NEW ISSUE - FULL BOOK-ENTRY

RATINGS: S&P: "AAA"
Fitch: "AA+"
(See "RATINGS")

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2023 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the 2023 Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. See "TAX MATTERS" with respect to tax consequences relating to the 2023 Bonds, including with respect to the alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022.

$28,795,000
LIVERMORE VALLEY WATER FINANCING AUTHORITY
Water Revenue Bonds,
2023 Series A

Dated: Date of Delivery **Due: July 1, as shown on inside cover**

Authority for Issuance. The bonds captioned above (the "2023 Bonds") are being issued by the Livermore Valley Water Financing Authority (the "Authority") under a resolution adopted by the Board of Directors of the Authority on October 18, 2023, and a Trust Agreement, dated as of April 1, 2018, as supplemented as of November 1, 2023 (as supplemented, the "Trust Agreement"), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee for the Bonds (the "Trustee").

Use of Proceeds. The 2023 Bonds are being issued to provide funds to (i) pay the cost of the 2023 Water Project, which generally consists of water treatment facilities, related site improvements and certain other capital improvements for the Agency's water system; and (ii) pay the costs of issuing the 2023 Bonds. See "FINANCING PLAN."

Security for the Bonds. The Bonds are payable from and secured by a first pledge of and lien on "Revenues" received by the Authority which consist of Installment Sale Payments (the "Installment Sale Payments") to be made by the Alameda County Flood Control and Water Conservation District, Zone 7 (the "Agency") to the Authority under an Installment Sale Agreement, dated as of April 1, 2018, as supplemented and amended as of November 1, 2023 (as supplemented and amended, the "Installment Sale Agreement") and certain other moneys. The Agency's Installment Sale Payments are payable from and secured by "Net Water Revenues" of the Agency's Water System, which are generally defined as the "Water Revenues" received from the Water System (as defined herein), less the amount required to pay all "Operation and Maintenance Costs" of the Water System. The Agency is not required to advance any moneys derived from any source of income other than the Net Water Revenues for payment of the Installment Sale Payments, as described herein. The 2023 Bonds are also secured by certain funds on deposit under the Trust Agreement. No debt service reserve account will be established for the 2023 Bonds. See "SECURITY FOR THE BONDS." The Authority's Water Revenue Bonds, 2018 Series A (the "2018 Bonds" and, together with the 2023 Bonds and any additional bonds which may be issued pursuant to the Trust Agreement, the "Bonds"), which are outstanding under the Trust Agreement in the principal amount of $56,775,000, are also payable from the Installment Sale Payments. Pursuant to the Installment Sale Agreement, the Agency may enter into additional obligations payable from Net Water Revenues on a parity with the Installment Sale Payments.

Bond Terms; Book-Entry Only. The 2023 Bonds will bear interest at the rates shown on the inside cover, payable semiannually on January 1 and July 1 of each year, commencing on January 1, 2024, and will be issued in fully registered form without coupons in the denomination of $5,000 or any integral multiple of $5,000. The 2023 Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers of the 2023 Bonds will not receive certificates representing their interests in the 2023 Bonds. Payments of the principal of, premium, if any, and interest on the 2023 Bonds will be made by to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2023 Bonds. See "THE 2023 BONDS – General."

Redemption. The 2023 Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity. See "THE 2023 BONDS – Redemption."

NOTWITHSTANDING ANYTHING CONTAINED HEREIN, THE AUTHORITY SHALL NOT BE REQUIRED TO ADVANCE ANY MONEY DERIVED FROM ANY SOURCE OTHER THAN THE REVENUES AS DESCRIBED HEREIN FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE 2023 BONDS. THE 2023 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE, AS TO INTEREST THEREON, PRINCIPAL THEREOF AND ANY PREMIUMS UPON THE REDEMPTION OF ANY THEREOF, SOLELY FROM THE REVENUES AS DESCRIBED HEREIN, AND THE AUTHORITY IS NOT OBLIGATED TO PAY THEM EXCEPT FROM THE REVENUES. ALL THE BONDS ARE EQUALLY SECURED BY A PLEDGE OF AND CHARGE AND LIEN UPON THE REVENUES, AND THE REVENUES CONSTITUTE A TRUST FUND FOR THE SECURITY AND PAYMENT OF THE INTEREST ON AND PRINCIPAL OF AND REDEMPTION PREMIUMS, IF ANY, ON THE BONDS AS PROVIDED HEREIN. THE 2023 BONDS ARE NOT A DEBT OF THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER SAID STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREON, NOR IN ANY EVENT SHALL THE 2023 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS PROVIDED HEREIN. THE 2023 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE OF 2023 BONDS. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE PURCHASE OF THE 2023 BONDS.

Purchasers of the 2023 Bonds will be deemed to have consented to certain amendments to the Installment Sale Agreement. See "FUTURE AMENDMENTS OF THE INSTALLMENT SALE AGREEMENT" herein.

The 2023 Bonds are offered when, as and if issued by the Authority and received by the Underwriter, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by Orrick, Herrington & Sutcliffe LLP. It is anticipated that the 2023 Bonds will be available for delivery through the facilities of DTC on or about November 7, 2023.

Siebert Williams Shank & Co., LLC

The date of this Official Statement is October 24, 2023.

$28,795,000
LIVERMORE VALLEY WATER FINANCING AUTHORITY
Water Revenue Bonds,
2023 Series A

MATURITY SCHEDULE

Base CUSIP†: 53833P

Maturity (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2024	$420,000	5.000%	3.710%	100.816	BA3
2025	445,000	5.000	3.640	102.154	BB1
2026	470,000	5.000	3.530	103.683	BC9
2027	495,000	5.000	3.450	105.268	BD7
2028	520,000	5.000	3.410	106.779	BE5
2029	545,000	5.000	3.410	108.104	BF2
2030	575,000	5.000	3.440	109.198	BG0
2031	600,000	5.000	3.470	110.198	BH8
2032	635,000	5.000	3.510 ^{C}	109.916 ^{C}	BJ4
2033	665,000	5.000	3.560 ^{C}	109.564 ^{C}	BK1
2034	700,000	5.000	3.640 ^{C}	109.005 ^{C}	BL9
2035	735,000	5.000	3.750 ^{C}	108.241 ^{C}	BM7
2036	775,000	5.000	3.890 ^{C}	107.278 ^{C}	BN5
2037	810,000	5.000	3.980 ^{C}	106.665 ^{C}	BP0
2038	855,000	5.000	4.050 ^{C}	106.190 ^{C}	BQ8
2039	895,000	5.000	4.120 ^{C}	105.718 ^{C}	BR6
2040	945,000	5.000	4.220 ^{C}	105.049 ^{C}	BS4
2041	990,000	5.000	4.300 ^{C}	104.516 ^{C}	BT2
2042	1,045,000	5.000	4.370 ^{C}	104.053 ^{C}	BU9
2043	1,095,000	5.000	4.410 ^{C}	103.790 ^{C}	BV7

$6,385,000 5.000% 2023 Series A Bonds Due July 1, 2048 - Yield 4.600% ^{C} Price 102.549^{C} CUSIP Number BW5†

$8,195,000 5.000% 2023 Series A Bonds Due July 1, 2053 - Yield 4.710% ^{C} Price 101.838^{C} CUSIP Number BX3†

^{C} Yield and price to optional call at par on July 1, 2031.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2023 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Agency, the Authority, the Municipal Advisor, the Underwriter or their agents or counsel take any responsibility for the accuracy of such numbers.

Zone 7 Water Agency Board of Directors and
Livermore Valley Water Financing Authority Board of Directors

Sands Figuers, President
Dennis Gambs, Vice-President
Dawn Benson, Board Member
Laurene Green, Board Member
Kathy Narum, Board Member
Sarah Palmer, Board Member
Angela Ramirez Holmes, Board Member

Agency Officials

Valerie Pryor, General Manager
Osborn Solitei, Treasurer/Assistant General Manager – Finance
Jarnail Chahal, Acting Assistant General Manager – Engineering & Operations

SPECIAL SERVICES

Bond Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

Disclosure Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
Sacramento, California

Municipal Advisor

PFM Financial Advisors LLC
San Francisco, California

Trustee

U.S. Bank Trust Company, National Association
San Francisco, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

This Official Statement is submitted in connection with the sale of the 2023 Bonds and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the 2023 Bonds. The information set forth in this Official Statement has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Authority or the Agency. The information and expressions of opinions in this Official Statement are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the Agency since the date hereof. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, and in effect on the date hereof, this Preliminary Official Statement constitutes an official statement of the Authority that has been deemed final by the Agency as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

No dealer, broker, salesperson or other person has been authorized by the Authority, the Agency or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2023 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

When used in this Official Statement and in any continuing disclosure by the Authority or the Agency, in any press release and in any oral statement made with the approval of an authorized officer of the Authority or the Agency, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

The Underwriter (as defined in “UNDERWRITING”) has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the 2023 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 2023 Bonds to certain securities dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

The 2023 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exception from the registration requirements contained in such Act. The 2023 Bonds have not been registered or qualified under the securities laws of any state.

The Agency maintains a website. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2023 Bonds. References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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OFFICIAL STATEMENT

$28,795,000
Livermore Valley Water Financing Authority
Water Revenue Bonds,
2023 Series A

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 2023 Bonds to potential investors is made only by means of the entire Official Statement.

Capitalized terms used but not defined in this Official Statement have the meanings set forth in the Trust Agreement (as defined below). See "APPENDIX A."

Authority for Issuance. The Livermore Valley Water Financing Authority (the "Authority") is issuing the bonds captioned above (the "2023 Bonds") pursuant to a Trust Agreement, dated as of April 1, 2018, as supplemented as of November 1, 2023 (as supplemented the "Trust Agreement") between the Authority and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"). The 2023 Bonds are being issued pursuant to Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584, resolutions adopted by the Board of Directors (the "Board") of the Authority on October 18, 2023, and by the Board of Directors (the "Agency Board") of the Alameda County Flood Control and Water Conservation District, Zone 7 (the "Agency" or "Zone 7"), on October 18, 2023.

Form of Bonds; Book-Entry Only. The 2023 Bonds will be dated their date of delivery and will be issued in fully registered form, without coupons, in the minimum denominations of $5,000 or any integral multiple thereof. See "THE 2023 BONDS – General." When delivered, the 2023 Bonds will be registered in the name of The Depository Trust Company, New York, New York ("DTC"), or its nominee. DTC will act as securities depository for the 2023 Bonds. Individual purchases of the 2023 Bonds will be made in book-entry form only in the principal amount of $5,000 each or any integral multiple thereof. Purchasers of the 2023 Bonds will not receive certificates representing the 2023 Bonds that are purchased. See "THE 2023 BONDS - Book-Entry Only System" and "APPENDIX D –BOOK-ENTRY SYSTEM."

Purpose of the Bonds. The 2023 Bonds are being issued to provide funds to (i) pay the cost of the 2023 Water Project, which generally consists of water treatment facilities, related site improvements and certain other capital improvements for the Agency's water system; and (ii) pay the costs of issuing the 2023 Bonds. See "FINANCING PLAN."

Security. The 2023 Bonds are limited obligations of the Authority payable solely from Revenues of the Authority. "Revenues" consist primarily of certain installment sale payments (the "Installment Sale Payments") received by the Authority from the Agency under the 2018 Installment Sale Agreement dated as of April 1, 2018 (the "Original Installment Sale Agreement"), as supplemented and amended by a First Supplemental Installment Sale agreement, dated as of November 1, 2023 (the "First Supplemental Installment Sale Agreement"), by and between the Authority and the Agency. The Authority's Water Revenue Bonds, 2018 Series A (the "2018 Bonds") and, together with the 2023 Bonds and any additional bonds which may be issued pursuant to the Trust Agreement, the "Bonds"), which are outstanding under the Trust Agreement in the principal amount of $56,775,000, are also payable from the Installment Sale Payments. The obligation of the Agency to make the Installment Sale Payments is a special obligation payable solely from Net Water Revenues. See "SECURITY FOR THE BONDS." The Original Installment Sale Agreement, as amended and supplemented, including as amended and supplemented by the First Supplemental Installment Sale Agreement, is referred to herein as the "Installment Sale Agreement."

Rate Covenants. The Agency has made certain covenants in the Installment Sale Agreement with respect to rates, fees and charges for the Water System, all as further described under "SECURITY FOR THE BONDS – Rate Covenant."

Parity Obligations. Pursuant to the Trust Agreement, the Authority may issue Additional Bonds payable from the Revenues and secured by a pledge of and charge and lien upon the Revenues equal to the pledge, charge and lien securing the 2018 Bonds and the 2023 Bonds (the "Outstanding Bonds"), but only subject to specific conditions, including a condition that such Additional Bonds shall be applied solely for (i) the purpose of financing the completion of the 2018 Water Project or an Additional Project (each as defined in the Trust Agreement), including payment of all costs incidental to or connected with such financing, and/or (ii) the purpose of refunding any Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding. See "SECURITY FOR THE BONDS – Additional Debt."

Pursuant to the Installment Sale Agreement, the Agency may (i) issue any bonds the payments under and pursuant to which, or (ii) execute any contract the installment sale payments under and pursuant to which, as the case may be, are payable from the Net Water Revenues on a parity with the payment by the Agency of the Installment Sale Payments, provided that the conditions set forth in the Installment Sale Agreement are met. See "SECURITY FOR THE BONDS – Additional Debt."

Redemption. The 2023 Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity. See "THE 2023 BONDS – Redemption."

The Authority. The Authority is a joint exercise of powers agency organized under the laws of the State and composed of the Agency and the California Statewide Communities Development Authority. The Authority was formed to assist in the financing and refinancing of capital improvement projects of, and working capital for, the Agency. See "THE AUTHORITY" herein.

Risks of Investment. The 2023 Bonds are limited obligations of the Authority and are payable solely from the Revenues as described herein. For a discussion of some of the risks associated with the purchase of the 2023 Bonds, see "BOND OWNERS' RISKS."

NOTWITHSTANDING ANYTHING CONTAINED HEREIN, THE AUTHORITY SHALL NOT BE REQUIRED TO ADVANCE ANY MONEY DERIVED FROM ANY SOURCE OTHER THAN THE REVENUES AS DESCRIBED HEREIN FOR THE PAYMENT OF THE INTEREST ON OR PRINCIPAL OF OR REDEMPTION PREMIUMS, IF ANY, ON THE 2023 BONDS. THE 2023 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE, AS TO INTEREST THEREON, PRINCIPAL THEREOF AND ANY PREMIUMS UPON THE REDEMPTION OF ANY THEREOF, SOLELY FROM THE REVENUES AS DESCRIBED HEREIN, AND THE AUTHORITY IS NOT OBLIGATED TO PAY THEM EXCEPT FROM THE REVENUES. ALL THE 2023 BONDS ARE EQUALLY SECURED BY A PLEDGE OF AND CHARGE AND LIEN UPON THE REVENUES, AND THE REVENUES CONSTITUTE A TRUST FUND FOR THE SECURITY AND PAYMENT OF THE INTEREST ON AND PRINCIPAL OF AND REDEMPTION PREMIUMS, IF ANY, ON THE 2023 BONDS AS PROVIDED HEREIN. THE 2023 BONDS ARE NOT A DEBT OF THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER SAID STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREON, NOR IN ANY EVENT SHALL THE 2023 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS PROVIDED HEREIN. THE 2023 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION.

FINANCING PLAN

The Agency plans to apply a portion of the net proceeds of the 2023 Bonds to pay the cost of the 2023 Water Project.

2023 Water Project

Following is a description of significant elements of the 2023 Water Project.

Chain of Lakes Per- and polyfluoroalkyl Substances (PFAS) Facility. This portion of the 2023 Water Project consists of improvements to the Chain of Lakes Wells 1, 2, and 5 to provide a centralized PFAS treatment at the existing Chain of Lakes Well 1 site. The project includes, but is not limited to, the addition of six trains of pressure vessels containing ion exchange resin for the removal of PFAS. Additional piping, instrumentation, electrical, concrete work, an underground pile foundation system, and other site improvements are included in the project. The estimated construction cost for this portion of the 2023 Water Project is approximately $22 million, which is expected to be paid with a portion of the proceeds of the 2023 Bonds. This portion of the 2023 Water Project is expected to be completed by Fall 2024. See "WATER SUPPLY -Quality of the Agency's Water-PFAS" herein.

In addition to the PFAS facility described above, the Agency intends to use the remaining proceeds of the 2023 Bonds to pay the cost of miscellaneous capital improvements for the Water System, including an additional PFAS treatment system to treat water from the Mocho wells, chlorine contact basin modifications, clarifier corrosion protection improvements, clearwell modifications, rehabilitation of sludge drying beds, and other miscellaneous improvements and replacements at the Patterson Pass Water Treatment Plant, and replacement of the coagulant system and other miscellaneous improvements and replacements at the Del Valle Water Treatment Plant.

Pursuant to the First Supplemental Installment Sale Agreement, the Agency may substitute or add additional projects to the 2023 Water Project. See Appendix B—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the 2023 Bonds are as follows:

Sources:	
Principal Amount of 2023 Bonds	$ 28,795,000.00
Plus Original Issue Premium	1,204,212.00
TOTAL SOURCES	**$ 29,999,212.00**
Uses:	
Deposit to Acquisition Fund	$ 29,665,336.39
Costs of Issuance(1)	333,875.61
TOTAL USES	**$ 29,999,212.00**

(1) Represents funds to be used to pay costs of issuance, which include legal fees, underwriter's discount, municipal advisor's fee, printing costs, rating agency fees and other miscellaneous expenses.

THE BONDS

General

The 2023 Bonds will be dated their date of delivery and interest thereon will be payable on January 1 and July 1 of each year, commencing January 1, 2024, at the rates per annum set forth on the inside cover page hereof. The 2023 Bonds will mature as set forth on the inside cover. Interest shall be computed on the basis of a 360-day year comprised of twelve 30-day months.

Redemption

Optional Redemption. The 2023 Bonds maturing on and after July 1, 2032 are subject to redemption prior to their respective stated maturities at the written direction of the Authority, from moneys deposited by the Authority or the Agency from any source of available funds, as a whole on any date, or in part (in such maturities as are designated by the Authority at the written direction of the Agency) on any date on or after July 1, 2031, at a redemption price equal to the principal amount of 2023 Bonds called for redemption, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The 2023 Bonds maturing on July 1, 2048 are subject to redemption prior to their respective stated maturities, on any July 1 on or after July 1, 2044, in part by lot, from mandatory sinking account payments at a redemption price equal to the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, as set forth below.

Sinking Fund Redemption Date (July 1)	Principal Amount
2044	$1,150,000
2045	1,210,000
2046	1,275,000
2047	1,340,000
2048*	1,410,000

* Final Maturity

The 2023 Bonds maturing on July 1, 2053 are subject to redemption prior to their respective stated maturities, on any July 1 on or after July 1, 2049, in part by lot, from mandatory sinking account payments at a redemption price equal to the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, as set forth below.

Sinking Fund Redemption Date (July 1)	Principal Amount
2049	$1,480,000
2050	1,555,000
2051	1,635,000
2052	1,720,000
2053*	1,805,000

* Final Maturity

Partial Redemption. If less than all Outstanding 2023 Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the 2023 Bonds of such maturity date to be redeemed by lot in any manner that it deems appropriate and fair.

Notice of Redemption. Notice of redemption will be mailed by the Trustee, not less than 20 nor more than 60 days prior to the redemption date to the respective Holders of the 2023 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee.

Each notice of redemption shall state the date of such notice, the redemption price, if any, the CUSIP number, if any, of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the 2023 Bonds of such maturity to be redeemed and, in the case of 2023 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on such date there will become due and payable on each of said 2023 Bonds the redemption price, if any, thereof and in the case of a 2023 Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such 2023 Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice shall not invalidate any of the proceedings taken in connection with such redemption.

With respect to any notice of optional redemption of 2023 Bonds, unless the 2023 Bonds shall be deemed to have been paid pursuant to the Trust Agreement, such notice shall state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of amounts sufficient to pay the principal of, and premium (if any) and interest on, such 2023 Bonds to be redeemed and that if such amounts shall not have been so received the notice shall be of no force and effect and the Authority shall not be required to redeem such 2023 Bonds. The Authority may also instruct the Trustee to provide conditional notice of optional redemption of 2023 Bonds, which may be conditioned on the occurrence of any other event if such notice states that if such event does not occur the notice shall be of no force and effect and the Authority shall not be required to redeem such 2023 Bonds. In the event that such notice of optional redemption contains such a condition and such amounts are not so received or such event does not occur, the optional redemption shall not be made and the Trustee shall within a reasonable time thereafter shall mail notice to the Holders of the 2023 Bonds to the effect that such amounts were not so received or such event did not occur and such redemption was not made.

Rescission of Redemption. The Authority may, at its option, prior to the date fixed for redemption in any notice of optional redemption, rescind and cancel such notice of redemption by Written Request of the Authority to the Trustee and the Trustee shall mail notice of such cancellation to the recipients of the notice of redemption being cancelled.

Effect of Redemption. If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the 2023 Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice 2023 Bonds so called for redemption shall become due and payable, and from and after the date so designated interest on such 2023 Bonds shall cease to accrue, and the Holders of such 2023 Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Book-Entry Only System

The 2023 Bonds will be issued as fully registered bonds in book-entry only form, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in the denomination of $5,000 or any integral multiple of $5,000, under the book- entry system maintained by DTC. While the 2023 Bonds are subject to the book-entry system, the principal, interest and any prepayment premium with respect to a 2023 Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the 2023 Bonds. Purchasers of the 2023 Bonds will not receive certificates representing their interests therein, which will be held at DTC.

See “APPENDIX D –BOOK-ENTRY SYSTEM” for further information regarding DTC and the book-entry system.

FUTURE AMENDMENTS OF THE INSTALLMENT SALE AGREEMENT

The First Supplemental Installment Sale Agreement includes several material amendments to the Original Installment Sale Agreement which purchasers of the 2023 Bonds are deemed to consent to by their purchase of the 2023 Bonds. Set forth in APPENDIX G – “PROPOSED CHANGES TO INSTALLMENT SALE AGREEMENT” is a description of the amendments and a marked copy of certain definitions and provisions of the Original Installment Sale Agreement which show the amendments and modifications set forth in the First

Supplemental Installment Sale Agreement that the Agency intends to make to the Original Installment Sale Agreement. Such amendments will become effective following the date that consent of Holders of a majority in principal amount of the Bonds then Outstanding has been obtained by the Trustee and the Trustee has provided written consent to such amendments (the "Amendments Effective Date").

Following the Amendments Effective Date, the First Supplemental Installment Sale Agreement will effectuate several significant amendments to the Original Installment Sale Agreement, including:

- modifications to the calculation of Debt Service;

- modifications to the provisions allowing for the Agency to enter into Contracts or issue Bonds that are payable from Net Water Revenues on a parity with the payment by the Agency of the Installment Sale Payments payable under the Installment Sale Agreement; and

- modifications to the Agency's rate covenant.

Under the Trust Agreement, the amendments set forth in the First Supplemental Installment Sale Agreement and described in Appendix G to this Official Statement will not become effective until the consent of Holders of a majority in principal amount of the Bonds then Outstanding has been obtained by the Trustee and the Trustee has provided consent to such proposed amendments. The Agency and the Authority are planning to effectuate the consent of Holders through a "springing consent" process, which means that the Agency and the Authority will require the holders of each new Series of Bonds that it issues, including the 2023 Bonds, to be deemed to have consented to the proposed amendments in the First Supplemental Installment Sale Agreement until the requisite consents have been obtained. After giving effect to the issuance of the 2023 Bonds as contemplated in "PLAN OF FINANCE" herein, the Agency expects that it has consent to the proposed amendments in the First Supplemental Installment Sale Agreement of approximately 33.7% of the outstanding Bonds.

By the purchase and acceptance of the 2023 Bonds, the Holders and Beneficial Owners of the 2023 Bonds will be deemed to have consented to the proposed amendments to the Original Installment Sale Agreement by their purchase of the 2023 Bonds. The Agency and the Authority will not be requesting separate written consent from the purchasers of the 2023 Bonds for the proposed amendments included in the First Supplemental Installment Sale Agreement before the Amendments Effective Date.

Since the proposed amendments to the Original Installment Sale Agreement set forth in the First Supplemental Installment Sale Agreement will be effectuated on a "springing consent" basis, the timing of when such amendments will become effective will largely depend on the timing and sizes of future new money issuances of Bonds, and the timing and sizes of refundings of Bonds. While the timing of when the amendments to the Installment Sale Agreement will become effective will depend on a number of factors, the Agency believes that the amendments may become effective as early as calendar year 2025.

In addition to the amendments set forth in Appendix G to this Official Statement, the First Supplemental Installment Sale Agreement includes several other amendments that will become effective upon the delivery of the 2023 Bonds. These amendments are reflected in the "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" contained in Appendix A.

SECURITY FOR THE BONDS

This section provides summaries of certain provisions of the Installment Sale Agreement and the Trust Agreement. See "APPENDIX B – Summary of Principal Legal Documents" for a more complete summary of the Installment Sale Agreement and the Trust Agreement. Capitalized terms used but not defined in this section have the meanings given in APPENDIX B.

Pledge Under the Trust Agreement

All Revenues and any other amounts (including proceeds of the sale of the 2023 Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund) are irrevocably pledged to the payment of the interest and premium, if any, on and principal of the Bonds, and the Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted under the Trust Agreement. This pledge constitutes a first pledge of and charge and lien upon the Revenues and all other moneys on deposit in the funds and accounts established under the Trust Agreement (other than amounts on deposit in the Rebate Fund) for the payment of the interest on and principal of the Bonds. Pursuant to the Trust Agreement, the Authority has assigned to the Trustee all of the Authority's rights and remedies under the Installment Sale Agreement.

The Bonds are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any premiums upon the redemption of any thereof, solely from the Revenues as provided herein, and the Authority is not obligated to pay them except from the Revenues. All the Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of and redemption premiums, if any, on the Bonds as provided herein. The Bonds are not a debt of the State of California or any of its political subdivisions, and neither said State nor any of its political subdivisions is liable thereon, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Authority as provided herein. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction.

Installment Sale Agreement

Obligation to Make Installment Sale Payments. Pursuant to the Installment Sale Agreement, the Agency is obligated to make Installment Sale Payments, but solely from Net Water Revenues (as defined below).

The Agency shall, subject to prepayment as provided in the Installment Sale Agreement, pay the Authority the 2023 Purchase Price (as defined below), without offset or deduction of any kind, by paying the principal installments of the 2023 Installment Sale Payments due annually on July 1, together with interest installments of the 2023 Installment Sale Payments, which interest installments shall be paid semiannually on each January 1 and July 1.

The obligation of the Agency to pay the 2023 Purchase Price by paying the 2023 Installment Sale Payments is, subject to the Installment Sale Agreement, absolute and unconditional, and until such time as the 2023 Installment Sale Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to the Installment Sale Agreement), the Agency will not discontinue or suspend any 2023 Installment Sale Payments required to be paid by it when due, whether or not the Water System or any part thereof is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

"Net Water Revenues" means, for any Fiscal Year, the Water Revenues during such Fiscal Year less the Operation and Maintenance Costs during such Fiscal Year.

"Water Revenues" means all gross income and revenue received or receivable by the Agency from the ownership or operation of the Water System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including connection fees and charges) received by the Agency for the Water Service and the other services of the Water System and all other income and revenue howsoever derived by the Agency from the ownership or operation of the Water System or arising from the Water System, plus deposits to the Water Revenue Fund in such period from amounts on deposit in the Rate Stabilization Fund, but only as and to the extent specified in the 2018 Installment Sale Agreement, less amounts (other than the Initial Rate Stabilization Fund Deposit) transferred to the Rate Stabilization Fund, and also including all income from the investment of any money in the Water Revenue Fund and the Rate Stabilization Fund, but excluding in all cases any proceeds of taxes and any refundable front footage charges and refundable deposits made to establish credit and advances or contributions in aid of construction.

"Operation and Maintenance Costs" means the reasonable and necessary costs paid or incurred by the Agency for maintaining and operating the Water System, determined in accordance with Generally Accepted Accounting Principles, including all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including all administrative costs of the Agency that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the Agency or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the issuance of any Bonds or of such Bonds, or of any resolution authorizing the execution of any Contract or of such Contract, such as compensation, reimbursement and indemnification of the trustee for any such Bonds or Contracts and fees and expenses of Independent Consultants, Insurance Consultants and the Finance Officer, but excluding in all cases (1) depreciation, replacement and obsolescence charges or reserves therefor, (2) amortization of intangibles and intragovernmental transfers by the Agency which are not reimbursements or payments for overhead or other administrative expenses incurred by the Agency, (3) interest expense and (4) amounts paid from other than Water Revenues (including, but not limited to, amounts paid from the proceeds of ad valorem property taxes).

THE OBLIGATION OF THE AGENCY TO MAKE THE INSTALLMENT SALE PAYMENTS UNDER THE INSTALLMENT SALE AGREEMENT IS A SPECIAL OBLIGATION OF THE AGENCY PAYABLE SOLELY FROM THE NET WATER REVENUES AS DESCRIBED HEREIN AND DOES NOT CONSTITUTE A DEBT OF THE AGENCY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Allocation of Water Revenues under the Installment Sale Agreement. Pursuant to the Installment Sale Agreement, the Agency agrees and covenants that all Water Revenues received by it shall be deposited when and as received in trust in the Water Revenue Fund. The Agency shall pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs the payment of which is not then immediately required) from the Water Revenue Fund as they become due and payable, and all remaining money on deposit in the Water Revenue Fund shall be set aside and deposited by the Agency at the following times in the following order of priority:

(a) Debt Service Fund Deposits. On or before the Business Day before each date on which a Installment Sale Payment becomes due and payable under the Installment Sale Agreement, whether on an Installment Sale Payment Date or upon acceleration pursuant to the Installment Sale Agreement, the Agency shall, from the money in the Water Revenue Fund, transfer to the Trustee for deposit in the Debt Service Fund a sum equal to the Installment Sale Payments becoming due and payable under the Installment Sale Agreement on such due date, except that no such deposit need be made to the extent the Trustee then holds money for such purpose in the Debt Service Fund available to pay the Installment Sale Payment becoming due and payable under the Installment Sale Agreement on such date. The Agency shall also, from such remaining moneys in the Water Revenue Fund, pay to the party entitled thereto or transfer or cause to be transferred to any applicable debt service or other payment fund or account for any Parity Obligations, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, on the dates specified in the proceedings relating to such Parity Obligations, the sum or sums required to be paid or deposited in such debt service or other payment fund or account with respect to principal, premium, if any, and interest on Parity Obligations in accordance with the terms of such Parity Obligations.

(b) Debt Service Reserve Fund Deposits. On or before the Business Day before each Installment Sale Payment Date, the Agency shall, from the remaining money on deposit in the Water Revenue Fund

after deposits and transfers pursuant to paragraph (a) above, transfer to the Trustee for deposit in the Debt Service Reserve Fund that sum, if any, necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement and to make any payments required to reimburse any draw under a Debt Service Reserve Account Facility. The Agency shall also, from such remaining moneys in the Water Revenue Fund, transfer or cause to be transferred to any applicable reserve fund or account for any Parity Obligations for which a separate reserve has been funded, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, the sum or sums, if any, equal to the amount required to be deposited therein in accordance with the terms of such Parity Obligations. **No Debt Service Reserve Account within the Debt Service Reserve Fund will be established for the 2023 Bonds.** See also "—Debt Service Reserve Fund."

After making the foregoing deposits and transfers, the Agency shall apply any remaining money in the Water Revenue Fund for any lawful purpose of the Agency, including for the payment of any Subordinate Obligations in accordance with the instruments authorizing such Subordinate Obligations; provided, however, that no moneys in the Water Revenue Fund shall be applied to any purpose not related to the expansion of the facilities or business of the Water System or replacement of facilities thereof, including the payment of any Subordinate Obligations, in any Fiscal Year unless amounts remaining on deposit in the Water Revenue Fund shall be sufficient to make the remaining transfers hereinabove required to be made in such Fiscal Year with respect to Installment Sale Payments and Parity Obligations.

The Agency shall distribute Net Water Revenues available for outstanding Installment Sale Payments and debt service on all outstanding Parity Obligations on a pro rata basis without regard to whether each such Parity Obligations has a funded debt service reserve or a surety bond or other similar funding instrument.

Rate Stabilization Fund. Pursuant to the Installment Sale Agreement, the Agency shall maintain and hold a Rate Stabilization Fund. From time to time the Agency may deposit in the Rate Stabilization Fund from Water Revenues such amounts as the Agency shall determine, provided that deposits for each Fiscal Year may be made until (but not after) 270 days following the end of such Fiscal Year. The Agency may withdraw amounts from the Rate Stabilization Fund only for inclusion in Water Revenues for any Fiscal Year, such withdrawals to be made until (but not after) 270 days after the end of such Fiscal Year. All interest or other earnings upon deposits in a Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Water Revenues.

Rate Covenant

The Agency covenants under the Installment Sale Agreement to at all times fix and prescribe rates, fees and charges for the Water Service which will be at least sufficient to yield Net Water Revenues during the next succeeding Fiscal Year of the Agency equal to 120% of the Debt Service for such Fiscal Year.

The Agency may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but covenants not to reduce the rates, fees, charges then in effect unless the Net Water Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements described in this paragraph.

The Agency further covenants to have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Water System to pay the rates, fees and charges applicable to the Water Service to such premises and providing for the billing thereof and for a due date and delinquency date for each bill. The Agency will not permit any part of the Water System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State of California, and any city, county, district, political subdivision, public corporation or agency of any thereof); provided that the Agency may without charge use the Water Service.

"Water Service" means the municipal water service furnished, made available or provided by the Water System.

Debt Service Reserve Fund

The Trust Agreement provides for the establishment of a Debt Service Reserve Fund and reserve accounts therein, including a Common Debt Service Reserve Account (each, a "Debt Service Reserve Account"), which shall be used solely for the purpose of paying bonds secured by the Debt Service Reserve Accounts. **However, pursuant to the Trust Agreement, no Debt Service Reserve Account within the Debt Service Reserve Fund will be established for the 2023 Bonds.**

Additional Debt

Authority Bonds. Pursuant to the Trust Agreement, the Authority may at any time issue Additional Bonds payable from the Revenues and secured by a pledge of and charge and lien upon the Revenues equal to the pledge, charge and lien securing the Bonds, but only subject to specific conditions, including a condition that such Additional Bonds shall be applied solely for (i) the purpose of financing the completion of the 2018 Water Project or an Additional Project, including payment of all costs incidental to or connected with such financing, and/or (ii) the purpose of refunding any Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding.

Agency Obligations Payable From Net Water Revenues. Pursuant to the Installment Sale Agreement, the Agency may at any time (i) issue any Bonds the payments under and pursuant to which, or (ii) execute any Contract the Installment Sale Payments under and pursuant to which, as the case may be, are payable from the Net Water Revenues on a parity with the payment by the Agency of the Installment Sale Payments as provided in the Installment Sale Agreement; provided, that prior to the issuance of such bonds or the execution and delivery of such contract the Agency shall file a written certificate of the Agency with the Authority and the Trustee to the effect that (defined terms in the following are as defined in the Installment Sale Agreement):

(a) the Agency is in compliance with all agreements and covenants contained in the Installment Sale Agreement; and either

(b) the audited Adjusted Net Water Revenues for the Fiscal Year or for any more recent consecutive 12-month period designated by the Agency next preceding the date of the adoption by the Board of Directors of the Agency of the resolution authorizing the issuance of such Bonds or the execution of such Contract, as the case may be (as evidenced by a calculation prepared by the Agency and confirmed by an Independent Consultant's Report accompanying such written certificate of the Agency) shall be not less than 120% of the Maximum Annual Debt Service on all Bonds and Contracts outstanding after the issuance of such Bonds or the execution of such Contracts, as applicable; or

(c) the projected Adjusted Net Water Revenues for any one of the next three full Fiscal Years (beginning with the full Fiscal Year following the issuance of such Bonds or the execution of such Contract, as the case may be, or, if later, the first full Fiscal Year in which less than 10% of the interest coming due on such Bonds or such Contract is to be paid from the proceeds of such Bonds or Contract), as evidenced by a calculation prepared by the Agency and confirmed by an Independent Consultant's Report accompanying such written certificate of the Agency, are projected to be at least equal to the sum of one hundred twenty percent (120%) of the Maximum Annual Debt Service on all Bonds and Contracts outstanding after the issuance of such Bonds or the execution of such Contract, as the case may be. For purposes of such calculations, Water Revenues shall reflect only rate increases adopted by the Agency Board that would be in effect in such Fiscal Year.

Notwithstanding the foregoing provisions, there shall be no limitations on the ability of the Agency to execute any Contract or to issue any Bonds at any time to refund any outstanding Bonds or any outstanding Contract, or to execute and deliver Reimbursement Agreements.

"Bonds" (as used in this section under "*—Agency Obligations Payable From Net Water Revenues"*) means all revenue bonds of the Agency authorized, executed, issued and delivered by the Agency under and pursuant to applicable law, the interest and principal and redemption premium, if any, payments under and pursuant to which are payable from Net Water Revenues on a parity with the payment of the Installment Sale Payments.

"Contracts" (as used in this section under "*—Agency Obligations Payable From Net Water Revenues"*) means all installment sale agreements, capital leases or similar obligations of the Agency authorized and executed by the Agency under and pursuant to applicable law, the interest and principal and prepayment premium, if any, payments under and pursuant to which are payable from Net Water Revenues on a parity with the payment of the Installment Sale Payments.

"Adjusted Net Water Revenues" means, for any Fiscal Year, Net Water Revenues excluding any deposits to the Water Revenue Fund from the Rate Stabilization Fund with respect to such Fiscal Year.

"Reimbursement Agreement" means an agreement between the Agency and a bank or financial institution providing for the issuance of a letter of credit, credit agreement, guaranty, surety bond or similar instrument for the purpose of making Installment Sale Payments and requiring the Agency to make payments to reimburse or compensate such bank or financial institution for draws under such instruments from Net Water Revenues on a parity with all Contracts and Bonds.

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DEBT SERVICE SCHEDULE

The table below shows annual debt service payments on the Bonds.

	2018 Bonds		*2023 Bonds*		
Year Ending June 30	***Principal***	***Interest***	***Principal***	***Interest***	***Total Bonds Debt Service***
2024	$1,595,000	$2,619,663	$0	$215,963	$4,430,625
2025	1,680,000	2,537,788	420,000	1,429,250	6,067,038
2026	1,770,000	2,451,538	445,000	1,407,625	6,074,163
2027	1,855,000	2,360,913	470,000	1,384,750	6,070,663
2028	1,955,000	2,265,663	495,000	1,360,625	6,076,288
2029	2,055,000	2,165,413	520,000	1,335,250	6,075,663
2030	2,165,000	2,059,913	545,000	1,308,625	6,078,538
2031	2,275,000	1,948,913	575,000	1,280,625	6,079,538
2032	2,395,000	1,832,163	600,000	1,251,250	6,078,413
2033	2,520,000	1,710,438	635,000	1,220,375	6,085,813
2034	2,640,000	1,582,588	665,000	1,187,875	6,075,463
2035	2,765,000	1,461,288	700,000	1,153,750	6,080,038
2036	1,765,000	1,361,863	735,000	1,117,875	4,979,738
2037	1,835,000	1,287,919	775,000	1,080,125	4,978,044
2038	1,905,000	1,220,000	810,000	1,040,500	4,975,500
2039	1,985,000	1,142,200	855,000	998,875	4,981,075
2040	2,065,000	1,061,200	895,000	955,125	4,976,325
2041	2,150,000	976,900	945,000	909,125	4,981,025
2042	2,235,000	889,200	990,000	860,750	4,974,950
2043	2,325,000	798,000	1,045,000	809,875	4,977,875
2044	2,420,000	703,100	1,095,000	756,375	4,974,475
2045	2,535,000	591,325	1,150,000	700,250	4,976,575
2046	2,665,000	461,325	1,210,000	641,250	4,977,575
2047	2,800,000	324,700	1,275,000	579,125	4,978,825
2048	2,945,000	181,075	1,340,000	513,750	4,979,825
2049	3,070,000	53,725	1,410,000	445,000	4,978,725
2050	0	0	1,480,000	372,750	1,852,750
2051	0	0	1,555,000	296,875	1,851,875
2052	0	0	1,635,000	217,125	1,852,125
2053	0	0	1,720,000	133,250	1,853,250
2054	0	0	1,805,000	45,125	1,850,125
	$58,370,000	**$36,048,806**	**$28,795,000**	**$27,009,088**	**$150,222,894**

THE AUTHORITY

The Authority is a joint exercise of powers authority, organized pursuant to the provisions of Article 1, Chapter 5, Division 7, Title I of the California Government Code, commencing with Section 6500, and a Joint Exercise of Powers Agreement, dated as of November 1, 2017, between the Agency and the California Statewide Communities Development Authority. The Authority is a separate entity constituting a public instrumentality of the State of California and was formed for the public purpose of assisting in the financing of public projects.

The Authority is governed by a Board of Directors, which consists of the Board of Directors of the Agency.

THE AGENCY

Organization, Purpose and Powers

The Agency is a dependent special district established under the Alameda County Flood Control and Water Conservation District Act (the "District Act"). The District Act (Act 20 of the Uncodified Acts of the California Water Code) was passed by the state Legislature in 1949. The Agency was established by a vote of the residents of the Livermore-Amador Valley (the "Livermore Valley") area in 1957, with its own independently-elected board to provide local control of integrated water resources. The Agency is responsible for providing wholesale treated (drinking) and untreated (agricultural irrigation) water, flood control and groundwater management throughout eastern Alameda County.

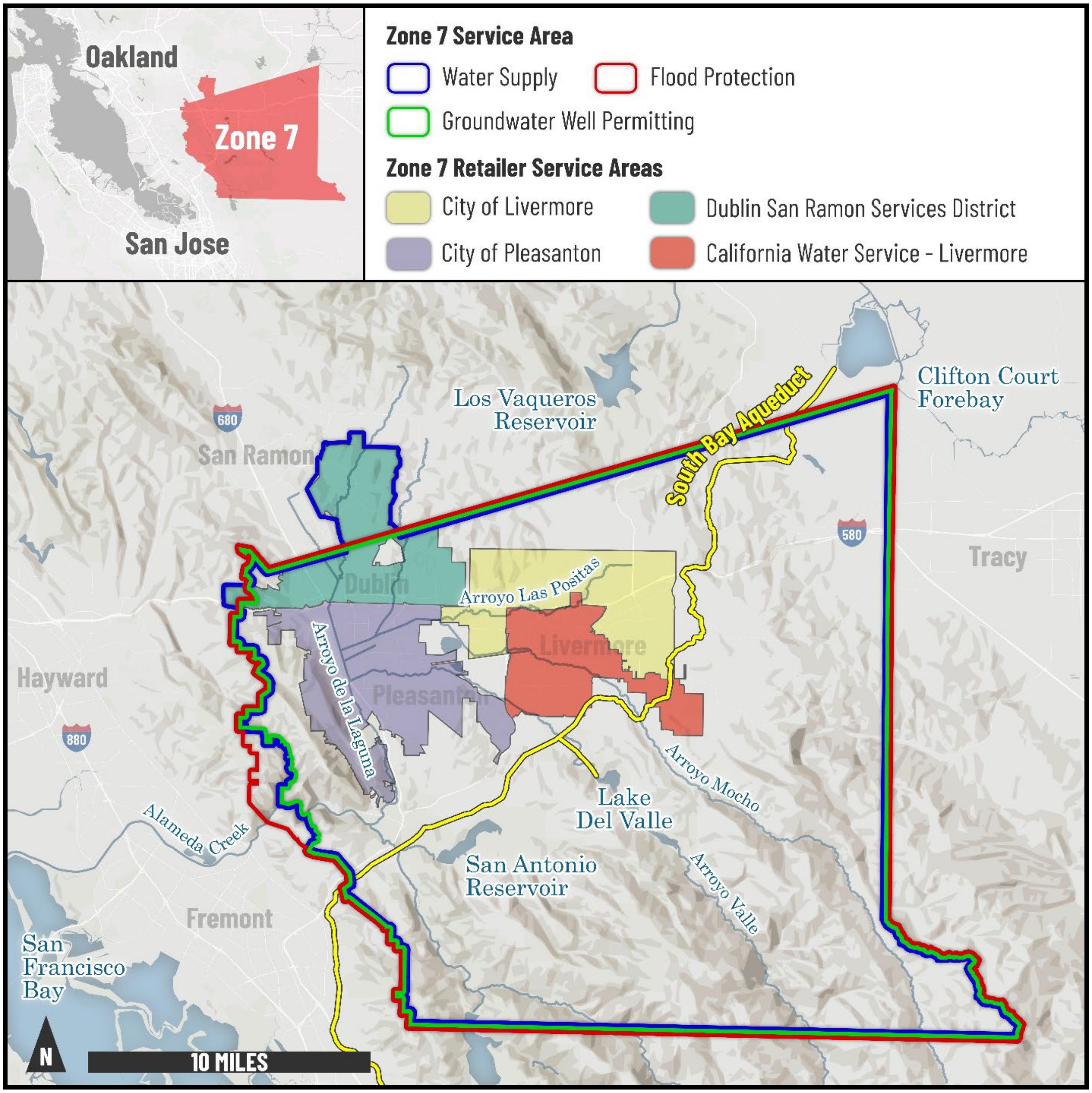
The Agency is further authorized by the District Act to prevent interference with or diminution of, or to declare rights in the natural flow of any stream or surface or subterranean supply of waters used or useful for any purpose of the Agency and to prevent contamination, pollution or otherwise rendering unfit for beneficial use the surface or subsurface water used or useful in the Agency. The Agency has broad powers to finance, construct and operate a system for the transportation, storage, treatment and distribution of water. The Agency is also authorized to levy replenishment assessments upon the production of groundwater from all water-producing facilities, whether public or private, within the Agency's service area.

In 2003, the legislature passed Assembly Bill 1125 and gave the Agency Board full authority and autonomy to govern matters solely affecting the Agency independently of the Alameda County Board of Supervisors. The Alameda County Board of Supervisors, acting as the Board of Supervisors of the Alameda County Flood Control and Water Conservation District (the "District"), governs the other nine zones of the District. The other zones are operationally and financially independent from the Agency.

Service Area

The Agency's service area covers 425 square miles of eastern Alameda County and has an estimated population of approximately 260,000 people. The Agency supplies treated drinking water to retailers serving residents and businesses in Pleasanton, Livermore, Dublin, and through a special agreement with the Dublin San Ramon Services District, the Dougherty Valley area in San Ramon. The Agency also supplies untreated irrigation water to local vineyards, farms, and golf courses, and provides both flood protection and groundwater management to all of eastern Alameda County.

The map below shows the Agency's service area.



Water System

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

The Agency's water supply has two major components: (1) incoming water supplies available through contracts and water rights and (2) accumulated water supplies in storage. Incoming water supplies consist of annually allocated imported surface water supply and local surface water runoff. Accumulated or "banked" water supplies are available in local and non-local storage locations.

Three of the Agency's retailers—DSRSD, Livermore, and Pleasanton—also produce and/or supply recycled water to their service areas. Cal Water pumps groundwater directly in addition to the water supply provided by the Agency. Pleasanton has suspended its groundwater pumping due to heightened levels of PFAS contaminants present in the City's groundwater supply facilities. The City of Pleasanton has been purchasing additional water supply from the Agency to replace its annual groundwater pumping quota until further notice. DSRSD has a contract with the Agency to pump groundwater on its behalf.

On an annual average basis, the Agency's water supply consists of 80% imported surface water, 10% previously-imported supplies stored in the local groundwater basin, and 10% locally captured watershed runoff. Most of the imported and previously-imported supplies are from purchased water from the State Water Project—the nation's largest publicly-built water storage and conveyance system serving 27 million people throughout California. See "STATE WATER PROJECT."

Other Agency Operations

In addition to the Agency's water operations, the Agency also undertakes flood protection and other activities, as described below. These operations are financially independent from the Water System, and are funded from other sources of funding for the Agency, which do not constitute Water Revenues, and are not pledged to payment of the Bonds or the Installment Sale Payments. Following is a description of certain of the Agency's other operations.

<u>Flood Protection</u>. The Agency owns and maintains 37 miles of local flood protection channels, about a third of all the Livermore Valley's channels and creeks. The remaining channels are owned either privately or by other public agencies, which are responsible for repairs and maintenance. Funding for flood protection is derived from two different revenue sources and are accounted for separate from the Water Enterprise Funds. The County levies a 1% property tax on behalf of all taxing agencies in Alameda County. Under applicable law, the Agency uses its portion of the 1% property tax for flood protection operations. In order to ensure Zone 7 is able to meet future needs for expansion-related flood control facilities, the Agency established the Flood Protection Development Impact Fee Fund. The primary source of revenue for this fund is Storm Water Drainage Development Impact Fees, currently assessed at $1.00 per square foot of new impervious area. This fee was established in 2009 pursuant to Ordinance 2009-01.

Flood protection revenues do not constitute Water Revenues and are not pledged to payment of the Bonds or the Installment Sale Payments. See "AGENCY REVENUE DERIVED FROM PROPERTY TAXES NOT PLEDGED TO BONDS."

The Livermore Valley's flood-protection system begins at city-owned storm drains on local streets. Storm water flows through underground pipelines into creeks or man-made channels feeding into Arroyo Mocho, Arroyo las Positas and Arroyo del Valle. These larger channels converge with Arroyo de la Laguna, which ultimately drains into San Francisco Bay through Alameda Creek. In addition to flood protection, the channels also have recreational benefits and protect natural habitat.

To ensure that its flood-protection channels are ready for the next big storm, the Agency conducts routine maintenance such as inspections, embankment and drain structure repairs, vegetation management, silt removal and pest control.

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

Watershed and Environment. The Agency undertakes various activities to protect and enhance the local watershed, local drinking-water supplies, and the flood-protection system, including the following: development of flood and watershed management plans, public education, community engagement events, and partnerships with other organizations. The Agency is a participant in a multi-agency partnership (Living Arroyos) designed to enhance and maintain the urban streams and streamside habitats of the Livermore-Amador Valley, while continuing to protect drinking water supplies and prevent flooding.

Board of Directors and Management

Board of Directors. The Agency Board is composed of seven members (each, a "Director"). Members of the Agency's Board of Directors are elected every two years in June of even-numbered years. The office is non-partisan and the seven directors serve "at-large," meaning they represent all customers within the Agency's boundaries rather than geographic sub-areas. Their four-year terms are staggered, with four terms expiring in one even-numbered year and with the other three terms expiring the following even-numbered year. The current Directors are:

Sands Figuers, President -- Term Expires June 30, 2024. Mr. Figuers is a Livermore resident and groundwater geologist. He previously served on the Agency Board for 12 years in the late 1980s, and once again starting in 2008.

Dennis Gambs, Vice President -- Term expires June 30, 2026. Mr. Gambs is a Livermore resident, Civil Engineer and former water resources manager at Zone 7. He has served on the Agency Board since 2018.

Dawn Benson, Member -- Term Expires June 30, 2026. Ms. Benson is a Dublin resident, small business owner and water agency professional in customer services, administrative and financial management. She has served on the Agency Board since 2022.

Laurene Green, Member -- Term expires June 30, 2024. Ms. Green is a Pleasanton resident with a B.S. in Geology and an M.S. in Civil Engineering. Her career includes working in the environmental and energy fields in the U.S. and abroad. She has served on the Agency Board since 2020.

Kathy Narum, Member -- Term expires on June 30, 2024. Ms. Narum is a Pleasanton resident with a BS in chemical engineering, currently managing family commercial property business located in Iowa with prior service on the Pleasanton City Council. She has served on the Agency Board since 2023.

Sarah Palmer, Member -- Term Expires June 30, 2026. Ms. Palmer is a Livermore resident with a Ph. D. in biochemistry, she is a retired science teacher, and has worked in cancer research at UC Berkeley, as well as in the medical diagnostics industry. She has served on the Agency Board since 2006.

Angela Ramirez Holmes, Member -- Term Expires June 30, 2024. Ms. Ramirez Holmes is a Pleasanton resident, and a political consultant who has served on the Agency Board since 2012.

Management. The Agency is headed by a General Manager, Assistant General Manager, Engineering and Operations, Treasurer/Assistant General Manager – Finance, and Agency Counsel.

Valerie Pryor, General Manager. Ms. Pryor became the Zone 7 Water Agency General Manager effective April 22, 2018. Prior to joining Zone 7, she was the Assistant General Manager for Santa Clarita Valley Water Agency from 2017 and was the Administrative Service Manager for the Santa Clarita Valley Water Agency and also served as Chief Financial Officer and Treasurer since 2003. Prior to working with Santa Clarita Valley Water Agency, Ms. Pryor worked for the City of Los Angeles, as the head of Administrative Services for the Department of Transportation. She also worked for the City of Los Angeles City Administrative Officer, performing budget and policy analysis for a number of City of Los Angeles departments.

Ms. Pryor holds a Master of Arts in Urban Planning and a Bachelor of Arts in Geography from the University of California at Los Angeles as well as a post-graduate Diploma in Economics from Bristol University, England. She is a Director for the Delta Conveyance Finance Authority, is the Chair of the Sites Reservoir Committee, and serves on the Board of California Urban Water Agencies.

Osborn Solitei, Treasurer/Assistant General Manager – Finance. Mr. Solitei joined the Agency as Assistant General Manager, Finance in August 2015. Mr. Solitei's experience spans nearly 25 years in a wide range of areas including: finance and budgets, accounting, economic development, technology, auditing, capital projects and administration. Prior to joining the Agency, Mr. Solitei was with the City of Oakland from 2005 to 2015 serving in various capacities including as Director of Finance/Controller. As the Assistant General Manager, Finance, Mr. Solitei serves as the Treasurer for the Agency and is also responsible for managing human resources administration, labor relations, municipal finance and budget development, information technology and retailers engagement.

Mr. Solitei holds a Master of Business Administration, Finance and a Bachelor of Science degree in Business Administration and Finance from California State University, East Bay. He currently serves as an alternate on the Board of California Urban Water Agencies and is a member of the Government Finance Officers Association, California Society of Municipal Finance Officers and the Association of California Water Agencies**.**

Mr. Jarnail Chahal, Acting Assistant General Manager - Engineering and Operations. Mr. Chahal has been the Agency's Engineering Manager since July 2011, and was appointed to Acting Assistant General Manager of Engineering and Operations in July 2023. Mr. Chahal has a long career with the Agency starting in September 1990 as a Junior Engineer and progressing to Assistant Engineer, Associate Engineer, Senior Engineer, and Principal Engineer for the Water Supply Engineering Section. During his tenure at the Agency, Mr. Chahal has successfully led capital improvement plans related to water systems, water resources and groundwater basin management.

Mr. Chahal holds a Master of Science degree in Civil Engineering with a Water Resources focus from San Jose State University and a Bachelor of Science degree in Civil Engineering from Punjab University in India.

Employee Relations

As of July 1, 2023, the Agency has 130 full-time authorized positions, which includes unrepresented management positions and positions represented by the following four (4) labor organizations:

Northern California Public Sector Region Local 1021 of the Service Employees International Union, CTW ("SEIU Local 1021"), represents positions in the Administrative Services, Engineering, Office of the General Manager, Operations, and Water Resources departments. Most benefits and conditions of employment are covered by a memorandum of understanding ("MOU") between SEIU Local 1021 and the County of Alameda for the period of December 11, 2022 – January 3, 2026. Wages and ancillary benefits are covered by an MOU between SEIU Local 1021 and Zone 7 Water Agency for the period of June 26, 2022 – June 21, 2025.

Alameda County Management Employees Association, General Government and Confidential Units ("ACMEA"), represents positions in the Administrative Services, Engineering, Office of the General Manager, Operations, and Water Resources departments. Most benefits and conditions of employment are covered by an MOU between ACMEA and Alameda County for the period of April 9, 2017 – June 25, 2022 (a successor MOU is currently being negotiated). Wages and ancillary benefits are covered by an MOU between ACMEA and Zone 7 Water Agency for the period of June 26, 2022 – June 21, 2025.

International Federation of Professional and Technical Engineers, Local 21, Unit 60 ("IFPTE Local 21"), represents positions in the Engineering and Water Resources departments. Most benefits and conditions of employment are covered by an MOU between IFPTE Local 21 and the County of Alameda for the period of June 4, 2017 – November 12, 2022 (a successor MOU is currently being negotiated). Wages and ancillary benefits covered by an MOU between IFPTE Local 21 and Zone 7 Water Agency for the period of June 26, 2022 - June 21, 2025.

Alameda County Building and Construction Trades Council ("Building Trades"), represents positions in the Maintenance and Safety department with benefits and conditions of employment covered by a MOU between Building Trades and Alameda County for the period of July 29, 2018 – October 1, 2022 (a successor MOU is currently being negotiated). Wages and ancillary benefits are covered by a MOU between Building Trades and Zone 7 Water Agency for the period of June 26, 2022 which expires June 21, 2025.

Insurance

The Agency maintains liability and property insurance through the Association of California Water Agencies Joint Powers Insurance Authority ("ACWA-JPIA"). As of June 30, 2023, the Agency's participation in the self-insurance programs of ACWA-JPIA is as follows:

The property program includes coverage to scheduled property, such as buildings, fixed equipment, content, vehicles and mobile equipment, against physical damage and by named perils, including fire, earthquake and flood. The property program is made up of $10,000,000 per occurrence pooled self-insured coverage from ACWA-JPIA and up to $500,000,000 per occurrence limit from purchased re-insurance carriers. There is a $25,000 property insurance deductible for buildings and personal property, $5,000 deductible for mobile equipment, $2,500 deductible for licensed vehicles/trailers. There is a deductible range of $25,000 to $50,000 for boiler and machinery dependent on type of equipment, 5% deductible of TIV earthquake with limit up to $2.5 million, and $100,000 deductible for flood with limit range of $10 million limits up to $25 million.

The Agency maintains general, automobile, employment practices and public official's' liability insurance, including coverage against third-party claims for the Agency, its directors, employees and volunteers. Coverage includes the following limits: the JPIA pools for the first $5 million and purchases excess coverage with limit up to $55 million with aggregated policy limits.

The Agency's participation in the ACWA JPIA liability program gives it a separate coverage for cyber liability with limits of $3,000,000 per claim and $5,000,000 aggregate, with the deductible ranging from $10,000 to $50,000 depending on the Agency's reported total insured values.

The Agency's participation in ACWA JPIA's crime program covers up to $100,000 per loss with a $1,000 deductible for employee dishonesty, forgery or alteration and computer fraud through ACWA-JPIA. This program covers all employees and the Board. The Agency also participates in ACWA JPIA's excess crime program that provides $3,000,000 aggregate coverage in excess of the crime program with a $100,000 deductible.

The Agency also purchases an environmental pollution liability policy facilitated by the ACWA JPIA that provides $10,000,000 for pollution conditions or indoor environmental conditions, transportation, and non-owned disposal site coverage.

The Agency is self-insured for worker's compensation claims under the County of Alameda self-insurance/ excess insurance program. The County is a member of the California State Association-Excess Insurance Authority (CSAC-EIA), a California Counties Joint Powers Authority whose purpose is to develop and fund programs of excess and primary insurance for its member counties. For more information with respect to the Agency's insurance coverages, see Note 10 to the Financial Statements set forth in Appendix A hereto.

Budgeting Process

The Agency's budget for each fiscal year is required to be adopted by June 30 of the year prior to such fiscal year. The 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 governing Assistant General Managers for analysis and consideration. Assistant General Managers review and propose their respective draft budgets to the General Manager, who considers Agency priorities and strategic goals, overall impact, and final direction on the proposed budget. The vetted budget draft is then presented to the Agency Board for review and adoption prior to June 30. The current two-year budget was adopted on June 15, 2022. A mid-cycle budget amendment for Fiscal Year 2023-24 was adopted on June 21, 2023.

The budget is a management tool intended to aid in the planning efforts of the Agency and to serve to guide 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 Agency Board and the public. All budget transfers are documented and tracked in the Agency's computerized financial system.

Once the budget is approved by the Agency Board, staff implements and manages operations in accordance with the approved budget. Each section supervisor is accountable for their respective budget performance which is also monitored by finance staff and executive management. Quarterly reports produced by finance staff are provided to the Agency Board updating them on the agency's expenditure of public funds.

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

In addition, the budget provides the annual authorization for positions, employee pay and benefits. Staff reports the status of expenditures and revenues compared to the budget each quarter.

AGENCY FACILITIES

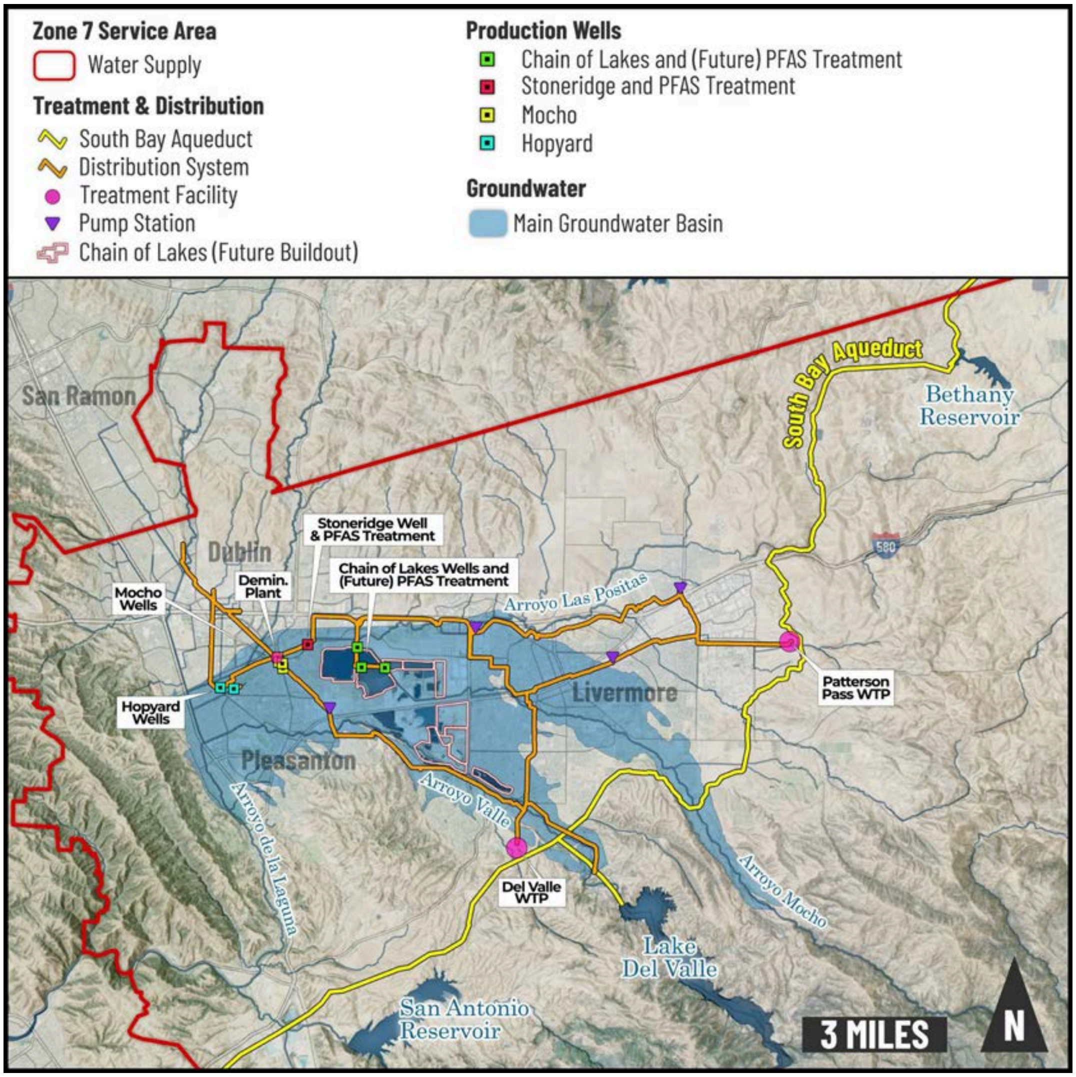
The Agency owns and operates two drinking surface water treatment plants (each, a "WTP"): Del Valle WTP and Patterson Pass WTP. The Agency treats surface water imported from outside the Livermore Valley, along with runoff collected in Del Valle Reservoir, at one of the WTPs to make it ready for drinking before distribution. The WTPs are strategically located in the eastern and southern portions of the Livermore Valley because the elevation is higher and gravity helps distribute the water to customers without high pumping costs; in addition, surface water enters the water system in those locations.

The Agency owns and operates ten municipal supply wells located in four wellfields which access the Main Basin (most productive portion of the local groundwater basin). The wells are used for meeting peak hourly and seasonal demands and to meet demands when imported surface water supplies are not sufficient due to drought or other raw water conveyance facility outages. During dry years, the wells pump more groundwater as needed. Imported water recharged to the groundwater basin is filtered through the soils over a very long travel time before being pumped and delivered to customers.

The Agency owns and operates a reverse osmosis membrane-based demineralization facility (Mocho Groundwater Demineralization Plant) designed to improve delivered water quality (i.e., make it less hard) and mitigate salt build-up in the groundwater basin.

A map of the Agency's facilities is below.

Zone 7 Major Water System Facilities



Agency Treatment Facilities

The following table contains certain information relating to the Agency's treatment facilities.

TABLE 1
Treatment Facilities

Facility	Location	Rated Capacity
Del Valle Water Treatment Plant[(1)]	Southern Livermore	40 million gallons per day ("MGD")
Patterson Pass Water Treatment Plant[(1)]	Eastern Livermore	24 MGD
Mocho Groundwater Demineralization Plant[(1)]	Northern Pleasanton	6 MGD of demineralized groundwater, blended with other water supplies for delivery to retailers
Stoneridge Well PFAS Treatment Facility	Northern Pleasanton	6.6 MGD

(1) The total combined average production of these three facilities is 24.6 MGD, based on calendar year 2020 operations and assuming facility is available 365 days.

Surface Water Treatment Plants. The Agency operates two water treatment plants: the Del Valle Water Treatment Plant and the Patterson Pass Water Treatment Plant.

