

# Overview

## OVERVIEW

The Santa Clara Valley Water District's (District) Fiscal Year 2020-24 Five-Year Capital Improvement Program (CIP) is a projection of the District's capital funding for planned capital projects from Fiscal Year 2019-20 through Fiscal Year 2023-24. 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 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 \$2.5 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 vehicles and large equipment.

## Mission

SANTA CLARA VALLEY WATER

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

# Overview

## 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, master plans and the asset management plan 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 Operations staff must be vetted via a feasibility study and then validated to prepare a business case for proceeding with a capital investment. Some high profile feasibility studies are included in the CIP. 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 alligned with the Board's capital priorities."

The annual CIP process is the responsibility of the CIP Group 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;

# Overview

- Review of impacts the completed capital project will have on the Operations and Maintenance (O&M) resources.
- Outreach to local jurisdictions with land use authority, 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, and 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.

The CIP Board Committee meets throughout the year to review and discuss information related to the development and implementation of the CIP and provide

input to staff. The Committee provides direction on issues ranging from projects they want to implement, to resource utilization and funding sources or distribution. The Committee's recommendations are incorporated into the CIP document or implemented by staff.

On January 8, 2019 the FY 2020-24 Preliminary CIP project list was 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 2020-24 CIP:

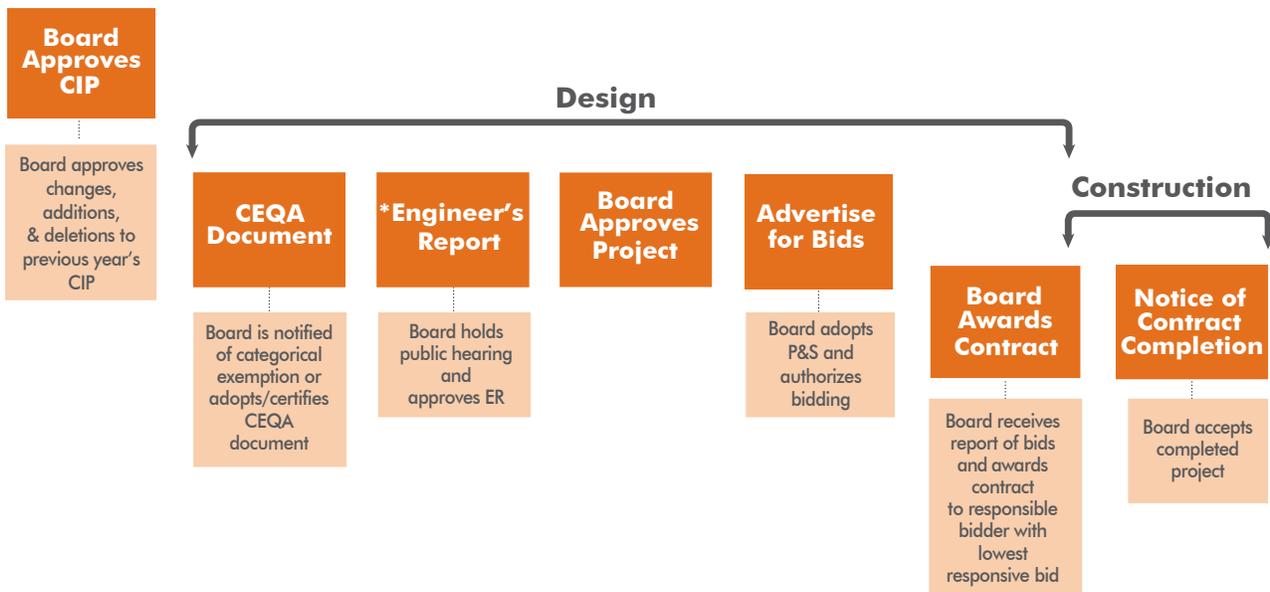
- To fully fund the Water Supply projects in the FY 2020-24 CIP, an increase in the groundwater production charges of up to 6.6% in North County and 6.9% for South County will be required in FY 2020.
- The Pacheco Reservoir Expansion Project with a value of \$1.345 billion has been fully incorporated into the CIP. The District has been awarded \$485.4 million from the State of California Water Commission's Water Storage Investment Program for this project. This project would provide emergency water storage for the County and would significantly benefit fisheries in Pacheco Creek downstream of the dam.
- Two new Water Supply projects with a combined value of \$20 million were added to the CIP. They are; Water Treatment Plant Electrical Improvement Project and Santa Teresa Water Treatment Plant (STWTP) Filter Media Replacement Project.
- One new Flood Protection project that supports the Safe, Clean Water Program Priority D.6, the Los Gatos Creek Restoration and Flood Protection Project has been added to the CIP with \$9M in funding. A potential partnership with Google, Inc. for a flood protection and stream restoration project in the vicinity of the planned downtown San Jose "Google Village." Preliminary discussion indicates that Google, Inc. will provide necessary rights-of-way for the project. Construction cost is estimated to be between \$20M and \$28M and the Safe, Clean Water Fund will provide approximately \$9M to support the project. The remaining funding would have to be secured from other sources.

