



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 SECTION: Administrative Services

CONTACT: Osborn Solitei

AGENDA DATE: June 16, 2021

SUBJECT: Proposed Mid-Cycle Operating Budget Amendment and Capital Improvement Plan (CIP) Update for FY 2021-22

BACKGROUND:

The proposed action 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 provides a mid-cycle review of the second budget year of the adopted two-year budget.

The Agency adopted a two-year budget for Fiscal Years 2020-21 and 2021-22 in June 2020. The purpose of the second budget year review is to confirm the budget is in-line with Board priorities, economic and climate conditions, capital project schedules, projected revenues/expenses from the first budget year, and reserve policy requirements. As outlined in the summary below, the proposed budget amendment is largely impacted by the State's current drought conditions.

SUMMARY:

In the proposed budget amendment, Agency-wide revenue is decreasing by \$8.4M or 6%. These proposed changes are summarized in the table below:

Revenue Category	Proposed Budget Change	Notes
Treated Water Sales Revenue (Fund 100)	(\$2M)	Adjusted volume-based revenue to account for additional water conservation
Cost Share Agreement Revenue (Fund 100)	(\$0.5M)	Resolution No. 21-25 rescinded cost share of Local Water Supply and Quality Studies
Water Connection Fee Revenue (Fund 130)	(\$5.9M)	Adjusted projected water connections based on slow-down in development and preliminary Regional Demand Study findings
Agency-wide Change in Revenue	(\$8.4)	

In the proposed budget amendment, Agency-wide expenses are increasing by \$16M or 10%. These changes are summarized in the table below:

Expense Category	Proposed Budget Change	Notes
Labor (Fund 200)	\$0.2M	Reflects addition of Construction Maintenance Laborer position
Water Production Costs (Fund 100)	\$8.5M	Updated water costs based on the most recent CY 2021 Water Supply Plan which assumes a 5% allocation from the State Water Project.
Professional Services (Fund 200)	\$0.2M	Funds added for on-call geomorphology consultant services and consultant contract for the Flood Programmatic Stream Maintenance Program.
Other Services and Supplies (Fund 200)	\$0.3M	Funds added for permit fees, CMMS software, and leaf vacuum truck to clean v-ditches.
Capital Projects (Funds 120, 130, 200 & 210)	\$6.9M	Adjusted to accommodate drought projects and an additional \$2.1M in project costs in Fund 120, \$0.09M in Fund 200, and \$0.08M in Fund 210. The proposed budget amendment decreases capital project costs in Fund 130.
Agency-wide Change in Expenses	\$16M	

In the proposed budget amendment, Funds 100 and 200 include the addition of the following new positions, two of which will be funded by current vacancies:

1. Government Relations Manager: This new position will serve as the Agency’s expert on governmental relations issues as they relate to Zone 7.
2. Senior Water Resources Planner: This new position will be assigned to energy activities and programs.
3. Construction Maintenance Laborer: This new position is being added to enhance flood system maintenance (increase of \$0.2M to Fund 200).

RECOMMENDED ACTION:

Adopt the attached Resolution approving the Mid-Cycle Budget Amendment for FY 2021-22

DISCUSSION:

Proposed budget amendments by fund are discussed on the following pages:

Fund 100 – Water Enterprise Fund

	FY 2021-22 Adopted Budget	FY 2021-22 Proposed Amended Budget	(\$) Change	% Change
Estimated Beginning Fund Balance 7/1/2021	\$23,544,000	\$36,291,000	12,747,000	54%
Revenue				
Water Sales	57,258,000	55,287,000	(1,971,000)	-3%
Investment Earnings	57,000	57,000	-	0%
Cost Share Revenue	500,000	-	(500,000)	-100%
Grants	50,000	50,000	-	0%
Other Revenue	187,000	187,000	-	0%
Total Revenue	58,052,000	55,581,000	(2,471,000)	-4%
Expenses				
Personnel	18,072,000	18,072,000	-	0%
Water Production	11,207,000	19,720,000	8,513,000	76%
Professional Services	3,177,000	3,177,000	-	0%
Legal Services	450,000	450,000	-	0%
County Services	1,682,000	1,682,000	-	0%
Insurance Services	520,000	520,000	-	0%
Maintenance	1,919,000	1,919,000	-	0%
PFAS Treatment	1,000,000	1,000,000	-	0%
Cleaning Services	184,000	184,000	-	0%
Communications	366,000	366,000	-	0%
Training and Travel	131,000	131,000	-	0%
Water Conservation Program	150,000	150,000	-	0%
Debt Service	3,124,000	3,124,000	-	0%
Transfers	13,577,000	13,577,000	-	0%
Other	1,370,000	1,370,000	-	0%
Total Expenses	56,929,000	65,442,000	8,513,000	15%
*Change in Fund Balance (Use of Reserves)	1,123,000	(9,861,000)	(10,984,000)	
Estimated Ending Fund Balance 6/30/2022	24,667,000	26,430,000	1,763,000	7%

*To be added or reduced from reserves.

