



Zone 7 Water Agency

FISCAL YEAR 14-15 BUDGET



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EXECUTIVE SUMMARY



ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
100 NORTH CANYONS PARKWAY, LIVERMORE, CA 94551-9486 • PHONE (925) 454-5000

July 1, 2014

Board of Directors
Zone 7 Water Agency
100 North Canyons Pkwy.
Livermore, CA 94551

Subject: ***Fiscal Year 2014/15 Budget***

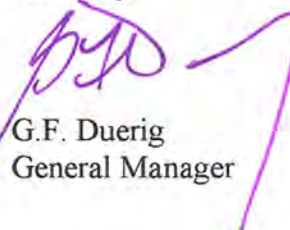
Dear Board of Directors:

I am proud to present the Fiscal Year 2014/15 budget adopted by the Zone 7 Water Agency's Board of Directors on June 18, 2014. It reflects changes made during meetings with Zone 7's retail water suppliers, as well as public review and discussions with the Board and its Finance Committee. The budget is designed to support the Agency's Mission, Vision, Values and Strategic Planning Priorities in both the short and long term.

As Zone 7 continues to identify cost savings, realize efficiencies and innovate, all of us at Zone 7 remain committed to reliably delivering quality water resource services and programs to those who live and work in the Livermore-Amador Valley. The Drought of 2014 has created challenges which have been minimized by long-term fiscal and water supply planning. The adopted budget balances these challenges, using reserves that were created for such purposes and enables Zone 7 to continue to fulfill its mission.

I would like to express my appreciation to the board, the Finance Committee, the retail water agencies and the Zone 7 staff who worked hard on developing this budget during these challenging times.

Sincerely,



G.F. Duerig
General Manager

Zone 7 Service Area

Zone 7 supplies treated drinking water to retailers serving approximately 220,000 people and businesses in Pleasanton, Livermore, Dublin and, through special agreement with the Dublin San Ramon Services District, the Dougherty Valley area in San Ramon. Zone 7 also supplies untreated irrigation water to local vineyards, farms and golf courses, and provides flood protection to all of eastern Alameda County.



Zone 7 Water Agency

June 18, 2014

BOARD OF DIRECTORS

Bill Stevens President
Board Member since 1998
Term Expires June 30, 2018

John Greci Vice President
Board Member since 1994
Term Expires June 30, 2018

Sandy Figuers
Board Member since 2008
Term Expires June 30, 2016

Angela Ramirez-Holmes
Board Member since 2012
Term Expires June 30, 2016

AJ Machaevich
Board Member since 2010
Term Expires June 30, 2014

Sarah Palmer
Board Member since 2006
Term Expires June 30, 2018

Dick Quigley
Board Member since 2004
Term Expires June 30, 2016

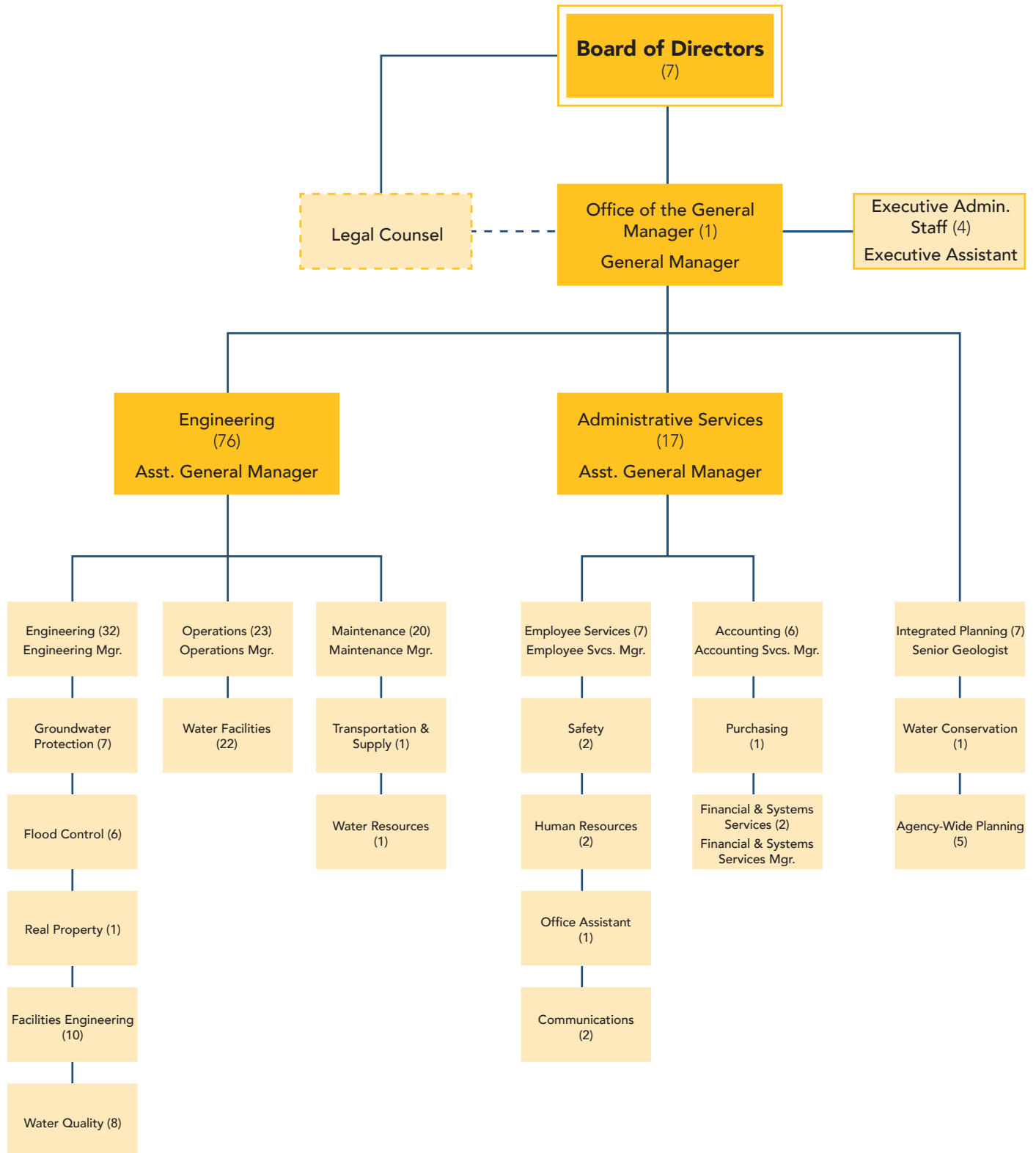
SENIOR MANAGEMENT TEAM

Jill Duerig
General Manager

Tom Hughes
Assistant General Manager, Administrative Services

Kurt Arends
Assistant General Manager, Engineering

Zone 7 Organizational Chart



Agency Overview

Zone 7 Water Agency is a dependent special district established under the Alameda County Flood Control and Water Conservation District Act. The Act (Chapter 55 of the California Water Code Appendix) was passed by the state Legislature in 1949. Zone 7 was established by a vote of the residents of the Livermore-Amador Valley area in 1957, with its own independently-elected board to provide local control of integrated water resources. Zone 7 is responsible for providing wholesale treated (drinking) and untreated (agricultural) water, flood control and groundwater management throughout Eastern Alameda County.

SERVICE FUNCTIONS

Zone 7 provides wholesale treated water, untreated irrigation water, and flood protection services. Its territory includes 425 square miles of eastern Alameda County. Zone 7 has broad power to finance, construct and operate a system for the transportation, storage, treatment and distribution of water.

Zone 7 supplies wholesale potable water to four retail water customers: the City of Livermore, the City of Pleasanton, Dublin-San Ramon Services District (DSRSD) and the California Water Service Company. These customers distribute the water to municipal and industrial customers in Dublin, Livermore, Pleasanton and the Dougherty Valley portion of San Ramon.

KEY BUSINESS RELATIONSHIPS

Zone 7 imports water to the Valley from the State Water Project (SWP), operated by the Department of Water Resources (DWR) of the State of California. The annual cost of the water is about \$14 million. The state has issued significant bonds to finance the SWP. Zone 7 is one of 29 water contractors who share the cost of the debt service for the SWP bonds. Zone 7's annual share of the debt service is about \$26 million, which is apportioned between current and future customers.

The Agency's major treated water customers are the cities of Pleasanton and Livermore; Dublin San Ramon Services District (serving Dublin and the Dougherty Valley area of San Ramon); and California Water Service Company (serving a portion of Livermore). These customers are collectively referred to as the retailers.

History and Services

Since long before Zone 7 was created, the critical issues of water supply, water quality and flood protection have shaped the region's ability to prosper. Although the Valley was far less populated during the first half of the 20th Century than it is today, a declining groundwater table and periods of drought back then had local farmers, vintners and residents alike worried about their livelihoods, according to reports published in 1948. And there was frequent flooding, particularly in northern Pleasanton, where Hacienda Business Park is now located.

THE CREATION OF ZONE 7

Zone 7 – established in 1957 by local voters demanding local control over local water-resource planning, flood protection and financing – has taken the Valley a long way to resolving many of its most pressing water-supply, water-quality and flood-protection problems. The locally-elected seven-member Board of Directors has continually formulated and implemented needed programs for flood protection and water-resource management, incorporating recreational and environmental benefits where feasible. But many issues have persisted over the decades, and their implications on local land use, local control and local financing continue to surface. Indeed, challenges are alive and well today as Zone 7 works to improve water reliability and quality, along with flood protection, in the most economical and environmentally sound ways possible, and to accommodate new development being approved by Valley cities at no cost or harm to existing residents.

ZONE 7'S INDEPENDENCE

Since its formation, Zone 7 has continued to take steps to expand its level of local control and autonomy. Most recently, in 2003, state legislation granted Zone 7 more authority over issues and projects of exclusive interest to Zone 7, allowing the Board to improve economic efficiencies and reduce administrative duplication with Alameda County.

Local control has allowed Zone 7 to develop master plans that integrate and optimize water supply, water quality, flood management and environmental stewardship.

Meanwhile, Zone 7 has participated with other water, recycled water, sewer and stormwater utilities in the Tri-Valley to explore potential opportunities to pool services/equipment for increased efficiency.

Mission Statement

Zone 7 Water Agency is committed to providing a reliable supply of high-quality water and an effective Flood-control system to the Livermore-Amador Valley. In fulfilling our present and future commitments to the community, we will develop and manage our water resources in a fiscally responsible, innovative, proactive, and environmentally sensitive way.

VISION STATEMENT

To be recognized as the platinum standard water and flood control district in which to live, work and do business by enhancing the quality of life, economic vitality and environmental health of the communities we serve.

VALUES

- 1. OPEN AND TRANSPARENT** - The Board's meetings and communications shall be open and public, except when the Brown Act authorizes otherwise.
- 2. CUSTOMER SERVICE** - Our commitment to the community requires prompt, respectful and courteous relations with our customers, both internal and external, as well as pursuing community partnerships and collaboration with other area public agencies when beneficial to the public.
- 3. INTEGRITY** - We practice the highest ethical standards and maintain open, honest communications at all levels of the organization at all times.
- 4. FISCALLY RESPONSIBLE** - We will operate in a productive, cost effective, transparent and efficient manner to ensure sound financial stability.
- 5. ENVIRONMENTALLY SENSITIVE** - In carrying out our mission, we are dedicated to preserving and enhancing the environment while complying with regulations.
- 6. INNOVATIVE/PROACTIVE** - We encourage innovation, creativity and ingenuity, seeking constant improvement and keeping up with the latest economical technologies and management practices.
- 7. SAFETY** - We are committed to public and employee safety to maintain a healthy work environment. We work safely and provide safe products and services.
- 8. EMPLOYEE DEVELOPMENT** - We foster a respect for diversity, equality, a spirit of performance-based accountability and productivity along with personal and professional growth for all team members so as to achieve excellence through the collective energy that comes from a work environment where each employee can flourish and succeed to their highest potential.

Strategic Planning

As part of Zone 7's recent strategic planning efforts and with input from Staff, the Zone 7 Board identified five general strategic planning priorities. These priorities were developed to ensure all Zone 7 efforts are focused on fulfilling the mission of the agency, and to further ensure the most immediate needs are addressed in an efficient and cost-effective manner. The five general priorities (listed below) include a number of specific strategic planning sub-priorities and help develop master plans and budgets:

1. Provide customers with a reliable, cost-effective and safe water supply.
2. Provide Eastern Alameda County with an effective system of flood protection.
3. Provide the Agency with effective organization, administration and governance.
4. Operate the Agency in a fiscally-responsible manner.
5. Increase public understanding of the Agency and its functions.

Below are a few noteworthy strategic plan accomplishments from fiscal years 12/13 and 13/14:

- Staff continued to implement cost-saving measures which resulted in a third year of decreasing overall O&M costs in the water enterprise.
- First full year of DWWTTP solar system reduced energy costs by almost \$73,000.
- Board adopted a two-year water rate; in the first year there was no increase; in the second year there was a 2.65 percent increase to keep up with inflation.
- DWWTTP continued to participate in AWWA's Partnership for Safe Water.
- Flood Control Section completed 14 bank repairs, four biotech brush walls (to counter bank erosion) and repaired or improved 4,194 linear feet of access road.
- The Agency developed new regional hydrologic and hydraulic models.
- Staff Organization was optimized, including by providing cross-training opportunities to willing and interested staff.
- Records Retention/Management Policy Framework was approved by the Board of Directors.
- Interim Reserve Policy was developed and adopted by Zone 7 Board in April 2013.
- New financial software implemented.
- New budget book developed to increase transparency.
- Staff created the new Water Jug Pyramid and displayed it at various regional events to emphasize the value of water and importance of conservation.
- The Agency promoted and celebrated 50 years of Zone 7's Groundwater Management through creation of employee t-shirts.
- In FY12/13 Zone 7's "Water Science in the Schools" program involved 370 classroom presentations, reaching over 10,000 students, which was an increase of 45 classroom presentations over the previous year.

Agency Fiscal Overview

The Zone 7 Water Agency's Operating and Capital Budget for Fiscal Year 2014-15 includes a brief explanation of the Agency's budget process, a breakdown of the budget by Major Funding Area, Section and Program. Also included is a summary of the new Chart of Accounts structure that was implemented July 1, 2013, in conjunction with a new financial software system, New World.

The Agency's operating budget is \$107.1M for FY14/15. This proposed budget has been reviewed by management, staff, and the Board of Directors.

This fiscal year's budget is created and operated in accordance with the Agency's Mission, Vision and Value Statements, and all other Board-adopted policies.

FISCAL YEAR

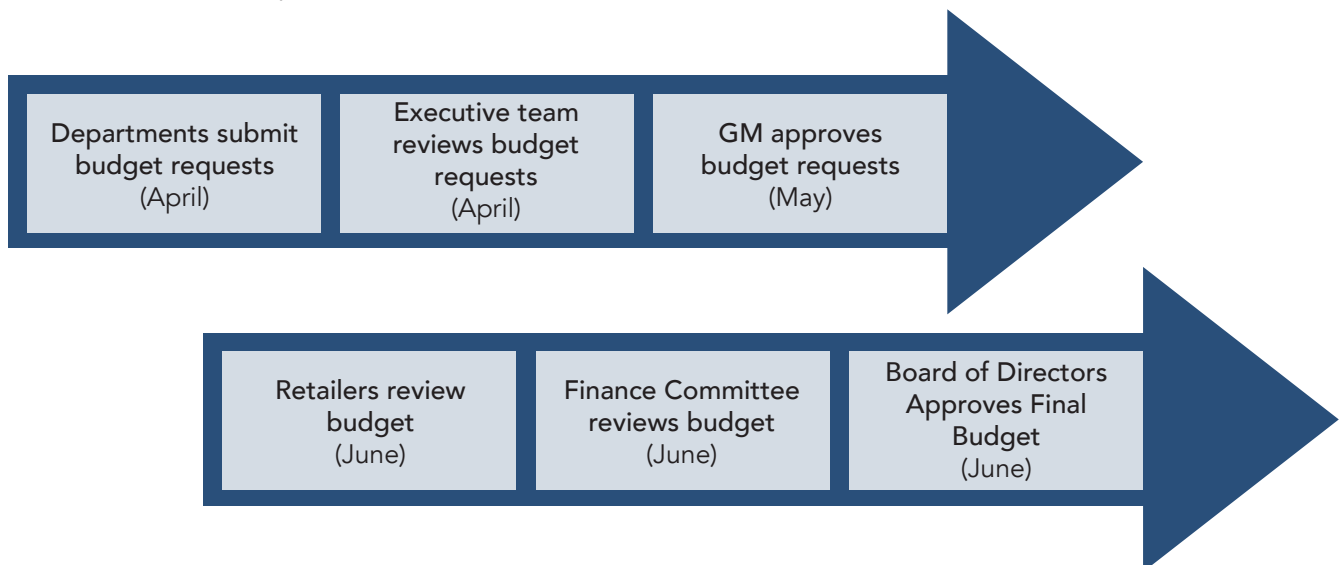
Zone 7 Water Agency operates on a fiscal year which runs July 1 through June 30. In the document, if a year is used, it means the end of the fiscal year, so for example, 2015 is the fiscal year ending June 30, 2015. "FYE" for fiscal year ending is also used.

FISCAL MANAGEMENT

The Agency's Board of Directors annually adopts the operating and capital budgets prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise functions. Each year, the Agency adopts a balanced budget (estimated expenses equal to estimated revenues, and planned use of reserves).

BUDGET PROCESS/CALENDAR

The normal budget process begins at the Section level. Supervisors prepare their budgets and submit them to the Division Managers, then to the Assistant General Manager for their review and approval. Managers then meet with the General Manager, who determines the impact on each of the Agency's funds. The budget is presented to the retailers, to the Finance Committee and to the full Board of Directors for review and adoption prior to June 30. This year the budget was adopted on June 18, 2014. The Finance Committee meeting and the Board of Directors meetings are posted for public participation. The proposed FY14/15 budget was posted with the June 18, 2014 Board of Directors meeting agenda on the Agency's website to allow for public review. The final FY14/15 budget is also posted on the Agency's website after it is adopted.



Budgetary Control

The budget is a management tool intended to aid in the planning efforts of the Agency and to serve as a control in expenditures to ensure the fiscal health and financial future of the Agency. To aid in the management of the budget, certain "rules" or "controls" have been established that require appropriate levels of approval on the expenditure of Agency funds as well as reporting requirements of financial information to the Board and the public. All budget transfers are documented and tracked in the Agency's computerized financial system.

Once the budget is approved, staff budget reports are issued to report the results of operations which include the budget amounts. This report is provided to the full Board on a monthly basis and provides a check and balance of the expenditure of public funds.

In addition to reporting the status of expenditures as compared to the budget each month, spending limits have been established in the Agency Purchasing Policy as follows:

- Over \$50,000 Requires Board approval
- Over \$20,000 Requires General Manager approval
- Over \$10,000 Requires Assistant General Manager approval
- Over \$3,000 Requires Division Manager approval
- Up to \$3,000 Requires Section Manager approval.

Once the budget is adopted, managers are expected to stay within the constraints of the approved departmental budgets. Line items in the department budget can be modified during the year; however the total departmental budget cannot be exceeded without the General Manager's approval.

In addition, the budget provides the annual authorization for positions, employee pay and benefits. The Fiscal Year 2014/15 Budget includes a union-negotiated 3% adjustment in pay ranges.

Debt Service

Last fiscal year, the District had one short term debt obligation that was paid off on December 19, 2013. On January 15, 2008, the District signed an installment sale agreement with the Municipal Finance Corporation and Wells Fargo Bank for a tax-exempt revolving line of credit in the amount of \$60,000,000 for a six-year term. Effective January 19, 2011, the Board approved reducing the line to a maximum amount of \$30,500,000. The line carried a variable interest rate based on a calculation of 81.41% of bank's Prime rate, less 2.3%.

Currently, the Agency does not maintain any outstanding debt obligations. The Agency operates with a pay-as-you-go philosophy which minimizes any debt financing.

The Agency has a bonded indebtedness limit that shall not exceed 5 percent of the assessed valuation of all taxable property in any zone lying, in whole or in part of the Agency's service area, per the Alameda County Flood Control and Water Conservation District Act, (ACT 20), §36.6.

Recent Rate and Fee Changes

TREATED WATER RATE

In 2012, the Zone 7 Board approved a two-year treated water rate schedule for calendar years 2013 and 2014. Zone 7 has made significant strides in cutting operating costs on behalf of its ratepayers, allowing for no increase in rates for 2013 and a CPI adjustment of 2.65% for 2014.

UNTREATED WATER RATE

Zone 7 provides 4,500 acre-feet of untreated water for agricultural and irrigation purposes. The adopted rate of \$110 per acre-foot for calendar year 2014 represents Zone 7's cost of providing this water supply. The rate for 2014 remains the same as the 2013 rate.

WATER CONNECTION FEE

A water connection fee of \$24,030 for the Zone 7 service area and \$22,240 for the Dougherty Valley Service Area was adopted on October 16, 2013. At that time, the fees were adjusted by the change in the construction cost index from September 2012 to September 2013.

STORMWATER AND DEVELOPMENT IMPACT FEE

Zone 7's Board of Directors adopted Ordinance 2009-01, which established the Flood Protection and Storm Water Drainage Development Impact Fee (DIF) on March 18, 2009. The Ordinance prescribed the assessment of a DIF for developments creating new impervious surfaces as part of their projects.

Ordinance 2010-01, adopted on March 17, 2010, amended the fee schedule of Ordinance 2009-01 and limited the annual DIF adjustments through 2012 until the SMMP and DIF were re-evaluated. This evaluation is currently underway.

In 2011, the Zone 7 Board adopted Ordinance 2012-01 deleting the specified 2012 DIF increase scheduled to be effective January 1, 2012 and maintaining the existing 2011 DIF of \$1.00 per square foot of new impervious surface created. As of January 1, 2014, the fee remains at \$1.00 per square foot of new impervious surface created.

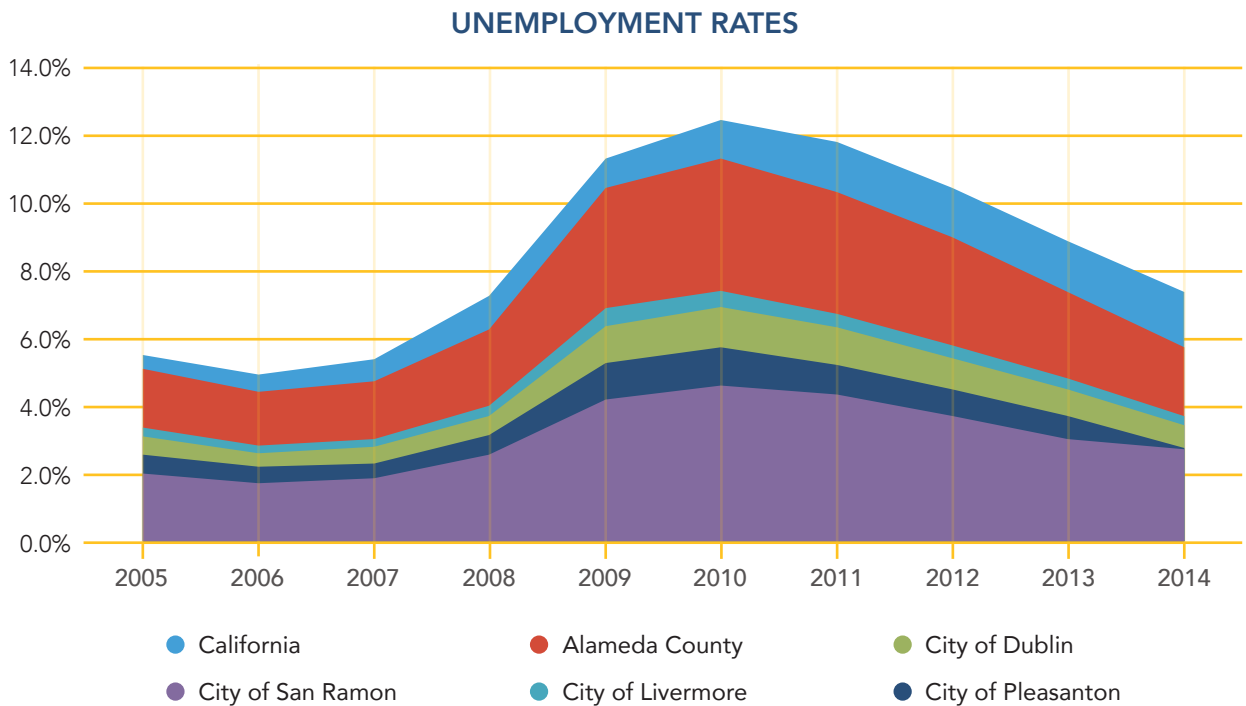
Local Economy

The Agency’s Administrative Office is located in the City of Livermore in Alameda County. Livermore was founded in 1869 and is one of California’s oldest wine regions. Zone 7 currently serves a population of about 220,000 people.

The Agency has experienced modest recovery from the market crisis of FY 2008/09. In 2013, the Agency experienced a slight improvement in the number of new home permits and anticipates that the slow growth will continue at a moderate pace during the upcoming budget cycle.

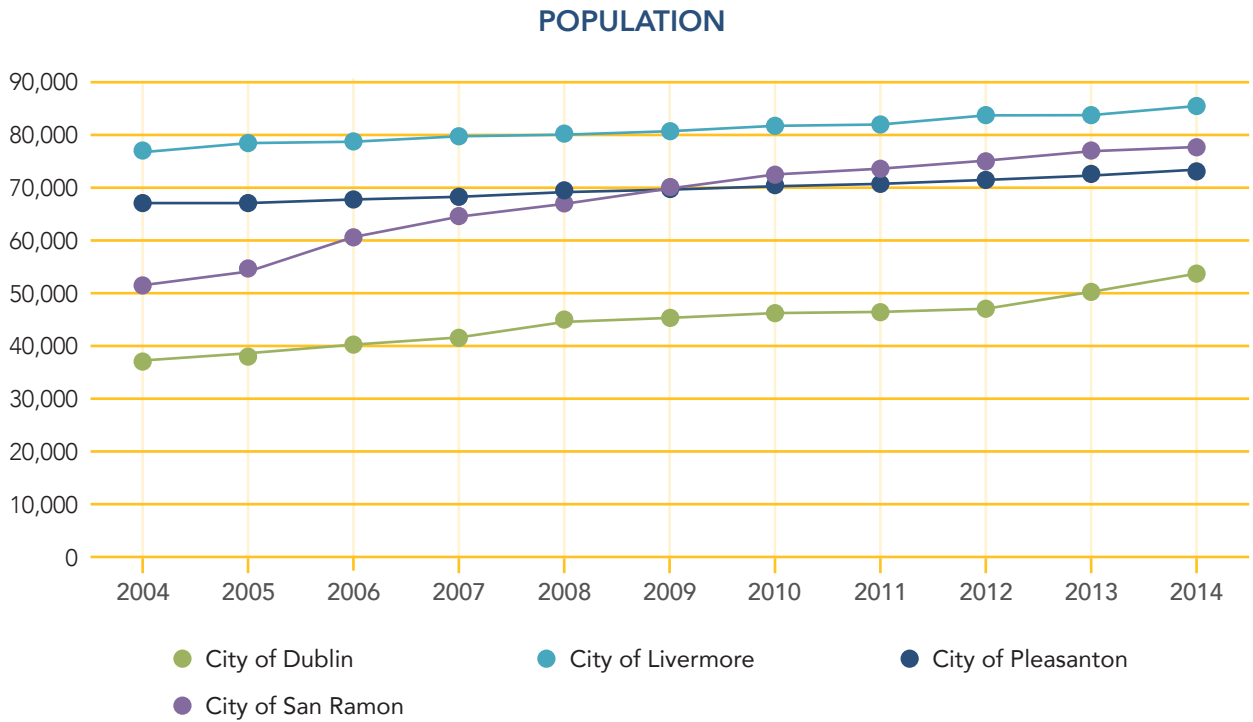
UNEMPLOYMENT RATES

Unemployment rates were on the rise before the 2008 recession was confirmed. Rates have continued to improve since 2010 and as of April 2014, the unemployment rate in Alameda County was reported at 5.7%.

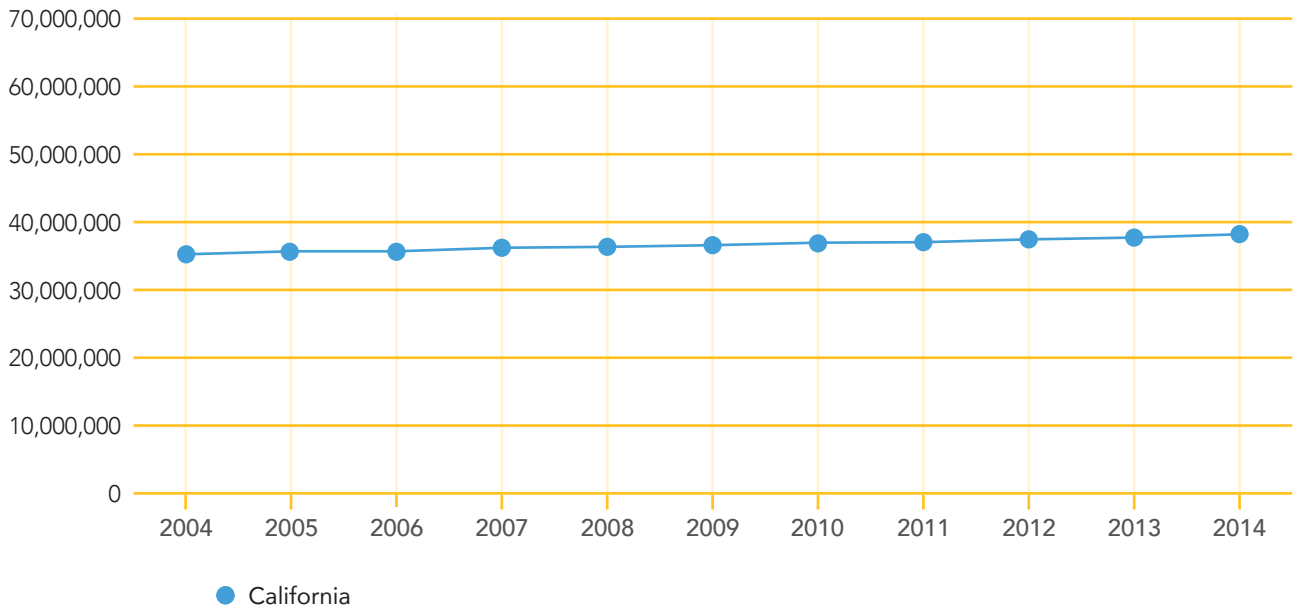


POPULATION

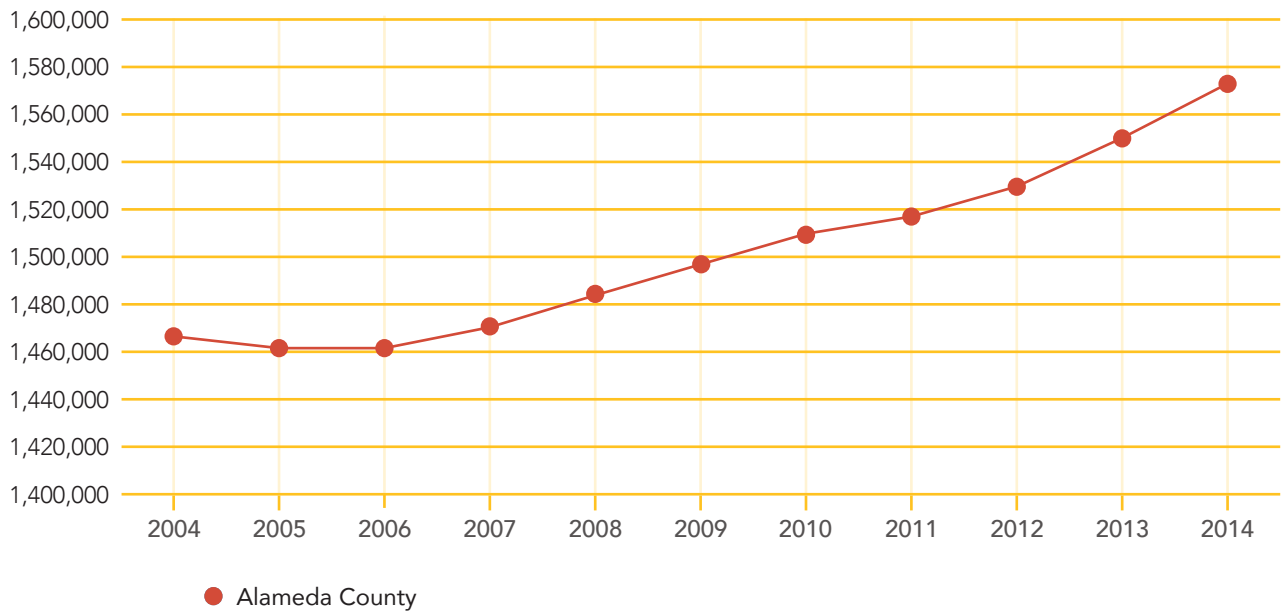
San Ramon and Dublin had increases in population from 2004 to 2014 similar to the population growth in Alameda County. Livermore and Pleasanton had slight increases in population similar to California's population growth.



CALIFORNIA POPULATION



ALAMEDA COUNTY POPULATION



*Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2004-2014, with 2004 & 2014 Census Counts. Sacramento, California, April 2014.

Challenges

Financial issues facing the Agency include the drought, the slow recovery of the economy, the increasing effects of water conservation efforts on revenue, and the continued increasing allocations to our Asset Management Program to maintain reliability and improve the water system infrastructure.

DROUGHT

Calendar Year 2013 was the driest year in recorded history in many parts of California, including in the Livermore-Amador Valley. Total precipitation for the year at Livermore Station 15e was only 4.5 inches – 31 percent of the 14.5-inch average. At the beginning of 2014, the Sierra snowpack's statewide water content was estimated at about 20 percent of average for that time of year, and January set a record for being the driest January in recorded history for the State and Bay Area.

On January 17, 2014, Governor Jerry Brown declared a State of Emergency in California due to drought conditions and asked all citizens to cut back water use by 20 percent. On January 29, 2014 at a Special Meeting of the Zone 7 Board of Directors, a local state of Drought Emergency was declared and a Drought Emergency Response Plan was approved that included emergency capital projects and accelerated preventive maintenance aimed at minimizing impacts on water deliveries. The General Manager was authorized and directed to establish an appropriate level of conservation for the Livermore-Amador Valley, consistent with the governor's proclamation of a drought emergency (20 percent or greater). The initial conservation level was set at 20 percent.

On January 31, 2014, the California Department of Water Resources (DWR) announced it was reducing State Water Project allocations from an already-low 5 percent down to zero for the first time in history.

Northern Sierra precipitation was well below average. This was critical because the Northern Sierra precipitation determines DWR's ability to refill Lake Oroville, which is the primary source of water for Zone 7 (water is released from Lake Oroville into the Feather and then the Sacramento River and from there it is conveyed through the Delta to the South Delta pumps, which bring water to the Livermore Valley and to other State Water Contractors South of the Delta). The rains in early spring 2014 helped but, due to the high temperatures, much of the precipitation was as rain so the snowpack remained small.

The low water levels in Oroville and the relatively small snowpack throughout the portion of the Sierras that serves as the Delta's watershed resulted in severe water quality impairment in the Delta, leading to higher treatment costs.

On April 16, 2014, Zone 7's 2014 Annual Review of Sustainable Water Supply was presented to the Board. Among other things, it clarified the need for water retailers serving Pleasanton, Livermore, Dublin and Dougherty Valley to achieve conservation consistent with "Stage 2 Actions" under Zone 7's Urban Water Management Plan. Zone 7 notified its treated and untreated water customers that they will receive only 75 percent of their requested supplies in 2014 and to take certain actions to achieve 25 percent savings.

Significant financial impacts have been identified due to the agency's projected 25 percent loss in water sales revenue, in combination with drought-emergency capital projects and increased drought-related operations and maintenance costs.

On June 18, 2014, the Board of Directors adopted a Fiscal Year 2014-15 budget that included use of all of Zone 7's Drought Contingency (\$5.9 million) and a significant portion of its Rate Stabilization reserves (\$8.8 million) to help cover the financial impact of the drought.

ECONOMY

New development within the service area has been picking up, providing slight growth in the number of water rate payers and in connection fee revenue. A slight increase in property values has resulted in stabilization of the 2012 and 2013 assessment rolls. Alameda County's average unemployment rate has decreased markedly, registering 5.9 percent as of April 2014, below the 2013 rate of 8.6 percent, exhibiting signs of slow but steady economic stabilization.

WATER CONSERVATION

Water conservation goals and policies have an adverse effect on water sales. As consumers use less water, water-sales revenue declines, creating pressure for rates to increase to help cover the largely fixed costs of operations. In the fall of 2009, the Legislature passed the Water Conservation Act of 2009 SBX7-7, which sets an overall goal of reducing per-capita urban water use by 20 percent by the end of 2020, and calls for agricultural water suppliers to prepare and adopt water management plans. Failure to meet this goal currently results in an agency not being eligible for state grants. Zone 7 is working collaboratively with the retailers to meet this requirement.

Water conservation and other recycling efforts are nearing the level of "demand hardening," or maximum potential, as all new construction and landscaping is utilizing improved ecological designs, and older systems have been updated. Water demands continue to decrease while Zone 7's operational costs remain largely fixed.

CAPITAL PROJECTS

With the addition of new facilities, and as the water system infrastructure ages over time, the annual contribution to the Renewal/Replacement and System-wide Improvement Fund from the Water Enterprise Fund is increasing. An updated Asset Management Program study to assess the condition of Zone 7's infrastructure was adopted by the Board on June 15, 2011. Funding transfers increasing from \$9.5 million in FY14/15 to \$14 million in FY 17/18 will be made from the Water Enterprise Fund into the Renewal/Replacement and Systemwide Improvements Fund.

Significant planning and capital improvements are needed to support future development. Over the past five years, new connections to our water system have slowed significantly from the rapid growth experienced in the early 2000s. While there are indications of recovery, construction of major expansion facilities has been deferred. The FY14/15 Expansion budget reflects Zone 7's first priority of funding non-discretionary obligations (fixed payments for debt incurred by others on Zone 7's behalf).

Major Accomplishments (FY 2013-14)

ZONE 7 WATER AGENCY:

- Participated in a public-private partnership to restore urban streams and streamside habitats of the Livermore-Amador Valley, while continuing to protect drinking water supplies and prevent flooding.
- Collaborated with the District's retailers to host a workshop at which California Natural Resources Secretary John Laird outlined the California Water Action Plan.
- Received the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for fiscal year 2013/14.
- Purchased 5,000 acres of property adjacent to Lake Del Valle for approximately \$19,000,000 for watershed protection purposes.
- Created a pyramid display of 144 one-gallon jugs to convey messages about water conservation and the value, convenience and environmental benefits of publicly delivered tap water over bottled water. It was displayed at various public events and was a finalist for the Association of California Water Agencies 2013 Huell Howser Best in Blue Award, which recognizes outstanding communications achievements by public water agencies.
- Completed 33 bank repairs, four biotech brush walls for bank erosion, and 2,019 linear feet of access roadway and drainage renovation. Total construction cost was \$850,000.
- Coordinated with the U.S. Army Corps of Engineers for inspection of Zone 7 facilities to maintain Zone 7's eligibility for federal funding.
- Continued to participate in and support Bay Delta Conservation Plan efforts aimed at achieving the co-equal goals of restoring both the Delta ecosystem and water supply reliability for 25 million Californians, including those living in Zone 7's service area. A public draft of the BDCP and associated environmental documents were released by state and federal agencies in December 2013 for formal public review and comment.
- Started construction on several projects identified in the Agency's Asset Management Plan as needed to maintain system reliability, including completion of the first phase of the Superpulsator Rehabilitation Project at the Del Valle Water Treatment Plant.
- Made strides on short- and long-term planning for future water supply, flood protection and other beneficial water management uses of the Chain of Lakes, a series of sand and gravel quarry sites being turned over to the Agency as mining operations cease over time.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Zone 7 Water Agency
California**

For the Fiscal Year Beginning

July 1, 2013

Executive Director

MEMORANDUM

DATE: June 18, 2014

TO: Jill Duerig, General Manager

FROM: Tom Hughes, Assistant General Manager, Administrative Services

SUBJECT: Proposed Budget for Fiscal Year 2014/15

BACKGROUND:

Zone 7 Water Agency submits an annual budget to Alameda County for three operating funds (Funds 100, 110 and 200) for inclusion in the County-wide budget. Upon adoption by the Zone 7 Board, Zone 7's operating fund budgets are then included with the other County department's budgets and presented to the Board of Supervisors for adoption in June each year.

Issues and Trends

Financial issues facing the Agency include the drought, the slow recovery of the economy, the increasing fiscal impacts from water conservation efforts, the increased State Water Project debt service and the continued increasing allocations to the Asset Management Program (AMP).

The drought brings forth a lot of challenges both from a water supply and from a financial perspective. There will be less revenue due to mandatory water usage reductions and increased spending for drought-related expenses. For example, any water supply that becomes available will be at premium prices. The agency is also using cash on hand to pay for drought emergency capital projects.

New development within the service area has been picking up, providing slight growth in new water rate payers and connection fee revenue. There is also a slight increase in property values that has resulted in stabilization of the 2013 and 2014 tax assessment roll. Alameda County's average unemployment rate has decreased markedly, now registering 5.7 percent as of April 2014, below the 2013 rate of 8.6 percent, exhibiting signs of slow but steady economic stabilization.

The Water Conservation Act of 2009 (SBX7-7) sets an overall goal of reducing per capita urban water use by 20% by the end of 2020. Water demands on a per capital basis continue to decrease while fixed costs remain high.

With the addition of new facilities, and as the water system infrastructure ages with time, the annual funding of the Renewal/Replacement and Systemwide Improvement Fund from the Water Enterprise Fund is increasing. An updated AMP study to assess the condition of Zone 7's infrastructure was adopted by the Board on June 15, 2011, with another scheduled for 2016.

Board-approved funding transfers increase from \$9.5 million in FY 14/15 to \$14 million in FY 17/18 and will be made from the Water Enterprise Fund (Fund 100) to the Renewal/Replacement and Systemwide Improvements Fund (Fund 120).

Staffing

The FY 14/15 budget funds 107 full-time equivalent positions. Of the 107 funded positions, there are two (2) vacant, unfilled positions as of June 18, 2014. The number of funded positions does not include any identified in the "soft" hiring freeze that began in FY 09/10. The funding for the soft hiring freeze positions is not in the expense budgets of the Water Enterprise (Fund 100) and General Fund/Flood Control (Fund 200), but, if needed, could be funded from reserves in those funds.

Operation Budgets

Zone 7 staff has prepared preliminary FY14/15 budgets for the three operating funds and the details of these budgets are shown on the next few pages:

WATER ENTERPRISE FUND – FUND 100 (FORMERLY FUND 52)

Category	12/13 Audited Actual	13/14 Budget	13/14 YTD Actual	13/14 Estimated Actual	14/15 Proposed Budget	% Change (14/15 budget to 13/14 Est. Actual)
Revenue	\$39,469,514	\$37,884,745	\$30,639,237	\$37,076,060	\$34,461,062	-7.05%
Expenses	\$35,262,653	\$42,779,364	\$29,901,370	\$38,049,992	\$49,680,609	30.57%
Reserves	\$31,495,970	\$20,542,627	\$32,233,837	\$30,522,038	\$15,302,491	-49.86%

Reserves

The board-adopted policy sets minimum/maximum reserve levels for this fund as follows:

Reserve	Minimum	Maximum
Operating	32 days of budgeted operating expenses (\$3.2M)	90 days of budgeted operating expenses (\$9.2M)
Emergency	1% of Water Enterprise capital assets (\$2.1)	3% of Water Enterprise capital assets (\$6.3M)
Drought Contingency	7% of budgeted water sales revenue (\$2.4M)	20% of budgeted water sales revenue (\$6.8M)
Rate Stabilization	6% of budgeted water sales revenue (\$2.1M)	No max, however the target is \$6.8M
TOTALS	\$9,796,593	\$29,175,760

The FY14/15 projected reserves of \$15.3M are within the range of target reserve levels outlined in the reserve policy. The respective amounts for each reserve are shown on lines 43-45 in the attached Exhibit A.

The proposed Water Enterprise Fund expenditure budget is \$49.7M and reserves are \$15.3M. The FY14/15 expenditures are increasing by \$11.6M compared to the FY13/14 estimated actuals primarily due to a combination of a \$4.3M higher transfer to Fund 120 (\$3.3M to replenish reserves used for emergency drought projects and \$1M for the increased ramp-up amount to fund the AMP), another \$3.3M for drought-related O&M expenses such as water, power and chemicals and other increases in professional services, maintenance and miscellaneous services and supplies. The FY14/15 revenues are decreasing by \$2.6M compared to the FY13/14 estimate due to the estimated 25% loss of water sales in 2014. Reserves are decreasing to \$15.2M as a result of loss revenue due to the drought and increased drought-related O&M expenses.

STATE WATER FACILITIES FUND – FUND 110 (FORMERLY FUND 51)

Category	12/13 Audited Actual	13/14 Budget	13/14 YTD Actual	13/14 Estimated Actual	14/15 Proposed Budget	% Change (14/15 budget to 13/14 Est. Actual)
Revenue	\$12,040,842	\$13,798,385	\$12,781,033	\$13,505,807	\$14,060,937	4.11%
Expenses	\$14,002,380	\$14,118,181	\$13,867,629	\$13,599,773	\$14,227,251	4.61%
Reserves	\$8,642,285	\$8,690,708	\$7,555,689	\$8,548,319	\$8,382,005	-1.95%

Reserves

This fund has one reserve, which is the State Water Facilities Operating Reserve. The board-adopted policy sets minimum/maximum reserve levels for this fund as follows:

Reserve	Minimum	Maximum
Operating	50% of budgeted operating expenses (\$7.1M)	100% of budgeted operating expenses (\$14.2M)
Total	\$7,113,626	\$14,227,251

The FY14/15 projected reserve of \$8.4M meets the minimum reserve level outlined in the reserve policy.

The proposed State Water Facilities expenditure budget is \$14.2M and reserves are \$8.4M. This is a pass-through fund for fixed charges associated with the State Water Project. The FY14/15 expenditures are increasing \$0.6M over the FY13/14 estimated actuals, based on the Department of Water Resources’ (DWR) statement of charges (SOC) and estimates for 2015. The FY14/15 proposed revenues are increasing \$0.55M over FY13/14 in order to meet the revenue requirements. Reserves are decreasing by \$0.17M due to the use of the fund balance.

GENERAL FUND/FLOOD CONTROL – FUND 200 (FORMERLY FUND 50)

Category	12/13 Audited Actual	13/14 Budget	13/14 YTD Actual	13/14 Estimated Actual	14/15 Proposed Budget	% Change (14/15 budget to 13/14 Est. Actual)
Revenue	\$6,151,496	\$6,200,347	\$6,060,419	\$6,254,848	\$6,505,936	4.07%
Expenses	\$5,355,914	\$25,948,108	\$14,299,412	\$20,306,996	\$10,416,092	-48.71%
Reserves	\$24,354,979	\$7,566,062	\$16,115,986	\$10,302,831	\$6,392,675	-37.95%

Reserves

This fund has three reserves – the Flood Control Operating Reserve, Flood Control Capital Reserve and the Building Sinking Fund.

There is no minimum or maximum for the Building Sinking Fund and the Flood Control Capital Reserve. The FY14/15 Building Sinking Fund contribution is planned at \$0.1M, resulting in a total Building Sinking Fund Reserve of \$0.85M.

The board-adopted policy sets minimum/maximum reserve levels for the Operating Reserve as follows:

Reserve	Minimum	Maximum
Operating	20% of budgeted operating expenses (\$2.1M)	50% of budgeted operating expenses (\$5.2M)
Capital	No minimum	No maximum
Total	\$2,083,218	\$5,208,046

The FY14/15 projected reserve of \$6.4M meets the minimum reserve level outlined in the reserve policy.

The proposed General Fund/Flood Control expenditure budget is \$10.4M and reserves are \$6.4M. The FY14/15 expenditures are decreasing \$9.9M compared to the FY13/14 estimated actuals due to a one-time capital expenditure in FY13/14 for watershed investments. The FY14/15 proposed revenues are increasing slightly over FY13/14 estimated actuals due to increased property tax revenue. Reserves are decreasing by \$3.9M due to the use of the fund balance.

CAPITAL BUDGETS

The Zone 7 Board adopts the operating budgets along with budgets for the three capital funds below (Funds 120, 130 and 210). The Capital Improvement Program (CIP) is usually completed every two years with the last CIP being adopted in 2011. However, the drought makes it difficult to plan for water demands and associated project needs. Therefore, staff is planning to complete the CIP update next year when more is known about our water supply. Amended project priorities in the adopted 2011 CIP were discussed with the Water Resources Committee on May 29, 2014 and the full Board on June 4, 2014. The resulting proposed capital budgets are included in the proposed FY14/15 budget.

WATER SYSTEM RENEWAL/REPLACEMENT & SYSTEM-WIDE IMPROVEMENTS – FUND 120 (FORMERLY FUND 72)

Category	12/13 Audited Actual	13/14 Budget	13/14 YTD Actual	13/14 Estimated Actual	14/15 Proposed Budget	% Change (14/15 budget to 13/14 Est. Actual)
Revenue	\$7,347,879	\$8,831,962	\$6,812,705	\$8,883,400	\$13,129,324	47.80%
Expenses	\$4,100,242	\$25,904,419	\$12,014,602	\$22,400,015	\$7,578,891	-66.17%
Reserves	\$24,980,749	\$10,977,982	\$19,778,851	\$11,464,134	\$17,014,567	48.42%

Reserves

This fund has two reserves - the Capital Project Reserve and a Building Sinking Fund. The board-adopted policy sets minimum/maximum reserve levels for this fund as follows:

Reserve	Minimum	Maximum
Capital	100% of the estimated capital budget for the fiscal year succeeding the then-current budgeted fiscal year, plus 50% of the capital budget for the two years subsequent to the then-current budgeted fiscal year (i.e. fiscal years FY15/16 and FY16/17) or \$9.8M.	No maximum
Total	\$9,850,000	N/A

The reserve minimum is met if the FY15/16 and FY16/17 budgets are \$7M and \$8M, respectively. The Building Sinking Fund does not have minimum or maximum. The FY14/15 contribution is planned at \$0.4M, resulting in a Building Sinking Fund reserve of \$3.9M

The proposed Water System Renewal/Replacement & System-wide Improvements expenditure budget is \$7.6M and reserves are \$17M. The FY14/15 expenditures are decreasing by \$14.8M compared to the FY13/14 estimated actuals due to large one-time projects expenses in FY13/14, and project deferrals in FY14/15. The FY14/15 revenue budget is \$13.1M, increasing by \$4.2M compared to FY13/14 due to an increased transfer from Fund 100 for AMP plus an additional \$3.3M to replenish reserves used for emergency drought projects. Reserves are increasing by \$5.5M due to the increased transfer and project deferrals.

WATER SYSTEM EXPANSION – FUND 130 (FORMERLY FUND 73)

Category	12/13 Audited Actual	13/14 Budget	13/14 YTD Actual	13/14 Estimated Actual	14/15 Proposed Budget	% Change (14/15 budget to 13/14 Est. Actual)
Revenue	\$29,176,830	\$20,948,165	\$21,103,473	\$21,056,789	\$22,041,020	4.68%
Expenses	\$18,814,437	\$57,289,099	\$20,483,331	\$26,430,851	\$19,485,138	-26.28%
Reserves	\$31,644,568	\$21,312,926	\$32,264,711	\$26,270,506	\$28,827,388	9.72%

Reserves

This fund has four reserves - the Capital Project Reserve, Building Sinking Fund, South Bay Aqueduct (SBA) Sinking Fund and the Future Contractor’s Share of the SBA Sinking Fund.

The board-adopted policy sets minimum/maximum reserve levels for this fund as follows:

Reserve	Minimum	Maximum
Capital	60% of estimated annual non-discretionary expenses (\$10.3M)	No maximum
Total	\$10,350,000	N/A

The Building Sinking Fund, South Bay Aqueduct (SBA) Sinking Fund and the Future Contractor’s Share of the SBA Sinking Fund do not have minimums or maximums. The FY14/15 contribution are planned at \$1.1M, \$1M and \$0.53M, respectively, resulting in total sinking fund reserves of \$11M. For more details on the sinking funds see lines 48-52 in the attached Exhibit A.

The FY14/15 projected reserve of \$28.8M meets the minimum reserve level outlined in the reserve policy.

The Proposed Water System Expansion Fund expenditure budget is \$19.5M and reserves are \$28.8M. The FY14/15 expenditures are decreasing by \$6.9M compared to the FY13/14 estimated actuals mainly due to one-time projects in FY13/14 and the deferral of capital projects in FY14/15. The proposed FY14/15 revenue budget is \$22M, increasing by \$1M compared to FY13/14 primarily due to a slight increase in projected connection fee revenue. Reserves are increasing by \$2.6M due to project deferrals.

FLOOD PROTECTION AND STORMWATER DRAINAGE – FUND 210 (FORMERLY FUND 76)

Category	12/13 Audited Actual	13/14 Budget	13/14 YTD Actual	13/14 Estimated Actual	14/15 Proposed Budget	% Change (14/15 budget to 13/14 Est. Actual)
Revenue	\$5,180,104	\$2,632,000	\$2,575,946	\$2,576,038	\$2,646,500	2.74%
Expenses	\$1,227,729	\$7,440,315	\$3,609,639	\$4,562,856	\$5,755,275	26.13%
Reserves	\$40,648,531	\$33,765,741	\$39,614,839	\$38,661,713	\$35,552,938	-8.04%

Reserves

This fund has two reserves - the Capital Project Reserve and a Building Sinking Fund. There are no minimum and maximums for either reserve. The FY14/15 Building Sinking Fund contribution is planned at \$0.1M, resulting in a sinking fund reserve of \$0.82M.

The Proposed Flood Protection and Stormwater Drainage Budget expenditure budget is \$5.7M and reserves are \$35.5M. The FY14/15 expenditures are increasing \$1.2M over the FY13/14 estimated actuals due to planned capital project activities. The proposed FY14/15 revenues are increasing by \$0.07M due to a slight increase in development impact fee revenue. Reserves are decreasing by \$3.1M due to increased capital project activities.

SUMMARY OF TOTAL ZONE 7 BUDGET

Category	12/13 Audited Actual	13/14 Budget	13/14 YTD Actual	13/14 Estimated Actual	14/15 Proposed Budget	% Change (14/15 budget to 13/14 Est. Actual)
Revenue	\$99,366,666	\$90,295,604	\$79,972,814	\$89,352,942	\$92,845,779	-3.91%
Expenses	\$78,763,354	\$173,479,486	\$94,175,982	\$125,350,483	\$107,143,256	-14.53%
Reserves	\$161,767,081	\$102,856,046	\$147,563,913	\$125,769,540	\$111,472,064	-11.37%

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
BOARD OF DIRECTORS

RESOLUTION NO 14-4375

INTRODUCED BY DIRECTOR FIGUERS
SECONDED BY DIRECTOR QUIGLEY

BE IT RESOLVED that the Board of Directors of Zone 7 of Alameda County Flood Control and Water Conservation District does hereby approve the following budgets, including revenue, expenses and the use of fund balance for Fiscal Year 2014/15 (Exhibit A):

1. Water Enterprise Budget (Fund 100);
2. State Water Facilities Budget (Fund 110);
3. Water Renewal & Replacement, System-Wide Improvements Capital Projects (Fund 120);
4. Water Expansion Capital Projects (Fund 130);
5. General Fund/Flood Control Budget (Fund 200);
6. Flood Protection/Stormwater Drainage DIF Capital Projects (Fund 210); and

BE IT FURTHER RESOLVED that the Board of Directors of Zone 7 does hereby request the Board of Supervisors of the Alameda County Flood Control and Water Conservation District to incorporate said budgets of Zone 7, where applicable; and

BE IT FURTHER RESOLVED that Section 1 (b) of Article XIII A of the California Constitution exempts ad valorem property tax levies to make payments upon indebtedness approved by voters prior to July 1, 1978, from the limitations set forth in Section 1 (a) of Article XIII A; and

BE IT FURTHER RESOLVED that the District's indebtedness from its State Water Supply Contract falls within such exemption; and

BE IT FURTHER RESOLVED, that consistent with the requirements of law and specifically within the limitations imposed by Article XIII A of the Constitution of the State of California there shall be levied in Fiscal Year 2014/15 a property tax within the District sufficient to raise the sum of \$11,200,000 to meet that portion of the District's State Water Supply Contract obligation. All funds received by the District pursuant to the aforementioned property tax levy shall be placed in Fund 110, a separate fund identified for the indebtedness set forth above; and

BE IT FURTHER RESOLVED that the Board of Directors of Zone 7 does hereby request the Board of Supervisors of said District to levy a tax on all property of Zone 7 sufficient to assure payment of sums due under the District's State Water Supply Contract for the State Water Facilities Fund to make payments; and

BE IT FURTHER RESOLVED that the Board of Directors of Zone 7 of Alameda County Flood Control and Water Conservation District does hereby approve the personnel actions, if any, as contained in the Zone 7 Budget for Fiscal Year 2014/15 and authorize the General Manager to implement such personnel actions; and

BE IT FURTHER RESOLVED that the General Manager is authorized and directed to adjust accounts as the General Manager may deem necessary to account for any changes in available fund balances, revenues or expenditures.

ADOPTED BY THE FOLLOWING VOTE:

AYES: DIRECTORS GRECI, FIGUERS, PALMER, QUIGLEY, RAMIREZ HOLMES, STEVENS

NOES: NONE

ABSENT: DIRECTOR MACHAEVICH

ABSTAIN: NONE

I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Directors of Zone 7 of Alameda County Flood Control and Water Conservation District on June 18, 2014.

By: W. N. Jeter
President, Board of Directors

Summary of Annual Budget

ESTIMATED CHANGE IN RESERVE BALANCES

The fund schedule on the following page summarizes Zone 7's overall financial picture by individual fund. It includes revenue and expenses as well as projected reserve balances at 6/30/2015. They are grouped by type of fund: Enterprise (Water Enterprise Fund, State Water Facilities Fund, Renewal & Replacement/System Wide Improvement Fund and the Expansion Fund) and Governmental Funds (Flood Control and Flood Protection/Storm water drainage Development Impact Fee Fund).

FY 14/15 PROPOSED BUDGET	Fund 100 Water Enterprise	Fund 110 State Water Facilities	Fund 120 Water Enterprise Capital Renewal/Replacement/Improvements	Fund 130 Water Enterprise Capital Expansion	Fund 200 Flood Protection/General Fund	Fund 210 Flood Protection Development Impact Fees	Total
1 Available Fund Balance July 1, 2013	\$ 31,495,970	\$ 8,642,285	\$ 24,980,749	\$ 31,644,568	\$ 24,354,979	\$ 40,648,531	\$ 161,767,081
2 FY 13/14 Projected Change in Fund Balance (Revenue over Expenses)	(973,932)	(93,966)	(13,516,615)	(5,374,062)	(14,052,148)	(1,986,818)	(35,997,541)
3 FY 13/14 Budgeted Change in Fund Balance (Revenue over Expenses) ¹	(3,938,729)	(319,796)	(6,088,415)	(31,579,850)	(9,692,845)	(1,516,808)	(53,136,444)
4 Estimated Beginning Fund Balance July 1, 2014	30,522,038	8,548,319	11,464,134	26,270,506	10,302,831	38,661,713	125,769,540
5 Revenue							
6 Water Sales & Service	34,246,611	1,311,950					35,558,561
7 Property Taxes		11,350,000			6,307,731		17,657,731
8 Development Fees			250,000	19,020,120		2,530,000	21,800,120
9 Charges for Services			2,500		13,000		15,500
10 Aid from Governmental Agencies - State	-	45,000			54,000		99,000
11 Aid from Governmental Agencies - Local		610			10,700		11,310
12 Investment Earnings	75,000	15,000	52,900	81,100	25,000	91,500	340,500
13 Rents and Royalties	65,263				60,505		125,768
14 Other Revenue	74,188	1,338,377		2,940,800	35,000	25,000	4,413,365
15 Subtotal (before transfers)	34,461,062	14,060,937	305,400	22,042,020	6,505,936	2,646,500	80,021,855
16 Transfers			12,823,924				12,823,924
17 Total Revenue	34,461,062	14,060,937	13,129,324	22,042,020	6,505,936	2,646,500	92,845,779
18 Expenses							
19 Labor and Benefits Distributed	\$14,916,773		914,729	364,866	1,349,640	369,155	17,915,163
20 Credits/Charges for Applied Overhead	(\$1,957,755)		249,233	242,591	1,179,356	286,575	0
21 Purchased Services	\$4,356,103		1,375,033	1,296,400	5,051,000	4,727,723	16,806,259
22 Water	\$8,883,578	14,227,251		16,744,211			39,855,040
23 Chemicals	\$2,250,973						2,250,973
24 Energy	\$1,922,616						1,922,616
25 Communications	\$174,097				3,000		177,097
26 Cleaning Services	\$50,931				10,000		60,931
27 Repairs and Maintenance	\$2,705,999				2,355,491		5,061,490
28 Rental Services	\$792,900		549,198	426,376	159,322	121,822	2,049,618
29 General Office Services/ Supplies	\$586,247		150,000		19,550		755,797
30 Organizational Membership/ Participation	\$467,783			694	158,000		626,477
31 Other Services/ Supplies	\$827,130				86,000		913,130
32 Training and Travel	\$402,045				31,400		433,445
33 Special Departmental Expense/Capital Projects	\$615,781		895,698	410,000	13,333	250,000	2,184,812
34 Capital Projects					-		-
35 Equipment, Furniture and Vehicles	\$27,700		120,000				147,700
36 Land and Facility Improvements			3,325,000				3,325,000
37 Debt Service							-
38 Subtotal (before transfers)	\$36,856,685	14,227,251	7,578,891	19,485,138	10,416,092	5,755,275	94,319,332
39 Transfers			12,823,924				12,823,924
40 Total Expenses	49,680,609	14,227,251	7,578,891	19,485,138	10,416,092	5,755,275	107,143,256
41 Estimated Ending Fund Balance June 30, 2015	15,302,491	8,382,005	17,014,567	28,827,388	6,392,675	35,552,938	111,472,064
42 Reserve Balances							
43 Operating	8,067,130	8,382,005			5,208,046		21,657,181
44 Rate Stabilization	2,881,421						2,881,421
45 Emergency	4,353,940						4,353,940
46 Drought Contingency	-						-
47 Capital Projects			13,129,937	17,483,064	338,243	34,727,086	65,678,330
48 Sinking Funds - FY 14/15 Contributions							-
49 Building Sinking Fund			407,519	520,200	90,560	90,560	1,108,838
50 Future Contractor's Share of the South Bay Aqueduct				527,062			527,062
51 South Bay Aqueduct Enlargement				1,073,680			1,073,680
52 Sinking Funds Reserve Balance			3,884,630	11,344,324	846,386	825,852	16,901,192
53 Total Reserves (lines 43+44+45+46+47+52)	\$ 15,302,491	\$ 8,382,005	\$ 17,014,567	\$ 28,827,388	\$ 6,392,675	\$ 35,552,938	\$ 111,472,064
54 Change in Fund Balance ² (use of reserves) - line 53 minus line 4	(15,219,547)	(166,314)	5,550,433	2,556,882	(3,910,156)	(3,108,775)	(14,297,476)

Notes

¹Shown for comparative purposes only.

²In order to achieve a balanced budget, use of reserve as shown in line 54 will be appropriated as revenue in the financial/accounting system.



FINANCIAL OVERVIEW

Basis of Accounting and Budgeting

The District uses enterprise (proprietary) and governmental funds to account for its water and flood protection activities, respectively.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water enterprise fund is the sale of water to outside customers. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property taxes benefit assessments, interest, grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences are recorded when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Modified accrual basis of accounting is used for budgeting purposes. The budget shows items as expenses that normally would be recorded directly to the balance sheet, such as a Line of Credit. In addition, non-cash items such as depreciation are not budgeted.

Cost Allocation

The Agency's operating and capital expenses, including employee wages and benefits, are allocated to each fund, section, sub-program and project based on actual expenses as tracked by the Agency's cost accounting, project accounting and financial systems.

Agency overhead is accounted for in Program 60 – Central Administration and allocated to Flood Control - Fund 200 as overhead based on prior year labor hours. For FY13/14, the allocation amount was 10.7%. Agency overhead is also allocated to capital project labor at a rate of 54%.

Description of Funds

WATER ENTERPRISE FUND FUND 100 (FORMERLY FUND 52)

The purpose of this fund is to ensure the delivery of high quality water to the Livermore-Amador Valley. This includes water treatment and distribution of potable (drinking) water; distribution of untreated agricultural/irrigation water; and surface water and groundwater management. Water distributed is a combination of locally conserved and imported water from the State Water Project. Activities include water treatment; water quality analysis; water resource management and groundwater protection; and water supply planning and engineering. Primary Funding Source: Water Rates

STATE WATER PROJECT FUND FUND 110 (FORMERLY FUND 51)

This fund finances the "fixed cost" payment to the State Department of Water Resources (DWR) to import water to Zone 7. The purpose is to pay the costs for use of the State water delivery system, which includes repayment of voter-approved, State-incurred, long-term debt. Primary Funding Source: Property Taxes

WATER RENEWAL/REPLACEMENT AND SYSTEM-WIDE IMPROVEMENT FUND FUND 120 (FORMERLY FUND 72)

The purpose of this fund is to ensure that the current water treatment and delivery systems are functioning effectively and that capital replacement and improvement needs are funded. Primary Funding Source: Water Rates via a transfer from the Water Enterprise (Fund 100).

WATER EXPANSION FUND FUND 130 (FORMERLY FUND 73)

The purpose of this fund is to ensure that Zone 7 is able to meet future needs for water demands. The program is primarily intended to provide funding for new facilities and water supplies for new development. Primary Funding Source: Water Connection Fees

FLOOD PROTECTION OPERATIONS FUND 200 (FORMERLY FUND 50)

This fund provides for general administration and flood control services to ensure the controlled drainage of the Valley's excess stormwater runoff. Zone 7 manages a watershed of 425 square miles including eastern Alameda County and parts of Contra Costa, Santa Clara and San Joaquin Counties. More than 37 miles of flood control channels and regional drainage facilities are owned and maintained by Zone 7. This fund finances a comprehensive year-round maintenance program that includes repairing slides and erosion, refurbishing access roads and associated drainage ditches, installing and repairing gates and fences, and maintaining landscaped areas. Primary Funding Source: Property Taxes

FLOOD PROTECTION STORMWATER DRAINAGE AND DEVELOPMENT IMPACT FEE FUND FUND 210 (FORMERLY FUND 76)

The purpose of this fund is to ensure that Zone 7 is able to meet future needs for flood control facilities. The program is primarily intended to provide funding for any flood control facilities required for new development. Funds are expended on the planning, design, lands and right of way acquisition, environmental review, permitting, and construction for drainage projects. Primary Funding Source: Development Impact Fees

Agency Programs and Sub-Programs

PROGRAM 10: WATER UTILITY SUPPORT SERVICES

The Water Utility Support Services Program involves sub-programs that support the overall Water Enterprise but are not specific to any one Program under Water Enterprise.

