



# Valley Water

Clean Water • Healthy Environment • Flood Protection



# Capital Improvement Program's Preliminary FY 2024-28 Five-Year Plan and FY 2023-24 Groundwater Production Charges

Presented by

**Darin Taylor, Chief Financial Officer** (Groundwater Charges)

**Jessica Collins, Business Planning and Analysis Unit Manager** (Preliminary CIP)



## BOARD ACTIONS TODAY

- A. Review and approve the Capital Improvement Program's (CIP) Preliminary Fiscal Year 2024-2028 (FY 24-28) Five-Year Plan list of projects for the Watershed Stream Stewardship Fund (Fund 12) and the Water Utility Enterprise Fund (Fund 61);
- B. Review and approve the CIP Evaluation Team's recommendation to include the RWTP Ammonia Storage & Metering Facility Upgrade Project, a Fund 61 project, in the CIP's Draft FY 24-28 Five-Year Plan;
- C. Review proposed adjustments and modifications to the Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water Program) Fund (Fund 26);
- D. Set the time and place for a public hearing for modifications to the Safe, Clean Water Program (Fund 26) Projects; and
- E. Discuss and provide direction on the preliminary FY 2023-24 (FY 24) Groundwater Production Charge analysis.

# CIP's Preliminary FY 24-28 Five-Year Plan and Groundwater Charges

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## PRESENTATION OUTLINE

### 1. Annual CIP Process

- a. CIP 5-Year Plan Development – Roles and Responsibilities
- b. Annual Process Overview

### 2. CIP Preliminary FY 24-28 Five-Year Plan

- a. Significant Updates from Prior Fiscal Year
  - i. Fund Impacts with Key Factors
  - ii. Presentation of five (5) Key Factor Project Plan Updates
  - iii. Overview of Project Plan Updates
  - iv. CIP Evaluation Team Recommendations
- b. Project Categories and Summary of Project Costs

### 3. Preliminary Financial Forecast Overview and Funding Scenario Review for Funds 12 and 26

### 4. FY 24 Groundwater Production Charge Analysis

### 5. Next Steps



# CIP's Five-Year Plan Development – Roles and Responsibilities

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## CIP DEVELOPMENT TEAM:

- Leads Project Plan Updates and Change Management Memo processes
- Conducts CIP Evaluation Team Review Meeting
- Prepares Preliminary, Draft and Final CIP 5-Year Plans
- Prepares and presents CIP Committee and Board items
- Supports CIP Committee's Review of Annual Work Plan
- Conducts Annual CIP Process Trainings



## Capital Project Managers and Deputies:

- Updates project plans to reflect changes to scope, schedule and cost (July-October or as required or if directed by the Board)
- Proposes new projects for validation and consideration for addition to list of unfunded projects for inclusion in the funded CIP (September)

## CIP Evaluation Team (Capital Deputies, Chiefs, ACEO and CEO):

- Reviews Initially Validated Projects and Significant Project Plan Updates, consider feedback received from CIP Committee and Board, and propose funded and unfunded project list for Preliminary CIP

## CIP Committee:

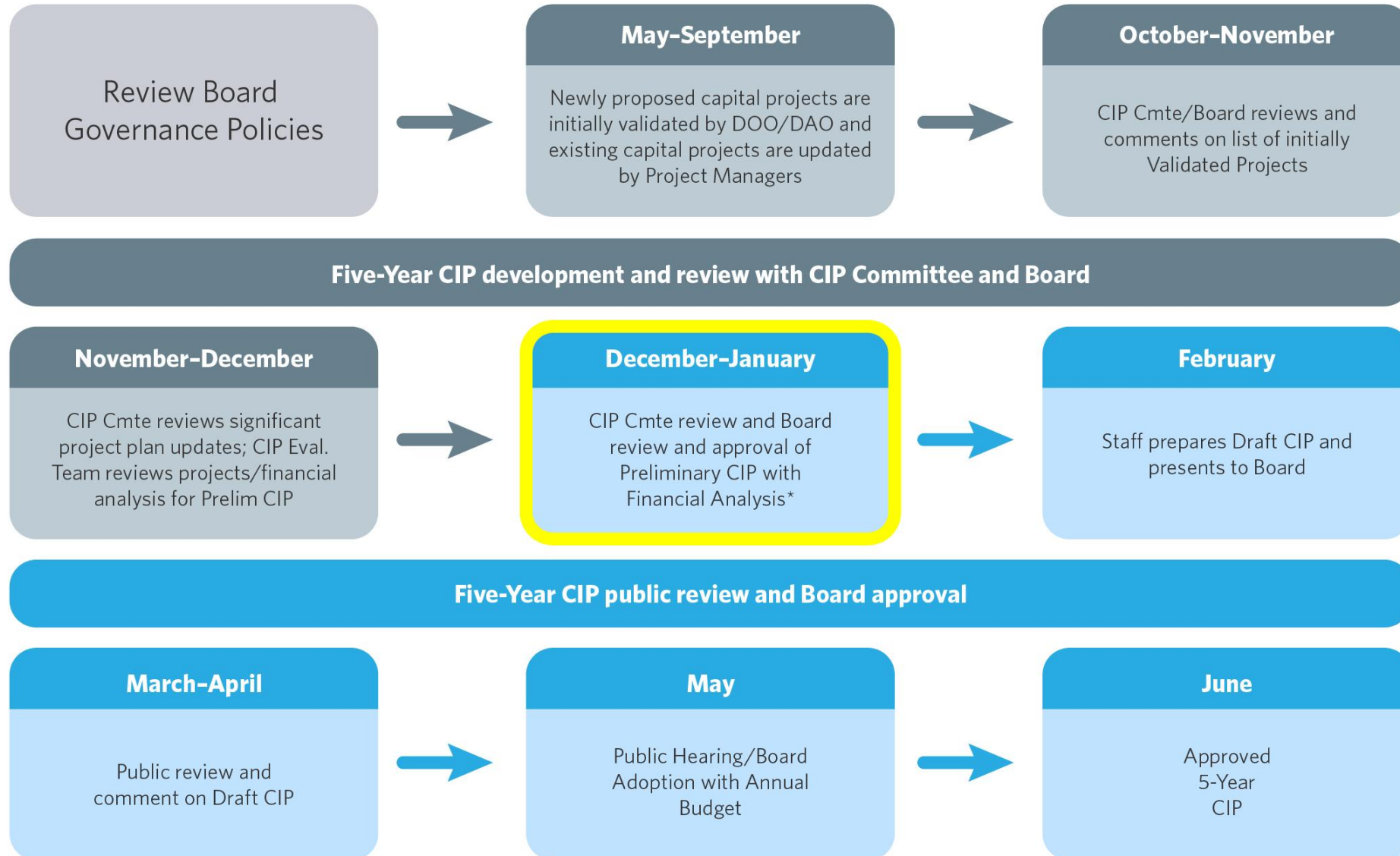
- Reviews Initially Validated and Unfunded Projects (October)
- Reviews Significant Project Plan Updates (November)
- Reviews Preliminary CIP (December)

## Board of Directors:

- Reviews Initially Validated and Unfunded Projects (November)
- Reviews and Approves Preliminary CIP – key decision point for developing 5-Year Plan (January)
- Reviews and Approves Draft FY 2024-28 CIP for public review period (February)
- Adopts Resolution Approving the FY 2024-28 CIP (May)

# Annual CIP Process Overview

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# Significant Updates from Board Adopted FY23-27 Five-Year Plan

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## FUND IMPACTS

Water Utility Enterprise Fund (**Fund 61**) increased by **\$1.159B**

- **Key Factors:**

- Pacheco Reservoir Expansion Project: Increased due to inflation by \$319.043M
- Anderson Dam Seismic Retrofit Project (all projects combined): Increased by \$183.131M
- RWTP Reliability Improvement Project: Increased by \$166.104M
- Purified Water Project (PWP): Increased by \$465.778M



# Significant Updates from Board Adopted FY23-27 Five-Year Plan

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## FUND IMPACTS

Watersheds Stream Stewardship Fund (**Fund 12**) **increased** by **\$6.325M**

- **Key Factors:**

- Upper Berryessa Flood Protection Project , Phase 3 (construction funding placeholder): Schedule shifted moving the majority of construction planned expenditure outside of the 15-year forecast
- Palo Alto Flood Basin Tide Gate Structure Replacement Project: Increased by \$43.957M

Safe, Clean Water and Natural Flood Protection Program Fund (**Fund 26**) **increased** by **\$182.425M**

- **Key Factor:**

- Coyote Creek Flood Protection Project: Increased by \$161.890M

Information Technology Fund (**Fund 73**) **increased** by **\$432K**; and General Fund (**Fund 11**) **decreased** by **\$1.592M**



# Significant Updates from Board Adopted FY23-27 Five-Year Plan

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## KEY FACTORS TO THE FUND IMPACTS

### Presentation of five (5) Project Plan Updates

- Anderson Dam Seismic Retrofit Project
- Rinconada Water Treatment Plant Reliability Improvement Project
- Purified Water Project
- Palo Alto Flood Basin Tide Gate Structure Replacement Project
- Coyote Creek Flood Protection Project (Safe, Clean Water)







# Anderson Dam Seismic Retrofit

Presented by  
Christopher Hakes, Deputy Operating Officer of Dam Safety & Capital Delivery



## Anderson Dam Federal Energy Regulatory Commission Order Compliance Projects (FOCP)

### Anderson Dam Tunnel

Coyote Creek  
Flood  
Management  
Measures

Coyote Percolation  
Dam Replacement

Cross Valley  
Pipeline Extension

Coyote Creek  
Stream  
Augmentation Fish  
Protection  
Measure

## ADSRP

- Seismic retrofit of dam embankment
- Construction of new higher capacity outlet tunnel and outlet works
- Replacement of concrete spillway and raising wall height 9-feet to safely discharge large storm flows
- Increase dam crest height 7-feet

# Cost Increase by Project

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	Increase (inflated)
<b>Anderson Dam Seismic Retrofit Project (ADSRP)</b> Increase to project cost due to inflation increase.	\$52.201M
<b>Anderson Dam Tunnel Project (ADTP)</b> Increase to project cost comprised of right-of-way, construction, and close-out costs. Increase to construction cost primarily due to consultant amendments and construction contract costs not included in current plan.	\$37.835M
<b>Coyote Creek Flood Management Measures Project (CCFMMP)</b> Increase to project cost comprised primarily of right-of-way (including encampment abatement) and construction costs. Construction increase a result of several factors including inadequate planning cost estimates, COVID related work conditions, supply chain issues, and tight schedule.	\$86.982M
<b>Coyote Creek Stream Augmentation Fish Project Measure – Chillers Plant Project (Chillers)</b> Increase to project cost primarily in construction phase, and a result of result of bids exceeding Engineer's Estimate when project initially advertised for construction.	\$2.987M
<b>Coyote Percolation Dam Replacement Project (CPDRP)</b> Increase to project cost due to higher than anticipated labor costs for in-house design and construction management staff.	\$2.808M
<b>Cross Valley Pipeline Extension Project (CVPEP)</b> Increase to project cost due to right-of-way, design costs related to delay of procurement of long lead items, and costs for construction management services.	\$318K
<b>Total</b>	<b>\$183.131M</b>





# RWTP Reliability Improvement Project

Presented by  
Emmanuel Aryee, Deputy Operating Officer of Water Utility Capital



# RWPT Reliability Improvement Project - Background

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## **Original Project comprised of Phase 1-6**

### **Objectives**

- Increase plant reliability to meet peak summer demands, update technology and infrastructure, and implement process improvements

### **Construction contract awarded on May 26, 2015**

- Delays in construction led to bifurcation of the project into two packages (Board Approved Construction Contract Amendment March 10, 2020 – Package 1 (Phases 1-2)

### **Package 1: (Phases 1 – 2) Completed January 12, 2021**

- Raw Water, Ozone Contactor Basins, Flash Mix Facility, Flocculation/Sedimentation Basins, Washwater Recovery Facilities, Electrical Control Building, Underground Piping, Guard Houses

### **Package 2: (Phases 3 – 6 Future)**

- Liquid Oxygen Building, Ozone Generation Building, Filters, Chemical Facilities, Demolition of Existing Clarifiers and Filters, Chlorine Contact Basins

# Phases 1 and 2 (Completed)



# Phases 3 thru 6 (Future)



- Total Project Cost increased from \$461.7M (FY 2023-27 CIP), by \$166.1M to \$627.8M (inflated)
- Factors include Design and Operational Changes, Shutdowns from Active Plant Operations, Inflation, Materials, Labor, Soft Costs (insurance, bonding, contractor overhead)
- Competitive bidding climate, multiple large water/wastewater projects underway in Bay Area





# Purified Water Project

Presented by  
**Kirsten Struve, Assistant Operating Officer of Water Supply**

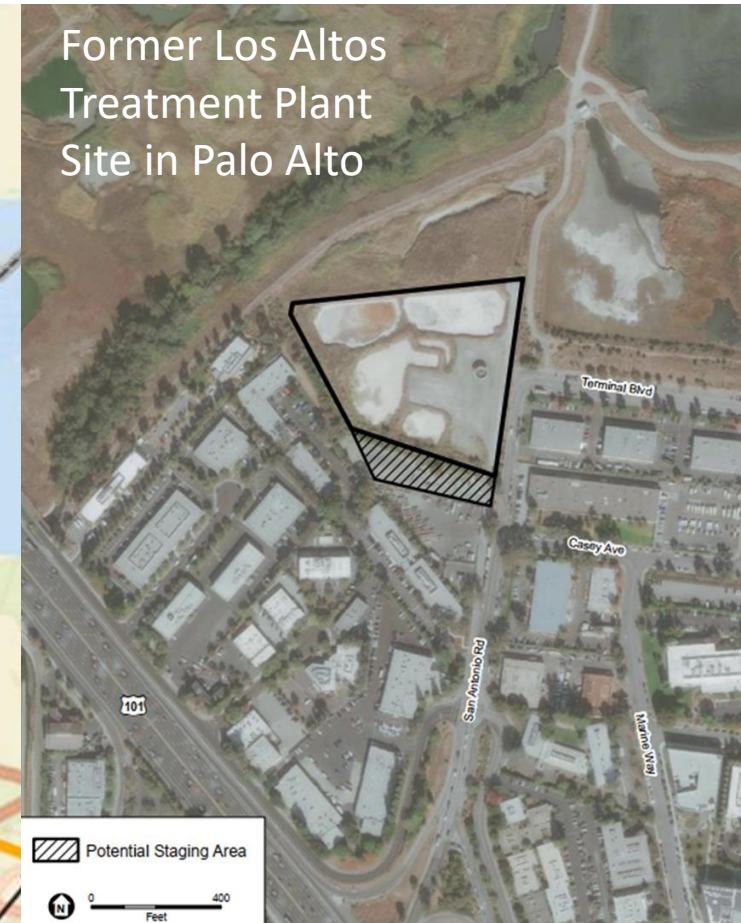
# Purified Water Project

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**TOTAL PROJECT COST INCREASED BY \$465.778M (INFLATED)**

## Primary contributing factors:

- **Scope:** Additional project components required for the design and construction and addressing regulatory feedback.
- **Schedule:** Design starting in 2024 (1.5 yrs.) with overlapping Construction in 2025 through mid-2028 (3.5 yrs.)
- **Cost:** Maximize purified water production to 12 MGD, storage tank material, market volatility, updated contingency costs, BABA requirements, increased material costs, increased design and engineering services, CM costs, and addition of independent engineer for P3 entity.





