



Capital Improvement Program Preliminary FY 2026-30 Five-Year Plan and FY 2025-26 Groundwater Production Charges

Presented by:
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Carmen Narayanan, Financial Planning and Revenue Manager

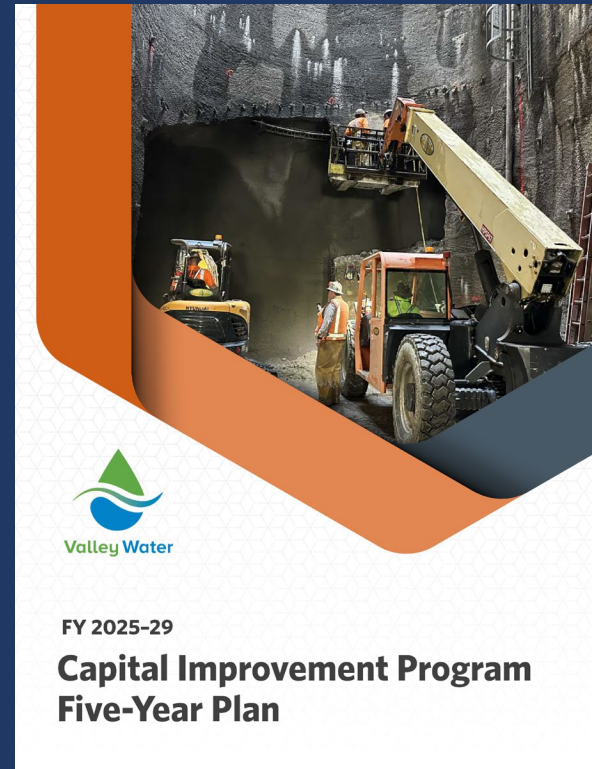


Recommended Board Actions

- A. Review the Capital Improvement Program (CIP) Evaluation Team's recommended funding scenarios for the CIP Preliminary Fiscal Year 2026-2030 (FY 2026-30) Five-Year Plan and approve the recommendations for the Water Utility Enterprise Fund (Fund 61) and the inclusion of three projects in the CIP Draft FY 2026-30 Five-Year Plan;
- B. Review proposed adjustments and modifications to the Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water Program) Fund (Fund 26);
- C. Set the time and place for a public hearing for modifications to the Safe, Clean Water Program for February 11, 2025; and
- D. Discuss and provide direction on the preliminary FY 2025-2026 (FY 26) Groundwater Production Charge analysis.

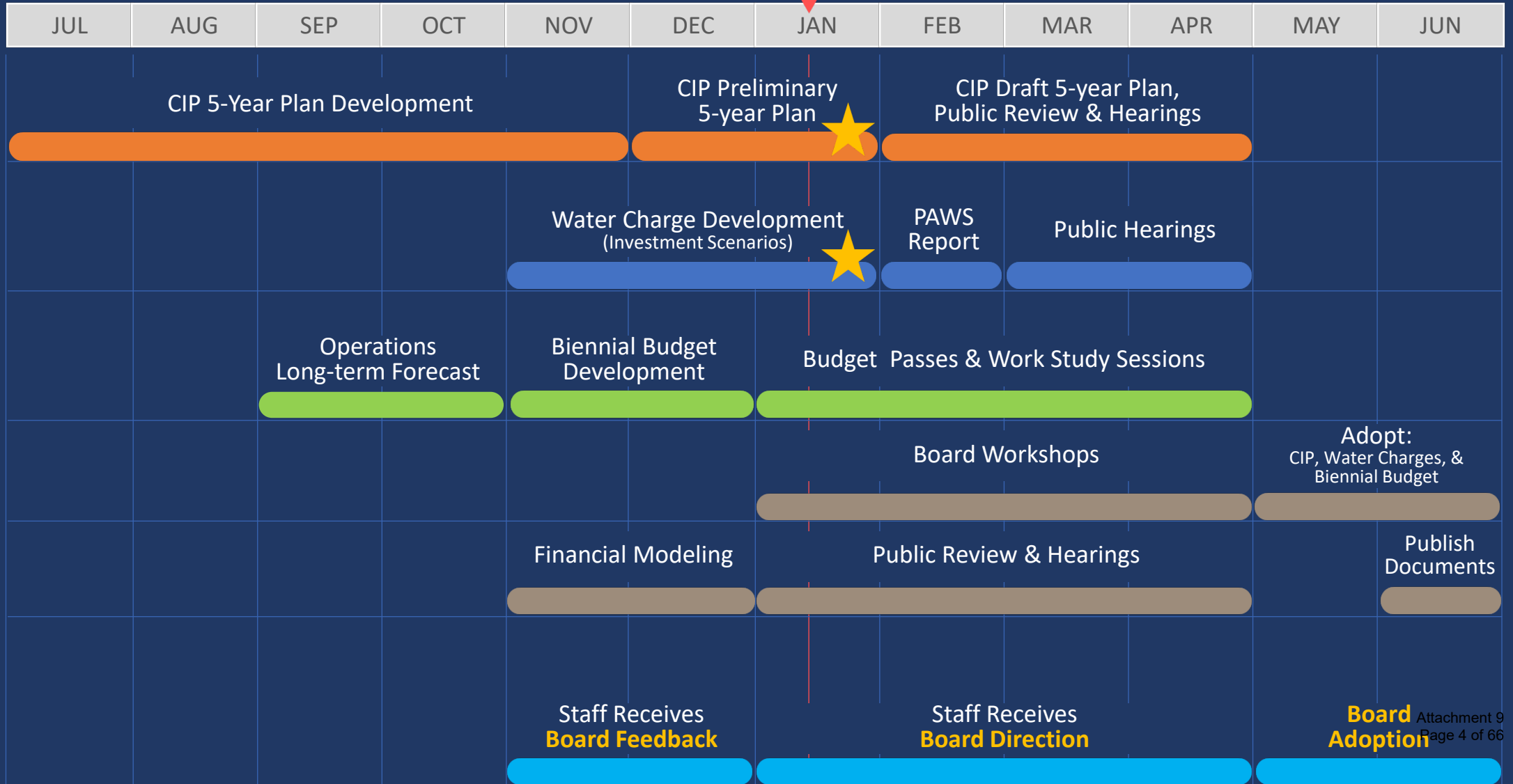
Presentation Outline

1. Annual Development Timelines
2. CIP Preliminary FY 2026-30 Five-Year Plan
 - A. Project Plan Updates Summary
 - B. CIP Evaluation Team Analysis and Recommendations
 - 1) Analysis and Recommendations by Fund
 - a) Baseline
 - b) Recommended
 - 2) Initially Validated/Unfunded Projects
3. Preliminary FY 2025-26 Groundwater Production Charge Analysis
4. Next Steps



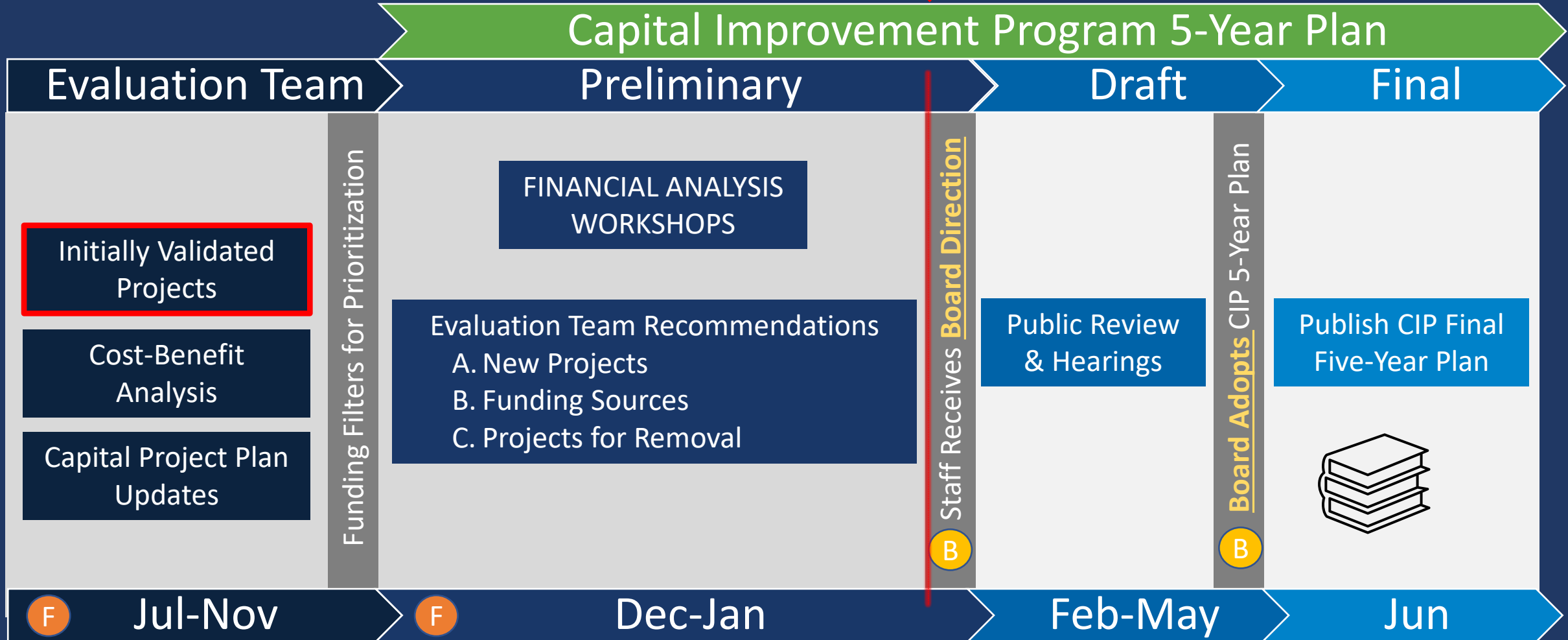
Annual CIP, Biennial Budget & Water Charges Development Timeline

We are here



Annual CIP 5-Year Plan Timeline

We are here ↓



F CIP Committee and/or Board Feedback; 11/1; 11/12; 12/16

B Key Decision Points for Board; 1/14; 5/13

Summary of Project Plan Updates

Changes from Board Adopted CIP FY 2025-29 Five-Year Plan

Project Plan Updates from CIP Adopted Five-Year Plan

Overview of 45 Project Plan Updates:

- **24 Projects** had changes to **SCHEDULE** and **COST**
- **11 Projects** had changes to **SCOPE, SCHEDULE** and **COST**
- **3 Projects** had changes to **SCHEDULE ONLY**
- **5 Projects** had changes to **COST ONLY**
- **2 Project** had changes to **SCOPE** and **COST**

Small Capital Project Updates

- **5 Projects** had changes due to **SMALL CAPITAL FORECAST REVISIONS**

Project Plan Updates Fund Impacts

Changes from Adopted CIP FY 2025-29 Five-Year Plan

Impact, by fund, of the 45 project plan updates:

Fund	Cost Impact* (±)
General Buildings & Grounds (Fund 11)	\$216K
Watersheds Stream Stewardship (Fund 12)	\$83.27M
Safe, Clean Water and Natural Flood Protection Program (Fund 26)	-\$4.30M
Water Utility Enterprise (Fund 61)	\$70.46M
Information Technology (Fund 73)	-\$26.73M

* Cost includes inflation.

New/Pending Project Plan Updates

Project plan updates are underway for the following projects:

1. San Franscisquito Creek – San Francisco Bay to Searsville Dam (E5) (26284002)
2. Berryessa Ck, Calaveras I-680 – Corps (26174041)
3. Llagas Creek-Upper, Corps Coordination (E6a) (26174052)
4. Anderson Dam Tunnel Project (91864006)
5. Anderson Dam Seismic Retrofit Project (91864005)
6. Coyote Creek Stream Augmentation Fish Protection Measure (Chillers) (91864008)
7. Cross Valley Pipeline Extension (91864010)

(NOTE: The pending changes have not been finalized and therefore are not incorporated into the Baseline CIP Preliminary FY 2026-30 Five-Year Plan. The changes will be incorporated and modeled for the February 25, 2025, Board Meeting, along with any additional project plan updates.)

CIP Preliminary FY 2026-30 Five-Year Plan (Baseline)

With changes from Adopted CIP FY 2025-29 Five-Year Plan

Fund	FY25-29 Adopted	FY26-30 Preliminary (Baseline)	Change in Cost (±)
General Buildings & Grounds (Fund 11)	\$95.956M	\$96.172M	\$216K
Watersheds Stream Stewardship (Fund 12)	\$881.713M	\$964.978M	\$83.27M
Safe, Clean Water and Natural Flood Protection Program (Fund 26)	\$1.257B	\$1.252B	- \$4.30M
Water Utility Enterprise (Fund 61)	\$7.293B	\$7.364B	\$70.46M
Information Technology (Fund 73)	\$42.371M	\$15.643M	-\$26.73M
Totals:	\$9.570B	\$9.693B	\$121.41M

Baseline Includes:

- *Capital project plan updates*
- *Cost increases/decreases resulting from inflation*
- *Board approved project closures in FY 25*

CIP Evaluation Team Analysis

Recommendations by Fund

Watershed Stream Stewardship Fund (Fund 12)

Largest/Most Impactful changes from Adopted CIP FY 2025-29 Five-Year Plan

Overview of Largest/Most Impactful Project Plan Updates:

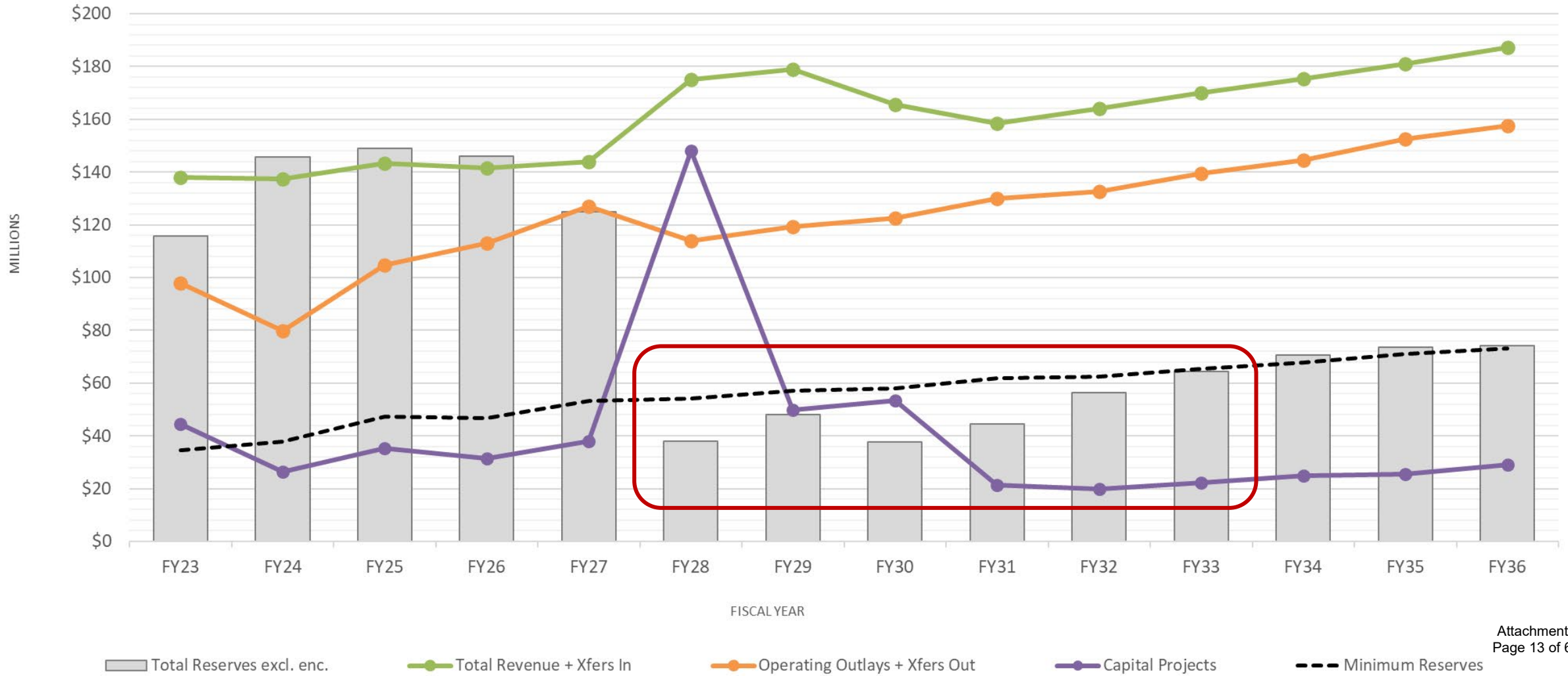
Project Number	Project Name	Scope	Schedule Impact (±)	Cost Impact* (±)
20444002	Pond A4 Resilient Habitat Restoration	Y	+ 2 Years	+ \$5.74M
30154019	Lower Guadalupe River Capacity Restoration Project	-	+ 3 Years	+ \$3.43M**
62084001	Watersheds Asset Rehabilitation Program (WARP)	-	-	+ \$3.33M

* Cost includes inflation

** No change to Total Project Cost, inflation only

Watershed Stream Stewardship Fund 12 - Baseline

Watershed Stream Stewardship Fund



CIP Evaluation Team Recommendations – Fund 12

Recommended Scenario = Baseline, with the following modifications:

1. Include the ERP System Replacement - \$33.5M (Fund 12 = 30%)
2. Recommend a public hearing to move the San Francisco Bay Shoreline, EIA 11 Project (00044026) back into the Safe, Clean Water Program (Fund 26) to utilize approximately \$23M in unspent funds from the San Francisco Bay Shoreline, EIA's 1-4 Project (26444002) (KPI #1), which cannot be fully implemented due to the USACE decision not to pursue design and construction of EIAs 1-4
3. Reduce the Board-approved fund transfer from Fund 12 to Fund 26 from \$27.9M to \$10M to balance the fiscal health of both funds

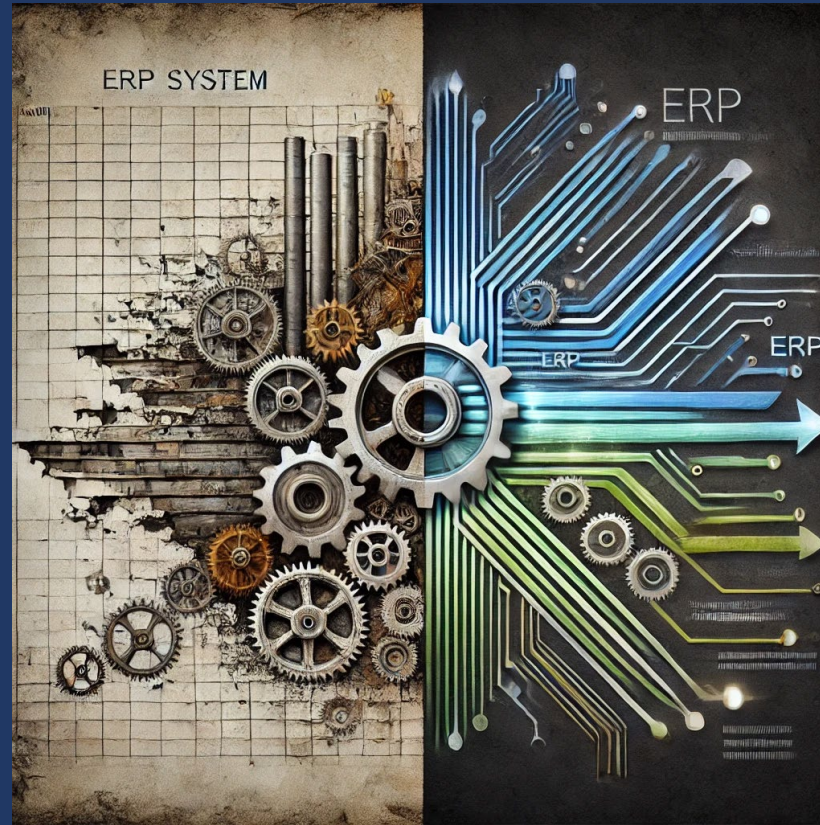
ERP System Replacement Project

TPC: \$33.5 M

Funding: Fund 73 (Fund 12 = 30%)

Duration: 3-4 Years

Location: San Jose, CA

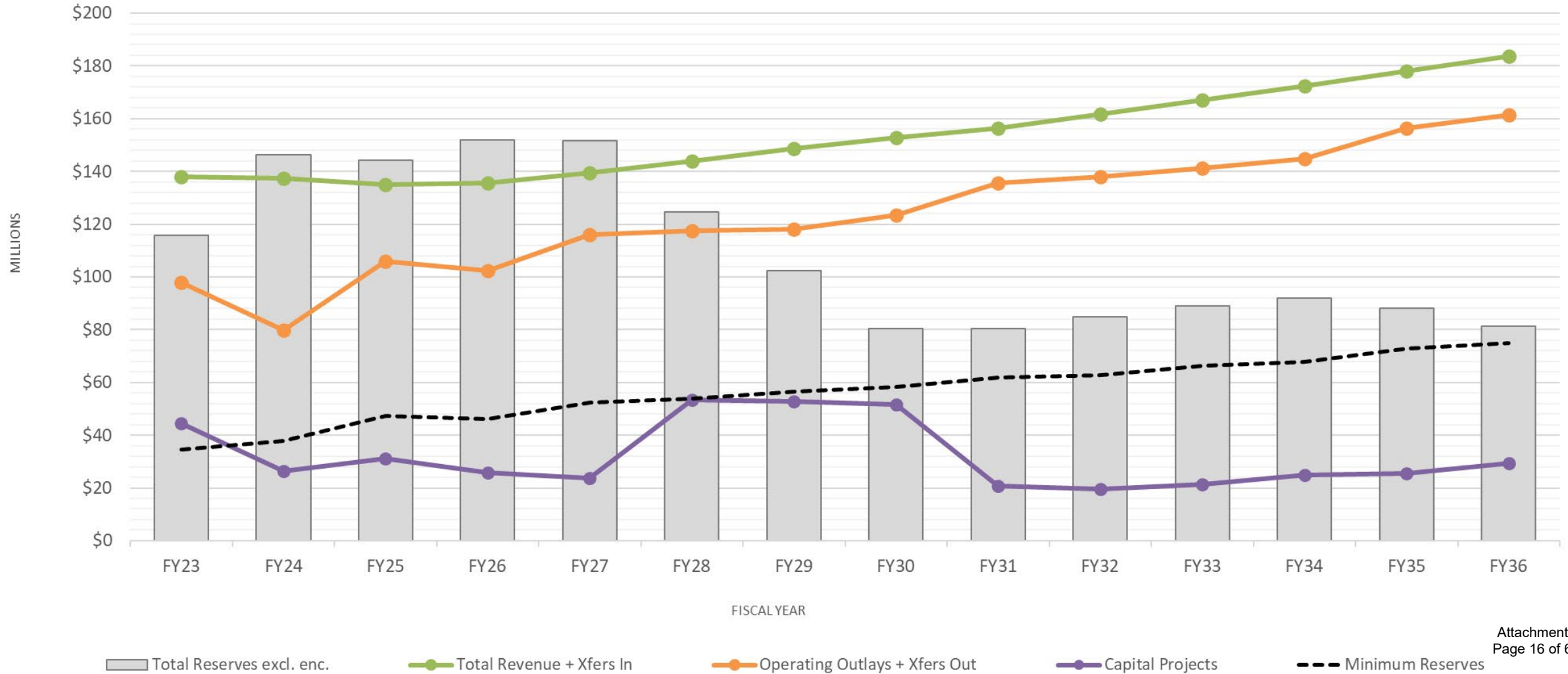


Objectives:

1. Provide an Enterprise Resource Planning (ERP) system to eliminate inefficiencies
2. Replace Infor with a new ERP system
3. Simplify usability for employees, interns, and temps

Watershed Stream Stewardship Fund 12 – Recommended Scenario

Watershed Stream Stewardship Fund



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

Largest/Most Impactful changes from Adopted CIP FY 2025-29 Five-Year Plan

Overview of Largest/Most Impactful Project Plan Updates:

Project Number	Project Name	Scope	Schedule Impact (±)	Cost Impact* (±)
26444004	San Francisco Bay Shoreline EIAs 5-9	-	+ 2 Years	- \$189K**
26074002	Sunnyvale East and West Channels	Y	Phase only	+ \$32.65M
26174054	Llagas Creek – Upper, Design	-	+ 1 Year	- \$3.31M
26174055	Llagas Creek – Upper, Phase 2B Construction	-	+ 4 Years	+ \$55.92M
26764001	IRP2 Additional Line Valves (A3)	-	-	+ \$8.65M
26044003	Ogier Ponds Separation from Coyote Creek (D4.1b)	-	+ 5 Years	+ \$520K
26444002	San Francisco Bay Shoreline – EIAs 1-4	Y	- 7 Years	- \$22.98M
26154003	Guadalupe Rv – Upper, SPRR-Blossom Hill (R7-12)	-	+ 2 Years	- \$39.30M
26324001	Upper Penitencia Ck, Coyote Ck-Dorel Dr, Corps (E4)		+ 5 Years	+ \$2.09M**

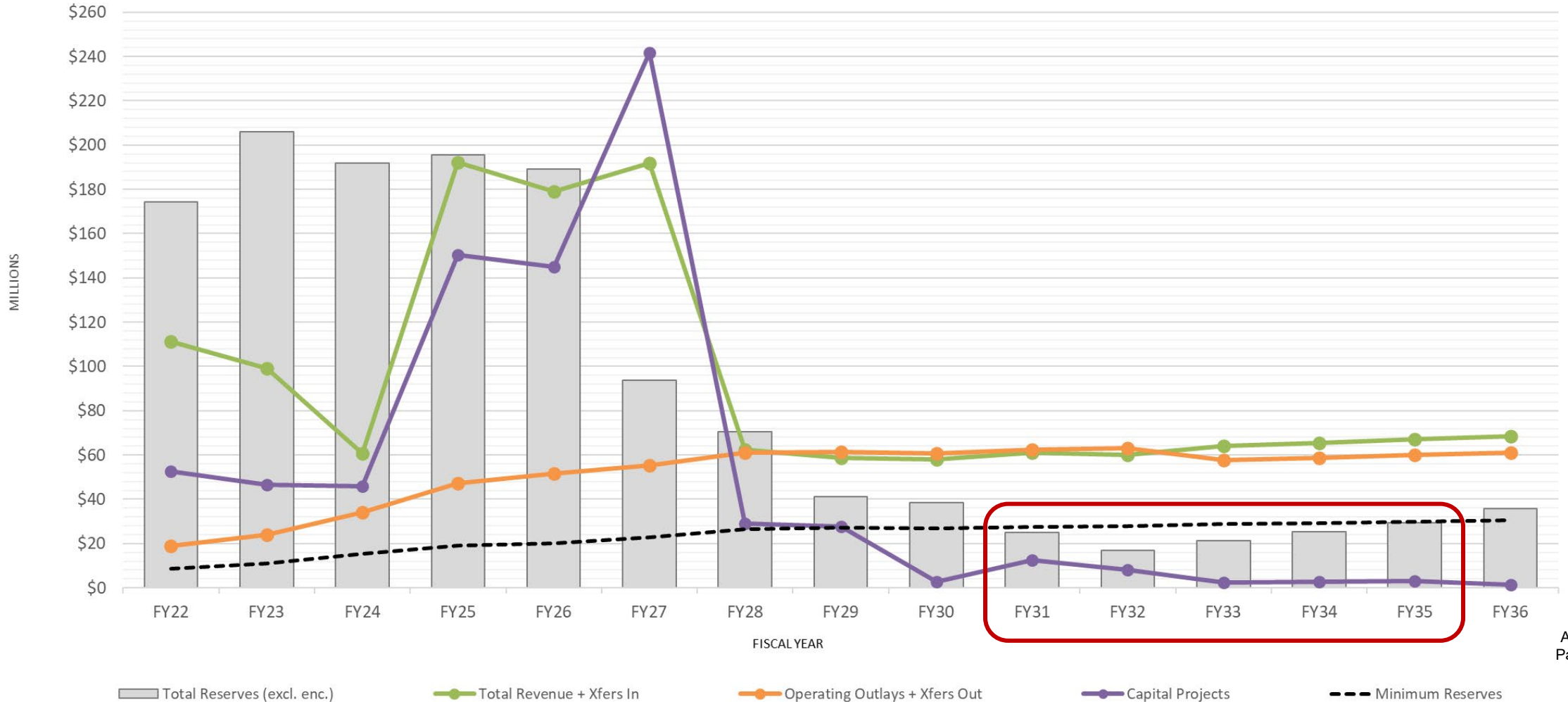
* Cost includes inflation

** No change to Total Project Cost, inflation only

Safe, Clean Water Fund 26 – Baseline*

* Includes: \$80M in NRCS funding for Upper Llagas Creek Flood Protection Project – Phase 2B; \$14.8M transfer in from WUE Fund 61 for IRP2; \$27.9M transfer in from WSS Fund 12; and \$26.2M San Francisquito Creek JPA funding [unsecured]

