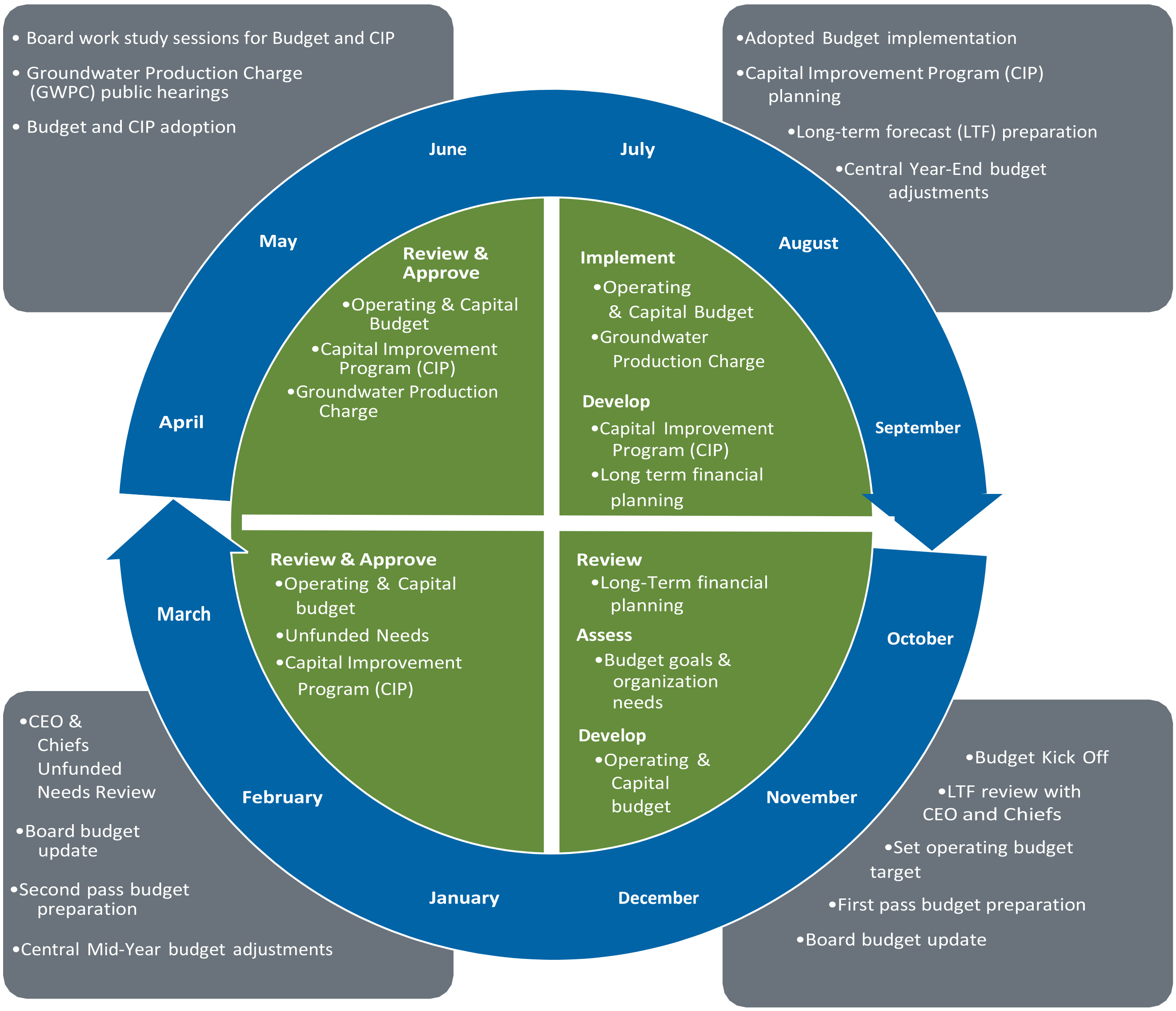
FINANCIAL OVERVIEW

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 2026-27 & FY 2027-28 Operating and Capital Rolling Biennial Budget includes the FY 2026-27 budget and a subsequent fiscal year plan for FY 2027-28. The second fiscal year serves as a planning tool and will set the framework for the preparation of the FY 2027-28 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 interested parties to ensure that feedback is gathered for the Board's consideration in establishing water charges each year.

Capital Improvement Plan

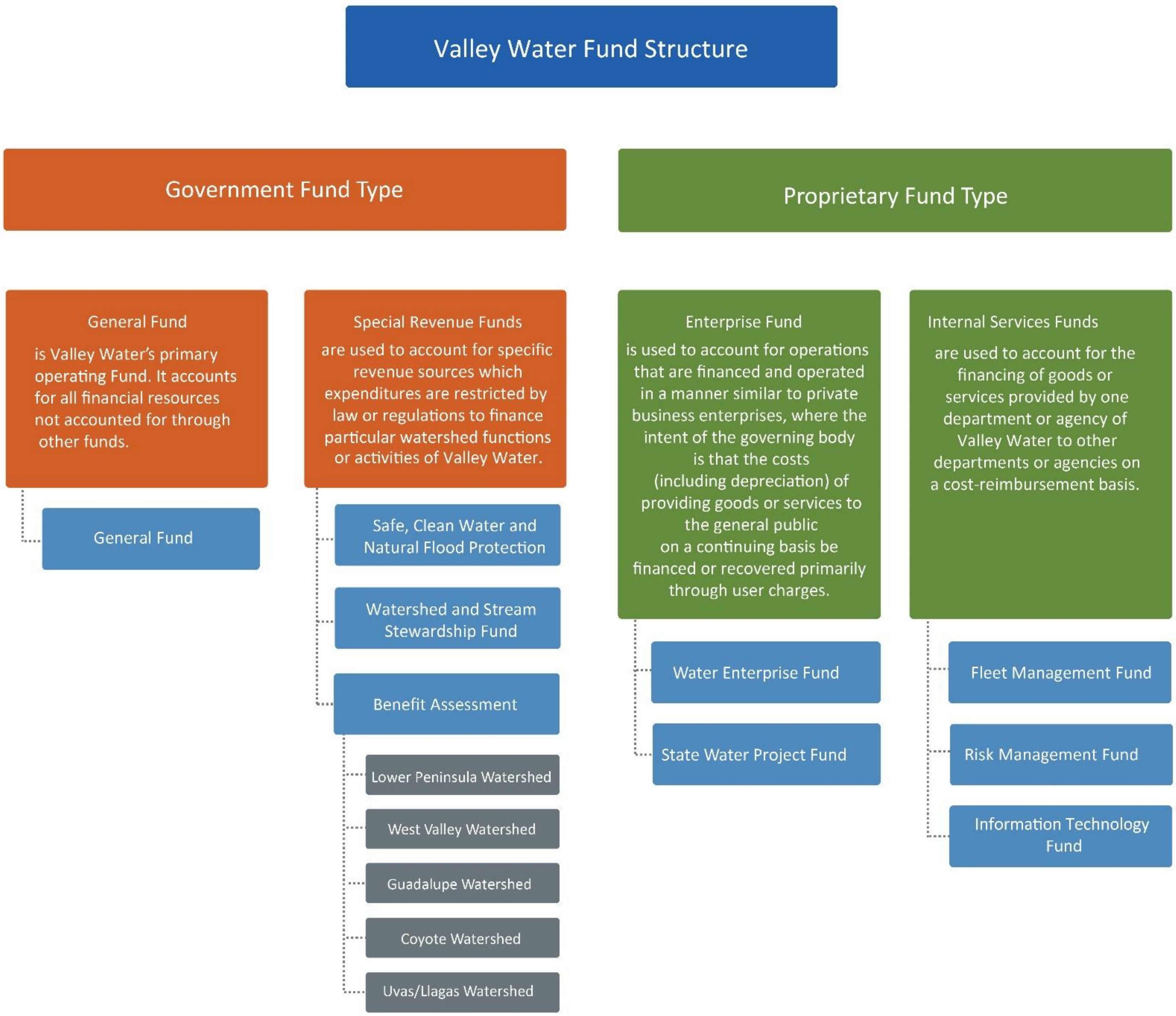
Valley Water prepares a Capital Improvement Program (CIP) annually, as required by the Valley Water Board of Directors' Governance Policies. It is a five-year rolling CIP, updated annually and covers the upcoming five-year period. The CIP is approved by the Board each year and is publicly available for 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 2026-27
- 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
Government Fund Type
Proprietary Fund Type
General Fund
is Valley Water's primary operating Fund. It accounts for all financial resources not accounted for through other funds.
Special Revenue Funds
are used to account for specific revenue sources which expenditures are restricted by law or regulations to finance particular watershed functions or activities of Valley Water.
Enterprise Fund
is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.
Internal Services Funds
are used to account for the financing of goods or services provided by one department or agency of Valley Water to other departments or agencies on a cost-reimbursement basis.
General Fund
Safe, Clean Water and Natural Flood Protection
Watershed and Stream Stewardship Fund
Benefit Assessment
Lower Peninsula Watershed
West Valley Watershed
Guadalupe Watershed
Coyote Watershed
Uvas/Llagas Watershed
Water Enterprise Fund
State Water Project Fund
Fleet Management Fund
Risk Management Fund
Information Technology Fund

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 is 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 of the funding sources.

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 2026-27 Budget includes projected revenues of $811.1 million. These revenues reflect a net increase of 8.7% from the $745.9 million included in the FY 2025-26 Adopted Budget. The net $65.2 million increase is derived from an increase in water charges revenue ($43.2 million), property taxes ($10.0 million), interest and other operating and non-operating revenues ($6.1 million), capital reimbursements ($4.7 million), and special parcel tax ($1.5 million), partially offset by decreases in intergovernmental services (-$0.2 million).

The FY 2027-28 planned revenue of $821.3 million reflects a net increase of $10.1 million over the FY 2026-27 Budget. The 1.2% growth is primarily attributed to an increase in water charges revenue ($49.3 million), property taxes ($3.5 million), special parcel tax ($1.2 million), interest and other operating and non-operating revenues ($0.1 million), and intergovernmental services ($0.1 million), offset by a reduction in capital reimbursements (-$44.1 million).

The revenue Valley Water receives is broken into the following specific categories:

Water Revenue

The main source of Valley Water revenue is from water charges which is projected at $466.5 million for FY 2026-27, an increase of 10.2% over the FY 2025-26 Adopted Budget. The FY 2027-28 water revenue estimate of $515.9 million is a 10.6% increase over FY 2026-27. Revenues from groundwater are the largest source with an estimated amount of $233.0 million in FY 2026-27 and increasing by $32.7 million to an estimated $261.3 million in FY 2027-28. Treated water production charges are budgeted at $231.0 million growing to $251.9 million, and surface/recycled water sales are projected at $2.5 million in FY 2026-27 and increasing to $2.7 million for FY 2027-28. These estimates include rate increases of 9.1% in Zone W-2, 6.6% in Zone W-5, 9.4% 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. Staff estimates water usage remaining mostly steady (1.0%) in FY 2027 versus the FY 2026 projection used in the Adopted Budget. A minimal increase of 2,500 AF of water use is projected from 221,500 AF in FY 2026-27 to 224,000 in FY 2027-28; water use will continue to rebound to below pre-drought levels

Additional information on groundwater production charges is provided in the Water Utility Enterprise Fund Summary section of this budget and in the FY 2026-27 PAWS Report.

Property Tax

Property tax revenues are estimated at $195.6 million for FY 2026-27, an increase of 5.4% from the FY 2025-26 Adopted Budget. The planned FY 2027-28 amount assumes a 1.8% increase totaling $199.1 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 $167.6 million in FY 2026-27 and $171.1 million in FY 2027-28. Levies for State Water Project (SWP) indebtedness are budgeted at $28.0 million in FY 2026-27 and $28.0 million in FY 2027-28. 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 2026-27 is budgeted at $56.6 million, and FY 2027-28 projected revenue is $57.8 million reflecting an increase of 2.7% in FY 2026-27 and 2.2% in FY 2027-28. 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 2026-27 and FY 2027-28. 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 $61.0 million for FY 2026-27 and decreases to $16.8 million in FY 2027-28. See the Major Sources of Revenue section for further details.

Interest

Overall interest earnings are estimated at $19.5 million in FY 2026-27 and FY 2027-28. The increase of $6.0 million in FY 2026-27 over the FY 2025-26 Adopted Budget is primarily due to the expectation of a moderately higher interest rate earned by the portfolio than in recent years. FY 2027-28 is projected to hold steady as rates continue to fluctuate.

Intergovernmental Services

Intergovernmental Services revenue are reimbursements from cost sharing agreements with local cities and agencies. The FY 2026-27 Budget includes $1.3 million and FY 2027-28 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, Department of Water Resources refunds, and the sale of vehicles totaling $3.7 million in FY 2026-27 and FY 2027-28.

Financial Overview

Appropriations/Outlays

Total FY 2026-27 operating and capital outlays are budgeted at $1,414.6 million, which includes intra-district reimbursements of $130.9 million, and these net to total operating and capital outlays of $1,283.7 million. These figures do not include capital carry forward ($63.1 million) appropriated by the Board in prior years. The $130.9 million of intra-district charges are comprised of General Fund reimbursements (56%) and Internal Service Funds charges (44%). Of the total FY 2026-27 net outlays, operating outlays (including debt service) accounts for $586.4 million, reflecting an increase of $33.3 million compared to the FY 2025-26 Adopted Budget of $553.1 million. The total net capital outlays make up $697.3 million compared to the FY 2025-26 Adopted Budget of $394.9 million, accounting for a $302.3 million increase.

The planned FY 2027-28 total operating and capital outlays are projected to decrease by $2.7 million over FY 2026-27, totaling $1,411.9 million. The total net of intra-district reimbursements is $1,264.4 million, of which $631.1 million is net operating expenses and $633.3 million are net capital expenses. These amounts do not include the projected capital projects carryforward of $8.6 million and is net of an estimated $147.4 million in intra-district reimbursements comprised of General Fund reimbursements (60%) and Internal Service Funds charges (40%).

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 2026-27 budgeted levels are $130.9 million, and $147.4 million planned in FY 2027-28. 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 51% of intra-district charges are paid by the Water Utility Enterprise and 49% by Watersheds Funds.

Capital Outlays

The capital budget represents the projects that have been identified and prioritized in the Five-Year Capital Improvement Program (CIP). FY 2026-27 net capital project outlays total $697.3 million, an increase of $302.3 million as compared to the net FY 2025-26 Adopted Budget of $394.9 million. It is anticipated that $63.1 million of the FY 2025-26 Adjusted Budget for capital projects will be carried forward to FY 2026-27 as most capital projects require multiple years to complete.

Net Capital Outlays are planned to reach $633.3 million in FY 2027-28 reflecting a $64.0 million decrease over the prior year budgeted level and assumes $8.6 million of the prior year's capital funds will carry forward to FY 2027-28.

Other Financing Sources/Uses

Other financing sources and uses include proceeds from debt issuance. Valley Water anticipates issuing bonds, commercial paper, or WIFIA Loans for approximately $526.3 million in FY 2026-27, and $459.2 million in FY 2027-28, to finance various Water Utility and Safe, Clean Water and Natural Flood Protection capital improvement projects.

Reserves

Overall, budgeted reserves for FY 2026-27 are estimated at $518.3 million, a decrease of $22.1 million compared to the FY 2025-26 Adopted Budget level. Projections for FY 2027-28 show reserves increasing slightly by $7.4 million for a total of $525.7 million.

Staffing

The FY 2026-27 funding level reflects 876 authorized positions and two limited-term positions for a total of 878. This reflects the reduction of 45 authorized positions which are paused to minimize salary related expenditures. In FY 2027-28, eight of the paused positions are activated and included in the funding, increasing the authorized position count to 884 with one limited-term position for a total of 885 positions.