# Purified Water Project

## SCOPE UPDATES

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Description of Capital Costs (inflated)	Mark Up %	Cost (\$M)
AWPF, incl. Pump Stations Construction Cost <sup>1</sup>		\$ 404.162
Pipelines Construction Cost <sup>2</sup>		\$ 404.961
Total Construction Cost (Sep 2022 Dollars)		\$ 809.123
Owner's Reserve for Change Orders	15%	\$ 121.000
Design Cost	8%	\$ 65.000
Engineering Services During Construction Cost	5%	\$ 40.000
Construction Management	10%	\$ 81.000
Independent Engineer (Allowance)		\$ 10.000
Valley Water Staff / Consultant Costs (includes prior years \$27.7M)		\$ 92.206
Total Capital Cost Estimate		\$ 1,218.329



# Palo Alto Flood Basin Tide Gate Structure Replacement Project

Presented by  
Bhavani Yerrapotu, Deputy Operating Officer of Watersheds Design and Construction



# Palo Alto Flood Basin Tide Gate Structure Replacement Project

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**TOTAL PROJECT COST INCREASED BY \$43.957M (INFLATED)**

**SCHEDULE EXTENDED BY 6 YEARS (incl. 5-yr plant establishment maintenance)**

## Primary contributing factors:

- Onsite soil not suited for reuse
- Higher than estimated cost for dewatering during construction
- Inflation & market conditions
- Environmental mitigation
- Full-time biological monitoring
- Tribal monitoring





# Palo Alto Flood Basin Tide Gate Structure Replacement Project

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## PROJECT STATUS

**Project may be put on hold while we:**

- Work with USACE to reassess Shoreline Phase II and the Palo Alto Flood Basin.
- Coordinate to have the new tide gate structure designed and constructed as part of the USACE Shoreline Phase II Project.
  - Ensure compatible alignment and elevations.





# Palo Alto Flood Basin Tide Gate Structure Replacement Project

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## PROJECT STATUS

### Project may be put on hold while we:

- Continue annual inspections of existing structure to maintain public safety.
  - Main concern is of hydraulic seepage and not structural integrity.
  - Previous hydraulic seepage was repaired in 2012 & has not reoccurred.
  - If hydraulic seepage reoccurs, it can be repaired.
- Report back to the Board in one-year after coordination with USACE.







# Coyote Creek Flood Protection Project (CCFPP)

Presented by  
Bhavani Yerrapotu, Deputy Operating Officer of Watersheds Design and Construction





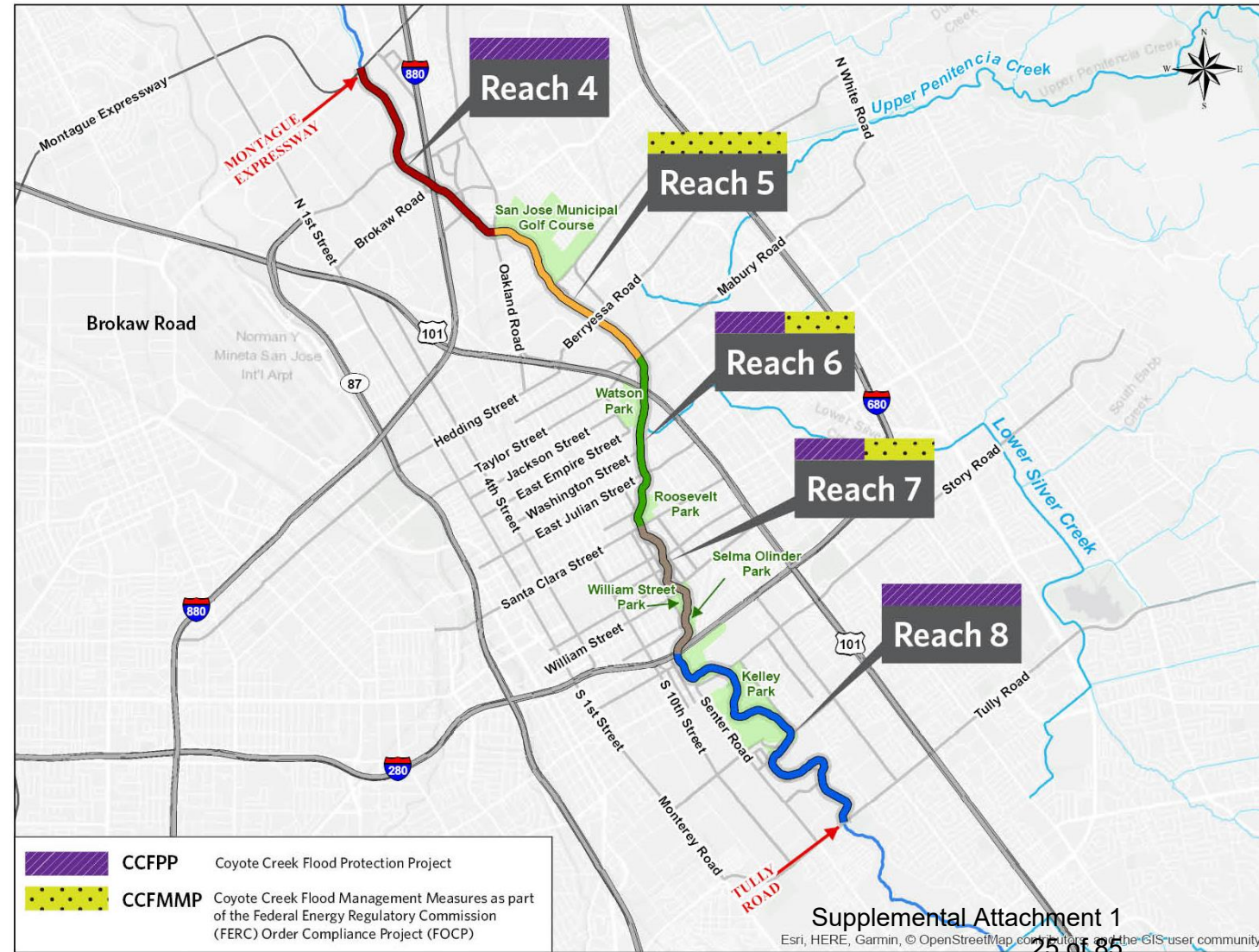
# Coyote Creek Flood Protection Project

25

**TOTAL PROJECT COST INCREASED BY \$161.89M (INFLATED)**  
**SCHEDULE EXTENDED BY 5 YEARS**

## Primary contributing factors:

- CEQA and NEPA requirements
- Construction cost increases due to accelerated schedule and new design elements from community feedback
- Inadequate construction cost estimate during planning
- Right-of-way acquisitions and coordination with City of San Jose for use of chartered park land
- Unhoused encampment abatement coordination with City of San Jose
- Construction management services
- 3-year vegetation maintenance period



## Overview

- **12 Projects** had changes to **Schedule and Cost**
- **8 Projects** had changes to **Scope, Schedule and Cost**
- **8 Projects** had changes to **Schedule – TPC changes due to inflation**
- **3 Projects** had changes to **Cost Only**
- **2 Projects** had changes to **Scope and Cost**
- **2 Projects** had changes to **Scope and Schedule– TPC changes due to inflation**
- **5 Projects** had changes due to **Small Capital Forecast Revisions**
- **5 Placeholder Projects** had changes due to **Administrative Updates**



# CIP Evaluation Team Recommendations: Initially Validated and Unfunded Project List

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Project Name	Total Project Cost (In \$ thousands)	Remaining Cost (FY24 to completion) (In \$ thousands)	Phase	CIP Evaluation Team Recommendations
<b>FY24 Validated Projects (as of 09/30/2022, Validation due date)</b>				
South Babb Flood Protection Project (Long Term project)	\$21.60M	\$21.60M	N/A	Recommended to <b>MOVE</b> to the unfunded list. Cost estimates will be further refined by staff.
<b>Proposed Changes to the Unfunded Project List for FY24-28 CIP</b>				
Long-Term Purified Water Program Elements	\$206.14M	\$206.14M	N/A	Recommended to <b>REMOVE</b> from the unfunded list - for Phase 2 Purified Water Program. Staff to re-evaluate the cost estimates and coordinate further with the City of San Jose to develop the project.
RWTP Ammonia Storage & Metering Facility Upgrade	\$6.2M	\$6.2M	N/A	Recommended to <b>MOVE</b> into the FY2024-28 CIP as a stand alone project. Upon completion of the RWTP Reliability Project Design Phase, staff will determine the timeline and implementation of the project.
<b>Total:</b>	<b>\$233.94</b>	<b>\$233.94</b>	<b>N/A</b>	

# CIP Evaluation Team Recommendations:

## Projects Recommended for Inclusion in FY 2024-28 Five-Year Plan

As a result of the CIP Evaluation Team's recommendations, the following project is recommended for inclusion in the FY 2024-28 Preliminary CIP:

**93C40417 RWTP Ammonia Storage & Metering Facility Upgrade:** The existing ammonia storage and metering facility (ASMF) at Rinconada Water Treatment Plant (RWTP) includes a single ammonia storage tank and four metering pumps and associated instrumentation and control equipment. It was installed in the mid-1990's as part of the Toxic Gas Ordinance Compliance Project (TGO), and the existing ammonia storage tank has a nominal capacity of 6,700 gallons for aqua ammonia (19% concentration). However, the condition of the existing tank lining is unknown and will be replaced with two (2) tanks for reliability and safety since it is a critical system for the Plant. The four existing metering pumps will be replaced with new ones, and three new feed lines will be installed from the existing ASMF to the new Raw Water (RW) influent pipelines (north and south) and to the new chlorine contact basin (CCB), respectively. The existing feed points to the clearwells and the BW supply line will be removed. The estimated project cost is \$6.20M and the project duration is expected to last five years.



# CIP Evaluation Team Recommendations:

## Newly Validated Project Recommended for Addition to Unfunded List

During the CIP Evaluation Team's review on November 15, 2022, a newly validated project was submitted (see project summary below) and the team recommended that it be added to the Unfunded List for the FY 2024-28 Preliminary CIP.

**South Babb Flood Protection Project (Long Term):** Recent modeling indicates that there is significant spilling from culverts along South Babb Creek. These spills contribute to flooding of nearby areas, particularly between South Babb Creek, Lower Silver Creek, and Story Road. The recommended project improves the culverts at Lochner Drive, White Road, and Farrington Drive on South Babb Creek. While this will not eliminate all the spilling from South Babb Creek during the 100-year event, the majority of spills would be eliminated. In the hydraulic feasibility and preliminary constraints analysis report, a design was proposed where the Lochner Drive, White Road, and Farrington Drive culverts would be converted to voided slab bridges with a trapezoidal concrete channel underneath. A planning study would be required to evaluate other alternatives that would meet the same goal of reducing flooding risk to the area between South Babb Creek, Lower Silver Creek, and Story Road. Total project cost estimate = \$21.6 million and estimated project duration (all phases combined) = 5-6 years

# CIP Evaluation Team Recommendations:

## Projects Recommended for removal from the Unfunded List

As a result of the CIP Evaluation Team's recommendations, the following project is recommended for removal from the Unfunded project List:

**Long-Term Purified Water Elements:** This unfunded project was created as a “placeholder” to categorize future planned funding for a Phase 2 to the Purified Water Project. Staff recommends removing this project from the Unfunded list to allow time to facilitate coordination with the City of San Jose to develop a project and develop an updated cost estimate.



