

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, 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 2020, voters in Santa Clara County overwhelmingly approved Measure S, a renewal of Valley Water’s Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water Program) which was originally approved in 2012 (2012 Safe, Clean Water Program). The measure needed 66.67% to pass and garnered more than 75% of votes at the November 2020 election. The renewed Safe, Clean Water Program identifies six key community priorities, established in collaboration with tens of thousands of residents and stakeholders. The renewed Safe, Clean Water program will become effective in Fiscal Year 2021-2022 (FY22), starting on July 1, 2021, following the conclusion of the 2012 Safe, Clean Water Program in FY21. The renewed Safe, Clean Water Program parcel tax will provide approximately \$826 million in the first 15 years of the program.

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	FY20 Actual	FY21 Adopted	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
Water Utility Enterprise	313,336	311,602	335,939	384,253	420,796	533,384	573,027	615,909	663,396	613,211	666,443	724,874
Watershed Stream Stewardship	114,731	119,570	123,410	126,536	130,312	122,604	126,558	130,405	124,948	129,693	134,312	140,112
Safe, Clean Water and Natural Flood Protection	64,385	63,971	56,226	140,568	70,143	51,911	52,895	53,740	54,624	55,458	56,589	57,741
Benefit Assessment	13,440	12,369	13,454	13,444	13,443	6,850	6,855	6,852	6,855	6,856	6,854	-
General	9,662	9,728	9,983	10,302	10,658	11,025	11,352	11,725	12,071	12,428	12,795	13,211
Internal Service	989	480	358	369	370	371	372	451	452	453	456	537
TOTAL	516,544	517,719	539,369	675,473	645,721	726,145	771,059	819,082	862,346	818,099	877,450	936,474

Note: Internal Service is the combination of the Fleet Management, Information Technology Fund, 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 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, for example, when there are any changes to a project's scope or schedule. 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 and 2020 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	FY21	FY22	FY23	FY24	FY25	FY26
General Fund	474	473	472	472	-	-
Benefit Assessment Fund	11,094	11,090	11,086	11,087	5,757	5,762
Safe, Clean Water and Natural Flood Protection Fund	1,750	7,050	12,117	14,842	16,724	17,709
Water Utility Enterprise Fund	48,424	52,561	62,740	72,261	76,720	88,118
Information Technology Fund	-	-	-	-	-	-
TOTAL	61,742	71,175	86,414	98,662	99,201	111,590

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	FY21	FY22	FY23	FY24	FY25	BEYOND
General Fund	-	-	-	-	-	-
Watershed Stream Stewardship Fund	500	526	741	(592)	(592)	(592)
Safe, Clean Water and Natural Flood Protection Fund	100	480	480	1,015	1,805	4,665
Water Utility Enterprise Fund	33	41	41	(208)	(138)	1,318
Information Technology Fund	200	200	379	384	390	396
TOTAL	833	1,247	1,641	599	1,465	5,787

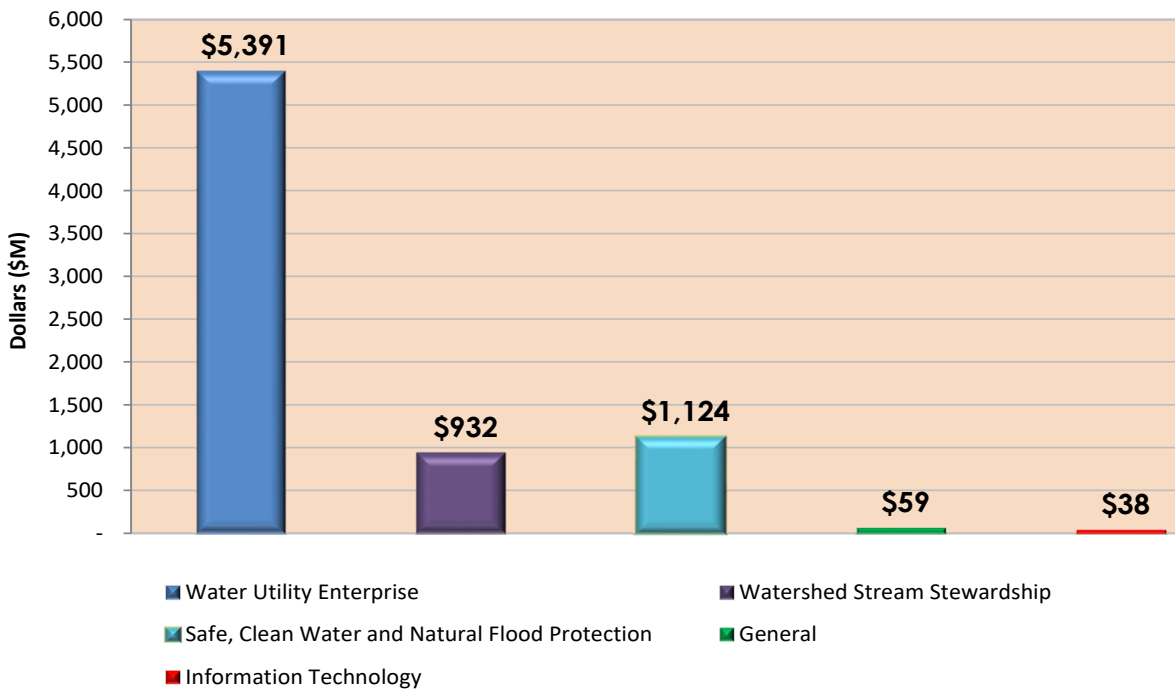
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CIP FUNDING SUMMARY

