



Santa Clara Valley Water District

File No.: 22-1248

Agenda Date: 11/8/2022

Item No.: 9.1.

BOARD AGENDA MEMORANDUM

SUBJECT:

Approve the Central Fiscal Year 2021-22 Year-End and Fiscal Year 2022-23 Budget Adjustments.

RECOMMENDATION:

Approve the Central Fiscal Year 2021-22 Year-End and Fiscal Year 2022-23 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 2021-22 Adjusted Budget and FY 2022-23 and 2023-24 Rolling Biennial Adopted Budget, which are necessary to better align limited allocated resources with the Board's Ends, meet Board priorities, and to continue to provide for a balanced budget.

A brief description of the FY 2021-22 central budget adjustments is presented below:

1. Capital Project: 26244001 Permanente Creek Flood Protection Project (\$352,202 Increase):
The Permanente Creek Flood Protection Project closeout has been delayed until December 2023. The application process for Letter of Map Revision (LOMR) to the Federal Emergency Management Agency (FEMA) is ongoing and the Hydrology and Hydraulics (H&H) is working on the first round of comments. The total process typically takes 1-2 years and is estimated to be completed by December 2023. At the Rancho San Antonio location, the archaeological report still needs to be finalized by the consultant and has required more effort from Valley Water staff than anticipated. It is estimated to be completed by March 2023. Additionally, County Parks' requested pavement repairs was performed, but needs their approval before closeout. It is expected to be completed by November 2022.
2. Capital Project: 92764009 Small Caps, Raw Water T&D (\$432,000 Increase):
The Almaden Valley Pipeline (AVP) is used to supply raw water to Valley Water's treatment plants, groundwater recharge facilities, and service connections. During FY22, analysis indicated several sections of the pipeline reached a critical level of distress and were at risk of imminent failure and require immediate repair. Failure to perform the needed repairs poses a significant risk to Valley Water's ability to provide sufficient water to meet minimum water

supply demands.

3. Capital Project: 26044002 Fish Passage Improvement (\$800,000 Decrease):

The Fish Passage Improvement Project at Singleton Road was included in both the 2012 Safe, Clean Water and Natural Flood Protection (Safe, Clean Water) Program and in the renewed 2020 Safe, Clean Water Program, which replaced the 2012 Program in its entirety. The Project only spent 17% of its FY22 budget of \$980,000 due to uncertainty related to when the City of San José would begin construction of the interim bridge to replace the Singleton Road low water crossing at Coyote Creek. More specifically, the uncertainty was whether the construction of the interim bridge would have been able to start in time to utilize the 2012 Safe, Clean Water Program funding, which ended in June 2021. Therefore, construction dollars were also allocated under the renewed Safe, Clean Water Program, which began in FY22. This was done to ensure that if the construction did not occur in time to utilize the 2012 Safe, Clean Water Program funding, the following year the project would have an adequate budget to fund the construction under the renewed Safe, Clean Water Program. At the end of FY21 (May 2021), the City advertised for the project construction, which was carried out in the summer and fall of 2021. In May 2021, the Board approved a \$1 million cost-share agreement with the City to fund the construction utilizing FY21 funds; therefore, the bulk of the construction dollars were not required in FY22. The Safe, Clean Water Fish Habitat and Passage Improvements Project has a key performance indicator that requires Valley Water to spend \$8 million for fish passage improvements. To meet this planned expenditure, the FY22 unspent funds for the Fish Passage Improvement Project (Singleton Road, 26044002), will be returned to the Safe, Clean Water Fund's Operating and Capital Reserves in order to be reallocated to a future project for future Safe, Clean Water Fish Passage Improvements.

4. Operating Project: 60301001 Clerk of the Board Services (\$3,400,000 Increase):

This budget adjustment is to cover the costs associated with the placement of Measure A, Amending the Santa Clara Valley Water District Ordinance on Board Term Limits, on the June 7, 2022, ballot.

