

ZONE 7 WATER AGENCY

ADOPTED TWO-YEAR BUDGET | FISCAL YEARS 2022-24

100 North Canyons Parkway
Livermore, CA 94551
(925) 454-5000
www.zone7water.com

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Two-Year Budget for Fiscal Years 2022-2023 & 2023-2024

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Zone 7 Water Agency
Two-Year Budget for Fiscal Years 2022-24

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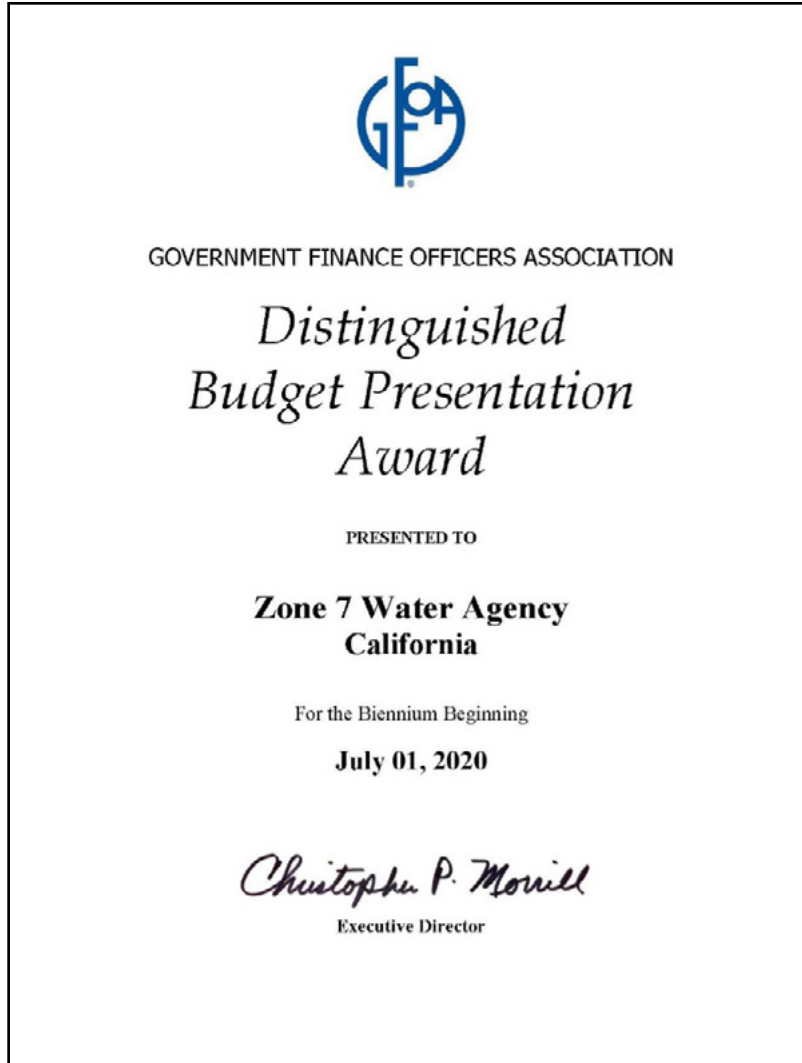
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The Government Finance Officers Association of the United States and Canada (GFOA) presented the Distinguished Budget Presentation Award to Zone 7 Water Agency for its two-year Budget beginning July 1, 2020.

The award is valid for a period of two years. The Agency's FY 2020-22 Budget Book is the sixth consecutive budget, produced by the Agency, that has earned this highest form of recognition in governmental budgeting.

The GFOA established the Distinguished Budget Presentation Awards Program (Budget Awards Program) in 1984 to encourage and assist state and local governments to prepare budget documents of the very highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's best practices on budgeting. The Budget Rewards Program also recognizes individual governments that succeed in achieving that goal.



The California Society of Municipal Finance Officers (CSMFO) presented an Operating Budgeting Excellence Award to Zone 7 Water Agency for its Annual Budget beginning July 1, 2020. In order to receive this award, a governmental body must publish a budget document that meets programmatic criteria as a policy document, an operations guide, a financial plan and a communication device.

This award is valid for one year. The Agency's FY 2020-22 Budget is the fifth consecutive budget that has achieved this prestigious award. The Agency has a two-year budget cycle, therefore the award will be competed for every other year.



AGENCY INTRODUCTION

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

June 16, 2022

Dear Directors,

It is my pleasure to introduce this award-winning budget publication which provides detailed information designed to provide deep understanding of both the Agency's current operations and future direction.

This document details Zone 7 Water Agency Two-Year Budget for the period July 1, 2022, through June 30, 2024, which was adopted by vote in Board Resolution No. 22-50 on June 15, 2022.

This budget directly supports the adopted 2020-2024 Zone 7 Water Agency 5-Year Strategic Plan which was adopted on June 17, 2020. The 5-year Strategic Plan establishes the framework to maintain reliable and high-quality water and flood protection service to the Livermore-Amador Valley. The major Strategic Plan Initiatives that are planned to be undertaken over the five-year period are carefully planned for and included in this budget.

The past few years have proven to be challenging with the Coronavirus pandemic and the driest year on record in the Livermore-Amador Valley (2021). Even in these uncertain times, the Agency has continued to provide the highest standard of water quality, reliability, and flood protection. This budget incorporates lessons learned from past experiences, as well as the current significant challenges that face the Agency. The 2018 revamp of the treated water rate structure, to include a fixed charge component, has significantly improved the Agency finances and reduced the Agency's financial risk to prolonged droughts and conservation measures. Our staff continue to provide flood protection and high-quality, life-sustaining water for those who live and work in the Livermore-Amador Valley.

I wish to thank the Board for their structural guidance and consistent fiduciary focus, and Agency staff, all of whom strive to implement the Agency's mission, vision, values, and strategic planning priorities. These serve as the basis for the Agency's efforts as staff diligently work to assure adequate water supplies are available, flood protection is provided, and safe water is delivered.

Respectfully submitted,

Valerie Pryor
General Manager



ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
100 NORTH CANYONS PARKWAY, LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5723

ORIGINATING DIVISION: Administrative Services
CONTACT PERSON: Osborn Solitei

AGENDA DATE: June 15, 2022

SUBJECT: Proposed Two-Year Budget: Fiscal Years 2022-23 and 2023-24

SUMMARY:

- The proposed Two-Year Budget is in support of Strategic Plan Goal G – Fiscal Responsibility: Operate the Agency in a fiscally responsible manner and Strategic Plan Initiative No. 24 – Continue to effectively manage financial resources for the Agency. In carrying out these fiscal responsibilities, staff proposes a biennial budget for the Board’s approval. This proposed Two-Year Budget covers fiscal years (FY) 2022-23 and 2023-24 with a mid-cycle budget review planned for FY 2023-24.
- For the purposes of proposing a budget, assumptions have been made about potential water rates for the upcoming budget years. However, this budget is not the rate-setting process. The actual water rate-setting process will be based on fiscal year ending balances, actual water demands, updated drought conditions, and other such factors.
- Staff presented the proposed budget to the Board at the June 1, 2022 Board Workshop. Based on Board discussion and direction, staff made the following assumption changes to the proposed two-year budget:
 - 1. State Water Project (SWP) Property Tax:** No increase to the SWP property tax for FYs 2022-23 and 2023-24.
 - 2. Water Rates:** Projected water rate increase reduced from 6% to 4% in calendar years (CY) 2023 and 2024.
 - 3. Pension Trust Fund:** Assumes \$152K (\$135K from Fund 100 and \$17K from Fund 200) annual contribution to the pension trust fund for FYs 2022-23 and 2023-24 based on assumed forthcoming amendment to the Funding of Long-Term Pension Liability Policy.
 - 4. Use of Unallocated Fund Balance:** Assumes \$7.9M (from \$8.2M to \$281K) use of unallocated (available) fund balance.
 - 5. Reserves:** Assumes Fund 100 reserves are funded at target levels. No reduction in reserves for economic uncertainties. Use of unallocated fund balance is sufficient to cover the operating impact deficit.
- The Board requested more information and analysis on the following:
 - » Use of the Fund 100 Unallocated Fund Balance and Reserve for Economic Uncertainties

The cash flow table below illustrates use of fund balance over the proposed two year budget. As demonstrated in the table, unallocated (available) fund balance is reduced from the projected \$8.2M at the end of FY 2021-22 to \$281K by the end of FY 2023-24.

Fund 100 – Water Ent. Operations	FY 2022-23	FY 2023-24
Projected Beginning Fund Balance	\$34,812,000 ⁵	\$27,845,000
Add Revenue	\$55,538,000	\$58,644,000
Less Expenses	\$62,505,000	\$61,375,000
Operating Impact (Rev – Exp) ¹	(\$6,967,000)	(\$2,731,000)
Ending Fund Balance	\$27,845,000	\$25,114,000
Less Reserves ²	\$23,055,000	\$23,078,000
Less Pension Trust Fund ³	\$1,620,000	\$1,755,000
Unallocated (Available) Fund Balance ⁴	\$3,170,000	\$281,000

¹When operating impact is negative, expenses exceed revenue and fund balance must be used to meet operational expenses.

²Operating, Emergency, and Reserve for Economic Uncertainties remain fully funded at the target level.

³An annual contribution of \$135,000 assumed each year.

⁴Use of unallocated (available) fund balance has been maximized over the proposed FYs to balance reduction in projected water rate increase from 6% to 4%.

⁵The FY 2022-23 beginning fund balance is based on the FY 2021-22 third quarter projections.

» 20% Conservation Sensitivity Analysis

Based on the results of the sensitivity analysis, for every 1% increase in conservation rate, volume-based revenue decreases by approximately \$300K. If 20% conservation is achieved in FY 2023-24, the unallocated (available) fund balance will drop to \$0 and the reserve for economic uncertainties will be reduced to approximately \$1.4M, \$1.6M below the minimum reserve requirement of \$3M.

- The proposed Two-Year Budget addresses current drought and economic conditions that are outside of the Agency's control. These current conditions have impacted the proposed budget in the following ways:
 - » Reduction in revenue due to continued mandatory conservation measures,
 - » Increased water costs due to low water supply from the SWP 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.
- Due to the drought and economic impacts mentioned above, staff analyzed options to manage and reduce controllable expenses. The proposed Two-Year Budget uses projected FY 2021-22 available fund balances – unallocated funds above the target reserve levels. These projected unallocated fund balances are largely due to increased water sales from low conservation rates and salary savings because of the current 15% vacancy factor. In preparing this proposed Two-Year Budget, the following cost management efforts were taken:
 - » Maximizing use of unallocated fund balance for drought water costs and continued participation in water supply reliability projects (Los Vaqueros Reservoir Expansion, Delta Conveyance),
 - » Reducing the labor budget by the Agency's 15% vacancy rate,
 - » Reviewing a reduction in the labor budget by a 10% vacancy rate should hiring increase, and
 - » Pursuing grants and state/federal loans to fund major capital projects, preserving Agency reserves.

- The table below summarizes the proposed Two-Year Budget for FYs 2022-24. This proposed budget uses projected unallocated fund balances:

Agency-Wide	FY 2022-23	FY 2023-24
Beginning Fund Balance	\$270,382,000 ²	\$274,750,000
Add Revenue	\$147,395,000	\$144,779,000
Less Expenses	\$143,027,000	\$149,523,000
Operating Impact (Rev – Exp) ¹	\$4,368,000	(\$4,744,000)
Ending Fund Balance	\$274,750,000	\$270,006,000

¹When operating impact is negative, expenses exceed revenue and fund balance must be used to meet operational expenses.

²The FY 2022-23 beginning fund balance is based on the FY 2021-22 third quarter projections.

- FY 2022-24 Budget Assumption Highlights include:
 - » **Water Rates:** Based on the requested analysis of water sales revenue assumptions, the projected water rate increase has been reduced from 6% to 4%, including a proposed 45% fixed charge in CYs 2023 and 2024, up from the current 42.5%. These budgeted rate increases are for budgetary purposes only and will be refined through the rate-setting process which will be based on fiscal year-end balances, actual water demands, updated drought conditions, and other such factors.
 - » **Conservation:** Continued 15% conservation in FY 2022-23 and 10% conservation in FY 2023-24. Conservation percentages are based on calendar year 2020 water usage. These conservation estimates are for budgetary purposes only.
 - » **Personnel:** Funding for 100 FTE, reflecting a 15% vacancy rate. The proposed budget also includes the addition of five positions (four positions in Fund 100 and one position in Fund 200).
 - » **SWP Property Tax:** Per Board direction, no increase to the SWP property tax override in FYs 2022-23 and 2023-24 (Fund 110). A 5% increase in property tax assessments has been assumed for FYs 2022-23 and 2023-24 (Fund 200).
 - » **Water Supply Reliability Projects:** Board approved continued and projected future participation in the Delta Conveyance Project, Los Vaqueros Reservoir Expansion Project, and the Sites Reservoir Project.
 - » **Reserve Funds:** All reserve funds will be compliant with the Agency’s current Reserve Policy.

RECOMMENDED ACTION:

Adopt the attached Resolution approving the Two-Year Budget for Fiscal Years 2022-23 and 2023-24.

OPERATING BUDGETS

Fund 100 – Water Enterprise Operations Fund

Primary Funding Source: Water Rates

The purpose of this fund is to ensure the delivery of high-quality drinking and irrigation water to the Livermore-Amador Valley. This operations and maintenance fund includes water treatment and distribution of potable (drinking) water; distribution of untreated agricultural/irrigation water; and surface water and groundwater management. Water distributed is a combination of locally stored and imported water from the SWP. Activities include water treatment; water quality analysis; water resource management; groundwater recharge and protection; maintenance; out-of-area water banking infrastructure; and water supply planning and engineering.

The table below summarizes the proposed Fund 100 Two-Year Budget. This proposed budget uses projected unallocated (available) fund balances from FY 2021-22:

Fund 100 – Water Ent. Operations	FY 2022-23	FY 2023-24
Projected Beginning Fund Balance	\$34,812,000 ⁵	\$27,845,000
Add Revenue	\$55,538,000	\$58,644,000
Less Expenses	\$62,505,000	\$61,375,000
Operating Impact (Rev – Exp) ¹	(\$6,967,000)	(\$2,731,000)
Ending Fund Balance	\$27,845,000	\$25,114,000
Less Reserves ²	\$23,055,000	\$23,078,000
Less Pension Trust Fund ³	\$1,620,000	\$1,755,000
Unallocated (Available) Fund Balance ⁴	\$3,170,000	\$281,000

¹When operating impact is negative, expenses exceed revenue and fund balance must be used to meet operational expenses.

²Operating, Emergency, and Reserve for Economic Uncertainties remain fully funded at the target level.

³An annual contribution of \$135,000 assumed each year.

⁴Use of unallocated (available) fund balance has been maximized over the proposed FYs to balance reduction in budgeted water rate increase from 6% to 4%.

⁵The FY 2022-23 beginning fund balance is based on the FY 2021-22 third quarter projections.

Fund 100 Reserves

Per Resolution No. 19-37, dated May 15, 2019, the Board approved the revised reserve policy. The reserve policy for Fund 100 is summarized in the table below.

Fund 100 Reserves	Policy	
Operating Reserve	Minimum	60 days of budgeted operating expenses
	Target	90 days of budgeted operating expenses
	Maximum	120 days of budgeted operating expenses
Emergency Reserve	Minimum	2% of water enterprise assets
	Target	2.5% of water enterprise assets
	Maximum	3% of water enterprise assets
Reserve for Economic Uncertainties	Minimum	10% of budgeted volume-based water sales
	Target	15% of budgeted volume-based water sales
	Maximum	20% of budgeted volume-based water sales

Fund 100 Detailed Budget

The table below provides a detailed breakdown of the proposed FY 2022-23 and FY 2023-24 Fund 100 budget.

Fund 100 - Water Enterprise Operations	FY 2021-22 Amended Budget	FY 2022-23 Proposed Budget	FY 2023-24 Proposed Budget
Projected Beginning Fund Balance	\$36,291,000	\$34,812,000²	\$27,845,000
Revenue			
Water Sales	55,287,000	55,136,000	58,142,000
Investment Earnings	57,000	200,000	300,000
Other Revenue	237,000	202,000	202,000
Total Revenue	\$55,581,000	\$55,538,000	\$58,644,000
Expenses			
Personnel	18,072,000	16,061,000	16,445,000
Professional Services	4,177,000	2,995,000	2,709,000
County Services	1,682,000	1,277,000	1,813,000
Insurance Services	520,000	575,000	575,000
Legal Services	450,000	340,000	340,000
Water	15,015,000	12,505,000	10,555,000
Chemicals	1,870,000	2,500,000	2,500,000
Utilities	2,835,000	3,500,000	3,500,000
Communications	366,000	213,000	215,000
Maintenance	1,919,000	2,359,000	2,500,000
Cleaning Services	184,000	137,000	148,000
Rental Services	72,000	105,000	104,000
Office Supplies and Other Services	716,000	637,000	329,000
Organizational Memberships	494,000	364,000	362,000
Support Program and Participation	52,000	964,000	873,000
Training and Travel	131,000	143,000	160,000
Water Conservation Program	150,000	223,000	217,000
Equipment	36,000	96,000	91,000
Debt Service	3,124,000	3,124,000	3,127,000
Capital Funding	13,577,000	14,387,000	14,812,000
Total Expenses	\$65,442,000	\$62,505,000	\$61,375,000
Operating Impact (Rev-Exp)	(9,861,000)	(6,967,000)	(2,731,000)
Estimated Ending Fund Balance¹	\$26,430,000	\$27,845,000	\$25,114,000

¹The fiscal year-end balance includes target reserves and pension trust of \$23.4M, \$23.1M, and \$23.0M, respectively.

²The FY 2022-23 beginning fund balance is based on the FY 2021-22 third quarter projections.

FY 2022-23 Proposed Budget Highlights

REVENUE

The FY 2022-23 proposed revenue budget is \$55.5M. Revenue highlights and assumptions are described below.

- » **Water Sales:** The proposed budget assumes a 4% water rate increase in CY 2023 which includes a proposed 45% fixed charge in CY 2023, up from the current 42.5%. The budgeted increase is primarily driven by increased water supply costs due to the prolonged drought. The rate increase is for budgetary purposes only. A formal Wholesale Water Rate Study will be completed in Fall 2022 to set CY 2023 rates.
- » **Conservation:** The proposed budget assumes continued 15% conservation in FY 2022-23 as compared to calendar year 2020 water usage. This conservation estimate is for budgetary purposes only.
- » **Other Revenue:** The proposed budget includes miscellaneous revenue from various fees and rentals.

EXPENSES

The FY 2022-23 proposed expense budget is \$62.5M. Expense highlights and assumptions are described below.

- » **Personnel:** The proposed budget includes the addition of four positions. The positions and justifications are summarized below.

Position	Justification
Instrument Technician	Instrumentation support for completed Del Valle Water Treatment Plant Ozone and Patterson Pass Water Treatment Plant Ozone and upgrades projects
Account Clerk	Accounts payable, payroll, and timekeeping support
Lead Plant Mechanic	Maintenance support for completed Del Valle Water Treatment Plant Ozone and Patterson Pass Water Treatment Plant Ozone and upgrades projects
Plant Mechanic	Maintenance support for completed Del Valle Water Treatment Plant Ozone and Patterson Pass Water Treatment Plant Ozone and upgrades projects

The proposed personnel budget also reflects a 15% vacancy rate.

- » **Professional Services:** The proposed budgeted professional services are summarized below, categorized primarily by section.

Professional Services	FY 2022-23 Proposed Budget
Communications (Communication Services, School & Outreach, Website)	\$506,000
Engineering (As-needed Engineering Services)	\$115,000
Finance (Rate Study, Grant/Loan Support, External Auditor)	\$216,000
Groundwater (U.S. Geological Survey (USGS), GW Model Update)	\$530,000
Human Resources (HR Related Activities Support)	\$135,000
IT Services	\$275,000
Office of General Manager (Legislative Services, Strategic Planning)	\$183,000
Security Guard Services	\$225,000
Water Supply Planning (Energy Strategic Plan, Water Transfer Investigation Study, As-needed Planning Services)	\$375,000
Water Quality (PFAS Monitoring, Analytical Support)	\$113,000
Other (SCADA Services, Safety Support Services)	\$72,000
Contingency	\$250,000
Total	\$2,995,000

- » **Water Production:** Includes water, chemicals, and utilities.
 - » **Water:** The proposed budget is reflective of current drought costs. Included in the budget is \$5M for water transfers and \$1.13M for the Board approved 2023 funding for the Delta Conveyance Project (Resolution No. 22-30). The proposed budget also assumes expected inflationary cost increases for water transportation charges.
 - » **Chemicals:** Increase to the chemical budget reflects recent increases to chemical costs. Chemical usage is expected to remain unchanged from FY 2021-22, however the price of chemicals has increased significantly.
 - » **Utilities:** An increase to the utility budget reflects the need to maximize groundwater pumping to meet current water demand. Utilities have also increased from ozone coming online at the water treatment plants.
- » **Support and Program Participation:** The proposed budget includes \$880K in funding for the forthcoming Los Vaqueros Reservoir Expansion Project Multiparty Agreement Amendment No. 4 (80% of the Agency's estimated \$1.1M cost share). This Agreement will be brought to the Board later this summer for formal approval and funding will cover costs from January 2023-June 2023.
- » **Water Conservation Program:** The proposed budget assumes the Agency's rebate program will continue to grow as time and effort are dedicated to incentivizing residents to convert to water efficient appliances and drought resistant landscapes.
- » **Equipment:** The proposed budget includes the purchase and replacement of 30-year-old maintenance equipment including a bobcat and forklift.

Fund 100 Fund Balance

At the May 12, 2022 Finance Committee meeting, Staff projected a fiscal-year-end unallocated fund balance of \$8.2M for FY 2021-22. This projected unallocated fund balance has been used to balance the proposed FY 2022-23 budget.

The Board has several options for use of future projected unallocated fund balances including, but not limited to:

- » Offsetting current year and anticipated future years of increased drought water costs
- » Funding reserves at the maximum level (e.g., Reserve for Economic Uncertainties) › Offsetting future rate increases
- » Continued funding for future water supply reliability projects (e.g., Los Vaqueros Reservoir Expansion project, Delta Conveyance)
- » Funding for financial impacts of future unforeseen economic conditions

The proposed budget meets the Agency's reserve policy requirement of funding all reserves at target level. At the end of FY 2022-23, after all reserves are fully funded, Fund 100 is projected to have an unallocated fund balance of \$3.2M.

Fund 100 Reserves	Minimum	Target / Proposed Budget	Maximum
Operating Reserves	\$7,396,000	\$11,094,000	14,793,000
Emergency Reserves	6,126,000	7,657,000	9,188,000
Reserve for Economic Uncertainties	2,869,000	4,304,000	5,738,000
Subtotal	\$16,391,000	\$23,055,000	\$29,179,000
Board Approved Policies/Funding			
Pension Trust Fund ¹	-	1,620,000	-
Projected Unallocated Fund Balance	-	3,170,000	-
Total Fund Balance	\$16,391,000	\$27,845,000	\$29,179,000

¹Section 115 – Pension Trust Fund: On February 17, 2021, the Board established a Long-Term Pension Liability Funding Policy and established a Pension Trust Fund. The Pension Trust Fund received an initial contribution of \$1.5 million in February 2021. Per the policy, annual contributions are permitted when two criteria are met:

- 1) Fund 100 – Water Enterprise Fund reserves are fully funded at the target level, and
- 2) Fund 100 has an audited ending balance of positive net revenues.

When both criteria are met, the annual contribution is equal to 1% of the outstanding pension liability (but not more than \$500K).

Per Board direction at the June 1st Board workshop, an annual contribution of \$135K has been assumed in FY 2022-23.

FY 2023-24 Proposed Budget Highlights

REVENUE

The FY 2023-24 proposed revenue budget is \$58.6M, an increase of 5.6% from the proposed FY 2022-23 budget. Revenue highlights and assumptions are described below.

- » **Water Sales:** The proposed budget assumes a 4% water rate increase in CY 2024 and maintains the proposed 45% fixed charge in CY 2024. The budgeted rate increase is for budgetary purposes only. A formal Wholesale Water Rate Study will be completed in Fall 2022 to set CY 2024 rates.
- » **Conservation:** The proposed budget assumes 10% conservation in FY 2023-24, down from the 15% conservation assumed in FY 2022-23. The conservation estimate is for budgetary purposes only.

EXPENSES

The FY 2023-24 proposed expense budget is \$61.4M, a 2% decrease from the proposed FY 2022-23 Budget. The main driver of the decrease is a reduction in estimated water costs. Expense highlights and assumptions are described below.

- » **Personnel:** The proposed budget reflects a vacancy rate of 15%.
- » **Professional Services:** The budgeted professional services are summarized below, categorized mainly by section.

Professional Services	FY 2022-23 Proposed Budget
Communications (Communication Services, School & Outreach, Website)	\$466,000
Engineering (As-needed Engineering Services)	\$115,000
Finance (Grant/Loan Support, External Auditor, Untreated Water Rates)	\$238,000
Groundwater (GW Field Investigations, USGS, GW Model Update)	\$481,000
Human Resources (HR Related Activities Support)	\$85,000
IT Services	\$275,000
Office of General Manager (Legislative Services, Strategic Planning)	\$187,000
Security Guard Services	\$225,000
Water Supply Planning (Energy Strategic Plan, Environmental Studies, As-needed Planning Services)	\$196,000
Water Quality (PFAS Monitoring, Analytical Support)	\$118,000
Other (SCADA Services, Safety Support Services)	\$73,000
Contingency	\$250,000
Total	\$2,709,000

- » **County Services:** The proposed budget includes \$500K for three Board seats in the 2024 election.
- » **Water:** The proposed budget assumes drought conditions will improve as reflected in a 15% reduction in total water costs from the proposed FY 2022-23 budget. The proposed budget assumes expected inflationary cost increases for water transportation charges as well as \$2.4M for the Board approved funding for the Delta Conveyance Project (Resolution No. 22-30).
- » **Support and Program Participation:** The proposed budget includes \$800K in estimated funding for the forthcoming Los Vaqueros Reservoir Expansion Project Interim Agreement. This Agreement is expected to cover costs from July 2023 through June 2024.

FUND BALANCE

The proposed budget meets the reserve policy requirement of funding all reserves at target level. At the end of FY 2024, after all reserves are fully funded, Fund 100 is projected to have an unallocated fund balance of \$281K.

Fund 100 Reserves	Minimum	Target / Proposed Budget	Maximum
Operating Reserves	\$7,140,000	\$10,710,000	\$14,280,000
Emergency Reserves	6,304,000	7,880,000	9,456,000
Reserve for Economic Uncertainties	2,992,000	4,488,000	5,985,000
Subtotal	\$16,436,000	\$23,078,000	\$29,721,000
Board Approved Policies/Funding			
Pension Trust Fund ¹	-	1,755,000	-
Projected Unallocated Fund Balance	-	281,000	-
Total Fund Balance	\$16,436,000	\$25,114,000	\$29,721,000

¹Section 115 – Pension Trust Annual Contributions: Per Board direction, an annual contribution of \$135K has been assumed for FY 2023-24.

Fund 110 – State Water Facilities Fund

Primary Funding Source: Property Taxes

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 fixed costs of the SWP delivery system, which includes repayment of voter-approved, State-incurred, long-term debt.

The table below summarizes the proposed Fund 110 Two-Year Budget.

	FY 21-22 Amended Budget	FY 2023-24 Proposed Budget	FY 2022-23 Proposed Budget
Beginning Fund Balance	\$33,625,000	\$41,659,000 ¹	\$44,386,000
Revenue	\$27,858,000	\$28,126,000	\$28,406,000
Expenses	\$29,279,000	\$25,399,000	\$27,923,000
Operating Impact (Rev-Exp)	(\$1,421,000)	\$2,727,000	\$483,000
Fiscal Year-End Fund Balance	\$32,204,000	\$44,386,000	\$44,869,000

¹ The FY 2022-23 beginning fund balance is based on the FY 2021-22 third quarter projection.

Fund 110 Reserves

Per Resolution No. 19-37, dated May 15, 2019, the Board approved the revised reserve policy. The reserve policy for Fund 110 is summarized in the table below.

Fund 110 Reserve	Policy	
State Water Project Reserve	Minimum	50% of following year's projected annual operating expenses
	Target	N/A
	Maximum	Not to exceed 100% of following year's projected annual operating expenses

Fund 110 Detailed Budget

The table below provides a detailed breakdown of the proposed FY 2022-23 and 2023-24 Fund 110 budget.

Fund 110 – State Water Facilities	FY 2021-22 Amended Budget	FY 2022-23 Proposed Budget	FY 2023-24 Proposed Budget
Projected Beginning Fund Balance	\$33,625,000	\$41,659,000¹	\$44,386,000
Revenue			
Water Service	2,252,000	2,300,000	2,350,000
Property Taxes	22,201,000	22,201,000	22,201,000
Investment Earnings	72,000	125,000	180,000
Other Revenue	3,333,000	3,500,000	3,675,000
Total Revenue	\$27,858,000	\$28,126,000	\$28,406,000
Expenses			
Professional Services	-	8,000	8,000
Water (State Water Project)	29,279,000	25,391,000	27,915,000
Total Expenses	\$29,279,000	\$25,399,000	\$27,923,000
Operating Impact (Rev-Exp)	(1,421,000)	2,727,000	483,000
Estimated Ending Fund Balance	\$32,204,000	\$44,386,000	\$44,869,000

¹ The FY 2022-23 beginning fund balance is based on the FY 2021-22 third quarter projections.

FY 2022-23 Proposed Budget Highlights

REVENUE

The FY 2022-23 proposed revenue budget is \$28.1M. Revenue highlights and assumptions are described below.

- » *Property Taxes:* Per Board direction, the proposed budget assumes no increase to property taxes in FY 2022-23.

EXPENSES

The FY 2022-23 proposed expense budget is \$25.4M. Expense highlights and assumptions are described below.

- » *Professional Services:* The proposed budget includes Fund 110's portion of the Agency's Investment Advisory services.
- » *Water (State Water Project):* The proposed budget assumes a 5% increase in charges for FY 2022-23 based on the 2022 Statement of Charges. The annual State Water Project charges have increased, on average, 6% over the last four years. While DWR has stated that costs are planned to remain relatively stable through 2023, charges continue to increase annually due to both capital and operating costs.

FUND BALANCE

The proposed budget exceeds the reserve policy maximum requirement for Fund 110, 100% of the following year's projected expenses. At the end of the fiscal year, Fund 110 is projected to have a fund balance of \$44.4M.

Fund 110 Reserves	Minimum	Maximum	Proposed Budget
Reserve Fund	\$13,962,000	\$27,923,000	\$44,386,000
Total Fund Balance	\$13,962,000	\$27,923,000	\$44,386,000

FY 2023-24 Proposed Budget Highlights

The FY 2023-24 proposed revenue budget is \$28.4M, a 1% increase from the proposed FY 2022-23 budget. Revenue highlights and assumptions are described below.

- » *Property Taxes:* Per Board direction, the proposed budget assumes no increase to property taxes in FY 2023-24.

EXPENSES

The FY 2023-24 proposed expense budget is \$27.9M, a 10% increase from the proposed FY 2022-23 budget. Expense highlights and assumptions are described below.

- » *Professional Services:* The proposed budget includes Fund 110's portion of the Agency's Investment Advisory services.
- » *Water (State Water Project):* The proposed budget assumes a 10% increase in the State Water Project charges for FY 2023-24. DWR has stated that costs are planned to increase after CY 2023.

FUND BALANCE

The proposed budget exceeds the reserve policy maximum requirement for Fund 110, 100% of the following year's projected expenses. At the end of the fiscal year, Fund 110 is projected to have a fund balance of \$44.9M.

Fund 110 Reserves	Minimum	Maximum	Proposed Budget
Reserve Fund	\$15,354,000	\$30,707,000	\$44,869,000
Total Fund Balance	\$15,354,000	\$30,707,000	\$44,869,000

Fund 200 – Flood Protection Operations

Primary Funding Source: Property Taxes

This fund provides for general administration and flood control services to ensure controlled drainage of the Valley's excess stormwater runoff. 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.

The table below summarizes the proposed Fund 200 Two-Year Budget.

	FY 2021-22 Amended Budget	FY 2022-23 Proposed Budget	FY 2023-24 Proposed Budget
Beginning Fund Balance	\$20,223,000	\$19,601,000 ¹	\$20,528,000
Revenue	\$10,098,000	\$18,160,000	\$11,995,000
Expenses	\$17,069,000	\$17,233,000	\$11,514,000
Operating Impact (Rev-Exp)	(\$6,971,000)	\$927,000	\$481,000
Fiscal Year-End Fund Balance	\$13,252,000	\$20,528,000	\$21,009,000

¹ The FY 2022-23 beginning fund balance is based on the FY 2021-22 third quarter projections.

Fund 200 Reserves

Per Resolution No. 19-37, dated May 15, 2019, the Board approved the revised reserve policy. The reserve policy for Fund 200 is summarized in the table below

Fund 110 Reserve	Policy	
Operating Reserve	Minimum	20% of budgeted total annual flood protection operating expenses, excluding capital
	Target	N/A
	Maximum	Not to exceed 50% of budgeted total annual flood protection operating expenses, excluding capital
Flood Protection Capital Project Reserve	Minimum	No minimum requirement
	Target	N/A
	Maximum	No maximum requirement

Fund 200 Detailed Budget

The table below provides a detailed breakdown of the proposed FY 2022-23 and 2023-24 Fund 200 budget.

Fund 200 - Flood Protection Operations	FY 2021-22 Amended Budget	FY 2022-23 Proposed Budget	FY 2023-24 Proposed Budget
Projected Beginning Fund Balance	\$20,223,000	\$19,601,000¹	\$20,528,000
Revenue			
Property Taxes	9,923,000	10,810,000	11,344,000
Grants	-	6,754,000	-
Investment Earnings	17,000	160,000	215,000
Other Revenue	158,000	436,000	436,000
Total Revenue	\$10,098,000	\$18,160,000	\$11,995,000
Expenses			
Personnel	2,907,000	2,589,000	2,650,000
Professional Services	1,284,000	1,151,000	1,105,000
Communications	4,000	2,000	2,000
Maintenance	5,716,000	3,689,000	3,687,000
Cleaning Services	10,000	15,000	15,000
Rental Services	50,000	50,000	50,000
Office Supplies and Other Services	814,000	879,000	928,000
Organizational Memberships	63,000	85,000	73,000
Training and Travel	15,000	15,000	15,000
Capital Projects	5,967,000	8,633,000	2,939,000
Equipment	225,000	110,000	35,000
Capital Funding	14,000	15,000	15,000
Total Expenses	\$17,069,000	\$17,233,000	\$11,514,000
Operating Impact (Rev-Exp)	(6,971,000)	927,000	481,000
Ending Fund Balance	\$13,252,000	\$20,528,000	

¹ The FY 2022-23 beginning fund balance is based on the FY 2021-22 third quarter projections.

FY 2022-23 Proposed Budget Highlights

REVENUE

The FY 2022-23 proposed revenue budget is \$18.2M. Revenue highlights and assumptions are described below.

- » **Property Taxes:** The proposed budget assumes a 5% increase in property tax assessments in FY 2022-23 from the FY 2020-21 audited actuals.
- » **Grants:** The proposed budget includes state grant proceeds in the amount of \$6,754,000 for the following projects:
 - Flood Management Plan Phase 2 - \$2,147,000
 - Alamo Creek Pilot Project - \$4,607,000
- » **Other Revenue:** The proposed budget includes revenue for cost share agreements with the City of Pleasanton for a maintenance contract and the Living Arroyos Task Order, along with estimated miscellaneous rentals and fees.

EXPENSES

The FY 2022-23 proposed expense budget is \$17.2M. Expense highlights and assumptions are described below.

- » **Personnel:** The proposed budget includes the addition of one position. The position and justification are outlined in the table below:

Position	Justification
Associate Water Resources Planner	Flood Management Plan support

- » **Professional Services:** The proposed budget includes various planning efforts and routine engineering support for flood operations.
- » **Maintenance:** The proposed budget includes routine maintenance and as-needed services including:
 - Homeless abatement and removal
 - As-needed maintenance support and services
 - Vegetation Spraying
- » **Capital Projects:** The proposed budget includes \$8.6M in capital projects. See Exhibit B for a list and description of the proposed projects.
- » **Office Supplies and Other Services:** The proposed budget includes a variety of services and supplies including cleaning and rental services, general office supplies, organizational memberships, training, and equipment/vehicle purchases.

FUND BALANCE

The proposed budget meets the reserve policy maximum requirement for Fund 200, 50% of the following year's projected expenses. At the end of the fiscal year, Fund 200 is projected to have \$16.0M designated for future capital projects.

Fund 200 Reserves	Minimum	Maximum	Proposed Budget
Operating Reserves	\$1,720,000	\$4,300,000	\$4,300,000
Projected Designated for Capital Projects	-	-	16,041,000
Board Approved Policies/Funding			
Pension Trust Fund	N/A	N/A	187,000
Total Fund Balance	\$1,720,000	\$4,300,000	\$20,528,000

FY 2023-24 Proposed Budget Highlights

REVENUE

The FY 2023-24 proposed revenue budget is \$12M, a 34% decrease from the proposed FY 2022-23 budget. The decrease is due to budgeted grant funding in FY 2022-23. Revenue highlights and assumptions are described below.

- » **Property Taxes:** The proposed budget assumes a 5% increase in property tax assessments in FY 2023-24 from the proposed FY 2022-23 budget.
- » **Other Revenue:** The proposed budget includes revenue for cost share agreements with the City of Pleasanton for a maintenance contract and the Living Arroyos Task Order, along with estimated miscellaneous rentals and fees.

EXPENSES

The FY 2023-24 proposed expense budget is \$11.5M, a 33% decrease from the proposed FY 2023-24 budget. The main driver for the decrease is the budgeted projects associated to the Flood Management Plan in FY 2022-23. Expense highlights and assumptions are described below.

- » **Professional Services:** The proposed budget includes various planning efforts and routine engineering support for flood operations.
- » **Maintenance:** The proposed budget includes routine maintenance and as-needed services including:
 - » Homeless abatement and removal
 - » As-needed maintenance support and services
 - » Vegetation Spraying
- » **Capital Projects:** The proposed budget includes \$2.9M in capital projects. See Exhibit B for a list and description of the proposed projects.
- » **Office Supplies and Other Services:** The proposed budget includes a variety of services and supplies including cleaning and rental services, general office supplies, organizational memberships, training, and equipment/vehicle purchases.

FUND BALANCE

The proposed budget meets the reserve policy maximum requirement for Fund 200, 50% of the following year's projected expenses. At the end of the fiscal year, Fund 200 is projected to have \$16.5M designated for future capital projects.

Fund 200 Reserves	Minimum	Maximum	Proposed Budget
Operating Reserves	\$1,715,000	\$4,288,000	\$4,288,000
Projected Designated for Capital Projects	-	-	16,517,000
Board Approved Policies/Funding			
Pension Trust Fund	N/A	N/A	204,000
Total Fund Balance	\$1,715,000	\$4,288,000	\$21,009,000

CAPITAL BUDGETS

Fund 120 – Water Enterprise Renewal/Replacement & System-wide Improvements

This is a sub-fund of the Fund 100 – Water Enterprise Operations Fund Primary Funding Source: Water Rates via the capital funding transfer from Fund 100

The purpose of this fund is to ensure that funding is available for capital renewal, replacement, and system-wide improvement projects needed to keep the current water treatment and delivery systems functioning effectively. Fund 120 pays for capital projects as outlined in the Agency's Asset Management Program and Capital Improvement Program.

The table below summarizes the proposed Fund 120 Two-Year Budget.

	FY 2021-22 Amended Budget	FY 2022-23 Proposed Budget	FY 2023-24 Proposed Budget
Beginning Fund Balance	\$44,969,000	\$32,017,000 ¹	\$31,855,000
Revenue	\$13,460,000	\$14,279,000	\$14,704,000
Expenses	\$37,053,000	\$14,441,000	\$21,356,000
Operating Impact (Rev-Exp)	(\$23,593,000)	(\$162,000)	(\$6,652,000)
Fiscal Year-End Fund Balance	\$21,376,000	\$31,855,000	\$25,203,000

¹ The FY 2022-23 beginning fund balance is based on the FY 2021-22 third quarter projections.

Fund 120 Reserves

Per Resolution No. 19-37, dated May 15, 2019, the Board approved the revised reserve policy. The reserve policy for Fund 120 is summarized in the table below.

Fund 120 Reserve	Policy	
Water Enterprise Renewal / Replacement & System-wide Improvements Reserve	Minimum	100% of estimated capital budget for the FY immediately succeeding the thencurrent budgeted fiscal year
	Target	N/A
	Maximum	No maximum established

Fund 120 Detailed Budget

The table below provides a detailed breakdown of the proposed FY 2022-23 and 2023-24 Fund 120 budget.

Fund 120 – Water Enterprise Renewal/Replacement & System-Wide Improvements	FY 2021-22 Amended Budget	FY 2022-23 Proposed Budget	FY 2023-24 Proposed Budget
Projected Beginning Fund Balance	\$44,969,000	\$32,017,000¹	\$31,855,000
Revenue			
Investment Earnings	84,000	100,000	100,000
Other Revenue	3,000	2,000	2,000
Capital Funding	13,373,000	14,177,000	14,602,000
Total Revenue	\$13,460,000	\$14,279,000	\$14,704,000
Expenses			
Personnel	1,345,000	1,556,000	1,595,000
Professional Services	-	24,000	24,000
Capital Projects	35,708,000	12,861,000	19,737,000
Total Expenses	\$37,053,000	\$14,441,000	\$21,356,000
Operating Impact (Rev-Exp)	(\$23,593,000)	(162,000)	(6,652,000)
Ending Fund Balance	\$21,376,000	\$31,855,000	\$25,203,000

¹ The FY 2022-23 beginning fund balance is based on the FY 2021-22 third quarter projections.

FY 2022-23 Proposed Budget Highlights

REVENUE

The FY 2022-23 proposed revenue budget is \$14.3M. Revenue highlights and assumptions are described below.

- » **Capital Funding:** The proposed budget assumes a 3% increase in capital funding based on the FY 2021-22 capital funding.

EXPENSES

The FY 2022-23 proposed expense budget is \$14.4M. Expense highlights and assumptions are described below.

- » **Professional Services:** The proposed budget includes Fund 120's portion of the Agency's Investment Advisory services.
- » **Capital Projects:** The proposed budget includes \$14.4M in capital projects (including personnel). See Exhibit B for a list and description of the proposed projects.
- » **Chain of Lakes (COL) PFAS Treatment Facility Project:** The Proposed budget does not include additional pay-go funding for the PFAS Treatment Project as this project will be financed either from the Drinking Water State Revolving Fund (DWSRF) Loan program or revenue bonds. If pay-go funding is preferred, the minimum reserve requirement for Fund 120 will need to be reevaluated and lowered to stay compliant with Board policy.

FUND BALANCE

The proposed budget meets the reserve policy minimum requirement for Fund 120, 100% of the following year's proposed capital budget. At the end of the fiscal year, Fund 120 is projected to have \$25.6M designated for future capital projects.

Fund 120 Reserves	Minimum	Maximum	Proposed Budget
Designated for Capital Projects	\$21,332,000	N/A	\$25,555,000
Debt Rate Stabilization Fund	6,300,000	N/A	6,300,000
Total Fund Balance	\$27,632,000	N/A	\$31,855,000

FY 2023-24 Proposed Budget Highlights Revenue

The FY 2023-24 proposed revenue budget is \$14.7M, a 3% increase from the proposed FY 2022-23 budget. Revenue highlights and assumptions are described below.

- » **Capital Funding:** The proposed budget assumes a 3% increase in capital funding based on the FY 2022-23 proposed capital funding.

EXPENSES

The FY 2023-24 proposed expense budget is \$21.4M, a 48% increase from the proposed FY 2023-24 budget. The main driver for the increase is capital projects planned in FY 2023-24. Expense highlights and assumptions are described below.

- » **Professional Services:** The proposed budget includes Fund 120's portion of the Agency's Investment Advisory services.
- » **Capital Projects:** The proposed budget includes \$21.4M in capital projects (including personnel). See Exhibit B for a list and description of the proposed projects.

FUND BALANCE

The proposed budget meets the reserve policy minimum requirement for Fund 120, 100% of the following year's planned capital budget. At the end of the fiscal year, Fund 120 is projected to have \$18.9M designated for future capital projects.

Fund 120 Reserves	Minimum	Maximum	Proposed Budget
Designated for Capital Projects	\$8,170,000	N/A	\$18,903,000
Debt Rate Stabilization Fund	6,300,000	N/A	6,300,000
Total Fund Balance	\$14,470,000	N/A	\$25,203,000

Fund 130 – Water Enterprise Expansion

Primary Funding Source: Water Connection Fees

The purpose of this fund is to ensure the Agency can meet future needs of new customers with development paying its own way. The program is primarily intended to provide funding for new or expanded facilities and additional water supplies to serve additional capacity requirements of development, many of them fixed (i.e., bond payment obligations for debt incurred by others to increase capacity, such as the enlargement portion of the South Bay Aqueduct Improvement and Enlargement Project). Developer fees can only be used for projects related to water system expansion.

The table below summarizes the proposed Fund 130 Two-Year Budget.

	FY 2021-22 Amended Budget	FY 2022-23 Proposed Budget	FY 2023-24 P roposed Budget
Projected Beginning Fund Balance	\$68,543,000	\$68,578,000 ¹	\$75,308,000
Revenue	\$31,206,000	\$28,242,000	\$27,952,000
Expenses	\$22,989,000	\$21,512,000	\$25,669,000
Operating Impact (Rev-Exp)	\$8,217,000	\$6,730,000	\$2,283,000
Fiscal Year-End Fund Balance	\$76,760,000	\$75,308,000	\$77,591,000

¹ The FY 2022-23 beginning fund balance is based on the FY 2021-22 third quarter projections.

Fund 130 Reserves

Per Resolution No. 19-37, dated May 15, 2019, the Board approved the revised reserve policy. The reserve policy for Fund 130 is summarized in the table below.

Fund 130 Reserve	Policy	
Water Enterprise Capital Expansion Reserve	Minimum	60% of estimated non-discretionary annual budgeted amount
	Target	N/A
	Maximum	No maximum established
Debt Service Rate Stabilization Fund	Minimum	\$2,300,000
Sinking Fund	Minimum	N/A

Fund 130 Detailed Budget

The table below provides a detailed breakdown of the proposed FY 2022-23 and 2023-24 Fund 130 budget.

Fund 130 – Water Enterprise Expansion	FY 2021-22 Amended Budget	FY 2022-23 Proposed Budget	FY 2023-24 Proposed Budget
Projected Beginning Fund Balance	\$68,543,000	\$68,578,000¹	\$75,308,000
Revenue			
Connection Fees	27,896,000	25,102,000	24,812,000
Investment Earnings	210,000	140,000	140,000
Other Revenue	3,100,000	3,000,000	3,000,000
Total Revenue	\$31,206,000	\$28,242,000	\$27,952,000
Expenses			
Personnel	273,000	327,000	340,000
Professional Services	-	48,000	48,000
Water	17,763,000	16,748,000	16,850,000
Capital Projects	3,860,000	3,295,000	7,342,000
Debt Service	1,093,000	1,094,000	1,089,000
Total Expenses	\$22,989,000	\$21,512,000	\$25,669,000
Operating Impact (Rev-Exp)	8,217,000	6,730,000	2,283,000
Ending Fund Balance	\$76,760,000	\$75,308,000	\$77,591,000

¹ The FY 2022-23 beginning fund balance is based on the FY 2021-22 third quarter projections.

FY 2022-23 Proposed Budget Highlights

REVENUE

The FY 2022-23 proposed revenue budget is \$28.2M. Revenue highlights and assumptions are described below.

- » **Connection Fees:** The proposed budget assumes the Agency will receive revenue from 778 new connections, approximately 50% of the 2017 Connection Fee Study projection for FY 2022-23. Based on prior year data, the Agency has been collecting, on average, 40% of the estimated 2017 Connection Fee Study connections, including collections through the COVID-19 pandemic. The proposed budget also assumes a 3.6% increase in the connection fee for CY 2023. This assumption is based on the 5-year ENR CCI average (index used to set annual connection fees).
- » **Other Revenue:** The proposed budget assumes the Agency will receive \$3M in refunds from DWR refunds.

EXPENSES

The FY 2022-23 proposed expense budget is \$21.5M. Expense highlights and assumptions are described below.

- » **Professional Services:** The proposed budget includes Fund 130's portion of the Agency's Investment Advisory services.
- » **Water:** The proposed budget includes the annual debt service payments for the South Bay Aqueduct (SBA) enlargement and the future contractor's share of the SBA.
- » **Capital Projects:** The proposed budget includes \$3.6M in capital projects (including personnel). See Exhibit B for a list and description of the proposed projects.

FUND BALANCE

The proposed budget meets the reserve policy minimum requirement for Fund 130, 60% of the estimated non-discretionary annual budgeted amount. At the end of the fiscal year, Fund 130 is projected to have \$48.3M designated for future capital projects.

Fund 130 Reserves	Minimum	Maximum	Proposed Budget
Designated for Capital Projects	\$8,170,000	N/A	\$18,903,000
Debt Service Rate Stabilization Fund	10,049,000	N/A	48,265,000
Sinking Fund	N/A	N/A	24,743,000
Total Fund Balance	\$12,349,000	N/A	\$75,308,000

FY 2023-24 Proposed Budget Highlights

REVENUE

The FY 2023-24 proposed revenue budget is \$28.0M, a 10% decrease from the proposed FY 2022-23 budget. The decrease is a result of the projected water connection fee revenue in FY 2022-23. Revenue highlights and assumptions are described below.

- » **Connection Fees:** The proposed budget assumes the Agency will receive revenue from 742 new connections, approximately 50% of the 2017 Connection Fee Study projection for FY 2023-24. The proposed budget also assumes a 3.6% increase in the connection fee for CY 2024.

EXPENSES

The FY 2023-24 proposed expense budget is \$25.7M, a 19% increase from the proposed FY 2023-24 budget. The main driver for the increase is capital projects planned in FY 2023-24. Expense highlights and assumptions are described below.

- » **Professional Services:** The proposed budget includes Fund 130's portion of the Agency's Investment Advisory services.
- » **Water:** The proposed budget includes the annual debt service payments for the South Bay Aqueduct (SBA) enlargement and the future contractor's share of the SBA.
- » **Capital Projects:** The proposed budget includes \$7.7M in capital projects (including personnel). See Exhibit B for a list and description of the proposed projects.

FUND BALANCE

The proposed budget meets the reserve policy minimum requirement for Fund 130, 60% of the estimated non-discretionary annual budgeted amount. At the end of the fiscal year, Fund 130 is projected to have \$48.4M designated for future capital projects.

Fund 130 Reserves	Minimum	Maximum	Proposed Budget
Designated for Capital Projects	10,110,000	N/A	48,358,000
Debt Service Rate Stabilization Fund	2,300,000	N/A	2,300,000
Sinking Fund	N/A	N/A	26,933,000
Total Fund Balance	\$12,410,000	N/A	\$77,591,000

Fund 210 – Flood Protection Development Impact Fee Fund

Primary Funding Source: Development Impact Fees

The purpose of this fund is to ensure that the Agency can 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.

The table below summarizes the proposed Fund 210 Two-Year Budget.

	FY 2021-22 Amended Budget	FY 2022-23 Proposed Budget	FY 2023-24 Proposed Budget
Beginning Fund Balance	\$72,215,000	\$73,715,000 ¹	\$74,828,000
Revenue	\$3,033,000	\$3,050,000	\$3,078,000
Expenses	\$850,000	\$1,937,000	\$1,686,000
Operating Impact (Rev-Exp)	\$2,183,000	\$1,113,000	\$1,392,000
Fiscal Year-End Fund Balance	\$74,398,000	\$74,828,000	\$76,220,000

¹The FY 2022-23 beginning fund balance is based on the FY 2021-22 third quarter projections.

Fund 210 Reserves

Per Resolution No. 19-37, dated May 15, 2019, the Board approved the revised reserve policy. The reserve policy for Fund 210 is summarized in the table below.

Fund 210 Reserve	Policy	
Flood Protection and Storm Water Drainage Development Impact Fee Project Reserve	Minimum	No minimum requirement
	Target	N/A
	Maximum	No maximum requirement

Fund 210 Detailed Budget

The table below provides a detailed breakdown of the proposed FY 2022-23 and 2023-24 Fund 210 budgets.

Fund 210 – Flood Protection Development Impact Fees	FY 2021-22 Amended Budget	FY 2022-23 Proposed Budget	FY 2023-24 Proposed Budget
Projected Beginning Fund Balance	\$72,215,000	\$73,715,000¹	\$74,828,000
Revenue			
Development Fees	2,835,000	2,500,000	2,500,000
Investment Earnings	173,000	525,000	553,000
Other Revenue	25,000	25,000	25,000
Total Revenue	\$3,033,000	\$3,050,000	\$3,078,000
Expenses			
Personnel	253,000	323,000	331,000
Professional Services	-	8,000	8,000
Capital Projects	597,000	1,606,000	1,347,000
Total Expenses	\$850,000	\$1,937,000	\$1,686,000
Operating Impact (Rev-Exp)	2,183,000	1,113,000	1,392,000
Ending Fund Balance	\$74,398,000	\$74,828,000	\$76,220,000

¹ The FY 2022-23 beginning fund balance is based on the FY 2021-22 third quarter projections.

FY 2022-23 Proposed Budget Highlights

REVENUE

The FY 2022-23 proposed revenue budget is \$3.1M. Revenue highlights and assumptions are described below.

- » **Development Fees:** The proposed budget is based on prior year actuals. Because it is unknown whether the COVID-19 pandemic has influenced the decline in development fee revenue, a conservative assumption has been made for FY 2022-23.

EXPENSES

The FY 2022-23 proposed expense budget is \$1.9M. Expense highlights and assumptions are described below.

- » **Professional Services:** The proposed budget includes Fund 210's portion of the Agency's Investment Advisory services.
- » **Capital Projects:** The proposed budget includes \$1.9M in capital projects (including personnel). See Exhibit B for a list and description of the proposed projects.

