provisions of this Agreement. Consultant must conduct a fair, prompt, and thorough investigation of all allegations directed to Consultant by Valley Water. In cases where such investigation results in a finding of discrimination, harassment, or hostile work environment, Consultant must take prompt, effective action against the offender.

SECTION TWELVE

MISCELLANEOUS PROVISIONS

1. Entire Agreement

This Agreement, which includes the Terms and Conditions, Appendices, the Schedule(s), Schedule(s)' Attachments, and all executed Task Orders, represents the entire understanding between the Parties hereto relating to the Services described in this Agreement and its executed Task Orders, which are incorporated herein by this reference, and supersedes any and all prior proposals or agreements, whether written or oral, that may exist between the Parties. This Agreement may not be modified or amended except in

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writing as stated herein. To the extent that any Schedule conflicts with this Agreement, this Agreement shall control.

2. Formation of Agreement

A. No agreement between the Parties is formed until all applicable actions have been completed to the satisfaction of Valley Water. Valley Water Project Manager will not issue a Notice to Proceed until all required documents have been submitted and accepted by Valley Water.

B. Formation of this Agreement between the Parties requires accomplishment of the following, as applicable:

1) Execution of the Agreement by Consultant;

2) Submission by the Consultant, and acceptance by Valley Water, of evidence of all required insurance coverages and documents;

3) Submission by the Consultant, and acceptance by Valley Water, of evidence of all required Form 700 documents, if applicable;

4) Submission by the Consultant, and acceptance by Valley Water, of all required Non-Disclosure Agreements (NDA) as provided in the Schedule(s), Attachment Four, Reference Materials, if applicable;

5) Submission by the Consultant, and acceptance by Valley Water, of a Health and Safety Plan, if applicable;

6) Any other requirements that are deemed necessary by Valley Water; and

7) Execution of the Agreement by Valley Water.

3. No Assignment

A. The expertise and experience of Consultant are material considerations for Valley Water's award and execution of this Agreement. Consultant will not assign or transfer any interest in this Agreement nor the performance of any of Consultant obligations hereunder, without prior written consent of Valley Water in the form of an amendment executed by the Parties, and any attempt to so assign this Agreement, or any rights, duties or obligations arising hereunder, will be void and of no effect. Any assignment of monies due or to become due in accordance with this Agreement, will be to the extent permitted by law, and will be subject to all proper set-offs, deductions, and withholdings in favor of Valley Water.

B. In no event shall an assignment of any interest in this Agreement release the Consultant from its duties and responsibilities as described in this Agreement nor shall the Consultant be released from liability created by the provision of Services as described in this Agreement until such assignment takes effect. Any attempted or purported

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assignment without Valley Water's written consent in the form of an amendment executed by the Parties is null and void.

4. Reasonableness

Discretionary actions or approvals to be performed by the Parties will be exercised in a reasonable manner.

5. Gifts

Consultant hereby acknowledges that Valley Water policy prohibits the acceptance by Valley Water personnel of gifts of any kind from its contractors, consultants, suppliers or vendors. Consultant shall honor this policy by not sending or bringing gifts to Valley Water.

6. Audits

Consultant agrees that Valley Water and its agent(s) have the right to review, obtain, and copy all records pertaining to performance of this Agreement. Consultant agrees to provide Valley Water and its agent(s) with any relevant information requested, in electronic and hard copy format, at Valley Water's discretion, and will permit Valley Water and its agent(s) access to its premises, upon reasonable notice, during normal business hours for the purpose of interviewing employees (alternatively, by phone at Valley Water's discretion) and inspecting or copying books, records, accounts, computerized records, and other materials that may be relevant to the matter under investigation or subject to audit, such as by a government agency, providing Valley Water with grant funds to pay for Consultant's services, for the purpose of determining compliance with this Agreement. Consultant further agrees to maintain such records for a period of three years after final payment as provided for in this Agreement.

7. Force Majeure

Neither Party will be held responsible for delays caused by acts beyond its control, such as acts of God or public enemies, utility or communication delays, or failures not caused by such Party's negligence or fault, accidents not caused by such Party's negligence or fault, labor disputes, war, or failure of the other Party to provide data as required pursuant to this Agreement.

8. Binding Effect

This Agreement is binding on the heirs, executors, administrators, successors, and assigns of the Parties.

9. Choice of Law and Venue

The Parties agree that this Agreement is to be governed, construed, and enforced in accordance with the laws of the State of California. The Parties also agree that the venue of any litigation arising out of or connected with this Agreement will lie exclusively in the state trial court or Federal District Court located in Santa Clara County in the State of California. The Parties consent to jurisdiction over their persons and over the subject matter of any such litigation in such courts, and consent to service of process issued by such courts.

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10. Confidentiality

A. Due to the nature of the services Consultant will provide pursuant to this Agreement, there may be disclosures made to Consultant of detailed information about Valley Water's operations, including on a need-to-know basis information which may be protected from public disclosure by confidentiality laws, the attorney-client privilege, and/or other provisions of law which govern the nature and timing of disclosure of public information.

B. Consultant understands and acknowledges that Valley Water staff members providing information to the Consultant do so with the understanding that such information will be handled appropriately.

C. In the event Consultant receives such restricted or confidential information, Consultant will limit access to the information to only those of Consultant's employees, its subcontractors and its Subconsultants authorized by Valley Water to have the information.

D. Consultant will notify Valley Water immediately of any request by any third party to have access to confidential information and will not disclose the requested information without first receiving express written authorization from Valley Water.

E. Notwithstanding the aforementioned Confidentiality requirements, upon the request of Valley Water Project Manager, Consultant, and its Subconsultants shall execute Valley Water's most current Non-Disclosure Agreement in effect at that time.

F. The requirements stated herein will survive completion, expiration, suspension, and termination of this Agreement.

11. Release of Information Prohibited

Consultant is not permitted to provide any information concerning the Project to the media nor anyone other than authorized Valley Water personnel. Consultant will not release any information pertinent to the Project for publication, public disclosure, or in any other manner without first obtaining clearance and a release in writing from Valley Water. Any media inquiry at any time to Consultant relating to any matter concerning Services provided or requested to be provided pursuant to this Agreement will be referred immediately to Valley Water. Consultant will not communicate with the media regarding any such matter.

12. Conflict of Interest

A. Consultant represents that there exists no actual or potential conflict of interest concerning the services to be performed pursuant to this Agreement.

B. Consultant represents that Consultant's performance required as stated in this Agreement does not require the breach of any agreement or obligation to keep in confidence the proprietary information of another party. Consultant will not bring to Valley Water, or use in the performance of Consultant's duties as described in this Agreement, any materials or documents of another party considered confidential or

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proprietary unless Consultant has obtained written authorization from such party, and the informed consent of Valley Water, for the possession and use of such materials.

C. Consultant represents and warrants that during the term of the Agreement, Consultant, Consultant's parent company, Consultant's subsidiaries, or any affiliated entity sharing substantially similar ownership of or control with Consultant, shall not act as a Consultant or expert for any party in support of any potential or active claim or legal action against Valley Water by such party.

D. CALIFORNIA FAIR POLITICAL PRACTICES COMMISSION STATEMENT OF ECONOMIC INTEREST FORM 700 ("FORM 700"): Upon Valley Water's request, Consultant employees, officers, agents, Subconsultants, and subcontractors shall complete, execute, and submit a Form 700 as follows:

1) Consultant employees, officers, agents, Subconsultants, and subcontractors assigned to perform services pursuant to this Agreement, shall file, in a manner prescribed by Valley Water, an Assuming Office Statement. The Assuming Office Statement shall be filed:

   a. Within 30 calendar days of the effective date of this Agreement; or

   b. Within 30 calendar days of Consultant hiring, adding, or promoting to a designated filer position, employees, officers, agents, Subconsultants, and subcontractors to perform services pursuant to this Agreement;

2) Consultant employees, officers, agents, Subconsultants, and subcontractors assigned to perform services pursuant to this Agreement, that filed an Assuming Office Statement, shall file in a manner prescribed by Valley Water, an amendment to their Form 700 any time there is a need to correct or change disclosure information;

3) Consultant employees, officers, agents, Subconsultants, and subcontractors assigned to perform services pursuant to this Agreement, that filed an Assuming Office Statement, shall file an Annual Statement in a manner prescribed by Valley Water, during the annual filing season, as determined by Valley Water;

4) Consultant employees, officers, agents, Subconsultants, and subcontractors assigned to perform services pursuant to this Agreement, that filed an Assuming Office Statement, shall file, in a manner prescribed by Valley Water, a Leaving Office Statement with Valley Water when one of the following occurs:

   a. Upon termination of this Agreement; or

   b. Within 30 calendar days of Consultant employees, officers, agents, Subconsultants, and subcontractors vacating a designated filing position (i.e., removed from the Project, promotion, demotion, transfer to non-designated position, end of employment, or as a result of changes in designated filer positions in Valley Water's Conflict of Interest Code);

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5) Consultant understands and agrees that its employees, officers, agents, Subconsultants, and subcontractors may be disqualified from providing services to Valley Water pursuant to the California Political Reform Act, Government Code §81000 et. seq. and §1090. If any of Consultant's employees, officers, agents, Subconsultants, and subcontractors are disqualified from providing services, on written notice from Valley Water Project Manager, Consultant will have 15 calendar days to remove said employee(s), officer(s), agent(s), Subconsultant(s)' and subcontractor(s)' employee(s) from the Project and provide a replacement acceptable to Valley Water;

6) The failure of Consultant's employees, officers, agents, Subconsultants, and subcontractors to file an Assuming Office, Annual, Amended, or Leaving Office Statement within the time prescribed by Valley Water is deemed a material breach and may result in termination of the Agreement for cause.

13. Task Orders

A. Some tasks and Services may be assigned to the Consultant through issuance of Task Orders. After the tasks and Services are identified and communicated to the Consultant by Valley Water Project Manager, Consultant will prepare a proposed Task Order (see Standard Consultant Agreement, Appendix Three, Task Order Template). The proposed Task must identify the following:

1) Description of the Services, including deliverables;

2) The total Not-to-Exceed Fees for Consultant to complete the Services, including estimated number of hours per assigned staff to complete the Services;

3) Proposed staff that will be assigned to complete the Services, including resumes if not previously provided to Valley Water's Project Manager;

4) Estimated cost of each other direct cost and reimbursable expense, including any applicable fees;

5) Schedule for completing the Services; and

6) Copies of applicable state and federal permits required to complete the services, unless previously provided to Valley Water.

B. Consultant agrees that the Not-to-Exceed Fees specified in a proposed Task Order will be the product of a good faith effort in exercising its professional judgment. After an agreement has been reached on the negotiable items, the finalized Task Order will be signed by both Valley Water's authorized representative referenced in the Standard Consultant Agreement, Appendix One, Additional Legal Terms, and Consultant's authorized representative.

C. Consultant must not commence performance of work or services on a Task Order until it has been approved by Valley Water's authorized representative and Notice to Proceed has been issued by Valley Water Project Manager. No payment will be made for any services performed prior to approval or after the period of performance of the

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Task Order. The period of performance for Task Orders will be in accordance with dates specified in the Task Order. No Task Order will be written which extends beyond the expiration date of this Agreement. The total amount payable by Valley Water for an individual Task Order will not exceed the amount agreed to in the Task Order.

D. Prevailing Wage Requirements: The Scope of Services may be considered by Valley Water to be "Public Works" requiring the payment of prevailing wages. See the Standard Consultant Agreement, Section Four, Fees and Payments, subsection 3. Prevailing Wages, and Appendix Three, Task Order Template.

14. Good Neighbor

Valley Water always strives to be a good neighbor to the community adjacent to its facilities. Consultant will ensure that disturbance to neighbors is minimized. Consultant, its staff, and Subconsultants will always interact with the members of the public in a polite and professional manner.

15. Governmental Permits and Notifications

Unless otherwise expressly stated herein or in an executed Task Order, Consultant represents and warrants that it has investigated the need for, and has or will procure, at its cost, and in its own name to the extent allowed by law, all governmental permits, notifications, approvals and inspections required for the performance of the Services. Consultant shall promptly notify Valley Water if any such permit or approval lapses or is modified or revoked. If, pursuant to applicable law, any such permits or approvals must be procured in Valley Water's name, Consultant shall promptly so inform Valley Water and assist Valley Water in obtaining such permits or approvals.

16. Taxes and Benefits

Consultant has full and exclusive liability for the payment of, and Consultant will pay, any and all taxes and contributions for unemployment insurance, retirement benefits, workers' compensation insurance or benefits, life insurance, pensions, annuities and similar benefits and any other employment-related costs, obligations, and duties that may now or hereafter be imposed by law, collective bargaining agreements or otherwise with respect to persons employed by Consultant for the performance of Services pursuant to this Agreement.

17. Nonwaiver of Rights

The failure of either Party to this Agreement to object to or to take affirmative action with respect to any conduct of the other Party that is in violation of the terms of this Agreement will not be construed as a waiver thereof, or as waiver of any future breach or subsequent wrongful conduct.

18. No Third-Party Beneficiaries

Nothing in this Agreement, whether express or implied, shall be construed to give any person or entity, other than the Parties hereto, any legal or equitable right, remedy, or claim under or in respect of this Agreement or any covenants, conditions, or provisions contained herein.

19. Severability

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If a court of competent jurisdiction holds any provision of this Agreement to be illegal, unenforceable, or invalid in whole or in part for any reason, the validity and enforceability of the remaining provisions, or portions of them, will not be affected, unless an essential purpose of this Agreement would be defeated by the loss of the illegal, unenforceable, or invalid provision.

20. Debt Limitation

This Agreement is contingent on the appropriation of sufficient funding by Valley Water for the services described in this Agreement. Valley Water is subject to laws or policies which limit its ability to incur debt in future years. Nothing in this Agreement shall constitute an obligation of future legislative bodies of Valley Water to appropriate funds for purposes of this Agreement.

