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OVERVIEW

The Santa Clara Valley Water District's (Valley Water) Capital Improvement Program (CIP) Fiscal Year (FY) 2026–30 Five-Year Plan outlines projected capital funding for planned projects from FY 2025–26 through FY 2029–30. The CIP serves to document Valley Water's planned capital investments and to align its efforts with those of local agencies, supporting coordinated regional planning. Capital projects are reviewed annually for changes in scope, schedule, and cost. The five-year plan is updated on a rolling basis each year to reflect the most current project descriptions, anticipated operating cost impacts, proposed schedules, estimated expenditures, projected funding, and planned funding sources.

Valley Water's CIP is developed following the guidelines of the 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; and
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.

SANTA CLARA VALLEY WATER

Mission

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

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 $5 million (unless otherwise approved by the Board);
2. Project can be completed within two fiscal years; and
3. Rights-of-way acquisition is not required.

The proposed funding for the Water Supply Small Capital Improvement projects are anticipated to vary each year based on the work identified in the Water Utility Asset Management Plan. The Small Capital Improvement Projects under Buildings & Grounds and Information Technology are funded at a flat rate each year. Unspent funds in these projects will not carry forward from previous years, unless otherwise approved by the Board.

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.

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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-7)

CIP DEVELOPMENT PROCESS

Valley Water conducts an annual development process for its CIP. The purpose of the CIP Development 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 Development Process is carried out in accordance with the following Executive Limitations:

- Executive Limitation EL-4.4.1., "A BAO shall produce an annual Rolling Five-Year Capital Improvement Plan with the first year aligning with the adopted capital budget and the remaining years in place as a projected capital funding plan."
- Executive Limitation EL-4.4.3., "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 Ends Policies".

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 QEMS procedure. It includes the following key steps:

- Management review and approval, to ensure staff proposed projects are aligned with Board policies and approved program plans;
- Validation of projects to ensure there is a business case for doing the project and that a capital investment is the best solution;
- 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 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 Five-Year Plan.

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The annual CIP Development 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 CIP Draft Five-Year Plan in March. The CIP Draft Five-Year Plan serves as a multi-year plan, and together with other long-term planning efforts of Valley Water are the basis for the budget for the following fiscal year. This Draft CIP Five-Year Plan is also reviewed by local jurisdictions for consistency with their General Plans. While the CIP Draft Five-Year Plan is being reviewed by the cities and County, the budget is reviewed and finalized. The Board concludes the outreach of the CIP Draft Five-Year Plan with a public hearing. The first year of the CIP is reconciled with the budget; the Resolution to adopt the CIP Final Five-Year Plan 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 Five-Year Plan. The CIP Five-Year Plan 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 CIP Preliminary Five-Year Plan to ensure that the document is developed in accordance with Board priorities. The direction received is used to develop the CIP Draft Five-Year Plan, 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 CIP Final Five-Year Plan 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 Five-Year Plan document or implementation by staff.

On January 14, 2025, the CIP Preliminary FY 2026-30 Five-Year Plan project list was reviewed and endorsed by the Board. Three new projects were added to the project list, the Coyote Dam Seismic Stability Project, Pipeline Maintenance Program (which included five sub-projects), and the Enterprise Resource Planning (ERP) Replacement Project.

- The Coyote Dam Seismic Stability Project will enhance dam safety by installing a downstream filter and drainage system to address seismic-related cracking risks, replacing the downstream alluvium foundation which is prone to liquefaction, and modifying the spillway to manage Probable Maximum Flood events. The estimated project cost is $406.48 million and the project duration is expected to last 14 years.

- The Pipeline Maintenance Program will encompass several ongoing pipeline projects; at this time, five sub-projects have been identified under the program. The projects will update the Pipeline Maintenance Program and Environmental Impact Report for future efforts, conduct dewatering and inspect Valley Water pipelines and tunnels, assess pipeline condition (maintain, repair and coat as necessary), fix or replace distressed pipe sections, update line valves, flow meters, and piping. The estimated project cost is $55.39 million and the project is ongoing.