Del Valle Water Treatment Plant ("DVWTP"). The DVWTP is located along the South Bay Aqueduct, just south of Lake Del Valle, and has a rated capacity of 40 MGD. It can receive water either directly from the South Bay Aqueduct or from Lake Del Valle. The treatment processes include ozone treatment, coagulation, flocculation, clarification, filtration, and chlorine disinfection. In addition, chloramine is added to maintain a disinfectant residual in the distribution system.

The DVWTP Ozonation Project was completed in 2020. The project added ozone treatment to improve treated water quality (including taste and odor), plant processes, and production reliability. The project also rehabilitated the plant's eight filters, replaced chemical systems, and installed a new plant emergency power generator to improve system reliability and reduce future, untimely, expensive repairs. The project also included a new power service with the Power and Water Resources Pooling Authority (PWRPA) to provide better power purchase pricing.

Patterson Pass Water Treatment Plant ("PPWTP"). The PPWTP is located along the South Bay Aqueduct, just south of Interstate 580, and has a rated capacity of 24 MGD. Because PPWTP is upstream of Lake Del Valle, it is not able to physically receive water from this water supply source. There is a small 30 million gallons ("MG") raw water reservoir onsite owned and operated by the Department of Water Resources ("DWR"). The treatment processes include ozone treatment, coagulation, flocculation, clarification, filtration, and chlorine disinfection. In addition, chloramine is used to maintain a disinfectant residual in the distribution system.

The PPWTP Upgrades Project was constructed concurrently with the PPWTP Ozone Project. The facilities were largely complete and operational in 2022, with remaining work being completed in 2023. The PPWTP Ozone Project added ozone treatment to improved treated water quality and production reliability. The PPWTP Upgrades Project included construction of a new nominal 12 MGD media filtration system to provide additional capacity and replace the 7 MGD ultrafiltration plant membrane system, increasing the plant's rated capacity to 24 MGD. The additional capacity provides production redundancy in case of DVWTP shutdowns. The PPWTP Upgrades Project also included construction of a new above-ground steel treated water storage tank with 5 MG of usable storage to provide operational flexibility and meet daily peaking demands. The project also replaced or upgraded many major plant components that were reaching the end of their useful lives, which improved plant reliability and reduces untimely and expensive future repair costs. Although the project is substantially complete and all the upgraded facilities are online, several punch list items need to be completed before achieving final completion.

Mocho Groundwater Demineralization Plant

The Mocho Groundwater Demineralization Plant, located at the Mocho wellfield, is a reverse osmosis membrane-based demineralization facility designed to improve delivered water quality and mitigate salt build-up in the groundwater basin. Construction of this facility, which can produce up to 6 MGD of demineralized water, was completed in 2009. Under normal operation, 20 percent of the influent to the Mocho Groundwater Demineralization Plant is lost through brine disposal.

Stoneridge Well PFAS Treatment Facility

The Agency recently upgraded the Stoneridge Well Facility to add state-of-the art Ion Exchange Treatment. This new water treatment system, the first installed in Northern California, will remove PFAS found in the groundwater pumped at Stoneridge Well to below detection level, and has a capacity of 6.6 million gallons per day. Stoneridge is one of two well sites where PFAS were detected above the State Water Resources Control Board's drinking water response levels that did not have existing treatment options. Stoneridge Well was temporarily taken out of service in October 2022 while treatment facilities were constructed to address PFAS removal. The facility was constructed in just under one year, and achieved functional completion (i.e., facility online and treating for PFAS) in September 2023. Full completion of the project is anticipated in early 2024.

Wells

The Agency owns and operates ten municipal supply wells located in four wellfields. The Hopyard, Mocho, Stoneridge, and Chain of Lakes wellfields are situated in the west side of the service area. Their rated capacities are summarized in the table below. The total combined pumping capacity of all wells is approximately 45.6 MGD. Of the total pumping capacity, 10.8 MGD is intended primarily for use in emergency and drought conditions. Therefore, total groundwater pumping capacity under normal operating conditions is approximately 34.8 MGD. As of September 2023, four wells are offline due to the detection of PFAS, leaving six wells operational. The total groundwater pumping capacity of the six operational wells is up to 31.1 MGD or approximately 68% of total groundwater supply capacity. See "WATER SUPPLY - Quality of the Agency's Water- PFAS" herein.

TABLE 2
Groundwater Extraction Wells and Capacities

Facility	Rated Capacity	
	GPM(2)	**MGD**
Hopyard 6	3,500	5.0
Hopyard 9	1,150	1.7
Mocho 1(1)	2,600	3.7
Mocho 2(1)	2,500	3.6
Mocho 3(1)	4,500	6.5
Mocho 4(1)	4,500	6.5
Stoneridge	5,400	7.8
Chain of Lakes 1	2,500	3.6
Chain of Lakes 2	3,500	5.0
Chain of Lakes 5	1,500	2.2
TOTAL(3)	31,650	45.6

(1) Note that there is lower net water production due to brine concentrate losses when the demineralization facility is operating.
(2) GPM refers to Gallons per Minute
(3) The total combined average production of these ten wells is 10.4 MGD, based on calendar year 2020 operations and assuming facility is available 365 days.

Storage and Transmission System

The Agency has five treated water storage reservoirs within the system: Dougherty Reservoir (which is a joint use facility with DSRSD), DVWTP Clearwells 1 and 2, PPWTP Clearwell, and PPWTP Finished Water Tank. These five facilities provide a total storage volume of approximately 18.5 MG.

The Agency's transmission system consists of approximately 35 miles of pipeline ranging from 12 to 42 inches in diameter and three treated water booster pump stations. Elevations across the transmission system range from 600 to 680 feet above mean sea level on the eastern side of the service area, to approximately 330 feet above mean sea level on the western side of the service area.

Local Storage

The Agency has three options for local storage: Lake Del Valle, the Main Basin, and, in the future, Chain of Lakes.

Lake Del Valle is used to store runoff from the Arroyo Valle watershed and also to store imported surface water deliveries from the State Water Project.

The Main Basin is used conjunctively and is artificially recharged with State Water Project water and local runoff. The Agency typically relies on the operational storage capacity of 126,000 acre feet ("AF"), with a typical recharge and extraction rate of about 9,200 AF per year. Lake Del Valle and the Main Basin are further described under "WATER SUPPLY."

The Chain of Lakes is a series of former or active gravel quarry pits located in the heart of the Livermore-Amador Valley. The Chain of Lakes will ultimately consist of ten lakes named Lakes A through I and Cope Lake, connected through a series of conduits. The Agency currently owns Lake I and Cope Lake and expects Lakes A and H to be dedicated to the Agency within the next few years once reclamation is completed. The remaining lakes (B through G) will be transitioned to the Agency over the next decades, likely through 2060. The Chain of Lakes will ultimately cover approximately 1,500 acres and have 150,000 AF of total storage volume; 31,000 AF is estimated to be available for operational storage.

Envisioned as a large facility to be used for water management and related purposes by the Agency, use of the Chain of Lakes will include surface storage of local runoff, State Water Project water, other potential future sources of surface water, stormwater, and, possibly, advance purified water. With the surface water storage capability, the key functions of the Chain of Lakes are to facilitate increased recharge of the Main Basin and to allow the Agency to perfect its water right on the Arroyo Valle, thereby increasing future yields from this local supply. Lake I is currently planned to be the key recharge lake. The Agency is studying the possibility of installing a system to convey water from the SBA to Lake I and back. This will augment the Agency's storage capacity and recoverability to bolster its drought resiliency. Water from Del Valle Watershed can also be stored and recovered via this conveyance system as available. In the future, it is possible that advance purified water may be available as water supply and used to augment Zone 7's portfolio. Recovered water would be blended with other sources prior to conventional treatment and conveyed using the system described above.

The main uncertainties or risks regarding the Agency's ability to use all of the remaining lakes within the Chain of Lakes area for water management are the timing of property transfer of the lakes to the Agency and the final physical lake configurations at reclamation (e.g., depth, areal extent). The agreements between the Agency and individual quarry operators require the property transfer, at no cost to the Agency, but do not specify a certain date, rather a timeframe when quarry reclamation is complete. Nor do the agreements specify storage volume requirements for the lakes. The Agency has no control over specific quarry mining operations, which are largely determined by gravel pricing and demand, and overseen by Alameda County. The Agency works closely with quarry operators and Alameda County to evaluate changes in mining and reclamation that may impact future use.

Seismic Considerations

In 1994, the Agency conducted a water system reliability assessment to provide an assessment of how the water system may respond under various earthquake conditions. The assessment examined several scenario earthquakes on different faults of varying magnitude, and identified and recommended facility upgrades that would improve the seismic reliability of the water system. An additional study was completed in 1996 to evaluate and further develop the seismic upgrades proposed in the earlier report and to prepare a preliminary design report for the recommended upgrades.

Most of the recommended improvements for DVWTP, PPWTP, the groundwater wells, and the distribution system have been completed. Additionally, the DVWTP Ozone Project replaced some older facilities at DVWTP. For some facilities, the storage of spare parts and other preparatory work for post-earthquake repairs were recommended in lieu of pre-earthquake upgrades as such facilities could be restored within a reasonable time. Some of the recommended improvements at PPWTP were initially deferred because the improvements were planned to be a part of the PPWTP Upgrade and Ozone Project. These projects eliminated the need for seismic upgrades to most of the existing facilities at PPWTP and allowed other existing facilities at the plant to be taken offline for seismic upgrades following project completion.

The Agency proactively assesses its facilities and regularly updates renewal/replacement and system-wide improvement needs through the Capital Improvement Plan. Since 1996, additional groundwater production wells have been constructed to provide more water production reliability. Also, in 2009, the Agency completed approximately 5.6 miles of 42-inch diameter welded steel pipeline, which provides a pipeline loop in the distribution system. Most of the Agency's distribution system is now looped for increased operational flexibility to provide water using either groundwater wells or treatment plants, or a combination of these water production facilities.

Energy Master Plan

In accordance with the 2020 Strategic Plan, Zone 7 is developing an Energy Master Plan. The Plan will form the Agency's energy strategy. It will include a baseline energy assessment of facilities and operations, the development and adoption of an energy policy by the Board of Directors, and the development of a project evaluation and screening framework to identify and prioritize energy-related investments. The Agency will leverage the Plan to invest in projects and programs that optimize its energy use portfolio, energy resilience, and carbon footprint.

Other ongoing energy planning efforts include the design and construction of electric vehicle charging equipment at Zone 7 facilities and offices. The equipment will support the electrification of the Agency's vehicle fleet in accordance with state regulations that will require purchase of only zero-emission vehicles by 2035. The electric vehicle chargers will also provide access to charging equipment for visitors and employees at Agency offices.

WATER SUPPLY

Overview

Existing Supplies. Each year, the Agency's incoming water supplies are primarily comprised of State Water Project water in the form of the Table A allocation (as specified in the Agency's contract with DWR relating to the State Water Project (the "State Water Supply Contract")) and local surface water from the Arroyo Valle watershed captured in Lake Del Valle. Other minor sources of incoming supplies may include the State Water Project Article 56 (carryover water) and Article 21 (surplus water) supplies. Water from the Yuba Accord and the Dry Year Transfer Program is also available during dry years. These are all surface water supplies, delivered to the Agency service area via the State Water Project's South Bay Aqueduct ("SBA"). Summary information is presented below. Additional information concerning these supplies is presented later in this section.

Incoming Supplies:

Imported Supplies:	*State Water Project – Table A:* Table A amount of 80,619 AF, average of 44,300 AF per year; additional minor amounts available from Article 21 (surplus) during wet years Article 56 (carryover water) and Yuba Accord water is available during dry years.
	Dry Year and Other Transfers/Exchanges: Zone 7 conducts water transfers and exchanges to meet supplemental water supply needs. Zone 7 purchases water supply from willing sellers, when available, and is also open for exchanges.
Local Surface Water:	Arroyo Valle: Runoff during the year captured in Lake Del Valle, average of 7,300 AF per year

Imported Supplies: State Water Project

Purchased water from the State Water Project—the nation's largest publicly-built water storage and conveyance system serving over 27 million people throughout California—is the Agency's largest water source, providing approximately 90% of the treated water supplied by the Agency to its customers on an annual average basis. See "STATE WATER PROJECT" for a description of the State Water Project.

Local Surface Water: Arroyo Valle

The Agency, along with the Alameda County Water District ("ACWD"), has a water right to divert flows from Arroyo Valle. Runoff from the Arroyo Valle watershed above Lake Del Valle is stored in the lake, which is managed by DWR as part of the State Water Project. Lake Del Valle stores imported surface water deliveries from the State Water Project and serves a flood control function, as well as a recreational one. In late fall, DWR typically lowers lake levels in anticipation of runoff from winter storm events. Water supply in Lake Del Valle is made available to the Agency via the South Bay Aqueduct through operating agreements with DWR. Arroyo Valle inflows to Lake Del Valle, after accounting for permit conditions, are equally divided between ACWD and the Agency. During major storm events, the Agency is also able to access released stormwater from the lake directly at the WTPs.

On an average annual basis, imported surface water (e.g., State Water Project Table A, State Water Project Carryover) directly provides 80% of the water that the Agency supplies, previously-imported water stored in the local groundwater basin provides 10%, and locally captured Arroyo Valle runoff provides 10%.

To meet demands during dry years and emergencies (e.g., Sacramento-San Joaquin Delta pumping restrictions, SBA outage), the Agency places excess water supplies in storage both locally and outside its service area. Water is stored in the Livermore-Amador Valley Groundwater Basin (the Main Basin is the most productive portion of the basin) through artificial recharge when excess surface water is available from either the State Water Project or from Arroyo Valle runoff. State Water Project Table A water in excess of demand is also "carried over" (i.e., stored in State Water Project facilities, such as the San Luis Reservoir, as State Water Project Carryover) or transferred to offsite storage in Kern County groundwater banks as described below. Arroyo Valle runoff is captured and stored in Lake Del Valle for use during the following year. While the groundwater banks are treated as long-term storage (i.e., typically only accessed during dry years), State Water Project Carryover and Arroyo Valle runoff are typically only carried over from one year to the next. The Main Basin is used both for normal operations (to meet peak hourly demands and seasonal demands) and for long-term storage.

Supplies In Storage

State Water Project Carryover:	Typically target 7,000-10,000 AF; as of July 2023: Up to 22,000 AF (unused Table A).
Lake Del Valle:	Varies depending on hydrology up to about 7,500 AF; as of July 2023: 5,000 AF.
Main Basin	Water artificially recharged by the Agency into the local groundwater basin using imported and local supplies with total capacity of 254,000 AF; emergency storage capacity: 128,000 AF; operational storage capacity: 126,000 AF; storage as of July 2023: 230,000 AF.
Kern County Groundwater Banks:	Agreements with Semitropic Water Storage District and Cawelo Water District provides 198,000 AF of storage capacity; storage as of July 2023: 93,200 AF.

During dry years, water from storage—a combination of surface water and groundwater—is used to supplement that year's incoming water supplies to meet demands. Water from the Kern County groundwater banks, State Water Project Carryover, Lake Del Valle, and locally stored groundwater are used to supplement incoming dry year supplies such as dry year transfers and Yuba Accord.

Storage: State Water Project Carryover

Through the Agency's State Water Supply Contract, the Agency is able to store unused Table A water as "carryover" water from one year to the next in the SWP's San Luis Reservoir, when there is storage capacity available. The Agency typically targets 10,000 AF of SWP carryover every year.

Storage: Lake Del Valle – Arroyo Valle Carryover

As described under "Local Surface Water: Arroyo Valle,", the Agency stores Arroyo Valle runoff in Lake Del Valle through an agreement with DWR. The Agency can store up to about 7,500 AF of its share of Arroyo Valle runoff in the lake. The runoff collected in any given year is required to be delivered to the Agency by the end of the following year. This stored water is referred to as "Arroyo Valle Carryover."

Storage: Local Groundwater Basin and Recharge Facilities

The Agency overlies the Livermore Valley Groundwater Basin, which extends from the Pleasanton Ridge east to the Altamont Hills and from the Livermore Uplands north to the Tassajara Uplands. The portion of the Livermore Valley Groundwater Basin that contains high-yielding aquifers and good quality groundwater is called the "Main Basin," which is composed of the Castle, Bernal, Amador, and Mocho II sub-basins.

The Main Basin has an estimated storage capacity of 254,000 acre-feet and receives an annual average natural recharge of approximately 13,400 AFA through percolation of rainfall, natural stream flow, and irrigation waters, and inflow of subsurface waters. This natural recharge is considered the long-term natural sustainable yield of the Main Basin, or the amount that can be pumped without lowering the long-term average groundwater volume in storage. The long-term natural sustainable yield is based on over a century of hydrologic records and projections of future recharge conditions.

The Agency uses the Main Basin as a storage facility and not a source of long-term water supply because the Agency only pumps groundwater it has artificially recharged using its surface water supplies. Natural recharge is allocated to users pre-dating the formation of the Agency. As the groundwater basin manager, the Agency's policy is to maintain groundwater levels above historical lows in the Main Basin through artificial recharge operations. State Water Project water or runoff from Arroyo Valle (stored in and released from Lake Del Valle) is used to recharge the Main Basin by releasing water from turnouts along the South Bay Aqueduct and the Del Valle Branch Pipeline into the Arroyo Mocho, Arroyo Valle, and Arroyo Las Positas for percolation down to the aquifers. The streams' total recharge capacity varies depending on hydrologic conditions, with higher recharge capacities occurring during dry years and following wet winters.

In the 2014 California Sustainable Groundwater Management Act ("SGMA"), the Agency was designated as the exclusive Groundwater Sustainability Agency ("GSA") in this area since it has been actively managing the local groundwater basin since 1962. Through continued coordination with other local agencies in the region and neighboring groundwater basins or subbasins, the Agency will continue to manage groundwater for the entire portion of the Livermore Valley groundwater basin that is within the Agency's service area as well as a small portion of Contra Costa County that is within the Agency water distribution area. The Agency continues to implement the Alternative Groundwater Management Plan it submitted in 2016, and updated in 2021, in compliance with SGMA to continue to responsibly and sustainably manage groundwater resources. On June 21, 2017, the Agency Board adopted the Sustainable Groundwater Management Ordinance (the "Sustainable Groundwater Management Ordinance"). The Sustainable Groundwater Management Ordinance was created to enhance existing sustainable management programs for the local groundwater basin.

The Sustainable Groundwater Management Ordinance also includes provisions that allow the Agency to continue to collect groundwater monitoring information from everyone, including public water agencies, that extracts groundwater within the Agency's service area for the purposes of monitoring the existing condition of groundwater resources within the service area, determining trends or developing effective sustainable groundwater management plans and policies.

Storage: Kern County Groundwater Banking Programs

The Agency participates in two groundwater banking programs (Semitropic Water Storage District and Cawelo Water District) located in Kern County. During normal or wet years, the Agency can send excess water to Kern County via the California Aqueduct for storage. However, the Agency must use exchanges with other State Water Project contractors located south of Kern County (e.g., Metropolitan Water District) to recover previously stored water supplies during times of need (e.g., drought) because the Agency's location is upstream of Kern County. There must be sufficient water flowing through the State Water Project to facilitate exchanges between the Agency and State Water Project contractors located south of Kern County. All recovered groundwater from these programs is delivered to the Agency via the Banks Pumping Plant in the Delta and then the South Bay Pumping Plant to the South Bay Aqueduct. Therefore, if conveyance through the Delta is unavailable (e.g., earthquakes, salinity intrusion, etc.), then the Agency would not have access to the banked water.

Semitropic Water Storage District. The Agency originally acquired a storage capacity of 65,000 AF in the Semitropic Water Storage District ("Semitropic") groundwater banking program in 1998. Subsequently, the Agency agreed to participate in Semitropic's Stored Water Recovery Unit, which increased pumpback capacity. Pumpback is water that is pumped out of the Semitropic aquifer and into the State Water Project system. The Agency currently has a total of 78,000 AF of groundwater banking storage capacity available to augment water supplies during drought conditions. During non-drought periods, the Agency can store up to 5,883 AF in the Semitropic groundwater bank. However, a 10% loss is associated with water stored in Semitropic. The agreement is effective through December 31, 2035.

Under the contract terms, the Agency can request up to 9,100 AF of pumpback and up to 8,645 AF of exchange water. Exchange water is water that is transferred between the Agency and Semitropic by adjusting the amounts of Table A water delivered to the Agency and Semitropic; the availability of this type of water depends on sufficient projected State Water Project allocations. During the recent drought, the Agency was able to recover 20,000 AF of water between 2021 and 2022. See "- Imported Supplies: State Water Project. Semitropic is located in the Kern County groundwater basin, which is currently in the process of seeking approval of its groundwater sustainability plan, described below.

Cawelo Water District. Similar to the arrangements with Semitropic, the Agency has 120,000 AF of groundwater banking storage capacity available with Cawelo pursuant to the Cawelo Water Banking Agreement. During non-drought periods, the Agency can store up to 5,000 AF in the bank. The Agency has the ability to request up to 10,000 AFA of pumpback (or State Water Project exchange water) from Cawelo. During the recent drought, the Agency was able to recover 8,000 AF, delivered in 2022; most of this water was used directly while the rest was stored in San Luis Reservoir for future use. The agreement is effective through December 31, 2035.

Cawelo is also located in the Kern County groundwater basin. On June 21, 2023, in compliance with the SGMA and related regulations, the Kern Groundwater Authority (of which Cawelo and Semitropic are members) submitted a Groundwater Sustainability Plan ("GSP") relating to the Kern subbasin to the State Water Resources Control Board (the "State Board"). On June 21, 2023, the State Board proposed a tentative schedule for probationary hearings for six groundwater basins that the State Board asserts lack plans for sustainable groundwater management, including the Kern County groundwater basin. Probation is the first phase of the state intervention process during which the State Board will work with GSAs to resolve alleged failures in their plans and require many groundwater pumpers in the basin to report information about their groundwater use. With some exceptions, pumpers who are required to report will also be required to pay fees. The probationary hearing for the Kern groundwater basin is tentatively scheduled to be held by October 2024. The Agency intends to monitor the proceedings, but cannot predict at this time if the proceeding will adversely impact the ability of the Agency to utilize water supplies banked with Cawelo and Semitropic.

Future Water Supply Reliability Projects

Along with the Delta Conveyance Project (DCP) formerly known as California WaterFix - the State of California's planned comprehensive upgrades to the State Water Project; see "FACTORS AFFECTING WATER SUPPLIES – Delta Conveyance Project", the Agency is currently pursuing potential projects to ensure reliability and meet future demands. Decisions on which projects to ultimately implement will be made over the next few years as projects evolve. These future water supply reliability projects are briefly described below and described in more detail in later sections.

Sites Reservoir: The Sites Reservoir is envisioned to provide 1.5 million AF of new storage capacity, and a long-term average of 270,000 AF per year of water supply yield. The project yield and associated costs are planned to be shared between the participating public water agencies (including the

Agency), and state and federal agencies. The projected in-service date is around 2031. The Agency is participating for 62,340 AF of storage, which provides a long-term average yield of 10,000 AF per year.

Los Vaqueros Reservoir Expansion: Contra Costa Water District ("CCWD") is planning for further expansion (+115,000 AF) of the Los Vaqueros reservoir, resulting in a total storage capacity of 275,000 AF, and construction of the Transfer-Bethany Pipeline, which would connect the reservoir to the SBA system. Construction is expected to be completed around 2031, and the projected in-service date is around 2033. The expanded storage of 115,000 AF and conveyance capacity of the Transfer-Bethany Pipeline is planned to be shared between several members of the Los Vaqueros Reservoir Joint Powers Authority ("LVR JPA"), including the Agency. The Agency is participating for up to 10,000 AF of storage capacity, which could be used to store the Agency's State Water Project water, and for a share of conveyance capacity of the Transfer-Bethany Pipeline.

Potable Reuse: Potable reuse is the use of purified water derived from wastewater effluent to supplement treated water supplies. Potable reuse in the Tri-Valley would involve a partnership between the Agency and its retailers to manage the wastewater collection and treatment, and purified water production and distribution/storage. If a project is pursued, it could potentially provide up to 10,000 AF per year of yield and be in-service in 7-10 years.

Bay Area Regional Desalination Project: In partnership with four other Bay Area water agencies, the Agency has been evaluating the feasibility of a desalination facility with a production capacity of up to 20 million gallons per day using CCWD's water rights. If a project is pursued, it could potentially provide about 5,000 AF per year of yield to the Agency and could be in-service in 7-10 years.

Historical Water Deliveries

The Agency records the volume of water delivered by the Agency. The following table presents a summary of historical water deliveries for the five most recent calendar years. From January through July 2023, the Agency delivered 20,675 AF of treated and untreated water and 1,950 AF of Retailer Groundwater. For Fiscal Year 2022-23, deliveries were approximately 5% below the amount projected in the budget.

TABLE 3
Historical Water Deliveries
(acre-feet)

	2018		2019		2020		2021		2022	
	Treated Water	Retailer GW[1]	Treated Water	Retailer GW[1]	Treated Water	Retailer GW[1]	Treated Water	Retailer GW[1]	Treated Water	Retailer GW[1]
Pleasanton	10,410	3,497	10,328	3,496	11,745	3,109	10,627	3,331	10,526	2,155
DSRSD	9,231	645	9,506	645	10,320	645	10,007	645	10,033	645
Cal Water	6,145	2,396	8,165	996	8,760	1,063	7,746	1,388	6,453	2,124
Livermore	5,909	0	5,930	0	6,550	0	6,410	0	6,126	0
Direct Customers[2]	930	0	980	0	730	0	200	0	65	0
Subtotal	32,625	6,538	34,909	5,137	38,105	4,817	34,990	5,364	33,203	4,924
Untreated Water	5,390		4,520		5,814		6,000		5,352	
Total	38,015	6,538	39,429	5,137	43,919	4,817	40,990	5,364	38,555	4,924

(1) Retail GW is refers to Retailer Groundwater Pumping Quota. For more information see "Groundwater Recharge Fee"
(2) Direct customers include Lawrence Livermore National Laboratory, Livermore Area Parks and Recreation Department, Veteran's Hospital, State of California Department of Water Resources, East Bay Regional Parks and Wente Brothers.

Note: Values in table are rounded.
Source: Zone 7 Water Agency

As discussed under "WATER SUPPLY—Overview", the Agency uses a variety of supplies to meet demands. Incoming supplies (new supplies) are combined with water recovered from storage to meet demands. Differences in water deliveries or demands and supplies may vary significantly from one year to the next. Factors such as voluntary and mandatory water use reductions, weather conditions (rainfall, temperature), environmental conditions, new development, and the local economy affect water demands. Water supplies are generally affected by hydrology, State Water Project facility conditions, and environmental regulations.

Table 4 shows the use of various supplies over the last five years. When available supplies exceed demands, water goes into storage; water supplies may also be transferred from one storage location to another to support operational needs and increase system reliability. Table 4 also shows the Agency's storage levels over the last five calendar years as storage is drawn down and replenished over time. From January through July 2023, the Agency has total supplies and demand of 28,660 AF. As of July 30, 2023, the Agency has 338,500 AF of supplies in storage.

TABLE 4
HISTORICAL WATER SUPPLY AND DEMAND

SUPPLIES (acre-feet)	**2018**	**2019**	**2020**	**2021**	**2022**
State Water Project, Table A	28,200	60,500	16,100	4,030	4,030
Yuba Accord/Other [(1)]	2,700	0	7,110	9,330	2,390
Arroyo Valle [(2)]	1,200	1,000	8,580	950	3,790
Local Groundwater Basin	5,260	9,910	11,440	14,620	16,840
State Water Project – Carryover	15,700	2,640	10,810	8,200	5,930
Kern County Groundwater Banks	0	0	1,000	10,400	16,800
Total Supplies	**53,060**	**74,050**	**55,040**	**47,530**	**49,780**
DEMANDS (acre-feet)					
Retailer Demand	32,360	34,574	38,020	35,350	33,140
Untreated Water Demand	5,390	4,520	5,810	6,000	5,350
Direct Retail Demand	930	980	730	200	310
Groundwater Recharge	4,500	3,620	1,430	200	100
Kern County Groundwater Banks Recharge	0	18,900	0	0	0
State Water Project Carryover or Other Storage	7,801	10,840	8,870	5,620	10,700
Transmission System Loss	2,080	616	180	160	180
Total Demands	**53,060**	**74,050**	**55,040**	**47,530**	**49,780**
Supplies in Storage (End of the Year) [(3)]					
SWP Carryover	7,100	10,840	8,870	5,620	10,700
Arroyo Valle Carryover	1,200	8,100	20	2,300	2,300
Groundwater-Emergency	128,000	128,000	128,000	128,000	128,000
Groundwater-Operational	118,000	122,000	115,000	102,000	88,800
Kern Banks	104,100	117,130	116,130	105,680	88,600
Total Supplies in Storage	**358,400**	**386,070**	**368,020**	**343,600**	**318,400**

(1) Other includes sources such as Dry Year Transfer Program, River Garden Farms, Turnback Pool, Napa County Flood Control and Water Conservation District, and Mojave Water Agency.

(2) Local supply used directly by the Agency. Excess supplies become Arroyo Valle Carryover.

(3) Supplies in storage reflect net amounts after storage losses are accounted for.

Note: Values in table are rounded.

Agency incoming water supplies were significantly below normal between 2018 and 2022 except for 2019 as a result of a 75% SWP allocation. Drought conditions affect local surface water runoff as well as State Water Project allocations. As described herein, the Agency offsets certain reductions in State Water Project allocations through exchanges, transfers, and other supplemental supplies. See the caption "FACTORS AFFECTING WATER SUPPLIES — Receipt Drought Response." The Main Basin Storage was drawn down over 30,000 AF during this time and is currently trending toward recovery. As of July 31, 2023, operational storage in the Main Basin was around 102,300 AF. About half of the recovery occurred during the first half of 2023 due to multiple atmospheric rivers. Note that the Agency reserves 128,000 AF of the Main Basin for emergency storage and typically does not rely on this supply for long-term planning purposes; even during the recent extreme drought event, the Main Basin remained well above emergency storage.

Projected Water Deliveries and Sources of Water Delivered

Table 5 presents long-term average water supply and demand projections through buildout. During wet years the Agency stores excess supply in Kern County water banks. This table incorporates updates since the Agency's 2020 Urban Water Management Plan and 2016 Water Supply Evaluation were completed. The Agency's State Water Project allocation for calendar year 2023 is 100% or 80,619 AF. However, due to more stringent environmental regulations in the Delta, the State Water Project's projected long-term average yield is 50% of Table A, equivalent to approximately 40,500 AFA for the Agency. As noted above, the Agency is pursuing a number of potential alternative supplies to bolster reliability and meet future demands. Retailer demands reflect recovery from the drought and compliance with the Water Conservation Act of 2009 (20% reductions by 2020) but do not reflect the potential effects of the Governor's proposed long-term conservation framework, which will require further reductions in water use in California.

TABLE 5
PROJECTED WATER SUPPLY AND DEMAND THROUGH BUILD-OUT

SUPPLIES (acre-feet)	2025	2030	2035	2040
State Water Project Table A	47,000	46,000	45,000	43,500
Yuba Accord	0	0	0	0
Turnback Pool	0	0	0	0
State Water Project - Carryover	10,000	10,000	10,000	10,000
Arroyo Valle	5,500	5,500	5,500	5,500
Main Basin	9,200	9,200	9,200	9,200
Semitropic	0	0	0	0
Cawelo	0	0	0	0
Bay Area Regional Desalination Project/Potable Reuse	0	5,000	5,000	5,000
Sites Reservoir Project	0	10,000	10,000	10,000
Transfers	5,000	5,000	0	0
Chain of Lakes	0	0	0	0
Total Supplies	**76,700**	**90,700**	**84,700**	**83,200**
DEMANDS (acre-feet)				
Retailer Demand	43,000	43,200	43,400	43,700
Untreated Water Demand	5,500	7,800	8,300	8,300
Direct Retail Demand	800	800	800	800
Transmission System Loss	1,000	1,000	1,300	2,500
Total Demands	**50,300**	**52,800**	**53,800**	**55,300**
DIFFERENCE (SURPLUS SUPPLIES)(1)	**26,400**	**37,900**	**30,900**	**27,900**

(1) Surplus supplies are stored as carryover, used to recharge the Main Basin, and stored in the Cawelo and Semitropic Groundwater Banking Programs.

Source: 2020 Urban Water Management Plan (with updates)

Drought Resiliency

The recent state-wide drought created challenges for the Agency from a water supply perspective. On September 1, 2021, the Zone 7 Board declared a state of drought emergency at Stage 2 of Zone 7's Water Shortage Contingency Plan and called for 15% mandatory conservation for treated water customers (relative to 2020 demands) in preparation for a third dry year in 2022. The Agency's Retailers adopted conservation declarations to comply with this request. In March 2022, Governor Newsom issued Executive Order N-7-22 calling for additional conservation statewide and other drought-response actions, including mandatory activation of Stage 2 actions. The Agency's Retailers met the 15% conservation target in 2022. The 2021 and 2022 low water allocations from the State Water Project were augmented by stored groundwater both from the local groundwater basin and from out-of-basin groundwater banks in Kern County and water transfers from Mojave Water Agency.

The dry hydrology turned wet in Winter 2023 as precipitation fell throughout the state replenishing reservoirs and causing flooding and requiring state of emergency declarations. Snowfall also covered many mountain ranges at unexpected levels adding water supply for later in the year. The 2023 "weather whiplash" allowed DWR to issue a SWP allocation of 100% which had not been seen in 17 years. The abundant water supply allowed the Agency to begin replenishing its water reserves both locally and in Kern County. Zone 7 continues to look for opportunities to make its operation more drought resilient.

On May 19, 2021, the Agency Board adopted the 2020 Urban Water Management Plan and under separate resolution, the Water Shortage Contingency Plan. The plan analyzed the impacts of a water shortage on revenues and identified measures to minimize financial impacts, including separate declaration of water shortage stages, with surcharges for each stage. If a declared water shortage emergency and associated stage generates a reduction in water usage and corresponding sales, use of reserves alone may not be sufficient for Zone 7 to maintain its fiscal health. Therefore, upon approval by the Zone 7 Board, Zone 7 may also implement a water shortage surcharge. The Zone 7 Board will determine when such a surcharge is necessary. To align with the State's standard water shortage level, Zone 7 adopted its water shortage surcharge as presented in the Table 6.

The Agency's 2021 emergency drought declaration did not require implementation of the Stage 2 surcharge because the Water Enterprise Fund maintained sufficient reserves to cover the financial impacts of the drought (e.g., reduced revenue and increased imported water costs).

TABLE 6
Water Shortage Surcharge Rates

Stage	Demand Reduction Target	Water Shortage Surcharge Rate (per CCF)
1	< 10%	Not Applicable
2	11-20%	$0.26
3	21-30%	$0.59
4	31-40%	$1.04
5	41-50%	$1.67
6	>50%	$2.06

A water shortage surcharge adopted by the Agency Board becomes effective on the first day of the month following thirty days after adoption. The adopted water shortage surcharge will sunset after six months, unless extended or modified by action of the Agency Board.

Quality of the Agency's Water

The Agency operates its water system under water supply permit no. 02-04-96P-0110010 dated May 15, 1996, which is issued by the California State Water Resources Control Board (SWRCB) - Division of Drinking Water (DDW).

All Agency drinking water delivered to its customers meets State and federal health-related drinking water standards.

A source water assessment is conducted on each drinking water source as required by DDW. In addition, a sanitary survey of the California State Water Project Watershed is conducted every five years by the State Department of Water Resources. The latest SWP sanitary survey was completed in June 2022. This surface water supply is most vulnerable to contaminants as it travels through the Sacramento and San Joaquin watersheds and Delta. The SWP sanitary survey also has identified several potential contaminating activities from grazing, agricultural runoffs, sea water intrusion etc., and the Agency is proactively engaged in minimizing any impacts in collaboration with other SBA contractors and DWR. Groundwater supply can be vulnerable to releases from chemical/petroleum pipelines, leaking tanks, groundwater contamination plumes, septic tanks, landfills, and wastewater-collection systems. The Agency has an active toxic surveillance program to monitor and protect its local groundwater supplies (see discussion below).

Toxic Sites Surveillance (TSS): The Agency documents and tracks polluted sites across the groundwater basin that pose a potential threat to drinking water and interfaces with lead agencies to protect the Main Basin. In general, the TSS Program monitors two types of contamination threatening groundwater: petroleum-based fuel products and industrial chemical contamination (e.g., chlorinated solvents). Information is gathered from state, county, and local agencies, as well as from the Agency's well permitting program and the SWRCB's GeoTracker website,and compiled in a database. This tracking program is designated as the "Toxic Sites Surveillance Program" and updates on the status of the various investigations and clean-ups within the Agency's service area are reported in the Livermore Valley Groundwater Basin Alternative Groundwater Sustainability Plan Annual Report to Department of Water Resources. There is a threat posed by some of identified contamination cases, but none have impacted the Agency's wells to-date, and the Toxic Site Surveillance ("TSS") program is designed to minimize the threat. The Agency is not currently under any regulatory order to treat the well water for any of the TSS constituents.

The Agency applies a multi-barrier approach to treat and remove pollutants from surface water, and the water is disinfected using ozone and chlorine. Chloramines are added at both surface water and groundwater production facilities to provide secondary disinfection in the distribution system. Some groundwater wells are blended to reduce the concentration of hexavalent chromium (see the caption "WATER SUPPLY - Quality of the Agency's Water- Chromium 6" herein). Some groundwater are treated by reverse osmosis to reduce the concentration of minerals and emerging contaminants called Per- and polyfluoroalkyl substances (PFAS). The Agency is in the process of installing additional PFAS treatment for affected groundwater well sources (see the caption "WATER SUPPLY - Quality of the Agency's Water- PFAS" herein).

Chromium-6. Chromium 6, also known as Cr-6 and hexavalent chromium, is a natural element that occurs in groundwater in the Livermore Tri-Valley Groundwater Basin due to the erosion of natural deposits. Cr-6 levels are controlled in California drinking water by existing regulations that include a maximum contaminant level ("MCL") of 50 parts per billion ("ppb") for total chromium, which is twice as stringent as the national MCL for total chromium of 100 ppb established by the USEPA. California Senate Bill 351, adopted in 2001, required the State to develop a drinking water standard for Cr-6. In 2014, the SWRCB established a MCL for CR-6 of 10 ppb. In May 2017, a judge invalidated the MCL for Cr-6 because the SWRCB failed to properly consider the economic feasibility of compliance. The SWRCB is currently in the process of establishing a new MCL for CR-6 for drinking water. The SWRCB published the notice of proposed rulemaking for a 10-µg/L Cr6 MCL on June 16, 2023. The anticipated compliance deadline for systems with greater than 10,000 service connections is between January to October 2026, about 2 years from the regulation's anticipated effective date.

Smaller systems would have more time for compliance. Based on the Agency's most recent available monitoring data, the Agency has one well (Chain of Lakes 5) that would exceed the anticipated 10-µg/L MCL. The Agency anticipates that blending Chain of Lakes 5 with the other two wells onsite (Chain of Lakes 1 and Chain of Lakes 2) would be sufficient for meeting the 10-µg/L MCL unless future monitoring data indicates otherwise.

PFAS. In recent years, federal and state agencies have undertaken a variety of efforts towards the development of legislation, laws and regulations regarding PFAS, focused on limiting levels of PFAS in drinking water sources. PFAS substances are widely used in consumer and industrial products such as fabrics, carpets, firefighting foams, food packing and nonstick cookware and are known for their nonstick, waterproof, and heat and stain resistant properties. There are current regulations in a number of states set to take effect in 2023 to limit the use and in some instances ban the use of PFAS chemicals.

In May 2016, USEPA established new, lifetime health advisories for Perfluorooctanoic Acid ("PFOA") and Perfluorooctane Sulfate ("PFOS") (the two most common synthetic organic chemicals in the group of compounds referred to as PFAS) and advised governmental agencies to notify their state safe drinking water agencies and consumers of the combined or individual presence of PFOA and PFOS over 70 parts per trillion in community water supplies. USEPA health advisories are non-regulatory and serve as technical guidance to assist federal, state and local officials and water system managers by providing information on the health effects of, and methods to sample and treat, PFOA and PFOS in drinking water. In June 2022, the USEPA established new interim, updated drinking water health advisories for PFOA and PFOS to replace the health advisories established in 2016. The non-enforceable and non-regulatory interim updated lifetime health advisories for PFOA and PFOS in drinking water are established at concentrations of 0.004 parts per trillion and 0.02 parts per trillion, respectively. In its announcement, the USEPA noted that such concentrations are below the ability to detect under current detection methods. In June 2022, the USEPA also established final health advisories for GenX and PFBS (defined below) of 10 parts per trillion and 2,000 parts per trillion, respectively. On September 6, 2022, the USEPA issued a proposed rule designating PFOA and PFOS as hazardous substances under CERCLA.

On March 14, 2023, the USEPA announced proposed regulations for six PFAS, including PFOA, PFOS, perfluorononanoic acid ("PFNA"), hexafluoropropylene oxide dimer acid (commonly known as "GenX chemicals"), PFHxS, and PFBS. The USEPA is proposing: (1) legally enforceable MCLs of 4 parts per trillion ("ppt") for PFOA and PFOS; (2) non-enforceable health-based maximum contaminant level goals ("MCLGs") for PFOS and PFOS at 0; and (3) a hazard index of 1.0 as MCLs and MCLGs for PFNA, PFHxS, PFBS, and/or GenX chemicals and any mixture containing one or more of these four PFAS. The hazard index is a tool used to evaluate health risks from simultaneous exposure to mixtures of certain chemicals. To determine the hazard index for these four PFAS, water systems would monitor and compare the amount of each PFAS in drinking water to its associated Health Based Water Concentration ("HBWC"), which is the level below which no health effects are expected for that PFAS. Water systems would add the comparison values for each PFAS contained within the mixture. If the value is greater than 1.0, it would be an exceedance of the proposed hazard index MCL for PFHxS (defined below), GenX chemicals, PFNA, and PFBS. The proposed rule would require public water systems to monitor for these PFAS, notify the public if monitoring detects such PFAS at levels that exceed the proposed regulatory standards, and reduce the levels of such PFAS in drinking water if they exceed the proposed standards. The USEPA has indicated that the USEPA anticipates finalizing the regulations by the end of 2023 and there will be a three-year period for the water systems to come into compliance.

In California, DDW is responsible for establishing drinking water standards and advisory levels. In March 2019, DDW issued monitoring orders to all public water systems in the state to begin sampling sources that had positive PFAS chemical detections during the federal Unregulated Contaminant Monitoring Rule 3 requirements. Since March 2019, a series of additional sampling Orders have been issued and separate notification and response level regulations have been promulgated. As of October 2022, DDW has established the following notification and response levels for four (4) PFAS chemicals:

- PFOA – Notification Level = 5.1 ppt, Response Level = 10 ppt
- PFOS – Notification Level = 6.5 ppt, Response Level = 40 ppt
- Perfluorobutane sulfonic acid ("PFBS") – Notification Level = 500 ppt, Response Level = 5,000 ppt
- Perfluorohexane sulfonic acid ("PFHxS") – Notification Level = 3 ppt, Response Level = 20 ppt

Notification Levels are non-regulatory, precautionary health-based measures for concentrations of chemicals in drinking water that warrant notification and further monitoring and assessment. If any PFAS chemicals with an established NL (PFOA, PFOS, PFBS and PFHxS) are found to be above the respective Notification Level, the exceedance is required to be reported to the governing body of the water system and the SWRCB and is required to be reported in the annual Consumer Confidence Report.

Response Levels are non-regulatory, precautionary health-based measures that are set at higher levels than Notification Levels and represent thresholds at which DDW recommends water systems remove a water source from use or treat it. If a water system does not remove the water source, DDW requires that the agency notify its local governing body and its customers directly and let them know the reason for continued use of the impacted water source, issue a press release, and conduct regular sampling of such water source.

The Agency has determined that eight of Agency's wells contain PFAS levels that exceed the Notification Levels for PFOA, PFOS, and/or PFHxS. Of these eight wells, three wells (Stoneridge, Mocho 2 and Mocho 3) are in service with PFAS removal treatment and/or blending, one well (Mocho 4) remains online because it contains PFAS levels below all Response Levels, and four wells (Mocho 1, Chain of Lakes Well 1, Chain of Lakes 2, and Chain of Lakes 3) remain offline with detected levels that exceed the Response Level of PFOS and/or PFHxS. The Agency expects one additional Agency well (Mocho 4) will require PFAS treatment by the proposed USEPA PFAS regulations. Despite the closure of these wells, the Agency projects it will be able to meet current demands for wholesale water in Fiscal Year 2024 from other available sources, including the wells that are currently in service.

In 2020, the Agency conducted a treatment feasibility and cost analysis study to prioritize PFAS groundwater treatment facilities. The Agency plans to update and supplement the study in the near future to incorporate any proposed additional regulations and to determine any additional treatment needs. The Agency currently projects costs of the additional facilities will be approximately $74 million for capital expenditures. The $74 million estimate includes:

- $16.3 million for the Stoneridge PFAS Treatment Facility (online as of September 2023) – this project was initially funded from water revenues. On September 12, 2023, it was announced that the Agency will be awarded a $16 million grant through the Sustainable Groundwater Management Grant Program. These grant proceeds will reimburse eligible project costs originally funded from water revenues.
- $24.4 million for the Chain of Lakes PFAS Treatment Facility - $22 million of the project costs will be funded from proceeds of the 2023 Bonds.
- $33 million for the proposed Mocho Wellfield PFAS Treatment Facility – anticipated to be funded from a future bond issuance.

The operations and maintenance costs of the PFAS treatment facilities will be funded by Water Revenues. Such costs have been included in the Repairs and Maintenance expenses set forth in Table 18 - "Projected Operating Results And Debt Service Coverage Fiscal Year Ending June 30".

STATE WATER PROJECT

Purchased water from the State Water Project, which is the nation's largest publicly-built water storage and conveyance system serving over 27 million people throughout California, is the Agency's largest water source, providing approximately 90% of the treated water supply to its customers on an annual average basis.

DWR provides water supply from the State Water Project to 29 State Water Project Contractors ("State Water Project Contractors"), including the Agency, in exchange for State Water Project Contractor payment of all costs associated with providing that supply. DWR and each of the State Water Project Contractors entered into substantially uniform long-term water supply contracts ("State Water Project Contracts") in the 1960s with initial 75-year terms, which were to begin to expire in 2035. The Agency's contract with DWR was executed in 1961.

DWR and various State Water Project contractors, including the Agency, previously agreed to an "Agreement in Principle" to amend the existing State Water Project Contracts to extend them through December 31, 2085 and to make certain changes relating to the billing process under such contracts. DWR prepared an environmental impact report under the California Environmental Quality Act ("CEQA") analyzing the proposed long-term contract extensions. In December 2018, after CEQA review and determination, DWR filed an action to validate the proposed extension of the State Water Project Contracts, including the Agency's State Water Project Contract, in the Superior Court of Sacramento County. Several environmental groups and counties and districts filed answers or separate actions opposing DWR's approval, asserting that the extension approval violated CEQA, the Public Trust Doctrine, and the Delta Reform Act. The trial court granted judgment in favor of DWR and supporting State Water Project contractors on all causes of action. The environmental groups and opposing agencies filed notices of appeal and their appeals have been coordinated. Briefing on these appeals was completed in May 2023. Oral arguments have been scheduled for November 2023.

On January 9, 2023, DWR notified the Agency that the required number of State Water Project contractors have executed letter agreements to allow the contract extension amendment to become effective as of January 1, 2023 as to the contractors that executed such agreements, including the Agency. This amendment extended the term of the State Water Project Contract to December 31, 2085 or the period ending with the latest maturity date of any bond issue used to finance construction of State Water Project facilities, whichever is longer.

The Agency cannot predict the impact of the outcome of the appeal on the extension of the Agency's State Water Project Contract.

State Water Project water originates within the Feather River watershed, is captured in and released from Lake Oroville, and flows through the Sacramento-San Joaquin Delta (the "Delta") before it is conveyed by the South Bay Aqueduct to the Agency. Much of the State Water Project water continues on to southern California via the California Aqueduct. The South Bay Aqueduct also delivers water to two other water agencies: Santa Clara Valley Water District and ACWD. Lake Del Valle is part of the South Bay Aqueduct system and is used for storage of State Water Project water, as well as local runoff.

At the Agency, State Water Project water is used to meet treated water demands from municipal and industrial customers—primarily wholesale and some direct retail—and untreated water demands from agricultural customers. It is also used to artificially recharge the local groundwater basin and fill non-local storage in Kern County.

The Agency has access to several types of water from the State Water Project as described below.

Table A Allocation. Each State Water Project Contractor is limited to a maximum annual contract amount as specified in the State Water Project Contract; this amount is therefore commonly referred to as "Table A." As noted above, the Agency first entered into the State Water Project Contract in November 1961; as the State Water Project was expanded and as the Agency's demands increased over the years, the Agency's Table A amount was increased, reaching the amount of 46,000 acre-feet annually (AFA) in 1997. Since then, the Agency has increased its supply from the State Water Project through a series of five permanent transfers. In December 1999, the Agency secured Table A State Water Project allocations from Lost Hills Water District of 15,000 AFA and Berrenda Mesa Water District of 7,000 AFA. In December 2000, 10,000 AFA of State Water Project allocation from Belridge Water Storage District was acquired. An additional 2,219 AFA was obtained from the same source in October 2003. Finally, 400 AFA of water was acquired from the Tulare Lake Basin

Water Storage District in 2003. Together, these transfers have raised the Agency's current Table A allocation to 80,619 AFA.

In practice, the actual amount of State Water Project water available to the Agency under the Table A allocation process varies from year to year due to hydrologic conditions, water demands of other contractors, existing State Water Project stored water, State Water Project facility capacity, and environmental/regulatory requirements.

In September 2022, DWR issued the "State Water Project Final Delivery Capability Report 2021" (the "2021 Delivery Capability Report"). Since 2002, DWR has been publishing 'Delivery Reliability Reports' to provide contractors and other local agencies a single source of the most current data available on State Water Project delivery reliability that can be used for the development of local plans such as urban water management plans ("UWMPs"). The 2021 Delivery Capability Report includes DWR's estimates of State Water Project's water supply availability under both existing and future conditions. Under existing conditions, the State Water Project's projected long-term average yield is 55% of Table A, equivalent to approximately 44,500 AFA for the Agency. Under future conditions, the State Water Project's projected long-term average yield is 50% of Table A, equivalent to approximately 40,500 AFA for the Agency.

As a State Water Project Contractor, the Agency has the option to store unused Table A water from one year to the next in State Water Project surface storage facilities—specifically San Luis Reservoir in the case of the Agency—when there is storage capacity available. This "carryover" water is also called Article 12e or 56c water, in reference to the relevant contract terms. Article 12e water must be taken by March 31 of the following year, but Article 56c water may remain as carryover as long as San Luis Reservoir storage is available. The Agency typically maintains approximately 10,000 AF of carryover water each year – this is reflected in the Agency's most recent UWMP.

Yuba Accord. In 2008, the Agency entered into a contract with DWR to purchase additional water under the Lower Yuba River Accord (the "Yuba Accord"). The original contract expires in 2025, and a number of amendments have been made to the original agreement over the years, including a new pricing agreement executed in 2020.

There are four different types (each, a "Component") of Yuba water available; the Agency has the option to purchase Components 1, 2, and 3 water during drought conditions, and Component 4 water when the Yuba County Water Agency has determined that it has water supply available to sell.

Water is primarily available during dry years under the Yuba Accord, and the amount is relatively small: 1,060 AF in 2021 and approximately 800 AF in 2022. For planning purposes, the Agency currently does not assume any water supply yield from the Yuba Accord.

Oroville Spillway Update: Record rainfall in February 2017 resulted in significant erosion and damage to the Lake Oroville main and emergency spillways. On April 6, 2017 DWR released the Oroville Spillway Recovery plan describing the approach to repair and restore the spillways to original design capacity.

On November 1, 2018, DWR completed reconstruction of the main spillway to its original design capacity of approximately 270,000 cubic feet per second ("cfs"), a capacity almost twice its highest historical outflow. Work on the emergency spillway was substantially completed in April 2019. Mitigation measures such as slope revegetation were completed in 2021. DWR has estimated the total costs of the recovery and restoration project prior to any federal or other reimbursement to be approximately $1.2 billion. As of January 2023, DWR has received or expects to receive reimbursement of a total of approximately $617 million of these costs under the Public Assistance Program of the Federal Emergency Management Agency ("FEMA"). Remaining costs of about $567 million were charged to the State Water Project contractors under the State water supply contracts, of which Agency's share totaled about $11 million. DWR financed these remaining costs with DWR bonds.

Various lawsuits were filed against DWR asserting claims for property damage, economic losses, environmental impacts and civil penalties related to this incident. Neither the Agency nor any other State Water Project contractor was named as a defendant in any of these lawsuits. Most of these cases, which were coordinated in Sacramento Superior Court (Case No. JCCP 4974), have now been resolved, either through decisions in favor of DWR or settlements with terms favorable to DWR. With one exception discussed below, cumulative payments for all claims related to the Oroville Dam spillway incident are anticipated to be less than $40 million.

The primary outstanding lawsuit is one that was filed by the Butte County District Attorney ("DA"), which seeks up to $51 billion in civil penalties. This lawsuit asserts a single claim under California Fish and Game Code section 5650, *et seq.*, which makes it unlawful to deposit or place certain substances into the waters of the State, including lime, slag and "any substance or material deleterious to fish, plant life, mammals, or bird life." Among other things, the statute provides for the assessment of civil penalties of up to $25,000 a day and $10 per pound of material deposited in violation of its strictures. On September 3, 2020, DWR filed a motion for summary judgment in the Butte County DA case. On December 18, 2020, the superior court granted the Department's motion for summary judgment of the Butte County District Attorney's entire case. The Butte County District Attorney appealed. The Third District Court of Appeal on October 6, 2023 issued its published decision upholding the superior court's granting of summary judgment. It is uncertain if the Butte County District Attorney will seek further review by the California Supreme Court. At this time, the Agency cannot predict the outcome of this litigation or the amount of civil penalties that might be assessed in the event the Butte County DA prevails on an appeal of the decision.

The State water supply contracts provide that Agency and the other State Water Project contractors are not liable for any claim of damage of any nature arising out of or connected to the control, carriage, handling, use, disposal or distribution of State Water Project water prior to the point where it reaches their turnouts. However, DWR has asserted that regardless of legal liability all costs of the State Water Project system must be borne by State Water Project contractors. Thus, DWR has indicated that it intends to bill the State Water Project contractors for any expenditures related to litigation (cost of litigation, settlements, damages awards/verdicts) arising from the Oroville Dam spillway incident and costs incurred by DWR to date have been reflected in DWR charges. The Agency has established that all charges related to this litigation are being paid under protest, and it has an existing tolling agreement with DWR to preserve its legal right to seek recovery of these charges and/or dispute any future charges that DWR may seek to assess related to such litigation.

Information Concerning DWR and the State Water Project. DWR has entered into certain continuing disclosure agreements in connection with its issuances of bonds pursuant to which it is contractually obligated for the benefit of owners of certain outstanding obligations to file annual reports, notices of certain material events as defined under Rule 15c2-12 of the Securities Exchange Act of 1934 ("Rule 15c2-12") and annual audited financial statements (collectively, the "DWR Information"). This information is to be filed by DWR with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained at http://emma.msrb.org/. DWR disclosure documents and annual reports should be reviewed for information pertaining to water supply matters. DWR has not entered into any contractual commitment with the Agency, the Trustee or the Owners of the Bonds to provide DWR Information to the Agency or the Owners of the Bonds. The Agency has not incorporated by reference the information filed by DWR described above and neither the Agency nor the Underwriter assume any responsibility for the accuracy of DWR Information.

DWR HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND HAS MADE NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO DWR. DWR IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH DWR INFORMATION, FOR THE BENEFIT OF THE AGENCY OR THE OWNERS OF THE BONDS UNDER RULE 15c2-12.

See the caption "FACTORS AFFECTING WATER SUPPLIES" for further information with respect to the State Water Project water deliveries.

Investing in Long-Term Reliability

The Agency continues to implement a multi-pronged strategy for securing the long-term reliability of the water supply system to meet the needs of both existing and future customers. This strategy includes conservation to manage long-term demands; increased yield from the Arroyo Valle local water right using the Chain of Lakes; maximized groundwater storage locally and in Kern County groundwater banks; access to emergency water supply in the Chain of Lakes; Delta Conveyance Project to secure the Livermore Valley's major source of water, the State Water Project; pursuit of alternative water supply (e.g., Sites Reservoir, potable reuse) and storage (e.g., Los Vaqueros Expansion) options; and construction of an emergency intertie with another water agency.

The Agency will continue to work closely with Agency Retailers on the Livermore Valley-wide conservation program, offering rebates and public education, and securing grants to support the program. The Agency regularly updates the program to focus on the most cost-effective elements and to implement the latest regulations.

Local water is a key component of the Agency's water supply portfolio. The Agency continues to work on a petition to extend the Agency's water permit for diverting from the Arroyo Valle (discussed further below). Under the existing water right permit, the average yield from the Arroyo Valle is 7,300 acre-feet with the use of existing facilities. A new diversion structure and pipeline (Chain of Lakes Conveyance System) in the Chain of Lakes will facilitate capture of stormwater released from Lake Del Valle, potentially increasing the Agency's average yield by about 3,000 acre-feet per year. for more information on the capital costs and financing of the Chain Of Lakes Conveyance System, see "CAPITAL IMPROVEMENT PLAN."

Using the groundwater basin as a storage reservoir is critical for long-term reliability in the Livermore Valley. Through conjunctive use of the local groundwater basin, excess water imported in wet years is banked in the groundwater basin via artificial recharge and subsequently recovered in dry years to augment low State Water Project allocations, as well as during emergencies and facility outages.

The Chain of Lakes - The Agency continues working with mining companies in their efforts to satisfy Surface Ming Permit and Mining Reclamation Plan requirements and transfer the lakes to the Agency. Meanwhile, the Agency has completed the Chain of Lakes pipeline alignment study and identified a preferred alignment in 2023. Currently, the Agency is retaining a consulting firm to complete an operational and cost-benefit study to develop the Chain of Lakes Conveyance System. This system will also allow the Agency to store excess water in Lake I and access stored water during emergencies and droughts.

New Wells – the Agency is planning for two new wells and a pipeline to increase groundwater production capacity from the Bernal subbasin. Once completed, these new wells will enhance the Agency's ability to access groundwater during emergencies and droughts and will provide additional water supply to meet buildout demands. Past investments in groundwater banks in Kern County (Cawelo Groundwater Banking Program and Semitropic Stored Water Recovery Unit) augment water supplies during times of low State Water Project allocations (e.g., the recent drought).

In a normal year, approximately 90 percent of the Agency's supply is derived from the State Water Project. The State Water Project reliability has been declining over the years due to increasingly stringent regulations, declining infrastructure and Delta conditions, and climate change. To protect the Livermore Valley's major water supply, the Agency has been supporting the Delta Conveyance Project (described below).

While the Agency's current plan includes participation in the Delta Conveyance Project, the findings from the 2022 Water Supply Evaluation Update (WSE Update) indicated the Agency's need to pursue additional water supply reliability projects to bolster its future reliability. To that end, the Agency continues to evaluate alternative water supply and storage options such as the Bay Area Regional Desalination Project, potable reuse, Los Vaqueros Reservoir Expansion, Sites Reservoir, and water transfers. Ultimately, the Agency may choose to implement one or a portfolio of these options depending on the results of the studies and planning efforts, the amounts and timing of development and conservation, and the determination of costs and benefits to the Livermore Valley. The costs of these studies and planning efforts are included under the Capital Improvement Plan project Water Supply and Bay Area Regional Projects.

Finally, the Agency has been evaluating the feasibility of an intertie with another major water agency (e.g., East Bay Municipal Utilities District ("EBMUD") or San Francisco Public Utilities Commission). Approximately 90% of the Agency's long-term average water supplies are conveyed to the Livermore Valley via the Delta and the South Bay Aqueduct; moreover, access to the Agency's non-local storage in Kern County during droughts is also dependent on the Delta and the South Bay Aqueduct. Consequently, an outage of the South Bay Aqueduct or major disruptions in the Delta would prevent Agency access to most of its water supplies, leaving only groundwater and water in Lake Del Valle available. This is one of the main reasons why the Agency has been supporting the Delta Conveyance Project, which will provide critical upgrades to the aging State Water Project infrastructure in the Delta. An intertie with another agency could also provide another source of water during an emergency or drought, and could also facilitate water transfers. For planning purposes, the intertie cost estimate is based on a seven-mile pipeline connecting the west side of the Agency's transmission system to EBMUD (currently estimated at $65 million).

Arroyo Valle Water Right – Petition for Extension of Time

As described in "WATER SUPPLY," a key source of water supply for the Agency is Arroyo Valle, a local arroyo or creek. The Agency has a water right (Permit No. 11319) for Arroyo Valle water captured in Lake Del Valle, which becomes available for use once it has been stored for 30 days. The current annual average yield of this source is 7,000 AF. Water captured in Lake Del Valle during the current year needs to be used within the following year. The Agency has a permit from the State Water Resources Control Board ("State Board") to put runoff diverted from the Arroyo Valle to beneficial use. The Agency's beneficial uses currently include supplying water to its retail agencies and agricultural customers, and replenishing the Livermore-Amador Valley Groundwater Basin to manage salt loading and improve water supply reliability and water quality.

The Agency cannot fully exercise all of the diversion limits within the permit until several gravel quarry companies dedicate the remaining Chain of Lakes to the Agency, which is anticipated around 2060. This prohibits successful completion of securing a full water right license on up to 30,000AF as allowed in the permit. These additional facilities could increase the Agency's estimated long-term average yield from 7,000 acre-feet annually (AFA) to 10,500 AFA. However, the Agency has no control over quarry operations and, therefore, cannot expedite dedication of the lakes. Consequently, before the permit expired in 2007, the Agency filed a petition with the State Board to extend the time for the Agency to put this water to reasonable and beneficial use to 2040. The petition was filed to seek additional time in which to make full beneficial use of water after construction of the infrastructure required to divert water to underground storage in the Chain-of-Lakes gravel mining pits. Water cannot be put to full beneficial use until the current gravel mining activity is completed and ownership of the gravel pits is transferred to Zone 7, currently estimated at 2060.

Four protests were filed against the Agency's petition in 2010. Protestors include: (1) California Department of Fish and Wildlife; (2) Jointly filed – Alameda Creek Alliance, AquAlliance, California Sportfishing Protection Alliance, California Water Impact Network; (3) San Francisco Public Utilities Commission; and (4) ACWD. The protest filed by ACWD over a senior water right concern was resolved in February 2012, and ACWD is essentially the Agency's partner at this time. The three remaining protests are associated with potential stream flow requirements and habitat impacts to anadromous fish (e.g., steelhead), amphibians (e.g., red-legged frogs), and avian/riparian areas along the Arroyo Valle and Arroyo de la Laguna. The Agency is currently working to resolve the remaining three protests so that the State Board can grant the petition. If the Agency cannot resolve the protests, then the State Board will hold a public hearing to listen to arguments from all sides, then make a ruling based on the testimony.

The Agency has made good progress towards resolving the protest issues and the protestors have expressed a generally positive view of the Agency and the work being completed to address their concerns. Working closely with these protesting organizations and ACWD, the Agency staff has completed a number of key technical documents (baseline environmental information and a hydrologic model) that have received positive feedback from the protestors. The Agency is now developing concepts for management strategies (e.g., flow regimes) that minimize impacts to both water supply and sensitive habitats. The Agency will discuss these concepts with the protestors and continue to work with them to explore resource goals for fish, amphibians, and riparian bird species in the Arroyo Valle and in the Arroyo de la Laguna. Ultimately, the Agency hopes to attain a management strategy that protects and enhances environmental resources, can be supported by the protestors, and promote the Agency's water supply interests.

Recently the Agency began exploring a two-pronged approach, whereby (1) a water right license will be pursued for the amount of water that has been put to beneficial use on Permit 11319 as of the date of the last permit extension, and (2) a water right extension is pursued for the unperfected portion of Permit 11319 to allow full beneficial use once ownership of the Chain-of-Lakes pits have transferred ownership to Zone 7. Initial discussions with the SWRCB in 2022 and 2023 have had a positive reception. The Agency is aiming to have the strategy better defined and perhaps in implementation in 2023-2024.

Most importantly, the goal is to have the protests resolved and the petition for extension of time granted by the State Board by 2025, allowing the Agency to have more time to perfect its water right and set up the Agency for success in securing a License for the maximum amount allowable.

Potential Alternative Supplies

<u>Delta Conveyance</u>

On July 25, 2012, Governor Edmund G. Brown and Secretary of the Interior Ken Salazar announced key proposed elements to advance the Bay Delta Conservation Plan ("BDCP") planning process, including north Bay-Delta water diversion facilities with a total capacity of 9,000 cubic-feet per second ("cfs"), two tunnels sized to minimize energy use during operations and a "decision tree" process for unresolved operation criteria such as fall and spring outflows. The Draft BDCP and associated Draft Environmental Impact Report/Environmental Impact Statement ("EIR/EIS") were completed on December 13, 2013. Preliminary cost estimates for the BDCP were approximately $25.0 billion.

In 2015, the State separated the focus of the BDCP into two efforts: the California EcoRestore Project ("EcoRestore") and the California Water Fix project ("California Water Fix"). The EcoRestore aimed to accelerate and implement a comprehensive suite of habitat restoration actions to support the long-term health of the Bay Delta's native fish and wildlife. The California Water Fix project included construction of the two tunnel diversion facilities described above. The final Environmental Impact Report/Environmental Impact Statement ("FEIR/EIS") for the California Water Fix project was released in late December 2016. DWR subsequently certified the FEIR/EIS and issued a Notice of Determination approving the California Water Fix project. No record of decision under the National Environmental Policy Act ("NEPA") was issued by USBR with respect to the California Water Fix project.