# Overview

- The Guadalupe River, Tasman Drive to I-880 Project was, approved by the Board, for inclusion in the CIP on March 12. This project will evaluate possible options to restore design flow conveyance capacity and present a staff-recommended project for Board consideration. It is estimated that an evaluation report with a staff-recommended project will take 9 to 12 months to complete.
- One new Water Resources Stewardship project, Ogier Ponds Separation from Coyote Creek (Planning and Design only) has been added to the CIP with a project value of \$3.2M. The funding for the construction would be contingent on a successful Fish and Aquatic Habitat Collaboration Effort (FAHCE) settlement and a partnership with the County of Santa Clara.
- One new Information Technology project, the Telephone System Voice Internet Protocol with a project value of \$1.2M has been added to the CIP. While operational, the current Avaya PBX system needs frequent maintenance.
- A second Information Technology project, the Capital Construction Management System Project was included in the second pass of the Budget. This project will select and implement a new CIP project management software for large complex projects.

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, Operations and Maintenance 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.

# Overview

## CIP PROCESS ALIGNMENT WITH ENDS POLICIES



# Overview

## FISCAL YEAR 2020-24 CIP SUMMARY

The recommended CIP for FY 2020-24 includes 67 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**  
28 projects contributing to Ends Policy E-2
- **Flood Protection Capital Improvements**  
19 projects contributing to Ends Policy E-3
- **Water Resources Stewardship Capital Improvements**  
10 projects contributing to Ends Policy E-4
- **Buildings and Grounds Capital Improvements**  
2 projects supporting District efforts to achieve the Ends Policies
- **Information Technology Capital Improvements**  
8 projects supporting District efforts to achieve the Ends Policies

Each of the 67 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 replaced 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. For a complete listing of grants and partnerships see Appendix C. A number of District projects are receiving substantial State funding through grants:

- \$25 million for Lower Silver Creek and Cunningham Flood Detention from DWR;
- \$485 million for Pacheco Reservoir from the California Water Commission;
- \$30 million Upper Berryessa, Lower Berryessa, and Lower Penitencia from DWR

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

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

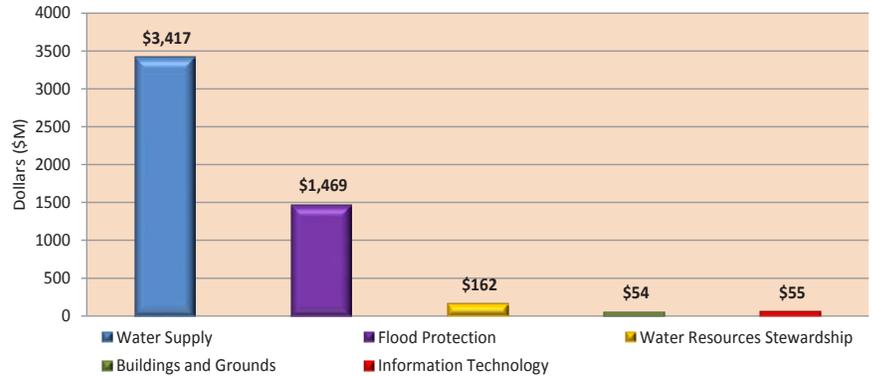
# Overview

The estimated total funding required to implement the 67 projects defined in the CIP is \$5.63 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 \$5.63 billion total funding, \$1.219 billion is expected from the District’s various partners, such as the U.S. Army Corps of Engineers (USACE), and \$4.415 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 (cost-sharing agreements or in-kind services), or
- Funds that are reimbursed by the partners after the District advances the needed funds.

Of the \$1.219 billion that is expected from the District’s partners, \$743 million is advanced by the District and reimbursed later. This \$743 million is included in the CIP, and increases the District’s total funding requirement from \$4.415 billion to \$5.158 billion, to ensure that the District has adequate funding to advance the reimbursement.