Financial Overview

Combined Fund Summary - All Funds

	Budgetary Basis Actual 2024-25	Adopted Budget 2025-26	Projected Year End 2025-26	Adopted Budget 2026-27	Change from 2025-26 Adopted $ Diff	Change from 2025-26 Adopted % Diff
REVENUE						
Groundwater Production Charges	$ 176,173,362	$ 200,333,000	$ 213,834,000	$ 233,004,000	$ 32,671,000	16.3%
Treated Water Charges	202,844,299	220,403,000	198,403,000	231,016,000	10,613,000	4.8%
Surface & Recycled Water Charges	2,955,025	2,582,000	2,591,000	2,526,000	(56,000)	-2.2%
Benefit Assessment	6,848,514	6,923,750	6,923,750	6,921,250	(2,500)	0.0%
Property Tax	183,996,437	185,648,800	191,562,195	195,601,355	9,952,555	5.4%
Special Parcel Tax	53,227,039	55,094,792	55,094,792	56,582,351	1,487,559	2.7%
Intergovernmental Services	5,383,656	1,493,295	1,492,500	1,323,000	(170,295)	-11.4%
Operating Other	1,683,203	815,426	829,485	839,053	23,627	2.9%
Capital Reimbursements	13,845,624	56,284,000	25,851,000	60,959,000	4,675,000	8.3%
Interest Income*	31,541,696	13,499,000	19,501,000	19,501,000	6,002,000	44.5%
Non-Operating Other	20,351,603	2,791,257	2,789,222	2,843,019	51,761	1.9%
TOTAL REVENUE	**$ 698,850,458**	**$ 745,868,320**	**$ 718,871,943**	**$ 811,116,028**	**$ 65,247,708**	**8.7%**
OUTLAYS						
Operating Outlays						
Operations**	$ 456,662,286	$ 528,703,484	$ 552,791,126	$ 546,503,986	$ 17,800,503	3.4%
Operating Project	28,540,380	6,230,376	12,990,420	9,322,362	3,091,986	49.6%
Debt Service	85,959,723	116,941,621	105,915,257	128,801,854	11,860,233	10.1%
Total Operating Outlays	**$ 571,162,389**	**$ 651,875,481**	**$ 671,696,803**	**$ 684,628,202**	**$ 32,752,722**	**5.0%**
Capital Outlays						
Capital Projects	$ 387,241,342	$ 427,903,102	$ 600,680,516	$ 729,939,680	$ 302,036,578	70.6%
Carryforward Capital Projects	-	136,961,493	-	63,083,485	(73,878,008)	-53.9%
Total Capital Outlays	**$ 387,241,342**	**$ 564,864,595**	**$ 600,680,516**	**$ 793,023,165**	**$ 228,158,570**	**40.4%**
TOTAL OUTLAYS	**$ 958,403,730**	**$ 1,216,740,076**	**$ 1,272,377,319**	**$ 1,477,651,368**	**$ 260,911,291**	**21.4%**
Less Intra-District Reimb	(121,305,109)	(131,720,474)	(131,720,474)	(130,878,260)	842,214	-0.6%
NET OUTLAYS	**$ 837,098,621**	**$ 1,085,019,602**	**$ 1,140,656,845**	**$ 1,346,773,108**	**$ 261,753,506**	**24.1%**
OTHER FINANCING SOURCES/(USES)						
Debt Proceeds	$ 190,000,000	$ 264,826,296	$ 255,419,723	$ 526,347,000	$ 261,520,704	98.8%
Transfers In	29,755,108	26,394,397	26,896,397	35,377,724	8,983,327	34.0%
Transfers Out	(29,755,108)	(26,394,397)	(26,896,397)	(35,377,724)	(8,983,327)	34.0%
TOTAL OTHER SOURCES/(USES)	**$ 190,000,000**	**$ 264,826,296**	**$ 255,419,723**	**$ 526,347,000**	**$ 261,520,704**	**98.8%**
BALANCE AVAILABLE	**$ 51,751,836**	**$ (74,324,986)**	**$ (166,365,178)**	**$ (9,310,080)**	**$ 65,014,906**	**-87.5%**

Combined Fund Summary - All Funds

		Budgetary Basis Actual 2024-25		Adopted Budget 2025-26		Projected Year End 2025-26		Adopted Budget 2026-27		Change from 2025-26 Adopted $ Diff	Change from 2025-26 Adopted % Diff
YEAR-END RESERVES											
Restricted Reserves											
WUE Rate Stabilization Reserve	$	20,571,906	$	40,504,668	$	40,256,453	$	43,041,738	$	2,537,070	6.3%
WUE San Felipe Emergency Reserve		3,797,415		3,751,454		3,847,415		3,897,415		145,961	3.9%
WUE State Water Project Tax Reserve		25,277,937		11,591,690		21,738,142		14,890,000		3,298,310	28.5%
WUE Supplemental Water Supply Reserve		5,277,000		8,677,000		8,677,000		12,077,000		3,400,000	39.2%
WUE SVAWPC Reserve		530,119		-		-		-		-	0.0%
WUE Drought Reserve		-		1,000,000		1,000,000		4,000,000		3,000,000	300.0%
WUE Guiding Principal #5 (GP5) Reserve		2,810,044		-		-		-		-	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***		153,931,649		71,376,703		54,454,777		24,037,866		(47,338,837)	-66.3%
SCW Operating and Capital Reserve		3,971,210		76,463,210		22,685,957		43,678,321		(32,784,889)	-42.9%
Total Restricted Reserves	**$**	**246,167,280**	**$**	**243,364,725**	**$**	**182,659,743**	**$**	**175,622,340**	**$**	**(67,742,385)**	**-27.8%**
Committed Reserves											
Currently Authorized Projects Reserve***	$	161,992,399	$	18,818,885	$	119,075,240	$	22,365,517	$	3,546,632	18.8%
Operating and Capital Reserve		260,980,536		253,130,038		196,703,862		290,062,774		36,932,736	14.6%
Liability/Workers' Comp Self-Insurance		8,337,000		11,476,000		11,476,000		11,476,000		-	0.0%
Excess ERAF Contingency Reserve		5,821,733		7,145,907		7,171,552		8,464,513		1,318,606	18.5%
Property Self-Insurance/Catastrophic		10,693,087		6,529,910		10,540,460		10,325,633		3,795,723	58.1%
Total Committed Reserves	**$**	**447,824,755**	**$**	**297,100,740**	**$**	**344,967,114**	**$**	**342,694,437**	**$**	**45,593,697**	**15.3%**
TOTAL YEAR-END RESERVES	**$**	**693,992,035**	**$**	**540,465,465**	**$**	**527,626,857**	**$**	**518,316,777**	**$**	**(22,148,688)**	**-4.1%**

Combined Fund Summary - All Funds

	Budgetary Basis Actual 2024-25	Adopted Budget 2025-26	Projected Year End 2025-26	Adopted Budget 2026-27	Change from 2025-26 Adopted $ Diff	% Diff
Outlay Summary by Account type						
OPERATING OUTLAY						
Salaries and Benefits	$ 183,138,503	$ 198,274,181	$ 198,274,181	$ 208,986,854	$ 10,712,674	5.4%
Salary Savings Factor	-	(1,963,412)	(1,963,412)	(4,304,007)	(2,340,596)	119.2%
Services & Supplies	211,074,557	239,895,904	270,743,590	252,950,243	13,054,339	5.4%
Intra-District Charges	90,989,606	98,727,187	98,727,187	98,193,258	(533,928)	-0.5%
OPERATING OUTLAY TOTAL	**$ 485,202,666**	**$ 534,933,859**	**$ 565,781,545**	**$ 555,826,348**	**$ 20,892,489**	**3.9%**
DEBT SERVICE						
Services & Supplies	$ 2,586,757	$ 5,431,880	$ 5,431,880	$ 4,221,881	$ (1,209,999)	-22.3%
Debt Service	83,372,966	111,509,741	100,483,377	124,579,973	13,070,232	11.7%
DEBT SERVICE TOTAL	**$ 85,959,723**	**$ 116,941,621**	**$ 105,915,257**	**$ 128,801,854**	**$ 11,860,233**	**10.1%**
CAPITAL PROJECTS						
Salaries and Benefits	$ 49,828,369	$ 53,800,056	$ 54,533,186	$ 58,013,629	$ 4,213,573	7.8%
Salary Savings Factor	-	(556,363)	(556,363)	(1,241,055)	(684,692)	123.1%
Services & Supplies	307,104,080	341,666,122	513,252,329	640,482,106	298,815,984	87.5%
Carryforward Capital Projects	-	136,961,493	-	63,083,485	(73,878,008)	-53.9%
Intra-District Charges	30,308,893	32,993,288	33,451,364	32,685,002	(308,286)	-0.9%
CAPITAL PROJECTS TOTAL	**$ 387,241,342**	**$ 564,864,595**	**$ 600,680,516**	**$ 793,023,165**	**$ 228,158,570**	**40.4%**
TOTAL OUTLAYS	**$ 958,403,730**	**$ 1,216,740,076**	**$ 1,272,377,319**	**$ 1,477,651,368**	**$ 260,911,291**	**21.4%**

(*) 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

Combined Fund Summary - All Funds

	Budgetary Basis Actual 2024-25	Adopted Budget 2025-26	Adopted Budget 2026-27	Proposed Plan 2027-28	Change from 2026-27 Adopted $ Diff	Change from 2026-27 Adopted % Diff
REVENUE						
Groundwater Production Charges	$ 176,173,362	$ 200,333,000	$ 233,004,000	$ 261,258,000	$ 28,254,000	12.1%
Treated Water Charges	202,844,299	220,403,000	231,016,000	251,897,000	20,881,000	9.0%
Surface & Recycled Water Charges	2,955,025	2,582,000	2,526,000	2,738,000	212,000	8.4%
Benefit Assessment	6,848,514	6,923,750	6,921,250	6,924,063	2,813	0.0%
Property Tax	183,996,437	185,648,800	195,601,355	199,144,151	3,542,796	1.8%
Special Parcel Tax	53,227,039	55,094,792	56,582,351	57,827,163	1,244,812	2.2%
Intergovernmental Services	5,383,656	1,493,295	1,323,000	1,397,000	74,000	5.6%
Operating Other	1,683,203	815,426	839,053	848,908	9,855	1.2%
Capital Reimbursements	13,845,624	56,284,000	60,959,000	16,816,000	(44,143,000)	-72.4%
Interest Income*	31,541,696	13,499,000	19,501,000	19,501,000	-	0.0%
Non-Operating Other	20,351,603	2,791,257	2,843,019	2,899,816	56,797	2.0%
TOTAL REVENUE	**$ 698,850,458**	**$ 745,868,320**	**$ 811,116,028**	**$ 821,251,100**	**$ 10,135,072**	**1.2%**
OUTLAYS						
Operating Outlays						
Operations**	$ 456,662,286	$ 528,703,484	$ 546,503,986	$ 572,354,124	$ 25,850,138	4.7%
Operating Project	28,540,380	6,230,376	9,322,362	8,908,635	(413,727)	-4.4%
Debt Service	85,959,723	116,941,621	128,801,854	161,169,798	32,367,944	25.1%
Total Operating Outlays	**$ 571,162,389**	**$ 651,875,481**	**$ 684,628,202**	**$ 742,432,557**	**$ 57,804,355**	**8.4%**
Capital Outlays						
Capital Projects	$ 387,241,342	$ 427,903,102	$ 729,939,680	$ 669,423,267	$ (60,516,413)	-8.3%
Carryforward Capital Projects	-	136,961,493	63,083,485	8,627,251	(54,456,234)	-86.3%
Total Capital Outlays	**$ 387,241,342**	**$ 564,864,595**	**$ 793,023,165**	**$ 678,050,518**	**$ (114,972,647)**	**-14.5%**
TOTAL OUTLAYS	**$ 958,403,730**	**$ 1,216,740,076**	**$ 1,477,651,368**	**$ 1,420,483,075**	**$ (57,168,292)**	**-3.9%**
Less Intra-District Reimb	(121,305,109)	(131,720,474)	(130,878,260)	(147,426,930)	(16,548,671)	12.6%
NET OUTLAYS	**$ 837,098,621**	**$ 1,085,019,602**	**$ 1,346,773,108**	**$ 1,273,056,145**	**$ (73,716,963)**	**-5.5%**
OTHER FINANCING SOURCES/(USES)						
Debt Proceeds	$ 190,000,000	$ 264,826,296	$ 526,347,000	$ 459,228,000	$ (67,119,000)	-12.8%
Transfers In	29,755,108	26,394,397	35,377,724	29,852,277	(5,525,447)	-15.6%
Transfers Out	(29,755,108)	(26,394,397)	(35,377,724)	(29,852,277)	5,525,448	-15.6%
TOTAL OTHER SOURCES/(USES)	**$ 190,000,000**	**$ 264,826,296**	**$ 526,347,000**	**$ 459,228,000**	**$ (67,118,999)**	**-12.8%**
BALANCE AVAILABLE	**$ 51,751,836**	**$ (74,324,986)**	**$ (9,310,080)**	**$ 7,422,956**	**$ 16,733,036**	**-179.7%**

Combined Fund Summary - All Funds

		Budgetary Basis Actual 2024-25		Adopted Budget 2025-26		Adopted Budget 2026-27		Proposed Plan 2027-28		Change from 2026-27 Adopted $ Diff	% Diff
YEAR-END RESERVES											
Restricted Reserves											
WUE Rate Stabilization Reserve	$	20,571,906	$	40,504,668	$	43,041,738	$	47,642,198	$	4,600,460	10.7%
WUE San Felipe Emergency Reserve		3,797,415		3,751,454		3,897,415		3,947,415		50,000	1.3%
WUE State Water Project Tax Reserve		25,277,937		11,591,690		14,890,000		6,241,654		(8,648,346)	-58.1%
WUE Supplemental Water Supply Reserve		5,277,000		8,677,000		12,077,000		15,477,000		3,400,000	28.2%
WUE SVAWPC Reserve		530,119		-		-		-		-	0.0%
WUE Drought Reserve		-		1,000,000		4,000,000		8,000,000		4,000,000	100.0%
WUE Guiding Principal #5 (GP5) Reserve		2,810,044		-		-		-		-	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***		153,931,649		71,376,703		24,037,866		18,439,570		(5,598,296)	-23.3%
SCW Operating and Capital Reserve		3,971,210		76,463,210		43,678,321		47,374,992		3,696,670	8.5%
Total Restricted Reserves	**$**	**246,167,280**	**$**	**243,364,725**	**$**	**175,622,340**	**$**	**177,122,828**	**$**	**1,500,488**	**0.9%**
Committed Reserves											
Currently Authorized Projects Reserve***	$	161,992,399	$	18,818,885	$	22,365,517	$	19,336,562	$	(3,028,955)	-13.5%
Operating and Capital Reserve		260,980,536		253,130,038		290,062,774		297,667,861		7,605,087	2.6%
Liability/Workers' Comp Self-Insurance		8,337,000		11,476,000		11,476,000		11,476,000		-	0.0%
Excess ERAF Contingency Reserve		5,821,733		7,145,907		8,464,513		9,757,633		1,293,120	15.3%
Property Self-Insurance/Catastrophic		10,693,087		6,529,910		10,325,633		10,378,848		53,215	0.5%
Total Committed Reserves	**$**	**447,824,755**	**$**	**297,100,740**	**$**	**342,694,437**	**$**	**348,616,904**	**$**	**5,922,467**	**1.7%**
TOTAL YEAR-END RESERVES	**$**	**693,992,035**	**$**	**540,465,465**	**$**	**518,316,777**	**$**	**525,739,733**	**$**	**7,422,956**	**1.4%**

Combined Fund Summary - All Funds

		Budgetary Basis Actual 2024-25		Adopted Budget 2025-26		Adopted Budget 2026-27		Proposed Plan 2027-28		Change from 2026-27 Adopted $ Diff	% Diff
Outlay Summary by Account type											
OPERATING OUTLAY											
Salaries and Benefits	$	183,138,503	$	198,274,181	$	208,986,854	$	222,549,692	$	13,562,838	6.5%
Salary Savings Factor		-		(1,963,412)		(4,304,007)		(4,552,679)		(248,672)	5.8%
Services & Supplies		211,074,557		239,895,904		252,950,243		251,970,265		(979,978)	-0.4%
Intra-District Charges		90,989,606		98,727,187		98,193,258		111,295,481		13,102,222	13.3%
OPERATING OUTLAY TOTAL	$	**485,202,666**	$	**534,933,859**	$	**555,826,348**	$	**581,262,759**	$	**25,436,411**	**4.6%**
DEBT SERVICE											
Services & Supplies	$	2,586,757		5,431,880		4,221,881		4,456,881	$	235,000	5.6%
Debt Service		83,372,966	$	111,509,741	$	124,579,973	$	156,712,917		32,132,944	25.8%
DEBT SERVICE TOTAL	$	**85,959,723**	$	**116,941,621**	$	**128,801,854**	$	**161,169,798**	$	**32,367,944**	**25.1%**
CAPITAL PROJECTS											
Salaries and Benefits	$	49,828,369	$	53,800,056	$	58,013,629	$	59,931,699	$	1,918,071	3.3%
Salary Savings Factor		-		(556,363)		(1,241,055)		(1,272,960)		(31,905)	2.6%
Services & Supplies		307,104,080		341,666,122		640,482,106		574,633,078		(65,849,027)	-10.3%
Carryforward Capital Projects		-		136,961,493		63,083,485		8,627,251		(54,456,234)	-86.3%
Intra-District Charges		30,308,893		32,993,288		32,685,002		36,131,450		3,446,448	10.5%
CAPITAL PROJECTS TOTAL	$	**387,241,342**	$	**564,864,595**	$	**793,023,165**	$	**678,050,518**	$	**(114,972,647)**	**-14.5%**
TOTAL OUTLAYS	$	**958,403,730**	$	**1,216,740,076**	$	**1,477,651,368**	$	**1,420,483,075**	$	**(57,168,292)**	**-3.9%**

