



ZONE 7 WATER AGENCY

**TWO-YEAR BUDGET
FISCAL YEARS 2016-18**

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



Zone 7 Water Agency

Two-Year Budget for Fiscal Years 2016-18

Fiscal Year 2017

(July 1, 2016 – June 30, 2017)

And

Fiscal Year 2018

(July 1, 2017 – June 30, 2018)

Board of Directors

Sarah Palmer, *President*

Dick Quigley, *Vice President*

Sandy Figuers

John Greci

Jim McGrail

Angela Ramirez Holmes

Bill Stevens

Executive Management

G.F. Duerig, *General Manager*

Kurt Arends, *Assistant General Manager, Engineering*

Osborn Solitei, *Assistant General Manager, Finance*

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ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
100 NORTH CANYONS PARKWAY LIVERMORE, CA 94551 PHONE (925) 454-5000 FAX (925) 454-5727

June 16, 2016

Board of Directors
Zone 7 Water Agency
100 North Canyons Pkwy.
Livermore, CA 94551

Subject: ***Adopted Two-Year Budget for Fiscal Year 2016-18***

Dear Board of Directors:

It is my pleasure to present the Zone 7 Water Agency's first two-year budget for the period of July 1, 2016 through June 30, 2018 which was adopted by resolution on June 15, 2016. This budget document is an award winning publication providing detailed information to assist you in understanding the full scope and operations of this agency.

This budget incorporates and reflects the ongoing challenges of the agency in addressing the prolonged, historic drought conditions and its fiscal effects as related to water supply, water quality and water deliveries. Of course the extended drought, which lasted over three years, presents the agency with the very real financial concerns as it relates not only to revenue but also flooding concerns, for when rainfall does return to normal conditions let alone the impact of a forecasted El Niño weather pattern.

While Zone 7 continually delivers positive results for customers in providing a reliable, high-quality water supply, staff will continue the search to identify cost savings, and source supply alternatives for those who live and work in the Livermore-Amador Valley. Significant attention has been paid to balancing the short and long-term infrastructure needs of agency's water delivery system and flood protection programs with the costs associated with those areas.

The Agency also prepares a Capital Improvement Program (CIP) (five years for Flood Control and ten years for Water Enterprise), typically every two years, as a separate process from the annual budget process. The CIP is the basis for developing the annual capital budgets that get folded into the fiscal year budgets and the most recent CIP was adopted in October 2014. An amended Water Enterprise Renewal/Replacement & System-wide Improvements Fund (Fund 120) CIP containing new project schedules, including project deferrals, was presented to the Water Resources and Finance Committees on September 9 and 10, 2015 respectively.

An interim reserve policy was adopted by the Board on April 17, 2013. The reserve levels discussed in this report are compared to the reserve policy.

BUDGET SUMMARY

The FY 2016-18 budget includes the following highlights:

Revenue highlights:

- Assumed 930 new water connections in both years
- Reduced water sales due to water conservation
 - Calendar Year 2014 achieved 29% decrease from 2013
 - Calendar year 2015 achieved 40% decrease from 2013
 - Calendar year 2016 YTD experience is around 44%
 - Assumed 25% conservation for the FY 2016-17 budget
 - Assumed 20% conservation for the FY 2017-18 budget
- Assumed 5% growth in assessed value for property taxes (Flood Protection only)
- Assumed that the Temporary Conservation Surcharge will continue as recommended in the Cost of Service study

Expense highlights:

- Operating the Mocho Groundwater Demineralization Plant at a cost of \$0.7M annually
- Proposed debt financing of \$43M in FY 2017-18 with a debt payment of \$1.4M in the first year, and \$2.8M annually thereafter
- Replenishing water storage supplies (local and out-of-basin)
- Asset Management Program funding at \$12.6M for FY 2016-17 and \$13.4M for FY 2017-18
- Increased capital project expenses for projects such as the Patterson Pass Water Treatment Plant (PPWTP) New Clearwell and Media Filters (\$27M)
- Increased Flood Protection maintenance costs due to El Niño in FY 2015-16

The Agency's FY 2016-18 Adopted Budget contains a two-year appropriation of \$273M, with \$125.8M the first year and \$147.2M in the second year.

Revenues are projected at \$125.1M in FY 2016-17 and \$168.9M in FY 2017-18. Revenue assumptions include increased property tax revenue resulting from higher assessed valuation of the Agency's service area, Board adopted water rate increases and \$39M in proceeds from a proposed \$43M debt issuance occurring in FY 2017-18.

The Agency's FY 2016-18 Budget (in millions) is shown in the table below:

Category	14-15 Audited Actual	15-16 Amended Budget	15-16 End of Year Projections	16-17 Proposed Budget	17-18 Proposed Budget	% Change (16-17 budget to 15-16 End of Year Projections)
Revenue (\$M)	\$106.1	\$97.4	\$103.1	\$125.1	\$168.9	21.33%
Expenses (\$M)	\$97.0	\$124.2	\$91.3	\$125.8	\$147.2	37.85%
Reserves* (\$M)	\$157.3	\$130.5	\$169.1	\$168.3	\$190.1	-0.44%

*Refers to reserves at fiscal year-end; increase in FY 2017-18 is largely due to \$39M in proceeds from a proposed \$43M debt issuance.

BUDGET HIGHLIGHTS

Financial Issues and Economic Trends

Financial issues and economic trends facing the Agency as described below include the drought, rates and surcharges, the fiscal impacts of water conservation efforts, State Water Project charges, the continued need to allocate funds to the Asset Management Program (AMP) for infrastructure maintenance and improvements, steady growth of the local economy and staffing levels.

Drought:

The drought continues to create challenges, less from a water supply and more from a financial perspective going forward. In calendar years 2014 and 2015, the low water allocations from the State Water Project were countered by withdrawing stored groundwater both from the local groundwater basin and from out-of-basin groundwater banks in Kern County. Such recovery increased water costs in FY 2014-15 and FY 2015-16. For FY 2016-17 and 2017-18, the Agency plans on replenishing the out-of-basin groundwater banks in Kern County as well as the local groundwater basin.

In calendar year 2014, a local state of drought emergency was declared by Zone 7's Board of Directors and the Agency's retailers were directed to achieve 25% conservation. The community responded with a 29% savings for calendar year 2014. On April 1, 2015, Governor Brown issued Executive Order B-36-15, requiring 25% water conservation measures statewide for residential use relative to 2013 use. Customers responded with conservation levels of 40% for calendar year 2015 relative to their 2013 usage. Calendar year 2016 began with conservation levels hovering around 44%. Conservation of this magnitude significantly reduces volume-based revenues that have no fixed component; as a result Zone 7 has been depleting reserves to cover these revenue losses. By the end of Winter 2016, water supply conditions had vastly improved, leading Governor Brown to reassess the current State conservation mandate and issue Executive Order B-37-16 directing water suppliers to locally assess and set their water conservation targets.

Rates:

At the October 21, 2015 Board meeting, the Board approved treated water rates for calendar years (CY) 2016, 2017 and 2018. The Agency's water enterprise fund has relied on reserves to fund operations while experiencing significant losses in water rate revenue due to the drought. In order to recover from significant financial losses during four years of drought, Raftelis Financial Consultants (RFC) was hired to analyze Zone 7's cost of service and propose a three-year wholesale water rate schedule for Calendar Years 2016, 2017 and 2018.

RFC's recommendation included a restructuring of the current treated water rates to include a fixed revenue component since 100% of Fund 100 revenue is recovered through volume-based or variable rates, even though approximately 70% of the water enterprise costs are fixed. After discussion with the Board, Retailers and public input, Staff recommended delaying rate restructuring to add a fixed component. The current temporary conservation surcharge sunsets on December 31, 2016. Ultimately, the Board approved the three-year rate schedule for Calendar Years 2016, 2017 and 2018 which covers the proposed two-year budget period. While Zone 7 still expects to use \$8.3M in reserves in FY 2015-16, the rate increases help start balancing revenues and expenses as conservation will likely continue.

Calendar Year	2016	2017	2018
Treated Water Rate per 100 cubic feet of water (CCF)	\$2.58	\$2.93	\$3.32
Temporary Conservation Surcharge per CCF	0.57	*	*
Total Rate	\$3.15	\$2.93	\$3.32

*While Raftelis proposed a three-year Temporary Conservation Surcharge to balance past losses, this surcharge cannot be extended beyond December 31, 2016, without Board action.

Water Shortage Surcharge:

On March 16, 2016, the Zone 7 Board adopted the 2015 Urban Water Management Plan (UWMP), including a Water Shortage Contingency Plan. The plan analyzed the impacts of a future water shortage on revenues and identified measures to minimize financial impacts, including separate declaration of water shortage stages, with surcharges for each stage. This Water Shortage Surcharge is different than the Temporary Conservation Surcharge. The former is for future droughts. The latter is to recover from impacts of the 2013-2015 drought. These water shortage surcharges could be implemented during water shortages at the discretion of the Zone 7 Board in the event that a declared water shortage stage generates a projected reduction in water usage and corresponding sales. Zone 7 plans to cover a percentage of the revenue losses with reserves (assuming that adequate reserves have been re-established) and the remainder of losses not covered through reserves could be generated through a Water Shortage Surcharge in accordance with the table below.

Stage	Demand Reduction Targets	Water Shortage Surcharge Rate (per CCF)
1 – Minimal Shortage	Up to 20% (Mandatory)	Use of Reserves
2 – Moderate Shortage	Up to 20% (Mandatory)	\$0.35
3 – Severe Shortage	Up to 35% (Mandatory)	\$0.75
4 – Critical Shortage	Greater than 35% (Mandatory)	\$1.40

Any Water Shortage Surcharge adopted by the Zone 7 Board becomes effective on the first day of the month following thirty days after adoption. The adopted Water Shortage Surcharge will sunset after six months, unless extended or modified by action of the Zone 7 Board.

Water Conservation Act of 2009:

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. Water demands on a per capita basis continue to decrease while fixed costs remain high.

State Water Project Charges:

The State Water Project charges are by far the largest component of the Agency’s budget. The charges are increasing due to both capital debt service payments and operating costs.

Asset Management Program (AMP):

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. Zone 7 initiated formal asset management planning in 2004, including the development of an asset registry and proposed methodology for forecasting

long-term renewals and replacements. An updated AMP study to assess the condition of Zone 7's infrastructure was adopted by the Board on June 15, 2011. Board-approved funding transfers are made from the Water Enterprise Fund (Fund 100) to Fund 120.

Steady Economic Growth:

New development within the service area has been picking up over the last couple years, providing slight growth in new water rate payers, property tax income and connection fee revenue. There is also a moderate increase in property values that has resulted in stabilization of the 2015 and 2016 tax assessment roll.

Staffing

There are 126.5 full-time equivalent (FTE) authorized positions. The FY 2016-18 budget proposes funding 114.5 FTE positions which includes 10 vacancies (i.e., positions that are justified and for which recruitment is planned) and the remaining 12 positions are left unfunded due to the Soft Hiring Freeze initiative that began in FY 2009-10.

New Soft Hiring Freeze positions:

- Assistant General Manager, Personnel
- Associate Engineer
- Associate Engineer

Additional Positions:

- Production Manager
- Senior Procurement and Contracts Specialist
- Water Plant Operator III

The financial planning and budget process focused on balancing the financial necessities and realities relative to supporting the Agency's Mission, Vision, Values and Strategic Planning Priorities which served as the basis for prioritizing the efforts, activities, needs, human resources and financial resources to accomplish these imperatives.

The adopted budget encompasses the many facets of financial planning with tough fiscal decisions having to be made, with the use the fund reserves which had been created for such purposes, and in the increase of water rates, both of which were required to enable Zone 7 to continue forward and fulfill its mission.

I wish to express my appreciation to Agency staff, Board of Directors, who work together to assure adequate water resources are available, flood protection provided and water delivered at reasonable rates to the people of the Livermore-Amador Valley. And most importantly, on behalf of the Board of Directors and all the Agency's employees, wish to thank our valued customers for whom we are honored to serve.

This budget document is the result of hard work and a team effort by Agency staff. I commend their diligent efforts and honorable service.

Sincerely,

Zone 7 Water Agency


G.F. Duerig
General Manager

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

RESOLUTION NO 16-144

INTRODUCED BY DIRECTOR STEVENS
SECONDED BY DIRECTOR QUIGLEY

BE IT RESOLVED that the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District does hereby approve the following budgets, including revenue, expenses and the use of fund balance for Fiscal Years 2016-17 and 2017-18 (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 Protection 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 does hereby request the Board of Supervisors of the Alameda County Flood Control and Water Conservation District to incorporate said budgets of Zone 7, where applicable; and

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

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

BE IT FURTHER RESOLVED, that consistent with the requirements of law and specifically within the limitations imposed by Article XIII A of the Constitution of the State of California there shall be levied a property tax within the District sufficient to raise the sum of \$17,500,000 for Fiscal Year 2016-17 and \$18,500,000 for Fiscal Year 2017-18 to meet that portion of the District's State Water Supply Contract obligation. All funds received by the District pursuant to the aforementioned property tax levy shall be placed in Fund 110, a separate fund identified for the indebtedness set forth above; and

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

BE IT FURTHER RESOLVED that the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District does hereby approve the personnel actions, if any, as contained in the Zone 7 Budget for Fiscal Years 2016-17 and 2017-18 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 GRECI, McGRAIL, PALMER, QUIGLEY, RAMIREZ HOLMES, STEVENS

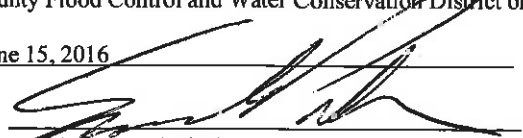
NOES: DIRECTOR FIGUERS

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

June 15, 2016

By 
President, Board of Directors

**Exhibit A - FY 2016-17
Annual Budget by Account Classification**

Estimated Change in Reserve Balances

The fund schedule below summarizes Zone7's overall financial picture by individual fund. It includes revenue and expenses as well as projected reserve balances at 6/30/2017. The fund schedules are grouped by type of fund: Enterprise (Water Enterprise Fund, State Water Facilities Fund, Renewal & Replacement/System Wide Improvement Fund and the Expansion Fund) and Governmental Funds (Flood Protection and Flood Protection/Stormwater Drainage Development Impact Fee Fund).

Summary of Annual Budget by Account Classification - FY 2016-17 Proposed Budget

FY 2016-17 PROPOSED BUDGET	Fund 100 Water Enterprise Operations	Fund 110 State Water Facilities	Fund 120 Water Enterprise Capital Renewal/Replace ment/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, 2015	\$ 14,392,316	\$ 8,025,616	\$ 24,760,118	\$ 42,890,601	\$ 18,009,177	\$ 49,177,970	\$ 157,255,798
2 FY 2015-16 Projected Change in Fund Balance (Revenue over Expenses)	(8,276,786)	4,145,081	866,579	8,427,765	2,537,012	4,116,396	11,816,047
3 Estimated Beginning Fund Balance July 1, 2016	6,115,530	12,170,697	25,626,697	51,318,366	20,546,189	53,294,366	169,071,845
4 Revenue							
5 Water Sales & Service	46,247,264	1,505,542					47,752,806
6 Property Taxes		17,650,000			7,725,739		25,375,739
7 Development Fees			600,000	24,235,631		5,142,325	29,977,956
8 Charges for Services	131,500		2,500		47,544		181,544
9 Aid from Governmental Agencies		45,610			64,700		110,310
10 Investment Earnings	30,391	17,862	88,436	155,664	54,146	177,003	523,502
11 Other Revenue	136,400	2,239,753		5,960,000	110,910	25,000	8,472,063
12 <i>Subtotal (before transfers)</i>	<i>46,545,555</i>	<i>21,458,767</i>	<i>690,936</i>	<i>30,351,295</i>	<i>8,003,039</i>	<i>5,344,328</i>	<i>112,393,920</i>
13 Transfers			12,661,760	-			12,661,760
14 Total Revenue	46,545,555	21,458,767	13,352,696	30,351,295	8,003,039	5,344,328	125,055,680
15 Expenses							
16 Personnel	15,787,486		2,018,468	391,622	2,030,194	429,406	20,657,176
17 Professional Services	3,660,575				3,585,695	10,000	7,256,270
18 Water	5,188,234	19,099,455		19,995,000			44,282,689
19 Chemicals	2,323,473						2,323,473
20 Utilities	2,318,518						2,318,518
21 Communications	154,522				2,203		156,725
22 Repairs and Maintenance	1,922,060				2,437,840		4,359,900
23 Rental Services	131,931		580,335	451,371	148,461	128,963	1,441,061
24 Other General Office Services/ Supplies	589,224				328,991	100	918,315
25 Organizational Membership/ Participation	420,000				125,219	7,500	552,719
26 Training and Travel	138,051				7,494		145,545
27 Water Conservation	314,405						314,405
28 Capital Projects			10,884,523	13,586,578	1,022,550	2,642,227	28,135,878
29 Equipment, Furniture and Vehicles	64,149						64,149
30 Land and Facility Improvements							
31 Debt Service							
32 <i>Subtotal (before transfers)</i>	<i>33,012,628</i>	<i>19,099,455</i>	<i>13,483,326</i>	<i>34,424,571</i>	<i>9,688,647</i>	<i>3,218,196</i>	<i>92,269,647</i>
33 Transfers	12,853,416				13,333		12,866,749
34 Total Expenses	45,866,044	19,099,455	13,483,326	34,424,571	9,701,980	3,218,196	125,793,572
35 Estimated Ending Fund Balance June 30, 2017	6,795,041	14,530,009	25,496,067	47,245,090	18,847,248	55,420,498	168,333,953
36 Reserve Balances							
37 Operating	2,894,258	14,530,009			4,333,049		21,757,316
38 Rate Stabilization	1,602,905						1,602,905
39 Emergency	2,297,878						2,297,878
40 Drought Contingency							
41 Capital Projects			20,765,223	31,229,871	13,389,206	54,408,889	119,793,188
42 Sinking Funds - FY 2016/17 Contributions							
43 <i>Building Sinking Fund</i>			428,390	520,200	95,198	95,198	1,138,986
44 <i>Future Contractor's Share of the South Bay Aqueduct</i>				570,070			570,070
45 <i>South Bay Aqueduct Enlargement</i>				1,161,292			1,161,292
46 Sinking Funds Reserve Balance			4,730,844	16,015,219	1,124,994	1,011,609	22,882,666
47 Total Reserves	\$ 6,795,041	\$ 14,530,009	\$ 25,496,067	\$ 47,245,090	\$ 18,847,248	\$ 55,420,498	\$ 168,333,953
48 Change in Fund Balance (use of reserves) - line 47 minus line 3	679,511	2,359,312	(130,630)	(4,073,276)	(1,698,941)	2,126,132	(737,892)

**Exhibit A - FY 2017-18
Annual Budget by Account Classification**

Estimated Change in Reserve Balances

The fund schedule below summarizes Zone 7's overall financial picture by individual fund. It includes revenue and expenses as well as projected reserve balances at 6/30/2018. The fund schedules are grouped by type of fund: Enterprise (Water Enterprise Fund, State Water Facilities Fund, Renewal & Replacement/System Wide Improvement Fund and the Expansion Fund) and Governmental Funds (Flood Protection and Flood Protection/Stormwater Drainage Development Impact Fee Fund).

Summary of Annual Budget by Account Classification - FY 2017-18 Proposed Budget

FY 2017-18 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, 2016	\$ 6,115,530	\$ 12,170,697	\$ 25,626,697	\$ 51,318,366	\$ 20,546,189	\$ 53,294,366	\$ 169,071,845
2 FY 2016-17 Projected Change in Fund Balance (Revenue	679,511	2,359,312	(130,630)	(4,073,276)	(1,698,941)	2,126,132	(737,892)
3 over Expenses)							
3 Estimated Beginning Fund Balance July 1, 2017	6,795,041	14,530,009	25,496,067	47,245,090	18,847,248	55,420,498	168,333,953
4 Revenue							
5 Water Sales & Service	51,416,458	1,626,913					53,043,371
6 Property Taxes		18,650,000			8,109,834		26,759,834
7 Development Fees			600,000	24,950,474		5,142,325	30,692,799
8 Charges for Services	131,500		2,500		47,650		181,650
9 Aid from Governmental Agencies		45,610			64,700		110,310
10 Investment Earnings	26,852	30,000	153,369	127,882	48,662	183,123	569,888
11 Debt Service			39,342,788				39,342,788
12 Other Revenue	137,797	1,522,774		3,020,000	110,910	25,000	4,816,481
13 Subtotal (before transfers)	51,712,607	21,875,297	40,098,657	28,098,356	8,381,756	5,350,448	155,517,121
14 Transfers			13,399,000				13,399,000
15 Total Revenue	51,712,607	21,875,297	53,497,657	28,098,356	8,381,756	5,350,448	168,916,121
16 Expenses							
17 Personnel	16,253,197		2,102,573	412,616	2,154,199	456,087	21,378,672
18 Professional Services	3,679,804				959,828	7,500	4,647,132
19 Water	5,054,036	20,433,428		19,684,000			45,171,464
20 Chemicals	2,434,782						2,434,782
21 Utilities	2,397,256						2,397,256
22 Communications	157,127				2,268		159,395
23 Repairs and Maintenance	1,973,585				2,661,449		4,635,034
24 Rental Services	134,985		591,488	460,048	151,525	131,442	1,469,488
25 Other General Office Services/ Supplies	595,129				315,692	100	910,921
26 Organizational Membership/ Participation	420,000				120,725	7,500	548,225
27 Training and Travel	140,756				7,659		148,415
28 Water Conservation	258,467						258,467
29 Capital Projects			20,685,428	16,224,385	4,934,721	6,118,061	47,962,595
30 Equipment, Furniture and Vehicles	50,324						50,324
31 Land and Facility Improvements							
32 Debt Service	1,398,606						1,398,606
33 Subtotal (before transfers)	34,948,054	20,433,428	23,379,489	36,781,049	11,308,066	6,720,690	112,192,104
34 Transfers	13,590,656				13,333		13,603,989
35 Total Expenses	48,538,710	20,433,428	23,379,489	36,781,049	11,321,399	6,720,690	147,174,765
36 Estimated Ending Fund Balance June 30, 2018	9,968,938	15,971,878	55,614,235	38,562,397	15,907,605	54,050,256	190,075,309
37 Reserve Balances							
38 Operating	2,941,321	15,971,878			3,186,673		22,099,872
39 Rate Stabilization	4,509,359						4,509,359
40 Emergency	2,518,258						2,518,258
41 Drought Contingency							
42 Capital Projects			50,444,167	20,226,361	11,498,334	52,848,192	135,017,053
43 Sinking Funds - FY 2017-18 Contributions							
44 Building Sinking Fund			439,224	520,200	97,605	97,605	1,154,634
45 Future Contractor's Share of the South Bay Aqueduct				592,873			592,873
46 South Bay Aqueduct Enlargement				1,207,744			1,207,744
47 Sinking Funds Reserve Balance			5,170,068	18,336,036	1,222,599	1,202,064	25,930,767
48 Total Reserves	\$ 9,968,938	\$ 15,971,878	\$ 55,614,235	\$ 38,562,397	\$ 15,907,605	\$ 54,050,256	\$ 190,075,309
49 Change in Fund Balance (use of reserves) - line 48 minus line 3	3,173,897	1,441,869	30,118,168	(8,682,693)	(2,939,643)	(1,370,242)	21,741,356



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Zone 7 Water Agency
California**

For the Fiscal Year Beginning

July 1, 2015

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) has presented the Distinguished Budget Presentation Award to Zone 7 Water Agency for its Annual Budget beginning July 1, 2015.

This award is valid for a period of one year only and is the third consecutive year that the Agency has earned this award, which is the highest form of recognition in governmental budgeting. The GFOA established the Distinguished Budget Presentation Awards Program (Budget Awards Program) in 1984 to encourage and assist state and local governments to prepare budget documents of the very highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's best practices on budgeting and then to recognize individual governments that succeed in achieving that goal.



The California Society of Municipal Finance Officers (CSMFO) presented an Operating Budgeting Excellence Award to Zone 7 Water Agency for its Annual Budget beginning July 1, 2015. In order to receive this award, a governmental body must publish a budget document that meets programmatic criteria as a policy document, an operations guide, a financial plan and a communication device.

This award is valid for a period of one year only, and is the second consecutive year that Zone 7 has achieved this prestigious award.



AGENCY INTRODUCTION



Zone 7 Service Area

Zone 7 supplies treated drinking water to retailers serving approximately 240,000 people and businesses in Pleasanton, Livermore, Dublin and, through special agreement with the Dublin San Ramon Services District, the Dougherty Valley area in San Ramon. Zone 7 also supplies untreated irrigation water to local vineyards, farms and golf courses, and provides flood protection to all of eastern Alameda County.



Zone 7 Water Agency

June 15, 2016

BOARD OF DIRECTORS



Sarah Palmer President
Board Member since 2006
Term Expires June 30, 2018



Dick Quigley Vice President
Board Member since 2004
Term Expires June 30, 2016



Sandy Figuers
Board Member 1988-2008;
again since 2008
Term Expires June 30, 2016



Angela Ramirez Holmes
Board Member since 2012
Term Expires June 30, 2016



Jim McGrail
Board Member since 2014
Term Expires June 30, 2018



John Greci
Board Member since 1994
Term Expires June 30, 2018



Bill Stevens
Board Member since 1998
Term Expires June 30, 2018

EXECUTIVE MANAGEMENT TEAM

G.F. Duerig

General Manager

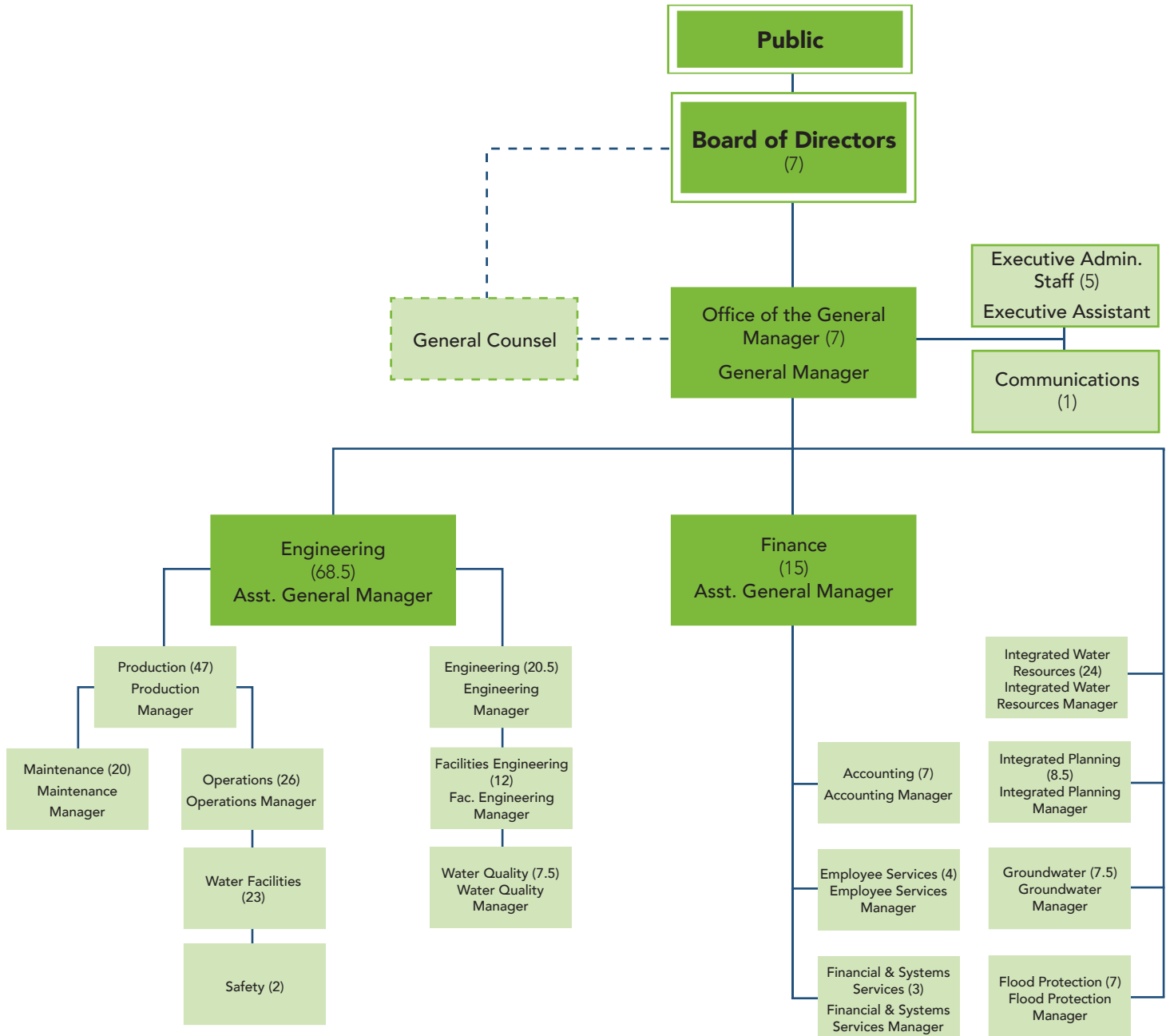
Kurt Arends

Assistant General Manager, Engineering

Osborn Solitei

Assistant General Manager, Finance

Zone 7 Organizational Chart



Agency Overview

Zone 7 Water Agency is a dependent special district established under the Alameda County Flood Control and Water Conservation District Act. The Act (Act 20 of the Uncodified Acts of the California Water Code) was passed by the state Legislature in 1949. 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 (drinking) and untreated (agricultural irrigation) water, flood control and groundwater management throughout Eastern Alameda County.

SERVICE FUNCTIONS

Zone 7 provides wholesale potable (treated) water to four retail water suppliers, untreated water to Livermore-Amador Valley irrigation customers (primarily vineyards) and flood protection services to eastern Alameda County. The service territory includes 425 square miles of eastern Alameda County and, by special agreement with DSRSD, the Dougherty Valley portion of San Ramon, Zone 7 has broad powers to finance, construct and operate a system for the transportation, storage, treatment and distribution of water.



KEY BUSINESS RELATIONSHIPS

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

WATER SUPPLY

Zone 7's water supply has two major components: (1) imported water supplies available through the State Water Project (about 90%) and (2) local water rights. Imported water supplies consist of annually allocated State Water Project water. Local surface water runoff is captured in Lake Del Valle. In wet years, excess water is recharged in the local groundwater basin, "banked" in Kern County or carried over in State Water Project facilities. This stored water is then available in dry years.

Three of Zone 7's Retailers—Dublin San Ramon Services District (DSRSD), Livermore, and Pleasanton—also produce and/or distribute recycled water to their service areas. Two retailers, Pleasanton and Cal Water, pump groundwater directly in addition to the water supply provided by Zone 7. DSRSD has a contract with Zone 7 to pump groundwater on its behalf.

To optimize use of its local resources, Zone 7 sustainably manages the Livermore Valley Groundwater Basin. Lake Del Valle is owned and operated by the Department of Water Resources (DWR).

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

To mitigate the risk associated with significant reliance on imported water supply, Zone 7 continues to develop local sources of water and to diversify its water supply portfolio. An update to the 2011 Water Supply Evaluation, the Water Supply Evaluation Update (WSE Update), was completed in early 2016, with the goal of documenting Zone 7's most current water supplies based on new information and experience gained over the current drought.

Purchased water from the State Water Project (SWP)—the nation's largest publicly-built water storage and conveyance system serving over 25 million people throughout California—is by far Zone 7's largest water source, providing about 90% of the treated water it supplies to its customers on an annual average basis.



South Bay Aqueduct

DWR provides water supply from the SWP to twenty-nine SWP Contractors (Contractors), including Zone 7, in exchange for Contractors paying of all costs associated with providing that supply. DWR and each of the Contractors entered into substantially uniform long-term water supply contracts (Contracts) in the 1960s with initial 75-year terms, which begin to expire in 2035. Zone 7's Contract was executed in 1961. While the Contracts provide for continued water service to the Contractors beyond the initial term, efforts are currently underway to extend the Contracts to improve financing conditions for the SWP.

The majority of the capital costs associated with the development and maintenance of the SWP is financed using revenue bonds. These bonds have historically been sold with 30-year terms. It has become more challenging in recent years to affordably finance capital expenditures for the SWP because DWR bonds used to finance these expenditures are limited to terms that only extend to the year 2035, less than 20 years from now. To ensure continued affordability of debt service to Contractors, it is necessary to extend the term of the Contracts, which will allow DWR to continue to sell bonds with 30-year terms.



Lake Oroville Reservoir

Negotiations on extending the Contracts took place between DWR and the Contractors during 2013 and 2014, and were open to the public. Terms were agreed upon and are currently the subject of analysis under the requirements of the California Environmental Quality Act (CEQA). It is anticipated that the term of the SWP Contracts will be extended to December 31, 2085.

SWP water originates within the Feather River watershed, is captured in and released from Lake Oroville, and flows through the Sacramento-San Joaquin Delta (Delta) before it is conveyed by the South Bay Aqueduct (SBA) to Zone 7. Much of the SWP water continues on to southern California via the California Aqueduct.

The SBA also delivers water to two other water agencies: Santa Clara Valley Water District and Alameda County Water District (ACWD). Lake Del Valle is part of the SBA system and is used for storage of SWP water for all three contractors, as well as local runoff for Zone 7 and ACWD.

At Zone 7, SWP water is directly used to meet treated water demands from municipal and industrial customers—primarily wholesale and some direct retail—and untreated water demands from agricultural customers. It is also used to artificially recharge the local groundwater basin and fill non-local storage in Kern County.

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. 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 had local farmers, vintners, other businesses 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 ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

The District was created in 1949 by the California State Legislature through passage of the Alameda County Flood Control and Water Conservation District Act (1949 ch 1275, Act 20 of the California Uncodified Water Code) (District Act) to provide control of flood and storm waters and to conserve water for beneficial uses. The District is also vested with the power to store water in surface or underground reservoirs within or outside of the District for the common benefit of the District; conserve and reclaim water for present and future use within the District; appropriate and acquire water and water rights; and import water into the District.



Courtesy of the Livermore Heritage Guild

The District is further authorized by the District Act to prevent interference with or diminution of, or to declare rights in the natural flow of any stream or surface or subterranean supply of waters used or useful for any purpose of the District and to prevent contamination, pollution or otherwise rendering unfit for beneficial use the surface or subsurface water used or useful in the District.



The District is also authorized to levy replenishment assessments upon the production of groundwater from all water-producing facilities, whether public or private, within the District.



THE CREATION OF ZONE 7

The history of Zone 7 as a separate water resource management agency can be traced to the mid-1950s, when the Livermore-Amador Valley was primarily rural in character, with a population of approximately 30,000 people. The area faced a number of problems, including groundwater overdraft, poor drainage and flood hazards, and uncertainty over future water supplies. It was against this backdrop that the residents of the Livermore-Amador Valley voted, in 1957, to create Zone 7 Water Agency or Zone 7.

Zone 7 - established in 1957 by local voters demanding local control over local water-resource planning and financing - has taken the Valley a long way to resolving many of its most pressing water-supply, water-quality and flood-protection challenges. The seven-member Board of Directors has continually formulated, implemented and updated 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 is governed by a locally-elected seven-member Board of Directors (Zone 7 Board). Each director is elected at-large by residents within the Alameda County portion of Zone 7's service area to a four-year term. The Zone 7 Board sets policy and provides direction to Zone 7 management and staff.

In 2003, the legislature passed Assembly Bill 1125 and gave the Zone 7 Board full authority and autonomy to govern matters solely affecting Zone 7 independently of the Alameda County Board of Supervisors. The Alameda County Board of Supervisors, acting as the District Board of Supervisors, governs the other nine zones of the District.

Zone 7's key water resource management responsibilities include:

- serve as the contractor with the Department of Water Resources (DWR) for the State Water Project,
- manage the local water right on Arroyo Valle,
- procure other water supplies as necessary to meet demands,
- provide wholesale treated water supply,
- provide untreated irrigation water for agriculture,
- sustainably manage the Livermore Valley Groundwater Basin,
- act as watershed steward,
- operate and maintain water treatment and transmission systems, and
- manage regional stormwater for public safety and protection of property.

HISTORY TIMELINE OF ZONE 7 AND THE STATE WATER PROJECT

- **Early 1900s** – Groundwater pumping, including export to San Francisco. Lowers the Livermore-Amador Valley's water table.
- **1949** – State Legislature forms Alameda County Flood Control & Water Conservation District.
- **1957** – Local voters approved creation of Zone 7 Water Agency to import State Water Project (SWP) water, stop overdraft of groundwater, and prevent flooding in eastern Alameda County.



- 1960 – Statewide voters approve bonds for the SWP with 82% of voters within Zone 7 approving \$5.7M in bonds for water supply and flood control.
- 1961 – Zone 7 enters historic contract with the Department of Water Resources for water from the State Water Project delivered via the South Bay Aqueduct (SBA).
- 1962 – Delivery from the SWP begins. Zone 7 begins artificial recharge program using SWP allocation.
- 1962-1968 – Zone 7 signs water supply contracts with the retailers.



In 1961, four years after Valley voters approved formation of the Zone 7 Water Agency, Alameda County and Zone 7 officials took part in contract signing for State Water Project water from the South Bay Aqueduct with then-Gov. Edmund G. "Pat" Brown. Brown is at right with William Warne, director of the state Department of Water Resources, pointing out contract details.



- 1965 – Zone 7 signs first contracts for untreated water deliveries from the SBA to the vineyards.
- 2003 – California legislature passes Assembly Bill 1125 giving Zone 7 Board full authority and autonomy to govern matters solely affecting Zone 7 independently of the Alameda County Board of Supervisors.

Mission, Vision, and Values of Zone 7 Water Agency

MISSION	The Agency is committed to providing a safe, reliable supply of high-quality water and effective flood-control programs and policies.
VISION	To provide top notch services, setting high standards for the supply of water and flood protection throughout the region.
VALUES	Guide the perspective and actions of the organization helping to define culture and beliefs.

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

Open and Transparent

The Board's meetings and communications shall be open and public, except when the Brown Act authorizes otherwise.

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.

Integrity

We practice the highest ethical standards and maintain open, honest communications at all levels of the organization at all times.

Fiscally Responsible

We will operate in a productive, cost effective, transparent and efficient manner to ensure sound financial stability.

Environmentally Sensitive

In carrying out our mission, we are dedicated to preserving and enhancing the environment while complying with regulations.

Innovative/Proactive

We encourage innovation, creativity and ingenuity, seeking constant improvement and keeping up with the latest economical technologies and management practices.

Safety

We are committed to public and employee safety to maintain a healthy work environment. We work safely and provide safe products and services.

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.

Local Economy

The Agency's Administrative Office is located in the City of Livermore, in Alameda County. Livermore was founded in 1869 and is one of California's oldest wine regions. Zone 7 currently serves an overall population throughout the Tri-Valley of approximately 245,000 people. Alameda County supports a population of approximately 1.6 million people and has a median family income of \$89,200 making it the 5th highest in California.¹ The per capita income for the county is \$57,595 and supports 680,000 wage and salary jobs.¹ The average salary per worker in the county is \$79,614 as of 2014. ¹ Employment in professional services is anticipated to grow approximately 17% through 2018.³

The Agency's service area has experienced modest recovery from the overall market crisis of FY 2008-09. In 2015, the service area continued to experience improvement in the number of new home permits requested and anticipate a continual but mild growth rate throughout the FY 2016-17 and 2017-18 budget periods. Drought conditions continued throughout 2015 and began to abate in 2016, but even with the increased rainfall, continued conservation requirements impacted water use and water sales dramatically. Water rates were increased and some capital projects were deferred to address the water-sales shortfall and ongoing fixed expenses.