Note: All values are rounded to the nearest thousand.

Revenue: In the proposed budget amendment, revenue is decreasing by \$2.5M or 4%.

Water Sales: Overall water sales revenue is decreasing by \$2.0M or 3% in the proposed FY 2021-22 Amended Budget due to anticipated conservation within the service area. Water sales assumptions are shown in the table below:

FY 2021-22 Adopted Budget	FY 2021-22 Proposed Budget Amendment	Difference
36,312 AF (10% conservation)	34,138 AF (15% conservation)	(2,174 AF)

Water sales revenue assumes a 6.7% rate increase for CY 2022 as adopted by the Board on June 17, 2020 (Resolution No. 20-37).

Cost Share Agreement Revenue: The FY 2021-22 Adopted Budget includes contributions from partners and from Fund 310 – Water Supply Reliability Fund for the Local Water Supply and Local Water Quality Studies Tri-Valley Task Order. This amount has been reduced to \$0 because the Task Order was rescinded on April 21, 2021 (Resolution No. 21-25). The expense budget still includes \$0.5M for the studies which are funded entirely by Zone 7.

Expenses: In the proposed budget amendment, expenses are increasing by \$8.5M or 15%.

Water Production: Includes Water, Chemicals, and Utilities. The proposed budget amendment for water is based on the most recent CY 2021 Water Supply Operations Plan presented to the Board on May 5, 2021 (Item 8 – Dry Year Transfer Program). Water costs have increased by \$9.8M (\$5.2M to \$15M). A comparison of the FY 2021-22 Adopted vs. Proposed Budget Amendment is shown in the table below.

	FY 2021-22 Adopted Budget	FY 2021-22 Proposed Budget Amendment	Difference
SWP Variable Charges	\$1.9M	\$2.7M	\$0.8M
Yuba Dry-Year Purchase Program	\$1.0M	\$0.7M	(\$0.3M)
Byron Bethany Irrigation District	\$0.1M	\$0	(\$0.1M)
Water Transfers	\$1.2M	\$7.7M	\$6.5M
Semitropic Water Storage District	\$0.6M	\$1.7M	\$1.1M
Cawelo Water District	\$0.2M	\$2.0M	\$1.0M
Other SWP Costs	\$0.2M	\$0.2M	-
Total	\$5.2M	\$15M	\$9.8M

In the proposed budget amendment, chemicals and utilities are projected to decrease by \$1.3M based on the new operations plan. This is because the Agency will pump more groundwater than originally planned in the FY 2021-22 budget to meet demands (~13,000 AF).

There are no additional proposed amendments in other expense categories.

Fund 100 – Water Enterprise Fund Reserves

Due to increased water sales revenue and lower expenses in FY 2020-21, the Agency projects the FY 2021-22 beginning reserve balance will exceed the target level by \$14.4M. This unallocated fund balance will be used to cover the decrease in revenue of \$2.5M and increase in expenses of \$8.5M in this proposed budget amendment.

The table below compares the FY 2021-22 Proposed Amended Budget to target levels. The FY 2021-22 Amended Budget reserves are \$1M below the target level of \$23M. The Board adopted the wholesale water rates in October 2018 that assumed fully funding Fund 100 reserves at the target level by FY 2022.

Fund 100 Reserves	FY 2021-22 Revised Target Reserve Levels	FY 2021-22 Projected	Above/(Below) Target
Operating Reserves	\$12,788,000	\$12,788,000	
Emergency Reserves	5,698,000	5,698,000	
Reserve for Economic Uncertainties	4,644,000	3,414,000	(\$1,049,000)
Subtotal	\$23,130,000	\$22,081,000	(\$1,049,000)
Section 115 Pension Trust Fund ¹	1,530,000	1,530,000	-
Water Supply Reliability Projects (Delta Conveyance)	3,000,000	3,000,000	-
Total Reserves	\$27,480,000	\$26,431,000	(\$1,049,000)

Note: Values are rounded to the nearest thousand.

¹Includes initial contribution of \$1.35M and projected annual contribution of approximately \$0.2M for FY 2020-21.

Budgetary Impact: The proposed budget amendment does not require rate increases above what has been previously approved (6.7%) but will require the use of reserves in the amount of \$9.8M. The Agency can absorb this level of reserve usage because of higher than budgeted revenue and lower than budgeted expenses in FY 2020-21.