FUND BALANCE

The proposed budget meets the reserve policy requirement for Fund 210, as there is neither a set minimum nor a maximum balance requirement in this fund. At the end of the fiscal year, Fund 210 is projected to have a fund balance of \$74.8M.

Fund 210 Reserves	Minimum	Maximum	Proposed Budget
Reserve Fund	\$-	\$-	\$74,828,000
Total Fund Balance	\$-	\$-	\$74,828,000

FY 2023-24 Proposed Budget Highlights

REVENUE

The FY 2023-24 proposed revenue budget is \$3.1M. Revenue highlights and assumptions are described below.

- » *Development Fees:* The proposed budget maintains the same development fee revenue as the proposed FY 2022-23 budget.

EXPENSES

The FY 2023-24 proposed expense budget is \$1.7M, a 13% decrease from the proposed FY 2022-23 budget. The main driver for the decrease is capital projects planned in FY 2023-24. Expense highlights and assumptions are described below.

- » *Professional Services:* The proposed budget includes Fund 210's portion of the Agency's Investment Advisory services.
- » *Capital Projects:* The proposed budget includes \$1.7M in capital projects (including personnel). See Exhibit B for a list and description of the proposed projects.

FUND BALANCE

The proposed budget meets the reserve policy requirement for Fund 210, as there is neither a set minimum nor a maximum balance requirement in this fund. At the end of the fiscal year, Fund 210 is projected to have a fund balance of \$76.2M.

Fund 210 Reserves	Minimum	Maximum	Proposed Budget
Reserve Fund	\$-	\$-	\$76,220,000
Total Fund Balance	\$-	\$-	\$76,220,000

OTHER FUNDS

Fund 300 - Water Facilities Fund

Per Resolution No. 22-05, dated January 19, 2022, the Board authorized the Third Amendment to the 2019 Sites Reservoir Project Agreement at 10,000 acre-feet of participation in an amount not-to-exceed \$4M. Funding for the Agency's continued participation will come from Fund 300 through FY 2023-24.

The table below shows the projected beginning and ending fund balances of Fund 300 for FYs 2022-23 and 2023-24.

Fund 300 – Water Facilities Fund	FY 2022-23	FY 2023-24
Beginning Fund Balance	\$2,074,000 ¹	\$674,000
Use of Funds	(\$1,400,000)	(\$674,000)
Ending Fund Balance	\$674,000	\$0

¹ The FY 2022-23 beginning fund balance is based on the FY 2021-22 third quarter projections.

ATTACHMENT(S):

1. Resolution
2. Exhibit A – FY 2022-23 and FY 2023-24 Budget – Summary of Budgets by Account Classification
3. Exhibit B – FY 2022-24 Proposed Budget: Capital Improvement Project Listing

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

BOARD OF DIRECTORS

RESOLUTION NO. 22-50

INTRODUCED BY DIRECTOR PALMER
SECONDED BY DIRECTOR SANWONG

Two-Year Budget: Fiscal Years 2022-23 and 2023-24

WHEREAS, Zone 7 of the Alameda County Flood Control and Water Conservation District is committed to delivering safe, reliable, efficient, and sustainable water and flood protection services; and

WHEREAS, the Proposed Two-Year Budget for Fiscal Years 2022-23 and 2023-24 is in support of Strategic Plan Goal G – Fiscal Responsibility – Operate the Agency in a fiscally responsible manner and Strategic Initiative No. 24 – Continue to effectively manage financial resources.

NOW THEREFORE, BE IT RESOLVED that the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District does hereby approve the following budget, including revenues, expenses, and the use of fund balances for Fiscal Years 2022-23 and 2023-24 (Exhibit A):

1. Fund 100 – Water Enterprise Operations;
2. Fund 110 – State Water Facilities;
3. Fund 120 – Water Enterprise Renewal & Replacement and System-Wide Improvements;
4. Fund 130 – Water Enterprise Capital Expansion;
5. Fund 200 – Flood Protection Operations;
6. Fund 210 – Flood Protection Development Impact Fee Fund (DIF); and

BE IT FURTHER RESOLVED that the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District does hereby approve the proposed capital projects (Exhibit B) for Fiscal Years 2022-23 and 2023-24 and authorizes the General Manager to implement such projects; and

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

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

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

BE IT FURTHER RESOLVED, that consistent with the requirements of law and specifically within the limitations imposed by Article XIII A of the Constitution of the State of California there shall be levied a property tax within the District sufficient to raise the sum of \$22,000,000 for Fiscal Year 2022-23 and \$22,000,000 for Fiscal Year 2023-24 to meet that portion of the District's State Water Supply Contract obligation. All funds received by the District pursuant to the aforementioned property tax levy shall be placed in Fund 110 – State Water Facilities Fund, a separate fund identified for the indebtedness set forth above; and

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

BE IT FURTHER RESOLVED that the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District does hereby approve the personnel actions, if any, as contained in the Zone 7 Budget for Fiscal Years 2022-23 and 2023-24 and authorizes the General Manager to implement such personnel actions; and

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

AYES: DIRECTORS FIGUERS, GAMBS, GREEN, PALMER, RAMIREZ HOLMES, SANWONG, SMITH MCDONALD

NOES: NONE

ABSENT: NONE

ABSTAIN: NONE

I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District on June 15, 2022.

DocuSigned by:
Angela Ramirez Holmes
By: BD65CA6FE00F431...
President, Board of Directors

Exhibit A
FY 2022-23 Proposed Budget - Summary of Budget by Account Classification

Estimated Change in Reserve Balances

The fund schedule below summarizes Zone7's overall financial picture by individual fund. It includes revenue and expenses as well as projected reserve balances at 6/30/2023. The fund schedules are grouped by type of fund: Enterprise (Water Enterprise Fund, State Water Facilities Fund, Renewal & Replacement/ System Wide Improvement Fund and the Expansion Fund) and Governmental Funds (Flood Protection and Flood Protection/Development Impact Fee Fund).

FY 2022-23 Proposed Budget - Summary of Budget by Account Classification

FY 2022-23 PROPOSED BUDGET	Fund 100 Water Enterprise Operations	Fund 110 State Water Facilities	Fund 120 Water Enterprise Capital	Fund 130 Water Enterprise Capital Expansion	Fund 200 Flood Protection Operations	Fund 210 Flood Protection Development Impact Fees	Total
Estimated Beginning Fund Balance	\$ 34,812,000	\$ 41,659,000	\$ 32,017,000	\$ 68,578,000	\$ 19,601,000	\$ 73,715,000	\$ 270,382,000
Revenue							
Water Sales & Service	\$ 55,136,000	\$ 2,300,000	\$ -	\$ -	\$ -	\$ -	\$ 57,436,000
Property Taxes		22,201,000			10,810,000		33,011,000
Connection/Development Fees				25,102,000		2,500,000	27,602,000
Grants					6,754,000		6,754,000
Investment Earnings	200,000	125,000	100,000	140,000	160,000	525,000	1,250,000
Other Revenue	202,000	3,500,000	2,000	3,000,000	436,000	25,000	7,165,000
<i>Subtotal (before capital funding)</i>	<i>55,538,000</i>	<i>28,126,000</i>	<i>102,000</i>	<i>28,242,000</i>	<i>18,160,000</i>	<i>3,050,000</i>	<i>133,218,000</i>
Capital Funding	-	-	14,177,000				14,177,000
Total Revenue	\$ 55,538,000	\$ 28,126,000	\$ 14,279,000	\$ 28,242,000	\$ 18,160,000	\$ 3,050,000	\$ 147,395,000
Expenses							
Personnel	\$ 16,061,000	\$ -	\$ 1,556,000	\$ 327,000	\$ 2,589,000	\$ 323,000	\$ 20,856,000
Professional Services	2,995,000	8,000	24,000	48,000	1,151,000	8,000	4,234,000
County Services	1,277,000						1,277,000
Insurance Services	575,000						575,000
Legal Services	340,000						340,000
Water	12,505,000	25,391,000		16,748,000			54,644,000
Chemicals	2,500,000						2,500,000
Utilities	3,500,000						3,500,000
Communications	213,000				2,000		215,000
Maintenance	2,359,000				3,689,000		6,048,000
Cleaning Services	137,000				15,000		152,000
Rental Services	105,000				50,000		155,000
Office Supplies and Other Services	637,000				879,000		1,516,000
Organizational Memberships	364,000				85,000		449,000
Support and Program Participation	964,000						964,000
Training and Travel	143,000				15,000		158,000
Water Conservation Program	223,000						223,000
Capital Projects			12,861,000	3,295,000	8,633,000	1,606,000	26,395,000
Equipment	96,000				110,000		206,000
Debt Service	3,124,000			1,094,000			4,218,000
<i>Subtotal (before capital funding)</i>	<i>48,118,000</i>	<i>25,399,000</i>	<i>14,441,000</i>	<i>21,512,000</i>	<i>17,218,000</i>	<i>1,937,000</i>	<i>128,625,000</i>
Capital Funding	14,387,000				15,000		14,402,000
Total Expenses	\$ 62,505,000	\$ 25,399,000	\$ 14,441,000	\$ 21,512,000	\$ 17,233,000	\$ 1,937,000	\$ 143,027,000
Estimated Ending Fund Balance 6/30/2023	\$ 27,845,000	\$ 44,386,000	\$ 31,855,000	\$ 75,308,000	\$ 20,528,000	\$ 74,828,000	\$ 274,750,000
Reserve Balances							
Operating	11,094,000				4,300,000		15,394,000
Debt Rate Stabilization			6,300,000	2,300,000			8,600,000
Emergency	7,657,000						7,657,000
Reserve for Economic Uncertainties	4,304,000						4,304,000
Capital Projects		44,386,000	25,555,000	48,265,000	16,041,000	74,828,000	209,075,000
Section 115 Trust	1,620,000				187,000		1,807,000
<i>Future Contractor's Share of South Bay Aqueduct</i>				<i>690,000</i>			<i>690,000</i>
<i>South Bay Aqueduct Enlargement</i>				<i>1,410,000</i>			<i>1,410,000</i>
Sinking Funds Reserve Balance				24,743,000			24,743,000
Unallocated Fund Balance	3,170,000						3,170,000
Total Fund Balance	\$ 27,845,000	\$ 44,386,000	\$ 31,855,000	\$ 75,308,000	\$ 20,528,000	\$ 74,828,000	\$ 274,750,000
Change in Fund Balance (use of reserves)	\$ (6,967,000)	\$ 2,727,000	\$ (162,000)	\$ 6,730,000	\$ 927,000	\$ 1,113,000	\$ 4,368,000

Exhibit A
FY 2023-24 Proposed Budget - Summary of Budget by Account Classification

Estimated Change in Reserve Balances

The fund schedule below summarizes Zone7's overall financial picture by individual fund. It includes revenue and expenses as well as projected reserve balances at 6/30/2024. The fund schedules are grouped by type of fund: Enterprise (Water Enterprise Fund, State Water Facilities Fund, Renewal & Replacement/System Wide Improvement Fund and the Expansion Fund) and Governmental Funds (Flood Protection and Flood Protection/Development Impact Fee Fund).

FY 2023-24 Proposed Budget - Summary of Budget by Account Classification

FY 2023-24 PROPOSED BUDGET	Fund 100 Water Enterprise Operations	Fund 110 State Water Facilities	Fund 120 Water Enterprise Capital	Fund 130 Water Enterprise Capital Expansion	Fund 200 Flood Protection Operations	Fund 210 Flood Protection Development Impact Fees	Total
Estimated Beginning Fund Balance	\$ 27,845,000	\$ 44,386,000	\$ 31,855,000	\$ 75,308,000	\$ 20,528,000	\$ 74,828,000	\$ 274,750,000
Revenue							
Water Sales & Service	\$ 58,142,000	\$ 2,350,000	\$ -	\$ -	\$ -	\$ -	\$ 60,492,000
Property Taxes		22,201,000			11,344,000		33,545,000
Connection/Development Fees				24,812,000		2,500,000	27,312,000
Grants					-		-
Investment Earnings	300,000	180,000	100,000	140,000	215,000	553,000	1,488,000
Other Revenue	202,000	3,675,000	2,000	3,000,000	436,000	25,000	7,340,000
Subtotal (before capital funding)	58,644,000	28,406,000	102,000	27,952,000	11,995,000	3,078,000	130,177,000
Capital Funding	-	-	14,602,000				14,602,000
Total Revenue	\$ 58,644,000	\$ 28,406,000	\$ 14,704,000	\$ 27,952,000	\$ 11,995,000	\$ 3,078,000	\$ 144,779,000
Expenses							
Personnel	\$ 16,445,000	\$ -	\$ 1,595,000	\$ 340,000	\$ 2,650,000	\$ 331,000	\$ 21,361,000
Professional Services	2,709,000	8,000	24,000	48,000	1,105,000	8,000	3,902,000
County Services	1,813,000						1,813,000
Insurance Services	575,000						575,000
Legal Services	340,000						340,000
Water	10,555,000	27,915,000		16,850,000			55,320,000
Chemicals	2,500,000						2,500,000
Utilities	3,500,000						3,500,000
Communications	215,000				2,000		217,000
Maintenance	2,500,000				3,687,000		6,187,000
Cleaning Services	148,000				15,000		163,000
Rental Services	104,000				50,000		154,000
Office Supplies and Other Services	329,000				928,000		1,257,000
Organizational Membership	362,000				73,000		435,000
Support and Program Participation	873,000						873,000
Training and Travel	160,000				15,000		175,000
Water Conservation Program	217,000						217,000
Capital Projects			19,737,000	7,342,000	2,939,000	1,347,000	31,365,000
Equipment	91,000				35,000		126,000
Debt Service	3,127,000			1,089,000			4,216,000
Subtotal (before capital funding)	46,563,000	27,923,000	21,356,000	25,669,000	11,499,000	1,686,000	134,696,000
Capital Funding	14,812,000				15,000		14,827,000
Total Expenses	\$ 61,375,000	\$ 27,923,000	\$ 21,356,000	\$ 25,669,000	\$ 11,514,000	\$ 1,686,000	\$ 149,523,000
Estimated Ending Fund Balance 6/30/2024	\$ 25,114,000	\$ 44,869,000	\$ 25,203,000	\$ 77,591,000	\$ 21,009,000	\$ 76,220,000	\$ 270,006,000
Reserve Balances							
Operating	10,710,000				4,288,000		14,998,000
Debt Rate Stabilization			6,300,000	2,300,000			8,600,000
Emergency	7,880,000						7,880,000
Reserve for Economic Uncertainties	4,488,000						4,488,000
Capital Projects		44,869,000	18,903,000	48,358,000	16,517,000	76,220,000	204,867,000
Section 115 Trust	1,755,000				204,000		1,959,000
Future Contractor's Share of South Bay Aqueduct				720,000			720,000
South Bay Aqueduct Enlargement				1,470,000			1,470,000
Sinking Funds Reserve Balance				26,933,000			26,933,000
Unallocated Fund Balance	281,000						281,000
Total Fund Balance	\$ 25,114,000	\$ 44,869,000	\$ 25,203,000	\$ 77,591,000	\$ 21,009,000	\$ 76,220,000	\$ 270,006,000
Change in Fund Balance (use of reserves)	\$ (2,731,000)	\$ 483,000	\$ (6,652,000)	\$ 2,283,000	\$ 481,000	\$ 1,392,000	\$ (4,744,000)

Exhibit B
FY 2022-24 Proposed Budget
Capital Improvement Plan (CIP) Project Listing

Fund 120 - Water Renewal/Replacement & System-Wide Improvements
Capital Projects Listing

	FY 22-23 Proposed Budget	FY 23-24 Proposed Budget
Asset Management Program Management	\$90,000	\$360,000
Capital Improvement Program Management	\$50,000	\$40,000
Chain of Lakes Facilities and Improvements - Water Supply	\$30,000	\$300,000
Chain of Lakes Master Planning	\$3,000	\$3,000
Chain of Lakes Pipeline	\$3,048,000	\$3,578,000
Contingency	\$750,000	\$750,000
Cross Valley Rate Control Station Replacement (ACC 1)	\$0	\$700,000
Dougherty Reservoir Power Study	\$100,000	\$0
DVWTP Coagulant System and Recovery System Pump Station Replacement	\$750,000	\$4,000,000
DVWTP HVAC Replacement	\$0	\$300,000
Hopyard 6 Rehabilitation	\$700,000	\$1,300,000
Laboratory Equipment Replacement	\$160,000	\$165,000
MGDP Concentrate Conditioning	\$4,000,000	\$0
MGDP Concentrate PFAS Study	\$200,000	\$0
MGDP Emergency Generator and VFD Replacement Project	\$1,000,000	\$3,600,000
MGDP VFD Repairs	\$160,000	\$0
Minor Renewal/Replacement Projects	\$600,000	\$750,000
Monitoring Well Replacements and Abandonments (SCPE)	\$200,000	\$200,000
North Canyons Renewal/Replacement and Improvements	\$46,000	\$46,000
On-Call Engineering and Construction Services	\$800,000	\$800,000
PPWTP Post-Ozone Projects	\$810,000	\$3,190,000
PPWTP Sludge Handling Rehabilitation	\$140,000	\$540,000
Production Well Rehab	\$30,000	\$0
SCADA Upgrades and Replacements	\$650,000	\$710,000
Silver Oaks Pump Station Land Acquisition	\$100,000	\$0
Total	\$14,417,000	\$21,332,000

Exhibit B
FY 2022-24 Proposed Budget
Capital Improvement Plan (CIP) Project Listing

Fund 120 – Major Capital Project Descriptions

Chain of Lakes Pipeline: This project consists of a new multi-purpose pipeline and pump stations connecting Del Valle WTP/South Bay Aqueduct, Lake A, and Lakes H/I/Cope. Active gravel mining operations may continue until 2060, delaying completion of the Chain of Lakes (COLs) by 30 years beyond the previous planning horizon. This means that previously planned groundwater recharge, local water right perfection, and other key water management strategies (e.g., to reduce salt loading) are also potentially delayed because they are tied to the fully interconnected COLs. Zone 7 is therefore planning to construct this project to allow Zone 7 to proceed with planned and potential uses of the COLs regardless of when the remaining lakes are turned over to Zone 7. Over the next two FYs, the project will focus on completing the design, advancing the environmental review and permitting processes, and acquiring right-of-way/easements/land as needed.

Cross Valley Rate Control Station Replacement: This project is recommended in the Asset Management Program. Based on condition assessment, one of the control stations on the Cross Valley Pipeline is near the end of its useful life and in need of replacement.

Dougherty Reservoir Power Study: This is a study to improve the power source for Dougherty Reservoir. Power needs are currently provided from DSRSD Turnout No. 2 Facility. With a considerably long run for the low voltage power provided by the turnout, the power source is limited. Completing the study will provide options for improving the power source. The benefits are to provide reliable power for a water mixing system.

DVWTP Coagulant System and Recovery System Pump Station Replacement: Based on condition assessment, the coagulant tanks and feed pumps are near the end of their useful life and in need of replacement. The project also includes pipeline modifications to control plant discharges for regulatory compliance, replacement of the raw water booster pump variable frequency drives, and replacement of the existing sludge bed underdrain pump station which is also near the end of its useful life.

DVWTP HVAC Replacement: By condition assessment, the DVWTP HVAC system replacement was deferred by five years to FY 2023-24. Work in FY 2023-24 will reassess the condition of the HVAC system and design with replacement scheduled in FY 2024-25.

Hopyard Well 6 Rehabilitation: As identified in the Asset Management Program, the electric switchboard and well pump are reaching the end of their useful life. Besides replacement of the pump, this work includes pipeline modifications and a new flowmeter to automate pacing of chemical dosing and maintain a balanced chloramine residual in the production of water.

MGBP Concentrate Conditioning: Design for this project has already been completed. Based on a detailed cost estimate in the current economic climate, project costs have exceeded the previous \$3.7 million estimate. The additional funding for the project also includes installation of replacement concentrate sump pumps and new VFDs. The existing concentrate sump pumps have not been able to keep up with the MGBP demineralization process at maximum output which will likely be needed when PFAS regulations are in effect.

MGBP Concentrate PFAS Study: MGBP will be a necessary facility to help reduce PFAS concentration levels from Zone 7 groundwater production wells in the Mocho Wellfield. The MGBP concentrate from the reverse osmosis process, which contains higher levels PFAS, is discharged through a series of pipelines eventually leading to the San Francisco Bay. The Federal government is in the process of regulating PFAS discharges. The proposed draft legislation includes exemptions for water treatment process discharges. If the proposed exemptions are not sufficient, there is possibility of MGBP concentrate discharge requiring PFAS treatment before discharging to San Francisco Bay. This study will help strategize, identify treatment options, and develop an implementation plan for compliance.

MGDP Emergency Generator and VFD Replacement: This project will 1) install a new emergency generator with transfer switch and meter panel and associated equipment for the Mocho Groundwater Demineralization Plant and; 2) replace variable frequency drives (VFDs) for pumps that are near the end of their useful life per the Asset Management Program. Groundwater production from Zone 7 wells in the area show PFAS concentration levels that are likely to be higher than the anticipated PFAS maximum contaminant levels (MCLs). Once the PFAS MCL is established, operation of MGDP will become necessary to reduce PFAS levels in Mocho Well production below regulatory levels. The project will provide emergency backup power to ensure that MGDP remains operational when needed.

On-Call Engineering and Construction Services: In the event of unforeseen or unplanned work, on-call engineering and construction services provide the ability to procure materials/equipment and repair, replace, or rehabilitate existing infrastructure in a prompt, efficient, and cost-effective manner.

PPWTP Post-Ozone Projects: This project consolidates existing PPWTP renewal/replacement projects and addresses post-ozone modifications. The existing renewal/replacement projects that this project will address include seismic retrofit of the 2 MG Clearwell, corrosion repairs to Clarifier 2, and replacement of the aging HVAC system in the Operations Building. The work that could not be completed with the PPWTP Upgrades and Ozonation Project due to the longlead time includes installation of a blind flange at the filter-to-waste pump station, an actuator to modulate a valve at the 5 MG Clearwell outlet, anionic pump control modifications, and potentially a main power remote breaker. This project will also remove the backwash tank and washwater pipe that were constructed on DWR property and are now obsolete; this work has no operating impact.

PPWTP Sludge Drying Bed Rehabilitation: This project consists of the rehabilitation of the six sludge drying beds. This project will improve operational reliability.

Silver Oaks Pump Station Land Acquisition: This pump station will need to be replaced and the pump station replacement project is scheduled for around FY 2027-28. The existing pump station is outdoors in a residential area and the site is shared with California Water Service for their turnout facilities. The replacement project is intended to house the pump station inside a building. The existing location may not be suitable for an upgraded indoor pump station facility. This project/funding in FY 2022-23 is for initial work to explore land acquisition options along the pipeline route for a new site for Silver Oaks Pump Station. If an opportunity arises, appropriation for additional funding would be requested.

COL PFAS Treatment Facility Project: The Proposed budget does not include additional pay-go funding for the PFAS Treatment Project as this project will be financed either from the Drinking Water State Revolving Fund (DWSRF) Loan program or revenue bonds. If pay-go funding is preferred, the minimum reserve requirement for Fund 120 will need to be reevaluated and lowered to stay compliant with Board policy.

Exhibit B
FY 2022-24 Proposed Budget
Capital Improvement Plan (CIP) Project Listing

Fund 130 – Water Enterprise Capital Expansion
Capital Projects Listing

	FY 22-23 Proposed Budget	FY 23-24 Proposed Budget
Busch-Valley Well 1	\$0	\$1,000,000
Capital Improvement Program Management	\$60,000	\$110,000
Cawelo Groundwater Banking Program Debt Service	\$1,094,000	\$1,089,000
Chain of Lakes Facilities and Improvements - Water Supply	\$70,000	\$700,000
Chain of Lakes Master Planning	\$7,000	\$7,000
Chain of Lakes Pipeline	\$2,703,000	\$3,173,000
Contingency	\$500,000	\$500,000
El Charro Pipeline Design Phase 2	\$0	\$310,000
Fourth Contractor's Share of the SBA - Capital Costs	\$3,000,000	\$3,000,000
North Canyons Renewal/Replacement and Improvements	\$2,000	\$2,000
Purified Water Outreach	\$25,000	\$0
SBA Enlargement Project	\$13,748,000	\$13,850,000
SWP Peaking Payment (Lost Hills & Belridge Water Districts)	\$20,000	\$30,000
Water Supply Replacement Projects	\$220,000	\$1,200,000
Walker Ranch Mitigation Planning	\$15,000	\$0
Well Master Plan Update	\$0	\$600,000
Total	\$21,464,000	\$25,571,000

Fund 130 – Major Capital Project Descriptions

Chain of Lakes Pipeline: This project consists of a new multi-purpose pipeline and pump stations connecting Del Valle WTP/South Bay Aqueduct, Lake A, and Lakes H/I/Cope. Active gravel mining operations may continue until 2060, delaying completion of the Chain of Lakes (COLs) by 30 years beyond the previous planning horizon. This means that previously planned groundwater recharge, local water right perfection, and other key water management strategies (e.g., to reduce salt loading) are also potentially delayed because they are tied to the fully interconnected COLs. Zone 7 is therefore planning to construct this project to allow Zone 7 to proceed with planned and potential uses of the COLs regardless of when the remaining lakes are turned over to Zone 7. Over the next two FYs, the project will focus on completing the design, advancing the environmental review and permitting processes, and acquiring right-of-way/easements/land as needed.

El Charro Pipeline Design Phase 2: This project includes planning, land/easement acquisition, design, and construction of a pipeline that loops the transmission system in the vicinity of the Chain of Lakes wells.

Water Supply Replacement Projects: The 2019 WSE Update underlined the continued need to pursue water storage and supply alternatives. Zone 7 is currently participating in regional projects such as Los Vaqueros Reservoir Expansion (“LVE”) and Sites Reservoir, while continuing to pursue and evaluate other alternatives. Over the next two FYs, this project includes funding for 20% of LVE (80% funded from Fund 100) and the portion of Sites not funded by Fund 300 (FY 2023-24). Both projects will advance planning, permitting, and engineering efforts over the next two FYs.

Well Master Plan Update: The Well Master Plan (WMP) update will define the strategic roadmap to achieve the Agency’s water supply reliability goals. Significant changes have taken place in the last ten years including the global climate, regulatory environment, hydrologic conditions, State Water project allocation, and water quality threats from emerging contaminants such as PFAs compounds and Chromium 6. These changes include the passage of the Sustainable Groundwater Management Act (SGMA) in 2014 and zero percent allocations from the State Water Project (SWP), which had not been seen before 2014. These changes warrant re-evaluating available groundwater supply, increasing demand, water quality threats, SGMA compliance, and climate change and updating the WMP to achieve the water supply reliability policy’s goals for the coming decades.

Fund 200 – Flood Protection Operations Capital Projects Listing

	FY 22-23 Proposed Budget	FY 23-24 Proposed Budget
Alamo Creek Bank Stabilization and Flood Management Pilot Project	\$4,800,000	\$0
Balance Hydrologics Contract Extension - Install/Operate/Maintain Stream/Rainfall Gauges	\$89,000	\$89,000
Bank Stabilization - Biotechnical Alternatives	\$100,000	\$100,000
Chain of Lakes Master Planning	\$4,000	\$4,000
Chain of Lakes Facilities and Improvements - Flood Protection	\$0	\$430,000
Contingency	\$500,000	\$500,000
Engineering Repair Services	\$1,000,000	\$1,000,000
Flood Management Plan Phase 2	\$1,593,000	\$0
Flood Protection Studies	\$316,000	\$585,000
Hydrology & Hydraulic Modeling Update	\$118,000	\$118,000
North Canyons Renewal/Replacement Improvements	\$12,000	\$12,000
USGS Stream Gauge Installation/Operation/Maintenance	\$101,000	\$101,000
Total	\$8,633,000	\$2,939,000

Fund 200 – Major Capital Project Descriptions

Alamo Creek Pilot Project: The proposed project addresses approximately 2,000 linear feet of urban trapezoidal channel using two progressive approaches. To address the turbulence at its source, the upstream section immediately downstream of the confluence structure will be reinforced with rock slope protection (RSP) on both banks and will build on the existing RSP from previous repairs. Pole plantings will be installed along the toe to slow velocities and reduce the erosive forces acting on the banks. Preliminary modeling shows a potential velocity reduction of 1.4 cfs. This project will only move forward if the Agency is awarded state grant proceeds.

Flood Management Plan Phase 2: The proposed scope of work will focus on risk informed flood system planning, and the necessary elements for successful implementation of all associated FMP Programs and Projects. Phase 2 is composed of multiple components and tasks including:

1. A risk informed capital improvement plan (CIP) supported by an integrated, watershedbased evaluation of the Zone 7 flood management system;
2. A corresponding implementation plan;
3. A funding/finance plan;
4. Development of a watershed cooperative plan;
5. Public and stakeholder outreach;
6. A regional geomorphic study; and
7. A program level environmental review

Fund 210 – Flood Protection DIF Fund Capital Projects Listing

	FY 22-23 Proposed Budget	FY 23-24 Proposed Budget
Balance Hydrologics Contract Extension - Install/Operate/ Maintain Stream and Rainfall Gauges	\$62,000	\$62,000
Chain of Lakes Master Planning	\$6,000	\$6,000
Chain of Lakes Facilities and Improvements - Flood Protection	\$0	\$570,000
Contingency	\$500,000	\$500,000
Flood Management Plan Phase 2	\$1,105,000	\$0
Flood Protection Studies	\$102,000	\$386,000
Hydrologic and Hydraulic Modeling Update	\$82,000	\$82,000
North Canyons Renewal/Replacement and Improvements	\$1,000	\$1,000
USGS Stream Gauge Installation/Operation/Maintenance	\$71,000	\$71,000
Total	\$1,929,000	\$1,678,000

Fund 210 – Major Capital Project Descriptions

Flood Management Plan Phase 2: The proposed scope of work will focus on risk informed flood system planning, and the necessary elements for successful implementation of all associated FMP Programs and Projects. Phase 2 is composed of multiple components and tasks including:

1. 1A risk informed capital improvement plan (CIP) supported by an integrated, watershedbased evaluation of the Zone 7 flood management system;
2. A corresponding implementation plan;
3. A funding/finance plan;
4. Development of a watershed cooperative plan;
5. Public and stakeholder outreach;
6. A regional geomorphic study; and
7. A program level environmental review

Zone 7 Service Area

Zone 7 supplies treated drinking water to retailers serving over 266,000 people and businesses in Pleasanton, Livermore, Dublin and, through special agreement with the Dublin San Ramon Services District, the Dougherty Valley area in San Ramon. Zone 7 also supplies untreated irrigation water to local vineyards, farms and golf courses, and provides flood protection to all of eastern Alameda County.



Zone 7 Water Agency June 15, 2022

Board of Directors



Angela Ramirez Holmes, President

Board Member since 2012
Term Expires June 30, 2024



Sarah Palmer, Vice President

Board Member since 2006
Term Expires June 30, 2022



Sandy Figuers

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



Dennis Gambs

Board Member since 2018
Term Expires June 30, 2022



Laurene Green

Board Member since 2020
Term Expires June 30, 2024



Olivia Sanwong

Board Member since 2018
Term Expires June 30, 2022



Michelle Smith McDonald

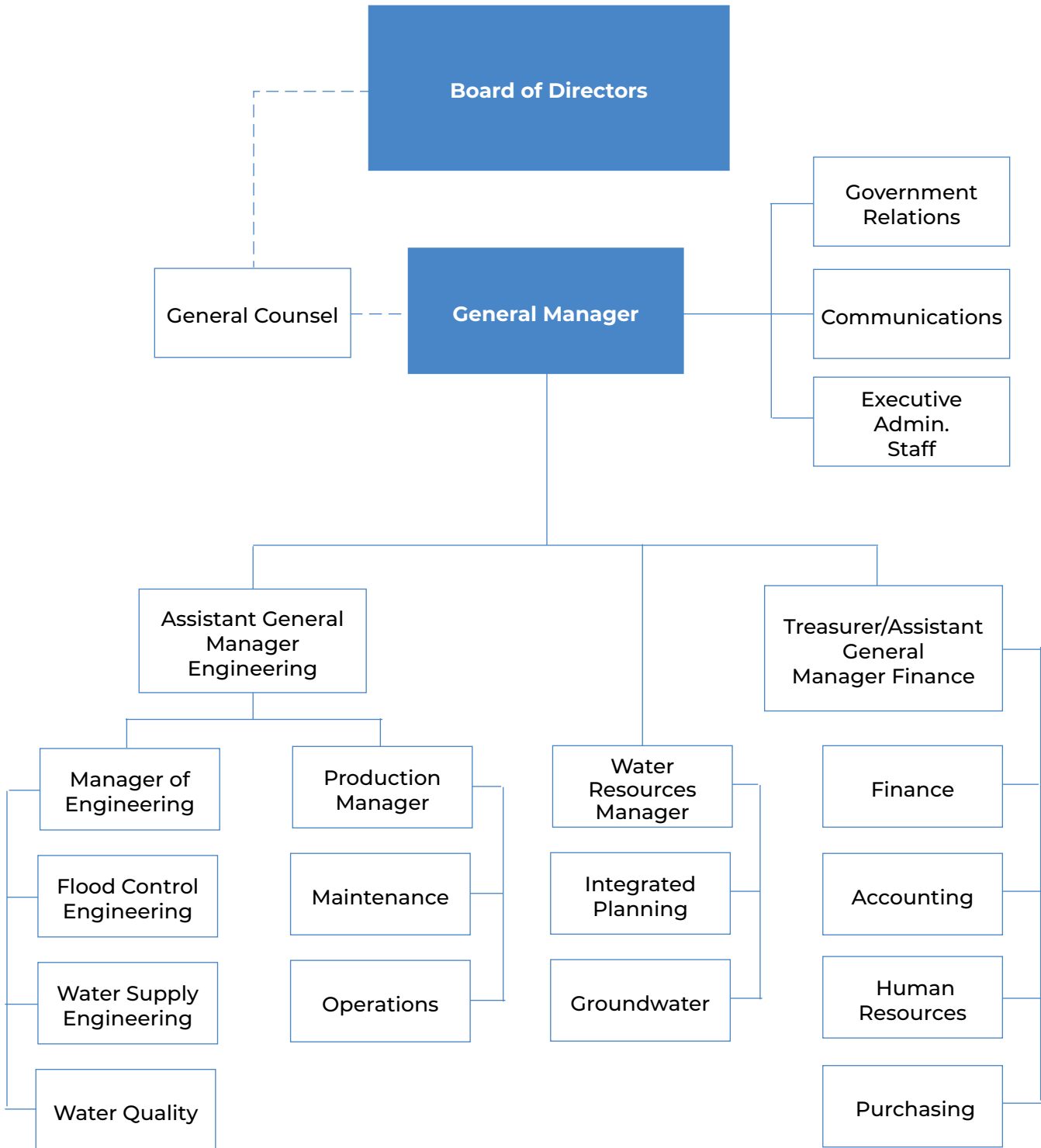
Board Member appointed in 2019
Term Expires June 30, 2022

Executive Management Team

Valerie Pryor, General Manager

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

Agency Organizational Chart



Agency Overview

Zone 7 Water Agency is a dependent special district established under the Alameda County Flood Control and Water Conservation District Act. The Act (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 in 1957, establishing its independently elected board of directors 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.

Key Business Relationships

The Agency supplies treated drinking water to the City of Pleasanton, City of Livermore, California Water Service Co. (Cal Water), and the Dublin San Ramon Services District (DSRSD) (the “Retailers”) serving over a quarter million people in the Tri-Valley area.



Service Functions

The Agency provides wholesale potable (treated) water to the Retailers, untreated water directly to agricultural businesses for irrigation of 3,500 acres, primarily South Livermore Valley vineyards, and flood protection services to eastern Alameda County. The service territory includes 425 square miles of eastern Alameda County and, by special agreement with DSRSD, the Dougherty Valley portion of San Ramon. The Agency has broad powers to finance, construct, and operate a system for the transportation, storage, treatment, and distribution of water.

Agency Water Supply

The Agency’s water supply has two major components: (1) imported water supplies available through the State Water Project (SWP) (about 80%), and (2) local water rights. Imported water supplies consist of annually allocated SWP water, water transfers with other SWP contractors, and carryover from previous SWP allocations. Local surface water runoff is captured in Lake Del Valle. In wet years, excess water is recharged in the local groundwater basin, “banked” in Kern County, or carried over in SWP facilities. This stored water is then available in dry years.

To optimize use of its local resources, the Agency sustainably manages the Livermore Valley Groundwater Basin. The Livermore Valley Groundwater Basin spans the central part of the valley and portions of the basin exist under the cities of Dublin, Livermore, and Pleasanton. Lake Del Valle is owned and operated by the California Department of Water Resources (DWR).

Three of the Agency’s Retailers, DSRSD, the City of Livermore, and the City of Pleasanton, also produce and/or distribute recycled water to their service areas. The City of Pleasanton and Cal Water pump groundwater directly in addition to the water supply received from the Agency. DSRSD has a contract with the Agency to pump groundwater on its behalf.

Two long-term water storage (“banking”) agreements with agencies in Kern County (Semitropic Water Storage District and Cawelo Water District) provide additional flexibility in managing fluctuations in supplies.



SWP Background

Purchased water from the SWP, the nation's largest publicly built water storage and conveyance system serving over 25 million people throughout California, is the Agency's largest water source. It generates approximately 80% of the treated water supplied to the Retailers and direct customers on an average annual basis.

DWR provides water supply from the SWP to twenty-nine SWP Contractors (Contractors), including the Agency, in exchange for cost-of-service payments from the Contractors. In the

1960's, DWR entered into substantially uniform long-term water supply contracts (Contracts) with each of the Contractors. The Contracts were set-up with initial 75-year terms, which begin to expire in 2035.

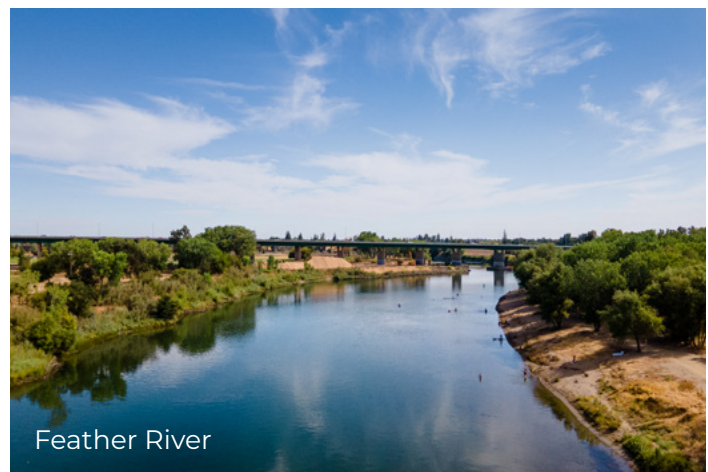
The Agency's Contract was executed in 1961. While the Contracts provide for continued water service to the Contractors beyond the initial term, efforts were undertaken to extend the Contracts to improve financing conditions for the SWP. Negotiations to extend the Contracts were open to the public and are available on the California DWR website. Terms have been agreed upon with Contracts extending to either December 31, 2085, or the period ending with the latest maturity date of any bond issue used to finance the construction costs of project facilities, whichever occurs later.

Most capital costs associated with the development and maintenance of the SWP is financed with revenue bonds. These revenue bonds have historically been sold with 30-year terms and as the Contract term began to shorten, it became more challenging to finance capital expenditures for the SWP due to the limited term of 2035. To ensure continued affordability of debt service to Contractors, it will be necessary to extend the term of the Contracts to allow DWR to continue to issue revenue bonds with 30-year terms.

SWP Water Supply

SWP water originates within the Feather River watershed, is captured and released from Lake Oroville, and flows through the Sacramento-San Joaquin Delta (Delta) before it's conveyed by the South Bay Aqueduct (SBA) to the Agency. Much of the SWP water continues to southern California via the California Aqueduct.

The SBA also delivers water to Santa Clara Valley Water District and Alameda County Water District (ACWD). Lake Del Valle is part of the SBA system and is used for SWP water storage for the Agency, Santa Clara Valley Water District, and ACWD. It also stores water from local runoff for the Agency and ACWD.



SWP water is directly used to meet the Agency's treated water demands from the Retailers and direct customers as well as 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.

Agency History and Services

Since long before the Agency was created, the critical issues of water supply, water quality, and flood protection affected the region's ability to prosper. Although the Valley was far less populated during the first half of the 20th Century, a declining groundwater table and periods of drought and flooding had local farmers, vintners, and other businesses and residents worried about their livelihoods. This is according to reports published in 1948.



The Creation of Alameda County Flood Control and Water Conservation District

The Alameda County Flood Control and Water Conservation District (the District") was created in 1949 by the California State Legislature through passage of the Alameda County Flood Control and Water Conservation District Act (1949 ch 1275, Act 20 of the California Uncodified Water Code) (District Act). The District was created to provide control of flood and storm waters and to conserve water for beneficial uses. The District was also vested with the power to:



1. store water in surface or underground reservoirs within or outside the District's boundaries for the common benefit of the District;
2. conserve and reclaim water for present and future use within the District;
3. appropriate and acquire water and water rights; and
4. import water into the District.



The District was further authorized by the District Act to prevent interference with or diminution of any stream or surface or subterranean supply of waters used or useful for any purpose of the District, and to prevent contamination and pollution of the surface or subsurface water used or useful in the District. The District was also authorized to levy replenishment assessments upon the production of groundwater from all water-producing facilities, whether public or private, within the District.

The Creation of Zone 7 Water Agency

The history of the Agency, as a separate water resource management agency, can be traced to the mid-1950s when the Livermore-Amador Valley was primarily rural in character, with a population of approximately 30,000. The area faced several problems, including groundwater overdraft, poor drainage creating flood hazards, and uncertainty over future water supplies. It was against this backdrop that the residents of the Livermore-Amador Valley voted to create Zone 7 Water Agency.



The Agency was established in 1957 by local voters demanding local control over local water-resource planning and financing. Establishment of the Agency has transformed the Livermore-Amador Valley, resolving many of its most pressing water-supply, water-quality, and flood-protection challenges. The Board of Directors (the “Board”) have continually formulated, implemented, and updated needed programs for flood protection and water-resource management, incorporating recreational and environmental benefits where feasible.

However, many issues have persisted, and their implications on local land use, local control, and local financing continue to surface. These issues are still relevant today as the Agency works to improve water reliability, water quality, and flood protection to accommodate new development in the surrounding cities.

The Agency is governed by a locally elected seven-member Board. Each director is elected at-large to a four-year term by residents within the Alameda County portion of Agency’s service area. The Board sets policy and provides direction to management and staff.

In 2003, the legislature passed Assembly Bill 1125 and gave the Board full authority and autonomy to govern matters solely affecting the Agency, independent of the Alameda County Board of Supervisors. The Alameda County Board of Supervisors, acting as the District Board of Supervisors, governs the other nine zones of the District.



The Agency’s key water resource management responsibilities include:

- Serve as a Contractor with DWR for the SWP
- Manage the local water right on Arroyo Valle
- Procure other water supplies as necessary to meet demands
- Provide wholesale treated water supply
- Provide untreated irrigation water for agriculture
- Sustainably manage the Livermore Valley Groundwater Basin
- Act as a watershed steward
- Operate and maintain water treatment and transmission systems
- Manage regional stormwater for public safety and protection of property



Historical Timeline of the Agency and the SWP

EARLY 1900s

Groundwater pumping, including exports to San Francisco lowers the Livermore-Amador Valley water table.

1949

State Legislature forms Alameda County Flood Control & Water Conservation District.

1957

Local voters approved creation of Zone 7 Water Agency to import SWP water, stop overdraft of groundwater, and prevent flooding in eastern Alameda County.

1960

Statewide voters approve bonds for the SWP. 82% of voters within the Agency's service area approve \$5.7M in bonds for water supply and flood control.

1961

Agency enters historic contract with the DWR for water supply from the SWP delivered via the SBA.

1962

Delivery from SWP begins. Agency begins artificial recharge program using SWP allocation.

1962-1968

Agency signs water supply contracts with the Retailers.

1965

Agency signs first contracts for untreated water deliveries from the SBA to the vineyards.

2003

California legislature passes Assembly Bill 1125 giving the Board full authority and autonomy to govern matters solely affecting The Agency, independent of the Alameda County Board of Supervisors.

2017

Agency celebrates its 60th anniversary.



2019

Agency signs Amendment #26 with DWR to extend SWP Contract to 2085.

Agency's Vision and Mission

The Agency's Vision Statement reflects a legacy of service and establishes a high bar for continuing this service. The Vision Statement represents the aspirations of the Agency as follows:

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



The Agency has established the following Mission Statement to guide decision making on behalf of the customers and communities we serve:



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

Agency's Values



“Our shared values guide all our actions.”
– Valerie Pryor, General Manager

INTEGRITY:

We maintain the highest ethical standards and open, honest communications.

CUSTOMER SERVICE:

We are prompt, respectful, and courteous in all our interactions.

SAFETY:

We are committed to public and employee safety.

TRANSPARENCY:

We operate in an open and transparent fashion.

INNOVATION:

We encourage innovation, creativity, and ingenuity.

COLLABORATION:

We embrace collaboration to enhance our services.

FISCAL RESPONSIBILITY:

We operate in a productive, cost effective, and efficient manner.

ENVIRONMENTAL SENSITIVITY:

We deliver our services in an environmentally sensitive manner.

LEADERSHIP AND SERVICE:

We maintain a diverse team of highly skilled professionals devoted to honest, humble, courteous, and accountable stewardship of our resources.

PROACTIVITY:

We proactively address issues and embrace continuous improvement.

Local Economy

The Tri-Valley area 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, including a wide-variety of major employers such as national laboratories, vineyards, and high-tech firms.

The Agency's Administrative Office is located in the City of Livermore. The City of Livermore was founded in 1869 and is one of California's oldest wine growing regions. The Agency currently serves a population of over 260,000 within the Tri-Valley. Alameda County serves a population of over 1.6 million residents with a median household income of \$104,125 per year. The per capita income for Alameda County is \$49,900 and supports nearly 720,000 wage and salary jobs as of 2020.²

Demographic and Economic Statistics for Alameda County and Zone 7 Water Agency Service Area (Fiscal Years 2011-12 through 2020-21)

Fiscal Year	Zone 7 Service Area (Acres)	Population Served in Agency's Service Area ¹	Population of Alameda County ¹	Total Personal Income, Alameda County (\$Billion) ²	Unemployment Rate, Alameda County ²	Consumer Price Index, Alameda County (% change) ³
2012	272,000	229,000	1,554,000	84.5	9.5	2.7
2013	272,000	233,000	1,579,000	87.4	7.4	2.2
2014	272,000	239,000	1,584,500	95.1	5.8	2.7
2015	272,000	245,000	1,602,000	106.1	5.2	3.2
2016	272,000	247,000	1,637,500	111.8	4.3	3.5
2017	272,000	255,000	1,643,000	118.6	3.8	2.9
2018	272,000	260,000	1,657,000	124.8	3.3	3.9
2019	272,000	264,500	1,669,500	130.7	2.6	2.7
2020	272,000	265,000	1,671,000	135.6	9.5	1.6
2021	272,000	266,000	1,662,400	144.7*	3.2	1.6

* Figures are forecasted estimates.

Source:

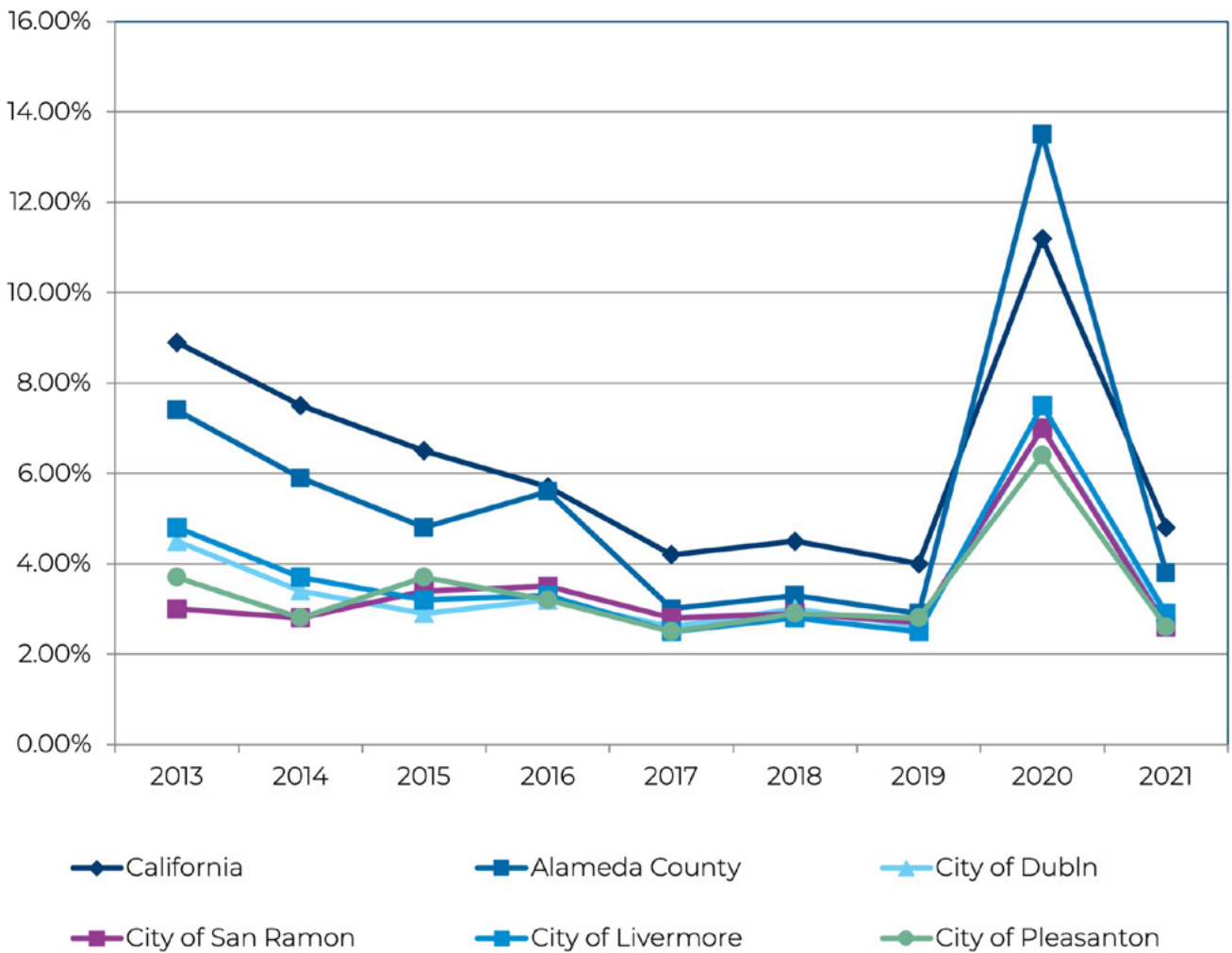
¹ Population: <http://www.dof.ca.gov/Forecasting/Demographics/Estimates/documents/PriceandPopulation2020.pdf> (rounded to nearest 500).

