



Zone 7 Water Agency

2007 Annual Report



Project to Soften Your Groundwater



Zone 7 is committed to providing a reliable supply of high-quality drinking 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 the water resources in a fiscally responsible, innovative, proactive, and environmentally responsible way.

A Message From the President

More than anything else, 2007 has been a pivotal year in underscoring the need for major upgrades to water-supply, water-delivery, water-quality and flood-protection facilities both statewide and locally to ensure long-term reliability of these critical systems – and in ways that are both financially responsible and environmentally sensitive.

Fixes to the aging State Water Project – which now sends fresh water that originates in the Sierra Nevada through the ecologically fragile Delta – are needed to ensure continued reliability of water supplies against threats of flooding and seawater intrusion from earthquakes, along with the potential for rising sea levels from global climate change. And there are important issues relating to endangered species. In what was already a dry hydrologic year, a 10-day shutdown of State Water Project pumps in early summer 2007 to protect endangered Delta smelt served as a wakeup call that a new way of conveying water through and/or around the Delta to 25 million Californians – including 200,000 in Zone 7s service area – is needed to protect the health and safety of the fish that may swim near the pumps and of the people served by the pumps. The state Department of Water Resources' voluntary pump shutdown was followed by an August 2007 federal court ruling that reduced up to 30 percent of water deliveries for at least a year while state and federal agencies complete a plan to protect Delta smelt and other endangered species that live or migrate through the Delta.

Locally, Zone 7 in 2007 continued its work to improve the reliability and quality of water delivered to our retailers in Pleasanton, Livermore and Dublin, while at the same time working to promote water conservation and to control costs – especially in light of slowed development that has been helping to foot the bill for projects. Zone 7 in 2007 began construction of a plant to reduce the hardness of groundwater supplies, to come on line in 2009, and neared completion on installing two new high-capacity municipal supply wells to enhance its ability to deal with unplanned outages and droughts. The agency continued plans for upgrading water-quality processes at existing treatment plants and for building the new Altamont Water Treatment Plant and Pipeline Project. It also worked with



*Bill Stevens
President, FY 2007-08*

community stakeholders to develop StreamWISE, the implementation program for the Boards newly adopted Stream Management Master Plan, which takes a more environmentally friendly and cost-effective approach to flood protection. It also launched a study of alternative, renewable sources of energy to help address the amount of carbon emissions that result from conventional electric power used in our water operations, and worked with other agencies in launching development of a habitat conservation strategy for eastern Alameda County aimed at resolving conflicts that can arise between development/infrastructure projects and the continued survival of endangered or threatened species.

The agency had a lot of fun celebrating its 50th anniversary in 2007, and we launched a new, more user-friendly website we hope you will find both entertaining and educational. Meanwhile, our hats are off to longtime Board member Jim Concannon, who is stepping down in 2008 after dedicating 24 years of service to Zone 7, and to Board member Jim Kohnen, who decided not to seek a second term of office.

— Bill Stevens



*Sarah Palmer
Vice President, FY 2007-08*



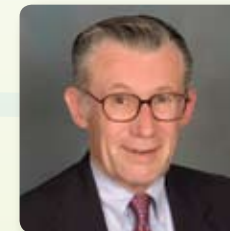
James Concannon



John Greci



Stephen A. Kalthoff



Jim Kohnen

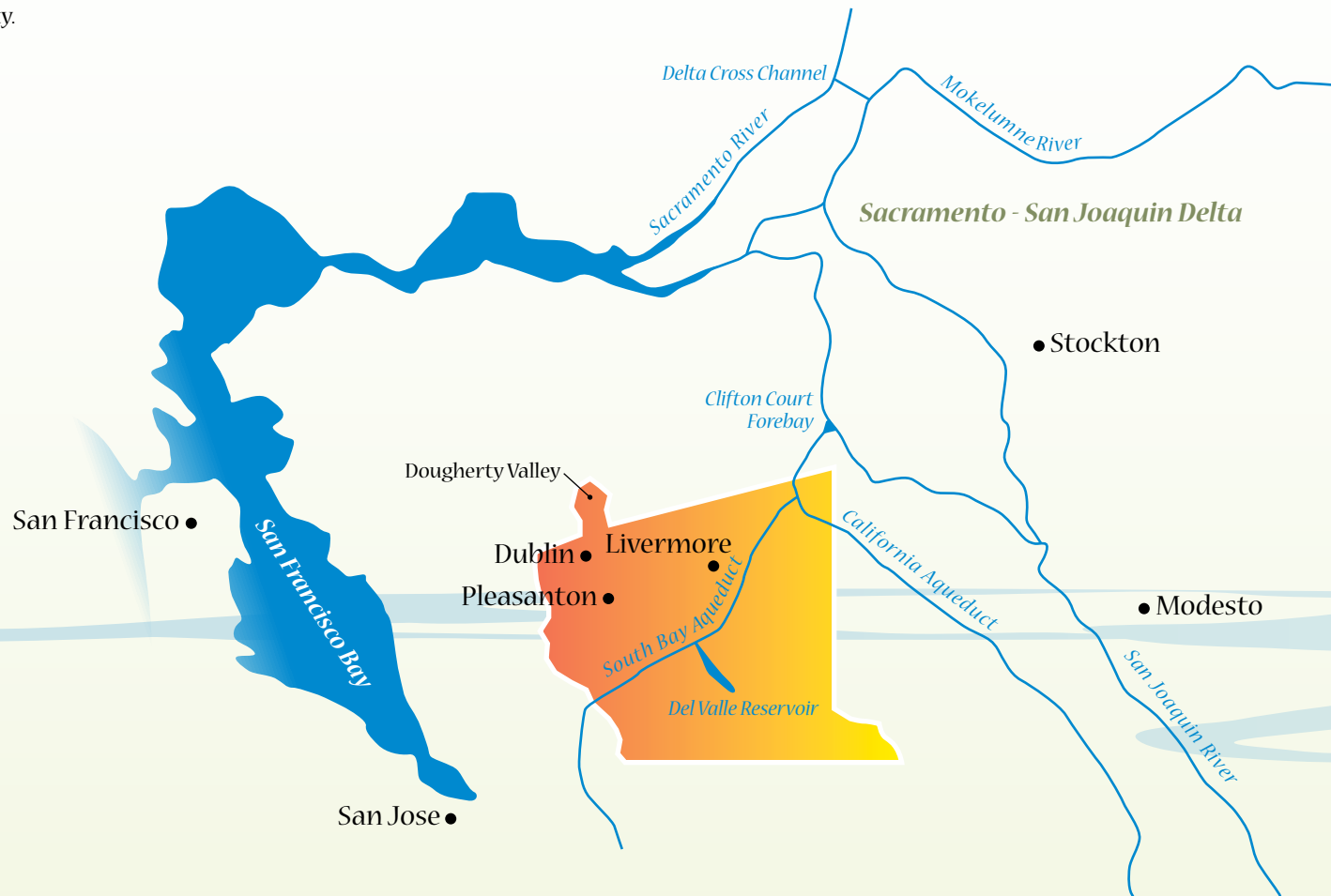


Dick Quigley

Zone 7 at a Glance

Who Do We Serve?

