



Valley Water

Clean Water • Healthy Environment • Flood Protection

Continue and Close Public Hearing and Adopt Resolution to Approve Fiscal Years 2022-2026 (FY 2022-26) Capital Improvement Program (CIP)

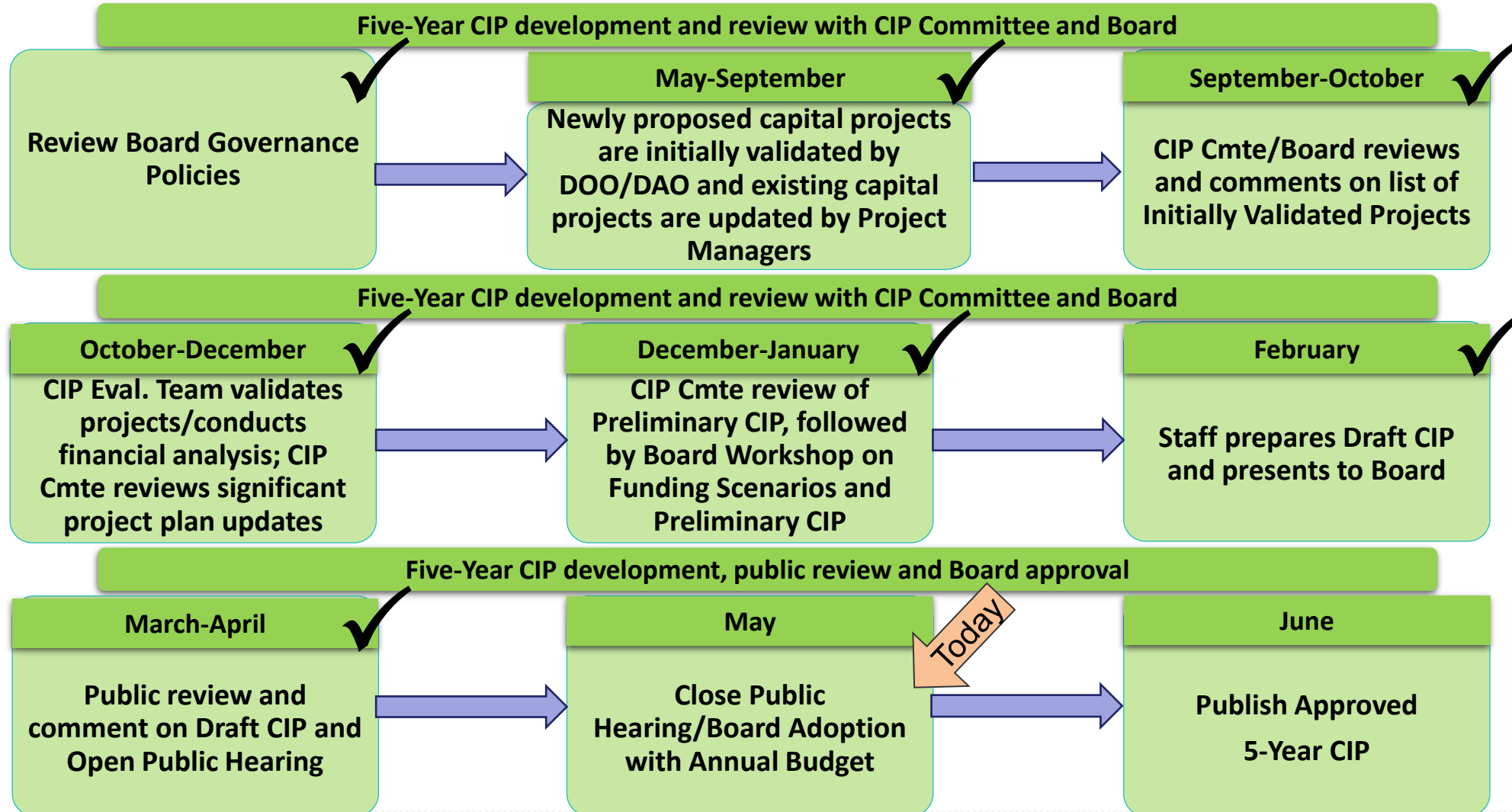
Presented by Heath McMahon, Deputy Operating Officer