² [https://www.labormarketinfo.edd.ca.gov/file/lfmonth/oak\\$pds.pdf](https://www.labormarketinfo.edd.ca.gov/file/lfmonth/oak$pds.pdf) (as of March 2022)

³ Consumer Price Index (CPI): <https://www.dir.ca.gov/oprl/CAPriceIndex.htm>

Unemployment Rates

In March 2020, at the beginning of the COVID-19 pandemic, the Alameda County’s unemployment rate was 3.8%. U.S. and California had historicly low unemployment rates, at 3.5% and 3.9%, respectively. Mandated COVID-19 shelter-in-place orders caused a sharp rise in unemployment, increasing the Alameda County unemployment rate to 13.5%. California’s unemployment rate increased to 16.3%, while the U.S. unemployment rate rose to 13.3%. With widespread availability of the COVID-19 vaccine and economic stimulus programs from the Federal government in 2021, the labor market improved dramatically by the Spring of 2022. Unemployment rates dropped to pre-COVID rates – 3.2% in Alameda County, 4.2% in California and 3.6% in the U.S.¹



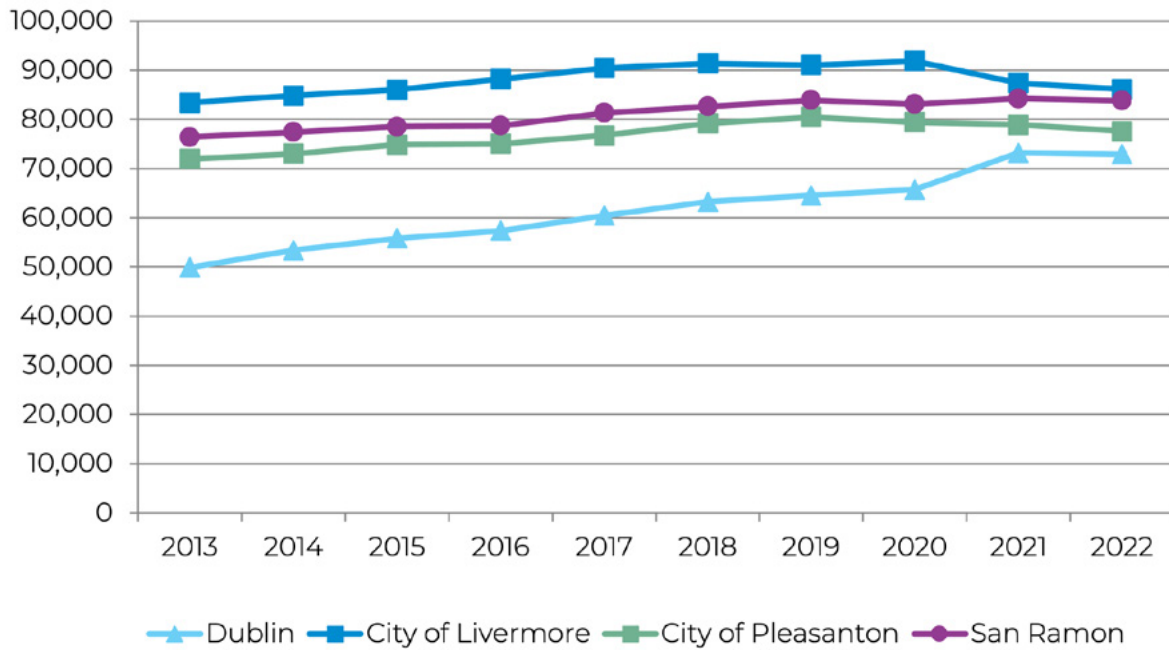
Source:

¹ Unemployment rates: <https://data.edd.ca.gov/Labor-Force-and-Unemployment-Rates/Labor-Force-and-Unemployment-Rate-for-California> (March 2022)

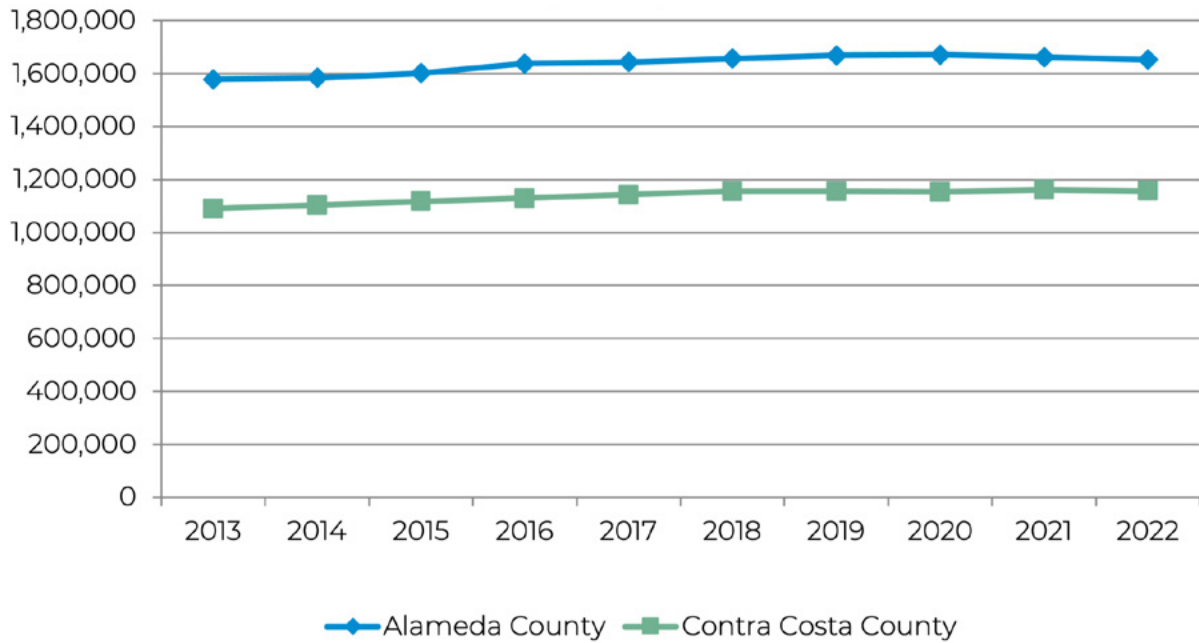
Population

The Agency now serves a combined population of over 260,000. The Dublin-Livermore-Pleasanton area continues to be among the fastest growing areas in the Bay Area. However, population growth leveled off during the COVID-19 pandemic. The City of Livermore maintains the largest overall population in the area with approximately 86,000 residents. The City of Dublin’s population is approximately 73,000 and the City of Pleasanton’s population is approximately 78,000. The average growth rate is down 1.2% from 2021.

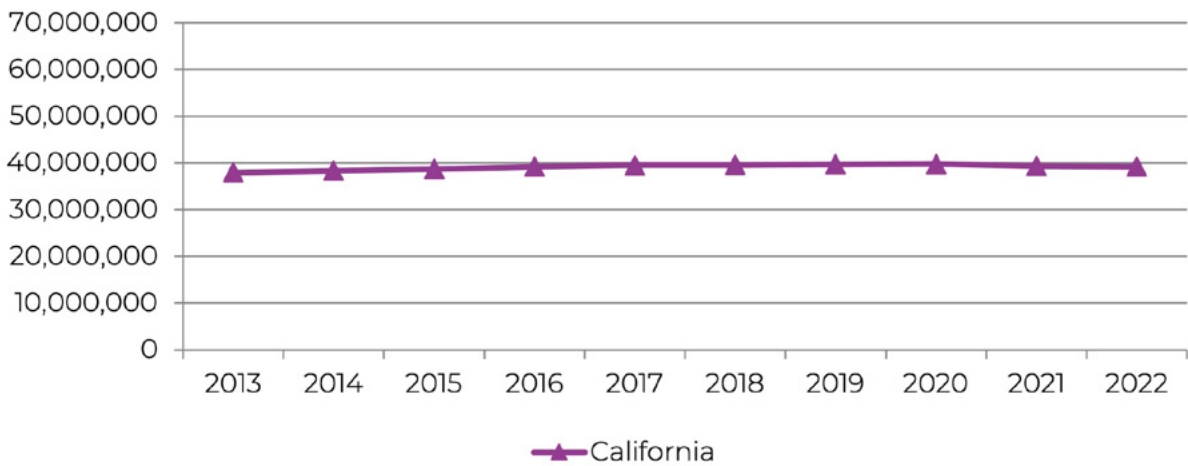
Zone 7’s Service Area Population



County Population



California Population



Source:

Alameda County Population: <https://dof.ca.gov/forecasting/Demographics/estimates-e1/>

Contra Costa County Population: <https://dof.ca.gov/forecasting/Demographics/estimates-e1/>

California Population: [https://www.theguardian.com/us-news/2022/may/02/california-population-decline-trend-covid#:~:text=California%20lost%](https://www.theguardian.com/us-news/2022/may/02/california-population-decline-trend-covid#:~:text=California%20lost%20)

Challenges, Issues and Trends

Reliable water is critical to an economically and environmentally vibrant community. The Agency has continued to provide reliable water despite numerous external challenges such as climate change, labor and supply shortages, and the COVID-19 pandemic. Through these challenges, staff have maintained service and safety levels, continuing to deliver high-quality treated water to the Tri-Valley community. In addition, daily operations have gone uninterrupted, and staff continue to make progress on major infrastructure projects improving water quality, reliability, and flood protection in the region.

The Agency continues to prioritize and invest in several projects for study and evaluation that have the potential to mitigate future water supply and storage challenges due to population growth and climate change. These projects include Los Vaqueros Reservoir Expansion for local storage, Delta Conveyance for better reliability, Sites Reservoir for new supply, and regional desalination efforts and potable reuse for a local supply option. Generating new sources of water for more than a quarter million people is no easy feat, but the Agency continues to prioritize water supply and storage as it works toward solutions to sustain the Tri-Valley community for generations to come.

Drought and Conservation

The Agency is facing another critically dry year, the third dry year in a row. Even with very low water supply coming from the SWP, the Livermore-Amador Valley's water supply demands are continuing to be met through the Agency's stored water, both locally and in other regions, water transfers (purchases), and conservation. On September 1, 2021, the Agency's Board declared a drought emergency and required 15% mandatory conservation from the Agency's treated water customers.

The current drought has solidified the importance of maintaining a diversified water supply portfolio including the continued participation in critical alternative water supply projects.

Alternative Water Supply Projects

The Agency is currently participating in the following alternative water supply and storage projects/ programs:

- Delta Conveyance (water supply reliability)
- Los Vaqueros Reservoir Expansion (increased local storage)
- Sites Reservoir (new water supply)
- Water Transfers (new water supply)

The Agency will evaluate and develop appropriate new supply and reliability opportunities if they demonstrate progress toward accomplishing new sustainable water supplies both regionally and locally and are fiscally feasible. Current alternative water supply projects include:

- Bay Area Regional Desalination Project
- Potable Reuse
- Intertie with neighboring water agency

Capital Improvement Plan (CIP)

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 Water System Capital Improvement Plan (CIP). The CIP encompasses the near-term (10-year) 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.

Per- and Polyfluoroalkyl Substances (PFAS)

PFAS are a group of man-made chemicals that have been manufactured and used by a variety of industries since 1940. These unregulated contaminants are of emerging concern to drinking water due to their tendency to accumulate in groundwater and their potential adverse health effects. PFAS was found in samplings of some of the Agency's wells. The Agency proactively and immediately took steps and implemented procedures to reduce PFAS below the California recommended response level in the identified wells.

In 2020, the Agency conducted a PFAS Treatment and Feasibility Study to assess treatment requirements and strategy for PFAS. Recommendations from the study included prioritizing the installation of a PFAS treatment facility for the Chain-of-Lakes (COL) wellfield to meet anticipated state maximum contaminate levels (MCLs). The Agency was proactive and initiated a design services contract to start the process. The Agency is currently at 60% design for the PFAS Treatment Facility.

The PFAS Treatment Facility is a significant financial investment for the Agency. To help fund the project, staff have actively pursued available state and federal grants and are participating in a coalition of agencies seeking PFAS funding through the California state budget.

Strategic Planning

Zone 7 Water Agency’s 5-year Strategic Plan is intended to establish the framework for addressing the challenges to maintain reliable and high-quality water and flood protection services to the Livermore-Amador Valley.

This Strategic Plan was developed through a collaborative process with the Board of Directors, management and staff. The Board discussed the strategic challenges facing Zone 7 Water Agency and refined a vision, mission, and set of goals for the 5-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 funded through the budget process and its progress tracked and reported to the Board. The Board of Directors reviewed and accepted the 2020-2024 Strategic Plan on June 17, 2020.

The major Strategic Plan funding of initiatives will occur through the normal budget process. The initiatives are summarized below and are not listed in order prioritization.

1. Establish a diversified water supply plan
2. Evaluate and develop appropriate new water supply and reliability opportunities
3. Continue to effectively implement infrastructure projects in the Water System Capital Improvement Program (CIP)
4. Implement Ozone
5. Meet or surpass all drinking water health and safety requirements
6. Assess treatment requirements and strategy for PFAS and Cr6
7. Manage the GSA and implement the groundwater management plan
8. Study and refine knowledge of the groundwater basins
9. Continue to maintain the Flood Protection System
10. Update the flood protection strategy
11. Review professional development approach to maintain workforce capability for now and into the future
12. Review and develop strategies for water treatment operator recruitment and retention
13. Review and update Board policies
14. Evaluate current program to increase ratio of preventative to reactive maintenance
15. Optimize the procurement process
16. Develop and implement an energy strategy
17. Refresh emergency preparedness program
18. Develop and implement a climate change strategy
19. Optimize Agency communications program
20. Redesign the Agency website
21. Conduct water supply reliability public outreach program
22. Develop a long-range finance strategy
23. Track State and federal funding opportunities
24. Continue to effectively manage financial resources

Major Accomplishments (FY 2020-22)

Capital Improvement Program: 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 Summer of 2022.

Drought Conditions: Fiscal year 2020-21 was a critically dry year and the second dry year in a row for the State of California. On September 1, 2021, the Zone 7 Board of Directors declared a state of drought emergency within its service area and a Stage 2 water shortage (Resolution No. 21-67). This declaration included mandatory conservation of 15% to align with Governor Newsom's drought emergency proclamation.

The Agency maintains a diverse water supply portfolio (local groundwater, groundwater banks in Kern County, and surface water) and has proactively pursued and secured water transfers in anticipation of prolonged drought conditions. Because of the Agency's swift actions, water demands continue to be met each year.



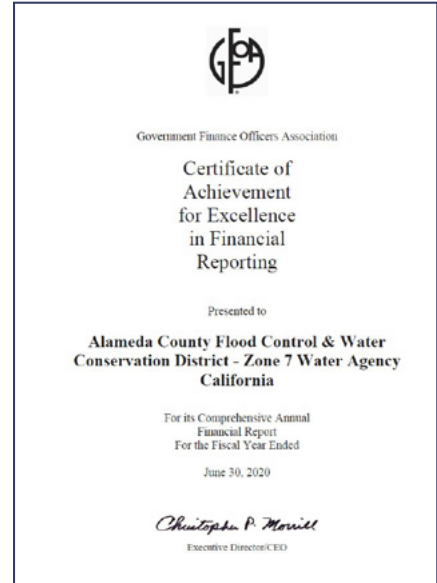
Flood Protection: The Agency's Five-Year Strategic Plan includes an initiative to update the flood protection strategy. A consultant with expertise in flood protection engineering provided a high-level assessment of the Agency's flood protection policies and of the overall flood protection system currently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

Comprehensive Annual Financial Report (CAFR): For the sixth time in the Agency’s history, staff created an agency CAFR, submitted an application for review and was awarded a Certificate of Achievement for Excellence in Financial Reporting, this time for Year Ended June 30, 2020.

Budget Book Presentation Awards: For the sixth consecutive budget year, the Agency received the Government Finance Officers Association (GFOA) “Distinguished Budget Presentation Award” for the FY 2020-22 Budget Book. Additionally, Zone 7 received the “Excellence Award in Operating Budget” for the fifth consecutive year from the California Society of Municipal Finance Officers (CSMFO) for its FY 2020-22 Budget Book.

Transparency Certificate of Excellence: In 2019 the Agency received the District Transparency Certificate of Excellence from the Special District Leadership Foundation (SDLF) in recognition of Zone 7’s efforts to promote transparency and good governance. The certificate is valid through September 2022.





FINANCIAL OVERVIEW

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Agency Fiscal Overview

On an annual basis, the Agency reviews its financial standing to determine and propose a comprehensive budget plan document to plan for future operations. This budget document includes a brief explanation of the Agency's budget process, a breakdown of the budget by major funding area, section, program and the chart of accounts.

The Agency's budget is created in support of the Agency's mission, vision, and values. The Agency's budget also provides a plan to implement the strategic planning priorities and Board policies.

Fiscal Year

Zone 7 Water Agency operates on a fiscal year which runs from July 1 through June 30. When a single year is referenced in this budget document, it's referring to the end of the fiscal year. For example, 2024 is the fiscal year ending (FYE) June 30, 2024.

Fiscal Management

The Agency's Board of Directors adopts operating and capital budgets prior to the new fiscal year. The budget authorizes and controls financial operations and accountability for the Agency's enterprise (water) and governmental (flood) functions. The Agency adopts a balanced budget, defined as estimated expenses equaling estimated revenues and planned use of available reserve.

Budget Process/Calendar

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 Manager and Executive Staff for analysis and consideration. The Assistant General Manager and Executive Staff then propose their respective draft budgets to the General Manager, who considers Agency priorities, overall impact and ultimate direction regarding each of the Agency's funds to develop the full budget draft. The vetted budget draft is then presented to the full Board of Directors for review and adoption prior to June 30 each year. This two-year budget was adopted by the Zone 7 Board on June 15, 2022. At the end of June 2022, the Alameda County Board of Supervisors adopted the Agency's budget for funds 100, 110, and 200.

The Board of Directors meetings and any standing Board Committee meetings are posted in advance in accordance with the Brown Act and to facilitate full public participation. The final FY 2022-24 budget was posted and will remain on the Agency's website for a period determined by the General Manager.

Budget Process Flow



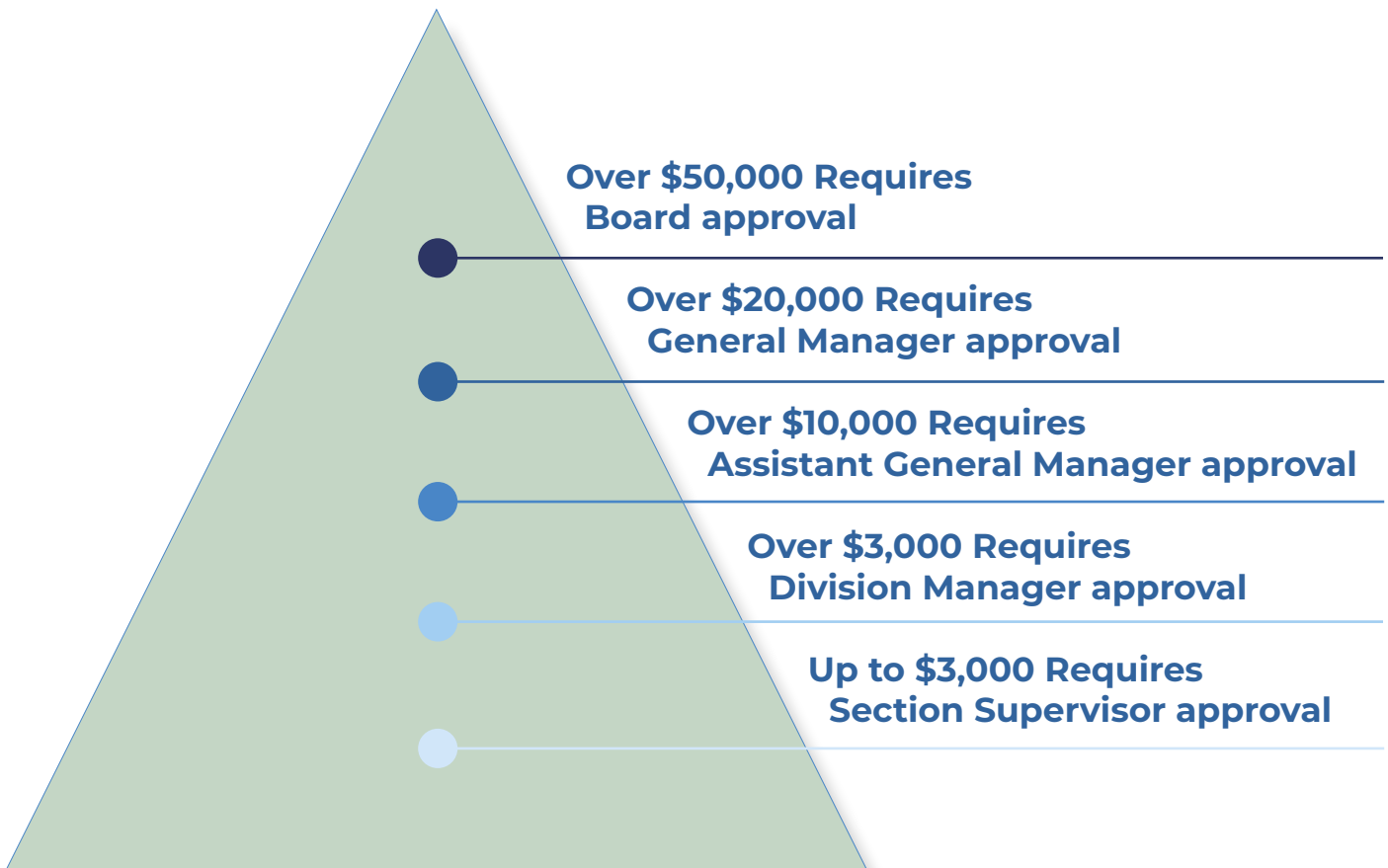
**Even-numbered years*

Budgetary Control

The budget is a management tool intended to aid in the planning efforts of the Agency and 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 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 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 Board of Directors updating them on the agency’s expenditure of public funds.

In addition to reporting the status of expenditures as compared to the budget each quarter, spending limits have been established in the [Agency Purchasing Policy](#) as follows:



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 Fund budget cannot be exceeded without the Board’s approval.

In addition, the budget provides the annual authorization for positions, employee pay and benefits.

Capital Financing and Debt

The Agency has historically relied on Water System and Flood Protection Reserves to fund capital projects on a pay-as-you-go basis. This approach can work well during periods in which net revenues are strong and capital funding needs are modest. The recent drought related drop in reserve levels, combined with an increased need for capital projects has created the need for external funding. The Agency, under the direction of the Board of Directors, retains full flexibility in determining the best funding approach on a case-by-case basis.

On June 21, 2017, the Zone 7 Board adopted a Capital Financing and Debt Policy (Appendix D). This Debt Policy formally establishes parameters for issuing debt and managing a debt portfolio, which encompasses the Agency’s specific capital improvement needs, its ability to repay financial obligations, and the existing legal, economic, financial and debt market conditions. The policies outlined in the Debt Policy are not goals or a list of rules to be applied toward the Agency’s debt issuance; rather, these policies should be utilized as tools to ensure that adequate financial resources are available to support the Agency’s long-term capital needs.

Livermore Valley Water Financing Authority Water Revenue Bonds, 2018 Series A

On March 28, 2018, the Agency issued the Livermore Valley Water Financing Authority Water Revenue Bonds, 2018 Series A to finance the construction of ozone treatment facilities at the Agency's water treatment plants and to prepay the Agency's obligations in connection with the Cawelo Water District Certificates of Participation, Series 2006. The Agency sold all of its \$64,010,000 Livermore Valley Water Financing Authority water revenue bonds. The 2018 Series A bonds generated \$71,398,059 of proceeds with a true interest rate of 3.54%.

Credit Ratings

The Livermore Valley Water Financing Authority Water Revenue Bonds, 2018 Series A were initially assigned a AA+ rating by Standard and Poor's and AA rating by Fitch Ratings. In July 2020, Fitch conducted a surveillance review and as a result, upgraded Zone 7’s bond rating from AA to AA+. In June 2022, after their annual surveillance review, Fitch Ratings affirmed Zone 7’s bond rating of AA+, additionally, Fitch Ratings affirmed Zone 7’s Issuer Default Rating (IDR) of ‘AA+’.

Fitch based its rating affirmation on the following factors: 1) Strong financial leadership 2) Fixed rate component of the water rate structure 3) Strong reserves to weather the current economic downturn 4) Healthy levels of capital investment to maintain the Agency’s infrastructure 5) Strong balance of stored groundwater and banked water to deal with SWP and hydrology variability.

Water System Credit Ratings		
Type	Standard and Poor's	Fitch
2018 Series A	AA+	AA+

Outstanding Debt

The outstanding principal of the Livermore Valley Water Financing Authority Water Revenue Bonds, 2018 Series A is \$59.9M as of June 30, 2022 as shown in the table below.

Livermore Valley Water Financing Authority Water Revenue Bonds, 2018 Series A				
Debt Service Schedule				
Fiscal Year Ending	Principal	Interest	Debt Service	Principal & Interest Remaining
6/30/2023	1,520,000	2,697,538	4,217,538	94,418,806
6/30/2024	1,595,000	2,619,663	4,214,663	90,204,144
6/30/2025	1,680,000	2,537,788	4,217,788	85,986,356
6/30/2026	1,770,000	2,451,538	4,221,538	81,764,819
6/30/2027	1,855,000	2,360,913	4,215,913	77,548,906
6/30/2028	1,955,000	2,265,663	4,220,663	73,328,244
6/30/2029	2,055,000	2,165,413	4,220,413	69,107,831
6/30/2030	2,165,000	2,059,913	4,224,913	64,882,919
6/30/2031	2,275,000	1,948,913	4,223,913	60,659,006
6/30/2032	2,395,000	1,832,163	4,227,163	56,431,844
6/30/2033	2,520,000	1,710,438	4,230,438	52,201,406
6/30/2034	2,640,000	1,582,588	4,222,588	47,978,819
6/30/2035	2,765,000	1,461,288	4,226,288	43,752,531
6/30/2036	1,765,000	1,361,863	3,126,863	40,625,669
6/30/2037	1,835,000	1,287,919	3,122,919	37,502,750
6/30/2038	1,905,000	1,220,000	3,125,000	34,377,750
6/30/2039	1,985,000	1,142,200	3,127,200	31,250,550
6/30/2040	2,065,000	1,061,200	3,126,200	28,124,350
6/30/2041	2,150,000	976,900	3,126,900	24,997,450
6/30/2042	2,235,000	889,200	3,124,200	21,873,250
6/30/2043	2,325,000	798,000	3,123,000	18,750,250
6/30/2044	2,420,000	703,100	3,123,100	15,627,150
6/30/2045	2,535,000	591,325	3,126,325	12,500,825
6/30/2046	2,665,000	461,325	3,126,325	9,374,500
6/30/2047	2,800,000	324,700	3,124,700	6,249,800
6/30/2048	2,945,000	181,075	3,126,075	3,123,725
6/30/2049	3,070,000	53,717	3,123,717	-
	59,890,000	38,746,343	98,636,343	

In addition to the 2018 Series A bonds, the Agency partners with other public agencies and pays for debt incurred by others on the Agency's behalf.

For example, The State of CA incurs debt for capital projects to maintain, improve or expand the State Water Project infrastructure and Zone 7, under the terms of its contract with the state, is obligated to pay its share of the debt payments regardless of the amount of water purchased.

The Agency has a bonded indebtedness limit that shall not exceed 5% of the assessed valuation of all taxable property in any zone lying, in whole or in part of the agency's service area. The current outstanding principal of \$59.9M is 0.02% of the total debt limit of \$3.5B, per the Alameda County Flood Control and Water Conservation District Act, (ACT 20), §36.6.

Del Valle Water Treatment Plant



Basis of Accounting and Budgeting

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

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

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

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

Governmental (flood protection) funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available, and expenses are generally recorded when a fund liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences (such as paid leave) are recorded when payment is due.

Property tax, benefit assessments, interest, grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available.

- General capital asset acquisitions are reported as expenditures in governmental funds.
- Proceeds of general long-term debt and capital leases are reported as other financing sources.

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

Description of Funds

Water Enterprise Operations Fund – Fund 100

Primary Funding Source:
Water Rates.

The purpose of this fund is to ensure the delivery of high quality water to the Livermore-Amador Valley. This includes water treatment and distribution of potable (drinking) water; distribution of untreated agricultural/irrigation water; and surface water and groundwater management. Water distributed is a combination of local runoff and imported water from the State Water Project (Zone 7 only pumps groundwater previously imported and artificially recharged). Activities include water treatment; water quality analysis; water resource management and groundwater recharge and protection; and water supply planning and engineering.

State Water Project Fund – Fund 110

Primary Funding Source:
Property Taxes.

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

Water Renewal/ Replacement and System-Wide Improvement Fund – Fund 120

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

The purpose of this fund is to ensure that the current water treatment and delivery systems are functioning effectively and that capital replacement and improvement needs for the associated infrastructure are funded. Fund 120 pays for capital projects including the renewal, replacement and improvement of the current water treatment and delivery system.

Water Expansion Fund – Fund 130

Primary Funding Source:
Water Connection Fees.

The purpose of this fund is to ensure that Zone 7 is able to meet future needs for 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).

Water Enterprise Fixed Assets (Equipment) Fund – Fund 140

Primary Funding Source:
ACO Reserve (Accumulated Capital Outlay).

The purpose of this fund is for motor vehicle replacement and capital equipment.

Flood Protection Operations – Fund 200

Primary Funding Source:
Property Taxes.

This fund provides for general administration and flood control services to ensure the controlled drainage of the Valley's excess stormwater runoff. Zone 7 manages a watershed of 425 square miles 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 Zone 7. This fund finances a comprehensive year-round maintenance program that includes repairing slides and erosion, refurbishing access roads and associated drainage ditches, installing and repairing gates and fences, and maintaining landscaped areas.

Flood Protection Development Impact Fee Fund – Fund 210
Primary Funding Source:
Development Impact Fees.

The purpose of this fund is to ensure that Zone 7 is able to meet future needs for expansion-related flood protection facilities. The program is primarily intended to provide funding for any flood protection 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.

Flood Protection Fixed Assets Fund – Fund 220
Primary Funding Source:
Not Funded.

The purpose of this fund is for activities related to Flood Protection Fixed Assets.

Water Facilities Fund – Fund 300
Primary Funding Source:
Miscellaneous Fees & Deposits.

The purpose of this fund is for Chain of Lakes mitigation and planning reserve. Revenues include fees for quarry discharge exports, miscellaneous fees and deposits, and permit inspection deposits.

Water Supply/Reliability Fund – Fund 310
Primary Funding Source:
Not funded.

The purpose of this fund is for future water, water storage and Delta-related projects. This fund has been expended and is closed as of June 30, 2022.

Listing of Funds

Fund	Fund No.	Primary Funding Source	Primary Fund Purpose	Appropriated	Included in Audit
Water Enterprise Fund	100	Water Sales	This operations and maintenance fund includes water treatment and distribution of potable (drinking) water; distribution of untreated agricultural/irrigation water; and surface water and groundwater management.	Yes	Yes
State Water Facilities Fund	110	Property Taxes	Finances the "fixed cost" payment to the State Department of Water Resources (DWR) to import water to Zone 7.	Yes	Yes
Capital Improvement, Renewal & Replacement (IR&R) Fund	120	Transfers from Water Enterprise Fund	A sub-fund of Fund 100, this fund pays for capital renewal, replacement and system-wide improvement projects needed to keep the current water treatment and delivery systems functioning effectively.	Yes	Yes
Capital Expansion Fund	130	Connection Fees	This fund ensures that the Agency is able to meet future needs of new customers with development paying its own way.	Yes	Yes
Water Enterprise Fixed Assets Fund	140	ACO Reserve (Accumulated Capital Outlay)	Motor Vehicle Replacement, Capital Equipment and Water Enterprise Fixed Assets	No	Yes
Flood Protection Operations Fund	200	Property Taxes	Provides for general administration and flood control services to ensure the controlled drainage of the Valley's excess stormwater runoff.	Yes	Yes
Flood Protection Development Impact Fee Fund	210	Development Impact Fees	Ensures that Zone 7 is able to meet future needs for expansion-related flood control facilities.	Yes	Yes
Flood Protection Fixed Assets	220	n/a	Capital Equipment and Flood Protection Fixed Assets (land, channels, etc.)	No	Yes
Water Facilities Fund	300	Quarry Reclamation/Tonnage fees, Quarry Discharge fees, T/O Construction & other Deposits, Encroachment Permit fees, Untreated Connection fee Deposits, and Unallocated Interest.	This fund is to be used for Chain of Lakes mitigation and planning reserve, quarry discharge exports, miscellaneous fees and deposits, and permit inspection deposits.	No	Yes
Water Supply/Reliability Fund	310	Water supply/reliability/quality & Delta related projects.	Per the Board resolution # 07-1986, the purpose of this fund is to be used for future water, water storage and Delta-related projects. This fund has been expended and is closed as of June 30, 2022.	No	Yes

Matrix of Current Section/Fund Relationship

The chart below shows the current relationship between Agency Funds and Sections.

Section	Fund 100	Fund 110	Fund 120	Fund 130	Fund 200	Fund 210
	Water Enterprise Operations	State Water Facilities	Water Renewal/ Re-placement	Water Expansion	Flood Control	Flood Protection & Development Impact Fee
Office of the General Manager	X	X	X	X	X	X
Finance	X	X	X	X	X	X
Human Resources	X		X	X	X	
Water Quality	X		X	X	X	X
Integrated Planning	X	X	X	X	X	X
Water Supply Engineering	X		X	X	X	X
Groundwater	X		X	X	X	X
Operations	X		X	X	X	
Maintenance	X		X	X	X	X
Flood Protection Engineering	X		X	X	X	X

Agency Programs and Sub-Programs

The programs represent the major components of the Agency for which all activities are reported. The Sub-Program is a sub-level of recording and reporting of activities.

Program 10 – Water Utility Support Services

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

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

Program 20 – Water Supply, Source & Conveyance

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

Sub-Programs within this Program: Administration, Water Conservation, State Water Project, Delta Conveyance, Local Water Rights, Other Water Supplies.

Program 30 – Water Storage

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

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

Program 40 – Water Treatment

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

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

Program 50 – Water Transmission

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

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

Program 60 – Central Administration

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

Sub-Programs within this Program: Administration (Agency-Wide), Finance, Employee Services

Planning and Environmental Services, Security & Emergency Planning, Real Property, Administrative Facilities Maintenance/Services, Board of Directors, Chain of Lakes - Shared Water Enterprise/Flood Protection.

Program 70 – Flood Protection

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

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

Cost Allocation

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

The basis for the allocation of benefits for each capital project is documented in the project budget approved by the Board and is equitably based upon parameters identifiable to the benefits received.

Agency Overhead

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

Allocations to Flood Control - Fund 200 as overhead are based on prior year labor hours. For FY 2022-23 and 2023-24, the Agency overhead allocation amount is estimated at 11.6% for both years.

Agency overhead is also allocated to capital project labor at an estimated rate of 65% for 2022-23 and 2023-24.

Financial Policies

Financial Management Framework (Appendix A)

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

Financial Reserves (Appendix B)

The Financial Reserve policy was initially adopted by the Board in 2005 and updated with the adoption of a new Interim Reserve policy in April 2013. Another update was completed in 2016 and a final Reserve Policy was adopted by the Board in September 2016. 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.

Investment Policy (Appendix C)

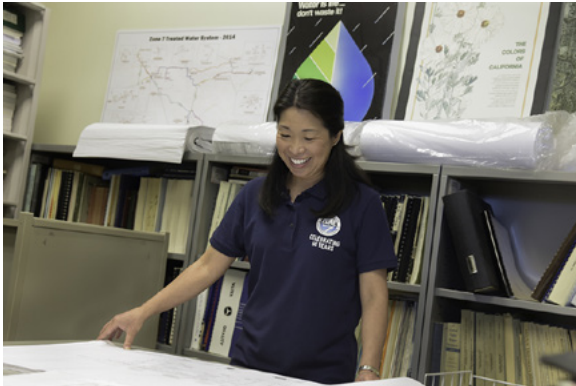
Zone 7's first Investment Policy was adopted by the Board on May 17, 2017 and is subject to annual review. The most recent review and update was adopted by the Board on June 15, 2022. The policy is intended to provide guidelines for the prudent investment of surplus cash, reserves, trust funds and restricted monies and to outline a policy for maximizing the efficiency of the Agency's cash management system.

Debt Policy (Appendix D)

Zone 7's first Debt Policy was adopted by the Board on June 21, 2017. The Debt Policy formally establishes parameters for issuing debt and managing a debt portfolio, which encompasses the Agency's specific capital improvement needs, its ability to repay financial obligations, and the existing legal, economic, financial and debt market conditions.

Employee Compensation and Benefits

The Agency's employee benefits are administered through the County of Alameda Employee Benefits Center (EBC). The Agency is proud to offer a comprehensive and competitive benefits package to employees. Benefits packages includes wide-ranging health care options to meet the different needs of a diverse workforce and their families. Zone 7 also sponsors many different employee discount, fitness and health screening programs focused on overall well-being. These benefits include but are not limited to:



- **Medical** – HMO & PPO Plans
- **Dental** – HMO & PPO Plans
- **Vision or Vision Reimbursement**
- **Share the Savings**
- **Basic Life Insurance**
- **Supplemental Life Insurance**
- **County Allowance Credit**
- **Flexible Spending Accounts – Health FSA, Dependent Care and Adoption Assistance**
- **Short-Term Disability Insurance**
- **Long-Term Disability Insurance**
- **Voluntary Benefits – Accident Insurance, Critical Illness, Hospital Indemnity and Legal Services**
- **Employee Assistance Program**
- **Retirement Plan** – (Defined Benefit Pension Plan)
- **Deferred Compensation Plan** (457 Plan or Roth Plan)
- **11 paid holidays**
- **Floating Holidays**
- **Vacation and sick leave accrual**
- **Vacation purchase program**
- **Catastrophic Sick Leave**
- **Group Auto/Home Insurance**
- **Pet Insurance**
- **Commuter Benefits Program**
- **Guaranteed Ride Home**
- **Employee Wellness Program** (e.g. At Work Fitness, Incentive Based Programs, Gym Membership Discounts)
- **Employee Discount Program** (e.g. theme parks, cell phone, etc.)
- **Child Care Resources**
- **1st United Services Credit Union**

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

Rates and Fees Schedule

Treated Water Rates

New Water Rate Setting Methodology; Current Water Rates. 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 CY 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 CY 2021 to CY 2022. In Fall 2022, a Wholesale Water Rate Study will be conducted to set rates for CY 2023 – CY 2026.

Zone 7 Treated Water Rates

Calendar Year	Volume-Based Treated Water Rate per AF	Total
		Fixed Charges*
2017	\$1,359**	\$14,367,286
2018	\$888	\$15,849,610
2019	\$876	\$19,363,098
2020	\$915	\$21,497,949
2021***	\$915	\$21,497,949
2022	\$897	\$25,716,705

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

** Includes \$248 Drought Surcharge

*** 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.

Recharge services recharge fee is \$1,455 per acre-foot for 2020, \$1,468 per acre-foot for 2021, and \$1,471 per acre-foot for 2022. This fee represents the unit cost of replenishment water to achieve full cost of recovery when it is necessary to replenish the main groundwater basin when water is pumped in excess of a retailer’s Groundwater Pumping Quota or Independent Quota.

Temporary Treated Water service fee is an initial service establishment charge of \$167 per turnout for 2020, \$177 for 2021 and \$177 for 2022 for each new direct connection to the Zone system.

Monthly Meter Service Charge is \$21.00 per turnout for 2020, 2021 and 2022.

In-Lieu water services water rate is \$103 per acre-foot for calendar years 2020, 2021 and 2022 for treated water contractors who takes delivery of treated water from Zone 7 in lieu of pumping groundwater per their Groundwater Pumping Quota.

Untreated Water Rate

Untreated water rates are set annually in the Fall for the following CY. On October 20, 2021, the Board adopted a rate of \$204 per acre-foot for CY 2022 following a Cost of Service Study and extensive outreach process. A Cost of Service Study to set rates for CY 2023 will be conducted in Fall 2022.

Temporary Untreated Water needs result from the inability of customers to obtain water in the outlying areas of the valley. The use of these services is limited. The temporary untreated water rate is based on the estimated cost of imported water and supplemental water purchases divided by the estimated customer deliveries minus the estimated available water from the Del Valle reservoir plus an administrative cost component based on actual staff costs. The 2022 temporary untreated water rate is \$990 per 1 acre-foot.

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 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 study 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. The study recommended annual inflationary adjustments to the fee to keep pace with inflation. An update to the Municipal and Industrial Connection Fee Program Update is planned for FY 2023.

Effective January 1, 2022 the Agency Board set the connection fees as stated below.

Meter Size	Fee Factor	Connection Fee	Connection Fee (Dougherty Valley)
5/8" (DISPLACEMENT TYPE)	1.0	\$31,910	\$30,620
3/4" (DISPLACEMENT TYPE)	1.5	\$47,865	\$45,930
1" (DISPLACEMENT TYPE)	2.5	\$79,775	\$76,550
1½" (DISPLACEMENT TYPE)	5.0	\$159,550	\$153,100
1½" (OMNI C2)	16.0	\$510,560	\$489,920
1½" (OMNI T2)	16.0	\$510,560	\$489,920
1½" OMNI WITH 50GPM RESTRICTION	5.0	\$159,550	\$153,100
2" (DISPLACEMENT TYPE)	8.0	\$255,280	\$244,9600
2" OMNI WITH 80GPM RESTRICTION	8.0	\$255,280	\$244,9600
2" Mueller MVR (Pleasanton only)	8.0	\$366,965	N/A
2" OMNI WITH 120GPM RESTRICTION	12.0	\$382,920	\$367,4400
2" (OMNI C2)	16.0	\$510,560	\$489,920
2" (OMNI T2)	20.0	\$638,200	\$612,400

Water connection fee payments are collected through the appropriate building departments within the Cities of Livermore, Pleasanton, and DSRSD.

Connection fees in the Dougherty Valley are to be 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 Zone 7 Capital Expansion Program.

Stormwater and Development Impact Fee

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

Ordinance 2010-01, adopted on March 17, 2010, amended the fee schedule of Ordinance 2009-01 and limited the annual DIF adjustments until the SMMP and DIF were reevaluated. This evaluation is ongoing. In 2011, the Zone 7 Board adopted Ordinance 2012-01 deleting the specified 2012 DIF increase scheduled to be effective January 1, 2012 and maintaining the existing 2011 DIF of \$1.00 per square foot of new impervious surface created. As of January 1, 2020, the fee remains at \$1.00 per square foot of new impervious surface created.

Well Drilling and Destruction Permits

Zone 7 Water Agency is the Administering Agency for Alameda County's "Water Wells Ordinance" (General Ordinance Number O-2015-20) in Eastern Alameda County. Accordingly, any planned new well, well repair or modification, well destruction, or exploratory soil boring that may intersect groundwater within Zone 7's jurisdiction must be permitted by Zone 7 before starting the work. In addition, a Zone 7 drilling permit is required to dig, drill, bore, drive, advance by direct push any exploratory soil boring 10 feet or greater in depth within the groundwater basin boundaries of Zone 7 regardless of groundwater depth.

Effective September 1, 2018 the Zone 7 Board set the Water Well and Soil Boring Permit fees as:

Work Type	Permit Fee (per well)
Permits to construct, rehabilitate, or destroy wells including Water Supply Wells, Cathodic Protection/Anode Wells, Water Monitoring Wells, Piezometer/Inclinometer/Seismic Monitoring Wells, and Geothermal Heat Pump-Construction.	\$397 per well
Permit to bore exploratory holes for Contamination Study.	\$265 per site
Permit to bore exploratory holes for Environmental Study.	\$265 per site
Permit to bore exploratory holes for Geotechnical Study.	\$265 per site
Permit for drilling, construction, or destruction of any type of remediation well or boring in the unsaturated zone, including vapor probes/vapor points, vapor injection/extraction, and vapor monitoring wells.	\$265 per site
Permit for in-situ treatment borings.	\$265 per site

- A site includes the project parcel as well as any adjoining parcels as long as it is the same property owner.
- Permit Fees are exempt for State & Federal Projects. Applicants shall submit a letter from the agency requesting the fee exemption.

Financial Trend Indicators

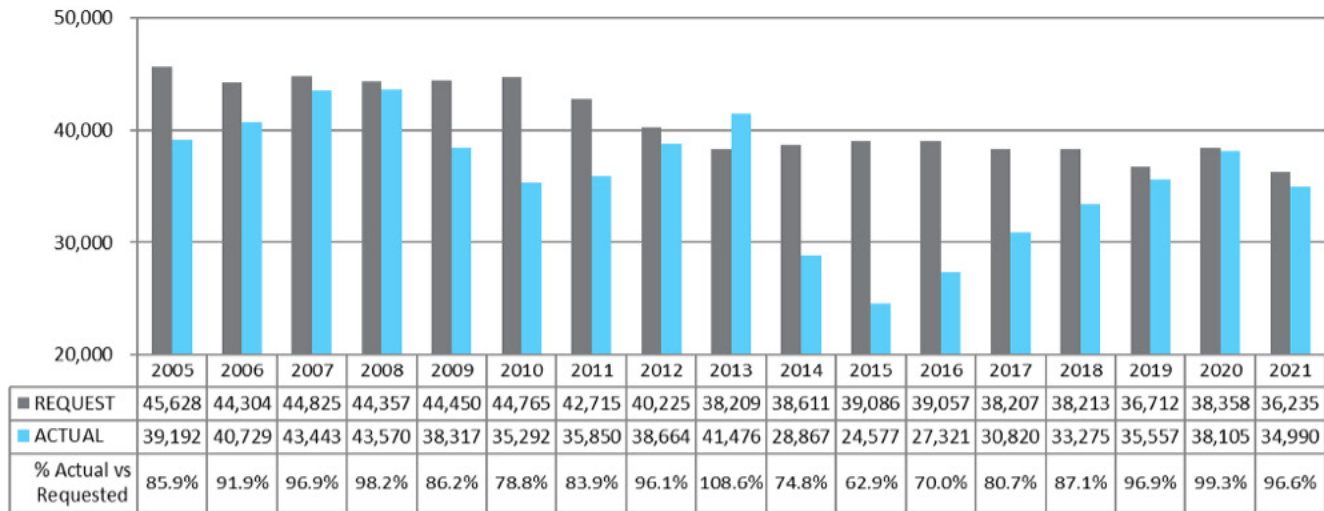
Water Sales

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

On September 1, 2021, the Zone 7 Board voted unanimously on a resolution declaring a Drought Emergency and Stage 2 Water Shortage Emergency. This declaration included a mandatory 15% conservation from all Zone 7 retailers. In response to the declaration, customers have reduced usage relative to CY 2020 as illustrated in the chart below. This budget anticipates that water sales will remain lower as compared to CY 2020.

The chart below depicts treated water requested vs. delivered (AF) data from CY 2005 through CY 2021.

Treated Water Requested vs. Delivered (AF)



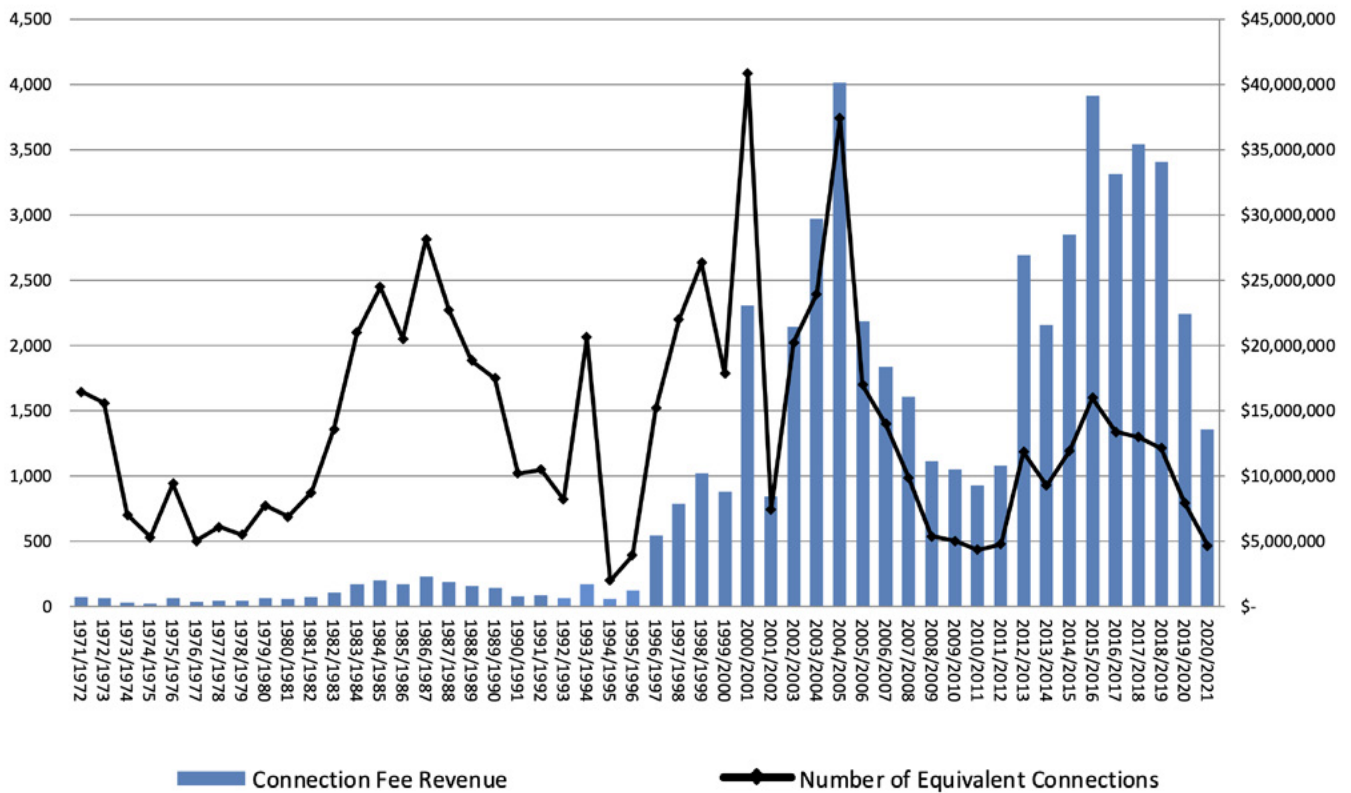
Source: Zone 7 Finance, Operations and Integrated Planning groups.

Water Connection Fee Revenue

Historical connection fee revenue serves as an indication of future connections. In general, the economic cycle in terms of connection fee revenue, consists of several years of slow growth followed by a slow but steady recovery. While connection fee revenues significantly recovered from the 2008 levels, the COVID-19 pandemic has caused a slowdown in development. As a result, connection fee revenue has been conservatively projected in this budget.

The chart below depicts historical connection data from FY 1971-72 to 2020-21.

Connection Fee Revenue/Number of Equivalent Connections



Long Range Financial Plan

Fund 100 - Water Enterprise Fund

Fund 100 - Water Enterprise Fund	FY 2021-22 End of Year Projection	FY 2022-23 Budget	FY 2023-24 Budget	FY 2024-25 Projection	FY 2025-26 Projection
Beginning Reserve Balance	\$38,709,000	\$34,812,000	\$27,845,000	\$25,114,000	\$22,611,000
Revenue	56,279,000	55,538,000	58,644,000	60,403,000	62,215,000
Expenses	46,412,000	48,118,000	46,563,000	47,866,000	49,205,000
Capital Funding	13,764,000	14,387,000	14,812,000	15,040,000	15,491,000
End of Year Available Reserve Balance	\$34,812,000	\$27,845,000	\$25,114,000	\$22,611,000	\$20,130,000

Fund 110 - State Water Facilities Fund

Fund 110 - State Water Facilities Fund	FY 2021-22 End of Year Projection	FY 2022-23 Budget	FY 2023-24 Budget	FY 2024-25 Projection	FY 2025-26 Projection
Beginning Reserve Balance	\$38,052,000	\$41,659,000	\$44,386,000	\$44,869,000	\$45,376,000
Revenue	27,642,000	28,126,000	28,406,000	29,826,000	31,317,000
Expenses	24,035,000	25,399,000	27,923,000	29,319,000	30,785,000
End of Year Available Reserve Balance	\$41,659,000	\$44,386,000	\$44,869,000	\$45,376,000	\$45,908,000

Fund 120 - Renewal & Replacement/Systemwide Improvements Fund

Fund 120 - Renewal & Replacement/ Systemwide Improvements Fund	FY 2021-22 End of Year Projection	FY 2022-23 Budget	FY 2023-24 Budget	FY 2024-25 Projection	FY 2025-26 Projection
Beginning Reserve Balance	\$51,941,000	\$32,017,000	\$31,855,000	\$25,203,000	\$32,182,000
Revenue	292,000	102,000	102,000	105,000	108,000
Capital Funding	13,764,000	14,177,000	14,602,000	15,040,000	15,491,000
Expenses	33,980,000	14,441,000	21,356,000	8,166,000	18,026,000
End of Year Available Reserve Balance	\$32,017,000	\$31,855,000	\$25,203,000	\$32,182,000	\$29,755,000

Fund 130 - Capital Expansion Fund

Fund 130 - Capital Expansion Fund	FY 2021-22 End of Year Projection	FY 2022-23 Budget	FY 2023-24 Budget	FY 2024-25 Projection	FY 2025-26 Projection
Beginning Reserve Balance	\$77,497,000	\$68,578,000	\$75,308,000	\$77,591,000	\$62,194,000
Revenue	23,449,000	28,242,000	27,952,000	26,334,000	27,031,000
Non-Discretionary Expenses	13,991,000	16,748,000	16,850,000	16,785,000	17,930,000
Other Expenses	18,377,000	4,764,000	8,819,000	24,946,000	13,142,000
End of Year Available Reserve Balance	\$68,578,000	\$75,308,000	\$77,591,000	\$62,194,000	\$58,153,000

Long Range Financial Plan

Fund 200 - Flood Protection Operations Fund

Fund 200 - Flood Protection Operations Fund	FY 2021-22 End of Year Projection	FY 2022-23 Budget	FY 2023-24 Budget	FY 2024-25 Projection	FY 2025-26 Projection
Beginning Reserve Balance	\$22,154,000	\$19,601,000	\$20,528,000	\$21,009,000	\$30,294,000
Revenue	10,694,000	18,160,000	11,995,000	21,144,000	21,639,000
Expenses	13,247,000	17,233,000	11,514,000	11,859,000	12,215,000
End of Year Available Reserve Balance	\$19,601,000	\$20,528,000	\$21,009,000	\$30,294,000	\$39,718,000

Fund 210 - Flood Protection Development Impact Fee Fund

Fund 210 - Flood Protection Development Impact Fee Fund	FY 2021-22 End of Year Projection	FY 2022-23 Budget	FY 2023-24 Budget	FY 2024-25 Projection	FY 2025-26 Projection
Beginning Reserve Balance	\$72,715,000	\$73,715,000	\$74,828,000	\$76,220,000	\$77,653,000
Revenue	2,440,000	3,050,000	3,078,000	3,170,000	3,265,000
Expenses	1,440,000	1,937,000	1,686,000	1,737,000	1,789,000
End of Year Available Reserve Balance	\$73,715,000	\$74,828,000	\$76,220,000	\$77,653,000	\$79,129,000

Agency-Wide

Agency-Wide	FY 2021-22 End of Year Projection	FY 2022-23 Budget	FY 2023-24 Budget	FY 2024-25 Projection	FY 2025-26 Projection
Beginning Reserve Balance	\$301,068,000	\$270,382,000	\$274,750,000	\$270,006,000	\$270,310,000
Revenue	120,796,000	147,395,000	144,779,000	156,022,000	161,066,000
Expenses	151,482,000	143,027,000	149,523,000	155,718,000	158,583,000
End of Year Available Reserve Balance	\$270,382,000	\$274,750,000	\$270,006,000	\$270,310,000	\$272,793,000

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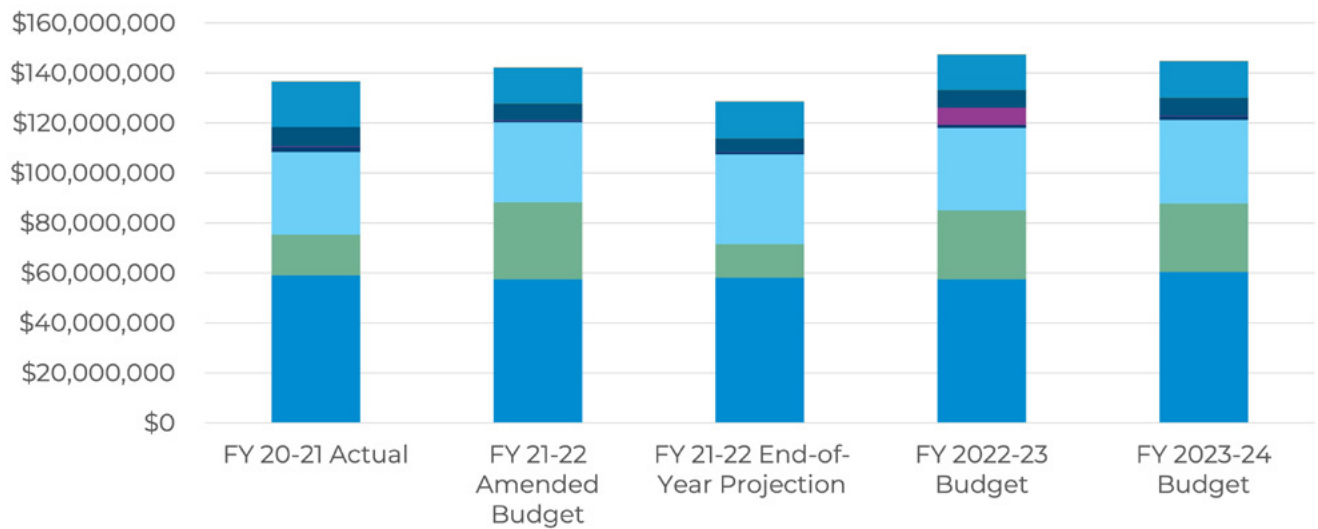
REVENUE

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Total Revenues

The Agency collects revenue from a variety of sources. The Agency's main revenue sources include water sales and services, property taxes, and development fees. All rates and fees are approved and adopted by the Agency's Board of Directors. These rates and fees are reflected in this two-year budget. The following table and graph summarize the Agency's revenue by source.

