

Valley Water Overview

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

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

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

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

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

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

At that time, groundwater supplies were being overpumped, causing the land to subside or sink. The committee pursued creation of an organization to manage and replenish groundwater supplies, and the resulting Santa Clara Valley Water Conservation District

later constructed reservoirs throughout the county to conserve water. The 1929 Santa Clara Valley Water District Act gives Valley Water its authority to operate as a state special district, with jurisdiction throughout Santa Clara County.

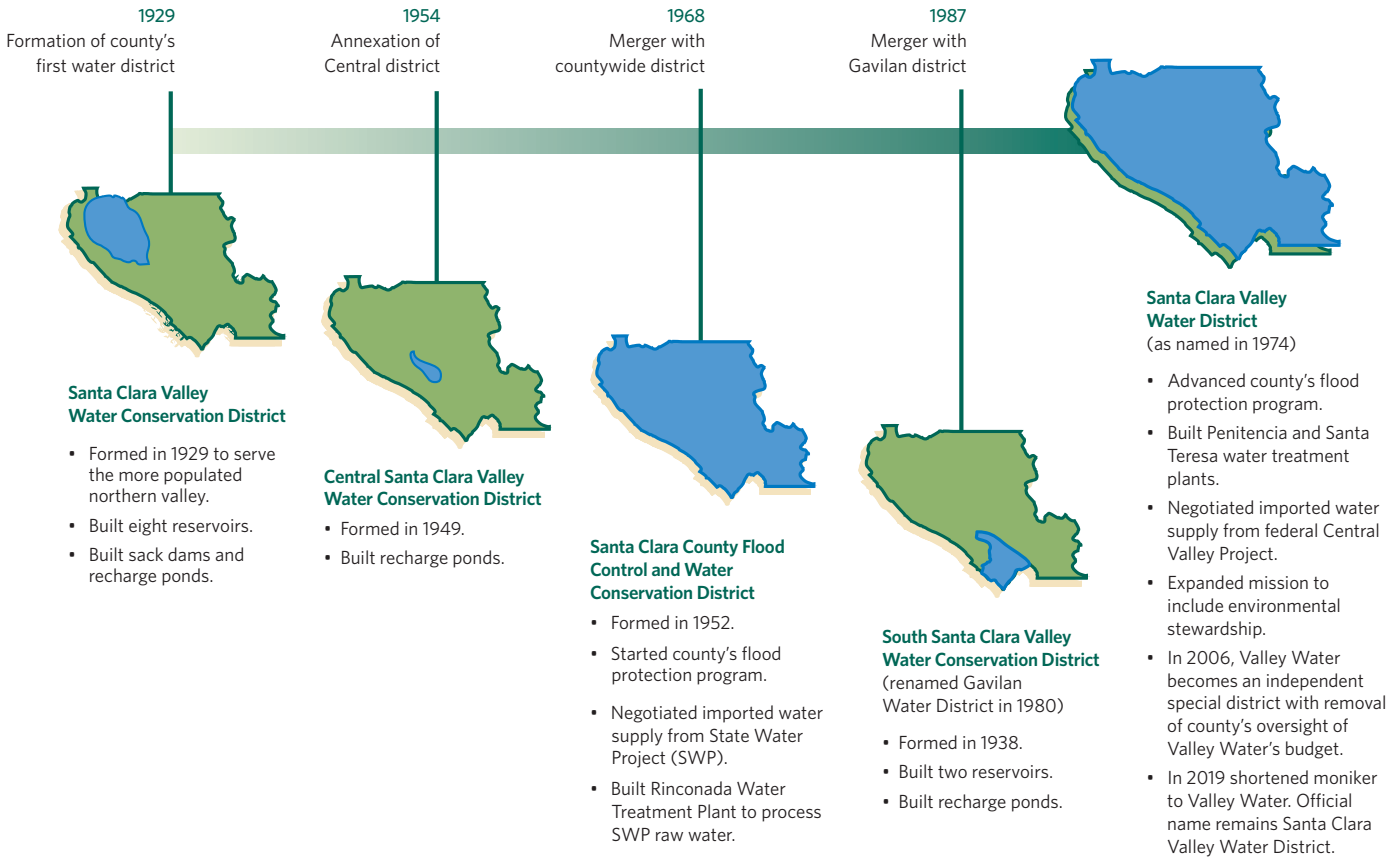
The District Act authorizes Valley Water to provide comprehensive water management for all beneficial uses and protection from flooding within Santa Clara County. Valley Water may take action to carry out all of the following purposes:

- a. to protect Santa Clara County from flood and storm waters of the district, including tidal flood waters and the flood and storm waters of streams that have their sources outside the district, but flow into the district;
- b. to protect from those flood or storm waters the public highways, life and property in the district, and the watercourses and watersheds of streams flowing within the district;
- c. to provide for the conservation and management of flood, storm, reclaimed, or recycled waters, or other waters from any sources within or outside the watershed in which the district is located for beneficial and useful purposes, including spreading, storing, retaining, and causing the waters to percolate into the soil within the district;
- d. to protect, save, store, recycle, distribute, transfer, exchange, manage, and conserve in any manner any of the waters;
- e. to increase, and prevent the waste or diminution of, the water supply in the district;
- f. to obtain, retain, reclaim, protect, and recycle drainage, storm, flood waters or treated wastewaters, or other waters from any sources, within or outside the watershed in which Valley Water is located for any beneficial uses within the district;
- g. and to enhance, protect, and restore streams, riparian corridors, and natural resources in connection with carrying out the objects and purposes set forth in this section.



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Evolution of Valley Water



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

Local Economy

In 2025, the U.S. economy experienced a slower but stable growth, with real GDP increasing at an annual rate of 2.2% compared to 2.8% in 2024.¹ While the fourth quarter of 2025 showed a sharper deceleration to an annualized rate of 1.4%, the drop though alarming, was driven mainly by transitory factors such as the government shutdown from October to November 2025 and falling exports after a massive surge in the 3rd quarter. After moderating earlier in the year, inflation accelerated to 3.8% year-over-year in April 2026, up from 3.3% in March.³ These developments suggest that while the Federal Reserve has made progress in containing inflation, persistent price pressures and broader economic uncertainties continue to cloud the

2026 outlook. Business investment has become cautious as the full impact of higher tariffs filters through supply chains, and the labor market has begun to soften, particularly within the technology sector. Furthermore, the fiscal deficit and national debt continue to expand toward 100% of GDP, all while geopolitical instability in Iran and Latin America introduces additional global risk.

Silicon Valley's economy remains robust but has transitioned into a period of cooling over the past year. The technology sector continues to be fueled by innovation and AI, leading the nation in patents and with 15 regional companies going public in 2025. However, the region also continues to have the nation's highest income and wealth gaps, alongside staggering housing costs with median

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home price reaching \$1.98 million. Recent indicators also suggest emerging vulnerabilities, including a slowdown in job growth and historically high commercial vacancies. While the region has absorbed 40,000 post-pandemic layoffs, local headcounts at major tech firms are declining as they prioritize global expansion.

The San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area's March 2026 unemployment rate was 3.9%, down from a revised 4.2% in February 2026, and below the year-ago estimate of 4.2%.⁴ This rate is lower than California's overall unemployment rate of 5.2% and slightly lower than the national rate of 4.3% during the same period.

Silicon Valley's job growth has slowed, with total employment decreasing by 13,100 jobs or -0.8% from June 2024 to June 2025. Silicon Valley's technology industry's job growth has outpaced all other sectors since pre-pandemic at 4% while all other sectors decreased by 1%. The region's workforce continues to be reshaped by changing work patterns and emerging technologies. Remote and hybrid work remain more prevalent in the Bay Area than in other major regions, and large tech firms continue to account for a significant share of regional employment. At the same time, an estimated 410,000 Silicon Valley jobs align with tasks AI can perform within language modeling and image generation domains, indicating potential for job integration, restructuring, or displacement and highlighting how technological change may influence future workforce demand.⁵

The Consumer Price Index for All Urban Consumers (CPI-U) in San Francisco-Oakland-Hayward rose 2.5% from February 2025 to February 2026. The index for all items, excluding food and energy, increased by 1.1% from December 2025 to February 2026. The food index rose by 1.5% and the energy index increased by 5.0% during the same period. Food prices advanced 4.8% over the year and 1.5% from December 2025 to February 2026. Prices for food at home (grocery store purchases) increased 1.9%, and prices for food away from home (restaurant, cafeteria, and vending purchases) rose 1.1% from December 2025 to February 2026. The index for all items less food and energy advanced 2.2% over the year. Among the index's components, prices were higher for household furnishings and operations (increased by 3.5%) and shelter (increase by 2.3%).⁶

