



Zone 7 Water Agency
Fiscal Year 2013-14 Budget



Zone 7 Water Agency

Fiscal Year 2013-14 Budget

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Introduction



Zone 7 Water Agency
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Zone 7 Service Area

Zone 7 supplies treated drinking water to retailers serving more than 200,000 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 provide flood protection to all of eastern Alameda County.



Zone 7 Water Agency Leadership

Board of Directors, 2012-2013

Sarah Palmer, President

Board Member since 2006 – Term Expires June 30, 2014

Bill Stevens, Vice President

Board Member since 1998 – Term Expires June 30, 2014

Sandy Figuers

Board Member since 2008 – Time Expires June 30, 2016

Dick Quigley

Board Member since 2004 – Term Expires June 30, 2016

John Greci

Board Member since 1994 – Term Expires June 30, 2014

AJ Machaevich

Board Member since 2010 – Term Expires June 30, 2014

Angela Ramirez Holmes

Board Member since 2012 – Term Expires June 30, 2016

Executive Management Team

Jill Duerig

General Manager

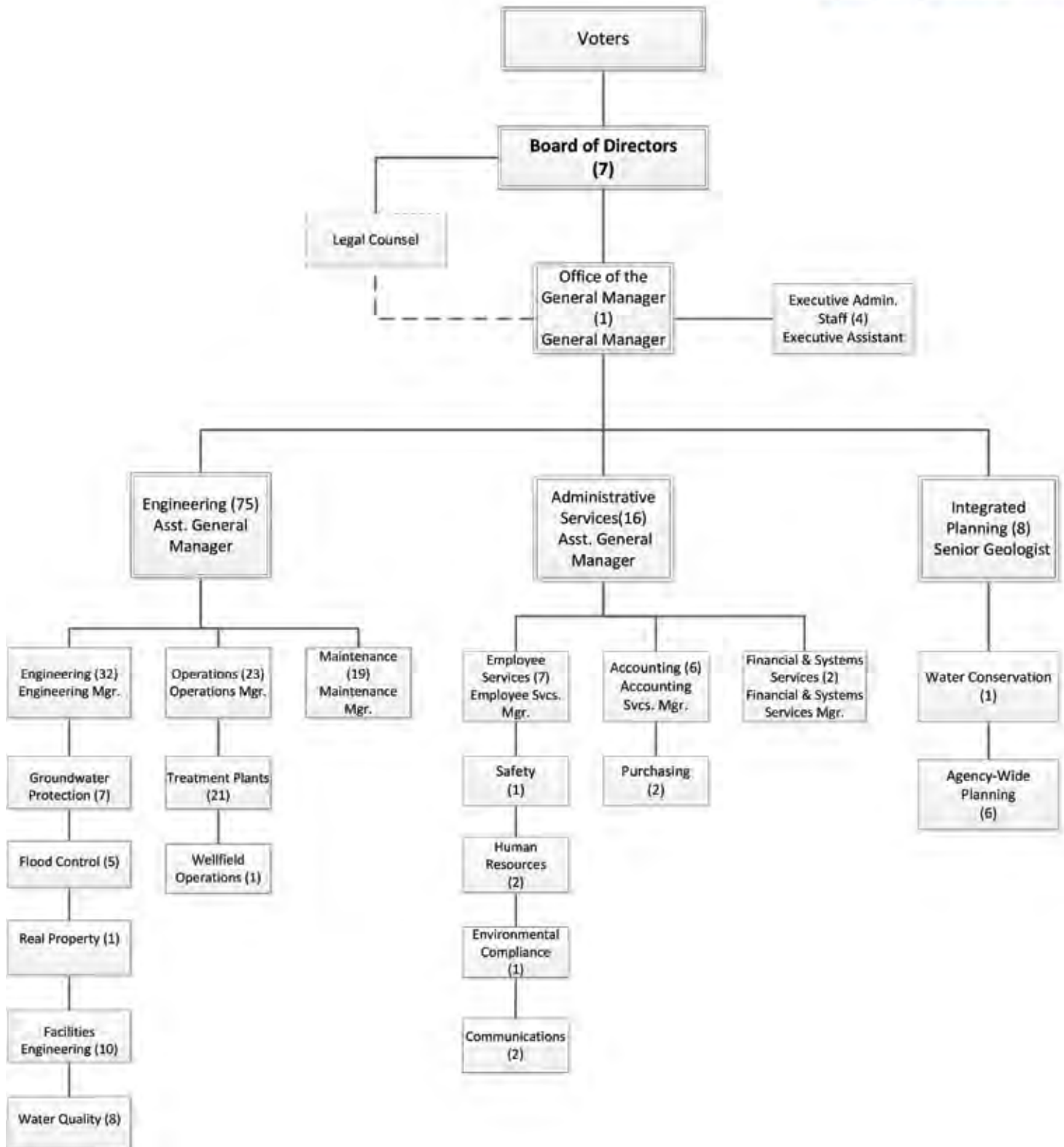
Kurt Arends

Assistant General Manager, Engineering

Tom Hughes

Assistant General Manager, Administrative Services

Agency Organization Chart



Agency Overview

The Zone 7 Water Agency is a dependent special district established under the Alameda County Flood Control and Water Conservation District Act. The Alameda County Flood Control and Water Conservation District Act (Chapter 55 of the California Water Code Appendix) passed in 1949. Zone 7 was established by a vote of the residents of the Livermore-Amador Valley area in 1957, with its own independently elected board to provide local control of integrated water resources. Zone 7 is responsible for providing wholesale treated and untreated water, flood control and groundwater management in the Livermore-Amador Valley.

Service Functions

Zone 7 provides wholesale treated water, untreated irrigation water, and flood control. The territory includes 430 square miles. Zone 7 has broad power to finance, construct and operate a system for the transportation, storage, treatment and distribution of water.

Zone 7 supplies wholesale potable water to four retail water customers, which are the City of Livermore, City of Pleasanton, Dublin-San Ramon Services District (DSRSD) and the California Water Service Company. These customers distribute the water to municipal and industrial customers in Dublin, Livermore, Pleasanton and the Dougherty Valley portion of San Ramon.

Key Business Relationships

Zone 7 imports water to the valley from the State Water Project, operated by the Department of Water Resources (DWR) of the State of California. The annual cost of the water is about \$14M. The state has issued significant amount of bonds. Zone 7 is one of 29 water contractors who share cost of the debt service for the State bonds. Zone 7's annual share of the debt service is about \$26M, which is apportioned between current and future customers.

Our major customers are the cities of Pleasanton, Livermore, Dublin, Dublin-San Ramon Service District for the Dougherty Valley area, and California Water Service, collectively referred to as the retailers.

Mission Statement

Zone 7 Water Agency is committed to providing a reliable supply of high-quality water and an effective Flood-control system to the Livermore-Amador Valley. In fulfilling our present and future commitments to the community, we will develop and manage our water resources in a fiscally responsible, innovative, proactive, and environmentally sensitive way.

Vision Statement

To be recognized as the platinum standard water and flood control district in which to live, work and do business by enhancing the quality of life, economic vitality and environmental health of the communities we serve.

Values

1. **OPEN AND TRANSPARENT** – The Board’s meetings and communications shall be open and public, except when the Brown Act authorizes otherwise.
2. **CUSTOMER SERVICE** – Our commitment to the community requires prompt, respectful and courteous relations with our customers, both internal and external, as well as pursuing community partnerships and collaboration with other area public agencies when beneficial to the public.
3. **INTEGRITY** – We practice the highest ethical standards and maintain open, honest communications at all levels of the organization at all times.
4. **FISCALLY RESPONSIBLE** – We will operate in a productive, cost effective, transparent and efficient manner to ensure sound financial stability.
5. **ENVIRONMENTALLY SENSITIVE** – In carrying out our mission, we are dedicated to preserving and enhancing the environment while complying with regulations.
6. **INNOVATIVE/PROACTIVE** – We encourage innovation, creativity and ingenuity, seeking constant improvement and keeping up with the latest economical technologies and management practices.
7. **SAFETY** – We are committed to public and employee safety to maintain a healthy work environment. We work safely and provide safe products and services.
8. **EMPLOYEE DEVELOPMENT** – We foster a respect for diversity, equality, a spirit of performance-based accountability and productivity along with personal and professional growth for all team members so as to achieve excellence through the collective energy that comes from a work environment where each employee can flourish and succeed to their highest potential.

History and Services

Since long before Zone 7 was created, the critical issues of water supply, water quality and flood protection have shaped the region's ability to prosper either agriculturally or as a thriving Bay Area suburb. Although the Valley was far less populated during the first half of the 20th Century than it is today, a declining groundwater table and periods of drought back then had local farmers, vintners and residents alike worried about their livelihoods, according to reports published in 1948. And there was frequent flooding, particularly in northern Pleasanton, where Hacienda Business Park is now located.

The Creation of Zone 7

Zone 7 – established in 1957 by local voters demanding local control over local water resource planning, flood protection and financing – has taken the Valley a long way to resolving many of its most pressing water supply, water quality and



flood protection problems. The locally-elected seven-member Board of Directors has continually formulated and implemented needed programs for flood protection and water resource management, incorporating recreational and environmental benefits where feasible.

But many issues have persisted over the decades, and their implications on local land use, local control and local financing continue to surface. Indeed, they are alive and well today as Zone 7 works to improve water reliability and quality, along with flood protection, in the most economical and environmentally sound ways possible, and to accommodate new development being approved by Valley cities at no cost or harm to existing residents.

Zone 7's Independence

Since its formation, Zone 7 has continued to take steps to expand its level of local control and autonomy. Most recently, in 2003, state legislation granted Zone 7 more authority over issues and projects of exclusive interest to Zone 7, allowing the Board to improve economic efficiencies and reduce administrative duplication with the county.

Local control has allowed Zone 7 to develop master plans that integrate and optimize water supply, water quality, flood management and environmental stewardship.

Executive Summary



Zone 7 Water Agency
Fiscal Year 2013-14 Budget

Agency Fiscal Overview

The Zone 7 Water Agency's Operating and Capital Budget for Fiscal Year ending 2014 includes a brief explanation of the Agency's budget process, a breakdown of the budget by Major Funding Area, Section and Program. Also included is a summary of the new Chart of Accounts structure to be implemented July 1, 2013, in conjunction with a new financial software system, New World.

The Agency's operating budget is \$151.6M for FY 13/14. This proposed budget has been reviewed by management, staff, and the Board of Directors.

This fiscal years' budget is created and operated in accordance with the Agency's Mission, Vision and Value Statements, and all other Board-adopted policies.

Fiscal Year

Zone 7 Water Agency operates on a fiscal year which runs July 1 through June 30. In the document, if a year is used, it means the end of the fiscal year, so for example, 2012 is the fiscal year ending June 30, 2012. "FYE" for fiscal year ending is also used.

Budget Process

The normal budget process begins at the Section level. Supervisors prepare their budgets and submit them to the Division Managers, then to the Assistant General Manager for their review and approval. Managers then meet with the General Manager, who determines the impact on each of the Agency's funds.

The budget is presented to the retailers, to the Finance Committee, and then to the full Board of Directors for review and adoption prior to June 30. This year the budget was adopted on May 15, 2013.

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
BOARD OF DIRECTORS

RESOLUTION NO 13-4268

INTRODUCED BY DIRECTOR FIGUERS
SECONDED BY DIRECTOR QUIGLEY

BE IT RESOLVED that the Board of Directors of Zone 7 of Alameda County Flood Control and Water Conservation District, acting pursuant to authority granted by California law, does hereby approve the following budgets, including revenue, expenses and the use of fund balance for Fiscal Year 2013/14 (Exhibit A):

1. Water Enterprise Budget (Fund 100);
2. State Water Facilities Budget (Fund 110);
3. Water Renewal & Replacement, System-Wide Improvements Capital Projects (Fund 120)
4. Water Expansion Capital Projects (Fund 130);
5. General Fund/Flood Control Budget (Fund 200);
6. Flood Protection/Stormwater Drainage DIF Capital Projects (Fund 210); and

BE IT FURTHER RESOLVED that the Board of Directors of Zone 7, acting pursuant to authority granted by California law, does hereby request the Board of Supervisors of the Alameda County Flood Control and Water Conservation District to incorporate said budgets of Zone 7 in the budget of said District, where applicable; and

BE IT FURTHER RESOLVED that the Board of Directors of Zone 7, acting pursuant to authority granted by California law, understands that, as in the past, the monies called for in said budgets of Zone 7 will be collected in the normal course of business by the County of Alameda, acting on behalf of Zone 7; 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 in Fiscal Year 2013-14 a property tax within the District sufficient to raise the sum of \$10,500,000 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 a separate fund identified for the indebtedness set forth above; and

BE IT FURTHER RESOLVED that the Board of Directors of Zone 7, acting pursuant to authority granted by California law, 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

Executive Summary

BE IT FURTHER RESOLVED that the Board of Directors of Zone 7 of Alameda County Flood Control and Water Conservation District, acting pursuant to authority granted by California law, does hereby approve the personnel actions, if any, as contained in the Zone 7 Budget for Fiscal Year 2013/14 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, GRECI, MACHAEVICH, PALMER, QUIGLEY, RAMIREZ HOLMES, STEVENS

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 Alameda County Flood Control and Water Conservation District on May 17, 2013.

By: 

President, Board of Directors

Summary of Annual Budget

Estimated Change in Reserve Balances

The fund schedule on the following page summarizes Zone 7's overall financial picture by individual fund. It includes revenue and expenses as well as projected reserve balances at 6/30/2014.

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 Control and Flood Protection/Storm water drainage Development Impact Fee Fund).

Summary of Annual Budget by Account Classification – FY 13/14 Proposed Budget

FY 13/14 PROPOSED BUDGET	Fund 100 Water Enterprise	Fund 110 State Water Facilities	Fund 120 Water Enterprise Capital Renewal/Replacement/Improvements	Fund 130 Water Enterprise Capital Expansion	Fund 200 Flood Protection/General Fund	Fund 210 Flood Protection Development Impact Fees	Total
1 Available Fund Balance July 1, 2012	\$ 27,252,955	\$ 10,603,823	\$ 21,733,112	\$ 51,782,174	\$ 23,559,397	\$ 36,696,155	\$ 171,627,616
2 FY 12/13 Projected Change in Fund Balance (Revenue over Expenses)	(2,771,599)	(1,593,319)	(4,666,715)	1,110,602	36,683	400,125	(7,484,223)
3 FY 12/13 Budgeted Change in Fund Balance (Revenue over Expenses) ¹	(1,499,045)	(1,373,154)	(5,254,809)	(7,443,906)	441,971	(1,320,626)	(16,449,569)
4 Estimated Beginning Fund Balance July 1, 2013	24,481,356	9,010,504	17,066,397	52,892,776	23,596,080	37,096,280	164,143,393
5 Revenue							
6 Water Sales & Service	37,664,745	1,299,710					38,964,455
7 Property Taxes		11,247,000			5,979,557		17,226,557
8 Development Fees			250,000	18,400,000		2,500,000	21,150,000
9 Charges for Services		45,000	7,500		3,000		55,500
10 Aid from Governmental Agencies - State	700	611			54,000		55,311
11 Aid from Governmental Agencies - Local					690		690
12 Investment Earnings	95,000	16,522	74,462	166,565	110,600	132,000	595,149
13 Rents and Royalties	31,000				17,500		48,500
14 Other Revenue	93,300	1,189,542		2,381,600	35,000		3,699,442
15 Transfers			8,500,000				8,500,000
16 Total Revenue	37,884,745	13,798,385	8,831,962	20,948,165	6,200,347	2,632,000	90,295,604
17 Expenses							
18 Labor and Benefits Distributed	13,909,726				1,457,332		15,367,058
19 Credits/Charges for Applied Overhead	(1,792,812)		863,597	131,348	642,733	155,134	-
20 Purchased Services	4,074,437				947,901		5,022,338
21 Water	6,878,235	14,118,181		18,654,187			39,650,603
22 Chemicals	2,841,522						2,841,522
23 Energy	1,822,126						1,822,126
24 Communications	174,755				2,200		176,955
25 Cleaning Services	48,835				10,000		58,835
26 Repairs and Maintenance	2,381,514				2,115,356		4,496,870
27 Rental Services	108,650				145,500		254,150
28 General Office Services/ Supplies	584,385				19,550		603,935
29 Organizational Membership/ Participation	519,283				123,500		642,783
30 Other Services/ Supplies	769,206				28,400		797,606
31 Training and Travel	395,220				30,900		426,120
32 Special Departmental Expense/Capital Projects	586,392				13,333		599,725
33 Capital Projects			14,056,780	2,988,999	16,693,660	5,807,405	39,546,844
34 Equipment, Furniture and Vehicles	22,000						22,000
35 Debt Service				30,753,481			30,753,481
36 <i>Subtotal (before transfers)</i>	<i>33,323,474</i>	<i>14,118,181</i>	<i>14,920,377</i>	<i>52,528,015</i>	<i>22,230,365</i>	<i>5,962,539</i>	<i>143,082,951</i>
37 Transfers	8,500,000						8,500,000
38 Total Expenses	41,823,474	14,118,181	14,920,377	52,528,015	22,230,365	5,962,539	151,582,951
39 Estimated Ending Fund Balance June 30, 2014	20,542,627	8,690,708	10,977,982	21,312,926	7,566,062	33,765,741	102,856,046
40 Reserve Balances							
41 Operating	8,308,044	8,690,708			2,768,353		19,767,105
42 Rate Stabilization	2,259,885						2,259,885
43 Emergency	4,113,026						4,113,026
44 Drought Contingency	5,861,673						5,861,673
45 Capital Projects			7,500,871	11,855,184	3,951,323	32,939,889	56,247,267
46 Sinking Funds - FY 13/14 Contributions							
47 <i>Building Sinking Fund</i>			397,467	36,235	88,326	88,326	610,354
48 <i>Future Contractor's Share of the South Bay Aqueduct</i>				28,366			28,366
49 <i>South Bay Aqueduct Enlargement</i>				169,759			169,759
50 Sinking Funds Reserve Balance			3,477,111	9,457,742	846,386	825,852	14,607,091
51 Total Reserves (lines 41+42+43+44+50)	\$ 20,542,627	\$ 8,690,708	\$ 10,977,982	\$ 21,312,926	\$ 7,566,062	\$ 33,765,741	\$ 102,856,046
52 Change in Fund Balance ² (use of reserves) - line 51 minus line 4	(3,938,729)	(319,796)	(6,088,415)	(31,579,850)	(16,030,018)	(3,330,539)	(61,287,347)

Notes

¹Shown for comparative purposes only.

²In order to achieve a balanced budget, use of reserve as shown in line 52 will be appropriated as revenue in the financial/accounting system.

Challenges

Financial issues facing the Agency continue to be the slow recovery of the economy, the increasing effects from water conservation efforts and the continued allocations to our Asset Management Program.

Economy

New development within the service area has been picking up, providing slight growth in new water rate payers and connection fee revenue. A leveling-off in property values has resulted in stabilization of the 2012 and 2013 assessment roll. Alameda County's average unemployment rate has decreased markedly, now registering 7.7 percent as of April 2012, below the 2012 rate of 9.0 percent, exhibiting signs of slow but steady economic stabilization.

Water Conservation

The policy of water conservation has an adverse effect on water sales; as the consumers use less water often the rates will have to go up to bring in the revenue needed to support costs most of which are fixed. In the fall of 2009, the Legislature passed the Water Conservation Act of 2009 SBX7-7, which sets an overall goal of reducing per capita urban water use by 20% by the end of 2020, and calls for agricultural water suppliers to prepare and adopt water management plans. Failure to meet this goal currently results in an agency not being eligible for state grants. The Agency is working collaboratively with the retailers to meet this requirement.

Water conservation and other recycling efforts are nearing the level of "demand hardening" or maximum potential as all new construction and landscaping is utilizing improved ecological designs, and older systems have been updated. Water demands continue to decrease while fixed costs remain high.

Capital Projects

With the addition of new facilities, and as the water system infrastructure ages with time, the annual funding of the Renewal/Replacement and System-wide Improvement Fund from the Water Enterprise Fund is increasing. An updated Asset Management Program study to assess the condition of Zone 7's infrastructure was adopted by the Board on June 15, 2011. Funding transfers increasing from \$6.6 million in FY 2012/13 to \$11.4 million in FY 2017/18 will be made from the Water Enterprise Fund into the Renewal/Replacement and System-wide Improvements Fund.

Significant planning and capital improvements are needed to support future development. Over the past five years new connections to our water system have slowed significantly from the rapid growth experienced in the early 2000's. While there are indications of recovery, constructions of major expansion facilities have been deferred. The FY 13/14 Expansion budget reflects Zone 7's first priority of funding non-discretionary obligations.

Recent Rate and Fee Changes

Treated Water Rate

In 2012, the Zone 7 Board approved a two-year treated water rate schedule for calendar years 2013 and 2014. Zone 7 has made significant strides in cutting operating costs on behalf of its ratepayers, allowing for no increase in rates for 2013 and a CPI adjustment of 2.65% for 2014.

Untreated Water Rate

In 2012, the Zone 7 Board adopted the untreated water rate for 2013. On average, Zone 7 provides 4,500 acre-feet of untreated water for agricultural and irrigation purposes. The adopted rate of \$110 for calendar year 2013, represents Zone 7's cost of providing this water supply.

Water Connection Fee

A water connection fee of \$23,500 for the Zone 7 service area and \$21,750 for the Dougherty Valley Service Area was adopted in October 2012. The fees were adjusted by the change in the construction cost index from September 2011 to September 2012.

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 through 2012 until the SMMP and DIF were reevaluated. This evaluation is currently underway. 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, 2013, the fee remains at \$1.00 per square foot of new impervious surface created.

Financial Overview



Zone 7 Water Agency
Fiscal Year 2013-14 Budget

Description of Funds

Water Enterprise Fund – Fund 100 (formerly Fund 52)

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 water; distribution of untreated agricultural water; and surface water and groundwater management. Water distributed is a combination of locally conserved and imported water from the State Water Project. Activities include water treatment; water quality analysis; water resource management and groundwater protection; and water supply planning and engineering. Primary Funding Source: Water Rates

State Water Project Fund – Fund 110 (formerly Fund 51)

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. Primary Funding Source: Property Taxes

Water Renewal/Replacement and System-Wide Improvement Fund – Fund 120 (formerly Fund 72)

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. Primary Funding Source: Water Rates via a transfer from the Water Enterprise Fund

Water Expansion Fund – Fund 130 (formerly Fund 73)

The purpose of this fund 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. Primary Funding Source: Water Connection Fees

Flood Protection Operations – Fund 200 (formerly Fund 50)

This fund provides for general administration and flood control services to ensure the controlled drainage of the Valley’s excess water runoff. Zone 7 manages a watershed of nearly 620 square miles including eastern Alameda County and parts of Contra Costa, Santa Clara and San Joaquin Counties. More than 37 miles of flood control channels and 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. Primary Funding Source: Property Taxes

Flood Protection Stormwater Drainage and Development Impact Fee Fund – Fund 210 (formerly Fund 76)

The purpose of this fund 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. Funds are expended on the planning, design, lands and right of way acquisition, environmental review, permitting, and construction for drainage projects. Primary Funding Source: Development Impact Fees

Agency Programs and Sub-Programs

Program 10: Water Utility Support Services

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

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

Program 20: Water Storage

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

Sub-Programs within this Program: Administration, Water Conservation, State Water Project, Byron Bethany Irrigation District, Bay Delta, Local Water Rights, Other Water Supplies

Program 30: Water Storage

The Water Storage Program involves the storage of raw water supplies, including groundwater and out-of-basin storage.

