

Financial Planning and Summary

CIP FINANCIAL PLANNING

Board policy regarding financial planning and budgeting provides the foundation for CIP financial planning. The policy states:

Executive Limitation EL-4, “Financial planning for any fiscal year shall be aligned with the Board’s Ends, not risk fiscal jeopardy, and be derived from a multi-year plan.”

Executive Limitation EL-4.3, “A BAO shall include credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.”

Executive Limitation EL-4.4, “A BAO shall plan the expenditure in any budget period within the funds that are conservatively projected to be received or appropriated from reserves in that period.”

KEY REVENUES SOURCES

Water Charges

- Water charges include a ground water production charge, which is equivalent to the basic user charge, and is associated with the benefit of managing groundwater supplies. The groundwater charge is applied to water extracted from the groundwater basin in Zones W-2 and the newly modified Zones W-5, W-7 and W-8. The basic user charge is applied to other types of water delivered by Valley Water. There are two rates: one for agricultural water and one for municipal and industrial water.
- A treated water surcharge, which is associated with the benefit of receiving treated water, is levied in addition to the basic user charge on water delivered from Valley Water’s water treatment plants.

Property Tax

Santa Clara County allocates property tax revenue to Valley Water from ad valorem taxes levied on land within the county.

Special Parcel Tax

In November 2012, voters overwhelmingly approved the Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water Program/SCW), which began July 1, 2013 and is due to sunset on June 30, 2028. This program replaced the Clean, Safe Creeks and Natural Flood Protection Plan that had been scheduled to sunset in 2016. The Safe, Clean Water Program 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.

Benefit Assessments

Benefit assessment revenue consists of levies approved by voters in 1986 and 1990 to support financing for flood control capital improvements. The ongoing budget amount is approximately 1.25 times the duly authorized annual debt service requirements for each watershed.

Capital Reimbursements

Capital reimbursement revenues are from local, state and federal partners for capital projects carried on cooperatively by Valley Water and its partners. Valley Water fronts the partners’ shares of capital expenditures and receives reimbursements from the partners at a later time.

Interest

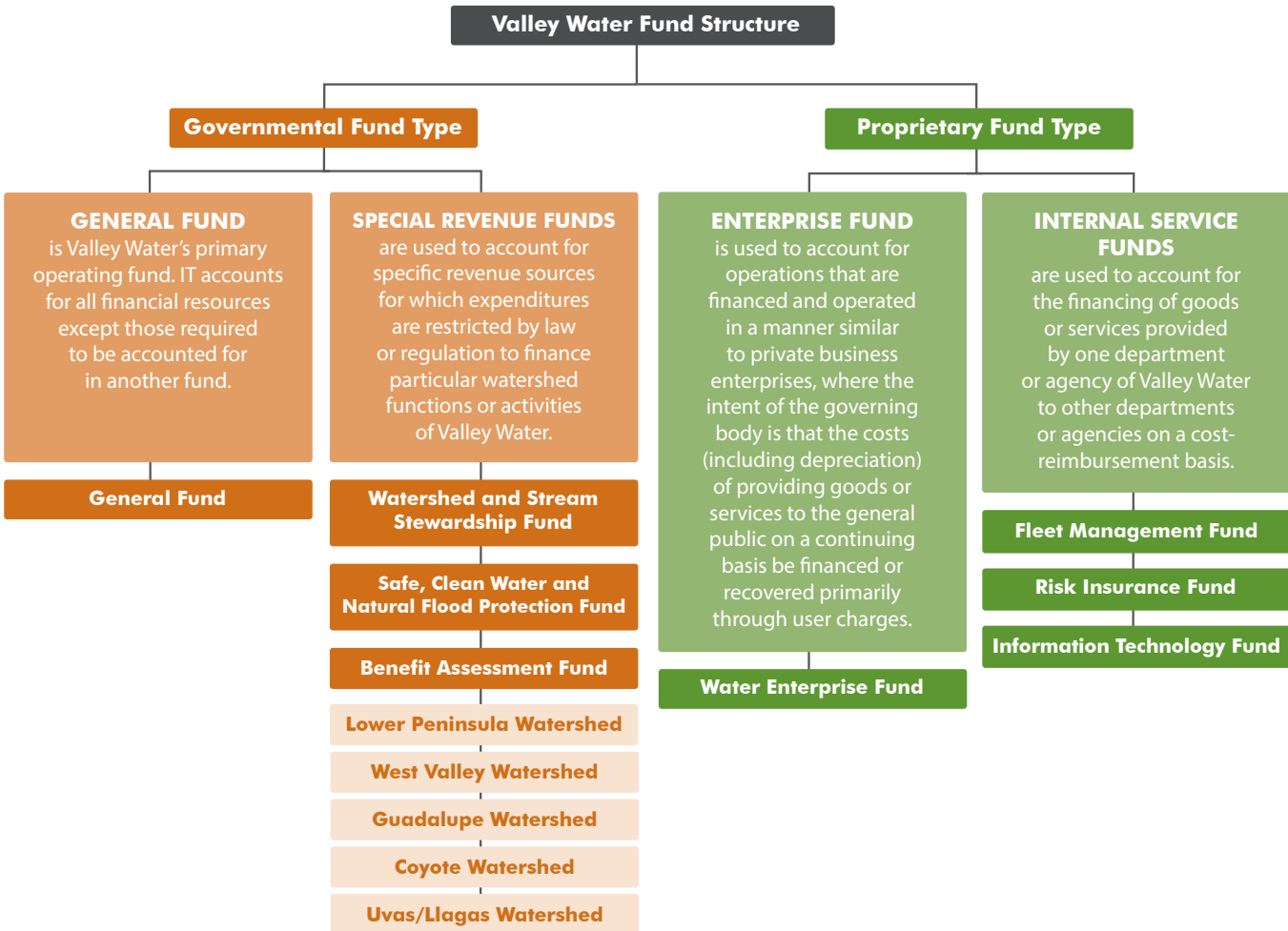
Interest is earned from Valley Water’s investment portfolio.