Demographic and Economic Statistics for Alameda County and Zone 7 Service Area (Fiscal Years 2005-06 through 2014-15)

Fiscal Year	Zone 7 Service Area (Acres)	Population Served in Agency's Service Area ³	Population of Alameda County ²	Total Personal Income, Alameda County (\$Billion) ³	Unemployment Rate, Alameda County ⁴	Consumer Price Index, Alameda County (% change) ⁵
2006	272,000	199,000	1,444,484	69.10	4.6	3.2
2007	272,000	204,000	1,455,715	71.9	4.8	3.4
2008	272,000	211,000	1,477,208	73.5	6.1	3
2009	272,000	216,000	1,498,539	70.2	11.1	0.8
2010	272,000	220,000	1,513,527	72.4	11.3	1.3
2011	272,000	224,000	1,531,324	78.2	10.8	2.7
2012	272,000	229,000	1,553,960	84.5	9.5	2.7
2013	272,000	233,000	1,578,891	87.4	7.4	2.2
2014	272,000	239,000	1,584,516	95.1	5.8	2.7
2015	272,000	245,000	1,601,820	101.4	5.2	3.2

Source:

¹Alameda County Economic Forecast; http://www.dot.ca.gov/hq/tpp/offices/eab/socio_economic_files/2014/Alameda.pdf

²Census Bureau midyear population estimates. Estimates for 2010-2013 reflect County population estimates available as of March 2015.

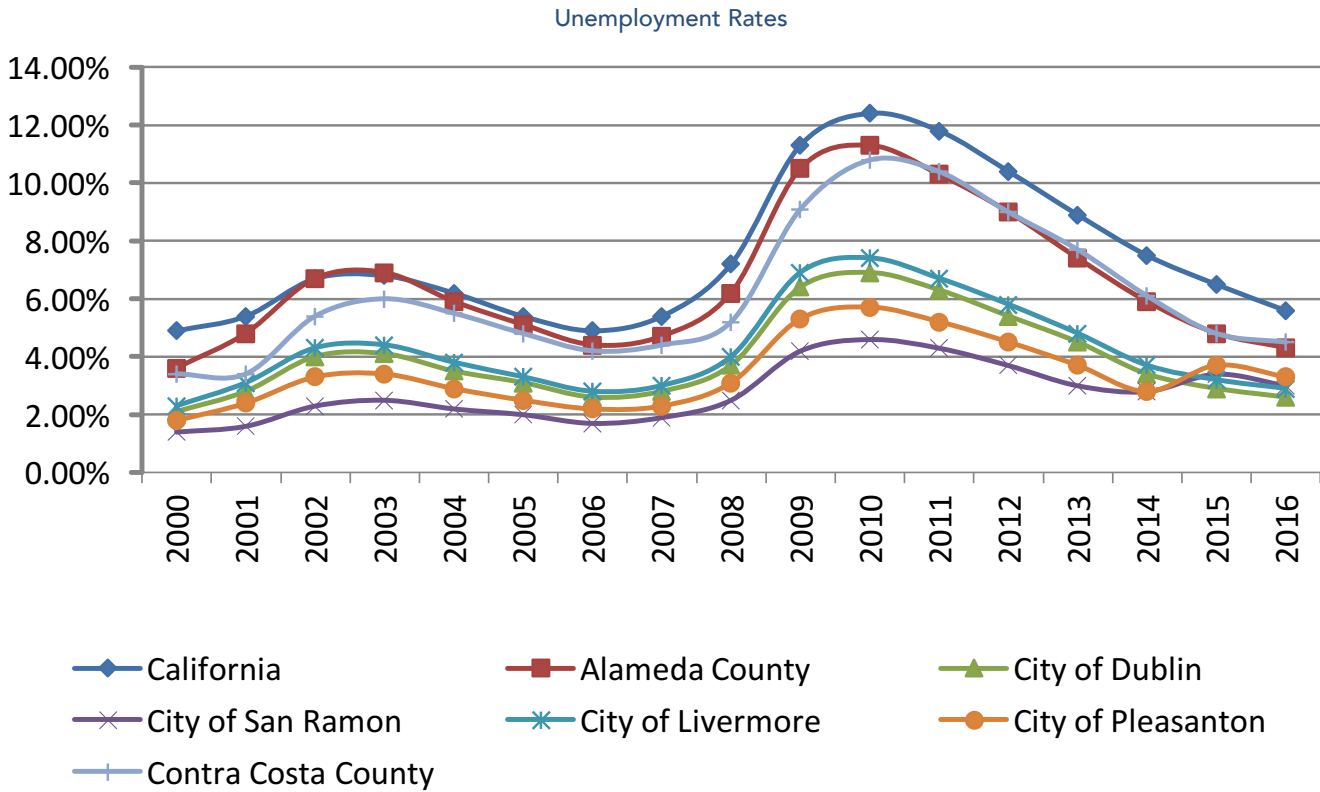
³County Demographics-Alameda County Economic Forecast CA Department of Transportation and the Alameda County FY 2014-24 Comprehensive Annual Financial Report.

⁴Unemployment rates: <http://www.labormarketinfo.edd.ca.gov>

⁵Consumer Price Index (CPI) rates: http://www.bls.gov/regions/west/news-release/consumerpriceindex_sanfrancisco.htm

Unemployment Rates

Unemployment rates throughout the state were on the rise prior to the 2008 recession and peaked at a dramatic level of 12.4% for the state in 2010.¹ Since that difficult period, unemployment rates have improved markedly, dropping to a low of 5.6% as of April 2016.¹ While the trends signal a narrowing of unemployment range, a significant gap continues on the national labor underemployment rate holding at 14.5%.² The unemployment rate reported through April 2016 for all of Alameda County was 4.3%³ versus 5.6% for the entire state of California.



Source:

¹ Unemployment State rates: <http://www.labormarketinfo.edd.ca.gov>

² Underemployment rate; <http://www.statista.com/statistics/205240/us-underemployment-rate/> (equation; unemployed workers, who are looking for work added to the number of workers employed part time but seeking full-time work.

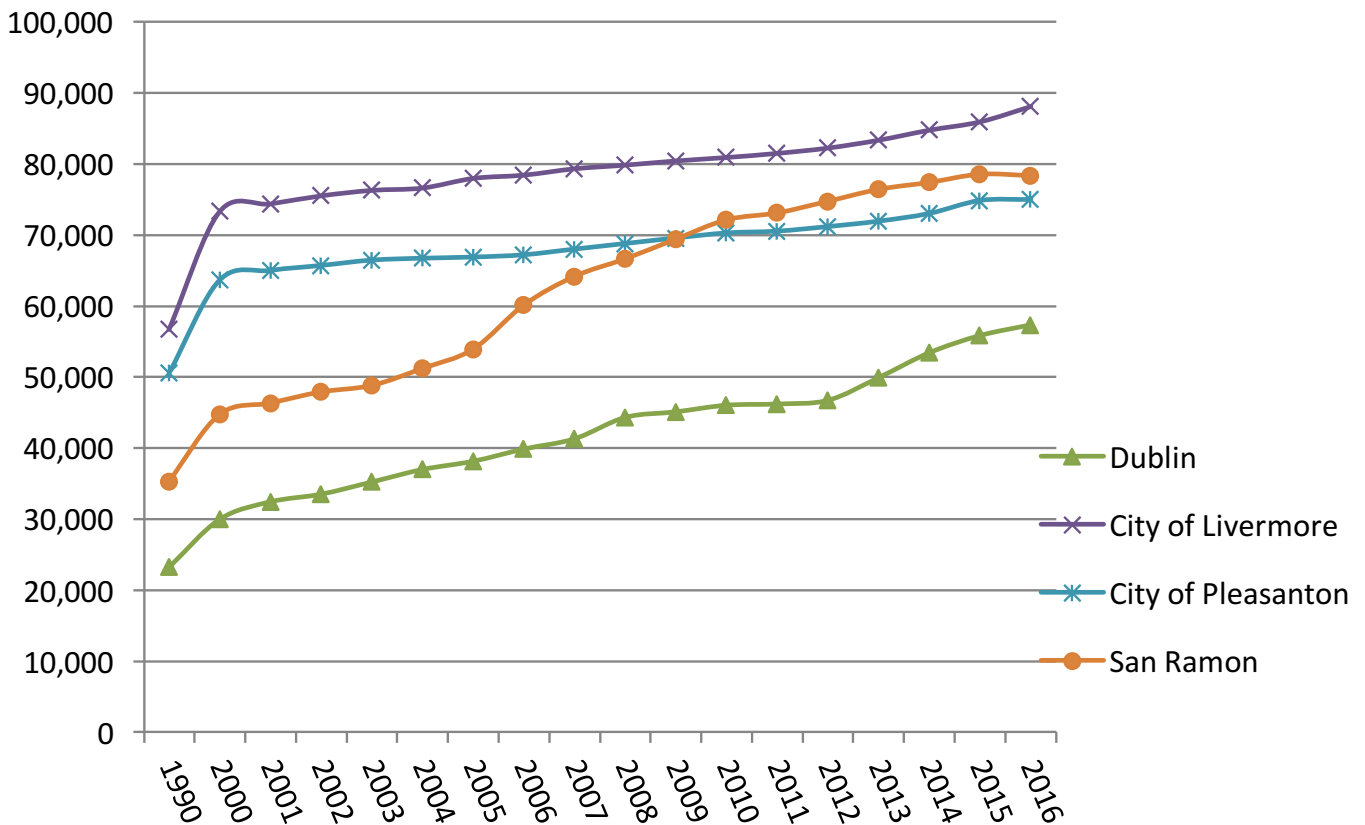
³ Unemployment County/City rates: <http://www.labormarketinfo.edd.ca.gov>

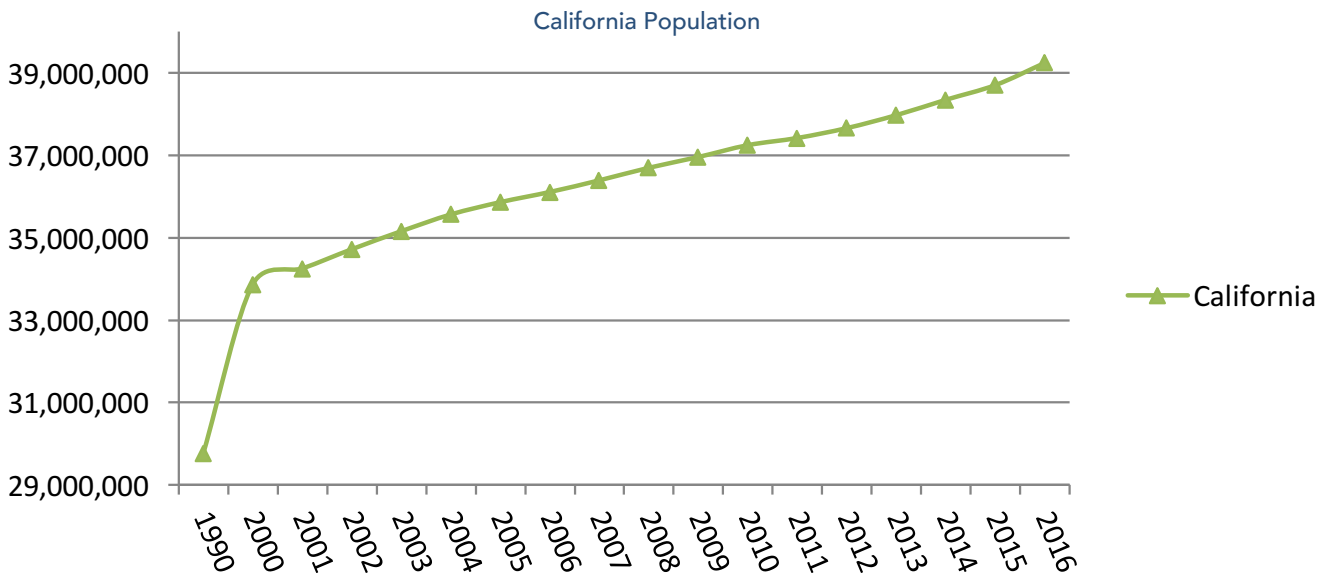
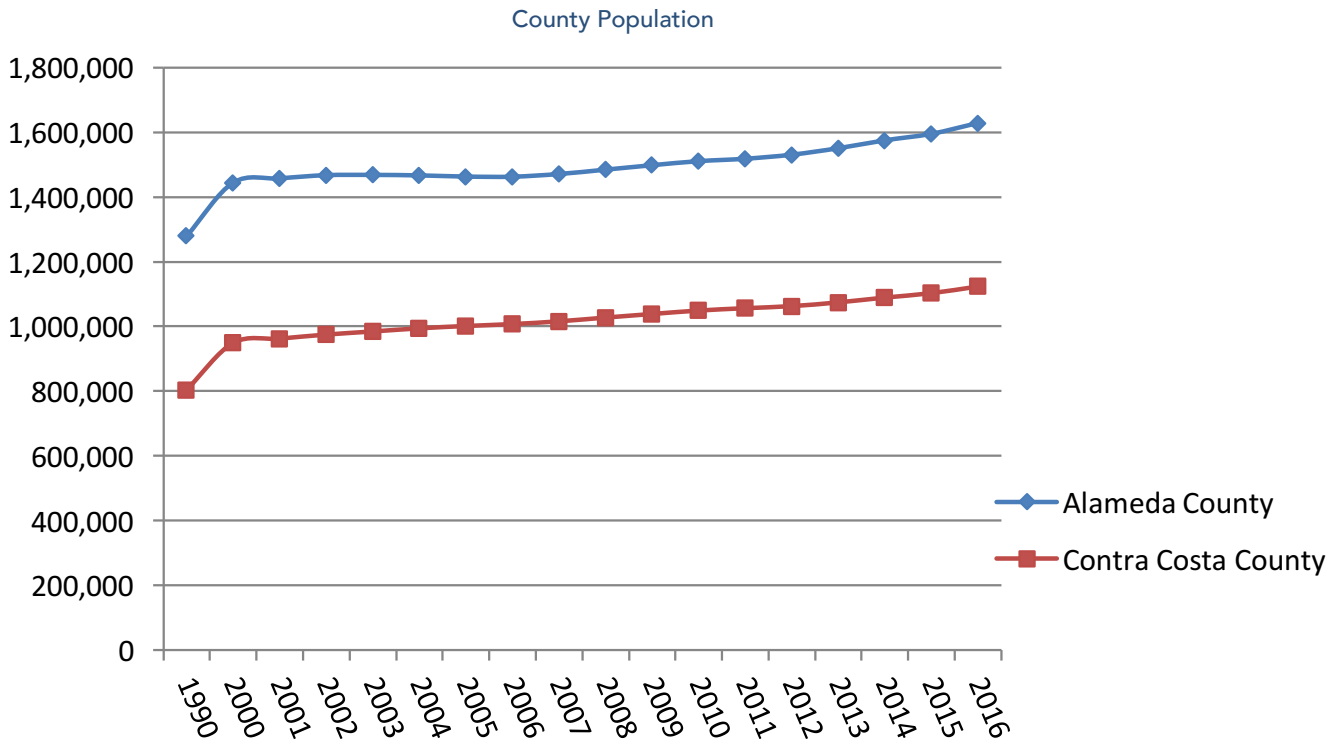
Population

The Tri-Valley area is located 39 miles east of San Francisco, California and 28 miles north of Silicon Valley. This area is a crossroads, not only literally (for commuters traveling from the Central Valley to Silicon Valley and other employment destinations) but also figuratively (where major employers include both vineyards and high-tech firms.) With a combined population of nearly 250,000 residents, the Dublin-Livermore-Pleasanton area is one of the fastest growing areas in the Bay Area.

All cities within the Zone 7 service area continue to grow, with the cities of San Ramon and Livermore serving the largest overall populations. The cities of Dublin and Livermore have grown the most in Tri-Valley service area, over the period from 2015 to 2016 (2.4 and 2.0% respectively)¹, almost double the population growth in Alameda County (1.1%).¹ Dublin registered in the top 10 fastest growing cities in California (2014-2015)¹ which experienced a 4.5% increase in population. Pleasanton and San Ramon (1.6 and 1.2% respectively)¹ had smaller increases in population and were similar in percentage increases to California’s overall population growth of 0.9%.¹

Zone 7’s Service Area Population





Source:
 1State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 1990 data set point with 2000-2016 continuous, updated in May 2016.
http://www.dof.ca.gov/research/demographic/reports/estimates/e-1/documents/E-1_2016PressRelease.pdf

Challenges, Issues and Trends

Financial factors affecting the Agency include the drought, increasing fiscal impacts from water conservation efforts, increased State Water Project charges, the moderate but steady recovery of the economy, and the continuing need to fund to the Asset Management Program (AMP) for infrastructure maintenance and improvements.

DROUGHT

Calendar Year 2013 was the driest year in recorded history in many parts of California, including in the Livermore-Amador Valley. Total precipitation for the year in Livermore was only 4.5 inches – 31 percent of the 14.5-inch average. At the beginning of 2014, the Sierra snowpack's statewide water content was estimated at about 20 percent of average for that time of year, and January set a record for being the driest January in recorded history for the State and Bay Area.

On January 17, 2014, Governor Jerry Brown declared a State of Emergency in California due to drought conditions and asked all citizens to cut back water use by 20 percent. On January 29, 2014 at a Special Meeting of the Zone 7 Board of Directors, a local state of Drought Emergency was declared and a Drought Emergency Response Plan was approved that included emergency capital projects and accelerated preventive maintenance aimed at minimizing impacts on water deliveries. The General Manager was authorized and directed to establish an appropriate level of conservation for the Livermore-Amador Valley, consistent with the governor's proclamation of a drought emergency (20 percent or greater). The initial conservation level was set at 20 percent.

On January 31, 2014, the California Department of Water Resources (DWR) announced it was reducing State Water Project allocations from an already-low 5 percent down to zero for the first time in history. Northern Sierra precipitation was well below average. This was critical because the Northern Sierra precipitation determines DWR's ability to refill Lake Oroville, which is the primary source of water for Zone 7. The low water levels in Oroville and the relatively small snowpack throughout the portion of the Sierras that serves as the Delta's watershed resulted in severe water quality impairment in the Delta, leading to higher treatment costs.

On April 16, 2014, Zone 7's 2014 Annual Review of Sustainable Water Supply was presented to the Board. It clarified the need for water retailers serving Pleasanton, Livermore, Dublin and Dougherty Valley to achieve conservation consistent with "Stage 2 Actions" under Zone 7's Urban Water Management Plan. Zone 7 notified its treated and untreated water customers that they would receive only 75 percent of their requested supplies in 2014 and to take actions to achieve a 25 percent savings. The community responded with a 29% savings for calendar year 2014.

On April 1, 2015, Governor Brown issued an Executive Order which is still in effect as of April 2016, requiring 25% water conservation measures statewide for residential use relative to 2013 use. Customers responded with conservation levels of 40% for calendar year 2015 relative to their 2013 usage. Calendar year 2016 began with conservation levels hovering around 44%. Conservation of this magnitude significantly reduces volume-based revenues that have no fixed component, as a result Zone 7 has been depleting reserves to cover these revenue losses. By the end of Winter 2016, water supply conditions had vastly improved, leading Governor Brown to reassess the current State conservation mandate and issue Executive Order B-37-16 directing water suppliers to locally assess and set their water conservation targets.

The drought continues to create fewer challenges from a water supply perspective and more from a water-sales revenue standpoint. There will be less revenue due to water usage reductions and the expenses will increase due to the replenishment of our water banking programs. In calendar

years 2014 and 2015, the low allocations from the State Water Project were balanced with groundwater both from the local groundwater basin and from out-of-basin groundwater storage in Kern County. Such recovery increased water costs in FY 2014-15 and will again in FY 2015-16. For FY 2016-18, the Agency plans on replenishing the out-of-basin groundwater storage in Kern County as well as the local groundwater basin.

WATER CONSERVATION ACT OF 2009

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. Failure to meet this goal currently results in an agency not being eligible for state grants. Zone 7 is working collaboratively with the retailers to meet this requirement. Water demands on a per capita basis continue to decrease while fixed costs remain high.

STATE WATER PROJECT CHARGES

The State Water Project charges are by far the largest component of the Agency's budget. The charges are increasing due to both capital debt service payments and operating costs.

WATER RELIABILITY

With declining reliability of the State Water Project, water purchases (Yuba, Multi-Year Pool, Byron Bethany Irrigation District, etc.) will become increasingly necessary, even though they come at a higher price.

ASSET MANAGEMENT PROGRAM (AMP)

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 becomes increasingly important. An updated AMP study to assess the condition of Zone 7's infrastructure was adopted by the Board on June 15, 2011. Board-approved funding transfers are scheduled to be made from the Water Enterprise Fund (Fund 100) to the Renewal/Replacement and System-wide Improvements Fund (Fund 120).

STEADY ECONOMIC RECOVERY

New development within the service area has been picking up over the last couple years, providing slight growth in new water rate payers, property tax income and connection fee revenue. There is also a moderate increase in property values that has resulted in stabilization of the 2015 and 2016 tax assessment roll.

STAFFING

There are 126.5 full-time equivalent (FTE) authorized positions. The FY 2016-18 budget proposes funding 114.5 FTE positions which includes 10 vacancies (i.e., positions that are justified and for which recruitment is planned) and the remaining 12 positions are left unfunded due to the Soft Hiring Freeze initiative that began in FY 2009-10.

NEW SOFT HIRING FREEZE POSITIONS:

- Assistant General Manager, Personnel
- Associate Engineer
- Associate Engineer

ADDITIONAL POSITIONS:

- Production Manager
- Senior Procurement and Contracts Specialist
- Water Plant Operator III

Strategic Planning

As part of Zone 7's strategic planning five general strategic planning priorities were identified. These priorities were developed to ensure all Zone 7 efforts are focused on fulfilling the mission of the agency, and to further ensure the most immediate needs are addressed in an efficient and cost-effective manner. The five general priorities (listed below) include a number of specific strategic planning sub-priorities and form the basis for master plans, budgets, capital plans and other resource allocation planning.

1. Provide customers with a reliable, cost-effective and safe water supply.
2. Provide Eastern Alameda County with an effective system of flood protection.
3. Provide the Agency with effective organization, administration and governance.
4. Operate the Agency in a fiscally-responsible manner.
5. Increase public understanding of the Agency and its functions.

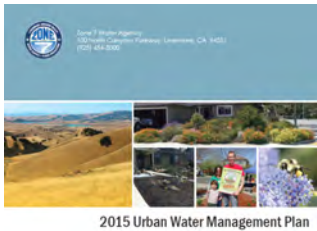
Board members review the priorities and the respective sub-priorities on an annual basis to provide ongoing, updated direction to staff.

Major Accomplishments (FY 2015-16)

WATER SUPPLY, RELIABILITY & QUALITY

Continued wise management of limited supplies: In 2015, Zone 7 was able to meet all its retailers' demands even without state-mandated conservation, but urged the community to conserve at the state-required levels due to the continuing drought. And the community responded. Coordinated water conservation outreach with retailers helped residents and businesses reduce water use by roughly 35 percent conservation from 2013 levels -- far exceeding state requirements. Thanks largely to its Out-of-Valley banked drought supplies, Zone 7 met demands and ended the year with an increase in local groundwater storage and enough imported surface water to carry over approximately 13,400 acre-feet into 2016.

Agreements to bolster future reliability: Zone 7 and an expanding number of Bay Area partners broadened efforts to develop solutions aimed at improving regional water supply reliability. Zone 7's Board approved an agreement involving dry-year water purchases from the Yuba County Water Agency; and another with Contra Costa Water District that (subject to state approval) provides for an exchange of up to 2,500 acre-feet of water on a one-year trial basis to boost reliability of Zone 7's supply during summer, when demands peak.



2015 Urban Water Management Plan



Urban Water Management Plan (UWMP) preparation: In light of lessons from the drought and other factors, and to provide background for Zone 7's 2015 UWMP that the state requires be done every five years, Zone 7 launched an update to Zone 7's Water Supply Evaluation (WSE update) which was completed in early 2016. The UWMP is a planning, water management, and communication tool that assesses the reliability of Zone 7's water resources over a 20-year period. It is also required to maintain eligibility for grant funding and drought assistance from the state.

In addition to California WaterFix, the WSE update confirmed that potable reuse a regional desalination project might both be needed to reliably provide adequate water supply in the future.

Capital projects: Zone 7 completed several significant projects with water supply and-or water quality benefits, including 1) a valve to help blend groundwater from a high-producing well with higher-quality groundwater sources, 2) connecting a future new well site to Zone 7's transmission system, and 3) completing the second phase of the Superpulsator Rehabilitation Project at the Del Valle Water Treatment Plant. Looking to the future, in October 2014 Zone 7's board adopted a Capital Improvement Program laying out plans for key investments in water quality and reliability projects over the next decade for the water enterprise and five years of projects to improve regional flood protection.

Delta sustainability: The Agency continued to actively support the extensive scientific, environmental and public review process approach of the California WaterFix and California EcoRestore (formerly the Bay Delta Conservation Plan), aimed at fixing the Delta's broken water conveyance infrastructure and restoring its ecosystem.

Nutrient Management Plan: The Agency completed work on a blueprint for managing nutrient loading to the Livermore-Amador Valley Groundwater Basin to achieve sustainable groundwater quality. The plan was adopted by the Board in 2015 and approved by the San Francisco Bay Regional water Quality Control Board in early 2016.

Sustainable Groundwater Management: As part of its long-standing, proactive groundwater basin stewardship and in further movement toward compliance with the state's new Sustainable Groundwater Management Act, Zone 7's Board adopted the a Nutrient Management Plan and the Agency culminated many years of collaboration with Alameda County on the county's new Water Wells Ordinance.

Partnership for Safe Water Recognition: Both the Del Valle and Patterson Pass surface water treatment plants maintained their Partnership for Safe Water status for the 2015 reporting period. The Partnership is a program developed by the American Water Works Association (AWWA), the U.S. Environmental Protection Agency, and associated Partner organizations.

FLOOD PROTECTION/STREAM MANAGEMENT MASTER PLAN

El Niño preparation: Extensive work was done throughout the summer to prepare the Agency's regional flood-protection system – including repairing creek banks, removing debris, managing vegetation, and conducting inspections to ensure the flood-control channels were in good working condition to convey stormwaters. Extensive public outreach included a well-attended flood-preparedness open house at Zone 7's office with information on what residents and businesses can do to prepare for a potentially wet winter.

Flood Protection work: Completed four emergency bank repairs totaling 215 linear feet, 21 soil bioengineering brush walls, 1,030 linear feet of access roadway, 32 outfall structure rehabilitations, 1,850 linear feet of concrete lining repairs and 100 feet of access ramp repair. Total construction cost was \$985,000. In addition, staff managed various maintenance activities such as vegetation management, down tree removal, hydro-seeding, fence and gate repairs, and debris and trash removal, totaling an additional \$500,000.

Storm Central website: Zone 7 upgraded and added stream gauges and conducted public outreach to inform residents on how to use the new Storm Central website to obtain real-time stream-flow information. The data also will help Zone 7 track flows in the flood-control channels and respond accordingly.

Stream Management Master Plan Update (SMMP): Zone 7 continued to plan and implement key aspects of the SMMP and to work on systemwide hydraulic and hydrology models that identify potential problem areas.

Sediment study: In addition to completing regular maintenance activities of its flood control facilities to ensure they remain in good working order, Zone 7 continued work on sediment studies that will help the Agency develop a more cost-effective maintenance plan to reduce flooding risks from sediment buildup in some streams.

MULTI-BENEFIT PROJECTS/ENVIRONMENTAL/COMMUNITY PARTNERSHIPS

Arroyo Mocho Stanley Reach Riparian Restoration & Channel Enhancement Pilot Project: The project was a finalist in the Association of California Water Agencies 2015 Clair A. Hill Water Award for Excellence, recognizing innovative projects by ACWA members in water resources management.

Upper Altamont Creek Planting Project: Zone 7 collaborated with the U.S. Natural Resources Conservation Service and the Alameda County Resource Conservation District on a workday in which 40 volunteers helped plant vegetation along Altamont Creek in Livermore's Springtown area. Among other things, the project helped to improve Zone 7's ability to protect streambanks while enhancing native vegetation and improve instream water quality.

Living Arroyos Program: In 2015 volunteers and Living Arroyos staff harvested and planted over 500 willow stakes and performed other maintenance activities along the Arroyo Mocho at the Stanley Reach Project including watering the newly planted riparian trees during the summer, applying mulch to over 1,000 oak seedlings, nearly 1 mile of non-native invasive weed removal in the fall, and several stream clean ups following high flow events in the winter.

The Program continues to be a huge draw for volunteers. The number of volunteers at any given volunteer day ranged from as few as 5 up to 30+ volunteers with several repeat volunteers. The Program had been a big hit in 2015 with High School student service groups. Several Boy Scout and Girl Scout troops and local businesses such as North Face had requested volunteer workdays as well.

Creek cleanups: Zone 7 again collaborated extensively with other agencies to keep local creeks clean both by teaming up on debris removal and by promoting as well as serving as a site captain at community creek cleanups.

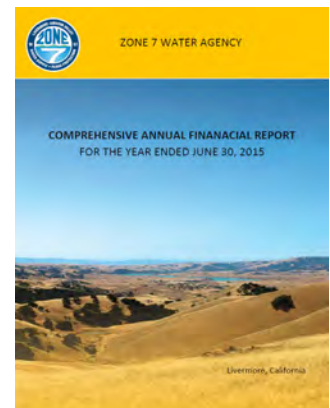
FINANCIAL SUSTAINABILITY, COST EFFICIENCY, TRANSPARENCY

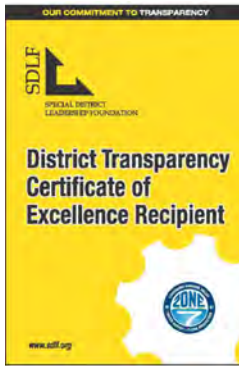
Comprehensive Annual Financial Report (CAFR): For the first time in the agency's history, staff created a CAFR for the year ending June 30, 2015 and submitted an application for the Certificate of Achievement for Excellence in Financial Reporting for the Year Ended June 30, 2015 for this first edition publication.

Budget Book Presentation Awards: For the third consecutive year, the Agency received the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for the FY 15-16 budget. Additionally, Zone 7 received the "Excellence Award in Operating Budget" for the second time from the California Society of Municipal Finance Officers (CSMFO) for its FY 15-16 Budget Book.

Water rates: Zone 7 conducted a three-year cost of service study and adopted a three-year treated water rate increase to help the Agency recover from deep financial losses from the drought and better ensure it has adequate revenues in the future to continue its mission. Rather than take a piecemeal approach, setting basic wholesale rates over a three-year horizon provides greater predictability/stability for Zone and its customers, improves the ability of Zone 7 to plan for and finance deferred and badly needed equipment replacements, infrastructure maintenance and capital projects, and streamlines the rate-setting process for improved efficiency.

Government Leadership Award: The California Local Agency Formation Commission (CALAFCo) presented this award to Zone 7 and its partners (Livermore, Pleasanton, Dublin, San Ramon and San Ramon Services District) for developing the Tri-Valley Intergovernmental Reciprocal Services Master Agreement as an example of working together and furthering good government efforts.





Transparency Certificate of Excellence: The Agency received the District Transparency Certificate of Excellence from the Special District Leadership Foundation (SDLF) in recognition of Zone 7's efforts to promote transparency and good governance.

Video recording of board meetings: In late 2015, the Board of Directors approved a one-year trial for video recording/televising monthly board meetings on Community television and posting archived video links to the Agency's website. Videotaping and subsequent replay on TV30 began in 2016. <http://www.tri-valleytv.org/Zone7.html>

Energy efficiency: In continued moves to help save money and protect the environment, Zone 7 further increased its alternative power and renewable energy use portfolio by completing a Power and Water Resources Pooling Authority (PWRPA) project at the Mocho Groundwater Demineralization Plant and at Mocho Wells #3 and #4.



FINANCIAL OVERVIEW

Agency Fiscal Overview

On an annual basis Zone 7 Water Agency comprehensively reviews its full financial standing with the express purpose of determining and proposing a comprehensive management and financial working budget plan document from which to base the subsequent fiscal year's operations. In the past, the resulting board-approved budget would sunset after a single year; however, the Operating and Capital Budgets will now transition to a two-year or biennial budget starting with Fiscal Years (FY) 2016-17 and 2017-18. This budget document includes a brief explanation of the Agency's budget process, a breakdown of the budget by Major Funding Area, Section, Program and the Chart of Accounts.

The Agency's Board adopted operating and capital budget is \$125.8M for FY 2016-17, and \$147.2M for FY 2017-18, this budget has been thoroughly reviewed by management, staff and the Board of Directors.

The Agency's budget was created in adherence to the Agency's Mission, Vision and Value Statements in order to implement Board-adopted policies, the Strategic Planning Priorities and the General Manager's.

FISCAL YEAR

Zone 7 Water Agency operates on a fiscal year which runs from July 1 through June 30. In the document, if a year is used, it means the end of the fiscal year. For example, 2017 is the fiscal year ending June 30, 2017. "FYE" for fiscal year ending is also used.

FISCAL MANAGEMENT

The Agency's Board of Directors adopts operating and capital budgets prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise (water) and governmental (flood) functions. The Agency adopts a balanced budget (estimated expenses equal to estimated revenues, including planned use of available reserves).

BUDGET PROCESS/CALENDAR

The budget process begins at the Section level. Supervisors prepare their respective budgets and submit them to the Section Managers, which are then provided to the governing Assistant General Managers for analysis and consideration. Assistant General Managers eventually propose their respective draft budgets to the General Manager, who considers Agency priorities, overall impact and ultimate direction regarding each of the Agency's funds to develop the full budget draft. The vetted budget draft is then presented to the full Board of Directors for review and adoption prior to June 30. This two-year budget was adopted on June 15, 2016.

The Board of Directors meetings and any standing Board Committee meetings are posted in advance in accordance with the Brown Act and to facilitate full public participation. The final FY 2016-17 and FY 2017-18 budgets were posted and will remain on the Agency's website for a period of time determined by the General Manager, since the budgets were adopted by Board Resolution.

BUDGET PROCESS FLOW



**Even-numbered years*

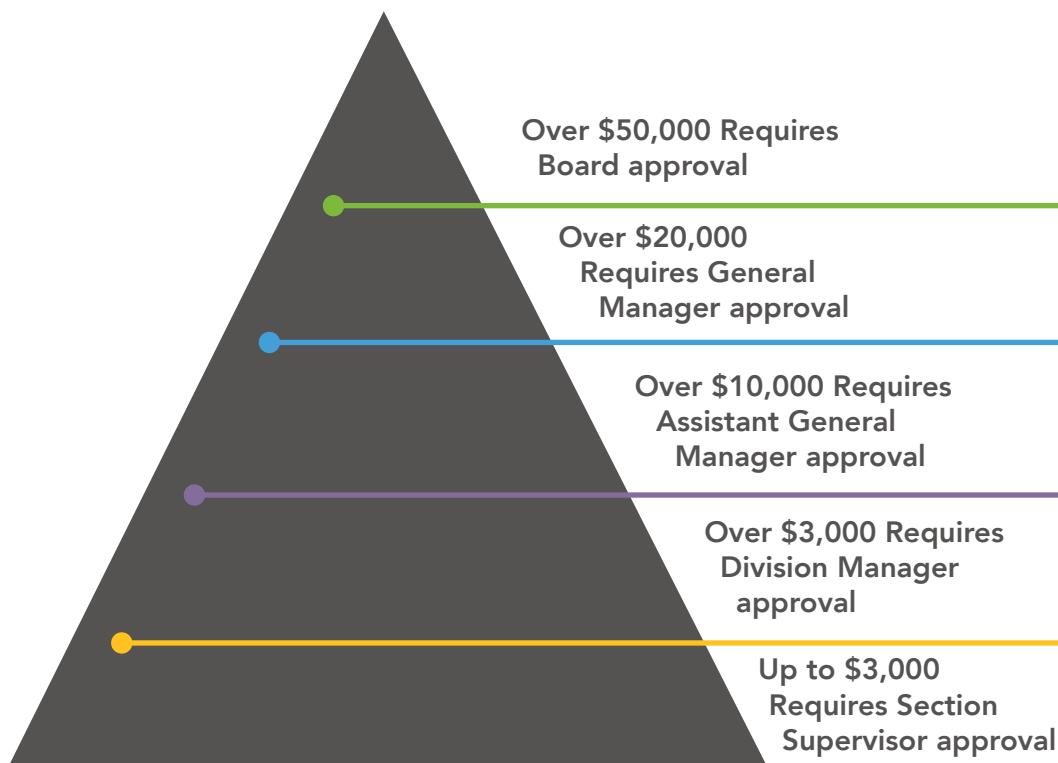
Budgetary Control

The budget is a management tool intended to aid in the planning efforts of the Agency and to serve to guide expenditures to ensure the fiscal health and financial future of the agency. To aid in the management of the budget, certain “rules” or “controls” have been established that require appropriate levels of approval on the expenditure of Agency funds as well as reporting requirements of financial information to the Board and the public. All budget transfers are documented and tracked in the Agency’s computerized financial system.

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

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

The budget provides the annual authorization for positions, employee pay and benefits. In addition to reporting the status of expenditures as compared to the budget each quarter, spending limits have been established in the Agency Purchasing Policy as follows:



Debt Service

The Agency operates under a pay-as-you-go philosophy which minimizes any debt financing.

Currently, the Agency does not maintain any outstanding debt obligations. However, the Agency partners with other public agencies and pays for debt incurred by others on the Agency's behalf.

For example, the Agency pays the debt service obligation for Cawelo Water District for the Groundwater Banking Program which is in the Capital Improvement Program (CIP).

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



The Agency has a bonded indebtedness limit that shall not exceed 5% of the assessed valuation of all taxable property in any zone lying, in whole or in part of the agency's service area.

This is per the Alameda County Flood Control and Water Conservation District Act, (ACT 20), §36.6.

Basis of Accounting and Budgeting

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

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

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

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

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

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

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

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

Description of Funds

WATER ENTERPRISE OPERATIONS FUND – FUND 100

Primary Funding Source: *Water Rates*.

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

STATE WATER PROJECT FUND – FUND 110

Primary Funding Source: *Property Taxes*.

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

WATER RENEWAL/REPLACEMENT AND SYSTEM-WIDE IMPROVEMENT FUND – FUND 120

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

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

WATER EXPANSION FUND – FUND 130

Primary Funding Source: *Water Connection Fees*.

The purpose of this fund is to ensure that Zone 7 is able to meet future needs for increased water demands. The program is primarily intended to provide funding for new facilities and additional water supplies to serve additional capacity requirements of new development, many of them fixed (i.e., bond payment obligations for debt incurred by others to increase capacity).

WATER ENTERPRISE FIXED ASSETS (EQUIPMENT) FUND– FUND 140

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

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

FLOOD PROTECTION OPERATIONS – FUND 200

Primary Funding Source: *Property Taxes.*

This fund provides for general administration and flood control services to ensure the controlled drainage of the Valley's excess stormwater runoff. Zone 7 manages a watershed of 425 square miles in eastern Alameda County, receiving drainage from parts of Contra Costa, Santa Clara and San Joaquin Counties. More than 37 miles of flood control channels and regional drainage facilities are owned and maintained by Zone 7. This fund finances a comprehensive year-round maintenance program that includes repairing slides and erosion, refurbishing access roads and associated drainage ditches, installing and repairing gates and fences, and maintaining landscaped areas.

FLOOD PROTECTION STORMWATER DRAINAGE AND DEVELOPMENT IMPACT FEE FUND – FUND 210

Primary Funding Source: *Development Impact Fees.*

The purpose of this fund is to ensure that Zone 7 is able to meet future needs for expansion-related flood protection facilities. The program is primarily intended to provide funding for any flood protection facilities required for new development. Funds are expended on the planning, design, lands and right of way acquisition, environmental review, permitting, and construction for drainage projects.