Zone 7 supplies treated drinking water to retailers serving nearly 200,000 people in Pleasanton, Livermore, Dublin and, through special agreement with the Dublin San Ramon Services District, to the Dougherty Valley area. We also supply agricultural water to farms and vineyards, and provide flood protection to all of eastern Alameda County.





2007 Key Activities and Accomplishments

For Water Supply & Reliability, Zone 7:

- ▶ Nearing completion of installing two new high-capacity municipal supply wells as part of the Well Master Plan.
- ▶ Continued coordination with the state Department of Water Resources on construction of the South Bay Aqueduct Improvement and Enlargement Project, which will provide Zone 7 with its long-term raw water conveyance needs.
- ▶ Remained a strong voice in statewide negotiations aimed at protecting the Delta ecosystem and protecting existing water supplies.
- ▶ Despite setbacks from a dry hydrologic year and a 10-day State Water Project pump shutdown aimed at protecting endangered Delta smelt, successfully met all treated- and untreated water demands.
- ▶ Adapted agency water-operations strategies to cope with the near-term implications of reduced pumping from the Delta due to smelt issues.
- ▶ Expedited plans to build that portion of the Altamont Water Treatment Plant pipeline that will improve reliability of deliveries to a portion of Livermore served directly off the South Bay Aqueduct.
- ▶ Initiated a feasibility study with other South Bay Contractors to evaluate whether needs for additional local storage have increased given shifting State Water Project reliability issues.
- ▶ Requested 10 percent voluntary conservation on the part of Valley residents.

For Water Quality & Treatment, Zone 7:

- ▶ In efforts to reduce those chalky-looking minerals from underground drinking-water supplies delivered primarily to the western portion of Zone 7's service area, started construction of the Mocho Groundwater Demineralization Plant in Pleasanton.
- ▶ Completed the design and preparation of plans for the first phase of the Altamont Water Treatment Plant project.
- ▶ Completed the design and preparation of plans for the 11-mile Altamont Pipeline

project, with the first phase (the stretch within Livermore city limits) planned to get under way in 2008.

- ▶ Completed the Dissolved Air Flotation facility at the Del Valle Water Treatment Plant.
- ▶ Began a study of ways to improve tastes and odors of imported water by exploring the potential use of ozone or ozone/peroxide during treatment.

For Flood/Habitat Protection, Zone 7:

- ▶ Met with community stakeholders to develop proposed priorities for StreamWISE, which is the implementation program for the Stream Management Master Plan (SMMP).
- ▶ Partnered with the Livermore school district on the removal of a concrete crossing of Arroyo Mocho behind Granada High School to eliminate a fish barrier in this reach.
- ▶ With partnering agencies, underwent a year of testing bioengineering methods to reduce erosion on Arroyo de la Laguna.
- ▶ Completed detailed hydrologic and hydraulic analysis, as well as detailed environmental review of StreamWISE, as the first phase of refining project needs in the SMMP.
- ▶ Completed 12 bank-repair projects, desilted a sedimentation basin, and installed 12 horizontal subdrains.
- ▶ Coordinated with the U.S. Army Corps of Engineers on repairs to flood-control facilities damaged by winter storms.
- ▶ Worked with other agencies in launching development of a habitat conservation strategy for eastern Alameda County aimed at resolving conflicts that can arise between development/infrastructure projects and the continued survival of endangered or threatened species.
- ▶ Received Climate Action Leader status for taking proactive steps in helping to address global climate change by inventorying greenhouse gas emissions, and began exploring alternative, renewable sources of energy to help address the amount of carbon emissions that result from conventional electric power used in its water operations.

Water Supply and Demand

Zone 7 Water Sources & How We Use Them

The Bay-Delta

80 percent of our water supply is imported through the Delta. Most of the water starts as snowmelt in the Sierra. It then travels through a series of rivers, lakes, canals and pumping stations moving from Lake Oroville in the north, down the Feather and Sacramento Rivers, through the Delta, and into the Livermore-Amador Valley through the State Water Project's South Bay Aqueduct. Once the imported water arrives in the Valley, most of it is treated at one of our three surface-water treatment plants for delivery to our retailers, who in turn deliver it to homes and businesses. Another portion of the imported untreated water is used by Valley agricultural operations to irrigate crops, such as wine grapes and olives, and some is recharged into the groundwater basin, where it is naturally treated as it percolates through the ground. The stored groundwater is pumped out for blending with imported supplies and use when needed. As with treated surface water, chloramines are added to groundwater to maintain distribution-system disinfectant.

Groundwater

Unlike most other Bay Area communities, the Valley benefits from local water storage capacity in a groundwater basin. Operating the basin as a kind of bank account, Zone 7 uses a portion of its State Water Project water, along with local surface water stored in Del Valle Reservoir, to recharge the groundwater basin. We draw stored water to augment imported water supplies, especially during the summer when seasonal water demands are the highest, and in times of drought. For additional drought protection, Zone 7 also diverts surplus imported water via the California Aqueduct to be stored in groundwater banking programs in Kern County.

