

Fiscal Year 2026-27

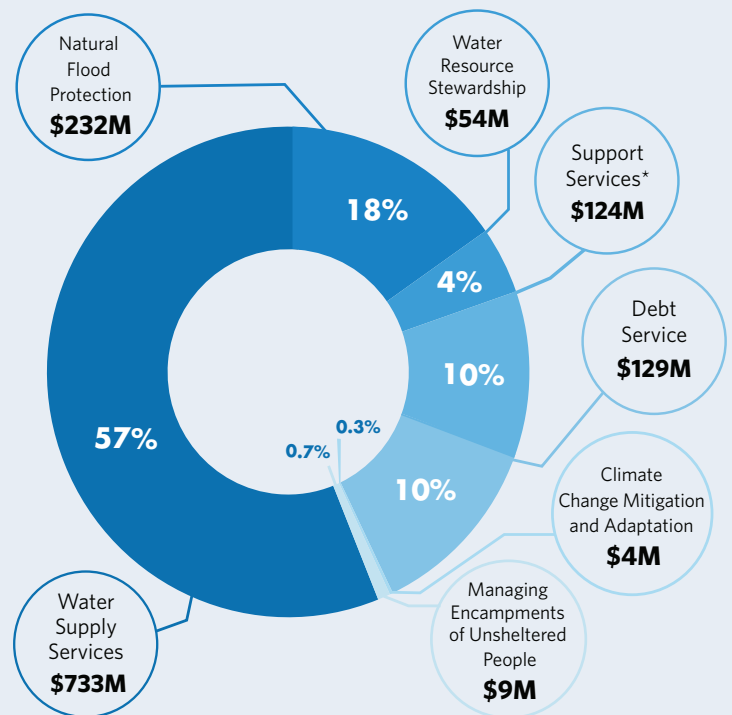
Budget in Brief



Alamos Pond

Fiscal Year 2026-27 Adopted Budget of \$1.284 billion

Valley Water's Board of Directors holds planning sessions each year to develop strategies that support the agency's long-term goals and objectives as part of the annual budgeting process. Valley Water uses a rolling biennial budget, which provides funding for FY 2026-27 and a plan for FY 2027-28. This fiscally responsible and balanced budget meets the community's expectations and invests in water infrastructure to ensure a reliable water supply for future generations.



*Support Services total is net of intra-district reimbursements (e.g. overhead costs charged to projects for administrative support services such as human resources and information technology, etc.).



Camden Pond



Lower Guadalupe River

Valley Water relies on multiple types of funding sources

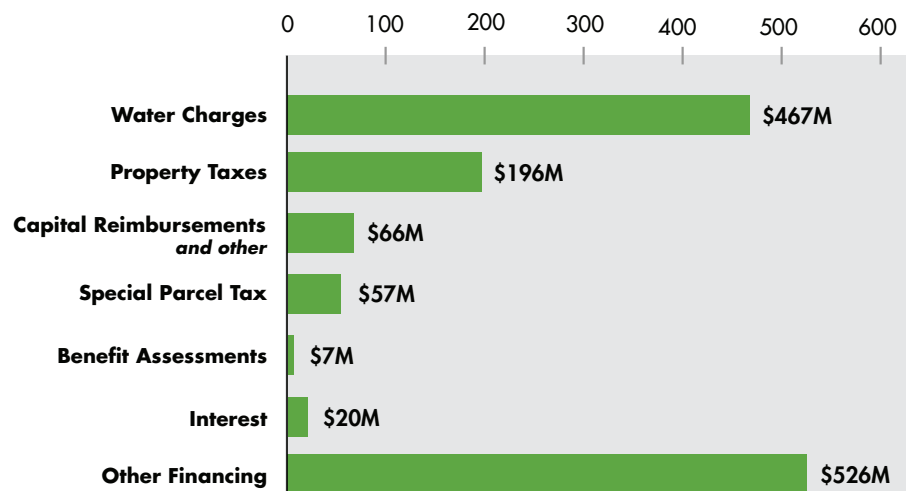
Valley Water receives funding from a variety of sources, including charges for treated water, surface/recycled water, and groundwater production; proceeds from property taxes, the Safe, Clean Water and Natural Flood Protection Program special parcel tax, benefit assessments, interest earnings from cash investments, cost-sharing agreements with other agencies, grants and debt proceeds.

FY 2026-27 Adopted Revenue and Debt Financing of \$1.337 billion

Water charges include charges for groundwater production, which is water produced by pumping from the underground basins; treated water, which has been processed through a water treatment plant; surface water, which has been diverted from streams, creeks, reservoirs, or raw water distribution lines; and recycled water, which is treated wastewater used in crop irrigation, landscaping and industrial uses.

Property taxes are comprised of an allocated share of countywide 1% property tax receipts and a voter-approved levy for State Water Project contract obligations.

Capital reimbursements and other is primarily comprised of reimbursements from other agencies and grants.



Subtotal of individual categories shown above may be slightly off due to rounding.

Special parcel tax provides funding for the Safe, Clean Water and Natural Flood Protection Program passed by voters in 2020.

Benefit assessments pay for debt service associated with flood protection projects and will continue through February 2030.