# Projects Planned for Closure in FY 2023

TO BE REMOVED FROM THE FY 2024-28 Five-Year Plan

• Cross Valley Pipeline Extension (under ADSRP)	\$7.72 M
• Coyote Warehouse	\$9.84 M
• ERP System Implementation	<u>\$17.57 M</u>
<b>TOTAL</b>	<b>\$35.13 M</b>

# CIP's Preliminary FY24-28 Five-Year Plan

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## PROJECT CATEGORIES



### Water Supply

28 projects



### Water Resources Stewardship

10 projects



### Flood Protection

16 projects



### Buildings and Grounds

3 projects



### Information Technology

4 projects

\* Projects that fall into multiple categories are only counted once



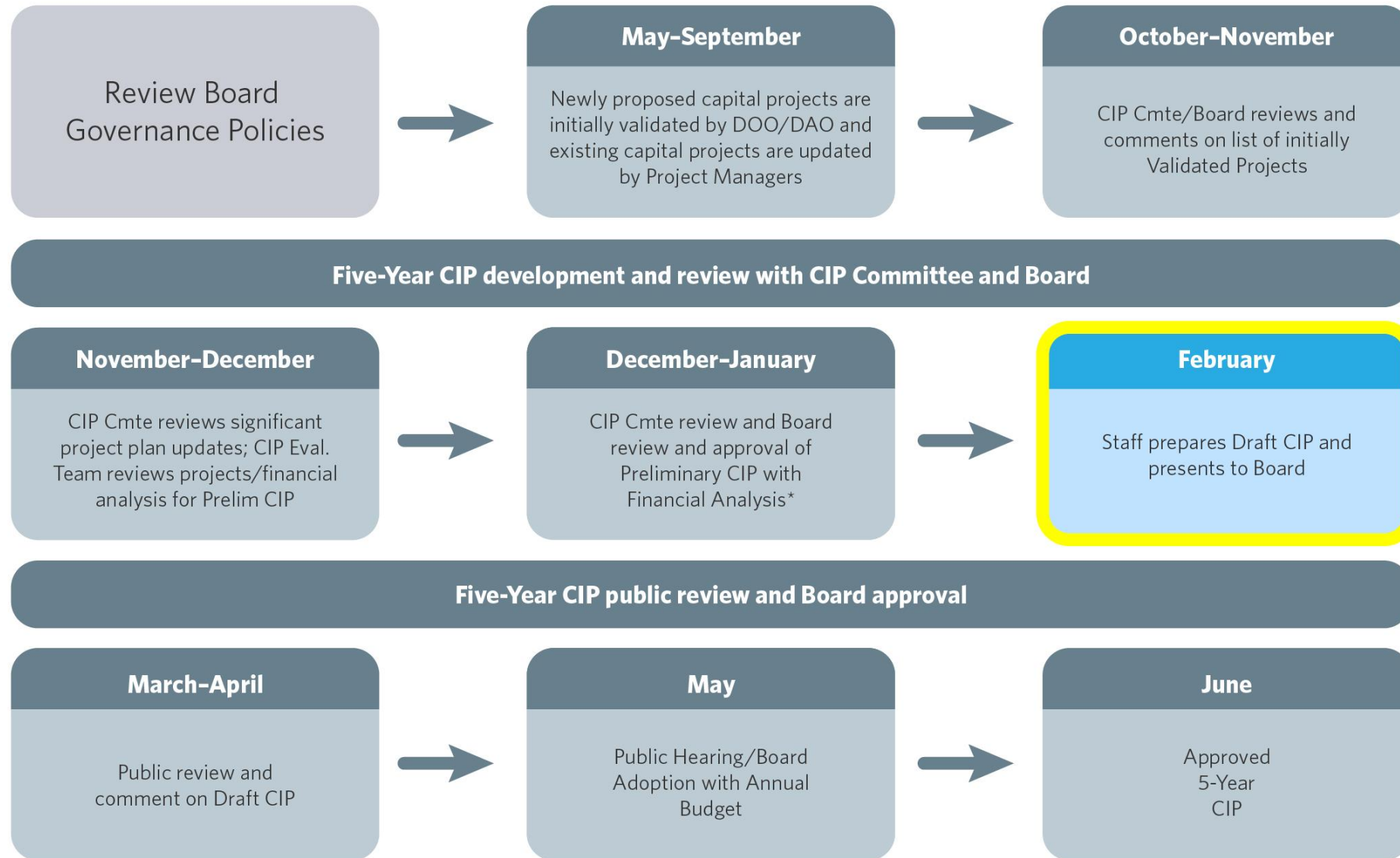
# CIP’s Preliminary FY24-28 Five-Year Plan

## SUMMARY OF PROJECT COSTS BY IMPROVEMENT TYPE

	Appropriated / Actuals through FY-23	Remaining Cost to Completion	Total Project Costs
Water Supply	\$1,197 M	\$6,109 M	\$7,306 M
Flood Protection	\$1,095 M	\$898 M	\$1,993 M
Stewardship	\$43 M	\$169 M	\$212 M
Buildings/Grounds	\$5 M	\$65 M	\$70 M
Information Technology	\$31 M	\$19 M	\$50 M
TOTAL CIP	\$2,373 M	\$7,259 M	\$9,632 M

# Annual Process Overview

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# Preliminary Financial Forecast Overview and Funding Scenarios Discussion for Fund 12 and Fund 26

Presented by

**Darin Taylor, Chief Financial Officer** (Groundwater Charges)

**Jessica Collins, Business Planning and Analysis Unit Manager** (Preliminary CIP/Safe, Clean Water Program)

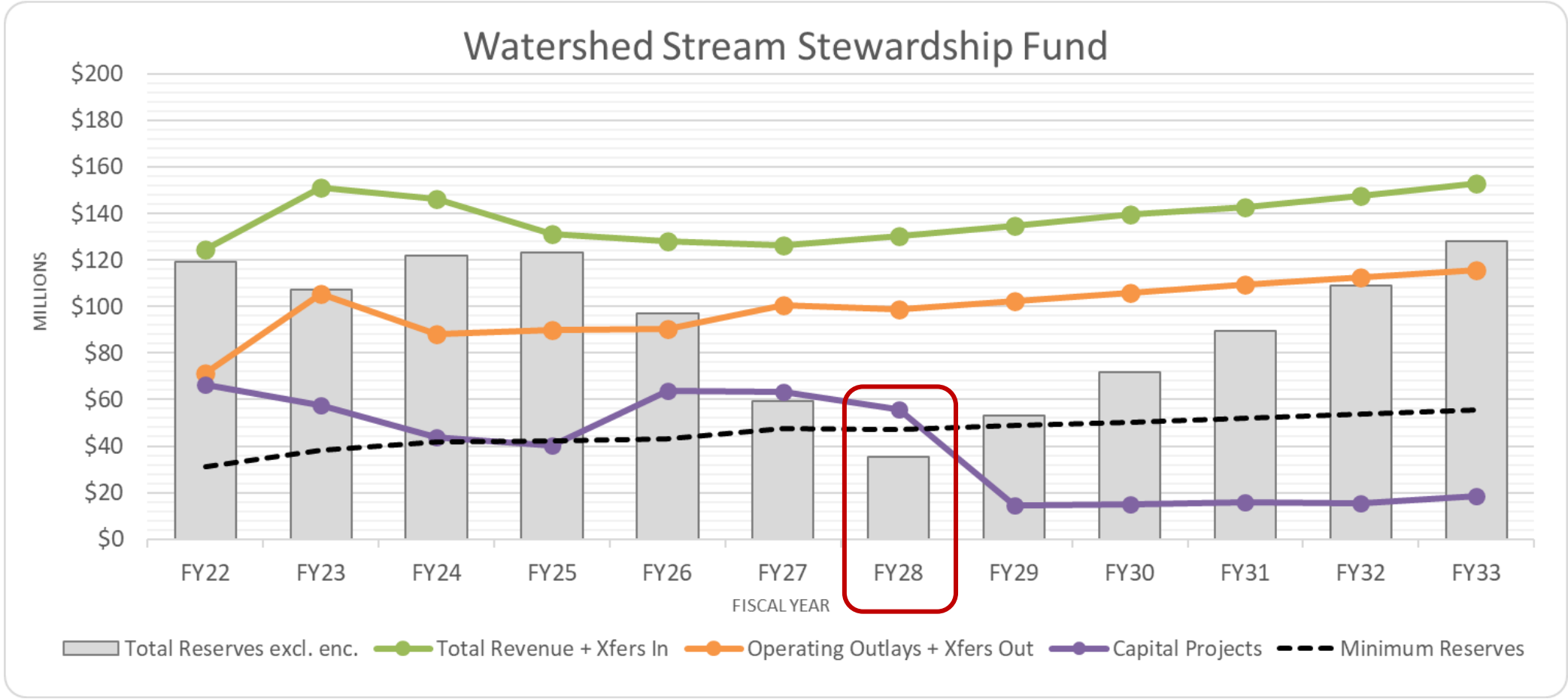
# Watershed Stream Stewardship Fund (Fund 12) Funding Scenario



# Watershed and Stream Stewardship (WSS) Fund - Baseline

## RESERVES DROP BELOW MINIMUM LEVELS DURING 10-YEAR FORECAST

### PROJECTION



O&M maintenance placeholder

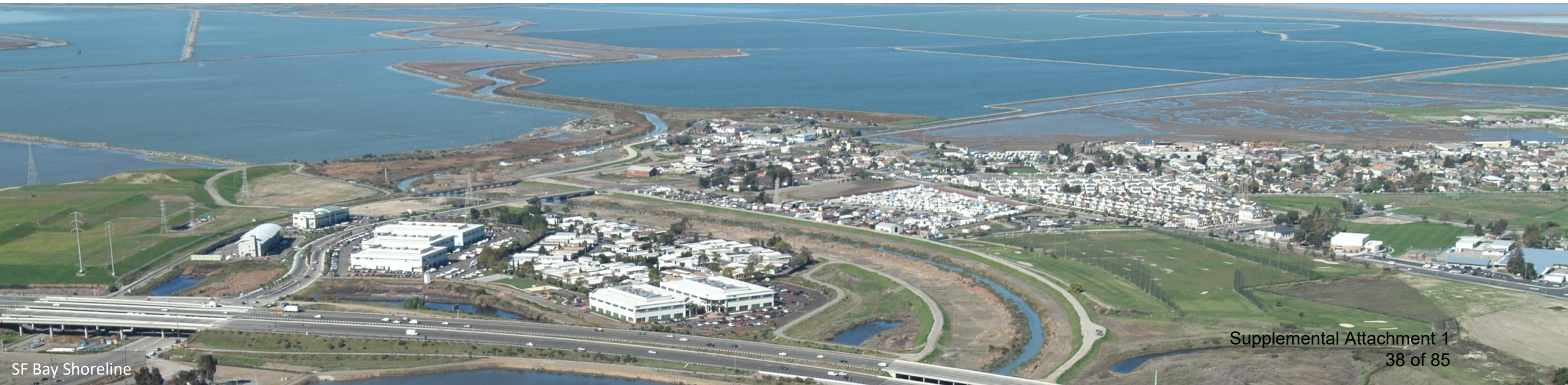
- \$2M/yr. FY 24 to FY 26
- \$5M/yr. FY 27 to FY 33

# CIP Evaluation Team Recommendations: Fund 12 Scenarios for Board Consideration

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Based upon Board and CIP Committee feedback and additional analysis, staff recommends the following scenario:

- Staff and CIP Committee Recommended Scenario
  - Baseline (includes all project plan updates to Board adopted CIP FY 2023-27 Five-Year Plan);
  - Palo Alto Flood Basin Tide Gates Replacement Project – On-hold (~\$75M).
    - Project may be incorporated into Shoreline Project; Imminent catastrophic structural failure unlikely.