FLOOD PROTECTION FIXED ASSETS FUND – FUND 220

Primary Funding Source: *Not Funded.*

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

WATER FACILITIES FUND – FUND 300

Primary Funding Source: *Miscellaneous Fees & Deposits.*

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

WATER SUPPLY/RELIABILITY FUND – FUND 310

Primary Funding Source: *Not funded.*

The purpose of this fund is for future water, water storage and Delta-related projects.

Listing of Funds

Section	Fund No.	Primary Funding Sources	Primary Fund Purpose	Appropriated?	Included in Audit?
Water Enterprise Fund	100	Water Sales	1). Enterprise Operation & Administration, 2). Emergency & Support Services, 3). Variable State Water Charges, 4). Water Facilities Maintenance & Operation, Water Facilities, 5). Water Resources & Water Supply Planning, and 6). Transfer to IR&R.	Yes	Yes
State Water Facilities Fund	110	Property Taxes	1). Fixed State Water Charges and 2). State Water Project Bonded Indebtedness.	Yes	Yes
Capital Improvement, Renewal & Replacement (IR&R) Fund	120	Originally financed by Revenue Bonds, and Transfers from Water Enterprise End of Fiscal Year.	1). Improvement, Renewal and Replacement Program and 2). Transfer from Water Enterprise.	Yes	Yes
Capital Expansion Fund	130	Connection Fees	Water Enterprise Capital Expansion projects	Yes	Yes
Water Enterprise Fixed Assets (Equipment) Fund	140	ACO Reserve (Accumulated Capital Outlay)	Motor Vehicle Replacement & Capital Equipment	No	Yes
Flood Protection Operations Fund	200	Property Taxes	1). Activities related to flood protection & existing storm water drainage facilities, and 2). Reserve for reimbursement to developers.	Yes	Yes
Flood Protection Development Impact Fee Fund	210	Development Impact Fees	Activities related to future flood protection & storm water drainage facility needs.	Yes	Yes
Flood Protection Fixed Assets Fund	220	Not Funded	Activities related to flood protection fixed assets.	No	Yes
Water Facilities Fund	300	Quarry Reclamation/Tonnage fees, Quarry Discharge fees, T/O Construction & other Deposits, Encroachment Permit fees, Untreated Connection fee Deposits, and Unallocated Interest.	1). Chain of Lakes mitigation/planning reserve, 2). Quarry discharge exports, 3). Miscellaneous fees & deposits, 3). Permit inspection deposits, 4). Pending distribution to Fund 73, and 5) Undistributed.	No	Yes
Water Supply/Reliability Fund	310	Water supply/reliability/quality & Delta related projects.	Future water, water storage & Delta-related projects.	No	Yes

Matrix of Current Section/Fund Relationship

The chart below exemplifies the current relationship between Funds and Sections

Section	Fund 100	Fund 110	Fund 120	Fund 130	Fund 200	Fund 210
	Water Enterprise Operations	State Water Facilities	Water Renewal/Re-placement	Water Expansion	Flood Control	Flood Protection & Stormwater Drainage
Office of the General Manager	X	X	X	X	X	X
Finance	X		X	X	X	X
Employee Services	X		X	X	X	
Water Quality	X		X	X	X	X
Integrated Planning	X		X	X	X	X
Water Facilities	X		X	X	X	X
Groundwater	X		X	X	X	X
Operations	X		X	X		
Maintenance	X		X	X	X	
Flood Protection	X		X	X	X	X

Agency Programs and Sub-Programs

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

Program 10 - *Water Utility Support Services*

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

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

Program 20 - *Water Supply, Source & Conveyance*

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

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

Program 30 - *Water Storage*

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

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

Program 40 - *Water Treatment*

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

Sub-Programs within this Program: Administration, Del Valle Water Treatment Plant, Patterson Pass Water Treatment Plant (both conventional and ultra-filtration), Mocho Groundwater Demineralization Plant and all wells.

Program 50 - *Water Transmission*

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

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

Program 60 - *Central Administration*

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

Sub-Programs within this Program: Administration (Agency-Wide), Finance, Employee Services Planning and Environmental Services, Security & Emergency Planning, Real Property, Administrative Facilities Maintenance/Services, Board of Directors, Chain of Lakes - Shared Water Enterprise/ Flood Protection.

Program 70 - *Flood Protection*

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

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

Cost Allocation

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

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

AGENCY OVERHEAD

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

Allocations to Flood Control - Fund 200 as overhead are based on prior year labor hours. For FY 2016-17 and 2017-18, the Agency overhead allocation amount is 7.6% for both years.

Agency overhead is also allocated to capital project labor at a rate of 49.86% for FY 2016-17 and FY 2017-18.

Financial Policies

FINANCIAL RESERVES (APPENDIX A)

The Financial Reserve policy was initially adopted by the Board in 2005 and updated with the adoption of a new Interim Reserve policy on April 17, 2013. Reserve policies were revisited and studied in 2015. The current policy covers reserves for:

- Operating/Emergency Reserves
- Flood Protection Project Reserves
- Rate Stabilization Reserve
- Drought Contingency Reserve
- Water Renewal, Replacement & System-Wide Improvements Capital Reserves, and
- Water Expansion Capital Reserves

FINANCIAL MANAGEMENT FRAMEWORK (APPENDIX B)

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.

Employee Compensation and Benefits

Zone 7 Water Agency's (Agency) employee benefits are administered through the County of Alameda Employee Benefits Center (EBC). The following is an overview of the benefit programs currently offered to eligible Employees of the Agency.

MEDICAL PLANS

The Agency offers three types of Medical Plans. The agency contributes up to 90% of the total premium for the HMO Plans and 90% of the lowest cost HMO for the PPO Plan. Employees contribute 10% of the total premium cost, or more, depending on their choice of Medical Plan. The agency contribution is prorated based on the number of work hours up to 50% of the standard hours in a pay period. Employees pay any additional premium costs if they chose an alternate HMO or PPO Plan. If an eligible employee waives all medical coverage through the agency a monthly "Share the Savings" stipend may be provided up to \$200.00 per month.

DENTAL PLANS

The Agency provides a choice of Dental Plans including a PPO and a Dental Maintenance Option (DMO). The agency contributes the full cost of dental coverage for eligible employees as long as the employee works at least 50% of the standard hours in a pay period. The PPO option plan design is 100% Preventative, 85% Basic Care, 85% Major Care with a \$45 per individual deductible and annual maximum up to \$1,450 per year (plan maximums may vary based on whether the employee is represented or unrepresented, union bargaining agreements and/or MOUs). The DMO option has an orthodontic benefit for children as well as adults.

VISION BENEFIT

The Agency offers eligible employees a 100% employee-paid, Voluntary Vision Plans for themselves and their dependents through VSP® Vision Care. There are two options: a low option, Vision Choice Plus, and a high option, Vision Choice Premium. In addition, an annual eye exam is covered for participants in the HMO Medical Plans with corresponding co-pay. Some union bargaining units have a provision in their Memoranda of Understanding that after six months of continuous service, reimbursement for eye lenses or contacts is provided at an amount dependent upon the union bargaining unit. This benefit is available to employees only.

CAFETERIA PLAN

Zone 7 employees are provided an allowance, dependent upon the union bargaining unit, of up to \$3,100 annually in a non-taxable account to offset the premium cost for medical, dental, vision, employee supplemental life and AD&D. Based on IRS notice 2013-54 some monies remaining are placed in the Health Care Flexible Spending Account (Health FSA) to offset out of pocket eligible expenses.

LIFE INSURANCE

The Agency pays for a Basic Life Insurance policy of \$9,000-\$25,000 per employee based on specific affiliation with a union. In addition eligible employees may purchase additional Supplemental Life for themselves, spouse/domestic partner or dependent children. Eligible employees may also purchase Group Accidental Death and Dismemberment (AD&D) insurance for themselves and family through the cafeteria plan.

HEALTH FLEXIBLE SPENDING ACCOUNT

Employees may opt for payroll deductions on a pre-tax basis up to \$2,500 for eligible out-of-pocket medical, dental and vision expenses such as: prescription co-pays, office visit co-pays, prescription eye glasses or contact lenses or other eligible expenses as defined by the Internal Revenue Code, Section 125.

DEPENDENT CARE ASSISTANCE PROGRAM

For employees who have either children under age 13 or dependents (parent, sibling or in-law incapable of self-care) that are dependent upon the employee for care, employees may opt for payroll deductions on a pre-tax basis up to \$5,000 annually. These pre-tax dollars can be used to pay for day care expenses provided by a licensed facility.

COMMUTER BENEFIT PLAN

Employees can set aside up to \$130 a month on a pre-tax basis to purchase tickets for public transportation used to commute to employee's jobsite.

HOLIDAYS

Most employees are provided 11 paid holidays plus 4 floating holidays.

VACATION AND SICK LEAVE WITH PAY

Vacation accrual ranges from two weeks to five weeks depending upon years of service and the union bargaining unit to which the position is assigned. Sick leave accrues at the approximate rate of one-half day per bi-weekly pay period. The exact rate is based on the union bargaining unit and is defined within the corresponding Memorandum of Understanding (MOU) or Administrative Code.

VACATION PURCHASE PROGRAM

Zone 7 Water Agency allows eligible employees to purchase one or two additional weeks of vacation through payroll deductions. Additional information is based on the union bargaining unit and is defined within the MOU or Administrative Code.

EMPLOYEE ASSISTANCE PROGRAM (EAP)

Zone 7 Water Agency has an EAP available for employees, spouses/domestic partners and eligible dependents. This program provides services such as: counseling, financial consulting, child and elder care consulting and some legal counseling.

DISABILITY OR INCOME REPLACEMENT

Two voluntary plans are offered: Short-term Disability and Long-term Disability can be purchased through a payroll deduction or with accrued vacation hours depending upon the union bargaining unit.

EDUCATIONAL STIPEND

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

RETIREMENT - ACERA

Zone 7 Water Agency employee retirement program is provided through the Alameda County Employees' Retirement Association (ACERA), in which all permanent county and participating-employer's employees are required to participate. The cost-sharing multiple employer public Defined Benefit retirement plan is organized under the County Employees Retirement Law of 1937.

The Plan provides for retirement, disability, and death and survivor benefits. Annual cost of living (COL) adjustments to retirement allowances can be granted by the Retirement Board as provided by State statutes. Retirement benefits are based on age, date of membership, final average salary, years of service and specific percentage of employee/employer contributions. Subject to vested status (Zone 7's portion vesting after five years of employment), employees can withdraw contributions plus interests credited, or leave them as a deferred retirement when they terminate, or transfer to a reciprocal retirement system.

ACERA issues a publicly available financial report that includes financial statements and supplemental information of the Plan. That report is available by writing to Alameda County Employees' Retirement Association, 475 14th Street #1000, Oakland, California 94612.

DEFERRED COMPENSATION PLAN

Zone 7 Water Agency offers a 457 Deferred Compensation program where an eligible employee who works at least 50% of their standard hours in a pay period can voluntarily contribute on a pre-tax basis, for the purpose of augmenting retirement income, a minimum of \$20 per pay period up to a total annual contribution based on guidelines set by the Internal Revenue Service (IRS). In 2015 the maximum contribution was \$18,000 per year by individuals under age 50, and \$24,000 per year for employees 50 years of age and older.

Rates and Fees Schedule

TREATED WATER RATES

On October 21, 2015, the Zone 7 Board approved a three-year wholesale treated water rate schedule for calendar years 2016, 2017, and 2018 for all treated water service including treated water service, temporary water treated service, fire and standby water service.

Zone 7 continues to make significant strides in controlling operating costs on behalf of its ratepayers, but with the continuing water-supply uncertainty and higher conservation levels, rate increases combined with the use of reserves are required to maintain adequate water supply. The Board eliminated the previous four-tiered variable water rate structure and adopted a uniform or single-tiered variable rate structure for treated water service charges since 98% of the Agency total usage and charges occurred within the 4th Tier.

Water delivery charge, based on \$1,372 per acre-foot for 2016, \$1,276 per acre foot for 2017 and \$1,446 per acre-foot for 2018 in 100 cubic feet (CCF) units for all metered water delivered to each customer per month; including a temporary conservation surcharge of \$0.57 per 100 cubic feet (CCF) for 2016 will be applied to all metered treated water delivered to each customer per month. **This surcharge will sunset December 31, 2016.**

Fiscal Year	2016 (Adopted)	2016 ¹	2017	2018
First 3,300 cubic feet	\$4.22	\$3.15	\$2.93	\$3.32
Next 30,000 cubic feet	\$3.38	\$3.15	\$2.93	\$3.32
Next 300,000 cubic feet	\$2.69	\$3.15	\$2.93	\$3.32
Over 333,300 cubic feet	\$2.36	\$3.15	\$2.93	\$3.32

¹Includes a temporary conservation surcharge of \$0.57 per 100 cubic feet (CCF) that requires a board approval to be extended beyond one year.

Treated Water service charge is set at \$148 per month per metered service for 2016, \$153 per month per metered service for 2017 and \$157 per month per metered service for 2018.

Recharge services recharge fee is \$870 per acre-foot for 2016, and \$839 per acre-foot for 2017 and 2018. This fee represents the unit cost of replenishment water to achieve full cost of recovery when it is necessary to replenish the main groundwater basin when water is pumped in excess of a retailer's Groundwater Pumping Quota or Independent Quota.

Temporary Treated Water service fee is an initial service establishment charge of \$148 per turnout for 2016, \$153 for 2017 and \$157 for 2018 for each new direct connection to the Zone system.

Monthly Meter Service Charge is \$21.00 per turnout for 2016, 2017 and 2018;

Fire and Standby Services Charge is \$148 per month for 2016, \$153 for 2017 and \$157 for 2018 for each connection.

In-Lieu water services water rate is \$138 per acre-foot for calendar years 2016, 2017 and 2018 for treated water contractors who takes delivery of treated water from Zone 7 in lieu of pumping groundwater per their Groundwater Pumping Quota.

UNTREATED WATER RATE

The Untreated Water Rate is based on the cost of imported water, supplemental water purchases, Bay-Delta related costs and an administrative fee. The administrative fee is for actual staff time spent on administering the untreated water program, including the contracts. The labor is calculated based on the number of hours staff work on untreated water related administration divided by the volume of water. The 2016 untreated water rate remains at \$130 per AF.

Temporary Untreated Water needs result from the inability of customers to obtain water in the outlying areas of the valley. The use of these services is limited. The temporary untreated water rate is based on the estimated cost of imported water and supplemental water purchases divided by the estimated customer deliveries minus the estimated available water from the Del Valle reservoir plus an administrative cost component based on actual staff costs. The 2016 temporary untreated water rate is \$1.56 per 1,000 gallons. The non-scheduled water rate is \$509 per AF, and the surplus untreated water rate is \$240 per AF.

WATER CONNECTION FEE

Water Connection Charges began in 1972 with the adoption of Ordinance No. FC 72-1. The ordinance is applicable over the Zone 7 area that includes Livermore, Pleasanton, Dublin, Sunol, and surrounding communities. The Ordinance has been amended several times and requires a one-time water connection fee for all new water services from a water system that is directly connected to the Zone 7 water supply system. This fee is used for funding the costs of expanding the Zone 7 water treatment and distribution system to serve new development.

Amendment No. 1 to the Contract between Zone 7 Water Agency and Dublin San Ramon Services District for a Municipal and Industrial Water Supply was executed on February 7, 2000. This amendment provides for water connection fee payments to Zone 7 to compensate Zone 7 for Dougherty Valley Service Area's share of the Zone 7 Capital Expansion Program. DSRSD is required to make payments for each new connection in the Dougherty Valley service area in an amount to be established by Zone 7 resolution.

Meter Size	Fee Factor	Connection Fee	Connection Fee (Dougherty Valley)
5/8" (DISPLACEMENT TYPE)	1.0	\$25,320	\$23,430
3/4" (DISPLACEMENT TYPE)	1.5	\$37,980	\$35,145
1" (DISPLACEMENT TYPE)	2.5	\$63,300	\$58,575
1½" (DISPLACEMENT TYPE)	5.0	\$126,600	\$117,150
1½" (OMNI C2)	16.0	\$405,120	\$374,880
1½" (OMNI T2)	16.0	\$405,120	\$374,880
2" (DISPLACEMENT TYPE)	8.0	\$202,560	\$187,440
2" Mueller MVR	11.5	\$291,180	N/A
2" (OMNI C2)	16.0	\$405,120	\$374,880
2" (OMNI T2)	20.0	\$506,400	\$468,600

Effective January 1, 2016 the Zone 7 Board set the connection fees as stated below.

The payments of water connection fees in Livermore, Pleasanton, are collected by the Building Departments of the Cities of Livermore and Pleasanton, and for Dublin by the Dublin San Ramon Services District.

Connection fees in the Dougherty Valley are to be paid by DSRSD and are due within 30 days of issuance of a building permit for the property receiving the new connection or 30 days from the date the new connection is made, whichever is earlier; and payable to the Zone 7 Capital Expansion Program.

STORMWATER AND DEVELOPMENT IMPACT FEE

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

Ordinance 2010-01, adopted on March 17, 2010, amended the fee schedule of Ordinance 2009-01 and limited the annual DIF adjustments until the SMMP and DIF were reevaluated. This evaluation is ongoing. In 2011, the Zone 7 Board adopted Ordinance 2012-01 deleting the specified 2012 DIF increase scheduled to be effective January 1, 2012 and maintaining the existing 2011 DIF of \$1.00 per square foot of new impervious surface created. As of January 1, 2016, the fee remains at \$1.00 per square foot of new impervious surface created.

WELL DRILLING AND DESTRUCTION PERMITS

Zone 7 Water Agency is the Administering Agency for Alameda County's "Water Wells Ordinance" (General Ordinance Number 0-2015-20) in Eastern Alameda County. Accordingly, any planned new well, well repair or modification, well destruction, or exploratory soil boring that may intersect groundwater within Zone 7's jurisdiction must be permitted by Zone 7 before starting the work. In addition, a Zone 7 drilling permit is required to dig, drill, bore, drive, advance by direct push any exploratory soil boring 10 feet or greater in depth within the groundwater basin boundaries of Zone 7 regardless of groundwater depth.

Effective January 1, 2016 the Zone 7 Board set the Water Well and Soil Boring Permit fees as:

Work Type	Permit Fee (per well)
Permits to construct, rehabilitate, or destroy wells including Water Supply Wells, Cathodic Protection/Anode Wells, Water Monitoring Wells, Piezometer/Inclinometer/Seismic Monitoring Wells, and Geothermal Heat Pump-Construction.	\$397 per well
Permit to bore exploratory holes for Contamination Study.	\$265 per site
Permit to bore exploratory holes for Environmental Study.	\$265 per site
Permit to bore exploratory holes for Geotechnical Study.	\$265 per site
Permit for construction and destruction of any types of remediation systems, including vapor probes/vapor points for sampling, vapor injection/extraction boreholes or remediation wells, sparge wells, recharge wells.	\$265 per site
Permit for construction and destruction of vapor monitoring wells.	\$265 per site

- A site includes the project parcel as well as any adjoining parcels as long as it is the same property owner.

- Permit Fees are waived for State & Federal Projects

Financial Trend Indicators

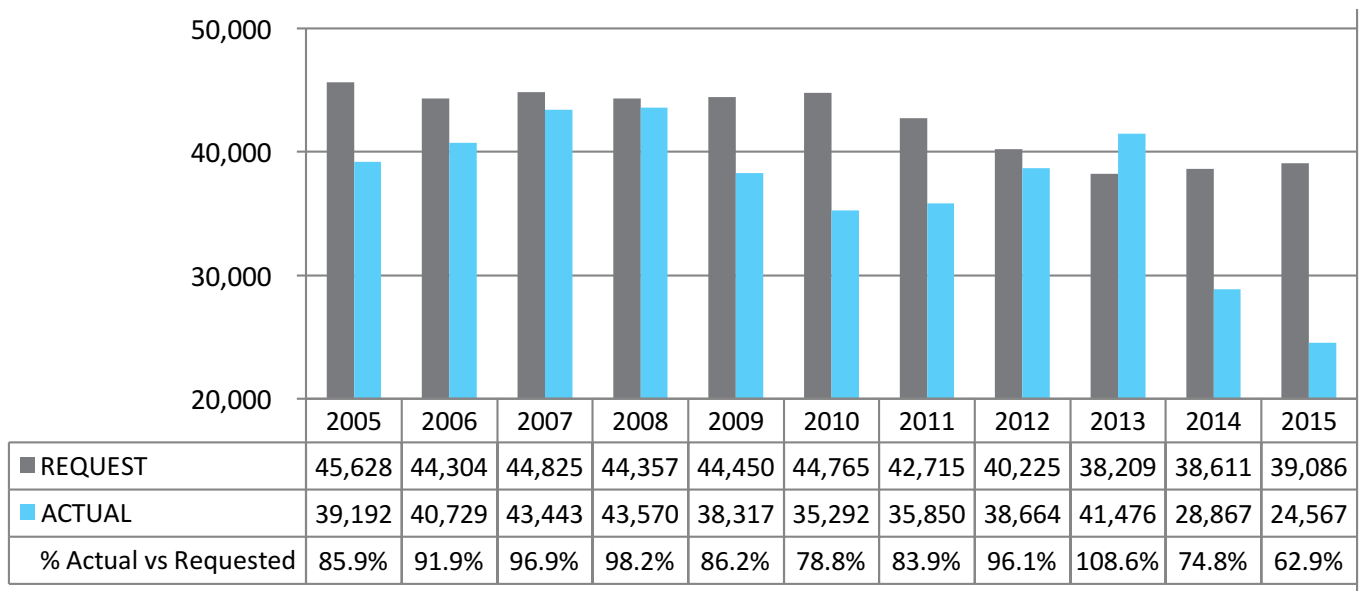
WATER SALES

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

A “new normal” is an elusive concept actively considered as we project water sales in the future since water users have buckled down and cut back water usage and corresponding deliveries during the Drought of 2014-15. In addition, the prolonged drought throughout the State and within our service area, water requests to and water sales from the Agency have continue their decline. Looking into the future with the prospects of a slight improvement for the drought conditions combined with the twenty-five percent conservation mandated by the state, sales/deliveries can be expected to remain lower as compared to 2013.

The chart below depicts data from the years 2008 through 2015.

Treated Water Requested vs. Delivered (AF)
(Calendar Year)



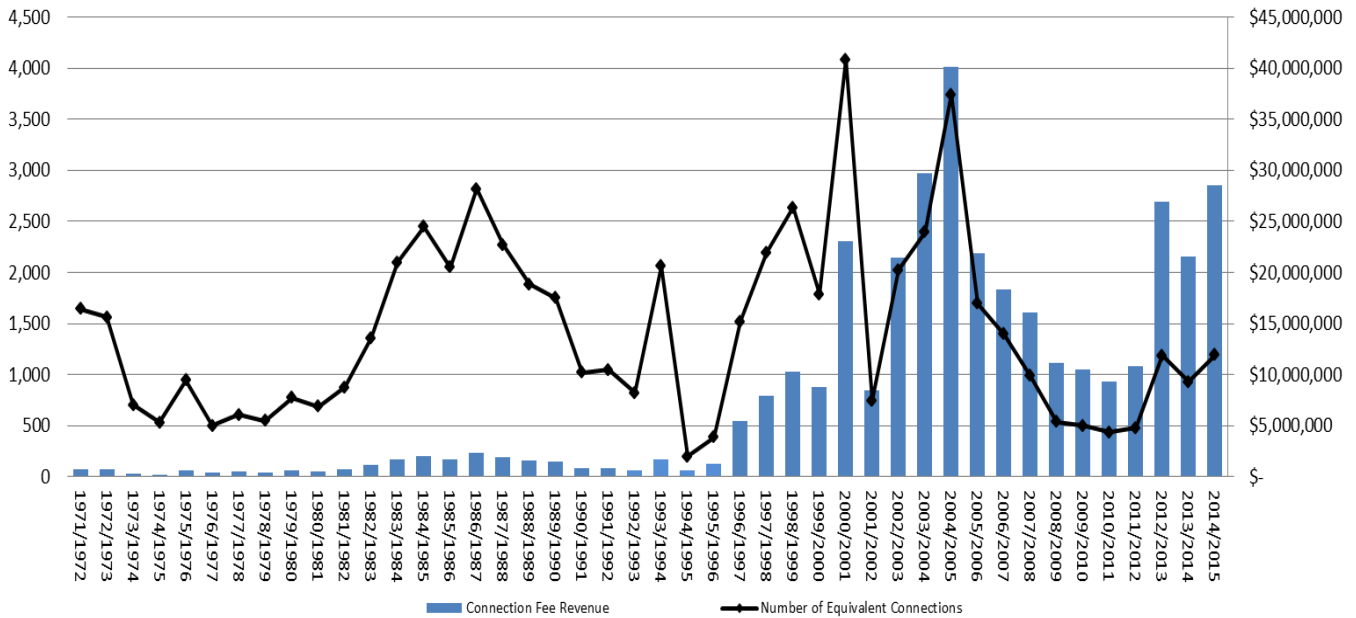
Source: Zone 7 Finance, Operations and Integrated Planning groups.

WATER CONNECTION FEE REVENUE

Historical connection fee revenue serves as an indication of future connections. In general, the economic cycle in terms of connection fee revenue, consists of several years of slow growth followed by a slow but steady recovery. Connection fee revenues are currently ramping back up and projecting moderate increases over the next few years.

The chart below depicts historical connection data from FY 1971-72 to 2014-15.

Connection Fee Revenue/Number of Equivalent Connections



Long Range Financial Plan – Water Funds

FUND 100 – WATER ENTERPRISE OPERATIONS FUND

Category	FY 16-17 Budget	FY 17-18 Budget	FY 18-19 Projection	FY 19-20 Projection	FY 20-21 Projection
Beginning Reserve Balance	\$6,115,530	\$6,795,041	\$9,968,938	\$8,449,204	\$7,631,134
Revenue	46,545,555	51,712,607	50,360,184	53,107,584	55,568,085
Operating Expenses	33,204,284	35,139,710	37,929,917	39,395,654	40,777,594
Transfer to Fund 120	12,661,760	13,399,000	13,950,000	14,530,000	15,130,000
End of Year Available Reserve Balance	\$6,795,041	\$9,968,938	\$8,449,204	\$7,631,134	\$7,291,625

FUND 110 – STATE WATER FACILITIES FUND

Category	FY 16-17 Budget	FY 17-18 Budget	FY 18-19 Projection	FY 19-20 Projection	FY 20-21 Projection
Beginning Reserve Balance	\$12,170,697	\$14,530,009	\$15,971,878	\$16,918,854	\$17,391,010
Revenue	21,458,767	21,875,297	23,129,052	24,662,083	27,891,767
Expenses	19,099,455	20,433,428	22,182,077	24,189,927	26,435,309
End of Year Available Reserve Balance	\$14,530,009	\$15,971,878	\$16,918,854	\$17,391,010	\$18,847,468

FUND 120 – CAPITAL IMPROVEMENT, RENEWAL & REPLACEMENT FUND

Category	FY 16-17 Budget	FY 17-18 Budget	FY 18-19 Projection	FY 19-20 Projection	FY 20-21 Projection
Beginning Reserve Balance	\$25,626,697	\$25,496,067	\$55,614,235	\$43,116,652	\$43,938,289
Revenue	690,936	40,098,657	1,646,261	653,299	639,327
Transfer from Fund 100	12,661,760	13,399,000	13,950,000	14,530,000	15,130,000
Expenses	13,483,326	23,379,489	22,473,445	14,361,662	32,562,000
End of Year Available Reserve Balance	\$25,496,067	\$55,614,235	\$48,737,051	\$43,938,289	\$27,145,616

FY 17-18 budget includes debt service proceeds of \$39M.

FUND 130 – CAPITAL EXPANSION FUND

Category	FY 16-17 Budget	FY 17-18 Budget	FY 18-19 Projection	FY 19-20 Projection	FY 20-21 Projection
Beginning Reserve Balance	\$51,318,366	\$47,245,090	\$38,562,397	\$41,097,693	\$20,937,901
Revenue	30,351,295	28,098,356	28,091,296	28,737,208	29,459,717
Non-Discretionary Expenses	20,446,371	20,144,048	19,604,000	19,374,000	19,093,375
Other Expenses	13,978,200	16,637,001	5,952,000	29,523,000	10,316,000
End of Year Available Reserve Balance	\$47,245,090	\$38,562,397	\$41,097,693	\$20,937,901	\$20,988,243

Long Range Financial Plan – Flood Protection Funds

Flood Protection Fund forecasts are based on the last five-year Flood Protection Capital Improvement Program from FY 2015-16 to FY 2019-2020.

FUND 200 – FLOOD PROTECTION OPERATIONS

Category	FY 16-17 Budget	FY 17-18 Budget	FY 18-19 Projection	FY 19-20 Projection
Beginning Reserve Balance	\$20,546,189	\$18,847,248	\$15,907,605	\$15,502,456
Revenue	8,003,039	8,381,756	8,370,501	8,621,616
Expenses	9,701,980	11,321,399	8,775,650	3,226,625
End of Year Available Reserve Balance	\$18,847,248	\$15,907,605	\$15,502,456	\$20,897,447

FUND 210 – FLOOD PROTECTION & STORMWATER DRAINAGE FUND

Category	FY 16-17 Budget	FY 17-18 Budget	FY 18-19 Projection	FY 19-20 Projection
Beginning Reserve Balance	\$53,294,366	\$55,420,498	\$54,050,256	\$51,870,783
Revenue	5,344,328	5,350,448	5,647,877	5,906,951
Expenses	3,218,196	6,720,690	7,827,350	369,875
End of Year Available Reserve Balance	\$55,420,498	\$54,050,256	\$51,870,783	\$57,407,859

WATER SUPPLY



WATER QUALITY



FLOOD PROTECTION

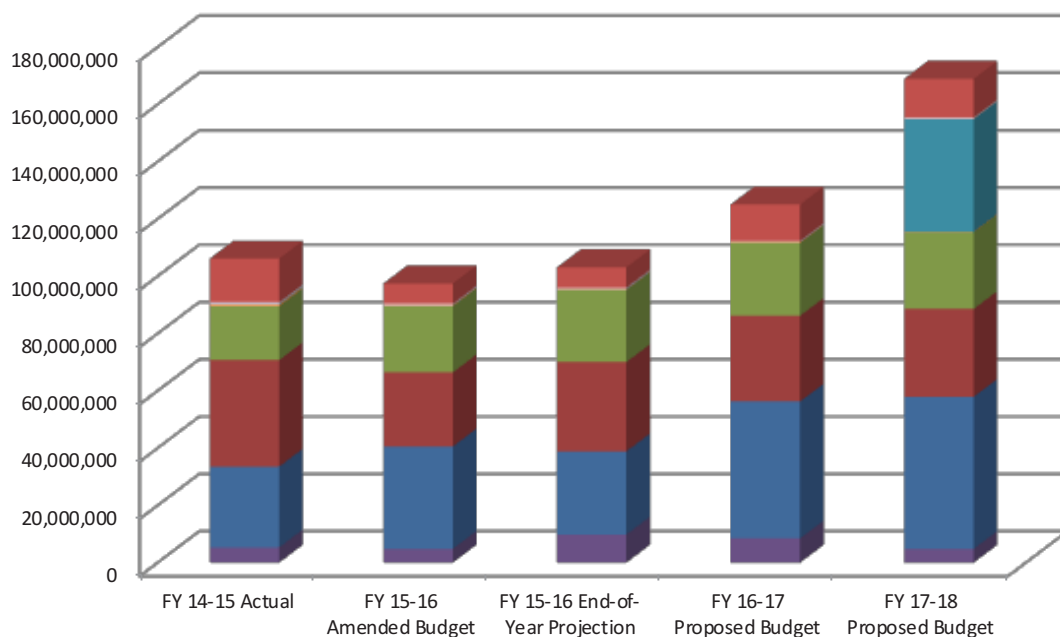


R E V E N U E

Total 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.

Category	FY 14-15 Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Water Sales & Services	\$28,200,934	\$35,713,265	\$29,037,152	\$47,752,806	\$53,043,371	64%	11%
Development Fees	37,146,418	25,859,217	31,150,636	29,977,956	30,692,799	-4%	2%
Property Taxes	18,819,681	23,122,129	25,218,214	25,375,739	26,759,834	1%	5%
Charges for Services	545,684	181,650	76,362	181,544	181,650	138%	0%
Aid from Gov. Agencies	442,180	110,310	284,313	110,310	110,310	-61%	0%
Investment Earnings	478,713	649,069	495,018	523,502	569,888	6%	9%
Other Revenue	5,315,638	4,818,066	9,808,117	8,472,063	4,816,481	-13%	-43%
Debt Proceeds	-	-	-	-	39,342,788	0%	0%
Transfers	15,172,985	7,000,000	7,000,000	12,661,760	13,399,000	81%	6%
Total	\$106,122,233	\$97,453,706	\$103,069,812	\$125,055,680	\$168,916,121	21%	35%

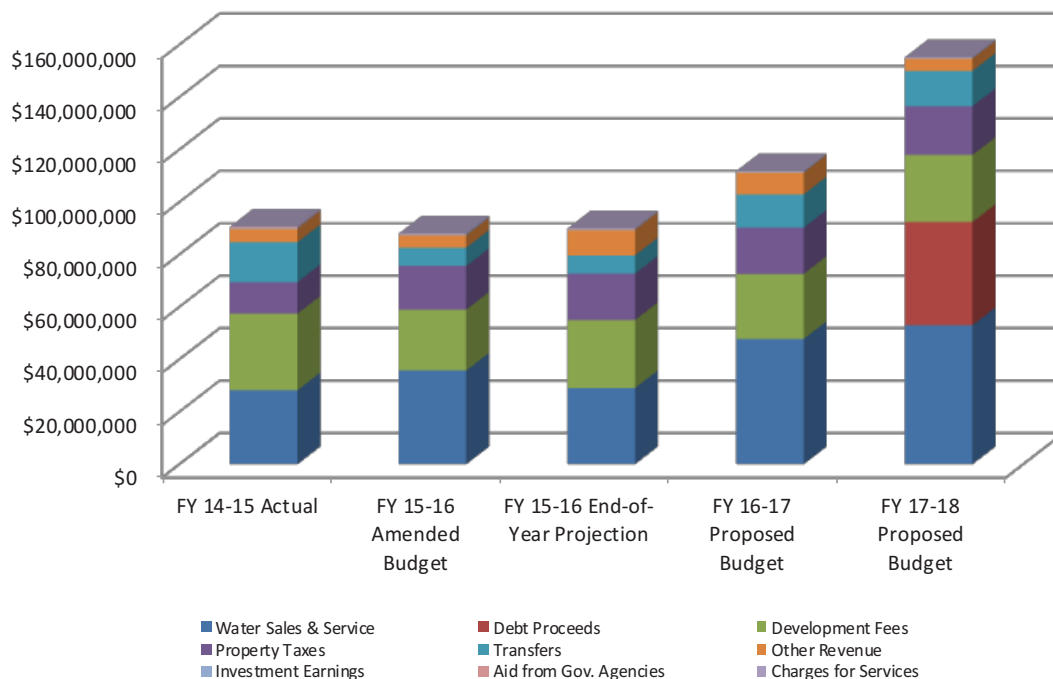


- Other Revenue
- Water Sales & Services
- Development Fees
- Property Taxes
- Charges for Services
- Debt Proceeds
- Aid from Gov. Agencies
- Investment Earnings
- Transfers

Revenue by Major Funding Area – Water Enterprise

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

Category	FY 14-15 Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Water Sales & Service	\$28,200,934	\$35,713,265	\$29,037,152	\$47,752,806	\$53,043,371	64%	11%
Debt Proceeds	-	-	-	-	39,342,788	0%	0%
Development Fees	29,230,598	23,202,717	25,927,042	24,835,631	25,550,474	-4%	3%
Property Taxes	12,060,478	16,650,000	17,695,520	17,650,000	18,650,000	-0.3%	6%
Transfers	15,172,985	7,000,000	7,000,000	12,661,760	13,399,000	81%	6%
Other Revenue	5,099,449	4,697,561	9,646,901	8,336,153	4,680,571	-14%	-44%
Investment Earnings	284,594	439,069	291,018	292,353	338,103	0.5%	16%
Aid from Gov. Agencies	446,593	45,610	232,973	45,610	45,610	-79%	0%
Charges for Services	11,471	134,000	48,621	134,000	134,000	176%	0%
Total	\$90,507,101	\$87,882,222	\$89,879,227	\$111,708,313	\$155,183,917	24%	39%



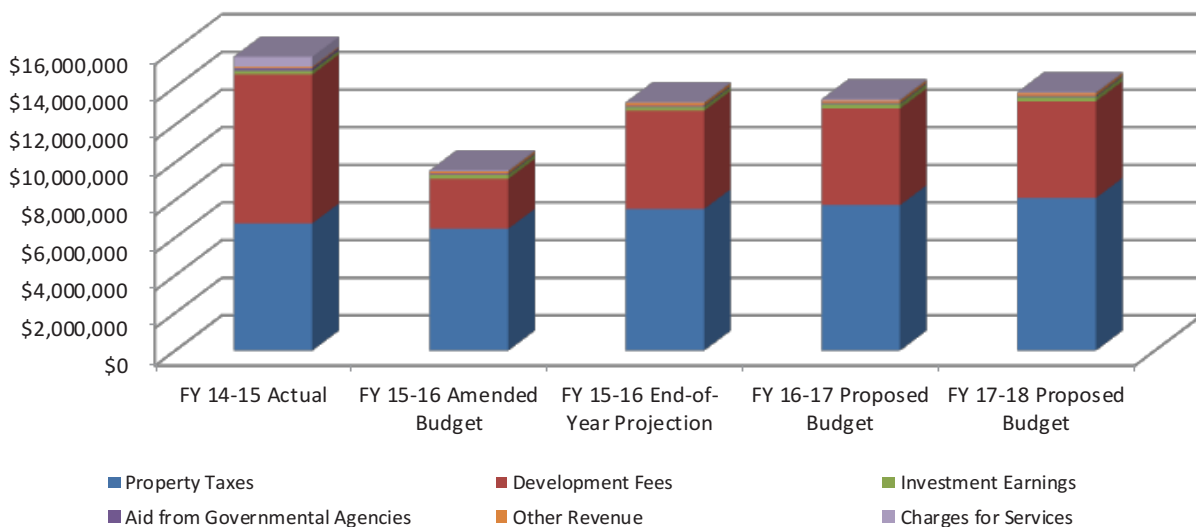
Revenue by Major Funding Area – Flood Protection

Property taxes are the majority of revenues received for Flood Protection.

The following table summarizes Flood Protection revenue.

