

CONTINUING DISCLOSURE ANNUAL REPORT

FISCAL YEAR ENDING JUNE 30, 2021

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



Livermore Valley Water Financing Authority



**Zone 7 Water Agency
100 North Canyons Parkway
Livermore, CA 94551**

**Continuing Disclosure
Annual Report for Fiscal Year Ending June 30, 2021**

This Continuing Disclosure Annual Report has been prepared to satisfy the continuing disclosure undertakings of the Alameda County Flood Control and Water Conservation District, Zone 7 (the “Agency”), in connection with the following obligations (the “Obligations”):

\$64,010,000 Livermore Valley Water Financing Authority Water Revenue Bonds, 2018 Series A (the “2018 Bonds”)

In accordance with the provisions of Rule 15c2-12 of the Securities and Exchange Commission and the continuing disclosure obligations of the Agency, this Continuing Disclosure Annual Report is being filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) website for the benefit of the owners of the Obligations. All capitalized terms used herein shall have the meanings set forth in the respective continuing disclosure obligations for the issues.

The audited financial statements of the Agency for the Fiscal Year ending June 30, 2021, have previously been filed on EMMA. Information contained in this Report has been excerpted from the audited financial statements and/or provided by the responsible department of the Agency. The data herein is subject to revision or restatement.

The COVID-19 pandemic has had minimal impact on the operations and finances of the Agency. To comply with local and CDC guidelines, the Agency encouraged staff to work remotely, if possible. Given the Agency provides essential services to the community, the Agency implemented additional safety measures, including requirements for handwashing and practicing “social distancing” in the performance of those essential duties that cannot be done by staff remotely.

Water sales revenue increased as compared to FY 2019-20 due to water rate increases implemented on January 1, 2020. This rate increase adjusted the fixed water rate component from 40% to 42.5%. Water rates for calendar year 2021 were maintained at the same level as calendar year 2020 rates. On September 1, 2021, the Agency’s Board of Directors declared a state of drought emergency within its service area. The drought declaration implemented a mandatory 15% reduction in treated water use. As of March 31, 2022, the Agency continues to keep the mandatory conservation provisions in place. Additionally, effective January 1, 2022, treated water rates increased by 6.7%.

Although the Agency has experienced increased water sales revenue as described above, connection fee revenues have continued to decline likely due to slower construction and development in the service area due to the COVID-19 pandemic. Agency staff continue to closely monitor connection fee revenue and is in contact with surrounding cities to stay abreast on upcoming development within the Agency’s service area. Despite COVID-19 pandemic challenges, as shown in the Historical Operating Results contained in this Report, the Agency’s debt service coverage for fiscal year 2020-21 is 4.9x.

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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.

HISTORICAL WATER DELIVERIES

	2017		2018		2019		2020		2021	
	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	9,007	4,538	10,410	3,497	10,328	3,496	11,745	3,109	10,627	3,331
DSRSD	8,664	645	9,231	645	9,506	645	10,320	645	10,007	645
CalWater	6,273	1,878	6,145	2,396	8,165	996	8,760	1,063	7,746	1,388
Livermore	5,326	0	5,909	0	5,930	0	6,550	0	6,410	-
Direct Customers ⁽²⁾	905		930		980	0	730	0	200	-
Subtotal	30,175	7,061	32,625	6,538	34,909	5,137	38,105	4,817	34,990	5,364
Untreated Water	4,555		5,390		4,520		5,814		6,000	
Total	34,730	7,061	38,015	6,538	39,429	5,137	43,919	4,817	40,990	5,364

(1) Retail GW is refers to Retailer Groundwater Pumping Quota.

(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 Went Brothers.

