



ZONE 7 WATER AGENCY

ADOPTED TWO-YEAR BUDGET

FISCAL YEARS 2020-22

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Livermore, CA 94551
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www.zone7water.com



Zone 7 Water Agency

Two-Year Budget for Fiscal Years 2020-2021 & 2021-2022

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ZONE 7 WATER AGENCY
Two-Year Budget for Fiscal Years 2020-22

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

Zone 7 Water Agency

California

For the Biennium Beginning

July 1, 2018

Christopher P. Morill

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 two-year Budget beginning July 1, 2018.

This award is valid for a period of two years only and is the fifth consecutive budget 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.

California Society of Municipal Finance Officers

Certificate of Award

Excellence Award for Fiscal Year 2018-2019 Operating Budget

Presented to the

Zone 7 Water Agency

For meeting the criteria established to achieve the CSMFO Excellence Award for Budgeting.

December 19, 2018



Margaret Moggia

***Margaret Moggia
CSMFO President***

Sara J. Roush

***Sara Roush, Chair
Recognition Committee***

Dedicated Excellence in Municipal Financial Reporting

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, 2019. 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 Fourth consecutive year that Zone 7 has achieved this prestigious award. As Zone 7 has begun a two-year budget cycle, the award will be competed for every other year.



WATER SUPPLY · WATER QUALITY · FLOOD PROTECTION

AGENCY INTRODUCTION





TRANSMITTAL LETTER

June 18, 2020

Dear Directors,

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

The following document supports and delineates the Zone 7 Water Agency Two-Year Budget for the period July 1, 2020 through June 30, 2022 which was adopted by vote in Board Resolution No. 20-36 on June 17, 2020.

This budget directly supports the newly adopted 2020-2024 Strategic Plan which was also adopted on June 17, 2020. The 5-year Strategic Plan establishes the framework to maintain reliable and high-quality water and flood protection service to the Livermore-Amador Valley, and was developed through a collaborative process with the Board of Directors, management and staff. The Strategic Plan and this budget directly support the Mission to deliver safe, reliable, efficient and sustainable water and flood protection services.

This budget incorporates lessons learned from the combined effects of recent experiences including the historic drought of 2014-2016, flood damages in 2017 and the current significant challenges that face the Agency, especially managing the COVID-19 pandemic and ensuring safety of our employees and reliable delivery of our services. The recent revamp of the treated water rate structure to include a fixed charge component equal to 37.5% in calendar 2019 has significantly improved the Agency finances. In this budget, the Board delayed implementation of a previously approved 6.7% rate increase for calendar 2021 by one year in light of the potential financial impacts of the COVID-19 pandemic on the community. And through all of this, we continue to provide flood protection and high-quality, life-sustaining water for those who live and work in the Livermore-Amador Valley.

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

Respectfully submitted,

Valerie Pryor
General Manager



ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

100 NORTH CANYONS PARKWAY, LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5723

ORIGINATING DIVISION: Administrative Services
CONTACT PERSON: Osborn Solitei

AGENDA DATE: June 17, 2020

SUBJECT: Proposed Two-Year Budget: Fiscal Years 2020-21 & 2021-22

SUMMARY:

- On May 27, 2020, staff presented the Proposed Two-Year Budget for Fiscal Years 2020-21 & 2021-22 at a special Board meeting. Based on the Board’s direction, Staff recommends setting State Water Project Property Taxes in Fund 110 - State Water Project at \$21M in FY 2020-21 and \$22M in FY 2021-22 due to increasing SWP costs. These recommended changes have been incorporated in this revised proposed budget.
- The Proposed Two-Year Budget for Fiscal Years (FY) 2020-22 assumes normal operations for the Operating Budgets (Funds 100, 110, & 200) with no water rate increases for Calendar Year 2021, inflation ranging from 3-5%, and no additional staff. The table below shows the Agency proposed budget for FY 2020-22:

Category	2019-20 Amended Budget	2020-21 Proposed Budget	2021-22 Proposed Budget	% Change (2020-21 vs. 2019-20)	% Change (2020-21 vs. 2021-22)
Revenue	\$144,176,068	\$136,167,330	\$149,576,100	-6%	10%
Expenses	\$243,678,603	\$124,599,744	\$156,651,770	-49%	26%
Reserves*	\$174,514,090	\$253,515,895	\$246,440,224	45%	-3%

*Refers to reserves at year-end

- In light of the financial hardships caused by the current COVID-19 pandemic on the community and ratepayers, staff is proposing the following for the FY 2020-22 Proposed Budget:
 - » **Treated Water Rates:** The Board approved the treated water rates per Resolution No. 18-74 for calendar years 2019, 2020, 2021 and 2022. The Board also approved to revisit the water rates schedule for calendar years 2021 and 2022, through a public process, with any changes adopted by November 2020. The timeline for this process was anticipated to be from May through October. However, given the COVID-19 pandemic and its impact on Tri-Valley residents and businesses, staff reviewed the rates as part of the budget process and recommend the planned treated water rate increase of 6.7% that would have taken effect on January 1, 2021 to be eliminated. Making this decision now would provide some financial certainty for the Retailers and customers and can be used for the Retailers budget and rate processes. use of one-time savings and deferral of work will be used to offset the reduction in revenue.

- » **Untreated Water Rates:** The Agency contracted with a communications firm to facilitate stakeholder workshops for untreated water rates. This process has been impacted by the Shelter in Place order. As a result, staff also recommends that the untreated water rates that would have taken effect on January 1, 2021 for CY 2021 will remain at the same rate as CY 2020 to allow time in the future to conduct the workshops and address untreated water user's concerns about rates. This will also allow for financial certainty for untreated customers who have been directly impacted by the Shelter in Place order. An untreated rate study will be conducted in CY 2021.
- » **State Water Project (SWP) Property Taxes:** Based on the Board's direction, Staff recommends setting SWP Property Taxes in Fund 110 - State Water Project at \$21M in FY 2020-21 and \$22M in FY 2021-22 due to increasing SWP costs.
- » **Connection and Development Fees:** It has been difficult to ascertain the impacts of COVID-19 on development within the service area. In the current fiscal year, we are seeing a reduction in revenue and have reduced the projection for FY 2019-20 by \$7.6M from \$32.6M to \$25M. For the two-year budget, staff proposes to reduce the connections for FY 2020-21 from 1,375 to 825 connections and in FY 2021-22 from 1,823 to 1,094 connections.
- » **Capital Projects:** In the proposed budget, work related to capital improvement projects to maintain water supply infrastructure and work related to providing future water supply reliability will continue.
- » **Per- and polyfluoroalkyl Substances (PFAS):** Currently eight of ten Zone 7 production wells have tested above at least one of the State's notification levels for PFAS and one well has tested above the response levels. This water is blended with other unaffected supplies below response levels before being delivered to our customers. A study is currently underway to look at potential treatment options based on current limits without blending or treatment to lower limits. Staff proposes a placeholder for a capital project in the amount of \$15M in Fund 120 - Water Enterprise Renewal/Replacement & System-wide Improvements for PFAS treatment. This will be funded and implemented over FY 2020-21 and FY 21-22. Staff also proposed \$1M in operations and maintenance costs in Fund 100 - Water Enterprise Operations in FY 21-22 when the proposed capital project comes online.
- Staff recommends these revenue adjustments continue to be discussed with the Finance Committee and the Board after the financial impacts of COVID-19 are better understood. Potential financial impacts from the COVID-19 pandemic includes, but not limited to:
 - » Permanent operational and facilities changes for pandemic situations.
 - » Reductions in connection fee revenues that would require water rates to fund debt service and future increases in pension liabilities due to financial market losses.
 - » Other potential financial impacts to review include pre-funding of long-term pension liabilities, capital and operating cost for PFAS treatment and regulatory increases in State Water Project operating costs.
 - » As part of the two-year budget process, a mid-cycle budget review to be completed before the start of the second fiscal year will be an opportunity to adjust the budget for the potential impacts.

WATER ENTERPRISE OPERATIONS – 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 operations and maintenance fund include water treatment and distribution of potable (drinking) water; distribution of untreated agricultural/irrigation water; and surface water and groundwater management. Water distributed is a combination of locally stored and imported water from the State Water Project. Activities include water treatment; water quality analysis; water resource management and groundwater recharge and protection; maintenance; and water supply planning and engineering.

Category	2019-20 Amended Budget	2020-21 Proposed Budget	2021-22 Proposed Budget	% Change (2020-21 vs. 2019-20)	% Change (2020-21 vs. 2021-22)
Revenue	\$51,980,021	\$55,678,820	\$58,052,014	7%	4%
Expenses	\$51,763,682	\$54,097,757	\$56,927,719	5%	6%
Reserves*	\$14,661,275	\$23,543,959	\$24,668,254	61%	5%
Target Reserve Levels		\$21,788,555	\$23,948,623		
Above/(Below) Target Level		\$1,755,404	\$719,631		

*Refers to reserves at fiscal year-end.

Category	FY 2019-20 Amended Budget	FY 2020-21 Proposed Budget	FY 2021-22 Proposed Budget	%	%
Estimated Beginning of Fiscal Year Reserves	\$14,444,936	\$21,962,896	\$23,543,959	52%	7%
Revenue					
Water Sales	\$51,576,094	\$54,547,361	\$57,258,162	6%	5%
Investment Earnings	217,377	54,409	57,302	-75%	5%
Cost Share Revenue	-	500,000	500,000	-	0%
Grants	-	440,500	50,000	-	-89%
Other Revenue	186,550	136,550	186,550	-27%	37%
Total Revenue	\$51,980,021	\$55,678,820	\$58,052,014	7%	4%
Expenses					
Labor	\$17,206,004	\$17,611,729	\$18,071,919	2%	3%
Water Production	9,502,395	10,478,221	11,207,056	10%	7%
Professional Services	2,567,434	2,947,299	2,627,058	15%	-11%
Potable Reuse Task Order	250,000	250,000	500,000	0%	100%
Alt. Groundwater Sustainability Plan	-	440,500	50,000	-	-89%
Legal Services	324,855	450,000	450,000	39%	0%
County Services	1,314,858	1,148,550	1,181,625	-13%	3%
County Services (Election Expense)	350,000	-	500,000	100%	-
Insurance Services	421,081	505,236	520,393	20%	3%
Maintenance	2,026,777	1,959,763	1,919,172	-3%	-2%
PFAS Treatment	-	-	1,000,000	-	-
Cleaning Services	113,805	175,679	183,679	54%	5%
Communications	178,239	184,726	365,585	4%	98%
Training and Travel	144,569	129,896	130,845	-10%	1%
Water Conservation Program	163,128	145,728	149,728	-11%	3%
Debt Service	3,123,338	3,123,338	3,124,213	0%	0%
Capital Funding and Accumulated Capital Outlay	12,995,328	13,208,777	13,576,531	2%	3%
Other	1,081,871	1,338,315	1,369,915	24%	2%
Total Expenses	\$51,763,682	\$54,097,757	\$56,927,719	5%	6%
Change in Fund Balance (use of reserves)	216,339	1,581,063	1,124,295		
Estimated Ending of Fiscal Year Reserves	\$14,661,275	\$23,543,959	\$24,668,254	61%	5%

FY 2020-21 PROPOSED BUDGET

REVENUE

The FY 2020-21 proposed revenue budget is \$55.7M, 7% higher than the FY 2019-20 Amended Budget of \$51.9M. Revenue highlights and assumptions are summarized below:

- **Water Sales:** Recognizing the potential financial impacts of COVID-19 on rate payers, staff proposes no increases to the treated and untreated water rates in calendar year 2021. Staff has balanced this recommendation against the need to meet debt service coverage ratios as required by bond covenants. The revenue is increasing mostly because water demands are expected to increase by about 1,000 acre-feet. In FY 2020-21 estimated water deliveries are 35,272 acre-feet – an assumed conservation rate of 12%.
- **Interest income:** assumes 0.25% interest earned on funds within the County and Zone 7 treasuries.
- **Cost Share Revenue:** includes contributions from partners and from Fund 310 – Water Supply Reliability Fund for the Potable Reuse Task Order.
- **Grant Reimbursements:** includes Prop 68 Grant awarded by the State of \$0.4M for the 2022 Update of Alternative Groundwater Sustainability Plan.

EXPENSES

The FY 2020-21 proposed expense budget is \$54.1M, 5% higher than FY 2019-20 Amended Budget of \$51.8M. Expense highlights and assumptions are summarized below:

- **Labor:** includes funding for 106.5 FTE positions, which includes filling 26 currently vacant positions. Vacant positions are budgeted at step one, with the lower end of benefits options. The budget also incorporates a 3% cost of living increase approved by the Board.
- **Water Production:** this category is comprised of Water, Utilities and Chemicals:
 - » Water purchases – \$5M which includes \$1.1M for pursuing water transfer opportunities as recommended in the 2019 Water Supply Evaluation Update.
 - » Utility costs – \$3.1M utilities have increased due the DVWTP Ozone plant coming online.
 - » Chemical costs – \$2.4M, based on planned water production and unit cost increases.
- **Professional Services:** see the table below:

Professional Services Category	FY 2020-21 Proposed
IT Services	\$273,529
Temporary Staffing Services	200,000
Communication Services	422,000
Security Guard Services	170,000
Engineering Services	383,200
Water Supply Planning	542,700
Human Resource Services	82,889
Financial Services	248,203
Contingency	250,000
Other	374,778
Total	\$2,947,299

- **Potable Reuse Task Order:** proposed technical studies and other efforts to be jointly funded and managed with Tri-Valley partners as approved by the Board on December 21, 2019.
- **Alternative Groundwater Sustainability Plan:** professional services to complete the Alternative Groundwater Sustainability Plan as authorized by the Board on November 20, 2019 (grant funded).
- **Insurance:** Includes Association of California Water Agencies/ Joint Powers Insurance Authority (ACWA/JPIA general liability insurance (starting on July 1, 2019) and property, cyber and pollution insurance (starting on April 1, 2020). The ACWA/ JPIA budget has increased by 20% as a result:
 - » The FY 2019-20 budget is based on ACWA/JPIA estimates dated March 6, 2019 and is subject to change based upon onboarding and reassessment of liabilities prior to the coverage start dates.
 - » FY 2019-20 budget of \$0.4M includes a full year of general liability and three months of property liability. o FY 2020-21 budget of \$0.5 million includes a full year of general liability, property and pollution insurance.
 - » For comparison, the Agency Insurance budget through the County was budgeted at \$0.7 million for FY 2019-20.
- **Cleaning services:** increased scope to include more frequent cleaning and sanitizing of facilities consistent with CAL-OSHA Cleaning and Disinfecting Protocols to protect employees from COVID-19.
- **Training and Travel:** proposed decrease recognizing that many in-person trainings will shift to online as a result of COVID-19.
- **Other:** includes memberships and dues, office supplies and emergency and safety supplies, Emergency and Safety Supplies includes a significant investment in Personal Protection Equipment of \$0.1M.

RESERVES

Projected reserves at the end of FY 2020-21 are \$23.5M which is \$1.8M above the Board approved target of \$21.7M. The Board has many options for allocating the \$1.8M, which include, but are not limited to:

- Funding reserves at the maximum level (e.g., Emergency Reserves)
- Funding for water shortage conditions
- Additional funds for Water Supply Reliability Projects/Delta Conveyance
- Funding long-term pension liabilities
- Financial impacts of COVID-19

FY 2021-22 PROPOSED BUDGET

REVENUE

The FY 2021-22 proposed revenue budget is \$58M, 4% higher than the FY 2020-21 proposed budget. Revenue highlights and assumptions are summarized below:

- **Water Sales:** recognizing the potential financial impacts of COVID-19 on rate payers, staff has proposed no water increases in 2021. For 2022, the 6.7% increase approved for 2021 rates will be implemented in 2022. Proposed revenue is increasing mostly because water demands are expected to increase by about 1,000 acre-feet. In FY 2021/22 estimated water deliveries are 36,312 acre-feet – an assumed conservation rate of 10%.
- **Interest income:** assumes 0.25% interest earned on funds within the County and Zone 7 treasuries.
- **Cost Share Revenue:** includes contributions from partners and from Fund 310 – Water Supply Reliability Fund for the Potable Reuse Task Order.
- **Grant Reimbursements:** includes Prop 68 Grant awarded by the State of \$0.1M for the 2022 Update of Alternative Groundwater Sustainability Plan

EXPENSES

The FY 2021-22 proposed expense budget is \$56.9M, 5% higher than FY 2020-21 proposed budget. Expense highlights and assumptions are summarized below:

- **Labor:** incorporates a 3% cost of living increase approved by the Board.
- **Water Production:** this category comprised of Water, Chemicals and Utilities.
 - » Water purchases – \$5M which includes \$1.1M for continued pursuit of water transfer opportunities as endorsed by the Water Resources Committee.
 - » Utility costs – \$3.1M utilities have increased due the DVWTP Ozone plant coming online.
 - » Chemical costs – \$2.9M are based on planned water production and unit cost increases.
- **County Services (election expenses):** budget includes \$0.5M for the 2022 election for 4 Board seats.
- **Professional Services:** see the table below:

Professional Services Category	FY 2020-21 Proposed
IT Services	\$285,338
Temporary Staffing Services	200,000
Communication Services	378,000
Security Guard Services	180,000
Engineering Services	383,200
Water Supply Planning	353,480
Human Resource Services	83,876
Financial Services	207,196
Contingency	250,000
Other	305,968
Total	\$2,627,058

- **Potable Reuse Task Order:** proposed technical studies and other efforts to be jointly funded and managed with Tri-Valley partners as approved by the Board on December 21, 2019.
- **Alternative Groundwater Sustainability Plan:** professional services to complete the Alternative Groundwater Sustainability Plan as authorized by the Board on November 20, 2019.
- **PFAS treatment:** \$1M is proposed for treatment expenses at Zone 7 wells that have exceeded the response level for PFAS. As study is currently underway to develop treatment options. If treatment is implemented, the expenses would be allocated to other accounts such as chemicals or utilities. Until more specific information is known, the expenses are budgeted in this account for transparency.
- **Communications:** proposed budget includes \$0.2M for the purchase of an additional twenty emergency handheld radios for field workers. Staff will use the emergency radios in natural disasters and emergency situations such as: earthquakes and the recent Public Safety Power Shutdowns. The first set of the emergency handheld radios was approved by the Board under Resolution No. 19-20 dated November 20, 2019 was for critical personnel in the field. The FY 2020-21 additional twenty emergency handheld radios is for more agency personnel that will need to maintain business continuity for primary and secondary functions in a prolonged emergency, not just critical functions. Also, COVID-19 has increase the need to disinfect shared equipment and therefore, more handheld radios are need for staff use in the field.

RESERVES

Projected reserves at the end of FY 2021-22 are \$24.7M which is \$0.7M above the Board approved target of \$24M. The Board has many options for allocating the \$0.7M, which include, but are not limited to:

- Funding reserves at the maximum level (e.g., Emergency Reserves)
- Funding for water shortage conditions
- Additional funds for Water Supply Reliability Projects/Delta Conveyance
- Funding long-term pension liabilities
- Financial impacts of COVID-19

On May 15, 2019 the Board adopted Resolution No. 19-37, approving a revised reserve policy which eliminated Drought Contingency and Rate Stabilization Reserve and created a Reserve for Economic Uncertainties. The policy is summarized in the following table:

Reserve		Policy
Operating	Minimum	60 days of operating expenses
	Target	90 days of operating expenses
	Maximum	120 days of operating expenses
Emergency	Minimum	2% of Water Enterprise Assets
	Target	2.5% of Water Enterprise
	Maximum	3% of Water Enterprise Assets
Economic Uncertainties	Minimum	10% of budgeted volumebased water sales
	Target	15% of budgeted volumebased water sales
	Maximum	20% of budgeted volumebased water sales

The tables below detail the two-year proposed budget reserve amounts at Minimum, Target and Maximum levels.

Fund 100 Reserves FY 2020-21 Proposed Budget	Minimum	Target	Maximum
Operating Reserves	\$6,208,051	\$9,312,076	\$12,416,101
Emergency Reserves	4,729,969	5,912,461	7,094,954
Reserve for Economic Uncertainties	3,042,678	4,564,018	6,085,357
Assigned for Water Supply Reliability Projects*	2,000,000	2,000,000	2,000,000
Total Reserves	\$15,980,698	\$21,788,555	\$27,596,412

Fund 100 Reserves FY 2021-22 Proposed Budget	Minimum	Target	Maximum
Operating Reserves	\$6,612,653	\$9,918,980	\$13,225,307
Emergency Reserves	4,871,868	6,089,835	7,307,802
Reserve for Economic Uncertainties	3,293,205	4,939,808	6,586,410
Assigned for Water Supply Reliability Projects*	3,000,000	3,000,000	3,000,000
Total Reserves	\$17,777,727	\$23,948,623	\$30,119,519

*In October 2018, the Board approved collection of \$3M for Water Supply Reliability projects by FY 2021-22. The Board did not establish a separate reserve for the Water Supply Reliability projects; however, the balance is shown in the table above for tracking purposes.

STATE WATER FACILITIES – 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. 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.

Category	FY 2019-20 Amended Budget	FY 2020-21 Proposed Budget	FY 2021-22 Proposed Budget	%	%
Estimated Beginning of Fiscal Year Reserves	\$26,447,963	\$28,680,439	\$29,524,631	8%	3%
Revenue					
Dougherty Valley Surcharge	2,024,319	2,068,898	2,251,888	2%	9%
State Water Project Property Taxes	20,150,000	21,150,000	22,150,000	5%	5%
Other Revenue	51,100	51,100	51,100	0%	0%
Investment Earnings	379,421	72,755	72,025	-81%	-1%
DWR Refunds	3,097,123	3,177,022	3,333,444	3%	5%
Total Revenue	25,701,963	26,519,775	27,858,457	3%	5%
Expenses					
State Water Project	27,628,997	\$25,675,583	\$29,279,388	-7%	14%
Total Expenses	27,628,997	25,675,583	29,279,388	-7%	14%
Change in Fund Balance (use of reserves)	(1,927,034)	844,192	(1,420,931)		
Estimated Ending of Fiscal Year Reserves	\$24,520,929	\$29,524,631	\$28,103,700	20%	-5%

FY 2020-21 PROPOSED BUDGET

REVENUE

The FY 2020-21 proposed revenue budget is \$26.5M, 3% more than the FY 2019-20 Amended Budget of \$25.7M. Revenue highlights and assumptions are summarized below:

- **SWP Property Taxes:** Based on the Board’s direction. Staff recommends increasing the Property Tax override to \$21M. The Property Tax Override been set at \$20M since FY 2017-18.
- **Interest income:** assumes 0.25% interest earned on funds within the County and Zone 7 treasuries.

EXPENSES

- **SWP:** expenses are projected to be \$25.7M based on projections for the 2021 and 2022 statement of charges increasing based on inflation and recent trends for SWP costs. At the time of this report, estimates for 2021 charges were not available to staff, but these amounts may be available for revising the budget when the budget is presented for adoption in June 2020.

RESERVES

Projected reserves at the end of FY 2020-21 are \$29.5M which is \$0.2M above the Board-approved maximum of \$29.3M.

FY 2021-22 PROPOSED BUDGET

REVENUE

The FY 2021-22 proposed revenue budget is \$27.8M, 5% higher than the FY 2021-22 Proposed Budget of \$26.5M. Revenue highlights and assumptions are summarized below:

- **SWP Property Taxes:** based on the Board’s direction. Staff recommends increasing the Property Tax override by \$1M, from \$21M in FY 2020-21 to \$22M in FY 2021-22 to fund increasing State Water Project costs.
- **Interest income:** assumes 0.25% interest earned on funds within the County and Zone 7 treasuries.

EXPENSES

- **SWP:** expenses are projected to be \$29.3M based on projections for the 2021 and 2022 statement of charges increasing based on inflation and recent trends for SWP costs. At the time of this report, estimates for 2021 charges were not available to staff, but these amounts may be available for revising the budget when the budget is presented for adoption in June.

RESERVES

Projected reserves at the end of FY 2021-22 are \$28.1M which is \$4.1M below the Boardapproved maximum of \$32.2M. Staff recommends funding reserves near the maximum level to be better prepared for increases in State Water Project costs due to cost compaction and regulations. DWR cannot issue bonds with a maturity beyond the current repayment period defined in the Water Supply Contracts –2035 until the Contract Amendment is executed. This creates a “compaction” of debt service for costs incurred prior to the billing transition date due to a shortened debt service repayment schedule using 2035 instead of a typical 30-year debt amortization schedule. For example, bonds issued in 2020, will need to be paid off by 2035 (15 years) instead of 2050 (30 years). This results in higher annual debt service paid by SWP Contractors.

Category	FY 2019-20 Amended Budget	FY 2020-21 Proposed Budget	FY 2021-22 Proposed Budget	% Change (2020-21 vs. 201920)	% Change (2020-21 vs. 202122)
Revenue	\$25,701,963	\$26,519,775	\$27,858,457	3%	5%
Expenses	\$27,628,997	25,675,583	29,279,388	-7%	14%
Reserves*	\$24,520,929	\$29,524,631	\$28,103,700	20%	-5%

*Refers to reserves at fiscal year-end

Reserve Policy Levels		
	FY 2020-21	FY 2021-22
Min (50% of following year expenses)	\$14,639,694	\$16,103,663
Max (100% of following year expenses)	\$29,279,388	\$32,207,327

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.

The table below shows the proposed two-year budget for this fund.

Category	FY 2019-20 Amended Budget	FY 2020-21 Proposed Budget	FY 2021-22 Proposed Budget	%	%
Estimated Beginning of Fiscal Year Reserves	\$10,057,622	\$11,473,718	\$9,615,741	14%	-15%
Revenue					
Property Taxes	\$9,283,103	\$9,572,352	\$9,858,443	3%	3%
Aid from Gov. Agencies	123,071	64,700	64,700	-47%	0%
Investment Earnings	64,700	26,455	16,631	-59%	-37%
Other Revenue	158,560	158,560	158,560	0%	0%
Total Revenue	\$9,629,434	\$9,822,067	\$10,098,334	2%	3%
Expenses					
Labor	1,852,750	2,653,060	2,751,565	43%	4%
Professional Services	5,450,710	1,869,630	1,162,453	-66%	-38%
Maintenance	6,444,311	4,033,595	5,716,484	-37%	42%
Capital Projects	2,312,544	2,367,000	5,849,400	2%	147%
Other Services and Supplies	817,135	756,759	904,740	-7%	20%
Total	\$16,877,450	11,680,044	\$16,384,642	-31%	41%
Change in Fund Balance (use of reserves)	(7,248,016)	(1,857,977)	(6,286,308)		
Estimated Ending of Fiscal Year Reserves	\$2,809,606	\$9,615,741	\$3,329,433	242%	-65%

FY 2020-21 PROPOSED BUDGET

REVENUE

The FY 2020-21 proposed revenue budget is \$9.8M, 2% more than the FY 2019-20 Amended Budget of \$9.6M. Revenue highlights and assumptions are summarized below:

- **Property Taxes:** increase is based on an estimated 3% increase in property tax revenue assessments, which is a reduction from prior year actual increases. This adjustment has been made to recognize the potential financial impacts of COVID-19 on property values.
- **Interest income:** assumes 0.25% interest earned on funds within the County and Zone 7 treasuries.

EXPENSES

The proposed FY 2020-21 expense budget is \$11.7M, 31% less than the FY 2019-20 Amended Budget of \$16.9M. Expense highlights and assumptions are summarized below:

- **Labor:** The budget has increased by 43% as a result:
 - » A 3% cost of living increase approved by the Board (\$0.1M)
 - » Reorganization of the Flood Protection Section which added Construction & Maintenance Supervisor and Associate Engineer positions (\$0.4M) o Increased labor charges from other sections for flood planning efforts, engineering support and capital projects such as the Arroyo Mocha Medeiros Parkway project (\$0.2M)
- **Professional Services:** includes various planning efforts, and routine and on-call engineering support including a proposed \$0.5M contingency for efforts that may result from the Flood Protection Strategic Plan.
- **Maintenance** includes:
 - » Planning and design for the Phase 3 Rehabilitation Project (\$0.5M)
 - » As-Needed Operated Equipment Supply for Engineered Repairs and Upgrades to Flood Control Facilities as approved by the Board on April 15, 2020 (\$1M) o Operated Equipment Supply Contract for Maintenance and Emergency Work for Flood Protection Facilities (Flood Protection Maintenance Activities) awarded by the Board on April 15, 2020 (\$1M)
 - » Homeless Encampment and Illegal Dumping Abatement as approved on April 15, 2020 (\$0.2M)
- **Projects:** total \$2.4M and include the following major projects:
 - » Arroyo Mocha Medeiros Parkway project (43% Fund 200) – \$0.5M
 - » North Canyons HVAC Replacement Project (20% Fund 200) – \$0.4M
 - » North Canyons Interior Replacement Project (20% Fund 200) – \$0.02M
 - » North Canyons Renewal/Replacement and Improvements (20% Fund 200) -\$0.08M
 - » North Canyons Energy Upgrades (20% Fund 200) - \$0.1M
 - » Stanley Reach Stabilization Project (100% Fund 200) - \$0.5M
 - » Chain of Lakes Facilities and Improvements (22% Fund 200) - \$0.4M
- Projected reserves at the end of FY 2020-21 are \$9.6M, which includes maximum funding for the for the Operating Reserve of \$4.9M and the remaining \$4.7 is the Capital Projects Reserve which has no maximum.

