

Valley Water Overview

**FY 2025-26 & FY 2026-27
Operating and Capital
Rolling Biennial Budget**

Valley Water Overview

Valley Water (Santa Clara Valley Water District) is the largest multi-purpose water supply, watershed stewardship and flood management special district in California. Valley Water serves nearly 2 million people in Santa Clara County by:

- Providing a reliable and safe supply of water.
- Enhancing streams and watersheds through creek restoration and habitat protection.
- Providing flood protection for homes, schools and businesses.
- Partnering with other agencies to provide trails, parks and open space for community recreation.

Valley Water's role as a multi-purpose agency enables it to use a comprehensive regional approach to water resources management and environmental protection that would not be possible if these services were fragmented among several agencies.

Located at the southern end of the San Francisco Bay, Santa Clara County is home to Silicon Valley. As the county's primary water resources agency, Valley Water serves 15 cities and towns, including Campbell, Cupertino, Gilroy, Los Altos, Los Altos Hills, Los Gatos, Milpitas, Monte Sereno, Morgan Hill, Mountain View, Palo Alto, San José, Santa Clara, Saratoga and Sunnyvale. Valley Water also serves the county's unincorporated areas.

Collaboration with the community we serve is important and has proven to result in more successful outcomes. By seeking public input, Valley Water is respecting the fact that our operations and projects have a direct impact on people's lives.

Community action created Valley Water when farmers and business representatives formed the Santa Clara Valley Water Conservation Committee in the 1920s.

At that time, groundwater supplies were being overpumped, causing the land to subside or sink. The committee pursued creation of an organization to manage and replenish groundwater supplies, and the resulting Santa Clara Valley Water Conservation District later constructed reservoirs throughout the county to conserve water. The 1929 Santa Clara Valley Water District Act gives Valley Water its authority to operate as a state special district, with jurisdiction throughout Santa Clara County.

The District Act authorizes Valley Water "To provide comprehensive water management for all beneficial uses and protection from flooding within Santa Clara County. Valley Water may take action to carry out all of the following purposes:

- (a) to protect Santa Clara County from flood and storm waters of the district, including tidal flood waters and the flood and storm waters of streams that have their sources outside the district, but flow into the district;
- (b) to protect from those flood or storm waters the public highways, life and property in the district, and the watercourses and watersheds of streams flowing within the district;
- (c) to provide for the conservation and management of flood, storm, reclaimed, or recycled waters, or other waters from any sources within or outside the watershed in which the district is located for beneficial and useful purposes, including spreading, storing, retaining, and causing the waters to percolate into the soil within the district;
- (d) to protect, save, store, recycle, distribute, transfer, exchange, manage, and conserve in any manner any of the waters;
- (e) to increase, and prevent the waste or diminution of, the water supply in the district;