Local Runoff

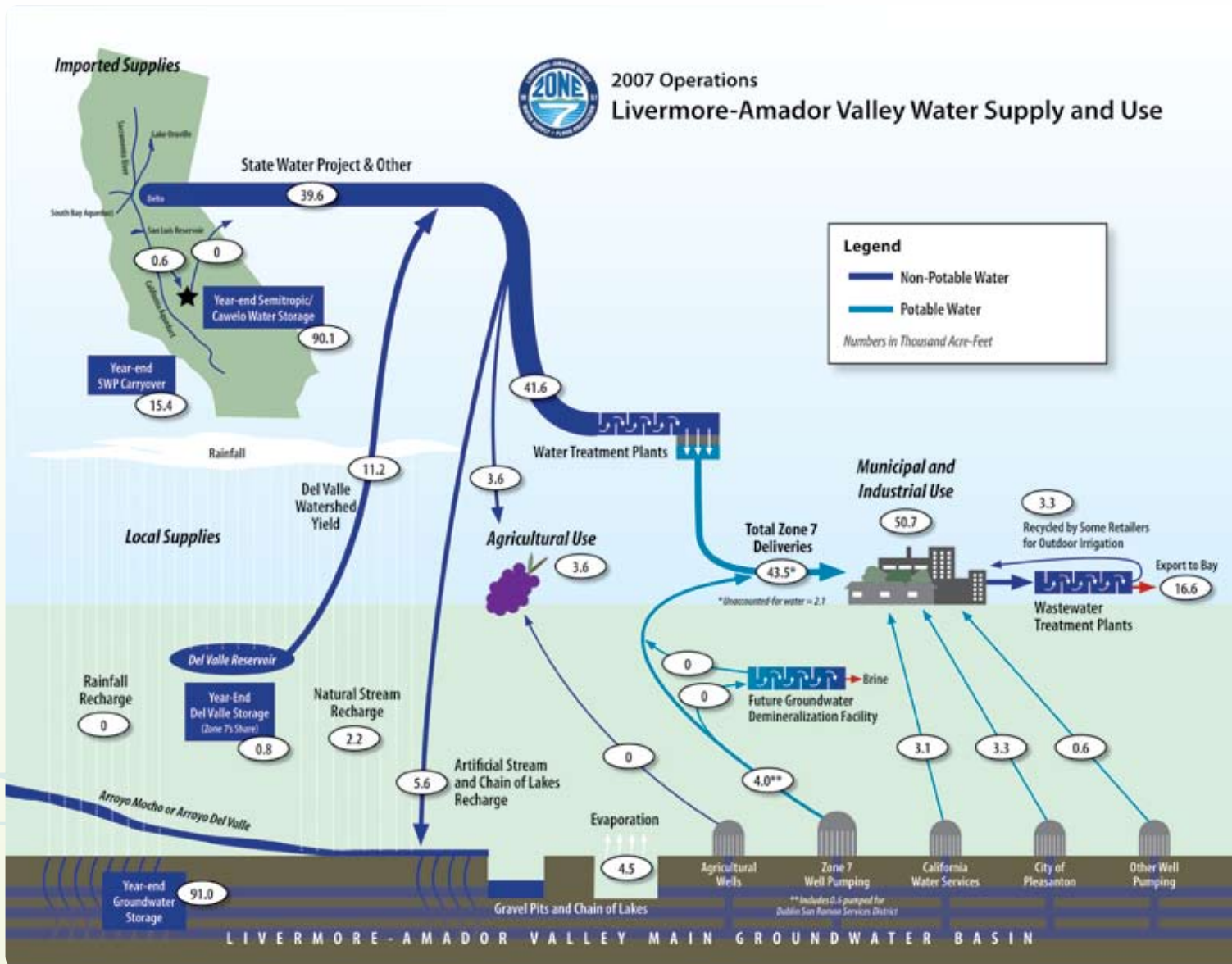
In addition to water from the Delta and our groundwater basin, we also rely on rain runoff in our local watershed, stored in Lake Del Valle. Some of this water is sent to our Del Valle Water Treatment Plant, and some is used for groundwater recharge.



State Water Project's South Bay Aqueduct is being improved and enlarged.



Zone 7 will get two new municipal wells on line in 2009.



Reliability

Threats to the Bay Delta

Zone 7 gets 80 percent of its water conveyed through the Delta, which in addition to ecological challenges involving endangered species faces threats of levee failure that could lead to flooding and seawater intrusion, rendering drinking-water supplies for 25 million Californians undrinkable. In addition to potential earthquakes, global warming and rising sea levels may also put greater stress on the fragile levee system.

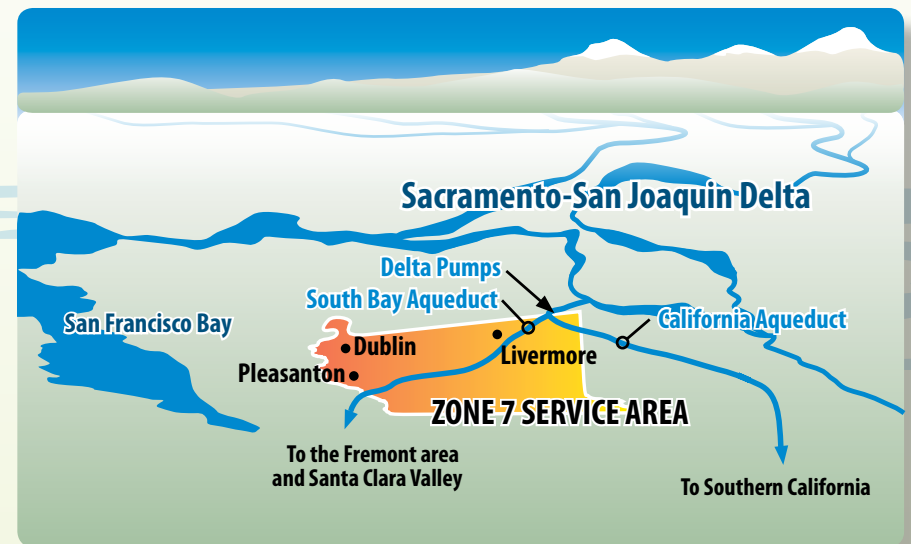
A federal judge in August 2007 reduced pumping for at least a year while state and federal agencies work on a plan to protect endangered Delta smelt. Even before that occurred, Zone 7 had been working with other state water contractors and environmental groups to develop a long-term vision to protect the Delta as both a critical water supply and a key ecosystem.