Category	FY 20-21 Actual	FY 21-22 Amended Budget	FY 21-22 End-of-Year Projection	FY 2022-23 Budget	FY 2023-24 Budget	% Change	
						FY 22-23 vs. FY 21-22 Projections	FY 22-23 Budget vs. FY 23-24
Water Sales & Services	\$59,029,482	\$57,539,277	\$58,154,855	\$57,436,000	\$60,492,000	-1%	5%
Development Fees	16,350,053	30,730,574	13,393,903	27,602,000	27,312,000	106%	-1%
Property Taxes	32,960,321	32,008,443	35,874,266	32,885,000	33,419,000	-8%	2%
Charges for Services	96,140	99,250	203,518	95,000	97,000	-53%	2%
Aid from Gov. Agencies	184,795	165,800	87,717	6,880,000	126,000	7743%	-98%
Investment Earnings	2,132,335	638,018	830,874	1,275,000	1,513,000	53%	19%
Other Revenue	7,708,242	6,540,594	5,364,778	6,910,000	7,083,000	29%	3%
Rents and Royalties	114,404	141,210	114,926	135,000	135,000	17%	0%
Transfers	18,105,890	14,373,203	14,664,568	14,177,000	14,602,000	-3%	3%
Total	\$136,681,663	\$142,236,369	\$128,689,404	\$147,395,000	\$144,779,000	15%	-2%



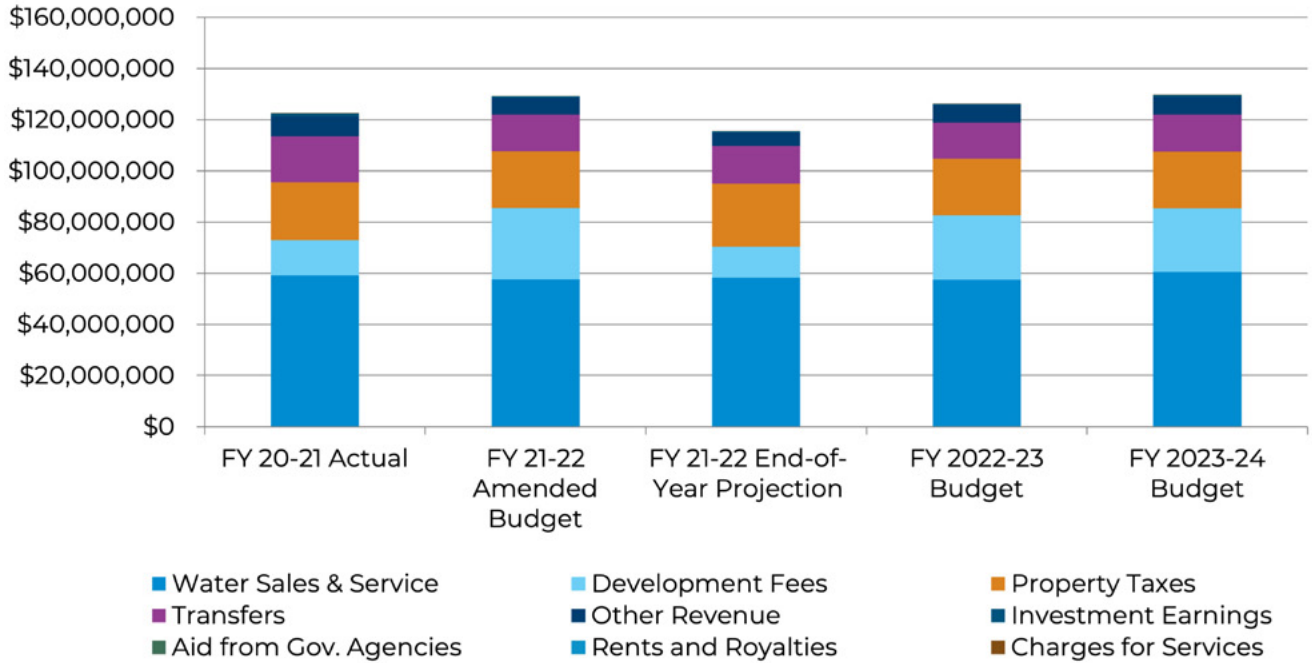
- Water Sales & Services
- Development Fees
- Property Taxes
- Investment Earnings
- Aid from Gov. Agencies
- Other Revenue

Revenue by Major Funding Area – Water Enterprise

Water sales and services provide the majority of revenues received for Water Enterprise.

The following table and graph summarize the Water Enterprise revenue.

Category	FY 20-21 Actual	FY 21-22 Amended Budget	FY 21-22 End-of-Year Projection	FY 2022-23 Budget	FY 2023-24 Budget	% Change	
						FY 22-23 vs. FY 21-22 Projections	FY 22-23 Budget vs. FY 23-24
Water Sales & Service	\$59,029,482	\$57,539,277	\$58,154,855	\$57,436,000	\$60,492,000	-1%	5%
Development Fees	13,792,677	27,895,574	12,129,474	25,102,000	24,812,000	107%	0%
Property Taxes	22,616,172	22,150,000	24,706,987	22,150,000	22,150,000	-10%	-1%
Other Revenue	7,610,356	6,505,594	5,267,148	6,572,000	6,745,000	25%	3%
Investment Earnings	1,177,145	422,938	351,363	565,000	720,000	61%	0%
Aid from Gov. Agencies	103,064	101,100	46,959	51,000	51,000	9%	27%
Rents and Royalties	47,223	65,300	90,119	60,000	60,000	-33%	0%
Charges for Services	84,670	51,600	81,364	72,000	74,000	-12%	0%
Transfers	18,105,890	14,373,203	14,664,568	14,177,000	14,602,000	-3%	0%
Total	\$122,566,679	\$129,104,586	\$115,492,838	\$126,185,000	\$129,706,000	9%	3%

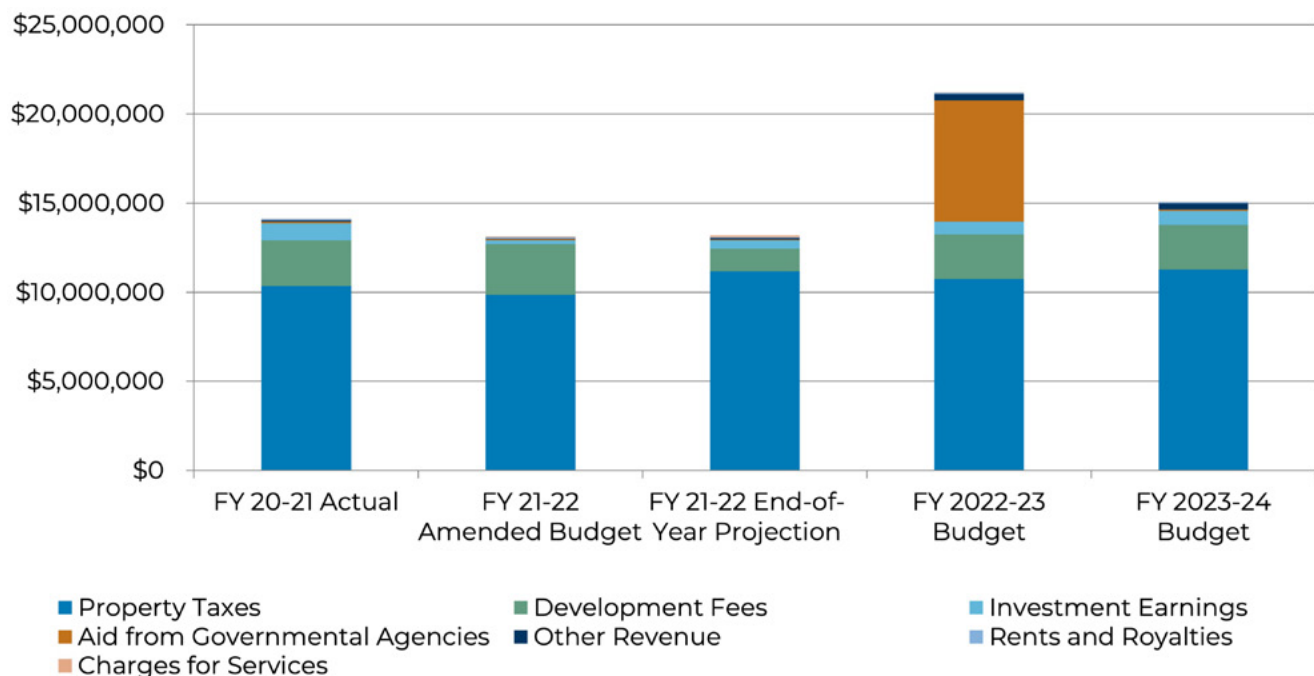


Revenue by Major Funding Area – Flood Protection

Property taxes make up the majority of revenues received for Flood Protection.

The following table and graph summarize the Flood Protection revenue sources.

Category	FY 20-21 Actual	FY 21-22 Amended Budget	FY 21-22 End-of-Year Projection	FY 2022-23 Budget	FY 2023-24 Budget	% Change	
						FY 22-23 vs. FY 21-22 Projections	FY 22-23 Budget vs. FY 23-24
Property Taxes	\$10,344,149	\$9,858,443	\$11,167,278	\$10,735,000	\$11,269,000	-4%	5%
Development Fees	2,557,376	2,835,000	1,264,429	2,500,000	2,500,000	98%	0%
Investment Earnings	955,190	215,080	479,511	710,000	793,000	48%	12%
Aid from Governmental Agencies	81,731	64,700	40,757	6,829,000	75,000	16655%	-99%
Other Revenue	97,886	35,000	97,630	338,000	338,000	246%	0%
Rents and Royalties	67,181	75,910	24,807	75,000	75,000	202%	0%
Charges for Services	11,470	47,650	122,154	23,000	23,000	-81%	0%
TOTAL	\$14,114,984	\$13,131,783	\$13,196,566	\$21,210,000	\$15,073,000	61%	-29%

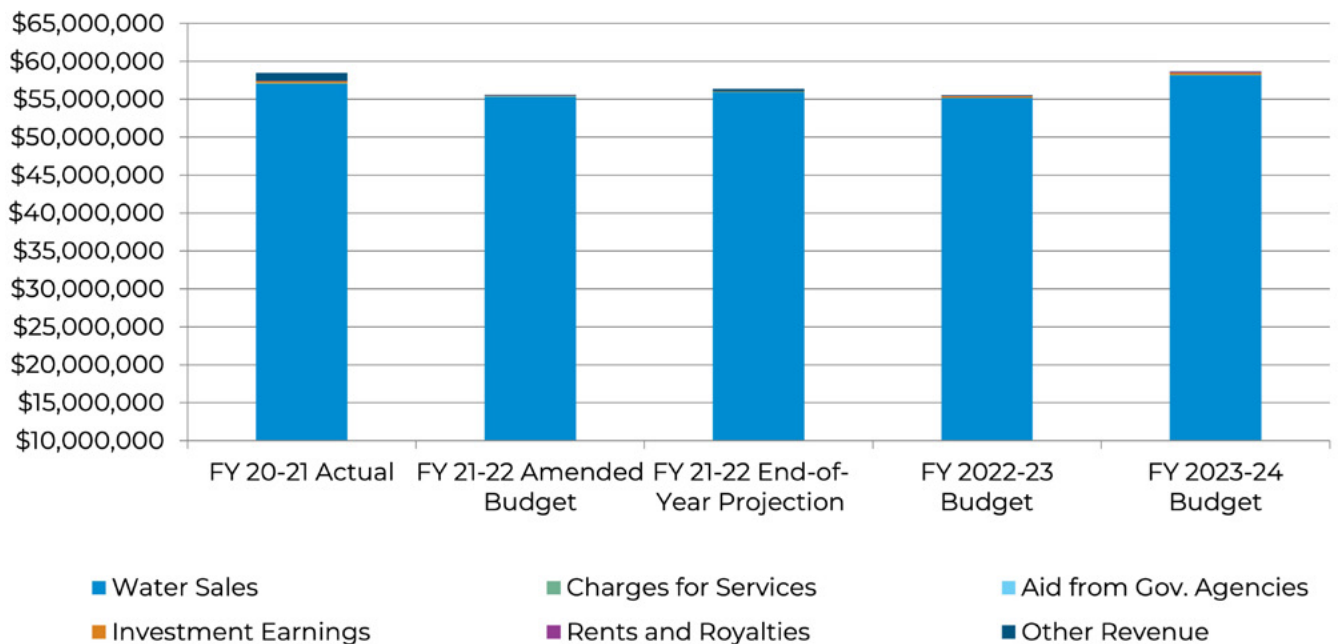


Water Enterprise Fund (Fund 100)

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

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

Category	FY 20-21 Actual	FY 21-22 Amended Budget	FY 21-22 End-of-Year Projection	FY 2022-23 Budget	FY 2023-24 Budget	% Change	
						FY 22-23 vs. FY 21-22 Projections	FY 22-23 Budget vs. FY 23-24
Water Sales	\$57,012,483	\$55,287,389	\$55,888,070	\$55,136,000	\$58,142,000	-1%	5%
Charges for Services	84,670	51,600	81,364	72,000	72,000	-12%	0%
Aid from Gov. Agencies	4,416	50,000	-	-	-	0%	0%
Investment Earnings	258,684	57,302	17,741	200,000	300,000	1027%	50%
Rents and Royalties	47,223	65,300	43,961	60,000	60,000	36%	0%
Other Revenue	1,106,829	69,650	315,987	70,000	70,000	-78%	0%
Total	\$58,514,305	\$55,581,241	\$56,347,123	\$55,538,000	\$58,644,000	-1%	6%



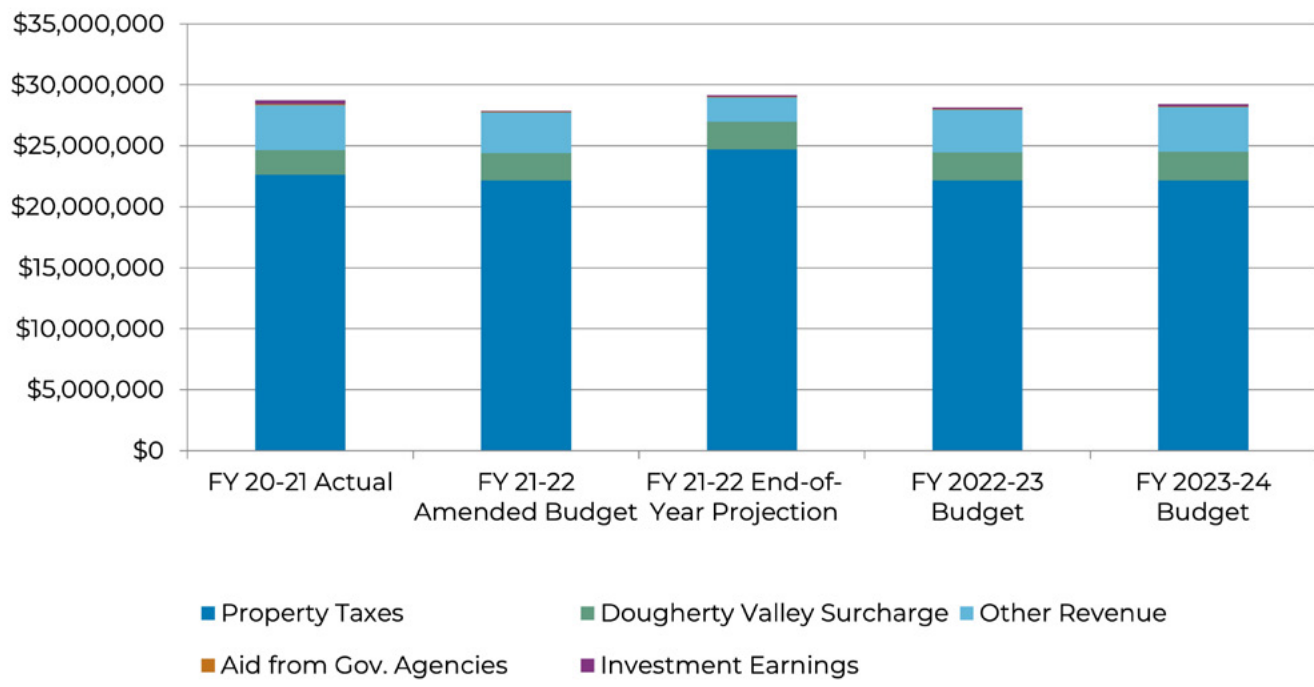
State Water Facilities Fund (Fund 110)

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

This fund is funded primarily by property taxes.

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

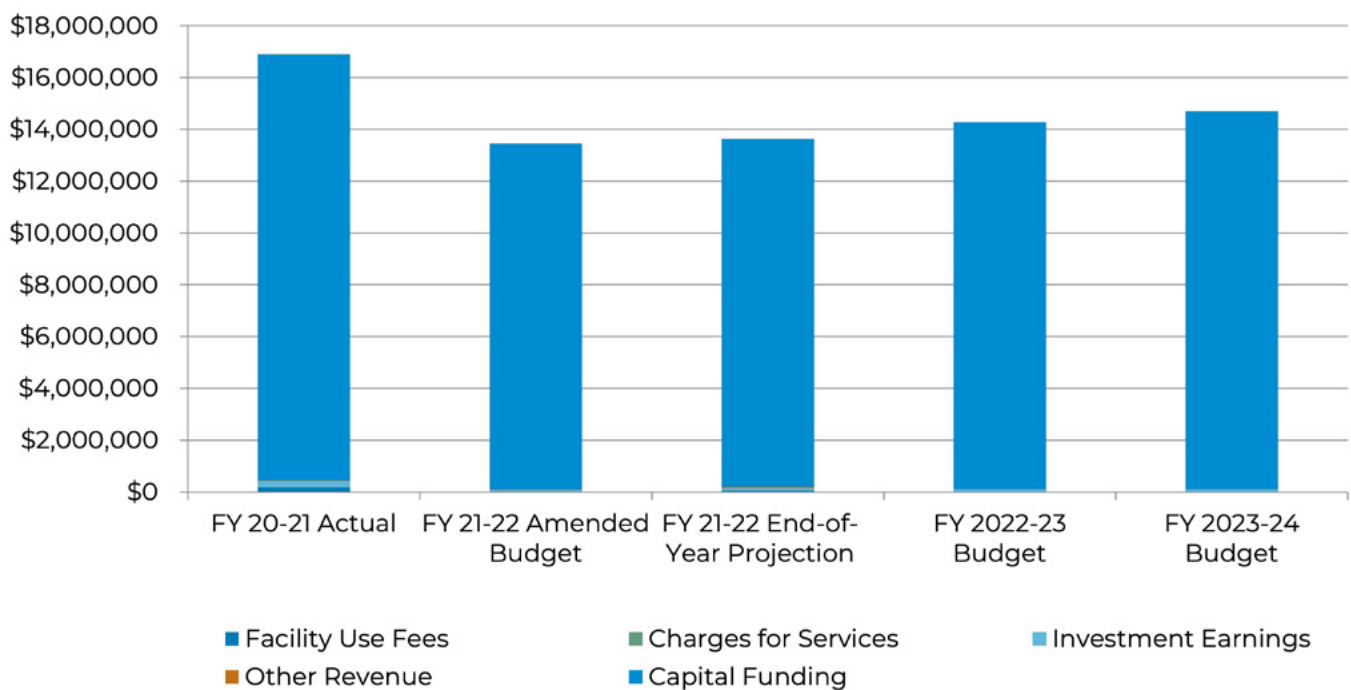
Category	FY 20-21 Actual	FY 21-22 Amended Budget	FY 21-22 End-of-Year Projection	FY 2022-23 Budget	FY 2023-24 Budget	% Change	
						FY 22-23 vs. FY 21-22 Projections	FY 22-23 Budget vs. FY 23-24
Property Taxes	\$22,616,172	\$22,150,000	\$24,706,987	\$22,150,000	\$22,150,000	-10%	0%
Dougherty Valley Surcharge	2,016,999	2,251,888	2,266,785	2,300,000	2,350,000	1%	2%
Other Revenue	3,704,827	3,333,444	1,998,076	3,500,000	3,675,000	75%	5%
Aid from Gov. Agencies	98,648	51,100	46,959	51,000	51,000	9%	0%
Investment Earnings	303,505	72,025	129,740	125,000	180,000	-4%	44%
Total	\$28,740,151	\$27,858,457	\$29,148,548	\$28,126,000	\$28,406,000	-4%	1%



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

This is a subfund of the Water Enterprise Operations (Fund 100). The purpose of this fund is to ensure that the current water treatment and delivery systems are functioning effectively and that capital replacement and improvement needs are funded. This fund is funded by annual transfers from Fund 100. Revenues by year are shown in the following table and graph.

Category	FY 20-21 Actual	FY 21-22 Amended Budget	FY 21-22 End-of-Year Projection	FY 2022-23 Budget	FY 2023-24 Budget	% Change	
						FY 22-23 vs. FY 21-22 Projections	FY 22-23 Budget vs. FY 23-24
Facility Use Fees	\$183,150	-	\$39,600	-	-	-100%	0%
Charges for Services	-	-	-	-	2,000	0%	0%
Investment Earnings	232,728	83,992	109,670	100,000	100,000	-9%	0%
Other Revenue	31,110	2,500	46,159	2,000	-	0%	-100%
Capital Funding	16,454,251	13,373,203	13,447,355	14,177,000	14,602,000	5%	3%
Total	\$16,901,239	\$13,459,695	\$13,642,784	\$14,279,000	\$14,704,000	5%	3%



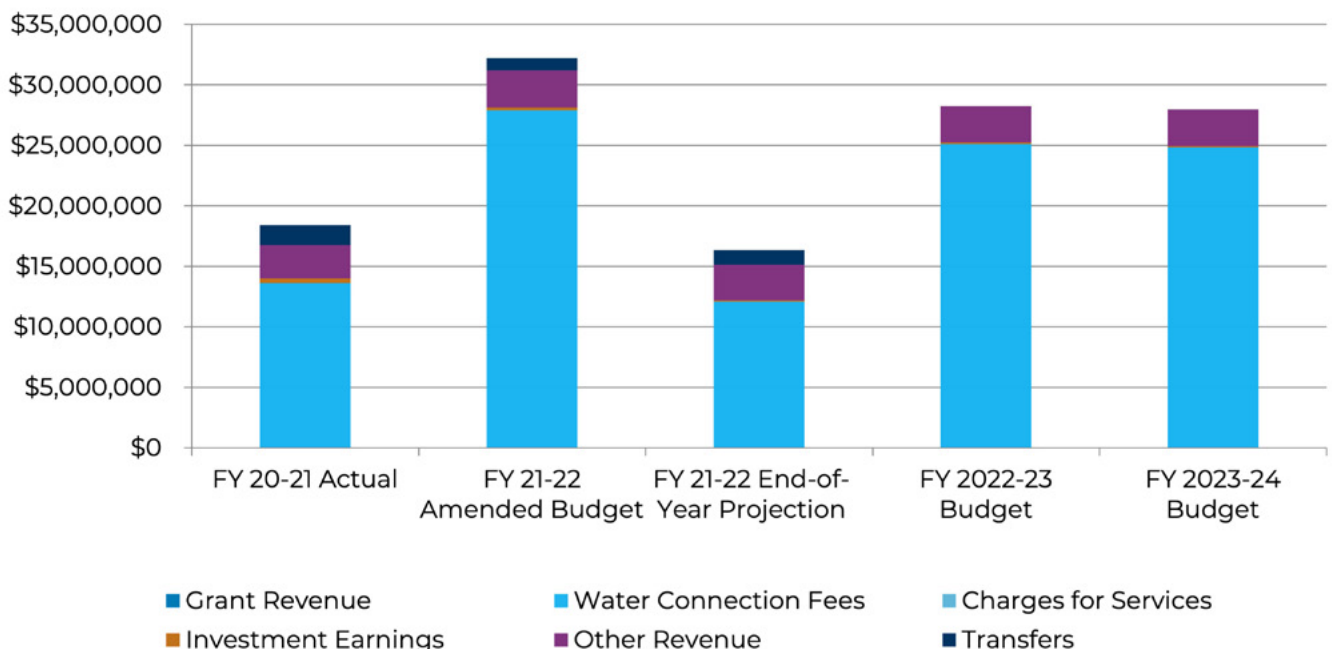
Water Expansion Fund (Fund 130)

The purpose of this program is to ensure that Zone 7 is able to meet future needs for water demands. The program is primarily intended to provide funding for new facilities and water supplies for new development and to fund programs that encourage water conservation measures. The funding for this program comes from connection fees and is in conformance with the Board’s stated policy that new development funds its own needs. Revenues come from Facility Use fees collected from new users in the Dougherty Valley and interest earned on any deposited funds. Revenues by year are shown in the following table and graph.

Category	FY 20-21 Actual	FY 21-22 Amended Budget	FY 21-22 End-of-Year Projection	FY 2022-23 Budget	FY 2023-24 Budget	% Change	
						FY 22-23 vs. FY 21-22 Projections	FY 22-23 Budget vs. FY 23-24
Water Connection Fees	\$13,609,527	\$27,895,574	\$12,089,874	\$25,102,000	\$24,812,000	108%	-1%
Investment Earnings	382,228	209,619	94,211	140,000	140,000	49%	0%
Other Revenue	2,767,589	3,100,000	2,953,085	3,000,000	3,000,000	2%	0%
Transfers	1,651,639	1,000,000	1,217,213	-	-	-100%	0%
Total	\$18,410,983	\$32,205,193	\$16,354,384	\$28,242,000	\$27,952,000	73%	-1%

Notes:

- The two-year budget assumes 778 (FY 2022-23) and 742 (FY 2023-24) new water connections in the Agency's service area. The budget also assumes a 3.6% annual increase to the water connection fee. Actual fees are adjusted each January 1 based the Engineering News Record Construction Cost Index.
- Other revenues include DWR refunds.



Flood Protection Fund (Fund 200)

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

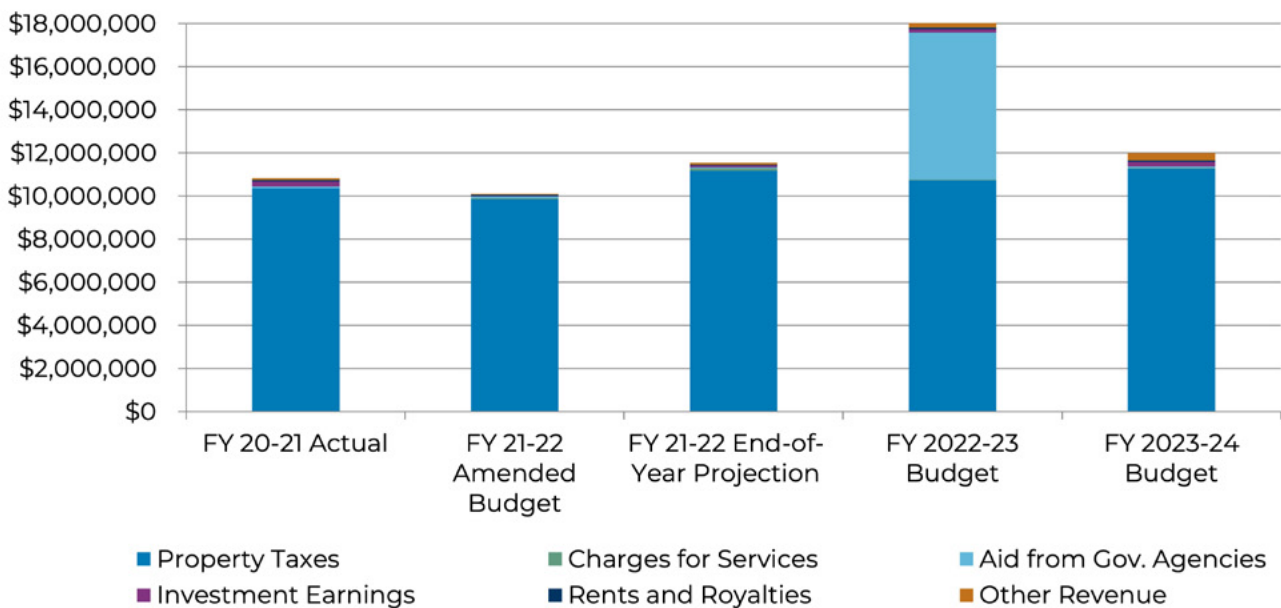
This fund is funded primarily by property taxes.

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

Category	FY 20-21 Actual	FY 21-22 Amended Budget	FY 21-22 End-of-Year Projection	FY 2022-23 Budget	FY 2023-24 Budget	% Change	
						FY 22-23 vs. FY 21-22 Projections	FY 22-23 Budget vs. FY 23-24
Property Taxes	\$10,344,149	\$9,858,443	\$11,167,278	\$10,735,000	\$11,269,000	-4%	5%
Charges for Services	11,470	47,650	122,154	23,000	23,000	-81%	0%
Aid from Gov. Agencies	81,731	64,700	40,757	6,829,000	75,000	16655%	-99%
Investment Earnings	237,816	16,631	99,323	160,000	215,000	61%	34%
Rents and Royalties	67,181	75,910	24,807	75,000	75,000	202%	0%
Other Revenue	97,886	35,000	97,630	338,000	338,000	246%	0%
Total	\$10,840,234	\$10,098,334	\$11,551,950	\$18,160,000	\$11,995,000	57%	-34%

Notes

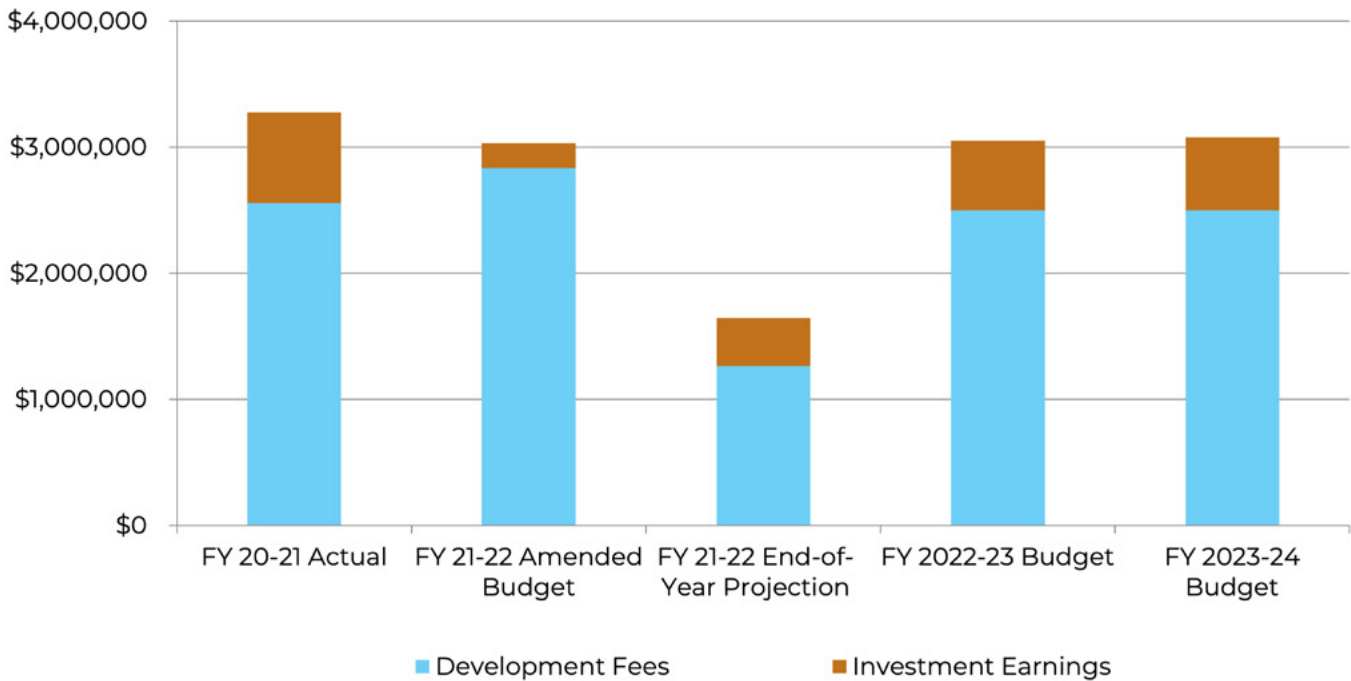
- Property taxes for FY 2022-24 are based on an estimated 5% growth in assessed valuation



Flood Protection Development Impact Fee Fund (Fund 210)

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

Category	FY 20-21 Actual	FY 21-22 Amended Budget	FY 21-22 End-of-Year Projection	FY 2022-23 Budget	FY 2023-24 Budget	% Change	
						FY 22-23 vs. FY 21-22 Projections	FY 22-23 Budget vs. FY 23-24
Development Fees	\$2,557,376	\$2,835,000	\$1,264,429	\$2,500,000	\$2,500,000	98%	0%
Investment Earnings	717,374	198,449	380,188	550,000	578,000	45%	5%
Total	\$3,274,750	\$3,033,449	\$1,644,617	\$3,050,000	\$3,078,000	85%	1%

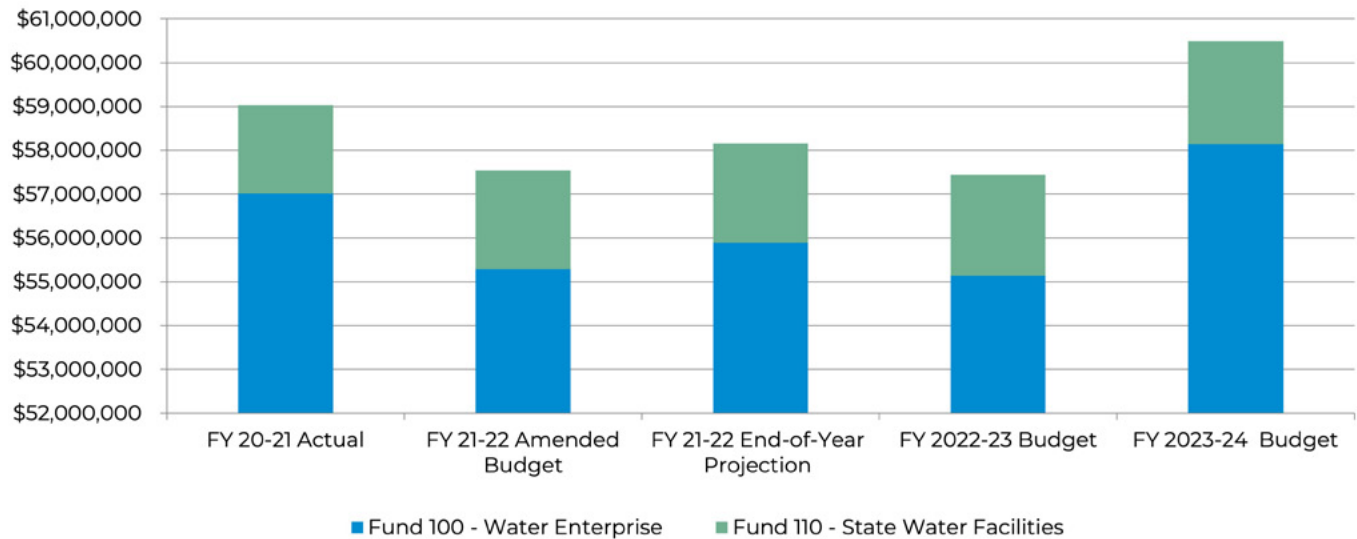


Water Sales and Services

Water sales are the main source of revenue for the Agency and are collected in Fund 100. The Agency's customers include the Cities of Pleasanton and Livermore, DSRSD (who serves the City of Dublin and the Dougherty Valley area of the City of San Ramon), and Cal Water (Livermore District).

Water services are collected in Funds 100 and 110.

Fund	FY 20-21 Actual	FY 21-22 Amended Budget	FY 21-22 End-of-Year Projection	FY 2022-23 Budget	FY 2023-24 Budget	% Change	
						FY 22-23 vs. FY 21-22 Projections	FY 22-23 Budget vs. FY 23-24
Fund 100 - Water Enterprise	\$57,012,483	\$55,287,389	\$55,888,070	\$55,136,000	\$58,142,000	-1%	5%
Fund 110 - State Water Facilities	2,016,999	2,251,888	2,266,785	2,300,000	2,350,000	1%	2%
Total	\$59,029,482	\$57,539,277	\$58,154,855	\$57,436,000	\$60,492,000	-1%	5%



Zone 7 Treated Water Rate History		
Effective Date	Rate per Acre-Foot	% Change
January 1, 2013	\$945	0%
January 1, 2014	\$970	2.65%
January 1, 2015	\$999	3%
January 1, 2016	\$1,372	37%

The table below shows the water rates charged by the Agency for calendar years 2017 and 2018 reflecting the fixed charge and volume-based rate described above.

Calendar Year	Volume-Based Treated Water Rate per AF	Total
		Fixed Charges*
2017	\$1,359**	\$14,367,286
2018	\$888	\$15,849,610
2019	\$876	\$19,363,098
2020	\$915	\$21,497,949
2021***	\$915	\$21,497,949
2022	\$897	\$25,716,705

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

** Includes \$248 Drought Surcharge

***In 2018, Zone 7's Board of Directors approved a four-year rate schedule that included a set increase each year from Calendar Year 2019-2022. 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 delay of the previously approved rate increase to provide relief and stability to the Tri Valley community due to the COVID-19 pandemic.

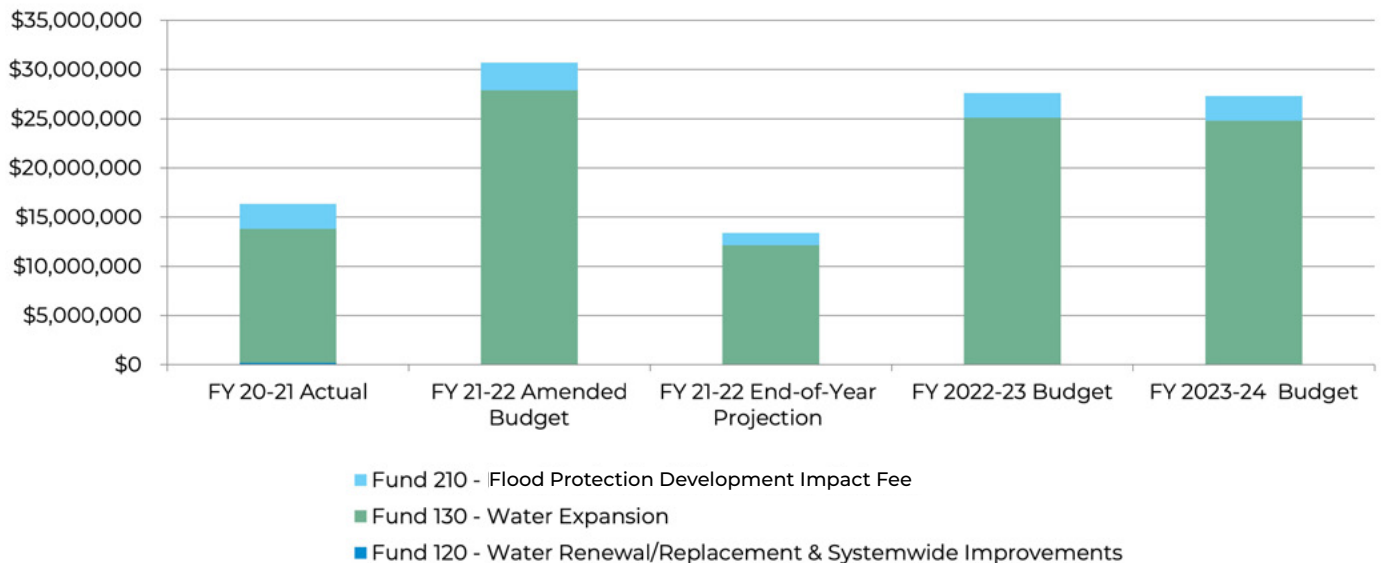
Development Fees (including connection, facility use and development impact fees)

Development fees are the second highest source of revenue for the Agency. Connection fees are collected in Fund 130, facility use fees are collected in Fund 120, and development impact fees are collected in Fund 210.

Fund	FY 20-21 Actual	FY 21-22 Amended Budget	FY 21-22 End-of-Year Projection	FY 2022-23 Budget	FY 2023-24 Budget	% Change	
						FY 22-23 vs. FY 21-22 Projections	FY 22-23 Budget vs. FY 23-24
Fund 120 - Water Renewal/ Replacement & Systemwide Improvements	\$183,150	-	\$39,600	-	-	-100%	0%
Fund 130 - Water Expansion	13,609,527	27,895,574	12,089,874	25,102,000	24,812,000	108%	-1%
Fund 210 - Flood Protection Development Impact Fee	2,557,376	2,835,000	1,264,429	2,500,000	2,500,000	98%	0%
Total	\$16,350,053	\$30,730,574	\$13,393,903	\$27,602,000	\$27,312,000	106%	-1%

Notes:

- The two-year budget assumes 778 (FY 2022-23) and 742 (FY 2023-24) new water connections in the Agency's service area. The budget also assumes a 3.6% annual increase to the water connection fee. Actual fees are adjusted each January 1 based the Engineering News Record Construction Cost Index.



Zone 7 Water Connection Fee History

Effective Date	Connection Fee	Dougherty Valley Connection Fee	% Change
January 1, 2006	\$13,500	\$12,500	3%
January 1, 2007	\$19,570	\$18,120	45%
January 1, 2008	\$20,270	\$18,770	4%
January 1, 2009	\$21,550	\$19,950	6%
January 1, 2010	\$21,550	\$19,950	0%
January 1, 2011	\$22,230	\$20,580	3%
January 1, 2012	\$22,930	\$21,230	3%
January 1, 2013	\$23,500	\$21,750	2%
January 1, 2014	\$24,030	\$22,240	2%
January 1, 2015	\$24,830	\$22,980	3%
January 1, 2016	\$25,320	\$23,430	2%
May 1, 2017	\$27,180	\$26,080	11%
January 1, 2018	\$28,170	\$27,030	4%
January 1, 2019	\$29,070	\$27,900	3%
January 1, 2020	\$29,440	\$28,250	1%
January 1, 2021	\$29,440	\$28,250	0%
January 1, 2022	\$31,910	\$30,620	8%

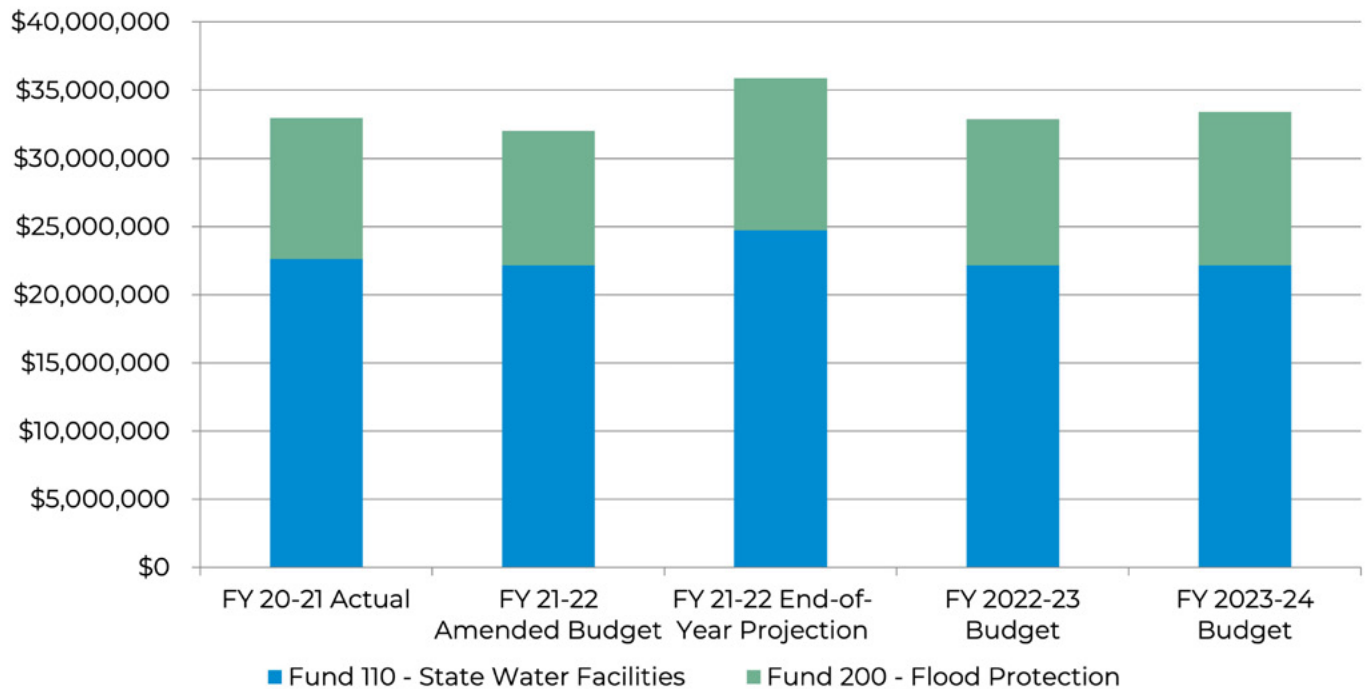
Property Taxes

Property taxes are the third highest source of revenue for the Agency and are collected in Funds 110 and 200.

Fund	FY 20-21 Actual	FY 21-22 Amended Budget	FY 21-22 End-of-Year Projection	FY 2022-23 Budget	FY 2023-24 Budget	% Change	
						FY 22-23 vs. FY 21-22 Projections	FY 22-23 Budget vs. FY 23-24
Fund 110 - State Water Facilities	\$22,616,172	\$22,150,000	\$24,706,987	\$22,150,000	\$22,150,000	-10%	0%
Fund 200 - Flood Protection	10,344,149	9,858,443	11,167,278	10,735,000	11,269,000	-4%	5%
Total	\$32,960,321	\$32,008,443	\$35,874,266	\$32,885,000	\$33,419,000	-8%	2%

Notes:

- Property taxes for FY 2022-24 are based on an estimated 5% growth in assessed valuation
- The property tax levy for FY 2022-23 and FY 2023-24 is \$22M



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EXPENSES

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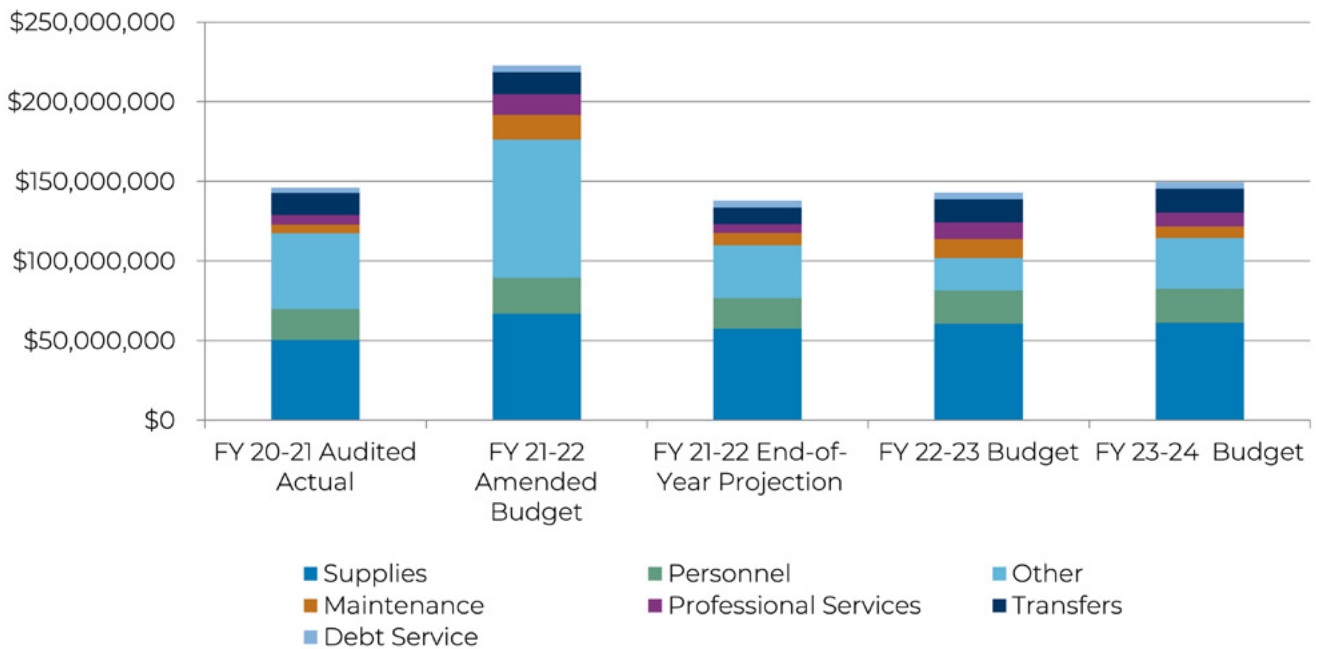
Total Expenses

The following table and graph summarize the Agency-wide expenses by expense type.

Category	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 21-22 End-of-Year Projection	FY 22-23 Budget	FY 23-24 Budget	% Change	
						FY 22-23 vs. FY 21-22 Projections	FY 23-24 vs. FY 22-23 Budget
Supplies	\$50,414,434	\$66,762,402	\$57,411,574	\$60,652,000	\$61,328,000	6%	1%
Personnel	19,252,363	22,851,085	19,417,905	20,856,685	21,361,032	7%	2%
Other	47,605,116	86,614,392	32,953,169	20,411,315	31,748,968	-38%	56%
Maintenance	5,760,227	15,595,963	7,858,745	11,848,000	7,187,000	51%	-39%
Professional Services	6,010,043	13,077,415	5,557,179	10,639,000	8,855,000	91%	-17%
Debt Service	3,444,964	4,216,663	4,308,200	4,218,000	4,216,000	-2%	0%
Transfers	13,734,477	13,590,676	10,386,905	14,402,000	14,827,000	39%	3%
Total	\$146,221,625	\$222,708,596	\$137,893,677	\$143,027,000	\$149,523,000	4%	5%

Notes:

- Other includes capital projects
- Transfers from Fund 100 to Fund 120 are captured here as expenses to Fund 100



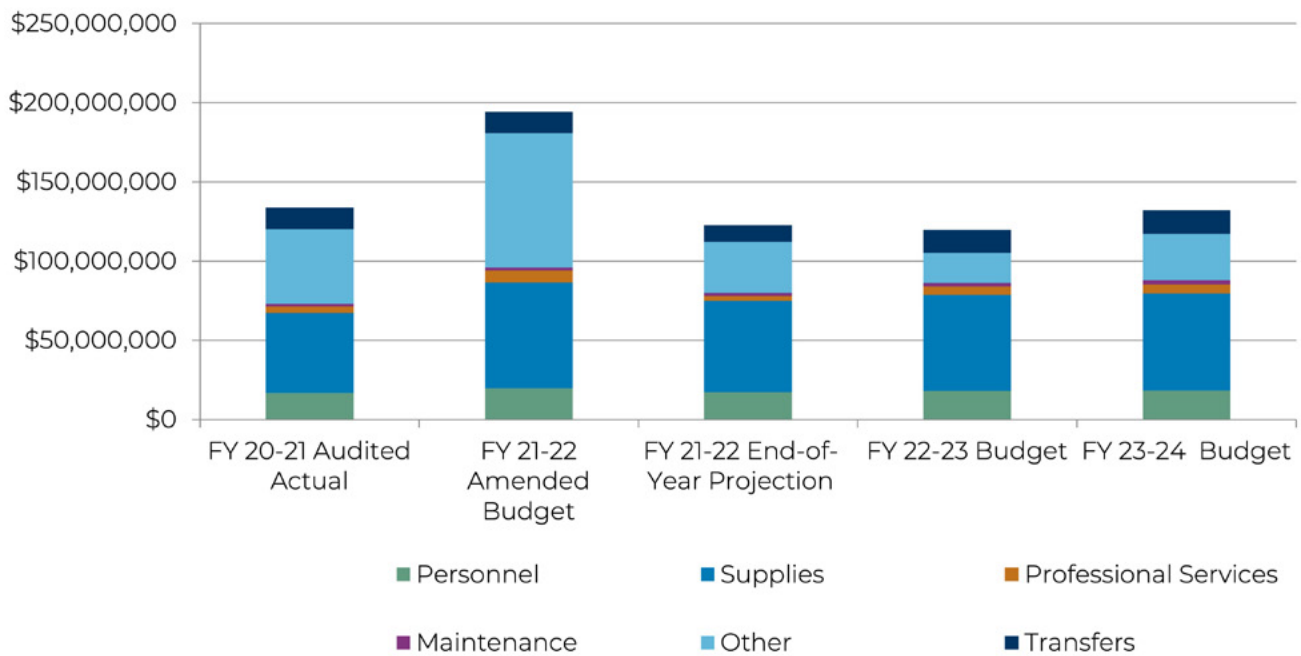
Expenses by Major Funding Area – Water Enterprise

The following table and graph summarize the water enterprise expenses.

