

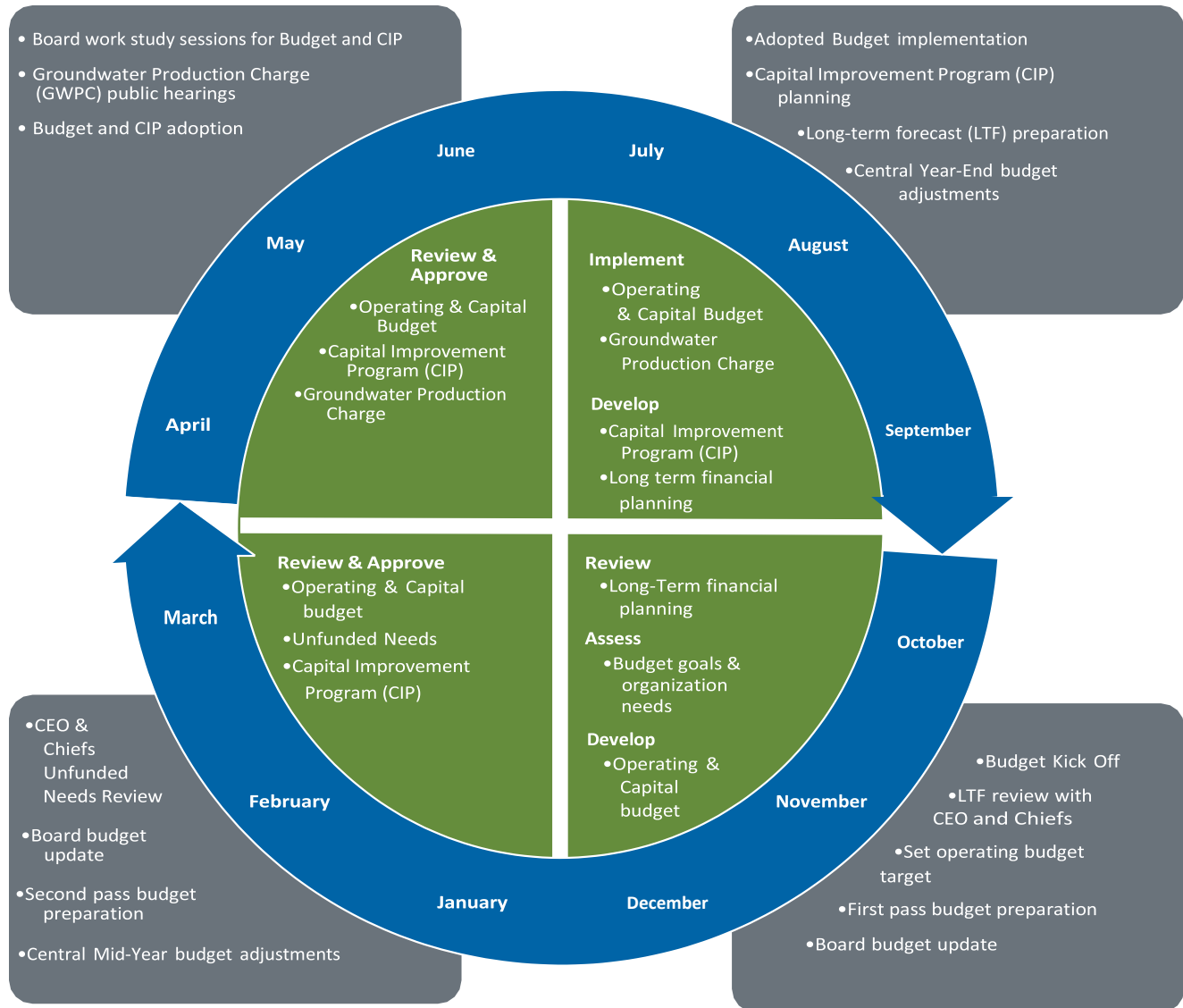
# **Financial Overview**

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

# FINANCIAL OVERVIEW

# Financial Overview

## Budget Process Overview



# Financial Overview

## Budget Development

In accordance with the District Act and Valley Water Board of Directors' Governance Policies, Valley Water prepares and adopts an Operating and Capital Budget annually. The budget is developed in coordination with and including the Financial Planning and Rate Setting, and Capital Improvement Plan (CIP) processes. The FY 2025-26 & FY 2026-27 Operating and Capital Rolling Biennial Budget includes the FY 2025-26 budget and a subsequent fiscal year plan for FY 2026-27. The second fiscal year serves as a planning tool and will set the framework for the preparation of the FY 2026-27 Operating and Capital Rolling Biennial Budget in the following year.

## Financial Planning and Rate Setting

Every year staff prepares a rolling ten-year expenditure forecast that provides the basis for developing the budget targets and for analyzing the long-term financial sustainability of the various Valley Water funds. For the Water Utility Enterprise funds, Valley Water uses the "revenue requirements" methodology to set the groundwater production charge and other water charges for each zone. In general, costs associated with operations, capital, debt service, and reserve requirements are estimated over a 10-year time frame. The amount not funded by property taxes, interest earnings, debt proceeds, and other income is covered by water charges. A water charge projection is calculated for each zone to recover the revenue requirements over a 10-year time frame in accordance with the pricing policy (Board Resolution 99-21). The water charge setting process is conducted in accordance with the District Act and Board Resolution 12-10 and includes the preparation of an annual report on the Protection and Augmentation of Water Supplies (PAWS). The report provides information on present and future water requirements for the County, water supply available to Valley Water, future capital and operating requirements, benefits and services provided by Valley Water, financing methods, and water charges by zone. A series of public hearings and meetings are conducted with advisory committees and stakeholders to ensure that feedback is gathered for the Board's consider in establishing water charges each year.

## Capital Improvement Plan

Valley Water prepares a Capital Improvement Program (CIP) annually. It is a five-year rolling CIP, updated annually and covers the upcoming five-year period. The CIP is approved by the Board each year and is publicly available for review. The CIP includes project descriptions, schedules, and forecasts for capital funding needs. The CIP is the primary means of coordinating schedules and planned funding for capital work.

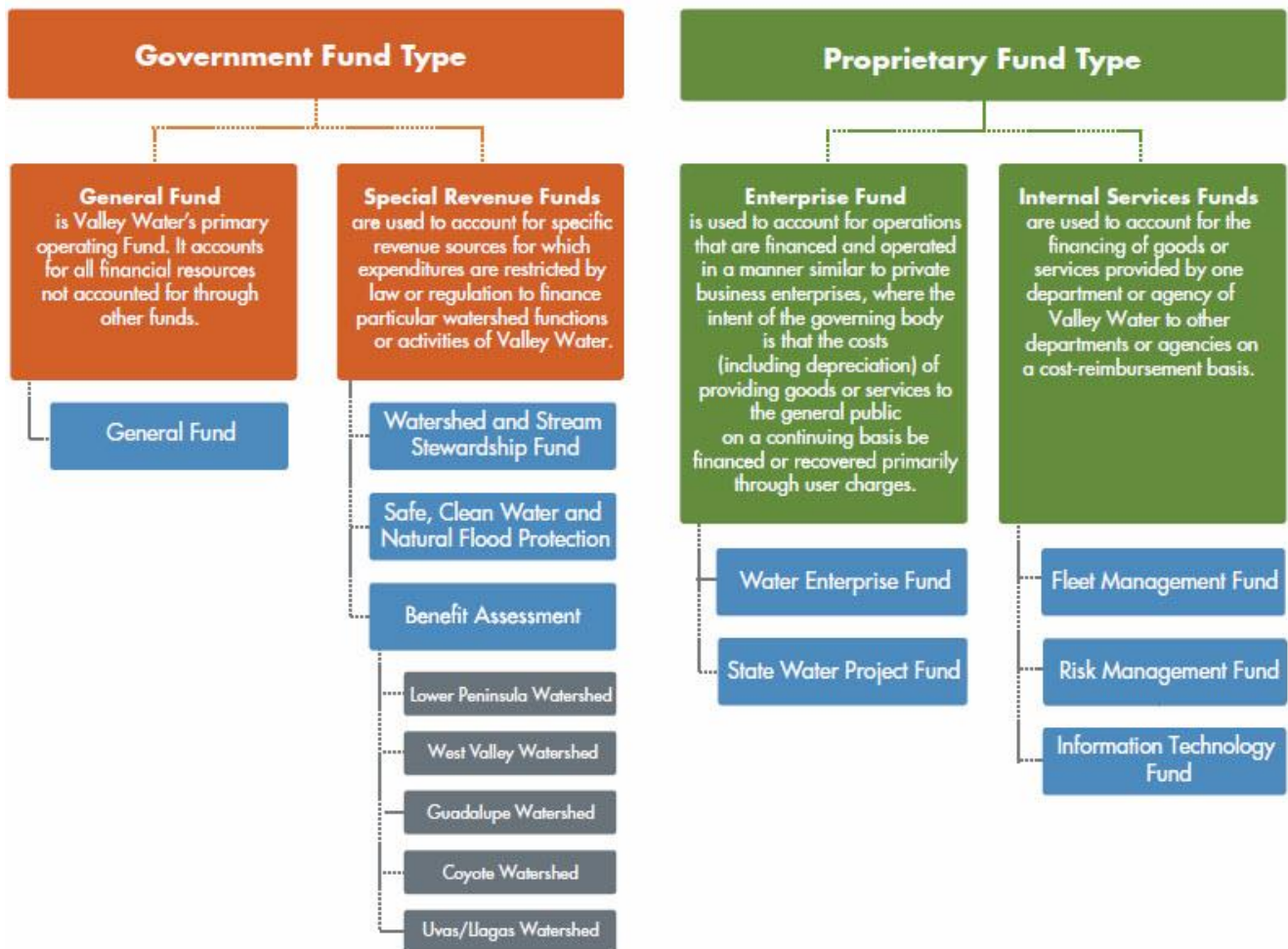
For detail of capital expenditures and the impact of capital investments on the operating budget, please visit: <https://www.valleywater.org/public-review-documents>.

## Other Planning Documents

Valley Water's budget is informed by many planning documents including but not limited to:

- Countywide Water Reuse Master Plan (CoRe Plan)
- Protection and Augmentation of Water Supplies Report 2025-26
- Requests of the 119th Congress
- Safe, Clean Water and Natural Flood Protection 5-Year Implementation Plan
- Stream Maintenance Program Manual
- Water Utility Enterprise Five Year Operations and Maintenance Plan
- Water Utility Water Supply Master Plan
- Watersheds Five Year Operations and Maintenance Plan

## Valley Water Fund Structure





# Financial Overview

## Basis of Budgeting

The Budget is prepared using the modified accrual basis. Revenues are recognized only when they become measurable and available to finance expenditures of the fiscal period. Expenditures are recognized when the payments are incurred, or an encumbrance is made.

Valley Water chart of accounts are organized based on fund types and account groups. 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. Fund accounting allows government resources to be segregated and accounted for according to their intended purposes, aiding management in demonstrating compliance with finance-related legal and contractual provisions.

## Revenue

Revenue projections are, in general, taken from Valley Water's long-range planning documents. These planning tools are updated annually based on the best information available. They are documented annually as part of the Annual Report on the Protection and Augmentation of Water Supplies (PAWS), the Flood Control Benefit Assessments Report, and the Safe, Clean Water and Natural Flood Protection Annual Report.

The FY 2025-26 Budget includes projected revenues of \$745.9 million. These revenues reflect a net increase of 7.3% from the \$695.2 million included in the FY 2024-25 Adopted Budget. The net \$50.7 million increase is derived from an increase in water charges revenue (\$22.9 million), capital reimbursements (\$13.9 million), property taxes (\$9.3 million), interest and other operating and non-operating revenues (\$3.4 million), and special parcel tax (\$1.6 million), partially offset by decreases in intergovernmental services (-\$0.2 million) and benefit assessment taxes (-\$0.1 million).

The FY 2026-27 planned revenue of \$768.1 million reflects a net increase of \$22.2 million over the FY 2025-26 Budget. The 3.0% growth is primarily attributed to an increase in water charges revenue (\$54.4 million), property taxes (\$3.4 million), interest and other operating and non-operating revenues (\$1.5 million), special parcel tax (\$1.2 million), offset by a reduction in capital reimbursements (-\$38.2 million), and intergovernmental services (-\$0.1 million).

The specific categories of revenue include:

### Water Revenue

The main source of Valley Water revenue is from water charges which is projected at \$423.3 million for FY 2025-26, an increase of 5.7% over the FY 2024-25 Adopted Budget. The FY 2026-27 water revenue estimate of \$477.8 million is an 12.9% increase over FY 2025-26. Revenues from treated water are the largest source with an estimated amount of \$220.4 million in FY 2025-26 and increasing by \$21.8 million to an estimated \$242.2 million in FY 2026-27. Groundwater production charges are budgeted at \$200.3 million growing to \$232.7 million, and surface/recycled water sales are projected at \$2.6 million in FY 2025-26 and increasing to \$2.8 million for FY 2026-27. These estimates include rate increases of 9.9% in Zone W-2, 7.9% in Zone W-5, 11.2% in Zone W-7, and 8.0% in Zone W-8 for municipal and industrial groundwater charges in each fiscal year of the biennial budget. Furthermore, staff estimates water usage decreasing (-1.4%) in FY 2026 versus the FY 2025 projection used in the Adopted Budget. This reflects a more modest rebound in water usage than previously estimated. A minimal increase of 5,000 AF of water use is projected from 219,000 AF in FY 2025-26 to 224,000 in FY 2026-27, mimicking the slower water use rebound that Valley Water has observed.

Additional information on groundwater production charges is provided in the Water Utility Enterprise Fund Summary section of this budget and in the FY 2025-26 PAWS Report.

# Financial Overview

## Property Tax

Property tax revenues are estimated at \$185.6 million for FY 2025-26, an increase of 5.3% from the FY 2024-25 Adopted Budget. The planned FY 2026-27 amount assumes a 1.8% increase totaling \$189.0 million. Valley Water benefits from two types of property taxes: 1% ad valorem and levies for State Water Project (SWP) indebtedness. The 1% ad valorem is estimated at \$157.6 million in FY 2025-26 and \$161.0 million in FY 2026-27. Levies for State Water Project (SWP) indebtedness are budgeted at \$28.0 million in FY 2025-26 and \$28.0 million in FY 2026-27. More information on property tax revenue is included in the Major Sources of Revenue section later in this chapter.

## Special Parcel Tax

The Safe, Clean Water and Natural Flood Protection Program special parcel tax was approved in 2000 as the Clean, Safe Creeks and Natural Flood Protection Plan, then again in 2012 as the Safe, Clean Water and Natural Flood Protection Program; most recently, an ongoing Safe, Clean Water and Natural Flood Protection Program was approved by voters in November 2020. The Special Parcel Tax for FY 2025-26 is budgeted at \$55.1 million, and FY 2026-27 projected revenue is \$56.3 million reflecting an increase of 2.9% in FY 2025-26 and 2.2% in FY 2026-27, respectively. Further details on the Special Parcel Tax and its uses can be located in the Major Sources of Revenues section, the Safe, Clean Water & Natural Flood Protection Fund summary, and the Safe, Clean Water & Natural Flood Protection Annual Report.

## Benefit Assessments

Benefit assessment revenue consists of levies approved by voters in 1986 and 1990 to support financing for flood control capital improvements and are set at 1.25 times the duly authorized annual debt service requirements for assessed parcels in each watershed. Benefit Assessment revenue budget is \$6.9 million for both FY 2025-26 and FY 2026-27. Benefit Assessment taxes are described further in the Major Sources of Revenue and in the Watershed Management Fund Summary sections.

## Capital Reimbursements

Capital reimbursements are from local, state, and federal agencies for specified capital projects that are already completed or would be undertaken during this budget period. District-wide capital reimbursements are budgeted at \$56.3 million for FY 2025-26 and reduce to \$18.0 million in FY 2026-27. See the Major Sources of Revenue section for further details.

## Interest

Overall interest earnings are estimated at \$13.5 million in FY 2025-26 and \$15.0 million in FY 2026-27. The increases of \$3.5 million in the first year and \$1.5 million in the second year are primarily due to the expectation of a moderately higher interest rate earned by the portfolio.

## Intergovernmental Services

Intergovernmental Services revenue are reimbursements from cost sharing agreements with local cities and agencies. The FY 2025-26 Budget includes \$1.5 million and FY 2026-27 Plan includes \$1.4 million in this category. These amounts are comprised of reimbursements from local agencies for conservation incentive programs such as the Lawn Rebate Program, Greywater Program, and Home Water Use Reports, and for reimbursements from the San Benito Water District for O&M San Felipe Reach 1 projects.

## Other Revenue

Other Operating and Non-Operating Revenues comprised of receipts from minor sources such as rental income and the sale of vehicles totals \$3.6 million in FY 2025-26 and FY 2026-27.

# Financial Overview

## Appropriations/Outlays

Total FY 2025-26 operating and capital outlays are budgeted at \$1,079.8 million, which includes intra-district reimbursements of \$131.7 million, and these net to total operating and capital outlays of \$948.1 million. These figures do not include capital carry forward (\$137.0 million) appropriated by the Board in prior years. The \$131.7 million of intra-district charges are comprised of General Fund reimbursements (64%) and Internal Service Funds charges (36%). Of the total FY 2025-26 net outlays, operating outlays (including debt service) accounts for \$553.1 million, reflecting an increase of \$19.6 million compared to the FY 2024-25 Adopted Budget of \$533.5 million. The total net capital outlays make up \$394.9 million compared to the FY 2024-25 Adopted Budget of \$430.1 million, accounting for a \$35.2 million decrease.

The planned FY 2026-27 total operating and capital outlays are projected to increase by \$282.5 million over FY 2025-26, reaching \$1,362.3 million. The total net of intra-district reimbursements is \$1,215.0 million, of which \$597.6 million is net operating expenses and \$617.4 million are net capital expenses. These amounts do not include the projected capital projects carryforward of \$13.8 million and is net of an estimated \$147.3 million in intra-district reimbursements comprised of General Fund reimbursements (61%) and Internal Service Funds charges (39%).

The increase in net outlays over the Biennial Budget reflects continued efforts to maintain service levels that support key strategic objectives. Objectives and issues facing Valley Water include but are not limited to:

- Maintaining optimal conditions in all Valley Water infrastructure such as levees, channels, culverts, percolation ponds, dams and reservoirs, water distribution systems, water treatment plants, various operations buildings, and other facilities
- Delivering an ambitious capital program on time and within budget
- Advancing Valley Water's interests in countywide stormwater resource planning
- Actively participating in decisions regarding California Delta Conveyance
- Leading efforts to advance recycled and purified water efforts within Santa Clara County
- Pursuing new water supply and increased water storage opportunities
- Providing safe, clean water and natural flood protection equitably to all Santa Clara County while protecting ecosystem functions and enhancing habitats
- Attaining net positive impact on the environment when completing projects
- Addressing future impacts of climate change to Valley Water's mission and operations
- Addressing encampments and the unhoused population in coordination with regional partners

### Intra-district Reimbursements

The primary funding sources for the General Fund and Service Funds are intra-district reimbursements. FY 2025-26 budgeted levels are \$131.7 million, and \$147.3 million planned in FY 2026-27. Intra-district charges reimburse the General Fund and Service Funds for functions such as finance, accounting, payroll, human resources, information technology, facilities, organizational leadership, and fleet management. Approximately, 60% of intra-district charges is paid by the Water Utility Enterprise, 40% by Watersheds Funds.



# Financial Overview

## Capital Outlays

The capital budget represents the projects that have been identified and prioritized in the Five-Year Capital Improvement Program (CIP). FY 2025-26 net capital project outlays total \$394.9 million, a decrease of \$35.2 million as compared to the net FY 2024-25 Adopted Budget of \$430.1 million. It is anticipated that \$137.0 million of the FY 2024-25 Adjusted Budget for capital projects will be carried forward to FY 2025-26 as most capital projects require multiple years to complete.

Net Capital Outlays are planned to reach \$617.4 million in FY 2026-27 reflecting a \$222.4 million increase over the prior year budgeted level and assumes \$13.8 million of the prior year's capital funds will carry forward to FY 2026-27.

## Other Financing Sources/Uses

Other financing sources and uses include proceeds from debt issuance. Valley Water anticipates issuing bonds or commercial paper for approximately \$264.8 million in FY 2025-26, and \$458.4 million in FY 2026-27, to finance various Water Utility and Safe, Clean Water and Natural Flood Protection capital improvement projects.

## Reserves

Overall, budgeted reserves for FY 2025-26 are estimated at \$540.5 million, an increase of \$127.0 million compared to the FY 2024-25 Adopted Budget level. Projections for FY 2026-27 show reserves decreasing slightly by \$2.3 million for a total of \$538.2 million.