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Valley Water Fund Structure

Valley Water’s revenue sources are organized into eight funds. Each fund has specific revenue sources according to their intended purposes, and each fund is

an independent accounting entity with a self-balancing set of accounts comprised of its assets, liabilities, fund equity, revenue, and expenditures or expenses, as appropriate.



Revenue by Fund (\$K)

FUND NAME	FY19 Actual	FY20 Adopted	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Water Utility Enterprise	269,022	302,922	305,484	336,427	367,644	475,892	506,768	546,260	603,937	651,913	596,541	657,030
Watershed Stream Stewardship	98,609	121,194	117,804	121,206	127,425	116,143	112,836	115,812	119,556	123,489	127,561	130,903
Safe, Clean Water and Natural Flood Protection	72,603	63,731	61,115	106,344	101,956	52,204	53,165	54,409	55,792	57,733	59,073	61,464
Benefit Assessment	14,747	13,445	12,369	13,454	13,444	13,443	6,850	6,855	6,852	6,855	6,856	6,854
General	9,434	9,217	9,365	9,285	9,285	9,285	9,468	9,661	9,858	10,059	10,265	10,474
Internal Service	923	800	480	330	303	293	293	303	314	325	336	351
TOTAL	465,337	511,309	506,617	587,045	620,058	667,259	689,380	733,299	796,309	850,374	800,632	867,076

Note: Internal Service is the combination of the Fleet Management, IT Capital, and Risk Funds

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Revenue Projections

Valley Water regularly updates the projected revenues based on the best information available.

- Revenues from water charges are estimated based on projections of water demand for residential, commercial, industrial, and agricultural consumption combined with rates per acre-foot. Rates are set at a level that will provide revenue needed to meet operating and capital needs.
- Revenues from property taxes, special parcel taxes, and benefit assessments are estimated based on projection of growth in assessed value and number of developed parcels in Santa Clara County.
- Interest earnings are estimated based on the projected average cash balances during the fiscal year and expected yield from Valley Water's investment portfolio.
- Revenue from capital reimbursements partnerships are estimated based on the terms of agreements executed by Valley Water and its partners.