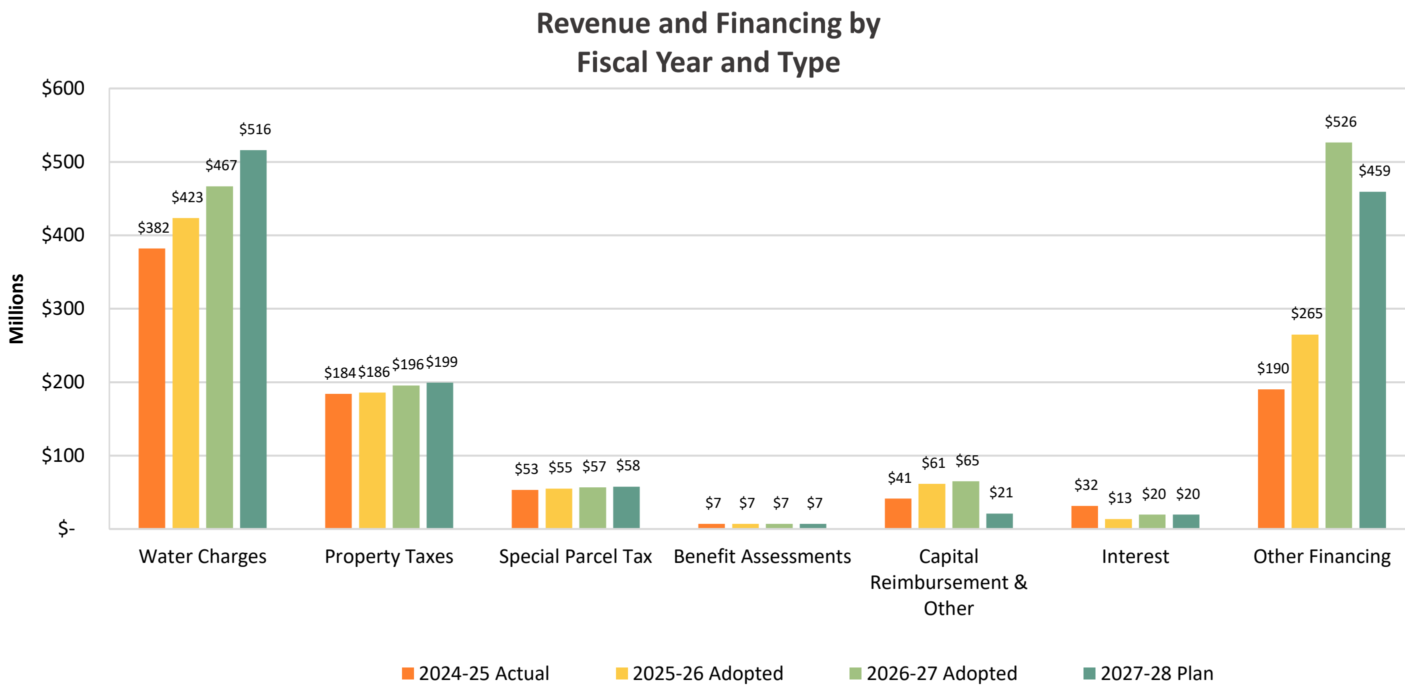
(*) Interest income does not include GASB31 market value adjustment

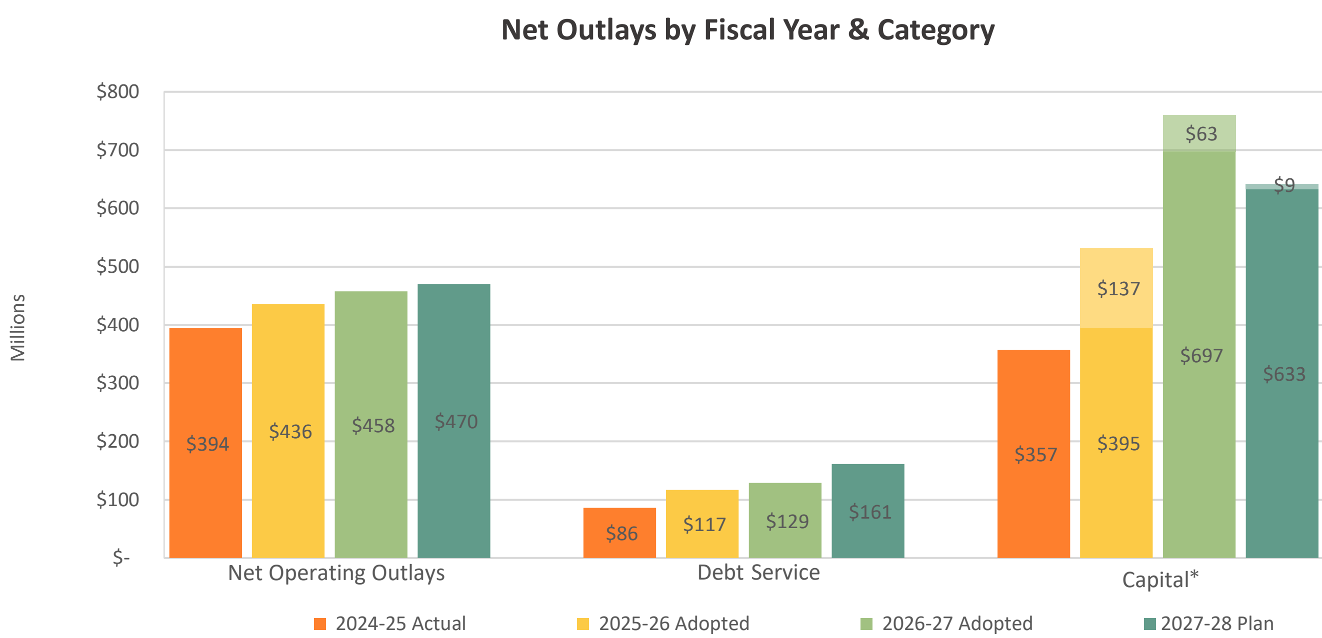
(**) Operations outlays do not include OPEB Expense-unfunded liability

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

Financial Overview

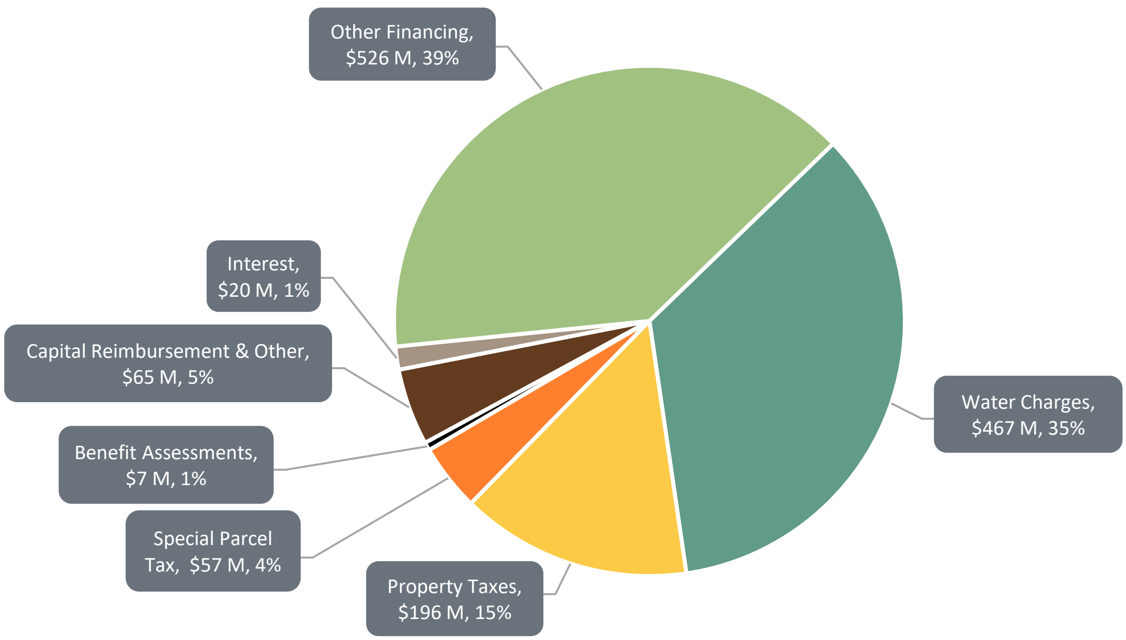
Revenue and Outlays



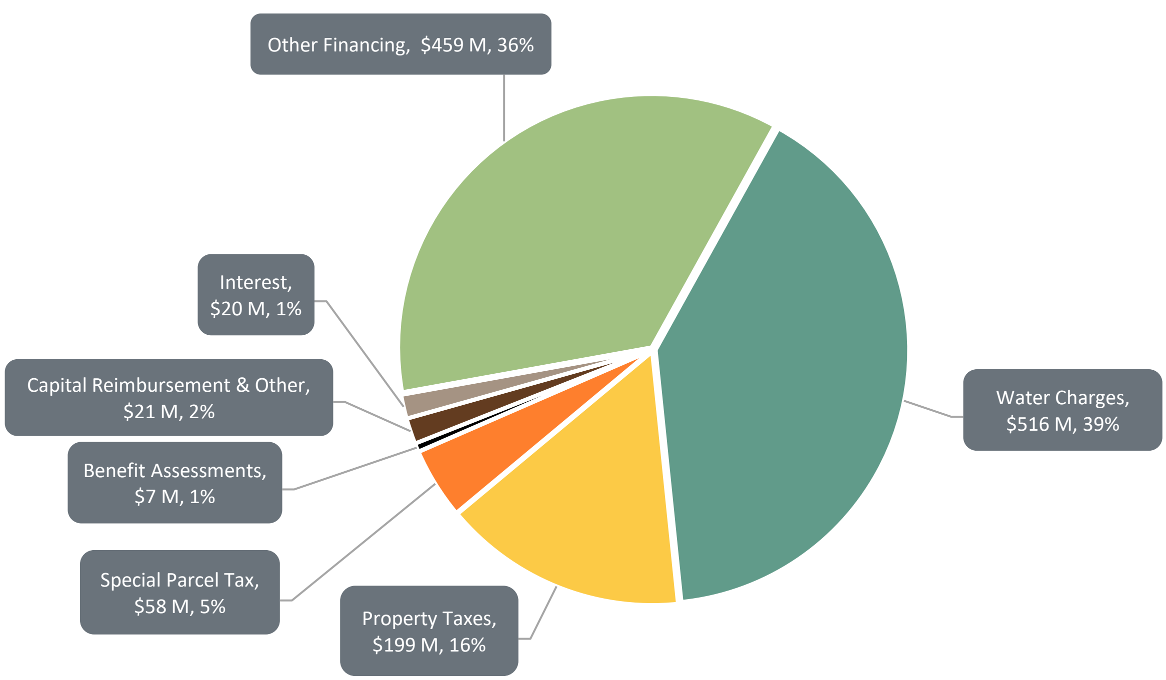


* Capital budget includes current year budget and prior year capital budget carry forward in the lighter shade

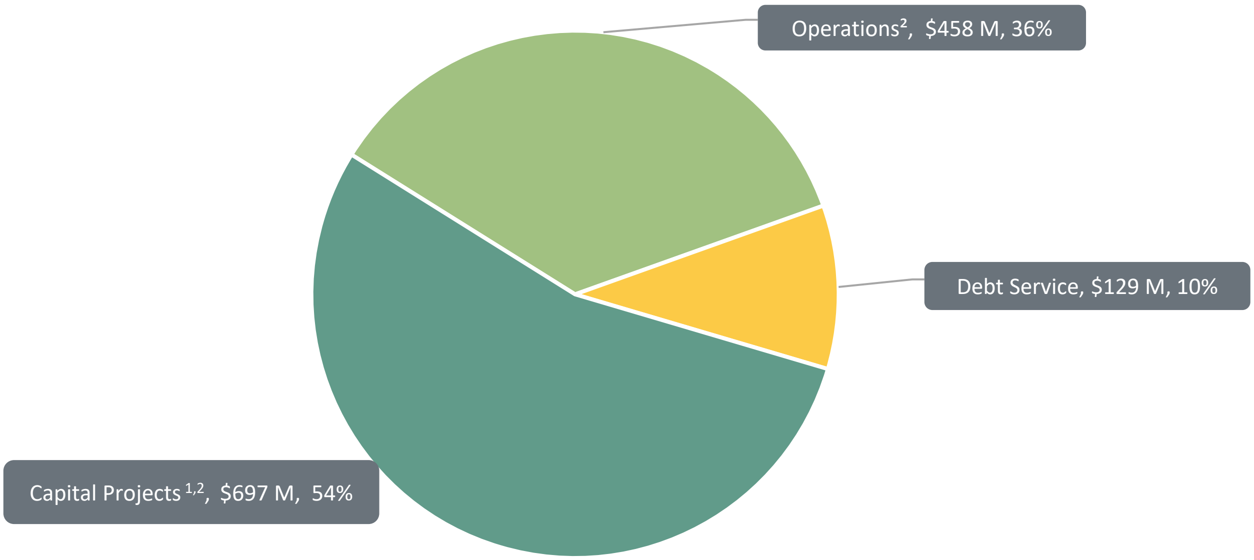
FY 2026-27 Adopted Revenue and Debt Financing, $1,337 Million