Sub-Programs within this Program: Administration, Untreated Water, Energy, Water Quality Compliance, Water Utility Planning, Financial Planning, SCADA, Maintenance Shop, Debt Service.

PROGRAM 20: WATER STORAGE

The Supply Source and Conveyance Program involves the acquisition and conveyance of raw water from the source to the treatment plants or for release to the arroyos.

Sub-Programs within this Program: Administration, Water Conservation, State Water Project, Byron Bethany Irrigation District, Bay Delta, Local Water Rights, Other Water Supplies.

PROGRAM 30: WATER STORAGE

The Water Storage Program involves the storage of raw water supplies, including groundwater and out-of-basin storage.

Sub-Programs within this Program: Administration, Groundwater Basin Monitoring, Groundwater Basin Management & Evaluation, Well Permit & Inspection, Semitropic, Cawelo, Chain of Lakes (partial).

PROGRAM 40: WATER TREATMENT

The Water Treatment Program involves the treatment of surface water and groundwater.

Sub-Programs within this Program: Administration, Del Valle Water Treatment Plant, Patterson Pass Water Treatment Plant, Mocho Groundwater Demin Plant, and all wells.

PROGRAM 50: WATER TRANSMISSION

The Water Transmission Program involves the transmission and delivery of potable water.

Sub-Programs within this Program: Administration, Pipelines, Dougherty Reservoir, Turnouts, Pump Stations & RCS, Permits & Inspection.

PROGRAM 60: CENTRAL ADMINISTRATION

The Central Administration Program involves the administration and management of Zone 7 Water Agency which impacts both the water enterprise and flood control.

Sub-Programs within this Program: Administration (Agency-Wide), Finance, Employee Services Planning and Environmental Services, Security & Emergency Planning, Real Property, Admin Facilities Maintenance/Services, Board of Directors, Chain of Lakes - Shared Water Enterprise/Flood Protection.

PROGRAM 70: FLOOD PROTECTION

The Flood Protection Program involves the maintenance and improvement of the flood control channels.

Sub-Programs within this Program: Administration, Flood Control Planning, Encroachments & Inspection, Financial Planning, Routine Maintenance, Channel Repair/Improvements, USACE Rehabilitation, Emergency Response, Chain of Lakes (partial).

Financial Policies

FINANCIAL RESERVES (APPENDIX A)

The Financial Reserve policy was initially adopted by the Board in 2005 and updated with the adoption of a new Reserve policy on April 17, 2013. The policy covers reserves for:

- Operating/Emergency Reserves
- Flood Control Project Reserves
- Rate Stabilization Reserve
- Drought Contingency Reserve
- Water Renewal, Replacement & System-wide Improvements Capital Reserves, and
- Water Expansion Capital Reserves

FINANCIAL MANAGEMENT FRAMEWORK (APPENDIX B)

The purpose for the financial management framework is to assure that Zone 7 prudently manages its funds and maintains financial and accounting records of all transactions in accordance with generally accepted accounting principles and practices.

Employee Compensation and Benefits

The agency's employee benefits are administered through the County of Alameda Employee Benefits Center (EBC). The following is an overview of the benefit programs currently offered to Management Employees of Zone 7 Water Agency.

MEDICAL PLANS

Zone 7 Water Agency offers three types of Medical Plans. The agency contributes up to 90% of the total premium for the HMO Plans and 90% of the lowest cost HMO for the PPO Plan. Employees contribute 10% of the total premium cost, or more, depending on their choice of Medical Plan. The Agency contribution is prorated based on the number of work hours up to 50% of the standard hours in a pay period. Employees pay any additional premium costs if they chose an alternate HMO or PPO Plan. If an eligible employee waives all medical coverage through the agency a monthly "Share the Savings" stipend may be provided up to \$100.00 per month.

DENTAL PLANS

Zone 7 Water Agency offers two Dental Plans: a PPO and Dental Maintenance Option (DMO). The agency contributes the full cost of dental coverage for eligible employees as long as the employee works at least 50% of the standard hours in a pay period. The PPO option plan design is 100% Preventative, 80% Basic Care, 80% Major Care with a \$45 per individual deductible and annual maximum up to \$1,450 per year (plan maximums may vary based on your represented or unrepresented, union bargaining agreements and/or MOUs). The DMO option has an orthodontic benefit for children as well as adults.

VISION BENEFIT

An annual eye exam is covered for participants in the HMO Medical Plans with corresponding co-pay. Some union bargaining units have a provision in their Memorandum of Understanding that after six months of continuous service, reimbursement for eye lenses or contacts is provided at an amount dependent upon the union bargaining unit.

LIFE INSURANCE

Zone 7 Water Agency pays for a Basic Life Insurance policy of \$9,000 up to \$20,000 for an employee based on affiliation with their appropriate union.

HEALTH FLEXIBLE SPENDING ACCOUNT

Employees may opt to salary contribute on a pre-tax basis up to \$10,000 for eligible out-of-pocket medical, dental and vision expenses such as: prescription co-pays, office visit co-pays, prescription eye glasses or contact lenses or other eligible expenses as defined by the Internal Revenue Code, Section 125.

DEPENDENT CARE ASSISTANCE PROGRAM

For employees who have either children under age 13 or dependents (parent, sibling or in-law incapable of self-care) that are dependent upon the employee for care can contribute salary on a pre-tax basis up to \$5,000 annually. These pre-tax dollars can be used to pay for day care expenses provided by a licensed facility

PRE-TAX TRANSIT BENEFIT

Employees can set aside up to \$120 a month on a pre-tax basis to purchase tickets for public transportation used to commute to one's job.

Employee Compensation and Benefits

HOLIDAYS

Most employees are provided 11 paid holidays plus four floating holidays dependent upon the union bargaining unit.

VACATION AND SICK LEAVE WITH PAY

Vacation accrual ranges from two weeks to five weeks depending upon years of service and the union bargaining unit to which the position is assigned. Sick leave accrues at the approximate rate of one-half day per bi-weekly pay period. The exact rate is based on the union bargaining unit and is defined in the corresponding Memorandum of Understanding.

VACATION PURCHASE PROGRAM

Zone 7 Water Agency allows eligible employees to purchase one or two additional weeks of vacation through payroll deduction. Additional information is based on the union bargaining unit and is defined in the corresponding Memorandum of Understanding.

EMPLOYEE ASSISTANCE PROGRAM (EAP)

Zone 7 Water Agency has an EAP available for employees, spouses/domestic partners and eligible dependents. This program provides services such as: counseling, financial consulting, child and elder care consulting and some legal counseling.

DISABILITY OR INCOME REPLACEMENT

Two voluntary plans are offered: Short-term Disability and Long-term Disability can be purchased through a payroll deduction or with accrued vacation hours depending upon the union bargaining unit.

EDUCATIONAL STIPEND

Zone 7 Water Agency offers eligible management employees reimbursement up to a maximum of \$7,500 per fiscal year for the cost of tuition and related materials for job-related educational expenses, job-related conference fees, or job-related seminar fees which shall maintain or upgrade the employee's skills on the job, or prepare the employee for promotional opportunities.

RETIREMENT - ACERA

Zone 7 Water Agency employee retirement program is provided through the Alameda County Employees' Retirement Association (ACERA). This is a Defined Benefit plan organized under the County Employees Retirement Law of 1937, which provides retirement, disability, and death benefits to the employees, retirees, and former employees Zone 7 Water Agency. ACERA retirement is based on one's age upon entrance, compensation, years of service and specific percentage of employee/employer contributions with Zone 7's portion vesting after five years of employment.

DEFERRED COMPENSATION

Zone 7 Water Agency offers a 457 Deferred Compensation program where an eligible employee who works at least 50% of their standard hours in a pay period can voluntarily contribute on a pre-tax basis, for the purpose of augmenting your retirement income, a minimum of \$10 up to a total annual contribution of \$17,500 for the current plan year.

ADDITIONAL BENEFITS

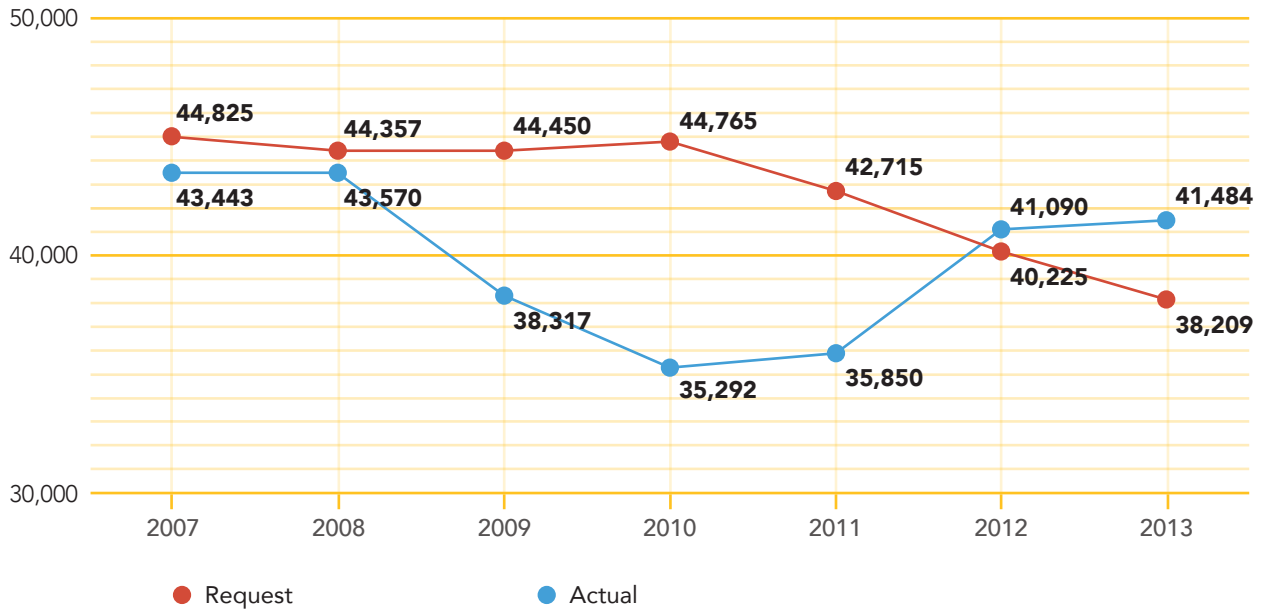
Other benefits available to eligible employees include a 9/80 work schedule.

Financial Trend Indicators

WATER SALES

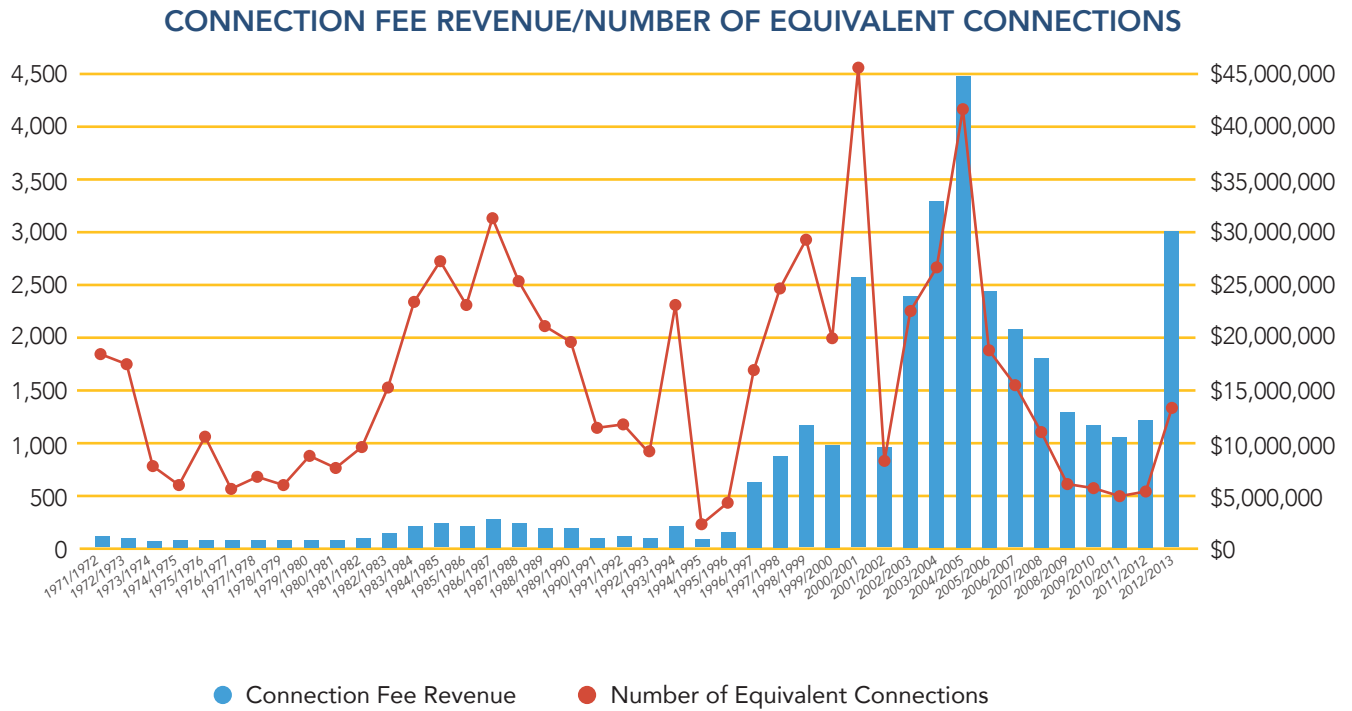
Retailer requests versus actual deliveries are tracked to serve as an indication of future water sales. This data is shown in the chart below.

TREATED WATER REQUESTED VS. DELIVERED (AF)



Water Connection Fee Revenue

Historical connection fee revenue serves as an indication of future connections. In general, several years of slow growth are followed by recovery. An increase in connection fee revenue is projected in the near-term. Historical connections are shown in the chart below.



Revenue Assumptions for FY13/14 Estimated Actuals & FY14/15 Budget

WATER ENTERPRISE - FUND 100

Water sales are the primary source of revenue for the Agency. Our major customers are the cities of Pleasanton, Livermore, Dublin-San Ramon Service District for Dublin and the Dougherty Valley area of San Ramon, and California Water Service, collectively referred to as the retailers. Zone 7 also sells untreated water to Valley farms, wineries, and other irrigation customers.

Treated water sales are projected based on the treated water rate and projected deliveries to retailers. Zone 7 projects a 25% reduction in water sales through calendar year (CY) 2014 as a result of the drought. Below are the assumptions used to develop the FY13/14 and FY14/15 treated water sales estimates.

	Water Deliveries	Water Rate (per AF)
CY 2013	41,184	\$945
CY 2014	30,484	\$970
CY 2015*	39,086	\$970

**The calendar year 2015 treated water rate will be determined Fall 2014.*

WATER RENEWAL/REPLACEMENT AND SYSTEM-WIDE IMPROVEMENTS - FUND 120

The purpose of these programs is to ensure that the current water treatment and delivery systems are functioning effectively and that capital replacement and improvement needs are funded.

This fund is funded from the sale of treated and untreated water and from Facility Use fees by new users in the Dougherty Valley.

Transfer from Fund 100	
FY13/14	\$8,500,000
FY14/15*	\$12,823,924

**Includes \$9.5M for the planned AMP transfer plus \$3.3M to partially replenish reserves used to fund the drought emergency projects.*

WATER EXPANSION - FUND 130

Water Connection fee revenue funds expansion of the water system to accommodate the demands of new development. Revenue is derived from connection fees paid by new development. Below are the assumptions used to develop the FY13/14 and FY14/15 connection fee revenue estimates. A separate fee is charged for DV service area.

	Connections	Zone 7 Connection Fee - Effective 1/1/14 & 1/11/15	DV Connection Fee - Effective 1/1/14 & 1/11/15
FY13/14	770	\$24,030	\$22,240
FY14/15	780	\$24,750	\$22,910

FLOOD CONTROL - FUND 200

This budget unit provides the funding for flood control services and related administrative costs. The purpose of this program is to ensure the controlled drainage of the Valley’s excess water runoff. Zone 7 manages a watershed of nearly 425 square miles including eastern Alameda County and parts of Contra Costa, Santa Clara and San Joaquin Counties.

This fund is funded by Zone 7’s share of 1% Ad Valorem property taxes. Revenue is based on projected increases in assessed valuation.

	Projected Increase in Assesses Valuation	Zone 7 Allocation Factor
FY13/14	6%	0.00298753
FY14/15	4%	0.00298753

FLOOD CONTROL - FUND 210

The purpose of this program is to ensure that Zone 7 is able to meet future needs related to growth for flood control facilities. The program is primarily intended to provide funding for any flood control facilities required for new development. The funding for this program comes entirely from new development fees.

	Fee
FY13/14	\$1.00
FY14/15*	\$1.00

INTEREST

.5% on funds deposited in County Treasury

OTHER REVENUE

Other revenue such as meter fees, checking fees, etc are based on current year activities.



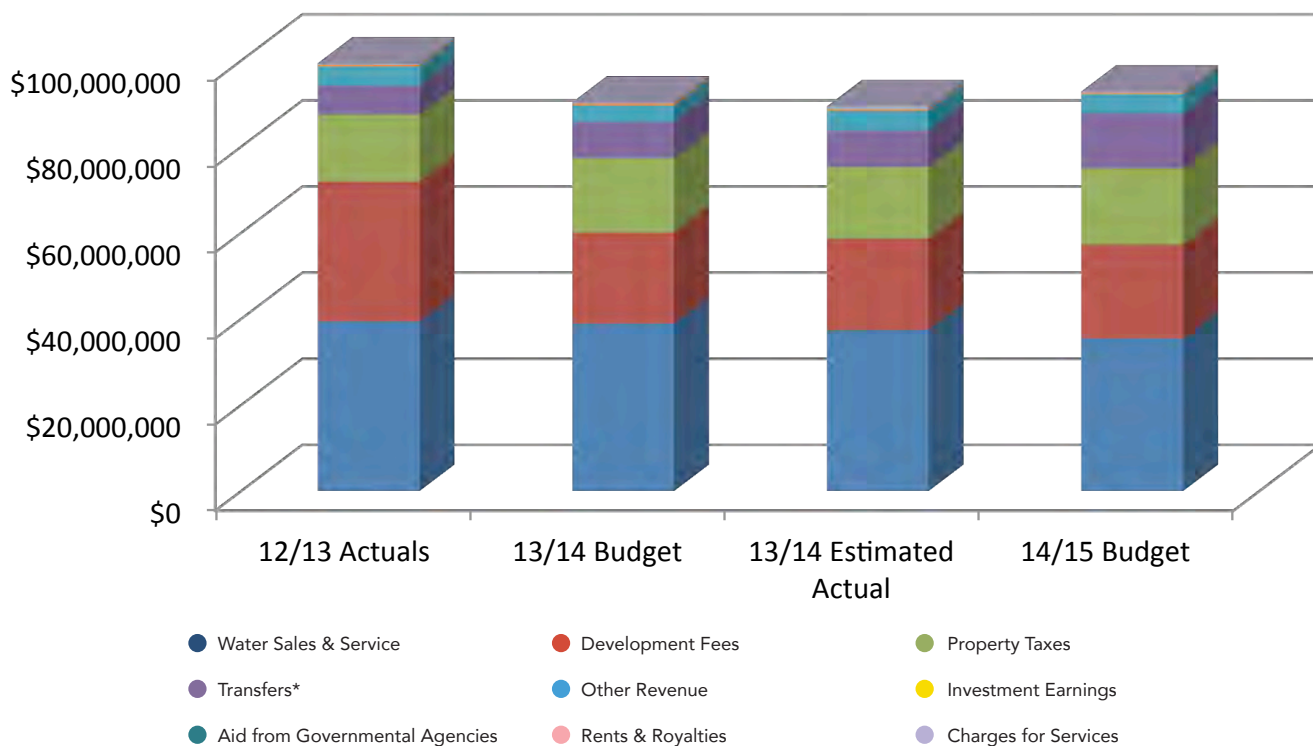
REVENUE

Total Revenues

Water Sales and Services are the largest component of revenues received. The current budget reflects all Board adopted rates and fees. The following table summarizes Agency-wide revenue.

Category	12/13 Actuals	13/14 Budget	13/14 Estimated Actual	14/15 Budget	% Change (14/15 budget to 13/14 Est. Actual)
Water Sales & Service	\$39,478,362	\$38,964,455	\$37,509,626	\$35,558,561	-5%
Development Fees	32,564,615	21,150,000	21,167,938	21,800,120	3%
Property Taxes	15,476,328	17,226,557	16,639,445	17,657,731	6%
Transfers*	6,702,981	8,500,000	8,500,000	12,823,924	51%
Other Revenue	4,424,119	3,699,442	4,573,977	4,378,365	-4%
Investment Earnings	470,444	595,149	420,447	340,500	-19%
Rents and Royalties	49,236	48,500	119,142	125,768	6%
Aid from Governmental Agencies	129,994	101,001	379,178	110,310	-71%
Charges for Services	70,587	10,500	25,819	15,500	-40%
Total	\$99,366,666	\$90,295,604	\$89,352,942	\$92,845,779	4%

*Transfers from Fund 100 to Fund 120 are captured here as revenues to Fund 120.

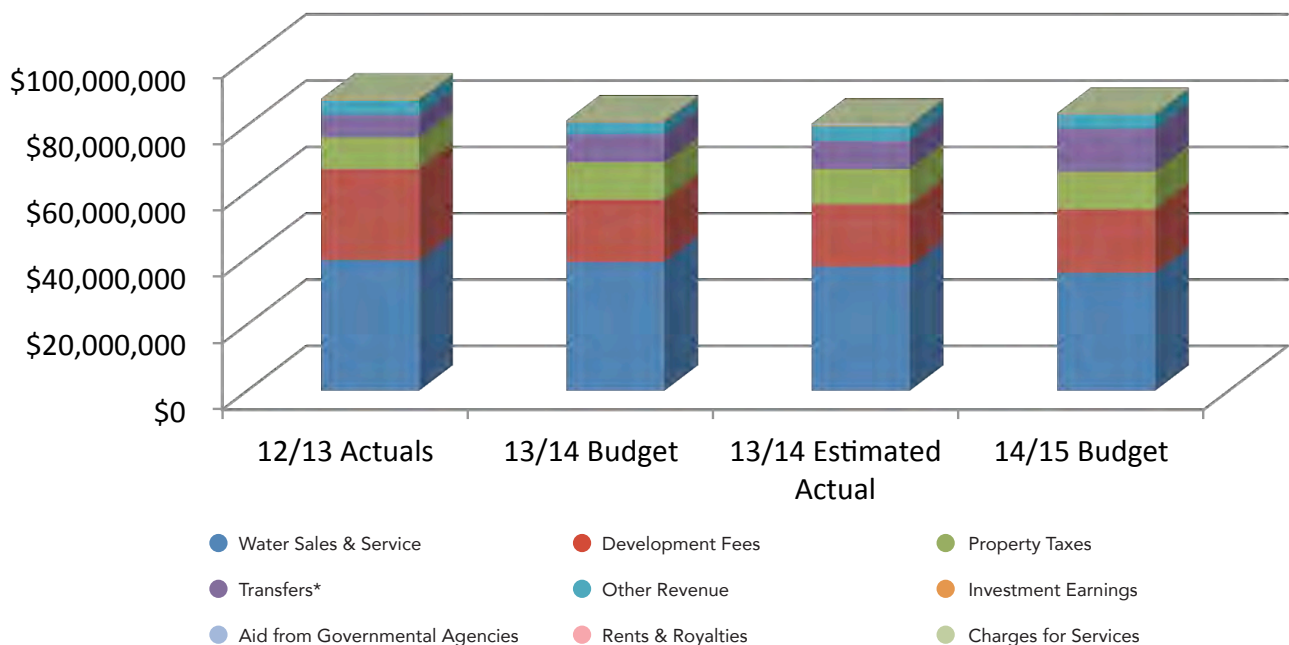


Revenue by Major Funding Area – Water Enterprise

Water sales and services provide the majority of revenues received for Water Enterprise. The following table summarizes the Water Enterprise revenue.

Category	FY12/13 Actual	FY13/14 Budget	13/14 Estimated Actual	FY14/15 Budget	% Change (14/15 budget to 13/14 Est. Actual)
Water Sales & Service	\$39,478,362	\$38,964,455	\$37,509,626	\$35,558,561	-5%
Development Fees	27,483,527	18,650,000	18,710,900	19,270,120	3%
Property Taxes	9,517,244	11,247,000	10,750,270	11,350,000	6%
Transfers*	6,702,981	8,500,000	8,500,000	12,823,924	51%
Other Revenue	4,374,127	3,664,442	4,344,977	4,353,365	0%
Investment Earnings	308,821	352,549	287,864	224,000	-22%
Aid from Governmental Agencies	68,416	46,311	346,436	45,610	-87%
Rents and Royalties	31,000	31,000	63,268	65,263	3%
Charges for Services	70,587	7,500	8,500	2,500	-71%
Total	\$88,035,065	\$81,463,257	\$80,521,841	\$83,693,343	4%

*Transfers from Fund 100 to Fund 120 are captured here as revenues to Fund 120.

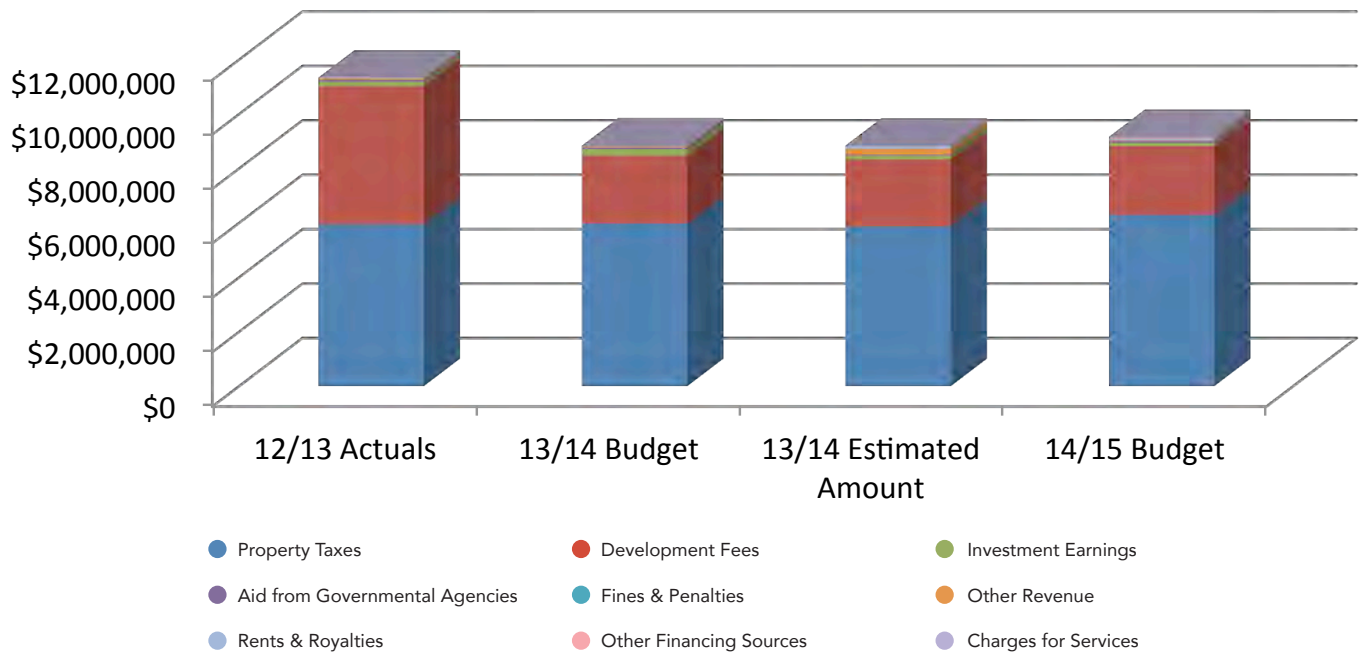


Revenue by Major Funding Area – Flood Control

Property taxes are the majority of revenues received for Flood Control.

The following table summarizes Flood Control revenue.

Category	12/13 Actuals	13/14 Budget	13/14 Estimated Actual	14/15 Budget	% Change (14/15 budget to 13/14 Est. Actual)
Property Taxes	\$5,959,084	\$5,979,557	\$5,889,175	\$6,307,731	7%
Development Fees	5,081,088	2,500,000	2,457,038	2,530,000	3%
Investment Earnings	61,623	42,600	132,583	116,500	-12%
Aid from Governmental Agencies	61,577	54,690	32,742	64,700	98%
Fines and Penalties	0	0	5	0	8%
Other Revenue	49,992	35,000	229,000	25,000	-89%
Rents and Royalties	18,236	17,500	55,874	60,505	8%
Other Financing Sources	0	0	17,150	35,000	0%
Charges for Services	0	3,000	17,319	13,000	-25%
Total	\$11,331,600	\$8,832,347	\$8,830,886	\$9,152,436	4%



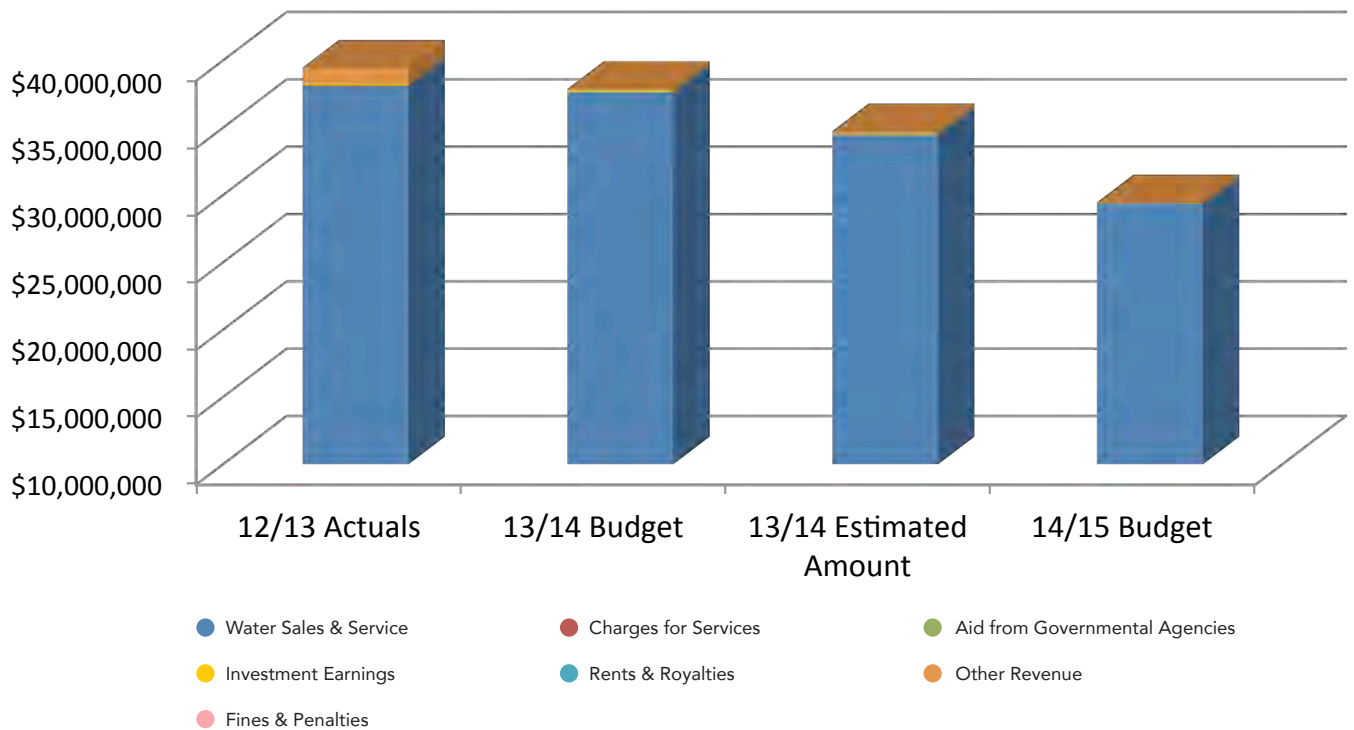
Water Enterprise Fund (Fund 100)

This budget finances Zone 7’s water program which includes general administration, facilities engineering, operations and maintenance of the water supply and delivery system, water resources management, and water supply planning and design.

The purpose of this fund is to ensure the delivery of high quality water to the Livermore-Amador Valley.

This fund is funded by water rates. Revenues by year are shown in the following table and graph.

Category	12/13 Actuals	13/14 Budget	13/14 Estimated Actual	14/15 Budget	% Change (14/15 budget to 13/14 Est. Actual)
Water Sales & Service	\$38,130,264	\$37,664,745	\$36,257,093	\$34,246,611	-6%
Charges for Services	58,206	0	1,000	0	-100%
Aid from Governmental Agencies	0	700	300,199	0	-100%
Investment Earnings	71,320	95,000	75,622	75,000	-1%
Rents and Royalties	31,000	31,000	63,268	65,263	3%
Fines and Penalties	0	0	210	0	-100%
Other Revenue	1,178,723	93,300	378,668	74,188	-80%
Total	\$39,469,514	\$37,884,745	\$37,076,060	\$34,461,062	-7%



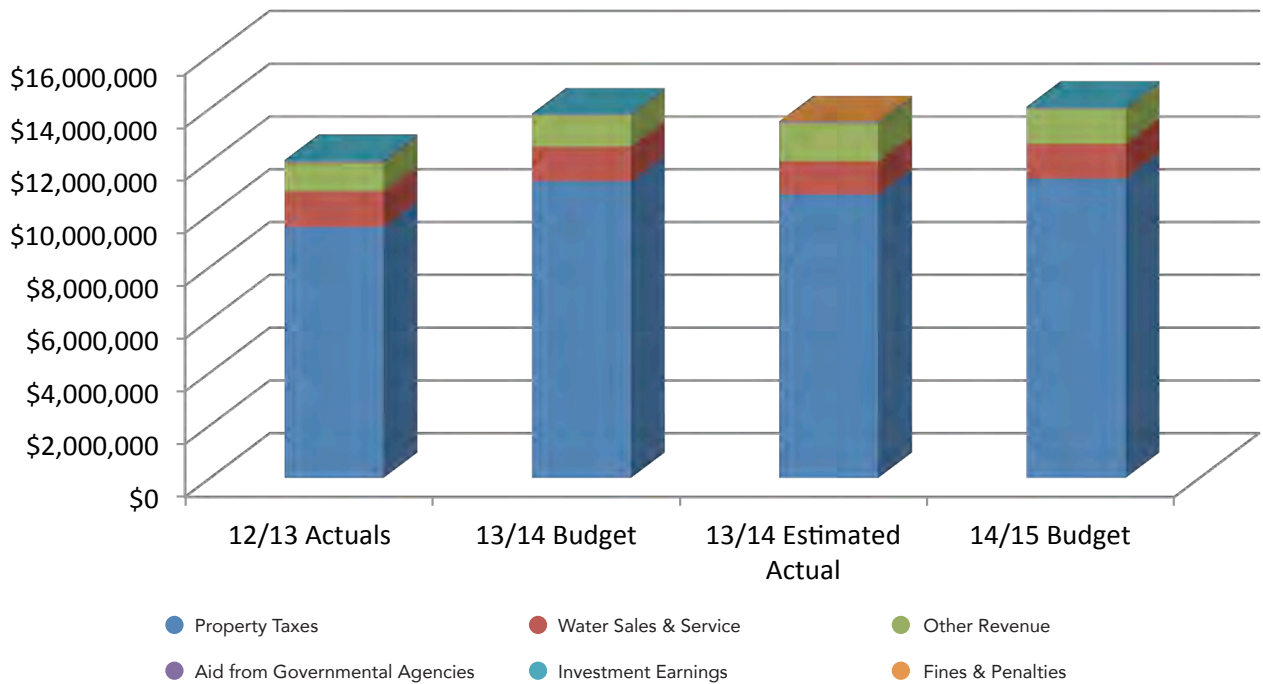
State Water Facilities Fund (Fund 110)

This budget finances the “fixed cost” payment to the State Department of Water Resources (DWR) to import water to Zone 7. The purpose is to pay the costs for use of the State water delivery system, which includes repayment of voter approved, State incurred, long-term debt.

This fund is funded by property taxes.

Revenues by year are shown in the following table and graph.

Category	12/13 Actuals	13/14 Budget	13/14 Estimated Actual	14/15 Budget	% Change (14/15 budget to 13/14 Est. Actual)
Property Taxes	\$9,517,244	\$11,247,000	\$10,750,270	\$11,350,000	6%
Water Sales & Service	1,348,098	1,299,710	1,252,533	1,311,950	5%
Other Revenue	1,077,630	1,189,542	1,442,614	1,338,377	-7%
Aid from Governmental Agencies	68,416	45,611	46,237	45,610	-1%
Investment Earnings	29,455	16,522	14,148	15,000	6%
Fines and Penalties	0vva	0	5	0	-100%
Total	\$12,040,842	\$13,798,385	\$13,505,807	\$14,060,937	4%



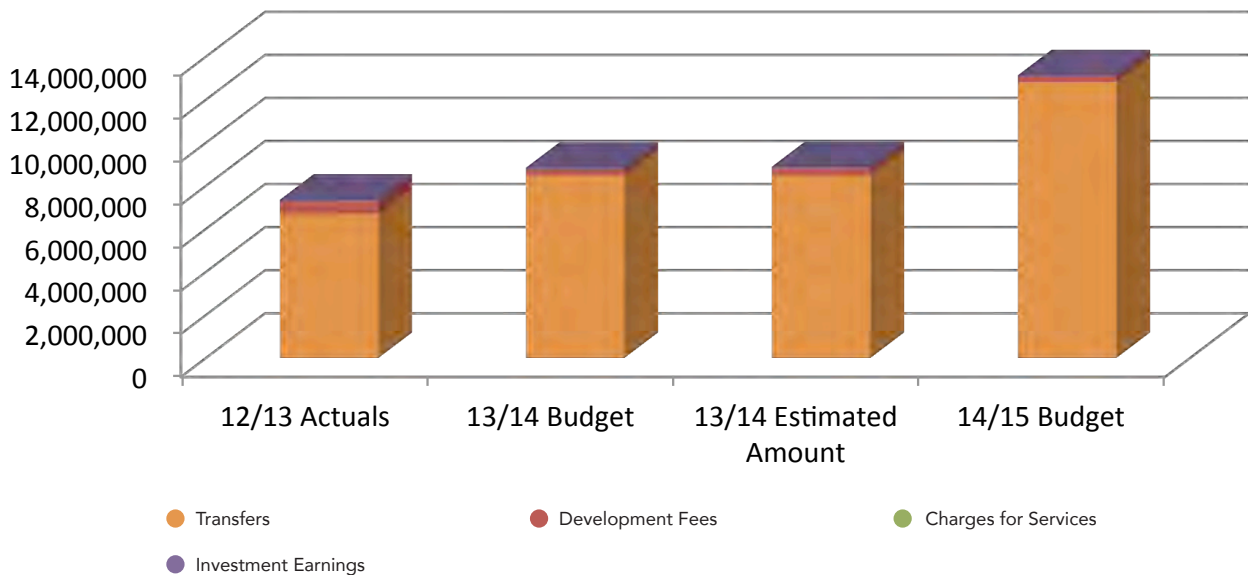
Water Renewal/Replacement & System-wide Improvements Fund (Fund 120)

The purpose of these programs is to ensure that the current water treatment and delivery systems are functioning effectively and that capital replacement and improvement needs are funded.

This fund is funded by annual transfers from Fund 100. There can also be additional revenues from Facility Use fees collected from new users in the Dougherty Valley and interest earned on any deposited funds. Revenues by year are shown in the following table and graph.

Category	12/13 Actuals	13/14 Budget	13/14 Estimated Actual	14/15 Budget	% Change (14/15 budget to 13/14 Est. Actual)
Development Fees	576,353	250,000	310,900	250,000	-20%
Charges for Services	9,001	7,500	7,500	2,500	-67%
Investment Earnings	59,543	74,462	65,000	52,900	-19%
Transfers*	6,702,981	8,500,000	8,500,000	12,823,924	51%
Total	\$7,347,879	\$8,831,962	\$8,883,400	\$13,129,324	48%

*Transfers from Fund 100 to Fund 120 are captured here as revenues to Fund 120.



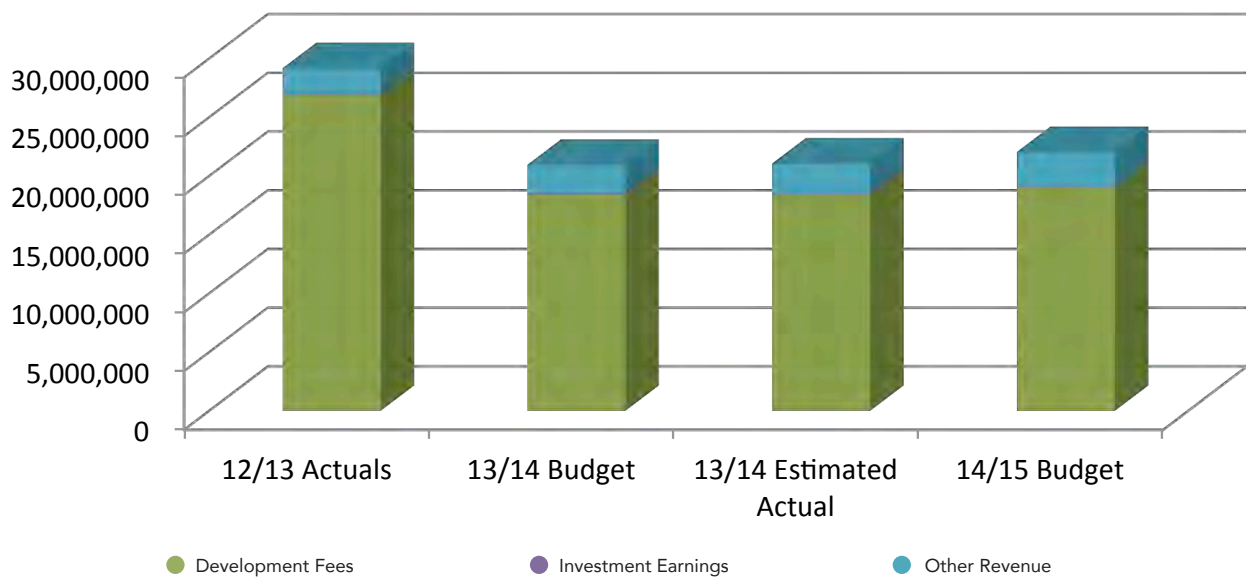
Water Expansion Fund (Fund 130)

The purpose of this program is to ensure that Zone 7 is able to meet future needs for water demands. The program is primarily intended to provide funding for new facilities and water supplies for new development and to fund programs that encourage water conservation measures.

The funding for this program comes from connection fees and is in conformance with the Board’s stated policy that new development funds its own needs.

Revenues by year are shown in the following table and graph.

Category	12/13 Actuals	13/14 Budget	13/14 Estimated Actual	14/15 Budget	% Change (14/15 budget to 13/14 Est. Actual)
Development Fees	26,907,174	18,400,000	18,400,000	19,020,120	3%
Investment Earnings	148,503	166,565	133,094	81,100	-39%
Other Revenue	2,117,774	2,381,600	2,523,695	2,940,800	17%
Total	\$29,176,830	\$20,948,165	\$21,056,789	\$22,042,020	4.7%



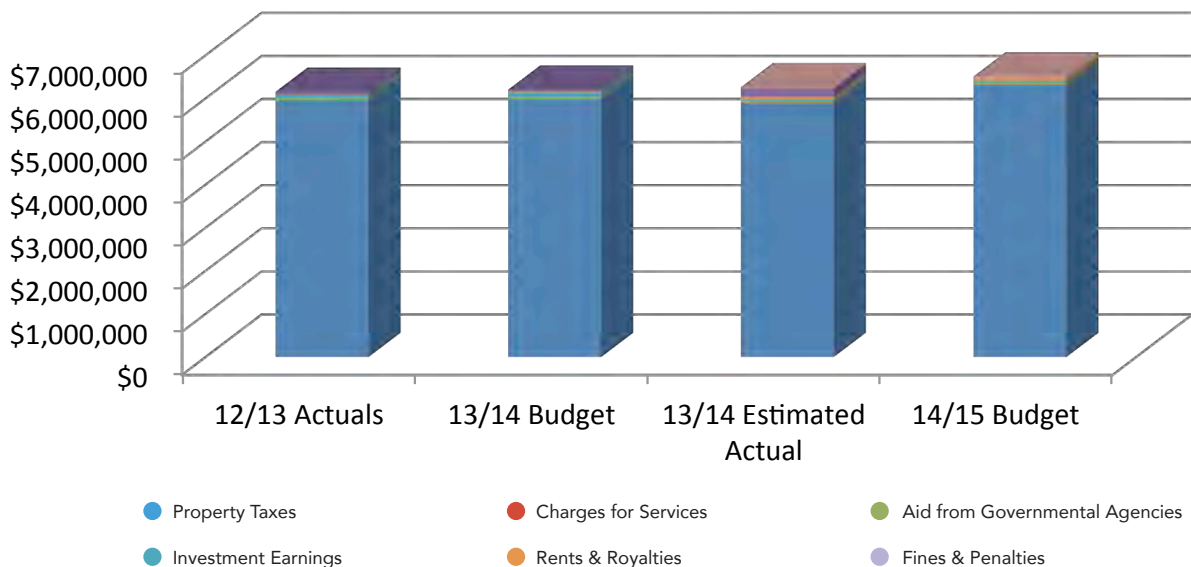
Flood Control Fund (Fund 200)

This budget unit provides the funding for flood control services and related administration. The purpose of this program is to ensure the controlled drainage of the Valley's excess water runoff. Zone 7 manages a watershed of nearly 425 square miles including eastern Alameda County and parts of Contra Costa, Santa Clara and San Joaquin Counties.

This fund is funded by property taxes.

Revenues by year are shown in the following table and graph.

Category	12/13 Actuals	13/14 Budget	13/14 Estimated Actual	14/15 Budget	% Change (14/15 budget to 13/14 Est. Actual)
Property Taxes	\$5,959,084	\$5,979,557	\$5,889,175	\$6,307,731	7%
Charges for Services	0	3,000	17,319	13,000	-25%
Aid from Governmental Agencies	61,577	54,690	32,742	64,700	98%
Investment Earnings	63,775	110,600	42,583	25,000	-41%
Rents and Royalties	18,236	17,500	55,874	60,505	8%
Fines and Penalties	0	0	5	0	-100%
Other Revenue	48,823	35,000	200,000	0	-100%
Other Financing Sources	0	0	17,150	35,000	104%
Total	\$6,151,496	\$6,200,347	\$6,254,848	\$6,505,936	4%

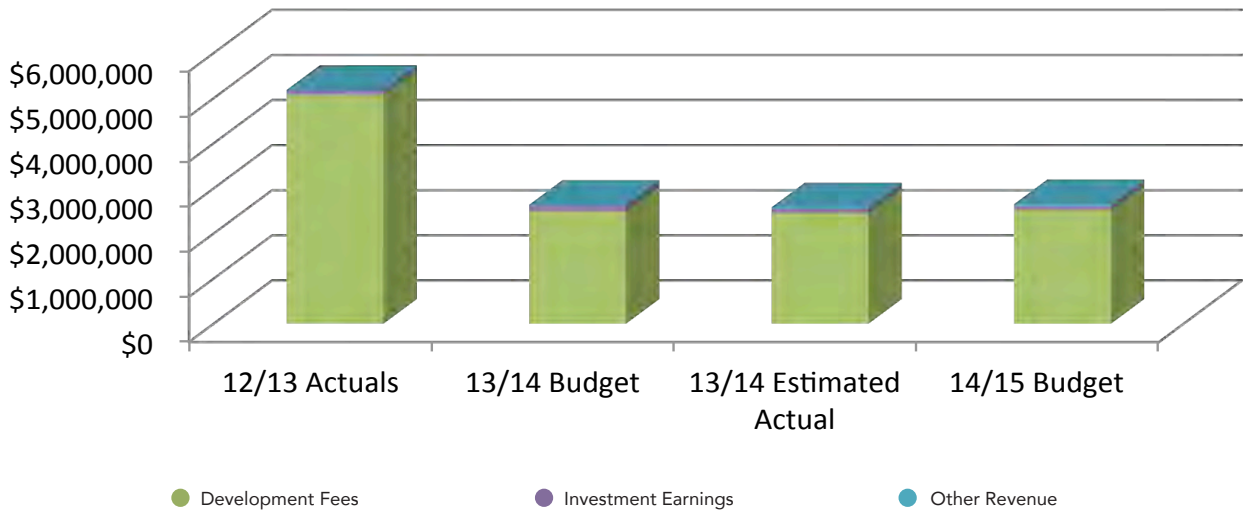


Flood Protection & Stormwater Drainage DIF Fund (Fund 210)

On March 18, 2009, the Zone 7 Board of Directors adopted Ordinance 2009-01, which replaced the Special Drainage Area (SDA) 7-1 development impact fee previously adopted by Zone 7. The new ordinance also established the Flood Protection and Storm Water Drainage Development Impact Fee Fund (Fund 76); consequently, all funds from SDA Operations (Fund 71) and the SDA 7-1 Trust Fund (Fund 90) were transferred to Fund 76, while all of the outstanding SDA 7-1 exemption credits were liquidated.

The purpose of this program is to ensure that Zone 7 is able to meet future needs for flood control facilities. The program is primarily intended to provide funding for any flood control facilities required for new development. The funding for this program comes entirely from new development fees. Funds are expended on the planning, design, lands and R/W acquisition, environmental review, permitting, construction, etc. for drainage projects. Revenues by year are shown in the following table and graph.

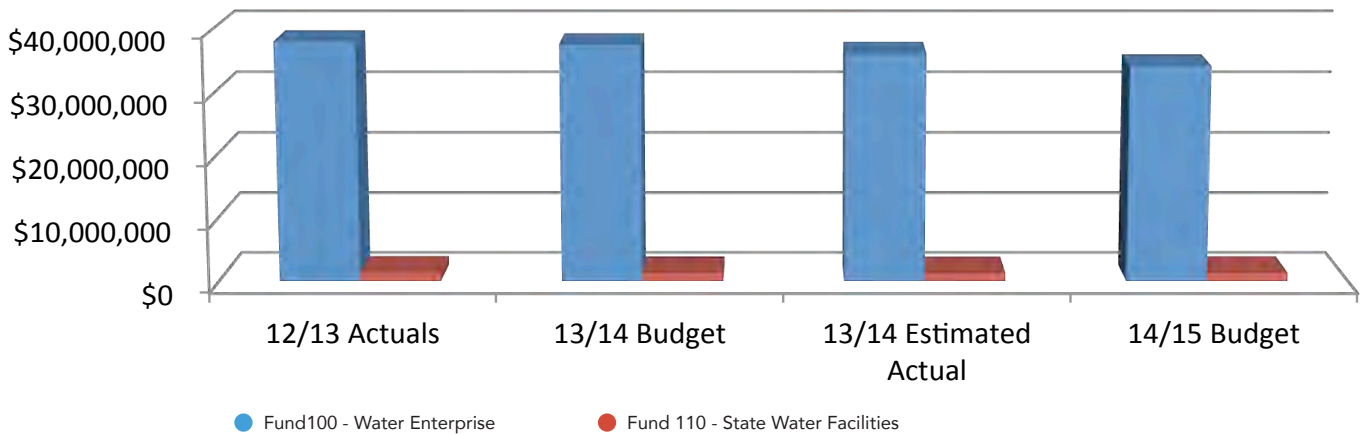
Category	12/13 Actuals	13/14 Budget	13/14 Estimated Actual	14/15 Budget	% Change (14/15 budget to 13/14 Est. Actual)
Development Fees	\$5,081,088	\$2,500,000	\$2,457,038	\$2,530,000	3%
Investment Earnings	97,847	132,000	90,000	91,500	2%
Other Revenue	1,169	0	29,000	25,000	-14%
Total	\$5,180,104	\$2,632,000	\$2,576,038	\$2,646,500	3%



Water Sales

Water sales are the highest source of revenue for the Agency. Our major customers are the cities of Pleasanton and Livermore, the Dublin-San Ramon Services District (for Dublin and the Dougherty Valley area), and California Water Service, collectively referred to as the Retailers.

Category	12/13 Actuals	13/14 Budget	13/14 Estimated Actual	14/15 Budget	% Change (14/15 budget to 13/14 Est. Actual)
Fund 100 - Water Enterprise	\$38,130,264	\$37,664,745	\$36,257,093	\$34,246,611	-6%
Fund 110 - State Water Facilities	1,348,098	1,299,710	1,252,533	1,311,950	5%
Total	\$39,478,362	\$38,964,455	\$37,509,626	\$35,558,561	-5%



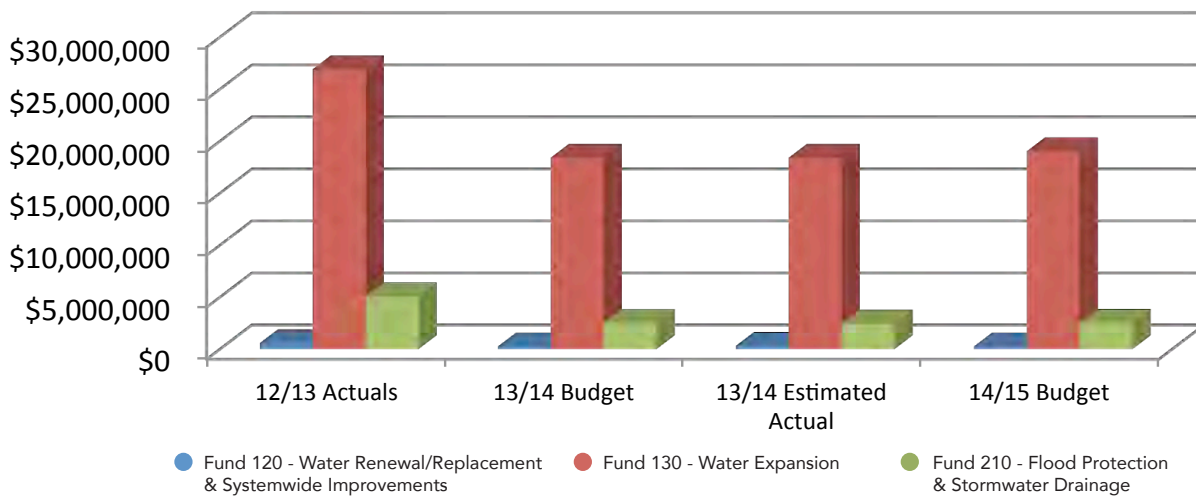
Zone 7 Treated Water Rate History

Effective Date	Rate per Acre-Foot	% Change
January 1, 2005	\$562	0%
January 1, 2006	\$591	5%
January 1, 2007	\$635	7%
January 1, 2008	\$689	8%
January 1, 2009	\$804	16%
January 1, 2010	\$878	9%
January 1, 2011	\$900	3%
January 1, 2012	\$945	5%
January 1, 2013	\$945	0%
January 1, 2014	\$970	2.65%

Development Fees

Development fees are the second highest source of revenue for the Agency.

Category	12/13 Actuals	13/14 Budget	13/14 Estimated Actual	14/15 Budget	% Change (14/15 budget to 13/14 Est. Actual)
Fund 120 - Water Renewal/ Replacement & Systemwide Improvements	\$576,353	\$250,000	\$310,900	\$250,000	-20%
Fund 130 - Water Expansion	26,907,174	18,400,000	18,400,000	19,020,120	3%
Fund 210 - Flood Protection & Stormwater Drainage	5,081,088	2,500,000	2,457,038	2,530,000	3%
Total	\$32,564,615	\$21,150,000	\$21,167,938	\$21,800,120	3%

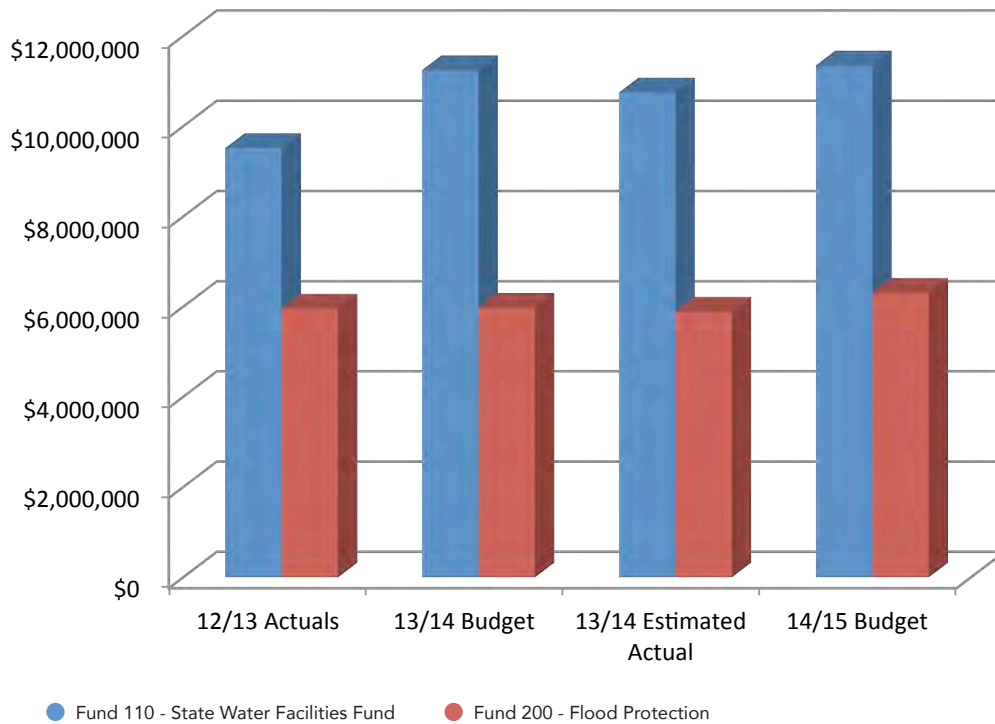


Effective Date	Zone 7	Dougherty Valley	% Change
January 1, 2004	\$10,600	\$9,780	3%
October 18, 2004	\$13,050	\$12,080	24%
January 1, 2006	\$13,500	\$12,500	3%
January 1, 2007	\$19,570	\$18,120	45%
January 1, 2008	\$20,270	\$18,770	4%
January 1, 2009	\$21,550	\$19,950	6%
January 1, 2010	\$21,550	\$19,950	0%
January 1, 2011	\$22,230	\$20,580	3%
January 1, 2012	\$22,930	\$21,230	3%
January 1, 2013	\$23,500	\$21,750	2%
January 1, 2014	\$24,030	\$22,240	2%

Property Taxes

Property taxes are the third highest source of revenue for the Agency.

Category	12/13 Actuals	13/14 Budget	13/14 Estimated Actual	14/15 Budget	% Change (14/15 budget to 13/14 Est. Actual)
Fund 110 - State Water Facilities Fund	\$9,517,244	\$11,247,000	\$10,750,270	\$11,350,000	6%
Fund 200 - Flood Protection	5,959,084	5,979,557	5,889,175	6,307,731	7%
Total	\$15,476,328	\$17,226,557	\$16,639,445	\$17,657,731	6%





EXPENSES

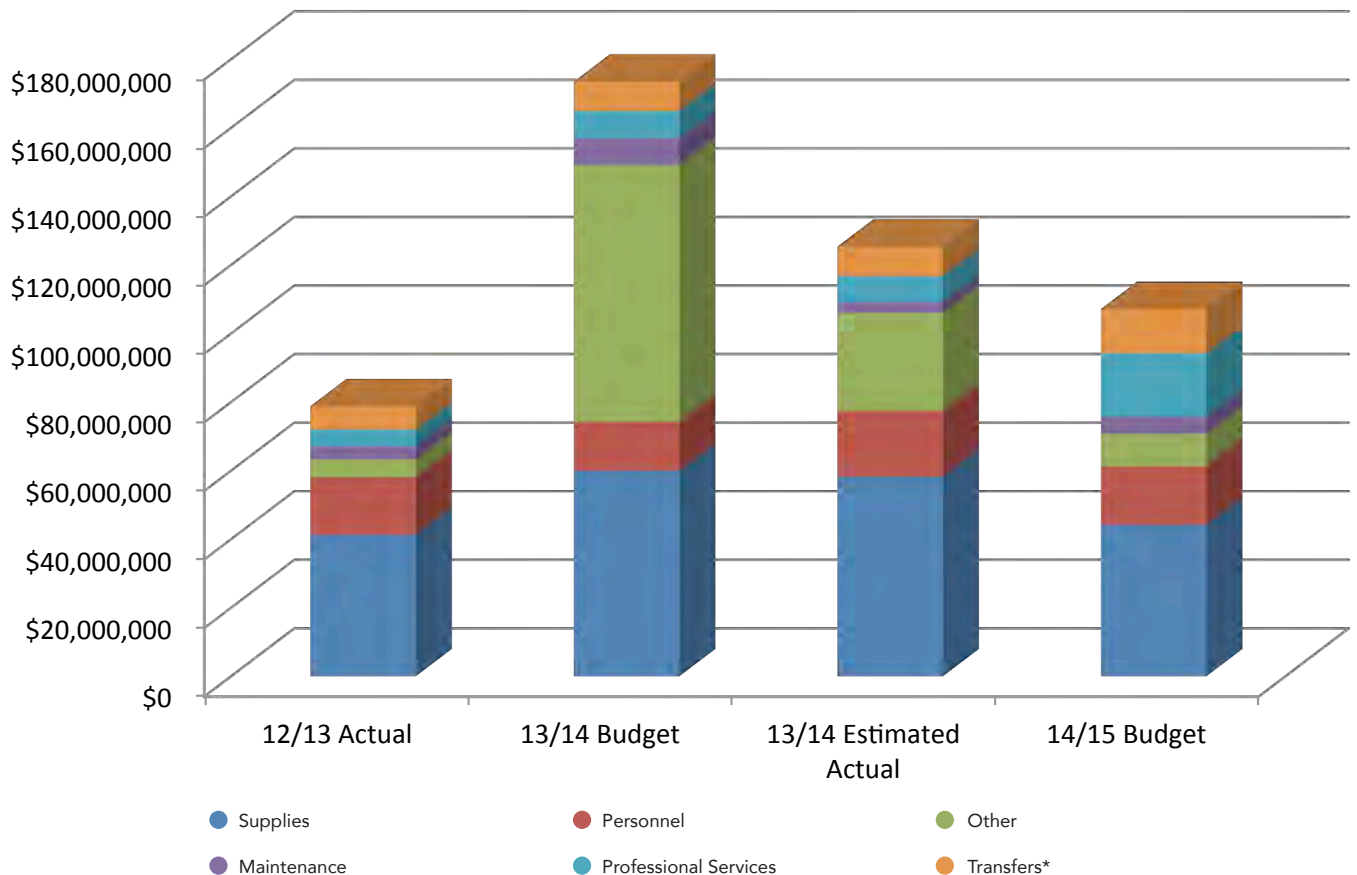
Total Expenses

The following table summarizes Agency-wide expenses by expense type.

Category	12/13 Actuals	13/14 Budget	13/14 Estimated Actual	14/15 Budget	% Change (14/15 budget to 13/14 Est. Actual)																								
Supplies	\$41,387,888	\$59,993,535	\$58,355,246	\$44,345,879	-24%																								
Personnel	16,744,604	14,256,979	19,154,716	17,106,214	-11%																								
Other	5,237,689	74,927,320	28,560,740	9,382,864	-67%	Maintenance	3,735,418	7,831,613	3,211,807	5,061,490	58%	Professional Services*	4,899,541	7,970,039	7,567,974	18,422,885	143%	Transfers**	6,758,215	8,500,000	8,500,000	12,823,924	58%	Total	\$78,763,354	\$173,479,486	\$125,350,483	\$107,143,256	-14.53%
Maintenance	3,735,418	7,831,613	3,211,807	5,061,490	58%																								
Professional Services*	4,899,541	7,970,039	7,567,974	18,422,885	143%																								
Transfers**	6,758,215	8,500,000	8,500,000	12,823,924	58%																								
Total	\$78,763,354	\$173,479,486	\$125,350,483	\$107,143,256	-14.53%																								

*The capital fund budgets (Funds 120, 130 and 210) in the FY14/15 Budget are budgeted differently than they were in FY13/14. In FY13/14, the capital funds were budgeted in just two accounts, while for FY14/15 they are budgeted in four accounts. This may give the appearance that spending in specific areas has increased/decreased significantly, but that is not the case. For example, although it appears that expense in the "Professional Services" category is increasing by \$11 million, it is only because expenses were moved from what last year had been included in a more generalized "Other" category.