## Staffing

The FY 2025-26 funding level reflects 876 authorized positions and four limited-term position for a total of 880. This includes the reduction of 45 authorized positions which are paused to minimize salary related expenditures. This staffing level reflects 45 less budgeted positions than the prior year's Adopted Budget. For a comprehensive schedule of district-wide salaries and benefits, please refer to the Salaries and Benefits section in this chapter.

# Financial Overview

## Combined Fund Summary - All Funds

	Budgetary Basis Actual 2023-24		Adopted Budget 2024-25		Projected Year End 2024-25		Adopted Budget 2025-26		Change from 2024-25 Adopted	
									\$ Diff	% Diff
<b>REVENUE</b>										
Groundwater Production Charges	\$	148,743,728	\$	184,722,000	\$	176,252,000	\$	200,333,000	\$	15,611,000 8.5%
Treated Water Charges		169,632,794		211,703,000		211,703,000		220,403,000		8,700,000 4.1%
Surface & Recycled Water Charges		2,261,406		4,040,000		4,040,000		2,582,000		(1,458,000) -36.1%
Benefit Assessment		6,889,358		7,052,737		7,052,740		6,923,750		(128,987) -1.8%
Property Tax		174,128,508		176,354,500		180,269,100		185,648,800		9,294,300 5.3%
Special Parcel Tax		52,175,089		53,531,667		53,531,667		55,094,792		1,563,125 2.9%
Intergovernmental Services		7,148,592		1,687,880		1,662,880		1,493,295		(194,585) -11.5%
Operating Other		971,633		781,137		806,137		815,426		34,290 4.4%
Capital Reimbursements		10,009,908		42,356,000		37,158,000		56,284,000		13,928,000 32.9%
Interest Income *		28,681,917		10,000,000		12,000,000		13,499,000		3,499,000 35.0%
Non-Operating Other		10,384,106		2,943,714		2,806,411		2,791,257		(152,457) -5.2%
<b>TOTAL REVENUE</b>	<b>\$</b>	<b>611,027,039</b>	<b>\$</b>	<b>695,172,635</b>	<b>\$</b>	<b>687,281,936</b>	<b>\$</b>	<b>745,868,320</b>	<b>\$</b>	<b>50,695,685 7.3%</b>
<b>OUTLAYS</b>										
<b>Operating Outlays</b>										
Operations **	\$	423,690,968	\$	518,936,118	\$	559,184,843	\$	528,703,484	\$	9,767,366 1.9%
Operating Project		9,524,429		5,301,661		6,751,537		6,230,376		928,715 17.5%
Debt Service		74,977,674		103,673,639		103,673,639		116,941,621		13,267,982 12.8%
<b>Total Operating Outlays</b>	<b>\$</b>	<b>508,193,071</b>	<b>\$</b>	<b>627,911,417</b>	<b>\$</b>	<b>669,610,018</b>	<b>\$</b>	<b>651,875,481</b>	<b>\$</b>	<b>23,964,063 3.8%</b>
<b>Capital Outlays</b>										
Capital Projects	\$	389,704,290	\$	464,841,690	\$	477,376,088	\$	427,903,103	\$	(36,938,587) -7.9%
Carryforward Capital Projects		-		46,371,112		-		136,961,493		90,590,381 195.4%
<b>Total Capital Outlays</b>	<b>\$</b>	<b>389,704,290</b>	<b>\$</b>	<b>511,212,802</b>	<b>\$</b>	<b>477,376,088</b>	<b>\$</b>	<b>564,864,596</b>	<b>\$</b>	<b>53,651,794 10.5%</b>
<b>TOTAL OUTLAYS</b>	<b>\$</b>	<b>897,897,361</b>	<b>\$</b>	<b>1,139,124,219</b>	<b>\$</b>	<b>1,146,986,107</b>	<b>\$</b>	<b>1,216,740,076</b>	<b>\$</b>	<b>77,615,857 6.8%</b>
Less Intra-District Reimb		(116,754,992)		(129,113,429)		(129,113,429)		(131,720,474)		(2,607,045) 2.0%
<b>NET OUTLAYS</b>	<b>\$</b>	<b>781,142,369</b>	<b>\$</b>	<b>1,010,010,790</b>	<b>\$</b>	<b>1,017,872,677</b>	<b>\$</b>	<b>1,085,019,602</b>	<b>\$</b>	<b>75,008,812 7.4%</b>
<b>OTHER FINANCING SOURCES/(USES)</b>										
Debt Proceeds	\$	173,600,000	\$	345,920,030	\$	306,311,001	\$	264,826,296	\$	(81,093,734) -23.4%
Transfers In		18,325,537		26,501,310		30,788,755		26,394,397		(106,913) -0.4%
Transfers Out		(12,791,560)		(26,501,307)		(30,788,755)		(26,394,397)		106,910 -0.4%
<b>TOTAL OTHER SOURCES/(USES)</b>	<b>\$</b>	<b>179,133,977</b>	<b>\$</b>	<b>345,920,033</b>	<b>\$</b>	<b>306,311,001</b>	<b>\$</b>	<b>264,826,296</b>	<b>\$</b>	<b>(81,093,737) -23.4%</b>
<b>BALANCE AVAILABLE</b>	<b>\$</b>	<b>9,018,647</b>	<b>\$</b>	<b>31,081,878</b>	<b>\$</b>	<b>(24,279,741)</b>	<b>\$</b>	<b>(74,324,986)</b>	<b>\$</b>	<b>(105,406,864) -339.1%</b>

# Financial Overview

## Combined Fund Summary - All Funds

	Budgetary Basis Actual 2023-24	Adopted Budget 2024-25	Projected Year End 2024-25	Adopted Budget 2025-26	Change from 2024-25 Adopted	
					\$ Diff	% Diff
<b>YEAR-END RESERVES</b>						
<b>Restricted Reserves</b>						
WUE Rate Stabilization Reserve	\$ 6,066,971	\$ 19,996,328	\$ 20,571,906	\$ 40,504,668	\$ 20,508,340	102.6%
WUE San Felipe Emergency Reserve	3,651,454	3,580,832	3,701,454	3,751,454	170,622	4.8%
WUE State Water Project Tax Reserve	17,693,556	8,973,390	15,131,486	11,591,690	2,618,300	29.2%
WUE Supplemental Water Supply Reserve	5,277,000	5,277,000	5,277,000	8,677,000	3,400,000	64.4%
WUE SVAWPC Reserve	1,292,735	-	-	-	-	0.0%
WUE Drought Reserve	-	-	-	1,000,000	1,000,000	0.0%
WUE Guiding Principal #5 (GP5) Reserve	25,813,404	-	-	-	-	0.0%
SCW Rate Stabilization Reserve	25,000,000	25,000,000	25,000,000	25,000,000	-	0.0%
SCW Contingency Reserve	5,000,000	5,000,000	5,000,000	5,000,000	-	0.0%
SCW Currently Authorized Projects Reserve***	112,252,107	25,336,118	141,916,731	71,376,703	46,040,585	181.7%
SCW Operating and Capital Reserve	49,575,332	59,517,635	28,244,554	76,463,210	16,945,575	28.5%
<b>Total Restricted Reserves</b>	<b>\$ 251,622,559</b>	<b>\$ 152,681,303</b>	<b>\$ 244,843,131</b>	<b>\$ 243,364,725</b>	<b>\$ 90,683,422</b>	<b>59.4%</b>
<b>Committed Reserves</b>						
Currently Authorized Projects Reserve***	\$ 112,915,052	\$ 9,927,136	\$ 66,535,716	\$ 18,818,885	\$ 8,891,749	89.6%
Operating and Capital Reserve	258,326,124	228,275,841	282,411,839	253,130,037	24,854,196	10.9%
Liability/Workers' Comp Self-Insurance	8,337,000	8,337,000	8,337,000	11,476,000	3,139,000	37.7%
Excess ERAF Contingency Reserve	-	6,862,516	5,818,227	7,145,907	283,391	4.1%
WUE San Jose Water Purification Reserve	1,000,000	-	-	-	-	0.0%
Property Self-Insurance/Catastrophic	6,869,456	7,409,352	6,844,537	6,529,910	(879,442)	-11.9%
<b>Total Committed Reserves</b>	<b>\$ 387,447,632</b>	<b>\$ 260,811,845</b>	<b>\$ 369,947,320</b>	<b>\$ 297,100,740</b>	<b>\$ 36,288,895</b>	<b>13.9%</b>
<b>TOTAL YEAR-END RESERVES</b>	<b>\$ 639,070,191</b>	<b>\$ 413,493,148</b>	<b>\$ 614,790,451</b>	<b>\$ 540,465,465</b>	<b>\$ 126,972,317</b>	<b>30.7%</b>

# Financial Overview

## Combined Fund Summary - All Funds

	Budgetary Basis Actual		Adopted Budget		Projected Year End		Adopted Budget		Change from 2024-25 Adopted	
	2023-24		2024-25		2024-25		2025-26		\$ Diff	% Diff
Outlay Summary by Account type										
OPERATING OUTLAY										
Salaries and Benefits	\$	171,226,428	\$	190,193,557	\$	190,193,557	\$	198,274,181	\$	8,080,624 4.2%
Salary Savings Factor		-		(2,901,035)		(2,901,035)		(1,963,412)		937,624 -32.3%
Services & Supplies		175,161,457		242,575,325		284,273,926		239,895,904		(2,679,421) -1.1%
Intra-District Charges		86,827,513		94,369,932		94,369,932		98,727,186		4,357,254 4.6%
OPERATING OUTLAY TOTAL	\$	433,215,398	\$	524,237,778	\$	565,936,379	\$	534,933,859	\$	10,696,081 2.0%
DEBT SERVICE										
Services & Supplies	\$	1,538,736	\$	5,033,001	\$	5,033,001	\$	5,431,880	\$	398,879 7.9%
Debt Service		73,438,938		98,640,638		98,640,638		111,509,741		12,869,103 13.0%
DEBT SERVICE TOTAL	\$	74,977,674	\$	103,673,639	\$	103,673,639	\$	116,941,621	\$	13,267,982 12.8%
CAPITAL PROJECTS										
Salaries and Benefits	\$	48,380,747	\$	56,126,806	\$	57,013,806	\$	53,800,056	\$	(2,326,750) -4.1%
Salary Savings Factor		-		(890,129)		(890,129)		(556,363)		333,766 -37.5%
Services & Supplies		311,396,064		374,861,512		386,508,911		341,666,122		(33,195,390) -8.9%
Carryforward Capital Projects		-		46,371,112		-		136,961,493		90,590,381 195.4%
Intra-District Charges		29,927,479		34,743,500		34,743,500		32,993,288		(1,750,213) -5.0%
CAPITAL PROJECTS TOTAL	\$	389,704,290	\$	511,212,802	\$	477,376,088	\$	564,864,596	\$	53,651,794 10.5%
TOTAL OUTLAYS	\$	897,897,361	\$	1,139,124,219	\$	1,146,986,107	\$	1,216,740,076	\$	77,615,857 6.8%

(\*) Interest income does not include GASB31 market value adjustment

(\*\*) Operations outlays do not include OPEB Expense-unfunded liability

(\*\*\*) Currently Authorized Projects Reserve is unspent budget for authorized capital projects

# Financial Overview

## Combined Fund Summary - All Funds

		Budgetary Basis Actual 2023-24		Adopted Budget 2024-25		Adopted Budget 2025-26		Proposed Plan 2026-27		Change from 2025-26 Adopted \$ Diff % Diff
<b>REVENUE</b>										
Groundwater Production Charges	\$	148,743,728	\$	184,722,000	\$	200,333,000	\$	232,697,000	\$	32,364,000 16.2%
Treated Water Charges		169,632,794		211,703,000		220,403,000		242,243,000		21,840,000 9.9%
Surface & Recycled Water Charges		2,261,406		4,040,000		2,582,000		2,825,000		243,000 9.4%
Benefit Assessment		6,889,358		7,052,737		6,923,750		6,921,250		(2,500) 0.0%
Property Tax		174,128,508		176,354,500		185,648,800		189,047,300		3,398,500 1.8%
Special Parcel Tax		52,175,089		53,531,667		55,094,792		56,306,876		1,212,084 2.2%
Intergovernmental Services		7,148,592		1,687,880		1,493,295		1,364,295		(129,000) -8.6%
Operating Other		971,633		781,137		815,426		824,994		9,568 1.2%
Capital Reimbursements		10,009,908		42,356,000		56,284,000		18,028,000		(38,256,000) -68.0%
Interest Income *		28,681,917		10,000,000		13,499,000		15,000,000		1,501,000 11.1%
Non-Operating Other		10,384,106		2,943,714		2,791,257		2,823,453		32,195 1.2%
<b>TOTAL REVENUE</b>	<b>\$</b>	<b>611,027,039</b>	<b>\$</b>	<b>695,172,635</b>	<b>\$</b>	<b>745,868,320</b>	<b>\$</b>	<b>768,081,168</b>	<b>\$</b>	<b>22,212,848 3.0%</b>
<b>OUTLAYS</b>										
<b>Operating Outlays</b>										
Operations **	\$	423,690,968	\$	518,936,118	\$	528,703,484	\$	564,955,463	\$	36,251,980 6.9%
Operating Project		9,524,429		5,301,661		6,230,376		7,468,931		1,238,555 19.9%
Debt Service		74,977,674		103,673,639		116,941,621		136,614,437		19,672,816 16.8%
<b>Total Operating Outlays</b>	<b>\$</b>	<b>508,193,071</b>	<b>\$</b>	<b>627,911,417</b>	<b>\$</b>	<b>651,875,481</b>	<b>\$</b>	<b>709,038,831</b>	<b>\$</b>	<b>57,163,351 8.8%</b>
<b>Capital Outlays</b>										
Capital Projects	\$	389,704,290	\$	464,841,690	\$	427,903,103	\$	653,212,738	\$	225,309,636 52.7%
Carryforward Capital Projects		-		46,371,112		136,961,493		13,827,293		(123,134,200) -89.9%
<b>Total Capital Outlays</b>	<b>\$</b>	<b>389,704,290</b>	<b>\$</b>	<b>511,212,802</b>	<b>\$</b>	<b>564,864,596</b>	<b>\$</b>	<b>667,040,031</b>	<b>\$</b>	<b>102,175,436 18.1%</b>
<b>TOTAL OUTLAYS</b>	<b>\$</b>	<b>897,897,361</b>	<b>\$</b>	<b>1,139,124,219</b>	<b>\$</b>	<b>1,216,740,076</b>	<b>\$</b>	<b>1,376,078,862</b>	<b>\$</b>	<b>159,338,786 13.1%</b>
Less Intra-District Reimb		(116,754,992)		(129,113,429)		(131,720,474)		(147,293,392)		(15,572,918) 11.8%
<b>NET OUTLAYS</b>	<b>\$</b>	<b>781,142,369</b>	<b>\$</b>	<b>1,010,010,790</b>	<b>\$</b>	<b>1,085,019,602</b>	<b>\$</b>	<b>1,228,785,471</b>	<b>\$</b>	<b>143,765,869 13.3%</b>
<b>OTHER FINANCING SOURCES/(USES)</b>										
Debt Proceeds	\$	173,600,000	\$	345,920,030	\$	264,826,296	\$	458,449,717	\$	193,623,421 73.1%
Transfers In		18,325,537		26,501,310		26,394,397		42,154,622		15,760,225 59.7%
Transfers Out		(12,791,560)		(26,501,307)		(26,394,397)		(42,154,623)		(15,760,226) 59.7%
<b>TOTAL OTHER SOURCES/(USES)</b>	<b>\$</b>	<b>179,133,977</b>	<b>\$</b>	<b>345,920,033</b>	<b>\$</b>	<b>264,826,296</b>	<b>\$</b>	<b>458,449,716</b>	<b>\$</b>	<b>193,623,420 73.1%</b>
<b>BALANCE AVAILABLE</b>	<b>\$</b>	<b>9,018,647</b>	<b>\$</b>	<b>31,081,878</b>	<b>\$</b>	<b>(74,324,986)</b>	<b>\$</b>	<b>(2,254,587)</b>	<b>\$</b>	<b>72,070,399 -97.0%</b>

# Financial Overview

## Combined Fund Summary - All Funds

	Budgetary		Adopted		Adopted		Proposed		Change from	
	Basis Actual		Budget		Budget		Plan		2025-26 Adopted	
	2023-24		2024-25		2025-26		2026-27		\$ Diff	% Diff
YEAR-END RESERVES										
Restricted Reserves										
WUE Rate Stabilization Reserve	\$	6,066,971	\$	19,996,328	\$	40,504,668	\$	44,725,459	\$	4,220,791 10.4%
WUE San Felipe Emergency Reserve		3,651,454		3,580,832		3,751,454		3,801,454		50,000 1.3%
WUE State Water Project Tax Reserve		17,693,556		8,973,390		11,591,690		6,424,905		(5,166,785) -44.6%
WUE Supplemental Water Supply Reserve		5,277,000		5,277,000		8,677,000		12,077,000		3,400,000 39.2%
WUE SVAWPC Reserve		1,292,735		-		-		-		- 0.0%
WUE Drought Reserve		-		-		1,000,000		4,000,000		3,000,000 300.0%
WUE Guiding Principal #5 (GP5) Reserve		25,813,404		-		-		-		- 0.0%
SCW Rate Stabilization Reserve		25,000,000		25,000,000		25,000,000		25,000,000		- 0.0%
SCW Contingency Reserve		5,000,000		5,000,000		5,000,000		5,000,000		- 0.0%
SCW Currently Authorized Projects Reserve***		112,252,107		25,336,118		71,376,703		61,401,092		(9,975,611) -14.0%
SCW Operating and Capital Reserve		49,575,332		59,517,635		76,463,210		59,622,776		(16,840,433) -22.0%
Total Restricted Reserves	\$	251,622,559	\$	152,681,303	\$	243,364,725	\$	222,052,687	\$	(21,312,038) -8.8%
Committed Reserves										
Currently Authorized Projects Reserve***	\$	112,915,052	\$	9,927,136	\$	18,818,885	\$	14,967,202	\$	(3,851,683) -20.5%
Operating and Capital Reserve		258,326,124		228,275,841		253,130,037		273,889,489		20,759,452 8.2%
Liability/Workers' Comp Self-Insurance		8,337,000		8,337,000		11,476,000		11,476,000		- 0.0%
Excess ERAF Contingency Reserve		-		6,862,516		7,145,907		8,473,767		1,327,860 18.6%
WUE San Jose Water Purification Reserve		1,000,000		-		-		-		- 0.0%
Property Self-Insurance/Catastrophic		6,869,456		7,409,352		6,529,910		7,351,733		821,823 12.6%
Total Committed Reserves	\$	387,447,632	\$	260,811,845	\$	297,100,740	\$	316,158,191	\$	19,057,452 6.4%
TOTAL YEAR-END RESERVES	\$	639,070,191	\$	413,493,148	\$	540,465,465	\$	538,210,879	\$	(2,254,586) -0.4%



# Financial Overview

## Combined Fund Summary - All Funds

		Budgetary		Adopted		Adopted		Proposed		Change from	
		Basis Actual		Budget		Budget		Plan		2025-26 Adopted	
		2023-24		2024-25		2025-26		2026-27		\$ Diff	% Diff
Outlay Summary by Account type											
OPERATING OUTLAY											
Salaries and Benefits	\$	171,226,428	\$	190,193,557	\$	198,274,181	\$	211,555,881	\$	13,281,701	6.7%
Salary Savings Factor		-		(2,901,035)		(1,963,412)		(2,068,517)		(105,106)	5.4%
Services & Supplies		175,161,457		242,575,325		239,895,904		251,504,630		11,608,726	4.8%
Intra-District Charges		86,827,513		94,369,932		98,727,186		111,432,401		12,705,214	12.9%
OPERATING OUTLAY TOTAL	\$	433,215,398	\$	524,237,778	\$	534,933,859	\$	572,424,394	\$	37,490,535	7.0%
DEBT SERVICE											
Services & Supplies	\$	1,538,736		5,033,001		5,431,880		4,991,880	\$	(440,000)	-8.1%
Debt Service		73,438,938	\$	98,640,638	\$	111,509,741	\$	131,622,557		20,112,816	18.0%
DEBT SERVICE TOTAL	\$	74,977,674	\$	103,673,639	\$	116,941,621	\$	136,614,437	\$	19,672,816	16.8%
CAPITAL PROJECTS											
Salaries and Benefits	\$	48,380,747	\$	56,126,806	\$	53,800,056	\$	55,506,384	\$	1,706,328	3.2%
Salary Savings Factor		-		(890,129)		(556,363)		(566,729)		(10,366)	1.9%
Services & Supplies		311,396,064		374,861,512		341,666,122		562,412,093		220,745,971	64.6%
Carry Forward Capital Projects		-		46,371,112		136,961,493		13,827,293		(123,134,200)	-89.9%
Intra-District Charges		29,927,479		34,743,500		32,993,288		35,860,991		2,867,703	8.7%
CAPITAL PROJECTS TOTAL	\$	389,704,290	\$	511,212,802	\$	564,864,596	\$	667,040,031	\$	102,175,436	18.1%
TOTAL OUTLAYS	\$	897,897,361	\$	1,139,124,219	\$	1,216,740,076	\$	1,376,078,862	\$	159,338,786	13.1%