Category	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 21-22 End-of-Year Projection	FY 22-23 Budget	FY 23-24 Budget	% Change	
						FY 22-23 vs. FY 21-22 Projections	FY 23-24 vs. FY 22-23 Budget
Personnel	\$16,897,322	\$19,690,462	\$17,392,402	\$17,944,389	\$18,380,237	3%	2%
Supplies	50,414,434	66,762,402	57,411,574	60,652,000	61,328,000	6%	1%
Professional Services	4,087,734	7,424,966	3,039,745	5,324,000	5,585,000	75%	5%
Maintenance	1,723,346	1,919,172	1,973,486	2,359,000	2,500,000	20%	6%
Other	47,026,280	84,763,103	32,395,500	18,972,611	29,501,763	-41%	55%
Debt Service	3,444,964	4,216,663	4,308,200	4,218,000	4,216,000	-2%	0%
Transfers	13,722,587	13,576,531	10,377,988	14,387,000	14,812,000	39%	3%
Total	\$137,316,666	\$198,353,299	\$126,898,895	\$123,857,000	\$136,323,000	-2%	10%

Notes:

- Other includes capital projects.
- Transfers from Fund 100 to Fund 120 are captured here as expenses to Fund 100.

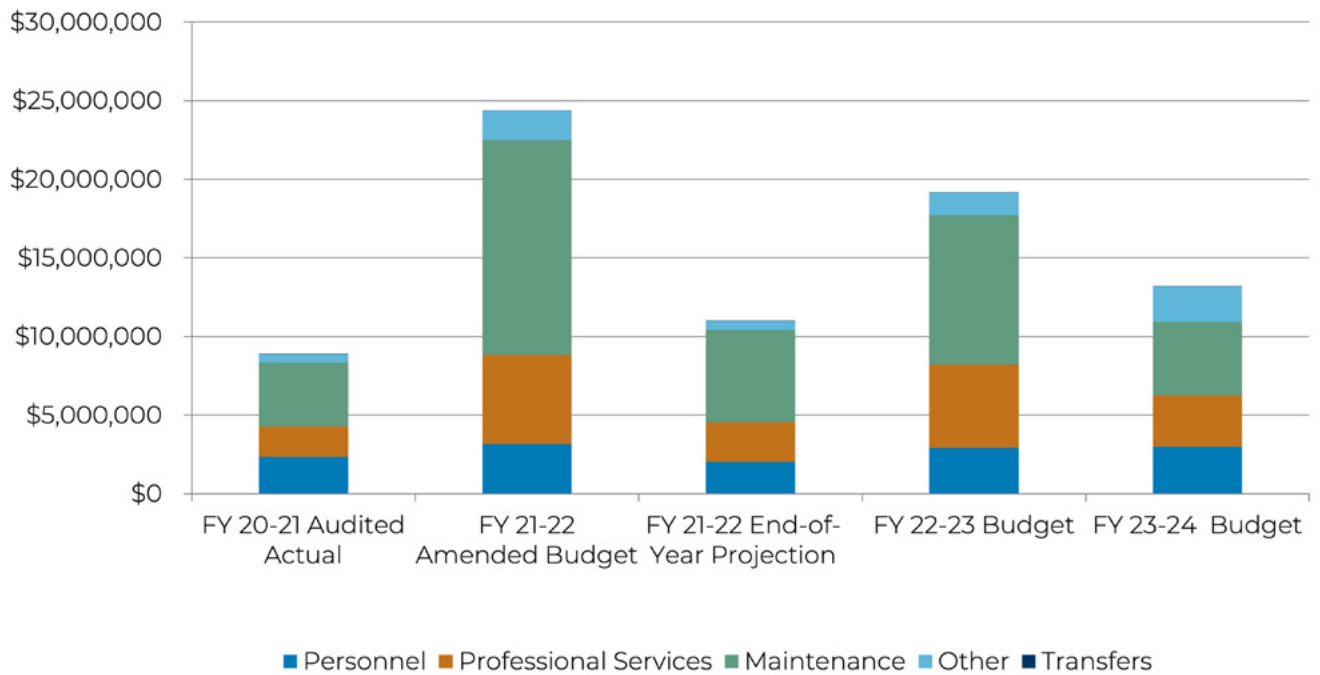


Expenses by Major Funding Area – Flood Protection

Maintenance activities (including repair/replacement and improvement projects and expansion projects) make up the majority use for the Flood Protection funds.

The following table and graph summarize the Flood Protection expenses.

Category	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 21-22 End-of-Year Projection	FY 22-23 Budget	FY 23-24 Budget	% Change	
						FY 22-23 vs. FY 21-22 Projections	FY 23-24 vs. FY 22-23 Budget
Personnel	\$2,355,041	\$3,160,623	\$2,025,503	\$2,912,296	\$2,980,795	44%	2%
Professional Services	1,922,310	5,652,449	2,517,434	5,315,000	3,270,000	111%	-38%
Maintenance	4,036,882	13,676,791	5,885,259	9,489,000	4,687,000	61%	-51%
Other	578,836	1,851,289	557,669	1,438,704	2,247,205	158%	56%
Transfers	11,890	14,145	8,918	15,000	15,000	68%	0%
Total	\$8,904,958	\$24,355,297	\$10,994,782	\$19,170,000	\$13,200,000	74%	-31%



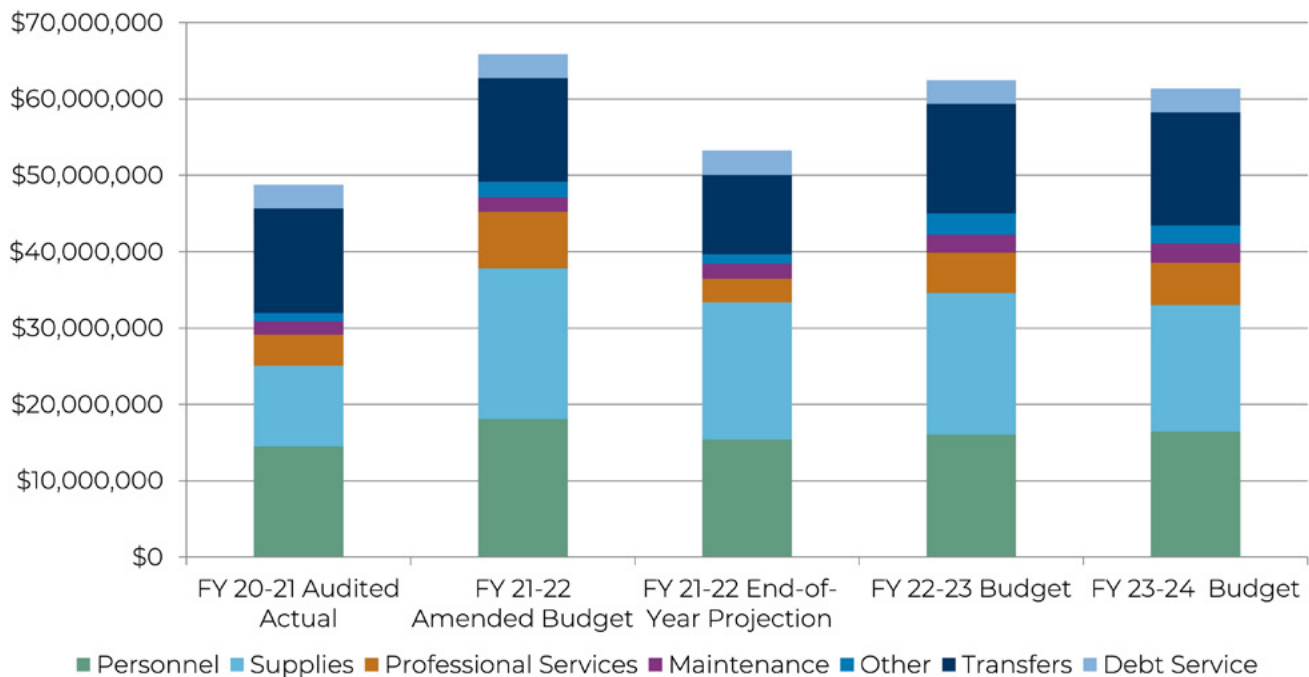
Water Enterprise Fund (Fund 100)

This budget finances the Agency's water program which includes operations and maintenance of the water supply and delivery system, general administration, facilities engineering, water resources management, and water supply planning and design. The purpose of this fund is to ensure the delivery of high-quality water to the Livermore-Amador Valley. Expenses by type are shown in the following table and graph.

Category	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 21-22 End-of-Year Projection	FY 22-23 Budget	FY 23-24 Budget	% Change	
						FY 22-23 vs. FY 21-22 Projections	FY 23-24 vs. FY 22-23 Budget
Personnel	\$14,476,263	\$18,071,919	\$15,408,552	\$16,061,000	\$16,445,000	4%	2%
Supplies	10,579,116	19,719,760	17,987,065	18,505,000	16,555,000	3%	-11%
Professional Services	4,087,734	7,424,966	3,039,745	5,324,000	5,585,000	75%	5%
Maintenance	1,723,346	1,919,172	1,973,486	2,359,000	2,500,000	20%	6%
Other	1,086,978	2,016,073	1,248,008	2,745,000	2,351,000	120%	-14%
Transfers and Other Finance Uses	16,844,924	16,700,744	13,592,188	17,511,000	17,939,000	29%	2%
Debt Service	3,122,338	3,124,213	3,214,200	3,124,000	3,127,000	-3%	0%
Transfers	13,722,587	13,576,531	10,377,988	14,387,000	14,812,000	39%	3%
Total	\$48,798,361	\$65,852,634	\$53,249,044	\$62,505,000	\$61,375,000	17%	-2%

Note:

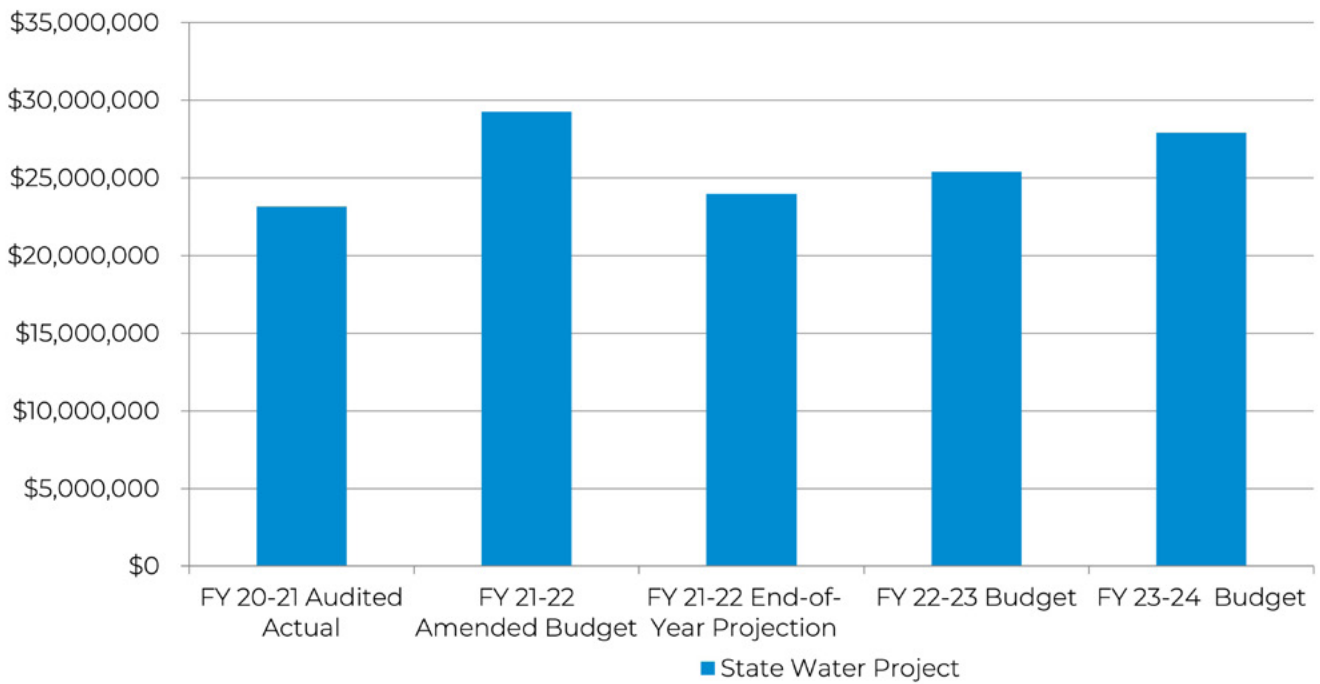
- Transfers from Fund 100 to Fund 120 are captured here as expenses.



State Water Facilities Fund (Fund 110)

This budget finances the "fixed cost" payment to the State Department of Water Resources (DWR) to import water to the Agency through the State Water Project. The purpose is to pay the costs for use of the SWP delivery system, which includes repayment of voter approved, State incurred, long-term debt. Expenses are shown in the following table and graph.

Category	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 21-22 End-of-Year Projection	FY 22-23 Budget	FY 23-24 Budget	% Change	
						FY 22-23 vs. FY 21-22 Projections	FY 23-24 vs. FY 22-23 Budget
State Water Project	\$23,167,710	\$29,279,388	\$23,969,690	\$25,399,000	\$27,923,000	6%	10%
Total	\$23,167,710	\$29,279,388	\$23,969,690	\$25,399,000	\$27,923,000	6%	10%



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

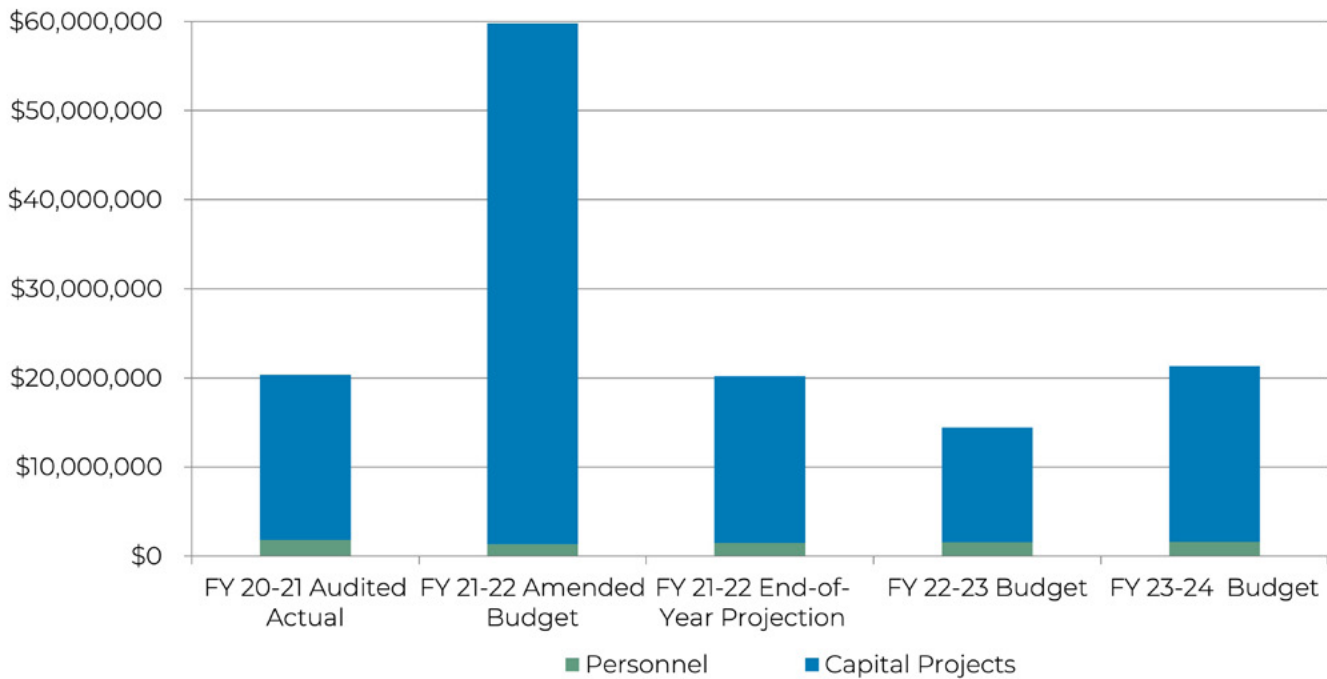
The purpose of this program is to ensure the current water treatment and delivery systems are functioning effectively, and that capital replacement and improvement needs are funded.

Expenses are shown in the following table and graph.

Category	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 21-22 End-of-Year Projection	FY 22-23 Budget	FY 23-24 Budget	% Change	
						FY 22-23 vs. FY 21-22 Projections	FY 23-24 vs. FY 22-23 Budget
Personnel	\$1,823,417	\$1,345,081	\$1,478,731	\$1,555,936	\$1,594,910	5%	3%
Capital Projects	18,544,436	58,459,547	18,760,338	12,885,064	19,761,090	-31%	53%
Total	\$20,367,853	\$59,804,628	\$20,239,070	\$14,441,000	\$21,356,000	-29%	48%

Notes:

- FY 2022-24 capital projects are budgeted in personnel and capital projects



Water Expansion Fund (Fund 130)

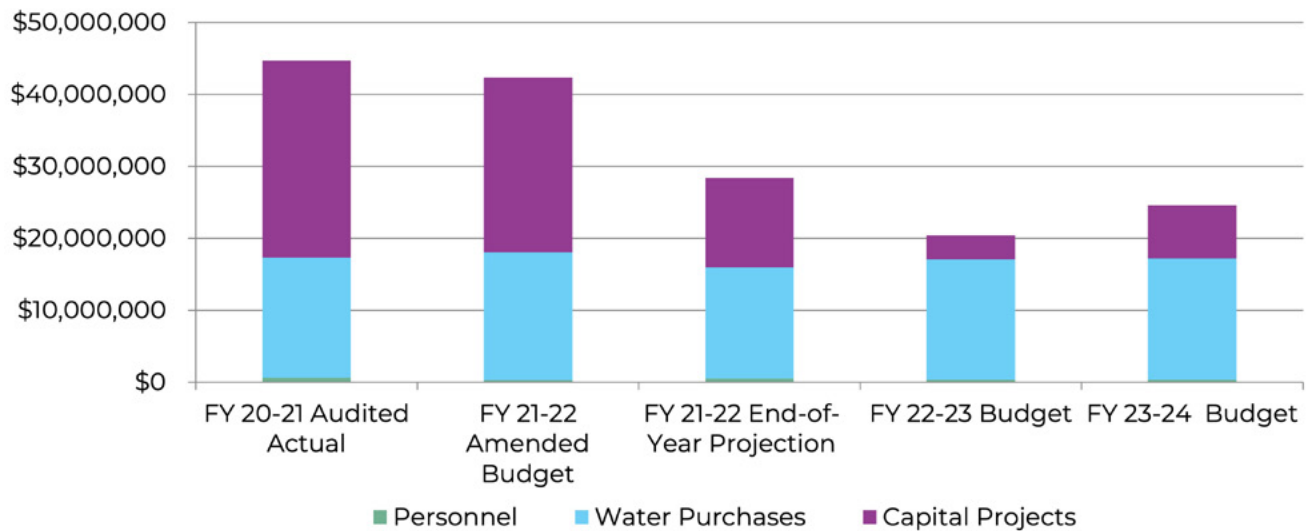
The purpose of this program is to ensure the Agency can meet future needs for water demands. The program is primarily intended to provide funding for new facilities and water supplies for new development.

Expenses are shown in the following table and graph.

Category	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 21-22 End-of-Year Projection	FY 22-23 Budget	FY 23-24 Budget	% Change	
						FY 22-23 vs. FY 21-22 Projections	FY 23-24 vs. FY 22-23 Budget
Personnel	\$597,642	\$273,462	\$505,119	\$327,453	\$340,327	-35%	4%
Water Purchases	16,667,609	17,763,254	15,454,819	16,748,000	16,850,000	8%	1%
Debt Service	322,627	1,092,450	1,094,000	1,094,000	1,089,000	0%	0%
Capital Projects	27,394,866	24,287,483	12,387,154	3,342,547	7,389,673	-73%	121%
Totals	\$44,982,743	\$43,416,649	\$29,441,092	\$21,512,000	\$25,669,000	-27%	19%

Notes:

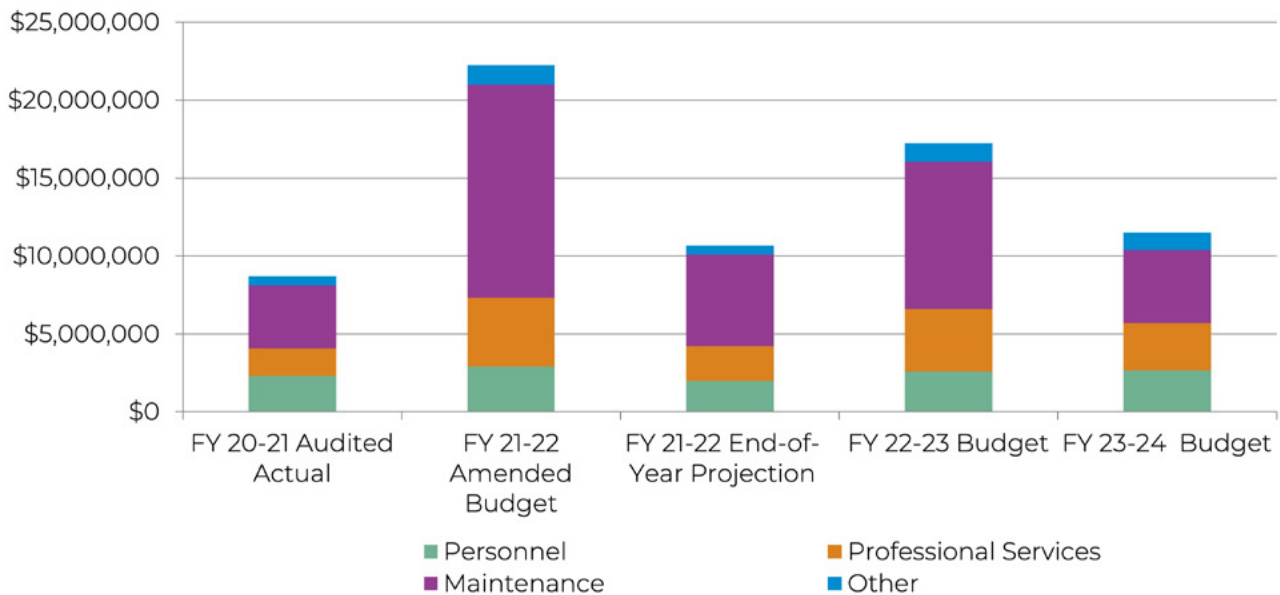
- FY 2022-24 Capital projects are budgeted in personnel, water, and capital projects
- Water includes non-discretionary payments for debt incurred on behalf of the Agency



Flood Protection Fund (Fund 200)

This budget provides funding for flood protection services and related administration. The purpose of this program is to ensure controlled drainage of the Valley's excess water runoff. The Agency manages a watershed of nearly 425 square miles including eastern Alameda County and parts of Contra Costa, Santa Clara, and San Joaquin Counties. Expenses by program are shown in the following table and graph.

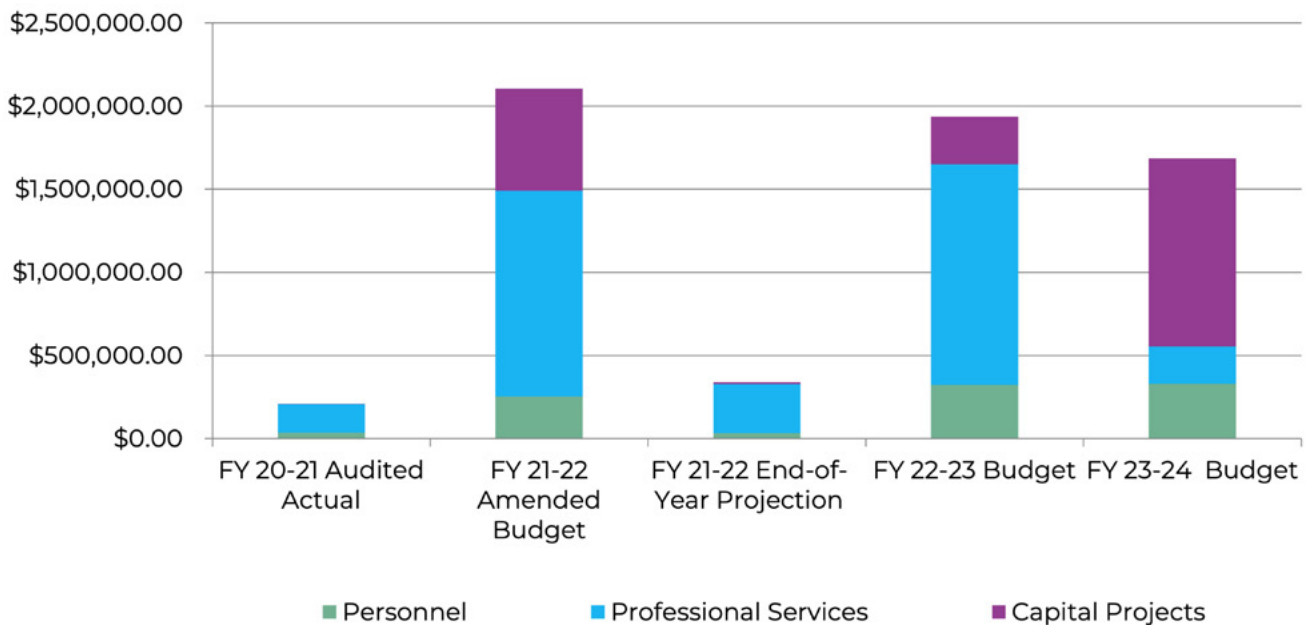
Category	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 21-22 End-of-Year Projection	FY 22-23 Budget	FY 23-24 Budget	% Change	
						FY 22-23 vs. FY 21-22 Projections	FY 23-24 vs. FY 22-23 Budget
Personnel	\$2,319,263	\$2,907,286	\$1,992,498	\$2,589,000	\$2,650,000	30%	2%
Professional Services	1,749,946	4,415,251	2,222,026	3,987,000	3,047,000	79%	-24%
Maintenance	4,036,882	13,676,791	5,885,259	9,489,000	4,687,000	61%	-51%
Other	578,768	1,235,456	546,806	1,153,000	1,115,000	111%	-3%
Transfers	11,890	14,145	8,918	15,000	15,000	68%	0%
Total	\$8,696,749	\$22,248,929	\$10,655,506	\$17,233,000	\$11,514,000	62%	-33%



Flood Protection Development Impact Fee Fund (Fund 210)

The purpose of this program is to ensure the Agency can meet future needs for flood control facilities related to expanded capacity. The program is primarily intended to provide funding for all flood control facilities required for new development. Expenses by program are shown in the following table and graph.

Category	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 21-22 End-of-Year Projection	FY 22-23 Budget	FY 23-24 Budget	% Change	
						FY 22-23 vs. FY 21-22 Projections	FY 23-24 vs. FY 22-23 Budget
Personnel	\$35,778	\$253,337	33,005	\$323,296	\$330,795	880%	2%
Professional Services	172,363	1,237,198	295,408	1,328,000	223,000	0%	-83%
Capital Projects	68	615,833	10,863	285,704	1,132,205	2530%	296%
Total	\$208,209	\$2,106,368	\$339,276	\$1,937,000	\$1,686,000	471%	-13%

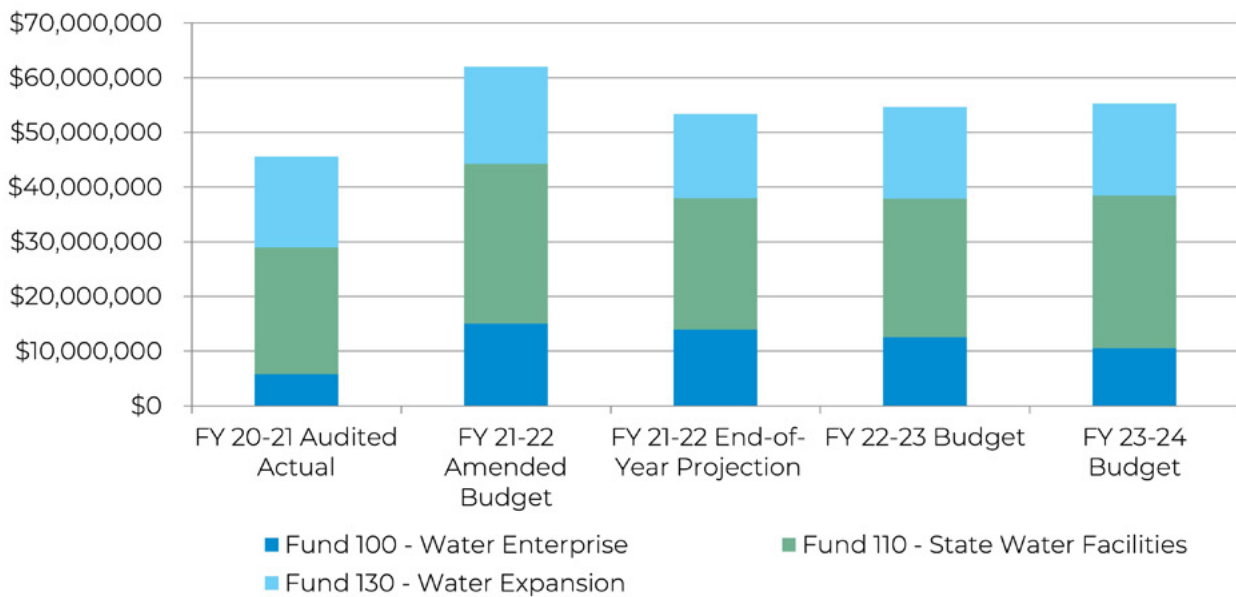


Water Purchases

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

The Department of Water Resources prepares and distributes an annual Statement of Charges (SOC) outlining the Agency’s charges for the following year. The charges are categorized as fixed and variable charges. The fixed costs are paid via property taxes (Fund 110) and connection fees (Fund 130) and the variable charges are paid via water sales (Fund 100). Water purchases are shown in the following table and graph.

Fund	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 21-22 End-of-Year Projection	FY 22-23 Budget	FY 23-24 Budget	% Change	
						FY 22-23 vs. FY 21-22 Projections	FY 23-24 vs. FY 22-23 Budget
Fund 100 - Water Enterprise	\$5,764,416	\$15,015,052	\$13,945,140	\$12,505,000	\$10,555,000	-10%	-16%
Fund 110 - State Water Facilities	23,167,710	29,279,388	23,969,690	25,391,000	27,915,000	6%	10%
Fund 130 - Water Expansion	16,667,609	17,763,254	15,454,819	16,748,000	16,850,000	8%	1%
Total	\$45,599,735	\$62,057,694	\$53,369,650	\$54,644,000	\$55,320,000	2%	1%

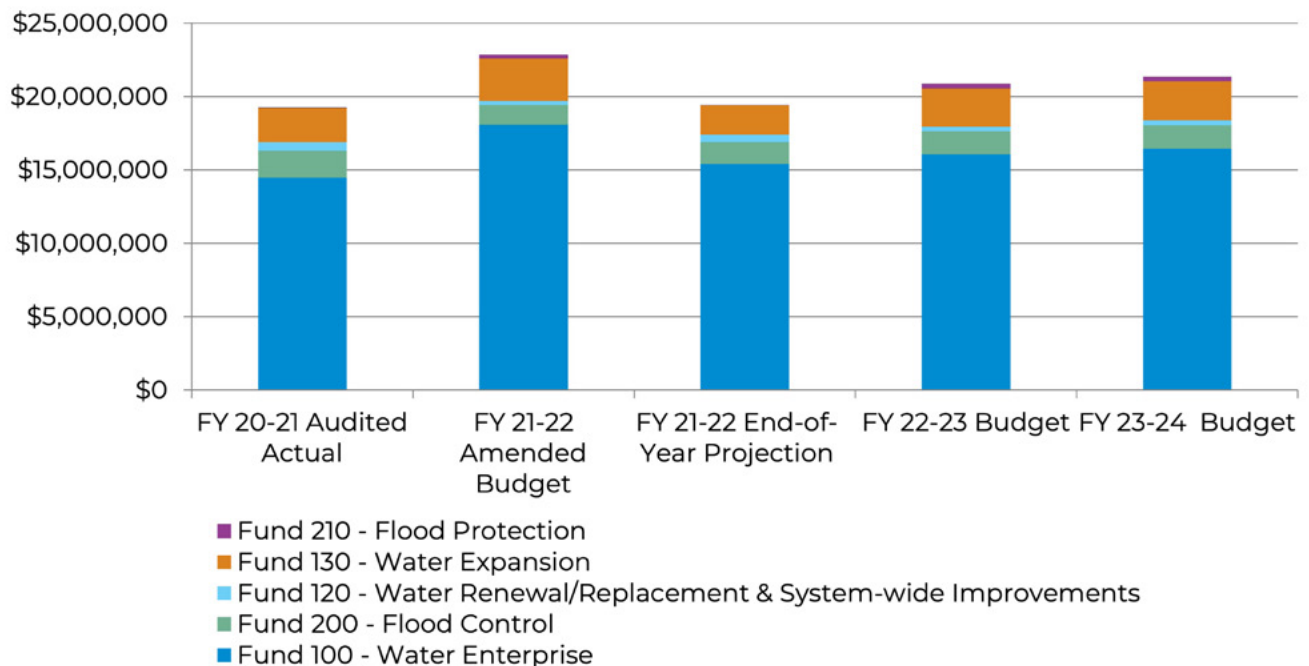


Personnel (All Funds)

The Agency's second largest expense is personnel costs. Personnel costs include salaries, wages and benefits. Both salary increases and benefit costs have an impact on the budget.

The Agency charges staff time directly to capital projects. Each department estimates the percentage of staff time planned for capital projects and budgets within the individual capital project budgets. Personnel expenses are shown in the following table and graph.

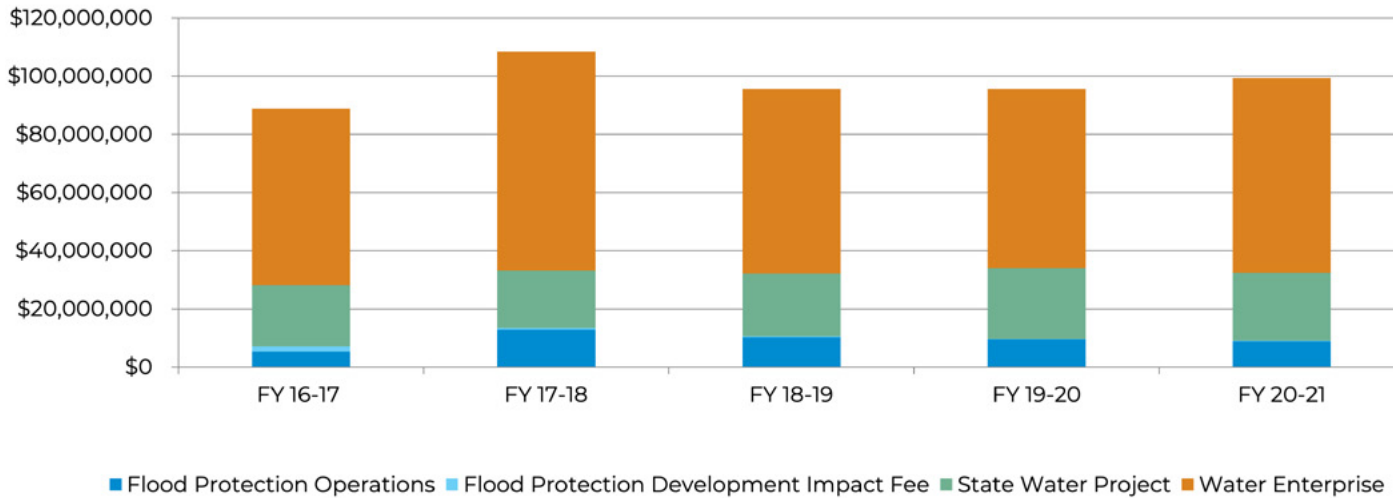
Fund	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 21-22 End-of-Year Projection	FY 22-23 Budget	FY 23-24 Budget	% Change	
						FY 22-23 vs. FY 21-22 Projections	FY 23-24 vs. FY 22-23 Budget
Fund 100 - Water Enterprise	\$14,476,263	\$18,071,919	\$15,408,552	\$16,061,000	\$16,445,000	4%	2%
Fund 120 - Water Renewal/Replacement & System-wide Improvements	597,642	273,462	505,119	327,453	340,327	-35%	4%
Fund 130 - Water Expansion	2,319,263	2,907,286	1,992,498	2,589,000	2,650,000	30%	2%
Fund 200 - Flood Control	1,823,417	1,345,081	1,478,731	1,555,936	1,594,910	5%	3%
Fund 210 - Flood Protection	35,778	253,337	33,005	323,296	330,795	880%	2%
Total	\$19,252,363	\$22,851,085	\$19,417,905	\$20,856,685	\$21,361,032	7%	2%



Expense History

The following table and graph summarize a five-year history of expenses by major category.

	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21
Flood Protection Operations	\$5,341,751	\$12,859,064	\$10,308,973	\$9,547,702	\$8,948,348
Flood Protection Development Impact Fee	1,841,555	542,139	367,976	168,503	208,142
State Water Project	20,985,604	19,794,128	21,420,192	24,333,554	23,173,321
Water Enterprise	60,641,826	75,273,928	63,564,015	61,634,465	67,013,409
Total	\$88,810,736	\$108,469,259	\$130,321,078	\$95,684,224	\$99,343,220





CAPITAL IMPROVEMENT PLAN

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Capital Improvement Plan Overview

About every five years, the Agency prepares a ten-year Water System 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. The CIP incorporates the projects, costs, schedules, and priorities for ten years for water enterprise projects. In the years when the CIP is not updated, adjustments are made as part of the budget process.



The Agency has undertaken many planning efforts, for example the Asset Management Program (AMP) Update, Stream Management Master Plan (SMMP), Well Master Plan (WMP), and the 2020 Urban Water Management Plan (UWMP). Collectively, these studies have identified:

- The types of renewal/replacement and system-wide improvement projects needed to maintain a reliable and efficient water system;
- Current and projected demands on our water system and the Agency's facilities needed to meet such demands;
- Operational improvements and additional studies that will minimize near-term risks of water supply shortages and maximize long-term flexibility; and
- Integrated resource management projects for the Agency's flood protection facilities.
- These master plans provide a roadmap for the scope and scheduling of projects in the CIP.

Water System CIP Overview

A primary function of the CIP is to provide Agency executive staff and the Board of Directors with a clear and orderly process for planning and budgeting and making informed decisions about project priorities and scheduling.



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

Operating Impact: The operating impact of these identified projects will increase water supply reliability and operational flexibility of the Agency's Water System. From a budgetary

perspective, renewal/replacement projects addressing aging infrastructure will reduce operating and maintenance costs, and in some cases, where new assets are installed (system-wide Improvements) future operation and maintenance costs may increase. Additional information on capital projects can be found in the [Agency's FY 2018/2019 Ten-Year Water System CIP](#).

Flood Protection CIP Overview

Zone 7 plans and designs flood protection and stormwater drainage facilities that enhance management and control of stormwater runoff and drainage in the Livermore-Amador Valley, while optimizing water resources by integrating water supply, water quality, flood protection and environmental stewardship.

The Agency conducts capital improvement activities that protect life and property from damage caused by stormwater runoff and drainage generated during large rainfall events.



The Agency is currently developing a new Flood Management Plan (FMP). The FMP will establish the Agency's Flood Management Guidance such as guiding principles for flood management, flood system performance goals and objectives, the flood system definition, and best management practices. The FMP will also focus on flood system project planning, finance planning, and implementation planning and will include a robust outreach plan.

The following pages list the FY 2022-23 and FY 2023-24 planned capital projects by fund.

Capital Projects by Fund

Water Enterprise

Fund 120 - Water Renewal/Replacement & System-Wide Improvements Capital Projects Listing

Fund 120	FY 22-23 Budget	FY 23-24 Budget
Asset Management Program Management	\$90,000	\$360,000
Capital Improvement Program Management	\$50,000	\$40,000
Chain of Lakes Facilities and Improvements - Water Supply	\$30,000	\$300,000
Chain of Lakes Master Planning	\$3,000	\$3,000
Chain of Lakes Pipeline	\$3,048,000	\$3,578,000
Contingency	\$750,000	\$750,000
Cross Valley Rate Control Station Replacement (ACC 1)	-	\$700,000
Dougherty Reservoir Power Study	\$100,000	-
DVWTP Coagulant System and Recovery System Pump Station Replacement	\$750,000	\$4,000,000
DVWTP HVAC Replacement	-	\$300,000
Hopyard 6 Rehabilitation Project	\$700,000	\$1,300,000
Laboratory Equipment Replacement	\$160,000	\$165,000
M GDP Concentrate Conditioning	\$4,000,000	-
M GDP Concentrate PFAS Study	\$200,000	-
M GDP Emergency Generator and VFD Replacement Project	\$1,000,000	\$3,600,000
M GDP VFD Repairs	\$160,000	-
Minor Renewal/Replacement Projects	\$600,000	\$750,000
Monitoring Well Replacements and Abandonments (SCPE)	\$200,000	\$200,000
North Canyons Renewal/Replacement and Improvements	\$46,000	\$46,000
On-Call Engineering and Construction Services	\$800,000	\$800,000
PPWTP Post-Ozone Projects	\$810,000	\$3,190,000
PPWTP Sludge Handling Rehabilitation	\$140,000	\$540,000
Production Well Rehab	\$30,000	-
SCADA Upgrades and Replacements	\$650,000	\$710,000
Silver Oaks Pump Station Land Acquisition	\$100,000	-
TOTAL	\$14,417,000	\$21,332,000

Capital Projects by Fund

Water Enterprise

Fund 130 - Capital Expansion

Capital Projects Listing

Fund 130	FY 22-23 Budget	FY 23-24 Budget
Busch-Valley Well 1	-	\$1,000,000
Capital Improvement Program Management	\$60,000	\$110,000
Cawelo Groundwater Banking Program Debt Service	\$1,094,000	\$1,089,000
Chain of Lakes Facilities and Improvements - Water Supply	\$70,000	\$700,000
Chain of Lakes Master Planning	\$7,000	\$7,000
Chain of Lakes Pipeline	\$2,703,000	\$3,173,000
Contingency	\$500,000	\$500,000
El Charro Pipeline Design Phase 2	-	\$310,000
Fourth Contractor's Share of the SBA - Capital Costs	\$3,000,000	\$3,000,000
North Canyons Renewal/Replacement and Improvements	\$2,000	\$2,000
Purified Water Outreach	\$25,000	-
SBA Enlargement Project	\$13,748,000	\$13,850,000
SWP Peaking Payment (Lost Hills & Belridge Water Districts)	\$20,000	\$30,000
Water Supply Replacement Projects (LVE, Sites)	\$220,000	\$1,200,000
Walker Ranch Mitigation Planning	\$15,000	-
Well Master Plan Update	-	\$600,000
TOTAL	\$21,464,000	\$25,571,000

Capital Projects by Fund

Flood Protection

Fund 200 – Flood Protection Operations Capital Projects Listing

Fund 200	FY 22-23 Budget	FY 23-24 Budget
Alamo Creek Pilot Project	\$4,800,000	-
Balance Hydrologics Contract Extension - Install/Operate/ Maintain Stream/Rainfall Gauges	\$89,000	\$89,000
Bank Stabilization - Biotechnical Alternatives	\$100,000	\$100,000
Chain of Lakes Master Planning	\$4,000	\$4,000
Chain of Lakes Facilities and Improvements - Flood Protection	-	\$430,000
Contingency	\$500,000	\$500,000
Engineering Repair Services	\$1,000,000	\$1,000,000
Flood Management Plan Phase 2	\$1,593,000	-
Flood Protection Studies	\$316,000	\$585,000
Hydrology & Hydraulic Modeling Update	\$118,000	\$118,000
North Canyons Renewal/Replacement Improvements	\$12,000	\$12,000
USGS Stream Gauge Installation/Operation/Maintenance	\$101,000	\$101,000
TOTAL	\$8,633,000	\$2,939,000

Capital Projects by Fund

Flood Protection

Fund 210 – Flood Protection Development Impact Fee Fund Capital Projects Listing

Fund 210	FY 22-23 Budget	FY 23-24 Budget
Balance Hydrologics Contract Extension - Install/Operate/ Maintain Stream and Rainfall Gauges	\$62,000	\$62,000
Chain of Lakes Master Planning	\$6,000	\$6,000
Chain of Lakes Facilities and Improvements - Flood Protection	-	\$570,000
Contingency	\$500,000	\$500,000
Flood Mangement Plan Phase 2	\$1,105,000	-
Flood Protection Studies	\$102,000	\$386,000
Hydrologic and Hydraulic Modeling Update	\$82,000	\$82,000
North Canyons Renewal/Replacement and Improvements	\$1,000	\$1,000
USGS Stream Guage Installation/Operation/Maintenance	\$71,000	\$71,000
Total	\$1,929,000	\$1,678,000



DEPARTMENT OVERVIEW

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Personnel

Staffing Summary

	FY 19-20 Budget	FY 20-21 Budget	FY 21-22 Budget	FY 22-23 Budget	FY 23-24 Budget
Office of the General Manager	10	10	10	11	11
Finance	11	11	11	12	12
Human Resources	3	3	3	3	3
Water Quality	7.5	7	7	7	7
Integrated Planning	8.5	9.5	8.5	11	11
Water Supply Engineering	12	11	11	11	11
Groundwater	7.5	7	7	7	7
Operations	29	30	30	30	30
Maintenance	19	21	22	25	25
Flood Control Engineering	7	5.5	5.5	5	5
Agency Total	114.5	115	115	122	122

Employee Bargaining Units

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

Alameda County Management Employees' Association (ACMEA)

- Memorandum of Understanding (MOU) end date: June 21, 2025
- Zone 7 salary contract end date: June 21, 2025
- COLA increases of 6% on June 26, 2022, 5% on June 25, 2023, and 4% on June 23, 2024.
- Negotiations will start in 2025.

International Federation of Professional and Technical Engineers (IFPTE Local 21)

- Memorandum of Understanding (MOU) end date: June 21, 2025.
- Zone 7 salary contract end date: June 21, 2025
- COLA increases of 6% on June 26, 2022, 5% on June 25, 2023, and 4% on June 23, 2024.
- Negotiations will start in 2025.

Northern California Public Sector Region, Local 1021 of the Service Employees International Union, CTW (SEIU)

- Memorandum of Understanding (MOU) end date: June 21, 2025.
- Zone 7 salary contract end date: June 21, 2025
- COLA increases of 6% on June 26, 2022, 5% on June 25, 2023, and 4% on June 23, 2024.
- Negotiations will start in 2025.

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

Building Trades Council of Alameda County (BTC)

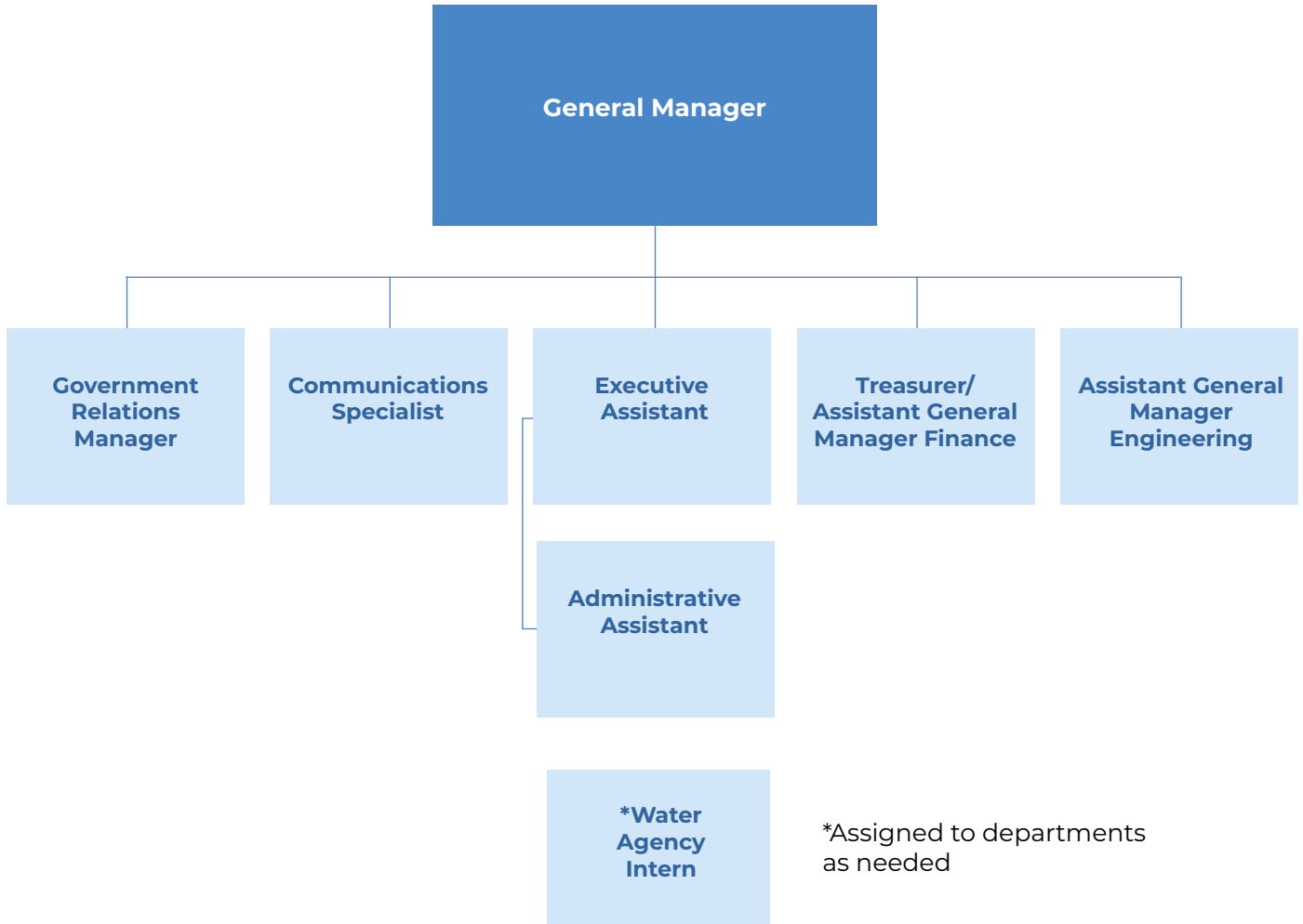
- Memorandum of Understanding (MOU) end date: June 21, 2025.
- Zone 7 salary contract end date: June 21, 2025
- COLA increases of 6% on June 26, 2022, 5% on June 25, 2023, and 4% on June 23, 2024.
- Negotiations will start in 2025.

Unrepresented Employees

- Zone 7 salary contract end date: June 21, 2025
- Salary adjustments of 6% on June 26, 2022, 5% on June 25, 2023, and 4% on June 23, 2024.

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

Office of the General Manager FY 2022-24



Office of the General Manager

The Office of the General Manager provides overall administrative and management support to the Agency.

FY 2022-24 Goals and Objectives

- Continue progress towards meeting initiatives outlined in Goals A-G of the Zone 7 Strategic Plan.
- Update the flood protection strategy.
- Continue to optimize communications, public outreach, and community engagement.
- Review professional development approach to maintain workforce capability for now and into the future.

FY 2020-22 Major Accomplishments

- Began implementing the Agency Five-Year Strategic Plan.
- Made significant progress toward meeting initiatives of Goal F:
 - » Rebranded Agency collateral and created universal brand folder
 - » Drafted Strategic Communications Plan
 - » Expanded social media and virtual outreach
 - » Created virtual Annual Report
 - » Created virtual outreach programs through webinars and educational videos to reach public during COVID-19 shutdown
 - » Launched a Virtual Schools Program to continue water education through COVID-19 shutdown and resumed in-person teaching in 2021
 - » Met Initiative #20 – launched the completely redesigned ADA compliant website
 - » Met Initiative #21 – finalized the Water Reliability Public Information Program and began public outreach
- Received a Gold Award at the DotCOMM awards in the website redesign category.
- Received a Gold Award at the DotCOMM awards in the safety video category for the “Flood Ready Freddy” flood preparedness campaign.
- Updated Board Policies.
- Implemented proactive drought response and communications.
- Continued to pursue additional long-term water supplies through participation in the Sites Reservoir Project, Las Vaqueros Reservoir and Delta Conveyance planning phases.
- In response to COVID-19 Shelter-in-Place orders, successfully transitioned staff to telework and provided all necessary computer supplies to continue operations.
- Received Transparency Certificate of Excellence.
- Continued televising monthly Board agendas, minutes, and meetings via TV30.org.
- Met Initiative No. 13 of Strategic Plan Goal E - Reviewed and updated Board policies.

