

Overview

OVERVIEW

The Santa Clara Valley Water District's (District) Fiscal Year 2017-21 Five-Year Capital Improvement Program (CIP) is a projection of the District's capital funding for planned capital projects from Fiscal Year 2016-17 through Fiscal Year 2020-21. The purpose of the CIP is to document planned District projects to help integrate District work with the larger community by aligning District planning with other local agency planning efforts.

The District's CIP is developed following the guidelines of Government Code (GC) § 65403 which governs the development and annual review of Capital Improvement Programs developed by special districts in the State of California. State law requires that the program be reviewed and updated annually. It also requires circulation of the document to all agencies having land use authority within the District boundaries prior to adoption of the program. This document is intended to provide the information necessary to facilitate planning and construction of water related infrastructure to meet the needs of Santa Clara County.

The CIP is prepared in accordance with the guidelines established by the Government Finance Officer Association (GFOA). Capital projects in this document are defined by both the accounting criteria for capital investment and Public Contract Code definition of public works. They exceed \$50,000 in cost, have long-term life spans and are generally nonrecurring. They usually fall within one of the following six categories.

1. Acquisition of land for public purpose
2. Construction of a significant facility, i.e. a flood protection facility, a water treatment facility, or a building
3. Addition to or expansion of an existing facility

4. Nonrecurring rehabilitation or major repair to all or part of a facility provided the total cost is more than \$50,000
5. Specific planning, engineering study, or design work related to an individual project which falls within the above categories
6. Significant one-time investment in tangible goods of any nature, the benefit of which will accrue

over several years. Examples include items such as large initial investments or improvements in technology or the purchase of a new telephone system.

The CIP includes several Small Capital Improvement Projects in the various cost centers. These projects will be ongoing and will be used to fund multiple small projects to undertake repairs, replacements, and minor modifications to existing water utility, watershed or campus facilities. Small Capital Improvements generally meet the following criteria:

1. Project cost is less than \$1.5 million
2. Project can be completed within 2 fiscal years
3. Rights-of-Way acquisition is not required.

The proposed funding for the Water Supply Small Capital Improvement projects is anticipated to vary each year based on the work identified in the Water Utility Asset Management Plan. The Almaden Campus Small Capital Improvements project is funded at a flat rate each year. Unspent funds in these projects will not carry forward from previous years.

There are some miscellaneous capital expenditures incurred by the District that are not captured in the CIP. These capital expenditures include certain components of water purchases, indirect costs to manage and train staff that are fully engaged in capital work, and routine replacement of computers, vehicles and large equipment.

Mission

SANTA CLARA VALLEY WATER

The mission of the district is to provide Silicon Valley safe, clean water for a healthy life, environment, and economy.

ALIGNMENT WITH ENDS POLICIES

The District plans, manages and carries out capital improvements to comply with the Ends Policies and Executive Limitations established by its Board of Directors. Under the District's Policy Governance Model, Ends Policies describe the outcomes or results to be achieved by District staff. Balancing the Ends Policies are the Executive Limitations, which set limits on staff activities in fulfilling the Ends.

Program plans or master plans are developed to achieve the results established by the Ends Policies and to further define the goals and objectives of each Ends Policy. The Board either formally approves the plans or provides direction to staff, confirming the goals and objectives. These plans then become the basis for staff to propose and develop individual capital projects. Project ideas that are proposed by Operation staff must be vetted via a feasibility study and then validated to prepare a business case for proceeding with a capital investment. Appendix E contains the project feasibility studies that are currently underway. Alignment of the CIP with program or master plans provides a direct link to Ends Policies and ensures the District's long-term capital investments are planned and executed according to the Board's priorities. Three Ends Policies directly drive program or master plans and the types of capital improvements described in the CIP.

- Ends Policy E-2 "There is a reliable, clean water supply for current and future generations.
- Ends Policy E-3 "There is a healthy and safe environment for residents, businesses and visitors, as well as for future generations."
 - E-3.1 "Provide natural flood protection for residents, businesses, and visitors"
 - E-3.2 "Reduce potential for flood damages"
- Ends Policy E-4 "There is water resources stewardship to protect and enhance watersheds and natural resources and to improve the quality of life in Santa Clara County."