Expenditure Projections

Valley Water regularly updates operations and capital expenditures based on the best information available.

Each capital project cost estimate includes the yearly expenditures through completion based on the project's scope and schedule. The expenditures are monitored regularly and updated when necessary, e.g. expenditures are updated when a project's scope changes. A management review process is enforced to ensure only justified expenditure changes are approved.

Operations cost projections for the next 15 years are updated annually and are based on assumptions derived from Valley Water's strategic plans, including the impact of completed capital projects. Capital and operations expenditure projections are the foundation for the development of Valley Water's budget.

Financial Analysis

Valley Water regularly performs financial analysis to comply with the Board's Financial Planning/Budgeting

Policy. Valley Water uses sophisticated financial models to perform the analysis for each fund. The projected operation expenditures, capital expenditures, and revenues for the next ten years are incorporated into the financial models to analyze the health of each fund under various economic scenarios. This process assures that funds will be available when needed to implement the CIP.

The financial analysis generates alternatives for funding capital projects based on the available yearly revenues from all sources allocated to the capital program, and the debt financing capacity of each fund. The financial analysis establishes the parameters within which the capital project schedule is developed.

Debt Projections and Debt Ratios

Debt is managed at Valley Water depending on the type of business involved. The SCW program approved by the voters in 2012 includes the authority to issue debt against future revenue in order to accelerate completion of projects sooner. Debt service on outstanding benefit assessment debt is funded by benefit assessments levied on property owners in the county.

The water utility business, on the other hand, uses a combination of short-term and long-term debt financing in conjunction with pay-as-you-go financing to lessen impacts to the water rates caused by fluctuations in capital funding needs. In the 1984 general election, Measure B was passed by the voters, which gave Valley Water's Water Utility Enterprise the authority to issue bonds on an "as required" basis. Debt service on outstanding debt is paid from water revenues. Bond covenants stipulate that Valley Water must maintain a 1.25 debt coverage ratio on all parity bonds. The long-term financial analysis targets a debt coverage ratio of 2.0, which helps establish the parameters for capital planning that ensure bond covenants will be met.

Valley Water currently enjoys credit ratings that are among the highest for a water-related government entity in the state of California, which helps keep interest costs borne by Valley Water at a minimum.

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Relationship between the Operating Budget and CIP

Whenever Valley Water commits to capital improvements, there is a potential for associated long-range commitments of operating funds. For example, if 20-year bonds are issued to finance capital needs, then the operating funds will need to budget debt service payments for the next two decades. For this reason, it is important to evaluate capital commitments in the context of their long-range operating impact.

In addition to the long-range debt service payments, some capital projects affect future operating budgets either positively or negatively due to an increase or decrease in maintenance and operation costs. Such impacts vary widely from project to project and are evaluated individually during the project development stage. Valley Water is committing to a potential change in the operating budget when a capital project is approved.

The projected debt service payments and the positive or negative operating budget impacts are important factors considered in Valley Water's financial analysis.

This chart identifies the operating budget impacts to each fund from projected debt service payments. The debt service payment in the Watershed Stream Stewardship Fund is a total of payments associated with each individual watershed.

Debt Payment Schedule (\$K)

Fund	FY20	FY21	FY22	FY23	FY24	FY25
General Fund	476	474	473	472	472	-
Benefit Assessment Fund	11,153	11,162	11,090	11,086	11,087	5,757
Safe, Clean Water and Natural Flood Protection Fund	3,102	1,750	2,436	4,015	4,392	24,231
Water Utility Enterprise Fund	44,062	49,162	58,514	69,208	84,436	99,834
Information Technology Fund	-	-	-	-	-	-
TOTAL	58,793	62,547	72,513	84,781	100,387	129,821

This chart identifies the net operating budget impacts to each fund resulting from annual maintenance and/or operating costs for newly completed capital projects. Additional information regarding operating impacts related to individual projects can be found on the project pages.