- The ERP Replacement Project will provide a system to eliminate inefficiencies and simplify usability for Valley Water staff. The estimated project cost is $33.23 million and the project duration is expected to last up to three years.

The following are highlights of changes from the previous year that have been approved as the basis for the CIP FY 2026-30 Five-Year Plan:

- To fully fund the Water Supply projects in the CIP FY 2026-30 Five-Year Plan, the Board approved increases in groundwater production charges for FY 2025-26 of 9.9% in North County Zone W-2, 7.9% in South County Zone W-5, 11.2% 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 $69.70 million.
  - The Anderson Dam Tunnel Project increased in cost by $42.26 million.
  - The Coyote Creek Flood Management Measures Project decreased in cost by $16 million.
  - The Coyote Creek Chillers Project increased in cost by $5.34 million.
  - The Calero Dam Seismic Retrofit - Design & Construction Project decreased in cost by $23.53 million.

- The Guadalupe Dam Seismic Retrofit - Design & Construction Project increased in cost by $56.02 million.
- The Coyote Pumping Plant ASD Replacement Project decreased in cost by $14.95 million.
- The Dam Seismic Stability Evaluation Project decreased in cost by $1.33 million.
- The Pacheco Reservoir Expansion Project decreased in cost by $17.06 million.
- The Small Capital Improvements, San Felipe Reaches 1-3 Project decreased in cost by $34.43 million.
- The 10-Year Pipeline Rehabilitation (FY 2018-27) Project increased in cost by $12.63 million.
- The Almaden Valley Pipeline Replacement Project decreased in cost by $15.72 million.
- The IRP2 Additional Line Valves (A3) Project increased in cost by $8.65 million.
- The Small Capital Improvements, Raw Water Transmission Project decreased in cost by $3.47 million.
- The Treated Water Isolation Valves Project increased in cost by $4.90 million.
- The PWTP Residuals Management Project increased in cost by $53.87 million.
- The Small Capital Improvements, Water Treatment Project increased in cost by $29.23 million.
- The Water Treatment Plant Electrical Improvement Project decreased in cost by $1.06 million.
- The San José Purified Water Project - Phase 1 increased in cost by $62.08 million.

- The following are highlights of significant project changes under Flood Protection and Water Resources Stewardship:
  - The San Francisquito Creek - SF Bay to Searsville Dam (E5) Project increased in cost by $7.74 million.
  - The Sunnyvale East and West Channels (E2) Project increased in cost by $32.65 million.
  - The Lower Guadalupe River Capacity Restoration Project increased in cost by $3.43 million.
  - The Guadalupe River - Upper, SPRR to Blossom Hill Road (R7-12) Project decreased in cost by $39.30 million.
  - The Upper Penitencia Creek, Coyote Creek-Dorel Drive (E4) Project increased in cost by $2.09 million.
  - The Llagas Creek, Upper, USACE Coordination (E6) Project decreased by $7.97 million.
  - The Llagas Creek, Upper, Design (E6) Project decreased in cost by approximately $3.31 million.
  - The Llagas Creek, Upper, Phase 2B (E6) Project increased in cost by approximately $64.47 million.
  - The SF Bay Shoreline Project (E7) (Fund 12) increased in cost by $87.39 million.
  - The SF Bay Shoreline, EIAs 1-4 (E7) Project decreased in cost by $22.98 million.
  - The Watersheds Asset Rehabilitation Program (WARP) Project increased in cost by $4.17 million.
  - The Coyote Percolation Dam - Phase 2 Project decreased in cost by $12.24 million.
  - Pond A4 Resiliant Habitiat Restoration Project increased in cost by $5.74 million.

- The following are highlights of significant project changes under Buildings & Grounds:
  - The Security Upgrades & Enhancements Project decreased in cost by $2.21 million.
  - The Small Capital Improvements, Facility Management Project increased in cost by $2.55 million.

- The following are highlights of significant project changes under Information Technology:
  - The Small Capital Improvements, Software Upgrades and Enhancements Project decreased in cost by $6.52 million.
  - The Small Capital Improvements, WU Computer Network Modernization Project decreased in cost by $1.16 million.

Infrastructure construction projects in the CIP FY 2026-30 Five-Year Plan are experiencing significant cost increases due to construction inflation escalation factor increases and changes in market conditions.