Of the \$7.545 billion in total Valley Water funding for current and future projects, the Board appropriated \$1.898 billion in prior years through June 30, 2021 (the end of fiscal year 2020-21). This year's CIP

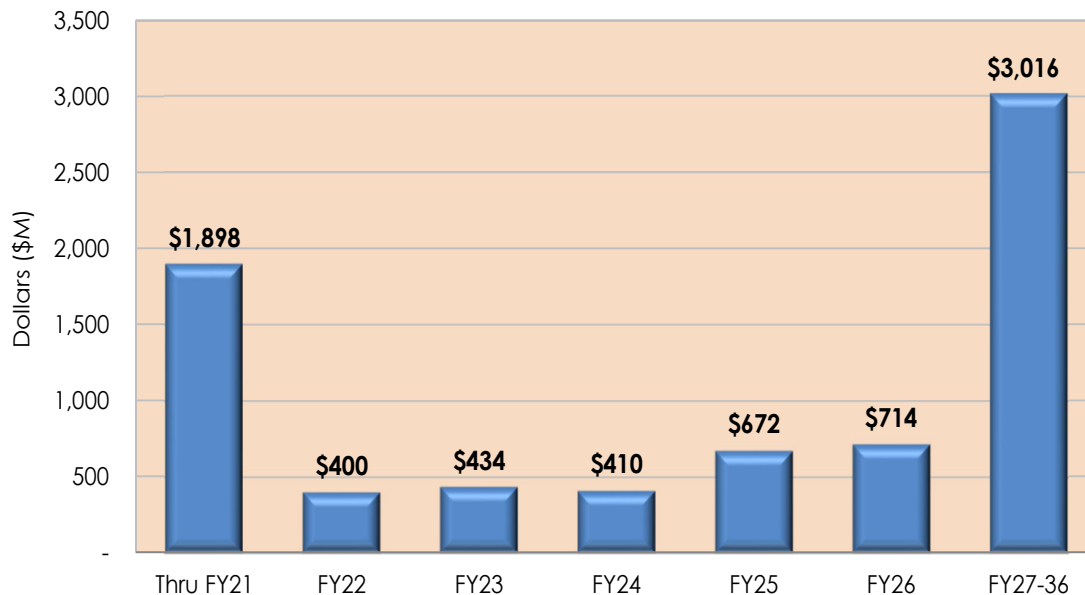
process identified additional funding needs of \$5.646 billion to complete the projects in the CIP, with \$400 million allocated in fiscal year 2021-22 and a total of \$5.246 billion proposed for future years.

CIP Total Funding by Fund



The needed \$7.545 billion to implement the 68 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 \$7.545 billion to implement the 68 capital projects.