Estimated Operating Impacts (\$K)

Fund	FY20	FY21	FY22	FY23	FY24	BEYOND
General Fund	-	-	-	-	-	-
Watershed Stream Stewardship Fund	500	526	741	766	(3,234)	766
Safe, Clean Water and Natural Flood Protection Fund	100	100	120	480	1,015	4,785
Water Utility Enterprise Fund	33	33	41	111	1,240	1,296
Information Technology Fund	-	178	199	383	184	190
TOTAL	633	837	1,101	1,740	(795)	7,037

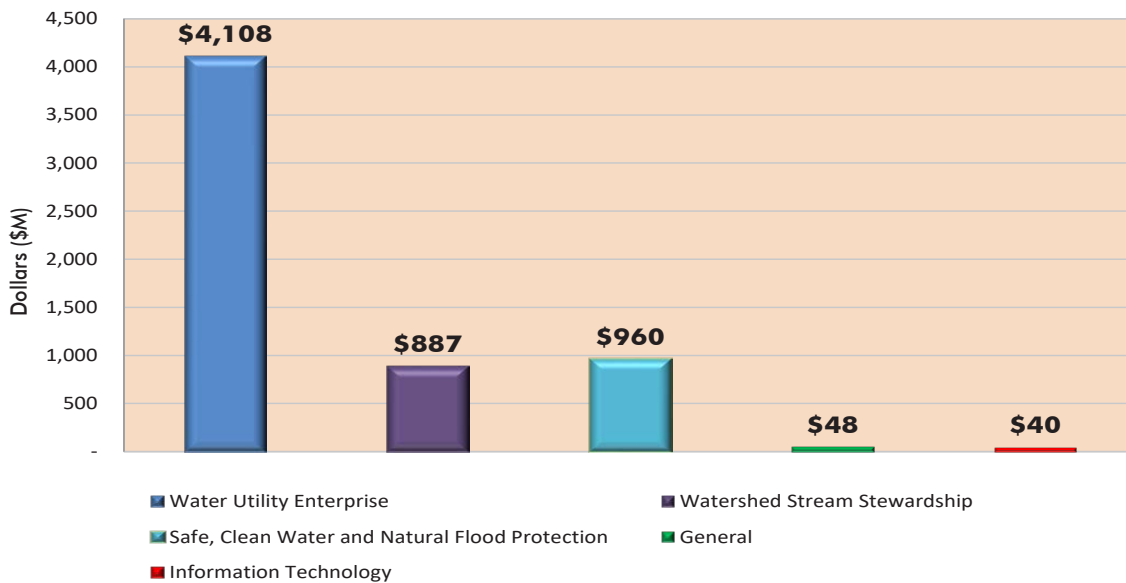
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CIP FUNDING SUMMARY

Of the \$6.044 billion in total Valley Water funding for current and future projects, the Board appropriated \$1.624 billion in prior years through June 30, 2020 (the end of Fiscal Year 2019-20). This year's CIP

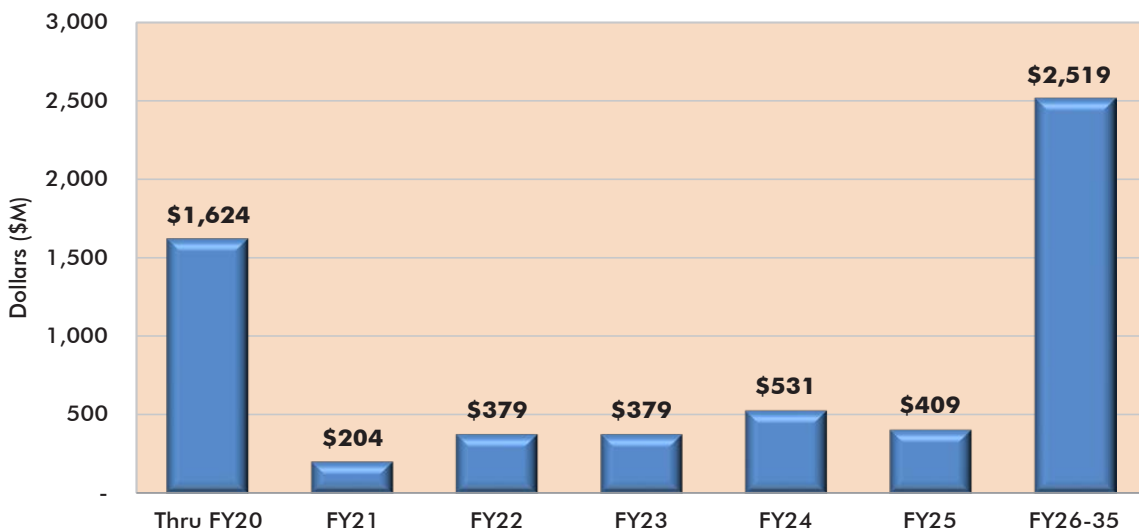
process identified additional funding needs of \$4.421 billion to complete the projects in the CIP, with \$204 million allocated in Fiscal Year 2020-21 and a total of \$4.217 billion proposed for future years.