For the reporting on FY 2024-25 expenditures, the CIP FY 2026-30 Five-Year Plan includes the following eight (8) projects that are anticipated to be completed and/or closed

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by June 30, 2025: Coyote Percolation Dam Replacement, Cross Valley Pipeline Extension (under ADSRP), Santa Teresa Water Treatment Plant Filter Media Replacement, Rinconada Water Treatment Plant Residuals Remediation, Permanente Creek-S.F. Bay to Foothill Expressway (both the Fund 12 and Fund 26 Projects), SCW Fish Passage Improvements (D4.3), and Data Consolidation.

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

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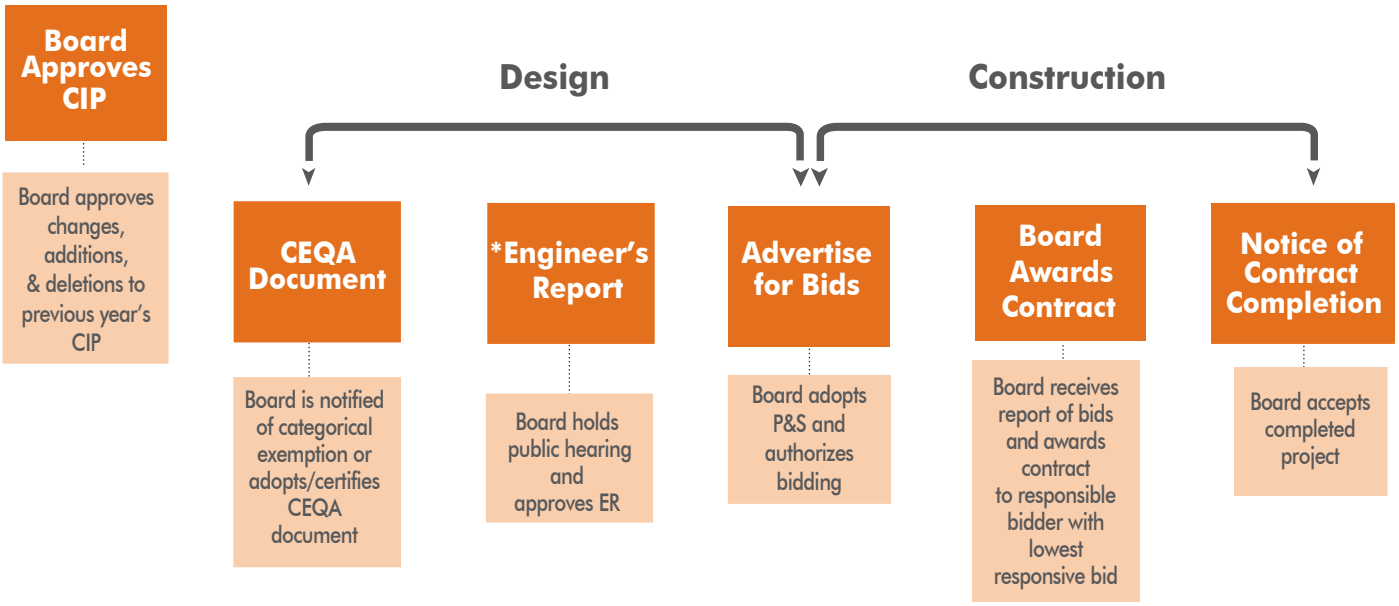
Projects in the CIP are typically divided up into planning, design and construction phases. The Board may determine not to implement a project based on various considerations, such as financial constraints, environmental impacts, Operations and Maintenance, or community desire during a project's planning 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.*

CIP PROCESS ALIGNMENT WITH ENDS POLICIES

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FISCAL YEARS 2026-30 CIP SUMMARY

The recommended CIP FY 2026-30 Five-Year Plan includes 76 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***
  43 projects contributing to Ends Policy E-2
- ***Flood Protection Capital Improvements***
  14 projects contributing to Ends Policy E-3
- ***Water Resources Stewardship Capital Improvements***
  12 projects contributing to Ends Policy E-4
- ***Buildings & Grounds Capital Improvements***
  3 projects supporting Valley Water's efforts to achieve the Ends Policies
- ***Information Technology Capital Improvements***
  4 projects supporting Valley Water's efforts to achieve the Ends Policies

Each of the 76 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 the 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 Five-Year Plan.