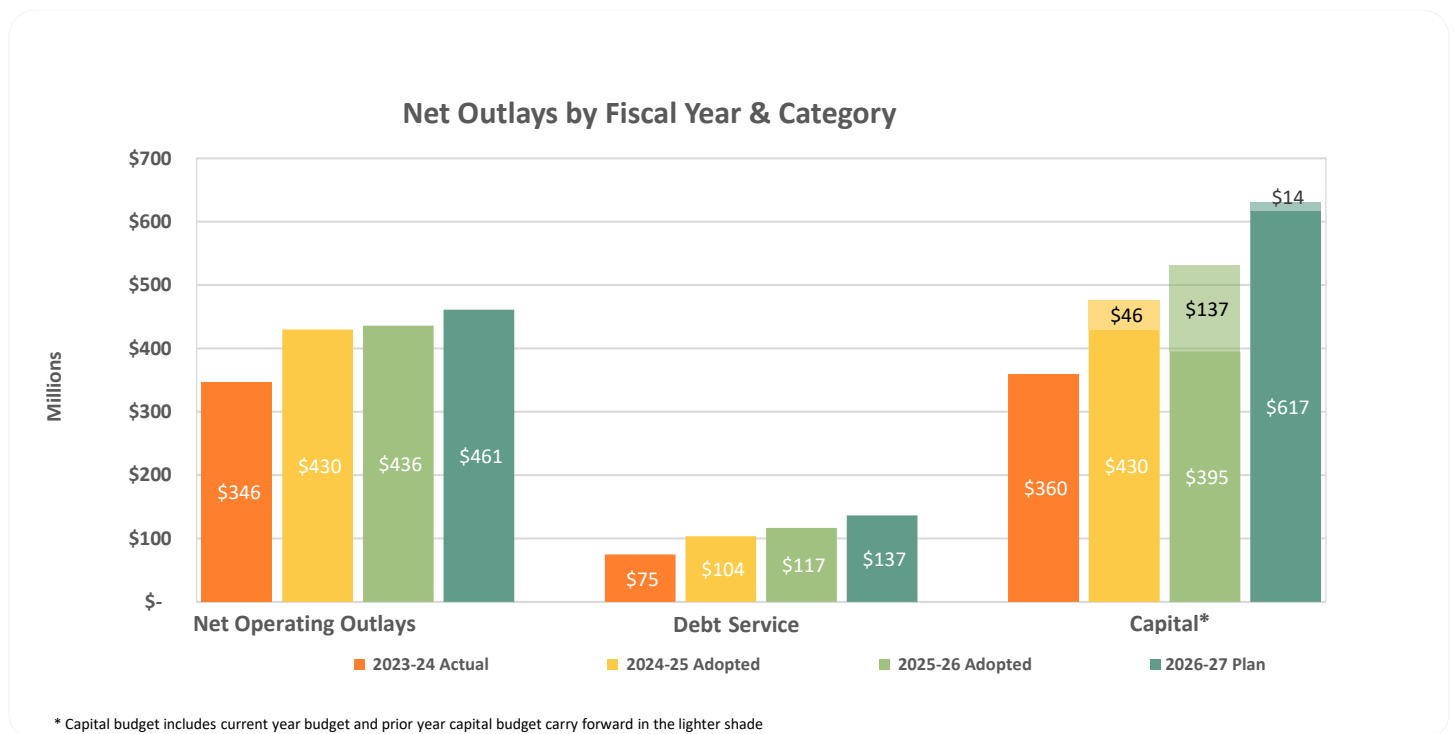
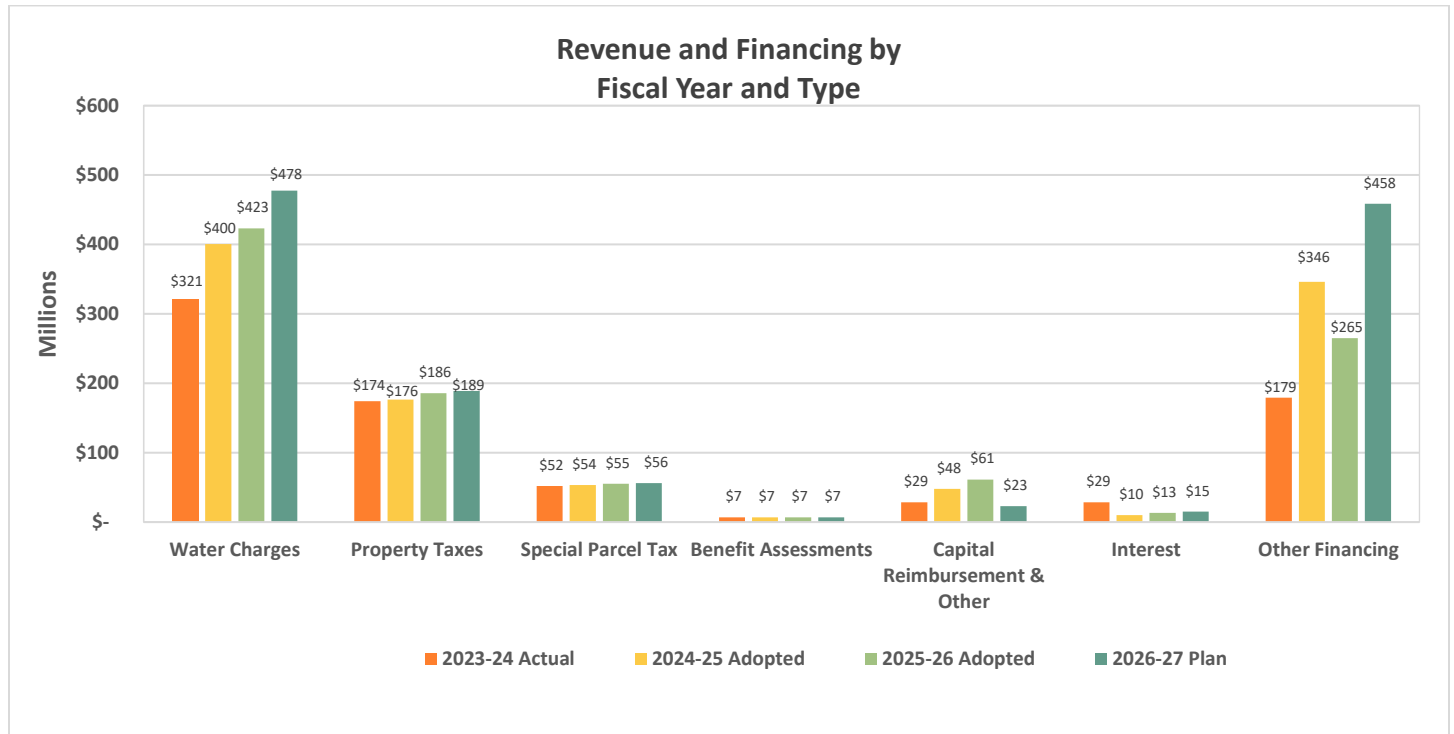
(\*) Interest income does not include GASB31 market value adjustment

(\*\*) Operations outlays do not include OPEB Expense-unfunded liability

(\*\*\*) Currently Authorized Projects Reserve is unspent budget for authorized capital projects

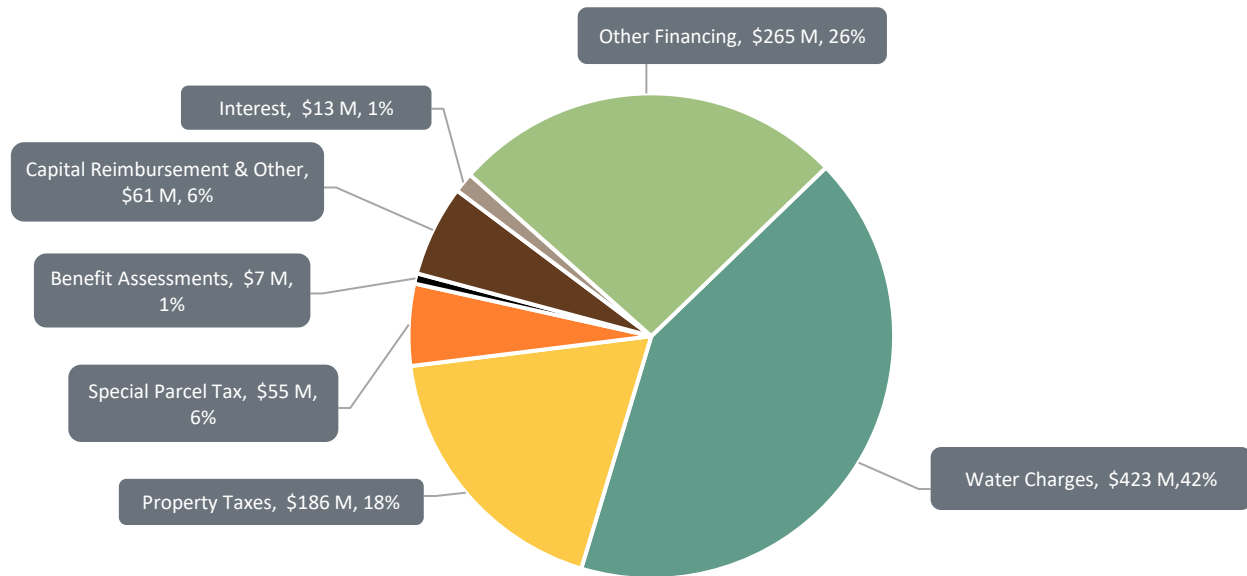
# Financial Overview

## Revenue and Outlays

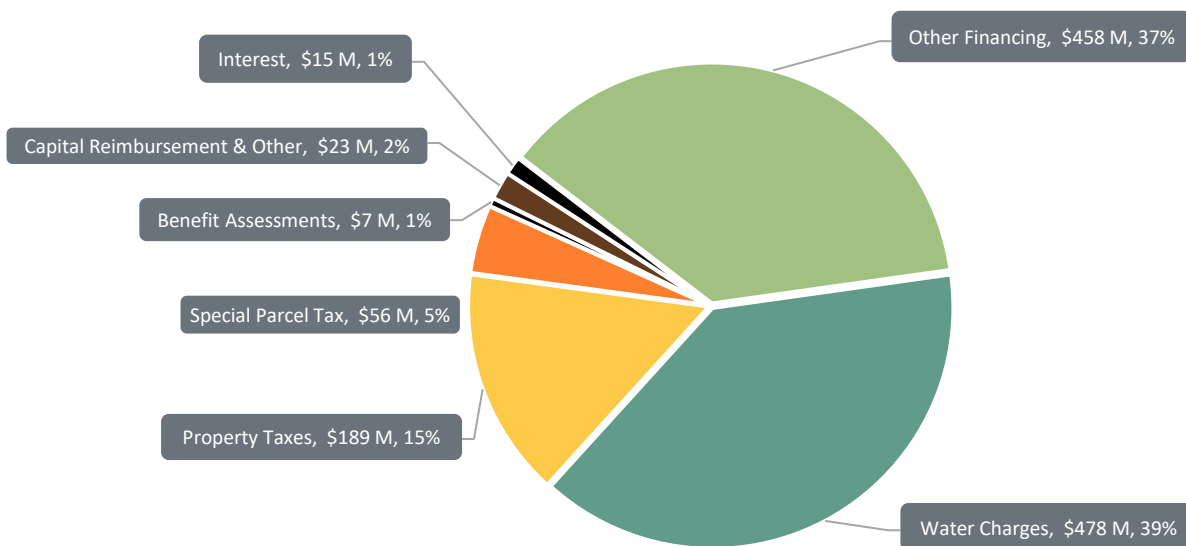


## Financial Overview

**FY 2025-26 Adopted Revenue and Debt Financing, \$1,011 Million**

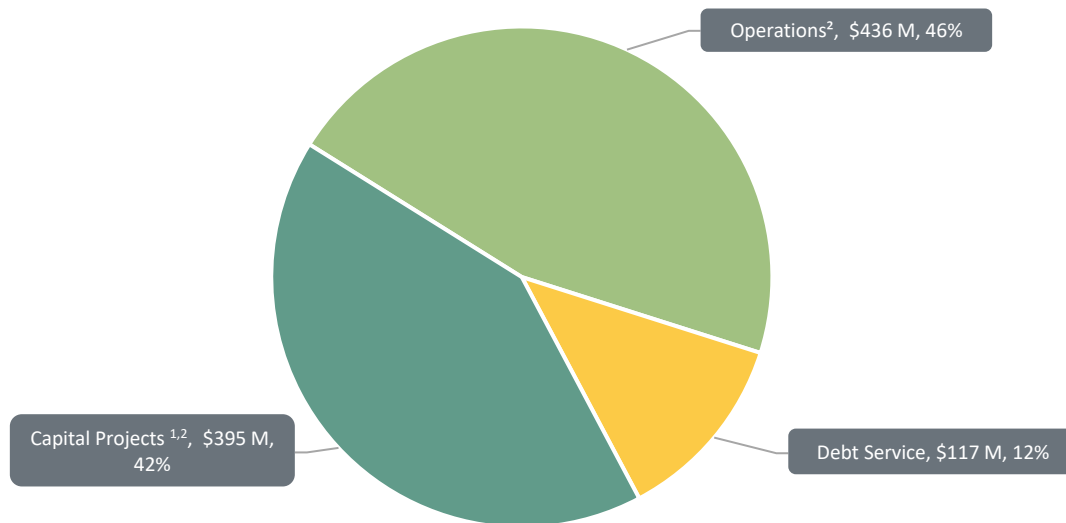


**FY 2026-27 Plan Revenue and Debt Financing, \$1,227 Million**



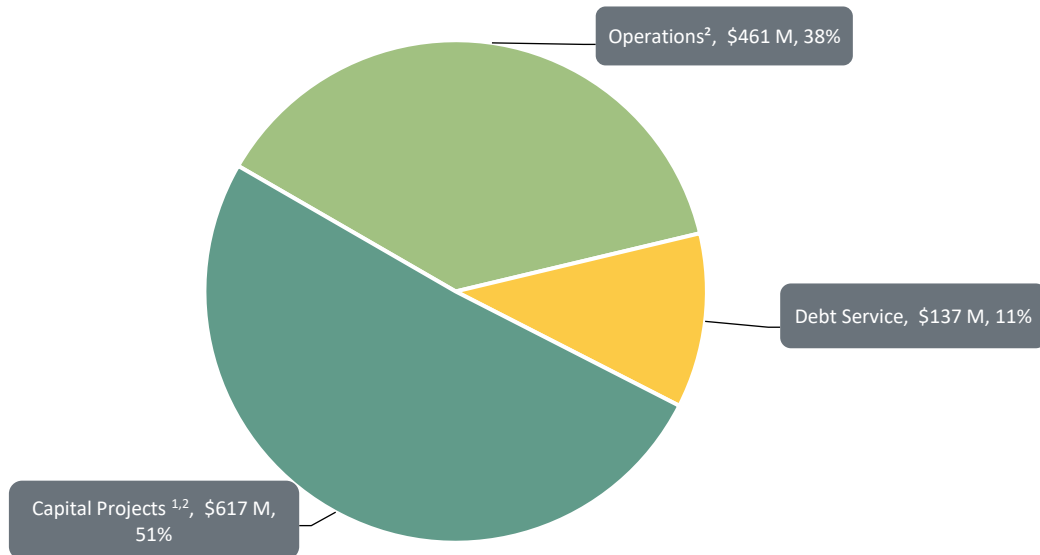
# Financial Overview

**FY 2025-26 Adopted Net Outlays By Category, \$948 Million**



<sup>1</sup>Capital Projects Outlay does not include capital budget estimated to be carried forward from prior year  
<sup>2</sup>Capital and Operations are net of intra-district reimbursements.

**FY 2026-27 Plan Net Outlays By Category, \$1,215 Million**

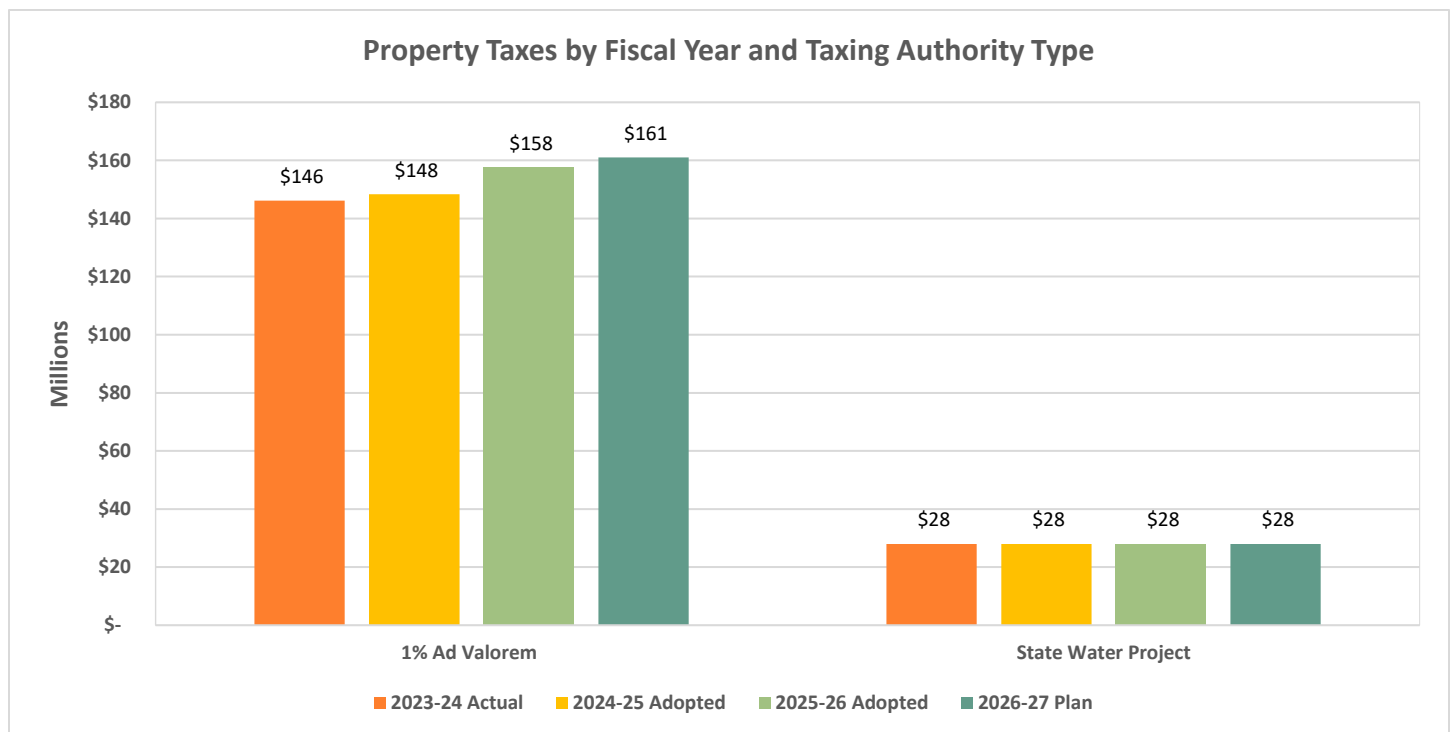
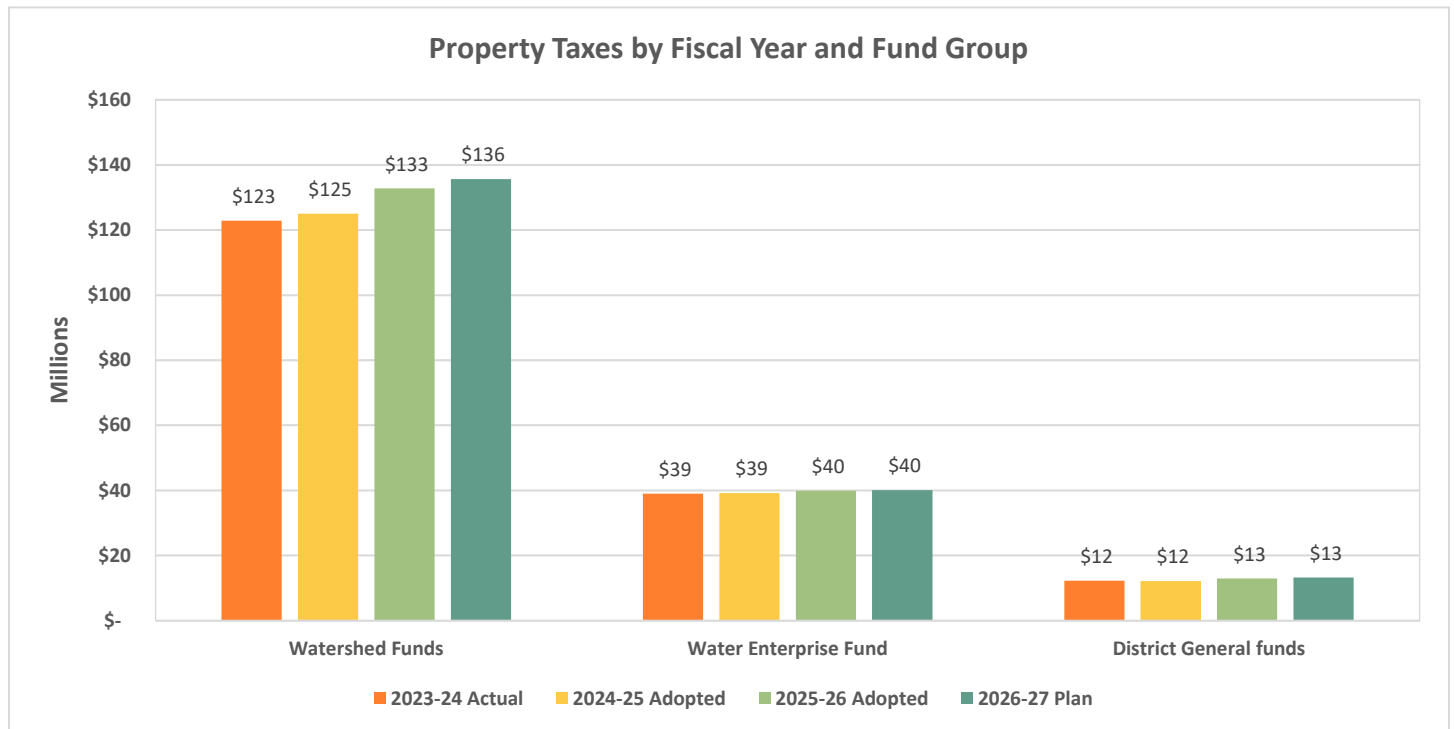


<sup>1</sup>Capital Projects Outlay does not include capital budget estimated to be carried forward from prior year  
<sup>2</sup>Capital and Operations are net of intra-district reimbursements.

