



Santa Clara Valley Water District

File No.: 20-0507

Agenda Date: 7/28/2020

Item No.: 8.1.

BOARD AGENDA MEMORANDUM

SUBJECT:

Central Fiscal Year 2019-20 Year-End and Fiscal Year 2020-21 Budget Adjustments.

RECOMMENDATION:

Approve the central Fiscal Year 2019-20 year-end and Fiscal Year 2020-21 budget adjustments.

SUMMARY:

In adhering to Governance Policies of the Board and specifically Executive Limitations EL-4, staff respectfully submits central budget adjustments to the FY 2019-20 Adjusted Budget and FY 2020-21 Adopted Budget which are necessary in order to better align limited allocated resources with the Board's Ends, meet Board priorities, and continue to provide for a balanced budget.

A brief description of the FY 2019-20 central budget adjustments are presented below:

1. Capital Project: 40324003 Upper Penitencia Creek - Corps Coordination (\$495,880 Increase):
The Upper Penitencia Creek-Corps Coordination project number currently has a negative budget of \$495,880 and is set to close in FY 2019-20. The Upper Penitencia Creek Project consists of three project numbers, which represent: (1) the Upper Penitencia Creek-Corps Coordination project, (2) the Upper Penitencia Creek Corp Coordination SCW project, and (3) the Upper Penitencia, Coyote-Dorel project. The Upper Penitencia Project is continuing into the Design phase with the Upper Penitencia Creek Corp Coordination SCW project number, as approved by the Board during the December 17, 2019 meeting. To close out the Upper Penitencia Creek-Corps Coordination project number with a \$0 balance, \$495,880 is needed to be transferred from the Upper Penitencia Creek Corps Coordination SCW project number in the same fiscal year, FY 2019-20. This budget adjustment is funded by the Operating and Capital Reserve balance in the Watershed & Stream Stewardship Fund.
2. Capital Project: 62044001 Watershed Habitat Enhancement (\$93,000 Increase): The currently approved Watershed Habitat Enhancement Project includes (1) completing a feasibility study to separate Coyote Creek from the Ogier Ponds complex, (2) completing a feasibility study to separate Coyote Creek from the Metcalf Ponds complex, (3) preparing a fish passage barrier analysis for Stevens Creek, and (4) evaluating and prioritizing fish passage barriers for Stevens Creek. The project currently has a negative balance due to re-allocation of staff

resources to this project. There is budget available in FY 2020-21 to cover the negative balance. This budget adjustment will re-appropriate funds from FY 2020-21.

3. Capital Project: 00074038 Capital Program Services Admin (\$1,050,000 Increase): This project provides for the administration and training needs of the Water Utility Capital, Watershed Capital, and Dam Safety and Capital Delivery Divisions. Specifically, the project provides for unit, division, and office management activities that promote communication, District-wide efforts, project efficiency, recruitment, process improvement, and high-level management support. The project currently has a negative balance due to reorganization after the FY 2019-20 budget was adopted and delayed capital projects resulting in administrative charges to this project as staff sought training while capital projects were re-advertised and rebid for better pricing and/or implementation of COVID-19 purchasing processes. This budget adjustment is funded by Operating and Capital Reserve balances in the General Fund, Watershed & Stream Stewardship Fund, Safe Clean Water Fund and Water Enterprise Fund.

A brief description of the FY 2020-21 central budget adjustments, all consisting of carryforward of unspent budget from FY 2019-20 to FY 2020-21, are presented below:

4. Operating Project: 73271009 Software Services (\$1,548,000 Increase): Replacement of the CRM system, otherwise known as Comcate and Access Valley Water, utilized by the public to contact Valley Water staff and Board Members, and to report a hazardous condition. Due to unforeseen circumstances, and the pandemic, RFP process was delayed, and a carryforward budget adjustment is necessary.
5. Capital Project: 70004002 Replacement Vehicle & Equipment (\$251,000 Increase): Due to the pandemic, the procurement and purchase of the Marsh Master, or equivalent, to cut vegetation and brush, was delayed in FY20. Valley Water's Vegetation Field Operations Unit annually performs removal of instream emergent vegetation for flow conveyance purposes, which can be achieved more effectively and efficiently with a weed harvester. Annually, the weed harvester will be used to remove 100 acres of emergent vegetation on various creeks countywide. It would cost Valley Water approximately \$75k/year to contract out 100 acres of removal, indicating cost recovery of the Marsh Master purchase in approximately three years.
6. Operating Project: 60131014 Continual Improvement (\$150,000 Increase): Development impact fee consultant study was delayed due to the pandemic. Progress was made toward preparing the Request for Proposal (RFP) during the fiscal year but staff was unable to issue the RFP due to the pandemic; expected to issue in FY 2020-21.
7. Operating Project: 65052001 President's Day Flood (\$100,000 Increase): There are unsettled President Day Flood claims pending settlement. The high volume of remaining flood claims/lawsuits, associated legal activity, and settlement costs require this funding for claim settlement needs in FY 2020-21.
8. Operating Project: 26061008 A2 Water Conservation (\$130,000 Increase): The funds budgeted in FY 2019-20 for the pilot A2 Water Conservation Mini-Grants were not fully

expended due to unexpected delays as a result of COVID-19 and the pilot program was approved to run until December 31, 2020 or until all funding is awarded. No funds were budgeted for these grants in FY 2020-21 as they were already budgeted and expected to be spent in FY 2019-20. This budget adjustment remains within the 15-year funding allocation amounts for these projects as specified in the Safe, Clean Water Program.