Category	FY 14-15 Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Property Taxes	\$6,759,204	\$6,472,129	\$7,522,694	\$7,725,739	\$8,109,834	3%	5%
Development Fees	7,915,819	2,656,500	5,223,594	5,142,325	5,142,325	-2%	0%
Investment Earnings	194,119	210,000	204,000	231,149	231,785	13%	0%
Aid from Governmental Agencies	144,691	64,700	64,700	64,700	64,700	0%	0%
Other Revenue	67,069	120,505	146,356	135,910	135,910	-7%	0%
Charges for Services	534,214	47,650	27,741	47,544	47,650	71%	0%
Total	\$15,615,132	\$9,571,484	\$13,190,585	\$13,347,367	\$13,732,204	1%	3%

Property taxes for FY 2016-18 are based on an estimated 5% growth in assessed valuation



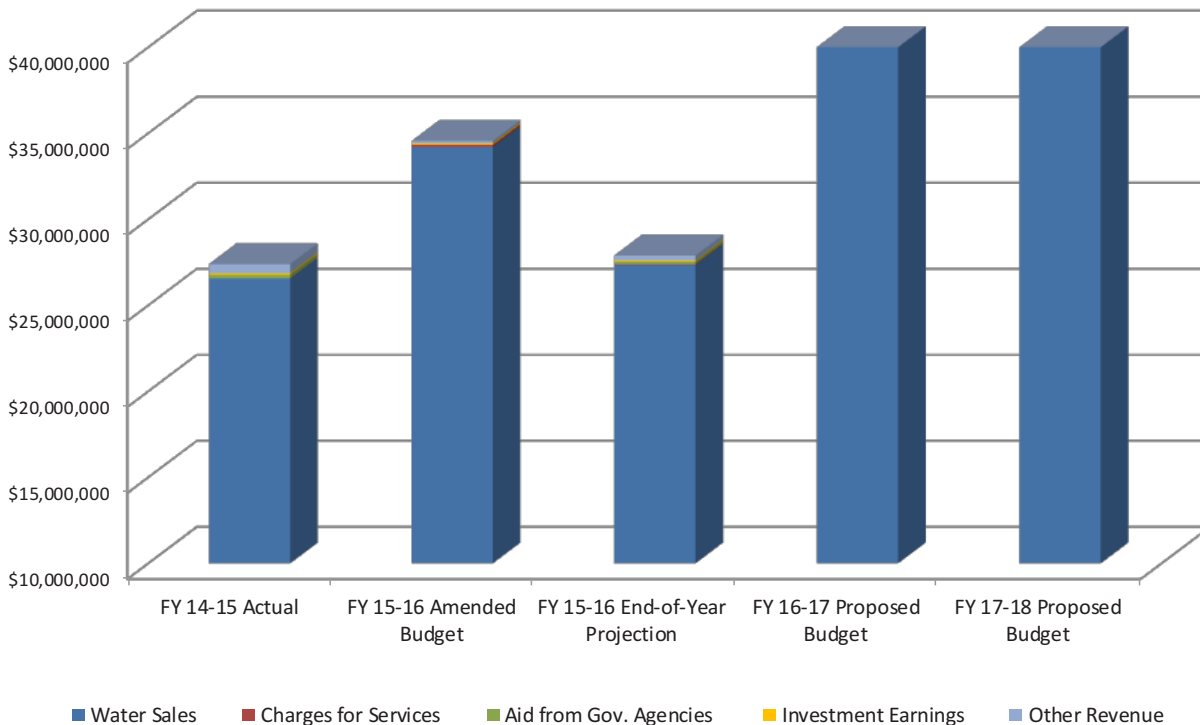
Water Enterprise Fund (Fund 100)

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

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

Category	FY 14-15 Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Water Sales	\$26,552,568	\$34,191,645	\$27,334,767	\$46,247,264	\$51,416,458	69%	11%
Charges for Services	11,321	131,500	48,571	131,500	131,500	171%	0%
Aid from Gov. Agencies	220,575	-	167,070	-	-	-100%	0%
Investment Earnings	78,012	90,000	59,198	30,391	26,852	-49%	-12%
Other Revenue	533,142	139,491	282,465	136,400	137,797	-52%	1%
Total	\$27,395,618	\$34,552,636	\$27,892,071	\$46,545,555	\$51,712,607	67%	11%

- Water sales estimates for FY 2016-18 are based on the Board approved water rates, the continuation of the Temporary Conservation Surcharge as recommended in the Cost of Service study and water deliveries of 31,164 AF for FY 2016-17 and 32,626 AF for FY 2017-18
- Other revenue includes one-time miscellaneous refunds in FY 2015-16



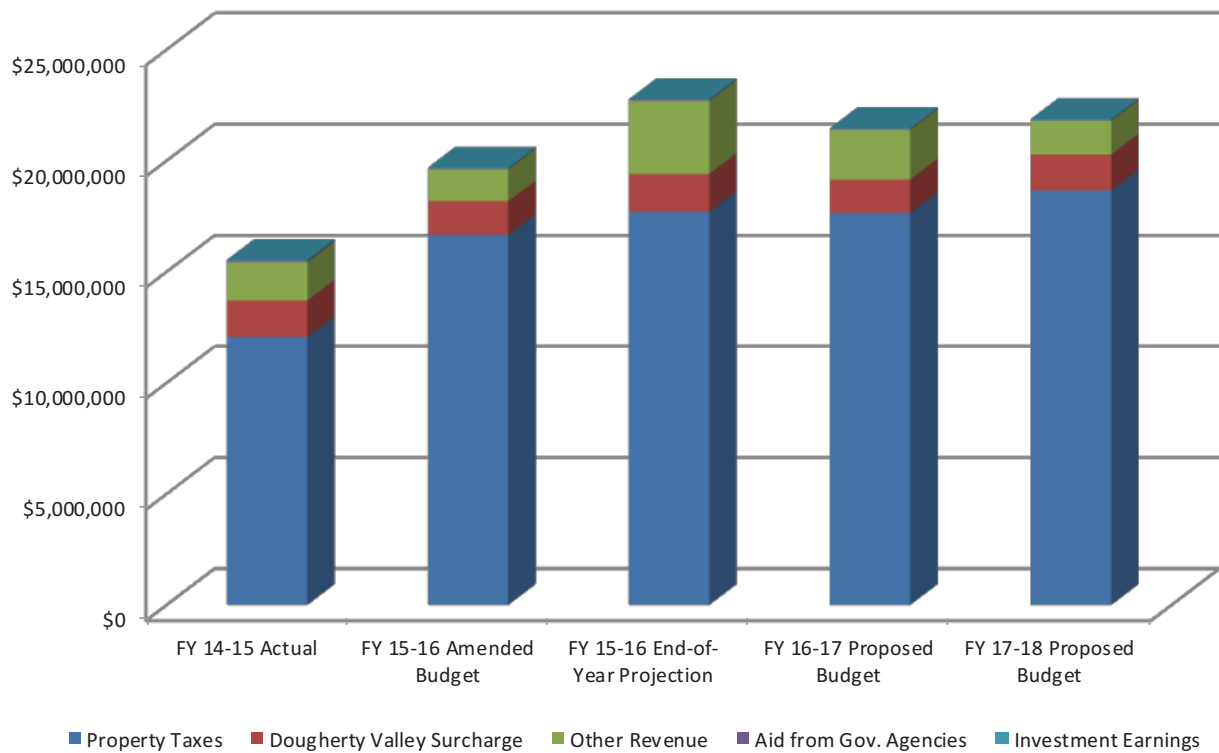
State Water Facilities Fund (Fund 110)

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

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

Category	FY 14-15 Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Property Taxes	\$12,060,478	\$16,650,000	\$17,695,520	\$17,650,000	\$18,650,000	0%	6%
Dougherty Valley Surcharge	1,648,366	1,521,620	1,702,385	1,505,542	1,626,913	-12%	8%
Other Revenue	1,720,321	1,438,070	3,300,000	2,239,753	1,522,774	-32%	-32%
Aid from Gov. Agencies	76,913	45,610	52,543	45,610	45,610	-13%	0%
Investment Earnings	29,054	30,000	15,200	17,862	30,000	18%	68%
Total	\$15,535,133	\$19,685,300	\$22,765,648	\$21,458,767	\$21,875,297	-6%	2%

- The property tax levy for FY 2016-17 is \$17.5M and \$18.5M for FY 2017-18
- Other Revenue includes DWR refunds



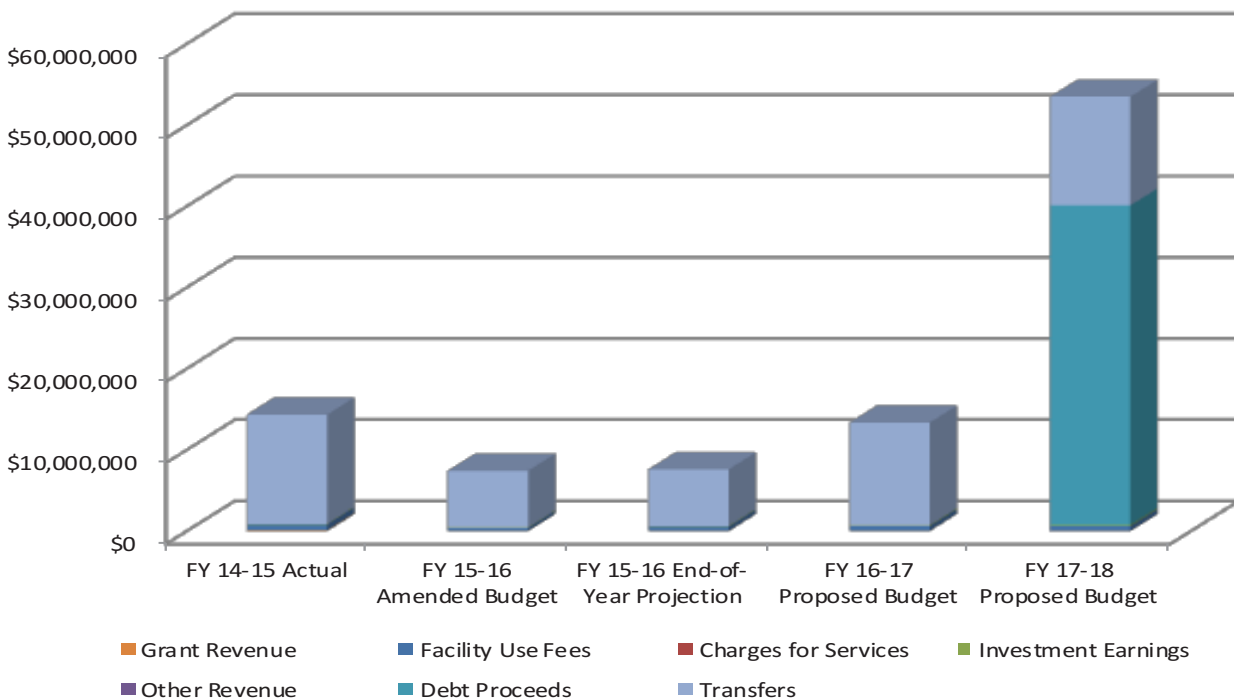
Water Renewal/Replacement & System-wide Improvements Fund (Fund 120)

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 by annual transfers from Fund 100.

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

Category	FY 14-15 Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Grant Revenue	\$104,373	-	\$9,352	-	-	-100%	0%
Facility Use Fees	709,199	375,960	533,538	600,000	600,000	12%	0%
Charges for Services	150	2,500	50	2,500	2,500	4900%	0%
Investment Earnings	67,414	55,000	75,014	88,436	153,369	18%	73%
Other Revenue	-	-	1,200	-	-	-100%	0%
Debt Proceeds	-	-	-	-	39,342,788	0%	0%
Transfers	13,475,143	7,000,000	7,000,000	12,661,760	13,399,000	81%	6%
Total	\$14,356,280	\$7,433,460	\$7,619,154	\$13,352,696	\$53,497,657	75%	301%

- FY 17-18 included debt service proceeds of \$39M.
- Transfers from Fund 100 to Fund 120 are captured here as revenues to Fund 120.



Water Expansion Fund (Fund 130)

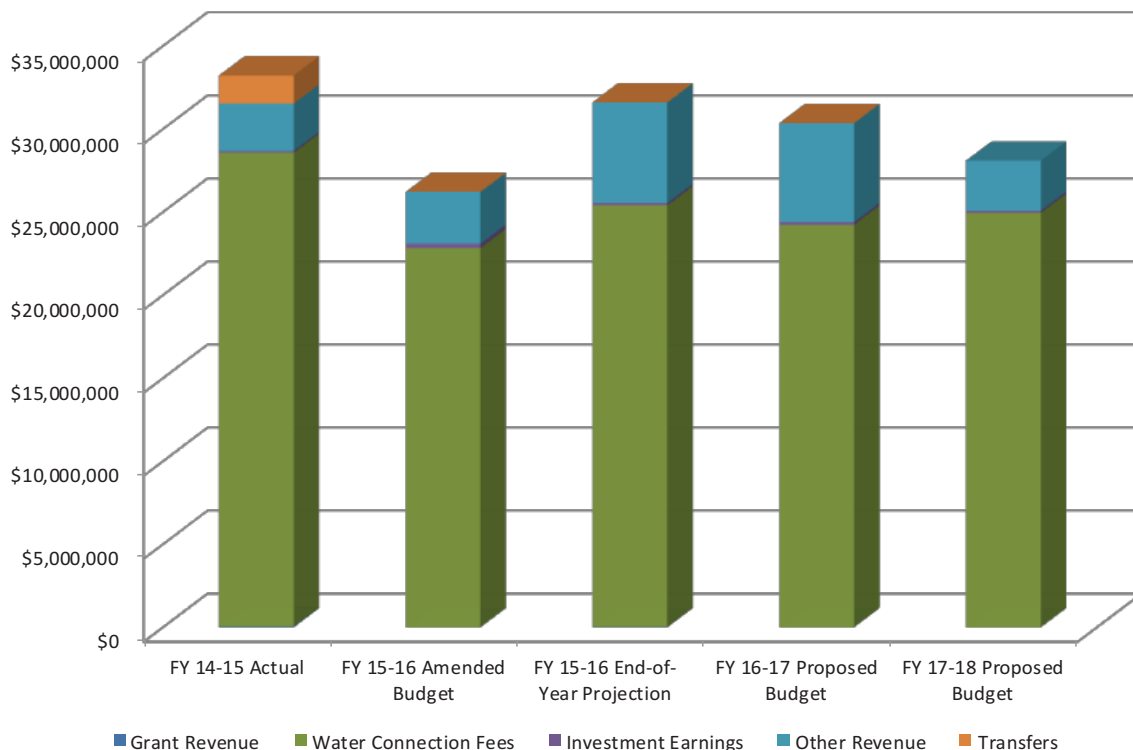
The purpose of this program is to ensure that Zone 7 is able to meet future needs for water demands. The program is primarily intended to provide funding for new facilities and water supplies for new development and to fund programs that encourage water conservation measures.

The funding for this program comes from connection fees and is in conformance with the Board’s stated policy that new development funds its own needs. Revenues come from Facility Use fees collected from new users in the Dougherty Valley and interest earned on any deposited funds.

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

Category	FY 14-15 Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Grant Revenue	\$44,731	\$-	\$4,008	\$-	\$-	-100%	0%
Water Connection Fees	28,521,399	22,826,757	25,393,504	24,235,631	24,950,474	-5%	3%
Investment Earnings	110,113	264,069	141,606	155,664	127,882	10%	-18%
Other Revenue	2,845,986	3,120,000	6,063,236	5,960,000	3,020,000	-2%	-49%
Transfers	1,697,842	-	-	-	-	0%	0%
Total	\$33,220,071	\$26,210,826	\$31,602,354	\$30,351,295	\$28,098,356	-4%	-7%

- FY 2016-17 and 2017-18 assume 930 new water connections in both years. Also assumes 3% annual increases to the water connection fee (fees are adjusted on January 1 of each year based on the change in the Engineering News Record Construction Cost index)
- Other revenues include DWR refunds. FY 2015-16 and FY 2016-17 include one-time credits from the Department of Water Resources of \$2.9M in each year



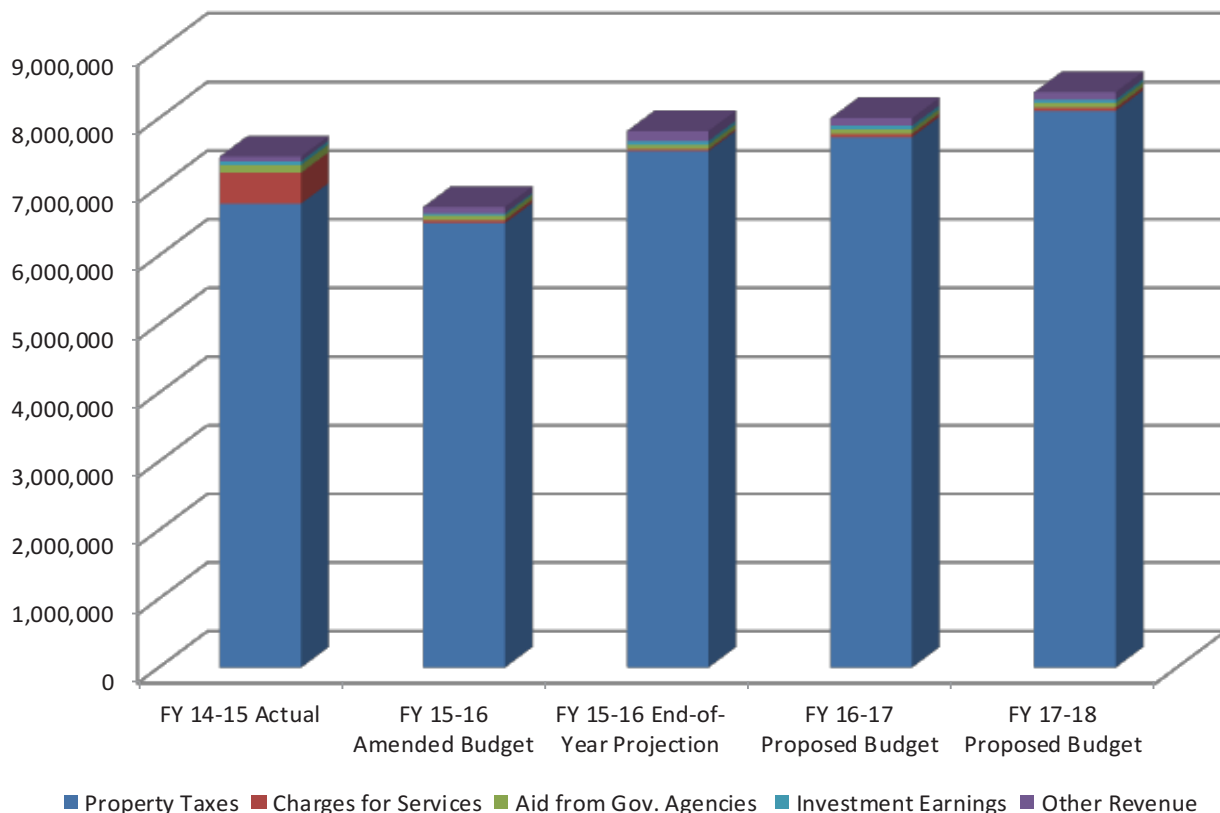
Flood Protection Fund (Fund 200)

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

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

Category	FY 14-15 Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Property Taxes	\$6,759,204	\$6,472,129	\$7,522,694	\$7,725,739	\$8,109,834	3%	5%
Charges for Services	450,659	47,650	27,741	47,544	47,650	71%	0%
Aid from Gov. Agencies	112,334	64,700	64,700	64,700	64,700	0%	0%
Investment Earnings	55,141	30,000	54,000	54,146	48,662	0%	-10%
Other Revenue	67,069	95,505	146,356	110,910	110,910	-24%	0%
Total	\$7,444,422	\$6,709,984	\$7,816,991	\$8,003,039	\$8,381,756	2%	5%

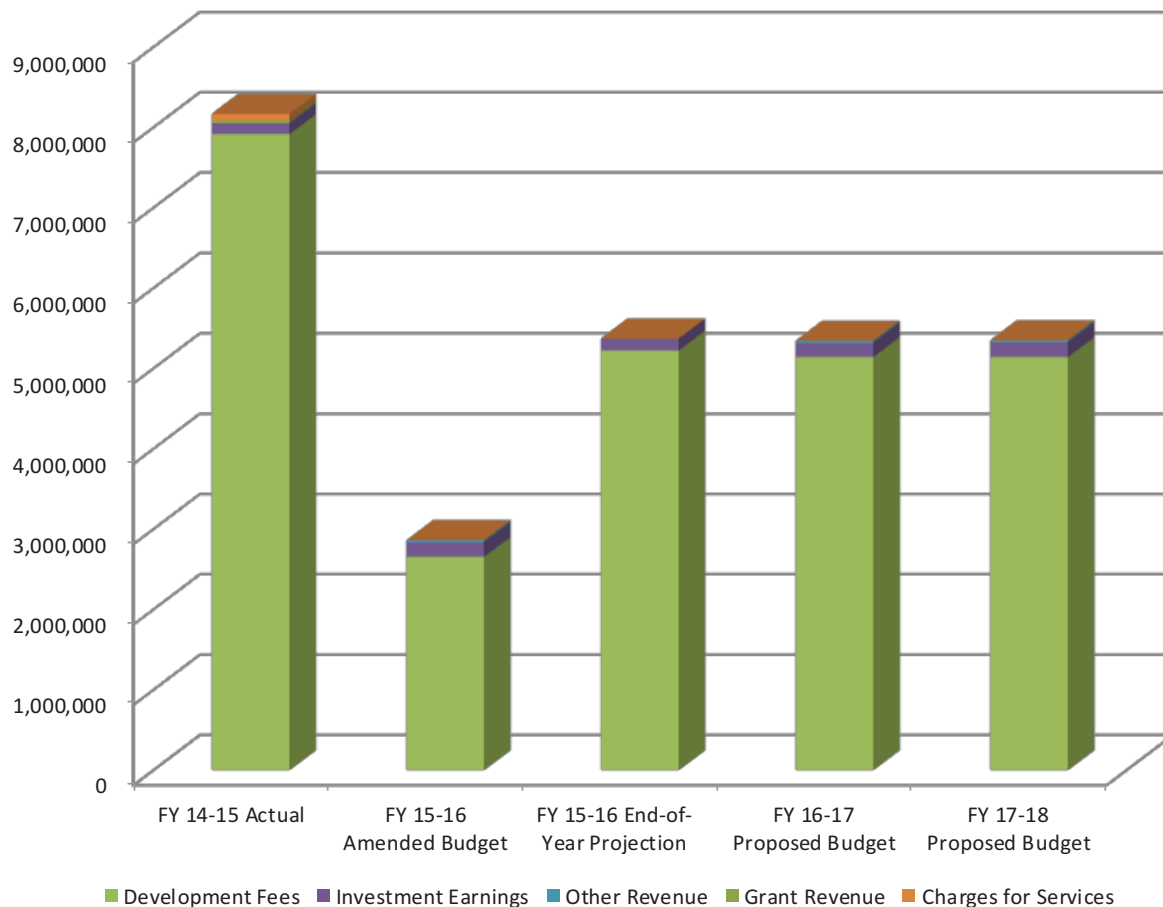
Property taxes for FY 2016-18 are based on an estimated 5% growth in assessed valuation



Flood Protection & Drainage Development Impact Fee Fund (Fund 210)

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

Category	FY 14-15 Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Development Fees	\$7,915,819	\$2,656,500	\$5,223,594	\$5,142,325	\$5,142,325	-2%	0%
Charges for Services	83,555	-	-	-	-	0%	0%
Grant Revenue	32,357	-	-	-	-	0%	0%
Investment Earnings	138,978	180,000	150,000	177,003	183,123	18%	3%
Other Revenue	-	25,000	-	25,000	25,000	0%	0%
Total	\$8,170,709	\$2,861,500	\$5,373,594	\$5,344,328	\$5,350,448	-1%	0%

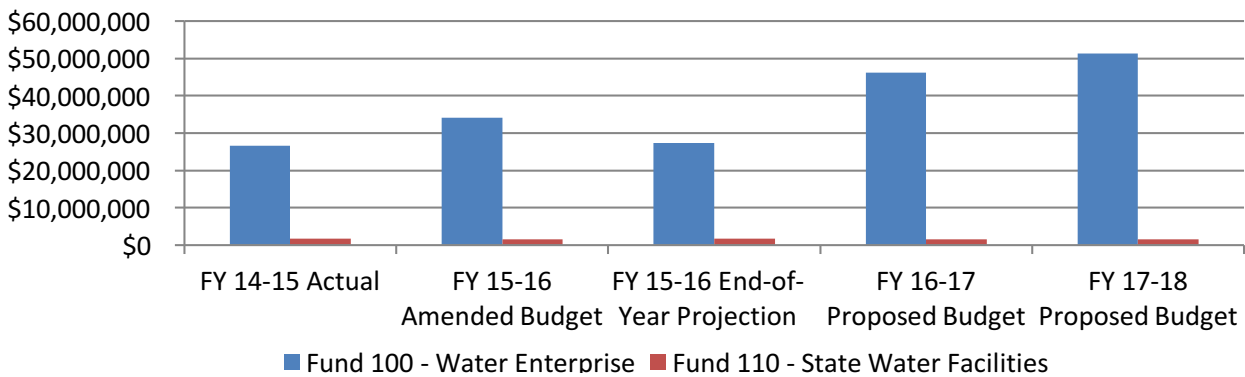


Water Sales

Water sales are the highest source of revenue for the Agency. Our major customers are the cities of Pleasanton and Livermore, the Dublin-San Ramon Services District (for Dublin and the Dougherty Valley area, in San Ramon), and California Water Service Company, Livermore District, collectively referred to as the Retailers.

Fund	FY 14-15 Actual	FY 15-16 Amended Budget	FY 15-16 End of year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Fund 100 - Water Enterprise	\$26,552,568	\$34,191,645	\$27,334,767	\$46,247,264	\$51,416,458	69%	11%
Fund 110 - State Water Facilities	1,648,366	1,521,620	1,702,385	1,505,542	1,626,913	-12%	8%
Total	\$28,200,934	\$35,713,265	\$29,037,152	\$47,752,806	\$53,043,371	64%	11%

Water sales estimates for FY 2016-18 are based on the Board approved water rates, the continuation of the Temporary Conservation Surcharge as recommended in the Cost of Service study and water deliveries of 31,164 AF for FY 2016-17 and 32,626 AF for FY 2017-18



Zone 7 Treated Water Rate History

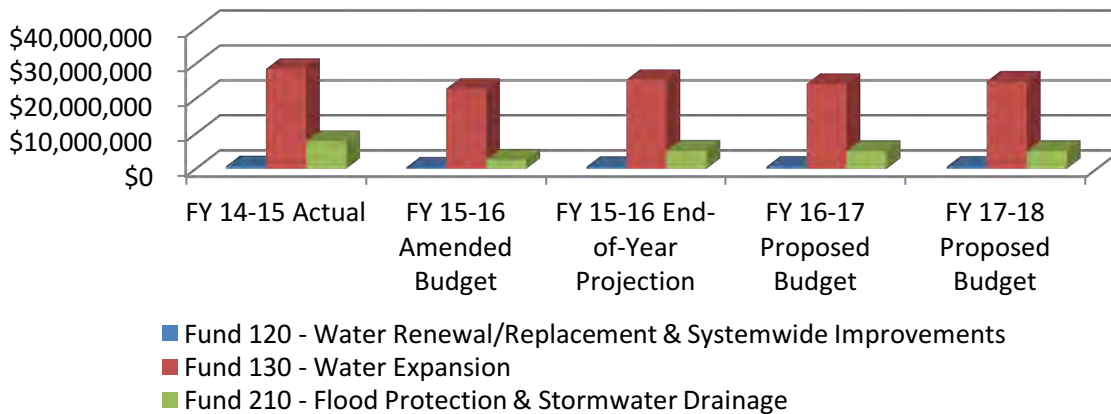
Effective Date	Rate per Acre-Foot	% Change
January 1, 2006	\$591	5%
January 1, 2007	\$635	7%
January 1, 2008	\$689	8%
January 1, 2009	\$804	16%
January 1, 2010	\$878	9%
January 1, 2011	\$900	3%
January 1, 2012	\$945	5%
January 1, 2013	\$945	0%
January 1, 2014	\$970	2.65%
January 1, 2015	\$999	3%
January 1, 2016	\$1,372	37%

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

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

Fund	FY 14-15 Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	\$709,199	\$375,960	\$533,538	\$600,000	\$600,000	12%	0%
Fund 130 - Water Expansion	28,521,399	22,826,757	25,393,504	24,235,631	24,950,474	-5%	3%
Fund 210 - Flood Protection & Stormwater Drainage	7,915,819	2,656,500	5,223,594	5,142,325	5,142,325	-2%	0%
Total	\$37,146,418	\$25,859,217	\$31,150,636	\$29,977,956	\$30,692,799	-4%	2%

Fund 130 - FY 2016-17 and 2017-18 assume 930 new water connections in both years. Also assumes 3% annual increases to the water connection fee (fees are adjusted on January 1 of each year based on the change in the Engineering News Record Construction Cost index)



Zone 7 Water Connection Fee History

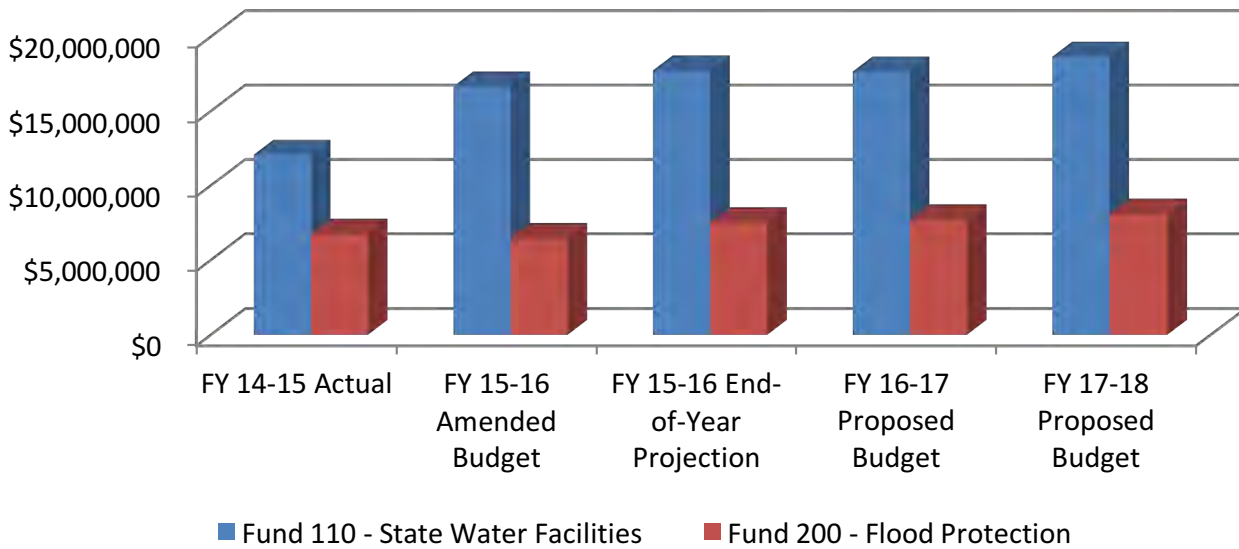
Effective Date	Zone 7	Dougherty Valley	% Change	Effective Date	Zone 7	Dougherty Valley	% Change
January 1, 2006	\$13,500	\$12,500	3%	January 1, 2012	\$22,930	\$21,230	3%
January 1, 2007	\$19,570	\$18,120	45%	January 1, 2013	\$23,500	\$21,750	2%
January 1, 2008	\$20,270	\$18,770	4%	January 1, 2014	\$24,030	\$22,240	2%
January 1, 2009	\$21,550	\$19,950	6%	January 1, 2015	\$24,830	\$22,980	3%
January 1, 2010	\$21,550	\$19,950	0%	January 1, 2016	\$25,320	\$23,430	2%
January 1, 2011	\$22,230	\$20,580	3%				

Property Taxes

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

Fund	FY 14-15 Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Fund 110 - State Water Facilities	\$12,060,478	\$16,650,000	\$17,695,520	\$17,650,000	\$18,650,000	0%	6%
Fund 200 - Flood Protection	6,759,204	6,472,129	7,522,694	7,725,739	8,109,834	3%	5%
Total	\$18,819,681	\$23,122,129	\$25,218,214	\$25,375,739	\$26,759,834	1%	5%

- Property taxes for FY 2016-18 are based on an estimated 5% growth in assessed valuation
- The property tax levy for FY 2016-17 is \$17.5M and \$18.5M for FY 2017-18



WATER SUPPLY



WATER QUALITY



FLOOD PROTECTION



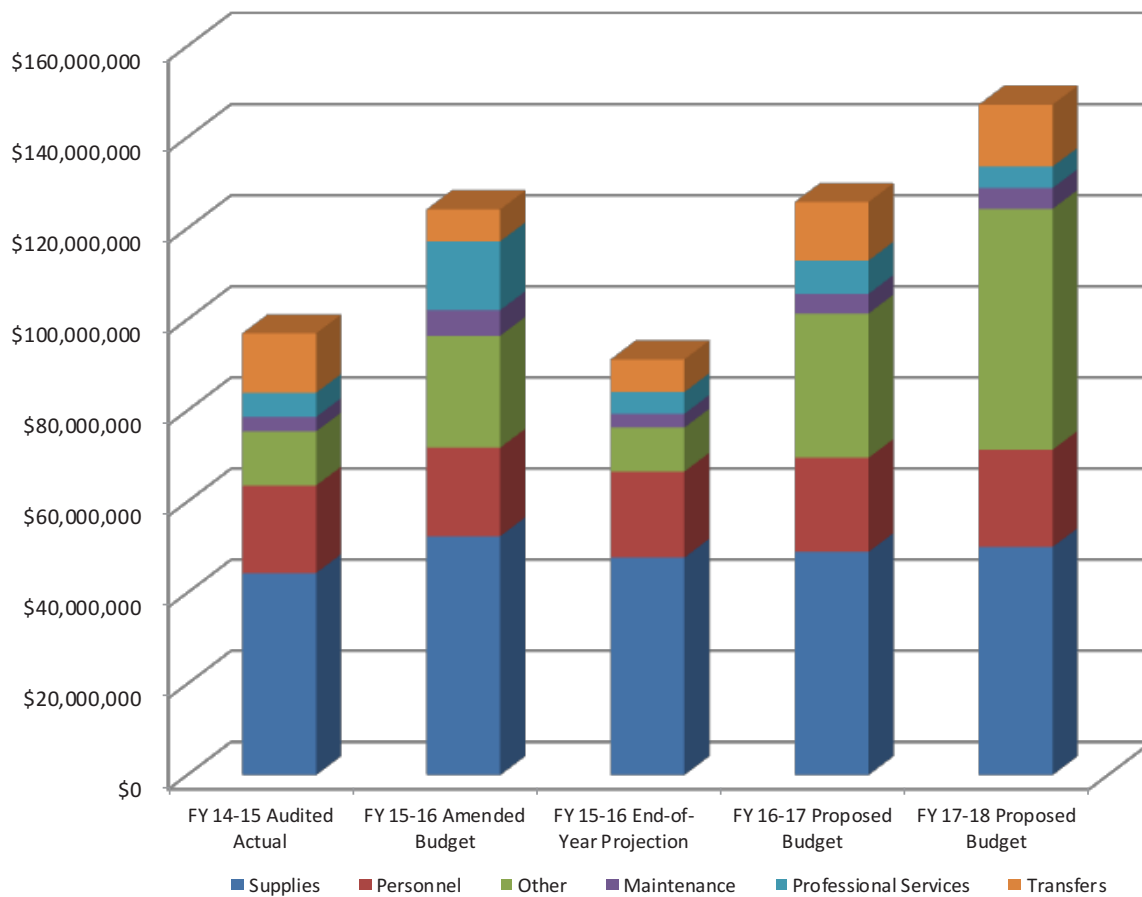
EXPENSES

Total Expenses

The following table summarizes Agency-wide expenses by expense type.

Category	FY 14-15 Audited Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Supplies	\$44,334,450	\$52,426,566	\$47,741,960	\$48,988,829	\$50,053,826	3%	2%
Personnel	19,232,704	19,454,737	18,881,617	20,657,176	21,378,672	9%	3%
Other	11,846,266	24,554,497	9,632,212	31,664,648	52,856,112	229%	67%
Maintenance	3,193,003	5,620,522	3,043,674	4,305,362	4,578,862	41%	6%
Professional Services	5,298,707	15,114,201	4,743,152	7,310,808	4,703,304	54%	-36%
Transfers	13,065,826	7,000,000	7,211,150	12,866,749	13,603,989	41%	6%
Total	\$96,970,955	\$124,170,523	\$91,253,765	\$125,793,572	\$147,174,765	38%	17%

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

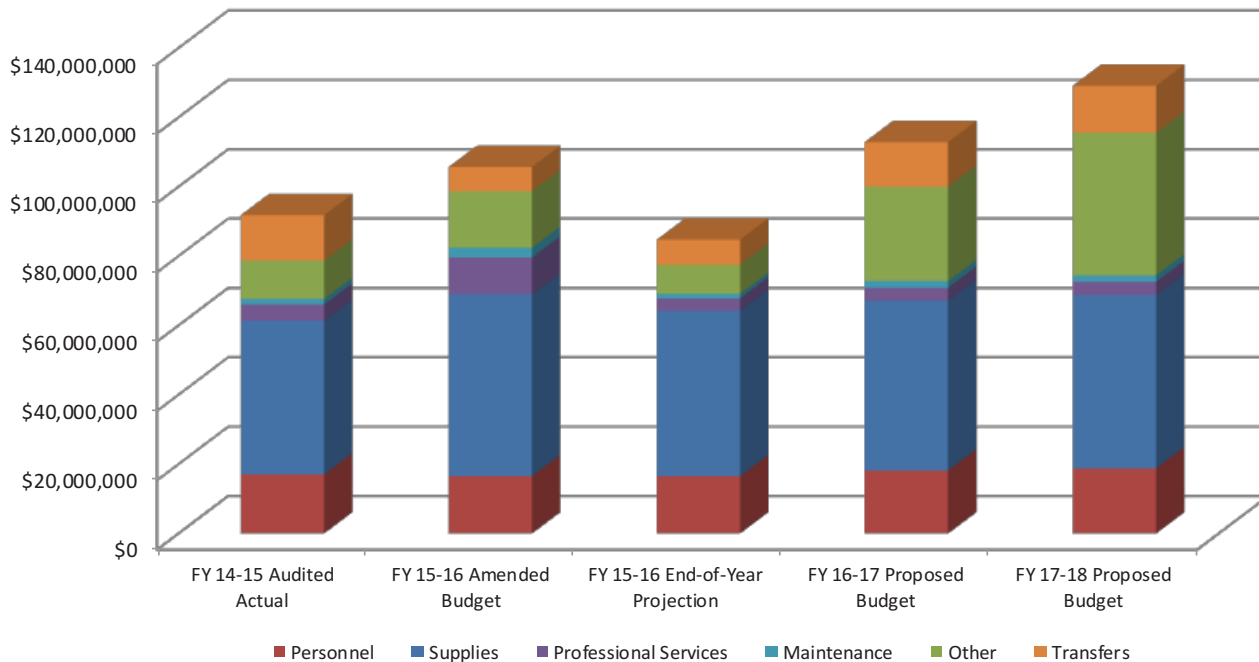


Expenses by Major Funding Area – Water Enterprise

The following table summarizes water enterprise expenses.