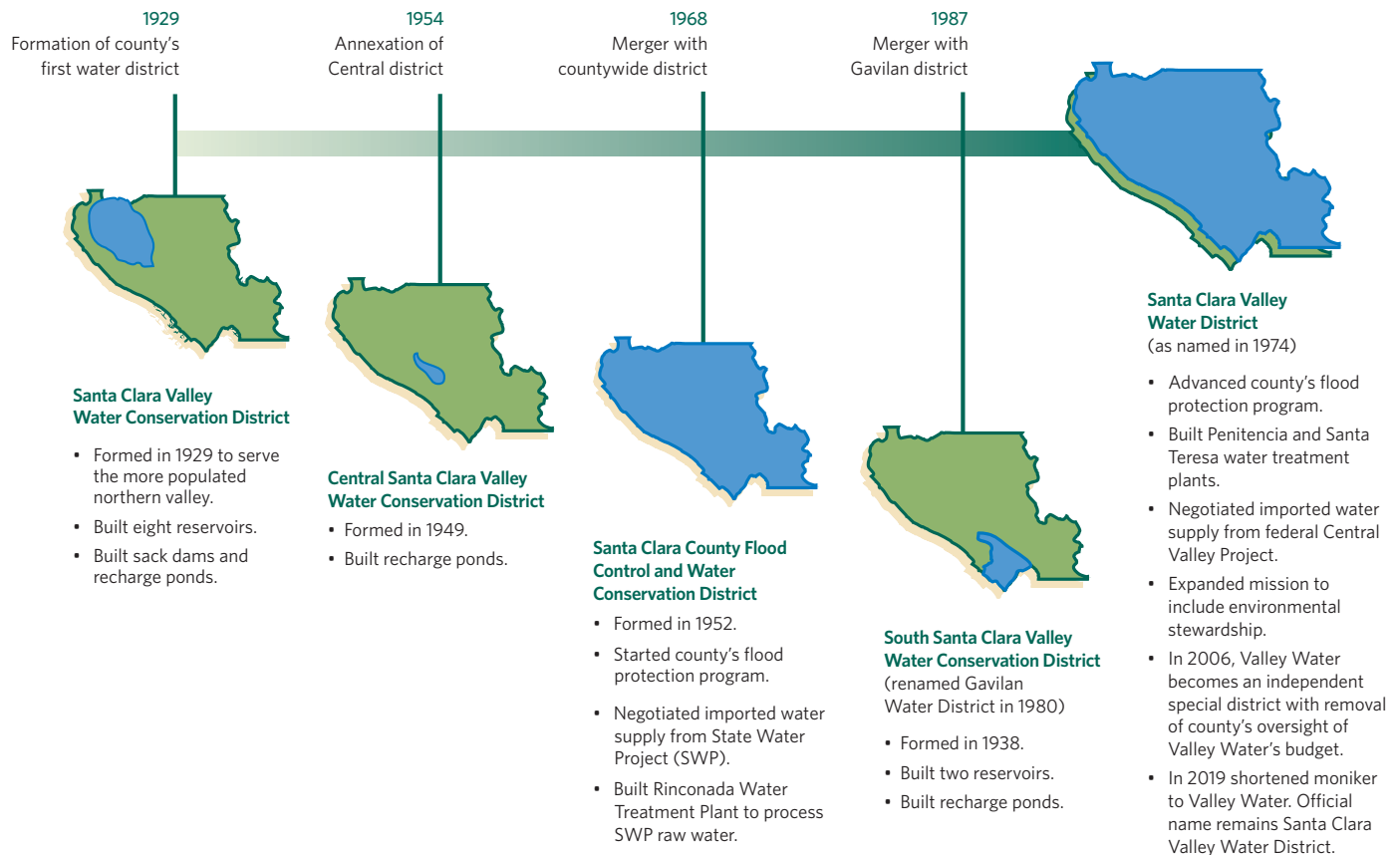


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(f) to obtain, retain, reclaim, protect, and recycle drainage, storm, flood waters or treated wastewaters, or other waters from any sources, within or outside the watershed in which Valley Water is located for any beneficial uses within the district;

(g) and to enhance, protect, and restore streams, riparian corridors, and natural resources in connection with carrying out the objects and purposes set forth in this section."

Evolution of Valley Water



Today's Santa Clara Valley Water District is the result of the consolidation of four agencies over time, as shown above. Valley Water's products and services have grown along with its increased levels of responsibility for critical water resource and environmental management functions.

Local Economy

Over the past year, the U.S. economy experienced steady growth, as the national GDP increased at an annual rate of 2.3% while inflation dropped significantly to 2.9% at the end of 2024.^{1,2} Following the change in the presidential administration in January 2025, major policy shifts may alter this economic trajectory. The administration's proposals include raising tariffs on imports from trading partners such as China, Mexico and Canada, increasing

enforcement at worksites employing undocumented workers, laying off federal employees and freezing federal funding and grants. These policies could potentially lead to economic uncertainty for Silicon Valley and the nation.

Silicon Valley continues to have the highest income and wealth gaps in the nation, along with the most expensive housing. Recent economic indicators suggest signs of weakness in Silicon Valley's economy. The unemployment

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rate is slowly increasing, and inflation remains persistent. It is important for us to continue monitoring our region's economy.

The San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area's March 2025 unemployment rate was 4.1%, down from a revised 4.2% in February 2025, and unchanged from the year-ago estimate of 4.1%.³ This rate is lower than California's overall unemployment rate of 5.3% and the national rate of 4.2% during the same period.

Silicon Valley's employment remains mostly unchanged from the previous year and is just slightly above 2019 levels. By contrast, San Francisco remains 8% below its 2019 mark. Despite this slowdown, the region's community infrastructure and services sector has added 155,000 jobs since 2020, which accounts for 51% of the workforce. Employment at startup companies has grown 9.3%, with the software and biotechnology industries seeing the largest growth. Software developers represent the largest occupational group in Silicon Valley, followed by engineers. Remote work is more common in the Bay Area than elsewhere, with workers spending an average of 37% of their workdays at home.⁴

The Consumer Price Index for All Urban Consumers (CPI-U) in San Francisco-Oakland-Hayward rose 0.4% from February 2025 to April 2025. The index for all items, excluding food and energy, increased by 0.2%, the food index rose by 0.5%, and the energy index increased by 3.2% during the same period. The region's CPI-U advanced 1.3% for the 12 months ending in April 2025. The food index rose 2.1% while the energy index fell 6.2%. The index for all items, excluding food and energy, increased by 1.6% for the past 12 months ending in April 2025.⁵

The national CPI-U increased 0.2% on a seasonally adjusted basis in April 2025, after falling 0.1% in March 2025. On a year-over-year basis, the index increased 2.3%. The index for shelter rose 0.3% in April, the energy index also rose 0.7% over the month, as increases in the natural gas index and the electricity index offset a decline in the gasoline index. The index for food fell 0.1% as the food at home index decreased 0.4% and the food away from home index rose 0.4% over the month.