Presentation Outline

1. Annual CIP Process Overview
 - a. Changes between Draft CIP and Final CIP
2. FY 2022-26 CIP –What’s Included
 - a. Investing in the Community
 - b. Project/Program Highlights by Type of Improvement
 - c. Leveraging External Funding
 - d. Future Challenges
3. FY 2022-26 CIP Project Adjustments to be Included in the Renewed Safe, Clean Water and Natural Flood Protection (SCW) Program
 - a. Upcoming SCW 5-Year Implementation Plan
 - b. SCW Adjustments to be Approved Within the FY 2022-26 CIP
4. Next Steps
 - a. Board Actions –Document Production

Annual CIP Process Overview

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Changes from Draft to Final CIP

Watersheds Projects

26044002 SCW Fish Passage Improvements - According to the 2012 Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water Program), this project was categorized under Project D4 - Fish Habitat and Passage Improvement and included fish passage improvement projects located at Evelyn Road, Singleton Road and Bolsa Road. The Evelyn Road Project was completed in 2015.

The Safe, Clean Water Program was renewed by the voters in November 2020. According to the renewed Safe, Clean Water Program, the Bolsa Road Project was moved to Project D6 - Restoration of Natural Creek Functions (new Project Number 26044004). While the Bolsa Road Project retains its fish passage benefits, it was moved to Project D6 because during the design phase, geomorphic features were identified that will restore stability and stream function. The estimated funding allocation for the Bolsa Project increased by \$2.6M, which has an estimated total project cost in the CIP of \$6.5M. The change in project cost is primarily due to increased estimated construction costs. Bolsa Road Fish Passage project is one of 3 projects to be constructed under Project D6.

The FY22-36 estimated funding allocation for the Singleton Road Project is approximately \$1.2M (Number 26044002) and will count towards the renewed Safe, Clean Water Program Project D4, key performance indicator 3, which is to use \$8M on fish passage improvement projects by June 30, 2028 (which includes \$6.8M in placeholder funding for the Future Fish Passage Improvements Project 26C40370).

Changes from Draft to Final CIP, continued

Watersheds Projects Cont...

26074002 Sunnyvale East/West Channels Flood Protection Project (E2) - Updated schedule with construction funding extended to future fiscal years due to continued discussions with Google regarding their Caribbean Development Project. The Google project will generate on-site mitigation for Valley Water and support on-going efforts by Valley Water to acquire the Regulatory Agency permits required prior to start of construction. Total project cost has increased by approximately \$2M to \$72M due to inflation.