FY 2021-22 PROPOSED BUDGET

REVENUE

The FY 2021-22 proposed revenue budget is \$10.1M, 3% more than the FY 2020-21 Proposed Budget of \$9.8M. Revenue highlights and assumptions are summarized below:

- Property Taxes: increase is based on an estimated 3% increase in property tax revenue assessments.
- Interest income: assumes 0.25% interest earned on funds within the County and Zone 7 treasuries.

EXPENSES

The proposed FY 2021-22 proposed expense budget is \$16.4M, 41% more than the FY 2020-21 Proposed Budget of \$11.6M. Expense highlights and assumptions are summarized below:

- Labor: incorporates a 3% cost of living increase approved by the Board.
- Professional Services: includes various planning efforts, and routine and on-call engineering support including a proposed \$0.5M contingency for efforts that may result from the Flood Protection Strategic Plan.
- Maintenance: includes o Construction of the Phase 3 Rehabilitation Project - \$2M for 11 sites o All of the Maintenance work described in the FY 2020-21 (above)
- Projects: total \$5.8M and include the following major projects:
 - » Stanley Reach Stabilization Project (100% Fund 200) - \$5.3M o North Canyons Roofing Rehabilitation Project (20% Fund 200 - \$0.1M) o North Canyons Office Interior Replacement Project (20% Fund 200 - \$0.1M)

RESERVES

Projected reserves at the end of FY 2021-22 are \$3.3M, which includes minimum funding for the for the Operating Reserve of \$2.2M and the remaining \$1.1M is the Capital Projects Reserve which has no maximum. The reserve is decreasing as a result of the number of repair projects and maintenance activities occurring over the two-year budget period which will better prepare the Flood Protection system for rainy year like 2017.

Category	2019-20 Amended Budget	2020-21 Proposed Budget	2021-22 Proposed Budget	% Change (2020-21 vs. 2019-20)	% Change (2020-21 vs. 2021-22)
Revenue	\$9,629,434	\$9,822,067	\$10,098,334	2%	3%
Expenses	\$16,877,451	\$11,680,044	\$16,384,642	-31%	41%
Reserves*	\$2,809,605	\$9,615,741	\$3,329,433	242%	-65%

Reserve Policy Levels			
		FY 2020-21	FY 2021-22
Min (20% of O&M)		\$1,932,009	\$2,216,928
Max (50% of O&M)		\$4,830,022	\$5,542,321

* Refers to reserves at fiscal year-end

CAPITAL BUDGETS:

The Zone 7 Board also adopts budgets for the three capital funds below (Funds 120, 130 and 210). The FY 2018-19 Ten-Year Water System Capital Improvement Plan (CIP) was adopted by the Board in October 2017 for the Water System only. The CIP forms the basis for the two-year budget. A Ten-Year Flood Protection CIP will be developed subsequent to the adoption of the SMMP Amendment.

WATER ENTERPRISE RENEWAL/REPLACEMENT & SYSTEM-WIDE IMPROVEMENTS – FUND 120 SUB-FUND OF FUND 100

This fund is a sub-fund of Fund 100 – Water Enterprise Operations Fund. The purpose of this fund is to ensure that funding is available for capital renewal, replacement and system-wide improvement projects needed to keep the current water treatment and delivery systems functioning effectively. Fund 120 pays for capital projects as outlined in the Agency’s Asset Management Plan and the Capital Improvement Plan.

Category	FY 2019-20 Amended Budget	FY 2020-21 Proposed Budget	FY 2021-22 Proposed Budget	%	%
Estimated Beginning of Fiscal Year Reserves	\$84,987,019	\$41,753,224	\$44,437,309	-51%	5%
Revenue					
Investment Earnings	666,019	101,736	83,992	-85%	17%
Other Revenue	1,602,500	2,500	2,500	-100%	0%
Capital Funding	12,792,000	13,005,449	13,373,203	-%	3%
Total Revenue	\$15,060,519	\$13,109,685	\$13,459,695	13%	3%
Expenses					
Labor	1,434,263	1,306,715	1,345,081	-9%	3%
Capital Projects	60,253,037	9,318,885	28,607,919	-85%	207%
Total Expenses	61,687,300	10,625,600	29,953,000	-83%	182%
Change in Fund Balance (use of reserves)	(46,626,781)	2,484,085	(16,493,305)		
Estimated Ending of Fiscal Year Reserves	\$38,360,238	\$44,237,309	\$27,744,004	15%	37%

FY 2020-21 PROPOSED BUDGET

REVENUE

The FY 2020-21 proposed revenue budget is \$13.1M, 13% less than the FY 2019-20 Amended Budget. Revenue highlights and assumptions are summarized below:

- **Capital Funding:** This is capital funding from Fund 100 for the Asset Management Program. The Board approved a funding amount of \$12.3M in 2017 dollars beginning in FY 2019-18 with inflationary adjustments every year based on the Engineering News Record Construction Cost Index (ENRCCI) – currently projected at 3% from the prior year’s funding amount.
- **Interest income:** assumes 0.25% interest earned on funds within the County and Zone 7 treasuries.

EXPENSES

The proposed FY 2020-21 expense budget is \$10.6M, which includes the following major capital projects. A complete list of projects is included as Exhibit B.

Well PFAS Treatment (new) - \$3M

Currently eight out of ten Zone 7 production wells (Chain of Lakes Wells No. 1, 2 and 5, Mocho Wells No. 1 – 4, and Stoneridge Well) have tested above at least one of the State’s notification levels for PFAS and one well has tested above the response levels. The Agency has contracted with Carollo to conduct a PFAS Treatment Feasibility Study. The study will review and select preliminary design options to estimate capital and operating costs for treating PFAS. In anticipation of the study findings which will be presented to the Board in July 2020, staff recommends a capital project in the amount of \$15M in Fund 120. This project is needed so that production from Zone 7 wells can at a minimum, meet anticipated regulatory PFAS levels for a reliable water supply. The Asset Management Program annual funding amount does not account for funding this project, so accumulated capital reserves in Fund 120 is proposed to fund it, however, this will leave the capital reserve lower than the AMP reserve level recommendation, which may result in a higher annual funding amount when the AMP program funding is revisited in the future.

North Canyons - HVAC Replacement Project (new) - \$1.4M (76% Fund 120)

This project involves replacement of the HVAC system which is nearing the end of its useful life. Work includes replacement of the HVAC units and variable air volume (VAV) systems. Work also includes minor modifications to the ventilation ducts, replacement of the control system, and upgrades to the standby generator system to handle necessary loads during an emergency. The HVAC system needs replacement in order to maintain HVAC system reliability, operational/energy efficiencies and reduced untimely future repair costs.

Booster Pump Station - \$0.9M

The scope of this project is to design a booster pump station to transport water from the west side to the central and east side of the Zone 7 transmission system. This project is needed for operational flexibility and reliability to pump water from the west side to the east side of the Zone 7 transmission system mainly during periods of limited surface water availability. In addition, the booster pump station adds reliability to performance of existing pipelines as the Zone 7 transmission system is subject to higher pressure than needed for normal operating conditions when wells being pumped at higher head to transport water eastward.

Chain of Lakes Pipeline - \$0.3M (53% Fund 120)

The Chain of Lakes Pipeline Alignment Study was approved by the Board on February 19, 2020. As part of the planning for the pipeline, the study will develop and evaluate alternative alignments based on geotechnical conditions, constructability, potential environmental and community impacts, operations and maintenance considerations, costs, and other key screening criteria. This work will support selection of the pipeline route, refinement of the construction cost estimate, and environmental review and permitting. The study is scheduled for completion in the first quarter of 2021. Note that only the labor portion of this study is included in this FY’s budget; the consultant contract is funded from the previous FY. The environmental review and permitting work will begin in the latter half of this FY, building on the findings from the alignment study.

Chain of Lakes Facilities and Improvements - Water Supply - \$0.4M (30% Fund 120)

This phase of this project includes slope repair and re-grading for Cope Lake. Following emergency repair a few months ago, a permanent repair is needed to address sink holes along the north side of Cope Lake that could disable Chain of Lakes Well No. 2 production. The flowmeter between Cope Lake and Lake I will also be repaired this year to have a more accurate measurement of the amount of mining water captured and conveyed into Lake

North Canyons Energy Upgrades (new) – \$0.3M (76% Fund 120)

Based on an energy audit of the North Canyons building completed in the spring of 2019, the scope of work of this project includes lighting and transformer retrofits, and installation of electrical vehicle (EV) chargers. The retrofits will result in energy savings for Zone 7 and contribute towards lower greenhouse gas emissions. The EV chargers will similarly support the County’s and State’s goals of lowering greenhouse gas emissions. Note that fees for the use of the EV chargers will be charged to cover the cost of their operation. This project will be implemented at the same time as the North Canyons HVAC replacement project.

Contingency - \$0.8M

\$750K is budgeted every year to fund unexpected projects or cost increases that may occur during the course of the fiscal year

DVWTP Roadway/Parking Lot Improvements and Post Ozone Modifications - \$0.8M

The scope of this project is for design to repair the parking lot and modify/repair the access road for more efficient chemical deliveries. Both were identified as in need of repair in the Asset Management Program. This project was scheduled to follow the DVWTP Ozonation Project which was expected to further degrade roadways at the site. The project also includes modifications to other areas of the plant, as a result of the ozone project, that were not previously identified. This includes modifications needed for filter backwash

pumps and the screen structure before the superpululators that can be a bottleneck in the treatment process. This project is needed to improve operational flexibility and reliability of the treatment plant.

DVWTP Building and Grounds Improvements (new) - \$0.3M

This project includes aesthetic improvements to the DVWTP plant after the ozone project is complete to include painting, landscaping and planting.

Reserves

Projected reserves at the end of FY 2020-21 are \$44.2M, which is \$8M above the minimum. This amount includes a Rate Stabilization Reserve of \$6.3M, approved by the Board as part of the debt issuance.

FY 2021-22 PROPOSED BUDGET

REVENUE

The FY 2021-22 proposed revenue budget is \$13.4M, 3% more than the FY 2020-21 Proposed Budget. Revenue highlights and assumptions are summarized below.

- Capital Funding: This assumes a 3% increase in the amount based on a projected increase in the ENRCCI.
- Interest income: assumes 0\$3.25% interest earned on funds within the County and Zone 7 treasuries.

EXPENSES

The proposed FY 2021-22 expense budget is \$29.9M, which includes the following major capital projects. A complete list of projects is included as Exhibit B.

Well PFAS Treatment (new)- \$12M

This phase of the project is to construct treatment facilities for PFAS.

North Canyons Roofing Rehabilitation Project (new)- \$0.3M (76% Fund 120)

This project involves rehabilitating the office roof with a foam layer. The roof is showing degradation. This project is needed to more reliably protect the roof and reduce untimely and expensive future repair costs. The project is being scheduled to occur directly after the HVAC Replacement Project

North Canyons Office Interior Replacement Project (new)- \$0.4M (76% Fund 120)

This project will replace the existing office carpet with carpet tiles and repaint the interior walls. The existing North Canyon Office was constructed in 2005 and the carpet areas need replacement. As the owners of the building, Zone 7 is responsible for all repairs and maintenance. Work will be done in phases to allow for continuing office work. All interior workstations, bookcases, file racks, and all other furniture need to be temporarily relocated to accommodate the carpet replacement. It is advantageous to coordinate the re-painting of the interior walls when the office furniture is being relocated to minimize disruption

Booster Pump Station - \$5M

As described above, the scope of this project is to construct a booster pump station to transport water from the west side to the central and east side of the Zone 7 transmission system.

Chain of Lakes Pipeline - \$1.6M (53% Fund 120)

After completion of the Pipeline Alignment Study, the project will move into preliminary design at the beginning of this FY, with detailed design starting towards the end of the FY. Environmental review and permitting work will also continue. Finally, work related to right-of-way and land acquisition will be initiated.

Distribution System Control Station Replacement – \$1M

This project is to replace the valves and ancillary equipment at these rate control stations are nearing the end of their useful life. Zone 7's rate control stations are critical to delivering an adequate water supply to Retailer turnouts. Proactively maintaining aging water system infrastructure improves water system reliability

Silver Oaks Pump Station Replacement - \$0.8M

The scope of this project is to replace the pumps and associated piping, electrical systems and control systems at the facility. This facility was identified in the Asset Management Program as nearing the end of its useful life. Proactively maintaining aging water system infrastructure improves water system reliability and helps avoid untimely and expensive repairs

DVWTP Roadway/Parking Lot Improvements and Post Ozone Modifications - \$2M

The scope of this project is for construction to repair the parking lot and modify/repair the access road for more efficient chemical deliveries. Both were identified as in need of repair in the Asset Management Program. This project was scheduled to follow the DVWTP Ozonation Project which was expected to further degrade roadways at the site. The project also includes modifications to other areas of the plant, as a result of the ozone project, that were not previously identified. This includes modifications needed for filter backwash pumps and the screen structure before the super pulsators that can be a bottleneck in the treatment process. This project is needed to improve operational flexibility and reliability of the treatment plant.

MGDP Acid Injection Facility - \$1.8M

The scope of this project is to construct an acid injection facility at MGDP. Continuous acid injection is expected to adjust pH levels to brine solution discharges in the concentrate pipeline and lessen materials buildup/scaling on the concentrate pipeline walls. This helps maintain capacity of the concentrate pipeline and improves the reliability of MGDP production and performance. In addition, this project is expected to reduce the need for acid batch cleaning which is being undertaken in FY 2019-20.

Cross Valley Line Valve at Stanley/Murrieta Blvd - \$0.6M

Currently, there is over a mile distance in the Cross-Valley pipeline between isolation valves in an area delivering water to Cal Water turnouts. This proposed valve would be at a critical junction in the system that increases operational flexibility to route the flow of water in the distribution system and reduce the number of turnouts that would be disrupted. The proposed valve location will also be off the street to provide safer access and ease of operation.

Contingency - \$0.8M

\$750K is budgeted every year to fund unexpected projects or cost increases that may occur during the course of the fiscal year

Reserves

Projected reserves at the end of FY 2021-22 are \$27.7M, which is \$5.1M above the minimum. This amount includes a Rate Stabilization Reserve of \$6.3M, approved by the Board as part of the debt issuance.

Category	2019-20 Amended Budget	2020-21 Proposed Budget	2021-22 Proposed Budget	% Change (2020-21 vs. 2019-20)	% Change (2020-21 vs. 2021-22)
Revenue and Capital Funding	\$15,060,519	\$13,109,685	\$13,459,695	-13%	3%
Expenses	\$61,687,300	\$10,625,600	\$29,953,000	-83%	182%
Reserves*	\$38,360,238	\$44,237,309	\$27,744,004	15%	-37%

Reserve Policy Levels		
	FY 2020-21 Min	FY 2021-22 Min
Debt Rate Stabilization	\$6,300,000	\$6,300,000
Capital Projects	29,953,000	16,386,000
Total	\$36,253,000	\$22,686,000

WATER ENTERPRISE CAPITAL EXPANSION – FUND 130

PRIMARY FUNDING SOURCE: WATER CONNECTION FEES

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

Category	FY 2019-20 Amended Budget	FY 2020-21 Proposed Budget	FY 2021-22 Proposed Budget	%	%
Estimated Beginning of Fiscal Year Reserves	\$74,738,255	\$70,129,387	\$77,533,389	-6%	11%
Revenue					
Water Connection Fees	\$32,634,257	\$24,721,587	\$33,764,531	-24%	37%
Investment Earnings	1,191,435	184,348	209,619	-85%	14%
Other Revenue	3,335,790	3,100,000	3,100,000	-7%	0%
Total Revenue	\$37,161,482	\$28,005,935	\$37,074,150	-25%	32%
Expenses					
Labor	259,763	\$265,732	\$273,462	2%	3%
Water	18,465,669	17,500,913	17,763,254	-5%	1%
Debt Service	1,090,575	1,089,700	1,092,450	0%	0%
Capital Projects	58,791,896	1,745,588	4,209,478	-97%	141%
Total Expenses	\$78,607,903	\$20,601,933	\$23,338,644	-74%	13%
Change in Fund Balance (use of reserves)	(41,446,421)	7,404,002	13,735,506		
Estimated Ending of Fiscal Year Reserves	\$33,291,834	\$77,533,389	\$91,268,895	133%	18%

FY 2020-21 PROPOSED BUDGET

REVENUE

The FY 2020-21 proposed revenue budget is \$28M, 25% less than the FY 2019-20 Amended Budget. Revenue highlights and assumptions are summarized below:

- **Connection Fees:** This is comprised of connection fees from developers when connecting a new home or businesses to the Zone 7 treated water system. This revenue is driven by the local economy. At this time, it is hard to ascertain the impacts of COVID-19 on development within the service area. However, staff recommends reducing the first year of revenue to assume revenue from 825 connections, a 40% reduction from the 2017 Connection Fee Study: which projected 1,375 in FY 2020-21. This results in a revenue reduction of \$16M.
- **Interest income:** assumes 0.25% interest earned on funds within the County and Zone 7 treasuries.

EXPENSES

- Staff does not recommend taking on any significant new Expansion capital projects until the financial impacts of COVID-19 are further understood. Therefore, the budget is mainly comprised of debt service payments and planning. The proposed FY 2020-21 expense budget is \$20M, which includes the following major capital projects. A complete list of projects is included as Exhibit B.

SBA Enlargement Debt Service - \$14M

Amendment No. 24 of Zone 7's water supply contract with DWR allows for debt financing of the SBA Improvement & Enlargement Project by DWR. Annual repayment by Zone 7 began in 2006 and ends in 2036

Future Contractors Share of the SBA - \$3M

The amount represents a transfer to Fund 110 to reimburse for Expansion's share of fixed SWP costs.

Chain of Lakes Pipeline - \$0.2M (47% Fund 130)

As noted above, the Chain of Lakes Pipeline Alignment Study was approved by the Board on February 19, 2020. This work will continue into this FY. The environmental review and permitting work will begin in the latter half of this FY, building on the findings from the alignment study.

Chain of Lakes Facilities and Improvements - Water Supply - \$0.9M (70% Fund 130)

As noted above, work in this fiscal year includes slope repair and re-grading for Cope Lake to protect Chain of Lakes Well No. 2 production. The flowmeter between Cope Lake and Lake I will also be repaired this FY to support a more accurate water inventory of captured mining water in Lake I.

Vasco Pipeline Enlargement and Replacement - \$0.1M

The enlargement and replacement of the Vasco Pipeline will support full use of the expanded Patterson Pass Water Treatment Plant, and provide more flexibility in conveying treated water to different parts of the service area. This pipeline work will involve replacement of the undersized Livermore 1 pipeline that is nearly 60 years old. Planning for the pipeline will start this fiscal year.

Contingency - \$0.5M

\$500K is budgeted every year to fund unexpected projects or cost increases that may occur during the course of the fiscal year.

Reserves

Projected reserves at the end of FY 2020-21 are \$77.5M, which is \$44M above the minimum of \$33M. This amount includes a Rate Stabilization Reserve of \$2.3M, approved by the Board as part of the debt issuance. Note that this fund does not have a maximum reserve amount due to the pay-as-you go funding strategy.

FY 2021-22 PROPOSED BUDGET**REVENUE**

The FY 2021-22 proposed revenue budget is \$37.1M, 32% more than the FY 2021-22 Proposed Budget. Revenue highlights and assumptions are summarized below:

- Connection Fees: Staff anticipates that by FY 2021-22 development will recover from a prior year downturn and therefore recommends increasing the projection to 1,094 connections. This is still less than the 2017 Connection Fee Study which projected 1,823 in FY 2021-22, This results in a revenue reduction of \$23M.
- Interest income: assumes 0.25% interest earned on funds within the County and Zone 7 treasuries.

EXPENSES

The proposed FY 2020-21 expense budget is \$23.3M, which includes the following major capital projects. A complete list of projects is included as Exhibit B.

SBA Enlargement Debt Service - \$14M

Amendment No. 24 of Zone 7's water supply contract with DWR allows for debt financing of the SBA Improvement & Enlargement Project by DWR. Annual repayment by Zone 7 began in 2006 and ends in 2036

Future Contractors Share of the SBA - \$3M

The amount represents a transfer to Fund 110 to reimburse for Expansion's share of fixed SWP costs.

Chain of Lakes Pipeline - \$1.4M (47% Fund 120)

As noted above, the Chain of Lakes Pipeline Alignment Study was approved by the Board on February 19, 2020. This work will continue into this FY. The environmental review and permitting work will begin in the latter half of this FY, building on the findings from the alignment study.

Chain of Lakes Facilities and Improvements - Water Supply - \$0.4M (70% Fund 130)

As noted above, this FY's work includes slope repair and re-grading for Cope Lake to protect Chain of Lakes Well No. 2 production. The flowmeter between Cope Lake and Lake I will also be repaired this FY to support a more accurate water inventory of captured mining water in Lake I.

Vasco Pipeline Enlargement and Replacement - \$0.4M

Planning for this pipeline will continue into this fiscal year, to make progress towards completion within the next five years. This pipeline will support full use of the expanded PPWTP and add operational flexibility to the transmission system.

Busch-Valley Well 1 - \$1.7M

This work involves planning and design for Busch Valley Well, to increase Zone 7's groundwater production capacity. Depending on the results of groundwater studies, work may be shifted to another well that becomes higher priority.

Contingency - \$0.5M

\$500K is budgeted every year to fund unexpected projects or cost increases that may occur during the course of the fiscal year.

Reserves

Projected reserves at the end of FY 2021-22 are \$91.2M, which is \$56M above the minimum. This amount includes a Rate Stabilization Reserve of \$2.3M, approved by the Board as part of the debt issuance. Note that this fund does not have a maximum reserve amount due to the pay-as-you go funding strategy.

Category	2019-20 Amended Budget	2020-21 Proposed Budget	2021-22 Proposed Budget	% Change (2020-21 vs. 2019-20)	% Change (2020-21 vs. 2021-22)
Revenue	\$37,161,482	\$28,005,935	\$37,074,150	-25%	32%
Expenses	\$78,607,903	\$20,601,933	\$23,338,644	-74%	13%
Reserves*	\$33,291,834	\$77,533,389	\$91,268,895	133%	18%

*Refers to reserves at fiscal year-end

Reserve Policy Levels		
	FY 2020-21 Min	FY 2021-22 Min
Debt Rate Stabilization	\$2,300,000	\$2,300,000
Capital Projects	10,657,952	10,644,000
Sinking Funds	20,452,814	22,642,814
Total	\$33,410,766	\$35,586,814

FLOOD PROTECTION DEVELOPMENT IMPACT FEE FUND – FUND 210

PRIMARY FUNDING SOURCE: DEVELOPMENT IMPACT FEES.

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

Category	FY 2019-20 Amended Budget	FY 2020-21 Proposed Budget	FY 2021-22 Proposed Budget	(%)	(%)
Estimated Beginning of Fiscal Year Reserves	\$63,340,830	\$67,948,645	\$69,060,866	7%	2%
Revenue					
Development Fees	3,670,594	2,835,000	2,835,000	-23%	\$0
Investment Earnings	947,055	171,048	173,449	-82%	1%
Other Revenue	25,000	25,000	25,000	0%	0%
Total	\$4,642,649	\$3,031,048	\$3,033,449	35%	0%
Expenses					
Labor	\$245,407	\$245,884	\$253,337	0%	3%
Capital Projects	6,867,863	1,672,943	515,040	-76%	69%
Total	\$7,113,270	\$1,918,827	\$768,377	-73%	60%
Change in Fund Balance (use of reserves)	(2,470,621)	1,112,221	2,265,072		
Estimated Ending of Fiscal Year Reserves	\$60,870,209	\$69,060,866	\$71,325,938	13%	3%

FY 2020-21 PROPOSED BUDGET

REVENUE

The FY 2020-21 proposed revenue budget is \$3M, 35% less than the FY 2019-20 Amended Budget of \$4.6M. Revenue highlights and assumptions are summarized below:

- Development Fees: the fees are charged to developers when a structure results in new impervious surface area. The impacts of COVID-19 on development is unknown at this point, as such, a conservative revenue projection is being used.
- Interest income: assumes 0.25% interest earned on funds within the County and Zone 7 treasuries.

EXPENSES

The proposed FY 2020-21 expense budget is \$1.9M, 73% less than the FY 2019-20 Amended Budget of \$7.1M. Expense highlights and assumptions are summarized below:

- Labor: incorporates a 3% cost of living increase approved by the Board.
- Capital Projects total \$2M and include the following major projects:
 - » Arroyo Mocho Medeiros Parkway project (57% Fund 210) - \$0.7M
 - » North Canyons HVAC Replacement Project (1% Fund 210) - \$0.02M
 - » Chain of Lakes Facilities and Improvements (57% Fund 210) - \$0.6M
 - » A proposed \$0.5M contingency for efforts that may result from the Flood Protection Strategic Plan
 - » Flood planning efforts with costs shared with Fund 200 totaling \$0.1M

RESERVES

Projected reserves at the end of FY 2020-21 are \$69M. There are no minimum or maximum reserves for this fund.

FY 2021-22 PROPOSED BUDGET

REVENUE

The FY 2021-22 proposed revenue budget is \$3M, which is the same as the FY 2020-21 Proposed Budget:

- **Development Fees:** staff recommends budgeting the same amount at FY 2020-21 because the impacts of COVID-19 on development is unknown at this point.
- **Interest income:** assumes 0.25% interest earned on funds within the County and Zone 7 treasuries.

EXPENSES

The proposed FY 2021-22 expense budget is \$0.8M, 60% less than the FY 2020-21 Proposed Budget of \$1.9M. Expense highlights and assumptions are summarized below:

- **Labor:** incorporates a 3% cost of living increase approved by the Board.
- **Capital Projects** total \$0.8M and include the following major projects:
 - » Chain of Lakes Facilities and Improvements (57% Fund 210) - \$0.1M
 - » A proposed \$0.5M contingency for efforts that may result from the Flood Protection Strategic Plan
 - » Flood planning efforts with costs shared with Fund 200 totaling \$0.1M

RESERVES

Projected reserves at the end of FY 2021-22 are \$71.3M. There are no minimum or maximum reserves for this fund.

FY 2021-22 PROPOSED BUDGET

REVENUE

The FY 2021-22 proposed revenue budget is \$3M, which is the same as the FY 2020-21 Proposed Budget:

- **Development Fees:** staff recommends budgeting the same amount at FY 2020-21 because the impacts of COVID-19 on development is unknown at this point.
- **Interest income:** assumes 0.25% interest earned on funds within the County and Zone 7 treasuries.

EXPENSES

The proposed FY 2021-22 expense budget is \$0.8M, 60% less than the FY 2020-21 Proposed Budget of \$1.9M. Expense highlights and assumptions are summarized below:

- **Labor:** incorporates a 3% cost of living increase approved by the Board.
- **Capital Projects** total \$0.8M and include the following major projects:
 - » Chain of Lakes Facilities and Improvements (57% Fund 210) - \$0.1M
 - » A proposed \$0.5M contingency for efforts that may result from the Flood Protection Strategic Plan
 - » Flood planning efforts with costs shared with Fund 200 totaling \$0.1M

RESERVES

Projected reserves at the end of FY 2021-22 are \$71.3M. There are no minimum or maximum reserves for this fund.

Category	2019-20 Amended Budget	2020-21 Proposed Budget	2021-22 Proposed Budget	% Change (2020-21 vs. 2019-20)	% Change (2020-21 vs. 2021-22)
Revenue	\$4,642,649	\$3,031,048	\$3,033,449	-35%	0%
Expenses	\$7,113,270	\$1,918,827	\$768,377	-73%	-60%
Reserves*	\$60,870,209	\$69,060,866	\$71,325,938	13%	3%

*Refers to reserves at fiscal year-end

OTHER UNRESTRICTED FUNDS

Fund 300 - Water Facilities Fund is used for Chain of Lakes mitigation and planning reserve, quarry discharge exports, miscellaneous fees and deposits, and permit inspection deposits.

Fund 310 - Water Supply and Reliability Fund is used for future water, water storage and Delta-related projects.

The table below shows projected fund available within these funds at 7/1/2020.

Fund	FY 2019-20 Projected Ending Fund Balance
Fund 300 - Water Facilities Fund	\$3,599,390
Fund 310 - Water Supply and Reliability Fund1,2,3	\$2,769,959

1. On January 16, 2019, the Board adopted Resolution No. 19-07 authorizing the General Manager to negotiate and execute the Phase 2 Reservoir Project Agreement for funding in the amount of \$600,000 from Fund 310. On December 18, 2019, the Board authorized an amendment to the 2019 Sites Reservoir Project Agreement extending the term from December 31, 2019, to June 30, 2020, with no additional funding required.
2. On January 16, 2019, the Board adopted Resolution No. 19-08 authorizing the General Manager to negotiate and execute a Multi-Party Agreement for the Los Vaqueros Reservoir Expansion Project for funding in the amount of \$355,000 from Fund 310. The total amount will be expended over two fiscal years.
3. On December 18, 2019, the Board authorized the negotiation and execution of a task order under the Tri-Valley Reciprocal Services Master Agreement to continue regional collaborative efforts on potable reuse in an amount of \$250,000 from Fund 310.

In the future, staff may also propose using Funds 300 and 310 for other water supply projects, including but not limited to:

- a) Chain of Lakes Pipeline
- b) Potable Reuse
- c) Future Phases of Sites Reservoir and/or other storage projects
- d) Additional gap funding for the Delta Conveyance

RECOMMENDED ACTION:

Adopt the attached Resolution approving the Two-Year Budget for Fiscal Years 2020-21 & 2021-22.