On September 20, 2017, the Board of Directors authorized the Agency to negotiate its participation in the Delta Conveyance Design and Construction Joint Powers Authority ("DCA") and the Delta Conveyance Finance Authority (the "Financing JPA"). The DCA was originally formed for the purpose of implementing the design and construction of California Water Fix and currently is participating in the implementation of the Delta Conveyance Project, discussed below.

In February 2019, Governor Gavin Newsom announced his support for a revised Bay-Delta Plan which includes one tunnel as opposed to two tunnels with respect to the diversion facilities and revised the name of the project from California Water Fix to the "Delta Conveyance Project" ("DCP"). In response to such announcement, DWR issued a project memorandum which rescinded the Notice of Determination approving the

California Water Fix project and all other DWR approvals related to the Water Fix project based on such Notice of Determination.

Since July 24, 2019, SWP contractors and DWR have been engaged in negotiations to amend the SWP contract for inclusion of the DCP. The amendment is intended to determine how costs of the DCP would be shared among SWP contractors. If Agency executes the amendment and the DCP is constructed, the Agency would be obligated to pay for its share of capital construction costs and future operations and maintenance costs. On November 18, 2020, the Agency's Board of Directors declared its support for continued participation in the environmental planning process for a single tunnel DCP and approved funding for Agency's involvement in the DCP.

On April 30, 2020 the SWP contractors and DWR agreed upon a draft Final Agreement in Principle memorializing terms to include the DCP in the SWP contract. Subsequently, several SWP contractors signaled that they are not supportive of the DCP as currently envisioned, and do not plan on executing the amendments. The Agency cannot make any predictions with respect to the approvals necessary for the DCP to proceed or the timing thereof.

On August 6, 2020, DWR adopted certain resolutions to authorize the issuance of bonds to finance costs of DCP environmental review, planning, design and, if such DCP is approved, the costs of acquisition and construction thereof. The same day, DWR filed a complaint in Sacramento County Superior Court seeking to validate DWR's authority to issue the bonds. Several answers have been filed in the validation action, as well as at least two related cases alleging that DWR violated CEQA by adopting the bond resolutions before completing environmental review of the DCP. DWR and several project opponents filed cross-motions for summary judgment on the CEQA affirmative defenses and related CEQA lawsuit, and in December 2021, the trial court granted DWR's motions and denied opponents' motions, eliminating the CEQA affirmative defenses. A trial on the merits was held on May 15, 2023. On August 25, 2023, the trial court tentatively ruled that DWR had exceeded its authority when it authorized the issuance of its bonds. Additional lawsuits could be filed in the future with respect to any new Bay-Delta conveyance project and may impact the anticipated timing and costs of any proposed new single tunnel Delta Conveyance Project.

In August, 2020, the DCA provided a preliminary cost estimate for the DCP of approximately $15.9 billion (in 2020 dollars). The DCA noted that such estimate has been developed at an early stage in the project and will be revised over time. The Agency cannot predict at this time what additional financial commitments to the DCP will be made. On August 20, 2020, the U.S. Army Corps of Engineers, as the lead agency for the DCP under NEPA, issued a notice of intent for the development of the environmental impact statement for the DCP. On December 16, 2022, the U.S. Army Corps of Engineers issued a draft environmental impact statement for the DCP. The public review and comment period for the draft environmental impact statement ended on February 14, 2023.

In November 2020, the Agency's Board approved preliminary environmental review, planning, and design funding for the DCP in an amount up to approximately $2.8 million for calendar years 2021 and 2022. In 2022, the Agency's Board approved funding of up to $4.75 million in DCP planning costs for calendar years 2023 and 2024. The Agency expects that the DCP will require additional planning costs after 2024. Additional funding for the DCP may be requested of the Agency beginning in Fiscal Year 2024-25 and certain of such additional funding has been considered in the Agency's financial planning. The Agency has paid administrative fees to the Financing JPA with respect to the periods ended on June 30, 2021, June 30, 2022, and June 30, 2023. The amounts of administrative fees that the Agency has paid to DCP have not been material.

In July 2022, DWR released its draft EIR for the DCP. The new conveyance facilities being reviewed would include a single 6,000 cfs tunnel to convey water from new intakes on the Sacramento River to an expanded Bethany Reservoir (south of the Harvey O. Banks Pumping Plant) or to the existing Clifton Court Forebay in the south Sacramento-San Joaquin Delta. The public comment period closed on December 16, 2022, and DWR is now preparing responses to comments. Planning, environmental review and conceptual design work by DWR are expected to be completed over the 2023-2024 timeframe.

Sites Reservoir

In 2016, the Agency identified the proposed Sites Reservoir Project as a possible source of additional water supply and storage. As envisioned, the Sites Reservoir is a new off-stream reservoir to be located 75 miles northwest of Sacramento, in the Antelope Valley of the Coast Range, on rangeland approximately 10 miles west of Maxwell in Colusa County. Sites Reservoir is overseen by the Sites Project Authority (the "Sites JPA"). The Sites Reservoir is envisioned to provide approximately 1.5 million AF of new storage capacity, and 270 thousand acre-feet (TAF) per year of long-term average water supply yield. The Sites Reservoir project is expected to be funded with a combination of direct Federal Funding through Reclamation Water Infrastructure Improvements for the Nation ("WINN") Act, State Funding through Water Storage Investment Program ("WSIP"), cash calls from participants in the Sites Reservoir project under the Sites Project Agreement (as defined below), direct borrowings by the Sites JPA (including loans through the WIFIA loan program and revenue bonds), and contributions from certain Sites Reservoir project participants that elect not to participate in the Sites JPA's WIFIA loans or other borrowings. The Sites JPA submitted an application to the USEPA in March 2023 for WIFIA loan funding in an amount up to 49% of the eligible costs of the Sites Project. The 2023 Sites Plan of Finance update includes WIFIA proceeds up to 49% of the eligible project costs. The current cost estimate of the Sites Reservoir, which was approved in June 2021 was $3.9 billion (in 2021 dollars).

In 2016, in connection with the planning phase of the Sites Reservoir, the Agency, along with certain local water agencies and counties located in the State (collectively, the "Sites Project Agreement Members"), entered into a project agreement with the Sites JPA (the "Phase 1 Sites Project Agreement"). Under the Phase 1 Sites Project Agreement, each Sites Project Agreement Member agreed, among other things, to pay a share of the costs for the activities undertaken pursuant the Sites Project Agreement in proportions corresponding to specific participation percentages applied to each Sites Project Agreement Member. Such participation percentages can be modified if a new Sites Project Agreement Member is added, or a current Sites Project Agreement Member withdraws.

In 2019, the Agency entered into a project agreement with the Sites JPA to continue the project planning activities (the "2019 Sites Project Agreement"). The Agency has provided the Sites Reservoir project with approximately $6.45 million in funding commitments since 2016 under the Phase 1 Sites Project Agreement and the 2019 Sites Project Agreement. Under the 2019 Sites Project Agreement, the Agency is participating in the Sites Project through December 2024. The Agency's Board may decide whether to make a long-term commitment to participating in the Sites Reservoir in 2024. If the Agency decides to participate in the Sites Reservoir project, the Agency's share of project costs is expected to be $211 million, subject to changes in the final cost of the Sites Reservoir project. To date, payments on commitments in connection with the Sites Reservoir have been paid by the Agency from Water Connection Fees and Agency reserves. The Agency currently expects future payments relating to the Sites Reservoir to be paid from Water Connection Fees and Agency Reserves.

Design and construction of the Sites Reservoir is anticipated to take 7 years, if commenced in 2024 as currently projected, and would not be completed until at least 2031. As the project is still in the planning phase, there can be no assurance that projected costs of the Sites Reservoir will not increase because of revisions to the project, increases in construction or other costs related thereto or otherwise, including the final allocation of costs among the parties. Any changes could be material. In addition, there can be no assurance that the Sites Reservoir, if undertaken, will be completed within the timeframe currently projected. Any such delay in completion could be material. Any costs incurred by the Agency with respect to the Sites Reservoir are expected to be initially paid from Water Connection Fees and Agency Reserves during the planning phase of the Sites Reservoir. The Agency also cannot predict at this time what additional financial commitments to the Sites Reservoir will be made, or whether the Agency will participate in the remaining planning phase or the construction phase of the project.

Los Vaqueros Reservoir Expansion

Contra Costa Water District ("CCWD") is planning for further expansion (+115,000 AF) of the reservoir to 275,000 AF and construction of the Transfer-Bethany Pipeline, which would connect the reservoir to the SBA system. Construction of the project is currently expected to be completed in 2031. Along with CCWD and a number of public water agencies, the Agency is pursuing potential storage of State Water Project water (similar to Kern County groundwater banks).

Los Vaqueros Reservoir, Contra Costa Water District's ("CCWD") reservoir in northeastern Contra Costa County, has been identified by the Agency as a facility that could reduce risk of water supply shortage to the Agency by providing State Water Project storage upstream of the Agency and facilitating a regional desalination project. Los Vaqueros Reservoir currently has a capacity of 160,000 AF following its expansion from 100,000 AF in 2012. CCWD is planning for possible further expansion of the reservoir to 275,000 AF and possible construction of the Transfer-Bethany Pipeline, which would connect the reservoir to the South Bay Aqueduct system. These improvements would provide additional storage regionally and strengthen the interconnection of water systems in the Bay Area. Because of these benefits, the Los Vaqueros Reservoir Expansion Project and the Transfer-Bethany Pipeline have been included in the Bay Area Regional Reliability Partnership list of projects. The total capital cost of the Los Vaqueros Reservoir Expansion Project is currently estimated to be approximately $1.38 billion (in future dollars).

In 2021, the Los Vaqueros Reservoir Joint Powers Authority (the "Los Vaqueros JPA") was formed for the purpose of designing, constructing, operating and administering the Los Vaqueros Reservoir Expansion Project. The Agency is a member of the Los Vaqueros JPA. JPA members are currently funding the project under a Multi-Party Agreement that was originally signed in 2019. The Multi-Party Agreement has been amended five times and currently funds the project through June 2024. Under the Multi-Party Agreement, each member shares in the project costs equally, with exception of Grasslands Water District. Grasslands Water District is participating because they will receive the required public benefit the project will provide to the Delta refuges. The EPA has invited the Los Vaqueros JPA to apply for a WIFIA loan to fund a portion of the cost of the Los Vaqueros Reservoir Expansion Project. The Agency currently expects that the Los Vaqueros JPA will submit an application by the end of 2023.

The Agency has provided the Los Vaqueros Expansion project with approximately $4.5 million in funding commitments since 2016. The Agency is currently evaluating options for participating in the Los Vaqueros Reservoir Expansion Project with respect to storage and conveyance (i.e., Transfer-Bethany pipeline), or both. If the Agency decides to participate in the Los Vaqueros Reservoir Expansion project, the Agency's share of project costs is expected to be $53 million, subject to changes in the final cost of the Los Vaqueros Reservoir Expansion project. To date, payments on commitments in connection with the Los Vaqueros Expansion project have been paid by the Agency from Water Revenues, Connection Fees and Agency reserves. The Agency currently expects future payments relating to the Los Vaqueros Expansion project to continue to be paid from Water Revenues, Connection Fees, and Agency reserves.

Construction of the Los Vaqueros Expansion project is currently anticipated to be completed in late 2031. As the project is still in the planning phase, there can be no assurance that projected costs of the Los Vaqueros Expansion project will not increase because of revisions to the project, increases in construction or other costs related thereto. Any changes could be material. In addition, there can be no assurance that the Los Vaqueros Expansion project, if undertaken, will be completed within the timeframe currently projected. Any such delay in completion could be material. The Agency also cannot predict at this time what additional financial commitments to the Los Vaqueros Expansion project will be made, or whether the Agency will participate in the remaining phases of the project.

Potable Reuse

Potable reuse is one of the water supply options being considered by the Agency, with wastewater potentially derived from the City of Livermore and/or Dublin San Ramon Services District ("DSRSD"). The

Joint Tri-Valley Potable Reuse Feasibility Study was completed in 2018. The study is a partnership among the Agency and the Agency Retailers. Its primary goals are to evaluate the feasibility of potable reuse for the Livermore Valley; to identify the most promising options based on technical, financial, and regulatory considerations; and, assuming that potable reuse is found to be feasible, to recommend next steps for the agencies. The project is overseen by a Steering Committee on managerial issues and a Project Management Committee on technical issues. Both committees have representatives from all of the agencies, with the designated project manager from the Agency. The Agency is serving as the contract administrator for consulting services. The Liaison Committee (consisting of elected officials of the cities and water agencies in the Livermore Valley) discussed the project's key findings in early March 2018. The preliminary findings indicate that potable reuse is feasible, with potential yield as high as 10,000 acre-feet per year and costs ranging from $2,200 to $2,500 per acre-foot based on the range of options evaluated; the associated capital costs range from $112 million to $222 million. Ultimately, the decision to pursue potable reuse will depend on agreements reached among the Agency, the wastewater providers (City of Livermore and/or DSRSD), and the rest of the Agency Retailers (Cal Water and the City of Pleasanton). If a project is pursued, it could conceivably be constructed within eight to ten years.

AGENCY'S RETAILERS

Following is certain information concerning the Agency's Retailers. Certain economic and demographic information concerning the Agency's Retailers as well as the County of Alameda generally is included in Appendix C hereto.

Agency Retailer Agreements

The Agency has entered into contracts with each of the Agency Retailers. The DSRSD and CalWater contracts expire in 2024, but provide that if a renewal agreement is not in place upon expiration, the Agency shall continue to make deliveries in accordance with its terms for an additional two years. At the end of such two years, the agreements provide that the Agency may establish terms and conditions for continuing water supply. The Livermore contract expires in 2026, and contains renewal provisions similar to the DSRSD and CalWater contracts described above. The Agency has a "Term and Conditions of Service" agreement with the City of Pleasanton which expires in 2024.

Pursuant to the agreements, the Agency's Retailers take water undertake-and-pay agreements and are not committed nor limited to a certain amount of water, but the agreements require the Retailers to purchase all water required for use within their service areas except for groundwater, which is limited by specified groundwater pumping quotas ("GPQ"). The GPQs are: City of Pleasanton – 3,500 AF; Cal Water Service – 3,069 AF; and DSRSD – 645 AF. The Agency pumps DSRSD's GPQ. Livermore has not had any groundwater pumping capability for many years, and has therefore not been using their GPQ. Averages are maintained by allowance of "carryover"—limited to 20% of the GPQ—when less than the GPQ is used in a given year. The Retailers can use other sources only under certain conditions, including but not limited to water for 1) fire flows or emergencies, 2) the Agency's non-compliance with drinking water standards; and 3) the Agency's inability to deliver water, or recycled water. DSRSD, Livermore, and Pleasanton also produce and/or supply recycled water to their service areas.

There can be no assurances that agreements will be extended or renewed prior to their current expiration dates. However, the Agency believes that, due to the Agency's robust water supply sources, the Retailers' lack of significant alternatives to water supply from other sources, and the fact that any use of alternative sources would require implementation of significant capital improvements by the Retailers, the Retailers will continue to utilize water from the Agency upon termination of the contract.

General Description of Agency Retailers

The information in this section concerning the Agency Retailers has been derived from publicly available sources, including the respective Agency Retailer websites. The Agency does not guarantee the accuracy of such information.

City of Pleasanton. The City of Pleasanton occupies a land area of 24.2 square miles and serves a residential population of 76,459 as of January 1, 2023. Pleasanton is a full-service general law city providing police, fire, sewer, water, street, parks, support services, economic development, community development (planning, building and inspection services), community services (recreation, sports, senior center, preschool, etc.) and library services.

Payments to the Agency are made from the City of Pleasanton's Water Enterprise Fund, which is funded primarily by water sales revenue from a pass through of Agency wholesale fixed and variable charges to purchasers of water from the City of Pleasanton.

Cal Water. Cal Water is the largest investor-owned American water utility west of the Mississippi River and the third largest in the country. Cal Water's Livermore District was formed in 1927 with the purchase of the water system from Pacific Gas and Electric Company. Cal Water serves approximately 17,900 customer connections in the agency service area. Cal Water is a public company.

City of Livermore. The City of Livermore, incorporated on April 1, 1876, is located on the southeasterly boundary of Alameda County near the intersection of Interstate 580 and Interstate 680 freeways. Livermore is situated approximately 50 miles east of San Francisco.

Payments to the Agency are made from the City of Livermore's Water Enterprise Fund, which is funded primarily by water sales revenue from a pass through of Agency wholesale fixed and variable charges to purchasers of water from the City of Livermore.

DSRSD. DSRSD was formed in 1953 as the Parks Community Service District. By 1988, the cities of Dublin and San Ramon had incorporated and assumed responsibility for many of the services originally provided by the District. This allowed DSRSD to focus on water and wastewater services. In 1999, DSRSD began providing a third service, recycled water. DSRSD currently provides water, recycled water, and wastewater services to more than 100,000 residents in Dublin, southern San Ramon, Dougherty Valley, and Pleasanton. DSRSD is governed by a board of directors that sets policy, adopts budgets, and appoints a general manager to run operations. Five directors are elected at-large to overlapping four-year terms.

Payments to the Agency are made from the DSRSD's Water Enterprise Operations Fund, which is funded primarily by water sales revenue from a pass through of Agency wholesale fixed and variable charges to purchasers of water from DSRSD.

CAPITAL IMPROVEMENT PLAN

The Agency prepares a Capital Improvement Plan ("CIP") that outlines the plans for capital projects and programs needed to carry out the goals and policy objectives of the Agency. Formerly, the CIP incorporated the projects, costs, schedules, and priorities for both the Water System and the Flood Protection System. (The CIP for the Agency's flood operations and facilities is funded from sources other than Revenues pledged to the Bonds and is not described in this section.) The Agency Board adopted the Fiscal Year 2024-25 Water System CIP Update in June 2023, which covers Fiscal Year 2024-25 through 2028-29. A ten-year update is planned for completion by summer 2024.

The capital budget for Fiscal Year 2023-24 was adopted as part of the Fiscal Year 2023-24 Mid-Cycle Operating and Capital Budget Amendment. The Fiscal Year 2023-24 Adopted Capital Budget for Water System Renewal/Replacement and System-wide Improvements is $12,733,000. For Water System Expansion, the Fiscal

Year 2023-24 Adopted Capital Budget is $21,739,000 of which $18,089,000 is treated as Operation and Maintenance Costs (consisting primarily of payments made in connection with projects implemented with partner agencies). Certain expenditures for Fiscal Year 2023-24 are reported in the Projected Operating Results in Table 18 as Operations and Maintenance Expenses of the Agency.

The Agency's Asset Management Plan ("AMP") documents how the Agency will fund and implement renewal and replacement projects for existing or planned assets. As part of the CIP update process, the Agency engaged HDR, Inc., to complete the 2017 Asset Management Plan Long-Term Funding Forecast Update ("2017 AMP Update"). The 2017 AMP Update incorporated CIP projects that have been completed, assets that have been renewed since the last AMP update in 2011, future projects, and the long-term renewal of assets. It also identified additional renewal and replacement projects. The 2017 AMP Update was adopted by the Agency Board in October 2017. An updated AMP study is planned for completion by summer 2024.

Funding for multi-benefit projects may be split between the Water System and the Flood System, and between existing and new customers. Summary information concerning the Fiscal Year 2024-25 Five-Year Water System CIP Update is shown in the table below. Costs of the participation of the Agency in Delta Conveyance Project or other projects in connection with the Delta Conveyance Project (including the issuance of any potential additional debt related thereto) over the next five years are not included in the following table as these are operational costs of the Agency. The next five years of projected Delta Conveyance Project costs are reflected in Table 18 – Projected Operating Results and Debt Service Coverage. As described in "FACTORS AFFECTING WATER SUPPLY," future costs could be significant. In addition, as described below, the table includes expansion costs. Expansion activities are subject to change depending on actual growth as well as available water connection fees. More information on water connection fees can be found in "WATER CONNECTION FEES."

In addition, the following table does not include capital costs attributable to the Agency in connection with projects being implemented with partner agencies (the Cawelo Water District groundwater banking program, the Future Contractor's Share of the South Bay Aqueduct, the South Bay Aqueduct Enlargement Project, the Sites Reservoir and the Los Vaqueros Reservoir Expansion). Payments by the Agency in connection with these projects, which in the aggregate range from $17.2 million in Fiscal Year 2024-25 to $26.0 million in Fiscal Year 2028-29 and total $109.8 million over that period, constitute Operations and Maintenance Costs of the Agency. The table also does not include approximately $25 million of carry-over capital improvement expenditures (for projects that were budgeted in prior years but funds were not expended in that year) expected to be spent in Fiscal Years 2023-24 and 2024-25.

TABLE 7
CAPITAL IMPROVEMENT PLAN
(Fiscal Year Ending June 30)
(in Millions)

Program	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	TOTAL Five-Year CIP
Buildings and Grounds	$0.2	$0.4	$0.1	$0.1	$0.1	$0.8
Groundwater Basin Management	-	-	0.4	-	-	0.4
Program Management	1.4	1.7	1.0	1.3	1.3	6.7
Regulatory Compliance	0.1	0.2	0.2	0.2	0.1	0.7
Transmission & Distribution(1)	4.7	8.4	18.6	21.7	30.1	83.5
Water Supply & Conveyance	0.8	0.4	0.4	-	-	1.5
Water Treatment Facilities	5.2	16.0	6.7	15.4	9.1	52.4
Wells	19.7	16.6	7.1	2.6	22.1	68.0
Grand Total(2)	$32.1	$43.6	$34.4	$41.2	$62.7	$ 214.0

(1) Transmission and Distribution includes planning and design of the Chain of Lakes Conveyance System through Fiscal Year 2028-29 of $14 million. In Fiscal Year 2029-30, the Agency plans to begin construction of the Chain of Lakes Conveyance System. The current construction cost estimate is $162 million, to be funded with rates, connection fees and a future bond issuance. If the project is bond-financed, the issuance is anticipated in Fiscal Year 2029-30.

(2) Totals may not add due to rounding.

Water System Expansion

The following table shows the portion of the CIP related to expansion, renewal/replacement and system-wide improvements.

TABLE 8
Capital Improvement Plan Breakdown
(in Millions)

	Five-Year Total	Percentage
Expansion	$75.8	35%
System-Wide Improvements	$41.2	19%
Renewal/Replacement	$97.0	45%
Total	**$214.00**	**100%**

The five-year CIP plans for a total expenditure of $75.8 million in Expansion projects starting in Fiscal Year 2024-25 through Fiscal Year 2028-29 In addition, payments by the Agency in connection with expansion projects being implemented through other agencies (e.g., Department of Water Resources) for debt incurred on behalf of the Agency, such as the SBA Improvement and Enlargement Project, are approximately $15 million for the expansion portion of the project. The Agency is permitted to utilize a portion of the property tax override to pay the Expansion Fund's share of costs associated with DWR fixed cost in the event connection fees decline below projected levels.

The five-year CIP finance plan currently anticipates issuing approximately $33 million in debt through Fiscal Year 2026-27 (in addition to the 2023 Bonds). Proceeds from these currently anticipated bond issuances are currently anticipated to fund all or a portion of the 2023 Water Project, Mocho Wellfield PFAS Treatment Facility and other water system improvements. In Fiscal Year 2023-24, the Agency plans to further evaluate the Mocho PFAS project scope, location, and cost that were identified in the 2020 PFAS Treatment Feasibility Study.

Based on current assumptions for connection fee revenues, sufficient funding is projected to fund expansion projects as planned in the CIP for the duration of the program.

The Agency analyzes connection fee revenue on an ongoing basis and makes adjustments to financial forecast and annual budgets based on recent trends, economic conditions, and updated information from retailers, cities, etc. Furthermore, additional analysis was performed to determine the impact on the capital reserve if connection fee revenue does not materialize as projected at this rate. If Water Connection Fee revenue does not increase as projected, certain capital construction projects may be delayed. Construction projects are planned to meet demand growth, so if development slows and/or if conservation is greater than expected, construction schedules can be adjusted and deferred as necessary. If deferring projects is not a feasible alternative, debt-financing could be considered.

AGENCY FINANCIAL INFORMATION

Primary Sources of Revenues

The Water System has two primary sources of revenues: water charges and connection fees. These sources are described below.

Water Charges

Water charges are established by the Agency Board and are not subject to regulation by the California Public Utilities Commission or by any other local, state or federal agency. There are two types of water charges: one for treated water, and the other for untreated water.

Water Charge Setting Process. Pursuant to the Agency's contracts with the Agency Retailers, the Agency charges for water in accordance with a rate schedule for water service, as such rate schedule is established or amended by the Agency Board. The Agency Board reviews the rate schedule and establishes a rate schedule for each calendar year period in accordance with the most recent costs and revenues of the Agency. The Agency Board reviews the rate schedule at the September regular meeting and endeavors to establish the rate schedule at the October regular meeting prior to January 1 of the following calendar year for which the rate schedule is to be effective. The rates, including but not limited to the treated water, in-lieu treated water, meter fee, and recharge fee, to be so established, are based on the cost of providing service, and may not be unreasonable, arbitrary, or discriminatory. In the event the Agency Board fails to establish a new rate schedule for any calendar year the rate schedule in effect for the prior calendar year shall be continued in full force and effect until otherwise modified by the Agency Board.

Historical Water Rates.

In 2017, the Agency implemented a fixed charge for each Agency Retailer and other customers to recover 35% of the Agency's revenue requirements. The fixed charge provides increased revenue stability for the Agency and increase rate stability for its customers. In order to equitably recover the fixed charge, the fixed charge for each Agency Retailer and other customer is allocated proportionally to their average usage based on the previous two years. The Agency collects the fixed charge evenly over the course of 12 months from each Retailer and Direct Customer to ensure financial stability.

With the establishment of a fixed charge in 2017, the volume-based rate was adjusted to recover nearly 100% of revenue from volume-based rates to 65% cost recovery. The volume-based rate is a uniform rate charge to each Agency Retailer and other customers per each unit of water delivered.

In 2018, Zone 7's Board of Directors approved a four-year rate schedule that included a set increase of 6.7% each year from Calendar Year 2019-2022 and a gradual ramp-up of the fixed charge from 37.5% in 2019 to 45% by 2022. Under that schedule, the next rate increase of 6.7% was scheduled to go into effect on January 1, 2021 . On June 17, 2020, the Zone 7 Board of Directors approved no rate increases in 2021 to provide relief and stability to the Tri Valley community due to the COVID-19 pandemic. This action pushed the 6.7% rate increase scheduled for calendar years 2021 to 2022. (The Board has historically performed a wholesale cost of service rate study every four years, and adopted a four-year rate schedule with a comprehensive review after year two.)

The following table shows rates for treated water from calendar year 2018 through 2022.

TABLE 9
Historical Treated Water Rates

Calendar Year	*Volume-Based Treated Water Rate per AF*	*Total Annual Fixed Charges*[(1)]
2018	$888	$15,849,610
2019	$876	$19,363,098
2020	$915	$21,497,949
2021[(2)]	$915	$21,497,949
2022	$897	$25,716,705

(1) Actual monthly billing is 1/12 of the annual amount.

(2) On June 17, 2020, the Zone 7 Board of Directors approved delay of the previously approved rate increase to provide relief and stability to the Tri Valley community due to the COVID-19 pandemic.

The following table shows rates for untreated water from calendar year 2018 through 2023. Untreated water rates are set on a year-by-year basis.

TABLE 10
Historical Untreated Water Rates
(in Acre Feet)

	Untreated Water Rate	
Calendar Year	**Rate/AF**	**% Change**
2018	$129	14%
2019	$167	29%
2020	$173	4%
2021[(1)]	$173	0%
2022	$204	18%
2023	$255	25%

(1) On June 17, 2020, the Zone 7 Board of Directors voted not to increase the untreated rate to provide relief and stability to the Tri Valley community due to the COVID-19 pandemic.

Adopted Water Rates

The Agency conducted a wholesale water rate study in Fall 2022, and as a result, the Board of Directors adopted a 5.5% annual rate revenue adjustment for treated water services for calendar years 2023, 2024, 2025 and 2026. The 5.5% adjustment included an increase in the fixed water rate component from 42.5% to 45%. The adopted rates are shown in the table below.

TABLE 11
Adopted Treated Water Rates

Calendar Year	*Volume-Based Treated Water Rate per AF*	*Total Annual Fixed Charges*[1]
2023	$989	$27,395,440
2024	$1,019	$29,703,607
2025[2]	$1,063	$31,805,889
2026[2]	$1,076	$33,286,846

(1) Actual monthly billing is 1/12 of the annual amount.

(2) The Board will revisit the rate schedule for calendar years 2025 and 2026 through a public process, with any changed rates adopted by November 2024

Historical Water Charge Revenues. The following table shows a five-year history of Agency's receipts of Water Charges from Agency Retailers and other customers for Fiscal Years 2017-18 through 2021-22.

TABLE 12
AGENCY RECEIPTS FROM WATER CUSTOMERS FOR TREATED WATER
(Fiscal Year)

Customer	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
California Water Service Company	$ 9,069,203	$ 9,493,706	$ 12,014,679	$12,124,100	$11,953,571
City of Livermore	8,439,773	8,288,029	9,160,161	9,926,184	9,501,191
City of Pleasanton	14,922,955	14,040,043	16,943,894	16,854,193	16,733,502
Dublin San Ramon Services District	13,791,425	13,679,135	15,180,076	16,024,984	15,621,190
Direct Customers [1]	1,040,297	1,257,655	1,500,014	992,484	837,867
Temporary Treated Water	1,271	1,868	1,953	2,767	2,062
Treated Water Total	**$ 47,264,922**	**$46,760,435**	**$ 54,800,778**	**$55,924,711**	**$54,649,384**
Untreated Water Total	595,222	680,157	976,430	1,087,773	1,021,127
Grand Total	**$ 47,860,144**	**$47,440,592**	**$ 55,777,208**	**$ 57,012,484**	**$ 55,670,511**

(1) Direct Customers include Lawrence Livermore National Laboratory, Livermore Area Parks and Recreation Department, Veteran's Hospital, State of California Department of Water Resources, East Bay Regional Parks, and Wente Brothers.

Note: Totals may not add due to rounding.

Projected Sales Revenues. The following table shows the annual water sales revenues projected by the Agency for the next five fiscal years based on the assumed water rates in effect during each fiscal year. The projections reflect an assumption by the Agency that water charges will be increased in each Calendar Year from calendar years 2023 through 2026 through the rate setting process described herein and the projected deliveries under the "WATER SUPPLY- Projected Water Deliveries and Sources of Water Delivered." Such increases assumed for calendar year 2027 will require approval by the Agency Board and therefore, no assurance can be made that such increases will be implemented as currently projected.

TABLE 13
Water Sales by Category
Five-Year Projection
(In Millions)

Fiscal Year	Municipal/Industrial (Treated) Water Revenue	Untreated Water Revenue	Total
2022-23 unaudited	$55.0	$1.1	$56.1
2023-24	64.7[(1)]	1.0	65.7
2024-25	67.3[(1)]	1.0	68.3
2025-26	70.9[(1)]	1.0	71.9
2026-27	74.5	1.0	75.5

[(1)] Reflects adopted rate increases for calendar year 2023-2026, however, projected revenue is reported on a fiscal year basis.
Source: The Agency

Billing and Payment of Water Charges. The Retailer Contracts provide that the Agency Retailers shall be invoiced on a calendar month basis for charges. The Agency Retailers are required to pay all charges invoiced within 30 days from date of the invoice from the Agency. In the event that an Agency Retailer in good faith contests the accuracy of any invoices submitted to it, it is required to give the Agency notice thereof at least ten days prior to the day upon which payment of the stated amount is due. To the extent that the Agency finds the Agency Retailer's contentions regarding the statement to be correct, the Agency is required to revise the statement accordingly and the Agency Retailer is required to make payment of the revised amounts on or before the due date. To the extent that the Agency does not find Agency Retailer's contentions to be correct or where time is not available for a review of such contentions prior to the due date, the Agency Retailer is required to make payment of the invoiced amount on or before the due date and make the contested part of such payment under protest and seek to recover the amount thereof from the Agency. For Agency customers other than the Agency Retailers, such customers are billed monthly.

Water Connection Fees

Water connection charges began in 1972 with the adoption of Ordinance No. FC 72-1 (the "Water Connection Ordinance"). The ordinance is applicable over the Agency area that includes Livermore, Pleasanton, Dublin, and surrounding communities. The Water Connection Ordinance has been amended several times and requires a one-time water connection fee for all new water services from a water system that is directly connected to the Agency's water supply system. This fee is used for funding the costs of expanding the Agency's water treatment and distribution system to serve new development. The connection fees the Agency charges are intended to assure that development pays its own way and to place new utility customers on equal basis from a financial perspective with existing customers. Once new customers are added to the system, they incur the obligation to pay the same service charges that existing customers pay. The Agency's connection fees are calculated using an "incremental cost" methodology, as existing system assets have been funded through property tax revenue, water rates and earlier connection fees.

In 2017, the Agency Board adopted the Fiscal Year 2016-17 Municipal and Industrial Connection Fee Program Update (the "FY 2016-17 Update"). The FY 2016-17 update undertook a comprehensive re-evaluation of projected demands, and new connections in the Agency's service area, and the necessary Water System expansion projects to meet the needs of future customers. The FY 2016-17 Update resulted in a 7.3% increase in the Alameda County Connection Fee and an 11.3% increase in the Dougherty Valley Connection Fee, which became effective May 1, 2017 and also recommended annual inflationary adjustments to the fee to keep pace with inflation. An update to the FY 2016-17 Update is planned for completion in Fiscal Year 2024-25.

Effective January 1, 2023 the Agency Board set the connection fees for a 5/8-inch meter as stated below. Water connection fees are reviewed and adjusted for inflation annually.

TABLE 14
Water Connection Fees

Fee Factor	Connection Fee (Alameda County)	Connection Fee (Dougherty Valley)
1.0	$33,730	$32,360

For meter types larger than a 5/8-inch basic meter, the basic charge is multiplied by specified fee factor.

The payments of water connection fees in Livermore and Pleasanton, are collected by the Building Departments of the Cities of Livermore and Pleasanton, and for Dublin by DSRSD. Connection fees in the Dougherty Valley are paid by DSRSD and are due within 30 days of issuance of a building permit for the property receiving the new connection or 30 days from the date the new connection is made, whichever is earlier; and payable to the Agency Capital Expansion Program.

The table below represents connections (Dwelling Unit Equivalents "DUES") recorded for Fiscal Year 2017-18 to Fiscal Year 2021-22.

TABLE 15
Historical Actual Connections and Total Revenue from Water Connection Fees

Fiscal Year	EQUIVALENT CONNECTIONS (5/8" Meter)	ACTUAL REVENUE
2017-18	1,301	$35,434,462
2018-19	1,214	$34,068,092
2019-20	796	$22,461,926
2020-21	470	$13,609,527
2021-22	643	$19,669,509

Source: The Agency

Based on the Fiscal Year 2016-17 Municipal and Industrial Connection Fee Program Update and using 2020 as a base year, the Agency's service area population is projected to grow from 260,000 to 323,000 people by buildout in 2040, which is a 21 percent increase. Total potable demands are estimated at approximately 39,000 AF in 2020 and peak at approximately 50,200 AF before holding constant beginning in 2040 (an approximate 11,200 AF increase) Through buildout in 2040, a total of 21,163 new dwelling unit equivalents ("DUEs") are expected.

The projected rate of new DUE growth tapers off significantly after Fiscal Year 2029-30. However, the data from the Agency Retailers indicate there is additional expected population and demand growth through 2040. The projected total DUEs through buildout are used to inform project planning and implementation timelines to ensure that demands do not outpace the Agency's system capacity. These projections will be reviewed in the Fiscal Year 2024-25 Update and are subject to change.

TABLE 16
Projected Connections and Revenue

Fiscal Year	EQUIVALENT CONNECTIONS (5/8" Meter)	PROJECTED REVENUE
2022-23 Unaudited	530	$17,123,000
2023-24	631	$21,300,000
2024-25	613	$21,726,000
2025-26	596	$22,160,520
2026-27	579	$22,603,730

Source: The Agency

The Agency believes the growth projections described above and used for purposes of the projected operating results are reasonable. However, there can be no assurances that prevailing economic conditions, natural disasters, availability of water, potential future limitations on development, or any combination of the foregoing or other factors, will not result in less growth in the service area of the Agency than the Agency currently projects. See "CERTAIN RISK FACTORS — Rate Covenant Not a Guarantee; Failure to Meet Projections" and "– Earthquake, Flood or Other Natural Disasters."

Groundwater Recharge Fee

Each retailer has an established "Groundwater Pumping Quota" (GPQ), formerly referred to as the "Independent Quota" in the original Municipal and Industrial water supply contract between the Agency and each retailer. Pleasanton and Cal Water pump their own GPQ. The Agency pumps DSRSD's GPQ. Livermore has not had any groundwater pumping capability for many years, and has therefore not been using their GPQ. Averages are maintained by allowance of "carryover"—limited to 20% of the GPQ—when less than the GPQ is used in a given year. A retailer must pay a "recharge fee" for all groundwater pumped exceeding their GPQ and any carryover. This practice helps avoid a repeat of historical over-drafting of the basin by the larger municipal users. The fee covers the cost of importing and recharging additional water into the Main Basin. The 2023 Recharge Fee is $1,732 per acre-foot.

Agency Revenue Derived from Property Taxes Not Pledged to Bonds

Agency Portion of 1% Property Tax. The County levies a 1% property tax on behalf of all taxing agencies in the County, including the Agency. All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, nonprofit hospitals and charitable institutions.

The taxes collected are allocated to taxing agencies within the County, including the Agency, on the basis of a formula established by State law enacted in 1979 and modified from time to time. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (due to new construction, change of ownership, or a 2% inflation allowance allowed under Article XIIIA of the State Constitution) prorated among the jurisdictions which serve the tax rate area within which the growth occurs. Tax rate areas are groups of parcels which are taxed by the same taxing entities. Cities, counties, special districts and school districts share the growth of "base" revenues from each tax rate area. Assessed valuation growth is cumulative, i.e., each year's growth in property value becomes part of each agency's allocation in the following year.

Under applicable law, the Agency uses its portion of the 1% property tax for flood control operations. **Such amounts are not available for payments of the Bonds or Installment Sale Payments.**

Property Tax Override. Article XIIIA 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 X111A; and the Agency's indebtedness from its State Water Supply Contract falls within such exemption. The Agency levy property tax within the Agency sufficient to raise the sum of to meet that portion of the Agency State Water Supply Contract fixed cost obligation, which was $22 million in Fiscal Year 2022-23. All funds received by the Agency pursuant to the aforementioned property tax levy are placed in separate fund identified for the indebtedness. (The Agency is permitted to utilize a portion of the property tax override to pay costs associated with DWR expansion projects in the event connection fees decline below projected levels.)

The property tax revenues of the Agency and the property tax override described above are not pledged to, or available for, payment of the Bonds or Installment Sale Payments.

Outstanding Obligations of the Agency

2018 Water Revenue Bonds. On March 28, 2018, The Agency, via the Livermore Valley Water Financing Authority, issued the 2018 Water Revenue Bonds in the amount of $64,010,000. Proceeds of the issuance were used to pay the cost of the 2018 Water Project, consisting of a water treatment plant and related facilities, prepayment of $15,290,000 for the Agency's obligations in connection with the Cawelo Water District Certificates of Participation, Series 2006, and to pay costs of issuance. Interest rates range from 3% to 5%. Principal and interest payments are due annually beginning July 1, 2019 through July 1, 2048.

South Bay Aqueduct Improvement and Enlargement Project. Amendment No. 24 to the Water Supply Contract between DWR and the Agency, effective November 7, 2003 (the "South Bay Aqueduct Agreement") was executed in connection with the development and construction of the South Bay Aqueduct Enlargement. The Agency's estimated obligation, including interest, is $358 million. The Agency's annual payment in Fiscal Year 2022-23 was $16.8 million and in Fiscal Year 2023-24 is estimated to be $17.2 million. Payments in subsequent years (through 2035) range from $7.7 million to $19.5 million, and average $16 million annually. Property taxes fund 20% of the annual debt service which covers the improvement components of the project and are therefore recoverable from the property tax override. Water Revenues consisting of water connection fees fund the remaining 80%, which covers the enlargement. Amounts payable by the Agency from Water Revenues constitute Operations and Maintenance Expenses of the Agency. In the event that connection fees are not available for such purpose, the Agency can, with the approval of the Board, increase the property tax override to pay the shortfall, or pay the shortfall from other available Water Revenues.

Reserve Policy and Balances

On September 28, 2016, the Agency Board adopted Resolution No. 16-166, approving a reserve policy to maintain fiscal health and better position the Agency to obtain a favorable credit rating. On May 15, 2019, the Board adopted a revised reserve policy (Resolution No . 19-37) which eliminated the Drought Contingency and Rate Stabilization reserves and established a new Reserve for Economic Uncertainties. Concurrent with the issuance of the 2018 Bonds, the Debt Rate Stabilization Reserve was funded with an initial deposit of $8.6 million. The Agency also adopted updated debt management and investment policies on May 17, 2023. The debt management policy provides guidance to ensure the most prudent, equitable, and cost-effective financings are selected. The investment policy provides guidelines for the prudent investment of surplus cash, reserves, trust funds and restricted monies in order to maximize the efficiency of the Agency's cash management system.

On February 17, 2021, the Board of Directors adopted Resolution No. 21-05 (as amended) establishing an Internal Revenue Service Section 115 Post-Employment Benefits Trust for the purpose of pre-funding the Agency's pension obligation. The Board also adopted the Funding of Long-Term Pension Liability policy which sets forth criteria for making annual contributions to the trust. On March 15, 2023, the policy was amended to add a third annual contribution criteria (Resolution No. 23-20).

The table below provides a summary of the various Water Enterprise Reserves, the policy requirements and balances relative to targets based on unaudited balances at June 30, 2023. The reserves are described in the sections following the table.

Reserve	Policy		Unaudited Balance at June 30, 2023 (Percentage of Target)
Operating	Minimum	60 days of operating expenses	$12, 321,000 (90 days)
	Target	90 days of operating expenses	
	Maximum	120 days of operating expenses	
Emergency	Minimum	2% of Water Enterprise Assets	$7,880,000 (2.5%)
	Target	2.5% of Water Enterprise Assets	
	Maximum	3% of Water Enterprise Assets	
Reserve for Economic Uncertainties[1]	Minimum	5% of budgeted volumed-based water sales	$7,559,000 (10%)
	Target	10% of budgeted volume-based water sales	
	Maximum	20% of budgeted volume-based water sales	
Vehicle Replacement	n/a	No min/target/max	$949,000
Renewal/Replacement &System-Wide Improvements Capital Projects Reserve	Minimum **No target or maximum**	100% of the estimated pay-go capital budget for the following fiscal year	$38,655,000 (300%)
	Debt Service Rate Stabilization Reserve	Two years of debt service	$6,300,000 (two years)
Capital Expansion	Minimum **No target or maximum**	60% of the following year's estimated operations and maintenance obligations relating to expansion projects	$43,878,000 (260%)
	Debt Service Rate Stabilization Reserve	Two years of debt service	$2,300,000 (two years)
Capital Expansion SBA Sinking Fund	n/a	No min/target/max	$17,970,000
Capital Expansion FCSBA Sinking Fund	n/a	No min/target/max	$6,770,000
State Water Facilities Operating	Minimum	50% of the following year's projected annual operating expenses	$47,489,000 (170%)
	Target	No target	
	Maximum	100% of the following year's projected annual operating expenses	
Pension Trust Fund	n/a	No min/target/max; Agency determines annual contributions based on available funds, up to 1% of current year's pension liability	$1,533,000

[1]Includes $2.1M in reserves in excess of reserve targets.

Operating Reserve. This reserve is designated to maintain a reserve for current operations and to meet routine cash flow needs. Money on deposit in this reserve may be used for unanticipated operating expenses, daily cash flow requirements and minor emergencies such as unanticipated infrastructure failures.

Emergency Reserve. Funds in the Emergency Reserve can be used for any operating or capital purpose (i) to begin repair of the water enterprise system after a catastrophic event or disaster, 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 the Agency.

Reserve for Economic Uncertainties: Funds in this reserve serve to maintain a high bond rating and to protect the Agency from the effects of fluctuations in water usage and the cost of imported water to which the Agency is vulnerable. The reserve can be used for unforeseen events such as a natural disaster, water shortage emergency, or other unanticipated adverse situations.

Debt Rate Stabilization Reserve. The Rate Stabilization Reserve serves as a means to temper the need for significant water rate increases and to meet debt service coverage requirements. The reserve accumulates revenues for use during periods of unanticipated fluctuations in treated water rate revenues and cost of service in order to offset significant increases in water rates. This reserve would be used in any year when revenues are not sufficient to meet debt service coverage ratios as required by bond covenants. Funds on deposit within this reserve may be treated as revenues for the purpose of computing debt service coverage ratios.

Vehicle Replacement Reserve. The purpose of this reserve is to fund planned replacement of vehicles and equipment that have reached the end of their useful lives.

Water Enterprise Renewal and Replacement And System-Wide Improvements Reserve. The Renewal and Replacement System-Wide Improvements Reserve funds capital projects, including the renewal or replacement of water system infrastructure as it reaches the end of its useful life and system-wide improvements and upgrades such as those related to regulatory changes.

Water Enterprise Capital Expansion Reserve. The Agency has employed 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 for capital projects to meet additional demands created by development. In furtherance of meeting such needs the Agency incurred certain financial obligations associated with capital expansion projects. Within this fund are three separate reserves to be used for:

- The construction of improvements and enlargements to the South Bay Aqueduct (the "SBA Sinking Fund"); and
  The Future Contractors' share of the South Bay Aqueduct construction (the "FCSBA Sinking Fund").

Section 115 Post-Employment Benefits Trust: Money available in this trust shall be used to prefund future pension payments and only utilized for payment of employee pension. In the event of economic distress, the amounts on deposit in the Trust may be used to meet the Agency's annual employer pension obligation payments, if approved by the Board.

Historical Operating Results

The following table summarizes the Agency's revenues and expenses relating to the Water System recorded in Fiscal Year 2017-18 through Fiscal Year 2021-22, reflecting the conventions of the Installment Sale Agreement. Historical results have been derived from the financial statements of the Agency but exclude certain non-cash items and include certain other adjustments.

The Agency accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to governmental agencies such as the Agency ("GAAP"). In certain cases

GAAP requires or permits moneys collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses paid or incurred in one Fiscal Year to be recognized in a subsequent Fiscal Year. See Appendix A "— AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2022." Except as otherwise provided by the provisions of the Installment Sale Agreement, all financial information derived from the Agency's audited financial statement reflect the application of GAAP.

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TABLE 17
HISTORICAL OPERATING RESULTS
FISCAL YEAR ENDING JUNE 30

	2017-18	2018-19	2019-20	2020-21[1]	2021-22
Operating Revenues					
Water Sales[2]	$ 47,860,145	$ 47,440,592	$ 55,777,208	$ 57,012,484	$ 55,670,511
Connection and development fees[3]	35,434,462	34,068,092	22,461,926	13,609,527	19,669,509
Charges for Services[3]	609,191	620,503	500,371	277,722	144,160
Intergovernmental Revenues[4]	3,495,215	3,466,308	2,950,774	2,837,374	2,927,144
Interest and rental income[5]	1,763,601	4,607,135	3,727,928	885,314	(2,162,820)
Other Revenues	402,364	1,030,920	1,192,390	344,816	539,217
Total Revenues	**$ 89,564,978**	**$ 91,233,550**	**$ 86,610,597**	**$ 74,967,237**	**$ 76,787,721**
Maintenance & Operations Costs					
Labor Costs[6]	$ 16,407,779	$ 16,274,184	$ 16,410,798	$ 16,897,321	$ 18,028,063
Contractual Services	3,571,533	2,567,392	5,297,933	4,764,669	3,667,704
Technical Supplies	147,995	181,601	277,074	440,665	555,666
Chemical Purchases	1,940,215	2,085,082	2,556,168	1,793,501	1,516,832
Water Purchases[7]	21,705,318	21,201,472	19,395,676	21,252,275	27,924,705
Water Storage[8]	3,723,168	755,911	1,282,526	1,179,750	4,305,743
Utilities	1,667,619	2,544,052	2,521,296	3,203,479	3,764,688
Maintenance and Repairs	1,405,705	1,592,006	1,950,838	1,380,500	1,902,758
Equipment and Building Rents	53,130	72,391	60,504	72,727	136,433
Other Services and Supplies	2,300,609	2,114,868	1,856,461	2,955,896	2,842,507
Total Operating Expenses	**$ 53,507,401**	**$ 49,388,959**	**$ 51,609,274**	**$ 53,940,784**	**$ 64,645,099**
Net Revenues	**$ 36,057,577**	**$ 41,844,591**	**$ 35,001,322**	**$ 21,026,453**	**$ 12,142,622**
Debt Service	**$ 919,498**	**$ 2,310,542**	**$ 4,213,913**	**$ 4,212,038**	**$ 4,216,663**
Debt Service Coverage Ratio	**39.21x**	**18.11x**	**8.31x**	**4.99x**	**2.88x**

Notes:

(1) Fiscal Year 2020-21 balances were restated due to retroactive application of Governmental Accounting Standard Board (GASB) Statement 87 which was implemented in Fiscal Year 2021-22.
(2) Water Sales Revenue is comprised of treated and untreated water revenue. Fiscal Years 2017-18 through 2021-22 include treated water fixed charges and volume-based rates.
(3) Connection and Development Fees include water connection fees. Charges for Services include Dougherty Valley Facility Use Fees.
(4) Intergovernmental revenue includes California Department of Water Resources (DWR) refunds and grant proceeds.
(5) Fiscal Year 2021-22 investment earnings decreased mainly due to the fair value of investments (GASB Statement No. 72) at the end of the Fiscal Year.
(6) Labor costs include salaries, wages, and benefits. Pension costs (GASB Statement No. 68) and Other Postemployment Benefits (OPEB) (GASB Statement No. 75) are included in the Annual Comprehensive Financial Report but excluded in the labor costs reported herein.
(7) Water purchases includes water purchases from DWR and capital payments for the South Bay Aqueduct Improvement and Enlargement Project.
(8) Fiscal Year 2017-18 water storage included costs associated with Cawelo and Semitropic groundwater banking including recovery, storage, operations & maintenance, and capital payments of $1.3 million (Cawelo) and $0.05 million (Semitropic). The Annual Comprehensive Financial Report for Fiscal Year 2017-18 includes prepayment of the Agency's obligations in connection with the Cawelo Water District Certificates of Participation, Series 2006, with proceeds from the Livermore Valley Water Financing Authority, Water Revenue Bonds Series A. However, this amount is excluded from this report. In Fiscal Year 2017-18, the Semitropic capital obligation was paid and the refunding of the Cawelo Water District Certificates of Participation, Series 2006 is now a debt service payment.

Totals may not add due to rounding.
Source: The Agency

Projected Operating Results and Debt Service Coverage

The estimated projected operating results for the Water System for Fiscal Year 2022-23 through Fiscal Year 2026-27 are set forth below, reflecting the conventions of the Installment Sale Agreement as well as certain significant assumptions concerning future events and circumstances. The financial forecast represents the estimate of projected financial results of the Agency based upon the Agency's judgment of the most probable occurrence of certain important future events. The assumptions set forth in the footnotes to the chart below are material in the development of the financial projections of the Agency, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

The property taxes levied by the Agency to pay costs under its State Water Project Contract are not included in Water Revenues in the table below and the costs paid with such taxes are not included in Operation and Maintenance Costs in the table below.

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TABLE 18
PROJECTED OPERATING RESULTS AND DEBT SERVICE COVERAGE
FISCAL YEAR ENDING JUNE 30

	2022-23 Projected	2023-24 Projected	2024-25 Projected	2025-26 Projected	2026-27 Projected
Operating Revenues					
Water Sales[(1)]	$56,105,000	$65,763,000	$68,228,758	$71,896,023	$75,490,824
Connection and development fees [(2)]	17,123,000	21,300,000	21,726,000	22,160,520	22,603,730
Charges for Services	69,635	71,028	72,449	73,898	75,376
Intergovernmental Revenues[(3)]	4,858,000	19,409,860	3,478,057	3,547,618	3,618,571
Interest and rental income	2,302,000	3,404,775	2,877,258	2,383,007	2,376,379
Other Revenues[(4)]	1,856,365	1,262,972	268,231	273,596	279,068
Total Revenues	**$82,314,000**	**$111,211,635**	**$96,650,753**	**$100,334,662**	**$104,443,948**
Maintenance and Operations Costs					
Labor Costs[(5)]	$19,309,000	$19,502,090	$19,892,132	$20,289,974	$20,695,774
Contractual services[(6)]	4,253,000	6,578,000	5,592,640	6,204,493	5,828,583
Technical Supplies	297,839	303,796	309,872	316,069	322,391
Chemical Purchases	2,177,000	4,140,000	4,222,800	4,307,256	4,393,401
Water Purchases[(7)]	23,411,617	26,847,000	27,430,562	30,374,598	32,473,197
Water Storage[(8)]	2,208,383	558,000	987,581	1,006,014	1,016,589
Utilities	3,690,000	2,509,000	2,559,180	2,610,364	2,662,571
Maintenance and repairs[(9)]	1,908,000	3,023,750	3,084,225	4,145,910	4,228,828
Equipment and Building Rents	226,000	104,000	106,080	108,202	110,366
Other services and supplies	3,200,961	3,627,204	1,414,948	1,443,247	1,472,112
Total Operating Expenses[(10)]	**$60,681,800**	**$67,192,840**	**$65,600,020**	**$70,806,127**	**$73,203,810**
Revenues Available For Debt Service	**$21,632,200**	**$44,018,795**	**$31,050,732**	**$29,528,535**	**$31,240,137**
Series 2018A Bonds Debt Service	$4,217,538	$4,214,663	$4,217,788	$4,221,538	$4,215,913
Series 2023A Bonds Debt Service	0	215,963	1,849,250	1,852,625	1,854,750
Future Bonds Debt Service	0	0	0	1,115,658	1,888,895
Total Debt Service on Bonds[(11)]	**$4,217,538**	**$4,430,625**	**$6,067,038**	**$7,189,821**	**$7,959,558**
Debt Service Coverage Ratio	**5.13x**	**9.94x**	**5.12x**	**4.11x**	**3.92x**

Notes:

1. Water Sales Revenue includes treated, untreated and temporary water rate revenue. Treated Water Rates assumes 15% increase in consumption from Fiscal Year 2022-23 to Fiscal Year 2023-24 due to mandatory conservation being lifted, decreasing to 1% average growth rate in consumption thereafter. Revenue includes Board approved annual rate revenue adjustments to volume-based water rate rates and fixed charges of 5.5% through calendar year 2026, and 5% assumed thereafter. Fixed charges are 45% and volume based-rates are 55%. See "- Adopted Water Rates."
2. Connection Fee Revenue. Projected revenue is based on a five-year average of prior connections plus 5% annual adjustments to water connection fees.
3. Intergovernmental revenue includes DWR refunds. Fiscal Year 2023-24 includes a $16 million grant from the California Department of Water Resources Sustainable Groundwater Management Grant Program to be used for reimbursement of amounts previously expended by the Agency for the development of the Stoneridge Well PFAS Treatment Facility.
4. Other revenue includes miscellaneous revenue such as well permit fees, plan checking fees and rental income.
5. Labor costs include salaries, wages and benefits and excludes pension expense.
6. Contractual Services includes professional, legal, Alameda County and insurance services.
7. Water Purchases include imported water purchases, including but not limited to, water purchases from DWR (not payable from the property tax override), continued participation in the Delta Conveyance Project and fixed expansion capital payments for the South Bay Aqueduct and Future Contractors Share of the South Bay Aqueduct. Starting in Fiscal Year 2024-25, Sites Reservoir costs move from Other Services and Supplies to Water Purchases as costs shift from planning to pre-construction.
8. Water storage includes costs associated with Cawelo and Semitropic groundwater banking including recovery, storage, operations & maintenance. Starting in Fiscal Year 2024-25, Los Vaqueros Reservoir Expansion costs move from Other Services and Supplies to Water Purchases as costs shift from planning to pre-construction.
9. Maintenance and Repairs include increased O&M to operate the future PFAS treatment facilities.
10. Total Operating Expenses are assumed to increase by an average of 2% annual inflation. Inflation rates may vary by expense type.
11. Assumes issuance of $33 million of additional bonds in Fiscal Year 2025-26. See "CAPITAL IMPROVEMENT PLAN – Water System Expansion."

Totals may not add due to rounding.
Source: The Agency

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Financial Statements

A copy of the most recent audited financial statements of the Agency prepared by Agency staff and audited by The Pun Group, Walnut Creek, California (the "Auditor") is attached as Appendix A hereto (the "Annual Comprehensive Financial Report"). The Auditor letter concludes that the audited financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Agency as of June 30, 2022 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

See the Annual Comprehensive Financial Report attached hereto as Appendix A for a discussion of accounting practices of the Agency.

Retirement Plan

Salaries and benefits costs of the Agency include funding of retirement benefits for employees assigned to the Agency who, as County employees, participate in the Alameda County Employee Retirement Association ("ACERA"). The ACERA retirement plan requires employees to pay a portion of the basic retirement benefit and a portion of costs relating to cost-of-living adjustments. However, the Agency has paid the majority of the employees' basic contributions in accordance with existing collective bargaining arrangements.

Retirement payments, with respect to employees assigned to the Agency (which includes payments to ACERA, were approximately $3.6 million in Fiscal Year 2018-19, approximately $2.8 million in Fiscal Year 2019-20, approximately $2.7 million in Fiscal Year 2020-21, and approximately $3.2 million in Fiscal Year 2021-22. The Agency estimates that the required contribution for Fiscal Year 2022-23 will be approximately $3.2 million. For a variety of reasons, including prior investment losses and changes in actuarial assumptions, ACERA has experienced increased unfunded liabilities and retirement costs in recent years. The Agency's retirement costs are expected to continue to increase in the future.

See APPENDIX A — "AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2022" — Note 6 to the Basic Financial Statements" for a discussion of retirement liabilities payable by the Agency and a discussion of benefits, actuarial assumptions and matters related to ACERA and the Agency's retirement related obligations.

For Fiscal Year 2021-22, pursuant to GASB 68, a proportional allocation of the County's Net Pension Liability in the aggregate amount of approximately $11.8 million was allocated to the Agency. In 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"), which applies to governmental entities such as the Agency. GASB 68 revised and established new financial reporting requirements for most governments that provide their employees with pension benefits, including the Agency. GASB 68, among other things, requires governments providing defined benefit pensions to recognize the difference between pension plans' fiduciary net position (the amount held in a trust for paying retirement benefits, generally the market value of assets) and their long-term obligation for pension benefits as a liability ("Net Pension Liability"), and provides greater guidance on measuring such obligation, including specific guidelines on projecting benefit payments, use of discount rates and use of the "entry age" actuarial cost method. GASB 68 also revised and implemented new note disclosures and required supplementary information. The GASB 68 standards apply to financial reporting but not to the actuarial calculation of annual employer pension contributions, which continue to be determined actuarially by each plan. The provisions in GASB 68 are effective for fiscal years beginning after June 15, 2014. GASB 68 addresses the disclosure of pension liability only and does not impose any funding requirements.

LITIGATION

No litigation is pending or, to the knowledge of the Agency, threatened, in any way questioning or affecting the validity or enforceability of the 2023 Bonds, the Installment Sale Agreement or the Trust Agreement. Neither the creation, organization or existence of the Agency, nor the title of the present directors or officers of the Agency to their respective office is being contested.

BOND OWNERS' RISKS

The following describes certain special considerations and risk factors affecting the payment of and security for the 2023 Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any 2023 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors in the 2023 Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the 2023 Bonds. There can be no assurance that other considerations will not materialize in the future.

Rate Covenant Not a Guarantee; Failure to Meet Projections

The ability of the Agency to make the Installment Sale Payments and thereby pay the principal of and interest on the 2023 Bonds depends on the ability of the Agency to generate Net Revenues in the levels required by the Installment Sale Agreement. Although, as more particularly described herein, the Agency expects that sufficient revenues will be generated through the imposition and collection of water charges and connection fees and other Water System Revenues described herein, there is no assurance that such imposition of water charge, connection fees, or other Water System Revenues will result in the generation of Net Revenues in the amounts required by the Installment Sale Agreement. As a result, the Agency's covenant does not constitute a guarantee that sufficient Net Revenues will be available to make debt service payments on the 2023 Bonds.

In addition, the Agency's projected operating results are based on a number of assumptions, including timely receipt of various payments from the Agency Retailers, the capital and operating costs of the capital improvements, and are based on current regulatory requirements. Changes in circumstances, including but not limited to higher than expected capital or operating costs, and increasing regulatory requirements, could have a material adverse impact on the ability of the Agency to make the Installment Sale Payments and thereby pay the principal of and interest on the Bonds.

Operation and Maintenance Expenses

There can be no assurance that Operation and Maintenance Costs of the Agency related to the Water System will be consistent with the levels contemplated in this Official Statement. Changes in technology, changes in water quality standards, increases in the cost of operation or other expenses could require substantial increases in rates or charges in order to comply with the rate covenants in the Installment Sale Agreement. Such rate increases could drive down demand for water and related services.

Projected Operating Results

The projected operating results included herein are based on certain assumptions and forecasts. Any forecast is subject to uncertainties. There will usually be differences between actual and forecast results because not all events and circumstances occur as expected, and those differences may be material.

The Agency's projected operating results include an assumption that there will be significant growth in connections in the Agency's service area, with significant revenues resulting from the imposition of connection fees. In the event that growth is significantly below the levels assumed in the Projected Operating Results, such circumstances could have a material adverse impact on Water Revenues, and the ability of the Agency to make Installment Sale Payments.

Accordingly, the projected operating results are not necessarily indicative of future performance, and the Agency does not assume any responsibility for the failure to meet such projections. In addition, certain assumptions with respect to future business and financing decisions of the Agency are subject to change. No representation is made or intended, nor should any representation be inferred, with respect to the likely existence of any particular future set of facts or circumstances, and prospective purchasers of the Bonds are cautioned not to place undue reliance upon the projected operating results. If actual results are less favorable than the results projected or if the assumptions used in preparing such projections prove to be incorrect, the amount of Net Revenues may be materially less than expected and consequently, the ability of the Agency to make timely payment of the principal of and interest on the 2023 Bonds may be materially adversely affected.

Neither the Agency's independent auditors, nor any other independent accountants have compiled, examined or performed any procedures with respect to the projected operating results, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, projected operating results, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, projected operating results.

Risks Relating to Water Supply and Drought

There are a variety of factors that can adversely affect the supply of water available to the Agency. If the water supply decreases significantly, whether by operation of mandatory supply restrictions, prohibitively high water costs or otherwise, Water Revenues may decline and Net Water Revenues available to pay the Installment Sale Payments securing the Bonds may be adversely affected. In addition, lower water usage by customers in response to potential/future drought measures adopted by the Agency or the Agency Retailers could result in reduced water consumption and consequently lower Net Water Revenues. See "WATER SUPPLY" and "FACTORS AFFECTING WATER SUPPLIES."

Additional Obligations

As described in "CAPITAL IMPROVEMENT PLAN," the Agency's CIP is significant. The Installment Sale Agreement permits the issuance of additional obligations payable from Net Water Revenues on parity with the Installment Sale Agreement. See "SECURITY FOR THE BONDS – Additional Debt."

In addition, the Agency is considering participation in the EcoRestore Project and the Delta Conveyance Project or a similar program with other agencies in connection with contemplated upgrades to the State Water Project. It has not been determined at this time if payments by the Agency with respect to the Delta Conveyance Project or a related program will be payable from the property tax override available to pay State Water Project costs payable by the Agency (and therefore would not be payable from Water Revenues) or if such costs would be payable from Water Revenues. If such costs are payable from Water Revenues, there can be no assurances that such payments would not constitute Operation and Maintenance Costs of the Agency, payable prior to Installment Sale Payments. Payments of the Agency in connection with these additional obligations could materially adversely affect the financial condition of the Agency. See "FACTORS AFFECTING WATER SUPPLIES-Delta Conveyance Project."

Limitations on Remedies Available to Bond Owners

The ability of the Agency to comply with its covenants under the Installment Sale Agreement and to generate Net Water Revenues sufficient to pay the Installment Sale Payments may be adversely affected by actions and events outside of the control of the Agency and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "– Proposition 218" below. Furthermore, any remedies available to the owners of the Bonds upon the occurrence of an event of default under a Installment Sale Agreement or the Trust Agreement are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bondholder remedies contained in the Installment Sale Agreement and the Trust Agreement, the rights and obligations under the 2023 Bonds, the Installment Sale Agreement and the Trust Agreement may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose.

Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Seismic Considerations

The Agency is located in a seismically active area of California. If there were to be an occurrence of severe seismic activity in the area of the Agency, there could be an interruption in the service provided by the Water System, resulting in a temporary reduction in the amount of Net Water Revenues available to pay Installment Sale Payments when due.

Climate Change

Chapter 3 of the Urban Water Management Plan 2020-2025 ("UWMP"), Sources of Supply, discusses and incorporates anticipated climate change impacts into future water supply planning wherever possible.

In general, climate change is expected to increase water demand for irrigation and the year-to-year variability of demands. This is the result of increased temperatures (which increases evapotranspiration) and more variability in precipitation (which impacts supply availability and reliability). Also, natural disasters such as wildfires, droughts, and floods are expected to increase in both frequency and intensity.

Responding to climate change generally takes two forms: mitigation and adaptation. Mitigation means reducing the contribution to the causes of climate change (e.g., greenhouse gas emissions). Adaptation is the process of responding to the effects of climate change by modifying systems and behaviors to function in a warmer and more variable climate. In the water sector, climate change mitigation is generally achieved by reducing energy use, increasing energy efficiency, and/or replacing fossil fuel-based energy sources with renewable energy sources. The Agency has a solar facility at the DVWTP and continues to explore ways to increase the renewable energy portion of its energy portfolio. The Agency obtains energy from various sources that are already about 90 percent carbon-free and 70 percent renewable.