Fund 110 - State Water Facilities Fund

There are no proposed budget amendments to Fund 110.

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

	FY 2021-22 Adopted Budget	FY 2021-22 Proposed Amended Budget	(\$) Change	% Change
Estimated Beginning Fund Balance 7/1/2021	\$44,437,000	\$44,969,000	\$532,000	1%
Revenue				
Investment Earnings	84,000	84,000	-	0%
Other Revenue	3,000	3,000	-	0%
Capital Funding	13,373,000	13,373,000	-	0%
Total Revenue	13,460,000	13,460,000	-	0%
Expenses				
Labor	1,345,000	1,345,000	-	0%
Capital Projects	28,608,000	35,708,000	7,100,000	25%
Total Expenses	29,953,000	37,053,000	7,100,000	24%
*Change in Fund Balance (Use of Reserves)	(16,493,000)	(23,593,000)	(7,100,000)	
Estimated Ending Fund Balance 6/30/2022	27,944,000	21,376,000	(6,568,000)	-24%

*To be added or reduced from reserves.

Note: Values are rounded to the nearest thousand.

Revenue: In the proposed budget amendment, revenue is remaining unchanged.

Expenses: In the proposed budget amendment, expenses are increasing by \$7.1M or 24%.

Capital Projects: In the proposed budget amendment, capital project costs have increased by \$7.1M or 25% due to the multi-year nature of capital projects, the proposed addition of new projects, and/or the revisions to existing budgets based on new information. The proposed budget amendment changes include the following (for detailed project descriptions, please see Exhibit B):

- AV Water Right Permit Extension – Increase of \$0.3M (existing project)
- Cross Valley Line Valve at Stanley/Murrieta Blvd. – Decrease of \$0.6M (Defer Existing Project)
- MGDP Acid Injection Facility – Increase of \$1.4M (Existing Project)
- Pipeline Spare Parts – \$0.6M (New Project)
- Replacement of Water Quality Analyzers (Turbidimeters, Chlorine and Ammonia Analyzers) - \$0.3M (New Project)
- Del Valle Influent Screen - \$0.1M (New Project)
- **Drought Related Project - \$5.0M (New Project):** In the proposed budget amendment, Staff have incorporated drought related projects. Staff estimates \$5M will be needed to fund drought related projects in FY 2021-22 and assumes that these projects will receive a 75% reimbursement from Federal and state grant programs in FY 2022-23. The projects could include, but are not limited to:
 - › Additional Wells
 - › Booster stations
 - › Generators
 - › Enhanced groundwater recharge
 - › Conservation programs

Budgetary Impact: The proposed budget amendment does not require water rate increases above what has been previously approved (6.7%). The proposed budget amendment has expenses exceeding revenue by \$23.6M. This amount will be funded by the capital projects reserve.

Fund 130 - Water Enterprise Capital Expansion

	FY 2021-22 Adopted Budget	FY 2021-22 Proposed Amended Budget	(\$) Change	% Change
Estimated Beginning Fund Balance 7/1/2021	\$77,533,000	\$68,543,000	(8,990,000)	-12%
Revenue				
Water Connection Fees	33,764,000	27,896,000	(5,868,000)	-17%
Investment Earnings	210,000	210,000	-	0%
Other Revenue	3,100,000	3,100,000	-	0%
Total Revenue	37,074,000	31,206,000	(5,868,000)	-17%
Expenses				
Labor	273,000	273,000	-	0%
Water	17,763,000	17,763,000	-	0%
Debt Service	1,093,000	1,093,000	-	0%
Capital Projects	4,210,000	3,860,000	(350,000)	-8%
Total Expenses	23,339,000	22,989,000	(350,000)	-1%
*Change in Fund Balance (Use of Reserves)	13,735,000	8,217,000	(5,518,000)	
Estimated Ending Fund Balance 6/30/2022	91,268,000	76,760,000	(14,508,000)	-16%

*To be added or reduced from reserves.

Note: Values are rounded to the nearest thousand.

Revenue: In the proposed budget amendment, revenue is decreasing by \$5.9M or 17%.

Water Connection Fees: In the proposed budget amendment, estimated connection fee revenue has been reduced by 17% based on recent information gathered from Retailers on development activities and the preliminary findings from the Regional Demand Study. The adopted budget projects 1,094 connections to materialize in FY 2021-22. However, in the proposed budget amendment, this amount has been reduced to 931.

Expenses: In the proposed budget amendment, expenses are decreasing by \$0.4M or 1%.