FY 2027-28 Plan Revenue and Debt Financing, $1,280 Million

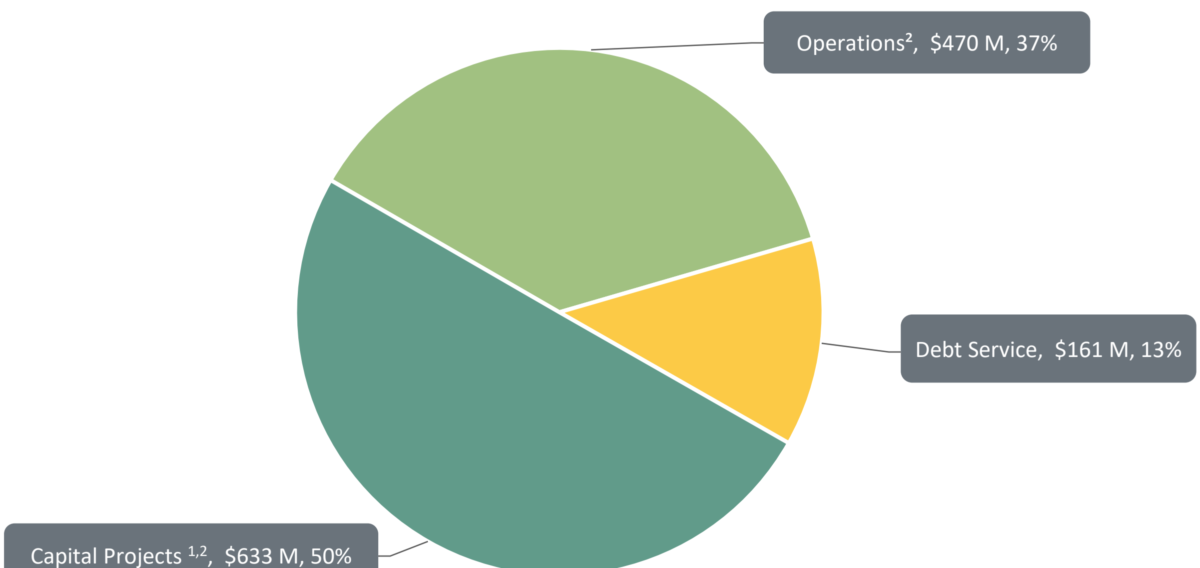


FY 2026-27 Adopted Net Outlays By Category, $1,284 Million



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

FY 2027-28 Plan Net Outlays By Category, $1,264 Million



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

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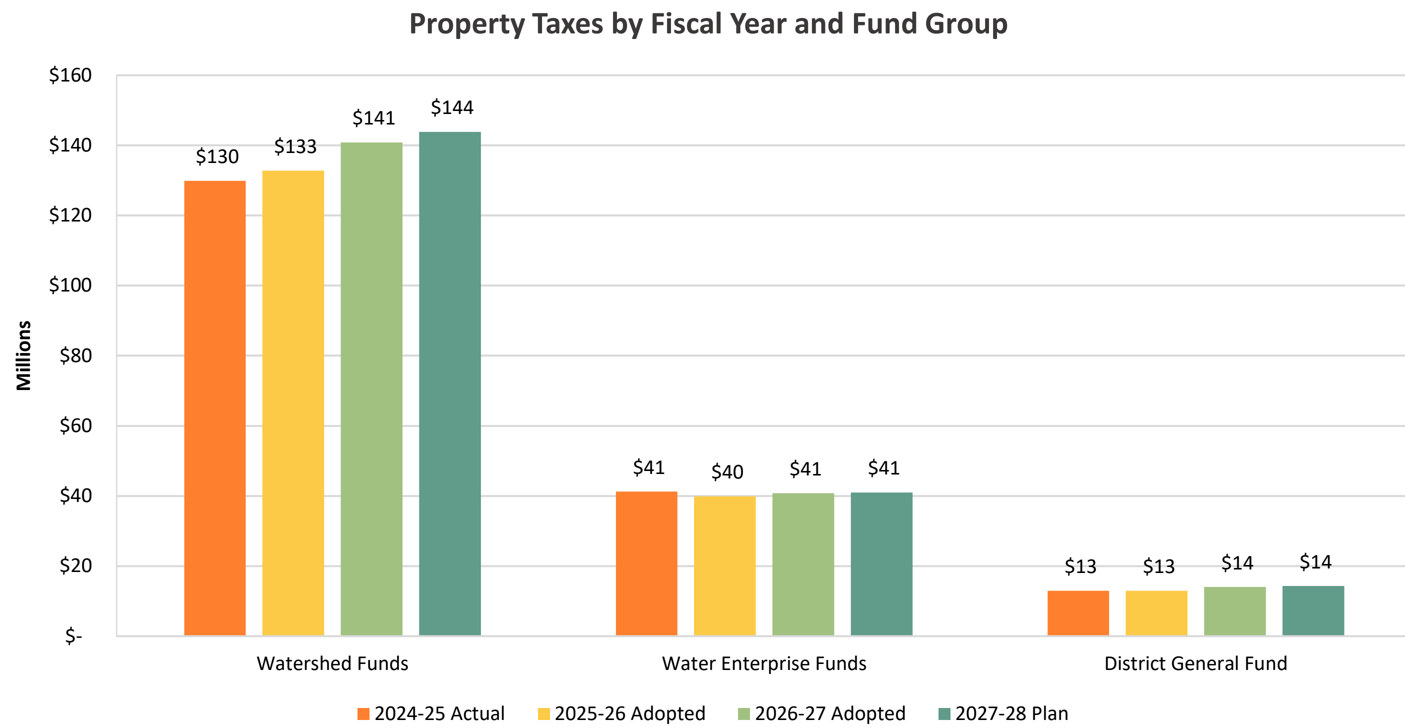
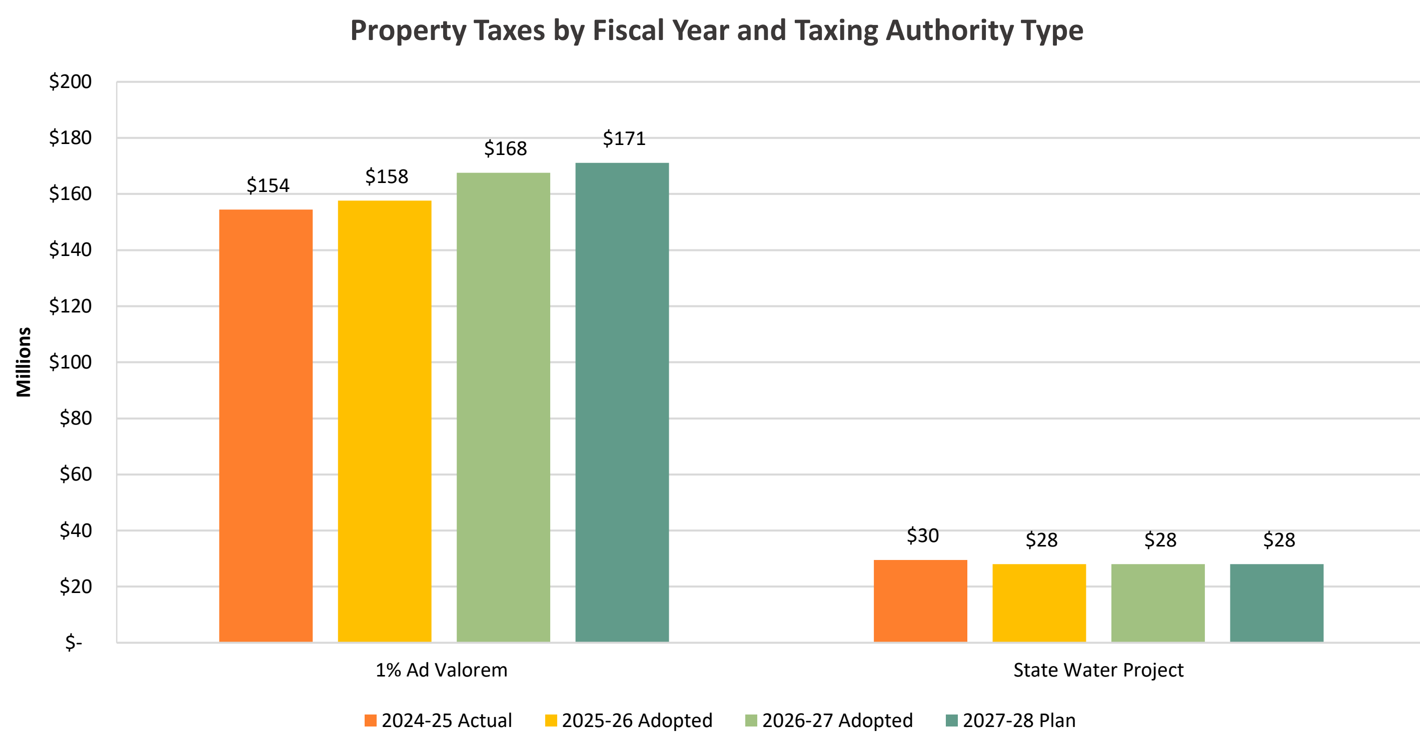
MAJOR SOURCES OF REVENUE

Property Taxes





Property Taxes

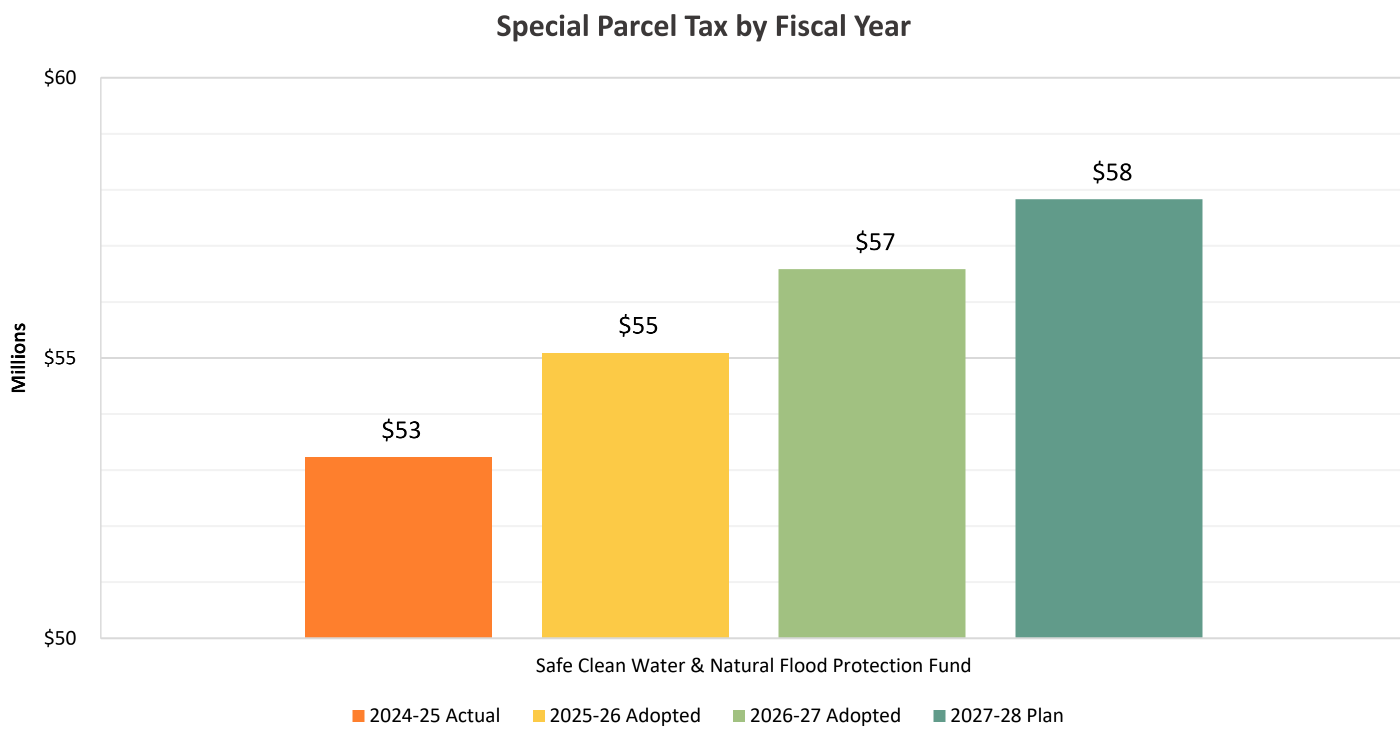
Valley Water's property tax revenues are comprised of two distinct categories: an allocated share of countywide 1% Ad Valorem property tax receipts and a voter-approved levy for State Water Project (SWP) contract obligations.

For FY 2026-27, Valley Water is projecting $167.6 million in 1% Ad Valorem tax revenue, a 6.3% increase over the FY 2025-26 Adopted Budget. The increase reflects the growth in the assessed value of all property in Santa Clara County. For FY 2027-28, 1% Ad Valorem tax is projected to increase 2.1% to $171.1 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 2026-27 and FY 2027-28, based on the projected operation costs, SWP taxes are projected at $28.0 million for each fiscal year.

	Budgetary Basis Actual 2024-25	Adopted Budget 2025-26	Projected Year End 2025-26	Adopted Budget 2026-27	Proposed Plan 2027-28
Property Tax					
1 % Ad Valorem Property Tax					
Watershed & Stream Stewardship Fund	$ 129,840,107	$ 132,785,000	$ 137,453,938	$ 140,841,668	$ 143,825,523
Water Utility Enterprise Fund	11,678,629	11,871,000	12,446,763	12,753,112	13,015,809
District General Fund	12,921,072	12,992,800	13,661,494	14,006,575	14,302,819
Total 1% Ad Valorem Allocation	**$ 154,439,808**	**$ 157,648,800**	**$ 163,562,195**	**$ 167,601,355**	**$ 171,144,151**
State Water Project Debt Service	**$ 29,556,629**	**$ 28,000,000**	**$ 28,000,000**	**$ 28,000,000**	**$ 28,000,000**
Total Property Tax	**$ 183,996,437**	**$ 185,648,800**	**$ 191,562,195**	**$ 195,601,355**	**$ 199,144,151**

Special Parcel Tax



Special Parcel Tax

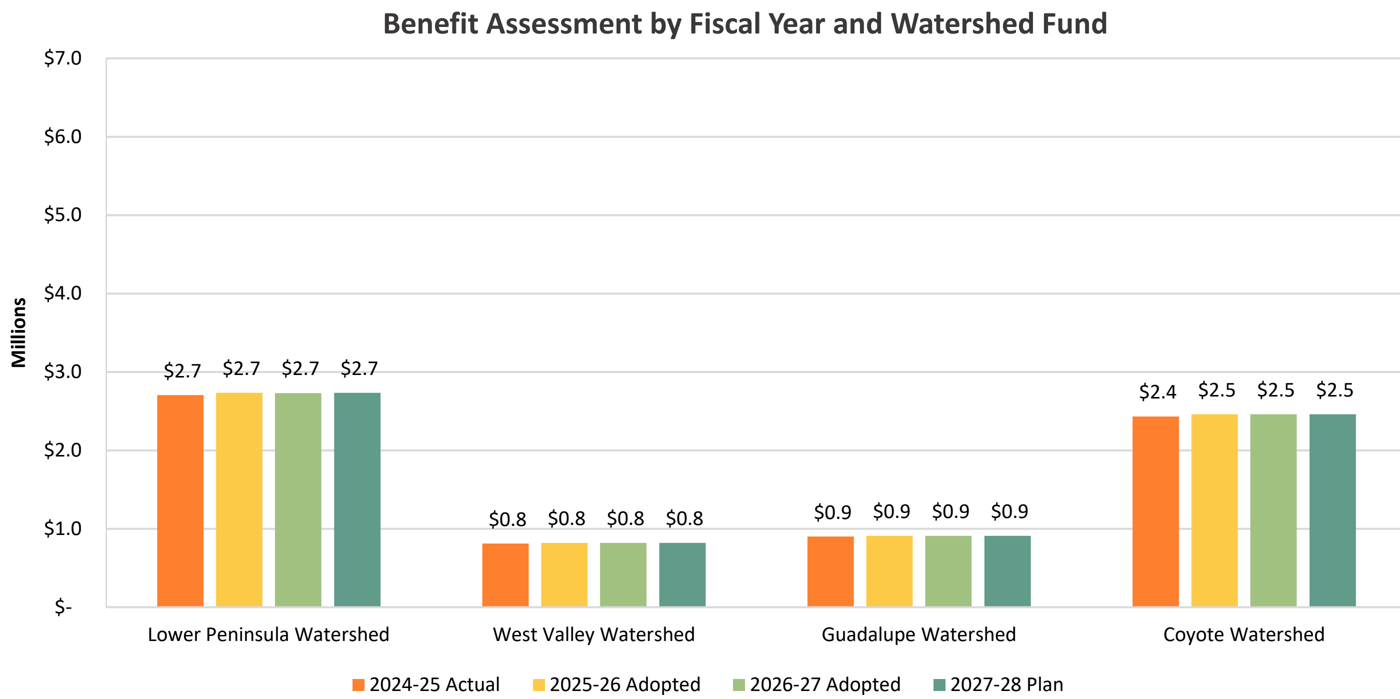
In November 2000, over two-thirds of Santa Clara County voters approved the original 15-year special parcel tax to fund Valley Water's countywide Clean, Safe Creeks and Natural Flood Protection Program (Clean, Safe Creeks Program). In November 2012, the voters approved the Safe, Clean Water and Natural 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 2025 to February 2026) was 2.5%. For FY 2026-27, the Board of Directors approved an increase in the special parcel tax to equal the change in CPI of 2.5%. The FY 2026-27 budgeted estimates for the special parcel tax include the adopted 2.5% CPI increase and an anticipated increase in eligible parcels, for a total of 2.7% growth over the 2025-26 Adopted Budget.

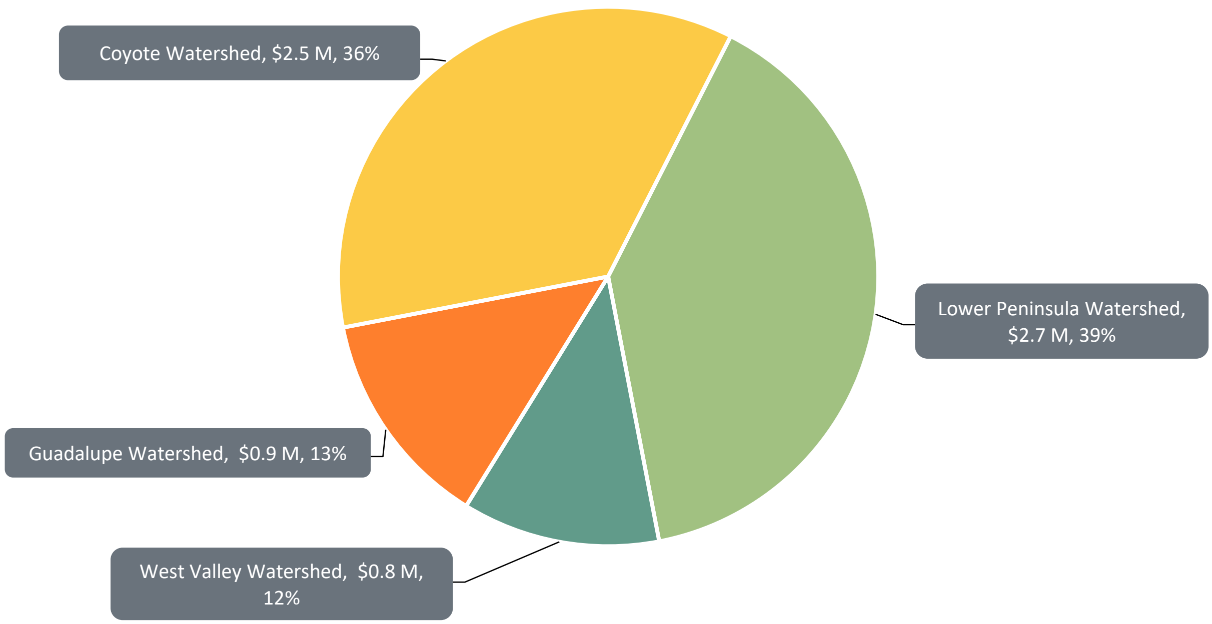
FY 2027-28 Planned amounts assume an increase of 2.2%, which reflects the Board adopted 2% increase in the special parcel tax rate, and an anticipated increase in eligible parcels based on construction activity in the county. An assessment of the CPI and recommendation will be provided to the Board of Directors in May 2027. Staff will reevaluate the revenue assumptions during the development of FY 2027-28 & FY 2028-29 Operating and Capital Rolling Biennial Budget.