Sub-Programs within this Program: Administration, Groundwater Basin Monitoring, Groundwater Basin Management & Evaluation, Well Permit & Inspection, Semitropic, Cawelo, Chain of Lakes

Program 40: Water Treatment

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

Sub-Programs within this Program: Administration, Groundwater Basin Monitoring, Groundwater Basin Management & Evaluation, Well Permit & Inspection, Semitropic, Cawelo, Chain of Lakes, Del Valle Water Treatment Plant, Patterson Pass Water Treatment Plant, Mocho Groundwater Demin Plant, and all wells

Program 50: Water Transmission

The Water Transmission Program involves the transmission and delivery of potable water.

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

Program 60: Central Administration

The Central Administration Program involves the administration and management of Zone 7 Water Agency which impacts both 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, Admin 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.

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

Financial Policies

Audit (Appendix A)

The Districts financial statements are reviewed annually by an independent professional audit firm. A competitive bidding process is conducted every five years.

Financial Reserves (Appendix B)

The Financial Reserve policy was initially adopted by the Board in 2005 and updated with the adoption of a new Reserve policy on April 17, 2013. The policy covers reserves for:

- Operating/Emergency Reserves
- Flood Control Project Reserves
- Rate Stabilization Reserves
- Water Renewal, Replacement & System-wide Improvements Capital Reserves, and
- Water Expansion Capital Reserves

Financial Management Framework (Appendix C)

The Financial Management Framework was adopted by the Board in December 2011. 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.

Basis of Accounting

The District uses enterprise (proprietary) and governmental funds to account for its water and flood protection activities, respectively.

The proprietary fund financial statements for the water enterprise are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds for flood protection 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. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences are recorded when payment is due.

Revenues

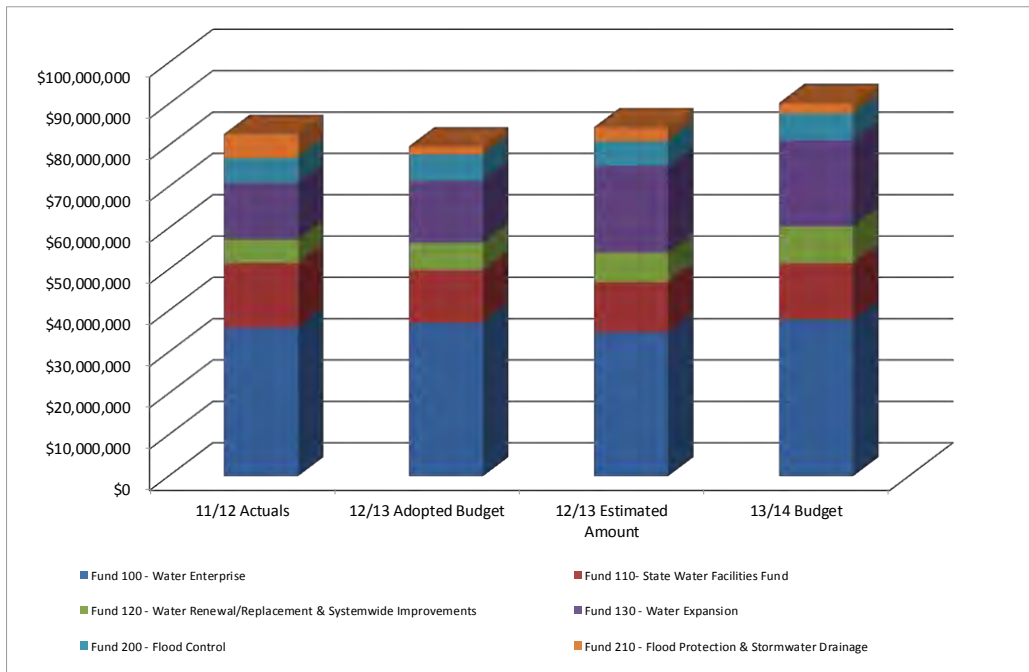


Zone 7 Water Agency
Fiscal Year 2013-14 Budget

Revenues

Water Sales and Services are the majority of revenues received. The current budget reflects all Board adopted rates and fees. The following table summarizes Agency-wide revenue.

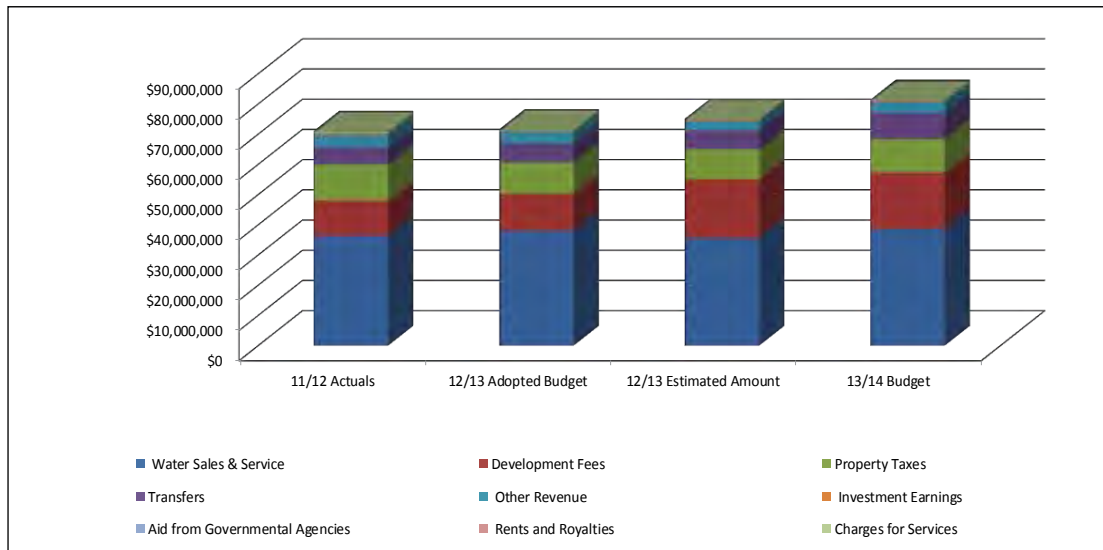
	11/12 Actuals	12/13 Adopted Budget	12/13 Estimated Amount	13/14 Budget	% Change (13/14 budget to 12/13 est actuals)
Fund 100 - Water Enterprise	\$36,013,796	\$37,305,455	\$34,882,112	\$37,884,745	9%
Fund 110- State Water Facilities Fund	15,738,218	12,600,971	12,244,635	13,798,385	13%
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	5,707,614	6,768,253	7,035,276	8,831,962	26%
Fund 130 - Water Expansion	13,659,740	15,011,472	20,997,629	20,948,165	0%
Fund 200 - Flood Control	6,030,897	6,096,119	6,049,576	6,200,347	2%
Fund 210 - Flood Protection & Stormwater Drainage	5,607,366	2,027,330	3,227,500	2,632,000	-18%
Totals	\$82,757,632	\$79,809,600	\$84,436,728	\$90,295,604	7%



Revenue by Major Funding Area – Water Enterprise

Water sales and services are the majority of revenues received for Water Enterprise. The following table summarizes the Water Enterprise revenue.

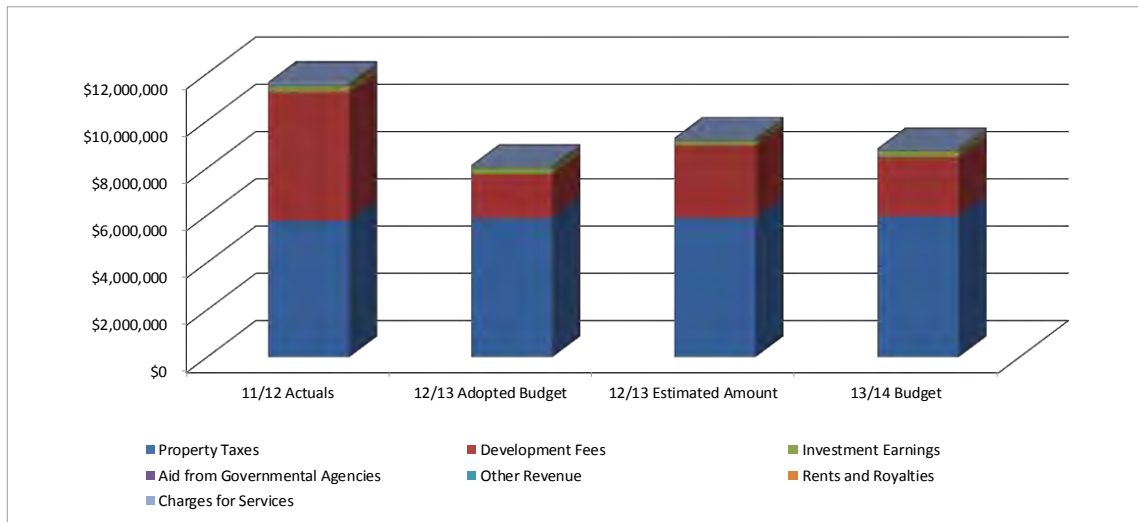
	11/12 Actuals	12/13 Adopted Budget	12/13 Estimated Amount	13/14 Budget	% Change (13/14 budget to 12/13 est actuals)
Water Sales & Service	\$36,859,134	\$38,399,768	\$35,987,425	\$38,964,455	8%
Development Fees	11,345,942	12,409,137	19,412,819	18,650,000	-4%
Property Taxes	12,017,106	10,150,000	9,799,208	11,247,000	15%
Transfers	5,725,500	6,600,000	6,600,000	8,500,000	29%
Other Revenue	4,331,563	3,697,703	2,940,528	3,664,442	25%
Investment Earnings	573,546	352,338	336,061	352,549	5%
Aid from Governmental Agencies	92,639	46,205	45,611	46,311	2%
Rents and Royalties	31,000	31,000	31,000	31,000	0%
Charges for Services	129,383	-	7,000	7,500	7%
Total Revenues for Water Enterprise	\$71,105,814	\$71,686,151	\$75,159,652	\$81,463,257	8%



Revenue by Major Funding Area – Flood Control

Property taxes are the majority of revenues received for Flood Control. The following table summarizes Flood Control revenue.

	11/12 Actuals	12/13 Adopted Budget	12/13 Estimated Amount	13/14 Budget	% Change (13/14 budget to 12/13 est actuals)
Property Taxes	\$5,773,050	\$5,873,310	\$5,881,011	\$5,979,557	2%
Development Fees	5,464,326	1,872,436	3,100,000	2,500,000	-19%
Investment Earnings	239,596	267,513	178,614	242,600	36%
Aid from Governmental Agencies	61,249	54,690	58,876	54,690	-7%
Other Revenue	41,459	35,000	38,075	35,000	-8%
Rents and Royalties	17,732	17,500	17,500	17,500	0%
Charges for Services	40,851	3,000	3,000	3,000	0%
Total Revenues for Flood Control	\$11,638,263	\$8,123,449	\$9,277,076	\$8,832,347	-5%

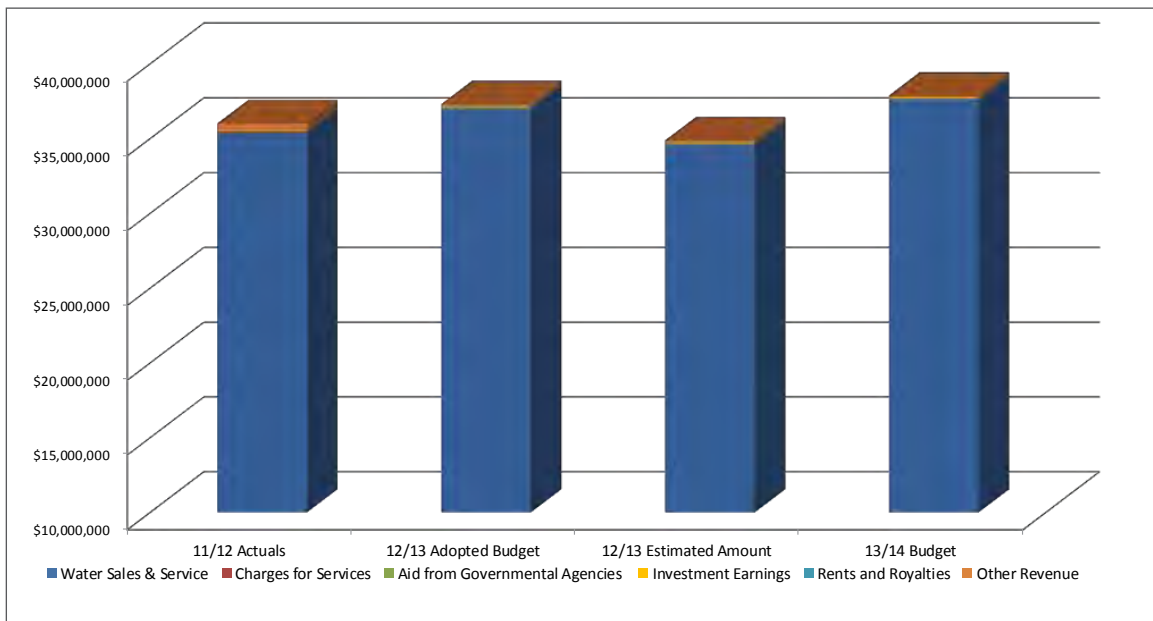


Water Enterprise Fund

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

	11/12 Actuals	12/13 Adopted Budget	12/13 Estimated Amount	13/14 Budget	% Change (13/14 budget to 12/13 est actuals)
Water Sales & Service	\$35,398,909	\$37,085,455	\$34,673,112	\$37,664,745	9%
Charges for Services	113,889	0	0	0	0%
Aid from Governmental Agencies	0	700	0	700	100%
Investment Earnings	90,544	95,000	85,000	95,000	12%
Rents and Royalties	31,000	31,000	31,000	31,000	0%
Other Revenue	379,454	93,300	93,000	93,300	0%
Total	\$36,013,796	\$37,305,455	\$34,882,112	\$37,884,745	9%

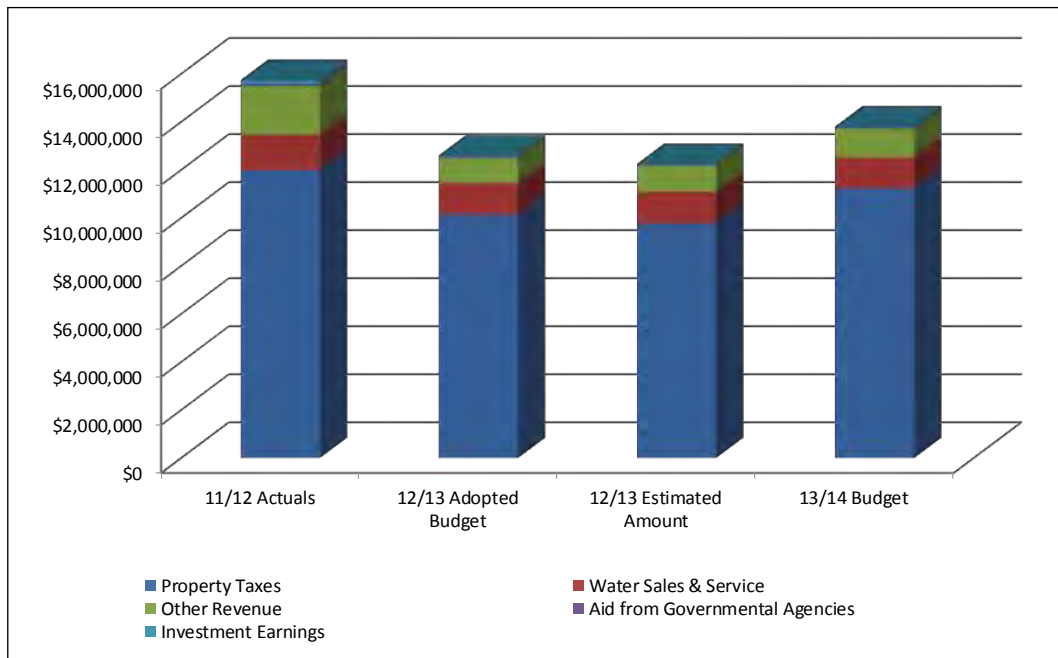


State Water Facilities Fund

This budget 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 by property taxes. Revenues by year are shown in the following table and graph.

	11/12 Actuals	12/13 Adopted Budget	12/13 Estimated Amount	13/14 Budget	% Change (13/14 budget to 12/13 est actuals)
Property Taxes	\$12,017,106	\$10,150,000	\$9,799,208	\$11,247,000	15%
Water Sales & Service	1,460,225	1,314,313	1,314,313	1,299,710	-1%
Other Revenue	2,012,399	1,065,403	1,065,403	1,189,542	12%
Aid from Governmental Agencies	92,639	45,505	45,611	45,611	0%
Investment Earnings	155,848	25,750	20,100	16,522	-18%
	\$15,738,218	\$12,600,971	\$12,244,635	\$13,798,385	13%

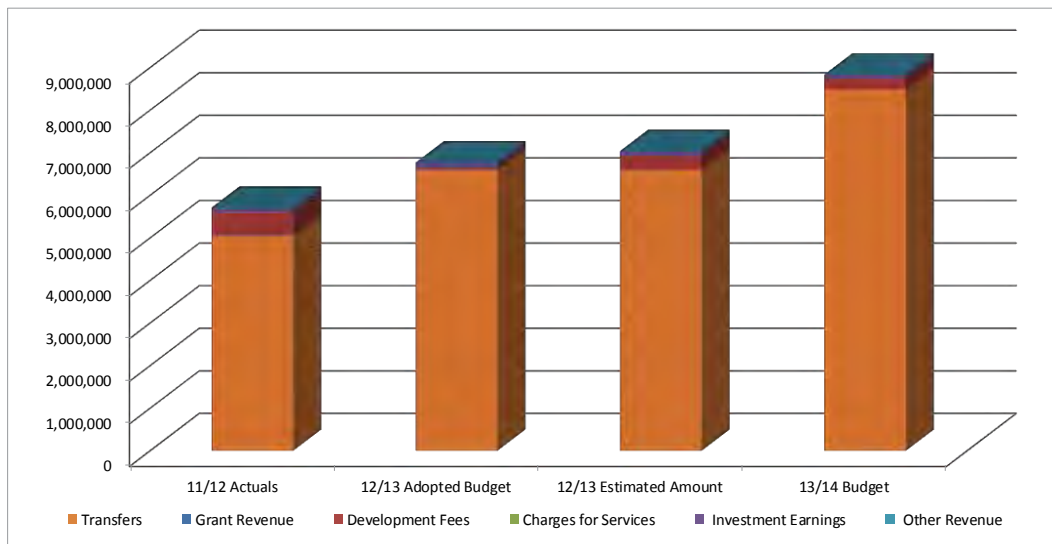


Water Renewal/Replacement & System-wide Improvements Fund

The purpose of these programs 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 from the sale of treated and untreated water and Facility Use fees by new users in the Dougherty Valley. There can also be additional revenues from interest earned on any deposited funds. Revenues by year are shown in the following table and graph.

	11/12 Actuals	12/13 Adopted Budget	12/13 Estimated Amount	13/14 Budget	% Change (13/14 budget to 12/13 est actuals)
Grant Revenue	\$10,166	\$0	\$0	\$0	0%
Development Fees	547,570	26,550	316,500	250,000	-21%
Charges for Services	11,230	0	7,000	7,500	7%
Investment Earnings	89,614	141,703	111,776	74,462	-33%
Other Revenue	4,886	0	0	0	0%
Transfers	5,044,148	6,600,000	6,600,000	8,500,000	29%
Totals	\$5,707,614	\$6,768,253	\$7,035,276	\$8,831,962	26%

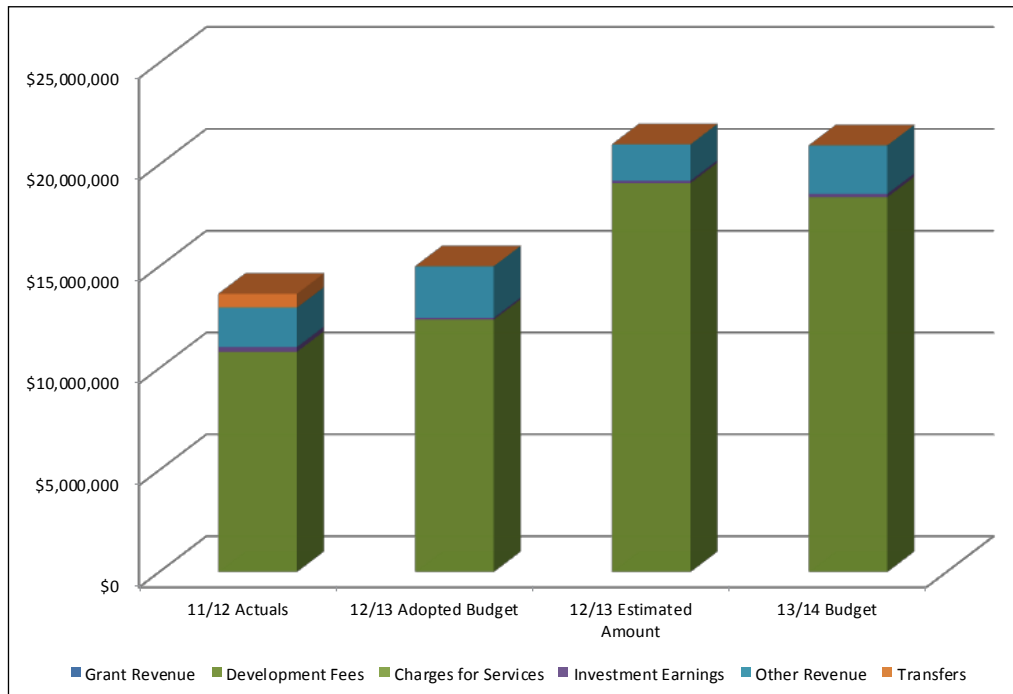


Water Expansion Fund

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 entirely from connection fees and is in conformance with the Board's stated policy that new development funds its own needs. Revenues by year are shown in the following table and graph.

	11/12 Actuals	12/13 Adopted Budget	12/13 Estimated Amount	13/14 Budget	% Change (13/14 budget to 12/13 est actuals)
Grant Revenue	\$3,389	\$0	\$0	\$0	0%
Development Fees	10,798,372	12,382,587	19,096,319	18,400,000	-4%
Charges for Services	4,264	0	0	0	0%
Investment Earnings	237,540	89,885	119,185	166,565	40%
Other Revenue	1,934,823	2,539,000	1,782,125	2,381,600	34%
Transfers	681,352	0	0	0	0%
Totals	\$13,659,740	\$15,011,472	\$20,997,629	\$20,948,165	-0.2%

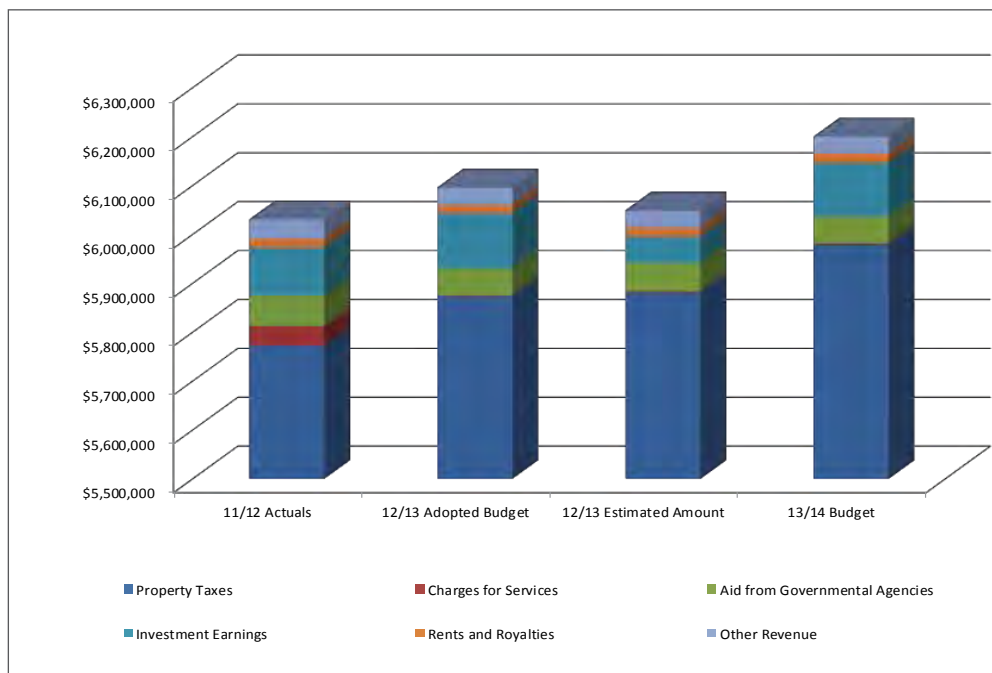


Flood Control Fund

This budget unit provides the funding for general administration and flood control services. 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 including eastern Alameda County and parts of Contra Costa, Santa Clara and San Joaquin Counties.

