

# Overview

## OVERVIEW

The Santa Clara Valley Water District's (Valley Water) Fiscal Year (FY) 2023-27 Five-Year Capital Improvement Program (CIP) is a projection of Valley Water's capital funding for planned capital projects from FY 2022-23 through FY 2026-27. The purpose of the CIP is to document planned Valley Water projects to help integrate Valley Water work with the larger community by aligning Valley Water planning with other local agency planning efforts.

Valley Water'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 Valley Water 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 Officers Association (GFOA). Capital projects in this document are defined by both the accounting criteria for capital investment and the California 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 funds. 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 (unless otherwise approved by the Board);
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 Facility Management, 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 Valley Water 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.

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## ALIGNMENT WITH ENDS POLICIES

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

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 Valley Water'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 "Valley Water provides a reliable, safe, and affordable water supply for current and future generations in all communities served."
- Ends Policy E-3 "Natural flood protection is provided to reduce risk and improve health and safety for residents, businesses, and visitors, now and into the future."
  - E-3.1 "Maintain flood protection facilities to design levels of protection."
  - E-3.2 "Assist people, businesses, schools, and communities to prepare for, respond to, and recover from flooding through equitable and effective engagement."
  - E-3.3 "Increase the health and safety of residents countywide by reducing community flood risk."
- Ends Policy E-4 "Water resources stewardship protects and enhances ecosystem health."

(See flowchart "CIP Process Alignment with Ends Policies" on page I-6)

## CIP PLANNING PROCESS

Valley Water conducts an annual planning process for its CIP. The purpose of the CIP Planning Process is to ensure the capital projects included in the CIP:

- Meet the Board's priorities and contribute to the objectives of Valley Water's various programs;
- Have identified funding for the duration of the projects; and
- 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 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;

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- Validation of projects to ensure there is a business case for doing the project and that a capital investment is the best solution;
- Review 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 Valley Water's capital funding sources to fund the proposed capital projects;
- 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 Valley Water's Capital Improvement Program with their General Plans;
- Board review and direction at appropriate steps, to ensure the CIP reflects Board policies and priorities; and
- Board adoption of the CIP plan.

The annual CIP Planning Process starts with collecting information on proposed new capital projects in July, followed by the validation of proposed new projects, preliminary scoping, review 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 Valley Water, 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 Draft CIP is being reviewed by the cities and County, the budget is reviewed and finalized. The Board concludes the outreach on the Draft CIP with a public hearing. The first year of the CIP is reconciled with the budget; The Resolution to adopt the CIP and the budget are presented to the Board for approval in May.

## Board Direction and CIP Outreach

The Board has many opportunities each year to provide direction on projects contained in the CIP. The CIP is developed in parallel with the budget and the water rates. It is presented to the Board for review and input on

multiple occasions throughout the development process. Early in the validation process the list of newly proposed projects is presented to the Board so they can provide direction to staff, followed by Board workshops to review the Preliminary CIP to ensure 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. Following a public hearing, the Board approves the resolution to adopt the Final CIP in May.

The Board CIP 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 recommendations on issues ranging from project implementation, to resource utilization and funding sources or distribution. The Committee's recommendations are presented to the Board for direction on incorporation into the CIP document or implementation by staff.

On January 10, 2022 the FY 2023-27 Preliminary CIP project list was reviewed and endorsed by the Board. One new project was added to the FY 2023-27 Preliminary CIP.

The following are highlights of changes from the previous year that have been approved as the basis for the FY 2023-27 CIP:

- To fully fund the Water Supply projects in the FY 2023-27 CIP, Valley Water has preliminarily proposed increases in groundwater production charges for FY 2022-23 of 15% in North County Zone W-2, 5.2% in South County Zone W-5, 10.3% in South County Zone W-7, and 8% in South County Zone W-8.
- The following significant project changes are driving the groundwater production charges:
  - The Anderson Dam Seismic Retrofit Project increased in cost by \$588.75 million.
  - The Purified Water Project increased in cost by \$113.18 million.
  - The Rinconada Water Treatment Plant Reliability Improvement Project increased in cost by \$101.8 million.