21. Notices

Unless otherwise specified in this Agreement, all requests for written approval or legal notices must be sent to the representatives below. All notices are deemed to have been given when made in writing and when delivered or mailed to the representatives of Valley Water and Consultant at their respective addresses as follows:

VALLEY WATER:

Deputy Operating Officer, as listed in the attached Schedule, Scope of Services, Section 1. Representatives.

CONSULTANT:

Consultant Principal Officer, as listed in the attached Schedule, Scope of Services, Section 1. Representatives.

22. Appendices

The following list of Standard Consultant Agreement Appendices are incorporated herein by this reference as though set forth in full:

Appendix One - Additional Legal Terms
Appendix Two - Dispute Resolution
Appendix Three - Task Order Template
Appendix Four - Insurance Requirements
Appendix Five - Carbon Offset Brokerage Transaction Terms

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23. Schedule(s) and Attachments

Schedule CM, D, E, EP, P, PM or ESDC, Scope of Services, and the following listed Attachments are incorporated herein by this reference as though set forth in full:

Attachment One - Fees and Payments
Attachment Two - Schedule of Completion
Attachment Three - Consultant's Key Staff and Subconsultants
Attachment Four - Reference Materials

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IN WITNESS WHEREOF, THE PARTIES HAVE SET FORTH BELOW THEIR CONSENT TO THE TERMS AND CONDITIONS OF THIS AGREEMENT THROUGH THE SIGNATURES OF THEIR DULY AUTHORIZED REPRESENTATIVES.

SANTA CLARA VALLEY WATER DISTRICT
Valley Water

By: _____
Tony Estremera
Chair, Board of Directors

Date: _____

ATTEST:

_____
Candice Kwok-Smith
Clerk, Board of Directors

AQC ENVIRONMENTAL BROKERAGE SERVICES INC.
Consultant

By: DocuSigned by: Jackie Ferlita B5F08D927A27465...
Jackie Ferlita
President, Emissions Desk

Date: 7/16/2026

Consultant's Address:
5881 Engineer Drive
Huntington Beach, CA 92649

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STANDARD CONSULTANT AGREEMENT
APPENDIX ONE
ADDITIONAL LEGAL TERMS

1. Conflict of Interest for Future Services

Consultant, Consultant's parent company, Consultant's subsidiaries, or any affiliated entity sharing substantially similar ownership of or control with Consultant, or any of its Subconsultants, shall not submit a proposal independently or as part of a team:

A. For any agreement to be awarded for construction of any project that is related to the Services provided pursuant to this Agreement;

B. In response to any request for proposal or Valley Water solicitation developed or prepared by or with the assistance of Consultant, Consultant's parent company, Consultant's subsidiaries, or any affiliated entity sharing substantially similar ownership of or control with Consultant; or

C. For any single or sole source products/services related to the Services pursuant to this Agreement or have a financial stake in any single or sole source products/services resulting from this Agreement.

2. Dispute Resolution

If a dispute occurs between the Parties as a result of this Agreement, then the Parties agree to use the Dispute Resolution process outlined in the Standard Consultant Agreement, Appendix Two, Dispute Resolution.

3. Small Business Enterprise (SBE) Outreach Program Participation – NOT USED

4. Task Order Approvals

A. Services to be performed pursuant to a Task Order may only commence once a specific Notice to Proceed for that Task Order has been issued by Valley Water.

B. Task Orders are subject to approval by Valley Water Deputy Operating Officer unless delegated to an Assistant Operating Officer and/or Unit Manager.

C. Valley Water Assistant Operating Officer is authorized to approve individual Task Orders in an amount not-to-exceed $[authorization amount]. [NOT USED]

D. Valley Water Unit Manager is authorized to approve individual Task Orders in an amount not-to-exceed $[authorization amount]. [NOT USED]

E. The total not-to-exceed amount for any one Task Order shall not exceed $[NTE Amount]. [NOT USED]

5. Federally Required Clauses

Valley Water entered into a Water Infrastructure Finance and Innovation Act (WIFIA) loan agreement with the U.S. Environmental Protection Agency (EPA) for the Project. The WIFIA

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established a federal credit program (WIFIA program) authorizing EPA to provide direct loans and loan guarantees to eligible borrowers for water infrastructure projects. All contracts issued for a project receiving a WIFIA loan are subject to federal requirements review as part of the WIFIA program's compliance monitoring responsibilities. Because the WIFIA loan proceeds may be used to pay for the Services rendered pursuant to this Agreement, Consultant is required to adhere to certain federal contract provisions, which are attached hereto as Exhibit A, Federal Requirements, to Appendix One, Additional Legal Terms, and incorporated into this Agreement by this reference. Consultant agrees to adhere to such applicable Federal Contract Provisions.

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STANDARD CONSULTANT AGREEMENT
EXHIBIT A
FEDERAL REQUIREMENTS

1. WIFIA FEDERAL COMPLIANCE REQUIREMENTS

Projects receiving credit assistance must comply with all federal laws and regulations, including environmental compliance and other compliance requirements. WIFIA borrowers have the prime responsibility for ensuring their staff and contractors comply with all Federal Requirements for a project. Consultant (Consultant) agrees to comply with the following Federal Requirements.

2. DEBARMENT AND SUSPENSION

Consultant certifies that it will not knowingly enter into a contract with anyone who is ineligible under the 2 CFR part 180 and part 1532 (per Executive Order 12549, 51 FR 6370, February 21, 1986) or who is prohibited under Section 306 of the Clean Air Act or Section 508 of the Clean Water Act to participate in the Project. Suspension and debarment information can be assessed at http://www.sam.gov. Consultant represents and warrants that it has or will include a term or conditions requiring compliance with this provision in all of its subcontracts under this Agreement.

3. FEDERAL LOBBYING RESTRICTIONS (31 U.S.C. 1352)

Recipients of federal financial assistance may not pay any person for influencing or attempting to influence any officer or employee of a federal agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress with respect to the award, continuation, renewal, amendment, or modification of a federal grant loan, or contract. These requirements are implemented for USEPA in 40 CFR Part 34, which also describes types of activities, such as legislative liaison activities and professional and technical services, which are not subject to this prohibition. Upon award of this contract, Consultant shall complete and submit to Valley Water the Certification Regarding Lobbying form (https://www.epa.gov/system/files/documents/2021-08/epa_form_6600_06.pdf) and Disclosure of Lobbying Activities form (https://www.epa.gov/grants/sf-lll-disclosure-lobbying-activities) found in Appendix A and Appendix B to 40 CFR Part 34. Consultant shall also require all subcontractors and suppliers of any tier awarded a subcontract over $100,000 to similarly complete and submit the certification and disclosure forms to Valley Water pursuant to the process set forth in 40 CFR 34.110.

4. CIVIL RIGHTS OBLIGATIONS

Consultant shall comply with the following federal non-discrimination requirements:

a. Title VI of the Civil Rights Act of 1964, which prohibits discrimination based on race, color, and national origin, including limited English proficiency (LEP). (424 U.S.C. 2000D, *et. seq*)

b. Section 504 of the Rehabilitation Act of 1973, which prohibits discrimination against persons with disabilities. (29 U.S.C. 794, supplemented by EO 11914, 41 FR 17871, April 29, 1976 and EO 11250, 30 FR 13003, October 13, 1965)

c. The Age Discrimination Act of 1975, which prohibits age discrimination. (42 U.S.C.

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6101 *et. seq)*

d. Section 13 of the Federal Water Pollution Control Act Amendments of 1972, which prohibits discrimination on the basis of sex.

e. 40 CFR Part 7, as it relates to the foregoing.

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STANDARD CONSULTANT AGREEMENT
APPENDIX TWO
DISPUTE RESOLUTION

1. Consultant's Questions and Concerns

Questions regarding the Terms, Conditions, and Services relating to this Agreement will be decided by Valley Water who will furnish the decisions to Consultant in writing within 30 days after receiving a written request from Consultant.

2. Dispute Resolution

A. Alternate Dispute Resolution

Valley Water intends to use Alternate Dispute Resolution (ADR) techniques including partnering and mediation to resolve disputes relating to the Project.

B. Consultant and its Subconsultants are expected to participate in all ADR efforts.

C. The cost of partnering, training facilities, and facilitator will be paid for by Valley Water unless the Parties agree otherwise.

3. Negotiations Before and During Mediation

Negotiations to resolve disputes before and during mediation are initiated for settlement purposes only, are confidential, and are not binding unless otherwise agreed by Valley Water and Consultant.

4. Voluntary Mediation

A. Initiation of Mediation

Any Party to a dispute or claim may initiate mediation by notifying the other Party or Parties in writing.

B. Request for Mediation

A request for mediation must contain a brief written statement of the nature of the dispute or claim, and the names, addresses, and phone numbers of all parties to the dispute or claim, and those who will represent them, if any, in the mediation.

C. Selection of Mediator

1) Upon receipt of a written request for mediation, unless otherwise agreed by the Parties, within 14 days, the Parties will confer to select an appropriate mediator agreeable to all Parties.

2) If the Parties cannot agree on a mediator, they hereby agree to accept a mediator appointed by a recognized association such as the American Arbitration Association.

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D. Qualifications of a Mediator

1) Any mediator selected must have expertise in the area of the dispute and be knowledgeable in the mediation process.

2) No person shall serve as a mediator in any dispute in which that person has any financial or personal interest in the result of the mediation.

3) Before accepting an appointment, the prospective mediator must disclose any circumstances likely to create a presumption of bias or prevent a prompt meeting with the Parties. Upon receipt of such information, the Parties will confer and decide whether to select another mediator.

E. Vacancies

If any mediator becomes unwilling or unable to serve, another mediator will be selected unless the Parties agree otherwise.

F. Representation

1) Any Party may be represented by person(s) of their choice who must have full authority to negotiate.

2) The names and addresses of such person(s) must be communicated in writing to both Parties and to the mediator.

G. Time and Place of Mediation

1) The mediator will set the time of each mediation session.

2) The mediation will be held at a convenient location agreeable to the mediator and the Parties, as determined by the mediator.

3) All reasonable efforts will be made by the Parties and the mediator to schedule the first session within 60 days after selection of the mediator.

H. Identification of Matters in Dispute

1) Parties shall comply with the process as required by the mediator with regard to providing the mediator with a memorandum setting forth its position with regard to the issues that need to be resolved. At the discretion of the mediator, or otherwise agreed by the Parties, the Parties may mutually exchange such memoranda.

2) At the first session, the Parties will be expected to produce all information reasonably required for the Mediator to understand the issue(s) presented. The mediator may require each Party to supplement such information.

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STANDARD CONSULTANT AGREEMENT
APPENDIX TWO
DISPUTE RESOLUTION

I. Authority of Mediator

1) The mediator does not have authority to impose a settlement on the Parties but will attempt to assist the Parties in reaching a satisfactory resolution of their dispute.

2) The mediator is authorized to conduct joint and separate meetings with the Parties and to make oral and written recommendations for settlement.

3) Whenever necessary, the mediator may also obtain expert advice concerning technical aspects of the dispute, provided the Parties agree and assume the expenses of obtaining such advice. Arrangements for obtaining such advice will be made by the mediator or the Parties, as determined by the mediator.

4) The mediator is authorized to end the mediation whenever, in the mediator's judgment, further efforts at mediation would not contribute to a resolution of the dispute between the Parties.

J. Privacy

1) Mediation sessions are private.

2) The Parties and their representatives may attend mediation sessions.

3) Other persons may attend only with the permission of the Parties and with the consent of the mediator.

K. Confidentiality

Except as provided by California or federal law or regulation:

1) The mediator will not divulge confidential information disclosed to a mediator by the Parties or by witnesses in the course of the mediation.

2) All records, reports, or other documents received by a mediator while serving as mediator, are confidential.

3) The mediator must not be compelled to divulge such records or to testify in regard to the mediation in any adversary proceeding or judicial forum.

4) The Parties must maintain the confidentiality of the mediation and must not rely on, or introduce as evidence in any arbitration, judicial or other proceedings:

a. Views expressed, or suggestions made by the other Party with respect to a possible settlement of the dispute;

b. Statements made by the other Party in the course of the mediation proceedings;

c. Proposals made or views expressed by the mediator; and

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d. Whether the other Party had or had not indicated willingness to accept a proposal for settlement made by the mediator.

L. No Stenographic Record

There shall be no stenographic record of the mediation.

M. Termination of Mediation

The mediation shall be terminated:

1) By the execution of a Settlement Agreement by the Parties;

2) By a written declaration of the mediator to the effect that further efforts at mediation are no longer worthwhile; or

3) By a written declaration of a Party or Parties to the effect that the mediation proceedings are terminated.

N. Exclusion of Liability

No mediator shall be a necessary Party in judicial proceedings related to the mediation.

O. Interpretation and Application of These Mediation Provisions

The mediator will interpret and apply these mediation provisions insofar as they relate to the mediator's duties and responsibility.

P. Expenses

1) The expenses of witnesses for each Party must be paid by the Party producing the witnesses.

2) All other expenses of the mediation, including required travel and other expenses of the mediator, and the expenses of any witness called by the mediator, or the cost of any proofs or expert advice produced at the direct request of the mediator, will be apportioned as the mediator finds appropriate or as otherwise agreed to by the Parties.

5. Compensation for Participation in Mediation

Neither Consultant nor Valley Water is entitled to compensation for time spent in or for negotiations or mediation to resolve questions or disputes between Consultant and Valley Water arising out of this Agreement.

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STANDARD CONSULTANT AGREEMENT
APPENDIX THREE
TASK ORDER TEMPLATE

Task Order No. _____

Title: _____

Agreement: Standard Consultant Agreement _____ ("Agreement") Between the Santa Clara Valley Water District ("Valley Water") and _____ ("Consultant"), dated _____.