Office of the General Manager Staffing Summary

Staffing Summary

	FY 19-20 Budget	FY 20-21 Budget	FY 21-22 Budget	FY 22-23 Budget	FY 23-24 Budget
General Manager	1.0	1.0	1.0	1.0	1.0
Assistant General Manager, Engineering	1.0	1.0	1.0	1.0	1.0
Treasurer/Assistant General Manager, Finance	1.0	1.0	1.0	1.0	1.0
Government Relations Manager	0.0	0.0	1.0	1.0	1.0
Executive Assistant	1.0	1.0	1.0	1.0	1.0
Administrative Assistant	4.0	4.0	3.0	3.0	3.0
Communications Specialist	1.0	1.0	1.0	1.0	1.0
Water Agency Intern	1.0	1.0	1.0	2.0	2.0
Total	10.0	10.0	10.0	11.0	11.0

Staffing Changes

Interns now budgeted centrally in Office of General Manager

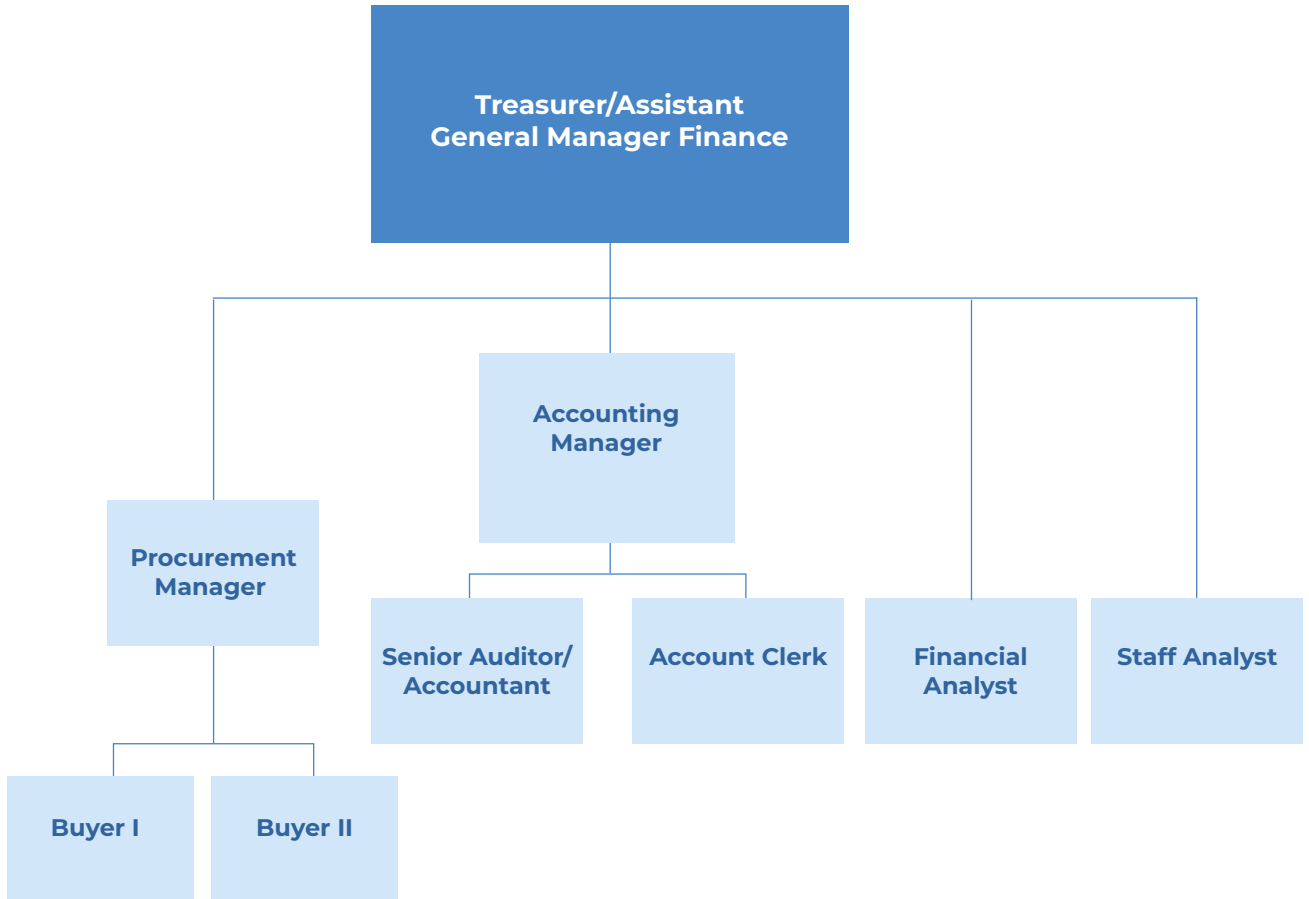
Office of the General Manager Budget by Fund

	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 22-23 Budget	FY 23-24 Budget
Fund 100 - Water Enterprise	\$2,208,558	\$6,300,605	\$1,323,413	\$1,720,587
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	\$1,869,409	\$5,750,000	\$750,000	\$750,000
Fund 130 - Capital Expansion	\$322,702	\$1,592,450	\$1,594,000	\$1,589,000
Fund 200 - Flood Control	\$811,396	\$1,091,862	\$1,657,665	\$1,737,667
Fund 210 - Flood Protection Development Impact Fee	\$33,613	\$16,304	\$500,000	\$500,000
Total	\$5,245,678	\$14,751,221	\$5,825,078	\$6,297,254

Office of the General Manager Budget by Program

	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 22-23 Budget	FY 23-24 Budget
Water Utility Support Services	\$2,085,050	\$2,297,727	\$1,257,900	\$1,250,900
Supply Source & Conveyance	25,544	11,920	7,200	7,400
Water Storage	(91,896)	-	-	-
Water Treatment	(403,808)	-	-	-
Water Transmission	(91,896)	-	-	-
Central Administration	2,877,675	5,083,408	1,152,313	1,551,287
Flood Protection	845,008	1,108,166	1,657,665	1,737,667
Capital Projects	-	6,250,000	1,750,000	1,750,000
Total	\$5,245,678	\$14,751,221	\$5,825,078	\$6,297,254

Finance FY 2022-24



Finance

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

FY 2022-24 Goals and Objectives

- Continue to implement the strategies associated with Goal G of the Zone 7 Strategic Plan - Operate the Agency in a Fiscally Responsible Manner.
- Continue to provide timely quarterly and annual financial reports to the Finance Committee and Board.
- Continue to maintain reserves as set forth in the Reserve Policy adopted on May 15, 2019.
- Continue to maintain the Agency's strong bond rating of AA+ (Fitch) and AA+ (Standard and Poor's).
- Continue to comply with debt service coverage covenants in connection with Livermore Valley Water Financing Authority Water Revenue Bonds, 2018 Series A.
- Continued safeguard of the Agency's financial and material assets by maintaining strong internal controls, ensuring equity and transparency in transactions processes, adhering to established financial policies and procedures, and complying with all legal fiscal reporting requirements.
- Manage and maintain Information Technology equipment and systems while protecting systems integrity from outside cyber threats.
- Manage the risk of the Agency and strive to minimize costs and exposure while enhancing safety and productivity.

FY 2020-22 Major Accomplishments

- For the sixth consecutive budget year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded Zone 7 the Distinguished Budget Presentation Award. As GFOA states, "...it's the highest form of recognition in governmental budgeting and represents a significant achievement by an organization".
- Awarded for the fifth consecutive budget year, the California Society of Municipal Finance Officers (CSMFO) awarded Zone 7 the Operating Budget Excellence Award for its Fiscal Year 2020-21.
- Awarded for the fifth straight year, the GFOA Certificate of Achievement for Excellence in Financial Reporting for the Zone 7 Comprehensive Annual Financial Report for Fiscal Year ending June 30, 2020.
- Maintained Fitch Ratings' assigned 'AA+' rating and stable outlook on the Agency's Livermore Valley Water Financing Authority Water Revenue Bonds, 2018 Series A as well as the Agency's Issuer Default Rating (IDR) of 'AA+'.
- Established an IRS Section 115 Trust to address long-term pension liabilities by prefunding future pension payments.
- Produced timely and accurate quarterly revenue and expenditure analysis reports.

Finance Staffing Summary

	FY 19-20 Budget	FY 20-21 Budget	FY 21-22 Budget	FY 22-23 Budget	FY 23-24 Budget
Financial & Systems Services Manager	1.0	0.0	0.0	0.0	0.0
Accounting Manager	1.0	1.0	1.0	1.0	1.0
Senior Auditor/Accountant	1.0	1.0	1.0	1.0	1.0
Staff Analyst	2.0	1.0	1.0	1.0	1.0
Financial Analyst	0.0	2.0	2.0	2.0	2.0
Procurement Manager	1.0	1.0	1.0	1.0	1.0
Buyer I	2.0	2.0	2.0	2.0	2.0
Buyer II	1.0	1.0	1.0	1.0	1.0
Account Clerk	2.0	2.0	2.0	3.0	3.0
Total	11.0	11.0	11.0	12.0	12.0

Staffing Changes

1 FTE Financial & Systems Services Manager funding units transferred to Financial Analyst

1 FTE Staff Analyst funding units transferred to Financial Analyst

1 FTE Account Clerk added in FY 2022-23 Budget

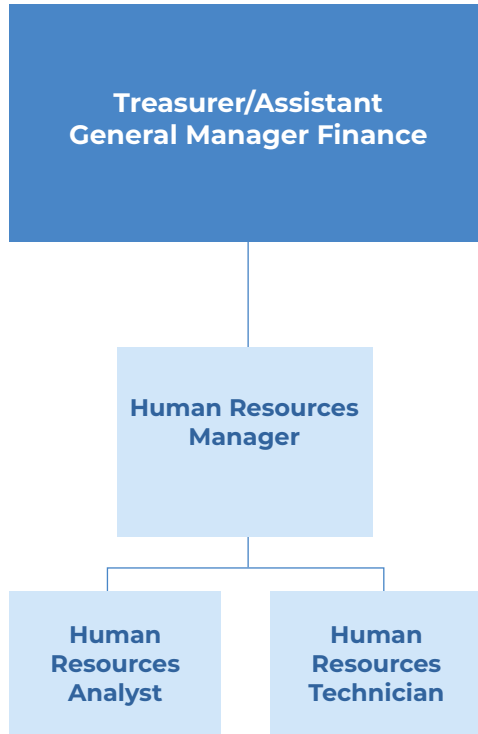
Finance Budget by Fund

	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 22-23 Budget	FY 23-24 Budget
Fund 100 - Water Enterprise	\$2,016,762	\$2,039,120	\$2,458,657	\$2,494,969
Fund 110 - State Water Facilities	5,611	-	8,000	8,000
Fund 120 - Water Renewal/Replacement & System-wide Improvements	23,285	40,000	74,000	64,000
Fund 130 - Capital Expansion	51,321	110,000	108,000	208,000
Fund 200 - Flood Control	2,213	98	3,000	3,000
Fund 210 - Flood Protection Development Impact Fee	6,540	-	8,000	8,000
Total	\$2,105,732	\$2,189,218	\$2,659,657	\$2,785,969

Finance Budget by Program

	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 22-23 Budget	FY 23-24 Budget
Water Utility Support Services	\$271,768	\$80,064	\$321,009	\$279,989
Supply Source & Conveyance	26,422	61,484	94,692	95,875
Water Treatment	1,929	-	-	-
Central Administration	1,796,860	1,897,572	2,122,956	2,199,105
Flood Protection	8,753	98	11,000	11,000
Capital Projects	-	150,000	110,000	200,000
Total	\$2,105,732	\$2,189,218	\$2,659,657	\$2,785,969

Human Resources FY 2022-24



Human Resources

Administer and maintain a program of human resources management and administration, including recruitment/staffing; classification and compensation; workforce/training planning and development; performance management; employee and labor relations; and safety programs; provides human resources expertise and workforce management consultation. In support of the Agency's mission, vision, and values, our goal is to serve as a partner, by providing high quality services, developing, implementing, and supporting programs and processes that add value to Zone 7 and its employees, ensuring a safe and healthy workplace, and encouraging employee empowerment, growth, and retention.

FY 2022-24 Goals and Objectives

- Develop a comprehensive personnel manual
- Develop a comprehensive training program

FY 2020-22 Major Accomplishments

- Ensured all employees completed sexual harassment and abusive conduct prevention and awareness training
- Filled a number of key positions throughout the Agency
- Designed, developed and implemented a new employee orientation/onboarding program
- Designed, developed, implemented a Supervisor Training Academy
- Designed, developed and implemented an Introduction to Supervision Academy

Human Resources Staffing Summary

	FY 19-20 Budget	FY 20-21 Budget	FY 21-22 Budget	FY 22-23 Budget	FY 23-24 Budget
Human Resources Manager	1	1	1	1	1
Human Resources Analyst	2	1	1	1	1
Human Resources Technician	0	1	1	1	1
Total	3	3	3	3	3

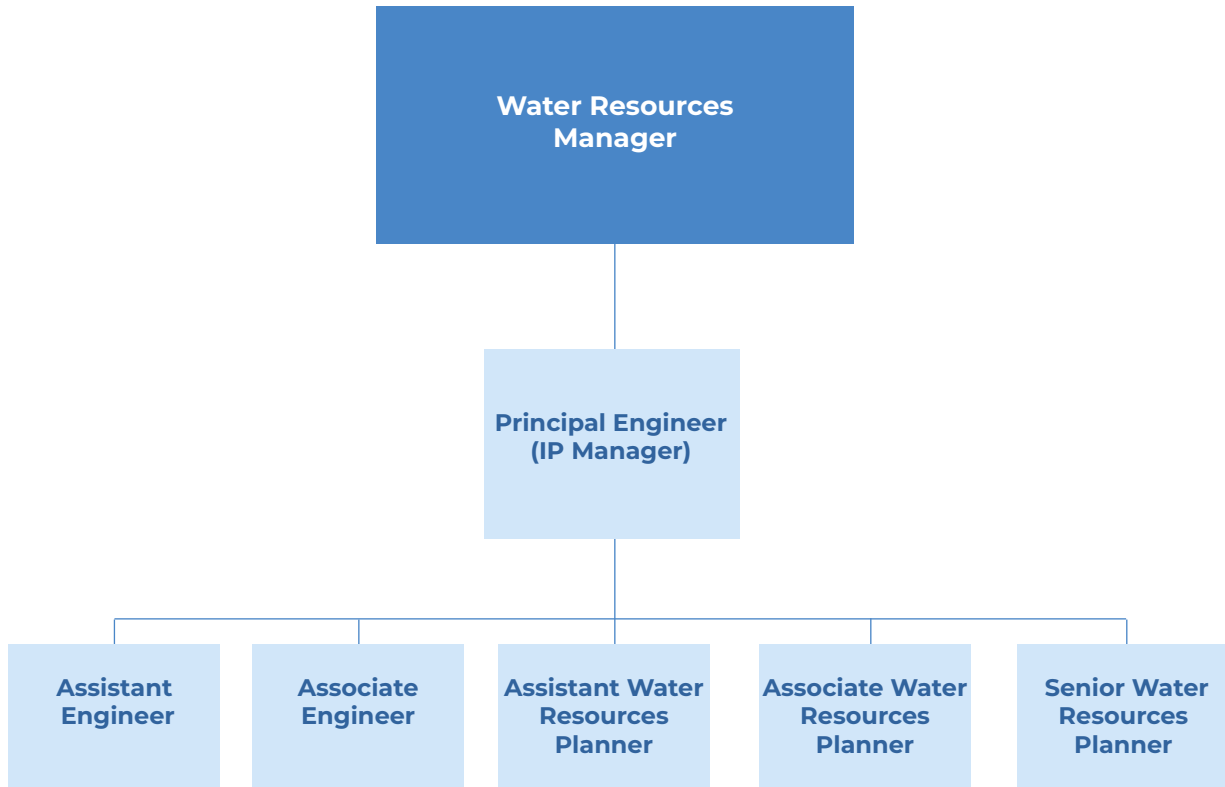
Human Resources Budget by Fund

	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 22-23 Budget	FY 23-24 Budget
Fund 100 - Water Enterprise	\$581,012	\$976,464	\$706,336	\$668,620
Total	\$581,012	\$976,464	\$706,336	\$668,620

Human Resources Budget by Program

	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 22-23 Budget	FY 23-24 Budget
Central Administration	\$976,464	\$976,464	\$706,336	\$668,620
Total	\$976,464	\$976,464	\$706,336	\$668,620

Integrated Water Resources Integrated Planning FY 2022-24



Integrated Planning

Leads planning efforts or synthesizes planning information for water supply/quality, water conservation, flood protection, stream management, sustainable groundwater management, watershed protection, and environmental planning activities. Supports other divisions in design review, permitting, project evaluation, and overall program goals. In addition, the section reviews opportunities for and supports grant efforts to fund Zone 7 programs and projects. Represents the Agency to outside organizations and committees.

FY 2022-24 Goals and Objectives

General

- Continue to represent Zone 7 and collaborate internally and with outside organizations to advance the mission of the agency and support multi-benefit planning efforts.
- Continue to support public involvement and education on water, flood, and watershed matters through efforts such as Living Arroyos and water conservation.
- Continue to explore, support, and pursue grant opportunities.

Water supply

- Continue to engage at the State level to support improvements to the State Water Project, including implementation of the Delta Conveyance Project.
- Continue to evaluate other water supply alternatives for the Tri-Valley such as Sites Reservoir, Los Vaqueros Expansion, potable reuse, and desalination.
- Continue to engage with the retailers and other Bay Area water agencies to enhance regional reliability.
- Enhance public understanding of source water supply and quality and the importance of water conservation.
- Manage water supply reliability as the Tri-Valley experiences drought conditions, including the acquisition of water transfers and enhanced understanding of the groundwater basin to inform operations.
- Continue to enhance water supply modeling tools to inform water supply operations and planning.
- Advance the Chain of Lakes Pipeline project through the design and environmental review processes.
- Continue to advance the Arroyo Valle Water Right Petition for Extension of Time and enhance local water resources by engaging State Water Resources Control Board staff and subsequently developing recommendations for Board approval

Flood protection

- Complete the Routine Maintenance Program (RMP) and secure the associated programmatic permits; develop internal implementation tools to streamline annual reporting.
- Complete a watershed management plan to guide implementation of mitigation.
- Support the development of the Flood Management Plan.
- Develop tools to manage natural resource assets: natural resource database, tree inventory for improved maintenance, and fire risk assessment.
- Support Flood Engineering in the development of the Ten-Year Flood System Capital Improvement Program and continued evaluation of system needs.
- Support Flood Engineering and Maintenance in the development of the Flood System Asset Management Plan.
- Continue collaborative relationships with other entities to inform flood planning efforts.
- Continue to represent the flood-related interests of eastern Alameda County to the Integrated Regional Water Management group (IRWM) and the Bay Area Flood Protection Agencies Association (BAFPAA), or other related groups.

Watershed protection and other environmental efforts

- Continue to enhance public understanding and appreciation of the local watershed.
- Continue to provide support to other Zone 7 sections on planning, environmental, and permitting efforts.
- Complete CEQA efforts associated with facility construction and other planning efforts.
- Continue to engage with regulators, consultants, local government, landowners, and other stakeholders on natural resource planning within eastern Alameda County and the northern Alameda Creek Watershed.
- Continue to participate on the PWRPA Board of Directors and monitor energy sector options for the agency.
- Develop energy and climate strategies.
- Continue to explore opportunities to increase energy resiliency and reduce the agency's carbon footprint.

FY 2020-22 Major Accomplishments

- Supported advancement of major water supply projects through participation in the Reservoir Committee of the Sites Reservoir Joint Powers Authority and Los Vaqueros Reservoir workgroups.
- Secured Board approvals for continued participation in the Delta Conveyance Project, Los Vaqueros Reservoir Expansion Project, and Sites Reservoir.
- Developed new tools to support water supply planning: Water Supply model, Chain of Lakes model, and Desktop Groundwater Quality model.
- Completed the 2020 Tri-Valley Municipal and Industrial Water Demand Study.
- Completed the 2020 Urban Water Management Plan, which was approved by the Department of Water Resources.
- Developed an enhanced conservation rebate program to support conservation during the drought.
- Secured grant funding for the rebate program through a regional partnership.
- Advanced the Chain of Lakes Pipeline project through substantial completion of the Chain of Lakes Pipeline Alignment Study.
- Served as Chair of BAFCAA (two-year term).
- Completed Phase 1 of a new Watershed Atlas.
- Completed Phase 1 of a new Watershed Management Plan.
- Completed and filed approximately 20 CEQA documents for water supply, facilities, and flood protection projects.
- Completed three deliverables for the EPA Grant (Preparing for the Storm): Green Stormwater Infrastructure Planning-level Analysis for Livermore-Amador Valley, Towards a Coarse Sediment Strategy for the Bay Area, and Wildlife Habitat and Water Quality Enhancement Opportunities at Castlewood Country Club
- Submitted two grant proposals for the DWR Floodplain Management, Protection and Risk Awareness (FMPRA) Grant Program
- Completed the 2020 Update to the Preliminary Lake Use Evaluation for the Chain of Lakes.
- Complete annual monitoring reports to ensure compliance with project permits.
- Helped Zone 7 achieve \$1,200,000 in reduced energy costs by participating in PWRPA. An additional \$60,000 was saved through net metering with DVWTP solar power system.

Workload Measures

	Actual FY 19-20	Actual FY 20-21	Actual FY 21-22	Estimate FY 22-23	Estimate FY 23-24
Water Conservation Rebates	300	292	434	350	350
CEQA Documentation for Zone 7 Projects	7	14	5	6	7
Main Basin Artificial Recharge (AF)	400	900	0	200	3,500
Water from Banking Programs (AF)	0	4,200	18,000	9,000	3,000
Water Stored in Banking Programs (AF)	8,750	0	0	0	0

Integrated Planning Staffing Summary

	FY 19-20 Budget	FY 20-21 Budget	FY 21-22 Budget	FY 22-23 Budget	FY 23-24 Budget
Water Resources Manager	1.0	1.0	1.0	1.0	1.0
Principal Engineer/IP Manager	1.0	1.0	1.0	1.0	1.0
Associate Engineer/Geologist	1.0	2.0	1.0	2.0	2.0
Associate Water Resources Planner	1.0	1.0	1.0	2.0	2.0
Assistant Engineer/Geologist	1.0	1.0	1.0	1.0	1.0
Assistant Water Resources Planner	1.0	1.0	2.0	2.0	2.0
Geographic Info Systems Analyst	1.0	1.0	0.0	0.0	0.0
Senior Water Resources Planner	0.0	0.0	1.0	2.0	2.0
Water Conservation Coordinator	1.0	1.0	0.0	0.0	0.0
Water Agency Intern	0.5	0.5	0.5	0.0	0.0
Total	8.5	9.5	8.5	11.0	11.0

Staffing Changes

- 1 FTE Senior Engineer reclassified to Senior Water Resources Planner
- 1 FTE Associate Engineer/Geologist reclassified to Senior Water Resources Planner
- 1 FTE Assistant Engineer/Geologist transferred from Groundwater
- 1 FTE Geographic Info Systems Analyst transferred to Government Relations Manager
- 1 FTE Water Conservation Coordinator reclassified to Assistant Water Resources Planner
- 1 FTE Associate Water Resources Planner added in FY 2022-23 Budget
- Interns now budgeted centrally in Office of General Manager

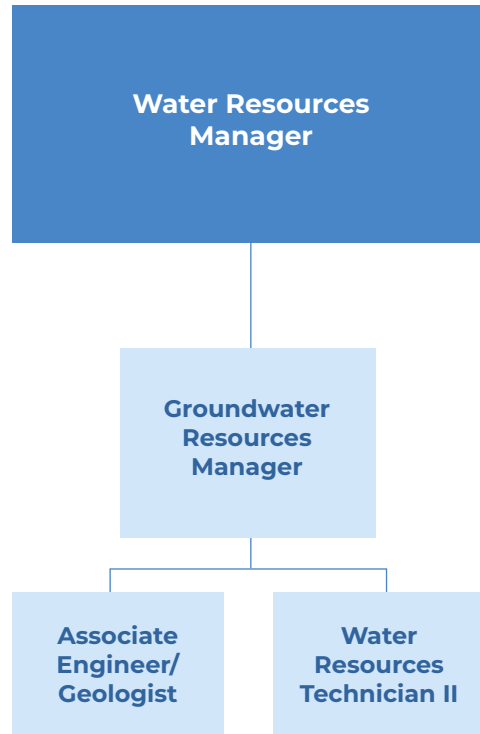
Integrated Planning Budget by Fund

	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 22-23 Budget	FY 23-24 Budget
Fund 100 - Water Enterprise	\$7,408,263	\$17,985,370	\$16,271,192	\$13,990,425
Fund 110 - State Water Facilities	23,167,710	29,279,388	25,391,000	27,915,000
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	240,995	3,298,200	3,081,000	3,881,000
Fund 130 - Capital Expansion	18,718,398	23,194,136	19,808,000	22,960,000
Fund 200 - Flood Control	667,172	1,179,954	1,115,569	1,799,973
Fund 210 - Flood Protection Development Impact Fee	58,682	328,075	108,000	962,000
Total	\$50,261,219	\$75,265,123	\$65,774,761	\$71,508,398

Integrated Planning Budget by Program

	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 22-23 Budget	FY 23-24 Budget
Water Utility Support Services	\$1,198,132	\$2,172,067	\$1,698,990	\$1,681,108
Supply Source & Conveyance	46,475,014	60,224,823	51,838,500	54,405,912
Water Storage	1,567,651	4,987,964	4,407,110	2,192,582
Water Treatment	-	213,950	1,201	1,233
Central Administration	294,568	390,250	573,375	586,067
Flood Protection	725,854	1,246,352	1,221,963	1,908,825
Capital Projects	-	6,029,717	6,033,622	10,732,671
Total	\$50,261,219	\$75,265,123	\$65,774,761	\$71,508,398

Integrated Water Resources Groundwater FY 2022-24



Groundwater

The Groundwater Section manages and protects the Livermore Valley Groundwater Basin (Basin) for Zone 7 as a state-designated Groundwater Sustainability Agency to achieve the Organization-wide Goal C of the 5-Year Strategic Plan. The section's primary responsibility is to sustainably manage the Basin by implementing the Livermore Valley Alternative Groundwater Sustainability Plan (Alternative GSP) and associated management actions/projects. The critical tasks include:

- managing groundwater resources,
- developing programs and projects,
- operating data collection and monitoring programs,
- conducting studies and technical investigations,
- administering well and septic tank permitting programs,
- managing groundwater quality, promoting groundwater protection, and tracking toxic sites and progress of groundwater contamination sites clean-up,
- assisting Operations and Integrated Planning,
- assisting with capital projects involving groundwater and surface water pumping, conveyance, recharge, and monitoring facilities,
- monitoring subsidence,
- managing groundwater-dependent ecosystems, and
- managing sustainable yield.

FY 2022-24 Goals and Objectives

Initiative #7 – Manage the GSA and implement the groundwater management plan:

Continue to sustainably manage the basin by implementing the Alternative GSP to maintain sustainable yield and the storage for water supply reliability. The Groundwater section's key goals and objectives include:

- Implementing the management actions and projects presented in the Alternative GSP to meet the Sustainable Management Criteria by achieving measurable objectives for each of six sustainability indicators
- Implementing PFAs management strategy and applying knowledge from the investigations
- Conducting monthly and semi-annual groundwater level and quality monitoring programs to manage the basin storage and observe seasonal groundwater level trends
- Preparing annual Groundwater Sustainability Reports with results from ongoing water resource monitoring programs and submitting to DWR by April 1 each year
- Continuing with the administration of Alameda County's Water Wells Ordinance in eastern Alameda County, including collecting permit fees and conducting permit compliance inspections
- Reviewing all new high-flow, high-strength, and non-residential onsite wastewater treatment system (OWTS) proposals ensuring that they comply with the Agency's Salt and Nutrient Plan guidelines
- Further improving the Groundwater Section's geologic, water resources, and well record databases so that they are more compatible with the Agency's new GIS software, which should lead to a more efficient retrieval and use of the data
- Studying and refining the knowledge of groundwater and surface water interaction concerning Groundwater Dependent Ecosystems (GDEs)
- Developing recharge strategies to support GDEs

- Supporting Water Supply Engineering and Operations by rehabilitating production wells as necessary
- Modernizing the monitoring well network by automating with telemetry equipment and pressure transducers
- Replacing the unsafe monitoring well in San Ramon
- Repairing and upgrading monitoring wells and housings
- Managing emerging contaminants such as PFAs and Chromium 6 compounds
- Continue stakeholder engagement

Initiative #8 – Study and refine knowledge of the groundwater basins:

Continue with studying and enhancing the understanding of the basin to better manage and implement sustainable management actions and advance water supply reliability by:

- Conducting hydrogeological investigations such as Isotopic analysis, electromagnetic survey, and expanding hydrogeological database on the Rockworks platform
- Completing the Groundwater model upgrade to include Fringe and Upland areas and define the basin more accurately
- Defining the basin storage value using state-of-the-art technology and the latest available data
- Starting the Well Masterplan update
- Conducting the Aquifer Storage and Recovery Program Feasibility Analysis and pilot testing
- Conducting additional GW field investigations and transport modeling to analyze PFAs and groundwater contaminants mobilization
- Continue coordination with external groups to understand how groundwater is being used throughout the service area

FY 2020-22 Major Accomplishments

- Completed the Alternative Groundwater Sustainability Plan 5-year Update for the Livermore Valley Groundwater Basin to DWR on time within budget, which included the implementation of the Stakeholder Engagement Plan and administration of a Proposition 68 grant.
- Prepared and submitted the Annual Groundwater Management Program Reports for Water Year 2019 and 2020
- Administered well-permitting program and issued 255 well and soil boring drilling permits
- Conducted well permit compliance inspections for nearly 78% of the permits
- Tracked 50 toxic sites
- Conducted 40 project referral reviews and 15 CEQA Reviews
- Fulfilled 90 Public Record Requests
- Processed one Commercial Septic Application
- Updated groundwater's "Permits" database to connect to the SQL database files
- Created Drilling Permit Inspection Tool
- Completed the PFAS Potential Source Investigation (Jacobs, 2020) in FY 20/21
- Expanded the PFAs monitoring program to manage the PFAs contamination
- Fulfilled all CASGEM monitoring and reporting responsibilities for the assigned groundwater basins
- Maintained an optimized artificial recharge operation

- Evaluated the use of InSAR satellite technology to monitor land subsidence
- Converted groundwater database tables from personal geodatabase files to SQL database files
- Updated groundwater's "Sites" database to connect to the SQL database files
- Collected groundwater levels in 236 wells and groundwater samples in 233 wells
- Since July 2020, added one surface water site to the monitoring program totaling 19 stream gauges and 12 climate stations (including CIMIS). Data from these stations are made available for the public on HydroSphere web portal.

Workload Measures

	Actual FY 19-20	Actual FY 20-21	Actual FY 21-22	Estimate FY 22-23	Estimate FY 23-24
Groundwater Samples	206	185	190	190	190
Groundwater Level Measurements	990	955	888	950	950

Groundwater Staffing Summary

	FY 19-20 Budget	FY 20-21 Budget	FY 21-22 Budget	FY 22-23 Budget	FY 23-24 Budget
Groundwater Resources Manager	0.0	0.0	1.0	1.0	1.0
Principal Engineer	1.0	1.0	0.0	0.0	0.0
Associate Engineer/Geologist	2.0	2.0	2.0	2.0	2.0
Water Resources Technician II	4.0	4.0	4.0	4.0	4.0
Water Resources Engineer Trainee	0.5	0.0	0.0	0.0	0.0
Agency Total	7.5	7.0	7.0	7.0	7.0

Staffing Changes

1 FTE Principal Engineer reclassified to Groundwater Resources Manager
 0.5 FTE Water Resources Engineer Trainee transferred to Flood Protection

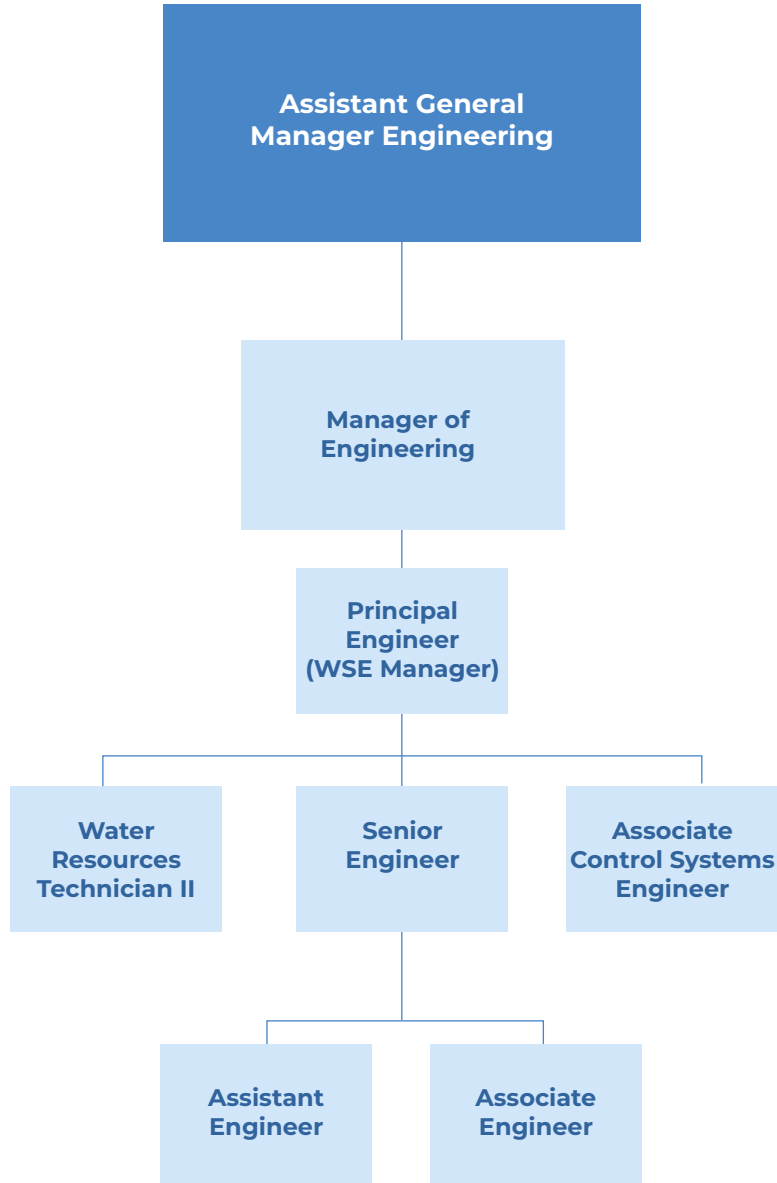
Groundwater Budget by Fund

	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 22-23 Budget	FY 23-24 Budget
Fund 100 - Water Enterprise	\$1,313,568	\$1,893,160	\$1,921,311	\$1,896,992
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	5,709	206,863	230,000	200,000
Fund 130 - Capital Expansion	5,063	18,037	-	600,000
Fund 200 - Flood Control	364	51,611	1,753	1,788
Total	\$1,324,704	\$2,169,671	\$2,153,064	\$2,698,780

Groundwater Budget by Program

	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 22-23 Budget	FY 23-24 Budget
Water Utility Support Services	\$91,000	-	-	-
Supply Source & Conveyance	-	2,456	2,399	2,451
Water Storage	1,228,825	1,925,604	1,953,341	1,929,763
Central Administration	4,515	-	-	-
Flood Protection	364	51,611	1,753	1,788
Capital Projects	-	190,000	195,571	764,778
Total	\$1,324,704	\$2,169,671	\$2,153,064	\$2,698,780

Engineering Water Supply Engineering FY 2022-24



Water Supply Engineering

Plans, designs and constructs major water supply, conveyance, production, and delivery facilities for expansion, system-wide improvements and renewal/replacement programs. WSE also manages the Agency's Water Enterprise Asset Management Program and supports programs and projects lead by other Zone 7 divisions.

FY 2022-24 Goals and Objectives

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

- Complete construction of the Valley Booster Pump Station Project.
- Complete the Per- and Polyfluoroalkyl substances (PFAS) Treatment Facility Project for the Chain of Lakes Wells.
- Continue to monitor and, if needed, implement PFAS and Chromium treatment projects for other Zone 7 wells/facilities.
- Continue to implement maintenance projects as needed for the Chain of Lakes area.
- Complete design and construction of the Mocho Groundwater Demineralization Plant (MGDP) Emergency Generator and Variable Frequency Drive (VFD) Replacement Project.
- Complete construction of the MGDP Concentrate Conditioning Facility.
- Complete construction of the MGDP Concentrate Sump Pump and VFD Replacement Project.
- Complete design and construction of the Del Valle Water Treatment Plant (DVWTP) Coagulant System Replacement Project.
- Complete design and construction of the Patterson Pass Water Treatment Plant (PPWTP) Post-Ozone Project.
- Complete design and construction of the PPWTP Sludge Handling Project.
- Complete design and construction of the North Canyons Office Interior Replacement and Roofing Rehabilitation Project.
- Complete prioritization list for Corrosion Control System Upgrades and Replacement Project.
- Complete design and construction of the Distribution System Control Station Replacement Project.
- Continue to support planning for the pipeline projects including the Chain of Lakes Pipeline Project and take the lead when projects are in design and construction phases.

Assist in Other Agency Objectives:

- Continue to implement CIP Program and Asset Management Program to provide maximum reliability for current year and beyond while meeting current water demands.
- Continue to provide engineering support as needed to the other Zone 7 departments, especially Operations and Maintenance, to help ensure the reliability of current facilities' performance.
- Continue to support Safety and Operations staff to ensure compliance with Hazardous Materials Business Plans and Risk Management Plans.
- Continue to provide support on real property issues, outside development reviews, and encroachment permits related to Zone 7 water system infrastructure.
- Continue to provide support for water supply planning activities and manage specific projects.
- Continue to provide as needed support for Operations and Maintenance services contracts.
- Continue to coordinate Zone 7 compliance with regulatory permits for non-stormwater discharges and potable water discharges to receiving waters.

FY 2020-22 Major Accomplishments

- Completed construction of the PPWTP Upgrades and Ozonation Project.
- Completed design of the Valley Booster Pump Station Project, currently in construction for completion by the fall of 2022.
- Completed construction of the DVWTP Polymer Mixing System Project.
- Completed construction of the DVWTP Post-Ozone Project.
- Completed the PFAS Treatment Study and began implementing recommendations.
- Completed Pipeline Investigation Program Study and begin implementing recommendations.
- Completed planning and design of the MGD Concentrate Conditioning Facility to initiate construction.
- Completed planning and design of the MGD Concentrate Sump Pump and Variable Frequency Drive (VFD) Project to initiate construction.
- Completed the MGD Flush Blend Vault Emergency Repair Project.
- Completed construction of the North Canyons HVAC System Renewal/Replacement Project.
- Completed construction of the Chain of Lakes No. 1 and 5 and Stoneridge Well Pump Replacement Projects.

Water Supply Engineering Workload Measures

	Actual FY 19-20	Actual FY 20-21	Estimate FY 21-22	Estimate FY 22-23	Estimate FY 23-24
Development Reviews	18	23	36	40	40
Capital Projects (Millions)	\$51.2M	\$45.4M	\$31.7M	\$9.3M	\$15.7M

Water Supply Engineering Staffing Summary

	FY 19-20 Budget	FY 20-21 Budget	FY 21-22 Budget	FY 22-23 Budget	FY 23-24 Budget
Engineering Manager	1.0	1.0	1.0	1.0	1.0
Principal Engineer	1.0	1.0	1.0	1.0	1.0
Senior Engineer/Geologist	1.0	0.0	0.0	1.0	1.0
Associate Control Systems Engineer	1.0	1.0	1.0	1.0	1.0
Associate Engineer/Geologist	5.0	6.0	6.0	5.0	5.0
Assistant Engineer/Geologist	1.0	0.0	0.0	1.0	1.0
Construction Inspector	1.0	1.0	1.0	0.0	0.0
Water Resources Technician II	1.0	1.0	1.0	1.0	1.0
Total	12.0	11.0	11.0	11.0	11.0

Staffing Changes

- 1 FTE Senior Engineer/Geologist reclassified to Associate Engineer/Geologist
- 1 FTE Construction Inspector reclassified to Lead Plant Mechanic

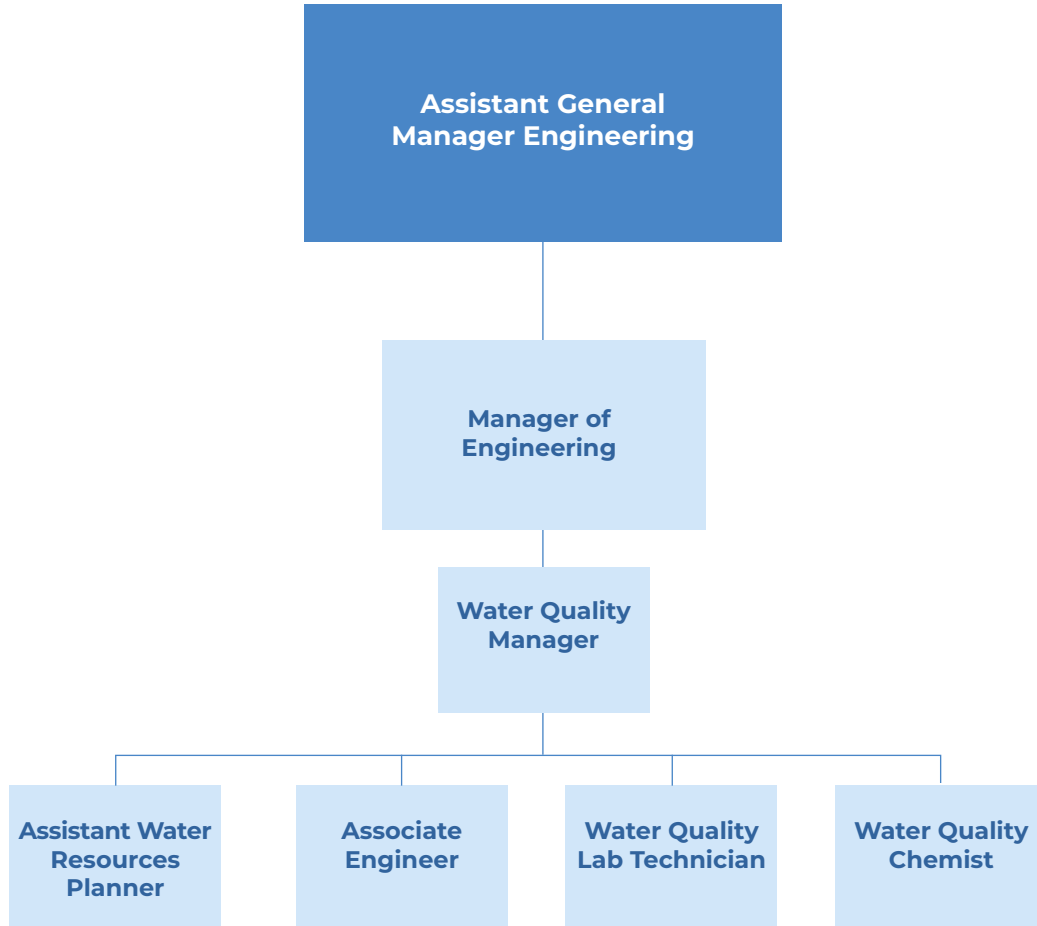
Water Supply Engineering Budget by Fund

	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 22-23 Budget	FY 23-24 Budget
Fund 100 - Water Enterprise	\$931,312	\$1,528,486	\$1,431,661	\$1,477,073
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	19,772,331	49,186,492	9,386,000	15,546,000
Fund 130 - Capital Expansion	25,872,679	19,491,065	2,000	312,000
Fund 200 - Flood Control	229,860	697,368	387,355	394,946
Fund 210 - Flood Protection Development Impact Fee	40,052	-116,106	1,000	1,000
Total	\$46,846,234	\$70,787,305	\$11,208,016	\$17,731,019

Water Supply Engineering Budget by Program

	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 22-23 Budget	FY 23-24 Budget
Water Utility Support Services	\$572,010	\$946,445	\$776,811	\$792,727
Supply Source & Conveyance	-	33,028	32,190	32,942
Water Storage	2,310	33,028	32,190	32,942
Water Treatment	77,671	121,113	168,291	172,221
Water Transmission	314,659	10,068,410	126,997	128,766
Central Administration	199,510	287,657	295,182	317,475
Flood Protection	269,912	823,599	507,236	517,690
Capital Projects	45,410,162	58,474,025	9,269,119	15,736,256
Total	\$46,846,234	\$70,787,305	\$11,208,016	\$17,731,019

Engineering Water Quality FY 2022-24



Water Quality

Provides water quality engineering technical support and laboratory analytical services for regulatory compliance, treatment plant performance, well and distribution system operation, water quality improvement studies, integrated planning, and groundwater/stream management. Water Quality also provides technical support to Operations and water retail customers to resolve/understand water quality issues, as well as provide analytical support services to our retailers, as needed.

FY 2022-24 Goals and Objectives

Reliably provide high quality water:

- Continue providing regulatory compliance monitoring to document that water supply meets all California DDW (Division of Drinking Water) and EPA primary (health-related) standards.
- Renew and maintain ELAP (Environmental Laboratory Accreditation Program) certification.
- Develop in house Carboxylic acids analysis for Biofilter monitoring.
- Continue providing engineering support, including obtaining amended water supply permit for the ozone project at PPWTP.
- Continue monitoring State and federal regulatory development for drinking water standards and of emerging concern such as per- and polyfluoroalkyl substances (PFAS), Microplastics, and Chromium VI (Cr-6).
- Continue to represent Zone 7 and its interests in source water quality collaboration groups, including the Municipal Water Quality Investigation Program (MWQI), the South Bay Contractors Water Quality Task Force (SBCWQTF), and the Bay Area Regional Consortium for the Coordinated Prevention of Quagga and Zebra Mussels.
- Provide planning and design support to manage PFAS, including construction of the new PFAS treatment facility at Chain-of-Lakes (COL).

FY 2020-22 Major Accomplishments

- Obtained ELAP certification for EPA method 551.1 for analysis of Semi-volatile Organics.
- Developed California Laboratory Intake Portal (CLIP) data upload program for CLIP data upload. CLIP was launched on September 1, 2021 to replace the Water Quality Management (WQM) portal.
- Installed two new Gas Chromatographic systems for EPA 552.2 and EPA 551.1 methods, one new Ion Chromatographic system for EPA300.0 method, and one Total Organic Analyzer for SM5310B method.
- Provided analytical and engineering support for the start-up of the ozone and associated new facilities at PPWTP.
- Supported preparation of the 2021 Watershed Sanitary Survey for the State Water Project.
- Provided support for various studies, including Hopyard 7 Well Feasibility Investigation, PFAS Treatment Feasibility Study, PFAS Source Investigation, and PFAS Plume Mobilization Study.
- Prepared biennial Water Quality Management Programs Reports.
- Prepared annual Consumer Confidence Reports.
- Prepared annual AWWA Partnership for Safe Water Reports for DVWTP and PPWTP.
- Supported annual updates of Operations Plans and Standard Operating Procedures (SOPs) for all Zone 7's WTPs.

Workload Measures

	Actual FY 19-20	Actual FY 20-21	Actual FY 21-22	Estimate FY 22-23	Estimate FY 23-24
Water Quality Samples Analyzed	1,450	1,500	1,450	1,500	1,600
Bacteriology Samples Analyzed	1,400	1,600	1,400	1,600	1,650

Water Quality Staffing Summary

	FY 19-20 Budget	FY 20-21 Budget	FY 21-22 Budget	FY 22-23 Budget	FY 23-24 Budget
Associate Engineer/Geologist	0.5	1.0	1.0	1.0	1.0
Assistant Engineer/Geologist	1.0	0.0	0.0	0.0	0.0
Assistant Water Resources Planner	1.0	1.0	1.0	1.0	1.0
Water Quality Lab Technician	2.0	2.0	2.0	2.0	2.0
Water Quality Chemist	2.0	2.0	2.0	2.0	2.0
Water Quality Manager	1.0	1.0	1.0	1.0	1.0
Total	7.5	7.0	7.0	7.0	7.0

Staffing Changes

- 0.5 FTE Associate Engineer/Geologist hours increased to 1 FTE
- 1 FTE Assistant Engineer/Geologist transferred to Integrated Planning

Water Quality Budget by Fund

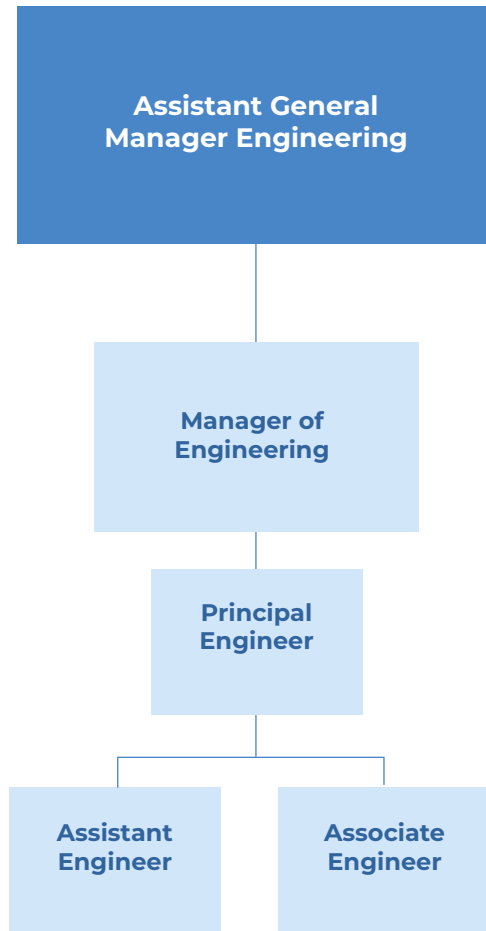
	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 22-23 Budget	FY 23-24 Budget
Fund 100 - Water Enterprise	\$1,945,175	\$1,780,306	\$1,969,944	\$2,015,399
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	88,021	174,429	160,000	165,000
Fund 130 - Capital Expansion	4,865	10,961	-	-
Total	\$2,038,060	\$1,965,696	\$2,129,944	\$2,180,399

Water Quality Budget by Program

	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 22-23 Budget	FY 23-24 Budget
Water Utility Support Services	\$1,568,283	\$1,339,740	\$1,424,442	\$1,452,452
Supply Source & Conveyance	19,598	53,152	124,000	128,000
Water Storage	123,018	128,430	136,776	139,453
Water Treatment	234,275	256,939	282,609	293,381
Central Administration	-	2,045	2,117	2,113
Capital Projects	92,885	185,390	160,000	165,000
Total	\$2,038,060	\$1,965,696	\$2,129,944	\$2,180,399

Flood Control Engineering

FY 2022-24



Flood Control Engineering

Plans, designs, and manages construction of major flood protection facilities, annual embankment slide repairs, as well as manages the Agency's Flood Protection Capital Improvement and Asset Management Programs. Flood Protection Engineering also manages development impact fee collection program and provides real-property-rights management services for the agency.

FY 2022-24 Goals and Objectives

- Complete design, permitting and construction of a "no-regret" pilot project implementation at the Alamo Creek in Dublin, if DWR grant funding is approved.
- Complete design and construction of the Arroyo Mocho at Medeiros Parkway Floodplain Reconnection Project.
- Complete design and construction of engineered embankment slides repairs and roadway repairs (annual program).
- Complete development of the Asset Management Plan (AMP) for Flood Protection Facilities.
- Complete design and installation of a total of 5 additional combination stream and rain gauges to fill the early storm/flood warning network gaps.
- Continue updating the district-wide Hydrology & Hydraulic models based on land use changes and availability of new High-Definition LiDAR data from the USGS.
- Continue expanding the use of GIS for FP Capital Improvement Program, database for DIF collection, and tracking encroachment permits.
- Continue providing real-property-rights management services for the agency.
- Continue implementing the bi-annual bridge inspection program and implementation of recommended repairs.
- Complete negotiations and execution of a new replacement Recreational Use License Replacement Agreement with the City of Pleasanton in 2022.

Assist in other Agency objectives:

- Continue to provide support to develop the Flood Management Plan Phase 1 and Phase 2.
- Continue to provide engineering support for the Stream Routine Maintenance Program (RMP) programmatic permitting from California Department of Fish and Wildlife, Regional Water Quality Control Board and U.S. Army Corps of Engineers.
- Continue to provide engineering support for the development of the mitigation strategy planning and identification for CIP program.
- Continue to provide engineering support to the Flood Protection Maintenance Program and other internal departments.
- Continue to provide support to inter-agencies collaborative efforts.

FY 2020-22 Major Accomplishments

- 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.
- Completed the Line J-6 Headwall Repair Project where a culvert headwall was cracking and spalling and needing repair.
- Submitted two DWR Prop. 68 grant funding applications where one is for the FMP Phase 2 planning effort and the second is for a “no-regret” pilot project implementation at the Alamo Creek in Dublin that would provide helpful in-formation on evaluating future CIP projects technical design techniques and alternatives.
- 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.
- Initiated development of the use of GIS to improve workflow, data management, and public communications.
- Continued data collection for the sediment study.

Workload Measures

	Actual FY 19-20	Actual FY 20-21	Actual FY 21-22	Estimate FY 22-23	Estimate FY 23-24
Channel Miles Maintained	37	37	38	38	38
Active Flood Protection & Storm-Water Drainage Projects	3	4	3	4	5
Design Reviews	18	23	36	40	40

Flood Control Engineering Staffing Summary

	FY 19-20 Budget	FY 20-21 Budget	FY 21-22 Budget	FY 22-23 Budget	FY 23-24 Budget
Principal Engineer	1.0	1.0	1.0	1.0	1.0
Associate Engineer/Geologist	1.0	2.0	2.0	1.0	1.0
Assistant Engineer/Geologist	3.0	2.0	2.0	3.0	3.0
Water Resources Technician II	2.0	0.0	0.0	0.0	0.0
Water Resources Engineer Intern	0.0	0.5	0.5	0.0	0.0
Total	7.0	5.5	5.5	5.0	5.0

Staffing Changes

0.5 FTE Water Resources Engineer Intern transferred from Groundwater
 1 FTE Associate Engineer/Geologist transferred to Assistant Engineer/Geologist
 2 FTE Water Resources Technician II transferred to Maintenance
 Interns now budgeted centrally in Office of General Manager

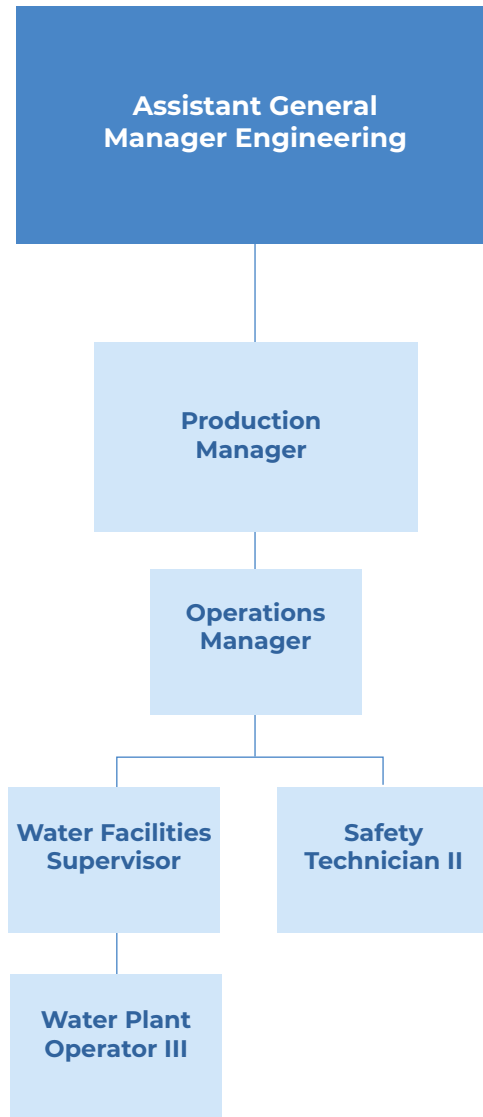
Flood Control Engineering Budget by Fund

	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 22-23 Budget	FY 23-24 Budget
Fund 100 - Water Enterprise	-	\$14,976	\$12,871	\$13,147
Fund 200 - Flood Control	4,308,016	15,952,399	10,122,874	3,704,974
Fund 210 - Flood Protection Development Impact Fee	69,322	1,878,095	1,320,000	215,000
Total	\$4,377,338	\$17,845,470	\$11,455,745	\$3,933,121

Flood Control Engineering Budget by Program

	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 22-23 Budget	FY 23-24 Budget
Central Administration	-	\$14,976	\$12,871	\$13,147
Flood Protection	4,377,338	17,830,494	11,442,874	3,919,974
Total	\$4,377,338	\$17,845,470	\$11,455,745	\$3,933,121

Operations FY 2022-24



Operations

Operation staff are responsible for operating two surface water treatment plants (Del Valle conventional Water Treatment Plant (WTP) and the Patterson Pass conventional WTP, 10 groundwater production wells, the Mocho Groundwater Demineralization Plant (MGDP), the transmission system for the water enterprise, several rate control/pump stations, and numerous metered turnout facilities to retail water agencies to ensure proper operation of facilities and treatment and delivery of water.