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- The Rinconada Water Treatment Plant Residuals Remediation/Management Project increased in cost by \$11.08 million.
- The Almaden Valley Pipeline Replacement Project increased in cost by \$20.57 million.
- The Coyote Pumping Plant ASD Replacement Project increased in cost by \$11.77 million.
- The South County Recycled Water Pipeline Project increased in cost by \$3.51 million.
- The following are highlights of significant project changes under Flood Protection and Water Resources Stewardship:
  - The San Francisco Bay Shoreline Project EIA 11 decreased in cost by \$38.77 million.
  - The San Francisquito Creek, SF Bay through Searsville Dam (E5) Project increased in cost by \$12.61 million.
  - The Guadalupe River Tasman Drive to I-880 Project increased in cost by \$3.26 million.
  - The Lower Penitencia Creek Improvements, Berryessa to Coyote Creeks Project increased in cost by \$6.89 million.
  - The South Bay Salt Ponds (A5-11) Restoration Project increased in cost by \$4.88 million.
  - The Ogier Ponds Separation from Coyote Creek (D4.1b) Project increased in cost by \$2.12 million.

- Six projects were completed in the CIP. The RWTP Treated Water Valve Upgrade Project, San Francisquito Creek (SF Bay through Searsville Dam E5) Project, Berryessa Creek (Calaveras, I-680 - Reimbursable) Project, Cunningham Flood Detention Certification Project, Lower Silver Creek (I-680 to Cunningham, Reimbursable Reaches 4-6) Project and Telephone System Voiceover IP Project were all completed in FY22.

Additional information regarding project changes can be found in each chapter overview.

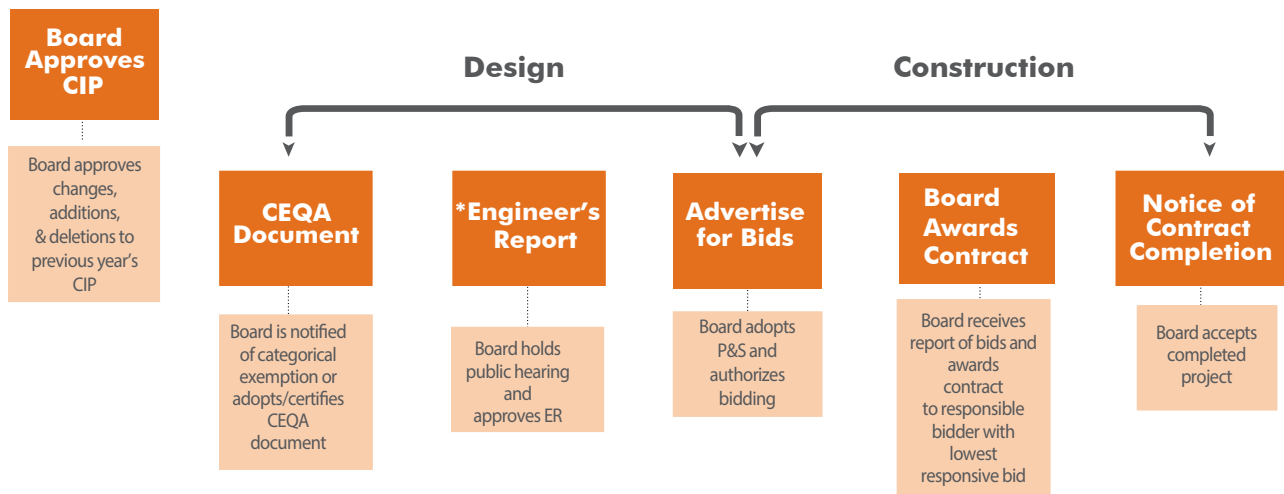
On February 22, 2022, the Board of Directors reviewed and approved for release the Draft FY 2023-27 CIP. One new project was added to the FY 2023-27 Draft CIP: The Security Upgrades and Enhancements Project.

This project will significantly enhance overall security at Valley Water facilities through technological and physical upgrades and enhancements.

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Projects in the CIP are typically divided up into planning, design and construction phases. The Board may determine not to 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. The Board has various opportunities to provide direction and approval of capital projects as shown in the graphic below.

## OPPORTUNITIES FOR BOARD DIRECTION ON CAPITAL PROJECTS



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

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## CIP PROCESS ALIGNMENT WITH ENDS POLICIES





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## FISCAL YEAR 2023-27 CIP SUMMARY

The recommended CIP for FY 2023-27 includes 64 priority projects to implement the goals and objectives of Valley Water’s program plans and master plans. These projects are grouped into five types of improvements:

- **Water Supply Capital Improvements**  
29 projects contributing to Ends Policy E-2
- **Flood Protection Capital Improvements**  
16 projects contributing to Ends Policy E-3
- **Water Resources Stewardship Capital Improvements**  
11 projects contributing to Ends Policy E-4
- **Buildings and Grounds Capital Improvements**  
3 projects supporting Valley Water efforts to achieve the Ends Policies
- **Information Technology Capital Improvements**  
5 projects supporting Valley Water efforts to achieve the Ends Policies

Each of the 64 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 Valley Water are: property taxes; a special parcel tax, which funds the Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water Program); 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. Valley Water continues to receive a small amount of revenue from benefit assessments that were approved by voters in the 1980s and 1990s. 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.