The index for all items less food and energy rose 0.2% in April, following a 0.1% increase in March. Indexes that increased over the month include household furnishings and operations, medical care, motor vehicle insurance, education, and personal care. The indexes for airline fares, used cars and trucks, communication, and apparel were among the major indexes that decreased in April.⁶

In the latest Federal Open Market Committee (FOMC) statement released on May 7, 2025, the FOMC stated that although swings in net exports have affected the data, recent economic indicators suggest the U.S. economic activity has continued to expand at a solid pace. The unemployment rate remains relatively low, and labor market conditions are still solid. Inflation remains somewhat elevated. The FOMC seeks to achieve maximum employment and an inflation rate of 2% over the long term. However, uncertainty around the economic outlook has increased further, and the committee is attentive to the risks to both sides of its dual mandate and judges that the risks of higher unemployment and higher inflation have risen. To support its goals, the committee decided to maintain the target range for the federal funds rate at 4.25% to 4.5%. The committee will carefully assess incoming data, the evolving outlook, and the balance of risks when determining any future changes to the target federal funds rate.⁷

According to the U.S. Bureau of Economic Analysis' estimate on April 30, 2025, the real gross domestic product (GDP) decreased at an annual rate of 0.3% in the first quarter of 2025. In the fourth quarter, real GDP increased by 2.4%.¹ Compared to the fourth quarter, the downturn in real GDP in the first quarter reflected an upturn in imports, a deceleration in consumer spending, and a downturn in government spending that were partly offset by upturns in investment and exports.

Silicon Valley has the largest wealth gap in the nation, and it continues to grow. The per capita income has reached an all-time high of \$157,000, more than double the national average. The region is home to 89 billionaires and 145,000 millionaires. The top 10% of earners hold roughly 71% of the collective wealth. If Silicon Valley's liquid wealth were evenly distributed, it would amount to \$1 million per household. Silicon Valley's income divide has grown twice

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as quickly as that of the state and nation since the end of the Great Recession in 2012. The gap between residents of varying educational attainment levels is also wider here than elsewhere. There is also a significant gender wage gap: women earn 77 cents for every dollar earned by men. Alarming, 30% of Silicon Valley households cannot meet their basic needs without assistance. More than a third of children live in households at risk for food insecurity.⁴

The population in Silicon Valley has stabilized after experiencing six years of decline. In 2024, it saw a slight increase of 0.2%. Approximately 41% of the population is foreign-born; this percentage increases to 48% among employed residents. In the tech industry, a significant 66% of workers are foreign-born. Additionally, the region is experiencing an aging population; the share of residents aged 65 and older has grown by 28% since 2013, while the number of children has declined by 14% over the same period. Public school enrollment has also dropped by 9% since 2020.

In 2024, the median home price in the region hit \$1.92 million, making homeownership unaffordable for many residents; only 25% of first-time home buyers can afford a median-priced home. Despite a persistent housing shortage, 2024 marked the lowest number of permitted housing units in 12 years (4,900 units). The average rent for a multi-family unit is \$3,210, and nearly half of Silicon Valley renters spend more than 30% of their income on rent. Moreover, the cost of building affordable housing

has surged 83% since 2019, reaching \$765,600 per unit. In Santa Clara and San Mateo counties, the number of unlawful detainer evictions increased by 132% in the fiscal year 2022-23 due to the end of the statewide moratorium on evictions.⁴

Silicon Valley's public agencies are working towards regaining financial stability following the challenges posed by the pandemic. After a 12% decline in expenses between 2020 and 2022, expenses increased by 7% in 2023. This suggests a gradual rebound in spending as the agencies recover from the initial budget-tightening measures taken during the height of the pandemic.⁴

Valley Water's budget for FY 2025-26 and FY 2026-27 continues our practice of a rolling biennial budget. This method helps us plan for the coming years, gives the public a clearer view of our plans, and supports our financial stability.

Valley Water will continue to plan wisely for projects that benefit the public as we navigate severe weather, changes in our local economy and shifts in political and environmental conditions.

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1. U.S. Bureau of Economic Analysis (BEA), Apr. 30, 2025, News Release
 2. US BLS, Consumer Price Index: 2024 in review, Jan. 24, 2025
 3. State of California Employment Development Department (EDD), Labor Market Info, Apr. 18, 2025
 4. Joint Venture Silicon Valley Institute for Regional Studies, 2025 Silicon Valley Index
 5. US Bureau of Labor Statistics (BLS) Western Information Office, CPI, San Francisco Area - April 2025
 6. US BLS, Consumer Price Index Summary, Economic News Release, May 13, 2025
 7. Federal Reserve FOMC statement, May 7, 2025

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Governance and Board of Directors

The District Act outlines the structure, function and operations of Valley Water's Board of Directors, which governs Valley Water and directs the board appointed officers. Valley Water's Board of Directors is comprised of seven members each elected from equally-divided districts drawn through a formal process. The purpose of the board, on behalf of Santa Clara County, is to provide Silicon Valley safe, clean water for a healthy life, environment and economy. The directors serve overlapping four-year terms, a structure created pursuant to the adoption of the District Act. Elections are held in November of even number years. The Valley Water Board of Directors elects a new chair and vice chair annually in January.