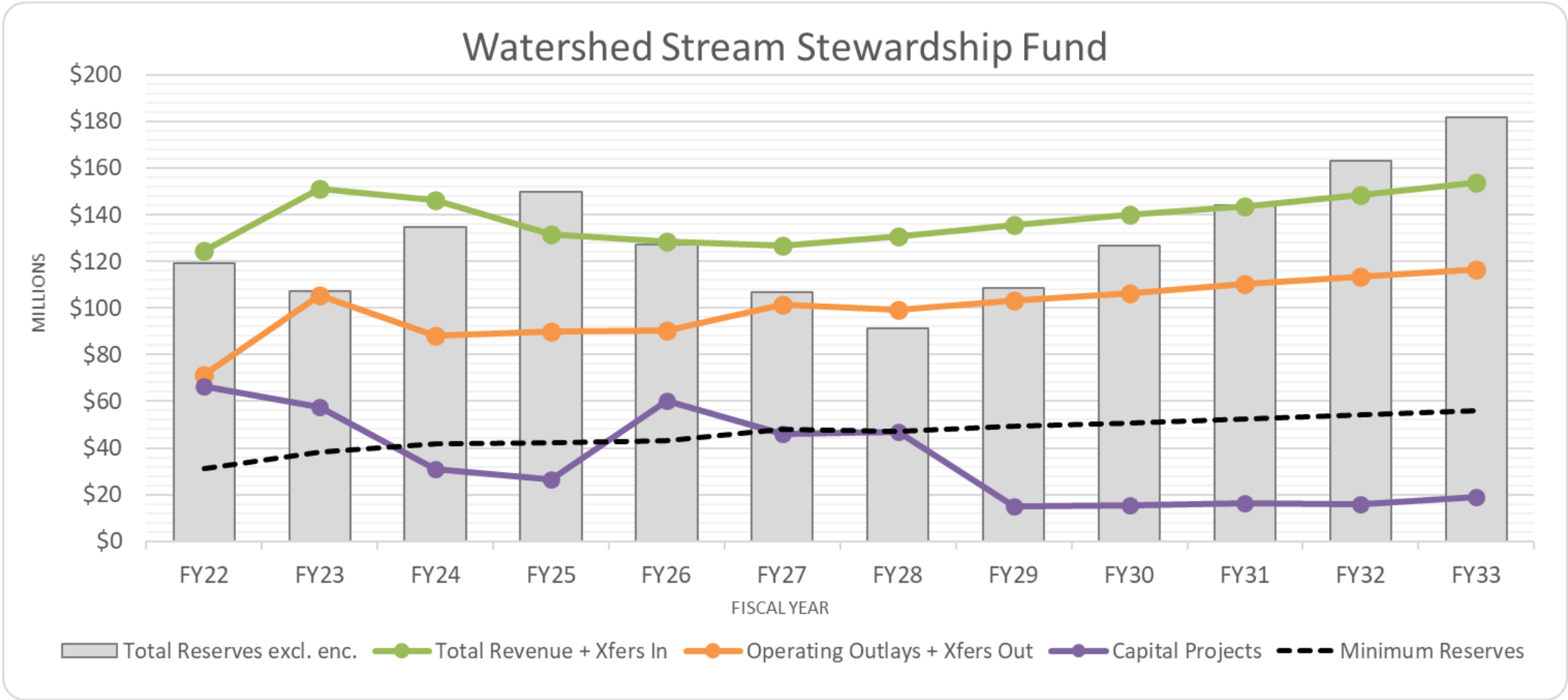




# Watershed and Stream Stewardship (WSS) Fund – Staff Rec. Alternative

RESERVES MAINTAINED ABOVE MINIMUM LEVELS DURING 10-YEAR FORECAST

## PROJECTION



**Revised Assumptions**

- Palo Alto Flood Basin project on hold

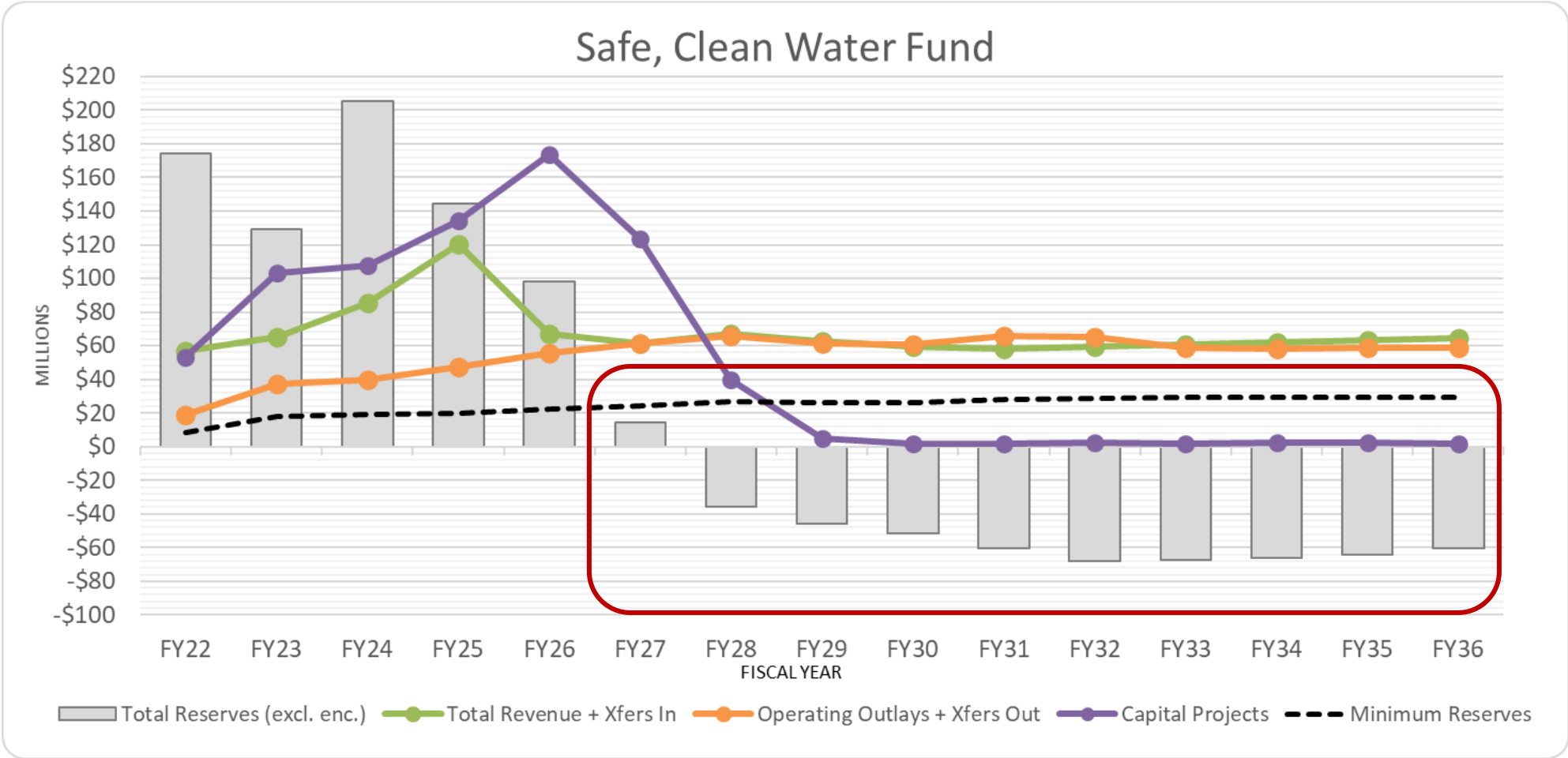
# Safe, Clean Water and Natural Flood Protection Program Fund (Fund 26) Funding Scenario



# Safe, Clean Water (SCW) Fund - Baseline

## RESERVES BELOW MINIMUM LEVELS FOR FIRST 15 YEARS OF MEASURE S PLAN

### PROJECTION



- Reflects \$146M in WIFIA loan funding
- Assumes \$89M NRCS Reimbursements for Upper Llagas Creek to fully construct Phase 2
- Assumes receipt of San Francisquito Creek outside funding sources, including \$30M from grants and partnerships through the SFCJPA

# CIP Evaluation Team Recommendations: Fund 26 Scenario for Board Consideration

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Based upon Board and CIP Committee feedback and additional analysis, staff recommends the following scenario:

## **Financial Model to include:**

- Baseline (includes all project plan updates to Board adopted CIP FY 2023-27 Five-Year Plan)
- Assumed higher FY24 Special Parcel Tax Growth (5% vs. 2%) due to potentially higher CPI to keep pace with inflation

## **Safe, Clean Water Program changes:**

### **Priority D**

- Fish Habitat and Passage Improvement Project (D4 Creek/Lake Separation Projects) - Select Almaden Lake Improvement Project to meet D4 Key Performance Indicator (KPI) #1 (Planning/Design only); and select the Ogier Ponds Project to meet D4 KPI #2 (construction) and modify the KPI #2 to partially fund construction of one creek/lake separation project (~\$5M) (Modify KPI).
- Restoration of Natural Creek Functions Project (D6.3) - Not implement the KPI #3 of the placeholder project (not implement project).

### **Priority E**

- Sunnyvale East and West Channels Flood Protection Project (E2)– Place construction of the Sunnyvale East Channel on-hold and reallocate the construction funding to Fund 26 reserves (Modify funding allocation).
- Upper Penitencia Creek Flood Protection Project (E4) – Place construction of the Project on-hold and reallocate the construction funding to Fund 26 reserves (Modify funding allocation).



# Pros vs. Cons of Fund 26 Scenario

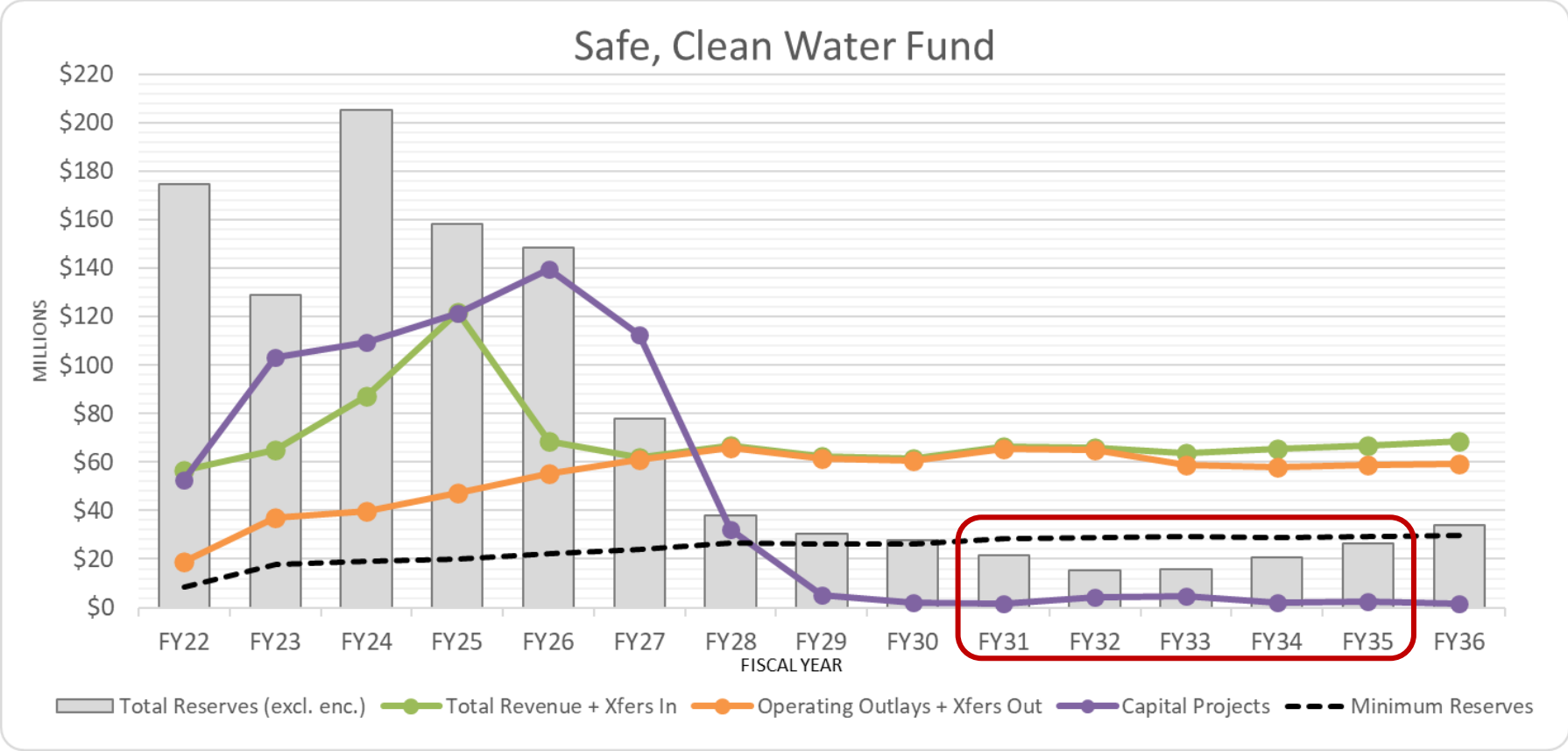
Staff Recommended Scenario	Pros	Cons
<p><b>Safe, Clean Water Changes:</b></p> <ul style="list-style-type: none"><li>• Modify KPI D4.2 to <u>partially fund</u> construction of a creek/lake separation project (~\$5M) (Public hearing to modify KPI)</li><li>• Not implement D6.3 placeholder project, the third geomorphic-designed project under Project D6 (Public hearing to not implement project); and</li><li>• Reallocate construction funding for Sunnyvale East Channel and the Upper Penitencia Project and place construction on-hold until funding can be identified (Public hearing to modify funding allocations)</li></ul>	<p>Project D4 continues to meets the objectives of the creek/lake separation KPIs.</p> <p>Minimizes risk to the communities along Coyote Creek by moving forward with the planned construction schedule for the Coyote Creek Flood Protection Project to align with completion of the high-level outlet for the Anderson Dam Seismic Retrofit Project.</p> <p>Allows VW to proceed with construction on the Sunnyvale West Channel, benefitting the community along the channel by providing fluvial protection. Allows time for Google to formalize a request to do a project along Sunnyvale East, similar to what was done along Sunnyvale West.</p>	<p>Defers construction of Sunnyvale East Channel (from FY24 start date to TBD), which results in prolonged risk of flooding to the communities along Sunnyvale East Channel. Additional challenge is deferring the project halts negotiations for Temporary Construction Easements and discussions with Twin Creek Park (Santa Clara County) development.</p> <p>Defers construction of Upper Penitencia Creek Flood Protection Project (from FY26 start date to TBD), which results in prolonged risk of flooding to the communities along Upper Penitencia Creek.</p>

**Note:** The scenario also includes Baseline, Assumed Higher Special Parcel Tax Rate/NRCS Funding.

# Safe, Clean Water (SCW) Fund – Staff Recommended Alternative

RESERVES ARE NEAR OR ABOVE MINIMUM LEVELS FOR FIRST 15 YEARS OF MEASURE S PLAN

## PROJECTION



### Revised Assumptions

- Adjusted Special Parcel Tax Revenue (potential higher increase of 5% over usual 2%)
- Construct Sunnyvale West Flood Protection
- Place on hold pending funding availability:
  - Upper Penitencia Creek Flood Protection
  - Sunnyvale East Flood Protection
- Do Not Implement:
  - D6.3 Placeholder Project
- Modify:
  - Fund planning & design for D4.1 Almaden Lake
  - Partially fund construction for D4.2; select Ogier Pond



# Fund 26: Change Control Process

	Adjustments (publicly noticed meetings)	Modifications (formal public hearing required)
Text	Edits to text for correction of grammatical errors, information/data updates, and overall readability.	Changes to a project’s key performance indicators (KPIs).
Schedule	Adjustments to project schedules provided in the original 2020 voter-approved Program.	Non-implementation of a project.
Funding	Budget adjustments and increases to project funding allocations that do not impact any project deliverables in the Program.	Increases to project funding allocations that will impact any project’s KPIs in the Program.

# Immediate Action

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- Approve the Funding Scenario for Fund 12 and approve FY 24-28 Preliminary CIP list of projects for Fund 12
- Review proposed adjustments and modifications to the Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water Program) Fund (Fund 26)
- Set the time and place for a public hearing for modifications to the Safe, Clean Water Program (Fund 26) Projects (Regular Board Meeting on January 24, 2023)

## Next Steps

- Hold the public hearing to receive community feedback regarding the funding scenario
- Upon close of the public hearing adopt a resolution to modify the Safe, Clean Water Program based upon the Board decision
- Review and approve CIP's FY 24-28 Preliminary Five-Year Plan list of projects for Fund 26.