5. Risk Management Fund: Property Self-Insurance/Catastrophic Reserve - restoration to minimum funding levels (\$3,175,000 Transfer from Watershed Stream Stewardship Fund to Risk Management Fund):

In February 2017, flooding occurred along Coyote Creek. Several affected individuals and entities filed suit against Valley Water and others, seeking damages related to the flooding. Several of those lawsuits were consolidated under the case name *Jean-Marie White, et al. v. Santa Clara Valley Water District*, Santa Clara County Superior Court Case No. 18CV321600 (*White v. Valley Water*). At its June 14, 2022 meeting, the Board approved a payment of \$3,175,000 from the Property Self-Insurance/Catastrophic reserve toward the settlement with the plaintiffs in *White v. Valley Water*. This budget adjustment, which was anticipated in the memorandum recommending the Board's June 14, 2022, approval of the settlement payment, is to replenish the Property Self-Insurance/Catastrophic Reserve to the minimum level approved by the Board.

A brief description of the FY 2022-23 central budget adjustments, which primarily carry forward unspent funding from FY 2021-22 to FY 2022-23, is presented below:

6. Operating Project: 60232001 Water Rate Assistance Program (\$250,000 Increase):

The remaining budget of \$250,000 is being requested to carry forward to FY23 to continue providing low-income households in Santa Clara County financial assistance to pay for their water bills through the Low-Income Residential Water Rate Assistance Program (WRAP). At the July 13, 2021 Board Meeting, the Board approved \$1.225 million in funding to implement WRAP to assist low-income households financially impacted by the COVID-19 pandemic, which included up to \$1 million to disburse to the community and up to \$225,000 to pay for administrative costs. To date, approximately \$750,000 of the \$1 million has been disbursed, which is why the remaining \$250,000 is being requested to carry forward.

7. Operating Project: 62042032 Multiple Small Projects Mitigation Monitoring (\$185,000 Increase):

The remaining budget of \$185,000 in FY22 in the Multiple Small Projects Mitigation Monitoring Project is being requested to carry forward to FY23 for: (1) \$100,000 for securing an environmental consultant to replant the mitigation site at Adobe Creek Reaches 1-4, after the failure of the mitigation site due to plant pathogens, drought, and other site stressors. The replanting effort has been delayed due to ongoing severe drought conditions but must still occur in the future because of regulatory agency requirements. (2) \$55,000 for the purchase of equipment to reduce/eliminate pests and pathogens that have contributed to the failure of mitigation sites. Research has been completed, and a steam-powered decontamination unit and vendor have been selected; staff is in the process of refining the quote. (3) \$30,000 for agreements/supplemental services to fund partnership activities with Santa Clara Valley Open Space Authority, including stewardship and maintenance activities on our mitigation sites, and pilot studies on the efficacy of invasive plant seed bank elimination in wildlands using the steamer unit.

8. Operating Project: 26761076 Revitalize Riparian, Upland, & Wetland Habitat (\$113,470 Increase):

The remaining FY22 budget of \$113,470 in the Safe, Clean Water Program's Project D2: Revitalize Riparian, Upland, & Wetland Habitat is being requested to carry forward into FY23 for securing an environmental consultant to assist in the development of the Integrated Invasive Plant Management Program (IIPMP). IIPMP will include developing an Early Detection and Rapid Response (EDRR) Program, which is the Key Performance Indicator #2 for Project D2. The IIPMP will streamline Valley Water's process for addressing the spread of invasive plant species, incorporate existing programs and permits to the extent possible, and increase Valley Water's ability to operate WUE and Watershed assets safely and effectively. The consultant contract for this project has been negotiated and signed, but the contract must be approved by the Board. This approval was requested and approved in the July 2022 Board meeting and funds need to be carried forward to FY23. Funding re-budgeted to FY23 will be

used to bring the total funding for the contract to \$125,000 and allocated for cost-sharing purposes.

9. Operating Project: 92041014 FAHCE/Three Creeks Project (\$270,000 Increase):
This budget adjustment request is to carry forward funds in FY22 to FY23, in anticipation of additional funds needed for the following anticipated work: (1) \$100K for additional field work to respond to comments from the public draft EIR, which was postponed due to the drought; (2) \$100K for additional modeling/analysis support to strengthen the coordination between the Valley Water team and external experts to support additional technical analysis to support the legal strategy; and (3) \$70K to support quality review and additional fisheries expert support for fisheries analysis needed for water rights change petitions.