Category	FY 14-15 Audited Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Personnel	\$16,980,050	\$16,551,667	\$16,489,226	\$18,197,576	\$18,768,386	10%	3%
Supplies	44,334,450	52,426,566	47,741,960	48,988,829	50,053,826	3%	2%
Professional Services	4,696,490	10,632,542	3,556,764	3,708,727	3,729,399	4%	1%
Maintenance	1,594,210	2,802,229	1,290,748	1,873,908	1,923,990	45%	3%
Other	11,118,582	16,302,097	8,440,473	27,250,940	41,066,419	223%	51%
Transfers	13,052,493	7,000,000	7,197,417	12,853,416	13,590,656	79%	6%
Total	\$91,776,275	\$105,715,101	\$84,716,588	\$112,873,396	\$129,132,676	33%	14%

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

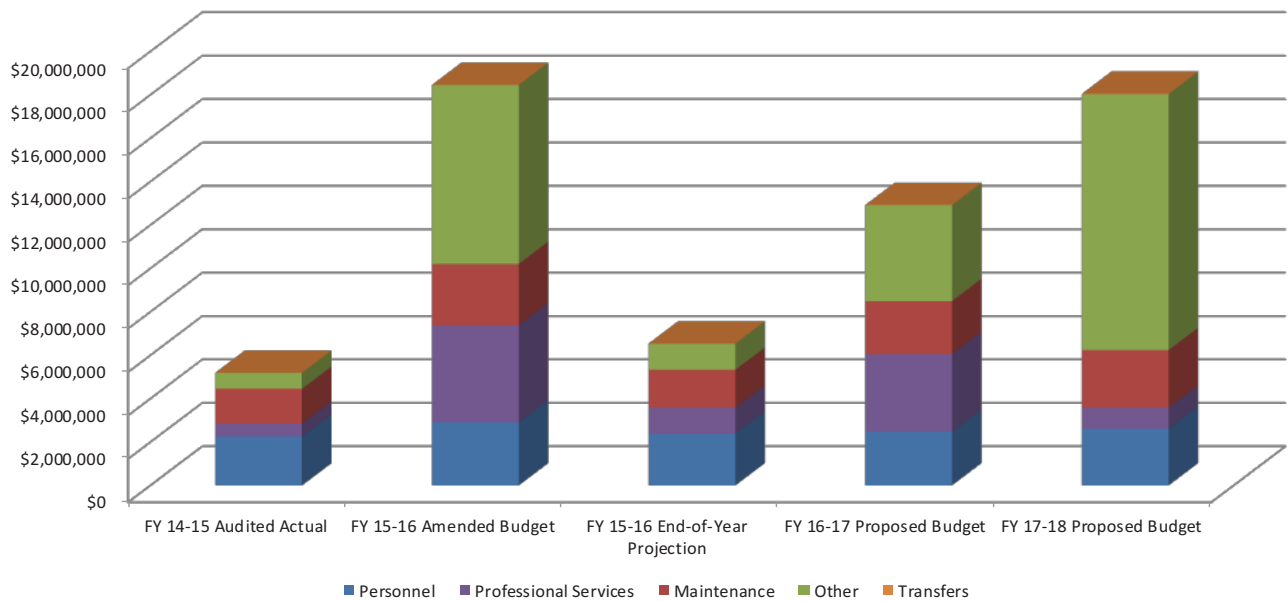


Expenses by Major Funding Area – Flood Protection

Maintenance activities (including repair, replacement and improvement projects and expansion projects) are the majority use for the Flood Protection funds.

The following table summarizes Flood Protection expenses.

Category	FY 14-15 Audited Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Personnel	\$2,252,655	\$2,903,070	\$2,392,391	\$2,459,600	\$2,610,286	3%	6%
Professional Services	602,217	4,481,659	1,186,388	3,602,081	973,905	204%	-73%
Maintenance	1,598,792	2,818,293	1,752,926	2,431,454	2,654,872	39%	9%
Other	727,684	8,252,400	1,191,739	4,413,708	11,789,693	270%	167%
Transfers	13,333	-	13,733	13,333	13,333	-3%	0%
Total	\$5,194,681	\$18,455,422	\$6,537,177	\$12,920,176	\$18,042,089	98%	40%



Water Enterprise Fund (Fund 100)

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

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

Expenses by program are shown in the table below.

Program	FY 14-15 Audited Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Water Utility Support Services	\$17,298,423	\$12,531,524	\$11,820,139	\$18,239,374	\$25,598,445	54%	40%
Supply Source & Conveyance	3,245,147	6,983,259	3,184,254	5,391,698	988,959	69%	-82%
Water Storage	4,193,055	3,317,084	4,308,767	2,457,939	1,742,253	-43%	-29%
Water Treatment	11,520,210	12,077,610	10,011,335	12,017,426	12,423,085	20%	3%
Water Transmission	1,390,075	1,839,934	1,282,584	1,496,460	1,537,959	17%	3%
Central Administration	5,807,101	5,869,891	5,561,778	6,263,147	6,248,009	13%	0%
Total	\$43,454,011	\$42,619,302	\$36,168,857	\$45,866,044	\$48,538,710	27%	6%

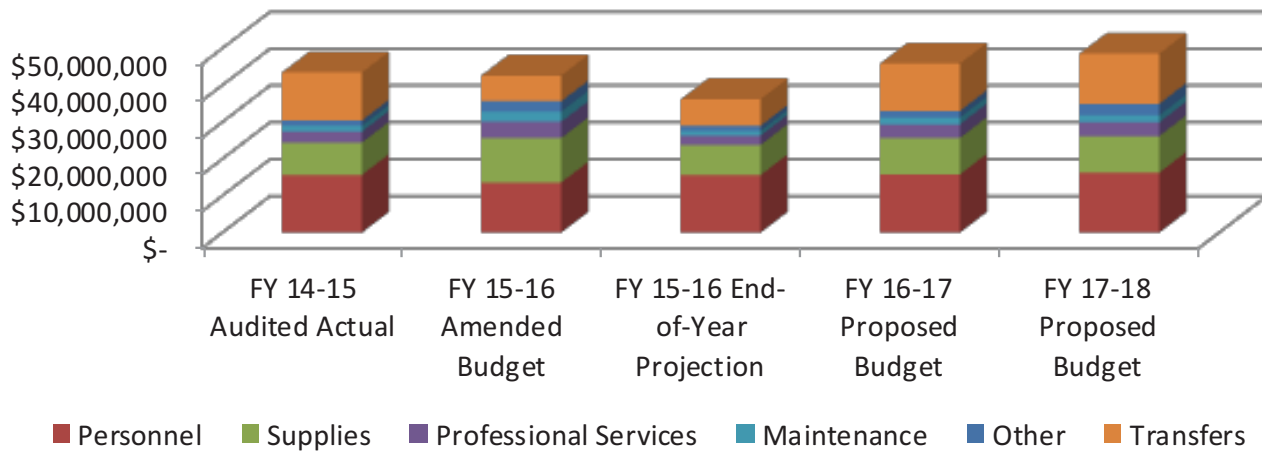
Water Enterprise Fund (Fund 100)

(continued)

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

Category	FY 14-15 Audited Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Personnel	\$15,662,594	\$13,589,767	\$15,583,207	\$15,787,486	\$16,253,197	1%	3%
Supplies	8,771,621	12,055,504	8,196,350	9,894,374	9,936,398	21%	0%
Professional Services	2,951,179	4,401,136	2,525,769	3,708,727	3,729,399	47%	1%
Maintenance	1,594,210	2,802,229	1,290,748	1,873,908	1,923,990	45%	3%
Other	1,421,913	2,770,666	1,375,366	1,748,133	3,105,070	27%	78%
Transfers	13,052,493	7,000,000	7,197,417	12,853,416	13,590,656	79%	6%
Total	\$43,454,011	\$42,619,302	\$36,168,857	\$45,866,044	\$48,538,710	27%	6%

Transfers from Fund 100 to Fund 120 are captured here as expenses to Fund 10



State Water Facilities Fund (Fund 110)

This budget finances the “fixed cost” payment to the State Department of Water Resources (DWR) for the State Water Project that imports 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.

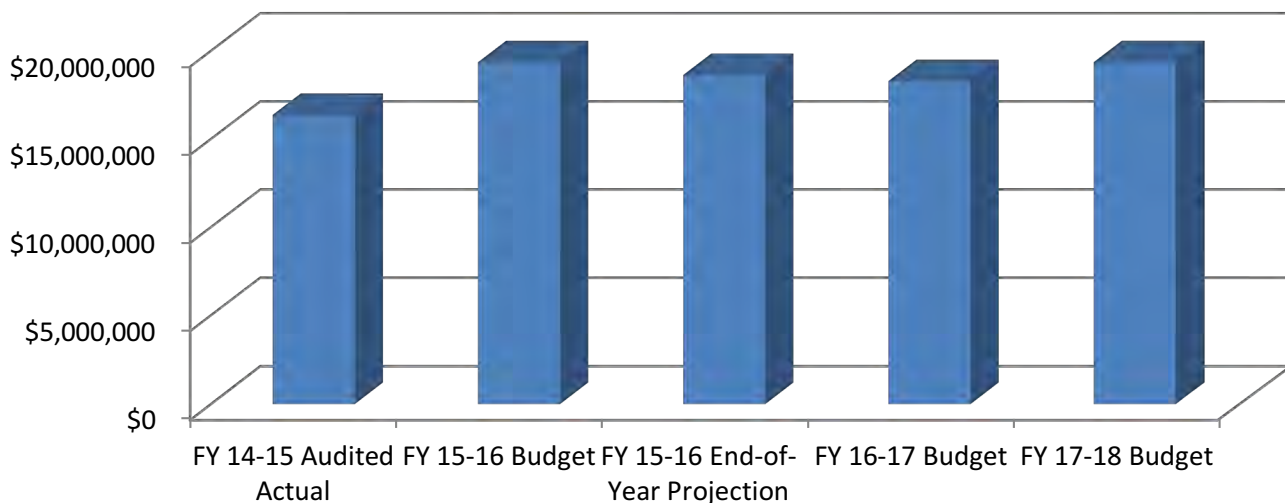
Expenses by program are shown in the following table.

Program	FY 14-15 Audited Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Supply Source & Conveyance	\$16,359,406	\$19,344,521	\$18,620,567	\$19,099,455	\$20,433,428	3%	7%
Total	\$16,359,406	\$19,344,521	\$18,620,567	\$19,099,455	\$20,433,428	3%	7%

Expenses by year are shown in the following table.

Category	FY 14-15 Audited Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Supplies	\$16,359,406	\$19,344,521	\$18,620,567	\$19,099,455	\$20,433,428	3%	7%
Total	\$16,359,406	\$19,344,521	\$18,620,567	\$19,099,455	\$20,433,428	3%	7%

Supplies projections for FY 2016-17 and FY 2017-18 budgets are based on the Department of Water Resources invoices and estimates for the State Water Project



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

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 program are shown in the following table.

Program	FY 14-15 Audited Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Water Utility Support Services	\$1,477,576	\$1,293,102	\$1,183,705	\$2,161,689	\$2,250,708	83%	4%
Supply Source & Conveyance	94,458	535,000	-	-	-	0%	0%
Water Storage	267,078	116,000	-	17,135	21,764	0%	27%
Water Treatment	6,371,721	12,340,000	-	419,979	421,589	0%	0%
Water Transmission	74,036	5,120,000	-	-	-	0%	0%
Central Administration	2,267	-	-	-	-	0%	0%
Capital Projects	-	-	5,568,870	10,884,523	20,685,428	95%	90%
Total	\$8,287,136	\$19,404,102	\$6,752,575	\$13,483,326	\$23,379,489	100%	73%

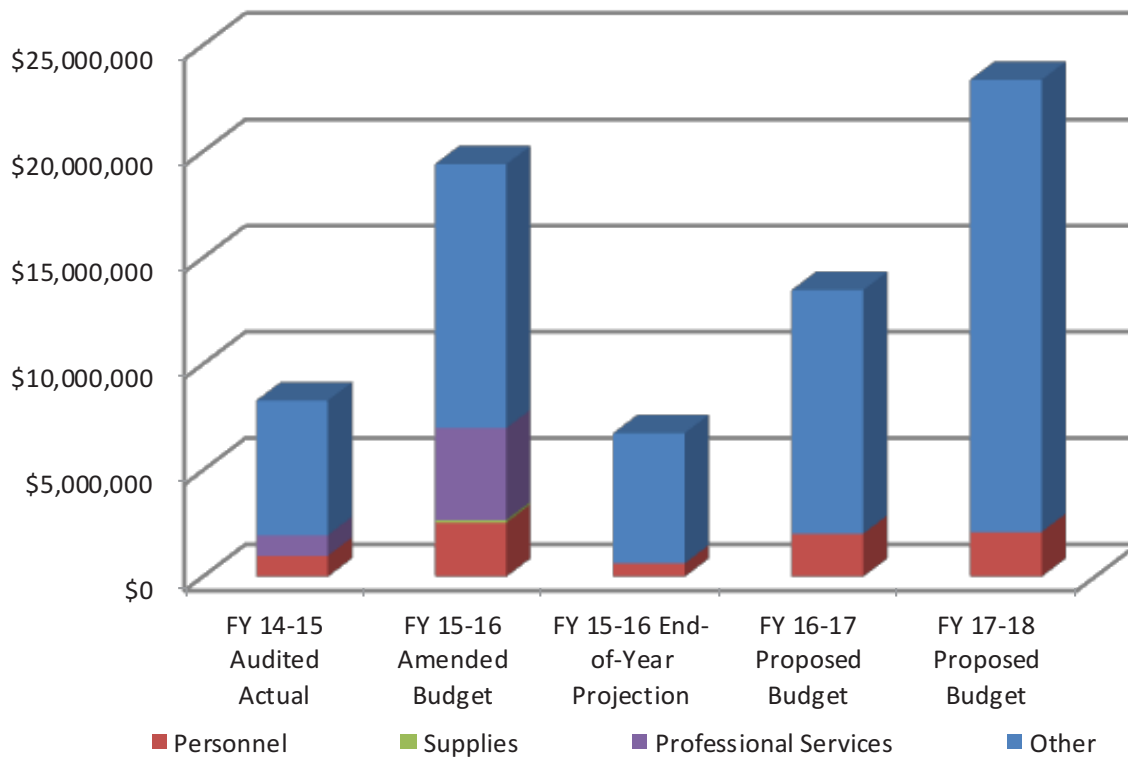
Water Renewal/Replacement & System-wide Improvements Fund (Fund 120)

(continued)

Expenses by year are shown in the following table.

Category	FY 14-15 Audited Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Personnel	\$978,815	\$2,540,500	\$623,603	\$2,018,468	\$2,102,573	224%	4%
Supplies	-	120,000	-	-	-	0%	0%
Professional Services	\$975,165	4,328,500	-	-	-	0%	0%
Other	6,333,156	12,415,102	6,128,972	11,464,858	21,276,916	87%	86%
Total	\$8,287,136	\$19,404,102	\$6,752,575	\$13,483,326	\$23,379,489	100%	73%

- FY 2016-17 and FY 2017-18 capital projects are budgeted in personnel and capital projects
- Personnel has increased because more staff has been allocated to this fund based on CIP projects
- FY 2015-16, FY 2016-17, and FY 2017-18 capital projects are based on the amended project schedules presented to the Water Resources Committee on September 9, 2015, including \$14M in project deferrals over the next five years (\$12M in FY 2015-16)



Water Expansion Fund (Fund 130)

The purpose of this program is to ensure that Zone 7 is able to meet future needs for water demands. The program is primarily intended to provide funding for new facilities and water supplies for new development and to fund programs that encourage water conservation measures.

Expenses by program are shown in the following table.

Program	FY 14-15 Audited Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Water Utility Support Services	\$2,305,047	\$591,635	\$444,635	\$829,379	\$858,647	87%	4%
Supply Source & Conveyance	17,933,501	20,327,541	19,583,543	18,705,000	18,394,000	-4%	-2%
Water Storage	1,554,541	1,478,000	1,342,000	1,303,614	1,304,017	-3%	0%
Water Treatment	1,881,833	1,942,000	1,304,411	-	-	0%	0%
Central Administration	800	-	-	-	-	0%	0%
Capital Projects	-	8,000	500,000	13,586,578	16,224,385	2617%	19%
Total	\$23,675,722	\$24,347,176	\$23,174,589	\$34,424,571	\$36,781,049	49%	7%

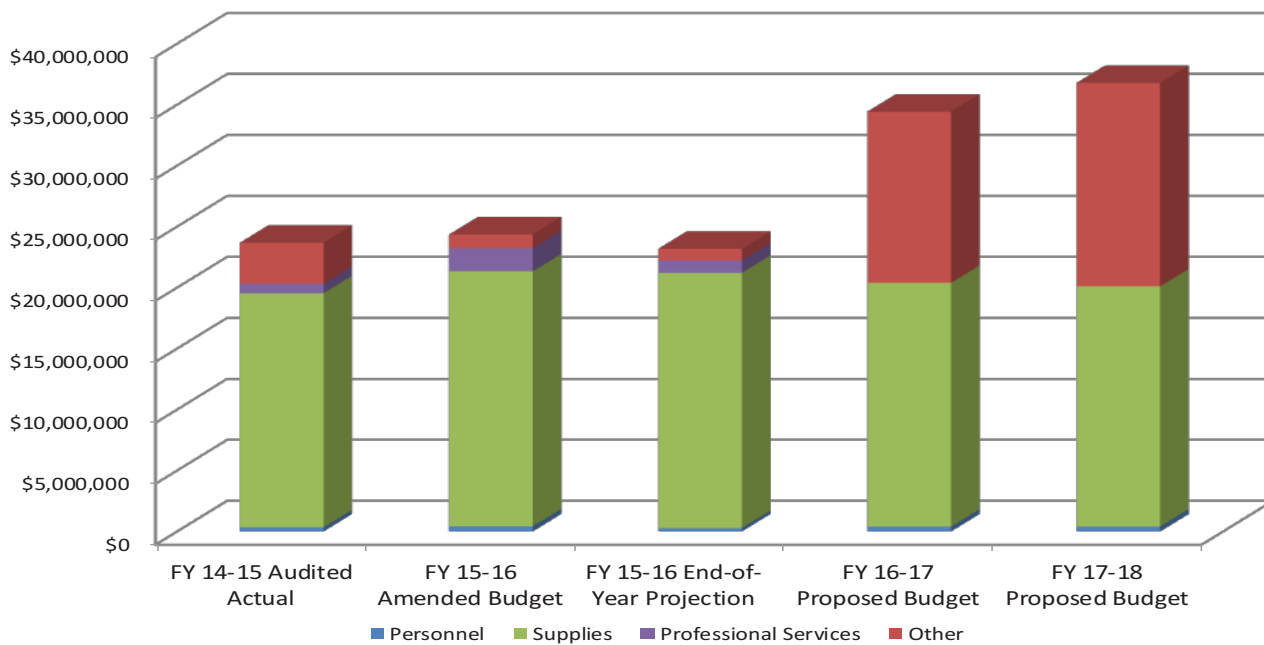
Water Expansion Fund (Fund 130)

(continued)

Expenses by year are shown in the following table.

Category	FY 14-15 Audited Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Personnel	\$338,641	\$421,400	\$282,416	\$391,622	\$412,616	39%	5%
Supplies	19,203,423	20,906,541	20,925,043	19,995,000	19,684,000	-4%	-2%
Professional Services	770,146	1,902,906	1,030,995	-	-	-100%	0%
Other	3,363,513	1,116,329	936,135	14,037,949	16,684,433	1400%	19%
Totals	\$23,675,722	\$24,347,176	\$23,174,589	\$34,424,571	\$36,781,049	49%	7%

- FY 2016-17 and FY 2017-18 Capital projects are budgeted in personnel, water and capital projects
- Water Purchases/Storage include non-discretionary payments for debt others incurred on behalf of Zone 7
- Capital projects include comprehensive project estimates for CIP projects such as the PPWTP New Media Filters and Clearwell project



Flood Protection Fund (Fund 200)

This budget unit provides the funding for flood protection services and related administration. The purpose of this program is to ensure the controlled drainage of the Valley's excess water runoff. Zone 7 manages a watershed of nearly 425 square miles including eastern Alameda County and parts of Contra Costa, Santa Clara and San Joaquin Counties. Expenses by program are shown in the following table.

Program	FY 14-15 Audited Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Flood Protection O&M	\$3,636,279	\$5,059,323	\$3,752,777	\$4,461,648	\$4,809,071	19%	8%
Flood Protection Capital Projects	1,059,233	8,217,236	1,527,202	5,240,332	6,512,328	243%	24%
Total	\$4,695,512	\$13,276,559	\$5,279,979	\$9,701,980	\$11,321,399	84%	17%

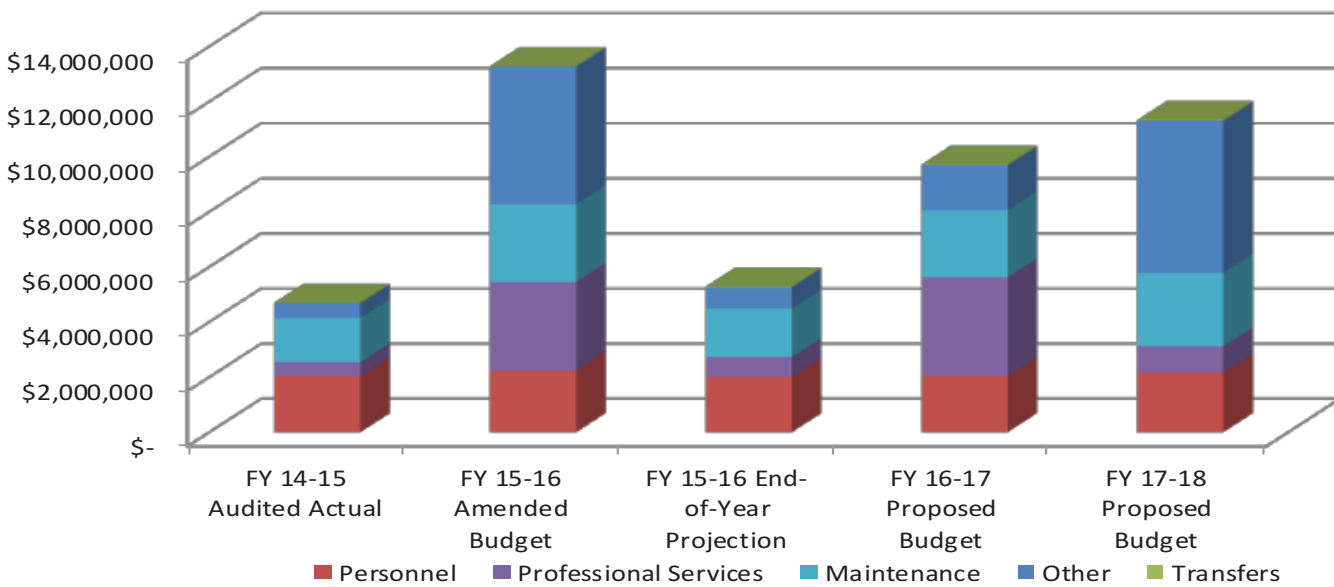
Flood Protection Fund (Fund 200)

(continued)

Expenses by year are shown in the following table.

Category	FY 14-15 Audited Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Personnel	\$2,037,487	\$2,241,030	\$1,999,851	\$2,030,194	\$2,154,199	2%	6%
Professional Services	502,042	3,215,594	731,198	3,592,081	966,405	391%	-73%
Maintenance	1,598,792	2,818,293	1,752,926	2,431,454	2,654,872	39%	9%
Other	543,858	5,001,642	782,271	1,634,918	5,532,590	109%	238%
Transfers	13,333	-	13,733	13,333	13,333	-3%	0%
Total	\$4,695,512	\$13,276,559	\$5,279,979	\$9,701,980	\$11,321,399	84%	17%

- 2016-17 and FY 2017-18 professional services and land and facility improvements include the following capital projects, which are based on the FY 2015-16 CIP; El Charro Phase 2, Arroyo Mocho Floodplain and Riparian Forest Restoration project, Camp Parks Detention Basin project and a financing strategy to support the Stream Management Master Plan (SMMP)
- Maintenance includes increased Flood Protection maintenance costs due to El Nino in FY 2015-16



Flood Protection & Stormwater Drainage Fund (Fund 210)

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 (now Fund 210), 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 related to expanded capacity. The program is primarily intended to provide funding for any flood control facilities required for new development.

Expenses by program are shown in the following table.

Program	FY 14-15 Audited Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Flood Protection Capital Projects	\$499,169	\$5,178,863	\$1,257,198	\$3,218,196	\$6,720,690	156%	109%
Total	\$499,169	\$5,178,863	\$1,257,198	\$3,218,196	\$6,720,690	156%	109%

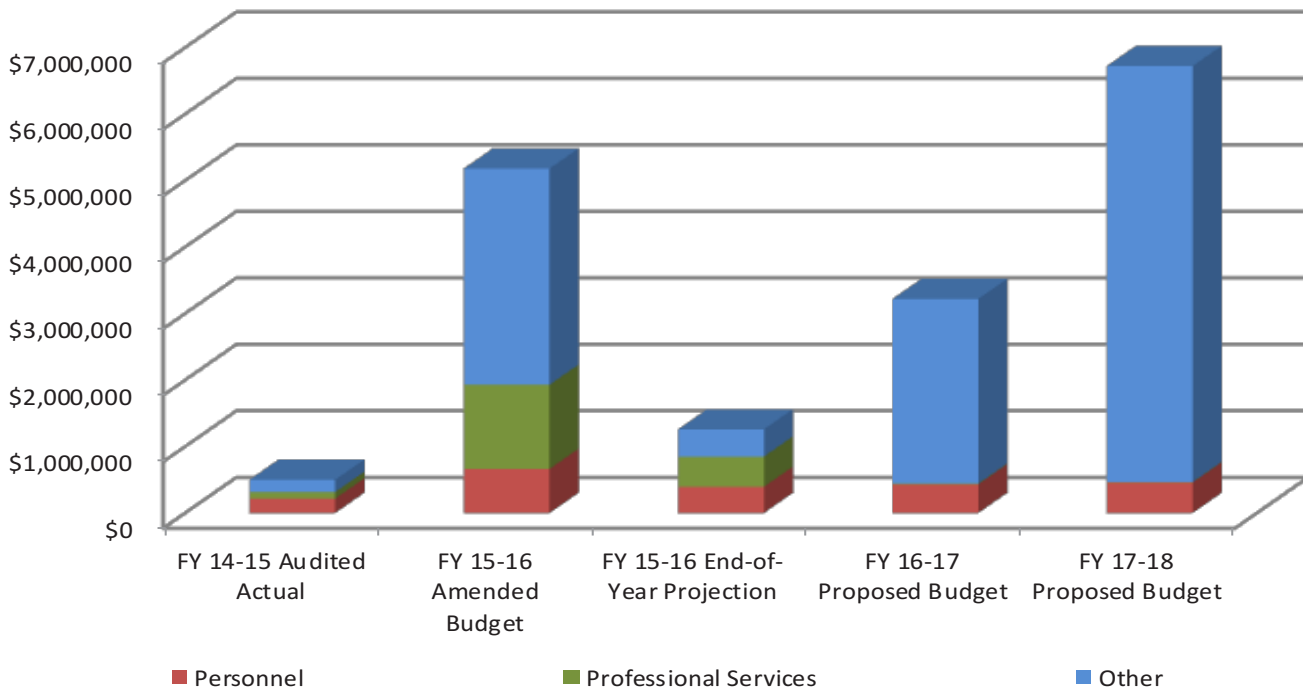
Flood Protection & Stormwater Drainage Fund (Fund 210)

(continued)

Expenses by year are shown in the following table.

Category	FY 14-15 Audited Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Personnel	\$215,168	\$662,040	\$392,540	\$429,406	\$456,087	9%	6%
Professional Services	100,175	1,266,065	455,190	10,000	7,500	-98%	-25%
Other	183,826	3,250,758	409,468	2,778,790	6,257,103	579%	125%
Total	\$499,169	\$5,178,863	\$1,257,198	\$3,218,196	\$6,720,690	156%	109%

- FY 2016-17 and FY 2017-18 capital projects are budgeted in personnel and capital projects
- Personnel has increased due to Increased staffing allocations to this fund based on planned capital projects
- Capital projects include projects such as the Camp Parks Detention Basin and Arroyo Mocho Floodplain and Riparian Forest Restoration project

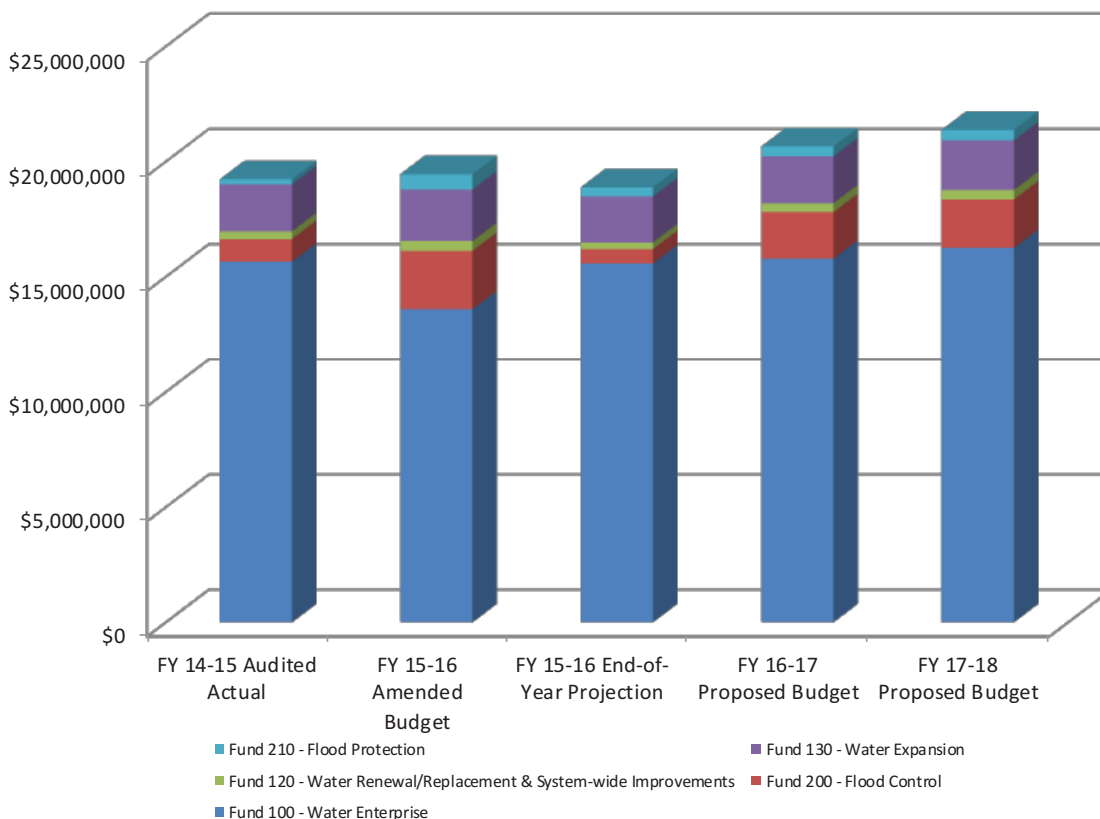


Personnel (All Funds)

The District's second largest expense is personnel 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. Personnel expenses are shown in the following table and graph.

Fund	FY 14-15 Audited Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Fund 100 - Water Enterprise	\$15,662,594	\$13,589,767	\$15,583,207	\$15,787,486	\$16,253,197	1%	3%
Fund 200 - Flood Control	978,815	2,540,500	623,603	2,018,468	2,102,573	224%	4%
Fund 120 - Water Renewal/Replacement & System-wide Improvements	338,641	421,400	282,416	391,622	412,616	39%	5%
Fund 130 - Water Expansion	2,037,487	2,241,030	1,999,851	2,030,194	2,154,199	2%	6%
Fund 210 - Flood Protection	215,168	662,040	392,540	429,406	456,087	9%	6%
Total	\$19,232,704	\$19,454,737	\$18,881,617	\$20,657,176	\$21,378,672	9%	3%



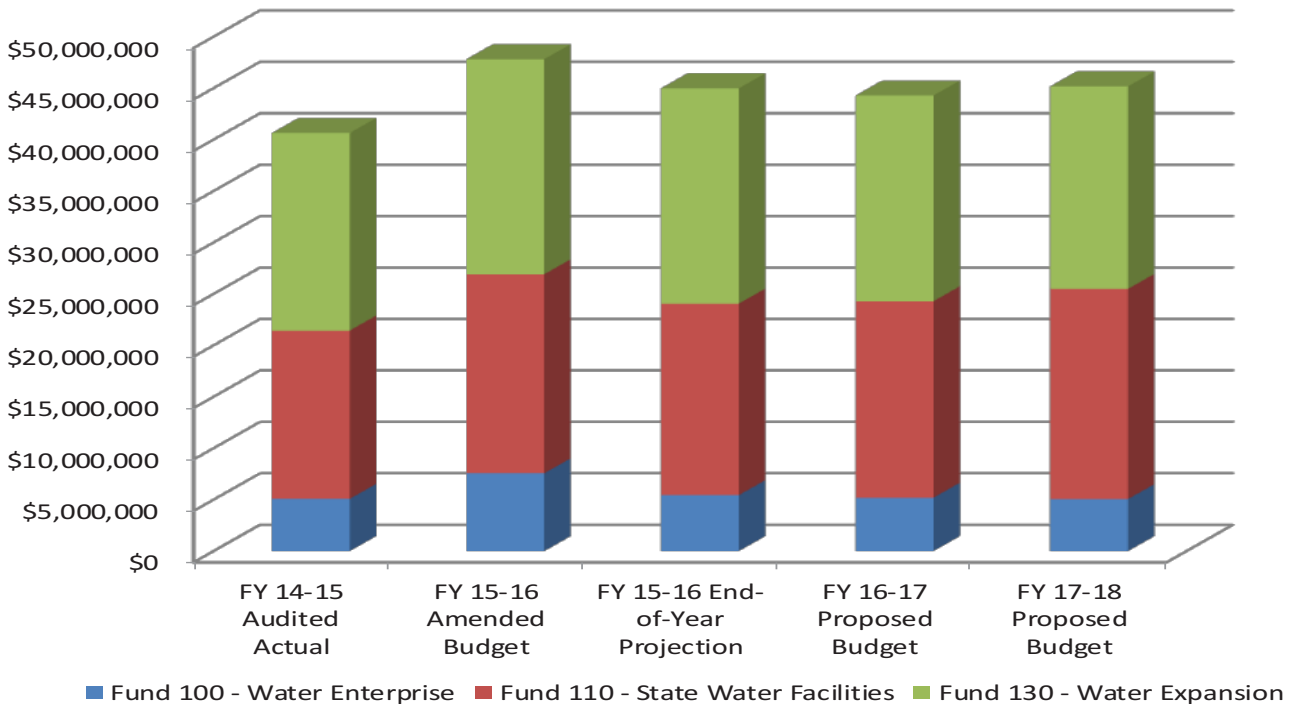
Water Purchases

Water purchases are the largest 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 (Fund 110) and connection fees (Fund 130) and the variable costs are paid via water sales (Fund 100).

Water Purchases by year are shown in the following table and graph.

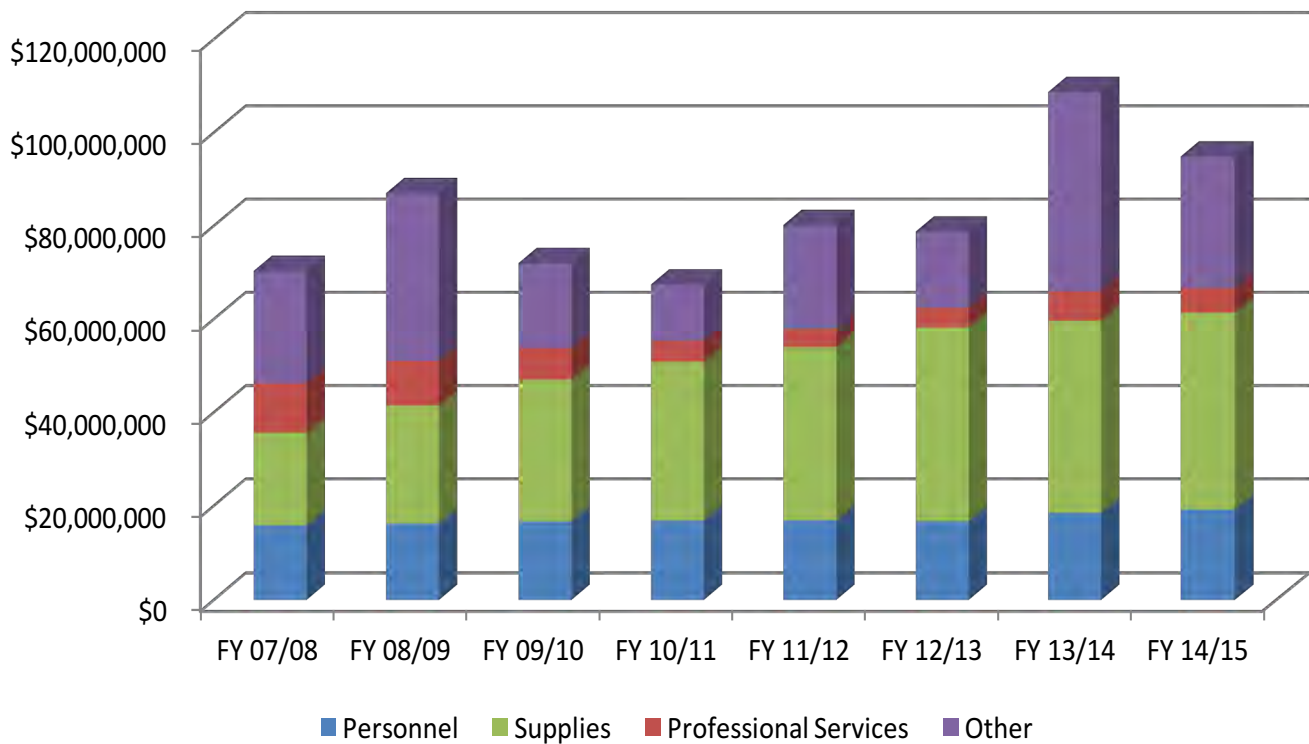
Fund	FY 14-15 Audited Actual	FY 15-16 Amended Budget	FY 15-16 End-of-Year Projection	FY 16-17 Proposed Budget	FY 17-18 Proposed Budget	% Change	
						FY 15-16 End-of-Year Projection to FY 16-17	FY 16-17 Budget to FY 17-18
Fund 100 - Water Enterprise	\$5,076,600	\$7,566,114	\$5,438,189	\$5,188,234	\$5,054,036	-5%	-3%
Fund 110 - State Water Facilities	16,359,406	19,344,521	18,620,567	19,099,455	20,433,428	3%	7%
Fund 130 - Water Expansion	19,203,423	20,906,541	20,925,043	19,995,000	19,684,000	-4%	-2%
Total	\$40,639,429	\$47,817,176	\$44,983,799	\$44,282,689	\$45,171,464	-2%	2%



Expense History

The following table and graph shows an eight-year history by major expense category based on audited actuals.

Category	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14-15
Personnel	\$15,884,483	\$16,265,836	\$16,661,572	\$16,862,669	\$16,934,133	\$16,744,604	\$18,546,131	\$19,232,704
Supplies	19,836,827	25,223,574	30,439,731	34,010,187	37,114,680	41,532,896	41,121,385	44,334,450
Professional Services	10,544,465	9,597,358	6,718,389	4,470,064	3,923,871	4,190,699	6,342,039	5,298,707
Other	24,042,727	35,907,666	18,166,744	12,050,360	22,188,938	16,295,156	42,674,910	28,091,761
Total	\$70,308,502	\$86,994,434	\$71,986,437	\$67,393,279	\$80,161,622	\$78,763,354	\$108,684,464	\$96,957,622



WATER SUPPLY



WATER QUALITY



FLOOD PROTECTION



CAPITAL
IMPROVEMENT

Capital Improvement Program

Approximately every other year, 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. In the years when the CIP is not updated, adjustments are made as part of the budget process.

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:

- The types of renewal/replacement and system-wide improvement projects needed to maintain a reliable and efficient water system;
- Current and projected demands on our water system and Zone 7's facilities needed to meet such demands;
- Operational improvements and additional studies that will minimize near-term risks of water supply shortages and maximize long-term flexibility; and
- Integrated resource management projects for 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 to maintain system reliability (paid from Fund 120, Renewal/Replacement and System-Wide Improvements) and to construct new facilities needed to accommodate future growth (Fund 130, 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 2016 and FY 2018 capital projects by fund.