CIP Total Funding by Fund



The needed \$6.044 billion to implement the 67 capital projects as defined in the CIP are funded by five of Valley Water's funds.

CIP Funding Schedule



This chart shows the funding schedule for the \$6.044 billion to implement the 67 capital projects.

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CIP Project Funding Schedule for Water Utility Enterprise Fund (\$K)

PROJECT NAME	Through FY19	FY20	FY20 Unspent	FY21	FY22	FY23	FY24	FY25	FY26-35	TOTAL
Almaden Dam Improvements	14,604	154	-	168	110	116	122	130	52,043	67,447
Anderson Dam Seismic Retrofit (C1)	50,061	12,879	760	10,109	2,757	58,596	53,433	53,919	334,491	576,245
Calero and Guadalupe Dams Seismic Retrofits	30,818	1,197	671	2,809	15,472	25,287	24,962	6,392	153,735	260,672
Coyote Pumping Plant ASD Replacement	1,234	1,027	324	2,431	5,932	4,136	648	83	-	15,491
Coyote Warehouse	6,878	2,482	21	284	77	69	-	-	-	9,790
Dam Seismic Stability Evaluation	21,605	631	-	426	5,513	463	486	447	879	30,450
Small Capital Improvements, San Felipe Reach 1-3	n/a	7,432	-	3,126	2,419	109	163	2,390	28,505	44,144
Pacheco Reservoir Expansion Project	17,260	35,106	6,214	27,784	42,068	35,875	243,308	232,878	711,070	1,345,349
10-Year Pipeline Rehabilitation (FY18-FY27)	37,854	17,385	1,544	17,223	11,337	8,317	5,410	5,105	8,939	111,570
Almaden Valley Pipeline Replacement Project	-	-	-	668	873	1,328	2,625	2,025	82,158	89,677
Distribution Systems Implementation Project	-	-	-	2,000	3,419	2,828	-	-	-	8,247
FAHCE Implementation	-	-	-	-	4,739	4,379	14,691	14,690	106,609	145,108
Pacheco/Santa Clara Conduit Right of Way Acquisition	2,827	-	547	503	1,756	323	-	-	-	5,409
SCADA Implementation Project	-	-	-	1,365	2,518	2,892	-	-	-	6,775
Small Capital Improvements, Raw Water Transmission	n/a	1,215	-	82	68	19	407	2,089	4,719	8,599
Small Capital Improvements, Treated Water Transmission	n/a	178	-	-	37	42	32	128	259	676
Treated Water Isolation Valves	529	742	1,245	-	-	-	1,994	283	5,597	9,145
Westside Retailer Interties	147	-	69	-	360	1,376	117	-	-	2,000
Vasona Pump Station Upgrade	1,380	525	-	1,217	20,116	463	85	-	-	23,786
PWTP Residuals Management	-	-	-	683	1,433	7,627	-	-	-	9,743
RWTP Residuals Remediation	43,573	2,632	7,304	10,316	3,919	3,648	675	-	-	64,763
RWTP Reliability Improvement	197,597	22,766	-	30,848	43,363	28,649	17,987	128	-	341,338
RWTP Treated Water Valves Upgrade	8,603	21	148	-	5	-	-	-	-	8,629
Small Capital Improvements, Water Treatment	n/a	11,353	-	3,035	3,863	1,269	5,732	3,392	27,229	55,873
STWTP Filter Media Replacement Project	-	203	-	444	2,934	5,081	1,793	-	-	10,455
Water Treatment Plant Electrical Improvement Project	-	203	-	447	3,423	5,860	2,056	-	-	11,989
WTP Implementation Project	-	-	-	1,024	3,505	4,052	-	-	-	8,581
Expedited Purified Water Program (EPWP)	23,869	2,480	2,639	-	1,265	1,736	8,797	10,194	655,972	704,313
Land Rights - South County Recycled Water PL	-	-	-	204	3,882	3,564	-	-	-	7,650
South County Recycled Water Pipeline	36,557	-	7,902	249	15,195	4,993	-	-	-	56,994