Zone 7 continues to urge water customers throughout its service area to do their part in addressing the Delta's environmental crisis by reducing water use by at least 10 percent to save our groundwater supplies for use during emergencies. But water conservation alone, even with the measures Zone 7 is pursuing locally to enhance water supply, distribution and storage, will not provide for adequate, long-term water reliability if court-ordered supply reductions in Delta pumping become permanent. In normal rainfall years, we store surplus supplies in local and out-of-area groundwater basins for use during droughts. We are among East and South Bay water agencies that get water from the same pumps that serve Southern California and farmers in the Central Valley. In other words, when it comes to our water supply, we are part of the Southern California system.

Further study of ways to transport water supplies now sent through the ecologically fragile Delta is under way. One option being explored is a new "dual-conveyance" system for delivery of State Water Project water from the Sierras, combining strengthened levees for a more reliable through-Delta conveyance with a second conveyance facility that is physically separate from the Delta itself and could enhance habitat opportunities. This could provide the operational flexibility needed to accommodate the needs of fish in the Delta as well as the water-supply needs of the state. Some other parts of the Bay Area, including San Francisco and areas served by the East Bay Municipal Utility District, are already served by water that comes directly from the Sierras via isolated conveyances without mixing with the Delta.



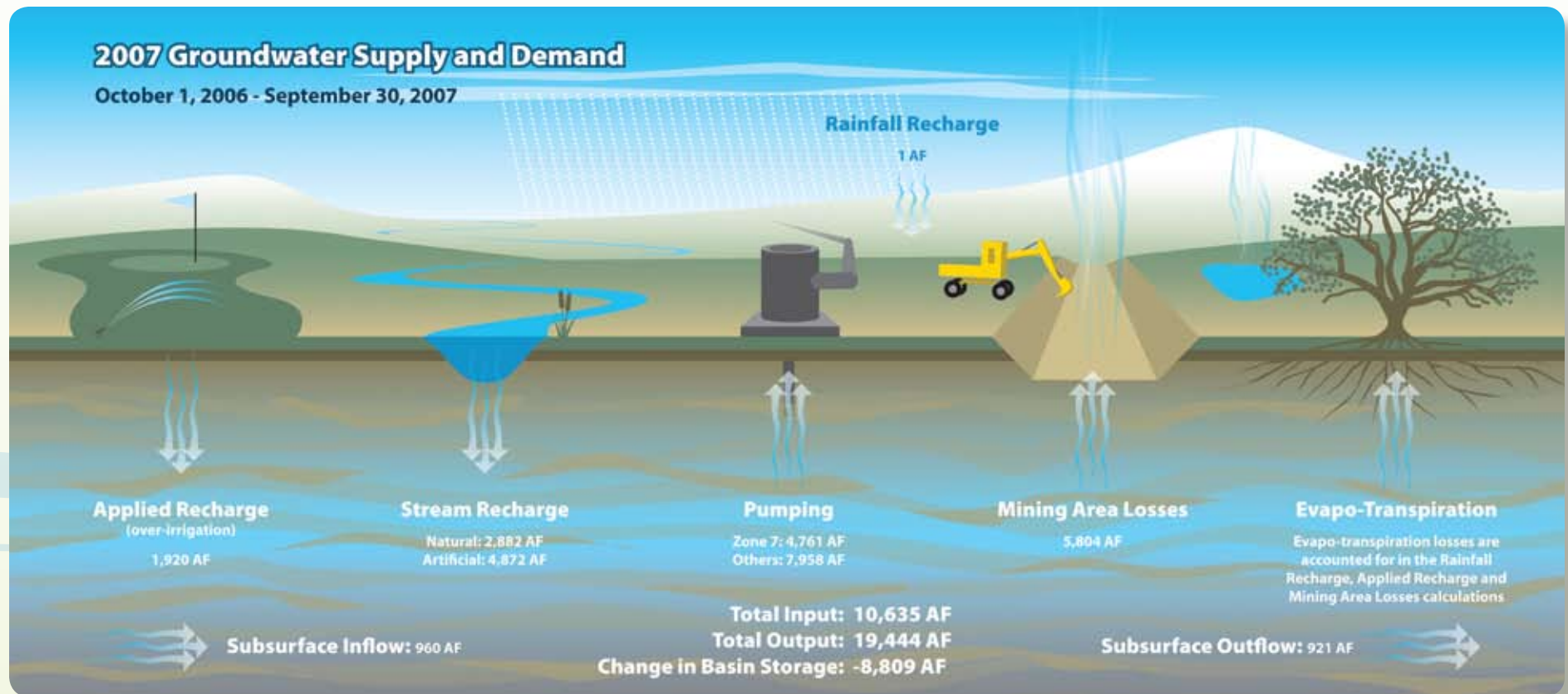
Chinook Salmon is just one of many endangered species of fish that use the Delta.



Groundwater Resources Management

The Livermore-Amador Valley's main groundwater basin has an estimated total storage capacity of 250,000 acre-feet. To prevent overpumping, the basin is cooperatively managed by Zone 7 and its retailers so that, even during multiyear droughts, groundwater levels do not drop below historic low levels of 130,000 acre-feet. Through its future Chain of Lakes, Zone 7 is working to increase groundwater recharge during wet years with imported water supplies. It also is developing new wells to ensure sufficient production during surface-water shortages.

The table below demonstrates on an October 1 – September 30 water-year basis, how the groundwater basin is managed to ensure its longterm viability as a water supply. It shows that in the 2007 water year, the Livermore-Amador Valley ended up with a net decrease in basin storage. However, basin storage levels by the end of 2007 were still 91,000 acre-feet above historic lows – considered nearly full for groundwater-management purposes.



Reliability Goals

Two water-reliability policy goals help guide Zone 7s water-resources planning and management efforts. Adherence to these goals results in Zone 7 maintaining a highly reliable municipal and industrial (M&I) water supply system for existing and future water demands under varying hydrologic conditions, and to reduce impacts of potential service disruptions at the South Bay Aqueduct, surface-water treatment plants, wells or distribution infrastructure.

Goal 1

Meet 100 percent of Zone 7s treated-water customers' water supply needs in accordance with the agency's most current "Contracts for M&I Water Supply," including existing and projected demands for the next 20 years as specified in Zone 7s Urban Water Management & Water Shortage Contingency Plan, as coordinated with Zone 7s M&I water contractors. Zone 7 will endeavor to meet this goal during an average water year, a single dry water year, and multiple dry water years.