Water Utility Projects

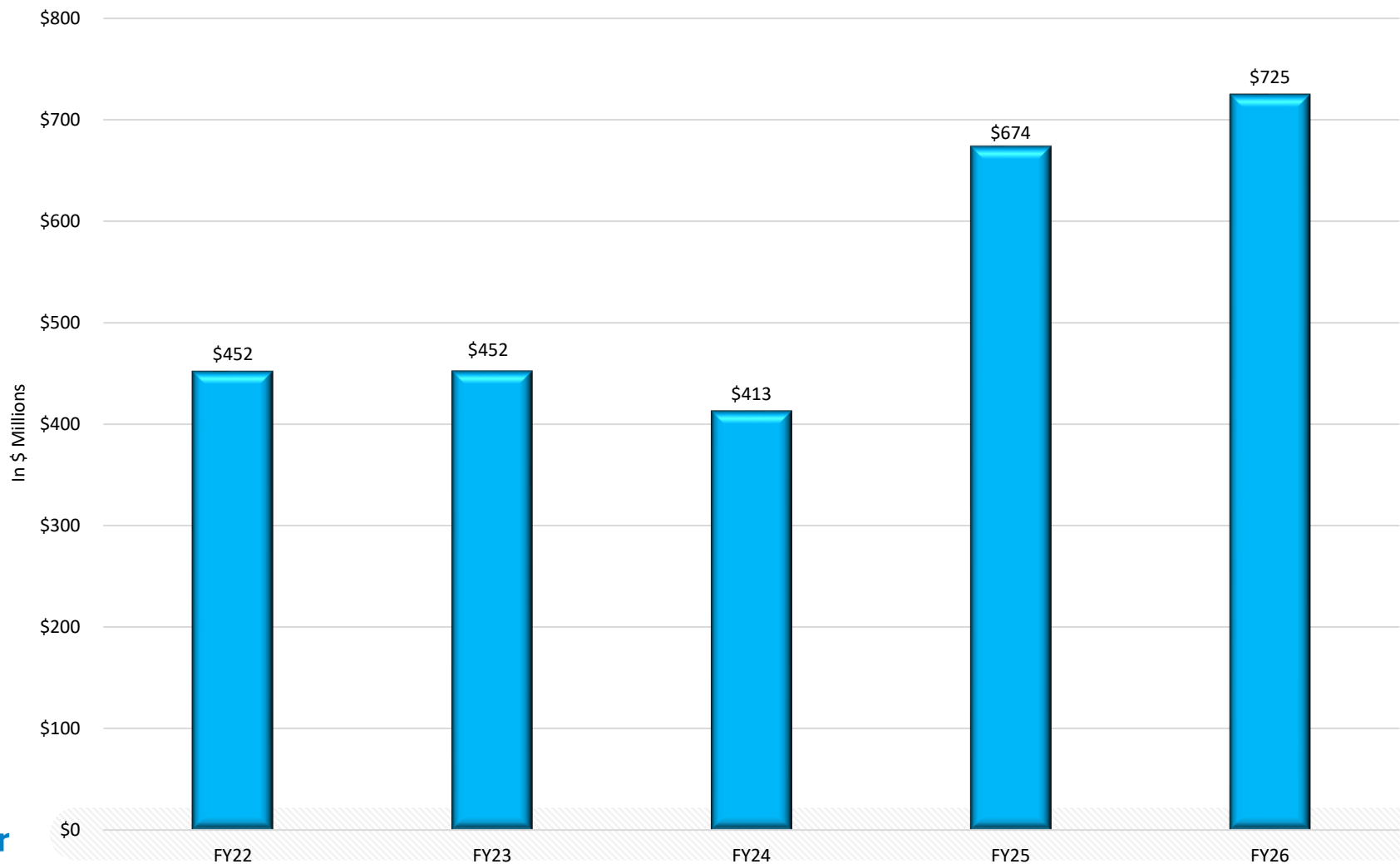
26764001 IRP2 Additional Line Valves - The overall project construction schedule is extended by two years and will be completed in FY28 instead of FY26. The extension allows the project work to be coordinated with the 10-Year Pipeline Inspection & Rehabilitation Project and minimize customer impacts. 3 valves will be installed by the end of FY26, and the 4th valve in FY28.

Investing in the Community:

FY 2022-26 Capital Improvement Program

Planned Annual Capital Expenditures

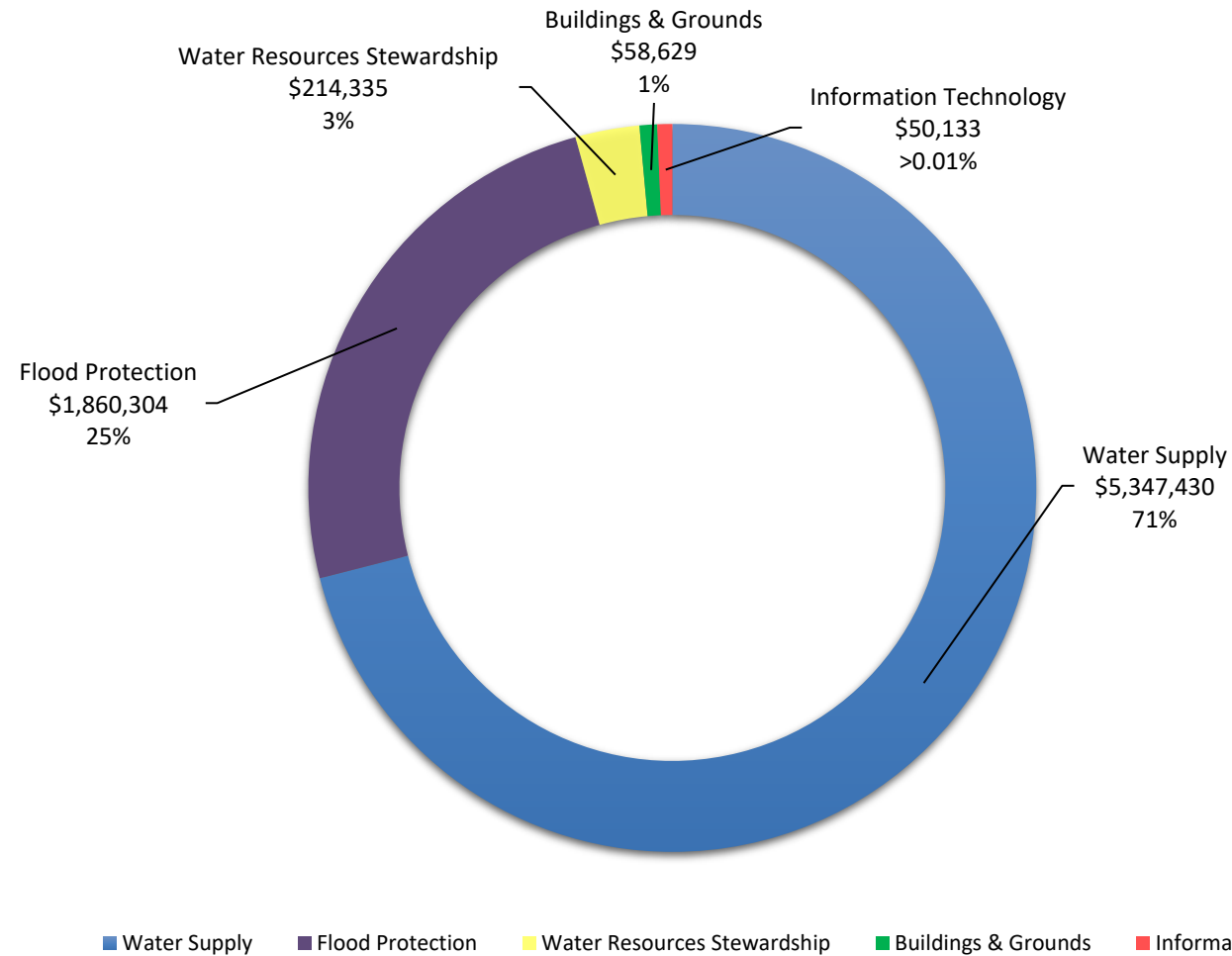
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Investing in the Community:

FY 2022-26 CIP by Type of Improvement

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Projected FY 2022-26 CIP Projects by Type of Improvement

- Water Supply – 31 projects
- Flood Protection – 17 projects
- Water Resources Stewardship – 12 projects
- Buildings and Grounds – 2 projects
- Information Technology – 6 projects

Projected Final FY 2022-26 CIP

Summary of Project Costs

	Appropriated / Actuals through FY-21	Remaining Cost to Completion	Total Project Costs
Water Supply	\$740 M	\$4,608 M	\$5,348 M
Flood Protection	\$972 M	\$888 M	\$1,860 M
Stewardship	\$45.7 M	\$169 M	\$214 M
Buildings/Grounds	\$3 M	\$55.6 M	\$58.6 M
Information Technology	\$27 M	\$22.7 M	\$50 M
TOTAL CIP	\$1,788 M	\$5,743 M	\$7,531 M*

Water Supply Highlights

Total CIP Includes 31 Water Supply Projects

FY 2022 Planned Expenditures = \$270M

Total Project Costs = ~\$5.3B

- **New Storage and Seismic Retrofit of Dams (\$167M)(\$3.6B)**
 - Anderson Dam Seismic Retrofit (\$127M)(\$647M)
 - Pacheco Reservoir Expansion Project (\$31M)(\$2.5B)
- **Pipelines/Transmission Facilities (\$31M)(\$470M)**
 - Almaden Valley Pipeline (\$828K)(\$90M)
- **Water Treatment Plant Upgrades (\$53M)(\$562M)**
 - RWTP Reliability Improvement Project (\$21M)(\$360M)
- **Recycled/Purified Water (\$19M)(\$682M)**
 - Expedited Purified Water Program (\$3M)(\$618M)



Flood Protection Highlights

Total CIP Includes 17 Flood Protection Projects

FY 2022 Planned Expenditures = \$154M

Total Project Costs (TPC) = \$1.9B

- **Project Highlights for Each Watershed: (FY22)(TPC)**
 - Coyote Creek (\$4M)(\$63M)
 - Upper Llagas Creek (\$59M)(\$333M)
 - San Francisquito Creek (\$13M)(\$107M)
 - Upper Guadalupe River (\$3M)(\$177M)
 - Sunnyvale East/West Channels (\$3M)(\$71M)
- **Projects Benefitting Multiple Watersheds: (FY22)(TPC)**
 - SF Bay Shoreline (\$24M)(\$219M)
 - Watershed Asset Rehabilitation Program (\$19M)(\$183M)