10. Operating Projects: 62011002 Watershed Asset Protection (\$62,553 Increase) and 95011003 (WU Asset Protection) (\$11,039 Increase):
The Community Projects Review Unit (CPRU) is requesting to carry forward the remaining funds from FY22 that were approved by the Board on November 23, 2021, through a budget adjustment of \$104,460 for temporary engineering support. The estimated remaining balance of \$73,592 to carry forward to FY23 will support the temporary expert assistant engineer position with knowledge and skills related to the permit review process and customer inquiries, while the new recently hired assistant engineers are being trained.

11. Operating Project: 91151014 GP5 Reimbursement Program (\$6,609,637 increase)
On September 24, 2019, the Board adopted Guiding Principles to reflect transitioning from participation in California WaterFix to the Delta Conveyance Project, one of which is Guiding Principal 5 (GP5), a water conservation grant program specifically for retailers that receive at least 85% of their water from non-Valley Water managed supplies. The Board authorized the Chief Executive Officer to implement the program beginning July 1, 2021, and to enter into cost-sharing agreements with eligible retailers. In April 2022, Valley Water released guidelines that described the criteria and process to implement and participate in the GP5 program. However, program implementation was delayed in order to resolve administrative issues with our GP5 eligible retailers. Staff now anticipate that the GP5 program will be implemented early in FY23 and this budget adjustment carries forward \$6,609,637 from FY22 to FY23.

12. Operating Project: 62761080 Non-SMP Veg Removal for Convey (\$100,000 increase):
Consistent with one of the FY22 milestones for this project, staff intended to secure outside services to conduct tree surveys and assessments. These services will inform staff about vegetation management work and preceding environmental documentation, regulatory permit acquisition, and mitigation efforts that need to be undertaken to ensure that the design flow conveyance capacity of creeks is maintained. With limited staff availability to oversee this work in FY22, tree survey work did not occur and staff determined such work could be overseen in FY23. This budget adjustment carries forward \$100,000 from FY22 to FY23 to fund these services.

13. Operating Project: 65052001 President's Day Flood (\$400,000 Increase):

This budget adjustment request is to carry forward the remaining funds of \$400,000 in FY22 to FY23 to cover any remaining necessary legal expenses. There are two 2017 President's Day flood cases that remain open and active with ongoing legal activity.

14. Operating Project: 26061021 Safe, Clean Water Grants & Partnerships (\$1,824,637 Increase):

Under the renewed Safe, Clean Water Program, a number of grants and partnership programs were consolidated into Project F9: Grants and Partnerships for Safe, Clean Water, Flood Protection and Environmental Stewardship, with original key performance indicators (KPIs), beginning in FY22. Two of the projects with consolidated funds of \$146,515 (D3 Wildlife Habitat Restoration & Access to Open Space, and 00061019 B7: Volunteer Cleanups & Education under the 2012 Safe, Clean Water Program) were unable to either award all grants or fully execute all partnership agreements due to delays as a result of COVID-19 impacts to both staff and grantee agencies.

In FY22, under the renewed Safe, Clean Water Project F9, a total of \$1,678,122 in funding was approved for 15 new grant projects (\$1,549,322), 16 mini-grants (pending execution in the amount of \$76,800), one pending Bottle-Refill Station grant (\$5,000) and one standard partnership (\$47,000).

All the pending grant and partnership agreements total \$1,824,637. This request would carry forward that amount into FY 23, to complete and execute all pending grant and partnership agreements. The funding remains within the 15-year funding allocation for these projects as specified in the renewed Safe, Clean Water Program.

15. Operating Project: 60221001 Budget and Financial Analyses (\$73,000 Increase):

Valley Water's transition to the rolling biennial budget required the task of implementing many system changes, including the format of the financial tables and funds sections. In order to ensure the ability to update the budget document in the future, the transition to a new, cloud-based, publishing software is necessary. Due to the complex nature of this transition, the project was not completed during FY22 and the remaining funds are needed in FY23 to implement the biennial budget book in the new publishing software. The budget adjustment to carry forward \$73,000 from FY22 to FY23 will provide the necessary funding to complete the transition to the new software before the beginning of the FY24 rolling biennial budget process.