This fund is funded by property taxes. Revenues by year are shown in the following table and graph.

	11/12 Actuals	12/13 Adopted Budget	12/13 Estimated Amount	13/14 Budget	% Change (13/14 budget to 12/13 est actuals)
Property Taxes	\$5,773,050	\$5,873,310	\$5,881,011	\$5,979,557	2%
Charges for Services	40,851	3,000	3,000	3,000	0%
Aid from Governmental Agencies	61,249	54,690	58,876	54,690	-7%
Investment Earnings	98,592	112,619	53,614	110,600	106%
Rents and Royalties	17,732	17,500	17,500	17,500	0%
Other Revenue	39,423	35,000	35,575	35,000	-2%
Total	\$6,030,897	\$6,096,119	\$6,049,576	\$6,200,347	2%

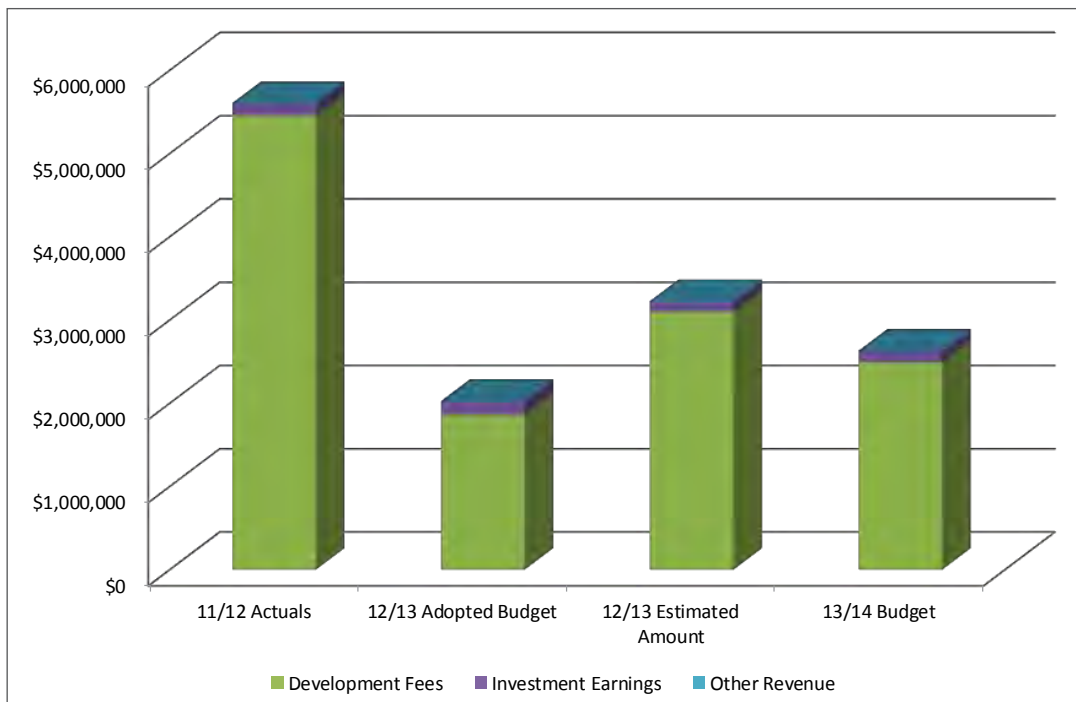


Flood Protection & Stormwater Drainage DIF Fund

On March 18, 2009, the Zone 7 Board of Directors adopted Ordinance 2009-01, which replaced the Special Drainage Area (SDA) 7-1 development impact fee previously adopted by Zone 7. The new ordinance also established the Flood Protection and Storm Water Drainage Development Impact Fee Fund (Fund 76); consequently, all funds from SDA Operations (Fund 71) and the SDA 7-1 Trust Fund (Fund 90) were transferred to Fund 76, while all of the outstanding SDA 7-1 exemption credits were liquidated.

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.

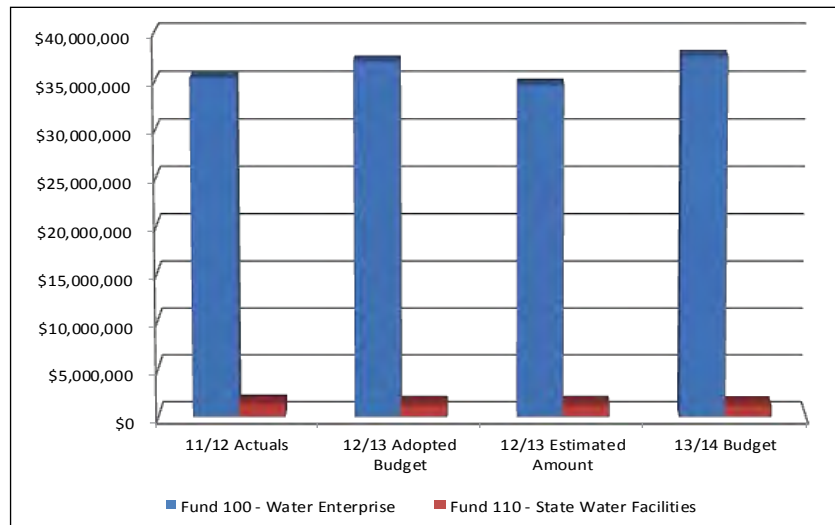
	11/12 Actuals	12/13 Adopted Budget	12/13 Estimated Amount	13/14 Budget	% Change (13/14 budget to 12/13 est actuals)
Development Fees	\$5,464,326	\$1,872,436	\$3,100,000	\$2,500,000	-19%
Investment Earnings	141,004	154,894	125,000	132,000	6%
Other Revenue	2,036	0	2,500	0	-100%
Totals	\$5,607,366	\$2,027,330	\$3,227,500	\$2,632,000	-18%



Water Sales

Water sales are the primary source of revenue for the Agency. Our major customers are the cities of Pleasanton, Livermore, Dublin, Dublin-San Ramon Service District for Dougherty Valley area, and California Water Service, collectively referred to as the retailers.

	11/12 Actuals	12/13 Adopted Budget	12/13 Estimated Amount	13/14 Budget	% Change (13/14 budget to 12/13 est actuals)
Fund 100 - Water Enterprise	\$35,398,909	\$37,085,455	\$34,673,112	\$37,664,745	9%
Fund 110 - State Water Facilities	1,460,225	1,314,313	1,314,313	1,299,710	-1%
Totals	\$36,859,134	\$38,399,768	\$35,987,425	\$38,964,455	8%



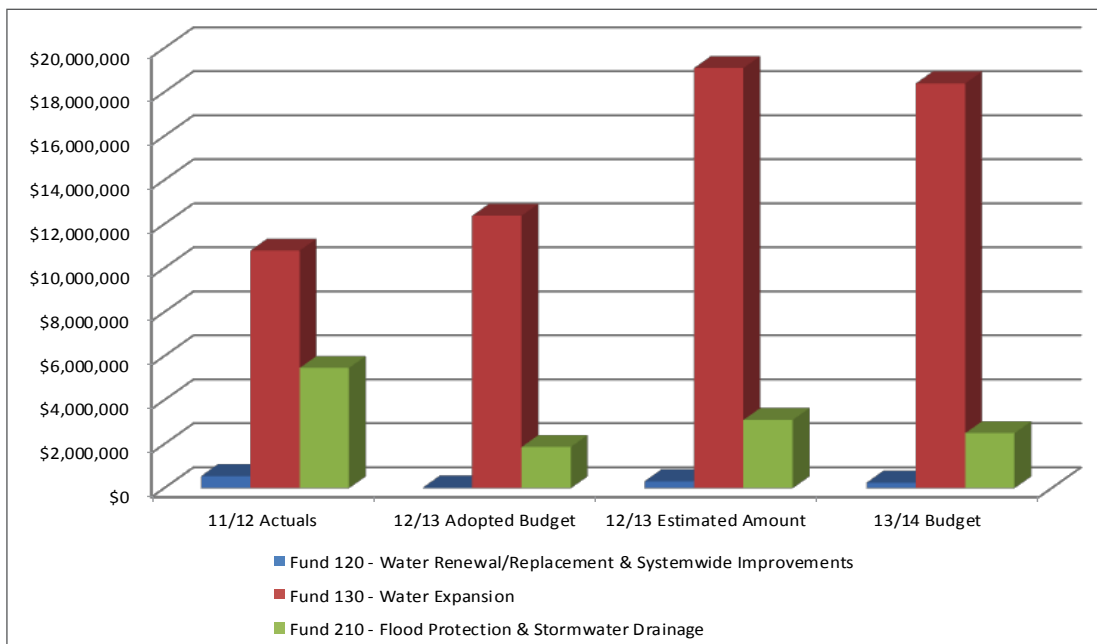
Zone 7 Treated Water Rate History

Effective Date	Rate per Acre-Foot	% Change
January 1, 2004	\$562	0%
January 1, 2005	\$562	0%
January 1, 2006	\$591	5%
January 1, 2007	\$635	7%
January 1, 2008	\$689	8%
January 1, 2009	\$804	16%
January 1, 2010	\$878	9%
January 1, 2011	\$900	3%
January 1, 2012	\$945	5%
January 1, 2013	\$945	0%

Development Fees

Development fees are the second main source of revenue for the Agency.

	11/12 Actuals	12/13 Adopted Budget	12/13 Estimated Amount	13/14 Budget	% Change (13/14 budget to 12/13 est actuals)
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	\$547,570	\$26,550	\$316,500	\$250,000	-21%
Fund 130 - Water Expansion	10,798,372	12,382,587	19,096,319	18,400,000	-4%
Fund 210 - Flood Protection & Stormwater Drainage	5,464,326	1,872,436	3,100,000	2,500,000	-19%
Totals	\$16,810,269	\$14,281,573	\$22,512,819	\$21,150,000	-6%



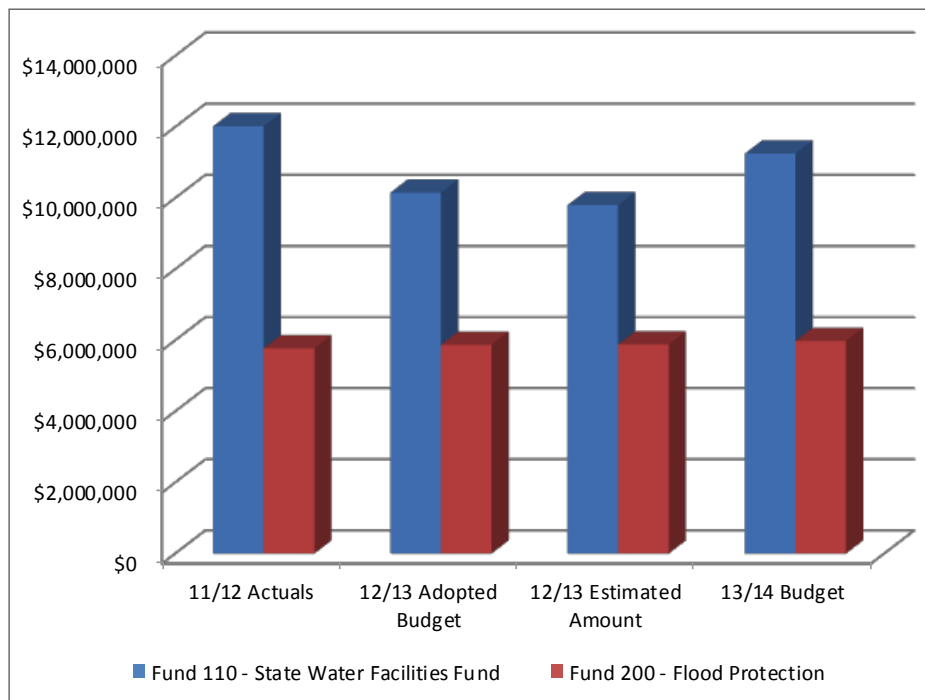
Zone 7 Water Connection Fee History

Effective Date	Zone 7	Dougherty Valley	% Change
January 1, 2004	\$10,600	\$9,780	3%
October 18, 2004	\$13,050	\$12,080	24%
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%

Property Taxes

Property taxes are the third main source of revenue for the Agency.

	11/12 Actuals	12/13 Adopted Budget	12/13 Estimated Amount	13/14 Budget	% Change (13/14 budget to 12/13 est actuals)
Fund 110 - State Water Facilities	\$12,017,106	\$10,150,000	\$9,799,208	\$11,247,000	15%
Fund 200 - Flood Protection	5,773,050	5,873,310	5,881,011	5,979,557	2%
Totals	\$17,790,157	\$16,023,310	\$15,680,219	\$17,226,557	10%



Expenses

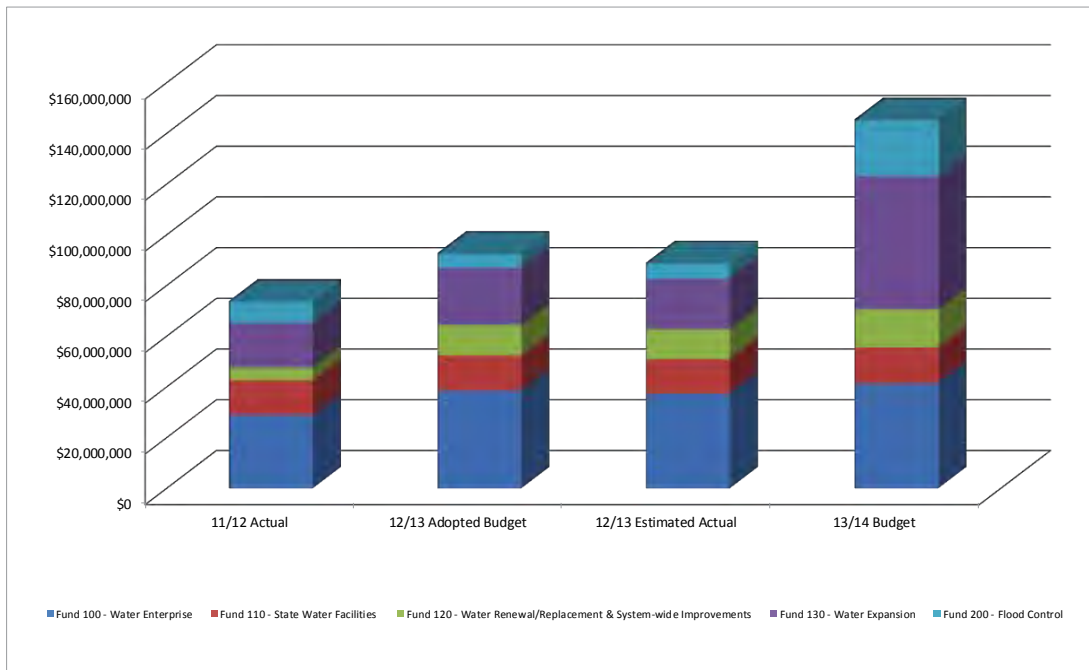


Zone 7 Water Agency
Fiscal Year 2013-14 Budget

Expenses

Supplying water represents the majority of expenses for the Agency. The following table summarizes Agency-wide expenses by fund.

Category	11/12 Actual	12/13 Adopted Budget	12/13 Estimated Actual	13/14 Budget	% Change (13/14 budget to 12/13 est actuals)
Fund 100 - Water Enterprise	\$29,146,838	\$38,804,500	\$37,653,711	\$41,823,474	11%
Fund 110 - State Water Facilities	13,858,279	13,974,125	13,837,954	14,118,181	2%
Fund 120 - Water Renewal/Replacement & System-wide Improvements	4,985,890	12,023,062	11,701,991	14,920,377	28%
Fund 130 - Water Expansion	17,486,256	22,455,379	19,887,027	52,528,015	164%
Fund 200 - Flood Control	8,499,484	5,654,148	6,012,893	22,230,365	270%
Fund 210 - Flood Protection	5,726,128	3,347,956	3,177,357	5,962,539	88%
Totals	\$79,702,875	\$96,259,170	\$92,270,933	\$151,582,951	64%

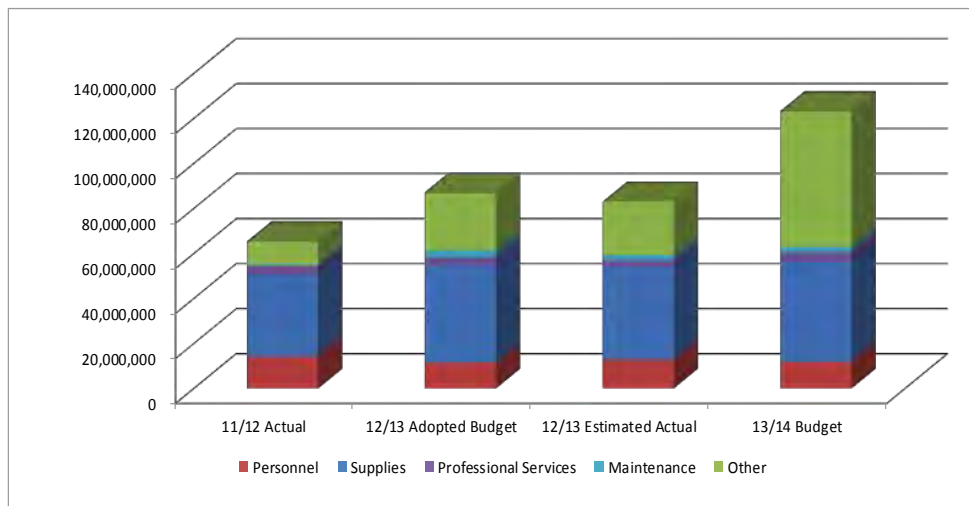


Expenses by Major Funding Area – Water Enterprise

Water supplies are the majority of expenses for the water enterprise funds.

The following table summarizes water enterprise expenses.

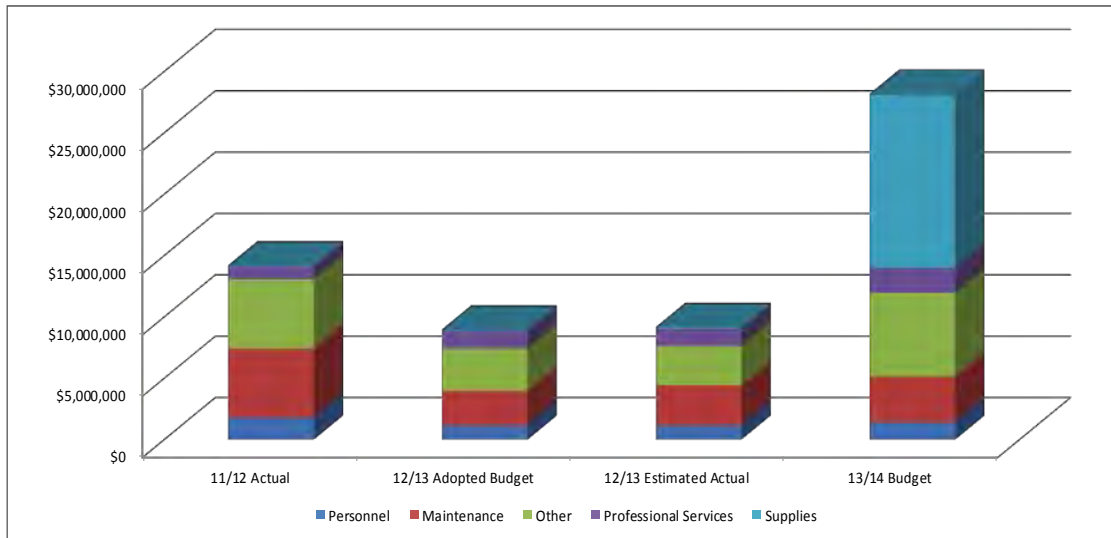
Category	11/12 Actual	12/13 Adopted Budget	12/13 Estimated Actual	13/14 Budget	% Change (13/14 budget to 12/13 est actuals)
Personnel	\$14,552,113	\$11,532,274	\$13,021,858	\$12,116,914	-7%
Supplies	36,349,237	43,514,690	41,161,973	44,336,251	8%
Professional Services	3,862,536	3,523,035	2,925,432	4,406,677	51%
Maintenance	387,997	2,955,100	2,402,796	2,381,514	-1%
Other	10,325,380	25,731,967	23,568,624	60,148,691	155%
Totals	\$65,477,263	\$87,257,066	\$83,080,683	\$123,390,047	49%



Expenses by Major Funding Area – Flood Control

Maintenance activities are the majority of expenses for the Flood Control funds. The following table summarizes Flood Control expenses.

Category	11/12 Actual	12/13 Adopted Budget	12/13 Estimated Actual	13/14 Budget	% Change (13/14 budget to 12/13 est actuals)
Personnel	\$1,837,800	\$1,218,073	\$1,218,073	\$1,457,332	20%
Maintenance	5,644,025	2,795,000	3,220,245	3,742,156	16%
Other	5,676,559	3,490,456	3,253,357	6,801,405	109%
Professional Services	1,005,928	1,430,975	1,430,975	2,029,700	42%
Supplies	61,299	67,600	67,600	14,162,311	20850%
Totals	\$14,225,612	\$9,002,104	\$9,190,250	\$28,192,904	207%



Water Enterprise Fund

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.

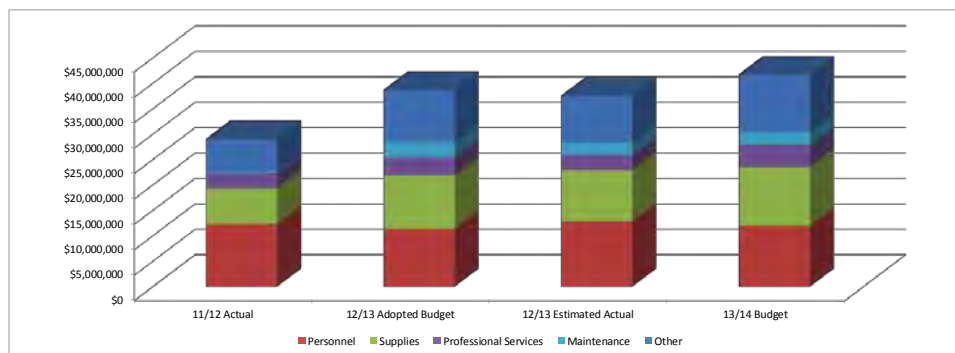
The purpose of this fund is to ensure the delivery of high quality water to the Livermore-Amador Valley. Expenses by year are shown in the following graph.