	Budgetary Basis Actual 2024-25	Adopted Budget 2025-26	Projected Year End 2025-26	Adopted Budget 2026-27	Proposed Plan 2027-28
Special Parcel Tax					
Safe Clean Water & Natural Flood Protection Fund	$ 53,227,039	$ 55,094,792	$ 55,094,792	$ 56,582,351	$ 57,827,163
Total Special Parcel Tax	**$ 53,227,039**	**$ 55,094,792**	**$ 55,094,792**	**$ 56,582,351**	**$ 57,827,163**

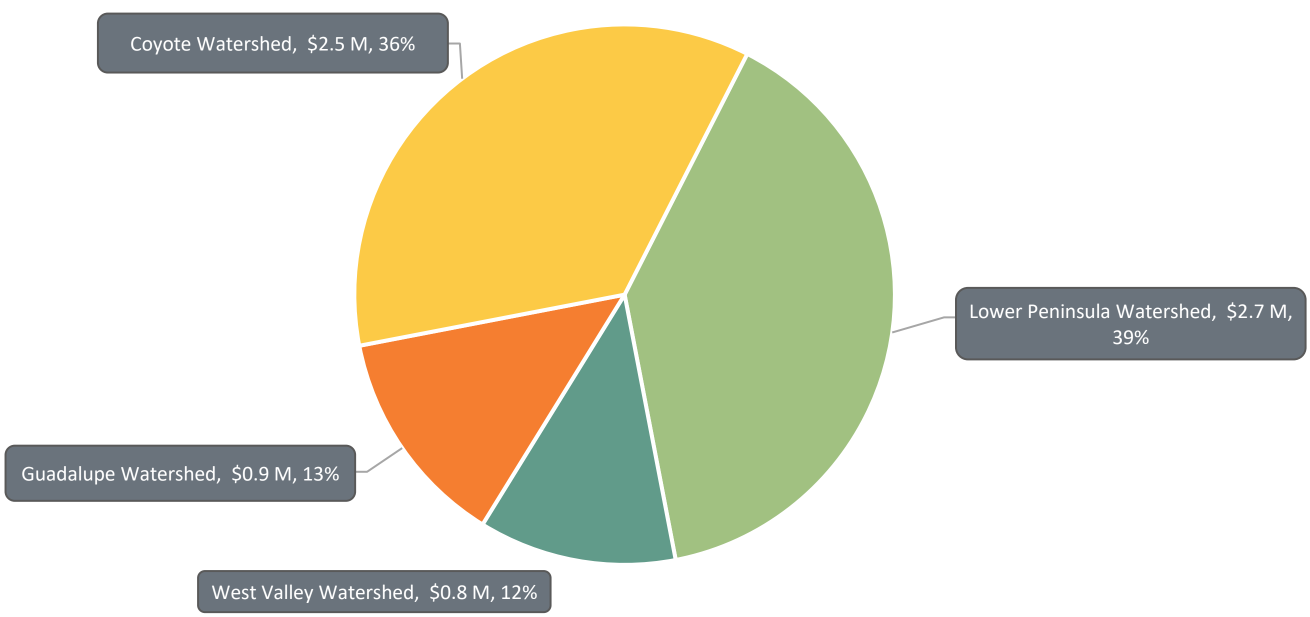
Benefit Assessment



FY 2026-27 Adopted Benefit Assessments, $6.9 Million



FY 2027-28 Plan Benefit Assessments, $6.9 Million



Benefit Assessment

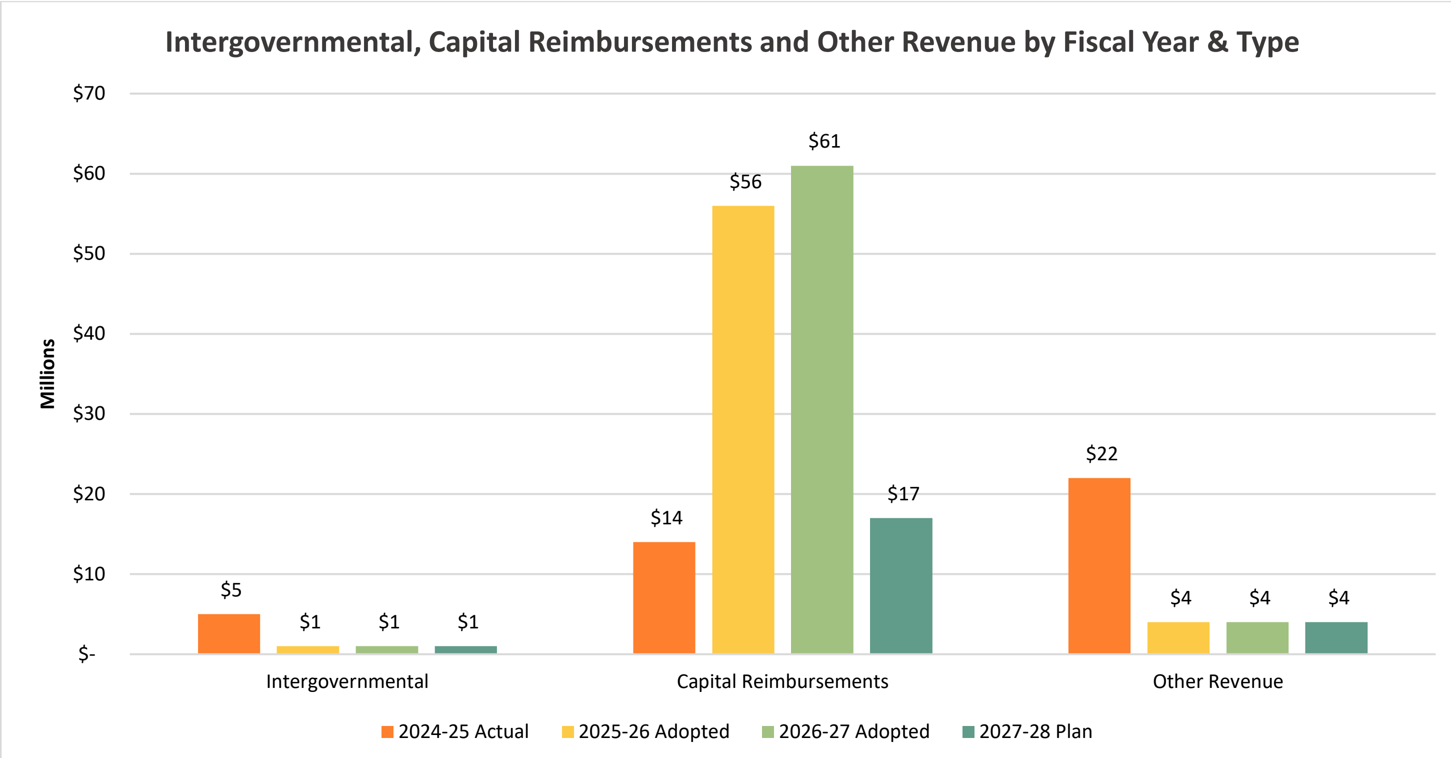
The Flood Control Benefit Assessment was first authorized by the Valley Water Board of Directors in 1981, and later by ballot measures in 1982, 1986, and 1990. The program had a sunset date of 2000, but the assessment will continue until 2030, when Valley Water will pay off the bonds associated with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

FY 2026-27 and FY 2027-28 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 2026-27 and FY 2027-28, 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 Basis Actual 2024-25	Adopted Budget 2025-26	Projected Year End 2025-26	Adopted Budget 2026-27	Proposed Plan 2027-28
Benefit Assessment					
Lower Peninsula Watershed	$ 2,703,730	$ 2,732,804	$ 2,732,804	$ 2,731,817	$ 2,732,927
West Valley Watershed	811,059	819,772	819,772	819,476	819,809
Guadalupe Watershed	901,512	911,166	911,166	910,837	911,207
Coyote Watershed	2,432,212	2,460,008	2,460,008	2,459,120	2,460,119
Total Benefit Assessments	**$ 6,848,514**	**$ 6,923,750**	**$ 6,923,750**	**$ 6,921,250**	**$ 6,924,063**

Intergovernmental, Capital Reimbursements and Other Revenue



Intergovernmental, Capital Reimbursements and Other Revenue

Intergovernmental Services

Valley Water anticipates receiving intergovernmental services revenue of $1.3 million in FY 2026-27 and $1.4 million in FY 2027-28 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 is expected at $61.0 million in FY 2026-27 and $16.8 million in FY 2027-28.

Water Utility Enterprise receipts in FY 2026-27 are budgeted at $0.5 million and $1.2 million in FY 2027-28 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 $6.2 million in FY 2026-27, mostly comprised of $3.2 million Measure AA grant funding and $3.0 million in State Subventions for the San Francisco Bay Shoreline project. In FY 2027-28, reimbursements totaling $5.0 million comprised of $2.0 million Measure AA grant funding, $2.0 million in State Coastal Conservancy funds, and $1.0 million from the State Subventions for the San Francisco Bay Shoreline project.

Safe, Clean Water Fund reimbursements of $54.2 million in FY 2026-27, comprised of: $50.0 million from Natural Resources Conservation Service (NRCS) for Llagas Creek - Phase 2B Construction project; and, $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. In FY 2027-28, reimbursements total $10.6 million, comprised of: $10.0 million from NRCS for the Upper Llagas Creek - Phase 2B Construction project, $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.

Other Revenue

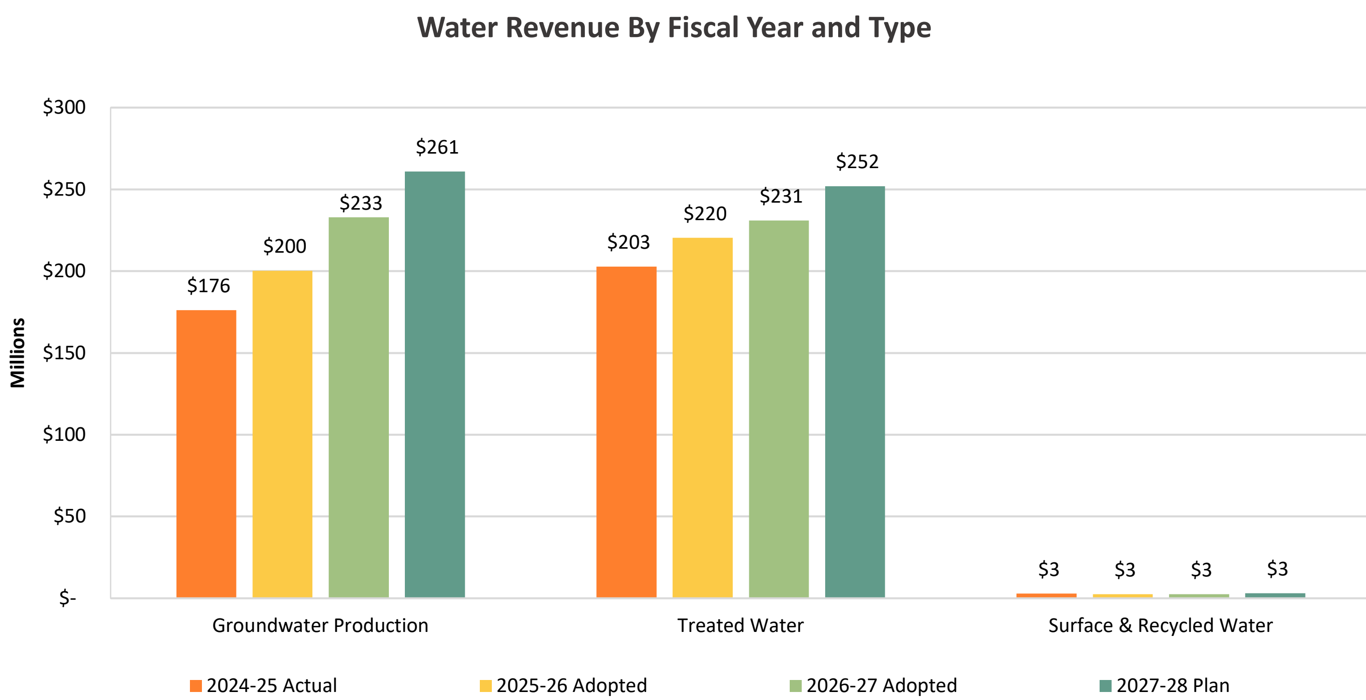
The other operating and non-operating revenue includes rental income, well permit fees, refunds, and adjustments. FY 2026-27 budget anticipates $3.7 million including $1.8 million in Watersheds, $1.7 million in Water Utility and $0.1 million in the General and Internal Service funds. FY 2027-28 anticipates revenues to hold steady at $3.7 million with $1.9 million budgeted in Watersheds, $1.8 million in Water Utility and $0.1 million in the General and Internal Service funds.

Intergovernmental, Capital Reimbursements and Other Revenue

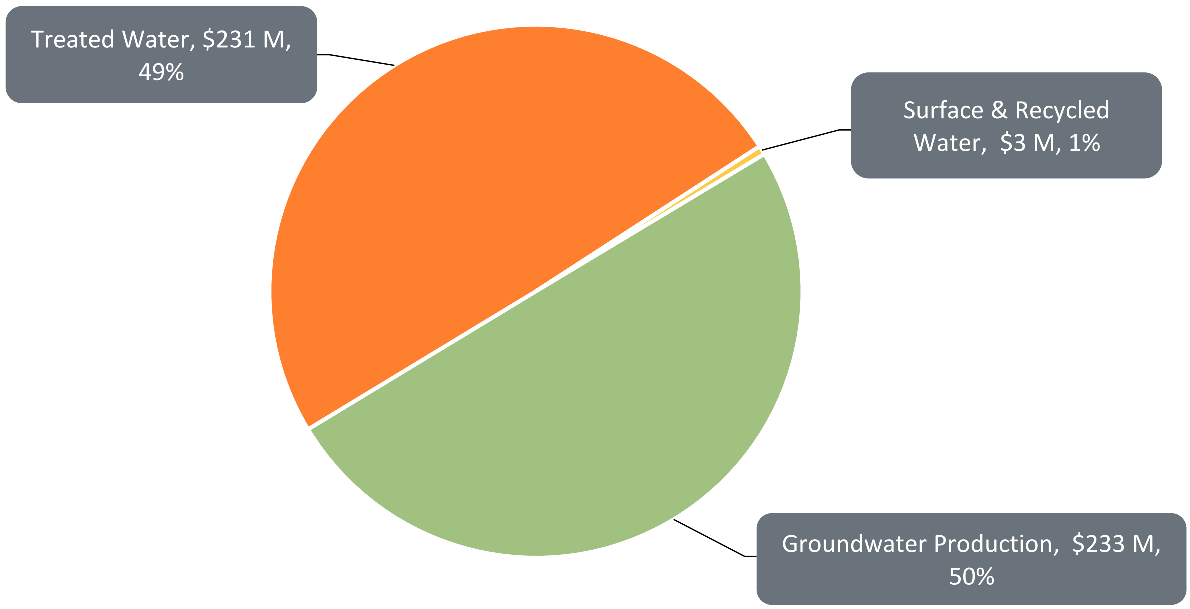
	Budgetary Basis Actual 2024-25	Adopted Budget 2025-26	Projected Year End 2025-26	Adopted Budget 2026-27	Proposed Plan 2027-28
Intergovernmental Services					
Watershed & Stream Stewardship Fund	$ 188,864	$ –	$ –	$ –	$ –
Safe Clean Water & Natural Flood Protection Fund	14,107	–	–	–	–
Water Utility Enterprise Fund	4,885,067	1,493,295	1,492,500	1,323,000	1,397,000
District General Fund	295,618	–	–	–	–
Total Intergovernmental Services	**$ 5,383,656**	**$ 1,493,295**	**$ 1,492,500**	**$ 1,323,000**	**$ 1,397,000**
Capital Reimbursements					
Watershed & Stream Stewardship Fund	$ 7,856,093	$ 5,000,000	$ 3,910,000	$ 6,227,000	$ 5,000,000
Safe Clean Water & Natural Flood Protection Fund	2,959,053	50,600,000	20,600,000	54,228,000	10,600,000
Water Utility Enterprise Fund	3,030,479	684,000	1,341,000	504,000	1,216,000
Total Capital Reimbursements	**$ 13,845,624**	**$ 56,284,000**	**$ 25,851,000**	**$ 60,959,000**	**$ 16,816,000**
Other					
Watershed & Stream Stewardship Fund	$ 3,697,115	$ 1,777,425	$ 1,777,425	$ 1,830,748	$ 1,885,670
Safe Clean Water & Natural Flood Protection Fund	319,915	–	–	–	–
Water Utility Enterprise Fund	7,754,895	726,158	738,182	747,394	757,045
State Water Project Fund	9,589,822	1,000,000	1,000,000	1,000,000	1,000,000
District General Fund	222,541	61,600	61,600	61,600	62,832
Internal Service Funds	450,517	41,500	41,500	42,330	43,177
Total Other	**$ 22,034,806**	**$ 3,606,683**	**$ 3,618,707**	**$ 3,682,072**	**$ 3,748,724**
Total Intergov'l & Other Revenues	**$ 41,264,086**	**$ 61,383,978**	**$ 30,962,207**	**$ 65,964,072**	**$ 21,961,724**