# Preliminary FY 2023-24 Groundwater Production Charge Analysis



- 1. Responses to the Board from December 13, 2022 meeting**
- 2. Impact of Ongoing Drought, Inflation & Recession on Preliminary Analysis**
- 3. Water Usage & Water Utility Cost Projections**
- 4. Baseline Scenario Assumptions & Alternative Scenarios**
- 5. Preliminary Groundwater Charge Forecast (Baseline & Alt. Scenarios)**
- 6. Other Information**
- 7. Schedule & Summary**

# Follow up on question from Board re: Water Utility WIFIA loans

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## QUESTIONS FROM BOARD ON DECEMBER 13, 2022:

**Can a substitute package of projects for the same total project cost (TPC) be completed faster than the Pacheco Reservoir Expansion Project with the WIFIA loan?**

**A. Could a substitute package of projects for same TPC be put together?**

**Answer:** No, only a fraction (25%) of TPC is potentially possible based on Draft FY 24-28 CIP

**B. Could a package of Water Utility projects be completed faster than currently scheduled if paired with the WIFIA loan instead of the Pacheco Reservoir Expansion Project?**

**Answer:** No, most potential substitute projects are already on fastest schedule

# Follow up on question from Board re: Water Utility WIFIA loans

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## Pacheco Reservoir Expansion Project

Total Project Cost (TPC): \$2,780M with FY 28 to FY 35 construction

### WIFIA Substitute Project Analysis:

Not a  
substitution  
candidate

#### 1. **Purified Water Program: TPC \$1,218M with FY 25 to FY 28 construction via P3**

- Staff will submit WIFIA Letter of Interest when project specifics are known
- P3 Partner would submit loan application and secure loan with EPA

#### 2. **Rinconada WTP Reliability Improvement: TPC \$362M for Phases 3 - 6 with FY 24 to FY 29 construction)**

- Cannot speed up versus current schedule (July 2023 advertisement for phases 3 to 6)

#### 3. **Calero Dam Seismic Retrofit: TPC \$164M with FY 32 to FY 35 construction**

- Cannot speed up versus current schedule (must complete Anderson first)

#### 4. **Almaden Valley Pipeline Replacement: TPC \$113M with FY 29 to FY 41 Construction**

- Too early to know if schedule can be faster (currently in planning/pre-design)

#### 5. **Guadalupe Dam Seismic Retrofit: TPC \$85M with FY 28 to FY 31 construction**

- Cannot speed up versus current schedule (due to likely permitting challenges)

#### 6. **10-Year Pipeline Rehabilitation: TPC \$155M (\$50M for remaining work thru FY 27)**

- Project is well underway

TPC = \$705M  
Versus  
\$2,780M for  
Pacheco

Not a  
substitution  
candidate



# Follow up on question from Board re: Water Utility WIFIA loans

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## RINCONADA WTP RELIABILITY IMPROVEMENT NOT A GOOD CANDIDATE FOR WIFIA

### Timing Challenge

- WIFIA loan must be in place prior to contract advertisement in July 2023 (only 6 months away)
  - Federal compliance requirements cannot be included in advertised construction plans and specs unless Board & EPA have approved WIFIA loan
- A new WIFIA loan package would likely take 1 year to apply, negotiate and approve
- Substitution request in lieu of Pacheco is subject to EPA review (no guarantee of EPA approval & no guarantee of meeting short time frame)

### Compliance Challenge

- Meeting federal and environmental loan requirements could cause delays and cost increases
  - Examples include National Environmental Policy Act (NEPA), American Iron and Steel, Davis Bacon, among others, which are currently not requirements

# Ongoing drought has significant impact on preliminary analysis

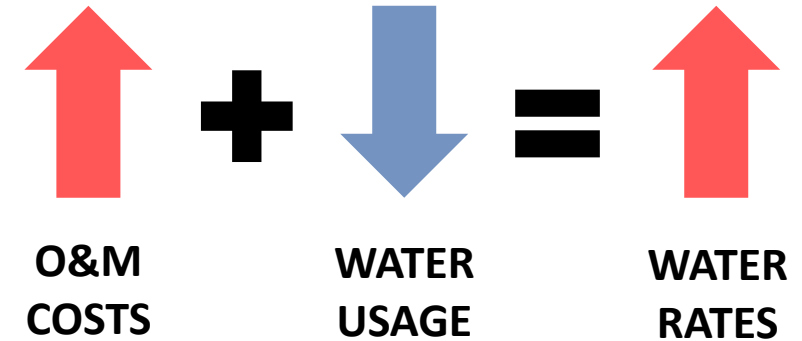
52

## DROUGHT PUTTING PRESSURE ON NEAR-TERM (FY24 & FY25) WATER RATES:

### Ongoing Drought Puts Pressure on Water Rates:

#### O&M Costs up

- Emergency Water Purchases projected to be \$28.3M in FY24 & FY25
- Emergency Conservation activities projected to be \$7.0M in FY24 & FY25



**Water Usage down:** Mandatory 15% call for conservation compared to 2019 (on track to achieve in FY23)

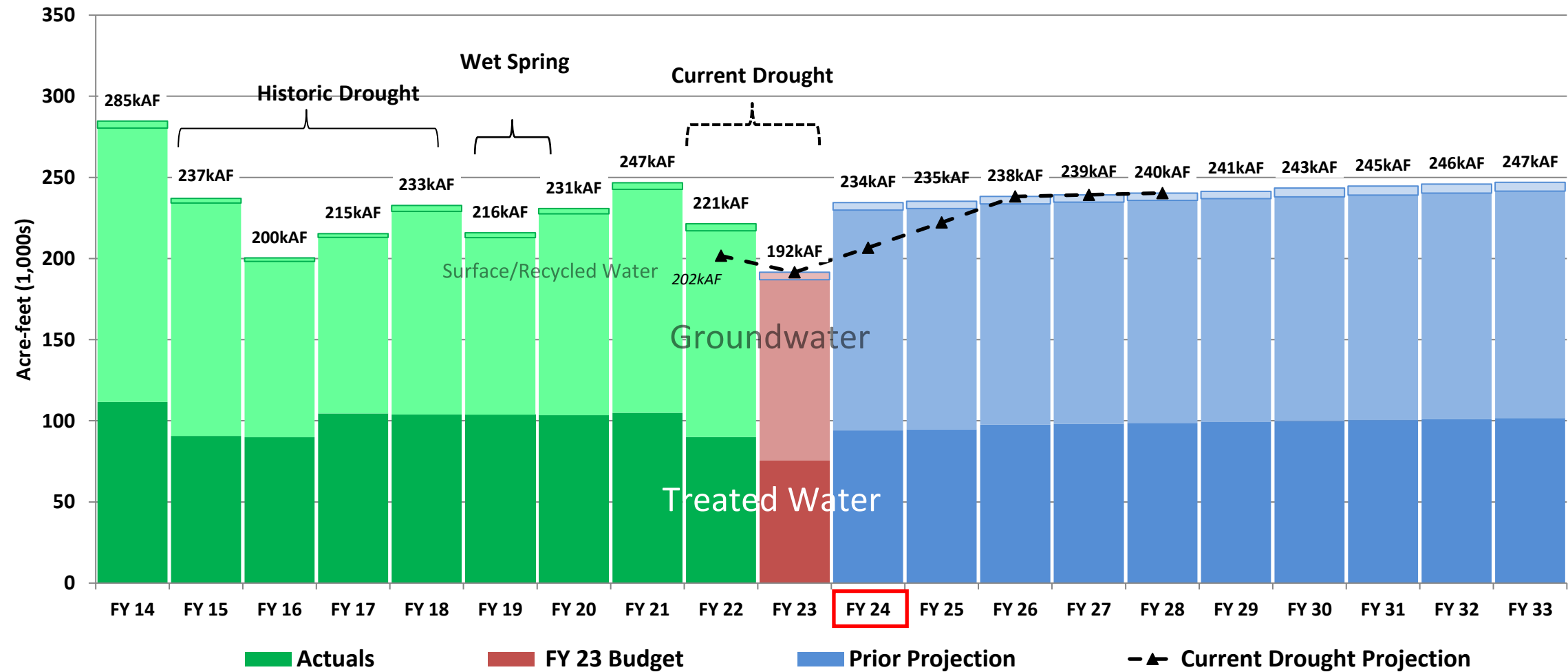
- Results in lower revenue to pay for highly fixed cost structure

### Continued Measures to Soften Water Rate Impact:

- Draw down Rate Stabilization & Supplemental Water reserves in FY 24 & FY 25
- Suspension of certain position backfills, sharing certain positions between multiple divisions, careful scrutiny of draft biennial budget to offset inflation impact

# Water Usage (District Managed)

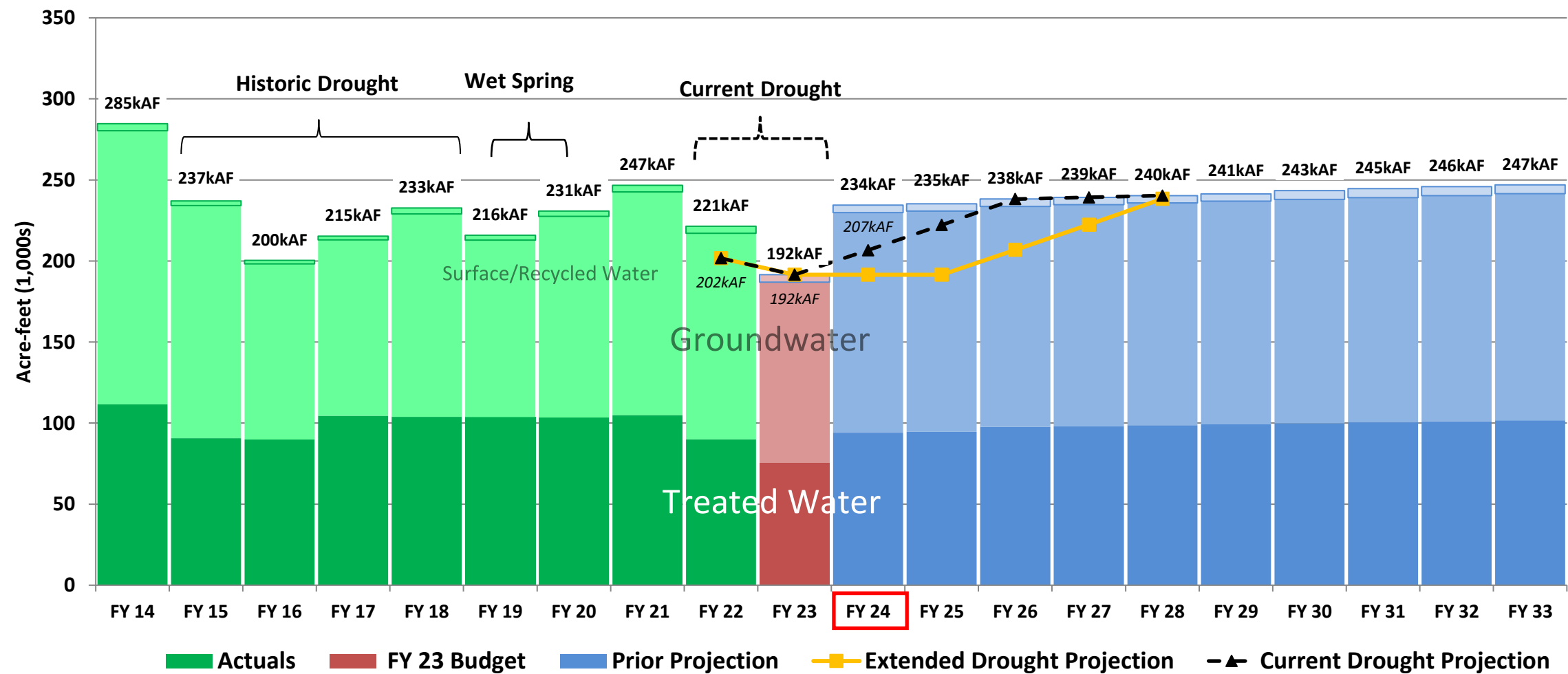
Water Usage (District Managed)





# Water Usage (District Managed) – Extended Drought Scenario

Water Usage (District Managed)



# Impacts of Inflation & Potential Recession

## TO THE WATER UTILITY

55

### Water Utility Revenue

Water Charge Revenue: Likely immaterial impact to water usage from inflation trends or recession

- Note: several water retailers report no improvement in customer delinquencies

State Water Project Tax: No impact expected unless Teeter Plan suspended (unlikely)

### Operations & Maintenance, Capital and Debt Financing

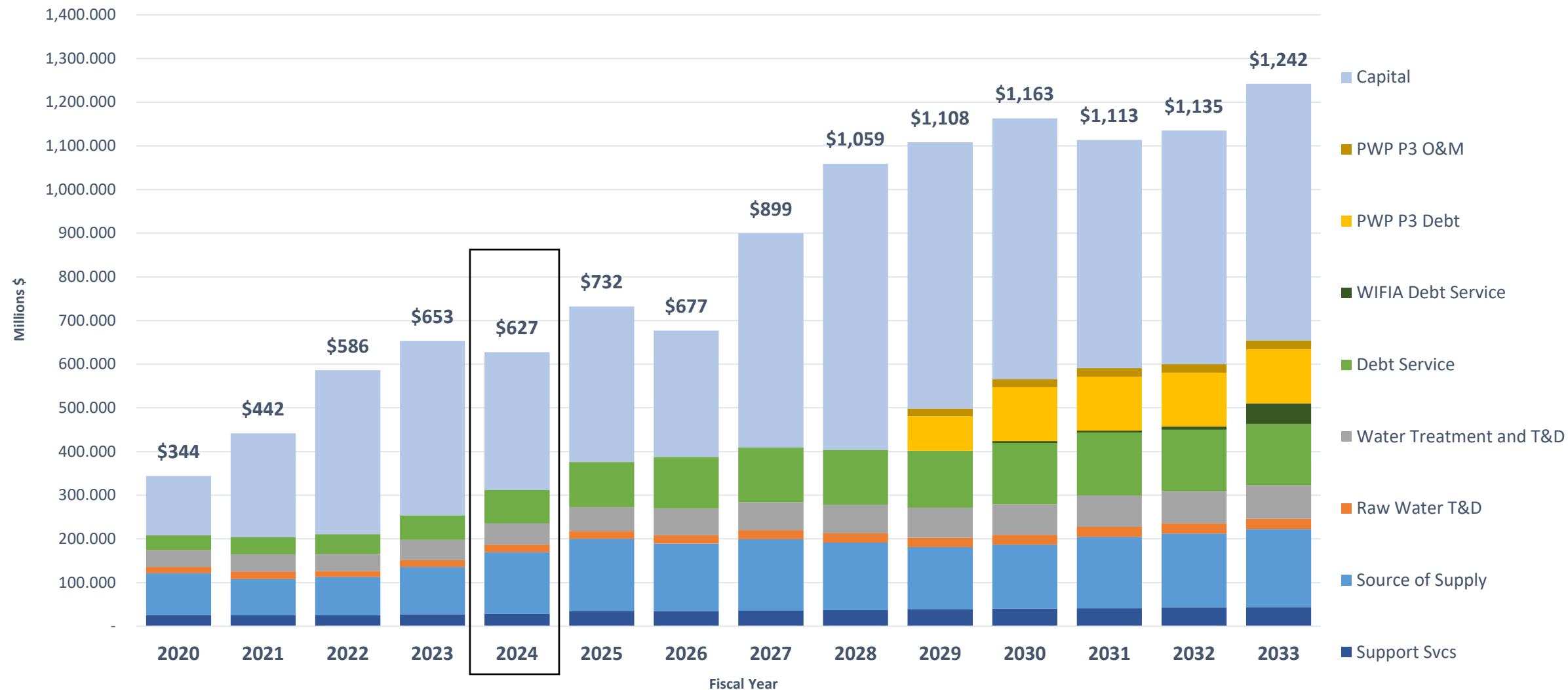
Significant cost increases, but recession may ease inflation

Draft FY2024-28 CIP is significantly higher than Adopted FY2023-27 CIP

Rising interest rates mean more costly debt issuances, partially offset by higher investment earnings

**Bottom Line:** Cost increases will drive additional upward pressure on water rates

# Preliminary Cost Projection





# Infrastructure Repair and Water Supply Investments Drive Medium-Term and Long-Term Water Rates

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## Key drivers of medium-term rate projection (FY 26 thru FY 30)