ATTACHMENTS:

- Resolution
- Exhibit A – FY 2020-22 Annual Budget by Account Classification
- Exhibit B – Proposed Capital Projects Listing

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

RESOLUTION NO. 20-36

INTRODUCED BY DIRECTOR RAMIREZ HOLMES
SECONDED BY DIRECTOR PALMER

BE IT RESOLVED that the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District does hereby approve the following budget, including revenues, expenses and the use of fund balances (reserves) for Fiscal Years 2020-21 and 2021-22 (Exhibit A):

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

BE IT FURTHER RESOLVED that the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District does hereby approve the proposed capital projects (Exhibit B) for Fiscal Years 2020-21 and 2021-22 and authorize the General Manager to implement such projects; and

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

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

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

BE IT FURTHER RESOLVED, that consistent with the requirements of law and specifically within the limitations imposed by Article XIII A of the Constitution of the State of California there shall be levied a property tax within the District sufficient to raise the sum of \$21,000,000 for Fiscal Year 2020-21 and \$22,000,000 for Fiscal Year 2021-22 to meet that portion of the District's State Water Supply Contract obligation. All funds received by the District pursuant to the aforementioned property tax levy shall be placed in Fund 110, a separate fund identified for the indebtedness set forth above; and

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

BE IT FURTHER RESOLVED that the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District does hereby approve the personnel actions, if any, as contained in the Zone 7 Budget for Fiscal Years 2020-21 and 2021-22 and authorize the General Manager to implement such personnel actions; and

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

ADOPTED BY THE FOLLOWING VOTE:

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

NOES: NONE

ABSENT: NONE

ABSTAIN: NONE

I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Directors of Zone 7 of Alameda County Flood Control and Water Conservation District on June 17, 2020.

By Sands Figuer
President, Board of Directors

Exhibit A - FY2020-21
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 6/30/2021. 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 2020-21 Proposed Budget

FY 2020-21 PROPOSED BUDGET	Fund 100 Water Enterprise Operations	Fund 110 State Water Facilities	Fund 120 Water Enterprise Capital	Fund 130 Water Enterprise Capital Expansion	Fund 200 Flood Protection/ General Fund	Fund 210 Flood Protection Development Impact Fees	Total
1 Actual Fund Balance 7/1/2019	\$ 18,530,469	\$ 29,244,928	\$ 84,987,019	\$ 113,212,883	\$ 17,602,713	\$ 66,872,665	\$ 330,450,677
2 FY 2019-20 Projected Change in Fund Balance	3,432,427	(564,489)	(43,233,795)	(43,083,496)	(6,128,995)	1,075,980	(88,502,368)
3 Estimated Fund Balance 7/1/2020	21,962,896	28,680,439	41,753,224	70,129,387	11,473,718	67,948,645	241,948,309
4 Revenue							
5 Water Sales & Service	54,547,361	2,068,898					56,616,259
6 Property Taxes		21,150,000			9,572,352		30,722,352
7 Development Fees				24,721,587		2,835,000	27,556,587
8 Charges for Services	51,600		2,500		47,650		101,750
9 Aid from Governmental Agencies	440,500	51,100			64,700		556,300
10 Investment Earnings	54,409	72,755	101,736	184,348	26,455	171,048	610,751
11 Other Revenue	584,950	3,177,022		3,100,000	110,910	25,000	6,997,882
12 <i>Subtotal (before transfers)</i>	<i>55,678,820</i>	<i>26,519,775</i>	<i>104,236</i>	<i>28,005,935</i>	<i>9,822,067</i>	<i>3,031,048</i>	<i>123,161,881</i>
13 Transfers	-	-	13,005,449				13,005,449
14 Total Revenue	55,678,820	26,519,775	13,109,685	28,005,935	9,822,067	3,031,048	136,167,330
15 Expenses							
16 Personnel	17,611,729		1,306,715	265,732	2,653,060	245,884	22,083,120
17 Professional Services	2,947,299				1,869,630		4,816,929
18 Potable Reuse Task Order	250,000						250,000
19 Alt. Ground Water Sustainability Plan	440,500						440,500
20 County Services	1,148,550						1,148,550
21 County Services (Election Expense)	-						-
22 Insurance Services	505,236						505,236
23 Legal Services	450,000						450,000
26 Water	5,002,681	25,675,583		17,500,913			48,179,177
27 Chemicals	2,364,052						2,364,052
28 Utilities	3,111,488						3,111,488
29 PFAS Treatment	-						-
30 Communications	184,726				3,000		187,726
31 Repairs and Maintenance	1,959,763				4,033,595		5,993,358
32 Cleaning Services	175,679				1,914		177,593
33 Rental Services	57,512				50,000		107,512
34 Other General Office Services/ Supplies	394,170				586,700		980,870
35 Organizational Membership/ Participation	851,024				61,200		912,224
36 Training and Travel	129,896				14,800		144,696
37 Water Conservation Program	145,728						145,728
38 Capital Projects			9,318,885	1,745,588	2,367,000	1,672,943	15,104,416
39 Equipment, Furniture and Vehicles	35,609				25,000		60,609
40 Debt Service	3,123,338			1,089,700			4,213,038
41 <i>Subtotal (before transfers)</i>	<i>40,888,980</i>	<i>25,675,583</i>	<i>10,625,600</i>	<i>20,601,933</i>	<i>11,665,899</i>	<i>1,918,827</i>	<i>111,376,822</i>
42 Transfers	13,208,777				14,145		13,222,922
43 Total Expenses	54,097,757	25,675,583	10,625,600	20,601,933	11,680,044	1,918,827	124,599,744
44 Estimated Ending Fund Balance 6/30/21	23,543,959	29,524,631	44,237,309	77,533,389	9,615,741	69,060,866	253,515,895
45 Reserve Balances							
46 Operating	11,067,480	29,524,631					40,592,111
47 Debt Rate Stabilization			6,300,000	2,300,000	4,656,522		13,256,522
48 Emergency	5,912,461						5,912,461
49 Reserve for Economic Uncertainties	4,564,018						4,564,018
50 Capital Projects			37,937,309	54,780,575	4,959,219	69,060,866	166,737,969
51 Assigned for Water Supply Reliability Projects	2,000,000						2,000,000
52 Sinking Funds - FY 2020-21 Contributions							-
53 <i>Building Sinking Fund</i>							-
54 <i>Future Contractor's Share of the South Bay Aqueduct</i>				720,000			720,000
55 <i>South Bay Aqueduct Enlargement</i>				1,310,000			1,310,000
56 Sinking Funds Reserve Balance				20,452,814			20,452,814
57 Total Reserves	\$ 23,543,959	\$ 29,524,631	\$ 44,237,309	\$ 77,533,389	\$ 9,615,741	\$ 69,060,866	\$ 253,515,895
58 Change in Fund Balance (use of reserves)	1,581,063	844,192	2,484,085	7,404,002	(1,857,977)	1,112,221	11,567,586

**Exhibit A - FY2021-22
Annual Budget by Account Classification**

Estimated Change in Reserve Balances

The fund schedule below summarizes Zone7's overall financial picture by individual fund. It includes revenue and expenses as well as projected reserve balances at 6/30/2022. The fund schedules are grouped by type of fund: Enterprise (Water Enterprise Fund, State Water Facilities Fund, Renewal & Replacement/System Wide Improvement Fund and the Expansion Fund) and Governmental Funds (Flood Protection and Flood Protection/Stormwater Drainage Development Impact Fee Fund).

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

FY 2021-22 PROPOSED BUDGET	Fund 100 Water Enterprise Operations	Fund 110 State Water Facilities	Fund 120 Water Enterprise Capital	Fund 130 Water Enterprise Capital Expansion	Fund 200 Flood Protection/ General Fund	Fund 210 Flood Protection Development Impact Fees	Total
1 Projected Fund Balance 7/1/2020	\$ 21,962,896	\$ 28,680,439	\$ 41,753,224	\$ 70,129,387	\$ 11,473,718	\$ 67,948,645	\$ 241,948,319
2 FY 2020-21 Projected Change in Fund Balance	1,581,063	844,192	2,484,085	7,404,002	(1,857,977)	1,112,221	11,567,586
3 Estimated Fund Balance 7/1/2021	23,543,959	29,524,631	44,237,309	77,533,389	9,615,741	69,060,866	253,515,895
4 Revenue							
5 Water Sales & Service	57,258,162	2,251,888					59,510,050
6 Property Taxes		22,150,000			9,858,443		32,008,443
7 Development Fees				33,764,531		2,835,000	36,599,531
8 Charges for Services	51,600		2,500		47,650		101,750
9 Aid from Governmental Agencies	50,000	51,100			64,700		165,800
10 Investment Earnings	57,302	72,025	83,992	209,619	16,631	173,449	613,018
11 Other Revenue	634,950	3,333,444		3,100,000	110,910	25,000	7,204,304
12 <i>Subtotal (before transfers)</i>	<i>58,052,014</i>	<i>27,858,457</i>	<i>86,492</i>	<i>37,074,150</i>	<i>10,098,334</i>	<i>3,033,449</i>	<i>136,202,896</i>
13 Transfers	-	-	13,373,203				13,373,203
14 Total Revenue	58,052,014	27,858,457	13,459,695	37,074,150	10,098,334	3,033,449	149,576,099
15 Expenses							
16 Personnel	18,071,919		1,345,081	273,462	2,751,565	253,337	22,695,364
17 Professional Services	2,627,058				1,162,453		3,789,511
18 Potable Reuse Task Order	500,000						500,000
19 Alt Groundwater Sustainability Plan	50,000						50,000
20 County Services	1,181,625						1,181,625
21 County Services (Election Expense)	500,000						500,000
22 Insurance Services	520,393						520,393
23 Legal Services	450,000						450,000
26 Water	5,198,100	29,279,388		17,763,254			52,240,742
27 Chemicals	2,970,721						2,970,721
28 Utilities	3,038,235						3,038,235
29 PFAS Treatment	1,000,000						1,000,000
30 Communications	365,585				3,500		369,085
31 Repairs and Maintenance	1,919,172				5,716,484		7,635,656
32 Cleaning Services	183,679				10,000		193,679
33 Rental Services	72,253				50,000		122,253
34 Other General Office Services/ Supplies	405,114				724,445		1,129,559
35 Organizational Membership/ Participation	856,939				63,350		920,289
36 Training and Travel	130,845				14,300		145,145
37 Water Conservation Program	149,728						149,728
38 Capital Projects			28,607,919	4,209,478	5,849,400	515,040	39,181,837
39 Equipment, Furniture and Vehicles	35,609				25,000		60,609
40 Debt Service	3,124,213			1,092,450			4,216,663
41 <i>Subtotal (before transfers)</i>	<i>43,351,188</i>	<i>29,279,388</i>	<i>29,953,000</i>	<i>23,338,644</i>	<i>16,370,497</i>	<i>768,377</i>	<i>143,061,094</i>
42 Transfers	13,576,531				14,145		13,590,676
43 Total Expenses	56,927,719	29,279,388	29,953,000	23,338,644	16,384,642	768,377	156,651,770
44 Estimated Ending Fund Balance 6/30/22	24,668,254	28,103,700	27,744,004	91,268,895	3,329,433	71,325,938	246,440,224
45 Reserve Balances							
46 Operating	10,638,611	28,103,700					38,742,311
47 Debt Rate Stabilization			6,300,000	2,300,000	2,107,048		10,707,048
48 Emergency	6,089,835						6,089,835
49 Reserve for Economic Uncertainties	4,939,808						4,939,808
50 Capital Projects			21,444,004	66,326,081	1,222,385	71,325,938	160,318,408
51 Assigned for Water Supply Reliability Projects	3,000,000						3,000,000
52 Sinking Funds - FY 2021-22 Contributions							-
53 <i>Building Sinking Fund</i>							-
54 <i>Future Contractor's Share of the South Bay Aqueduct</i>				780,000			780,000
55 <i>South Bay Aqueduct Enlargement</i>				1,410,000			1,410,000
56 Sinking Funds Reserve Balance				22,642,814			22,642,814
57 Total Reserves	\$ 24,668,254	\$ 28,103,700	\$ 27,744,004	\$ 91,268,895	\$ 3,329,433	\$ 71,325,938	\$ 246,440,224
58 Change in Fund Balance (use of reserves)	1,124,295	(1,420,931)	(16,493,305)	13,735,506	(6,286,308)	2,265,072	(7,075,671)

Exhibit B
Capital Improvement Plan (CIP)
Water Enterprise - Capital Projects Listing
Fund 120 – Renewal/Replacement & System-wide Improvements

FY 2020-21 & 2021-22 Budget - Fund 120 Capital Project List		
Fund 120	FY 2020-21 Proposed Budget	FY 2021-22 Proposed Budget
Asset Management Program Management	\$70,000	\$70,000
Booster Pump Station	\$880,000	\$5,010,000
Capital Improvement Program Management	\$20,000	\$40,000
Chain of Lakes Pipeline	\$280,900	\$1,590,000
Chain of Lakes Facilities and Improvements - Water Supply	\$381,000	\$150,000
Chain of Lakes Master Planning	\$7,500	\$3,000
Contingency	\$750,000	\$750,000
Corrosion Protection Project	\$80,000	\$430,000
Cross Valley Line Valve at Stanley/Murrieta Blvd	\$160,000	\$590,000
Distribution System Control Station Replacement	\$0	\$970,000
DVWTP Building and Grounds Improvements	\$250,000	\$0
DVWTP Chemical Ferric Chloride and Caustic System Replacements	\$0	\$300,000
DVWTP Polymer Mixing System Replacement	\$340,000	\$0
DVWTP Pump Stations Variable Frequency Drive Replacement	\$235,000	\$0
DVWTP Roadway/Parking Lot Improvements and Post Ozone Modification	\$750,000	\$2,000,000
DVWTP Underdrain Pump Station Replacement	\$0	\$350,000
Laboratory Equipment Replacement	\$150,000	\$150,000
MGDP Acid Injection Facility	\$0	\$1,770,000
MGDP RO Membrane Replacement	\$240,000	\$250,000
Minor Renewal/Replacement Projects	\$500,000	\$550,000
Mocho 2 Building and Electrical Systems Replacement	\$0	\$490,000
Monitoring Well Replacements & Abandonments	\$180,000	\$190,000
North Canyons - HVAC Replacement Project	\$1,444,000	\$0
North Canyons Energy Upgrades	\$250,800	\$0
North Canyons Office Interior Replacement Project	\$76,000	\$425,600
North Canyons Renewal/Replacement and Improvements	\$30,400	\$30,400
North Canyons Roofing Rehabilitation Project	\$0	\$304,000
PPWTP Anionic System Replacement	\$0	\$80,000
SCADA Upgrades and Replacements	\$550,000	\$570,000
Silver Oaks Pump Station Replacement	\$0	\$810,000
System-Wide Installation of Line Valves	\$0	\$80,000
Well PFAS Treatment Project	\$3,000,000	\$12,000,000
Total	\$10,625,600	\$29,953,000

Exhibit B
Capital Improvement Plan (CIP)
Water Enterprise - Capital Projects Listing
Fund 130 – Expansion

FY 2020-21 & 2021-22 Budget - Fund 130 Capital Project List		
Fund 130	FY 2020-21 Proposed Budget	FY 2021-22 Proposed Budget
Busch-Valley Well 1	\$0	\$1,670,000
Capital Improvement Program Management	\$60,000	\$110,000
Cawelo Groundwater Banking Program Debt Service	\$1,089,700	\$1,092,450
Chain of Lakes Facilities and Improvements - Water Supply	\$889,000	\$350,000
Chain of Lakes Master Planning	\$17,500	\$7,000
Chain of Lakes Pipeline	\$249,100	\$1,410,000
Conservation - Other Items	\$13,020	\$22,940
Conservation - Rebates	\$33,000	\$33,000
Contingency	\$500,000	\$500,000
Fourth Contractor's Share of the SBA - Capital Costs	\$3,000,000	\$3,000,000
Integrated Water Operations Model	\$28,600	\$0
North Canyons - HVAC Replacement Project	\$57,000	\$0
North Canyons Energy Upgrades	\$9,900	\$0
North Canyons Office Interior Replacement Project	\$3,000	\$16,800
North Canyons Renewal/Replacement and Improvements	\$1,200	\$1,200
North Canyons Roofing Rehabilitation Project	\$0	\$12,000
South Bay Aqueduct Enlargement Project	\$14,470,913	\$14,723,254
SWP Peaking Payment (Lost Hills & Belridge Water Districts)	\$30,000	\$40,000
Vasco Pipeline Enlargement and Replacement	\$150,000	\$350,000
Total	\$20,601,933	\$23,338,644

Exhibit B
Capital Improvement Plan (CIP)
Flood Protection - Projects Listing
Fund 200 – Flood Protection

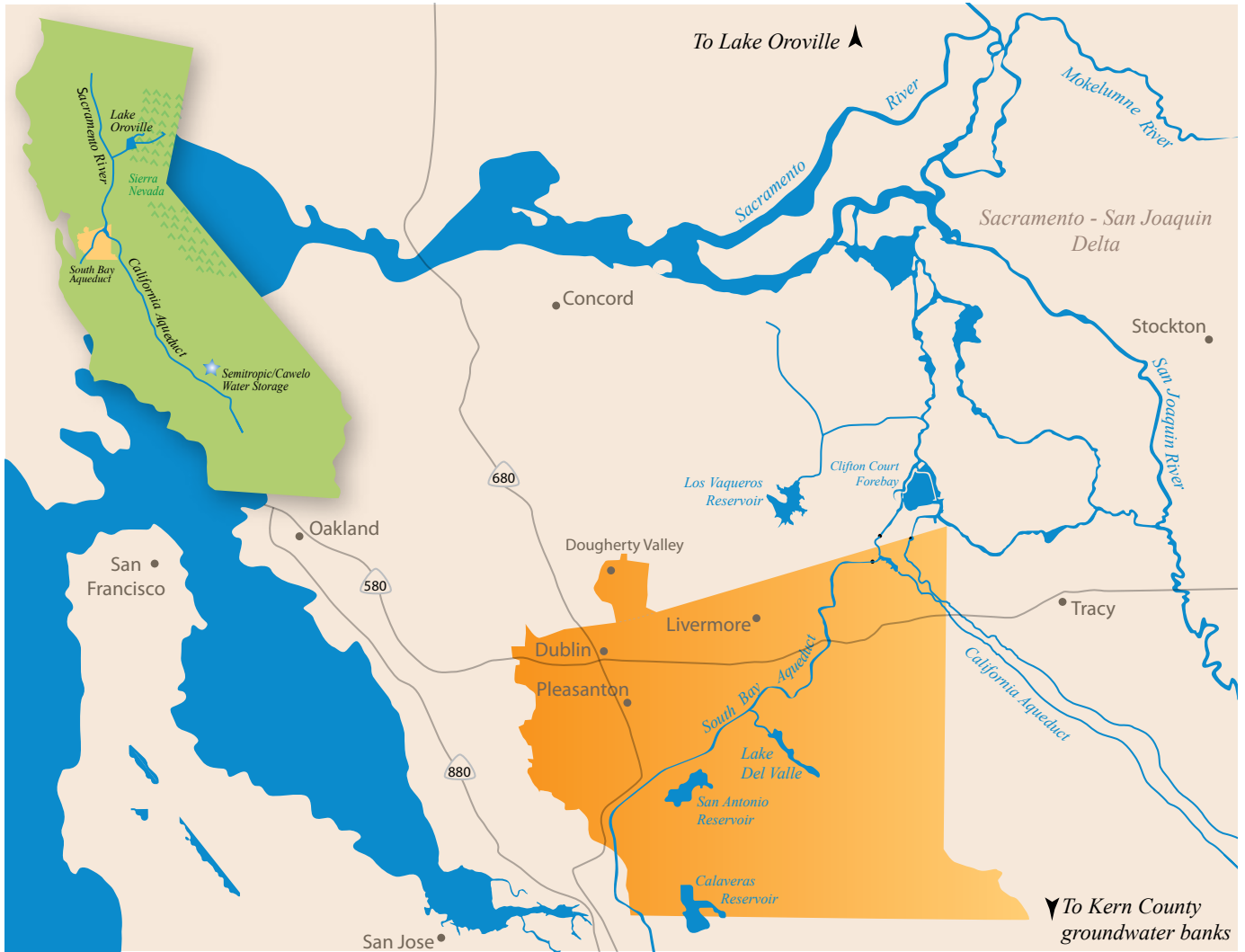
FY 2020-21 & 2021-22 Budget - Fund 200 Capital Project List		
Fund 200	FY 2020-21 Proposed Budget	FY 2021-22 Proposed Budget
Arroyo Mocho Medeiros Reach Project	\$516,000	\$0
Chain of Lakes Planning	\$11,000	\$4,400
COL Facilities and Improvements	\$430,000	\$60,000
EPA Grant #7 (Concannon)	\$151,000	\$0
Living Arroyos	\$226,000	\$226,000
North Canyons - HVAC Replacement Project	\$380,000	\$0
North Canyons Energy Upgrades	\$66,000	\$0
North Canyons Office Interior Replacement Project	\$20,000	\$112,000
North Canyons Renewal/Replacement and Improvements	\$8,000	\$8,000
North Canyons Roofing Rehabilitation Project	\$0	\$80,000
SMMP Update	\$59,000	\$59,000
Stanley Reach Stabilization Project	\$500,000	\$5,300,000
Total	\$2,367,000	\$5,849,400

Exhibit B
Capital Improvement Plan (CIP)
Flood Protection - Capital Projects Listing
Fund 210 – Flood Protection Development Impact Fee Fund

FY 2020-21 & 2021-22 Budget - Fund 210 Capital Project List		
Fund 210	FY 2020-21 Proposed Budget	FY 2021-22 Proposed Budget
Arroyo Mocho Medeiros Reach Project	\$684,000	\$0
Chain of Lakes Planning	\$14,000	\$5,600
COL Facilities and Improvements	\$570,000	\$80,000
Contingency	500,000	500,000
Flood Protection Planning Efforts	\$86,127	\$131,777
North Canyons - HVAC Replacement Project	\$19,000	\$0
North Canyons Energy Upgrades	\$3,300	\$0
North Canyons Office Interior Replacement Project	\$1,000	\$5,600
North Canyons Roofing Rehabilitation Project	\$0	\$4,000
SMMP Update	\$41,000	\$41,000
Total	\$1,918,827	\$768,377

Zone 7 Service Area

Zone 7 supplies treated drinking water to retailers serving over 250,000 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 17, 2020

BOARD OF DIRECTORS



Sandy Figuers, *President*

Board Member 1988-2000;
again since 2008
Term Expires June 30, 2020



Olivia Sanwong, *Vice President*

Board Member since 2018—
Term Expires June 30, 2022



Dennis Gambs

Board Member since 2018—
Term Expires June 30, 2022



Sarah Palmer

Board Member since 2006—
Term Expires June 30, 2022



Richard (Dick) Quigley

Board Member since 2004—
Term Expires June 30, 2020



Angela Ramirez Holmes

Board Member since 2012—
Term Expires June 30, 2020



Michelle Smith McDonald

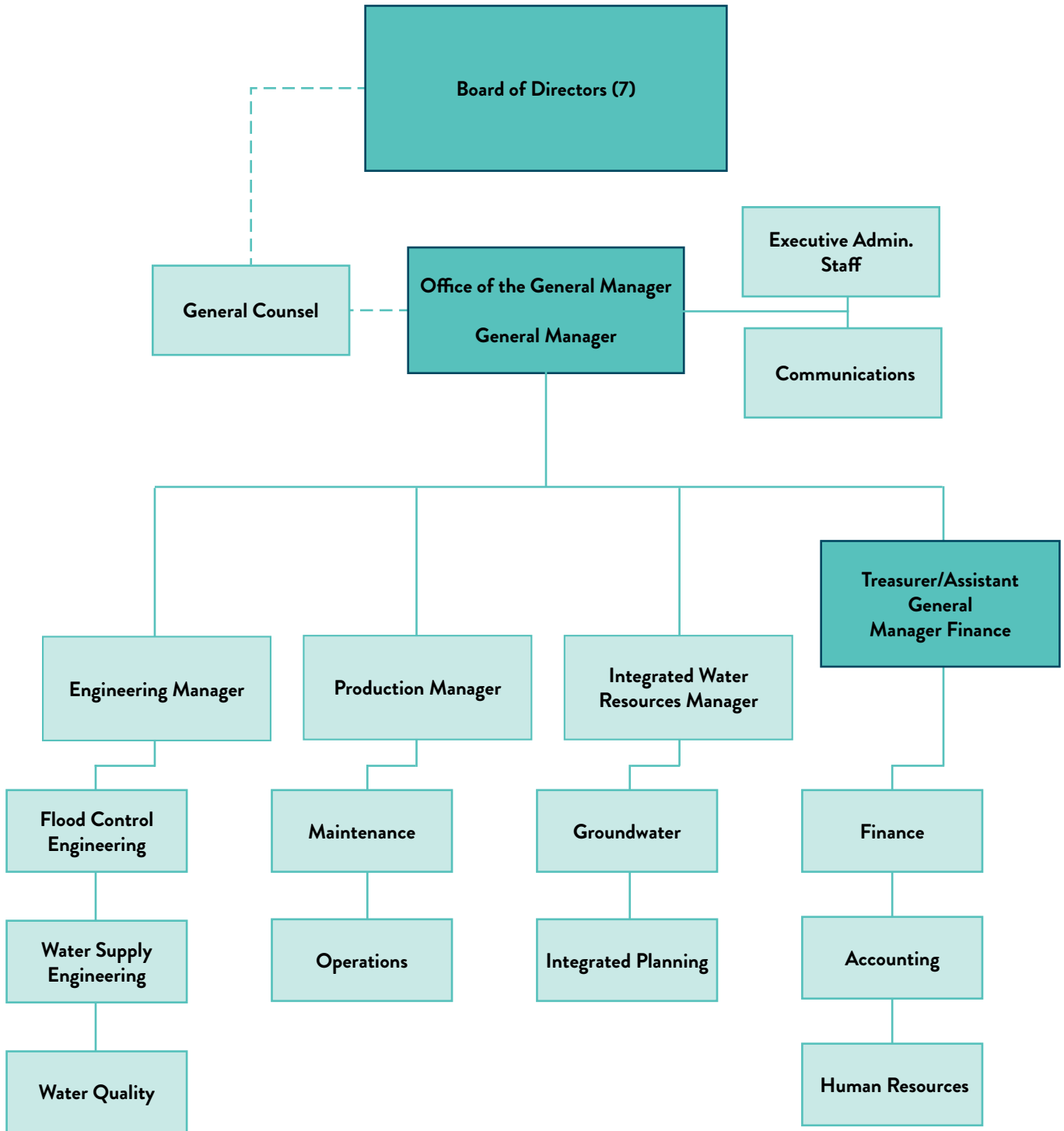
Board Member appointed in 2019—
Term Expires June 30, 2020

EXECUTIVE MANAGEMENT TEAM

Valerie Pryor, *General Manager*

Osborn Solitei,
Treasurer/Assistant General Manager, Finance

Zone 7 Organization 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 California 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.

Purchased water from the California 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.



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 were undertaken to extend the Contracts to improve financing conditions for the SWP. The negotiations to extend the Contracts were completely open to the public and are available at the CA DWR website. Terms have been agreed upon with Contracts extended to the longer of either December 31, 2085 or the period ending with the latest maturity date of any bond issue used to finance the construction costs of Project Facilities.

Most 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 had 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 extended to the year 2035. To ensure continued affordability of debt service to Contractors, it was necessary to extend the term of the Contracts, which will allow DWR to continue to sell bonds with 30-year terms.

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.



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.

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.

2017

Zone 7 celebrates its 60th anniversary.

2019

Zone 7 Signs Amendment #26 with CA Department of Water Resources, State Water Project contract extension to 2085.



Zone 7 Water Agency's Vision and Mission

The Zone 7 Water Agency's Vision statement reflects a legacy of service and establishes a high bar for continuing this service. The Vision statement represents the aspirations of Zone 7 Water Agency as follows:

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

Zone 7 Water Agency has established the following mission statement to guide decision making on behalf of the customers and communities we serve:

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

Zone 7 Water Agency's Values

"Our shared values guide all our actions."

-Valerie Pryor, General Manager



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

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

SAFETY: We are committed to public and employee safety.

TRANSPARENCY: We operate in an open and transparent fashion.

INNOVATION: We encourage innovation, creativity, and ingenuity.

COLLABORATION: We embrace collaboration to enhance our services.

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

ENVIRONMENTAL SENSITIVITY: We deliver our services in an environmentally sensitive manner.

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

PROACTIVITY: We proactively address issues and embrace continuous improvement.

Local Economy

The Tri-Valley area is located 39 miles east of San Francisco, California and 28 miles north of Silicon Valley. This area is a crossroads, not only literally (for commuters traveling from the Central Valley to Silicon Valley and other employment destinations) but also figuratively, where major employers include national laboratories, vineyards and high-tech firms.