Financial Overview

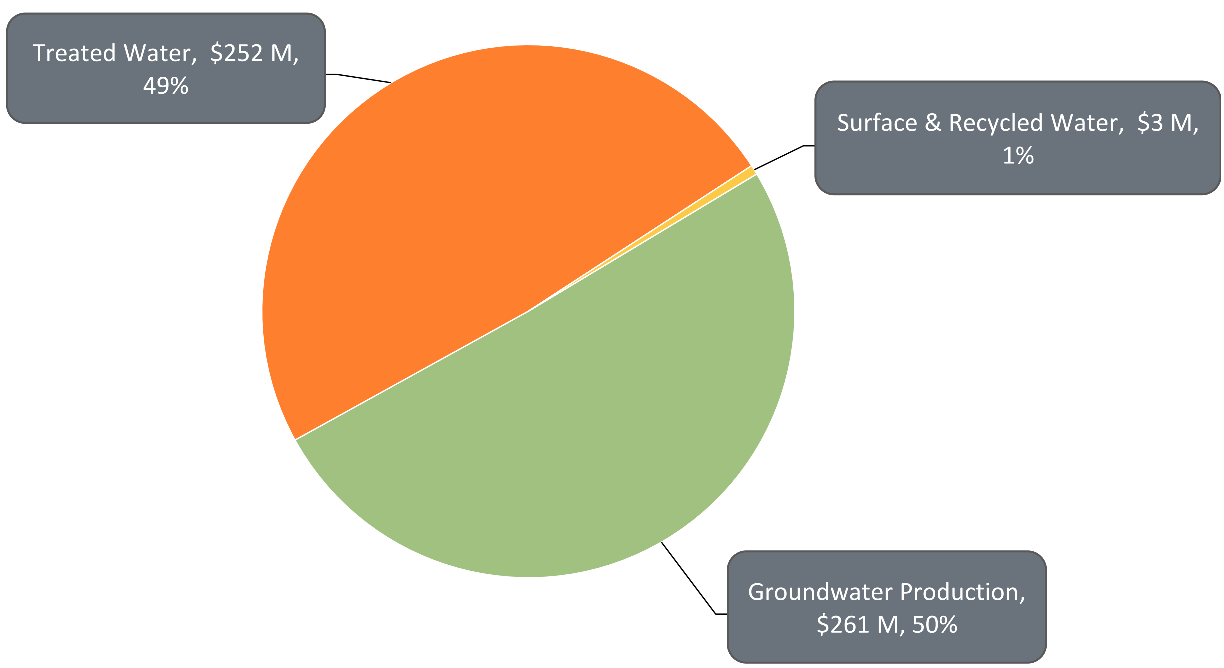
Water Revenue



FY 2026-27 Adopted Water Revenue $467 Million



FY 2027-28 Plan Water Revenue $516 Million



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

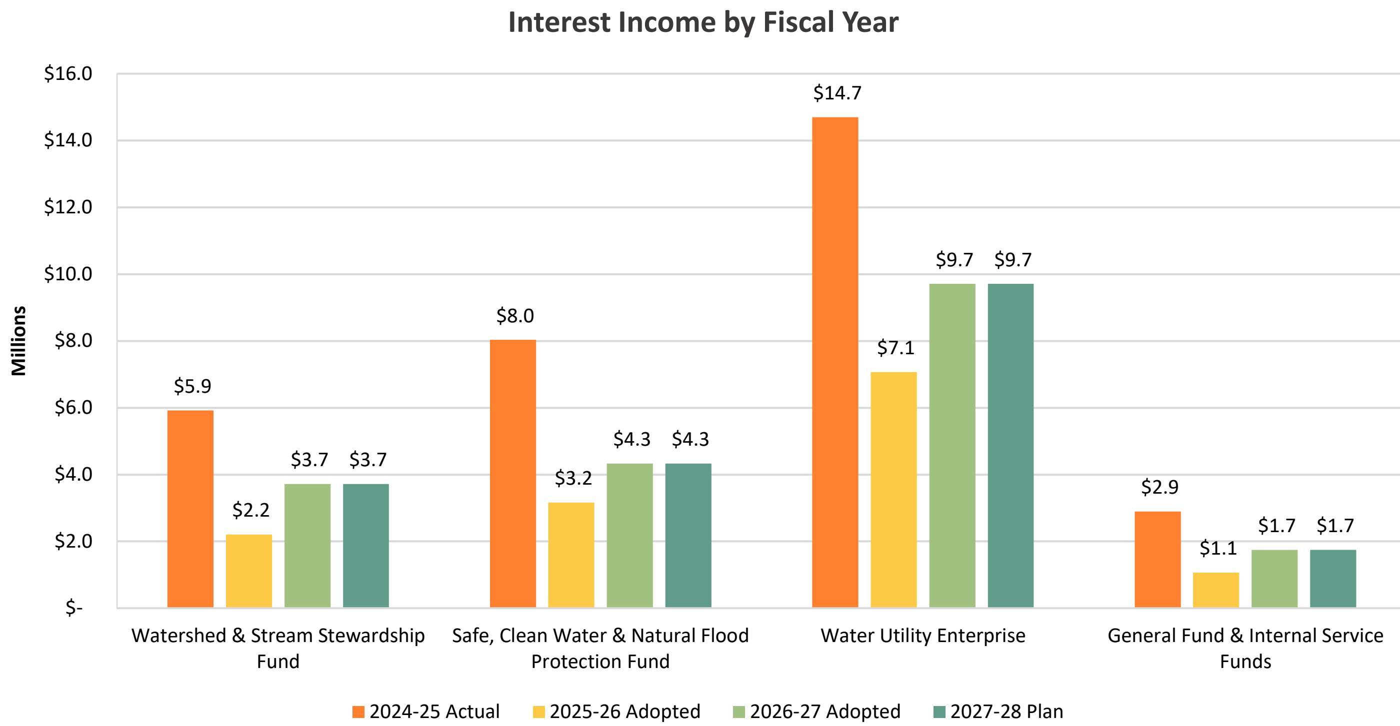
Water revenues in FY 2026-27 Budget and FY 2027-28 Plan are based on staff's recommendations to the Board. Water charges are necessary to provide funding for critical infrastructure and operational needs, water imported via California's state and federal water systems, and the development of future supplies 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 2026-27 revenue estimates reflect an increase of 9.1% in groundwater production charges for the North County (Zone W-2) when compared to FY 2025-26. In the Llagas Subbasin (Zone W-5), revenue estimates reflect an increase of 6.6% in the groundwater production charge when compared to FY 2025-26. In the Coyote Valley (Zone W-7) revenue estimates reflect an increase of 9.4% in the groundwater production charge when compared to FY 2025-26. 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 2025-26. In FY 2027-28 revenue estimates project the same annual rate increases as scheduled in FY 2026-27.

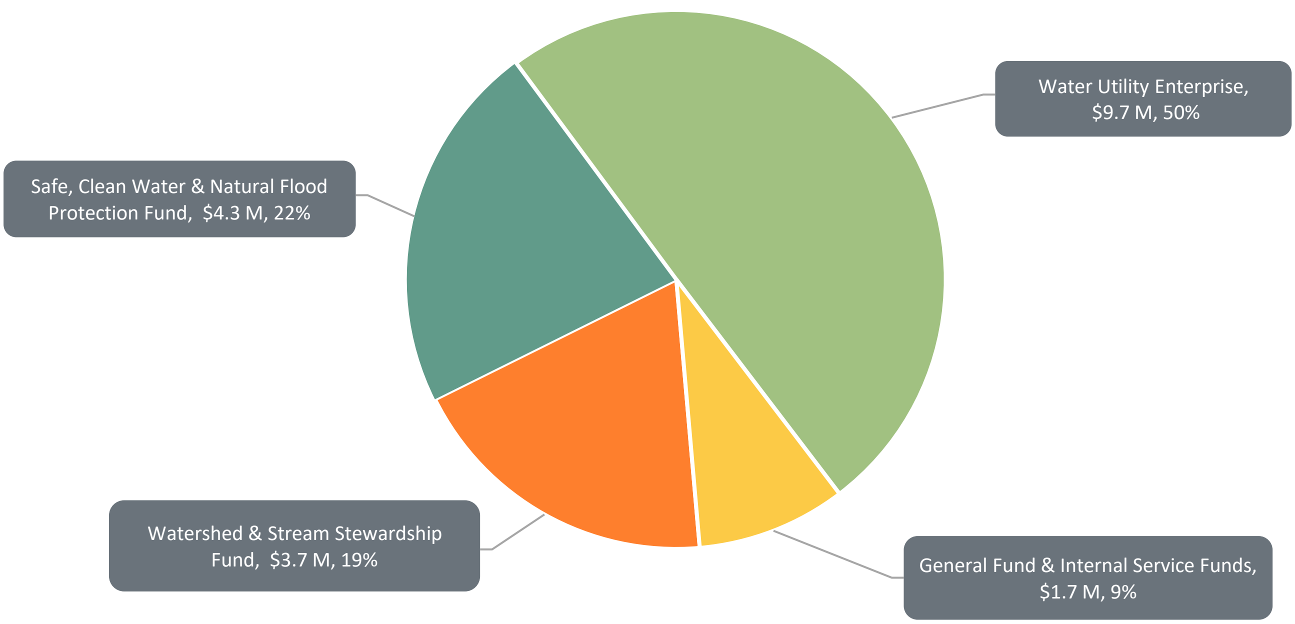
The FY 2026-27 water use estimate of 221,500 AF represents a 2,500 AF or 1.1% increase compared to the FY 2025-26 adopted water budget usage amount of 219,000 AF. FY 2027-28, the water use estimate increases to 224,000 AF, consistent with a more moderate rebound from the 2023 drought. Additionally, other 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 2024-25	Adopted Budget 2025-26	Projected Year End 2025-26	Adopted Budget 2026-27	Proposed Plan 2027-28
Water Revenue					
Groundwater Production Charges	$ 176,173,362	$ 200,333,000	$ 213,834,000	$ 233,004,000	$ 261,258,000
Treated Water Charges	202,844,299	220,403,000	198,403,000	231,016,000	251,897,000
Surface & Recycled Water Charges	2,955,025	2,582,000	2,591,000	2,526,000	2,738,000
Total Water Revenue	**$ 381,972,685**	**$ 423,318,000**	**$ 414,828,000**	**$ 466,546,000**	**$ 515,893,000**

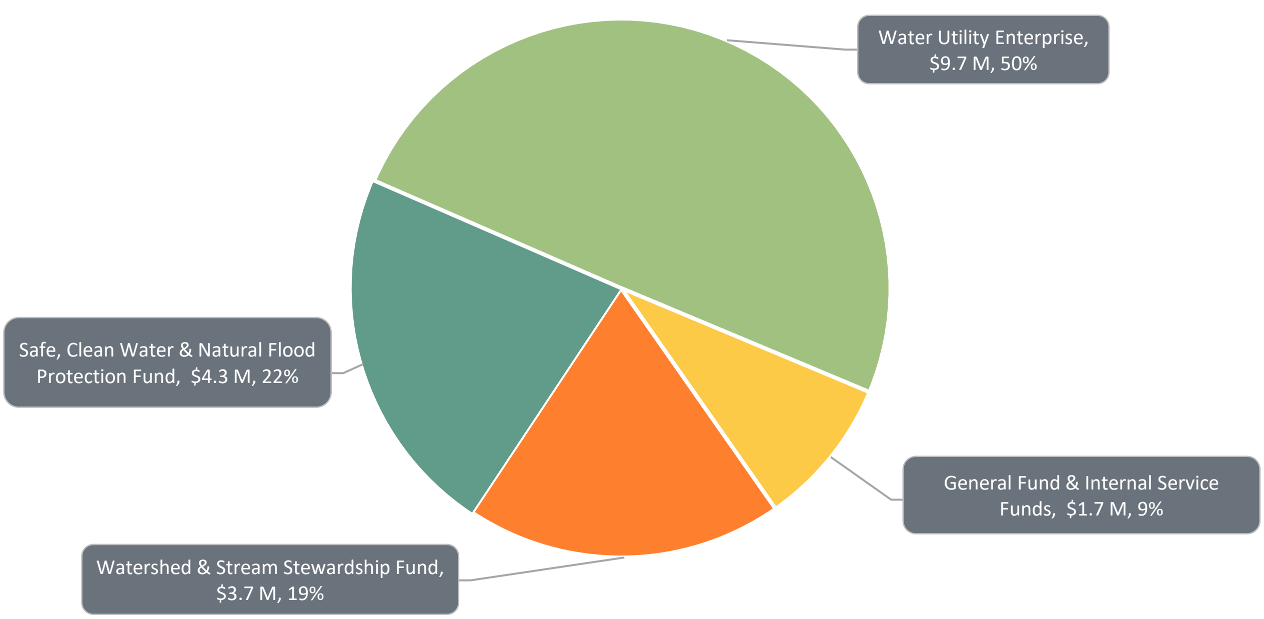
Interest Income



FY 2026-27 Adopted Interest Earnings, $19.5 Million



FY 2027-28 Plan Interest Earnings, $19.5 Million



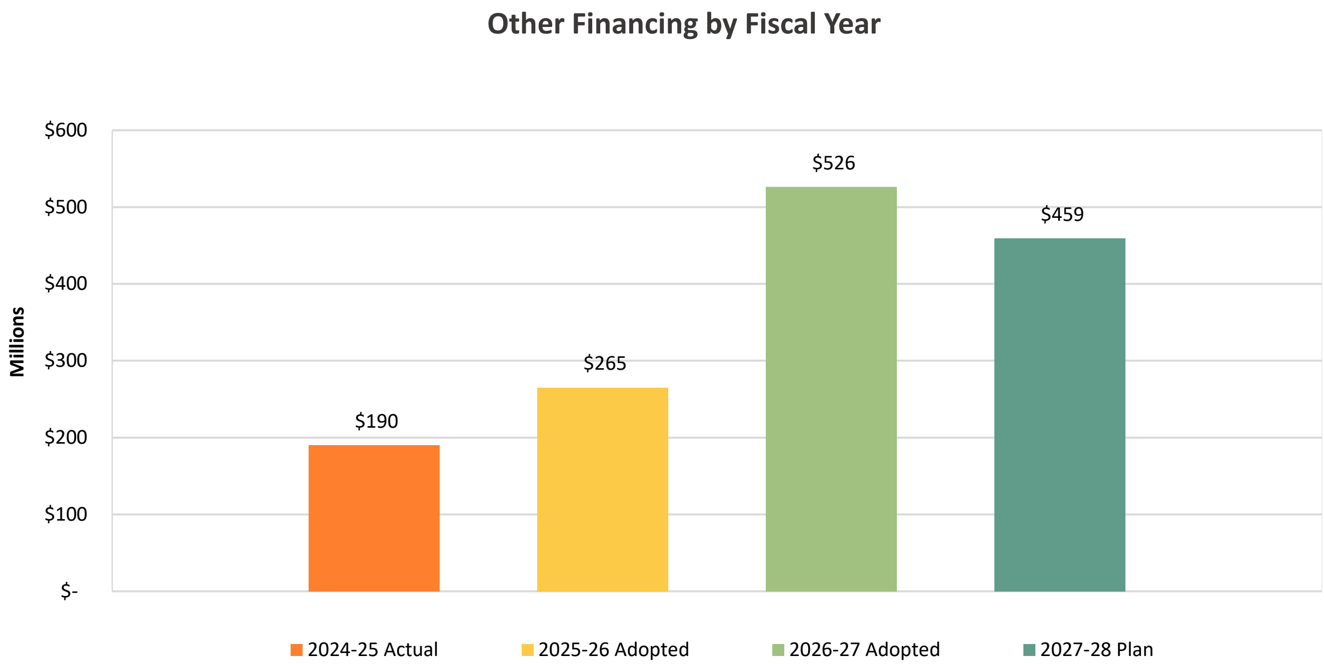
Interest Income

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, repurchaseagreements, 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 $19.5 million for FY 2026-27 and FY 2027-28. The estimates assume an average portfolio yield of 3.0% for FY 2026-27 and FY 2027-28.

	Budgetary Basis Actual 2024-25	Adopted Budget 2025-26	Projected Year End 2025-26	Adopted Budget 2026-27	Proposed Plan 2027-28
Interest Income					
Watershed & Stream Stewardship Fund	$ 5,916,353	$ 2,204,000	$ 3,716,000	$ 3,716,000	$ 3,716,000
Safe Clean Water & Natural Flood Protection Fund	8,030,620	3,162,000	4,329,000	4,329,000	4,329,000
Water Utility Enterprise Fund	14,700,229	7,066,000	9,707,000	9,707,000	9,707,000
General Fund	1,303,987	443,000	822,000	822,000	822,000
Service Funds	1,590,507	624,000	927,000	927,000	927,000
Total Interest Income	**$ 31,541,696**	**$ 13,499,000**	**$ 19,501,000**	**$ 19,501,000**	**$ 19,501,000**

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 $526.3 million in debt proceeds in FY 2026-27, of which $407.0 million is for Water Utility and $119.3 million is for the Safe, Clean Water program. In FY 2027-28, planned issuance is approximately $459.2 million, $329.2 million for Water Utility and $130.0 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 2024-25	Adopted Budget 2025-26	Projected Year End 2025-26	Adopted Budget 2026-27	Proposed Plan 2027-28
OTHER FINANCING					
Debt Proceeds	$ 190,000,000	$ 264,826,296	$ 255,419,723	$ 526,347,000	$ 459,228,000
TOTAL OTHER FINANCING	**$ 190,000,000**	**$ 264,826,296**	**$ 255,419,723**	**$ 526,347,000**	**$ 459,228,000**

SALARIES AND BENEFITS

Salaries and Benefits

The FY 2026-27 salaries and benefits budget is based on a total of 878 positions, which includes 876 regular positions and two limited term positions. In FY 2026-27, 45 positions are paused, resulting in no change to the 876 regular positions as compared to FY 2025-26. Additionally, a one-year board approved limited term position was approved for FY 2026-27. The total salaries and benefits budget is $261.5 million, an increase of $11.9 million or 4.8% from the FY 2025-26 Adopted Budget. This increase is primarily driven by a 4.5% cost-of-living adjustment (COLA), an estimated $3.2 million increase in CalPERS contributions, the addition of one limited-term position, and a $1.5 million increase in health insurance costs.