Expenses by section are shown in the table below.

Sections	13/14 Budget
Office of the General Manager	\$18,998,456
Finance	1,388,189
Employee Services	1,434,191
Facilities Engineering	1,455,500
Flood Control	17,205
Groundwater	961,057
Water Quality	1,343,113
Integrated Planning	1,317,994
Operations	10,158,801
Maintenance	4,748,968
Totals	\$41,823,474

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

Category	11/12 Actual	12/13 Adopted Budget	12/13 Estimated Actual	13/14 Budget	% Change (13/14 budget to 12/13 est actuals)
Personnel	\$12,529,537	\$11,532,274	\$13,021,858	\$12,116,914	-7%
Supplies	6,971,568	10,519,449	10,090,626	11,563,883	15%
Professional Services	2,956,793	3,523,035	2,925,432	4,406,677	51%
Maintenance	387,997	2,955,100	2,402,796	2,381,514	-1%
Other	6,300,944	10,274,642	9,212,999	11,354,486	23%
Totals	\$29,146,838	\$38,804,500	\$37,653,711	\$41,823,474	11%



State Water Facilities Fund

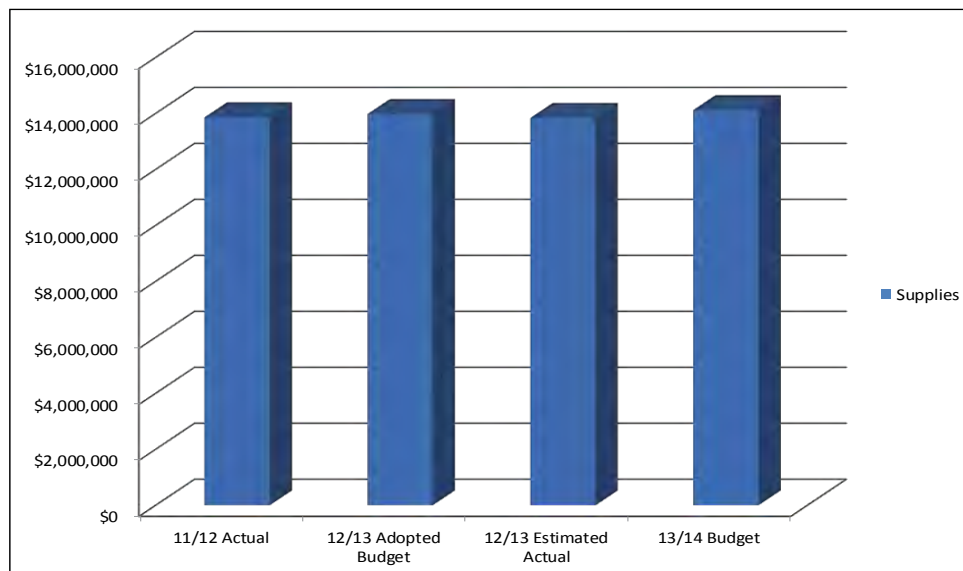
This budget finances the “fixed cost” payment to the State Department of Water Resources (DWR) to import water to Zone 7. The purpose is to pay the costs for use of the State water delivery system, which includes repayment of voter approved, State incurred, long-term debt.

Expenses by section are shown in the following table.

Category	13/14 Budget
Office of the General Manager	\$14,118,181
Total	\$14,118,181

Expenses by year are shown in the following table.

Category	11/12 Actual	12/13 Adopted Budget	12/13 Estimated Actual	13/14 Budget	% Change (13/14 budget to 12/13 est actuals)
Supplies	\$13,858,279	\$13,974,125	\$13,837,954	\$14,118,181	2%
Total	\$13,858,279	13,974,125	13,837,954	\$14,118,181	2%



Water Renewal/Replacement & System-wide Improvements Fund

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

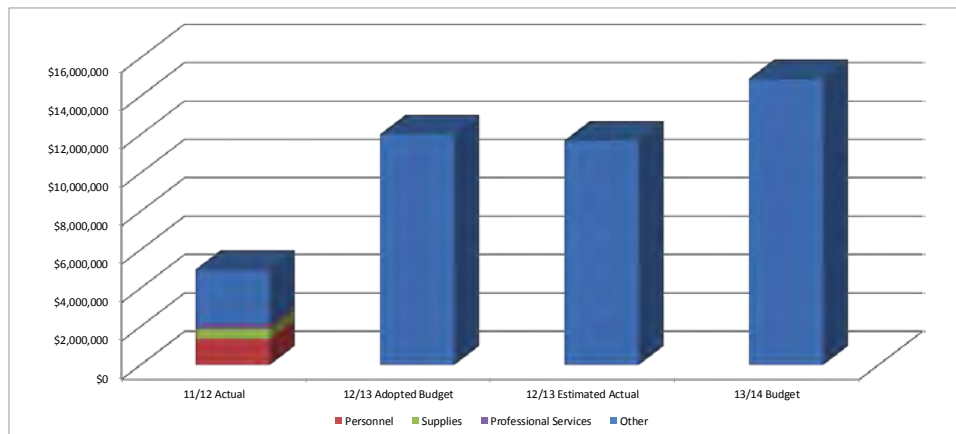
Expenses by section are shown in the following table.

Category	13/14 Budget
Office of the General Manager	\$7,998,051
Finance	27,750
Facilities Engineering	5,710,000
Groundwater	350,000
Water Quality	174,000
Integrated Planning	390,576
Maintenance	270,000
Totals	\$14,920,377

Expenses by year are shown in the following table.

Category	11/12 Actual	12/13 Adopted Budget	12/13 Estimated Actual	13/14 Budget	% Change (13/14 budget to 12/13 est actuals)
Personnel*	\$1,378,299	\$0	\$0	\$0	0%
Supplies	531,904	0	0	0	0%
Professional Services	278,825	0	0	0	0%
Other (Capital Projects)	2,796,862	12,023,062	11,701,991	14,920,377	28%
Totals	\$4,985,890	\$12,023,062	\$11,701,991	\$14,920,377	28%

*Personnel costs for the capital funds are budgeted in Other (Capital Projects).



Water Expansion Fund

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.

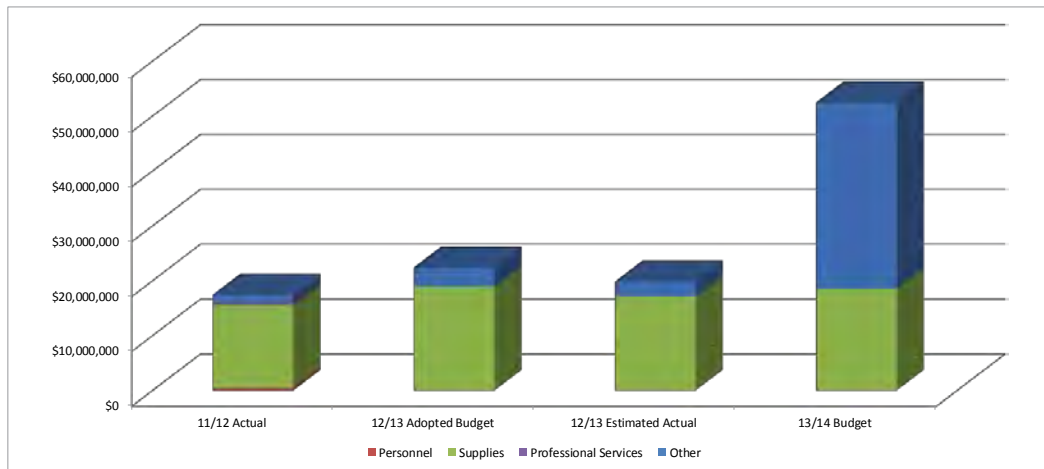
Expenses by section are shown in the following table.

Category	13/14 Budget
Office of the General Manager	\$50,704,412
Finance	83,250
Facilities Engineering	980,000
Groundwater	150,000
Water Quality	6,000
Integrated Planning	604,353
Maintenance	0
Totals	\$52,528,015

Expenses by year are shown in the following table.

Category	11/12 Actual	12/13 Adopted Budget	12/13 Estimated Actual	13/14 Budget	% Change (13/14 budget to 12/13 est actuals)
Personnel*	\$644,277	\$0	\$0	\$0	0%
Supplies	14,987,487	19,021,116	17,233,393	18,654,187	8%
Professional Services	626,918	0	0	0	0%
Other (Capital Projects)	1,227,574	3,434,263	2,653,634	33,873,828	1177%
Totals	\$17,486,256	\$22,455,379	\$19,887,027	\$52,528,015	164%

*Personnel costs for the capital funds are budgeted in Other (Capital Projects).



Flood Control Fund

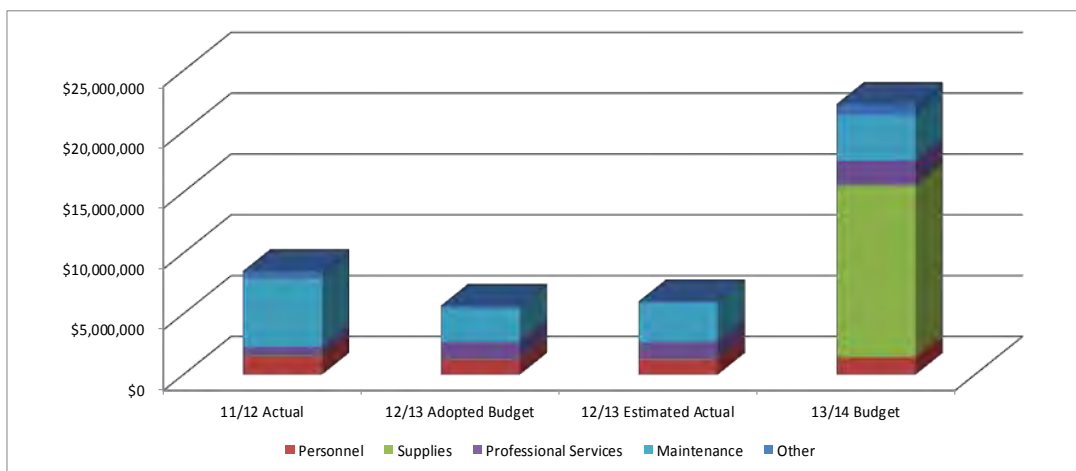
This budget unit provides the funding for general administration and flood control services. The purpose of this program is to ensure the controlled drainage of the Valley’s excess water runoff. Zone 7 manages a watershed of nearly 425 square miles including eastern Alameda County and parts of Contra Costa, Santa Clara and San Joaquin Counties.

Expenses by section are shown in the following table.

Department	13/14 Budget
Office of the General Manager	\$14,365,994
Finance	3,663
Facilities Engineering	1,555,219
Groundwater	25,152
Integrated Planning	2,225,499
Flood Control	4,018,749
Maintenance	36,089
Totals	\$22,230,365

Expenses by year are shown in the following table.

Category	11/12 Actual	12/13 Adopted Budget	12/13 Estimated Actual	13/14 Budget	% Change (13/14 budget to 12/13 est actuals)
Personnel	\$1,509,800	\$1,218,073	\$1,218,073	\$1,457,332	20%
Supplies	61,299	67,600	67,600	14,162,311	20850%
Professional Services	746,569	1,430,975	1,430,975	2,029,700	42%
Maintenance	5,644,025	2,795,000	3,220,245	3,742,156	16%
Other	537,790	142,500	76,000	838,866	1004%
Totals	\$8,499,484	\$5,654,148	\$6,012,893	\$22,230,365	270%



Flood Protection & Stormwater Drainage Fund

On March 18, 2009, the Zone 7 Board of Directors adopted Ordinance 2009-01, which replaced the Special Drainage Area (SDA) 7-1 development impact fee previously adopted by Zone 7. The new ordinance also established the Flood Protection and Storm Water Drainage Development Impact Fee Fund (Fund 76); consequently, all funds from SDA Operations (Fund 71) and the SDA 7-1 Trust Fund (Fund 90) were transferred to Fund 76, while all of the outstanding SDA 7-1 exemption credits were liquidated.

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.

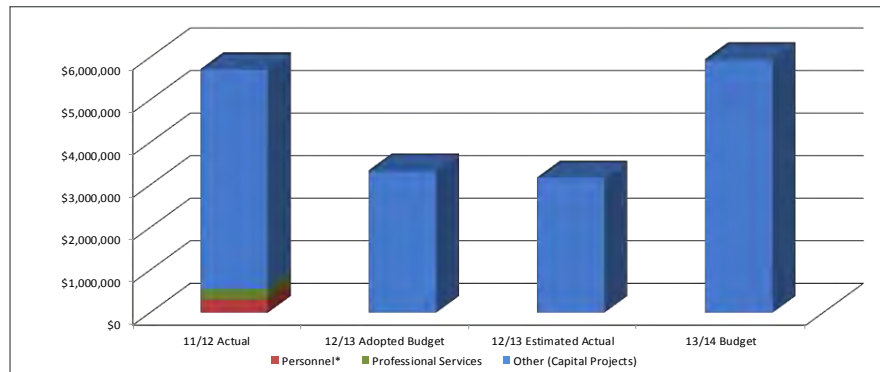
Expenses by section are shown in the following table.

Category	13/14 Budget
Office of the General Manager	\$4,390,494
Finance	6,000
Facilities Engineering	282,200
Integrated Planning	1,283,845
Totals	\$5,962,539

Expenses by year are shown in the following table.

Category	11/12 Actual	12/13 Adopted Budget	12/13 Estimated Actual	13/14 Budget	% Change (13/14 budget to 12/13 est actuals)
Personnel*	\$328,000	\$0	\$0	\$0	0%
Professional Services	259,359	0	0	0	0%
Other (Capital Projects)	5,138,769	3,347,956	3,177,357	5,962,539	88%
Totals	\$5,726,128	\$3,347,956	\$3,177,357	\$5,962,539	88%

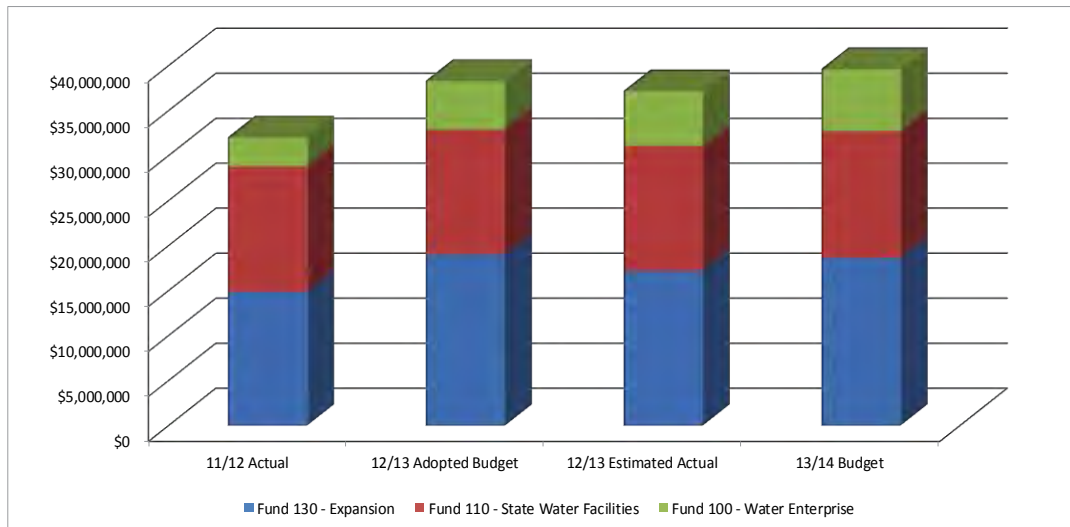
*Personnel costs for the capital funds are budgeted in Other (Capital Projects).



Water Purchases

Water purchases are a major expense for Zone 7. The Agency purchases approximately 80% of its water supply from the State Water Project (SWP). The Department of Water Resources prepares annual Statement of Charges (SOC) for the Agency. The SOC charges are split between fixed and variable charges. The SWP fixed costs are paid via property taxes and connection fees and the variable costs are paid via water sales.

Category	11/12 Actual	12/13 Adopted Budget	12/13 Estimated Actual	13/14 Budget	% Change (13/14 budget to 12/13 est actuals)
Fund 100 - Water Enterprise	\$3,206,921	\$5,327,008	\$6,127,008	\$6,878,235	12%
Fund 110 - State Water Facilities	\$13,858,279	\$13,974,125	\$13,837,954	\$14,118,181	2%
Fund 130 - Water Expansion	\$14,987,487	\$19,021,116	\$17,233,393	\$18,654,187	8%
Totals	\$32,052,686	\$38,322,249	\$37,198,355	\$39,650,603	7%

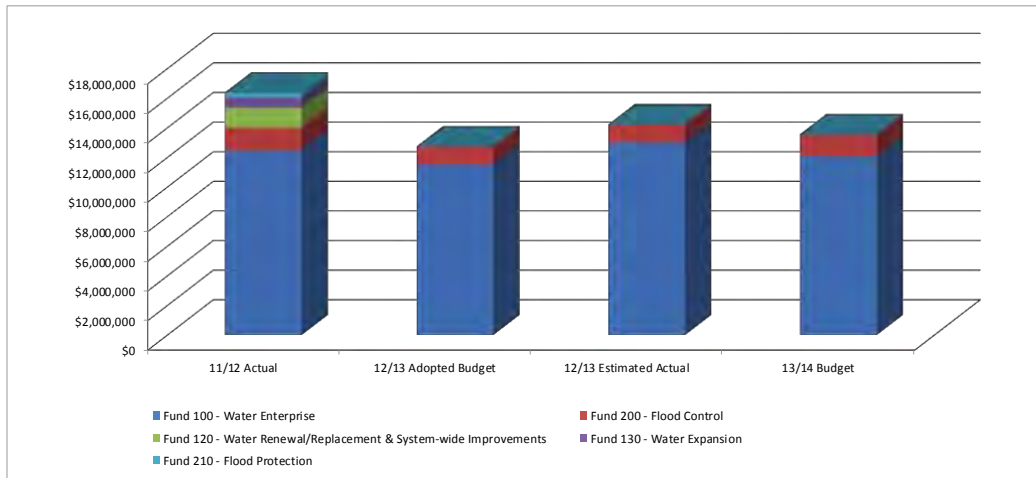


Personnel

The District's largest expense is personnel costs. Personnel costs are an average around 50% of the total operating costs. The personnel section describes the District's staffing, employee bargaining units and benefits. Both the salary increases and benefit costs have an impact on the budget. See further discussion and analysis on the following pages.

The District charges staff time directly to capital projects. Each section estimates the percentage of time planned for capital projects for every staff member, these personnel costs are budgeted within the individual capital project budgets.

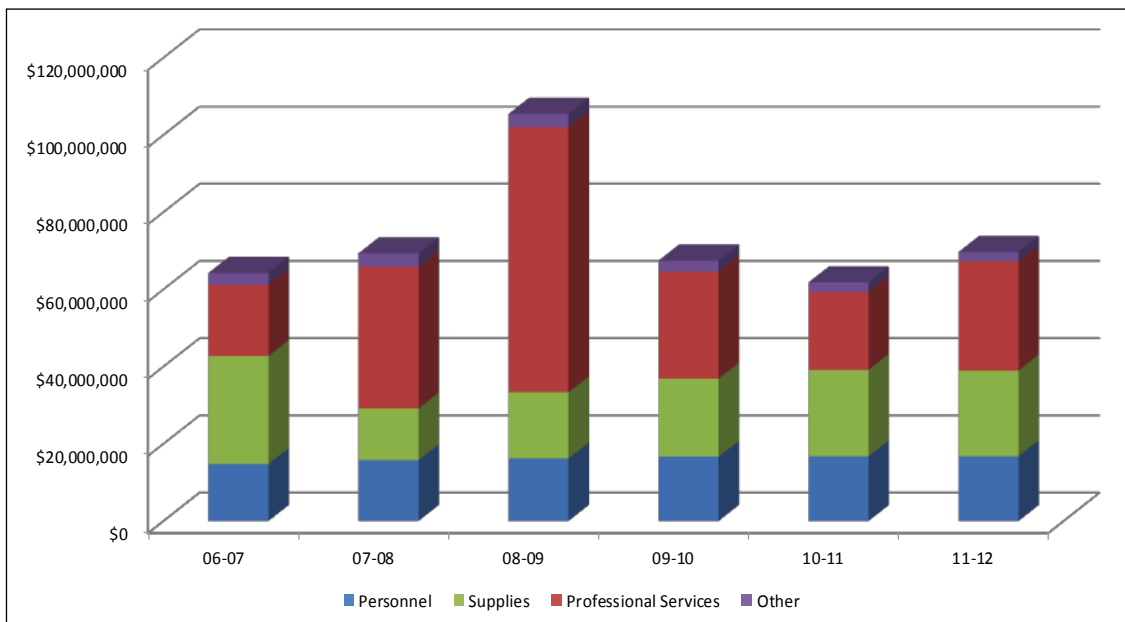
Category	11/12 Actual	12/13 Adopted Budget	12/13 Estimated Actual	13/14 Budget	% Change (13/14 budget to 12/13 est actuals)
Fund 100 - Water Enterprise	\$12,529,537	\$11,532,274	\$13,021,858	\$12,116,914	-7%
Fund 200 - Flood Control	1,509,800	1,218,073	1,218,073	1,457,332	20%
Fund 120 - Water Renewal/Replacement & System-wide Improvements	1,378,299	0	0	0	0%
Fund 130 - Water Expansion	644,277	0	0	0	0%
Fund 210 - Flood Protection	328,000	0	0	0	0%
Totals	\$16,389,913	\$12,750,347	\$14,239,931	\$13,574,246	-5%



Expense History

The following table shows a six year history by major expense category.

	06-07	07-08	08-09	09-10	10-11	11-12
Personnel	\$14,754,696	\$15,736,272	\$16,169,912	\$16,625,412	\$16,749,379	\$16,795,668
Supplies	27,971,830	13,426,504	17,153,756	20,244,965	22,424,032	22,188,894
Professional Services	18,449,464	36,655,932	68,699,233	27,686,944	20,159,191	28,202,688
Other	3,065,193	3,498,440	3,395,414	2,862,338	2,462,702	2,473,994
Total	\$64,241,183	\$69,317,148	\$105,418,315	\$67,419,659	\$61,795,304	\$69,661,244



Capital Improvement Program

On a biennial basis, Zone 7 Water Agency (Zone 7) prepares a Capital Improvement Program (CIP) document, which 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 five years of Flood Protection projects and ten years Water Enterprise projects.

Zone 7 has undertaken many planning efforts, for example the Asset Management Program (AMP) Update, Stream Management Master Plan (SMMP), Well Master Plan (WMP), and the 2010 Urban Water Management Plan (UWMP). Collectively, these studies have identified: 1) the types of renewal/replacement and improvement projects needed maintain a reliable and efficient water system; 2) current and projected demands on our water system and Zone 7's facilities needed to meet such demands; 3) operational improvements and additional studies that will minimize near-term risks of water supply shortages and maximize long-term flexibility; 4) and integrated resource management projects for Zone 7'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 Zone 7's Executive Staff and Board with a clear and orderly process for planning and budgeting for capital needs and for making informed decisions with regard to project priorities and scheduling.

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

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. Zone 7's capital improvements include renewal/replacement and repair of existing facilities to maintain the integrity of the existing flood protection system, system-wide improvements that integrate local stormwater channels into one regional water resource management system, and develop capital projects to accommodate new impervious surface areas caused by new development.