Goal 2

Provide sufficient treated-water production capacity and infrastructure to meet at least 75 percent of the maximum daily M&I contractual demands should any one of Zone 7s major supply, production or transmission facilities experience an extended unplanned outage.

To ensure that the policy is carried out effectively, Zone 7s general manager provides a water-supply status report to the Board every five years as part of the Urban Water Management Plan that specifies how these goals can be, or are being, met.



Reliability Accomplishments

Despite setbacks from a dry hydrologic year and a 10-day State Water Project pump shutdown aimed at protecting endangered Delta smelt, Zone 7 successfully met all treated water demands. During the summer, Zone 7s request for customers to cut back usage by 10% to conserve on stored supplies achieved some savings.

Supply/Demand for Zone 7 Water Supplies (in Acre-Feet) (Jan. 1 – Dec. 31, 2007)

	2006	2007
Supply		
State Water Project deliveries	53,700	37,200
Local surface water	9,400	11,200
Pumping from groundwater storage	4,200	4,000
Supplemental water purchases BBID	1,000	3,000
Surface water from off-site banking	0	0
Total supply	68,300	55,400
Demand		
Municipal (drinking) water	40,700	43,500
Untreated irrigation water	3,500	3,600
Unaccounted-for water *	1,100	2,100
Total in-Valley demand	45,300	49,200
Change in Drought Storage		
Recharged to local groundwater basin	7,300	5,600
Sent to Semitropic banking program	5,700	600
Sent to Cawelo banking program	10,000	0
Excess for drought storage	23,000	6,200
After pumping, net increase in groundwater & offsite banking	18,800	2,200

* Refers to meter discrepancies or other undefined system losses typical for water systems of this size



Water Conservation

The events of the 2007 year underscored the need for all of us to be extremely mindful of conserving water, even when it rains. In addition to it being a dry hydrologic year, there was both a voluntary pumping curtailment in June 2007 by the state Department of Water Resources and an August court-ordered reduction in State Water Project deliveries for at least a year while state and federal agencies complete a plan to protect endangered Delta smelt. While Zone 7 has long actively promoted conservation, it has been working with its retailers to significantly enhance the conservation message – particularly when it comes to outdoor water use that accounts for significant amounts of water consumption.

Zone 7 has enough stored groundwater and other emergency reserve supplies to meet projected demands through 2008. But because these water-supply reductions could carry forward into future years, we are continuing to ask our customers to conserve by at least 10 percent. In addition, we have actively promoted water conserving by:

- ▶ Joining with several other Bay Area water agencies in unveiling a new regional “Water Saving Hero” Water Conservation Campaign with its own web site and other means of raising awareness about conservation tools.
- ▶ Posting more conservation tips on our web site. This includes a link to the California Urban Water Conservation Council’s www.h2ouse.org web site on how to calculate home water use and take a virtual home tour to investigate water-saving opportunities in each area of a house.
- ▶ Continuing to offer its Ultra-Flow Toilet Rebate Program in 2007, and planning rebates for even higher-efficiency models in 2008.
- ▶ Enhancing the washer rebate program through a joint effort with Pacific Gas & Electric Co. and 12 other water agencies. Not only does this emphasize the relationship between water and energy savings, it also streamlines and simplifies the rebate application process. Go to waterenergysavings.com for more information.
- ▶ Increasing home-and-garden water conservation messages at public events.
- ▶ Providing the public with a “Waterwise Gardening” CD, to help homeowners design and build water-efficient landscaping.

- ▶ Maintaining a California Irrigation Management Information System (CIMIS) weather station at the Alameda County Fairgrounds. The data from this facility is available online at www.cimis.water.ca.gov to help people refine the amount of water needed in local irrigation activities.
- ▶ Joining the California Urban Water Conservation Council and adopting its Best Management Practices for water conservation.



CIMIS station



Volunteers tend to Granada Native Gardens in Livermore, featuring many drought-tolerant plants.

Water Quality

Water Quality System Facts

Zone 7s surface-water treatment plants are where water imported through the Delta, along with runoff collected in Del Valle Reservoir, is made ready for drinking before distribution. The treatment involves several processes, including sedimentation, filtration and disinfection, designed to help us meet and beat water-quality standards. These plants are strategically located in the eastern and southern portions of the Valley because that's where elevation is higher and gravity helps distribute the water to customers without high pumping costs.

Del Valle Water Treatment Plant

- ▶ Where: Southern Livermore
- ▶ Capacity: 36 million gallons per day (mgd)
- ▶ Houses Zone 7s Water Quality Laboratory

Patterson Pass Conventional Water Treatment Plant

- ▶ Where: Eastern Livermore
- ▶ Capacity: 12 mgd

Patterson Pass Ultrafiltration Water Treatment Plant

- ▶ Where: Eastern Livermore
- ▶ Capacity: 8 mgd

Future Altamont Water Treatment Plant

- ▶ Where: Altamont hills east of Livermore
- ▶ Capacity: 24 mgd initially, expandable to 42 mgd



Water Quality Challenges & Goals

Although all Zone 7 water delivered to retailers meets or beats state and federal health standards, surface water and groundwater taste, odor and/or appearance can often vary depending on the source, on the season and on the customer's location.

Surface Water can occasionally have an earthy-musty taste or smell, caused by algae blooms from warm temperatures and increased sunlight on imported water supplies. These taste and odor episodes usually last a few days, from late spring through September, and do not impact the safety of our drinking water.

Groundwater can sometimes be "hard" due to excess minerals that water picks up as it percolates into the ground. While hard water can create water spots and scaly buildup on plumbing fixtures, it is safe to drink at the levels found in Zone 7s groundwater.

Zone 7 combines these surface and groundwater sources to meet Valley water demands. Depending on rainfall amounts, demands on the water system and the customer's location, the mix of surface and ground water that a customer receives can vary throughout the year—as can the customer's experience with water's taste, odor and hardness.

Meeting and Beating the Standards

During 2007, all water that Zone 7 delivered to its retailers in Pleasanton, Livermore and Dublin again met regulatory standards and, in almost all cases, the quality was much better than required.

There are two sets of standards for water quality established by the U.S. Environmental Protection Agency and the California Department of Health Services. Primary standards relate to public health. Secondary standards relate to such characteristics as taste, odor, hardness and appearance. The water delivered by Zone 7 to retailers has always met or beat the primary standards and we work diligently to also meet the secondary standards. For the first time in 2007, Zone 7 mailed the Annual Consumer Confidence Report to every household in its service area and not just to its direct customers as required by law. We are again doing so in 2008.