The national CPI-U increased 0.6% on a seasonally adjusted basis in April 2026. The index for energy rose 3.8% in April, accounting for over 40% of the monthly all items increase. The shelter index also increased in April, rising 0.6%. The index for food increased 0.5% over the month as the index for food away from home rose 0.2% and the index for food at home rose 0.7%. The index for all items less food and energy rose 0.4% in April. Indexes that increased over the month include household furnishings and operations, airline fares, personal care, apparel, and education. Conversely, the indexes for new vehicles, communication, and medical care were among the major indexes that decreased in April. The all items index rose 3.8% for the 12 months ending April, after rising 3.3 percent for the 12 months ending March.³

In the latest Federal Open Market Committee (FOMC) statement released on April 29, 2026, the FOMC stated that economic activity has been expanding at a solid pace. Job gains have remained low, on average, and the unemployment rate has been little changed in recent months. Inflation is elevated, in part reflecting the recent increase in global energy prices. The FOMC seeks to achieve maximum employment and inflation at the rate of 2% over the long run. Development in the Middle East are contributing to a high level of uncertainty about the economic outlook. The Committee is attentive to the risks to both sides of its dual mandate. In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 3.5% to 3.75%. In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks.⁷

According to the U.S. Bureau of Economic Analysis' estimate on April 30, 2026, the real gross domestic product (GDP) increased at an annual rate of 2.0% in the first quarter of 2026. The contributors to the increase in real GDP in the first quarter were increases in government spending and exports. These movements were partly offset by decreases in consumer spending. Imports, which are a subtraction in the calculation of GDP, increased.²

Silicon Valley has the largest wealth gap in the nation, and it continues to grow, the median household income has reached an all-time high of \$162,800, about 1.6 times the California average and nearly double the U.S. median.

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Income growth is increasingly tied to assets rather than wages, with investment income concentrated among high-income households. Despite high regional incomes, more than 25% of working-age households cannot meet basic needs without assistance, and minimum wage falls short for any household type.⁵

Silicon Valley's population has grown over the long term despite recent volatility, increasing by roughly 400,000 residents since the mid-1990s. Migration remains central to regional dynamics. Santa Clara and San Mateo counties have experienced sustained net domestic outmigration, with departures in 2024 totaling about 136,000 residents. Majority of relocations (65%) remained within California, including 23% moves within the Bay Area. At the same time, new residents tend to be younger (average age of 34), highly educated (71% with a bachelor's degree or higher), and disproportionately foreign-born (49%).⁵

In 2025, the median home price in the region hit \$1.98 million, making homeownership unaffordable for many residents. More than half of homes sold were priced at \$2 million or more. Sales below \$1 million have nearly disappeared. Although nominal prices rose slightly in 2025, they declined by 4% after adjusting for inflation. Housing production showed mixed signals. Residential permitting rebounded in 2025 to roughly 7,700 units, driven entirely by multifamily development, while single-family permitting declined. Affordable housing approvals reached a record high, but construction costs continued to climb; the average cost to build one affordable unit reached \$824,000. Rental markets remain expensive and burdensome. Monthly rents ranged from about \$2,640 for a studio to \$4,460 for a three-bedroom unit in 2025,

with inflation-adjusted rents largely flat over the past decade. Housing cost burdens are widespread: 44% of renters are burdened (spending more than 30% of their income on housing).⁵

Silicon Valley city finances have strengthened since the pandemic-era slowdown. Revenues reached about \$10.6 billion in FY 2023–24 and exceeded expenses by roughly \$1.3 billion, reflecting a return to more stable fiscal conditions. Despite these gains, public resources remain small relative to private wealth. Between 2023 and 2025, the aggregate capital of Silicon Valley cities grew 16% while household liquid wealth rose an estimated 25%. Private wealth is growing faster than public capital, reinforcing a long-term shift in which household resources increasingly outpace the financial capacity of local governments.⁵

Valley Water's budget for FY 2026-27 and FY 2027-28 continues our practice of a rolling biennial budget. This method helps us plan for the coming years, gives the public a clearer view of our plans, and supports our financial stability.