9. Operating Project: 26061006 B3 Pollution Prevention (\$678,969 Increase): The funds budgeted in FY 2019-20 for B3 Pollution Prevention grants were awarded, but the agreements are not yet executed to encumber the funding. This is due to unexpected delays as a result of COVID-19 impacts; as well as CEQA compliance challenges. Currently there is a partnership negotiation in development that would not be executed until FY 2020-21. No funds were budgeted for these grants and partnerships in FY 2020-21 as they were already budgeted and expected to be spent in FY 2019-20. This budget adjustment remains within the 15-year funding allocation amounts for these projects as specified in the Safe, Clean Water Program.
10. Operating Project: 00061019 B7 Volunteer Cleanups & Education (\$200,000 Increase): The funds budgeted in FY 2019-20 for B7 Volunteer Cleanups & Education partnerships were not fully expended and there are prospective opportunities in development that would not be executed until FY 2020-21. No funds were budgeted for these partnerships in FY 2020-21 as they were already budgeted and expected to be spent in FY 2019-20. This budget adjustment remains within the 15-year funding allocation amounts for these projects as specified in the Safe, Clean Water Program.
11. Operating Project: 26061007 D3 Wildlife Habitat Restoration & Access to Open Space (\$2,496,937 Increase): The funds budgeted in FY2019-20 for D3 Restore Wildlife Habitat and Access to Trails and Open Space grants and D3 Mini-Grants were awarded but the agreements are not yet executed to encumber the funding. This is due to unexpected delays as a result of COVID-19 impacts; as well as CEQA compliance challenges. The funds budgeted in FY 2019-20 for D3 Restore Wildlife Habitat and Access to Trails and Open Space partnerships were not fully expended and there are prospective opportunities in development that would not be executed until FY 2020-21. No funds were budgeted for these grants and partnerships in FY 2020-21 as they were already budgeted and expected to be spent in FY 2019-20. This budget adjustment remains within the 15-year funding allocation amounts for these projects as specified in the Safe, Clean Water Program.
12. Operating Project: 00061045 Asset Management Prog (\$250,000 Increase): Staff was unable to proceed with the Asset Management Plan development on Permanente Creek due to staff being deployed on the Maximo Watershed site with development and training taking significant administrative change effort due to the pandemic. Additionally, staff was unavailable due to the pandemic and work must be pursued in FY 2020-21.
13. Operating Project: 91101004 Recycled and Purified Water Program (\$285,000 Increase): The Countywide Water Reuse Master Plan (CWRMP) is evaluating various capital projects leading to the design and construction of Advanced Water Purification Facilities (AWPF) throughout the County of Santa Clara with the main objective to augment the water supply portfolio for

Valley Water. The project's scope and schedule has been significantly impacted by the pandemic. Unexpected project delays, project extension, and interruption of stakeholder participation will require contract adjustment to scope, schedule and budget. The planning effort will need to be extended 6-8 months, scope will require modification to provide greater opportunity for stakeholder participation, and adjustment will be required to maintain consultant support.