Our Own Goals

Zone 7 has developed a Water Quality Management Program in consultation with our water retailers, the agricultural community, local businesses, environmental groups and others. This comprehensive program helps the Zone 7 Board of Directors set policies to address drinking and agricultural water-quality issues, shape operational decisions, establish capital facilities needs and set design guidelines.

Zone 7's board has adopted water-quality goals and an implementation plan that is updated every two years so the agency can track its progress and make changes as necessary. Self-imposed water-quality targets are goals that Zone 7 sets internally for drinking and agricultural water. The agency sets targets that are significantly more stringent than existing state and federal regulations. Some constituents in the water have been identified as key parameters of concern to Zone 7 based upon comments from our customers, the levels found in our local drinking-water supplies, and anticipated regulatory changes. In 2007, Zone 7 met all of its non-potable water-quality targets and met the majority of its internally set health-related drinking-water targets (Zone 7 water delivered to retailers met all regulatory requirements defined by the federal and state drinking-water agencies to assure public health; it was simply the more stringent internal targets that showed room for improvement). However, some of our other water-quality targets were not met, including those for drinking-water hardness, appearance, taste and odor.

Among other things, these goals strive to:

- ▶ Surpass the levels of protection provided by state and federal water-quality standards, with customer health and safety the highest priority.
- ▶ Reduce earthy-musty tastes and odors from surface-water supplies, reduce groundwater hardness, and minimize chlorinous odors that result from treatment.
- ▶ Support water-quality improvements at the source, in both the Delta and in the groundwater basin.

Water Quality Projects on Tap

In 2007, Zone 7 completed its Dissolved Air Flotation Facility to increase the quantity of water reliably treated at its Del Valle Water Treatment Plant, allowing us to rely less on groundwater. Other planned water-quality upgrades include:

Mocho Groundwater Demineralization Plant (under construction): will use reverse-osmosis technology to help reduce the hardness of groundwater supplies delivered primarily to the western side of Zone 7's service area in Pleasanton and Dublin.

- ▶ Completion: 2009
- ▶ Cost: \$36.7 million, funded by water rates and connection fees on new development
- ▶ A second plant of comparable size and cost, funded entirely by new development, is planned for 2013

Altamont Water Treatment Plant & Pipeline Project: will accommodate planned Valley growth, provide additional overall water-system reliability and improve overall water quality by reducing the agency's reliance on groundwater supplies.

- ▶ Capacity: 24 million gallons a day (mgd) initially, expandable to 42 mgd
- ▶ First-phase completion: In design review, with project timing to be based upon agency water-supply needs and funding availability
- ▶ Cost: \$195 million (phase 1); \$55.6 million (phase 2), both phases funded by connection fees on new development (may include short-term debt financing)

Taste and Odor Treatment Improvements: will be added to our existing treatment plants.

- ▶ Completion: as early as 2012
- ▶ Cost: \$6-7 million (estimate will be refined by current feasibility study, and the schedule will be adjusted accordingly), funded by water rates

Flood Protection

StreamWISE

Zone 7's StreamWISE Will Help Protect Against Flooding in an Environmentally Sensitive Way

The Livermore-Amador Valley has a history of flooding. Risks of future floods have been somewhat mitigated by many years of channel improvements. But there are still areas subject to flooding, and the entire region contributes to stormwater flows, which cause flooding.

For the past 40 years, the Valley has relied primarily on channelized arroyos to convey stormwaters through the area as quickly as possible. But the StreamWISE vision is to create a flood-protection program that relies largely on using a portion of the Chain of Lakes, a series of mined-out gravel pits, to detain stormwater in the Valley. The stored water would be released downstream only after storms pass through the area, meaning arroyos can be kept in a more natural state due to reduced need for channelization.

StreamWISE is the implementation program for the 30-year Stream Management Master Plan approved by the Zone 7 Board in 2006. It identifies potential projects to provide flood protection and healthy habitat for fish and wildlife, improve water quality in local streams, improve our water supply through groundwater recharge, and create trail construction opportunities. Zone 7's key mission, to provide flood protection in an environmentally- and fiscally-responsible way, has been driving the process of project identification and prioritization.

Efforts during 2007 focused on defining funding mechanisms for priority projects identified by stakeholders including scientists, environmentalists, engineers and community leaders. Look for more information in future mailings or at www.zone7water.com/streamwise/index.html.



Removal of a concrete crossing of Arroyo Mochó in Livermore exemplifies the StreamWISE vision.



A portion of the Chain of Lakes could be used to capture floodwaters.



Current Flood Protection

Service Area

Stormwater runoff from throughout the Valley, including its developed areas, is carried into local storm-drainage systems that eventually flow into local tributaries and arroyos that then feed into Arroyo de la Laguna, which flows into the San Francisco Bay through Alameda Creek. Zone 7 manages stormwater flows within the Livermore-Amador Valley floor's major drainage channels. The agency owns and maintains about 37 miles of flood-protection and stormwater-drainage facilities within a 425-mile service area – about one-third of all the Valley's channels and creeks. These facilities range from engineered trapezoidal-shaped, concrete-lined channels to natural creeks and arroyos. The Valley's flood-protection system begins at city- and county-owned storm drains on local streets and roads.

Maintenance

To ensure that the flood-protection channels are ready for the next big storm event, Zone 7 conducts routine maintenance such as inspections, embankment and drain-structure repairs, vegetation management and sedimentation removal. The agency spent approximately \$4.3 million in calendar year 2007 on maintenance, including staffing, equipment, repair contracts and other related costs.

Emergency Repairs

Zone 7 also administers an emergency-response program that prepares us to act quickly and minimize the loss of life and property should a flood occur. For federally declared storm disasters, Zone 7 may apply for reimbursement from the Federal Emergency Management Agency, the State Office of Emergency Services and/or the U.S. Army Corps of Engineers.

Though 2007 was a relatively dry year, repairs of some of the less-critical damage from heavy storms in 2006 had been deferred and were completed in 2007. Federal and state reimbursement and cost-sharing programs will have covered most of the more than \$2 million worth of total repairs to sites along Zone 7 flood-control creeks and channels. Zone 7 made up the remainder from local property tax revenue.