(See flowchart "CIP Process Alignment with Ends Policies" on page I-5)

CIP PLANNING PROCESS

The District conducts an annual planning process for its Capital Improvement Program. The purpose of the planning process is to ensure the capital projects included in the CIP:

- meet the Board's priorities and contribute to the objectives of the District's various programs
- have identified funding for the duration of the projects
- are coordinated with the local jurisdiction's General Plans.

The CIP planning process is carried out in accordance with the following Executive Limitations.

- Executive Limitation EL-4.3.1., "A BAO shall produce an annual Rolling Five-Year Capital Improvement Plan with the first year serving as the adopted capital budget and the remaining years in place as a projected capital funding plan."
- Executive Limitation EL-4.4.1., "A BAO shall demonstrate to the Board the planned expenditures for the identified and selected capital projects in the Rolling Five-Year Capital Improvement Plan are aligned with the Board's capital priorities."

The annual CIP process is the responsibility of the CIP Committee comprised of division managers, with the responsibility to initiate or implement capital projects. The detailed process is a documented ISO procedure. It includes the following key steps:

- Management review and approval, to ensure staff proposed projects are aligned with Board policies and approved program plans
- Validation of projects to ensure there is a business case for doing the project and that a capital investment is the best solution
- Prioritization of all projects, including continuing and newly proposed projects, to ensure the projects in the CIP reflect Board priorities
- Financial analysis, to determine the capacity of the District's capital funding sources to fund the proposed capital projects

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- Outreach to local jurisdictions within Santa Clara County, to coordinate the District's Capital Improvement Program with their General Plans
- Board review and direction at appropriate steps, to ensure the CIP reflects Board policies and priorities
- Board adoption of the CIP plan

The annual CIP planning process starts with collecting information on proposed new capital projects in July, followed by preliminary scoping, priority and financial analyses to produce a Draft CIP in February. The Draft CIP serves as a multi-year plan, together with other long-term planning efforts of the District, is the basis for the budget for the following fiscal year. This Draft CIP plan is also reviewed by local jurisdictions for consistency with their General Plans. While the CIP is being reviewed by the cities and County the budget is being reviewed and finalized. The Board concludes the outreach on the CIP with a public hearing. The first year of the CIP is reconciled with the budget and the two documents are presented to the board for formal adoption in May.

Board Direction and CIP Outreach

The Board has many opportunities each year to provide direction on projects contained in the Capital Improvement Program. The CIP is developed in parallel with the budget and the water rates. It is presented to the Board on three separate occasions for review and input. Early in the process the project list is presented to the board so they can provide direction to staff, ensuring that the document is developed in accordance with board priorities. The direction received is used to develop the Draft CIP which is reviewed by the Board before staff is authorized to release the document for public review. The CIP is adopted by the Board in May following a public hearing.

On January 12, 2016 the FY 2017-21 project list and prioritization criteria were reviewed and endorsed by the Board. The following are highlights of changes from the previous year that have been approved as the basis for the FY 2017-21 CIP:

- To fully fund the Water Supply projects in the FY 2017-21 CIP, an increase in the groundwater production charges of 19.9% in North County and 10.4% for South County will be required.
- Four new projects with a combined cost of \$198 million were added to the CIP. They are; Coyote Pumping Plant ASD Replacement, 10-Year Pipeline Rehabilitation, Penitencia Water Treatment Plant Residuals Management, and Erosion Repair Program.
- The proposed PureWater Silicon Valley Program components have been fully incorporated in the FY 2017-21 CIP. Using a 2014 initial cost estimate of \$800M for this Program and applying cost escalation factors, the current Program cost estimate is \$945M. In previous 5-year CIPs, a placeholder cost of about \$500M-\$600M had been used for this Program. The updated \$945M Program cost is a \$370M increase from the current CIP. Board decisions on how to proceed with this project will be incorporated into future CIPs as they are made. Changes to a project of this size will have a significant effect on the overall cost of the CIP.
- The Erosion Repair Program was added to the FY 2017-21 CIP. More than 30 erosion sites along District-owned portions of creeks throughout the county have been identified. The current plan is to fund only a portion of the identified sites in the FY 2017-21 CIP.

