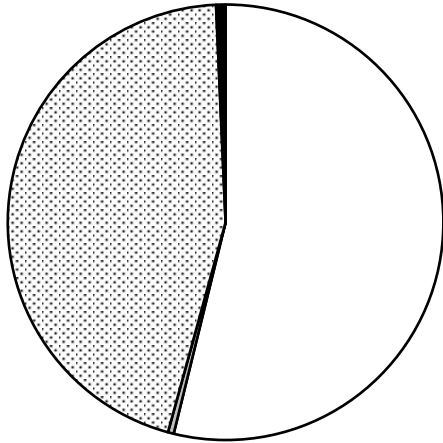


# WATER UTILITY SYSTEM

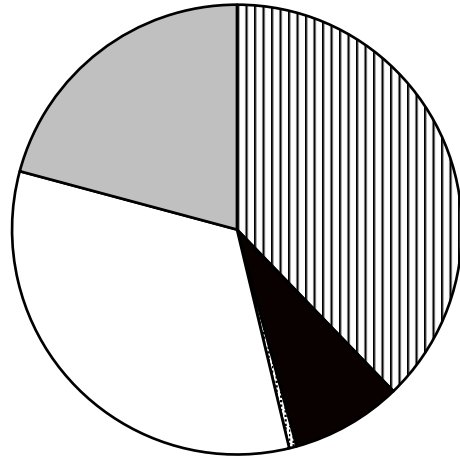
## 2023-2027 Capital Improvement Program

**2022-2023 Proposed  
Source of Funds**



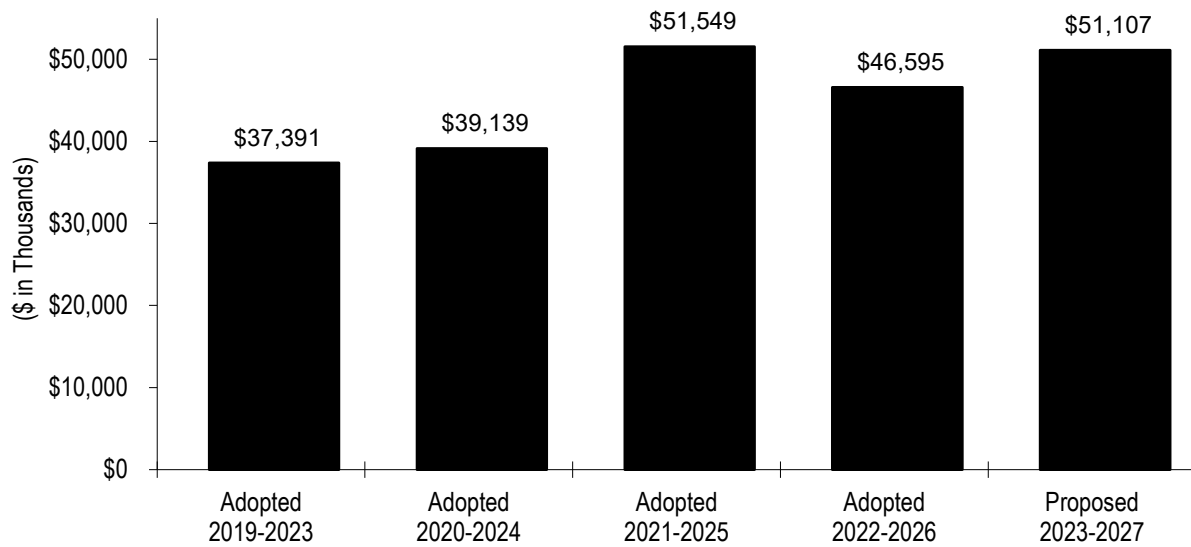
- Beginning Fund Balance
- ▒ Taxes, Fees and Charges
- ▒ Transfers
- Interest

**2022-2023 Proposed  
Use of Funds**



- ▒ Construction
- Non-Construction
- ▒ Allocations and Transfers
- ▒ Reserves
- Ending Fund Balance

**CIP History**



# Water Utility System

## 2023-2027 Proposed Capital Improvement Program

### North

- A) North San José Reliability Well Construction
- B) North San José Well Development and Construction