16. Capital Project: 26044001 Almaden Lake Improvement Project (\$10,354,617 Decrease):

This Project has an FY23 Budget of \$20,854,617, which includes funding for obtaining permits, finalizing the design, leasing parcels, and initiating construction. As the project schedule is in the process of being adjusted and construction is no longer planned for FY23, a Budget Adjustment is needed to reduce the FY23 budget and move funds in the amount of \$10,354,617 into the Almaden Lake Improvement Project Reserve. There will be no reduction

to the total project cost and approximately \$10.5 million will remain budgeted in FY23 for permitting, finalizing the design, and leasing parcels for stockpiling material in advance of construction.

17. Operating Project: 73271009 Software Services (\$215,000 Increase):

The Wildfire Resiliency Program is a new initiative to develop a programmatic approach for the establishment of wildfire risk profiles for Valley Water land rights and assets, inform targeted vegetation treatment methods to mitigate wildfire risk, and integrate wildfire risk measures throughout Valley Water operations. There was insufficient time to complete the Request for Proposal (RFP), and contract negotiation before the FY22 year-end. Consequently, this budget adjustment request is to carry forward \$215,000 from FY22 to FY23, as the RFP is estimated to occur during the first quarter of FY23.

18. Operating Project: 00761071 Emergency Management (\$150,000 Increase):

The Office of Emergency Services (OES) is responsible for ensuring comprehensive, integrated, risk-based emergency management training for the staff and critical infrastructure of Valley Water. The solicitation for training services was initiated in FY22 and will be finalized in FY23. This budget adjustment request carries forward the committed FY22 funds of \$150,000 to FY23 to finalize the solicitation.

19. Capital Project: 60204016 Facility Management Small Caps (\$492,000 Increase):

The installation of the replacement campus windows system project was initiated in FY22 but the agreement will be finalized in FY23. Consequently, this request would carry forward the committed FY22 funds of \$492,000 to complete the project in FY23.

20. Operating Project: 60291004 Talent Development Program (\$100,000 Increase):

The Human Resources (HR) agency recruitment video project was initiated in FY22 and will be completed in FY23. The recruitment video will address current labor market conditions, reduce Valley Water's vacancy rate, and enable Valley Water to attract more qualified candidates through outreach efforts on social media platforms. This budget adjustment request carries forward the committed FY22 funds of \$100,000 to FY23 to complete this project.

21. Operating Project: 73271004 Information Security Administration (\$125,000 Increase):

Valley Water needs to procure Cyber Security Auditing services. The current contract has expired, and the new contract requires solicitations. The funds were committed in FY22 and the contract will be awarded in FY23. This budget adjustment request carries forward the committed FY22 funds of \$125,000 to FY23.

22. Operating Project: 62061001 Watersheds Administration (\$250,000 increase):

Valley Water is extending an agreement with the City of San José to provide San José Police Department Patrols along the Coyote Creek and Guadalupe River trails. This budget adjustment extends the duration of the agreement (January 2023 to June 2023), and adds

patrol services to Guadalupe River. The existing agreement between Valley Water and the City of San José aligns with Valley Water's commitment to provide the community in Santa Clara County with an enhanced quality of life through Valley Water's watershed and stream stewardship efforts.

23. Operating Project: 91151001 Water Conservation Program (\$1,209,000 Increase):

This budget adjustment is to carry forward FY22 budgeted funds into FY23 to support four conservation programs aimed at reducing water use during the historic drought. The eCart Program (\$290,000) provides water saving devices, signage, and literature to residential, commercial, and institutional customers within Santa Clara County. Funding was requested and approved for this program on March 22nd. For the Fixture Replacement Program (\$400,000), Valley Water contracts with licensed plumbers to replace qualifying fixtures at no cost to qualifying multi-family and commercial/institutional properties. The Large Landscape Program (\$350,000) offers landscape surveys and site-specific irrigation budgets to help nearly 4,000 properties track their water use against how much they should be consuming. The cost-sharing agreement with City of the Santa Clara (\$169,000) funds various conservation programs implemented in partnership with the City. These programs include the Landscape Rebate Program, Graywater Rebate Program, and Home Water Use Reports.

ENVIRONMENTAL JUSTICE IMPACT:

There are no Environmental Justice impacts associated with this item.