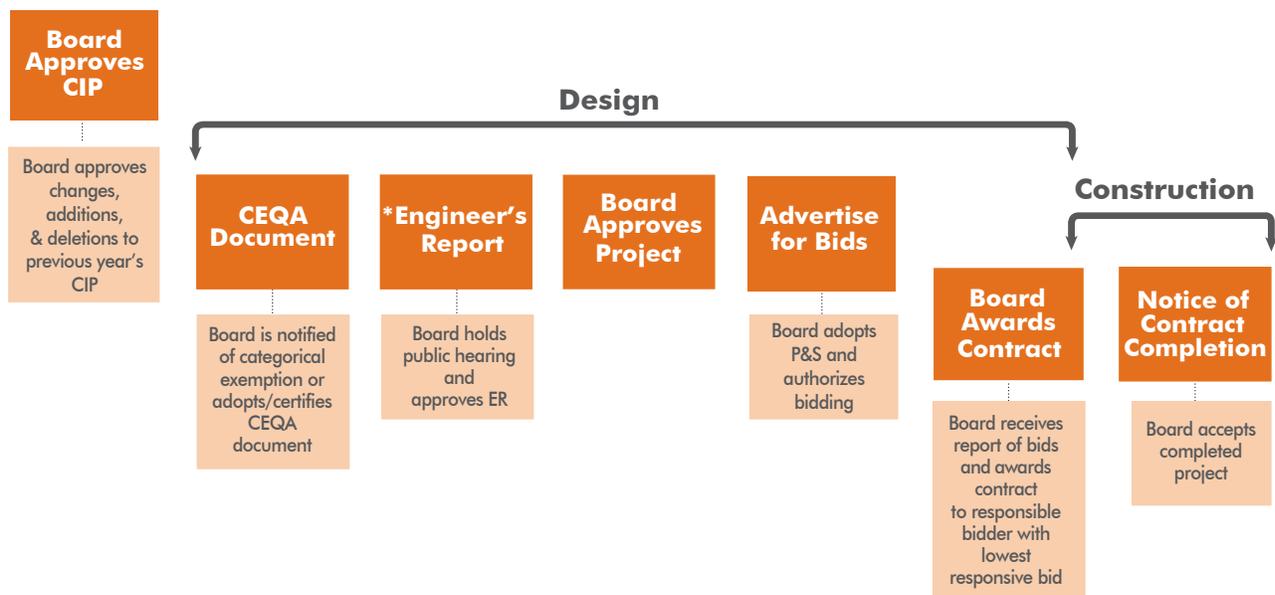


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Each project in the CIP goes through a planning phase, design phase and construction phase. The Board may determine to not implement a project based on various considerations such as financial constraints, environmental impacts or community desire during a project's planning or design phases. Approval of

a capital project by the Board occurs at the end of the design phase when the Board approves the plans and specifications to solicit bids for construction of the project.

OPPORTUNITIES FOR BOARD DIRECTION ON CAPITAL PROJECTS



* Board approval of the Engineer's Report is required only on projects with zone funding.



Rinconada Water Treatment Plant Residuals Management

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CIP PROCESS ALIGNMENT WITH ENDS POLICIES



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FISCAL YEAR 2017-21 CIP SUMMARY

The recommended CIP for FY 2017-21 includes 65 priority projects to implement the goals and objectives of the District’s program plans and master plans. These projects are grouped into five types of improvements.

- **Water Supply Capital Improvements**
30 projects contributing to Ends Policy E-2
- **Flood Protection Capital Improvements**
19 projects contributing to Ends Policy E-3
- **Water Resources Stewardship Capital Improvements**
8 projects contributing to Ends Policy E-4
- **Buildings and Grounds Capital Improvements**
3 projects supporting District efforts to achieve the Ends Policies
- **Information Technology Capital Improvements**
5 projects supporting District efforts to achieve the Ends Policies

Each of the 65 projects in the CIP has an identified funding source based on the type of improvement or function of the project.