Valley Water: _____

Consultant: _____

Dollar Amount of Task Order: Not-to-Exceed $_____

1. Upon full execution of this Task Order No._____, as set forth in the Standard Consultant Agreement, Section Twelve, Miscellaneous Provisions, subsection 13. Task Orders, and the issuance of a Notice to Proceed by Valley Water Project Manager, the Consultant is hereby authorized to perform the Services described in Attachment A to this Task Order. Any costs incurred, Services performed or expenditures by the Consultant before this Task Order is executed or before the issuance of the Notice to Proceed will be considered outside the contracted Scope of Services and will not be eligible for payment.

2. Both the Scope of Services to be performed and the deliverables to be provided in accordance with this Task Order are described in Attachment A which is attached hereto and incorporated by this reference. Attachment A shall include at a minimum the following:

   A. The Consultant personnel to be assigned to perform the Services, including resumes if not previously provided to Valley Water;

   B. The total not-to-exceed fees amount for Consultant to complete the Services, including estimated number of hours required to perform the Services assigned to each Consultant classification;

   C. Estimated cost of each other direct cost and reimbursable expense, including any applicable fees; and

   D. The distribution detail for each service, direct cost, and reimbursable expense. This information must be included in the invoice for the services authorized pursuant to this Task Order; and

   E. Project schedule for completing the Scope of Services.

3. Consultant shall be compensated at fixed fees or at the hourly rates established in Schedule [CM, D, EP, S, or P], Attachment One, Fees and Payments. Consultant agrees that it will provide all equipment and furnish all materials, except as may be otherwise noted in the Attachment A.

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4. This Task Order becomes effective on the date of full execution by authorized representatives of the Parties and remains in effect until the earlier of: completion of the tasks set forth in Attachment A or [expected completion date].

5. Copies of applicable local, state and federal permits required to perform the Services described in Attachment A are attached to this Task Order, unless the Consultant previously provided the appropriate permits to Valley Water.

6. Consultant shall perform all Services described in Attachment A to this Task Order in accordance with the Terms and Conditions of the Agreement.

7. Prevailing Wage Requirements [NOT USED]

   A. The Scope of Services described in this Task Order is considered by Valley Water to be "Public Works" requiring the payment of prevailing wages. See the Standard Consultant Agreement, Section Four, Fees and Payments, subsection 3. Prevailing Wages.

   B. In accordance with prevailing wage laws, the Director of the California Department of Industrial Relations (Director) has ascertained the general prevailing rate of wages and employer payments for health and welfare, pension, vacation, and similar purposes available to the particular craft, classification, or type of workers employed on the Project. These rates are set forth in the latest determination obtained from the Director, which is on file in Valley Water's Office of the Clerk of the Board of Directors and incorporated herein by reference the same as though set forth in full. The rates are also available on the State of California Department of Industrial Relations website at http://www.dir.ca.gov.

8. Signatures:

Signature: _____ _____

NAME OF CONSULTANT FIRM — DATE
[PRINT NAME]
[PRINT TITLE]

Signature: _____ _____

SANTA CLARA VALLEY WATER DISTRICT — DATE
[PRINT NAME]
[PRINT TITLE]

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STANDARD CONSULTANT AGREEMENT
APPENDIX FOUR
INSURANCE REQUIREMENTS

Please Note: Failure to comply with the instructions below could result in a delay in receiving the Notice to Proceed. Santa Clara Valley Water District ("District" or "Valley Water") will not be responsible for time lost or costs incurred due to failure to comply with these requirements. Please refer to the checklist of documents required at the end of this document.

Without limiting the Consultant's indemnification of, or liability to, Valley Water, the Consultant must provide and maintain at its own expense, during the term of this Agreement, or as may be further required herein, the following insurance coverages and provisions as listed below.

The Consultant must provide its insurance broker(s)/agent(s) with a copy of these requirements and warrants that these requirements have been reviewed by Consultant's insurance agent(s) and/or broker(s), who have been instructed by Consultant to procure the insurance coverage required herein.

In addition to certificates, the Consultant must furnish Valley Water with copies of all original endorsements that affect coverage required by this document. The certificates and endorsements must be signed by a person authorized by the insurer to bind coverage on its behalf. **All endorsements and certificates are to be received and approved by Valley Water before the Agreement is executed**. In the event of a claim or dispute, Valley Water has the right to require Consultant's insurer to provide complete, certified copies of all required pertinent insurance policies, including endorsements that affect the coverage required by this document.

If your insurance broker has any questions about the above requirements, please advise him/her to email Valley Water Risk Manager at RiskManager@valleywater.org.

1. **Certificates of Insurance**

   The Consultant shall furnish Valley Water with a Certificate of Insurance. The certificates will be issued on a standard ACORD Form.

   The Consultant shall instruct their insurance broker/agent to submit all insurance certificates and required notices electronically in PDF format to the designated Valley Water Contract Administrator.

   The certificates will:

   A. Identify the underwriters, the types of insurance, the insurance limits, the deductibles, and the policy term.

   B. Include copies of all the actual policy endorsements required herein; and

   C. In the "Certificate Holder" box include:

Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118
Contract No. VW0680/A5792A

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IMPORTANT: The Contract Number must be included.

D. In the Description of Operations/Locations/Vehicles/Special Items Box:

1. Certificate Holder shall be named as Additional Insured, and any other policy endorsement required in the contract, for example, Waiver of Subrogation and Primary and Non-Contributory, shall be stated.
2. Valley Water agreement or project number shall appear.
3. The list of policies scheduled as underlying on the Umbrella policy shall be listed.

If Consultant receives any notice that any of the insurance policies required by this document may be cancelled or coverage reduced for any reason whatsoever, Consultant or insurer shall immediately provide written notice to the Valley Water Risk Manager that such insurance policy required by this document is canceled or coverage is reduced.

2. **Maintenance of Insurance**

If Consultant fails to maintain such insurance as is called for herein, Valley Water, at its option, may suspend payment for work performed and/or may order Consultant to suspend all Consultant's work at Consultant's expense until a new policy of insurance is in effect.

3. **Renewal of Insurance**

The Consultant will provide Valley Water with a current Certificate of Insurance and endorsements thirty (30) business days prior to the expiration of insurance.

The Consultant shall instruct its insurance broker/agent to:

A. Submit all renewals of insurance certificates and required notices electronically in PDF format.

B. Provide the following information in the "Certificate Holder" box:

Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118
Contract No. VW0680/A5792A

IMPORTANT: The Contract Number must be included.

4. **Required Coverages**

Consultant must, at its sole cost and expense, procure and maintain during the entire period of this Agreement, or for such other time as required herein, the following minimum insurance coverage(s).

A. **Commercial General/Business Liability Insurance** which shall be written on an occurrence basis, with coverage as indicated:

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$1,000,000 per occurrence / **$1,000,000** aggregate limits for bodily injury, personal and advertising injury, and property damage.

General Liability insurance must include without limitation:

1. Be written on standard ISO forms or inspected and approved by the Risk Manager.
2. Include coverage at least as broad as found in standard ISO form CG 00 01.
3. Contractual Liability expressly including liability assumed under this contract.
4. Severability of Interest provision.
5. Products-Completed Operations coverage.
6. Broad Form Property Damage liability
7. Include Premise and Operations
8. An endorsement covering damage to property in the care, custody, or control of the Consultant.

B. **Business Auto Liability Insurance - NOT USED** with coverage as indicated:

$1,000,000 combined single limit for bodily injury and property damage per occurrence, covering all owned, non-owned and hired vehicles.
Excess or Umbrella policies may be used to reach the above limits for the General Liability and/or Business Auto Liability insurance limits, however all such policies must contain a primacy clause (See Section 2, General Conditions) and meet all other General Conditions below.

C. **Professional/Errors and Omissions Liability Insurance** with coverage that shall include, without limitation:

$1,000,000 per claim/ **$2,000,000** aggregate
This insurance requirement applies when the Consultant is providing project management, design-build, engineer, architect or other types of professional services to the Valley Water.
Professional/Errors and Omission Liability appropriate to the Consultant's profession, and the policy shall include:

1. Covers claims related to errors, omissions, or negligence in the delivery of professional services.
2. Includes defense costs, settlements and judgements arising from covered claims.
3. Coverage may be written on a claims-made form. If coverage is on a claims-made basis, the coverage must be maintained for at least 5 years after all Services under this Agreement are complete.
4. To the fullest extent permitted by law, contractual liability coverage for liability assumed under contract, for the indemnity obligations forth in this Agreement.
5. The policy must have a retroactive date which is the same as or predates the
    i. execution of this Agreement.

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D. **Workers' Compensation and Employer's Liability Insurance- NOT USED**

Statutory California Workers' Compensation coverage covering all work to be performed for Valley Water.

Employer Liability coverage for not less than **$1,000,000** each accident; **$1,000,000** policy limit bodily injury by disease; **$1,000,000** each employee bodily injury by disease.

E. **Cyber Liability Insurance- NOT USED**

$1,000,000 per claim/ **$2,000,000** aggregate.

1. Liability arising from the unauthorized access to, disclosure, acquisition, loss, dissemination, and/or use of Confidential Information. For purposes of this section, "Confidential Information" shall include, but not be limited to, personally identifiable information (PII), protected health information (PHI), financial account information, security codes, access codes, passwords, security codes or personal identification numbers (PINS), and any other information protected by the Agreement or applicable privacy laws;
2. Costs arising from mandatory or contractual notifications related to unauthorized access, disclosure, acquisition, loss, or use of confidential information and related mitigation costs, including but not limited to, credit monitoring, identity theft protection services, call center support, forensic investigation, legal fees, and regulatory fines or penalties imposed under the California Consumer Privacy Act (CCPA), California Privacy Rights Act (CPRA), or other applicable privacy and data protection laws;
3. Network security liability arising from the unauthorized access to, use of, or tampering with computer systems, including hacker attacks and ransomware coverage.
4. Liability arising from the introduction of a computer virus into or otherwise causing damage to vendor (first party) or customer's (third party) computer, computer system, network, or similarly related property and the data, software and programs thereon.
5. Certificate of Insurance shall clearly state that the coverage is claims-made.
6. Policy retroactive date must coincide with or precede the Consultant's start of work (including subsequent policies purchased as renewals or replacements).
7. Policy must allow for reporting of circumstances or incidents that might give rise to future claims.
8. Insurance must be maintained, and evidence of insurance must be provided for at least three (3) years after completion of the contract of work.

5. **General Requirements**

With respect to all coverages noted above, the following additional requirements apply:

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STANDARD CONSULTANT AGREEMENT
APPENDIX FOUR
INSURANCE REQUIREMENTS

A. **Additional Insured Endorsement(s):** Consultant must provide an additional insured endorsement for Commercial General/Business Liability (for both on-going and completed operations) Pollution Liability, and Business Automobile liability coverage naming **Valley Water, its Directors, officers, employees, and agents, individually and collectively,** as additional insureds, and must provide coverage for acts, omissions, and negligence arising out of the named insureds' activities and work. Other public entities may also be added to the additional insured endorsement as applicable, and the Consultant will be notified of such requirement(s) by Valley Water. This section does not apply to the Workers' Compensation, Cyber Liability, and Professional Liability policies.

NOTE: Additional insurance on the Certificate of Insurance is **NOT** acceptable without separate endorsement such as Form CG 20 10, CG 20 33, CG 20 37, CG 20 38, and applicable endorsements for Waivers of Subrogation (CG 24 04) and Primary & Non-contributory (CG 20 01). Editions dated 07/04 are not acceptable.

B. **Primacy Clause:** Except for Workers' Compensation and Professional Liability, Consultant will provide evidence (either through the Certificate of Insurance, endorsement or language in the insurance policy) that Consultant's insurance is primary with respect to any other insurance which may be carried by Valley Water, its Directors, its officers, agents and employees, and Valley Water's coverage must not be called upon to contribute or share in the loss.

NOTE: This section does not apply to the Workers' Compensation or Professional Liability policies.

C. **Cancellation Clause**: Consultant or its insurer shall provide at least thirty (30) days prior written notice to Valley Water of cancellation of any insurance required under this Agreement.

D. **Acceptability of Insurers:** All coverages must be issued by companies admitted to conduct business in the State of California, which hold a current policy holder's alphabetic and financial size category rating of not less than A- VII, according to the current Best's Key Rating Guide or a company of equal financial stability that is approved by Valley Water's Risk Manager. Non-Admitted companies may be substituted on a very limited basis at the Risk Manager's sole discretion.

E. **Self-Insured Retentions or Deductibles:** Any deductibles or self-insured retentions must be declared to and approved by Valley Water. At the option of Valley Water, either the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects Valley Water, its officers, officials, employees and volunteers; or the Consultant shall provide evidence satisfactory to Valley Water of its financial ability to satisfy the SIR. Consultant agrees that in the event of a claim they will pay down any agreed upon SIR in a prompt manner as soon as bills are incurred in order to trigger the insurance related to the SIR.

F. **Subconsultants:** The Consultant shall secure, maintain or shall be responsible for ensuring that all subconsultants performing the Contract Services secure and maintain all insurance coverages appropriate to their tier and scope of work in a form and from insurance companies reasonably acceptable to Valley Water.

G. **Amount of Liability not Limited to Amount of Insurance:** The insurance procured

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by Consultant for the benefit of Valley Water must not be deemed to release or limit any liability of Consultant. Damages recoverable by Valley Water for any liability of Consultant must, in any event, not be limited by the amount of the required insurance coverage.

H. **Coverage to be Occurrence Based:** Except for Professional Liability and Pollution Liability, all coverage must be occurrence-based coverage. Claims-made coverage is not allowed.

I. **Waiver of Subrogation:** Consultant agrees to waive subrogation against Valley Water to the extent any loss suffered by Consultant is covered by any Commercial General Liability policy, Automobile policy, Workers' Compensation, and Pollution Liability policy described in **Article 4. Required Coverages** above. Consultant agrees to advise its broker/agent/insurer and agrees to provide evidence (either through the Certificate of Insurance, endorsement or language in the insurance policy) that subrogation has been waived by its insurer.