Valley Water aggressively pursues external funding to supplement its principal revenue when practical. For a complete listing of grants and partnerships see Appendix A.

A number of Valley Water projects are receiving substantial State funding through grants:

- \$25 million for Lower Silver Creek and Cunningham Flood Detention from DWR;
- \$496 million for Pacheco Reservoir from the California Water Commission;
- \$29.4 million for Upper Berryessa, Lower Berryessa, and Lower Penitencia from DWR; and
- \$61.5 million for South San Francisco Bay Shoreline Phase 1 Project from the San Francisco Bay Restoration Authority.

VALLEY WATER PRIORITIES	Valley Water Funds				
Type of Improvement	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 Valley Water’s five capital funds.

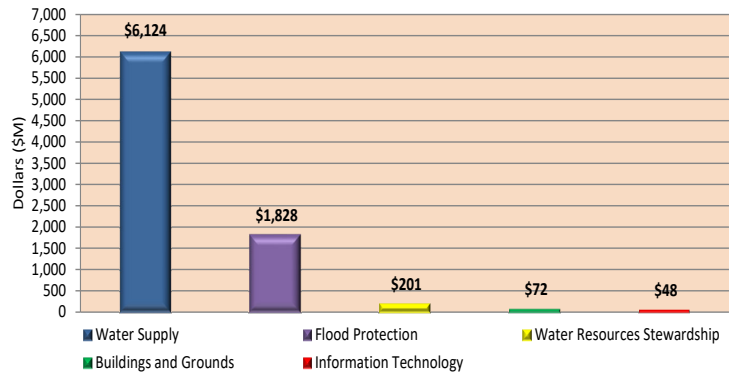
# Overview

The estimated total funding required to implement the 64 projects defined in the CIP is \$8.749 billion. Valley Water has been and continues to be successful in leveraging funding for its capital projects through partnerships with federal, state, and local agencies. Of the \$8.749 billion total funding, \$1.286 billion is expected from Valley Water's various partners, such as the U.S. Army Corps of Engineers (USACE), and \$7.462 billion from Valley Water. A list of projects that are funded cooperatively with Valley Water's partners is summarized in Appendix A. Fundin 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 Valley Water advances the needed funds.

Of the \$1.286 billion that is expected from Valley Water's partners, \$810 million is advanced by Valley Water and reimbursed later. This \$810 million is included in the CIP, and increases Valley Water's total funding requirement from \$7.462 billion to \$8.273 billion, to ensure that Valley Water has adequate funding to advance the reimbursement.

**CIP Funding by Type of Improvement**

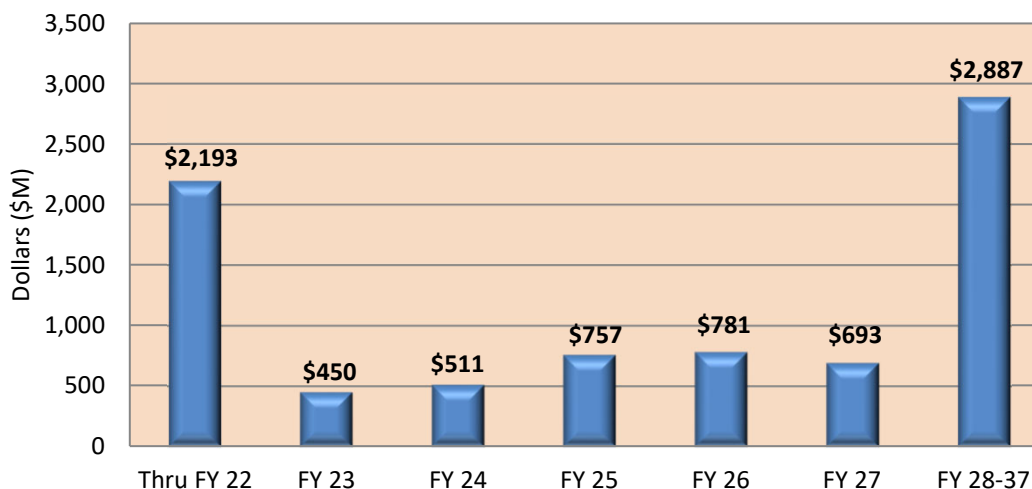


The chart above shows the distribution by type of improvement, of the \$8.273 billion total CIP funding as planned in the FY 2023-27 CIP.