Capital Improvement Program (CIP)

WATER ENTERPRISE

Capital Project Listing

Fund 120 – Renewal/Replacement & System-wide Improvements

Project	FY 2016-17 Budget	FY 2017-18 Budget
Arroyo del Valle Permit Extension	\$ 240,000	\$ 0
Asset Management Program Management	50,000	50,000
Booster Pump station	300,000	300,000
Capital Improvement Program Management	14,000	29,000
DVWTP Carbon Dioxide Installation Project	730,000	0
DVWTP Roof Replacement and Rehabilitation for 3.0 MG Clearwell	1,030,000	0
Laboratory Equipment Replacement	130,000	120,000
MGDP De-Mister Modifications	310,000	0
Minor Renewal/Replacement Projects	380,000	400,000
Ozonation at DVWTP	3,160,000	11,900,000
PPWTP Carbon Dioxide Installation	600,000	0
PPWTP Chemical Systems Replacement	160,000	600,000
PPWTP Clearwell Improvements (seismic)	520,000	0
SCADA Enhancements	240,000	260,000
PPWTP New Clearwell	4,274,992	1,148,000
Water Quality Management Program	14,000	21,000
Contingency	750,000	750,000
North Canyons Building Lease	580,335	591,488
Chain of Lakes Master Planning	0	20,000
DVWTP Ammonia System Replacement	0	2,250,000
DVWTP Filter Rehabilitation - Phase 1	0	490,000
DVWTP Interior Coating Improvements to the 4.5 MG Steel Clearwell	0	2,390,000
DVWTP Parking Lot Repair	0	540,000
DVWTP Rehabilitation Project	0	400,000
Mocho Well No.1 Sanding Investigation	0	300,000
Mocho Well 2 - VFD Retrofit	0	350,000
Monitoring Well Replacements & Abandonments	0	150,000
PPWTP Filter Pipe Replacement Project	0	100,000
PPWTP Filter Rehabilitation	0	160,000
System-Wide Installation of Line Valves	0	60,000
Total	\$ 13,483,327	\$ 23,379,488

Capital Improvement Program (CIP)

WATER ENTERPRISE

Capital Project Listing
Fund 130 - Expansion

Project	FY 2016-17 Budget	FY 2017-18 Budget
South Bay Aqueduct Enlargement Project	\$ 15,606,000	\$ 15,324,000
Fourth Contractor's Share of the SBA	3,000,000	3,000,000
Fixed Cost of Water Entitlement	19,000	0
Delta Habitat Conservation and Conveyance Program	20,000	20,000
Belridge/Lost Hills Peaking Payment	60,000	50,000
Semitropic Stored Water Recovery Unit	50,000	50,000
Cawelo Groundwater Banking	1,240,000	1,240,000
North Canyons Building Lease	451,371	460,048
Capital Improvement Program Management	43,000	86,000
PPWTP New Clearwell	5,909,200	1,722,000
Additional Treated Water Storage	5,500,000	0
Bay Area Regional Desalination Project - Planning	500,000	0
Water Supply and Bay Area Regional Projects	0	520,000
Bay-Delta Conservation Planning (Zone 7)	60,000	70,000
Delta Outreach Program	40,000	40,000
High-Efficiency Toilet Rebate Program	30,000	30,000
High-Efficiency Washing Machine Rebate Program	70,000	80,000
Water Conservation Best Management Practices	20,000	20,000
PPWTP Expansion/New Media Filters	6,020,000	5,740,000
Water Quality Management Program	6,000	9,000
El Charro Pipeline Phase 2	560,000	6,410,000
Review of Well Implementation Plan	220,000	0
Contingency	500,000	500,000
Reliability Intertie	0	35,000
Water Supply Replacement	0	520,000
Chain of Lakes Wells 3 & 4	0	890,000
Total	\$ 34,424,571	\$ 36,781,049

Flood Protection

CAPITAL PROJECT LISTING

Fund 200 – Flood Protection

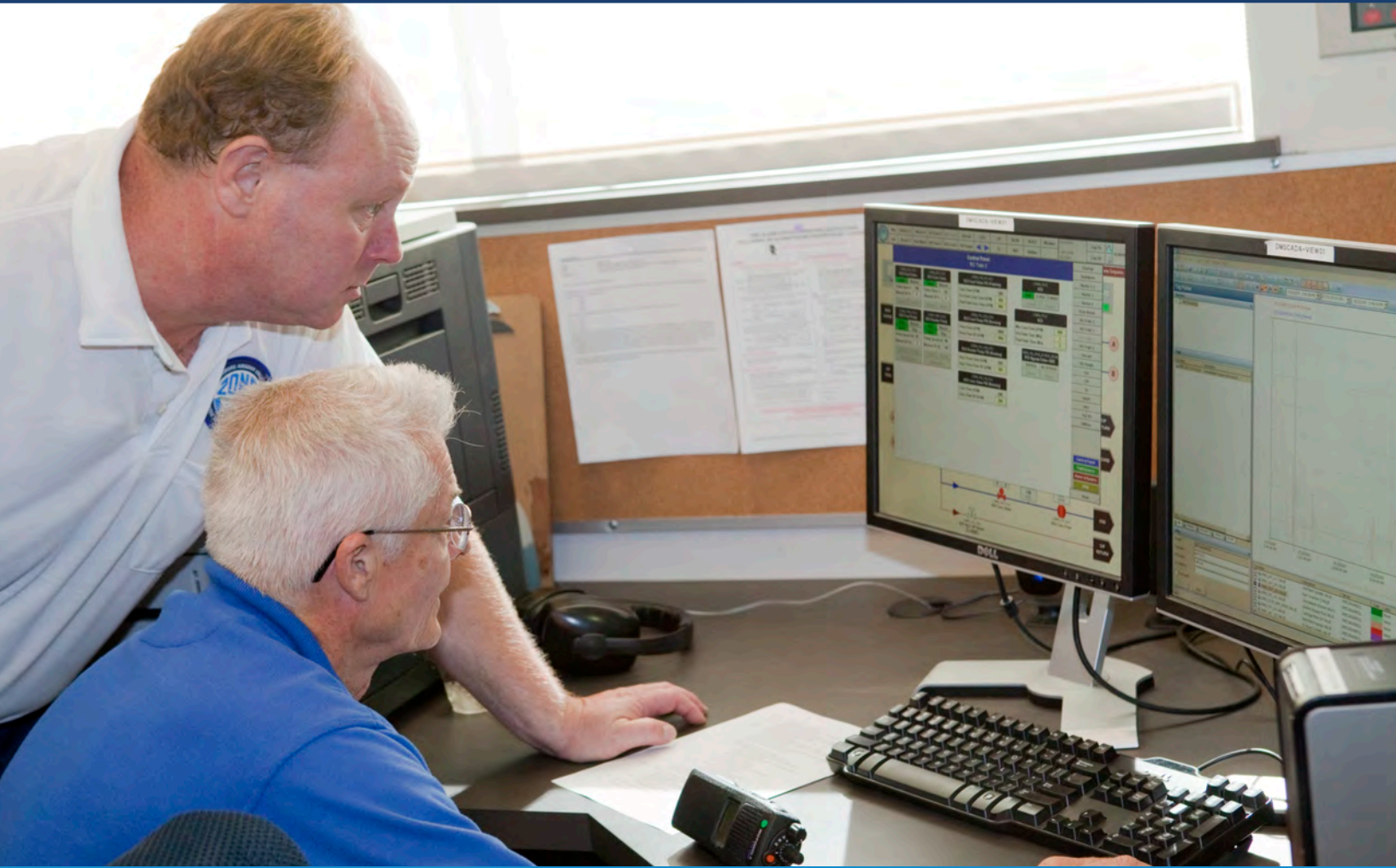
Project	FY 2016-17 Budget	FY 2017-18 Budget
Arroyo Mocho Floodplain and Riparian Forest Restoration	\$ 155,000	\$ 1,402,000
El Charro Phase 2 (SMMP Project R.5-2 - Chain of Lakes)	576,000	3,337,000
Living Arroyos Program	118,000	118,000
Hydrology and Hydraulic Model	88,500	88,500
Sediment Transport Study	29,500	29,500
SMMP Financing Strategy and Implementation and PMA	276,800	0
South San Ramon Creek Iron Horse Trail Floodplain and Riparian Restoration	174,000	349,000
Camp Parks Detention Basin	1,770,000	0
Stream Maintenance Permit Program	830,000	0
Total	\$ 4,017,800	\$ 5,324,000

Flood Protection

CAPITAL PROJECT LISTING

Fund 210 – Flood Protection & Stormwater Drainage DIF

Project	FY 2016-17 Budget	FY 2017-18 Budget
North Canyons Building Lease	\$ 128,963	\$ 131,442
Steelhead and Related Studies	10,000	7,500
Eastern Alameda County Conservation Strategy	7,500	7,500
Catering and Hosting	100	100
Contingency	250,000	250,000
Arroyo Mocho Floodplain and Riparian Forest Restoration	205,000	1,858,000
El Charro Phase 2 (SMMP Project R.5-2 - Chain of Lakes)	764,000	4,426,370
Hydrologic and Hydraulic Model Improvements	61,500	61,500
Living Arroyos Program	82,000	82,000
Stream Maintenance and Permit Program	170,000	0
Sediment Transport Study	20,500	20,500
SMMP Financing Strategy and Implementation	250,634	0
South San Ramon Creek Iron Horse Trail Floodplain and Riparian Restoration	36,000	71,000
Capital Improvement Program Management	2,000	4,778
Camp Parks Detention Basin	1,230,000	0
Total	\$ 3,218,197	\$ 6,720,690



DEPARTMENT OVERVIEW

Personnel

Sections	FY 12/13 Budget	FY 13/14 Budget	FY 14/15 Budget	FY 15/16 Budget	FY 16/17 Budget	FY 17/18 Budget	Change
Office of the General Manager	14.00	7.00	7.00	8.00	9.00	9.00	1.00
Finance	11.00	9.00	9.00	10.00	10.00	10.00	0.00
Employee Services	6.00	7.00	7.00	7.00	4.00	4.00	-3.00
Water Quality	7.50	7.50	7.50	7.50	7.50	7.50	0.00
Integrated Planning	0.00	7.50	7.50	8.50	9.50	9.50	1.00
Facilities Engineering	15.00	13.00	14.00	12.00	13.00	13.00	1.00
Groundwater Protection	8.00	7.00	7.00	8.50	7.50	7.50	-1.00
Operations	24.00	24.00	24.00	24.00	27.00	27.00	3.00
Maintenance	19.00	19.00	19.00	20.00	20.00	20.00	0.00
Flood Protection	6.00	5.00	5.00	6.00	7.00	7.00	1.00
Total	110.50	106.00	107.00	111.50	114.50	114.50	4.50

EMPLOYEE BARGAINING UNITS

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

Alameda County Management Employees' Association (ACMEA)

- Memorandum of Understanding (MOU) end date: April 8, 2017
- Zone 7 salary contract end date: June 30, 2016
- COLA adjustment of 3% on June 23, 2013, 3% on June 22, 2014, and 3% on June 21, 2015. Negotiations are currently in process.

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

- Contract end date: June 3, 2017
- Zone 7 salary contract end date: July 1, 2017
- COLA adjustment of 3% on June 23, 2013, 3% on June 22, 2014, 3% on June 21, 2015, and 3% on June 20, 2016

Service Employees International Union (SEIU), Local 1021

- MOU end date: December 14, 2019
- Zone 7 salary contract end date: June 30, 2016
- COLA adjustment of 3% on June 23, 2013, 3% on June 22, 2014, and 3% on June 21, 2015. Negotiations are currently in process.

Alameda County Building and Construction Trades Council (ACBCTC)

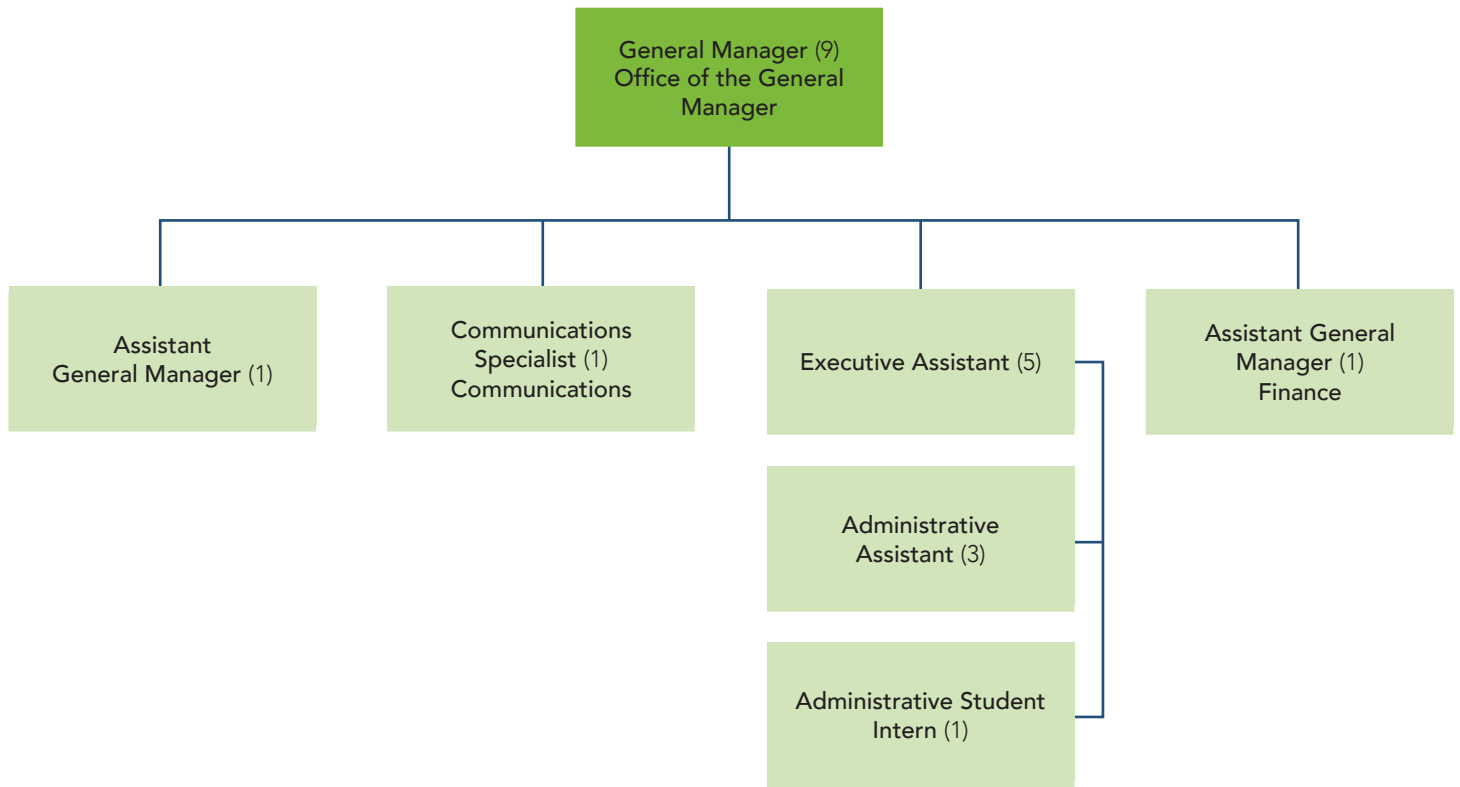
- MOU end date: July 28, 2018
- Zone 7 salary contract end date: June 30, 2016
- COLA adjustment of 3% on June 23, 2013, 3% on June 22, 2014, and 3% on June 21, 2015. Negotiations are currently in process.

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

Unrepresented Managers (those not represented by ACMEA) **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 the General Manager negotiates with the appropriate union bargaining units.

Office of the General Manager



Office of the General Manager

The Office of the General Manager provides overall administrative and management support to the Agency. Much of the State Water Project expenses are budgeted in the Office of the General Manager.

FY 2016-18 GOALS AND OBJECTIVES

- Develop and implement a digital-based filing system.
- Continue to promote and enhance Zone 7's public education efforts.
- Launch efforts to determine ideal permanent office location.

FY 2015-16 MAJOR ACCOMPLISHMENTS

- Staff selected new records retention management software after an intensive research and Request for Quote process. Testing and implementation are currently in process.
- Water rates outreach: Staff did extensive public outreach throughout the water-rate setting process, including sending a mailer to 93,000 residential and business customers, discussing rates in several e-newsletters, posting on the website and placing ads in all three of the Valley's newspapers.
- Transparency certificate: Zone 7 received the District Transparency Certificate of Excellence from the Special District Leadership Foundation (SDLF) in recognition of Zone 7's outstanding efforts to promote transparency and good governance.
- Began televising monthly Board agendas, minutes and meetings via TV30.org
- Schools Program: The Agency continued to grow Zone 7's popular Valley-wide water education program, reaching more than 12,000 students about everything from water conservation and water quality to flood protection and stormwater pollution prevention. The program was expanded in FY 2015-16 to upper-grade high schoolers in Advanced Placement Environmental Science. BAYWORK materials about careers in the water industry were distributed to high school classes and career counseling centers.
- Website upgrade: Zone 7 launched a new, more secure website that is "fully responsive," allowing for optimal viewing/navigation across a wide range of devices, from desktop computers to I-Phones and I-Pads. It also has an improved search function.
- E-newsletter distribution: The Agency continued to increase its e-newsletter subscriptions.

Office of the General Manager Staffing Summary

Staff	FY 12/13 Budget	FY 13/14 Budget	FY 14/15 Budget	FY 15/16 Budget	FY 16/17 Budget	FY 17/18 Budget	Change
General Manager	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Assistant General Manager	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Assistant General Mgr, Personnel	0.00	1.00	1.00	1.00	0.00	0.00	-1.00
Assistant General Mgr, Finance	0.00	0.00	0.00	0.00	1.00	1.00	1.00
Executive Assistant	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Administrative Assistant	2.00	2.00	2.00	2.00	3.00	3.00	1.00
Senior Engineer/Geologist	2.00	0.00	0.00	0.00	0.00	0.00	0.00
Associate Engineer (Engineer III)	2.00	0.00	0.00	0.00	0.00	0.00	0.00
Associate Water Resources Planner	2.00	0.00	0.00	0.00	0.00	0.00	0.00
Water Conservation Coordinator	1.00	0.00	0.00	0.00	0.00	0.00	0.00
Communications Specialist	1.00	0.00	0.00	0.00	1.00	1.00	1.00
Administrative Student Intern	0.00	1.00	1.00	1.00	1.00	1.00	0.00
Geographic Info Sys Analyst	0.00	0.00	0.00	1.00	0.00	0.00	-1.00
Water Resources Engineer Trainee	1.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	14.00	7.00	7.00	8.00	9.00	9.00	1.00

STAFFING CHANGES

1 FTE Communications Specialist was moved from Human Resources to Office of the General Manager. 1 FTE, Assistant General Manager, Personnel is now a soft hiring freeze position. 1 FTE, Assistant General Manager, Finance moved from Finance to Office of the General Manager. 1 FTE, Geographic Information Systems Analyst was moved to Integrated Planning.

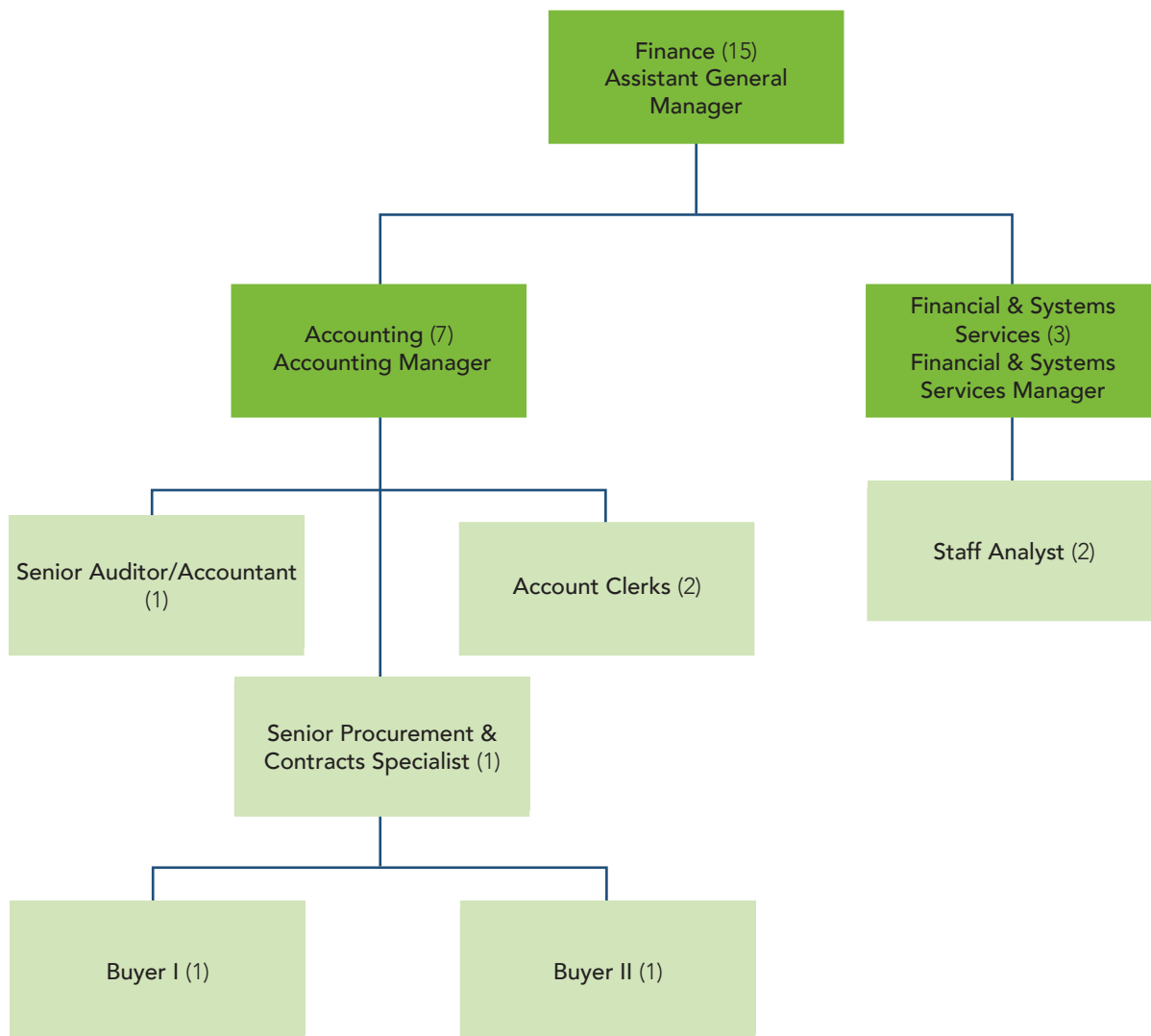
Office of the General Manager Budget by Fund

Sections	FY 14-15 Actual Amount	FY 15-16 Amended Budget	FY 15-16 End of Year Projections	FY 16/17 Budget	FY 17/18 Budget
Fund 100 - Water Enterprise	\$21,298,784	\$17,636,276	\$15,780,760	\$16,048,937	\$18,354,605
Fund 110 - State Water Facilities	16,359,406	19,344,521	18,620,567	19,099,455	20,433,428
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	1,209,081	1,310,102	560,102	1,330,335	1,341,488
Fund 130 - Capital Expansion	21,334,822	21,410,176	21,861,178	21,043,383	20,751,352
Fund 200 - Flood Control	774,819	1,160,820	724,751	808,404	820,909
Fund 210 - Flood Protection & Stormwater Drainage	123,466	374,468	124,468	378,963	381,442
Total	\$61,100,377	\$61,236,363	\$57,671,826	\$58,709,477	\$62,083,224

Office of the General Manager Budget by Program

Program	FY 14-15 Actual Amount	FY 15-16 Amended Budget	FY 15-16 End of Year Projections	FY 16-17 Budget	FY 17-18 Budget
Water Utility Support Services	\$16,661,305	\$8,381,748	\$8,353,028	\$13,850,638	\$16,270,720
Supply Source & Conveyance	36,606,708	44,907,126	40,709,230	37,900,113	38,923,413
Water Storage	4,103,852	3,008,750	4,173,999	1,310,000	1,310,600
Water Treatment	436,342	75,000	-	-	-
Water Transmission	54,682	-	-	-	-
Central Administration	2,339,204	2,570,451	3,086,350	3,114,347	3,018,836
Flood Protection	898,285	1,285,288	849,219	937,367	952,351
Capital Projects	-	1,008,000	500,000	1,597,012	1,607,304
Total	\$61,100,377	\$61,236,363	\$57,671,826	\$58,709,477	\$62,083,224

Finance



Finance

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

FY 2016-18 GOALS AND OBJECTIVES

- To develop strategies for financial sustainability.
- To safeguard the Agency's financial and material assets by maintaining strong internal controls, ensuring equity and transparency in transactions processes, adhering to established financial policies and procedures, and complying with all legal fiscal reporting requirements.
- To implement a new Position Budgeting and Human Resources modules to enhance the Agency's budgeting process.
- To improve and streamline the Agency procurement process

FY 2015-16 MAJOR ACCOMPLISHMENTS

- Received the GFOA Distinguished Budget Presentation Award for the third straight year.
- Awarded the CSMFO Operating Budget Excellence Award for the second straight year.
- Created the Agency's first CAFR for Fiscal Year ending June 30, 2015.
- Produces timely and accurate quarterly revenue and expenditure (R&E) analysis reports.
- Implemented Governmental Accounting Standards Board (GASB) Statement No. 68 – Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 required financial reporting for the Agency pensions.
- Completed a comprehensive Cost of Services Study for the Agency

FINANCE STAFFING SUMMARY

Staff	FY 12/13 Budget	FY 13/14 Budget	FY 14/15 Budget	FY 15/16 Budget	FY 16/17 Budget	FY 17/18 Budget	Change
Assistant General Manager, Finance	1.00	0.00	0.00	1.00	0.00	0.00	-1.00
Financial & Systems Services Manager	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Accounting Manager	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Senior Auditor/ Accountant	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Staff Analyst	2.00	1.50	1.00	2.00	2.00	2.00	0.00
Geographic Info sys Analyst	1.00	0.00	0.00	0.00	0.00	0.00	0.00
Senior Procurement & Contracts Specialist	0.00	0.00	0.00	0.00	1.00	1.00	1.00
Buyer I	0.00	0.00	0.00	1.00	1.00	1.00	0.00
Buyer II	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Office Assistant	0.00	0.50	1.00	0.00	0.00	0.00	0.00
Account Clerk	3.00	3.00	3.00	2.00	2.00	2.00	0.00
Finance Total	11.00	9.00	9.00	10.00	10.00	10.00	0.00

STAFFING CHANGES

1 FTE Senior Procurement & Contracts Specialist was previously a soft hiring freeze position and now is funded. Moved 1 FTE, Assistant General Manager, Finance to Office of the General Manager.

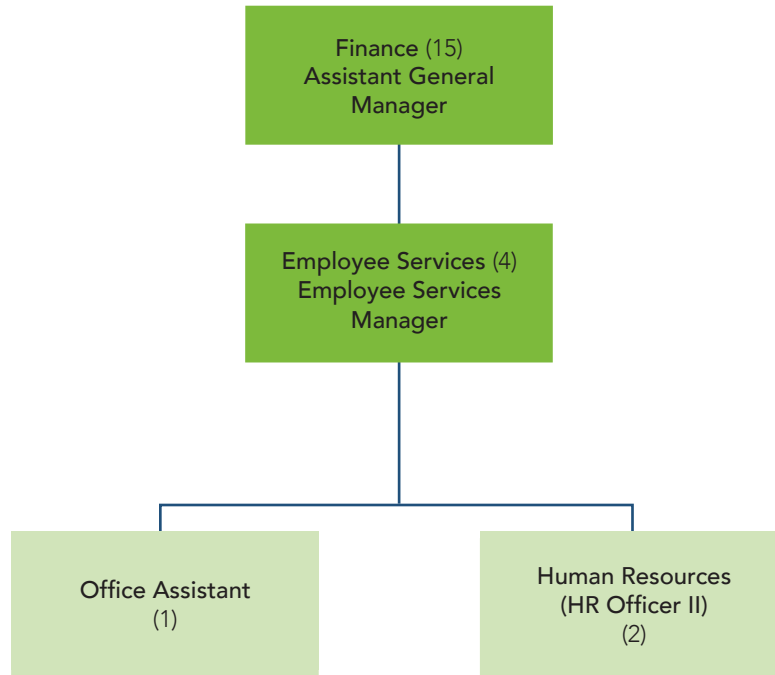
Finance Budget by Fund

Fund	FY 14-15 Actual Amount	FY 15-16 Amended Budget	FY 15-16 End of Year Projections	FY 16-17 Budget	FY 17-18 Budget
Fund 100 - Water Enterprise	\$1,345,758	\$1,697,804	\$1,570,634	\$1,756,501	\$1,839,178
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	7,658	12,000	30,905	18,581	31,337
Fund 130 - Water Expansion	28,719	36,000	-	47,860	88,108
Fund 200 - Flood Protection	84	3,764	153	6,234	4,308
Fund 210 - Flood Protection & Stormwater Drainage	1,830	2,000	-	7,942	8,765
Total	\$1,384,050	\$1,751,568	\$1,601,692	\$1,837,118	\$1,971,69

Finance Budget by Program

Program	FY 14-15 Actual Amount	FY 15-16 Amended Budget	FY 15-16 End of Year Projections	FY 16-17 Budget	FY 17-18 Budget
Water Utility Support Services	\$37,874	\$213,413	\$300,815	\$152,882	\$187,171
Supply Source & Conveyance	12,383	55,732	11,537	67,341	60,617
Water Treatment	3,882	2,000	3,998	2,231	2,298
Central Administration	1,327,996	1,474,659	1,257,343	1,547,111	1,598,321
Flood Protection	1,915	5,764	153	12,480	8,639
Capital Projects	-	-	27,846	55,073	114,650
Total	\$1,384,050	\$1,751,568	\$1,601,692	\$1,837,118	\$1,971,696

Employee Services



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; and provides Agency training for the areas listed above.

FY 2016-18 GOALS AND OBJECTIVES

Ensure availability of staff recruitment resources:

- Develop an improved system for proactive management and planning of human resources that will allow the agency and its employees to be better prepared to meet the agency's future requirements in ensuring effective delivery of services to the public.
- Negotiate fiscally reasonable salaries for employees.

Plan for the future:

- Enhance business relationships with our labor organizations through the salary negotiation process, utilizing interest-based bargaining. Initiate new employee onboarding processes utilizing new electronic system.
- Develop succession plan.

Provide leadership development training:

- Support the Agency succession planning efforts by providing managers and supervisors training and development opportunity to assure they have the capacity to successfully manage people, ensure continuity of leadership, and sustain a learning environment that drives a continuous improvement in performance.

FY 2015-16 MAJOR ACCOMPLISHMENTS

- Improved human resources selection processes through nine external recruitment and four promotional recruitment opportunities. Utilized behavioral interviewing techniques which are generally believed to be more objective and to more accurately predict future on-the-job behaviors of candidates interviewed.
- Fostered a climate of dignity and respect to a diverse workforce by providing on-site training to all employees and Supervisors regarding Workplace Harassment Prevention, including new California AB 2053 requirement regarding abusive conduct.
- Continued involvement with Bay Area Water/Wastewater Workforce Development (BAYWORK) through candidate development and staff preparedness activities. In collaboration with local retail agencies and other East Bay Water and Wastewater agencies, conducted outreach at multiple Career Fairs and opportunities to students to learn about jobs within our industry.

Employee Services Staffing Summary

Staff	FY 12-13 Budget	FY 13-14 Budget	FY 14-15 Budget	FY 15-16 Budget	FY 16-17 Budget	FY 17-18 Budget	Change
Assistant Gen Manager, Personnel	1.00	0.00	0.00	0.00	0.00	0.00	0.00
Employee Services Manager	0.00	1.00	1.00	1.00	1.00	1.00	0.00
Human Resources Officer II	2.00	1.00	1.00	2.00	2.00	2.00	0.00
Staff Analyst	0.00	0.50	1.00	0.00	0.00	0.00	0.00
Communications Specialist	0.00	1.00	1.00	1.00	0.00	0.00	-1.00
Safety Technician II	2.00	2.00	2.00	2.00	0.00	0.00	-2.00
Employee Services Technician	1.00	1.00	1.00	0.00	0.00	0.00	0.00
Office Assistant	0.00	0.50	0.00	1.00	1.00	1.00	0.00
Employee Services Total	6.00	7.00	7.00	7.00	4.00	4.00	-3.00

STAFFING CHANGES

1 FTE Communications Specialist moved to Office of the General Manager. 2 FTE Safety Technician II moved to Operations.

Employee Services Budget by Fund

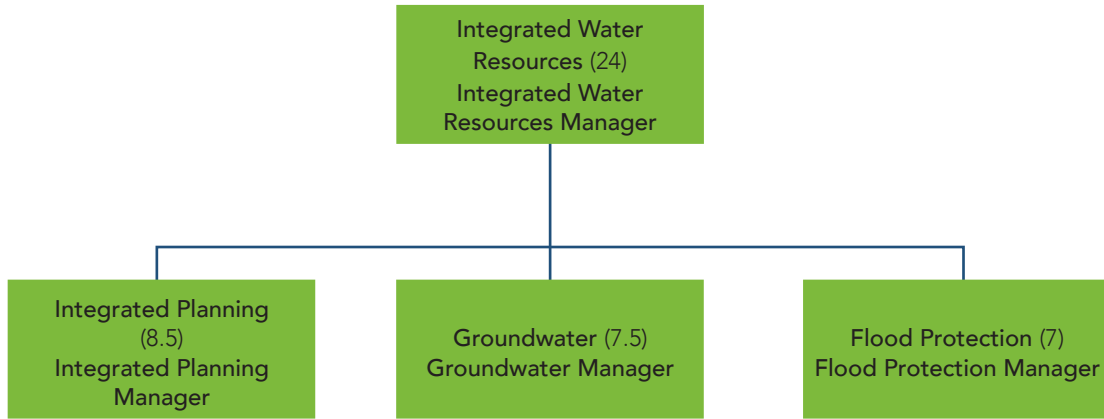
Program	FY 14-15 Actual Amount	FY 15-16 Amended Budget	FY 15-16 End of Year Projections	FY 16-17 Budget	FY 17-18 Budget
Fund 100 - Water Enterprise	\$1,738,484	\$1,322,998	\$691,481	\$775,380	\$791,642
Fund 130 - Water Expansion	8,225	40,000	-	-	-
Fund 200 - Flood Protection	388	100	-	-	-
Total	\$1,747,097	\$1,363,098	\$691,481	\$775,380	\$791,642

Majority of costs are labor transfers to other sections which result in an apparent reduction here and increases in the other sections. The overall net is the same except any addition added by inflation.

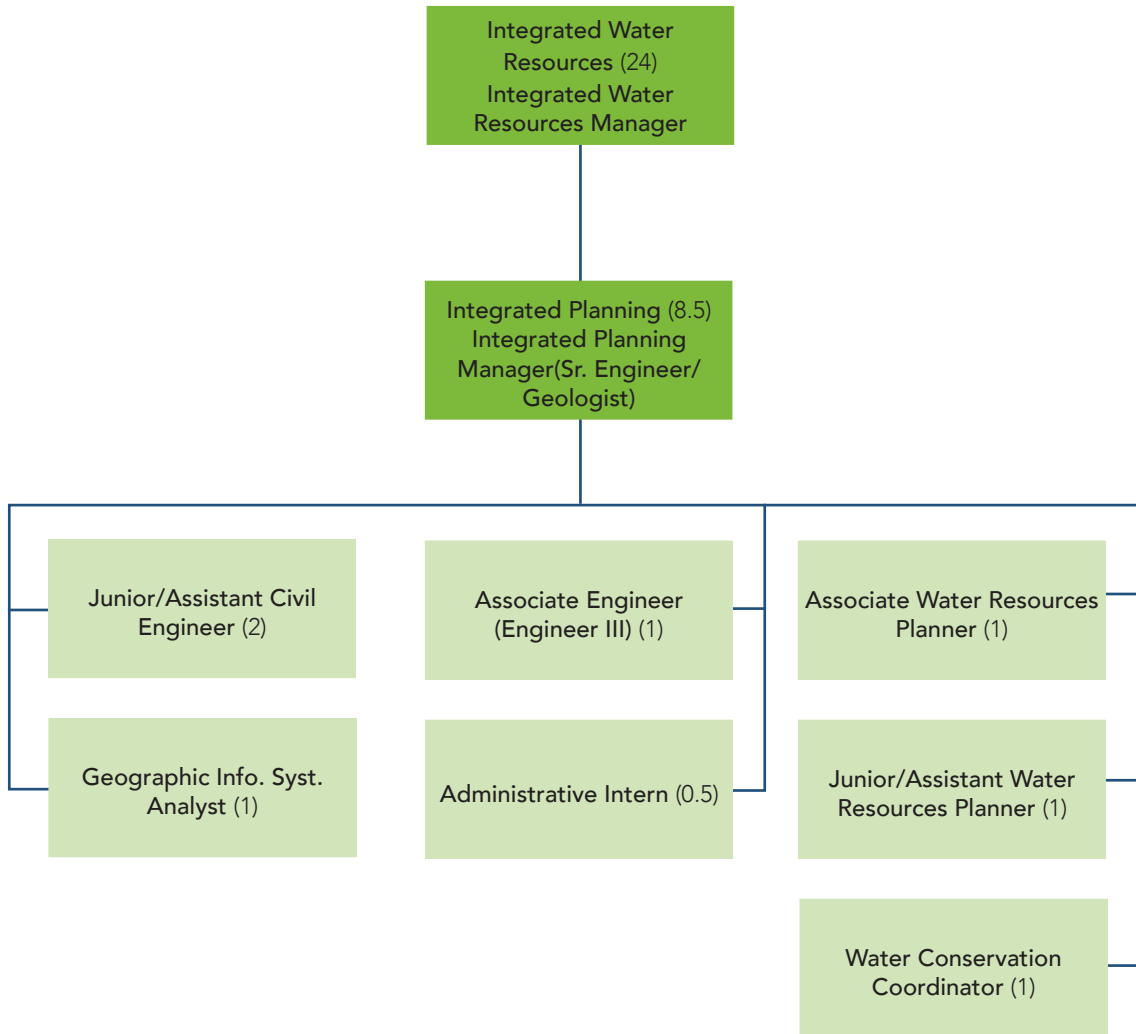
Employee Services Budget by Program

Program	FY 14-15 Actual Amount	FY 15-16 Amended Budget	FY 15-16 End of Year Projections	FY 16-17 Budget	FY 17-18 Budget
Water Utility Support	\$3,405	\$10,500	-	-	-
Supply Source & Conveyance	76,517	187,197	2,365	-	-
Water Storage	255	500	-	-	-
Water Treatment	46,263	12,500	-	-	-
Water Transmission	1,965	-	-	-	-
Central Administration	1,618,304	1,152,301	689,116	775,380	791,642
Flood Protection	388	100	-	-	-
Total	\$1,747,097	\$1,363,098	\$691,481	\$775,380	\$791,642

Integrated Water Resources



Integrated Planning



Integrated Planning

Integrates planning efforts for water supply/quality, water conservation, flood protection, stream management, sustainable groundwater management, watershed protection, and environmental planning activities. Supports other divisions in design review, permitting, project evaluation, and overall program goals. In addition, the group seeks and supports grant efforts to fund Zone 7 programs and projects. Represents the agency to outside organizations and committees.