Capital Projects: In the proposed budget amendment, capital project costs have decreased by 8%. The proposed change includes the following (for detailed project description, please see Exhibit B):

- Vasco Pipeline Enlargement and Replacement – Decrease of \$0.4M (Defer Existing Project)

Budgetary Impact: The proposed budget amendment does not require an increase in water connection fees. The proposed budget amendment has revenue exceeding expenses by \$8.2M. This amount will be added to reserves.

Fund 200 - Flood Protection Operations

	FY 2021-22 Adopted Budget	FY 2021-22 Proposed Amended Budget	(\$) Change	% Change
Estimated Beginning Fund Balance 7/1/2021	\$9,616,000	\$20,223,000	10,607,000	110%
Revenue				
Property Taxes	9,858,000	9,858,000	-	0%
Aid from Gov. Agencies	65,000	65,000	-	0%
Investment Earnings	17,000	17,000	-	0%
Other Revenue	158,000	158,000	-	0%
Total Revenue	10,098,000	10,098,000	-	0%
Expenses				
Labor	2,752,000	2,907,000	155,000	6%
Professional Services	1,132,500	1,284,000	151,500	13%
Maintenance	5,716,000	5,716,000	-	0%
Capital Projects	5,878,500	5,967,000	88,500	2%
Other Services and Supplies	905,000	1,195,000	290,000	32%
Total Expenses	16,384,000	17,069,000	685,000	4%
*Change in Fund Balance (Use of Reserves)	(6,286,000)	(6,971,000)	(685,000)	
Estimated Ending Fund Balance 6/30/2022	3,330,000	13,252,000	9,922,000	298%

*To be added or reduced from reserves.

Note: Values are rounded to the nearest thousand.

Revenue: In the proposed budget amendment, revenue is remaining unchanged.

Expenses: In the proposed budget amendment, expenses are increasing by \$0.7M or 4%.

Labor: In the proposed budget amendment labor is increasing by \$0.2M due to the addition of a new Construction Maintenance Laborer funded 100% by Fund 200. This position will be funded using ongoing revenue received in this fund.

Professional Services: The proposed budget amendment increases professional services by \$0.2M.

- \$0.05M increase for on-call geomorphology consultant services (from \$75K to \$125K) from the adopted budget
- \$0.1M for consultant contract for the Flood Programmatic Stream Maintenance Program

Capital Projects: In the proposed budget amendment, capital project costs have increased by 2% due to an increase for the Flood Hydrology Study from \$0.05M to \$0.2M. This project is funded by Fund 200 (59%) and Fund 210 (41%). The proposed change is listed below (for a detailed project description, please see Exhibit B).

- Flood Hydrology Update – Increase of \$0.09M (Existing Project)

Other Services and Supplies: The proposed budget amendment increases Services and Supplies by \$0.3M to include:

- \$0.2M for a specialized leaf vacuum truck to clean V-ditches within the Flood Protection system;
- \$0.05M for a Computer Maintenance Management System for the Flood Protection Maintenance Program; and
- \$0.04M for Regional Water Quality Control Board permits for Flood maintenance and capital projects

Budgetary Impact: The proposed budget amendment does not require an increase in property taxes. In this proposed budget amendment, expenses exceed revenue by \$7M, which will be funded with reserves.

Fund 210 - Flood Protection DIF Fund

	FY 2021-22 Adopted Budget	FY 2021-22 Proposed Amended Budget	(\$) Change	% Change
Estimated Beginning Fund Balance 7/1/2021	\$69,061,000	\$72,215,000	3,154,000	5%
Revenue				
Development Fees	2,835,000	2,835,000	-	0%
Investment Earnings	173,000	173,000	-	0%
Other Revenue	25,000	25,000	-	0%
Total Revenue	3,033,000	3,033,000	-	0%
Expenses				
Labor	253,000	253,000	-	0%
Capital Projects	515,000	597,000	82,000	16%
Total Expenses	768,000	850,000	82,000	11%
*Change in Fund Balance (Use of Reserves)	2,265,000	2,183,000	(82,000)	
Estimated Ending Fund Balance 6/30/2022	71,326,000	74,398,000	3,072,000	4%

*To be added or reduced from reserves.

Note: Values are rounded to the nearest thousand.

Revenue: In the proposed budget amendment, revenue is remaining unchanged.

Expenses: In the proposed budget amendment, expenses are increasing by \$0.08M or 11%.

Capital Budget: In the proposed budget amendment, capital project costs have increased by 16% due to an increase for the Flood Hydrology Study from \$0.05M to \$0.2M. This project is funded by Fund 200 (59%) and Fund 210 (41%). The proposed change is listed below (for a detailed project description, please see Exhibit B).