FY 2022-24 Goals and Objectives

Future Goals:

- Operate the water treatment facilities so that all federal, state laws and Zone 7 water quality goals are met or exceeded.
- Continue to recruit and train water treatment personnel in such a manner that the facilities are continually staffed appropriately and adequately.
- Continue to operate and optimize the operation of water facilities to improve efficiency and treated water quality during all seasons and operational situations.

Future objectives based on completed engineering capital improvement projects that are currently in construction:

- Startup and Operate the updated Patterson Pass Water Treatment Plant that includes a new ozone water treatment process. This update is comprised of ozone treatment, water filters, chlorine contact basin, treated water pump station and a five-million gallon treated water storage reservoir.
- Startup and Operate the new Valley Pump Station. The startup and operation of the new pump station will include updating the distribution system standard operating procedures and give Operations more flexibility to move water around the distribution system
- Startup and Operate the new concentrate conditioning system that is being installed at the Mocho Groundwater Demineralization Plant (MGDP). This system will prevent scaling in the effluent line that carries brine waste to the Livermore-Amador Valley Water Agency export Facility.

FY 2020-22 Major Accomplishments

- Startup and optimization of the ozone treatment system at the Del Valle Water Treatment Plant. This was a 3-year construction project that installed ozone into the treatment train. Operations staff successfully started the system in March of 2020.
- Operations Staff switched the Del Valle WTP to aluminum sulfate as a primary coagulant instead of ferric chloride.
- Continued to successfully operate the Patterson Pass Water WTP during the Ozone and Filtration Upgrade project.
- Provided continuous technical support to Engineering and the design team for the Patterson Pass Ozone and Filtration Upgrade Project.
- Operated all water facilities successfully through the beginning of the worst California drought on record; during the SCU Complex Fire and the COVID Pandemic.

Workload Measures

	Actual FY 19-20	Actual FY 20-21	Actual FY 21-22	Estimate FY 22-23	Estimate FY 23-24
Water Treated (Millions of Gallons)	12,860	12,530	10,290	10,753	10,068

Operations Staffing Summary

	FY 19-20 Budget	FY 20-21 Budget	FY 21-22 Budget	FY 22-23 Budget	FY 23-24 Budget
Production Manager	1.0	1.0	1.0	1.0	1.0
Operations Manager	1.0	1.0	1.0	1.0	1.0
Water Facilities Supervisor	3.0	4.0	4.0	4.0	4.0
Safety Technician II	2.0	2.0	2.0	2.0	2.0
Water Plant Operator II	2.0	0.0	0.0	0.0	0.0
Water Plant Operator III	20.0	22.0	22.0	22.0	22.0
Total	29.0	30.0	30.0	30.0	30.0

Staffing Changes

1 FTE Water Facilities Supervisor funding units transferred from variety of vacant positions

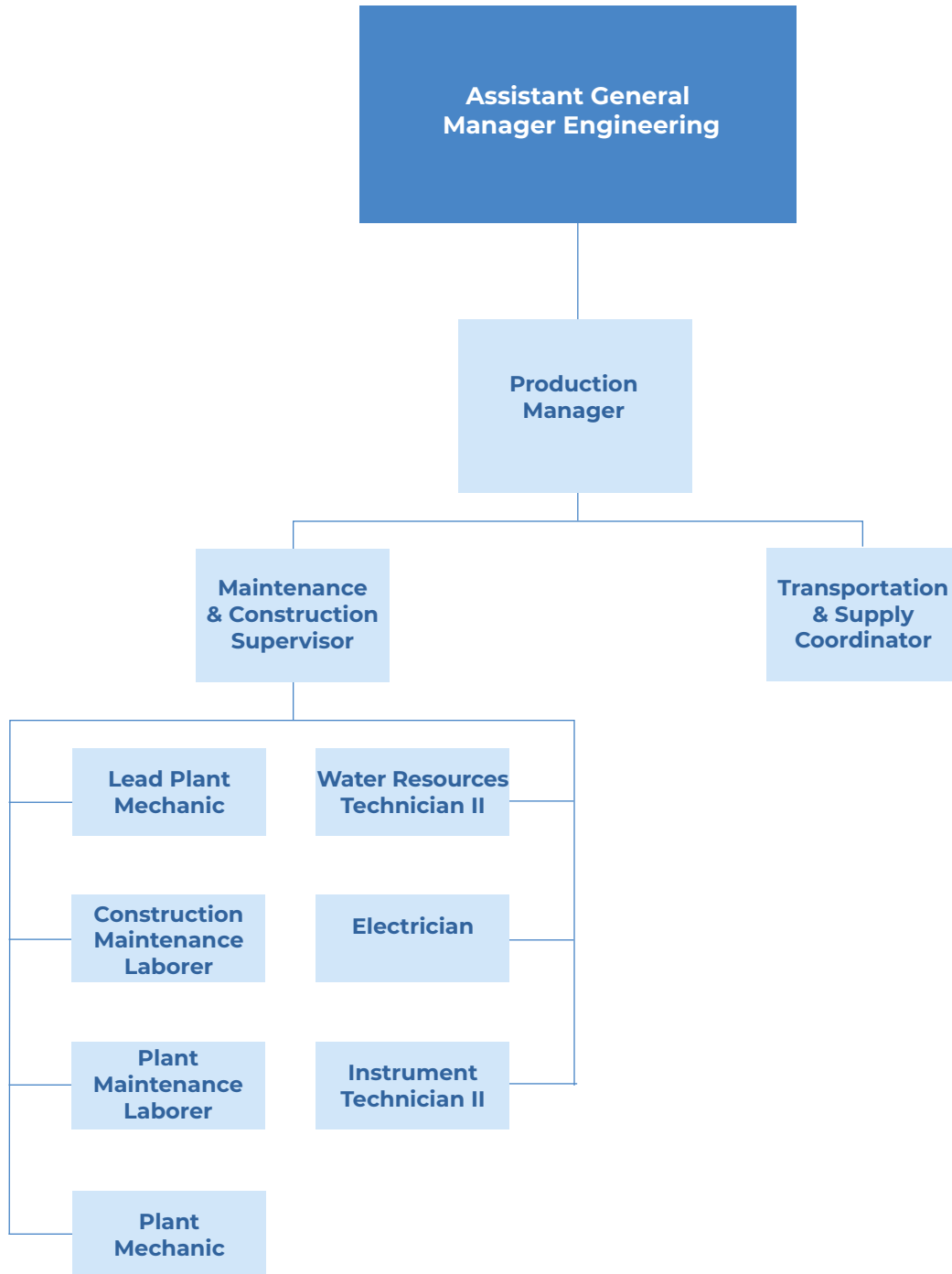
Operations Budget by Fund

	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 22-23 Budget	FY 23-24 Budget
Fund 100 - Water Enterprise	\$11,304,931	\$12,389,440	\$13,468,974	\$13,555,426
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	12,607	-	-	-
Fund 130 - Capital Expansion	7,716	-	-	-
Fund 200 - Flood Control	180,711	450	-	-
Total	\$11,505,965	\$12,389,890	\$13,468,974	\$13,555,426

Operations Budget by Program

	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 22-23 Budget	FY 23-24 Budget
Water Utility Support Services	\$6,079	\$421,039	\$411,775	\$427,786
Supply Source & Conveyance	-	4,751	-	-
Water Storage	30,652	296	-	-
Water Treatment	10,192,400	10,587,233	11,696,259	11,729,068
Water Transmission	1,075,480	958,966	958,720	987,362
Central Administration	20,642	417,155	402,220	411,210
Flood Protection	180,711	450	-	-
Total	\$11,505,965	\$12,389,890	\$13,468,974	\$13,555,426

Maintenance FY 2022-24



Maintenance

This section provides maintenance and construction services for the entire treated water system (e.g., water treatment plants, wells, demineralization plant, and rate control/pump stations) including mechanical, electrical, and instrumentation services. In addition, the section performs underground pipeline repair and maintenance, solids off-hauling and handling, and incidental maintenance support for other sections within the Agency, such as Groundwater. This section was expanded in 2020 to maintain the 38-miles of flood protection facilities that are located in Livermore, Dublin and Pleasanton. The Maintenance section also provides fleet management services for all Agency vehicles.

FY 2022-24 Goals and Objectives

Maintenance

- Continue to improve the ratio of reactive maintenance to preventative maintenance work
- Continue to work with Engineering by giving technical advice on capital improvement projects
- Continue to be a resource to the Patterson Pass WTP Ozone and Filtration Upgrade Project Team during startup and commissioning of the new facilities.
- Continue to update the CMMS inventory to include all of the new assets from the completed capital projects.
- Continue to maintain Zone 7 assets for the maximum uptime possible

Fleet

- Continue to maintain agency fleet vehicles for maximum uptime and safety.
- Continue to replace older units with green technology options that are appropriate and available.
- Continue to assess agency personnel needs and purchase appropriate equipment to meet the need.

Flood Control Maintenance

- Continue to maintain and improve Zone 7 Flood Control Channels
- Expand the Computer Maintenance Management System (CMMS) to include all of Flood Control's assets.
- Create preventative and predictive maintenance schedules for all flood control assets.
- Continue to log flood control assets into the GIS and start logging into the CMMS system.
- Locate a central permanent Flood Control Maintenance Storage area for flood supplies and equipment.
- Continue to recruit and hire full time staff for the department.
- Assist utility providers with system improvements as applicable within Zone 7 property.
- Continue collaborating with the Retailer Agency's as it pertains to Zone 7 flood control assets.

FY 2020-22 Major Accomplishments

Maintenance

- Maintained the treated water facilities during the COVID 19 pandemic and supply chain interruptions
- Repair of both of the Del Valle WTP booster pumps
- Replacement of the Del Valle WTP inlet screen
- Creation of a parking pad large enough to park all of the Maintenance Fleet Vehicles at the Del Valle WTP
- Creation of a graded storage area on the Del Valle WTP grounds to build an equipment storage building.
- Repair of the Chain of Lakes Well 1 Variable Frequency Drive (VFD).
- Worked as a technical resource for the Patterson Pass Ozone and Filtration Upgrade Project.
- Played a major role in the switchover of primary coagulant at the Del Valle WTP from ferric chloride to aluminum sulfate.

Fleet

- Maintained the Agency fleet through the COVID 19 Pandemic.
- Purchase and replacement of six units including three F550 heavy duty mechanic vehicles

Flood Control Maintenance

- Creation of the Flood Control Maintenance Department
- Performed a large encampment clean up in Livermore on Zone 7 property.
- Assisted with joint encampment cleanups and patrols on Zone 7 property and adjacent flood control properties
- Coordinated the installation of a gate at the Autumn Springs Apartments location to prevent trash on Zone 7 property.
- Hiring full time staff for the Flood Maintenance Department
- Launched a goat grazing program that mitigated many acres of fire hazard in an environmentally conscience way.
- Purchased a large vacuum machine to clean v-ditches throughout the flood control system; it will raise maintenance efficiency and lessen the chance for blockages that cause damage.
- Developed a report with the Retailer Agency's with respect to flood control facilities and repairs.
- Mowed over 270,000 linear feet of channel.
- Repaired holes in fencing at over 144 locations.

Workload Measures

	Actual FY 19-20	Actual FY 20-21	Actual FY 21-22	Estimate FY 22-23	Estimate FY 23-24
Maintenance Jobs Completed After Consolidation of PM Work Orders	2,092	2,781	2,086	2,100	2,200

Maintenance Staffing Summary

	FY 19-20 Budget	FY 20-21 Budget	FY 21-22 Budget	FY 22-23 Budget	FY 23-24 Budget
Maintenance Manager	1.0	0.0	0.0	0.0	0.0
Maintenance & Construction Supervisor	2.0	3.0	3.0	3.0	3.0
Electrician	2.0	2.0	2.0	2.0	2.0
Transportation and Supply Coordinator	1.0	1.0	1.0	1.0	1.0
Instrument Technician II	4.0	4.0	4.0	5.0	5.0
Lead Plant Mechanic	1.0	0.0	0.0	1.0	1.0
Plant Mechanic	4.0	5.0	5.0	6.0	6.0
Plant Maintenance Laborer	1.0	1.0	1.0	1.0	1.0
Water Resources Technician II	1.0	3.0	3.0	3.0	3.0
Construction Maintenance Laborer	2.0	2.0	3.0	3.0	3.0
Total	19.0	21.0	22.0	25.0	25.0

Staffing Changes

- 1 FTE Instrument Technician II added in FY 2022-23 Budget
- 1 FTE Lead Plant Mechanic added in FY 2022-23 Budget
- 1 FTE Plant Mechanic added in FY 2022-23 Budget
- 1 FTE Maintenance Manager funding units transferred to Maintenance & Construction Supervisor
- 2 FTE Water Resources Technician II transferred from Flood Protection
- 1 FTE Construction Maintenance Laborer added in FY 2021-22 Mid-cycle Budget Amendment

Maintenance Budget by Fund

	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 22-23 Budget	FY 23-24 Budget
Fund 100 - Water Enterprise	\$4,436,966	\$4,464,557	\$5,639,641	\$5,813,362
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	166,646	1,148,644	760,000	750,000
Fund 200 - Flood Control	2,497,017	3,500,187	3,944,784	3,871,652
Total	\$7,100,628	\$9,113,388	\$10,344,425	\$10,435,014

Maintenance Budget by Program

	FY 20-21 Audited Actual	FY 21-22 Amended Budget	FY 22-23 Budget	FY 23-24 Budget
Water Utility Support Services	\$1,437,589	\$1,630,800	\$2,214,204	\$2,195,589
Water Storage	31,771	113,904	133,423	135,812
Water Treatment	2,782,562	2,459,067	3,102,686	3,290,086
Water Transmission	275,778	533,544	543,204	550,093
Central Administration	75,912	77,886	44,000	48,600
Flood Protection	2,497,017	3,500,187	3,944,784	3,871,652
Capital Projects	-	798,000	362,124	343,182
Total	\$7,100,628	\$9,113,388	\$10,344,425	\$10,435,014

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APPENDIX A

FINANCIAL MANAGEMENT

FRAMEWORK

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Financial Management Framework

1. Purpose

To direct staff to prudently manage Zone 7's funds and to maintain financial and accounting records of all transactions in accordance with generally accepted accounting principles.

To adequately plan for the funding of current and future operational requirements and capital resources necessary to achieve the Agency's mission.

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

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

2. Administration of the system

In keeping with Resolution No. 09-3266, which states that "The Agency's General Manager has full charge and control of the day-to-day management, operation and administration of the Agency," the General Manager shall retain primary jurisdiction, responsibility, and authority for all matters pertaining to the day-to-day financial management of the Agency. To direct, control, supervise, and manage the development, preparation, organization, administration, operation, implementation, and maintenance of a comprehensive financial management program for Zone 7 Water Agency, the General Manager shall be designated as the fiscal officer of the Agency.

The General Manager may delegate any of the powers and duties conferred upon him or her as fiscal officer to any other employee of the Agency or may recommend that such powers and duties or any part of them be performed under contract by others.

3. Security of the system

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

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

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APPENDIX B

RESERVE POLICY

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ZONE 7 WATER AGENCY POLICY AND PROCEDURE

POLICY TITLE: RESERVE POLICY	NUMBER: Z7AF-140-16	PAGE: 1 of 13
APPROVED BY: BOARD OF DIRECTORS	REVISION: 1	EFFECTIVE DATE: MAY 15, 2019

Reserve Policy

1. Policy Statement

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

The Zone 7 Board of Directors (the "Board") adopted a Financial Management Framework (the "Framework") on November 16, 2011 (Resolution Number 11-4137) which includes planning for current operating and capital resource needs to ensure it can achieve its mission by providing for financial stability and health of the Agency. This Final Reserve Policy has been developed in keeping with the Framework after evaluating the efficacy of an Interim Reserve Policy adopted in 2013. One of the Framework's goals is to be able to respond to changes in the economic environment and service demands with minimal impact on its customers while maintaining the financial integrity of Zone 7. A fundamental purpose of this policy is to link what must be accomplished with the necessary resources to successfully do so.

The Policy directives outlined in this document are intended to ensure Zone 7 has sufficient funds to meet current and future needs. The Board shall designate specific funds and maintain minimum fund balances consistent with definitions and funding levels outlined in the Policy.

2. Funds

Zone 7 maintains financial assets in separate funds that are clearly identifiable, and segregated for specific purposes in accordance with laws and regulations. The Agency shall not commingle funds that are established under different functions of the Agency nor shall it commingle developer fees with operational funding.

This Policy establishes Reserve Funds for each of the following major funding areas.

Water Enterprise Operations and Capital Projects Fund (Funds 100 and 120)

These funds account for enterprise operation and administration, emergency and support services, variable State water charges, water facilities maintenance and operation, water facilities, water resources and water supply planning, and renewal, replacement and system-wide improvement types of capital projects.

State Water Project Fund (Fund 110)

This fund is used for fixed State Water Project charges, including State Water Project bonded indebtedness.

Water Enterprise Capital Expansion Fund (Fund 130)

Expansion is funded by water connection fee revenue imposed on new development to fund new development's fair share of capital projects necessary to accommodate growth. These water connection fees are subject to the provisions contained in the California Mitigation Fee Act (Government Code § 66000 et seq.)

Flood Protection Operations Fund (Fund 200)

This fund provides for general administration and regional flood control services, including renewal, replacement and system-wide improvement types of capital projects to ensure the controlled runoff of the Valley's excess stormwater runoff.

Flood Protection Development Impact Fee Fund (Fund 210)

Expansion is funded by development impact fees imposed on new development to pay for new development's fair share of 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. Development fees are collected in accordance with the California Mitigation Fee Act (Government Code § 66000 et seq.)

3. Reserve Fund Definitions

Restricted Reserves: Restrictions on the use of these funds are imposed by an outside source such as creditors, grantors, contributors, laws, or regulations, for example water connection fees or flood protection developer impact fees per the California Mitigation Fee Act.

Designated Reserves: Funds set aside for a specific purpose determined by Zone 7's Board of Directors as documented by minute order, resolution or ordinance. The Board of Directors has the authority to redirect the use of these funds as needs of the Agency change.

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

4. General Provisions

Purpose of Reserve Funds

Reserves are established to:

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

Segregation of Funds

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

Periodic Review Dates for Balances

Fund balances and target levels will be reviewed by staff, the Board and the public during the development and approval of each budget, annual financial audit and periodic water rate discussions.

5. Policy Compliance

The Minimum established for each reserve represents the target that is acceptable from both risk and long-range financial planning perspectives, as well as demonstrating financial stability to the rating agencies and lending institutions. Maintaining fund balances at appropriate levels is a prudent, ongoing business process that consists of an iterative, dynamic assessment and application of various revenue generating alternatives and cost management measures. To ensure reliable service to its ratepayers and to maintain fiscal responsibility, in every fiscal year Zone 7 will maintain balances in its Reserve Funds that are financially prudent.

Upon Board adoption of this policy, necessary actions will be taken to comply with this policy. Periodic reviews will ensure that reserves are in compliance with policy. In the event that a reserve has fallen below the minimum, and other reserves are above minimum and/or maximum, a transfer(s) shall be made from other reserve(s) within that fund to bring the non-compliant reserve to the minimum level. If reserves are depleted, the reserves shall be replenished within the two (2) year budget period to the established or re-established target through revenue generating alternatives and/or cost management measures. If cumulative reserves within a fund exceed maximum levels, a report will be made to the Board and alternative solutions considered.

Revenue-generating alternatives and cost management measures (either alone or in combination with each other) include, but are not limited to:

- rates, fees and charges
- capital financing
- investment of funds
- grants
- energy efficiencies
- pooled services/equipment agreements
- chemical purchase consortiums
- deferral or acceleration of capital projects, as appropriate

6. Reserve Fund Target Levels and Management

The following section describes Zone 7 reserves, target levels and management of funds.

WATER ENTERPRISE OPERATIONS FUND RESERVES

The Water Enterprise Operations fund has three reserve categories:

- A. Operating Reserve
- B. Emergency Reserve
- C. Reserve for Economic Uncertainties

A. OPERATING RESERVE

The Operating Reserve is designated by the Board to maintain a reserve for current operations and to meet routine cash flow needs. The amounts in this reserve will fluctuate depending on the annual operating expenses of Zone 7. Money on deposit in this reserve may be used for:

- unanticipated operating expenses,
- daily cash flow requirements
- minor emergencies such as unanticipated infrastructure failures.
- supplement losses to water sales revenue resulting from impacts of drought conditions
- use during periods of unanticipated fluctuations in treated water rate revenues and cost of service in order to offset significant increases in water rates

Minimum Level

Funding shall be targeted at a minimum amount equal to sixty (60) days of the Agency's budgeted total operating expenses.

Target Level

Zone 7 shall strive to maintain a target balance equal to ninety (90) days of Agency's budgeted total operating expenses.

Maximum Level

The maximum amount shall not exceed one hundred twenty (120) days of the total budgeted operating expenses.

Events or Conditions Prompting the Use of the Fund

This reserve may be routinely utilized to cover temporary cash flow deficiencies caused by timing differences between the receipt of revenue and actual expenses or extraordinary decreases in revenues and unexpected increases in expenses.

B. EMERGENCY RESERVE

This reserve serves as working capital to address early stages of repairs and other activities while the Agency reviews accessing insurance, The Federal Emergency Management Agency (FEMA) and other reimbursements, developing other revenue streams or other funding mechanisms to address long term repairs. 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 Zone 7. FEMA may provide reimbursement to utilities after a catastrophic event; however, the reimbursement may take up to three years. It is important to have immediate funding available for the repairs, especially given the seismic vulnerability of the region and potential multi-year delays in reimbursement.

Minimum Level

Funding shall be targeted at a minimum equal to two percent (2%) of the capital assets of the Agency's water enterprise system to provide cash on hand for emergency repairs, particularly due to the seismically-active location of the Agency.

Target Level

Zone 7 shall strive to maintain a target balance equal to two and one half percent (2.5%) of the capital assets of the Agency's water enterprise system to provide cash on hand for emergency repairs, particularly due to the seismically-active location of the Agency.

Maximum Level

The maximum amount shall not exceed three percent (3%) of the capital assets of the enterprise system to provide cash on hand for emergency repairs, particularly due to the seismically-active location of the Agency.

Events or Conditions Prompting the Use of the Fund

The Board may designate use of this reserve after establishing that conditions exist as called out in the definition and purpose of the fund and declaring a local state of emergency. Funds will be transferred to the appropriate capital or operating fund as necessary.

C. RESERVE FOR ECONOMIC UNCERTAINTIES

The Agency shall maintain a reserve for uncertain economic conditions. A reserve of this level is prudent 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, and other unforeseen events such as a natural disaster, water shortage emergency, or other unanticipated adverse situations.

Minimum Level Funding shall be equal to to 10% of budgeted volume-based water sales revenue.

Target Level The Agency will strive for target balance equal to 15% of budgeted volume-based water sales revenue.

Maximum Level Maximum funding shall not exceed 20% of budgeted volume-based water sales revenue.

Events or Conditions Prompting the Use of the Fund The Board may designate use of this reserve after establishing that conditions exist as called out in the definition and purpose of the reserve.

DEBT SERVICE RATE STABILIZATION RESERVE

Debt Rate Stabilization Reserves established by bond requirements may be used to pay debt service if revenues are insufficient to satisfy annual debt service requirements. These reserves shall be within the Water Enterprise Renewal & Replacement and System-Wide Improvements and the Water Enterprise Capital Expansion funds. The target amount shall be equal to two years of each fund's respective debt service payment

Minimum and Maximum Levels This Reserve will not be required to have a minimum or maximum balance.

Target Level The Agency will strive for target balance equal to two years of each fund's respective debt service payment.

Events or Conditions Prompting the Use of the Fund The Board may designate use of this reserve to pay debt service if revenues are insufficient to satisfy annual debt service requirements. If funds from this reserve are used, the Agency is required to replenish the reserves as required by bond covenants.

Water Enterprise Renewal & Replacement and System-Wide Improvements Reserve

In 2017, the Board adopted Resolution No. 17-52 approving a Debt Policy. The policy provides guidelines under which specific projects may be best financed. Under the policy, debt issuance should be evaluated on a case-by-case basis as well as within the Agency's general debt management program. The Agency has historically relied on Water System Reserves to fund capital projects on a pay-as-you-go basis. This approach can work well during periods in which net revenues are strong and capital funding needs are modest. The recent drought related drop in reserve levels, combined with an increased need for capital projects has created the need for external funding. The Agency, under the direction of the Board of Directors will retain full flexibility in determining the best funding approach on a case-by-case basis.

For pay-as-you-go funding, capital reserve funds are accumulated to provide for current and future funding needs of the various capital programs and to facilitate completion of multi-year projects. The amount on deposit in the Water Enterprise Renewal & Replacement and System-Wide Improvements Reserve is earmarked by the Board of Directors for capital projects to meet regulatory requirements, replacement needs and system reliability of Zone 7's water enterprise. These capital projects are included in the ten (10)-year Water System Capital Improvement Program and the Asset Management Program (AMP), both of which are reviewed and approved by the Board of Directors periodically.

Minimum Level Funding for the Water Enterprise Renewal & Replacement and System-Wide Improvement Reserve shall be targeted at a minimum amount equal to 100% of the estimated capital budget for the fiscal year immediately succeeding the then-current budgeted fiscal year.

Target Level Not applicable

Maximum Level Zone 7 will not have a maximum target for this reserve, but rather the fund shall accumulate sufficient reserves to pay for future projects set forth in the AMP and the reserve balance shall be consistent with the reserve balances forecast in the most recent Asset

Management Plan and the current Capital Improvement Plan. Funds on deposit in the Debt Service Rate Stabilization Reserve shall not be considered in connection with the calculation of minimum levels.

Events or Conditions Prompting the Use of the Fund Staff will recommend that assets be constructed, replaced, upgraded and/or repaired during the development and approval of the annual budget. Funds will be appropriated from the Water Enterprise Renewal & Replacement and System-Wide Improvement Reserve for renewal, replacement, or system-wide improvement capital projects.

Water Enterprise Capital Expansion Reserve

In 2017, the Board adopted Resolution No. 17-52 approving a Debt Policy. The policy provides guidelines under which specific projects may be best financed. Under the policy, debt issuance should be evaluated on a case-by-case basis as well as within the Agency's general debt management program. The Agency has historically relied on Water System Reserves to fund capital projects on a pay-as-you-go basis. This approach can work well during periods in which net revenues are strong and capital funding needs are modest. The recent drought related drop in reserve levels, combined with an increased need for capital projects has created the need for external funding. The Agency, under the direction of the Board of Directors will retain full flexibility in determining the best funding approach on a case-by-case basis.

For pay-as-you-go funding, capital reserve funds are accumulated to provide for current and future funding needs. Money in the Water Enterprise Capital Expansion Reserve is earmarked by the Board of Directors for capital projects to meet additional demands created by development. In furtherance of meeting such needs the Agency incurred certain non-discretionary financial obligations associated with capital expansion projects. Within this fund are four separate reserves to be used for:

1. The construction of improvements and enlargements to the South Bay Aqueduct (the "SBA Sinking Fund"); and,
2. The Future Contractors' share of the South Bay Aqueduct construction (the "FCSBA Sinking Fund"); and,
3. Any year when revenues are insufficient to satisfy annual debt service requirements (Debt Service Rate Stabilization Reserve).
4. The Water Enterprise Capital Expansion Reserve is used for the funding of capital projects to accommodate development.

Minimum Level Funding for the Water Enterprise Capital Expansion Reserve shall be targeted at a minimum amount equal to 60% of the estimated non-discretionary amount budgeted annually.

Target Level Not-applicable

Maximum Level Zone 7 will not have a maximum limitation for this fund, but rather the fund shall accumulate sufficient reserves to pay for future capital expansion projects as set forth in the capital improvement plan. The Agency may satisfy the minimum amount through the use of lines of credit, interim inter-fund borrowings or other financing arrangements. Funds on deposit in the Debt Service Rate Stabilization Reserve SBA

Sinking Fund and FCSBA Sinking Fund shall not be considered in connection with the calculation of minimum or maximum levels of the Water Enterprise Capital Expansion Reserve.

Events or Conditions Prompting the Use of the Fund Staff will recommend new assets to be constructed during the development and approval of the annual budget. Funds will be appropriated from the Water Enterprise Capital Expansion Reserve for expansion capital projects.

Periodic Review Dates for Balances – Fund balances and projected capital projects will be reviewed by staff, the Board and the public during the development and approval of each budget.

Flood Protection Capital Project Reserve

The amounts in the Flood Protection Operating Reserve Fund will fluctuate depending on the receipt of property taxes and the annual operating expenses of Zone 7. The Flood Protection Operating Reserve is designated by the Board to maintain a reserve for current operations and to meet routine cash flow needs.

Money on deposit in this fund may be used for unanticipated operating expenses, daily cash flow requirements and emergencies.

Minimum Level Funding shall be targeted at a minimum amount equal to twenty percent (20%) of the Agency's budgeted total annual flood protection operating expenses, excluding capital.

Target Level Not applicable

Maximum Level The maximum amount shall not exceed 50% of the total budgeted operating expenses, excluding capital.

Events or Conditions Prompting the Use of the Fund This fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses and/or shifts in the allocation of property taxes to Zone 7.

Flood Protection and Storm Water Drainage Development Impact Fee Project Reserve

The purpose of the Flood Protection and Storm Water Drainage Development Impact Fee (DIF) Project Reserve is to ensure that Zone 7 is able to meet current and future needs for Flood Protection facilities and is intended to provide funding for any Flood Protection facilities required to mitigate the impacts of new development. This Reserve will hold development impact fees in connection with Flood Protection improvements related to development.

Minimum and Maximum Levels This Reserve will not be required to have a minimum or maximum balance.

Target Level Not-applicable

Events or Conditions Prompting the Use of the Fund This Reserve may be used at any time for flood protection projects required to mitigate the impacts of new development.

State Water Facilities Operating Reserve

The amounts in the State Water Facilities Operating Reserve Fund will fluctuate depending on the receipt of property taxes and the annual expenses of Zone 7 related to fixed charges for the State Water Project. The State Water Facilities Operating Reserve Fund is designated by the Board to maintain a reserve for fixed costs related to the State Water Project that are not tied to development and to meet routine cash flow needs. This fund may be used for unanticipated operating expenses, daily cash flow requirements and emergencies related to State Water Project fixed costs.

Minimum Level Funding shall be targeted at a minimum amount equal to fifty percent (50%) of the following year's projected annual operating expenses.

Target Level Not applicable

Maximum Level The maximum amount shall not exceed 100% of the following year's projected annual operating expenses.

Events or Conditions Prompting the Use of the Fund This fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses and extraordinary decreases unexpected increases in expenses.

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. This reserve is funded by direct charges to departments for actual maintenance and operation costs, interest earnings and net proceeds from the sale of replaced vehicles and equipment. The reserve will be drawn down as replacement vehicles and equipment are purchased. This reserve shall have no minimum, maximum or target.

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APPENDIX C

INVESTMENT POLICY

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ZONE 7 WATER AGENCY POLICY AND PROCEDURE

POLICY TITLE: INVESTMENT POLICY	NUMBER Z7AF-141-17	PAGE: 1 of 23
APPROVED BY: ZONE 7 BOARD	REVISION:	EFFECTIVE DATE: July 1, 2022

Investment Policy

This policy is intended to provide guidelines for the prudent investment of surplus cash, reserves, trust funds and restricted monies and to outline a policy for maximizing the efficiency of the Agency's cash management system.

1.0 POLICY

It is the policy of the Board of Directors of the Zone 7 Water Agency ("Agency") to invest public funds in a manner which conforms to the four fundamental criteria in order of importance, as listed:

- Safety of Principal
- Liquidity
- Return on Investment, or Yield
- Diversity

2.0 INVESTMENT AUTHORITY

In accordance with Section 53600, et. seq., of the Government Code of the State of California, the authority to invest Agency public funds has been delegated to the Agency Treasurer/Assistant General Manager – Finance.

3.0 DELEGATION OF AUTHORITY

Responsibility for the investment program is specifically delegated by the Board to the Board-appointed Treasurer or, if no such appointment has been made, to the General Manager, hereafter referred to as Treasurer who will establish procedures for the investment program, consistent with this Investment Policy. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities, including procedures to execute investment transactions in the absence of the Treasurer. All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and supporting procedures.

The Agency may engage the services of one or more external investment managers to assist in the management of the Agency's investment portfolio in a manner consistent with the Agency's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Such managers must be registered under the Investment Advisers Act of 1940.

4.0 STATEMENT OF OBJECTIVES

Per Section 53600.5 of the California Government Code, the primary objective of the Treasurer shall be to safeguard the principal of the funds under his or her control when investing public funds. The secondary objective will be to maintain liquidity as required by the Agency and the third objective is to obtain a return on investment of these funds.

In order of priority, the four fundamental criteria shall be followed in the investment of funds:

4.1 Safety of Principal – Investments shall be undertaken in a manner which first seeks to ensure the preservation of principal in the portfolio. Each investment transaction shall be entered only after taking into consideration the quality of the issuer, the underlying security or collateral, and diversification of the portfolio. Cash flow analysis will be conducted and utilized to avoid the need to sell securities prior to maturity. The Agency shall seek to preserve principal by mitigating both credit and market risk.

4.2 Liquidity – Every effort shall be made to ensure that the Agency’s portfolio is sufficiently liquid to meet current and anticipated operating requirements. Cash flow analysis should be performed on an ongoing basis. Investments shall be made to ensure maturities are compatible with anticipated cash flow requirements.

4.3 Return on Investment, or Yield – Investments shall be undertaken to produce an investment return consistent with the primary objectives of Safety of Principal and Liquidity, and the Prudent Investor Standard.

4.4 Diversity – The objective is to avoid over concentration or exposure to any one issuer, instrument or maturity sector as specified in the Summary Table of Investment Guidelines and Eligible Securities herein, so that no single investment or class of investments can have a disproportionate impact on the total portfolio. This restriction does not apply to U.S. Treasury securities.

The investment portfolio shall be diversified and designed to attain a market average rate of return, considering cash flow requirements. The Treasurer shall have an overall investment objective of holding investments to maturity and not investing with the objective of trading for speculative purposes. However, the Treasurer may swap or sell securities in order to:

- i) raise cash to meet unanticipated cash-flow requirements
- ii) swap old securities for current coupon securities
- iii) maintain portfolio allocation limits
- iv) maintain a duration target
- v) improve the quality, liquidity, or return of the portfolio
- vi) avoid further erosion and loss of investment principal due to deterioration in creditworthiness, as well as to respond to rapidly changing interest rate environments

5.0 CONCENTRATION OF RISK

Governmental Accounting Standards Board (GASB) statement No. 40 – Deposits and Investment Risk Disclosures – An Amendment of GASB No. 3. It recognizes that there are many factors that can affect the value of investments. Investment risk factors include credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Credit risk is the risk of loss due to failure of an issuer of a security or a financial institution. The Agency purchases U.S. Treasuries and high-grade securities which will lessen this type of risk. In addition, the portfolio will be diversified so that the failure of any one issuer will not unduly harm the Agency’s cash flow.

Custodial credit risk is the risk that in the event of the failure of the custodian, the investments may not be returned. The Agency’s investment securities are to be held by a third party custodian designated by the Agency and evidenced by safekeeping receipts.

Concentration of credit risk is the risk associated with a lack of diversification of having too much invested in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. The Agency's investments will be diversified and will not exceed maximum percentages allowed in the California Government Code.

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to an increase in general interest rates. Interest rate risk may be reduced by structuring the portfolio so that securities are maturing periodically to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The Agency will limit investments to a maximum maturity of five years (unless otherwise authorized by Agency Board).

Foreign currency risk results from investment in foreign currency-denominated securities. The Agency will not invest in foreign currency (i.e., non US dollar) dominated instruments

6.0 SCOPE

The Investment Policy applies to all funds of the Agency including Water Enterprise Operations Funds, Renewal/Replacement & System-Wide Improvement Fund, State Water Facilities Fund, Water Enterprise Capital Expansion Fund, Flood Control Operations Fund, Flood Protection Development Impact Fee Fund, Water Facilities Fund, Water Supply and Reliability Fund, Vehicle/Equipment Replacement Reserve Fund, Endowments, and all other funds held by the Agency. This investment policy does not apply to proceeds of notes, bonds or similar external financings which would be invested pursuant to bond indentures or State of California Government Code Section 53600, et. seq., as applicable.

7.0 PRUDENT INVESTOR STANDARD

All investments and evaluation of such investments shall be made with the Prudent Investor Standard as set forth in the California Government Code, Sections 53600.3 and 27000.3, which is defined as a standard of conduct whereby any person authorized to make investment decisions on behalf of the Agency acts with care, skill, prudence and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of the Agency with the aim to safeguard principal and meet the liquidity needs of the Agency.

8.0 PORTFOLIO ADJUSTMENTS

Portfolio percentage limitations and credit rating requirements for each category of investment are applicable only at the date of purchase. Should an investment percentage be exceeded due to instances such as the fluctuation in overall portfolio size, or market valuation changes, the Treasurer is not required to sell the affected securities.

Should a security held in the portfolio be downgraded below the minimum rating criteria specified in this Investment Policy, the Treasurer or investment advisor, if one is utilized, shall perform a credit analysis of such security to determine whether to hold or sell the security. The Treasurer may elect to sell the security immediately to minimize losses in the event that an orderly disposition with minimal losses cannot be achieved. If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio will be monitored.

The Treasurer shall note in a quarterly report securities which have been downgraded below investment grade and the status of disposition.

9.0 SAFEKEEPING AND CUSTODY

All securities transactions entered into by the Agency shall be conducted on a delivery-versus-payment (DVP) basis pursuant to a custodial safekeeping agreement. All securities owned by the Agency shall be held in safekeeping by an independent custodian designated by the Treasurer. Financial institutions providing safekeeping services shall provide reports or receipts which verify securities held in safekeeping.

10.0 REPORTING AND DISCLOSURE

The Treasurer shall submit a quarterly report within 30 days following the end of the quarter covered by the report to the Agency Board of Directors pursuant to California Government Code Section 53646 (b)(1). The report shall at a minimum provide information on compliance to this policy and on the composition of the portfolio for each fund with:

- Types of investment
- Issuer
- Maturity dates
- Par and dollar amount
- Market values including source of the valuation
- Rates of Interest
- Expected yields to maturity

In addition, the quarterly report shall also include a statement denoting the ability to meet the Agency's expenditure requirements for the next six (6) months.

11.0 COLLATERALIZATION

Collateral is required for investments in certificates of time deposit and agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 110% of market value for certificate of time deposit and for repurchase agreements it will be at least 102% of market value of principal and accrued interest.

12.0 INVESTMENT GUIDELINES AND ELIGIBLE SECURITIES

Section 53600, et seq., of the Government Code of the State of California prescribes the statutory requirement relating to investments by local treasurers, providing guidance on:

- i) Allowable Investments
- ii) Portfolio diversification requirements including proportional limits on investment types, maximum maturity, and minimum credit rating criteria.

The maximum maturity of any investment in the portfolios shall not exceed five (5) years except when specifically authorized by the Agency Board of Directors through resolution. When practical, the Treasurer shall solicit more than one quotation on each trade for the purpose of awarding investment trades on a competitive basis. The Agency will conform to the legal provisions set forth in the Government Code with further and more specific requirements about allowable investments and restrictions as detailed below:

12.1 US TREASURY BONDS, BILLS AND NOTES

Bills, notes and bonds issued by the U.S. Treasury which are direct obligations of the federal government.

- Maximum limit: Not Applicable (N.A.)
- Maximum maturity: Five (5) years
- Credit Requirement: N.A.

12.2 FEDERAL AGENCY BONDS AND NOTES

Notes, bonds, or other instruments of federal agencies, or United States government-sponsored enterprises (GSEs). Not all are direct obligations of the U. S. Treasury but may involve federal sponsorship and/or guarantees, in some instances.

- Maximum limit: N.A.
- Maximum maturity: Five (5) years
- Credit Requirement: N.A.

12.3 BANKER'S ACCEPTANCES

Bills of exchange or time drafts drawn on and accepted by a commercial bank, typically created from a letter of credit issued in a foreign trade transaction.

- Maximum limit: forty percent (40%) of the portfolio
- Maximum maturity: One-hundred eighty (180) days
- Issued by banks with total deposits of over one billion dollars (\$1,000,000,000)
- Twenty-five percent (25%) limitation to any one issuer
- Credit requirement: Ratings of A1, P1 or F1 or better by two Nationally Recognized Statistical Rating Organizations (NRSRO). No rating may be lower than any of the rating listed above.
- Issued by banks from offices in the USA.

12.4 COMMERCIAL PAPER

Commercial paper is defined as short-term, unsecured promissory notes issued by financial and non-financial companies to raise short-term cash. Financial companies issue commercial paper to support their consumer and/or business lending; non-financial companies issue for operating funds.

- Maximum limit: Forty percent (40%) of the portfolio until January 1, 2026. After January 1, 2026, Twenty-five percent (25%) of the portfolio
- Maximum Maturity: Two hundred seventy (270) days
- Maximum Issuer Exposure: No more than five percent (5%) of the portfolio shall be invested in the commercial paper and the medium-term notes of any one issuer
- Credit requirement: Ratings of "A1" or higher, or the equivalent, by an NRSRO.
- Limited to paper issued by corporations organized and operating in the U.S. with total assets in excess of five hundred million (\$500,000,000) and rated in a rating category of "A" its equivalent or higher for the issuer's debt, other than commercial paper, if any, as provided by an NRSRO.

12.5 MEDIUM TERM CORPORATE NOTES

Corporate and depository institution debt securities. Issuers are banks and bank holding companies, thrifts, finance companies, insurance companies and industrial corporations. These debt obligations that are generally unsecured.

- Maximum limit: Thirty percent (30%) of the portfolio
- Maximum maturity: Five (5) years
- Maximum Issuer Exposure: No more than five percent (5%) of the portfolio shall be invested in the commercial paper or medium-term notes of any single issuer
- Credit Requirement: "A" rating category, equivalent or better by an NRSRO.
- Eligibility: Limited to corporations organized and operating within the United States or depository institutions licensed by the United States or any State and operating within the United States.

12.6 NEGOTIABLE CERTIFICATES OF DEPOSIT

Issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union or by a federally licensed or state-licensed branch of a foreign bank.

- Maximum limit: Thirty percent (30%) of the portfolio
- Maximum Issuer Exposure: Five percent (5%) per issuer
- Maximum maturity: Five (5) years
- Credit Requirement: "A" rating category, equivalent or better long-term, or "A-1", equivalent or better short-term, by an NRSRO
- Issued by banks with total deposits of one billion dollars (\$1,000,000,000) or more

12.7 CERTIFICATES OF TIME DEPOSIT

Time deposits, which are non-negotiable, are issued most commonly by commercial banks, savings and loans and credit unions with federal deposit insurance available for amounts up to two hundred-fifty thousand (\$250,000).

- Maximum limit: Thirty percent (30%) of the portfolio for all deposits
- Maximum maturity: Five (5) years
- On uncollateralized deposits, limited to FDIC insured amount of two hundred-fifty thousand (\$250,000)
- Amounts over FDIC insured amount must be fully collateralized
- Credit Requirement: For federally insured deposits of two hundred-fifty thousand (\$250,000) or less, no minimum credit rating required. For deposits over two hundred-fifty thousand (\$250,000): Ratings of rating category "A" or the equivalent or better by any two NRSRO

Pursuant to Government Code 53637, the Agency is prohibited from investing in certificate of deposits of a state or federal credit union if a member of the Agency's Board of Directors or decision-making authority serves on the board of directors or committee.

12.8 MONEY MARKET MUTUAL FUNDS

Regulated by the SEC, these funds operate under strict maturity and diversification guidelines. These funds have no federal guarantee but are viewed as a very safe short-term cash investment.

- Maximum limit: Twenty percent (20%) of the portfolio
- Maximum Maturity: N.A.
- Maximum Issuer Exposure: Ten percent (10%) of the portfolio
- Rating Requirement: Top ranking or highest letter and numerical rating provided by at least two NRSROs
- Daily liquidity
- Net Asset Value (NAV) requirement: one dollar (\$1.00)
- Funds must be invested in securities and obligations permitted under the California Government Code

12.9 STATE OF CALIFORNIA, LOCAL AGENCY INVESTMENT FUND (LAIF).

LAIF is a pooled investment fund overseen by the State Treasurer, which operates like a money market fund, but is for the exclusive benefit of governmental entities within the state. The maximum investment amount currently authorized by Local Agency Investment Fund (LAIF) is seventy-five million (\$75 million), which is subject to change. The LAIF is in trust in the custody of the State of California Treasurer. The Agency's right to withdraw its deposited monies from LAIF is not contingent upon the State's failure to adopt a State Budget.

- Maximum limit: Current State limit
- Maximum Maturity: N.A.

12.10 MUNICIPAL BONDS AND NOTES

Municipal obligations issued by the State of California and any other of the states in the union. Including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the 50 states.

Bonds, notes, warrants, or other evidences of indebtedness of a local agency within California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

- Maximum limit: Forty percent (40%) of the portfolio
- Maximum maturity: Five (5) years
- Credit Requirement: "A" rating category, equivalent or better by an NRSRO

12.11 REPURCHASE AGREEMENT

A repurchase agreement is a purchase of authorized securities with terms including a written agreement by the seller to repurchase the securities on a future date and price.

- Maximum limit: Twenty percent (20%) of the portfolio
- Maximum maturity: Three hundred sixty (360) days
- Master Repurchase Agreement must be on file
- Limited to primary dealers or financial institutions rated "A" or better by Moody's or equivalent.
- Fully collateralized at market value of at least one hundred two percent (102%) with US government or federal agency securities

12.12 CALIFORNIA ASSET MANAGEMENT PROGRAM (CAMP)

- Maximum limit: Ten percent (10%) of the portfolio
- Rated highest rating by an NRSRO

12.13 SUPRANATIONAL OBLIGATIONS

United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

- Maximum limit: Thirty percent (30%) of the portfolio
- Maximum maturity: Five (5) years
- Credit Requirement: "AA" rating category, equivalent or better by any NRSRO

12.14 ASSET-BACKED SECURITIES

A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond.

- Maximum limit: Twenty percent (20%) of the portfolio
- Maximum maturity: Five (5) years
- Credit Requirement: "AA" rating category, equivalent or better by an NRSRO

13.0 CREDIT RATING

Credit rating requirements for eligible securities referred-to in this policy shall mean the numeric, alpha, and/or alpha-numeric designations assigned by a National Recognized Statistical Rating Organizations (NRSRO).

Please see Rating Description table herein, below.

14.0 MONITORING SAFETY AND LIQUIDITY

The Treasurer shall monitor on an ongoing basis investments for exposure to risk and credit deterioration to ensure primary objectives of safety of principal and liquidity are adhered to. Such matters shall be reported to the Agency Board of Directors as part of the Treasurer's quarterly and/or annual report.

15.0 ADMINISTRATION

The Treasurer may, at any time, establish more restrictive requirements for securities approved for investment as deemed appropriate in this Investment Policy. These restrictions may include, but are not limited to, higher credit ratings, lower percentage limits by security type or issuer, shorter maturities and additional collateral requirements for collateralized investments.

16.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

Investments not purchased directly from the issuer will be purchased from institutions licensed by the State of California as a broker/dealer, including:

- National or California State Chartered Banks
- Federal or California Chartered Savings Institutions
- Brokerage firms designated as a primary government dealer by the Federal Reserve Bank
- Member of a federally regulated securities exchange
- Institutions licensed by the State of California as a broker/dealer
- Federal or state savings institutions or associations as defined in Finance Code Section 5102

The Treasurer or designee will maintain a current and eligible list of reputable primary and regional dealers, brokers and financial institutions with whom securities trading and placement of funds are authorized. A strong capital base credit worthiness, and, where applicable, a broker/dealer staff experienced in transactions with California local governments are the primary criteria for inclusion on the Agency's approved list.

Approved dealers and brokers shall be limited to primary dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule) and which provide proof of Financial Industry Regulatory Authority (FINRA) certification; proof of California State registration; and a completed Agency broker/dealer questionnaire. In addition, prior to approval and for every two years thereafter, approved dealers and brokers must provide: an audited financial statement; certification of receipt, review of and willingness to comply with the current Investment Policy; and certification of compliance with Rule G-37 of the Municipal Securities Rulemaking Board regarding limitations on political contributions to the Board of Directors of the Agency or to any candidate for these offices.

The Treasurer may remove a firm from the approved list at any time due to: any failure to comply with any of the above criteria; any failure to successfully execute a transaction; any change in broker/dealer staff; or any other action, event or failure to act which, in the sole discretion of the Treasurer is materially adverse to the best interests of the Agency.

If the Agency utilizes an external investment advisor, the advisor will perform due diligence and maintain their own list of approved broker/dealers. The advisor is authorized to transact with its own approved broker/dealer list on behalf of the Agency.

17.0 INVESTMENT SECURITY

To ensure a high degree of internal control, the Agency shall comply with the following:

- All securities purchased from dealers and brokers shall be held in safekeeping by the Agency's custodial bank, a national bank, a State chartered bank or trust company, established for this purpose as someone other than the selling party of the security. Securities purchased will be covered by a trust or safekeeping receipt in a manner that establishes the Agency's ownership. All transactions completed on a delivery versus pay basis (DVP).
- All trade confirmation shall be received directly and reviewed for conformity to the original transaction by an individual other than the person originating the transaction. All trade confirmation must be an original; copies of confirmations are not allowed. Any discrepancies will be brought to the attention of the Treasurer.

18.0 FUND WIRE PROCEDURES

Payment for securities purchased from broker dealers that are ineligible for safekeeping will be made through the Agency's custodial bank. Funds will only be transferred subsequent but immediately following the custodial bank's acknowledgement that they are prepared to make settlement on the terms and conditions specified by the Agency. Payment for securities purchased from bank investment departments that will be safely kept with the trust department of the bank will be made immediately upon confirmation of the trade.

19.0 PERFORMANCE REVIEW AND INTERNAL CONTROL

The Treasurer or designee is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Agency are protected from loss, theft, or misuse. The internal control structure will be designed to provide reasonable assurance that these objectives are met. The internal control includes; the activities of any subordinate officials acting on behalf of the Agency.

Procedures should include references to individuals authorized to execute transactions or transfers, safekeeping agreements, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. An independent analysis by an external auditor shall be conducted annually to review internal control, account activity, and compliance with policies, procedures, and applicable laws.

20.0 ETHICS AND CONFLICT OF INTEREST

All officers and employees involved in the investment process shall refrain from engaging in any personal business activity which could conflict with proper execution and management of the investment program or that could impair their ability to make impartial investment decisions. Any material financial interests in financial institutions which do business with the Agency should be disclosed to the General Manager of the Agency. All individuals involved in the investment process are required to annually file applicable financial disclosures as required by the Fair Political Practices Commission.

21.0 POLICY REVIEW AND ADOPTION

This Investment Policy shall be reviewed at least annually to ensure it is consistent with the Agency's objectives and relevance to current law and financial and economic trends. Any amendments to this Policy, other than State and Federal Laws, which automatically supersede the relevant sections, shall be forwarded to the Board of Directors for adoption by resolution.