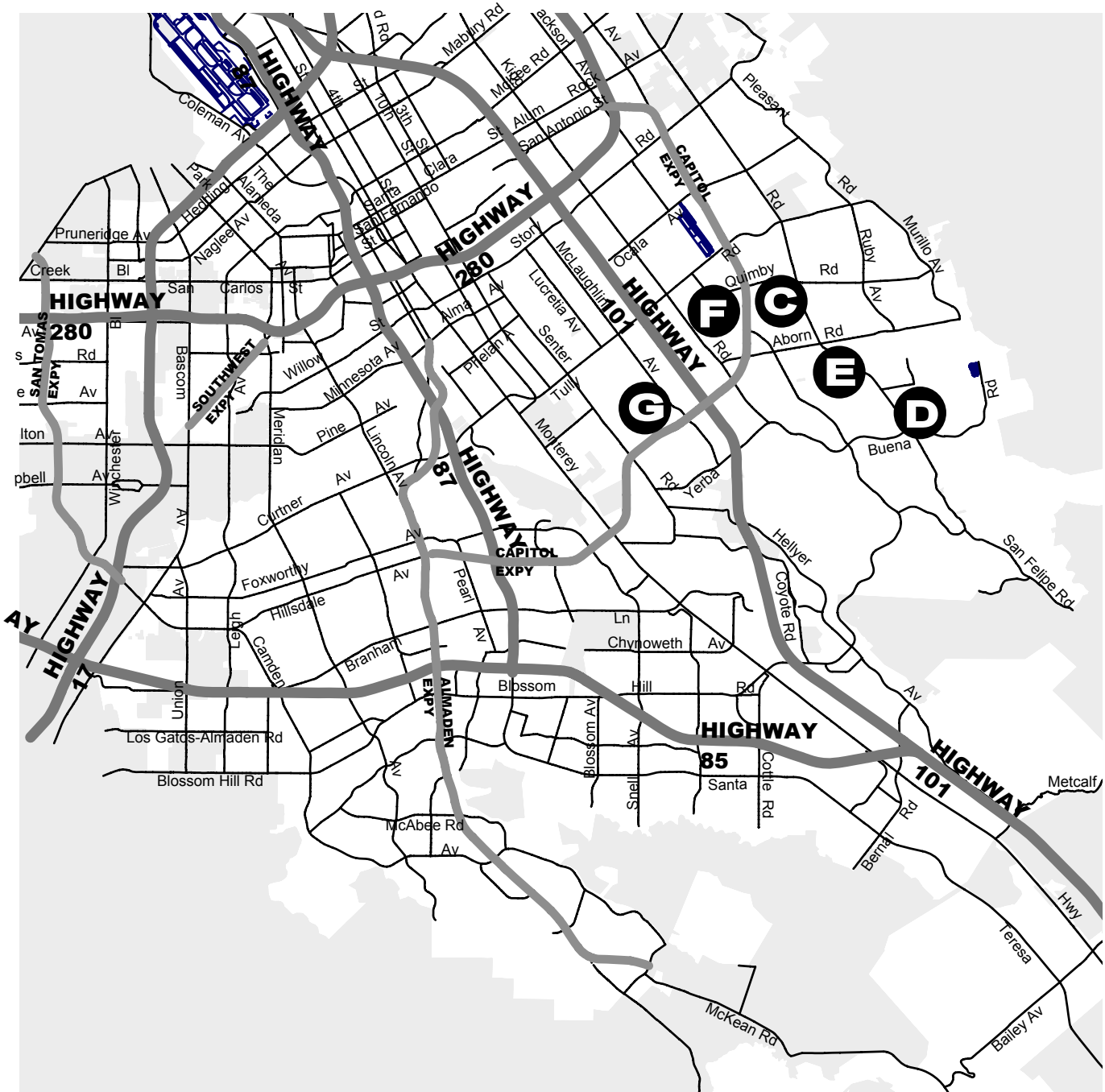


# Water Utility System

## 2023-2027 Proposed Capital Improvement Program

### South

- C) Annual Water Main Replacement
- D) Safety and Security Improvements
- E) Facility Site Improvements
- F) Evergreen Reliability Well
- G) Water Resources Administration & Operations Facility



# Water Utility System

## 2023-2027 Proposed Capital Improvement Program

### OVERVIEW

#### INTRODUCTION

The Water Utility System Capital Program includes the Water Utility Capital Fund and the Major Facilities Fund. The program’s mission is to provide superior water service at competitive rates. The 2023-2027 Proposed Capital Improvement Program (CIP) provides funding of \$51.1 million, of which \$17.3 million is allocated in 2022-2023.

<b>MUNICIPAL WATER SYSTEM PUBLIC INFRASTRUCTURE</b>	
MILES OF WATER MAINS	345
NUMBER OF RESERVOIRS	17
NUMBER OF PUMP STATIONS	15
NUMBER OF GROUNDWATER WELLS	14

The San José Municipal Water System (Muni Water) provides water service to approximately 26,000 services in five service areas of the City of San José: Alviso, North San José, Coyote Valley, Edenvale, and Evergreen. The Alviso service area (Council District 4) includes the area within the former City of Alviso. The North San José service area (Council District 4) is generally north of Trimble Road, between the Guadalupe River and Coyote Creek. The Coyote Valley service area (Council District 2) encompasses the area generally south of Tulare Hill, west of Highway 101, and north of Palm Avenue. The Edenvale service area (Council District 8) is south of Hellyer Avenue and east of Coyote Creek. The Evergreen service area generally coincides with the boundaries of Council District 8, east of Highway 101.



**Installation of new pumps and motors at the Fowler Pump Station**

This program is part of the Environmental and Utility Services City Service Area (CSA) and supports the following outcomes: *Reliable Utility Infrastructure* and *Safe, Reliable, Sufficient Water Supply*.

#### PROGRAM PRIORITIES AND OBJECTIVES

Muni Water’s CIP’s guiding objective is to provide a safe, reliable water supply. Based on the CSA outcomes supported by this program, the following list of priorities has been developed:

- Maintain the existing water utility system infrastructure;
- Provide facilities necessary for new development as identified in the Envision San José 2040 General Plan; and
- Ensure that the fire flow pressure and volume as recommended by the San José Fire Department is maintained.

# Water Utility System

## 2023-2027 Proposed Capital Improvement Program

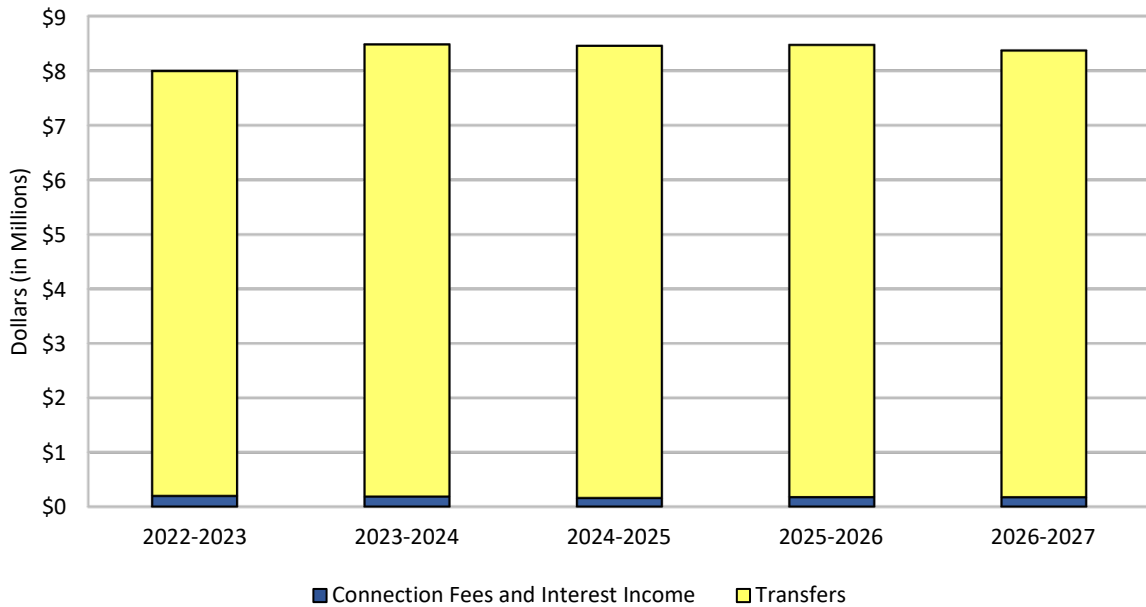
### OVERVIEW

#### SOURCES OF FUNDING

Over the five years of this Proposed CIP, the funds available for capital improvements are estimated to total \$51.1 million, which consists of \$46.5 million in the Water Utility Capital Fund and \$4.6 million in the Major Facilities Fund. Revenue for the Proposed CIP is derived from a combination of funding sources: transfers from the Water Utility Fund to the Water Utility Capital Fund, fee income, and interest income. The Water Utility Fund derives its revenue primarily from water sales in the service areas. The amount of the transfer from the Water Utility Fund is \$7.8 million in 2022-2023, \$8.3 million for the next three years, and \$8.2 million in the final year of the CIP. Fee revenue in the Water Utility Capital Fund is generated from Service Connection Fees, Advanced System Design Fees, and Meter Installation Fees.