**Transfers from Fund 100 to Fund 120 are captured here as expenses to Fund 100.

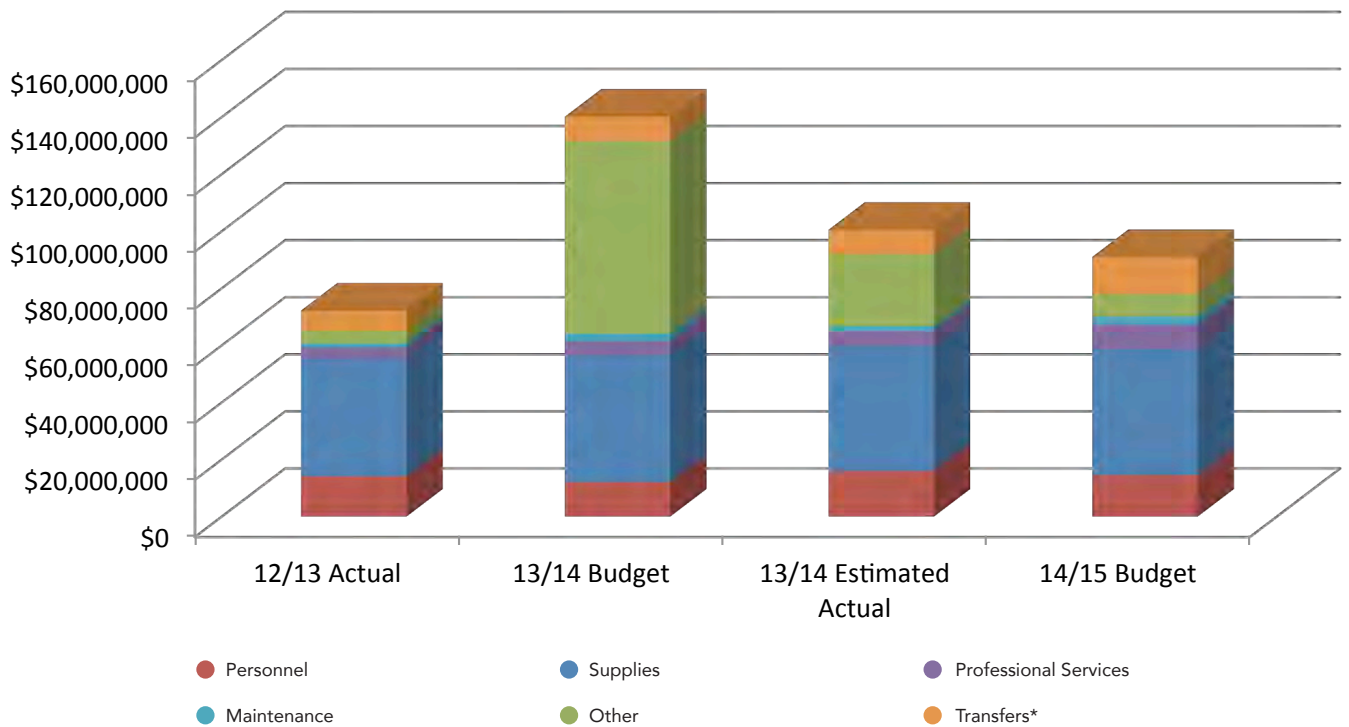


Expenses by Major Funding Area – Water Enterprise

The following table summarizes water enterprise expenses.

Category	12/13 Actuals	13/14 Budget	13/14 Estimated Actual	14/15 Budget	% Change (14/15 budget to 13/14 Est. Actual)
Personnel	\$14,113,251	\$12,156,914	\$16,186,363	\$14,564,221	-10%
Supplies	41,356,524	44,529,152	43,603,793	44,326,329	2%
Professional Services	3,872,190	4,907,346	5,449,116	8,471,840	55%
Maintenance	1,401,918	2,539,870	1,575,431	2,705,999	72%
Other	4,677,613	67,457,781	25,165,928	8,079,576	-68%
Transfers*	6,758,215	8,500,000	8,500,000	12,823,924	51%
Total	\$72,179,712	\$140,091,063	\$100,480,631	\$90,971,889	-9%

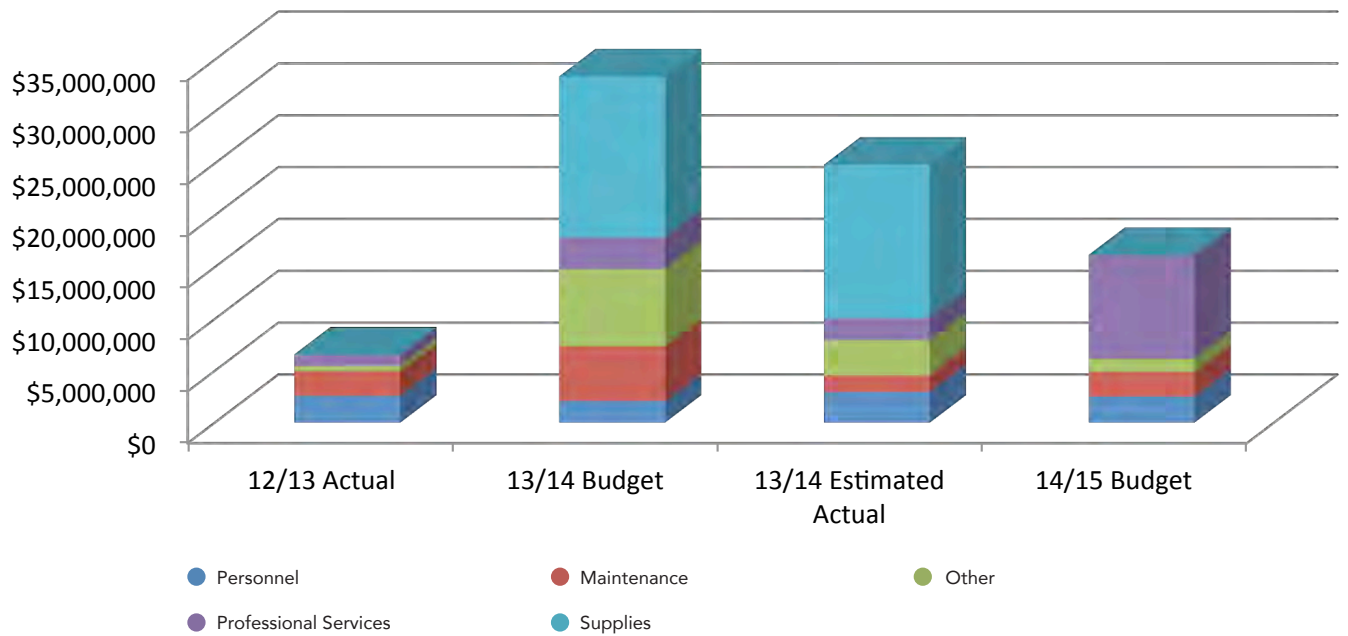
*Transfers from Fund 100 to Fund 120 are captured here as expenses to Fund 100.



Expenses by Major Funding Area – Flood Control

Maintenance activities are the majority of expenses for the Flood Control funds. The following table summarizes Flood Control expenses.

Category	12/13 Actuals	13/14 Budget	13/14 Estimated Actual	14/15 Budget	% Change (14/15 budget to 13/14 Est. Actual)
Personnel	\$2,631,353	\$2,100,065	\$2,968,353	\$2,541,993	-14%
Maintenance	2,333,500	5,291,743	1,636,376	2,355,491	44%
Other	560,076	7,469,539	3,394,812	1,303,288	-62%
Professional Services	1,027,351	3,062,693	2,118,858	9,951,045	370%
Supplies	31,363	15,464,383	14,751,453	19,550	-100%
Total	\$6,583,642	\$33,388,423	\$24,869,852	\$16,171,367	-35%



Water Enterprise Fund (Fund 100)

This budget finances Zone 7’s water program which includes general administration, facilities engineering, operations and maintenance of the water supply and delivery system, water resources management, and water supply planning and design.

The purpose of this fund is to ensure the delivery of high quality water to the Livermore-Amador Valley. Expenses by year are shown in the following graph.

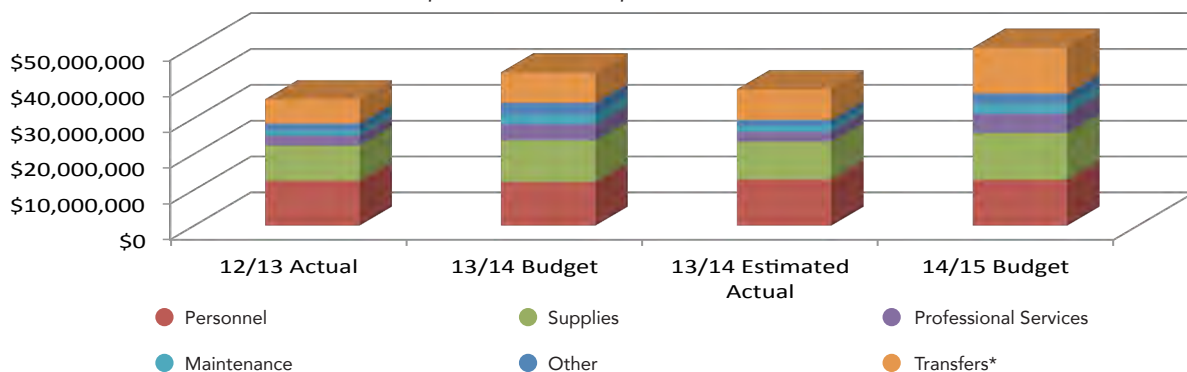
Expenses by program are shown in the table below.

Program	14/15 Budget
Water Utility Support Services	\$18,083,267
Supply Source & Conveyance	5,855,931
Water Storage	5,802,349
Water Treatment	12,064,880
Water Transmission	1,758,890
Central Administration	6,115,292
Total	\$49,680,609

Expenses by year are shown in the following table and graph.

Category	12/13 Actuals	13/14 Budget	13/14 Estimated Actual	14/15 Budget	% Change (14/15 budget to 13/14 Est. Actual)
Personnel	\$12,516,867	\$12,156,914	\$12,907,418	\$12,792,802	-1%
Supplies	9,856,887	11,680,503	10,523,684	13,084,867	24%
Professional Services	2,786,766	4,511,867	2,785,703	5,374,031	93%
Maintenance	1,401,918	2,539,870	1,575,431	2,705,999	72%
Other	1,942,000	3,390,210	1,757,756	2,898,986	65%
Transfers*	6,758,215	8,500,000	8,500,000	12,823,924	51%
Total	\$35,262,653	\$42,779,364	\$38,049,992	\$49,680,609	31%

*Transfers from Fund 100 to Fund 120 are captured here as expense.



State Water Facilities Fund (Fund 110)

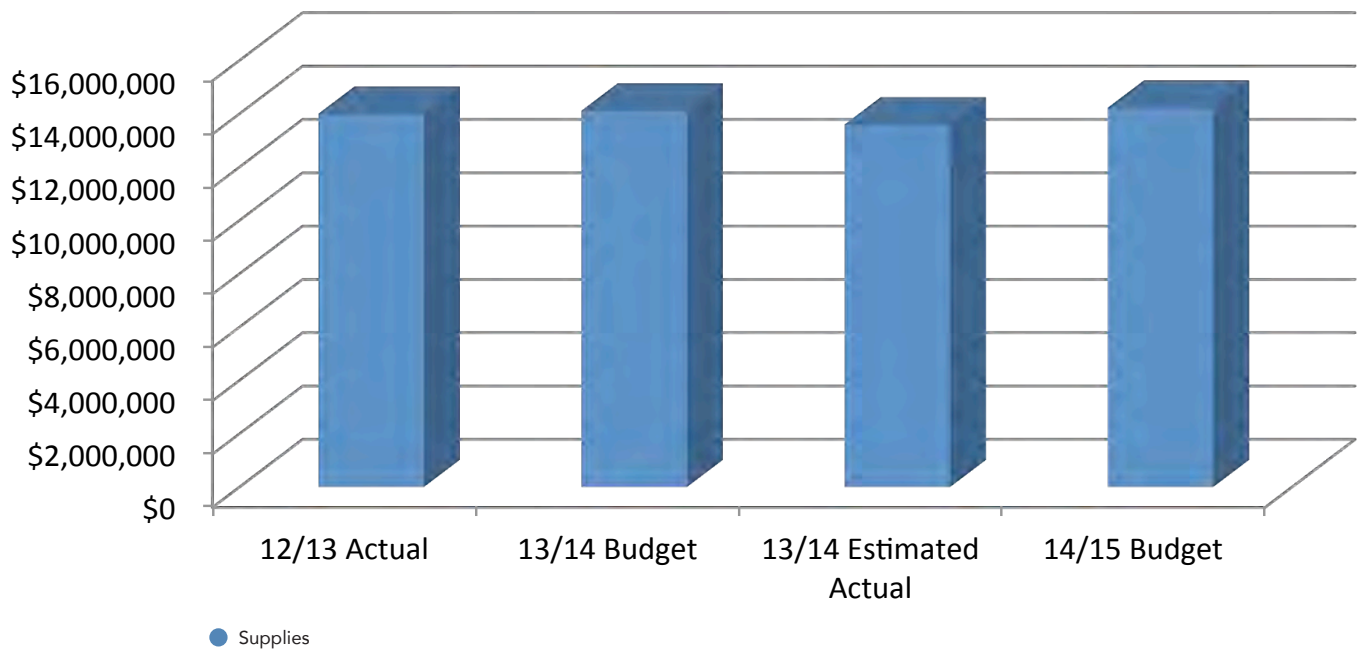
This budget finances the “fixed cost” payment to the State Department of Water Resources (DWR) for the State Water Project that imports water to Zone 7. The purpose is to pay the costs for use of the State water delivery system, which includes repayment of voter approved, State incurred, long-term debt.

Expenses by program are shown in the table below.

Program	14/15 Budget
Supply Source & Conveyance	\$14,227,251
Total	\$14,227,251

Expenses by year are shown in the following table and graph.

Category	12/13 Actuals	13/14 Budget	13/14 Estimated Actual	14/15 Budget	% Change (14/15 budget to 13/14 Est. Actual)
Supplies	\$14,002,380	\$14,118,181	\$13,599,773	\$14,227,251	5%
Total	\$14,002,380	\$14,118,181	\$13,599,773	\$14,227,251	5%



Water Renewal/Replacement & System-wide Improvements Fund (Fund 120)

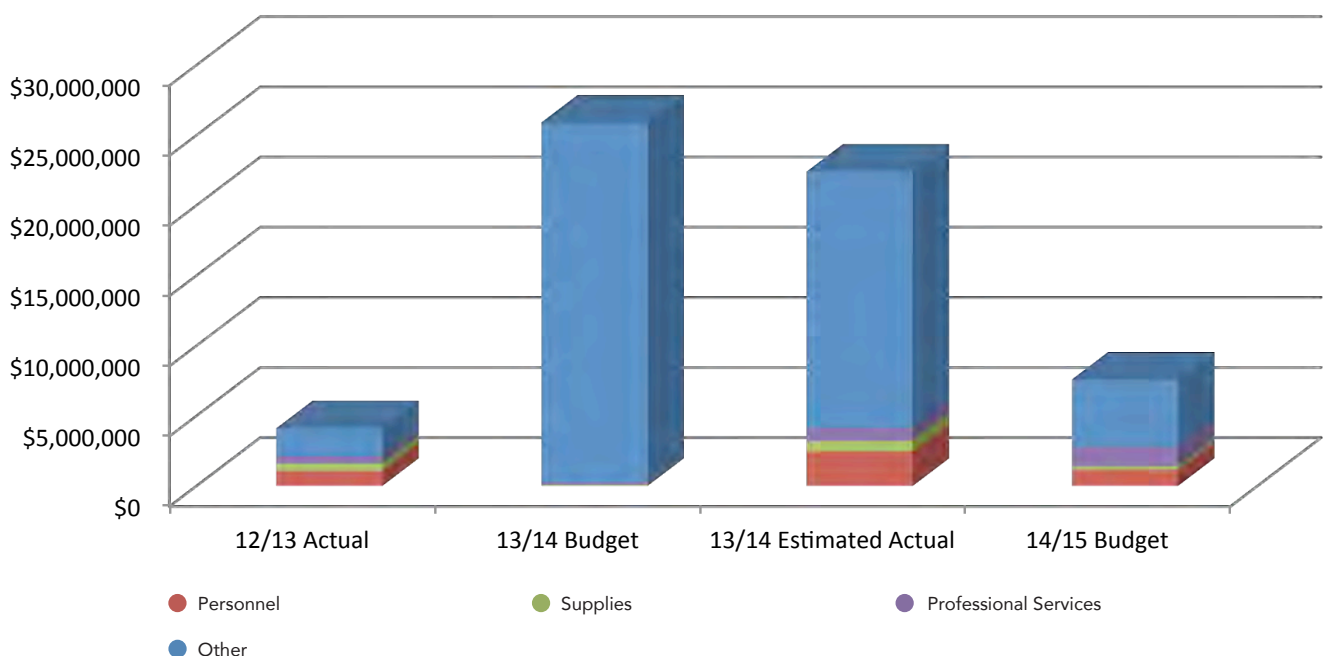
The purpose of these programs is to ensure that the current water treatment and delivery systems are functioning effectively and that capital replacement and improvement needs are funded.

Expenses by program are shown in the table below.

Program	14/15 Budget
Water Utility Support Services	\$1,663,890
Supply Source & Conveyance	1,250,001
Water Treatment	3,769,302
Budget Only	895,698
Total	\$7,578,891

Expenses by year are shown in the following table and graph.

Category	12/13 Actuals	13/14 Budget	13/14 Estimated Actual	14/15 Budget	% Change (14/15 budget to 13/14 Est. Actual)
Personnel	\$1,105,252	\$0	\$2,470,925	\$1,163,962	-53%
Supplies	532,341	76,281	777,403	270,000	-65%
Professional Services	484,997	192,728	905,825	1,375,033	52%
Other	1,977,651	25,635,410	18,245,862	4,769,896	-74%
Total	\$4,100,242	\$25,904,419	\$22,400,015	\$7,578,891	-66%



Water Expansion Fund (Fund 130)

The purpose of this program is to ensure that Zone 7 is able to meet future needs for water demands. The program is primarily intended to provide funding for new facilities and water supplies for new development and to fund programs that encourage water conservation measures.

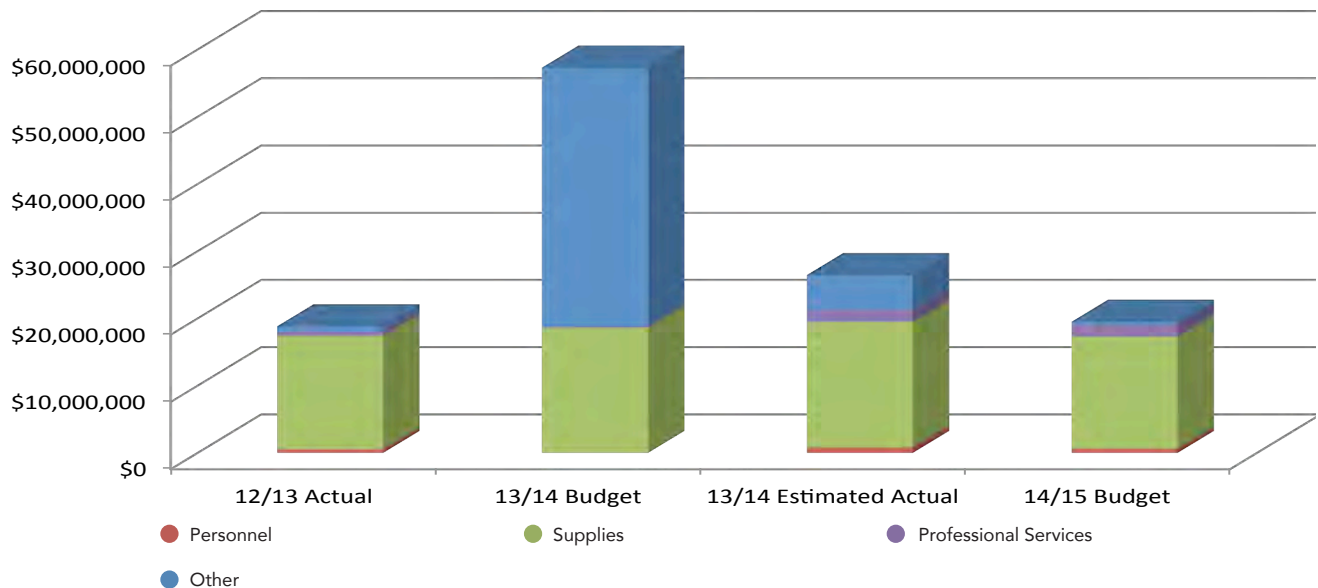
Expenses by program are shown in the table below.

Program	14/15 Budget
Water Utility Support Services	\$800,231
Supply Source & Conveyance	16,838,907
Water Storage	1,396,000
Water Treatment	200,000
Budget Only	250,000
Total	\$19,485,138

Expenses by year are shown in the following table.

Category	12/13 Actuals	13/14 Budget	13/14 Estimated Actual	14/15 Budget	% Change (14/15 budget to 13/14 Est. Actual)
Personnel	\$491,132	\$0	\$808,020	\$607,457	-25%
Supplies	16,964,916	18,654,187	18,702,933	16,744,211	-10%
Professional Services	600,426	202,751	1,757,588	1,722,776	-2%
Other*	757,962	38,432,161	5,162,310	410,694	-92%
Total	\$18,814,437	\$57,289,099	\$26,430,851	\$19,485,138	-26%

*The FY13/14 Budget included \$30.5M for payoff of the ISA. The ISA was paid off in December 2013. The transaction was not recorded an expense, but rather a reduction in assets and liabilities on the balance sheet.



Flood Control Fund (Fund 200)

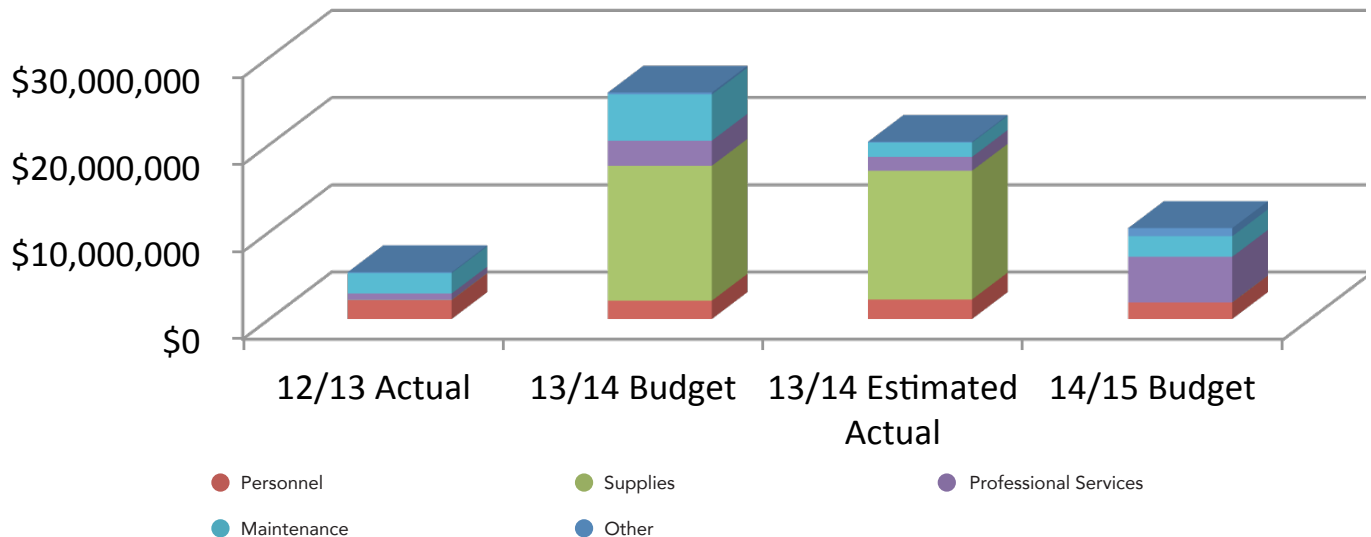
This budget unit provides the funding for flood control services and related administration. The purpose of this program is to ensure the controlled drainage of the Valley's excess water runoff. Zone 7 manages a watershed of nearly 425 square miles including eastern Alameda County and parts of Contra Costa, Santa Clara and San Joaquin Counties.

Expenses by program are shown in the table below.

Program	14/15 Budget
Flood Protection O&M	\$5,116,683
Flood Protection Capital Projects	\$5,299,409
Total	\$10,416,092

Expenses by year are shown in the following table and graph.

Category	12/13 Actuals	13/14 Budget	13/14 Estimated Actual	14/15 Budget	% Change (14/15 budget to 13/14 Est. Actual)
Personnel	\$2,157,645	\$2,100,065	\$2,242,418	\$1,886,263	-16%
Supplies	31,363	15,464,383	14,751,453	19,550	-100%
Professional Services	733,348	2,878,200	1,582,766	5,223,322	230%
Maintenance	2,333,500	5,291,743	1,636,376	2,355,491	44%
Other	100,058	213,717	93,983	931,466	891%
Total	\$5,355,914	\$25,948,108	\$20,306,996	\$10,416,092	-49%



Flood Protection & Stormwater Drainage Fund (Fund 210)

On March 18, 2009, the Zone 7 Board of Directors adopted Ordinance 2009-01, which replaced the Special Drainage Area (SDA) 7-1 development impact fee previously adopted by Zone 7. The new ordinance also established the Flood Protection and Storm Water Drainage Development Impact Fee Fund (Fund 76); consequently, all funds from SDA Operations (Fund 71) and the SDA 7-1 Trust Fund (Fund 90) were transferred to Fund 76 (now Fund 210), while all of the outstanding SDA 7-1 exemption credits were liquidated.

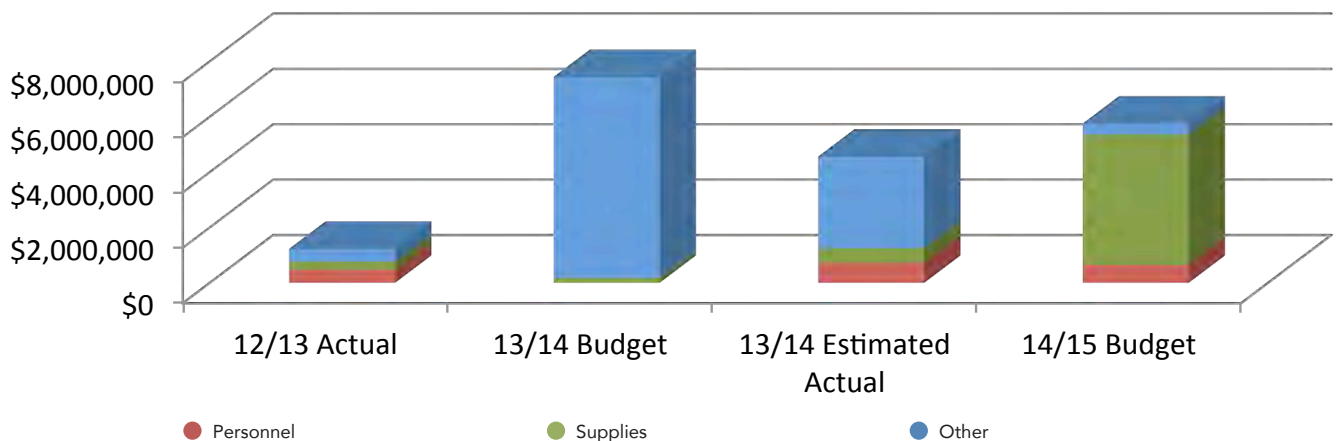
The purpose of this program is to ensure that Zone 7 is able to meet future needs for flood control facilities related to expanded capacity. The program is primarily intended to provide funding for any flood control facilities required for new development.

Expenses by program are shown in the table below.

Program	14/15 Budget
Flood Protection	\$5,755,275
Total	\$5,755,275

Expenses by year are shown in the following table.

Category	12/13 Actuals	13/14 Budget	13/14 Estimated Actual	14/15 Budget	% Change (14/15 budget to 13/14 Est. Actual)
Personnel	\$473,707	\$0	\$725,935	\$655,730	-10%
Professional Services	294,003	184,493	536,092	4,727,723	782%
Other	460,018	7,255,822	3,300,829	371,822	-89%
Total	\$1,227,729	\$7,440,315	\$4,562,856	\$5,755,275	26%



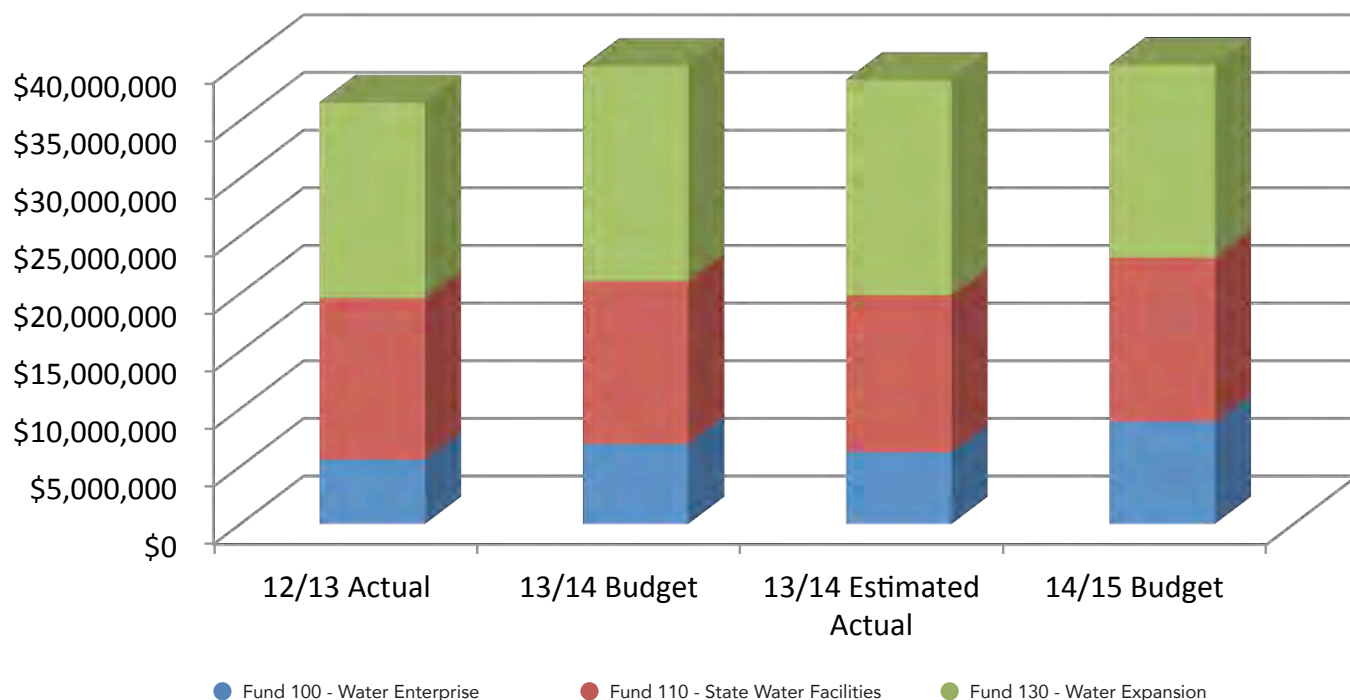
Water Purchases

Water purchases are the largest expense for Zone 7. The Agency purchases approximately 80% of its water supply from the State Water Project (SWP).

The Department of Water Resources prepares annual Statement of Charges (SOC) for the Agency. The SOC charges are split between fixed and variable charges. The SWP fixed costs are paid via property taxes (Fund 110) and connection fees (Fund 130) and the variable costs are paid via water sales (Fund 100).

Water purchases by year are shown in the following table and graph.

Category	12/13 Actuals	13/14 Budget	13/14 Estimated Actual	14/15 Budget	% Change (14/15 budget to 13/14 Est. Actual)
Fund 100 - Water Enterprise	\$5,607,796	\$6,976,912	\$6,233,010	\$8,883,578	43%
Fund 110 - State Water Facilities	\$14,002,380	\$14,118,181	\$13,599,773	\$14,227,251	5%
Fund 130 - Water Expansion	\$16,964,916	\$18,654,187	\$18,702,933	\$16,744,211	-10%
Total	\$36,575,093	\$39,749,280	\$38,535,716	\$39,855,040	3%



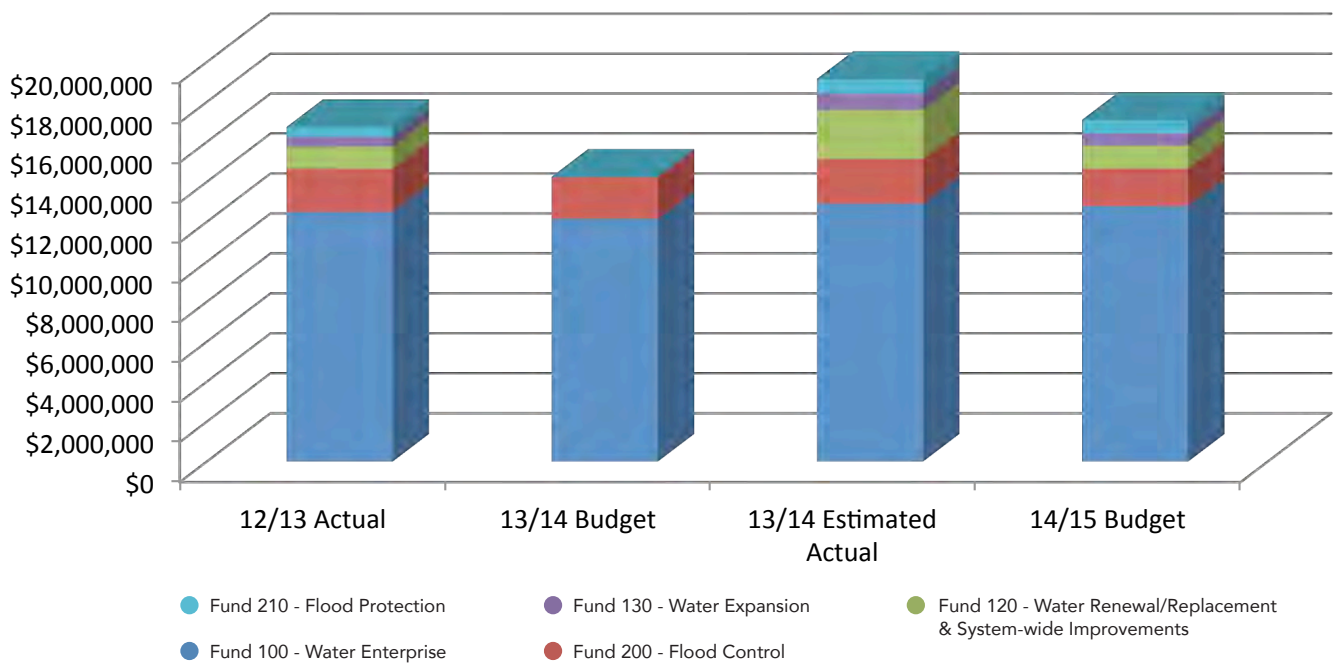
Personnel

The District's second largest expense is personnel costs. Personnel costs are an average around 50% of the total operating costs. The personnel section describes the District's staffing, employee bargaining units and benefits. Both the salary increases and benefit costs have an impact on the budget. See further discussion and analysis on the following pages.

The District charges staff time directly to capital projects. Each section estimates the percentage of time planned for capital projects for every staff member, these personnel costs are budgeted within the individual capital project budgets.

Personnel expenses are shown in the following table and graph.

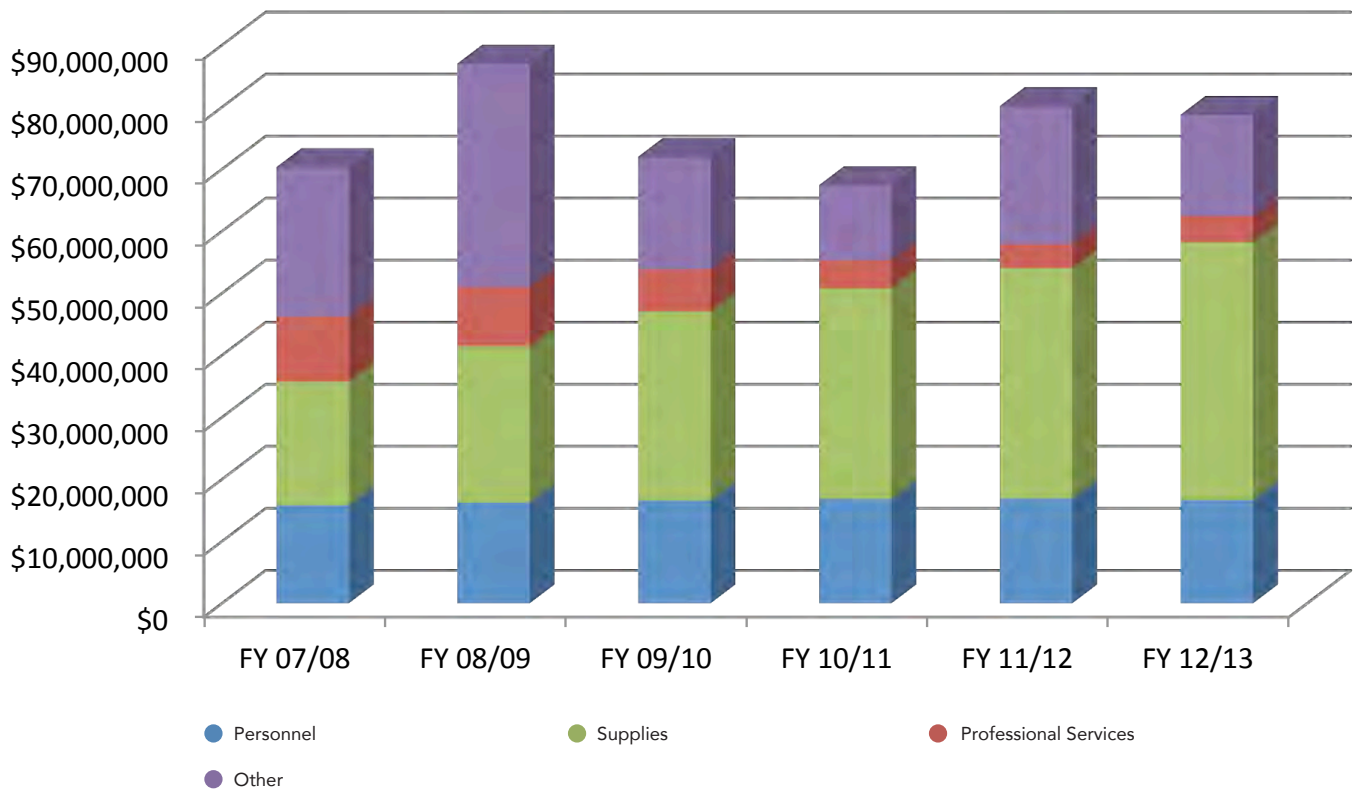
Category	12/13 Actuals	13/14 Budget	13/14 Estimated Actual	14/15 Budget	% Change (14/15 budget to 13/14 Est. Actual)
Fund 100 - Water Enterprise	\$12,516,867	\$12,156,914	\$12,907,418	\$12,792,802	-1%
Fund 200 - Flood Control	2,157,645	2,100,065	2,242,418	1,886,263	-16%
Fund 120 - Water Renewal/Replacement & System-wide Improvements	1,105,252	0	2,470,925	1,163,962	-53%
Fund 130 - Water Expansion	491,132	0	808,020	607,457	-25%
Fund 210 - Flood Protection	473,707	0	725,935	655,730	-10%
Total	\$16,744,604	\$14,256,979	\$19,154,716	\$17,106,214	-11%



Expense History

The following table and graph shows a six-year history by major expense category based on audited actuals.

Category	FY07/08	FY08/09	FY09/10	FY10/11	FY11/12	FY12/13
Personnel	\$15,884,483	\$16,265,836	\$16,661,572	\$16,862,669	\$16,934,133	\$16,744,604
Supplies	19,836,827	25,223,574	30,439,731	34,010,187	37,114,680	41,532,896
Professional Services	10,544,465	9,597,358	6,718,389	4,470,064	3,923,871	4,190,699
Other	24,042,727	35,907,666	18,166,744	12,050,360	22,188,938	16,295,156
Total	\$70,308,502	\$86,994,434	\$71,986,437	\$67,393,279	\$80,161,622	\$78,763,354





CAPITAL IMPROVEMENT PROGRAM

Capital Improvement Program

Approximately every other year, Zone 7 Water Agency (Zone 7) prepares a Capital Improvement Program (CIP) document, which outlines the plans for capital projects and programs needed to carry out the goals and policy objectives of the agency. The CIP incorporates the projects, costs, schedules, and priorities for five years of Flood Protection projects and ten years Water Enterprise projects. In the years when the CIP is not updated, adjustments are made as part of the budget process.

Zone 7 has undertaken many planning efforts, for example the Asset Management Program (AMP) Update, Stream Management Master Plan (SMMP), Well Master Plan (WMP), and the 2010 Urban Water Management Plan (UWMP). Collectively, these studies have identified: 1) the types of renewal/replacement and systemwide improvement projects needed to maintain a reliable and efficient water system; 2) current and projected demands on our water system and Zone 7's facilities needed to meet such demands; 3) operational improvements and additional studies that will minimize near-term risks of water supply shortages and maximize long-term flexibility; and 4) integrated resource management projects for Zone 7's flood protection facilities. These master plans provide a roadmap for the scope and scheduling of projects in the CIP.

WATER SYSTEM CIP OVERVIEW

A primary function of the CIP is to provide Zone 7's Executive Staff and Board with a clear and orderly process for planning and budgeting for capital needs and for making informed decisions with regard to project priorities and scheduling.

Various capital projects and programs are needed to ensure a reliable and high quality water supply in accordance with the mission, goals and policy objectives established by the Board. These projects anticipate the need to renew, replace and improve existing infrastructure to maintain system reliability (paid from Fund 120, Renewal/Replacement and System-Wide Improvements) and to construct new facilities needed to accommodate future growth (Fund 130, Expansion).

FLOOD PROTECTION CIP OVERVIEW

Zone 7 plans and designs flood protection and stormwater drainage facilities that enhance management and control of stormwater runoff and drainage in the Livermore-Amador Valley, while optimizing water resources by integrating water supply, water quality, flood protection and environmental stewardship. The agency conducts capital improvement activities that protect life and property from damage caused by stormwater runoff and drainage generated during large rainfall events. Zone 7's capital improvements include renewal/replacement and repair of existing facilities to maintain the integrity of the existing flood protection system, system-wide improvements that integrate local stormwater channels into one regional water resource management system, and develop capital projects to accommodate new impervious surface areas caused by new development.

The following pages list the FY14/15 capital projects by fund.

Capital Improvement Program (CIP)

WATER ENTERPRISE

CAPITAL PROJECT LISTING

Fund 120 – Renewal/Replacement & System-wide Improvements

FY14/15 Budget - Fund 120 Capital Project List

Project	FY14/15 Budget
DVWTP Superpulsator Rehabilitation	\$2,580,000
Reliability Intertie	800,000
SCADA Enhancements	750,000
Contingency	750,000
North Canyons Building Lease	549,200
Minor Renewal/Replacement Projects	470,000
AV Water Right Permit Extension	450,000
PWRPA Distribution Facilities	385,000
Busch Valley Well 1	200,000
Treatment Alternatives Study	160,000
Storage/Transmission/Distribution System Master Plan Update	140,000
Laboratory Equipment Replacement	120,000
DVWTP Access Road Pavement Rehabilitation	120,000
Asset Management Program Update	40,000
Water System Master Plan	38,691
Water Quality Management Program	14,000
CIP Management	12,000
Total	\$7,578,891

Capital Improvement Program

WATER ENTERPRISE CAPITAL PROJECT LISTING Fund 130 - Expansion

FY14/15 Budget - Fund 130 Capital Project List

Project	FY14/15 Budget
SBA Enlargement Project	\$12,238,163
Fixed Costs for Expansion	3,000,000
Cawelo Groundwater Banking Program	1,296,000
Reliability Intertie	1,200,000
North Canyons Building Lease	426,376
Storage/Transmission/Distribution System Master Plan Update	260,000
Contingency	250,000
Busch-Valley Well 1	200,000
High Efficiency Washing Machine Rebate Program	100,000
Water System Master Plan	71,855
Variable Costs for Expansion	70,048
SWP Peaking Payment - Lost Hills, Belridge	70,000
Bay Area Regional Desalination Project - Planning	50,000
Arroyo Mocho Diversion Facility Coordination & Implementation	50,000
Semitropic Water Storage Program	50,000
CIP Management	36,000
Delta Outreach	30,000
Water Conservation Best Management Practices	30,000
High Efficiency Toilet Rebate Program	30,000
DWR - DHCCP Charges	20,694
Water Quality Management Program	6,000
Total	\$19,485,138

Flood Control Capital Project Listing

FLOOD CONTROL

CAPITAL PROJECT LISTING

Fund 200 - General Fund/Flood Control

FY14/15 Budget – Fund 200 Capital Project List

Project	FY14/15 Budget
Arroyo Las Positas Treatment Wetland	\$1,647,132
Chabot Canal Regional Stormwater Detention	1,565,200
Stream Management Master Plan Update	554,600
Stream Maintenance Program & Permitting	431,600
Flood Control Hydrologic and Hydraulic Model Studies	324,500
Flood Warning System Development and Implementation	153,400
Slope Stability Study	132,800
SMMP Financing Strategy and Implementation	135,700
North Canyons Building Lease	121,822
Coordination Studies Area-wide	100,300
Sediment Transport Study	82,600
El Charro Phase 2 - Airway	34,400
Living Arroyos Program	15,355
Total	\$5,299,409

Flood Control Capital Project Listing

FLOOD CONTROL

CAPITAL PROJECT LISTING

Fund 210 - General Fund/Flood Control

FY14/15 Budget – Fund 210 Capital Project List

Project	FY14/15 Budget
Arroyo Las Positas Treatment Wetland	\$2,183,408
Chabot Canal Regional Stormwater Detention	2,074,800
Stream Management Master Plan Update	385,400
Contingency	250,000
Flood Control Hydrologic and Hydraulic Model Studies	225,500
North Canyons Building Lease	121,822
Flood Warning System Development and Implementation	106,600
SMMP Financing Strategy and Implementation	94,300
Stream Maintenance Program & Permitting	88,400
Coordination Studies Area-wide	69,700
Sediment Transport Study	57,400
El Charro Phase 2 - Airway	45,600
Slope Stability Study	27,200
Steelhead and Related Studies	20,000
Living Arroyos Program	3,145
CIP Management	2,000
Total	\$5,755,275



DEPARTMENTAL OVERVIEW

Personnel

Sections	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	Change
Office of the General Manager	10.00	14.00	7.00	7.00	0.00
Finance	10.00	11.00	9.00	9.00	0.00
Employee Services	6.00	6.00	7.00	7.00	0.00
Water Quality	7.50	7.50	7.50	7.50	0.00
Integrated Planning	0.00	0.00	7.50	7.50	0.00
Water Facilities	16.00	15.00	13.00	14.00	1.00
Groundwater Protection	9.00	8.00	7.00	7.00	0.00
Operations	24.00	24.00	24.00	24.00	0.00
Maintenance	19.00	19.00	19.00	19.00	0.00
Flood Control	7.00	6.00	5.00	5.00	0.00
Total	108.50	110.50	106.00	107.00	1.00

Employee Bargaining Units

The Agency has four bargaining units. Below is a listing of each unit:

ALAMEDA COUNTY MANAGEMENT EMPLOYEES' ASSOCIATION (ACMEA)

- Master Memorandum of Understanding contract end date: April 8, 2017
- Cost-of-living adjustment of 3% on June 23, 2013, 3% on June 22, 2014, and 3% on June 21, 2015

INTERNATIONAL FEDERATION OF PROFESSIONAL AND TECHNICAL ENGINEERS (IFPTE), LOCAL 21

- Master Memorandum of Understanding contract end date: March 3, 2012
- Cost-of-living adjustment of 3% on June 23, 2013, 3% on June 22, 2014, 3% on June 21, 2015, and 3% on June 20, 2016

SERVICE EMPLOYEES INTERNATIONAL UNION (SEIU), LOCAL 1021

- Master Memorandum of Understanding contract end date: December 20, 2015
- Cost-of-living adjustment of 3% on June 23, 2013, 3% on June 22, 2014, and 3% on June 21, 2015

ALAMEDA COUNTY BUILDING AND CONSTRUCTION TRADES COUNCIL (ACBCTC)

- Master Memorandum of Understanding contract end date: December 22, 2012
- Cost-of-living adjustment of 3% on June 23, 2013, 3% on June 22, 2014, and 3% on June 21, 2015

The General Manager is an at-will contract employee. Unrepresented Managers (those not represented by ACMEA) follow the Alameda County Administrative Code.

The Board reviews all new position requests, authorizes total "full time equivalent" (FTE) positions and approves salary ranges after negotiation with the bargaining units.

Office of the General Manager

The Office of the General Manager provides overall administrative and management support to the Agency. Much of the State Water Project funding appears in the Office of the General Manager.

FY14/15 GOALS AND OBJECTIVES

Develop and implement a digital-based filing system.

FY13/14 MAJOR ACCOMPLISHMENTS

Staff selected new records retention management software after an intensive research and Request for Quote process.

OFFICE OF THE GENERAL MANAGER STAFFING SUMMARY

Staff	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	Change
General Manager	1.00	1.00	1.00	1.00	0.00
Assistant General Manager	1.00	1.00	1.00	1.00	0.00
Asst Gen Manager, Engineering	1.00	0.00	0.00	0.00	0.00
Assistant Gen Mgr, Administration	0.00	0.00	1.00	1.00	0.00
General Counsel	0.00	0.00	0.00	0.00	0.00
Environmental & Public Affairs Manager	0.00	0.00	0.00	0.00	0.00
Water Resources Technician II	0.00	0.00	0.00	0.00	0.00
Executive Assistant	1.00	1.00	1.00	1.00	0.00
Secretary	2.00	2.00	2.00	2.00	0.00
Senior Engineer/Geologist	0.00	2.00	0.00	0.00	0.00
Associate Engineer (Engineer III)	0.00	2.00	0.00	0.00	0.00
Associate Water Resources Planner	1.00	2.00	0.00	0.00	0.00
Assistant Water Resources Planner	1.00	0.00	0.00	0.00	0.00
Water Conservation Coordinator	1.00	1.00	0.00	0.00	0.00
Staff Analyst	0.00	0.00	0.00	0.00	0.00
Office Assistant	0.00	0.00	0.00	0.00	0.00
Communications Specialist	1.00	1.00	0.00	0.00	0.00
Administrative Student Intern	0.00	0.00	1.00	1.00	0.00
Water Resources Engineer Trainee	0.00	1.00	0.00	0.00	0.00
Office of the General Manager	10.00	14.00	7.00	7.00	0.00

STAFFING CHANGES

No changes are anticipated.

OFFICE OF THE GENERAL MANAGER

Fund	FY14/15 Budget
Fund 100 - Water Enterprise	\$24,745,481
Fund 110 - State Water Facilities	14,227,251
Fund 120 - Water Renewal/ Replacement & Systemwide Improvements	1,299,198
Fund 130 - Capital Expansion	17,421,281
Fund 200 - Flood Control	963,755
Fund 210 - Flood Protection & Stormwater Drainage	371,822
Total	\$59,028,788

OFFICE OF THE GENERAL MANAGER BUDGET BY PROGRAM

Program	FY14/15 Budget
Water Utility Support Services	\$13,652,308
Supply Source & Conveyance	35,969,434
Water Storage	4,227,800
Water Treatment	75,000
Central Administration	2,469,471
Flood Protection	1,085,577
Capital Projects	1,549,198
Total	\$59,028,788

Finance

Provides governmental and enterprise accounting; accounts payable; billing for services and receivables; contract monitoring; payroll; Agency-wide internal controls; financial reporting; financial forecasting and analysis; budget development, monitoring and control; purchasing services; information technology/GIS services; and risk management liaison.

FY14/15 GOALS AND OBJECTIVES

Provide accounting and financial support services efficiently and effectively:

- Transition finance and accounting services from Alameda County to assume independent operations.
- Prepare FY13/14 financial statements using New World Systems.
- Complete comprehensive financial analysis as part of a long-term financial plan.

Enhance purchasing and information system support services:

- Transition finance and accounting services from Alameda County to assume independent operations.

FY13/14 MAJOR ACCOMPLISHMENTS

- Implemented new accounting software, New World Systems on July 1, 2013.
- Provided agency-wide training for the new accounting software.
- Developed and implemented a new cost accounting system and timesheet application.
- Achieved the Government Finance Officer's Association (GFOA) Distinguished Budget Award.

FINANCE STAFFING SUMMARY

Staff	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	Change
Assistant Gen Mgr, Finance	1.00	1.00	0.00	0.00	0.00
Financial & Systems Services Manager	1.00	1.00	1.00	1.00	0.00
Accounting Manager	1.00	1.00	1.00	1.00	0.00
Senior Auditor/Accountant	1.00	1.00	1.00	1.00	0.00
Staff Analyst	1.00	2.00	1.50	1.00	-0.50
Geographic Information Systems Analyst	1.00	1.00	0.00	0.00	0.00
Senior Procurement & Contracts Specialist	0.00	0.00	0.00	0.00	0.00
Buyer II	1.00	1.00	1.00	1.00	0.00
Office Assistant	0.00	0.00	0.50	1.00	0.50
Account Clerk	3.00	3.00	3.00	3.00	0.00
Finance	10.00	11.00	9.00	9.00	0.00

STAFFING CHANGES

0.5 FTE Staff Analyst was transferred from Finance to Employee Services and 0.5 FTE Office Assistant was transferred from Employee Services to Finance.

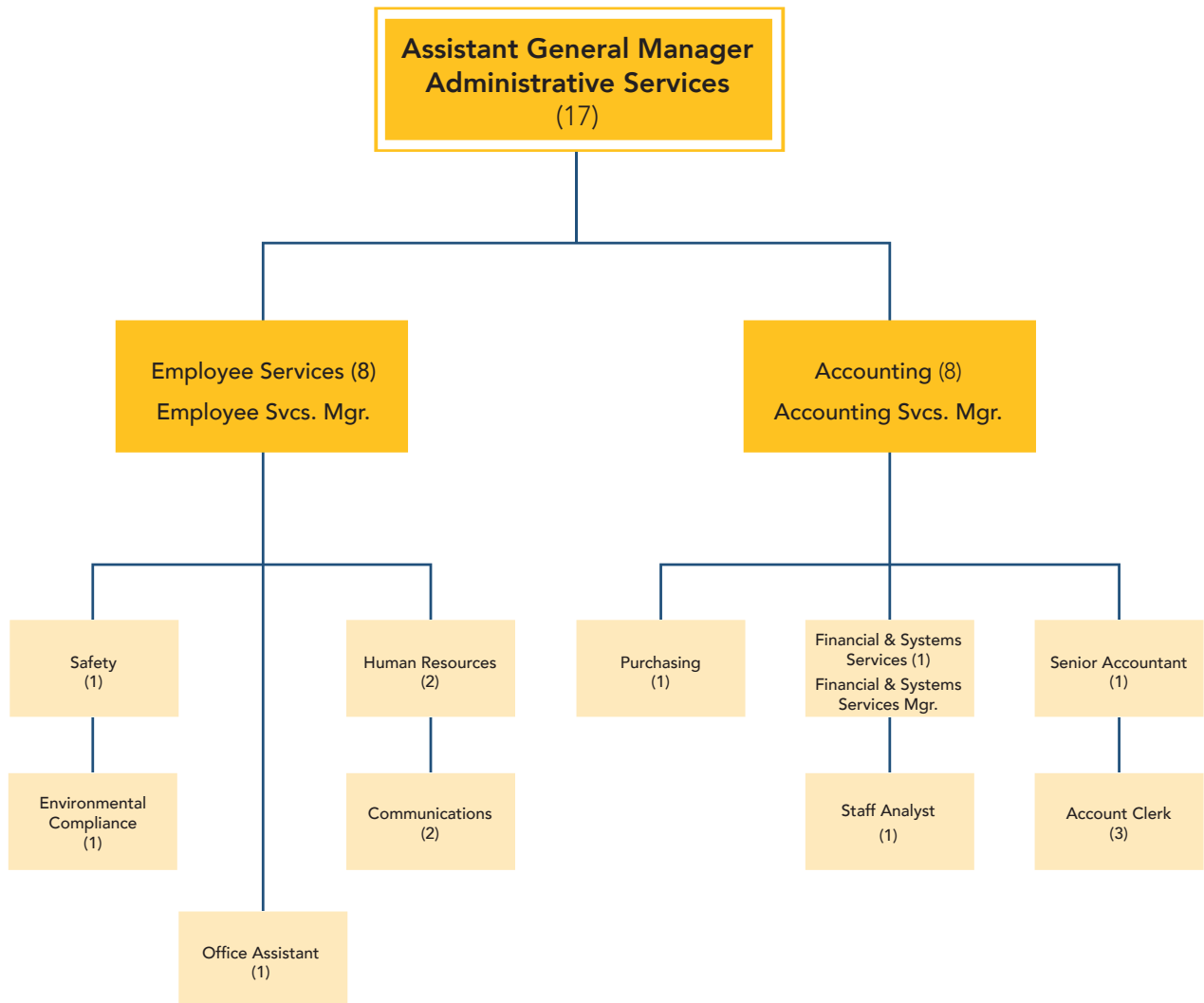
FINANCE BUDGET BY FUND

Fund	FY14/15 Budget
Fund 100 - Water Enterprise	\$1,459,604
Fund 120 - Water Renewal/ Replacement & Systemwide Improvements	12,000
Fund 130 - Water Expansion	36,000
Fund 200 - Flood Control	3,764
Fund 210 - Flood Protection & Stormwater Drainage	2,000
Total	\$1,513,368

FINANCE BUDGET BY PROGRAM

Program	FY14/15 Budget
Water Utility Support Services	\$100,690
Supply Source & Conveyance	0
Central Administration	1,406,914
Flood Protection	5,764
Capital Projects	0
Total	\$1,513,368

Administrative Services Organizational Chart



Employee Services

Provides recruitment and selection; classification and compensation; labor relations and contract negotiations; employee relations and counseling; employee benefits coordination; workers' compensation; Equal Employment Opportunity services; develops and provides employee health and safety programs; conducts technical safety reviews on Agency capital projects; monitors health, safety, and regulatory compliance; in addition, provides public outreach, including schools, and legislative relations services; provides information to the general public about the Agency's financial performance; and provides Agency training for the areas listed above.

FY14/15 GOALS AND OBJECTIVES

Ensure availability of staff recruitment resources:

- Develop an improved system for proactive management and planning of human resources that will allow the agency and its employees to be better prepared to meet the agency's future requirements in ensuring effective delivery of services to the public.

Conduct safety planning and training to ensure health and safety of employees:

- Facilitate safety improvements throughout the agency while ensuring compliance with the California Regulatory and Prevention Programs.

To promote enhance Zone 7's public transparency:

- Enhance public understanding of source water supply and quality and the importance of water conservation.

FY13/14 MAJOR ACCOMPLISHMENTS

- Collaborated with the District's retailers to host a workshop at which California Natural Resources Secretary John Laird outlined the California Water Action Plan.
- Successfully completed salary negotiations and signed Memorandum of Understanding Agreements with all four Unions through 2016/2017
- Developed and distributed an agency-wide Employee Satisfaction Survey in order to "take the pulse" of current employee satisfaction and areas for improvement.
- Expanded efforts in working with Bay Area Water/Wastewater Workforce Development (BAYWORK) through regular involvement.
- In order to make it easier for the public to subscribe to Zone 7's e-newsletter, developed a QR Code symbol to be imprinted on publications for scanning by smart phones. Also increased the frequency of e-newsletters.
- In recognition of its pyramid of 144 one-gallon jugs depicting the average daily water use by each person in a single family home in Zone 7's service area, the Agency was a finalist for the Association of California Water Agencies "Best in Blue" award, recognizing outstanding achievements by public water agencies in communications. The pyramid was displayed at libraries, the county fair and other large public facilities in Zone 7's service area.

WORKLOAD MEASURES:

Staff	FY11/12 Actual	FY12/13 Actual	FY13/14 Estimate	FY14/15 Estimate
Water awareness/conservation events	24	25	26	27
School water education program presentations	325	370	370	420

EMPLOYEE SERVICES STAFFING SUMMARY

Staff	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	Change
Assistant Gen Manager, Personnel	1.00	1.00	0.00	0.00	0.00
Employee Services Manager	0.00	0.00	1.00	1.00	0.00
Human Resources Analyst II	2.00	2.00	1.00	1.00	0.00
Staff Analyst	0.00	0.00	0.50	1.00	0.50
Communications Specialist	0.00	0.00	1.00	1.00	0.00
Safety Technician II	2.00	2.00	2.00	2.00	0.00
Employee Services Technician	0.00	1.00	1.00	1.00	0.00
Personnel Technician	1.00	0.00	0.00	0.00	0.00
Office Assistant	0.00	0.00	0.50	0.00	-0.50
Employee Services	6.00	6.00	7.00	7.00	0.00

STAFFING CHANGES

No changes are anticipated.

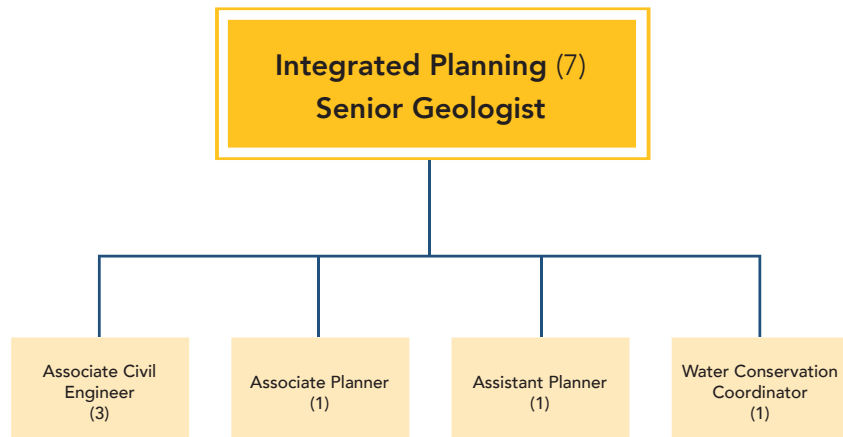
EMPLOYEE SERVICES BUDGET BY FUND

Fund	FY14/15 Budget
Fund 100 - Water Enterprise	\$1,811,368
Fund 130 - Water Expansion	30,000
Fund 200 - Flood Control	100
Total	\$1,841,468

EMPLOYEE SERVICES BUDGET BY PROGRAM

Program	FY14/15 Budget
Water Utility Support	\$10,500
Supply Source & Conveyance	175,420
Water Treatment	9,500
Central Administration	1,645,948
Flood Protection	100
Capital Projects	0
Total	\$1,841,468

Integrated Planning Organizational Chart



Integrated Planning

Integrates planning efforts for water supply/quality, water conservation, flood protection, stream management, groundwater, watershed protection, and environmental planning activities. Supports other divisions in design review, permitting, project evaluation, and overall program goals. In addition, the group seeks and supports grant efforts to fund Zone 7 programs and projects. Represents the agency to outside organizations and committees.

FY14/15 GOALS AND OBJECTIVES

Water supply:

- Update demand forecasts and water conservation tracking
- Review and initiate update of Water Supply Evaluation
- Transmission System Plan Update
- Water System Evaluation
- Update the Urban Water Management Plan
- Continue to investigate alternative water supply sources, such as desalination and recycled water
- Continue to coordinate with other Bay Area water agencies to enhance regional reliability
- Enhance public understanding of source water supply and quality and the importance of water conservation
- Continue to represent Zone 7 to outside organizations, such as the State Water Contractors

Flood protection:

- Update the Stream Management Master Plan (SMMP)
- Continue to support Staff on evaluating potential development agreements for the construction of flood protection facilities
- Continue to represent Zone 7 to outside organizations, such as the Bay Area Flood Protection Agencies Association (BAFPAA)

Watershed protection and other environmental efforts:

- Continue to provide support to other Zone 7 departments on planning, environmental, and permitting efforts
- Continue the Living Arroyos Program for community volunteers and education
- Coordinate with outside agencies and organizations addressing environmental issues.
- Complete CEQA efforts associated with facility construction and other planning efforts.
- Continue to represent Zone 7 to outside organizations, such as the Alameda Creek Watershed Forum

General:

- Continue to provide support for Chain of Lakes planning
- Continue to represent Zone 7 during conferences, workshops and outside panels
- Continue to seek grants

FY13/14 MAJOR ACCOMPLISHMENTS

- Provided presentations regarding Zone 7's Drought Emergency Action Plan to various Councils, Boards, untreated water customers and other public meetings
- Completed the Chain of Lakes Preliminary Use Evaluation
- Saved 92 acre-feet over the past two years through conservations programs targeting outdoor irrigation
- Completed the Environmental Baseline efforts for the update of the SMMP
- Partnered to complete the initial valley-wide hydrology model for flood protection
- Completed CEQA and environmental permitting for various engineering projects
- Secured grant funding for water conservation through Round 2 of Proposition 84
- Pending grant application for up to \$3.3 million for Emergency Drought Projects and water conservation through Round 3 – Drought of Proposition 84
- Completed biological studies, initiated hydrologic modeling, and met with protestors and regulators to address concerns and protests on the Arroyo Valle Water Right Petition for Extension of Time. Secured the dismissal of one protest from ACWD.
- Created a partnership with the City of Livermore and the Urban Creeks Council to initiate the Living Arroyos Program that engages community volunteers and employs local college interns to perform stream-side plantings and minor maintenance to educate the public about the local flood protection streams
- Helped Zone 7 gain a seat on the PWRPA Board of Directors
- Helped Zone7 achieve over \$125,000 in energy cost savings in 2013 by participating in PG&E Peak-Day Pricing Program and EnerNOC Capacity Bidding Program.
- Helped Zone 7 achieve \$26,000 in reduced energy costs through the DWTP solar power system.
- Helped CUWCC complete the Residential Guide Book on Indoor Water Use Efficiency
- Worked with other Bay Area water agencies to create the "Guiding Principles for Bay Area Regional Reliability" (BARR) partnership.

WORKLOAD MEASURES:

Integrated Planning	FY11/12 Actual	FY12/13 Actual	FY13/14 Estimate	FY14/15 Estimate
Water conservation rebates	3,132	3,100	2,740	3,500

INTEGRATED PLANNING STAFFING SUMMARY

Staff	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	Change
Senior Engineer/Geologist	0.00	0.00	2.00	2.00	0.00
Associate Engineer (Engineer III)	0.00	0.00	2.00	2.00	0.00
Associate Water Resources Planner	0.00	0.00	1.00	1.00	0.00
Junior Water Resources Planner	0.00	0.00	1.00	1.00	0.00
Water Conservation Coordinator	0.00	0.00	1.00	1.00	0.00
Administrative Student Intern	0.00	0.00	0.50	0.50	0.00
Integrated Planning	0.00	0.00	7.50	7.50	0.00

STAFFING CHANGES

No changes are anticipated.