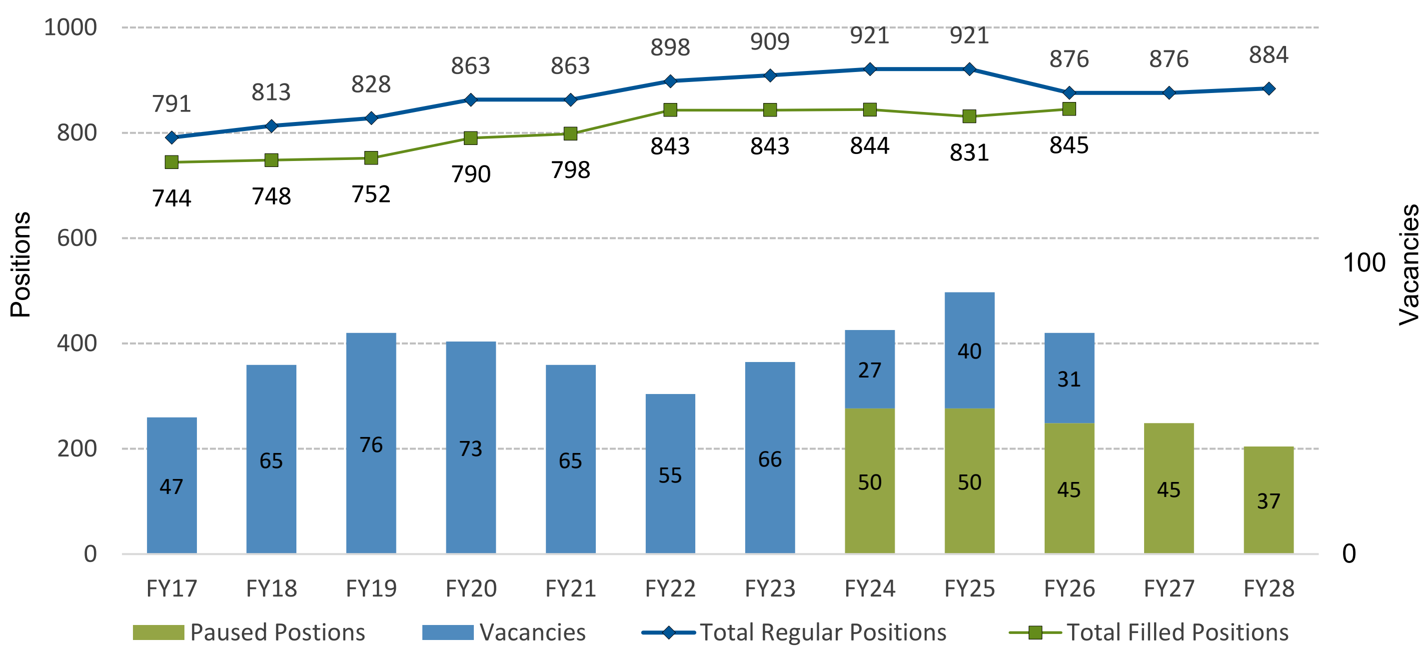
In FY 2027-28, salaries and benefits are projected at $276.7 million, an increase of $15.2 million, or 5.8% compared to the FY 2026-27 budget. The increase is primarily attributed to a 4% COLA, an estimated $2.8 million increase in CalPERS, and a $3.5 million increase in health insurance costs. The larger increase in FY 2027-28 compared to FY 2026-27 is mainly due to the release of eight previously paused positions, partially offset by the expiration of one limited-term position.

Summary of Positions

	Adopted Budget FY 2024-25	Adopted Budget FY 2025-26 (2)	Adopted Budget FY 2026-27(2,3)	Proposed Plan FY 2027-28(4)
Board Appointed Officers (1)	78	71	102	102
Office of Integrated Water Mgmt	70	70	67	67
External Affairs	46	43	43	43
Administrative Services	166	160	128	128
Water Utility	304	291	291	291
Watersheds	257	241	245	253
Total Regular Positions	**921**	**876**	**876**	**884**
Limited Term Positions	4	4	2	1
Total	**925**	**880**	**878**	**885**

[1] Board Appointed Officers include: Office of Chief Executive Office, District Counsel, and Clerk of the Board.
[2] 45 positions are paused for FY 2025-26 & FY 2026-27
[3] Human Resources was moved from Administrative Services to Board Appointed Officers for the FY27 Adopted Budget
[4] 37 positions are paused for FY 2027-28.

Valley Water Regular Position Trends, FY 2017-2028



Salaries and Benefits

		Budgetary Basis Actual 2024-25		Adopted Budget 2025-26		Projected Year End 2025-26		Adopted Budget 2026-27		Proposed Plan 2027-28
Salaries										
Salaries	$	138,758,332	$	150,330,252	$	150,704,712	$	157,716,534	$	165,802,743
Overtime		5,278,653		4,292,067		4,292,067		4,946,692		5,138,682
Special Pays		1,211,056		1,119,099		1,119,099		1,227,099		1,254,661
Salary Savings		–		(2,519,774)		(2,519,774)		(5,545,063)		(5,825,639)
Total Salaries	**$**	**145,248,041**	**$**	**153,221,643**	**$**	**153,596,103**	**$**	**158,345,262**	**$**	**166,370,446**
Benefits										
Fed & State Taxes	$	2,141,803	$	2,240,559	$	2,240,559	$	2,347,660	$	2,464,841
Retirement Contributions		46,390,645		51,001,609		51,001,609		54,217,029		57,019,876
Group Ins-Active Employees		22,310,899		28,126,551		28,126,551		29,577,469		33,043,652
Group Ins-Retired Employees		16,875,486		14,964,100		14,964,100		16,968,000		17,756,936
Total Benefits	**$**	**87,718,832**	**$**	**96,332,819**	**$**	**96,332,819**	**$**	**103,110,158**	**$**	**110,285,305**
Total Salary & Benefits	**$**	**232,966,874**	**$**	**249,554,462**	**$**	**249,928,922**	**$**	**261,455,420**	**$**	**276,655,752**

Labor Hours	Budgetary Basis Actual 2024-25	Adopted Budget 2025-26	Projected Year End 2025-26	Adopted Budget 2026-27	Proposed Plan 2027-28
Regular Hours	1,433,911	1,535,302	1,535,302	1,528,128	1,539,665
Overtime	46,776	34,820	34,820	38,213	37,853
Compensated Absences	298,443	293,330	293,330	294,559	298,275
Total Hours	**1,779,130**	**1,863,452**	**1,863,452**	**1,860,900**	**1,875,793**

DEBT & INVESTMENTS

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 the District Act authorize the Board to issue revenue bonds for the Water Enterprise Fund. Valley Water's debt issuance practices are governed by the California Government Code and California 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 that 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 indebt 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 addenda 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.

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 costs of its outstanding liabilities to identify 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 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 certificates, revenue bonds, and WIFIA loans. Scheduled annual debt service for FY 2026-27 is $128.8 million, including financing and legal fees. The WIFIA loans for the SCW program (Coyote Creek Flood Protection and Sunnyvale East and West Channels projects) and Water Utility Fund (Anderson Dam Seismic Retrofit and Coyote Percolation Dam Replacement projects) have deferred interest payments 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 at any time.

Currently outstanding debt is summarized below:

- Watersheds Fund(including Benefit Assessment Funds): Series 2017A COPs with a final maturity in 2030.

- Safe, Clean Water Fund: (1) Series 2022A Refunding Revenue bonds with a final maturity in 2049; (2) Series 2022B Revenue COPs with a final maturity of December 1, 2026; (3) commercial paper notes; and (4) WIFIA loan (N21116CA) with a final maturity in 2061.

- Water Utility Fund: (1) Water System Refunding Revenue Bonds Series 2016B with a final maturity in 2046 and Revenue COP Series 2016D with a final maturity in 2029; (2) Water System Refunding Revenue Bonds Series 2017A with a final maturity in 2037; (3) Water System Refunding Revenues Bonds Series 2019AB with a final maturity in 2049, and Series 2019C with a final maturity in 2036; (4) Water System Refunding Revenue Bonds Series 2020AB with a final maturity in 2050 and Revenue COP Series 2020CD with a final maturity in 2041; (5) Water System Refunding Revenue Bonds Series 2023AB with a final maturity in 2052, Revenue COP Series 2023C-1 with a final maturity of June 1, 2026, Series 2023C-2 with a final maturity in 2041, and Series 2023D with a final maturity of June 1, 2026; (6) Water System Refunding Revenue Bonds Series 2024A-1/B-1 with a final maturity in 2054, Refunding Revenue Notes Series 2024A-2/B-2 with a final maturity of June 1, 2026, and Revenue Bonds Series 2024C with a final maturity in 2038; (7) Water System Refunding Revenue Bonds Series 2025A with a final maturity in 2046 and Taxable Series 2025B with a final maturity in 2055; (8) commercial paper notes; (9) revolving line of credit certificates (which are secured by tax and revenue anticipation notes that are subject to annual reauthorization by the Valley Water Board); and (10) WIFIA loan (N22115CA) with a final maturity in 2059.

Financial Overview

On February 14, 2023, Valley Water executed two WIFIA master agreements with the U.S. Environmental Protection Agency (EPA) to provide up to $580 million of WIFIA loan capacity to fund Anderson Dam Seismic Retrofit and Coyote Percolation Dam Replacement (Water Utility projects) and up to $147 million of WIFIA loan capacity to fund Coyote Creek Flood Protection and Sunnyvale East and West Channels flood protection (SCW projects). Initial loans were executed concurrently for (1) the SCW projects for $41 million at a 3.77% interest rate to fund planning and design costs for both projects, as well as construction costs for Sunnyvale East and West Channels, and (2) the Water Utility projects for $74 million at a 3.77% interest rate to fund planning and design costs. Valley Water began drawing on the WIFIA loans in FY 2025.

Planned Issuances

Valley Water is planning to issue debt to finance capital improvements for the Safe, Clean Water program and the Water Utility Enterprise. The source of debt service repayment for the Safe, Clean Water program is primarily the special SCW 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 debt service coverage ratio of 1.25 on all Water Utility parity debt. Based on the financial forecasts, the projected annual debt service coverage ratios for all Water Utility parity debt are as follows:

- FY 2026-27: 2.27
- FY 2027-28: 2.16
- FY 2028-29: 2.24
- FY 2029-30: 2.37
- FY 2030-31: 2.49

(Source: FY 2026-27 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 met, Valley Water strives to earn a market-rate return on its investments. About 60% of the portfolio is invested in government securities, such as federal agency notes and U.S. 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 Valley Water's independent auditor on an annual basis. In addition, Valley Water's investment committee meets at least quarterly to review portfolio performance.

In addition to statutory requirements, the Board has adopted policies (Executive Limitations) 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+

Status of Bonded Indebtedness, Certificates of Participation, and Commercial Paper[1]

	Total Amount Sold	Date of Issue	True Interest Cost	Outstanding as of 6/30/26	2026-2027 Debt Service Payments [2] Principal	Interest	Total
Watersheds Indebtedness							
2017A COPs	$59,390,000	3/7/2017	2.56%	$20,425,000	$4,740,000	$1,021,250	$5,761,250
2022A Safe, Clean Water Revenue Bonds	75,295,000	12/6/2022	4.13%	71,390,000	1,605,000	3,529,375	5,134,375
2022B Safe, Clean Water COPs [3]	46,445,000	12/6/2022	3.01%	46,445,000	-	-	-
Short-Term Debt [4]	80,000,000	various	variable	80,000,000	-	6,627,000	6,627,000
SCW WIFIA Loan (21116CA) [3]	41,327,500	2/14/2023	3.77%	41,327,500	-	-	-
Total Watersheds	302,457,500			259,587,500	6,345,000	11,177,625	17,522,625
Water Utility Indebtedness							
2016 Water Utility Refunding Revenue Bonds							
Series B - taxable	75,215,000	3/30/2016	4.32%	75,215,000	-	3,229,621	3,229,621
Subtotal	75,215,000			75,215,000	-	3,229,621	3,229,621
2016 Water Utility Certificates of Participation							
Series D- taxable	54,970,000	3/30/2016	3.14%	16,325,000	5,255,000	575,546	5,830,546
Subtotal	54,970,000			16,325,000	5,255,000	575,546	5,830,546
2017 Water Utility Refunding Revenue Bonds							
Series A	54,710,000	5/2/2017	3.13%	36,815,000	2,530,000	1,840,750	4,370,750
2019 Water Utility Refunding Revenue Bonds							
Series A	15,225,000	4/25/2019	3.75%	13,360,000	320,000	668,000	988,000
Series B - taxable	80,030,000	4/25/2019	3.81%	67,740,000	1,950,000	2,555,114	4,505,114
Series C - taxable	38,280,000	11/26/2019	2.76%	24,100,000	2,320,000	661,624	2,981,624
Subtotal	133,535,000			105,200,000	4,590,000	3,884,738	8,474,738
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	68,530,000	10/14/2020	2.98%	68,530,000	-	2,033,285	2,033,285
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%	32,990,000	1,870,000	1,649,500	3,519,500
Series D - taxable	75,020,000	10/14/2020	2.20%	64,705,000	3,600,000	1,391,710	4,991,710
Subtotal	113,380,000			97,695,000	5,470,000	3,041,210	8,511,210

Status of Bonded Indebtedness, Certificates of Participation, and Commercial Paper[1]

	Total Amount Sold	Date of Issue	True Interest Cost	Outstanding as of 6/30/26	2026-2027 Debt Service Payments [2] 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%	65,360,000	1,335,000	3,196,544	4,531,544
2023 Water Utility Certificates of Participation							
Series C-2	42,285,000	1/19/2023	3.22%	37,495,000	1,735,000	1,874,750	3,609,750
Subtotal	163,420,000			154,945,000	3,070,000	7,675,794	10,745,794
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	1,665,000	4,065,673	5,730,673
Series C	43,155,000	9/24/2024	2.73%	38,935,000	2,445,000	1,946,750	4,391,750
Subtotal	238,420,000			231,085,000	4,110,000	11,250,673	15,360,673
2025 Water Utility Revenue Bonds							
Series A	109,360,000	9/10/2025	3.96%	109,360,000	-	5,468,000	5,468,000
Series B - taxable	90,720,000	9/10/2025	5.47%	85,595,000	5,400,000	4,373,417	9,773,417
Subtotal	200,080,000			194,955,000	5,400,000	9,841,417	15,241,417
2026 Water Utility Revenue Bonds [5]							
Series A	TBD	TBD	TBD	-	6,620,000	6,688,592	13,308,592
Series B - taxable	TBD	TBD	TBD	-	2,430,000	4,332,454	6,762,454
Subtotal	TBD			-	9,050,000	11,021,046	20,071,046
Short-Term Debt (est.) [4]	327,180,000	various	variable	327,180,000	-	11,982,268	11,982,268
WU WIFIA Loan (22115CA Anderson)[6]	73,904,324	2/14/2023	3.77%	73,904,324	-	-	-
Total Water Utility	**1,527,464,324**			**1,405,969,324**	**39,475,000**	**67,582,348**	**107,057,348**
Combined Total	**$1,829,921,824**			**$1,665,556,824**	**$45,820,000**	**$78,759,973**	**$124,579,973**

(1) Annual debt service payments reflect principal and interest only and exclude fees.

(2) This table reflects the projected debt service for existing and anticipated debt issuances as of June 30, 2026.

(3) 2022B to be refunded by SCW WIFIA Loan, and the WIFIA loan interest payment is deferred to 2/1/2028 and principal payment is deferred to 8/1/2050

(4) Short-term debt incurs variable rates that are subject to change pending actual market conditions at time of issuance.

(5) The debt service payments for the 2026 WU Revenue Bonds are estimates, pending sale anticipated in September 2026.

(6) WU WIFIA Loan interest payment is deferred to 12/1/2029 and principal payment is deferred to 6/1/2049.