J. **Severability of Interest:** Except for Workers' Compensation and Professional Liability, a severability of interest must apply to all the additional insureds, ensuring that Consultant's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the insurer's limits of liability.

K. **Non-compliance**: Valley Water reserves the right to withhold payments to the Consultant in the event of material noncompliance with the insurance requirements outlined above.

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STANDARD CONSULTANT AGREEMENT
APPENDIX FOUR
INSURANCE REQUIREMENTS

CHECK LIST OF DOCUMENTS NEEDED

General Liability:	A.	Limits **($1,000,000/$1,000,000)**	
	B.	Additional Insured (Endorsement)	
	C.	Waiver of Subrogation (COI, Endorsement or policy language)	
	D.	Primacy (COI, Endorsement or policy language)	
	E.	Cancellation Endorsement	

Auto Liability-NOT USED:	A.	Limits **($1,000,000)**	
	B.	Additional Insured (Endorsement)	
	C.	Waiver of Subrogation (COI, Endorsement or policy language)	
	D.	Primacy (COI, Endorsement or policy language)	
	E.	Cancellation Endorsement	

Umbrella:	A.	Limits ($ enter amount $)	
	B.	Primacy (Endorsement or policy language)	

Workers Comp-NOT USED:	A.	Limits **(Statutory)** Employers' Liability **($1,000,000)**	
	B.	Waiver of Subrogation (Endorsement or policy language)	
	C.	Cancellation Endorsement	

Professional Liability:	A.	Limits **($1,000,000/$2,000,000)**	
	B.	Cancellation Endorsement	

Cyber Liability-NOT USED:	A.	Limits **($1,000,000/$2,000,000)**	
	B.	Cancellation Endorsement	

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STANDARD CONSULTANT AGREEMENT
APPENDIX FIVE
CARBON OFFSET BROKERAGE TRANSACTION TERMS

1. Purpose

This Appendix Five – Carbon Offset Brokerage Transaction Terms ("Appendix Five") establishes supplemental requirements governing purchases of Verified Emission Reductions (VERs) performed pursuant to this Agreement in support of the Anderson Dam Seismic Retrofit Project (ADSRP) Mitigation Measure GHG-2. Appendix Five establishes the master terms and conditions under which Valley Water may authorize AQC to purchase VERs on Valley Water's behalf in support of the Anderson Dam Seismic Retrofit Project's (ADSRP) California Environmental Quality Act (CEQA) Mitigation Measure GHG-2.

The term "VERs" shall mean the environmental benefits associated with a reduction in greenhouse gas emissions equivalent to one metric tonne of Carbon Dioxide equivalent, verified pursuant to the procedures accepted by the applicable Registry specified in the applicable Transaction Order.

This Appendix Five supplements the Standard Consultant Agreement and Schedule A-GEN Scope of Services and does not create an independent purchase and sale agreement separate from the Standard Consultant Agreement. In the event of a conflict between this Appendix Five and the Standard Consultant Agreement, the Standard Consultant Agreement shall control.

Consultant Warranty and Due Diligence. Consultant represents and warrants that carbon offsets procured, transferred, and retired pursuant to this Agreement shall be sourced from registries and projects that meet the requirements of Mitigation Measure GHG-2 and the Scope of Services. Consultant shall exercise the degree of care and diligence ordinarily exercised by qualified carbon offset brokerage professionals in evaluating, sourcing, documenting, and facilitating carbon offset transactions under this Agreement. Except as expressly stated in this Agreement, Consultant does not guarantee the future market value, future market availability, or future regulatory treatment of any carbon offset credits.

2. Consultant Services

Consultant shall provide carbon offset brokerage support and transaction facilitation services in connection with Valley Water's procurement, transfer, and retirement of voluntary carbon offsets consistent with the Scope of Services and Mitigation Measure GHG-2 requirements.

Consultant shall not execute or commit Valley Water to any offset purchase transaction without prior written authorization from Valley Water, consistent with the transactional workflow outlined in Scope of Services, Task 3.1.A.

3. Eligible Carbon Offsets

Offsets procured pursuant to this Agreement shall:

A. Comply with Mitigation Measure GHG-2 and the Scope of Services;

B. Be voluntary and not otherwise required by law or regulation;

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C. Avoid double counting or competing ownership claims;

D. Be sourced from projects located within the United States with prioritization according to the following preference hierarchy: within the San Francisco Bay Area Air Basin, originating within California, and originating in other states with offset laws at least as strict as California's;

F. Be registered with a recognized and reputable registry acceptable to Valley Water, including but not limited to Climate Action Reserve (CAR), American Carbon Registry (ACR), Verra Verified Carbon Standard (VCS), or other registries approved in writing by Valley Water;

G. Be purchased annually to offset GHG emissions for the upcoming construction year and prior to commencement of construction activities for that 12-month period.

4. Transaction Authorization and Documentation

A. Consultant shall provide Valley Water with information regarding each proposed offset procurement transaction, including quantity, project type, project location, registry, price per VER, brokerage fee, transfer/retirement fee, and total purchase price.

B. No offset purchase transaction shall be binding upon Valley Water unless expressly authorized in writing by Valley Water personnel authorized pursuant to Valley Water policies and delegated authority requirements.

C. Following completion of a transaction, Consultant shall provide transaction documentation, as applicable, including:

1). Offset project name and registry;

2). Quantity purchased and vintage year;

3). Registry serial numbers or tracking identifiers;

4). Pricing and transaction fees;

5). Retirement documentation; and

6). Other supporting chain-of-custody documentation reasonably requested by Valley Water.

D. Consultant shall maintain records relating to offset procurement transactions sufficient to support CEQA compliance documentation, audit review, public disclosure requirements, administrative record support, and applicable federal funding compliance requirements.

5. Timely Response

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Consultant acknowledges that the Services provided under this Agreement are time-sensitive and may be dependent upon construction schedules, regulatory requirements, procurement timelines, and Valley Water decision-making processes. Consultant shall respond to Valley Water requests for information, documentation, recommendations, transaction support, and other project-related communications in a timely manner consistent with the nature and urgency of the request.

Unless otherwise agreed by the Parties, Consultant shall acknowledge receipt of Valley Water requests within two (2) business days and shall provide the requested information, response, or an estimated schedule for providing such response within five (5) business days. For urgent matters identified by Valley Water as requiring expedited attention, Consultant shall use commercially reasonable efforts to respond as soon as practicable.

Consultant shall promptly notify Valley Water of any circumstances that may affect its ability to provide timely responses or perform the Services in accordance with the requirements of this Agreement.

6. Fees and Payment

Compensation for brokerage support and transaction facilitation services shall be consistent with the Fee Schedule and payment provisions of this Agreement.

Consultant shall not incur offset purchase obligations on behalf of Valley Water beyond amounts authorized in writing by Valley Water.

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SCHEDULE A-GEN
SCOPE OF SERVICES

1. Representatives

A. Valley Water's representatives are as listed below. Unless otherwise provided in this Agreement, all correspondence to Valley Water must be addressed to Valley Water Project Manager (VWPM).

Nick Mascarello (VWPM)
Senior Environmental Planner
Dam Safety and Capital Delivery Division
Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118-3638

Phone: (408) 630-3147
Email: NMascarello@valleywater.org

Wendy Murphy
Environmental Services Manager
Dam Safety and Capital Delivery Division
Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118-3638

Phone: (408) 630-2478
Email: WMurphy@valleywater.org

Ryan McCarter
Deputy Operating Officer
Dam Safety and Capital Delivery Division
Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118-3638

Phone: (408) 630-2983
Email: RMcCarter@valleywater.org

B. Consultant's Project Manager is as listed below. All Valley Water questions pertaining to this Agreement shall be referred to Consultant's Project Manager.

Jackie Ferlita
President, Emissions Desk
5881 Engineer Drive, Huntington Beach, CA 92649

Phone: (714)397-5508
Email: jferlita@aqc-inc.com

All Valley Water questions pertaining to this Agreement shall be referred to Consultant's Project Manager. All correspondence to Consultant shall be addressed to the address set forth above.

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C. Consultant's Principal Officer for this Agreement is as listed below. As per the Agreement, Section Twelve, Miscellaneous Provisions, subsection 21. Notices, all notices pertaining to this Agreement must be submitted to Consultant's Principal Officer.

Jackie Ferlita
President, Emissions Desk
5881 Engineer Drive, Huntington Beach, CA 92649

Phone: (714)397-5508
Email: jferlita@aqc-inc.com

2. Scope of Services Overview

A. This Schedule A-GEN, Scope of Services describes the professional services to be performed by Consultant for Valley Water's **Carbon Offset Brokerage Services for the Anderson Dam Seismic Retrofit Project (ADSRP)** (Project). Valley Water may, at its discretion, choose to negotiate an amendment to this Agreement with Consultant for additional services.

B. The Consultant shall provide comprehensive carbon offset brokerage services to support Valley Water's implementation of Mitigation Measure GHG-2 for the ADSRP. Services will include strategic advisory support; identification, evaluation and sourcing of voluntary carbon offsets consistent with the requirements of Mitigation Measure GHG-2; pre-transaction coordination and provision of procurement templates prior to offset purchase; facilitation of offset procurement transactions; and annual retirement of offsets in an amount sufficient to achieve no net increase in Project-related construction greenhouse gas emissions. Refer to ADSRP FEIR Table 3.9-7 for estimated annual construction GHG emissions.

C. Per the requirements of Mitigation Measure GHG-2, offsets procured must be voluntary and not otherwise required by law or regulation, must avoid double counting, and must not be used to satisfy any compliance obligation. Geographic preference shall be given using the following preference hierarchy: offsets originating within the San Francisco Bay Area Air Basin; offsets originating within California; and offsets originating within other U.S. states. While offsets for this Project cannot be procured from the California Air Resources Board's Compliance Offset Program, offsets procured must meet requirements at least as strict as California's under the California Environmental Quality Act (CEQA). Offsets from outside the United States shall not be used. Carbon offsets must be purchased annually to offset GHG emissions for the upcoming construction year and prior to commencement of construction activities for that 12-month period. Purchased offsets must then be retired in an amount equivalent to estimated actual emissions (to be provided in an annual mitigation monitoring report prepared by Valley Water), once that estimate is prepared upon conclusion of the given construction year.

D. If, based on the annual calculation of estimated actual emissions pursuant to Mitigation Measure GHG-2, additional GHG offsets are required, they will be purchased and subsequently retired upon making that determination. If purchased offsets exceeded the preceding year's emissions, they will be applied to the GHG emissions for the next 12-month period.

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E. The Consultant will perform due diligence to ensure all offsets proposed for purchase meet applicable requirements for being real, additional, quantifiable, permanent, verifiable, enforceable (Cal. Code Regs. Tit. 17, § 95802), are associated with protocols that are consistent with CARB requirements (Cal. Code Regs. Tit. 17, § 95972), and will provide complete documentation demonstrating consistency with the aforementioned requirements suitable for public disclosure, inclusion in the EIR Mitigation Monitoring and Reporting Program (MMRP), and the Project administrative record. Services will be provided on an annual basis throughout the term of the contract and coordinated with Valley Water staff to align with construction schedules, estimation of actual construction emissions, and applicable reporting milestones.

3. Project Objectives

A. The project objective is to retain a qualified carbon offset broker to provide end-to-end services for compliance with Mitigation Measure GHG-2. Objectives include ensuring carbon offset procurement consistent with the requirements of Mitigation Measure GHG-2, minimizing procurement risk, and providing transparent documentation suitable for public disclosure, inclusion in the CEQA administrative record, and consistent with the Voluntary Carbon Market Disclosures Act (AB 1305).

4. Project Background

A. The mission of the Santa Clara Valley Water District, now known as Valley Water, is to provide Silicon Valley safe, clean water for a healthy life, environment, and economy.

Valley Water is a public agency providing water supply, flood protection, and stream stewardship for Santa Clara County. Valley Water manages an integrated water resources system that includes the supply of clean safe water, flood protection and stewardship of streams on behalf of Santa Clara County's 2 million residents. Valley Water effectively manages ten dams and surface water reservoirs, three water treatment plants, a state-of-the-art water quality laboratory, and more than 275 miles of streams. For information about Valley Water, visit www.valleywater.org.

B. The ADSRP is a multi-year capital improvement project to seismically retrofit Anderson Dam and associated facilities to comply with Federal Energy Regulatory Commission (FERC) and California Department of Water Resources Division of Safety of Dams (DSOD) requirements. Construction is anticipated to occur over approximately seven years and will involve extensive use of off-road construction equipment, on-road haul trucks, and ancillary support activities that generate greenhouse gas (GHG) emissions.

C. Chapter 3.9 (Greenhouse Gas Emissions) of the ADSRP FEIR (refer to Attachment 4) applies a net-zero GHG threshold in assessing the significance of construction emissions. To achieve this threshold, the FEIR adopts two enforceable mitigation measures: Mitigation Measure GHG-1, which requires construction emissions reductions at the source, where feasible, and Mitigation Measure GHG-2, which requires annual offsetting of remaining unavoidable emissions. Key provisions of Mitigation Measure GHG-2 are summarized below:

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1) Valley Water shall offset Project-related construction GHG emissions to achieve no net increase in construction-related GHG emissions.

2) Offsets shall be purchased annually by the Consultant, prior to each construction year, in quantities sufficient to cover projected emissions for the upcoming 12-month construction period.

3) Annual offset quantities shall be based on FEIR Table 3.9-7 emissions estimates, adjusted for verified reductions achieved through implementation of Mitigation Measure GHG-1 and any feasible future GHG-efficient construction technologies.