The principal sources of revenue for the District are property taxes, a special parcel tax and water production charges for use of groundwater, treated water, and surface water. These revenues are organized into eight funds. Seven of the eight funds have a specific purpose and only finance the operational and capital expenditures related to that purpose. In 2008 the Board decided to combine the individual watershed funds into a county-wide watershed and stream stewardship fund to send the message that the watershed activities are managed for the benefit of the county. This also streamlines most tracking and accounting activities for staff. The District continues to receive a small amount of revenue from

benefit assessments that were approved by voters in the 80s and 90s. These funds are dedicated to specific watersheds and the accounting practices to ensure that they are spent and accounted for appropriately have been kept in place. As shown in the chart below, five of the eight funds are used to finance the five types of capital improvements in the CIP.

In November 2012 the voters overwhelmingly approved the Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water). This program replaces the Clean, Safe Creeks Program that would sunset in 2016. Safe, Clean Water has an expanded focus that includes funding for important Water Utility projects as well as additional funding for Flood Protection and Water Resources Stewardship projects. The Safe, Clean Water program will provide over \$750 million of special parcel tax revenue for operations and capital projects.

The District aggressively pursues external funding to supplement its principal revenue when practical. In recent years District projects benefited from \$43.4 million in American Recovery and Reinvestment Act (ARRA) funding. A number of District projects are receiving substantial State funding through grants from the Department of Water Resources (DWR) either directly or through local partner agencies. For a complete listing of grants and partnerships see Appendix C.

- \$25 million for Lower Silver Creek from DWR
- \$8 million for San Francisquito Creek through the Joint Powers Authority
- \$30 million Upper Berryessa, Lower Berryessa, and Lower Penitencia from DWR
- \$2.5 million for Wolfe Road Recycled Water Pipeline from DWR

DISTRICT PRIORITIES	District Funds				
	Water Utility Enterprise Fund	Watershed Stream Stewardship Fund	General Fund	Safe, Clean Water Fund	Information Technology Fund
Water Supply	●			●	
Flood Protection		●		●	
Water Resources Stewardship	●	●		●	
Buildings and Grounds			●		
Information Technology	●				●

This chart identifies which types of improvement are associated with each of the District’s five capital funds.

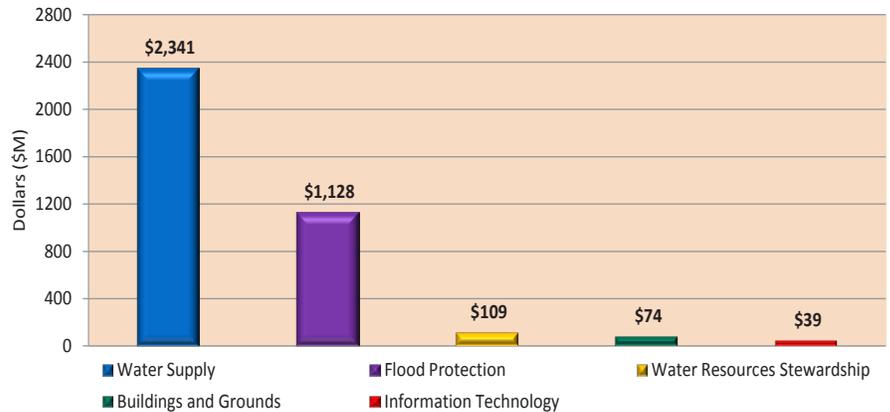
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The estimated total funding required to implement the 65 projects defined in the CIP is \$4.16 billion. The District has been and continues to be successful in leveraging funding for its capital projects through partnerships with federal, state, and local agencies. Of the \$4.16 billion total funding, \$711 million is expected from the District's various partners, such as the U.S. Army Corps of Engineers (USACE), and \$3.450 billion from the District. A list of projects that are funded cooperatively with the District's partners is summarized in Appendix C. Funding from partners for the cooperative capital projects generally come in two ways:

- Funds that are made available by the partners when needed, or
- Funds that are reimbursed by the partners after the District advances the needed funds.

Of the \$711 million that is expected from the District's partners, \$242 million is advanced by the District and reimbursed later. This \$242 million is included in the CIP, and increases the District's total funding requirement from \$3.450 billion to \$3.692 billion, to ensure that the District has adequate funding to advance the reimbursement.