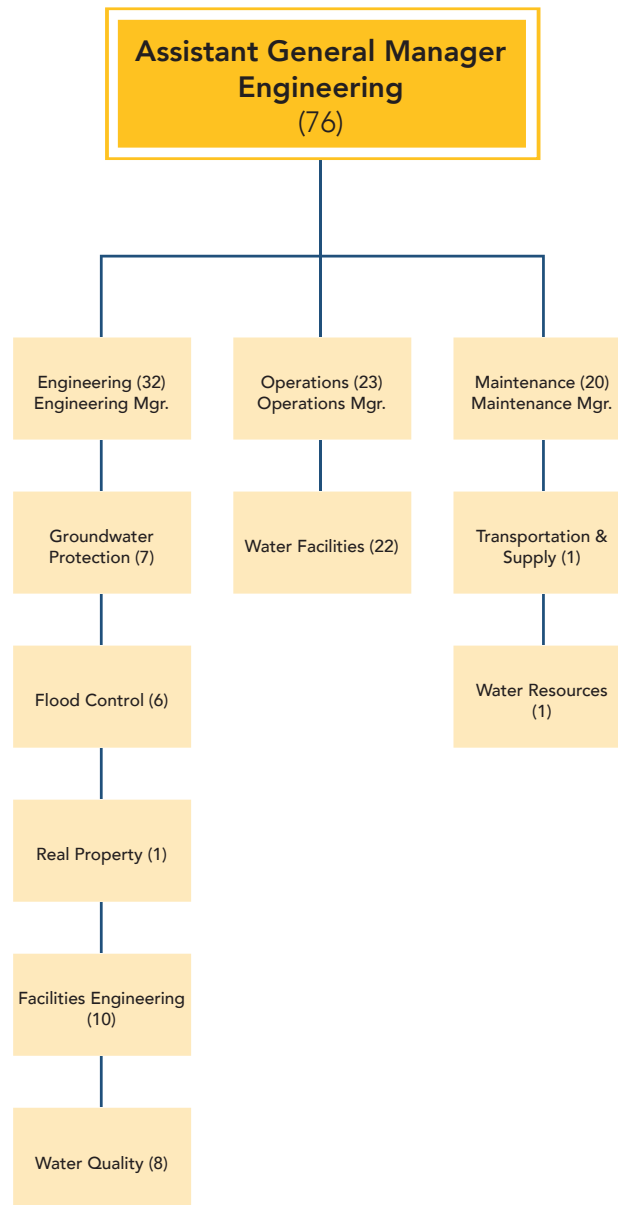
INTEGRATED PLANNING BUDGET BY FUND

Fund	FY14/15 Budget
Fund 100 - Water Enterprise	\$1,356,975
Fund 120 - Water Renewal/ Replacement & Systemwide Improvements	1,428,693
Fund 130 - Water Expansion	1,791,857
Fund 200 - Flood Control	4,779,688
Fund 210 - Flood Protection & Stormwater Drainage	4,964,753
Total	\$14,321,966

INTEGRATED PLANNING BUDGET BY PROGRAM

Program	FY14/15 Budget
Water Utility Support Services	\$699,312
Supply Source & Conveyance	3,521,444
Water Storage	64,078
Water Treatment	0
Central Administration	292,691
Flood Protection	9,744,441
Capital Projects	0
Total	\$14,321,966

Engineering Organizational Chart



Facilities Engineering

Plans, designs and constructs major water supply, conveyance, production, and delivery facilities for expansion, system-wide improvements and renewal/replacement programs. Also designs and constructs flood control channel improvements. FE also manages the Agency's Capital Improvement and Asset Management Programs.

FY14/15 GOALS AND OBJECTIVES

Plan, design and construct major water supply, production and delivery facilities:

- Continue with DWWT Superpulsator Project – Phase 2
- Continue to construct drought emergency projects (Chain of Lakes Well 5).
- Continue to implement other drought emergency projects that also have long term benefits.
- Continue to implement other CIP system-wide improvement and renewal/replacement projects.

Manage Agency's water supply sources:

- Continue to manage/implement CIP Program and Asset Management Program to provide maximum reliability for current year and beyond while meeting current water demands.
- Continue to provide engineering support as needed to the other Zone 7 departments, especially operations and maintenance, to help ensure the reliability of current facilities' performance.
- In conjunction with Safety and Operations staff, provide updates for and ensure compliance with Hazardous Materials Business Plans and Risk Management Plans.

FY13/14 MAJOR ACCOMPLISHMENTS

- Completed the Arroyo Mocho Stanley Reach Riparian Restoration and Channel Improvements Project
- Completed the DWWT Superpulsator Rehabilitation Project - Phase 1
- Completed the DWWT Caustic Soda Storage Tank Rehabilitation Project
- Completed the DWWT Sludge Handling (Centrifuge Purchase and Installation) Project
- Completed the PPWT PWRPA Electrical Installation (Alternative Energy) Project
- Completed the PPWT UF Clarifier Corrosion Control Improvements Project
- Completed the Well Repair Project (Pump Replacements and Downhole Inspection/Cleaning of Mocho Well 3, Mocho Well 4 and Stoneridge Well)
- Completed the Cope Lake – Lake I Pipeline Connection Project

WORKLOAD MEASURES:

Facilities Engineering	FY11/12 Actual	FY12/13 Actual	FY13/14 Estimate	FY14/15 Estimate
Development reviews	16	15	20	20
CEQA documentation for Zone 7 projects	17	20	20	20
Capital projects (millions)	\$21.8	\$22.8	\$45.1	\$32.5
Main basin artificial recharge (acre-feet)	8,778	8,677	7,500	7,000
Water from banking programs (acre-feet)	0	2,000	6,700	0

FACILITIES ENGINEERING STAFFING SUMMARY

Staff	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	Change
Manager of Engineering	0.00	1.00	1.00	1.00	0.00
Principal Engineer	1.00	1.00	1.00	1.00	0.00
Senior Engineer/Geologist	3.00	2.00	2.00	2.00	0.00
Associate Engineer- Control System	1.00	1.00	1.00	1.00	0.00
Associate Engineer (Engineer III)	10.00	8.00	6.00	5.00	-1.00
Junior/Assistant Engineer	0.00	0.00	1.00	2.00	1.00
Water Resources Technician III	1.00	1.00	0.00	0.00	0.00
Water Resources Technician II	0.00	1.00	1.00	2.00	1.00
Facilities Engineering	16.00	15.00	13.00	14.00	1.00

STAFFING CHANGES

Reclassified an Associate Engineer position to a Junior/Assistant Engineer position.

FACILITIES ENGINEERING BUDGET BY FUND

Fund	FY14/15 Budget
Fund 100 - Water Enterprise	\$1,811,682
Fund 120 - Water Renewal/ Replacement & Systemwide Improvements	4,075,000
Fund 130 - Water Expansion	200,000
Fund 200 - Flood Control	304,061
Fund 210 - Flood Protection & Stormwater Drainage	0
Total	\$6,390,743

FACILITIES ENGINEERING BUDGET BY PROGRAM

Program	FY14/15 Budget
Water Utility Support Services	\$2,040,800
Supply Source & Conveyance	101,792
Water Storage	69,169
Water Treatment	3,721,192
Water Transmission	120,157
Central Administration	33,572
Flood Protection	304,061
Capital Projects	0
Total	\$6,390,743

Groundwater Protection

Develops and manages Zone 7’s groundwater protection programs and investigations. Groundwater also manages projects related to conceptual design of groundwater recharge and pumping facilities, along with the final design and construction of small facilities related to the groundwater programs. Provides well inspection services and field measurements of groundwater and surface water resources.

FY 14-15 GOALS AND OBJECTIVES

Protect and manage the groundwater basin:

- Continue implementation and improvement of the groundwater management program to protect groundwater quality and storage and optimize the use of the groundwater basin while minimizing the impacts, including any future salt degradation of the groundwater resources.
- Prepare annual report of the Groundwater Management Program (including salt management component) for distribution to interested agencies, including the Regional Water Quality Control Board (RWQCB).
- Complete Zone 7’s Nutrient Management Plan as an addendum to the existing Salt Management Plan.
- Develop new monitoring program for the new Chain of Lakes recharge operations.
- Closely monitor the drought-related impacts to the groundwater levels, if any.

FY 13-14 MAJOR ACCOMPLISHMENTS

- Prepared annual Groundwater Management Program Report for Water Year 2012.
- Received grant funding from DWR’s Local Groundwater Assistance program to begin working on groundwater model upgrades.
- Installed lake level monitoring instrumentation in Lakes H, I and Cope.
- Updated the long-term salt loading and water quality impact assessment of Zone 7’s Salt Management Plan for the Livermore Valley Groundwater Basin.

Groundwater Protection	FY11/12 Actual	FY12/13 Actual	FY13/14 Estimate	FY14/15 Estimate
Groundwater samples	170	168	170	170
Groundwater level measurements	763	864	890	890

GROUNDWATER PROTECTION STAFFING SUMMARY

Staff	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	Change
Principal Engineer	1.00	1.00	1.00	1.00	0.00
Associate Engineer (Engineer III)	1.00	1.00	1.00	1.00	0.00
Assistant Engineer (Engineer II)	2.00	1.00	1.00	1.00	0.00
Emergency & Safety Supervisor	0.00	0.00	0.00	0.00	0.00
Construction Inspector	1.00	1.00	1.00	1.00	0.00
Water Resources Technician II	4.00	4.00	3.00	3.00	0.00
Groundwater Protection	9.00	8.00	7.00	7.00	0.00

STAFFING CHANGES

Transfer of 1 FTE from an Associate Engineer position to a Junior/Assistant Engineer position.

GROUNDWATER PROTECTION BUDGET BY FUND

Fund	FY14/15 Budget
Fund 100 - Water Enterprise	\$1,305,261
Fund 120 - Water Renewal/ Replacement & Systemwide Improvements	0
Fund 130 - Water Expansion	0
Fund 200 - Flood Control	36,293
Fund 210 - Flood Protection & Stormwater Drainage	0
Total	\$1,341,554

GROUNDWATER PROTECTION BUDGET BY PROGRAM

Program	FY14/15 Budget
Water Storage	\$1,297,638
Water Treatment	0
Water Transmission	0
Central Administration	7,623
Flood Protection	36,293
Capital Projects	0
Total	\$1,341,554

Water Quality

Provides water quality engineering technical support and laboratory analytical services for regulatory compliance and permitting, treatment plant performance verification, groundwater analysis, support for treatment improvement or expansion projects, and special operation/engineering studies. WQ also provides technical support to Operations and to water retail customers to resolve or understand water quality issues, as well as providing analytical support services to our retailers, as needed.

FY14/15 GOALS AND OBJECTIVES

Reliably provide high quality water:

- Continue providing water supply that meets all CDPH and EPA health-related standards.
- Coordinate ongoing implementation of various capital improvement projects and activities called out by Zone 7’s Water Quality Policy Goals and its Water Quality Management Program, which set forth water targets that are more stringent than regulated standards and for a few aesthetic-related parameters such as hardness, taste and odor.
- Obtain Board adoption of proposed revisions to the Water Quality Policy.
- Continue to work with retailers in preparing biennial report of the Water Quality Management Program.
- Continue providing support for investigation of various water supply options and treatment issues.
- Continue monitoring State and federal regulatory development for drinking water standards, especially for hexavalent chromium.

FY13/14 MAJOR ACCOMPLISHMENTS

- In response to proposed hexavalent chromium regulation, staff conducted data analysis and investigated various compliance strategies.
- Staff is providing investigative support for different treatment and regulatory compliance challenges caused by degrading source water quality due to current drought conditions.
- Prepared proposed revisions to Zone 7’s WQ Policy jointly with treated and untreated water contractors. It is anticipated that joint policy will be adopted by Zone 7 Board sometime in 2014.
- Purchased and installed automated extraction system to improve efficiency and consistency of synthetic organic chemicals (SOCs) analysis by EPA methods 508 and 525.

WORKLOAD MEASURES:

Water Quality	FY11/12 Actual	FY12/13 Actual	FY13/14 Estimate	FY14/15 Estimate
Water quality samples analyzed	1,224	1,185	1,300	1,400

WATER QUALITY STAFFING SUMMARY

Staff	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	Change
Associate Engineer (Engineer III)	0.50	0.50	0.50	0.50	0.00
Assistant Engineer (Engineer II)	1.00	1.00	1.00	1.00	0.00
Junior Engineer (Engineer I)	1.00	1.00	1.00	1.00	0.00
Water Quality Manager	1.00	1.00	1.00	1.00	0.00
Water Quality Chemist	2.00	2.00	2.00	2.00	0.00
Water Quality Lab Technician	2.00	2.00	2.00	2.00	0.00
Water Quality	7.50	7.50	7.50	7.50	0.00

STAFFING CHANGES

No changes are anticipated.

WATER QUALITY BUDGET BY FUND

Fund	FY14/15 Budget
Fund 100 - Water Enterprise	\$1,501,516
Fund 120 - Water Renewal/ Replacement & Systemwide Improvements	134,000
Fund 130 - Water Expansion	6,000
Fund 200 - Flood Control	—
Fund 210 - Flood Protection & Stormwater Drainage	—
Total	\$1,641,516

WATER QUALITY BUDGET BY PROGRAM

Program	FY14/15 Budget
Water Utility Support Services	\$1,239,918
Water Storage	105,156
Water Treatment	294,827
Central Administration	1,615
Capital Projects	0
Total	\$1,641,516

Operations

Operates three surface water treatment plants (Del Valle conventional Water Treatment Plant (WTP), Patterson Pass conventional WTP, and Patterson Pass ultra-filtration WTP), nine wells, a groundwater demineralization plant, the transmission system for the water enterprise, several rate control/pump stations, and numerous metered turnout facilities to the retail water agencies to ensure proper operation of facilities and treatment and delivery of water.

FY14/15 GOALS AND OBJECTIVES

Meet service and quality requirements of the Agency's customers:

- Deliver water to treated and untreated customers according to approved water delivery requests and as required in the event of unscheduled or emergency situations.
- Meet and/or exceed all drinking water requirements through diligent operation of the Agency's three water treatment plants, nine wells, demineralization plant, and transmission system.

FY13/14 MAJOR ACCOMPLISHMENTS

- Delivered high-quality water to treated and untreated customers as required, despite drought conditions.

WORKLOAD MEASURES:

Operations	FY11/12 Actual	FY12/13 Actual	FY13/14 Estimate	FY14/15 Estimate
Water treated (millions of gallons)	13,000	15,400	15,400	15,000

OPERATIONS STAFFING SUMMARY

Staff	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	Change
Production Manager	0.00	0.00	0.00	0.00	0.00
Operations Manager	1.00	1.00	1.00	1.00	0.00
Water Facilities Supervisor	3.00	3.00	3.00	3.00	0.00
Secretary	1.00	1.00	1.00	1.00	0.00
Water Plant Operator III	19.00	19.00	19.00	19.00	0.00
Operations	24.00	24.00	24.00	24.00	0.00

STAFFING CHANGES

No changes are anticipated.

OPERATIONS BUDGET BY FUND

Fund	FY14/15 Budget
Fund 100 - Water Enterprise	\$9,831,675
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	160,000
Total	\$9,991,675

OPERATIONS BUDGET BY PROGRAM

Program	FY14/15 Budget
Water Utility Support Services	\$345,950
Water Treatment	8,609,601
Water Transmission	1,005,924
Central Administration	30,200
Total	\$9,991,675

Maintenance

Provides maintenance and construction services for the entire treated water system (e.g., water treatment plants, wells, demineralization plan, and rate control/pump stations) including mechanical, electrical, and instrumentation services; performs underground pipeline repair and maintenance; provides some maintenance support for Flood Control; and provides vehicle fleet management services to the Agency.

FY14/15 GOALS AND OBJECTIVES

In FY14/15 Maintenance plans to continue our daily work as stated above and to perform the same types of work on capital projects, including those originating in Maintenance and those larger projects that originate in our Engineering Section. Some of the projects anticipated in FY14/15 are: DWWTP replacement of electrical panel MCC-2; replacement of additional valve actuators at PPWTP, and at those wells using 12% hypochlorite; and installation of new chemical feed pumps. We also intend to complete our storage yard at PPWTP, and are working towards a functional inventory and storage system.

FY13/14 MAJOR ACCOMPLISHMENTS

- Installed water level transmitters at two locations at COL.
- Upgraded the DWWTP Caustic system tank levels and pump controls.
- Replaced the DWWTP Fire pump control panel.
- Made DWWTP PEA System modifications, replaced meter and control valve and vault repair at P-3 turnout, and made repairs to COL Well 2 motor and VFD drive.
- Purchased a backhoe and 10 wheel dump truck for sludge hauling and pipeline excavation this year along with performing a major painting project on equipment located at various sites.

WORKLOAD MEASURES:

Maintenance	FY11/12 Actual	FY12/13 Actual	FY13/14 Estimate	FY14/15 Estimate
Maintenance jobs completed	3,052	3,200	3,300	3,500

MAINTENANCE STAFFING SUMMARY

Staff	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	Change
Maintenance Manager	1.00	1.00	1.00	1.00	0.00
Water Systems Superintendent	0.00	0.00	0.00	0.00	0.00
Water Facilities Supervisor	0.00	0.00	0.00	0.00	0.00
Facilities Maintenance & Construction Supervisor	2.00	2.00	2.00	2.00	0.00
Maintenance Materials Planner/Buyer	0.00	0.00	0.00	0.00	0.00
Maintenance Coordinator	1.00	1.00	1.00	1.00	0.00
Electrician	2.00	2.00	2.00	2.00	0.00
Transportation & Supply Coordinator	1.00	1.00	1.00	1.00	0.00
Instrument Technician II	4.00	4.00	4.00	4.00	0.00
Lead Plant Mechanic	1.00	1.00	1.00	1.00	0.00
Plant Mechanic	4.00	4.00	4.00	4.00	0.00
Plant Maint Laborer	1.00	1.00	1.00	1.00	0.00
Construction Maintenance Laborers	2.00	2.00	2.00	2.00	0.00
Maintenance	19.00	19.00	19.00	19.00	0.00

STAFFING CHANGES

No changes are anticipated.

MAINTENANCE BUDGET BY FUNDS

Fund	FY14/15 Budget
Fund 100 - Water Enterprise	\$5,768,699
Fund 120 - Water Renewal/ Replacement & Systemwide Improvements	470,000
Fund 200 - Flood Control	35,856
Total	\$6,274,555

MAINTENANCE BUDGET BY PROGRAM

Program	FY14/15 Budget
Water Utility Support Services	\$1,908,712
Water Storage	88,508
Water Treatment	3,324,062
Water Transmission	632,809
Central Administration	138,910
Flood Protection	35,856
Capital Projects	145,698
Total	\$6,274,555

Flood Control

Of the 620 square miles of the Alameda Creek watershed, Zone 7 provides regional flood protection management services to approximately 425 square miles located in the upper watershed areas. Management activities include implementing the Development Impact Fee (DIF) program, and maintenance and land rights administration of approximately 37 miles of flood control channels and access roads which Zone 7 currently owns; the purpose of the DIF program is to plan, design, and construct new flood control projects to address future development’s impact on the FC system.

FY14/15 GOALS AND OBJECTIVES

Provide regional flood protection facilities designed for a 100-year storm event:

- Update the Flood Control Master Plan including an implementation plan on maintenance and capital improvements, and identify necessary financial support.
- Monitor land use activities to ensure new urban development adequately addresses potential flood impacts resulting from its increased runoff.

FY13/14 MAJOR ACCOMPLISHMENTS

- Completed 33 bank repairs, 14 biotech brush walls, 2,019 linear feet of access roadway and drainage renovation. Total construction cost was \$850,000. In addition, staff managed various maintenance activities such as vegetation management, down tree removal, hydroseeding, fence and gate repairs, and debris and trash removal, totaling an additional \$500,000.
- Coordinated with the U.S. Army Corps of Engineers for the bi-annual inspection on Zone 7 facilities to maintain Zone 7’s eligibility status for federal funding in the event of a storm disaster.
- In support of the Stream Management Master Plan (SMMP) updating effort, staff completed a preliminary report and simple system-wide hydrology and hydraulic models based on the 1998 flooding event. The preliminary report and models were sent to three local Flood Control agencies for their peer review and comment.
- Completed the civil works portion of the Arroyo Mocho –Stanley Reach Project. Zone 7’s Living Arroyo Program, collaboration among Urban Creeks Council, City of Livermore and Zone 7 is implementing the planting plan. The Living Arroyo Program seeks to improve the urban streams and streamside habitats of the Livermore-Amador valley and to engage the local community.
- Removed large slabs of a concrete structure crossing that collapsed and was obstructing the Arroyo de la Laguna flow within the Castlewood Country Club property so that a potential threat to public health and safety could be avoided.

WORKLOAD MEASURES:

Flood Control	FY11/12 Actual	FY12/13 Actual	FY13/14 Estimate	FY14/15 Estimate
Channel miles maintained	37	37	37	37
Active flood protection and stormwater drainage projects	3	3	3	3
Design reviews	16	16	20	20

FLOOD CONTROL STAFFING SUMMARY

Staff	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	Change
Principal Engineer	1.00	1.00	1.00	1.00	0.00
Associate Engineer (Engineer III)	3.00	2.00	2.00	2.00	0.00
Assistant Engineer (Engineer II)	1.00	2.00	1.00	1.00	0.00
Water Resources Technician II	2.00	1.00	1.00	1.00	0.00
Flood Control	7.00	6.00	5.00	5.00	0.00

STAFFING CHANGES

No changes are anticipated.

FLOOD CONTROL BUDGET BY FUNDS

Fund	FY14/15 Budget
Fund 100 - Water Enterprise	\$88,348
Fund 120 - Renewal/Replacement & Systemwide Improvements	0
Fund 130 - Expansion	0
Fund 200 - Flood Control	4,292,575
Fund 210 - Flood Protection & Stormwater Drainage	416,700
Total	\$4,797,623

FLOOD CONTROL BUDGET BY PROGRAM

Program	FY14/15 Budget
Central Administration	\$88,348
Flood Protection	4,709,275
Capital Projects	0
Total	\$4,797,623



APPENDIX A

RESERVE POLICY

RESERVE POLICY

ADOPTED BY THE ZONE 7 BOARD ON APRIL 17, 2013

1. POLICY STATEMENT

As a part of its mission to provide a reliable supply of high-quality water and effective flood control in a fiscally-responsible way, the Agency is in the process of developing a comprehensive financial plan that will provide a strategy for the timely and cost-effective funding of operations, the capital improvement program and long term financial stability. In conjunction with the development of the aforementioned financial plan, this Interim Reserve Policy, including the methodology for establishing minimum and maximum levels, will be reviewed and re-evaluated to ensure the Agency's financial and fiscal soundness.

A key element of prudent financial planning is to ensure that sufficient funding is available for current operating, capital, and debt service needs. Additionally, fiscal responsibility requires anticipating the likelihood of, and preparing for, unforeseen events. Zone 7 Water Agency ("Zone 7", or the "Agency") will at all times strive to have sufficient funding available to meet its operating, capital, and debt service obligations. Reserve Funds ("Funds") will be accumulated, designated and maintained to allow Zone 7 to fund operating expenses and capital expenditures in a manner consistent with its budget and capital improvement plan, respectively, and avoid significant customer rate fluctuations due to changes in cash flow requirements. Further Zone 7 will endeavor to designate funds for all forms of potential disasters, emergencies and unforeseen events to ensure that funds are available to cover the costs associated therewith.

The Zone 7 Board of Directors (the "Board") adopted a Financial Management Framework (the "Framework") on November 16, 2011 (Resolution Number 4137) which includes planning for current operating and capital resource needs to ensure it can achieve its mission by providing for financial stability and health of the Agency. This Interim Reserve Policy has been developed in keeping with the Framework. One of the Framework's goals is to be able to respond to changes in the economic environment and service demands with minimal impact on its customers while maintaining the financial integrity of Zone 7. A fundamental purpose of this policy is to link what must be accomplished with the necessary resources to successfully do so.

The Policy directives outlined in this document are intended to ensure Zone 7 has sufficient funds to meet current and future needs. The Board shall designate specific funds and maintain minimum fund balances consistent with definitions and funding levels outlined in the Policy. The Board will annually review the level of Funds. For the purposes of compliance with this Policy, Zone 7 may use the amounts on deposit in each of the funds as of the final day of each fiscal year for such calculation.

2. DEFINITIONS

Restricted Reserves: Restrictions imposed by an outside source. May be required by bond covenants in the case of debt issuance or by California's Mitigation Fee Act in the case of water connection fees or flood control's developer impact fees

Designated Reserves: Set aside for a specific purpose determined by Zone 7's Board of Directors. The Board of Directors has the authority to redirect the use of these funds as needs of the Agency change.

Unrestricted Reserves: Have no imposed restrictions as to their use.

3. GENERAL PROVISIONS

Zone 7 will maintain its funds in separate accounts in a clearly identifiable manner that provides transparency to its ratepayers. This Policy establishes Reserve Funds for each of the following major funding areas.

Water Enterprise

- Flood Control
- State Water Project

The minimum fund balances are established to:

- Comply with applicable statutory requirements
- Finance future capital facilities, finance improvements, and repair and replacement of existing assets
- Assure cash flow requirements are met
- Provide for economic uncertainties, local disasters, and other financial hardships or downturns in the local or national economy
- Provide for contingencies, emergencies or unforeseen operating or capital needs

To ensure reliable service to its ratepayers and maintain fiscal responsibility, in every fiscal year Zone 7 will maintain balances in its Reserve Funds that are financially prudent.

SEGREGATION OF FUNDS

The Agency will not transfer moneys between reserve funds that are established under different functions of the Agency. The Agency may complete interfund borrowing between reserves of different functions of the Agency. The Board shall approve any reallocation of funds or any transfers among Reserve Funds.

4. FUND TARGET LEVELS AND POLICY COMPLIANCE MANAGEMENT

Upon Board adoption of this policy, Zone 7 staff will take necessary actions to comply with this policy.

Fund balances will be reviewed on an annual basis at the end of the fiscal year based on unaudited/audited actuals to ensure compliance with this Policy

The minimum established for each Fund represents the target that is acceptable to Zone 7 from risk and long-range financial planning perspectives. Maintaining fund balances at appropriate levels is a prudent, ongoing business process that consists of an iterative, dynamic assessment and application of various revenue generating alternatives. These revenue-generating alternatives (either alone or in combination with each other) include, but are not limited to:

- fees and charges,
- energy usage,
- capital financing,
- investment of funds, and
- levels of capital expenditures.

I. WATER ENTERPRISE OPERATING RESERVE

The amounts in the Water Enterprise Operating Reserve should fluctuate depending on the annual operating expenses of Zone 7. The Water Enterprise Operating Reserve Fund is designated by the Board to maintain a reserve for current operations and to meet routine cash flow needs. Money on deposit in this fund may be used for unanticipated operating expenses, daily cash flow requirements and emergencies.

- **Minimum and Maximum Levels** – Funding shall be targeted at a minimum amount equal to thirty-two (32) days of the Agency’s budgeted total operating expenses, and the maximum amount shall not exceed ninety (90) days of the total budgeted operating expenses. Zone 7 will strive to maintain a target balance amount between thirty-two (32) and ninety (90) days of the Agency’s budgeted total operating expenses.
- **Events or Conditions Prompting the Use of the Fund** – This fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses and extraordinary decreases in revenues and unexpected increases in expenses.
- **Periodic Review Dates for Balances** – Fund balances and target levels will be reviewed by staff, the Board and the public during the development and approval of each budget.

II. WATER ENTERPRISE EMERGENCY RESERVE

Funds in the Water Enterprise Emergency Reserve can be used for any operating or capital purpose (i) to begin repair of the water enterprise system after a catastrophic event, such as, but not limited to, an earthquake, fire, terrorist event, or storm while insurance claims are being processed or (ii) in the event of severe financial events that impact the financial soundness of Zone 7.

- **Minimum and Maximum Levels** – Funding shall be targeted at a minimum equal to 1% of the capital assets of the Agency’s water enterprise system and a maximum of 3% of the capital assets of the enterprise system, based on current Federal Emergency Management Agency (FEMA) guidelines. Zone 7 will strive to maintain a target balance equal to 2% of the capital assets of the water enterprise system.
- **Events or Conditions Prompting the Use of the Fund** – The Board may designate use of this fund after establishing that conditions exist as called out in the definition and purpose of the fund. Funds will be transferred to the appropriate capital or operating fund as necessary.
- **Periodic Review Dates for Balances** – Fund balances and target level will be reviewed by staff, the Board and the public during the development and approval of each budget.

III. WATER ENTERPRISE DROUGHT CONTINGENCY RESERVE

The Water Enterprise Drought Contingency Reserve, formerly called the “Rate Stabilization Reserve,” supplements losses to water sales revenue resulting from impacts of drought conditions due to regulatory or State and Federal mandated reductions in supply, or an unforeseen event such as a natural disaster, water shortage or other catastrophic event.

- **Minimum and Maximum Levels** – Zone 7 will strive to maintain a minimum target balance equal to seven percent (7%) of the budgeted amount of water sales revenue and a maximum target amount equal to 20% of the budgeted amount of water sales revenue.

- **Events or Conditions Prompting the Use of the Fund** – Funds may be utilized by staff to cover operating expenses when revenue does not cover the cost of providing services (operating expenses and Asset Management Program transfer) due to losses resulting from the aforementioned conditions.
- **Periodic Review Dates for Balances** – Fund balances and the need for funding drought contingency measures will be reviewed by staff, the Board, and the public during the development and approval of each budget. Additionally, the need for funding drought contingency measures may be reviewed at any time during the course of any fiscal year should the need arise.

IV. WATER ENTERPRISE RATE STABILIZATION RESERVE

The Rate Stabilization Reserve is a new reserve that will serve as a means to temper the need for significant water rate increases. Ongoing water rate increases are projected to meet the cost of service. In order to offset significant increases in water rates, the rate stabilization reserve will be established. The reserve will accumulate revenues for use during periods of unanticipated fluctuations in treated water rate revenues and cost of service.

- **Minimum and Maximum Levels** – The Agency will maintain a minimum target level equal to six percent (6%) of the budgeted amount of water sales revenue.
- **Events or Conditions Prompting the Use of the Fund** – This reserve will be drawn down to smooth rate increases as authorized by the Board during the rate-setting and/or budget process. The Agency will strive for an initial target balance of \$6.8 million. To determine whether and in what amount money from this reserve should be used to offset any proposed water rate increase in excess of 2 times the CPI for the San Francisco Bay Area, Zone 7 will consider and analyze the following factors:
 1. the annual CPI for the San Francisco Bay Area;
 2. the annual increase in construction costs as provided by the Engineering New Record or alternative source for such data;
 3. the projected rate increases for the next succeeding five fiscal years of the Agency;
 4. the actual rate increases for the previous five fiscal years of the Agency;
 5. the projected capital expenditures for the next succeeding five fiscal years of the Agency;
 6. the funds on hand to spend on capital projects over the next succeeding five fiscal years of the Agency; and
 7. the amounts on deposit in each of the other Reserve Funds covered under this policy.
- **Periodic Review Dates for Balances** – Fund balances and target level will be reviewed by staff, the Board, and the public during the development and approval of each budget.

V. WATER ENTERPRISE CAPITAL IMPROVEMENT, RENEWAL & REPLACEMENT AND SYSTEMWIDE IMPROVEMENTS RESERVE

The Agency employs a pay-as-you-go funding strategy to minimize debt borrowing and interest expenses, therefore capital reserve funds are accumulated to provide for current and future funding needs of the various capital programs. The amount on deposit in the Water Enterprise Capital Improvement, Renewal & Replacement and System-Wide Improvements Reserve is earmarked by the Board of Directors for capital projects to meet regulatory requirements, replacement needs and system reliability of Zone 7's water enterprise. These capital projects are included in the following, both of which are reviewed and approved by the Board of Directors periodically:

- 10-year Water System Capital Improvement Program; and
- the Asset Management Program (AMP).

Within this fund is a separate reserve to be used for a portion of the acquisition of the Agency's administrative-engineering building (the "Building Sinking Fund"). Contributions are made to the Water Enterprise Capital Improvement, Renewal & Replacement and System-Wide Improvement Sinking Fund at the discretion of the Agency and money therein is designated for the purpose of acquiring the Agency's future administrative-engineering building. At such time that the administrative-engineering building is acquired by Zone 7, the Building Sinking Fund may be closed at the discretion of the Agency. The Capital Improvement, Renewal & Replacement System-Wide Improvements Reserve funds capital improvement projects and assets, and the renewal or replacement of capitalized assets as they reach the end of their useful lives.

- **Minimum and Maximum Levels** – Funding for the Water Enterprise Capital Improvement, Renewal & Replacement and System-Wide Improvement Reserve shall be targeted at a minimum amount equal to 100% of the estimated capital budget for the fiscal year immediately succeeding the then-current budgeted fiscal year, plus 50% of the estimated capital budget for the fiscal year two years subsequent to the then current budgeted fiscal year. Zone 7 will not have a maximum target for this fund, but rather the fund shall accumulate sufficient reserves to pay for future projects set forth in the AMP and the reserve balance shall be consistent with the reserve balances forecast in the most recent asset management plan and the current capital improvement plan. Funds on deposit in the Building Sinking Fund shall not be considered in connection with the calculation of minimum levels.
- **Events or Conditions Prompting the Use of the Fund** – Staff will recommend that assets be constructed, replaced, upgraded and/or repaired during the development and approval of the annual budget. Funds will be appropriated from the Water Enterprise Capital Improvement, Renewal & Replacement and System-Wide Improvement Reserve for renewal, replacement, or system-wide improvements projects.
- **Periodic Review Dates for Balances** – Fund balances and projected improvement projects will be reviewed by staff, the Board and the public during the development and approval of each budget.

VI. WATER ENTERPRISE CAPITAL EXPANSION RESERVE

The Agency employs a pay-as-you-go funding strategy to minimize debt borrowing and interest expenses, therefore capital reserve funds are accumulated to provide for current and future funding needs. Money in the Water Enterprise Capital Expansion Reserve is earmarked by the Board of Directors for capital projects to meet needs as a result of development and system reliability. In furtherance of meeting such needs the Agency incurred certain non-discretionary financial obligations associated with capital expansion projects. Within this fund are three separate reserves to be used for the:

1. A portion of the acquisition costs for the Agency's administrative-engineering building, (the "Building Sinking Fund");
2. Construction of improvements and enlargements to the South Bay Aqueduct (the "SBA Sinking Fund") and
3. Future Contractors share of the South Bay Aqueduct construction (the "FCSBA Sinking Fund").

Contributions are made to the Building Sinking Fund at the discretion of the Agency and moneys therein are designated for the sole use of acquiring the Agency's administrative-engineering building. At such time that the administrative-engineering building is acquired by Zone 7 the Building Sinking Fund may be closed at the discretion of the Agency.

The Water Enterprise Capital Expansion Reserve is used for the funding of expansion capital projects to accommodate new growth.

- **Minimum and Maximum Levels** – Funding for the Water Enterprise Capital Expansion Reserve shall be targeted at a minimum amount equal to 60% of the estimated non-discretionary amount budgeted annually. Zone 7 will not have a maximum limitation for this fund, but rather the fund shall accumulate sufficient reserves to pay for future capital expansion projects as set forth in the capital improvement plan. The Agency may satisfy the minimum amount through the use of lines of credit, interim inter-fund borrowings or other financing arrangements. Funds on deposit in the Building Sinking Fund, SBA Sinking Fund and FCSBA Sinking Fund shall not be considered in connection with the calculation of minimum or maximum levels of the Water Enterprise Capital Expansion Reserve.
- **Events or Conditions Prompting the Use of the Fund** – Staff will recommend new assets to be constructed during the development and approval of the annual budget. Funds will be appropriated from the Water Enterprise Capital Expansion Reserve for expansion capital projects.
- **Periodic Review Dates for Balances** – Fund balances and projected capital projects will be reviewed by staff, the Board and the public during the development and approval of each budget.

VII. FLOOD CONTROL OPERATING RESERVE

The amounts in the Flood Control Operating Reserve Fund will fluctuate depending on the receipt of property taxes and the annual operating expenses of Zone 7. The Flood Control Operating Reserve is designated by the Board to maintain a reserve for current operations and to meet routine cash flow needs. Money on deposit in this fund may be used for unanticipated operating expenses, daily cash flow requirements and emergencies.

- **Minimum and Maximum Levels** – Funding shall be targeted at a minimum amount equal to twenty percent (20%) of the Agency’s budgeted total annual operating expenses, and the maximum amount shall not exceed 50% of the total budgeted operating expenses.
- **Events or Conditions Prompting the Use of the Fund** – This fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses and/or shifts in the allocation of property taxes to Zone 7.
- **Periodic Review Dates for Balances** – Fund balances and target levels will be reviewed by staff, the Board and the public during the development and approval of each budget.

VIII. FLOOD CONTROL CAPITAL PROJECT RESERVE

The Flood Control Capital Project Reserve is a new reserve that will hold the balance of funds once the Flood Control Operating Reserve Fund achieves levels that are consistent with this Policy on an annual basis. The amount on deposit in the Flood Control Capital Project Reserve is earmarked by the Board of Directors for capital projects to meet Zone 7’s flood protection needs. These capital projects are included in the current Flood Control Capital Improvement Plan and in the Stream Management Master Plan and any related updates. Within the Flood Control Project Reserve is a separate reserve to be used for a portion of the acquisition of the Agency’s administrative-engineering building (the “Building Sinking Fund”). Contributions are made to this fund at the discretion of the Agency and money therein is designated for the purpose of acquiring the Agency’s administrative-engineering building. At such time that the administrative-engineering building is acquired by Zone 7, the Building Sinking Fund may be closed at the discretion of the Agency.

- **Minimum and Maximum Levels** – There are no current plans to set minimum or maximum target balances in the Flood Control Project Reserve.
- **Events or Conditions Prompting the Use of the Fund** –The Flood Control Project Reserve may be used at any time for flood control maintenance or improvement projects not related to development.
- **Periodic Review Dates for Balances** – Fund balances will be reviewed by staff, the Board and the public during the development and approval of each budget.

IX. FLOOD PROTECTION AND STORM WATER DRAINAGE DEVELOPMENT IMPACT FEE PROJECT RESERVE

The purpose of the Flood Protection and Storm Water Drainage Development Impact Fee (DIF) Project Reserve is to ensure that Zone 7 is able to meet current and future needs for flood control facilities and is primarily intended to provide funding for any flood control facilities required to mitigate the impacts of new development. This Reserve will hold development impact fees in connection with Flood Protection improvements related to development. Within this fund is a separate reserve to be used for a portion of the acquisition of the Agency's administrative-engineering building (the "Building Sinking Fund"). Contributions to the Building Sinking Fund are made at the discretion of the Agency and money therein is designated for the sole use of acquiring the Agency's administrative-engineering building. At such time that the administrative-engineering building is acquired by Zone 7 the Building Sinking Fund may be closed at the discretion of the Agency.

- **Minimum and Maximum Levels** – This Reserve will not be required to have a minimum or maximum balance.
- **Events or Conditions Prompting the Use of the Fund** – This Reserve may be used at any time for flood protection projects required to mitigate the impacts of new development.
- **Periodic Review Dates for Balances** – Fund balances will be reviewed by staff, the Board and the public during the development and approval of each budget.

X. STATE WATER FACILITIES OPERATING RESERVE

The amounts in the State Water Facilities Operating Reserve Fund will fluctuate depending on the receipt of property taxes and the annual operating expenses of Zone 7 related to the State Water Project. The State Water Facilities Operating Reserve Fund is designated by the Board to maintain a reserve for current operations and to meet routine cash flow needs. This fund may be used for unanticipated operating expenses, daily cash flow requirements and emergencies related to State Water Project costs.

- **Minimum and Maximum Levels** – Funding shall be targeted at a minimum amount equal to fifty percent (50%) of the Agency's budgeted total annual operating expenses and a maximum targeted amount of 100% of the Agency's budgeted total annual operating expenses.
- **Events or Conditions Prompting the Use of the Fund** – This fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses and extraordinary decreases unexpected increases in expenses.
- **Periodic Review Dates for Balances** – Fund balances and target levels will be reviewed by staff, the Board and the public during the development and approval of each budget.



APPENDIX B

FINANCIAL MANAGEMENT FRAMEWORK

Financial Management Framework

PURPOSE

To direct staff to prudently manage Zone 7's funds and to maintain financial and accounting records of all transactions in accordance with generally accepted accounting principles. To adequately plan for the funding of current and future operational requirements and capital resources necessary to achieve the Agency's mission.

To provide staff with a framework to develop policies and procedures to ensure Zone 7's mission by providing financial health and stability to the Agency.

To direct staff that the assessment, levy and collection of taxes, the adoption of the Agency budget, and the appropriation, accounting, and transfer of funds shall be governed by general law and in accordance with generally accepted accounting principles and practices.

ADMINISTRATION OF THE SYSTEM

In keeping with Resolution No. 09-3266, which states that "The Agency's General Manager has full charge and control of the day-to-day management, operation and administration of the Agency," the General Manager shall retain primary jurisdiction, responsibility, and authority for all matters pertaining to the day-to-day financial management of the Agency. To direct, control, supervise, and manage the development, preparation, organization, administration, operation, implementation, and maintenance of a comprehensive financial management program for Zone 7 Water Agency, the General Manager shall be designated as the fiscal officer of the Agency. The General Manager may delegate any of the powers and duties conferred upon him or her as fiscal officer to any other employee of the Agency or may recommend that such powers and duties or any part of them be performed under contract.

SECURITY OF THE SYSTEM

The General Manager shall cause an audit of the financial transactions and records of the Agency to be made at least annually by a third party certified public accountant (i.e., one not employed by the Agency). As soon as possible at the end of each fiscal year a final audit and report shall be completed and submitted to the Board of Directors. Copies shall be placed on file in the office of the General Manager and be available for public inspection.

The General Manager shall also prepare such additional reports as the Board of Directors may from time to time request for information and use in setting financial policies for the Agency.



APPENDIX C

POSITION DETAIL

Position Details, Fiscal Years 11/12-14/15

	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	Change
General Manager	1.00	1.00	1.00	1.00	0.00
Assistant General Manager	1.00	1.00	1.00	1.00	0.00
Assistant General Manager, Engineering	1.00	0.00	0.00	0.00	0.00
Assistant General Manager, Personnel	0.00	0.00	1.00	1.00	0.00
General Counsel	0.00	0.00	0.00	0.00	0.00
Environmental & Public Affairs Manager	0.00	0.00	0.00	0.00	0.00
Water Resources Technician II	0.00	0.00	0.00	0.00	0.00
Executive Assistant	1.00	1.00	1.00	1.00	0.00
Administrative Assistant	2.00	2.00	2.00	2.00	0.00
Senior Engineer/Geologist	0.00	2.00	0.00	0.00	0.00
Associate Engineer (Engineer III)	0.00	2.00	0.00	0.00	0.00
Associate Water Resources Planner	1.00	2.00	0.00	0.00	0.00
Assistant Water Resources Planner	1.00	0.00	0.00	0.00	0.00
Water Conservation Coordinator	1.00	1.00	0.00	0.00	0.00
Staff Analyst	0.00	0.00	0.00	0.00	0.00
Office Assistant	0.00	0.00	0.00	0.00	0.00
Communications Specialist	1.00	1.00	0.00	0.00	0.00
Administrative Student Intern	0.00	0.00	1.00	1.00	0.00
Water Resources Engineer Trainee	0.00	1.00	0.00	0.00	0.00
Office of the General Manager	10.00	14.00	7.00	7.00	0.00
Assistant General Manager, Finance	1.00	1.00	0.00	0.00	0.00
Financial & Systems Services Manager	1.00	1.00	1.00	1.00	0.00
Accounting Manager	1.00	1.00	1.00	1.00	0.00
Senior Auditor/Accountant	1.00	1.00	1.00	1.00	0.00
Staff Analyst	1.00	2.00	1.50	1.00	-0.50
Geographic Information Systems Analyst	1.00	1.00	0.00	0.00	0.00
Transportation & Supply Coordinator	0.00	0.00	0.00	0.00	0.00
Senior Procurement & Contracts Specialist	0.00	0.00	0.00	0.00	0.00
Buyer II	1.00	1.00	1.00	1.00	0.00
Office Assistant	0.00	0.00	0.50	1.00	0.50
Account Clerk	3.00	3.00	3.00	3.00	0.00
Finance	10.00	11.00	9.00	9.00	0.00

	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	Change
Assistant General Manager, Personnel	1.00	1.00	0.00	0.00	0.00
Employee Services Manager	0.00	0.00	1.00	1.00	0.00
Human Resources Analyst II	2.00	2.00	1.00	1.00	0.00
Staff Analyst	0.00	0.00	0.50	1.00	0.50
Communications Specialist	0.00	0.00	1.00	1.00	0.00
Safety Technician II	2.00	2.00	2.00	2.00	0.00
Employee Services Technician	0.00	1.00	1.00	1.00	0.00
Personnel Technician	1.00	0.00	0.00	0.00	0.00
Office Assistant	0.00	0.00	0.50	0.00	-0.50
Employee Services	6.00	6.00	7.00	7.00	0.00
Associate Engineer (Engineer III)	0.50	0.50	0.50	0.50	0.00
Assistant Engineer (Engineer II)	1.00	1.00	1.00	1.00	0.00
Junior Water Resources Planner	1.00	1.00	1.00	1.00	0.00
Water Quality Manager	1.00	1.00	1.00	1.00	0.00
Water Quality Chemist	2.00	2.00	2.00	2.00	0.00
Water Quality Lab Technician	2.00	2.00	2.00	2.00	0.00
Water Quality	7.50	7.50	7.50	7.50	0.00
Senior Engineer/Geologist	0.00	0.00	2.00	2.00	0.00
Associate Engineer (Engineer III)	0.00	0.00	2.00	2.00	0.00
Associate Water Resources Planner	0.00	0.00	1.00	1.00	0.00
Junior Water Resources Planner	0.00	0.00	1.00	1.00	0.00
Water Conservation Coordinator	0.00	0.00	1.00	1.00	0.00
Administrative Student Intern	0.00	0.00	0.50	0.50	0.00
Integrated Planning	0.00	0.00	7.50	7.50	0.00
Manager of Engineering	0.00	1.00	1.00	1.00	0.00
Principal Engineer	1.00	1.00	1.00	1.00	0.00
Senior Engineer/Geologist	3.00	2.00	2.00	2.00	0.00
Associate Engineer - Control System	1.00	1.00	1.00	1.00	0.00
Associate Engineer (Engineer III)	10.00	8.00	6.00	5.00	-1.00
Assistant Engineer	0.00	0.00	1.00	2.00	1.00
Water Resources Technician III	1.00	1.00	0.00	0.00	0.00
Water Resources Technician II	0.00	1.00	1.00	2.00	1.00
Facilities Engineering	16.00	15.00	13.00	14.00	1.00

	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	Change
Principal Engineer	1.00	1.00	1.00	1.00	0.00
Associate Engineer (Engineer III)	1.00	1.00	1.00	1.00	0.00
Assistant Engineer (Engineer II)	2.00	1.00	1.00	1.00	0.00
Emergency & Safety Supervisor	0.00	0.00	0.00	0.00	0.00
Construction Inspector	1.00	1.00	1.00	1.00	0.00
Water Resources Technician II	4.00	4.00	3.00	3.00	0.00
Groundwater Protection	9.00	8.00	7.00	7.00	0.00
Production Manager	0.00	0.00	0.00	0.00	0.00
Operations Manager	1.00	1.00	1.00	1.00	0.00
Water Facilities Supervisor	3.00	3.00	3.00	3.00	0.00
Administrative Assistant	1.00	1.00	1.00	1.00	0.00
Water Plant Operator III	19.00	19.00	19.00	19.00	0.00
Operations	24.00	24.00	24.00	24.00	0.00
Maintenance Manager	1.00	1.00	1.00	1.00	0.00
Water Systems Superintendent	0.00	0.00	0.00	0.00	0.00
Water Facilities Supervisor	0.00	0.00	0.00	0.00	0.00
Facilities Maintenance & Construction Supervisor	2.00	2.00	2.00	2.00	0.00
Maintenance Materials Planner/Buyer	0.00	0.00	0.00	0.00	0.00
Maintenance Coordinator	1.00	1.00	1.00	1.00	0.00
Electrician	2.00	2.00	2.00	2.00	0.00
Transportation & Supply Coordinator	1.00	1.00	1.00	1.00	0.00
Instrument Technician II	4.00	4.00	4.00	4.00	0.00
Lead Plant Mechanic	1.00	1.00	1.00	1.00	0.00
Plant Mechanic	4.00	4.00	4.00	4.00	0.00
Plant Maintenance Laborer	1.00	1.00	1.00	1.00	0.00
Construction Maintenance Laborers	2.00	2.00	2.00	2.00	0.00
Maintenance	19.00	19.00	19.00	19.00	0.00
Principal Engineer	1.00	1.00	1.00	1.00	0.00
Associate Engineer (Engineer III)	3.00	2.00	2.00	2.00	0.00
Assistant Engineer (Engineer II)	1.00	2.00	1.00	1.00	0.00
Water Resources Technician II	2.00	1.00	1.00	1.00	0.00
Flood Control	7.00	6.00	5.00	5.00	0.00
Agency Total	108.50	110.50	106.00	107.00	1.00



APPENDIX D

GLOSSARY OF TERMS

Glossary Of Terms

The Zone 7 Annual Budget contains terminology that is unique to public finance and budgeting. To assist the reader of this Annual Budget document in understanding these terms, we have assembled this budget glossary of terms.

ACCRUAL BASIS OF ACCOUNTING: The basis of accounting under which transactions are recognized when they occur, regardless of the timing of cash receipts and disbursements.

ACRE FOOT: The volume of water that will cover one acre to a depth of one foot. One acre foot equals 325,850 gallons. It is estimated that one half an acre foot serves a typical private residence for one year.

ACTIVITIES: The major programs and projects performed by an organizational unit.

APPROPRIATION: An amount of money in the Budget, authorized by the Board of Directors, for expenditure, obligation and reserves within organizational units for specific purposes.

ASSETS: Resources owned or held by Zone 7 which have monetary value.

ASSET MANAGEMENT: A set of systematic and coordinated activities and practices through which an organization optimally and sustainably manages its assets and asset systems, their associated performance, risks and expenditures over their life cycles for the purpose of achieving its organizational strategic plan.

AUDIT: A comprehensive investigation of the manner in which the government's resources were actually utilized. A financial audit is a review of the accounting system and financial information to determine how government funds were spent and whether expenditures were in compliance with the legislative body's appropriations.

BALANCE SHEET: A financial statement that discloses the assets, liabilities, and fund equity of a specific fund at a specific date.

BOARD OF DIRECTORS: The governing body of Zone 7 Water Agency. The board is made up of seven directors elected at large from the communities of Livermore, Pleasanton, and Dublin.

BOND: A written promise to pay a sum of money on a specific date at a specific interest rate. The interest payments and the repayment of the principal are authorized in a District bond resolution. The most common types of bonds are general obligation bonds and revenue bonds. These are frequently used for construction of large capital projects such as buildings, streets, etc.

BUDGET: A financial plan for a specific period of time that matches all planned revenues and expenditures with various services. Zone 7 uses a fiscal year beginning each July 1 and ending each June 30 for budgetary and financial reporting purposes.

BUDGETARY CONTROL: The control or management of a governmental unit or enterprises in accordance with an approved budget for the purpose of keeping expenditures within the limitations of available appropriations and available revenues.

CAPITAL EQUIPMENT: Fixed assets such as vehicles, equipment, computers, furniture, technical instruments, etc. which have a life expectancy of more than one year.

CAPITAL IMPROVEMENT PROGRAM (CIP): A long-range plan of Zone 7 for the construction, rehabilitation and modernization of Zone 7-owned and operated infrastructure.

CAPITAL OUTLAY: Expenditures which result in the acquisition of, or addition to, fixed assets including land, buildings, improvements, machinery and equipment.

DEBT SERVICE FUND: Established to account for annual property tax levies and certain other revenues, primarily interest on investments, which are used for payment of principal and interest of bond issues.

DISTRICT: Refers to the Alameda County Flood Control and Water Conservation District, of which Zone 7 is one of the designated service areas. Zone 7 provides water and flood control services.

FUND: A sum of money or other resources, such as taxes, charges, fees, etc., established for conducting specified operations for attaining certain objectives. Funds are frequently under specific limitations.

FUND ACCOUNTING: A governmental account system which is organized and operated on a fund basis.

FUND BALANCE: Fund balance is the excess of assets over liabilities. It is typically divided into three categories. Fund balance may be categorized as (1) reserved – indicating that there are legal restrictions governing the future expenditures, (2) non-discretionary-indicating that the Board of Directors expects to expend it for certain purposes, or (3) discretionary – indicating it is available for expenditures for general governmental purposes.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP): Uniform minimum standards of, and guidelines for, external financial accounting and reporting. They govern the form and content of the basic financial statements of an entity. GAAP provides a standard by which to measure financial presentations. The primary authoritative statement on the application of GAAP to the State and local governments are Government Accounting Standards Board (GASB) pronouncements.

GRANT: A contribution by a government or other organization to support a particular function. Grants may be classified as either categorical or block depending upon the amount of discretion allowed the grantee.

INTERFUND TRANSFERS: Amounts transferred from one fund to another, usually to reimburse the receiving fund for services performed for the transferring fund.

LIABILITIES: Obligations incurred in past or current transactions requiring present or future settlement.

LINE ITEMS: Expenditure classifications established to account for budget appropriations approved.

MANDATED COST: Any responsibility, action or procedure that is imposed by one sphere of government on another through constitutional, legislative, administrative, executive or judicial action as a direct order.

MODIFIED ACCRUAL BASIS OF ACCOUNTING: The basis of accounting under which revenues are recognized when measurable and available to pay liabilities and expenditures are recognized when the liability is incurred except for interest on long-term debt which is recognized when due.

OBJECT CLASSIFICATION: A grouping of expenditures on the basis of goods or services purchased (e.g. personnel, services and supplies, equipment, etc.)

OBLIGATIONS: Amounts which a government may be legally required to meet out of its resources. They include not only actual liabilities, but also encumbrances not yet paid.

OPERATING BUDGET: The portion of the budget that pertains to daily operations that provide basic governmental services. The operating budget contains appropriations for such expenditures as personnel, supplies, utilities, materials, travel and fuel, and does not include purchases of major capital plant or equipment which is budgeted for separately in the Capital Budget.

ORDINANCE: A bill, resolution or order by means of which appropriations are given legal effect. It is the method by which the appropriation of the annual budget is enacted into law by the District Board of Supervisors.

RESERVE: An account used to indicate that a portion of a fund's balance is set aside for a specific purpose and is, therefore, not available for general appropriation.

REVENUE: Monies received as income. It includes such items as water sales, fees for services, contributions in aid of construction, grants and interest income. Estimated revenues are those expected to be collected during the fiscal year.



Zone 7 Water Agency

zone7water.org



Zone 7 Water Agency

FISCAL YEAR 15-16 BUDGET



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EXECUTIVE SUMMARY





ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
100 NORTH CANYONS PARKWAY LIVERMORE, CA 94551-2426 • PHONE (925) 454-5000

June 1, 2015

Board of Directors
Zone 7 Water Agency
100 North Canyons Pkwy.
Livermore, CA 94551

Subject: *Fiscal Year 2015/16 Budget*

Dear President Cireci and Members of the Board

It is my honor to present the Zone 7 Water Agency budget for Fiscal Year 2015/16, as adopted by the Agency's Board of Directors on May 20, 2015. This year's budget addresses and incorporates a range of factors, reflecting the ongoing challenges faced by the Agency with the historic drought conditions persisting throughout the State

Staff has met and discussed this budget with Zone 7's retail water suppliers, the Board and its Finance Committee. These discussions included balancing the financial necessities and realities relative to supporting the Agency's Mission, Vision, Values and Strategic Planning Priorities. While Zone 7 continues to deliver positive results for ratepayers and provides a reliable water supply despite some of the most severe statewide drought conditions seen in decades, staff continue to identify cost savings and negotiate for additional water supplies from alternative sources to improve reliability for those who live and work in the Livermore-Amador Valley.

The adopted budget balances these many challenges by using the reserves created for such purposes along with making tough fiscal decisions, enabling Zone 7 to continue to fulfill its mission of providing effective regional flood protection, untreated irrigation water and high-quality, reliable drinking water to the community

I wish to express my appreciation to the Board, its Finance Committee, the retail water agencies, the public and the Zone 7 staff, who all worked together to develop this budget to assure adequate resources are available to continue to deliver necessary services during these challenging times

Sincerely,



G. F. Duerig
General Manager

Zone 7 Service Area

Zone 7 supplies treated drinking water to retailers serving more than 220,000 people and businesses in Pleasanton, Livermore, Dublin and, through special agreement with the Dublin San Ramon Services District, the Dougherty Valley area in San Ramon. Zone 7 also supplies untreated irrigation water to local vineyards, farms and golf courses, and provides flood protection to all of eastern Alameda County.



Zone 7 Water Agency

June 17, 2015

BOARD OF DIRECTORS



John Greci President
Board Member since 1994
Term Expires June 30, 2018



Sarah Palmer Vice President
Board Member since 2006
Term Expires June 30, 2018



Sandy Figuers
Board Member since 2008
Term Expires June 30, 2016



Angela Ramirez-Holmes
Board Member since 2012
Term Expires June 30, 2016



Jim McGrail
Board Member since 2014
Term Expires June 30, 2018



Dick Quigley
Board Member since 2004
Term Expires June 30, 2016



Bill Stevens
Board Member since 1998
Term Expires June 30, 2018

EXECUTIVE MANAGEMENT TEAM

Jill Duerig

General Manager

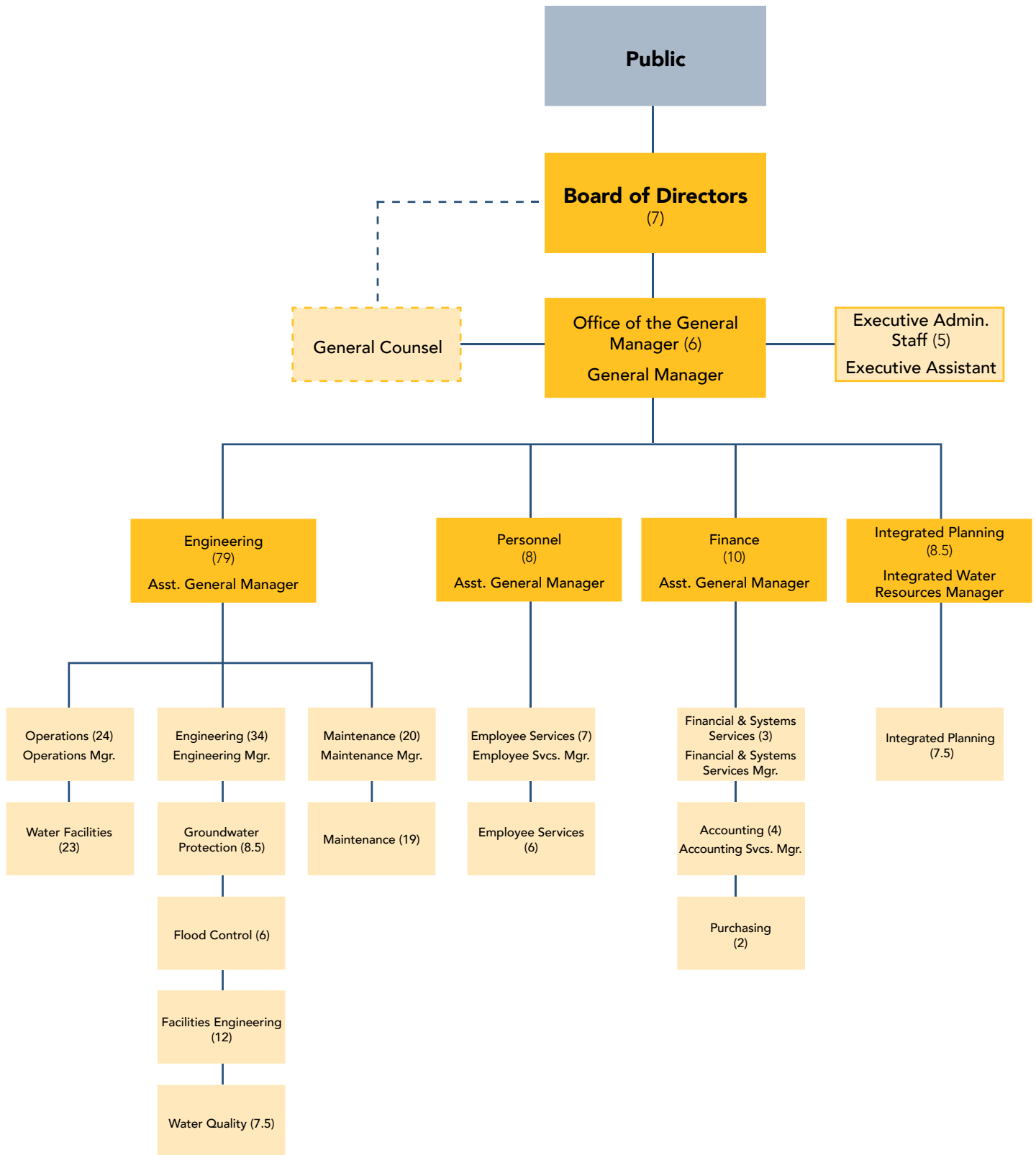
Kurt Arends

Assistant General Manager, Engineering

Tom Hughes

Assistant General Manager, Administrative Services

Zone 7 Organizational Chart



Agency Overview

Zone 7 Water Agency is a dependent special district established under the Alameda County Flood Control and Water Conservation District Act. The Act (Chapter 55 of the California Water Code Appendix) was passed by the state Legislature in 1949. Zone 7 was established by a vote of the residents of the Livermore-Amador Valley area in 1957, with its own independently-elected board to provide local control of integrated water resources. Zone 7 is responsible for providing wholesale treated (drinking) and untreated (agricultural) water, flood control and groundwater management throughout eastern Alameda County.

SERVICE FUNCTIONS

Zone 7 provides wholesale potable (treated) water to retail water suppliers, untreated irrigation water, and flood protection services. Its territory includes 425 square miles of eastern Alameda County. Zone 7 has broad power to finance, construct and operate a system for the transportation, storage, treatment and distribution of water.

Zone 7's four retail water customers are: the City of Livermore, the City of Pleasanton, Dublin-San Ramon Services District (DSRSD) and California Water Service Company – Livermore District. These customers distribute the water to municipal and industrial customers in Dublin, Livermore, Pleasanton and the Dougherty Valley portion of San Ramon.

KEY BUSINESS RELATIONSHIPS

The Agency's major potable (treated) water customers are the cities of Pleasanton and Livermore; Dublin San Ramon Services District (serving Dublin and the Dougherty Valley area of San Ramon); and California Water Service Company – Livermore District (serving a portion of Livermore). These customers are collectively referred to as the retailers.

Zone 7 imports water to the Valley from the State Water Project (SWP), operated by the Department of Water Resources (DWR) of the State of California. The State issued bonds to finance the SWP. Zone 7 is one of 29 water contractors who share the cost of the debt service for the SWP bonds and Zone 7's annual share of the debt service is about \$26 million, which is apportioned between current and future customers. The FY 15/16 water account classification is at \$47.8 million (as listed on line #22 of Exhibit A "Summary of Annual Budget" within the Executive Summary section of this book).

History and Services

Since long before Zone 7 was created, the critical issues of water supply, water quality and flood protection have shaped the region's ability to prosper. Although the Valley was far less populated during the first half of the 20th Century than it is today, a declining groundwater table and periods of drought back then had local farmers, vintners and residents alike worried about their livelihoods, according to reports published in 1948. And there was frequent flooding, particularly in northern Pleasanton, where Hacienda Business Park is now located.



THE CREATION OF ZONE 7

Zone 7 – established in 1957 by local voters demanding local control over local water-resource planning, flood protection and financing – has taken the Valley a long way to resolving many of its most pressing water-supply, water-quality and flood-protection problems. The locally-elected, seven-member Board of Directors has continually formulated and implemented needed programs for flood protection and water-resource management, incorporating recreational and environmental benefits where

feasible. But many issues have persisted over the decades, and their implications on local land use, local control and local financing continue to surface. Indeed, challenges are alive and well today as Zone 7 works to improve water reliability and quality, along with flood protection, in the most economical and environmentally sound ways possible, and to accommodate new development being approved by Valley cities at no cost or harm to existing residents.

ZONE 7'S INDEPENDENCE

Since its formation, Zone 7 has continued to take steps to expand its level of local control and autonomy. Most recently, in 2003, state legislation granted Zone 7 more authority over issues and projects of exclusive interest to Zone 7, allowing the Board to improve economic efficiencies and reduce administrative duplication with the county.

Local control has allowed Zone 7 to develop master plans that integrate and optimize water supply, water quality, flood management and environmental stewardship.

Meanwhile, Zone 7 has participated with other water, recycled water, sewer and stormwater utilities in the Tri-Valley to explore potential opportunities to pool services/equipment for increased efficiency.

Mission Statement

Zone 7 Water Agency is committed to providing a reliable supply of high-quality water and an effective flood-control system to the Livermore – Amador Valley. In fulfilling our present and future commitments to the community, we will develop and manage our water resources in a fiscally responsible, innovative, proactive, and environmentally sensitive way.

VISION STATEMENT

To be recognized as the platinum standard water and flood control district in which to live, work and do business by enhancing the quality of life, economic vitality and environmental health of the communities we serve.

VALUES

1. **OPEN AND TRANSPARENT** - The Board's meetings and communications shall be open and public, except when the Brown Act authorizes otherwise.
2. **CUSTOMER SERVICE** - Our commitment to the community requires prompt, respectful and courteous relations with our customers, both internal and external, as well as pursuing community partnerships and collaboration with other area public agencies when beneficial to the public.
3. **INTEGRITY** - We practice the highest ethical standards and maintain open, honest communications at all levels of the organization at all times.
4. **FISCALLY RESPONSIBLE** - We will operate in a productive, cost effective, transparent and efficient manner to ensure sound financial stability.
5. **ENVIRONMENTALLY SENSITIVE** - In carrying out our mission, we are dedicated to preserving and enhancing the environment while complying with regulations.
6. **INNOVATIVE/PROACTIVE** - We encourage innovation, creativity and ingenuity, seeking constant improvement and keeping up with the latest economical technologies and management practices.
7. **SAFETY** - We are committed to public and employee safety to maintain a healthy work environment. We work safely and provide safe products and services.
8. **EMPLOYEE DEVELOPMENT** - We foster a respect for diversity, equality, a spirit of performance-based accountability and productivity along with personal and professional growth for all team members so as to achieve excellence through the collective energy that comes from a work environment where each employee can flourish and succeed to their highest potential.

Strategic Planning

As part of Zone 7's strategic planning, five general strategic planning priorities were identified. These priorities were developed to ensure all Zone 7 efforts are focused on fulfilling the mission of the agency, and to further ensure the most immediate needs are addressed in an efficient and cost-effective manner. The five general priorities (listed below) include a number of specific strategic planning sub-priorities and form the basis for master plans, budgets, capital plans and other resource allocation planning.