14. Operating Project: 91101004 Recycled and Purified Water Program (\$323,840 Increase): The Independent Advisory Panel's project scope and schedule has been significantly impacted by the pandemic. Unexpected project delays, project extension, and interruption of stakeholder participation will require contract adjustment to scope, schedule and budget. That planning effort will need to be extended 6-8 months, scope will require modification to provide greater opportunity for stakeholder participation, and a budget adjustment will be required to maintain consultant support.
15. Operating Project: 91131004 Imported Water Program (\$600,000 Increase): The Sites Project Authority 2019 Reservoir Project Agreement and subsequent First Amendment to participate in Phase 2 of the Sites Reservoir Project (Sites Project) expired on June 30, 2020. The Sites Joint Powers Authority is offering Valley Water the opportunity to continue participating in the Sites Project by executing the Second Amendment, which will obligate Valley Water to contribute funds to cover extended Phase 2 work and planning efforts to develop the Sites Project through December 2021 based on a specific participation level. The Second Amendment is planned to be presented and discussed in more detail at the next Water Storage Exploratory Committee and then taken to the Board for approval in September 2020. If the Board decides to execute the Second Amendment, it is estimated that \$1.6 million will be required to maintain participation at a level that would maintain Valley Water's estimated share of water supply yield from the project. In FY 2020-21 \$1 million is budgeted for the Sites Project and this re-appropriation of \$600,000 will increase the FY 2020-21 budget to \$1.6 million.
16. Capital Project: 91214010 San Felipe Reach 1 Small Capital Project (\$1,750,000 Increase): The Pacheco Pumping Plant Fire Alarm and Suppression System Improvement Project was scheduled to go the Board for advertisement in April, but due to the pandemic it was pulled from the board agenda. Language was revised to include how to handle the pre-bid meeting and bid opening with the current pandemic in effect and the award for the construction contract will be in September in FY 2020-21.
17. Capital Project: 91234010 San Felipe Reach 3 Small Capital Project (\$847,748 Increase): The Coyote Pumping Plant office trailer replacement and warehouse mezzanine project was delayed due to the pandemic. Facilities staff is currently sourcing the trailer acquisition and the warehouse mezzanine was delayed due to unforeseen construction delays but expected to be completed in FY 2020-21.
18. Capital Project: 93764004 Treatment Plant Small Capital Project (\$7,250,000 Increase): The Treatment Plant Small Caps budget is used to refurbish and/or replace assets that are nearing

the end of their lifecycle. Planning and purchases preparations for most items within this budget are complex and require the entire fiscal year to complete, with some contract items requiring full plans and specs prior to obtaining Board approval. These times, beginning in FY 2019-20 are challenging due to pandemic restrictions, which have required staff in Water Utility to restructure shifts, workspaces, and curtail non-critical work projects. These changes impacted the trajectory of larger projects requiring adjustments to due dates on four key projects that were originally planned for the fourth quarter in FY 2019-20 and have been identified as being critical rehabilitation and/or necessary improvements for the Water Utility treatment plants to maintain reliable and continuous operations. The carryforward of the remaining funds will continue to fund this critical work.

Additionally, as part of the FY 2020-21 central budget adjustments, the previously Board-approved 11 repurposed vacancies, and budgets, have been aligned with the appropriate business units.

FINANCIAL IMPACT:

Approval of the central budget adjustments amends the FY 2020-21 Budget which was adopted by the Board per Resolution 20-33 on May 26, 2020 and subsequent changes to the Adopted Operating and Capital Budget authorized by this resolution. The central budget adjustments had a \$1,050,000 impact on operating and capital reserve balances in FY 2019-20, which in effect carry over, and impact, reserve balances in FY 2020-21 as demonstrated in the reserves table below. The FY 2020-21 central budget adjustments total \$16,818,494 with no impact to reserve balances in FY 2020-21 as these adjustments are rebudgeted amounts between FY 2019-2020 and FY 2020-21 carried over from one fiscal year to the next, with a net-zero effect on the Adopted Budget.

The table below summarizes the changes.

FY 2020-21 Operating, Capital and Interfund Transfer Budget

Fund	Adopted	Change	Adjusted
<i>General Fund (11)</i>	\$73,429,225	\$175,000	\$73,604,225
<i>Watershed & Stream (12)</i>	107,817,095	72,000	107,889,095
<i>Safe, Clean Water (26)</i>	77,040,602	3,415,906	80,456,508
<i>Water Enterprise Fund (61)</i>	384,803,004	11,194,088	395,997,092
<i>Fleet Management (71)</i>	8,536,251	263,500	8,799,751
<i>Risk Insurance Fund (72)</i>	6,854,862	100,000	6,954,862
<i>Information Technology (73)</i>	26,052,707	1,548,000	27,600,707
<i>All Other Funds</i>	43,103,082	-	43,103,082
Total Appropriations	\$727,636,828	\$16,768,494	\$744,405,322

FY 2020-21 Reserves Budget*

Fund	Adopted	Change	Adjusted
<i>General Fund (11)</i>	\$5,732,805	(\$21,000)	\$5,711,805
<i>Watershed & Stream (12)</i>	115,513,079	(779,380)	114,733,699
<i>Safe, Clean Water (26)</i>	80,380,518	107,380	80,847,898
<i>Water Enterprise Fund (61)</i>	130,506,166	(357,000)	130,149,166
<i>Fleet Management (71)</i>	1,493,465	-	1,493,465
<i>Risk Insurance Fund (72)</i>	13,282,033	-	13,282,033
<i>Information Technology (73)</i>	2,259,425	-	2,259,425
Total Reserves	\$349,167,491	(\$1,050,000)	\$348,117,491

**The FY 2020-21 Reserves Budget illustrates the effect of the FY 2019-20 central budget adjustments on the FY 2020-21 Adopted Budget Reserves.*

CEQA:

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

ATTACHMENTS:

Attachment 1: SCVWD Resolution No. 20-33

UNCLASSIFIED MANAGER:

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