FY 2016-18 GOALS AND OBJECTIVES

General

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

Water supply

- Update demand forecasts and water conservation tracking
- Explore opportunities to replenish the local groundwater basin, participate in other local storage and replenish groundwater banks in Kern County as part of drought recovery
- Collaborate with the retailers on a potential feasibility study for uses of purified recycled water
- Continue to investigate other alternative water supply sources, such as desalination
- Continue to coordinate with other Bay Area water agencies to enhance regional reliability
- Enhance public understanding of source water supply and quality and the importance of water conservation

Flood protection

- Update the Stream Management Master Plan (SMMP)
- Develop long-term maintenance strategies and procure a multi-year maintenance permit
- Continue to consider potential development agreements for the construction of flood protection facilities
- Continue to represent Alameda County and the Eastern Subregion to the Integrated Regional Water Management group (IRWM) and the Bay Area Flood Protection Agencies Association (BAFPAA)

Watershed protection and other environmental efforts

- Continue to provide support to other Zone 7 departments on planning, environmental, and permitting efforts
- Complete CEQA efforts associated with facility construction and other planning efforts
- Initiate the creation of an asset management plan for stormwater and watershed infrastructure

FY 2015-16 MAJOR ACCOMPLISHMENTS

- Provided presentations regarding Zone 7's Drought Emergency Action Plan to various Councils, Boards, untreated water customers and other public meetings
- Saved 92 acre-feet over the past two years through conservations programs targeting outdoor irrigation
- Completed the Environmental Baseline efforts for the update of the SMMP

- Partnered to complete the initial valley-wide hydrology model for flood protection
- Completed CEQA and environmental permitting for various engineering projects
- Secured grant funding for water conservation through Round 2 of Proposition 84
- Pending grant application for up to \$3.3 million for Emergency Drought Projects and water conservation through Round 3 – Drought of Proposition 84
- Completed biological studies, initiated hydrologic modeling, and met with protestors and regulators to address concerns and protests on the Arroyo Valle Water Right Petition for Extension of Time. Secured the dismissal of one protest from ACWD.
- Helped Zone 7 achieve \$26,000 in reduced energy costs through the DWWT solar power system.
- Helped CUWCC complete the Residential Guide Book on Indoor Water Use Efficiency
- Worked with other Bay Area water agencies to create the “Guiding Principles for Bay Area Regional Reliability” (BARR) partnership.
- Successfully transitioned the overall planning role of the SMMP Update to Flood Control staff in order to facilitate greater buy-in while maintaining a collaborative support team.

WORKLOAD MEASURES:

Integrated Water Resources	FY 12/13 Actual	FY 13/14 Actual	FY 14/15 Actual	FY 15/16 Estimate	FY 16/17 Estimate	FY 17/18 Estimate
Water conservation rebates	-	2,891	3,328	3,100	1,500	1,500
CEQA Documentation for Z-7 projects	20	20	12	12	12	12
Main Basin artificial recharge (AF)	8,677	6,800	2,300	6,000	8,000	9,000
Water from banking programs (AF)	2,000	1,900	19,200	10,000	4,000	3,000

Integrated Planning Staffing Summary

Staff	FY 12/13 Budget	FY 13/14 Budget	FY 14/15 Budget	FY 15/16 Budget	FY 16/17 Budget	FY 17/18 Budget	Change
Manager of Integrated Water Resources	0.00	0.00	0.00	1.00	1.00	1.00	0.00
Senior Engineer/ Geologist	0.00	2.00	2.00	1.00	1.00	1.00	0.00
Associate Engineer (Engineer III)	0.00	2.00	2.00	3.00	1.00	1.00	-2.00
Associate Water Resources Planner	0.00	1.00	1.00	1.00	1.00	1.00	0.00
Junior/Assistant Civil Engineer	0.00	0.00	0.00	0.00	2.00	2.00	2.00
Geographic Info Sys Analyst	0.00	0.00	0.00	0.00	1.00	1.00	1.00
Junior Water Resources Planner	0.00	1.00	1.00	1.00	1.00	1.00	0.00
Water Conservation Coordinator	0.00	1.00	1.00	1.00	1.00	1.00	0.00
Administrative Student Intern	0.00	0.50	0.50	0.50	0.50	0.50	0.00
Integrated Planning Total	0.00	7.50	7.50	8.50	9.50	9.50	1.00

STAFFING CHANGES

Moved 1 FTE Geographic Information Systems Analyst from Office of General Manager to Integrated Water Resources. 2 FTE, Associate Engineer III are now soft hiring freeze positions. Added 2 FTE Junior/Assistant Civil Engineer.

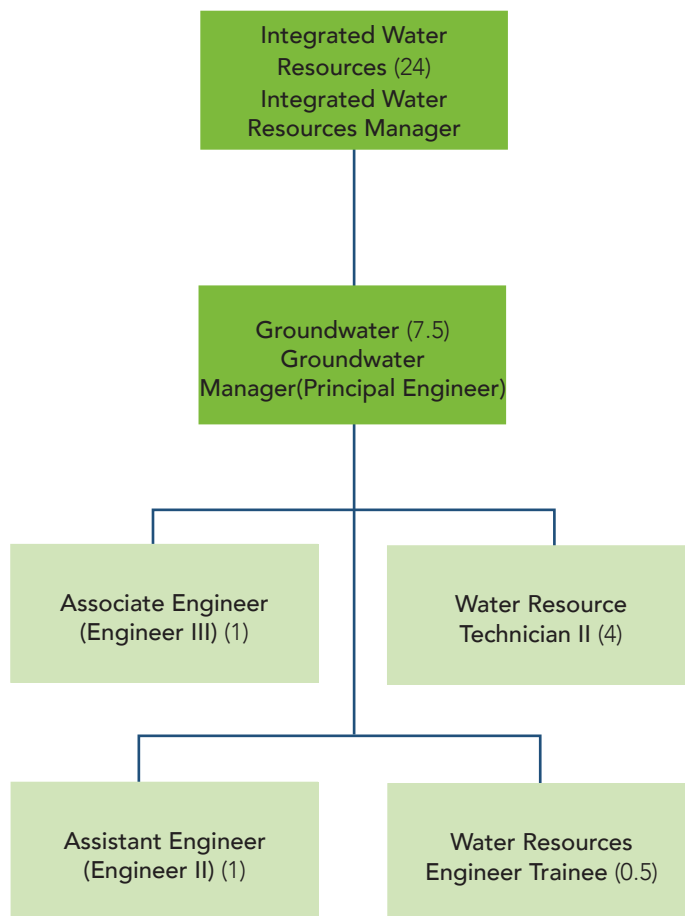
Integrated Planning Budget by Fund

Fund	FY 14-15 Actual Amount	FY 15-16 Amended Budget	FY 15-16 End of Year Projections	FY 16-17 Budget	FY 17-18 Budget
Fund 100 - Water Enterprise	\$1,284,068	\$1,634,520	\$1,334,974	\$6,926,804	\$6,765,469
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	132,052	601,000	302,850	279,858	87,360
Fund 130 - Water Expansion	168,719	790,000	-	911,267	1,240,566
Fund 200 - Flood Protection	446,905	1,197,010	705,961	1,321,222	4,092,429
Fund 210 - Flood Protection & Stormwater Drainage	143,525	549,230	335,443	1,335,158	4,338,170
Total	\$2,175,268	\$4,771,760	\$2,679,228	\$10,774,309	\$16,523,994

Integrated Planning Budget by Program

Fund	FY 14-15 Actual Amount	FY 15-16 Amended Budget	FY 15-16 End of Year Projections	FY 16-17 Budget	FY 17-18 Budget
Water Utility Support Services	\$457,226	\$715,167	\$567,173	\$877,713	\$5,851,446
Supply Source & Conveyance	786,835	1,934,974	506,957	5,108,036	709,739
Water Storage	41,259	32,568	10,357	758,972	14,247
Water Treatment	7,188	1,726	6,774	1,135	1,169
Central Administration	292,332	341,085	273,689	357,254	357,312
Flood Protection	590,430	1,746,240	1,041,404	1,482,465	4,290,270
Capital Projects	-	-	272,874	2,188,734	5,299,811
Total	\$2,175,268	\$4,771,760	\$2,679,228	\$10,774,309	\$16,523,994

Groundwater



Groundwater

Groundwater oversees sustainable groundwater management for the Agency, develops and manages Zone 7's local water resource programs and investigations such as its groundwater, surface water and rainfall monitoring and analysis. Section staff provides well permitting and construction inspections; tracks clean-up progress of groundwater contamination sites; and monitors groundwater and surface water supplies and quality. Groundwater also assists on capital projects involving groundwater and surface water pumping, conveyance, recharge and monitoring facilities.

FY 2016-18 Goals and Objectives

Protect and manage the groundwater resources:

- Explore the potential for submitting Zone 7's Groundwater Management Plan or a revised version, as an acceptable "Alternative GSP," submitting it by December 31, 2016 if it is appropriate.
- Notify state of intent to be GSA
- Continue to implement and improve the groundwater management programs for optimized use of the groundwater basin while minimizing the impacts, including any future salt or nutrient degradation of the stored groundwater resources.
- Report status and results of Groundwater Management Program (including salt and nutrient management component) to interested parties and agencies, including Retailers and the Water Board.
- Continue monitoring groundwater levels verifying that levels have not dropped below the historic low level anywhere in the groundwater basin.
- Continue to implement Alameda County's amended well ordinance in eastern Alameda County, including application of special permit requirements and permit fee program.
- Guard against excessive nutrient loading to the groundwater basin by supporting the Water Board and County's Local Area Management Plan (LAMP) for onsite wastewater treatment systems (OWTS) and by investigating and/or mitigating other potentially significant nutrient sources, where appropriate.
- As the Groundwater Sustainability Agency (GSA) for the Livermore Valley Groundwater Basin, convene periodic stakeholder meetings to update them about the Groundwater Sustainability Plan (GSP) progress, and to receive input from them.

FY 2015-16 Major Accomplishments

- Prepared annual Groundwater Management Program Report for Water Year 2014.
- Completed a Nutrient Management Plan (NMP) for the Livermore Valley Groundwater Basin. (Received acknowledgement from the Regional Water Quality Control Board that the NMP satisfies the Recycled Water Policy provision.)
- Completed a study of nitrate occurrences in three South Livermore groundwater areas-of-concern.
- Executed MOU with ACPWA to act as the Administrator of the amended County Water Wells Ordinance for Eastern Alameda County, and implemented its provisions including a new Zone 7 well permit application and fee program.
- Satisfied all CASGEM monitoring and reporting responsibilities for the assigned groundwater basins (Livermore Valley Groundwater Basin and Alameda County portion of the Tracy Sub-basin).
- Established and maintained three new stream gauges and five new rain gages in the Arroyo de La Laguna watershed.

- Initiated real-time monitoring options for select Zone 7 stream gauges and rain gauges using WaterLOG's ® internet cloud-based Storm Central.
- Linked Zone 7's Areal Recharge Model with Zone 7's Stream Recharge model to give results that are balanced with the basin's annual hydrologic inventory.
- Completed a two-year effort updating and recalibrating Zone 7's numeric groundwater model, while receiving reimbursement for more than 90% of the effort expense through a DWR Local Groundwater Assistance grant.

Workload Measures:

Groundwater	FY 12/13 Actual	FY 13/14 Actual	FY 14/15 Actual	FY 15/16 Estimate	FY 16/17 Estimate	FY 17/18 Estimate
Groundwater samples	168	162	158	165	170	170
Groundwater level measurements	864	1012	973	825	825	825

Groundwater Staffing Summary

Staff	FY 12/13 Budget	FY 13/14 Budget	FY 14/15 Budget	FY 15/16 Budget	FY 16/17 Budget	FY 17/18 Budget	Change
Principal Engineer	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Associate Engineer (Engineer III)	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Assistant Engineer (Engineer II)	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Construction Inspector	1.00	1.00	1.00	1.00	0.00	0.00	-1.00
Water Resources Technician II	4.00	3.00	3.00	4.00	4.00	4.00	0.00
Water Resources Engineer Trainee	0.00	0.00	0.00	0.50	0.50	0.50	0.00
Groundwater Protection Total	8.00	7.00	7.00	8.50	7.50	7.50	-1.00

Staffing Changes

1 FTE Construction Inspector moved to Facilities Engineering.

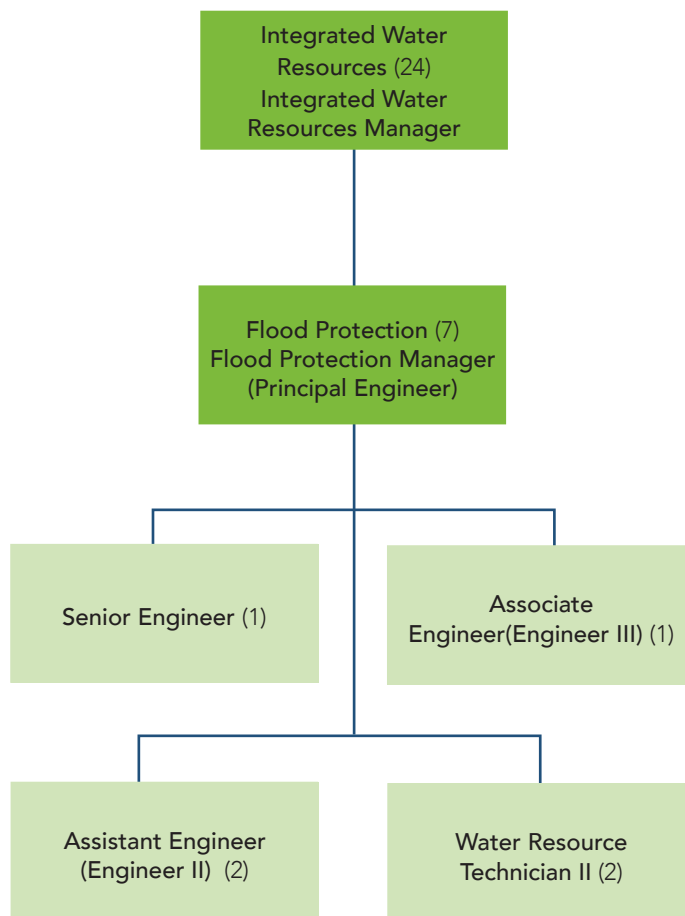
Groundwater Budget by Fund

Fund	FY 14-15 Actual Amount	FY 15-16 Amended Budget	FY 15-16 End of Year Projections	FY 16/17 Budget	FY 17/18 Budget
Fund 100 - Water Enterprise	\$1,211,645	\$1,378,708	\$1,225,666	\$1,430,389	\$1,451,934
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	256,644	110,000	117,431	17,135	157,923
Fund 130 - Water Expansion	99,705	-	-	13,614	14,017
Fund 200 - Flood Protection	38,141	42,813	-	5,526	5,687
Total	\$1,606,135	\$1,531,521	\$1,343,097	\$1,466,664	\$1,629,561

Groundwater Budget by Program

Fund	FY 14-15 Actual Amount	FY 15-16 Amended Budget	FY 15-16 End of Year Projections	FY 16/17 Budget	FY 17/18 Budget
Water Utility Support Services	-	-	\$11,623	-	-
Water Storage	\$1,535,779	\$1,480,584	\$1,225,666	\$1,459,242	\$1,485,762
Water Treatment	24,804	4,220	-	-	-
Water Transmission	2,402	2,110	-	-	-
Central Administration	5,009	1,794	-	1,896	1,953
Flood Protection	38,141	42,813	-	5,526	5,687
Capital Projects	-	-	105,808	-	136,159
Total	\$1,606,135	\$1,531,521	\$1,343,097	\$1,466,664	\$1,629,561

Flood Control



Flood Protection

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

FY 2016-18 GOALS AND OBJECTIVES

- Complete the Stream Management Master Plan (SMMP) Update by identifying all potential projects, prioritizing those projects, and identifying any and all future flood protection funding opportunities to fund those projects. Project specific analysis would proceed following the SMMP Update planning effort.
- Continue to monitor land use activities to ensure new urban development adequately addresses potential flood impacts resulting from its increased runoff.
- Continue to plan and implement a maintenance program with activities directed toward preventing minor problems from becoming major flooding problems, minimizing unnecessary damage to private property through proactive planning, preserving and maximizing flood carrying capacity of existing channels, identifying opportunities for regional detention of storm flows and post-storm rehabilitation of flood protection facilities damaged in storms.
- Embark on efforts to develop a Stream Maintenance Program (SMP) that improves and defines the management and maintenance of flood facilities under Zone 7's authority. The SMP will establish programmatic guidance to conduct maintenance activities and avoid and minimize environmental impacts. The SMP will also provide the organizational framework to oversee routine channel maintenance activities and ensure the program will be compliant with the terms and conditions of its regulatory permits.

FY 2015-16 MAJOR ACCOMPLISHMENTS

- Completed four emergency bank repairs totaling 215 linear feet, 21 soil bioengineering brush walls, 1,030 linear feet of access roadway, 32 outfall structure rehabilitations, 1,850 linear feet of concrete lining repairs and 100 feet of access ramp repair. Total construction cost was \$985,000. In addition, staff managed various maintenance activities such as vegetation management, down tree removal, hydro-seeding, fence and gate repairs, and debris and trash removal, totaling an additional \$500,000.
- As part of the SMMP Update, the system-wide hydrologic and hydraulic two-dimensional models that allow for the identification and prioritization of potential SMMP projects were substantially completed. Staff, with input from various stakeholder entities, to continue to plan and implement key ideas of the SMMP.
- Completed the installation and addition of two stream gages to Zone 7's stream gaging network. The new gages are located in Altamont Creek in Livermore and South San Ramon Creek in Dublin. Further, three rain gages have been added to Zone 7's rain gaging network. They are located in Pleasanton and Livermore. These new gages will provide real time rainfall and flow related information during storm events and daily base flows and temperature readings for environmental studies.
- Volunteers and Living Arroyos staff harvested and planted over 500 willow stakes and performed other maintenance activities along the Arroyo Mocho at the Stanley Reach Project, including watering the newly-planted riparian trees during the summer, applying mulch to over 1,000 oak seedlings, completing nearly one mile of non-native invasive weed removal in the fall, and several stream clean ups following high-flow events in the winter.

- Successfully secured a five-year extension of a Routine Maintenance Agreement with the California Department of Fish and Wildlife to conduct routine flood protection facilities related maintenance activities.
- Partnered with the Alameda County Resources Conservation District on two Altamont Creek sites that were identified as benefiting from water quality improvements such as plantings using native species and willow materials, and would, therefore, be eligible for funding from the U.S. EPA's San Francisco Bay Water Quality Improvement Fund.
- Substantially completed a sediment study to better understand the magnitude of the sediment transport process within the upper Alameda Creek watershed area.

Workload Measures

Flood Protection	FY 12/13 Actual	FY 13/14 Actual	FY 14/15 Actual	FY 15/16 Estimate	FY 16/17 Estimate	FY 17/18 Estimate
Channel miles maintained	37	37	37	38	38	38
Active flood protection & stormwater drainage projects	3	3	3	3	3	4
Design Reviews	16	16	20	20	22	24

Flood Protection Staffing Summary

Staff	FY 12/13 Budget	FY 13/14 Budget	FY 14/15 Budget	FY 15/16 Budget	FY 16/17 Budget	FY 17/18 Budget	Change
Principal Engineer	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Senior Engineer	0.00	0.00	0.00	1.00	1.00	1.00	0.00
Associate Engineer (Engineer III)	2.00	2.00	2.00	1.00	1.00	1.00	0.00
Assistant Engineer (Engineer II)	2.00	1.00	1.00	2.00	2.00	2.00	0.00
Water Resources Technician II	1.00	1.00	1.00	1.00	2.00	2.00	1.00
Flood Control Total	6.00	5.00	5.00	6.00	7.00	7.00	1.00

Staffing Changes

1 FTE Water Resources Technician II, formerly a soft hiring freeze position, was funded.

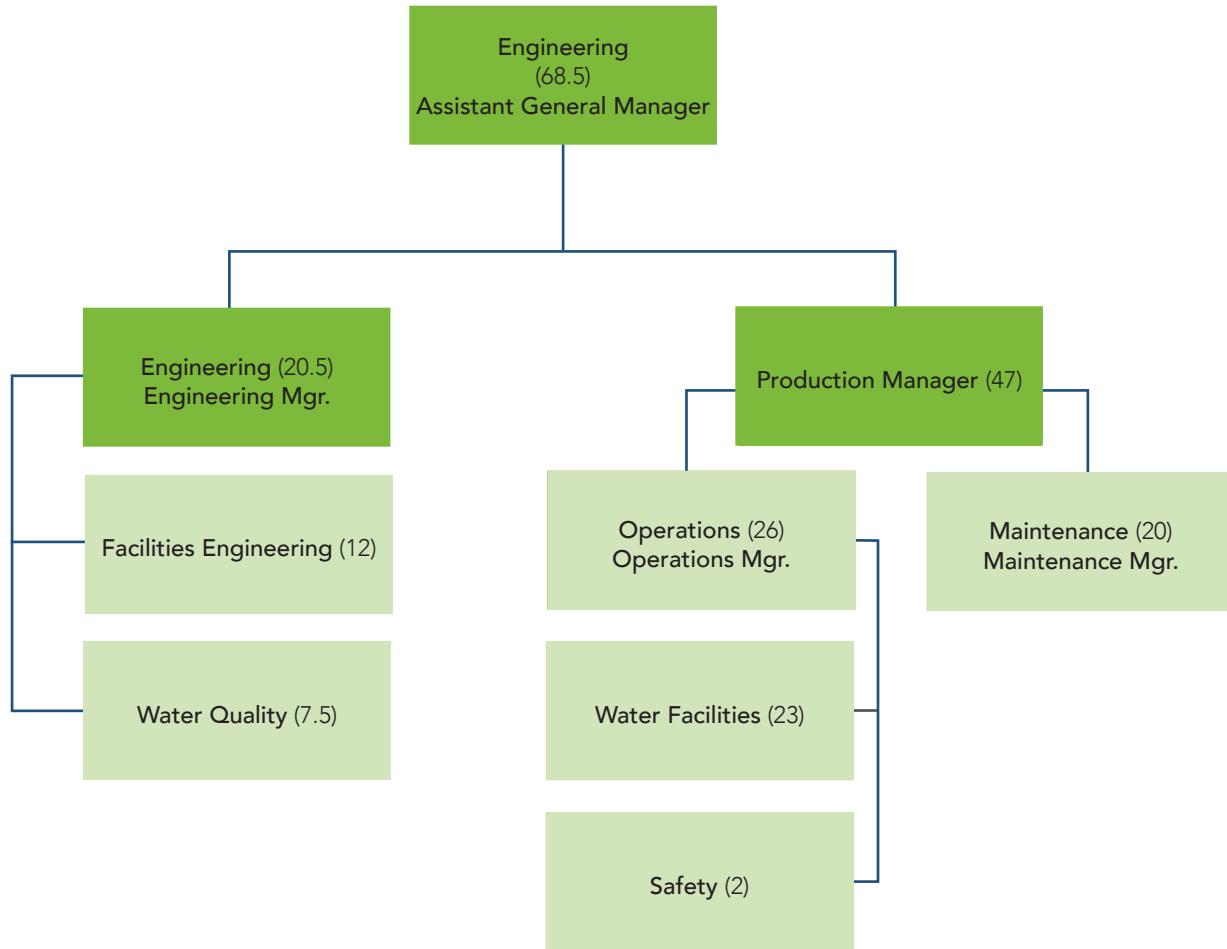
Flood Protection Budget by Fund

Fund	FY 14-15 Actual Amount	FY 15-16 Amended Budget	FY 15-16 End of Year Projections	FY 16-17 Budget	FY 17-18 Budget
Fund 100 - Water Enterprise	\$40,635	\$72,440	\$17,285	\$76,497	\$78,731
Fund 120 - Renewal/Replacement & Systemwide Improvements	856	-	-	-	-
Fund 130 - Expansion	856	-	-	-	-
Fund 200 - Flood Protection	3,073,202	7,919,917	3,371,421	7,111,182	4,647,671
Fund 210 - Flood Protection & Stormwater Drainage	141,779	4,038,777	627,540	1,255,155	154,477
Total	\$3,257,326	\$12,031,134	\$4,016,246	\$8,442,834	\$4,880,879

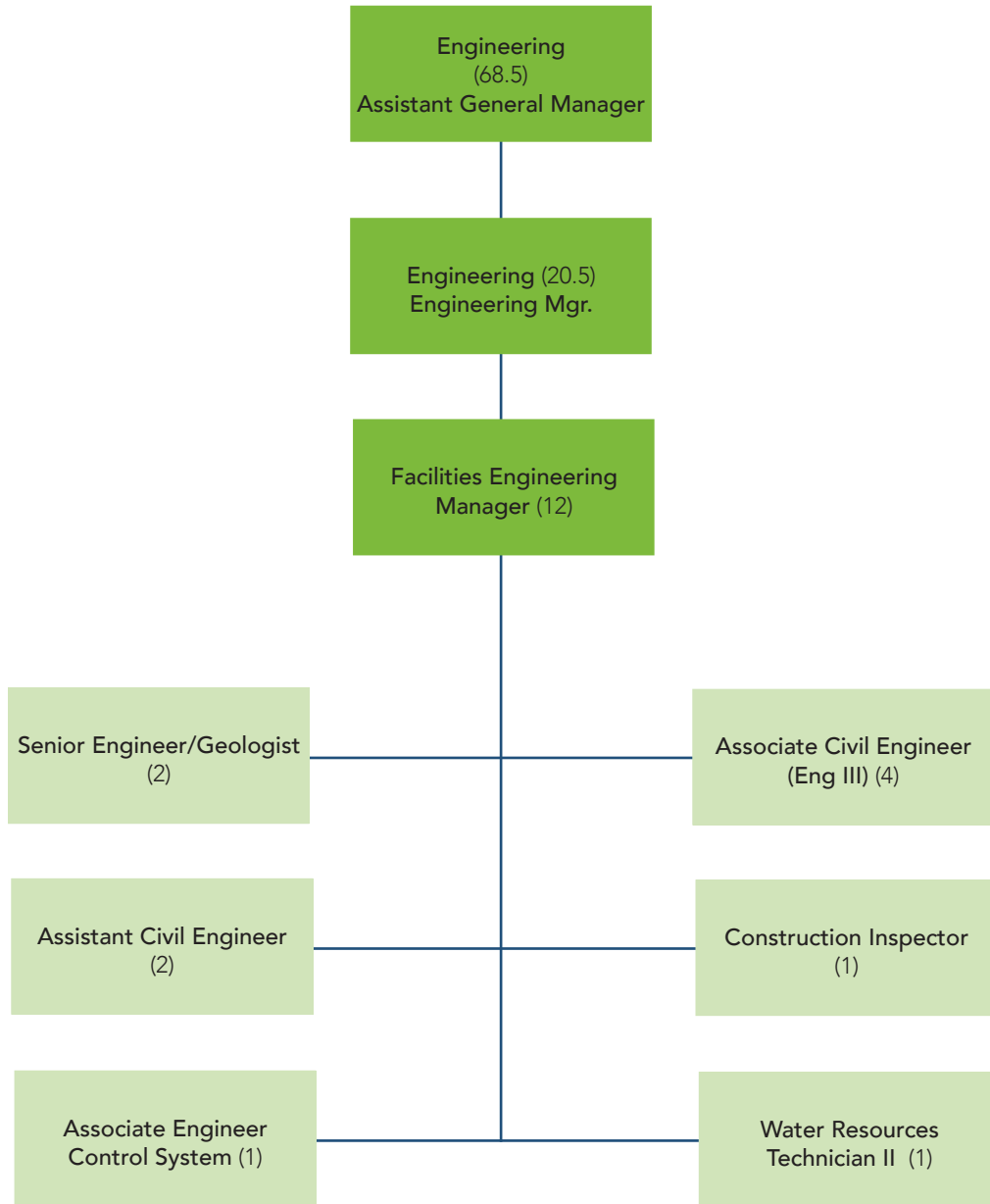
Flood Protection Budget by Program

Fund	FY 14-15 Actual Amount	FY 15-16 Amended Budget	FY 15-16 End of Year Projections	FY 16-17 Budget	FY 17-18 Budget
Water Treatment	1,712	-	-	-	-
Central Administration	40,635	72,440	17,285	76,497	78,731
Flood Protection	3,214,980	11,958,694	3,998,961	7,323,523	4,802,148
Capital Projects	-	-	-	1,042,814	-
Total	\$3,257,326	\$12,031,134	\$4,016,246	\$8,442,834	\$4,880,879

Engineering



Facilities Engineering



Facilities Engineering

Plans, designs and constructs major Capital Improvement Projects (CIP) consisting of water supply, conveyance, production, and delivery facilities for expansion, system-wide improvements and renewal/replacement programs. Also designs and constructs flood control channel improvements. Facilities engineering also manages the agency's Asset Management Programs.

FY 2016-17 GOALS AND OBJECTIVES

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

- Complete design and environmental permitting for the Arroyo Mocho Floodplain and Riparian Forest Restoration Project (Medeiros Pkwy).
- Complete design and environmental review process to begin construction of the PPWTP New Filters and Clearwell.
- Complete design and environmental review process of the DWWTP Ozonation Project.
- Complete the DWWTP Filter Valve Renewal/Replacement Project.
- Complete the Hopyard Well 6/Stoneridge Well Sodium Hypochlorite Tank Renewal/Replacement Project.
- Complete the DWWTP 3 MG Clearwell Roof Replacement Project.
- Complete the Mocho 2 Rehabilitation Project.
- Complete Mocho Groundwater Demineralization Plant De-Mister Modifications Project.
- Complete design of the PPWTP Chemical Systems Replacement Project.
- Complete design of the DWWTP and PPWTP Carbon Dioxide System Project.
- Continue to implement other CIP system-wide improvement and renewal/replacement projects including SCADA infrastructure upgrades/replacements.

FY 2017-18 GOALS AND OBJECTIVES

- Complete construction of the Arroyo Mocho Floodplain and Riparian Forest Restoration Project (Medeiros Pkwy).
- Complete construction of the PPWTP New Filters and Clearwell.
- Start construction of the DWWTP Ozonation Project if funding is available for construction.
- Complete construction of the DWWTP and PPWTP Carbon Dioxide System Project.
- Complete design of the DWWTP Aqua Ammonia Facility.
- Complete design of the DWWTP Parking Lot Repair and Resurfacing Project.
- Complete design of the DWWTP and PPWTP Filter Rehabilitation Project.
- Complete design of the PPWTP Filter Pipe Renewal/Replacement Project.
- Complete the PPWTP Existing Clearwell Improvements Project (Seismic Upgrade).
- Complete the DWWTP 4.5 MG Interior Recoating Clearwell Project.
- Complete construction of the PPWTP Chemical Systems Replacement Project.
- Complete Mocho Well 1 Sanding Investigation.
- Complete construction of the Mocho Well 2 Variable Frequency Drive (VFD) Installation Project.
- Continue to implement other CIP system-wide improvement and renewal/replacement projects including SCADA infrastructure upgrades/replacements.

Assist in other Agency objectives:

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

FY 2015-16 MAJOR ACCOMPLISHMENTS

- Completed the Busch Valley Well 1 Site Vineyard Pipeline Tie-in Project and prepared the site for temporary booster pump station.
- Completed the Stoneridge- Cross Valley Pipeline Isolation Valve and Vault Project.
- Completed the Mocho Groundwater Demineralization Plant, Mocho Well 3 and Mocho Well 4 (Mocho Complex) PWRPA Electrical Installation (Alternative Energy) Project.
- Completed Mocho Well 4 Sodium Hypochlorite Pump Relocation Project.
- Completed DWWTP Centrifuge System Installation Project.
- Completed 5-Year major update of the SCADA system.
- Started conceptual design of the Arroyo Mocho Floodplain and Riparian Forest Restoration Project (Medeiros Pkwy) and started CEQA process.
- Started 5-year update of the Asset Management Plan.
- Started planning and design of the PPWTP New Filters and Clearwell Project.
- Started planning and design of facilities for the DWWTP Ozonation Project.

WORKLOAD MEASURES:

Facilities Engineering	FY 12/13 Actual	FY 13/14 Actual	FY 14/15 Actual	FY 15/16 Estimate	FY 16/17 Estimate	FY 17/18 Estimate
Development reviews	15	20	20	30	33	36
Capital projects (millions)	\$22.8	\$45.1	\$32.5	\$6.9	\$22.6	\$37.4

Facilities Engineering Staffing Summary

Staff	FY 12/13 Budget	FY 13/14 Budget	FY 14/15 Budget	FY 15/16 Budget	FY 16/17 Budget	FY 17/18 Budget	Change
Manager of Engineering	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Principal Engineer	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Senior Engineer/Geologist	2.00	2.00	2.00	2.00	2.00	2.00	0.00
Associate Engineer- Control System	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Associate Civil Engineer (Eng. III)	8.00	6.00	5.00	4.00	4.00	4.00	0.00
Assistant Civil Engineer	0.00	1.00	2.00	2.00	2.00	2.00	0.00
Construction Inspector	0.00	0.00	0.00	0.00	1.00	1.00	1.00
Water Resources Technician III	1.00	0.00	0.00	0.00	0.00	0.00	0.00
Water Resources Technician II	1.00	1.00	2.00	1.00	1.00	1.00	0.00
Facilities Engineering Total	15.00	13.00	14.00	12.00	13.00	13.00	1.00

Staffing Changes

1 FTE, Construction Inspector moved from Groundwater to Facilities Engineering.

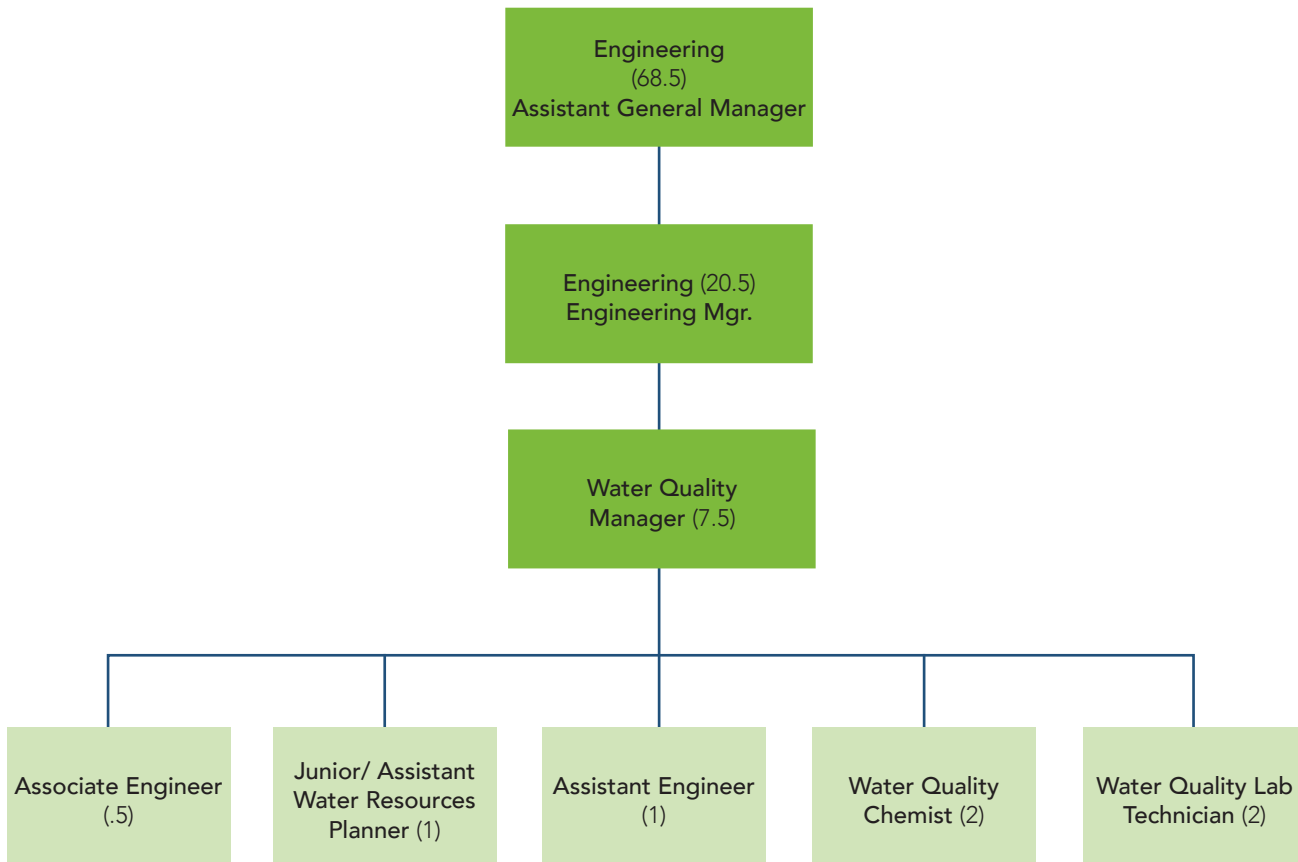
Facilities Engineering Budget by Fund

Fund	FY 14-15 Actual Amount	FY 15-16 Amended Budget	FY 15-16 End of Year Projections	FY 16/17 Budget	FY 17/18 Budget
Fund 100 - Water Enterprise	\$1,645,996	\$1,411,399	\$1,809,623	\$1,709,106	\$1,575,969
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	6,207,619	16,870,000	5,593,465	10,961,074	20,834,686
Fund 130 - Water Expansion	2,028,212	2,062,000	1,304,411	12,396,894	14,672,325
Fund 200 - Flood Control	331,514	2,916,280	408,347	418,993	1,719,779
Fund 210 - Flood Protection & Stormwater Drainage	88,569	214,388	169,747	240,978	1,837,836
Total	\$10,301,910	\$23,474,067	\$9,285,593	\$25,727,045	\$40,640,595

Facilities Engineering Budget by Program

Program	FY 14-15 Actual Amount	FY 15-16 Amended Budget	FY 15-16 End of Year Projections	FY 16-17 Budget	FY17-18 Budget
Water Utility Support Services	\$1,043,642	\$1,361,071	\$1,306,462	\$2,742,031	\$2,692,230
Supply Source & Conveyance	75,407	26,792	79,373	28,314	29,139
Water Storage	223,707	181,965	119,085	37,173	38,263
Water Treatment	8,084,790	14,503,435	1,807,926	418,183	442,061
Water Transmission	313,921	5,290,754	317,209	206,626	212,712
Central Administration	140,361	27,382	37,617	21,159	21,781
Flood Protection	420,083	3,130,668	578,094	486,169	1,834,317
Capital Projects	-	-	5,039,827	21,787,390	35,370,092
Total	\$10,301,910	\$23,474,067	\$9,285,593	\$25,727,045	\$40,640,595

Water Quality



Water Quality

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

FY 2016-18 GOALS AND OBJECTIVES

Reliably provide high quality water:

- Continue providing water that meets all DDW and EPA primary (health-related) standards.
- Coordinate ongoing implementation of various capital improvement projects and activities called out by Zone 7's Water Quality Policy Goals and its Water Quality Management Program, which set forth water targets that are more stringent than primary standards and for a few secondary standards (aesthetic-related parameters) such as hardness, taste and odor.
- Continue to develop Algal Toxins analysis capabilities in WQ Laboratory.
- Continue providing support for investigation of various water supply options and treatment issues, especially for compliance with the hexavalent chromium MCL.
- Continue providing support for planning and implementation of water improvement projects and studies.
- Continue monitoring State and federal regulatory development for drinking water standards.
- Continue to represent Zone 7 and its interests in source water quality collaboration groups, including the Municipal Water Quality Investigation Program (MWQI), the South Bay Contractors Water Quality Task Force, and the Bay Area Regional Consortium for the Coordinated Prevention of Quagga and Zebra Mussels.

FY 2015-16 MAJOR ACCOMPLISHMENTS

- Completed 2016 biennial report for the Water Quality Management Program.
- Obtained amended water supply permit from DDW for the blending operation at the COL Wells in order to meet the hexavalent chromium MCL at COL No. 5.
- Provided support to evaluate alternative coagulant at PPWTP and carbon dioxide at the DWTP.
- Developed microcystin monitoring capability in the laboratory.
- Provided support for treatment and regulatory compliance challenges caused by degrading source water quality from drought conditions, including mitigation of high Trihalomethanes (THMs) in our treated water and preparation of a report to DDW regarding PPWTP's exceedance of the Operational Evaluation Level (OEL) for the THMs in August of 2015.
- Purchased and set up two analytical systems for metals and VOCs (Volatile Organic Chemicals) analyses.