Revenue in the Major Facilities Fund is generated primarily through development fees associated with the connection and operation of major water facilities in the five service areas. Revenues received from Major Water Facilities Fees are not budgeted due to the volatility of this revenue stream. Revenue will be recognized, and programmed as necessary during the year, as it is received.

#### Summary of Revenues



# Water Utility System

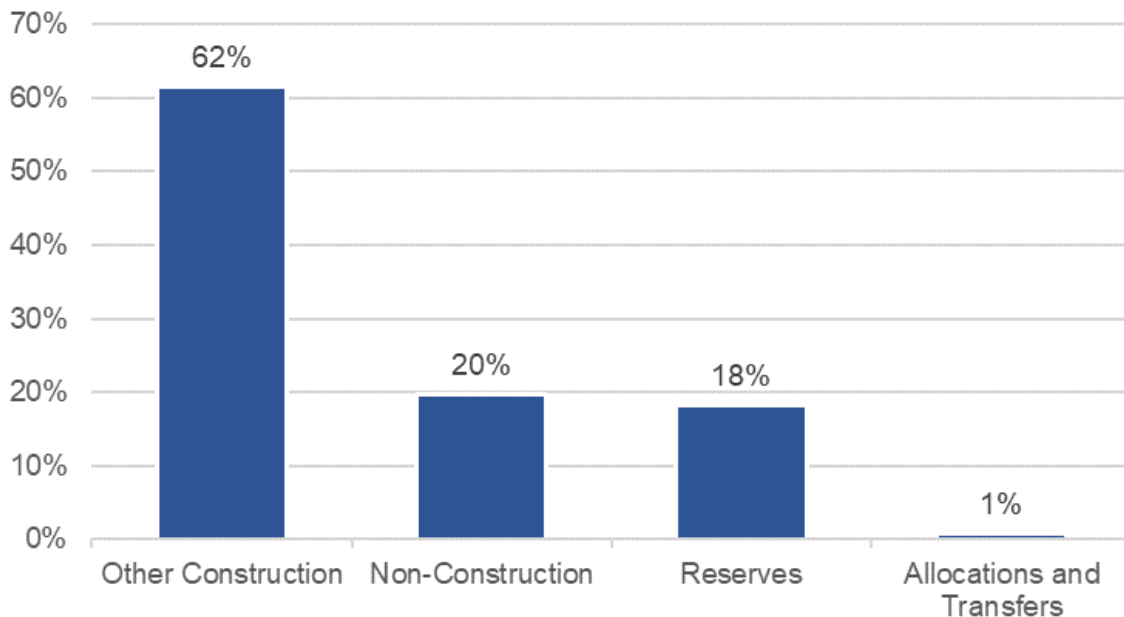
## 2023-2027 Proposed Capital Improvement Program

### OVERVIEW

#### PROGRAM HIGHLIGHTS

To meet the service needs of new developments in the Muni Water service area, the program continues its policy of requiring developers to construct infrastructure improvements within their project area. Large water storage and conveyance infrastructure is constructed by developers or funded from the Major Facilities fees. Capital Improvements for existing customers are funded from water sale revenues, which are displayed in the 2022-2023 Proposed Operating Budget in the Water Utility Fund.

### 2023-2027 Water Utility System Capital Program Expenditures \$36.1 million (excludes Ending Fund Balance)



#### Water Resources Administration & Operations Facility

The 2022-2026 Proposed CIP includes design costs for the Water Resources Administration & Operations Facility, a project that will provide the Water Resources Division (the administration, management, and operations staff that supports the entire Municipal Water System of San José) of the Environmental Services Department with a new facility. Existing Water Resources Division facilities consist of three separate buildings: a converted vehicle storage warehouse, a temporary mobile office trailer, and an administration building. All three buildings have reached the end of useful life and are in need of replacement.



# Water Utility System

## 2023-2027 Proposed Capital Improvement Program

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### OVERVIEW

#### PROGRAM HIGHLIGHTS

##### Water Resources Administration & Operations Facility (Cont'd.)

The new Water Resources Administration & Operations Facility is expected to consist of one large building that will house all staff and infrastructure necessary to ensure continuous operations. The new facility is expected to include conference and training rooms; a customer service and payment area; a water quality laboratory; a map room for utility plans and documents; a warehouse for equipment, materials, and parts; a welding shop for metalwork and fabrication needs; adequate parking for staff, City vehicles, and visitors; and site security systems and fencing.

Staff preliminarily estimates a total construction cost of approximately \$40.0 million. The 2023-2027 Proposed CIP includes a total of \$3.0 million for partial design and project delivery needs (in addition to the \$5.4 million included in 2021-2022). The project design is scheduled to be completed during 2022-2023. Future CIPs will include further refine cost estimates and project scheduling once a more detailed project scope and design is finalized. It is anticipated that either commercial paper or other financing mechanism will be utilized to fund remaining project costs. During 2022-2023, staff will recommend a financing strategy for City Council approval, along budget adjustments to the project, as appropriate.

##### System-Wide

The Safety and Security Improvements project (\$400,000) in the Proposed CIP includes the installation of safety and security equipment at various system facilities in order to maintain reliable utility infrastructure, ensure water supplies remain secured, and provide a safe working environment for staff performing operations and maintenance. In an effort to maintain and upgrade the Muni Water distribution system, the Proposed CIP includes funding for the Annual Water Main Replacement Project (\$8.8 million), which will prioritize water mains for replacement throughout the service areas by rating pipe segments based on age, adequacy of size and flow, the number of leaks or failures that have occurred, and the difficulty to repair the pipe following an unexpected failure. The Proposed CIP also includes funding for Infrastructure Improvements (\$4.3 million) and System Maintenance and Repairs (\$4.0 million).

The System Rehabilitation/Replacement Reserve totals \$4.9 million in the Proposed CIP. In the event that economic or environmental conditions (for example, a drought, natural disaster, or an abrupt economic disruption) decrease revenues to the Water Utility System, use of the reserve may be required to maintain infrastructure.