The Agency's Administrative Office is located in the City of Livermore, County of Alameda. The City of Livermore itself was founded in 1869 and is one of California's oldest wine growing regions. Zone 7 currently serves a population within the Tri-Valley of over 260,000 people. Alameda County serves a population of over 1.6 million residents who earn a median family income of \$102,125 with an average household size of 2.84 persons. The per capita income for Alameda County is \$75,045 and supports nearly 810,000 wage and salary jobs as of 2018.²

**Demographic and Economic Statistics for Alameda County and Zone 7 Service Area
(Fiscal Years 2007-08 through 2019-20)**

Fiscal Year	Zone 7 Service Area (Acres)	Population Served in Agency's Service Area ¹	Population of Alameda County ¹	Total Personal Income, Alameda County (\$Billion) ²	Unemployment Rate, Alameda County ³	Consumer Price Index, Alameda County (% change) ⁴
2008	272,000	211,000	1,492,000	73.5	6.1	3
2009	272,000	216,000	1,504,000	70.2	11.1	0.8
2010	272,000	220,000	1,514,000	72.4	11.3	1.3
2011	272,000	224,000	1,532,000	78.2	10.8	2.7
2012	272,000	229,000	1,554,000	84.5	9.5	2.7
2013	272,000	233,000	1,579,000	87.4	7.4	2.2
2014	272,000	239,000	1,584,500	95.1	5.8	2.7
2015	272,000	245,000	1,602,000	106.1	5.2	3.2
2016	272,000	247,000	1,637,500	111.8	4.3	3.5
2017	272,000	255,000	1,643,000	118.6	3.8	2.9
2018	272,000	260,000	1,657,000	124.8	3.3	3.9
2019	272,000	264,500	1,669,500	130.7*	2.6	2.7
2020	272,000	265,000	1,671,000	135.6*	9.5	1.6

Source:

* Figures are forecasted estimates..

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

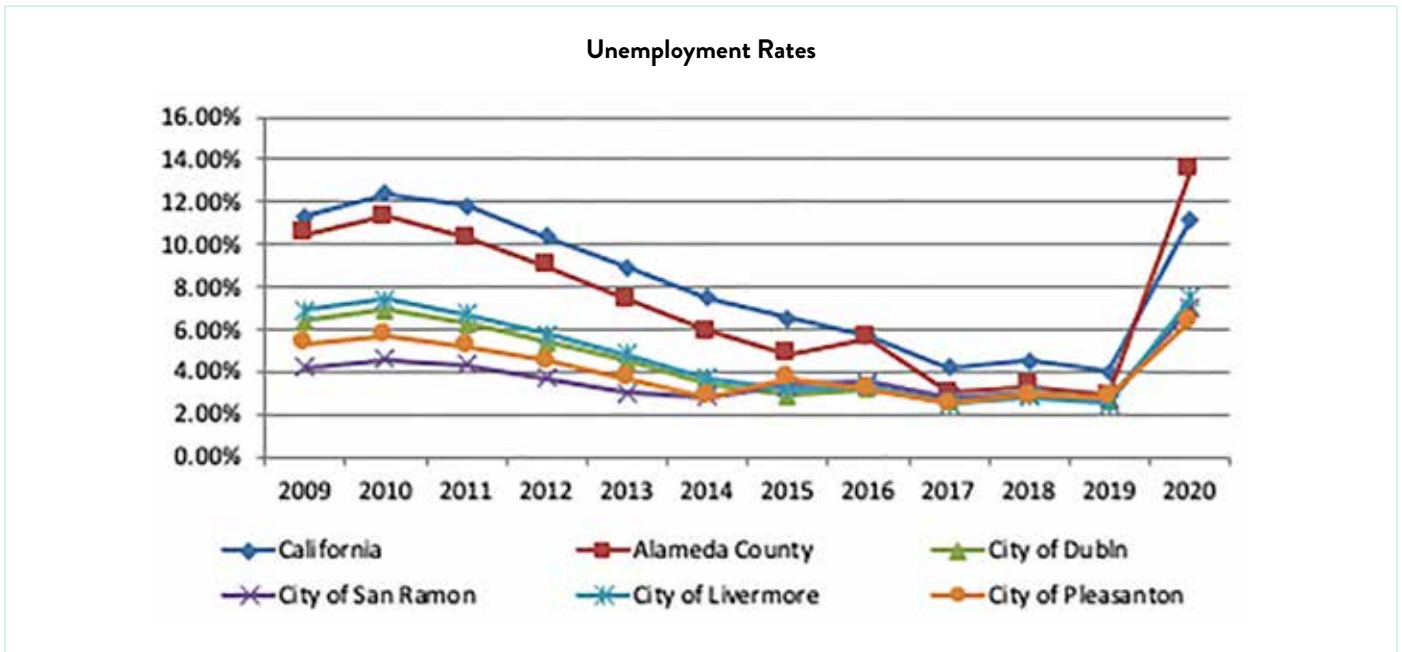
² Income: http://www.dot.ca.gov/hq/tpp/offices/eab/socio_economic_files/2019/FullReport2019.pdf

³ Unemployment rates: <http://www.labormarketinfo.edd.ca.gov> (through August)

⁴ Consumer Price Index (CPI): <https://www.dir.ca.gov/oprl/CAPriceIndex.htm>

Unemployment Rates

Not long ago unemployment rates across the state of California peaked at 12.4 % in 2010 then improved dramatically dropping to just 4.5 % by June 2018. However, the longest economic expansion in U.S. history ended dramatically in March 2020 with the onset of the COVID-19 pandemic. Just one month earlier the County’s unemployment rate was at 3.8 % and both the U.S. and California were at historic low unemployment rates, at 3.5 percent and 3.9 percent, respectively. The unemployment rate was 13.5 % in Alameda County as of May 2020, compared to California’s 16.3 % rate and 13.3 % rate for the nation. Alameda County’s May unemployment rate was over five times greater than the same time a year ago.¹

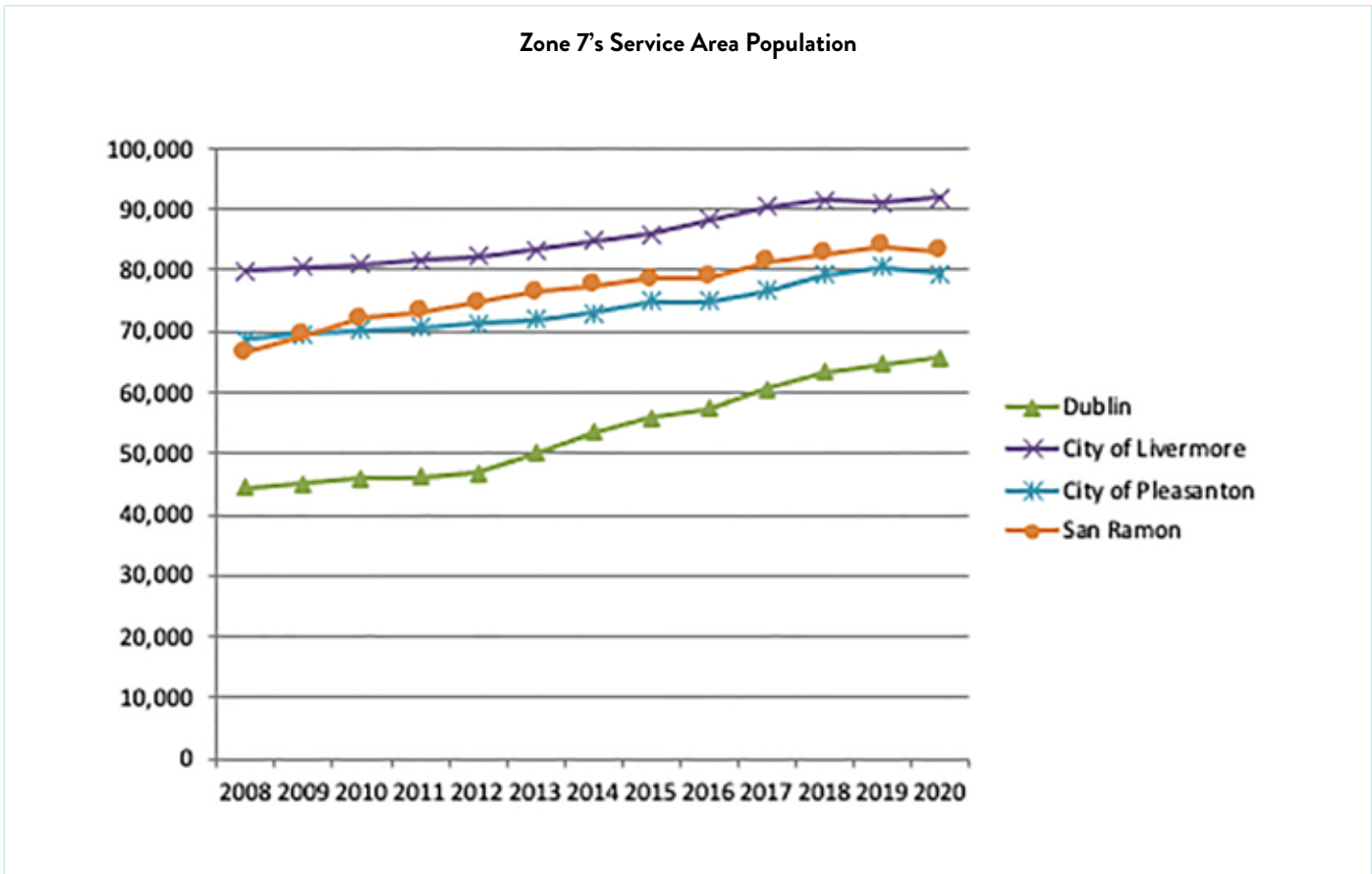


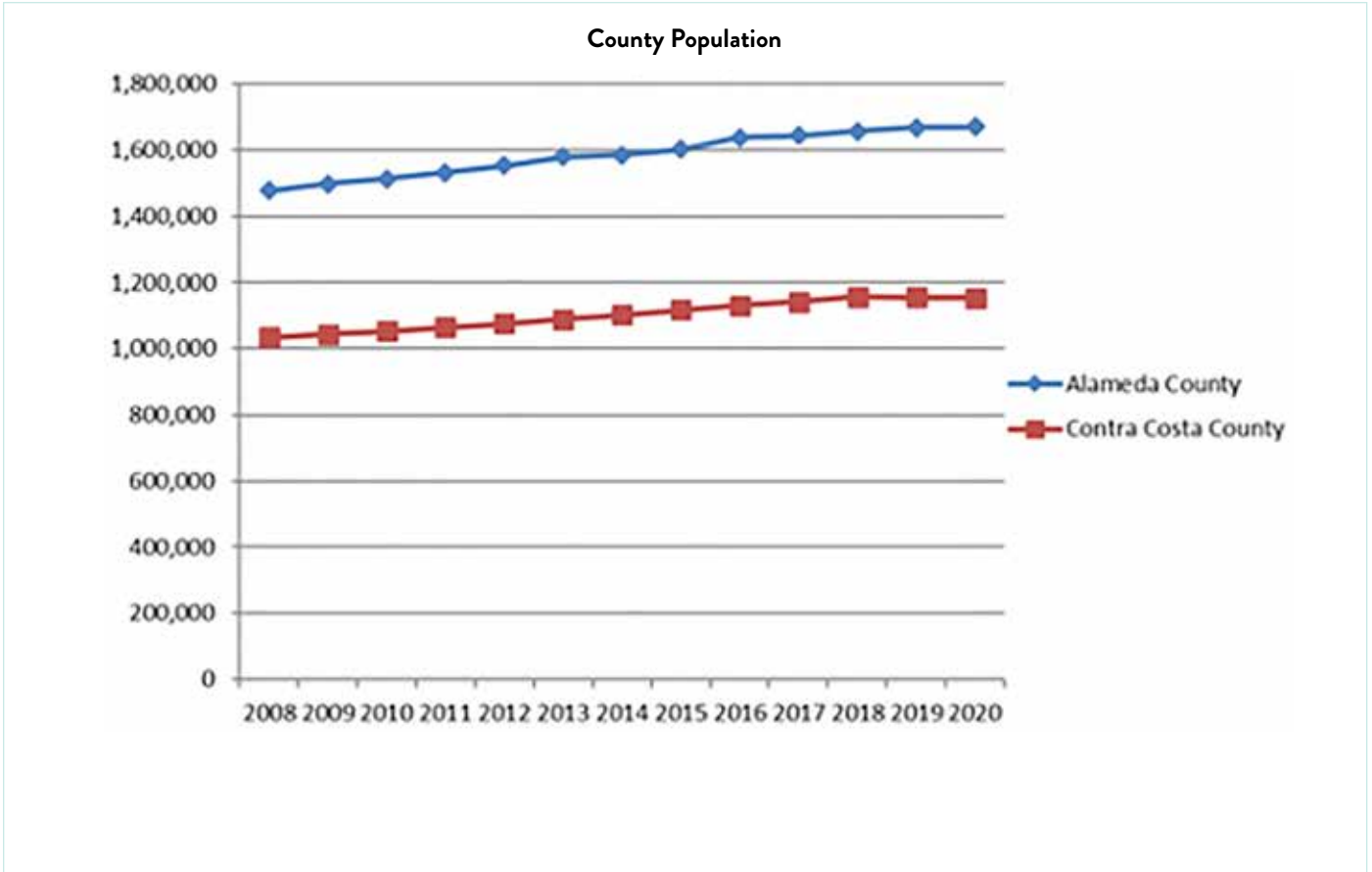
Source:

¹ Unemployment rates: <https://data.edd.ca.gov/Labor-Force-and-Unemployment-Rates/Labor-Force-and-Unemployment-Rate-for-California> (August 2020)

Population

Zone 7 Water Agency now serves a combined population of over 260,000 residents. The Dublin-Livermore-Pleasanton continues to be among the fastest growing areas in the Bay Area and with the COVID-19 pandemic response, many residents are now relocating outside of urban areas. The demographics of many areas will undoubtedly change further as all the cities within the Zone 7 service area continue to grow. Livermore and San Ramon maintain the largest overall populations in the area at 91,861 and 83,118 residents respectively. The city of Dublin sets the growth pace for the Tri-Valley over the period from 2019 to 2020 with a growth rate of 2.5%.¹ The balance of the Tri-Valley experienced growth rates of 1.2% for San Ramon, 0.5% Livermore and 0.1% Pleasanton.





Source:

Population: Alameda County: <http://www.dof.ca.gov/Forecasting/Demographics/Estimates/documents/PriceandPopulation2019.pdf>

Population: Contra Costa County: http://www.dot.ca.gov/hq/tpp/offices/eab/socio_economic_files/2020/ContraCosta.pdf

Challenges, Issues and Trends

While there are always financial factors the Agency plans for and mitigates, they normally focus on increasing fiscal impacts from water conservation efforts, increased State Water Project charges, the aftereffects of the flooding that followed the historic prolonged drought along with the continuing need to fund infrastructure maintenance and improvements.

This year however, the Agency along with every single individual and entity had to address the unknown challenges, issues and trends of the COVID-19 pandemic. On March 4, 2020 Governor Gavin Newsom proclaimed a State of Emergency to exist in California as a result of the threat of COVID-19. That proclamation was followed by a March 19, 2020 order from the California State Public Health Officer ordering all individuals living in the State of California to stay home or at their place of residence.

The Agency planned for and executed a plan to equip employees who could work remotely to do so and enacted a work from home practice on March 17, 2020. As of the writing of this document it remains to be seen how long these orders will remain and the total impact of the COVID-19 Pandemic itself. Even with all the unknown challenges, staff continues to provide a reliable supply of high-quality water and an effective flood-control system to the Livermore-Amador Valley. All Board Meetings are now conducted via video/teleconference using Zoom or phone in.

PER- AND POLYFLUOROALKYL SUBSTANCES (PFAS)

PFAS are a group of man-made chemicals that have been manufactured and used by a variety of industries since 1940. Common applications of PFAS include water and stain repellent materials, as well as fast-acting firefighting products. In 2019, USEPA issued its first PFAS Action Plan, which outlines the tools under development to address PFAS in drinking water, identify and clean up PFAS contamination, expand monitoring of PFAS manufacturing, increase PFAS scientific research, and promote effective enforcement tools. Additionally, it outlines USEPA's commitment to take a wide variety of actions to address this emerging contaminant in both short-term and long-term timeframes.

While all water supplied to our customers meets the regulatory standards set by the state and federal government, Zone 7 has been following regulatory guidance on PFAS as contaminants of emerging concern, as we do with all such contaminants that may pose a health risk. The Agency has been conducting voluntary monitoring of the water systems since 2013 and following State regulatory testing requirements since they were implemented in 2019. In the instances where these contaminants have been sampled above response levels (RL) in Zone 7 wells, Zone 7 has taken steps to treat the contaminants and they are below response levels in water delivered to customers.

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.

Hydrologic regions of California Water providers were first required to submit assessments of their baseline urban water use, which was measured in gallons per capita per day (GPCD), to the California Department of Water Resources (DWR). From this it was possible to calculate the reductions in use that would be required for each watershed, taking account of different factors such as population, hydrology and land use, in order to meet the required 20% reduction.

All providers were then required to submit conservation plans to DWR by July 1, 2011 outlining exactly how the provider will ensure the conservation targets are met. To aid the suppliers the DWR formulated several water conservation methods/measurement criteria that suppliers could adopt, allowing them to choose the one that was best suited to their specific users.

POTENTIAL ALTERNATIVE SUPPLIES

Zone 7 Water Agency will evaluate and develop appropriate new water supply and reliability opportunities.

Continue to pursue these projects if they demonstrate progress toward attaining new sustainable water supplies both regionally and locally and are fiscally feasible:

- Bay Area Regional Desalination Project
- Delta Conveyance
- Los Vaqueros Reservoir Expansion
- Potable Reuse
- Sites Reservoir
- Water Transfers
- Intertie with neighboring water agency

Continue to evaluate and pursue water conservation activities to help the retailers comply with State mandates for long-term water use efficiency standards beginning in 2023.

Continue to evaluate and pursue water conservation activities to help the retailers comply with State mandates for long-term water use efficiency standards beginning in 2023

CAPITAL IMPROVEMENT PLAN (CIP):

Zone 7 Water will continue to effectively implement infrastructure projects in the Water System Capital Improvement Program

Existing infrastructure must be maintained, upgraded, and/or replaced to ensure reliable operations. Modifications to infrastructure related to technological advances and improvements must be considered and incorporated if necessary, to improve system reliability and operations\maintenance efficiency. New infrastructure must be developed to serve future growth in the Valley and to comply with future anticipated water quality regulations. This initiative documents how Zone 7 will continue to update and implement its Capital Improvement Program (CIP) and the Asset Management Program (AMP). The CIP encompasses the near-term (10-year) implementation and funding plan for projects required to meet the long-term mission and goals. The AMP includes the asset inventory and long-term (40-year) renewal and replacement schedule for the water system assets, and determines the total funding needed over the planning horizon, and documents Zone 7's funding plan.

Strategic Planning

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

This Strategic Plan was developed through a collaborative process with the Board of Directors, management and staff. The Board discussed the strategic challenges facing Zone 7 Water Agency and refined a vision, mission, and set of goals for the 5-Year Strategic Plan at a Board Retreat in early 2020. Based upon staff input and Board direction, the management team then developed "initiatives" for each of these goals. The Strategic Plan will be funded through the budget process and progress tracked, reevaluating the plan regularly to adjust as conditions warrant. The Board of Directors reviewed and accepted the 2020-2024 Strategic Plan on June 17, 2020.

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

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

Major Accomplishments (FY 2019-20)

Two multi-year, sizeable Capital projects engaged: Construction began on the Del Valle Water Treatment Plant Ozonation Project April 2018, and the \$49M project was completed in the summer of 2020. The project included the modification of existing facilities and construction of new facilities including an ozone generation building, contactor structure, existing filters modifications, chemical feed facilities, Power and Water Resource Pooling Authority (PWRPA) electrical facilities and a plant utility water pump station. This completed project will improve water quality, enhance the water treatment process, and increase water production reliability.



Construction began on the Patterson Pass Water Treatment Plant upgrades and ozonation project in January 2019 with completion target of early 2022. The \$95M project includes the modification of existing facilities and construction of new facilities including an ozone generation building, contactor structures, filters, chemical storage and feed facilities, a 5 million gallon (MG) treated water storage tank, and a pump station. The completion of this project will improve treated water quality, replace existing facilities reaching the end of useful life, increase plant capacity to 24 MGD, and increase treated water storage capacity.



Transition of Insurance Coverage from Alameda County to Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA):

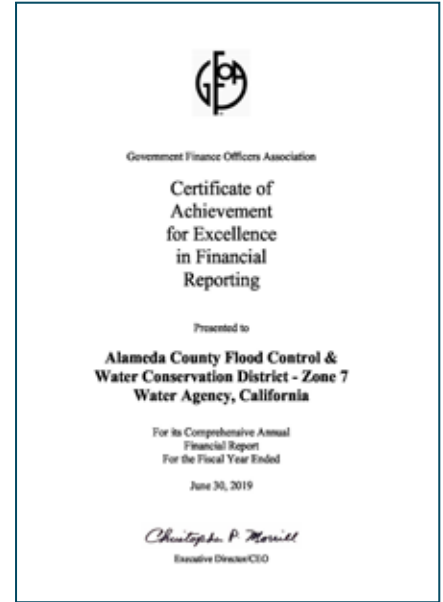
Since the inception of the Zone 7 Water Agency all insurance coverage was provided through Alameda County Risk Management which obtained and managed General Liability, Property, Excess Crime and Workers Compensation insurance for the benefit of Zone 7. The Agency sought to lower insurance costs, increase the efficiency and continuity of the Agency's insurance coverage programs and streamline the claims process in the event of a loss.

ACWA JPIA insurance programs proactively manage risk through comprehensive inspection and training programs and the Training programs are specific to the water utility industry.

In July 2019, the Agency transitioned General Liability insurance coverage to ACWA-JPIA. In March 2020, the Agency transitioned its Property and Excess Crime insurance coverage to ACWA-JPIA. Workers Compensation insurance coverage continues to be sourced and managed by Alameda County.

Comprehensive Annual Financial Report (CAFR): For the fourth time in the agency’s history, staff created an agency CAFR, submitted an application for review and was awarded a Certificate of Achievement for Excellence in Financial Reporting, this time for Year Ended June 30, 2019.

Budget Book Presentation Awards: For the fifth consecutive year, the Agency received the Government Finance Officers Association (GFOA) “Distinguished Budget Presentation Award” for the biennial beginning 2018. Additionally, Zone 7 received the “Excellence Award in Operating Budget” for the fourth consecutive year from the California Society of Municipal Finance Officers (CSMFO) for its FY 2018-20 Budget Book.



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



WATER SUPPLY · WATER QUALITY · FLOOD PROTECTION

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. This budget document includes a brief explanation of the Agency's budget process, a breakdown of the budget by Major Funding Area, Section, Program and the Chart of Accounts.

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

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, 2022 is the fiscal year ending June 30, 2022. "FYE" for fiscal year ending is also used.

FISCAL MANAGEMENT

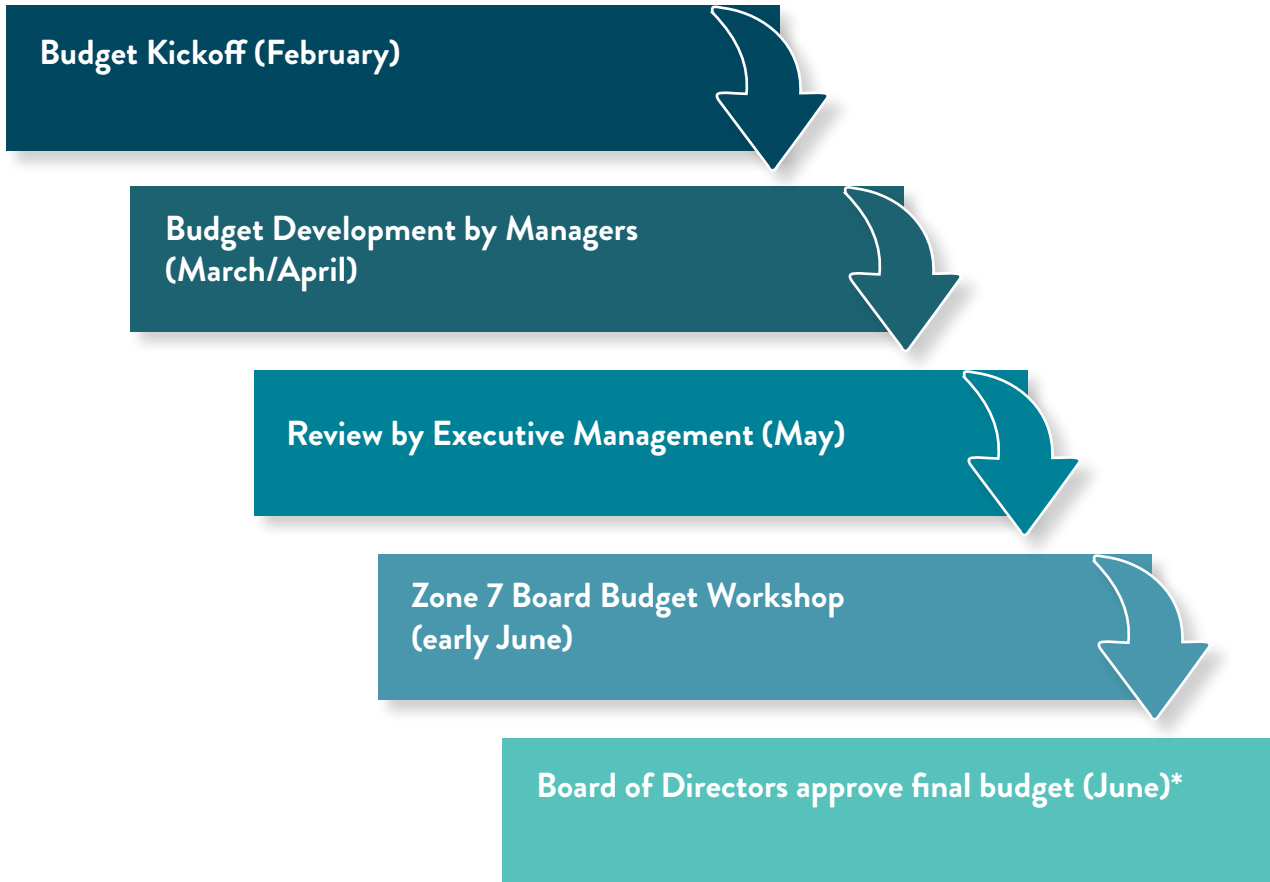
The Agency's Board of Directors adopts operating and capital budgets prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District's enterprise (water) and governmental (flood) functions. The Agency adopts 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 Manager and Executive Staff for analysis and consideration. The Assistant General Manager and Executive Staff then propose their respective draft budgets to the General Manager, who considers Agency priorities, overall impact and ultimate direction regarding each of the Agency's funds to develop the full budget draft. The vetted budget draft is then presented to the full Board of Directors for review and adoption prior to June 30 each year. This two-year budget was adopted by the Zone 7 Board on June 17, 2020. At the end of June 2020, the Alameda County Board of Supervisors adopted the Agency's budget for funds 100, 110, and 200.

The Board of Directors meetings and any standing Board Committee meetings are posted in advance in accordance with the Brown Act and to facilitate full public participation. The final FY 2020-22 budget was posted and will remain on the Agency's website for a period determined by the General Manager.

BUDGET PROCESS FLOW



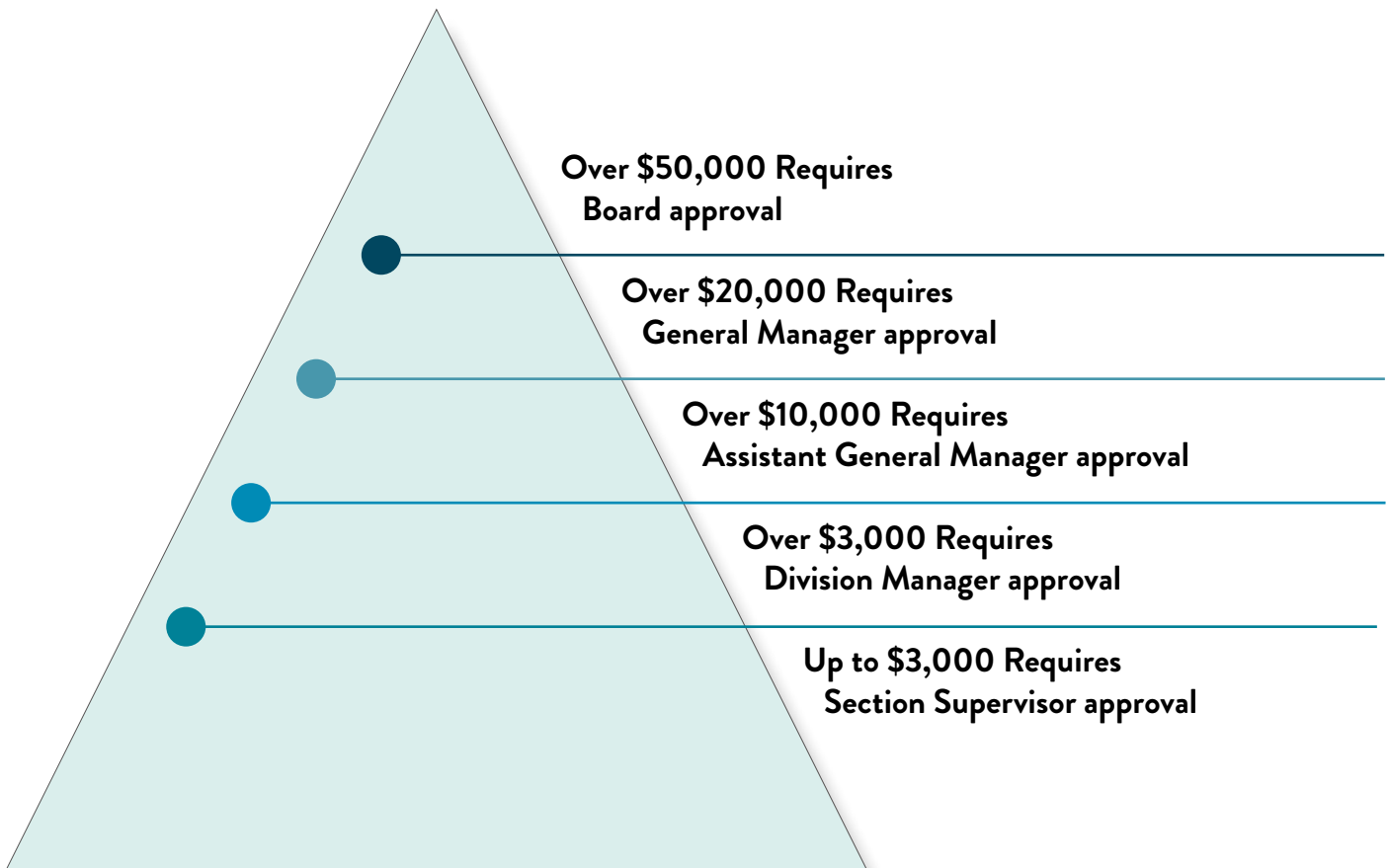
**Even-numbered years*

Budgetary Control

The budget is a management tool intended to aid in the planning efforts of the Agency and 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.