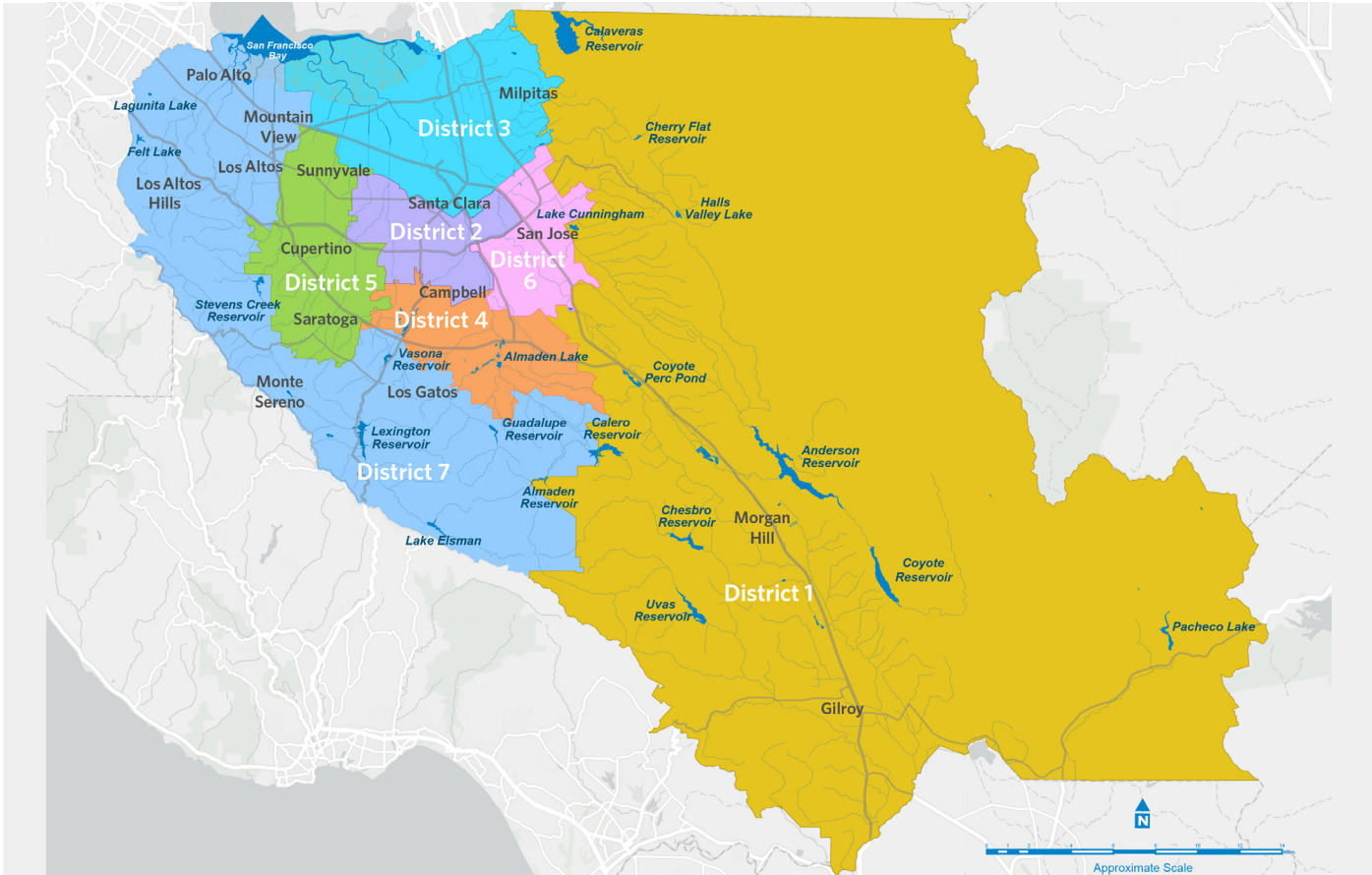
The Board sets direction for Valley Water through its policy governance structure. Through adopted policies, the Board determines Valley Water's mission, goals, and outcomes

to be achieved for the good of the public. Specifically, the Board's Ends policies are the outcomes expected to be achieved by the organization for its customers. These include ensuring a safe, reliable and affordable source of water; natural flood protection; water resources stewardship; and climate change mitigation and adaptation. The CEO dedicates resources to implement programs and projects that achieve the Board's Ends policies.