1. Provide customers with a reliable, cost-effective and safe water supply
2. Provide eastern Alameda County with an effective system of flood protection
3. Provide the Agency with effective organization, administration and governance
4. Operate the Agency in a fiscally-responsible manner
5. Increase public understanding of the Agency and its functions

Below are a few noteworthy strategic plan accomplishments from fiscal year 14/15:

- Tri-Valley Intergovernmental Reciprocal Services Master Agreement: Entered into an agreement with other Tri-Valley governmental agencies that provides the framework for member agencies to obtain services/supplies from each other, at a reduced cost to the public.
- Completed seven bank repairs totaling 853 linear feet, 15 soil bioengineering brush walls, 4,889 linear feet of access roadway, six outfall structure rehabilitations, 372 linear feet of concrete lining repairs, and two trash collector installations. Total construction cost was \$850,000.
- Achieved "Climate Registered" status with The Climate Registry for proactive steps in helping to address global climate change.
- Chain of Lakes: Zone 7 completed the Preliminary Lake Use Evaluation for the Chain of lakes, outlining integrated plans to maximize water resource uses of the lakes while identifying compatible secondary uses to achieve multiple public benefits.
- Upper Altamont Creek Demonstration Project: Zone 7 worked with the U.S. Natural Resources Conservation Service (NRCS) and the Alameda County Resource Conservation District (RCD) under a U.S. Environmental Protection Agency (USEPA) Healthy Watersheds Grant to launch two demonstration bank stabilization projects.
- Agency was awarded for the second straight year, the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for the 2014-15 Fiscal Year budget. Additionally, Zone 7 received the "Excellence Award in Operating Budget," award for the first time, from the California Society of Municipal Finance Officers (CSMFO) for its FY 14/15 Budget Book.
- Agency began year one of the Board-adopted two consecutive-year treated water rates (October 15, 2014); rates for calendar year 2015 increased 3.0% and 3.0% in 2016. The increase is designed to pace inflation.
- Reserves were used to soften the financial impacts of drought. The adopted FY 2014-15 budget temporarily mitigated the tremendous financial pressures related mainly to the record drought of 2014, using reserves that were created for such a situation. The financial safety nets were used to minimize rate hikes and moderate long-term fiscal impacts.
- Agreements to bolster water-supply reliability: The Board approved two agreements aimed at further improving water supply reliability – at a cost below what the Agency would pay to buy additional water on the open market.
- Through careful management of resources, Zone 7 minimized 2014 local groundwater pumping to reserve groundwater supplies for 2015 in planning for continued drought, and saved enough imported surface water to carry over up to 9,000 AF of surface water supplies into 2015.

Agency Fiscal Overview

Zone 7 Water Agency's Operating and Capital Budget for Fiscal Year 2015-16 includes a brief explanation of the Agency's budget process, a breakdown of the budget by Major Funding Area, Section, Program and Chart of Accounts.

The Agency's operating and capital budget is \$124.2M for FY 15/16. This proposed budget has been reviewed by management, staff and the Board of Directors.

This fiscal year's budget was created under the Agency's Mission, Vision and Value Statements to implement the Strategic Planning Priorities and all other Board-adopted policies.

FISCAL YEAR

Zone 7 Water Agency operates on a fiscal year which runs from July 1 through June 30. In the document, if a year is used, it means the end of the fiscal year, so for example, 2015 is the fiscal year ending June 30, 2015. "FYE" for fiscal year ending is also used.

FISCAL MANAGEMENT

The Agency's Board of Directors annually adopts operating and capital budgets prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise (water) and governmental (flood) functions. Each year, the Agency adopts a balanced budget (estimated expenses equal to estimated revenues, including planned use of available reserves).

BUDGET PROCESS/CALENDAR

The normal budget process begins at the Section level. Supervisors prepare their respective budgets and submit them to the Division Managers, which are then provided to the Assistant General Managers for consideration. Assistant General Managers eventually confer with the General Manager, who determines the overall impact on each of the Agency's funds and authorizes the full budget draft. The draft budget was then presented to the retailers, to the Finance Committee and to the full Board of Directors for review and adoption prior to May 20, 2015. This year the budget was adopted on May 20, 2015. The Finance Committee meeting and the Board of Director's meetings are posted in advance in accordance with the Brown Act and for public participation. The final FY 15/16 budget was also posted and will remain on the Agency's website since it has been adopted by the Board.



Budgetary Control

The budget is a management tool intended to aid in the planning efforts of the Agency and to serve to control expenditures to ensure the fiscal health and financial future of the Agency. To aid in the management of the budget, certain “rules” or “controls” have been established that require appropriate levels of approval on the expenditure of Agency funds as well as reporting requirements of financial information to the Board and the public. All budget transfers are documented and tracked in the Agency’s computerized financial system.

Once the budget is approved by all levels of management and the Board, staff implements and manages operations in accordance with the budget. Each Section Supervisor tracks their respective budget performance which is also monitored by finance staff and executive management. Monthly reports produced by finance staff are provided to the Board of Directors updating them on the agency’s expenditure of public funds.

In addition to reporting the status of expenditures as compared to the budget each month, spending limits have been established in the Agency Purchasing Policy as follows:

- Over \$50,000 Requires Board approval
- Over \$20,000 Requires General Manager approval
- Over \$10,000 Requires Assistant General Manager approval
- Over \$3,000 Requires Division Manager approval
- Up to \$3,000 Requires Section Supervisor approval

Once the budget is adopted, managers are expected to stay within the constraints of the approved departmental budgets. Line items in the department budget can be modified during the year; however, the total departmental budget cannot be exceeded without the General Manager’s approval.

In addition, the budget provides the annual authorization for positions, employee pay and benefits. The Fiscal Year 2015/16 Budget includes a previously-negotiated 3% adjustment in pay.

Debt Service

The Agency operates under a pay-as-you-go philosophy which minimizes any debt financing.

Currently, the Agency does not maintain any outstanding debt obligations. However, the Agency partners with other public agencies and pays for debt incurred on the Agency's behalf. For example, the Agency pays the debt service obligation for Cawelo Water District for the Groundwater Banking Program which is in the Capital Improvement Program (CIP). Similarly, the state incurs debt for capital projects to maintain, improve or expand the State Water Project infrastructure and Zone 7, under the terms of its contract with the state, is obligated to pay its share of the debt payments regardless of the amount of water purchased.

The Agency has a bonded indebtedness limit that shall not exceed 5% of the assessed valuation of all taxable property in any zone lying, in whole or in part of the agency's service area, per Alameda County Flood Control and water Conservation District Act, (ACT 20), §36.6.

Rate and Fees

TREATED WATER RATE

In 2014, the Zone 7 Board approved a two-year treated water rate schedule of 3%-3% for calendar years 2015 and 2016, respectively. Zone 7 has made significant strides in controlling operating costs on behalf of its ratepayers, but achieving these minimal rate increases during the drought requires use of reserves.

Throughout the Agency's service area, the rate hike increases the typical household's water bill by approximately \$1.21 per month in 2015, and by an additional \$1.25 per month in 2016, if the water retailers were to make a direct pass-through of the new rates to their consumers.

UNTREATED WATER RATE

In 2014, the Zone 7 Board adopted the untreated water rate of \$130 per acre-foot for calendar year 2015, which is an increase of \$20 per AF over the 2014 \$110 AF rate and represents Zone 7's cost of providing untreated water for agricultural and irrigation purposes.

WATER CONNECTION FEE

In 2014 the Zone 7 Board voted to increase the connection fee for 2015 from \$24,030 to \$24,830 in the Alameda County portion of the Zone 7 area, and from \$22,240 to \$22,980 in Dougherty Valley, which is in Contra Costa County. Builders and cities are notified annually about possible increases in the connection fee.

STORMWATER AND DEVELOPMENT IMPACT FEE

Zone 7's Board of Directors adopted Ordinance 2009-01, which established the Flood Protection and Storm Water Drainage Development Impact Fee (DIF) on March 18, 2009. The Ordinance prescribed the assessment of a DIF for developments creating new impervious surfaces as part of their projects.

Ordinance 2010-01, adopted on March 17, 2010, amended the fee schedule of Ordinance 2009-01 and limited the annual DIF adjustments until the SMMP and DIF were reevaluated. This evaluation is ongoing. In 2011, the Zone 7 Board adopted Ordinance 2012-01 deleting the specified 2012 DIF increase scheduled to be effective January 1, 2012, and maintaining the existing 2011 DIF of \$1.00 per square foot of new impervious surface created. As of January 1, 2015, the fee remains at \$1.00 per square foot of new impervious surface created.

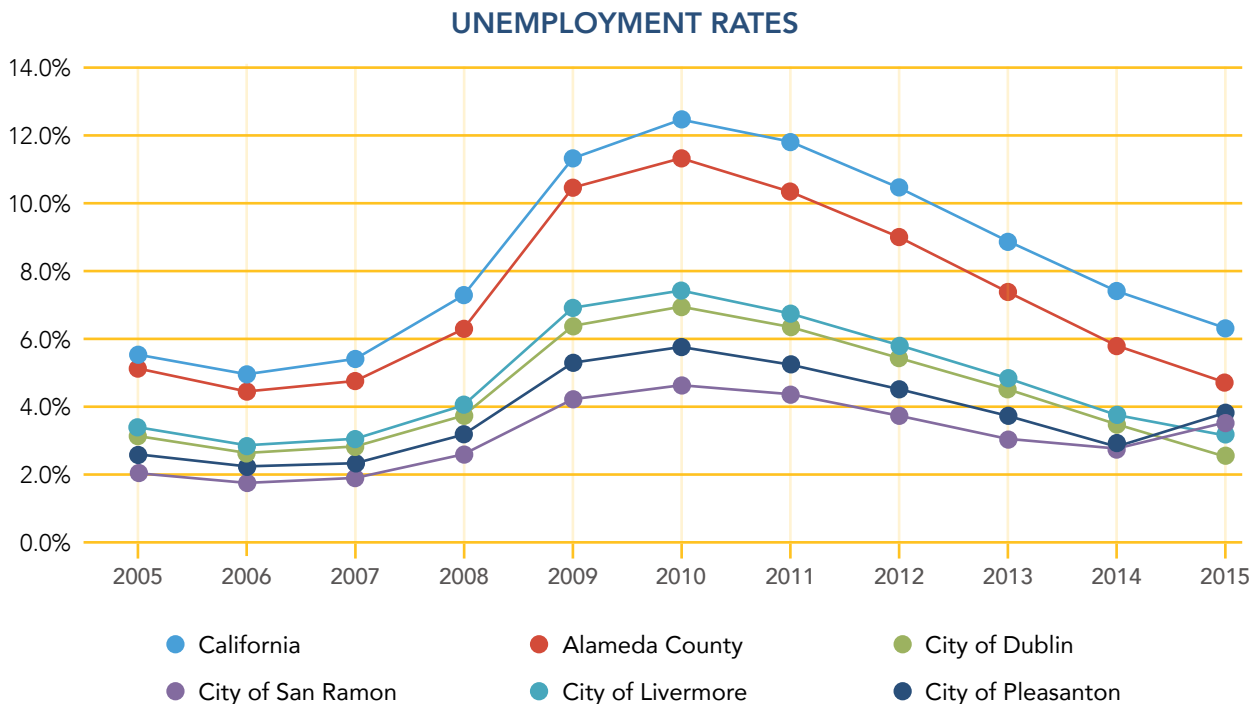
Local Economy

The Agency’s Administrative Office is located in the City of Livermore in Alameda County. Livermore was founded in 1869 and is one of California’s oldest wine regions. Zone 7 currently serves a population of approximately 220,000 people.

The Agency’s service area has experienced modest recovery from the overall market crisis of FY 2008/09. In 2014, the service area continued to experience improvement in the number of new home permits and to anticipate a slow but continued growth throughout the FY 2015/16 budget period.

UNEMPLOYMENT RATES

Unemployment rates were on the rise prior to the 2008 recession and peaked in 2010. Rates have continued to improve since 2010 and as of March 2015 are showing signs of leveling off. The unemployment rate reported through March 2015 for all of Alameda County is currently at 4.8% versus 6.5% for California.

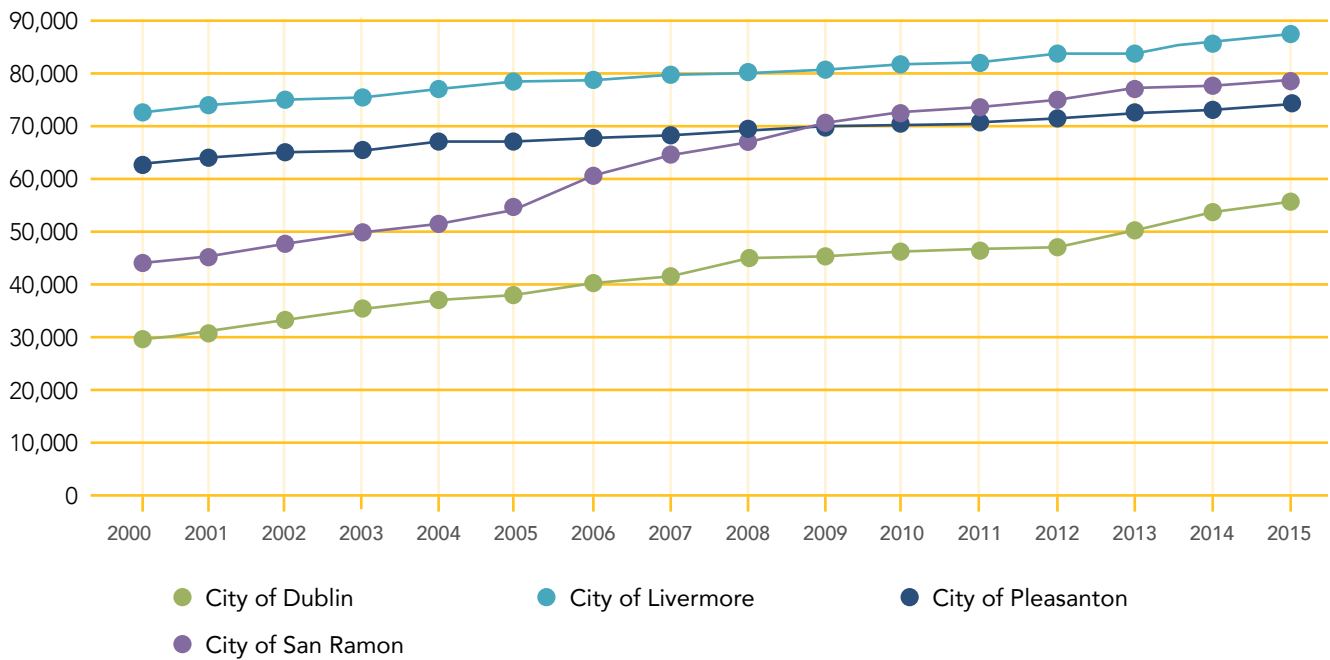


*Source: www.labormarketinfo.edd.ca.gov

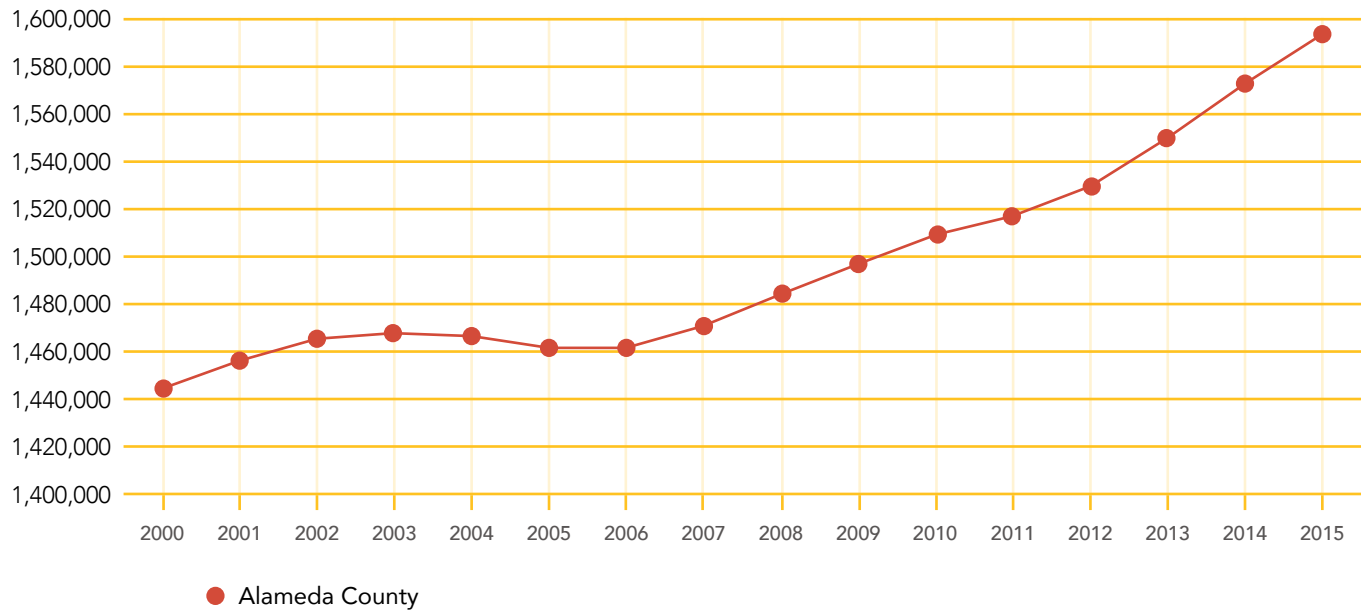
POPULATION

All cities within the Zone 7 service area continue to grow, with the cities of San Ramon and Livermore supporting the largest overall populations. The cities of Dublin and San Ramon have grown the most over the period from 2000 to 2015 and track similar to the population growth in Alameda County. Livermore and Pleasanton had slight increases in population, which are similar in percentage increase to California’s population growth.

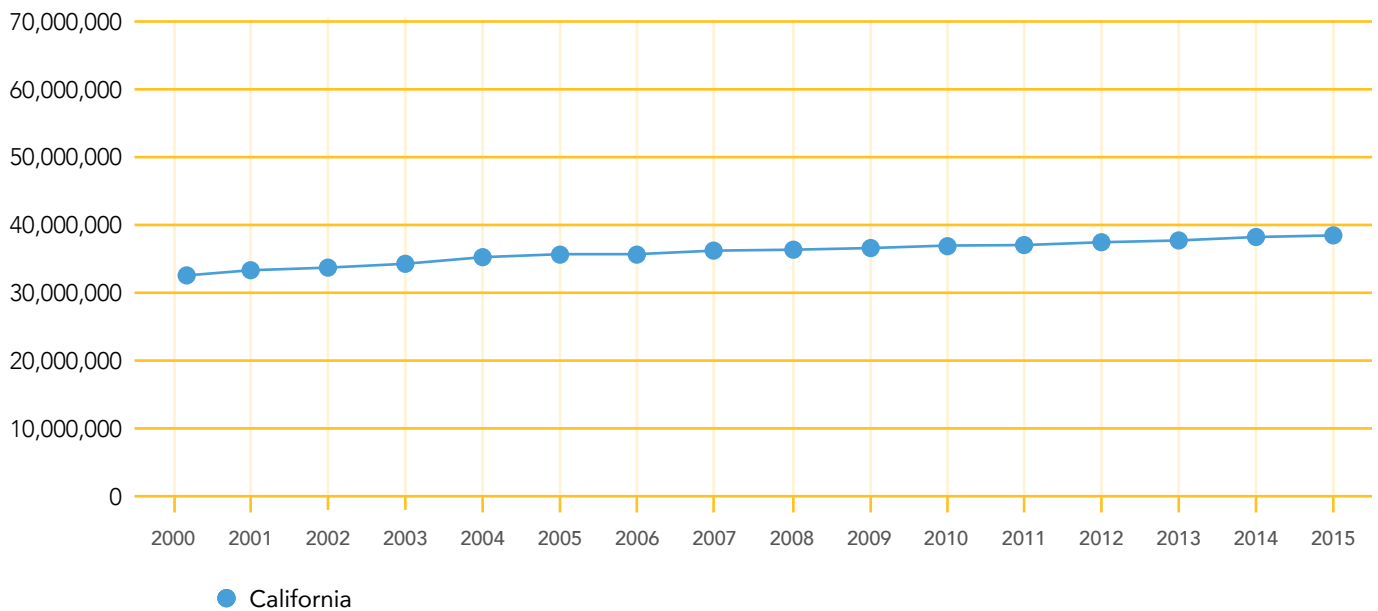
ZONE 7’S SERVICE AREA POPULATION



ALAMEDA COUNTY POPULATION



CALIFORNIA POPULATION



*Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2005-2015, updated in May 2015. www.dof.ca.gov/research/demographic/reports/estimates/e-1/view.php

Challenges

Financial issues facing the Agency include the drought, the increasing fiscal impacts from water conservation efforts, the increased State Water Project charges, the slow recovery of the economy, and the continued increasing need to allocate funds to the Asset Management Program (AMP) for infrastructure maintenance and improvements.

DROUGHT

The drought continues to create challenges both from a water supply and from a financial perspective. There will be less revenue due to mandatory water usage reductions and the expenses will increase due to the replenishment of our water banking programs. In calendar years 2014 and 2015, the low allocations from the State Water Project have been balanced with groundwater both from the local groundwater basin and from out-of-basin groundwater storage in Kern County. Such recovery increased water costs in FY 14/15 and will again in FY 15/16. In addition, the Agency plans to start replenishing those water supplies in calendar year 2016, which increases costs still further in Fiscal Year 15/16.

In calendar year 2014, a local state of drought emergency existed and retailers were directed to achieve 25% conservation. The community did an outstanding job and achieved 29% saving for calendar year 2014. On April 1, 2015, Governor Brown issued an Executive Order, primarily for calendar year 2015, requiring 25% water conservation measures statewide for residential use compared to 2013 use. Conservation of this magnitude significantly reduces revenues, in both FY 14/15 (and, by extension, the available fund balance at the beginning of the next fiscal year) and in FY 15/16.

WATER CONSERVATION ACT OF 2009

The Water Conservation Act of 2009 (SBX7-7) sets an overall goal of reducing per capita urban water use by 20% by the end of 2020. Water demands on a per capita basis continue to decrease while fixed costs remain high.

STATE WATER PROJECT CHARGES

The State Water Project charges are by far the largest component of the Agency's budget. The charges are increasing due to both capital debt service payments and operating costs.

WATER RELIABILITY

With declining reliability of the State Water Project, water purchases (Yuba, Multi-Year Pool, Byron Bethany Irrigation District, etc.) will become increasingly necessary, even though they come at a higher price.

ASSET MANAGEMENT PROGRAM (AMP)

With the addition of new facilities, and as the water system infrastructure ages with time, the annual funding of the Renewal/Replacement and System-wide Improvement Fund from the Water Enterprise Fund is increasing. An updated AMP study to assess the condition of Zone 7's infrastructure was adopted by the Board on June 15, 2011, with another study scheduled for 2016. Board-approved funding transfers are scheduled to be made from the Water Enterprise Fund (Fund 100) to the Renewal/Replacement and System-wide Improvements Fund (Fund 120). As a result of emergency drought transfers in 2014, the Board directed staff to reduce the transfer in FY 15/16 to \$7M.

SLOW ECONOMIC RECOVERY

New development within the service area has been picking up, providing slight growth in new water rate payers, development-related property tax income and connection fee revenue. There is also a moderate increase in property values that has resulted in stabilization of the 2014 and 2015 tax assessment roll.

STAFFING

There are 123.5 full-time equivalent (FTE) authorized positions. The FY 15/16 budget proposes funding 111.5 FTE positions with the remaining 12 positions left unfunded due to the Soft Hiring Freeze initiative that began in FY 09/10. For FY 15/16 there are 4.5 additional funded positions: one Assistant General Manager of Finance, one Manager of Integrated Water Resources, one GIS Analyst, one Well Permit Technician, and 0.5 FTE Water Resources Engineer Trainee. The Assistant General Manager of Finance, the Well Permit Technician, 0.5 FTE Water Resources Engineer Trainee and the GIS Analyst positions were previously identified as soft hiring freeze positions that will now be funded. The Manager of Integrated Water Resources position is new and was approved by the Board in November 2014. Personnel costs are increasing 3% in FY 15/16 due to previously-negotiated COLAs.

Major Accomplishments (FY 2014-15)

WATER SUPPLY, RELIABILITY AND QUALITY

- Wise management of limited drought supplies: Zone 7's Out-of-Valley groundwater banking programs and its local groundwater basin management operations successfully operated as a kind of drought bank account for the region's benefit.
- Drought emergency projects with lasting benefits: The Agency expedited construction of a new well, refurbished some existing wells for improved reliability, and built a pipeline to move water captured in local mining operations to a lake that has groundwater basin recharge capability.
- Water conservation outreach/coordination with retailers: Zone 7 and the Valley's water retailers did extensive joint outreach on drought-related conservation, including advertising and development of a regional website, resulting in residents and businesses achieving and even surpassing the needed 25 percent conservation for 2014.
- Agreements to bolster future reliability: Zone 7 and an expanding number of Bay Area partners broadened efforts to develop solutions aimed at improving regional water supply reliability. Zone 7's Board approved an agreement involving dry-year water purchases from the Yuba County Water Agency; and another with Contra Costa Water District that (subject to state approval) provides for an exchange of up to 2,500 acre-feet of water on a one-year trial basis to boost reliability of Zone 7's supply during summer, when demands peak.
- Key capital projects: Phase 1 of the Del Valle Water Treatment Plant's Superpulsator Rehabilitation Project was completed and Phase 2 began with expected completion by March 2015. The superpulsators are an integral component of the water-treatment process.
- Capital Improvement Plan: Looking to the future, Zone 7's board adopted a FY 2015/16 Capital Improvement Program laying out plans for key investments in water quality and reliability projects over the next decade.
- Delta sustainability: Zone 7 continued to actively support improving conveyance through the Delta while improving the ecosystem and to advocate for the Agency's interests in water supply reliability throughout the process.
- Nutrient Management Plan: The Agency completed work on a blueprint for managing nutrient loading to the Livermore-Amador Valley Groundwater Basin to achieve sustainable groundwater quality. The plan was set to go to the Board in 2015.
- Partnership for Safe Water recognition: Zone 7's Del Valle Water Treatment Plant was honored for receiving a "Directors Award of Recognition" from the Partnership for Safe Water for 15 consecutive years – a milestone achieved by only 30 water utilities across the country since the program's inception.

FLOOD PROTECTION/STREAM MANAGEMENT MASTER PLAN

- Sediment study: In addition to completing regular maintenance activities of its flood control facilities to ensure they remain in good working order, Zone 7 continued work on sediment studies that will help the Agency develop a more cost-effective maintenance plan to reduce flooding risks from sediment buildup in some streams.
- SMMP Update: In support of the Stream Management Master Plan (SMMP), Zone 7 worked to finalize system-wide hydrology and hydraulic models that represent existing conditions of the upper Alameda Creek Watershed to help clarify program needs and priorities.

MULTI- BENEFIT PROJECTS/ENVIRONMENTAL/COMMUNITY PARTNERSHIPS

- Chain of Lakes: Zone 7 completed the Preliminary Lake Use Evaluation for the Chain of Lakes, outlining integrated plans to maximize water resource uses of the former gravel quarry sites while identifying compatible secondary uses to achieve multiple public benefits, and finalized near-term plans for Lakes H, I and Cope.
- Living Arroyos Program: The collaborative public-private partnership with the City of Livermore and Urban Creeks Council enjoyed several accomplishments in 2014, including – with help from community volunteers -- planting nearly 3,000 riparian plants at Zone 7's Arroyo Mocho Stanley Reach stream enhancement project.
- Upper Altamont Creek Demonstration Project: Zone 7 and its partners worked under a U.S. Environmental Protection Agency (USEPA) Healthy Watersheds Grant to launch two demonstration bank stabilization projects on the upper Altamont Creek in Livermore's Springtown area to improve creek water quality and the environment.
- "Climate Registered" status: Zone 7 achieved this status with The Climate Registry for its proactive steps in helping to address global climate change.

FINANCIAL ACCOUNTABILITY & COST EFFICIENCY

- Tri-Valley Intergovernmental Reciprocal Services Master Agreement: The Board adopted a resolution to enter into an agreement with other Tri-Valley governmental agencies that provides a framework for member agencies to obtain services/supplies from each other, at a reduced cost to the public.
- Budget book presentation awards: For the second consecutive year, the Agency received the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for the 2014-15 Fiscal Year budget. Additionally, Zone 7 received the "Excellence Award in Operating Budget," for the first time, from the California Society of Municipal Finance Officers (CSMFO) for its FY 14/15 Budget Book.
- Reserves Soften Financial Impacts of Drought: Financial pressures related mainly to the record drought of 2014 were eased by long-term fiscal and water supply planning and continued efficiency measures. The Agency used all of its drought reserve and a big chunk of its "rate stabilization reserve." As a result, it was able to hold down increases in wholesale treated water rates to 3 percent for 2015 and again for 2016 to keep pace with inflation.
- Energy efficiency: In continued moves to save money and simultaneously be environmental stewards, the Agency increased its alternative power and renewable energy use portfolio by completing a Power and Water Resources Pooling Authority (PWRPA) project at the Patterson Pass Water Treatment Plant. It then launched a PWRPA installation project at its Mocho Groundwater Demineralization Plant and two nearby wells.
- Mechanical Dewatering System: As a significant cost-efficiency measure (and for improved reliability), Zone 7 purchased a centrifuge and related equipment for handling of chemical residuals from the water treatment process at the Del Valle Water Treatment Plant. Equipment had previously been rented at a higher cost.
- Grant funding: Zone 7 continued to be a leader in the Bay Area effort to secure Integrated Regional Water Management Planning grant funds, and worked to secure grant funding for drought relief on behalf of its ratepayers. In November 2014, the Department of Water Resources announced that Zone 7 would receive \$3 million in grants for two drought-relief projects and another \$282,000 to augment Agency water conservation programs.



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Zone 7 Water Agency

For meeting the criteria established to achieve the Operating Budgeting Excellence Award.

February 8, 2015



Pamela Arends-King

***Pamela Arends-King
CSMFO President***

Michael Gomez

***Michael Gomez, Chair
Professional Standards and
Recognition Committee***

Dedicated Excellence in Municipal Financial Reporting



ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

100 NORTH CANYONS PARKWAY, LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

ORIGINATING DIVISION: Administrative Services
CONTACT PERSON: Tamara Baptista/Hossein Golestan

AGENDA DATE: May 20, 2015

ITEM NO. **10**

SUBJECT: Proposed Budget for Fiscal Year 2015/16

SUMMARY:

- For fiscal year (FY) 15/16, the total proposed budget for all the operating and capital funds is \$124.2M; this is a \$7.6M increase or 6.5% over the FY 14/15 “end-of-year-projections.”
- The total budget proposed for the operating funds is \$75.2M; a \$1.9M increase, or 2.6% over the FY 14/15 end-of-year projections.
- The total budget proposed for the capital funds is \$48.9M; a \$5.7M increase, or 13.2% over the FY 14/15 end-of-year projections.
- The proposed budget was discussed at the Finance Committee meetings on April 23, 2015 and May 7, 2015 and with the Retailers on April 16, 2015 and April 30, 2015. The Committee recommended bringing the budget to the full Board for adoption.

RECOMMENDED ACTION:

Discuss and adopt the proposed budget for FY 15/16 by approving the attached resolution.

ATTACHMENTS:

Memorandum
 Exhibit A - Annual Budget by Account Classification (Proposed FY 15/16 Budget)
 Resolution



ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

100 NORTH CANYONS PARKWAY, LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

M E M O R A N D U M

DATE: May 20, 2015

TO: Jill Duerig, General Manager

FROM: Tamara Baptista, Finance Manager
Hossein Golestan, Acting Assistant General Manager, Finance

SUBJECT: Proposed Fiscal Year 2015/16 Budget

BACKGROUND:

Staff annually prepares an operating budget on a fiscal year basis (July 1 through June 30) and present it to the Finance Committee for review and discussion prior to presenting it to the full Board. Many components of water planning and rate-setting are on a calendar year basis so budgeting on a fiscal year basis can present challenges and cause confusion unless these differences are acknowledged. The Agency also prepares a Capital Improvement Program (CIP) (five years for Flood Control and ten years for the Water Enterprise), typically every two years, as a separate process from the annual budget process. The CIP is the basis for developing the annual capital budgets that get folded into the fiscal year budgets. The most recent CIP was adopted in October 2014.

An interim reserve policy was adopted by the Board on April 17, 2013. The reserve levels discussed in this report are compared to the interim reserve policy.

The Agency also submits an annual budget to Alameda County for three operating funds (Funds 100, 110 and 200) for inclusion in the County-wide budget. Upon adoption by the Zone 7 Board, Zone 7's operating fund budgets are then included with the other County department's budgets and presented to the Board of Supervisors for adoption in June each year.

The proposed budget was discussed at the Finance Committee meetings on April 23, 2015 and May 7, 2015 and with the Retailers on April 16, 2015 and April 30, 2015.

Issues and Trends

Financial issues facing the Agency include the drought, the increasing fiscal impacts from water conservation efforts, the increased State Water Project charges, the slow recovery of the economy, and the continued increasing need to allocate funds to the Asset Management Program (AMP) for infrastructure maintenance and improvements.

Drought:

The drought continues to create challenges both from a water supply and from a financial perspective. There will be less revenue due to mandatory water usage reductions and the expenses will increase due to the replenishment of our water banking programs. In calendar years 2014 and 2015, the low allocations from the State Water Project have been balanced with groundwater both from the local groundwater basin and from out-of-basin groundwater storage in Kern County. Such recovery in calendar years 2014 and 2015 increased water costs. The Agency plans to start replenishing those water supplies in calendar year 2016, which increases costs still further in Fiscal Year 15/16.

In calendar year 2014, a local state of drought emergency existed and retailers were directed to achieve 25% conservation. The community did an outstanding job and achieved 29% saving for calendar year 2014. On April 1, 2015, Governor Brown issued an Executive Order, primarily for calendar year 2015, requiring 25% water conservation measures statewide for residential use compared to 2013 use. Conservation of this magnitude significantly reduces revenues, in both FY 14/15 (and, by extension, the available fund balance at the beginning of the next fiscal year) and in FY 15/16.

Water Conservation Act of 2009:

The Water Conservation Act of 2009 (SBX7-7) sets an overall goal of reducing per capita urban water use by 20% by the end of 2020. Water demands on a per capita basis continue to decrease while fixed costs remain high.

State Water Project Charges:

The State Water Project charges are by far the largest component of the Agency's budget. The charges are increasing due to both capital debt service payments and operating costs.

Water Reliability:

With declining reliability of the State Water Project, water purchases (Yuba, Multi-Year Pool, Byron Bethany Irrigation District, etc.) will become increasingly necessary, even though they come at a higher price.

Asset Management Program (AMP):

With the addition of new facilities, and as the water system infrastructure ages with time, the annual funding of the Renewal/Replacement and System-wide Improvement Fund from the Water Enterprise Fund is increasing. An updated AMP study to assess the condition of Zone 7's infrastructure was adopted by the Board on June 15, 2011, with another study scheduled for 2016. Board-approved funding transfers are scheduled to be made from the Water Enterprise Fund (Fund 100) to the Renewal/Replacement and System-wide Improvements Fund (Fund 120). As a result of emergency drought transfers in FY 14/15, the Board directed staff to reduce the transfer in FY 15/16 to \$7M.

Slow Economic Recovery:

New development within the service area has been picking up, providing slight growth in new water rate payers, development-related property tax income and connection fee revenue. There is also a moderate increase in property values that has resulted in stabilization of the 2014 and 2015 tax assessment roll.

Staffing

There are 123.5 full-time equivalent (FTE) authorized positions. The FY 15/16 budget proposes funding 111.5 FTE positions with the remaining 12 positions left unfunded due to the Soft Hiring Freeze initiative that began in FY 09/10. For FY 15/16 there are 4.5 additional funded positions: one Assistant General Manager of Finance, one Manager of Integrated Water Resources, one GIS Analyst, one Well Permit Technician, and 0.5 FTE Water Resources Engineer Trainee. The Assistant General Manager of Finance, the Well Permit Technician, 0.5 FTE Water Resources Engineer Trainee and the GIS Analyst positions were previously identified as soft hiring freeze positions that will now be funded. The Manager of Integrated Water Resources position is new and was approved by the Board in November 2014. Personnel costs are increasing 3% in FY 15/16 due to previously negotiated COLAs.

OPERATING BUDGETS:

Zone 7 staff prepared preliminary FY 15/16 budgets for the three operating funds (Funds 100, 110 and 200) and the summary of these budgets are shown below:

Water Enterprise Fund – Fund 100 (formerly Fund 52)

<i>Category</i>	<i>13/14 Audited Actual</i>	<i>14/15 Amended Budget</i>	<i>14/15 End of Year Projections</i>	<i>15/16 Proposed Budget</i>	<i>% Change (15/16 budget to 14/15 End of Year Projections)</i>
Revenue	\$ 36,479,758	\$ 34,461,062	\$ 31,606,909	\$ 34,552,636	9.32%
Expenses	\$ 37,525,019	\$ 50,157,219	\$ 46,652,793	\$ 42,619,302	-8.65%
Reserves*	\$ 30,450,709	\$ 14,754,552	\$ 15,404,825	\$ 7,338,159	-52.36%

*At end of FY

Reserve Policy Levels:

Min \$9,666,392

Max \$28,814,828

The proposed expenses for this fund are \$42.6M and projected reserves at the end of the year are \$7.4M. The FY 15/16 expenses are decreasing by \$4.0M compared to the FY 14/15 end-of-year projections, due to a \$5.8M lower transfer from the Water Enterprise Fund (Fund 100) to the Renewal/Replacement & System-wide Improvement Fund (Fund 120) partially offset by \$1.8M increase in projected operating expenses, primarily due to underspending the current year’s budget. The proposed FY 15/16 operating expenses (excluding transfer to AMP) are \$1.7M below the FY 14/15 budget. While demands for water are reduced by conservation, projected water purchase expenses are still projected to be high. The SWP allocation for 2015 is 20%, so

plans are to remove water from storage in 2015 and to purchase extra water in 2016 to replenish the Cawelo and Semitropic banking programs as well as local groundwater storage. The FY 15/16 revenues are increasing by \$2.9M compared to FY 14/15 end-of-year projections due to the estimated 25% loss of water sales for calendar year 2015 and 15% loss of water sales for calendar year 2016 (both lower than the 29% achieved in 2015), which is partially offset by the 3% Board-approved rate increase for calendar years 2015 and 2016. The FY 14/15 end-of-year revenue projections are anticipated to be less than budget due to the fact that the community achieved 29% water conservation instead of the 25% level the agency requested in calendar year 2014 and statewide regulations will most likely achieve at least 20% savings in 2015 (compared to the 15% projected when preparing the FY 14/15 budget). FY 15/16 reserves are projected to decrease by another \$8.1M from the FY 14/15 estimated reserve balance because of the continuing drought and associated increases in water costs with decreased revenues.

The projected reserve balance at the end of FY 15/16 is \$2.3M below the Board-approved minimum reserve level target overall. The Drought Contingency Reserve has been fully depleted. The projected Emergency Reserve is \$2.2M, the Operating Reserve is at \$3.1M, and the Rate Stabilization Reserve is at \$2.0M, all approximately at the minimum policy level by the end of FY 15/16.

State Water Facilities Fund – Fund 110 (formerly Fund 51)

<i>Category</i>	<i>13/14 Audited Actual</i>	<i>14/15 Amended Budget</i>	<i>14/15 End of Year Projections</i>	<i>15/16 Proposed Budget</i>	<i>% Change (15/16 budget to 14/15 End of Year Projections)</i>
Revenue	\$ 13,889,496	\$ 14,060,937	\$ 14,408,763	\$ 19,685,300	36.62%
Expenses	\$ 13,681,891	\$ 14,227,251	\$ 17,201,569	\$ 19,344,521	12.46%
Reserves*	\$ 8,849,889	\$ 8,683,575	\$ 6,057,083	\$ 6,397,862	5.63%

*At end of FY

Reserve Policy Levels
Min \$9,672,261
Max \$19,344,521

This is a pass-through fund for fixed charges associated with the State Water Project. The proposed expense budget for this fund is \$19.3M and the projected end-of-year reserves are \$6.4M. The FY 15/16 projected expenses are \$2.1M greater than the FY 14/15 end-of-year projections, based on the California Department of Water Resources’ (DWR) statement of charges (SOC) for 2015 and DWR’s estimates for 2016. In June 2014, DWR announced that they were experiencing cash flow issues and presented the State Water Contractors (SWC) with a 2015 Statement of Charges (SOC) proposing to cover the majority of the shortfall. DWR stated that the primary reason for the cash flow issue was a large salary increase for DWR employees as well as an increase in DWR’s number of full time employees working on the State Water Project. The other factor affecting this fund is a reimbursement/credit of approximately \$1.2M that we expected to receive in 2015 for the SBA Enlargement/Improvement project, but wasn’t in the 2015 SOC. Zone 7 prepaid the initial costs of the project (around \$6M) to launch it and

DWR had stated that we would in turn be reimbursed via the 2015 SOC. This project is split 20% in this fund (110) and 80% in Fund 130. This Fund will eventually receive 20% of the \$6M credit, which is approximately \$1.2M. Because timing of the credit is unclear, the credit is not in the FY 15/16 budget. Projected FY 15/16 revenues are increasing \$5.3M over the FY 14/15 end-of-year projections due to the increased property tax needed to pay for the increase in DWR charges.

There are two options for increasing revenues to cover this shortfall. One option is to spike up the property tax levy significantly in FY 15/16 to fully cover the shortfall in this fund. The other option is to smooth out the property tax increase to pay for the shortfall by using reserves this year and stepping up the increase half this year and half next year. Staff recommends smoothing out the property tax increase over two years and to continue monitoring DWR’s invoices and re-bills. The proposed property tax levy for FY 15/16 is \$16.5M.

Taking this approach, the projected reserve balance at the end of FY 15/16 is \$3.3M significantly below the Board-approved minimum reserve level target.

General Fund/Flood Control – Fund 200 (formerly Fund 50)

<i>Category</i>	<i>13/14 Audited Actual</i>	<i>14/15 Amended Budget</i>	<i>14/15 End of Year Projections</i>	<i>15/16 Proposed Budget</i>	<i>% Change (15/16 budget to 14/15 End of Year Projections)</i>
Revenue	\$ 6,579,116	\$ 6,505,936	\$ 6,546,087	\$ 6,709,984	2.50%
Expenses	\$ 15,673,828	\$ 14,279,561	\$ 9,482,545	\$ 13,276,559	40.01%
Reserves*	\$ 15,260,267	\$ 7,486,642	\$ 12,323,809	\$ 5,757,234	-53.28%

*At end of FY

Reserve Policy Levels
Min \$1,816,955 (Operating Reserve)
Max N/A

The proposed expenses for this fund are \$13.3M and projected reserves at the end of FY 15/16 are \$5.8M. The FY 15/16 expenses are increasing \$3.8M compared to the FY 14/15 end-of-year projections due to planned Flood Control activities. The FY 15/16 proposed revenues are increasing by \$0.16M over FY 14/15 end-of-year projections due to increased property tax revenue estimate of 4.5% (provided by the Alameda County Assessor’s Office).

Reserves are decreasing by \$6.6M due to the planned use of the fund balance. Of the \$5.8M reserve balance at the end of FY 15/16, \$4.5M is for the Operating Reserve. This amount is \$2.7M above the Board-approved minimum reserve for Operating Reserve. The remaining \$1.2M includes \$1M for the Sinking Fund Reserves and \$0.2M for Capital Project Reserves.

CAPITAL BUDGETS:

The Zone 7 Board adopts the operating budgets along with budgets for the three capital funds below (Funds 120, 130 and 210). The FY 15/16 Capital Improvement Program (CIP) was last adopted by the Board in October 2014. The resulting approved project budgets are included in the proposed FY 15/16 capital budget.

Water Enterprise Renewal/Replacement & System-wide Improvements – Fund 120 (formerly Fund 72)

<i>Category</i>	<i>13/14 Audited Actual</i>	<i>14/15 Amended Budget</i>	<i>14/15 End of Year Projections</i>	<i>15/16 Proposed Budget</i>	<i>% Change (15/16 budget to 14/15 End of Year Projections)</i>
Revenue	\$ 8,957,719	\$ 13,129,324	\$ 13,322,244	\$ 7,433,460	-44.20%
Expenses	\$ 15,247,494	\$ 13,236,048	\$ 11,492,580	\$ 19,404,102	68.84%
Reserves*	\$ 18,690,974	\$ 18,584,250	\$ 20,520,638	\$ 8,549,996	-58.33%

*At end of FY

Reserve Policy Levels
Min \$31,950,000 (Capital Project Reserve)
Max N/A

The proposed expense budget for Fund 120 in FY 15/16 is \$19.4M and projected reserves at the end of FY 15/16 are \$8.5M, well below the minimum reserve policy level. The FY 15/16 expenses are increasing by \$7.9M compared to the FY 14/15 end-of-year projections due to capital projects approved in October 2014. The FY 15/16 revenue budget is \$7.4M, decreasing by \$5.9M compared to the FY 14/15 end-of-year projections due to a \$5.8M lower transfer from the Water Enterprise Fund (Fund 100) to the Renewal/Replacement & System-wide Improvement Fund (Fund 120). Reserves are decreasing by \$12M due to the decreased transfer and planned capital projects.

Of the \$8.5M reserve balance at the end of FY 15/16, \$4.2M is for the Capital Project Reserve. This amount is \$27.7M below the Board-approved minimum reserve, driven by large CIP amounts approved for FY 16/17 and FY 17/18. The remaining \$4.3M reserve balance is for the Sinking Funds. Depending on feedback received as part of the Cawelo bond refinancing, Zone 7 may want to defer some projects. This discussion will likely take place as part of a larger financial discussion in late summer.

Water Enterprise Expansion – Fund 130 (formerly Fund 73)

<i>Category</i>	<i>13/14 Audited Actual</i>	<i>14/15 Amended Budget</i>	<i>14/15 End of Year Projections</i>	<i>15/16 Proposed Budget</i>	<i>% Change (15/16 budget to 14/15 End of Year Projections)</i>
Revenue	\$ 24,228,649	\$ 22,042,020	\$ 23,839,836	\$ 26,210,826	9.95%
Expenses	\$ 22,526,965	\$ 22,352,045	\$ 25,581,620	\$ 24,347,176	-4.83%
Reserves*	\$ 33,346,252	\$ 33,036,227	\$ 31,604,468	\$ 33,468,118	5.90%

*At end of FY

Reserve Policy Levels
Min \$12,000,000 (Capital Project Reserve)
Max N/A

The proposed expense budget for this fund is \$24.3M and projected reserves at the end of the fiscal year are \$33.5M. The FY 15/16 expenses are decreasing by \$1.2M compared to the FY 14/15 end-of-year projections. DWR’s cash flow issue mentioned above in Fund 110 also impacts this fund. This Fund will eventually receive 80% of the \$6M credit, which is approximately \$4.8M. Because the timing of the credit is unclear, the credit is not in the FY 15/16 budget.

The proposed FY 15/16 revenue budget is \$26.2M, increasing by \$2.4M compared to FY 14/15 end-of-year projections primarily due to an increase in projected connection fee revenue as the local economy continues to improve. Projected reserves at year-end are increasing by \$1.9M.

Of the \$33.5M reserve balance at the end of FY 15/16, \$19.7M is for the Capital Project Reserve. This amount is \$7.7M above the Board-approved minimum reserve for this fund. The remaining \$13.8M reserve balance is for the Sinking Funds.

Flood Protection and Stormwater Drainage – Fund 210 (formerly Fund 76)

<i>Category</i>	<i>13/14 Audited Actual</i>	<i>14/15 Amended Budget</i>	<i>14/15 End of Year Projections</i>	<i>15/16 Proposed Budget</i>	<i>% Change (15/16 budget to 14/15 End of Year Projections)</i>
Revenue	\$ 4,887,165	\$ 2,646,500	\$ 2,630,098	\$ 2,861,500	8.80%
Expenses	\$ 4,029,267	\$ 7,022,157	\$ 6,139,707	\$ 5,178,863	-15.65%
Reserves*	\$ 41,506,429	\$ 37,130,772	\$ 37,996,820	\$ 35,679,457	-6.10%

*At end of FY

Reserve Policy Levels
Min N/A
Max N/A

The proposed expense budget for this fund is \$5.2M and projected reserves at the end of the fiscal year are \$35.7M. The FY 15/16 expenses are decreasing \$1M over FY 14/15 end-of-year projections due to planned capital project activities. The proposed FY 15/16 revenues are increasing by \$0.2M due to a slight increase in development. Reserves are decreasing by \$2.3M due to increased capital project activities.

SUMMARY OF TOTAL ZONE 7 BUDGETS:

<i>Category</i>	<i>13/14 Audited Actual</i>	<i>14/15 Amended Budget</i>	<i>14/15 End of Year Projections</i>	<i>15/16 Proposed Budget</i>	<i>% Change (15/16 budget to 14/15 End of Year Projections)</i>
Revenue	\$ 95,021,903	\$ 92,845,779	\$ 92,353,937	\$ 97,453,706	5.52%
Expenses	\$ 108,684,464	\$ 121,274,281	\$ 116,550,814	\$ 124,170,523	6.54%
Reserves*	\$ 148,104,521	\$ 119,676,019	\$ 123,907,644	\$ 97,190,826	-21.56%

*At end of FY

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

BOARD OF DIRECTORS

RESOLUTION NO. 15-65

INTRODUCED BY DIRECTOR PALMER
SECONDED BY DIRECTOR FIGUERS

BE IT RESOLVED that the Board of Directors of Zone 7 of Alameda County Flood Control and Water Conservation District does hereby approve the following budgets, including revenue, expenses and the use of fund balance for Fiscal Year 2015/16 (Exhibit A):

1. Water Enterprise Budget (Fund 100);
2. State Water Facilities Budget (Fund 110);
3. Water Renewal & Replacement, System-Wide Improvements Capital Projects (Fund 120);
4. Water Expansion Capital Projects (Fund 130);
5. General Fund/Flood Control Budget (Fund 200);
6. Flood Protection/Stormwater Drainage DIF Capital Projects (Fund 210); and

BE IT FURTHER RESOLVED that the Board of Directors of Zone 7 does hereby request the Board of Supervisors of the Alameda County Flood Control and Water Conservation District to incorporate said budgets of Zone 7, where applicable; and

BE IT FURTHER RESOLVED that Section 1 (b) of Article XIII A of the California Constitution exempts ad valorem property tax levies to make payments upon indebtedness approved by voters prior to July 1, 1978, from the limitations set forth in Section 1 (a) of Article XIII A; and

BE IT FURTHER RESOLVED that the District's indebtedness from its State Water Supply Contract falls within such exemption; and

BE IT FURTHER RESOLVED, that consistent with the requirements of law and specifically within the limitations imposed by Article XIII A of the Constitution of the State of California there shall be levied in Fiscal Year 2015/16 a property tax within the District sufficient to raise the sum of \$16,500,000 to meet that portion of the District's State Water Supply Contract obligation. All funds received by the District pursuant to the aforementioned property tax levy shall be placed in Fund 110, a separate fund identified for the indebtedness set forth above; and

BE IT FURTHER RESOLVED that the Board of Directors of Zone 7 does hereby request the Board of Supervisors of said District to levy a tax on all property of Zone 7 sufficient to assure payment of sums due under the District's State Water Supply Contract for the State Water Facilities Fund to make payments; and

BE IT FURTHER RESOLVED that the Board of Directors of Zone 7 of Alameda County Flood Control and Water Conservation District does hereby approve the personnel actions, if any, as

contained in the Zone 7 Budget for Fiscal Year 2015/16 and authorize the General Manager to implement such personnel actions; and

BE IT FURTHER RESOLVED that the General Manager is authorized and directed to adjust accounts as the General Manager may deem necessary to account for any changes in available fund balances, revenues or expenditures.

ADOPTED BY THE FOLLOWING VOTE:

- AYES: DIRECTORS FIGLIERS, GRECI, PALMER
- NOES: DIRECTORS RAMIREZ HOLMES, STEVENS
- ABSENT: DIRECTORS McGRAIL, QUIGLEY
- ABSTAIN: NONE

I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Directors of Zone 7 of Alameda County Flood Control and Water Conservation District on May 20, 2015.

By: 
President, Board of Directors

Summary of Annual Budget

ESTIMATED CHANGE IN RESERVE BALANCES

The fund schedule below summarizes Zone 7's overall financial picture by individual fund. It includes revenue and expenses as well as projected reserve balances at 6/30/2015. The fund schedules are grouped by type of fund: Enterprise (Water Enterprise Fund, State Water Facilities Fund, Renewal & Replacement/System Wide Improvement Fund and the Expansion Fund) and Governmental Funds (Flood Control and Flood Protection/Stormwater Drainage Development Impact Fee Fund).

	Fund 100 Water Enterprise	Fund 110 State Water Facilities	Fund 120 Water Enterprise Capital RR&I	Fund 130 Water Enterprise Capital Expansion	Fund 200 Flood Protection/General Fund	Fund 210 Flood Protection Development Impact Fees	Grand Total
FY 15/16 PROPOSED BUDGET							
1 Available Fund Balance July 1, 2014	\$ 30,450,709	\$ 8,849,889	\$ 18,690,974	\$ 33,346,252	\$ 15,260,267	\$ 41,506,429	\$ 148,104,521
2 FY 14/15 Projected Change in Fund Balance (Revenue over Expenses)	(15,045,884)	(2,792,806)	1,829,664	(1,741,784)	(2,936,458)	(3,509,609)	(24,196,877)
3 FY 14/15 Budgeted Change in Fund Balance (Revenue over Expenses) ¹	(15,219,547)	(166,314)	5,550,433	2,556,882	(3,910,156)	(3,108,775)	(14,297,477)
4 Estimated Beginning Fund Balance July 1, 2015	15,404,825	6,057,083	20,520,638	31,604,468	12,323,809	37,996,820	123,907,644
5 Revenue							
6 Water Sales & Service	34,191,645	1,521,620					35,713,265
7 Property Taxes		16,650,000			6,472,129		23,122,129
8 Development Fees			375,960	22,826,757		2,656,500	25,859,217
9 Charges for Services	131,500		2,500		47,650		181,650
10 Aid from Governmental Agencies -	-	45,000			54,000		99,000
11 Aid from Governmental Agencies -		610			10,700		11,310
12 Investment Earnings	90,000	30,000	55,000	264,069	30,000	180,000	649,069
13 Rents and Royalties	65,263				60,505		125,768
14 Other Revenue	74,228	1,438,070		3,120,000	35,000	25,000	4,692,298
15 Subtotal (before transfers)	34,552,636	19,685,300	433,460	26,210,826	6,709,984	2,861,500	90,453,706
16 Transfers			7,000,000				7,000,000
17 Total Revenue	34,552,636	19,685,300	7,433,460	26,210,826	6,709,984	2,861,500	97,453,706
18 Expenses							
19 Labor and Benefits Distributed	\$16,173,433		1,222,684	141,011	1,488,553	429,057	19,454,738
20 Credits/Charges for Applied Overhead	(\$2,583,665)		1,317,816	280,389	752,477	232,983	(0)
21 Purchased Services	\$4,360,785		4,328,500	1,902,906	3,209,594	1,266,065	15,067,850
22 Water	\$7,566,114	19,344,521		20,906,541			47,817,176
23 Chemicals	\$2,432,413						2,432,413
24 Energy	\$1,929,277						1,929,277
25 Communications	\$177,150				5,592	328	183,070
26 Cleaning Services	\$40,351				6,000		46,351
27 Repairs and Maintenance	\$2,802,229				2,818,293		5,620,522
28 Rental Services	\$118,900		560,102	435,635	157,418	126,518	1,398,573
29 General Office Services/ Supplies ²	\$593,678		-		12,500		606,178
30 Organizational Membership/	\$471,381			694	118,000		590,075
31 Other Services/ Supplies	\$416,197		260,000	5,000	484,915	287	1,166,399
32 Training and Travel ³	\$405,525				18,100		423,625
33 Special Departmental Expense/Capital	\$587,835		750,000	650,000	13,332	250,000	2,251,167
34 Capital Projects					4,191,785		4,191,785
35 Equipment, Furniture and Vehicles	\$127,700		120,000				247,700
36 Land and Facility Improvements			10,845,000	25,000		2,873,625	13,743,625
37 Debt Service							
38 Subtotal (before transfers)	\$35,619,302	19,344,521	19,404,102	24,347,176	13,276,559	5,178,863	117,170,523
39 Transfers	7,000,000						7,000,000
40 Total Expenses	42,619,302	19,344,521	19,404,102	24,347,176	13,276,559	5,178,863	124,170,523
41 Est. Ending Fund Balance June 30, 2016	7,338,159	6,397,862	8,549,996	33,468,118	5,757,234	35,679,457	97,190,826
42 Reserve Balances							
43 Operating	3,122,788	6,397,862			4,542,387		14,063,037
44 Rate Stabilization	1,968,911						1,968,911
45 Emergency	2,246,460						2,246,460
46 Drought Contingency	0						0
47 Capital Projects			4,247,542	19,704,462	185,051	34,670,196	58,807,251
48 Sinking Funds - FY 14/15 Contributions							
49 Building Sinking Fund			417,824	520,200	92,850	92,850	1,123,724
50 Future Contractor's Share of the South Bay Aqueduct				548,145			548,145
51 South Bay Aqueduct Enlargement				1,116,627			1,116,627
52 Sinking Funds Reserve Balance			4,302,454	13,763,656	1,029,796	1,009,261	20,105,167
53 Total Reserves (lines 43+44+45+46+47+52)	\$ 7,338,159	\$ 6,397,862	\$ 8,549,996	\$ 33,468,118	\$ 5,757,234	\$ 35,679,457	\$ 97,190,826
54 Change in Fund Balance⁴	(8,066,666)	340,779	(11,970,642)	1,863,650	(6,566,575)	(2,317,363)	(26,716,818)

Notes:

¹Shown for comparative purposes only.

²General Office Service/Supplies include the Records Management System project that has been delayed a couple of years.

³Training/Travel includes training for current and new staff. Due to the popularity of webinars (on-line training), actual training costs are less expensive.

⁴In order to achieve a balanced budget, use of reserve as shown in line 54 will be appropriated as revenue in the financial/accounting system (use of reserves) - line

FINANCIAL OVERVIEW



Basis of Accounting and Budgeting

The District uses enterprise (proprietary/water) and governmental (flood) funds to account for its activities.

Proprietary (water enterprise) funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations.

- The principal operating revenues of the water enterprise fund is received from the sale of water to outside customers. These revenues are recorded when earned, regardless of when payments are received.
- Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation of capital assets. These expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

All revenues and expenses not meeting the aforementioned definition are reported as non-operating revenues and expenses in the water enterprise.

Governmental (flood protection) funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

- Property tax benefit assessments, interest, grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available.
 - Proceeds of general long-term debt and capital leases are reported as other financing sources.
- Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences (such as paid leave) are recorded when payment is due.
 - General capital asset acquisitions are reported as expenditures in governmental funds.

The modified accrual basis of accounting is used for budgeting purposes. The budget shows items as expenses that normally would be recorded directly to the balance sheet, such as a Line of Credit. However, non-cash items such as depreciation are not budgeted in governmental (flood protection) funds.

Cost Allocation

The Agency's operating and capital expenses, including employee wages and benefits, are allocated to each fund, section, sub-program and project based on actual expenses as tracked by the agency's cost accounting , project accounting and financial systems. The basis for the allocation of benefits for each capital project is documented in the project budget approved by the Board and is equitably based upon parameters identifiable to the benefits received.

AGENCY OVERHEAD

Agency overhead is accounted for in Program 60 – Central Administration which covers the administration and management of Zone 7 and impacts both water enterprise (proprietary) and flood control (governmental) funds.

Allocations to Flood Control - Fund 200 as overhead are based on prior year labor hours. For FY 15/16, the Agency overhead allocation amount is 10.3%.

Agency overhead is also allocated to capital project labor at a rate of 57.6%.

Description of Funds

WATER ENTERPRISE FUND - FUND 100

Primary Funding Source: Water Rates

The purpose of this fund is to ensure the delivery of high quality water to the Livermore-Amador Valley. This includes water treatment and distribution of potable (drinking) water; distribution of untreated agricultural/irrigation water; and surface water and groundwater management. Water distributed is a combination of local supplies and imported water from the State Water Project. Activities include water treatment; water quality analysis; water resource management and groundwater protection; and water supply planning and engineering.

STATE WATER PROJECT FUND - FUND 110

Primary Funding Source: Property Taxes

This fund finances the “fixed cost” payment to the State Department of Water Resources (DWR) to import water to Zone 7. The purpose is to pay the costs for use of the State water delivery system, which includes repayment of voter approved, State incurred, long-term debt.

WATER RENEWAL/REPLACEMENT AND SYSTEM-WIDE IMPROVEMENT FUND - FUND 120

Primary Funding Source: Water Rates via a transfer from the Water Enterprise (Fund 100)

The purpose of this fund is to ensure that the current water treatment and delivery system infrastructure is functioning effectively and that capital replacement and improvement needs to maintain and improve the water infrastructure are funded.

WATER EXPANSION FUND - FUND 130

Primary Funding Source: Water Connection Fees

The purpose of this fund is to ensure that Zone 7 is able to meet future needs for water demands. The program is primarily intended to provide funding for new facilities and water supplies for new development.

FLOOD PROTECTION OPERATIONS - FUND 200

Primary Funding Source: Property Taxes

This fund provides for general administration and regional flood control services to ensure the controlled drainage of the Valley’s excess stormwater runoff. Zone 7 manages a watershed of 425 square miles including eastern Alameda County. Drainage also comes from parts of Contra Costa, Santa Clara and San Joaquin Counties. More than 37 miles of flood control channels and regional drainage facilities are owned and maintained by Zone 7. This fund finances a comprehensive year-round maintenance program that includes repairing slides and erosion, refurbishing access roads and associated drainage ditches, installing and repairing gates and fences, and maintaining landscaped areas.

FLOOD PROTECTION STORMWATER DRAINAGE AND DEVELOPMENT IMPACT FEE FUND - FUND 210

Primary Funding Source: Development Impact Fees

The purpose of this fund is to ensure that Zone 7 is able to meet future needs for flood control facilities. The program is primarily intended to provide funding for any flood control facilities required for new development. Funds are expended on the planning, design, lands and right of way acquisition, environmental review, permitting, and construction for drainage projects.

LISTING OF FUNDS

Section	Fund No.	Primary Funding Source	Primary Funding Purpose	Appropriated?	Included in Audit?
Water Enterprise Fund	100	Water Sales	1). Enterprise Operation & Administration, 2). Emergency & Support Services, 3). Variable State Water Charges, 4). Water Facilities Maintenance & Operation, Water Facilities, and 5). Water Resources & Water Supply Planning.	Yes	Yes
State Water Facilities Fund	110	Property Taxes	1). Fixed State Water Charges and 2). State Water Project Bonded Indebtedness.	Yes	Yes
Capital Improvement, Renewal & Replacement (IR&R) Fund	120	Originally financed by Revenue Bonds, and Transfers from Water Enterprise End of Fiscal Year.	Improvement, Renewal and Replacement Program.	Yes	Yes
Capital Expansion Fund	130	Connection Fees	Water Enterprise Capital Expansion projects	Yes	Yes
Water Enterprise Fixed Assets (Equipment) Fund	140	ACO Reserve (Accumulated Capital Outlay)	Motor Vehicle Replacement & Capital Equipment	No	Yes
Flood Protection Operations Fund	200	Property Taxes	1). Activities related to flood protection & existing storm water drainage facilities, and 2). Reserve for reimbursement to developers.	Yes	Yes
Flood Protection Development Impact Fee Fund	210	Development Impact Fees	Activities related to future flood protection & storm water drainage facility needs.	Yes	Yes
Water Facilities Trust	300	Quarry Reclamation/Tonnage fees, Quarry Discharge fees, T/O Construction & other Deposits, Encroachment Permit fees, Untreated Connection fee Deposits, and Unallocated Interest.	1). Chain of Lakes mitigation/planning reserve, 2). Quarry discharge exports, 3). Miscellaneous fees & deposits, 3). Permit inspection deposits, 4). Pending distribution to Fund 73, and 5) Undistributed.	No	Yes
Water Supply/Reliability Trust	310	Water supply/reliability/quality & Delta related projects.	Future water, water storage & Delta-related projects.	No	Yes

MATRIX OF CURRENT SECTION/FUND RELATIONSHIP

The chart below exemplifies the current relationship between Funds and Sections

Section	Fund 100 Water Enterprise	Fund 110 State Water Facilities	Fund 120 Water Renewal/ Replacement	Fund 130 Water Expansion	Fund 200 Flood Control	Fund 210 Flood Protection & Stormwater Drainage
Office of the General Manage	X	X	X	X	X	X
Finance	X		X	X	X	X
Employee Services	X		X	X	X	
Water Quality	X		X	X	X	X
Integrated Planning	X		X	X	X	X
Water Facilities	X		X	X	X	X
Groundwater Protection	X		X	X	X	X
Operations	X		X	X		
Maintenance	X		X	X	X	
Flood Control	X		X	X	X	X

Agency Programs and Sub-Programs

The Program is a new level of reporting introduced with the implementation of New World Solutions software (late 2014). The programs represent the major components of the Agency for which all activities are reported. The Sub-Program is a sub-level of recording and reporting of activities.

PROGRAM 10 - WATER UTILITY SUPPORT SERVICES

The Water Utility Support Services Program involves sub-programs that support the overall Water Enterprise but are not specific to any one Program under Water Enterprise.

Sub-Programs within this Program: Administration, Untreated Water, Energy, Water Quality Compliance, Water Utility Planning, Financial Planning, SCADA, Maintenance Shop, Debt Service

PROGRAM 20 - WATER STORAGE

The Supply Source and Conveyance Program involves the acquisition and conveyance of raw water from the source to the treatment plants or for release to the arroyos for recharging the groundwater basin.

Sub-Programs within this Program: Administration, Water Conservation, State Water Project, Byron Bethany Irrigation District, SWP Delta infrastructure improvements (California Water Fix), Local Water Rights, Other Water Supplies

PROGRAM 30 - WATER STORAGE

The Water Storage Program involves the storage of raw water supplies, in the local groundwater, basin and out-of-basin storage in Kern County.