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



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

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

Capital Financing and Debt

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

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

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

On March 28, 2018 the Agency completed the sale of bonds to million bond proceeds will be used for ozone projects at both water treatment plants of \$57 million and refunding of the Cawelo Water District capital payment for \$14.1M. The Agency sold all of its \$64,010,000 Livermore Valley Water Financing Authority water revenue bonds. The 2018 Series A bonds generated \$71,398,059 of proceeds with a true interest rate of 3.54%.

Credit Ratings

As part of the 2018 Series A Bond issuance, the Agency secured credit ratings from Standard and Poor’s and Fitch. The ratings are shown in the table below:

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

Ratings Upgrade: As of July 2020 Fitch Ratings has upgraded to ‘AA+’ from ‘AA’ the rating on the following obligations issued by the Livermore Valley Water Financing Authority (the authority) on behalf of Alameda County Flood Control and Water Conservation District Zone 7 Water Agency (the agency).

Outstanding Debt

The Water System has outstanding principal \$62.7M as of June 30, 2020.

Livermore Valley Water Financing Authority Water Revenue Bonds, 2018 Series A				
Debt Service Schedule				
Fiscal Year Ending	Principal	Interest	Debt Service	Principal & Interest Remaining
6/30/2019		2,124,444	2,124,444	111,278,956
6/30/2020	1,305,000	2,908,913	4,213,913	107,065,044
6/30/2021	1,370,000	2,842,038	4,212,038	102,853,006
6/30/2022	1,445,000	2,771,663	4,216,663	98,636,344
6/30/2023	1,520,000	2,697,538	4,217,538	94,418,806
6/30/2024	1,595,000	2,619,663	4,214,663	90,204,144
6/30/2025	1,680,000	2,537,788	4,217,788	85,986,356
6/30/2026	1,770,000	2,451,538	4,221,538	81,764,819
6/30/2027	1,855,000	2,360,913	4,215,913	77,548,906
6/30/2028	1,955,000	2,265,663	4,220,663	73,328,244
6/30/2029	2,055,000	2,165,413	4,220,413	69,107,831
6/30/2030	2,165,000	2,059,913	4,224,913	64,882,919
6/30/2031	2,275,000	1,948,913	4,223,913	60,659,006
6/30/2032	2,395,000	1,832,163	4,227,163	56,431,844
6/30/2033	2,520,000	1,710,438	4,230,438	52,201,406
6/30/2034	2,640,000	1,582,588	4,222,588	47,978,819
6/30/2035	2,765,000	1,461,288	4,226,288	43,752,531
6/30/2036	1,765,000	1,361,863	3,126,863	40,625,669
6/30/2037	1,835,000	1,287,919	3,122,919	37,502,750
6/30/2038	1,905,000	1,220,000	3,125,000	34,377,750
6/30/2039	1,985,000	1,142,200	3,127,200	31,250,550
6/30/2040	2,065,000	1,061,200	3,126,200	28,124,350
6/30/2041	2,150,000	976,900	3,126,900	24,997,450
6/30/2042	2,235,000	889,200	3,124,200	21,873,250
6/30/2043	2,325,000	798,000	3,123,000	18,750,250
6/30/2044	2,420,000	703,100	3,123,100	15,627,150
6/30/2045	2,535,000	591,325	3,126,325	12,500,825
6/30/2046	2,665,000	461,325	3,126,325	9,374,500
6/30/2047	2,800,000	324,700	3,124,700	6,249,800
6/30/2048	2,945,000	181,075	3,126,075	3,123,725
6/30/2049	3,070,000	53,725	3,123,725	-
	62,700,000	49,393,400	113,403,400	

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

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

The Agency has a bonded indebtedness limit that shall not exceed 5% of the assessed valuation of all taxable property in any zone lying, in whole or in part of the agency's service area. The current outstanding principal of \$64M is 0.02% of the total debt limit of \$2.8B.

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



Del Valle Water Treatment Plant Ozone Project

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.

**ENVIRONMENTAL
PROTECTION AGENCY FUND –
FUND 230**

Primary Funding Source:
Federal Grant Funding.

The purpose of this fund accounts for the Environmental Protection Agency (EPA) grant used for a specific purpose, activity or program. The purpose of this project “Preparing for the Storm” will re-establish floodplain and riparian habitat, restore natural hydrology through levee setbacks on vineyard property, improve stormwater capture, reuse an estimated 50,000 cubic yards/year of coarse sediment, and reduce erosion. This project implements water quality and habitat actions listed under the San Francisco Estuary Partnership Comprehensive Conservation & Management Plan (SFEP CCMP).

**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	This operations and maintenance fund includes water treatment and distribution of potable (drinking) water; distribution of untreated agricultural/irrigation water; and surface water and groundwater management.	Yes	Yes
State Water Facilities Fund	110	Property Taxes	Finances the “fixed cost” payment to the State Department of Water Resources (DWR) to import water to Zone 7.	Yes	Yes
Capital Improvement, Renewal & Replacement (IR&R) Fund	120	Originally financed by Revenue Bonds, and Transfers from Water Enterprise End of Fiscal Year.	A sub-fund of Fund 100, this fund ensures that funding is available for capital renewal, replacement and system-wide improvement projects needed to keep the current water treatment and delivery systems functioning effectively.	Yes	Yes
Capital Expansion Fund	130	Connection Fees	This fund ensures that the Agency is able to meet future needs of new customers with development paying its own way.	Yes	Yes
Water Enterprise Fixed Assets (Equipment) Fund	140	ACO Reserve (Accumulated Capital Outlay)	Motor Vehicle Replacement & Capital Equipment	No	Yes
Flood Protection Operations Fund	200	Property Taxes	Provides for general administration and flood control services to ensure the controlled drainage of the Valley’s excess stormwater runoff.	Yes	Yes
Flood Protection Development Impact Fee Fund	210	Development Impact Fees	Ensures that Zone 7 is able to meet future needs for expansion- related flood control facilities.	Yes	Yes
Environmental Protection Agency Fund	230	Federal Grant Fund	Accounts for the Environmental Protection Agency (EPA) grant used for a specific purpose, activity or program. The project “Preparing for the Storm” will re-establish floodplain and riparian habitat, restore natural hydrology, and reduce erosion.	Yes	Yes
Water Facilities Fund	300	Quarry Reclamation/ Tonnage fees, Quarry Discharge fees, T/O Construction & other Deposits, Encroachment Permit fees, Untreated Connection fee Deposits, and Unallocated Interest.	This fund is to be used for Chain of Lakes mitigation and planning reserve, quarry discharge exports, miscellaneous fees and deposits, and permit inspection deposits.	No	Yes
Water Supply/ Reliability Fund	310	Water supply/ reliability/quality & Delta related projects.	Per the Board resolution # 07-1986, the purpose of this fund is to be used for future water, water storage and Delta-related projects	No	Yes

Matrix of Current Section/Fund Relationship

The chart below exemplifies the current relationship between Funds and Sections

Section	Fund 100 Water Enterprise Operations	Fund 110 State Water Facilities	Fund 120 Water Renewal/ Re- placement	Fund 130 Water Expansion	Fund 200 Flood Control	Fund 210 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	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 2020-21 and 2021-22, the Agency overhead allocation amount is estimated at 10% for both years.

Agency overhead is also allocated to capital project labor at an estimated rate of 52.8% for 2020-21 and 2021-22.

Financial Policies

FINANCIAL MANAGEMENT FRAMEWORK (APPENDIX A)

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

FINANCIAL RESERVES (APPENDIX B)

The Financial Reserve policy was initially adopted by the Board in 2005 and updated with the adoption of a new Interim Reserve policy in April 2013. Another update was completed in 2016 and a final Reserve Policy was adopted by the Board in September 2016. On May 15, 2019, the Board adopted a revised reserve policy (Resolution No. 19-37) which eliminated the Drought Contingency and Rate Stabilization reserves and established a new Reserve for Economic Uncertainties.

INVESTMENT POLICY (APPENDIX C)

Zone 7's first Investment Policy was adopted by the Board on May 17, 2017 and is subject to annual review. The most recent review and update was adopted by the Board on April 15, 2020. The policy is intended to provide guidelines for the prudent investment of surplus cash, reserves, trust funds and restricted monies and to outline a policy for maximizing the efficiency of the Agency's cash management system.

DEBT POLICY (APPENDIX D)

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

Employee Compensation and Benefits

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 at least 10% of the total premium cost, 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 at a range from \$100 to \$300 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% Diagnostic and Preventative, 80-85% for other services 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 \$3,300 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 \$12,000-\$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 \$2,750 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 \$255 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(b) 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 2020 the maximum contribution is \$19,500 per year by individuals under age 50, and \$26,000 per year for employees 50 years of age and older.

Rates and Fees Schedule

TREATED WATER RATES

New Water Rate Setting Methodology; Current Water Rates. In 2015, Raftelis was hired to analyze cost of service for the Water System and develop a three-year wholesale water rate schedule for calendar years 2016, 2017 and 2018. In October 2015, the Agency Board approved a three-year rate schedule with a temporary conservation surcharge of \$0.57 per 100 cubic feet (“CCF”) for calendar year 2016. Continued revenue losses due to drought conditions and State-mandated water use restrictions prompted staff to rehire RFC in 2016 to revisit restructuring rates to include a fixed component and to determine whether to extend the temporary conservation surcharge. Based on the study findings and staff recommendations, in October 2016 the Agency Board approved an extension of the temporary surcharge through December 31, 2017. The Agency Board also approved restructuring of rates to include a 35% fixed charge component. In 2017, the Agency implemented a fixed charge for each Agency Retailer and other customers to recover 35% of the Agency’s revenue requirements. The fixed charge provides increased revenue stability for the Agency and increase rate stability for its customers. In order to equitably recover the fixed charge, the fixed charge for each Agency Retailer and other customer is allocated proportionally to their average usage based on the previous two years. The Agency collects the fixed charge evenly over the course of 12 months from each Retailer and Direct Customer in order to ensure financial stability. With the establishment of a fixed charge in 2017, the volume-based rate was adjusted to recover nearly 100% of revenue from volume-based rates to 65% cost recovery. The volume-based rate is a uniform rate charge to each Agency Retailer and other customers per each unit of water delivered. In 2018, Zone 7’s Board of Directors approved a four-year rate schedule that included a set increase of 6.7% each year from Calendar Year 2019-2022 and a gradual ramp-up of the fixed charge from 37.5% in 2019 to 45% by 2022. Under that schedule, the next rate increase of 6.7% was scheduled to go into effect on January 1, 2021. On June 17, 2020, the Zone 7 Board of Directors approved delay of the previously approved rate increase to provide relief and stability to the Tri Valley community due to the COVID-19 pandemic.

ZONE 7 TREATED WATER RATES

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

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

** Includes \$248 Drought Surcharge

*** On June 17, 2020, the Zone 7

Board of Directors approved delay of the previously approved rate increase to provide relief and stability to the Tri Valley community due to the COVID-19 pandemic.

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

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

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

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

UNTREATED WATER RATE

To determine the untreated water rate for calendar year 2020, Zone 7 contracted with Raftelis Financial Consultants, Inc. (Raftelis) to conduct a cost of service study for untreated water service. The process included discussions with untreated water customers and the Zone 7 Finance Committee. On October 16, 2019 the Board adopted a rate of \$173 per acre-foot for CY 2020. For CY 2021 rates, on June 17, 2020, the Zone 7 Board of Directors approved no rate increase in the CY 2021 rates to provide relief and stability to the Tri Valley community due to the COVID-19 pandemic.

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 2021 temporary untreated water rate is \$2.72 per 1,000 gallons.

WATER CONNECTION FEES

Water connection charges began in 1972 with the adoption of Ordinance No. FC 72-1 (the “Water Connection Ordinance”). The ordinance is applicable over the Agency area that includes Livermore, Pleasanton, Dublin, and surrounding communities. The Water Connection Ordinance has been amended several times and requires a one-time water connection fee for all new water services from a water system that is directly connected to the Agency’s water supply system. This fee is used for funding the costs of expanding the Agency’s water treatment and distribution system to serve new development. The connection fees the Agency charges are intended to assure that development pays its own way and to place new utility customers on equal basis from a financial perspective with existing customers. Once new customers are added to the system, they incur the obligation to pay the same service charges that existing customers pay. The Agency’s connection fees are calculated using an “incremental cost” methodology, as existing system assets have been funded through property tax revenue, water rates and earlier connection fees.

In 2017, the Agency Board adopted the Fiscal Year 2016-17 Municipal and Industrial Connection Fee Program Update. The update undertook a comprehensive re-evaluation of projected demands, and new connections in the Agency’s service area, and the necessary Water System expansion projects to meet the needs of future customers. The study resulted in a 7.3% increase in the Alameda County Connection Fee and an 11.3% increase in the Dougherty Valley Connection Fee, which became effective May 1, 2017. The study recommended annual inflationary adjustments to the fee to keep pace with inflation. An update to the Municipal and Industrial Connection Fee Program Update is planned for CY 2021.

Effective January 1, 2020 the Agency Board set the connection fees as stated below.

Meter Size	Fee Factor	Connection Fee	Connection Fee (Dougherty Valley)
5/8" (DISPLACEMENT TYPE)	1.0	\$29,440	\$28,250
3/4" (DISPLACEMENT TYPE)	1.5	\$44,160	\$42,375
1" (DISPLACEMENT TYPE)	2.5	\$73,600	\$70,625
1½" (DISPLACEMENT TYPE)	5.0	\$147,200	\$141,250
1½" (OMNI C2)	16.0	\$471,040	\$452,000
1½" (OMNI T2)	16.0	\$471,040	\$452,000
1½" OMNI WITH 50GPM RESTRICTION	5.0	\$147,200	\$141,250
2" (DISPLACEMENT TYPE)	8.0	\$235,520	\$226,000
2" OMNI WITH 80GPM RESTRICTION	8.0	\$235,520	\$226,000
2" Mueller MVR (Pleasanton only)	8.0	\$235,520	N/A
2" OMNI WITH 120GPM RESTRICTION	12.0	\$353,820	\$339,000
2" (OMNI C2)	16.0	\$471,040	\$452,000
2" (OMNI T2)	20.0	\$588,800	\$565,000

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, 2020, the fee remains at \$1.00 per square foot of new impervious surface created.

WELL DRILLING AND DESTRUCTION PERMITS

Zone 7 Water Agency is the Administering Agency for Alameda County’s “Water Wells Ordinance” (General Ordinance Number 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 September 1, 2018 the Zone 7 Board set the Water Well and Soil Boring Permit fees as:

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

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

Financial Trend Indicators

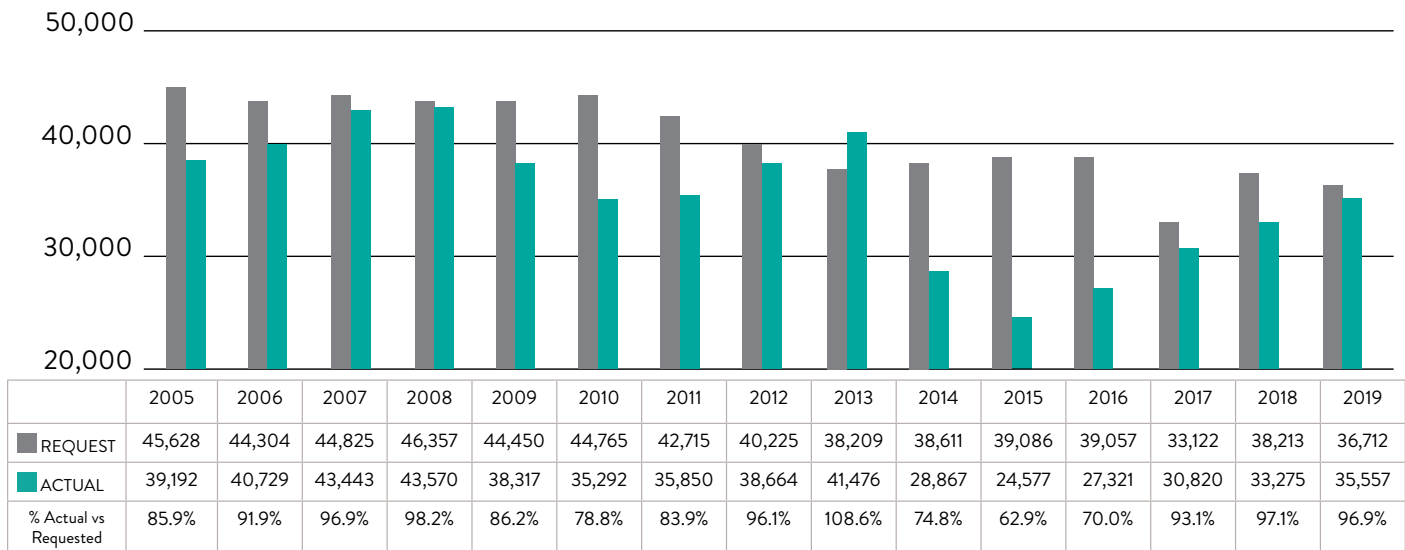
WATER SALES

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

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. 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 2005 through 2019.

Treated Water Requested vs. Delivered (AF)



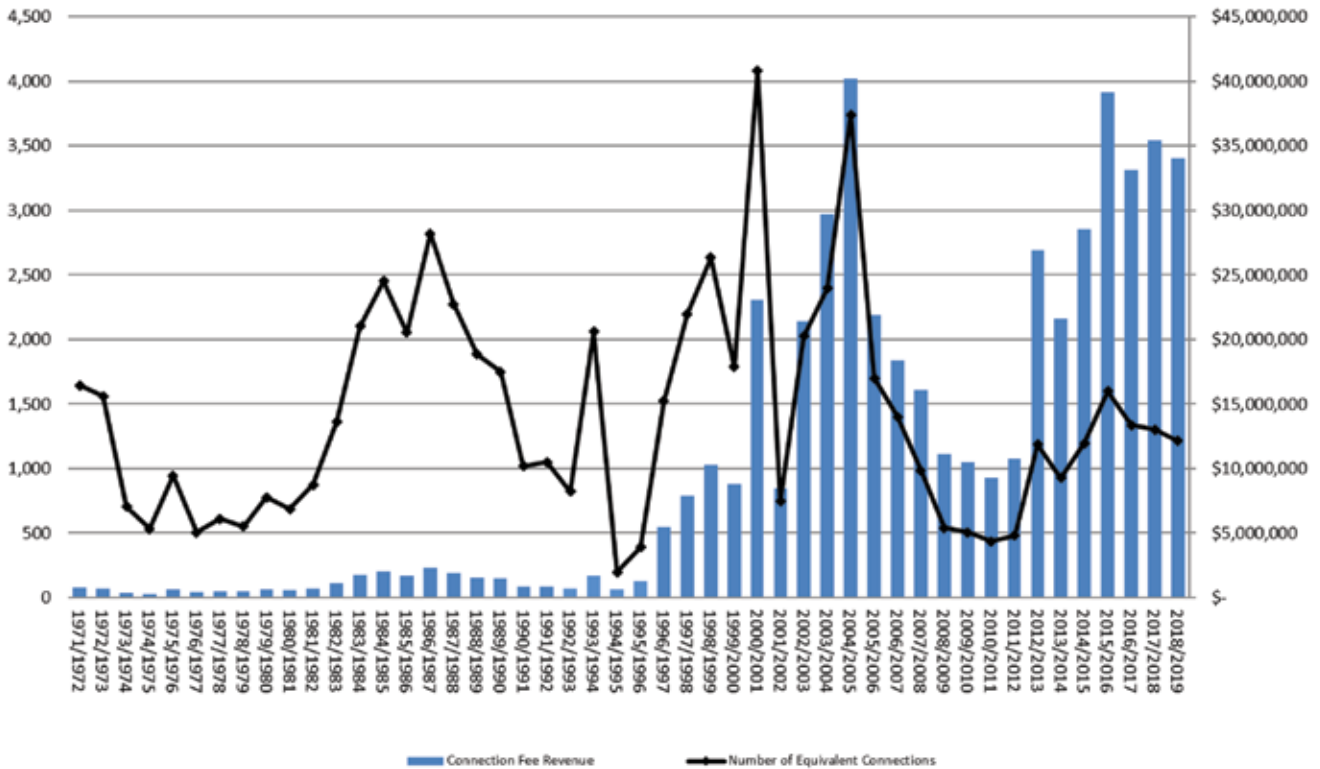
Source: Zone 7 Finance, Operations and Integrated Planning groups.

WATER CONNECTION FEE REVENUE

Historical connection fee revenue serves as an indication of future connections. In general, the economic cycle in terms of connection fee revenue, consists of several years of slow growth followed by a slow but steady recovery. Over the past five years, connection fee revenues significantly recovered from the 2008 levels. However, as a result of the COVID-19 pandemic there was a reduction in FY 2019-20. As a result, connection fee revenue has been conservatively projected in this budget.

The chart below depicts historical connection data from FY 1971-72 to 2018-19.

Connection Fee Revenue/Number of Equivalent Connections



Financial Plan Model for FY 2022 Budget

FUND 100 - WATER ENTERPRISE FUND

Fund 100 - Water Enterprise Fund	FY 19-20 End of Year Projection	FY 20-21 Budget	FY 21-22 Budget	FY 22-23 Projection	FY 23-24 Projection
Beginning Reserve Balance	\$18,530,469	\$25,485,776	\$27,076,300	\$28,256,094	\$24,348,718
Revenue	54,179,106	55,688,280	58,107,514	59,426,434	62,057,939
Operating Expenses	31,104,933	37,765,642	40,226,977	41,098,513	42,514,431
Transfer to Fund 120	16,118,866	16,332,115	16,700,744	22,235,297	22,793,872
End of Year Available Reserve Balance	\$25,485,776	\$27,076,300	\$28,256,094	\$24,348,718	\$21,098,354

FUND 110 - STATE WATER FACILITIES FUND

Fund 110 - State Water Facilities Fund	FY 19-20 End of Year Projection	FY 20-21 Budget	FY 21-22 Budget	FY 22-23 Projection	FY 23-24 Projection
Beginning Reserve Balance	\$29,244,928	\$28,680,439	\$29,524,631	\$28,103,700	\$26,640,141
Revenue	25,702,354	26,519,775	27,858,457	28,694,211	29,555,037
Expenses	26,266,843	25,675,583	29,279,388	30,157,770	31,062,503
End of Year Available Reserve Balance	\$28,680,439	\$29,524,631	\$28,103,700	\$26,640,141	\$25,132,675

FUND 120 - RENEWAL & REPLACEMENT/SYSTEMWIDE IMPROVEMENTS FUND

Fund 120 - Renewal & Replacement/ Systemwide Improvements Fund	FY 19-20 End of Year Projection	FY 20-21 Budget	FY 21-22 Budget	FY 22-23 Projection	FY 23-24 Projection
Beginning Reserve Balance	\$84,987,019	\$41,753,224	\$44,237,309	\$27,744,004	\$27,781,075
Revenue	3,185,855	104,236	86,492	279,940	280,311
Transfer from Fund 100	12,647,808	13,005,449	13,373,203	18,908,131	19,464,456
Expenses	59,067,459	10,625,600	29,953,000	19,151,000	45,324,000
End of Year Available Reserve Balance	\$41,753,224	\$44,237,309	\$27,744,004	\$27,781,075	\$2,201,842

FUND 130 - CAPITAL EXPANSION FUND

Fund 130 - Capital Expansion Fund	FY 19-20 End of Year Projection	FY 20-21 Budget	FY 21-22 Budget	FY 22-23 Projection	FY 23-24 Projection
Beginning Reserve Balance	\$113,212,884	\$70,129,388	\$77,533,390	\$91,268,895	\$88,789,158
Revenue	31,059,480	28,005,935	37,074,150	42,598,955	43,327,555
Non-Discretionary Expenses	18,368,043	18,000,913	18,262,300	17,260,849	17,359,319
Other Expenses	55,774,933	2,601,020	5,076,344	27,817,844	71,061,044
End of Year Available Reserve Balance	\$70,129,388	\$77,533,390	\$91,268,895	\$88,789,158	\$43,696,349

FUND 200 - GENERAL FUND

Fund 200 - General Fund	FY 19-20 End of Year Projection	FY 20-21 Budget	FY 21-22 Budget	FY 22-23 Projection	FY 23-24 Projection
Beginning Reserve Balance	\$17,602,713	\$11,473,718	\$9,615,741	\$3,329,433	\$5,770,475
Revenue	9,831,819	9,822,067	10,098,334	10,401,284	10,713,323
Expenses	15,960,814	11,680,044	16,384,642	7,960,242	8,199,049
End of Year Available Reserve Balance	\$11,473,718	\$9,615,741	\$3,329,433	\$5,770,475	\$8,284,748

FUND 210 - FLOOD PROTECTION & STORMWATER DRAINAGE DIF FUND

Fund 210 - Flood Protection & Stormwater Drainage DIF Fund	FY 19-20 End of Year Projection	FY 20-21 Budget	FY 21-22 Budget	FY 22-23 Projection	FY 23-24 Projection
Beginning Reserve Balance	\$66,872,665	\$67,948,645	\$69,060,866	\$71,325,938	\$73,658,962
Revenue	4,873,030	3,031,048	3,033,449	3,124,452	3,218,186
Other Expenses	3,797,050	1,918,827	768,377	791,428	815,171
End of Year Available Reserve Balance	\$67,948,645	\$69,060,866	\$71,325,938	\$73,658,962	\$76,061,977



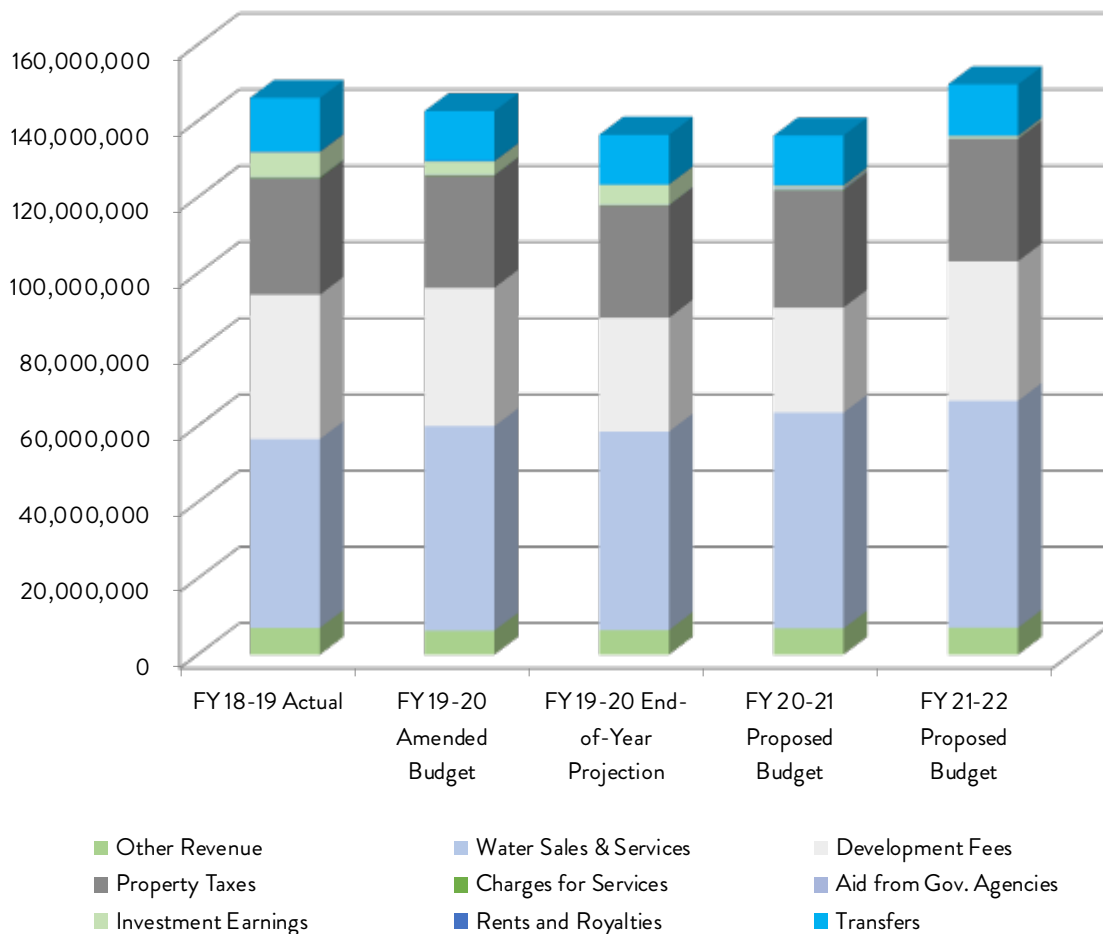
WATER SUPPLY · WATER QUALITY · FLOOD PROTECTION

REVENUE

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 18-19 Actual	FY 19-20 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget	% Change	
						FY 20-21 vs. FY 19-20 Projections	FY 20-21 Budget vs. FY 21-22
Water Sales & Services	\$49,507,304	\$53,600,413	\$52,051,465	\$56,616,259	\$59,510,050	9%	5%
Development Fees	37,902,624	36,304,851	29,895,740	27,556,587	36,599,531	-8%	33%
Property Taxes	30,498,592	29,433,103	29,433,103	30,722,352	32,008,443	4%	4%
Charges for Services	189,855	101,750	47,650	101,750	101,750	114%	0%
Aid from Gov. Agencies	182,511	115,800	115,800	556,300	165,800	380%	-70%
Investment Earnings	6,528,390	3,524,378	5,295,802	610,751	613,018	-88%	0%
Other Revenue	6,998,546	6,312,563	6,431,693	6,856,672	7,063,094	7%	3%
Rents and Royalties	182,085	141,210	75,910	141,210	141,210	86%	0%
Transfers	14,035,775	13,042,000	13,006,709	13,005,449	13,373,203	0%	3%
Total	\$146,025,682	\$142,576,068	\$136,353,872	\$136,167,330	\$149,576,099	0%	10%