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

1. U.S. Bureau of Economic Analysis News Release, February 20, 2026
2. U.S. Bureau of Economic Analysis News Release, April 30, 2026
3. US Bureau of Labor Statistics, Consumer Price Index Summary, May 12, 2026
4. State of California Employment Development Department (EDD), Labor Market Info, May 1, 2026

5. Joint Venture Silicon Valley Institute for Regional Studies, 2025 Silicon Valley Index
6. US Bureau of Labor Statistics Western Information Office, CPI, San Francisco Area, March 11, 2026
7. Federal Reserve FOMC statement, April 29, 2026

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Governance and Board of Directors

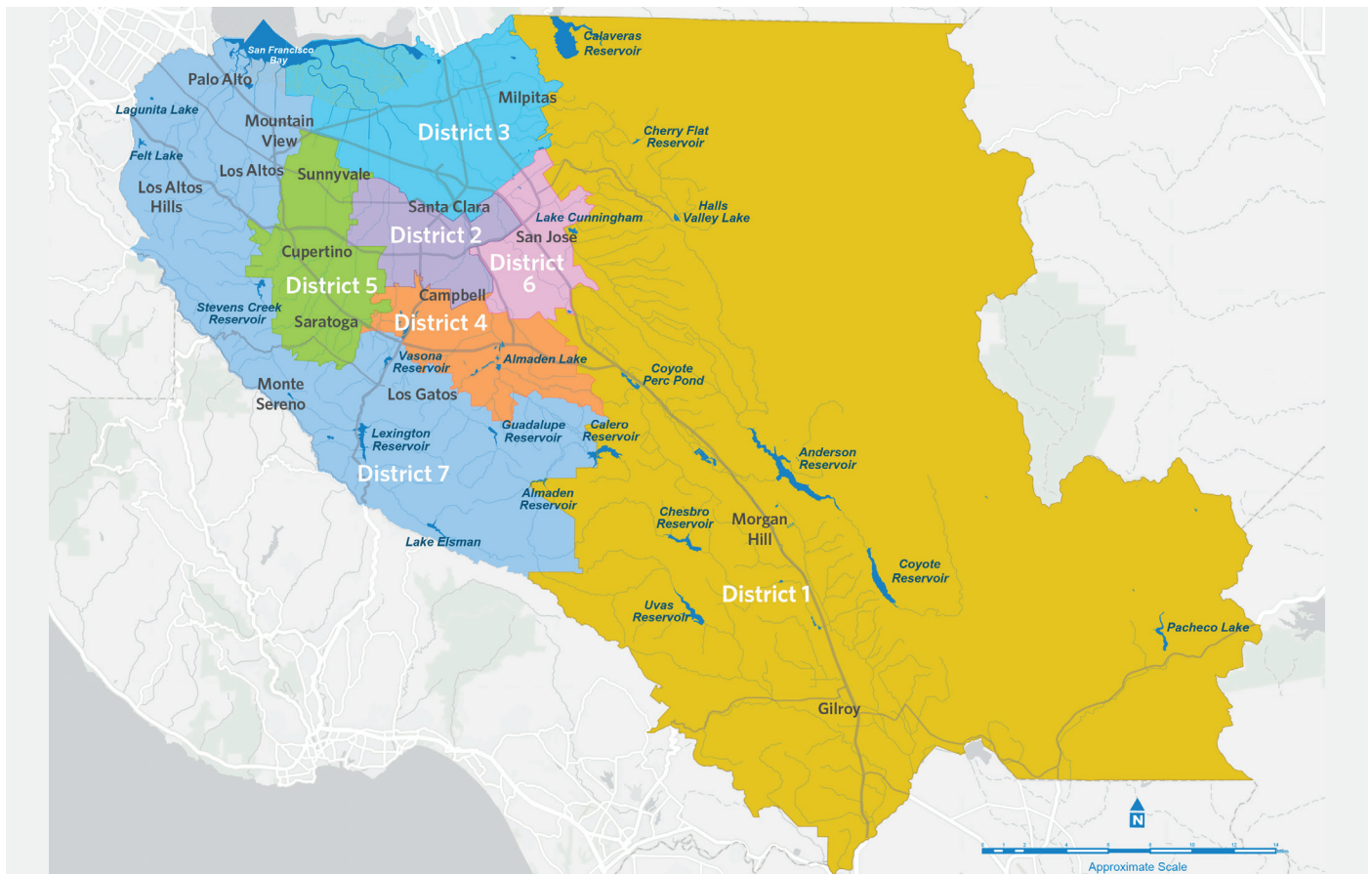
The District Act outlines the structure, function and operations of Valley Water's Board of Directors, which governs Valley Water and directs the board appointed officers. Valley Water's Board of Directors is comprised of seven members each elected from equally-divided districts drawn through a formal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

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

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

In meeting the Board's Ends policies, the CEO and other Board Appointed Officers (BAOs) are solely accountable to the Board for organizational performance, which is monitored quarterly. The Board regularly reviews and updates Ends and Executive Limitations policies to ensure they reflect the Board's collective values and perspectives. The Board's Policies can be viewed at: <https://www.valleywater.org/how-we-operate/board-governance-policies>.