- Flood Hydrology Update – Increase of \$0.08M

Budgetary Impact: The proposed budget amendment does not require an increase in development impact fees. In this proposed budget amendment, revenue exceeds expenses by \$2.2M. This amount will be added to reserves.

Alameda County Budget

The Agency will continue to submit annual budgets to Alameda County for the three operating funds (Funds 100, 110 & 200). Upon adoption by the Zone 7 Board, Zone 7's operating fund budgets are then included with the other County department's budgets and presented to the Board of Supervisors for adoption in June each year.

ATTACHMENTS:

Board Resolution

Exhibit A – Annual Budget by Account Classification (FY 2021-22 Amended Budget)

Exhibit B – Capital Improvement Program (CIP) Project/Program Listing

ZONE 7

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
BOARD OF DIRECTORS

RESOLUTION NO. 21-47

INTRODUCED BY DIRECTOR SMITH MCDONALD
SECONDED BY DIRECTOR PALMER

Mid-Cycle Budget Amendment for FY 2021-22

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 budget amendment including revenues, expenses, and the use of fund balances (reserves) for Fiscal 2021-22 (Exhibit A):

1. Fund 100 - Water Enterprise Operations;
2. Fund 110 - State Water Facilities;
3. Fund 120 - Water Enterprise Renewal & Replacement, System-Wide Improvements;
4. Fund 130 - Water Enterprise Capital Expansion;
5. Fund 200 - Flood Protection Operations;
6. Fund 210 - Flood Protection Development Impact Fee (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 Year 2021-22 and authorize 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 2021-22 to meet that portion of the District's State Water Supply Contract obligation. All funds received by the District pursuant to the aforementioned property

tax levy shall be placed in Fund 110, a separate fund identified for the indebtedness set forth above; and

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

BE IT FURTHER RESOLVED that the Board of Directors of Zone 7 of 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 Year 2021-22 and authorize the General Manager to implement such personnel actions; and

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

ADOPTED BY THE FOLLOWING VOTE:

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

NOES: NONE

ABSENT: DIRECTOR RAMIREZ HOLMES

ABSTAIN: NONE

I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Directors of Zone 7 of Alameda County Flood Control and Water Conservation District on June 16, 2021.

DocuSigned by:

Olivia Sanwong

By:

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President, Board of Directors

**Exhibit A - FY2021-22
Annual 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 6/30/2022. 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/Stormwater Drainage Development Impact Fee Fund).

Summary of Annual Budget by Account Classification - FY 2021-22 Proposed Amended Budget