The following pages list the FY 13/14 capital projects by fund.

Capital Improvement Program (CIP)

Water Enterprise Capital Project Listing

Fund 120 – Renewal/Replacement & System-wide Improvements

FY 13/14 Budget - Fund 120 Capital Project List	
Project	FY 13/14 Budget
Watershed Investments	\$6,817,051
DVWTP Superpulsator Rehabilitation	3,260,000
DVWTP Ammonia Facility Replacement	780,000
Contingency	750,000
North Canyons Building Lease	431,000
PPWTP Ultrafiltration Membrane Replacement	410,000
AV Water Right Permit Extension	339,326
Mocho Well No. 1 Sanding Investigation	330,000
Groundwater Model Update	300,000
Minor Renewal/Replacement Projects	270,000
PPWTP Ferric Chloride & Caustic Improvements	220,000
SCADA Enhancements Project	200,000
Laboratory Equipment Replacement	160,000
Cope Lake Water Transfer Project	150,000
Groundwater Management Plan/SNMP Update	140,000
PPWTP Sludge Handling	120,000
PPWTP UF Clarifier Corrosion Control	120,000
DVWTP Sludge Under drain Overflow Improvements	80,000
Asset Management Program Update	40,000
CIP Management	27,750
Water Quality Management Program	14,000
Chain of Lakes Planning	11,250
Total	\$14,970,377

Capital Improvement Program (CIP)

Water Enterprise Capital Project Listing

Fund 130 – Expansion

FY 13/14 Budget - Fund 130 Capital Project List	
Project	FY 13/14 Budget
ISA Payoff	\$30,503,481
SBA Enlargement Project	13,932,922
Fixed Costs for Expansion	3,000,000
Cawelo Groundwater Banking Program	1,295,056
Arroyo Mocho Low Flow Crossings	630,000
Watershed Investments	555,194
North Canyons Building Lease	424,350
Cope Lake Water Transfer Project	350,000
Arroyo Mocho Diversion Facility Coordination	272,303
ISA Interest	250,000
Contingency	250,000
Bay Area Regional Desalination Project - Planning	220,000
DWR - DHCCP Charges	185,830
Variable Costs for Expansion	128,556
Groundwater Model Update (LGA Grant)	90,000
CIP Management	83,250
SWP Peaking Payment - Lost Hills, Belridge	63,823
Groundwater Management Plan/SNMP Update	60,000
High Efficiency Washing Machine Rebate Program	52,500
Semitropic Water Storage Program	48,000
Bay Delta Conservation Planning	30,000
Chain of Lakes Planning	26,250
High Efficiency Toilet Rebate Program	24,000
Delta Outreach	21,000
CUWA Membership	18,000
Water Conservation Best Management Practices	7,500
Water Quality Management Program	6,000
Total	\$52,528,015

Flood Control Capital Project Listing

Fund 200 – General Fund/Flood Control

FY 13/14 Budget – Fund 200 Capital Project List	
Project	FY 13/14 Budget
Watershed Investments	\$13,605,261
Reach 1-7 Arroyo Las Positas Improvements @Vasco Road	1,170,300
SMMP Flood Facilities Land Acquisition - Chain of Lakes	537,500
Arroyo de la Laguna Improvement Planning	442,549
Stanley Reach Planting, Maintenance & Monitoring	415,000
Flood Control Hydrology/Hydraulic Model Development	53,100
SMMP Update	53,100
BAFPAA - Consultant Support	50,000
Opportunity Grant Funding	50,000
Environmental Consultant	50,000
Geomorphic Study	50,000
Surveying for Hydraulic Model	50,000
Reach 3-5 Arroyo Mocho @ Stanley	41,500
Non-Profit Partnership	25,000
Chabot/Tassajara Evaluation	24,900
Reach 5-2 Airway Blvd Reach Evaluation	24,900
South San Ramon Creek Evaluation	24,900
Chain of Lakes Planning	16,500
Public Outreach/Government Affairs	5,000
Monte Vista Evaluation	4,150
Total	\$16,693,660

Flood Control Capital Project Listing

Fund 210 – Flood Protection & Stormwater Drainage DIF

FY 13/14 Budget – Fund 210 Capital Project List	
Project	FY 13/14 Budget
Watershed Investments	\$4,022,494
North Canyons Building Lease	118,000
CIP Management	6,000
Contingency	250,000
Reach 3-5 Arroyo Mocho @ Stanley	8,500
Reach 1-7 Arroyo Las Positas Improvements @Vasco Road	273,700
Arroyo de la Laguna Improvement Projects	121,134
Chabot/Tassajara Evaluation Study	21,065
COLs Planning	21,000
Flood Control Hydrology Study	217,300
Monte Vista Evaluation Study	16,815
Reach 5-2 Airway Blvd Reach Evaluation Study	21,065
Reach 3-5 Arroyo Mocho @ Stanley	85,000
SMMP Flood Facilities Land Acquisition - Chain of Lakes	712,500
South San Ramon Creek Evaluation Study	21,065
Steelhead and Related Studies	10,000
Stream Management Master Plan and DIF Update	36,900
Total	\$5,962,539

Department Overview



Zone 7 Water Agency
Fiscal Year 2013-14 Budget

Personnel

	FY 10/11	FY 11/12	FY 12/13	FY 13/14	
	Budget	Budget	Budget	Budget	Change
Office of the General Manager	13.00	10.00	14.00	7.00	-7.00
Finance	11.00	10.00	11.00	9.00	-2.00
Employee Services	6.00	6.00	6.00	7.00	1.00
Water Quality	7.50	7.50	7.50	7.50	0.00
Integrated Planning	0.00	0.00	0.00	7.50	7.50
Water Facilities	16.00	16.00	15.00	13.00	-2.00
Groundwater Protection	9.00	9.00	8.00	7.00	-1.00
Operations	25.00	24.00	24.00	24.00	0.00
Maintenance	18.00	19.00	19.00	19.00	0.00
Flood Control	7.00	7.00	6.00	5.00	-1.00
Total	112.50	108.50	110.50	106.00	-4.50

Employee Bargaining Units

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

Alameda County Management Employees' Association (ACMEA)

- Contract end date: June 22, 2013
- CPI adjustment of 2.65% on July 8, 2012

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

- Contract end date: June 28, 2011
- CPI adjustment of 2.65% on July 8, 2012

Service Employees International Union (SEIU), Local 1021

- Contract end date: June 22, 2013
- CPI adjustment of 2.65% on July 8, 2012

Alameda County Building and Construction Trades Council (ACBCTC)

- Contract end date: June 28, 2011
- CPI adjustment of 2.65% on July 8, 2012

The General Manager is an at-will contract employee.
Unrepresented Managers follow the Alameda County Administrative Code.

The Board reviews all new position requests, authorizes total "full time equivalent" (FTE) positions and approves salary ranges after negotiation with the bargaining units.

Office of the General Manager

This group provides overall administrative and management support to the Agency.

Office of the General Manager Staffing Summary

	FY 10/11	FY 11/12	FY 12/13	FY 13/14	
	Budget	Budget	Budget	Budget	Change
General Manager	1.00	1.00	1.00	1.00	0.00
Assistant General Manager	1.00	1.00	1.00	1.00	0.00
Asst Gen Manager, Engineering	1.00	1.00	0.00	0.00	-1.00
Assistant Gen Mgr, Administration	0.00	0.00	0.00	1.00	0.00
General Counsel	1.00	0.00	0.00	0.00	0.00
Environmental & Public Affairs Manager	1.00	0.00	0.00	0.00	0.00
Water Resources Technician II	0.00	0.00	0.00	0.00	0.00
Executive Assistant	1.00	1.00	1.00	1.00	0.00
Secretary	2.00	2.00	2.00	2.00	0.00
Senior Engineer/Geologist	0.00	0.00	2.00	0.00	2.00
Associate Engineer (Engineer III)	0.00	0.00	2.00	0.00	2.00
Associate Water Resources Planner	1.00	1.00	2.00	0.00	1.00
Assistant Water Resources Planner	1.00	1.00	0.00	0.00	-1.00
Water Conservation Coordinator	1.00	1.00	1.00	0.00	0.00
Staff Analyst	0.00	0.00	0.00	0.00	0.00
Office Assistant	1.00	0.00	0.00	0.00	0.00
Communications Specialist	1.00	1.00	1.00	0.00	0.00
Administrative Student Intern	0.00	0.00	0.00	1.00	0.00
Water Resources Engineer Trainee	0.00	0.00	1.00	0.00	1.00
Office of the General Manager	13.00	10.00	14.00	7.00	4.00

Office of the General Manager Budget by Fund

	13/14 Budget
Fund 100 - Water Enterprise	\$18,998,456
Fund 110 - State Water Facilities	14,118,181
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	7,998,051
Fund 130 - Capital Expansion	50,704,412
Fund 200 - Flood Control	14,365,994
Fund 210 - Flood Protection & Stormwater Drainage	4,390,494
Total	\$110,575,588

Office of the General Manager Budget by Program

	13/14 Budget
Water Utility Support Services	\$39,697,049
Supply Source & Conveyance	36,788,397
Water Storage	2,961,206
Water Treatment	75,000
Central Administration	3,002,653
Flood Protection	14,365,994
Capital Projects	13,685,289
Total	\$110,575,588

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/GIS services; and risk management liaison.

Finance Staffing Summary

	FY 10/11	FY 11/12	FY 12/13	FY 13/14	
	Budget	Budget	Budget	Budget	Change
Assistant Gen Mgr, Finance	1.00	1.00	1.00	0.00	-1.00
Financial & Systems Services Manager	1.00	1.00	1.00	1.00	0.00
Accounting Manager	1.00	1.00	1.00	1.00	0.00
Senior Auditor/Accountant	1.00	1.00	1.00	1.00	0.00
Staff Analyst	1.00	1.00	2.00	1.50	-0.50
Geographic Information Systems Analyst	1.00	1.00	1.00	0.00	-1.00
Senior Procurement & Contracts Specialist	0.00	0.00	0.00	0.00	0.00
Buyer II	1.00	1.00	1.00	1.00	0.00
Office Assistant	0.00	0.00	0.00	0.50	0.50
Account Clerk	3.00	3.00	3.00	3.00	0.00
Finance	11.00	10.00	11.00	9.00	-2.00

Finance Budget by Fund

	13/14 Budget
Fund 100 - Water Enterprise	\$1,388,189
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	27,750
Fund 130 - Water Expansion	83,250
Fund 200 - Flood Control	3,663
Fund 210 - Flood Protection & Stormwater Drainage	6,000
Total	\$1,508,852

Finance Budget by Program

	13/14 Budget
Water Utility Support Services	\$115,380
Supply Source & Conveyance	52,658
Central Administration	1,220,151
Flood Protection	3,663
Capital Projects	117,000
Total	\$1,508,852

Employee Services

Provides recruitment and selection; classification and compensation; labor relations and contract negotiations; employee relations and counseling; employee benefits coordination; workers' compensation; Equal Employment Opportunity services; develops and provides employee health and safety programs; conducts technical safety reviews on Agency capital projects; monitors health, safety, and regulatory compliance; in addition, provides public outreach, including schools, and legislative relations services; provides information to the general public about the Agency's financial performance; and provides Agency training for the areas listed above.

Employee Services Staffing Summary

	FY 10/11	FY 11/12	FY 12/13	FY 13/14	
	Budget	Budget	Budget	Budget	Change
Assistant General Manager, Personnel	1.00	1.00	1.00	0.00	-1.00
Employee Services Manager	0.00	0.00	0.00	1.00	1.00
Human Resources Analyst II	2.00	2.00	2.00	1.00	-1.00
Staff Analyst	0.00	0.00	0.00	0.50	0.50
Communications Specialist	0.00	0.00	0.00	1.00	1.00
Safety Technician II	2.00	2.00	2.00	2.00	0.00
Employee Services Technician	0.00	0.00	1.00	1.00	0.00
Personnel Technician	1.00	1.00	0.00	0.00	0.00
Office Assistant	0.00	0.00	0.00	0.50	0.50
Employee Services	6.00	6.00	6.00	7.00	1.00

Employee Services Budget by Fund

	13/14 Budget
Fund 100 - Water Enterprise	\$1,434,191
Total	\$1,434,191

Employee Services Budget by Program

	13/14 Budget
Supply Source & Conveyance	\$109,752
Central Administration	1,324,439
Total	\$1,434,191

Water Quality

Provides water quality engineering technical support and laboratory analytical services for regulatory compliance and permitting, treatment plant performance verification, groundwater analysis, support for treatment improvement or expansion projects, and special operation/engineering studies. WQ also provides technical support to Operations and to water retail customers to resolve or understand water quality issues, as well as providing analytical support services to our retailers, as needed.

Water Quality Staffing Summary

	FY 10/11	FY 11/12	FY 12/13	FY 13/14	
	Budget	Budget	Budget	Budget	Change
Associate Engineer (Engineer III)	0.50	0.50	0.50	0.50	0.00
Assistant Engineer (Engineer II)	1.00	1.00	1.00	1.00	0.00
Junior Engineer (Engineer I)	1.00	1.00	1.00	1.00	0.00
Water Quality Manager	1.00	1.00	1.00	1.00	0.00
Water Quality Chemist	2.00	2.00	2.00	2.00	0.00
Water Quality Lab Technician	2.00	2.00	2.00	2.00	0.00
Water Quality	7.50	7.50	7.50	7.50	0.00

Water Quality Budget by Fund

	13/14 Budget
Fund 100 - Water Enterprise	\$1,343,113
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	174,000
Fund 130 - Water Expansion	6,000
Total	\$1,523,113

Water Quality Budget by Program

	13/14 Budget
Water Utility Support Services	\$937,355
Water Storage	175,701
Water Treatment	226,339
Central Administration	3,718
Capital Projects	180,000
Total	\$1,523,113

Integrated Planning

Zone 7 Water Agency formed an Integrated Planning (IP) section in 2011 to help fully integrate water supply (including conservation), flood protection, groundwater protection, and stream management planning activities. Under the direction of management, accomplishes this by forming sub teams consisting of Zone 7 staff from various sections, ensuring cross-pollination of ideas and concepts, while also providing a forum from which to “integrate” all facets of Zone 7’s core functions into any long-term planning effort. In addition to developing or updating major plans (e.g., Stream Management Master Plan), many of the members of IP also take lead roles in outside organizations (e.g., Bay Area Flood Protection Agencies Association, State Water Contractors, and Alameda Creek Watershed Council) so that new and innovative ideas are continually being infused into all of Zone 7’s planning efforts.

Integrated Planning Staffing Summary

	FY 10/11	FY 11/12	FY 12/13	FY 13/14	
	Budget	Budget	Budget	Budget	Change
Senior Engineer/Geologist	0.00	0.00	0.00	2.00	2.00
Associate Engineer (Engineer III)	0.00	0.00	0.00	2.00	2.00
Associate Water Resources Planner	0.00	0.00	0.00	1.00	1.00
Junior Water Resources Planner	0.00	0.00	0.00	1.00	1.00
Water Conservation Coordinator	0.00	0.00	0.00	1.00	1.00
Administrative Student Intern	0.00	0.00	0.00	0.50	0.50
Integrated Planning	0.00	0.00	0.00	7.50	7.50

Integrated Planning Budget by Fund

	13/14 Budget
Fund 100 - Water Enterprise	\$1,317,994
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	390,576
Fund 130 - Water Expansion	604,353
Fund 200 - Flood Control	2,225,499
Fund 210 - Flood Protection & Stormwater Drainage	1,283,845
Total	\$5,822,267

Integrated Planning Budget by Program

	13/14 Budget
Water Utility Support Services	\$8,635
Supply Source & Conveyance	843,571
Central Administration	465,788
Flood Protection	2,225,499
Capital Projects	2,278,774
Total	\$5,822,267

Facilities 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 Capital Improvement and Asset Management Programs, manages the Untreated Water Program as well as the various energy cost savings programs and provides long term and operational water supply planning.

Facilities Engineering Staffing Summary

	FY 10/11	FY 11/12	FY 12/13	FY 13/14	
	Budget	Budget	Budget	Budget	Change
Manager of Engineering	0.00	0.00	1.00	1.00	0.00
Principal Engineer	2.00	1.00	1.00	1.00	0.00
Senior Engineer/Geologist	3.00	3.00	2.00	2.00	0.00
Associate Engineer- Control System	1.00	1.00	1.00	1.00	0.00
Associate Engineer (Engineer III)	8.00	10.00	8.00	6.00	-2.00
Assistant Engineer	1.00	0.00	0.00	1.00	1.00
Water Resources Technician III	1.00	1.00	1.00	0.00	-1.00
Water Resources Technician II	0.00	0.00	1.00	1.00	0.00
Facilities Engineering	16.00	16.00	15.00	13.00	-2.00

Facilities Engineering Budget by Fund

	13/14 Budget
Fund 100 - Water Enterprise	\$1,455,500
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	5,710,000
Fund 130 - Water Expansion	980,000
Fund 200 - Flood Control	1,555,219
Fund 210 - Flood Protection & Stormwater Drainage	282,200
Total	\$9,982,919

Facilities Engineering Budget by Program

	13/14 Budget
Water Utility Support Services	\$865,180
Supply Source & Conveyance	124,343
Water Storage	81,266
Water Treatment	259,622
Water Transmission	101,750
Central Administration	23,339
Flood Protection	1,555,219
Capital Projects	6,972,200
Total	\$9,982,919

Groundwater Protection

Develops and manages Zone 7’s groundwater protection programs and investigations. Groundwater also manages projects related to conceptual design of groundwater recharge and pumping facilities, along with the final design and construction of small facilities related to the groundwater programs. Provides well inspection services and field measurements of groundwater and surface water resources.

Groundwater Protection Staffing Summary

	FY 10/11	FY 11/12	FY 12/13	FY 13/14	
	Budget	Budget	Budget	Budget	Change
Principal Engineer	1.00	1.00	1.00	1.00	0.00
Associate Engineer (Engineer III)	1.00	1.00	1.00	1.00	0.00
Assistant Engineer (Engineer II)	2.00	2.00	1.00	1.00	0.00
Emergency & Safety Supervisor	1.00	0.00	0.00	0.00	0.00
Construction Inspector	0.00	1.00	1.00	1.00	0.00
Water Resources Technician II	4.00	4.00	4.00	3.00	-1.00
Groundwater Protection	9.00	9.00	8.00	7.00	-1.00

Groundwater Protection Budget by Fund

	13/14 Budget
Fund 100 - Water Enterprise	\$961,057
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	350,000
Fund 130 - Water Expansion	150,000
Fund 200 - Flood Control	25,152
Total	\$1,486,209

Groundwater Protection Budget by Program

	13/14 Budget
Water Storage	\$898,071
Water Treatment	3,988
Water Transmission	11,964
Central Administration	47,034
Flood Protection	25,152
Capital Projects	500,000
Total	\$1,486,209

Operations

Operates three surface water treatment plants (Del Valle conventional Water Treatment Plant (WTP), Patterson Pass conventional WTP, and Patterson Pass ultra-filtration WTP), nine wells, a groundwater demineralization plant, the transmission system for the water enterprise, several rate control/pump stations, and numerous metered turnout facilities to the retail water agencies to ensure proper operation of facilities and treatment and delivery of water.

Operations Staffing Summary

	FY 10/11	FY 11/12	FY 12/13	FY 13/14	
	Budget	Budget	Budget	Budget	Change
Production Manager	1.00	0.00	0.00	0.00	0.00
Operations Manager	0.00	1.00	1.00	1.00	0.00
Water Facilities Supervisor	4.00	3.00	3.00	3.00	0.00
Secretary	1.00	1.00	1.00	1.00	0.00
Water Plant Operator III	19.00	19.00	19.00	19.00	0.00
Operations	25.00	24.00	24.00	24.00	0.00

Operations Budget by Fund

	13/14 Budget
Fund 100 - Water Enterprise	\$10,158,801
Total	\$10,158,801

Operations Budget by Program

	13/14 Budget
Water Utility Support Services	\$371,812
Water Treatment	9,028,441
Water Transmission	758,548
Total	\$10,158,801

Maintenance

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; performs underground pipeline repair and maintenance; provides some maintenance support for Flood Control; and provides vehicle fleet management services to the Agency.

Maintenance Staffing Summary

	FY 10/11	FY 11/12	FY 12/13	FY 13/14	
	Budget	Budget	Budget	Budget	Change
Maintenance Manager	0.00	1.00	1.00	1.00	0.00
Water Systems Superintendent	1.00	0.00	0.00	0.00	0.00
Water Facilities Supervisor	1.00	0.00	0.00	0.00	0.00
Facilities Maint & Constr Supervisor	1.00	2.00	2.00	2.00	0.00
Maintenance Materials Planner/Buyer	1.00	0.00	0.00	0.00	0.00
Maintenance Coordinator	0.00	1.00	1.00	1.00	0.00
Electrician	2.00	2.00	2.00	2.00	0.00
Transportation & Supply Coordinator	0.00	1.00	1.00	1.00	0.00
Instrument Technician II	4.00	4.00	4.00	4.00	0.00
Lead Plant Mechanic	1.00	1.00	1.00	1.00	0.00
Plant Mechanic	4.00	4.00	4.00	4.00	0.00
Plant Maint Laborer	1.00	1.00	1.00	1.00	0.00
Construction Maintenance Laborers	2.00	2.00	2.00	2.00	0.00
Maintenance	18.00	19.00	19.00	19.00	0.00

Maintenance Budget by Fund

	13/14 Budget
Fund 100 - Water Enterprise	\$4,748,968
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	270,000
Fund 200 - Flood Control	36,089
Total	\$5,055,057

Maintenance Budget by Program

	13/14 Budget
Water Utility Support Services	\$1,727,065
Water Storage	94,052
Water Treatment	2,263,987
Water Transmission	515,534
Central Administration	148,330
Flood Protection	36,089
Capital Projects	270,000
Total	\$5,055,057

Flood Control

Of the 620 square miles of the Alameda Creek watershed, Zone 7 provides regional flood protection management services to approximately 425 square miles located in the upper watershed areas. Management activities include implementing the Development Impact Fee (DIF) program, and maintenance and land rights administration of approximately 37 miles of flood control channels and access roads which Zone 7 currently owns; the purpose of the DIF program is to plan, design, and construct new flood control projects to address future development's impact on the FC system.