Because water requires energy to move, treat, use, and discharge, water conservation results in energy conservation. Adaptation initiatives include alternative water supply/storage options that Agency is considering These options bolster the Agency's ability to adapt to climate change through additional storage, providing a buffer against more variable hydrology (Sites Reservoir and Los Vaqueros Reservoir Expansion), and potable reuse and desalination, which are not as vulnerable to hydrologic variations. Sites Reservoir performs well under the greater rainfall expected under climate change. SWP infrastructure improvements are also key adaptation tools: the Delta Conveyance Project will address higher sea levels and greater salinity in the Delta and the greater vulnerability of the Delta levees.

Earthquake, Flood, Fire or Other Natural Disasters

The potential for natural disasters to cause catastrophic damage to any urban area, including its above-ground and below-ground water infrastructure, in California is great. The Livermore-Amador is no different than any large metropolitan area in this regard. The occurrence of a flood, earthquake, wildfire or other natural disaster could result in the temporary or permanent closure of one or more components of the Agency's water system.

The occurrence of a flood, earthquake, fire or other natural disaster could result in significantly increased costs that could materially adversely affect the ability of the Agency to operate the Water System or to generate Net Revenues at the levels required by the Installment Sale Agreement.

Cybersecurity

Like most organizations, the Agency relies on electronic systems and technologies to conduct its operations in support of its mission of providing a reliable supply of high-quality water at a reasonable price to its customers. Over the past few years, there have been increasing attempts to gain unauthorized access to electronic systems of public agencies. These attempts, which continue to increase, include highly sophisticated efforts to electronically circumvent security measures and cause disruption to agency operations. The Agency faces similar threats and risks as faced by other public agencies of its size.

The Agency maintains an active cybersecurity program which provides guidelines for proper use of its network and systems by staff, consultants and other third-parties and these policies and procedures are consistent with public agency standards. All Agency employees are required to participate in the Water District's cybersecurity education and awareness training. The Agency's outsourced Information Technology (IT) team maintains adequate backups of critical systems and performs periodic testing of its disaster recovery processes and procedures. The IT team, actively monitors and responds to potential threats and vulnerabilities, performs ongoing updates and patches to its devices and systems, protects against virus and malware attacks, and investigates any potential unauthorized activity on the Agency's network.

The Agency maintains a multilayered cybersecurity posture designed to deter cyberattacks and has safeguards in place to ensure its ability to continually deliver water to its customers. The Agency is not aware of any cybersecurity breach impacting its systems to date; however, no assurances can be given that the Agency's cybersecurity and operational control measures will be successful in guarding against any and each future cyber threat and attack. A successful security breach against its systems or water production and delivery facilities could expose the Agency to significant liability, cause reputational harm and materially impair the Agency's operations and its ability to deliver water to its customers, its revenues, and its ability to pay its obligations.

Loss of Tax-Exemption

As discussed under the caption "TAX MATTERS," interest on the 2023 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2023 Bonds were issued, as a result of future acts or omissions of the Authority or the Agency in violation of their respective covenants in the Installment Sale Agreement and the Trust Agreement. Should such an event of taxability occur, the 2023 Bonds are not subject to special redemption and will remain Outstanding until maturity or until redeemed under other provisions set forth in the Trust Agreement.

Proposition 218

Although the Agency does not believe that the rates and charges for water it provides to the Agency Retailers and other customers is subject to the requirements of Proposition 218, the Agency Retailers are required to comply with the provisions of Proposition 218 with respect to the rates and charges imposed by the Agency

Retailers on the respective Retail Agency's customers. Following is a discussion of Proposition 218 and related limitations on the ability of governments in California to impose rates, fees and charges.

General. On November 5, 1996, California voters approved Proposition 218, the so- called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related "fee" or "charge," which is defined as "any levy other than an ad valorem tax, a special tax or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service" (and referred to in this section as a "property-related fee or charge").

Specifically, under Article XIIID, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the "property-related service" and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

In addition, Article XIIIC states that "the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives."

Judicial Interpretation of Proposition 218. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General's opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three recent cases have held that certain types of water and wastewater charges could be subject to the requirements of Proposition 218 under certain circumstances.

In Richmond v. Shasta Community Services District (9 Cal. Rptr. 3rd 121), the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIIID to certain charges related to water service. In Richmond, the Court held that connection charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIIID.

In Howard Jarvis Taxpayers Association v. City of Fresno (March 23, 2005), the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIIID before imposing or increasing such fees. The California Supreme Court denied the Agency of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In July 2006 the California Supreme Court, in Bighorn-Desert View Water Agency v. Verjil (S127535, July 24, 2006), addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in Richmond that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIIID, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIIC and was therefore invalid.)

The court in Bighorn specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was not determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

Conclusion. It is not possible to predict how courts will further interpret Article XIIIC and Article XIIID in future judicial decisions, and what, if any, further implementing legislation will be enacted.

Under the Bighorn case, local voters could adopt an initiative measure that reduces or repeals the Agency Retailer's rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the 2023 Bonds.

There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIIC and Article XIIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for water or wastewater services, or to call into question previously adopted water or wastewater rate increases.

Initiative Measure Relating to Water Revenues

On February 1, 2023, the California Secretary of State announced that a ballot initiative, designated as Initiative 1935 and known as the "Taxpayer Protection and Government Accountability Act," had received the required number of signatures to appear on the November 5, 2024 ballot.

If approved by a majority of voters casting a ballot at the November 5, 2024 Statewide election, Initiative 1935 would make numerous significant changes to Articles XIII, XIIIA, XIIIC and XIIID of the California Constitution to further limit the authority of local governments, and electors via the initiative process, to adopt and impose taxes and fees. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES." The full text of Initiative 1935 may be viewed at the website of the California Attorney General.

Among other things:

- Initiative 1935 would amend Article XIIIC to state that every levy, charge or exaction of any kind imposed by local law is either a "tax" or an "exempt charge," and would amend the definition of "tax" added to Article XIIIC by Proposition 26 to state that "every levy, charge, or exaction of any kind imposed by a local law that is not an exempt charge" constitutes a tax. Initiative 1935 narrows the definition of "exempt charge" to mean a "reasonable charge for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the *actual costs* [as opposed to the reasonable costs] of providing the service or product to the payor." "Exempt charges" also encompass existing exceptions from the definition of "tax" added to Article XIIIC by Proposition 26. "Actual costs" is defined in Initiative 1935 to mean "the minimum amount necessary to reimburse the government for the cost of providing the service or product to the payor … where the amount charged is not used by the government for any purpose other than reimbursing that cost. In computing "actual cost" the maximum amount that may be imposed is the actual cost less all other sources of revenue including, but not limited to taxes, other exempt charges, grants, and state or federal funds received to provide such service or product." Initiative 1935 would retain an exemption from the definition of "tax" for assessments, fees or charges which are subject to Article XIIID.

- Initiative 1935 would amend Article XIIIC to state that only the governing body of a local government, or an elector acting pursuant to the initiative power, has the authority to impose an exempt charge, and that exempt charges must be imposed by an ordinance specifying the type of exempt charge and the amount or rate of the exempt charge to be imposed, and passed by the governing body, other than for certain exempt charges imposed for a specific health care service. In addition, Initiative 1935 would amend Article XIIIC to prohibit any amendment to a municipal charter which provides for the imposition, extension or increase of a tax or exempt charge from being submitted to or approved by the electors.

- Initiative 1935 would amend Article XIIIC to require the title, summary and ballot label or questions for a measure providing for the imposition of a tax to include: (a) the type and amount or rate of the tax; (b) the duration of the tax; and (c) the proposed use of the revenue derived from the tax; and (d) if the proposed tax is a general tax, the phrase "for general government use." In addition, no advisory measure may appear on the same ballot that would indicate that the revenue from the general tax will, could or should be used for specific purposes.

- Initiative 1935 would amend Article XIIIC to require that any special tax, whether proposed by the governing body or by an elector, be approved by a two-thirds vote of the electorate.

- Initiative 1935 would amend Article XIIIC to state that the local government bears the burden of proving by *clear and convincing evidence* (as opposed to a preponderance of the evidence) that: (a) a levy, charge or exaction is an exempt charge and not a tax; and (b) the amount of the exempt charge is reasonable and that the amount charged does not exceed the actual cost of providing the service or product to the payor.

- Initiative 1935 would amend Article XIIIC to state that any tax or exempt charge adopted after January 1, 2022, but prior to the effective date of Initiative 1935, which was not adopted in compliance with the requirements thereof is void 12 months after the effective date of Initiative 1935, if adopted, unless the tax or exempt charge is reenacted in compliance with the provisions of Initiative 1935.

The Agency cannot predict whether Initiative 1935 will be approved by a majority of voters casting a ballot at the November 5, 2024 Statewide election. If Initiative 1935 is approved, the Agency cannot provide any assurances as to the effect of the implementation or judicial interpretations of Initiative 1935 on the finances of the Agency.

Environmental Regulation

The kind and degree of drinking water and wastewater treatment is regulated, to a large extent, by the federal government and the State of California. Treatment standards set forth in federal and state law control the operations of the Water System and the Wastewater System, and mandate their use of technology. If the federal government, acting through the Environmental Protection Agency, or the State of California, acting through the Department of Health Services, or additional federal or state legislation, should impose stricter water quality standards upon the Water System, the Agency's expenses could increase accordingly and rates and charges would have to be increased to offset those expenses.

It is not possible to predict the direction which federal or state regulation will take with respect to drinking water and wastewater quality standards, although it is likely that both will impose more stringent standards with attendant higher costs.

Secondary Market for 2023 Bonds

There can be no guarantee that there will be a secondary market for the 2023 Bonds or, if a secondary market exists, that any 2023 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

APPROVAL OF LEGALITY

Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, will render an opinion with respect to the validity of the 2023 Bonds, the proposed form of which is included as Appendix E hereto. Certain legal matters will be passed upon for the Underwriter by Orrick, Herrington & Sutcliffe LLP. Certain legal matters will be passed upon for the Authority and for the Agency by its General Counsel. A copy of such approving opinions will be available at the time of delivery of the 2023 Bonds. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain compensation of Bond Counsel is contingent upon the execution of the 2023 Bonds.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2023 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the 2023 Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. However, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), generally certain corporations with more than $1,000,000,000 of average annual adjusted financial statement income, interest with respect to the 2023 Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX E hereto.

Bond Counsel's opinion as to the exclusion from gross income of interest on the 2023 Bonds is based upon certain representations of fact and certifications made by the Authority and others and is subject to the condition that the Authority complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the 2023 Bonds to assure that interest on the 2023 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest on the 2023 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2023 Bonds. The Authority has covenanted to comply with all such requirements.

The amount by which a Beneficial Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Beneficial Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Beneficial Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the 2023 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2023 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2023 Bonds might be affected as a result of such an audit of the 2023 Bonds (or by an audit of similar Bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2023 Bonds to the extent that it adversely affects the exclusion from gross income of interest on the 2023 Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE 2023 BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE 2023 BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2023 BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2023 BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE 2023 BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE 2023 BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2023 BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The authorizing resolutions and the Tax Certificate relating to the 2023 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest on the 2023 Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that interest on the 2023 Bonds is excluded from gross income for federal income tax purposes provided that the Authority continues to comply with certain requirements of the Code, the ownership of the 2023 Bonds and the accrual or receipt of interest with respect to the 2023 Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2023 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2023 Bonds.

ABSENCE OF LITIGATION

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the issuance of the 2023 Bonds or the Installment Sale Agreement or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority or the Agency taken with respect to any of the foregoing.

RATINGS

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") and Fitch Ratings Inc. ("Fitch") has assigned municipal bond ratings of "AAA" and "AA+", respectively, to the 2023 Bonds. These ratings reflect only the view of the respective rating agencies, and an explanation of the significance of this rating, and any outlook assigned to or associated with these ratings, should be obtained from the respective rating agencies.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The Agency has provided certain additional information and materials to the rating agencies (some of which does not appear in this Official Statement).

There is no assurance that these ratings will continue for any given period of time or that these ratings will not be revised downward or withdrawn entirely by the respective rating agencies if in their judgment, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Bonds may have an adverse effect on the market price or marketability of the 2023 Bonds.

CONTINUING DISCLOSURE

The Agency will covenant in a continuing disclosure certificate, the form of which is set forth in APPENDIX F – "FORM OF CONTINUING DISCLOSURE CERTIFICATE," for the benefit of holders and beneficial owners of the 2023 Bonds, to provide certain financial information and operating data relating to the Agency and the 2023 Bonds by not later than the April 15th after the end of the Agency's Fiscal Year (presently June 30), beginning with an initial deadline of April 15, 2024. The Continuing Disclosure Certificate also requires the Agency to provide notices of the occurrence of certain enumerated events.

The covenants of the Agency in the Continuing Disclosure Certificate will be made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the "Rule").

A default under the Continuing Disclosure Certificate will not, by itself, constitute an event of default under the Trust Agreement, and the sole remedy under the Continuing Disclosure Certificate in the event of any failure of the Agency to comply will be an action to compel specific performance.

UNDERWRITING

The Authority and Agency have entered into a Bond Purchase Agreement with Siebert Williams Shank & Co., LLC (the "Underwriter") under which the Underwriter has agreed, subject to certain conditions, to purchase the 2023 Bonds from the Authority at a price of $29,889,836.39 (being an amount equal to the principal amount of the 2023 Bonds ($28,795,000.00), plus original issue premium of $1,204,212.00, less an underwriter's discount of $109,375.61).

The Underwriter is obligated to purchase all of the 2023 Bonds if any are purchased. The 2023 Bonds may be offered and sold by the Underwriter to certain dealers and others at prices lower than the public offering prices, and the public offering prices may be changed, from time to time, by the Underwriter.

EXECUTION

The execution of this Official Statement and its delivery have been authorized by the Board of the Authority and the Board of the Agency.

LIVERMORE VALLEY WATER FINANCING AUTHORITY

By: /s/Osborn Solitei
Secretary/Treasurer

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

By: /s/Osborn Solitei
Treasurer

APPENDIX A

AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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ZONE 7 WATER AGENCY

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FY 2021-2022

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT - ZONE 7, Zone 7 Water Agency

FOR THE YEAR ENDED JUNE 30, 2022 WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2021

Livermore, CA

Alameda County Flood Control and Water Conservation District, Zone 7 Zone 7 Water Agency

Livermore, California

Annual Comprehensive Financial Report and Independent Auditors' Reports

For the Year Ended June 30, 2022
(With Summarized Information For The Year Ended June 30, 2021)

THE PUN GROUP
ACCOUNTANTS & ADVISORS

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Annual Comprehensive Financial Report
For the Year Ended June 30, 2022
(With Summarized Information for the Year Ended June 30, 2021)

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STATISTICAL SECTION (Unaudited)

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WATER AGENCY
Delivering Quality, Reliability and Safety

100 North Canyons Parkway
Livermore, CA 94551
(925) 454-5000

December 12, 2022

To the Board of Directors:

The Annual Comprehensive Financial Report for the Zone 7 Water Agency

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of the Alameda County Flood Control and Water Conservation District, Zone 7, California (Agency), for the fiscal year ended June 30, 2022 (with summarized information for the year ended June 30, 2021).

The Annual Comprehensive Financial Report is prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).

The intended purpose of the financial report is to provide the Board of Directors, the customers of the Agency, and other interested parties with reliable information on the finances of the Agency. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive internal control framework it established for this purpose. Because the cost of internal control should not surpass its benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of material misstatements.

The Pun Group, LLP, a firm of licensed certified public accountants, has issued an unmodified (clean) opinion on the Agency financial statements for the year ended June 30, 2022. The purpose of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2022, are free of material misstatement. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This transmittal letter is designed to complement and be read in conjunction with the MD&A.

The Annual Comprehensive Financial Report follows the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA) and the Agency is submitting this CAFR to GFOA for review and certification.

Agency Profile

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. The Agency was established by a vote of the residents of the Livermore-Amador Valley area in 1957, with its own independent elected board to provide local control of integrated water resources. 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. The Agency currently serves an estimated population of 266,000 people and is responsible for providing wholesale treated (drinking) and untreated (agricultural) water, flood control, and groundwater management throughout eastern Alameda County.

The Agency 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. The Agency has broad power to finance, construct, and operate a system for the transportation, storage, treatment, and distribution of water.

The Agency imports water into 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. The Agency is one of 29 water contractors who share the cost of the debt service for the SWP bonds.

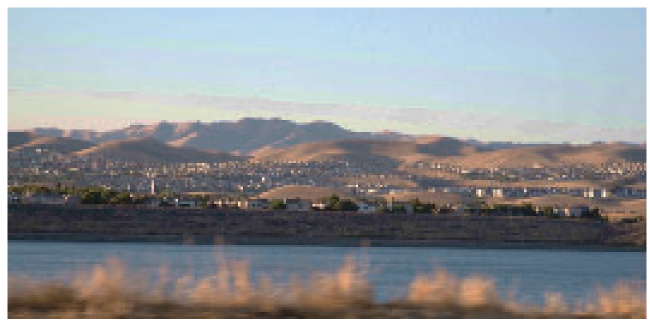
Aerial view of the South Bay Aqueduct and Dyer Reservoir.
Credit: Department of Water Resources

The Agency's four retail water customers are the City of Livermore, the City of Pleasanton, Dublin-San Ramon Services District, and California Water Service Company – Livermore District. These retailers distribute the water to municipal and industrial customers in Dublin, Livermore, Pleasanton, and through a special agreement with Dublin-San Ramon Services District, the Dougherty Valley portion of San Ramon.

History and Services

Since long before the Agency was created, the critical issues of water supply, water quality, and flood protection have shaped the region's ability to prosper. Although the Tri-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 had local farmers, vintners, and residents alike worried about their livelihoods, according to reports published in 1948. There was frequent flooding, particularly in northern Pleasanton, where Hacienda Business Park and various residential developments are now located.

The Agency was established in 1957 by local voters demanding local control over local water-resource planning, flood protection, and financing. The Agency has taken the Tri-Valley a long way in 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 co-benefits of recreation, and environmental protection and enhancements where feasible. Many issues have persisted over the decades, and their implications on local land use, local control, and local financing continue to surface. Indeed, challenges continue as the Agency 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 approved by Tri-Valley cities and/or the County at no cost or harm to existing residents.



The Agency has long been known for its proactive groundwater basin stewardship. Continuing in that tradition, on December 21, 2016, the Agency Board of Directors adopted a resolution officially accepting the role of Groundwater Sustainability Agency (GSA) for the Livermore Valley Groundwater Basin under the Sustainable Groundwater Management Act (SGMA). The Agency was one of several agencies recognized in the legislation as being a trusted groundwater basin manager and identified as the exclusive local agency eligible to perform the GSA role within its service area.

Through coordination with other local agencies in the region and neighboring groundwater basins, the Agency was able to notify the State that it will continue sustainable groundwater management for the entire portion of the Livermore Valley groundwater basin that is within the Agency's service area as well as a small portion that lies within Contra Costa County.

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

Local control has allowed the Agency to develop master plans that sustainably integrate and optimize water supply reliability, water quality, flood management and environmental stewardship. Meanwhile, the Agency has participated with other water, recycled water, sewer, and storm water utilities in the greater Bay Area to explore potential opportunities to pool services/equipment for increased efficiency.

Agency Service Area

The Agency supplies treated drinking water to retailers serving a population of 266,000 people and businesses in Pleasanton, Livermore, Dublin, and through a special agreement with the Dublin-San Ramon Services District, the Dougherty Valley area in San Ramon. The Agency also supplies untreated irrigation water to local vineyards, farms, and golf courses, and provides both flood protection and groundwater management in eastern Alameda County.

Agency-Wide Strategic Overview

On June 17, 2020, the Board adopted the 2020-2024 Five-Year Strategic plan and a revised Mission and Vision Statement with updated Values & Goals.

Mission

Deliver safe, reliable, efficient, and sustainable water and flood protection services.

Vision

Provide excellent water and flood protection services to enhance the quality of life, economic vitality, and environmental health of the communities we serve.

Values

"Our shared values guide all our actions."
— Valerie Pryor, General Manager

- **Transparency** – We operate in an open and transparent fashion.
- **Customer Service** – We are prompt, respectful, and courteous in all of our interactions.
- **Collaboration** – We embrace collaboration to enhance our services.
- **Environmental Sensitivity** – We deliver our services in an environmentally-sensitive manner.
- **Fiscal Responsibility** – We operate in a productive, cost effective, and efficient manner.
- **Innovation** – We encourage innovation, creativity, and ingenuity.
- **Integrity** – We maintain the highest ethical standards and open, honest communications.

- **Leadership and Service** – We maintain a diverse team of highly skilled professionals devoted to honest and accountable stewardship of our resources.
- **Proactivity** – We proactively address issues and embrace continuous improvement.
- **Safety** – We are committed to public and employee safety.

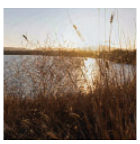
Organization-Wide Goals

GOAL A | Reliable Water Supply and Infrastructure

Provide customers with reliable water supply and infrastructure.

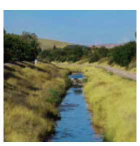
GOAL B | Safe Water

Provide customers with safe water.



GOAL C | Groundwater Management

Manage and protect the groundwater basin as the State designated Groundwater Sustainability Agency.

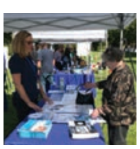


GOAL D | Effective Flood Protection

Provide an effective system of flood protection.

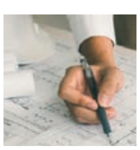
GOAL E | Effective Operations

Provide the Agency with effective leadership, administration, and governance.



GOAL F | Stakeholder Engagement

Engage our stakeholders to foster understanding of their needs, the Agency, and its functions.



GOAL G | Fiscal Responsibility

Operate the Agency in a fiscally responsible manner.

Economic Condition and Fiscal Outlook

The Agency's Administrative Office is located in the City of Livermore, in Alameda County which is part of the Tri-Valley area of Dublin-Livermore-Pleasanton. The Tri-Valley is located 39 miles east of San Francisco, California, and 28 miles north of Silicon Valley. This area is a crossroads, not only literally (for commuters traveling from the Central Valley to Silicon Valley and other employment destinations) but also figuratively (for major employers including both vineyards and high-tech firms.) With a combined population now of 266,000 residents, the Tri-Valley area is proving to be one of the fastest growing areas in the Bay Area.

DUBLIN, located in the desirable Tri-Valley region, has emerged as an outstanding community for families. With a population of 73,000 residents, its known as the "New American Backyard", Dublin is an attractive destination for businesses and residents alike who want access to transportation (two major freeways and two BART stations), excellent schools, beautiful parks and public facilities, safe neighborhoods, and a wide variety of housing types. Dublin has progressive policies that promote quality growth in office, retail, and residential development. Dublin continues to work to expand and enhance the quality of life for all members of our community.

LIVERMORE is a community that reflects an eclectic blend of science, arts, western culture, and award-winning wineries and breweries. The City's renowned reputation in science, technology, and innovation is showcased by the Lawrence Livermore and Sandia National Laboratories, and its regional i-GATE Innovation Hub and "Switch" facility. The San Francisco Premium Outlets and the vibrant downtown highlight a wide range of shopping, dining, and entertainment opportunities for Livermore's 86,000 residents and visitors. Livermore's diverse community amenities, business friendly atmosphere, and strong public schools make it the perfect location for entrepreneurs and businesses of all sizes including new arrivals Tesla Motors and the Gillig Bus Company.

PLEASANTON carries a small-town ambiance with a metropolitan edge that contributed to its inclusion as the only Bay Area city on Money Magazine's 2010 list of America's 100 Best Small Cities. This City of 78,000 supports a thriving business community of more than 4,000 companies, from Fortune 500 to home-grown innovation firms. Pleasanton's highly educated population and workforce reflect the community values education and preeminent school system. Downtown Pleasanton is a charming historic destination with a mix of unique shops, services, and restaurants. Nearby Stoneridge Shopping Center features more than 165 specialty stores.

Most of the Agency's service area lies within the County of Alameda which possesses a large and diverse economic base, consisting of research and high technology, professional services, agriculture, finance, retail trade, medical and health services, government services and many others. The 2021-22 local roll included assessments of 501,124 taxable properties within Alameda County. The assessed value of these properties totaled $358 billion, a $15.5 billion or a 4.58% increase above the previous year assessment roll. The growing economy and increase in real estate values and new construction are responsible for this 4.58% increase. Other factors leading to this year's assessment growth included the mandatory inflation index of 2% being applied to all property's assessed values that were not affected by assessment declines in prior years. This inflation index, roll corrections, base value restorations, and other miscellaneous factors added $3.15 billion. Reassessments due to sales/transfers of real estate added $8.95 billion, new construction activity added $3.44 billion. A copy of the 2021–22 annual report is available at the Alameda County Assessor Office website.

Cities within the Agency service area had slight decrease in population from 2021 to 2022. The city of Livermore saw the highest decline in population growth of -1.2%, followed by cities of Pleasanton and Dublin with a slight decrease in population of -0.9% and -0.8%, respectively. Housing activity continues to be strong locally with the Alameda County median home value rising 11.2% year over year to $1.2 million as of April 2022.

While some economic indicators continue to look healthy, there are signs that the post-pandemic recovery is slowing. On the positive side, the unemployment rate continues to decline. As of October 2022, the Alameda County unemployment rate was reported at 2.9% versus 4.8% in October 2021.

Long-Term Financial Planning / Strategic Planning

Credit Rating: In 2018, the Agency issued $64,010,000 Livermore Valley Water Financing Authority Water Revenue Bonds, 2018 Series A to finance the construction of an ozone treatment facility at the Del Valle Water Treatment Plant and to refinance bonds associated with the Cawelo Groundwater Banking Program. In June 2022, Fitch conducted a surveillance review and as a result Fitch Ratings affirmed Zone 7's bond rating of AA+ with a stable outlook. In affirming the rating, Fitch Rating states, "the 'AA+' bond rating and Issuer Default Rating reflect the agency's very low leverage, measured as net adjusted debt to adjusted funds available for debt service, within the framework of very strong revenue defensibility and low operating risk profile."

Water Rates: The Agency's largest revenue source is the sale of water, acting as a wholesaler for four water supply retailers in Livermore, Pleasanton, Dublin and by a special agreement with the Dublin San Ramon Services District, the Dougherty Valley area in San Ramon. On November 16, 2022, the Board approved 5.5% annual rate revenue adjustment for wholesale water services for Calendar Years 2023, 2024, 2025 and 2026. The first rate increase will go into effect February 1, 2023, and the remaining increases for years 2024-2026 will be effective January 1 of each year. The Board will revisit the rate schedule for calendar years 2025 and 2026, through a public process, with any changed rates adopted by November 2024.

Zone 7 studied the need for rate revenue adjustments in consideration of the rising costs of importing water, operations, maintenance, environmental and regulatory compliance — ensuring treated water rates keep pace with the increasing costs to provide safe, reliable water. The approved rate increase is essential to construct, maintain and repair the crucial infrastructure that keeps customers' water safe and consistently flowing to homes and businesses.

Strategic Planning: On June 17, 2020, the Board adopted a 2020-24 Five-Year Strategic Plan. The Strategic Plan was developed through a collaborative process with the Board of Directors, management, and staff. The planning consultant interviewed each of the seven Board members regarding their perspectives on the future challenges for the Agency. These interviews were followed by a management workshop. Four workshop sessions with Agency employees and supervisors mined key strengths, weaknesses, opportunities, and threats facing the Agency. The Board discussed the strategic challenges facing the Agency and refined a vision, mission, and set of goals for the Five-Year Strategic Plan at a Board Retreat in early 2020. Based upon staff input and Board direction, the management team then developed "initiatives" for each of these goals. The Strategic Plan will be reevaluated regularly to adjust as conditions warrant.

Capital Improvement Plan: Existing infrastructure must be maintained, upgraded, and/or replaced to ensure reliable operations. Modifications to infrastructure related to technological advances and improvements must be considered and incorporated to improve system reliability and operations/maintenance efficiency. New infrastructure must be developed to serve future growth in the Valley and to comply with future anticipated water quality regulations.

To maintain reliable operations, the Agency continues to effectively implement infrastructure projects in its Capital Improvement Plan (CIP). The CIP encompasses the near-term (ten years for the Water System and five years for Flood Protection) implementation and funding plan for projects required to meet the Agency's long-term mission and goals.

The Asset Management Plan (AMP) includes the asset inventory and long-term (40-year) renewal and replacement schedule for the water system assets, determines total funding needed over the planning horizon, and documents the Agency's funding plan.

For purposes of the CIP, capital outlay is distinguished from capital projects. Capital outlay includes only those projects or equipment purchases between $5,000 and $50,000 and having more than one year of useful life. Capital outlay is funded through the operating budget. All capital projects or equipment purchases of at least $50,000 or over and having five years of useful life are included in the capital improvement planning process.

By the Fall of 2020, the Del Valle Water Treatment Plant (DVWTP) Ozonation Project was completed. The DVWTP Ozonation Project, which is part of Zone 7's Capital Improvement Program (CIP), represents a capital investment of $49 million, funded by revenue bonds. The ozone system has been operational for most of the 2020–2021 and 2021–22 fiscal years. The project included the modification of existing facilities and construction of new facilities including an ozone generation building, contactor structure, existing filters modifications, chemical feed facilities, Power and Water Resource Pooling Authority (PWRPA) electrical facilities and a plant utility water pump station. This project improves water quality, enhances the water treatment process, and increase water production reliability.

In FY 2021–22, Zone 7 continued construction of ozonation treatment facilities to improve quality, taste, and odor at the aging Patterson Pass Water Treatment Plant (PPWTP). The project will increase and stabilize the PPWTP's production capacity from 12 to 24 million gallons per day, and add clearwell storage, new filters, renewal, replacement, and rehabilitation of the aging components of the plant. Decades in the planning, this project highlights the Agency's efforts in long-term planning, fiscal responsibility, and commitment to water quality and public health. The official ribbon cutting ceremony took place on June 9, 2022. PPWTP is expected to be fully operational in the Fall 2022.

Significant Accomplishments

Water Supply, Reliability, and Quality

Drought Conditions: Fiscal year 2021-22 was a critically dry year and the third dry year in a row for the State of California. On September 1, 2021, the Board (Resolution No. 21-67) declared a state of drought emergency within its service area and a Stage 2 water shortage. This declaration included mandatory conservation of 15% to align with Governor Newsom's drought emergency proclamation. As of June 2022, treated water demands were 17% lower relative to the same time in 2020.

The Agency maintains a diverse water supply portfolio (local groundwater, groundwater banks in Kern County, and surface water) and proactively pursued and secured water transfers. Because of the Agency's actions, water demands are continuing to be met. The current drought has solidified the importance of maintaining a diversified water supply portfolio including the continued participation in critical alternative water supply projects.

Sustainable Groundwater Management: The Sustainable Groundwater Management Act (SGMA) is historic legislation which requires local agencies to adopt groundwater management plans and monitor and manage groundwater resources in a sustainable way. In 2014, the State of California's Sustainable Groundwater Management Act recognized the Agency's sustainable groundwater management program by naming the Agency the exclusive Agency to continue this role in its service area. At the end of 2016, the Agency officially accepted the new role and filed an Alternative Sustainable Groundwater Management Plan. Early in 2017, the Agency's Board of Directors adopted a Sustainable Groundwater Management Ordinance to clarify the Agency's responsibilities related to groundwater management for the Livermore-Amador Valley groundwater basin as well as a small portion that lies within Contra Costa County.

In April 2020, DWR awarded Zone 7 Water a $500,000 Sustainable Groundwater Management grant to support development of the previously approved Alternative Groundwater Sustainability Plan (GSP). In FY 2021-22, the Agency completed the Alternative GSP 5-year Update for the Livermore Valley Groundwater Basin to DWR on time and within budget, which included the implementation of the Stakeholder Engagement Plan and administration of the grant.

Water Quality: All water supplied during 2021 not only met, but often performed better than the regulatory standards set by the state and federal governments. Zone 7 continued construction of ozonation treatment facilities to improve quality, taste and odor at the aging Patterson Pass Water Treatment Plant (PPWTP) this year. The project will also increase and stabilize the treatment plant's production capacity from 12 to 24 million gallons per day, as well as add clearwell storage, new filters, renewal, replacement and rehabilitation of aging components of the plant. Decades in the planning, this project highlights the agency's efforts in long-term planning, fiscal responsibility, and commitment to water quality and public health.

Ozone treatment is the technology of choice for disinfecting water, reducing chlorine-related byproducts, and killing even more pathogens than chlorine making the Agency's water cleaner, safer and better tasting – straight from the tap.

Flood Protection: The Agency's Five-Year Strategic Plan includes an initiative to update the flood protection strategy. A consultant with expertise in flood protection engineering provided a high-level assessment of the Agency's flood protection policies and of the overall flood protection system currently in place.

The recommendation of the consultant was to pursue a new flood system management plan, which would incorporate some of the existing plans, but provide a more contemporary approach to the existing Stream Management Master Plan by focusing on flood protection goals and incorporating climate change into a revised strategy. It would also look for opportunities to engage partner agencies during development and expand engagement with the community in discussions about flood risk and the revised approach.

In Spring 2021, the Agency hired a consultant to complete Phase I of the Flood Management Plan. This Phase includes establishing Agency flood management guidance such as flood management guiding principles, flood performance goals and objectives, flood system definition, and best management practices. Major milestones to complete Phase 1 were achieved in FY 2021–22:

- On July 21, 2021, the Board adopted Resolution No. 21-55 approving the Flood Management Guiding Principles.
- On March 2, 2022, the Board adopted Resolution No. 22-14 approving the Flood Management goals and objectives.
- On August 17, 2022, the Board adopted Resolution No. 22-73 approving the Flood Management Plan Phase 1.

The following are some of the key accomplishments related to the Flood Protection Program in FY 2021–22:

- Completed construction of the Phase 3 Rehabilitation Project which includes 14 embankment damage sites.
- Completed construction of the Mocho Stanley Reach Stabilization Project.
- Completed the Camp Parks Regional Detention Basin Project.
- Obtained a USGS grant to acquire high-definition LiDAR of the Alameda Creek Watershed which will be used to provide a topographical survey of the region.
- Completed development of a streamlined permitting process with various regulatory agencies for on-going repairs and maintenance activities.

Long-Term Water Supply Reliability: Back-to-back dry years are a challenge for water suppliers as water becomes a scarce resource. With 2022 being the third dry year in a row, the Agency worked to maintain water supply reliability for its customers. The Agency will continue investment and participation in water supply reliability projects as part of its mission to deliver safe, reliable, efficient, and sustainable water, such as the Los Vaqueros Reservoir Expansion and Sites Reservoir projects.


Aerial photo of Lake Oroville on Aug. 4, 2022 at 41 percent of total capacity

The Agency will also continue to pursue the following projects, with direction from the Board of Directors, as long as the projects demonstrate progress toward attaining new sustainable water supplies both regionally and locally and are fiscally feasible:

- Bay Area Regional Desalination Project
- Delta Conveyance
- Los Vaqueros Reservoir Expansion
- Potable Reuse
- Sites Reservoir
- Water Transfers
- Intertie with a neighboring water agency

In FY 2021-22, staff secured Board approvals for continued participation in the Delta Conveyance Project, Los Vaqueros Reservoir Expansion Project, and Sites Reservoir and started the the 2021 Water Supply Evaluation Update.

Communications and Outreach: The Agency adopted the 2020-24 Five-Year Strategic Plan in June 2020 and has made significant progress in meeting the goals of that plan. In the third year of drought, Zone 7 lead communications efforts via a special Drought Committee comprised of Zone 7 and its retailers. Together, the committee has successfully leveraged resources in order to convey a unified and consistent message to the public about the need for conservation. A special webpage found at www.zone7water.com/drought was created to serve as a single resource for all Tri-Valley residents to access drought info and keep informed on outdoor water restrictions.

Communications Awards: Zone 7 was recognized for its outstanding achievements in communications receiving four awards:

Zone 7 Website

- Gold Award at the DotCOMM awards in the website redesign category

Flood Ready Freddy Flood Preparedness Campaign

- First place Savvy Award in the "Video – Education and Training Category"
- Award of Distinction at the Communicator Awards in the Public Service
- Online Video category
- Gold Award at the DotCOMM awards in the safety video category

Digital Annual Report: A digital version of the Annual Report for the 2020-2021 fiscal year was launched at a new microsite http://www.zone7water.report to increase accessibility. The Annual Report is fully online and meets and exceeds the Americans with Disability Act (ADA) compliance and regulation standards. Residents of the Tri-Valley who use assistive technology are now able to browse and interact with the report with the new accessible website design. The report was promoted through social media and at public events using a postcard with a scannable QR code.

Schools' Program: The Zone 7 Schools Program was designed around the idea that teaching kids to be water-savvy today translates to water-wise adults for generations to come. Lessons in the program are aligned with the Next Generation Sciences Standards for K-12 content, created and taught by certified educators. Funded by Zone 7 Water Agency and supported by its Board of Directors, the program invests in youth water system education and appreciation. During the pandemic we pivoted our schools' program to virtual teaching and are still offering this as a resource, averaging 1,380 users annually. Most significantly, in 2021 we were finally able to resume in-classroom teaching and taught 149 in-person classes and reached over 4,500 students.

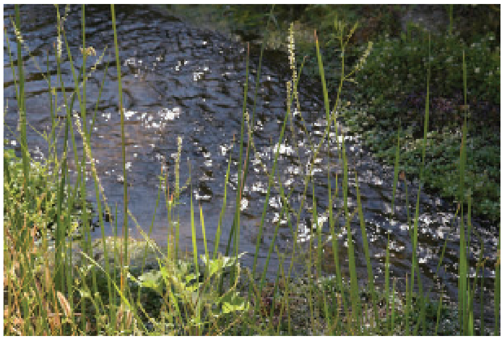
Tri-Valley Water Reliability Website: Zone 7 launched www.trivalleywater.org, a new website focused on educating the public on the region's water supply reliability. The website is part of the Agency's Strategic Plan and features a vibrant design with a full suite of photography highlighting water infrastructure and a new "Water's Journey" video that educates users

about the journey water takes through the State Water Project system to homes and businesses in the Tri-Valley. The site also covers water supply challenges, and potential solutions including Sites Reservoir and Delta Conveyance, as well as more local solutions like Los Vaqueros Reservoir Expansion, potable reuse, and regional desalination.

Workforce Development: The Agency continued its proactive role as a Baywork signatory in FY 2021-22. Baywork's signatories strategically invest resources together to sustain and develop the reliable workforce needed to serve our customers and protect the environment both now and for future generations. As a signatory agency, Zone 7 is better able to expand its reach throughout the Bay Area, particularly among job seekers. The partnership also provides job training opportunities and skills advancement for prospective and existing employees in the workforce and enables the sharing of best practices with other water agencies.

The Agency provided training opportunities to staff — the first cohort of Introduction to Supervision (training for line staff) was held from March to April 2022.

Living Arroyos Program: A new three-year agreement for Living Arroyos was signed in July 2022, beginning with FY 2022-2023. Current program parties are:



- Zone 7 Water Agency – Fiscal Manager
- Alameda County Resource Conservation District (ACRCD) – Implementing Agency
- Program Partners – Zone 7, City of Dublin, City of Livermore, City of Pleasanton
- ACRCD has taken over the role as the Implementing Agency from Livermore Area Recreation and Park District (LARPD) and has hired the existing Program Coordinator and Interns from LARPD, providing continuity. The community benefited from the efforts of LARPD in keeping the Program going through the pandemic.

The benefits of this strategic partnership are cost sharing, leveraging unique resources, aligning the community vision of the watershed, avoiding redundancy, and achieving long-term management goals.

The program's Saturday volunteer workdays allow residents to assist with restoring creek banks with native vegetation while learning about local ecology. The program also employs college students and young professionals as interns, allowing them to learn stream management techniques hands-on to augment their classroom learning.

Living Arroyos was recognized by California Stormwater Quality Association (CASQA) the 2020 CASQA Outstanding Sustainable Stormwater Project/Program Award. The City of Livermore nominated Living Arroyos/Adopt a Creek Spot Program for consideration and the CASQA Awards committee selected Living Arroyos as a winning program.

Following a break due to the pandemic, volunteer events returned in 2022. In FY 2021–22, Living Arroyos staff planted 225 trees and 723 acorns, installed 34 willow stakes, removed 997 gallons of trash and over 1,508 gallons of invasive weeds.

Financial Policies

Financial Reserve Policy: The Financial Reserve policy was initially adopted by the Board in 2005 and updated with the adoption of an Interim Reserve policy on April 17, 2013. On September 28, 2016, the Board adopted a Final Reserve Policy (Resolution No. 16-166). The 2016 revisions helped to further strengthen the Agency's financial position.

On May 15, 2019, the Board adopted Resolution No. 19-37, approving a revised reserve policy. The new policy eliminated Drought Contingency and Rate Stabilization Reserves and created a Reserve for Economic Uncertainties. The Reserve for Economic Uncertainties is prudent to help maintain a high bond rating and to protect the Agency from the effects of fluctuations in water usage and the cost of imported water to which the Agency is vulnerable, and other unforeseen events such as a natural disaster, water shortage emergency, or other unanticipated adverse situations. The reserve is targeted at 15% of budgeted volume-based water sales revenue. The revised policy also eliminated the Building Sinking Fund Reserve which was liquidated with the purchase of the North Canyons Building and added the Debt Rate Stabilization Reserves that were established as part of the debt issuance in 2018.

Investment Policy: The Agency's Investment Policy was adopted by the Board on June 15, 2022 (Resolution No. 22-47). The Agency's Investment Policy is in compliance with the California Government Code, Section 53600 et seq. The investment of idle funds is delegated by Agency's Board to the Assistant General Manager – Finance as the Treasurer who assumes full responsibility for the transactions of the investment program. The objectives of the investment policy are safety of principal, liquidity, return on investment or yield, and diversity. The Investment Policy applies to the Agency's pooled investment fund which encompasses all monies under the direct oversight of the Agency Treasurer and is reviewed on an annual basis.

Debt Policy: The Debt policy was adopted by the Board in June 2017 (Resolution No. 17-52). The Debt Policy provides the guidelines under which specific projects outlined in the biennial planning process and documented in the Capital Improvement Plan may be best financed. Debt issuance should be evaluated on a case-by-case basis as well as within the Agency's general debt management program. The Agency recognizes that changes in the capital markets and other unforeseen circumstances may require action deviating from this Debt Management Policy. In cases requiring any exception to this policy, approval from the Board will be required. The Debt Management Policy is not applicable to intra-agency borrowing.

Budget Controls: The Agency has a two-year budget cycle for governmental funds and proprietary funds and maintains budgetary controls, the objectives of which are to ensure compliance with legal provisions, embodied in the two-year budget approved by the Board. The Agency's operating and capital budgets are reviewed and approved by the Board of Directors. The budget includes the projects, services and activities to be carried out during the two fiscal years and the estimated revenue available to fund these operating and capital costs. The legal level of budgetary control (that is the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level, further delineated by two categories, the operating budget (consisting of total operations and operating projects) and the capital budget (consisting of capital project expenditures).

The Agency also maintains an encumbrance accounting system as one process to accomplish budgetary control. Budget adjustments that increase or decrease revenue projections, appropriations or reserves of any fund at the fund level require Board approval. Budget and actual comparisons are provided in this report for the Governmental Fund (Flood Protection Operations and Flood Protection Development Impact Fee Fund). The guidelines used by the Agency in developing the formal budget process are those recommended by the Government Finance Officers Association.

Internal Control: The Agency management is responsible for establishing and maintaining adequate internal controls to assure the Agency operations are effective and efficient, that applicable laws and regulations are followed, and financial reports are reliable. Existing internal controls are monitored, and changes are implemented as needed. These controls are designed to provide reasonable, but not absolute, assurance that (1) assets are safeguarded against waste, fraud and inefficient use; and (2) the Agency's financial records can be relied upon to produce financial statements in accordance with accounting principles generally accepted in the United States of America. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived, and that cost-benefit analyses require estimates and

Other Information

Independent Audit

An independent audit by certified public accountants is important in determining the reliability of the Agency's financial statements. The importance of such verification has been recognized by the federal and state governments, and the general public. The Agency contracted with the accounting firm of The Pun Group, LLP for this audit. The audit was conducted in accordance with auditing standards generally accepted in the United States of America. The firm's report has been included in the financial section of this report.

Awards

Certificate of Achievement for Excellence in Financial Reporting: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a "Certificate of Achievement for Excellence in Financial Reporting" to the Agency for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized the Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current the Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this Annual Comprehensive Financial Report represents a successful team effort by staff from many departments within the Agency who have demonstrated their dedication and professionalism in the creation of this report. We also wish to thank the Agency's auditors, The Pun Group, LLP for their assistance and guidance and the Board for their structural guidance and consistent fiduciary focus.

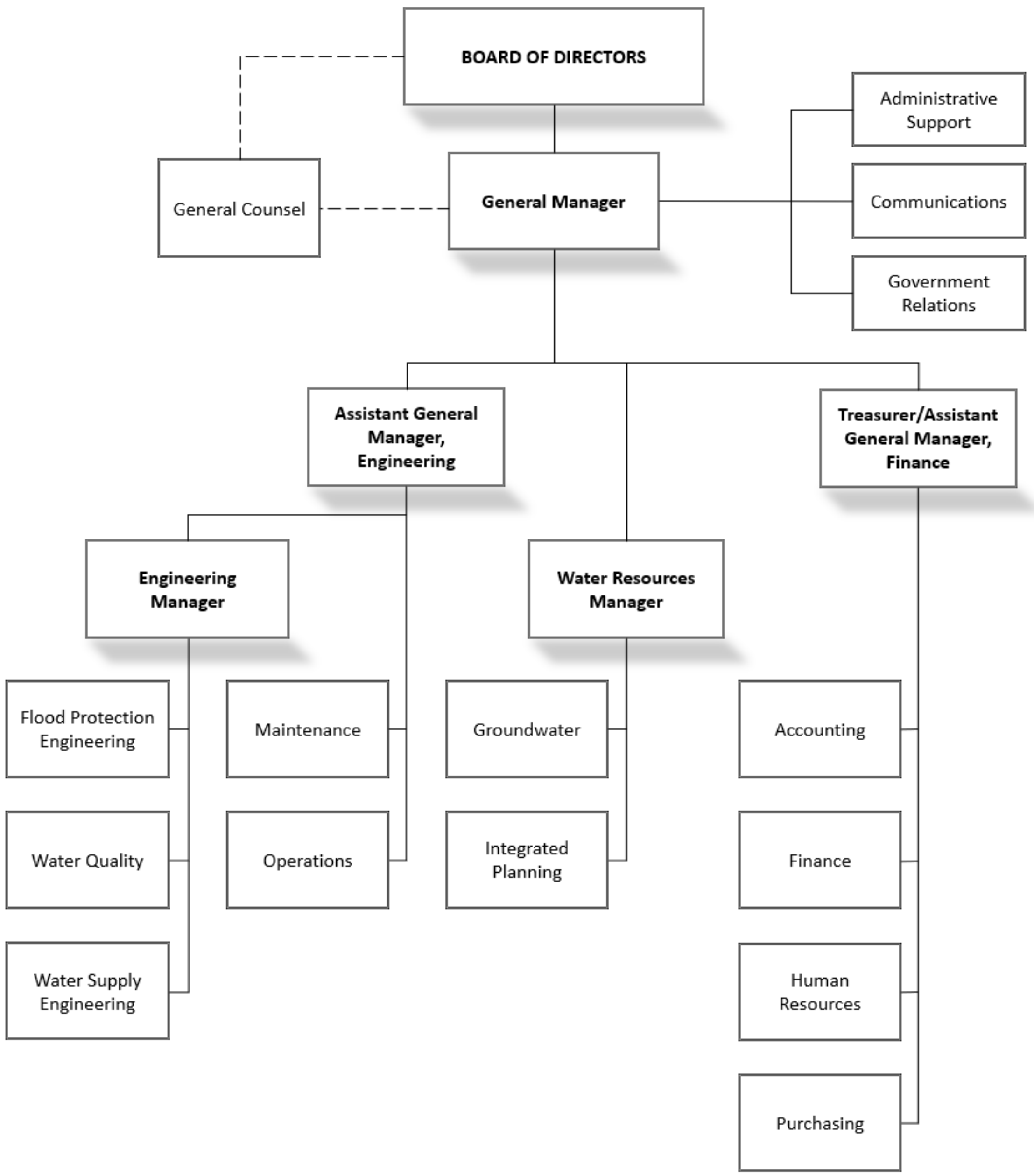
Respectfully submitted,

DocuSigned by: Valerie Pryor FFAEC424A8EE4C9...	DocuSigned by: Osborn Solitei 30C75F5FFCB44E5...
Valerie Pryor	**Osborn Solitei**
General Manager	Treasurer/Assistant General Manager, Finance

Alameda County Flood Control and Water Conservation District, Zone 7

Functional Organizational Chart

Fiscal Year 2021-2022



List of Elected Officials and Agency Management

Sarah Palmer, *President*

Board Member since 2006 -- Term Expires June 30, 2026

Sands Figuers, *Vice President*

Board Member 1988-2000; again since 2008 -- Term Expires June 30, 2024

Dawn Benson

Board Member since 2022 -- Term Expires June 30, 2026

Dennis Gambs

Board Member since 2018 -- Term Expires June 30, 2026

Laurene Green

Board Member since 2020 -- Term Expires June 30, 2024

Angela Ramirez Holmes

Board Member since 2012 -- Term Expires June 30, 2024

Olivia Sanwong

Board Member since 2018 -- Term Expires June 30, 2026

Executive Management Team

Valerie Pryor, *General Manager*

Heath Mc Mahon, *Assistant General Manager, Engineering*

Osborn Solitei, *Treasurer/Assistant General Manager, Finance*

Alameda County Flood Control and Water Conservation District, Zone 7

2022 Annual Comprehensive Financial Report
Project Team

Audit/Financial Statement Coordinator

Osborn Solitei
Treasurer/Assistant General Manager, Finance

Teri Yasuda
Accounting Manager

Flora Guo	**Elizabeth Foss**	**JaVia Green**
Sr. Auditor/ Accountant	Financial Analyst	Financial Analyst

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Alameda County Flood Control & Water Conservation District - Zone 7 Water Agency California

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

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Walnut Creek, California 94596

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Alameda County Flood Control and
Water Conservation District, Zone 7 – Zone 7 Water Agency
Livermore, California

Opinions

We have audited the accompanying basic financial statements of governmental activities, business-type activities and each major fund, and aggregate remaining fund information of the Alameda County Flood Control and Water Conservation District, Zone 7– Zone 7 Water Agency (the "Agency"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund, and the aggregate remaining fund information of the Agency, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the Flood Protection Operations Fund and Flood Protection Development Impact Fee Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Implementation of New GASB Pronouncements

As discussed in Note 1F and Noted 15 to the basic financial statements, the Agency implemented Governmental Accounting Standards Board ("GASB") Statement No. 87, *Leases* during the year. As a result of the implementation, the Agency reported the leases related assets, liabilities and deferred inflows of resources, and reported a restatement of its net position. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Combining and Individual Nonmajor Fund Financial Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Financial Statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Agency's 2021 financial statements, and we expressed unmodified opinions on those audited financial statements in our report dated December 3, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical Sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2022 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

The Pun Group, LLP

Walnut Creek, California
December 13, 2022

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022 and 2021

The Government Accounting Standards Board Statement Number 34 requires that management prepare a Management's Discussion and Analysis ("MD&A") section as a component of the audited Financial Statements.

The Alameda County Flood Control and Water Conservation District, Zone 7, Zone 7 Water Agency ("Agency") MD&A presents management's analysis of the Agency's financial condition and activities for the year ended June 30, 2022, and 2021. The MD&A is intended to serve as an introduction to the Agency's basic Financial Statements. This information should be read in conjunction with the audited financial statements that follow this section. A narrative overview and comparative analysis of fiscal year 2022 to 2021 information is presented in this report. Readers are encouraged to consider the information presented here as complementary to the information contained in the accompanying financial statements. All amounts, unless otherwise indicated, are expressed in whole dollars.

The information in this MD&A is presented in the following order:

- Financial Highlights
- Overview of Financial Statements
- Capital Assets
- Debt Administration
- Request for Information

Financial Highlights

- The Agency's net position increased by $12.5 million or 2.3 percent from $554.5 million to $567 million mainly due to an increase in total assets of $7.7 million. The increase is due to increases in capital assets by $25.6 million and other postemployment benefits (OPEB) asset by $3.6 million during the year. The OPEB asset was due to the favorable return on the market assets. The total assets increase is offset by a decrease in cash and investments by $25.2 million. During the fiscal year, long-term debt and pension liability decreased by $2.3 million and $5.4 million, respectively and that has contributed to an increase in net position. The current liabilities decreased by $1.6 million and compensated absences increased by $0.2 million. Total revenues increased by $1.7 million for the fiscal year ended June 30, 2022.
- Total revenues increased by $1.7 million, or 1.4 percent, from $118.4 million to $120.1 million mainly due to increase in charges for services of $5.4 million from the previous year as a result of improved construction and development activities in the service area and an increase in property tax during the fiscal year due to increased property assessed valuations. The increase in development activities is offset by a decrease in water sales due to a decrease in residential water demand mainly due to a 15 percent mandatory state of drought emergency declared by the Board on September 1, 2021. The increase is also offset by lower investment earnings as a result of the fair value of investments at the end of the fiscal year.
- Total expenses increased by $7.8 million, or 7.8 percent, from $99.8 to $107.6 million mainly due to increases of $7.7 million for the Water Enterprise water purchases due to the state of drought emergency declared by the Board, Flood Protection Operations projects, and the State Water Project pass-through payments to California State Department of Water Resources (DWR) during the fiscal year.
- Capital assets increased by $25.6 million, or 7.7 percent, from $330.5 million to $356.1 million mainly due to the construction of the Patterson Pass Water Treatment Plant ozone and upgrade projects.

Overview of Financial Statements

This discussion and analysis serve as an introduction to the Agency's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The report also contains other required supplementary information in addition to the basic financial statements.

Agency-wide financial statements

The Agency-wide financial statements are designed to provide readers with an overview of the Agency's finances. The Agency-wide financial statements present the financial picture of the Agency from the economic resources measurement focus using the accrual basis of accounting.

The statement of net position presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The statement of activities presents information showing how the Agency's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide statements distinguish functions of the Agency that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include the Flood Protection Fund and Flood Protection Development Impact Fee Fund. The business-type (proprietary) activities include the Water Enterprise System.

The government-wide financial statements can be found in the financial section of this report.

Fund financial statements

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency's two kinds of funds - governmental and proprietary - use different accounting approaches.

Governmental funds

The Agency's governmental funds consist of three funds: Flood Protection Operations, Flood Protection Development Impact Fee and Non-Major Governmental Fund. These funds are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting method which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed near-term view of the Agency's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the Agency-wide financial statements. However, unlike the Agency-wide financial statements, governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as the balances of spendable resources available at the end of the year. A reconciliation of both the *governmental funds balance sheet* and the *governmental funds statement of revenues, expenditures, and change in fund balances* to the *Agency-wide statements* are provided to facilitate this comparison between governmental funds and governmental activities.

The basic governmental fund financial statements can be found in the financial section of this report.

Proprietary funds

The Agency's proprietary funds consist of five enterprise funds: Water Enterprise Operations, State Water Facilities, Water Enterprise Capital Expansion, Water Facilities, and Water Supply and Reliability. Proprietary funds are generally used to account for services for a government's business-type activities (activities supported by fees or charges). Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user rates, charges, and fees. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities, using the accrual method of accounting.

The basic proprietary fund financial statements can be found in the financial Section of this report.

Notes to the basic financial statements

The notes to the basic financial statements provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the financial section of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Agency's progress in funding its obligation to provide pension and other post-employment healthcare benefits to its employees. Such required supplementary information can be found in the financial section of this report.

Government-wide Financial Analysis

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position provide an indication of the Agency's financial condition and indicate whether the financial condition of the Agency improved during the last fiscal year. The Agency's net position reflects the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. An increase in net position over time typically indicates an improvement in financial condition. A summary of the Agency's Statement of Net Position is presented below:

Statement of Net Position
June 30, 2022, and 2021

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets:						
Current and other assets	$ 98,216,208	$ 99,471,631	$ 213,003,978	$ 229,700,127	$ 311,220,186	$ 329,171,758
Capital assets and leased assets	32,886,671	32,772,306	323,232,424	297,708,617	356,119,095	330,480,923
TOTAL ASSETS	131,102,879	132,243,937	536,236,402	527,408,744	667,339,281	659,652,681
Deferred Outflows of Resources						
Pension related	408,238	526,710	4,000,378	4,908,905	4,408,616	5,435,615
OPEB related	83,637	105,154	819,574	980,030	903,211	1,085,184
Total Deferred Outflows of Resources	491,875	631,864	4,819,952	5,888,935	5,311,827	6,520,799
Liabilities:						
Current liabilities	2,858,186	4,134,694	11,403,612	11,681,221	14,261,798	15,815,915
Noncurrent liabilities	1,092,968	1,672,810	74,664,813	82,060,531	75,757,781	83,733,341
TOTAL LIABILITIES	3,951,154	5,807,504	86,068,425	93,741,752	90,019,579	99,549,256
Deferred Inflows of Resources						
Lease related	447,269	471,230	493,052	533,457	940,321	1,004,687
Pension related	871,618	802,440	8,541,102	7,478,671	9,412,720	8,281,111
OPEB related	488,939	271,536	4,791,173	2,530,687	5,280,112	2,802,223
Total Deferred Inflows of Resources	1,807,826	1,545,206	13,825,327	10,542,815	15,633,153	12,088,021
Net Position:						
Net Investment in capital assets	32,886,671	32,772,306	273,736,173	246,768,274	306,622,844	279,540,580
Restricted for:						
Capital projects and water expansion	73,996,664	72,715,433	113,044,353	110,609,342	187,041,017	183,324,775
Pension trust	146,484	-	1,323,131	-	1,469,615	-
Unrestricted	18,805,955	20,035,351	53,058,945	71,635,497	71,864,900	91,670,848
TOTAL NET POSITION	$ 125,835,774	$ 125,523,090	$ 441,162,602	$ 429,013,113	$ 566,998,376	$ 554,536,203

As the above table indicates, the total assets increased by $7.7 million, or 1.2 percent, from $659.6 million to $667.3 million during the fiscal year ended June 30, 2022. The increase is mainly due to the construction of the Patterson Pass Water Treatment Plant ozone and upgrade projects as the Agency used the 2018 Water Revenue Bonds in the acquisition fund. The government-wide statement of net position for the Agency's governmental and business-type activities indicates that as of June 30, 2022, total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $567 million compared to $554.5 million at June 30, 2021.

The largest portion of the Agency's net position, $306.6 million, or 54.1 percent, reflects its investment in capital assets (e.g., land, buildings, equipment and infrastructure). These capital assets are used to provide services to citizens; therefore, these assets are not available for future spending.

Deferred outflows of resources is the amount of the effect of pension and Other Postemployment Benefits Other than Pension (OPEB) accounting that defers the contributions made after the measurement date until the next fiscal year as a subsequent offset to the net pension and OPEB liability among other pension and OPEB related deferrals. The deferred outflows of resources due to pensions (GASB Statement No. 68) at June 30, 2022 and 2021 were $4.4 million and $5.4 million, respectively. The deferred outflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2022, and 2021 were $0.9 million and $1.1 million, respectively.

Deferred inflows of resources is the result of pension and OPEB accounting and is comprised of changes in assumptions and differences between expected and actual investment returns in the ACERA pension plan and OPEB plan, which will be amortized as a component of pension expense over time. The deferred inflows of resources due to pensions (GASB Statement No. 68) at June 30, 2022, and 2021 were $9.4 million and $8.3 million, respectively. The deferred inflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2022, and 2021 were $5.3 million and $2.8 million, respectively. The deferred inflows of resources due to leases (GASB Statement No. 87) at June 30, 2022, and 2021 were $0.9 million and $1.0 million, respectively.

For Fiscal year ended June 30, 2022, total liabilities reflect a decrease of $9.5 million from $99.5 million to $90.0 million mainly due to a $5.4 million decrease in the net pension liability, $0.1 million decrease in OPEB liability, $2.3 million retirement in bonds payable and $1.7 million in accounts payable and accrued expenses.

The total net position increased by $12.5 million, or 2.3 percent, from $554.5 million to $567 million mainly due $25.6 million increase in capital assets as a result of the construction of the Patterson Pass Water Treatment Plant ozone and upgrade projects. Current and other assets decreased by $18.0 million from the prior year mainly due to a decrease of $25.2 million in cash and investments in the Water Enterprise Capital Expansion Fund as a result of use of the 2018 Water Revenue Bonds proceeds for construction of Del Valle Water Treatment Plant and Patterson Pass Water Treatment Plant ozone projects and due to a decrease in charges for services as a result of lower water demand in the Water Enterprise Operations Fund as a result of the state of drought emergency declared by the Board.

Statement of Net Position

June 30, 2021, and 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets:						
Current and other assets	$ 99,471,631	$ 91,532,349	$ 229,700,127	$ 249,823,311	$ 329,171,758	$ 341,355,660
Capital assets and leased assets	32,772,306	32,993,757	297,708,617	266,963,758	330,480,923	299,957,515
TOTAL ASSETS	132,243,937	124,526,106	527,408,744	516,787,069	659,652,681	641,313,175
Deferred Outflows of Resources						
Pension related	526,710	303,995	4,908,905	3,218,541	5,435,615	3,522,536
OPEB related	105,154	22,369	980,030	236,832	1,085,184	259,201
Total Deferred Outflows of Resources	631,864	326,364	5,888,935	3,455,373	6,520,799	3,781,737
Liabilities:						
Current liabilities	4,134,694	1,872,983	11,681,221	11,557,498	15,815,915	13,430,481
Noncurrent liabilities	1,672,810	1,664,696	82,060,531	85,492,376	83,733,341	87,157,072
TOTAL LIABILITIES	5,807,504	3,537,679	93,741,752	97,049,874	99,549,256	100,587,553
Deferred Inflows of Resources						
Lease related	471,230	-	533,457	-	1,004,687	-
Pension related	802,440	600,408	7,478,671	6,356,820	8,281,111	6,957,228
OPEB related	271,536	134,210	2,530,687	1,420,957	2,802,223	1,555,167
Total Deferred Inflows of Resources	1,545,206	734,618	10,542,815	7,777,777	12,088,021	8,512,395
Net Position:						
Net Investment in capital assets	32,772,306	32,993,757	246,768,274	227,930,485	279,540,580	260,924,242
Restricted	72,715,433	69,648,891	110,609,342	131,461,963	183,324,775	201,110,854
Unrestricted	20,035,351	17,937,525	71,635,497	56,022,343	91,670,848	73,959,868
TOTAL NET POSITION	$ 125,523,090	$ 120,580,173	$ 429,013,113	$ 415,414,791	$ 554,536,203	$ 535,994,964

As the above table indicates, the total assets increased by $18.3 million or 2.9 percent from $641.3 million to $659.6 million during the fiscal year ended June 30, 2021. The increase is mainly due to the construction of the Del Valle Water Treatment Ozone Plant and construction in progress of the Patterson Pass Water Treatment Plant ozone and upgrade projects as the Agency used the 2018 Water Revenue Bonds in the acquisition fund. The government-wide statement of net position for the Agency's governmental and business-type activities indicates that as of June 30, 2021, total assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $554.5 million compared to $536 million at June 30, 2020.

The largest portion of the Agency's net position, $279.5 million, or 50 percent, reflects its investment in capital assets (e.g., land, buildings, equipment and infrastructure). These capital assets are used to provide services to citizens; therefore, these assets are not available for future spending.

Deferred outflows of resources is the amount of the effect of pension and Other Postemployment Benefits Other than Pension (OPEB) accounting that defers the contributions made after the measurement date until the next fiscal year as a subsequent offset to the net pension and OPEB liability among other pension and OPEB related deferrals.

The deferred outflows of resources due to pensions (GASB Statement No. 68) at June 30, 2021, and 2020 were $5.4 million and $3.5 million, respectively. The deferred outflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2021, and 2020 were $1.1 million and $0.3 million, respectively.

Deferred inflows of resources is the result of pension and OPEB accounting and is comprised of changes in assumptions and differences between expected and actual investment returns in the ACERA pension plan and OPEB plan, which will be amortized as a component of pension expense over time. The deferred inflows of resources due to pensions (GASB Statement No. 68) at June 30, 2021 and 2020 were $8.3 million and $6.9 million, respectively. The deferred inflows of resources due to other postemployment benefits (OPEB) (GASB Statement No. 75) at June 30, 2021, and 2020 were $2.8 million and $1.5 million, respectively. The deferred inflows of resources due to leases (GASB Statement No. 87) at June 30, 2021, and 2020 were $1.0 million and $0 million, respectively.

For Fiscal year ended June 30, 2021, total liabilities reflect a decrease of $1.0 million from $100.5 million to $99.5 million mainly due to a $1.4 million decrease in the net pension liability, $0.6 million decrease in OPEB liability, $2.1 million retirement in bonds payable. The decrease is offset by an increase of $0.6 million in compensated absences and $2.3 million in accounts payable and accrued expenses.

The total net position increased by $18.5 million or 3.5 percent from $536 million to $554.5 million mainly due to a $30.2 million increase in capital assets as a result of the construction of the Del Valle Water Treatment Ozone Plant and construction in progress of the Patterson Pass Water Treatment Plant ozone and upgrade projects. The current and other assets decreased by $12.2 million from the prior year mainly due to a decrease in restricted cash in the Water Enterprise Operations Fund as a result of use of the 2018 Water Revenue Bonds proceeds for construction of Del Valle Water Treatment Plant and Patterson Pass Water Treatment Plant ozone projects and due to decrease in charges for services as a result of slower construction and development activities in the service area.