Source: Zone 7 Water Agency

HISTORICAL WATER SUPPLY AND DEMAND

SUPPLIES (acre-feet)	2017	2018	2019	2020	2021
State Water Project, Table A	68,500	28,200	60,500	16,100	4,030
Yuba Accord/Other ⁽¹⁾	710	2,700	0	7,110	9,330
Byron Bethany Irrigation District	0	0	0	0	0
Arroyo Valle ⁽²⁾	9,520	1,200	1,000	8,580	950
Groundwater	4,610	5,260	9,910	11,440	14,620
State Water Project – Carryover	2,940	15,700	2,640	10,810	8,200
Kern County Groundwater Banks	0	0	0	1,000	10,400
Total Supplies	86,280	53,060	74,050	55,040	47,530
DEMANDS (acre-feet)					
Retailer Demand	29,703	32,360	34,574	38,020	35,350
Untreated Water Demand	4,560	5,390	4,520	5,810	6,000
Direct Retail Demand	905	930	980	730	200
Groundwater Recharge	9,050	4,500	3,620	1,430	200
Kern County Groundwater Banks Recharge	30,000	0	18,900	0	0
State Water Project Carryover or Other Storage	10,040	7,801	10,840	8,870	5,620
Transmission System Loss	2,022	2,080	616	180	160
Total Demands	86,280	53,060	74,050	55,040	47,530
Supplies in Storage (End of the Year) ⁽³⁾					
SWP Carryover	10,100	7,100	10,840	8,870	5,620
Arroyo Valle Carryover	5,600	1,200	8,100	20	2,300
Groundwater-Emergency	128,000	128,000	128,000	128,000	128,000
Groundwater-Operational	109,000	118,000	122,000	115,000	102,000
Kern Banks	104,100	104,100	117,130	116,130	105,680
Total Supplies in Storage	356,800	358,400	386,070	368,020	343,600

(1) Other includes sources such as, Dry Year Transfer Program, River Garden Farms and Turnback Pool.

(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.

ADOPTED WATER RATES

<i>Calendar Year</i>	<i>Volume-Based Treated Water Rate per AF</i>	<i>Total Annual Fixed Charges*</i>
2018	888	15,849,610
2019	876	19,363,098
2020	915	21,497,919
2021	915	21,497,919
2022	897	25,716,705

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

**AGENCY RECEIPTS FROM WATER CUSTOMERS FOR TREATED WATER
(Fiscal Year)**

Customer	2016-17	2017-18	2018-19	2019-20	2020-21
California Water Service Company	\$ 8,211,286	\$ 9,069,203	\$ 9,493,706	\$ 12,014,679	\$12,124,100
City of Livermore	7,549,062	8,439,773	8,288,029	9,160,161	9,926,184
City of Pleasanton	13,354,894	14,922,955	14,040,043	16,943,894	16,854,193
Dublin San Ramon Services District	12,216,755	13,791,425	13,679,135	15,180,076	16,024,984
Direct Customers ⁽¹⁾	1,084,045	1,040,297	1,257,655	1,500,014	992,484
Temporary Treated Water	2,297	1,271	1,868	1,953	2,767
Treated Water Total	\$ 42,418,339	\$ 47,264,922	\$ 46,760,435	\$ 54,800,778	\$55,924,711
Untreated Water Total	557,621	595,222	680,157	976,430	1,087,773
Grand Total	\$ 42,975,960	\$ 47,860,144	\$ 47,440,592	\$ 55,777,208	\$57,012,484

(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 Wentz Brothers.

CALENDAR YEAR 2022 WATER CONNECTION FEES

<u>Fee Factor</u>	<u>Connection Fee (Alameda County)</u>	<u>Connection Fee (Dougherty Valley)</u>
1.0	\$31,910	\$30,620

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

**HISTORICAL ACTUAL CONNECTIONS AND TOTAL REVENUE
FROM WATER CONNECTION FEES**

<u>Fiscal Year</u>	<u>EQUIVALENT CONNECTIONS (5/8" Meter)</u>	<u>ACTUAL REVENUE</u>
2016-17	1,338	\$33,128,281
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