Improving and Expanding the System

Although local property taxes support ongoing flood-protection maintenance, the Special Drainage Area 7-1 Program, which is funded by developer fees, is currently the agency's primary source of revenue for flood-protection capital improvements. Developers pay the drainage fee to mitigate the additional stormwater runoff that can result from additional buildings and pavement from their projects. In the future, these revenues will be put toward flood-protection projects identified in the Stream Management Master Plan. In 2007, the implementation plan for the SMMP (called StreamWISE), along with work on a new ordinance to be based on a development impact fee study, were initiated.



Environmental Stewardship & Community Outreach

Regional Involvement/ Environmental & Watershed Management

During 2007, Zone 7 participated in several regional efforts aimed at protecting water supplies, the environment and our quality of life, including the:

Bay Area Water Agencies Coalition (BAWAC), comprised of the region's major water utilities. Among other things, BAWAC member agencies have adopted an Integrated Regional Water Management Plan that stresses coordination and is helping the agencies qualify for grant funds under recent voter-approved state water bond measures. In 2007, the Bay Area was awarded a \$12.5 million Proposition 50 grant for implementation of IRWMP projects, including \$750,000 for Zone 7's Mocho Groundwater Demineralization Plant.

Alameda Creek Fisheries Restoration Workgroup, a collaboration of roughly a dozen agencies including Zone 7, the Alameda County Water District, San Francisco Public Utilities Commission, the Alameda Creek Alliance, the East Bay Regional Park District, the National Marine Fisheries Service, and the California Department of Fish and Game. It is exploring ways to bring back a threatened steelhead trout population to the Alameda Creek Watershed.

Alameda County Clean Water Program, a consortium of 17 local agencies, including the county and several of its cities, that uses public education and other means to reduce the amount of contamination being washed down storm drains into creeks.

Alameda Creek Watershed Council, consisting of representatives from several local agencies, environmental groups, industries and organizations working to develop strategies to enhance and safeguard our local water resources.

South Bay Aqueduct Watershed Plan, part of a three-agency ongoing effort to use state grant funding to identify vulnerabilities and develop best-management practices to address them.

Eastern Alameda County Conservation Strategy, involving Zone 7 and other local jurisdictions working collaboratively with state and federal resource agencies to develop a habitat conservation strategy. The idea is to help coordinate and streamline determination of mitigation requirements associated with various development and infrastructure projects (including Zone 7 water-supply and flood-protection projects) and to help base those mitigations on areas of strategic biological value.

California Climate Action Registry, Zone 7 was granted Climate Action Leader status in 2007 for its proactive steps in helping to address global climate change by inventorying its greenhouse gas emissions. Zone 7 also began exploring alternative, renewable sources of energy to help address the amount of carbon emissions that result from conventional electric power used at its water



Zone 7 fish ladders



Community Outreach

Zone 7's work is vital to the quality of life of residents and businesses of the Livermore-Amador Valley. To that end, it is important for the public to be informed about the agency and its responsibilities, to be aware of relevant issues related to water supplies and flood protection, to understand the context within which the agency makes decisions, and to be engaged in certain public decision-making processes. Zone 7 is committed to getting information out to the public in as timely and complete a manner as possible, and to engage both children and adults in educational and awareness activities that promote a greater understanding of the critical role that water and flood protection play in all of our lives.

During 2007, the agency launched a new, more user-friendly website that we hope the public will find educational, up to date and entertaining. We also continued to be heavily involved in:

- ▶ **Water Science in the Schools:** The agency provides, at no cost to participating schools, its Water Science Program – classroom instruction for students in grades K-12 in Dublin, Livermore and Pleasanton.
- ▶ **Community events:** Zone 7 annually sponsors and/or participates in a variety of events, including Earth Day in Livermore and Pleasanton, Coastal Cleanup Day in Pleasanton and Dublin Pride Week. We have water-awareness booths at various festivals throughout the Valley and participate at home and garden shows at the Alameda County Fairgrounds.
- ▶ **Active dissemination of information,** including newsletters, fact sheets and water-quality reports (for the first time in 2007, our annual Consumer Confidence Report was mailed to residents throughout the service area).
- ▶ **Encouraging public involvement** (for example, conducting stakeholder workshops in developing the StreamWISE program).



Volunteers help in creek cleanup organized by the City of Pleasanton and Zone 7.