The chart above shows how the \$8.273 billion to implement the 64 projects is allocated to each of the five types of improvements.

Of the \$8.273 billion in total funding for the 64 projects identified in the CIP, the Board has appropriated \$2.192 billion in prior years (through June 30, 2022, the end of fiscal year 2021-22). This year's CIP process identified additional funding needs of \$6.079 billion to complete the projects in the CIP, with \$450 million allocated in fiscal year 2022-23 and a total of \$5.629 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 \$8.273 billion is distributed by fiscal year.



# Overview

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

	Through FY21	FY22	FY22 Unspent	FY23	FY24	FY25	FY26	FY27	FY28-37	TOTAL
<b>WATER SUPPLY</b>										
Water Utility Enterprise Fund	742,240	217,053	38,795	315,067	345,094	651,253	683,733	587,092	2,566,226	6,107,758
Safe, Clean Water and Natural Flood Protection Fund	2,278	344	-	1,246	3,652	3,293	3,370	2,155	200	16,538
<b>Water Supply Total</b>	<b>744,518</b>	<b>217,397</b>	<b>38,795</b>	<b>316,313</b>	<b>348,746</b>	<b>654,546</b>	<b>687,103</b>	<b>589,247</b>	<b>2,566,426</b>	<b>6,124,296</b>
<b>FLOOD PROTECTION</b>										
Watershed Stream Stewardship Fund	405,651	59,280	12,856	33,084	37,066	19,965	51,920	46,939	177,451	831,356
Safe, Clean Water and Natural Flood Protection Fund	598,253	82,522	71,371	65,690	88,366	63,496	23,426	33,222	41,468	996,443
<b>Flood Protection Total</b>	<b>1,003,904</b>	<b>141,802</b>	<b>84,227</b>	<b>98,774</b>	<b>125,432</b>	<b>83,461</b>	<b>75,346</b>	<b>80,161</b>	<b>218,919</b>	<b>1,827,799</b>
<b>WATER RESOURCES STEWARDSHIP</b>										
Water Utility Enterprise Fund	765	-	-	-	-	3,710	4,843	2,323	41,394	53,035
Watershed Stream Stewardship Fund	9,436	2,015	364	751	1,610	2,315	4,755	3,706	24,024	48,612
Safe, Clean Water and Natural Flood Protection Fund	19,914	17,591	4,222	25,235	21,066	4,479	1,303	4,146	5,791	99,525
<b>Mitigation Total</b>	<b>30,115</b>	<b>19,606</b>	<b>4,586</b>	<b>25,986</b>	<b>22,676</b>	<b>10,504</b>	<b>10,901</b>	<b>10,175</b>	<b>71,209</b>	<b>201,172</b>
<b>BUILDINGS AND GROUNDS</b>										
General Fund	20	6,000	-	6,394	10,689	6,620	6,734	11,025	24,216	71,698
<b>Buildings and Grounds Total</b>	<b>20</b>	<b>6,000</b>	<b>-</b>	<b>6,394</b>	<b>10,689</b>	<b>6,620</b>	<b>6,734</b>	<b>11,025</b>	<b>24,216</b>	<b>71,698</b>
<b>INFORMATION TECHNOLOGY</b>										
Water Utility Enterprise Fund	2,908	204	-	1,331	2,682	763	274	130	3,009	11,301
Information Technology Fund	25,721	1,145	819	1,471	1,261	1,144	741	2,015	3,236	37,933
<b>Information Technology Total</b>	<b>28,629</b>	<b>1,349</b>	<b>819</b>	<b>2,802</b>	<b>3,943</b>	<b>1,907</b>	<b>1,015</b>	<b>2,145</b>	<b>6,245</b>	<b>49,234</b>
<b>TOTAL</b>	<b>1,807,186</b>	<b>386,154</b>	<b>128,427</b>	<b>450,269</b>	<b>511,486</b>	<b>757,038</b>	<b>781,099</b>	<b>692,753</b>	<b>2,887,015</b>	<b>8,274,199</b>
<b>CUMULATIVE TOTAL</b>	<b>1,807,186</b>	<b>2,193,340</b>		<b>2,643,609</b>	<b>3,155,095</b>	<b>3,912,133</b>	<b>4,693,232</b>	<b>5,385,985</b>	<b>8,273,000</b>	

 FY 2021-22 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 \$127 million of the already appropriated \$2.192 billion is not spent and is reappropriated to FY 2022-23 for continued use

in those same projects in amounts consistent with the project expenditure schedule for FY 2022-23. The following chart explains the relationship between the CIP funding schedule and expenditure schedule.

**CIP Funding Schedule vs. CIP Expenditure Schedule**