### **RWTP Reliability Improvement**

**(\$166M TPC increase to \$628M)**

- Extend service life of plant for next 50 years and expand plant capacity

### **Purified Water Program**

**(\$466M TPC increase to \$1.218B)**

- Provide incremental drought proof water supply

# Infrastructure Repair and Water Supply Investments Drive Medium-Term and Long-Term Water Rates

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## Key drivers of medium-term (FY 26 thru FY 30) & long-term rate projection (Beyond FY 30)

### **Anderson Dam Seismic Retrofit *all projects combined* (\$183.1M TPC increase to \$1.419B)**

- Address public health and safety concerns and relieve operations restrictions
- Medium-term rate impact partially mitigated by WIFIA loan repayment terms

## Key drivers of long-term rate projection (Beyond FY 30)

### **Pacheco Reservoir Expansion (\$319M TPC increase to \$2.780B)**

- Add water storage to help face extended droughts
- Medium-term rate impact mitigated by grant funding and WIFIA loan repayment terms

# Rate setting strategy for FY 2023-24

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## FY 24 BASELINE CASE ASSUMPTIONS:

### Drought Related

- Emergency Water Supply Purchases anticipated in FY24 (\$19.1M) and FY25 (\$9.2M)
- Slight increase in District-managed water usage – projected at 205 kAF (vs. 192 kAF in FY23)

### Secure Existing Supplies and Infrastructure

- Baseline Projects\*
- Anderson Dam Seismic Retrofit with WIFIA loan (up to 49% of TPC)
- Master Plan Projects Placeholder\*\*: Assumes \$333M from FY26-FY33
- SWP Tax pays for 100% of SWP costs (excludes SWP portion of Delta Conveyance)
- Delta Conveyance SWP portion continues at 3.23%

### Expand Conservation and Reuse

- Purified Water Expansion via P3 with operations beginning in FY28, assumes 100% debt financing through P3 entity

### Optimize the System

- Pacheco Reservoir Expansion Project (PREP) with \$504M Proposition 1 grants, WIFIA loan (up to 49% of TPC) and Partnership Participation at 35% of TPC
- Los Vaqueros (Transfer Bethany Pipeline) with up to 50 KAF Storage

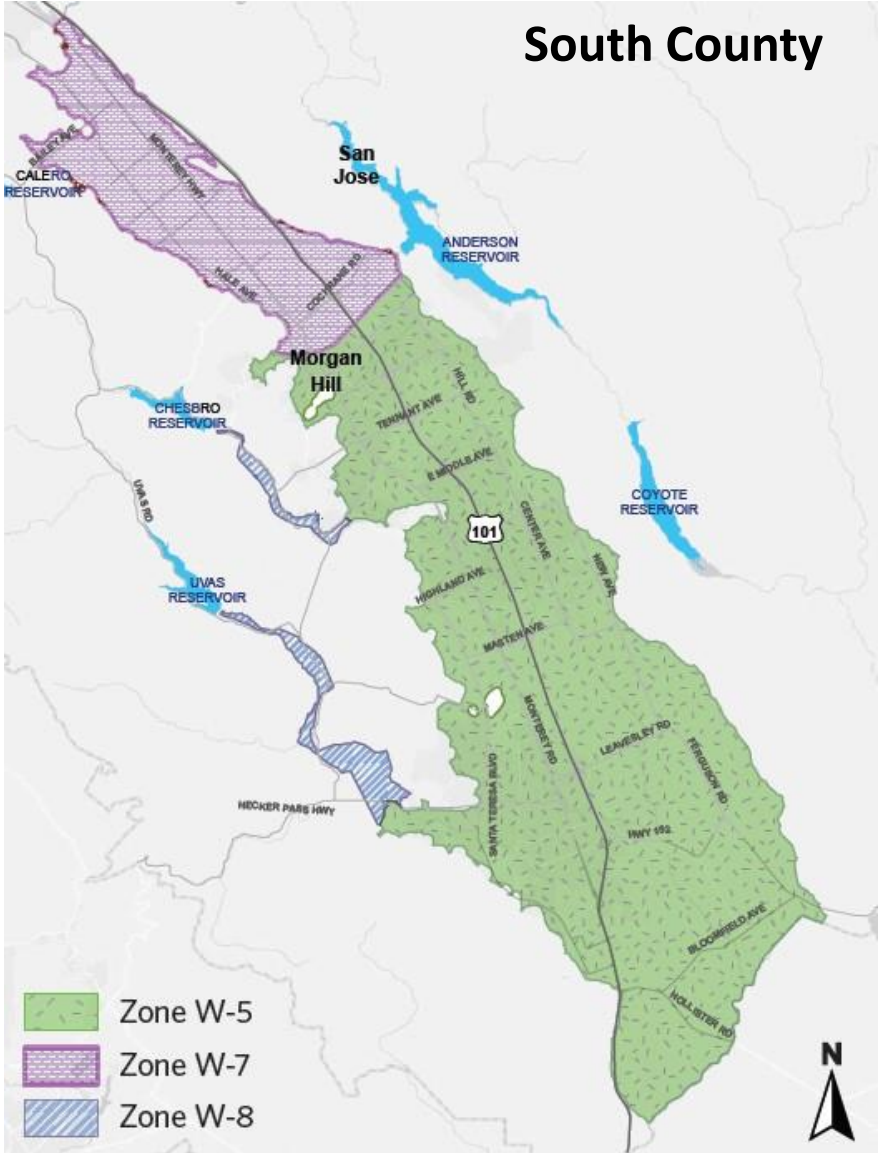
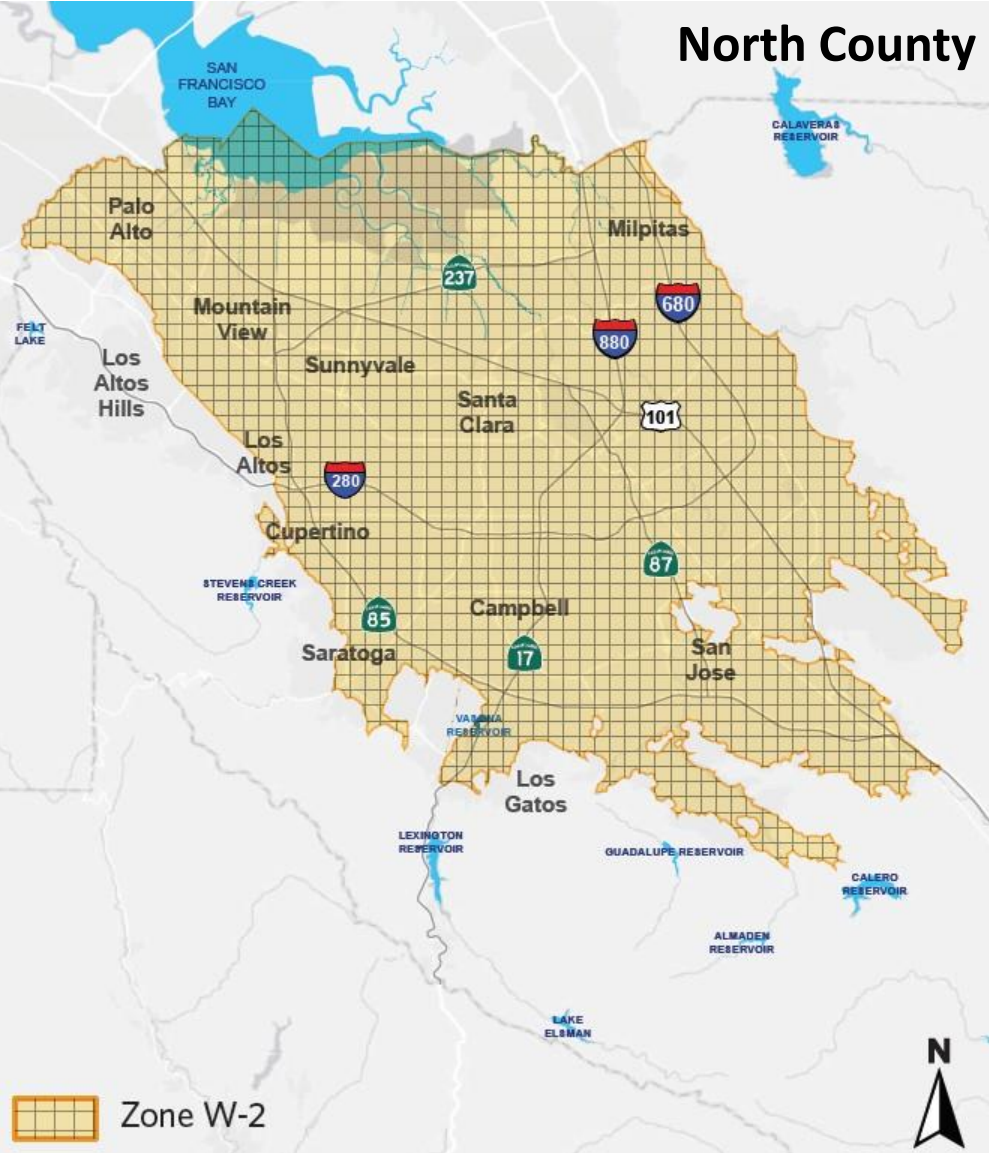
\* Includes but not limited to dam seismic retrofits, Rinconada WTP reliability improvement, 10-year pipeline rehabilitation program

\*\* Master Plan Project Placeholder includes anticipated costs for new pipelines, pipeline rehabilitations, treatment plant upgrades & SCADA implementation projects

TPC: Total Project Cost



# Groundwater Benefit Zones



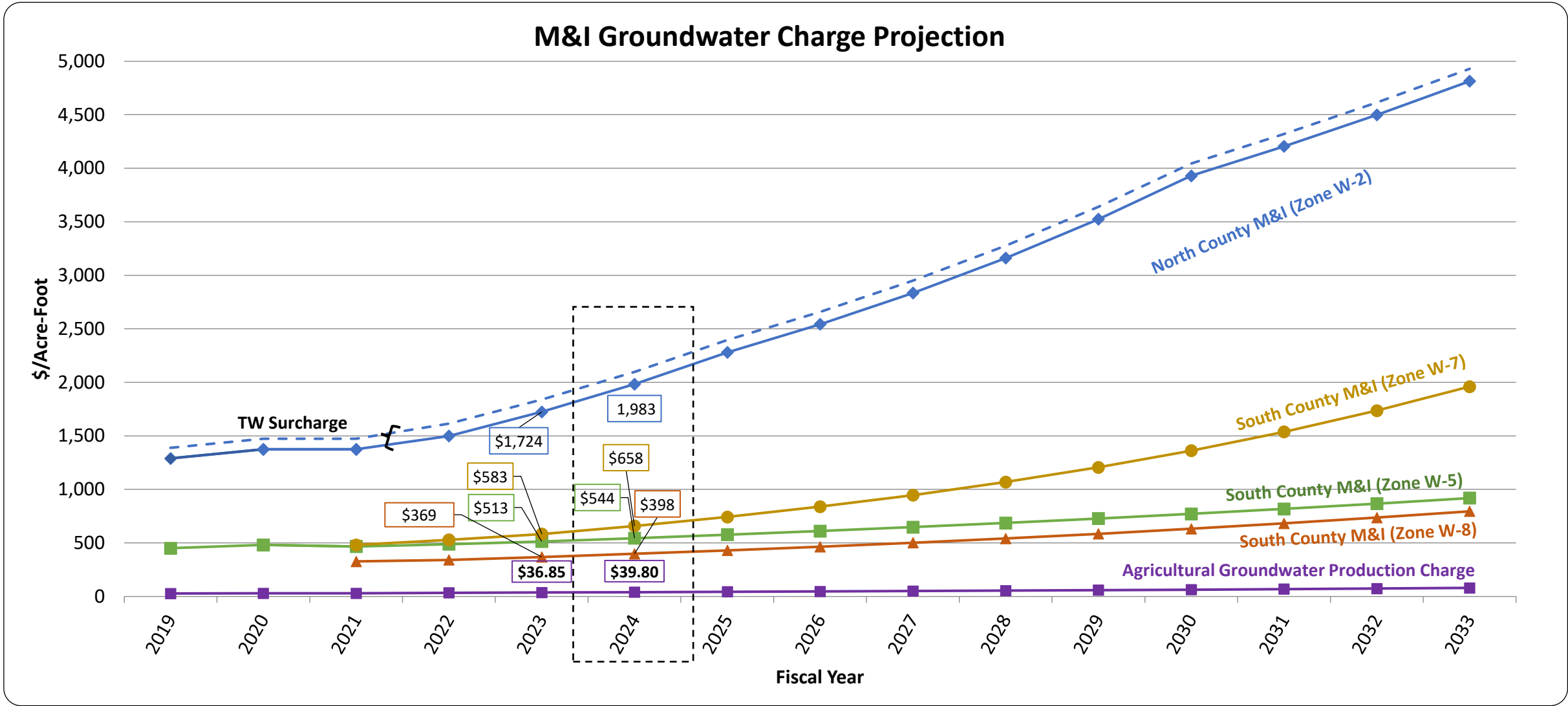
# Preliminary Groundwater Charge Increase Projection

## Baseline Scenario

M&I Groundwater Charge Year to Year Growth %

Baseline Scenario 1	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
North County Zone W-2	15%	15%	11.5%	11.5%	11.5%	11.5%	11.5%	7.0%	7.0%	7.0%
Prior Year	15%	15%	9.1%	9.1%	9.1%	9.1%	9.1%	5.0%	5.0%	
South County Zone W-5	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Prior Year	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	
South County Zone W-7	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%
Prior Year	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	10.3%	
South County Zone W-8	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%
Prior Year	8%	8%	8%	8%	8%	8%	8%	8%	8%	

# Preliminary Groundwater Production Charge Projection





# Rate setting strategy for FY 2023-24 – additional scenarios

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## ADDITIONAL FY 24 SCENARIOS:

- Scenario 2**      Baseline with Extended Drought: Water use projection remains about 192kAF in FY24 and FY25 combined with \$20M/year in Emergency Water Purchases
- Scenario 3**      Baseline with 0% Partnership Participation Funding for Pacheco Reservoir Expansion
- Scenario 4**      Baseline excluding Pacheco Reservoir Expansion Project
- Scenario 5**      Baseline with \$100M Reduction in Total Project Costs for the Purified Water Program
- Scenario 6**      Baseline with \$183M Potential Grant Funding for PWP combined with \$100M Reduction in Total Project Costs for the Purified Water Program