# MAJOR SOURCES OF REVENUE

# Financial Overview

## Property Taxes





# Financial Overview

## Property Taxes

Valley Water's property tax revenues are comprised of two distinct categories: an allocated share of countywide 1% Ad Valorem property tax receipts and a voter-approved levy for State Water Project (SWP) contract obligations.

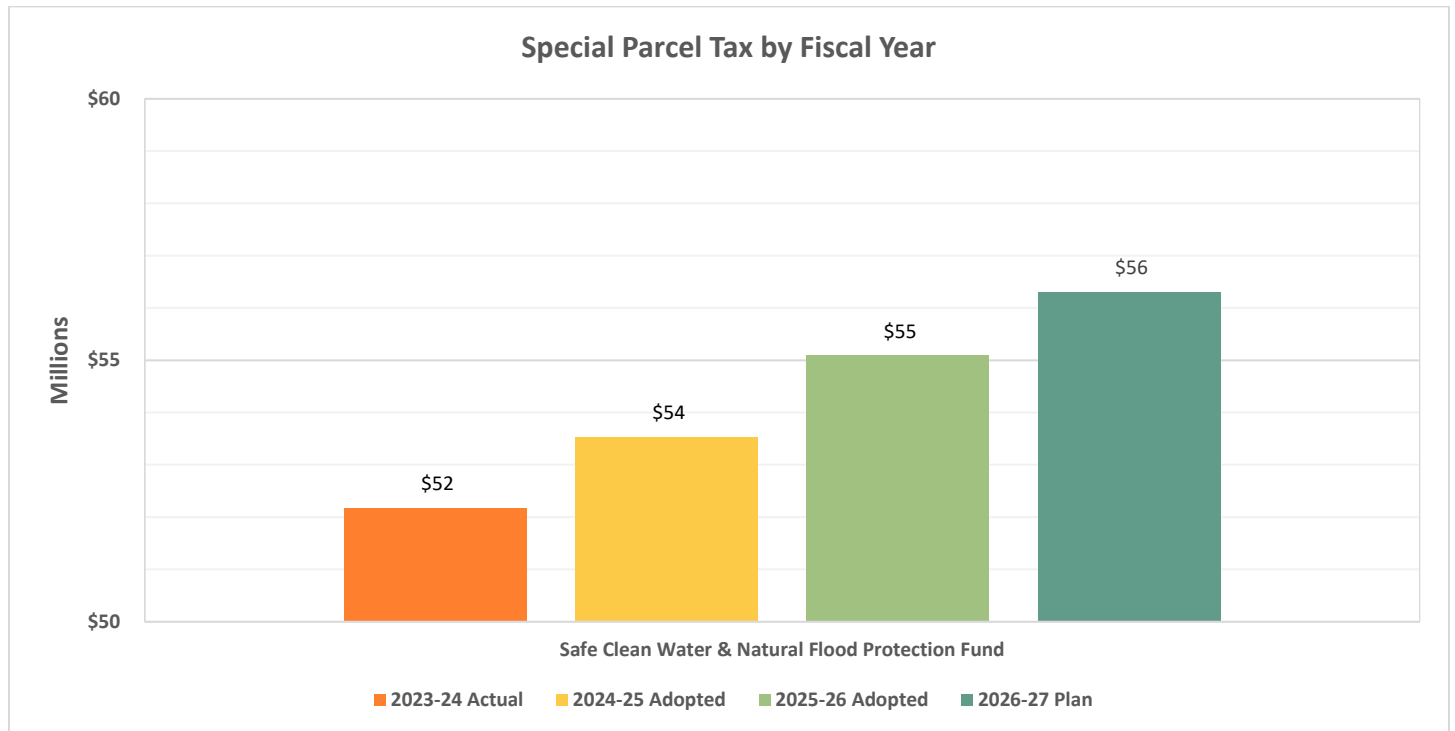
For FY 2025-26, Valley Water is projecting \$157.6 million in 1% Ad Valorem tax revenue, a 6.3% increase over the FY 2024-25 Adopted Budget. The increase reflects the growth in the assessed value of all property in Santa Clara County. For FY 2026-27, 1% Ad Valorem tax is projected to increase 2.2% to \$161.0 million.

Valley Water also levies a State Water Project property tax based on its annual indebtedness to the State pursuant to its water supply contract dated November 20, 1961. This indebtedness is part of Valley Water's SWP water purchase costs and pays for construction, maintenance, and operation of SWP infrastructure and facilities. For FY 2025-26 and FY 2026-27, based on the projected operation costs, SWP taxes are projected at \$28.0 million for each fiscal year.

	Budgetary Basis Actual 2023-24	Adopted Budget 2024-25	Projected Year End 2024-25	Adopted Budget 2025-26	Proposed Plan 2026-27
<b>Property Tax</b>					
<b>1 % Ad Valorem Property Tax</b>					
Watershed Stream Stewardship Fund	\$ 122,830,223	\$ 124,993,000	\$ 128,289,000	\$ 132,785,000	\$ 135,648,000
Water Enterprise Fund	11,045,199	11,163,000	11,456,000	11,871,000	12,122,000
District General Fund	12,240,054	12,198,500	12,524,100	12,992,800	13,277,300
<b>Total 1% Allocation</b>	<b>\$ 146,115,477</b>	<b>\$ 148,354,500</b>	<b>\$ 152,269,100</b>	<b>\$ 157,648,800</b>	<b>\$ 161,047,300</b>
<b>State Water Project Debt Service</b>	<b>\$ 28,013,031</b>	<b>\$ 28,000,000</b>	<b>\$ 28,000,000</b>	<b>\$ 28,000,000</b>	<b>\$ 28,000,000</b>
<b>Total Property Tax</b>	<b>\$ 174,128,508</b>	<b>\$ 176,354,500</b>	<b>\$ 180,269,100</b>	<b>\$ 185,648,800</b>	<b>\$ 189,047,300</b>

# Financial Overview

## Special Parcel Tax



# Financial Overview

## Special Parcel Tax

In November 2000, over two-thirds of Santa Clara County voters approved the original 15-year special parcel tax to fund Valley Water’s countywide Clean, Safe Creeks and Natural Flood Protection Program (Clean, Safe Creeks Program). In November 2012, the voters approved the Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water Program) that built upon the success of its predecessor Clean, Safe Creeks Program. In November 2020, voters overwhelmingly approved Measure S, a renewal of the Safe, Clean Water Program. The special parcel tax levy is based on the land use and parcel size rather than assessed property value. The Board of Directors may adjust it annually by either the prior year’s San Francisco-Oakland-Hayward Consumer Price Index for all Urban Consumers (CPI) or 2%, whichever is greater.

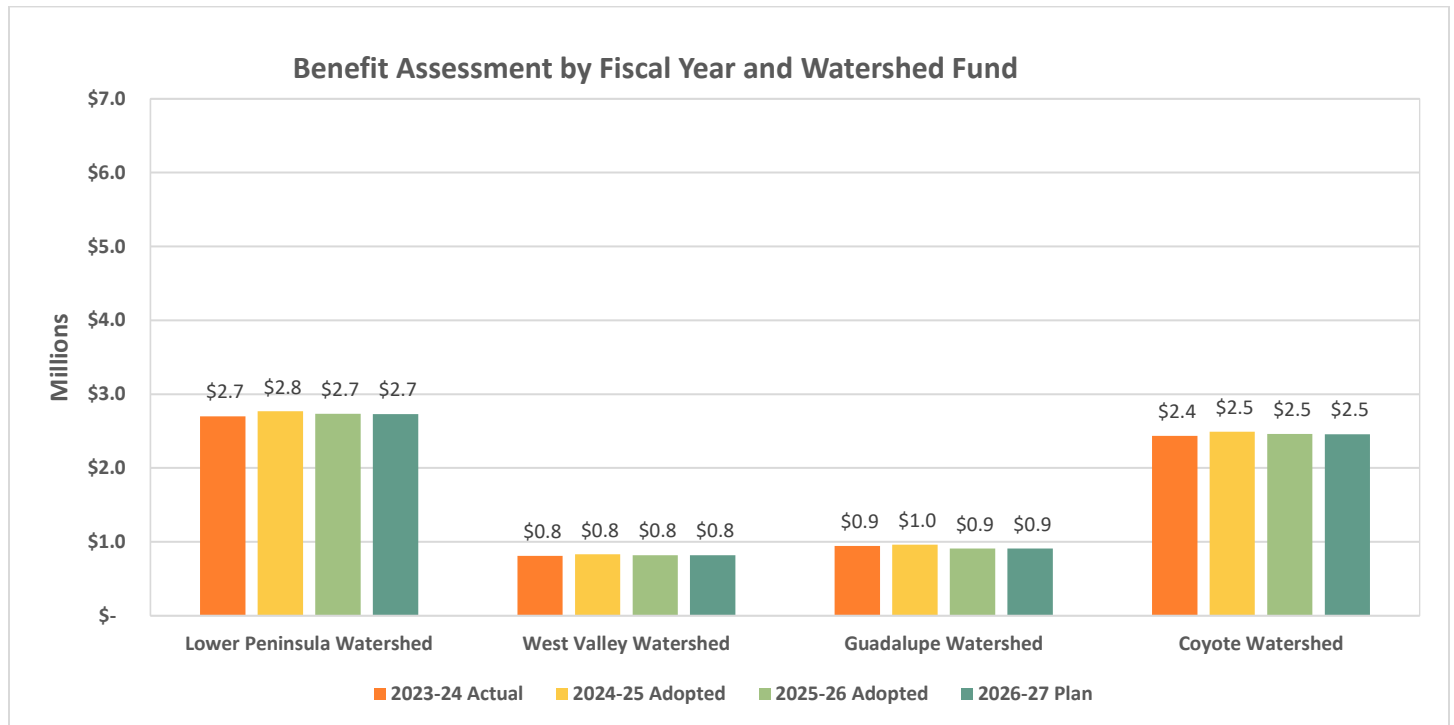
A report released by the Bureau of Labor Statistics indicated that the change in CPI for the last year (from February 2024 to February 2025) was 2.7%. For FY 2025-26, the Board of Directors approved an increase in the special parcel tax to equal the change in CPI of 2.7%. The FY 2025-26 budgeted estimates for the special parcel tax include the adopted 2.7% CPI increase and an anticipated increase in eligible parcels, for a total of 2.9% growth over the 2024-25 Adopted Budget.

FY 2026-27 Planned amount assumes an increase of 2.2% each year, which reflects the Board adopted 2% increase in the special parcel tax rate, and an anticipated increase in eligible parcels based on construction activity in the county. An assessment of the CPI and recommendation will be provided to the Board of Directors in May 2025. Staff will reevaluate the revenue assumptions during the development of FY 2026-27 & FY 2027-28 Operating and Capital Rolling Biennial Budget.

	Budgetary Basis Actual 2023-24		Adopted Budget 2024-25		Projected Year End 2024-25		Adopted Budget 2025-26		Proposed Plan 2026-27	
Special Parcel Tax										
Safe Clean Water & Natural Flood Protection Fund	\$	52,175,089	\$	53,531,667	\$	53,531,667	\$	55,094,792	\$	56,306,876
Total Special Parcel Tax	\$	52,175,089	\$	53,531,667	\$	53,531,667	\$	55,094,792	\$	56,306,876

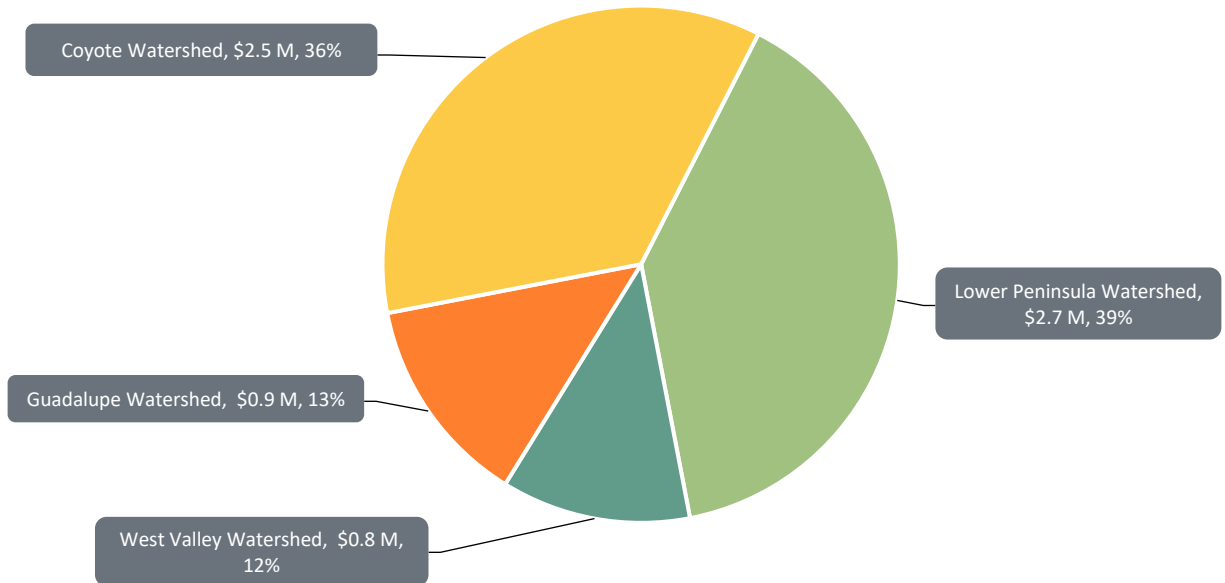
# Financial Overview

## Benefit Assessment

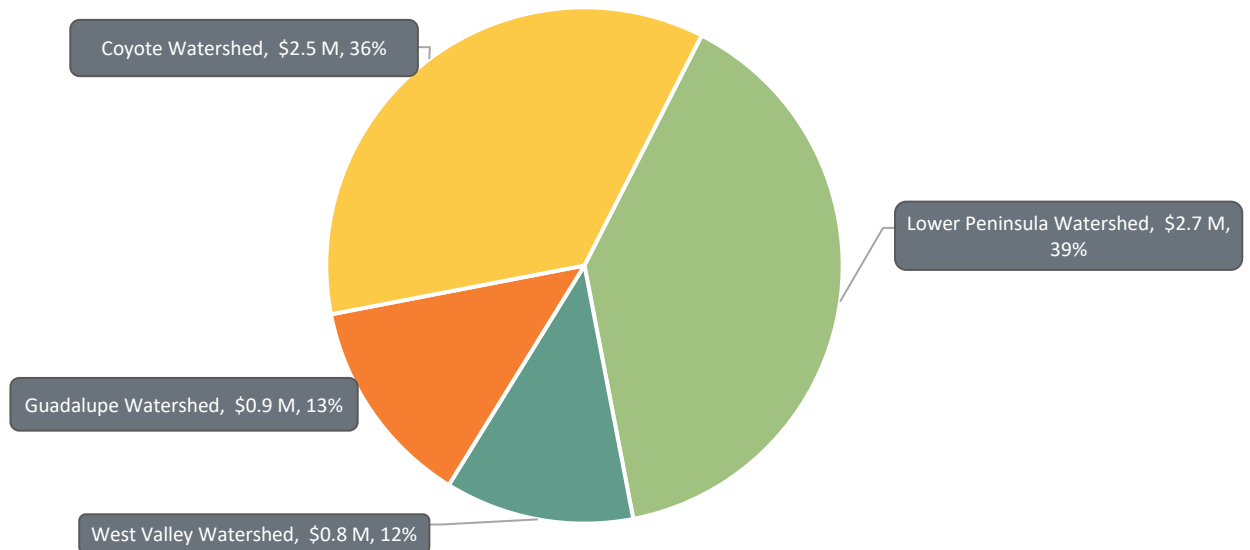


## Financial Overview

**FY 2025-26 Adopted Benefit Assessments, \$6.9 Million**



**FY 2026-27 Plan Benefit Assessments, \$6.9 Million**



# Financial Overview

## Benefit Assessment

The Flood Control Benefit Assessment was first authorized by the Valley Water Board of Directors in 1981, and later by ballot measures in 1982, 1986, and 1990. The program had a sunset date of 2000, but the assessment will continue until 2030, when Valley Water will pay off the bonds associated with this program.

FY 2025-26 and FY 2026-27 continue under this debt repayment phase of the Benefit Assessment program with benefit assessments levied at 1.25 times the annual debt service.

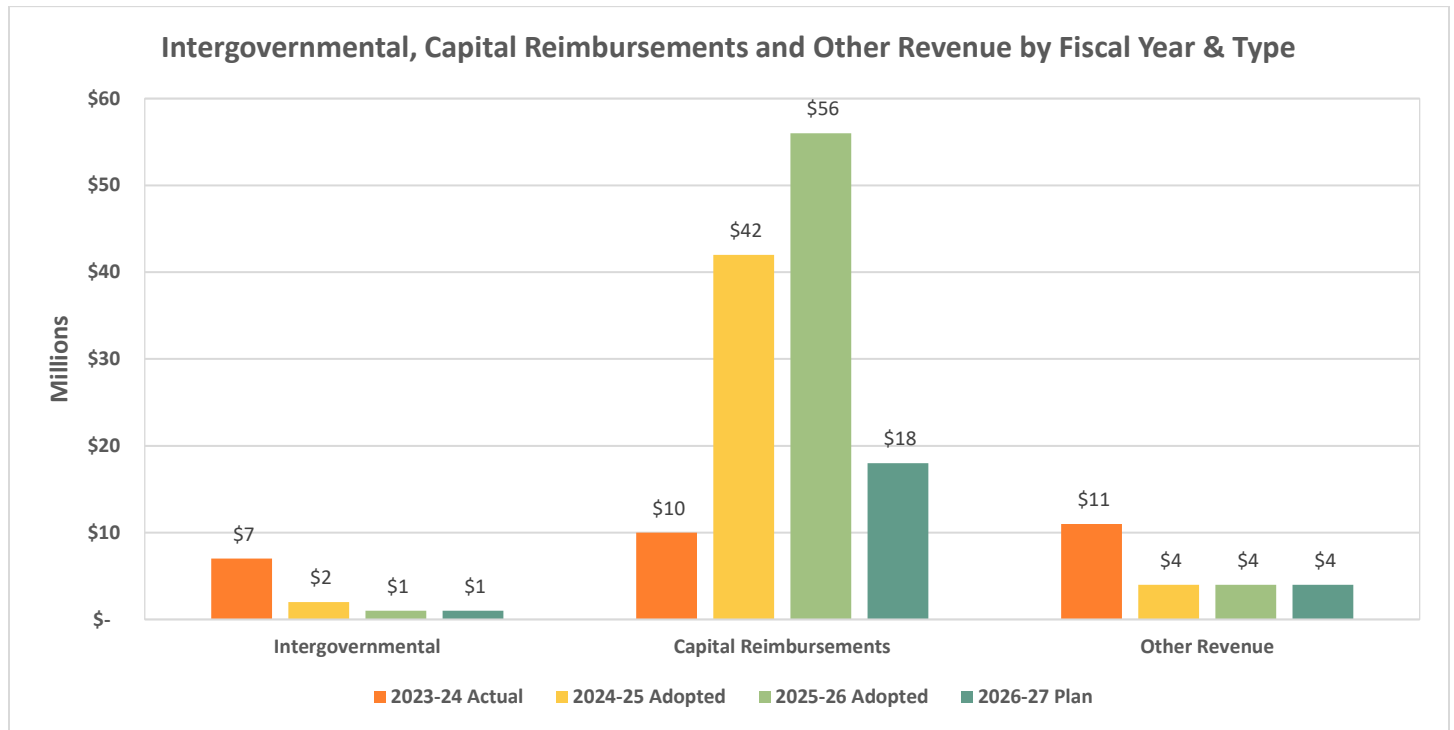
For FY 2025-26 and FY 2026-27, the Benefit Assessment revenue receipts are projected at \$6.9 million each year. As Valley Water continues to pay down principal, the amount collected will decrease.