Flood Control Staffing Summary

	FY 10/11	FY 11/12	FY 12/13	FY 13/14	
	Budget	Budget	Budget	Budget	Change
Principal Engineer	1.00	1.00	1.00	1.00	0.00
Associate Engineer (Engineer III)	3.00	3.00	2.00	2.00	0.00
Assistant Engineer (Engineer II)	1.00	1.00	2.00	1.00	-1.00
Water Resources Technician II	2.00	2.00	1.00	1.00	0.00
Flood Control	7.00	7.00	6.00	5.00	-1.00

Flood Control Budget by Fund

	13/14 Budget
Fund 100 - Water Enterprise	\$17,205
Fund 200 - Flood Control	4,018,749
Total	\$4,035,954

Flood Control Budget by Program

	13/14 Budget
Central Administration	\$17,205
Flood Protection	4,018,749
Total	\$4,035,954

Appendix



Zone 7 Water Agency
Fiscal Year 2013-14 Budget



Alameda County Flood Control and Water Conservation District – Zone 7

Basic Financial Statements for the year ended June 30, 2012

Prepared by the
Finance and Management
Services Department

Alameda County Flood Control and Water Conservation District – Zone 7

Basic Financial Statements for the year ended June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the basic financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Alameda County Flood Control and Water Conservation District – Zone 7, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the District's June 30, 2011 financial statements and our report dated September 21, 2011, in which we expressed an unqualified opinion.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Alameda County Flood Control and Water Conservation District – Zone 7 at June 30, 2012, and the respective changes in the financial position and cash flows, where applicable, thereof for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

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

Maze + Associates

October 8, 2012

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**Alameda County Flood Control and Water Conservation District – Zone 7
Management’s Discussion and Analysis for the Fiscal Year Ended June 30, 2012**

This section presents a narrative overview and analysis of Zone 7’s financial activities for the fiscal year ended June 30, 2012. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- Total assets exceeded its liabilities at the close of this fiscal year by \$370 million. Net assets from governmental activities are \$74.6 million and Business-Type activities are \$295 million.
- Net assets decreased by \$2.4 million or 0.7% from the prior fiscal year’s close. Governmental activities decreased \$2.8 million, while Business-Type activities increased \$0.3 million.
- Total expenses increased \$13.3 million or 20.1% over the prior year to \$79.5 million primarily due to a large capital project – the El Charro Specific Plan.
- Total revenues increased \$10.7 million or 16.1% from the prior year to \$77.1 million primarily due to improvement in the local economic conditions.
- Water Sales revenues in the Business-Type Funds increased \$3.7 million or 11.6% to \$35.6 million.
- Construction in Progress at fiscal year-end include the Altamont Water Treatment Plant, Site Acquisition and Pipeline Projects for \$17,439,634, the PPWTP sewer line for \$826,340, the Santa Rita Pipeline Relocation for \$547,993, and other small capital projects.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to Zone 7’s basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Zone 7-wide financial statements

The Zone 7-wide financial statements are designed to provide readers with an overview of Zone 7’s finances, in a manner similar to private-sector business. The statement of net assets presents information on all of the County’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Zone 7 is improving or deteriorating. The statement of activities presents information showing how Zone 7’s net assets changed during the most recent fiscal year. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide statements distinguish functions of Zone 7 that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Zone 7 include Flood Control and Flood Protection. The business-type (proprietary) activities include the Water Enterprise.

The government-wide financial statements can be found on pages 11-13 of this report.

Fund financial statements

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. Zone 7, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Zone 7's two kinds of funds - governmental and proprietary - use different accounting approaches.

Governmental funds

Flood Control (General) and Flood Protection services (Funds 50 and 76) are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting method which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed near-term view of Zone 7's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance Zone 7's programs.

The basic governmental fund financial statements can be found on pages 14-18 of this report.

Proprietary funds

Proprietary funds are generally used to account for services for a government's business-type activities (activities supported by fees or charges). Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. Enterprise activities, which include the State Water Project, Water Sales, Capital Improvement Renewal & Replacement, Capital Expansion, Water Facilities Trust and Water Supply Trust, are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Net Activities, using the accrual method of accounting.

The basic proprietary fund financial statements can be found on pages 20-25 of this report.

Notes to the basic financial statements

The notes to the basic financial statements provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-38 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Zone 7's assets exceeded liabilities by \$370 million at June 30, 2012.

The largest portion of Zone 7's net assets, \$220 million or 60% reflects its investment in capital assets (e.g. land, buildings, equipment and infrastructure). These capital assets are used to provide services to citizens; therefore, these assets are not available for future spending. While the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Net Assets as of June 30					
	Governmental Activities		Business-type Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets:						
Current and other assets	\$60,672,924	\$63,075,901	\$123,689,917	\$118,731,001	\$184,362,841	\$181,806,902
Capital assets	<u>14,301,567</u>	<u>14,479,216</u>	<u>205,651,283</u>	<u>210,061,388</u>	<u>219,952,850</u>	<u>224,540,604</u>
Total assets	<u>74,974,491</u>	<u>77,555,117</u>	<u>329,341,200</u>	<u>328,792,389</u>	<u>404,315,691</u>	<u>406,347,506</u>
Liabilities:						
Current liabilities	417,372	233,000	3,821,534	3,612,865	4,238,906	3,845,865
Long-term liabilities	<u>0</u>	<u>0</u>	<u>30,500,000</u>	<u>30,500,000</u>	<u>30,500,000</u>	<u>30,500,000</u>
Total liabilities	<u>417,372</u>	<u>233,000</u>	<u>34,321,534</u>	<u>34,112,865</u>	<u>34,738,906</u>	<u>34,345,865</u>
Net assets:						
Invested in capital assets net of related debt	14,301,567	14,479,216	205,651,283	208,841,658	219,952,850	223,320,874
Unrestricted-Designated	41,751,799	58,914,899	79,220,538	79,436,419	120,972,337	138,351,318
Unrestricted	<u>18,503,753</u>	<u>3,928,002</u>	<u>10,147,845</u>	<u>6,401,447</u>	<u>28,651,598</u>	<u>10,329,449</u>
Total net assets	<u>\$74,557,119</u>	<u>\$77,322,117</u>	<u>\$295,019,666</u>	<u>\$294,679,524</u>	<u>\$369,576,785</u>	<u>\$372,001,641</u>

Changes in Net Assets for Year ended June 30

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Revenues:						
Charges for services	\$5,505,177	\$3,178,719	\$35,563,265	\$31,879,951	\$41,068,442	\$35,058,670
Grants and other contributions	61,249	53,229	106,194	444,139	167,443	497,368
Other program revenues	41,461	21,626	29,154,849	23,991,982	29,196,310	24,013,608
General revenues						
Property taxes	5,773,050	5,745,003			5,773,050	5,745,003
Investment earnings and other	257,328	345,843	641,133	735,257	898,461	1,081,100
Total Revenues	<u>11,638,265</u>	<u>9,344,420</u>	<u>65,465,441</u>	<u>57,051,329</u>	<u>77,103,706</u>	<u>66,395,749</u>
Expenses:						
General government	8,499,485	4,063,566			8,499,485	4,063,566
Flood protection	5,903,778	615,758			5,903,778	615,758
Special drainage area operations						0
State Water Project			13,858,280	10,670,494	13,858,280	10,670,494
Cost of water sales			30,711,144	30,572,172	30,711,144	30,572,172
Facility use fees - capital improvement projects			3,864,713	4,443,284	3,864,713	4,443,284
Water connection fees - capital expansion projects			16,691,162	15,853,975	16,691,162	15,853,975
Total Expenses	<u>14,403,263</u>	<u>4,679,324</u>	<u>65,125,299</u>	<u>61,539,925</u>	<u>79,528,562</u>	<u>66,219,249</u>
Increase/(decrease) in net assets before transfers	(2,764,998)	4,665,096	340,142	(4,488,596)	(2,424,856)	176,500
Transfers						0
Extraordinary item						0
Change in net assets	<u>-2,764,998</u>	<u>4,665,096</u>	<u>340,142</u>	<u>(4,488,596)</u>	<u>-2,424,856</u>	<u>176,500</u>
Net assets-beginning	<u>77,322,117</u>	<u>72,657,021</u>	<u>294,679,524</u>	<u>299,168,120</u>	<u>372,001,641</u>	<u>371,825,141</u>
Net assets-ending	<u>\$74,557,119</u>	<u>\$77,322,117</u>	<u>\$295,019,666</u>	<u>\$294,679,524</u>	<u>\$369,576,785</u>	<u>\$372,001,641</u>

Zone 7's net assets decreased by \$2.4 million during the fiscal year ended June 30, 2012. Total revenue was \$77.1 million and is offset by total expenses, including transfers, of \$79.5 million.

Governmental activities

Net assets in Zone 7's flood control governmental activities decreased by \$2.8 million. Total revenues were \$11.6 million while total expenses amounted to \$14.4 million.

Revenues: Charges for services increased \$2.3 million from the prior year mainly due to an increase in the number of impervious area applications. Other program revenues increased from the prior year for fees and permits activities. Property taxes decreased slightly because of lower total assessed value and higher delinquencies. Investment earnings and other decreased \$0.09 million, or 25.6%, because of considerably lower earnings rates due to the economic downturn.

Expenses: General government increased \$9.7 million, or 207.8% mainly due to a large capital project – the El Charro Specific Plan.

Business-type activities

Net assets in Zone 7's water enterprise business-type activities increased by \$0.3 million with total revenues of \$65.5 million less total expenses including transfers of \$65.2 million.

Revenues: Charges for services increased \$3.7 million or 11.6% over the prior year as a result of a water rate increase and a higher volume of water sold. Grants and other contributions decreased \$0.3 million from the prior year due to receipt of State grants for the Mocho Demineralization project in the prior year. Other program revenues decreased \$5.2 million from the prior year.

Expenses: State water project costs increased \$3.2 million or 29.9% because of increased expenses incurred by the State. Cost of water sales increased \$0.2 million or 0.6% because of the increase in water treatment related costs due to a higher depreciation expense. Facility use fees - Capital improvement project expenses decreased \$0.6 million or 13% because there were fewer capital projects during this year. Water connection fees – capital expansion projects increased \$0.8 million or 5.3% mainly due to the South Bay Aqueduct Enlargement/Improvement Project increased costs.

Governmental funds

As of the end of the fiscal year ended June 30, 2012, Zone 7's governmental funds reported combined ending fund balances of \$60.3 million, a decrease of \$2.6 million or 4.29% as compared to the prior year. Fund balances are classified in accordance with Governmental and Accounting Standards Board Statement Number 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions. Out of the total fund balance of \$60.3 million; \$36 million is committed, which have constraints imposed by formal action of the Board and may be altered only by formal action of the Board; \$17.8 million is assigned, which are constrained by management's intent to be used for a specific purpose; \$4.9 million is unassigned, which are not restricted, committed, or assigned and are available for spending; and \$1.6 million is reserved for encumbrances. There were no long term liabilities.

Proprietary funds

Zone 7's proprietary fund statements provide the same type of information as is found in the government-wide financial statements. The net assets for the enterprise increased by \$0.3 million or 0.1%. Net assets invested in capital assets net of related debt decreased \$3.2 million primarily due to the increase in accumulated depreciation. There is no change in long-term liabilities.

Governmental Funds Budgetary highlights

A comparative budgetary statement for the Zone's general governmental funds (General Fund) follows:

	Final Budgeted Amounts	Actual Amounts	Budget Variance	
			June 30, 2012	June 30, 2011
Resources (inflows):				
Taxes	\$5,845,383	\$5,773,050	(\$72,333)	\$639,800
Intergovernmental	54,000	61,249	7,249	(771)
Charges for services	10,200	40,851	30,651	(7,229)
Interest and rentals	117,460	116,325	(1,135)	(161,820)
Other	25,284	39,424	14,140	5,026
Amounts available for appropriation	6,052,327	6,030,899	(21,428)	475,006
Charges to appropriations (outflows):				
Salaries and benefits	1,134,002	1,915,556	(781,554)	(503,402)
Services and supplies	12,116,150	6,583,929	5,532,221	6,610,646
Total changes to appropriations	13,250,152	8,499,485	4,750,667	6,107,244
Excess of resources over charges to appropriations	(7,197,825)	(2,468,586)	4,729,239	6,582,250

Zone 7's actual general fund revenues came under the budget by \$4.8 million or 55.9%.

Variations between budget and actual expenditures in the general fund reflect overall expenditures less than the adjusted budget by \$4.8 million or 55.9%. The variance is primarily due to good storm season resulting in less than planned storm repairs, which is the major expense category in this fund.

Capital assets and debt administration

A summary of changes in Capital Assets, Proprietary Enterprise Fund and Governmental General Fund, can be found on pages 32-33. Highlights include capitalizing the Mocho Groundwater Demineralization facility and the Chain of Lakes Wells 1 & 2 and the Construction in Progress mentioned above in the Financial Highlights. Further detail of Capital Assets as of June 30, 2012 can be found under Note 3.

At the end of the current fiscal year, Zone 7 had long-term obligations outstanding of \$30.5 million. The line of credit's interest is calculated at a fluctuating rate per annum of 81.41% of the Prime Rate in effect from time to time, less 2.2%, the prime rate minus 2 points and it expires on December 31, 2013. Adequate funds are available to pay off the Line of Credit when due.

Economic factors and next year's budget and rates

- The Water Conservation Act of 2009 (SBX7-7) sets an overall goal of reducing per capita urban water use by 20% by the end of 2020, and calls for agricultural water suppliers to prepare and adopt water management plans. Water conservation and other recycling efforts are nearing the level of "demand hardening" or maximum potential as all new construction and landscaping is utilizing improved ecological designs, and older systems have been updated.
- New development within the service area has been picking up, albeit at a low but steady rate, providing slight growth in new water rate payers and connection fee revenue.

- A leveling-off in property values has resulted in stabilization of the 2011 and 2012 assessment roll, sustaining the lower level of property tax revenue for the 2010/11 year. Alameda County's average unemployment rate has decreased markedly, now registering 9.0% as of April 2012, below the 2011 rate of 10.2 percent, exhibiting signs of slow but steady economic stabilization.

All of the above factors were considered in preparing Zone 7's budget for fiscal year 2013.

Requests for Information

This financial report is designed to provide our customers, ratepayers, investors and creditors with a general overview of Zone 7's finances and to demonstrate accountability for the money it receives. Below is the contact information for questions about this report or requests for additional financial information.

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

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ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash in county treasury (Note 2)	\$59,446,259	\$114,231,341	\$173,677,600
Accounts receivable, net	1,226,665	9,368,576	10,595,241
Prepaid expenses		90,000	90,000
Total current assets	<u>60,672,924</u>	<u>123,689,917</u>	<u>184,362,841</u>
Noncurrent assets			
Capital assets (Note 3):			
Rights of way, water entitlements, easements and construction in progress	6,875,550	58,489,629	65,365,179
Depreciable, net	<u>7,426,017</u>	<u>147,161,654</u>	<u>154,587,671</u>
Total noncurrent assets	<u>14,301,567</u>	<u>205,651,283</u>	<u>219,952,850</u>
Total assets	<u>74,974,491</u>	<u>329,341,200</u>	<u>404,315,691</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	417,372	2,352,560	2,769,932
Deposits-water facilities trust		353,039	353,039
Compensated absences (Note 1J)		<u>1,115,935</u>	<u>1,115,935</u>
Total current liabilities	<u>417,372</u>	<u>3,821,534</u>	<u>4,238,906</u>
Noncurrent liabilities			
Line of credit (Note 4)		<u>30,500,000</u>	<u>30,500,000</u>
Total noncurrent liabilities		<u>30,500,000</u>	<u>30,500,000</u>
Total liabilities	<u>417,372</u>	<u>34,321,534</u>	<u>34,738,906</u>
NET ASSETS (Note 5)			
Invested in capital assets, net of related debt	14,301,567	205,651,283	219,952,850
Unrestricted-designated for			
Capital projects	36,696,155	37,928,558	74,624,713
Specific projects and programs	5,055,644	41,291,980	46,347,624
Unrestricted	<u>18,503,753</u>	<u>10,147,845</u>	<u>28,651,598</u>
Total net assets	<u>\$74,557,119</u>	<u>\$295,019,666</u>	<u>\$369,576,785</u>

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Other Program Revenues	
Governmental activities:					
General government	\$8,499,485	\$40,851	\$61,249	\$39,424	\$141,524
Flood protection	5,903,778	5,464,326		2,037	5,466,363
Total governmental activities	14,403,263	5,505,177	61,249	41,461	5,607,887
Business-type activities:					
State water project	13,858,280		92,639	15,489,732	15,582,371
Water sales	30,711,144	35,547,771		379,468	35,927,239
Facility use fees-capital improvement	3,864,713	11,230	10,166	552,453	573,849
Water connection fees capital expansion	16,691,162	4,264	3,389	12,733,196	12,740,849
Total business-type activities	65,125,299	35,563,265	106,194	29,154,849	64,824,308
Total	\$79,528,562	\$41,068,442	\$167,443	\$29,196,310	\$70,432,195
General revenues:					
Property taxes:					
Secured					
Unsecured					
Supplemental					
Investment earnings					
Rental charges					
Total general revenues					
Change in net assets					
Net assets-beginning of year					
Net Assets-end of year					

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
(\$8,357,961)		(\$8,357,961)
(437,415)		(437,415)
<u>(8,795,376)</u>		<u>(8,795,376)</u>
	\$1,724,091	1,724,091
	5,216,095	5,216,095
	(3,290,864)	(3,290,864)
	<u>(3,950,313)</u>	<u>(3,950,313)</u>
	<u>(300,991)</u>	<u>(300,991)</u>
<u>(8,795,376)</u>	<u>(300,991)</u>	<u>(9,096,367)</u>
5,392,724		5,392,724
330,976		330,976
49,350		49,350
239,596	610,133	849,729
17,732	31,000	48,732
<u>6,030,378</u>	<u>641,133</u>	<u>6,671,511</u>
<u>(2,764,998)</u>	<u>340,142</u>	<u>(2,424,856)</u>
<u>77,322,117</u>	<u>294,679,524</u>	<u>372,001,641</u>
<u>\$74,557,119</u>	<u>\$295,019,666</u>	<u>\$369,576,785</u>

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 AS OF JUNE 30, 2012
 WITH SUMMARIZED TOTALS AS OF JUNE 30, 2011

ASSETS	General	Flood Protection	Totals	
			2012	2011
ASSETS				
Current assets				
Cash in county treasury (Note 2)	\$23,948,959	\$35,497,300	\$59,446,259	\$62,627,113
Accounts receivable, net		1,226,665	1,226,665	448,788
Total assets	<u>\$23,948,959</u>	<u>\$36,723,965</u>	<u>\$60,672,924</u>	<u>\$63,075,901</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	\$389,562	\$27,810	\$417,372	\$233,000
Total liabilities	<u>389,562</u>	<u>27,810</u>	<u>417,372</u>	<u>233,000</u>
FUND BALANCES (Note 5)				
Nonspendable:				
Encumbrances	855,644	739,264	1,594,908	10,103,983
Committed		35,956,891	35,956,891	31,099,208
Assigned	17,823,912		17,823,912	13,511,708
Unassigned	4,879,841		4,879,841	8,128,002
Total fund balances	<u>23,559,397</u>	<u>36,696,155</u>	<u>60,255,552</u>	<u>62,842,901</u>
Total liabilities and fund balances	<u>\$23,948,959</u>	<u>\$36,723,965</u>	<u>\$60,672,924</u>	<u>\$63,075,901</u>

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7
 RECONCILIATION OF
 GOVERNMENTAL FUNDS - FUND BALANCE
 WITH THE GOVERNMENTAL ACTIVITIES
 STATEMENT OF NET ASSETS
 JUNE 30, 2012
 WITH COMPARATIVE TOTALS FOR JUNE 30, 2011

	2012	2011
TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$60,255,552	\$62,842,901
<p>Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:</p>		
<p>CAPITAL ASSETS</p>		
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	14,301,567	14,479,216
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$74,557,119	\$77,322,117

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2012
 WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	General	Flood Protection	Totals	
			2012	2011
REVENUES				
Property taxes	\$5,773,050		\$5,773,050	\$5,745,003
Intergovernmental revenues	61,249		61,249	53,229
Charges for services	40,851	\$5,464,326	5,505,177	3,178,719
Interest and rentals	116,325	141,003	257,328	345,843
Other revenues	39,424	2,037	41,461	21,626
Total revenues	6,030,899	5,607,366	11,638,265	9,344,420
EXPENDITURES				
Salaries and employee benefits transferred from district-wide	1,915,556	328,000	2,243,556	1,937,436
Services and supplies	6,583,929	267,191	6,851,120	2,559,113
Equipment and capital structure		5,130,850	5,130,850	
Other		88	88	126
Total expenditures	8,499,485	5,726,129	14,225,614	4,496,675
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,468,586)	(118,763)	(2,587,349)	4,847,745
NET CHANGE IN FUND BALANCES	(2,468,586)	(118,763)	(2,587,349)	4,847,745
FUND BALANCES, BEGINNING OF YEAR	26,027,983	36,814,918	62,842,901	57,995,156
FUND BALANCES, END OF YEAR	\$23,559,397	\$36,696,155	\$60,255,552	\$62,842,901

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7
 RECONCILIATION OF THE
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 WITH THE
 CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2012
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	2012	2011
<p>The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.</p>		
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	(\$2,587,349)	\$4,847,745
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>		
<p>CAPITAL ASSETS TRANSACTIONS</p>		
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.</p>		
The capital outlay expenditures are therefore added back to fund balance	5,000	
Depreciation expense is deducted from the fund balance	(182,649)	(182,649)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	(\$2,764,998)	\$4,665,096

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7
 GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$5,845,383	\$5,845,383	\$5,773,050	(\$72,333)
Intergovernmental revenue	54,000	54,000	61,249	7,249
Charges for services	10,200	10,200	40,851	30,651
Interest and rentals	117,460	117,460	116,325	(1,135)
Other revenue	25,284	25,284	39,424	14,140
TOTAL REVENUES	<u>6,052,327</u>	<u>6,052,327</u>	<u>6,030,899</u>	<u>(21,428)</u>
EXPENDITURES				
Salaries and benefits	1,134,002	1,134,002	1,915,556	(781,554)
Services and supplies	7,547,998	12,116,150	6,583,929	5,532,221
TOTAL EXPENDITURES	<u>8,682,000</u>	<u>13,250,152</u>	<u>8,499,485</u>	<u>4,750,667</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(2,629,673)</u>	<u>(7,197,825)</u>	<u>(2,468,586)</u>	<u>4,729,239</u>
NET CHANGE IN FUND BALANCE	<u>(\$2,629,673)</u>	<u>(\$7,197,825)</u>	<u>(2,468,586)</u>	<u>\$4,729,239</u>
Fund balance, beginning of year			<u>26,027,983</u>	
Fund balance, end of year			<u>\$23,559,397</u>	

See accompanying notes to financial statements

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ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2012

WITH SUMMARIZED TOTALS AS OF JUNE 30, 2011

	State Water Project	Water Sales	Capital Improvement Renewal & Replacement	Capital Expansion
ASSETS				
Current assets:				
Cash in county treasury (Note 2)	\$10,466,482	\$22,373,067	\$22,160,026	\$50,969,184
Receivables, net	137,341	8,348,759	3,095	879,381
Prepaid deposits		90,000		
Total current assets	<u>10,603,823</u>	<u>30,811,826</u>	<u>22,163,121</u>	<u>51,848,565</u>
Noncurrent assets:				
Capital assets (Note 3), right of ways, water entitlements and construction in progress		58,489,629		
Improvements, net of depreciation		<u>147,161,654</u>		
Total noncurrent assets		<u>205,651,283</u>		
Total assets	<u>10,603,823</u>	<u>236,463,109</u>	<u>22,163,121</u>	<u>51,848,565</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses		1,856,160	430,009	66,391
Deposits				
Compensated absences (Note 1J)		<u>1,115,935</u>		
Total current liabilities		<u>2,972,095</u>	<u>430,009</u>	<u>66,391</u>
Long-term liabilities:				
Line of Credit (Note 4)				<u>30,500,000</u>
Total long-term liabilities				<u>30,500,000</u>
Total liabilities		<u>2,972,095</u>	<u>430,009</u>	<u>30,566,391</u>
NET ASSETS (Note 5)				
Invested in capital assets		205,651,283		
Unrestricted-designated for:				
Capital projects		6,600,000	19,041,132	12,287,426
Designated projects	10,603,823	11,091,886	2,691,980	8,994,748
Unrestricted		<u>10,147,845</u>		
Total net assets	<u>10,603,823</u>	<u>233,491,014</u>	<u>21,733,112</u>	<u>21,282,174</u>
Total liabilities and net assets	<u>\$10,603,823</u>	<u>\$236,463,109</u>	<u>\$22,163,121</u>	<u>\$51,848,565</u>