Safe, Clean Water Fund



CIP Evaluation Team Recommendations – Fund 26

Recommended Scenario = Baseline, with the following modifications:

1. Include the ERP System Replacement - \$33.5M (Fund 26 = 10%)
2. Recommend a public hearing to move the San Francisco Bay Shoreline, EIA 11 Project (00044026) back into the Safe, Clean Water Program (Fund 26) to utilize approximately \$23M in unspent funds from the San Francisco Bay Shoreline, EIA's 1-4 Project (26444002) (KPI #1), which cannot be fully implemented due to the USACE decision not to pursue design and construction of EIAs 1-4
3. Reduce the Board-approved fund transfer from Fund 12 to Fund 26 from \$27.9M to \$10M to balance the fiscal health of both funds

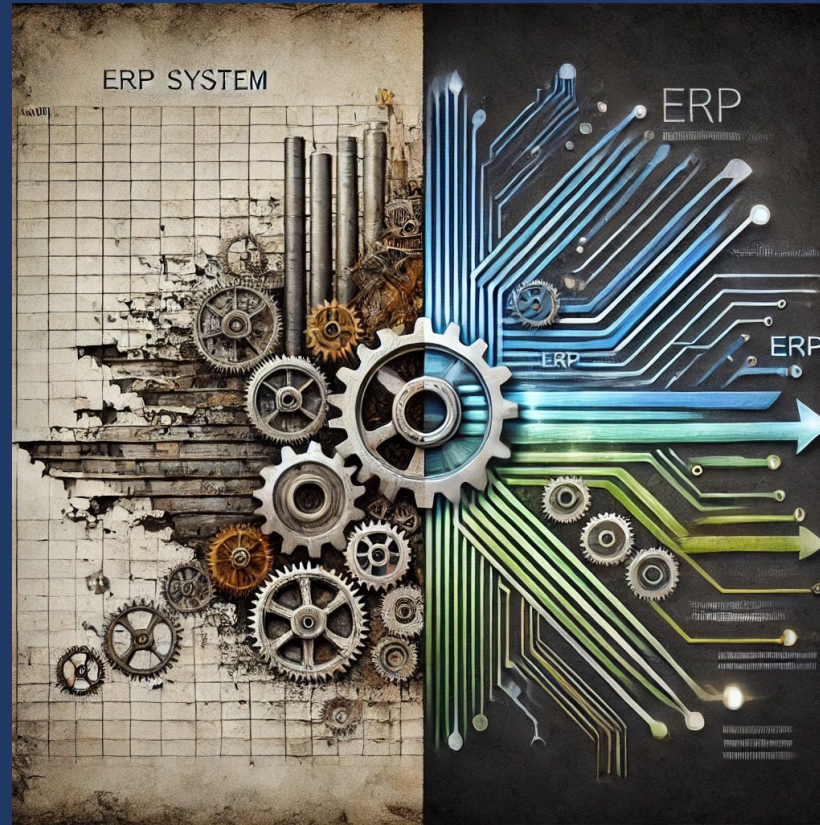
ERP System Replacement Project

TPC: \$33.5 M

Funding: Fund 73 (Fund 26 = 10%)

Duration: 3-4 Years

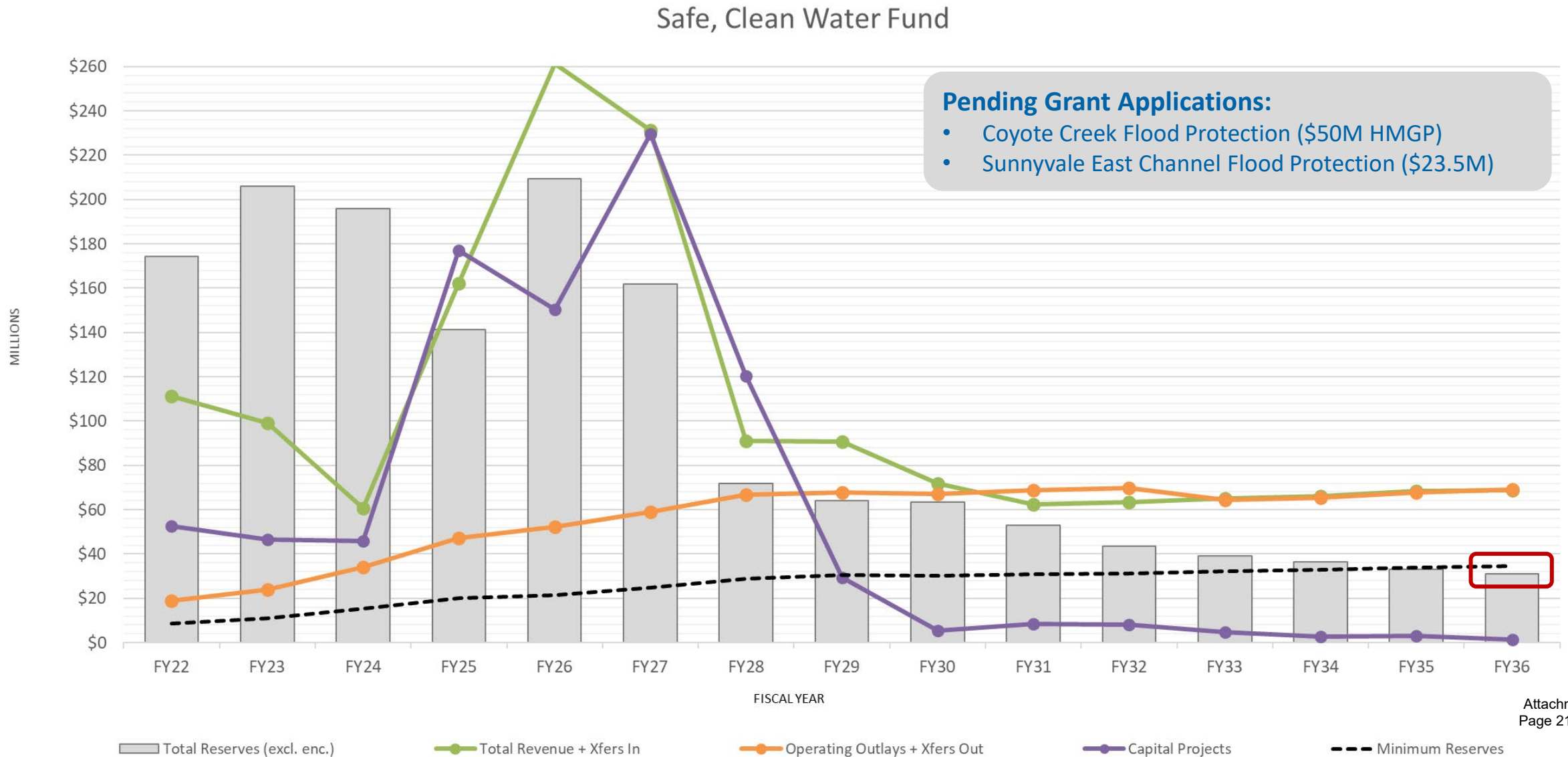
Location: San Jose, CA



Objectives:

1. Provide an Enterprise Resource Planning (ERP) system to eliminate inefficiencies
2. Replace Infor with a new ERP system
3. Simplify usability for employees, interns, and temps

Safe, Clean Water Fund 26 – Recommended Scenario



Water Utility Enterprise Fund (Fund 61)

Largest/Most Impactful changes from Adopted CIP FY 2025-29 Five-Year Plan

Overview of Largest/Most Impactful Project Plan Updates:

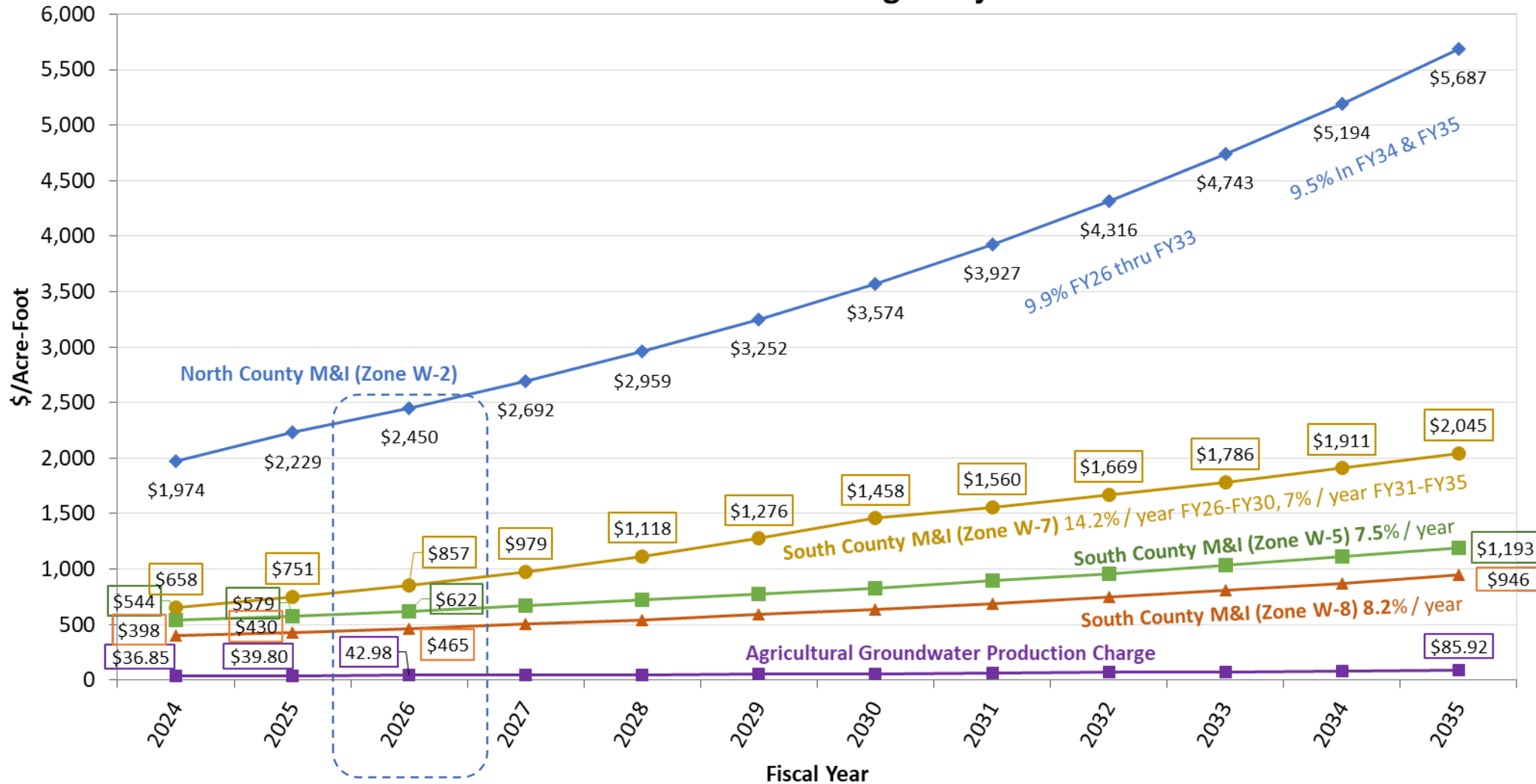
Project Number	Project Name	Scope	Schedule Impact (±)	Cost Impact* (±)
91864011	Coyote Percolation Dam Phase 2	Y	- 4 Years	- \$12.23M
91954002	Pacheco Reservoir Expansion	-	+1.5 Years	- \$17.06M**
91294001	San Jose Purified Water Project (SJWP) – Phase 1	Y	Phase Only	+ \$57.49M
91864005	Anderson Dam Seismic Retrofit	-	-	- \$9.05M**
91864007	Coyote Creek Flood Management Measure	-	Phase Only	- \$16.00M
91874004	Calero Dam Seismic Retrofit (Design & Construction)	Y	Phase Only	- \$23.53M
91894002	Guadalupe Dam Seismic Retrofit – Design and Construct	Y	+ 4 Years	+ \$56.02M
93234044	PWTP Residuals Management	Y	+ 3 Years	+ \$53.87M
94084007	Treated Water Isolation Valves	Y	+ 1 Year	+ \$4.90M
95084002	10-Year Pipeline Rehabilitation	-	+ 1 Year	+ \$12.63M
92304001	Almaden Valley Pipeline Replacement Project	-	+ 1 Year	- \$15.72M

*Cost includes inflation

** No change to Total Project Cost, inflation only

Water Utility Fund 61 – Baseline Rate Projections

M&I Groundwater Charge Projection



Reflects baseline case for WUE Rate Projections.

FY26 Water Usage: 218kAF [Moderate Rebound]

Delta Conveyance Project

Pacheco & Anderson w/WIFIA

Ag @ 9.25% M&I Zone W-8

Sisk Dam Raise

[LVE Eliminated]

Baseline projections included placeholders for Dam Safety Program [Coyote Dam] and ERP Replacement during the FY 2024-25 planning cycle; revised project costs are reflected above.