Sub-Programs within this Program: Administration, Groundwater Basin Monitoring, Groundwater Basin Management & Evaluation, Well Permit & Inspection, Semitropic, Cawelo, Chain of Lakes (partial)

PROGRAM 40 - WATER TREATMENT

The Water Treatment Program involves the treatment of surface water and groundwater.

Sub-Programs within this Program: Administration, Del Valle Water Treatment Plant, Patterson Pass Water Treatment Plant (both conventional and ultra-filtration), Mocho Groundwater Demineralization Plant and all wells

PROGRAM 50 - WATER TRANSMISSION

The Water Transmission Program involves the transmission, distribution and delivery of potable water to retail water suppliers and direct customers.

Sub-Programs within this Program: Administration, Pipelines, Dougherty Reservoir, Turnouts, Pump Stations, rate control stations, Permits & Inspection

PROGRAM 60 - CENTRAL ADMINISTRATION

The Central Administration Program involves the administration and management of Zone 7 Water Agency which impacts both the water enterprise and flood control.

Sub-Programs within this Program: Administration (Agency-Wide), Finance, Employee Services Planning and Environmental Services, Security & Emergency Planning, Real Property, Administrative Facilities Maintenance/Services, Board of Directors, Chain of Lakes - Shared Water Enterprise/Flood Protection

PROGRAM 70 - FLOOD PROTECTION

The Flood Protection Program involves the maintenance and improvement of the flood control channels and infrastructure.

Sub-Programs within this Program: Administration, Flood Control Planning, Encroachments & Inspection, Financial Planning, Routine Maintenance, Channel Repair/Improvements, USACE Rehabilitation, Emergency Response, Chain of Lakes (partial)

Financial Policies

FINANCIAL RESERVES (APPENDIX A)

The Financial Reserve policy was initially adopted by the Board in 2005 and updated with the adoption of a new Interim Reserve policy on April 17, 2013. Reserve policies will be revisited and studied in 2015. The policy covers reserves for:

- Operating/Emergency Reserves
- Flood Control Project Reserves
- Rate Stabilization Reserve
- Drought Contingency Reserve
- Water Renewal, Replacement & System-wide Improvements Capital Reserves, and
- Water Expansion Capital Reserves

FINANCIAL MANAGEMENT FRAMEWORK (APPENDIX B)

The purpose for the financial management framework is to assure that Zone 7 prudently manages its funds and maintains financial and accounting records of all transactions in accordance with generally accepted accounting principles and practices.

Employee Compensation and Benefits

Zone 7 Water Agency's (Agency) employee benefits are administered through the County of Alameda Employee Benefits Center (EBC). The following is an overview of the benefit programs currently offered to eligible Employees of the Agency.

MEDICAL PLANS

The Agency offers three types of Medical Plans. The agency contributes up to 90% of the total premium for the HMO Plans and 90% of the lowest cost HMO for the PPO Plan. Employees contribute 10% of the total premium cost, or more, depending on their choice of Medical Plan. The agency contribution is prorated based on the number of work hours up to 50% of the standard hours in a pay period. Employees pay any additional premium costs if they chose an alternate HMO or PPO Plan. If an eligible employee waives all medical coverage through the agency, a monthly "Share the Savings" stipend may be provided up to \$200.00 per month.

DENTAL PLANS

The Agency offers two Dental Plans: a PPO and Dental Maintenance Option (DMO). The agency contributes the full cost of dental coverage for eligible employees as long as the employee works at least 50% of the standard hours in a pay period. The PPO option plan design is 100% Preventative, 80% Basic Care, 80% Major Care with a \$45 per individual deductible and annual maximum up to \$1,450 per year (plan maximums may vary based on your represented or unrepresented, union bargaining agreements and/or MOUs). The DMO option has an orthodontic benefit for children as well as adults.

VISION BENEFIT

The Agency offers eligible employees a 100% employee-paid, Voluntary Vision Plans for themselves and their dependents through VSP® Vision Care. There are two options a low option, Vision Choice Plus, and a high option, Vision Choice Premium. In addition, an annual eye exam is covered for participants in the HMO Medical Plans with corresponding co-pay. Some union bargaining units have a provision in their Memoranda of Understanding that after six months of continuous service, reimbursement for eye lenses or contacts is provided at an amount dependent upon the union bargaining unit. This benefit is available to employees only.

CAFETERIA PLAN

Zone 7 employees are provided an allowance, dependent upon the union bargaining unit, of up to \$3,000 annually in a non-taxable account to offset the premium cost for medical, dental, vision, employee supplemental life a supplemental AD&D. Based on a schedule, some monies remaining are placed in the Health Care Flexible Spending Account (Health FSA) to offset out of pocket eligible expenses.

LIFE INSURANCE

The Agency pays for a Basic Life Insurance policy of \$9,000-\$25,000 per employee based on specific affiliation with a union. In addition, eligible employees may purchase additional Supplemental Life for themselves, spouse/domestic partner or dependent children. Eligible employees may also purchase Group Accidental Death and Dismemberment (AD&D) insurance for themselves and family through the cafeteria plan.

HEALTH FLEXIBLE SPENDING ACCOUNT

Employees may opt for payroll deductions on a pre-tax basis up to \$10,000 for eligible out-of-pocket medical, dental and vision expenses such as: prescription co-pays, office visit co-pays, prescription eye glasses or contact lenses or other eligible expenses as defined by the Internal Revenue Code, Section 125.

DEPENDENT CARE ASSISTANCE PROGRAM

For employees who have either children under age 13 or dependents (parent, sibling or in-law incapable of self-care) that are dependent upon the employee for care may opt for payroll deductions on a pre-tax basis up to \$5,000 annually. These pre-tax dollars can be used to pay for day care expenses provided by a licensed facility.

PRE-TAX TRANSIT BENEFIT

Employees can set aside up to \$120 a month on a pre-tax basis to purchase tickets for public transportation used to commute to employee's jobsite.

HOLIDAYS

Most employees are provided 11 paid holidays plus 4 floating holidays dependent upon the union bargaining unit.

VACATION AND SICK LEAVE WITH PAY

Vacation accrual ranges from two weeks to five weeks depending upon years of service and the union bargaining unit to which the position is assigned. Sick leave accrues at the approximate rate of one-half day per bi-weekly pay period. The exact rate is based on the union bargaining unit and is defined within the corresponding Memorandum of Understanding (MOU).

VACATION PURCHASE PROGRAM

Zone 7 Water Agency allows eligible employees to purchase one or two additional weeks of vacation through payroll deductions. Additional information is based on the union bargaining unit and is defined within their MOU.

EMPLOYEE ASSISTANCE PROGRAM (EAP)

Zone 7 Water Agency has an EAP available for employees, spouses/domestic partners and eligible dependents. This program provides services such as: counseling, financial consulting, child and elder care consulting and some legal counseling.

DISABILITY OR INCOME REPLACEMENT

Two voluntary plans are offered: Short-term Disability and Long-term Disability can be purchased through a payroll deduction or with accrued vacation hours depending upon the union bargaining unit.

EDUCATIONAL STIPEND

Zone 7 Water Agency offers eligible management employees reimbursement up to a maximum of \$7,500 per fiscal year for the cost of tuition and related materials for job-related educational expenses, job-related conference fees, or job-related seminar fees which shall maintain or upgrade the employee's skills on the job, or prepare the employee for promotional opportunities.

RETIREMENT - ACERA

Zone 7 Water Agency employee retirement program is provided through the Alameda County Employees' Retirement Association (ACERA). This is a Defined Benefit plan organized under the County Employees Retirement Law of 1937, which provides retirement, disability, and death benefits to the employees, retirees, and former employees Zone 7 Water Agency. ACERA retirement is based on one's age upon entrance, compensation, years of service and specific percentage of employee/employer contributions with Zone 7's portion vesting after five years of employment.

DEFERRED COMPENSATION PLAN

Zone 7 Water Agency offers a 457 Deferred Compensation program where an eligible employee who works at least 50% of their standard hours in a pay period can voluntarily contribute on a pre-tax basis, for the purpose of augmenting retirement income, a minimum of \$20 per pay period up to a total annual contribution based on guidelines set by the Internal Revenue Service (IRS).

ADDITIONAL BENEFITS

Other benefits available to eligible employees include a 9/80 work schedule.

Financial Trend Indicators

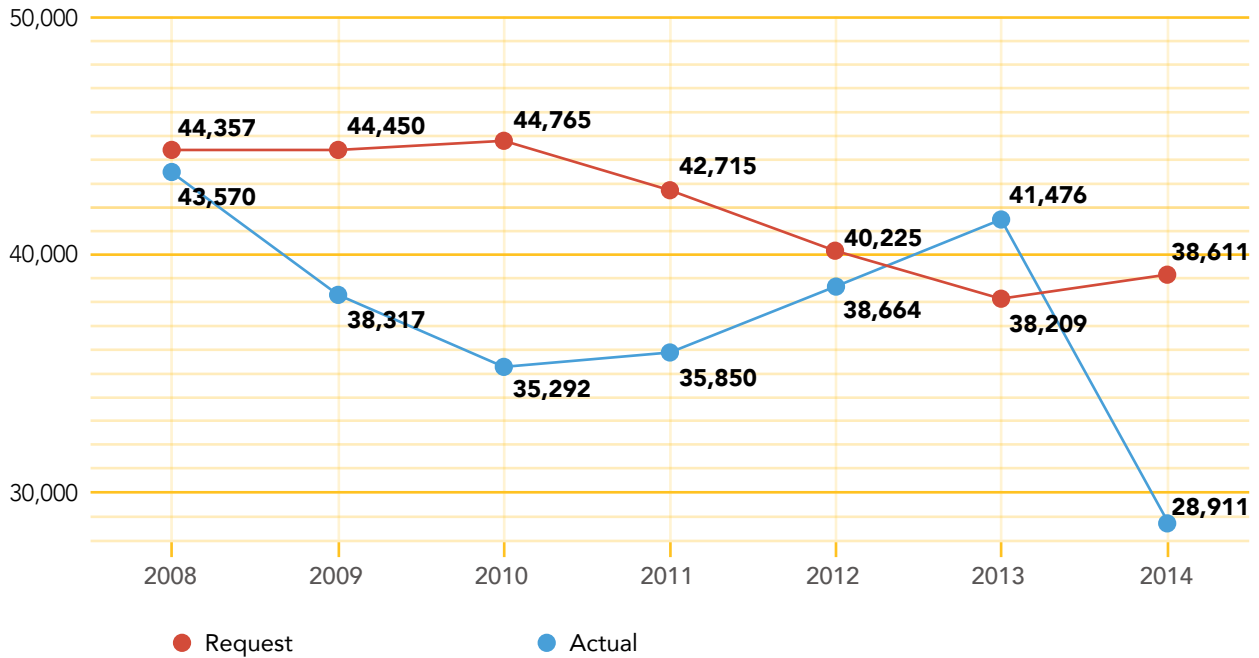
WATER SALES

The Agency tracks and compares retailer water requests versus actual water deliveries to chart trends and project possible, future water sales. As the primary revenue stream for the Agency, this vastly important indicator drives the budget and capital improvement planning well into the future.

Because of the prolonged drought throughout the State and within our service area, water requests to and water sales from the Agency have declined. Looking into the future with the prospects of minimal improvement for the drought conditions combined with the twenty-five percent conservation mandated by the state, sales/deliveries expect to be flat as compared to 2014.

The chart below depicts data from the years 2008 through 2014.

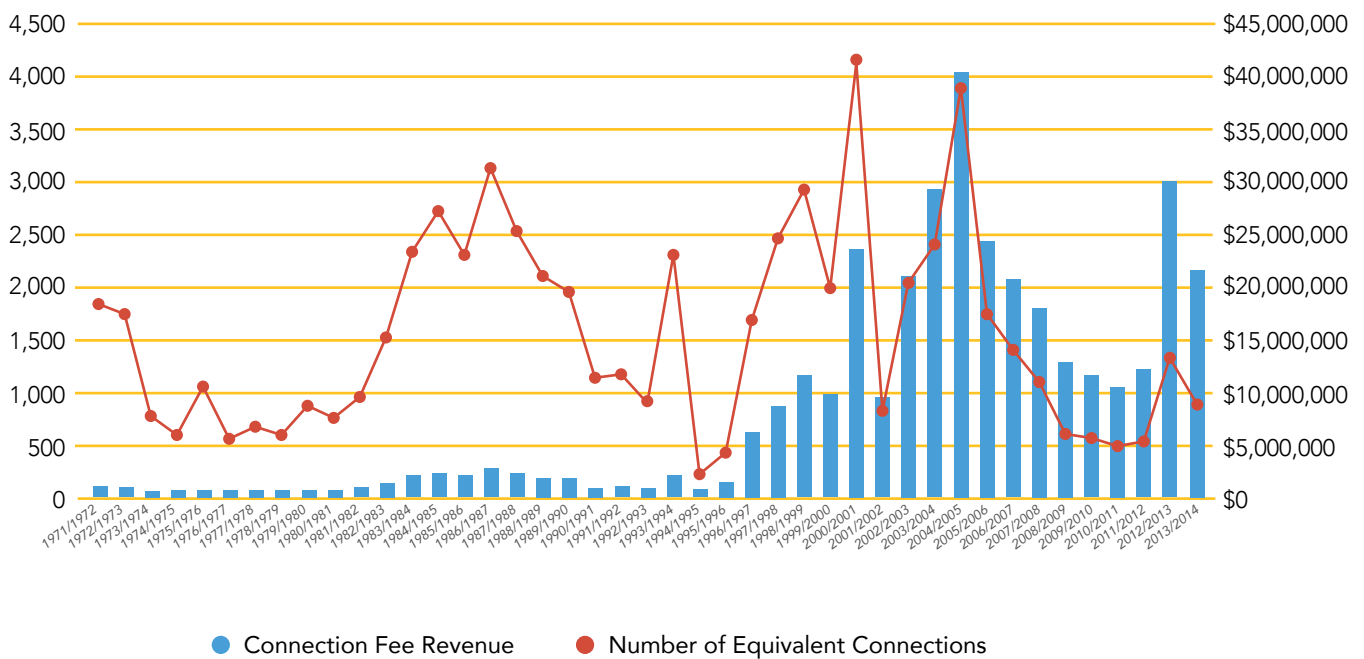
TREATED WATER REQUESTED VS. DELIVERED (AF)



WATER CONNECTION FEE REVENUE

Historical connection fee revenue serves as an indication of future connections. In general, several years of slow growth are followed by recovery. An increase in connection fee revenue is projected in the near-term. Historical connections are shown in the chart below.

CONNECTION FEE REVENUE/NUMBER OF EQUIVALENT CONNECTIONS



Revenue Assumptions for FY14/15 Estimated Actuals & FY15/16 Budget

WATER ENTERPRISE - FUND 100

Water sales are the primary source of revenue for the Agency. Our major customers are the cities of Pleasanton, Livermore, Dublin-San Ramon Service District for Dublin and the Dougherty Valley area of San Ramon, and California Water Service, collectively referred to as the retailers. Zone 7 also sells untreated water to Valley farms, wineries, and other irrigation customers.

Treated water sales are projected based on the treated water rate and projected deliveries to retailers. Zone 7 projects a 15% reduction in water sales for calendar year (CY) 2015 as a result of the drought. Below are the assumptions used to develop the FY 14/15 and FY 15/16 treated water sales estimates.

	Water Deliveries	Water Rate (per AF)
CY 2014	28,867	\$970
CY 2015	37,038	\$999
CY 2016	39,056	\$1029

WATER RENEWAL/REPLACEMENT AND SYSTEM-WIDE IMPROVEMENTS - FUND 120

The purpose of these programs is to ensure that the current water treatment and delivery systems are functioning effectively and that capital replacement and improvement needs are funded.

This fund is funded from the sale of treated and untreated water and from Facility Use fees by new users in the Dougherty Valley.

Transfer from Fund 100	
FY14/15	\$12,823,924
FY15/16	\$7,000,000

WATER EXPANSION - FUND 130

Water Connection fee revenue funds expansion of the water system to accommodate the demands of new development. Revenue is derived from connection fees paid by new development. Below are the assumptions used to develop the FY 14/15 and FY 15/16 connection fee revenue estimates, where connections are given in equivalent dwelling units (EDUs). A separate fee is charged for DV service area.

	Connections	Zone 7 Connection Fee - Effective 1/1/15 & 1/11/16	DV Connection Fee - Effective 1/1/15 & 1/11/16
FY13/14	770	\$24,030	\$22,240
FY14/15	840	\$24,830	\$22,980
FY15/16	930	\$25,574	\$23,672

FLOOD CONTROL - FUND 200

This budget unit provides the funding for flood control services and related administrative costs. The purpose of this program is to ensure the controlled drainage of the Valley’s excess water runoff. Zone 7 manages a watershed of nearly 425 square miles including eastern Alameda County and parts of Contra Costa, Santa Clara and San Joaquin Counties.

This fund is funded by Zone 7’s share of 1% Ad Valorem property taxes. Revenue is based on projected increases in assessed valuation.

	Projected Increase in Assessed Valuation	Zone 7 Allocation Factor
FY13/14	6%	0.00298753
FY14/15	6%	0.00298753
FY15/16	4.5%	0.00298753

FLOOD CONTROL - FUND 210

The purpose of this program is to ensure that Zone 7 is able to meet future needs related to growth for flood control facilities. The program is primarily intended to provide funding for any flood control facilities required for new development. The funding for this program comes entirely from new development fees, which are charged on the basis of number of square feet of new, impervious surface area.

	Fee
FY14/15	\$1.00
FY15/16	\$1.00

INTEREST

Approximately 0.5% on funds deposited in County Treasury

OTHER REVENUE

Other revenue such as meter fees, checking fees, etc are based on current year activities.

REVENUE

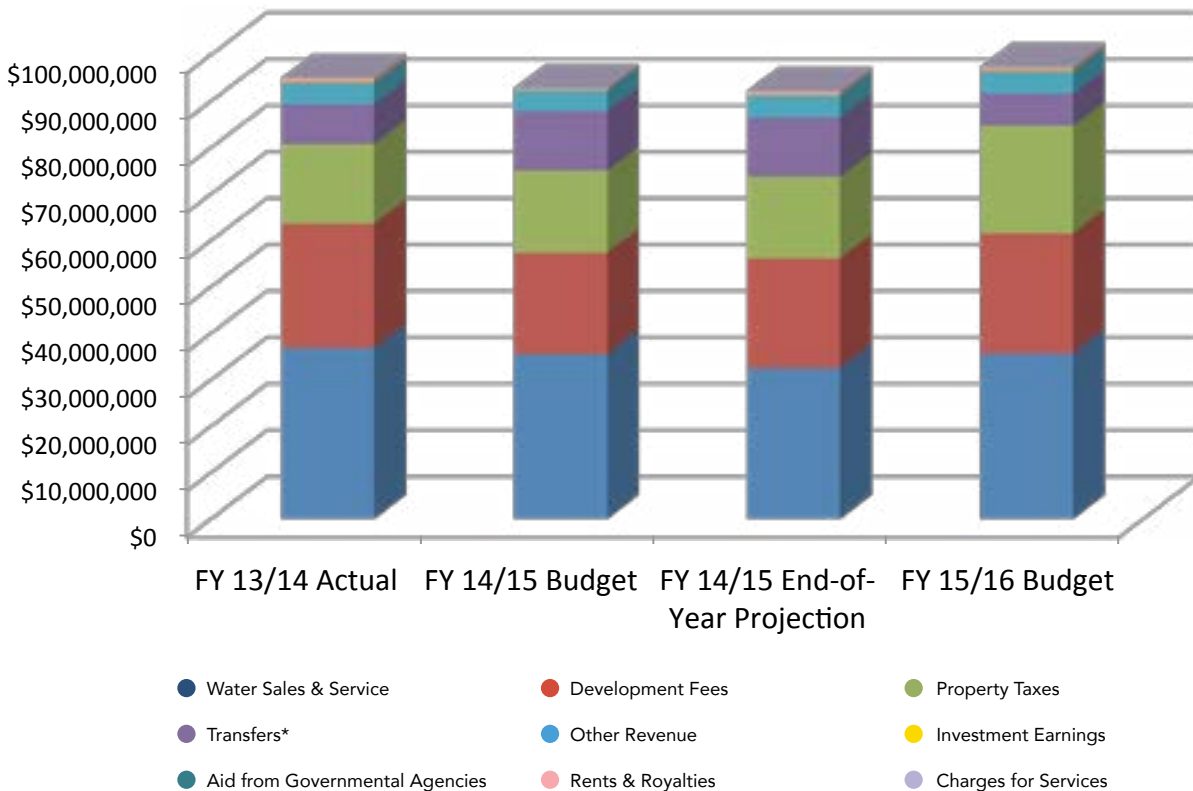


Total Revenues

Water sales and services are the majority of revenues received. The current budget reflects all Board-adopted rates and fees. The following table summarizes Agency-wide revenue.

Category	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Water Sales & Service	\$36,869,379	\$35,558,561	\$32,524,500	\$35,713,265	10%
Development Fees	26,739,480	21,800,120	23,667,218	25,859,217	9%
Property Taxes	17,218,186	17,657,731	17,538,546	23,122,129	32%
Transfers*	8,500,000	12,823,924	12,823,924	7,000,000	-45%
Other Revenue	4,542,612	4,413,365	4,672,377	4,692,298	0%
Investment Earnings	503,338	340,500	356,919	649,069	82%
Rents and Royalties	121,383	125,768	125,768	125,768	0%
Aid from Governmental Agencies	444,184	110,310	410,449	110,310	-73%
Charges for Services	60,079	15,500	133,750	181,650	36%
Total	\$95,021,903	\$92,845,779	\$92,353,937	\$97,453,706	6%

*Transfers from Fund 100 to Fund 120 are captured here as revenues to Fund 120.

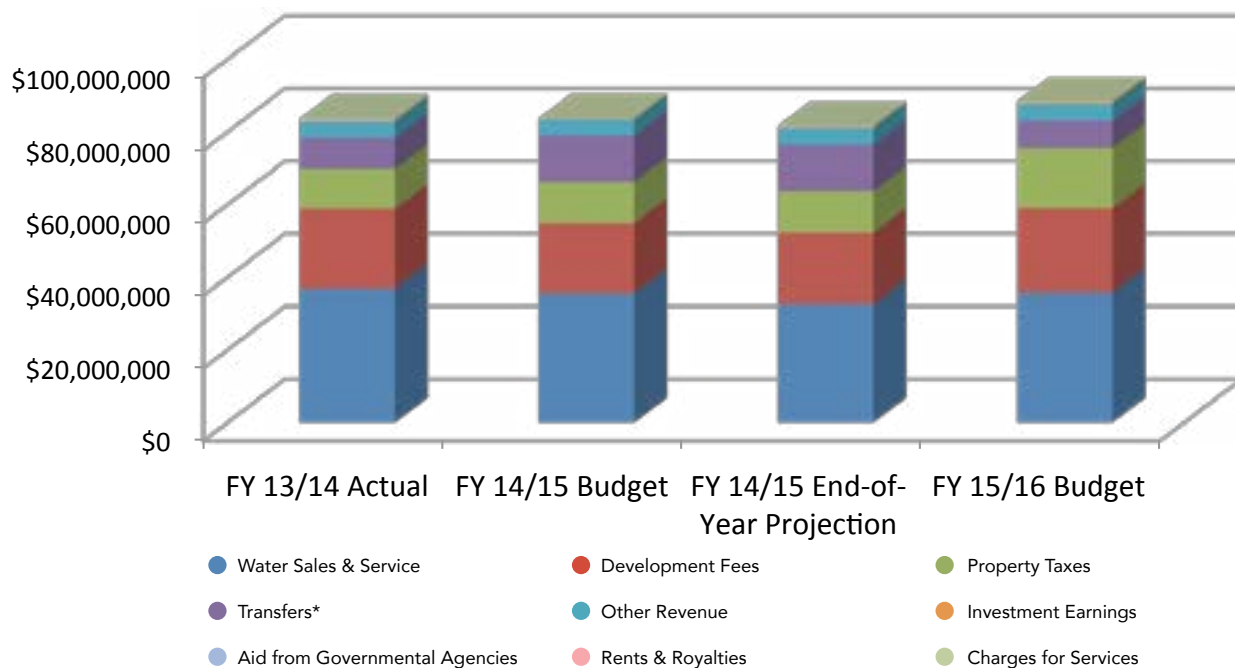


Revenue by Major Funding Area – Water Enterprise

Water sales and services provide the majority of revenues received for Water Enterprise. The following table summarizes the Water Enterprise revenue.

Category	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Water Sales & Service	\$36,869,379	\$35,558,561	\$32,524,500	\$35,713,265	10%
Development Fees	21,973,246	19,270,120	21,159,120	23,202,717	10%
Property Taxes	11,016,533	11,350,000	11,357,315	16,650,000	47%
Transfers*	8,500,000	12,823,924	12,823,924	7,000,000	-45%
Other Revenue	4,372,635	4,353,365	4,637,377	4,632,298	0%
Investment Earnings	369,413	224,000	241,931	439,069	81%
Aid from Governmental Agencies	379,866	45,610	266,186	45,610	-83%
Rents and Royalties	65,510	65,263	65,263	65,263	0%
Charges for Services	2,938	2,500	1,650	134,000	8021%
Total	\$83,549,519	\$83,693,343	\$83,077,266	\$87,882,222	6%

*Transfers from Fund 100 to Fund 120 are captured here as revenues to Fund 120.

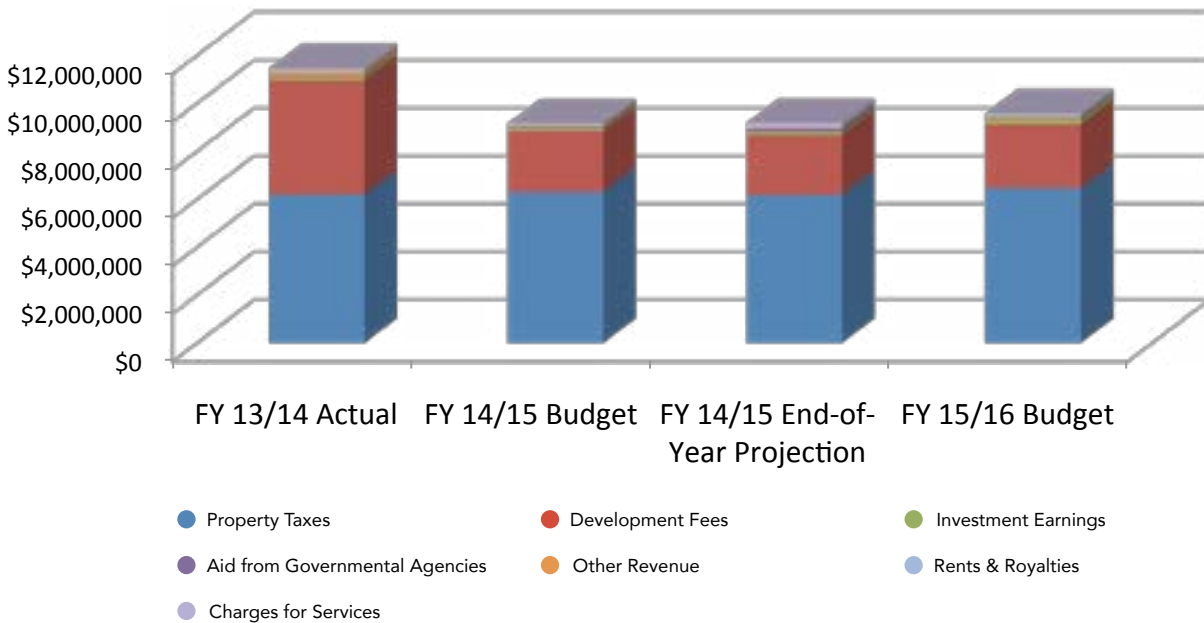


Revenue by Major Funding Area – Flood Control

Property taxes are the majority of revenues received for Flood Control.

The following table summarizes Flood Control revenue.

Category	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Property Taxes	\$6,201,653	\$6,307,731	\$6,181,231	\$6,472,129	5%
Development Fees	4,766,235	2,530,000	2,508,098	2,656,500	6%
Investment Earnings	133,925	116,500	114,988	210,000	83%
Aid from Governmental Agencies	64,318	64,700	144,263	64,700	-55%
Other Revenue	169,977	60,000	35,000	60,000	71%
Rents and Royalties	55,874	60,505	60,505	60,505	0%
Charges for Services	57,141	13,000	132,100	47,650	-64%
Total	\$11,466,282	\$9,152,436	\$9,176,185	\$9,571,484	4%

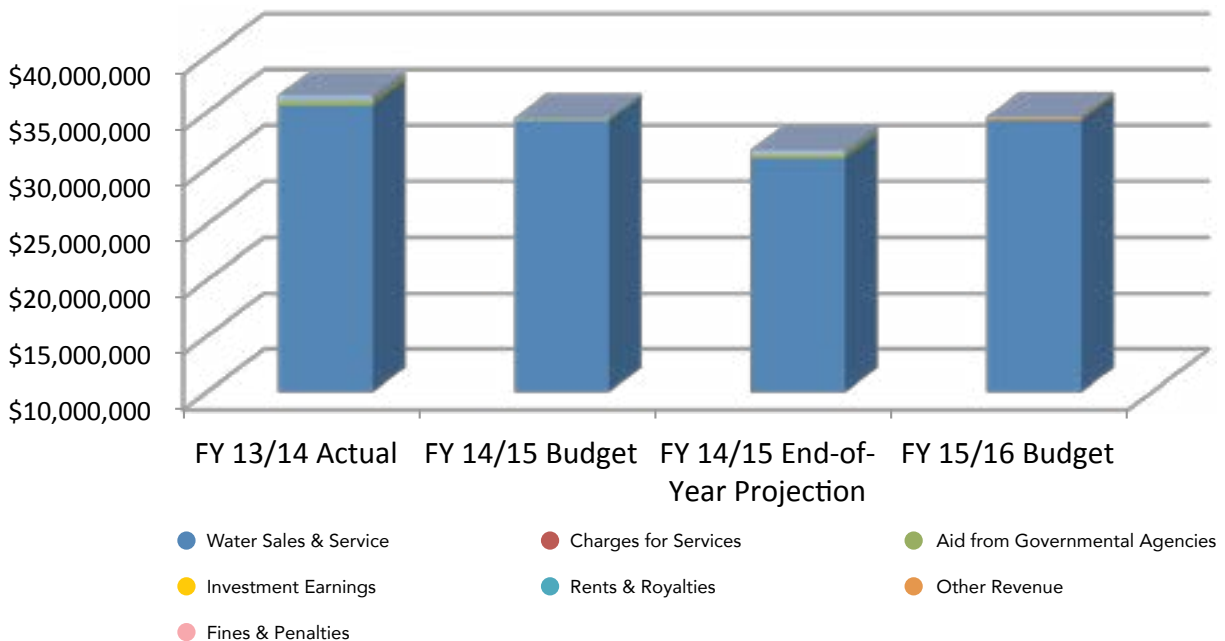


Water Enterprise Fund (Fund 100)

This budget finances Zone 7’s water program which includes general administration, facilities engineering, operations and maintenance of the water supply and delivery system, water resources management, and water supply planning and design.

The purpose of this fund is to ensure the delivery of high quality water to the Livermore-Amador Valley. This fund is funded by water rates. Revenues by year are shown in the following table and graph.

Category	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Water Sales & Service	\$35,616,588	\$34,246,611	\$30,876,195	\$34,191,645	11%
Charges for Services	2,443	0	1,500	131,500	8667%
Aid from Governmental Agencies	300,199	0	220,576	0	-100%
Investment Earnings	84,819	75,000	84,275	90,000	7%
Rents and Royalties	65,510	65,263	65,263	65,263	0%
Fines and Penalties	232	0	100	0	-100%
Other Revenue	409,967	74,188	359,000	74,228	-79%
Total	\$36,479,758	\$34,461,062	\$31,606,909	\$34,552,636	9%



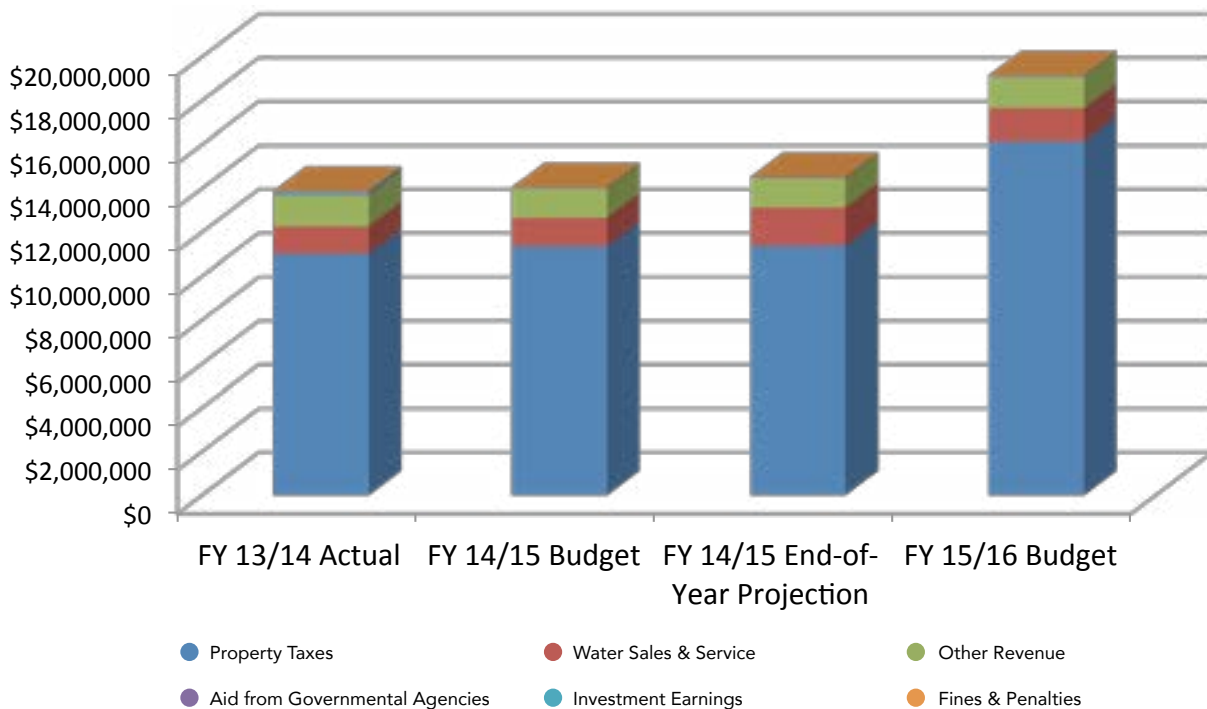
State Water Facilities Fund (Fund 110)

This budget finances the “fixed cost” payment to the State Department of Water Resources (DWR) to import water to Zone 7. The purpose is to pay the costs for use of the State water delivery system, which includes repayment of voter-approved, State-incurred, long-term debt.

This fund is funded primarily by property taxes.

Revenues by year are shown in the following table and graph.

Category	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Property Taxes	\$11,016,533	\$11,350,000	\$11,357,315	\$16,650,000	47%
Water Sales & Service	1,252,790	1,311,950	1,648,305	1,521,620	-8%
Other Revenue	1,438,465	1,338,377	1,338,377	1,438,070	7%
Aid from Governmental Agencies	79,667	45,610	45,610	45,610	0%
Investment Earnings	102,034	15,000	19,156	30,000	57%
Total	\$13,889,496	\$14,060,937	\$14,408,763	\$19,685,300	37%



Water Renewal/Replacement & System-wide Improvements Fund (Fund 120)

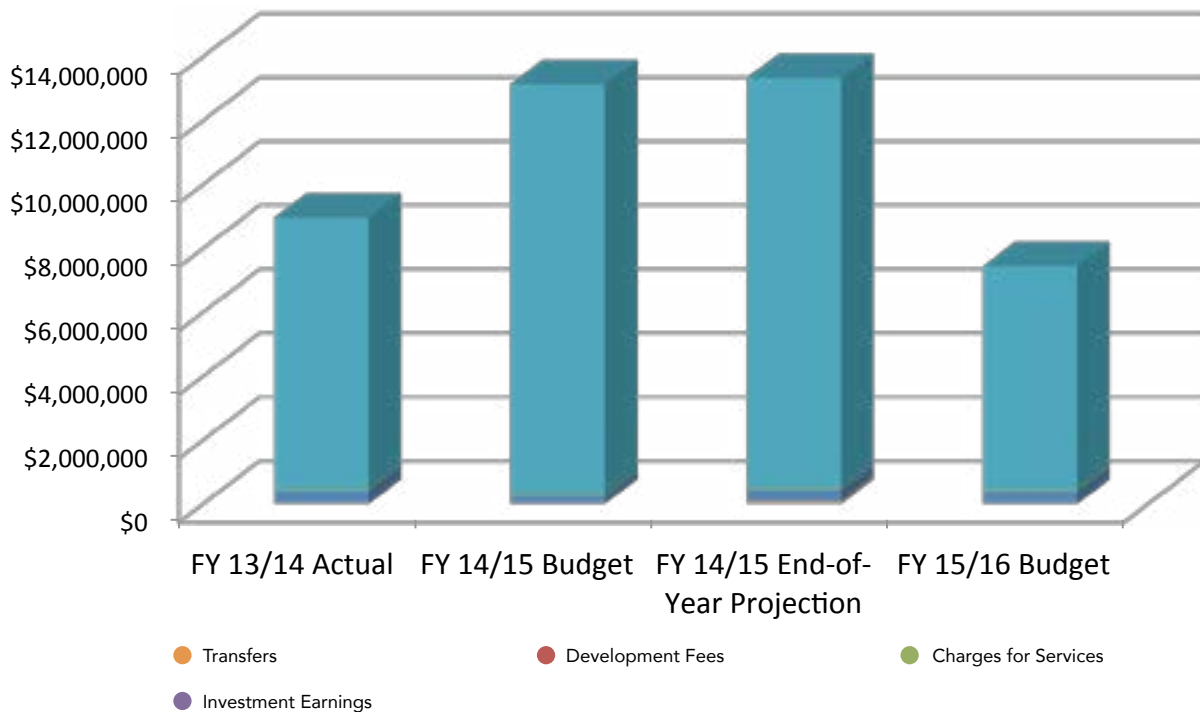
The purpose of these programs is to ensure that the current water treatment and delivery systems are functioning effectively and that capital replacement and improvement needs are funded.

This fund is funded by annual transfers from Fund 100.

Revenues by year are shown in the following table and graph.

Category	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Grant Revenue	\$4,105	\$0	\$70,270	\$0	-100%
Development Fees	402,268	250,000	375,000	375,960	0%
Charges for Services	495	2,500	150	2,500	1567%
Investment Earnings	50,850	52,900	52,900	55,000	4%
Transfers*	8,500,000	12,823,924	12,823,924	7,000,000	-45%
Total	\$8,957,719	\$13,129,324	\$13,322,244	\$7,433,460	-44%

*Transfers from Fund 100 to Fund 120 are captured here as revenues to Fund 120.



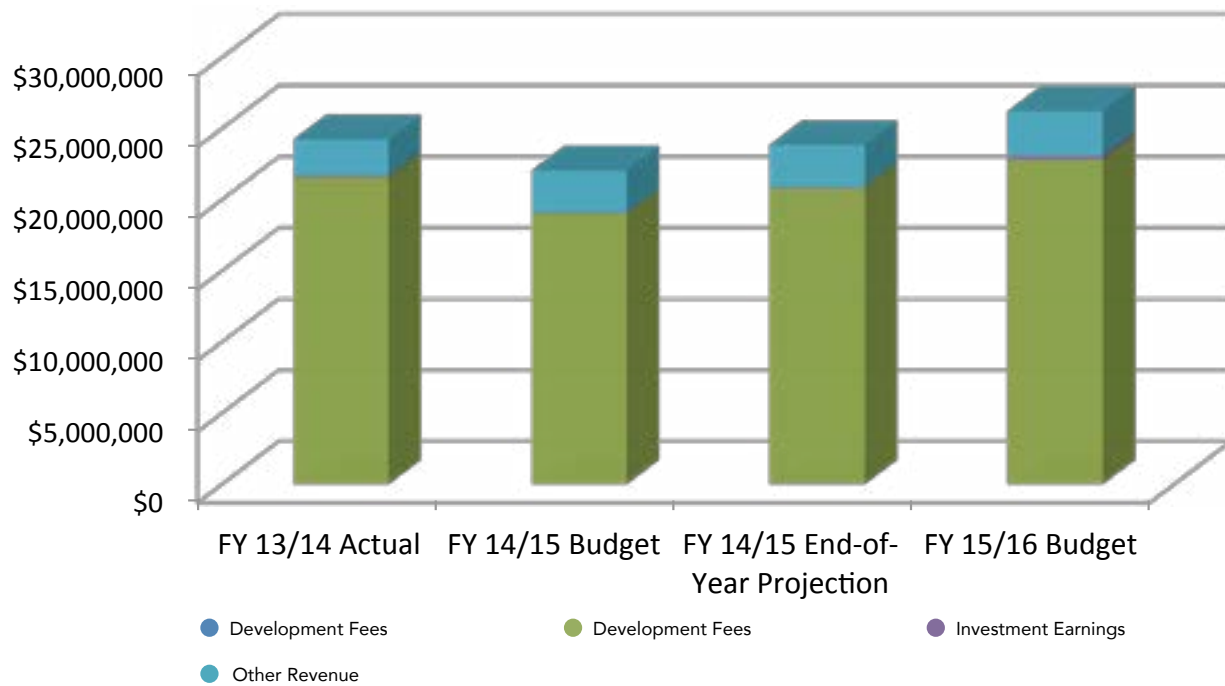
Water Expansion Fund (Fund 130)

The purpose of this program is to ensure that Zone 7 is able to meet future needs for water demands. The program is primarily intended to provide funding for new facilities and water supplies for new development and to fund programs that encourage water conservation measures.

The funding for this program comes from connection fees and is in conformance with the Board’s stated policy that new development funds its own needs. Revenues come from Facility Use fees collected from new users in the Dougherty Valley and interest earned on any deposited funds.

Revenues by year are shown in the following table and graph.

Category	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Grant Revenue	\$1,759	\$0	\$30,116	\$0	-100%
Development Fees	21,570,977	19,020,120	20,784,120	22,826,757	10%
Investment Earnings	131,709	81,100	85,600	264,069	208%
Other Revenue	2,524,203	2,940,800	2,940,000	3,120,000	6%
Total	\$24,228,649	\$22,042,020	\$23,839,836	\$26,210,826	9.9%



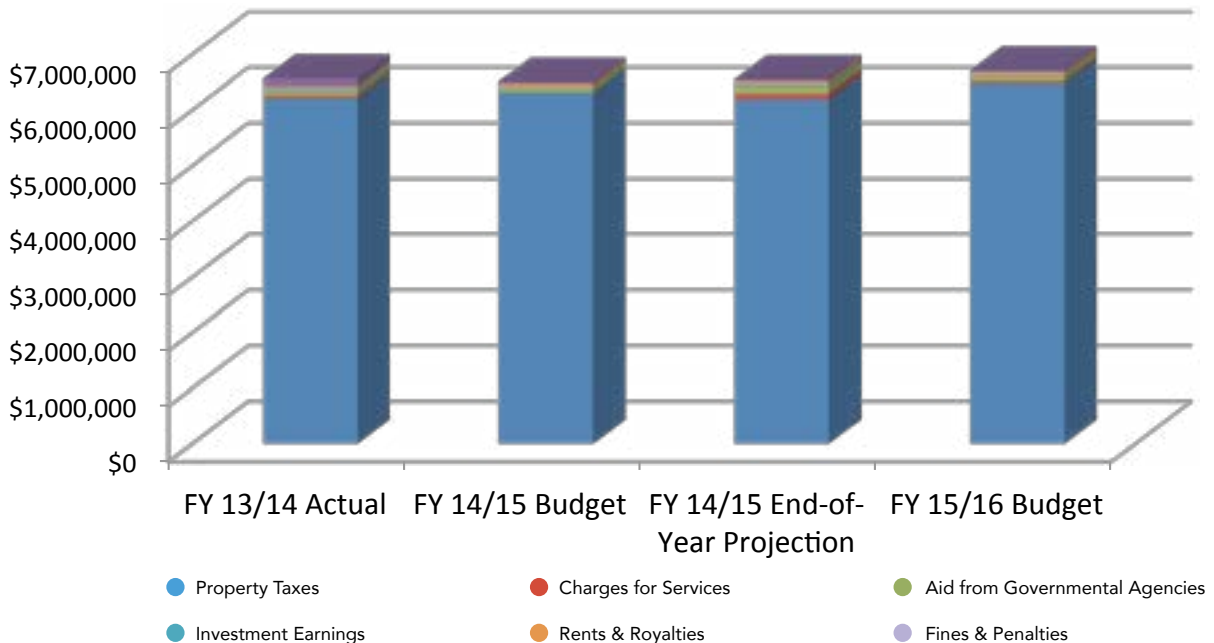
Flood Control Fund (Fund 200)

This budget unit provides the funding for flood control services and related administration. The purpose of this program is to ensure the controlled drainage of the Valley's excess water runoff. Zone 7 manages a watershed of nearly 425 square miles within eastern Alameda County which, in turn drains parts of Contra Costa, Santa Clara and San Joaquin Counties.

This fund is funded by property taxes.

Revenues by year are shown in the following table and graph.

Category	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Property Taxes	\$6,201,653	\$6,307,731	\$6,181,231	\$6,472,129	5%
Charges for Services	57,141	13,000	115,100	47,650	-59%
Aid from Governmental Agencies	64,318	64,700	111,263	64,700	-42%
Investment Earnings	41,555	25,000	42,988	30,000	-30%
Rents and Royalties	55,874	60,505	60,505	60,505	0%
Other Revenue	141,417	35,000	35,000	35,000	0%
Total	\$6,579,116	\$6,505,936	\$6,546,087	\$6,709,984	3%

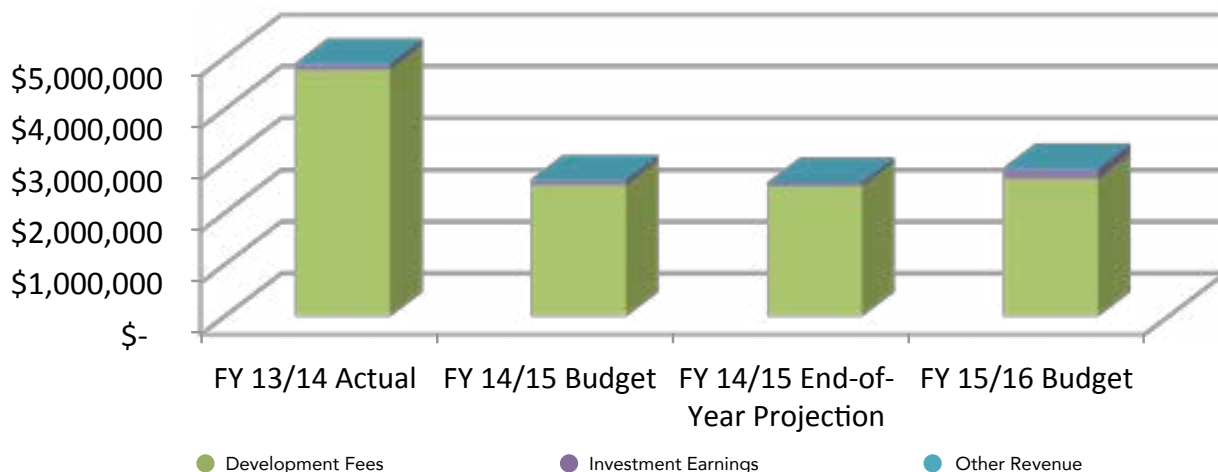


Flood Protection & Stormwater Drainage DIF Fund (Fund 210)

On March 18, 2009, the Zone 7 Board of Directors adopted Ordinance 2009-01, which replaced the Special Drainage Area (SDA) 7-1 development impact fee previously adopted by Zone 7. The new ordinance also established the Flood Protection and Storm Water Drainage Development Impact Fee Fund (Fund 76); consequently, all funds from SDA Operations (Fund 71) and the SDA 7-1 Trust Fund (Fund 90) were transferred to Fund 76, while all of the outstanding SDA 7-1 exemption credits were liquidated.

The purpose of this program is to ensure that Zone 7 is able to meet future needs for flood control facilities. The program is primarily intended to provide funding for any flood control facilities required for new development. The funding for this program comes entirely from new development fees. Funds are expended on the planning, design, lands and R/W acquisition, environmental review, permitting, construction, etc., for drainage projects. Revenues by year are shown in the following table and graph.

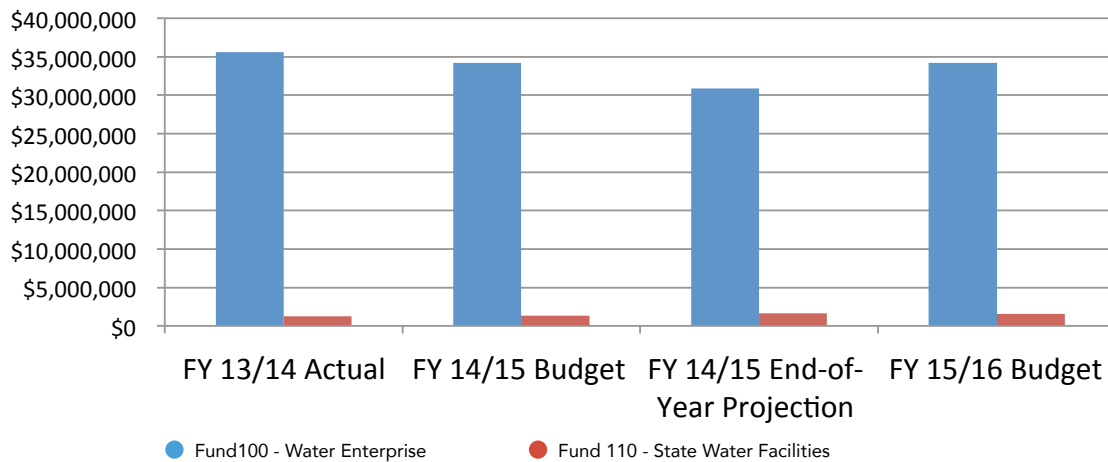
Category	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Development Fees	\$4,766,235	\$2,530,000	\$2,508,098	\$2,656,500	6%
Charges for Services	0	0	17,000	0	-1
Grant Revenue	0	0	33,000	0	-1
Investment Earnings	92,370	91,500	72,000	180,000	150%
Other Revenue	28,560	25,000	0	25,000	0%
Total	\$4,887,165	\$2,646,500	\$2,630,098	\$2,861,500	9%



Water Sales

Water sales are the highest source of revenue for the Agency. Our major customers are the cities of Pleasanton and Livermore, the Dublin-San Ramon Services District (for Dublin and the Dougherty Valley area, in San Ramon), and California Water Service Company - Livermore District, collectively referred to as the Retailers.

Fund	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Fund 100 - Water Enterprise	\$35,616,588	\$34,246,611	\$30,876,195	\$34,191,645	11%
Fund 110 - State Water Facilities	1,252,790	1,311,950	1,648,305	1,521,620	-8%
Total	\$36,869,379	\$35,558,561	\$32,524,500	\$35,713,265	10%



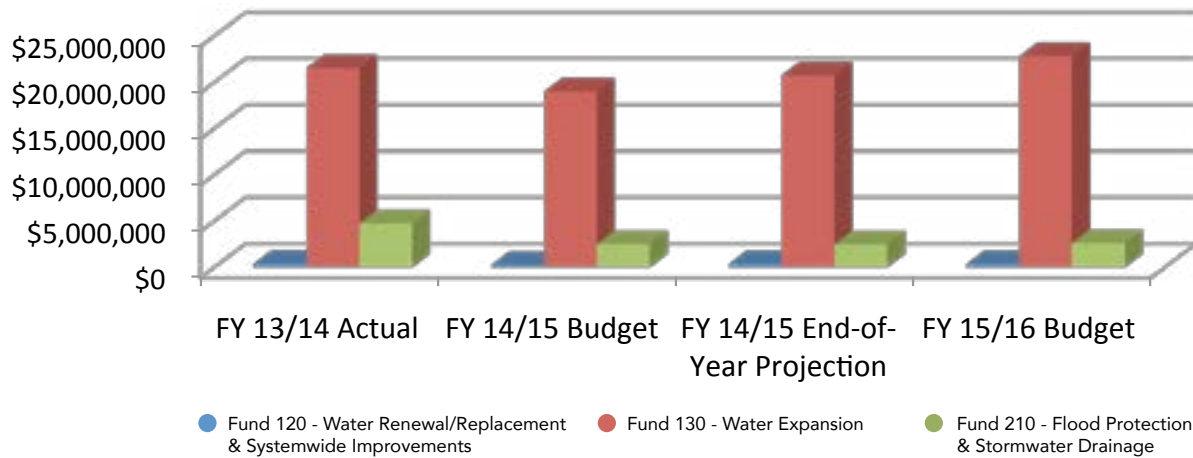
Zone 7 Treated Water Rate History

Effective Date	Rate per Acre-Foot	% Change
January 1, 2007	\$635	7%
January 1, 2008	\$689	8%
January 1, 2009	\$804	16%
January 1, 2010	\$878	9%
January 1, 2011	\$900	3%
January 1, 2012	\$945	5%
January 1, 2013	\$945	0%
January 1, 2014	\$970	2.65%
January 1, 2015	\$999	3.00%

Development Fees

Development fees are the second highest source of revenue for the Agency.

Fund	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	\$402,268	\$250,000	\$375,000	\$375,960	0%
Fund 130 - Water Expansion	21,570,977	19,020,120	20,784,120	22,826,757	10%
Fund 210 - Flood Protection & Stormwater Drainage	4,766,235	2,530,000	2,508,098	2,656,500	6%
Total	\$26,739,480	\$21,800,120	\$23,667,218	\$25,859,217	9%



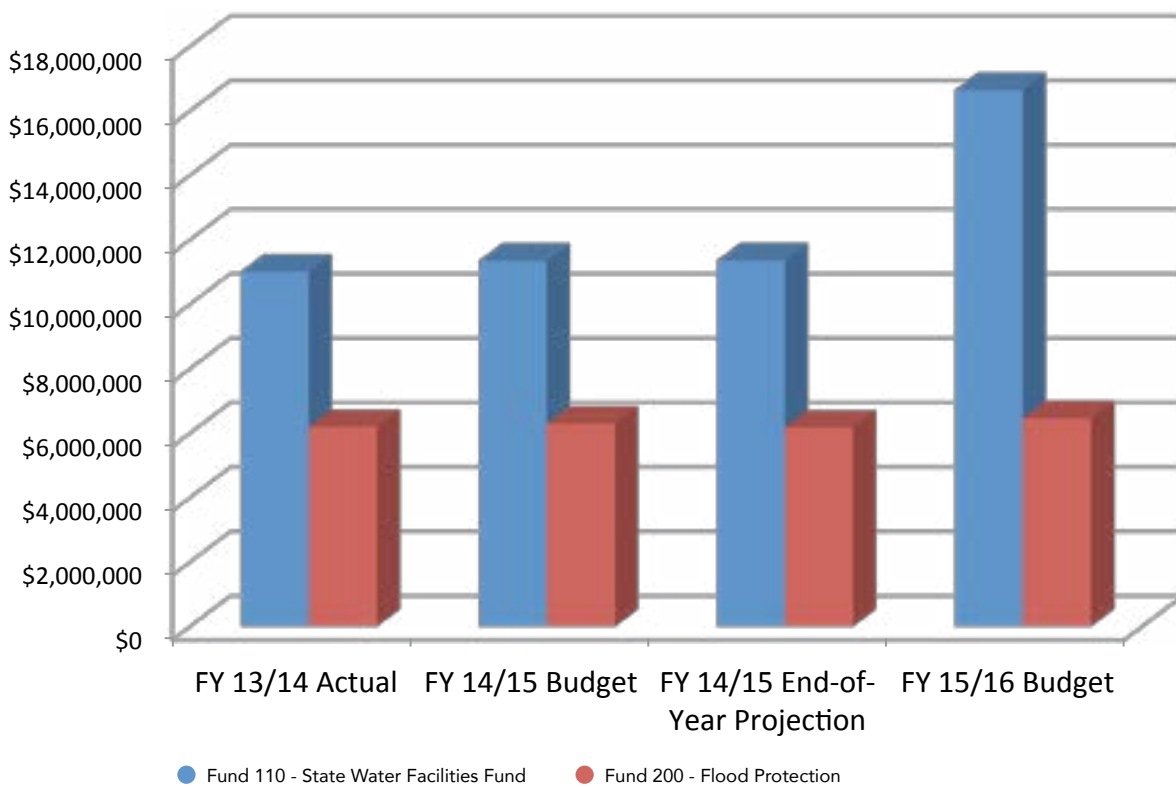
Zone 7 Water Connection Fee History

Effective Date	Zone 7	Dougherty Valley	% Change
January 1, 2004	\$10,600	\$9,780	3%
October 18, 2004	\$13,050	\$12,080	24%
January 1, 2006	\$13,500	\$12,500	3%
January 1, 2007	\$19,570	\$18,120	45%
January 1, 2008	\$20,270	\$18,770	4%
January 1, 2009	\$21,550	\$19,950	6%
January 1, 2010	\$21,550	\$19,950	0%
January 1, 2011	\$22,230	\$20,580	3%
January 1, 2012	\$22,930	\$21,230	3%
January 1, 2013	\$23,500	\$21,750	2%
January 1, 2014	\$24,030	\$22,240	2%
January 1, 2015	\$24,830	\$22,980	3%

Property Taxes

Property taxes are the third highest source of revenue for the Agency.

Fund	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Fund 110 - State Water Facilities	\$11,016,533	\$11,350,000	\$11,357,315	\$16,650,000	47%
Fund 200 - Flood Protection	6,201,653	6,307,731	6,181,231	6,472,129	5%
Total	\$17,218,186	\$17,657,731	\$17,538,546	\$23,122,129	32%



EXPENSES

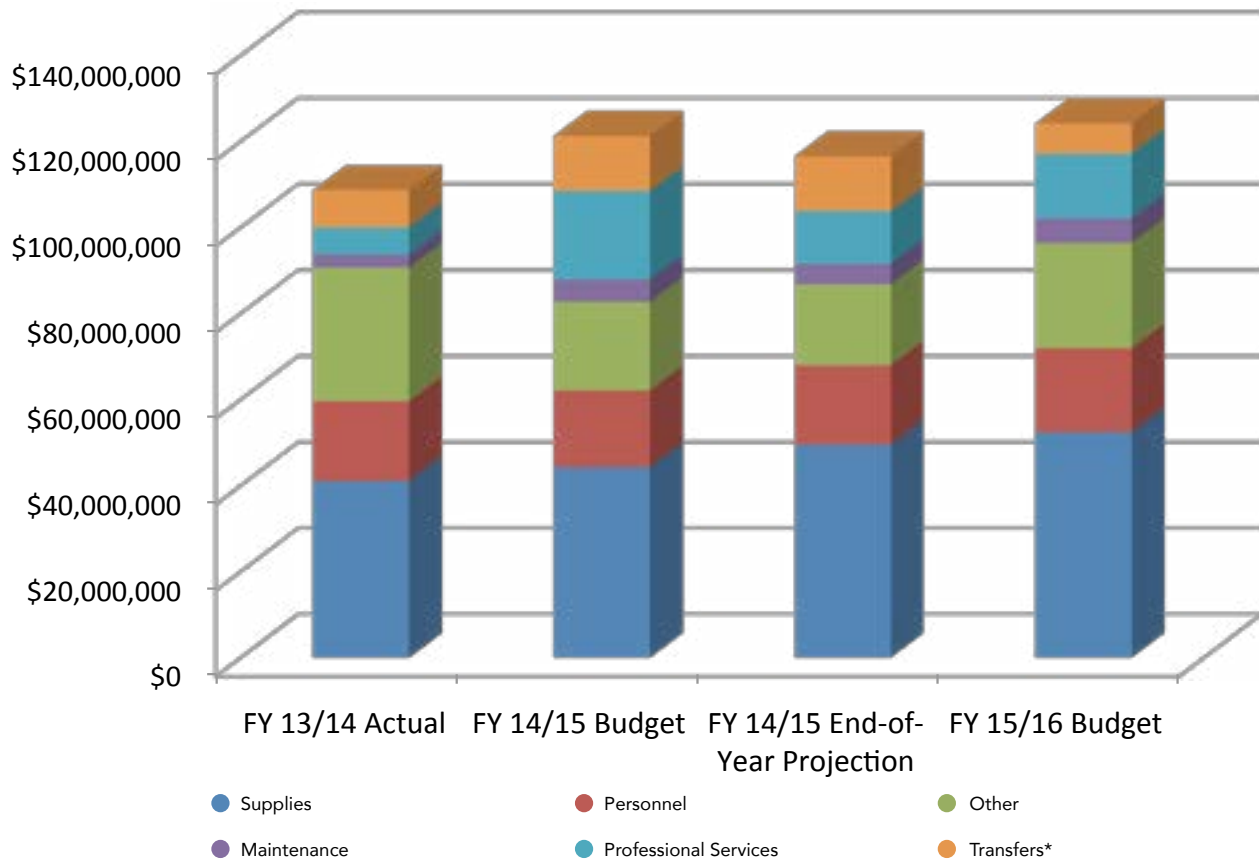


Total Expenses

The following table summarizes Agency-wide expenses by expense type.

Category	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Supplies	\$41,121,385	\$44,307,582	\$49,564,553	\$52,426,566	6%
Personnel	18,546,131	17,811,595	18,421,591	19,454,737	6%
Other	31,030,991	20,595,927	18,823,934	24,554,497	30%
Maintenance	2,990,318	5,188,503	4,733,722	5,620,522	19%
Professional Services	6,342,039	20,546,750	12,183,090	15,114,201	24%
Transfers*	8,653,600	12,823,924	12,823,924	7,000,000	19%
Total	\$108,684,464	\$121,274,281	\$116,550,814	\$124,170,523	6.54%

*Transfers from Fund 100 to Fund 120 are captured here as expenses to Fund 100.

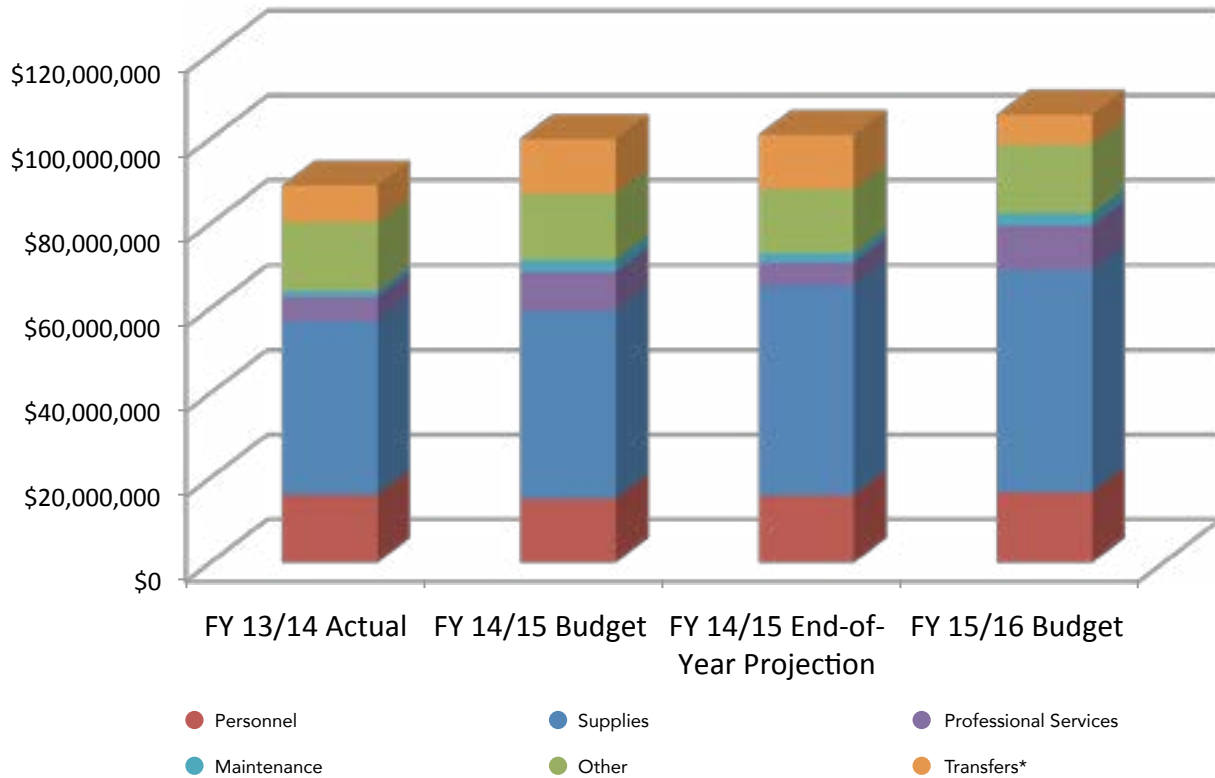


Expenses by Major Funding Area – Water Enterprise

The following table summarizes water enterprise expenses.

Category	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Personnel	\$16,010,352	\$15,047,771	\$15,941,493	\$16,551,667	4%
Supplies	41,121,385	44,307,582	49,564,553	52,426,566	6%
Professional Services	5,473,170	9,191,607	5,344,100	10,632,542	99%
Maintenance	1,522,962	2,833,012	2,143,731	2,802,229	31%
Other	16,199,899	15,768,667	15,110,761	16,302,097	8%
Transfers*	8,653,600	12,823,924	12,823,924	7,000,000	-45%
Total	\$88,981,369	\$99,972,563	\$100,928,562	\$105,715,101	5%

*Transfers from Fund 100 to Fund 120 are captured here as expenses to Fund 100.