FY 2019-20 Funds to be reappropriated

Financial Planning and Summary

CIP Project Funding Schedule for Water Utility Enterprise Fund (\$K) continued

PROJECT NAME	Through FY19	FY20	FY20 Unspent	FY21	FY22	FY23	FY24	FY25	FY26-35	TOTAL
FAHCE Stevens Creek Fish Passage Enhancement - 90%	765	-	-	-	1,708	2,703	44	-	-	5,220
Project 1 Design & Construction (e.g. Metcalf Ponds)	-	-	-	-	2,205	2,315	2,431	11,710	12,074	30,735
Project 2 Construction (e.g. Ogier Ponds)	-	-	-	-	-	-	-	-	18,242	18,242
Capital Construction Mgmt System	-	977	877	156	110	-	-	-	-	1,243
WTP-WQL Network Equipment	2,723	185	-	-	94	1,475	2,985	854	3,747	12,063
TOTAL	498,884	121,773	30,265	117,601	206,475	219,590	390,983	346,837	2,206,268	4,108,411

 FY 2019-20 Funds to be reappropriated

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CIP Project Funding Schedule for Watershed and Stream Stewardship Fund (\$K)

PROJECT NAME	Through FY19	FY20	FY20 Unspent	FY21	FY22	FY23	FY24	FY25	FY26-35	TOTAL
Palo Alto Flood Basin Tide Gate Structure Improvements	2,474	1,918	1,512	82	5,379	9,627	7,350	5,935	-	32,765
Permanente Creek, SF Bay to Foothill Expressway	17,541	-	178	-	-	-	-	-	-	17,541
San Francisquito Creek, SF Bay thru Searsville Dam	4,064	-	-	-	-	-	-	-	-	4,064
San Francisquito Creek, Early Implementation	1,614	-	-	-	-	-	-	-	-	1,614
Canoas Creek, Rodent Damage Repair	7,307	-	420	-	-	-	-	-	-	7,307
Guadalupe River Tasman Dr - I-880	90	1,000	9	1,828	2,824	2,499	29,215	30,732	30,892	99,080
Berryessa Ck, Lower Penitencia Ck to Calaveras Blvd Phs 1	50,191	-	3,362	-	-	-	-	-	-	50,191
Berryessa Ck, Lower Penitencia Ck to Calaveras Blvd Phs 2	62,075	-	1,541	45	923	162	-	-	-	63,205
Berryessa Ck, Lower Penitencia Ck to Calaveras Blvd Phs 3	-	-	-	-	-	-	-	-	71,236	71,236
Cunningham Flood Detention Certification	11,251	555	30	2	33	-	-	-	-	11,841
Lower Penitencia Ck Improvements, Berryessa to Coyote Cks.	9,297	1,989	1,038	7,743	7,817	637	328	-	-	27,811
Lower Silver Creek, I-680 to N. Babb Rd (Reach 4 Planning)	2,371	-	-	-	-	-	-	-	-	2,371
Lower Silver Creek, I-680 to Cunningham (Reach 4-6)	96,266	740	-	167	55	58	-	-	-	97,286
Lower Silver Creek, I-680 to Cunningham, Reimbursable (Reach 4-6)	2,912	-	765	-	-	-	-	-	-	2,912
Upper Penitencia Ck, Coyote Ck-Dorel Dr, Corps	8,970	507	-	-	-	-	-	-	-	9,477
Upper Penitencia Ck, Coyote Ck-Dorel Dr, LERRDs	2,315	-	-	-	-	-	-	-	-	2,315
Llagas Creek-Lower, Capacity Restoration, Buena Vista Road to Pajaro River	6,947	-	2,809	-	-	3,404	3,401	-	-	13,752
San Francisco Bay Shoreline	16,788	33,432	-	11,143	22,316	1,820	34,551	128	133	120,311
San Francisco Bay Shoreline - Contribution	490	-	-	-	-	-	-	-	-	490
Shoreline Early Implementation	359	-	-	-	-	-	-	-	-	359
Watersheds Asset Rehabilitation Program	24,455	11,481	-	3,531	2,489	2,695	2,790	2,889	140,555	190,885
SMP Mitigation, Stream and Watershed Land Preservation	16,733	36	605	-	-	-	-	-	-	16,769
FAHCE Stevens Creek Fish Passage Enhancement - 10%	85	-	-	-	190	300	5	-	-	580
Stevens Creek Fish Barrier Removal - 100%	-	-	-	-	573	3,536	3,656	3,716	2,254	13,735
Project 2 Construction (e.g. Ogier Ponds)	-	-	-	-	-	-	-	-	18,246	18,246
Salt Ponds A5-11 Restoration	5,082	-	396	171	617	1,313	456	-	-	7,639
Watershed Habitat Enhancement Studies	2,372	704	380	532	-	-	-	-	-	3,608
TOTAL	352,049	52,362	13,045	25,244	43,216	26,051	81,752	43,400	263,316	887,390