CIP Evaluation Team Recommendations – Fund 61

Recommended Scenario = Baseline, with the following modifications:

1. Include the ERP System Replacement - \$33.5M (Fund 61 = 60%)
2. Include the Coyote Dam Seismic Retrofit - \$406.4M
3. Include the Pipeline Maintenance Program - \$55.4M

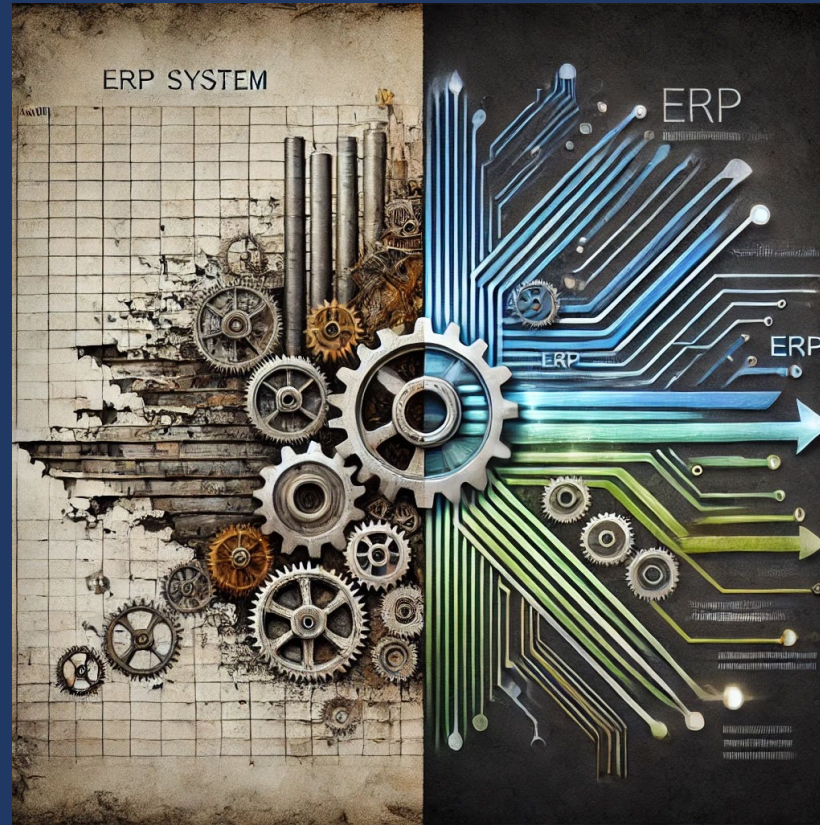
ERP System Replacement Project

TPC: \$33.5 M

Funding: Fund 73 (Fund 61 = 60%)

Duration: 3-4 Years

Location: San Jose, CA



Objectives:

1. Provide an Enterprise Resource Planning (ERP) system to eliminate inefficiencies
2. Replace Infor with a new ERP system
3. Simplify usability for employees, interns, and temps

Coyote Dam Seismic Stability

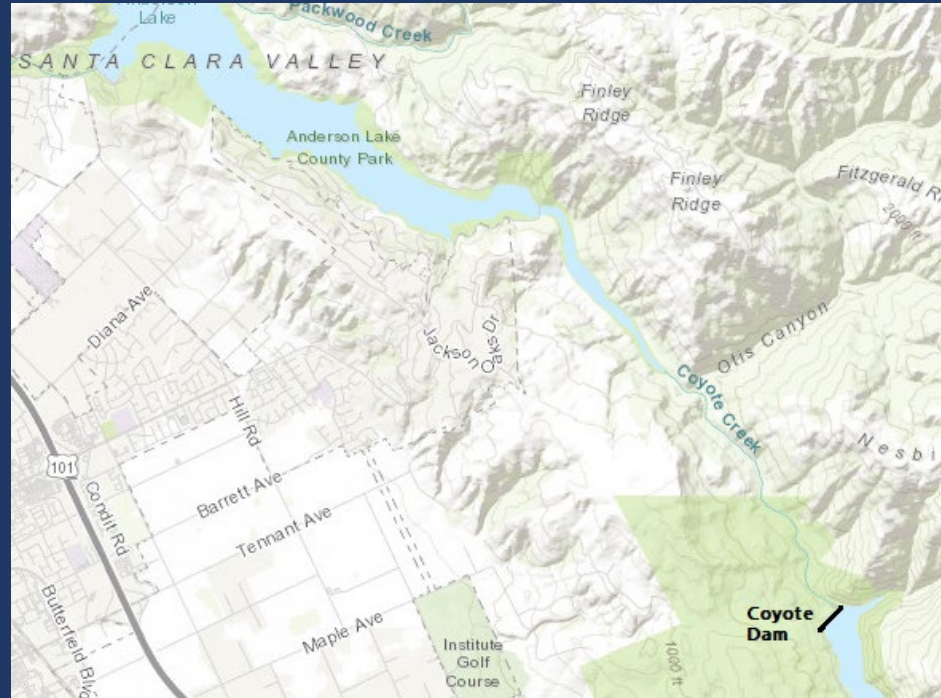
TPC: \$406.4 M

Funding: Funds 61

Duration: 10-12 Years

Location: Morgan Hill, CA

Upstream of the Anderson Dam



Calaveras Fault crossing embankment



Objectives:

1. Enhance dam safety by installing a downstream filter and drainage system to address seismic-related cracking risks
2. Replace the downstream alluvium foundation which is prone to liquefaction
3. Modify spillway to manage Probable Maximum Flood events

Pipeline Maintenance Program

TPC: \$55.4M

Funding: Fund 61

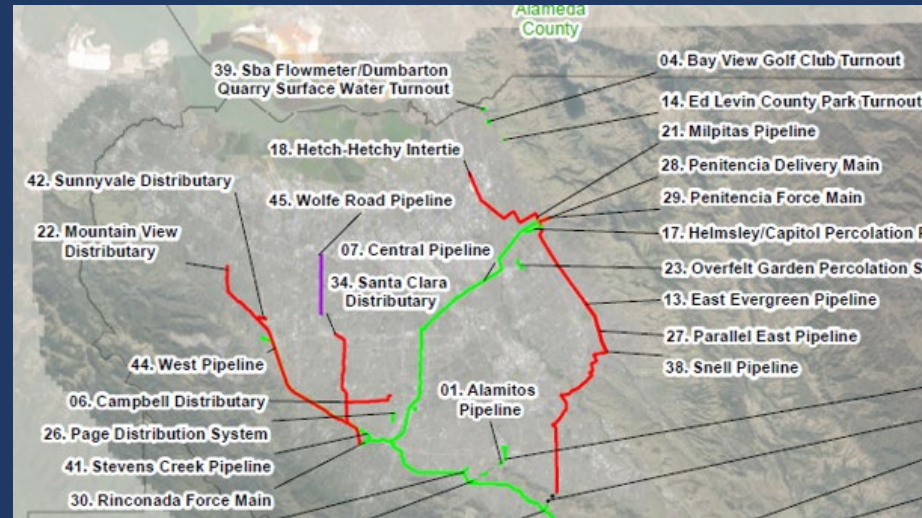
Duration: Ongoing

Location: Santa Clara County

Map Legend

- Raw Water
- Treated Water
- Recycled Water

Proposed Project Sites



Program's Projects

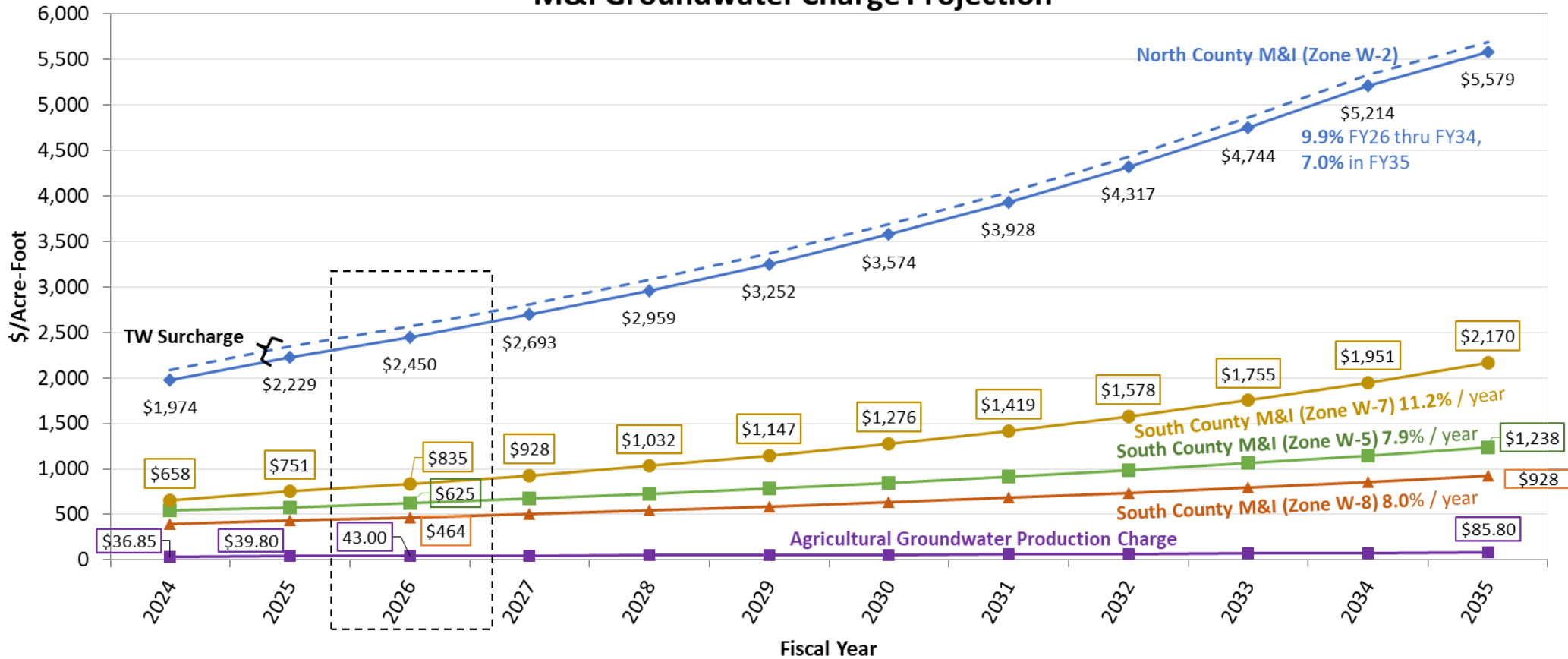


Objectives:

1. Update Pipeline Maintenance Program and Environmental Impact Report for future efforts
2. Conduct dewatering and inspect Valley Water pipelines and tunnels
3. Assess condition; maintain, repair, and coat as necessary
4. Fix or replace distressed pipe sections
5. Update line valves, flow meters, and piping

Water Utility Fund 61 – Recommended Baseline Rate Projections

M&I Groundwater Charge Projection



Reflects CIP Team Recommended baseline case for WUE Rate Projections.

FY26 Water Usage: 218kAF [Moderate Rebound]

Delta Conveyance Project

Pacheco & Anderson w/WIFIA

Ag @ 9.25% M&I Zone W-8

Sisk Dam Raise

Attachment 9
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Baseline rate projections included placeholders for Dam Safety Program [Coyote Dam] and ERP Replacement during the FY 2024-25 planning cycle; revised project costs are reflected above as part of the recommended baseline rate projections.

[LVE Eliminated]

Rate Setting Strategy & Scenario Ideas for FY 2025-26

As discussed with the Board on 11/12/2024

Utilize the CIP Evaluation Team Recommended Baseline for the CIP Preliminary FY 2026-30 Five-Year Plan to model the following rate-setting scenarios:

Modified Baseline with –

- 1. No Pacheco Reservoir Expansion Project (PREP)**
- 2. 15% PREP partner funding**
- 3. No PREP partner funding**

CIP Preliminary FY 2026-30 Five-Year Plan (Recommended)

With changes from Adopted CIP FY 2025-29 Five-Year Plan

Fund	FY25-29 Adopted	FY26-30 Preliminary (Recommended)*	Change in Cost (±)
General Buildings & Grounds (Fund 11)	\$95.956M	\$101.200M	\$5.244M
Watersheds Stream Stewardship (Fund 12)	\$881.713M	\$833.961M	- \$47.752M
Safe, Clean Water and Natural Flood Protection Program (Fund 26)	\$1.257B	\$1.456B	\$199.000M
Water Utility Enterprise (Fund 61)	\$7.293B	\$8.181B	\$888.000M
Information Technology (Fund 73)	\$42.371M	\$55.636M	\$13.265M
Totals:	\$9.570B	\$10.628B	\$1.058B

Recommended CIP Preliminary FY 2026-30 Five-Year Plan Includes:

- *CIP Evaluation Team Recommendations*
- *Cost increases/decreases resulting from inflation*
- *Board approved project closures in FY 25*

CIP Preliminary FY 2026-30 Five-Year Plan (Baseline vs. Recommended)

Fund	FY26-30 Preliminary (Baseline)	FY26-30 Preliminary (Recommended)*	Change in Cost (±)
General Buildings & Grounds (Fund 11)	\$96.172M	\$101.200M	\$5.028M
Watersheds Stream Stewardship (Fund 12)	\$964.978M	\$833.961M	- \$131.017M
Safe, Clean Water Program (Fund 26)	\$1.252B	\$1.456B	\$204.000M
Water Utility Enterprise (Fund 61)	\$7.364B	\$8.181B	\$817.000M
Information Technology (Fund 73)	\$15.64M	\$55.636M	\$54.072M
Totals:	\$9.693B	\$10.628B	\$935.000M

**The estimated recommended preliminary totals do not incorporate the pending project plan updates reflected on slide 10. Those not included will be incorporated for the February 25, 2025, Board Meeting.*