Statement of Activities and Changes in Net Position
For the Years Ended June 30, 2022, and 2021

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Charges for services	$ 1,714,458	$ 2,624,628	$ 102,126,343	$ 95,844,162	$ 103,840,801	$ 98,468,790
Grants and other contributions	84,034	81,730	6,710,435	6,640,850	6,794,469	6,722,580
Capital grants and contributions	399,290	474,319	-	-	399,290	474,319
General revenues:						
Property taxes	10,791,532	10,344,149	-	-	10,791,532	10,344,149
Investment earnings (losses) and others	501,077	1,062,111	(2,209,267)	1,294,719	(1,708,190)	2,356,830
Total revenues	13,490,391	14,586,937	106,627,511	103,779,731	120,117,902	118,366,668
Expenses:						
Flood Protection Operations	12,352,060	8,949,669	-	-	12,352,060	8,949,669
Flood Protection Development Impact Fee	381,617	208,142	-	-	381,617	208,142
Flood Protection Grants	432,140	474,319	-	-	432,140	474,319
State Water Project	-	-	24,331,873	23,173,321	24,331,873	23,173,321
Water Enterprise	-	-	70,158,039	67,019,978	70,158,039	67,019,978
Total expenses	13,165,817	9,632,130	94,489,912	90,193,299	107,655,729	99,825,429
Change in net position before transfers	324,574	4,954,807	12,137,599	13,586,432	12,462,173	18,541,239
Transfers, net	(11,890)	(11,890)	11,890	11,890	-	-
Change in net position	312,684	4,942,917	12,149,489	13,598,322	12,462,173	18,541,239
Net position at beginning of year as restated	125,523,090	120,580,173	429,013,113	415,414,791	554,536,203	535,994,964
Net position at end of year	$ 125,835,774	$ 125,523,090	$ 441,162,602	$ 429,013,113	$ 566,998,376	$ 554,536,203

The statements of Revenues, Expenses and Changes in Net Position identify the various revenue and expense items which impact the change in net position. The Agency's overall net position increased $12.5 million from the prior year. The table above indicates the Agency total revenues increased by $1.7 million, or 1.4 percent, to $120.1 million from $118.4 million in the prior year. The increase is mainly due to an increase in charges for services of $5.4 million from the previous year as a result of improved construction and development activities in the service area and an increase in property tax during the fiscal year due to increased property assessed valuations. The increase in development activities is offset by a decrease in water sales mainly due to a decrease in residential water demand as a result of the 15 percent mandatory state of drought emergency declared by the Board. The increase is also offset by lower investment earnings as a result of the fair value of investments (GASB Statement No. 72) at the end of the fiscal year.

Total expenses increased by $7.8 million, or 7.8 percent, from $99.8 million to $107.6 million mainly due to an increase of $7.7 million for the Water Enterprise Operation Fund water purchases during the fiscal year. The water purchase cost increased as a result of the state of drought emergency declared by the Board in the service area.

The Flood Protection Operations projects increased by $3.4 million mainly due to the Arroyo Mocho Medeiros Parkway, Stanley Reach Stabilization, North Canyons Administrative Building HVAC, bank slide and storm damage repairs projects. The State Water Project pass-through payments to California State Department of Water Resources (DWR) also increased by $1.2 million during the fiscal year.

Statement of Activities and Changes in Net Position
For the Years Ended June 30, 2021, and 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Charges for services	$ 2,624,628	$ 1,694,933	$ 95,844,162	$ 103,347,579	$ 98,468,790	$ 105,042,512
Grants and other contributions	81,730	79,929	6,640,850	6,509,157	6,722,580	6,589,086
Capital grants and contributions	474,319	488,451	-	26,226	474,319	514,677
General revenues:						
Property taxes	10,344,149	9,834,264	-	-	10,344,149	9,834,264
Investment earnings and others	1,062,111	3,325,314	1,294,719	4,468,253	2,356,830	7,793,567
Total revenues	14,586,937	15,422,891	103,779,731	114,351,215	118,366,668	129,774,106
Expenses:						
Flood Protection Operations	8,949,669	9,547,702	-	-	8,949,669	9,547,702
Flood Protection Development Impact Fee	208,142	168,503	-	-	208,142	168,503
Flood Protection Grants	474,319	497,987	-	-	474,319	497,987
State Water Project	-	-	23,173,321	24,333,554	23,173,321	24,333,554
Water Enterprise	-	-	67,019,978	61,634,465	67,019,978	61,634,465
Total expenses	9,632,130	10,214,192	90,193,299	85,968,019	99,825,429	96,182,211
Change in net position before transfers	4,954,807	5,208,699	13,586,432	28,383,196	18,541,239	33,591,895
Transfers, net	(11,890)	(11,890)	11,890	11,890	-	-
Change in net position	4,942,917	5,196,809	13,598,322	28,395,086	18,541,239	33,591,895
Net position at beginning of year as restated	120,580,173	115,383,364	415,414,791	387,019,705	535,994,964	502,403,069
Net position at end of year	$ 125,523,090	$ 120,580,173	$ 429,013,113	$ 415,414,791	$ 554,536,203	$ 535,994,964

The statements of Revenues, Expenses and Changes in Net Position identify the various revenue and expense items which impact the change in net position. The Agency's overall net position increased $18.5 million from the prior year. The table above indicates the Agency total revenues decreased by $11.4 million or 8.8 percent to $118.4 million from $129.8 million in the prior year. The decrease is mainly due to a decrease in charges for services of $6.6 million from the previous year as a result of slow construction and development activities in the service area due to COVID-19 pandemic. Investment earnings also decreased by $4 million due to the Federal Reserve cutting the Federal Funds rates to support the economy during the COVID-19 pandemic. Other revenues also decreased by $1.5 million mainly due to a $1.2 million one-time U.S. Army Corp of Engineers refund received in the prior fiscal year. The decrease is offset by a modest $0.6 million increase in property tax revenue.

Total expenses increased slightly by $3.6 million, or 3.7 percent, from $96.2 million to $99.8 million mainly due to an increase of $5.4 million for the Water Enterprise projects during the fiscal year. The increase is offset by $1.2 million decrease in the State Water Project pass-through payments to California State Department of Water Resources (DWR) and $0.6 million decrease in Flood Protection projects during the fiscal year.

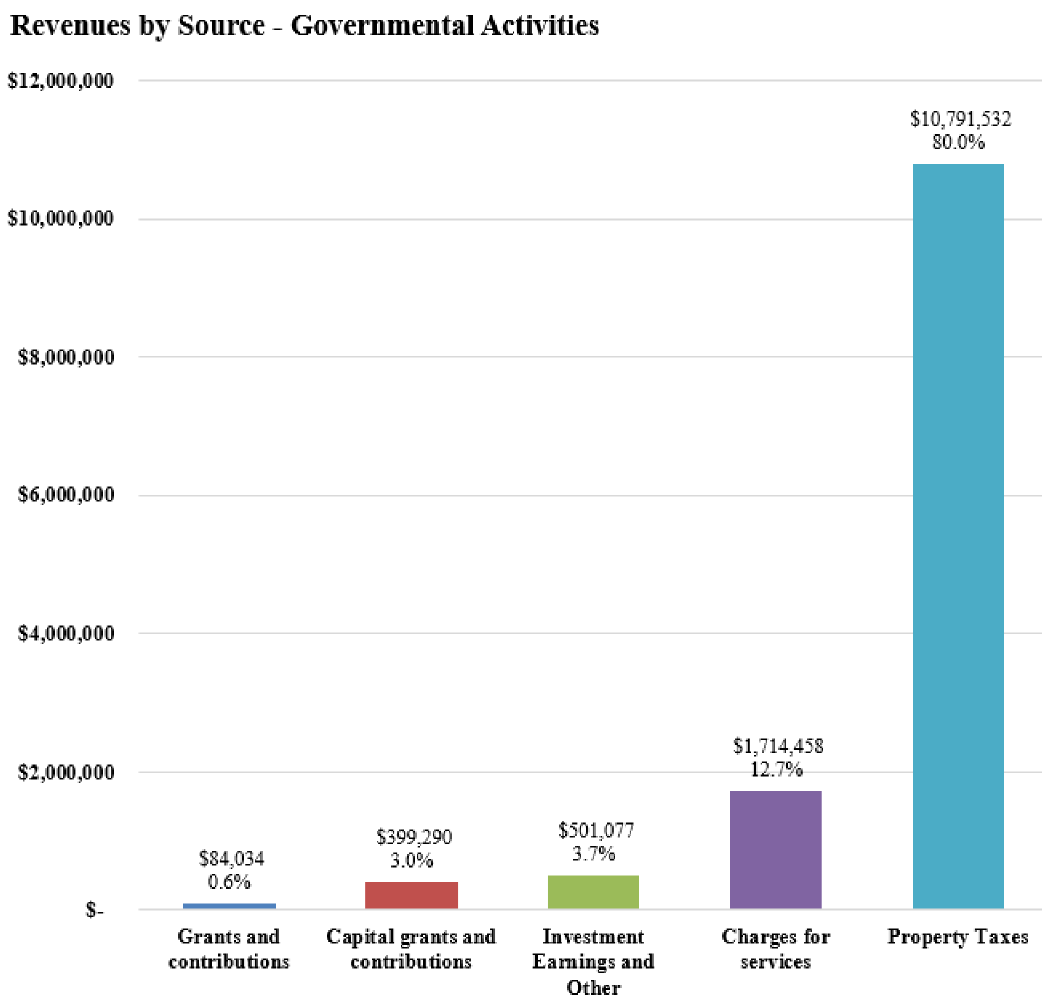
Governmental Activities

The net position for the Agency's governmental activities increased by $0.3 million from $125.5 million to $125.8 million. The net position's slight increase from the prior year is mainly due to a $1.8 million decrease in total liabilities, offset by a $1.1 million decrease in total assets. Total revenues were $13.5 million and total expenses (including transfers) were $13.2 million.

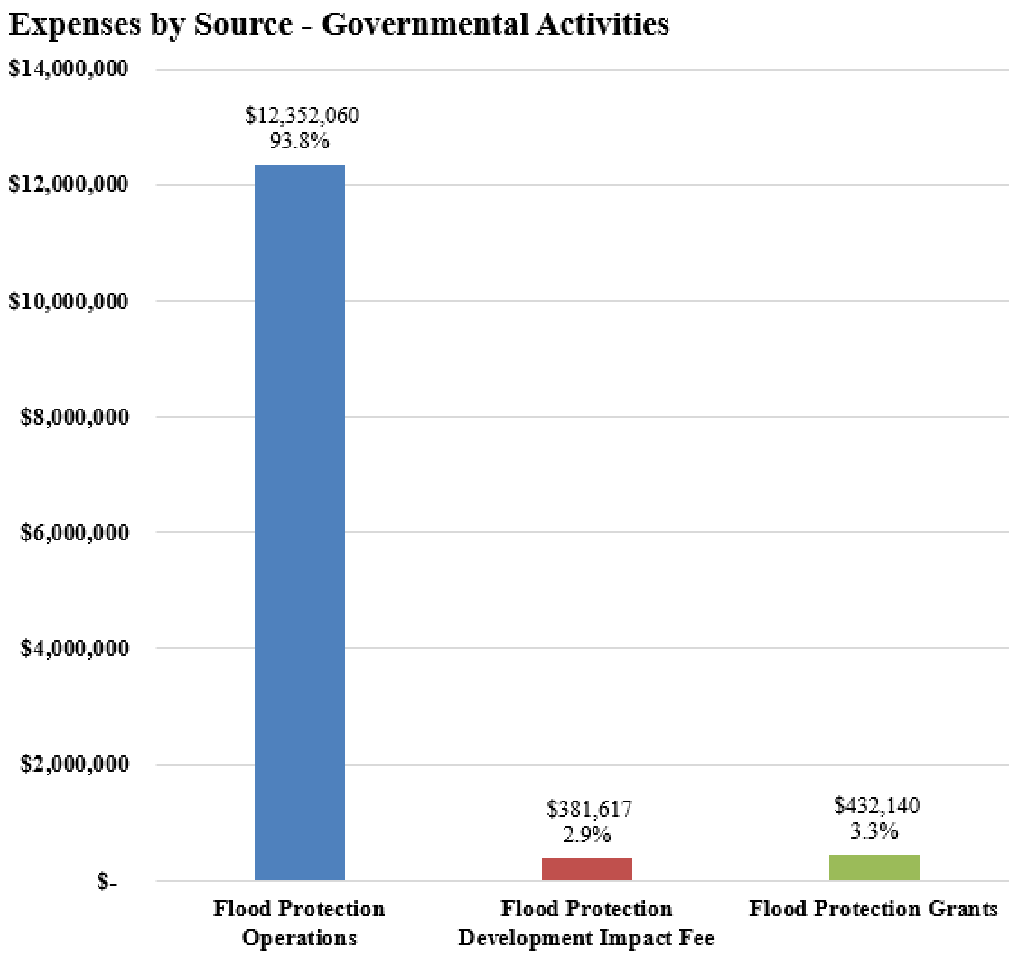
Revenues: Significant changes in revenue are as follows:

Total revenues decreased by $1.1 million from the prior year or 7.5 percent.

- Charges for services decrease by $0.9 million or 34.7 percent mainly due to construction and development activities in the service areas.
- Property tax revenue increased by $0.5 million or 4.3 percent due to higher total assessed value.
- Investment earnings and others decreased by $0.5 million due to lower investment earnings as a result of fair value of investments.



Expenses: Total expenses increased by $3.5 million, or 37 percent, in the governmental activities mainly due to flood protection maintenance repair program activities during the fiscal year, which include the following projects: Arroyo Mocho Medeiros Parkway, Stanley Reach Stabilization, North Canyons Administrative Building HVAC, and the bank slide and storm damage repairs projects. In August 2022, the Board adopted the Flood Management Plan Phase I which will direct the Agency's future maintenance activities and capital project for flood protection.



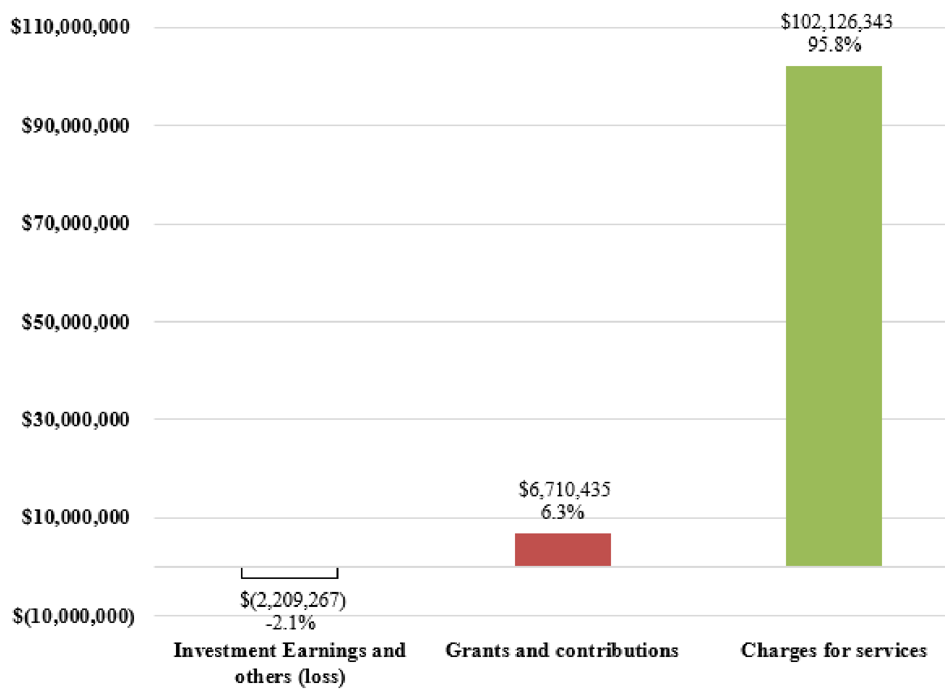
Business-Type Activities

The net position for the Agency's business-type activities increased by $12.2 million from $429 million to $441.2 million during the current year. The net position increased from the prior year mainly due to a $25.5 million increase in capital assets as a result of the construction and construction in progress of the Patterson Pass Water Treatment Plant (PPWTP) ozone and upgrade projects, Busch Valley Booster pump station, Chain of Lakes per-and polyfluoroalkyl (PFAS) treatment facility, Del Valle Water Treatment Plant (DVWTP) post ozone modifications, and the North Canyons Administrative Building HVAC project. Total revenues were $106.6 million and total expenses (including transfers) were $94.5 million.

Revenues: Significant changes in revenues are as follows:

- Charges for services: includes water rate revenue, connections fees, and property taxes. Charges for services increased by a net of $6.3 million from the prior year. The increase is mainly due to a $6.1 million, or 44.5 percent, increase in connection fee revenues as a result of improved construction and development activities in the service area and a $1.2 million increase in property taxes as a result of increased property assessed valuations. The increase is offset by a $1.3 million decrease in water sales due to lower residential water demand as a result of a 15 percent mandatory state of drought emergency declared by the Board in the service area.
- Investment earnings: decreased by $3.5 million mainly due to the fair value of investments (GASB Statement No. 72) at the end of the fiscal year.
- Grants and other contributions: include intergovernmental revenue such as DWR refunds and grant proceeds. Grants and other contributions increased by $0.1 million mainly due to the DWR refunds. DWR refunds and credits vary year to year based on the level of prior year expenditures.

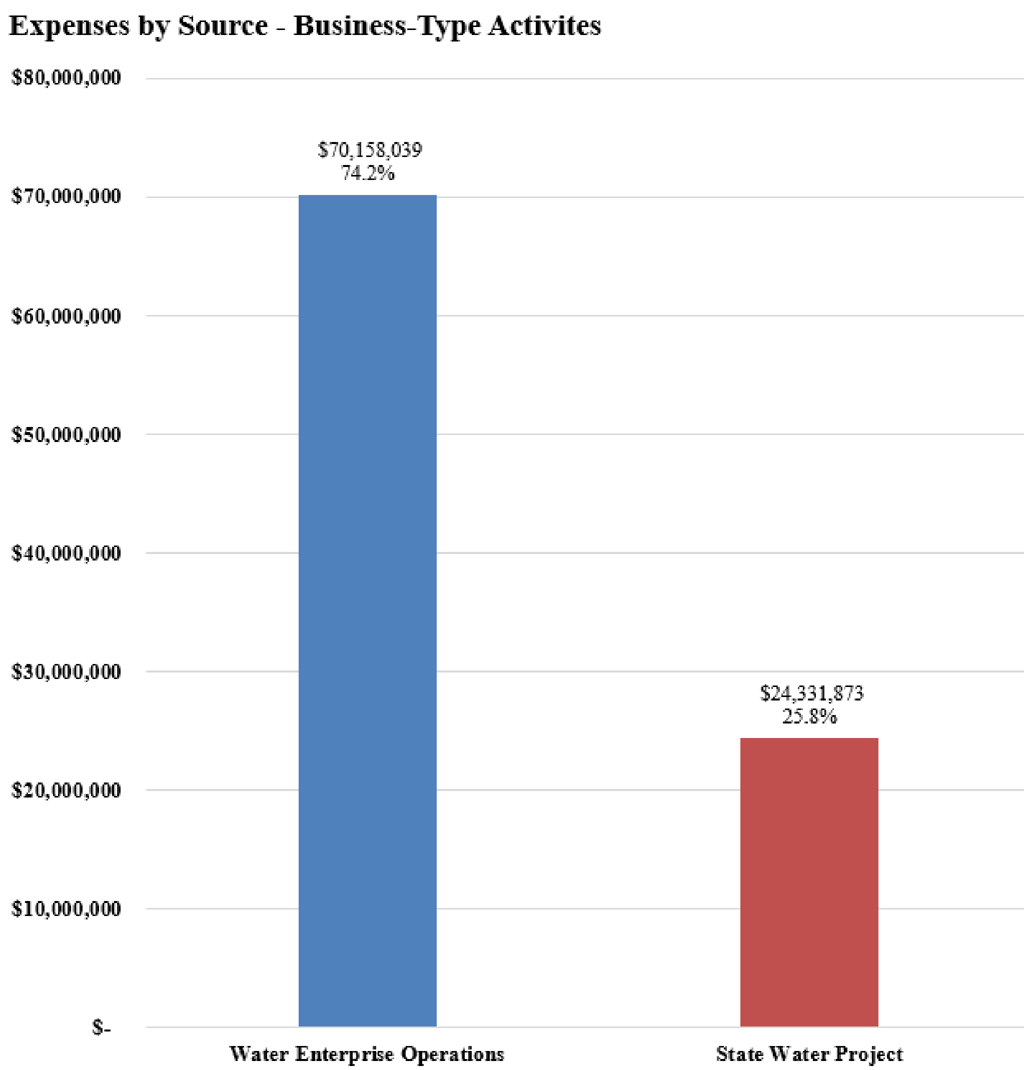
Revenues by Source - Business-type Activities



Expenses: Significant changes in expenses are as follows:

Total expenses: The total is $94.5 million which is a $4.3 million or 4.8 percent increase from the prior year mainly attributed to the following:

- State Water Project: Expenses increased by $1.1 million or 5.0 percent. The State Water Project pass-through payments to California State Department of Water Resources (DWR) cost fluctuates during the years.
- Water Enterprise: includes Water Enterprise Operations, Water Enterprise Capital Expansion, and Non-Major Enterprise Funds. Expenses increased by $3.1 million or 4.7 percent mainly due to $7.7 million increase in Water Enterprise Operations water purchases and the construction of the PPWTP and DVWTP projects.



Governmental Funds

The Agency's governmental funds consist of three funds: Flood Protection Operations, Flood Protection Development Impact Fee and Non-Major Governmental Funds. As of June 30, 2022, the Agency's governmental funds reported combined ending fund balance of $94.6 million.

- **Flood Protection Operations Fund** – This fund provides for general administration and the maintenance and operation of regional flood protection facilities. The Agency manages a watershed of 425 square miles in eastern Alameda County, receiving drainage 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 the Agency. 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. This fund pays for renewal/replacement and improvement projects for the existing flood protection system. As of June 30, 2022, its fund balance was $20.6 million, a decrease of $1.5 million from prior fiscal year. The decrease in fund balance is mainly due to a $3.8 million increase in service and supplies from the following projects: Arroyo Mocho Medeiros Parkway, Stanley Reach Stabilization, North Canyons Administrative Building HVAC, and the bank slide and storm damage repairs projects. The $20.6 million fund balance is committed as follows; $16.1 million for capital projects, $4.3 million for operating contingency and $0.2 million is restricted.

- **Flood Protection Development Impact Fee Fund –** The purpose of this fund is to ensure that the Agency is able to meet future needs for expansion-related 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. As of June 30, 2022, its restricted fund balance was $74 million, an increase of $1.3 million from prior fiscal year. The increase in fund balance was mainly due to less expenses incurred during the year than revenue earned. In accordance with the Agency Goal D – Effective Flood Project, Strategic Initiative Plan No. 10, the Board approved Flood Management Plan Phase I in August 2022 which will direct the Agency's future maintenance activities and capital project for flood protection.

Proprietary Funds

The Agency's proprietary fund statements provide the same type of information as is found in the government-wide financial statements, but in more detail.

- **State Water Facilities Fund** – This fund finances the "fixed cost" payment to the State Department of Water Resources ("DWR") to import water to the Agency. 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. Net position of the State Water Facilities Fund as of June 30, 2022, was $43.5 million, an increase of $5.5 million from the prior fiscal year.

  Operating revenue increased by $0.2 million due to an increase in the Dougherty Valley Surcharge Assessment and the property tax override levy increased by $1.2 million from the prior fiscal year due to the Board approval of an increase assessed property tax override. Operating expenses increased by $1.1 million, or 5 percent, due to the State Water Project pass-through payments to California State Department of Water Resources.

- **Water Enterprise Operations** is a fund that accounts for operations in a manner similar to a private business enterprise. Operations are accounted for in such a manner as to show net income or loss in the fund is intended to be entirely or predominately self-supported from user charges. The purpose of Water Enterprise Operations is to ensure that the current water treatment and delivery systems are maintained effectively, and that capital replacement and improvement needs are funded. This also pays for capital projects including the renewal, replacement and improvement of the current water treatment and delivery system.

Net position of the Water Enterprise Operations Fund as of June 30, 2022, was $337.1 million, an increase of $16.7 million from prior fiscal year. Operating revenues decreased by a net of $1.5 million due to a decrease in water sales as a result of decreased residential water demand.

Investment earnings decreased by $1.2 million mainly due to the fair value of investments (GASB Statement No. 72) at the end of the fiscal year. Operating expenses were $49.6 million an increase of $9.7 million from the prior fiscal year. In operating expenses, water purchases increased by $7.1 million and water storage increased by $3.1 million. The Agency purchased more water transfers and transferred more water from the banking programs to meet demand as a result of the state of drought emergency declared by the Board in the service area and the low State Water Project allocation.

- **Water Enterprise Capital Expansion** – The purpose of this fund is to ensure that the Agency is able to meet future needs for increased water demands. The program is primarily intended to provide funding for new facilities and additional water supplies to serve additional capacity requirements of new development, many of them fixed (i.e., bond payment obligations for debt incurred by others to increase capacity). As of June 30, 2022, the net position for the fund was $58 million, a decrease of $8.3 million from prior fiscal year.

Operating revenues were $6.3 million more than the prior fiscal year. The increase is mainly due to a $6.1 million, or 44.5 percent increase, in connection fee revenues as a result of improved construction and development activities in the service area. Operating expenses were $0.4 million, or 1.9 percent, less than prior fiscal year mainly due to the South Bay Aqueduct (SBA) debt service payment refinancing by the State.

Non-operating revenues (expenses) decreased by $1.8 million from the prior year mainly due to the fair value of investments (GASB Statement No. 72) at the end of the fiscal year.

Governmental Funds Budgetary Highlights

A comparative budgetary statement for the Agency's governmental fund (Flood Protection Operation Fund) for the year ended June 30, 2022:

			Budget Variance	
	Final Budgeted Amounts	Actual Amounts Budgetary Basis	June 30, 2022	June 30, 2021
REVENUES:				
Property taxes	$ 9,858,443	$ 10,791,532	$ 933,089	$ 771,797
Intergovernmental revenues	64,700	84,034	19,334	17,030
Charges for services	47,650	175,083	127,433	19,602
Investment earnings	92,541	111,237	18,696	136,495
Others	35,000	199,732	164,732	70,876
Total Revenue	$ 10,098,334	$ 11,361,618	$ 1,263,284	$ 1,015,800
EXPENDITURES:				
Flood Protection:				
Salaries and employee benefits	2,907,286	2,377,010	530,276	340,844
Services and supplies	19,037,637	10,167,591	8,870,046	3,988,361
Capital outlay:				
Equipment and capital structures	514,861	377,641	137,220	539,660
Total Expenditures	$ 22,459,784	$ 12,922,242	$ 9,537,542	$ 4,868,865
EXCESS REVENUES OVER EXPENDITURES	(12,361,450)	(1,560,624)	10,800,826	5,884,665
Other Financing Sources (Uses)				
Transfers (out) (Note 3)	(14,145)	(11,890)	(2,255)	(2,255)
NET CHANGE IN FUND BALANCE	$ (12,375,595)	(1,572,514)	$ 10,803,081	$ 5,886,920
Fund balance, beginning of year, restated		22,150,273		
FUND BALANCE, END OF YEAR		$ 20,577,759		

The Agency's actual flood protection operation fund revenues are over the budget by $1.3 million due to higher assessed property values by $0.9 million and $0.1 million from investment earnings.

Variations between budget and actual expenditures in the special revenue fund reflect overall expenditures less than the final budget by $9.5 million. The variance is primarily due the re-prioritization and deferral of capital projects while the Flood Master Plan Phase I approved by the Board in August 2022 is being developed.

A comparative budgetary statement for the Agency's governmental fund (Flood Protection Development Impact Fee Fund) for the year ended June 30, 2022:

	Final Budgeted Amounts	Actual Amounts Budgetary Basis	Budget Variance June 30, 2022	Budget Variance June 30, 2021
REVENUES:				
Charges for services	$ 2,835,000	$ 1,515,414	$ (1,319,586)	$ 2,557,376
Investment earnings	173,449	181,219	7,770	717,375
Others	25,000	-	(25,000)	-
Total Revenue	$ 3,033,449	$ 1,696,633	$ (1,336,816)	$ 3,274,751
EXPENDITURES:				
Flood Protection:				
Salaries and employee benefits	253,337	35,720	217,617	35,778
Services and supplies	1,237,198	345,897	891,301	172,364
Capital outlay:				
Equipment and capital structures	615,833	33,785	582,048	67
Total Expenditures	$ 2,106,368	$ 415,402	$ 1,690,966	$ 208,209
EXCESS REVENUES OVER EXPENDITURES	927,081	1,281,231	354,150	3,066,542
NET CHANGE IN FUND BALANCE	$ 927,081	1,281,231	$ 354,150	$ 3,066,542
Fund balance, beginning of year		72,715,433		
FUND BALANCE, END OF YEAR		$ 73,996,664		

The Agency's actual flood protection development impact fee fund revenues are below the budget by $1.3 million mainly due to less development activities in the services area.

Variations between budget and actual expenditures in the flood protection development impact fee fund reflect overall expenditures less than the final budget by $1.7 million. The variance is primarily due the re-prioritization and deferral of capital projects while the Flood Master Plan Phase I approved by the Board in August 2022 is being developed.

Capital assets

As of June 30, 2022, the agency's investment in capital assets totaled $306.6 million (net of accumulated depreciation) which is an increase of $27.1 million from the net investment in capital assets balance of $279.5 million at June 30, 2021. The increase in capital assets was primarily due to construction in progress for the Patterson Pass Water Treatment Plant (PPWTP) upgrades and ozone projects.

There were many capital project activities in fiscal year 2021-22. They include the PPWTP ozone project, PPWTP upgrade project, Arroyo Mocho/ Medeiros Parkway project, Busch Valley Booster pump station, Stanley Reach Stabilization project, Chain of Lakes PFAS treatment facility, North Canyons Administrative Building HVAC, and other miscellaneous repair projects. Additional information on the Agency's capital assets is provided in Note 5 of the financial statement.

A comparison of the Agency's capital assets over the past three fiscal years is presented below:

Capital Assets
Business-type Activities
For the Years Ended June 30, 2022, 2021 and 2020
(In millions of dollars)

			2022 vs. 2021			2021 vs. 2020	
	2022	2021	$ Change	% Change	2020	$ Change	% Change
Easements	$ 1.9	$ 1.9	$ -	0%	$ 1.9	$ -	0%
Land	9.6	9.6	-	0%	9.6	-	0%
Treatment Plants	149.4	146.6	2.8	2%	117.2	29.4	25%
Construction in Progress	112.8	83.2	29.6	36%	89.3	(6.1)	-7%
Office Building	7.1	7.1	-	0%	7.1	-	0%
Pipelines	53.9	53.9	-	0%	53.9	-	0%
Reserviors	3.0	2.9	0.1	3%	1.9	1.0	53%
Water Entitlements	36.7	36.7	-	0%	36.7	-	0%
Wellfields	31.2	31.2	-	0%	31.2	-	0%
Supervisory Control and Data Acquisition Project	9.7	9.7	-	0%	9.7	-	0%
Others	9.6	9.6	-	0%	9.0	0.6	7%
Subtotal	424.9	392.4	32.5	8%	367.5	24.9	7%
Less Accumulated depreciation/amortization	101.8	95.0	6.8	7%	100.5	(5.5)	-5%
Total capital assets	323.1	297.4	25.7	9%	267.0	30.4	11%
Lease assets	0.6	0.6	-	0%	-	$ 0.6	0%
Less Accumulated depreciation/amortization	0.5	0.3	0.2	67%	-	0.3	0%
Total lease assets	0.1	0.3	(0.2)	-67%	-	0.3	0%
Total capital assets, net	$ 323.2	$ 297.7	$ 25.5	9%	$ 267.0	$ 30.7	11%

Capital Assets
Governmental Activities
For the Years Ended June 30, 2022, 2021 and 2020
(In millions of dollars)

			2022 vs. 2021			2021 vs. 2020	
	2022	2021	$ Change	% Change	2020	$ Change	% Change
Land	$ 21.2	$ 21.2	$ -	0%	$ 21.2	$ -	0%
Easements	0.1	0.1	-	0%	0.1	-	0%
Flood Control Channels	12.4	12.4	-	0%	12.4	-	0%
Construction in Progress	1.6	1.4	0.2	14%	1.3	0.1	8%
Office Building	1.5	1.5	-	0%	1.5	-	0%
Others	1.2	1.0	0.2	20%	1.0	-	0%
Subtotal	38.0	37.6	0.4	1%	37.5	0.1	0%
Less Accumulated depreciation/amortization	5.1	4.8	0.3	6%	4.5	0.3	7%
Capital assets, net	$ 32.9	$ 32.8	$ 0.1	0%	$ 33.0	$ (0.2)	-1%

Debt Administration and Bond Rating

As of June 30, 2022, the Agency had $59.9 million in outstanding debt and $4.7 million of unamortized bond premium. However, the Agency partners with other public agencies and pays for debt incurred on the Agency's behalf. For example, the Agency pays the State incurred debt for capital projects to maintain, improve or expand the State Water Project infrastructure. The Agency, 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 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 Alameda County Flood Control and Water Conservation District Act, (ACT 20), §36.6.

Bond Ratings:

A credit rating is a value assigned by one or more of the recognized rating agencies that "grade" a jurisdiction's credit, or financial trustworthiness. The three primary rating agencies are Moody's Investors Service ("Moody's"), Standard & Poor's Rating Services ("S&P"), and Fitch Ratings ("Fitch"). These rating agencies serve as independent assessors of municipal and corporate credit strength. Rating agencies generally focus on four major areas when assigning credit ratings: finances, management, economy, and outstanding debt. In the Agency credit rating for the Livermore Valley Water Financing Authority (LVWFA), Water Revenue Bonds, 2018 Series A, were as follows:

	Ratings	
Type of Bond	S & P	Fitch
LVWFA Water Revenue Bonds, 2018 Series A	AA+/Stable	AA+/Stable

On June 17, 2022, Fitch Rating affirms the Livermore Valley Water Financing Authority's series 2018 water revenue bonds issued on behalf of the Alameda County Flood Control and Water Conservation District, Zone 7 bonds at 'AA+'. The Rating outlook is stable. According to Fitch Rating, *"the 'AA+' bond rating and Issuer Default Rating reflect the agency's very low leverage, measured as net adjusted debt to adjusted funds available for debt service, within the framework of very strong revenue defensibility and low operating risk profile".*

On June 24, 2021, Fitch Rating affirmed the Livermore Valley Water Financing Authority's series 2018 water revenue bonds rating of 'AA+'.

On March 19, 2018, S&P Global Ratings assigned its 'AA+' long-term rating to the Livermore Valley Water Financing Authority's series 2018 water revenue bonds, issued on behalf of the Alameda County Flood Control and Water Conservation District, Zone 7. The outlook is stable. According to S&P, *"the stable outlook reflects our view of the agency's adequate water supply, strong financial position in terms of all-in coverage and liquidity, and restructured rate schedule and implemented drought surcharge schedule, which we believe will allow it to recover costs and stabilize revenues in the event of future drought conditions. The outlook also reflects our assessment that the strongest three retail customer's water fund credit quality will remain consistent with current projections."*

Additional information on the Agency's long-term debt is provided in Note 6 of the financial statements.

Economic factors and next year's budget and rates

- The Board of Directors adopted the Agency's two-year budget on June 15, 2022. The two-year budget provides funding for the Agency's operating, capital and debt service payments for the fiscal years ending June 30, 2023, and 2024. The budget addresses current drought and economic conditions and continues to provide the highest standard of water quality, reliability, and flood protection. These current conditions have impacted the budget in the following ways:
  - Reduction in revenue due to continued mandatory conservation measures.
  - Increased water costs due to low water supply from the State Water Project and high demand for water transfers.
  - Increased supply and utility costs from economic conditions and supply chain interruptions; and
  - Funding for continued participation in various water supply reliability projects (Los Vaqueros Reservoir Expansion, Sites Reservoir, Delta Conveyance) to further diversify the Agency's water portfolio.
- The unemployment rate continues to decline. As of October 2022, the Alameda County unemployment rate was reported at 2.9% versus 4.8% in October 2021.

- On November 16, 2022, the Board approved 5.5% annual rate revenue adjustment for wholesale water services for Calendar Years 2023, 2024, 2025 and 2026. The first rate increase will go into effect February 1, 2023, and the remaining increases for years 2024-2026 will be effective January 1 of each year. The new rate schedule was set through a rigorous cost-recovery analysis and public review process. The Board will revisit the rate schedule for calendar years 2025 and 2026, through a public process, with any changed rates adopted by November 2024. The new rate schedule is shown in the table below:

Calendar Year	2023	2024	2025	2026
Volume-based Rate per CCF	$2.27	$2.34	$2.44	$2.47
Fixed Revenue Recovery	45%	45%	45%	45%
Total Fixed Charges	$27,395,440	$29,703,607	$31,805,889	$33,286,846

Requests for Information

This financial report is designed to provide our customers, ratepayers, investors and creditors with a general overview of the Agency's finances and to demonstrate accountability for the money it receives. Requests for additional financial information should be addressed to the Finance Department, Zone 7 Water Agency, 100 N. Canyons Parkway, Livermore, CA 94551. This report is also available online at http://www.zone7water.com.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Statement of Net Position
June 30, 2022
(With summarized information as of June 30, 2021, as restated)

ASSETS	Governmental Activities	Business-Type Activities	Totals 2022	Totals 2021 (as restated)
Current assets:				
Pooled cash in County Treasury (Note 2)	$ 78,857,022	$ 59,848,962	$ 138,705,984	$ 150,013,760
Cash and investments - Agency Treasury (Note 2)	16,764,920	122,947,032	139,711,952	151,008,084
Restricted cash (Note 2)	1,217,940	7,367,718	8,585,658	11,205,113
Accounts receivable, net	633,865	18,120,587	18,754,452	14,961,953
Interest receivable	244	449	693	745
Lease receivable - current (Note 4)	23,333	39,624	62,957	62,714
Internal balances	(43,301)	43,301	-	-
Prepaid expenses	4,827	887,359	892,186	982,206
Total current assets	97,458,850	209,255,032	306,713,882	328,234,575
Noncurrent assets:				
Lease receivable (Note 4)	421,028	453,198	874,226	937,183
Net OPEB assets (Note 9)	336,330	3,295,748	3,632,078	-
Capital assets and leased assets (Note 5):				
Rights of way, water entitlements, easements and construction in progress	22,890,844	160,915,029	183,805,873	153,879,865
Depreciable, net of accumulated depreciation	9,995,827	162,317,395	172,313,222	176,601,058
Total capital assets and leased assets	32,886,671	323,232,424	356,119,095	330,480,923
Total noncurrent assets	33,644,029	326,981,370	360,625,399	331,418,106
Total assets	131,102,879	536,236,402	667,339,281	659,652,681
DEFERRED OUTFLOWS OF RESOURCES				
Pension related (Note 8)	408,238	4,000,378	4,408,616	5,435,615
OPEB related (Note 9)	83,637	819,574	903,211	1,085,184
Total deferred outflows of resources	491,875	4,819,952	5,311,827	6,520,799

See accompanying Notes to the Financial Statements.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Statement of Net Position (Continued)
June 30, 2022
(With summarized information as of June 30, 2021, as restated)

			Totals	
LIABILITIES	**Governmental Activities**	**Business-Type Activities**	**2022**	**2021 (as restated)**
Current liabilities:				
Accounts payable and accrued expenses	1,826,201	8,721,472	10,547,673	12,282,906
Deposits payable	1,031,985	323,248	1,355,233	1,360,103
Compensated absences (Note 7)	-	678,534	678,534	514,167
Long-term debt - due within one year (Note 6)	-	1,680,358	1,680,358	1,658,739
Total current liabilities	2,858,186	11,403,612	14,261,798	15,815,915
Noncurrent liabilities:				
Compensated absences, due more than one year (Note 7)	-	881,853	881,853	1,093,323
Long-term debt - due more than one year (Note 6)	-	63,072,816	63,072,816	65,376,769
Net pension liability (Note 8)	1,092,968	10,710,144	11,803,112	17,207,178
Net OPEB liability (Note 9)	-	-	-	56,071
Total noncurrent liabilities	1,092,968	74,664,813	75,757,781	83,733,341
Total liabilities	3,951,154	86,068,425	90,019,579	99,549,256
DEFERRED INFLOWS OF RESOURCES				
Lease related (Note 4)	447,269	493,052	940,321	1,004,687
Pension related (Note 8)	871,618	8,541,102	9,412,720	8,281,111
OPEB related (Note 9)	488,939	4,791,173	5,280,112	2,802,223
Total deferred inflows of resources	1,807,826	13,825,327	15,633,153	12,088,021
NET POSITION				
Net investment in capital assets	32,886,671	273,736,173	306,622,844	279,540,580
Restricted for:				
Capital projects and water expansion	73,996,664	113,044,353	187,041,017	183,324,775
Pension trust	146,484	1,323,131	1,469,615	-
Unrestricted	18,805,955	53,058,945	71,864,900	91,670,848
Total net position	$ 125,835,774	$ 441,162,602	$ 566,998,376	$ 554,536,203

See accompanying Notes to the Financial Statements.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Statement of Activities
For the Year Ended June 30, 2022
(With summarized information for the year ended June 30, 2021, as restated)

		Program Revenues			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Total**
Governmental Activities:					
Flood protection operations	$ 12,352,060	$ 199,044	$ 84,034	$ -	$ 283,078
Flood protection development impact fee	381,617	1,515,414	-	-	1,515,414
Flood protection grants	432,140	-	-	399,290	399,290
Total Governmental Activities	13,165,817	1,714,458	84,034	399,290	2,197,782
Business-Type Activities:					
State water project	24,331,873	26,102,946	3,783,291	-	29,886,237
Water Enterprise	70,158,039	76,023,397	2,927,144	-	78,950,541
Total Business-Type Activities	94,489,912	102,126,343	6,710,435	-	108,836,778
Total Primary Government	$ 107,655,729	$ 103,840,801	$ 6,794,469	$ 399,290	$ 111,034,560

See accompanying Notes to the Financial Statements.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Statement of Activities (Continued)
For the Year Ended June 30, 2022
(With summarized information for the year ended June 30, 2021, as restated)

	Net (Expense) Revenue and Changes in Net Position		Totals	
Functions/Programs	**Governmental Activities**	**Business-Type Activities**	**2022**	**2021 (as restated)**
Governmental Activities:				
Flood protection operations	$ (12,068,982)	$ -	$ (12,068,982)	(8,792,700)
Flood protection development impact fee	1,133,797	-	1,133,797	2,349,234
Flood protection grants	(32,850)	-	(32,850)	-
Total Governmental Activities	(10,968,035)	-	(10,968,035)	(6,443,466)
Business-Type Activities:				
State water project	-	5,554,364	5,554,364	5,263,326
Water Enterprise	-	8,792,502	8,792,502	7,061,943
Total Business-Type Activities	-	14,346,866	14,346,866	12,325,269
Total Primary Government	(10,968,035)	14,346,866	3,378,831	5,881,803
General Revenues:				
Property taxes:				
Secured	9,986,713	-	9,986,713	9,586,161
Unsecured	484,259	-	484,259	482,845
Supplemental	320,560	-	320,560	275,143
Investment earnings (losses)	268,495	(2,209,267)	(1,940,772)	2,217,395
Other	232,582	-	232,582	97,892
Total General Revenues	11,292,609	(2,209,267)	9,083,342	12,659,436
Transfers, net	(11,890)	11,890	-	-
Changes in Net Position	312,684	12,149,489	12,462,173	18,541,239
Net Position - Beginning of Year, restated (Note 12)	125,523,090	429,013,113	554,536,203	535,994,964
Net Position - End of Year	$ 125,835,774	$ 441,162,602	$ 566,998,376	$ 554,536,203

See accompanying Notes to the Financial Statements.

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Balance Sheet
Governmental Funds
June 30, 2022
(With summarized information as of June 30, 2021, as restated)

	Flood Protection Operations	Flood Protection Development Impact Fee	Total Non-Major Governmental Funds	Totals 2022	Totals 2021 (as restated)
ASSETS					
Current assets					
Cash in County treasury (Note 2)	$ 18,883,234	$ 59,973,788	$ -	$ 78,857,022	$ 82,115,520
Cash in Agency treasury (Note 2)	2,871,782	13,893,138	-	16,764,920	14,885,240
Restricted cash (Note 2)	1,217,940	-	-	1,217,940	1,071,531
Accounts receivable, net	408,593	201,621	23,651	633,865	1,005,466
Interest receivable	244	-	-	244	257
Lease receivable (Note 4)	444,361	-	-	444,361	467,618
Prepaid expense	4,827	-	-	4,827	-
Due from other funds	3,674	-	-	3,674	70,119
Total assets	$ 23,834,655	$ 74,068,547	$ 23,651	$ 97,926,853	$ 99,615,751
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued liabilities	$ 1,734,341	$ 71,883	$ 19,977	$ 1,826,201	$ 3,102,706
Deposits payable	1,031,985	-	-	1,031,985	1,031,988
Due to other funds	43,301	-	3,674	46,975	144,121
Total liabilities	2,809,627	71,883	23,651	2,905,161	4,278,815
Deferred inflows of resources:					
Lease-related (Note 4)	447,269	-	-	447,269	471,230
Total deferred inflows of resources	447,269	-	-	447,269	471,230
Fund balances (Note 1O):					
Restricted	146,484	73,996,664	-	74,143,148	72,715,433
Committed:					
Flood protection capital projects	16,131,275	-	-	16,131,275	17,593,851
Flood protection operating contingency	4,300,000	-	-	4,300,000	4,556,422
Total fund balances	20,577,759	73,996,664	-	94,574,423	94,865,706
Total liabilities and fund balances	$ 23,834,655	$ 74,068,547	$ 23,651	$ 97,926,853	$ 99,615,751

See accompanying Notes to the Financial Statements.

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Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position
June 30, 2022

Total Fund Balances - Total Governmental Funds			$	94,574,423

Amounts reported for Governmental Activities in the Statement of Net position are different from those reported in the Governmental Funds.

CAPITAL ASSETS AND LEASED ASSETS

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Nondepreciable	$	22,890,844		
Depreciable, net		9,995,827		32,886,671

PENSION

Net pension liability and the related deferred outflows of resources and deferred inflows of resources are not due and payable in the current period or not available for current expenditures and are not reported in the governmental fund financial statements:

Pension related deferred outflows of resources	408,238
Net pension liability	(1,092,968)
Pension related deferred inflows of resources	(871,618)

OPEB

Net OPEB liability and the related deferred outflows of resources and deferred inflows of resources are not due and payable in the current period or not available for current expenditures and are not reported in the governmental fund financial statements:

OPEB related deferred outflows of resources		83,637
Net OPEB Assets		336,330
OPEB related deferred inflows of resources		(488,939)
Net Position of Governmental Activities	$	125,835,774

See accompanying Notes to the Financial Statements.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2022
(With summarized information for the year ended June 30, 2021, as restated)

	Flood Protection Operations	Flood Protection Development Impact Fee	Total Non-Major Governmental Funds	Totals 2022	Totals 2021 (as restated)
Revenues:					
Property taxes	$ 10,791,532	$ -	$ -	$ 10,791,532	$ 10,344,149
Intergovernmental	84,034	-	399,290	483,324	556,049
Charges for services	175,083	1,515,414	-	1,690,497	2,624,628
Investment earnings	87,276	181,219	-	268,495	956,235
Rental Income	23,961	-	-	23,961	7,987
Other revenues	199,732	-	32,850	232,582	97,889
Total revenues	11,361,618	1,696,633	432,140	13,490,391	14,586,937
Expenditures:					
Current:					
Salaries and employee benefits transferred from district-wide	2,377,010	35,720	72,131	2,484,861	2,401,207
Services and supplies	10,167,591	345,897	360,009	10,873,497	6,966,093
Capital outlay:					
Equipment and capital infrastructure	377,641	33,785	-	411,426	1,407
Total expenditures	12,922,242	415,402	432,140	13,769,784	9,368,707
Revenues over (under) expenditures	(1,560,624)	1,281,231	-	(279,393)	5,218,230
Other financing (uses):					
Transfers out	(11,890)	-	-	(11,890)	(11,890)
Total other financing (uses)	(11,890)	-	-	(11,890)	(11,890)
Net change in fund balances	(1,572,514)	1,281,231	-	(291,283)	5,206,340
Fund balances:					
Beginning of year, restated (Note 12)	22,150,273	72,715,433	-	94,865,706	89,659,366
End of year	$ 20,577,759	$ 73,996,664	$ -	$ 94,574,423	$ 94,865,706

See accompanying Notes to the Financial Statements.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Reconciliation of the Net Change in Fund Balances - Total Governmental Funds with the Change in Net Position of Governmental Activities
For the Year Ended June 30, 2022

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

Net Change in Fund Balances - Total Governmental Funds	$	(291,283)
Amounts reported for Governmental activities in the Statement of Activities were reported differently because:		
CAPITAL ASSETS TRANSACTIONS		
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.		
The capital outlay expenditures are therefore added back to fund balance		411,426
Depreciation expense is deducted from the fund balance		(297,061)
ACCRUALS OF PENSIONS AND OPEB		
Net pension liability and related deferred inflows and outflows of resources		386,758
Net OPEB assets and related deferred inflows and outflows of resources		102,844
Change in Net Position of Governmental Activities	$	312,684

See accompanying Notes to the Financial Statements.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Flood Protection Operations Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Property taxes	$ 9,858,443	$ 9,858,443	$ 10,791,532	$ 933,089
Intergovernmental revenue	64,700	64,700	84,034	19,334
Charges for services	47,650	47,650	175,083	127,433
Investment earnings	92,541	92,541	111,237	18,696
Other revenue	35,000	35,000	199,732	164,732
Total Revenues	10,098,334	10,098,334	11,361,618	1,263,284
Expenditures:				
Current:				
Flood protection:				
Salaries and benefits	2,907,286	2,907,286	2,377,010	530,276
Services and supplies	13,923,059	19,037,637	10,167,591	8,870,046
Capital outlay:				
Equipment and capital structure	225,000	514,861	377,641	137,220
Total Expenditures	17,055,345	22,459,784	12,922,242	9,537,542
Revenues over (under) expenditures	(6,957,011)	(12,361,450)	(1,560,624)	10,800,826
Other Financing (Uses):				
Transfers out	(14,145)	(14,145)	(11,890)	2,255
Total Other Financing (Uses)	(14,145)	(14,145)	(11,890)	2,255
NET CHANGE IN FUND BALANCE	$ (6,971,156)	$ (12,375,595)	(1,572,514)	$ 10,803,081
FUND BALANCE:				
Beginning of year, restated (Note 12)			22,150,273	
End of year			$ 20,577,759	

See accompanying Notes to the Financial Statements.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Flood Protection Development Impact Fee Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Charges for services	2,835,000	2,835,000	1,515,414	(1,319,586)
Investment earnings	173,449	173,449	181,219	7,770
Other revenue	25,000	25,000	-	(25,000)
Total Revenues	3,033,449	3,033,449	1,696,633	(1,336,816)
Expenditures:				
Current:				
Flood protection:				
Salaries and benefits	253,337	253,337	35,720	217,617
Services and supplies	-	1,237,198	345,897	891,301
Capital outlay:				
Equipment and capital structure	597,040	615,833	33,785	582,048
Total Expenditures	850,377	2,106,368	415,402	1,690,966
Revenues over (under) expenditures	2,183,072	927,081	1,281,231	354,150
NET CHANGE IN FUND BALANCE	$ 2,183,072	$ 927,081	1,281,231	$ 354,150
FUND BALANCE:				
Beginning of year			72,715,433	
End of year			$ 73,996,664	

See accompanying Notes to the Financial Statements.

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PROPRIETARY FUND FINANCIAL STATEMENTS

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Statement of Net Position
Proprietary Funds
June 30, 2022
(With summarized information as of June 30, 2021, as restated)

	State Water Facilities	Water Enterprise Operations	Water Enterprise Capital Expansion	Non-Major Enterprise Funds	Totals 2022	Totals 2021 (as restated)
ASSETS						
Current assets:						
Cash in County treasury (Note 2)	$ 21,425,780	$ 33,705,559	$ 1,859,169	$ 2,858,454	$ 59,848,962	$ 67,898,239
Cash in Agency treasury (Note 2)	21,267,918	40,597,784	61,081,330	-	122,947,032	136,122,843
Restricted cash and investments (Note 2)	-	6,513,870	853,848	-	7,367,718	10,133,582
Account receivables, net	-	10,694,792	7,425,795	-	18,120,587	13,956,487
Interest receivable	-	449	-	-	449	488
Lease receivables - current (Note 4)	-	39,624	-	-	39,624	39,457
Due from other funds	-	43,301	-	-	43,301	74,002
Prepaid deposits	836,056	51,303	-	-	887,359	982,208
Total current assets	43,529,754	91,646,682	71,220,142	2,858,454	209,255,032	229,207,306
Noncurrent assets:						
Lease receivables (Note 4)	-	453,198	-	-	453,198	492,822
Net OPEB assets (Note 9)	-	3,188,602	107,146	-	3,295,748	-
Capital assets and leased assets (Note 5):						
Non-depreciable	-	160,915,029	-	-	160,915,029	131,225,721
Depreciable, net	-	162,317,395	-	-	162,317,395	166,482,896
Total noncurrent assets	-	326,874,224	107,146	-	326,981,370	298,201,439
Total assets	43,529,754	418,520,906	71,327,288	2,858,454	536,236,402	527,408,745
DEFERRED OUTFLOWS OF RESOURCES						
Pension related (Note 8)	-	3,870,324	130,054	-	4,000,378	4,908,905
OPEB related (Note 9)	-	792,929	26,645	-	819,574	980,030
Total deferred outflows of resources	-	4,663,253	156,699	-	4,819,952	5,888,935

See accompanying Notes to the Financial Statements.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2022
(With summarized information as of June 30, 2021, as restated)

	State Water Facilities	Water Enterprise Operations	Water Enterprise Capital Expansion	Non-Major Enterprise Funds	Totals 2022	Totals 2021 (as restated)
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	1,262	7,681,075	1,039,135	-	8,721,472	9,180,200
Deposits	-	-	-	323,248	323,248	328,115
Compensated absences (Note 7)	-	678,534	-	-	678,534	514,167
Long-term debt - due within one year (Note 6)	-	1,090,358	590,000	-	1,680,358	1,658,739
Total current liabilities	1,262	9,449,967	1,629,135	323,248	11,403,612	11,681,221
Noncurrent liabilities:						
Compensated absences (Note 7)	-	881,853	-	-	881,853	1,093,323
Long-term debt (Note 6)	-	52,024,717	11,048,099	-	63,072,816	65,376,769
Net pension liability (Note 8)	-	10,361,952	348,192	-	10,710,144	15,539,802
Net OPEB liability (Note 9)	-	-	-	-	-	50,637
Total noncurrent liabilities	-	63,268,522	11,396,291	-	74,664,813	82,060,531
Total liabilities	1,262	72,718,489	13,025,426	323,248	86,068,425	93,741,752
DEFERRED INFLOW OF RESOURCES						
Lease related (Note 4)	-	493,052	-	-	493,052	533,457
Pension related (Note 8)	-	8,263,427	277,675	-	8,541,102	7,478,671
OPEB related (Note 9)	-	4,635,410	155,763	-	4,791,173	2,530,687
Total deferred inflows of resources	-	13,391,889	433,438	-	13,825,327	10,542,815
NET POSITION (Note 1N)						
Net investment in capital assets	-	273,736,173	-	-	273,736,173	246,768,274
Restricted for:						
Capital projects and water expansion	43,528,492	11,495,361	58,020,500	-	113,044,353	110,609,342
Pension trust	-	1,318,508	4,623	-	1,323,131	-
Unrestricted	-	50,523,739	-	2,535,206	53,058,945	71,635,497
Total net position	$ 43,528,492	$ 337,073,781	$ 58,025,123	$ 2,535,206	$ 441,162,602	$ 429,013,113

See accompanying Notes to the Financial Statements.

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Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2022
(With summarized information for the year ended June 30, 2021, as restated)

	Major Funds				Totals	
	State Water Facilities	Water Enterprise Operations	Water Enterprise Capital Expansion	Non-Major Enterprise Funds	2022	2021 (as restated)
OPERATING REVENUES:						
Water sales	$ -	$ 55,670,511	$ -	$ -	$ 55,670,511	$ 57,012,484
Connection and development fees	-	-	19,669,509	-	19,669,509	13,609,527
Charges for services	-	144,160	-	-	144,160	277,722
Other revenues	2,266,785	160,529	378,688	-	2,806,002	2,361,815
Total operating revenues	2,266,785	55,975,200	20,048,197	-	78,290,182	73,261,548
OPERATING EXPENSES:						
Salaries, wages and benefits	-	13,744,049	499,871	-	14,243,920	14,660,841
Contractual services	10,588	3,148,670	-	-	3,159,258	4,237,988
Technical supplies	-	555,666	-	-	555,666	440,665
Chemical purchases	-	1,516,832	-	-	1,516,832	1,793,501
Water purchases	24,321,285	11,719,886	16,204,819	-	52,245,990	44,419,983
Water storage	-	4,305,743	-	-	4,305,743	1,179,750
Utilities	-	3,764,688	-	-	3,764,688	3,203,479
Maintenance and repairs	-	1,902,758	-	-	1,902,758	1,380,500
Equipment and building rents	-	136,433	-	-	136,433	72,727
Other services and supplies	-	1,136,854	1,705,653	-	2,842,507	2,955,897
Risk management	-	519,034	-	-	519,034	532,293
Depreciation (Note 5)	-	7,191,637	-	-	7,191,637	6,993,115
Total operating expenses	24,331,873	49,642,250	18,410,343	-	92,384,466	81,870,739
OPERATING INCOME (LOSS)	(22,065,088)	6,332,950	1,637,854	-	(14,094,284)	(8,609,191)
NONOPERATING INCOME (LOSS):						
Property taxes	23,836,161	-	-	-	23,836,161	22,616,173
Intergovernmental revenue	3,783,291	174,059	2,753,085	-	6,710,435	6,640,850
Investment earnings (losses)	(78,177)	(753,717)	(1,409,103)	31,730	(2,209,267)	1,261,160
Gain on disposal of assets	-	7,626	-	-	7,626	(6,186,608)
Interest expense for long term debt	-	(1,798,907)	(314,165)	-	(2,113,072)	(2,135,952)
Total Nonoperating Income (Loss)	27,541,275	(2,370,939)	1,029,817	31,730	26,231,883	22,195,623
NET INCOME (LOSS) BEFORE TRANSFERS	5,476,187	3,962,011	2,667,671	31,730	12,137,599	13,586,432
TRANSFERS:						
Transfers in (Note 3)	-	12,681,831	1,665,773	-	14,347,604	100,627,100
Transfers out (Note 3)	-	-	(12,565,359)	(1,770,355)	(14,335,714)	(100,615,210)
Total Transfers:	-	12,681,831	(10,899,586)	(1,770,355)	11,890	11,890
CHANGES IN NET POSITION	5,476,187	16,643,842	(8,231,915)	(1,738,625)	12,149,489	13,598,322
NET POSITION:						
Beginning of year, restated (Note 12)	38,052,305	320,429,939	66,257,038	4,273,831	429,013,113	415,414,791
End of year	$ 43,528,492	$ 337,073,781	$ 58,025,123	$ 2,535,206	$ 441,162,602	$ 429,013,113

See accompanying Notes to the Financial Statements.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2022
(With summarized information for the year ended June 30, 2021, as restated)

	State Water Facilities	Water Enterprise Operations	Water Enterprise Capital Expansion
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	$ 2,266,388	$ 57,730,774	$ (5,541,895)
Refund of customers deposits	-	-	-
Cash received from connection and development fees	-	-	19,669,509
Cash paid to suppliers for goods and services	(24,325,846)	(26,597,250)	(20,508,776)
Cash paid to employees for services	-	(17,282,675)	(636,858)
Net Cash Provided (Used) by Operating Activities	(22,059,458)	13,850,849	(7,018,020)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Interfund borrowing	-	30,701	-
Transfers in	-	12,681,831	1,665,773
Transfers (out)	-	-	(12,565,359)
Property tax	23,836,161	-	-
Intergovernmental	3,783,291	174,059	2,753,085
Net Cash Provided (Used) by Noncapital Financing Activities	27,619,452	12,886,591	(8,146,501)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of capital assets	-	(32,727,568)	-
Proceeds from sale of assets	-	19,751	-
Principles payments on long-term debt	-	(1,098,739)	(560,000)
Interest paid	-	(2,240,370)	(532,450)
Net Cash (Used) by Capital and Related Financing Activities	-	(36,046,926)	(1,092,450)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	(78,177)	(753,717)	(1,409,103)
Net Cash Provided (Used) by Investing Activities	(78,177)	(753,717)	(1,409,103)
Net Increase (Decrease) In Cash and Cash Equivalents	5,481,817	(10,063,203)	(17,666,074)
CASH AND CASH EQUIVALENTS:			
Beginning of year	37,211,881	90,880,416	81,460,421
End of year	$ 42,693,698	$ 80,817,213	$ 63,794,347
CASH AND CASH EQUIVALENTS:			
Cash in county treasury	$ 21,425,780	$ 33,705,559	$ 1,859,169
Cash in agency treasury	21,267,918	40,597,784	61,081,330
Restricted cash and investments	-	6,513,870	853,848
Total cash and cash equivalents	$ 42,693,698	$ 80,817,213	$ 63,794,347
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ (22,065,088)	$ 6,332,950	$ 1,637,854
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation		7,191,637	-
Changes in assets and liabilities:			
Receivables	-	1,795,979	(5,920,583)
Prepaids	6,027	88,821	-
Accounts payable and accrued expenses	-	2,176,126	(2,598,304)
Compensated absences	-	(47,103)	-
Deposits	(397)	-	-
Deferred inflows - lease related	-	(40,405)	-
Net pension liability, deferred inflows and deferred outflows	-	(2,752,934)	(105,766)
Net OPEB liability, deferred inflows and deferred outflows	-	(894,222)	(31,221)
Net Cash Provided (Used) by Operating Activities	$ (22,059,458)	$ 13,850,849	$ (7,018,020)

See accompanying Notes to the Financial Statements.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2022

(With summarized information for the year ended June 30, 2021, as restated)

	Non-Major Enterprise Funds	Totals 2022	Totals 2021 as restated
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	$ -	$ 54,455,267	$ 60,831,862
Refund of customers deposits	(4,867)	(4,867)	-
Cash received from connection and development fees	-	19,669,509	13,609,527
Cash paid to suppliers for goods and services	-	(71,431,872)	(60,388,890)
Cash paid to employees for services	-	(17,919,533)	(16,364,489)
Net Cash Provided (Used) by Operating Activities	(4,867)	(15,231,496)	(2,311,990)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
	-	30,701	-
Transfers in	-	14,347,604	28,203,297
Transfers (out)	(1,770,355)	(14,335,714)	(28,259,957)
Property tax	-	23,836,161	22,616,173
Intergovernmental	-	6,710,435	6,640,849
Net Cash Provided (Used) by Noncapital Financing Activities	(1,770,355)	30,589,187	29,200,362
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of capital assets	-	(32,727,568)	(43,342,689)
Proceeds from sale of assets	-	19,751	-
Principles payments on long-term debt	-	(1,658,739)	(1,577,796)
Interest paid	-	(2,772,820)	(2,844,073)
Net Cash (Used) by Capital and Related Financing Activities	-	(37,139,376)	(47,764,558)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	31,730	(2,209,267)	1,261,160
Net Cash Provided (Used) by Investing Activities	31,730	(2,209,267)	1,261,160
Net Increase (Decrease) In Cash and Cash Equivalents	(1,743,492)	(23,990,952)	(19,615,026)
CASH AND CASH EQUIVALENTS:			
Beginning of year	4,601,946	214,154,664	233,769,690
End of year	$ 2,858,454	$ 190,163,712	$ 214,154,664
CASH AND CASH EQUIVALENTS:			
Cash in county treasury	$ 2,858,454	$ 59,848,962	$ 67,898,239
Cash in agency treasury	-	122,947,032	136,122,843
Restricted cash and investments	-	7,367,718	10,133,582
Total cash and cash equivalents	$ 2,858,454	$ 190,163,712	$ 214,154,664
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ -	$ (14,094,284)	$ (8,609,191)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	-	7,191,637	6,993,115
Changes in assets and liabilities:			
Receivables	-	(4,124,604)	1,208,270
Prepaids	-	94,848	(64,547)
Accounts payable and accrued expenses	-	(422,178)	7,713
Compensated absences	-	(47,103)	417,560
Deposits	(4,867)	(5,264)	5,129
Deferred inflows - lease related		(40,405)	(33,558)
Net pension liability, deferred inflows and deferred outflows	-	(2,858,700)	(2,033,342)
Net OPEB liability, deferred inflows and deferred outflows	-	(925,443)	(203,139)
Net Cash Provided (Used) by Operating Activities	$ (4,867)	$ (15,231,496)	$ (2,311,990)

See accompanying Notes to the Financial Statements.

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NOTES TO THE FINANCIAL STATEMENTS

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Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the Alameda County Flood Control and Water Conservation District, Zone 7 – Zone 7 Water Agency (the "Agency") have been prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") as applied to governmental agencies. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Agency's significant policies:

A. Financial Reporting Entity

The Agency is a public corporation, organized and existing under the constitution and laws of the State of California. The Agency provides various services including the purchase, treatment and sales of water and the maintenance of flood control channels within the boundaries of its service area.

In evaluating how to define the Agency for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body's financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship, if it appoints a voting majority of an organization's governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Joint Powers Authority (JPA)

The Livermore Valley Water Financing Authority (the "Authority") was formed on November 1, 2017 to assist in the financing of public capital improvements. The Authority is a joint exercise agency organized under the laws of the State of California and was composed of the Alameda County Flood Control and Water Conservation District, Zone 7 (the "Agency") and the California Statewide Communities Development Authority ("CSCDA"). The Agency Board of Directors serves as the governing board of the Authority. The Authority transactions are reported in Water Enterprise Operations and Water Enterprise Capital Expansion funds. Related debt is included in the long-term obligations of the Agency on the business-type activities column of the statement of net position.

B. Basis of Accounting and Measurement Focus

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance or net position, revenues and expenditures or expenses, as appropriate. Agency resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

<u>Deferred Outflows of Resources</u> represent a consumption of net assets that applies to future periods and that, therefore, will not be recognized as an expense until that time.