	Budgetary		Adopted		Projected		Adopted		Proposed	
	Basis Actual		Budget		Year End		Budget		Plan	
	2023-24		2024-25		2024-25		2025-26		2026-27	
Benefit Assessment										
Lower Peninsula Watershed	\$	2,700,462	\$	2,767,793	\$	2,767,796	\$	2,732,804	\$	2,731,817
West Valley Watershed		810,281		830,268		830,268		819,772		819,476
Guadalupe Watershed		944,843		963,171		963,171		911,166		910,837
Coyote Watershed		2,433,773		2,491,505		2,491,505		2,460,008		2,459,120
Total Benefit Assessments	\$	6,889,358	\$	7,052,737	\$	7,052,740	\$	6,923,750	\$	6,921,250



# Financial Overview

## Intergovernmental, Capital Reimbursements and Other Revenue



# Financial Overview

## Intergovernmental, Capital Reimbursements and Other Revenue

### Intergovernmental Services

Valley Water anticipates receiving intergovernmental services revenue of \$1.5 million in FY 2025-26 and \$1.4 million in FY 2026-27 in the Water Utility Enterprise Fund. These funds are primarily for reimbursement from the San Benito County Water District (SBCWD) for operating maintenance of the San Felipe Division Reach 1, and for conservation activities funded by local cost sharing agreements.

### Capital Reimbursement Revenue

Capital reimbursement revenue are expected at \$56.3 million in FY 2025-26 and \$18.0 million in FY 2026-27.

Water Utility Enterprise receipts in FY 2025-26 are budgeted at \$0.7 million and \$0.8 million in FY 2026-27 from San Benito County Water District for small capital improvements on the San Felipe Division Reach 1.

Watershed and Stream Stewardship Fund capital reimbursement are expected to be \$5.0 million in FY 2025-26, comprised of \$3.2 million Measure AA grant funding and \$1.8 million in State Coastal Conservancy funds (Grants A and B) for the San Francisco Bay Shoreline project. In FY 2026-27, reimbursements totaling \$3.0 million comprised of \$2.0 million Measure AA grant funding and \$1.0 million in State Coastal Conservancy funds for the San Francisco Bay Shoreline project.

Safe, Clean Water Fund reimbursements of \$50.6 million in FY 2025-26, comprised of: \$50.0 million from Natural Resources Conservation Service (NRCS) for Llagas Creek - Phase 2B Construction project; and, \$0.5 million from the City of Morgan Hill and \$0.1 million in State Subventions for the work on Llagas Creek, Upper Buena Vista to Wright Project. In FY 2026-27, reimbursements total \$14.2 million, comprised of: \$10.0 million from NRCS for the Upper Llagas Creek - Phase 2B Construction project, \$4.1 million from the City of Morgan Hill and \$0.1 million in State Subventions for the work on Llagas Creek, Upper Buena Vista to Wright Project.

### Other Revenue

The other operating and non-operating revenue total \$3.6 million per fiscal year which includes rental income, well permit fees, refunds, and adjustments. Approximately \$1.8 million is budgeted for Watersheds, \$1.7 million for Water Utility and \$0.1 million for the General and Internal Service funds.

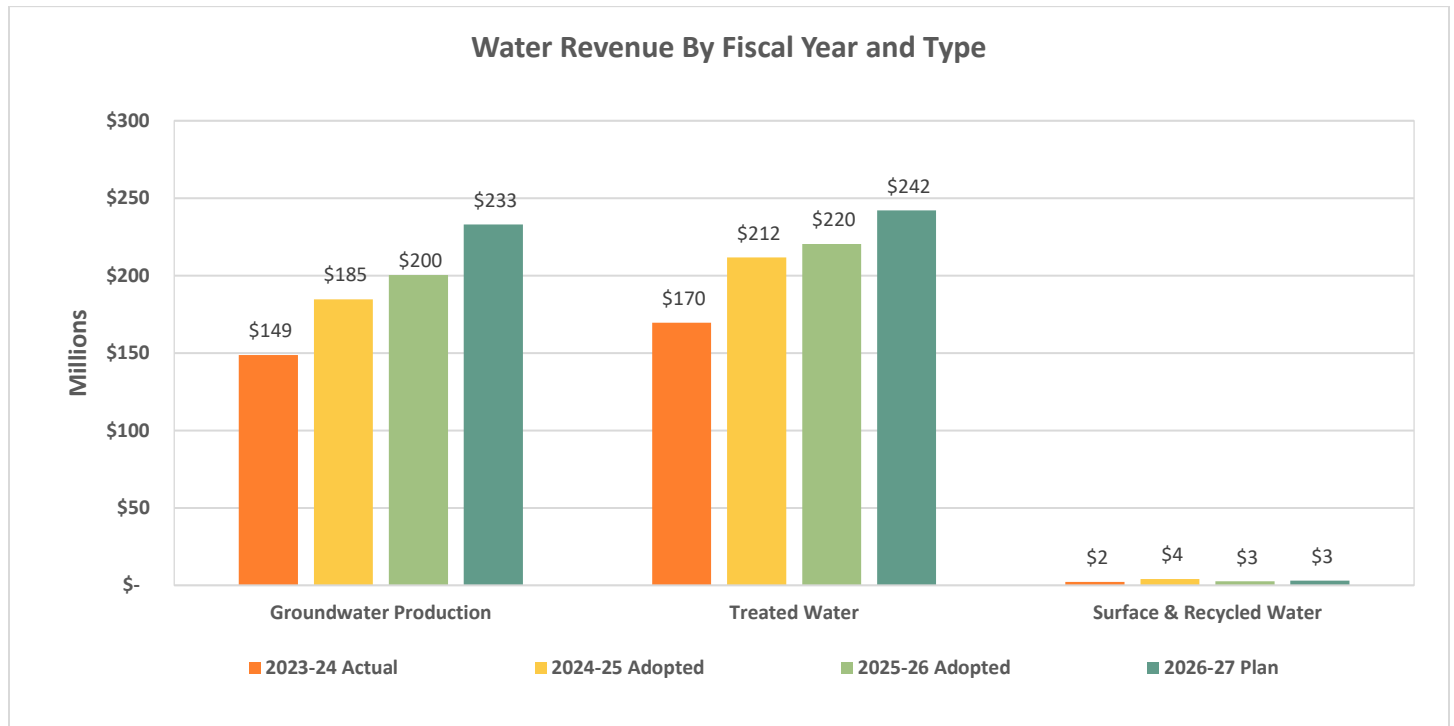
# Financial Overview

## Intergovernmental, Capital Reimbursements and Other Revenue

	Budgetary Basis Actual 2023-24		Adopted Budget 2024-25		Projected Year End 2024-25		Adopted Budget 2025-26		Proposed Plan 2026-27	
Intergovernmental Services										
Watershed Stream Stewardship Fund	\$	1,871,134	\$	–	\$	–	\$	–	\$	–
Safe Clean Water & Natural Flood Protection Fund		93,333		–		–		–		–
Water Enterprise Fund		5,184,126		1,687,880		1,662,880		1,493,295		1,364,295
Total Intergovernmental Services	\$	7,148,592	\$	1,687,880	\$	1,662,880	\$	1,493,295	\$	1,364,295
Capital Reimbursements										
Watershed Stream Stewardship Fund	\$	3,064,039	\$	11,900,000	\$	10,188,000	\$	5,000,000	\$	3,000,000
Safe Clean Water & Natural Flood Protection Fund		3,401,968		30,000,000		22,625,000		50,600,000		14,228,000
Water Enterprise Fund		3,543,901		456,000		4,345,000		684,000		800,000
Total Capital Reimbursements	\$	10,009,908	\$	42,356,000	\$	37,158,000	\$	56,284,000	\$	18,028,000
Other										
Watershed Stream Stewardship Fund	\$	2,540,528	\$	1,863,459	\$	1,725,656	\$	1,777,425	\$	1,830,405
Safe Clean Water & Natural Flood Protection Fund		443,877		–		–		–		–
Water Enterprise Fund		1,548,315		810,892		835,892		726,158		735,442
State Water Project Fund		6,145,065		1,000,000		1,000,000		1,000,000		1,000,000
District General Fund		198,747		30,000		30,000		61,600		61,600
Internal Service Funds		479,208		20,500		21,000		41,500		21,000
Total Other	\$	11,355,740	\$	3,724,851	\$	3,612,548	\$	3,606,683	\$	3,648,447
Total Intergov'l & Other Revenues	\$	28,514,240	\$	47,768,731	\$	42,433,429	\$	61,383,978	\$	23,040,742

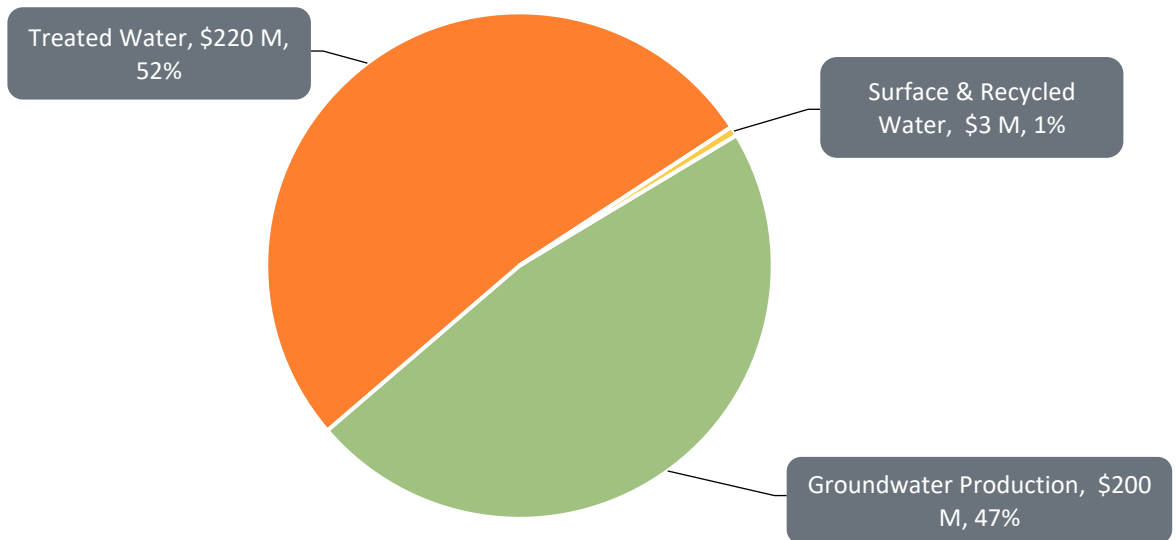
# Financial Overview

## Water Revenue

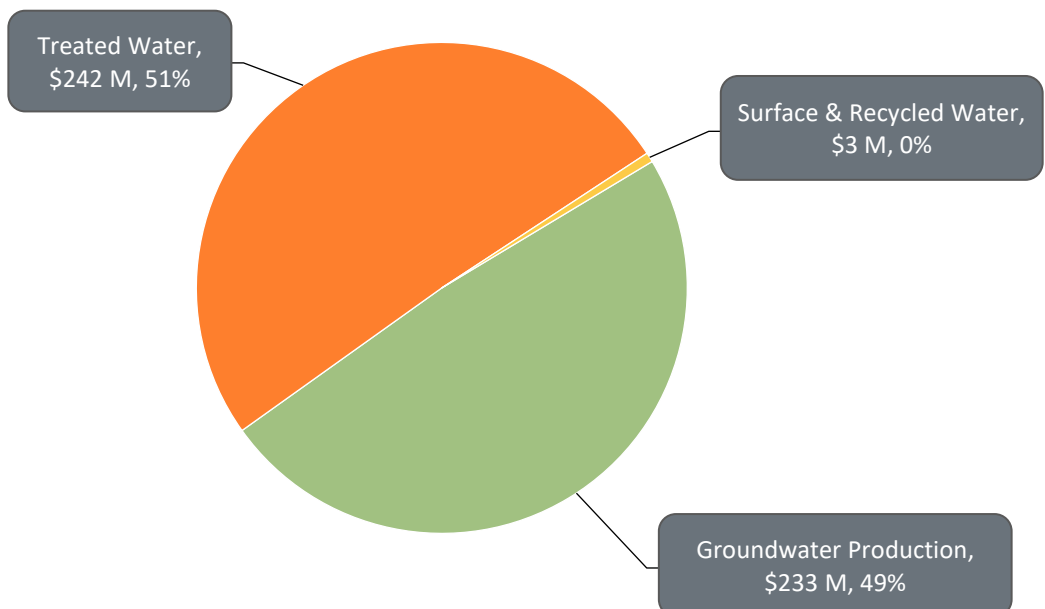


## Financial Overview

**FY 2025-26 Adopted Water Revenue \$423 Million**



**FY 2026-27 Plan Water Revenue \$478 Million**



# Financial Overview

## Water Revenue

Valley Water's water revenue is comprised of charges for the following types of water usage:

- **Groundwater Production** - Water produced by pumping from the underground water basins
- **Treated Water** - Water which has been processed through a Valley Water treatment plant
- **Surface Water** - Water diverted from streams, creeks, reservoirs, or raw water distribution lines
- **Recycled Water** - Wastewater which has been treated for use in crop irrigation, landscaping, and industrial uses

Water revenues in FY 2025-26 Budget and FY 2026-27 Plan are based on staff's recommendations to the Board. Water charges are necessary to provide funding for critical infrastructure and operational needs, water imported via California's state and federal water systems, and the development of future supplies and storage. The water charges are shown in the accompanying Water Utility Charge Summary schedule found in the Water Enterprise Fund Summary section of this book.

FY 2025-26 revenue estimates reflect an increase of 9.9% in groundwater production charges for the North County (Zone W-2) when compared to FY 2024-25. In the Llagas Subbasin (Zone W-5), revenue estimates reflect an increase of 7.9% in the groundwater production charge when compared to FY 2024-25. In the Coyote Valley (Zone W-7) revenue estimates reflect an increase of 11.2% in the groundwater production charge when compared to FY 2024-25. In the foothills below the Uvas and Chesbro reservoirs (Zone W-8), revenue estimates reflect an increase of 8.0% to the groundwater production charge relative to FY 2024-25. In FY 2026-27 revenue estimates project the same annual rate increases as scheduled in FY 2025-26.

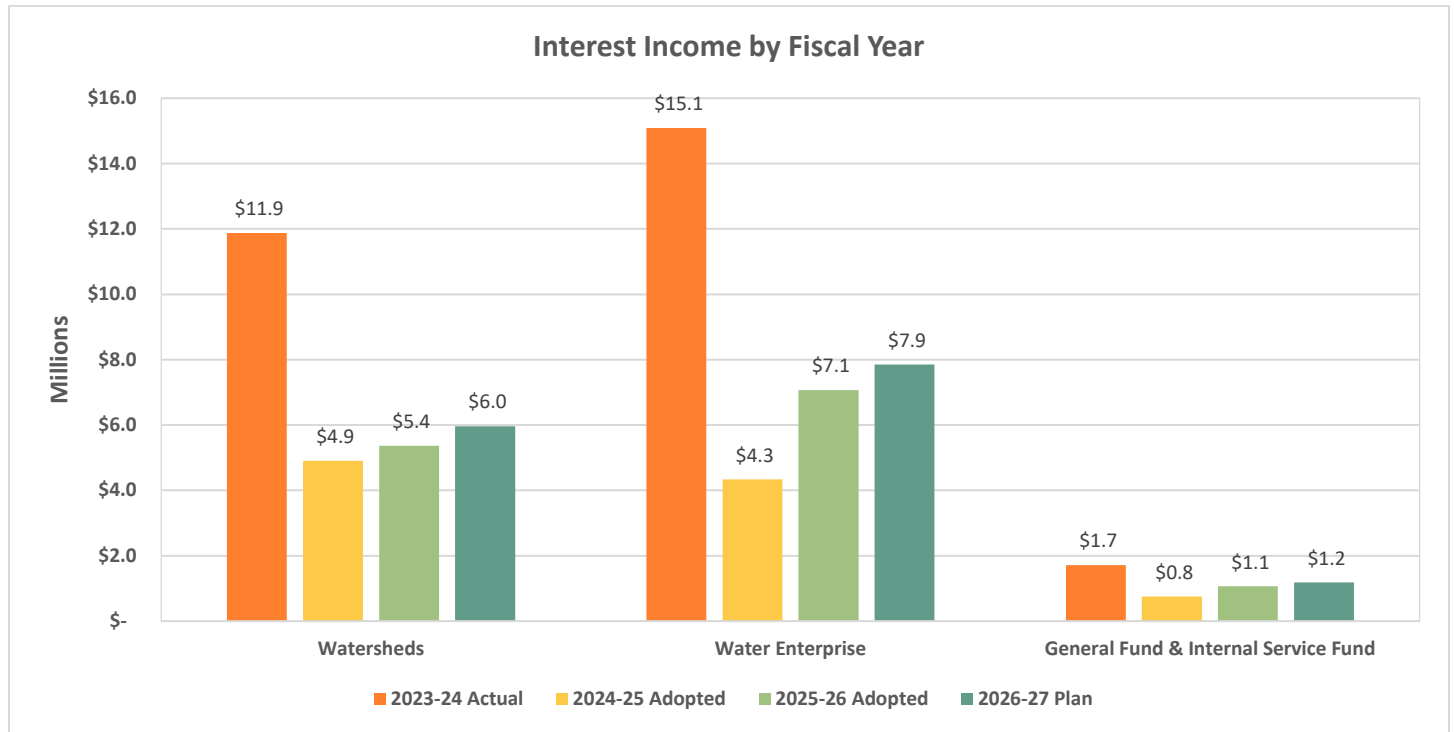
The FY 2025-26 water use estimate of 219,000 AF represents a (3,000) AF, or (1.4%) decrease compared to the FY 2024-25 adopted water budget usage amount of 222,000 AF. FY 2026-27, the water use estimate increases to 224,000 AF, consistent with a more moderate rebound from the 2023 drought. Additionally, other sources such as Hetch Hetchy and local retail water supplies like San Jose Water Company, Stanford, and South Bay Water Recycling provide approximately 72,000 acre-feet of water per year to Santa Clara County. Valley Water does not receive revenue for these sources of supply.