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:

- $504 million for Pacheco Reservoir from the California Water Commission;
- $36 million for Upper Berryessa, Lower Berryessa, Lower Penitencia, and Cross Valley Pipeline Extension from DWR,
- $61 million for San Francisco Bay Shoreline (Phase I) Project from the San Francisco Bay Restoration Authority; and
- $80 million for Llagas Creek, Upper, Phase 2B Construction (E6) Project from the Natural Resources Conservation Service (NRCS).

In addition to Valley Water funding sources, Valley Water has entered into flexible, low-cost Water

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 & Grounds			●		
Information Technology	●				●

The chart above identifies which types of improvement are associated with each of Valley Water's five capital funds.

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Infrastructure Finance and Innovation Act (WIFIA) master loan agreements with the United States Environmental Protection Agency (EPA) that will provide up to:

- $579.4 million loan funding for the Anderson Dam Seismic Retrofit Project and the Coyote Percolation Dam Replacement Project with a projected final payoff of the loan occurring in 2067.
- $146.7 million loan funding for the Sunnyvale East and West Channels Flood Protection Project, and the Coyote Creek Flood Protection Project with a projected final payoff of the loan occurring in 2061.
- $1.4 billion loan funding for the Pacheco Reservoir Expansion Project with a projected final payoff of the loan occurring in 2067.

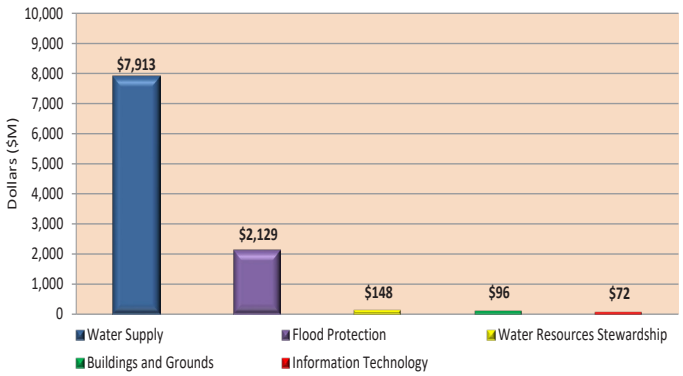
The estimated total funding required to implement the 76 projects defined in the CIP is $10.834 billion. Valley Water has been and continues to be successful in leveraging funding for its capital projects through partnerships with federal, state, and local agencies. Of the $10.834 billion total funding, $1.305 billion is expected from Valley Water's various partners, such as the U.S. Army Corps of Engineers (USACE), and $9.528 billion from Valley Water.

A list of projects that are funded cooperatively with Valley Water's partners is summarized in Appendix A. Funding from partners for the cooperative capital projects generally come in two ways:

- Funds that are made available by the partners when needed (cost-sharing agreements or in-kind services), or
- Funds that are reimbursed by the partners after Valley Water advances the needed funds.

Of the $1.305 billion that is expected from Valley Water's partners, $829 million is advanced by Valley Water and reimbursed later. This $829 million is included in the CIP, and increases Valley Water's total funding requirement from $9.528 billion to $10.358 billion, to ensure that Valley Water has adequate funding to advance the reimbursement.

CIP Funding by Type of Improvement



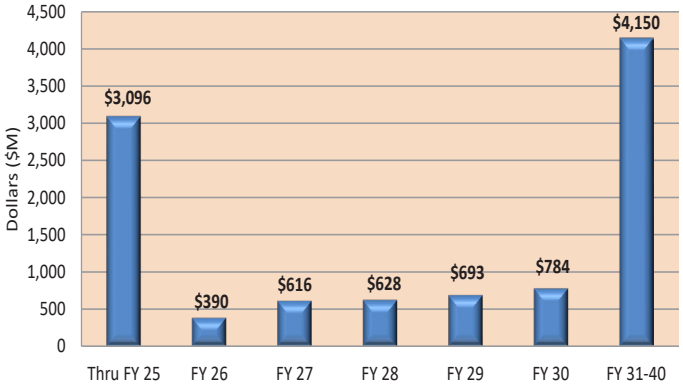
The chart above shows the distribution by type of improvement, of the $10.358 billion total CIP funding as planned in the FY 2026-30 CIP.