**City staff and contractor discuss a newly installed control valve**

# Water Utility System

## 2023-2027 Proposed Capital Improvement Program

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### OVERVIEW

#### PROGRAM HIGHLIGHTS

##### North San José and Alviso Service Areas

The North San José and Alviso service areas use water supplied by the Hetch Hetchy system under the Water Supply Agreement (WSA) with the City and County of San Francisco. San José is a party to the agreement with 27 suburban agencies. The current agreement, which will expire June 30, 2034, was approved by the City Council in June 2009.

The North San José and Alviso service areas have experienced some growth in the last several years, and continued growth is assumed in this CIP. In order to meet future demand forecasts, the City continues to work with developers to construct new groundwater wells once viable locations are determined. Increased focus on rehabilitation and construction of groundwater wells will enable Muni Water to minimize costs to customers, supply groundwater under emergency situations, and take advantage of Indirect Potable Reuse of purified water when available. The Proposed CIP includes funding for the North San José Well Development and Construction (\$2.5 million) and North San José Reliability Well Construction project (\$150,000).

##### Evergreen Service Area

The Evergreen service area contains approximately 92% of the total customers served by the water system and accounts for approximately 67% of total water usage. Customers in the Evergreen area receive water supplied by Valley Water (formerly the Santa Clara Valley Water District). The Evergreen service area has experienced minimal growth in the last several years. Included in the 2023-2027 Proposed CIP is the design and construction of the Evergreen Reliability Well (\$1.8 million), as well as other miscellaneous improvements to extend the useful life of the system.

##### Edenvale Service Area

Basic water facilities for domestic supply and fire protection for the Edenvale service area north of Silver Creek Valley Road include three wells and a reservoir. Groundwater from deep-water wells provides 100% of the supply in the Edenvale service area. The quality, supply, and management of this local groundwater basin are monitored by Valley Water. Projects scheduled in the 2023-2027 Proposed CIP in the Edenvale service area include minor improvements, such as pump station maintenance and other distribution system rehabilitation.

##### Coyote Valley Service Area

Groundwater from deep-water wells provides 100% of the supply in the Coyote Valley service area. The area is largely undeveloped and primarily consists of designated open space.



# Water Utility System

## 2023-2027 Proposed Capital Improvement Program

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### OVERVIEW

#### MAJOR CHANGES FROM THE 2022-2026 ADOPTED CIP

The overall size of the Water Utility System CIP has decreased by approximately \$400,000 from \$51.5 million in the 2022-2026 Adopted CIP to \$51.1 million in the 2023-2027 Proposed CIP. The changes to the size of the CIP are attributable to projects being completed and are therefore no longer funded in the future, or to projects that have been otherwise shifted out of the five-year planning horizon.

#### Major Changes to Project Budgets

The following table outlines the most significant changes to project budgets, including new/augmented allocations and reduced/eliminated allocations.

<b>Project</b>	<b>Incr/(Decr)</b>
Annual Water Main Replacement	(\$3.0 million)

#### OPERATING BUDGET IMPACT

There are no additional maintenance and operating costs associated with the projects in the 2023-2027 Proposed CIP.

Water Utility System  
**2023-2027 Proposed Capital Improvement Program**  
Source of Funds (Combined)

	Estimated						
	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	5-Year Total*
<b>Water Utility Capital Fund (500)</b>							
<b>Beginning Balance</b>	11,493,689	4,917,783	1,271,783	4,831,783	8,308,783	11,574,783	4,917,783
<b>Reserve for Encumbrance</b>	3,688,945						
<b>Transfers and Reimbursements</b>							
Transfer from the Water Utility Fund	7,800,000	7,800,000	8,300,000	8,300,000	8,300,000	8,200,000	40,900,000
<b>TOTAL Transfers and Reimbursements</b>	<b>7,800,000</b>	<b>7,800,000</b>	<b>8,300,000</b>	<b>8,300,000</b>	<b>8,300,000</b>	<b>8,200,000</b>	<b>40,900,000</b>
<b>Revenue from Use of Money and Property</b>							
Interest Income	167,262	72,000	63,000	61,000	73,000	71,000	340,000
<b>TOTAL Revenue from Use of Money and Property</b>	<b>167,262</b>	<b>72,000</b>	<b>63,000</b>	<b>61,000</b>	<b>73,000</b>	<b>71,000</b>	<b>340,000</b>
<b>Fees, Rates and Charges</b>							
Advance System Design Fees	25,000	25,000	25,000	25,000	25,000	25,000	125,000
Meter Installation Fees	25,000	25,000	25,000	25,000	25,000	25,000	125,000
Service Connection Fees	25,000	25,000	25,000	25,000	25,000	25,000	125,000
<b>TOTAL Fees, Rates and Charges</b>	<b>75,000</b>	<b>75,000</b>	<b>75,000</b>	<b>75,000</b>	<b>75,000</b>	<b>75,000</b>	<b>375,000</b>
<b>Total Water Utility Capital Fund (500)</b>	<b>23,224,896</b>	<b>12,864,783</b>	<b>9,709,783</b>	<b>13,267,783</b>	<b>16,756,783</b>	<b>19,920,783</b>	<b>46,532,783</b>
<b>Major Facilities Fund (502)</b>							
<b>Beginning Balance</b>	6,258,441	4,405,455	2,334,455	345,455	352,455	363,455	4,405,455

\* The 2023-2024 through 2026-2027 Beginning Balances are excluded from in FIVE-YEAR TOTAL SOURCE OF FUNDS to avoid multiple counting of the same funds.

Water Utility System  
**2023-2027 Proposed Capital Improvement Program**  
 Source of Funds (Combined)

	Estimated						
	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	5-Year Total*
<b>Reserve for Encumbrance</b>	123,801						
<b>Revenue from Use of Money and Property</b>							
Interest Income	52,964	49,000	46,000	22,000	26,000	26,000	169,000
<b>TOTAL Revenue from Use of Money and Property</b>	<b>52,964</b>	<b>49,000</b>	<b>46,000</b>	<b>22,000</b>	<b>26,000</b>	<b>26,000</b>	<b>169,000</b>
<b>Total Major Facilities Fund (502)</b>	<b>6,435,206</b>	<b>4,454,455</b>	<b>2,380,455</b>	<b>367,455</b>	<b>378,455</b>	<b>389,455</b>	<b>4,574,455</b>
<b>TOTAL SOURCES</b>	<b>29,660,102</b>	<b>17,319,238</b>	<b>12,090,238</b>	<b>13,635,238</b>	<b>17,135,238</b>	<b>20,310,238</b>	<b>51,107,238</b>

\* The 2023-2024 through 2026-2027 Beginning Balances are excluded from in FIVE-YEAR TOTAL SOURCE OF FUNDS to avoid multiple counting of the same funds.