4) Offsets shall not be "otherwise required" under CEQA Guidelines §15126.4(c)(3) and shall be prioritized using the following hierarchy: within the San Francisco Bay Area Air Basin, within California, and within other U.S. states with offset programs at least as stringent as California's.

5) All offsets shall meet the validation criteria set forth in Cal. Code Regs. Tit. 17, § 95802, be consistent with CARB requirements under Cal. Code Regs. Tit. 17, § 95972, and be registered with a recognized and reputable registry (e.g., Climate Action Reserve, American Carbon Registry, or Verra).

D. Valley Water shall publicly document annual GHG emissions estimates and corresponding offset procurement and retirement in a publicly available mitigation monitoring report.

5. Assumptions and Requirements

A. General Assumptions and Requirements

1) **Manage Scope of services.** Consultant shall manage the Scope of Services such that the work is completed within the Not-to-Exceed Fees limit and in accordance with the Project schedule and ensure that all services and deliverables meet Valley Water and Project objectives and requirements.

2) **Deliverable Format**. Consultant shall submit deliverables in both electronic and hardcopy format, if requested. Deliverables shall be submitted in PDF and native (editable) format, including Word documents, Excel spreadsheets, PowerPoint files, AutoCAD files, etc. The hard copy deliverables shall be printed in professional quality presentation and submitted in 5 (five) copies, if requested. Valley Water may require original copies of signed documents and/or scanned (Adobe PDF) versions.

3) **Review of Deliverables**. Valley Water will review and comment on all Project deliverables and forward to Consultant for revision and preparation of final versions. As determined by Valley Water, some of the deliverables may also be subject to review and comment from regulatory agencies and stakeholders following Valley Water review process. For each deliverable, Valley Water will collect comments from all Valley Water stakeholders and provide a single set of consolidated comments to Consultant. The comments provided by Valley Water staff during the workshops will be documented by Consultant as meeting minutes and will be included in the next revision of the documents.

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4) **Valley Water Quality Environmental Management System**. Valley Water maintains a Quality Environmental Management System (QEMS) which has procedures, guidelines, and work instructions for the performance of various Valley Water work. If requested, Consultant will perform the applicable Agreement tasks and/or sub-tasks in accordance with the QEMS framework. In such situations, the VWPM will provide Consultant with the specific QEMS procedure, guideline, and/or work instruction prior to the preparation of such deliverables.

5) **Consultant Responsibility**. Consultant, with its expertise in performing the Services described herein, is responsible for making the appropriate assumptions in each task to complete each task's deliverables and to achieve the Project objectives of this Agreement as described in Section 3. Project Objectives.

6) **Document Control.** Consultant is responsible for establishing and maintaining its own document control system to execute this Scope of Services. An internal document control system for this Project is maintained by Valley Water.

7) **File Exchange Service.** Consultant will provide a file exchange service, accessible to all parties as designated by Valley Water, to facilitate communications; particularly of large files over three megabytes. Difficulties in using and transmitting information with this exchange service shall be resolved by Consultant. In the event that transmitting or receiving information does not occur in a timely manner, Valley Water will not be responsible for delays in completing Project work. Consultant may need to coordinate with Valley Water's Information Technology Division to address any firewall issues and/or permissions required to allow for these communications.

B. Project-Specific Assumptions and Requirements - NOT USED

6. Scope of Services

Task 1 - Project Management

1.1 The purpose of this task is for Consultant to manage this Scope of Services such that the work is completed within the not-to-exceed fees limit stated in Schedule A-GEN, Attachment One, Fees and Payments, and in accordance with the Project Schedule stated in Schedule A-GEN, Attachment Two, Schedule of Completion, while ensuring that all services and deliverables by the Consultant meet Valley Water and Project requirements.

1.2 Project Coordination and Communication. Regular coordination with Valley Water staff through scheduled meetings as needed, written communications, and ad hoc consultations as needed to support timely and compliant implementation of Mitigation Measure GHG-2. Coordination will ensure alignment with construction schedules, anticipated annual greenhouse gas emissions, and reporting milestones.

1.3 Annual Work Plan and Schedule. Prior to the start of each calendar year, preparation of a written annual work plan and schedule identifying anticipated tasks, key milestones, decision points, deliverables, and offset procurement schedules required to achieve

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compliance with Mitigation Measure GHG-2 for the upcoming calendar year. The work plan shall identify dependencies on construction data, Board or executive-level approvals, and offset procurement timing.

1.4 Documentation and Recordkeeping. Maintenance of organized records of meetings, decisions, procurement actions, and approvals related to offset procurement activities, suitable for inclusion in the CEQA administrative record.

Task 1 - Deliverables

1. Annual Work Plan and Schedule

2. Meeting Agendas and Summary Notes

Task 1 – Assumptions

1. Coordination meetings will generally be conducted virtually unless otherwise requested.

2. Valley Water will provide timely access to construction schedules, annual GHG emission estimates, and estimates validated construction emissions prepared by another consultant.

3. Valley Water will provide one round of comments on a draft of the Annual Work Plan and Schedule, after which the consultant will prepare a final version.

Task 2 – Carbon Offset Options Assessment and Procurement Strategy

On an annual basis, the Consultant shall evaluate voluntary carbon market conditions and develop a carbon offset procurement strategy consistent with Mitigation Measure GHG-2 and anticipated ADSRP construction-related emissions for the upcoming year. This task is intended to provide Valley Water with clear, well-documented offset options that are defensible and transparent.

2.1 **Annual Market Assessment**. Evaluation of current voluntary carbon market conditions relevant to ADSRP offset requirements, including availability of eligible offsets consistent with the geographic preference hierarchy, pricing trends, delivery timelines, and market constraints. The assessment shall consider offset project types likely to be available during the reporting year (e.g., forestry, agricultural methane capture, biochar, carbon capture and storage) and anticipated changes in supply or demand.

2.2 **Offset Eligibility and Quality Evaluation**. Identification and evaluation of candidate offset options for consistency with Mitigation Measure GHG-2, including assessment of: Offset type and methodology; Project location and consistency with the FEIR geographic preference hierarchy; Registry status and verification standards; how each offset option is real, additional, quantifiable, permanent, verifiable, and enforceable; Vintage year and alignment with construction emissions timing; Risk of double counting or competing claims; and Reputational considerations associated with offset project developers.

2.3 **Procurement Approach Options**. Evaluation of potential procurement approaches, including spot purchases, annual procurements, multi-year arrangements, or other

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approaches, with discussion of cost, flexibility, delivery risk, and administrative considerations for each proposed approach.

2.4 **Written Memorandum**. By the third quarter of each calendar year, preparation of a written Carbon Offset Options and Procurement Strategy Memorandum summarizing the results of Annual Market Assessment, Offset Eligibility and Quality Evaluation, and Procurement Approach Options described above and presenting multiple recommended offset procurement options for Valley Water's consideration. The memorandum shall clearly identify the advantages, risks, costs, and assumptions associated with each option and shall be supported by documentation of the Consultant's due diligence.

2.5 **Decision Support.** Presentation of the annual options memorandum to Valley Water staff and, if requested, to Valley Water executive leadership or the Board of Directors, to support informed selection of offset procurement options.

2.6 **Pre-Transaction Procurement Readiness**. Prior to initiating offset purchase transactions, support Valley Water in preparing purchase order templates and advising on procurement process. Purchase orders developed under this task will be pre-approved to facilitate rapid execution of offset purchase.

Task 2 - Deliverables

1. Brief written summaries of key findings from Annual Market Assessment, Offset Eligibility and Quality Evaluation, and Procurement Approach Options, as they become available

2. Carbon Offset Options and Procurement Strategy Memorandum

3. Presentation materials summarizing Carbon Offset Options and Procurement Strategy Memorandum

4. Template Procurement Agreements/Purchase Orders

Task 2 - Assumptions

1. Valley Water will confirm the quantity of carbon offsets it desires to purchase in each year as soon as feasible.

2. Consultant will evaluate only offsets that meet Mitigation Measure GHG-2 requirements in Carbon Offset Options and Procurement Strategy Memorandum.

3. Valley Water will provide one round of comments on a draft of the Carbon Offset Options and Procurement Strategy Memorandum, after which the consultant will prepare a final version.

4. Consultant will be available to attend up to three (3) staff meetings and two (2) Board of Directors meetings to advise, support decision-making, procurement coordination, and report progress prior to and/or after offset purchases.

Task 3 – Carbon Offset Purchase, Transfer, and Retirement

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SCHEDULE A-GEN
SCOPE OF SERVICES

Following receipt of written direction from Valley Water, the Consultant shall facilitate the purchase, transfer, and retirement of carbon offsets in accordance with the approved procurement strategy and Mitigation Measure GHG-2 requirements.

3.1 Transaction Facilitation and Execution. During the third or fourth quarter of each calendar year, coordination and execution of offset purchase transactions, in an amount equivalent to estimated emissions for the upcoming construction year, including negotiation with sellers or intermediaries as applicable, confirmation of pricing and quantities, and support for purchase contract execution.

3.1.A Transactional Workflow and Purchase Authorization Process

The transactional workflow for the purchase, transfer, and retirement of carbon offsets may include, but is not limited to, the following activities:

a. Consultant shall present Valley Water with available carbon offset options, including relevant information regarding project type, registry, available quantities, vintage year(s), pricing, geographic location, quality considerations, and other due diligence information relevant to compliance with Mitigation Measure GHG-2.

b. Valley Water shall determine the preferred offset option(s), desired offset quantities, procurement timing, and other transaction requirements.

c. Consultant shall coordinate with Valley Water regarding pricing expectations, financial requirements, delivery timing, retirement instructions, and other transaction-related considerations prior to initiating procurement activities.

d. Consultant shall solicit offers from offset sellers, registries, brokers, or other market participants and shall present qualified offers to Valley Water for review and consideration.

e. Upon written authorization from Valley Water, Consultant shall facilitate transaction negotiations and coordinate execution of offset purchase transactions in accordance with Valley Water's approved procurement direction.

f. Consultant may act as intermediary for purposes of facilitating offset transactions between Valley Water and offset sellers, including coordination of transactional documentation, registry transfers, and retirement activities, as authorized by Valley Water.

g. No offset purchase transaction shall proceed without written confirmation or authorization from Valley Water.

h. Consultant shall establish registry trading accounts for Valley Water on applicable registry platforms, as needed.

i. Consultant shall prepare and provide written transaction confirmations or equivalent documentation identifying, as applicable, the offset project name,

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offset type, quantity, vintage year, registry information, transaction price, brokerage fees or commissions, payment terms, and retirement instructions.

j. Following completion of the transaction and receipt of payment, Consultant shall coordinate and confirm transfer and retirement of offsets within the applicable registry system in Valley Water's name or designated account, as applicable.

k. Consultant shall provide Valley Water with transaction records, registry documentation, serial numbers, retirement certificates, chain-of-custody documentation, and other supporting materials necessary to demonstrate compliance with Mitigation Measure GHG-2 and support retention within the CEQA administrative record.

3.2 Transfer and Chain-of-Custody Verification. Adequate verification that purchased offsets are properly transferred to Valley Water or an ADSRP-designated account and that the chain of custody is clearly documented to prevent double counting or competing claims.

3.3 Offset Retirement. Retirement of offsets annually in the applicable registry, in Valley Water's name or an ADSRP-designated account, in quantities sufficient to offset the applicable construction-year's gas emissions. Offset retirement shall occur annually in an amount equivalent to estimated actual emissions, once that estimate is prepared upon conclusion of the given construction year.

3.4 Transaction Documentation. Compilation and delivery of all transaction records, registry serial numbers, retirement certificates, and supporting documentation demonstrating permanent retirement of offsets and compliance with Mitigation Measure GHG-2.

Task 3 - Deliverables

1. Offset Purchase and Chain-of-Custody Verification Documentation
2. Offset Retirement Certificates
3. Other transaction documentation

Task 3 - Assumptions

1. Final offset selection authority rests with Valley Water and no purchases of offsets shall be made without written confirmation from Valley Water.
2. Consultant will not be responsible for calculating estimated actual construction emissions
3. Payment for offsets will be processed in accordance with pre-approved purchase orders described in Task 2.6.

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4. All documentation requested in Task 3 will be provided to Valley Water within 10 days of it becoming available to the Consultant.

Task 4 – Annual Reporting

On an annual basis prior to the end of each calendar year and if not already previously provided, Consultant shall annually compile and provide documentation to sufficiently demonstrate the consistency of purchased and retired offsets with Mitigation Measure GHG-2 for each ADSRP construction year.

4.1 **Offset Procurement Summary**. Total metric tons of CO_2e required to be offset for the reporting year and a summary table of all offsets procured, including offset type, project name, project location, vintage year(s), registry, serial numbers, quantity retired, and retirement date

4.2 **Supporting Documentation**. Copies of due diligence materials, transaction summaries, and other supporting documentation appropriate for retention in the CEQA administrative record not otherwise provided in response to other tasks

4.3 As requested, Consultant shall also provide support to Valley Water in responding to public inquiries, audits, or legal challenges related to annual offset procurement and reporting

Task 4 - Deliverables

1. Offset Procurement Summary

2. Supporting Documentation

3. Written responses and documentation in response to public record requests, audits, or legal challenges, if requested

Task 4 - Assumptions

1. Consultant is not responsible for drafting mitigation monitoring reports to demonstrate implementation of the FEIR MMRP.

2. Consultant will provide support for public record requests, audits, or legal challenges within 30 days of request.

Task 5 – Supplemental Services

Valley Water may require, and the Consultant will perform, Supplemental Services on an as needed basis. Prior to performing any Supplemental Services, Consultant must receive an approved Task Order issued by Valley Water and executed by both Parties. Refer to the Standard Consultant Agreement, Section Twelve, Miscellaneous Provisions, subsection 13. Task Orders, and Appendix Three, Task Order Template.