Source: Zone 7 Water Agency Finance Department

**HISTORICAL OPERATING RESULTS
FISCAL YEAR ENDING JUNE 30**

	2016-17	2017-18	2018-19	2019-20	2020-21
Operating Revenues					
Water Sales ⁽¹⁾	\$ 42,975,960	\$ 47,860,145	\$ 47,440,592	\$ 55,777,208	\$ 57,012,484
Connection and development fees ⁽²⁾	33,128,280	35,434,462	34,068,092	22,461,926	13,609,527
Charges for Services ⁽²⁾	1,201,296	609,191	620,503	500,371	313,607
Intergovernmental Revenues ⁽³⁾	6,666,935	3,495,215	3,466,308	2,950,774	2,837,374
Interest and rental income	830,347	1,763,601	4,607,135	3,727,928	883,253
Other Revenues ⁽³⁾	404,044	402,364	1,030,920	1,192,390	311,257
Total Revenues	\$ 85,206,862	\$ 89,564,978	\$ 91,233,550	\$ 86,610,597	\$ 74,967,502
Maintenance & Operations Costs					
Labor Costs ⁽⁴⁾	\$ 17,158,105	\$ 16,407,779	\$ 16,274,184	\$ 16,410,798	\$ 16,897,321
Contractual Services ⁽⁵⁾	2,999,280	3,571,533	2,567,392	5,297,933	4,764,669
Technical Supplies	120,612	147,995	181,601	277,074	440,665
Chemical Purchases	1,767,573	1,940,215	2,085,082	2,556,168	1,793,501
Water Purchases ⁽⁶⁾	22,088,330	21,705,318	21,201,472	19,395,676	21,252,275
Water Storage ⁽⁷⁾	2,068,664	3,723,168	755,911	1,282,526	1,179,750
Utilities	1,414,039	1,667,619	2,544,052	2,521,296	3,203,479
Maintenance and Repairs	1,093,932	1,405,705	1,592,006	1,950,838	1,608,859
Equipment and Building Rents	953,053	53,130	72,391	60,504	72,727
Other Services and Supplies	2,103,060	2,300,609	2,114,868	1,856,461	2,955,896
Total Operating Expenses	\$ 51,766,648	\$ 53,507,401	\$ 49,388,959	\$ 51,609,274	\$ 54,169,142
Net Revenues	\$ 33,440,214	\$ 36,057,577	\$ 41,844,591	\$ 35,001,322	\$ 20,798,360
Debt Service	-	\$ 919,498	\$ 2,310,542	\$ 4,213,913	\$ 4,212,038
Debt Service Coverage Ratio	NA	39.21x	18.11x	8.31x	4.94x

(1) Water Sales Revenue is comprised of treated and untreated water revenue. Fiscal Year 2016-17 includes a temporary surcharge revenue. Fiscal Years 2016-17 through Fiscal Year 2020-21 include treated water fixed charges and volume-based rates.

(2) Connection Fees and Development Impact Fees include water connection fees. Charges for Services include Dougherty Valley Facility Use Fees.

(3) Intergovernmental revenue includes California Department of Water Resources (DWR) refunds and grant proceeds.

(4) Labor costs include salaries, wages, and benefits. Governmental Accounting Standard Board Statement No. 68 was implemented in FY 2015-16. Pension expense is included in the Annual Comprehensive Financial Reports but excluded from the historical operating results table. Governmental Accounting Standard Board Statement No. 75 was implemented in FY 2017-18. Other post employee benefits (OPEB) expense is included in the Annual Comprehensive Financial Reports but excluded from the historical operating results table.

(5) Contractual Services includes Professional Services, County Services and Risk Management.

(6) Water purchases include water purchases from DWR and capital payments for the South Bay Aqueduct Improvement and Enlargement Project.

(7) For Fiscal Year 2015-16 through FY 2017-18, water storage included costs associated with Cawelo and Semitropic groundwater banking including recovery, storage, operations & maintenance, and capital payments of \$1.3M (Cawelo) and \$0.05M (Semitropic). The Annual Comprehensive Financial Report for FY 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 2017-18, the Semitropic capital obligation was paid and 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: Zone 7 Water Agency