Other financing includes debt proceeds that provide upfront funding for the Capital Improvement Program (CIP).



Balancing Act

This online budget simulation tool allows the public to explore Valley Water's anticipated revenue sources and planned spending. Most importantly, the tool gives the public the opportunity to directly influence the Board of Directors' spending priorities. Balancing Act can be found at ValleyWater.abalancingact.com.

Safe, Clean, Drinking Water Projects

Valley Water is primarily responsible for providing communities in Santa Clara County with a safe, reliable and affordable water supply. The Fiscal Year 2026-27 budget includes critical investments in infrastructure and technology to help ensure water continues to flow from your tap now and into the future.

Anderson Dam Seismic Retrofit and Tunnel Projects

Valley Water's highest priority is retrofitting and strengthening Anderson Dam in Morgan Hill so it can safely withstand a large earthquake. This critical work will ensure public safety and allow us to fill Anderson Reservoir to capacity. The Federal Energy Regulatory Commission ordered Valley Water to drain the reservoir to about 3% capacity as we build a new, higher-capacity outlet tunnel that will allow us to release water more quickly during major storms or emergencies. Valley Water is building the tunnel first and will then begin retrofitting the existing dam.

Key deliverables: Complete construction of the outlet tunnel. Obtain authorization to award the retrofit construction contract and commence construction groundbreaking.



Nearly completed construction of the Anderson Outlet Tunnel.

Rinconada Water Treatment Plant Reliability Improvement Project

Valley Water will upgrade, retrofit and replace aging equipment to increase the Rinconada Water Treatment Plant's capacity from 80 million gallons per day to 100 million gallons per day. The upcoming work includes the construction of new facilities for raw water ozonation, dual media filtration and chlorine contact. This project will allow Valley Water to continue to provide safe, clean, drinking water to the west side of Santa Clara County.

Key deliverables: Complete construction of the new filters, chlorine contact basin, and ozone generation building; and prepare the new facilities for operation.



Phase 4 construction progress of Rinconada Reliability Improvement Project.

Penitencia Water Treatment Plant Residuals Project

The Penitencia Residuals Management Project will modernize essential infrastructure that recovers washwater and processes sludge (a mixture of dirt, sediment and particles) generated by the water treatment process. The upgrades will bring these processes up to date with modern technology, improving water quality, efficiency, capacity, and reliability, and extending the life of the 52-year-old plant's residuals management operations.

Key deliverables: Begin construction and complete demolition of two existing sludge holding ponds and one washwater equalization basin.



Sludge Pond Filling

Pure Water Silicon Valley, Demonstration Facility

The Pure Water Silicon Valley project seeks to ensure a reliable future water supply by developing a drought-resilient, locally controlled supply through direct potable reuse. The project includes a learning center and a demonstration facility that will allow us to support operator training, testing, and regulatory-required studies demonstrating that the water will consistently remain safe to drink. It will also aid in the design of the most cost-effective, rapid implementation of the full-scale facility and support ongoing public education on the need and safety of potable reuse.

Key deliverables: Complete design for the demonstration facility and begin design for the learning center.



Example of a learning exhibit at the Silicon Valley Advanced Water Purification Center.

Environmental and Watershed Projects

Valley Water protects residents and businesses through flood protection initiatives, while also preserving the environment by maintaining and restoring habitats along our creeks and the San Francisco Bay shoreline.

Coyote Creek Flood Protection Project (Phase 2)

The Coyote Creek Flood Protection Project will build flood protection along approximately nine miles of Coyote Creek between Montague Expressway and Tully Road in San José. Phase 1, completed last fiscal year, covered 40% of the project. Phase 2 will complete the remaining work. The primary objective of the project is to provide protection against floods up to the level reached in February 2017.

Key deliverables: Begin construction of Phase 2 in summer 2026.



A floodwall behind a home on South 17th Street.

Live Oak Reach Restoration Project

The Live Oak Reach Restoration Project is located on Coyote Creek downstream of Anderson Dam. The Live Oak Restoration Reach is a mitigation project for the Federal Energy Regulatory Commission Order Compliance Project, which is part of the Anderson Dam program. This project will restore steelhead spawning and rearing habitat along approximately 2,600 feet of Coyote Creek by improving the creek's natural features and flow patterns, increasing the amount of spawning gravel, and installing 36 large wood structures.

Key deliverables: Complete construction and begin post-implementation monitoring.



Pedestrian Bridge at Live Oak along Coyote Creek.

Stream Maintenance Program

Each summer, Valley Water crews perform essential maintenance across 350 miles of the county's 800-mile stream network. This work includes routine maintenance activities such as managing sediment and vegetation and stabilizing streambanks. These activities are carried out under the Stream Maintenance Program (SMP), which is governed by a comprehensive set of regulatory permits. The program is now entering its third phase, SMP-3, which will define maintenance operations for the period of 2027 through 2036.

Key deliverables: Obtain updated regulatory permits to support implementation of SMP-3 beginning Jan. 1, 2027.



Streambed and banks stabilized on Regnart Creek as part of the Stream Maintenance Program.

To find out the latest information on Valley Water projects or to submit questions or comments, use our **Access Valley Water** customer request system at access.valleywater.org.



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