	Budgetary Basis Actual 2023-24	Adopted Budget 2024-25	Projected Year End 2024-25	Adopted Budget 2025-26	Proposed Plan 2026-27
<b>Water Revenue</b>					
Groundwater Production Charges	\$ 148,743,728	\$ 184,722,000	\$ 176,252,000	\$ 200,333,000	\$ 232,697,000
Treated Water Charges	169,632,794	211,703,000	211,703,000	220,403,000	242,243,000
Surface & Recycled Water Charges	2,261,406	4,040,000	4,040,000	2,582,000	2,825,000
<b>Total Water Revenue</b>	<b>\$ 320,637,928</b>	<b>\$ 400,465,000</b>	<b>\$ 391,995,000</b>	<b>\$ 423,318,000</b>	<b>\$ 477,765,000</b>



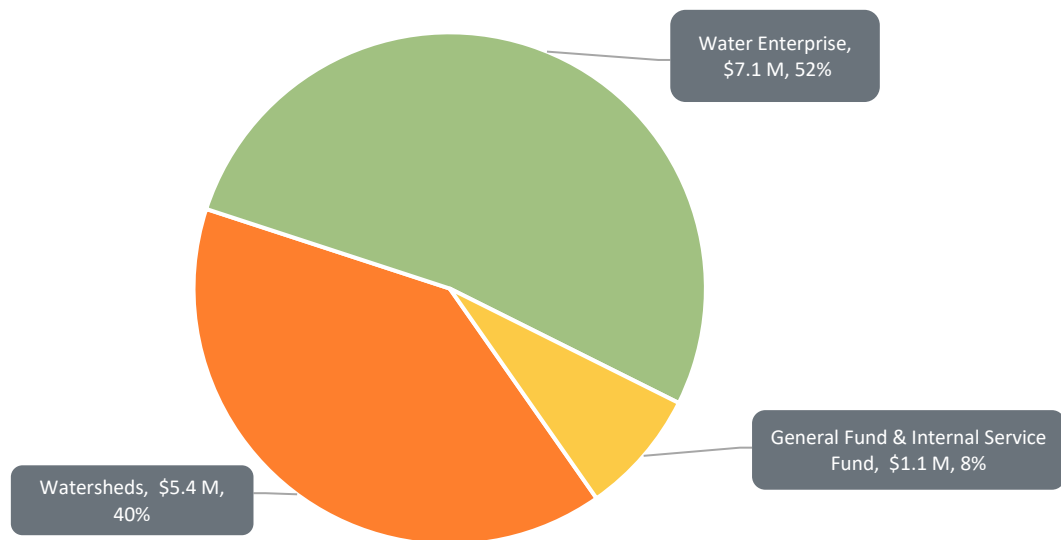
# Financial Overview

## Interest Income

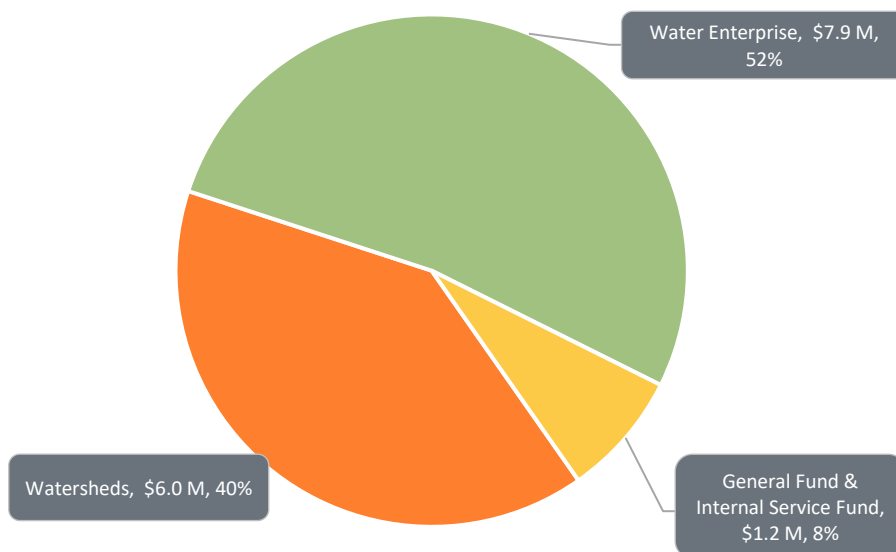


## Financial Overview

**FY 2025-26 Adopted Interest Earnings, \$13.5 Million**



**FY 2026-27 Plan Interest Earnings, \$15.0 Million**



# Financial Overview

## Interest Income

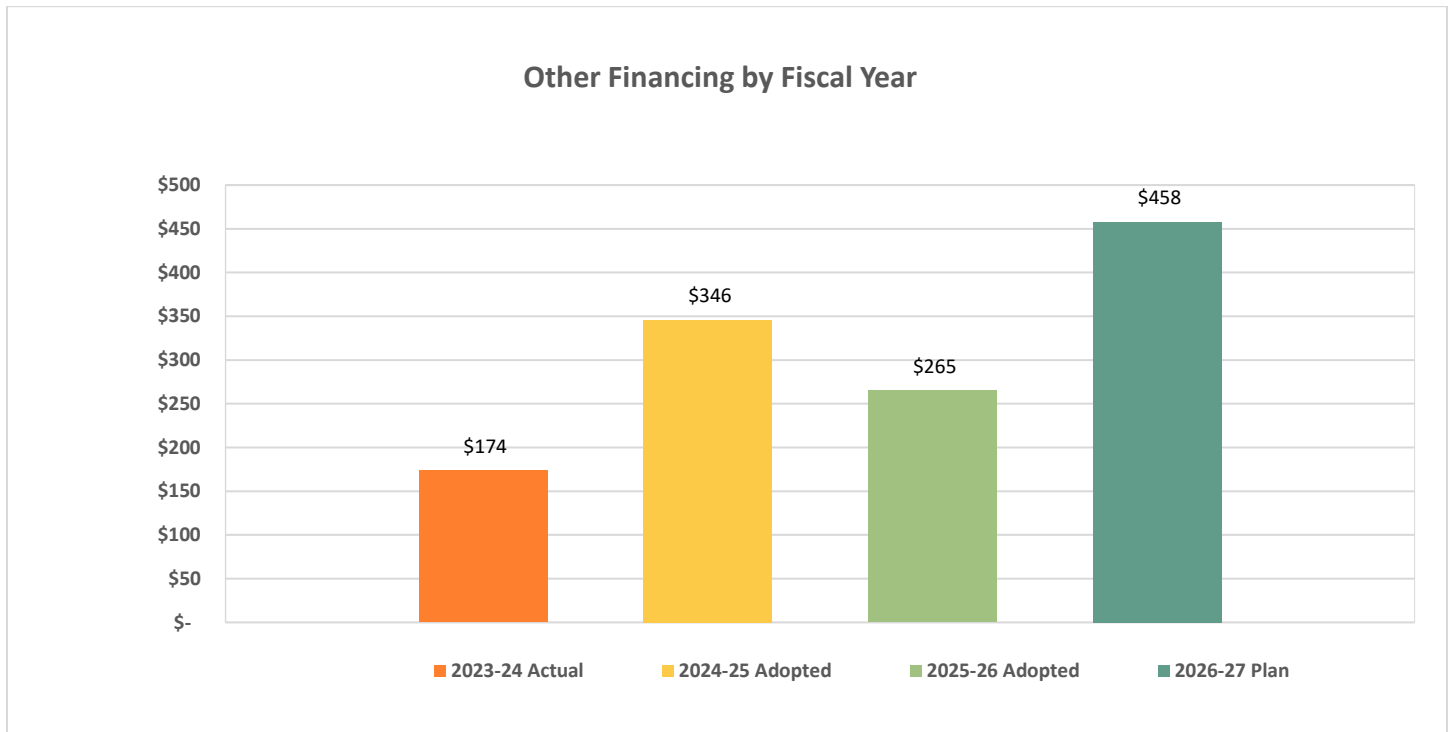
Valley Water invests funds not immediately required for daily operations in various securities as authorized by California Government Code 53600 et al. Valley Water's investment policy limits portfolio holdings to obligations of the U.S. Treasury, U.S. federal agencies, the state of California's Local Agency Investment Fund, bankers acceptances, negotiable and time certificates of deposit, commercial paper, corporate notes and bonds, repurchase agreements, municipal obligations, mutual funds, and supranational obligations. Prohibited investments include securities not listed above, as well as fossil fuel companies, inverse floaters, range notes, interest-only strips derived from a pool of mortgages and any security that could result in zero interest accrual if held to maturity, as specified in Section 53601.6 of the California Government Code. For additional information regarding Valley Water's investment policy, please visit: <https://www.valleywater.org/how-we-operate/financebudget/investor-relations> and select District Debt and Investment Management.

Interest earnings are projected at \$13.5 million for FY 2025-26 and \$15.0 million for FY 2026-27. The estimates assume an average portfolio yield of 2.25% for FY 2025-26 and 2.50% for FY 2026-27.

	Budgetary Basis Actual 2023-24		Adopted Budget 2024-25		Projected Year End 2024-25		Adopted Budget 2025-26		Proposed Plan 2026-27	
Interest Income										
Watershed Stream Stewardship Fund	\$	4,198,209	\$	2,264,000	\$	1,960,000	\$	2,204,000	\$	2,449,000
Safe Clean Water & Natural Flood Protection Fund		7,678,367		2,639,000		2,811,000		3,162,000		3,514,000
Water Enterprise Fund		15,089,997		4,340,000		6,280,000		7,066,000		7,851,000
General Fund		474,828		146,000		394,000		443,000		492,000
Service Funds		1,240,515		611,000		555,000		624,000		694,000
Total Interest Income	\$	28,681,917	\$	10,000,000	\$	12,000,000	\$	13,499,000	\$	15,000,000

# Financial Overview

## Other Financing



The Other Financing includes Debt instruments such as commercial paper, short-term debt obligations, refunding revenue bonds, and certificates of participation (COPs). These financing instruments may be issued to assist in refunding and financing the costs of acquisition, design, construction, improvement, and installation of certain Water Utility and Safe, Clean Water and Natural Flood Protection Program capital projects.

Valley Water anticipates issuing approximately \$264.8 million in debt proceeds in FY 2025-26, of which \$220.2 million is for Water Utility and \$44.6 million is for the Safe, Clean Water program. In FY 2026-27, planned issuance is approximately \$458.4 million, \$330.4 million for Water Utility and \$128.0 million for Safe, Clean Water program, respectively.

All planned debt financing is factored in Valley Water’s long-term financial forecast models to ensure that pledged revenues are sufficient to meet or exceed the targeted debt service coverage ratio.

	Budgetary Basis Actual 2023-24	Adopted Budget 2024-25	Projected Year End 2024-25	Adopted Budget 2025-26	Proposed Plan 2026-27
<b>OTHER FINANCING</b>					
Debt Proceeds	\$ 173,600,000	\$ 345,920,030	\$ 306,311,001	\$ 264,826,296	\$ 458,449,717
<b>TOTAL OTHER FINANCING</b>	<b>\$ 173,600,000</b>	<b>\$ 345,920,030</b>	<b>\$ 306,311,001</b>	<b>\$ 264,826,296</b>	<b>\$ 458,449,717</b>

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# SALARIES AND BENEFITS

# Financial Overview

## Salaries and Benefits

The FY 2025-26 salary and benefit budget is based on a total of 880 positions, which includes 876 regular positions and 4 limited term positions. In FY 2025-26, 45 positions were paused which results in a decrease of positions from 921 positions in FY 2024-25 to 876 positions in FY 2025-26. The pausing of positions minimized the salary and related costs increase in FY 2025-26. The total salaries and benefits budget is \$249.6 million, an increase of \$7.0 million or 2.9% from the FY 2024-25 Adopted Budget. The increase is primarily due to a 3% cost of living adjustment (COLA), an estimated \$2.0 million increase in CalPERS contribution, and a \$3.6 million increase in health insurance costs, offset by 45 paused positions.

In FY 2026-27, salaries and benefits are projected at \$264.4 million, an increase of \$14.9 million or 6.0% increase compared to the FY 2025-26 budget. The increase is primarily attributed to a 3% COLA, and an estimated \$3.5 million increase in CalPERS, and a \$3.9 million increase in health insurance costs. The salaries and benefits increase in FY2026-27 compared to FY2025-26 is larger than the increase from FY2024-25 to FY2025-26 primarily due to the 45 paused positions.

# Financial Overview

## Summary of Positions

	Adopted Budget FY 2023-24	Adopted Budget FY 2024-25 <sup>(2)</sup>	Adopted Budget FY 2025-26 <sup>(3,4)</sup>	Proposed Plan FY 2026-27 <sup>(3)</sup>
Board Appointed Officers <sup>(1)</sup>	79	78	71	71
Office of Integrated Water Mgmt	56	70	70	70
External Affairs	47	46	43	43
Administrative Services	163	166	160	160
Water Utility	305	304	291	291
Watersheds	269	257	241	241
<b>Total Regular Positions</b>	<b>919</b>	<b>921</b>	<b>876</b>	<b>876</b>
Limited Term Positions	5	4	4	4
<b>Total</b>	<b>924</b>	<b>925</b>	<b>880</b>	<b>880</b>

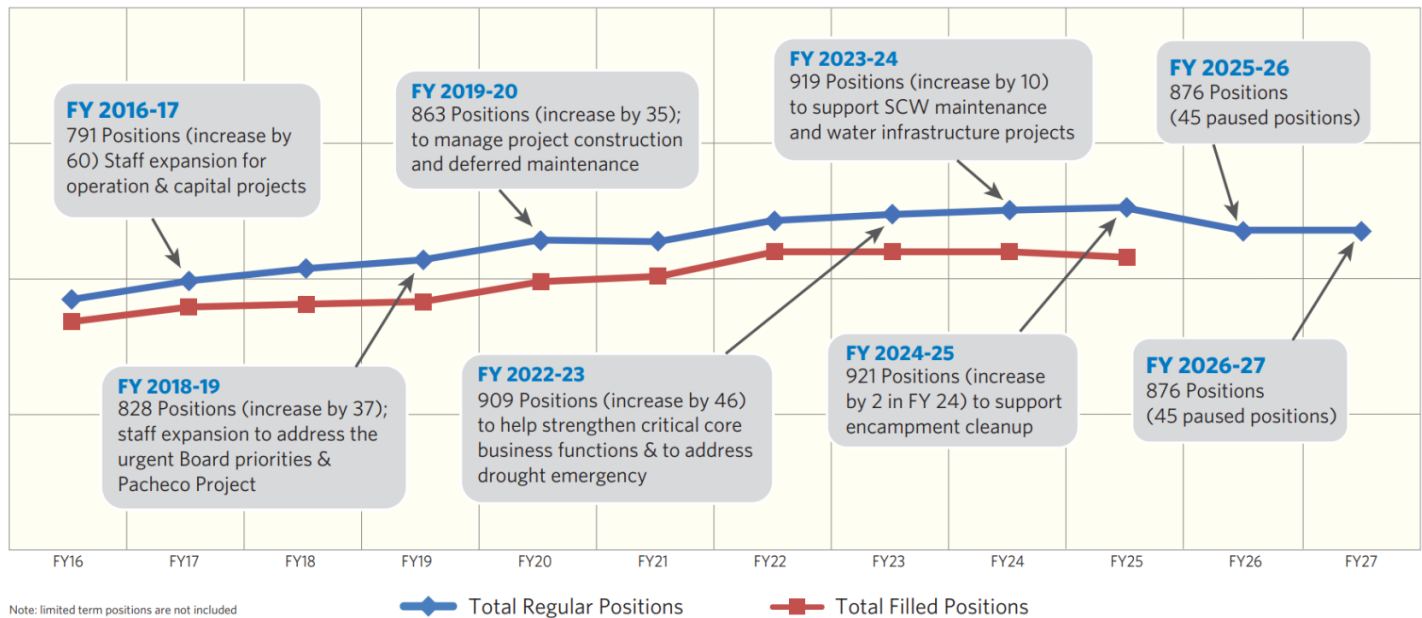
<sup>1</sup> Board Appointed Officers include: Office of Chief Executive Office, District Counsel, and Clerk of the Board.

<sup>2</sup> 2 positions were added during FY 2023-24.

<sup>3</sup> Library and Records were moved from BAO to Admin Services in FY 2024-25.

<sup>4</sup> 45 positions are paused for FY 2025-26 & FY 2026-27.

## Valley Water Regular Position Trends, FY 2016-2027





# Financial Overview

## Salaries and Benefits

	Budgetary Basis Actual 2023-24		Adopted Budget 2024-25		Projected Year End 2024-25		Adopted Budget 2025-26		Proposed Plan 2026-27	
Salaries										
Salaries	\$	135,347,114	\$	150,627,470	\$	151,514,470	\$	150,330,252	\$	157,304,416
Overtime		5,175,110		3,949,212		3,949,212		4,292,067		4,427,364
Special Pays		1,118,812		1,101,549		1,101,549		1,119,099		1,164,099
Salary Savings		—		(3,791,164)		(3,791,164)		(2,519,774)		(2,635,247)
Total Salaries	\$	141,641,036	\$	151,887,067	\$	152,774,067	\$	153,221,644	\$	160,260,632
Benefits										
Fed & State Taxes	\$	2,107,126	\$	2,243,098	\$	2,243,098	\$	2,240,559	\$	2,341,684
Retirement Contributions		43,712,385		49,040,946		49,040,946		51,003,609		54,520,788
Group Ins-Active Employees		17,574,578		24,545,317		24,545,317		28,126,551		31,992,014
Group Ins-Retired Employees		14,570,695		14,812,769		14,812,769		14,964,100		15,313,900
Total Benefits	\$	77,964,784	\$	90,642,130	\$	90,642,130	\$	96,334,819	\$	104,168,386
Total Salary & Benefits	\$	219,605,820	\$	242,529,197	\$	243,416,197	\$	249,556,463	\$	264,429,018
Labor Hours										
	Budgetary Basis Actual 2023-24		Adopted Budget 2024-25		Projected Year End 2024-25		Adopted Budget 2025-26		Proposed Plan 2026-27	
Regular Hours		1,678,221		1,615,195		1,615,195		1,535,302		1,534,196
Overtime		52,382		31,861		31,861		34,820		34,585
Compensated Absences		291,450		306,101		306,101		293,330		294,436
Total Hours		2,022,053		1,953,157		1,953,157		1,863,452		1,863,217

# DEBT & INVESTMENTS

# Financial Overview

## Debt Service Overview

Provisions of the state constitution, laws, and various portions of Sections 14 and 25 of the District Act authorize the Board of Directors (Board) to incur short and long term debt under certain conditions and to issue bonds in a form designated by resolution of the Board, including designation of which participating watersheds are affected by the issuance of new debt. Sections 25.1 and 25.2 of District Act authorize the Board to issue revenue bonds for the Water Enterprise Fund. Valley Water's debt issuance practices are governed under the California Government and Water codes.

Valley Water may issue short term notes under the tax and revenue anticipation note statute included in the California Government Code (Sections 53850-53858). Under the tax and revenue anticipation note statute, Valley Water may issue notes for principal and interest which do not exceed 85% of the uncollected revenues of Valley Water on the date such notes are issued (and subject to certain other limitations including a 15-month maturity provision). Section 53851 provides that the tax and revenue anticipation note statute is a separate authority for Valley Water to issue notes and any amount borrowed under the tax and revenue anticipation note statute is not limited by any other provision of law.

On September 8, 2023, Governor Newsom signed into state law Assembly Bill 939, which made numerous changes to the District Act, including amending the limit on short-term debt Valley Water could issue without holding an election. Consistent with the California Constitution, Valley Water may issue short term debt (with maturities up to five years) that is payable in any fiscal year in an amount, when added to the interest thereon, not to exceed 85% of the estimated amount of revenues, charges, taxes, and assessments that will be available in that fiscal year for the payment of principal and interest on the debt.

## Board Policies - Executive Limitations

In addition to statutory requirements, the Board has adopted policies (Executive Limitations) related to debt:

EL-4.7 states that a Board Appointed Officer (BAO) shall: "Not indebted the organization, except as provided in the District Act, and in an amount greater than can be repaid by certain, otherwise unencumbered revenues within 90 days, or prior to the close of the fiscal year." Furthermore, the BAO shall:

- 4.7.1. Not issue debt (long or short-term obligations that are sold within the financial marketplace) that conflicts with the District Act or the legal authority of Valley Water, and without Board authorization;
- 4.7.2. Not issue debt without a demonstrated financial need;
- 4.7.3. Meet debt repayment schedules and covenants of bond documents;
- 4.7.4. Establish prudent Valley Water Debt Policies that are consistent with Board policies and provide guidance to employees in regards to administering the debt programs and agreements, including consideration for the appropriate level of debt for Valley Water to carry and structuring debt repayment to address intergenerational benefits;
- 4.7.5. Be consistent with Valley Water's Debt Policy and any addendums when issuing debt;
- 4.7.6. Maintain strong credit ratings and good investor relations;
- 4.7.7. Valley Water shall not do business with banks who do not have an Environmental, Social and Governance (ESG) ranking at or better than the "Average/Medium" category by at least one of the professional ESG research companies such as Sustainalytics, or other equivalent rankings published by other ESG research firms. Small and local banks/ credit unions located within the nine Bay Area counties with total assets at or below \$10 billion are exempt from this provision.

# Financial Overview

## Debt Policy

Valley Water proactively manages its outstanding liabilities to ensure access to the credit markets at the lowest available borrowing cost, to preserve strong credit standing with the municipal rating agencies, to fulfill its fiduciary responsibility to its customers, and to provide high quality water service, stream stewardship and flood protection at the lowest possible cost. Consistent with these commitments, Valley Water shall periodically review the cost of its outstanding liabilities for opportunities to appropriately reduce these costs through refinancing or restructuring. The CEO shall present the results of these periodic reviews to the Board of Directors.

Covenants and agreements related to outstanding Water Utility Certificates of Participation and Revenue Bonds are encompassed within the Parity Master Resolution adopted on February 23, 2016 (as amended from time to time). Water Utility coverage ratios required for debt service are set at a minimum of 1.25 times the annual debt service for parity lien debt. Valley Water is in compliance with all coverage ratio requirements for all outstanding debt. For additional information regarding Valley Water's debt policy, please visit <https://www.valleywater.org/how-we-operate/finance-budget/investor-relations>.