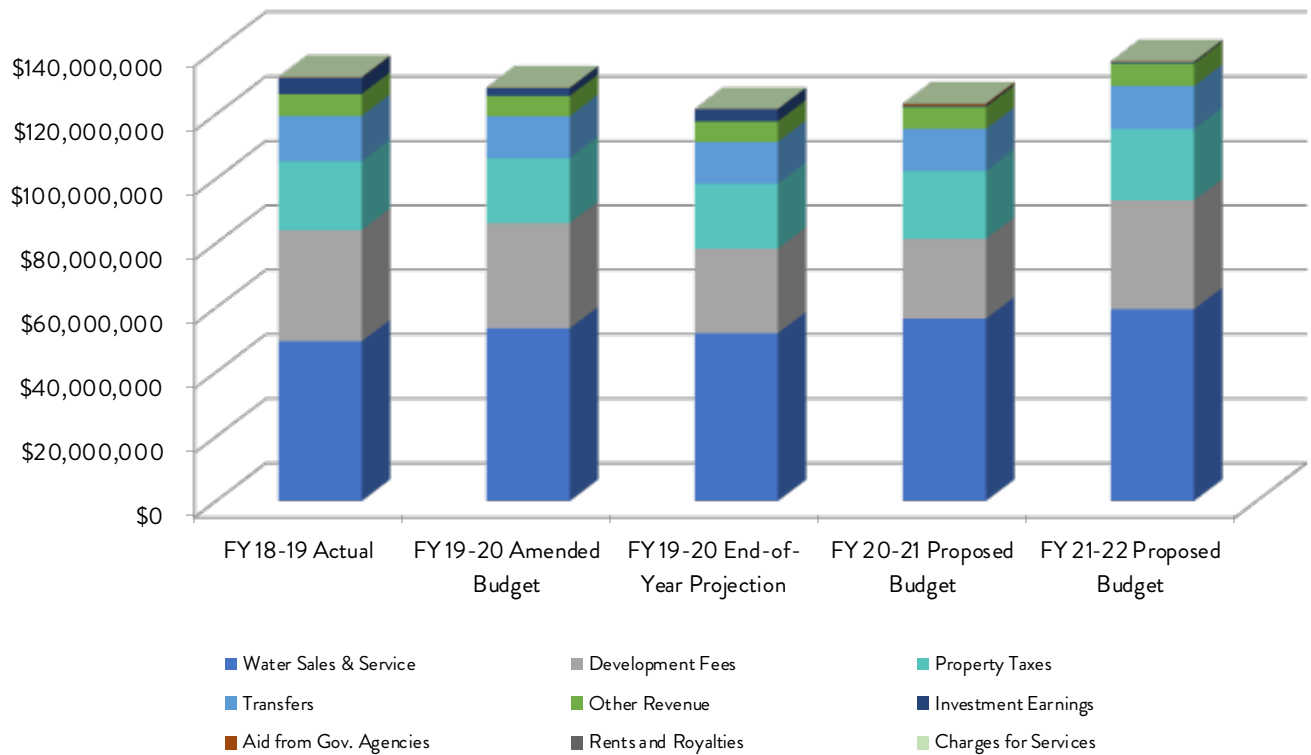


Revenue by Major Funding Area – Water Enterprise

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

The following table summarizes the Water Enterprise revenue.

Category	FY 18-19 Actual	FY 19-20 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget	FY 20-21 vs. FY 19-20 Projections	FY 20-21 Budget vs. FY 21-22
Water Sales & Service	\$49,507,304	\$53,600,413	\$52,051,465	\$56,616,259	\$59,510,050	9%	5%
Development Fees	34,568,032	32,634,257	26,225,146	24,721,587	33,764,531	-6%	5%
Property Taxes	21,353,807	20,150,000	20,150,000	21,150,000	22,150,000	5%	37%
Other Revenue	6,811,004	6,252,563	6,371,693	6,796,672	7,003,094	7%	0%
Investment Earnings	5,042,886	2,454,252	3,792,910	413,248	422,938	-89%	-79%
Aid from Gov. Agencies	111,543	51,100	51,100	491,600	101,100	862%	2%
Charges for Services	120,563	54,100	-	54,100	54,100	0%	0%
Other Financing Sources							
Transfers	14,035,775	13,042,000	13,006,709	13,005,449	13,373,203	0%	0%
TOTAL	\$131,623,277	\$128,303,985	\$121,649,023	\$123,314,215	\$136,444,316	1%	11%



Revenue by Major Funding Area – Flood Protection

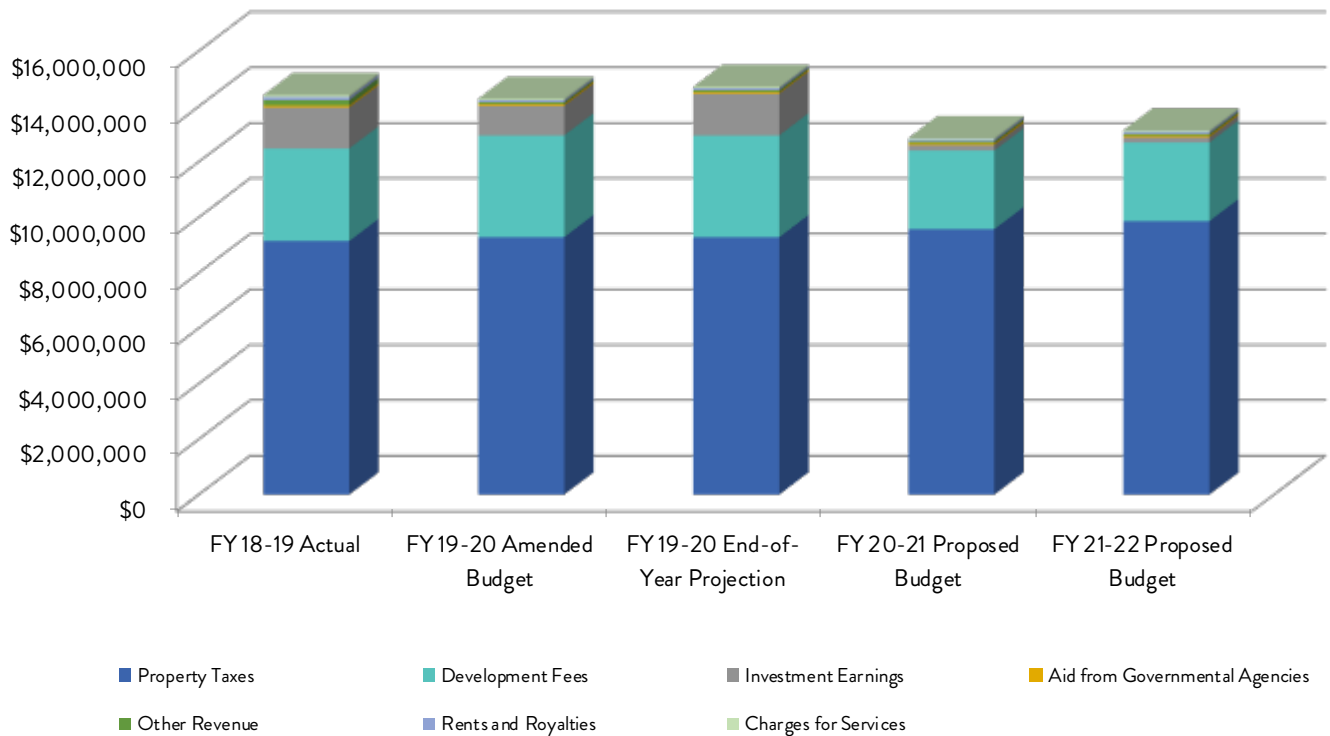
Property taxes are the majority of revenues received for Flood Protection.

The following table summarizes Flood Protection revenue.

Category	FY 18-19 Actual	FY 19-20 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget	% Change	
						FY 20-21 vs. FY 19-20 Projections	FY 20-21 Budget vs. FY 21-22
Property Taxes	\$9,144,785	\$9,283,103	\$9,283,103	\$9,572,352	\$9,858,443	3%	3%
Development Fees	3,334,592	3,670,594	3,670,594	2,835,000	2,835,000	-23%	0%
Investment Earnings	1,485,504	1,070,126	1,502,892	197,503	190,080	-87%	-4%
Aid from Governmental Agencies	70,968	64,700	64,700	64,700	64,700	0%	0%
Other Revenue	187,541	60,000	60,000	60,000	60,000	0%	0%
Rents and Royalties	109,722	75,910	75,910	75,910	75,910	0%	0%
Charges for Services	69,293	47,650	47,650	47,650	47,650	0%	0%
TOTAL	\$14,402,405	\$14,272,083	\$14,704,849	\$12,853,115	\$13,131,783	-13%	2%

Notes:

- Property taxes for FY 2020-22 are based on an estimated 3% growth in assessed valuation

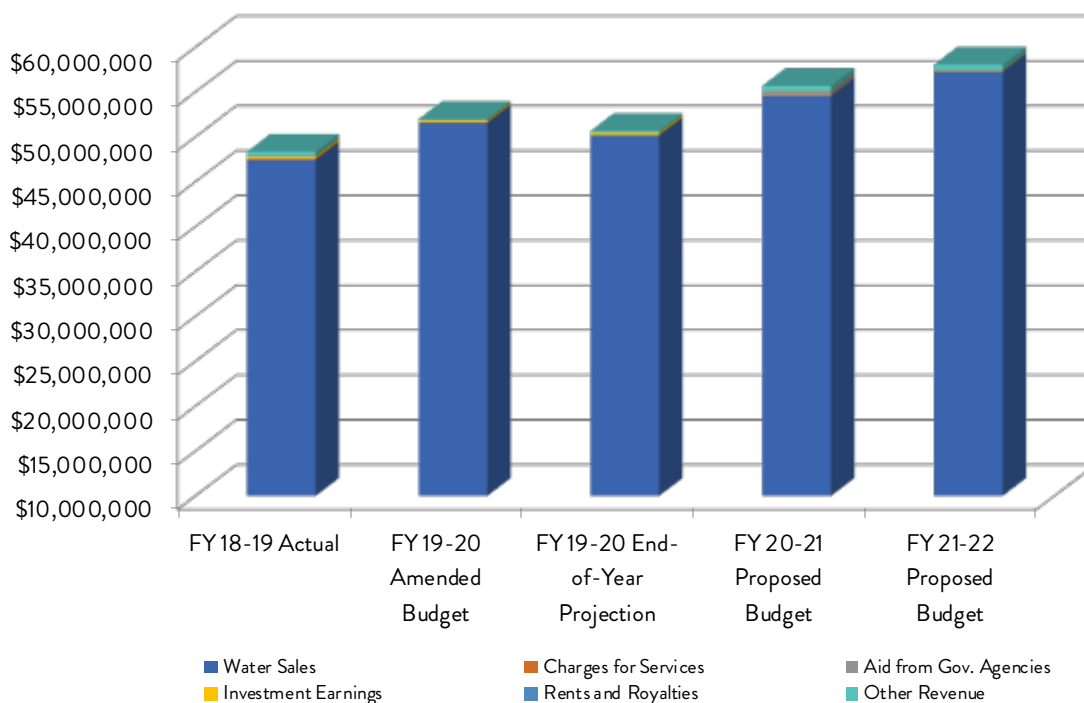


Water Enterprise Fund (Fund 100)

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 18-19 Actual	FY 19-20 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget	% Change	
						FY 20-21 vs. FY 19-20 Projections	FY 20-21 Budget vs. FY 21-22
Water Sales	\$47,440,592	\$51,576,094	\$50,189,289	\$54,547,361	\$57,258,162	9%	5%
Charges for Services	118,103	51,600	-	51,600	51,600	0%	0%
Aid from Gov. Agencies	6,154	-	-	440,500	50,000	0%	-89%
Investment Earnings	254,477	217,377	277,957	54,409	57,302	-80%	5%
Rents and Royalties	72,362	65,300	-	65,300	65,300	0%	0%
Other Revenue	456,004	69,650	188,780	519,650	569,650	175%	10%
Total	\$48,347,692	\$51,980,021	\$50,656,026	\$55,678,820	\$58,052,014	10%	4%



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.

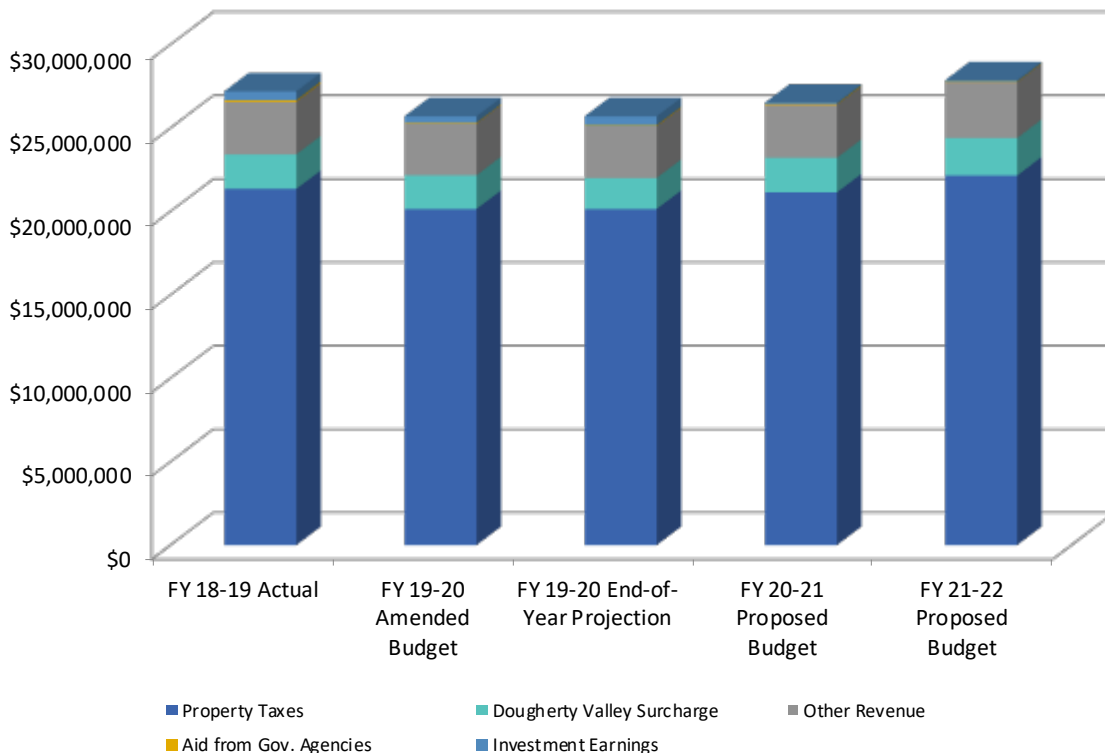
This fund is funded primarily by property taxes.

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

Category	FY 18-19 Actual	FY 19-20 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget	FY 20-21 vs. FY 19-20 Projections	FY 20-21 Budget vs. FY 21-22
Property Taxes	\$21,353,807	\$20,150,000	\$20,150,000	\$21,150,000	\$22,150,000	5%	5%
Dougherty Valley Surcharge	2,066,713	2,024,319	1,862,176	2,068,898	2,251,888	11%	9%
Other Revenue	3,151,829	3,097,123	3,097,123	3,177,022	3,333,444	3%	5%
Aid from Gov. Agencies	105,389	51,100	51,100	51,100	51,100	0%	0%
Investment Earnings	518,933	379,421	541,955	72,755	72,025	-87%	-1%
Total	\$27,196,671	\$25,701,963	\$25,702,354	\$26,519,775	\$27,858,457	3%	5%

Notes:

- The property tax levy for FY 2020-21 is \$21M and \$22M for FY 2020-21
- Other Revenue includes DWR refunds



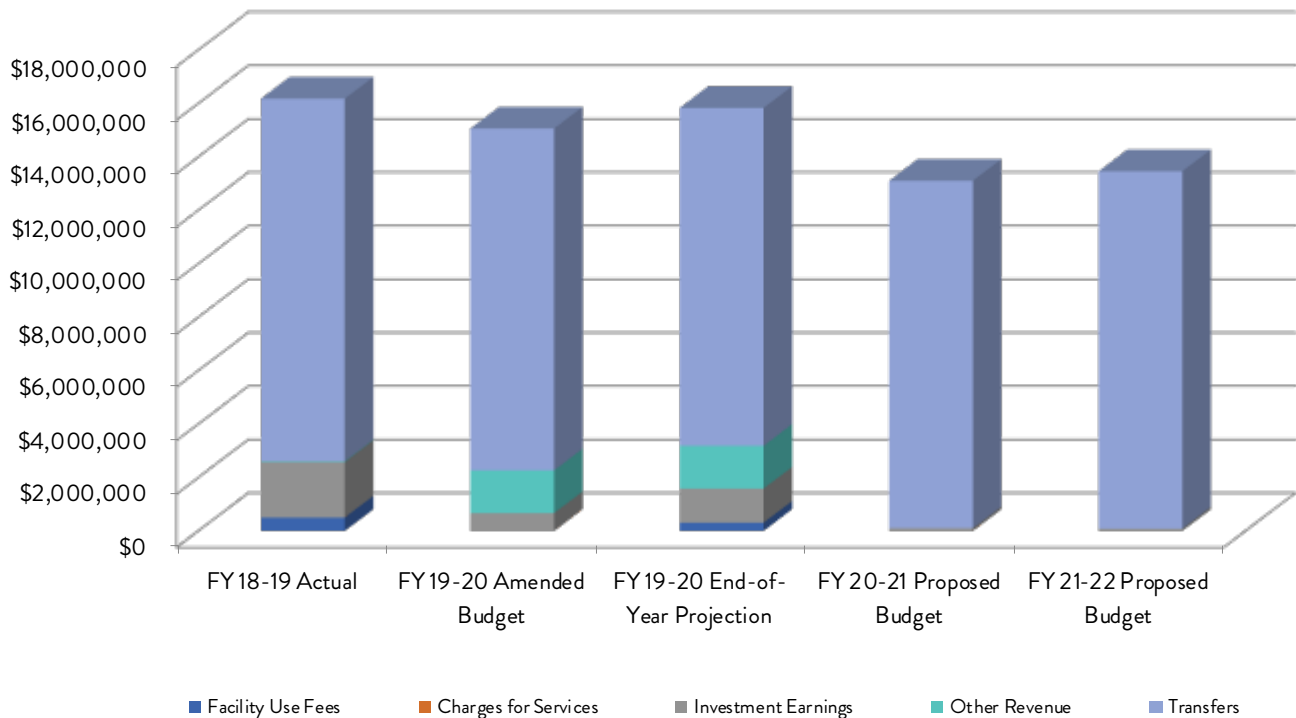
Water Renewal/Replacement & System-wide Improvements Fund (Fund 120)

This is a subfund of the Water Enterprise Operations (Fund 100). 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 18-19 Actual	FY 19-20 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget	% Change	
						FY 20-21 vs. FY 19-20 Projections	FY 20-21 Budget vs. FY 21-22
Facility Use Fees	\$499,940	-	\$308,550	-	-	-100%	-
Charges for Services	\$1,077	\$2,500	-	\$2,500	\$2,500	-	-
Investment Earnings	\$2,075,433	\$666,019	\$1,274,805	\$101,736	\$83,992	-92%	-17%
Other Revenue	\$30,517	\$1,600,000	\$1,602,500	-	-	-	-
Other Financing Sources							
Transfers	\$13,572,074	\$12,792,000	\$12,647,808	\$13,005,449	\$13,373,203	3%	3%
Total	\$16,179,040	\$15,060,519	\$15,833,663	\$13,109,685	\$13,459,695	-17%	3%

Notes:

- Transfers from Fund 100 to Fund 120 are captured here as other financing sources to Fund 120.



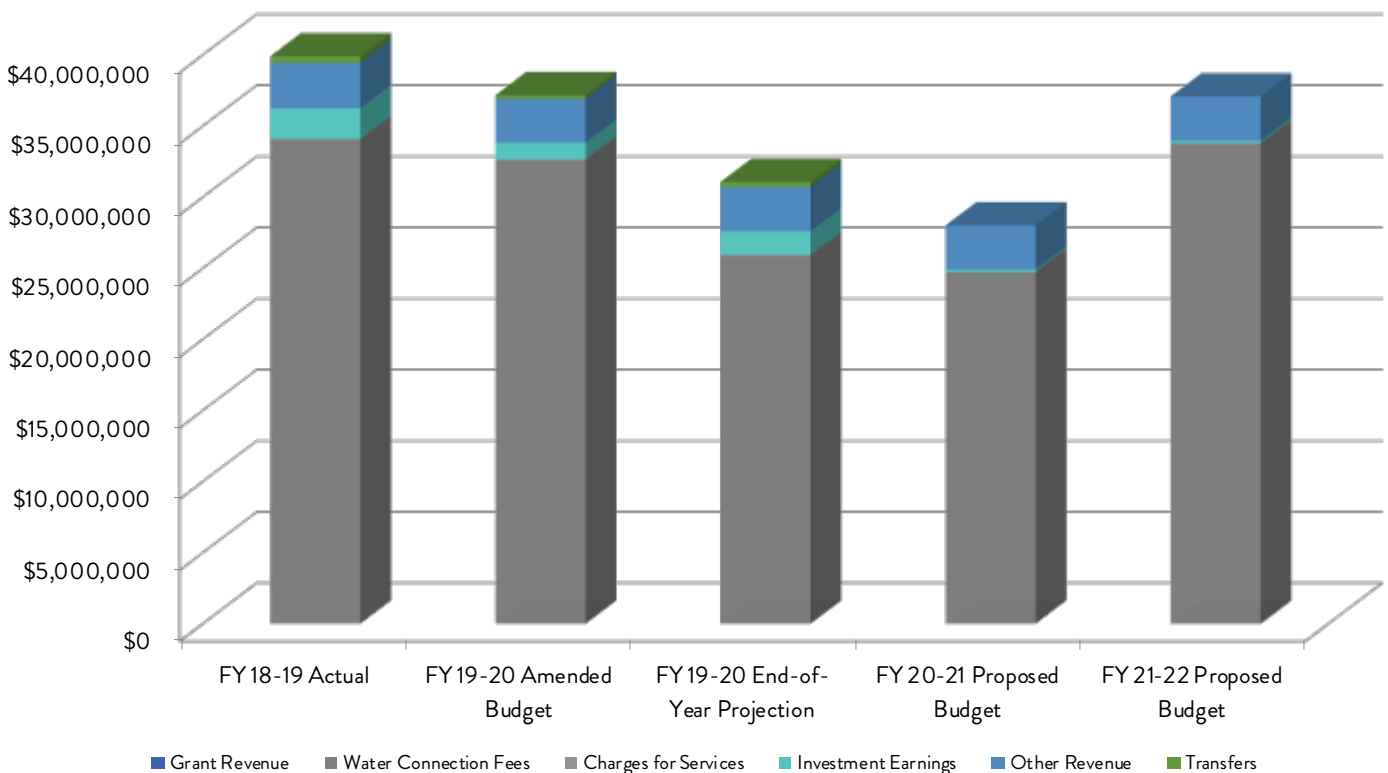
Water Expansion Fund (Fund 130)

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 18-19 Actual	FY 19-20 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget	FY 20-21 vs. FY 19-20 Projections	FY 20-21 Budget vs. FY 21-22
Grant Revenue		-	-	-	-	0%	0%
Water Connection Fees	34,068,092	32,634,257	25,916,596	24,721,587	33,764,531	-5%	37%
Charges for Services	1,383	-	-	-	-	0%	0%
Investment Earnings	2,194,043	1,191,435	1,698,193	184,348	209,619	-89%	14%
Other Revenue	3,172,654	3,085,790	3,085,790	3,100,000	3,100,000	0%	0%
Transfers	463,701	250,000	358,901	-	-	-100%	0%
Total	\$39,899,873	\$37,161,482	\$31,059,480	\$28,005,935	\$37,074,150	-10%	32%

Notes:

- FY 2020-21 and 2021-22 assume 825 and 1,094, new water connections, respectively. 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



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.

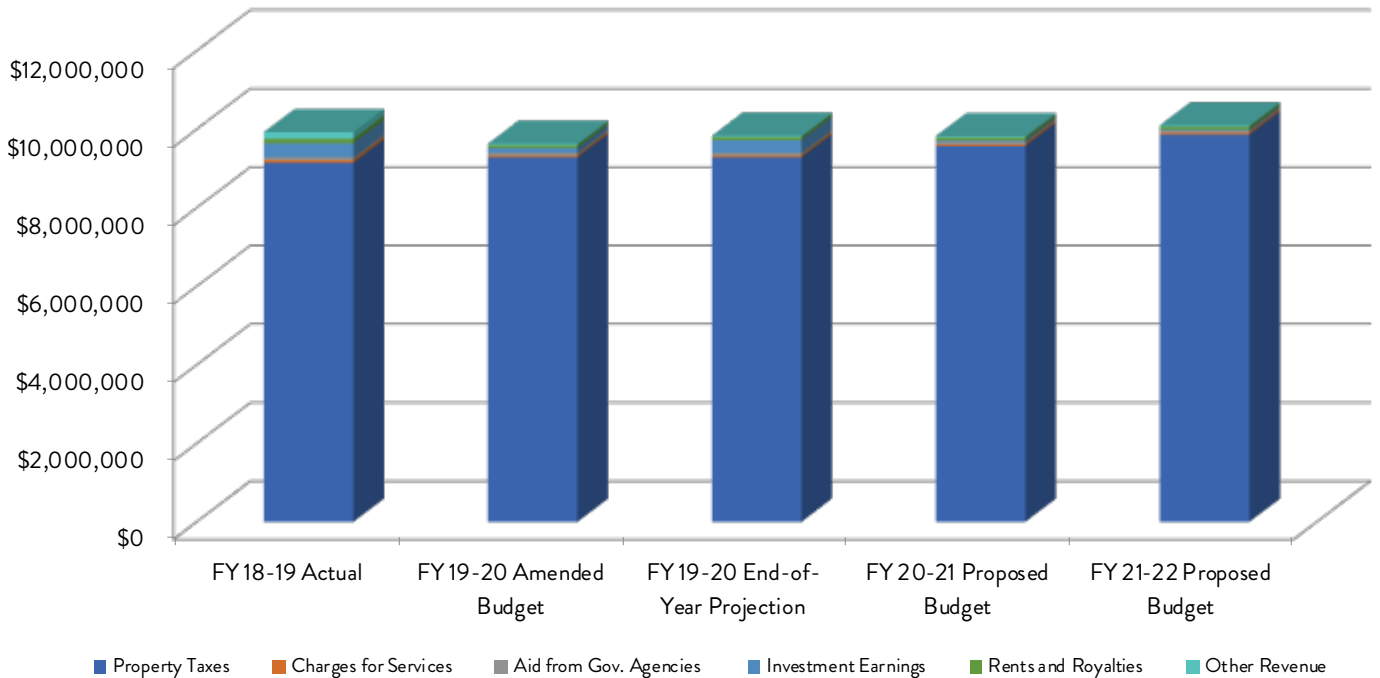
This fund is funded by property taxes.