# Water Utility System

## 2023-2027 Proposed Capital Improvement Program Use of Funds (Combined)

	Estimated 2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	5-Year Total*
<b><u>Water Utility System</u></b>							
Annual Water Main Replacement	4,914,150	1,800,000	1,900,000	1,900,000	1,600,000	1,600,000	8,800,000
Backup Generator Replacement	199,000						
Evergreen Reliability Well				200,000	800,000	800,000	1,800,000
Facility Sites Improvement	538,000						
Fowler Pump Station Replacement	850,868						
Infrastructure Improvements	1,367,885	840,000	850,000	860,000	870,000	880,000	4,300,000
Meter Installations	55,378	50,000	50,000	50,000	50,000	50,000	250,000
North San José Reliability Well Construction	2,191,757	150,000					150,000
North San José Well Development and Construction	2,014,751	500,000	2,000,000				2,500,000
Safety and Security Improvements	586,000		100,000	100,000	100,000	100,000	400,000
Service Installations	263,707	200,000	200,000	200,000	200,000	200,000	1,000,000
Water Resources Administration & Operations Facility	5,389,889	3,000,000					3,000,000
<b>Other Water - Construction</b>	<b>18,371,385</b>	<b>6,540,000</b>	<b>5,100,000</b>	<b>3,310,000</b>	<b>3,620,000</b>	<b>3,630,000</b>	<b>22,200,000</b>
<b>Water - Construction</b>	<b>18,371,385</b>	<b>6,540,000</b>	<b>5,100,000</b>	<b>3,310,000</b>	<b>3,620,000</b>	<b>3,630,000</b>	<b>22,200,000</b>
Advance System Design	200,000	200,000	200,000	200,000	200,000	200,000	1,000,000
GIS Support	40,000	40,000	40,000	40,000	40,000	40,000	200,000
Major Facilities Fee Administration	15,000	15,000	15,000	15,000	15,000	15,000	75,000
Master Plan Engineering	194,755	185,000	190,000	200,000	210,000	210,000	995,000
Preliminary Engineering - Water	155,000	160,000	165,000	170,000	175,000	175,000	845,000
System Maintenance/Repairs	1,090,725	780,000	780,000	800,000	800,000	800,000	3,960,000
<b>General Non-Construction - Water</b>	<b>1,695,480</b>	<b>1,380,000</b>	<b>1,390,000</b>	<b>1,425,000</b>	<b>1,440,000</b>	<b>1,440,000</b>	<b>7,075,000</b>

\* The 2022-2023 through 2025-2026 Ending Balances are excluded from the FIVE-YEAR TOTAL USE OF FUNDS to avoid multiple counting of the same funds.

## Water Utility System

### **2023-2027 Proposed Capital Improvement Program Use of Funds (Combined)**

	Estimated						
	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	5-Year Total*
<b>Water - Non Construction</b>	<b>1,695,480</b>	<b>1,380,000</b>	<b>1,390,000</b>	<b>1,425,000</b>	<b>1,440,000</b>	<b>1,440,000</b>	<b>7,075,000</b>
Public Art Funding	135,000	37,000	20,000				57,000
<b>Public Art Projects</b>	<b>135,000</b>	<b>37,000</b>	<b>20,000</b>				<b>57,000</b>
Capital Program and Public Works Department Support Service Costs	111,000	48,000	25,000	26,000	29,000	29,000	157,000
<b>Allocations</b>	<b>111,000</b>	<b>48,000</b>	<b>25,000</b>	<b>26,000</b>	<b>29,000</b>	<b>29,000</b>	<b>157,000</b>
City Hall Debt Service Fund	24,000	8,000	8,000	8,000	8,000	8,000	40,000
<b>Transfers to Special Funds</b>	<b>24,000</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>40,000</b>
<b>Transfers Expense</b>	<b>24,000</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>8,000</b>	<b>40,000</b>
System Growth Related Projects Reserve		1,600,000					1,600,000
System Rehabilitation/Replacement Reserve		4,100,000	370,000	205,000	100,000	170,000	4,945,000
<b>Expense Reserves - Non Construction</b>		<b>5,700,000</b>	<b>370,000</b>	<b>205,000</b>	<b>100,000</b>	<b>170,000</b>	<b>6,545,000</b>
<b>Total Expenditures</b>	<b>20,336,864</b>	<b>13,713,000</b>	<b>6,913,000</b>	<b>4,974,000</b>	<b>5,197,000</b>	<b>5,277,000</b>	<b>36,074,000</b>
Ending Fund Balance	9,323,238	3,606,238	5,177,238	8,661,238	11,938,238	15,033,238	15,033,238
<b>TOTAL</b>	<b>29,660,102</b>	<b>17,319,238</b>	<b>12,090,238</b>	<b>13,635,238</b>	<b>17,135,238</b>	<b>20,310,238</b>	<b>51,107,238</b>

\* The 2022-2023 through 2025-2026 Ending Balances are excluded from the FIVE-YEAR TOTAL USE OF FUNDS to avoid multiple counting of the same funds.

**Water Utility Capital Program**  
**2023-2027 Proposed Capital Improvement Program**  
**Detail of One-Time Projects**

**North San José Reliability Well Construction**

<b>CSA</b>	Environmental and Utility Services	<b>Initial Start Date</b>	3rd Qtr. 2019
<b>CSA Outcome</b>	Reliable Utility Infrastructure	<b>Initial End Date</b>	2nd Qtr. 2021
<b>Location</b>	Trimble Road	<b>Revised Start Date</b>	
<b>Dept Owner</b>	Environmental Services	<b>Revised End Date</b>	2nd Qtr. 2023
<b>Council Districts</b>	4	<b>Initial Project Budget</b>	\$1,460,000
<b>Appropriation</b>	A415N	<b>FY Initiated</b>	2019-2020

**Description** This project constructs a groundwater well in the North San José service area to provide water supply reliability to existing customers.

**Justification** An existing backup well has begun to reach end of useful life and exceed secondary maximum contaminant limit health standards. This project will replace the existing reliability well.

**Notes**

**Major Cost Changes** 2022-2026 CIP - Increased by \$1.0 million due to revised project scope and construction cost estimate.  
2023-2027 CIP - Increased by \$150,000 due to revised project scope.