## CIP Funding by Type of Improvement

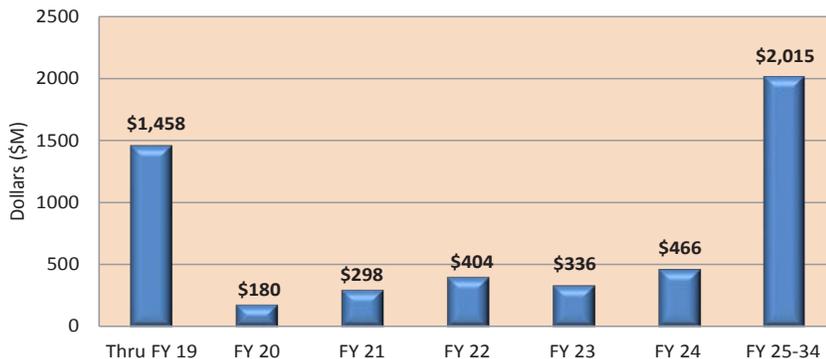


The chart above shows the distribution by type of improvement, of the \$5.158 billion total CIP funding as planned in the FY 2020-24 CIP.

The chart above shows how the \$5.158 billion to implement the 67 projects is allocated to each of the five types of improvements.

Of the \$5.158 billion in total funding for the 67 projects identified in the CIP, the Board has appropriated \$1.458 billion in prior years (through June 30, 2019 the end of Fiscal Year 2018-19). This year’s CIP process identified additional funding needs of \$3.699 billion to complete the projects in the CIP, with \$180 million allocated in Fiscal Year 2019-20 and a total of \$3.519 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 \$5.158 billion is distributed by fiscal year.

# Overview

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

	Through FY18	FY19	FY19 Unspent	FY20	FY21	FY22	FY23	FY24	FY25-34	TOTAL
<b>WATER SUPPLY</b>										
Water Utility Enterprise Fund	402,731	89,127	34,544	92,821	145,769	260,267	195,312	398,351	1,587,454	3,171,832
Safe, Clean Water and Natural Flood Protection Fund	23,989	15,536	-	26,131	20,154	9,851	19,649	5,945	123,891	245,146
<b>Water Supply Total</b>	<b>426,720</b>	<b>104,663</b>	<b>34,544</b>	<b>118,952</b>	<b>165,923</b>	<b>270,118</b>	<b>214,961</b>	<b>404,296</b>	<b>1,711,345</b>	<b>3,416,978</b>
<b>FLOOD PROTECTION</b>										
Watershed Stream Stewardship Fund	361,057	43,021	10,673	28,529	40,046	23,055	38,146	29,178	145,313	708,345
Safe, Clean Water and Natural Flood Protection Fund	428,799	25,998	60,808	24,096	66,983	78,319	52,464	6,385	77,704	760,748
<b>Flood Protection Total</b>	<b>789,856</b>	<b>69,019</b>	<b>71,481</b>	<b>52,625</b>	<b>107,029</b>	<b>101,374</b>	<b>90,610</b>	<b>35,563</b>	<b>223,017</b>	<b>1,469,093</b>
<b>WATER RESOURCES STEWARDSHIP</b>										
Water Utility Enterprise Fund	3,016	2,581	3,623	21	3,833	6,378	3,578	13,549	23,691	56,647
Watershed Stream Stewardship Fund	27,425	1,302	2,293	1,209	9,588	14,157	14,966	6,038	14,594	89,280
Safe, Clean Water and Natural Flood Protection Fund	4,436	1,392	2,075	1,643	1,603	2,127	1,184	218	3,965	16,568
<b>Mitigation Total</b>	<b>34,877</b>	<b>5,275</b>	<b>7,991</b>	<b>2,873</b>	<b>15,024</b>	<b>22,662</b>	<b>19,728</b>	<b>19,805</b>	<b>42,250</b>	<b>162,494</b>
<b>BUILDINGS AND GROUNDS</b>										
General Fund	-	2,572	-	2,063	6,384	8,969	7,028	2,327	24,455	53,798
<b>Buildings and Grounds Total</b>	<b>-</b>	<b>2,572</b>	<b>-</b>	<b>2,063</b>	<b>6,384</b>	<b>8,969</b>	<b>7,028</b>	<b>2,327</b>	<b>24,455</b>	<b>53,798</b>
<b>INFORMATION TECHNOLOGY</b>										
Water Utility Enterprise Fund	2,221	502	-	1,268	-	97	1,519	3,061	4,767	13,435
General Fund	1,199	-	-	-	-	-	-	-	-	1,199
Information Technology Fund	16,673	4,302	10,220	1,956	4,081	491	2,256	1,423	9,394	40,576
<b>Information Technology Total</b>	<b>20,093</b>	<b>4,804</b>	<b>10,220</b>	<b>3,224</b>	<b>4,081</b>	<b>588</b>	<b>3,775</b>	<b>4,484</b>	<b>14,161</b>	<b>55,210</b>
<b>TOTAL</b>	<b>1,271,546</b>	<b>186,333</b>	<b>124,236</b>	<b>179,737</b>	<b>298,441</b>	<b>403,711</b>	<b>336,102</b>	<b>466,475</b>	<b>2,015,228</b>	<b>5,157,573</b>
<b>CUMULATIVE TOTAL</b>	<b>1,271,546</b>	<b>1,457,879</b>		<b>1,637,616</b>	<b>1,936,057</b>	<b>2,339,768</b>	<b>2,675,870</b>	<b>3,142,345</b>	<b>5,157,573</b>	