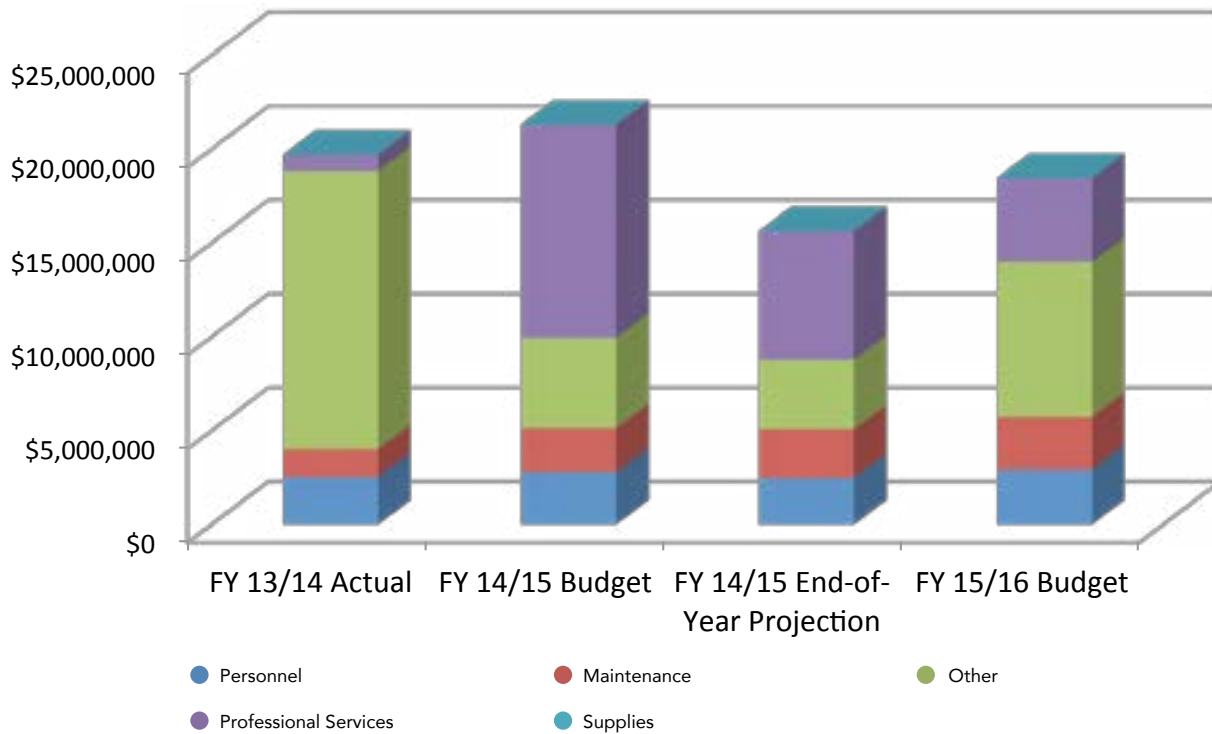


Expenses by Major Funding Area – Flood Control

Maintenance activities (including repair, replacement and improvement projects and expansion projects) are the majority use for the Flood Control funds.

The following table summarizes Flood Control expenses.

Category	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Personnel	\$2,535,779	\$2,763,824	\$2,480,098	\$2,903,070	17%
Maintenance	1,467,356	2,355,491	2,589,991	2,818,293	9%
Other	14,831,092	4,827,260	3,713,173	8,252,400	122%
Professional Services	868,868	11,355,143	6,838,990	4,481,659	-34%
Supplies	0	0	0	0	0%
Total	\$19,703,095	\$21,301,718	\$15,622,252	\$18,455,422	18%



Water Enterprise Fund (Fund 100)

This budget finances Zone 7’s water program which includes operations and maintenance of the water supply and delivery system, general administration, facilities engineering, water resources management, and water supply planning and design.

The purpose of this fund is to ensure the delivery of high quality water to the Livermore-Amador Valley. Expenses by year are shown in the following graph.

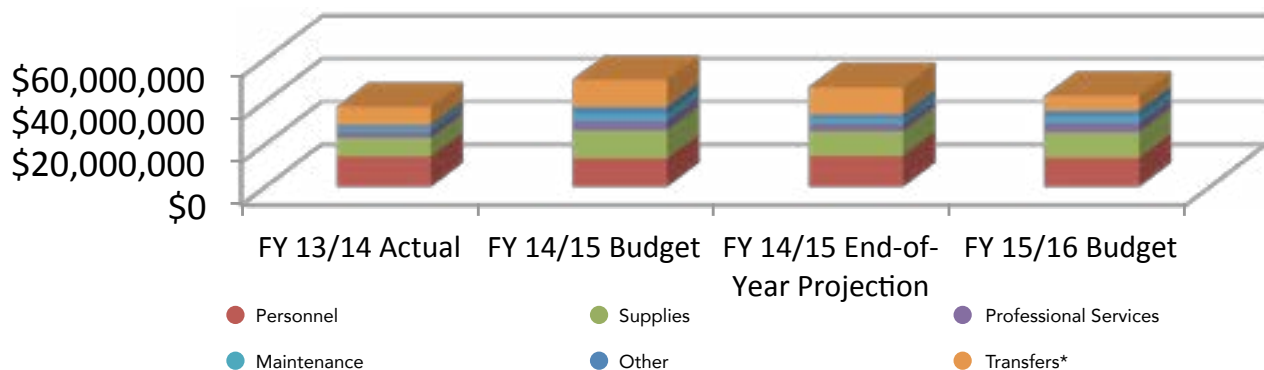
Expenses by program are shown in the table below.

Program	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Water Utility Support Services	\$12,757,073	\$18,059,800	\$17,570,912	\$12,447,524	-29%
Supply Source & Conveyance	4,876,438	6,090,507	3,918,844	6,983,259	78%
Water Storage	2,083,840	5,816,562	5,236,731	3,299,084	-37%
Water Treatment	10,935,917	12,300,362	11,797,736	12,169,520	3%
Water Transmission	1,116,291	1,793,606	1,549,807	1,839,934	19%
Central Administration	5,755,460	6,096,382	6,578,763	5,879,981	-11%
Total	\$37,525,019	\$50,157,219	\$46,652,793	\$42,619,302	-9%

Expenses by year are shown in the following table and graph.

Category	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Personnel	\$14,120,329	\$13,233,704	\$14,490,595	\$13,589,767	-6%
Supplies	8,636,591	13,216,120	11,619,241	12,055,504	4%
Professional Services	3,327,817	4,507,534	3,555,404	4,401,136	24%
Maintenance	1,515,683	2,833,012	2,143,731	2,802,229	31%
Other	1,270,998	3,542,925	2,019,898	2,770,666	37%
Transfers*	8,653,600	12,823,924	12,823,924	7,000,000	-45%
Total	\$37,525,019	\$50,157,219	\$46,652,793	\$42,619,302	-9%

*Transfers from Fund 100 to Fund 120 are captured here as expenses to Fund 100.



State Water Facilities Fund (Fund 110)

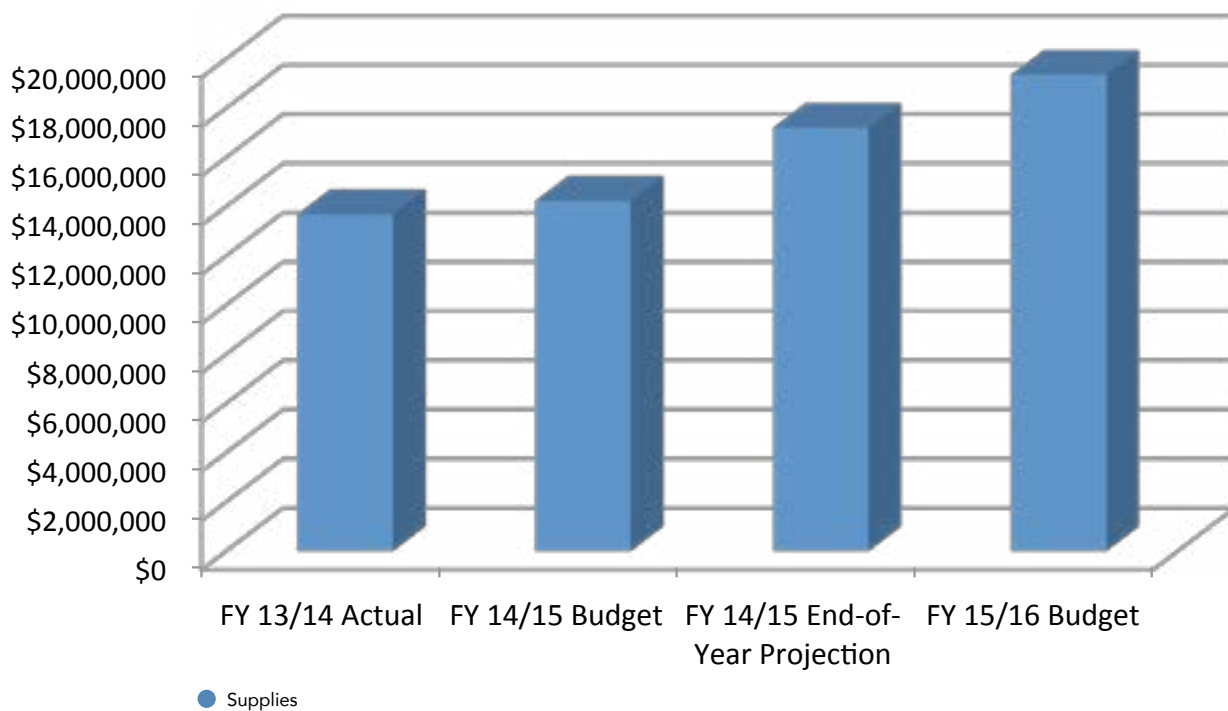
This budget finances the “fixed cost” payment to the State Department of Water Resources (DWR) for the State Water Project that imports water to Zone 7. The purpose is to pay the costs for use of the State water delivery system, which includes repayment of voter approved, State incurred, long-term debt.

Expenses by program are shown in the following table.

Program	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Supply Source & Conveyance	\$13,681,891	\$14,227,251	\$17,201,569	\$19,344,521	12%
Total	13,681,891	14,227,251	17,201,569	19,344,521	12%

Expenses by year are shown in the following table.

Category	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Supplies	\$13,681,891	\$14,227,251	\$17,201,569	\$19,344,521	12%
Total	\$13,681,891	\$14,227,251	\$17,201,569	\$19,344,521	12%



Water Renewal/Replacement & System-wide Improvements Fund (Fund 120)

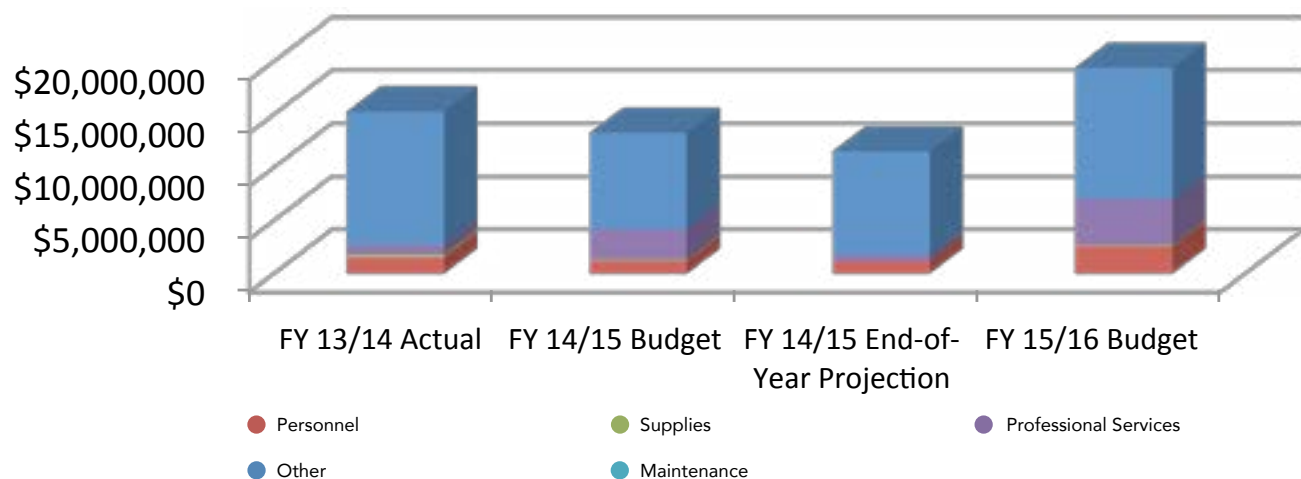
The purpose of these programs is to ensure that the current water treatment and delivery systems are functioning effectively and that capital replacement and improvement needs are funded.

Expenses by program are shown in the following table.

Program	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget
Water Utility Support Services	\$935,010	\$1,672,485	\$1,001,750	\$1,293,102
Supply Source & Conveyance	5,198,574	1,779,840	90,000	535,000
Water Storage	634,155	163,741	231,500	116,000
Water Treatment	8,395,938	8,641,284	10,169,330	11,590,000
Water Transmission	83,817	-	-	5,120,000
Budget Only	-	978,698	-	750,000
Total	\$15,247,494	\$13,236,048	\$11,492,580	\$19,404,102

Expenses by year are shown in the following table and graph.

Category	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Personnel	\$1,487,230	\$1,177,962	\$1,156,650	\$2,540,500	120%
Supplies	257,796	120,000	0	120,000	100%
Professional Services	1,007,055	2,875,329	529,100	4,328,500	718%
Maintenance	7,279	0	0	0	0%
Other	12,488,134	9,062,757	9,806,830	12,415,102	27%
Total	\$15,247,494	\$13,236,048	\$11,492,580	\$19,404,102	69%



Water Expansion Fund (Fund 130)

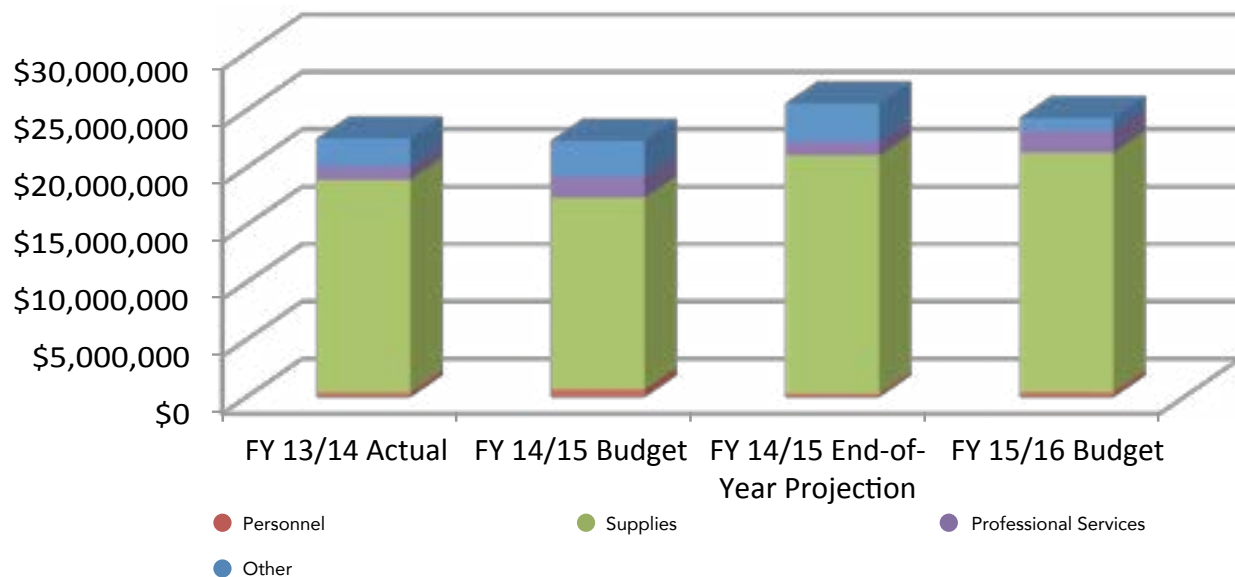
The purpose of this program is to ensure that Zone 7 is able to meet future needs for water demands. The program is primarily intended to provide funding for new facilities and water supplies for new development and to fund programs that encourage water conservation measures.

Expenses by program are shown in the table below.

Program	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget
Water Utility Support Services	\$606,253	\$825,879	\$523,524	\$591,635
Supply Source & Conveyance	17,722,631	16,877,550	20,350,366	20,327,541
Water Storage	2,582,450	1,711,698	1,981,250	1,478,000
Water Treatment	1,615,631	2,659,918	2,726,480	1,450,000
Budget Only	0	277,000	\$0	500,000
Total	\$22,526,965	\$22,352,045	\$25,581,620	\$24,347,176

Expenses by year are shown in the following table.

Category	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Personnel	\$402,793	\$636,105	\$294,248	\$421,400	43%
Supplies	18,545,107	16,744,211	20,743,743	20,906,541	1%
Professional Services	1,138,299	1,808,744	1,259,596	1,902,906	51%
Other	2,440,766	3,162,985	3,284,033	1,116,329	-66%
Total	\$22,526,965	\$22,352,045	\$25,581,620	\$24,347,176	-5%



Flood Control Fund (Fund 200)

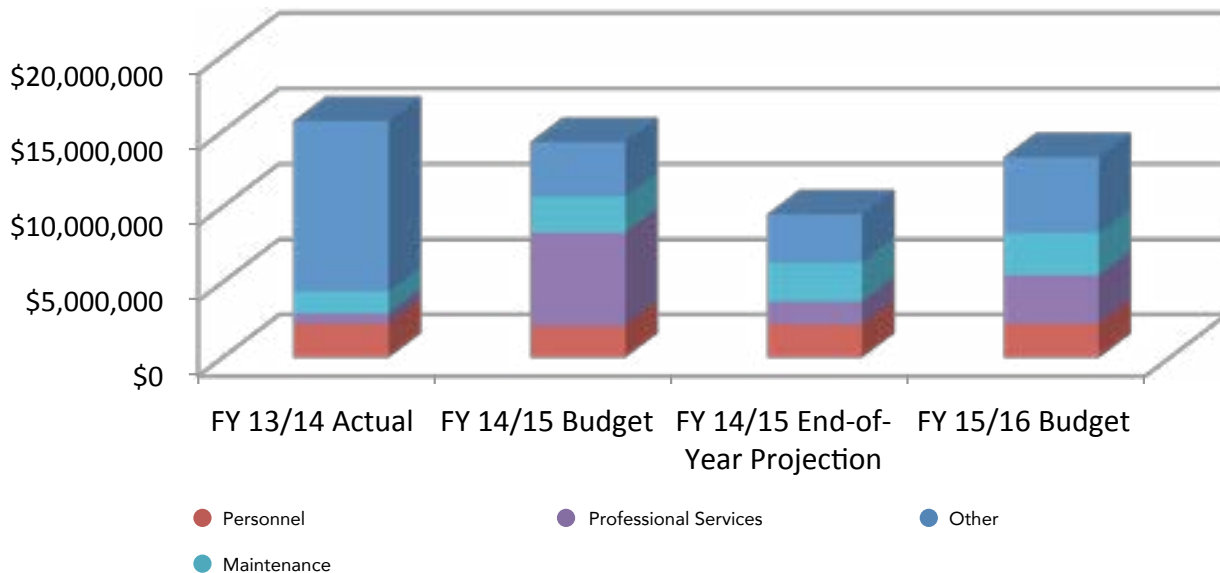
This budget unit provides the funding for flood control services and related administration. The purpose of this program is to ensure the controlled drainage of the Valley's excess water runoff. Zone 7 manages a watershed of nearly 425 square miles including eastern Alameda County and parts of Contra Costa, Santa Clara and San Joaquin Counties.

Expenses by program are shown in the following table.

Program	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget
Flood Protection O&M	\$12,412,788	\$8,980,152	\$5,183,793	\$8,110,091
Flood Protection Capital Projects	3,261,041	5,299,409	4,298,752	5,166,468
Total	\$15,673,828	\$14,279,561	\$9,482,545	\$13,276,559

Expenses by year are shown in the following table and graph.

Category	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Personnel	\$2,235,983	\$2,098,094	\$2,168,545	\$2,241,030	3%
Professional Services	683,642	6,188,344	1,532,970	3,215,594	110%
Maintenance	1,467,356	2,355,491	2,589,991	2,818,293	9%
Other	11,286,847	3,637,632	3,191,039	5,001,642	57%
Total	\$15,673,828	\$14,279,561	\$9,482,545	\$13,276,559	40%



Flood Protection & Stormwater Drainage Fund (Fund 210)

On March 18, 2009, the Zone 7 Board of Directors adopted Ordinance 2009-01, which replaced the Special Drainage Area (SDA) 7-1 development impact fee previously adopted by Zone 7. The new ordinance also established the Flood Protection and Storm Water Drainage Development Impact Fee Fund (Fund 76); consequently, all funds from SDA Operations (Fund 71) and the SDA 7-1 Trust Fund (Fund 90) were transferred to Fund 76 (now Fund 210), while all of the outstanding SDA 7-1 exemption credits were liquidated.

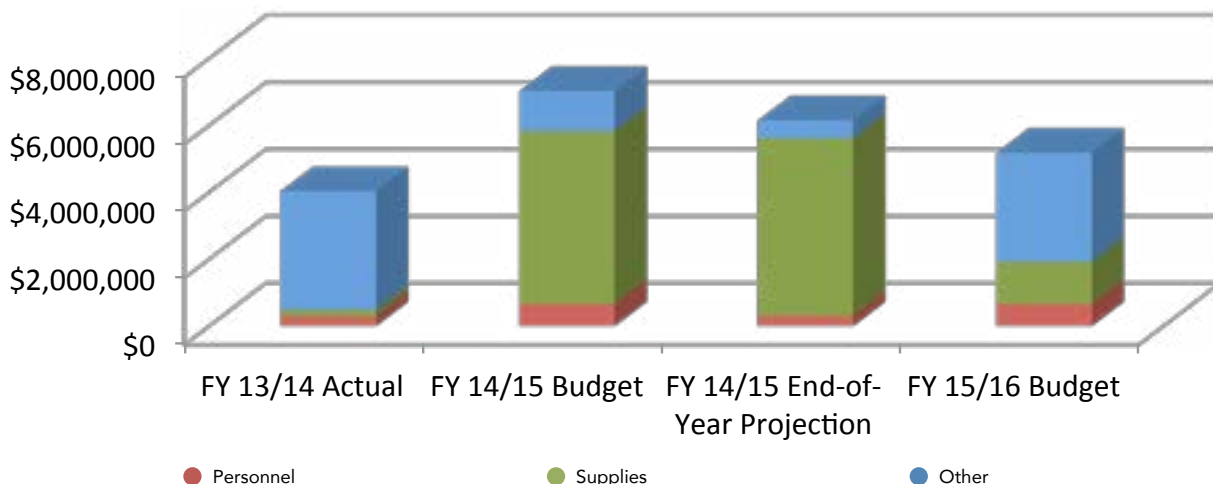
The purpose of this program is to ensure that Zone 7 is able to meet future needs for flood control facilities related to expanded capacity. The program is primarily intended to provide funding for any flood control facilities required for new development.

Expenses by program are shown in the table below.

Program	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget
Flood Protection	\$4,029,267	\$6,772,157	\$6,139,707	\$4,928,863
Budget Only	-	250,000	-	250,000
Total	\$4,029,267	\$7,022,157	\$6,139,707	\$5,178,863

Expenses by year are shown in the following table.

Category	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Personnel	\$299,795	\$665,730	\$311,553	\$662,040	112%
Professional Services	185,227	5,166,799	5,306,020	1,266,065	-76%
Other	3,544,245	1,189,628	522,134	3,250,758	523%
Total	\$4,029,267	\$7,022,157	\$6,139,707	\$5,178,863	-16%



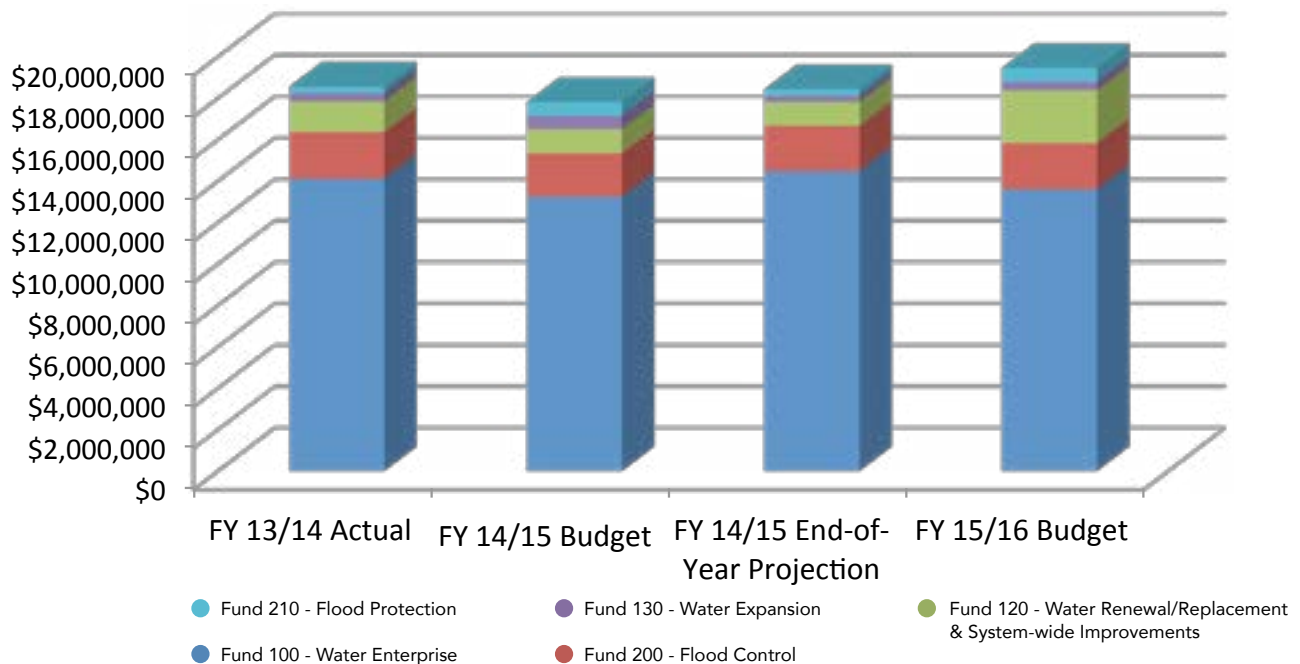
Personnel (All Funds)

The District’s second largest expense is personnel costs. The personnel section describes the District’s staffing, employee bargaining units and benefits. Both the salary increases and benefit costs have an impact on the budget. See further discussion and analysis on the following pages.

The District charges staff time directly to capital projects. Each section estimates the percentage of time planned for capital projects for every staff member, these personnel costs are budgeted within the individual capital project budgets.

Personnel expenses are shown in the following table and graph.

Fund	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Fund 100 - Water Enterprise	\$14,120,329	\$13,233,704	\$14,490,595	\$13,589,767	-6%
Fund 200 - Flood Control	2,235,983	2,098,094	2,168,545	2,241,030	3%
Fund 120 - Water Renewal/ Replacement & System-wide Improvements	1,487,230	1,177,962	1,156,650	2,540,500	120%
Fund 130 - Water Expansion	402,793	636,105	294,248	421,400	43%
Fund 210 - Flood Protection	299,795	665,730	311,553	662,040	112%
Total	\$18,546,131	\$17,811,595	\$18,421,591	\$19,454,737	6%



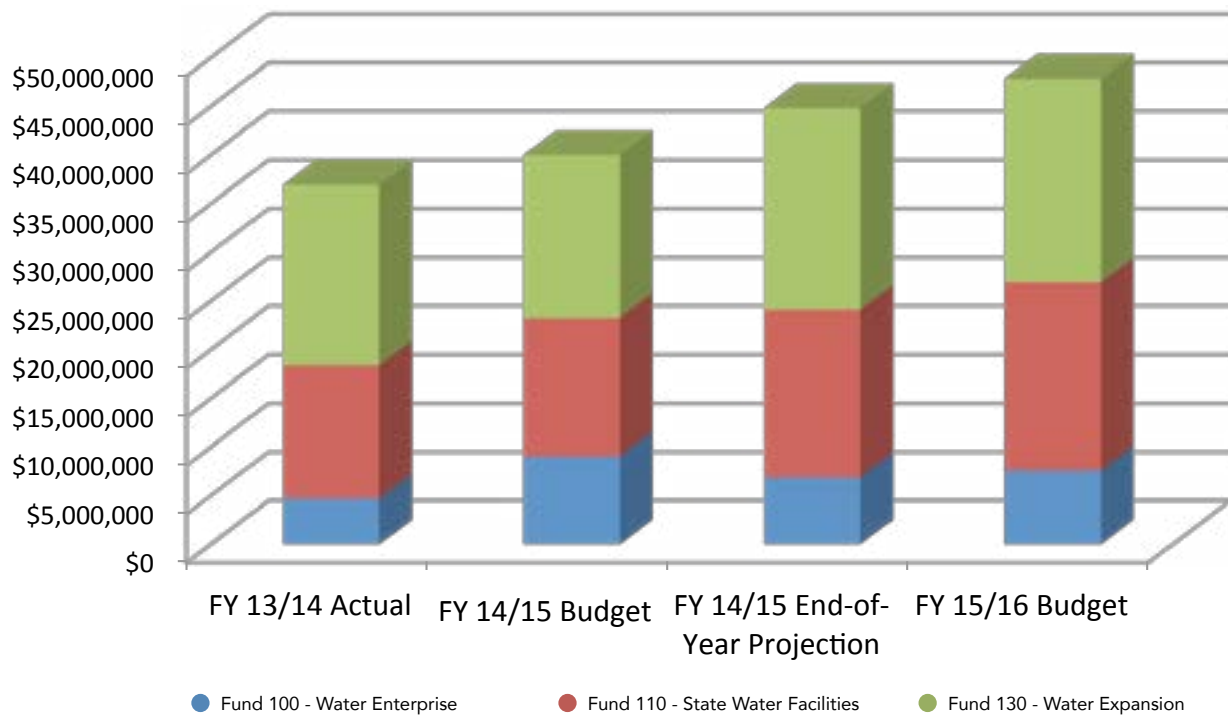
Water Purchases

Water purchases are the largest expense for Zone 7. The Agency purchases approximately 80% of its water supply from the State Water Project (SWP).

The Department of Water Resources prepares annual Statement of Charges (SOC) for the Agency. The SOC charges are split between fixed and variable charges. The SWP fixed costs are paid via property taxes (Fund 110) and connection fees (Fund 130) and the variable costs are paid via water sales (Fund 100).

Water purchases by year are shown in the following table and graph.

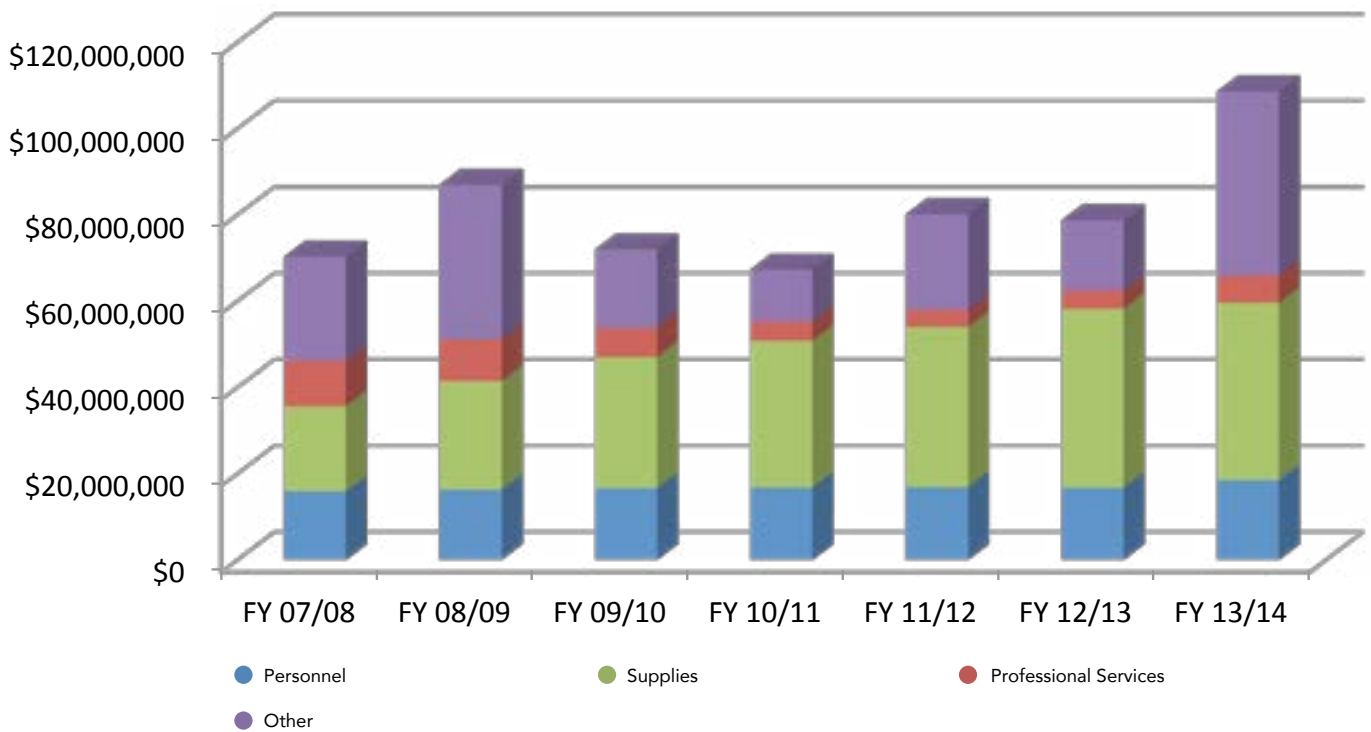
Fund	FY 13/14 Actual	FY 14/15 Budget	FY 14/15 End-of-Year Projection	FY 15/16 Budget	% Change (15/16 budget to 14/15 End-of-Year Projection)
Fund 100 - Water Enterprise	\$4,696,692	\$9,014,831	\$6,864,252	\$7,566,114	10%
Fund 110 - State Water Facilities	13,681,891	14,227,251	17,201,569	19,344,521	12%
Fund 130 - Water Expansion	18,545,107	16,744,211	20,743,743	20,906,541	1%
Total	\$36,923,690	\$39,986,293	\$44,809,564	\$47,817,176	7%



Expense History

The following table and graph shows a seven-year history by major expense category based on audited actuals.

Fund	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14
Personnel	\$15,884,483	\$16,265,836	\$16,661,572	\$16,862,669	\$16,934,133	\$16,744,604	\$18,546,131
Supplies	19,836,827	25,223,574	30,439,731	34,010,187	37,114,680	41,532,896	41,121,385
Professional Services	10,544,465	9,597,358	6,718,389	4,470,064	3,923,871	4,190,699	6,342,039
Other	24,042,727	35,907,666	18,166,744	12,050,360	22,188,938	16,295,156	42,674,910
Total	\$70,308,502	\$86,994,434	\$71,986,437	\$67,393,279	\$80,161,622	\$78,763,354	\$108,684,464



CAPITAL IMPROVEMENT PROGRAM



Capital Improvement Program

Approximately every other year, Zone 7 Water Agency (Zone 7) prepares a Capital Improvement Program (CIP) document, which outlines the plans for capital projects and programs needed to carry out the goals and policy objectives of the agency. The CIP incorporates the projects, costs, schedules, and priorities for five years of Flood Protection projects and ten years Water Enterprise projects. In the years when the CIP is not updated, adjustments are made as part of the budget process.

Zone 7 has undertaken many planning efforts, for example the Asset Management Program (AMP) Update, Stream Management Master Plan (SMMP), Well Master Plan (WMP), and the 2010 Urban Water Management Plan (UWMP). Collectively, these studies have identified: 1) the types of renewal/replacement and system-wide improvement projects needed to maintain a reliable and efficient water system; 2) current and projected demands on our water system and Zone 7's facilities needed to meet such demands; 3) operational improvements and additional studies that will minimize near-term risks of water supply shortages and maximize long-term flexibility; and 4) integrated resource management projects for Zone 7's flood protection facilities. These master plans provide a roadmap for the scope and scheduling of projects in the CIP.



WATER SYSTEM CIP OVERVIEW

A primary function of the CIP is to provide Zone 7's Executive Staff and Board with a clear and orderly process for planning and budgeting for capital needs and for making informed decisions with regard to project priorities and scheduling.

Various capital projects and programs are needed to ensure a reliable and high quality water supply in accordance with the mission, goals and policy objectives established by the Board. These projects anticipate the need to renew, replace and improve existing infrastructure to maintain system reliability (paid from Fund 120, Renewal/Replacement and System-Wide Improvements) and to construct new facilities needed to accommodate future growth (Fund 130, Expansion).

FLOOD PROTECTION CIP OVERVIEW

Zone 7 plans and designs flood protection and stormwater drainage facilities that enhance management and control of stormwater runoff and drainage in the Livermore-Amador Valley, while optimizing water resources by integrating water supply, water quality, flood protection and environmental stewardship. The agency conducts capital improvement activities that protect life and property from damage caused by stormwater runoff and drainage generated during large rainfall events. Zone 7's capital improvements include renewal/replacement and repair of existing facilities to maintain the integrity of the existing flood protection system, system-wide improvements that integrate local stormwater channels into one regional water resource management system, and capital projects to accommodate new impervious surface areas caused by new development.



The following pages list the FY 15/16 capital projects by fund.

Capital Improvement Program (CIP)

WATER ENTERPRISE

CAPITAL PROJECT LISTING

Fund 120 – Renewal/Replacement & System-wide Improvements

FY15/16 Budget - Fund 120 Capital Project List

Project	FY15/16 Budget
Booster Pump Station	\$5,070,000
Ozonation at DVWTP and PPWTP	4,160,000
DVWTP Interior Coating Improvements to the 4.5 MG Steel Clearwell	2,390,000
Contingency	750,000
DVWTP Carbon Dioxide Installation Project	730,000
MGDP RO Membrane Replacement	600,000
Hopyard Well 6 & Stoneridge Sodium Hypochlorite Tank Replacement	580,000
Administrative & Engineering Building Lease (Water System)	560,102
Arroyo del Valle Permit Extension	520,000
MGDP Concentrate Disposal Pipeline Inspection and Cleaning	520,000
Mocho Well No. 3 OSG R/R	490,000
DVWTP Filter Valves Replacement	400,000
Minor Renewal/Replacement Projects	360,000
MGDP De-Mister Modifications	310,000
Mocho Well No.1 Sanding Investigation	300,000
Asset Management Program Management	280,000
SCADA Enhancements	240,000
Mocho 2 Well Improvements/Rehabilitation	200,000
DVWTP Chemical Feed Lines and Pumps Replacement	170,000
Laboratory Equipment Replacement	120,000
Monitoring Well Replacements & Abandonments	110,000
PPWTP Clearwell Improvements	100,000
MGDP Water Softening System	100,000
Mocho Wellfield Automation & Control Valves	100,000
DVWTP Roof Replacement and Rehabilitation for 3.0 MG Clearwell	80,000
Transmission System Planning Update	60,000
System-Wide Installation of Line Valves	50,000
Water Quality Management Program	21,000
Reliability Intertie	15,000
Capital Improvement Program Management	12,000
Chain of Lakes Master Planning	6,000
Total	\$19,404,102

Capital Improvement Program (CIP)

WATER ENTERPRISE CAPITAL PROJECT LISTING Fund 130 - Expansion

FY15/16 Budget - Fund 130 Capital Project List

Project	FY15/16 Budget
South Bay Aqueduct Enlargement Project	\$16,449,498
Fourth Contractor's Share of the SBA (Capital Costs)	3,000,000
PPWTP Expansion/New Media Filters	1,450,000
Cawelo Groundwater Banking Program	1,294,000
Contingency	500,000
Bay Area Regional Desalination Project - Planning	480,000
Administrative & Engineering Building Lease (Water System)	435,635
Arroyo Mocho Diversion Facility Coordination & Implementation	120,000
Transmission System Planning Update	111,000
High-Efficiency Washing Machine Rebate Program	90,000
Bay-Delta Conservation Planning	60,000
SWP Peaking Payment (Lost Hills & Belridge Water Districts)	60,000
Semitropic Stored Water Recovery Unit	50,000
Delta Outreach Program	40,000
Capital Improvement Program Management	36,000
Reliability Intertie	35,000
Fixed Cost of Water Entitlement	33,043
High-Efficiency Toilet Rebate Program	30,000
Water Conservation Best Management Practices	30,000
Delta Habitat Conservation and Conveyance Program	20,000
Chain of Lakes Master Planning	14,000
Water Quality Management Program	9,000
Total	\$24,347,176

Capital Improvement Program (CIP)

FLOOD CONTROL

CAPITAL PROJECT LISTING

Fund 200 - General Fund/Flood Control

FY15/16 Budget – Fund 200 Capital Project List

Project	FY15/16 Budget
Arroyo Las Positas Treatment Wetland	\$1,544,000
El Charro Phase 2 (SMMP Project R.5-2 - Chain of Lakes)	916,000
Stream Maintenance Program & Permitting	896,000
SMMP Financing Strategy and Implementation	525,000
Chain of Lakes Facilities - Flood	262,000
Slope Stability Study	224,000
Arroyo Mocho Floodplain and Riparian Forest Restoration	181,000
Flood Control Hydrologic and Hydraulic Model Improvements and Upgrades	171,000
Administrative & Engineering Building Lease	124,468
Living Arroyos Program	106,000
Coordination Studies in Northern Alameda Creek Watershed	71,000
Flood Warning System Development and Implementation	53,000
Sediment Transport Study	47,000
Coordination Studies in Southern Alameda Creek Watershed	35,000
Chain of Lakes Planning - Flood	9,000
Capital Improvement Program Management	2,000
Total	\$5,166,468

Capital Improvement Program (CIP)

FLOOD CONTROL

CAPITAL PROJECT LISTING

Fund 210 - General Fund/Flood Control

FY15/16 Budget – Fund 210 Capital Project List

Project	FY15/16 Budget
Arroyo Las Positas Treatment Wetland	\$2,046,000
El Charro Phase 2 (SMMP Project R.5-2 - Chain of Lakes)	1,214,000
SMMP Financing Strategy and Implementation	365,000
Chain of Lakes Facilities - Flood	348,000
Contingency	250,000
Arroyo Mocho Floodplain and Riparian Forest Restoration	239,000
Stream Maintenance Program & Permitting	184,000
Administrative & Engineering Building Lease (Flood Protection)	124,468
Flood Control Hydrologic and Hydraulic Model Improvements and Upgrades	119,000
Living Arroyos Program	66,395
Coordination Studies in Northern Alameda Creek Watershed	49,000
Slope Stability Study	46,000
Flood Warning System Development and Implementation	37,000
Sediment Transport Study	33,000
Coordination Studies in Southern Alameda Creek Watershed	25,000
Steelhead and Related Studies	20,000
Chain of Lakes Planning - Flood	11,000
Capital Improvement Program Management	2,000
Total	\$5,178,863

DEPARTMENTAL OVERVIEW



Personnel

Sections	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	FY15/16 Budget	Change
Office of the General Manager	10.00	14.00	7.00	7.00	8.00	1.00
Finance	10.00	11.00	9.00	9.00	10.00	1.00
Employee Services	6.00	6.00	7.00	7.00	7.00	0.00
Water Quality	7.50	7.50	7.50	7.50	7.50	0.00
Integrated Planning	0.00	0.00	7.50	7.50	8.50	1.00
Water Facilities	16.00	15.00	13.00	14.00	12.00	-2.00
Groundwater Protection	9.00	8.00	7.00	7.00	8.50	1.50
Operations	24.00	24.00	24.00	24.00	24.00	0.00
Maintenance	19.00	19.00	19.00	19.00	20.00	1.00
Flood Control	7.00	6.00	5.00	5.00	6.00	1.00
Total	108.50	110.50	106.00	107.00	111.50	4.50

Employee Bargaining Units

The Agency has four bargaining units, as listed below:

ALAMEDA COUNTY MANAGEMENT EMPLOYEES' ASSOCIATION (ACMEA)

- County contract end date: April 8, 2017
- COLA adjustment of 3% on June 23, 2013, 3% on June 22, 2014, and 3% on June 21, 2015

INTERNATIONAL FEDERATION OF PROFESSIONAL AND TECHNICAL ENGINEERS (IFPTE), LOCAL 21

- County contract end date: June 3, 2017
- COLA adjustment of 3% on June 23, 2013, 3% on June 22, 2014, 3% on June 21, 2015, and 3% on June 20, 2016

SERVICE EMPLOYEES INTERNATIONAL UNION (SEIU), LOCAL 1021

- County contract end date: December 20, 2015
- COLA adjustment of 3% on June 23, 2013, 3% on June 22, 2014, and 3% on June 21, 2015

ALAMEDA COUNTY BUILDING AND CONSTRUCTION TRADES COUNCIL (ACBCTC)

- County contract end date: July 28, 2018
- COLA adjustment of 3% on June 23, 2013, 3% on June 22, 2014, and 3% on June 21, 2015

The General Manager is an at-will contract employee of the Agency Board.

Unrepresented Employees (those not represented by ACMEA) follow the Alameda County Administrative Code.

The Board reviews all new position requests, authorizes total "full time equivalent" (FTE) positions and approves salary ranges after the General Manager negotiates with the appropriate union bargaining units.

Office of the General Manager

The Office of the General Manager provides overall management and administrative support to the Agency as a whole. The majority of the State Water Project funding appears in the Office of the General Manager, both for water purchases and for state water facilities (both maintenance and expansion).

FY15/16 GOALS AND OBJECTIVES

Implement a digital-based filing and records management system. Manage transition and replacement of key personnel within the Office of the General Manager.

FY14/15 MAJOR ACCOMPLISHMENTS

Selected new records retention management software and began process of implementation.

OFFICE OF THE GENERAL MANAGER STAFFING SUMMARY

Staff	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	FY15/16 Budget	Change
General Manager	1.00	1.00	1.00	1.00	1.00	0.00
Assistant General Manager	1.00	1.00	1.00	1.00	1.00	0.00
Assistant General Mgr, Engineering	1.00	0.00	0.00	0.00	0.00	0.00
Assistant General Mgr, Personnel	0.00	0.00	1.00	1.00	1.00	0.00
Water Resources Technician II	0.00	0.00	0.00	0.00	0.00	0.00
Executive Assistant	1.00	1.00	1.00	1.00	1.00	0.00
Secretary	2.00	2.00	2.00	2.00	2.00	0.00
Senior Engineer/Geologist	0.00	2.00	0.00	0.00	0.00	0.00
Associate Engineer (Engineer III)	0.00	2.00	0.00	0.00	0.00	0.00
Associate Water Resources Planner	1.00	2.00	0.00	0.00	0.00	0.00
Assistant Water Resources Planner	1.00	0.00	0.00	0.00	0.00	0.00
Water Conservation Coordinator	1.00	1.00	0.00	0.00	0.00	0.00
Communications Specialist	1.00	1.00	0.00	0.00	0.00	0.00
Administrative Student Intern	0.00	0.00	1.00	1.00	1.00	0.00
Geographic Info Sys Analyst	0.00	0.00	0.00	0.00	1.00	1.00
Water Resources Engineer Trainee	0.00	1.00	0.00	0.00	0.00	0.00
Office of the General Manager Total:	10.00	14.00	7.00	7.00	8.00	1.00

STAFFING CHANGES

1 FTE GIS Analyst was previously identified as a soft hiring freeze position and will be funded and was transferred from Finance.

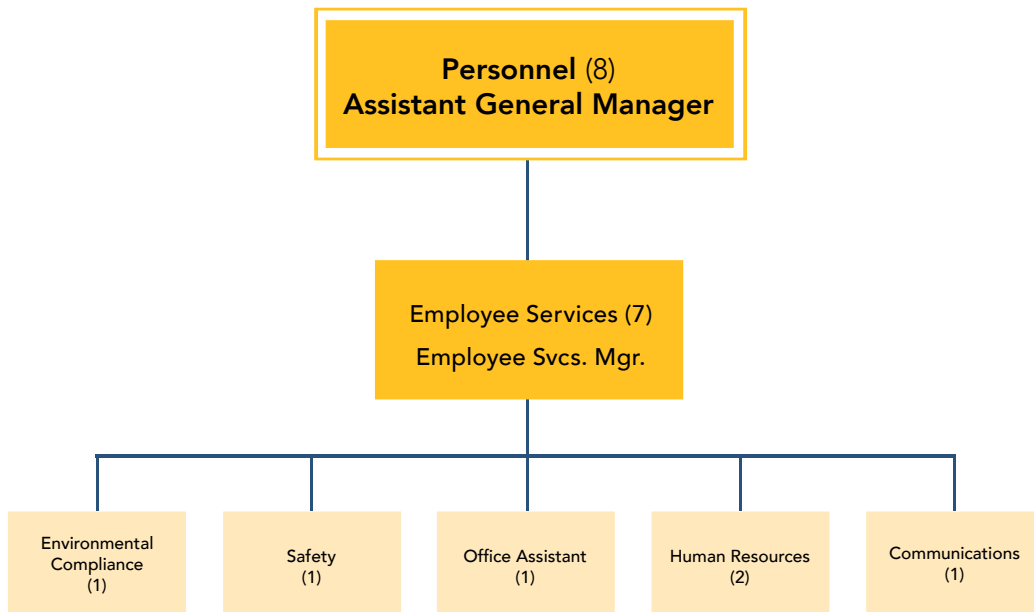
OFFICE OF THE GENERAL MANAGER BUDGET BY FUND

Fund	13/14 Actual Amount	14/15 Amended Budget	14/15 End of Year Prejection	15/16 Budget
Fund 100 - Water Enterprise	\$16,028,533	\$24,727,586	\$23,266,151	\$16,854,398
Fund 110 - State Water Facilities	13,681,891	14,227,251	17,201,569	19,344,521
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	5,594,424	1,239,198	550,000	1,310,102
Fund 130 - Capital Expansion	19,466,852	17,421,281	21,170,746	21,902,176
Fund 200 - Flood Control	10,858,344	963,755	1,026,243	1,158,820
Fund 210 - Flood Protection & Stormwater Drainage	3,093,169	371,822	121,822	374,468
Total	\$68,723,212	\$58,950,893	\$63,336,531	\$60,944,485

OFFICE OF THE GENERAL MANAGER BUDGET BY PROGRAM

Program	13/14 Actual Amount	14/15 Amended Budget	14/15 End of Year Prejection	15/16 Budget
Water Utility Support Services	\$9,873,084	\$14,201,506	\$14,184,058	\$8,397,748
Supply Source & Conveyance	40,338,053	34,373,434	39,728,984	44,907,126
Water Storage	2,052,947	5,573,800	5,044,005	3,008,750
Water Treatment	147,288	75,000	0	75,000
Water Transmission	2,884	0	0	0
Central Administration	2,357,444	2,451,576	3,231,419	1,772,573
Flood Protection	13,951,513	1,085,577	1,148,065	1,283,288
Capital Projects	0	1,190,000	0	1,500,000
Total	\$68,723,212	\$58,950,893	\$63,336,531	\$60,944,485

Employee Services Organizational Chart



Employee Services

Provides recruitment and selection, classification and compensation, labor relations and contract negotiations; employee relations and counseling, employee benefits coordination, workers' compensation, Equal Employment Opportunity services; Develops and provides employee health and safety programs; conducts technical safety reviews on Agency capital projects; Monitors health, safety, and regulatory compliance; in addition, provides public outreach, including schools, and legislative relations services; Provides information to the general public about the Agency's financial performance; and provides Agency training for the areas listed above.

FY15/16 GOALS AND OBJECTIVES

Ensure availability of staff recruitment resources:

- Develop an improved system for proactive management and planning of human resources that will allow the agency and its employees to be better prepared to meet the agency's future requirements in ensuring effective delivery of services to the public.

Conduct safety planning and training to ensure health and safety of employees:

- Facilitate safety improvements throughout the agency while ensuring compliance with the California Regulatory and Preventive Programs.

Promote and enhance Zone 7's public transparency:

- Enhance public understanding of source water supply and quality and the importance of water conservation.

FY14/15 MAJOR ACCOMPLISHMENTS

- Improved human resources selection processes through implementation of behavioral interviewing techniques. This technique of interviewing is generally believed to be more objective and to more accurately predict future on-the-job behaviors of candidates interviewed.
- Fostered a climate of dignity and respect to a diverse workforce by providing on-site training to all employees and Supervisors regarding Workplace Harassment, Discrimination and Retaliation and Workplace Violence Prevention.
- Promoted a safe workplace for employees by purchasing Automated External Defibrillators (AED's) and installing at North Canyons, DWWTP, PPWTP and Parkside. Staff then provided training to key members at each facility on the use of the new AED devices.
- Facilitated Risk Management Plan Compliance Audits (Cal ARP) for Chain of Lakes, MGDP, DWWTP and PPWTP. These audits are required every three years per Cal ARP Regulations.
- Continued involvement with Bay Area Water/Wastewater Workforce Development (BAYWORK) through candidate development and staff preparedness activities. In collaboration with local retail agencies and other East Bay Water and Wastewater agencies, provided a tour of the MGDP Plant at the first East Bay Workshop on Wheels event.
- Zone 7's Schools Program continued to grow, reaching an estimated 12,000 students about everything from water conservation and water quality to stormwater pollution prevention. The program was extended into the high schools by offering a "Water: Choice and Changes" presentation to ninth-grade health classes. Classes taught at the high school level also incorporated BAYWORK information about careers in the water industry.
- As part of the drought response, provided focused messaging at community events, in e-newsletters, in newspaper advertising and on the website regarding the need for stepped-up water conservation.

WORKLOAD MEASURES:

Employee Services	FY12/13 Actual	FY13/14 Actual	FY14/15 End-of-Year Projections	FY15/16 Budget
Water Awareness/Conservation Events	25	26	27	28
School Water Education Program Presentations	370	370	425	445

EMPLOYEE SERVICES STAFFING SUMMARY

Staff	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	FY15/16 Budget	Change
Assistant Gen Manager, Personnel	1.00	1.00	0.00	0.00	0.00	0.00
Employee Services Manager	0.00	0.00	1.00	1.00	1.00	0.00
Human Resources Officer II	2.00	2.00	1.00	1.00	2.00	1.00
Staff Analyst	0.00	0.00	0.50	1.00	0.00	-1.00
Communications Specialist	0.00	0.00	1.00	1.00	1.00	0.00
Safety Technician II	2.00	2.00	2.00	2.00	2.00	0.00
Employee Services Technician	0.00	1.00	1.00	1.00	0.00	-1.00
Personnel Technician	1.00	0.00	0.00	0.00	0.00	0.00
Office Assistant	0.00	0.00	0.50	0.00	1.00	1.00
Employee Services Total	6.00	6.00	7.00	7.00	7.00	0.00

STAFFING CHANGES

1 FTE Staff Analyst was transferred from Employee Services (Communications) to Finance. 1 FTE Office Assistant was transferred from Finance to Employee Services. 1 FTE Employee Services Technician was promoted to HR Officer II.

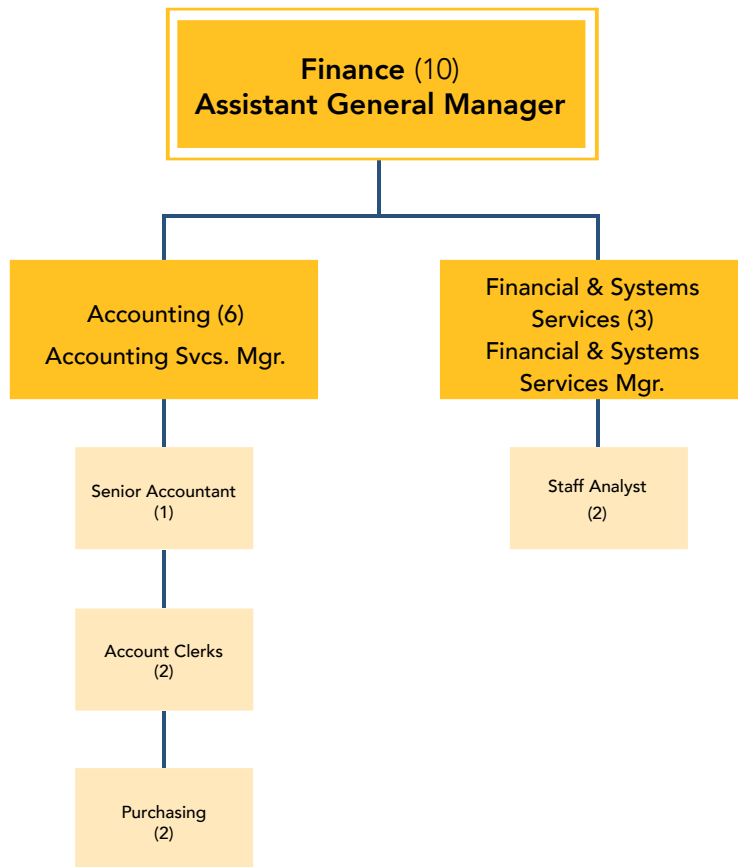
EMPLOYEE SERVICES BUDGET BY FUND

Fund	13/14 Actual Amount	14/15 Amended Budget	14/15 End of Year Projections	15/16 Budget
Fund 100 - Water Enterprise	\$1,723,563	\$1,812,498	\$1,473,712	\$1,867,853
Fund 130 - Water Expansion	7,807	30,000	9,000	40,000
Fund 200 - Flood Control	176	100	500	100
Total	\$1,731,546	\$1,842,598	\$1,483,212	\$1,907,953

EMPLOYEE SERVICES BUDGET BY PROGRAM

Program	13/14 Actual Amount	14/15 Amended Budget	14/15 End of Year Projections	15/16 Budget
Water Utility Support	\$2,898	\$10,500	\$7,500	\$10,500
Supply Source & Conveyance	71,047	175,420	63,217	187,197
Water Treatment	\$29,048	\$12,350	\$6,000	\$12,500
Water Transmission	327	0	0	0
Central Administration	1,628,050	1,644,228	1,405,995	1,697,156
Flood Protection	176	100	500	100
Total	\$1,731,546	\$1,842,598	\$1,483,212	\$1,907,453

Finance Services Organizational Chart



Finance

Provides governmental and enterprise accounting; accounts payable; billing for services and receivables; contract monitoring; payroll; Agency-wide internal controls; financial reporting; financial forecasting and analysis; budget education, development, monitoring, control and conveyance; purchasing services; information technology/GIS services; and risk management liaison.

FY15/16 GOALS AND OBJECTIVES

- Provide accounting and financial support services efficiently and effectively
- Prepare FY 14/15 financial statements using New World Systems, building history within system for significantly improved reporting
- Complete comprehensive financial analysis as part of a long-term financial plan
- Enhance purchasing and information system support services.

FY14/15 MAJOR ACCOMPLISHMENTS

- Provided substantial post-implementation support of new accounting software, New World Systems, which was brought online in 2013
- Developed and implemented a new cost accounting system and timesheet application
- Provided Agency-wide training for network security
- Achieved the Government Finance Officers Association (GFOA) "Distinguished Budget Award" for the second straight year
- Received the "Excellence Award in Operating Budget" award for the first time, from the California Society of Municipal Finance Officers (CSMFO) for the FY 14/15 Budget Book

FINANCE STAFFING SUMMARY

Staff	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	FY15/16 Budget	Change
Assistant General Manager, Finance	1.00	1.00	0.00	0.00	1.00	1.00
Financial & Systems Services Manager	1.00	1.00	1.00	1.00	1.00	0.00
Accounting Manager	1.00	1.00	1.00	1.00	1.00	0.00
Senior Auditor/Accountant	1.00	1.00	1.00	1.00	1.00	0.00
Staff Analyst	1.00	2.00	1.50	1.00	2.00	1.00
Geographic Info sys Analyst	1.00	1.00	0.00	0.00	0.00	0.00
Buyer I	0.00	0.00	0.00	0.00	1.00	1.00
Buyer II	1.00	1.00	1.00	1.00	1.00	0.00
Office Assistant	0.00	0.00	0.50	1.00	0.00	-1.00
Account Clerk	3.00	3.00	3.00	3.00	2.00	-1.00
Finance Total:	10.00	11.00	9.00	9.00	10.00	1.00

STAFFING CHANGES

1 FTE Staff Analyst was transferred from Employee Services to Finance. 1 FTE Office Assistant was transferred from Finance to Employee Services. 1 FTE Assistant General Manager, Finance was previously identified as a soft hiring freeze position and will be funded. 1 FTE Account Clerk was reclassified to a Buyer I position.

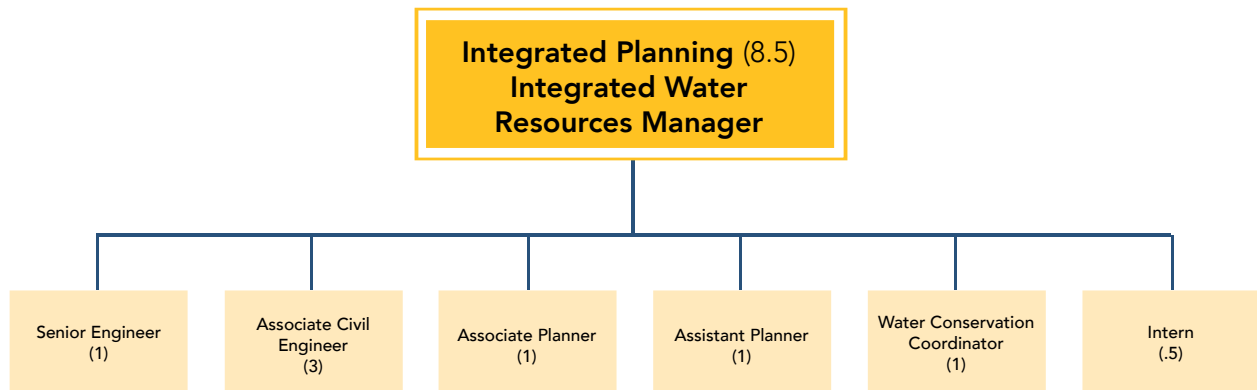
FINANCE BUDGET BY FUND

Fund	13/14 Actual Amount	14/15 Amended Budget	14/15 End of Year Projections	15/16 Budget
Fund 100 - Water Enterprise	\$1,332,096	\$1,460,309	\$1,359,807	\$1,913,917
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	13,038	12,000	10,000	12,000
Fund 130 - Water Expansion	48,892	36,000	38,300	36,000
Fund 200 - Flood Control	181	3,764	3,864	3,764
Fund 210 - Flood Protection & Stormwater Drainage	3,259	2,000	2,120	2,000
Total	\$1,397,465	\$1,514,073	\$1,414,091	\$1,967,681

FINANCE BUDGET BY PROGRAM

Program	13/14 Actual Amount	14/15 Amended Budget	14/15 End of Year Projections	15/16 Budget
Water Utility Support Services	\$76,846	\$100,690	\$94,963	\$113,413
Supply Source & Conveyance	19,302	0	8,500	55,732
Water Treatment	0	0	2,000	2,000
Central Administration	1,297,877	1,407,619	1,302,644	1,790,772
Flood Protection	3,440	5,764	5,984	5,764
Total	\$1,397,465	\$1,514,073	\$1,414,091	\$1,967,681

Integrated Planning Organizational Chart



Integrated Planning

Integrates planning efforts for water supply/quality, water conservation, flood protection, stream management, groundwater, watershed protection, and environmental planning activities; Supports other divisions in design review, permitting, project evaluation, and overall program goals; In addition, the group seeks and supports grant efforts to subsidize Zone 7 programs and projects; Represents the agency to outside organizations and committees.

FY15/16 GOALS AND OBJECTIVES

Water Supply, Quality and Conservation:

- Update demand forecasts and continue water conservation tracking
- Finalize amendment of Water Supply Evaluation
- Finalize Transmission System Plan Update
- Complete the 2015 Urban Water Management Plan
- Continue to investigate alternative water supply sources, such as desalination and recycled water
- Continue to coordinate with other Bay Area water agencies to enhance regional reliability
- Enhance public understanding of source water supply and quality and the importance of water conservation
- Continue to represent Zone 7 to outside organizations, such as the State Water Contractors
- Increase public outreach and education
- Provide training and workshops for landscape professionals
- Promote outdoor landscape programs
- Develop and implement future conservation programs
- Coordinate with outside agencies and organizations addressing conservation issues and policies
- Continue work with State regulators on conservation water policies

Watershed, Flood, and Other Environmental Protection:

- Update the Stream Management Master Plan (SMMP)
- Continue to support Staff on evaluating potential development agreements for the construction of flood protection facilities
- Continue monitoring new stormwater requirements and green technologies
- Continue exploring options for using existing Zone 7 projects for mitigation credits
- Continue to represent Zone 7 to outside organizations, such as the Bay Area Flood Protection Agencies Association (BAFPAA)
- Continue to provide support to other Zone 7 departments on planning, environmental, and permitting efforts
- Spearhead Agency's watershed protection efforts
- Continue the Living Arroyos Program for community volunteers and education
- Coordinate with outside agencies and organizations addressing environmental issues
- Complete CEQA efforts associated with facility construction and other planning efforts

- Continue to represent Zone 7 to outside organizations, such as the Alameda Creek Watershed Forum
- Continue to seek opportunities for mitigation credit sales from the Arroyo Mocho Stanley Reach project.
- In collaboration with Flood Control, initiate work towards securing programmatic stream maintenance permits

Cross-Functional, Multi-Agency, Energy, and Climate Change Planning:

- Continue managing energy costs and monitoring Greenhouse Gas Emissions
- Continue reporting and third-party verify the Agency's GHG Emissions report to The Climate Registry
- Continue managing energy efficiency programs
- Continue representing Zone 7 on PWPR Board to lower cost of energy and GHG emissions
- Continue to provide support for Chain of Lakes planning
- Continue to represent Zone 7 to outside organizations, such as the Integrated Regional Water Management group and the Implementation Committee of the Comprehensive Conservation Management Plan for the Bay/Delta
- Continue to represent Zone 7 during conferences, workshops and outside panels
- Continue to seek grants

FY14/15 MAJOR ACCOMPLISHMENTS

Water Supply, Quality and Conservation:

- Supported Agency efforts to seek drought grant of \$3 million for emergency projects
- Awarded grant for up to \$3.3 million for Emergency Drought Projects and water conservation through Round 3 – Drought of Proposition 84
- Provided presentations regarding Zone 7's Drought Emergency Action Plan to various Councils, Boards, untreated water customers and other public meetings
- Worked closely with DWR, banking partners, and other SWP contractors to secure supplies for the Tri-Valley in the midst of one of the driest periods in recent history
- Developed agreement with Contra Costa Water District and Alameda County Water District to jointly explore regional use of Los Vaqueros Reservoir and alternative delivery modes for SWP/ banked water to bolster reliability
- Saved over 100 acre-feet over the first half of FY 2015 increasing the three year total to 192 acre-feet through conservations programs targeting outdoor irrigation and lawn replacement
- Helped provide input to CUWA Water Use Efficiency Committee on outdoor conservation measures and drafted language for legislators to continue with conservation efforts without legislative mandates
- Partnered with Home Depot, Tri-Valley Community Television, KKIQ Radio and others on the plant and garden outdoor event

Flood Protection:

- Completed the Environmental Baseline report for the update of the SMMP
- In collaboration with Flood Control, completed updated hydrology and hydraulic models for the update of the SMMP
- Partnered to complete the initial valley-wide hydrology model for flood protection
- Completed CEQA and environmental permitting for various engineering and other projects
- Completed biological studies, initiated hydrologic modeling, and met with protestors and regulators to address concerns and protests on the Arroyo Valle Water Right Petition for Extension of Time. Secured the dismissal of protest from ACWD
- Created a partnership with the City of Livermore and the Urban Creeks Council to initiate the Living Arroyos Program that engages community volunteers and employs local college interns to perform stream-side plantings and minor maintenance to educate the public about the local flood protection streams
- Substantial completion of the Arroyo Mocho Stanley Reach project including seeding of Zone B, replanting of oaks in Zone A, and watering and weeding management actions
- Tentative agreement to receive nearly \$400,000 from mitigation credit sales for the Arroyo Mocho Stanley Reach project

Cross-Functional, Multi-Agency, Energy, and Climate Change Planning:

- Partnered with RCD/NRCS on several projects to take advantage of grant funding opportunities
- Helped Zone 7 achieve over \$125,000 in energy cost savings in 2013 by participating in PG&E Peak-Day Pricing Program and EnerNOC Capacity Bidding Program
- Helped Zone 7 achieve \$45,000 in reduced energy costs through the DWWTP solar power system
- Achieved Climate Registered status for 2013 reporting and was recognized in the Climate Registry newsletter

WORKLOAD MEASURES:

Integrated Planning	FY12/13 Actual	FY13/14 Actual	FY14/15 End-of-Year Projections	FY15/16 Budget
Water conservation rebates	3,100	2,891	3,328	1,500*
Lawn Conversion Program (Actual Sq. Ft. Replaced)	-	18,240	190,000	190,000
CEQA documentation for Zone 7 projects	20	15	15	15
Living Arroyos (Volunteer Days)	-	24	21	TBD
Climate Registry	-	-	GHG Cert.	TBD

*PG&E plans to discontinue the water/energy clothes washer rebate program December 2015.