See accompanying notes to financial statements

Water Facilities Trust	Water Supply Trust	Totals	
		2012	2011
\$3,522,216	\$4,740,366	\$114,231,341	\$111,710,416
		9,368,576	6,796,766
		90,000	223,819
<u>3,522,216</u>	<u>4,740,366</u>	<u>123,689,917</u>	<u>118,731,001</u>
		58,489,629	57,258,300
		147,161,654	152,803,088
		<u>205,651,283</u>	<u>210,061,388</u>
<u>3,522,216</u>	<u>4,740,366</u>	<u>329,341,200</u>	<u>328,792,389</u>
		2,352,560	2,079,778
353,039		353,039	380,997
		1,115,935	1,152,090
<u>353,039</u>		<u>3,821,534</u>	<u>3,612,865</u>
		30,500,000	30,500,000
		30,500,000	30,500,000
<u>353,039</u>		<u>34,321,534</u>	<u>34,112,865</u>
		205,651,283	208,841,658
		37,928,558	40,041,672
3,169,177	4,740,366	41,291,980	39,394,747
		10,147,845	6,401,447
<u>3,169,177</u>	<u>4,740,366</u>	<u>295,019,666</u>	<u>294,679,524</u>
<u>\$3,522,216</u>	<u>\$4,740,366</u>	<u>\$329,341,200</u>	<u>\$328,792,389</u>

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	State Water Project	Water Sales	Capital Improvement Renewal & Replacement	Capital Expansion
OPERATING REVENUES				
Property taxes	\$12,017,106			
Water sales		\$35,398,908		
Intergovernmental revenue	92,639		\$10,166	\$3,389
Connection and development fees			547,570	10,798,372
Charges for services		113,890	11,230	4,264
Other revenues	3,472,626	379,468	4,883	1,934,824
Total operating revenues	15,582,371	35,892,266	573,849	12,740,849
OPERATING EXPENSES				
Salaries, wages and benefits		12,529,536	1,378,299	644,277
Contractual services		2,246,105	2,579,724	382,069
Supplies		115,792		
Chemical purchases		1,854,047		
Water purchases	13,858,280	2,104,846		13,645,489
Water storage		1,102,075		1,341,997
Utilities		1,984,768	157,744	43,201
Maintenance and repairs		1,183,573		
Equipment and building rents		99,677	531,904	404,128
Office expenses		1,342,687	338,217	343,744
Risk management		354,389		
Depreciation (Note 3)		5,793,649		
Expenses capitalized			(1,121,175)	(113,743)
Total operating expenses	13,858,280	30,711,144	3,864,713	16,691,162
Operating income (loss)	1,724,091	5,181,122	(3,290,864)	(3,950,313)
NONOPERATING REVENUES				
Interest income and rental fees	155,849	123,456	89,614	237,540
Total nonoperating revenues	155,849	123,456	89,614	237,540
Income (loss) before transfers	1,879,940	5,304,578	(3,201,250)	(3,712,773)
Transfers in		1,360,610	5,044,148	681,352
Transfers (out)		(5,169,840)	(1,121,175)	(795,095)
Change in net assets	1,879,940	1,495,348	721,723	(3,826,516)
Net assets, beginning of year	8,723,883	231,995,666	21,011,389	25,108,690
Total net assets, end of Year	\$10,603,823	\$233,491,014	\$21,733,112	\$21,282,174

See accompanying notes to financial statements

Water Facilities Trust	Water Supply Trust	Totals	
		2012	2011
		\$12,017,106	\$9,860,412
		35,398,908	31,785,517
		106,194	444,139
		11,345,942	9,697,595
		129,384	69,872
\$34,973		5,826,774	4,458,537
<u>34,973</u>		<u>64,824,308</u>	<u>56,316,072</u>
		14,552,112	14,811,943
		5,207,898	4,647,071
		115,792	118,003
		1,854,047	1,542,425
		29,608,615	27,676,513
		2,444,072	2,316,114
		2,185,713	2,192,612
		1,183,573	1,348,377
		1,035,709	1,000,498
		2,024,648	1,441,471
		354,389	203,728
		5,793,649	4,682,019
		(1,234,918)	(440,849)
		<u>65,125,299</u>	<u>61,539,925</u>
34,973		(300,991)	(5,223,853)
<u>14,856</u>	<u>\$19,818</u>	<u>641,133</u>	<u>735,257</u>
<u>14,856</u>	<u>19,818</u>	<u>641,133</u>	<u>735,257</u>
<u>49,829</u>	<u>19,818</u>	<u>340,142</u>	<u>(4,488,596)</u>
		7,086,110	173,168,966
		(7,086,110)	(173,168,966)
<u>49,829</u>	<u>19,818</u>	<u>340,142</u>	<u>(4,488,596)</u>
<u>3,119,348</u>	<u>4,720,548</u>	<u>294,679,524</u>	<u>299,168,120</u>
<u>\$3,169,177</u>	<u>\$4,740,366</u>	<u>\$295,019,666</u>	<u>\$294,679,524</u>

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
 ZONE 7
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2012
 WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	State Water Project	Water Sales	Capital Improvement Renewal & Replacement
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$15,445,030	\$33,495,811	\$52,704
Connection and development fees			547,570
Payments to employees		(12,565,691)	(1,378,299)
Payments to suppliers	(13,858,280)	(12,014,408)	(2,599,920)
Net cash provided (used) by operating activities	1,586,750	8,915,712	(3,377,945)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interest income	155,849	123,456	89,614
Cash flows from noncapital financing activities	155,849	123,456	89,614
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property, plant, and equipment		(1,383,544)	
Transfers in		1,360,610	5,044,148
Transfers (out)		(5,169,840)	(1,121,175)
Cash flows from (used for) capital and related financing activities		(5,192,774)	3,922,973
Net increase (decrease) in cash and cash equivalents	1,742,599	3,846,394	634,642
Cash and investments at beginning of period	8,723,883	18,526,673	21,525,384
Cash and investments at end of period	\$10,466,482	\$22,373,067	\$22,160,026
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$1,724,091	\$5,181,122	(\$3,290,864)
Adjustments to reconcile operating income to cash flows			
Depreciation		5,793,649	
Changes in assets and liabilities			
Receivables	(137,341)	(2,530,274)	26,425
Prepaid deposits		133,819	
Accounts payable and accrued expenses		373,551	(113,506)
Compensated absences		(36,155)	
Deposits			
Net cash provided (used) by operating activities	\$1,586,750	\$8,915,712	(\$3,377,945)

See accompanying notes to financial statements

Capital Expansion	Water Facilities Trust	Water Supply Trust	Total	
			2012	2011
\$2,011,857	\$7,015		\$51,012,417	\$49,342,793
10,798,372			11,345,942	9,697,595
(644,277)			(14,588,267)	(14,773,158)
<u>(16,034,148)</u>			<u>(44,506,756)</u>	<u>(43,876,871)</u>
(3,868,196)	7,015		3,263,336	390,359
237,540	14,856	\$19,818	641,133	735,257
<u>237,540</u>	<u>14,856</u>	<u>19,818</u>	<u>641,133</u>	<u>735,257</u>
681,352			(1,383,544)	(498,163)
(795,095)			7,086,110	173,168,966
			<u>(7,086,110)</u>	<u>(173,168,966)</u>
<u>(113,743)</u>			<u>(1,383,544)</u>	<u>(498,163)</u>
(3,744,399)	21,871	19,818	2,520,925	627,453
<u>54,713,583</u>	<u>3,500,345</u>	<u>4,720,548</u>	<u>111,710,416</u>	<u>111,082,963</u>
<u>\$50,969,184</u>	<u>\$3,522,216</u>	<u>\$4,740,366</u>	<u>\$114,231,341</u>	<u>\$111,710,416</u>
(\$3,950,313)	\$34,973		(\$300,991)	(\$5,223,853)
			5,793,649	4,682,019
69,380			(2,571,810)	2,820,150
12,737			133,819	
			272,782	(1,830,908)
			(36,155)	38,785
	(27,958)		<u>(27,958)</u>	<u>(95,834)</u>
<u>(\$3,868,196)</u>	<u>\$7,015</u>		<u>\$3,263,336</u>	<u>\$390,359</u>

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**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The Alameda County Flood Control and Water Conservation District – Zone 7 (the District) is a public corporation, organized and existing under the constitution and laws of the State of California. The District provides various services including the purchase, treatment and sales of water and the maintenance of flood control channels within the boundaries of its service area. The financial statements of the District have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for governmental accounting and financial reported purposes.

B. Basis of Presentation

Government-Wide Statements

The statement of net assets and statement of activities display information about the primary government (the District). These statements distinguish between the *governmental* and *business-type activity* of the District. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from the business-type activity, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

When both restricted and unrestricted net assets are available, restricted resources are used for qualified expenditures for capital improvement projects before any unrestricted resources are spent.

Fund Financial Statements

The fund financial statements provide information about the District's funds. The fund financial statements present all governmental funds and the water enterprise fund.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following governmental funds:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District that are not accounted for through other funds.
- The *Flood Protection* is for flood protection and storm water drainage facilities and is reserved for reimbursement to developers.

The District reports the following proprietary funds:

- The *State Water Project* is used for fixed State water charges and State water project bonded indebtedness.
- The *Water Sales* 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.
- The *Capital Improvement Renewal & Replacement* is used for improvement, renewal and replacement program.
- The *Capital Expansion* is used for Water Enterprise capital expansion projects.
- The *Water Facilities Trust* is used for Chain of Lakes mitigation and planning reserve, quarry discharge exports, miscellaneous fess and deposits, and permit inspection deposits.
- The *Water Supply Trust* is used for future water, water storage and Delta-related projects.

C. Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, benefit assessments and grants. On an accrual basis, revenues from property taxes and benefit assessments are recognized in the fiscal year for which the taxes and assessments are levied; revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied; and revenue from investments is recognized when earned.

Governmental 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. Property taxes benefit assessments, interest, grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences are recorded when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For its business-type activities and enterprise fund, the District has elected, under Governmental Accounting Standard's Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The District has elected not to follow subsequent private-sector guidance of FASB after November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water enterprise fund is the sale of water to outside customers. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Cash Equivalents

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

E. Receivables

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

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets

Capital assets are those purchased or acquired with a useful life greater than one year and an original cost greater than \$250,000 for infrastructure, buildings, building improvements, land improvements and software. The District capitalizes equipment and land with a useful life greater than one year and an original cost greater than \$5,000. These assets are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that are significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Capital Assets</u>	<u>Useful Life</u>
Treatment plants	40 years
Treatment plants improvements	10 - 40 years
Sludge drying ponds	40 years
Pipeline	40 years
Equipment	3-10 years
Reservoir	40 years
Office building	40 years
Wellfields	40 years
Flood control channels	100 years
Rights of way	Indefinite
Water entitlement	Indefinite

G. Budgets and Budgetary Accounting

Formal budgets are employed as a management control during the year for the General Fund.

Budgets for the Governmental Funds are prepared to include encumbrances at year end. Budget comparisons presented are on this Non-GAAP budgetary basis.

H. Encumbrances – Governmental Fund Financial Statements

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Funds and Flood Protection Fund. Encumbrances at year end are reported as reservation of fund balances since they do not constitute expenditures or liabilities.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Property Taxes

The District receives property taxes from Alameda County. The District recognizes property taxes as revenue in the fiscal year of levy, based on the assessed value as of September 1 of the preceding fiscal year. They become a lien on the first day of the year they are levied. Secured property tax is levied on September 1 and due in two installments, on November 1 and March 1. They become delinquent on December 10 and April 10, respectively. Unsecured property taxes are due on July 1, and become delinquent on August 31. The District elected to receive the property taxes from the County under the Teeter Bill. Under this program the District receives 100% of the levied property taxes in periodic payments, with the County assuming responsibility for delinquencies.

J. Compensated Absences

The District's policy allows employees to accumulate earned but unused vacation and overtime compensation, subject to a vesting policy. The cost of vacation is recorded in the period it is earned. The District will recognize accrued vacation to the maximum of vacation earned during the preceding two years prior to separation of service. Accumulated employee sick leave benefits are not recognized as liabilities of the District, as these benefits do not vest with the employee. Therefore, sick leave is recorded as expenditure in the period that the benefit is taken. As of June 30, 2012, the balance of compensated absences is \$1,115,935.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

The District's cash and investments is controlled and invested by the Alameda County Treasurer. Investments are stated at fair value as required by generally accepted accounting principles. Pooled investment earnings are allocated by the Treasurer to each fund based on the cash and investment balances in these funds at the end of each accounting period. At June 30, 2012, the District's cash and investments amounted to \$173,677,600 of which \$59,446,259 and \$114,231,341 were reflected in the District's Governmental and Business-Type Activities, respectively. The make up of these investments can be found in the Alameda County Treasurer's Investment Pool Market Value Report as of June 30, 2012, however the majority of the Pool is comprised of collateralized securities (Treasury Notes, Bills, Federal Agencies and Commercial Paper).

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 3 – CAPITAL ASSETS

A. Summary

The following is a summary of capital assets as of June 30, 2012:

<i>Governmental Activities</i>	Balance at June 30, 2011	Additions	Balance at June 30, 2012
Capital assets not being depreciated:			
Rights of way	\$6,870,550	\$5,000	\$6,875,550
Total capital assets not being depreciated	6,870,550	5,000	6,875,550
Capital assets being depreciated:			
Flood control channels	9,939,359		9,939,359
Total capital assets being depreciated	9,939,359		9,939,359
Less accumulated depreciation for:			
Flood control channels	2,330,693	182,649	2,513,342
Total accumulated depreciation	2,330,693	182,649	2,513,342
Net capital assets being depreciated	7,608,666	(182,649)	7,426,017
Governmental activity capital assets, net	<u>\$14,479,216</u>	<u>(\$177,649)</u>	<u>\$14,301,567</u>

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 3 – CAPITAL ASSETS (Continued)

<i>Business-Type Activities</i>	Balance at June 30, 2011	Additions and Transfers	Retirements	Balance at June 30, 2012
Capital assets not being depreciated:				
Rights of way	\$559,718	\$718,179		\$1,277,897
Water entitlements	36,655,364			36,655,364
Easements	1,219,730	73,327		1,293,057
Construction in progress	18,823,488	439,823		19,263,311
Total capital assets not being depreciated	<u>57,258,300</u>	<u>1,231,329</u>		<u>58,489,629</u>
Capital assets being depreciated:				
Equipment	2,726,433	148,626	(\$6,035)	2,869,024
Treatment plants	105,415,112			105,415,112
Office building	1,264,251			1,264,251
Reservoir	1,934,197			1,934,197
Pipelines	52,118,373	3,589		52,121,962
Wellfields	26,435,329			26,435,329
Supervisory Control and Data Acquisition project	9,704,664			9,704,664
Other infrastructure	487,550			487,550
Total capital assets being depreciated	<u>200,085,909</u>	<u>152,215</u>	<u>(6,035)</u>	<u>200,232,089</u>
Less accumulated depreciation for:				
Equipment	2,313,480	185,356	(6,035)	2,492,801
Treatment plants	28,247,503	3,088,985		31,336,488
Office building	753,526	31,606		785,132
Reservoir	860,931	48,355		909,286
Pipelines	8,854,906	1,281,042		10,135,948
Wellfields	3,063,924	660,883		3,724,807
Supervisory Control and Data Acquisition project	3,154,016	485,233		3,639,249
Other infrastructure	34,535	12,189		46,724
Total accumulated depreciation	<u>47,282,821</u>	<u>5,793,649</u>	<u>(6,035)</u>	<u>53,070,435</u>
Net capital assets being depreciated	<u>152,803,088</u>	<u>(5,641,434)</u>		<u>147,161,654</u>
Business-Type activity capital assets, net	<u>\$210,061,388</u>	<u>(\$4,410,105)</u>		<u>\$205,651,283</u>

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 3 – CAPITAL ASSETS (Continued)

B. Construction in Progress

Construction in Progress at June 30, 2012 comprises the following projects:

<u>Projects</u>	
Patterson Pass Water Treatment Plant PPWTP-Sewer Line Project	\$826,340
Santa Rita Pipeline Relocation	547,993
Del Valle Water Treatment Plant-DVWTP Sludge Handling Imprv	1,370
Altamont Water Treatment PlantAWTP-Site Aquis/Raw H2O T	15,512,884
Altamont Water Treatment Plant	1,334,358
Altamont Pipeline-County Reach	592,392
Arroyo Mocho/Lake H Diversion	326,201
Cope Lake Facilities Project	121,773
Total	<u>\$19,263,311</u>

NOTE 4 – LINE OF CREDIT

On January 15, 2008, the District signed an installment sale agreement with the Municipal Finance Corporation and Wells Fargo Bank for a tax-exempt revolving line of credit in the amount of \$60,000,000 for a term of six years. Effective January 19, 2011 the Board approved reducing the line to a maximum amount of \$30,500,000. The line carries a variable interest rate based on a calculation of 81.41% of bank's Prime rate, less 2.2%. There are no prepayment penalties, an unused portion fee of 0.05% per year applies, and a debt service of 1.0 times net revenues has to be maintained. As of June 30, 2012 the outstanding balance for the line of credit was \$30,500,000 at an interest rate of 0.45%.

NOTE 5 – NET ASSETS AND FUND BALANCES

Net Assets

Net Assets is the excess of all the District's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions under GASB Statement 34. These captions apply only to Net Assets and are described below:

Invested in capital assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets, if any, which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and fees charged for the provision of future water resources.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 5 – NET ASSETS AND FUND BALANCES (Continued)

Unrestricted describes the portion of Net Assets which is not restricted to use.

Fund Balance

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities.

The District's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the District to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the District prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendables represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for resale are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the Board of Directors which may be altered only by formal action of the Board of Directors. Encumbrances and nonspendable amounts subject to Board commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Board of Director or its designee and may be changed at the discretion of the Board of Directors or its designee. This category includes encumbrances; nonspendables, when it is the District's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds. On February 16, 2005, the District adopted a Reserve Fund Policy which established the Operating and Emergency Reserve. This reserve is to be used in the case of a flood control emergency pending receipt of any State or Federal reimbursements. As of June 30, 2012, the reserve is \$4,200,000 which is included in unassigned fund balance.

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 6 – RETIREMENT PLAN

All qualified permanent employees participate in the Plan. Members are eligible to retire at age 50 with ten years of service, at age 70 regardless of years of service or at any age with thirty years of service. A year of qualifying service equals one year of full time employment.

The Plan requires participants in Tier 1 to contribute from 9.39%-14.14% of their salary of which the District contributes up to 17.61%. The Plan requires participants in Tier 2 to contribute from 6.30%-10.29% of their salary of which the District contributes up to 16.35%. Contributions necessary to fund the Plan on an actuarial basis are determined by the Alameda County Employees Retirement Association.

The actuarial accrued liability presented below was computed as part of an actuarial valuation performed as of December 31, 2010, which is the latest actuarial valuation available. Significant actuarial assumptions used in the valuation include (a) investment rate of return of 7.9%, (b) projected salary increases of 4.7%-8% per year reflecting 3.50% for inflation and .50% across the board, and (c) cost of living adjustments of 3% for Tier 1 and 2% for Tier 2. The Plan uses the Entry Age Normal Cost Method with a supplemental present value. The amortization period for the supplemental present value is 24 years, with 21 years remaining from January 1, 2012. The Plan uses the level percent of projected payroll method to amortize the unfunded actuarial accrued liability (22-year declining).

The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the actuarial accrued liability.

In valuing Plan assets used in determining funding status, the actuary spreads realized and unrealized gains and losses over 5 years.

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Plan wide trend information may be found in the Association's Annual Reports.

Annual contributions paid by the District to the Plan are equal to the annual required contributions which were as follows:

Fiscal Year	Employee	Employer	Total
2009-2010	\$423,182	\$2,750,842	\$3,174,024
2010-2011	716,787	2,663,052	3,379,839
2011-2012	689,817	2,688,349	3,378,166

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 7 - POST EMPLOYMENT BENEFITS OTHER THAN RETIREMENT

The District, through the County of Alameda (County), is a participant under the Alameda County Employees' Retirement Association's (ACERA) plan for other post employment benefits as established by the California Legislature under Article 5.5 of the County Employees Retirement Law of 1937. Retired employees from the District receive a monthly medical allowance toward the cost of their retiree health insurance from the Supplemental Retiree Benefit Reserve (SRBR). The SRBR is a funded trust that receives 50% of the investment earnings that are in excess of the target investment return of the ACERA pension fund. The District funds the premiums for current active employees while ACERA funds the premiums for retirees.

As the underlying cost for non-Medicare eligible retirees is higher than the blended average of actives and non-Medicare eligible retirees, there is an implicit subsidy inherent in the cost allocation process. GASB 45 requires employers using a blended rate for active and non-Medicare eligible retirees to recognize the implicit subsidy liability.

The SRBR is used to fund these benefits for eligible retirees, including retirees from the County and other employers who contribute to the ACERA pension fund, including the District. Accordingly, the District believes it has already accounted for the payments to be made from the SRBR indirectly through its pension contributions and therefore the District's only GASB 45 liability is for the implicit subsidy. Furthermore, as the Board of Retirement cannot make payments to retirees after the SRBR is exhausted, the liability for these benefits is capped at the amount of SRBR assets, therefore, the unfunded liability for these benefits is, by definition, zero.

The funding of these benefits is limited to investment earnings to a special reserve allocated in accordance with the statute. The Board of Retirement has no authority to demand funding from employers or member participants to fund these benefits. If these reserves were depleted, benefits provided by the program will cease. Under the current actuarial assumptions it is anticipated that the reserves will be sufficient to fund the program through the year 2027 based on the December 31, 2010 valuation. Because of the limitations on the Board of Retirement's ability to provide these benefits, this program is considered to be 100% funded through 2027.

NOTE 8 - INSURANCE

The District is self-insured for claims under the County of Alameda self-insurance/excess insurance program. The County is a member of the California State Association-Excess Insurance Authority (CSAC-EIA), a California Counties Joint Powers Authority whose purpose is to develop and fund programs of excess and primary insurance for its member counties.

Type of Coverage	Coverage Limit	Self-Insured/Deductible
General Liability, including Auto Liability	\$25,000,000	\$1,000,000
Workers' Compensation	Statutory Limit	3,000,000
Property	610,000,000	50,000
Crime	10,000,000	2,500
Pollution	10,000,000	500,000
Watercraft	1,000,000	1,000

**ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT – ZONE 7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE 9 - COMMITMENT AND CONTINGENT LIABILITIES

A. Litigation

The District is a defendant in a number of lawsuits, which have arisen, in the normal course of business including challenges over certain rates and changes. The ultimate outcome of these matters is not presently determinable. In the opinion of the District, these actions when finally adjudicated will not have a material adverse effect on the financial position of the District.

B. Other Contingencies

In June, 2006, the District entered into a Water Banking and Exchange Program with Cawelo Water District. The District's capital cost is approximately \$19,000,000 to be financed by 30-year revenue bonds issued by Cawelo. In addition, the District will pay for transportation of the water to and from the banking site. \$881,306 was paid for the year ended June 30, 2012.

In compliance with California Environmental Quality Act (CEQA), the District implemented the "Modified Near-Term Project" (the Project), as identified in the Final Environmental Impact Report for the Water Supply Planning Program. The District entered into the following contracts to implement the Project:

A) Effective January 1, 1999, a 15-year agreement with Byron-Bethany Irrigation District to purchase up to 5,000 acre-feet of water per year, with a minimum of 2,000 acre-feet per year available for the District, and a minimum payment of \$90,000 per year.