Financial Planning and Summary

Project Funding Schedule for Safe, Clean Water and Natural Flood Protection Fund (\$K)

PROJECT NAME	Through FY19	FY20	FY20 Unspent	FY21	FY22	FY23	FY24	FY25	FY26-35	TOTAL
IRP2 Additional Line Valves (A3)	1,090	399	671	633	1,902	27	2,522	2,592	2,773	11,938
Main & Madrone Pipelines Restoration (A1)	17,236	334	-	-	-	-	-	-	-	17,570
Permanente Creek, SF Bay to Foothill Expressway	81,789	7,560	301	-	-	-	-	-	-	89,349
San Francisquito Creek, SF Bay thru Searsville Dam (E5)	6,782	-	-	-	-	-	-	-	-	6,782
San Francisquito Creek - Construction, SF Bay to Middlefield Road (E5)	47,486	2,805	783	370	5,764	12,831	7,567	-	-	76,823
Sunnyvale East and West Channels	30,997	4,441	15,413	2,032	17,829	14,650	486	-	-	70,435
Guadalupe Rv-Upper, Fish Passage Mods	2,651	-	-	-	-	-	-	-	-	2,651
Guadalupe Rv-Upper, I-280 to SPRR (R6)	34,619	86	1,200	-	627	35	36	38	3,149	38,590
Guadalupe Rv-Upper, SPRR-Blossom Hill (R7-12)	89,399	-	23,174	-	11,523	18,056	2,309	-	-	121,287
Guadalupe Rv-Upper, Actuals chg to other proj numbers	7,887	-	-	-	-	-	-	-	-	7,887
Berryessa Ck, Calaveras-I-680 - Corps	35,566	-	23	27	-	-	-	-	-	35,593
Berryessa Ck, Calaveras-I-680 - Reimbursable	18,986	1	-	-	-	-	-	-	-	18,987
Coyote Creek, Montague Expressway to Tully Road	14,098	941	1,014	2,197	7,100	21,186	19,117	1,691	-	66,330
Upper Penitencia Ck, Coyote Ck-Dorel Dr, Corps (E4)	1,910	1,305	1,261	1,381	2,774	232	2,201	1,711	13,485	24,999
Llagas Creek-Upper, Reimbursable (E6b)	43,057	1,983	-	-	-	-	-	-	-	45,040
Llagas Creek-Upper, Corps Coordination (E6a)	40,895	10,171	-	46,273	48,576	47,278	11,816	3,277	332	208,618
Llagas Creek-Upper, Technical Studies	1,446	-	-	-	-	-	-	-	-	1,446
Llagas Creek-Upper, Design	27,932	261	5,418	-	-	-	-	479	1,261	29,933
San Francisco Bay Shoreline - EIA 11 Design & Partial Construction (E7)	14,516	3,000	-	-	-	-	-	-	-	17,516
San Francisco Bay Shoreline - Other EIAs Planning (E7)	3,757	-	644	-	648	579	608	638	133	6,363
Hale Creek Enhancement Pilot Study (D6)	4,832	21	2,699	170	3,970	-	-	-	-	8,993
Almaden Lake Improvements (D4.1a)	4,554	1,153	1	1,709	15,832	8,523	-	-	-	31,771
South Bay Salt Ponds Restoration (D8)	548	-	256	-	-	-	-	1,897	1,953	4,398
SCW Fish Passage Improvements (D4.3; Bolsa, Evelyn, Singleton)	4,280	1,048	1,941	-	3,442	-	-	-	-	8,770
SCW Implementation Fund	-	-	-	-	2,127	1,184	218	-	-	3,529
Ogier Ponds Separation from Coyote Creek (D4.1b)	1,000	598	1,192	-	1,659	996	-	-	-	4,253
TOTAL	537,313	36,107	55,991	54,792	123,773	125,577	46,880	12,323	23,086	959,851