<u>Deferred Inflows of Resources</u> represent an acquisition of net assets that applies to future periods and that, therefore, are not recognized as revenue until that time.

<u>Government-Wide Financial Statements</u>

The government-wide financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the Agency in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated. The following interfund activities have been eliminated:

- Due from and to other funds
- Transfers in and out

<u>Governmental Fund Financial Statements</u>

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, current liabilities, and deferred inflows of resources are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances presents increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) which are recognized when due. 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.

Reconciliations of the fund financial statements to the government-wide financial statements are provided to explain the differences.

The Agency reported the following major governmental funds in the accompanying financial statements:

The ***Flood Protection Operations Fund*** is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the Agency that are not accounted for through other funds.

The ***Flood Protection Development Impact Fee Fund*** is used for the acquisition, construction, engineering and improvement of the flood protection and /or storm water drainage elements of the Stream Management Master Plan of Zone 7, or to reduce the principal or interest of any bonded indebtedness thereof.

The Agency reports the following non-major governmental funds:

The ***Environmental Protection Agency (EPA) Grant*** *- Federal Fund* is used to account for revenues and expenses resulting from the EPA Preparing for the Storm grant.

The ***Cal-OES Grant*** – Federal passed through grant to the California Governor's Office of Emergency Services (Cal-OES) is used to account for revenues and expenditures for damages caused by January 2017 storms.

The ***Department of Water Resources (DWR) Sustainable Groundwater Management Grant***- State Fund is used to account for revenues and expenses resulting from the 2022 Alternative Groundwater Sustainability Plan Grant.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major Proprietary Fund.

Proprietary funds are accounted for using the *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements (Continued)

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 Operations fund is the sale of water to outside customers. Operating expenses for the 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.

The Agency reports the following major proprietary funds:

The ***State Water Facilities Fund*** is used for fixed State water charges and State water project bonded indebtedness.

The ***Water Enterprise Operations Fund*** accounts for enterprise operation and administration, emergency and support services, variable State water charges, water facilities maintenance and operation, renewal and replacement program, water facilities, water resources and water supply planning.

The ***Water Enterprise Capital Expansion Fund*** is used for Water Enterprise capital expansion projects and water purchases.

The Agency reports the following non-major proprietary funds:

The ***Water Facilities Fund*** is used for Chain of Lakes mitigation and planning reserve, quarry discharge exports, miscellaneous fees and deposits, and permit inspection deposits.

The ***Water Supply and Reliability Fund*** is used for future water, water storage and Delta- related projects.

C. Cash and Cash Equivalents

For purposes of the statement of cash flows the Agency defines cash and cash equivalents to include all cash and temporary investments with original maturities of three months or less from the date of acquisition, including restricted assets, and all pooled deposits.

A portion of the Agency's cash is pooled with the Alameda County Treasurer, who acts as disbursing agent for the Agency. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by the Treasury Pool, which are recorded on an amortized cost basis. Interest earned on investments pooled with the Treasurer is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter.

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Investment and Fair Value Measurements

The Agency invests in individual investments and in the County Treasury investment pool. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system.

The Agency's investments are carried at fair value, as required by generally accepted accounting principles. The Agency adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The three levels of the fair value measurement hierarchy are described below:

- Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

If the fair value of an investment is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

E. Receivables

Accounts receivable arise from billings to customers for water and certain improvements made to customers' property. Uncollectible amounts from individual customers are not significant.

F. Leases

Lessee

The Agency has a policy to recognize a lease liability and a right-to-use lease asset (lease asset) in the government-wide financial statements. The Agency recognizes lease liabilities with an initial, individual value of $25,000 or more.

At the commencement of a lease, the Agency initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the Agency has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Leases (Continued)

Lessee (Continued)

Key estimates and judgments related to leases include how the Agency determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Agency uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Agency generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Agency is reasonably certain to exercise.

The Agency monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right to use along with other capital assets and lease liabilities are reported with long-term debt on the Government-Wide Statement of Net Position.

Lessor

The Agency is a lessor for leases of special purpose facilities. The Agency recognizes leases receivable and deferred inflows of resources in the financial Statements.

At the commencement of a lease, the Agency initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how the Agency determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Agency uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Agency monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Note 1 – Summary of Significant Accounting Policies (Continued)

G. Capital Assets

Capital assets are those purchased or acquired with a useful life greater than one year and an original cost greater than $250,000 for infrastructure, buildings, building improvements, land improvements and software. The Agency capitalizes equipment and land with a useful life greater than one year and an original cost greater than $5,000. These assets are reported at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized but are expensed as incurred.

Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

Capital Assets	Useful Life
Treatment plants	40 years
Treatment plants improvements	10-40 years
Sludge drying ponds	40 years
Pipeline	40 years
Equipment	3-10 years
Reservoir	40 years
Office building	40 years
Wellfields	40 years
Flood control channels	50 years
Rights of way	Indefinite
Water entitlement	Indefinite

H. Budgets and Budgetary Accounting

Formal budgets are employed as a management control during the year for the Funds.

Budgets for the Governmental Funds are prepared to include encumbrances at year-end. Budget comparisons presented are on GAAP budgetary basis.

I. Encumbrances – Governmental Fund Financial Statements

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the Flood Protection Operations Fund and Flood Protection Development Impact Fee Fund. Encumbrances at June 30, 2022 are as follows:

Fund	Encumbrances
Flood Protection Operations Major Funds	$ 2,016,281

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Property Taxes

The Agency receives property taxes and an override property tax for fixed State water charges from Alameda County. The Agency recognizes property taxes as revenue in the fiscal year of levy, based on the assessed value as of September 1 of the preceding fiscal year. They become a lien on the first day of the year they are levied. Secured property tax is levied on September 1 and due in two installments, on November 1 and March 1. They become delinquent on December 10 and April 10, respectively. Unsecured property taxes are due on July 1 and become delinquent on August 31. The Agency elected to receive the property taxes from the County under the Teeter Bill. Under this program the Agency receives 100% of the levied property taxes in periodic payments, with the County assuming responsibility for delinquencies.

The override property tax amount is used to pay the cost for use of the State Department of Water Resources (DWR) water delivery system, which includes repayment of voter approved, State incurred, long-term debt. The Agency projects such costs annually and requests that the County collect that amount. The annual request to the County is adjusted for prior year over or under collections of tax revenue, and actual prior year's State water purchase cost. For the year ended June 30, 2022, the District recognized $23.8 million of State water facilities property tax.

K. Compensated Absences

The Agency's policy allows employees to accumulate earned but unused vacation and overtime compensation, subject to a vesting policy. The cost of vacation is recorded in the period it is earned. The Agency will recognize accrued vacation to the maximum of vacation earned during the preceding two years prior to separation of service. Accumulated employee sick leave benefits are not recognized as liabilities of the Agency, as these benefits do not vest with the employee. Therefore, sick leave is recorded as an expenditure in the period that the benefit is taken.

L. Long-Term Debt and Related Costs

Long-term debt is reported at face value, net of applicable premium and discounts. Costs related to the issuance of debt are reported as an expense. Deferred charge on refunding from advance refundings of debt are classified as a deferred outflow of resources and are amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

M. Pension and OPEB

For purposes of measuring the aggregate net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension/OPEB reporting:

Valuation Date	December 31, 2020
Measurement Date	December 31, 2021
Measurement Period	January 1, 2021 to December 31, 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

M. Pension and OPEB (Continued)

Gains and losses related to changes in total pension/OPEB liability and fiduciary net position are recognized in pension/OPEB expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions/OPEB and are to be recognized in future pension/OPEB expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

N. Net Position

In the government-wide financial statements and proprietary fund financial statements, net position is classified as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, and reduced by any related debt, and deferred inflows of resources related to such borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is offset by unspent proceeds.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets as to the use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Agency cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and fees charged for the provision of future water resources.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

O. Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Restricted fund balances are the portion of fund balance that have externally enforceable limitations on their usage through legislation or limitations imposed by creditors, grantor, laws and regulations of other governments or enabling legislation.

Committed – Committed fund balances are self-imposed limitations by the highest level of decision-making authority, namely the Board of Directors, prior to the end of the reporting period. Board of Directors adoption of a resolution is required to commit resources or to rescind the commitment. Encumbrances and nonspendable amounts subject to Board commitments are included along with spendable resources.

Note 1 – Summary of Significant Accounting Policies (Continued)

P. Spending Policy

<u>*Government-Wide Financial Statements and the Proprietary Fund Financial Statements*</u>

When expenses are incurred for purposes for which both restricted and unrestricted components of net position are available, the Agency's policy is to apply the restricted component of net position first, then the unrestricted component of net position as needed.

<u>*Governmental Fund Financial Statements*</u>

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the Agency's policy is to apply restricted fund balances first, then unrestricted fund balances as needed.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the Agency uses the unrestricted resources in the following order: (1) Committed, (2) Assigned, (3) Unassigned, except for instances wherein an ordinance specifies the fund balance.

Q. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

R. Implementation of Governmental Accounting Standards Board (GASB) Pronouncement

During the fiscal year ended June 30, 2022, the Agency implemented the following accounting standards:

- In June 2017, GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this Statement had a significant effect on the Agency's financial statements for the year ended June 30, 2022.

- In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Application of this statement did not have a material effect on the Agency's financial statements for the fiscal year ending June 30, 2022.

Note 1 – Summary of Significant Accounting Policies (Continued)

R. Implementation of Governmental Accounting Standards Board (GASB) Pronouncement (Continued)

- In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Application of this statement did not have a material effect on the Agency's financial statements for the fiscal year ending June 30, 2022.

- In March 2020, GASB issued Statement No. 93, Replacement of Interbank Offered Rates. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Application of this statement did not have a material effect on the Agency's financial statements for the fiscal year ending June 30, 2022.

- In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Application of this statement did not have a material effect on the Agency's financial statements for the fiscal year ending June 30, 2022.

S. New GASB Pronouncements

- In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations.* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Application of this statement is effective for the Agency's fiscal year ending June 30, 2023.

Note 1 – Summary of Significant Accounting Policies (Continued)

S. New GASB Pronouncements (Continued)

- In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Application of this statement is effective for the Agency's fiscal year ending June 30, 2023.

- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Application of this statement is effective for the Agency's fiscal year ending June 30, 2023.

- In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Application of this statement is effective for the Agency's fiscal year ending June 30, 2023.

- In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Application of this statement is effective for the Agency's fiscal year ending June 30, 2024.

- In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Application of this statement is effective for the Agency's fiscal year ending June 30, 2025.

Note 2 – Cash and Investments

The Agency's cash and investments consist of the following at June 30, 2022:

Pooled Cash and investment in County Treasury	$ 138,705,984
Cash and investments - Agency Treasury	139,711,952
Restricted cash and investments	8,585,658
Total cash and investments	$ 287,003,594
Cash and investment in Government Funds	$ 96,839,882
Cash and investments in Proprietary Funds	190,163,712
Total cash and investments	$ 287,003,594

Demand Deposits

The carrying amounts of cash deposits were $13,704,451 at June 30, 2022, which were fully insured and/or collateralized with securities held by the pledging financial institutions in the Agency's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the Agency's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Agency's name.

The fair value of pledged securities must equal at least 110% of the Agency's cash deposits. California law also allows institutions to secure the Agency's deposits by pledging first trust deed mortgage notes having a value of 150% of the Agency's total cash deposits. The Agency may waive collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation. The Agency, however, has not waived the collateralization requirements.

Investments Authorized by California Government Code and the Agency's Investment Policy

The Agency's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer and approved by the Board of Supervisors. The objectives of the policy are, in order of priority: safety of principal, liquidity and yield.

The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

The Agency's external investment pool is not registered with the Securities and Exchange Commission but rather the County Board of Supervisors created the Treasury Oversite Committee to establish regulations of the pooled investments.

A copy of the County investment policy is available upon request from the Alameda County Auditor- Controller's Office at 1221 Oak Street, Room 249, Oakland, California, 94612.

The non-pooled cash and investments are invested in accordance with the Agency's Investment Policy and the California Government Code which allows the Agency to invest in the following, provided the credit ratings of the issuers are acceptable to the Agency and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the Agency's Investment Policy where the Agency Investment Policy is more restrictive.

Note 2 – Cash and Investments (Continued)

Investments Authorized by California Government Code and the Agency's InvestmentPolicy (Continued)

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality Portfolio	Maximum in Portfolio	Maximum Investment in One Issuer
Repurchase Agreements	360 Days	A	20%	(A)
California Local Agency Investment Fund	Upon Demand	N/A	(A)	(B)
U.S. Treasury Obligations	5 Years	N/A	(A)	(A)
U.S. Agency Securities	5 Years	N/A	(A)	(A)
Municipal Bonds and Notes	5 Years	N/A	40%	(A)
Bankers' Acceptances	180 Days	A1, P1	40%	25%
Commercial Paper	270 Days	A1, P1	25%	10%
Negotiable Certificates of Deposit	5 Years	A, A2	30%	5%
Certificates of Time Deposit	360 Days	A, A2	30%	5%
Medium Term Corporate Notes	5 Years	A3, A-	30%	5%
Money Market Mutual Funds	Upon Demand	N/A	20%	(A)
California Asset Management Program	Upon Demand	N/A	10%	(A)

(A) No Board established limit.
(B) LAIF limit is $75,000,000.

The Agency is in compliance with the Board approved Investment Policy and California Government Code requirements.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency's Investment Policy.

Pension Trust – Investment Policy

The Agency established a trust account with Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the Agency's pension plan. The pension trust Fund's specific cash and investments are managed by a third-party portfolio manager under guidelines approved by the Agency. Those guidelines are as follows:

Risk Tolerance

Moderately Conservative – The account's risk tolerance has been rated moderately conservative, which demonstrates that the account can accept modest price fluctuations to pursue its investment objectives.

Security Guidelines

Investment Manager may allocate assets of the equity portion of the account among various market capitalizations (large, mid, small) and investment styles (value, growth). Further, Investment Manager may allocate assets among domestic, international developed and emerging market equity securities. In the fixed income portion of the account, Investment Manager may allocate assets among various sectors and industries, as well as varying maturities and credit quality that are consistent with the overall goals and objectives of the portfolio.

Note 2 – Cash and Investments (Continued)

Pension Trust – Investment Policy (Continued)

Investment Objective

The primary objective is to generate a reasonable level of growth. The assets in this Plan will eventually be used to fund Pension Plan obligations for assets managed in the Alameda County Employees' Retirement Association (ACERA) Trust.

Disclosure Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the Treasury Pool manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations. As of June 30, 2022, approximately 43.9 percent of the securities in the Treasury Pool had maturities of one year or less as reported by Alameda County Treasurer.

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Agency's investment y maturity or earliest calldate:

Investment Type	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Pooled Cash and Investments in County Treasury					
Cash in County Pool	$ -	$ -	$ -	$ -	$ 138,705,984
Cash and Investments - Agency Treasury					
U.S. Treasury Notes	26,508,521	30,937,422	42,126,908	-	99,572,851
Commercial Paper	999,750	-	-	-	999,750
Corporate Bonds	18,000,455	11,330,178	3,220,310	-	32,550,943
Money Markey Fund	4,166,824	-		-	4,166,824
Total	49,675,550	42,267,600	45,347,218	-	137,290,368
Cash in bank					2,421,584
Total Cash and Investments - Agency Treasury					139,711,952
Restricted Cash and Investments					
Money Market Fund	7,116,043	-	-	-	7,116,043
Investment Held by Pension Trust	-	-	-	1,469,615	1,469,615
Total	7,116,043	-	-	1,469,615	8,585,658
Total Restricted Cash and Investments					8,585,658
Total Cash and Investments					$ 287,003,594

Note 2 – Cash and Investments (Continued)

Disclosure Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization. Presented below is the actual ratings as of June 30, 2022 for each investment type as provided by Moody's Investor Service:

Investment Type	Aaa	Aa2	A1	A2	P-1	Total
Pooled Cash and Investments in County Treasury						
Not rated:						
Cash in County Pool	$ -	$ -	$ -	$ -	$ -	$138,705,984
Cash and Investments - Agency Treasury						
U.S. Treasury Notes	99,572,851	-	-	-	-	99,572,851
Commercial Paper		-			999,750	999,750
Corporate Bonds	5,894,640	4,429,011	12,297,687	9,929,605	-	32,550,943
Not rated:						
Cash in bank						2,421,584
Money Markey Fund						4,166,824
Total Cash and Investments - Agency Treasury	105,467,491	4,429,011	12,297,687	9,929,605	999,750	139,711,952
Restricted Cash and Investments						
Not rated:						
Money Market Fund						7,116,043
Investment Held by Pension Trust						1,469,615
Total Restricted Cash and Investments	-	-	-	-	-	8,585,658
Total Cash and Investments						$287,003,594

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Treasury Pool).

Disclosure Relating to Concentration of Credit Risk

The investment policy of the County Pool contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. For a listing of investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represent 5% or more of total County investments, refer to the 2022 Alameda County Annual Comprehensive Financial Report.

Note 2 – Cash and Investments (Continued)

Fair Value Hierarchy

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

As of June 30, 2022, the Agency had $138,705,984 of cash and investments pooled with the Alameda County Treasurer that is exempt from the fair value hierarchy. The fair value of the pooled investment fund is provided by the Alameda County Treasurer and is valued using quoted prices for identical instruments in markets that are not active. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources.

The following is a summary of the fair value hierarchy of the fair value of investments of the Agency as of June 30, 2022:

	Level 1	Level 2	Total
Investments - Agency Treasury			
Investments by Fair Value Level			
U.S. Treasury Notes	$ 99,572,851	$ -	$ 99,572,851
Commercial Paper	-	999,750	999,750
Corporate Bonds	-	32,550,943	32,550,943
Investments Measured at Amortized Cost			
Money Market Fund	-	-	4,166,824
Total Investments - Agency Treasury	99,572,851	33,550,693	137,290,368
Restricted Investments			
Investments by Fair Value Level			
Investment Held by Pension Trust	-	1,469,615	1,469,615
Investments Measured at Amortized Cost			
Money Market Fund	-	-	7,116,043
Total Restricted Investments	-	1,469,615	8,585,658
Total Investments			$ 145,876,026

Level 1 of the fair value hierarchy are valued using quoted prices in active markets. Level 2 of the fair value hierarchy are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

Note 3 – Interfund Transfers

Fund Making Transfer	Fund Receiving Transfers	Amount Transferred	
Governmental Fund			
Flood Protection Operations Funds	Water Enterprise Operations Fund	$ 11,890	(A)
Enterprise Funds:			
Water Enterprise Capital Expansion Fund	Water Enterprise Operations Fund	12,565,359	(B)
Water Facilities Fund	Water Enterprise Capital Expansion Fund	1,185,941	(C)
Water Supply and Reliability Fund	Water Enterprise Capital Expansion Fund	479,832	(C)
Water Supply and Reliability Fund	Water Enterprise Operations Fund	104,582	(D)
		$ 14,347,604	

(A) Tranfer to fund vehicle replacement.
(B) Transfer of completed construction projects and other capital assets.
(C) Transfer to fund Sites Reservoir Project and Los Vaqueros Reservior Project.

Note 4 – Lease Receivable

The portion of the Agency's property is leased to others. Such property includes special purpose facilities. Lease receivable consists of agreements with other for the right-to-use of the underlying assets at various locations owned by the Agency. The terms of the arrangements range from 2 to 99 years. The calculated interest rates used vary depending on the length of the lease. For the fiscal year ended June 30, 2022, the Agency recognized $23,961 in lease revenue and $1,524 in interest revenue in the governmental activities, and recognized $40,405 in lease revenue and $2,163 in interest revenue in the business type activities.

A. Governmental Activities

A summary of changes in lease receivable in governmental activities for the fiscal year ended June 30, 2022 is as follows:

					Classification	
	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due within One Year	Due in More Than One Year
Leases receivable	$ 467,618	$ -	$ (23,257)	$ 444,361	$ 23,333	$ 421,028
Total	$ 467,618	$ -	$ (23,257)	$ 444,361	$ 23,333	$ 421,028

Lease receivable are due in the upcoming years as follows:

Year Ending June 30,	Principal	Interest	Total
2023	$ 23,333	$ 1,447	$ 24,780
2024	23,410	1,370	24,780
2025	23,487	1,293	24,780
2026	23,565	1,215	24,780
2027	23,643	1,137	24,780
2028-2032	119,389	4,511	123,900
2033-2037	121,375	2,525	123,900
2038-2041	86,159	571	86,730
Total	$ 444,361	$ 14,069	$ 458,430

Note 4 – Lease Receivable (Continued)

B. Business-Type Activities

A summary of changes in lease receivable in business-type activities for the fiscal year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Classification: Due within One Year	Classification: Due in More Than One Year
Leases receivable	$ 532,279	$ -	$ (39,457)	$ 492,822	$ 39,624	$ 453,198
Total	$ 532,279	$ -	$ (39,457)	$ 492,822	$ 39,624	$ 453,198

Lease receivable are due in the upcoming years as follows:

Year Ending June 30,	Principal	Interest	Total
2023	$ 39,624	$ 1,996	$ 41,620
2024	39,792	1,828	41,620
2025	39,960	1,660	41,620
2026	40,129	1,491	41,620
2027	40,300	1,320	41,620
2028-2032	204,073	4,027	208,100
2033-2037	52,017	1,083	53,100
2038-2041	36,927	243	37,170
Total	$ 492,822	$ 13,648	$ 506,470

Note 5 – Capital Assets and Leased Assets

A. Governmental Activities

Summary of changes in governmental activities capital assets for the year ended June 30, 2022 is as follows:

Governmental Activities:	Balance July 1, 2021	Additions	Balance June 30, 2022
Capital assets not being depreciated:			
Rights of Way	$ 21,203,051	$ -	$ 21,203,051
Easements	36,960	-	36,960
Construction in progress	1,414,133	236,700	1,650,833
Total capital assets not being depreciated	22,654,144	236,700	22,890,844
Capital assets being depreciated:			
Flood control channels	12,393,619	-	12,393,619
Other infrastructure	1,048,885	-	1,048,885
Office Building	1,459,756	-	1,459,756
Equipment	13,059	174,726	187,785
Total capital assets being depreciated	14,915,319	174,726	15,090,045
Less accumulated depreciation for:			
Flood control channels	(4,463,964)	(231,734)	(4,695,698)
Other infrastructure	(176,999)	(26,222)	(203,221)
Office Building	(152,058)	(36,494)	(188,552)
Equipment	(4,136)	(2,611)	(6,747)
Total accumulated depreciation	(4,797,157)	(297,061)	(5,094,218)
Total capital assets being depreciated, net	10,118,162	(122,335)	9,995,827
Total governmental activities	$ 32,772,306	$ 114,365	$ 32,886,671

Depreciation expense in the amount of $297,061 was charged to Flood Protection of the primary government.

Construction in progress at June 30, 2022 comprises the following projects:

Governmental Projects	
Arroyo Mocho Medeiros	$ 1,270,055
North Canyons Administration Building HVAC Project	380,778
Total	$ 1,650,833

Note 5 – Capital Assets and Leased Assets (Continued)

B. Business-Type Activities

Summary of changes in business-type activities capital assets for the year ended June 30, 2022 is as follows:

Business--Type Activities:	Balance July 1, 2021 ('as restated)	Additions	Deletions	Transfer	Balance June 30, 2022
Capital assets not being depreciated:					
Rights of way	$ 9,553,081	$ -	$ -	$ -	$ 9,553,081
Water entitlements	36,655,364	-	-	-	36,655,364
Easements	1,862,074	-	-	-	1,862,074
Construction in progress	83,155,202	32,549,285	-	(2,859,977)	112,844,510
Total capital assets not being depreciated	131,225,721	32,549,285	-	(2,859,977)	160,915,029
Capital assets being depreciated:					
Equipment	5,420,708	178,283	(176,587)	-	5,422,404
Treatment plants	146,620,763	-	-	2,813,222	149,433,985
Office building	7,103,276	-	-	-	7,103,276
Reservoir	2,958,566	-	-	46,755	3,005,321
Pipelines	53,929,752	-	-	-	53,929,752
Wellfields	31,202,337	-	-	-	31,202,337
SCADA project	9,704,664	-	-	-	9,704,664
Other infrastructure	4,154,940	-	-	-	4,154,940
Total capital assets being depreciated	261,095,006	178,283	(176,587)	2,859,977	263,956,679
Less accumulated depreciation for:					
Equipment	(3,857,192)	(569,169)	164,462	-	(4,261,899)
Treatment plants	(47,845,985)	(3,527,472)	-	-	(51,373,457)
Office buildings	(1,677,820)	(177,582)	-	-	(1,855,402)
Reservoirs	(1,367,955)	(73,964)	-	-	(1,441,919)
Pipelines	(21,424,528)	(1,241,532)	-	-	(22,666,060)
Wellfields	(10,356,526)	(780,058)	-	-	(11,136,584)
SCADA project	(8,006,348)	(485,233)	-	-	(8,491,581)
Other infrastructure	(424,897)	(103,874)	-	-	(528,771)
Total accumulated depreciation	(94,961,251)	(6,958,884)	164,462	-	(101,755,673)
Total capital assets being depreciated, net	166,133,755	(6,780,601)	(12,125)	2,859,977	162,201,006
Leased assets, being amortized					
Machinery and equipment	581,893	-	-	-	581,893
Total leased asset, being amortized	581,893	-	-	-	581,893
Less: accumulated amortization					
Machinery and equipment	(232,752)	(232,752)	-	-	(465,504)
Total accumulated amortization	(232,752)	(232,752)	-	-	(465,504)
Total leased asset, being amortized, net	349,141	(232,752)	-	-	116,389
Total business-type activities	$ 297,708,617	$ 25,535,932	$ (12,125)	$ -	$ 323,232,424

Depreciation and amortization expense in the amount of $6,958,884 and $232,752, respectively, were charged to Water Enterprise Operations of the primary government.

Note 5 – Capital Assets and Leased Assets (Continued)

B. Business-Type Activities (Continued)

Construction in Progress at June 30, 2022 comprises the following projects:

Enterprise Projects	
Busch Valley Well #1	$ 1,820,076
PPWTP New Clearwell	231,185
Arroyo Mocho/Lake H Diversion	404,297
Busch Valley Booster Pump Station	5,057,776
Patterson Pass Water Treatment Plant Ozonation	41,203,534
Patterson Pass Water Treatment Plant Upgrades	57,813,048
Chain of Lakes (COL) Pipeline	780,688
MGDP Concentrate Conditioning Facility	626,871
North Canyons Administration Building HVAC Project	1,432,449
COL PFAS Treatment Facility	1,256,779
PPWTP New Media Filter	215,202
MGDP Concentrate Sump Pump & VFD Replacement	584,987
DVWTP Post Ozone Modifications	1,417,618
Total	$ 112,844,510

Note 6 – Long-Term Debt

Summary of changes in business-type activities long-term debt for the year ended June 30, 2022 is as follows:

	Original Issue Amount	Balance July 1, 2021	Retirements	Balance June 30, 2022	Amount due within one year	Amount more than one year
Bond payable						
2018 Water Revenue Bonds	$ 64,010,000	$ 61,335,000	$ (1,445,000)	$ 59,890,000	$ 1,520,000	$ 58,370,000
Plus: Unamortized Bond Premium	7,506,832	5,326,411	(623,595)	4,702,816	-	4,702,816
Total bonds payable		66,661,411	(2,068,595)	64,592,816	1,520,000	63,072,816
Lease payable						
Karl Needham Centrifuge Equipment		374,097	(213,739)	160,358	160,358	-
Total lease payable		374,097	(213,739)	160,358	160,358	-
Total long-term debt		$ 67,035,508	$ (2,282,334)	$ 64,753,174	$ 1,680,358	$ 63,072,816

2018 Water Revenue Bonds

On March 11, 2018, the Agency, via the Livermore Valley Water Financing Authority, issued the 2018 Water Revenue Bonds in the amount of $64,010,000. Proceeds of the issuance are used to pay the cost of the 2018 Water Project, consisting of a water treatment plant and related facilities, prepay $15,290,000 of the Agency's obligations in connection with the Cawelo Water District Certificates of Participation, Series 2006, and to pay costs of issuance. Interest rates range from 3% to 5%. Principal and interest payments are due annually beginning July 1, 2019 through July 1, 2048.

Note 6 – Long Term Debt (Continued)

2018 Water Revenue Bonds (Continued)

The Agency's bond covenants contain events of default that require the net revenue of the Agency to be applied by the Trustee as specified in the terms of the agreement if any of the following conditions occur: default on debt service payments; the failure of the Agency to observe or perform the conditions, covenants, or agreement terms of the debt; bankruptcy filing by the Agency; or if any court or competent jurisdiction shall assume custody or control of the Agency. The Agency's bonds also contain a subjective acceleration clause that allows the trustees or holders, who hold the majority of the aggregate principal amount of the bonds, to accelerate payment of the entire principal amount outstanding and interest accrued to become immediately due if they determine that a material adverse change occurs.

At June 30, 2022, the debt service payments to maturity, including interest payments, were as follows:

Year ending June 30,	Principal	Interest	Total
2023	$ 1,520,000	$ 2,697,538	$ 4,217,538
2024	1,595,000	2,619,663	4,214,663
2025	1,680,000	2,537,788	4,217,788
2026	1,770,000	2,451,538	4,221,538
2027	1,855,000	2,360,913	4,215,913
2028-2032	10,845,000	10,272,063	21,117,063
2033-2037	11,525,000	7,404,094	18,929,094
2038-2042	10,340,000	5,289,500	15,629,500
2043-2047	12,745,000	2,878,450	15,623,450
2048-2049	6,015,000	234,800	6,249,800
Total Payments Due	59,890,000	$ 38,746,344	$ 98,636,344
Unamortized Premium	4,702,816		
Total	$ 64,592,816		

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds that exceed related interest expenditures on the bonds must be remitted to the federal government on every fifth anniversary of each bond issue. The Agency has evaluated the 2018 Water Revenue Bonds issue subject to the arbitrage rebate requirements and does not have a rebatable arbitrage liability as of June 30, 2022.

Leased payable

The Agency entered into a lease for the equipment use. The term of the agreement is 48 months. The calculated interest rates used was 0.46%. The remaining principle and interest will be due in December 2022.

Note 7 – Compensated Absences

Summary of changes in compensated absences for the year ended June 30, 2022 is as follows:

Beginning Balance	$	1,607,490
Additions		650,267
Payments		(697,370)
Ending Balance	$	1,560,387
Current portion	$	678,534
Non-current Portion	$	881,853

Accrued vacation and sick leave are liquidated by the fund that has recorded the liability.

Note 8 – Alameda County Employees' Retirement Association Pension Plan

Plan Descriptions – Substantially all Agency permanent employees are required to participate in the Alameda County Employees' Retirement Association (ACERA), a cost-sharing multiple employer public defined benefit retirement plan (Plan). The latest available actuarial and financial information for the Plan is for the year ended December 31, 2021. ACERA issues a publicly available financial report that includes financial statements and supplemental information of the Plan. That report is available by writing to Alameda County Employees' Retirement Association, 475 14th Street #1000, Oakland, California 94612.

Benefits Provided – The Plan provides for retirement, disability, and death and survivor benefits. Annual cost of living (COL) adjustments to retirement allowances can be granted by the Retirement Board as provided by State statutes. Retirement benefits are based on age, length of service, date of membership and final average salary.

Subject to vested status, employees can withdraw contributions plus interests credited, or leave them as a deferred retirement when they terminate, or transfer to a reciprocal retirement system.

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Tier 1	Tier 2	Tier 4
Hire date	Prior to July 1, 1983	July 1, 1983 to December 31, 2012	On or after January 1, 2013
Benefit formula	2.61% at 62	2.43% at 65	2.5% at 67
Benefit vesting schedule	Age 50 with 5 years of service and a total of 10 years of qualifying membership, or age 70 regardless of service, or after 30 years, regardless of age.		Age 52 with 5 years of service or age 70 regardless of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50	52
Maximum monthly benefits, as a % of eligible compensation	100%	100%	100%
Required employee contribution rates	8.03% - 16.7%	5.8% - 12.17%	9.21%
Required employer contribution rates	17.25% to 25.88%	16.25% to 24.38%	23.79%

Note 8 – Alameda County Employees' Retirement Association Pension Plan (Continued)

Contributions –The pension plan under the 1937 Act has no legal contractual maximum contribution rates. The employers and members contribute to ACERA based on rates recommended by an independent actuary and adopted by the Board of Retirement. Covered employees are required by statute to contribute toward their pensions. Member contribution rates are formulated on the basis of their age at the date of entry and the actuarially calculated benefits and are between 5.8 and 16.7 percent of their annual covered salary effective September 2021. Member contributions are refundable upon termination from the retirement system.

State and Federal laws as well as the California Constitution provide the authority for the establishment of ACERA benefit provisions. In most cases where the 1937 Act provides options concerning the allowance of credit for service, the offering of benefits, or the modification of benefit levels, the law generally requires approval of the employer's governing board for the option to take effect. Separately, in 1984 the Alameda Board of Supervisors and the Board of Retirement approved the adoption of Article 5.5 of the 1937 Act. This adoption permitted the establishment of a Supplemental Retirees Benefit Reservice (SRBR) for ACERA.

Article 5.5 provides for the systematic funding of the SRBR and stipulates that its assets be used only for the benefit of retired members and their beneficiaries. The 1937 Act grants exclusive authority over the use of the SRBR funds to the Board of Retirement. Supplemental benefits currently provided through the SRBR include supplemental COLA, retiree death benefit and retiree health benefits including the Monthly Medical Allowance (MMA), dental and vision care, and Medicare Part B reimbursement. The provision of all supplemental benefits from the SRBR is subject to available funding and annual review and authorization by the Board of Retirement. SRBR benefits are not vested.

In 2006 the Board of Retirement approved the allocation of SRBR funds to Postemployment Medical Benefits and Other Pension Benefits. These two programs provide the supplemental benefits described above. For the year ended June 30, 2022, the contributions recognized as part of pension expense for the Plan were $1,518,488. Typically, Flood Protection Operations and Water Enterprise Operations funds have been used to liquidate pension liabilities.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions – As of June 30, 2022, the Agency reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate share of Net Pension Liability
Miscellaneous	$ 11,803,112

The Agency's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of December 31, 2021, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020 rolled forward to December 31, 2021 using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Agency's proportionate share of the net pension liability for the Plan is as follows:

Reporting Date as of June 30	Proportion of the Net Pension Liability	Proportionate share of Net Pension Liability	Covered payroll	Net Pension Liability as a percentage of its covered payroll
2020	1.11%	$ 18,610,738	$ 12,184,391	152.74%
2021	1.00%	17,207,178	11,869,970	144.96%
2022	2.45%	11,803,112	13,078,647	90.25%

Note 8 – Alameda County Employees' Retirement Association Pension Plan (Continued)

For the year ended June 30, 2022, the Agency recognized pension credit of $3,245,458. Changes in the Net Pension Liability are recorded in the fund that recorded the liability. At June 30, 2022, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Contributions made after measurement date	$ 1,807,428	$ -
Changes in assumptions	2,214,298	139,171
Difference between actual and expected experience	251,599	254,516
Difference between projected and actual earning on pension plan investments	-	6,027,511
Changes in proportion and differences between employer contributions and proportionate share of contributions	135,291	2,991,522
Total	$ 4,408,616	$ 9,412,720

The $1,807,428 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ending June 30,	Deferred Outflows / (Inflows) of Resources
2023	$ (1,512,428)
2024	(2,891,434)
2025	(1,329,906)
2026	(1,067,783)
2027	(9,981)
Total	$ (6,811,532)

Actuarial Assumptions – The total pension liabilities in the December 31, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	December 31, 2020
Measurement Date	December 31, 2021
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level percent of payroll
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation Rate	2.75%
Payroll Growth	3.25%
Projected Salary Increase	3.65% - 8.35% (1)
Cost of Living Adjustments	Tier 1: 2.75% ; Tier 2 and 4:2.00%
Investment Rate of Return	7.00% (2)
Mortality	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables

(1) Vary by service, including inflation
(2) Net of pension plan investment expenses, including inflation

Note 8 – Alameda County Employees' Retirement Association Pension Plan (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.00% for the Plan. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as December 31, 2021.

The long-term expected rate of return on pension plan investments was determined in 2021 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	New Strategic Allocation	Long-Term Expected Arithmetic Real Rate of Return
Domestic Large Cap Equity	22.40%	5.43%
Domestic Small Cap Equity	2.50%	6.21%
Developed International Equity	17.00%	6.67%
Small Cap International Equity	3.00%	7.36%
Emerging Markets Equity	5.00%	8.58%
U.S. Core Fixed Income	11.50%	1.10%
High Yield Bonds	1.60%	2.91%
Global Fixed Income	3.00%	-0.63%
Private equity	10.50%	10.00%
Real Estate	8.00%	4.58%
Commodities	0.75%	3.46%
Infrastructure	1.75%	7.80%
Privae Credit	4.00%	8.50%
Absolute Return	9.00%	3.70%
Total	100.00%	

A change in the discount rate would affect the measurement of the Total Pension Liability (TPL). A lower discount rate results in a higher TPL and higher discount rates results in a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the Net Pension Liability (NPL) can be very significant for a relatively small change in the discount rate. The following presents the Agency's proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plan, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Plan's Aggregate Net Pension Liability/(Asset)		
Discount Rate - 1% (6.00%)	Current Discount Rate (7.00%)	Discount Rate + 1% (8.00%)
$ 37,962,170	$ 11,803,112	$ (9,717,351)

Note 9 – Postemployment Benefits Other Than Retirement

A. *General Information about the Agency's Other Post Employment Benefit (OPEB) Plan*

Plan Description – The Agency, through the County of Alameda (County), is a participant under the Alameda County Employees' Retirement Association's (ACERA) defined contribution plan for other postemployment benefits as established by the California Legislature under Article 5.5 of the County Employees Retirement Law of 1937. ACERA is a cost-sharing, multiple employer, defined benefit, public employee retirement system whose main function is to provide service retirement, disability, death, and survivor benefits to the General and Safety members employed by the County of Alameda. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

Funding Policy – The postemployment medical, dental and vision benefits are currently provided through the Supplemental Retirees Benefit Reserve (SRBR) as described in the Alameda County Employees' Retirement Association Pension Plan note. The SRBR is a funded trust that receives fifty percent of the investment earnings that are in excess of the assumed investment rate of return of the ACERA Defined Benefit Pension Plan. The Agency, through the County, does not make postemployment medical benefit payments directly to retirees and does not have the ability to fund these benefits. However, the Agency's pension contribution to ACERA would be lower if not for the excess interest transfer to the SRBR.

Benefits Provided – The following is a summary of Plan benefits as of June 30, 2022:

<table>
<tr><td>Membership Eligibility</td><td>Service Retirees: Retired with at least 10 years of services (including deferred vested members who terminate employment and receive a retirement benefit from ACERA).
Disabled Retirees: A minimum of 10 years of service required for non-duty disability. There is no minimum service requirement for duty disability.</td></tr>
<tr><td rowspan="3">Benefit Eligibility</td><td>1 <u>Monthly Medical Allowance</u>
Service Retirees: For retirees, a Maximum Monthly Medical Allowance of $578.65 per month is provided, effective January 1, 2021 and through December 31, 2021. For the period January 1, 2022 through December 31, 2022 the maximum allowance will increase to $596.73 per month. For those purchasing insurance through the Individual Medicare Exchange, the Monthly Medical Allowance was $443.28 and $457.13 per month for 2021 and 2022, respectively. These Allowances are subject to the following subsidy schedule:
<u>Completed Years of Service</u> — <u>Percentage Subsidized</u>
10-14 — 50%
15-19 — 75%
20+ — 100%
Disabled Retirees: Non-duty retirees receive the same Monthly Medical Allowance as services retirees. Duty disabled retirees receive the same Monthly Medical Allowance as those services retirees with 20 or more years of service.</td></tr>
<tr><td>2 Medical Benefit Reimbursement Plan:
The SRBR reimburses the full Medicare Part B premium to qualified retired members. To qualify for reimbursement, a retiree must
- Have at least 10 years of ACERA service,
- Be eligible for Monthly Medical Allowance,
- Provide proof of enrollment in Medical Part B</td></tr>
<tr><td>3 Dental and Vision Plans:
The SRBR provides dental and vision benefits for retirees only. The maximum combined dental and vision premiums will be $48.12 in 2021 and 2022. The eligibility for these premiums is as follows:
Service Retirees: Retired with at least 10 years of service.
Disabled Retirees: For non-duty disabled retirees, 10 years of service is required. For grandfathered non-duty disabled retirees (with effective retirement dates on or before January 31, 2014), there is no minimum service requirement. For duty disabled retirees, there is no minimum service requirement.</td></tr>
</table>

Note 9 – Postemployment Benefits Other Than Retirement (Continued)

A. General Information about the Agency's Other Post Employment Benefit (OPEB) Plan (Continued)

Benefits Provided – The following is a summary of Plan benefits as of June 30, 2022 *(Continued)*:

Deferred Benefit	Members who terminate employment with 10 or more years of service before reaching Pension eligibility commencement age may elect deferred MMA and/or dental/vision benefits.
Death Benefit	Surviving spouses/domestic partners of members who die before the member commences retiree health benefits may enroll in an ACERA group medical plan on the date that the member would have been eligible to commence benefits. The surviving spouse/domestic partner must pay 100% of the premium. Because premiums for surviving spouses/domestic partners under age 65 include active participants for purposes of underwriting, the surviving spouses/domestic partners receive an implicit subsidy from the actives, which creates a liability for the SRBR.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2022:

Active employees	95
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	Not available
Inactive employees entitled to but not yet receiving benefit payments	Not available
Total	95

B. Net OPEB Liability (Assets)

Actuarial Methods and Assumptions – The Agency's net OPEB liability (assets) was measured as of December 31, 2021 and the net OPEB liability (assets) was determined by an actuarial valuation dated December 31, 2020 that was rolled forward using standard update procedures to determine the Agency's net OPEB liability as of June 30, 2022, based on the following actuarial methods and assumptions:

Valuation Date	December 31, 2020
Measurement Date	December 31, 2021
Actuarial Cost Method	Entry Age Cost Method
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Salary increases	3.25%
Investment Rate of Return	7.00%
Mortality Rate	Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Tables
Healthcare Trend Rates	Non-Medicare medical plan - Graded from 7.5% to ultimate 4.50% over 12 years Medicare medical plan - Graded from 6.5% to ultimate 4.50% over 8 years Dental - 0.00%for the first two years and 4.00% after Vision - 0.00% for the first five years and 4.00% after Medicare Part B - 4.50%

Note 9 – Postemployment Benefits Other Than Retirement (Continued)

C. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Agency, as well as what the Agency's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current discount rate:

Net OPEB Liability/(Assets)		
Discount Rate - 1% (6.00%)	**Current Discount Rate (7.00%)**	**Discount Rate + 1% (8.00%)**
$ (2,238,671)	$ (3,632,078)	$ (4,782,773)

Net OPEB Liability/(Assets)		
1% Decrease (5.75% to 3.50%)	**Healthcare Cost Trend Rate (6.75% to 4.50%)**	**1% Increase (7.75% to 5.50%)**
$ (4,904,735)	$ (3,632,078)	$ (2,056,305)

D. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the Agency recognized OPEB revenue of $1,028,287. Changes in the Net OPEB Liability are recorded in the fund that recorded the liability. At June 30, 2022, the Agency reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Changes in assumptions	$ 532,828	$ 301,570
Difference between actual and expected experience	-	597,887
Difference between projected and actual earnings on OPEB plan investments	-	3,907,558
Changes in proportion and differences between employer contributions and proportionate share of contributions	370,383	473,097
Total	$ 903,211	$ 5,280,112

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Measurement Period Ending June 30,	Deferred Outflows/ (Inflows) of Resources
2023	$ (1,037,190)
2024	(1,408,541)
2025	(1,170,552)
2026	(731,332)
2027	(5,355)
Thereafter	(23,931)
Total	$ (4,376,901)

Note 10 – Insurance

The Agency participates in the Association of California Water Agencies Joint Powers Insurance Authority Property and Liability Insurance Programs for risk of loss. These programs provide general liability, including auto, property, crime, pollution, and cyber liability insurance coverage. The Agency is self-insured for worker's compensation claims under the County of Alameda self-insurance/ excess insurance program. The County is a member of the California State Association-Excess Insurance Authority (CSAC-EIA), a California Counties Joint Powers Authority whose purpose is to develop and fund programs of excess and primary insurance for its member counties. As of June 30, 2022, the Agency participated in the liability and property programs of the ACWA/JPIA as follows:

Type of Coverage	Coverage Limit	Self Insured/Deductible
General Liability, including Auto Liability	$55,000,000	$5,000,000
Workers' Compensation	Statutory Limit	3,000,000
Property	500,000,000	10,000
Crime	3,000,000	1,000
Pollution	10,000,000	250,000
Cyber Liability	5,000,000	75,000

Note 11 – Commitment and Contingent Liabilities

A. Litigation

The Agency is subject to various lawsuits or claims in the normal course of business including challenges over certain rates and changes and from time to time is involved in lawsuits in which damages are sought. The ultimate outcome of these matters is not presently determinable. In the opinion of the Agency, these actions when finally adjudicated will not have a material adverse effect on the financial position of the Agency.

B. Water Supply Commitments

As part of its water management activities the Agency has entered into various water supply commitment contracts to reduce the risk of supply shortages. Under these water right agreements, the Agency has agreed to pay annual amounts for the delivery of committed levels of water supplies.

California Department of Water Resources: The Agency has a cost-sharing water supply contract with the Department of Water Resources (DWR) which provides for the annual allocation of 80,619- acre feet (AF) of water through 2035. DWR as project manager and administrator, developed, constructed, operates and maintains the State Water Project (SWP) to provide water to the Agency and the other water wholesalers. The Agency costs under the contract consists of a variable operating cost component and a semi-fixed capital cost component, including debt service on bonds issued by DWR to construct the project and it determines the cost annually. In fiscal years 2022 and 2021, the costs under the contract were $27.2 million and $25.1 million, respectively.

Effective November 7th, 2003, Amendment No. 24 to the Water Supply Contract between the DWR and the Agency was executed to set forth their agreement regarding the Agency's responsibility for the repayment of costs for the development and construction of the South Bay Aqueduct Enlargement. The Agency's estimated obligation, including interest, was $314.7 million. In fiscal years 2022 and 2021, the costs under Amendment No. 24 were $16.5 million and 17.1 million, respectively with a remaining obligation of $153 million as of June 30, 2022 to be paid by 2035.

Note 11 – Commitment and Contingent Liabilities (Continued)

B. Water Supply Commitments (Continued)

Semitropic Water Storage District: In January 1998, the Agency, along with other water wholesalers entered into a Water Banking and Exchange Program Agreement with Semitropic Water Storage District and its Improvement District that entitles the Agency to storage of up to 65,000 AF, withdrawal, and exchange rights for the Agency's SWP supplies. In January 2005, an amendment was executed, enabling the Agency to participate in the Stored Water Recovery Unit Program. In fiscal year 2021 the Agency's share of the operating, and maintenance costs and certain fees under the agreement were $1.2 million and in fiscal year 2022 were $2.7 million.

Mojave Water District: In May 2022, the Agency entered into a water transfer agreement with Mojave Water Agency (MWA) to transfer 1,500 acre-feet of MWA's Table A allocation from the State Water Project (SWP) to the Agency in 2022. The Agency will pay MWA a rate of $2000 for every acre-foot of water transferred from MWA with a total purchase cost not exceeding $3 million.

State Water Contractors: In March 2022, the Agency entered into a water supply agreement with the State Water Contactors (SWC) known as the 2022 Dry Year Water Transfer Agreement. Under this agreement SWC administers and negotiates transfers amongst non-State Water Project sellers and buyers. The Agency costs under the contract consist of administrative costs and water purchase costs of $800 per acre-foot for up to 437 acre-feet with total costs not exceeding $0.3 million.

Delta Conveyance Design and Construction Joint Powers Authority – On May 14, 2018, the Agency along with participating State Water Contractors formed the Delta Conveyance Design and Construction Joint Powers Authority ("DCA"). The DCA entered into an agreement with DWR establishing that the DCA will undertake those activities required to complete the design and construction of the Delta Conveyance Project. The Delta Conveyance Project will make physical and operational improvements to the State Water Project ("SWP") and the Central Valley Project ("CVP") necessary to: protect and maintain ecosystem health; maintain water quality; and restore and protect water supplies so that the SWP and CVP are capable of readily delivering water within a stable regulatory framework at costs that are not so high as to preclude, and in amounts that are sufficient to support, the financing of the investments necessary to fund construction and operation of facilities and/or improvements. In January 2020, DWR released a Notice of Preparation (NOP) of an Environmental Impact Report (EIR) pursuant to CEQA for a proposed single tunnel project with 6,000 cfs of capacity referred to as the 'Delta Conveyance Project' or Project referred to above. The Project is part of Governor Newsom's portfolio approach to water management. The Agency is participating in the Delta Conveyance Project at a 2.2% participation level of Zone 7's Table A amount of 80,619 acre-feet. Through a funding agreement with DWR for environmental planning costs, the Agency is contributing a total of $2.4 million and 1.4 million in calendar years 2023 and 2022, respectively. To-date no debt has been issued by the DCA and it is unknown when debt will be issued.

Delta Conveyance Finance Authority - On July 3, 2018, the Agency along with two other agencies formed the Delta Conveyance Finance Authority ("DCFA"). Subsequently, eight additional agencies have joined the DCFA. The DCFA was formed with the intent of issuing debt to fund a Delta Conveyance project. Each member agency shares equally in DCFA administrative costs, but obligations from any future debt issuance will be split according to water allocations.

Note 11 – Commitment and Contingent Liabilities (Continued)

B. Water Supply Commitments (Continued)

The Agency has a 2 percent share of State Water Project Table A allocations, but the Agency's actual cost share for delta conveyance may vary depending on project participation. To-date no debt has been issued by the DCFA and it is unknown when debt will be issued. On April 29, 2019, California Governor Gavin Newsom signed Executive Order N-10-19, directing State agencies to develop a comprehensive statewide strategy to build a climate-resilient water system, including modernization of conveyance through the California Bay-Delta through a single-tunnel project. Accordingly, on May 2, 2019 DWR withdrew proposed permits for the California WaterFix project in order to pursue a new environmental review and planning process for a Delta conveyance project aligned with the Governor's vision.

DWR initiated the State environmental review process for the revised project by issuing a Notice of Preparation on January 15, 2020 and the U.S. Army Corps of Engineers initiated the federal environmental review process by issuing a Notice of Intent August 20, 2020. State and federal permitting processes are currently expected to be completed in mid-2024. DWR initiated the State environmental review process for the revised project by issuing a Notice of Preparation on January 15, 2020 and the U.S. Army Corps of Engineers initiated the federal environmental review process by issuing a Notice of Intent August 20, 2020. State and federal permitting processes are currently expected to be completed in mid-2024.

Los Vaqueros Reservoir Expansion Joint Powers Authority - On August 18, 2021, the Agency voted to join the Los Vaqueros Reservoir Joint Powers Authority (Authority). The Agency, along with seven other water agencies in the region, established the Authority for the purpose of enhancing regional water conveyance and storage, providing for public benefits by expanding existing conveyance facilities, constructing new conveyance facilities serving Los Vaqueros Reservoir, and expanding the Los Vaqueros Reservoir. Development and construction of new and expanded facilities is expected to cost about one billion dollars with over $600 million expected to be funded by state and federal programs with remaining costs funded by project partners, including the Agency. All new and expanded facilities are expected to be constructed and operational by 2030. Agency costs will be dependent on its project benefits which will be negotiated with the Authority as part of a Service Agreement. The Authority is authorized to issue bonds and levy charges on its members in accordance with the terms of their Service Agreement. Until it signs a Service Agreement, which is expected to occur sometime in fiscal year ended June 30, 2023, the Agency may withdraw from the Authority with no obligation to participate in or fund the project.

In October 2021, the Agency's Board approved continued participation in the Los Vaqueros Multi-Party agreement through December 2022 with additional funding of $0.9 million.

Sites Reservoir Project - The Sites Reservoir is a proposed reservoir project of approximately 1.3 million to 1.5 million acre-feet, being analyzed by the Sites Reservoir Authority, to be located in Colusa County. The water stored in the proposed project would be diverted from the Sacramento River and could provide additional water supply that could be used for dry-year benefits. Zone 7 is a member of the Sites Reservoir Committee, a group of 30 agencies that are participating in certain planning activities in connection with the proposed development of the project, including the development of environmental planning documents, a federal feasibility report and project permitting. In January 2022, the Agency's Board approved $4.0 million in funding for the Agency's continued participation in such planning activities through the end of 2024. The Agency's agreement to participate in funding of this phase of project development activities does not commit Zone 7 to participate in any actual reservoir project that may be undertaken in the future.

Note 12 – Prior Period Adjustments

The beginning net position at July 1, 2021 of the Government-Wide Financial Statements was restated as follows:

	Governmental Activities	Business-type Activities	Total
Net position, as previously reported, at July 1, 2021	$ 125,526,775	$ 429,019,946	$ 554,546,721
To implement GASB 87 Leases	(3,685)	(6,833)	(10,518)
Net position at July 1, 2021, as restated	$ 125,523,090	$ 429,013,113	$ 554,536,203

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

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COST-SHARING MULTIPLE EMPLOYER DEFINED PENSION PLAN:

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

This schedule reports the proportion (percentage) of the collective net pension liability, the proportionate share (amount) of the collective net pension liability, the employer’s covered employee payroll, the proportionate share (amount of the collective net pension liability as a percentage of the employer’s covered employee payroll and the pension plan’s fiduciary net position as a percentage of the total pension liability.

SCHEDULE OF CONTRIBUTIONS

This schedule reports the cost sharing employer’s contributions to the plan which are actuarially determined, the employer’s actual contributions, the difference between the actual and actuarially determined contributions, and a ratio of the actual contributions divided by covered employee payroll.

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Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Required Supplementary Information
Schedule of the Plan's Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2022

Last Ten Fiscal Years

Cost-Sharing Multiple-Employer Defined Pension Plan

Measurement period	2018	2019	2020	2021
Plan's proportion of the net pension liability	1.24%	1.11%	1.00%	2.45%
Plan's proportionate share of the net pension liability	$ 26,320,948	$ 18,610,738	$ 17,207,178	$ 11,803,112
Plan's covered payroll	$ 11,719,529	$ 12,130,078	$ 11,869,970	$ 13,078,647
Plan's proportionate share of the net pension liability as a percentage of its covered payroll	224.59%	153.43%	144.96%	90.25%
Plan fiduciary net position as a percentage of the total pension liability	1.24%	1.11%	1.00%	2.45%

Measurement period	2014	2015	2016	2017
Plan's proportion of the net pension liability	1.60%	1.18%	1.46%	1.26%
Plan's proportionate share of the net pension liability	$ 22,241,545	$ 24,951,866	$ 25,488,068	$ 19,859,054
Plan's covered payroll	$ 12,318,588	$ 13,014,942	$ 12,536,863	$ 12,229,930
Plan's proportionate share of the net pension liability as a percentage of its covered payroll	180.55%	191.72%	203.30%	162.38%
Plan fiduciary net position as a percentage of the total pension liability	1.60%	1.18%	1.46%	1.26%

[1] Fiscal year 2015 was the 1st year of implementation, therefore only eight years are shown.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2022

Last Ten Fiscal Years

Cost-Sharing Multiple-Employer Defined Pension Plan

Fiscal year	2018	2019	2020	2021	2022
Actuarially determined contribution	$ 4,272,678	$ 4,468,041	$ 2,923,829	$ 2,711,470	$ 3,216,634
Contributions in relation to the actuarially determined contribution	(4,272,678)	(4,468,041)	(2,923,829)	(2,711,470)	(3,216,634)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 11,997,578	$ 11,839,254	$ 12,184,391	$ 12,615,174	$ 13,229,994
Contributions as a percentage of covered payroll	35.61%	37.74%	24.00%	21.49%	24.31%

Fiscal year	2015	2016	2016	2017
Actuarially determined contribution	$ 4,324,438	$ 4,568,731	$ 4,568,731	$ 4,616,119
Contributions in relation to the actuarially determined contribution	(4,324,438)	(4,568,731)	(4,568,731)	(4,616,119)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 12,505,557	$ 12,840,271	$ 12,840,271	$ 12,351,170
Contributions as a percentage of covered payroll	34.58%	35.58%	35.58%	37.37%

Methods and assumptions used to determine contribution rates:

Valuation Date	December 31, 2020
Measurement Date	December 31, 2021
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level percent of payroll
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation Rate	2.75%
Payroll Growth	3.25%
Projected Salary Increase	3.65% - 8.35% (1)
Cost of Living Adjustments	Tier 1: 2.75% ; Tier 2 and 4:2.00%
Investment Rate of Return	7.00% (2)
Mortality	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables

(1) Vary by service, including inflation

(2) Net of pension plan investment expenses, including inflation

COST-SHARING MULTIPLE EMPLOYER DEFINED PENSION PLAN:

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

This schedule reports the proportion (percentage) of the collective net OPEB liability, the proportionate share (amount) of the collective net OPEB liability, the employer's covered employee payroll, the proportionate share (amount of the collective net OPEB liability as a percentage of the employer's covered employee payroll and the OPEB plan's fiduciary net position as a percentage of the total OPEB liability.

SCHEDULE OF CONTRIBUTIONS

This schedule reports the cost sharing employer's contributions to the plan which are actuarially determined, the employer's actual contributions, the difference between the actual and actuarially determined contributions, and a ratio of the actual contributions divided by covered employee payroll.

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Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Required Supplementary Information
Schedule of the Plan's Proportionate Share of the Net OPEB Liability (Assets) and Related Ratios
For the Year Ended June 30, 2022

Last Ten Fiscal Years

Cost-Sharing Multiple-Employer Defined OPEB Plan

Measurement period	2017	2018	2019	2020	2021
Plan's proportion of the net OPEB liability	1.43%	1.29%	0.78%	1.09%	1.12%
Plan's proportionate share of the net OPEB liability (asset)	$ 298,850	$ 2,295,442	$ 678,897	$ 56,071	$ (3,632,078)
Plan's covered payroll	$ 12,229,930	$ 11,719,530	$ 12,130,078	$ 11,869,970	$ 13,078,647
Plan's proportionate share of the net OPEB liability as a percentage of its covered payroll	2.44%	19.59%	5.60%	0.47%	-27.77%
Plan's fiduciary net position as a percentage of the total net OPEB liability	1.43%	1.29%	0.78%	1.09%	1.12%

[1] Fiscal year 2018 was the 1st year of implementation, therefore only five years are shown.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2022

Last Ten Fiscal Years

Cost-Sharing Multiple-Employer Defined Benefit OPEB Plan

Fiscal Year	2018	2019	2020	2021	2022
Actuarially determined contribution	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 9,957,944	$ 9,400,208	$ 5,942,078	$ 8,531,883	$ 9,142,247
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

*Fiscal year 2018 was the 1st year of implementation, therefore only three years are shown.

Notes to Schedule:

Valuation date	December 31, 2020
Measurement Date	December 31, 2021
Actuarial cost method	Entry Age Cost Method
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Payroll Growth	3.25%
Investment rate of return	7.00%
Mortality rates	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Tables
Healthcare Trend Rates	Non-Medicare medical plan - Graded from 7.5% to ultimate 4.50% over 12 years
	Medicare medical plan - Graded from 6.5% to ultimate 4.50% over 8 years
	Dental - 0.00% for the first two years and 4.00% after
	Vision - 0.00% for the first five years and 4.00% after
	Medicare Part B - 4.50%

SUPPLEMENTARY INFORMATION

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Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2022
(With summarized information as of June 30, 2021)

	Environmental Protection Agency (EPA) Grant - Federal	Cal OES Grant Federal	Department of Water Resources (DWR) Grant - State	Totals 2022	Totals 2021
ASSETS					
Current Assets					
Accounts receivable, net	$ 23,651	$ -	$ -	$ 23,651	$ 185,100
Total assets	$ 23,651	$ -	$ -	$ 23,651	$ 185,100
LIABILITIES					
Current liabilities					
Accounts payable	$ 19,977	$ -	$ -	$ 19,977	$ 40,980
Due to other funds	3,674	-	-	3,674	144,120
Total liabilities	23,651	-	-	23,651	185,100
FUND BALANCES					
Unassigned	-	-	-	-	-
Total fund balances	-	-	-	-	-
Total liabilities and fund balances	$ 23,651	$ -	$ -	$ 23,651	$ 185,100

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2022
(With summarized information for the year ended June 30, 2021)

	Environmental Protection Agency (EPA) Grant-Federal	Cal OES Grant Federal	Department of Water Resources (DWR) Grant - State	Total Non-major Governmental Funds 2022	Total Non-major Governmental Funds 2021
REVENUES:					
Intergovernmental revenues	$ 109,937	$ 31,243	$ 258,110	$ 399,290	$ 474,319
Other revenue	32,850	-	-	32,850	-
Total revenues	142,787	31,243	258,110	$ 432,140	474,319
EXPENDITURES:					
Current:					
Salaries and employee benefits transferred from district-wide	9,869	-	62,262	72,131	46,166
Services and supplies	132,918	31,243	195,848	360,009	428,153
Total expenditures	142,787	31,243	258,110	432,140	474,319
NET CHANGES IN FUND BALANCES	-	-	-	-	-
FUND BALANCES:					
Beginning of year	-	-	-	-	-
End of year	$ -	$ -	$ -	$ -	$ -

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Combining Statement of Net Position
Nonmajor Water Enterprise Funds
June 30, 2022
(With summarized information as of June 30, 2021)

	Water Facilities	Water Supply and Reliability	Totals 2022	Totals 2021
ASSETS				
Current assets:				
Cash in County Treasury	$ 2,858,454	$ -	$ 2,858,454	$ 4,601,946
Total current assets	2,858,454	-	2,858,454	4,601,946
Total assets	2,858,454	-	2,858,454	4,601,946
LIABILITIES				
Current Liabilities:				
Deposits	323,248	-	323,248	328,115
Total current liabilities	323,248	-	323,248	328,115
Total liabilities	323,248	-	323,248	328,115
NET POSITION				
Unrestricted	2,535,206	-	2,535,206	4,273,831
Total net position	$ 2,535,206	$ -	$ 2,535,206	$ 4,273,831

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Water Enterprise Funds
For the Year Ended June 30, 2022
(With summarized information for the year ended June 30, 2021)

	Water Facilities	Water Supply and Reliability	Totals 2022	Totals 2021
NONOPERATING REVENUES:				
Investment earnings	$ 29,076	$ 2,654	$ 31,730	$ 72,341
Income (loss) before transfers	29,076	2,654	31,730	72,341
Transfers (out)	(1,185,941)	(584,414)	(1,770,355)	(2,347,057)
CHANGES IN NET POSITION	(1,156,865)	(581,760)	(1,738,625)	(2,274,716)
NET POSITION:				
Beginning of the year	3,692,071	581,760	4,273,831	6,548,547
End of the year	$ 2,535,206	$ -	$ 2,535,206	$ 4,273,831

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Combining Statement of Cash Flows
Nonmajor Water Enterprise Funds
For the Year Ended June 30, 2022
(With summarized information for the year ended June 30, 2021)

	Water Facilities	Water Supply and Reliability	Totals 2022	Totals 2021
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	$ -	$ -	$ -	$ 9,000
Refund of customers deposits	(4,867)	-	(4,867)	-
Net cash provided (used) by operating activities	(4,867)	-	(4,867)	9,000
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers (out)	(1,185,941)	(584,414)	(1,770,355)	(2,347,057)
Net cash (used by) noncapital financing activities	(1,185,941)	(584,414)	(1,770,355)	(2,347,057)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	29,076	2,654	31,730	72,341
Net cash provided by investing activities	29,076	2,654	31,730	72,341
Net (decrease) in cash and cash equivalents	(1,161,732)	(581,760)	(1,743,492)	(2,265,716)
CASH AND CASH EQUIVALENTS:				
Beginning of year	4,020,186	581,760	4,601,946	6,867,662
End of year	$ 2,858,454	$ -	$ 2,858,454	$ 4,601,946
RECONCILIATION OF OPERATING INCOME (LOSS) TO TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	$ -	$ -	$ -	$ -
Adjustments to reconcile operating income to cash flows				
Changes in assets and liabilities				
Deposits	(4,867)	-	(4,867)	9,000
Net cash provided by operating activities	$ (4,867)	$ -	$ (4,867)	$ 9,000

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

To the Board of Directors of the
Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Livermore, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Alameda County Flood Control And Water Conservation District, Zone 7, Zone 7 Water Agency (the "Agency"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated December 13, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

To the Board of Directors of the
Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Livermore, California
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Pun Group, LLP

Walnut Creek, California
December 13, 2022

STATISTICAL SECTION
(Unaudited)

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Alameda County Flood and Water Conservation District, Zone 7
Zone 7 Water Agency
Statistical Section Overview
(Unaudited)

This part of the Alameda County Flood and Water Conservation District, Zone 7's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

Contents **Pages**

Alameda County Flood and Water Conservation District, Zone 7
Zone 7 Water Agency
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2013 (a)	2014	2015	2016	2017
Governmental activities					
Net investment in capital assets	$ 16,232,189	$ 30,403,950	$ 30,385,318	$ 30,334,638	$ 31,990,546
Restricted	60,596,601	41,506,430	49,177,969	56,059,067	58,149,272
Unrestricted	4,406,909	15,260,267	16,739,156	19,133,427	20,484,357
Total governmental activities net position	$ 81,235,699	$ 87,170,647	$ 96,302,443	$ 105,527,132	$ 110,624,175
Business-type activities					
Net investment in capital assets	$ 202,295,691	$211,603,471	$212,562,797	$188,968,433	$194,732,197
Restricted	65,125,317	42,196,142	50,917,317	82,151,910	97,494,721
Unrestricted	40,127,373	57,821,385	36,428,063	30,717,428	37,712,019
Total business-type activities net position	$ 307,548,381	$ 311,620,998	$ 299,908,177	$ 301,837,771	$ 329,938,937
Primary government					
Net investment in capital assets	$ 218,527,880	$ 242,007,421	$ 242,948,115	$ 219,303,071	$ 226,722,743
Restricted	125,721,918	83,702,572	100,095,186	138,210,977	155,643,993
Unrestricted	44,534,282	73,081,652	53,167,219	49,850,855	58,196,376
Total primary governmental activities net position	$ 388,784,080	$ 398,791,645	$ 396,210,520	$ 407,364,903	$ 440,563,112

(a) The Agency implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".