	<b>PRIOR YEARS</b>	<b>FY22 EST</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>5 YEAR TOTAL</b>	<b>BEYOND 5 YEARS</b>	<b>PROJECT TOTAL</b>
<b>Expenditure Schedule (000s)</b>										
Design		162								162
Construction	106	1,880	150					150		2,136
Post Construction		150								150
<b>Total</b>	<b>106</b>	<b>2,192</b>	<b>150</b>					<b>150</b>		<b>2,448</b>

<b>Funding Source Schedule (000s)</b>										
Water Utility Capital Fund (500)	106	2,192	150					150		2,448
<b>Total</b>	<b>106</b>	<b>2,192</b>	<b>150</b>					<b>150</b>		<b>2,448</b>

<b>Annual Operating Budget Impact (000s)</b>										
<b>Total</b>										



**Water Utility Capital Program**  
**2023-2027 Proposed Capital Improvement Program**  
**Detail of One-Time Projects**

**North San José Well Development and Construction**

<b>CSA</b>	Environmental and Utility Services	<b>Initial Start Date</b>	2nd Qtr. 2016
<b>CSA Outcome</b>	Safe, Reliable, and Sufficient Water Supply	<b>Initial End Date</b>	2nd Qtr. 2017
<b>Location</b>	North San José Service Area	<b>Revised Start Date</b>	3rd Qtr. 2019
<b>Dept Owner</b>	Environmental Services	<b>Revised End Date</b>	2nd Qtr. 2024
<b>Council Districts</b>	4	<b>Initial Project Budget</b>	\$1,560,000
<b>Appropriation</b>	A6274	<b>FY Initiated</b>	2015-2016

**Description** This allocation provides funding for the development and construction of groundwater production well(s) in the North San José service area. To meet the increasing demands of growth in the area, this project is funding one well to be completed in 2021-2022 and a second well scheduled to be completed in 2023-2024.

**Justification** Construction and development of new wells will be needed to allow for operational flexibility by supplementing the existing treated water supplies, and to ensure a reliable potable water supply in order to meet increasing demands as growth and development continue in the North San José and Alviso service areas.

**Notes**

**Major Cost Changes** 2021-2025 CIP - Increase of \$2.5 million due to increased scope and project cost estimates.  
 2022-2026 CIP - Increase of \$495,000 due to increased project cost estimates.

	<b>PRIOR YEARS</b>	<b>FY22 EST</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>5 YEAR TOTAL</b>	<b>BEYOND 5 YEARS</b>	<b>PROJECT TOTAL</b>
<b>Expenditure Schedule (000s)</b>										
Design	40	95								135
Construction		1,920	500	2,000				2,500		4,420
<b>Total</b>	<b>40</b>	<b>2,015</b>	<b>500</b>	<b>2,000</b>				<b>2,500</b>		<b>4,555</b>

<b>Funding Source Schedule (000s)</b>										
Major Facilities Fund (502)	40	2,015	500	2,000				2,500		4,555
<b>Total</b>	<b>40</b>	<b>2,015</b>	<b>500</b>	<b>2,000</b>				<b>2,500</b>		<b>4,555</b>

<b>Annual Operating Budget Impact (000s)</b>										
<b>Total</b>										

**Water Utility Capital Program**  
**2023-2027 Proposed Capital Improvement Program**  
**Detail of One-Time Projects**

**Water Resources Administration & Operations Facility**

<b>CSA</b>	Environmental and Utility Services	<b>Initial Start Date</b>	3rd Qtr. 2020
<b>CSA Outcome</b>	Safe, Reliable, and Sufficient Water Supply; Reliable Water System	<b>Initial End Date</b>	2nd Qtr. 2025
<b>Location</b>	3025 Tuers Road	<b>Revised Start Date</b>	
<b>Dept Owner</b>	Environmental Services	<b>Revised End Date</b>	
<b>Council Districts</b>	7	<b>Initial Project Budget</b>	\$14,500,000
<b>Appropriation</b>	A421C	<b>FY Initiated</b>	2020-2021

**Description** This project will build a new Administration and Operations Building for the Water Resources Division. The new facility is expected to consist of one large building to house all staff and infrastructure necessary to ensure continuous operation of the San José Municipal Water Utility System. Site amenities are expected to include conference and training rooms; a customer service and payment area; a water quality laboratory; a map room for utility plans and documents; a warehouse for equipment, materials, and parts; a welding shop for metalwork and fabrication needs; adequate parking for staff, City vehicles, and visitors; and site security systems and fencing.

**Justification** Division staff are currently located in three separate buildings comprising of a converted vehicle storage warehouse, a temporary mobile office trailer, and an administration building. All three buildings have reached the end of useful life and require replacement and/or significant upgrades.

**Notes** The preliminary cost estimate for this project is \$40 million. Future CIPs will include further refine cost estimates and project scheduling once a more detailed project scope and design is finalized. It is anticipated that either commercial paper or other financing mechanisms will be utilized to fund remaining project costs. During 2022-2023, staff will recommend a financing strategy for City Council approval, along budget adjustments to the project, as appropriate.

**Major Cost Changes** 2023-2027 CIP: Increase of \$3.0 million for partial design and project delivery needs.

	PRIOR YEARS	FY22 EST	FY23	FY24	FY25	FY26	FY27	5 YEAR TOTAL	BEYOND 5 YEARS	PROJECT TOTAL
<b>Expenditure Schedule (000s)</b>										
General Administration	18									18
Design	52	4,627								4,679
Construction		733	3,000					3,000		3,733
Public Art		30								30
<b>Total</b>	<b>70</b>	<b>5,390</b>	<b>3,000</b>					<b>3,000</b>		<b>8,460</b>

<b>Funding Source Schedule (000s)</b>										
Water Utility Capital Fund (500)	70	5,390	3,000					3,000		8,460
<b>Total</b>	<b>70</b>	<b>5,390</b>	<b>3,000</b>					<b>3,000</b>		<b>8,460</b>

<b>Annual Operating Budget Impact (000s)</b>										
<b>Total</b>										

Water Capital Program  
**2023-2027 Proposed Capital Improvement Program**  
**Detail of Ongoing Projects**

**Advance System Design**

<b>CSA Outcome</b>	Reliable Utility Infrastructure	<b>Council Districts</b>	2, 4, 7, 8
<b>Department Owner</b>	Environmental Services	<b>Appropriation</b>	A4346
<b>Description</b>	This allocation funds the design, engineering, and inspection for the connection of new developments to the Water Utility System. Project costs are offset by developer fees.		