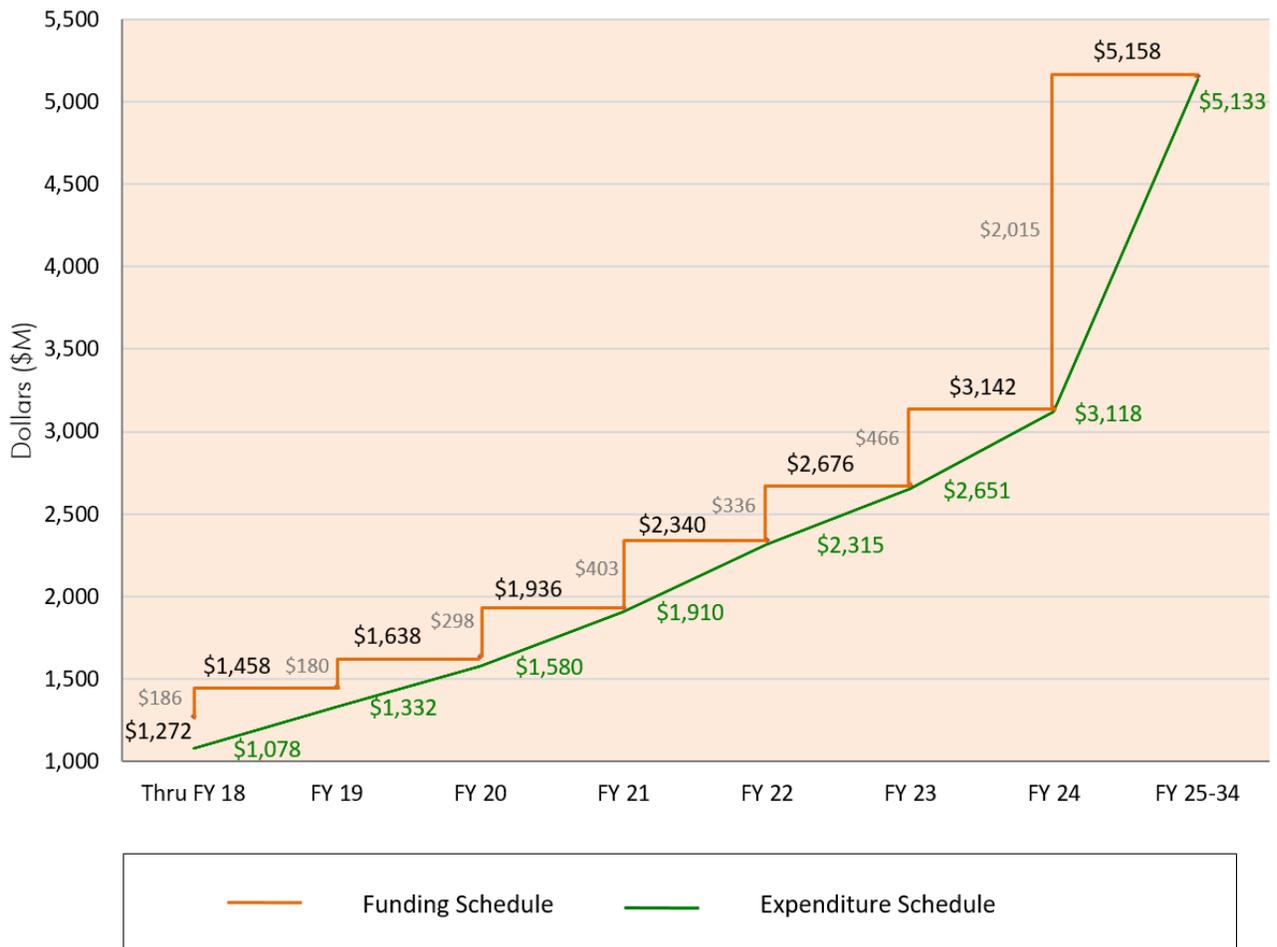
 FY 2018-19 Funds to be reappropriated

# Overview

As shown in the table, CIP Funding Schedule by Type of Improvement and Funding Sources (on the previous page): approximately \$124 million of the already appropriated \$1.457 billion is not spent and is reappropriated to Fiscal Year 2019-20 for continued use

in those same projects in amounts consistent with the project expenditure schedule for Fiscal Year 2019-20. 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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