INTEGRATED PLANNING STAFFING SUMMARY

Staff	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	FY15/16 Budget	Change
Manager of Integrated Water Resources	0.00	0.00	0.00	0.00	1.00	1.00
Senior Engineer/Geologist	0.00	0.00	2.00	2.00	1.00	-1.00
Associate Engineer (Engineer III)	0.00	0.00	2.00	2.00	3.00	1.00
Associate Water Resources Planner	0.00	0.00	1.00	1.00	1.00	0.00
Junior Water Resources Planner	0.00	0.00	1.00	1.00	1.00	0.00
Water Conservation Coordinator	0.00	0.00	1.00	1.00	1.00	0.00
Administrative Student Intern	0.00	0.00	0.50	0.50	0.50	0.00
Integrated Planning Total	0.00	0.00	7.50	7.50	8.50	1.00

STAFFING CHANGES

The Board adopted the newly created position of 1 FTE Manager of Integrated Water Resources. 1 FTE Associate Engineer (Engineer III) was transferred from Facilities Engineering to Integrated Planning. 1 FTE Senior Engineer/Geologist was transferred from Integrated Planning to Flood Control.

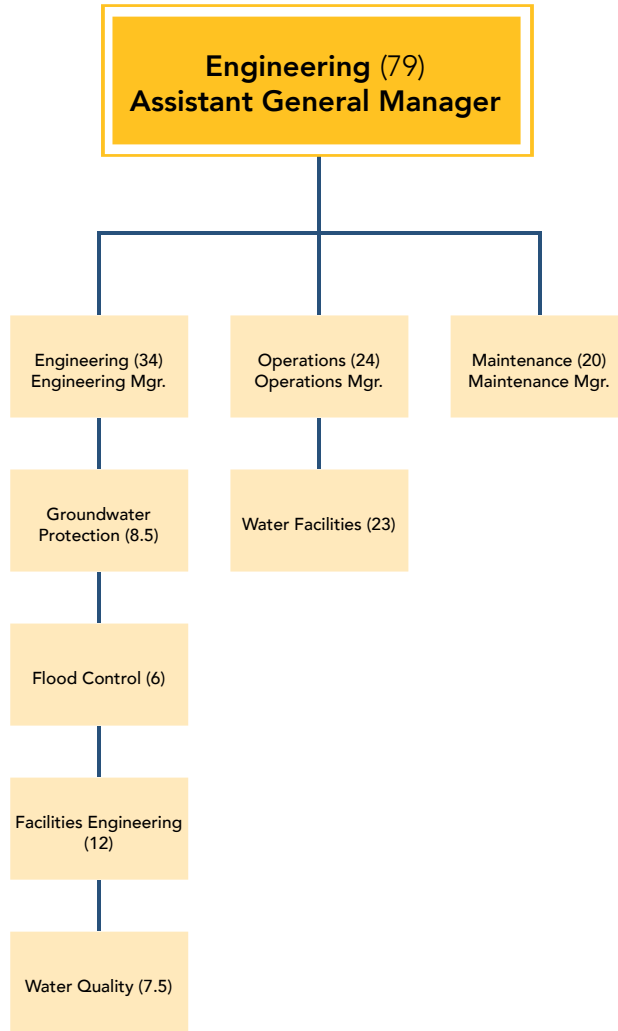
INTEGRATED PLANNING BUDGET BY FUND

Fund	13/14 Actual Amount	14/15 Amended Budget	14/15 End of Year Projections	15/16 Budget
Fund 100 - Water Enterprise	\$1,181,824	\$1,464,327	\$1,173,780	\$1,634,520
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	173,751	1,958,532	103,000	601,000
Fund 130 - Water Expansion	163,494	2,066,709	1,008,246	790,000
Fund 200 - Flood Control	778,124	5,585,795	531,330	1,367,625
Fund 210 - Flood Protection & Stormwater Drainage	533,543	5,627,366	5,733,765	775,395
Total	\$2,830,736	\$16,702,729	\$8,550,121	\$5,168,540

INTEGRATED PLANNING BUDGET BY PROGRAM

Program	13/14 Actual Amount	14/15 Amended Budget	14/15 End of Year Projections	15/16 Budget
Water Utility Support Services	\$257,480	\$717,313	\$319,103	\$715,167
Supply Source & Conveyance	783,055	4,179,277	1,587,733	1,934,974
Water Storage	95,020	285,239	41,115	32,568
Water Treatment	2,779	15,048	7,000	1,726
Central Administration	380,734	292,691	330,075	341,085
Flood Protection	1,311,668	11,213,161	6,265,095	2,143,020
Capital Projects	0	0	0	0
Total	\$2,830,736	\$16,702,729	\$8,550,121	\$5,168,540

Engineering Organizational Chart



Facilities Engineering

Plans, designs and constructs major water supply, conveyance, production, and delivery facilities for expansion, system-wide improvements and renewal/replacement programs; Design and constructs flood control channel improvements; Manages the Agency's Capital Improvement and Asset Management Programs.

FY15/16 GOALS AND OBJECTIVES

Plan, design and construct major water supply, production and delivery facilities:

- Continue to help ensure Zone 7 wells are in compliance with the federal and state maximum contaminant level for chromium
- Update the Asset Management Program
- Work with Zone 7 Operations and Maintenance staff to optimize the PPWTP ultrafiltration plant process
- Plan and start design of new media filters at PPWTP to eventually replace the ultrafiltration plant process
- Continue to implement drought emergency projects that also have long term benefits.
- Continue to implement other CIP system-wide improvement and renewal/replacement projects.
- Continue support for Stream Management Master Plan programs and projects
- Continue support for water supply planning activities and manage specific projects
- Continue to manage/implement CIP Program and Asset Management Program to provide maximum reliability for current year and beyond while meeting current water demands
- Continue to provide engineering support as needed to the other Zone 7 departments, especially Operations and Maintenance, to help ensure the reliability of current facilities' performance
- In conjunction with Safety and Operations staff, provide updates for and ensure compliance with Hazardous Materials Business Plans and Risk Management Plans

FY14/15 MAJOR ACCOMPLISHMENTS

- Completed the Busch Valley Well 1 Basis of Design
- Completed the Chain of Lakes Well No. 5 Project
- Completed the DWWTTP Temporary Carbon Dioxide System Project
- Completed the DWWTTP Filter Bed No.1 Media Replacement Project
- Completed the DWWTTP Superpulsator Rehabilitation Project - Phase 2
- Completed design of the MGDG Brine Pump Replacement Project
- Completed the Mocho Groundwater Demineralization Plant, Mocho Well 3 and Mocho Well 4 (Mocho Complex) PWRPA Electrical Installation (Alternative Energy) Project
- Completed design of the Mocho Well 4 Sodium Hypochlorite Pump Relocation Project
- Completed the PPWTP Ferric Chloride -Caustic Soda Separation Project
- Completed Stoneridge Cross Valley Isolation Valve Project

WORKLOAD MEASURES:

Facilities Engineering	FY12/13 Actual	FY13/14 Actual	FY14/15 End-of-Year Projections	FY15/16 Budget
Development reviews	15	20	20	20
Capital projects (millions)	\$22.8	\$45.1	\$32.5	\$45.1

FACILITIES ENGINEERING STAFFING SUMMARY

Staff	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	FY15/16 Budget	Change
Manager of Engineering	0.00	1.00	1.00	1.00	1.00	0.00
Principal Engineer	1.00	1.00	1.00	1.00	1.00	0.00
Senior Engineer/Geologist	3.00	2.00	2.00	2.00	2.00	0.00
Associate Engineer- Control System	1.00	1.00	1.00	1.00	1.00	0.00
Associate Engineer (Engineer III)	10.00	8.00	6.00	5.00	4.00	-1.00
Assistant Engineer	0.00	0.00	1.00	2.00	2.00	0.00
Water Resources Technician III	1.00	1.00	0.00	0.00	0.00	0.00
Water Resources Technician II	0.00	1.00	1.00	2.00	1.00	-1.00
Facilities Engineering Total	16.00	15.00	13.00	14.00	12.00	-2.00

STAFFING CHANGES

1 FTE Associate Engineer was transferred from Facilities Engineering to Integrated Planning. 1 FTE Water Resources Technician II was transferred from Facilities Engineering to Maintenance.

FACILITIES ENGINEERING BUDGET BY FUND

Fund	13/14 Actual Amount	14/15 Amended Budget	14/15 End of Year Projections	15/16 Budget
Fund 100 - Water Enterprise	\$1,701,946	\$1,812,398	\$1,879,002	\$1,411,399
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	8,400,642	8,950,674	10,226,430	16,870,000
Fund 130 - Water Expansion	2,725,303	2,700,361	3,269,678	1,570,000
Fund 200 - Flood Control	1,117,272	3,205,003	3,163,253	2,754,549
Fund 210 - Flood Protection & Stormwater Drainage	231,209	532,806	161,500	0
Total	\$14,176,372	\$17,201,242	\$18,699,863	\$22,605,948

FACILITIES ENGINEERING BUDGET BY PROGRAM

Program	13/14 Actual Amount	14/15 Amended Budget	14/15 End of Year Projections	15/16 Budget
Water Utility Support Services	\$1,060,580	\$2,075,043	\$1,407,962	\$1,361,071
Supply Source & Conveyance	182,634	101,792	80,000	26,792
Water Storage	1,649,189	111,802	697,500	181,965
Water Treatment	9,690,242	10,906,351	12,697,960	12,963,435
Water Transmission	232,932	154,873	371,688	5,290,754
Central Administration	12,313	33,572	120,000	27,382
Flood Protection	1,348,481	3,737,809	3,324,753	2,754,549
Capital Projects	0	80,000	0	0
Total	\$14,176,372	\$17,201,242	\$18,699,863	\$22,605,948

Groundwater Protection

Develops and manages Zone 7's local water resource programs and investigations such as its groundwater, surface water and rainfall programs; Section staff provides well permitting and inspections; Tracking of clean-up progress of groundwater contamination sites; Monitoring of groundwater and surface water supplies and quality; Assists on capital projects involving groundwater, recharge and monitoring facilities.

FY 15-16 GOALS AND OBJECTIVES

Protect and manage the groundwater resources:

- Continue implementation and improvement of the groundwater management programs for optimized use of the groundwater basin while minimizing the impacts, including any future salt degradation of the groundwater resources
- Conduct a nitrate study of hot spot areas and prepare white papers, capturing findings
- Initiate well permitting fee program
- Report status and results of Groundwater Management Program (including salt management component) to interested agencies, including Retailers and Regional Water Quality Control Board (RWQCB)
- Continue to closely monitor, evaluate and provide timely reports of the drought-related impacts to groundwater levels
- Implement new well ordinance and permit fee program, and develop well permit guidelines for East County
- Provide input to the County's Local Area Management Plan (LAMP) which is currently being developed for OWTS permitting and management in Alameda County to assure groundwater protection
- Complete the groundwater model improvements that were started in 2014 and are being funded mostly through a grant from the State through the Department of Water Resources (DWR)
- Provide notification to DWR of Zone 7's intent to be the "Groundwater Sustainability Agency (GSA)" for the Livermore Valley Groundwater Basin

FY 14-15 MAJOR ACCOMPLISHMENTS

- Prepared annual Groundwater Management Program Report for Water Year 2013
- Monitored groundwater levels with reference to the "historic lows" by increasing groundwater level monitoring and reporting frequency during the drought
- Prepared draft Nutrient Management Plan (NMP) and recommendations for special onsite wastewater treatment system (OWTS) permit requirements to reduce nitrogen loading in certain Areas of Concern
- Completed well ordinance and permit fee recommendations for Zone 7 jurisdiction
- Set up new water resource database (Aquarius) and integrated it into Groundwater's day-to-day operations
- Provided a flow meter solution for monitoring Cope-to-Lake I flow monitoring
- "Claimed" CASGEM responsibility for Alameda County portion of the Tracy Sub-basin
- Successfully lobbied for Zone 7 to be designated by statute as the exclusive agency named as the Groundwater Sustainability Agency (GSA) within the Zone 7 area

WORKLOAD MEASURES

Groundwater Protection	FY12/13 Actual	FY13/14 Actual	FY14/15 End-of-Year Projections	FY15/16 Budget
Groundwater samples collected	168	162	170	170
Groundwater level measurements	864	982	1,305	1,355

GROUNDWATER PROTECTION STAFFING SUMMARY

Staff	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	FY15/16 Budget	Change
Principal Engineer	1.00	1.00	1.00	1.00	1.00	0.00
Associate Engineer (Engineer III)	1.00	1.00	1.00	1.00	1.00	0.00
Assistant Engineer (Engineer II)	2.00	1.00	1.00	1.00	1.00	0.00
Construction Inspector	1.00	1.00	1.00	1.00	1.00	0.00
Water Resources Technician II	4.00	4.00	3.00	3.00	4.00	1.00
Water Resources Engineer Trainee	0.00	0.00	0.00	0.00	0.50	0.50
Groundwater Protection Total	9.00	8.00	7.00	7.00	8.50	1.50

STAFFING CHANGES

1 FTE Water Resources Technician II was previously identified as a soft hiring freeze position and will be funded and 0.5 FTE Water Resources Engineer Trainee (intern) will be funded.

GROUNDWATER PROTECTION BUDGET BY FUND

Fund	13/14 Actual Amount	14/15 Amended Budget	14/15 End of Year Projections	15/16 Budget
Fund 100 - Water Enterprise	\$1,123,431	\$1,319,474	\$1,326,018	\$1,360,708
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	192,962	213,951	210,400	110,000
Fund 130 - Water Expansion	109,615	91,694	75,500	0
Fund 200 - Flood Control	99,234	36,293	65,250	42,813
Fund 210 - Flood Protection & Stormwater Drainage	21,603	0	0	0
Total	\$1,546,845	\$1,661,412	\$1,677,168	\$1,513,521

GROUNDWATER PROTECTION BUDGET BY PROGRAM

Program	13/14 Actual Amount	14/15 Amended Budget	14/15 End of Year Projections	15/16 Budget
Water Storage	\$1,382,272	\$1,527,496	\$1,574,468	\$1,462,584
Water Treatment	37,514	0	33,900	4,220
Water Transmission	294	0	500	2,110
Central Administration	5,929	7,623	3,050	1,794
Flood Protection	120,837	36,293	65,250	42,813
Capital Projects	0	90,000	0	0
Total	\$1,546,845	\$1,661,412	\$1,677,168	\$1,513,521

Water Quality

Provides water quality (WQ) technical support and laboratory analytical services for regulatory compliance and permitting, treatment plant performance verification, groundwater analysis, support for treatment improvement or expansion projects, and special operation/engineering studies; Provides technical support to Operations and to water retail customers to resolve or understand water quality issues; Provides analytical support services to retailers, as needed.

FY15/16 GOALS AND OBJECTIVES

Reliably provide high quality water:

- Continue providing water supply that meets all state (Division of Drinking Water/DDW) and federal (US. Environmental Protection Agency/EPA) health-related standards
- Coordinate ongoing implementation of various capital improvement projects and activities called out by Zone 7's Water Quality Policy Goals and its Water Quality Management Program, which set forth water targets that are more stringent than regulated standards and are for a few secondary standards (non-health related, aesthetic parameters) such as hardness, taste and odor
- Continue to work with retailers in preparing biennial report cards of the Water Quality Management Program
- Continue providing support for investigation of various water supply options and treatment issues, especially for compliance with the hexavalent chromium MCL
- Continue monitoring state and federal regulatory development for drinking water standards

FY14/15 MAJOR ACCOMPLISHMENTS

- Collaborated with Zone 7 Retailers to revise Water Quality Policy and eventual adoption by Zone 7 Board
- Obtained amended water supply permit from DDW for operation of the COL Well No. 5, constructed as an emergency drought project
- Investigated various compliance strategies and prepared placeholder projects in the CIP for meeting the new MCL for hexavalent chromium
- Reviewed and responded to the proposed Strontium regulation
- Provided support to address various issues associated with the ultrafiltration membrane plant, including obtaining approval from DDW for a 3-year long alternative coagulant test
- Provided support for treatment and regulatory compliance challenges caused by degrading source water quality due to drought conditions, including mitigation of high Trihalomethanes in our treated water and obtaining approval from DDW for a year-long carbon dioxide test at the Del Valle WTP

WORKLOAD MEASURES:

Water Quality	FY12/13 Actual	FY13/14 Actual	FY14/15 End-of-Year Projections	FY15/16 Budget
Water quality samples analyzed	1,185	1,462	1,550	1,600
Bacteriology samples analyzed	1,253	1,294	1,350	1,400

WATER QUALITY STAFFING SUMMARY

Staff	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	FY15/16 Budget	Change
Associate Engineer (Engineer III)	0.50	0.50	0.50	0.50	0.50	0.00
Assistant Engineer (Engineer II)	1.00	1.00	1.00	1.00	1.00	0.00
Assistant Water Resources Planner	1.00	1.00	1.00	1.00	1.00	0.00
Water Quality Manager	1.00	1.00	1.00	1.00	1.00	0.00
Water Quality Chemist	2.00	2.00	2.00	2.00	2.00	0.00
Water Quality Lab Technician	2.00	2.00	2.00	2.00	2.00	0.00
Water Quality Total	7.50	7.50	7.50	7.50	7.50	0.00

STAFFING CHANGES

No changes are anticipated.

WATER QUALITY BUDGET BY FUND

Fund	13/14 Actual Amount	14/15 Amended Budget	14/15 End of Year Projections	15/16 Budget
Fund 100 - Water Enterprise	\$1,339,257	\$1,588,824	\$1,501,902	\$1,571,086
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	67,267	134,000	5,000	141,000
Fund 130 - Water Expansion	4,146	6,000	5,000	9,000
Fund 200 - Flood Control	311	0	1,200	0
Fund 210 - Flood Protection & Stormwater Drainage	216	0	0	0
Total	\$1,411,196	\$1,728,824	\$1,513,102	\$1,721,086

WATER QUALITY BUDGET BY PROGRAM

Program	13/14 Actual Amount	14/15 Amended Budget	14/15 End of Year Projections	15/16 Budget
Water Utility Support Services	\$1,133,989	\$1,195,973	\$1,104,865	\$1,226,801
Supply Source & Conveyance	64,416	131,253	82,345	78,500
Water Storage	68,164	105,156	50,000	108,314
Water Treatment	144,068	294,827	274,692	305,807
Central Administration	33	1,615	0	1,664
Flood Protection	526	0	1,200	0
Capital Projects	0	0	0	0
Total	\$1,411,196	\$1,728,824	\$1,513,102	\$1,721,086

Operations

Operates three surface water treatment plants (Del Valle conventional Water Treatment Plant (WTP), Patterson Pass conventional WTP, and Patterson Pass ultra-filtration WTP), nine wells (and associated treatment facilities), a groundwater demineralization plant, the water transmission/distribution system, several rate control/pump stations, and numerous metered turnout facilities to the retail water agencies to ensure proper operation of facilities and treatment and delivery of water.

FY15/16 GOALS AND OBJECTIVES

Meet service and quality requirements of the Agency's customers:

- Deliver water to treated and untreated customers according to approved water delivery requests and as required in the event of unscheduled or emergency situations
- Meet and/or exceed all drinking water requirements through diligent operation of the Agency's three water treatment plants, nine wells, demineralization plant, and transmission system

FY14/15 MAJOR ACCOMPLISHMENTS

- Delivered high-quality water to treated and untreated customers as required, despite drought conditions

WORKLOAD MEASURES:

Operations	FY12/13 Actual	FY13/14 Actual	FY14/15* End-of-Year Projections	FY15/16* Budget
Water treated (millions of gallons)	15,400	15,400	11,600	12,600

*As of May, 2015.

OPERATIONS STAFFING SUMMARY

Staff	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	FY15/16 Budget	Change
Operations Manager	1.00	1.00	1.00	1.00	1.00	0.00
Water Facilities Supervisor	3.00	3.00	3.00	3.00	3.00	0.00
Secretary	1.00	1.00	1.00	1.00	1.00	0.00
Water Plant Operator III	19.00	19.00	19.00	19.00	19.00	0.00
Operations Total	24.00	24.00	24.00	24.00	24.00	0.00

STAFFING CHANGES

No changes are anticipated.

OPERATIONS BUDGET BY FUND

Fund	13/14 Actual Amount	14/15 Amended Budget	14/15 End of Year Projections	15/16 Budget
Fund 100 - Water Enterprise	\$9,034,102	\$10,112,279	\$9,542,144	\$10,262,833
Fund 120 - Renewal/Replacement & Systemwide Improvements	3,660	160,000	2,550	0
Fund 130 - Expansion	160	-	1,950	-
Total	\$9,037,922	\$10,272,279	\$9,546,644	\$10,262,833

OPERATIONS BUDGET BY PROGRAM

Program	13/14 Actual Amount	14/15 Amended Budget	14/15 End of Year Projections	15/16 Budget
Water Utility Support Services	\$136,906	\$345,950	\$101,950	\$356,316
Supply Source & Conveyance	21,028	13,972	10,000	0
Water Treatment	8,199,797	8,876,233	8,662,364	8,875,927
Water Transmission	638,569	1,005,924	766,300	1,027,685
Central Administration	41,623	30,200	6,030	2,905
Total	\$9,037,922	\$10,272,279	\$9,546,644	\$10,262,833

Maintenance

Provides maintenance and construction support services for the entire treated water system (e.g., water treatment plants, wells, demineralization plant, and rate control/pump stations) including mechanical, electrical, and instrumentation services; Performs underground pipeline repair and maintenance; Supports capital projects; provides some maintenance support for Flood Control; and provides vehicle fleet management services to the Agency.

FY15/16 GOALS AND OBJECTIVES

In fiscal year 15-16, Maintenance plans to continue routine daily work as outlined above and to perform the same types of work on capital projects, including those originating in Maintenance and assisting as requested on larger projects that originate in the Engineering Section. Some of the projects anticipated in fiscal year 15-16 are: replacement of additional valve actuators at PPWTP, and at Zone 7's wells, and installation of new hypochlorite and ammonia chemical feed pumps. Staff continue working towards a functional inventory and storage system.

FY14/15 MAJOR ACCOMPLISHMENTS

- At DWWTP, installed service water, solids feed, and centrate piping with associated valves and vault; installed communications to SCADA; built asphalt pad for new centrifuge and conveyor. Made up all connections for operating and participated in start-up of new centrifuge
- Upgraded the DWWTP caustic system valve and pump controls and replaced piping as part of tank relining project
- Installed a major kicker block on the Mocho pipeline at the connection with the Santa Rita pipeline
- Replaced control valve at Dougherty control station
- Replaced hypochlorite feed tank at Mocho well 3
- Repaired leak on Cross Valley Pipeline in Front of Livermore Ford
- Replaced Motor Control Center (MCC-1) at DWWTP
- Throughout the year at DWWTP and PPWTP, cleaned drying beds and hauled residual solids to landfill for disposal

WORKLOAD MEASURES:

Maintenance Section	FY13/14 Actual	FY14/15 End-of-Year Projections	FY15/16 Budget
Maintenance jobs completed AFTER consolidation of PM work orders	2903	3200	3400

MAINTENANCE STAFFING SUMMARY

Staff	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	FY15/16 Budget	Change
Maintenance Manager	1.00	1.00	1.00	1.00	1.00	0.00
Facilities Maint. & Construction Sup.	2.00	2.00	2.00	2.00	2.00	0.00
Maintenance Coordinator	1.00	1.00	1.00	1.00	1.00	0.00
Electrician	2.00	2.00	2.00	2.00	2.00	0.00
Transportation & Supply Coordinator	1.00	1.00	1.00	1.00	1.00	0.00
Instrument Technician II	4.00	4.00	4.00	4.00	4.00	0.00
Lead Plant Mechanic	1.00	1.00	1.00	1.00	1.00	0.00
Plant Mechanic	4.00	4.00	4.00	4.00	4.00	0.00
Plant Maintenance Laborer	1.00	1.00	1.00	1.00	1.00	0.00
Water Resources Technician II	0.00	0.00	0.00	0.00	1.00	1.00
Construction Maintenance Laborers	2.00	2.00	2.00	2.00	2.00	0.00
Maintenance Total:	19.00	19.00	19.00	19.00	20.00	1.00

STAFFING CHANGES

1 FTE Water Resources Technician II was transferred from Facilities Engineering to Maintenance.

MAINTENANCE BUDGET BY FUND

Fund	13/14 Actual Amount	14/15 Amended Budget	14/15 End of Year Projections	15/16 Budget
Fund 100 - Water Enterprise	\$4,040,444	\$5,771,176	\$5,101,277	\$5,670,148
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	800,489	567,693	384,000	360,000
Fund 130 - Expansion	\$0	\$0	\$2,000	\$0
Fund 200 - Flood Control	26,357	35,856	44,455	35,855
Total	\$4,867,290	\$6,374,725	\$5,531,732	\$6,066,003

MAINTENANCE BUDGET BY PROGRAM

Program	13/14 Actual Amount	14/15 Amended Budget	14/15 End of Year Projections	15/16 Budget
Water Utility Support Services	\$1,756,379	\$1,911,189	\$1,875,785	\$2,151,245
Water Storage	52,853	88,508	42,393	98,403
Water Treatment	2,694,966	3,421,755	3,007,230	2,968,905
Water Transmission	325,103	632,809	411,319	639,385
Central Administration	11,634	138,910	150,550	172,210
Flood Protection	26,357	35,856	44,455	35,855
Capital Projects	0	145,698	0	0
Total	\$4,867,290	\$6,374,725	\$5,531,732	\$6,066,003

Flood Control

Of the 620 square miles of the Alameda Creek watershed, Zone 7 provides regional flood protection management services to approximately 425 square miles located in eastern Alameda County, mostly upper watershed areas. Management activities include implementation of the Development Impact Fee (DIF) program and maintenance and land rights administration of approximately 37 miles of regional flood control channels and access roads which Zone 7 currently owns; The purpose of the DIF program is to plan, design, and construct new flood control projects to address future development's impact on the FC system.

FY15/16 GOALS AND OBJECTIVES

Provide regional flood protection facilities designed for a 100-year storm event:

- Continue to update the Flood Control Master Plan including system-wide hydrology and hydraulic models, an implementation plan for maintenance and capital improvements, and identification of financial alternatives
- Continue to monitor land use activities to ensure new urban development adequately addresses potential flood impacts resulting from its increased runoff
- Continue to plan and implement a maintenance program with activities directed toward preventing minor problems from becoming major flooding problems, minimizing unnecessary damage to private property through proactive planning, preserving and maximizing flood carrying capacity of existing channels, and post-storm rehabilitation of flood protection facilities damaged in storms

FY14/15 MAJOR ACCOMPLISHMENTS

- Completed 7 bank repairs totaling 853 linear feet, 15 soil bioengineering brush walls, 4,889 linear feet of access roadway, 6 outfall structure rehabilitations, 372 linear feet of concrete lining repairs, and 2 trash collector installations. Total construction cost was \$850,000. In addition, staff managed various maintenance activities such as vegetation management, down tree removal, hydroseeding, fence and gate repairs, and debris and trash removal, totaling an additional \$500,000.
- In support of the Stream Management Master Plan (SMMP) updating effort, staff completed system-wide hydrology and hydraulic models that represent the existing conditions of the upper Alameda Creek watershed to help clarify program needs and priorities.
- Completed the installation and addition of two stream gages to Zone 7's stream gaging network. The new gages are located in Alamo Canal and Chabot Canal in Pleasanton respectively. These new gages will provide real time flow-related information during storm events and daily base flows and temperature readings for environmental studies.
- Completed a majority of the planting plan of the Arroyo Mocho – Stanley Reach Project through Zone 7's Living Arroyo Program. The Living Arroyos Program, a collaboration among Urban Creeks Council, City of Livermore and Zone 7, seeks to improve the urban streams and streamside habitats of the Livermore-Amador Valley and to engage the local community.
- Successfully secured reimbursement of over \$100,000 from Castlewood Country Club related to the removal work of large slabs of a collapsed concrete structure crossing which was obstructing the Arroyo de la Laguna flow within the Castlewood Country Club property in fall 2013 when a potential threat to public health and safety was identified.

WORKLOAD MEASURES:

Flood Control	FY12/13 Actual	FY13/14 Actual	FY14/15 End-of-Year Projections	FY15/16 Budget
Channel miles maintained	37	37	37	37
Active flood protection and stormwater drainage projects	3	3	3	3
Design reviews	16	20	20	20

FLOOD CONTROL STAFFING SUMMARY

Staff	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	FY15/16 Budget	Change
Principal Engineer	1.00	1.00	1.00	1.00	1.00	0.00
Senior Engineer	0.00	0.00	0.00	0.00	1.00	1.00
Associate Engineer (Engineer III)	3.00	2.00	2.00	2.00	1.00	-1.00
Assistant Engineer (Engineer II)	1.00	2.00	1.00	1.00	2.00	1.00
Water Resources Technician II	2.00	1.00	1.00	1.00	1.00	0.00
Flood Control Total:	7.00	6.00	5.00	5.00	6.00	1.00

STAFFING CHANGES

1 FTE Senior Engineer/Geologist was transferred from Integrated Planning to Flood Control.

FLOOD CONTROL BUDGET BY FUND

Fund	13/14 Actual Amount	14/15 Amended Budget	14/15 End of Year Projections	15/16 Budget
Fund 100 - Water Enterprise	\$19,823	\$88,348	\$29,000	\$72,440
Fund 120 - Renewal/Replacement & Systemwide Improvements	1,262	0	1,200	0
Fund 130 - Expansion	697	0	1,200	0
Fund 200 - Flood Control	2,793,830	4,448,995	4,646,450	7,913,033
Fund 210 - Flood Protection & Stormwater Drainage	146,268	488,163	120,500	4,027,000
Total	\$2,961,879	\$5,025,506	\$4,798,350	\$12,012,473

FLOOD CONTROL BUDGET BY PROGRAM

Program	13/14 Actual Amount	14/15 Amended Budget	14/15 End of Year Projections	15/16 Budget
Water Utility Support Services	\$174	\$0	\$0	\$0
Water Treatment	\$1,785	\$0	\$2,400	0
Central Administration	19,823	88,348	29,000	72,440
Flood Protection	2,940,098	4,937,158	4,766,950	11,940,033
Capital Projects	0	0	0	0
Total	\$2,961,879	\$5,025,506	\$4,798,350	\$12,012,473

APPENDIX A

RESERVE POLICY

RESERVE POLICY

ADOPTED BY THE ZONE 7 BOARD ON APRIL 17, 2013

1. POLICY STATEMENT

As a part of its mission to provide a reliable supply of high-quality water and effective flood control in a fiscally-responsible way, the Agency is in the process of developing a comprehensive financial plan that will provide a strategy for the timely and cost-effective funding of operations, the capital improvement program and long term financial stability. In conjunction with the development of the aforementioned financial plan, this Interim Reserve Policy, including the methodology for establishing minimum and maximum levels, will be reviewed and re-evaluated to ensure the Agency's financial and fiscal soundness.

A key element of prudent financial planning is to ensure that sufficient funding is available for current operating, capital, and debt service needs. Additionally, fiscal responsibility requires anticipating the likelihood of, and preparing for, unforeseen events. Zone 7 Water Agency ("Zone 7", or the "Agency") will at all times strive to have sufficient funding available to meet its operating, capital, and debt service obligations. Reserve Funds ("Funds") will be accumulated, designated and maintained to allow Zone 7 to fund operating expenses and capital expenditures in a manner consistent with its budget and capital improvement plan, respectively, and avoid significant customer rate fluctuations due to changes in cash flow requirements. Further Zone 7 will endeavor to designate funds for all forms of potential disasters, emergencies and unforeseen events to ensure that funds are available to cover the costs associated therewith.

The Zone 7 Board of Directors (the "Board") adopted a Financial Management Framework (the "Framework") on November 16, 2011 (Resolution Number 4137) which includes planning for current operating and capital resource needs to ensure it can achieve its mission by providing for financial stability and health of the Agency. This Interim Reserve Policy has been developed in keeping with the Framework. One of the Framework's goals is to be able to respond to changes in the economic environment and service demands with minimal impact on its customers while maintaining the financial integrity of Zone 7. A fundamental purpose of this policy is to link what must be accomplished with the necessary resources to successfully do so.

The Policy directives outlined in this document are intended to ensure Zone 7 has sufficient funds to meet current and future needs. The Board shall designate specific funds and maintain minimum fund balances consistent with definitions and funding levels outlined in the Policy. The Board will annually review the level of Funds. For the purposes of compliance with this Policy, Zone 7 may use the amounts on deposit in each of the funds as of the final day of each fiscal year for such calculation.

2. DEFINITIONS

Restricted Reserves: Restrictions imposed by an outside source. May be required by bond covenants in the case of debt issuance or by California's Mitigation Fee Act in the case of water connection fees or flood control's developer impact fees.

Designated Reserves: Set aside for a specific purpose determined by Zone 7's Board of Directors. The Board of Directors has the authority to redirect the use of these funds as needs of the Agency change.

Unrestricted Reserves: Have no imposed restrictions as to their use

3. GENERAL PROVISIONS

Zone 7 will maintain its funds in separate accounts in a clearly identifiable manner that provides transparency to its ratepayers. This Policy establishes Reserve Funds for each of the following major funding areas:

- Water Enterprise
- Flood Control
- State Water Project

The minimum fund balances are established to:

- Comply with applicable statutory requirements
- Finance future capital facilities, finance improvements, and repair and replacement of existing assets
- Assure cash flow requirements are met
- Provide for economic uncertainties, local disasters, and other financial hardships or downturns in the local or national economy
- Provide for contingencies, emergencies or unforeseen operating or capital needs

To ensure reliable service to its ratepayers and maintain fiscal responsibility, in every fiscal year Zone 7 will maintain balances in its Reserve Funds that are financially prudent.

SEGREGATION OF FUNDS

The Agency will not transfer moneys between reserve funds that are established under different functions of the Agency. The Agency may complete interfund borrowing between reserves of different functions of the Agency. The Board shall approve any reallocation of funds or any transfers among Reserve Funds.

4. FUND TARGET LEVELS AND POLICY COMPLIANCE MANAGEMENT

Upon Board adoption of this policy, Zone 7 staff will take necessary actions to comply with this policy.

Fund balances will be reviewed on an annual basis at the end of the fiscal year based on unaudited/ audited actuals to ensure compliance with this Policy.

The minimum established for each Fund represents the target that is acceptable to Zone 7 from risk and long-range financial planning perspectives. Maintaining fund balances at appropriate levels is a prudent, ongoing business process that consists of an iterative, dynamic assessment and application of various revenue generating alternatives. These revenue-generating alternatives (either alone or in combination with each other) include, but are not limited to:

- fees and charges,
- energy usage,
- capital financing,
- investment of funds, and
- levels of capital expenditures.

I. WATER ENTERPRISE OPERATING RESERVE

The amounts in the Water Enterprise Operating Reserve should fluctuate depending on the annual operating expenses of Zone 7. The Water Enterprise Operating Reserve Fund is designated by the Board to maintain a reserve for current operations and to meet routine cash flow needs. Money on deposit in this fund may be used for unanticipated operating expenses, daily cash flow requirements and emergencies.

- **Minimum and Maximum Levels** – Funding shall be targeted at a minimum amount equal to thirty-two (32) days of the Agency’s budgeted total operating expenses, and the maximum amount shall not exceed ninety (90) days of the total budgeted operating expenses. Zone 7 will strive to maintain a target balance amount between thirty-two (32) and ninety (90) days of the Agency’s budgeted total operating expenses.
- **Events or Conditions Prompting the Use of the Fund** – This fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses and extraordinary decreases in revenues and unexpected increases in expenses.
- **Periodic Review Dates for Balances** – Fund balances and target levels will be reviewed by staff, the Board and the public during the development and approval of each budget.

II. WATER ENTERPRISE EMERGENCY RESERVE

Funds in the Water Enterprise Emergency Reserve can be used for any operating or capital purpose (i) to begin repair of the water enterprise system after a catastrophic event, such as, but not limited to, an earthquake, fire, terrorist event, or storm while insurance claims are being processed or (ii) in the event of severe financial events that impact the financial soundness of Zone 7.

- **Minimum and Maximum Levels** – Funding shall be targeted at a minimum equal to 1% of the capital assets of the Agency’s water enterprise system and a maximum of 3% of the capital assets of the enterprise system, based on current Federal Emergency Management Agency (FEMA) guidelines. Zone 7 will strive to maintain a target balance equal to 2% of the capital assets of the water enterprise system.
- **Events or Conditions Prompting the Use of the Fund** – The Board may designate use of this fund after establishing that conditions exist as called out in the definition and purpose of the fund. Funds will be transferred to the appropriate capital or operating fund as necessary.
- **Periodic Review Dates for Balances** – Fund balances and target level will be reviewed by staff, the Board and the public during the development and approval of each budget.

III. WATER ENTERPRISE DROUGHT CONTINGENCY RESERVE

The Water Enterprise Drought Contingency Reserve, formerly called the “Rate Stabilization Reserve,” supplements losses to water sales revenue resulting from impacts of drought conditions due to regulatory or State and Federal mandated reductions in supply, or an unforeseen event such as a natural disaster, water shortage or other catastrophic event.

- **Minimum and Maximum Levels** – Zone 7 will strive to maintain a minimum target balance equal to seven percent (7%) of the budgeted amount of water sales revenue and a maximum target amount equal to 20% of the budgeted amount of water sales revenue.

- **Events or Conditions Prompting the Use of the Fund** – Funds may be utilized by staff to cover operating expenses when revenue does not cover the cost of providing services (operating expenses and Asset Management Program transfer) due to losses resulting from the aforementioned conditions.
- **Periodic Review Dates for Balances** – Fund balances and the need for funding drought contingency measures will be reviewed by staff, the Board, and the public during the development and approval of each budget. Additionally, the need for funding drought contingency measures may be reviewed at any time during the course of any fiscal year should the need arise.

IV. WATER ENTERPRISE RATE STABILIZATION RESERVE

The Rate Stabilization Reserve is a new reserve that will serve as a means to temper the need for significant water rate increases. Ongoing water rate increases are projected to meet the cost of service. In order to offset significant increases in water rates, the rate stabilization reserve will be established. The reserve will accumulate revenues for use during periods of unanticipated fluctuations in treated water rate revenues and cost of service.

- **Minimum and Maximum Levels** – The Agency will maintain a minimum target level equal to six percent (6%) of the budgeted amount of water sales revenue.
- **Events or Conditions Prompting the Use of the Fund** – This reserve will be drawn down to smooth rate increases as authorized by the Board during the rate-setting and/or budget process. The Agency will strive for an initial target balance of \$6.8 million. To determine whether and in what amount money from this reserve should be used to offset any proposed water rate increase in excess of 2 times the CPI for the San Francisco Bay Area, Zone 7 will consider and analyze the following factors:
 1. the annual CPI for the San Francisco Bay Area;
 2. the annual increase in construction costs as provided by the Engineering New Record or alternative source for such data;
 3. the projected rate increases for the next succeeding five fiscal years of the Agency;
 4. the actual rate increases for the previous five fiscal years of the Agency;
 5. the projected capital expenditures for the next succeeding five fiscal years of the Agency;
 6. the funds on hand to spend on capital projects over the next succeeding five fiscal years of the Agency; and
 7. the amounts on deposit in each of the other Reserve Funds covered under this policy.
- **Periodic Review Dates for Balances** – Fund balances and target level will be reviewed by staff, the Board, and the public during the development and approval of each budget.

V. WATER ENTERPRISE CAPITAL IMPROVEMENT, RENEWAL & REPLACEMENT AND SYSTEMWIDE IMPROVEMENTS RESERVE

The Agency employs a pay-as-you-go funding strategy to minimize debt borrowing and interest expenses, therefore capital reserve funds are accumulated to provide for current and future funding needs of the various capital programs. The amount on deposit in the Water Enterprise Capital Improvement, Renewal & Replacement and System-Wide Improvements Reserve is earmarked by the Board of Directors for capital projects to meet regulatory requirements, replacement needs and system reliability of Zone 7's water enterprise. These capital projects are included in the

- 10-year Water System Capital Improvement Program; and
- the Asset Management Program (AMP),

both of which are reviewed and approved by the Board of Directors periodically.

Within this fund is a separate reserve to be used for a portion of the acquisition of the Agency's administrative-engineering building (the "Building Sinking Fund"). Contributions are made to the Water Enterprise Capital Improvement, Renewal & Replacement and System-Wide Improvement Sinking funds at the discretion of the Agency and money therein is designated for the purpose of acquiring the Agency's future administrative-engineering building. At such time that the administrative-engineering building is acquired by Zone 7, the Building Sinking Fund may be closed at the discretion of the Agency. The Capital Improvement, Renewal & Replacement System-Wide Improvements Reserve funds capital improvement projects and assets, and the renewal or replacement of capitalized assets as they reach the end of their useful lives.

- **Minimum and Maximum Levels** – Funding for the Water Enterprise Capital Improvement, Renewal & Replacement and System-Wide Improvement Reserve shall be targeted at a minimum amount equal to 100% of the estimated capital budget for the fiscal year immediately succeeding the then-current budgeted fiscal year, plus 50% of the estimated capital budget for the fiscal year two years subsequent to the then current budgeted fiscal year. Zone 7 will not have a maximum target for this fund, but rather the fund shall accumulate sufficient reserves to pay for future projects set forth in the AMP and the reserve balance shall be consistent with the reserve balances forecast in the most recent asset management plan and the current capital improvement plan. Funds on deposit in the Building Sinking Fund shall not be considered in connection with the calculation of minimum levels.
- **Events or Conditions Prompting the Use of the Fund** – Staff will recommend that assets be constructed, replaced, upgraded and/or repaired during the development and approval of the annual budget. Funds will be appropriated from the Water Enterprise Capital Improvement, Renewal & Replacement and System-Wide Improvement Reserve for renewal, replacement, or system-wide improvements projects.
- **Periodic Review Dates for Balances** – Fund balances and projected improvement projects will be reviewed by staff, the Board and the public during the development and approval of each budget.

VI. WATER ENTERPRISE CAPITAL EXPANSION RESERVE

The Agency employs a pay-as-you-go funding strategy to minimize debt borrowing and interest expenses, therefore capital reserve funds are accumulated to provide for current and future funding needs. Money in the Water Enterprise Capital Expansion Reserve is earmarked by the Board of Directors for capital projects to meet needs as a result of development and system reliability. In furtherance of meeting such needs the Agency incurred certain non-discretionary financial obligations associated with capital expansion projects. Within this fund are three separate reserves to be used for the:

1. A portion of the acquisition costs for the Agency's administrative-engineering building, (the "Building Sinking Fund");
2. Construction of improvements and enlargements to the South Bay Aqueduct (the "SBA Sinking Fund") and
3. Future Contractors share of the South Bay Aqueduct construction (the "FCSBA Sinking Fund").

Contributions are made to the Building Sinking Fund at the discretion of the Agency and moneys therein are designated for the sole use of acquiring the Agency's administrative-engineering building. At such time that the administrative-engineering building is acquired by Zone 7 the Building Sinking Fund may be closed at the discretion of the Agency.

The Water Enterprise Capital Expansion Reserve is used for the funding of expansion capital projects to accommodate new growth.

- **Minimum and Maximum Levels** – Funding for the Water Enterprise Capital Expansion Reserve shall be targeted at a minimum amount equal to 60% of the estimated non-discretionary amount budgeted annually. Zone 7 will not have a maximum limitation for this fund, but rather the fund shall accumulate sufficient reserves to pay for future capital expansion projects as set forth in the capital improvement plan. The Agency may satisfy the minimum amount through the use of lines of credit, interim inter-fund borrowings or other financing arrangements. Funds on deposit in the Building Sinking Fund, SBA Sinking Fund and FCSBA Sinking Fund shall not be considered in connection with the calculation of minimum or maximum levels of the Water Enterprise Capital Expansion Reserve.
- **Events or Conditions Prompting the Use of the Fund** – Staff will recommend new assets to be constructed during the development and approval of the annual budget. Funds will be appropriated from the Water Enterprise Capital Expansion Reserve for expansion capital projects.
- **Periodic Review Dates for Balances** – Fund balances and projected capital projects will be reviewed by staff, the Board and the public during the development and approval of each budget.

VII. FLOOD CONTROL OPERATING RESERVE

The amounts in the Flood Control Operating Reserve Fund will fluctuate depending on the receipt of property taxes and the annual operating expenses of Zone 7. The Flood Control Operating Reserve is designated by the Board to maintain a reserve for current operations and to meet routine cash flow needs. Money on deposit in this fund may be used for unanticipated operating expenses, daily cash flow requirements and emergencies.

- **Minimum and Maximum Levels** – Funding shall be targeted at a minimum amount equal to twenty percent (20%) of the Agency’s budgeted total annual operating expenses, and the maximum amount shall not exceed 50% of the total budgeted operating expenses.
- **Events or Conditions Prompting the Use of the Fund** – This fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses and/or shifts in the allocation of property taxes to Zone 7.
- **Periodic Review Dates for Balances** – Fund balances and target levels will be reviewed by staff, the Board and the public during the development and approval of each budget.

VIII. FLOOD CONTROL CAPITAL PROJECT RESERVE

The Flood Control Capital Project Reserve is a new reserve that will hold the balance of funds once the Flood Control Operating Reserve Fund achieves levels that are consistent with this Policy on an annual basis. The amount on deposit in the Flood Control Capital Project Reserve is earmarked by the Board of Directors for capital projects to meet Zone 7’s flood protection needs. These capital projects are included in the current Flood Control Capital Improvement Plan and in the Stream Management Master Plan and any related updates. Within the Flood Control Project Reserve is a separate reserve to be used for a portion of the acquisition of the Agency’s administrative-engineering building (the “Building Sinking Fund”). Contributions are made to this fund at the discretion of the Agency and money therein is designated for the purpose of acquiring the Agency’s administrative-engineering building. At such time that the administrative-engineering building is acquired by Zone 7, the Building Sinking Fund may be closed at the discretion of the Agency.

- **Minimum and Maximum Levels** – There are no current plans to set minimum or maximum target balances in the Flood Control Project Reserve.
- **Events or Conditions Prompting the Use of the Fund** – The Flood Control Project Reserve may be used at any time for flood control maintenance or improvement projects not related to development.
- **Periodic Review Dates for Balances** – Fund balances will be reviewed by staff, the Board and the public during the development and approval of each budget.

IX. FLOOD PROTECTION AND STORM WATER DRAINAGE DEVELOPMENT IMPACT FEE PROJECT RESERVE

The purpose of the Flood Protection and Storm Water Drainage Development Impact Fee (DIF) Project Reserve is to ensure that Zone 7 is able to meet current and future needs for flood control facilities and is primarily intended to provide funding for any flood control facilities required to mitigate the impacts of new development. This Reserve will hold development impact fees in connection with Flood Protection improvements related to development. Within this fund is a separate reserve to be used for a portion of the acquisition of the Agency's administrative-engineering building (the "Building Sinking Fund"). Contributions to the Building Sinking Fund are made at the discretion of the Agency and money therein is designated for the sole use of acquiring the Agency's administrative-engineering building. At such time that the administrative-engineering building is acquired by Zone 7 the Building Sinking Fund may be closed at the discretion of the Agency.

- **Minimum and Maximum Levels** – This Reserve will not be required to have a minimum or maximum balance.
- **Events or Conditions Prompting the Use of the Fund** – This Reserve may be used at any time for flood protection projects required to mitigate the impacts of new development.
- **Periodic Review Dates for Balances** – Fund balances will be reviewed by staff, the Board and the public during the development and approval of each budget.

X. STATE WATER FACILITIES OPERATING RESERVE

The amounts in the State Water Facilities Operating Reserve Fund will fluctuate depending on the receipt of property taxes and the annual operating expenses of Zone 7 related to the State Water Project. The State Water Facilities Operating Reserve Fund is designated by the Board to maintain a reserve for current operations and to meet routine cash flow needs. This fund may be used for unanticipated operating expenses, daily cash flow requirements and emergencies related to State Water Project costs.

- **Minimum and Maximum Levels** – Funding shall be targeted at a minimum amount equal to fifty percent (50%) of the Agency's budgeted total annual operating expenses and a maximum targeted amount of 100% of the Agency's budgeted total annual operating expenses.
- **Events or Conditions Prompting the Use of the Fund** – This fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses and extraordinary decreases unexpected increases in expenses.
- **Periodic Review Dates for Balances** – Fund balances and target levels will be reviewed by staff, the Board and the public during the development and approval of each budget.

APPENDIX B

FINANCIAL MANAGEMENT FRAMEWORK

Financial Management Framework

PURPOSE

- To direct staff to prudently manage Zone 7's funds and to maintain financial and accounting records of all transactions in accordance with generally accepted accounting principles
- To adequately plan for the funding of current and future operational requirements and capital resources necessary to achieve the Agency's mission
- To provide staff with a framework to develop policies and procedures to ensure Zone 7's mission by providing financial health and stability to the Agency
- To direct staff that the assessment, levy and collection of taxes, the adoption of the Agency budget, and the appropriation, accounting, and transfer of funds shall be governed by general law and in accordance with generally accepted accounting principles and practices

ADMINISTRATION OF THE SYSTEM

In keeping with Resolution No. 09-3266, which states that "The Agency's General Manager has full charge and control of the day-to-day management, operation and administration of the Agency," the General Manager shall retain primary jurisdiction, responsibility, and authority for all matters pertaining to the day-to-day financial management of the Agency. To direct, control, supervise, and manage the development, preparation, organization, administration, operation, implementation, and maintenance of a comprehensive financial management program for Zone 7 Water Agency, the General Manager shall be designated as the fiscal officer of the Agency.

The General Manager may delegate any of the powers and duties conferred upon him or her as fiscal officer to any other employee of the Agency or may recommend that such powers and duties or any part of them be performed under contract.

SECURITY OF THE SYSTEM

The General Manager shall cause an audit of the financial transactions and records of the Agency to be made at least annually by a third party certified public accountant (i.e. one not employed by the Agency). As soon as possible, at the end of each fiscal year, a final audit and report shall be completed and submitted to the Board of Directors. Copies shall be placed on file in the office of the General Manager and be available for public inspection.

The General Manager shall also prepare such additional reports as the Board of Directors may from time to time request for information and use in setting financial policies for the Agency.

APPENDIX C

POSITION DETAIL

Position Details, Fiscal Years 11/12-14/15

	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	FY15/16 Budget	Change
General Manager	1.00	1.00	1.00	1.00	1.00	0.00
Assistant General Manager	1.00	1.00	1.00	1.00	1.00	0.00
Assistant General Manager, Engineering	1.00	0.00	0.00	0.00	0.00	0.00
Assistant General Manager, Personnel	0.00	0.00	1.00	1.00	1.00	0.00
General Counsel	0.00	0.00	0.00	0.00	0.00	0.00
Environmental & Public Affairs Manager	0.00	0.00	0.00	0.00	0.00	0.00
Water Resources Technician II	0.00	0.00	0.00	0.00	0.00	0.00
Executive Assistant	1.00	1.00	1.00	1.00	1.00	0.00
Secretary	2.00	2.00	2.00	2.00	2.00	0.00
Senior Engineer/Geologist	0.00	2.00	0.00	0.00	0.00	0.00
Associate Engineer (Engineer III)	0.00	2.00	0.00	0.00	0.00	0.00
Associate Water Resources Planner	1.00	2.00	0.00	0.00	0.00	0.00
Assistant Water Resources Planner	1.00	0.00	0.00	0.00	0.00	0.00
Water Conservation Coordinator	1.00	1.00	0.00	0.00	0.00	0.00
Staff Analyst	0.00	0.00	0.00	0.00	0.00	0.00
Office Assistant	0.00	0.00	0.00	0.00	0.00	0.00
Communications Specialist	1.00	1.00	0.00	0.00	0.00	0.00
Administrative Student Intern	0.00	0.00	1.00	1.00	1.00	1.00
Geographic Information Systems Analyst	0.00	0.00	0.00	0.00	1.00	1.00
Water Resources Engineer Trainee	0.00	1.00	0.00	0.00	0.00	0.00
Office of the General Manager	10.00	14.00	7.00	7.00	8.00	1.00
Assistant General Manager, Finance	1.00	1.00	0.00	0.00	1.00	1.00
Financial & Systems Services Manager	1.00	1.00	1.00	1.00	1.00	0.00
Accounting Manager	1.00	1.00	1.00	1.00	1.00	0.00
Senior Auditor/Accountant	1.00	1.00	1.00	1.00	1.00	0.00
Staff Analyst	1.00	2.00	1.50	1.00	2.00	1.00
Geographic Information Systems Analyst	1.00	1.00	0.00	0.00	0.00	0.00
Transportation & Supply Coordinator	0.00	0.00	0.00	0.00	0.00	0.00
Senior Procurement & Contracts Specialist	0.00	0.00	0.00	0.00	0.00	0.00
Buyer I	1.00	1.00	1.00	1.00	1.00	1.00
Buyer II	1.00	1.00	1.00	1.00	1.00	0.00
Office Assistant	0.00	0.00	0.50	1.00	0.00	-1.00
Account Clerk	3.00	3.00	3.00	3.00	2.00	-1.00
Finance	10.00	11.00	9.00	9.00	10.00	1.00

	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	FY15/16 Budget	Change
Assistant General Manager, Personnel	1.00	1.00	0.00	0.00	0.00	0.00
Employee Services Manager	0.00	0.00	1.00	1.00	1.00	0.00
Human Resources Analyst II	2.00	2.00	1.00	1.00	2.00	1.00
Staff Analyst	0.00	0.00	0.50	1.00	0.00	-1.00
Communications Specialist	0.00	0.00	1.00	1.00	1.00	0.00
Safety Technician II	2.00	2.00	2.00	2.00	2.00	0.00
Employee Services Technician	0.00	1.00	1.00	1.00	0.00	-1.00
Personnel Technician	1.00	0.00	0.00	0.00	0.00	0.00
Office Assistant	0.00	0.00	0.50	0.00	1.00	1.00
Employee Services	6.00	6.00	7.00	7.00	7.00	0.00
Associate Engineer (Engineer III)	0.50	0.50	0.50	0.50	0.50	0.00
Assistant Engineer (Engineer II)	1.00	1.00	1.00	1.00	1.00	0.00
Junior Water Resources Planner	1.00	1.00	1.00	1.00	1.00	0.00
Water Quality Manager	1.00	1.00	1.00	1.00	1.00	0.00
Water Quality Chemist	2.00	2.00	2.00	2.00	2.00	0.00
Water Quality Lab Technician	2.00	2.00	2.00	2.00	2.00	0.00
Water Quality	7.50	7.50	7.50	7.50	7.50	0.00
Manager of Integrated Water Resources	0.00	0.00	0.00	0.00	1.00	1.00
Senior Engineer/Geologist	0.00	0.00	2.00	2.00	1.00	-1.00
Associate Engineer (Engineer III)	0.00	0.00	2.00	2.00	3.00	1.00
Associate Water Resources Planner	0.00	0.00	1.00	1.00	1.00	0.00
Junior Water Resources Planner	0.00	0.00	1.00	1.00	1.00	0.00
Water Conservation Coordinator	0.00	0.00	1.00	1.00	1.00	0.00
Administrative Student Intern	0.00	0.00	0.50	0.50	0.50	0.00
Integrated Planning	0.00	0.00	7.50	7.50	8.50	1.00
Manager of Engineering	0.00	1.00	1.00	1.00	1.00	0.00
Principal Engineer	1.00	1.00	1.00	1.00	1.00	0.00
Senior Engineer/Geologist	3.00	2.00	2.00	2.00	2.00	0.00
Associate Engineer - Control System	1.00	1.00	1.00	1.00	1.00	0.00
Associate Engineer (Engineer III)	10.00	8.00	6.00	5.00	4.00	-1.00
Assistant Engineer	0.00	0.00	1.00	2.00	2.00	0.00
Water Resources Technician III	1.00	1.00	0.00	0.00	0.00	0.00
Water Resources Technician II	0.00	1.00	1.00	2.00	1.00	-1.00
Facilities Engineering	16.00	15.00	13.00	14.00	12.00	-2.00

	FY11/12 Budget	FY12/13 Budget	FY13/14 Budget	FY14/15 Budget	FY15/16 Budget	Change
Principal Engineer	1.00	1.00	1.00	1.00	1.00	0.00
Associate Engineer (Engineer III)	1.00	1.00	1.00	1.00	1.00	0.00
Assistant Engineer (Engineer II)	2.00	1.00	1.00	1.00	1.00	0.00
Emergency & Safety Supervisor	0.00	0.00	0.00	0.00	0.00	0.00
Construction Inspector	1.00	1.00	1.00	1.00	1.00	0.00
Water Resources Technician II	4.00	4.00	3.00	3.00	4.00	1.00
Water Resources Engineer Trainee	0.00	0.00	0.00	0.00	0.50	0.50
Groundwater Protection	9.00	8.00	7.00	7.00	8.50	1.50
Production Manager	0.00	0.00	0.00	0.00	0.00	0.00
Operations Manager	1.00	1.00	1.00	1.00	1.00	0.00
Water Facilities Supervisor	3.00	3.00	3.00	3.00	3.00	0.00
Administrative Assistant	1.00	1.00	1.00	1.00	1.00	0.00
Water Plant Operator III	19.00	19.00	19.00	19.00	19.00	0.00
Operations	24.00	24.00	24.00	24.00	24.00	0.00
Maintenance Manager	1.00	1.00	1.00	1.00	1.00	0.00
Water Systems Superintendent	0.00	0.00	0.00	0.00	0.00	0.00
Water Facilities Supervisor	0.00	0.00	0.00	0.00	0.00	0.00
Facilities Maint. & Construction Supervisor	2.00	2.00	2.00	2.00	2.00	0.00
Maintenance Materials Planner/Buyer	0.00	0.00	0.00	0.00	0.00	0.00
Maintenance Coordinator	1.00	1.00	1.00	1.00	1.00	0.00
Electrician	2.00	2.00	2.00	2.00	2.00	0.00
Transportation & Supply Coordinator	1.00	1.00	1.00	1.00	1.00	0.00
Instrument Technician II	4.00	4.00	4.00	4.00	4.00	0.00
Lead Plant Mechanic	1.00	1.00	1.00	1.00	1.00	0.00
Plant Mechanic	4.00	4.00	4.00	4.00	4.00	0.00
Plant Maintenance Laborer	1.00	1.00	1.00	1.00	1.00	0.00
Water Resources Technician II	0.00	0.00	0.00	0.00	1.00	1.00
Construction Maintenance Laborers	2.00	2.00	2.00	2.00	2.00	0.00
Maintenance	19.00	19.00	19.00	19.00	20.00	1.00
Principal Engineer	1.00	1.00	1.00	1.00	1.00	0.00
Senior Engineer	0.00	0.00	0.00	0.00	1.00	1.00
Associate Engineer (Engineer III)	3.00	2.00	2.00	2.00	1.00	-1.00
Assistant Engineer (Engineer II)	1.00	2.00	1.00	1.00	2.00	1.00
Water Resources Technician II	2.00	1.00	1.00	1.00	1.00	0.00
Flood Control	7.00	6.00	5.00	5.00	6.00	1.00
Agency Total	108.50	110.50	106.00	107.00	111.50	4.50

APPENDIX D

GLOSSARY

Glossary Of Terms

The Zone 7 Annual Budget contains terminology that is unique to public finance and budgeting. To assist the reader of this Annual Budget document in understanding these terms, we have assembled this budget glossary of terms.

ACCRUAL BASIS OF ACCOUNTING: The basis of accounting under which transactions are recognized when they occur, regardless of the timing of cash receipts and disbursements

ACRE FOOT: The volume of water that will cover one acre to a depth of one foot. One acre foot equals 325,850 gallons. It is estimated that one half an acre foot serves a typical private residence for one year.

ACTIVITIES: The major programs and projects performed by an organizational unit

APPROPRIATION: An amount of money in the Budget, authorized by the Board of Directors, for expenditure, obligation and reserves within organizational units for specific purposes

ASSETS: Resources owned or held by Zone 7 which have monetary value

ASSET MANAGEMENT: A set of systematic and coordinated activities and practices through which an organization optimally and sustainably manages its assets and asset systems, their associated performance, risks and expenditures over their life cycles for the purpose of achieving its organizational strategic plan

AUDIT: A comprehensive investigation of the manner in which the government's resources were actually utilized. A financial audit is a review of the accounting system and financial information to determine how government funds were spent and whether expenditures were in compliance with the legislative body's appropriations.

BALANCE SHEET: A financial statement that discloses the assets, liabilities, and fund equity of a specific fund at a specific date

BOARD OF DIRECTORS: The governing body of Zone 7 Water Agency. The board is made up of seven directors elected at large from the communities of Livermore, Pleasanton, and Dublin.

BOND: A written promise to pay a sum of money on a specific date at a specific interest rate. The interest payments and the repayment of the principal are authorized in a District bond resolution. The most common types of bonds are general obligation bonds and revenue bonds. These are frequently used for construction of large capital projects such as buildings, streets, etc.

BUDGET: A financial plan for a specific period of time that matches all planned revenues and expenditures with various services. Zone 7 uses a fiscal year beginning each July 1 and ending each June 30 for budgetary and financial reporting purposes.

BUDGETARY CONTROL: The control or management of a governmental unit or enterprises in accordance with an approved budget for the purpose of keeping expenditures within the limitations of available appropriations and available revenues

CAPITAL EQUIPMENT: Fixed assets such as vehicles, equipment, computers, furniture, technical instruments, etc. which have a life expectancy of more than one year

CAPITAL IMPROVEMENT PROGRAM (CIP): A long-range plan of Zone 7 for the construction, rehabilitation and modernization of Zone 7-owned and operated infrastructure

CAPITAL OUTLAY: Expenditures which result in the acquisition of, or addition to, fixed assets including land, buildings, improvements, machinery and equipment

DEBT SERVICE FUND: Established to account for annual property tax levies and certain other revenues, primarily interest on investments, which are used for payment of principal and interest of bond issues

DISTRICT: Refers to the Alameda County Flood Control and Water Conservation District, of which Zone 7 is one of the designated service areas. Zone 7 provides water and flood control services.

FUND: A sum of money or other resources, such as taxes, charges, fees, etc., established for conducting specified operations for attaining certain objectives. Funds are frequently under specific limitations.

FUND ACCOUNTING: A governmental account system which is organized and operated on a fund basis

FUND BALANCE: Fund balance is the excess of assets over liabilities. It is typically divided into three categories. Fund balance may be categorized as (1) reserved – indicating that there are legal restrictions governing the future expenditures, (2) non-discretionary-indicating that the Board of Directors expects to expend it for certain purposes, or (3) discretionary – indicating it is available for expenditures for general governmental purposes.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP): Uniform minimum standards of, and guidelines for, external financial accounting and reporting. They govern the form and content of the basic financial statements of an entity. GAAP provides a standard by which to measure financial presentations. The primary authoritative statement on the application of GAAP to the State and local governments are Government Accounting Standards Board (GASB) pronouncements.

GRANT: A contribution by a government or other organization to support a particular function. Grants may be classified as either categorical or block depending upon the amount of discretion allowed the grantee.

INTERFUND TRANSFERS: Amounts transferred from one fund to another, usually to reimburse the receiving fund for services performed for the transferring fund

LIABILITIES: Obligations incurred in past or current transactions requiring present or future settlement

LINE ITEMS: Expenditure classifications established to account for budget appropriations approved

MANDATED COST: Any responsibility, action or procedure that is imposed by one sphere of government on another through constitutional, legislative, administrative, executive or judicial action as a direct order

MODIFIED ACCRUAL BASIS OF ACCOUNTING: The basis of accounting under which revenues are recognized when measurable and available to pay liabilities and expenditures are recognized when the liability is incurred except for interest on long-term debt which is recognized when due.

OBJECT CLASSIFICATION: A grouping of expenditures on the basis of goods or services purchased (e.g. personnel, services and supplies, equipment, etc.)

OBLIGATIONS: Amounts which a government may be legally required to meet out of its resources. They include not only actual liabilities, but also encumbrances not yet paid.

OPERATING BUDGET: The portion of the budget that pertains to daily operations that provide basic governmental services. The operating budget contains appropriations for such expenditures as personnel, supplies, utilities, materials, travel and fuel, and does not include purchases of major capital plant or equipment which is budgeted for separately in the Capital Budget.

ORDINANCE: A bill, resolution or order by means of which appropriations are given legal effect. It is the method by which the appropriation of the annual budget is enacted into law by the District Board of Supervisors.

RESERVE: An account used to indicate that a portion of a fund's balance is set aside for a specific purpose and is, therefore, not available for general appropriation

REVENUE: Moneys received as income. It includes such items as water sales, fees for services, contributions in aid of construction, grants and interest income. Estimated revenues are those expected to be collected during the fiscal year.



Zone 7 Water Agency

zone7water.com