	FY22 Budget	FY22 EST	FY23	FY24	FY25	FY26	FY27	5 Year Total
<b>Expenditure Schedule (000s)</b>								
Design	200	200	200	200	200	200	200	1,000
<b>Total</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>1,000</b>

<b>Funding Source Schedule (000s)</b>								
Water Utility Capital Fund (500)	200	200	200	200	200	200	200	1,000
<b>Total</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>1,000</b>

**Annual Water Main Replacement**

<b>CSA Outcome</b>	Safe, Reliable, and Sufficient Water Supply; Reliable Water System	<b>Council Districts</b>	City-wide
<b>Department Owner</b>	Environmental Services	<b>Appropriation</b>	A410Q
<b>Description</b>	This project is part of a continuing program to maintain and upgrade the City's Municipal Water distribution system. Most water pipes have a design life of roughly 50 years, depending upon when it was manufactured and the soil conditions where it is installed. The program has prioritized water mains for replacement throughout the service areas of Muni Water System by rating pipe segments based on age, adequacy of size and flow, the number of leaks or failures that have occurred, and the difficulty to repair the pipe if it failed considering location and traffic conditions.		

	FY22 Budget	FY22 EST	FY23	FY24	FY25	FY26	FY27	5 Year Total
<b>Expenditure Schedule (000s)</b>								
Design	109	109						
Construction	4,805	4,805	1,800	1,900	1,900	1,600	1,600	8,800
<b>Total</b>	<b>4,914</b>	<b>4,914</b>	<b>1,800</b>	<b>1,900</b>	<b>1,900</b>	<b>1,600</b>	<b>1,600</b>	<b>8,800</b>

<b>Funding Source Schedule (000s)</b>								
Water Utility Capital Fund (500)	4,914	4,914	1,800	1,900	1,900	1,600	1,600	8,800
<b>Total</b>	<b>4,914</b>	<b>4,914</b>	<b>1,800</b>	<b>1,900</b>	<b>1,900</b>	<b>1,600</b>	<b>1,600</b>	<b>8,800</b>

Water Capital Program  
**2023-2027 Proposed Capital Improvement Program**  
**Detail of Ongoing Projects**

**GIS Support**

<b>CSA Outcome</b>	Reliable Utility Infrastructure	<b>Council Districts</b>	City-wide
<b>Department Owner</b>	Environmental Services	<b>Appropriation</b>	A7365
<b>Description</b>	This allocation funds Geographic Information System (GIS) related updates, improvements, support services, and other associated needs.		

	FY22 Budget	FY22 EST	FY23	FY24	FY25	FY26	FY27	5 Year Total
<b>Expenditure Schedule (000s)</b>								
Design	40	40	40	40	40	40	40	200
<b>Total</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>200</b>
<b>Funding Source Schedule (000s)</b>								
Water Utility Capital Fund (500)	40	40	40	40	40	40	40	200
<b>Total</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>40</b>	<b>200</b>

**Infrastructure Improvements**

<b>CSA Outcome</b>	Reliable Utility Infrastructure	<b>Council Districts</b>	2, 4, 7, 8
<b>Department Owner</b>	Environmental Services	<b>Appropriation</b>	A5366
<b>Description</b>	This allocation provides funding to replace and/or refurbish pumps, motors, valves, electrical control mechanisms, generators, and water mains that are nearing the end of their useful lives. The selection and scope of the projects selected in any particular year will be based on the previous year's maintenance needs.		

	FY22 Budget	FY22 EST	FY23	FY24	FY25	FY26	FY27	5 Year Total
<b>Expenditure Schedule (000s)</b>								
Design	98	98						
Construction	1,270	1,270	840	850	860	870	880	4,300
<b>Total</b>	<b>1,368</b>	<b>1,368</b>	<b>840</b>	<b>850</b>	<b>860</b>	<b>870</b>	<b>880</b>	<b>4,300</b>
<b>Funding Source Schedule (000s)</b>								
Water Utility Capital Fund (500)	1,368	1,368	840	850	860	870	880	4,300
<b>Total</b>	<b>1,368</b>	<b>1,368</b>	<b>840</b>	<b>850</b>	<b>860</b>	<b>870</b>	<b>880</b>	<b>4,300</b>

Water Capital Program  
**2023-2027 Proposed Capital Improvement Program**  
**Detail of Ongoing Projects**

**Major Facilities Fee Administration**

<b>CSA Outcome</b>	Reliable Utility Infrastructure	<b>Council Districts</b>	2, 4, 7, 8
<b>Department Owner</b>	Environmental Services	<b>Appropriation</b>	A5369
<b>Description</b>	This allocation provides funding to administer the Major Facilities Fees. The Major Facilities Fund receives fees associated with the connection and operation of major water facilities constructed in the North San José, Evergreen, Alviso, Edenvale, and Coyote Valley areas.		

	FY22 Budget	FY22 EST	FY23	FY24	FY25	FY26	FY27	5 Year Total
<b>Expenditure Schedule (000s)</b>								
General Administration	15	15	15	15	15	15	15	75
<b>Total</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>75</b>

	FY22 Budget	FY22 EST	FY23	FY24	FY25	FY26	FY27	5 Year Total
<b>Funding Source Schedule (000s)</b>								
Major Facilities Fund (502)	15	15	15	15	15	15	15	75
<b>Total</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>75</b>

**Master Plan Engineering**

<b>CSA Outcome</b>	Reliable Utility Infrastructure	<b>Council Districts</b>	2, 4, 7, 8
<b>Department Owner</b>	Environmental Services	<b>Appropriation</b>	A4349
<b>Description</b>	This allocation is used to update the Water System Master Plan based on anticipated development and customer consumption.		

	FY22 Budget	FY22 EST	FY23	FY24	FY25	FY26	FY27	5 Year Total
<b>Expenditure Schedule (000s)</b>								
Project Feasibility Development	180	180	185	190	200	210	210	995
Design	15	15						
<b>Total</b>	<b>195</b>	<b>195</b>	<b>185</b>	<b>190</b>	<b>200</b>	<b>210</b>	<b>210</b>	<b>995</b>

	FY22 Budget	FY22 EST	FY23	FY24	FY25	FY26	FY27	5 Year Total
<b>Funding Source Schedule (000s)</b>								
Water Utility Capital Fund (500)	195	195	185	190	200	210	210	995
<b>Total</b>	<b>195</b>	<b>195</b>	<b>185</b>	<b>190</b>	<b>200</b>	<b>210</b>	<b>210</b>	<b>995</b>

Water Capital Program  
**2023-2027 Proposed Capital Improvement Program**  
**Detail of Ongoing Projects**

**Meter Installations**

<b>CSA Outcome</b>	Reliable Utility Infrastructure	<b>Council Districts</b>	2, 4, 7, 8
<b>Department Owner</b>	Environmental Services	<b>Appropriation</b>	A4347
<b>Description</b>	This allocation provides funding to purchase, test, and install water meters for new developments and customers, the cost of which is offset by the meter installation fees paid by developers and property owners.		