*All scenarios assume annual water use growth of ~ 0.5% based on Urban Water Management Plan.*

*Financial modeling for Scenarios 2 – 6 includes the same projects and assumptions as Baseline Scenario 1 unless noted otherwise.*

# Preliminary Groundwater Charge Increase Scenarios

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## M&I Groundwater Charge Year to Year Growth %

North County Zone W-2	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Baseline Scenario #1	15.0%	15.0%	11.5%	11.5%	11.5%	11.5%	11.5%	7.0%	7.0%	7.0%
Scenario #2 – Baseline with Extended Drought	24.5%	22.0%	9.4%	9.4%	9.4%	9.4%	9.4%	5.0%	5.0%	5.0%
Scenario #3 – Baseline with 0% PREP Partnership Funding	15.0%	15.0%	12.0%	12.0%	12.0%	12.0%	12.0%	7.0%	7.0%	7.0%
Scenario #4 – Baseline excluding Pacheco	15.0%	15.0%	11.5%	11.3%	11.3%	11.3%	11.3%	5.5%	5.5%	5.5%
Scenario #5 – Baseline with \$100M lower PWP TPC	15.0%	15.0%	11.5%	11.0%	11.0%	11.0%	11.0%	6.8%	6.8%	6.8%
Scenario #6 – Scenario #5 + \$183M PWP Grant Funding	15.0%	15.0%	9.9%	9.9%	9.9%	9.9%	9.9%	6.3%	6.3%	6.3%

# Preliminary Monthly Impact to Average Household Scenarios

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## M&I Groundwater Charge – Monthly impact to Average Household

North County Zone W-2	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Baseline Scenario #1	\$8.91	\$10.24	\$9.03	\$10.07	\$11.23	\$12.52	\$13.96	\$9.47	\$10.14	\$10.85
Scenario #2 – Baseline with Extended Drought	\$14.55	\$16.26	\$8.48	\$9.27	\$10.15	\$11.10	\$12.14	\$7.07	\$7.42	\$7.79
Scenario #3 – Baseline with 0% PREP Partnership Funding	\$8.91	\$10.24	\$9.42	\$10.55	\$11.82	\$13.24	\$14.83	\$9.69	\$10.36	\$11.09
Scenario #4 – Baseline excluding Pacheco	\$8.91	\$10.24	\$9.03	\$9.89	\$11.01	\$12.26	\$13.64	\$7.39	\$7.80	\$8.22
Scenario #5 – Baseline with \$100M lower PWP TPC	\$8.91	\$10.24	\$9.03	\$9.63	\$10.69	\$11.87	\$13.17	\$9.04	\$9.65	\$10.31
Scenario #6 – Scenario #5 + \$183M PWP Grant Funding	\$8.91	\$10.24	\$7.77	\$8.54	\$9.39	\$10.32	\$11.34	\$7.93	\$8.43	\$8.96

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

# Preliminary Groundwater Charge Increase Scenarios

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## M&I Groundwater Charge Year to Year Growth %

South County Zone W-5	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Baseline Scenario #1										
Scenario #2 – Baseline with Extended Drought										
Scenario #3 – Baseline with 0% PREP Partnership Funding	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Scenario #5 – Baseline with \$100M lower PWP TPC										
Scenario #6 – Scenario #5 + \$183M PWP Grant Funding										
Scenario #4 – Baseline excluding Pacheco	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%	4.9%



# Preliminary Monthly Impact to Average Household Scenarios

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## M&I Groundwater Charge – Monthly impact to Average Household

South County Zone W-5	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Baseline Scenario #1										
Scenario #2 – Baseline with Extended Drought										
Scenario #3 – Baseline with 0% PREP Partnership Funding	\$1.06	\$1.12	\$1.19	\$1.26	\$1.34	\$1.42	\$1.50	\$1.59	\$1.69	\$1.79
Scenario #5 – Baseline with \$100M lower PWP TPC										
Scenario #6 – Scenario #5 + \$183M PWP Grant Funding										
Scenario #4 – Baseline excluding Pacheco	\$0.87	\$0.91	\$0.95	\$1.00	\$1.05	\$1.10	\$1.15	\$1.21	\$1.27	\$1.33

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

# Preliminary Groundwater Charge Increase Scenarios

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## M&I Groundwater Charge Year to Year Growth %

South County Zone W-7	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Baseline Scenario #1										
Scenario #2 – Baseline with Extended Drought										
Scenario #3 – Baseline with 0% PREP Partnership Funding	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%	12.9%
Scenario #5 – Baseline with \$100M lower PWP TPC										
Scenario #6 – Scenario #5 + \$183M PWP Grant Funding										
Scenario #4 – Baseline excluding Pacheco	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%

# Preliminary Monthly Impact to Average Household Scenarios

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## M&I Groundwater Charge – Monthly Impact To Average Household

South County Zone W-7	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Baseline Scenario #1										
Scenario #2 – Baseline with Extended Drought										
Scenario #3 – Baseline with 0% PREP Partnership Funding	\$2.59	\$2.92	\$3.30	\$3.72	\$4.20	\$4.75	\$5.36	\$6.05	\$6.83	\$7.71
Scenario #5 – Baseline with \$100M lower PWP TPC										
Scenario #6 – Scenario #5 + \$183M PWP Grant Funding										
Scenario #4 – Baseline excluding Pacheco	\$2.05	\$2.25	\$2.48	\$2.74	\$3.02	\$3.33	\$3.66	\$4.04	\$4.45	\$4.90

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

# Preliminary Groundwater Charge Increase Scenarios

## M&I Groundwater Charge Year To Year Growth %

South County Zone W-8	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Baseline and all Scenarios	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%

## M&I Groundwater Charge – Monthly Impact To Average Household

South County Zone W-8	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Baseline and all Scenarios	\$1.02	\$1.10	\$1.18	\$1.28	\$1.38	\$1.49	\$1.61	\$1.74	\$1.88	\$2.03

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



# Agricultural Groundwater Charge Increase & Prior Direction

## District Act limits Agricultural Water Charges to 25% of M&I Water charges

- Board Pricing Policy (Resolution 99-21) further limits Agricultural Water Charges to 10% of M&I Water Charges

## Board Direction in FY 22

- Maintain full Open Space Credit, keeping Ag rates set at 10% of lowest M&I charge
  - Rationale: passage of Safe, Clean Water Measure S helped relieve future financial pressure

### Agricultural Groundwater Charge Year To Year Growth %

Agricultural Rate	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Baseline and all Scenarios	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%

### M&I Groundwater Charge – Monthly Impact To Average User\*

Agricultural Rate	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Baseline and all Scenarios	\$0.49	\$0.53	\$0.57	\$0.62	\$0.67	\$0.72	\$0.78	\$0.84	\$0.91	\$0.98

\* Assumes 2 acre-feet of water usage per acre per year

# Other Charges, Taxes, Reserves Information

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	FY 2023	FY 2024	FY 2025
<b><u>Other Charges</u></b>	<b><u>Budget</u></b>	<b><u>Projection</u></b>	<b><u>Projection</u></b>
Contract TW Surcharge (\$/AF)	\$115.00	\$115.00	\$115.00
Non-contract TW Surcharge (\$/AF)	\$200.00	\$200.00	\$200.00
Surface Water Master Charge (\$/AF)	\$47.10	\$54.20	\$62.40
Agricultural Groundwater Charge (\$/AF)	\$36.85	\$39.80	\$42.98
<b><u>SWP Tax</u></b>			
Revenue	\$27M	\$27M	\$28M
Cost per average household	\$41/Yr.	\$41/Yr.	\$42/Yr.
<b><u>Reserves</u></b>			
Supplemental Water Reserve	\$5.3M	\$2.7M	\$2.7M
Drought Reserve	\$0M	\$0M	\$0M
Rate Stabilization Reserve	\$41.0M	\$6.0M	\$27.5M *
Operating and Capital Reserve	\$38.0M	\$57.7M	\$63.8M

\* FY 25 Rate Stabilization Reserve balance assumes full replenishment to target offset by \$15M draw down for debt service coverage purposes.

# 2023 Schedule

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<b>Jan 9</b>	<b>Ag Water Advisory Committee</b>
<b>Jan 10</b>	<b>Board Meeting: Preliminary Groundwater Charge Analysis</b>
<b>Jan 18</b>	<b>Water Retailers Meeting: Preliminary Groundwater Charge Analysis</b>
<b>Jan 23</b>	<b>Water Commission Meeting: Prelim Groundwater Charge Analysis</b>
<b>Feb 7</b>	<b>Board Meeting: Set time &amp; place of Public Hearing</b>
<b>Feb 24</b>	<b>Mail notice of public hearing and file PAWS report</b>
<b>Mar 7</b>	<b>Board Meeting: Budget development update</b>
<b>Mar 15</b>	<b>Water Retailers Meeting: FY 24 Groundwater Charge Recommendation</b>
<b>Apr 3</b>	<b>Ag Water Advisory Committee</b>
<b>Apr TBD</b>	<b>Water Commission Meeting</b>
<b>Apr 11</b>	<b>Open Public Hearing</b>
<b>Apr TBD</b>	<b>Continue Public Hearing in South County</b>
<b>Apr 25</b>	<b>Conclude Public Hearing</b>
<b>Apr 26-27</b>	<b>Board Meeting: Budget work study session</b>
<b>May 9</b>	<b>Adopt budget &amp; groundwater production and other water charges</b>

## **Key Drivers for Water Rate Projection:**

- Near Term (FY 24 & FY 25): Driven by Drought
  - Emergency water purchases to ensure water supply for Silicon Valley
- Medium Term (FY 26 – FY 30): Driven by Rinconada, Purified Water Program & partially Anderson Dam Seismic Retrofit
- Long Term (Beyond FY 30): Pacheco Reservoir Expansion & partially Anderson Dam Seismic Retrofit

## **Valley Water is leveraging all available tools to minimize rate impacts now**

- Continue to reassess drought status & recovery for future year rate impacts

**Seeking Board direction to be incorporated into Report on Protection and Augmentation of Water Supplies (PAWS) scheduled for February 24, 2023**





## BOARD ACTIONS TODAY

- A. Review and approve the Capital Improvement Program's (CIP) Preliminary Fiscal Year 2024-2028 (FY 24-28) Five-Year Plan list of projects for the Watershed Stream Stewardship Fund (Fund 12) and the Water Utility Enterprise Fund (Fund 61);
- B. Review and approve the CIP Evaluation Team's recommendation to include the RWTP Ammonia Storage & Metering Facility Upgrade Project, a Fund 61 project, in the CIP's Draft FY 24-28 Five-Year Plan;
- C. Review proposed adjustments and modifications to the Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water Program) Fund (Fund 26);
- D. Set the time and place for a public hearing for modifications to the Safe, Clean Water Program (Fund 26) Projects; and
- E. Discuss and provide direction on the preliminary FY 2023-24 (FY 24) Groundwater Production Charge analysis.



# Valley Water

Clean Water • Healthy Environment • Flood Protection

**INFORMATION ONLY**  
**(Presented if Requested)**  
**Alternative Fund 26 Scenarios**

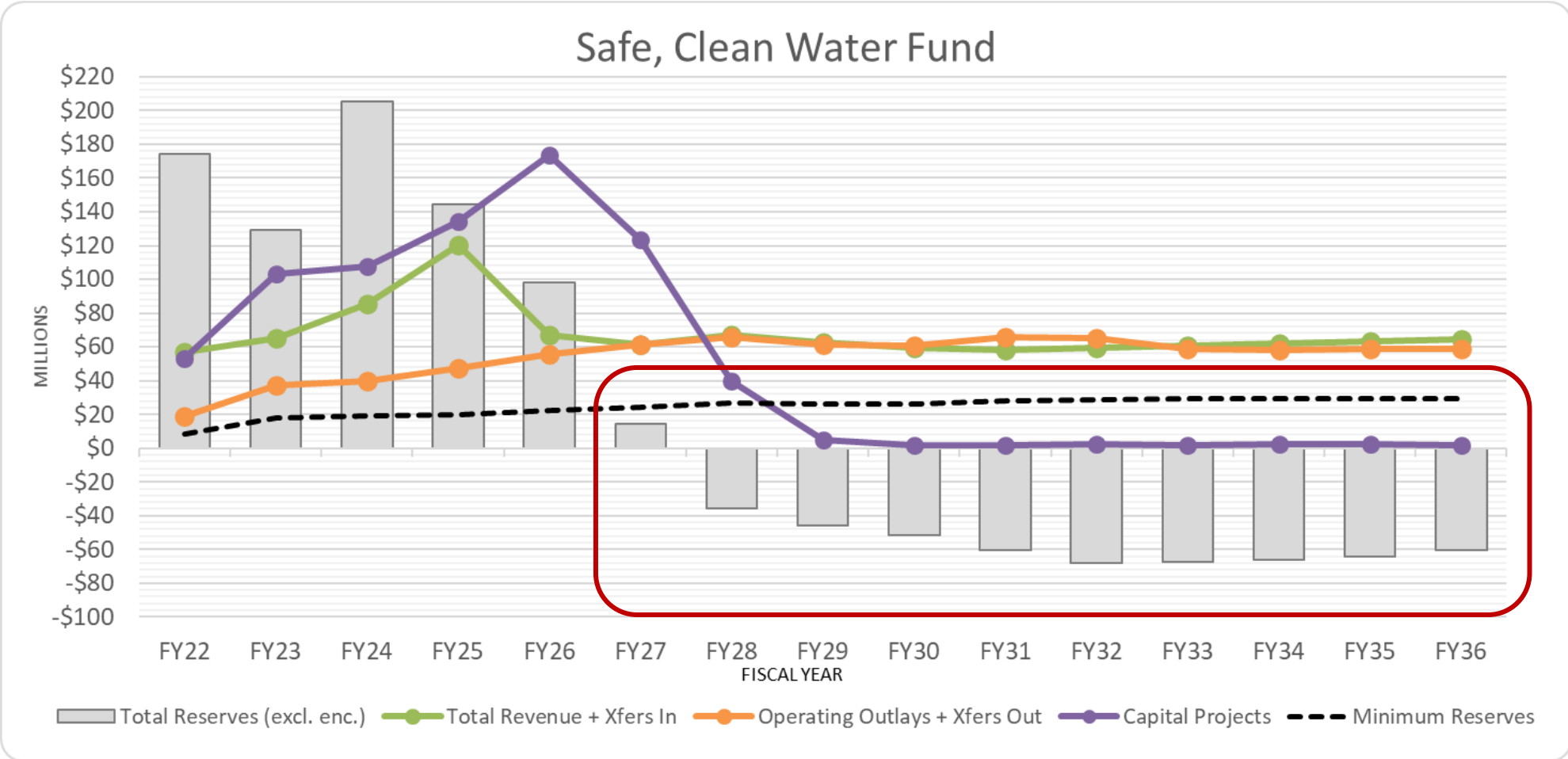
**Safe, Clean Water and Natural  
Flood Protection Program Fund (Fund 26)  
Funding Scenarios  
(as presented to the CLP Committee on  
12/12/22)**