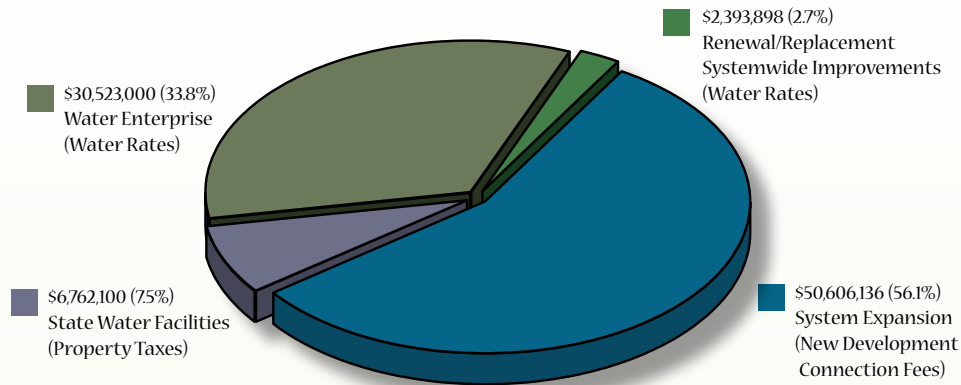


Livermore Rodeo Parade in 2007

Financial Information

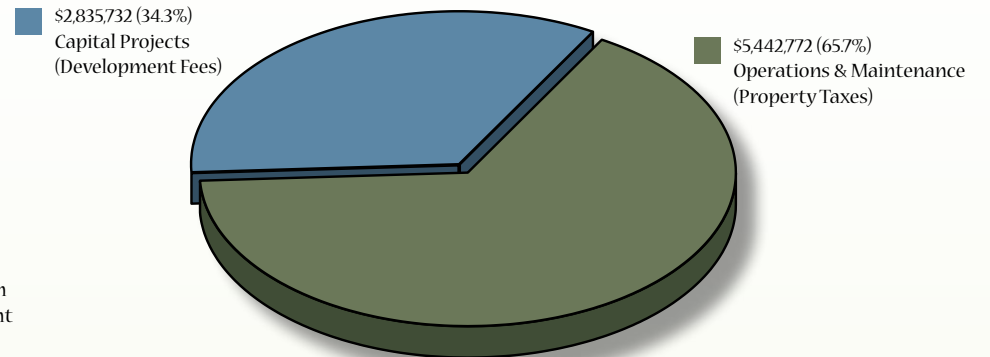
Budget FY 2007-08

Water Supply, Reliability & Quality Revenue FY 2007-08 Total: \$90,285,134



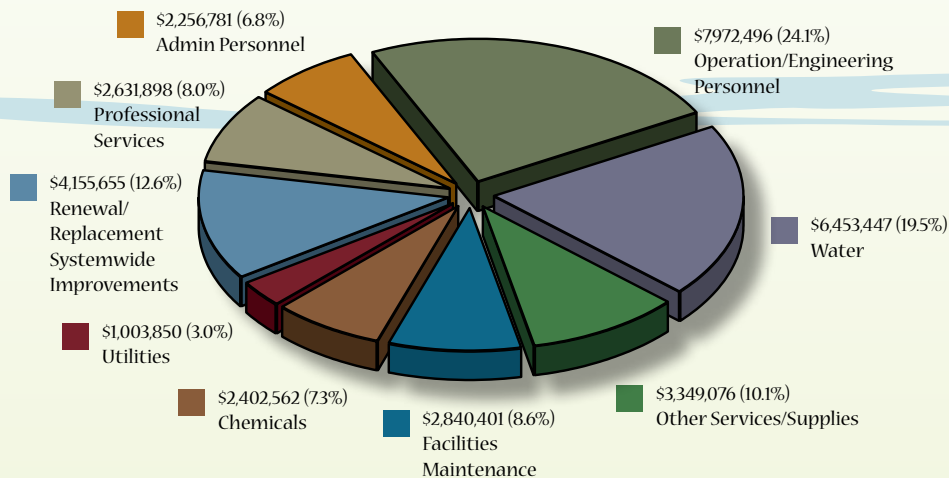
Water rates pay to operate and maintain the existing treated water system, and for renewal/replacement projects. Development fees pay for system expansion.

Flood Protection Revenue FY 2007-08 Total: \$8,278,504

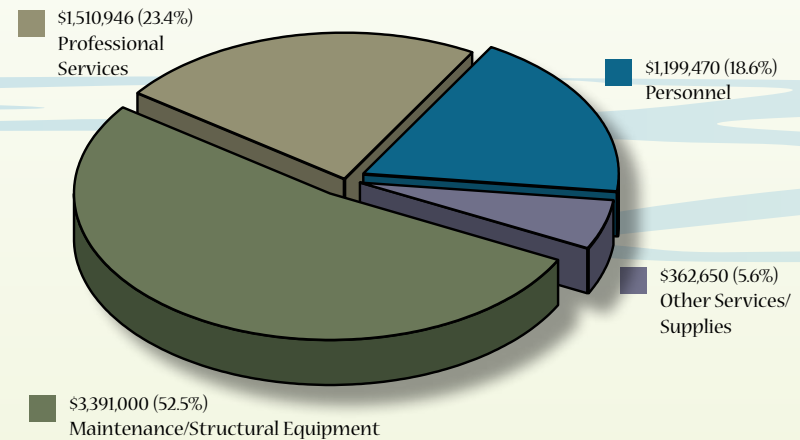


Property taxes support maintenance of the existing flood-protection system. Development fees pay for system expansion. During 2005-06, some property taxes ordinarily spent on maintenance were shifted by the state to balance its budget.

Water Rate Dollar Breakdown FY 2007-08 Total: \$33,066,166



Flood Protection Fund Expenses FY 2007-08 Total: \$6,464,066



Operating & Capital Funds Statement (Actuals FY 2006-07)

OPERATING FUND	Primary Source	FY 2005-2006	FY 2006-2007
Flood Protection Fund (Operations/administration)	Property taxes		
Revenues		\$925,194*	\$5,817,985
Expenses**		\$3,798,508	\$5,140,902
State Water Facilities Fund (State Water Project charges, including state voter-approved bonds)	Property taxes		
Revenues		\$5,998,736	\$7,550,670
Expenses**		\$6,065,231	\$7,528,313
Water Enterprise Fund (Operations/administration)	Water Sales		
Revenues		\$23,801,704	\$28,713,172
Expenses**		\$21,218,405	\$23,948,401
Total Operating Revenues		\$30,725,634	\$42,081,827
Total Operating Expenditures		\$31,082,144	\$36,617,616
NET OPERATING REVENUES FOR PERIOD		(\$356,510)	\$5,464,211

CAPITAL FUNDS YEAR-END BALANCE		June 30, 2006	June 30, 2007
Special Drainage Area Fund (Flood-control project construction)	Development Fees	\$24,995,406	\$25,076,860
Special Drainage Area Trust Fund *** (Developer reimbursements for flood projects)	Development Fees	\$6,081,118	\$7,530,194
Water Facilities Trust *** (Primarily for Chain of Lakes project)	Quarry fees	\$3,245,767	\$3,200,038
Motor Vehicle Replacement Fund	Prorated by dept. use	\$265,393	\$202,159
Water System Expansion Fund	Development fees	\$75,320,302	\$75,070,320
Water System Improvement/Replacement Fund	Water sales	\$23,242,135	\$26,853,452
Water Supply Trust Fund ***	Developer agreements	\$7,193,424	\$4,370,249
Total Capital Funds		\$140,343,545	\$142,303,272
BONDED INDEBTEDNESS		\$0	\$0

*\$5 million in property taxes shifted by state to balance its budget; Zone 7 made up losses with reserves.

**Includes encumbrances

***Includes restricted deposits

EXECUTIVE STAFF

Jill Duerig, *General Manager*

Kurt Arends, *Assistant General Manager, Engineering*

Vincent Wong, *Assistant General Manager, Operations*

John Yue, *Assistant General Manager, Finance*

Amy Naamani, *General Counsel*

Barbara Morse, *Senior Management Assistant*

Karla Nemeth, *Environmental and Public Affairs Manager*

Tom Hughes, *Human Resources Manager*



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