Water Resources Stewardship Highlights

Total CIP Includes 12 Water Resources Stewardship Projects

FY 2022 Planned Expenditures = \$19M

Total Project Costs = \$214M

➤ **Environmental Enhancements Project Highlights: (FY22)(TPC)**

- Hale Creek Enhancement Pilot Study (\$3.8M)(\$8.8M)
- Almaden Lake Improvements (\$9.8M)(\$58M)
- Salt Ponds A5-11 Restoration (\$0.6M)(\$7.8M)



Buildings & Grounds and IT Highlights

Total CIP Includes 8 Buildings and Grounds and IT Projects

FY 2022 Planned Expenditures = \$9M

Total Project Costs = \$109M

➤ **2 Buildings & Grounds projects (\$6M)(\$59M)**

- Facility Management, Small Caps \$4M per year (\$4M)(\$43M)
- Headquarters Operations Building (\$2M)(\$15.6M)

➤ **6 Information Technology projects (\$3M)(\$50M)**

- ERP System Implementation (\$2.3M)(\$17.5M)
- IT Disaster Recovery (\$206K)(\$2.6M)



Leveraging External Funding

Capital Reimbursements

Reimbursements anticipated to be received between FY2022-26 = ~\$352M

- Grants (including Measure AA & Cal Water Commission) and Agreements: ~\$295M
- State Subvention Reimbursements: ~\$57M

Leveraging External Funding

Grants and Agreements

FY 2022-26 Grants and Agreements (~\$295M)

- **California Water Commission Grant:**
 - ~\$258M Pacheco Reservoir Expansion Project
- **Measure AA Grant:**
 - ~\$34M San Francisco Bay Shoreline
- **United States Bureau of Reclamation, Title XVI:**
 - ~\$2M South County Recycled Water Pipeline
- **San Benito Water District Reimbursement Agreement:**
 - ~\$2M San Felipe Small Caps Improvements, Reach 1

Leveraging External Funding

State Subvention Reimbursements

FY 2022-26 State Subvention Reimbursements (~\$57M)

- **CIP projects with planned reimbursements:**
 - \$7.3M Upper Llagas Creek
 - \$826K Berryessa Creek Upper
 - \$48.4M San Francisco Bay Shoreline

- **Subventions reimburses 50% - 100% of Valley Water's share portion**
 - Project must be federally authorized, then appropriated through State budget process
 - The Board has reserved the authority to determine how state subvention reimbursements will be allocated.
 - If the Board does not designate subvention funds to be allocated to a specific project, the money will be credited to the capital reserve fund for that project.
 - Safe Clean Water Subventions previously designated to remain in SCW Fund.

Leveraging External Funding

Safe, Clean Water and Natural Flood Protection Program

Flood Protection Projects relying on unsecured funding to be completed on schedule*:

- San Francisquito Creek - partnership/grants funding through Joint Powers Authority (~\$20M) and City of Palo Alto Cal Trans Grant Funding (~\$8.9M)
- Upper Llagas Creek - NRCS Grants (~\$80M)