B) Commencing January 1, 2000, the purchase and permanent transfer of 15,000 acre-feet of State Water Project entitlements from the Lost Hills Water District for a purchase price of \$15,000,000 and assumption of State Water Project "fixed costs" of approximately \$900,000 per year.

C. Lease Obligation

On June 4, 2003, the District executed a lease-buy-option agreement with a developer to build a new administrative-engineering building in Livermore, California. The agreement calls for a 15 year escalating operating lease, with annual rents to start at \$986,831 to \$1,302,133 through year 15, with a purchase option of \$12,153,000. Occupancy started February 19, 2005. For the fiscal year ended June 30, 2012, the District paid \$1,120,582. A schedule of future rents is as follows:

For the Year Ending June 30	Lease Obligation
2013	\$1,143,017
2014	1,165,901
2015	1,189,198
2016	1,212,958
2017	1,237,241
2018-2021	3,308,776
Totals	<u>\$9,257,091</u>

Alameda County Flood Control and Water Conservation District – Zone 7

Memorandum on Internal Control and Required Communications
for the year ended June 30, 2012

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MEMORANDUM ON INTERNAL CONTROL

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

In planning and performing our audit of the financial statements of the Alameda County Flood Control and Water Conservation District – Zone 7 (the District) as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

This communication is intended solely for the information and use of management, Board of Directors, others within the organization, and agencies and pass-through entities requiring compliance with generally accepted government auditing standards, and is not intended to be and should not be used by anyone other than these specified parties.

Maze + Associates

October 8, 2012

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REQUIRED COMMUNICATIONS

Board of Directors
Alameda County Flood Control and Water
Conservation District – Zone 7

We have audited the financial statements of the Alameda County Flood Control and Water Conservation District – Zone 7 (the District) as of and for the year ended June 30, 2012 and have issued our report thereon dated October 8, 2012. Professional standards require that we advise you of the following matters relating to our audit.

Financial Statement Audit Assurance: Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit in accordance with generally accepted auditing standards does not provide absolute assurance about, or guarantee the accuracy of, the financial statements. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is an inherent risk that material errors, fraud, or illegal acts may exist and not be detected by us.

Other Information Included with the Audited Financial Statements: Pursuant to professional standards, our responsibility as auditors for other information in documents containing the District's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. Our responsibility also includes communicating to you any information that we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements. This other information and the extent of our procedures are explained in our audit report.

Accounting Policies: Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There were no changes made to the District's accounting policies for fiscal year ended June 30, 2012.

Unusual Transactions, Controversial or Emerging Areas: No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Estimates: Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

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The most sensitive accounting estimate affecting the financial statements is depreciation. Management's estimate of depreciation is based on the estimated useful lives of the capital assets. We evaluated the key factors and assumptions used to develop the depreciation expense and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Disagreements with Management: For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Retention Issues: We did not discuss any major issues with management regarding the application of accounting principles and auditing standards that resulted in a condition to our retention as the District's auditors.

Difficulties: We encountered no serious difficulties in dealing with management relating to the performance of the audit.

Audit Adjustments: For purposes of this communication, professional standards define an audit adjustment, whether or not recorded by the District, as a proposed correction of the financial statements that, in our judgment, may not have been detected except through the audit procedures performed. These adjustments may include those proposed by us but not recorded by the District that could potentially cause future financial statements to be materially misstated, even though we have concluded that the adjustments are not material to the current financial statements.

We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the entity's financial reporting process.

Uncorrected Misstatements: Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to management.

This report is intended solely for the information and use of the finance committee, Board of Directors, and management and is not intended to be and should not be used by anyone other than these specified parties.

Mage & Associates

October 8, 2012

Zone 7 Water Agency Reserve Funds Policy



Zone 7 Water Agency
Fiscal Year 2013-14 Budget

Zone 7 Water Agency Reserve Policy

Adopted by the Zone 7 Board on April 17, 2013

1. Policy Statement

As a part of its mission to provide a reliable supply of high-quality water and effective flood control in a fiscally-responsible way, the Agency is in the process of developing a comprehensive financial plan that will provide a strategy for the timely and cost-effective funding of operations, the capital improvement program and long term financial stability. In conjunction with the development of the aforementioned financial plan, this Interim Reserve Policy, including the methodology for establishing minimum and maximum levels, will be reviewed and re-evaluated to ensure the Agency's financial and fiscal soundness.

A key element of prudent financial planning 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 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 Interim Reserve Policy has been developed in keeping with the Framework. 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. The Board will annually review the level of Funds. For the purposes of compliance with this Policy, Zone 7 may use the amounts on deposit in each of the funds as of the final day of each fiscal year for such calculation.

2. Definitions

- **Restricted Reserves:** Restrictions imposed by an outside source. May be required by bond covenants in the case of debt issuance or by California's Mitigation Fee Act in the case of water connection fees or flood control's developer impact fees.
- **Designated Reserves:** Set aside for a specific purpose determined by Zone 7's Board of Directors. 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.

3. General Provisions

Zone 7 will maintain its funds in separate accounts in a clearly identifiable manner that provides transparency to its ratepayers. This Policy establishes Reserve Funds for each of the following major funding areas.

- Water Enterprise
- Flood Control
- State Water Project

The minimum fund balances 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

To ensure reliable service to its ratepayers and maintain fiscal responsibility, in every fiscal year Zone 7 will maintain balances in its Reserve Funds that are financially prudent.

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. The Board shall approve any reallocation of funds or any transfers among Reserve Funds.

4. Fund Target Levels and Policy Compliance Management

Upon Board adoption of this policy, Zone 7 staff will take necessary actions to comply with this policy.

Fund balances will be reviewed on an annual basis at the end of the fiscal year based on unaudited/audited actuals to ensure compliance with this Policy. The minimum established for each Fund represents the target that is acceptable to Zone 7 from risk and long-range financial planning perspectives. 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. These revenue-generating alternatives (either alone or in combination with each other) include, but are not limited to:

- fees and charges,
- energy usage,
- capital financing,
- investment of funds, and
- levels of capital expenditures.

I. WATER ENTERPRISE OPERATING RESERVE

The amounts in the Water Enterprise Operating Reserve should fluctuate depending on the annual operating expenses of Zone 7. The Water Enterprise Operating Reserve Fund 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 and Maximum Levels – Funding shall be targeted at a minimum amount equal to thirty-two (32) days of the Agency’s budgeted total operating expenses, and the maximum amount shall not exceed ninety (90) days of the total budgeted operating expenses. Zone 7 will strive to maintain a target balance amount between thirty-two (32) and ninety (90) days of the Agency’s budgeted total 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 in revenues and unexpected increases in expenses.

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.

II. WATER ENTERPRISE EMERGENCY RESERVE

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

Minimum and Maximum Levels – Funding shall be targeted at a minimum equal to 1% of the capital assets of the Agency's water enterprise system and a maximum of 3% of the capital assets of the enterprise system, based on current Federal Emergency Management Agency (FEMA) guidelines. Zone 7 will strive to maintain a target balance equal to 2% of the capital assets of the water enterprise system.

Events or Conditions Prompting the Use of the Fund – The Board may designate use of this fund after establishing that conditions exist as called out in the definition and purpose of the fund. Funds will be transferred to the appropriate capital or operating fund as necessary.

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

III. WATER ENTERPRISE DROUGHT CONTINGENCY RESERVE

The Water Enterprise Drought Contingency Reserve, formerly called the "Rate Stabilization Reserve," supplements losses to water sales revenue resulting from impacts of drought conditions due to regulatory or State and Federal mandated reductions in supply, or an unforeseen event such as a natural disaster, water shortage or other catastrophic event.

Minimum and Maximum Levels – Zone 7 will strive to maintain a minimum target balance equal to seven percent (7%) of the budgeted amount of water sales revenue and a maximum target amount equal to 20% of the budgeted amount of water sales revenue.

Events or Conditions Prompting the Use of the Fund – Funds may be utilized by staff to cover operating expenses when revenue does not cover the cost of providing services (operating expenses and Asset Management Program transfer) due to losses resulting from the aforementioned conditions.

Periodic Review Dates for Balances – Fund balances and the need for funding drought contingency measures will be reviewed by staff, the Board, and the public during the development and approval of each budget. Additionally, the need for funding drought contingency measures may be reviewed at any time during the course of any fiscal year should the need arise.

IV. WATER ENTERPRISE RATE STABILIZATION RESERVE

The Rate Stabilization Reserve is a new reserve that will serve as a means to temper the need for significant water rate increases. Ongoing water rate increases are projected to meet the cost of service. In order to offset significant increases in water rates, the rate stabilization reserve will be established. The reserve will accumulate revenues for use during periods of unanticipated fluctuations in treated water rate revenues and cost of service.

Minimum and Maximum Levels – The Agency will maintain a minimum target level equal to six percent (6%) of the budgeted amount of water sales revenue.

Events or Conditions Prompting the Use of the Fund – This reserve will be drawn down to smooth rate increases as authorized by the Board during the rate-setting and/or budget process. The Agency will strive for an initial target balance of \$6.8 million. To determine whether and in what amount money from this reserve should be used to offset any proposed water rate increase in excess of 2 times the CPI for the San Francisco Bay Area, Zone 7 will consider and analyze the following factors:

1. the annual CPI for the San Francisco Bay Area;
2. the annual increase in construction costs as provided by the Engineering New Record or alternative source for such data;
3. the projected rate increases for the next succeeding five fiscal years of the Agency;
4. the actual rate increases for the previous five fiscal years of the Agency;
5. the projected capital expenditures for the next succeeding five fiscal years of the Agency;
6. the funds on hand to spend on capital projects over the next succeeding five fiscal years of the Agency; and
7. the amounts on deposit in each of the other Reserve Funds covered under this policy.

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

V. WATER ENTERPRISE CAPITAL IMPROVEMENT, RENEWAL & REPLACEMENT AND SYSTEM-WIDE IMPROVEMENTS RESERVE

The Agency employs a pay-as-you-go funding strategy to minimize debt borrowing and interest expenses, therefore capital reserve funds are accumulated to provide for current and future funding needs of the various capital programs. The amount on deposit in the Water Enterprise Capital Improvement, 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

- 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.

Within this fund is a separate reserve to be used for a portion of the acquisition of the Agency's administrative-engineering building (the "Building Sinking Fund"). Contributions are made to the Water Enterprise Capital Improvement, Renewal & Replacement and System-Wide Improvement Sinking Fund at the discretion of the Agency and money therein is designated for the purpose of acquiring the Agency's future administrative-engineering building. At such time that the administrative-engineering building is acquired by Zone 7, the Building Sinking Fund may be closed at the discretion of the Agency. The Capital Improvement, Renewal & Replacement System-Wide Improvements Reserve funds capital improvement projects and assets, and the renewal or replacement of capitalized assets as they reach the end of their useful lives.

Minimum and Maximum Levels – Funding for the Water Enterprise Capital Improvement, 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, plus 50% of the estimated capital budget for the fiscal year two years subsequent to the then current budgeted fiscal year. Zone 7 will not have a maximum target for this fund, 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 Building Sinking Fund 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 Capital Improvement, Renewal & Replacement and System-Wide Improvement Reserve for renewal, replacement, or system-wide improvements projects.

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

VI. WATER ENTERPRISE CAPITAL EXPANSION RESERVE

The Agency employs a pay-as-you-go funding strategy to minimize debt borrowing and interest expenses, therefore capital reserve funds are accumulated to provide for current and future funding needs. Money in the Water Enterprise Capital Expansion Reserve is earmarked by the Board of Directors for capital projects to meet needs as a result of development and system reliability. In furtherance of meeting such needs the Agency incurred certain non-discretionary financial obligations associated with capital expansion projects. Within this fund are three separate reserves to be used for the:

1. A portion of the acquisition costs for the Agency's administrative-engineering building, (the "Building Sinking Fund");
2. Construction of improvements and enlargements to the South Bay Aqueduct (the "SBA Sinking Fund") and
3. Future Contractors share of the South Bay Aqueduct construction (the "FCSBA Sinking Fund").

Contributions are made to the Building Sinking Fund at the discretion of the Agency and moneys therein are designated for the sole use of acquiring the Agency's administrative-engineering building. At such time that the administrative-engineering building is acquired by Zone 7 the Building Sinking Fund may be closed at the discretion of the Agency.

The Water Enterprise Capital Expansion Reserve is used for the funding of expansion capital projects to accommodate new growth.

Minimum and Maximum Levels – 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. 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 Building Sinking Fund, 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.

VII. FLOOD CONTROL OPERATING RESERVE

The amounts in the Flood Control Operating Reserve Fund will fluctuate depending on the receipt of property taxes and the annual operating expenses of Zone 7. The Flood Control 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 and Maximum Levels – Funding shall be targeted at a minimum amount equal to twenty percent (20%) of the Agency's budgeted total annual operating expenses, and the maximum amount shall not exceed 50% of the total budgeted 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/or shifts in the allocation of property taxes to Zone 7.

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.

VIII. FLOOD CONTROL CAPITAL PROJECT RESERVE

The Flood Control Capital Project Reserve is a new reserve that will hold the balance of funds once the Flood Control Operating Reserve Fund achieves levels that are consistent with this Policy on an annual basis. The amount on deposit in the Flood Control Capital Project Reserve is earmarked by the Board of Directors for capital projects to meet Zone 7's flood protection needs. These capital projects are included in the current Flood Control Capital Improvement Plan and in the Stream Management Master Plan and any related updates. Within the Flood Control Project Reserve is a separate reserve to be used for a portion of the acquisition of the Agency's administrative-engineering building (the "Building Sinking Fund"). Contributions are made to this fund at the discretion of the Agency and money therein is designated for the purpose of acquiring the Agency's administrative-engineering building. At such time that the administrative-engineering building is acquired by Zone 7, the Building Sinking Fund may be closed at the discretion of the Agency.

Minimum and Maximum Levels – There are no current plans to set minimum or maximum target balances in the Flood Control Project Reserve.

Events or Conditions Prompting the Use of the Fund – The Flood Control Project Reserve may be used at any time for flood control maintenance or improvement projects not related to development.

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

IX. 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 control facilities and is primarily intended to provide funding for any flood control 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. Within this fund is a separate reserve to be used for a portion of the acquisition of the Agency's administrative-engineering building (the "Building Sinking Fund"). Contributions to the Building Sinking Fund are made at the discretion of the Agency and money therein is designated for the sole use of acquiring the Agency's administrative-engineering building. At such time that the administrative-engineering building is acquired by Zone 7 the Building Sinking Fund may be closed at the discretion of the Agency.

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

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.

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

X. 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 operating expenses of Zone 7 related to the State Water Project. The State Water Facilities Operating Reserve Fund is designated by the Board to maintain a reserve for current operations 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 costs.

Minimum and Maximum Levels – Funding shall be targeted at a minimum amount equal to fifty percent (50%) of the Agency's budgeted total annual operating expenses and a maximum targeted amount of 100% of the Agency's budgeted total 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.

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.

Financial Management Framework



Zone 7 Water Agency
Fiscal Year 2013-14 Budget

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.

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.

Budget Glossary of Terms



Zone 7 Water Agency
Fiscal Year 2013-14 Budget

Budget Glossary of Terms

The Zone 7 Annual Budget contains terminology that is unique to public finance and budgeting. To assist the reader of this Annual Budget document in understanding these terms, we have assembled this budget glossary of terms.

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: 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.

Assets: Resources owned or held by Zone 7 which have monetary value.

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.

Balance Sheet: A financial statement that discloses the assets, liabilities, and fund equity of a specific fund at a specific date.

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.

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 Program (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 addition to, fixed assets including land, buildings, improvements, machinery and equipment.

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.

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.

Mandated Cost: Any responsibility, action or procedure that is imposed by one sphere of government on another through constitutional, legislative, administrative, executive or judicial action as a direct order.

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 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.

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.

Position Detail,
Fiscal Years
2010/11 - 2014



Zone 7 Water Agency
Fiscal Year 2013-14 Budget

Position Detail, Fiscal Years 2010/11 - 2014					
	FY 10/11 Budget	FY 11/12 Budget	FY 12/13 Budget	FY 13/14 Budget	Change
General Manager	1.00	1.00	1.00	1.00	0.00
Assistant General Manager	1.00	1.00	1.00	1.00	0.00
Asst Gen Manager, Engineering	1.00	1.00	0.00	0.00	0.00
Assistant Gen Mgr, Personnel	0.00	0.00	0.00	1.00	1.00
General Counsel	1.00	0.00	0.00	0.00	0.00
Environmental & Public Affairs Manager	1.00	0.00	0.00	0.00	0.00
Water Resources Technician II	0.00	0.00	0.00	0.00	0.00
Executive Assistant	1.00	1.00	1.00	1.00	0.00
Secretary	2.00	2.00	2.00	2.00	0.00
Senior Engineer/Geologist	0.00	0.00	2.00	0.00	-2.00
Associate Engineer (Engineer III)	0.00	0.00	2.00	0.00	-2.00
Associate Water Resources Planner	1.00	1.00	2.00	0.00	-2.00
Assistant Water Resources Planner	1.00	1.00	0.00	0.00	0.00
Water Conservation Coordinator	1.00	1.00	1.00	0.00	-1.00
Staff Analyst	0.00	0.00	0.00	0.00	0.00
Office Assistant	1.00	0.00	0.00	0.00	0.00
Communications Specialist	1.00	1.00	1.00	0.00	-1.00
Administrative Student Intern	0.00	0.00	0.00	1.00	1.00
Water Resources Engineer Trainee	0.00	0.00	1.00	0.00	-1.00
Office of the General Manager	13.00	10.00	14.00	7.00	-7.00
Assistant Gen Mgr, Finance	1.00	1.00	1.00	0.00	-1.00
Financial & Systems Services Manager	1.00	1.00	1.00	1.00	0.00
Accounting Manager	1.00	1.00	1.00	1.00	0.00
Senior Auditor/Accountant	1.00	1.00	1.00	1.00	0.00
Staff Analyst	1.00	1.00	2.00	1.50	-0.50
Geographic Info Sys Analyst	1.00	1.00	1.00	0.00	-1.00
Transportation & Supply Coordinator	1.00	0.00	0.00	0.00	0.00
Senior Procurement & Contracts Spec	0.00	0.00	0.00	0.00	0.00
Buyer II	1.00	1.00	1.00	1.00	0.00
Office Assistant	0.00	0.00	0.00	0.50	0.50
Account Clerk	3.00	3.00	3.00	3.00	0.00
Finance	11.00	10.00	11.00	9.00	-2.00
Assistant Gen Mgr, Personnel	1.00	1.00	1.00	0.00	-1.00
Employee Services Manager	0.00	0.00	0.00	1.00	1.00
Human Resources Analyst II	2.00	2.00	2.00	1.00	-1.00
Staff Analyst	0.00	0.00	0.00	0.50	0.50
Communications Specialist	0.00	0.00	0.00	1.00	1.00

	FY 10/11 Budget	FY 11/12 Budget	FY 12/13 Budget	FY 13/14 Budget	Change
Finance Continued					
Safety Technician II	2.00	2.00	2.00	2.00	0.00
Employee Services Technician	0.00	0.00	1.00	1.00	0.00
Personnel Technician	1.00	1.00	0.00	0.00	0.00
Office Assistant	0.00	0.00	0.00	0.50	0.50
Employee Services	6.00	6.00	6.00	7.00	1.00
Associate Engineer (Engineer III)	0.50	0.50	0.50	0.50	0.00
Assistant Engineer (Engineer II)	1.00	1.00	1.00	1.00	0.00
Junior Water Resources Planner	1.00	1.00	1.00	1.00	0.00
Water Quality Manager	1.00	1.00	1.00	1.00	0.00
Water Quality Chemist	2.00	2.00	2.00	2.00	0.00
Water Quality Lab Technician	2.00	2.00	2.00	2.00	0.00
Water Quality	7.50	7.50	7.50	7.50	0.00
Senior Engineer/Geologist	0.00	0.00	0.00	2.00	2.00
Associate Engineer (Engineer III)	0.00	0.00	0.00	2.00	2.00
Associate Water Resources Planner	0.00	0.00	0.00	1.00	1.00
Junior Water Resources Planner	0.00	0.00	0.00	1.00	1.00
Water Conservation Coordinator	0.00	0.00	0.00	1.00	1.00
Administrative Student Intern	0.00	0.00	0.00	0.50	0.50
Integrated Planning	0.00	0.00	0.00	7.50	7.50
Manager of Engineering	0.00	0.00	1.00	1.00	0.00
Principal Engineer	2.00	1.00	1.00	1.00	0.00
Senior Engineer/Geologist	3.00	3.00	2.00	2.00	0.00
Associate Engineer - Control System	1.00	1.00	1.00	1.00	0.00
Associate Engineer (Engineer III)	8.00	10.00	8.00	6.00	-2.00
Assistant Engineer	1.00	0.00	0.00	1.00	1.00
Water Resources Technician III	1.00	1.00	1.00	0.00	-1.00
Water Resources Technician II	0.00	0.00	1.00	1.00	0.00
Water Facilities	16.00	16.00	15.00	13.00	-2.00
Principal Engineer	1.00	1.00	1.00	1.00	0.00
Associate Engineer (Engineer III)	1.00	1.00	1.00	1.00	0.00
Assistant Engineer (Engineer II)	2.00	2.00	1.00	1.00	0.00
Emergency & Safety Supervisor	1.00	0.00	0.00	0.00	0.00
Construction Inspector	0.00	1.00	1.00	1.00	0.00
Water Resources Technician II	4.00	4.00	4.00	3.00	-1.00

	FY 10/11 Budget	FY 11/12 Budget	FY 12/13 Budget	FY 13/14 Budget	Change
Groundwater Protection	9.00	9.00	8.00	7.00	-1.00
Production Manager	1.00	0.00	0.00	0.00	0.00
Operations Manager	0.00	1.00	1.00	1.00	0.00
Water Facilities Supervisor	4.00	3.00	3.00	3.00	0.00
Secretary	1.00	1.00	1.00	1.00	0.00
Water Plant Operator III	19.00	19.00	19.00	19.00	0.00
Operations	25.00	24.00	24.00	24.00	0.00
Maintenance Manager	0.00	1.00	1.00	1.00	0.00
Water Systems Superintendent	1.00	0.00	0.00	0.00	0.00
Water Facilities Supervisor	1.00	0.00	0.00	0.00	0.00
Facilities Maint & Constr Supervisor	1.00	2.00	2.00	2.00	0.00
Maintenance Materials Planner/Buyer	1.00	0.00	0.00	0.00	0.00
Maintenance Coordinator	0.00	1.00	1.00	1.00	0.00
Electrician	2.00	2.00	2.00	2.00	0.00
Transportation & Supply Coordinator	0.00	1.00	1.00	1.00	0.00
Instrument Technician II	4.00	4.00	4.00	4.00	0.00
Lead Plant Mechanic	1.00	1.00	1.00	1.00	0.00
Plant Mechanic	4.00	4.00	4.00	4.00	0.00
Plant Maint Laborer	1.00	1.00	1.00	1.00	0.00
Construction Maintenance Laborers	2.00	2.00	2.00	2.00	0.00
Maintenance	18.00	19.00	19.00	19.00	0.00
Principal Engineer	1.00	1.00	1.00	1.00	0.00
Associate Engineer (Engineer III)	3.00	3.00	2.00	2.00	0.00
Assistant Engineer (Engineer II)	1.00	1.00	2.00	1.00	-1.00
Water Resources Technician II	2.00	2.00	1.00	1.00	0.00
Flood Control	7.00	7.00	6.00	5.00	-1.00
District Total	112.50	108.50	110.50	106.00	-4.50