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

PROJECT NAME	Through FY20	FY21	FY21 Unspent	FY22	FY23	FY24	FY25	FY26	FY27-36	TOTAL
Almaden Dam Improvements	14,604	168	346	-	-	-	104	125	51,011	66,012
Anderson Dam Seismic Retrofit (C1)	62,940	36,135	-	126,937	77,626	70,155	52,340	47,088	174,169	647,390
Calero and Guadalupe Dams Seismic Retrofits	32,015	2,900	1,840	1,970	585	114	13,163	26,249	184,470	261,466
Coyote Pumping Plant ASD Replacement	2,260	2,116	1,999	-	6,341	4,123	646	81	-	15,567
Coyote Warehouse	9,360	284	-	73	66	-	-	-	-	9,783
Dam Seismic Stability Evaluation	22,236	352	353	65	437	456	5,903	436	1,430	31,315
Small Capital Improvements, San Felipe Reach 1-3 n/a		5,724	-	4,517	1,565	153	1,041	112	68,491	81,603
Pacheco Reservoir Expansion Project (A1)	52,366	27,911	128	30,548	45,592	48,627	235,806	304,608	1,774,466	2,519,924
10-Year Pipeline Rehabilitation (FY18-FY27)	55,239	16,995	4,636	16,243	25,134	11,457	12,171	1,756	2,110	141,105
Almaden Valley Pipeline Replacement Project	-	668	-	828	1,253	2,465	1,893	2,396	80,527	90,030
Distribution Systems Implementation Project	-	2,383	383	2,858	2,668	-	-	-	-	7,909
FAHCE Implementation	-	-	-	-	4,739	4,379	14,691	14,690	106,609	145,108
Pacheco/Santa Clara Conduit Right of Way Acquisition	2,827	507	5	1,657	311	-	-	-	-	5,302
SCADA Implementation Project	-	1,365	-	2,384	2,731	-	-	-	-	6,480
Small Capital Improvements, Raw Water Transmission	n/a	82	-	169	17	382	6,722	272	4,248	11,892
Small Capital Improvements, Treated Water Transmission	n/a	-	-	36	39	30	119	52	255	531
Treated Water Isolation Valves	1,271	-	1,245	-	-	2,331	-	2,439	2,642	8,683
Westside Retailer Interties	147	-	75	-	-	-	-	-	-	147
Vasona Pump Station Upgrade	1,905	1,218	-	717	19,159	545	200	-	-	23,744
PWTP Residuals Management	-	683	-	1,593	1,941	1,625	10,096	18,782	9,572	44,292
RWTP Residuals Remediation	46,205	10,278	17,061	5,353	8,791	633	-	-	-	71,260
RWTP Reliability Improvement	220,363	31,506	221	20,620	22,455	24,570	22,700	17,660	-	359,874
RWTP Treated Water Valves Upgrade	8,624	-	5	6	-	-	-	-	-	8,630
Small Capital Improvements, Water Treatment	-	10,285	-	7,503	1,415	5,382	3,170	3,370	23,152	54,277
STWTP Filter Media Replacement Project	203	445	1	2,812	4,912	1,728	-	-	-	10,100
Water Treatment Plant Electrical Improvement Project	203	446	-	879	2,488	5,851	2,049	-	-	11,916
WTP Implementation Project	-	1,394	-	3,276	3,468	-	-	-	-	8,138
Expedited Purified Water Program (EPWP)	25,697	1,412	1,786	1,140	29,151	30,382	176,239	177,647	176,127	617,795
Land Rights - South County Recycled Water PL	-	203	203	345	3,407	3,606	-	-	-	7,561

 FY 2020-21 Funds to be reappropriated

Financial Planning and Summary

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

PROJECT NAME	Through FY20	FY21	FY21 Unspent	FY22	FY23	FY24	FY25	FY26	FY27-36	TOTAL
South County Recycled Water Pipeline	36,557	248	359	15,308	4,902	-	-	-	-	57,015
FAHCE Stevens Creek Fish Passage Enhancement - 90%	765	-	-	-	1,692	2,726	43	-	-	5,226
Project 1 Design & Construction (e.g. Metcalf Ponds)	-	-	-	-	2,184	2,282	2,385	11,680	12,049	30,580
Project 2 Construction (e.g. Ogier Ponds)	-	-	-	-	-	-	-	-	18,877	18,877
WTP-WQL Network Equipment	2,908	-	-	89	1,391	2,803	798	287	3,280	11,556
TOTAL	598,695	155,708	30,646	247,926	276,460	226,805	562,279	629,730	2,693,485	5,391,088