5.1 Specific Supplemental Services:

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Supplemental Services may include, but are not limited to, the following:

5.1.1 Preparation of additional technical analyses, memoranda, or supporting documentation required to address regulatory, CEQA, audit, or compliance requirements not expressly identified in Tasks 1 through 4;

5.1.2 Expanded carbon market analysis, including evaluation of emerging offset project types, methodologies, protocols, or regulatory developments not reasonably anticipated at the time of proposal;

5.1.3 Additional due diligence, third-party coordination, or independent verification support related to specific offset projects, transactions, or registries, as directed by Valley Water;

5.1.4 Support for supplemental or unplanned offset procurement activities, including procurement of carbon offsets in excess of FEIR-based estimates resulting from changes in construction scope, updated emissions estimates, or revised regulatory or project requirements;

5.1.5 Additional support for presentations, public disclosure, stakeholder coordination, or Board-level briefings beyond the level of effort identified in the base Scope of Services;

5.1.6 Support in connection with audits, investigations, disputes, legal challenges, or administrative proceedings, including preparation of documentation and technical responses as requested by Valley Water;

5.1.7 Preparation of documentation and responses to Public Records Act (PRA) requests or similar disclosure requirements, including coordination with Valley Water staff to support timely and compliant responses;

5.1.8 Development of internal and/or external tracking tools, databases, or dashboards to support management, tracking, and reporting of offset procurement, retirement status, and comparison of annual project emissions against offsets;

5.1.9 Development of alternative procurement strategies, pilot efforts, or enhanced portfolio management approaches related to carbon offset sourcing or market participation; and

5.1.10 Additional services required to support compliance with applicable federal requirements, including but not limited to WIFIA-related provisions, to the extent such services are not otherwise included in the base Scope of Services.

5.2 Additional Services.

In addition to the services described above, the Consultant shall, upon written authorization by Valley Water, provide additional quantities of services previously identified under Tasks 1 through 4. Such services may include, but are not limited to:

5.2.1 Additional meetings, workshops, or coordination efforts;

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5.2.2 Additional time required for meetings, decision support, or coordination;

5.2.3 Additional status reports, documentation, or deliverables;

5.2.4 Additional communications, including conference calls and written correspondence;

5.2.5 Additional revisions, updates, or expansions to reports, memoranda, or other deliverables;

5.2.6 Additional transaction support, including increased frequency, volume, or complexity of offset procurement activities;

5.2.7 Additional documentation or analysis required to support CEQA compliance, public disclosure, or administrative record requirements; and

5.2.8 Other services reasonably related to the Scope of Services that exceed the level of effort described in Tasks 1 through 4.

7. Attachments

The following Schedule A-GEN, Scope of Services listed Attachments are incorporated herein by this reference as though set forth in full:

Attachment One - Fees and Payments
Attachment Two - Schedule of Completion
Attachment Three - Consultant's Key Staff and Subconsultants
Attachment Four - Reference Materials

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SCHEDULE A-GEN
ATTACHMENT ONE
FEES AND PAYMENTS

1. Total Authorized Funding

Total payment for Services performed, to the satisfaction of Valley Water, as described in the Schedule(s) will not exceed a total amount of **$5,000,000** (Not-to-Exceed or NTE). Under no conditions will the total compensation to Consultant exceed NTE Fee payment amount without prior written approval in the form of an amendment to this Agreement executed by Valley Water's Board of Directors (Board), or Chief Executive Officer, or designee, as authorized by the Board.

2. Cost Breakdown

The NTE compensation of this Agreement consists of the following task fee breakdown. No Services will be performed or fees paid by Valley Water to Consultant for Supplemental Services without prior written authorization by Valley Water as stated in this Agreement.

COST BREAKDOWN

Task	Description	Not-to-Exceed Fees
1	Project Management	$5,000 Fixed fee per year for Task 1-5
2	Carbon Offset Options Assessment and Procurement Strategy	
3	Carbon Offset Purchase, Transfer, and Retirement	
4	Annual Reporting	
5	Supplemental Services	

Brokerage Services Commission

Task	Description	Not-to-Exceed Fees
1	Securing Carbon Offset Credits	$0.10/UNIT

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SCHEDULE A-GEN
ATTACHMENT ONE
FEES AND PAYMENTS

3. Terms and Conditions

A. Payments for Services performed, as described in this attached Schedule, which applies to the specific Services, will be based on the following terms**: – NOT USED**

1) Valley Water will pay for Services provided by Consultant according to the schedule of rates for professional, technical, and administrative personnel as well as materials and supplies as listed below in the Hourly/Unit Rate Schedule.

2) There are no hourly or unit rates allowed under this Agreement. All Services performed shall be included in the fixed fee amount.

B. **Carbon Offset Credit Purchases and Reimbursement**

1) Upon written authorization from Valley Water, Consultant may procure carbon offset credits on behalf of Valley Water and may advance payment directly to the carbon offset credit seller.

2) Consultant shall submit invoices and supporting documentation identifying the quantity and type of credits purchased, transaction date, purchase price, brokerage fees, and evidence of transfer and/or retirement of the credits, as applicable.

3) Valley Water shall reimburse Consultant for authorized carbon offset credit purchases and applicable brokerage fees upon review and approval of Consultant's invoice and supporting documentation.

4) All costs associated with carbon offset credit purchases, brokerage commissions, consulting fees, and any other compensation under this Agreement shall collectively count toward and shall not exceed the total Not-to-Exceed (NTE) amount authorized under this Agreement.

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SCHEDULE A-GEN
ATTACHMENT TWO
SCHEDULE OF COMPLETION

1. This Agreement commences on the Effective Date, subject to accomplishment of all conditions to formation of an agreement listed in the Agreement at Section Twelve, Miscellaneous Provisions, subsection 2. Formation of Agreement.

2. This Agreement shall expire three (3) years after the Effective Date unless earlier terminated or amended in writing by the Parties. Valley Water may, if it determines such extension to be in its best interest, extend the term for up to two (2) additional two-year periods. Any extension, modification, or amendment to the term of this Agreement shall be effective only if set forth in a written amendment executed by duly authorized representatives of both Parties.

3. Valley Water and Consultant may agree to modify the schedule specified for Consultant's performance as an administrative modification to the Agreement and will confirm such modification in writing.

PROJECT SCHEDULE

Task	Description	Duration From Notice to Proceed (months)
1	Project Management	Duration of Agreement
2	Carbon Offset Options Assessment and Procurement Strategy	Duration of Agreement
3	Carbon Offset Purchase, Transfer, and Retirement	Duration of Agreement
4	Annual Reporting	Duration of Agreement
5	Supplemental Services	Duration of Agreement

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SCHEDULE A-GEN
ATTACHMENT THREE
CONSULTANT'S KEY STAFF AND SUBCONSULTANTS

1. Consultant's key staff assigned to the Project are as follows:

Team Member	Classification	Project Role	Contact Information (Address, Phone and Email)
Jaclyn Ferlita	President	Project Lead	5881 Engineer Drive, Huntington Beach, CA 92649 jferlita@aqc-inc.com 714-397-5508

2. The following Subconsultants and Subcontractors are authorized to perform Services pursuant to this Agreement:

Firm	Project Role	Contact Information (Address, Phone and Email)
Ferlita Financial Ventures Inc.	Operation Support	Moog Ferlita (949) 735-0154 moogferlita@aqc-inc.com

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SCHEDULE A-GEN
ATTACHMENT FOUR
REFERENCE MATERIALS

Ref No.	Description
1	Santa Clara Valley Water District (Valley Water) Non-Disclosure Agreement (NDA) (FC 1650)
2	Santa Clara Valley Water District (Valley Water) Standards for GIS Products April 2021 version: http://gis.valleywater.org/Download/GIS_PRODUCT_STANDARDS.pdf
3	Anderson Dam Seismic Retrofit Project (ADSRP) Final Environmental Impact Report (FEIR) – Certified February 25, 2025: https://www.valleywater.org/accordion/final-environmental-impact-report-and-engineers-report
4	Mitigation Measure GHG-2 – Anderson Dam Seismic Retrofit Project (ADSRP) FEIR, Chapter 3.9 (Greenhouse Gas Emissions), including Table 3.9-7: https://www.valleywater.org/accordion/final-environmental-impact-report-and-engineers-report
5	California Environmental Quality Act (CEQA) Guidelines, Section 15126.4(c)(3) – Mitigation Measures Related to Greenhouse Gas Emissions: https://www.califaep.org/docs/2024_CEQA_Statute_and_Guidelines_Handbook.pdf
6	California Code of Regulations, Title 17, Section 95802 – Offset Project Registries and Compliance Offset Requirements https://govt.westlaw.com/calregs/Document/I11A095435A2111EC8227000D3A7C4BC3?viewType=FullText&originationContext=documenttoc&transitionType=CategoryPageItem&contextData=(sc.Default)
7	California Code of Regulations, Title 17, Section 95972 – Compliance Offset Program Requirements https://govt.westlaw.com/calregs/Document/I15C0F2F35A2111EC8227000D3A7C4BC3?viewType=FullText&originationContext=documenttoc&transitionType=CategoryPageItem&contextData=(sc.Default)
8	Voluntary Carbon Market Disclosures Act (AB 1305) https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202320240AB1305
9	Climate Action Reserve (CAR) Program and Standards https://www.climateactionreserve.org/
10	American Carbon Registry (ACR) Program and Standards https://americancarbonregistry.org/
11	Verra – Verified Carbon Standard (VCS) Program and Standards https://verra.org/
12	Gold Standard for the Global Goals – Carbon Offset Standard https://www.goldstandard.org/

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Agreement No. A5792A with AQC Environmental Brokerage Services

Anderson Dam Seismic Retrofit Project

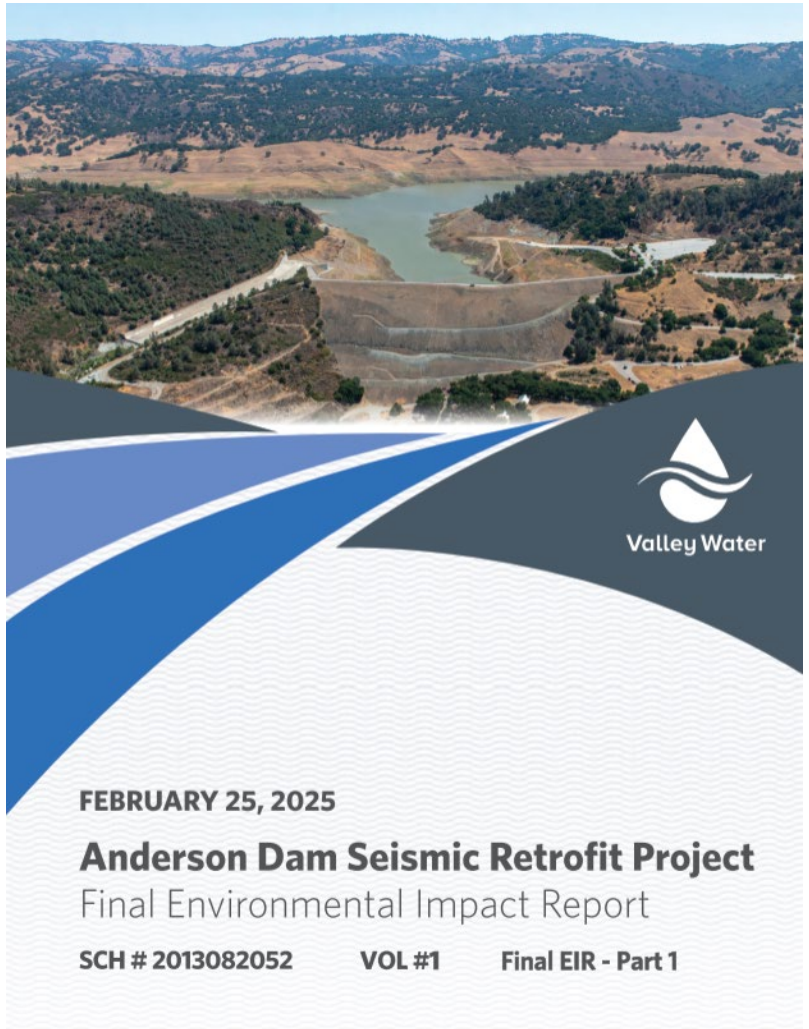
Presented by: **Nick Mascarello**, Senior Environmental Planner

Valley Water

Anderson Dam Seismic Retrofit Project

Greenhouse Gas (GHG) Mitigation Requirements

- Final Environmental Impact Report (EIR) applies net-zero GHG significance threshold to project construction emissions
- EIR includes mitigation to reduce construction emissions to net-zero
- Mitigation Measures GHG-1 & GHG-2



Mitigation Measure GHG-2

- Requires Valley Water to purchase carbon offsets equivalent to unavoidable construction emissions
- Carbon Offset: Derived from off-site action that avoids or sequesters emissions
  - Examples: Reforestation, wetland restoration, methane capture
  - Measured in Metric Tons of carbon dioxide equivalents (MT CO_2e)



Valley Water

Mitigation Measure GHG-2

Offset Requirements

- Valley Water must purchase offsets annually prior to the upcoming construction year
- Offsets must be real, additional, quantifiable, permanent, verifiable, and enforceable
- Eligible offsets prioritized with geographic hierarchy: San Francisco Bay Area, California, other states with offset laws at least as strict
- No offsets from outside U.S.
- Actual project emissions tracked against estimates

ADSRP Estimates Construction GHG Emissions

Construction Year	Construction Emissions (MT CO_2e)
Year 1	5,075
Year 2	27,571
Year 3	26,735
Year 4	34,594
Year 5	29,279
Year 6	44,856
Year 7	13,939
Year 8	3,876
Total	**185,925**

From ADSRP EIR Table 3.9-7

Agreement A5792A

Offset Procurement

- AQC Environmental Brokerage Services selected as highest ranked proposing firm from competitive procurement
- Agreement A5792A enables AQC to purchase and retire carbon offsets on Valley Water's behalf for ADSRP
- Not-to-exceed amount of $5 million, inclusive of offset price and brokerage fees
- Three-year term, with potential for extension



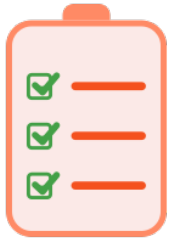
valleywater.org

Next Steps

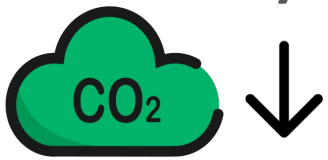
August 2026
Board Considers Agreement A5792A

Fall 2026

Review available carbon offsets consistent with EIR requirements



By December 2026



First carbon offset purchases, at Valley Water's direction

Future Construction Years

Track actual project emissions, review available carbon credits, purchase and retire additional credits

QUESTIONS





Valley Water

Clean Water • Healthy Environment • Flood Protection

Santa Clara Valley Water District

File No.: 26-0569

Agenda Date: 8/11/2026
Item No.: 10.1.

