



Santa Clara Valley Water District

File No.: 22-1249

Agenda Date: 11/8/2022
Item No.: 7.1.

BOARD AGENDA MEMORANDUM

SUBJECT:

Receive an Overview of the Annual Capital Improvement Program Process and Integrated Financial Planning Schedule for Capital Projects, and a Review of the Currently Unfunded Projects.

RECOMMENDATION:

- A. Receive an overview of the Annual Capital Improvement Program Process and Integrated Financial Planning Schedule;
- B. Review the list of Currently Unfunded Capital Projects; and
- C. Provide feedback as necessary.

SUMMARY:

The annual update of the Capital Improvement Program's (CIP) Five-Year Plan includes project plan updates for all existing capital projects and a Validation Process to review and evaluate potential new capital projects for inclusion in the CIP, along with review points for the CIP Committee and decision points for the Board. A presentation that shows the steps in detail, along with an integrated financial planning schedule, is included in the Annual CIP Process PowerPoint (Attachment 1).

Annual CIP Process Overview

Each year, Santa Clara Valley Water District (Valley Water) staff can submit new projects for consideration for inclusion into Valley Water's CIP. For each potential new project, staff develops a business case to compare capital, noncapital, and non-asset alternative solutions; evaluates the lifecycle costs of these solutions; and identifies a recommended solution that minimizes lifecycle cost while balancing service levels and risk.

In May through September, staff submits the business case for review by their respective Deputy Operating Officer (DOO) or Deputy Administrative Officer (DAO). If staff's respective DOO/DAO approves the project, it is submitted to the CIP coordinator. Simultaneously, project managers update their existing capital projects to reflect changes to scope, schedule, and project cost/planned expenditures, which must also be approved by the respective DOO/DAO.

Between October and November each year these newly-proposed, initially validated projects will be presented to the CIP Committee and Board, along with a list of currently unfunded projects, which have been validated during prior years, for review and comment. Staff will address the Board's

feedback when preparing the funding scenarios and consider the analysis related to the Funding Filters for Prioritization approved by the Board on September 27, 2022. Staff will also review and consider unfunded projects for inclusion in the CIP.

Initially Validated project for potential inclusion onto the unfunded list or into the CIP's FY 2024-28 Five-Year Plan

There is one newly proposed, initially validated project that was re-submitted:

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

Development of the Preliminary CIP

In the fall of every year, an overview of the significant project plan updates from the prior year's adopted CIP is presented to the CIP Committee for information and feedback. During this same time, CIP and Finance staff compile the data from existing CIP project plans, collect the operational forecast information, and run the financial models.

The CIP Evaluation Team (Chief Executive Officer (CEO), Assistant CEO, Chiefs and Deputies of the divisions initiating, delivering, implementing, and operating capital projects) meets in November of each year to review the financial models and determine which, if any, unfunded projects should be recommended for inclusion in the CIP. To ensure Valley Water's high-priority business needs are met in adherence to Board policy, the CIP Evaluation team reviews the projects based upon:

- Board Priorities
- Asset's remaining lifespan
- Available funding
- Urgency of investment

Based upon the outcome of its review, the CIP Evaluation Team provides recommendations regarding whether the new proposed capital projects should be funded in the CIP's upcoming Preliminary Five-Year Plan or remain on the unfunded list. Funding scenarios that include these recommendations will be presented to the CIP Committee for review and feedback in December, along with the CIP's Preliminary FY 2024-28 Five-Year Plan.

Each January, CIP and Finance staff update the funding scenarios to include staff and CIP Committee recommendations, which will be presented to the full Board during a Funding Scenario Workshop, as part of the CIP's Preliminary Five-Year Plan and Groundwater Charges item. Funding decisions will be made by the Board through its approval of CIP's Preliminary FY 2024-28 Five-Year Plan.

ENVIRONMENTAL JUSTICE IMPACT:

There are no Environmental Justice impacts associated with this item.

FINANCIAL IMPACT:

There is no financial impact associated with this item.

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: PowerPoint

UNCLASSIFIED MANAGER:

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