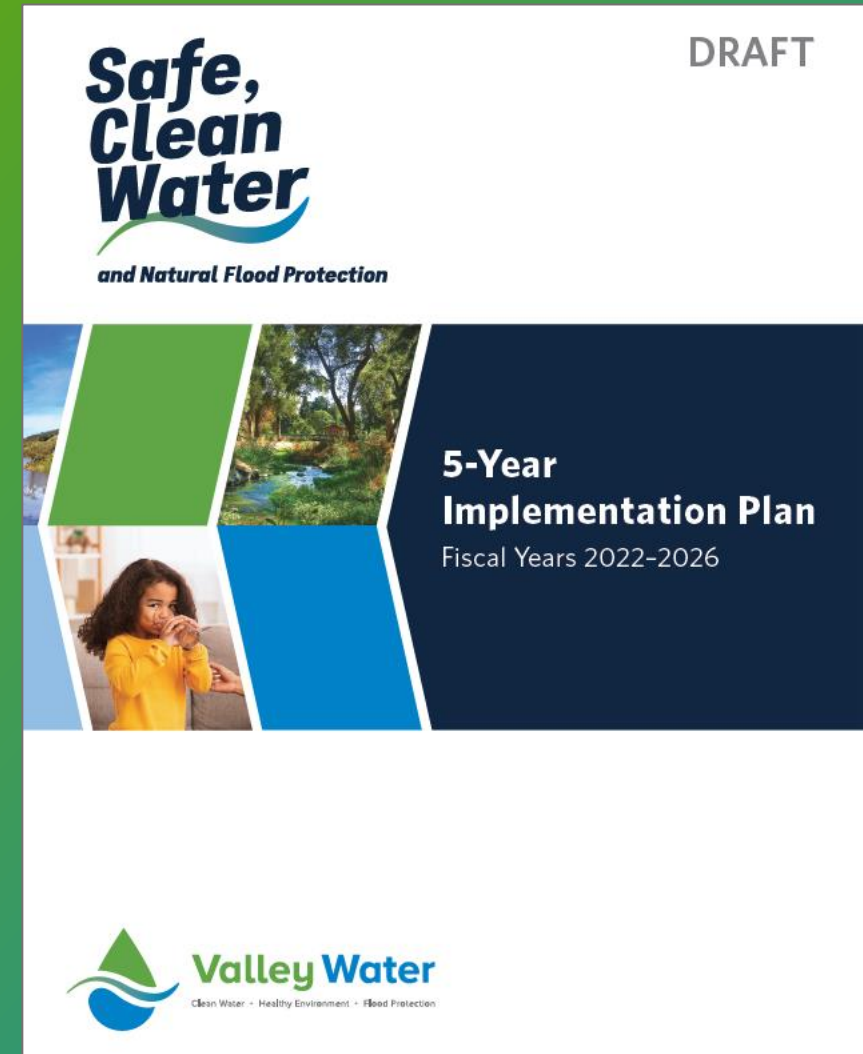
* Staff will bring key decisions regarding Safe, Clean Water Program funding to the Board in FY22, as required.

CIP Future Challenges

FY 2022-26 Identified Challenges

- Replacing/repairing aging infrastructure
- Additional Water Supply storage
- Dam seismic retrofits
- Fund Safe, Clean Water Capital Projects
- Expansion of recycled water systems and water purification facilities
- COVID-19 pandemic impacts

FY 2022-26 CIP Project Adjustments to be Included in the Renewed Safe, Clean Water and Natural Flood Protection (SCW) Program



6 Community-Preferred Priorities



Priority A
Ensure a safe, reliable
water supply

Safe, Clean Water
and Natural Flood Protection



Priority B:
Reduce toxins, hazards and
contaminants in our waterways

Safe, Clean Water
and Natural Flood Protection



Priority C:
Protect our water supply and dams from
earthquakes and other natural disasters

Safe, Clean Water
and Natural Flood Protection



Priority D:
Restore wildlife habitat
and provide open space access

Safe, Clean Water
and Natural Flood Protection



Priority E:
Provide flood protection to homes,
businesses, schools, and highways

Safe, Clean Water
and Natural Flood Protection



Priority F:
Support public health and
public safety for our community

Safe, Clean Water
and Natural Flood Protection

SCW Adjustments to be Approved Within the FY 2022-26 CIP 22

Water Utility Projects

Project A3: Pipeline Reliability (IRP2 Additional Line Valves), 26764001

(Schedule Adjustment – presented to the Board on 04/13/2021)

The overall project construction schedule is extended by two years and will be completed in FY28 instead of FY26. The extension allows the project work to be coordinated with the 10-Year Pipeline Inspection & Rehabilitation Project and minimize customer impacts. 3 valves will be installed by the end of FY26, and the 4th valve in FY28.

SCW Adjustments to be Approved Within the FY 2022-26 CIP

Water Resources Stewardship Projects

Project D4: Almaden Lake Creek/Lake Separation (Almaden Lake Improvements), 26044001

(Funding Adjustment – included in the Preliminary and Draft CIP, presented to the Board on 01/12/2021 and 02/23/2021)

The Almaden Lake Project estimated funding allocation for FY22-36 has increased by approximately \$26M, from approximately \$24.4M to approximately \$50.5M (total project cost in the CIP has increased to \$58.2M), primarily because of higher estimated construction costs due to the water source change and cost refinements, resulting from the project approaching 60% design plans. Staff plans to recommend the Board certify the Final Environmental Impact Report (EIR) in May 2021, when staff will also request the Board to select the Almaden Lake Project as the project to be constructed under KPI #2, which is "Construct one (1) creek/lake separation project in partnership with local agencies."