The chart "CIP Funding by Type of Improvement" shows how the $10.358 billion to implement the 76 projects is allocated to each of the five types of improvements.

Of the $10.358 billion in total funding for the 76 projects identified in the CIP, the Board has appropriated $3.096 billion in prior years (through June 30, 2025, the end of FY 2024-25). This year's CIP process identified additional funding needs of $7.262 billion to complete the projects in the CIP, with $390 million allocated in FY 2025-26 and a total of $6.872 billion proposed for future years.

The table "CIP Funding Schedule by Type of Improvement and Funding Sources" shown on page I-10 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 $10.358 billion is distributed by fiscal year.

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

	Through FY24	FY25*	FY25 Unspent	FY26	FY27	FY28	FY29	FY30	FY31-40	TOTAL
WATER SUPPLY										
Water Utility Enterprise Fund	1,467,141	285,782	80,478	290,012	409,538	374,439	566,518	728,268	3,787,444	7,909,142
Safe, Clean Water and Natural Flood Protection Fund	-	-	-	587	730	1,446	664	-	-	3,426
Water Supply Total	1,467,141	285,782	80,478	290,599	410,268	375,884	567,182	728,268	3,787,444	7,912,568
FLOOD PROTECTION										
Watershed Stream Stewardship Fund	391,052	23,972	1,598	27,685	17,349	130,446	41,767	42,336	242,543	917,149
Safe, Clean Water and Natural Flood Protection Fund	741,537	108,936	135,962	49,679	142,372	95,080	58,564	2,902	12,788	1,211,858
Flood Protection Total	1,132,589	132,907	137,560	77,364	159,720	225,526	100,331	45,238	255,330	2,129,006
WATER RESOURCES STEWARDSHIP										
Water Utility Enterprise Fund	765	-	-	4,383	4,819	2,675	38	-	26,308	38,988
Watershed Stream Stewardship Fund	15,222	4,872	5,328	1,654	3,459	6,198	8,181	3,989	6,088	49,664
Safe, Clean Water and Natural Flood Protection Fund	31,883	3,291	3,113	96	14,874	660	4	1,059	7,724	59,590
Mitigation Total	47,869	8,163	8,441	6,134	23,152	9,533	8,223	5,048	40,120	148,242
BUILDINGS & GROUNDS										
General Fund	4,728	12,627	4,492	13,250	13,605	4,000	4,000	4,000	40,000	96,210
Buildings and Grounds Total	4,728	12,627	4,492	13,250	13,605	4,000	4,000	4,000	40,000	96,210
INFORMATION TECHNOLOGY										
Information Technology Fund	1,249	678	-	609	9,430	12,946	12,984	780	10,192	48,868
Water Utility Enterprise Fund	n/a	2,028	-	2,365	-	540	417	652	16,755	22,757
Information Technology Total	1,249	2,706	-	2,974	9,430	13,486	13,401	1,432	26,947	71,625
TOTAL	2,653,576	442,186	230,971	390,321	616,175	628,430	693,136	783,986	4,149,841	10,357,651
CUMULATIVE TOTAL	2,653,576	3,095,761	692,912	3,486,082	4,102,257	4,730,687	5,423,823	6,207,809	10,357,651	

*FY 2025 Adjusted Budget includes adopted budget plus budget adjustments

FY 2024-25 Funds to be reappropriated

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As shown in table "CIP Funding Schedule by Type of Improvement and Funding Sources" on page I-10, approximately $231 million of the already appropriated $3.096 billion is not spent and is reappropriated to FY 2025-26 for continued use in those same projects in amounts consistent with the project expenditure schedule for FY 2025-26. The following chart explains the relationship between the CIP Funding Schedule and CIP Expenditure Schedule.