In meeting the Board's Ends policies, the CEO and other Board Appointed Officers (BAOs) are solely accountable to the Board for organizational performance, which is monitored quarterly. The Board regularly reviews and updates Ends and Executive Limitations policies to ensure they reflect the Board's collective values and perspectives. The Board's Policies can be viewed at:

<https://www.valleywater.org/how-we-operate/board-governance-policies>.

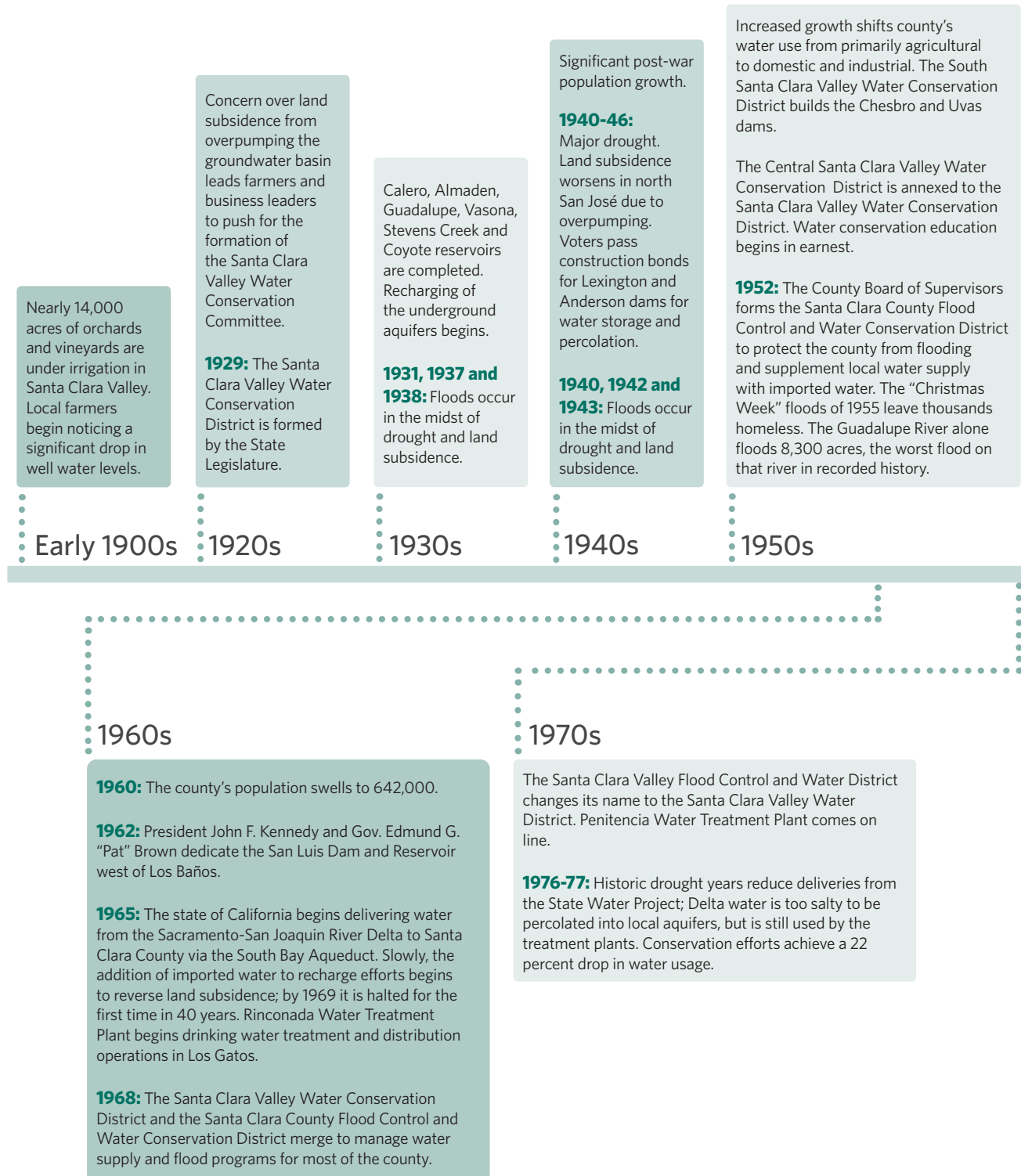
Board directorial districts



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History Timeline

For 93 years, Valley Water has improved and expanded its products and services to meet the growing needs of Santa Clara County residents.



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Environmental concerns are addressed as part of every construction project. Underground storage tanks are discovered leaking and potentially contaminating drinking water. The Santa Teresa Water Treatment Plant begins operation. Severe flooding occurs; voters approve funding for much-needed flood protection projects through benefit assessments.

1980: The South Santa Clara Valley Water Conservation District is renamed the Gavilan Water District.