Project D6: Restoration of Natural Creek Function – Bolsa Road Fish Passage Improvement, 26044004

(Funding Adjustment - presented to the Board on 04/13/2021)

The estimated funding allocation for FY22-36 for the Bolsa Project has increased by \$2.6M, which has an estimated total project cost in the CIP of \$6.5M. The change in project cost is primarily due to increased estimated construction costs due to several factors, including project refinements to accommodate the need for permanent access ramps for maintenance purposes. Bolsa Road Fish Passage project is one of 3 projects to be constructed under Project D6.

SCW Adjustments to be Approved Within the FY 2022-26 CIP

Flood Protection Projects

E1: Coyote Creek Flood Protection, 26174043

(Funding Adjustment - included in the Preliminary and Draft CIP, presented to the Board on 01/12/2021 and 02/23/2021)

The estimated funding allocation for FY22-36 for this project has risen from \$41.8M to \$45.7M because of a \$3.9M increase in estimated project cost. Total project cost in the CIP has increased to \$62.9M. The cost increase is a result of further refinement of project cost estimates in late 2020. This one of the projects for which Valley Water is working to seek funding from the low-cost WIFIA loan program for this project.

E2: Sunnyvale East and Sunnyvale West Channels Flood Protection, 26074002

(Schedule Adjustment – information presented to the Board on 04/13/2021)

Project construction has been pushed back by about 2 years to begin in FY22 and be completed in late FY26 (Project closeout planned for FY27). This is because of continued discussions with Google regarding their Caribbean Development Project, which will enhance approximately 1,100 linear feet of the Sunnyvale West Channel and generate on-site mitigation for use by Valley Water. Meanwhile, Valley Water is working to seek funding from the low-cost WIFIA loan program for this project.

SCW Adjustments to be Approved Within the FY 2022-26 CIP

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Flood Protection Projects, continued

E5: San Francisquito Creek Flood Protection, 26284002

(Funding Adjustment - included in the Preliminary and Draft CIP, presented to the Board on 01/12/2021 and 02/23/2021)

The estimated funding allocation under the renewed SCW Program for FY22-36 has increased by \$12.4M, from \$31.5M to \$43.9M, because of project plan updates to reflect the full cost of the local-funding only project. The updates include \$8.9M in Caltrans grant being sought by the City of Palo Alto for the Newell Road Bridge Replacement Project. These changes result in a new total project cost of \$94.6M, which includes the downstream project costs. We are also working to finance project costs through the low-cost WIFIA loan program.

SCW Adjustments to be Approved Within the FY 2022-26 CIP

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Flood Protection Projects cont...

E6: Upper Llagas Creek Flood Protection, 26174052

(Funding Adjustment – included in the Preliminary and Draft CIP, presented to the Board on 01/12/2021 and 02/23/2021)
The Project's estimated funding requirement for FY22-36 has risen by nearly \$114M, from \$46.3M to \$160.1M. It's primarily due to a \$20M increase in construction cost estimates for Phase 2A; and the inclusion of an estimated \$80M million construction cost of Phase 2B. Total project cost in the CIP has increased to \$256.9M.