FY 2021-22 PROPOSED AMENDED 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/ General Fund	Fund 210 Flood Protection Development Impact Fees	Total
Audited Fund Balance 7/1/2020	28,934,000	32,485,000	65,259,000	107,613,000	20,010,000	69,649,000	\$ 241,948,319
FY 2020-21 Projected Change in Fund Balance	7,357,000	1,140,000	(20,290,000)	(39,070,000)	213,000	2,566,000	(48,084,000)
Estimated Fund Balance 7/1/2021	36,291,000	33,625,000	44,969,000	68,543,000	20,223,000	72,215,000	275,866,000
Revenue							
Water Sales & Service	55,287,000	2,252,000					57,539,000
Property Taxes		22,150,000			9,858,000		32,008,000
Development Fees				27,896,000		2,835,000	30,731,000
Charges for Services	52,000		3,000		48,000		103,000
Aid from Governmental Agencies	50,000	51,000			65,000		166,000
Investment Earnings	57,000	72,000	84,000	210,000	17,000	173,000	613,000
Other Revenue	135,000	3,333,000		3,100,000	110,000	25,000	6,703,000
<i>Subtotal (before transfers)</i>	<i>55,581,000</i>	<i>27,858,000</i>	<i>87,000</i>	<i>31,206,000</i>	<i>10,098,000</i>	<i>3,033,000</i>	<i>127,863,000</i>
Transfers	-	-	13,373,000				13,373,000
Total Revenue	55,581,000	27,858,000	13,460,000	31,206,000	10,098,000	3,033,000	141,236,000
Expenses							
Personnel	18,072,000		1,345,000	273,000	2,907,000	253,000	22,850,000
Professional Services	2,627,000				1,284,000		3,911,000
Potable Reuse Task Order	500,000						500,000
Alt Groundwater Sustainability Plan	50,000						50,000
County Services	1,182,000						1,182,000
County Services (Election Expense)	500,000						500,000
Insurance Services	520,000						520,000
Legal Services	450,000						450,000
Water	15,015,000	29,279,000		17,763,000			62,057,000
Chemicals	1,870,000						1,870,000
Utilities	2,835,000						2,835,000
PFAS Treatment	1,000,000						1,000,000
Communications	366,000				4,000		370,000
Repairs and Maintenance	1,919,000				5,716,000		7,635,000
Cleaning Services	184,000				10,000		194,000
Rental Services	72,000				50,000		122,000
Other General Office Services/ Supplies	405,000				814,000		1,219,000
Organizational Membership/ Participation	857,000				63,000		920,000
Training and Travel	131,000				15,000		146,000
Water Conservation Program	150,000						150,000
Capital Projects			35,708,000	3,860,000	5,967,000	597,000	46,132,000
Equipment, Furniture and Vehicles	36,000				225,000		261,000
Debt Service	3,124,000			1,093,000			4,217,000
<i>Subtotal (before transfers)</i>	<i>51,865,000</i>	<i>29,279,000</i>	<i>37,053,000</i>	<i>22,989,000</i>	<i>17,055,000</i>	<i>850,000</i>	<i>159,091,000</i>
Transfers	13,577,000				14,000		13,591,000
Total Expenses	65,442,000	29,279,000	37,053,000	22,989,000	17,069,000	850,000	172,682,000
Estimated Ending Fund Balance 6/30/22	26,430,000	32,204,000	21,376,000	76,760,000	13,252,000	74,398,000	244,420,000
Reserve Balances							
Operating	12,788,000	32,204,000			2,220,000		47,212,000
Debt Rate Stabilization			6,300,000	2,300,000			8,600,000
Emergency	5,698,000						5,698,000
Reserve for Economic Uncertainties	3,414,000						3,414,000
Capital Projects			15,076,000	51,817,000	10,862,000	74,398,000	152,153,000
Assigned for Water Supply Reliability Projects	3,000,000						3,000,000
Section 115 Trust	1,530,000				170,000		1,700,000
<i>Future Contractor's Share of the South Bay Aqueduct</i>				780,000			780,000
<i>South Bay Aqueduct Enlargement</i>				1,410,000			1,410,000
Sinking Funds Reserve Balance				22,643,000			22,643,000
Total Reserves	\$ 26,430,000	\$ 32,204,000	\$ 21,376,000	\$ 76,760,000	\$ 13,252,000	\$ 74,398,000	\$ 244,420,000
Change in Fund Balance (use of reserves)	(9,861,000)	(1,421,000)	(23,593,000)	8,217,000	(6,971,000)	2,183,000	(31,446,000)
Note: Values rounded to the nearest thousand.							

Exhibit B
 FY 2021-22 Proposed Budget Amendment
 Capital Improvement Program (CIP) Project/Program Listing

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

	FY 21-22 Proposed Budget Amendment
Asset Management Program Management	\$70,000
AV Water Right Permit Extension (existing project)	\$300,000
Booster Pump Station	\$5,010,000
Capital Improvement Program Management	\$40,000
Chain of Lakes Pipeline	\$1,590,000
Chain of Lakes Facilities and Improvements - Water Supply	\$150,000
Chain of Lakes Master Planning	\$3,000
Contingency	\$750,000
Corrosion Protection Project	\$430,000
Cross Valley Line Valve at Stanley/Murrieta Blvd (schedule adjustment)	\$0
Distribution System Control Station Replacement	\$970,000
DVWTP Chemical Ferric Chloride and Caustic System Replacements	\$300,000
DVWTP Roadway/Parking Lot Improvements and Post Ozone Modifications	\$2,000,000
DVWTP Underdrain Pump Station Replacement	\$350,000
Laboratory Equipment Replacement	\$150,000
MGDP Acid Injection Facility (cost adjustment)	\$3,200,000
MGDP RO Membrane Replacement	\$250,000
Minor Renewal/Replacement Projects	\$550,000
Pipeline Spare Parts (new project)	\$550,000
Replacement of turbidimeters, chlorine analyzers and ammonia analyzers (new project)	\$310,000
Del Valle Influent Screen (new project)	\$100,000
Mocho 2 Building and Electrical Systems Replacement	\$490,000
Monitoring Well Replacements & Abandonments	\$190,000
North Canyons Office Interior Replacement Project	\$425,600
North Canyons Renewal/Replacement and Improvements	\$30,400
North Canyons Roofing Rehabilitation Project	\$304,000
PPWTP Anionic System Replacement	\$80,000
SCADA Upgrades and Replacements	\$570,000
Silver Oaks Pump Station Replacement	\$810,000
System-Wide Installation of Line Valves	\$80,000
Well PFAS Treatment Project	\$12,000,000
Drought Related Projects (new project)	\$5,000,000
Total	\$37,053,000