CIP Funding by Type of Improvement

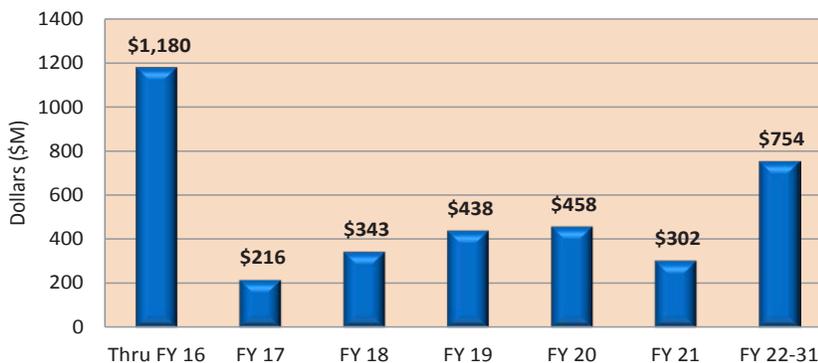


The chart above shows the distribution by type of improvement, of the \$3.692 billion total CIP funding as planned in the FY 2017-21 CIP.

The chart above shows how the \$3.692 billion to implement the 65 projects is allocated to each of the five Types of Improvements.

Of the \$3.692 billion in total funding for the 65 projects identified in the CIP, the Board has appropriated \$1.180 billion in prior years (through June 30, 2016 the end of Fiscal Year 2015-16). This year's CIP process identified additional funding needs of \$2.512 billion to complete the projects in the CIP, with \$216 million allocated in Fiscal Year 2016-17 and a total of \$2.296 billion proposed for future years. The table shown on page I-8 breaks down the fiscal year total by the five types of improvement and by applicable funding sources.

CIP Funding Schedule



The chart above shows how the \$3.692 billion is distributed by fiscal year.

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CIP Funding Schedule by Type of Improvement and Funding Sources (\$K)

	Through FY15	FY16	FY16 Unspent	FY17	FY18	FY19	FY20	FY21	FY22-31	TOTAL
WATER SUPPLY										
Water Utility Enterprise Fund	278,011	136,877	27,447	114,041	187,229	345,912	399,647	254,681	594,748	2,311,146
Safe, Clean Water and Natural Flood Protection Fund	630	1,178	-	520	13,488	281	-	-	13,918	30,015
Water Supply Total	278,641	138,055	27,447	114,561	200,717	346,193	399,647	254,681	608,666	2,341,161
FLOOD PROTECTION										
Watershed Stream Stewardship Fund	222,849	44,724	39,878	40,032	29,513	27,227	8,800	11,526	49,400	434,071
Safe, Clean Water and Natural Flood Protection Fund	375,486	75,473	154,497	43,359	89,022	32,891	27,980	25,518	24,653	694,382
Flood Protection Total	598,335	120,197	194,375	83,391	118,535	60,118	36,780	37,044	74,053	1,128,453
WATER RESOURCES STEWARDSHIP										
Water Utility Enterprise Fund	765	-	-	-	2,079	3,652	775	802	7,886	15,959
Watershed Stream Stewardship Fund	14,289	3,075	-	2,225	2,519	2,970	775	802	7,886	34,540
Safe, Clean Water and Natural Flood Protection Fund	2,477	2,991	561	3,729	12,620	18,306	9,510	802	7,886	58,321
Mitigation Total	17,531	6,066	561	5,954	17,218	24,928	11,060	2,405	23,658	108,820
BUILDINGS AND GROUNDS										
General Fund	1,904	10,455	8,534	7,989	3,735	6,017	9,209	7,191	27,526	74,026
Buildings and Grounds Total	1,904	10,455	8,534	7,989	3,735	6,017	9,209	7,191	27,526	74,026
INFORMATION TECHNOLOGY										
Water Utility Enterprise Fund	473	267	12	180	757	407	166	-	6,738	8,988
General Fund	1,199	-	-	-	-	-	-	-	-	1,199
Information Technology Fund	4,671	1,914	1,983	4,142	1,915	686	880	1,004	13,698	28,910
Information Technology Total	6,343	2,181	1,995	4,322	2,672	1,093	1,046	1,004	20,436	39,097
TOTAL	902,754	276,954	232,912	216,217	342,877	438,349	457,742	302,325	754,339	3,691,557
CUMULATIVE TOTAL	902,754	1,179,708		1,395,925	1,738,802	2,177,151	2,634,893	2,937,218	3,691,557	