Initially Validated and Currently Unfunded Projects

Project Name	Estimated Total Project Cost (\$ thousands w/inflation)	Phase	Potential Funding Source	FY 2024-25 Funding Category	CIP Evaluation Team Recommendations
FY 2023-24 Initially Validated Projects					
Coyote Dam Seismic Retrofit	\$406,400	Planning	Fund 61	Category 1 - Existing Infrastructure	Include in the funded CIP FY26-30 Five-Year Plan
Pipeline Maintenance Program*	\$55,375	Plan/Design/Const.	Fund 61	Category 2 - Existing Infrastructure	Include in the funded CIP FY26-30 Five-Year Plan
Almaden-Calero Canal Rehabilitation - Phase II	\$12,950	Planning	Fund 61	Category 3 - Existing Infrastructure	Move to the unfunded list
Enterprise Resource Planning (ERP) System Replacement	\$33,508	Planning	Fund 73	Category 3 - Existing Infrastructure	Include in the funded CIP FY26-30 Five-Year Plan
Current Unfunded Projects					
Llagas Creek - Lower, Capacity Restoration, Buena Vista Road to Pajaro River	\$98,831**	Planning	Fund 12	Category 1 - Existing Infrastructure	Re-validate following emergency repair work
Permanente & Hale Creek Concrete Replacement	\$20,810	Planning/Design	Fund 12	Category 1 - Existing Infrastructure	Remain on the unfunded list until FY28
Calabazas/San Tomas Aquino Creek Marsh Connection - Construction (ONLY)	\$34,562	Construction	Fund 12	Category 2 - Existing Infrastructure	Remain on the unfunded list pending available funding/resources
Pond A4 - Phase 2 (Construction ONLY)	\$32,128	Construction	Fund 12	Category 3 - NEW Infrastructure	Remain on the unfunded list pending available funding/resources
South Babb Flood Protection - Long-Term	\$22,070	Planning	Fund 12	Category 3 - Existing Infrastructure	Remain on the unfunded list pending available funding/resources
Alamitos Operable Dam Replacement	\$13,889	Planning	Funds 12/61	Category 3 - Existing Infrastructure	Remain on the unfunded list pending available funding/resources
Palo Alto Purified Water Project (PAPWP)	\$1,097,076***	Planning	Fund 61	Category 3 - NEW Infrastructure	Remain on the unfunded list pending further development of SJPWP

* Renewal of the 10-yr Pipeline Inspection and Rehabilitation Project (sunsets in FY28)

** Llagas Capacity has prior year actuals = \$6,947, TPC = \$105,778

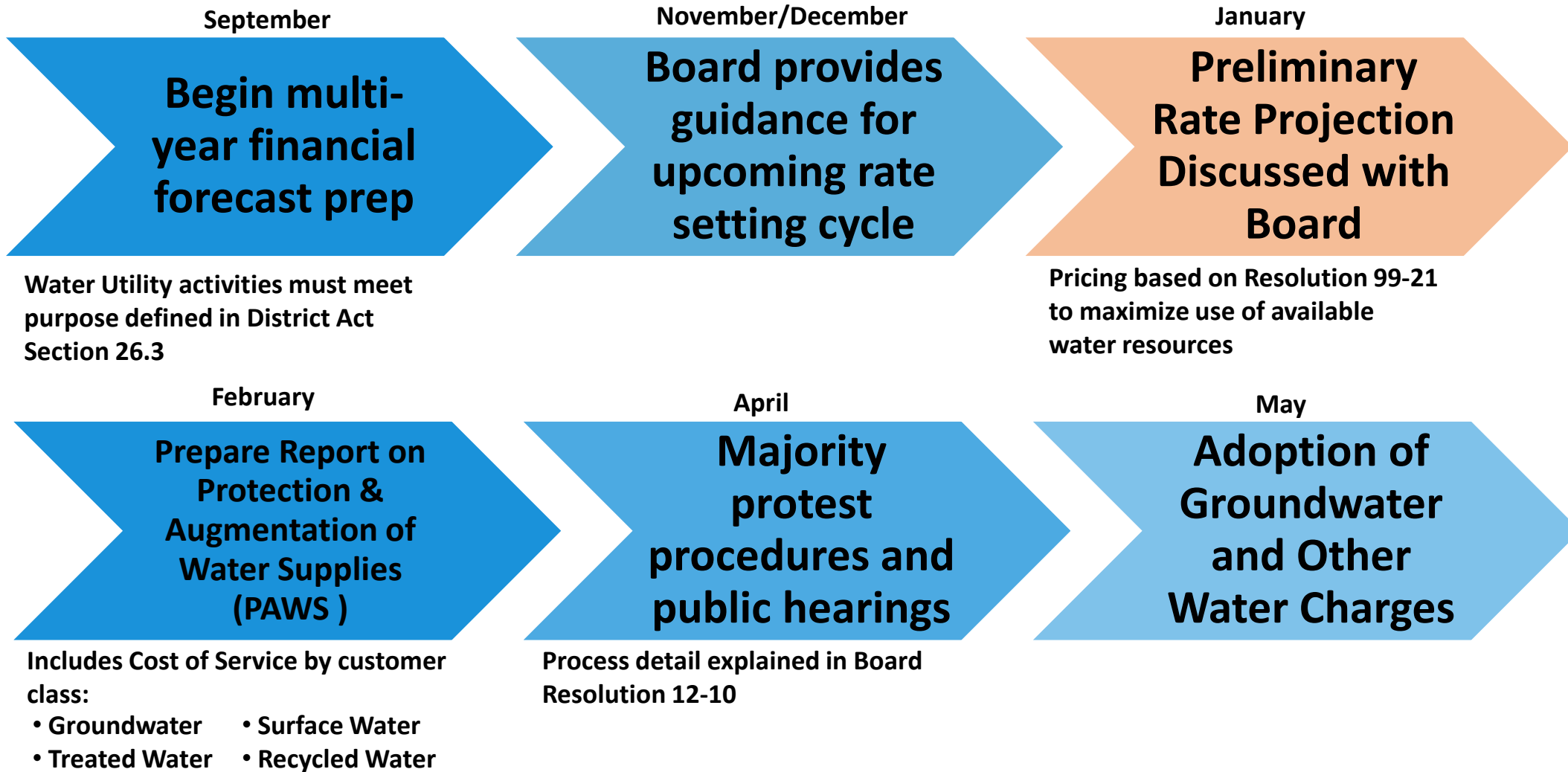
*** PAPWP Fund 61 unfunded cost is \$14,633,000; Public Private Partnership (P3 contribution for PAPWP) is \$1,082,443,000

Preliminary FY 2025-26 Groundwater Production Charge Analysis

Topics

- 1. Strategic Outlook**
- 2. Water Usage**
- 3. Board Questions**
- 4. Scenario Assumptions: Baseline & Alternative Scenarios**
- 5. Preliminary Groundwater Charge Forecast (Baseline & Alt. Scenarios)**
- 6. Other Information**
- 7. Schedule & Summary**

Groundwater Charge-Setting Approach



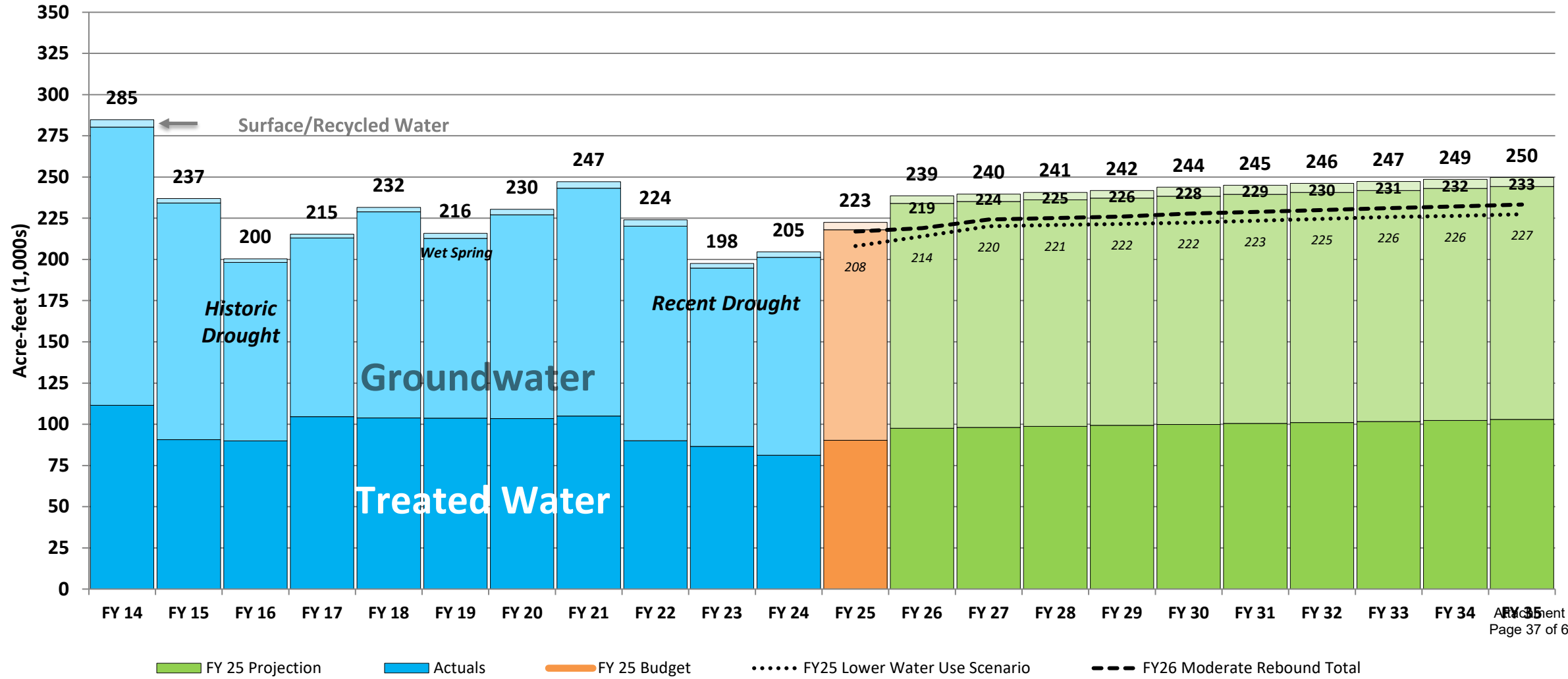
Strategic Outlook

- **Reduced water use projection versus prior year water rate setting cycle puts upward pressure on water rates**
 - **Impact offset primarily by elimination of Los Vaqueros Expansion Project**
- **Valley Water is in an era of investment**
 - **To upgrade, rehabilitate, replace existing water supply infrastructure built decades ago**
 - **To invest in new infrastructure in response to climate change**
- **Baseline water rate case investment assumptions in alignment with Draft Water Supply Master Plan 2050 “Diversified Portfolio”**

District Managed Water Usage

Reflects Ongoing Rebound from 2023 Drought

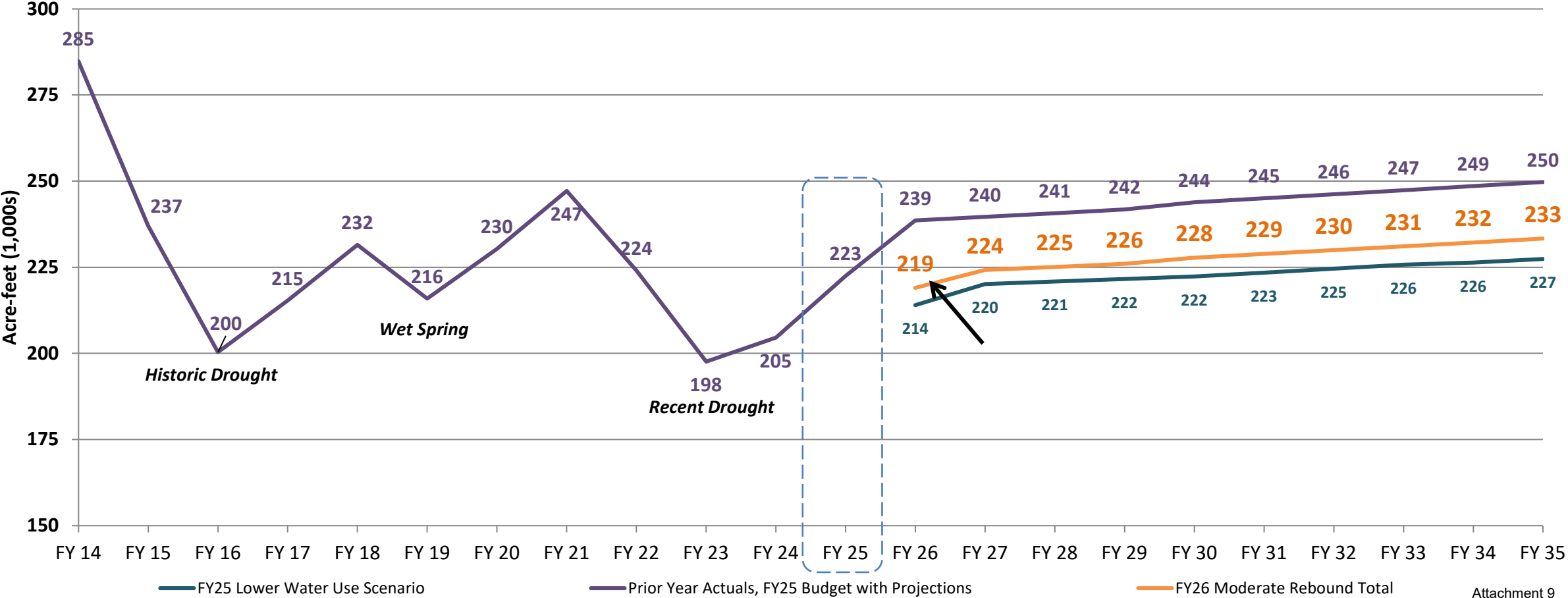
District Managed Water Usage (TAF)



District Managed Water Usage

Reflects Ongoing Rebound from 2023 Drought

District Managed Water Usage (TAF)