1987: South County voters approve annexing Gavilan Water District to the Santa Clara Valley Water District. The federal Central Valley Project, San Felipe Division, begins delivery of imported water to the county from San Luis Reservoir just as the valley enters a seven-year drought period. The county's population nears 1.7 million.

1980s

The 1987-93 drought drives Valley Water to seek new sources of water through recycling, water banking and aggressive water conservation.

1995: Flooding in the county highlights the need for flood protection, especially on the Guadalupe River in downtown San José.

1997: Valley Water completes the IWRP long-term water supply planning process and initiates the Water Treatment Improvement Project (WTIP) to address increasingly stringent state and federal water quality standards. Coyote Creek flooded several sites between Morgan Hill and San José, causing damage to homes and businesses.

1998: Flooding occurs on San Francisquito Creek and in the county. Changing community priorities, a growing commitment to staff diversity, strict state and federal regulations and an evolving environmental ethic lead Valley Water into the 21st Century.

1990s

Valley Water takes a lead role in the fight against MTBE water contamination, addresses perchlorate contamination of more than 1000 South County wells and partners with local wastewater agencies to increase recycling. The first phase of the WTIP is completed and the second phase launched.

2000: County voters approved the Clean, Safe Creeks and Natural Flood Protection Plan (Measure B) and approve a special tax to ensure continuity of flood protection and stream stewardship services for 15 more years.

2005: The 15-year, \$346 million Downtown Guadalupe Flood Protection Project is completed, protecting an estimated 95,000 people from flooding and restoring critical endangered species habitat.

2006: Santa Teresa Water Treatment Plant delivers Valley Water's first ozonated water, providing customers better-tasting, more healthful tap water.

2007: Assembly Bill 2435 is enacted, ending county oversight of Valley Water's budget and other procedural holdovers from the 1968 merger. Penitencia Water Treatment Plant begins delivering ozonated water to customers.

2009: Valley Water Board calls for 15% mandatory conservation in response to continuing water shortage; recession drives significant Valley Water budget reductions.

2010: Assembly Bill 466 enacted, increasing the boundaries for the Board of Directors from five to seven districts.

2012: 74% of county voters approve the Safe, Clean Water (Measure B), a special tax to ensure continuity of flood protection, dam maintenance and stream stewardship services for 15 more years.

2014: The Silicon Valley Advanced Water Purification Center is completed, producing 8 million gallons a day of purified recycled water to enhance the quality of recycled "purple pipe" water used for non-potable purposes and demonstrating technologies that can be used to purify water to augment drinking water supplies.

2015: Entering the fourth year of drought, the Board adopted a resolution calling for a countywide water use reduction of 30% compared to 2013. Valley Water began a large-scale modernization of the Rinconada Water Treatment Plant, the second-largest of Valley Water's plants.

2016: Mid-year, the Board voted to reduce the water use reduction target to 20%. The implementation of fluoridation was completed in December 2016 for South, East and North San José, and Milpitas.

2017: In January, the Board adopted a resolution continuing the 20% water use reduction target and three day per week watering restriction.

2018: After a 2017 flood impacted neighborhoods along Coyote Creek, the Board approved changes to Anderson Reservoir operations to reduce the risk of flooding downstream. Crews completed short-term flood protection improvements in the Rock Springs neighborhood before the winter began.

2019: The California Water Commission awarded the Pacheco Reservoir Expansion Project \$484.55 million under Proposition 1, and approved Valley Water's request for early funding of \$24.2 million to proceed with next steps, such as completing environmental documents and permit applications.

2020: In November, Santa Clara County voters overwhelmingly approved Measure S, a renewal of Valley Water's Safe, Clean Water and Natural Flood Protection Program that will continue to provide the funding for local projects that support Valley Water's mission.

2021: As Santa Clara County endures a second year of drought, the Valley Water Board declared a drought emergency in June and called for 15% mandatory conservation. In July, Valley Water held a groundbreaking ceremony for the Anderson Dam Tunnel Project.

2022: In April, Valley Water held a groundbreaking ceremony to commemorate the start of construction on the first phase of the South San Francisco Bay Shoreline Project.

2023: In August, the Valley Water Board of Directors certified the Fish and Aquatic Habitat Collaborative Effort's final environmental impact report. The document details how Valley Water proposes to release water from our reservoirs to balance water supply needs while also providing habitat for steelhead in Stevens Creek and both steelhead and Chinook salmon in the Guadalupe watershed.

2024: In September, Valley Water reached a milestone in its work to rebuild Anderson Dam when crews finished excavating a 1,736-foot-long tunnel. The new tunnel will help Valley Water release more water from the reservoir during an emergency.

2000-2023

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Board Committees

Committees are comprised of board members that advise the Board on an ongoing basis for an assigned subject purpose.