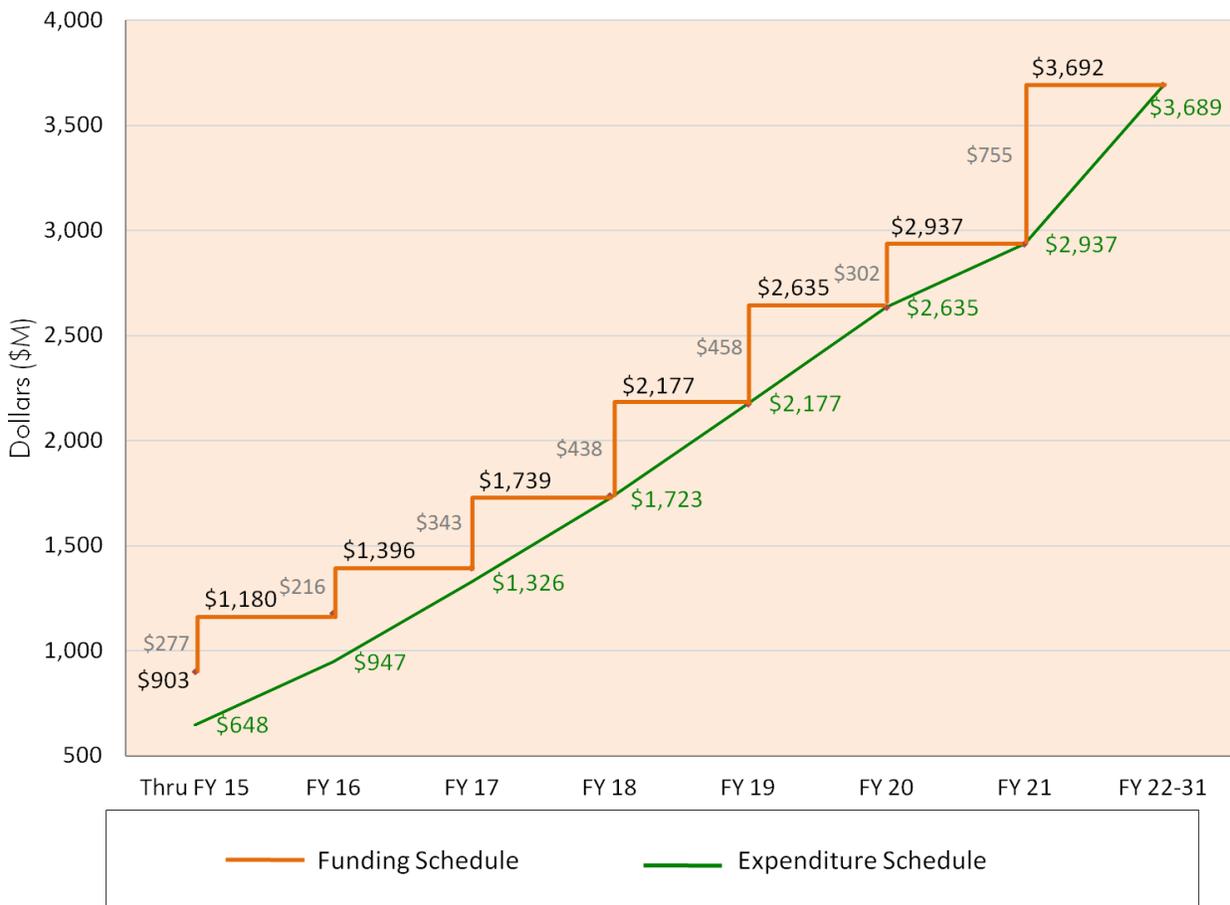
FY 2015-16 Funds to be reappropriated

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As shown in the table, CIP Funding Schedule by Type of Improvement and Funding Sources (on the previous page): approximately \$233 million of the already appropriated \$1.180 billion is not spent and is reappropriated to Fiscal Year 2016-17 for continued use

in those same projects in amounts consistent with the project expenditure schedule for Fiscal Year 2016-17. The following chart explains the relationship between the CIP Funding Schedule and Expenditure Schedule.

CIP Funding Schedule vs. CIP Expenditure Schedule



Overview

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