Alameda County Flood and Water Conservation District, Zone 7
Zone 7 Water Agency
Net Position by Component (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	2018	2019	2020	2021 (b)	2022
Governmental activities					
Net investment in capital assets	$ 32,247,481	$ 33,164,265	$ 32,993,757	$ 32,772,306	$ 32,886,671
Restricted	62,760,525	66,872,665	69,648,891	72,715,433	74,143,148
Unrestricted	16,662,343	15,346,434	17,937,525	20,035,351	18,805,955
Total governmental activities net position	$ 111,670,349	$ 115,383,364	$ 120,580,173	$ 125,523,090	$ 125,835,774
Business-type activities					
Net investment in capital assets	$198,348,996	$210,675,110	$227,930,485	$246,768,274	$273,736,173
Restricted	107,414,628	127,521,329	131,461,963	110,609,342	114,367,484
Unrestricted	47,669,365	48,823,266	56,022,343	71,635,497	53,058,945
Total business-type activities net position	$ 353,432,989	$ 387,019,705	$ 415,414,791	$ 429,013,113	$ 441,162,602
Primary government					
Net investment in capital assets	$ 230,596,477	$ 243,839,375	$ 260,924,242	$ 279,540,580	$ 306,622,844
Restricted	170,175,153	194,393,994	201,110,854	183,324,775	188,510,632
Unrestricted	64,331,708	64,169,700	73,959,868	91,670,848	71,864,900
Total primary governmental activities net position	$ 465,103,338	$ 502,403,069	$ 535,994,964	$ 554,536,203	$ 566,998,376

(b) The Agency implemented the provisions of GASB Statement 87 in fiscal year 2021 and retoractive application resulted in a restatement of fiscal year 2021 balances.

Alameda County Flood and Water Conservation District, Zone 7
Zone 7 Water Agency
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2013 (a)	2014	2015	2016	2017
Expenses					
Governmental activities					
Flood Protection Operations	$ 3,947,332	$ 1,488,735	$ 4,705,166	$ 5,328,998	$ 5,341,751
Flood Protection Drainage DIF	705,688	4,029,268	499,169	794,922	1,841,555
Flood Protection Grants					
Total governmental activities expenses	4,653,020	5,518,003	5,204,335	6,123,920	7,183,306
Business-type activities					
State Water Project	14,002,380	13,681,891	16,359,406	20,621,344	20,985,604
Water Enterprise Funds	54,868,275	57,386,822	59,122,995	81,257,514	60,641,826
Total business-type activities	68,870,655	71,068,713	75,482,401	101,878,858	81,627,430
Total primary government expenses	$ 73,523,675	$ 76,586,716	$ 80,686,736	$ 108,002,778	$ 88,810,736
Program Revenues					
Governmental activities					
Charges for Services	$ 53,897	$ 113,016	$ 517,030	$ 7,556,578	$ 3,683,683
Operating grants and contributions	61,578	64,318	112,334	71,562	181,418
Other program revenues	5,095,420	4,953,372	8,032,445	40,202	13,263
Total governmental activities program revenues	5,210,895	5,130,706	8,661,809	7,668,342	3,878,364
Business-type activities					
Charges for Services:					
State Water Project	11,942,972	12,269,322	13,708,844	19,419,226	20,795,420
Water Enterprise Funds	38,231,851	58,119,942	56,369,393	68,594,249	77,826,527
Operating grants and contributions	68,416	4,347,897	5,012,899	15,285,044	10,179,114
Capital grants and contributions	30,824,513				
Total business-type activities program	81,067,752	74,737,161	75,091,136	103,298,519	108,801,061
Total primary government program revenues	$ 86,278,647	$ 79,867,867	$ 83,752,945	$ 110,966,861	$ 112,679,425
Net (Expense)/Revenue					
Governmental activities	$ 557,875	$ (387,297)	$ 3,457,474	$ 1,544,422	$ (3,304,942)
Business-type activities	12,197,097	3,668,448	(391,265)	1,419,661	27,173,631
Total primary government net revenues	$ 12,754,972	$ 3,281,151	$ 3,066,209	$ 2,964,083	$ 23,868,689
General Revenues and Other Changes in Net Position					
Governmental activities					
Taxes					
Property	$ 5,959,083	$ 6,201,653	$ 6,759,202	$ 7,329,117	$ 7,895,448
Investment earnings	161,622	133,926	194,118	342,127	518,982
Transfers		(13,334)	(13,333)	(13,333)	(12,445)
Other				22,356	
Total governmental activities	6,120,705	6,322,245	6,939,987	7,680,267	8,401,985
Business-type activities					
Investment earnings (losses)	331,588	390,865	314,297	496,700	915,090
Transfers		13,334	13,333	13,333	12,445
Total business-type activities	331,588	404,199	327,630	510,033	927,535
Total primary government	$ 6,452,293	$ 6,726,444	$ 7,267,617	$ 8,190,300	$ 9,329,520
Change in Net Position					
Governmental activities	6,678,580	5,934,948	10,397,461	9,224,689	5,097,043
Business-type activities	12,528,685	4,072,647	(63,635)	1,929,694	28,101,166
Total primary government	$ 19,207,265	$ 10,007,595	$ 10,333,826	$ 11,154,383	$ 33,198,209

(a) The Agency implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".

Alameda County Flood and Water Conservation District, Zone 7
Zone 7 Water Agency
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	2018	2019	2020	2021 (b)	2022
Expenses					
Governmental activities					
Flood Protection Operations	$ 12,859,064	$ 10,308,973	$ 9,547,702	$ 8,949,669	$ 12,352,060
Flood Protection Drainage DIF	542,139	367,976	168,503	208,142	381,617
Flood Protection Grants	1,230,924	125,352	497,987	474,319	432,140
Total governmental activities expenses	14,632,127	10,802,301	10,214,192	9,632,130	13,165,817
Business-type activities					
State Water Project	19,794,128	21,420,192	24,333,554	23,173,321	24,331,873
Water Enterprise Funds	75,273,928	63,564,015	61,634,465	67,019,978	70,158,039
Total business-type activities	95,068,056	84,984,207	85,968,019	90,193,299	94,489,912
Total primary government expenses	$ 109,700,183	$ 95,786,508	$ 96,182,211	$ 99,825,429	$ 107,655,729
Program Revenues					
Governmental activities					
Charges for Services	$ 4,652,449	$ 3,522,081	$ 1,694,933	$ 2,624,628	$ 1,714,458
Operating grants and contributions	182,315	70,969	79,929	81,730	84,034
Other program revenues	1,230,924	125,352	488,451	482,306	399,290
Total governmental activities program revenues	6,065,688	3,718,402	2,263,313	3,188,664	2,197,782
Business-type activities					
Charges for Services:					
State Water Project	22,927,398	23,420,521	23,415,684	24,633,172	26,102,946
Water Enterprise Funds	84,362,659	83,227,173	79,931,895	71,244,549	76,023,397
Operating grants and contributions	7,235,940	6,723,525	6,509,157	6,640,850	6,710,435
Capital grants and contributions	-	-	26,226	-	-
Total business-type activities program	114,525,997	113,371,219	109,882,962	102,518,571	108,836,778
Total primary government program revenues	$ 120,591,685	$ 117,089,621	$ 112,146,275	$ 105,707,235	$ 111,034,560
Net (Expense)/Revenue					
Governmental activities	$ (8,566,439)	$ (7,083,899)	$ (7,950,879)	$ (6,443,466)	$ (10,968,035)
Business-type activities	19,457,941	28,387,012	23,914,943	12,325,272	14,346,866
Total primary government net revenues	$ 10,891,502	$ 21,303,113	$ 15,964,064	$ 5,881,806	$ 3,378,831
General Revenues and Other Changes in Net Position					
Governmental activities					
Taxes					
Property	$ 8,518,064	$ 9,144,785	$ 9,834,264	$ 10,344,149	$ 10,791,532
Investment earnings	897,199	1,485,504	1,745,490	956,235	268,495
Transfers	(12,444)	(12,444)	(11,890)	(11,890)	(11,890)
Other	34,267	179,069	1,579,824	97,889	232,582
Total governmental activities	9,437,086	10,796,914	13,147,688	11,386,383	11,280,719
Business-type activities					
Investment earnings (losses)	2,021,455	5,187,260	4,468,253	1,261,160	(2,209,267)
Transfers	12,444	12,444	11,890	11,890	11,890
Total business-type activities	2,033,899	5,199,704	4,480,143	1,273,050	(2,197,377)
Total primary government	$ 11,470,985	$ 15,996,618	$ 17,627,831	$ 12,659,433	$ 9,083,342
Change in Net Position					
Governmental activities	870,647	3,713,015	5,196,809	4,942,917	312,684
Business-type activities	21,491,840	33,586,716	28,395,086	13,598,322	12,149,489
Total primary government	$ 22,362,487	$ 37,299,731	$ 33,591,895	$ 18,541,239	$ 12,462,173

(b) Fiscal year 2021 balances were restated due to retroactive application of GASB Statement 87 which was implemented in fiscal year 2022.

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Alameda County Flood and Water Conservation District, Zone 7
Zone 7 Water Agency
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Fiscal Year	Restricted	Committed	Total
2013	40,648,531	24,354,979	65,003,510
2014	41,506,430	15,260,267	56,766,697
2015	49,177,969	18,009,177	67,187,146
2016	56,059,067	20,666,297	76,725,364
2017	58,149,272	21,898,222	80,047,494
2018	62,760,525	18,352,377	81,112,902
2019	66,872,665	17,602,713	84,475,378
2020	69,648,891	20,010,475	89,659,366
2021	72,715,433	22,150,273	94,865,706
2022	74,143,148	20,431,275	94,574,423

Note: Fiscal year 2021 balances were restated due to retroactive application of GASB Statement 87 which was implemented in fiscal year 2022.

Alameda County Flood and Water Conservation District, Zone 7
Zone 7 Water Agency
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2013 (a)	2014	2015	2016	2017
Revenues					
Property taxes	$ 5,959,083	$ 6,201,653	$ 6,759,202	$ 7,329,117	$ 7,895,448
Intergovernmental	61,578	64,318	144,691	71,562	181,418
Charges for services	5,135,797	4,879,252	8,516,405	7,556,578	3,683,683
Investment earnings	161,622	133,926	194,118	342,127	518,982
Rental Income	-	-	-	-	-
Other revenues	13,520	187,136	713	62,558	13,263
Total revenues	$ 11,331,600	$ 11,466,285	$ 15,615,129	$ 15,361,942	$ 12,292,794
Expenditures					
Salaries and employee benefits					
transferred from district-wide	$ 2,631,352	$ 2,535,779	$ 2,252,655	$ 2,455,453	$ 1,961,724
Services and supplies	3,498,544	2,650,121	2,821,192	3,354,938	4,187,243
Equipment and capital structures	451,740	14,503,864	107,500	-	2,809,252
Other	2,006	-	-	-	-
Total Expenditures	$ 6,583,642	$ 19,689,764	$ 5,181,347	$ 5,810,391	$ 8,958,219
Excess of revenues over/(under)					
expenditures	$ 4,747,958	$ (8,223,479)	$ 10,433,782	$ 9,551,551	$ 3,334,575
Other Financing Sources (Uses)					
Transfers Out	$ -	$ (13,334)	$ (13,333)	$ (13,333)	$ (12,445)
Total other financing sources (uses)	$ -	$ (13,334)	$ (13,333)	$ (13,333)	$ (12,445)
Net change in fund balances	$ 4,747,958	$ (8,236,813)	$ 10,420,449	$ 9,538,218	$ 3,322,130

(a) The Agency implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".

Alameda County Flood and Water Conservation District, Zone 7
Zone 7 Water Agency
Changes in Fund Balance of Governmental Funds (Continued)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2018	2019	2020	2021 (b)	2022
Revenues					
Property taxes	$ 8,518,064	$ 9,144,785	$ 9,834,264	$ 10,344,149	$ 10,791,532
Intergovernmental	1,413,239	196,321	568,380	556,049	483,324
Charges for services	4,652,449	3,522,081	1,694,933	2,624,628	1,690,497
Investment earnings	897,199	1,485,504	1,745,490	956,235	268,495
Rental Income	-	-	-	7,987	23,961
Other revenues	34,267	179,069	1,579,824	97,889	232,582
Total revenues	$ 15,515,218	$ 14,527,760	$ 15,422,891	$ 14,586,937	$ 13,490,391
Expenditures					
Salaries and employee benefits					
transferred from district-wide	$ 2,292,919	$ 2,332,437	$ 2,205,357	$ 2,401,207	$ 2,484,861
Services and supplies	11,014,697	8,612,252	8,008,597	6,966,093	10,873,497
Equipment and capital structures	1,129,750	208,151	13,059	1,407	411,426
Other	-	-	-	-	-
Total Expenditures	$ 14,437,366	$ 11,152,840	$ 10,227,013	$ 9,368,707	$ 13,769,784
Excess of revenues over/(under)					
expenditures	$ 1,077,852	$ 3,374,920	$ 5,195,878	$ 5,218,230	$ (279,393)
Other Financing Sources (Uses)					
Transfers Out	$ (12,444)	$ (12,444)	$ (11,890)	$ (11,890)	$ (11,890)
Total other financing sources (uses)	$ (12,444)	$ (12,444)	$ (11,890)	$ (11,890)	$ (11,890)
Net change in fund balances	$ 1,065,408	$ 3,362,476	$ 5,183,988	$ 5,206,340	$ (291,283)

(b) Fiscal year 2021 balances were restated due to retroactive application of GASB Statement 87 which was implemented in fiscal year 2022.

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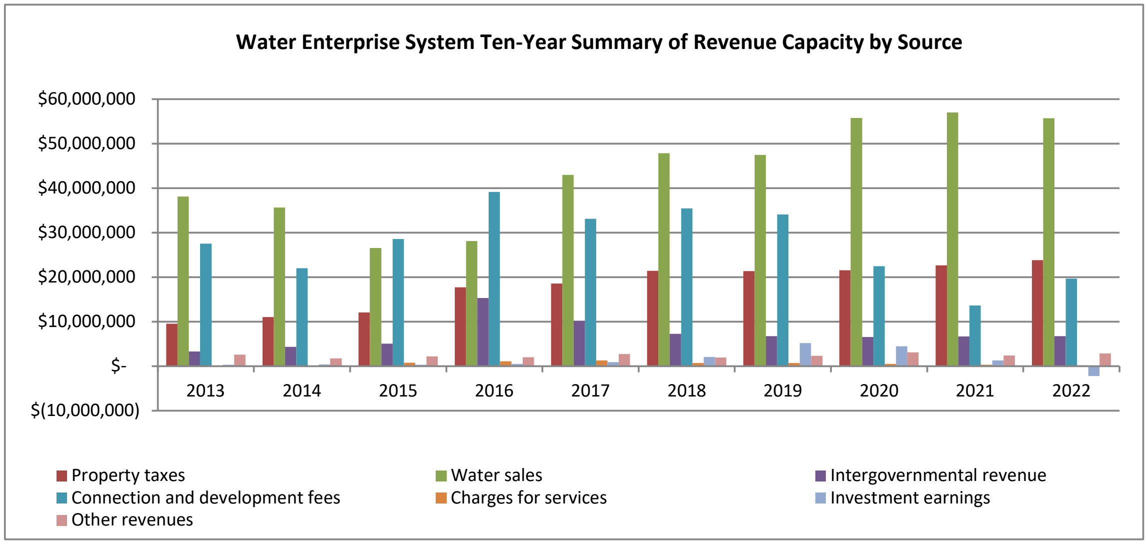
Alameda County Flood and Water Conservation District, Zone 7
Zone 7 Water Agency
Revenue Capacity - Water Enterprise System
Ten-Year Summary of Revenue by Source
Fiscal Year Ended June 30

Water Enterprise System

	Fiscal Year									
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Revenues										
Property taxes	$ 9,517,243	$ 11,016,532	$ 12,060,478	$ 17,716,841	$ 18,524,750	$ 21,385,641	$ 21,353,809	$ 21,553,508	$ 22,616,173	$ 23,836,161
Water sales	38,130,264	35,616,588	26,552,568	28,110,974	42,975,960	47,860,145	47,440,592	55,777,208	57,012,484	55,670,511
Intergovernmental revenue	3,263,820	4,347,890	5,012,899	15,285,044	10,179,114	7,235,940	6,723,525	6,509,157	6,640,850	6,710,435
Connection and development fees	27,483,527	21,973,245	28,521,399	39,135,444	33,128,280	35,434,462	34,068,092	22,461,926	13,609,527	19,669,509
Charges for services	101,587	49,734	771,485	1,050,070	1,276,122	665,688	687,569	500,371	277,722	144,160
Investment earnings	331,588	390,865	314,297	496,700	915,090	2,021,455	5,187,260	4,468,253	1,261,160	(2,209,267)
Other revenues	2,571,311	1,733,172	2,172,307	2,000,146	2,716,835	1,944,121	2,310,887	3,080,792	2,361,815	2,806,002
Total Revenues	**$ 81,399,340**	**$ 75,128,026**	**$ 75,405,433**	**$ 103,795,219**	**$ 109,716,151**	**$ 116,547,452**	**$ 117,771,734**	**$ 114,351,215**	**$ 103,779,731**	**$ 106,627,511**

Note: Fiscal year 2021 balances were restated due to retroactive application of GASB Statement 87 which was implemented in fiscal year 2022.



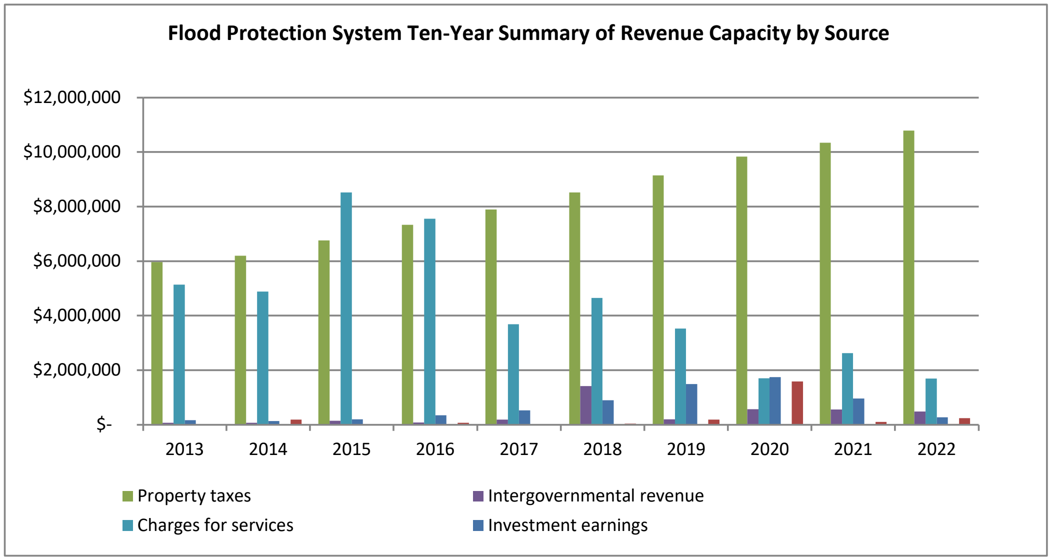
Source: Finance

Alameda County Flood and Water Conservation District, Zone 7
Zone 7 Water Agency
Revenue Capacity - Flood Protection System
Ten-Year Summary of Revenue by Source
Fiscal Year Ended June 30

Flood Protection System

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Property taxes	$ 5,959,083	$ 6,201,653	$ 6,759,202	$ 7,329,117	$ 7,895,448	$ 8,518,064	$ 9,144,785	$ 9,834,264	$ 10,344,149	$ 10,791,532
Intergovernmental revenue	61,578	64,318	144,691	71,562	181,418	1,413,239	196,321	568,380	556,049	483,324
Charges for services	5,135,797	4,879,252	8,516,405	7,556,578	3,683,683	4,652,449	3,522,081	1,694,933	2,624,628	1,690,497
Investment earnings	161,622	133,926	194,118	342,127	518,982	897,199	1,485,504	1,745,490	956,235	268,495
Rental Income									7,987	23,961
Other revenues	13,520	187,136	713	62,558	13,263	34,267	179,069	1,579,824	97,889	232,582
Total Revenues	**$ 11,331,600**	**$ 11,466,285**	**$ 15,615,129**	**$ 15,361,942**	**$ 12,292,794**	**$ 15,515,218**	**$ 14,527,760**	**$ 15,422,891**	**$ 14,586,937**	**$ 13,490,391**

Note: Fiscal year 2021 balances were restated due to retroactive application of GASB Statement 87 which was implemented in fiscal year 2022.

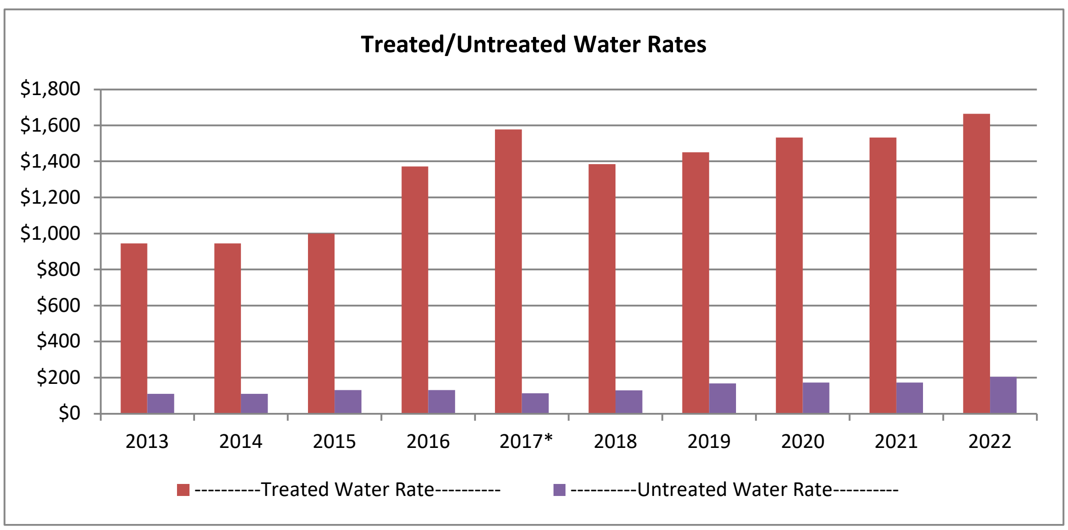


Source: Finance

Alameda County Flood and Water Conservation District, Zone 7
Zone 7 Water Agency
Treated and Untreated Water Rates
Ten-Year History
(In Acre Feet)

	----------Treated Water Rate----------		----------Untreated Water Rate----------	
Calendar Year	**Rate/AF**	**% Change Year Over Year**	**Rate/AF**	**% Change Year Over Year**
2013	$945	0.0%	$110	19.6%
2014	$945	0.0%	$110	0.0%
2015	$999	5.7%	$130	18.2%
2016	$1,372	37.3%	$130	0.0%
2017*	$1,577	14.9%	$113	-13.1%
2018	$1,385	-12.2%	$129	14.2%
2019	$1,451	4.8%	$167	29.5%
2020	$1,533	5.7%	$173	3.6%
2021	$1,533	0.0%	$173	0.0%
2022	$1,664	8.5%	$204	17.9%

*In 2017, the agency changed its rates structure to include volume-based and fixed-based components.

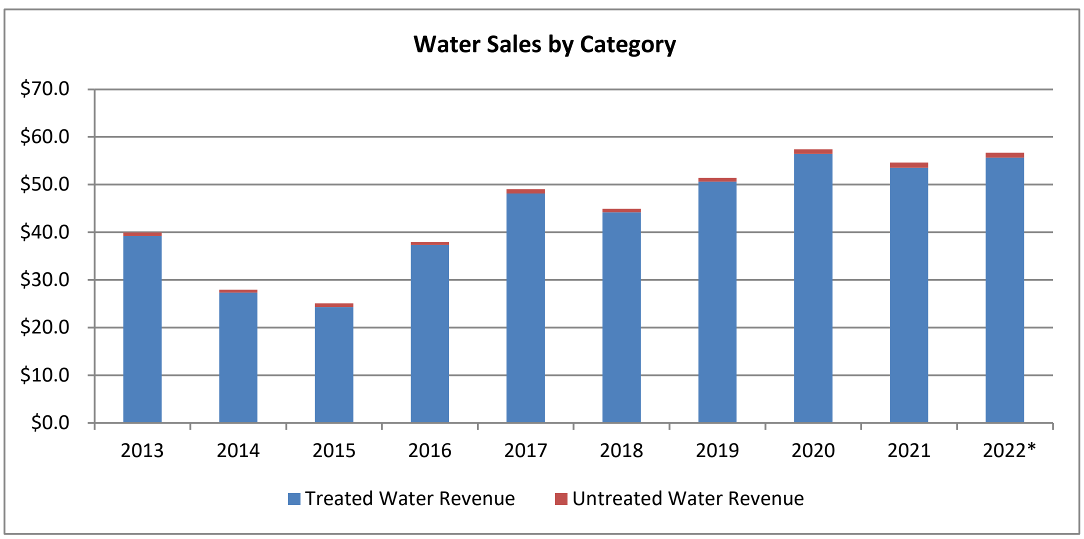


Source: Zone 7 Finance Department

Alameda County Flood and Water Conservation District, Zone 7
Zone 7 Water Agency
Water Sales by Category
Ten-Year History
(amounts expressed in millions)

Calendar Year	Municipal/Industrial (Treated) Water Revenue	Untreated Water Revenue	Total
2013	$39.2	$0.7	$39.9
2014	$27.3	$0.6	$27.9
2015	$24.3	$0.8	$25.1
2016	$37.3	$0.6	$37.9
2017	$48.1	$0.9	$49.0
2018	$44.2	$0.7	$44.9
2019	$50.6	$0.8	$51.4
2020	$56.4	$1.0	$57.4
2021	$53.5	$1.0	$54.6
2022*	$55.6	$1.0	$56.7

*Calendar Year 2022 revenue is forecasted.



Source: Zone 7 Finance Department

Alameda County Flood and Water Conservation District, Zone 7
Zone 7 Water Agency
Principal Treated Water Customers
Current Complete Year Comparison to Nine Years Ago
(Calendar Year)

--------------------2021--------------------				--------------------2012--------------------			
Customer	**Annual Consumption (AF)**	**Rank**	**Percentage of Total Annual Consumption**	**Customer**	**Annual Consumption (AF)**	**Rank**	**Percentage of Total Annual Consumption**
Dublin San Ramon Services District	10,652	1	30%	City of Pleasanton	13,803	1	36%
City of Pleasanton	10,626	2	30%	Dublin San Ramon Services District	10,254	2	27%
California Water Service Company	7,744	3	22%	California Water Service Company	7,540	3	20%
City of Livermore	6,293	4	18%	City of Livermore	6,552	4	17%
All other treated water customers[1]	211	5	1%	All other treated water customers[2]	483	5	1%
Total Annual Consumption (AF)	35,526		100%	Total Annual Consumption (AF)	38,632		100%

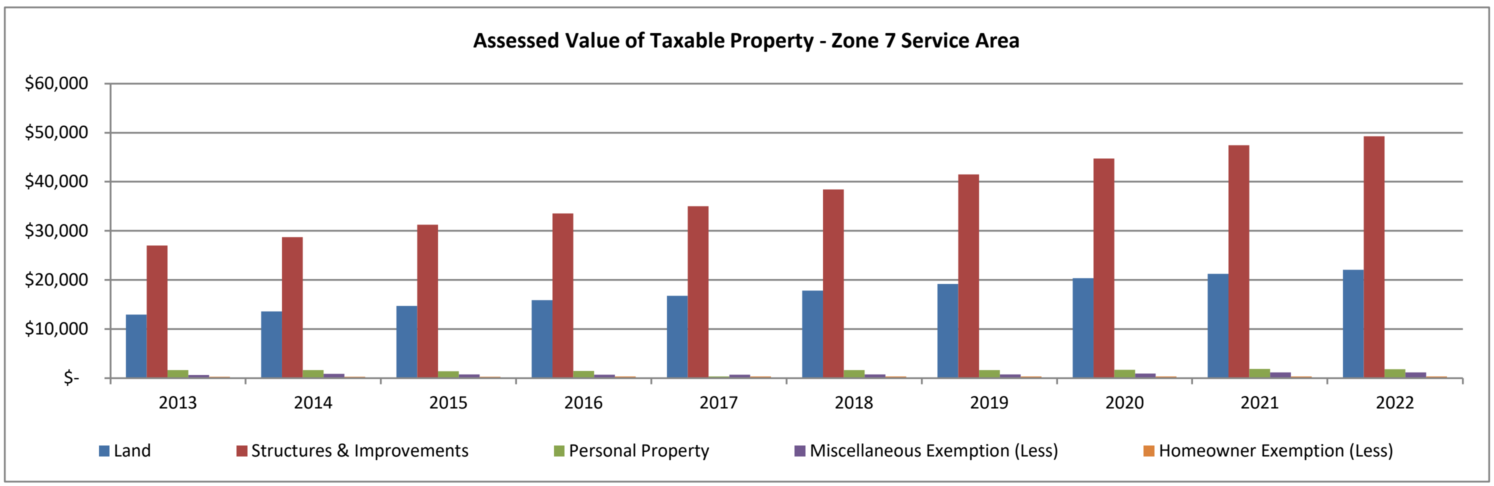
Source: Zone 7 Finance Department

[1] Other treated customers in 2021 include Lawrence Livermore Lab., Livermore Area Recreation and Park District, Veterans Hospital, Wente and East Bay Regional Park District.

[2] Other treated customers in 2012 include Lawrence Livermore Lab., Livermore Area Recreation and Park District, Veterans Hospital, Wente and East Bay Regional Park District and State of California.

Alameda County Flood and Water Conservation District, Zone 7
Zone 7 Water Agency
Assessed Value of Taxable Property - Zone 7 Service Area
Last Ten Fiscal Years - Fiscal Year Ended June 30
(expressed in millions)

	Fiscal Year									
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Assessed Value of Taxable Property										
Land	$ 12,905	$ 13,587	$ 14,680	$ 15,861	$ 16,766	$ 17,825	$ 19,166	$ 20,359	$ 21,220	$ 22,068
Structures & Improvements	27,029	28,695	31,246	33,555	35,024	38,434	41,506	44,764	47,473	49,260
Personal Property	1,652	1,611	1,419	1,473	326	1,625	1,622	1,667	1,858	1,829
Miscellaneous Exemption (Less)	599	867	755	661	664	769	769	921	1,130	1,167
Subtotal	40,987	43,026	46,590	50,228	51,452	57,115	61,525	65,869	69,421	71,990
Homeowner Exemption (Less)	297	299	300	303	304	306	307	309	308	305
Net Total	$ 40,690	$ 42,727	$ 46,290	$ 49,925	$ 51,148	$ 56,809	$ 61,218	$ 65,560	$ 69,113	$ 71,685



Source: Alameda County Assessor's Office

Alameda County Flood and Water Conservation District, Zone 7
Zone 7 Water Agency
Property Tax Rates(1)
Direct and Overlapping Governments
Last Ten Fiscal Years
(Rates per $1,000 of Assessed value)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Direct Rates:										
City of Livermore	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
County GO Bond							0.0112%	0.0108%	0.0036%	0.0041%
Overlapping Rates(2):										
School District	0.0607%	0.0596%	0.0497%	0.0404%	0.0886%	0.0803%	0.0771%	0.0743%	0.0691%	0.0706%
Community College	0.0219%	0.0214%	0.0217%	0.0198%	0.0246%	0.0445%	0.0443%	0.0422%	0.0214%	0.0458%
Bay Area Rapid Transit	0.0043%	0.0075%	0.0045%	0.0026%	0.0080%	0.0084%	0.0070%	0.0120%	0.0139%	0.0060%
Zone 7 Flood Control	0.0228%	0.0257%	0.0250%	0.0343%	0.0333%	0.0359%	0.0332%	0.0309%	0.0309%	0.0307%
Total Direct and Overlapping Rates	**1.1097%**	**1.1142%**	**1.1009%**	**1.0971%**	**1.1545%**	**1.1691%**	**1.1728%**	**1.1702%**	**1.1389%**	**1.1572%**

Source: Alameda County Auditor-Controller Agency

Note:

(1) The above data represents a single tax area within the Agency's jurisdiction and is presented herein to show readers general trends of property tax rates.

(2) Overlapping rates are those local and county governments that apply to property owners within the City of Livermore. Not all overlapping rates apply to all property owners. For an overlapping rate to apply, the property has to be located within that district's geographic boundary.

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Alameda County Flood and Water Conservation District, Zone 7
Zone 7 Water Agency
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied	Amount Collected Within Fiscal Year	Percentage of Levy	Delinquent Tax Collections
2013	$ 15,476,326	$ 15,476,326	100%	0%
2014	17,218,185	17,218,185	100%	0%
2015	18,819,680	18,819,680	100%	0%
2016	25,045,958	25,045,958	100%	0%
2017	26,420,199	26,420,199	100%	0%
2018	28,225,563	28,225,563	100%	0%
2019	28,991,052	28,991,052	100%	0%
2020	29,433,103	29,433,103	100%	0%
2021	30,722,352	30,722,352	100%	0%
2022	32,008,443	32,008,443	100%	0%

Source: Finance

Alameda County Flood and Water Conservation District, Zone 7
Zone 7 Water Agency
Principal Property Tax Payers
Current Year and Nine Years Ago
(Fiscal Year)

Taxpayer	2022 [1]			2013 [2]		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Total Assessed Value
Kaiser Foundation Hospitals	$ 280,812,848	1	0.40%	$ 119,526,864	10	0.30%
Stoneridge Creek Pleasanton CCRC LLC	277,833,957	2	0.39%			
Stoneridge Properties	274,605,281	3	0.39%	236,951,995	2	0.60%
Rosewood Commons Property Owner LLC	271,938,629	4	0.39%			
Kaiser Foundation Health Plan Inc.	248,757,692	5	0.35%	246,104,924	1	0.62%
OAK Owens 20172020 LLC	239,925,764	6	0.34%			
Livermore Premium Outlets LLC	224,809,590	7	0.32%			
6200 Stoneridge Mall Road Investors LLC	220,398,153	8	0.31%	188,309,598	4	0.47%
Workday Inc.	213,745,017	9	0.30%			
Essex Pleasanton Owner L P	202,369,200	10	0.29%			
Pleasanton Property LLC				214,666,953	3	0.54%
Applera Corporation				153,137,016	5	0.39%
Safeway Inc.				138,988,630	6	0.35%
PeopleSoft Properties				123,443,765	7	0.31%
Stoneridge Residential LLC				122,680,777	8	0.31%
Tishman Speyer Archstone Smith				120,342,856	9	0.30%
	$ 2,455,196,131		3.48%	$ 1,664,153,378		4.19%

Source:

[1] County of Alameda 2021-22 FY Top 10 Taxpayers by Primary Tax Code Area (Secured)

[2] FY 2012-13 City of Livermore, City of Pleasanton, and City of Dublin's Comprehensive Annual Financial Reports

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Water Enterprise Outstanding Debt by Type
Last Ten Fiscal Years

	Fiscal Year									
	2013	2014	2015	2016	2017	2018 [1]	2019	2020	2021	2022
Line of Credit	$30,500,000	-	-	-	-	-	-	-	-	-
2018 Water Revenue Bond	-	-	-	-	-	$71,376,744	$70,735,844	$68,705,423	$66,661,411	$64,592,816
Total	$30,500,000	$ -	$ -	$ -	$ -	$71,376,744	$70,735,844	$68,705,423	$66,661,411	$64,592,816
Total Debt Per Capita	$ 133.19	-	-	-	-	$ 275.41	$ 272.06	$ 264.25	$ 256.39	$ 242.83

Source: Finance

[1] On March 11, 2018, the Agency, via the Livermore Valley Water Financing Authority, issued the 2018 Water Revenue Bonds in the amount of $64,010,000.

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Legal Debt Margin Information
Last Ten Fiscal Years
(In Millions)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt Limit	$ 2,035	$ 2,136	$ 2,315	$ 2,496	$ 2,668	$ 2,840	$ 3,056	$ 3,278	$ 3,456	$ 3,584
Total Net Debt Applicable to Limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	$ 2,035	$ 2,136	$ 2,315	$ 2,496	$ 2,668	$ 2,840	$ 3,056	$ 3,278	$ 3,456	$ 3,584
Total net debt applied to the limit as a percentage of the debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Source: Alameda County Assessor's Office and Zone 7 Finance Department

Alameda County Flood Control and Water Conservation District, Zone 7
Zone 7 Water Agency
Demographic and Economic Statistics
For Alameda County and the Zone 7 Service Area
Last Ten Fiscal Years

Fiscal Year	Zone 7 Service Area (Acres)	Population Served within Zone 7's Service Area[1]	Total Population Alameda County[2]	Total Personal Income Alameda County (billions)[2]	Per Capita Income Alameda County[2]	Unemployment Rate Alameda County	Consumer Price Index Alameda County (% change in CPI)
2012	272,000	229,000	1,539,145	84.5	57,739	9.5	2.7
2013	272,000	233,000	1,563,495	87.4	57,473	7.4	2.2
2014	272,000	239,000	1,583,979	92.4	58,364	5.8	2.7
2015	272,000	245,000	1,611,318	104.4	64,466	5.2	3.2
2016	272,000	247,000	1,629,738	111.5	65,045	4.7	3.1
2017	272,000	255,023	1,646,405	118.7	69,350	4.0	3.0
2018	272,000	259,165	1,656,884	127.7	75,045	3.1	4.3
2019	272,000	260,000	1,666,753	134.8	76,644	3.1	2.7
2020	272,000	260,000	1,670,834	130.80	76,837	13.5	1.6
2021	272,000	260,000	1,656,591	138.70	78,805	6.6	3.2
2022	272,000	266,000	1,651,979	155.30	87,575	3.0	6.8

Source:

[1] Population of Service Area are estimates and includes the cities of Livermore, Pleasanton, Dublin and Dougherty Valley (Dougherty Valley figures are estimated as 3.36% of City of San Ramon) .

[2] Figures are estimates

Source: State of California Department of Finance
State of California Department of Transportation
U.S. Bureau of Labor Statistics
Employment Development Department Labor Market Information

Alameda County Flood and Water Conservation District, Zone 7
Zone 7 Water Agency
Principal Employers In Alameda County
Current Year and Nine Years Ago

		----------2021*----------	
Company/Organization	**Business Type**	**Number of Employees June 30, 2021** [1]	**Percentage of Total County Employment** [2]
Kaiser Permanente Medical Group Inc.[3]	Health Care	34,666	4.62%
Tesla [3]	Electric Vehicle Manufacturer	13,000	1.73%
Safeway [3]	Supermarkets & Other Grocery	9,731	1.30%
County of Alameda	Local Government	9,424	1.26%
Sutter Health [3]	Health Care	9,377	1.25%
John Muir Health [3]	Health Care	6,300	0.84%
PG&E Corporation [3]	Energy Production	5,100	0.68%
Workday [3]	Enterprise Cloud Applications	5,098	0.68%
Chevron Corporation [3]	Energy Production	4,700	0.63%
Wells Fargo Bank [3]	Financial Services	4,354	0.58%
Total		101,750	13.56%

Note:*Number of Employees and Percent of Total Employment unavailable for 2022.

[1]The number of employees, except for County of Alameda and City of Oakland include Alameda County and Contra Costa County employees.

Total employment within County of Alameda is unavailable.

[2]Percentage calculated based on Alameda County's Employment of 750,200 for June 2021 and 678,700 for 2012 (Source: Employment Development Department)

[3]Information from SFBT research from September 2021. Information as of June, 2021 is not available, except for County of Alameda employer.

[4]Information from County of Alameda's database as of June 30, 2021.

Alameda County Flood and Water Conservation District, Zone 7
Zone 7 Water Agency
Principal Employers In Alameda County (Continued)
Current Year and Nine Years Ago

		----------2013----------	
Company/Organization	**Business Type**	**Number of Employees June 30, 2013 [1]**	**Percentage of Total County Employment [2]**
University of California Berkeley	Education	20,319	2.61%
Kaiser Permanente Medical Group Inc.	Health Care	10,914	1.40%
County of Alameda	Local Government	8,735	1.12%
Lawrence Livermore National Laboratory	Small Arms Ammunition Manufacturing	8,000	1.03%
Safeway Inc.	Supermarkets & Other Groucery	7,599	0.97%
Oakland Unified School Dist	Elementary and Secondary Schools	7,200	0.92%
Novartis Vaccines & Diagnostics	Research & Development in Biotech	5,400	0.69%
City of Oakland	Local Government	5252	0.67
Alta Bates Summit Medical Center	Hospitals	4,628	0.59%
Tesla Motors	General Automotive Repair	4,500	0.58%
		82,547	76.91%

Alameda County Flood and Water Conservation District, Zone7
Zone 7 Water Agency
Full-time Equivalent Agency Employees by Function/Program Budget
Last Ten Fiscal Years

	Fiscal Year									
Division/Function	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Office of the General Manager	14	7	7	8	9	9	9	10	10	10
Integrated Planning		7.5	7.5	8.5	9.5	9.5	6.5	8.5	9.5	8.5
Finance:										
Finance and Accounting	11	9	9	10	10	10	10	11	11	11
Employee Services	6	7	7	7	4	4	3	3	3	3
Engineering:										
Facilities Engineering	15	13	14	12	13	13	10	12	11	11
Groundwater	8	7	7	8.5	7.5	7.5	7.5	7.5	7	7
Water Quality	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7	7
Flood Protection	6	5	5	6	7	7	8	7	5.5	5.5
Operations	24	24	24	24	27	27	28	29	30	30
Maintenance	19	19	19	20	20	20	19	19	21	22
Total FTE	110.5	106	107	111.5	114.5	114.5	108.5	114.5	115.0	115.0

Source: Finance

Alameda County Flood and Water Conservation District, Zone 7
Zone 7 Water Agency
Operating Indicators
Fiscal Years 2013-2022

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	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Water Enterprise System										
Total Groundwater pumped (AF) [1]	9,555	8,782	2,565	2,002	2,300	4,700	8,200	10,100	16,400	15,200
Total Artificial Stream Recharge (AF)	7,887	3,826	3,766	8,910	8,300	9,100	3,100	4,040	830	110
New water connections	1,187	928	1,196	1,600	1,338	1,301	1,214	796	470	643
Total drilling permits issued	159	176	171	133	155	165	154	119	130	136
Flood Protection System										
Flood Protection area managed (sq. miles)	425	425	425	425	425	425	425	425	425	425
Flood Protection channels (miles)	37	37	37	37	37	37	37	37	37	37
Flood Protection encroachment permits issued	36	30	31	34	24	32	37	44	23	18
Flood Protection development referrals	18	13	13	15	20	15	11	18	26	45

Source: Flood Protection, Groundwater and Integrated Planning departments.

[1] Calculated on a Water Year basis (October 1 - September 30)

Alameda County Flood and Water Conservation District, Zone 7
Zone 7 Water Agency
Operating Information
Capital Asset Statistics
Fiscal Years 2013-2022

	Fiscal Year									
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Number of treatment plants	3	3	3	3	3	3	3	3	3	3
Miles of pipeline	41	41	41	41	41	41	41	41	41	41
Number of treated water pumping stations	2	2	2	2	2	2	2	2	2	2
Number of wells operated	9	10	10	10	10	10	10	10	10	10
Total Groundwater storage (AF)[1,2]	220,000	209,000	213,000	226,000	248,000	249,000	252,000	246,000	230,000	218,000
Total Groundwater operational storage-water year (AF)[2]	92,000	81,000	85,000	98,000	120,000	121,000	124,000	118,000	102,000	90,000

Source: Groundwater and Operations

[1] 2020 Total and Operational Groundwater Storage are estimates based on mid-September water levels. Actual values get calculated at end of each year.

[2] Calculated on a Water Year basis (October 1 - September 30).

APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following brief summary of certain provisions of the Trust Agreement, the First Supplemental Trust Agreement, 2018 Installment Sale Agreement and the First Supplemental Installment Sale Agreement is subject in all respects to all of the provisions of such documents. The First Supplemental Installment Sale Agreement contains certain amendments to the 2018 Installment Sale Agreement that will become effective upon the issuance of the 2023 Bonds. The summary below reflects the 2018 Installment Sale Agreement as amended by the amendments that will become effective on the date of issuance of the 2023 Bonds. The First Supplemental Installment Sale Agreement also contains amendments that will become effective following the date that consent of Holders of a majority in principal amount of the Bonds then Outstanding has been obtained by the Trustee and the Trustee has provided written consent to such amendments. The summary of the 2018 Installment Sale Agreement does not reflect such amendments. A description of the such proposed amendments is provided in APPENDIX G – "SUMMARY OF PROPOSED AMENDMENTS TO THE INSTALLMENT SALE AGREEMENT." This brief summary does not purport to be a complete statement of said provisions and prospective purchasers of the 2023 Bonds are referred to the complete text of said documents, copies of which is available upon request from the Trustee.

CERTAIN DEFINITIONS

The following are definitions of certain terms used in the Trust Agreement, the First Supplemental Trust Agreement, 2018 Installment Sale Agreement and the First Supplemental Installment Sale Agreement and this Official Statement.

"**Accreted Value**" means, with respect to any Capital Appreciation Bonds or Capital Appreciation Certificates, as of the date of calculation, the initial amount thereof plus the interest accrued thereon to such date of calculation, compounded from the date of initial delivery at the approximate interest rate thereof on each January 1 and July 1, as determined in accordance with the table of accreted values for any Capital Appreciation Bonds or Capital Appreciation Certificates prepared by the Agency at the time of sale thereof, assuming in any year that such Accreted Value increases in equal daily amounts on the basis of a year of three hundred sixty (360) days composed of twelve (12) months of thirty (30) days each.

"**Act**" means the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto.

"**Agency**" means the Alameda County Flood Control and Water Conservation District, Zone 7, a public body, corporate and politic, duly organized and existing under and by virtue of the laws of the State of California.

"**Agency Bonds**" means all revenue bonds of the Agency authorized, executed, issued and delivered by the Agency under and pursuant to applicable law, the interest and principal and redemption premium, if any, payments under and pursuant to which are payable from Net Water Revenues on a parity with the payment of the 2018 Installment Sale Payments.

"**Authority**" means the Livermore Valley Water Financing Authority created pursuant to the Act and its successors and assigns in accordance with the Trust Agreement.

"**Bonds**" means the 2018 Series A Bonds and all Additional Bonds. "**2018 Series A Bonds**" means all bonds of the Authority authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance with the Trust Agreement. "**2023 Series A Bonds**" means all bonds of the Authority authorized by and at any time Outstanding pursuant hereto and executed, issued and delivered in accordance with the First Supplemental Trust Agreement. "**Additional Bonds**" means all bonds of the Authority authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance with the Trust Agreement. "**Serial Bonds**" means Bonds for which no sinking fund payments are provided. "**Term Bonds**" means Bonds which are payable on or before their specified maturing dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

"**Business Day**" means any day on which the Trustee is open for business at its Principal Corporate Trust Office.

"**Capital Appreciation Bonds**" means any Agency Bonds described as such when issued.

"**Capital Appreciation Certificates**" means any certificates of participation in Installment Sale Payments described as such when issued.

"**Certificate of the Authority**" means an instrument in writing signed by the President, Vice President, Secretary/Treasurer or Executive Director of the Authority, or by any other officer of the Authority duly authorized by the Authority for that purpose.

"**Code**" means the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

"**Common Debt Service Reserve Account**" means the account by that name established in the Debt Service Reserve Fund pursuant to the Trust Agreement to secure the Common Debt Service Reserve Bonds.

"**Common Debt Service Reserve Bonds**" means those series of Bonds secured by the Common Debt Service Reserve Account as provided in the Supplemental Trust Indenture providing for each such series of Bonds. The 2023 Series A Bonds do not constitute Common Debt Service Reserve Bonds.

"**Contracts**" means all installment sale agreements, capital leases or similar obligations of the Agency authorized and executed by the Agency under and pursuant to applicable law, the interest and principal and prepayment premium, if any, payments under and pursuant to which are payable from Net Water Revenues on a parity with the payment of the 2018 Installment Sale Payments.

"**Debt Service**" means, for any Fiscal Year, the sum of (1) the interest accruing during such Fiscal Year on all outstanding Agency Bonds, assuming that all outstanding serial Agency Bonds are retired as scheduled and that all outstanding term Agency Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Agency Bonds), (2) that portion of the principal amount of all outstanding serial Agency Bonds maturing on the next succeeding principal payment date that would have accrued during such Fiscal Year if such principal amount were deemed to accrue daily in equal amounts from the next preceding principal payment date or during the year preceding the first principal payment date, as the case may be, (3) that portion of the principal amount of all outstanding term Agency Bonds required to be redeemed or paid on the next succeeding redemption date (together with the redemption premiums, if any, thereon) that would have accrued during such Fiscal Year if such principal amount (and redemption premiums) were deemed to accrue daily in equal amounts from the next preceding redemption date or during the year preceding the first redemption date, as the case may be, and (4) that portion of the Installment Sale Payments required to be made at the times provided in the Contracts that would have accrued during such Fiscal Year if such Installment Sale Payments were deemed to accrue daily in equal amounts from, in each case, the next preceding Installment Sale Payment Date of interest or principal or the date of the pertinent Contract, as the case may be; provided, that (a) if any of such Agency Bonds are Capital Appreciation Bonds or if the Installment Sale Payments due under any of such Contracts are evidenced by Capital Appreciation Certificates, then the Accreted Value payment shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond or Capital Appreciation Certificate; (b) if any of such Agency Bonds or if the Installment Sale Payments due under any such Contracts bear interest payable pursuant to a variable interest rate formula, the interest rate on such Agency Bonds or such Contracts for periods when the actual interest rate cannot yet be determined, shall be assumed to be equal to the greater of (i) the actual rate on the date of calculation, or if such Agency Bonds or Contracts are not yet outstanding, the initial rate (if then established and binding), (ii) if the Agency Bonds or Contracts have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii)(1) if interest on such Agency Bonds or Contracts is excludable from gross income under the applicable provisions of the Code, the most recently published "Bond Buyer 25 Bond Revenue Index" (or comparable index if no longer published) plus fifty (50) basis points, or (2) if interest is not so excludable, the interest rate on direct U.S. Treasury obligations with comparable maturities plus fifty (50) basis points; (c) if any of such Agency Bonds or Contracts is secured by an irrevocable letter of credit issued by a bank having a combined capital and surplus of at least one hundred million dollars ($100,000,000), the principal payments or deposits with respect to such Agency Bonds or Contracts nominally due in the last Fiscal Year in which such Agency Bonds or Contracts mature may, at the option of the Agency, be treated as if they were due as specified in any loan agreement or reimbursement agreement issued in connection with such letter of credit or pursuant to the repayment provisions of such letter of credit and interest on such Agency Bonds or Contracts after such Fiscal Year shall be assumed to be payable pursuant to the terms of such loan agreement or reimbursement agreement or repayment provisions and (d) if any of such Agency Bonds or Contracts is not secured by a letter of credit as described in clause (c) of this definition and 20% or more of the original principal of such Bonds or the Installment Payments due under such Contracts is not due until the final stated maturity of such Bonds or the Installment Payments due under such Contracts, such principal may, at the option of the Agency, be treated as if it were due based upon a level amortization of such principal over the term of such Bonds or Installment Payments or twenty-five (25) years, whichever is greater.

"**Debt Service Fund**" means the fund by that name established within the Revenue Fund pursuant to the Trust Agreement.

"**Debt Service Reserve Account**" means each account by that name established pursuant to the Trust Agreement, which account may secure one or more series of Bonds as provided in the Trust Agreement or in the Supplemental Trust Indenture providing for the creation thereof.

"**Debt Service Reserve Account Credit Facility**" means a letter of credit, insurance policy, surety bond, or other credit facility provided to the Trustee by a bank, insurance company or other financial institution whose senior unsecured debt obligations are, or whose claims-paying ability is, rated in the two highest rating categories by each of at least two (2) Rating Agencies at the time of delivery thereof, which provides for payment when due, in accordance with the terms thereof, of the principal or redemption price of and/or interest on one or more series of Bonds.

"**Debt Service Reserve Fund**" means the fund by that name established within the Revenue Fund pursuant to the Trust Agreement.

"**Debt Service Reserve Requirement**" means, (a) with respect to the Common Debt Service Reserve Bonds, the least of (i) 10% of the stated principal amount of the Common Debt Service Reserve Bonds, (ii) the maximum Annual Debt Service on the Common Debt Service Reserve Bonds, and (iii) 125% of the average Annual Debt Service on the Common Debt Service Reserve Bonds, or such other amount as shall be specified in the first Supplemental Trust Indenture authorizing the issuance of such Common Debt Service Reserve Bonds, and (b) with respect to any other Bonds, such amount, if any, as shall be specified in the Supplemental Trust Indenture authorizing the issuance of such Bonds.

"**Event of Default**" means an event described as such in the 2018 Installment Sale Agreement.

"**Finance Officer**" means the Assistant General Manager — Finance of the Agency or his or her successor designated by the Board of Directors of the Agency.

“**Fiscal Year**” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other annual accounting period hereafter selected and designated by the Board of Directors of the Agency as the Fiscal Year of the Agency.

“**First Supplemental Installment Sale Agreement**” means the First Supplemental Installment Sale Agreement, dated as of November 1, 2023, between the Authority and the Agency, as originally executed and as it may from time to time be amended or supplemented pursuant to the provisions the First Supplemental Installment Sale Agreement and the 2018 Installment Sale Agreement.

“**First Supplemental Trust Agreement**” means that certain First Supplemental Trust Agreement, dated as of November 1, 2023, by and between U.S. Bank Trust Company, National Association, as successor trustee, and the Authority, providing for the issuance of the 2023 Series A Bonds, as originally executed and as it may from time to time be amended or supplemented in accordance with the First Supplemental Trust Agreement and the Trust Agreement.

“**Fitch**” means Fitch Ratings, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then “Fitch” shall be deemed to refer to any other nationally recognized municipal securities rating agency rating the Bonds pursuant to a Written Request of the Authority.

“**Holder**” means any person who shall be the registered owner of any Outstanding Bond.

“**Independent Certified Public Accountant**” means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the Authority, and who, or each of whom (1) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the Authority; (2) does not have a substantial financial interest, direct or indirect, in the operations of the Authority; and (3) is not connected with the Authority as a member, officer or employee of the Authority, but who may be regularly retained to audit the accounting records of and make reports thereon to the Authority.

“**Independent Consultant**” means (1) any registered engineer or firm of registered engineers of favorable reputation generally recognized to be well qualified in engineering matters relating to water systems, appointed and paid by the Agency, (2) any registered municipal advisor firm of registered municipal advisors as defined by the Municipal Securities Rulemaking Board well qualified in financial matters relating to municipal water system finances, appointed and paid by the Agency, or (3) any firm of certified public accountants appointed by the Agency which is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants, and who or each of whom (a) is in fact independent, (b) does not have a substantial financial interest, direct or indirect, in the operations of the Agency, and (c) is not connected with the Agency as a board member, officer or employee of the Agency, but may be regularly retained to make reports to the Agency.

“**Installment Sale Payments**” means (i) the installment sale, rental or other periodic payments scheduled to be paid by the Agency under and pursuant to the Contracts, (ii) the 2018 Installment Sale Payments and (iii) any installment sale payments scheduled to be paid by the Agency under and pursuant to a supplement to the 2018 Installment Sale Agreement that are payable from Net Revenues on a parity with the payment of the 2018 Installment Sale Payments. “**2018 Installment Sale Payments**” means the installment sale payments scheduled to be paid by the Agency under and pursuant 2018 Installment Sale Agreement. “**2023 Installment Sale Payments**” means the Installment Sale Payments scheduled to be paid by the Agency under and pursuant to this First Supplemental Trust Agreement.

“**Insurance Consultant**” means (a) the County of Alameda Risk Manager or (b) any insurance consultant or firm of insurance consultants generally recognized to be well qualified in insurance consulting matters relating to water and other municipal systems, appointed and paid by the Agency, and who or each of whom (1) is in fact independent and not under the domination of the Agency; (2) does not have a substantial financial interest, direct or indirect, in the operations of the Agency; and (3) is not connected with the Agency as a board member, officer, or employee of the Agency, but may be regularly retained to make reports to the Agency.

"**Net Water Revenues**" means, for any Fiscal Year, the Water Revenues during such Fiscal Year less the Operation and Maintenance Costs during such Fiscal Year.

"**Operation and Maintenance Costs**" means the reasonable and necessary costs paid or incurred by the Agency for maintaining and operating the Water System, determined in accordance with Generally Accepted Accounting Principles, including all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including all administrative costs of the Agency that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the Agency or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the issuance of any Agency Bonds or of such Agency Bonds, or of any resolution authorizing the execution of any Contract or of such Contract, such as compensation, reimbursement and indemnification of the trustee for any such Agency Bonds or Contracts and fees and expenses of Independent Consultants, Insurance Consultants and the Finance Officer, but excluding in all cases (1) depreciation, replacement and obsolescence charges or reserves therefor, (2) amortization of intangibles and intragovernmental transfers by the Agency which are not reimbursements or payments for overhead or other administrative expenses incurred by the Agency, (3) interest expense and (4) amounts paid from other than Water Revenues (including, but not limited to, amounts paid from the proceeds of ad valorem property taxes).

"**Opinion of Counsel**" means a written opinion of counsel of national representation generally recognized to be well qualified in the field of law relating to municipal bonds, retained by the Authority.

"**Outstanding**," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Trust Agreement) all Bonds except (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds paid or deemed to have been paid within the meaning of the Trust Agreement; and (3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Authority pursuant to the Trust Agreement.

"**Permitted Investments**" means any of the following to the extent permitted by the laws of the State (the Trustee is entitled to conclusively rely on any Written Request of the Authority directing investments as a certification to the Trustee that such investments are so permitted):

(1) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America or evidences of ownership of proportionate interests in future interest and principal payments on non-callable direct obligations of the United States of America held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

(2) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

Farmers Home Administration (FmHA)
Certificates of beneficial ownership

Federal Housing Administration Debentures (FHA)

General Services Administration
Participation certificates

U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds.

(3) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

Federal Home Loan Bank System
Senior debt obligations (Consolidated debt obligations)

Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
Participation Certificates (Mortgage-backed securities)
Senior debt obligations

Federal National Mortgage Association (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal)

Resolution Funding Corp. (REFCORP)
Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable

Farm Credit System
Consolidated systemwide bonds and notes.

(4) Money market funds, including funds of the Trustee or any affiliate, registered under the Federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and having a rating by Standard & Poor's of AAAm-G; AAAm; or AA-m and if rated by Moody's Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware ("Moody's"), rated Aaa, Aal or Aa2.

(5) Certificates of deposit secured at all times by collateral described in (1) and/or (2) above. Such certificates must be issued by commercial banks, savings associations or mutual savings banks whose short-term obligations are rated "A-1+" or better by Standard & Poor's and "Prime-1" by Moody's. The collateral must be held by a third party and the Trustee on behalf of Holders must have a perfected first security interest in the collateral.

(6) Certificates of deposit, savings accounts, deposit accounts or money market deposits, including deposits in the Trustee or any affiliate, which are fully insured by the Federal Deposit Insurance Corporation.

(7) Guaranteed investment contracts with entities the long-term, unsecured debt obligations of which are rated (1) in one of the two highest long-term rating categories by Moody's and Standard & Poor's (or whose payment obligations under such guaranteed investment contract are

insured or guaranteed by an entity the unsecured obligations of which are so rated) or (2) in one of the three highest long-term rating categories by Moody's and Standard & Poor's (or whose payment obligations under such guaranteed investment contract are insured or guaranteed by an entity the unsecured obligations of which are so rated) if fully collateralized by collateral described in clauses (1) and (2) marked to market at least weekly.

(8) The Local Agency Investment Fund established pursuant to the laws of the State of California.

(9) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by Standard & Poor's.

(10) Bonds or notes issued by any state or municipality which are rated by Moody's and Standard & Poor's in one of the two highest long-term rating categories assigned by such agencies.

(11) Money-market deposit accounts, federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1+" by Standard & Poor's.

(12) Repurchase agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date. Repurchase Agreements ("repos") must satisfy the following criteria:

<u>Repos must be between the Trustee and a dealer bank or securities firm</u>

<u>Primary dealers</u> on the Federal Reserve reporting dealer list which fall under the jurisdiction of the SIPC and which are rated A or better by Standard & Poor's and Moody's, or

<u>Banks</u> rated "A" or above by Standard & Poor's and Moody's.

<u>The written repo contract must include the following</u>:

<u>Securities which are acceptable for transfer are</u>:

Direct U.S. governments Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)

<u>The term of the repo may be up to 30 days</u>

The collateral must be delivered to the Trustee (if Trustee is not supplying the collateral) or third party acting as agent for the Trustee before/simultaneous with payment (perfection by possession of certificated securities).

The Trustee has a perfected first priority security interest in the collateral

Collateral is free and clear of third-party liens and in the case of SIPC broker was not acquired pursuant to a repo or reverse repo

Failure to maintain the requisite collateral percentage, after a two day restoration period, will require the Trustee to liquidate collateral

Valuation of Collateral

The securities must be valued weekly, marked-to-market at current market price plus accrued interest.

The value of collateral must be equal to 104% of the amount of cash transferred by the Trustee to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by Trustee, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

Legal opinion which must be delivered to the Trustee and the Authority:

Repo meets guidelines under state law for legal investment of public funds.

(13) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by Standard & Poor's. If, however, the issue is only rated by Standard & Poor's (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.

(14) Investment agreements, including guaranteed investment contracts, forward purchase agreements and flexible repurchase agreements with any domestic or foreign bank, corporation or insurance company, the senior long term unsecured debt obligations, deposit rating or claims-paying ability of which are rated (at the time the investment is entered into), or guaranteed by an entity whose obligations are rated (at the time the investment is entered into) not lower than "A3" by Moody's, or "A " by Fitch, or "A-" by S&P, or its equivalent from another nationally-recognized rating agency.

"**Principal Corporate Trust Office**" means the corporate trust office of the Trustee located in San Francisco, California (except for payments, exchanges, transfers and surrenders of the Bonds, in which case "Principal Corporate Trust Office" means the corporate trust office of the Trustee in St. Paul, Minnesota) or such other office or offices as the Trustee shall designate from time to time.

"**Rating Agencies**" means S&P and Fitch or, in the event that S&P or Fitch no longer maintain a rating on the Bonds, any other nationally recognized bond rating agency then maintaining a rating on the Bonds, but, in each instance, only so long as S&P or Fitch or another nationally recognized rating agency then maintains a rating on the Bonds.

"**Revenues**" means all Installment Sale Payments and other payments paid by the Agency and received by the Authority pursuant to the 2018 Installment Sale Agreement and all interest or other income from, any investment of any money in any fund or account (other than the Rebate Fund) pursuant to the Trust Agreement.

"**Revenue Fund**" means the fund by that name established pursuant to the Trust Agreement.

"**S&P**" means S&P Global Ratings, a Standard & Poor's Financial Services LLC business, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then "S&P" shall be deemed to refer to any other nationally recognized municipal securities rating agency rating the Bonds pursuant to a Written Request of the Authority.

"**Supplemental Trust Agreement**" means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory of the Trust Agreement or supplemental to the Trust Agreement; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

"**Surplus Fund**" means the fund by that name established within the Revenue Fund pursuant to the Trust Agreement.

"**Tax Certificate**" means the Tax Certificate and Agreement delivered by the Authority at the time of the issuance and delivery of a series of Bonds, as the same may be amended or supplemented in accordance with its terms.

"**Trust Agreement**" means the Trust Agreement, dated as of April 1, 2018, between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions of the Trust Agreement.

"**Trustee**" means U.S. Bank Trust Company, National Association, or any other bank or trust company which may at any time be substituted in its place as provided in the Trust Agreement.

"**2018 Installment Sale Agreement**" means the installment sale agreement by and between the Agency and the Authority, dated as of April 1, 2018, as originally executed and as it may from time to time be amended or supplemented in accordance with the 2018 Installment Sale Agreement and with the terms of the Trust Agreement.

"**2023 Purchase Price**" means the principal amount plus the interest thereon owed by the Agency to the Authority under the conditions and terms hereof for the payment of the costs of the acquisition and construction of the 2023 Water Project and the incidental costs and expenses related thereto paid by the Authority.

"**2023 Rebate Fund**" means the fund by that name established pursuant to the First Supplemental Trust Agreement.

"**2023 Series A Acquisition Fund**" means the fund by that name established pursuant to the First Supplemental Trust Agreement.

"**Water Project**" means any additions, betterments, extensions or improvements to the Water System designated by the Board of Directors of the Agency as a designated Water Project, the design, acquisition or construction of which (together with the incidental costs and expenses related thereto) is to be financed by the proceeds of any Agency Bonds or any Contracts. "**2023 Water Project**" means the improvements to the Water System designated by the Agency and sold by the Authority to the Agency pursuant to this First Supplemental Installment Sale Agreement and as described in therein.

"**Water System**" means all facilities for the conveyance treatment and distribution of water currently owned by the Agency and all other properties, structures or works hereafter acquired and constructed by the Agency and determined to be a part of the Water System, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed.

"**Written Request of the Authority**" means an instrument in writing signed by the President, Vice President, Secretary/Treasurer or Executive Director of the Authority or by any other officer of the Authority duly authorized by the Authority for that purpose.