# Safe, Clean Water (SCW) Fund - Baseline

## RESERVES BELOW MINIMUM LEVELS FOR FIRST 15 YEARS OF MEASURE S PLAN

### PROJECTION



- Reflects \$146M in WIFIA funding
- Assumes \$89M NRCS Reimbursements for Upper Llagas Creek to fully construct Phase 2
- Assumes receipt of San Francisquito Creek outside funding sources, including \$30M from grants and partnerships through the SFCJPA

# CIP Evaluation Team Recommendations: Fund 26 Scenarios for Board Consideration

80

Based upon Board and CIP Committee feedback and additional analysis, financial modeling has been prepared for two scenarios (A and B):

## A. Staff Recommended Scenario

- i. Baseline (includes all project plan updates from Board adopted CIP FY 2023-27 Five-Year Plan);
- ii. Assumed higher FY24 Special Parcel Tax Growth (5% vs. 2%) to keep pace with inflation;
- iii. Higher NRCS Funding (to match project costs);
- iv. Place the Upper Penitencia Creek Flood Protection and Sunnyvale East/West Flood Protection Projects On-Hold and modify the project by reallocating the construction funding to Fund 26 reserves (Modify funding allocation);
- v. Not implement the D6.3 placeholder project (not implement project);
- vi. Select Almaden Lake Creek/Lake Separation Project to meet D4 KPI #1 (Planning/Design only); and
- vii. Select Ogier Ponds Creek Lake Separation Project to meet D4 KPI #2 and modify the KPI to partially fund construction of Ogier Ponds as the D4.2 Creek/Lake Separation Project (+\$25M) (Modify Key Performance Indicator (KPI)).

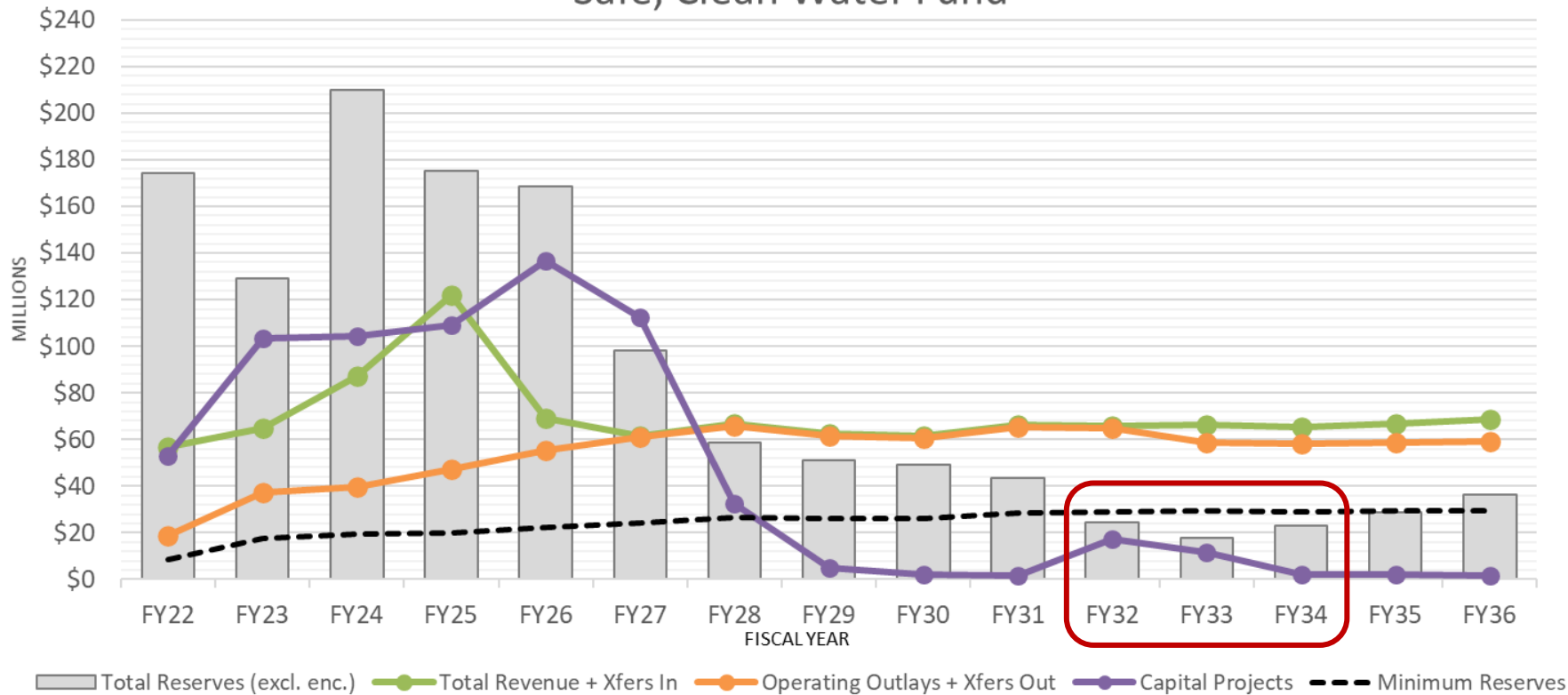
# Safe, Clean Water (SCW) Fund – Alternative A

81

RESERVES ARE NEAR OR ABOVE MINIMUM LEVELS FOR FIRST 15 YEARS OF MEASURE S PLAN

## PROJECTION

Safe, Clean Water Fund



### Revised Assumptions

- Adjusted Special Parcel Tax Revenue (potential higher increase of 5% over usual 2%)
- Place on hold pending funding availability:
  - Upper Penitencia Creek Flood Protection
  - Sunnyvale East/West Flood Protection
- Do Not Implement:
  - D6.3 Placeholder Project
- Modify:
  - Fund planning & design for D4.1 Almaden Lake
  - Partially fund construction for D4.2; select Ogier Pond

# CIP Evaluation Team Recommendations: Fund 26 Scenarios for Board Consideration

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Based upon Board and CIP Committee feedback and additional analysis, financial modeling will include the following scenarios:

## B. Alternative Scenario for Consideration

- i. Baseline (includes all project plan updates from Board adopted CIP FY 2023-27 Five-Year Plan);
- ii. Assumed higher FY24 Special Parcel Tax Growth (5% vs. 2%) to keep pace with inflation;
- iii. Higher NRCS Funding (to match project costs);
- iv. Adjust the construction schedule for the Coyote Creek Flood Protection Project (E1) to begin construction in FY33, following construction of the Anderson Dam Seismic Retrofit Project (Schedule Adjustment);
- v. Select Almaden Lake Creek/Lake Separation Project to meet D4 KPI #1 (Planning/Design only); and
- vi. Select Ogier Ponds Creek Lake Separation Project to meet D4 KPI #2 and modify the KPI to partially fund construction of Ogier Ponds as the D4.2 Creek/Lake Separation Project (+\$25M) (Modify KPI).

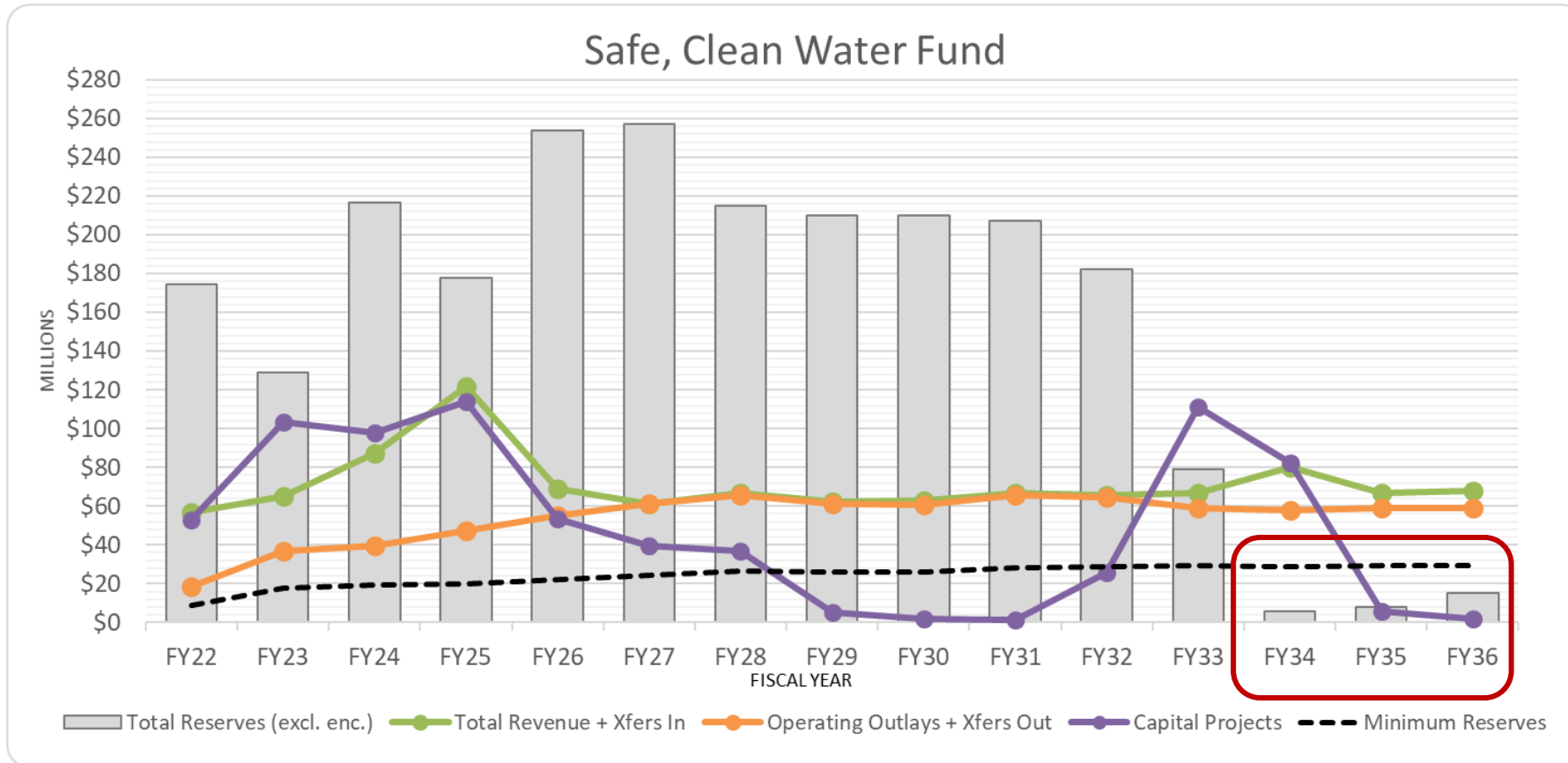


# Safe, Clean Water (SCW) Fund – Alternative B

83

RESERVES ARE NEAR OR ABOVE MINIMUM LEVELS FOR FIRST 15 YEARS OF MEASURE S PLAN

## PROJECTION



### Revised Assumptions

- **Adjusted Special Parcel Tax Revenue (potential higher increase of 5% over usual 2%)**
- **Schedule Adjustment:**
  - Coyote Creek Flood Protection project construction shifted to begin in FY33
- **Modify:**
  - Fund planning & design for D4.1 Almaden Lake
  - Partially fund construction for D4.2; select Ogier Pond

# Pros vs. Cons of Fund 26 Scenarios

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	Pros	Cons
<b>Scenario A:</b> <ul style="list-style-type: none"> <li>• Reallocate construction funding for Sunnyvale E/W and Upper Penitencia and place projects on-hold until funding can be identified (Public hearing to modify project to reallocate funding); and</li> <li>• Not implement D6.3 placeholder project, the third geomorphic-designed project under Project D6 (Public hearing to not implement project)</li> </ul>	<p>Minimizes risk to the communities along Coyote Creek by moving forward with the planned construction schedule for the Coyote Creek Flood Protection Project to align with completion of the high-level outlet for the Anderson Dam Seismic Retrofit Project.</p> <p>Google has approached VW regarding desire to do a project along Sunnyvale E similar to what was done along Sunnyvale W. Therefore, pro of deferring the Sunnyvale East/West Flood Protection Project is that it allows time for Google to formalize this work in this area with VW.</p>	<p>Defers construction of Sunnyvale East/West Channels Flood Protection Project (from FY24 start date to TBD), which results in prolonged risk of flooding to the communities along Sunnyvale East/West Channels. Additional challenge is deferring the project halts negotiations for Temporary Construction Easements and discussions with Twin Creek Park (Santa Clara County) development.</p> <p>Defers construction of Upper Penitencia Creek Flood Protection Project (from FY26 start date to TBD), which results in prolonged risk of flooding to the communities along Upper Penitencia Creek.</p>
<b>Scenario B:</b> <ul style="list-style-type: none"> <li>• Adjust the construction schedule for the Coyote Creek Flood Protection Project (E1) to begin construction in FY33, following construction of the Anderson Dam Seismic Retrofit Project (Schedule Adjustment)</li> </ul>	<p>Minimizes risk to the communities along Sunnyvale East/West Channels and Upper Penitencia Creek by moving forward with the planned construction schedules.</p>	<p>Increased risk of flooding to communities along Coyote Creek during the 4-year period between the time the high-level outlet for Anderson Dam is constructed and the time the project is complete, and flows are reduced.</p>

**Note:** Both scenarios include Baseline, assumed higher Special Parcel Tax Rate/NRCS Funding, Modify KPI D4.2 to select the Ogier Ponds Creek/Lake Separation Project to partially fund construction, allocating \$25M (instead of Almaden Lake Project).



# Valley Water

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