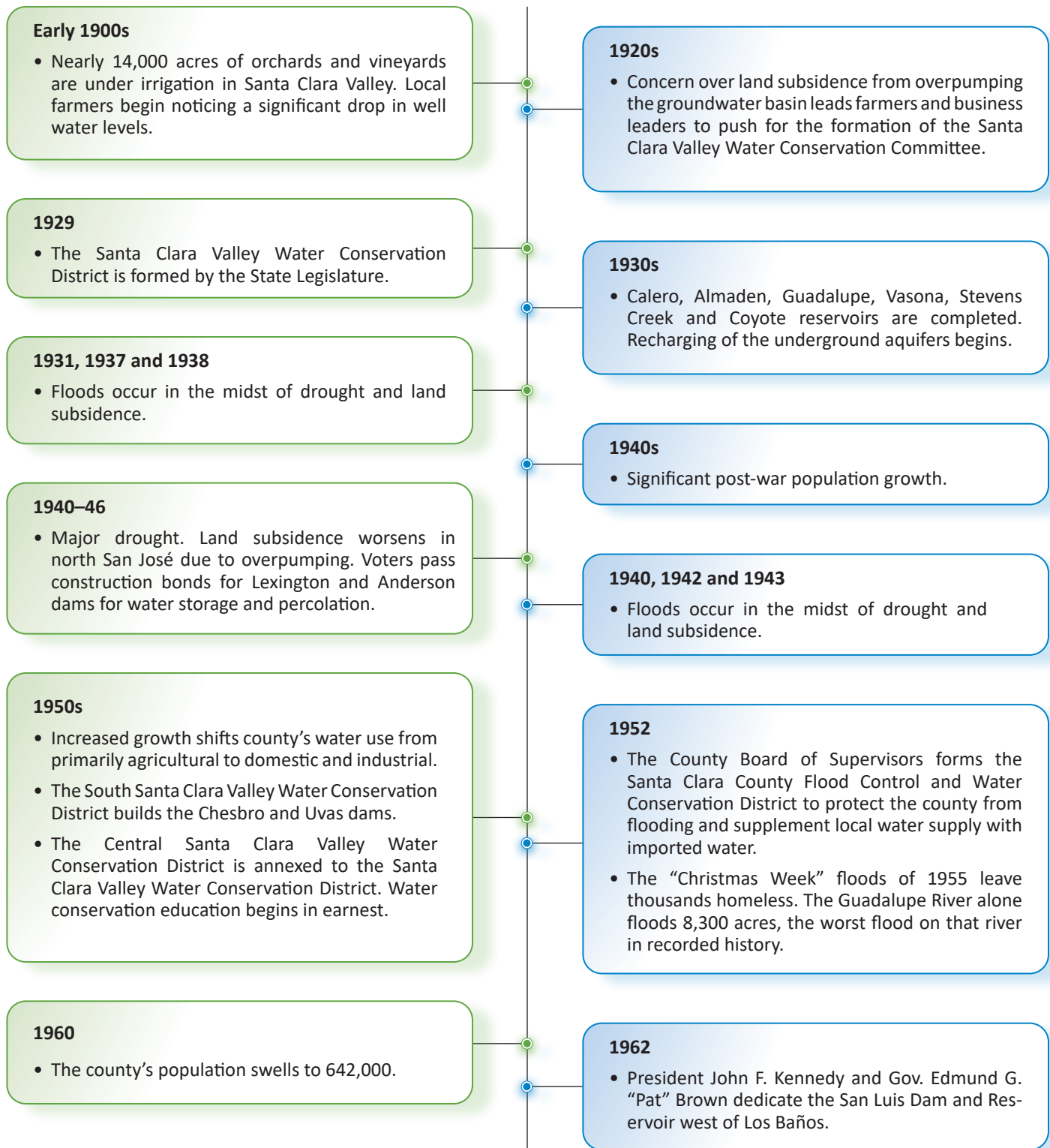
Board directorial districts



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History Timeline

For 97 years, Valley Water has improved and expanded its products and services to meet the growing needs of Santa Clara County residents.



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1965

- The state of California begins delivering water from the Sacramento–San Joaquin River Delta to Santa Clara County via the South Bay Aqueduct.
- Slowly, the addition of imported water to recharge efforts begins to reverse land subsidence; by 1969 it is halted for the first time in 40 years.
- Rinconada Water Treatment Plant begins drinking water treatment and distribution operations in Los Gatos.