TRUST AGREEMENT

Establishment and Maintenance of Accounts for Use of Money in the Revenue Fund

All money in the Revenue Fund shall be set aside by the Trustee in the following respective special accounts within the Revenue Fund in the following order of priority:

Debt Service Fund

Interest Account. On or before each January 1 and July 1, the Trustee shall set aside from the Revenue Fund and deposit in the Interest Account that amount of money which is equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such January 1 or July 1, as the case may be.

No deposit need be made in the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such interest payment date.

All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Principal Account. On or before each July 1, the Trustee shall set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the aggregate amount of all sinking fund payments required to be made on such July 1 into the respective sinking fund accounts for all Outstanding Term Bonds and the aggregate principal amount of all Outstanding Serial Bonds maturing on such July 1.

No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing by their terms on such July 1 plus the aggregate amount of all sinking fund payments required to be made on such July 1 for all Outstanding Term Bonds.

The Trustee shall establish and maintain within the Principal Account a separate subaccount for the Term Bonds of each series and maturity, designated as the "_____ Sinking Account" (the "**Sinking Account**"), inserting therein the series (if necessary) and maturity (if more than one such account is established for such series) designation of such Term Bonds. With respect to each Sinking Account, on each mandatory sinking account payment date established for such Sinking Account, the Trustee shall apply the mandatory sinking account payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of the series and maturity for which such Sinking Account was established, upon the notice and in the manner provided in the Trust Agreement; provided that, at any time prior to giving such notice of such redemption, the Trustee may upon the Written Request of the Authority, apply moneys in such Sinking Account to the purchase of Term Bonds of such series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account), as may be directed by the Authority, except that the purchase price (excluding accrued interest) shall not exceed the redemption price that would be payable for such Term Bonds upon redemption by application of such mandatory sinking account payment. If, during the twelve-month period immediately preceding said mandatory sinking account payment date, the Trustee has purchased Term Bonds of such series and maturity with moneys in such Sinking Account, such Bonds so purchased shall be applied, to the extent of the full principal amount thereof, to reduce said mandatory sinking account payment.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as they shall become due and payable, whether at maturity or redemption, except that any money in any sinking fund account shall be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds for which such sinking fund account was created.

Debt Service Reserve Fund

The Debt Service Reserve Fund and the reserve accounts established therein, including the Common Debt Service Reserve Account (each, a "**Debt Service Reserve Account**"), shall be used solely for the purpose of paying the Bonds secured by the Debt Service Reserve Accounts in the manner provided in the Trust Agreement. The Authority obligates and binds itself irrevocably to set aside and to pay to the Trustee, after required deposits into the Debt Service Fund, in trust for the account of the respective Debt Service Reserve Accounts, certain fixed amounts sufficient to make the balance in the Debt Service Reserve Fund equal the aggregate Debt Service Reserve Requirements of the Bonds secured by the Debt Service Reserve Accounts.

The Common Debt Service Reserve Account may secure one or more series of Common Debt Service Reserve Bonds pursuant to the Trust Agreement and to any Supplemental Trust Agreement authorizing the issuance thereof Promptly upon receipt thereof the Trustee shall deposit in the Common Debt Service Reserve Account proceeds of the sale of each series of Common Debt Service Reserve Bonds to be secured thereby or any other available money, Permitted Investments or Debt Service Reserve Account Credit Facilities, or any combination of the foregoing, in such amount as shall be necessary to bring the amount on deposit therein to the Debt Service Reserve Requirement for the Common Debt Service Reserve Bonds. Promptly upon receipt thereof the Trustee shall deposit in any other Debt Service Reserve Account proceeds of the safe of the Bonds to be secured thereby or any other available money, Permitted Investments or Debt Service Reserve Account Credit Facilities, or any combination of the foregoing, in such amount as shall be necessary to bring the amount on deposit therein to the Debt Service Reserve Requirement for such Bonds.

Each Debt Service Reserve Account shall thereafter be maintained at all times at the respective Debt Service Reserve Requirement of the Bonds secured by such Debt Service Reserve Account by additional deposits into such Debt Service Reserve Account from the Revenue Fund after required deposits into the Debt Service Fund, until such time as the principal or redemption price of the Bonds secured by such Debt Service Reserve Account, together with interest thereon to the date of retirement or redemption, can be paid from amounts in the Debt Service Fund established for such Bonds, together with amounts in such Debt Service Reserve Account. Each Debt Service Reserve Account shall be replenished in the following priority: first, to make all payments required under all reimbursement agreements with the providers of Debt Service Reserve Account Credit Facilities credited to such Debt Service Reserve Account (and if there is not sufficient money on deposit in such Debt Service Reserve Account to make all such payments, then on a pro rata basis to each provider); and second, after all such payments are made in full, the amount necessary to make the money, Permitted Investments, and Debt Service Reserve Account Credit Facilities or any combination of the foregoing deposited in or credited to such Debt Service Reserve Account equal to the aggregate Debt Service Reserve Requirements of the Bonds secured by such Debt Service Reserve Account. If at any time there is not sufficient money to make all of the foregoing payments, such payments shall be made to the extent of available money into each Debt Service Reserve Account in the same ratio as the principal amount of the Outstanding Bonds secured thereby bears to the aggregate principal amount of all Outstanding Bonds secured by the Debt Service Reserve Fund.

In the event of a deficiency in the Debt Service Fund for Bonds secured by a Debt Service Reserve Account, the Trustee shall make up such deficiency from such Debt Service Reserve Account in the following priority: first, by the withdrawal of cash held therein; second, by the sale or redemption of Permitted Investments held therein; and third, from draws upon the Debt Service Reserve Account Credit Facilities credited thereto, on a pro rata basis, in sufficient amounts to make up such deficiency. Such draws shall be made at such times and under such conditions as provided in such Debt Service Reserve Account Credit Facilities.

At the option of the Authority, amounts on deposit in a Debt Service Reserve Account may be substituted at any time, in whole or in part, by the deposit with the Trustee of a Debt Service Reserve Account Credit Facility in a stated amount equal to the amounts so substituted. Any amounts released from a Debt Service Reserve Account as a result of such substitution shall be applied for any lawful purpose of the Authority as provided in a Written Request of the Authority.

Each Debt Service Reserve Account may be drawn upon for the sole purpose of paying the principal, mandatory sinking fund payments and redemption price of and interest on the Bonds secured by such Debt Service Reserve Account; provided, that excess amounts in any Debt Service Reserve Account may be withdrawn therefrom upon a Written Request of the Authority to the Trustee and applied to any lawful purposes of the Authority. Money set aside from time to time with the Trustee for the payment of such principal, mandatory sinking fund payments, redemption price and interest shall be held in trust equally and ratably for the Holders in respect of which the same shall have been so set aside.

Surplus Fund

The Trustee, on or before July 1 of each year shall deposit in the Surplus Fund all money remaining in the Revenue Fund after the deposits required by the Trust Agreement have been made. On July 16 of each year, the Trustee, if the Authority is not then in default under the Trust Agreement, shall disburse the money in the Surplus Fund to the Agency.

Deposit and Investments of Money in Accounts and Funds

Subject to the Trust Agreement, all money held by the Trustee in any of the accounts or funds established pursuant to the Trust Agreement shall be invested in Permitted Investments at the Written Request of the Authority. If the Authority fails to direct the Trustee to invest any such moneys, they shall be invested in Permitted Investments of the type described in paragraph (4) thereof, All investments under the Trust Agreement shall be valued by the Trustee as frequently as may be requested by the Authority and not less frequently than annually at the market value thereof, exclusive of accrued interest.

Against Encumbrances

The Authority will not make any pledge of or place any charge or lien upon the Revenues except as provided in the Trust Agreement, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except the Bonds.

Amendment of the Trust Agreement

The Trust Agreement and the rights and obligations of the Authority and of the Holders may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Trust Agreement are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, on any Bond without the express written consent of the Holder of such Bond, or (2) permit the creation by the Authority of any pledge of or charge or lien upon the Revenues as provided in the Trust Agreement superior to or on a parity with the pledge, charge and lien created by the Trust Agreement for the benefit of the Bonds, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify any rights or obligations of the Trustee, the Authority or the Agency without their prior written assent thereto, respectively.

The Trust Agreement and the rights and obligations of the Authority and of the Holders may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of any Holders, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel, for any purpose that will not materially adversely affect the interests of the Holders, including (without limitation) for any one or more of the following purposes—

(a) to add to the agreements and covenants required in the Trust Agreement to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority, or to surrender any right or power reserved in the Trust Agreement to or conferred in the Trust Agreement on the Authority;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising under the Trust Agreement which the Authority may deem desirable or necessary and not inconsistent with the Trust Agreement;

(c) to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in the Trust Agreement (which shall be deemed not to adversely affect Holders); or

(d) to add to the agreements and covenants required in the Trust Agreement, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939.

Notwithstanding the foregoing, any amendment or supplement to the Trust Agreement shall only become effective fifteen (15) days after written notice of such amendment or supplement, together with a copy thereof, has been provided by the Authority to the Rating Agencies.

Events of Default and Acceleration of Maturities

If one or more of the following events shall happen, that is to say: (a) if default shall be made by the Authority in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable; (b) if default shall be made by the Authority in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption; (c) if default shall be made by the Authority in the performance of any of the agreements or covenants required in the Trust Agreement to be performed by the Authority, and such default shall have continued for a period of sixty (60) days after the Authority shall have been given notice in writing of such default by the Trustee; or (d) if the Authority shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property; then and in each and every such case during the continuance of such event of default, the Trustee may, and upon the written request of the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding shall, by notice in writing to the Authority, declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become due and payable, anything contained in the Trust Agreement or in the Bonds to the contrary notwithstanding. The Trustee shall promptly notify all Holders of any such event of default which is continuing and of which the Trustee has notice pursuant to the Trust Agreement. Such notice shall include a reference to or a summary of the rights and remedies available to the Holders as set forth in the Trust Agreement.

This provision, however, is subject to the condition that if at any time after the principal of the Bonds then Outstanding shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered the Authority shall deposit with the Trustee a sum sufficient to pay all matured interest on all the Bonds and all principal of the Bonds matured prior to such declaration, with interest at the rate borne by such Bonds on such overdue interest and principal, and the reasonable expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of interest on and principal of the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Holders of not less than fifty-one percent (51%) in aggregate principal amount of Bonds then Outstanding by written notice to the Authority and to the Trustee, may on behalf of the Holders of all the Bonds then Outstanding rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration

All moneys in the accounts and funds provided in the Trust Agreement upon the date of the declaration of acceleration by the Trustee as provided in the Trust Agreement and all Revenues (other than Revenues on deposit in the Rebate Fund) thereafter received by the Authority under the Trust Agreement shall be transmitted to the Trustee and shall be applied by the Trustee in the following order—

First, to the payment of the fees, costs and expenses of the Trustee and then to the payment of the costs and expenses of the Holders in providing for the declaration of such event of default, and in carrying out the provisions of the Trust Agreement, including reasonable compensation to their advisors, agents, accountants and counsel; and

Second, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with (to the extent permitted by law) interest on the overdue interest and principal at the rate borne by such Bonds, and in case such money shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and (to the extent permitted by law) interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal ratably to the aggregate of such interest, principal and interest on overdue interest and principal.

Limitation on Holders' Right to Sue

No Holder of any Bond issued under the Trust Agreement shall have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon the Trust Agreement, unless (a) such Holder shall have previously given to the Trustee written notice of the occurrence of an event of default as defined in the Trust Agreement; (b) the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted or to institute such suit, action or proceeding in its own name; (c) said Holders shall have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any owner of Bonds of any remedy under the Trust Agreement; it being understood and intended that no one or more owners of Bonds shall have any right in any manner whatever by his or her or their action to enforce any right under the Trust Agreement, except in the manner provided in the Trust Agreement, and that all proceedings at law or in equity to enforce any provision of the Trust Agreement shall be instituted, had and maintained in the manner provided in the Trust Agreement and for the equal benefit of all Holders of the Outstanding Bonds.

Discharge of Bonds

If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated in the Trust Agreement and therein, then the Holders of such Bonds shall cease to be entitled to the pledge of and charge and lien upon the Revenues as provided in the Trust Agreement, and all agreements, covenants and other obligations of the Authority to the Holders of such Bonds under the Trust Agreement shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, the Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant to the Trust Agreement which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the preceding paragraph if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the Trust Agreement, (2) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or (B) Permitted Investments of the type described in clause (1) of the definition of Permitted Investments and which are not subject to redemption prior to maturity (including any such Permitted Investments issued or held in book-entry form on the books of the Agency or the Treasury of the United States of America) or tax exempt obligations of a state or political subdivision thereof which have been defeased under irrevocable escrow instructions by the deposit of such money or Permitted Investments and which are then rated in the highest rating category by the Rating Agencies, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, as set forth in a written report of an Independent Certified Public Accountant, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Trust Agreement and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

Amendments to Agreement

The Authority shall not supplement, amend, modify or terminate any of the terms of the 2018 Installment Sale Agreement, or consent to any such supplement, amendment, modification or termination, without the written consent of the Trustee. The Trustee shall give such written consent only if (a) such supplement, amendment, modification or termination will not materially adversely affect the interests of the Holders or result in any material impairment of the security given for the payment of the Bonds (provided that such supplement, amendment or modification shall not be deemed to have such adverse effect or to cause such material impairment solely by reason of providing for the payment of Additional Bonds as required by the Trust Agreement, or (b) the Trustee first obtains the written consent of the Holders of a majority in principal amount of the Bonds then Outstanding to such supplement, amendment, modification or termination; provided, that no such supplement, amendment, modification or termination shall reduce the amount of Installment Sale Payments to be made to the Authority or the Trustee by the Agency pursuant to the 2018 Installment Sale Agreement, or extend the time for making such payments, or permit the creation of any lien prior to or on a parity with the lien created by the 2018 Installment Sale Agreement on Net Water Revenues (except as expressly provided in the 2018 Installment Sale Agreement), in each case without the written consent of all of the Holders of the Bonds then Outstanding.

FIRST SUPPLEMENTAL TRUST AGREEMENT

Procedure for the Issuance of 2023 Series A Bonds; Deposit and Use of Proceeds of 2023 Series A Bonds

At any time after the sale of the 2023 Series A Bonds in accordance with the Act, the Authority shall execute the 2023 Series A Bonds for issuance under the Trust Agreement and shall deliver them to the Trustee, and thereupon the 2023 Series A Bonds shall be authenticated and delivered by the Trustee to the purchaser thereof upon the Written Request of the Authority and upon receipt of payment therefor from the purchaser thereof. Upon receipt of payment for the 2023 Series A Bonds from the purchaser thereof, the Trustee shall set aside and deposit the proceeds received from such sale in the following respective accounts or funds or with the following respective persons, in the following order of priority:

The Trustee shall deposit a sum equal to the amount set forth in such Written Request of the Authority in a separate fund (the "**Series 2023 A Costs of Issuance Fund**"), which fund the Authority agrees and covenants to maintain with the Trustee under the First Supplemental Trust Agreement. The moneys in the Costs of Issuance Fund shall be disbursed, upon the Written Request of the Authority filed with the Trustee, each of which shall be sequentially numbered and shall state the person(s) to whom payment is to be made, the amount(s) to be paid, the purpose(s) for which the obligation(s) was incurred and that such payment is a proper charge against said fund. On April 1, 2024, or upon the earlier Written Request of the Authority, any remaining balance in the Costs of Issuance Fund shall be transferred to the Agency.

The Trustee shall deposit a sum equal to the amount set forth in such Written Request of the Authority in a separate fund (the "**Series 2023 A Acquisition Fund**"), which fund the Authority agrees and covenants to maintain with the Trustee under the First Supplemental Trust Agreement. The moneys in the Acquisition Fund shall be disbursed, upon the Written Request of the Authority filed with the Trustee for the payment of the costs of the design, acquisition and construction of the 2023 Water Project and the incidental costs and expenses related thereto. When the design, acquisition and construction of the 2023 Water Project have been completed (as evidenced by a Certificate of the Authority filed with the Trustee), the Trustee shall transfer any remaining balance in the Acquisition Fund to the Revenue Fund, unless the Authority provides an Opinion of Counsel to the effect that another use of such moneys will not cause the interest on the 2023 Series A Bonds to be included in the gross income of the Holders thereof for federal income tax purposes, in which case, such money may be expended by the Authority as provided in such opinion.

The Trustee may establish a temporary fund or account in its records to facilitate such deposits and transfers.

No Debt Service Reserve Account

The 2023 Series A Bonds shall not be Common Debt Service Reserve Bonds, shall not be secured by a Debt Service Reserve Account and the Debt Service Reserve Requirement for the 2023 Series A Bonds shall be $0.

Consent to Amendments Contained in the First Supplemental Installment Sale Agreement

With respect to certain amendments to the 2018 Installment Sale Agreement set forth in the First Supplemental Installment Sale Agreement, the Trustee provides its written consent to such amendments; provided that such consent of the Trustee shall not be effective until the Trustee has received the consent of Holders required under "TRUST AGREEMENT–Amendments to Agreement" above. So long as consent of the Holders is set forth in the Bonds issued on and after the date of issuance of the Series 2023A Bonds, the Holders of such Bonds shall be deemed to have agreed to, accepted and consented to the amendments to the 2018 Installment Sale Agreement set forth in the First Supplemental Installment Sale Agreement for all purposes of the Trust Agreement.

2018 INSTALLMENT SALE AGREEMENT

Pledge of Net Water Revenues

All Net Water Revenues are irrevocably pledged to the payment of the 2018 Installment Sale Payments; provided, that out of the Net Water Revenues there may be apportioned such sums for such purposes as are permitted by the 2018 Installment Sale Agreement. This pledge shall constitute a lien on the Net Water Revenues for the payment of the 2018 Installment Sale Payments, principal of and interest on all Bonds and Installment

Sale Payments on all other Contracts and any other Parity Obligations in accordance with the terms of the 2018 Installment Sale Agreement.

Against Encumbrances

The Agency will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for the Agency in, upon, about or relating to the Water System and will keep the Water System free of any and all liens against any portion of the Water System. In the event any such lien attaches to or is filed against any portion of the Water System, the Agency will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the Agency desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the Agency will forthwith pay or cause to be paid and discharged such judgment. The Agency will, to the maximum extent permitted by law, indemnify and hold the Authority and the Trustee harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against any portion of the Water System.

The Agency may pledge, encumber or otherwise secure its obligations with the Net Water Revenues, provided, that in all instances any such pledge, lien or security is wholly subordinate and junior to the obligations of the Agency contained in the 2018 Installment Sale Agreement.

Operation and Maintenance of the Water System; Budgets

The Agency will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Operation and Maintenance Costs as they become due and payable.

Not later than September 1 of each year, the Agency will adopt and, if requested, make available to the Authority and the Trustee, a budget approved by the Board of Directors of the Agency setting forth the estimated Operation and Maintenance Costs and the estimated payments for Debt Service for the then current Fiscal Year; provided, that any such budget may be amended at any time during any Fiscal Year and, if requested, such amended budget shall be made available to the Authority and the Trustee.

Compliance with Contracts

The Agency will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Water System and all other contracts affecting or involving the Water System to the extent that the Agency is a party thereto.

Insurance

The Agency will procure and maintain such insurance relating to the Water System which it shall deem advisable or necessary to protect its interests and the interests of the Authority and the Trustee, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with municipal water systems similar to the Water System; provided, that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with municipal water systems similar to the Water System and is, in the opinion of an Insurance Consultant, financially sound. All policies of insurance required to be maintained in the 2018 Installment Sale Agreement shall provide that the Authority and the Trustee shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

The Agency shall promptly advise the Authority and the Trustee in writing if any change in the insurance coverage occurs and provide a report as to all insurance policies maintained and self-insurance programs maintained by the Agency with respect to the Water System, including the names of the insurers which have issued the policies and the amounts thereof and the property or risks covered thereby.

Accounting Records and Financial Statements

The Agency will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Water System, which records shall be available for inspection by the Authority and the Trustee at reasonable hours and under reasonable conditions.

Payment of Taxes and Compliance with Governmental Regulations

The Agency will pay and discharge all taxes, assessments and other governmental charges which may be lawfully imposed upon the Water System or any part thereof when the same shall become due. The Agency will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System or any part thereof, but the Agency shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Collection of Rates, Fees and Charges

The Agency will have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Water System to pay the rates, fees and charges applicable to the Water Service to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill. The Agency will not permit any part of the Water System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State of California and any city, county, district, political subdivision, public corporation or agency of any thereof); provided, that the Agency may without charge use the Water Service.

Events of Default and Acceleration of Principal

If one or more of the following Events of Default shall happen, that is to say (1) if default shall be made in the due and punctual payment of any Installment Sale Payment payable under the 2018 Installment Sale Agreement when and as the same shall become due and payable; (2) if default shall be made by the Agency in the performance of any of the agreements or covenants contained herein required to be performed by it, and such default shall have continued for a period of sixty (60) days after the Agency shall have been given notice in writing of such default by the Authority or the Trustee; or (3) if the Agency shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Agency seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Agency or of the whole or any substantial part of its property; then and in each and every such case during the continuance of such Event of Default specified in clause (1) above, the Trustee shall, and for any other such Event of Default the Trustee may, by notice in writing to the Agency given not later than three (3) Business Days after it receives notice of an Event of Default or direction to proceed under an Event of Default, declare the entire principal amount of the unpaid Installment Sale Payments payable under the 2018 Installment Sale Agreement and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding. This subsection is subject to the condition, however, that if at any time after the entire principal amount of the unpaid Installment Sale Payments payable under the 2018 Installment Sale Agreement and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered the Agency shall deposit with the Trustee a sum sufficient to pay the unpaid principal amount of the Installment Sale Payments due and payable under the 2018 Installment Sale Agreement prior to such declaration and the accrued interest thereon, with interest on such overdue installments at the rate or rates applicable to such unpaid principal amounts of such Installment Sale Payments if paid in accordance with their terms, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of the entire principal amount of the unpaid Installment Sale Payments payable under the 2018 Installment Sale Agreement and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Trustee by written notice to the Agency, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Application of Net Water Revenues

All Net Water Revenues upon the date of the declaration of acceleration by the Trustee as provided in the 2018 Installment Sale Agreement and all Net Water Revenues thereafter received shall be applied in the following order —

First, to the payment of the costs and expenses of the Trustee, if any, in carrying out the provisions of the 2018 Installment Sale Agreement, including reasonable compensation to its agents, accountants and counsel and including any indemnification expenses;

Second, to the payment of the interest then due and payable on the entire principal amount of the unpaid Installment Sale Payments payable under the 2018 Installment Sale Agreement, and the interest then due and payable on the entire principal amount of the unpaid Bonds and Contracts, and, if the amount available shall not be sufficient to pay in full all such interest then due and payable, then to the payment thereof ratably, according to the amounts due thereon without any discrimination or preference; and

Third, to the payment of the unpaid principal amount of the Installment Sale Payments payable under the 2018 Installment Sale Agreement and the unpaid principal amount of all Bonds and Contracts which has become due and payable, whether on the original due date or upon acceleration, with interest on the overdue principal and interest amounts of the unpaid Installment Sale Payments and the unpaid principal amount of all Bonds and Contracts at the rate or rates of interest then applicable to such Installment Sale Payments and such Bonds and Contracts if paid in accordance with their terms, and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to the Installment Sale Payments and such Bonds and Contracts on any date, together with such interest, then to the payment thereof ratably, according to the principal amount due on such date, without any discrimination or preference.

Other Remedies

The Trustee shall have the right (a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Agency or any board member, officer or employee thereof, and to compel the Agency or any such board member, officer or employee to perform and carry out its duties under law and the agreements and covenants required to be performed by it contained in the 2018 Installment Sale Agreement; (b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority or the Trustee; or (c) by suit in equity upon the happening of an Event of Default to require the Agency and its board members, officers and employees to account as the trustee of an express trust.

Assignment

The 2018 Installment Sale Agreement and any rights thereunder shall be assigned by the Authority to the Trustee as provided in the Trust Agreement; to which assignment the Agency expressly acknowledges and consents.

FIRST SUPPLEMENTAL INSTALLMENT SALE AGREEMENT

Purpose

The purpose of the First Supplemental Installment Sale Agreement is to provide for the Agency's purchase from the Authority of the 2023 Water Project. To effect such purposes, the Agency shall cause the 2023 Series A Bonds to be sold and the proceeds of the sale thereof to be deposited and applied in accordance with this First Supplemental Trust Agreement.

Purchase of 2023 Water Project by the Agency

In consideration of the obligation of the Agency to pay the 2023 Purchase Price, the Authority sells, assigns and transfers to the Agency, and the Agency purchases from the Authority, all of the Authority's right, title and interest in the 2023 Water Project. Immediately upon completion of each separate component of the 2023 Water Project, all right, title and interest in and to each such completed component of the 2023 Water Project shall vest in the Agency without any further action by the Agency or the Authority.

Acquisition and Construction of the 2023 Water Project

The Authority agrees to acquire and construct the 2023 Water Project for the Agency. In order to implement this provision, the Authority appoints the Agency as its agent for the purpose of such acquisition and construction, and the Agency agrees to enter into such engineering and construction contracts and purchase orders as may be necessary, as agent for the Authority, to provide for the complete acquisition and construction of the 2023 Water Project. The Agency agrees that as such agent it will cause the acquisition and construction of the 2023 Water Project to be diligently completed after the deposit of funds in the Series 2023 A Acquisition Fund for such purpose pursuant to the First Supplemental Trust Agreement.

Notwithstanding the foregoing, it is expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any costs or expenses incurred by the Agency (whether as agent for the Authority or otherwise) for the acquisition and construction of the 2023 Water Project except from moneys in the Series 2023 A Acquisition Fund and that all such costs and expenses shall be paid by the Agency, regardless of whether the funds deposited in the Series 2023 A Acquisition Fund are sufficient to cover all such costs.

Changes to the 2023 Water Project

The Agency may add, delete or substitute other components for those listed as components of the 2023 Water Project, but only if the Agency first files with the Authority and the Trustee a statement of the Agency: (a) identifying the components to be substituted and the improvements to Agency facilities to be added; (b) stating that the estimated costs of construction, acquisition or installation of the added, deleted or substituted improvements are not less than such costs for the previously planned improvements and; (c) stating that such added, deleted or substituted improvements will not reduce the 2023 Installment Sale Payments payable under the First Supplemental Installment Sale Agreement.

Purchase Price

The Purchase Price to be paid by the Agency to the Authority under the First Supplemental Installment Sale Agreement is the sum of the principal amount of the Agency's obligation under the First Supplemental Installment Sale Agreement plus the interest to accrue on the unpaid balance of such principal amount from the date of the First Supplemental Installment Sale Agreement over the term of the First Supplemental Installment Sale Agreement, subject to prepayment as provided in the First Supplemental Installment Sale Agreement.

Pledge of Net Water Revenues

The 2018 Installment Sale Agreement permits the Net Water Revenues to be apportioned to the payment of principal of and interest on Parity Obligations. In accordance therewith, all Net Water Revenues are irrevocably pledged to the payment of the 2023 Installment Sale Payments. The pledge shall constitute a lien on the Net Water Revenues for the payment of the Installment Sale Payments, principal of and interest on all Bonds and Installment Sale Payments on all other Contracts and any other Parity Obligations in accordance with the terms thereof.

Compliance with 2018 Installment Sale Agreement and Trust Agreement

The Agency will punctually pay the 2023 Installment Sale Payments in strict conformity with the terms First Supplemental Installment Sale Agreement, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate the 2018 Installment Sale Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the 2023 Water Project or the Water System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The Agency will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Trust Agreement required to be observed and performed by it, and it is expressly understood and agreed by and among the parties to the 2018 Installment Sale Agreement and the Trust Agreement that each of the agreements, conditions, covenants and terms contained in each such agreement is an essential and material term of the obligation of the Agency to pay the costs of the acquisition and construction of the 2023 Water Project and the costs and expenses incidental thereto paid by the Authority pursuant to, and in accordance with, and as authorized under law and the First Supplemental Installment Sale Agreement.

Against Sale or Other Disposition of Property

The Agency will not sell, lease or otherwise dispose of the Water System or any part thereof essential to the proper operation of the Water System or to the maintenance of the Net Water Revenues, and will not enter into any agreement or lease which would impair the operation of the Water System or any part thereof necessary to secure adequate Net Water Revenues for the payment of the Installment Sale Payments, or which would otherwise impair the rights of the Authority with respect to the Net Water Revenues or the operation of the Water System; provided, that any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not reduce the Net Water Revenues below the requirements to be maintained under the 2018 Installment Sale Agreement.

Nothing in the First Supplemental Installment Sale Agreement shall restrict the ability of the Agency to sell any portion of the Water System if such portion is immediately repurchased by the Agency and if such arrangement cannot by its terms result in the purchaser of such portion of the Water System exercising any remedy which would deprive the Agency of or otherwise interfere with its right to own and operate such portion of the Water System.

Tax Covenants

The Agency will not directly or indirectly use or permit the use of any proceeds of the obligation provided in the First Supplemental Installment Sale Agreement or any other funds of the Agency or take or omit to take any action that would cause such obligation to be an "arbitrage bond" within the meaning of Section 148(a) of the Code or a "federal-guaranteed obligation" within the meaning of Section 149(b) of the Code or a "private activity bond" as described in Section 141 of the Code. The Agency will not allow 10% or more of the proceeds of the obligations provided herein to be used in the trade or business of any nongovernmental units and will not loan 5% or more of the proceeds of the obligations provided herein to any nongovernmental units.

To that end, as long as any 2023 Installment Sale Payments are unpaid, the Agency will comply with all requirements of such sections of the Code to the extent applicable to the obligations provided herein. In the event that at any time the Agency is of the opinion that for purposes of the First Supplemental Installment Sale Agreement it is necessary to restrict or to limit the yield on the investment of any moneys held by the Agency under the First Supplemental Installment Sale Agreement or by the Trustee under the Trust Agreement, the Agency shall so instruct the Trustee in writing and the trustee, as appropriate, shall act in accordance with such instructions.

The Agency and the Authority covenant that they will at all times do and perform all acts necessary or desirable in order to assume that the interest on the 2023 Series A Bonds will not be included in gross income of the registered owners thereof for federal income tax purposes and will take no action that would result in such interest being so included.

The Agency will pay or cause to be paid the Rebate Requirement as provided in the Tax Certificate. This covenant shall survive payment in full of the 2023 Installment Sale Payments. The Agency shall establish and maintain a fund separate from any other fund established and maintained under the First Supplemental Installment Sale Agreement designated the 2023 Rebate Fund. The Agency will cause the Rebate Requirement to be deposited in the 2023 Rebate Fund as provided in the Tax Certificate (which is incorporated herein by reference). Subject to the provisions of the First Supplemental Installment Sale Agreement, moneys held in the 2023 Rebate Fund are hereby pledged to secure payments to the United States of America. The Agency, the Authority and the owners of the 2023 Series A Bonds will have no rights in or claim to such moneys. The Agency will invest all amounts held in the 2023 Rebate Fund in Permitted Investments.

Upon receipt of the Rebate Instructions required by the Tax Certificate, the Agency shall remit part or all of the balance held in the 2023 Rebate Fund to the United States of America as so directed. In addition, if the Rebate Instructions so direct, the Agency will deposit, or cause to be deposited moneys into or transfer or cause to be transferred moneys out of the 2023 Rebate Fund from or into such accounts or funds as the Rebate Instructions direct.

Notwithstanding any provision of the First Supplemental Installment Sale Agreement or the 2018 Installment Sale Agreement, if the Agency receives an Opinion of Counsel that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes on the 2023 Series A Bonds, the Agency may conclusively rely on such opinion in complying with the requirements of the First Supplemental Installment Sale Agreement, and the covenants under the First Supplemental Installment Sale Agreement shall be deemed to be modified to that extent.

Acquisition and Construction of the 2023 Water Project

The Agency does represent and warrant that it has taken all necessary and appropriate steps to acquire and construct the 2023 Water Project, as agent of the Authority.

Discharge of Obligations

(a) If the Agency shall pay or cause to be paid all the 2023 Installment Sale Payments at the times and in the manner provided herein, the right, title and interest of the Authority herein and the obligations of the Agency under the First Supplemental Installment Sale Agreement shall thereupon cease, terminate, become void and be completely discharged and satisfied

(b) Any unpaid principal installment of the 2023 Installment Sale Payments shall on its payment date or date of prepayment be deemed to have been paid within the meaning of and with the effect expressed in paragraph (a) above if the Agency makes payment of such 2023 Installment Sale Payments and the prepayment premium, if applicable, in the manner provided in the First Supplemental Installment Sale Agreement.

(c) All or any portion of unpaid principal installments of the 2023 Installment Sale Payments shall, prior to their payment dates or dates of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in paragraph (a) above if (i) notice is provided by the Agency to the Trustee as required by the Trust Agreement, (ii) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or Permitted Investments of the type described in clause (i) of the definition of Permitted Investments and which are not subject to redemption prior to maturity (including any such Permitted Investments issued or held in book entry form on the books of the Agency or the Treasury of the United States of America) or tax-exempt obligations of a state or a political subdivision thereof which have been defeased under irrevocable escrow instructions by the deposit of such money or Permitted Investments and which are then rated in the highest rating category by the Rating Agencies, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee, shall be sufficient to pay when due the principal components of such 2023 Installment Sale Payments or such portions thereof on and prior to their payment dates or their dates of prepayment, as the case may be, and the prepayment premiums, if any, applicable thereto, and (iii) an Opinion of Counsel is filed with the Trustee to the effect that the action taken pursuant to this subsection will not cause the interest on the 2023 Series A Bonds to be includable in gross income under the Code for federal income tax purposes.

(d) After the payment of all 2023 Installment Sale Payments and prepayment premiums, if any, as provided in the First Supplemental Installment Sale Agreement, and payment of all fees and expenses of the Trustee, the Trustee, upon request of the Agency, shall cause an accounting for such period or periods as may be requested by the Agency to be prepared and filed with the Agency and the Authority and shall execute and deliver to the Agency and the Authority all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of the First Supplemental Installment Sale Agreement, and the Trustee shall pay over and deliver to the Agency, as an overpayment of 2023 Installment Sale Payments, all such money or investments held by it pursuant to the First Supplemental Installment Sale Agreement other than such money and such investments as are required for the payment or prepayment of the 2023 Installment Sale Payments, which money and investments shall continue to be held by the Trustee in trust for the payment of the 2023 Installment Sale Payments and shall be applied by the Trustee pursuant to the Trust Agreement.

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APPENDIX C

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION CONCERNING THE GEOGRAPHIC AREA OF THE RETAILERS

This Appendix contains certain economic and demographic information concerning the Cities of San Ramon, Dublin, Livermore and Pleasanton and the County of Alameda. As described in the Official Statement, the Agency's service area covers 425 square miles of eastern Alameda County and supplies treated drinking water to retailers serving approximately 260,000 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. Certain of the information below relates to significant geographic areas outside of the Agency service area.

Population

The historic population estimates of the cities in the County of Alameda, as of January 1 of the past five years are shown in the following table:

ALAMEDA COUNTY(1)
Population Estimates
Calendar Years 2019 through 2023
as of January 1

	2019	2020	2021	2022	2023
Alameda	81,457	81,135	78,250	77,437	77,287
Albany	18,932	18,871	20,500	21,524	21,401
Berkeley	122,297	122,364	120,418	123,188	123,562
Dublin	63,890	65,161	73,009	72,374	71,750
Emeryville	12,177	12,448	12,655	12,478	12,610
Fremont	232,601	233,132	229,563	229,122	229,467
Hayward	159,272	159,266	161,808	160,081	159,800
Livermore	90,769	91,082	87,476	85,870	84,793
Newark	48,079	48,603	47,290	47,150	47,459
Oakland	429,932	432,327	430,901	421,806	419,556
Piedmont	11,325	11,297	11,127	10,913	10,793
Pleasanton	78,840	78,654	79,174	77,524	76,459
San Leandro	88,328	87,840	89,976	88,075	87,497
Union City	73,375	73,248	69,177	67,702	66,754
Unincorporated County	148,334	147,686	152,047	149,004	147,006
County Total	**1,659,608**	**1,663,114**	**1,663,371**	**1,664,248**	**1,636,194**
State of California Total	**39,605,361**	**39,648,938**	**39,286,510**	**39,078,674**	**38,940,231**

(1) The Agency serves a population of roughly 27,000 people in the Dougherty Valley area of San Ramon located in Contra Costa County.
Source: State Department of Finance estimates (as of January 1).

Unemployment Rate

The following table contains certain information concerning unemployment.

UNEMPLOYMENT RATE
ALAMEDA COUNTY, STATE AND U.S.

Year	Alameda County	California	National
2013	6.20%	8.40%	6.70%
2014	4.90	6.90	5.60
2015	4.20	5.70	5.00
2016	3.90	5.40	4.70
2017	3.10	4.50	4.10
2018	3.00	4.30	3.90
2019	2.70	4.20	3.60
2020	7.70	9.10	6.70
2021	4.40	5.50	3.90
2022	2.90	4.10	3.50
2023	4.10	4.60	3.50

Source: Bureau of Labor Statistics; December of each year; 2023 figures as of July 2023.

Major Employers

The ten largest employers in Alameda County and Contra Costa County, and their respective number of employees are set forth in the following table.

PRINCIPAL EMPLOYERS
ALAMEDA COUNTY AND CONTRA COSTA COUNTY [(1)]
AS OF JUNE 30, 2022

Rank	Employer	Type of Business	Number of Employees [(1)]
1	Kaiser Permanente Medical Group Inc.	Health Care	34,666
2	Tesla	Electric Vehicle Manufacturer	13,000
3	Safeway Inc.	Supermarkets & Other Grocery	9,731
4	County of Alameda [(3)]	Local Government	9,548
5	Sutter Health	Health Care	9,377
6	John Muir Health	Health Care	6,300
7	PG&E	Energy Production	5,100
8	Workday	Enterprise Cloud Applications	5,098
9	Chevron Corporation	Energy	4,700
10	Wells Fargo & Co.	Financial Services	4,354
	Total		**101,874**

(1) The number of employees, except for County of Alameda, include Alameda County and Contra Costa County employees. Information from San Francisco Business Times research from September 2021.

(2) Information from the County's database as of June 30, 2022.

Source: County of Alameda Annual Comprehensive Financial Report for Fiscal Year ended June 30, 2022.

Construction Activity

Provided below are the building permits and valuations for the Cities of Dublin, Pleasanton and Livermore, and the County of Alameda for calendar years 2018 through 2022.

CITY OF DUBLIN
Total Building Permit Valuations
(Valuations in Thousands)

	2018	2019	2020	2021	2022
Permit Valuation					
New Single-family	$ 241,339	$ 68,810	$ 73,627	$ 65,538	$ 53,661
New Multi-family	53,360	23,753	105,932	170,142	18,534
Res. Alterations/Additions	6,938	16,759	7,506	7,570	14,797
Total Residential	$ 301,637	$ 109,322	$ 187,065	$ 243,250	$ 86,992
New Commercial	$ 0	$ 0	$ 0	$ 0	$ 4,469
New Industrial	13,799	83,694	183	33,121	100
New Other	5,890	2,075	1,187	14,817	2,617
Com. Alterations/Additions	24,885	33,640	14,519	17,451	13,510
Total Nonresidential	$ 44,574	$ 119,409	$ 15,889	$ 65,389	$ 20,696
New Dwelling Units					
Single Family	608	151	153	133	128
Multiple Family	159	58	346	640	41
TOTAL	767	209	499	773	169

Source: Construction Industry Research Board, Building Permit Summary.

CITY OF PLEASANTON
Total Building Permit Valuations
(Valuations in Thousands)

	2018	2019	2020	2021	2022
Permit Valuation					
New Single-family	$ 20,474	$ 45,430	$ 22,062	$ 22,518	$ 42,740
New Multi-family	7,089	3,970	0	0	0
Res. Alterations/Additions	24,457	20,954	15,972	23,631	19,384
Total Residential	$ 52,020	$ 70,354	$ 38,034	$ 46,149	$ 62,124
New Commercial	$ 490	$ 713	$ 0	$ 2,600	$ 4,136
New Industrial	2,167	20,826	599	79,721	4,923
New Other	5,955	3,883	3,871	15,600	4,715
Com. Alterations/Additions	126,826	72,392	52,519	63,817	91,226
Total Nonresidential	$ 135,438	$ 97,814	$ 56,989	$ 161,738	$ 105,000
New Dwelling Units					
Single Family	40	88	27	41	56
Multiple Family	56	31	0	0	0
TOTAL	96	119	27	41	56

Source: Construction Industry Research Board, Building Permit Summary.

CITY OF LIVERMORE
Total Building Permit Valuations
(Valuations in Thousands)

	2018	2019	2020	2021	2022
Permit Valuation					
New Single-family	$ 35,068	$ 18,587	$ 24,298	$ 12,450	$ 16,770
New Multi-family	28,067	42,645	24,057	1,861	2,560
Res. Alterations/Additions	21,382	20,828	19,284	20,206	21,855
Total Residential	$ 84,517	$ 82,060	$ 67,639	$ 34,517	$ 41,185
New Commercial	$ 17,751	$ 5,413	$ 3,446	$ 760	$ 17,643
New Industrial	32,832	5,830	26,023	33,670	430
New Other	7,073	33,813	27,364	7,631	9,257
Com. Alterations/Additions	24,031	31,963	34,132	17,232	37,804
Total Nonresidential	$ 81,687	$ 77,019	$ 90,965	$ 59,293	$ 65,134
New Dwelling Units					
Single Family	116	74	92	65	74
Multiple Family	202	249	96	6	23
TOTAL	318	323	188	71	97

Source: Construction Industry Research Board, Building Permit Summary.

ALAMEDA COUNTY
Total Building Permit Valuations
(Valuations in Thousands)

	2018	2019	2020	2021	2022
Permit Valuation					
New Single-family	$ 689,529	$ 675,129	$ 394,500	$ 407,584	$ 339,046
New Multi-family	1,431,989	782,537	722,036	829,821	795,916
Res. Alterations/Additions	469,158	512,409	293,866	222,971	323,712
Total Residential	$ 2,590,676	$ 1,970,075	$ 1,410,402	$ 1,460,376	$ 1,458,674
New Commercial	$ 241,429	$ 317,403	$ 68,077	$ 43,644	$ 115,210
New Industrial	593,493	329,437	192,691	194,646	227,719
New Other	108,426	155,411	109,191	186,038	79,601
Com. Alterations/Additions	819,040	992,668	628,230	892,656	993,782
Total Nonresidential	$ 1,762,388	$ 1,794,919	$ 998,189	$ 1,316,984	$ 1,416,312
New Dwelling Units					
Single Family	1,867	1,871	1,152	1,589	1,175
Multiple Family	6,540	4,145	2,610	4,494	3366
TOTAL	8,407	6,016	3,762	6,083	4,541

Source: Construction Industry Research Board, Building Permit Summary.

Provided below are the building permits and valuations for the City of San Ramon and the County of Contra Costa for calendar years 2018 through 2022.

CITY OF SAN RAMON
Total Building Permit Valuations
(Valuations in Thousands)

	2018	2019	2020	2021	2022
Permit Valuation					
New Single-family	$ 68,425	$ 35,588	$ 16,080	$ 11,401	$ 18,317
New Multi-family	0	3,267	10,288	14,498	45,587
Res. Alterations/Additions	14,727	10,989	9,565	8,020	13,000
Total Residential	$ 83,152	$ 49,844	$ 35,933	$ 33,919	$ 76,904
New Commercial	$ 2,654	$ 1,175	$ 0	$ 724,437	$ 1,182
New Industrial	4,941	6,522	138	50	16,661
New Other	7,139	8,821	4,007	1,660	4,404
Com. Alterations/Additions	43,397	43,427	19,960	12,737	6,561
Total Nonresidential	$ 58,131	$ 59,945	$ 24,105	$ 738,884	$ 28,808
New Dwelling Units					
Single Family	163	78	34	26	47
Multiple Family	0	20	40	53	214
TOTAL	163	98	74	79	261

Source: Construction Industry Research Board, Building Permit Summary.

COUNTY OF CONTRA COSTA
Total Building Permit Valuations
(Valuations in Thousands)

	2018	2019	2020	2021	2022
Permit Valuation					
New Single-family	$ 576,115	$ 502,567	$ 458,503	$ 605,008	$ 492,220
New Multi-family	169,460	213,697	203,966	273,035	180,262
Res. Alterations/Additions	337,089	300,066	213,069	264,419	330,704
Total Residential	$ 1,082,664	$ 1,016,330	$ 875,538	$ 1,142,462	$ 1,003,186
New Commercial	$ 37,945	$ 52,597	$ 126,049	$ 64,512	$ 20,730
New Industrial	313,343	80,728	76,593	65,003	62,580
New Other	91,465	99,083	79,031	107,612	151,981
Com. Alterations/Additions	287,139	240,542	142,395	144,697	271,701
Total Nonresidential	$ 729,892	$ 472,950	$ 424,068	$ 381,824	$ 506,992
New Dwelling Units					
Single Family	1,647	1,573	1,525	2,229	1,646
Multiple Family	1,161	1,229	1,243	1,695	924
TOTAL	2,808	2,802	2,768	3,924	2,570

Source: Construction Industry Research Board, Building Permit Summary.

Median Household Income

The following table includes certain information concerning median household income.

MEDIAN HOUSEHOLD INCOME
ALAMEDA COUNTY, STATE AND U.S.

Year	Alameda County	California	National
2013	72,128	60,794	53,585
2014	76,996	60,487	53,657
2015	81,462	63,636	56,516
2016	89,472	66,637	59,039
2017	95,550	70,038	61,136
2018	101,744	70,489	63,179
2019	107,589	78,105	68,703
2020	113,518	77,652	68,010
2021	108,971	81,575	70,784

Source: U.S. Census Bureau

Taxable Transactions

Summaries of historic taxable sales within the cities of San Ramon, Dublin, Livermore and Pleasanton, and the County of Alameda during the past five years in which data is available are shown in the following tables. Annualized figures are not yet available for 2023.

CITY OF DUBLIN
Taxable Transactions
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2022	847	$ 1,495,035	1,436	$ 2,234,322
2021	824	1,457,920	1,407	2,060,608
2020	848	1,270,427	1,455	1,634,332
2019	825	1,566,485	1,383	1,978,512
2018	843	1,603,403	1,387	1,983,176

Source: State Board of Equalization.

CITY OF PLEASANTON
Taxable Transactions
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2022	1,917	$ 1,466,944	3,344	$ 2,188,236
2021	2,007	1,353,697	3,406	1,978,074
2020	2,193	1,034,756	3,689	1,603,973
2019	2,258	1,364,391	3,702	2,020,319
2018	2,204	1,384,499	3,567	1,977,356

Source: State Board of Equalization.

CITY OF LIVERMORE
Taxable Transactions
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2022	1,503	$ 2,101,808	2,869	$ 3,215,979
2021	1,479	1,913,054	2,815	2,918,391
2020	1,545	1,504,570	2,947	2,371,274
2019	1,530	2,007,112	2,901	2,962,663
2018	1,501	1,980,658	1,305	936,346

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Board of Equalization.

ALAMEDA COUNTY
Taxable Transactions
Number Of Permits And Valuation Of Taxable Transactions
(Dollars In Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2018	27,816	$ 22,857,349	47,402	$ 35,073,302
2019	28,375	21,921,742	49,197	35,116,163
2020	28,831	19,931,258	50,461	32,176,001
2021	26,964	22,602,772	47,656	37,935,594
2022	27,010	23,910,667	48,059	44,323,668

Source: California Department of Tax and Fee Administration

CITY OF SAN RAMON
Taxable Transactions
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2022	915	$ 740,347	1,789	$ 1,114,572
2021	895	624,318	1,756	885,763
2020	997	534,138	1,966	786,486
2019	970	629,782	1,881	931,091
2018	929	597,462	1,778	851,100

Source: State Board of Equalization.

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Agency believes to be reliable, but the Agency takes no responsibility for the accuracy or completeness thereof. The Agency cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2023 Bonds, (b) 2023 Bonds representing ownership interest in or other confirmation or ownership interest in the 2023 Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2023 Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Agency and the Underwrites of the 2023 Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, or interest in the 2023 Bonds.

General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2023 Bonds. The 2023 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2023 Bond will be issued for each maturity of the 2023 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The foregoing internet address is included for reference only, and the information on this internet site is not incorporated by reference herein.

Purchases of 2023 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2023 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2023 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2023 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2023 Bonds, except in the event that use of the book-entry system for the 2023 Bonds is discontinued.

To facilitate subsequent transfers, all 2023 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2023 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2023 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2023 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 2023 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2023 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency (or the Trustee on behalf thereof) as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2023 Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the 2023 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2023 Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2023 Bonds are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the 2023 Bonds will be printed and delivered.

APPENDIX E

FORM OF BOND COUNSEL OPINION

[Closing Date]

Livermore Valley Water Financing Authority
Livermore, California

Re: $28,795,000 Livermore Valley Water Financing Authority Water Revenue Bonds, 2023 Series A

Ladies and Gentlemen:

We have acted as bond counsel to the Livermore Valley Water Financing Authority (the "Agency") in connection with the issuance of $28,795,000 aggregate principal amount of Livermore Valley Water Financing Authority Water Revenue Bonds, 2023 Series A (the "Bonds"), issued pursuant to the Trust Agreement, dated as of April 1, 2018, as supplemented by the First Supplemental Trust Agreement, dated as of November 1, 2023 (collectively, the "Trust Agreement"), each between the Authority and U.S. Bank Trust Company, National Association, as successor trustee (the "Trustee"). The Bonds are secured by a pledge of Revenues, consisting primarily of installment sale payments to be made by the Alameda County Flood Control and Water Conservation District, Zone 7 (the "Agency"), pursuant to the 2018 Installment Sale Agreement, dated as of April 1, 2018, as supplemented and amended by the First Supplemental Installment Sale Agreement, dated as of November 1, 2023 (collectively, the "Installment Sale Agreement"), each by and between the Agency and the Authority. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, the Installment Sale Agreement, the Tax Certificate of the Authority, dated the date hereof (the "Tax Certificate"), opinions of counsel to the Authority, the Agency, and the Trustee, certificates of the Authority, the Agency, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority or the Agency. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.

2. The Trust Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts held

by the Trustee in any fund or account established pursuant to the Trust Agreement (other than amounts on deposit in the 2023 Rebate Fund), subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.

3. The Installment Sale Agreement has been duly executed and delivered by the Agency and the Authority, and constitutes the valid and binding obligation of the Agency and the Authority.

4. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals; however, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed on such corporations.

5. Interest on the Bonds is exempt from State of California personal income tax.

6. The amount by which a Holder's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes "amortizable bond premium" which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Holder's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Holder realizing a taxable gain when a Bond is sold by the Holder for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Holder. Purchasers of the Bond should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions that are expressed herein as to the exclusion from gross income of the interest on the Bonds are based upon certain representations of fact and certifications made by the Agency and others and are subject to the condition that the Agency complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to assure that interest on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Agency has covenanted to comply with all such requirements.

The opinions that are expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds terminates on the date of their issuance. The Trust Agreement, Installment Sale Agreement and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the exclusion from gross income of interest on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Trust Agreement, Installment Sale Agreement and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

By delivering this opinion, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the Bonds, the Trust Agreement or the Installment Sale Agreement, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Trust Agreement or the Installment Sale Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on any assets thereunder.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and expressly disclaim any duty to advise the holders of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Alameda Flood Control and Water Conservation District, Zone 7 (the "Agency") in connection with the issuance of $28,795,000 Livermore Valley Water Financing Authority Water Revenue Bonds, 2023 Series A (the "Bonds"). The Bonds will be issued pursuant to a Trust Agreement, as supplemented as of November 1, 2023 (as supplemented, the "Trust Agreement") by and between Livermore Valley Water Financing Authority and U.S. Bank Trust Company, National Association, as trustee for the Bonds (the "Trustee"). In connection therewith the Agency covenants and agrees as follows:

SECTION 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (hereinafter defined).

SECTION 2. Definitions. In addition to the definitions set forth above and in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

"Financial Obligation" shall mean: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term "Financial Obligation" does not include municipal securities (as such term is defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as such term is defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Listed Event" shall mean any of the events listed in Section 5(a) and 5(b) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

"Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Effective July 1, 2010, the Repository approved by the Securities and Exchange Commission is the Municipal Securities Rulemaking Board through its EMMA System.

"Rule" shall mean Rule 15c2-l2(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"SEC" shall mean the United States Securities and Exchange Commission.

"State" shall mean the State of California.

"Participating Underwriter" shall mean the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

SECTION 3. Provision of Annual Reports.

(a) The Agency shall, not later than the April 15th after the end of the Agency's Fiscal Year (presently June 30), commencing with the report for the 2022-23 Fiscal Year, provide to the Repository, in an electronic format and accompanied by identifying information all as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Agency's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

(b) If the Agency is unable to provide to the Repository an Annual Report by the date required in subsection (a), the Agency shall send to the Municipal Securities Rulemaking Board and to the Repository in a timely manner a notice in substantially the form attached hereto as Exhibit A.

SECTION 4. Content of Annual Reports. The Agency's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Agency for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board; provided, that if the Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An annual updating (to reflect the most recently completed fiscal year) of the information of the type set forth in the Official Statement for the Bonds, dated October 24, 2023:

1. Table 3 – Historical Water Deliveries

2. Table 4 – Historical Water Supply and Demand

3. Table 11 – Adopted Treated Water Rates

4. Table 12 - Agency Receipts from Water Customers for Treated Water

5. Table 14 – Water Connection Fees

6. Table 15 – Historical Actual Connections and Total Revenue from Water Connection Fees

7. Table 17 – Historical Operating Results

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to the MSRB.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) business days after the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

6. Tender offers;

7. Defeasances;

8. Rating changes;

9. Bankruptcy, insolvency, receivership or similar event of the obligated person; or

(Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.)

10. Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the Agency, any of which reflect financial difficulties; and

(b) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Unless described in paragraph 5(a)(5), adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

2. Modifications to rights of Bond holders;

3. Bonds calls;

4. Release, substitution, or sale of property securing repayment of the Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee.

8. Incurrence of a Financial Obligation of the Agency or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the Agency, any of which affect security holders.

(c) Whenever the Agency obtains knowledge of the occurrence of a Listed Event described in subsection (b), the Agency shall determine if such event would be material under applicable federal securities laws.

(d) If the Agency determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the Agency shall file a notice of such occurrence with the Repository in a timely manner not more than ten (10) business days after the event.

SECTION 6. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Certificate shall terminate (a) upon the legal defeasance, prior redemption or payment in full of all of the Bonds, or (b) if, in the opinion of nationally recognized bond counsel, the Agency ceases to be an "obligated person" (within the meaning of the Rule) with respect to the Bonds or the Bonds otherwise cease to be subject to the requirements of the Rule. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived; provided, that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Agency shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Agency. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(d), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 8. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate, any Participating Underwriter or any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance hereunder.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Participating Underwriter and the Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: November 7, 2023.

Alameda Flood Control and Water Conservation District, Zone 7

By____
Authorized Representative

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligated Person: Alameda Flood Control and Water Conservation District, Zone 7

Name of Issue: $28,795,000 Livermore Valley Water Financing Authority Water Revenue Bonds, 2023 Series A

Date of Issuance: November 7, 2023

NOTICE IS HEREBY GIVEN that the Alameda Flood Control and Water Conservation District, Zone 7 (the "Agency") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate executed by the Agency on November 7, 2023. The Agency anticipates that the Annual Report will be filed by __________.

Dated: __________

Alameda Flood Control and Water Conservation District, Zone 7

By____
Authorized Representative

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APPENDIX G

SUMMARY OF CERTAIN PROPOSED AMENDMENTS TO INSTALLMENT SALE AGREEMENT

The following is a summary of certain proposed amendments to the 2018 Installment Sale Agreement as set forth in First Supplemental Installment Sale Agreement. This summary does not purport to be comprehensive and reference should be made to the First Supplemental Installment Sale Agreement for a full and complete statement of the provisions thereof.

The amendments described in this Appendix G will not become effective until following the date that the consent of Holders of a majority in principal amount of the Bonds then Outstanding has been obtained by the Trustee and the Trustee has provided written consent to such amendments (the "Amendments Effective Date") as described under the caption "FUTURE AMENDMENTS OF THE INSTALLMENT SALE AGREEMENT" in the Official Statement. By their purchase of the 2023 Bonds, the purchasers of 2023 Bonds consent to the provisions of such amendments.

Capitalized terms used and not defined in this Appendix G will have the meanings ascribed thereto in Appendix B to the Official Statement under the caption "CERTAIN DEFINITIONS."

This Appendix G describes the definitions that will be added and the modifications to existing definitions and provisions of the 2018 Installment Sale Agreement through the proposed amendments. Set forth below is a comparison of the current definition and provisions in the 2018 Installment Sale Agreement against the amendments to such definitions and provisions that will become effective on the Amendments Effective Date. In this Appendix G, blue underlining indicates additions and ~~red strikethrough~~ indicates deletions.

ADDITIONAL DEFINITIONS

Excluded Principal

"Excluded Principal" means each payment of principal of any Bond or Contract for which there is on file with the Trustee (i) a certificate of an Independent Consultant to the effect that such Bond or Contract is commercial paper or otherwise of a revolving or short-term nature and has a maturity of 60 months or less and (ii) a certificate of the General Manager of the Agency or the Finance to the effect that the Agency intends to pay such principal from the proceeds of Bonds or Contracts or other bonds, notes or other obligations of the Agency. No such determination shall affect the security for such Bonds or Contracts or the obligation of the Agency to pay such Bonds or Contracts from Net Water Revenues.

Operation and Maintenance Obligation

The term "Operation and Maintenance Obligation" means any contractual obligation with respect to any facilities, properties, structures, works, services, water or rights to receive water, or any loan of credit to or guaranty of debts, claims or liabilities of any other person (including a joint powers agency of which the Agency is a member) with respect to any facilities, properties, structures, works, services, water or rights to receive water, so long as in each case the payments thereunder are designated as Operation and Maintenance Costs by the Board of Directors of the Agency. Bonds and Contracts shall not constitute Operation and Maintenance Obligations.

AMENDED DEFINITIONS

Debt Service

"Debt Service" means, for any Fiscal Year, the sum of (1) the interest accruing during such Fiscal Year on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), (2) that portion of the principal amount of all outstanding serial Bonds maturing on the next succeeding principal payment date that would have accrued during such Fiscal Year if such principal amount were deemed to accrue daily in equal amounts from the next preceding principal payment date or during the year preceding the first principal payment date, as the case may be <u>(other than Excluded Principal)</u>, (3) that portion of the principal amount of all outstanding term Bonds required to be redeemed or paid on the next succeeding redemption date (together with the redemption premiums, if any, thereon) that would have accrued during such Fiscal Year if such principal amount (and redemption premiums) were deemed to accrue daily in equal amounts from the next preceding redemption date or during the year preceding the first redemption date, as the case may be <u>(other than Excluded Principal)</u>, and (4) that portion of the Installment Sale Payments required to be made at the times provided in the Contracts that would have accrued during such Fiscal Year if such Installment Sale Payments were deemed to accrue daily in equal amounts from, in each case, the next preceding Installment Sale Payment Date of interest or principal or the date of the pertinent Contract, as the case may be <u>(except to the extent the interest evidenced and represented thereby is capitalized or the principal thereof is Excluded Principal)</u>; provided, that (a) if any of such Bonds are Capital Appreciation Bonds or if the Installment Sale Payments due under any of such Contracts are evidenced by Capital Appreciation Certificates, then the Accreted Value payment shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond or Capital Appreciation Certificate; (b) if any of such Bonds or if the Installment Sale Payments due under any such Contracts bear interest payable pursuant to a variable interest rate formula, the interest rate on such Bonds or such Contracts for periods when the actual interest rate cannot yet be determined, shall be assumed to be equal to the greater of (i) the actual rate on the date of calculation, or if such Bonds or Contracts are not yet outstanding, the initial rate (if then established and binding), <u>and</u> (ii) if the Bonds or Contracts have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation~~, and (iii)(1) if interest on such Bonds or Contracts is excludable from gross income under the applicable provisions of the Code, the most recently published "Bond Buyer 25 Bond Revenue Index" (or comparable index if no longer published) plus fifty (50) basis points, or (2) if interest is not so excludable, the interest rate on direct U.S. Treasury obligations with comparable maturities plus fifty (50) basis points~~; (c) if any of such Bonds or Contracts is secured by an irrevocable letter of credit issued by a bank having a combined capital and surplus of at least one hundred million dollars ($100,000,000), the principal payments or deposits with respect to such Bonds or Contracts nominally due in the last Fiscal Year in which such Bonds or Contracts mature may, at the option of the Agency, be treated as if they were due as specified in any loan agreement or reimbursement agreement issued in connection with such letter of credit or pursuant to the repayment provisions of such letter of credit and interest on such Bonds or Contracts after such Fiscal Year shall be assumed to be payable pursuant to the terms of such loan agreement or reimbursement agreement or repayment provisions and (d) if any of such Bonds or Contracts is not secured by a letter of credit as described in clause (c) of this definition and 20% or more of the original principal of such Bonds or the Installment <u>Sale</u> Payments due under such Contracts is not due until the final stated maturity of such Bonds or the Installment <u>Sale</u> Payments due under such Contracts, such principal may, at the option of the Agency, be treated as if it were due based upon a level amortization of such principal over the term of such Bonds or Installment <u>Sale</u> Payments or twenty-five (25) years, whichever is greater.

<u>Operation and Maintenance Costs</u>

"Operation and Maintenance Costs" means the reasonable and necessary costs paid or incurred by the Agency for maintaining and operating the Water System, determined in accordance with Generally Accepted Accounting Principles, including all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including all administrative costs of the Agency that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the Agency or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the issuance of any Bonds or of such Bonds, or of any resolution authorizing the execution of any Contract or of such Contract, such as compensation, reimbursement and indemnification of the trustee for any such Bonds or Contracts and fees and expenses of Independent

Consultants, Insurance Consultants and the Finance Officer and all amounts payable with respect to Operation and Maintenance Obligations, but excluding in all cases (1) depreciation, replacement and obsolescence charges or reserves therefor, (2) amortization of intangibles and intragovernmental transfers by the Agency which are not reimbursements or payments for overhead or other administrative expenses incurred by the Agency, (3) interest expense and (4) amounts paid from other than Water Revenues (including, but not limited to, amounts paid from the proceeds of ad valorem property taxes).

AMENDED PROVISIONS

Additional Bonds and Contracts. The Agency may at any time (i) issue any Bonds the payments under and pursuant to which, or (ii) execute any Contract the Installment Sale Payments under and pursuant to which, as the case may be, are payable from the Net Water Revenues on a parity with the payment by the Agency of the ~~2018~~ Installment Sale Payments as provided herein; provided, that prior to the issuance of such Bonds or the execution and delivery of such Contract the Agency shall file a written certificate of the Agency with the Authority and the Trustee to the effect that:

(a) the Agency is in compliance with all agreements and covenants contained herein; and ~~either~~

(b) the audited Adjusted Net Water Revenues for the Fiscal Year or for any more recent consecutive 12-month period designated by the Agency next preceding the date of the adoption by the Board of Directors of the Agency of the resolution authorizing the issuance of such Bonds or the execution of such Contract, ~~as the case may be (as evidenced by a calculation prepared by the Agency and confirmed by an Independent Consultant's Report accompanying such written certificate of the Agency) shall be not less than one hundred twenty percent (120%) of the Maximum Annual Debt Service on all Bonds and Contracts outstanding after the issuance of such Bonds or the execution of such Contracts, as applicable; or~~

~~(c) the projected Adjusted Net Water Revenues for any one of the next three full Fiscal Years (beginning with the full Fiscal Year following the issuance of such Bonds or the execution of such Contract,~~ as the case may be, ~~or, if later,~~including adjustments to give effect as of the first ~~full~~day of such Fiscal Year ~~in which less than ten percent (10%) of the interest coming due on such Bonds or such Contract is to be paid from~~to increases or decreases in rates and charges for Water Service approved and in effect as of the ~~proceeds~~date of ~~such Bonds or Contract),~~ calculation (as evidenced by a calculation prepared by the Agency and confirmed by an Independent Consultant's Report accompanying such written certificate of the Agency~~, are projected to be at least equal to the sum of~~) shall be not less than one hundred twenty percent (120%) of the ~~Maximum Annual~~ Debt Service for such Fiscal Year plus the Debt Service which would have accrued on ~~all Bonds and~~any Contracts ~~outstanding after~~executed or Bonds issued since the ~~issuance~~end of such Fiscal Year assuming such Contracts had been executed or Bonds ~~or~~had been issued at the ~~execution of such Contract, as the case may be. For purposes of such calculations, Water Revenues shall reflect only rate increases adopted by the Board of Directors of the Agency that would be in effect in~~beginning of such Fiscal Year, plus the Debt Service which would have accrued had such Contract been executed or Bonds been issued at the beginning of such Fiscal Year.

Notwithstanding the foregoing provisions, there shall be no limitations on the ability of the Agency to execute any Contract or to issue any Bonds at any time to refund any outstanding Bonds or any outstanding Contract, or to execute and deliver Reimbursement Agreements.

Amount of Rates, Fees and Charges. ~~The~~(a) To the fullest extent permitted by law, the Agency ~~will at all times~~shall fix and prescribe, at the commencement of each Fiscal Year, rates, fees and charges for the Water Service, which ~~will~~together with other Water Revenues, are reasonably expected to be at least sufficient to yield ~~Net Water Revenues~~ during ~~the next succeeding~~such Fiscal Year ~~of the Agency~~Net Water Revenues equal to one hundred twenty ~~per cent~~percent (120%) of the Debt Service for such Fiscal Year. The Agency may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the Net Water Revenues ~~from~~after such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this ~~section~~Section.

(b) For avoidance of doubt, so long as the Agency has complied with its obligations set forth in clause (a) above, the failure of Net Water Revenues to meet the threshold set forth above at the end of a Fiscal Year shall not constitute a default or an Event of Default, so long as the Agency has complied with (a) above at the commencement of the succeeding Fiscal Year.

LIVERMORE VALLEY WATER FINANCING AUTHORITY • Water Revenue Bonds, 2023 Series A

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