22.0 HISTORY

Date	Action	Resolution
May 17, 2017	Originally Adopted	17-42
May 16, 2018	Adopted	18-42
May 15, 2019	Adopted	19-38
April 15, 2020	Adopted	20-47
June 16, 2021	Adopted	21-48

SUMMARY TABLE OF INVESTMENT GUIDELINES AND ELIGIBLE SECURITIES

Authorized Investments	Maximum % Holdings	Purchase Restrictions	Maximum	Credit Quality Maturity
US Treasury Bonds, Bills and Notes	100%	N.A.	5 Years	N.A.
Federal Agency and GSE Bonds & Notes	100%	N/A	5 Years	Full backing by the federal government of the United States of America
Bankers Acceptance	40%	25% limitation to a single issuer	180 days	"A-1/P-1" rated by S&P and Moody's or equivalent for domestic banks
Commercial Paper	40% until 25% limitation to a single issuer	5% limitation to single issuer	270 days	"A-1/P-1" rating category, equivalent or better by an NRSRO
Medium Term Corporate Notes	30%	5% limitation to a single issuer. Limited to US licensed and operating corporations	5 years	"A" rating category, equivalent or better by an NRSRO
Negotiable CD	30%	National or state chartered bank, S&L, or branch of foreign bank	5 years	"A" rating category, equivalent or better by an NRSRO
Certificates of Time Deposit	30%	See California Government Code Section 53637	5 years	Limit to FDIC Insured amount \$250,000, Fully collateralized on amounts over the insured amount in accordance with California Government Code
Money Market Mutual Funds	20%	10% per fund Must maintain constant NAV of \$1.00	Daily Liquidity	Top ranking or highest letter and numerical by 2 NRSRO Fund must be invested in securities and obligation permitted under Government Code
State of California, Local Agency Investment Fund ("LAIF")	Current State Limit	N.A.	N.A.	Subject to California Government Code Section 16429.1 limitations
Municipal Bonds & Notes	40%	N.A.	5 Years	"A" rating category, equivalent or better by an NRSRO

Authorized Investments	Maximum % Holdings	Purchase Restrictions	Maximum	Credit Quality Maturity
Repurchase Agreements (“REPO”)	20%	Limited to primary dealers or financial institutions rated “A” or better by Moody’s	360 days	Fully collateralized (min 102% of funds borrowed with daily mark to market) with US Government or federal agency securities with maximum 5-year maturities
California Asset Management Program (“CAMP”)	10%	N/A	Daily Liquidity	Highest rating by an NRSRO
Section 115 Pension Trust Fund	By Board Approval	By Board Approval	N.A.	Investment Guidelines Document for the Trust Fund
Supranational Obligations	30%	Issued by: International Bank for Reconstruction & Development, International Finance Corporation, or Inter-American Development Bank	5 Years	“AA” rating category, equivalent or better by an NRSRO
Asset-Backed Securities	20%	N/A	5 Years	“AA” rating category, equivalent or better by an NRSRO

Rating Description Table

Long Term Debt Ratings			
Credit Quality	Moody's	S&P	Fitch
Strongest Quality	Aaa	AAA	AAA
Strong Quality	Aa1/Aa2/Aa3	AA+/AA/AA-	AA
Good Quality	A1/A2/A3	A+/A/A-	A
Medium Quality	Baa1/Baa2/Baa3	BBB+/BBB/BBB-	BBB
Speculative	Ba1/Ba2/Ba3	BB+/BB/BB-	BB
Low	B1/B2/B3	B+/B/B-	B
Poor	Caa	CCC+	CCC
Highly Speculative	Ca/C	CCC/CCC-/CC	CC

Short Debt Ratings			
Credit Quality	Moody's	S&P	Fitch
Strongest Quality	P-1	A-1+	F1
Strong Quality		A-1	
Good Quality	P-2	A-2	F2
Medium Quality	P-3	A-3	F3

Note: Investment Grade ratings applies to securities with at least a medium credit quality or higher by one of the nationally recognize rating organization, anything below the medium credit quality is noninvestment grade.

Exhibit A – Glossary

ACCRETION: Adjustment of the difference between the prices of a bond bought at an original discount and the par value of the bond.

AGENCIES: Federal agency securities and/or Government-sponsored enterprises (GSEs), also known as U.S. Government instrumentalities. Securities issued by Government National Mortgage Association (GNMA) are considered true agency securities, backed by the full faith and credit of the U.S. Government. GSEs are financial intermediaries established by the federal government to fund loans to certain groups of borrowers, for example homeowners, farmers and students and are privately owned corporations with a public purpose. The most common GSEs are Federal Farm Credit System Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Association, and Federal National Mortgage Association.

AMORTIZATION: Accounting procedure that gradually reduces the cost value of a limited life or intangible asset through periodic charges to income. For fixed assets, the term used is “depreciation.” It is common practice to amortize any premium over par value paid in the purchase of preferred stock or bond investments.

ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR): The official annual financial report for the Agency. It includes combined statements and basic financial statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principles (GAAP).

APPRECIATION: Increase in the value of an asset such as a stock bond, commodity or real estate.

ASKED PRICE: The price a broker/dealer offers to sell securities.

ASSET BACKED: A type of security that is secured by receivables, such as credit card and auto loans. These securities typically pay principal and interest monthly.

BANKERS’ ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer. This money market instrument is used to finance international trade.

BASIS POINT: One-hundredth of one percent (i.e., 0.01%).

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio’s investment.

BID PRICE: The price a broker/dealer offers to purchase securities.

BOND: A financial obligation for which the issuers promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

BOOK VALUE: The value at which a debt security is shown on the holder’s balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

BROKER: A broker acts as an intermediary between a buyer and seller for a commission and does not trade for his/her own risk and account or inventory.

CALLABLE SECURITIES: A security that can be redeemed by the issuer before the scheduled maturity date.

CASH EQUIVALENTS (CE): Highly liquid and safe instruments or investments that can be converted into cash immediately. Examples include bank accounts, money market funds, and Treasury bills.

CASH FLOW: An analysis of all changes that affect the cash account during a specified period.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD’s are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATION (CMO): A type of mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

COMMERCIAL PAPER: Short-term, unsecured, negotiable promissory notes of corporations.

CORPORATE NOTE: Debt instrument issued by a private corporation.

COUPON: The annual rate at which a bond pays interest.

CREDIT RATINGS: A grade given to a debt instrument that indicates its credit quality. Private independent rating services such as Standard & Poor's, Moody's and Fitch provide these.

CREDIT RISK: The risk that an obligation will not be paid and a loss will result due to a failure of the issuer of a security.

CUSIP: Stands for Committee on Uniform Securities Identification Procedures. A CUSIP number identifies most securities, including stocks of all registered U.S. and Canadian companies, and U.S. government and municipal bonds. The CUSIP system—owned by the American Bankers Association and operated by Standard & Poor's—facilitates the clearing and settlement process of securities. The number consists of nine characters (including letters and numbers) that uniquely identify a company or issuer and the type of security.

CURRENT YIELD: The annual interest on an investment divided by the current market value. Since the calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his/her own risk and account or inventory.

DEBENTURES: A bond secured only by the general credit of the issuers.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVES: A financial instrument that is based on, or derived from, some underlying asset, reference date, or index.

DIRECT ISSUER: Issuer markets its own paper directly to the investor without use of an intermediary.

DISCOUNT: The difference between the cost of a security and its value at maturity when quoted at lower than face value.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns and risk profiles.

DURATION: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. Duration measures the price sensitivity of a bond to changes in interest rates.

FACE VALUE: The principal amount owed on a debt instrument. It is the amount on which interest is computed and represents the amount that the issuer promises to pay at maturity.

FAIR VALUE: The amount at which a security could be exchanged between willing parties, other than in a forced or liquidation sale. If a market price is available, the fair value is equal to the market value.

FANNIE MAE: Trade name for the Federal National Mortgage Association (FNMA), a U.S. Government sponsored enterprise.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that provides insurance on bank deposits, guaranteeing deposits to a set limit per account, currently \$250,000.

FEDERAL FARM CREDIT BANK (FFCB): Government-sponsored enterprise that consolidates the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks and the Banks for Cooperatives. Its securities do not carry direct U.S. government guarantees.

FEDERAL FUNDS RATE: The rate of interest at which Federal funds are traded. This rate is considered to be the most sensitive indicator of the direction of interest rates, as it is currently pegged by the Federal Reserve through open-market operations.

FEDERAL GOVERNMENT AGENCY SECURITIES: Federal Agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored enterprise (currently made up of 12 regional banks) that regulates and lends funds and provides correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. Although the banks operate under federal charter with government supervision, the securities are not guaranteed by the U. S. Government.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC): Government sponsored enterprise that helps maintain the availability of mortgage credit for residential housing. FHLMC finances these operations by marketing guaranteed mortgage certificates and mortgage participation certificates. Its discount notes and bonds do not carry direct U.S. government guarantees.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): Government sponsored enterprise that is the largest single provider of residential mortgage funds in the United States. FNMA is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted.

FEDERAL OPEN MARKET COMMITTEE (FOMC): A committee of the Federal Reserve Board, which establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

FEDERAL RESERVE SYSTEM: The central bank of the U.S. which consists of a seven-member Board of Governors, 12 regional banks and about 5,700 commercial banks that are members.

FED WIRE: A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

FREDDIE MAC: Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. government sponsored enterprise.

GINNIE MAE: Trade name for the Government National Mortgage Association (GNMA), a direct obligation bearing the full faith and credit of the U.S. Government.

GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB): A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

GUARANTEED INVESTMENT CONTRACTS (GICs): An agreement acknowledging receipt of funds, for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

INTEREST RATE: The annual yield earned on an investment, expressed as a percentage.

INTEREST RATE RISK: The risk of gain or loss in market values of securities due to changes in interest-rate levels. For example, rising interest rates will cause the market value of portfolio securities to decline.

INVESTMENT AGREEMENTS: A contract providing for the lending of issuer funds to a financial institution which agrees to repay the funds with interest under predetermined specifications.

INVESTMENT GRADE (LONG TERM RATINGS): The minimum, high quality ratings for long term debt such as corporate notes. Investment Grade ratings are as follows: A3 (Moody's), A- (S&P), and A- (Fitch).

INVESTMENT PORTFOLIO: A collection of securities held by a bank, individual, institution or government agency for investment purposes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash with minimum risk of principal.

LOCAL AGENCY INVESTMENT FUND (LAIF):

An investment pool sponsored by the State of California and administered/managed by the State Treasurer. Local government units, with consent of the governing body of that agency, may voluntarily deposit surplus funds for the purpose of investment. Interest earned is distributed by the State Controller to the participating governmental agencies on a quarterly basis.

LOCAL AGENCY INVESTMENT POOL: A pooled investment vehicle sponsored by a local agency or a group of local agencies for use by other local agencies.

MARKET RISK: The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates. Systematic risk of a security that is common to all securities of the same general class (stocks, bonds, notes, money market instruments) and cannot be eliminated by diversification (which may be used to eliminate non-systematic risk).

MARKET VALUE: The price at which a security is currently being sold in the market. See FAIR VALUE.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase agreements and reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date that the principal or stated value of a debt instrument becomes due and payable.

MEDIUM-TERM CORPORATE NOTES (MTNs): Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts either on a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION: The percent change in price for a 100-basis point change in yields. This is a measure of a portfolio's or security's exposure to market risk.

MONEY MARKET: The market in which short term debt instruments (Treasury Bills, Discount Notes, Commercial Paper, Banker's Acceptances and Negotiable Certificates of Deposit) are issued and traded.

MORTGAGED BACKED SECURITIES: A type of security that is secured by a mortgage or collection of mortgages. These securities typically pay principal and interest monthly.

MUNICIPAL BONDS: Debt obligations issued by states and local governments and their agencies, including cities, counties, government retirement plans, school Agencies, state universities, sewer agency, municipally owned utilities and authorities running bridges, airports and other transportation facilities.

MUTUAL FUND: An entity that pools money and can invest in a variety of securities which are specifically defined in the fund's prospectus.

NEGOTIABLE CERTIFICATE OF DEPOSIT: A large denomination certificate of deposit which can be sold in the open market prior to maturity.

NET PORTFOLIO YIELD: Calculation in which the 365-day basis equals the annualized percentage of the sum of all Net Earnings during the period divided by the sum of all Average Daily Portfolio Balances.

NATIONALLY RECOGNIZED RATING ORGANIZATION (NRSRO): is a credit rating agency that issues credit rating that U.S. Securities and Exchange Commission permits other financial firms to use for certain regulatory purposes.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit: Sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PAR VALUE: The amount of principal which must be paid at maturity. Also referred to as the face amount of a bond. See FACE VALUE.

PORTFOLIO: The collection of securities held by an individual or institution.

PREMIUM: The difference between the par value of a bond and the cost of the bond, when the cost is above par.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. These dealers are authorized to buy and sell government securities in direct dealing with the Federal Reserve Bank of New York in its execution of market operations to carry out U.S. monetary policy. Such dealers must be qualified in terms of reputation, capacity, and adequacy of staff and facilities.

PRIME (SHORT TERM RATING): High quality ratings for short term debt such as commercial paper. Prime ratings are as follows: P1 (Moody's), A1 (S&P), and F1 (Fitch).

PRINCIPAL: The face value or par value of a debt instrument, or the amount of capital invested in a given security.

PRIVATE PLACEMENTS: Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

PROSPECTUS: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the Securities and Exchange Commission that typically includes information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements (also known as an "official statement").

PRUDENT INVESTOR STANDARD: A standard of conduct for fiduciaries. Investments shall be made with judgment and care--under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

PUBLIC DEPOSIT: A bank that is qualified under California law to accept a deposit of public funds.

PURCHASE DATE: The date in which a security is purchased for settlement on that or a later date. Also known as the "trade date."

RATE OF RETURN: 1) The yield which can be attained on a security based on its purchase price or its current market price. 2) Income earned on an investment, expressed as a percentage of the cost of the investment.

REALIZED GAIN (OR LOSS): Gain or loss resulting from the sale or disposal of a security.

REGIONAL DEALER: A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

REPURCHASE AGREEMENT (RP or REPO): A transaction in which a counterparty or the holder of securities (e.g. investment dealer) sells these securities to an investor (e.g. the Agency) with a simultaneous agreement to repurchase them at a fixed date. The security "buyer" (e.g. the Agency) in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate the "buyer" for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): The opposite of a repurchase agreement. A reverse repo is a transaction in which the Agency sells securities to a counterparty (e.g. investment dealer) and agrees to repurchase the securities from the counterparty at a fixed date. The counterparty in effect lends the seller (e.g. the Agency) money for the period of the agreement with terms of the agreement structured to compensate the buyer.

RISK: Degree of uncertainty of return on an asset.

SAFEKEEPING: A service which banks offer to clients for a fee, where physical securities are held in the bank's vault for protection and book-entry securities are on record with the Federal Reserve Bank or Depository Trust Company in the bank's name for the benefit of the client. As agent for the client, the safekeeping bank settles securities transactions, collects coupon payments, and redeems securities at maturity or on call date, if called.

SECURITIES AND EXCHANGE COMMISSION

(SEC): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SECONDARY MARKET: A market for the repurchase and resale of outstanding issues following the initial distribution.

SECURITIES: Investment instruments such as notes, bonds, stocks, money market instruments and other instruments of indebtedness or equity.

SETTLEMENT DATE: The date on which a trade is cleared by delivery of securities against funds.

SPREAD: The difference between two figures or percentages. It may be the difference between the bid (price at which a prospective buyer offers to pay) and asked (price at which an owner offers to sell) prices of a quote, or between the amount paid when bought and the amount received when sold.

STRUCTURED NOTE: A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include “inverse floating rate” notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising and “dual index floaters”, which pay interest based on the relationship between two other interest rates, for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONALS: are international institutions that provide development financing, advisory services and/or financial services to their member countries to achieve the overall goal of improving living standards through sustainable economic growth. The Government Code allows local agencies to purchase the United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

TIME DEPOSIT: A deposit with a California bank or savings and loan association for a specific amount and with a specific maturity date and interest rate. Deposits of up to \$250,000 are insured by FDIC. Deposits over \$250,000 are collateralized above the insurance with either government securities (at 110% of par value), first trust deeds (at 150% of par value), or letters of credit (at 105% of par value).

TOTAL RATE OF RETURN: A measure of a portfolio’s performance over time. It is the internal rate of return which equates the beginning value of the portfolio with the ending value and includes interest earnings and realized and unrealized gains and losses on the portfolio. For bonds held to maturity, total return is the yield to maturity.

TRUSTEE OR TRUST COMPANY OR TRUST

DEPARTMENT OF A BANK: A financial institution with trust powers which acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

UNDERWRITER: A dealer which purchases a new issue of municipal securities for resale.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker/dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

U.S. GOVERNMENT AGENCY SECURITIES:

Securities issued by U.S. government agencies, most of which are secured only by the credit worthiness of the particular agency. See AGENCIES.

U.S. TREASURY OBLIGATIONS: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are the benchmark for interest rates on all other securities in the U.S. The Treasury issues both discounted securities and fixed coupon notes and bonds. The income from Treasury securities is exempt from state and local, but not federal, taxes.

TREASURY BILLS: Securities issued at a discount with initial maturities of one year or less. The Treasury currently issues three-month and six-month Treasury bills at regular weekly auctions. It also issues very short-term “cash management” bills as needed to smooth out cash flows.

TREASURY NOTES: Intermediate-term coupon-bearing securities with initial maturities of one year to ten years.

TREASURY BOND: Long-term coupon-bearing securities with initial maturities of ten years or longer.

UNREALIZED GAIN (OR LOSS): Gain or loss that has not become actual. It becomes a realized gain (or loss) when the security in which there is a gain or loss is actually sold. See REALIZED GAIN (OR LOSS).

VOLATILITY: Characteristic of a security, commodity or market to rise or fall sharply in price within a short-term period.

WEIGHTED AVERAGE MATURITY: The average maturity of all the securities that comprise a portfolio that is typically expressed in days or years.

YIELD: The annual rate of return on an investment expressed as a percentage of the investment. See CURRENT YIELD; YIELD TO MATURITY.

YIELD CURVE: Graph showing the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity.

YIELD TO MATURITY: Concept used to determine the rate of return if an investment is held to maturity. It considers purchase price, redemption value, time to maturity, coupon yield, and the time between interest payments. It is the rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage. also issues very short-term “cash management” bills as needed to smooth out cash flows.

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APPENDIX D

DEBT POLICY

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Debt Policy

1. STATEMENT OF CAPITAL FINANCING AND DEBT POLICY

On a biennial basis, Zone 7 Water Agency prepares a Capital Improvement Program Plan. The Plan is a 10-year Capital Plan for the Water System and historically a 5-year Capital Plan for Flood Protection, although the intent is to expand the planning horizon to ten years in the near future, as well. This Debt Policy provides the guidelines under which specific projects outlined in this biennial planning process and documented in the Capital Improvement Program 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.

2. GOALS AND OBJECTIVES

This Debt Policy formally establishes parameters for issuing debt and managing a debt portfolio, which encompasses the Agency's specific capital improvement needs, its ability to repay financial obligations, and the existing legal, economic, financial and debt market conditions. The policies outlined in the Debt Policy are not goals nor a list of rules to be applied toward the Agency's debt issuance; rather, these policies should be utilized as tools to ensure that adequate financial resources are available to support the Agency's long-term capital needs including:

- Evaluating critical debt issuance options
- Promoting sound financial management
- Providing accurate and timely financial disclosure
- Maintaining appropriate capital assets for present and future needs
- Ensuring best possible credit ratings for the debt issuance program

3. SCOPE

The guidelines established by this policy will govern the issuance and management of all debt incurred for short-term and long-term capital financing needs and cash flow needs. Staff recognizes that changes in the capital markets and other unforeseen circumstances may require exception(s) to this Policy, for which approval from the Board will be required. The Policy may be amended by the Board as it deems appropriate from time to time in the prudent management of the debt of the Agency. Any approval of debt by the Board that is not consistent with this Policy shall constitute a waiver of this Policy.

4. PAY AS YOU GO – VS – DEBT FINANCING

The Agency has historically relied on Water System and Flood Protection Reserves to fund capital projects on a pay-as-you-go basis. This approach can work well during periods in which net revenues are strong and capital funding needs are modest. The recent drought related drop in reserve levels, combined with an increased need for capital projects has created the need for external funding. The Agency, under the direction of the Board of Directors will retain full flexibility in determining the best funding approach on a case-by-case basis.

5. GOVERNING LAW

Agency shall comply with all legal constraints and conditions imposed by federal, state and local law. The following section highlights the governing laws for the Agency debt administration:

A. District Act:

The Agency is authorized by the laws of the State of California to incur indebtedness, including Section 55-5 of the Alameda County Flood Control and Water Conservation District ("District Act"), created in 1957 pursuant to Section 36 of Act 205 of the California Uncodified Water Code. Act 205, the Alameda County Flood Control and Water Conservation District Act ("the District Act") was originally, adopted in 1949, which authorizes the Agency to acquire certain improvements ("the project") to the Agency's water system (the "Enterprise") and to finance the construction of such facilities through entering into installment sale agreements.

B. State of California Law:

State law dictates certain requirements when issuing debt and certain statutes must be followed for any issuance or refunding.

C. Federal Tax Law:

The Agency shall issue and manage debt in accordance with the limitations and constraints imposed by federal tax law to maximize its ability to sell tax-exempt debt. Such constraints include, but are not limited to, private activity tests, power to acquire projects as in Section 55-5 of the District Act, spend-down tests and arbitrage rebate limitations.

D. Securities Law:

The Agency shall comply with the requirements of federal and state securities laws in offering Agency debt and the Agency shall comply with securities law requirements in providing ongoing disclosure to the securities markets.

6. PERMITTED DEBT BY TYPE

The Agency may legally issue both short-term and long-term debt, using the debt instruments described below. The Agency in consultation with the Agency Counsel, Bond Counsel and Financial Advisors, shall determine the most appropriate instrument for a proposed bond sale.

A. General Obligation Bonds:

The Agency is empowered, under its District Act; to levy taxes on all taxable property within its boundaries for the purpose of paying its voter approved general obligation bonds, subject to certain limitations in the District Act, the California Revenue and Taxation Code and the California Constitution. The Agency is authorized to sell general obligation bonds under Section 55-13 of the District Act, subject to the approval of a two-thirds majority of those voters in a local election.

B. Installment Sale Agreement (“ISA”):

The Agency is authorized by the laws of the State of California, including Section 55-13 of the Alameda County Flood Control and Water Conservation District (“District Act”), to acquire certain improvements (“the project”) to the Agency’s water system (the “Enterprise”) and to finance the construction of such facilities through the entering into installment sale agreements. An installment sale agreement can be a vehicle for public borrowing in one of two ways:

I. Joint Exercise of Powers Authority Revenue Bonds

In an installment sale revenue bond financing, a public entity (the “agency”) enters into an installment sale agreement with a Joint Exercise of Agency Powers (a “JPA”), which in turn issues bonds payable solely from the installment sale payments the agency makes to the financing entity pursuant to the installment sale agreement. JPAs are authorized by California’s Marks-Roos Local Bond Pooling Act of 1985 to issue revenue bonds and to lease and sell property, all in furtherance of the financing of public capital improvements.

II. Certificate of Participations

Certificates of Participation (“COPs”) provide debt financing through a lease or installment sale agreement. In a certificate of participation financing, a financing entity (a JPA, a nonprofit corporation or a for-profit corporation) enters into an installment sale agreement with the agency. Board action is sufficient to legally authorize a COP issue.

C. Loans, Letters of Credit, Lines of Credit - State Loans

The Agency may from time to time borrow through a loan with a commercial bank, Letter of Credit, Lines of Credit with a commercial bank, state revolving loan program (“SRF”) or other governmental agency. Each loan will have a specific purpose. Voter approval is not required for obtaining a loan if such loan is structured as an Installment Sale Agreement through a COP or JPA.

D. Refunding Bonds:

Refunding outstanding bonds that will provide a net economic benefit to the Agency is allowable within the federal tax law constraints.

7. METHODS OF SALE

The Agency will strive to maximize credit ratings, minimize financing costs, utilize best practices, while maintaining required flexibility in funding capital needs. The Agency will evaluate the use of all financial methods available including but not limited to structures listed above utilizing the most cost advantageous structures available while minimizing risk exposure and the Agency's best interest at the time of the issuance of the debt:

A. Competitive Sale – The Agency may elect to sell bonds in the public market on a competitive basis depending on market conditions, required size of issuance and relative complexity of structure. The Bonds are marketed to a wide audience of investment banking (underwriting) firms. The underwriter is selected based on its bid for the securities. The Agency will award the sale of the competitively sold bonds on the basis of the lowest true interest cost basis. Pursuant to this policy, Agency staff are authorized to sign the bid form on behalf of the Agency fixing the interest rates on bonds sold on a competitive basis.

B. Negotiated Sale – The Agency may elect to sell bonds in the public market on a negotiated basis depending on market conditions, required size of issuance and relative complexity of structure. The Agency staff selects the underwriter, or team of underwriters, of its securities in advance of the bond sale on the basis of responses to a competitive proposal process. Agency staff works with the underwriter to bring the issue to market and negotiates all rates and terms of the sale. In advance of the sale, Agency staff will determine compensation for and liability of each underwriter employed and the designation rules and priority of orders under which the sale itself will be conducted. Pursuant to this policy, the General Manager or designee (Treasurer/Assistant General Manager – Finance) will be authorized to sign the bond purchase agreement on behalf of the Agency, fixing the interest rates on bonds sold on a negotiated basis.

C. Private placement - The Agency may elect to issue debt on a private placement basis. Such method shall be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or if it is determined that access to the public market is unavailable and timing considerations require that a financing be completed.

8. TERMS AND CONDITIONS OF BONDS

The Agency will establish terms and conditions relating to the issuance of bonds and will direct the trustee in the management and investment of bond proceeds. General terms will be as follows:

A. Term – All capital improvements as outlined in the Capital Improvement Program Plan will be financed for a period consistent with the useful life of the project, but in no event greater than forty years.

B. Capitalized Interest – Certain types of financings will require interest be capitalized or funded from bond proceeds from the issuance date to the date at which the Agency has beneficial use and occupancy of the financed project. The Agency will comply with the requisite federal tax laws in the use of capitalized interest.

C. Debt Service Reserve – Debt service structures should be consistent with the useful life of the project financed generally, provide for overall level debt structure for the Agency on an aggregate basis, and consider the budgetary impact of incremental debt service.

D. Debt Service Structure – Debt service structures should be consistent with the useful life of the project financed generally, provide for overall level debt structure for the Agency on an aggregate basis, and consider the budgetary impact of incremental debt service.

E. Call Provisions – In general, the Agency’s securities will include a call feature, which is no later than ten (10) years from the date of delivery of the bonds. The Agency will avoid the sale of noncallable bonds absent careful evaluation by the Agency of the value of the call option.

9. CREDIT CONSIDERATIONS

In order to ensure the highest possible credit rating the Agency may implement the following:

A. Rate Covenant – The Agency will covenant to maintain rates at a minimum coverage level on outstanding debt required to ensure strong ratings. To the extent coverage ratios on outstanding debt fall below this minimum level, the Agency will use rate stabilization or other reserves to bring coverage to the minimum covenant level or implement necessary rate increases to bring coverage levels back to this minimum level. This minimum level can be determined based on rating considerations and market standards which may prevail at the time of issuance of the bonds.

B. Additional Bonds Test – The Agency will require a net revenue to annual debt service coverage level, among other tests, for the sale of additional bonds to ensure strong ratings.

C. Rate Stabilization Fund – The Agency will create and/or augment a rate stabilization fund in order to meet coverage ratios, address revenue volatility, avoid rate volatility to rate payers and ensure best credit outcome.

D. Financing Structures – The Agency will maintain a relatively straightforward debt structure which would result in best possible credit ratings, taking into consideration revenue volatility, capital needs and development cycles.

E. Debt Service Reserve – When required a reserve fund equal to the least of ten percent (10%) of the original principal amount of the bonds, one hundred percent (100%) of the maximum annual debt service, and one hundred and twenty five percent (125%) of average annual debt service, or, if permitted, 10 % of the par value of bonds outstanding (the “Reserve Requirement”) shall be funded from the proceeds of each series of bonds, subject to federal tax regulations and in accordance with the requirements of credit enhancement providers and/or rating agencies. The Agency may purchase reserve equivalents (i.e., the use of a reserve fund surety) when such purchase is deemed prudent and advantageous. Such equivalents shall be evaluated in comparison to cash funding of reserves on a net present value basis.

10. CREDIT ENHANCEMENTS

The Agency will consider the use of credit enhancement on a case-by-case basis, evaluating the economic benefit. Credit enhancement will only be used to the extent that the cost savings from the enhanced credit and improved pricing levels exceeds the cost of this enhancement on a net present value basis. Credit enhancements which may be used include but are not limited to the following: bond insurance and bank letters of credit.

A) Bond Insurance. The Agency shall have the authority to purchase bond insurance when such purchase is deemed prudent and advantageous. The predominant determination shall be based on such insurance being less costly than the present value of the difference in the interest on insured bonds versus uninsured bonds. The General Manager or designee will solicit quotes for bond insurance from interested providers, or in the case of a competitive sale submit an application for pre-qualification on insurance. In a negotiated sale, the General Manager, and/or Assistant General Manager – Finance or designee shall have the authority to select a provider whose bid is most cost effective and whose terms and conditions governing the guarantee are satisfactory for the Agency. The winning bidder in a competitive sale will determine whether it chooses to purchase bond insurance for the issue.

B) Letter of Credit. The Agency may enter into a letter of credit (“LOC”) or liquidity agreement when such an agreement is deemed prudent and advantageous.

11. REFINANCING OUTSTANDING DEBT

The Agency will analyze outstanding bond issues for refunding opportunities as well as consider refunding opportunities presented by underwriters or financial advisors with the goal of reducing debt service payments and obtaining net present value savings on outstanding debt. The General Manager and/or designee will consider the following when analyzing refunding opportunities:

A. Debt Service Savings – A minimum savings threshold goal of three percent (3%) of net present value savings as a percent of refunded bond principal amount must be obtained, unless specifically directed otherwise by the Board of Directors of the Agency or unless there are legal or restructuring reasons for defeasance. Refunding which produce a net savings of less than three percent (3%) will be considered on a case-by-case basis. The present value savings will be the net of all costs related to the refinancing.

B. Restructuring – The Agency may restructure debt without meeting the 3% savings threshold in order to:

- Address unanticipated revenue changes
- Mitigate irregular debt service payments
- Release reserve funds
- Remove unwanted bond covenants
- Achieve cost savings

C. Term of Refunding Issues – The Agency may refund bonds within the term of the originally issued debt. However, the Agency may consider maturity extension, when necessary to achieve a desired outcome, provided that such extension is legally permissible. The Agency may also consider shortening the term of the originally issued debt to realize greater savings. The remaining useful life of the financed facility and the concept of inter-generational equity should guide this decision.

D. Escrow Structuring – The Agency shall utilize the least costly securities available in structuring refunding escrows. The Agency will examine the viability of an economic versus legal defeasance on a net present value basis. A certificate will be required from a third party agent who is not a broker-dealer, stating that the securities were procured through an arms-length, competitive bid process (in the case of open market securities), that such securities were more cost effective than State and Local Government Obligations (SLGS), and that the price paid for the securities was reasonable within Federal guidelines. Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the Agency from its own account.

E. Arbitrage – Arbitrage regulations apply to all of the Agency's tax exempt financings. The Agency shall take all necessary steps to optimize escrows and to avoid negative arbitrage in its refunding. Any resulting positive arbitrage will be rebated as necessary according to Federal guidelines.

12. CONTINUING DISCLOSURE COMPLIANCE

The Agency shall remain in compliance with SEC Rule 15c2-12 by filing its annual financial statements and other financial and operating data for the benefits of its bondholders within nine (9) months of the close of the fiscal year. The General Manager, or his designee (Treasurer/Assistant General Manager – Finance), shall be responsible for providing ongoing disclosure information to the Municipal Securities Rulemaking Board’s (“MSRB”) Electronic Municipal Market Access system (“EMMA”), the central depository designated by the SEC for ongoing disclosures by municipal issuers. The Agency will keep current with any changes to the administrative aspects of its filing requirements and the national repositories responsible for ensuring issuer compliance with the continuing disclosure regulations. In the event of a ‘material event’ requiring immediate disclosure, the Agency will work with its Dissemination Agent to ensure dissemination of the information to the appropriate disclosure notification parties. This policy is intended to comply with Senate Bill 1029 codified as Government Code Section 8855 (“SB 1029”). SB 1029, signed by Governor Brown on September 12, 2016, requires California public agencies that issue debt to provide certain initial and ongoing disclosures to the California Debt and Investment Advisory Commission (“CDIAC”) including:

- A. The purposes for which the debt proceeds may be used.
- B. The types of debt that may be issued.
- C. The relationship of the debt to, and integration with, the issuer’s capital improvement program or budget, if applicable.
- D. Policy goals related to the issuer’s planning goals and objections.
- E. The internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.

13. COMPLIANCE WITH BOND CONVENANTS

Once the bonds are issued, the Agency, in addition to financial disclosure and arbitrage compliance, is responsible for verifying compliance with, all undertakings, covenants, and agreements of each bond issuance on an ongoing basis. This typically includes ensuring:

- Annual appropriation of revenues to meet debt service payments,
- Timely transfer of debt service payments to the trustee or paying agent,
- Compliance with insurance requirements,
- Compliance with rate covenants, where applicable,
- Compliance with all other bond covenants.

On an annual basis, all required debt-related schedules and footnotes shall be included in the Agency’s Comprehensive Annual Financial Report.

14. PROFESSIONAL SERVICES

The Agency will use a competitive process through a Request for Proposal (RFP) in the retention of professional services, however, if there are unforeseen events that necessitate immediate action including but not limited to redemption, defeasance, or restructuring to prevent the Agency from experiencing further losses, the General Manager or designee can select a consultant without using the competitive process or RFP process. The Agency will seek to retain the best possible financing professionals to Debt Policy No. Z7AF-142-17 ensure a high quality financing experience and result. The professional service selected by the Agency will help to develop a credit strategy, issue debt and ensure compliance with federal and state statutes, and Internal Revenue Code at the time of issuance as well as on a continuing basis:

- A. Rating Agencies** – The Agency will maintain an effective relationship with the one or more of the national statistical rating agencies, Moody’s Investors Service, Standard & Poor’s, Fitch Ratings, or Kroll Bond Rating Agency, in the issuance of debt as well as in the on-going monitoring of outstanding debt.

B. Financial or Municipal Advisors – The Agency will comply with the Municipal Advisor Rule, ensuring the use of external Advisors in the sale of debt as well in managing relationships with the underwriting community. The Financial advisory services provided to the Agency shall include, but not limited to the following:

- Evaluation of risks and opportunities associated with debt issuance;
- Monitoring marketing opportunities;
- Evaluation of proposals submitted to the Agency by investment banking firms;
- Structuring and pricing;
- Preparation of request for proposals for other financial services (trustee and paying agent services, printing, credit facilities, remarketing agent services, etc.);
- Advice, assistance and preparation for presentations with rating agencies and investors;
- Assist in the preparation and review of legal and financing documents in coordination with the financing team in connection with the financing.

C. Underwriters – The Agency will utilize an underwriter in the sale of bonds on a competitive, negotiated or private placement basis. For a negotiated sale, the Agency will select an underwriter through a request for proposal process; basing the selection on best value for the Agency including capital structure, underwriting capabilities, demonstrated expertise and experience as well as proposed fees.

D. Disclosure Counsel – The Agency will ensure complete and accurate disclosure of financial and legal condition in the issuance of debt. The Agency will also ensure full compliance with continuing disclosure requirements. The Agency will select, through a request for proposal process, and retain qualified and experienced counsel in achieving this objective of accurate, comprehensive and complete disclosure.

E. Bond Counsel – The Agency will select through a request for proposal process, and retain qualified and experienced legal counsel as representation for Bondholders as well as the Agency in structuring debt and ensuring legal accuracy and enforceability of bond documents, as well as compliance with all federal and state laws and the Internal Revenue Code.

F. Trustee – The Agency will select through a request for proposal process the services of an external trustee to hold and invest and disburse financing proceeds. The trustee or fiscal agent will provide for debt service payments of all debt issued by the Agency. The Agency Treasurer or designee shall monitor the services rendered by the fiscal agent to ensure prompt and efficient service to bondholders.

15. INTERNAL CONTROL PROCEDURES

All debt transactions must be approved by the Board of Directors. The proceeds of bond sales will be invested until used for the intended project(s) in order to maximize utilization of the public funds. The investments will be made to obtain the highest level of

- 1) safety of principal,
- 2) liquidity,
- 3) diversity and
- 4) return on investment or yield, and may be held as cash.

The Agency's investment guidelines and bond indentures will govern objectives and criteria for investment of bond proceeds. The Treasurer will oversee the investment of bond proceeds in a manner to avoid, if possible, and minimize any potential negative arbitrage over the life of the bond issuance, while complying with arbitrage and tax provisions.

Bond proceeds will be deposited and recorded in separate accounts to ensure funds are not comingled with other forms of Agency funds. The Agency's Trustee or Fiscal Agent will administer the disbursement of bond proceeds pursuant to each certain Indenture of Trust or Fiscal Agent Agreement, respectively. To ensure proceeds from bond sales are used in accordance with legal requirements invoices are submitted by the Facilities & Engineering Section and approved by the Accounting Section and Agency Treasurer/Assistant General Manager – Finance for payment. Requisition for the disbursement of bonds funds will be approved by the Agency's Treasurer / Assistant General Manager – Finance or designated alternate. Responsibility for general ledger reconciliations and records is segregated from the invoice processing, cash receipting, and cash disbursement functions.

The Finance and/or Accounting Section will be tasked with monitoring the expenditure of bond proceeds to ensure they are used only for the purpose and authority for which the bonds were issued and exercising best efforts to spend bond proceeds in such a manner that the Agency will meet one of the spend-down exemptions from arbitrage rebate. Tax-exempt bonds will not be issued unless it can be demonstrated that 85% of the proceeds can reasonably be expected to be expended within the three-year temporary period.

16. RECORD KEEPING

A copy of all debt-related records shall be retained at the Agency's offices. At minimum, these records shall include all official statements, bid documents, bond documents/transcripts, indentures, resolutions, trustee statements, leases, and title reports for each financing (to the extent available). To the extent possible, the Agency shall retain an electronic copy of each document, preferably in PDF or CD-ROM format.

17. REBATE POLICY AND SYSTEM

The Agency will accurately account for all interest earnings in debt related funds. These records will be designed to ensure compliance with all debt covenants and with State and Federal laws. The Agency will calculate and report interest earnings that relate to Internal Revenue Code rebate yield limits and arbitrage requirements.

18. PUBLIC STATEMENTS REGARDING FINANCIAL INFORMATION

Whenever the Agency makes statements or releases information relating to its finances to the public that are reasonably expected to reach investors and the trading markets, the Agency is obligated to ensure that such statements and information are complete, true, and accurate in all material respects.

19. TRAINING

The General Manager shall ensure that the members of the Agency staff involved in the initial or continuing disclosure process and the Board of Directors and staff are properly trained to understand and perform their responsibilities. The General Manager shall arrange for disclosure training sessions conducted by the Agency's disclosure counsel which shall include education of these Disclosure Policies, the Agency's disclosure obligations under applicable federal and state securities laws, and the disclosure responsibilities and potential liabilities of members of the Agency's staff and members of the Board of Directors.

20. POLICY REVIEW

The General Manager, or designee (Treasurer/Assistant General Manager – Finance), will be responsible for regularly reviewing and updating this policy, and present any recommended revisions to the Board for adoption.

Glossary

Arbitrage – The difference between the interest paid on the tax-exempt securities and the interest earned by investing the security proceeds in higher-yielding taxable securities. IRS regulations govern arbitrage on the proceeds from issuance of municipal securities.

Call Provisions – The terms of the bond contract giving the issuer the right to redeem all or a portion of an outstanding issue of bonds prior to their stated dates of maturity at a specific price, usually at or above par.

Capitalized Interest – A portion of the proceeds of an issue which is set aside to pay interest on the securities for a specified period of time. Interest is commonly capitalized for the construction period of the project.

Competitive Sale – A sale of securities by an issuer in which underwriters or syndicates of underwriters submit sealed bids to purchase the securities in contrast to a negotiated sale.

Continuing Disclosure – The principle that accurate and complete information material to the transaction which potential investors would be likely to consider material in making investment decisions with respect to the securities be made available on an ongoing basis.

Credit Enhancement – Credit support purchased by the issuer to raise the credit rating of the issue. The most common credit enhancements consist of bond insurance, direct or standby letters of credit, and lines of credit.

Debt Service Reserve Fund – The fund in which moneys are placed which may be used to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements.

Derivatives – A financial product whose value is derived from some underlying asset value.

Escrow – A fund established to hold moneys pledged and to be used to pay debt service on an outstanding issue.

Letters of Credit – A bank credit facility wherein the bank agrees to lend a specified amount of funds for a limited term.

Negotiated Sale – A method of sale in which the issuer chooses one underwriter to negotiate terms pursuant to which such underwriter will purchase and market the bonds.

Pay-As-You-Go – An issuer elects to finance a project with existing cash flow as opposed to issuing debt obligations.

Present Value – The current value of a future cash flow.

Rebate – A requirement imposed by Tax Reform Act of 1986 whereby the issuer of the bonds must pay the IRS an amount equal to its profit earned from investment of bond proceeds at a yield above the bond yield calculated pursuant to the IRS code together with all income earned on the accumulated profit pending payment.

Syndicate Policies – The contractual obligations placed on the underwriting group relating to distribution, price limitations and market transactions.

Underwriter – A dealer that purchases new issues of municipal securities from the Issuer and resells them to investors.

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APPENDIX E

POSITION DETAIL

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POSITION DETAIL, FISCAL YEARS 2019-20 - 2023-24

	FY 19-20 Budget	FY 2020-21 Budget	FY 2021-22 Budget	FY 2022-23 Budget	FY 2023-24 Budget	Change
Office of the General Manager						
General Manager	1.00	1.00	1.00	1.00	1.00	0.00
Assistant General Mgr, Engineering	1.00	1.00	1.00	1.00	1.00	0.00
Treasurer/Assistant General Mgr, Finance	1.00	1.00	1.00	1.00	1.00	0.00
Government Relations Manager	0.00	0.00	1.00	1.00	1.00	0.00
Executive Assistant	1.00	1.00	1.00	1.00	1.00	0.00
Administrative Assistant	4.00	4.00	3.00	3.00	3.00	0.00
Communications Specialist	1.00	1.00	1.00	1.00	1.00	0.00
Water Agency Intern	1.00	1.00	1.00	2.00	2.00	1.00
Total	10.00	10.00	10.00	11.00	11.00	1.00
Finance						
Financial & Systems Services Manager	1.00	0.00	0.00	0.00	0.00	0.00
Accounting Manager	1.00	1.00	1.00	1.00	1.00	0.00
Senior Auditor/Accountant	1.00	1.00	1.00	1.00	1.00	0.00
Staff Analyst	2.00	1.00	1.00	1.00	1.00	0.00
Financial Analyst	0.00	2.00	2.00	2.00	2.00	0.00
Procurement Manager	1.00	1.00	1.00	1.00	1.00	0.00
Buyer I	2.00	2.00	2.00	2.00	2.00	0.00
Buyer II	1.00	1.00	1.00	1.00	1.00	0.00
Account Clerk	2.00	2.00	2.00	3.00	3.00	1.00
Total	11.00	11.00	11.00	12.00	12.00	1.00
Human Resources						
Human Resources Manager	1.00	1.00	1.00	1.00	1.00	0.00
Human Resources Analyst	2.00	1.00	1.00	1.00	1.00	0.00
Human Resources Technician	0.00	1.00	1.00	1.00	1.00	0.00
Total	3.00	3.00	3.00	3.00	3.00	0.00
Water Quality						
Associate Engineer/Geologist	0.50	1.00	1.00	1.00	1.00	0.00
Assistant Engineer/Geologist	1.00	0.00	0.00	0.00	0.00	0.00
Assistant Water Resources Planner	1.00	1.00	1.00	1.00	1.00	0.00
Water Quality Manager	1.00	1.00	1.00	1.00	1.00	0.00
Water Quality Chemist	2.00	2.00	2.00	2.00	2.00	0.00
Water Quality Lab Technician	2.00	2.00	2.00	2.00	2.00	0.00
Total	7.50	7.00	7.00	7.00	7.00	0.00

	FY 19-20 Budget	FY 2020-21 Budget	FY 2021-22 Budget	FY 2022-23 Budget	FY 2023-24 Budget	Change
Integrated Planning						
Water Resources Manager	1.00	1.00	1.00	1.00	1.00	0.00
Principal Engineer/IP Manager	1.00	1.00	1.00	1.00	1.00	0.00
Senior Water Resources Planner	0.00	0.00	1.00	2.00	2.00	1.00
Associate Engineer/Geologist	1.00	2.00	1.00	2.00	2.00	1.00
Associate Water Resources Planner	1.00	1.00	1.00	2.00	2.00	1.00
Assistant Engineer/Geologist	1.00	1.00	1.00	1.00	1.00	0.00
Geographic Info Sys Analyst	1.00	1.00	0.00	0.00	0.00	0.00
Assistant Water Resources Planner	1.00	1.00	1.00	2.00	2.00	1.00
Water Conservation Coordinator	1.00	1.00	1.00	0.00	0.00	-1.00
Water Agency Intern	0.50	0.50	0.50	0.00	0.00	-0.50
Total	8.50	9.50	8.50	11.00	11.00	2.50
Water Supply Engineering						
Engineering Manager	1.00	1.00	1.00	1.00	1.00	0.00
Principal Engineer	1.00	1.00	1.00	1.00	1.00	0.00
Senior Engineer/Geologist	1.00	0.00	0.00	1.00	1.00	1.00
Associate Control Systems Engineer	1.00	1.00	1.00	1.00	1.00	0.00
Associate Engineer/Geologist	5.00	6.00	6.00	5.00	5.00	-1.00
Assistant Engineer/Geologist	1.00	0.00	0.00	1.00	1.00	1.00
Construction Inspector	1.00	1.00	1.00	0.00	0.00	-1.00
Water Resources Technician II	1.00	1.00	1.00	1.00	1.00	0.00
Total	12.00	11.00	11.00	11.00	11.00	0.00
Groundwater						
Groundwater Resources Manager	0.00	0.00	1.00	1.00	1.00	0.00
Principal Engineer	1.00	1.00	0.00	0.00	0.00	0.00
Associate Engineer/Geologist	2.00	2.00	2.00	2.00	2.00	0.00
Water Resources Technician II	4.00	4.00	4.00	4.00	4.00	0.00
Water Resources Engineer Trainee	0.50	0.00	0.00	0.00	0.00	0.00
Total	7.50	7.00	7.00	7.00	7.00	0.00
Operations						
Production Manager	1.00	1.00	1.00	1.00	1.00	0.00
Operations Manager	1.00	1.00	1.00	1.00	1.00	0.00
Water Facilities Supervisor	3.00	4.00	4.00	4.00	4.00	0.00
Safety Technician II	2.00	2.00	2.00	2.00	2.00	0.00
Water Plant Operator II	2.00	0.00	0.00	0.00	0.00	0.00
Water Plant Operator III	20.00	22.00	22.00	22.00	22.00	0.00
Total	29.00	30.00	30.00	30.00	30.00	0.00

	FY 19-20 Budget	FY 2020-21 Budget	FY 2021-22 Budget	FY 2022-23 Budget	FY 2023-24 Budget	Change
Maintenance						
Maintenance Manager	1.00	0.00	0.00	0.00	0.00	0.00
Maintenance & Construction Supervisor	2.00	3.00	3.00	3.00	3.00	0.00
Electrician	2.00	2.00	2.00	2.00	2.00	0.00
Transportation and Supply Coordinator	1.00	1.00	1.00	1.00	1.00	0.00
Instrument Technician II	4.00	4.00	4.00	5.00	5.00	1.00
Lead Plant Mechanic	1.00	0.00	0.00	1.00	1.00	1.00
Plant Mechanic	4.00	5.00	5.00	6.00	6.00	1.00
Plant Maintenance Laborer	1.00	1.00	1.00	1.00	1.00	0.00
Water Resources Technician II	1.00	3.00	3.00	3.00	3.00	0.00
Construction Maintenance Laborer	2.00	2.00	3.00	3.00	3.00	0.00
Total	19.00	21.00	22.00	25.00	25.00	3.00
Flood Control Engineering						
Principal Engineer	1.00	1.00	1.00	1.00	1.00	0.00
Associate Engineer/Geologist	1.00	2.00	2.00	1.00	1.00	-1.00
Assistant Engineer/Geologist	3.00	2.00	2.00	3.00	3.00	1.00
Water Resources Technician II	2.00	0.00	0.00	0.00	0.00	0.00
Water Resources Engineer Intern	0.00	0.50	0.50	0.00	0.00	-0.50
Total	7.00	5.50	5.50	5.00	5.00	-0.50
Agency Total	114.50	115.00	115.00	122.00	122.00	7.00

	FY 19-20 Budget	FY 2020-21 Budget	FY 2021-22 Budget	FY 2022-23 Budget	FY 2023-24 Budget	Change
Office of the General Manager	10.00	10.00	10.00	11.00	11.00	1.00
Finance	11.00	11.00	11.00	12.00	12.00	1.00
Human Resources	3.00	3.00	3.00	3.00	3.00	0.00
Water Quality	7.50	7.00	7.00	7.00	7.00	0.00
Integrated Planning	8.50	9.50	8.50	11.00	11.00	2.50
Water Supply Engineering	12.00	11.00	11.00	11.00	11.00	0.00
Groundwater	7.50	7.00	7.00	7.00	7.00	0.00
Operations	29.00	30.00	30.00	30.00	30.00	0.00
Maintenance	19.00	21.00	22.00	25.00	25.00	3.00
Flood Control Engineering	7.00	5.50	5.50	5.00	5.00	-0.50
Agency Total	114.50	115.00	115.00	122.00	122.00	7.00

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APPENDIX F

ACRONYMS AND GLOSSARY OF TERMS

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Acronyms

This list of acronyms was assembled to provide a more thorough understanding of this publication and to augment the many industry-specific terms and terms employed in the daily work of the Agency.

ACMEA	Alameda County Management Employees Association
AF	Acre-feet
AMP	Asset Management Plan
AWWA	American Water Works Association
BTC	Building Trades Council of Alameda County
CAFR	Comprehensive Annual Financial Report now referred to as Annual Comprehensive Financial Report
CEQA	California Environmental Quality Act
CIMIS	California Irrigation Management Information System
CIP	Capital Improvement Plan
COL	Chain of Lakes
COLA	Cost of Living Adjustment
CPI	Consumer Price Index
CSMFO	California Society of Municipal Finance Officers
CY	Calendar Year
DDW	Division of Drinking Water California
DIF	Development Impact Fee
DVWTP	Del Valle Water Treatment Plant
DWR	Department of Water Resources
DWSRF	Drinking Water State Revolving Fund
ENRCCI	Engineering News Record Construction Cost Index
EPA	Environmental Protection Agency
FMP	Flood Management Plan
FSA	Flexible Spending Accounts
FTE	Full-Time Equivalent
FY	Fiscal Year

GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association
GIS	Geographic Information System
CW	Groundwater
HMO	Health Maintenance Organization
HVAC	Heating, Ventilation and Air Conditioning
IFPTE	International Federation of Professional and Technical Engineers
IT	Information Technology
LVE	Los Vaqueros Reservoir Expansion
MGDP	Mocho Groundwater Demineralization Plant
MOU	Memorandum of Understanding
MWQI	Municipal Water Quality Investigation Program
O&M	Operations and Maintenance
PFAS	Per- and Polyfluoroalkyl Substances
PPO	Preferred Provider Organization
PPWTP	Patterson Pass Water Treatment Plant
PWRPA	Power and Water Resources Pooling Authority
SBA	South Bay Aqueduct
SCADA	Supervisory Control and Data Acquisition
SEIU	Service Employees International Union
SGMA	Sustainable Groundwater Management Act
SOC	Statement of Charges
SOPs	Standard Operating Procedures
SWP	State Water Project
USACE	United States Corp of Engineers
USGS	U.S. Geological Survey
UWMP	Urban Water Management Plan
WMP	Well Master Plan

Glossary of Terms

The Zone 7 Two-Year Budget, Fiscal Years 2022-24 contains terminology that is generally unique to the water industry, public finance and budgeting. With this in mind this glossary of terms was assembled for the readers benefit.

Accrual Basis of Accounting:

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

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

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

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

Aquifer: An underground layer of water bearing permeable rock or unconsolidated materials (gravel, sand, silt) from which groundwater can be extracted.

Asset: Anything of value such as an area of land, or a building, or an item of plant or equipment or infrastructure that provides service potential or future economic benefits over a period greater than one year and has a cost that is not “immaterial” (at least \$10,000). Assets are typically classified as either physical, “financial” (e.g., cash, stocks, debt instruments), or “intangible” (e.g., intellectual property, goodwill).

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

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

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

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

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

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

California Environmental Quality Act (CEQA): A California statute passed in 1970, shortly after the United States federal government passed the National Environmental Policy Act (NEPA), to institute a statewide policy of environmental protection. CEQA does not directly regulate land uses, but instead requires state and local agencies within California to follow a protocol of analysis and public disclosure of environmental impacts of proposed projects and adopt all feasible measures to mitigate those impacts.

California State Water Project (SWP): The world’s largest publicly built and operated water and power development and conveyance system. The original purpose of the project was to provide water for arid Southern California which lacks adequate local water resources to provide for the growth of that region.

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

Capital Improvement Plan (CIP): A long-range plan of Zone 7 for the construction, rehabilitation and modernization of Zone 7-owned and operated infrastructure.

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

Conveyance System: The combination of assets used to deliver an adequate supply of the selected material (water) from one point to another. The conveyance can include piping, pumps, controls (valves), and storage.

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

Depreciation: The reduction in value of a long lived asset from use or obsolescence. The decline in value is recognized by a periodic allocation of the original cost of the asset to current operations on an income statement.

Delivery System: The piping, valves, and related assets that convey water from one point in the operation to another. For example, a delivery system can take water from the intake to the plant or from plant to the customer.

District: Refers to the Alameda County Flood Control and Water Conservation District, of which Zone 7 is one of the designated service areas. Zone 7 provides water and flood control services. Fund: A sum of money or other resources, such as taxes, charges, fees, etc., established for conducting specified operations for attaining certain objectives. Funds are frequently under specific limitations.

Fund Accounting: A governmental account system which is organized and operated on a fund basis.

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

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

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

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

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

Line Items: Expenditure classifications established to account for budget appropriations approved.

Modified Accrual Basis of Accounting: The basis of accounting under which revenues are recognized when measurable and available to pay liabilities and expenditures are recognized when the liability is incurred except for interest on long-term debt which is recognized when due.

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

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

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

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

Peak Demand: The experienced or calculated maximum requirements for management of wastewater or delivery of water expressed as a unit of time (year, month, day, hour or minute).

Per- and polyfluoroalkyl substances: A group of thousands of chemicals found in a range of consumer and industrial products, including nonstick pans, carpeting, and firefighting foam

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

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

Sacramento-San Joaquin River Delta or California Delta: An expansive inland river delta and estuary in Northern California in the United States. The Delta is formed at the western edge of the Central Valley by the confluence of the Sacramento and San Joaquin rivers and lies just east of where the rivers enter Suisun Bay.

SCADA: An acronym that means supervisory control and data acquisition, referring to a system that is a computer monitored alarm, response, control, and data acquisition system used by drinking water facilities to monitor operations.

Water Distribution: A network of pipe, pumps, and storage facilities to transport potable water from the source/ treatment facility to the consumer.