## Bond Ratings

The bond ratings for Valley Water's outstanding debt reflect high grade investment quality debt. They are based on Valley Water's positive fiscal policy and financial strengths. The bond ratings are either the highest for a water related governmental entity in the State of California or among the highest. Bonds issued at this credit rating result in lower interest rates and corresponding lower debt service payments.

## Outstanding Debt

Total debt includes Certificates of Participation (COPs), Commercial Paper, Revolving Line of Credit, Revenue Bonds, and WIFIA loans. Scheduled annual debt service for FY 2025-26 is approximately \$116.9 million including financing and legal fees. The WIFIA loans for the SCW program and Anderson Dam Seismic Retrofit Project have deferred interest payment that start in FY 2028 and FY 2030, respectively, and principal payments that are scheduled for FY 2049 through FY 2062. The WIFIA loans may be prepaid early without penalty, which will reduce total interest payments, with Board approval at any time.

Currently outstanding debt are summarized below:

- Watersheds fund: Series 2017A COPs with a final maturity of 2030. Debt service for these COPs is paid via benefit assessments, which are collected based on 125% of the annual debt service.
- Safe Clean Water fund: (1) Series 2022A Refunding Revenue bonds with a final maturity of 2049; (2) Series 2022B Revenue COPs with a final maturity of 2026; and (3) WIFIA loan (N21116CA) with a final maturity of 8/1/2061.
- Water Utility fund: (1) Water System Refunding Revenue Bonds Series 2016A/B with a final maturity of 2046, the Revenue COP Series 2016C/D with a final maturity of 2029; (2) Water System Refunding Revenue Bonds Series 2017A with a final maturity of 2037; (3) Water System Refunding Revenue Bonds Series 2019A/B with a final maturity of 2049, and Series 2019C with a final maturity of 2036; (4) Water System Refunding Revenue Bonds Series 2020A/B with a final maturity of 2050, and the Revenue COP Series 2020C/D with a final maturity of 2041; (5) Water System Refunding Revenue Bonds Series 2023A/B with a final maturity of 2052, and the Revenue COP Series 2023C-1 with a final maturity of 2026, Series 2023C-2 with a final maturity of 2041, and Series 2023D with a final maturity of 2026; (6) Water System Refunding Revenue Bonds Series 2024A-1/B-1 with a final maturity of 2054, the Refunding Revenue Notes Series 2024A-2 and B-2 with a final maturity of 2026, and the Revenue Bonds Series 2024C with a final maturity of 2038; (7) Commercial Paper Certificates; (8) Revolving Line of Credit which are secured by Tax and Revenue Anticipation Notes that are subject to annual reauthorization by the Valley Water Board; and (9) WIFIA loan (N22115CA) with a final maturity of 6/1/2059.

## Financial Overview

On February 14, 2023, Valley Water executed two Water Infrastructure Finance and Innovation Act (WIFIA) Master Agreements (WMA) with the U.S. Environmental Protection Agency (EPA) to provide up to \$580 million of WIFIA loan capacity to fund the Anderson Dam Seismic Retrofit and Coyote Percolation Dam projects and up to \$147 million of WIFIA loan capacity to fund the Coyote Creek, Sunnyvale East and West Channels, and Upper Penitencia Creek flood protection projects. The initial loan for the Safe Clean Water program was executed on February 14, 2023 for \$41 million at 3.77% interest rate to fund the planning and design costs for the eligible projects as well as construction costs for the Sunnyvale East and West Channels project. The initial loan for the Anderson Dam and Coyote Percolation Dam projects was executed on February 14, 2023 for \$74 million at 3.77% interest rate to fund the planning and design costs.

On October 30, 2023, Valley Water executed a third WIFIA Master Agreement with the EPA to provide up to \$1.45 billion of WIFIA loan capacity to fund the Pacheco Reservoir Expansion Project. The initial loan for the Pacheco project was executed on October 30, 2023, for \$92 million at 5.08% interest rate to fund the planning and design costs.

Valley Water has begun drawing on the WIFIA loans for the Anderson Dam Seismic Retrofit Project and the SCW projects in FY 2025. No WIFIA loans have been drawn for the Pacheco Reservoir Expansion Project in FY 2025.

### Planned Issuances

Valley Water is planning the issuance of debt to finance the Safe, Clean Water program and the Water Utility Enterprise to finance the long-term capital improvement plan. The source of debt service repayment for the Safe, Clean Water program will be the special parcel tax initially approved by Santa Clara County voters in the November 6, 2012 election and renewed in the November 3, 2020 election. Debt service for the Water Utility Enterprise is paid from water revenues. Bond covenants stipulate that Valley Water must maintain a minimum 1.25 debt service coverage ratio on all parity bonds. Based on the financial models from the Water Utility Enterprise Finance organization, the projected debt service coverage ratios are as follows:

- FY 2025-26: 2.04
- FY 2026-27: 2.14
- FY 2027-28: 2.13
- FY 2028-29: 2.21
- FY 2029-30: 2.33

(Source: FY 2025-26 Annual Report on the Protection and Augmentation of Water Supplies)

### Investment Portfolio

Valley Water's investment portfolio is invested with the following three priorities in mind: safety, liquidity, and yield. Safeguarding taxpayers' money and ensuring that Valley Water has funds available when needed to meet expenditures are the two most important goals. Once those goals are satisfied, Valley Water strives to earn a market rate of return on its investments. About 60% of the portfolio is invested in government securities, such as federal agency notes and US treasury notes. The remaining 40% of the portfolio is invested in instruments of the highest credit quality and in highly liquid instruments such as the Local Agency Investment Fund, money market mutual funds and Certificates of Deposit, as well as supranational/corporate medium-term notes.

The investment holdings are reviewed for compliance with Valley Water's investment policy and California State Government Code by accounting staff on a monthly basis, and by the Valley Water's independent auditor on an annual basis. In addition, Valley Water's investment committee holds meetings at least quarterly to review the portfolio performance.

## Financial Overview

In addition to statutory requirements, the Board has adopted policies (Executive Limitations or EL) related to investment:

EL-4.9 states that a Board Appointed Officer (BAO) shall:

- Not invest or hold funds of Valley Water in accounts or instruments that are inconsistent with the following statement of investment policies:
- 4.9.1. Public funds not needed for the immediate necessities of Valley Water should, to the extent reasonably possible, be prudently invested or deposited to produce revenue for Valley Water consistent with the Board Investment Policy and applicable law.
- 4.9.2. The Treasurer or his or her designee shall submit quarterly investment reports to the Board as specified under Government Code Section 53646.
- 4.9.3. No investments will be made in fossil fuel companies with significant carbon emissions potential.

### Bond Ratings

	Water Utility Parity Debt	Watershed Debt	Safe Clean Water Debt	WIFIA Debt
Moody's	Aa1	Aa1	Aa1	N/A
Standard & Poor's	N/A	AAA	N/A	N/A
Fitch	AA+	AA+	AA+	AA+

# Financial Overview

## Status of Bonded Indebtedness, Certificates of Participation, and Commercial Paper<sup>(1)</sup>

				Outstanding	2025-2026 Debt Service Payments		
	Total Amount Sold	Date of Issue	True Interest Cost	as of 6/30/25	Principal	Interest	Total
<b><u>Watersheds Indebtedness</u></b>							
2017A COPs	\$59,390,000	3/7/2017	2.56%	\$24,940,000	\$4,515,000	\$1,247,000	\$5,762,000
2022A Safe, Clean Water Revenue Bonds	75,295,000	12/6/2022	4.13%	72,920,000	1,530,000	3,607,750	5,137,750
2022B Safe, Clean Water COPs	46,445,000	12/6/2022	3.01%	46,445,000	-	-	-
Short-Term Debt (est.) <sup>(2)</sup>	50,000,000	various	variable	50,000,000	-	6,719,000	6,719,000
SCW WIFIA Loan (21116CA) <sup>(3)</sup>	<u>7,930,825</u>	2/14/2023	3.77%	<u>7,930,825</u>	-	-	-
<b>Total Watersheds</b>	239,060,825			202,235,825	6,045,000	11,573,750	17,618,750
<b><u>Water Utility Indebtedness</u></b>							
2016 Water Utility Refunding Revenue Bonds							
Series A	106,315,000	3/30/2016	3.25%	106,315,000	-	5,315,750	5,315,750
Series B - taxable	<u>75,215,000</u>	3/30/2016	4.32%	<u>75,215,000</u>	-	3,229,621	<u>3,229,621</u>
Subtotal	181,530,000			181,530,000	-	8,545,371	8,545,371
2016 Water Utility Certificates of Participation							
Series C	43,075,000	3/30/2016	2.13%	17,060,000	4,035,000	853,000	4,888,000
Series D- taxable	<u>54,970,000</u>	3/30/2016	3.14%	<u>21,385,000</u>	5,060,000	740,452	<u>5,800,452</u>
Subtotal	98,045,000			38,445,000	9,095,000	1,593,452	10,688,452
2017 Water Utility Refunding Revenue Bonds							
Series A	54,710,000	5/2/2017	3.13%	39,255,000	2,440,000	1,962,750	4,402,750
2019 Water Utility Refunding Revenue Bonds							
Series A	15,225,000	4/25/2019	3.75%	13,665,000	305,000	683,250	988,250
Series B - taxable	80,030,000	4/25/2019	3.81%	69,635,000	1,895,000	2,609,160	4,504,160
Series C - taxable	<u>38,280,000</u>	11/26/2019	2.76%	<u>26,345,000</u>	2,245,000	710,363	<u>2,955,363</u>
Subtotal	133,535,000			109,645,000	4,445,000	4,002,772	8,447,772
2020 Water Utility Refunding Revenue Bonds							
Series A	24,120,000	10/14/2020	3.33%	24,120,000	-	1,206,000	1,206,000
Series B - taxable	<u>68,530,000</u>	10/14/2020	2.98%	<u>68,530,000</u>	-	2,033,285	<u>2,033,285</u>
Subtotal	92,650,000			92,650,000	-	3,239,285	3,239,285
2020 Water Utility Certificates of Participation							
Series C	38,360,000	10/14/2020	2.07%	34,820,000	1,830,000	1,741,000	3,571,000
Series D - taxable	<u>75,020,000</u>	10/14/2020	2.20%	<u>68,215,000</u>	3,510,000	1,428,250	<u>4,938,250</u>
Subtotal	113,380,000			103,035,000	5,340,000	3,169,250	8,509,250

# Financial Overview

## Status of Bonded Indebtedness, Certificates of Participation, and Commercial Paper<sup>(1)</sup>

				Outstanding	2025-2026 Debt Service Payments		
	Total Amount Sold	Date of Issue	True Interest Cost	as of 6/30/25	Principal	Interest	Total
2023 Water Utility Refunding Revenue Bonds							
Series A	52,090,000	1/19/2023	4.19%	52,090,000	-	2,604,500	2,604,500
Series B - taxable	69,045,000	1/19/2023	5.11%	66,640,000	1,280,000	3,250,304	4,530,304
2023 Water Utility Certificates of Participation							
Series C1	117,365,000	1/19/2023	2.35%	64,185,000	-	-	-
Series C2	42,285,000	1/19/2023	3.22%	39,150,000	1,655,000	1,957,500	3,612,500
Series D- taxable	62,615,000	1/19/2023	4.33%	37,495,000	-	-	-
Subtotal	343,400,000			259,560,000	2,935,000	7,812,304	10,747,304
2024 Water Utility Revenue Bonds							
Series A-1	104,765,000	9/24/2024	4.10%	104,765,000	-	5,238,250	5,238,250
Series B-1 taxable	90,500,000	9/24/2024	4.80%	87,385,000	-	4,065,673	4,065,673
Series A-2	50,590,000	9/24/2024	2.49%	50,590,000	-	2,529,500	2,529,500
Series B-2 taxable	25,025,000	9/24/2024	4.25%	25,025,000	-	970,970	970,970
Series C	43,155,000	9/24/2024	2.73%	41,265,000	2,330,000	2,063,250	4,393,250
Subtotal	314,035,000			309,030,000	2,330,000	14,867,643	17,197,643
2025 Water Utility Revenue Bonds (est.) <sup>(5)</sup>							
Series A	TBD	TBD	TBD	-	1,625,000	6,242,958	7,867,958
Series B - taxable	TBD	TBD	TBD	-	955,000	6,674,208	7,629,208
Subtotal	TBD			-	2,580,000	12,917,165	15,497,165
Short-Term Debt (est.) <sup>(2)</sup>	150,310,000	various	variable	150,310,000	-	6,616,000	6,616,000
WU WIFIA Loan (22115CA Anderson) <sup>(4)</sup>	32,218,070	2/14/2023	3.77%	32,218,070	-	-	-
Total Water	1,513,813,070			1,315,678,070	29,165,000	64,725,991	93,890,991
Combined	\$1,752,873,895			\$1,517,913,895	\$35,210,000	\$76,299,741	\$111,509,741

<sup>(1)</sup> Annual debt service payments reflect principal and interest only and exclude fees.

<sup>(2)</sup> Short-term debt incurs variable rates that are subject to change pending actual market conditions at time of issuance.

<sup>(3)</sup> SCW WIFIA Loan interest payment is deferred to 2/1/2028 and principal payment is deferred to 8/1/2050

<sup>(4)</sup> WU WIFIA Loan interest payment is deferred to 12/1/2029 and principal payment is deferred to 6/1/2049

<sup>(5)</sup> The debt service payments for the 2025 WU Revenue Bonds are estimates, pending sale anticipated in September 2025.



# Financial Overview

## Debt Service Payment Schedule

	Principal	Interest <sup>(1)</sup>	Total
<b>Watersheds Certificates of Participation/Safe, Clean Water Revenue Bonds<sup>(2)</sup></b>			
2025/26	\$ 6,045,000	\$ 4,854,750	\$ 10,899,750
2026/27	6,345,000	9,306,690	15,651,690
2027/28	8,645,000	17,386,708	26,031,708
2028/29	36,700,000	19,708,926	56,408,926
2029/30 and thereafter	387,794,116	279,906,111	667,700,227
<b>Total</b>	<b>\$ 445,529,116</b>	<b>\$ 331,163,186</b>	<b>\$ 776,692,301</b>
<b>Water Utility Revenue Bonds / Certificates of Participation<sup>(2)</sup></b>			
2025/26	\$ 29,165,000	\$ 58,109,991	\$ 87,274,991
2026/27	36,160,000	69,561,040	105,721,040
2027/28	38,620,000	66,869,667	105,489,667
2028/29	40,215,000	62,562,815	102,777,815
2029/30 and thereafter	1,503,497,987	1,087,963,597	2,591,461,584
<b>Total</b>	<b>\$ 1,647,657,987</b>	<b>\$ 1,345,067,111</b>	<b>\$ 2,992,725,098</b>
<b>Commercial Paper</b>			
2025/26	\$ -	\$ 13,335,000	\$ 13,335,000
2026/27	-	10,249,827	10,249,827
2027/28	-	8,928,000	8,928,000
2028/29	-	6,076,000	6,076,000
2029/30 and thereafter	-	85,984,000	85,984,000
<b>Total</b>	<b>\$ -</b>	<b>\$ 124,572,827</b>	<b>\$ 124,572,827</b>
<b>WIFIA Loans <sup>(3)</sup></b>			
2027/28	-	149,496	149,496
2028/29	-	149,496	149,496
2029/30 and thereafter	40,148,895	39,167,480	<u>79,316,375</u>
<b>Total</b>	<b>\$ 40,148,895</b>	<b>\$ 39,466,472</b>	<b>\$ 79,615,367</b>
<b>Total All Outstanding Debt</b>			
2025/26	\$ 35,210,000	\$ 76,299,741	\$ 111,509,741
2026/27	42,505,000	89,117,557	131,622,557
2027/28	47,265,000	93,333,872	140,598,872
2028/29	76,915,000	88,497,237	165,412,237
2029/30 and thereafter	1,931,440,998	1,493,021,188	3,424,462,186
<b>Total</b>	<b>\$ 2,133,335,998</b>	<b>\$ 1,840,269,596</b>	<b>\$ 3,973,605,593</b>

<sup>(1)</sup> Annual debt service payments reflect principal and interest only and exclude fees.

<sup>(2)</sup> Includes projected principal and interest payments for the anticipated debt issuances for FY 2026 and FY 2027 and WIFIA loans for both Safe Clean Water and Water Utility Funds

<sup>(3)</sup> WIFIA debt service payments based on the amortization schedules for draw #2 in March 2025.

## Financial Overview

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# RESERVE POLICY AND FUND BALANCES

# Financial Overview

## Valley Water Reserve Policy

Valley Water's Reserve Policy is reviewed annually with the Board of Directors pursuant to Executive Limitation 4.6 – Financial Planning and Budgeting – “At least annually present the Board with information about Valley Water's financial reserves and schedule an opportunity for the public to comment thereon.”

The Governmental Accounting Standards Board (GASB) 54 statement, issued in March 2009, required that governmental agencies adopt new standards of reporting fund balance no later than the first fiscal year beginning after June 15, 2010. While the GASB 54 requirement was specifically issued for governmental type funds, Valley Water, under its conservative and prudent fiscal policy, extended the requirement to include the enterprise and internal service funds (Water Utility Enterprise, State Water Project, Fleet Management, Information Technology, and Risk Management).

Key objectives of prudent financial planning are to ensure sufficient resources for current services and obligations, and to prepare for future anticipated funding requirements and unforeseen events. To meet these objectives, Valley Water will strive to have sufficient funding available to meet its operating, capital, and debt service cost obligations. Reserve funds will be accumulated and managed in a manner that allows Valley Water to fund expenditures consistent with the Capital Improvement Program, Water Supply Master Plan, and long-range financial plans while avoiding significant water charge fluctuations due to changes in cash flow requirements. Valley Water will also maintain a cash reserve position that may be utilized to fund unexpected fluctuations in revenues and operating/capital expenditures.

Reserve levels and reserve policies are reviewed annually with the Board of Directors during budget deliberations.

## Definitions

According to a GASB 54 statement issued in March 2009, the following are categories for reporting of fund balances depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- A. Restricted fund balance** – these are externally imposed legal restrictions or amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- B. Committed fund balance** – these are self-imposed limitations or amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- C. Assigned fund balance** – these are amounts that a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- D. Non-spendable fund balance** – these are amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund). NOTE: For the purpose of this reserve policy, only the spendable fund balances are considered.
- E. Unassigned fund balance** – these are amounts that are residual resources which have not been restricted, committed, or assigned. NOTE: by policy, fund balances which are not restricted or assigned are committed for fiscal transparency.

# Financial Overview

Valley Water reserves are composed of Restricted Fund Balance reserves, Committed Fund Balance reserves and Assigned Fund Balance reserves. Within these categories are budgeted reserves and special purpose reserves which are defined as follows:

- **Budgeted Reserves** – Budgeted reserves may vary from those of the Annual Comprehensive Financial Report (ACFR) where it is appropriate to recognize actual cash transactions that are recorded in the ACFR as liabilities. Such adjustments include recognizing inter-fund loans, debt financing, and certain accruals as funding sources available for appropriation or as funding uses that reduce funds available for other purposes. These adjustments must be annually reconciled to the audited ACFR.
- **Special Purpose Reserves, Water Utility Enterprise Fund** – These reserves are per the Parity Master Resolution, which allows establishment of special purpose reserves by District Board Resolution. Amounts in the Special Purpose Reserves may be used to offset extraordinary expenses and to supplement Valley Water revenues to meet debt service coverage requirements. Special purpose reserves are restricted per debt financing agreements which are in accordance with bond covenants.

## A. Restricted Reserves

### 1. Debt Service Reserve

These reserves were established for various bond issuances. The funds are not available for general needs of Valley Water and must be maintained as dictated in the bond covenants of the various issuances. Not all bond issuances may have all of the following reserves, but the primary debt reserves are Debt Service Reserve Fund (to fund payments should Valley Water not be able to make debt service payments due to cash shortfalls), Arbitrage Rebate (to accumulate funds to offset the potential liability from excess earnings) and Debt Service Payment Fund (a pass-through reserve for initiating debt service payments).

### 2. Debt Proceeds Reserve

Bond covenants prescribe the use of debt financing proceeds. Debt proceeds typically fund capital projects as described in various bond issues. Debt proceeds, however, are not claimed until project expenses are incurred. Unclaimed debt proceeds are held in trust and identified in Debt Proceeds Reserves.

### 3. Rate Stabilization Reserve for Bond Covenant – Water Utility Enterprise Fund

The Parity Master Resolution for the Water Utility Enterprise requires the provision of a Rate Stabilization Reserve to offset expenses and revenue shortfalls, and to supplement Valley Water revenues to meet debt service coverage requirements. The minimum funding level is 10% of annual debt service due on all senior and parity obligations plus one month of adopted budget operations outlays. The specific level is to be financially prudent and based on reasonably anticipated needs.