 FY 2020-21 Funds to be reappropriated

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

PROJECT NAME	Through FY20	FY21	FY21 Unspent	FY22	FY23	FY24	FY25	FY26	FY27-36	TOTAL
Palo Alto Flood Basin Tide Gate Structure Improvements	4,392	83	552	3,062	8,683	8,627	8,663	4,784	-	38,294
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
Guadalupe River Tasman Dr - I-880	1,080	1,838	(1)	2,670	2,365	28,293	29,753	29,912	-	95,911
Berryessa Ck, Lower Penitencia Ck to Calaveras Blvd Phs 1	50,191	-	3,339	-	-	-	-	-	-	50,191
Berryessa Ck, Lower Penitencia Ck to Calaveras Blvd Phs 2	62,075	10,715	-	12,288	885	377	274	-	-	86,614
Berryessa Ck, Lower Penitencia Ck to Calaveras Blvd Phs 3	-	-	-	-	-	-	-	2,106	65,055	67,161
Cunningham Flood Detention Certification	11,806	4	3	28	-	-	-	-	-	11,838
Lower Penitencia Ck Improvements, Berryessa to Coyote Cks.	11,287	7,745	7,503	230	8,021	628	322	-	-	28,233
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)	97,005	167	24	28	55	-	-	-	-	97,255
Lower Silver Creek, I-680 to Cunningham, Reimbursable (Reach 4-6)	2,912	-	760	-	-	-	-	-	-	2,912
Upper Penitencia Ck, Coyote Ck-Dorel Dr, Corps	9,466	-	-	-	-	-	-	-	-	9,466
Upper Penitencia Ck, Coyote Ck-Dorel Dr, LERRDs	4,831	-	2,522	-	-	-	-	-	-	4,831
Llagas Creek-Lower, Capacity Restoration, Buena Vista Road to Pajaro River	6,947	-	2,763	-	-	-	3,240	3,462	391	14,040
San Francisco Bay Shoreline	49,353	48,311	-	21,632	1,735	33,483	119	125	-	154,758
San Francisco Bay Shoreline - Contribution	490	-	-	-	-	-	-	-	-	490
Shoreline Early Implementation	359	-	-	-	-	-	-	-	-	359
Watersheds Asset Rehabilitation Program	35,831	3,531	7,809	10,910	2,566	2,646	2,730	2,829	121,531	182,574
SMP Mitigation, Stream and Watershed Land Preservation	16,769	-	1	-	-	-	-	-	-	16,769
FAHCE Stevens Creek Fish Passage Enhancement - 10%	85	-	-	-	188	303	5	-	-	581
Stevens Creek Fish Barrier Removal - 100%	-	-	-	-	568	3,526	3,642	3,637	2,248	13,621
Project 2 Construction (e.g. Ogier Ponds)	-	-	-	-	-	-	-	-	18,876	18,876
Salt Ponds A5-11 Restoration	5,082	171	-	585	1,268	435	-	-	-	7,541
Watershed Habitat Enhancement Studies	3,170	1,034	-	-	-	-	-	-	-	4,204
TOTAL	398,721	73,599	25,453	51,433	26,334	78,318	48,748	46,855	208,101	932,109

 FY 2020-21 Funds to be reappropriated

Financial Planning and Summary

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

PROJECT NAME	Through FY20	FY21	FY21 Unspent	FY22	FY23	FY24	FY25	FY26	FY27-36	TOTAL
IRP2 Additional Line Valves (A3)	1,489	634	2	313	46	1,632	2,492	2,576	2,852	12,034
Main & Madrone Pipelines Restoration (A1)	17,570	-	2	-	-	-	-	-	-	17,570
Permanente Creek, SF Bay to Foothill Expressway	91,031	7,645	-	-	-	-	-	-	-	98,676
San Francisquito Creek, SF Bay thru Searsville Dam (E5)	6,782	-	-	-	-	-	-	-	-	6,782
San Francisquito Creek - Construction, SF Bay to Middlefield Road (E5)	50,291	370	1	12,720	24,300	6,885	-	-	-	94,566
Sunnyvale East and West Channels (E2)	35,438	2,033	17,302	-	1,003	14,014	11,970	6,772	260	71,490
Guadalupe Rv-Upper, Fish Passage Mods	2,651	-	-	-	-	-	-	-	-	2,651
Guadalupe Rv-Upper, I-280 to SPRR (Rch 6) (E8)	34,705	-	1,095	562	33	34	36	37	2,996	38,403
Guadalupe Rv-Upper, SPRR-Blossom Hill (Rch 7-12) (E8)	89,399	-	22,869	-	-	-	-	-	38,877	128,276
Guadalupe Rv-Upper, Actuals chg to other proj numbers	7,887	-	-	-	-	-	-	-	-	7,887
Berryessa Ck, Calaveras-I-680 - Corps	35,566	29	-	-	-	-	-	-	-	35,595
Berryessa Ck, Calaveras-I-680 - Reimbursable	18,987	3	-	-	-	-	-	-	-	18,990
Coyote Creek, Montague Expressway to Tully Road (E1)	15,036	2,199	2,528	1,598	6,661	11,166	22,382	3,895	-	62,937
Upper Penitencia Ck, Coyote Ck-Dorel Dr, Corps (E4)	4,719	3,898	2,516	113	218	2,067	1,599	4,449	8,573	25,636
Llagas Creek-Upper, Reimbursable (E6b)	45,040	-	82	-	-	-	9	-	-	45,049
Llagas Creek-Upper, Corps Coordination (E6a)	50,636	47,476	-	58,292	58,521	32,386	9,242	312	-	256,865
Llagas Creek-Upper, Technical Studies	1,446	-	-	-	-	-	-	-	-	1,446
Llagas Creek-Upper, Design (E6)	28,193	-	4,473	-	-	-	184	1,184	-	29,561
San Francisco Bay Shoreline - EIA 11 Design & Partial Construction (E7)	17,510	5	-	-	-	-	-	-	-	17,515
San Francisco Bay Shoreline - EIAs 1-4	3,757	-	1	1,359	1,839	2,957	1,222	6,480	13,848	31,462
San Francisco Bay Shoreline - EIAs 5-10	-	-	-	1,045	1,092	1,141	3,578	3,739	3,907	14,502
Hale Creek Enhancement Pilot Study (D6.1)	4,853	172	-	3,824	-	-	-	-	-	8,849
Almaden Lake Improvements (D4.1a)	5,707	1,710	545	9,325	20,902	19,681	775	31	67	58,198
South Bay Salt Ponds Restoration (D8)	548	-	243	-	-	-	-	-	-	548
SCW Fish Passage Improvements (D4.3; Evelyn, Singleton)	5,328	-	1	979	211	-	-	-	-	6,518
Bolsa Road Fish Passage Improvement (D6.2)	-	-	-	2,205	4,385	-	-	-	-	6,590
SCW Implementation: Fish Passage Improvements (D4)	-	-	-	-	2,127	1,184	1,000	1,250	1,252	6,813
SCW Implementation: Restoration of Natural Creek Functions (D6.3)	-	-	-	-	-	-	-	-	6,658	6,658
Ogier Ponds Separation from Coyote Creek (D4.1b)	1,598	-	512	1,050	1,482	-	-	-	-	4,130
TOTAL	576,167	66,174	52,172	93,385	122,820	93,147	54,489	30,725	87,484	1,124,391