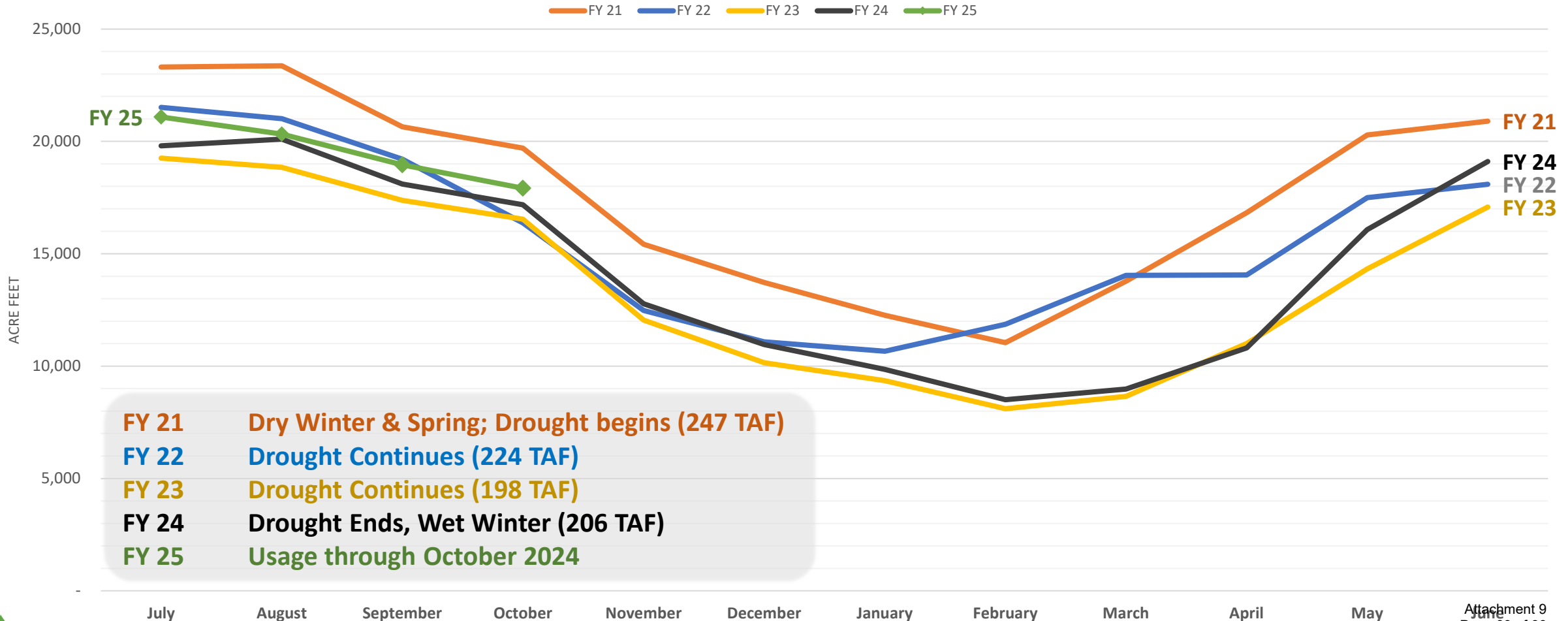


Moderate Rebound projection reflected for purposes of preliminary FY 2025-26 water charges.

Recent Water Usage Trends

Initial FY 25 data: reflects ongoing rebound from 2023 Drought

District Managed Water Use, by Month* (Acre Feet)



FY 21 Dry Winter & Spring; Drought begins (247 TAF)
FY 22 Drought Continues (224 TAF)
FY 23 Drought Continues (198 TAF)
FY 24 Drought Ends, Wet Winter (206 TAF)
FY 25 Usage through October 2024

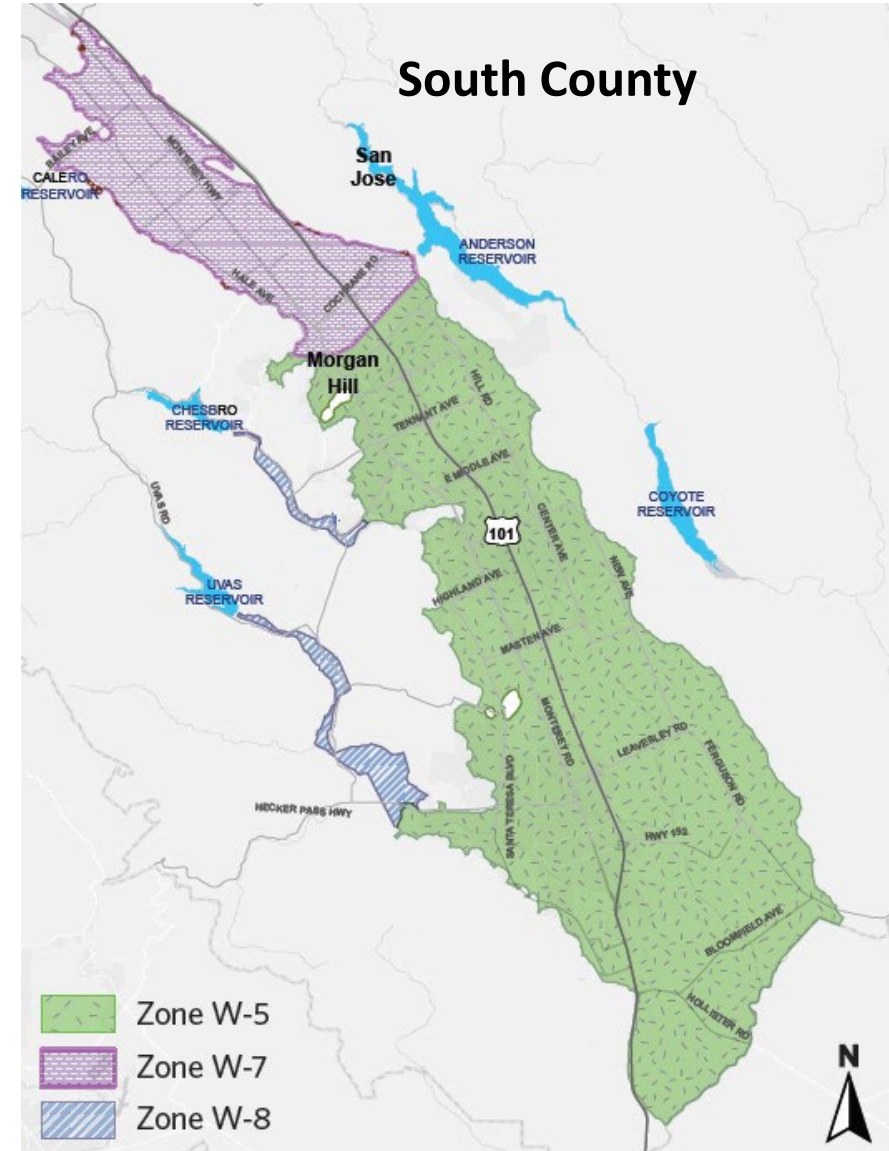
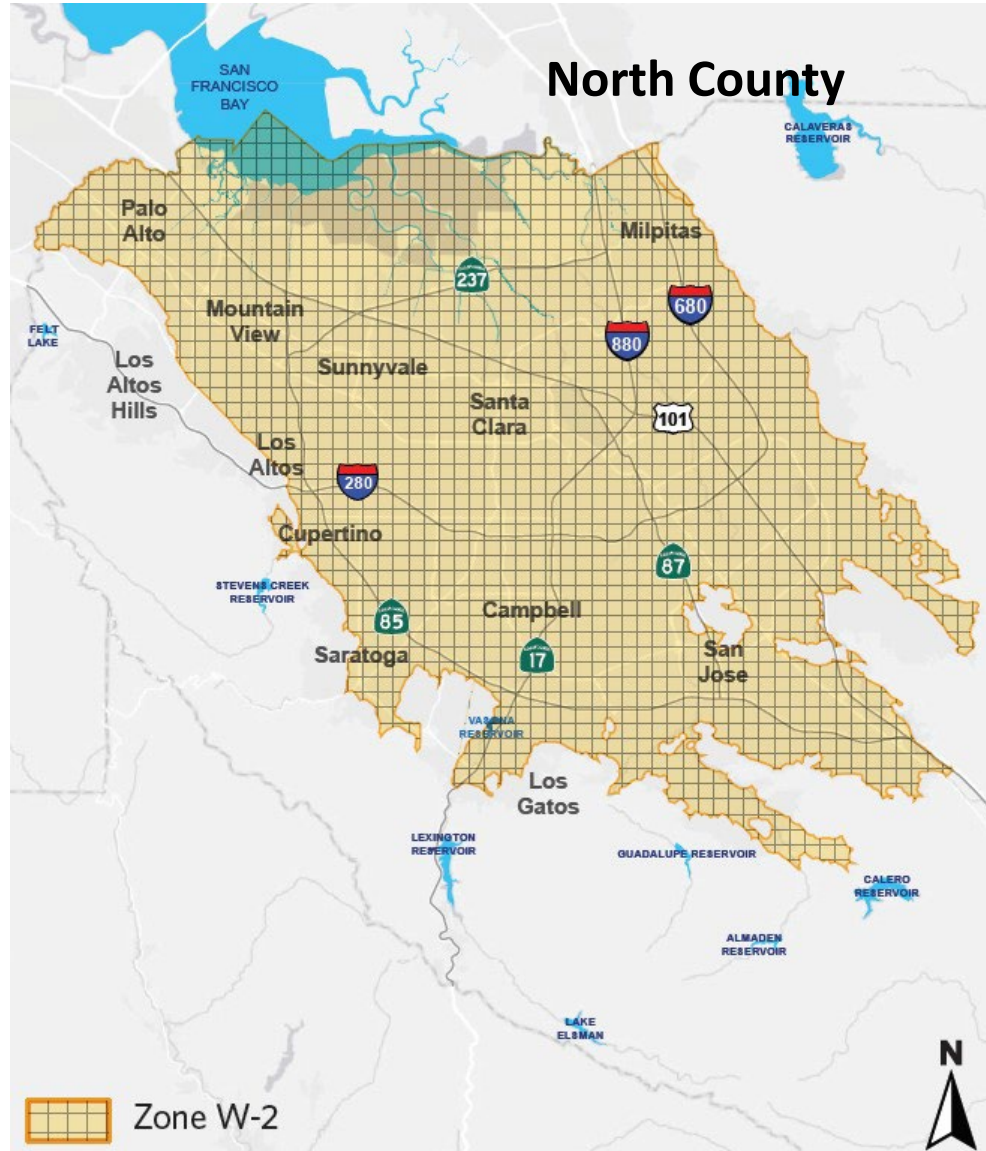
* Reflects water use (acre-feet) for customers billed monthly only.

Follow up on questions/comments from Board

Questions/comments captured during November Board meetings

- 1. Who are big water users?**
- 2. How does Valley Water reward those who conserve? Are wholesale-tiered water rates possible?**
- 3. What is Valley Water projecting to spend on conservation?**
- 4. Are Water Utility reserves projected at a healthy level?**
- 5. How are we addressing low-income water users?**

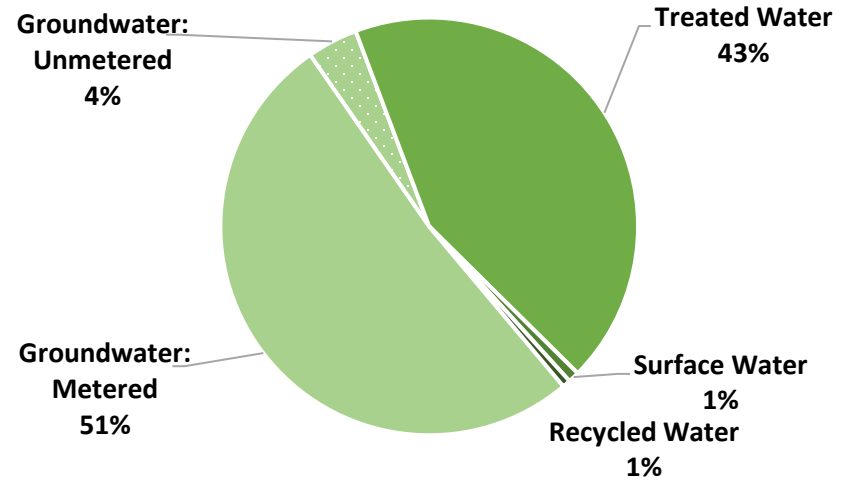
Groundwater Benefit Zones



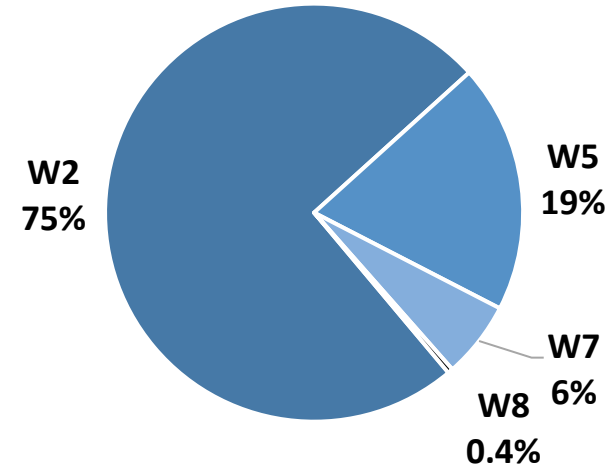
Water Utility Customers – Multi-Year Average

Total Water Use Range: 200,000 – 245,000 acre-feet per fiscal year

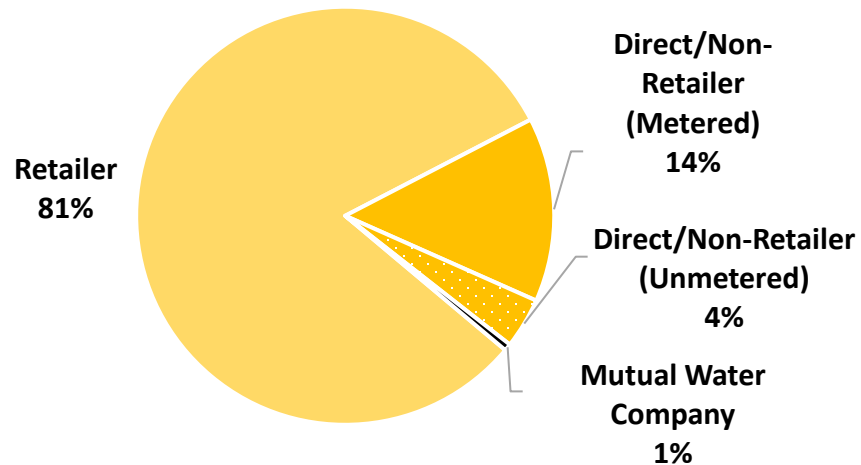
Average Water Use by Water Type (AF as a %)



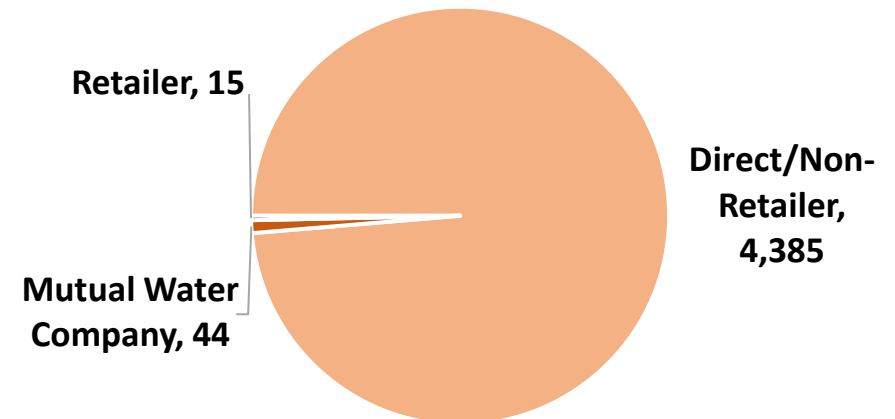
Average Water Use by Zone (Acre-Feet as a %)



Average Water Use by Sector (AF as a %)



Average Number of Customers by Sector



Tiered Groundwater Production Charge Discussion

- **District Act requires "fixed and uniform rates for agricultural water and for all water other than agricultural water"**
- **District Act authorizes imposition of a tiered groundwater charge based upon:**
 - 1. A finding of conditions of drought and water shortage**
 - 2. An analysis showing:**
 - 1. Reduction in groundwater levels in the affected zone compared to a base period,**
 - 2. Cause of the reduction in groundwater levels,**
 - 3. Effect of extractions outside and within the zone,**
 - 4. Evaluation of alternative measures,**
 - 5. Evaluation of alternative supplies available for that zone,**
 - 6. Costs and benefits within the zone.**

Tiered Groundwater Charge Provision under District Act Section 26.7

"The rate or rates, as applied to operators who produce groundwater above a specified annual amount, may...be subject to prescribed, fixed and uniform increases in proportion to increases by that operator in groundwater production over the production of that operator for a prior base period to be specified by the Board, upon a finding by the board that conditions of drought and water shortage require the increases. The increases shall be related directly to the reduction in the affected zone groundwater levels in the same base period."