	FY22 Budget	FY22 EST	FY23	FY24	FY25	FY26	FY27	5 Year Total
<b>Expenditure Schedule (000s)</b>								
Construction	50	50	50	50	50	50	50	250
Public Art	5	5						
<b>Total</b>	<b>55</b>	<b>55</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>250</b>

<b>Funding Source Schedule (000s)</b>								
Water Utility Capital Fund (500)	55	55	50	50	50	50	50	250
<b>Total</b>	<b>55</b>	<b>55</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>250</b>

**Preliminary Engineering - Water**

<b>CSA Outcome</b>	Reliable Utility Infrastructure	<b>Council Districts</b>	2, 4, 7, 8
<b>Department Owner</b>	Environmental Services	<b>Appropriation</b>	A4952
<b>Description</b>	This allocation provides funding for project development in the early stages of planning.		

	FY22 Budget	FY22 EST	FY23	FY24	FY25	FY26	FY27	5 Year Total
<b>Expenditure Schedule (000s)</b>								
Design	155	155	160	165	170	175	175	845
<b>Total</b>	<b>155</b>	<b>155</b>	<b>160</b>	<b>165</b>	<b>170</b>	<b>175</b>	<b>175</b>	<b>845</b>

<b>Funding Source Schedule (000s)</b>								
Water Utility Capital Fund (500)	155	155	160	165	170	175	175	845
<b>Total</b>	<b>155</b>	<b>155</b>	<b>160</b>	<b>165</b>	<b>170</b>	<b>175</b>	<b>175</b>	<b>845</b>



Water Capital Program  
**2023-2027 Proposed Capital Improvement Program**  
**Detail of Ongoing Projects**

**Safety and Security Improvements**

<b>CSA Outcome</b>	Reliable Utility Infrastructure	<b>Council Districts</b>	2, 4, 7, 8
<b>Department Owner</b>	Environmental Services	<b>Appropriation</b>	A4095

**Description** This project includes the repair and installation of additional safety and security improvements at various system facilities. Examples of improvements include new and repaired fencing at reservoirs, construction of concrete block walls around wells, and the installation of safety railing at various sites.

	FY22 Budget	FY22 EST	FY23	FY24	FY25	FY26	FY27	5 Year Total
<b>Expenditure Schedule (000s)</b>								
Construction	586	586		100	100	100	100	400
<b>Total</b>	<b>586</b>	<b>586</b>		<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>400</b>

<b>Funding Source Schedule (000s)</b>								
Water Utility Capital Fund (500)	586	586		100	100	100	100	400
<b>Total</b>	<b>586</b>	<b>586</b>		<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>400</b>

**Service Installations**

<b>CSA Outcome</b>	Reliable Utility Infrastructure	<b>Council Districts</b>	2, 4, 7, 8
<b>Department Owner</b>	Environmental Services	<b>Appropriation</b>	A4348

**Description** This allocation provides funding for the installation of connections between water mains and meters and the extension of existing water mains. A portion of this work related to new development is paid for by developer fees. The remainder of the work, which is not tied to developer fees, entails connections to water, service laterals, sampling stations, meter boxes, air release valves, and main extensions in existing service areas to increase the operability of the system.

	FY22 Budget	FY22 EST	FY23	FY24	FY25	FY26	FY27	5 Year Total
<b>Expenditure Schedule (000s)</b>								
Construction	200	200	200	200	200	200	200	1,000
Public Art	64	64						
<b>Total</b>	<b>264</b>	<b>264</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>1,000</b>

<b>Funding Source Schedule (000s)</b>								
Water Utility Capital Fund (500)	264	264	200	200	200	200	200	1,000
<b>Total</b>	<b>264</b>	<b>264</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>1,000</b>

Water Capital Program  
**2023-2027 Proposed Capital Improvement Program**  
**Detail of Ongoing Projects**

**System Maintenance/Repairs**

<b>CSA Outcome</b>	Reliable Utility Infrastructure	<b>Council Districts</b>	2, 4, 7, 8
<b>Department Owner</b>	Environmental Services	<b>Appropriation</b>	A5876
<b>Description</b>	This allocation funds emergency and miscellaneous repairs in the distribution system.		

	FY22 Budget	FY22 EST	FY23	FY24	FY25	FY26	FY27	5 Year Total
<b>Expenditure Schedule (000s)</b>								
Design	331	331						
Equipment, Materials and Supplies	760	760	780	780	800	800	800	3,960
<b>Total</b>	<b>1,091</b>	<b>1,091</b>	<b>780</b>	<b>780</b>	<b>800</b>	<b>800</b>	<b>800</b>	<b>3,960</b>

<b>Funding Source Schedule (000s)</b>								
Water Utility Capital Fund (500)	1,091	1,091	780	780	800	800	800	3,960
<b>Total</b>	<b>1,091</b>	<b>1,091</b>	<b>780</b>	<b>780</b>	<b>800</b>	<b>800</b>	<b>800</b>	<b>3,960</b>

**Water Capital Program**  
**2023-2027 Proposed Capital Improvement Program**  
**Summary of Projects that Start After 2022-2023**

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<b>Project Name</b>	Evergreen Reliability Well	<b>Initial Start Date</b>	3rd Qtr. 2024
<b>5-Yr CIP Budget</b>	\$ 1,800,000	<b>Initial End Date</b>	2nd Qtr. 2027
<b>Total Budget</b>	\$ 1,800,000	<b>Revised Start Date</b>	
<b>Council Districts</b>	8	<b>Revised End Date</b>	
<b>Description</b>	This allocation provides initial funding for the siting, design, development, and construction of a groundwater production well to provide water supply reliability in the Evergreen service area.		

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**Water Utility Capital Program**  
**2023-2027 Proposed Capital Improvement Program**  
**Summary of Reserves**

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**Project Name** System Growth Related Projects Reserve  
**5-Yr CIP Budget** \$ 1,600,000  
**Total Budget** \$ 1,600,000  
**Council Districts** 2  
**Description** This reserve sets aside funds in the Major Facilities Fund for acquisition of property and the construction of facilities to accommodate future system growth and development.

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**Project Name** System Rehabilitation/Replacement Reserve  
**5-Yr CIP Budget** \$ 4,945,000  
**Total Budget** \$ 4,945,000  
**Council Districts** 2  
**Description** This reserve sets aside funds in the Water Utility Capital Fund for rehabilitation and/or replacement of existing facilities.

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