FY 2020-21 Funds to be reappropriated

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Project Funding Schedule for General Fund (\$K)

PROJECT NAME	Through FY20	FY21	FY21 Unspent	FY22	FY23	FY24	FY25	FY26	FY27-36	TOTAL
Facility Management, Small Capital Improvements	n/a	3,016	-	4,000	4,000	4,000	4,000	4,000	20,000	43,016
Headquarters Operations Building	20	-	1	2,000	2,173	6,544	2,385	2,492	-	15,614
TOTAL	20	3,016	1	6,000	6,173	10,544	6,385	6,492	20,000	58,630

 FY 2020-21 Funds to be reappropriated

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

PROJECT NAME	Through FY20	FY21	FY21 Unspent	FY22	FY23	FY24	FY25	FY26	FY27-36	TOTAL
Data Consolidation	1,083	74	(1)	76	-	-	-	-	-	1,233
IT Disaster Recovery	2,396	-	-	206	-	-	-	-	-	2,602
ERP System Implementation	14,608	2,258	1,818	462	248	-	-	-	-	17,576
Software Upgrades & Enhancements	3,184	871	-	345	2,036	1,248	405	504	6,779	15,372
Telephone System Voiceover IP	1,116	132	1	-	-	-	-	-	-	1,248
E-Discovery Management System	267	-	-	-	-	-	-	-	-	267
TOTAL	22,654	3,335	1,818	1,089	2,284	1,248	405	504	6,779	38,298

 FY 2020-21 Funds to be reappropriated

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

FUND NAME	Through FY20	FY21	FY21 Unspent	FY22	FY23	FY24	FY25	FY26	FY27-36	TOTAL
Water Utility Enterprise	598,695	155,708	30,646	247,926	276,460	226,805	562,279	629,730	2,693,485	5,391,088
Watershed Stream Stewardship	398,721	73,599	25,453	51,433	26,334	78,318	48,748	46,855	208,101	932,109
Safe, Clean Water and Natural Flood Protection	576,167	66,174	52,172	93,385	122,820	93,147	54,489	30,725	87,484	1,124,391
General	20	3,016	1	6,000	6,173	10,544	6,385	6,492	20,000	58,630
Information Technology	22,654	3,335	1,818	1,089	2,284	1,248	405	504	6,779	38,298
TOTAL	1,596,257	301,832	110,090	399,833	434,071	410,062	672,306	714,306	3,015,849	7,544,516

 FY 2020-21 Funds to be reappropriated