Board Policy and Monitoring Committee: Provides support to the Board in areas of:

1. Board planning process.
2. Board Committees' principles and structures.
3. Board and organization performance monitoring.
4. Board and Director identified issues related to Diversity and Inclusion.
5. Other tasks as assigned by the Board.

Board Audit Committee: Assist the Board, consistent with direction from the full Board, to identify potential areas for audit and audit priorities, and to review, update, plan and coordinate execution of Board audits.

Board Ethics and Conduct Ad Hoc Committee: Consider initiation of investigation of allegations against a Board member in accordance with Board Governance Policy GP-6.

Capital Improvement Program (CIP) Committee: Provide a venue for more detailed discussions regarding capital project validation, including recommendations on prioritizing, deleting, and/or adding projects to the CIP, as well as monitoring implementation progress of key projects in the CIP.

Environmental Creek Cleanup Committee: Discuss homelessness and encampment issues and bring discussion and recommendations back to the Board.

Recycled Water Committee: Develop a long-term proposal for how Valley Water can work together with other local agencies on recycled water opportunities within Valley Water boundaries, to establish a collaborative process to facilitate policy discussion and sharing of technical information on recycled water issues.

Stream Planning and Operations Committee (SPOC): Track progress of Initialing Parties of the FAHCE Settlement Agreement in completing requirements enabling dismissal of water rights complaint and commencement of restoration program. Identify/recommend Board actions to ensure expeditious completion of requirements defined in Purpose 1, including engagement with appointed boards and senior officials of other Initialing Parties. Identify/track progress of District and non-District activities that may affect the FAHCE Settlement Agreement and implementation.

Water Supply and Demand Management Committee: Receive and discuss information on issues related to additional water storage options. Support the Board in achieving its policy to provide a reliable water supply to meet current and future water usage by making policy recommendations related to demand management.

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Board Advisory Committees

Committees made up of constituents/elected officials that are formed and managed in accordance with Board resolution.

Agricultural Water Advisory Committee: To assist the Board with policies and issues pertaining to agricultural water supply and use, and in the annual review of groundwater production charges.

Environmental and Water Resources Committee: To assist the Board with policies and issues pertaining to water supply, flood protection and environmental stewardship.

Santa Clara Valley Water Commission: To assist the Board with policies and issues pertaining to water supply, flood protection and environmental stewardship, as well as in the annual review of groundwater production charges.

Santa Clara Valley Water District Youth Commission: Assist the Board with policy review and development, provide comment on activities in the implementation of Valley Water's mission for Board consideration, and to identify Board related issues pertaining to public policy education, outreach, and all matters impacting Santa Clara County youth and Valley Water.

Joint Committees

Committees made up of board members and other agency staff that are formed to advise the Board and or in accordance with agreements, contracts, etc.

Joint Recycled Water Advisory Committee with the City of Sunnyvale: Develop a long-term proposal for how Valley Water and City of Sunnyvale can work together on recycled water opportunities, to establish a collaborative process to facilitate policy discussion and sharing of technical information on recycled water issues.

Joint Recycled Water Policy Advisory Committee with the City of San José/Santa Clara/TPAC: Required per term in the City-Valley Water 40-year Integration Agreement. The Committee shall tender its advice to Valley Water's Board of Directors and the City Council of the City of San José with respect to policy matters relating to the production, distribution and use of recycled water from facilities under administration by these agencies.

Joint Recycled Water Policy Committee with the Cities of Palo Alto, East Palo Alto, and Mountain View:

Develop a long-term proposal for how Valley Water and the Palo Alto Regional Water Quality Control Plant (RWQCP) partner agencies, other stakeholders, and interested parties, can work together on recycled water opportunities, to advance common interest, and to establish a collaborative process to facilitate policy discussion and sharing of technical information on recycled water issues.

Joint Water Resources Committee with the Cities of Morgan Hill and Gilroy:

Advance common South County water interests and receive input from stakeholders and interested parties when undertaking the following:

1. Reviewing current practices and future needs for groundwater management in the Llagas groundwater sub-basin.
2. Facilitating policy discussion and sharing of technical information on water supply planning for South County.
3. Identifying the current and future demand for recycled water as well as jointly identifying funding sources for implementation of the South County Recycled Water Master Plan.

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4. Facilitating policy discussion and sharing of technical information on furthering development and use of recycled water in South County.
5. Facilitating policy discussion and sharing of socio-economic information on homelessness in South County.

San Felipe Division Reach One Committee: Discuss the Initial Asset Evaluation Report, attempt to reach a joint recommendation for a Condition Level, and discuss policy issues.

Board Working Groups

Board Working Groups are made up of board members that advise the Board on an assigned subject/purpose, limited in scope and duration.

Delta Conveyance Authority Group: Information sharing.

Environmental Stakeholder Group: Information sharing.