BOARD AGENDA MEMORANDUM

Government Code § 84308 Applies: Yes ☐ No ☒
(If "YES" Complete Attachment A - Gov. Code § 84308)

SUBJECT:
Approve the Central Fiscal Year 2025-26 Year-End and Fiscal Year 2026-27 Budget Adjustments.

RECOMMENDATION:
Approve the Central Fiscal Year 2025-26 Year-End and Fiscal Year 2026-27 Budget Adjustments.

SUMMARY:
In adhering to Governance Policies of the Board and specifically Executive Limitations EL-4, staff respectfully submits central budget adjustments to the FY 2025-26 (FY26) Adjusted Budget and FY 2026-27 (FY27) Rolling Biennial Adopted Budget, which are necessary to better align limited allocated resources with the Board's Ends, meet Board priorities, and to continue to provide for a balanced budget.

Descriptions of the FY27 central budget adjustments, primarily consisting of carry-forward unspent funding from FY26 to FY27, are presented below:

1. Operations Project: 00761071 Emergency Management ($402,074 Increase)

   This budget adjustment request is to carry forward $402,074 in the Emergency Management Project from FY26 to FY27 to support critical initiatives across the Emergency, Safety and Security Division. Funding will be used to modernize Santa Clara Valley Water District's (Valley Water) Emergency Operations Center (EOC) technology infrastructure, which has been in service since 2019 and is experiencing increasing reliability, lifecycle, and supportability issues. The modernization effort will assess, replace, and enhance aging technology to improve situational awareness, emergency communications, information sharing, and coordination with partner agencies during emergencies and significant incidents. The carry-forward will also support the purchase, maintenance, and repair of security drones to strengthen operational security by enhancing the agency's ability to detect, deter, and respond to potential threats to staff, critical infrastructure, and essential systems. In addition, funding will provide consulting and program development support to implement an Integrated Pest

Management Program that ensures regulatory compliance and effective pest management, as well as technical consulting to strengthen Valley Water's California Accidental Release Prevention (CalARP) Program by enhancing inspection processes and regulatory compliance for ammonia systems at the agency's four water treatment plants. This net-zero carry forward adjustment is funded by a corresponding decrease of $402,074 in FY26 to the Project appropriation.

2. Operations Project: 26061020 F6 Public Arts ($130,000 Increase)

   This budget adjustment request is to carry forward $130,000 in the F6 Public Arts Project from FY26 to FY27 in support of Key Performance Indicator (KPI) #3 under the Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water). As outlined in the voter-approved program, Valley Water administers a public art initiative that allocates up to $1.5 million over 15 years to implement public art projects on Valley Water property and infrastructure. Valley Water developed a Public Art Strategic Plan to guide the effective implementation of Project F6, KPI #3. With the strategic plan now complete, Valley Water is developing the Public Art Program implementation strategy, including a proposed modification to expand program eligibility beyond Valley Water-owned infrastructure to better align with the organization's strategic goals, available funding, and staffing capacity. Because this modification requires a public hearing and Board approval, no public art projects funding was utilized in FY26. Carrying the FY26 budget forward to FY27 will ensure sufficient funding is available to implement public art projects following Board action. This net-zero carry forward adjustment is funded by a corresponding decrease of $130,000 in FY26 to the Project appropriation.

3. Operations Project: 26061021 F9 Safe, Clean Water Grants and Partnerships Projects ($3,086,086 Increase)

   This budget adjustment request is to carry forward $3,086,086 in the F9 Safe, Clean Water Grants and Partnerships Project from FY26 to FY27 to execute all pending grant and partnership agreements. As outlined in the voter-approved Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water), Valley Water administers grants and partnerships annually to accomplish the Key Performance Indicators (KPIs) for Project F9: Grants and Partnerships for Safe, Clean Water, Flood Protection and Environmental Stewardship.

   In FY26, the Board awarded $1,776,760 in standard grants on June 23, 2026, which resulted in insufficient time to execute the agreements before the end of FY26. The Board also approved carrying forward the remaining FY26 standard grant funding of $93,240 into FY27 to be available for mini-grants and refill station grants. In addition, there is $115,000 in FY26 refill station and mini-grants pending agreement execution. Not all of the funds allocated for grants and partnerships were awarded in FY26, and the remaining $260,000 is recommended to be carried forward to fund projects in FY27. Additionally, grant agreements totaling $841,086 awarded in prior fiscal years remain pending execution and require carry-forward funding in FY27.

All pending grant and partnership agreements and unspent allocated funds total $3,086,086 and are recommended for carry-forward to FY27. Funds already budgeted in FY27 will continue to support the annual delivery of Safe, Clean Water KPIs, while the carry-forward funding will provide the resources necessary to execute pending agreements and implement the Board's direction. This net-zero carry-forward adjustment is funded by a corresponding decrease of $3,086,086 in FY26 to the Project appropriation.

4. Operations Project: 91131006 Imported Water San Felipe Division Deliveries ($11,768,387 Decrease) / Operations Project: 91131009 B.F. Sisk Reservoir Expansion ($11,768,387 Increase)

   This budget adjustment request is to carry forward $11,768,387 in the Imported Water (IW) San Felipe Division Deliveries Project from FY26 to FY27 for the B.F. Sisk Dam Raise and Reservoir Expansion Project. On April 8, 2025, the Valley Water Board authorized additional funding for Valley Water's share of planning costs for the B.F. Sisk Dam Raise and Reservoir Expansion Project through the San Luis & Delta-Mendota Water Authority Sisk Activity Agreement. The Board also authorized increasing Valley Water's storage capacity to at least 63,560 acre-feet, with the potential to expand to 70,000 acre-feet if additional capacity becomes available. Since the FY26 budget was adopted, the project cash flow schedule has been updated, with most planned cash-call payments now expected to occur in FY27 and FY28. As a result, the unspent FY26 appropriation is being carried forward and transferred to the newly established Sisk Reservoir Expansion Project to separately track Sisk project costs from Central Valley Project water operations. In addition, a Board item is planned for August 2026 to authorize the next phase of Sisk project costs. This net-zero carry forward adjustment is funded by a corresponding decrease of $11,768,387 in FY26 to the Project appropriation.

5. Operations Project: 91151001 Water Conservation Program ($5,550,000 Increase)

   This budget adjustment request is to carry forward $5,550,000 in the Water Conservation Program Project from FY26 to FY27 to support ongoing water conservation initiatives. Funding was not fully utilized in FY26 due to declining participation in the Landscape Rebate Program, delays in awarding the Water Conservation Services and Assessment Request for Proposals (RFP), additional time needed to negotiate a cost-share agreement with the City of Gilroy for Advanced Metering Infrastructure (AMI), and delayed AMI discussions with other partner agencies. The carryforward funding will support the Water Conservation Services and Assessment contract, which includes an expanded scope to address inflation, cybersecurity, and Board Audit Committee recommendations, the City of Gilroy AMI cost-share agreement, and the Water Efficient Landscapers Dual Certification Program. These initiatives support Valley Water's long-term water conservation objectives and are consistent with the 2040 and 2050 Water Supply Master Plans. This net-zero carry forward adjustment is funded by a corresponding decrease of $5,550,000 in FY26 to the Project appropriation.

6. Operations Projects: 91151013 Water Banking Operations ($6,000,000 Decrease) / 91151015 Groundwater Banking Diversification ($6,000,000 Increase)

This budget adjustment request is to carry forward $6,000,000 in unspent FY26 funds to FY27 for new groundwater banking opportunities. The funding will be transferred to the newly established Groundwater (GW) Banking Operations Project (Project 91151015) to separately track new groundwater banking efforts from existing Semitropic-related banking activities. Valley Water's long-term water supply planning has identified a potential overreliance on the Semitropic Water Bank, whose current storage agreement expires in 2035, indicating that additional groundwater storage opportunities may be needed to diversify storage capacity and meet future level-of-service goals, consistent with strategies identified in the Water Supply Master Plan 2050. This net-zero carry forward adjustment is funded by a corresponding decrease of $6,000,000 in FY26 to the Project appropriation.

7. Operations Project: 91101004 Recycled & Purified Water Program ($1,468,524 Increase)

   This budget adjustment request is to carry forward $1,468,524 in the Recycled & Purified Water Program Project from FY26 to FY27 to support ongoing recycled and purified water initiatives. Of the total amount, $500,000 is needed for the CalVal Agreement with the National Water Research Institute (NWRI), which was approved by the Board and executed on June 23, 2026, but could not be encumbered prior to the June 30 fiscal year-end encumbrance deadline. The remaining $968,524 will support the Source Control Project under the Pure Water Silicon Valley Program. As the project has advanced, evolving permitting requirements have led to revisions to the project scope, schedule, and consulting support needed to complete the work, resulting in a higher level of effort than originally anticipated. This net-zero carry forward adjustment is funded by a corresponding decrease of $1,468,524 in FY26 to the Project appropriation.

8. Operations Project: 91281008 SVAWPC Facility Maintenance ($275,000 Increase)

   This budget adjustment request is to carry forward $275,000 in the Silicon Valley Advanced Water Purification Center (SVAWPC) Facility Maintenance Project from FY26 to FY27 to support ongoing maintenance of the microfiltration (MF) system. Of the total amount, $200,000 is needed to complete the second phase of the microfiltration (Pall system) solenoid valve manifold upgrade, and $75,000 is needed to purchase MF module endcaps. These activities were delayed because the related vendor and contractor work was extended to FY27. This net-zero carry forward adjustment is funded by a corresponding decrease of $275,000 in FY26 to the Project appropriation.

9. Operations Project: 91441003 Desalination ($300,000 Increase)

   This budget adjustment request is to carry forward $300,000 in the Desalination Project from FY26 to FY27 to continue feasibility studies for the proposed project. Following the presentation of the draft feasibility study findings to the Recycled Water Committee in May 2026, additional work was identified to provide the Board with more complete information for future consideration of the project. The carryforward funding will support Amendment No. 3 for additional hydrodynamic and outfall modeling, water quality sampling, and stakeholder and

regulatory agency engagement. The total cost of this work is estimated at $506,615, with the remaining $206,615 funded through the existing FY27 project budget. This net-zero carry forward adjustment is funded by a corresponding decrease of $300,000 in FY26 to the Project appropriation.

10. Operations Project: 91151001 Water Conservation Program ($2,000,000 Decrease) / Capital Project: 60204032 Headquarters Operations Building ($2,000,000 Increase)

    This budget adjustment request is to carry forward $2,000,000 in the Water Conservation Program Project from FY26 to FY27 and transfer it to the Headquarters Operations Building Project to support the construction of the Demonstration Garden at Valley Water's Headquarters. The Demonstration Garden will showcase a watershed approach to landscaping and serve as a functional educational space where the public can learn about sustainable landscaping practices and Valley Water's Landscape Rebate Program. The approximately 26,000-square-foot garden will provide a tangible demonstration of water-efficient landscape design while also serving as a community gathering space. Design of the Demonstration Garden is expected to be completed by July 2026, with construction anticipated to begin in late FY27 and conclude in early FY28. This net-zero carry forward adjustment is funded by a corresponding decrease of $2,000,000 in FY26 to the Water Conservation Program Project.

11. Operating Projects:
    91152001 GP5 - Mountain View AMI & Recycled Water Project ($582,306 Decrease in FY26 and $941,117 Increase in FY27);
    91152002 GP5 - Palo Alto RWQCP Project ($746,894 Decrease in FY26 and $1,042,039 Increase in FY27);
    91152003 GP5 - Purissima Hills Leak Detection Project ($1,325,299 Decrease in FY26 and $1,372,150 Increase in FY27);
    91152004 GP5 - Stanford University RWQCP Project ($155,269 Decrease in FY26 and $229,376 Increase in FY27)

    This budget adjustment request is to true-up $774,914 in FY26 interest earnings and carry forward the remaining $2,809,768 in unspent FY26 funds to FY27 for the four Guiding Principle 5 (GP5) projects. In 2021, the Board approved implementation of the GP5 grant program to provide Water Utility Funding to eligible retailers for water conservation, recycled and purified water, wastewater treatment upgrades that support water reuse, Advanced Metering Infrastructure (AMI), and related environmental projects. Under the program, participating retailers are eligible to request reimbursement for approved projects through June 30, 2033. This budget adjustment ensures that FY26 interest earnings are appropriately recognized and that unspent GP5 funds are carried forward to FY27 to support eligible projects in accordance with the Board-approved program. This budget adjustment is funded by a $774,914 decrease to the Water Enterprise Fund Operating and Capital Reserve, and a net-zero carry forward adjustment of $2,809,768 funded by a corresponding decrease in FY26 to the Project appropriations.

ENVIRONMENTAL JUSTICE IMPACT:
There are no Environmental Justice Impacts associated with this item.