Fund 120 – Project Descriptions

AV Water Right Permit Extension – Increase of \$0.3M (existing project): Zone 7 has held a water right on Arroyo Valle for many decades; the proposed water right “project” is tied to owning and building the future Chain of Lakes to maximize the amount of water put to beneficial use under the permit. On submittal of the Agency’s most recent petition for extension of time (to complete the project) to SWRCB, four public protests with very specific concerns were received. Additional technical and environmental studies are needed at this time to satisfy

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Capital Improvement Program (CIP) Project/Program Listing

both the protestors and the SWRCB in the Agency's effort to eventually "perfect" (guarantee) the water right. Of the \$0.3M increase, \$0.1 is identified for a new modeling task to verify the amount of local water available for beneficial use and under what operational conditions, \$0.15M is identified for additional environmental studies and for CEQA compliance, and \$0.05M is identified for ongoing support from a water right permitting specialty firm.

Cross Valley Line Valve at Stanley/Murrieta Blvd. – Decrease of \$0.6M (Defer Existing Project): This valve will be at a junction in the system that increases operational flexibility to route the flow of water in the distribution system and reduce the number of turnouts that would be disrupted in case a portion of the pipeline needed to be taken out of service for repairs. Staff has recommended deferring this project four years for an in-service date of FY 2025-26. Deferring this project will have minimal operational impact. The potential minimal impact of deferring is that it would require more effort to dewater the Cross Valley Pipeline, if needed for repairs.

MGDP Acid Injection Facility – Increase of \$1.4M (Existing Project): During the initial design phase, it was determined that the existing containment area will not provide enough chemical storage and will not be in compliance with updated building codes to house the new conditioning chemical facilities. Due to spatial constraints at the MGDP site, the existing containment area is still the best option for the acid storage and feed system. The project scope needs to include rebuilding the containment area and modifications to the existing building to provide appropriate chemical storage and bring the facility to current code. The revised scope is estimated to increase the project cost by about \$1.4 million.

Pipeline Spare Parts – \$0.6M (New Project): Zone 7 has reviewed ways to be more responsive to potential emergency repairs. While on-call construction contracts have improved responsiveness, delays can still occur in the procurement of replacement parts. This proposed budget is to procure the pipeline spools, valves, and other accessories for the various sizes of pipelines in the Zone 7 water transmission system. Having the spools and accessories available at a local Zone 7 facility is expected to shorten response time to conduct a repair.

Replacement of Water Quality Analyzers (Turbidimeters, Chlorine and Ammonia Analyzers) - \$0.3M (New Project):

Turbidimeters let Operations and Water Quality personnel know how cloudy or "turbid" the water is. All facilities utilize Hach Turbidimeters. Instead of replacing each turbidimeter that fails one at a time, staff recommends replacing the remaining turbidimeters with the new TU5300 analyzer. Impacted Facilities: Del Valle Water Treatment Plant, Patterson Pass Water Treatment Plant, and Distribution and Wellfield System.

Chlorine analyzers provide Operations and Water Quality personnel with the amount of residual chlorine level in the treated water at the water treatment plants and out in the wellfield. This monitoring is used to meet water treatment regulations for disinfection, distribution residual levels, and water quality parameters such as disinfection byproducts. Instead of replacing each chlorine analyzer one at a time, staff recommends replacing the remaining chlorine analyzers with the new CL17sc. Impacted Facilities: Del Valle Water Treatment Plant, Patterson Pass Water Treatment Plant, and Distribution and Wellfield System.

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Ammonia analyzers provide Operations and Water Quality personnel with the amount of residual free ammonia in the treated water leaving Mocho Groundwater Demineralization Plant, Del Valle Water Treatment Plant, and Patterson Pass Water Treatment Plant. Instead of replacing each ammonia analyzer one at a time, staff recommends replacing the remaining ammonia analyzers with the new 5500sc. Impacted Facilities: Del Valle Water Treatment Plant, Patterson Pass Water Treatment Plant, and Mocho Groundwater Demineralization Plant.

Del Valle Influent Screen - \$0.1M (New Project): The Del Valle Water Treatment Plant has an inlet screening structure that removes large debris from the raw water that is delivered via the South Bay Aqueduct. The traveling screen was installed in 2011 During the (DAF) Dissolved Air Floatation Plant project. This structure is a critical single failure point in the production process of the Del Valle Water Treatment Plant. Staff recommends replacing the complete screening structure due to age, high probability of failure at a critical peak production time, and end of useful life.

Drought Related Project - \$5.0M (New Projects): In the proposed budget amendment, Staff have incorporated drought related projects. Staff estimates \$5M will be needed to fund drought related projects in FY 2021-22 and assumes that these projects will receive a 75% reimbursement from Federal and state grant programs in FY 2022-23.