Debt Service Payment Schedule

	Principal	Interest [1]	Total
Watersheds Certificates of Participation/Safe, Clean Water Revenue Bonds[2]			
2026/27	$ 6,345,000	$ 4,550,625	$ 10,895,625
2027/28	6,660,000	5,047,553	11,707,553
2028/29	6,995,000	5,528,606	12,523,606
2029/30	7,340,000	5,176,731	12,516,731
2030/31 and thereafter	107,773,577	80,542,882	188,316,459
Total	**$ 135,113,577**	**$ 100,846,398**	**$ 235,959,975**
Water Utility Revenue Bonds / Certificates of Participation[2]			
2026/27	$ 39,475,000	$ 55,600,080	$ 95,075,080
2027/28	36,485,000	61,085,979	97,570,979
2028/29	37,910,000	59,652,942	97,562,942
2029/30	39,450,000	61,313,951	100,763,951
2030/31 and thereafter	1,273,170,733	847,205,949	2,120,376,682
Total [2]	**$ 1,426,490,733**	**$ 1,084,858,900**	**$ 2,511,349,633**
Commercial Paper			
2026/27	$ -	$ 18,609,268	$ 18,609,268
2027/28	-	17,480,300	17,480,300
2028/29	-	5,057,000	5,057,000
2029/30	-	5,573,000	5,573,000
2030/31 and thereafter	-	55,792,000	55,792,000
Total	**$ -**	**$ 102,511,568**	**$ 102,511,568**
Total All Outstanding Debt			
2026/27	$ 45,820,000	$ 78,759,973	$ 124,579,973
2027/28	43,145,000	83,613,832	126,758,832
2028/29	44,905,000	70,238,548	115,143,548
2029/30	46,790,000	72,063,683	118,853,683
2030/31 and thereafter	1,380,944,310	983,540,831	2,364,485,141
Total	**$ 1,561,604,310**	**$ 1,288,216,866**	**$ 2,849,821,176**

[1] Annual debt service payments reflect principal and interest only and exclude fees.

[2] Includes projected principal and interest payments for the anticipated debt issuances for FY 2027 and WIFIA loans for both Safe Clean Water and Water Utility Funds.

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RESERVE POLICY AND FUND BALANCES

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

	Minimum - Maximum 2026-27	Adopted Budget 2026-27
Debt Service Reserve	$ N/A	$ N/A

These reserves were established for various bond issuances. The funds are not available for the 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).

	Minimum - Maximum 2026-27	Adopted Budget 2026-27
Debt Proceeds Reserve	$ N/A	$ N/A

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.

	Minimum 2026-27	Adopted Budget 2026-27
Rate Stabilization Reserve for Bond Covenant – Water Utility Enterprise Fund	$ 42,623,194	$ 43,041,738

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.

A. Restricted Reserves (Continued)

		Minimum - Maximum 2026-27		Adopted Budget 2026-27
Guiding Principle #5 (GP5) Reserve – Water Utility Enterprise Fund	$	N/A	$	N/A

In May 2018, the Board of Directors approved a resolution establishing Guiding Principle 5 (GP5) – Equity and Costs are Important. GP5 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 environmentally 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. Eligible agencies had until June 30, 2024 to gain Valley Water approval for projects.

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. Four agencies were granted GP5 funding: the City of Mountain View (AMI and recycled water projects), the City of Palo Alto (RWQCP project), the Purissima Hills Water District (leak detection project), and Stanford University (RWQCP project). These funds will reimburse eligible expenditures through the completion of each agreement. The GP5 reserve is expected to sunset upon completion of all agreements.

		Minimum - Maximum 2026-27		Adopted Budget 2026-27
San Felipe Emergency Reserve – Water Utility Enterprise Fund	$	N/A	$	3,897,415

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.

A. Restricted Reserves (Continued)

		Minimum - Maximum 2026-27		Adopted Budget 2026-27
Silicon Valley Advanced Water Purification Center (SVAWPC) Reserve – Water Utility Enterprise Fund	$	N/A	$	N/A

This special purpose reserve serves as a fund for the 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 anticipated in FY 2025-26.

		Minimum - Maximum 2026-27		Adopted Budget 2026-27
Supplemental Water Supply Reserve – Water Utility Enterprise Fund**	$	12,729,171 to 31,822,928	$	12,077,000

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.

**This Reserve was depleted during the 2023 Drought and is being replenished to the minimum level by FY 2027-28.

		Maximum 2026-27		Adopted Budget 2026-27
Drought Reserve – Water Utility Enterprise Fund	$	34,302,099	$	4,000,000

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.

A. Restricted Reserves (Continued)

		Minimum - Maximum 2026-27		Adopted Budget 2026-27
State Water Project Tax Reserve – Water Utility Enterprise Fund	$	N/A	$	14,890,000

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.

		Minimum - Maximum 2026-27		Adopted Budget 2026-27
Currently Authorized Projects Reserve – Voter Approved Safe, Clean Water Fund	$	N/A	$	24,037,866

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 is set at the end of each fiscal year 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.

		Minimum - Maximum 2026-27		Adopted Budget 2026-27
Encumbrance Reserves – Voter Approved Safe, Clean Water Fund and State Water Project Fund	$	N/A	$	N/A

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.

		Minimum 2026-27		Adopted Budget 2026-27
Operating and Capital Reserve – Voter Approved Safe, Clean Water Fund	$	22,674,056	$	43,678,321

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.

A. Restricted Reserves (Continued)

		Minimum - Maximum 2026-27		Adopted Budget 2026-27
Safe, Clean Water (SCW) Rate Stabilization Reserve – Voter Approved Safe, Clean Water Fund	$	N/A	$	25,000,000

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.

		Minimum - Maximum 2026-27		Adopted Budget 2026-27
Contingency Reserve – Voter Approved Safe, Clean Water Fund	$	N/A	$	5,000,000

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

		Minimum 2026-27		Adopted Budget 2026-27
Liability/Workers' Compensation Self-Insurance Reserve – Risk Management Fund	$	11,476,000	$	11,476,000

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.

B. Committed Reserves (Continued)

		Minimum 2026-27		Adopted Budget 2026-27
Property Self-Insurance/Catastrophic Reserve – Risk Management Fund	$	5,000,000	$	10,325,633

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.

		Minimum - Maximum 2026-27		Adopted Budget 2026-27
Excess ERAF Contingency Reserve *	$	N/A	$	8,464,513

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, 18% of receipts in FY 2025-26, and 16% 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.

* These are cumulative amounts representative of multiple funds.

		Minimum - Maximum 2026-27		Adopted Budget 2026-27
Floating Rate Debt Payment Stabilization Reserve – Water Utility Enterprise Fund	$	N/A	$	N/A

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.

B. Committed Reserves (Continued)

		Minimum 2026-27		Adopted Budget 2026-27
Operating & Capital Reserve – except for Safe, Clean Water Fund*	$	109,378,967	$	290,062,774

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.

* These are cumulative amounts representative of multiple funds.

		Minimum - Maximum 2026-27		Adopted Budget 2026-27
Currently Authorized Projects Reserve – except for Safe, Clean Water Fund*	$	N/A	$	22,365,517

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 are set for each fund at the end of each fiscal year 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.

* These are cumulative amounts representative of multiple funds.

C. Assigned Reserves

		Minimum - Maximum 2026-27		Adopted Budget 2026-27
Encumbrance Reserves – except for Safe, Clean Water Fund and State Water Project Fund	$	N/A	$	N/A

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.

		Minimum - Maximum 2026-27		Adopted Budget 2026-27
Market Valuation Reserves	$	N/A	$	N/A

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.

Reserve Schedule

	Estimated Balances				
	Year-End 2024-25	Adopted 2025-26	Projected YE 2025-26	Adopted Budget 2026-27	Proposed Plan 2027-28
Governmental Funds					
GENERAL FUND					
Committed Reserves					
Operating & Capital Reserve	$ 25,838,263	$ 18,994,571	$ 26,427,133	$ 11,319,897	$ 9,790,908
Currently Authorized Projects Reserve***	7,047,342	-	124	-	-
Excess ERAF Contingency Reserve	565,602	694,104	696,642	822,082	947,522
Total General Fund Reserves	**$ 33,451,207**	**$ 19,688,675**	**$ 27,123,899**	**$ 12,141,979**	**$ 10,738,430**
SPECIAL REVENUE FUNDS (WATERSHEDS)					
Restricted Reserves					
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	3,971,210	76,463,210	22,685,957	43,678,321	47,374,992
SCW Currently Authorized Projects Reserve***	153,931,649	71,376,703	54,454,777	24,037,866	18,439,570
Total Restricted Reserves	**$ 187,902,859**	**$ 177,839,913**	**$ 107,140,734**	**$ 97,716,187**	**$ 95,814,562**
Committed Reserves					
Operating & Capital Reserve	$ 163,306,832	$ 154,256,929	$ 177,953,016	$ 204,315,318	$ 181,466,981
Currently Authorized Projects***	27,087,745	1,029,024	21,125,092	-	-
Excess ERAF Contingency Reserve	4,754,939	5,836,610	5,857,439	6,913,599	7,969,919
Total Committed Reserves	**$ 195,149,516**	**$ 161,122,563**	**$ 204,935,548**	**$ 211,228,917**	**$ 189,436,900**
Total Special Revenue Funds Reserves	**$ 383,052,375**	**$ 338,962,475**	**$ 312,076,282**	**$ 308,945,104**	**$ 285,251,462**
Total Governmental Funds	**$ 416,503,582**	**$ 358,651,150**	**$ 339,200,181**	**$ 321,087,084**	**$ 295,989,892**
Proprietary Funds					
WATER ENTERPRISE & STATE WATER PROJECT FUNDS					
Restricted Reserves					
WUE Rate Stabilization Reserve	$ 20,571,906	$ 40,504,668	$ 40,256,453	$ 43,041,738	$ 47,642,198
WUE San Felipe Emergency Reserve	3,797,415	3,751,454	3,847,415	3,897,415	3,947,415
WUE State Water Project Tax Reserve	25,277,937	11,591,690	21,738,142	14,890,000	6,241,654
WUE Supplemental Water Supply Reserve	5,277,000	8,677,000	8,677,000	12,077,000	15,477,000
WUE SVAWPC Reserve	530,119	-	-	-	-
WUE Drought Reserve	-	1,000,000	1,000,000	4,000,000	8,000,000
WUE Guiding Principle #5 (GP5) Reserve	2,810,044	-	-	-	-
Total Restricted Reserves	**$ 58,264,421**	**$ 65,524,812**	**$ 75,519,009**	**$ 77,906,153**	**$ 81,308,267**
Committed Reserves					
Excess ERAF Contingency Reserve	$ 501,192	$ 615,193	$ 617,472	$ 728,832	$ 840,192
Operating & Capital Reserve	59,768,403	74,567,165	37,000,010	66,418,501	101,144,132
Currently Authorized Projects Reserve***	127,749,392	17,666,735	45,663,278	22,257,597	19,228,642
Total Committed Reserves	**$ 188,018,987**	**$ 92,849,093**	**$ 83,280,760**	**$ 89,404,930**	**$ 121,212,966**
Total Water Enterprise Funds Reserves	**$ 246,283,408**	**$ 158,373,905**	**$ 158,799,769**	**$ 167,311,083**	**$ 202,521,232**

Financial Overview

Reserve Schedule

	Estimated Balances				
	Year-End 2024-25	Adopted 2025-26	Projected YE 2025-26	Adopted Budget 2026-27	Proposed Plan 2027-28
INTERNAL SERVICE FUNDS					
Committed Reserves					
Operating & Capital Reserve	$ 12,067,038	$ 5,311,373	$ 7,502,982	$ 8,009,057	$ 5,265,842
Currently Authorized Projects***	107,920	123,126	107,466	107,920	107,920
Liability/Workers' Comp Self-Insurance Reserve	8,337,000	11,476,000	11,476,000	11,476,000	11,476,000
Property Self-Insurance/Catastrophic Reserve	10,693,087	6,529,910	10,540,460	10,325,633	10,378,848
Total Committed Reserves	**$ 31,205,045**	**$ 23,440,409**	**$ 29,626,908**	**$ 29,918,610**	**$ 27,228,610**
Total Internal Service Funds Reserves	**$ 31,205,045**	**$ 23,440,409**	**$ 29,626,908**	**$ 29,918,610**	**$ 27,228,610**
Total Proprietary Funds	**$ 277,488,453**	**$ 181,814,315**	**$ 188,426,677**	**$ 197,229,693**	**$ 229,749,842**

TOTAL RESERVE SUMMARIES					
Total Proprietary Funds	$ 277,488,453	$ 181,814,315	$ 188,426,677	$ 197,229,693	$ 229,749,842
Total Governmental Funds	416,503,582	358,651,150	339,200,181	321,087,084	295,989,892
Total Year-End Reserves by Fund Type	**$ 693,992,035**	**$ 540,465,465**	**$ 527,626,857**	**$ 518,316,777**	**$ 525,739,734**
Total Restricted Reserves	$ 246,167,280	$ 243,364,725	$ 182,659,743	$ 175,622,340	$ 177,122,828
Total Committed Reserves	447,824,755	297,100,740	344,967,114	342,694,437	348,616,906
Total Year-End Reserves By Reserve Type	**$ 693,992,035**	**$ 540,465,465**	**$ 527,626,857**	**$ 518,316,777**	**$ 525,739,734**

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

Summary of Reserve Requirements and Calculation

		Minimum	Maximum	Adopted Budget 2026-27
GENERAL FUND				
Committed Reserves				
Currently Authorized Projects Reserve	Calculated based on estimated unspent funds for capital projects.	$ -	$ -	$ -
Operating and Capital Reserve	Minimum funding level set at 5% of total adopted budget operations outlays.	4,916,721	-	11,319,897
Excess ERAF Contingency Reserve	Calculated based on County's recommended levels.	-	-	822,082
WATERSHED AND STREAM STEWARDSHIP				
Committed Reserves				
Currently Authorized Projects Reserve	Calculated based on estimated unspent funds for capital projects.	$ -	$ -	$ -
Operating and Capital Reserve	Minimum funding level set at 50% of total adopted budget operations outlays.	50,924,741	-	204,315,318
Excess ERAF Contingency Reserve	Calculated based on County's recommended levels.	-	-	6,913,599
SAFE, CLEAN WATER FUND				
Restricted Reserves				
SCW Rate Stabilization Reserve	There is no minimum funding requirement for this reserve.	$ -	$ -	$ 25,000,000
SCW Contingency Reserve	There is no minimum funding requirement for this reserve.	-	-	5,000,000
SCW Currently Authorized Projects Reserve	Calculated based on estimated unspent funds for capital projects.	-	-	24,037,866
SCW Operating and Capital Reserve	Minimum funding level set at 50% of total adopted budget operations outlays.	22,674,056	-	43,678,321
WATER ENTERPRISE FUND				
Restricted Reserves				
WUE Rate Stabilization Reserve	Minimum funding level set at 10% of annual debt service plus one month of adopted budget operations outlays.	$ 42,623,194	$ -	$ 43,041,738
WUE San Felipe Emergency Reserve	Calculated based on the compounded interest earned on the original $1.75 million allocation.	-	-	3,897,415
WUE Debt Service Reserve	Varies by year depending on bond covenants for bond issuances.	-	-	-
WUE Supplemental Water Supply Reserve*	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.	12,729,171	31,822,928	12,077,000
WUE SVAWPC Reserve	Funding level reflects any remaining balance of allocated funds. A zero fund level indicates all allocated funds are spent or encumbered.	-	-	-
WUE Drought Reserve	The maximum level is set at 10% of budgeted operating outlays.	-	34,302,099	4,000,000
WUE Guiding Principle #5 (GP5) Reserve	Funding level reflects any remaining balance of allocated funds. A zero fund level indicates all allocated funds are spent or encumbered.	-	-	-
Committed Reserves				
Currently Authorized Projects Reserve	Calculated based on estimated unspent funds for capital	$ -	-	$ 22,257,597
Operating and Capital Reserve	Minimum funding level set at 15% of total adopted budget operations outlays.	$ 51,453,148	$ -	66,418,501
WUE Floating Rate Debt Payment Stabilization	There is no minimum funding requirement for this reserve. 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 ERAF Contingency Reserve	Calculated based on County's recommended levels.	-	-	728,832

Summary of Reserve Requirements and Calculation

		Minimum	Maximum	Adopted Budget 2026-27
STATE WATER PROJECT FUND				
Restricted Reserves				
WUE State Water Project Tax Reserve	Calculated value of an accumulation of unspent funds.	$ -	$ -	$ 14,890,000
FLEET MANAGEMENT FUND				
Committed Reserves				
Operating and Capital Reserve	Minimum funding level set at 5% of total adopted budget operations outlays.	$ 334,851	$ -	$ 2,003,803
RISK MANAGEMENT FUND				
Committed Reserves				
Catastrophy - Property Self-Insurance	The reserve funding level is a minimum of $5 million adjusted for outstanding reimbursements.	$ 5,000,000	$ -	$ 10,325,633
Liability/Workers Comp Self-Insurance	General Liability and Workers' Compensation Reserve minimum funding level of 90 percent actuarial confidence level.	11,476,000	-	11,476,000
INFORMATION TECHNOLOGY FUND				
Committed Reserves				
Currently Authorized Projects	Calculated based on estimated unspent funds for capital	$	$ -	$ 107,920
Operating and Capital Reserve	Minimum funding level set at 5% of total adopted budget operations outlays.	1,749,507	-	6,005,254

*This Reserve was depleted during the 2023 Drought