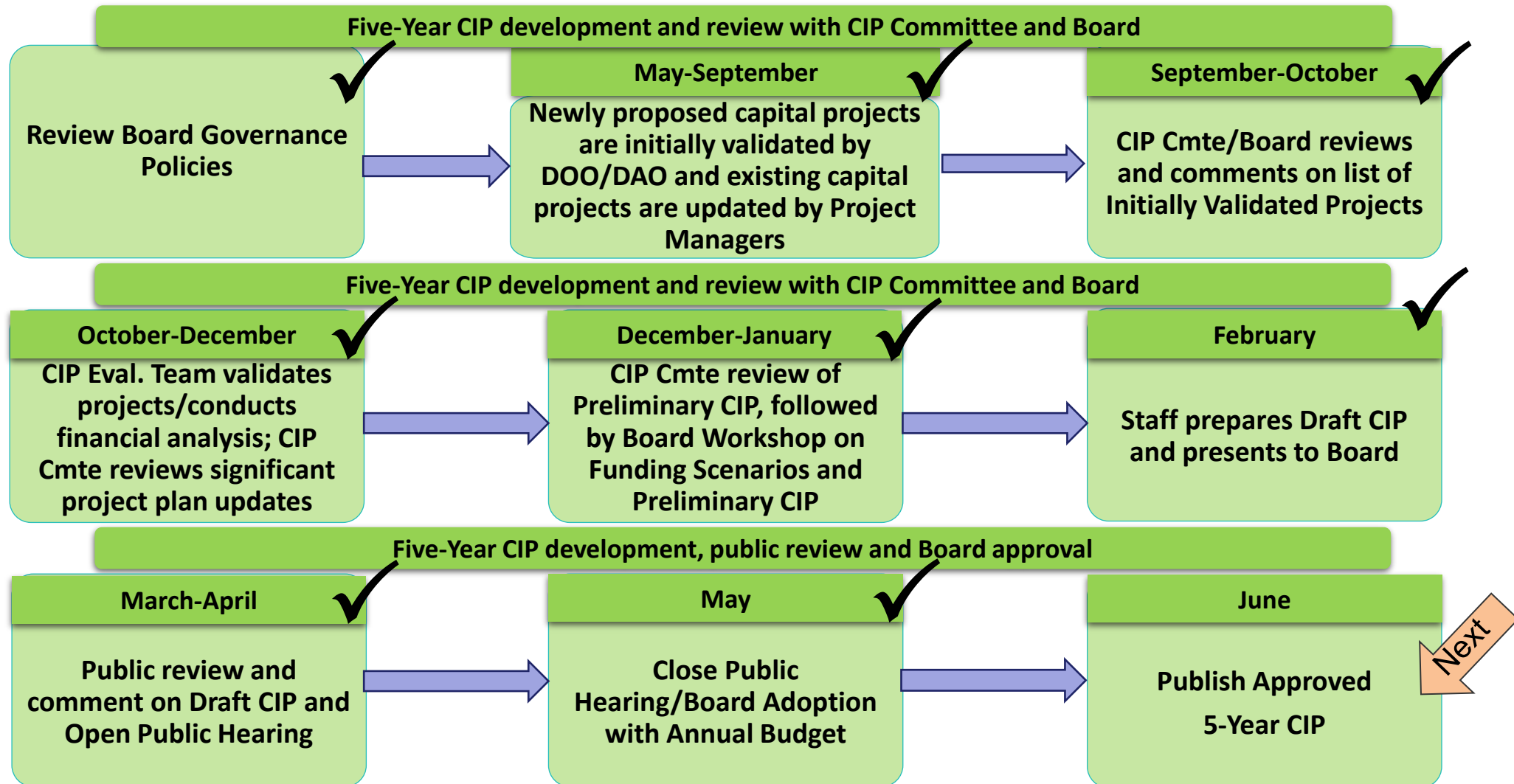
The Phase 2A construction cost has increased from an estimated \$30M to \$50M because of several factors, such as increased tunnel costs, additional utility relocation required, and the City of Morgan Hill's Hale Avenue Extension Project (to be fully reimbursed by the city), etc.

With the completion of Phase 1 and Phase 2A, Valley Water will deliver the local-funding only project (KPI #2). The construction of Phase 2B is required to deliver KPI #1, which is the preferred project to be constructed with federal, state and local partnerships.

Of the required funding, Valley Water expects to receive \$7.3M in state reimbursements (FY22-36). Additionally, Valley Water is seeking \$80M via NRCS grant to help fund Phase 2B. We are also working to finance project costs through the low-cost WIFIA loan program.

Next Steps

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Board Actions Today

- A. Re-convene the public hearing from April 28, 2021 to receive comments regarding the Santa Clara Valley Water District's Fiscal Years 2022-2026 Five-Year Capital Improvement Program (CIP);
- B. Close public hearing;
- C. Direct staff to incorporate the identified changes to the draft FY 2022-2026 Five-Year CIP and finalize the FY 2022-2026 Five-Year CIP by June 30, 2021; and
- D. Adopt the Resolution APPROVING FISCAL YEARS 2022-2026 FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM.



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