# Financial Overview

## A. Restricted Reserves (Continued)

### 4. Guiding Principle #5 (GP5) Reserve – Water Utility Enterprise Fund

In May 2018, the Board of Directors approved a resolution establishing Guiding Principle 5, GP5 – Equity and Costs are Important, was established to allow certain communities/agencies to receive Valley Water contributions in the form of additional, incremental, dedicated and segregated funds exclusively for water conservation programs, recycled water, purified water, wastewater treatment plant updates, automatic meter infrastructure (AMI) updates or dedicated environmental focused grants. The funding is limited to FY 2019 through FY 2024, subject to 20% matching funds from the communities receiving Valley Water contributions and is limited to communities/agencies that currently pay State Water Project tax but receive an average of 85% of their water supply from non-District managed supplies. Valley Water's contributions shall not exceed the State Water Project taxes paid by these communities/agencies. If an eligible agency had not gained Valley Water approval for a project by June 30, 2024, the dedicated, segregated funds would go back to Valley Water by FY 2026.

The GP5 reserve was established in FY 2019-20 as a sub-category of the Rate Stabilization Fund to set aside the unspent/unencumbered balances beginning in FY 2018-19 and subsequent years. Funds in this reserve, including interest earned, are to reimburse eligible GP5 expenditures through the completion of each agreement.

### 5. San Felipe Emergency Reserve – Water Utility Enterprise Fund

This special purpose reserve is required by Valley Water contractual obligations with the U.S. Bureau of Reclamation for the operation and maintenance of the San Felipe Division of the Central Valley Project. The purpose of the reserve is to provide resources for unusual operation and maintenance costs incurred during periods of special stress caused by damaging droughts, storms, earthquakes, floods, or emergencies threatening or causing interruption of water service.

Use of this reserve requires authorization by the U.S. Department of the Interior. Per contract, the funding level was accumulated in annual deposits of \$200,000 until the reserve totaled \$1.75 million, after which interest earned on the reserve is deposited annually.

### 6. Silicon Valley Advanced Water Purification Center (SVAWPC) Reserve – Water Utility Enterprise Fund

This special purpose reserve serves as a fund for replacement of micro filtration modules, reverse osmosis elements, and ultraviolet lamps at the Silicon Valley Advanced Water Purification Center (SVAWPC). Per the Recycled Water Facilities and Programs Integration Agreement between the City of San Jose and the Santa Clara Valley Water District dated March 2010, the annual contribution to the reserve may be up to \$810,000 starting in FY 2009-10 and adjusted annually by 3% for inflation, thereafter, until such time that the reserve reaches the reserve cap. The reserve cap was set in FY 2013-14 at \$2.6 million and is to be adjusted by 3% for inflation annually thereafter. The reserve cap is based on a five-year replacement schedule for the micro filtration modules and reverse osmosis elements. The specific level of this reserve is to be set based on reasonably anticipated needs and uses. The reserve will sunset once the funds are fully expended, which is currently anticipated in FY 2025-26.

### 7. Supplemental Water Supply Reserve – Water Utility Enterprise Fund

This special purpose reserve funds water banking activities, transfers, and exchanges necessary to augment supplies during water shortages and to sell or bank unused supplies when water resources are available. The minimum funding level is set at 20%-50% of the annual imported water purchases budget based on prudent projections of hydrology, Delta conditions, and the water market.

# Financial Overview

## A. Restricted Reserves (Continued)

### 8. Drought Reserve – Water Utility Enterprise Fund

This special purpose reserve funds drought response costs necessary to protect the residents, industry, and riparian ecosystems of Santa Clara County, and to minimize water charge impacts during a drought emergency (as determined by the Board). To minimize water rate impacts, this reserve may be funded by Board direction to allocate actual surplus revenue that may have occurred during the prior year. Surplus revenue is defined as the positive difference between actual Water Utility operating revenue and budgeted Water Utility operating revenue. This reserve may also be funded by planned appropriations, which would be paid for by water rates and approved by the Board during annual water rate adoption. Drought response costs may include but not be limited to water purchases and exchanges; special studies or system improvements related to delivery of water purchases; incremental conservation activities; and accelerated or opportunistic operations and maintenance activities spurred by the drought. The maximum funding level is set at 10% of adopted budget operating outlays.

### 9. State Water Project Tax Reserve – Water Utility Enterprise Fund

The purpose of the State Water Project Tax Reserve is to accumulate unspent funds for voter-approved State Water Project contract obligations. Funds accumulated in this reserve will be available to support State Water Project contract obligations in subsequent years.

### 10. Currently Authorized Projects Reserve – Voter Approved Safe, Clean Water Fund

This reserve is designated to fund those capital projects that are included in the annually adopted 5-Year Capital Improvement Program (CIP) and which have had funding appropriated by the Board in prior years. The amount of this reserve for each fund at the end of each fiscal year shall be based on the accumulated unexpended and unencumbered balances of Board-approved capital project appropriations remaining at the end of each fiscal year.

A portion of this reserve is re-appropriated at the beginning of the new fiscal year consistent with capital appropriations included in the CIP to provide funding in that fiscal year. The remaining authorized project reserve is available for future budget adjustments for the respective appropriations; after a capital project is closed, the remaining authorized project reserves are moved to the operating and capital reserve balance.

### 11. Encumbrance Reserves – Voter Approved Safe, Clean Water Fund and State Water Project Fund

This reserve represents the balance of outstanding encumbrances (contractual commitments) at year end, for which the goods or services have not been received. The reserved balance is available for subsequent year expenditures based on the encumbered appropriation authority carried over to the next fiscal year. The funding level of this reserve will be adjusted annually, at year-end, based on the remaining balance of encumbrances still outstanding as of the end of the fiscal year.

### 12. Operating and Capital Reserve – Voter Approved Safe, Clean Water Fund

This reserve ensures adequate working capital for cash flow needs and provides a funding source for operating and capital needs that arise during the year. The funding level is a minimum of 50% of adopted budget operations outlays. The minimum level includes remaining available resources after the needs of all other reserves have been met. The specific level of this reserve is to be set based on reasonably anticipated needs.

# Financial Overview

## A. Restricted Reserves (Continued)

### 13. Safe, Clean Water (SCW) Rate Stabilization Reserve – Voter Approved Safe, Clean Water Fund

The SCW Rate Stabilization Reserve is required to offset timing differences between expenses and collection of the SCW special parcel tax to meet debt service coverage requirements. There is no minimum funding requirement for this reserve. The specific level is to be financially prudent and based on reasonably anticipated needs. The annual amount to contribute or withdraw will be determined as financial conditions warrant and as approved by the Valley Water Board of Directors.

### 14. Contingency Reserve – Voter Approved Safe, Clean Water Fund

The Contingency Reserve for the Safe, Clean Water Fund is established and maintained as financial or other business conditions warrant. Funds accumulated in this reserve are used to ensure that Valley Water delivers on the commitments made in the November 2020 ballot. There is no minimum funding requirement for this reserve. The specific level is to be financially prudent and based on reasonably anticipated needs. The annual amount to contribute or withdraw will be determined as financial or other business conditions warrant and as approved by the Valley Water Board of Directors.

## B. Committed Reserves

### 1. Liability/Workers' Compensation Self-Insurance Reserve – Risk Management Fund

The Liability/Workers' Compensation Self-Insurance Reserve is to ensure that Valley Water's self-insurance programs have adequate resources for general liability and workers' compensation ultimate payouts for both known and incurred but not reported claims.

Additionally, because of Valley Water's high self-insured retention, and low claims volume, it also provides for reserve funds to cover one large liability loss which would otherwise virtually deplete existing reserves. The reserve is based on independent actuarial evaluations conducted bi-annually for general liability and workers' compensation programs. The reserve level is set each year based on the actuarially determined confidence level for total claims liabilities discounted to present value. The reserve is intended to be used for claim payouts greater than those budgeted.

The Board of Directors approved funding of the Workers' Compensation Reserve at 90 percent actuarial confidence level and funding of the General Liability Reserve at 90 percent confidence level at the April 28, 2009, board meeting.

### 2. Property Self-Insurance/Catastrophic Reserve – Risk Management Fund

The Property Self-Insurance/Catastrophic Reserve purposes are to provide for uninsured property losses to Valley Water facilities such as pipelines and levees and provide sufficient funds to initiate repair and recovery of damage to Valley Water facilities in advance of FEMA activation and reimbursement. The reserve may be used to pay for uninsured/uninsurable property losses which would adversely impact Valley Water operations and/or to cover all or a portion of District-paid expenses necessary to initiate immediate service restoration efforts. It is anticipated that in most cases, the reserves would be replenished from later reimbursement by FEMA for costs initially paid from this reserve. The reserve funding level is a minimum of \$5 million adjusted for outstanding reimbursements.

When this reserve is used, the corresponding reimbursements are deposited in the Risk Management Fund to replenish the reserve directly or through subsequent adjustments to intra-district Risk Management Fund charges.



# Financial Overview

## B. Committed Reserves (Continued)

### 3. Excess ERAF Contingency Reserve

The Excess ERAF Contingency Reserve sets aside 22% of Valley Water's Excess Educational Revenue Augmentation Fund (ERAF) receipts from FY 2020-21 to FY 2023-24, 20% of receipts in FY 2024-25, and 18% thereafter, in anticipation of a repayment to the state. This is a result of the State of California Proposed FY 2024-25 Budget which retroactively amends the current calculation of the disbursement of Excess ERAF funds to also include Charter Schools, reducing the amount of funds returned to agencies in five counties (Marin, San Francisco, Santa Clara, San Mateo, and Napa), including Valley Water. Santa Clara County and Marin County have filed lawsuits to attempt to block these changes. If successful, the reserve funds will not have to be repaid and will remain with Valley Water. If the lawsuits are not successful, and the state budget proposal is approved, then Valley Water must refund the reserved funds. This reserve will no longer be necessary after a favorable ruling or the repayment to the state, contingent on the outcome of the pending litigation.

### 4. Floating Rate Debt Payment Stabilization Reserve – Water Utility Enterprise Fund

This reserve is intended to stabilize the debt service payments on floating rate debt which by its nature fluctuates constantly. This reserve will be for long-term floating rate debt and not short-term floating rate debt (i.e., commercial paper). The reserve may be funded at 10% of the floating rate debt service interest payment. The maximum amount is no more than 20% of total floating rate debt service interest payments for a fiscal year. Excess funds over 20% will be used to pay down floating rate debt when advisable (i.e., based on market conditions, future issuance plans, etc.). There is no minimum funding requirement for this reserve. Should payments for floating rate interest in a given fiscal year exceed budgeted amounts, this reserve will be drawn down to provide stabilization of debt service interest payments.

### 5. Operating & Capital Reserve – except for Safe, Clean Water Fund

These reserves serve several purposes: to ensure adequate working capital for cash flow needs; to provide a funding source for operating and capital needs that arise during the year and, in the case of the water utility, to protect against revenue shortage caused by unusually wet years. The funding level for the Water Utility is a minimum of 15% of adopted budget operations outlays and a minimum of 50% for the Watershed Funds. For the General Fund and Internal Service Funds, the funding level is a minimum of 5% of total adopted budget operations outlays. The minimum level for each fund includes remaining available resources after the needs of all other reserves within those funds have been met. The reserve level is to be set based on reasonably anticipated needs.

### 6. Currently Authorized Projects Reserve – except for Safe, Clean Water Fund

These reserves are designated to fund those capital projects that are included in the annually adopted 5-Year Capital Improvement Program (CIP) and which have had funding appropriated by the Board in prior years. The amount of these reserves for each fund at the end of each fiscal year shall be based on the accumulated unexpended and unencumbered balances of Board approved capital project appropriations remaining at the end of each fiscal year.

A portion of this reserve is re-appropriated at the beginning of the new fiscal year consistent with capital appropriations included in the CIP to provide funding in that fiscal year. The remaining authorized project reserve is available for future budget adjustments for the respective appropriations; after a capital project is closed, the remaining authorized project reserves are moved to the operating and capital reserve balance.

# Financial Overview

## C. Assigned Reserves

### 1. Encumbrance Reserves – except for Safe, Clean Water Fund and State Water Project Fund

These reserves represent the balance of outstanding encumbrances (contractual commitments) at year-end, for which the goods or services have not been received. The reserved balance is available for subsequent year expenditures based on the encumbered appropriation authority carried over to the next fiscal year. The funding level of these reserves will be adjusted annually, at year-end, based on the remaining balance of encumbrances still outstanding as of the end of the fiscal year.

### 2. Market Valuation Reserves

These reserves for market valuation represent the increase/gain (only) in the market value of Valley Water's pooled investments as of the end of the fiscal year as a result of its compliance with the provisions of Government Accounting Standard Board Statement No. 31 (GASB 31), Accounting and Financial Reporting for Certain Investments and for External Investment Pools. GASB 31 requires Valley Water to report investments at fair market value in the Statement of Net Assets, the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Due to this requirement, investment income must be adjusted to reflect the fair value change from one fiscal year to the next fiscal year. However, Valley Water's investment policy dictates a buy-and-hold strategy in which, with very few exceptions, Valley Water holds all securities to their maturity, thereby not incurring any loss or gain that could impact the size and yield of the investment portfolio. These reserves do not represent cash available for appropriation and were established to ensure that the increase in the investment value does not result in an overstatement of funding available for expenditure.

# Financial Overview

## Reserve Schedule

	Estimated Balances				
	Year-End 2023-24	Adopted 2024-25	Projected YE 2024-25	Adopted Budget 2025-26	Proposed Plan 2026-27
<b>Governmental Funds</b>					
<b>GENERAL FUND</b>					
<b>Committed Reserves</b>					
Excess ERAF Contingency Reserve	\$ -	\$ 666,631	\$ 565,224	\$ 694,104	\$ 822,984
Operating & Capital Reserve	21,785,605	14,113,585	19,223,235	18,994,571	17,517,197
Currently Authorized Projects Reserve***	4,118,943	-	4,491,484	-	-
<b>Total General Fund Reserves</b>	<b>\$ 25,904,548</b>	<b>\$ 14,780,216</b>	<b>\$ 24,279,943</b>	<b>\$ 19,688,675</b>	<b>\$ 18,340,181</b>
<b>SPECIAL REVENUE FUNDS (WATERSHEDS)</b>					
<b>Restricted Reserves</b>					
SCW Rate Stabilization Reserve	\$ 25,000,000	\$ 25,000,000	\$ 25,000,000	\$ 25,000,000	\$ 25,000,000
SCW Contingency Reserve	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
SCW Operating & Capital Reserve	49,575,332	59,517,635	28,244,554	76,463,210	59,622,776
SCW Currently Authorized Projects Reserve***	112,252,107	25,336,118	141,916,731	71,376,703	61,401,092
<b>Total Restricted Reserves</b>	<b>\$ 191,827,439</b>	<b>\$ 114,853,753</b>	<b>\$ 200,161,285</b>	<b>\$ 177,839,913</b>	<b>\$ 151,023,869</b>
<b>Committed Reserves</b>					
Excess ERAF Contingency Reserve	\$ -	\$ 5,605,897	\$ 4,752,110	\$ 5,836,610	\$ 6,921,290
Operating & Capital Reserve	139,225,177	145,010,893	143,822,030	154,256,929	157,960,529
Currently Authorized Projects***	11,360,020	33,303	5,508,140	1,029,024	-
<b>Total Committed Reserves</b>	<b>\$ 150,585,197</b>	<b>\$ 150,650,093</b>	<b>\$ 154,082,280</b>	<b>\$ 161,122,563</b>	<b>\$ 164,881,819</b>
<b>Total Special Revenue Funds Reserves</b>	<b>\$ 342,412,636</b>	<b>\$ 265,503,846</b>	<b>\$ 354,243,565</b>	<b>\$ 338,962,475</b>	<b>\$ 315,905,687</b>
<b>Total Governmental Funds</b>	<b>\$ 368,317,184</b>	<b>\$ 280,284,062</b>	<b>\$ 378,523,508</b>	<b>\$ 358,651,150</b>	<b>\$ 334,245,868</b>
<b>Proprietary Funds</b>					
<b>WATER ENTERPRISE &amp; STATE WATER PROJECT FUNDS</b>					
<b>Restricted Reserves</b>					
WUE Rate Stabilization Reserve	\$ 6,066,971	\$ 19,996,328	\$ 20,571,906	\$ 40,504,668	\$ 44,725,459
WUE San Felipe Emergency Reserve	3,651,454	3,580,832	3,701,454	3,751,454	3,801,454
WUE State Water Project Tax Reserve	17,693,556	8,973,390	15,131,486	11,591,690	6,424,905
WUE Supplemental Water Supply Reserve	5,277,000	5,277,000	5,277,000	8,677,000	12,077,000
WUE SVAWPC Reserve	1,292,735	-	-	-	-
WUE Drought Reserve	-	-	-	1,000,000	4,000,000
WUE Guiding Principle #5 (GP5) Reserve	25,813,404	-	-	-	-
<b>Total Restricted Reserves</b>	<b>\$ 59,795,120</b>	<b>\$ 37,827,550</b>	<b>\$ 44,681,846</b>	<b>\$ 65,524,812</b>	<b>\$ 71,028,818</b>
<b>Committed Reserves</b>					
WUE San Jose Water Purification Reserve	1,000,000	-	-	-	-
Excess ERAF Contingency Reserve	\$ -	\$ 589,988	\$ 500,893	\$ 615,193	\$ 729,493
Operating & Capital Reserve	82,663,857	62,727,361	85,193,063	74,567,165	92,899,438
Currently Authorized Projects Reserve***	97,080,427	9,770,707	80,569,594	17,666,735	14,844,076
<b>Total Committed Reserves</b>	<b>\$ 180,744,284</b>	<b>\$ 73,088,056</b>	<b>\$ 166,263,550</b>	<b>\$ 92,849,093</b>	<b>\$ 108,473,007</b>
<b>Total Water Enterprise Funds Reserves</b>	<b>\$ 240,539,404</b>	<b>\$ 110,915,606</b>	<b>\$ 210,945,396</b>	<b>\$ 158,373,906</b>	<b>\$ 179,501,825</b>

# Financial Overview

## Reserve Schedule

	Estimated Balances				
	Year-End	Adopted	Projected YE	Adopted	Proposed
	2023-24	2024-25	2024-25	Budget 2025-26	Plan 2026-27
<b>INTERNAL SERVICE FUNDS</b>					
<b>Committed Reserves</b>					
Operating & Capital Reserve	\$ 14,651,485	\$ 6,424,002	\$ 10,016,430	\$ 5,311,373	\$ 5,512,327
Currently Authorized Projects***	355,662	123,126	123,580	123,126	123,126
Liability/Workers' Comp Self-Insurance Reserve	8,337,000	8,337,000	8,337,000	11,476,000	11,476,000
Property Self-Insurance/Catastrophic Reserve	6,869,456	7,409,352	6,844,537	6,529,910	7,351,733
<b>Total Committed Reserves</b>	<b>\$ 30,213,603</b>	<b>\$ 22,293,480</b>	<b>\$ 25,321,547</b>	<b>\$ 23,440,410</b>	<b>\$ 24,463,186</b>
<b>Total Internal Service Funds Reserves</b>	<b>\$ 30,213,603</b>	<b>\$ 22,293,480</b>	<b>\$ 25,321,547</b>	<b>\$ 23,440,410</b>	<b>\$ 24,463,186</b>
<b>Total Proprietary Funds</b>	<b>\$ 270,753,007</b>	<b>\$ 133,209,086</b>	<b>\$ 236,266,943</b>	<b>\$ 181,814,315</b>	<b>\$ 203,965,011</b>

<b>TOTAL RESERVE SUMMARIES</b>					
Total Proprietary Funds	\$ 270,753,007	\$ 133,209,086	\$ 236,266,943	\$ 181,814,315	\$ 203,965,011
Total Governmental Funds	368,317,184	280,284,062	378,523,508	358,651,150	334,245,868
<b>Total Year-End Reserves by Fund Type</b>	<b>\$ 639,070,191</b>	<b>\$ 413,493,148</b>	<b>\$ 614,790,451</b>	<b>\$ 540,465,465</b>	<b>\$ 538,210,879</b>
Total Restricted Reserves	\$ 251,622,559	\$ 152,681,303	\$ 244,843,131	\$ 243,364,725	\$ 222,052,687
Total Committed Reserves	387,447,632	260,811,845	369,947,320	297,100,740	316,158,192
<b>Total Year-End Reserves By Reserve Type</b>	<b>\$ 639,070,191</b>	<b>\$ 413,493,148</b>	<b>\$ 614,790,451</b>	<b>\$ 540,465,465</b>	<b>\$ 538,210,879</b>

(\*\*\*) Currently Authorized Projects Reserve is unspent budget for authorized capital projects