WORKLOAD MEASURES:

Water Quality	FY 12/13 Actual	FY 13/14 Actual	FY 14/15 Actual	FY 15/16 Estimate	FY 16/17 Estimate	FY 17/18 Estimate
Water quality samples analyzed	1,185	1,462	1,519	1,600	1,650	1,750
Bacteriology samples analyzed	1,253	1,294	1,361	1,400	1,450	1,500

Water Quality Staffing Summary

Staff	FY 12/13 Budget	FY 13/14 Budget	FY 14/15 Budget	FY 15/16 Budget	FY 16/17 Budget	FY 17/18 Budget	Change
Associate Engineer (Engineer III)	0.50	0.50	0.50	0.50	0.50	0.50	0.00
Assistant Engineer (Engineer II)	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Junior/ Assistant Water Resources Planner	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Water Quality Manager	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Water Quality Chemist	2.00	2.00	2.00	2.00	2.00	2.00	0.00
Water Quality Lab Technician	2.00	2.00	2.00	2.00	2.00	2.00	0.00
Water Quality Total	7.50	7.50	7.50	7.50	7.50	7.50	0.00

Staffing Changes

No changes.

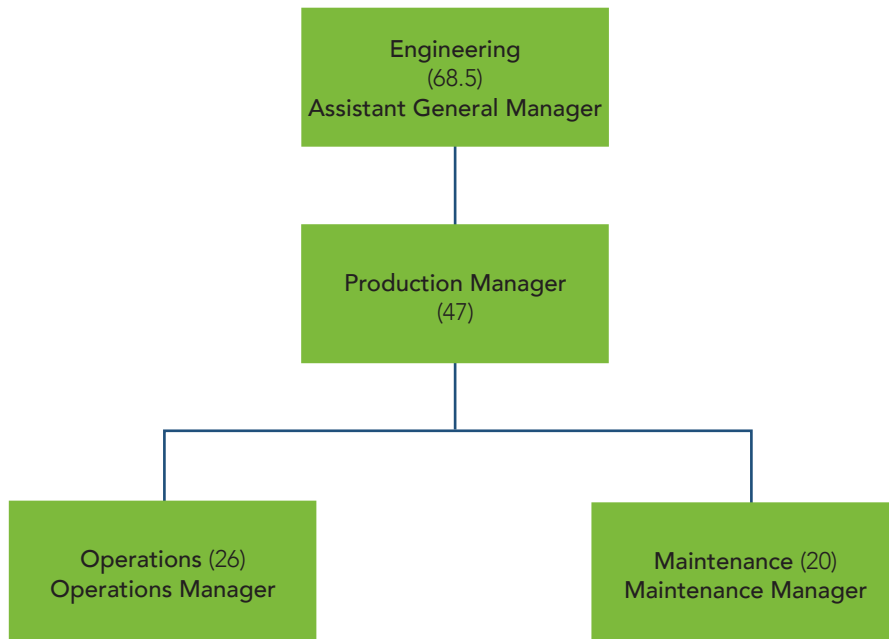
Water Quality Budget by Fund

Fund	FY 14-15 Actual Amount	FY 15-16 Amended Budget	FY 15-16 End of Year Projections	FY 16-17 Budget	FY 17-18 Budget
Fund 100 - Water Enterprise	\$1,448,090	\$1,571,086	\$1,514,213	\$1,605,298	\$1,673,741
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	3,386	141,000	147,822	139,830	142,016
Fund 130 - Water Expansion	3,386	9,000	9,000	11,553	14,681
Fund 200 - Flood Control	600	-	-	-	-
Total	\$1,455,462	\$1,721,086	\$1,671,035	\$1,756,681	\$1,830,438

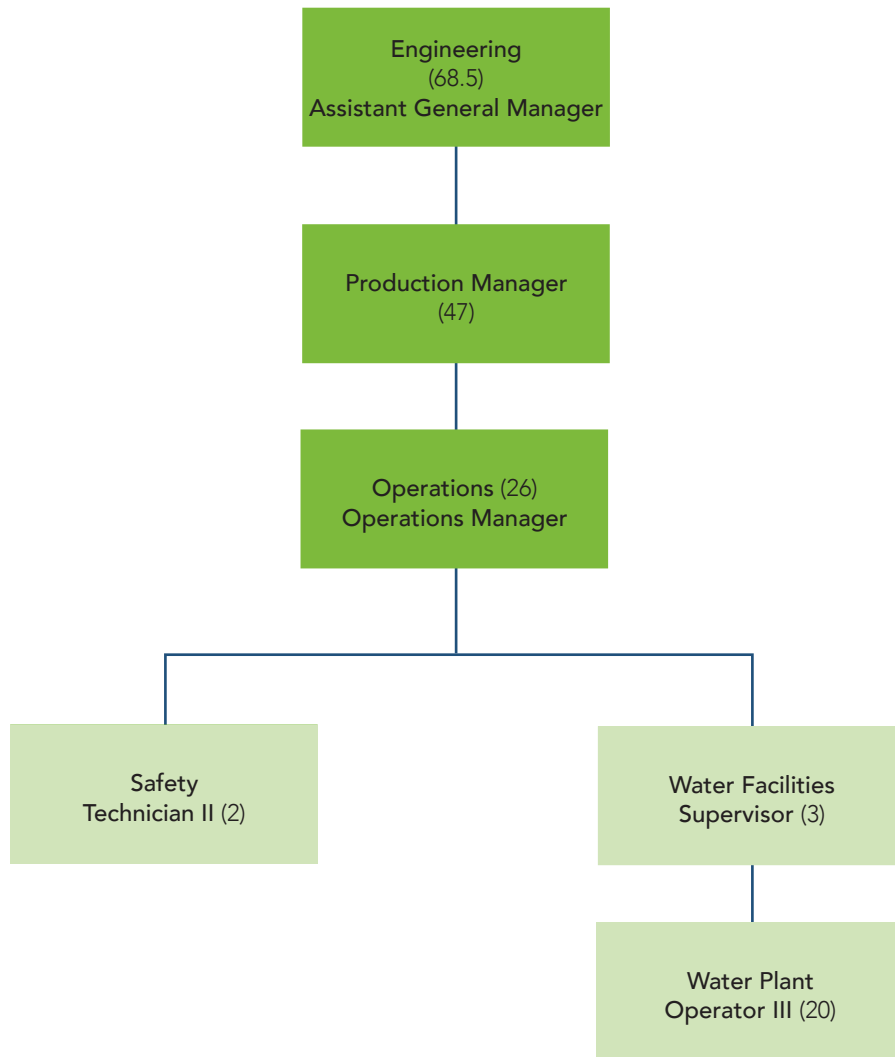
Water Quality Budget by Program

Program	FY 14-15 Actual Amount	FY 15-16 Amended Budget	FY 15-16 End of Year Projections	FY 16-17 Budget	FY 17-18 Budget
Water Utility Support Services	\$1,055,180	\$1,226,801	\$1,169,237	\$1,124,156	\$1,176,414
Supply Source & Conveyance	70,565	78,500	78,902	88,000	89,000
Water Storage	73,870	108,314	73,940	114,482	117,817
Water Treatment	255,248	305,807	226,441	302,514	308,630
Central Administration	-	1,664	-	1,758	1,809
Flood Protection	600	-	-	-	-
Capital Projects	-	-	122,515	125,771	136,768
Total	\$1,455,462	\$1,721,086	\$1,671,035	\$1,756,681	\$1,830,438

Production



Operations



Operations

Operates three surface water treatment plants (Del Valle conventional Water Treatment Plant (WTP), Patterson Pass conventional WTP, and Patterson Pass ultra-filtration WTP), ten wells, one groundwater demineralization plant (MGDP), the transmission system to deliver water to retailers, 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.

FY 2016-18 Goals and Objectives

Meet service and quality requirements of the Agency's customers:

- Deliver water to treated and untreated customers according to approved water delivery requests and as required in the event of unscheduled or emergency situations.
- Meet and/or exceed all drinking water requirements through diligent operation of the Agency's three water treatment plants, ten wells, demineralization plant, and transmission system.
- Conduct safety and environmental compliance planning and training to ensure the continued health and safety of employees:
- Facilitate safety and environmental compliance program improvements throughout the agency while ensuring all California Regulatory and Preventive Programs are adhered to.

FY 2015-16 Major Accomplishments

- Delivered high-quality water to treated customers as required, despite drought conditions.
- Increased Safety training was conducted for Operations staff that included spill response and confined space rescue drills.
- Facilitated Hazard Reviews for DVWTP and PPWTP. Hazard reviews are required every five years per the California Accidental Release Prevention (Cal ARP) Regulations.
- Updated the Risk Management Plans for the Chain of Lakes water treatment facility and MGDP. Updates are required every five years per Cal ARP Regulations.
- Facilitated Certified Unified Program Agency (CUPA) Program Inspections (required to be conducted at least once every three years) at the following facilities:
 - * Chain of Lakes water treatment facility and PPWTP, inspections were conducted by Alameda County Department of Environmental Health.
 - * Well Site Facilities, inspections were conducted by Livermore-Pleasanton Fire Department.

Workload Measures

Operations	FY 12/13 Actual	FY 13/14 Actual	FY 14/15 Actual	FY 15/16 Estimate	FY 16/17 Estimate	FY 17/18 Estimate
Water treated (millions of gallons)	15,400	12,546	9,064	8,872	10,063	10,784

Operations Staffing Summary

Staff	FY 12/13 Budget	FY 13/14 Budget	FY 14/15 Budget	FY 15/16 Budget	FY 16/17 Budget	FY 17/18 Budget	Change
Production Manager	0.00	0.00	0.00	0.00	1.00	1.00	1.00
Operations Manager	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Water Facilities Supervisor	3.00	3.00	3.00	3.00	3.00	3.00	0.00
Secretary	1.00	1.00	1.00	1.00	0.00	0.00	-1.00
Safety Technician II	0.00	0.00	0.00	0.00	2.00	2.00	2.00
Water Plant Operator III	19.00	19.00	19.00	19.00	20.00	20.00	1.00
Operations Total:	24.00	24.00	24.00	24.00	27.00	27.00	3.00

Staffing Changes

2 FTE, Safety Technician II, were transferred from Employee Services. Additionally 1 FTE, Water Plant Operator III, was previously a soft hiring freeze position and now is funded and 1 FTE Production Manager was added.

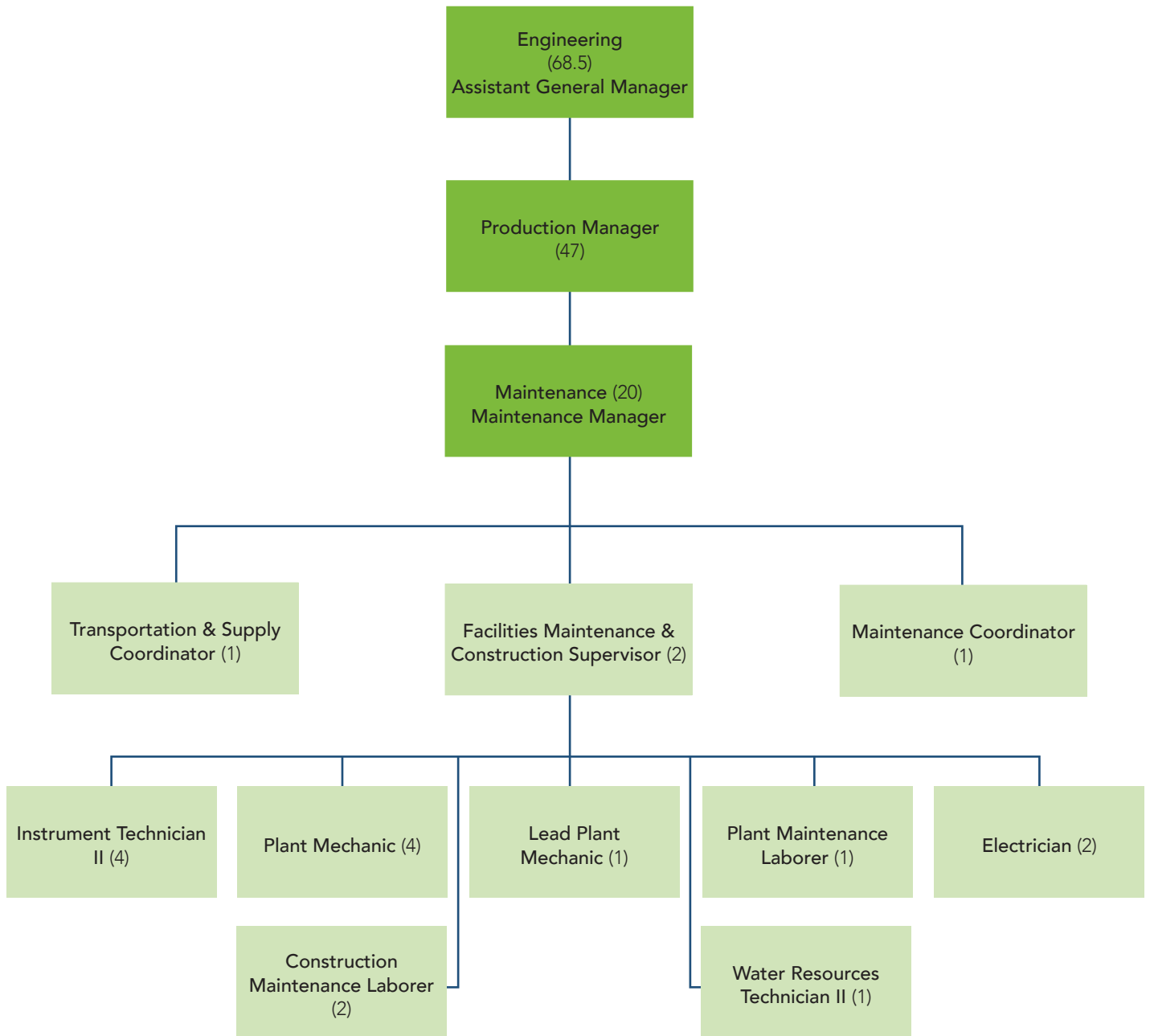
Operations Budget by Fund

Fund	FY 14-15 Actual Amount	FY 15-16 Amended Budget	FY 15-16 End of Year Projections	FY 16/17 Budget	FY 17/18 Budget
Fund 100 - Water Enterprise	\$8,894,318	\$10,223,923	\$7,917,516	\$10,914,072	\$11,285,731
Fund 120 - Renewal/Replacement & Systemwide Improvements	1,821	-	-	-	-
Fund 130 - Expansion	1,569	-	-	-	-
Fund 200 - Flood Control	-	-	399	411	424
Total	\$8,897,709	\$10,223,923	\$7,917,915	\$10,914,483	\$11,286,155

Operations Budget by Program

Fund	FY 14-15 Actual Amount	FY 15-16 Amended Budget	FY 15-16 End of Year Projections	FY 16-17 Budget	FY 17-18 Budget
Water Utility Support Services	\$50,565	\$356,316	\$9,668	\$541,569	\$555,350
Supply Source & Conveyance	4,099	-	0	4,349	4,479
Water Storage	-	-	263	271	279
Water Treatment	8,039,157	8,784,017	7,049,141	9,220,831	9,542,420
Water Transmission	775,936	1,027,685	682,304	810,807	837,079
Central Administration	27,952	55,905	176,140	336,245	346,124
Flood Protection	-	-	399	411	424
Total	\$8,897,709	\$10,223,923	\$7,917,915	\$10,914,483	\$11,286,155

Maintenance



Maintenance

The section provides maintenance and construction services for the entire treated water system (e.g., water treatment plants, wells, demineralization plant, and rate control/pump stations) including mechanical, electrical, and instrumentation services. In addition the section performs underground pipeline repair and maintenance, solids off-hauling and handling; and incidental maintenance support for other sections within the Agency. The Maintenance section also provides fleet management services for all Agency vehicles.

FY 2016-18 Goals and Objectives

In fiscal year 16-17 Maintenance plans to continue daily work as stated above and to perform the same types of work on capital projects, including those originating in Maintenance and assisting as requested on larger projects with Engineering. Among these is the replacement of a flow meter and isolation valve at CWS turnout 5 and to continue installation of new hypochlorite and ammonia chemical feed pumps at our wells. Staff continue working towards a functional inventory and storage system as well.

FY 2015-16 Major Accomplishments

- Replaced Backwash Pump 1 at DVWTP.
- Relocated Hypochlorite feed pumps from Mocho Well 4 into the hypochlorite storage area at the MGD. Work included electrical and control, piping and fabrication, excavation and paving. Facilities Engineering drew up plans and interfaced with regulatory agency. Old system was removed at end of project.
- Installation of a new control valve feeding Dougherty Tank, and the realignment of piping in vault 1611 at the MGD property.
- Replaced revenue flow meters at Pleasanton #7 and California Water Service #10 turnouts, and flow meter at Hopyard Well 9.
- Replaced filter valve actuators on PPWTP filter 2.
- Replaced two air compressors at DVWTP.
- Installed two stream gauges for in Flood Control channels.
- Installed power, signal and piping for DVWTP carbon dioxide (CO₂) system.
- Purchased a transfer trailer to enable hauling of more tons of solids per load to landfill.
- Throughout the year at DVWTP and PPWTP, cleaned drying beds, moved solids from under centrifuge discharge and hauled residual solids to the landfill for disposal.

Workload Measures

Maintenance	FY 12/13 Actual	FY 13/14 Actual	FY 14/15 Actual	FY 15/16 Estimate	FY 16/17 Estimate	FY 17/18 Estimate
Maintenance jobs completed AFTER consolidation of PM work orders	2,500	2,903	3,100	3,300	3,400	3,600

Maintenance Staffing Summary

Staff	FY 12/13 Budget	FY 13/14 Budget	FY 14/15 Budget	FY 15/16 Budget	FY 16/17 Budget	FY 17/18 Budget	Change
Maintenance Manager	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Facilities Maintenance & Construction Supervisor	2.00	2.00	2.00	2.00	2.00	2.00	0.00
Maintenance Coordinator	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Electrician	2.00	2.00	2.00	2.00	2.00	2.00	0.00
Transportation & Supply Coordinator	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Instrument Technician II	4.00	4.00	4.00	4.00	4.00	4.00	0.00
Lead Plant Mechanic	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Plant Mechanic	4.00	4.00	4.00	4.00	4.00	4.00	0.00
Plant Maintenance Laborer	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Water Resources Technician II	0.00	0.00	0.00	1.00	1.00	1.00	0.00
Construction Maintenance Laborers	2.00	2.00	2.00	2.00	2.00	2.00	0.00
Maintenance Total	19.00	19.00	19.00	20.00	20.00	20.00	0.00

Staffing Changes

None.

Maintenance Budget by Fund

Fund	FY 14-15 Actual Amount	FY 15-16 Amended Budget	FY 15-16 End of Year Projections	FY 16/17 Budget	FY 17/18 Budget
Fund 100 - Water Enterprise	\$4,546,233	\$5,670,148	\$4,306,705	\$4,623,060	\$4,721,710
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	468,018	360,000	-	736,513	784,679
Fund 130 - Expansion	1,510	-	-	-	-
Fund 200 - Flood Protection	29,859	35,855	68,947	30,008	30,192
Total	\$5,045,620	\$6,066,003	\$4,375,652	\$5,389,581	\$5,536,581

Maintenance Budget by Program

Program	FY 14-15 Actual Amount	FY 15-16 Amended Budget	FY 15-16 End of Year Projections	FY 16-17 Budget	FY17-18 Budget
Water Utility Support Services	\$1,771,850	\$2,151,245	\$1,730,473	\$1,941,453	\$1,974,469
Water Storage	35,953	98,403	47,457	98,548	101,066
Water Treatment	2,874,379	2,968,905	2,221,466	2,492,511	2,548,096
Water Transmission	315,204	639,385	283,071	479,027	488,168
Central Administration	18,376	172,210	24,238	31,500	31,500
Flood Protection	29,859	35,855	68,947	30,008	30,192
Capital Projects	-	-	-	316,534	363,090
Total	\$5,045,620	\$6,066,003	\$4,375,652	\$5,389,581	\$5,536,581



A P P E N D I X A

R E S E R V E P O L I C Y

ZONE 7 WATER AGENCY

RESERVE POLICY

**ADOPTED BY THE
ZONE 7 BOARD ON APRIL 17, 2013**

ZONE 7 WATER AGENCY

RESERVE POLICY

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.



A P P E N D I X B

F I N A N C I A L M A N A G E M E N T F R A M E W O R K

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.



A P P E N D I X C

P O S I T I O N D E T A I L

POSITION DETAIL, FISCAL YEARS 2013-2018 OFFICE OF THE GENERAL MANAGER

Staff	FY 12/13 Budget	FY 13/14 Budget	FY 14/15 Budget	FY 15/16 Budget	FY 16/17 Budget	FY 17/18 Budget	Change
General Manager	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Assistant General Manager	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Assistant General Mgr, Personnel	0.00	1.00	1.00	1.00	0.00	0.00	-1.00
Assistant General Mgr, Finance	0.00	0.00	0.00	0.00	1.00	1.00	1.00
Executive Assistant	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Administrative Assistant	2.00	2.00	2.00	2.00	3.00	3.00	1.00
Senior Engineer/ Geologist	2.00	0.00	0.00	0.00	0.00	0.00	0.00
Associate Engineer (Engineer III)	2.00	0.00	0.00	0.00	0.00	0.00	0.00
Associate Water Resources Planner	2.00	0.00	0.00	0.00	0.00	0.00	0.00
Water Conservation Coordinator	1.00	0.00	0.00	0.00	0.00	0.00	0.00
Communications Specialist	1.00	0.00	0.00	0.00	1.00	1.00	1.00
Administrative Student Intern	0.00	1.00	1.00	1.00	1.00	1.00	0.00
Geographic Info Sys Analyst	0.00	0.00	0.00	1.00	0.00	0.00	-1.00
Water Resources Engineer Trainee	1.00	0.00	0.00	0.00	0.00	0.00	0.00
Office of the General Manager	14.00	7.00	7.00	8.00	9.00	9.00	1.00
Assistant General Mgr, Finance	1.00	0.00	0.00	1.00	0.00	0.00	-1.00
Financial & Systems Services Manager	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Accounting Manager	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Senior Auditor/ Accountant	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Staff Analyst	2.00	1.50	1.00	2.00	2.00	2.00	0.00
Geographic Info sys Analyst	1.00	0.00	0.00	0.00	0.00	0.00	0.00
Senior Procurement & Contracts Spec	0.00	0.00	0.00	0.00	1.00	1.00	1.00
Buyer I	0.00	0.00	0.00	1.00	1.00	1.00	0.00

Staff	FY 12/13 Budget	FY 13/14 Budget	FY 14/15 Budget	FY 15/16 Budget	FY 16/17 Budget	FY 17/18 Budget	Change
Buyer II	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Office Assistant	0.00	0.50	1.00	0.00	0.00	0.00	0.00
Account Clerk	3.00	3.00	3.00	2.00	2.00	2.00	0.00
Finance	11.00	9.00	9.00	10.00	10.00	10.00	0.00
Assistant General Mgr, Personnel	1.00	0.00	0.00	0.00	0.00	0.00	0.00
Employee Services Manager	0.00	1.00	1.00	1.00	1.00	1.00	0.00
Human Resources Officer II	2.00	1.00	1.00	2.00	2.00	2.00	0.00
Staff Analyst	0.00	0.50	1.00	0.00	0.00	0.00	0.00
Communications Specialist	0.00	1.00	1.00	1.00	0.00	0.00	-1.00
Safety Technician II	2.00	2.00	2.00	2.00	0.00	0.00	-2.00
Employee Services Technician	1.00	1.00	1.00	0.00	0.00	0.00	0.00
Office Assistant	0.00	0.50	0.00	1.00	1.00	1.00	0.00
Employee Services	6.00	7.00	7.00	7.00	4.00	4.00	-3.00
Associate Engineer (Engineer III)	0.50	0.50	0.50	0.50	0.50	0.50	0.00
Assistant Engineer (Engineer II)	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Junior Water Resources Planner	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Water Quality Manager	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Water Quality Chemist	2.00	2.00	2.00	2.00	2.00	2.00	0.00
Water Quality Lab Technician	2.00	2.00	2.00	2.00	2.00	2.00	0.00
Water Quality	7.50	7.50	7.50	7.50	7.50	7.50	0.00
Manager of Integrated Water Resources	0.00	0.00	0.00	1.00	1.00	1.00	0.00
Senior Engineer/ Geologist	0.00	2.00	2.00	1.00	1.00	1.00	0.00
Associate Engineer (Engineer III)	0.00	2.00	2.00	3.00	1.00	1.00	-2.00
Associate Water Resources Planner	0.00	1.00	1.00	1.00	1.00	1.00	0.00
Junior/Assistant Civil Engineer	0.00	0.00	0.00	0.00	2.00	2.00	2.00

Staff	FY 12/13 Budget	FY 13/14 Budget	FY 14/15 Budget	FY 15/16 Budget	FY 16/17 Budget	FY 17/18 Budget	Change
Geographic Info Sys Analyst	0.00	0.00	0.00	0.00	1.00	1.00	1.00
Junior Water Resources Planner	0.00	1.00	1.00	1.00	1.00	1.00	0.00
Water Conservation Cordinator	0.00	1.00	1.00	1.00	1.00	1.00	0.00
Administrative Student Intern	0.00	0.50	0.50	0.50	0.50	0.50	0.00
Integrated Planning	0.00	7.50	7.50	8.50	9.50	9.50	1.00
Manager of Engineering	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Principal Engineer	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Senior Engineer/ Geologist	2.00	2.00	2.00	2.00	2.00	2.00	0.00
Associate Engineer- Control System	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Associate Civil Engineer (Engineer III)	8.00	6.00	5.00	4.00	4.00	4.00	0.00
Assistant Civil Engineer	0.00	1.00	2.00	2.00	2.00	2.00	0.00
Construction Inspector	0.00	0.00	0.00	0.00	1.00	1.00	1.00
Water Resources Technician III	1.00	0.00	0.00	0.00	0.00	0.00	0.00
Water Resources Technician II	1.00	1.00	2.00	1.00	1.00	1.00	0.00
Facilities Engineering	15.00	13.00	14.00	12.00	13.00	13.00	1.00
Principal Engineer	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Associate Engineer (Engineer III)	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Assistant Engineer (Engineer II)	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Construction Inspector	1.00	1.00	1.00	1.00	0.00	0.00	-1.00
Water Resources Technician II	4.00	3.00	3.00	4.00	4.00	4.00	0.00
Water Resources Engineer Trainee	0.00	0.00	0.00	0.50	0.50	0.50	0.00
Groundwater	8.00	7.00	7.00	8.50	7.50	7.50	-1.00
Production Manager	0.00	0.00	0.00	0.00	1.00	1.00	1.00

Staff	FY 12/13 Budget	FY 13/14 Budget	FY 14/15 Budget	FY 15/16 Budget	FY 16/17 Budget	FY 17/18 Budget	Change
Operations Manager	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Water Facilities Supervisor	3.00	3.00	3.00	3.00	3.00	3.00	0.00
Secretary	1.00	1.00	1.00	1.00	0.00	0.00	-1.00
Safety Technician II	0.00	0.00	0.00	0.00	2.00	2.00	2.00
Water Plant Operator III	19.00	19.00	19.00	19.00	20.00	20.00	1.00
Operations	24.00	24.00	24.00	24.00	27.00	27.00	3.00
Maintenance Manager	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Facilities Maint & Constr Supervisor	2.00	2.00	2.00	2.00	2.00	2.00	0.00
Maintenance Coordinator	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Electrician	2.00	2.00	2.00	2.00	2.00	2.00	0.00
Transportation & Supply Coordinator	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Instrument Technician II	4.00	4.00	4.00	4.00	4.00	4.00	0.00
Lead Plant Mechanic	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Plant Mechanic	4.00	4.00	4.00	4.00	4.00	4.00	0.00
Plant Maint Laborer	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Water Resources Technician II	0.00	0.00	0.00	1.00	1.00	1.00	0.00
Construction Maintenance Laborers	2.00	2.00	2.00	2.00	2.00	2.00	0.00
Maintenance	19.00	19.00	19.00	20.00	20.00	20.00	0.00
Principal Engineer	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Senior Engineer	0.00	0.00	0.00	1.00	1.00	1.00	0.00
Associate Engineer (Engineer III)	2.00	2.00	2.00	1.00	1.00	1.00	0.00
Assistant Engineer (Engineer II)	2.00	1.00	1.00	2.00	2.00	2.00	0.00
Water Resources Technician II	1.00	1.00	1.00	1.00	2.00	2.00	1.00
Flood Protection	6.00	5.00	5.00	6.00	7.00	7.00	1.00
AGENCY TOTAL	110.50	106.00	107.00	111.50	114.50	114.50	3.00



A P P E N D I X D

A C R O N Y M S & G L O S S A R Y

Acronyms

This list of acronyms was assembled to provide a more thorough understanding of this publication and to augment the many industry-specific terms and titles employed in the daily work of the Agency.

ACH	Automated Clearing House	DMS	Document Management System
ACERA	Alameda County Employees Retirement Association	DWR	Department of Water Resources
ACMEA	Alameda County Management Employees Association	EAP	Employee Assistance Program
ACWA	Association of California Water Agencies	EPA	Environmental Protection Agency
ADR	Automated Demand Response	FCC	Federal Communication Commission
AF	Acre-Foot	FEMA	Federal Emergency Management Agency
AOB	Area of Benefit	FIRMS	Flood Insurance Rate Maps
AQMD	Air Quality Management District	FSA	Flexible Spending Account
ARC	Annual Required Contribution	FTE	Full-Time Equivalent
AWWA	American Water Works Association	GAAP	Generally Accepted Accounting Principles
BDCP	Bay Delta Conservation Plan	GASB	Governmental Accounting Standards Board
BIA	Bureau of Indian Affairs	GFOA	Government Finance Officers Association
BLM	Bureau of Land Management	GHG	Green House Gas
BPS	Booster Pump Station	GIS	Geographic Information System
CAD	Computer-Aided Design	GPS	Global Positioning System
CAFR	Comprehensive Annual Financial Report	HMI	Human Machine Interface
CARB	California Air Resources Board	HP	Horse Power
CCF	One Hundred Cubic Feet	HVAC	Heating, Ventilation and Air Conditioning
CCTV	Closed Circuit Television	I/O	Input/Output
CEQA	California Environmental Quality Act	IP	Internet Protocol
CIP	Capital Improvement Plan	IRWMP	Integrated Regional Water Management Plan
COLAS	Cost-of-Living Adjustments	IS	Information Systems
COP	Certificates of Participation	IVR	Interactive Voice Response
CPI	Consumer Price Index	KW	Kilowatt
CSMFO	California Society of Municipal Finance Officers	LAFCO	Local Agency Formation Commission
CUWA	California Urban Water Agencies	MOU	Memorandum of Understanding
DDW	Division of Drinking Water	MWQI	Municipal Water Quality Investigations
DHCCP	Delta Habitat Conservation and Conveyance Program		

NEPA	National Environmental Protection Act	SCADA	Supervisory Control and Data Acquisition
NPDES	National Pollutant Discharge Elimination System	SCIF	State Compensation Insurance Fund
O&M	Operations and Maintenance	SEIU	Service Employees International Union
OPEB	Other Post-Employment Benefits	SMPZ	Sky Mountain Pressure Zone
OSHA	Occupational Safety & Health Administration	SWP	State Water Project
PDR	Preliminary Design Report	SWSC	Supplemental Water Supply Charge
PEPRA	Public Employee Pension Reform Act	UPBR	United States Bureau of Reclamation
PLC	Programmable Logic Controller	USGS	United States Geological Survey
PPO	Preferred Provider Organization	UWMP	Urban Water Management Plan
PVC	Polyvinyl Chloride	VFD	Variable Frequency Drive
RAC	Replenishment Assessment Charge	VMS	Virtual Memory System
RDA	Redevelopment Agency	VOIP	Voice Over Internet Protocol
RFP	Request for Proposal	VPN	Virtual Private Network
ROW	Right-of-Way	WAN	Wide Area Network
RTU	Remote Terminal Unit	WTP	Water Treatment Plan
		WQL	Water Quality Laboratory

GLOSSARY OF TERMS

The Zone 7 Biennial Fiscal Years 2016 & 2017 Budget contains terminology that is generally unique to the water industry, public finance and budgeting. With this in mind this glossary of terms was assembled for the readers benefit.

ACCRUAL BASIS OF ACCOUNTING: The basis of accounting under which transactions are recognized when they occur, regardless of the timing of cash receipts and disbursements.

ACRE FOOT (AF): The volume of water that will cover one acre to a depth of one foot. One acre foot equals 325,850 gallons. It is estimated that one half an acre foot serves a typical private residence for one year.

ACTIVITIES: The major programs and projects performed by an organizational unit.

APPROPRIATION: An amount of money in the Budget, authorized by the Board of Directors, for expenditure, obligation and reserves within organizational units for specific purposes.

AQUIFER: An underground layer of water bearing permeable rock or unconsolidated materials (gravel, sand, silt) from which groundwater can be extracted.

ASSET: Anything of value such as an area of land, or a building, or an item of plant or equipment or infrastructure that provides service potential or future economic benefits over a period greater than one year and has a cost that is not "immaterial" (at least \$10,000). Assets are typically classified as either physical, "financial" (e.g., cash, stocks, debt instruments), or "intangible" (e.g., intellectual property, goodwill).

ASSET MANAGEMENT: A set of systematic and coordinated activities and practices through which an organization optimally and sustainably manages its assets and asset systems, their associated performance, risks and expenditures over their life cycles for the purpose of achieving its organizational strategic plan.

AUDIT: A comprehensive investigation of the manner in which the government's resources were actually utilized. A financial audit is a review of the accounting system and financial information to determine how government funds were spent and whether expenditures were in compliance with the legislative body's appropriations.

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.

BUREAU OF RECLAMATION (USBR), AND FORMERLY THE UNITED STATES RECLAMATION SERVICE:

An agency under the U.S. Department of the Interior, which oversees water resource management, specifically as it applies to the oversight and/or operation of numerous diversion, delivery, and storage projects it built throughout the western United States for irrigation, water supply, and attendant hydroelectric power generation. California Environmental Quality Act (CEQA): A California statute passed in 1970, shortly after the United States federal government passed the National Environmental Policy Act (NEPA), to institute a statewide policy of environmental protection. CEQA does not directly regulate land uses, but instead requires state and local agencies within California to follow a protocol of analysis and public disclosure of environmental impacts of proposed projects and adopt all feasible measures to mitigate those impacts.

CALIFORNIA STATE WATER PROJECT (SWP): The world's largest publicly built and operated water and power development and conveyance system. The original purpose of the project was to provide water for arid Southern California which lacks adequate local water resources to provide for the growth of that region.

CALIFORNIA WATER FIX: The California Natural Resources Agency has been working with state and federal agencies since 2006 on a plan to secure California's water supplies and improve the Sacramento-San Joaquin Delta's (Delta) ecosystem. In 2015, Governor Jerry Brown announced a major change for the project formerly known as the Bay Delta Conservation Plan (BDCP). The lead state and federal agencies shifted their focus from a habitat conservation plan to permitting, design, and construction of a Delta conveyance facility (California WaterFix), with the majority of ecosystem restoration work now occurring under a separate program, California EcoRestore. California WaterFix maintains the co-equal goals of increasing statewide water supply reliability and, in coordination with California EcoRestore, facilitating increased habitat restoration in the Delta.

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

CHLORINATION: Chlorination is the process of adding the element chlorine to water for oxidation and disinfection. Chlorine systems can use chlorine gas, hypochlorite solution, or onsite hypochlorite generation.

CONVEYANCE SYSTEM: The combination of assets used to deliver an adequate supply of the selected material (water) from one point to another. The conveyance can include piping, pumps, controls (valves), and storage.

DEBT SERVICE FUND: Established to account for annual property tax levies and certain other revenues, primarily interest on investments, which are used for payment of principal and interest of bond issues.

DETENTION BASINS: Shallow "dry" basins are seasonal and dry up in summer. Deeper "wet" basins are ponds that hold water all year round.

DEPRECIATION: The reduction in value of a long lived asset from use or obsolescence. The decline in value is recognized by a periodic allocation of the original cost of the asset to current operations on an income statement.

DELIVERY SYSTEM: The piping, valves, and related assets that convey water from one point in the operation to another. For example, a delivery system can take water from the intake to the plant or from plant to the customer.

DISTRICT: Refers to the Alameda County Flood Control and Water Conservation District, of which Zone 7 is one of the designated service areas. Zone 7 provides water and flood control services.

FUND: A sum of money or other resources, such as taxes, charges, fees, etc., established for conducting specified operations for attaining certain objectives. Funds are frequently under specific limitations.

FUND ACCOUNTING: A governmental account system which is organized and operated on a fund basis.

FUND BALANCE: Fund balance is the excess of assets over liabilities. It is typically divided into three categories. Fund balance may be categorized as (1) reserved – indicating that there are legal restrictions governing the future expenditures, (2) non-discretionary-indicating that the Board of Directors expects to expend it for certain purposes, or (3) discretionary – indicating it is available for expenditures for general governmental purposes.

FLOCCULATION: A process that applies gentle stirring to bring suspended particles together so that they will form larger, more settleable clumps called floc.

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.

GOVERNMENT FINANCE OFFICERS

ASSOCIATION (GFOA): represents public finance officials throughout the United States and Canada. The GFOA's mission is to enhance and promote the professional management of governmental financial resources by identifying, developing, and advancing fiscal strategies, policies, and practices for the public benefit.

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: Is a cost, responsibility, action or procedure that is imposed by one sphere of government on another by way of a 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.

ODOR CONTROL: The elimination of odors by aeration, chemical oxidation, adsorption, or other means.

OPERATING BUDGET: The portion of the budget that pertains to daily operations that provide for basic governmental services. The operating budget contains appropriations for such expenditures as personnel, supplies, utilities, materials, travel and fuel, and does not include purchases of major capital plant or equipment which is budgeted for separately in the Capital Budget.

ORDINANCE: A bill, resolution or order by means of which appropriations are given legal effect. It is the method by which the appropriation of the annual budget is enacted into law by the District Board of Supervisors.

PEAK DEMAND: The experienced or calculated maximum requirements for management of wastewater or delivery of water expressed as a unit of time (year, month, day, hour or minute).

PRESSURE: The amount of force per unit area. In water, this is expressed in pounds per square inch (psi) or an equivalent of the weight of a water column at a specific height (feet) exerted in a confined space.

PRESSURE ZONE: An area within a distribution system in which the pressure is maintained by pumps, tank levels, or regulators independent from any adjacent pressure zone (separated by valves).

QUAGGA MUSSEL. A subspecies of freshwater mussel, an aquatic bivalve mollusk. It is one of seven *Dreissena* species and has an average life span of 3 to 5 years. They are non-native mollusks that wreak havoc on the environment by disrupting the natural food chain. The mussels are filter feeders that can cause a shift in native species and a disruption of the ecological balance of entire bodies of water. The mollusks also pose a dramatic economic threat to California.

RESERVE: An account used to indicate that a portion of a fund's balance is set aside for a specific purpose and is, therefore, not available for general appropriation.

REVENUE: Monies received as income. It includes such items as water sales, fees for services, contributions in aid of construction, grants and interest income. Estimated revenues are those expected to be collected during the fiscal year.

SACRAMENTO-SAN JOAQUIN RIVER DELTA OR CALIFORNIA DELTA: An expansive inland river delta and estuary in Northern California in the United States. The Delta is formed at the western edge of the Central Valley by the confluence of the Sacramento and San Joaquin rivers and lies just east of where the rivers enter Suisun Bay.

SCADA: An acronym that means supervisory control and data acquisition, referring to a system that is a computer monitored alarm, response, control, and data acquisition system used by drinking water facilities to monitor operations.

SUBSIDENCE: The gradual sinking of landforms to a lower level as a result of earth movements.

TELEMETRY: Communication technologies that allow the remote measurement and status reporting of information.

WATER DISTRIBUTION: A network of pipe, pumps, and storage facilities to transport potable water from the source/treatment facility to the consumer.



Zone 7 Water Agency

www.zone7water.com