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 Capital Improvement Program (CIP) Project/Program Listing

**Fund 130 – Water Enterprise Capital Expansion
 Capital Projects Listing**

	FY 21-22 Proposed Budget Amendment
Busch-Valley Well 1	\$1,670,000
Capital Improvement Program Management	\$110,000
Cawelo Groundwater Banking Program Debt Service	\$1,092,450
Chain of Lakes Facilities and Improvements - Water Supply	\$350,000
Chain of Lakes Master Planning	\$7,000
Chain of Lakes Pipeline	\$1,410,000
Conservation - Other Items	\$22,940
Conservation - Rebates	\$33,000
Contingency	\$500,000
Fourth Contractor's Share of the SBA - Capital Costs	\$3,000,000
North Canyons Office Interior Replacement Project	\$16,800
North Canyons Renewal/Replacement and Improvements	\$1,200
North Canyons Roofing Rehabilitation Project	\$12,000
South Bay Aqueduct Enlargement Project	\$14,723,254
SWP Peaking Payment (Lost Hills & Belridge Water Districts)	\$40,000
Vasco Pipeline Enlargement and Replacement (schedule adjustment)	\$0
Total	\$22,988,644

Fund 130 – Project Description

Vasco Pipeline Enlargement and Replacement – Decrease of \$0.4M (Defer Existing Project): The Vasco pipeline enlargement and replacement project involves upsizing and replacing the existing, undersized Vasco 1 pipeline constructed in 1964 and Vasco 2 pipeline constructed in 1969. Staff has recommended deferring this project two years for an in-service date of FY 2026-27. The Vasco Pipeline project is also anticipated to be debt financed. This project was initially scheduled because of projected demand growth to replace the pipeline with a larger pipeline, not because of its age and maintenance issues. In fact, the Vasco Pipeline has not had any maintenance issues to date. Although constrained, Zone 7 can still provide turnouts fed by the Vasco Pipeline and the ability to convey water will be improved when the new PPWTP treated water pump station is operational. Demand growth may also be lower than anticipated due to recent drought and increased conservation related communication and regulations.

Exhibit B
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 Capital Improvement Program (CIP) Project/Program Listing

**Fund 200 – Flood Protection Operations
 Capital Projects Listing**

	FY 21-22 Proposed Budget Amendment
Chain of Lakes Planning	\$4,400
COL Facilities and Improvements	\$60,000
Living Arroyos	\$226,000
North Canyons Office Interior Replacement Project	\$112,000
North Canyons Renewal/Replacement and Improvements	\$8,000
North Canyons Roofing Rehabilitation Project	\$80,000
Flood Protection Studies	\$59,000
Stanley Reach Stabilization Project	\$5,300,000
Flood Hydrology Update (cost adjustment)	\$118,000
Total	\$5,967,400

Fund 200 – Project Description

Flood Hydrology Update – Increase of \$0.09M (Existing Project): High-Definition Light Detection and Ranging (LiDAR) is used to provide a topographical survey of the region with a vertical accuracy as good as 2” (5 cm), which is a significant improvement over what Zone 7 has been accustomed to. This higher accuracy HD data has many benefits; it will greatly enhance Zone 7’s hydraulic models to determine locations, size of the areas, volume and depth of flooding which will in turn accurately quantify the magnitude and costs of capital flood improvement projects.

Exhibit B
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 Capital Improvement Program (CIP) Project/Program Listing

**Fund 210 – Flood Protection DIF Fund
 Capital Projects Listing**

	FY 21-22 Proposed Budget Amendment
Chain of Lakes Planning	\$5,600
North Canyons Renewal/Replacement and Improvements	\$400
COL Facilities and Improvements	\$80,000
Contingency	500,000
Flood Protection Planning Efforts	\$131,777
North Canyons Office Interior Replacement Project	\$5,600
North Canyons Roofing Rehabilitation Project	\$4,000
Flood Protection Studies	\$41,000
Flood Hydrology Update (cost adjustment)	\$82,000
Total	\$850,377

Fund 210 – Project Description

Flood Hydrology Update – Increase of \$0.08M (Existing Project): High-Definition Light Detection and Ranging (LiDAR) is used to provide a topographical survey of the region with a vertical accuracy as good as 2" (5 cm), which is a significant improvement over what Zone 7 has been accustomed to. This higher accuracy HD data has many benefits; it will greatly enhance Zone 7's hydraulic models to determine locations, size of the areas, volume and depth of flooding which will in turn accurately quantify the magnitude and costs of capital flood improvement projects.