1970s

- The Santa Clara Valley Flood Control and Water District changes its name to the Santa Clara Valley Water District.
- Penitencia Water Treatment Plant comes online.

1980s

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

1987

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

1995

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

1968

- The Santa Clara Valley Water Conservation District and the Santa Clara County Flood Control and Water Conservation District merge to manage water supply and flood programs for most of the county.

1976–77

- Historic drought years reduce deliveries from the State Water Project. Delta water is too salty to be percolated into local aquifers, but is still used by treatment plants.
- Conservation efforts achieve a 22% drop in water usage.

1980

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

1990s

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

1997

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

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1998

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

2000

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

2006

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

2009

- Valley Water Board calls for 15% mandatory conservation due to water shortages; recession drives budget reductions.

2012

- 74% of voters approve the Safe, Clean Water Program (Measure B) to fund flood protection, dam maintenance and stream stewardship for 15 more years.

2000–Present

- Valley Water takes a lead role in the fight against MTBE water contamination, addresses perchlorate contamination of more than 1,000 South County wells, and partners with local wastewater agencies to increase recycling.
- The first phase of the Water Treatment Improvement Project is completed and the second phase launched.

2005

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

2007

- Assembly Bill 2435 ends county oversight of Valley Water's budget and procedural holdovers from the 1968 merger.
- Penitencia Water Treatment Plant begins delivering ozonated water.

2010

- Assembly Bill 466 increases the Board of Directors from five to seven districts.

2014

- The Silicon Valley Advanced Water Purification Center is completed, producing 8 million gallons per day of purified water, which is used to enhance the quality of non-potable recycled water for landscape irrigation and industrial purposes.

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2015

- Fourth year of drought, Board calls for 30% water use reduction compared to 2013.
- Modernization of the Rinconada Water Treatment Plant begins.

2016

- Water use reduction target lowered to 20%.
- Fluoridation implemented in South, East and North San José and Milpitas.

2017

- Board continues the 20% water use reduction target and three-day-per-week watering restrictions.

2018

- After a Coyote Creek flood, the Board approves changes to Anderson Reservoir operations to reduce downstream flood risk.
- Crews complete short-term flood protection improvements in the Rock Springs neighborhood before winter begins.

2021

- Valley Water Board declares a drought emergency and calls for 15% mandatory conservation.
- Groundbreaking ceremony held for the Anderson Dam Tunnel Project.

2020

- Santa Clara County voters approve Measure S, renewing the Safe, Clean Water and Natural Flood Protection Program.

2023

- Board certifies the Fish and Aquatic Habitat Collaborative Effort Environmental Impact Report.

2022

- Construction begins on the South San Francisco Bay Shoreline Project.

2025

- Valley Water and its partners celebrated the completion of Reaches 1-3 levees of the South San Francisco Bay Shoreline Phase I Project. This achievement marked a major milestone in the region's effort to protect vulnerable communities and critical infrastructure from coastal flooding and sea-level rise.

2024

- Crews complete excavation of the 1,736-foot Anderson Dam tunnel, improving emergency water release capability.

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Board Committees

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

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

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

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

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

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

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

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

Stream Planning and Operations Committee (SPOC): Track progress of Initialing Parties of the FAHCE Settlement Agreement in completing requirements enabling dismissal of water rights complaint and commencement of restoration program. Identify/recommend Board

actions to ensure expeditious completion of requirements defined in Purpose 1, including engagement with appointed boards and senior officials of other Initialing Parties. Identify/track progress of District and non-District activities that may affect the FAHCE Settlement Agreement and implementation.

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

Board Advisory Committees

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

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

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

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

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

Joint Committees

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

Joint Recycled Water Advisory Committee with the City of Sunnyvale: Develop a long-term proposal for how

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Valley Water and City of Sunnyvale can work together on recycled water opportunities, to establish a collaborative process to facilitate policy discussion and sharing of technical information on recycled water issues.

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

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

Joint Water Resources Committee with the Cities of Morgan Hill and Gilroy: Advance common South County water interests and receive input from stakeholders and interested parties when undertaking the following:

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

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

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

Board Working Groups

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

Delta Conveyance Authority Group: Information sharing.

Environmental Stakeholder Group: Information sharing.

External Monitoring Committee

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

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

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Groundwater Benefit Zones in Santa Clara County



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

Watershed Areas and Flood Control Zones of Santa Clara County



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

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