Tiered Groundwater Production Charge Discussion

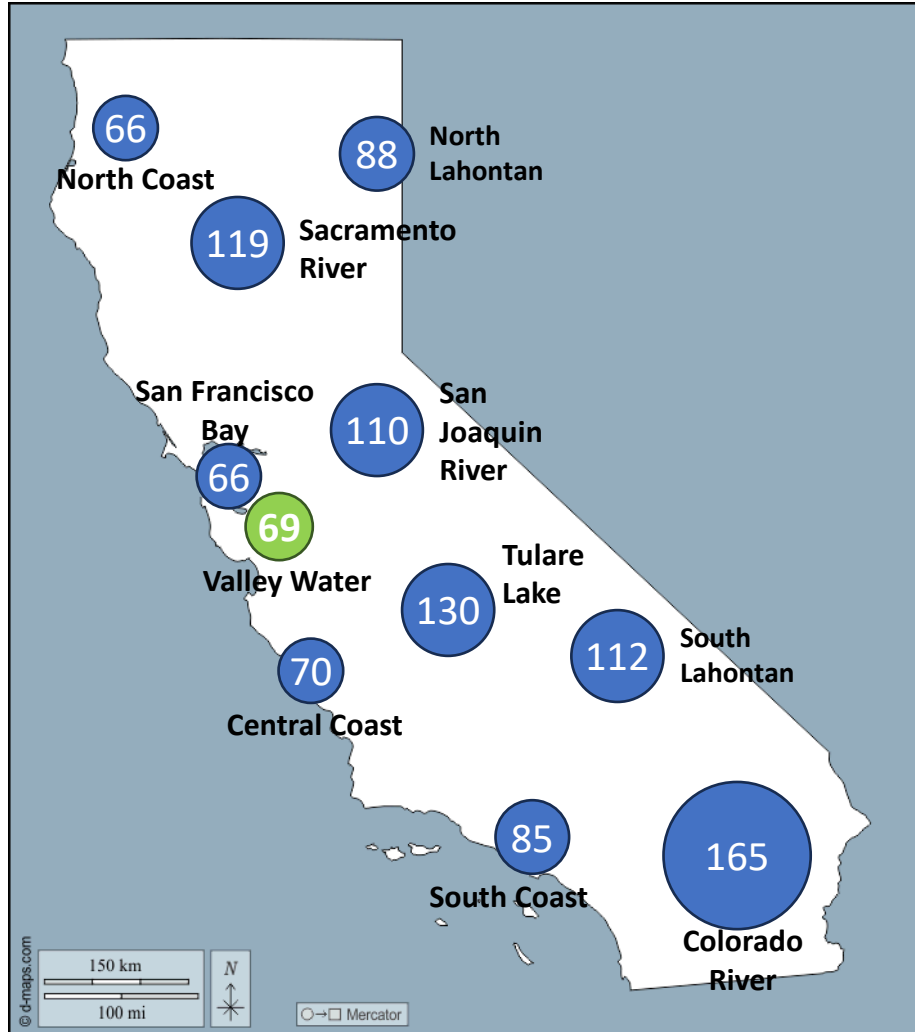
Tiered Groundwater Charges Present Many Challenges

- 1. Many Retail Customers have tiered rates (exceptions: Cities of San Jose, Santa Clara, Milpitas, & Morgan Hill)**
 - Wholesale tiered rates would not likely impact price signal to end consumer
- 2. Unmetered wells (4% of District managed water use, ~4,000 wells)**
 - Estimated cost to install meters is ~\$10+ million and would take several years to achieve with long-term staff impacts
- 3. Difficult to establish “prior base period” water production for ~4,500 wells that would align with Board’s call for conservation resolutions**
 - Prior base period amount must represent water use actually recorded in chosen prior year
 - Many potential reasons for adjustment (wells out of service, crop shifting, new wells, treated water system outages...)
- 4. Treated water contracts may need to be amended to include a new base period amount as the new contract amount to align with establishment of prior base period amount for groundwater**
- 5. Legal Considerations**
 - Tiered rate structure must be based on cost of service for different tiers (cannot be based on non-cost factors)

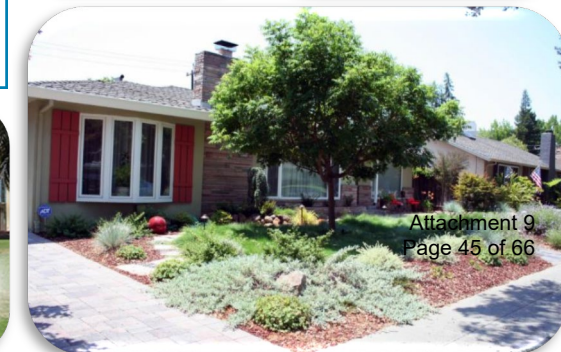
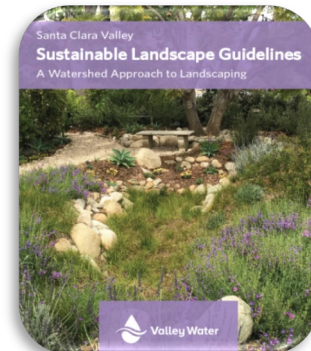
Water Conservation Program

Making water conservation a California way of life.

Average Residential Water Use, 2014 - 2023 (Gallons Per Capita Daily)



- County is very water efficient
- Potential for demand hardening
- Valley Water projecting to spend \$142 million over next 10 years on various rebates & programs



Rate Setting Strategy for FY 2025-26

FY 26 Baseline Case Assumptions

Reduced water use projection versus prior year rate cycle (FY 26 water use slightly lower than FY 25 budget)

Secure Existing Supplies and Infrastructure

- Baseline Projects ¹
- Anderson Dam Seismic Retrofit with WIFIA loan (up to 49% of TPC)
- Dam Safety Program for Almaden, Calero, Coyote, and Guadalupe Dams
- Master Plan Projects Placeholder ²: Assumes \$377M from FY27-FY35
- SWP Tax pays for 100% of SWP costs (excludes SWP portion of Delta Conveyance)
- Delta Conveyance SWP portion continues at 3.23% ³

Expand Conservation and Reuse

- Purified Water Program with City of San Jose: Phase 1 Demonstration Facility & Phase 2 Full Scale Facility (as a placeholder)

Increase System Reliability & Flexibility

- Pacheco Reservoir Expansion Project (PREP) with \$504M Proposition 1 grants, WIFIA loan (up to 49% of TPC) and Partnership Participation at 35% of TPC
- Sisk Dam Raise at San Luis Reservoir with up to 60,000 AF Storage ³

Maintain Agricultural Rate set at 9.25% of lowest M&I rate (Zone W-8)

¹ Includes but not limited to dam seismic retrofits, Rinconada WTP reliability improvement, 10-year pipeline rehabilitation program.

² Master Plan Project Placeholder includes anticipated costs for new pipelines, pipeline rehabilitations, treatment plant upgrades & SCADA implementation projects.

³ Project costs are reflected as Operations & Maintenance costs.

Note: Participation in the Los Vaqueros Reservoir Expansion project has been eliminated from baseline case assumptions.

TPC: Total Project Cost

SWP: State Water Project

Rate Setting Strategy for FY 2025-26

FY 26 Rate Scenarios

1. Baseline (reflecting Modified Water Use Rebound)

Includes Pacheco Reservoir Expansion Project with 35% partnership participation

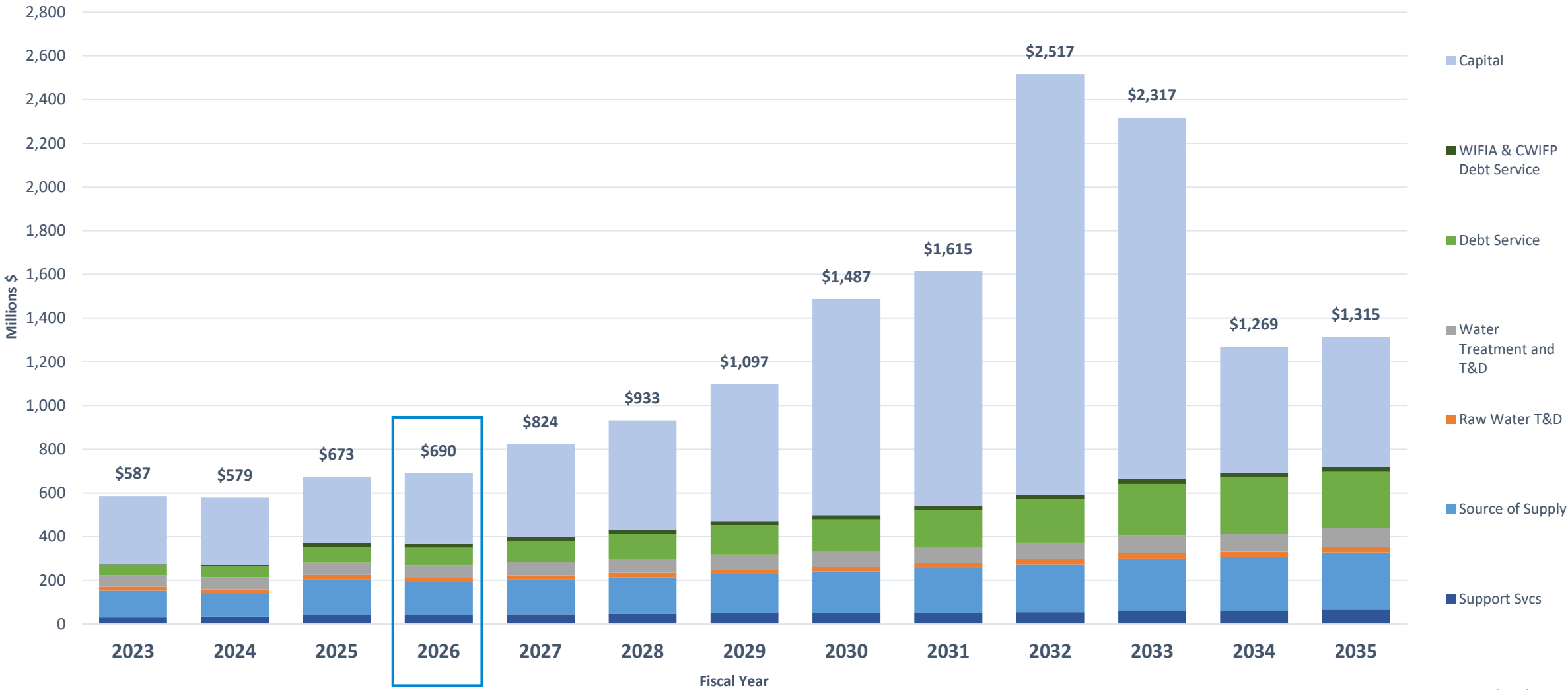
2. Baseline excluding Pacheco Reservoir Expansion Project (PREP)

3. Baseline with 15% Partnership Participation for PREP

4. Baseline with zero Partnership Participation for PREP

Other scenarios based on Board feedback?