 FY 2019-20 Funds to be reappropriated

Financial Planning and Summary

Project Funding Schedule for General Fund (\$K)

PROJECT NAME	Through FY19	FY20	FY20 Unspent	FY21	FY22	FY23	FY24	FY25	FY26-35	TOTAL
Facility Management, Small Capital Improvements	n/a	2,063	-	3,016	2,984	3,000	3,000	3,000	15,000	32,063
Headquarters Operations Building	20	-	-	-	2,204	2,199	6,784	2,553	2,655	16,415
TOTAL	20	2,063	-	3,016	5,188	5,199	9,784	5,553	17,655	48,478

 FY 2019-20 Funds to be reappropriated

Project Funding Schedule for Information Technology Fund (\$K)

PROJECT NAME	Through FY19	FY20	FY20 Unspent	FY21	FY22	FY23	FY24	FY25	FY26-35	TOTAL
Data Consolidation	1,023	60	-	75	77	-	-	-	-	1,235
IT Disaster Recovery	2,396	-	946	-	67	-	-	-	-	2,463
ERP System Implementation	14,608	-	3,361	2,256	251	263	-	-	-	17,378
Software Upgrades & Enhancements	2,403	781	-	871	398	2,190	1,388	459	8,581	17,071
Telephone System Voiceover IP	-	1,116	-	132	-	-	-	-	-	1,248
E-Discovery Management System	545	16	-	-	-	-	-	-	-	561
TOTAL	20,975	1,973	4,307	3,334	793	2,453	1,388	459	8,581	39,956

 FY 2019-20 Funds to be reappropriated

CIP Funding Schedule Summary for All Funds (\$K)

FUND NAME	Through FY19	FY20	FY20 Unspent	FY21	FY22	FY23	FY24	FY25	FY26-35	TOTAL
Water Utility Enterprise	498,884	121,773	30,265	117,601	206,475	219,590	390,983	346,837	2,206,268	4,108,411
Watershed Stream Stewardship	352,049	52,362	13,045	25,244	43,216	26,051	81,752	43,400	263,316	887,390
Safe, Clean Water and Natural Flood Protection	537,313	36,107	55,991	54,792	123,773	125,577	46,880	12,323	23,086	959,851
General	20	2,063	-	3,016	5,188	5,199	9,784	5,553	17,655	48,478
Information Technology	20,975	1,973	4,307	3,334	793	2,453	1,388	459	8,581	39,956
TOTAL	1,409,241	214,278	103,608	203,987	379,445	378,870	530,787	408,572	2,518,906	6,044,086

 FY 2019-20 Funds to be reappropriated