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

Category	FY 18-19 Actual	FY 19-20 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget	% Change	
						FY 20-21 vs. FY 19-20 Projections	FY 20-21 Budget vs. FY 21-22
Property Taxes	\$9,144,785	\$9,283,103	\$9,283,103	\$9,572,352	\$9,858,443	3%	3%
Charges for Services	69,293	47,650	47,650	47,650	47,650	-	-
Aid from Gov. Agencies	70,968	64,700	64,700	64,700	64,700	-	-
Investment Earnings	359,746	123,071	325,456	26,455	16,631	-92%	-37%
Rents and Royalties	109,722	75,910	75,910	75,910	75,910	-	-
Other Revenue	167,777	35,000	35,000	35,000	35,000	-	-
Total	\$9,922,291	\$9,629,434	\$9,831,819	\$9,822,067	\$10,098,334	-	3%

Notes:

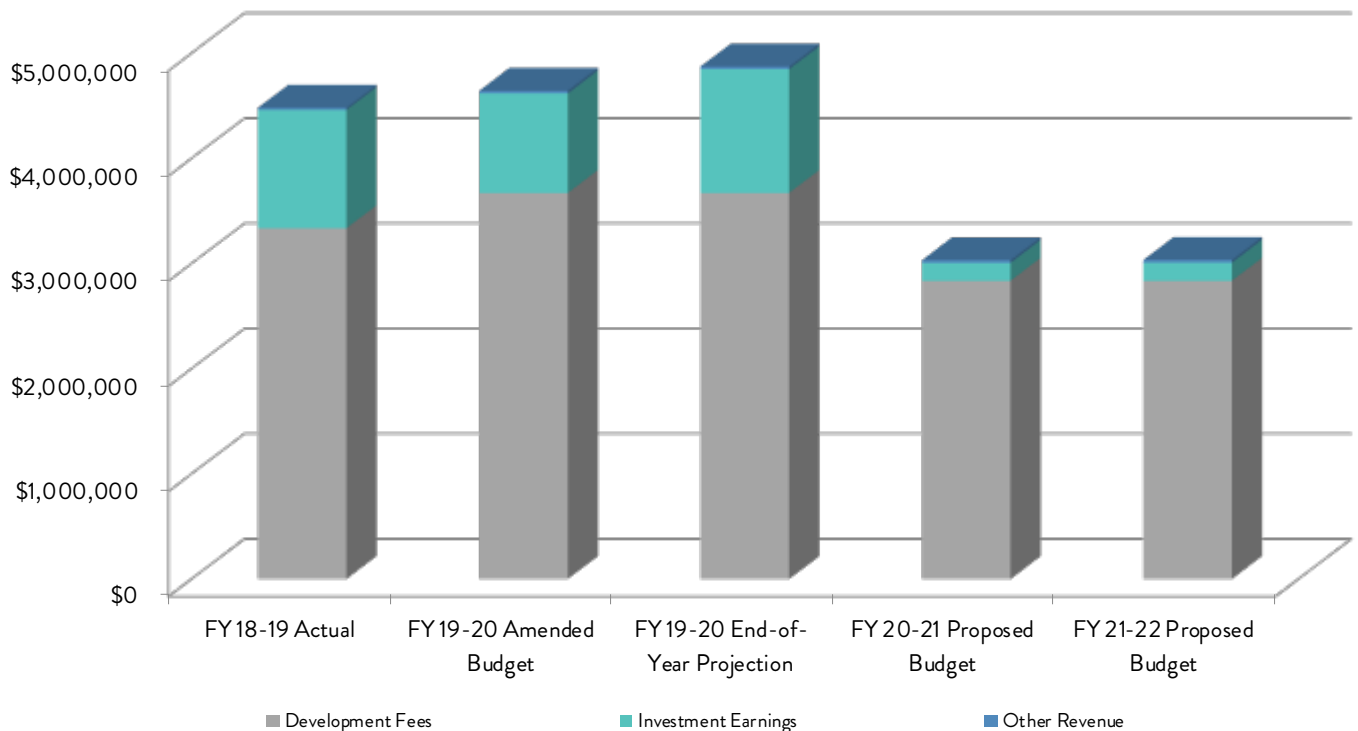
- Property taxes for FY 2020-22 are based on an estimated 3% growth in assessed valuation



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.

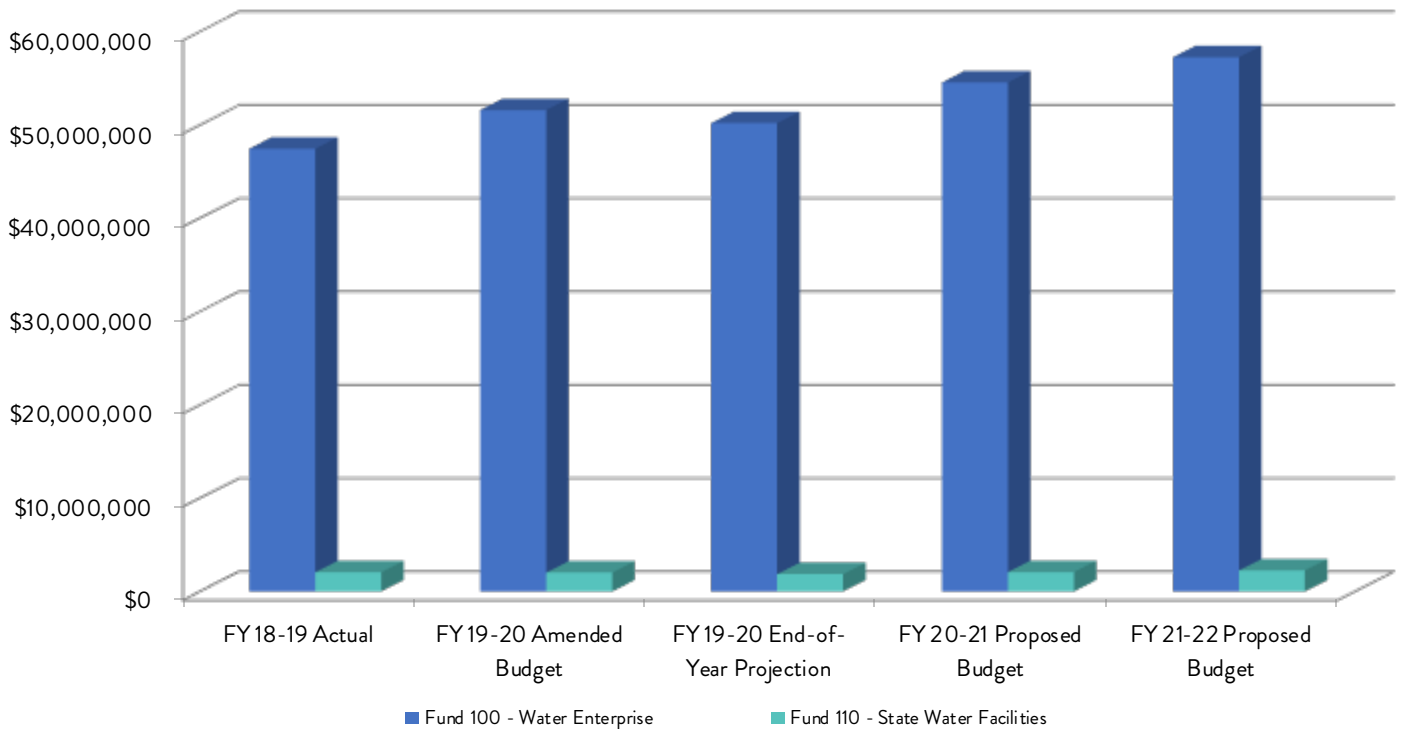
Category	FY 18-19 Actual	FY 19-20 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget	% Change	
						FY 20-21 vs. FY 19-20 Projections	FY 20-21 Budget vs. FY 21-22
Development Fees	\$3,334,592	\$3,670,594	\$3,670,594	\$2,835,000	\$2,835,000	-23%	0%
Investment Earnings	1,125,758	947,055	1,177,436	171,048	173,449	-85%	1%
Other Revenue	19,765	25,000	25,000	25,000	25,000	0%	0%
Total	\$4,480,115	\$4,642,649	\$4,873,030	\$3,031,048	\$3,033,449	-38%	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 18-19 Actual	FY 19-20 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget	FY 20-21 vs. FY 19-20 Projections	FY 20-21 Budget vs. FY 21-22
Fund 100 - Water Enterprise	\$47,440,592	\$51,576,094	\$50,189,289	\$54,547,361	\$57,258,162	9%	5%
Fund 110 - State Water Facilities	2,066,713	2,024,319	1,862,176	2,068,898	2,251,888	11%	9%
Total	\$49,507,304	\$53,600,413	\$52,051,465	\$56,616,259	\$59,510,050	9%	5%



Zone 7 Treated Water Rate History

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

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

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

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

** Includes \$248 Drought Surcharge

*** In 2018, Zone 7's Board of Directors approved a four-year rate schedule that included a set increase each year from Calendar Year 2019-2022. Under that schedule, the next rate increase of 6.7% was scheduled to go into effect on January 1, 2021. On June 17, 2020, the Zone 7 Board of Directors approved delay of the previously approved rate increase to provide relief and stability to the Tri Valley community due to the COVID-19 pandemic.

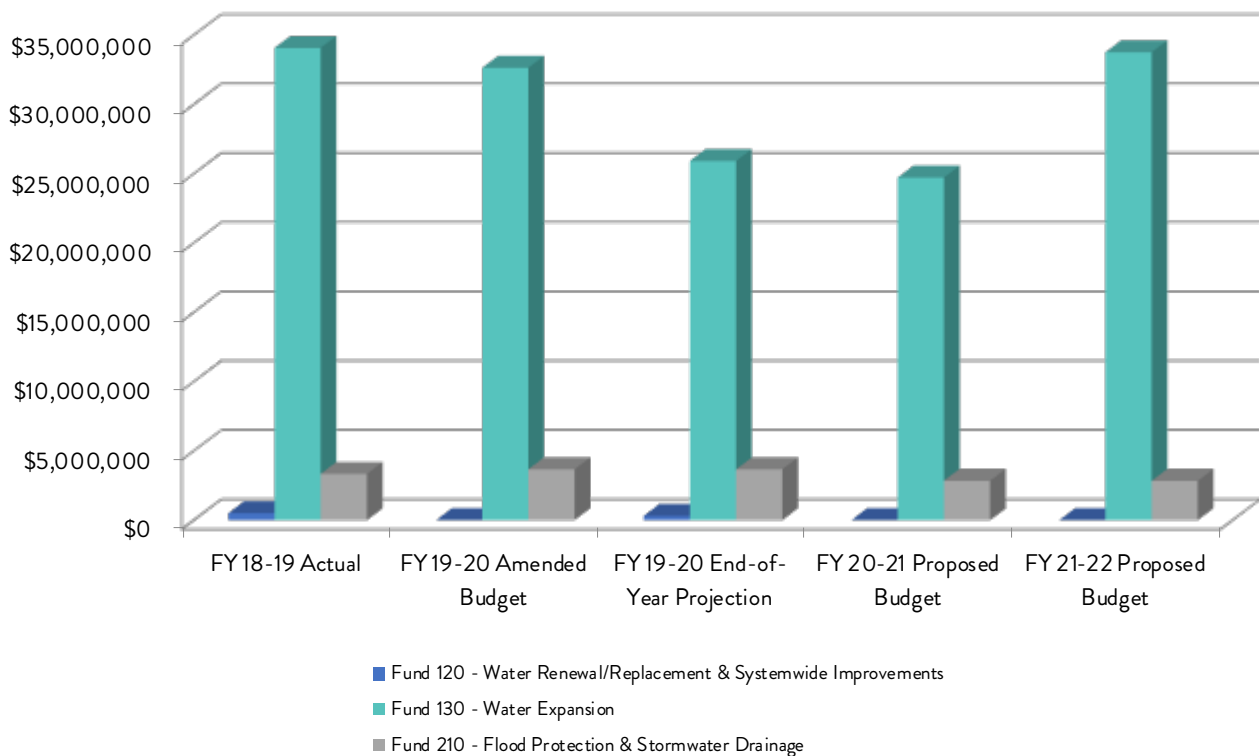
Development Fees (including connection, facility use and development impact fees)

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

Fund	FY 18-19 Actual	FY 19-20 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget	% Change	
						FY 20-21 vs. FY 19-20 Projections	FY 20-21 Budget vs. FY 21-22
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	\$499,940	-	\$308,550	-	-	-100%	-
Fund 130 - Water Expansion	34,068,092	32,634,257	25,916,596	24,721,587	33,764,531	-5%	37%
Fund 210 - Flood Protection & Stormwater Drainage	3,334,592	3,670,594	3,670,594	2,835,000	2,835,000	-23%	-
Total	\$37,902,624	\$36,304,851	\$29,895,740	\$27,556,587	\$36,599,531	-8%	33%

Notes:

- FY 2020-21 and 2021-22 assume 825 and 1,094, new water connections, respectively. 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 Val-ley	% Change
January 1, 2006	\$13,500	\$12,500	3%
January 1, 2007	\$19,570	\$18,120	45%
January 1, 2008	\$20,270	\$18,770	4%
January 1, 2009	\$21,550	\$19,950	6%
January 1, 2010	\$21,550	\$19,950	0%
January 1, 2011	\$22,230	\$20,580	3%
January 1, 2012	\$22,930	\$21,230	3%
January 1, 2013	\$23,500	\$21,750	2%
January 1, 2014	\$24,030	\$22,240	2%
January 1, 2015	\$24,830	\$22,980	3%
January 1, 2016	\$25,320	\$23,430	2%
May 1, 2017	\$27,180	\$26,080	11%
January 1, 2018	\$28,170	\$27,030	4%
January 1, 2019	\$29,070	\$27,900	3%
January 1, 2020	\$29,440	\$28,250	1%

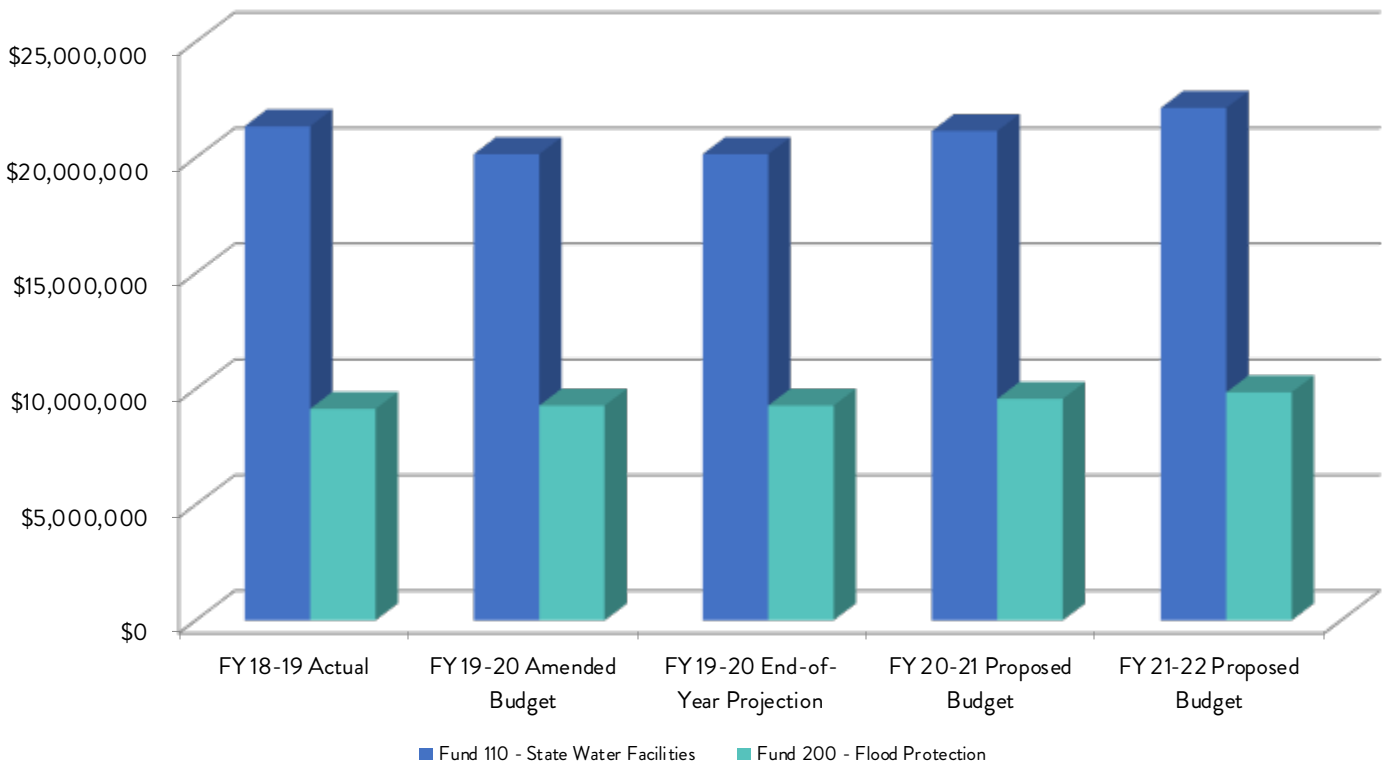
Property Taxes

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

Fund	FY 18-19 Actual	FY 19-20 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget	% Change	
						FY 20-21 vs. FY 19-20 Projections	FY 20-21 Budget vs. FY 21-22
Fund 110 - State Water Facilities	\$21,353,807	\$20,150,000	\$20,150,000	\$21,150,000	\$22,150,000	5%	5%
Fund 200 - Flood Protection	9,144,785	9,283,103	9,283,103	9,572,352	9,858,443	3%	3%
Total	\$30,498,592	\$29,433,103	\$29,433,103	\$30,722,352	\$32,008,443	4%	4%

Notes:

- Property taxes for FY 2020-22 are based on an estimated 3% growth in assessed valuation
- The property tax levy for FY 2020-21 is \$21M and \$22M for FY 2021-22.





WATER SUPPLY · WATER QUALITY · FLOOD PROTECTION

EXPENSES

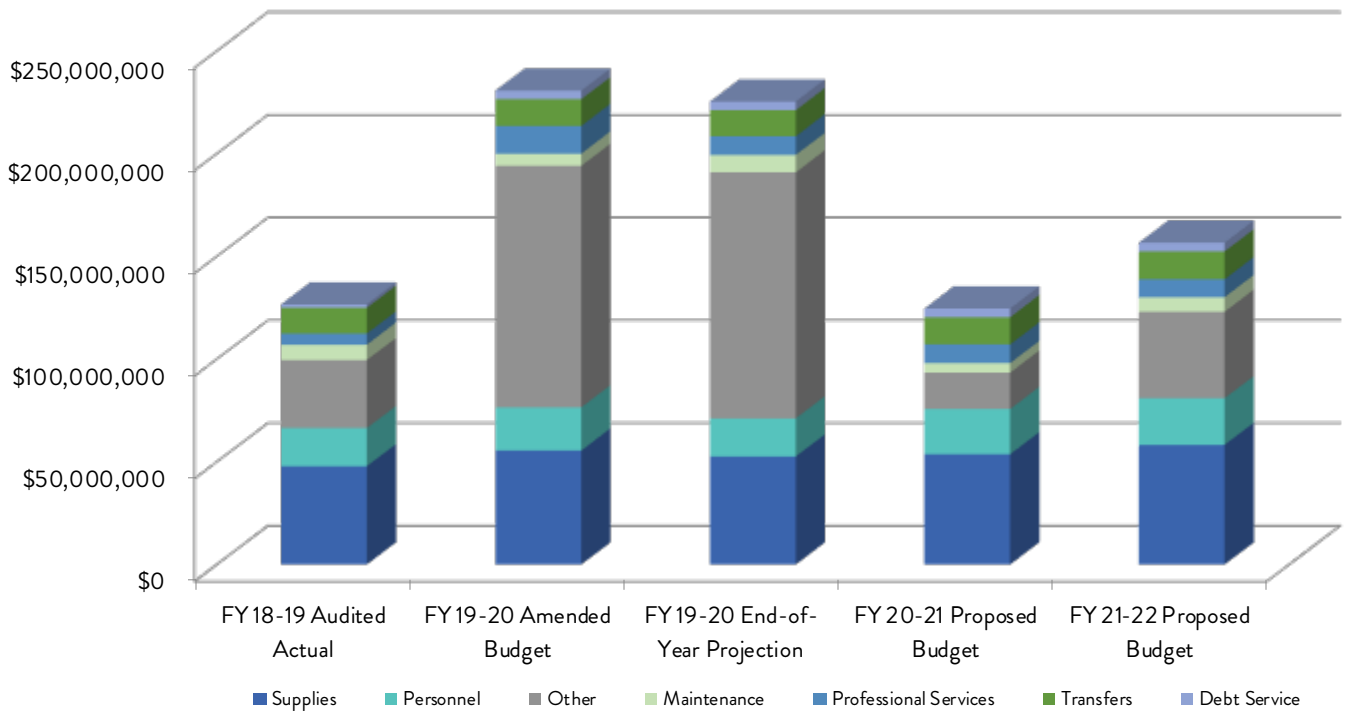
Total Expenses

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

Category	FY 18-19 Audit-ed Actual	FY 19-20 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget	% Change	
						FY 20-21 vs. FY 19-20 Projections	FY 21-21 Budget vs. FY 21-22
Supplies	\$47,829,249	\$55,477,061	\$52,612,627	\$53,654,717	\$58,249,698	2%	9%
Personnel	18,600,336	20,998,187	18,563,738	22,083,120	22,695,364	19%	3%
Other	33,108,268	117,640,082	119,734,427	17,643,781	42,078,505	-85%	138%
Maintenance	7,470,296	5,916,088	8,424,975	4,642,358	7,086,256	-45%	53%
Professional Services	5,409,116	13,448,578	9,138,508	9,139,808	8,734,608	0%	-4%
Debt Service	1,654,646	4,213,913	4,213,913	4,213,038	4,216,663	0%	0%
Transfers	12,559,229	13,009,473	12,661,953	13,222,922	13,590,676	-45%	53%
Total	\$126,631,139	\$230,703,382	\$225,350,141	\$124,599,744	\$156,651,770	-45%	26%

Notes:

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



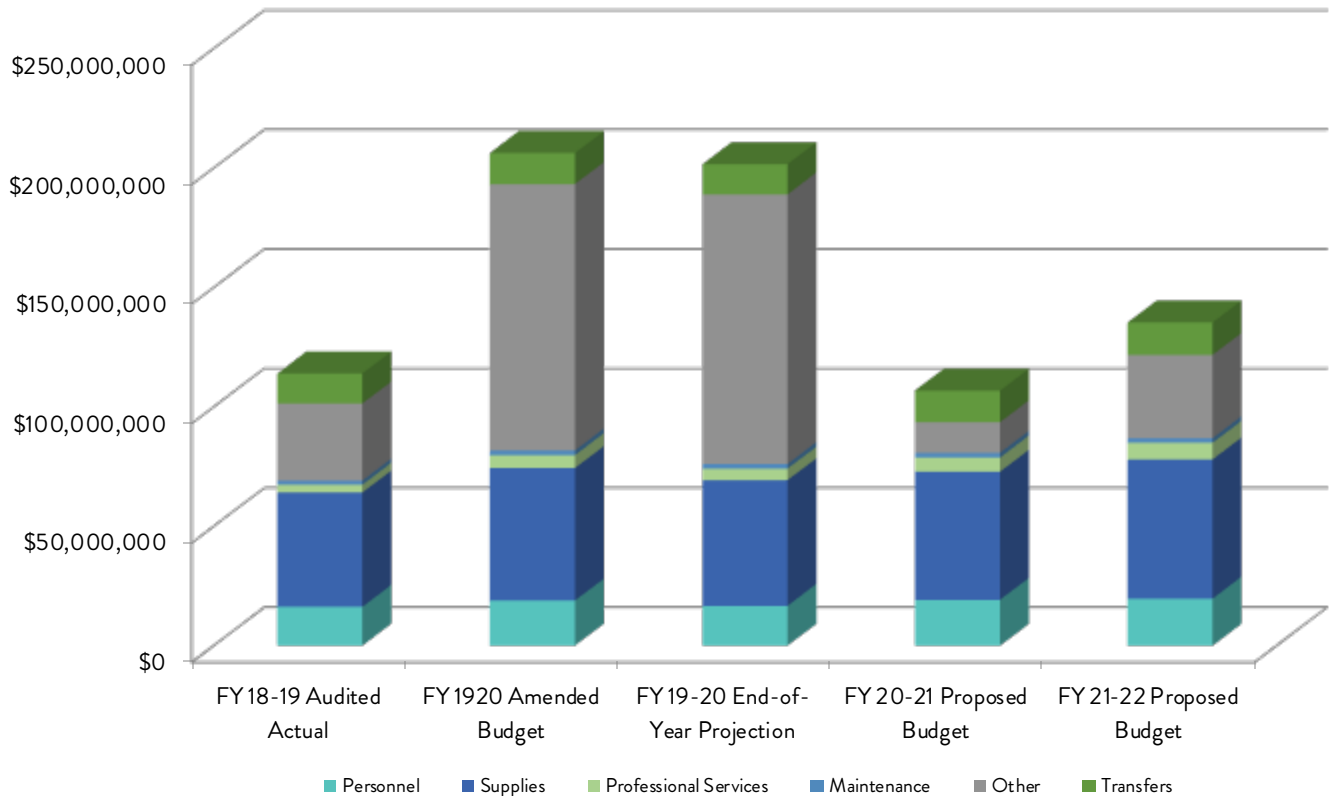
Expenses by Major Funding Area – Water Enterprise

The following table summarizes water enterprise expenses.

Category	FY 18-19 Audited Actual	FY 1920 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget	% Change	
						FY 20-21 vs. FY 19-20 Projections	FY 21-21 Budget vs. FY 21-22
Personnel	\$16,274,184	\$18,900,030	\$16,662,174	\$19,184,176	\$19,690,462	15%	3%
Supplies	47,829,249	55,477,061	52,612,627	53,654,717	58,249,698	2%	9%
Professional Services	3,271,797	5,342,033	4,855,028	5,917,264	7,012,755	22%	19%
Maintenance	1,710,730	2,026,777	1,931,664	1,959,763	1,919,172	1%	-2%
Other	32,303,821	111,514,547	112,865,655	12,863,138	34,833,470	-89%	171%
Debt Service	1,654,646	4,213,913	4,213,913	4,213,038	4,216,663	0%	0%
Transfers	12,546,784	12,995,328	12,647,808	13,208,777	13,576,531	4%	3%
Total	\$115,591,210	\$210,469,689	\$205,788,869	\$111,000,873	\$139,498,751	-46%	26%

Notes:

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

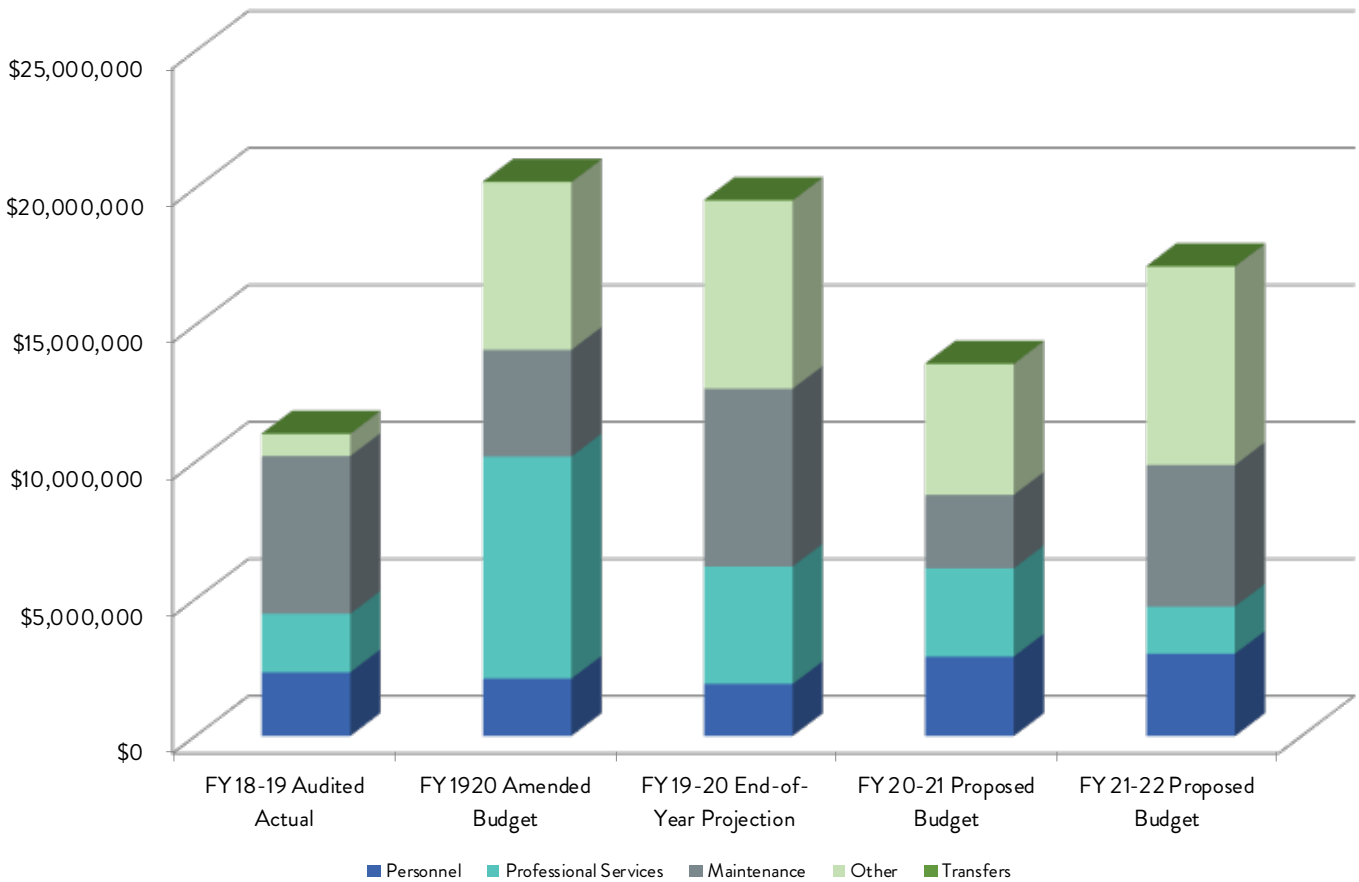


Expenses by Major Funding Area – Flood Protection

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

The following table summarizes Flood Protection expenses.