Preliminary Cost Projection



Preliminary Groundwater Charge Increase Projection

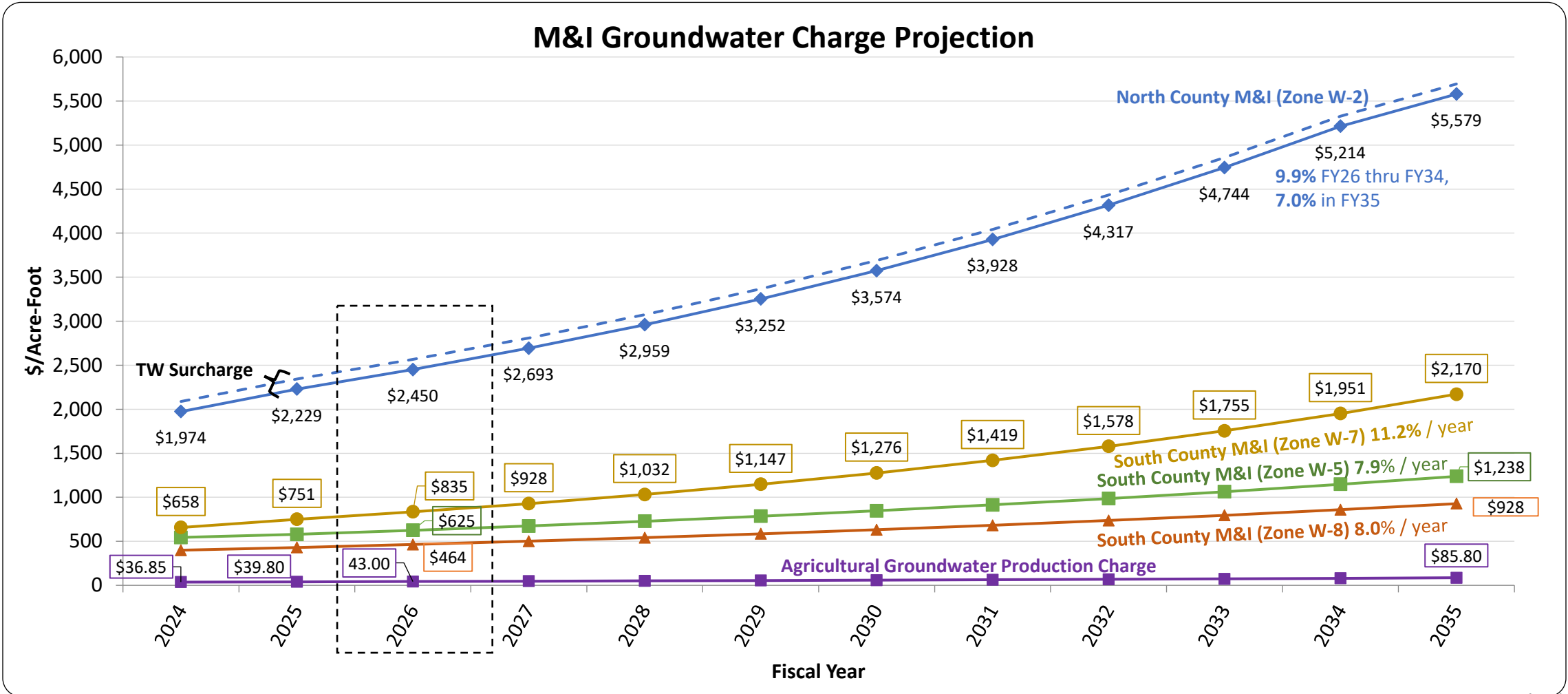
Baseline Scenario

M&I Groundwater Charge Year to Year Growth %

Baseline Scenario 1	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
North County Zone W-2	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	7.0%
<i>Prior Year</i>	<i>9.9%</i>	<i>9.9%</i>	<i>9.9%</i>	<i>9.9%</i>	<i>9.9%</i>	<i>9.9%</i>	<i>9.9%</i>	<i>9.9%</i>	<i>7.0%</i>	
South County Zone W-5	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%
<i>Prior Year</i>	<i>6.6%</i>	<i>6.6%</i>	<i>6.6%</i>	<i>6.6%</i>	<i>6.6%</i>	<i>6.6%</i>	<i>6.6%</i>	<i>6.6%</i>	<i>6.6%</i>	
South County Zone W-7	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
<i>Prior Year</i>	<i>14.2%</i>	<i>14.2%</i>	<i>14.2%</i>	<i>14.2%</i>	<i>14.2%</i>	<i>14.2%</i>	<i>14.2%</i>	<i>14.2%</i>	<i>14.2%</i>	
South County Zone W-8	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
<i>Prior Year</i>	<i>8.0%</i>	<i>8.0%</i>	<i>8.0%</i>	<i>8.0%</i>	<i>8.0%</i>	<i>8.0%</i>	<i>8.0%</i>	<i>8.0%</i>	<i>8.0%</i>	

Preliminary Groundwater Production Charge Projection

Recommended Baseline Scenario



FY 2025-26 Preliminary Groundwater Production Charge Projection

Municipal & Industrial Rate by Zone	FY 2024-25 GW Production Charge	FY 2025-26 Preliminary GW Production Charge	Preliminary % Increase	Increase to Average Monthly Bill (1,500 CCF/month)
North County W-2	\$2,229.00	\$2,450.00	9.9%	\$7.60
South County W-5	\$578.50	\$624.50	7.9%	\$1.58
South County W-7	\$749.50	\$834.50	11.2%	\$2.89
South County W-8	\$430.00	\$464.00	8.0%	\$1.18
Agricultural	\$39.80	\$43.00	8.0%	\$0.53*

* Assumes Agricultural users who pump 2 AF per acre per year

Preliminary Groundwater Charge Increase Scenarios

M&I Groundwater Charge Year to Year Growth %

North County Zone W-2		FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Scenario #1	Baseline	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	7.0%
Scenario #2	Baseline excluding Pacheco	9.9%	9.9%	9.9%	9.9%	9.9%	7.3%	7.3%	7.3%	7.3%	7.3%
Scenario #3	Baseline including Pacheco with 15% Partnership Funding	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%
Scenario #4	Baseline including Pacheco with 0% Partnership Funding	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	10.5%

Preliminary Monthly Impact to Average Household Scenarios

M&I Groundwater Charge – Monthly impact to Average Household

North County Zone W-2		FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Scenario #1	Baseline	\$7.60	\$8.35	\$9.18	\$10.09	\$11.09	\$12.19	\$13.39	\$14.72	\$16.18	\$12.57
Scenario #2	Baseline excluding Pacheco	\$7.60	\$8.35	\$9.18	\$10.09	\$11.09	\$8.99	\$9.64	\$10.35	\$11.10	\$11.91
Scenario #3	Baseline including Pacheco with 15% Partnership Funding	\$7.60	\$8.35	\$9.18	\$10.09	\$11.09	\$12.19	\$13.39	\$14.72	\$16.18	\$17.78
Scenario #4	Baseline including Pacheco with 0% Partnership Funding	\$7.60	\$8.35	\$9.18	\$10.09	\$11.09	\$12.19	\$13.39	\$14.72	\$16.18	\$18.85



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 %

North County Zone W-5		FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Scenario #1	Baseline	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%
Scenario #2	Baseline excluding Pacheco	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
Scenario #3	Baseline including Pacheco with 15% Partnership Funding	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%
Scenario #4	Baseline including Pacheco with 0% Partnership Funding	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%

Preliminary Monthly Impact to Average Household Scenarios

M&I Groundwater Charge – Monthly impact to Average Household

North County Zone W-5		FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Scenario #1	Baseline	\$1.58	\$1.70	\$1.83	\$1.98	\$2.13	\$2.30	\$2.49	\$2.68	\$2.89	\$3.12
Scenario #2	Baseline excluding Pacheco	\$1.43	\$1.54	\$1.65	\$1.77	\$1.90	\$2.03	\$2.18	\$2.34	\$2.50	\$2.68
Scenario #3	Baseline including Pacheco with 15% Partnership Funding	\$1.62	\$1.77	\$1.91	\$2.07	\$2.24	\$2.42	\$2.62	\$2.84	\$3.07	\$3.32
Scenario #4	Baseline including Pacheco with 0% Partnership Funding	\$1.69	\$1.84	\$1.99	\$2.16	\$2.35	\$2.55	\$2.76	\$3.00	\$3.25	\$3.53



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 %

North County Zone W-7		FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Scenario #1	Baseline	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
Scenario #2	Baseline excluding Pacheco	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%
Scenario #3	Baseline including Pacheco with 15% Partnership Funding	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%
Scenario #4	Baseline including Pacheco with 0% Partnership Funding	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%	11.8%

Preliminary Monthly Impact to Average Household Scenarios

M&I Groundwater Charge – Monthly impact to Average Household

North County Zone W-7		FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Scenario #1	Baseline	\$2.89	\$3.22	\$3.58	\$3.98	\$4.43	\$4.92	\$5.47	\$6.09	\$6.77	\$7.53
Scenario #2	Baseline excluding Pacheco	\$2.55	\$2.81	\$3.09	\$3.40	\$3.73	\$4.10	\$4.51	\$4.95	\$5.44	\$5.98
Scenario #3	Baseline including Pacheco with 15% Partnership Funding	\$2.96	\$3.31	\$3.69	\$4.12	\$4.59	\$5.12	\$5.71	\$6.37	\$7.10	\$7.91
Scenario #4	Baseline including Pacheco with 0% Partnership Funding	\$3.05	\$3.41	\$3.81	\$4.26	\$4.76	\$5.33	\$5.96	\$6.66	\$7.44	\$8.32



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	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
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	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Baseline and all Scenarios	\$1.18	\$1.28	\$1.38	\$1.49	\$1.61	\$1.74	\$1.88	\$2.03	\$2.19	\$2.37



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

Agricultural Groundwater Charges

Agricultural Groundwater Charge Year To Year Growth %

Agricultural Rate	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
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 User*

Agricultural Rate	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Baseline and all Scenarios	\$0.53	\$0.57	\$0.62	\$0.67	\$0.72	\$0.78	\$0.84	\$0.91	\$0.98	\$1.06

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

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 [or under] 10% of lowest M&I charge



Other Charges, Taxes, Reserves Information

	FY 2025	FY 2026	FY 2027
<u>Other Charges</u>	<u>Budget</u>	<u>Projection</u>	<u>Projection</u>
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)	\$67.10	\$73.80	\$81.20
Agricultural Groundwater Charge (\$/AF)	\$43.00	\$46.50	\$50.00
<u>SWP Tax</u>			
Revenue	\$28M	\$28M	\$28M
Cost per average household	\$42/Yr.	\$42/Yr.	\$42/Yr.
<u>Reserves</u>			
Supplemental Water Reserve	\$5.3M	\$8.7M	\$12.1M
Drought Reserve	\$0.0M	\$1.0M	\$4.0M
Rate Stabilization Reserve	\$20.5M	\$39.9M	\$44.7M
Operating and Capital Reserve	\$71.4M	\$56.5M	\$62.3M

Consultant Study

On Water Use Projections, Demand Elasticity & Rate Affordability

Study commenced May 2024

- Study will continue through 2025

Study Goals:

- Identify how Valley Water's rates impact water demand (elasticity) and affordability of water service in Santa Clara County
- Validate and/or refine water demand forecasting for purposes of annual rate setting and long-term capital planning

Three key tasks:

1. Analyze Water Use Projections (to inform FY 2025-26 rate setting process)
2. Demand Elasticity Analysis
3. Water Rate Affordability Analysis

Target completion date: July 2025

Rate Setting Schedule FY 2025-26

- Jan 6 Agricultural Water Advisory Committee
- Jan 14 Board Meeting: Preliminary Groundwater Charge Analysis
- Jan 15 Water Retailers Meeting: Preliminary Groundwater Charge Analysis
- Jan 22 Water Commission Meeting: Prelim Groundwater Charge Analysis

- Feb 11 Board Meeting: Set time & place of Public Hearing
- Feb 28 Mail notice of public hearing and file PAWS report

- Mar 11 Board Meeting: Budget development update
- Mar 19 Water Retailers Meeting: FY 26 Groundwater Charge Recommendation
- Mar 25 Long Range Financial Forecast Review

- Apr 7 Agricultural Water Advisory Committee
- Apr 8 Open Public Hearing
- Apr 9 Water Commission Meeting
- Apr 10 Continue Public Hearing in South County
- Apr 22 Conclude Public Hearing

- Apr 23-24 Board Meeting: Budget work study session
- May 13 Adopt budget & groundwater production and other water charges

Next Steps: Integrated Financial Planning Schedule

REF #	MEETING		MILESTONE
	CIP CMTE	BOARD	
1	9/16/24		Annual CIP Development Process Overview/Funding Filters for Prioritization Presentation/Integrated Financial Planning Calendar/Review of CIP FY25-29 Five-Year Plan Projects by Category
2		10/08/24	Annual CIP Development Process Overview/Funding Filters for Prioritization Presentation/Integrated Financial Planning Calendar/Review of CIP FY25-29 Five-Year Plan Projects by Category
3	11/1/24		New Initially Validated & Unfunded Projects Presentation
4		11/12/24	New Initially Validated & Unfunded Projects Presentation/Receive Board Feedback Regarding CIP FY25-29 Five-Year Plan Projects, and New & Unfunded Projects for Inclusion in CIP Preliminary FY26-30 Plan Water Rate Planning Overview
5		11/26/24	Biennial Budget Process Overview
6	12/16/24		CIP Preliminary Five-Year Plan Funding Workshop (Financial Modeling & CIP Updates From Adopted FY25-29 Plan)
7		1/14/25	Five-Year WS & WU Asset Renewal Plans CIP Preliminary 5-yr Plan Workshop (Financial Modeling & Significant Updates); Board to Provide Direction CIP SCW/WS Preliminary 10-yr Financial Analysis Preliminary Water Rate Analysis & Scenarios
8		1/28/25	1 st Pass Budget Update
9		2/11/25 ★	SCW Public Hearing
10		2/25/25	Draft CIP (Authorize to Distribute for Public Review)
11		3/11/25	2 nd Pass Budget Update
12		4/8/25	Ground Water Charge Public Hearings Begin CIP Public Hearing Begins (Optional Date 4/23)
13		4/10/25	Ground Water Charge Public Hearing in South County (Gilroy)
14		4/22/25	Ground Water Charge Public Hearings Close
15		4/23/25	Budget Work-study Session
16		5/13/25	Board Adoption of Water Rates, CIP, Budget, Investment and Debt Resolutions (w/Final CIP and Budget Reports Completed by 6/30/2025)
17		6/30/24	FY25 Rate Notifications: Website and Mailers (Retailers and All Customers)

LEGEND
CIP
Budget
Water Rates
Safe Clean Water (SCW)
Asset Management (AM)

} Combined Presentation



Recommended Board Actions

- A. Review the Capital Improvement Program (CIP) Evaluation Team's recommended funding scenarios for the CIP Preliminary Fiscal Year 2026-2030 (FY 2026-30) Five-Year Plan and approve the recommendations for the Water Utility Enterprise Fund (Fund 61) and the inclusion of three projects in the CIP Draft FY 2026-30 Five-Year Plan;
- B. Review proposed adjustments and modifications to the Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water Program) Fund (Fund 26);
- C. Set the time and place for a public hearing for modifications to the Safe, Clean Water Program for February 11, 2025; and
- D. Discuss and provide direction on the preliminary FY 2025-2026 (FY 26) Groundwater Production Charge analysis.

CIP Five-Year Plan Available Online

SCAN THE QR CODE:



Or visit this website:
delivr.com/24wqn

END OF PRESENTATION

Questions & Answers



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