FINANCIAL IMPACT:
Approval of the recommended central FY27 Budget Adjustments amends the FY27 Operating and Capital Budget which was adopted by the Board per Resolution 26-30 on May 12, 2026. As shown in the Operating, Capital, and Interfund Transfer Budget table below.

The central FY27 budget adjustments will increase project expenditures by $34,564,753 (Items 1-11) as follow:

- Carry forward unspent funding from FY26 to FY27 totaling $33,789,839 (Items 1-10 and $2,809,768 of Item 11), which does not impact the Operating and Capital Reserves.
- Reduce $774,914 from the FY27 Water Enterprise Fund Operating and Capital Reserve to fund Item 11, increasing the FY27 total budget.

The tables below summarize the changes.

FY 2026-27 Operating, Capital, and Interfund Transfer Budget

Fund	Adopted Budget	Recommended Budget Adjustment	Adjusted Budget
General Fund (11)	113,855,152	2,000,000	115,855,152
Watershed & Stewardship Fund (12)	126,331,955	201,037	126,532,992
Lower Peninsula Watershed Fund (21)	2,731,816	0	2,731,816
West Valley Watershed Fund (22)	819,476	0	819,476
Guadalupe Watershed Fund (23)	910,837	0	910,837
Coyote Watershed Fund (24)	2,459,121	0	2,459,121
Safe, Clean Water Fund (26)	230,456,853	3,216,086	233,672,939
Water Enterprise Fund (61)	865,360,489	29,147,630	894,508,119
State Water Project Fund (63)	35,848,142	0	35,848,142
Fleet Management Fund (71)	10,135,017	0	10,135,017
Risk Management Fund (72)	12,753,661	0	12,753,661
Information Technology Fund (73)	48,283,088	0	48,283,088
Total Appropriations	**1,449,945,607**	**34,564,753**	**1,484,510,360**

FY 2026-27 Reserves Budget*

Fund	Adopted Budget	Change	Adjusted Budget
General Fund (11)	12,141,979	0	12,141,979
Watershed & Stewardship Fund (12)	211,228,917	0	211,228,917
Safe, Clean Water Fund (26)	97,716,187	0	97,716,187
Water Enterprise Fund (61)	152,421,083	(774,914)	151,646,169
State Water Project Fund (63)	14,890,000	0	14,890,000
Fleet Management Fund (71)	2,003,803	0	2,003,803
Risk Management Fund (72)	21,801,633	0	21,801,633
Information Technology Fund (73)	6,113,174	0	6,113,174
Total Reserves	**518,316,776**	**(774,914)**	**517,541,862**

**The FY 2026-27 Reserves Budget Table illustrates the net impact of all central budget adjustments to the FY 2026-27 Reserves Budget.*

CEQA:
The recommended action does not constitute a project under CEQA because it does not have the potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:
Attachment 1: SCVWD Resolution No. 26-30
Attachment 2: FY 2025-26 and FY 2026-27 Central Budget Adjustments

UNCLASSIFIED MANAGER:
Darin Taylor, 408-630-3068

BOARD OF DIRECTORS
SANTA CLARA VALLEY WATER DISTRICT

RESOLUTION NO. 2026-30

APPROVING AND ADOPTING THE OPERATING AND CAPITAL ROLLING BIENNIAL BUDGET FOR FISCAL YEAR 2026-27

WHEREAS, on April 29, 2026, the Board of Directors of the Santa Clara Valley Water District (Valley Water) held its annual budget work study session to review and consider the Proposed Operating and Capital Rolling Biennial Budget (Budget) for Fiscal Year (FY) 2026-27; and

WHEREAS, such budget work study session was open to the general public to appear and be heard regarding any item of the proposed budget or for the inclusion of additional items; and

WHEREAS, Section 20 of the District Act requires that after conclusion of the public meeting(s) to hear general public comments on the proposed budget, the Board shall by resolution adopt the budget as finally determined including any revisions that the Board determines advisable during or after the meeting(s) and not later than June 30 of each year; and

WHEREAS, the Budget for FY 2026-27 was developed in accordance with the Board's Executive Limitations EL-4, which requires that the Valley Water's 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; and

WHEREAS, the Board was provided a comprehensive overview of the budget development process and assumptions, Valley Water-wide financial review and a presentation of fund and business area financial allocations in the Proposed Budget for FY 2026-27; and

WHEREAS, the Board of Directors has previously created the following Special Purpose Funds (as such term is defined in Resolution 16-10, adopted on February 23, 2016): San Felipe Emergency Reserve, Supplemental Water Supply Reserve, and Drought Reserve; and

WHEREAS, the Board was provided assurance that the Proposed Budget for FY 2026-27 meets Board priorities, realizes efficiencies and cost savings, demonstrates fiscal accountability and value to customers, is balanced and helps ensure future financial sustainability.

NOW, THEREFORE BE IT RESOLVED by the Board of Directors of the Santa Clara Valley Water District that the Budget for FY 2026-27, plus any changes or modifications made at the time of adoption, and including the terms of this Resolution, is hereby approved and adopted; and

BE IT FURTHER RESOLVED that the total appropriations approved by the Board of Directors, which include all operating and capital outlays, debt service payments and interfund transfers, and budgeted reserves, are limited within each fund as follows (plus any changes or modifications made at the time of adoption):

FY 2026-27 Operating, Capital, and Interfund Transfer Budget

1.	General Fund (11)	$ 113,855,152
2.	Watershed and Stream Stewardship Fund (12)	$ 126,331,955
3.	Lower Peninsula Watershed Fund (21)	$ 2,731,816
4.	West Valley Watershed Fund (22)	$ 819,476
5.	Guadalupe Watershed (23)	$ 910,837
6.	Coyote Watershed Fund (24)	$ 2,459,121
7.	Safe, Clean Water and Natural Flood Protection Fund (26)	$ 230,456,853
8.	Water Enterprise Fund (61)	$ 865,360,489
9.	State Water Project Fund (63)	$ 35,848,142
10.	Fleet Management Fund (71)	$ 10,135,017
11.	Risk Management Fund (72)	$ 12,753,661
12.	Information Technology Fund (73)	$ 48,283,088

FY 2026-27 Reserves Budget

1.	General Fund (11)	$ 12,141,979
2.	Watershed and Stream Stewardship Fund (12)	$ 211,228,917
3.	Safe, Clean Water and Natural Flood Protection Fund (26)	$ 97,716,187
4.	Water Enterprise Fund (61)	$ 152,421,083
5.	State Water Project Fund (63)	$ 14,890,000
6.	Fleet Management Fund (71)	$ 2,003,803
7.	Risk Management Fund (72)	$ 21,801,633
8.	Information Technology Fund (73)	$ 6,113,174

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.

   (b) By Valley Water Board of Directors action for all budget adjustments between capital projects within a fund that exceed $100,000 per project within the fiscal year.

   (c) Delegation of authority is hereby conferred to the Chief Executive Officer (CEO), or his/her designee to approve budget transfers from the Supplemental Water Supply Reserve for amounts not to exceed 20 percent of the annual imported water purchases budget. The CEO shall inform the Board of any such budget transfers on a timely basis.

   (d) By the CEO, or his/her designee, for all other changes.

2. With the exception of those capital projects that have been closed or those related to capital program management and administrative services, any unexpended or unencumbered appropriation balances remaining at the end of FY 2025-26 for capital projects are hereby reappropriated to FY 2026-27 for continued use in those same projects, up to $100,000 above the planned expenditure amounts for each project identified in the draft Five-Year CIP for FY 2026-27. The portion of the balances that are not reappropriated to FY 2026-27 will remain as designated reserves for Current Authorized Projects to be reappropriated in future years in accordance with the Five-Year CIP expenditure schedule.

3. Any variances at the end of FY 2026-27 in Committed Reserves, Restricted Reserves and Other Reserves from those estimated in this FY 2026-27 Budget not otherwise reappropriated above shall result in corresponding adjustments to the FY 2026-27 estimated reserve appropriations in accordance with the Valley Water Reserve Policy. These adjustments shall be made in the following order:

   (a) First, to restore Restricted Reserves.

   (b) Second, to restore Risk Fund Committed Reserves.

   (c) Third, to restore other Committed Reserves excluding Operating and Capital Reserves.

   (d) Fourth, to restore Operating and Capital Reserves.

4. If at the commencement of FY 2027-28, the appropriations applicable to that year have not been finally determined and adopted by the Board of Directors in accordance with the District Act, Valley Water shall proceed in accordance with the following authorizations:

   (a) Except as otherwise provided in Section 4(b), the amounts set forth in the proposed budget for operating outlays, including existing debt service requirements, and capital outlays and the purposes therein specified, except funding for fixed assets, and residual equity transfers, are deemed appropriated until the final adoption of the budget by the Board of Directors.

   (b) Funding for fixed assets and residual equity transfers are deemed appropriated until the adoption of the final budget if specifically approved by the Board of Directors.

PASSED AND ADOPTED by the Board of Directors of the Santa Clara Valley Water District by the following vote on May 12, 2026:

AYES: Directors Ballard, Beall, Hsueh, Santos, Varela, Estremera

NOES: Directors Eisenberg

ABSENT: Directors None

ABSTAIN: Directors None

SANTA CLARA VALLEY WATER DISTRICT

TONY ESTREMERA
Chair, Board of Directors

ATTEST

CANDICE KWOK-SMITH
Clerk, Board of Directors

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FY 2025-26 Year-End Central Budget Adjustments

			FY 2025-26							
			Fund 11 General Fund (GF)	Fund 12 Watershed Stream Stewardship Fund (WSS)	Fund 26 Safe Clean Water Fund (SCW)	Fund 61 Water Utility Enterprise Fund (WUE)	Fund 71 Fleet Management Fund	Fund 72 Risk Insurance Fund	Fund 73 Information Technology Fund	Total
			Appropriations Increase/(Decrease)							
FY26 - Increase/(Decrease) Operations and Capital Projects Appropriations										
1	00761071 Emergency Management	Ops		(201,037)		(201,037)				(402,074)
2	26061020 F6 Public Arts	Ops			(130,000)					(130,000)
3	26061021 F9 Safe, Clean Water Grants & Partnerships	Ops			(3,086,086)					(3,086,086)
4	91131006 Imported Water San Felipe Division Deliveries	Ops				(11,768,387)				(11,768,387)
5	91151001 Water Conservation Program	Ops				(5,550,000)				(5,550,000)
6	91151013 Water Banking Operations	Ops				(6,000,000)				(6,000,000)
7	91101004 Recycled & Purified Water Program	Ops				(1,468,524)				(1,468,524)
8	91281008 SVAWPC Facility Maintenance	Ops				(275,000)				(275,000)
9	91441003 Desalination	Ops				(300,000)				(300,000)
10	91151001 Water Conservation Program	Ops				(2,000,000)				(2,000,000)
11	91152001 GP5 - Mountain View AMI & Recycled Water Project / 91152002 GP5 - Palo Alto RWQCP Project / 91152003 GP5 - Purissima Hills Leak Detection / 91152004 GP5 - Stanford University RWQCP Project	Opj				(2,809,768)				(2,809,768)
	Net Increase/(Decrease) to FY26 Appropriations by Fund		**-**	**(201,037)**	**(3,216,086)**	**(30,372,716)**	**-**	**-**	**-**	**(33,789,839)**
FY26 Operating and Capital Reserves/Appropriation										
	Budget Adjustments impact to O&C Reserves	Reserve	-	201,037	3,216,086	30,372,716	-	-	-	33,789,839
	Net FY26 Reserve Change by Fund		**-**	**201,037**	**3,216,086**	**30,372,716**	**-**	**-**	**-**	**33,789,839**

FY 2026-27 Beginning of the Year- Central Budget Adjustments

			FY 2026-27							
			Fund 11	Fund 12	Fund 26	Fund 61	Fund 71	Fund 72	Fund 73	
			General Fund (GF)	Watershed Stream Stewardship Fund (WSS)	Safe Clean Water Fund (SCW)	Water Utility Enterprise Fund (WUE)	Fleet Management Fund	Risk Insurance Fund	Information Technology Fund	Total
			Appropriations and Reserves Increase/(Decrease)							
FY27 - Increase/(Decrease) Operations and Capital Projects Appropriations										
1	00761071 Emergency Management	Ops		201,037		201,037				402,074
2	26061020 F6 Public Arts	Ops			130,000					130,000
3	26061021 F9 Safe, Clean Water Grants & Partnerships	Ops			3,086,086					3,086,086
4	91131009 B.F. Sisk Reservoir Expansion	Ops				11,768,387				11,768,387
5	91151001 Water Conservation Program	Ops				5,550,000				5,550,000
6	91151015 Groundwater Banking Diversification	Ops				6,000,000				6,000,000
7	91101004 Recycled & Purified Water Program	Ops				1,468,524				1,468,524
8	91281008 SVAWPC Facility Maintenance	Ops				275,000				275,000
9	91441003 Desalination	Ops				300,000				300,000
10	60204032 Headquarters Operations Building	Caps	2,000,000							2,000,000
11	91152001 GP5 - Mountain View AMI & Recycled Water Project / 91152002 GP5 - Palo Alto RWQCP Project / 91152003 GP5 - Purissima Hills Leak Detection / 91152004 GP5 - Stanford University RWQCP Project	Opj				3,584,682				3,584,682
	Net Increase/(Decrease) to FY27 Appropriations by Fund		2,000,000	201,037	3,216,086	29,147,630	-	-	-	34,564,753
FY27 Operating and Capital Reserves										
	Budget Adjustments impact to O&C Reserves	Reserve	-	(201,037)	(3,216,086)	(31,147,630)	-	-	-	(34,564,753)
	Net FY27 Reserve changes by Fund		**-**	**(201,037)**	**(3,216,086)**	**(31,147,630)**	**-**	**-**	**-**	**(34,564,753)**
TOTAL NET RESERVE IMPACT BOTH FY26 AND FY27			-	-	-	**(774,914)**	-	-	-	**(774,914)**