FINANCIAL IMPACT:

Approval of the recommended central Fiscal Year 2021-22 Year-End Budget Adjustments (item 1 to 5) decreases Operating and Capital Reserves by \$6,207,000. The FY 2021-22 budget adjustments are primarily to address FY22 year-end project overruns due to unanticipated expenditures. It also includes a budget adjustment that authorizes an inter-fund transfer of \$3,175,000 from the Watershed Stream Stewardship Fund to the Risk Fund to restore the Property Self-Insurance/Catastrophic Reserve.

Approval of the recommended central Fiscal Year 2022-23 Budget Adjustments (item 6 to item 23) amends the FY 2022-23 Operating and Capital Budget which was adopted by the Board per Resolution 22-31 on May 10, 2022. As shown in the Operating, Capital, and Interfund Transfer Budget table below, the central FY 2022-23 recommended budget adjustments will increase project expenditures by a net of \$2,085,719 as follows: (1) carry forward unspent funding from FY 22 to FY 23 totaling \$12,190,336, which does not impact the Operating and Capital Reserves, (2) move funds in the estimated amount of \$10,354,617 (item 16) into the Almaden Lake Improvement Project Reserve from the Almaden Lake Improvement Project (there will be no reduction to the total project cost, as funds are needed in this project for future use), and (3) a FY23 budget adjustment of

\$250,000 to increase the Watersheds Administration project budget, which also decreases the Operating and Capital Reserves by \$250,000 (item 22).

The net impact of all central budget adjustments to the FY 2022-23 Operating and Capital Reserves is \$6,457,000.

The tables below summarize the changes.

FY 2022-23 Operating, Capital, and Interfund Transfer Budget

Fund	Adopted Budget	Recommended Budget Adjustment	Adjusted Budget
<i>General Fund (11)</i>			\$89,710,517
	\$88,795,517	\$915,000	
<i>Watershed & Stewardship Fund (12)</i>	140,364,730	672,553	141,037,283
<i>Lower Peninsula Watershed Fund (21)</i>	2,749,874	0	2,749,874
<i>West Valley Watershed Fund (22)</i>	2,244,437	0	2,244,437
<i>Guadalupe Watershed Fund (23)</i>	4,507,147	0	4,507,147
<i>Coyote Watershed Fund (24)</i>	3,944,599	0	3,944,599
<i>Safe, Clean Water Fund (26)</i>	133,110,600	(8,416,510)	124,694,090
<i>Water Enterprise Fund (61)</i>	618,992,371	8,174,676	627,167,047
<i>State Water Project Fund (63)</i>	28,256,645	0	28,256,645
<i>Fleet Management Fund (71)</i>	7,582,071	0	7,582,071
<i>Risk Management Fund (72)</i>	9,878,164	400,000	10,278,164
<i>Information Technology Fund (73)</i>	28,381,229	340,000	28,721,229
Total Appropriations			\$1,070,893,103
	\$1,068,807,384	\$2,085,719	

FY 2022-23 Reserves Budget*

Fund	Adopted	Change	Adjusted
<i>General Fund (11)</i>	\$9,094,273	\$(3,400,000)	\$5,694,273
<i>Watershed & Stewardship Fund (12)</i>	102,258,981	(3,425,000)	98,833,981
<i>Safe, Clean Water Fund (26)</i>	151,691,968	800,000	152,491,968
<i>Water Enterprise Fund (61)</i>	117,219,235	(432,000)	116,787,235
<i>State Water Project Fund (63)</i>	6,352,289	0	6,352,289
<i>Fleet Management Fund (71)</i>	1,420,160	0	1,420,160
<i>Risk Management Fund (72)</i>	11,847,261	0	11,847,261
<i>Information Technology Fund (73)</i>	2,596,633	0	2,596,633
Total Reserves	\$402,480,800	\$(6,457,000)	\$396,023,800

*The FY 2022-23 Reserves Budget Table illustrates the net impact of the Fiscal Year 2021-22 Year-End central budget adjustments to the FY 2022-23 Reserves Budget.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have the potential for resulting in direct or reasonably foreseeable indirect physical change in the environment. Some of the projects referenced in this memorandum were determined to be excluded or exempt from CEQA review. To the extent any funds included in the proposed budget adjustment would be used to pay for projects or activities that are subject to CEQA, those funds will not be expended unless and until the appropriate CEQA review has been completed.

ATTACHMENTS:

Attachment 1: SCVWD Resolution No. 22-31

UNCLASSIFIED MANAGER:

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