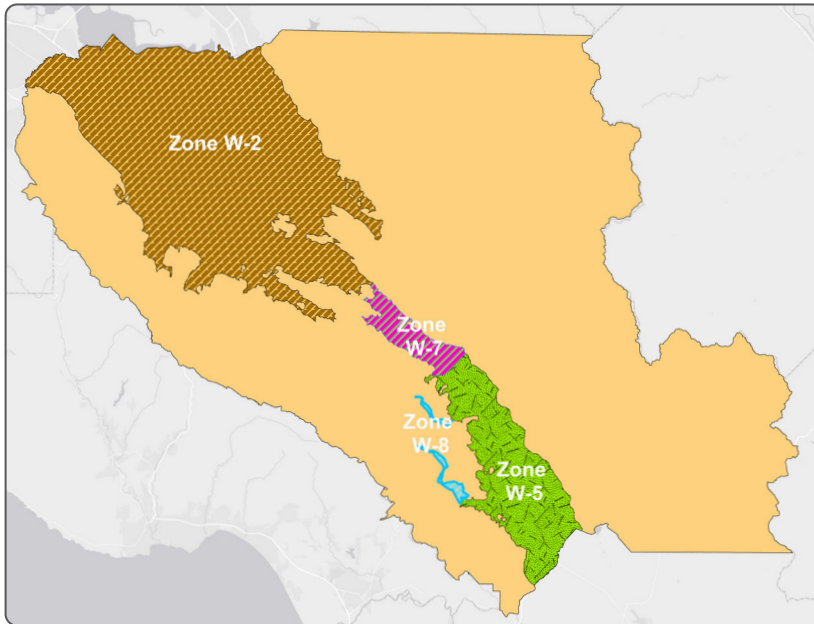
External Monitoring Committee

Committee made up of members of the community nominated by the Directors.

Safe, Clean Water Independent Monitoring Committee: Annually reviews the implementation of the intended results of the program and reports its findings to the Board, which makes the Committee report available to the residents and voters of Santa Clara County.

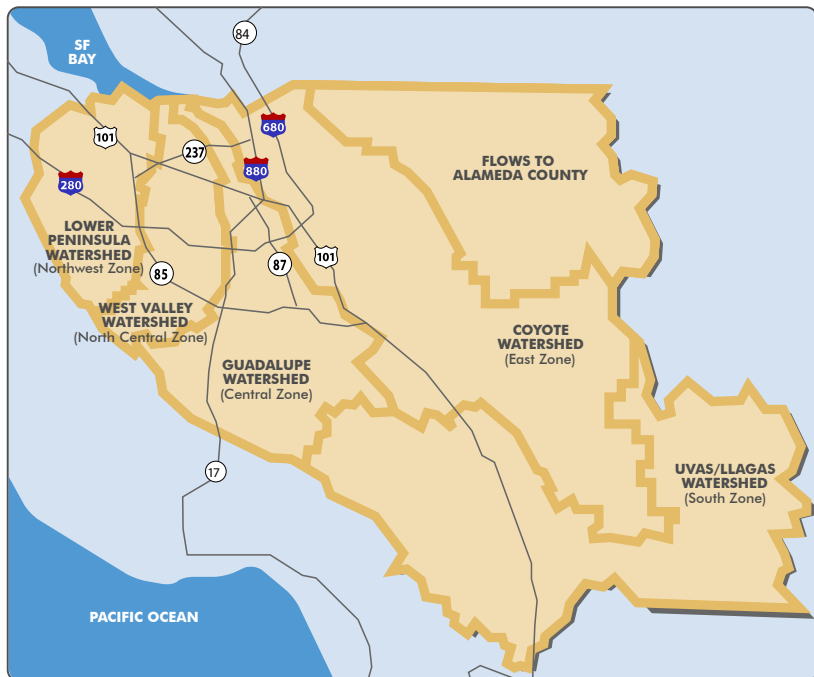
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Groundwater Benefit Zones in Santa Clara County



As part of Valley Water’s core water supply function, four distinct groundwater benefit zones form the basis for establishing District water charges. Zone W-2 roughly encompasses the Santa Clara Subbasin north of Metcalf Road. Zone W-5 encompasses the valley floor of the Llagas Subbasin from approximately East Main Avenue in Morgan Hill south to the Pajaro River. Zone W-7 encompasses the Coyote Valley south of Metcalf Road to just north of East Main Avenue. Zone W-8 encompasses portions of the outlying areas south of the Uvas and Chesbro reservoirs, west of Santa Teresa Boulevard, and generally north of Hecker Pass Highway. Water charges are set separately for each zone, reflecting Valley Water activities benefiting each zone.

Watershed Areas and Flood Control Zones of Santa Clara County



More than 800 miles of creeks flow through Santa Clara County. Valley Water works to protect both the natural attributes of these waterways and the communities that surround them as part of its watershed stewardship core function. Sixty-eight years of working for flood protection has reduced the intensity and frequency of flooding in Santa Clara County.