Category	FY 18-19 Audited Actual	FY 1920 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget	% Change	
						FY 20-21 vs. FY 19-20 Projections	FY 21-21 Budget vs. FY 21-22
Personnel	\$2,326,152	\$2,098,157	\$1,901,564	\$2,898,944	\$3,004,902	52%	4%
Professional Services	2,137,318	8,106,545	4,283,480	3,222,544	1,721,853	-25%	-47%
Maintenance	5,759,567	3,889,311	6,493,311	2,682,595	5,167,084	-59%	93%
Other	804,448	6,125,535	6,868,772	4,780,643	7,245,035	-30%	52%
Transfers	12,444	14,145	14,145	14,145	14,145	0%	0%
Total	\$11,039,929	\$20,233,693	\$19,561,272	\$13,598,871	\$17,153,019	-30%	26%



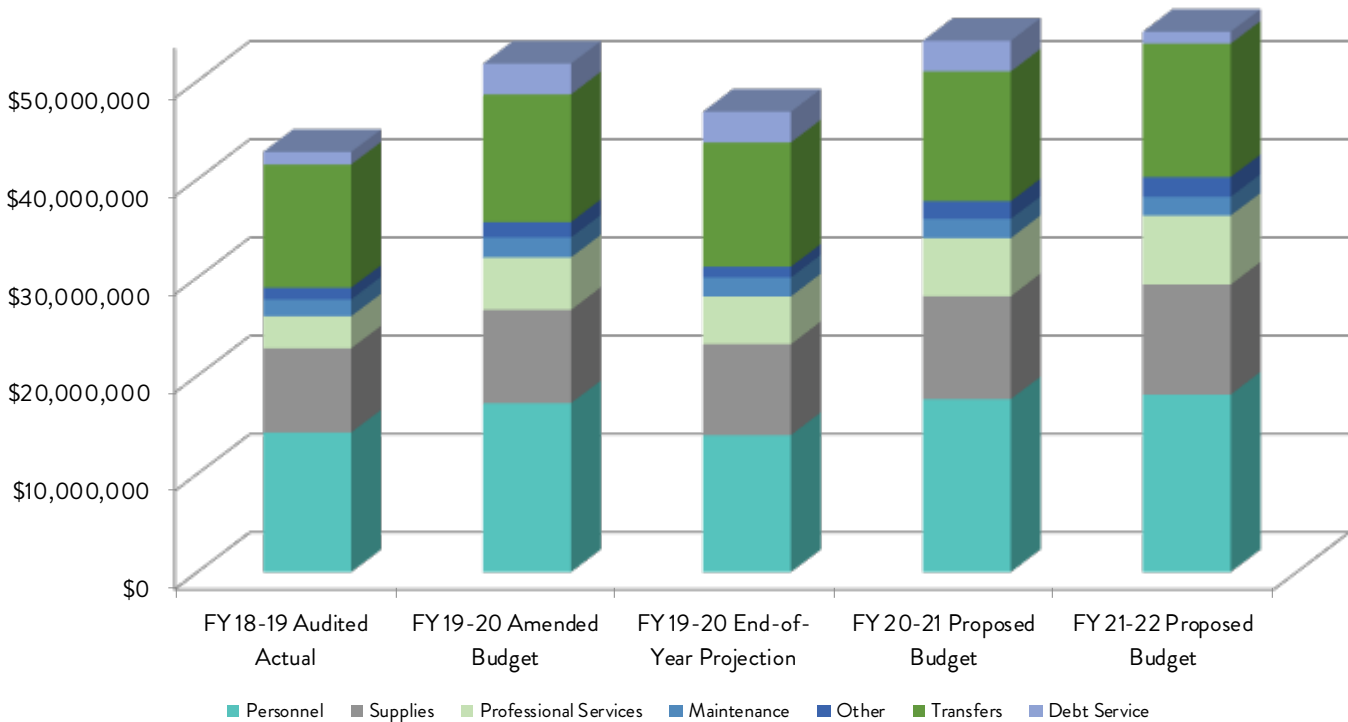
Water Enterprise Fund (Fund 100)

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 type are shown in the following table and graph.

Category	FY 18-19 Audited Actual	FY 1920 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget	% Change	
						FY 20-21 vs. FY 19-20 Projections	FY 21-21 Budget vs. FY 21-22
Personnel	\$14,209,706	\$17,206,004	\$13,947,113	\$17,611,729	\$18,071,919	26%	3%
Supplies	8,571,051	9,502,395	9,265,321	10,478,221	11,207,056	13%	7%
Professional Services	3,271,797	5,342,033	4,855,028	5,917,264	7,012,755	22%	19%
Maintenance	1,710,730	2,026,777	1,931,664	1,959,763	1,919,172	1%	-2%
Other	1,191,268	1,567,807	1,105,807	1,798,665	2,016,073	63%	12%
Transfers and Other Finance Uses							
Debt Service	1,272,074	3,123,338	3,123,338	3,123,338	3,124,213	0%	0%
Transfers	12,546,784	12,995,328	12,647,808	13,208,777	13,576,531	4%	3%
Total	\$42,773,411	\$51,763,682	\$46,876,079	\$54,097,757	\$56,927,719	15%	5%

Note:

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

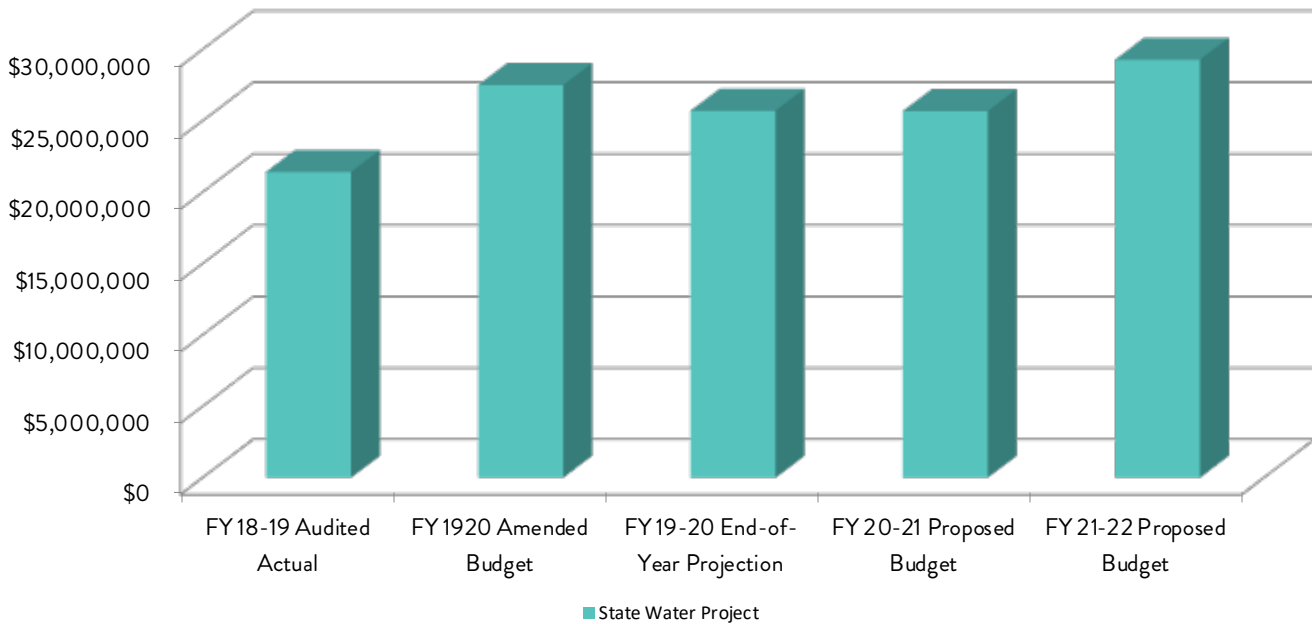


State Water Facilities Fund (Fund 110)

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

Category	FY 18-19 Audited Actual	FY 1920 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget	% Change	
						FY 20-21 vs. FY 19-20 Projections	FY 21-21 Budget vs. FY 21-22
State Water Project	\$21,420,192	\$27,508,997	\$25,702,354	\$25,675,583	\$29,279,388	0%	14%
Total	\$21,420,192	\$27,508,997	\$25,702,354	\$25,675,583	\$29,279,388	0%	14%

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



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.

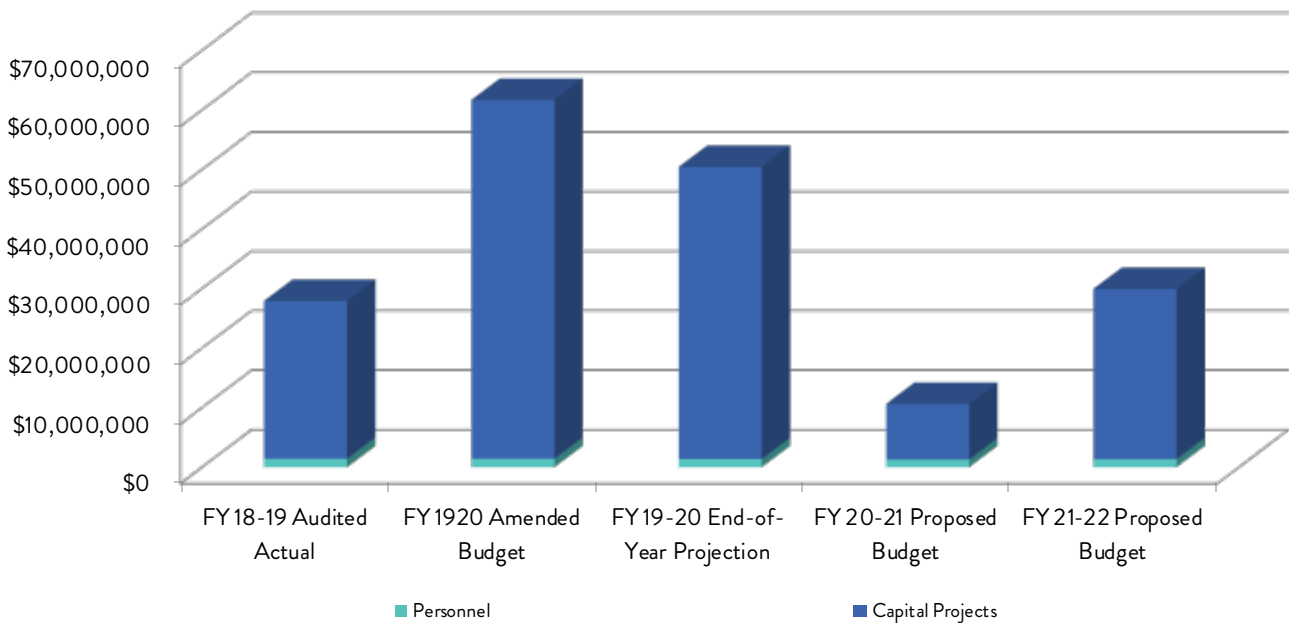
Expenses by year are shown in the following table and graph.

Category	FY 18-19 Audited Actual	FY 1920 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget	% Change	
						FY 20-21 vs. FY 19-20 Projections	FY 21-21 Budget vs. FY 21-22
Personnel	\$1,409,633	\$1,434,263	\$1,386,318	\$1,306,715	\$1,345,081	-6%	3%
Capital Projects	26,528,465	60,253,037	49,062,248	9,318,885	28,607,919	-81%	207%
Total	\$27,938,098	\$61,687,300	\$50,448,566	\$10,625,600	\$29,953,000	-79%	182%

Notes:

**FY 2020-22 capital projects are budgeted in personnel and capital projects

*** The spikes in FY 2018-19 and 2019-20 are DVWTP Ozone and PPWTP Upgrades and Ozone project expenses.



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.

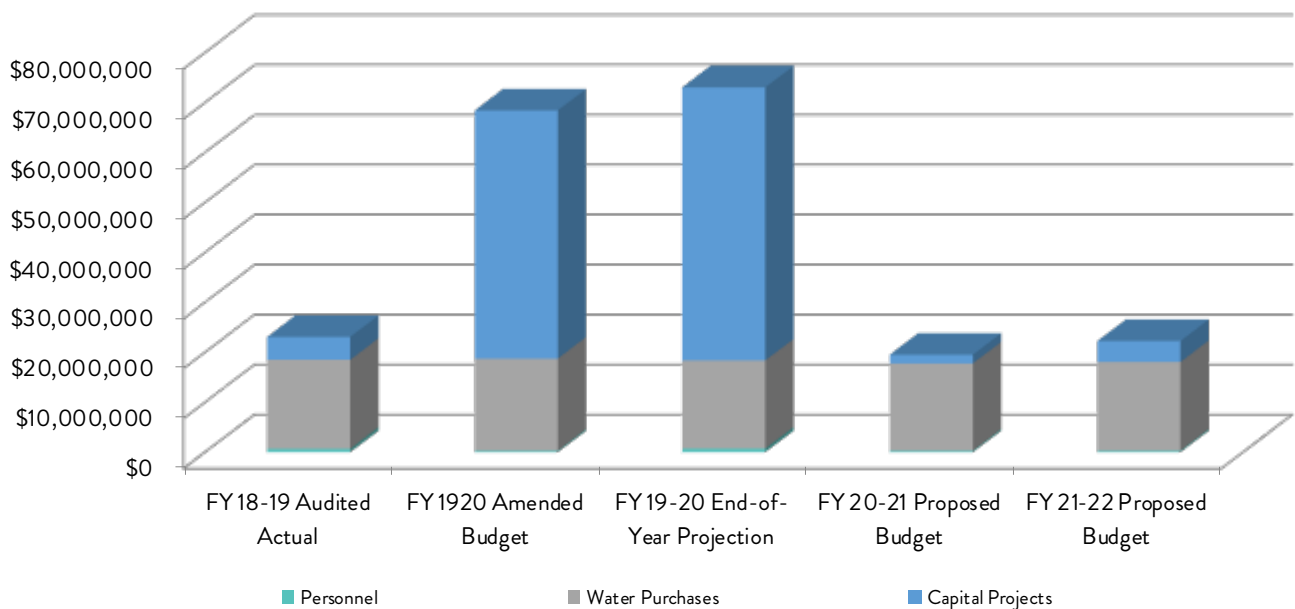
Expenses by year are shown in the following table.

Category	FY 18-19 Audited Actual	FY 1920 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget	% Change	
						FY 20-21 vs. FY 19-20 Projections	FY 21-21 Budget vs. FY 21-22
Personnel	\$654,845	\$259,763	\$723,091	\$265,732	\$273,462	-63%	3%
Water Purchases	17,838,005	18,465,669	17,644,952	17,500,913	17,763,254	-1%	1%
Debt Service	382,572	1,090,575	1,090,575	1,089,700	1,092,450	0%	0%
Capital Projects	\$4,584,088	\$49,693,703	\$54,684,358	\$1,745,588	\$4,209,478	-97%	141%
Totals	\$23,459,509	\$69,509,710	\$74,142,976	\$20,601,933	\$23,338,644	-72%	13%

Notes:

**FY 20120-22 Capital projects are budgeted in personnel, water and capital projects

***Water includes non-discretionary payments for debt others incurred on behalf of Zone 7



Flood Protection Fund (Fund 200)

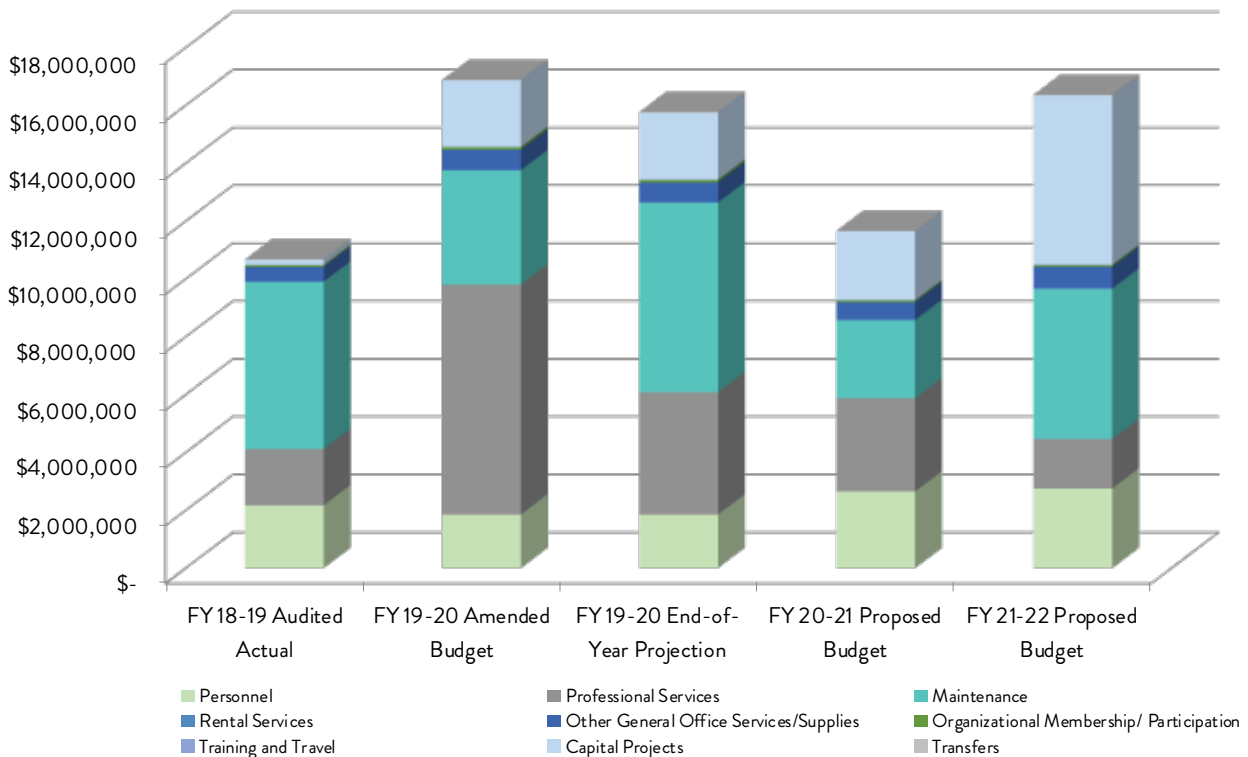
This budget unit provides the funding for flood protection services and related administration. The purpose of this program is to ensure the controlled drainage of the Valley’s excess water runoff. Zone 7 manages a watershed of nearly 425 square miles including eastern Alameda County and parts of Contra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

Expenses by year are shown in the following table.

Category	FY 18-19 Audited Actual	FY 19-20 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget	% Change	
						FY 20-21 vs. FY 19-20 Projections	FY 21-22 vs. FY 19-20 Projections
Personnel	\$2,172,275	\$1,852,750	\$1,852,750	\$2,653,060	\$2,751,565	43%	4%
Professional Services	1,944,046	7,950,710	4,228,480	3,220,630	1,711,853	-24%	-47%
Maintenance*	5,779,795	3,944,311	6,548,311	2,684,509	5,177,084	-59%	93%
Rental Services	13,437	21,000	21,000	50,000	50,000	138%	0%
Other General Office Services/Supplies	507,433	692,425	683,269	589,700	727,945	-14%	23%
Organizational Membership/ Participation	60,241	87,150	87,150	61,200	63,350	-30%	4%
Training and Travel	9,518	16,561	16,561	14,800	14,300	-11%	-3%
Capital Projects	172,765	2,298,399	2,312,554	2,367,000	5,849,400	2%	147%
Transfers	12,444	14,145	14,145	14,145	14,145	0%	0%
Total	\$10,671,955	\$16,877,451	\$15,764,220	\$11,655,044	\$16,359,642	-26%	40%

Notes:

- Maintenance includes increased Flood Protection emergency repair costs due to 2017 storms.



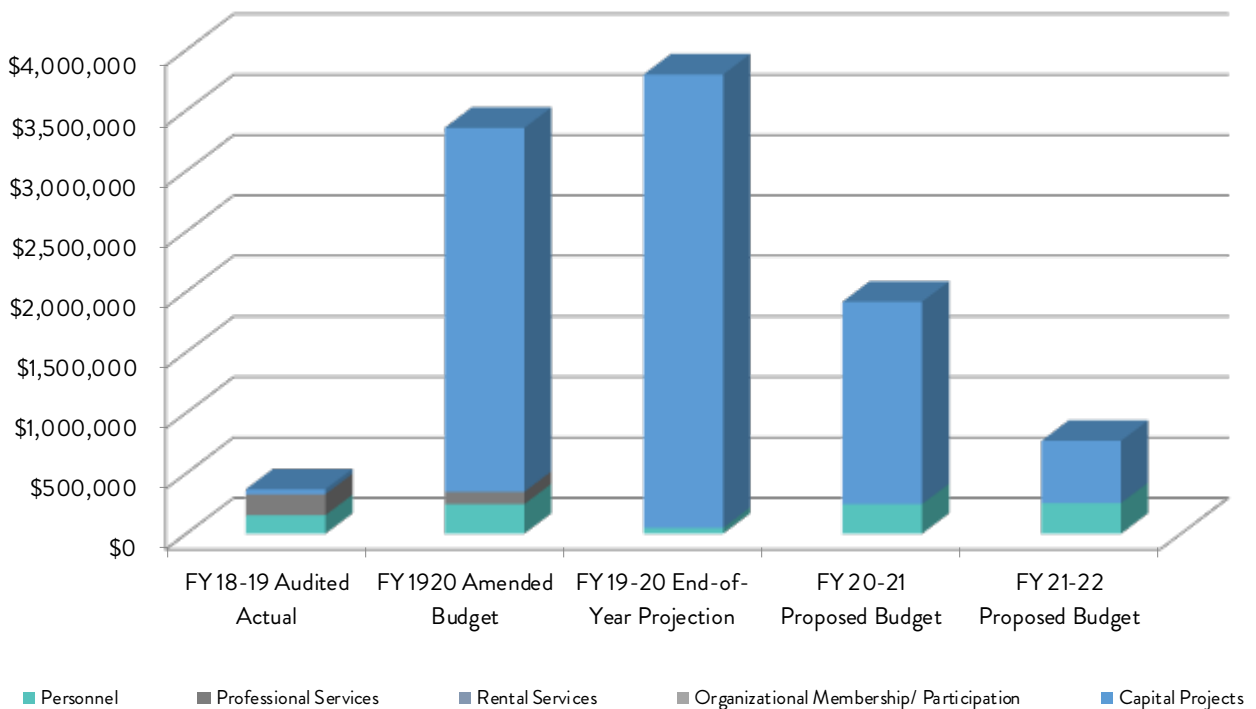
Flood Protection & Stormwater Drainage Fund (Fund 210)

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 year are shown in the following table and graph.

Category	FY 18-19 Audited Actual	FY 19-20 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget	% Change	
						FY 20-21 vs. FY 19-20 Projections	FY 21-21 Budget vs. FY 21-22
Personnel	\$153,877	\$245,407	\$48,814	\$245,884	\$253,337	404%	3%
Capital Projects	214,098	3,110,835	3,748,238	1,672,943	515,040	-55%	-69%
Total	\$367,974	\$3,356,242	\$3,797,052	\$1,918,827	\$768,377	-49%	-60%

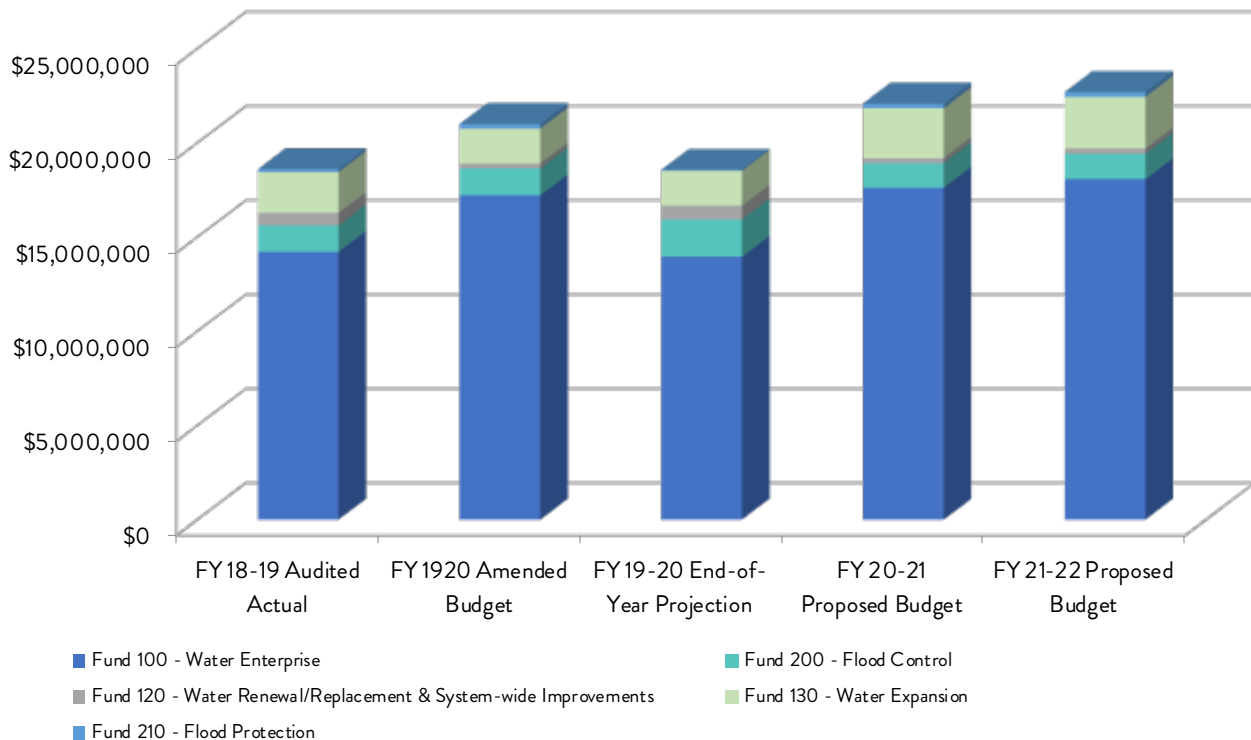


Personnel (All Funds)

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 18-19 Audited Actual	FY 1920 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget	% Change	
						FY 20-21 vs. FY 19-20 Projections	FY 21-21 Budget vs. FY 21-22
Fund 100 - Water Enterprise	\$14,209,706	\$17,206,004	\$13,947,113	\$17,611,729	\$18,071,919	26%	3%
Fund 200 - Flood Control	1,409,633	1,434,263	1,991,970	1,306,715	1,345,081	-34%	3%
Fund 120 - Water Renewal/ Replacement & System-wide Improvements	654,845	259,763	723,091	265,732	273,462	-63%	3%
Fund 130 - Water Expansion	2,172,275	1,852,750	1,852,750	2,653,060	2,751,565	43%	4%
Fund 210 - Flood Protection	153,877	245,407	48,814	245,884	253,337	404%	3%
Total	\$18,600,336	\$20,998,187	\$18,563,738	\$22,083,120	\$22,695,364	19.0%	2.8%



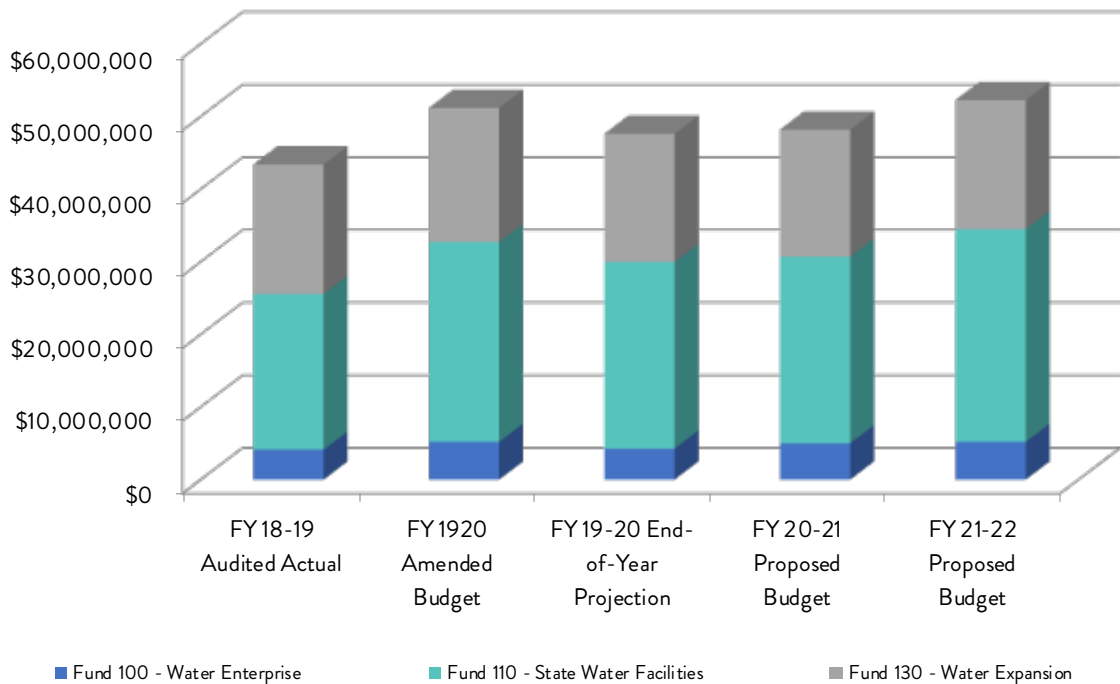
Water Purchases

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.

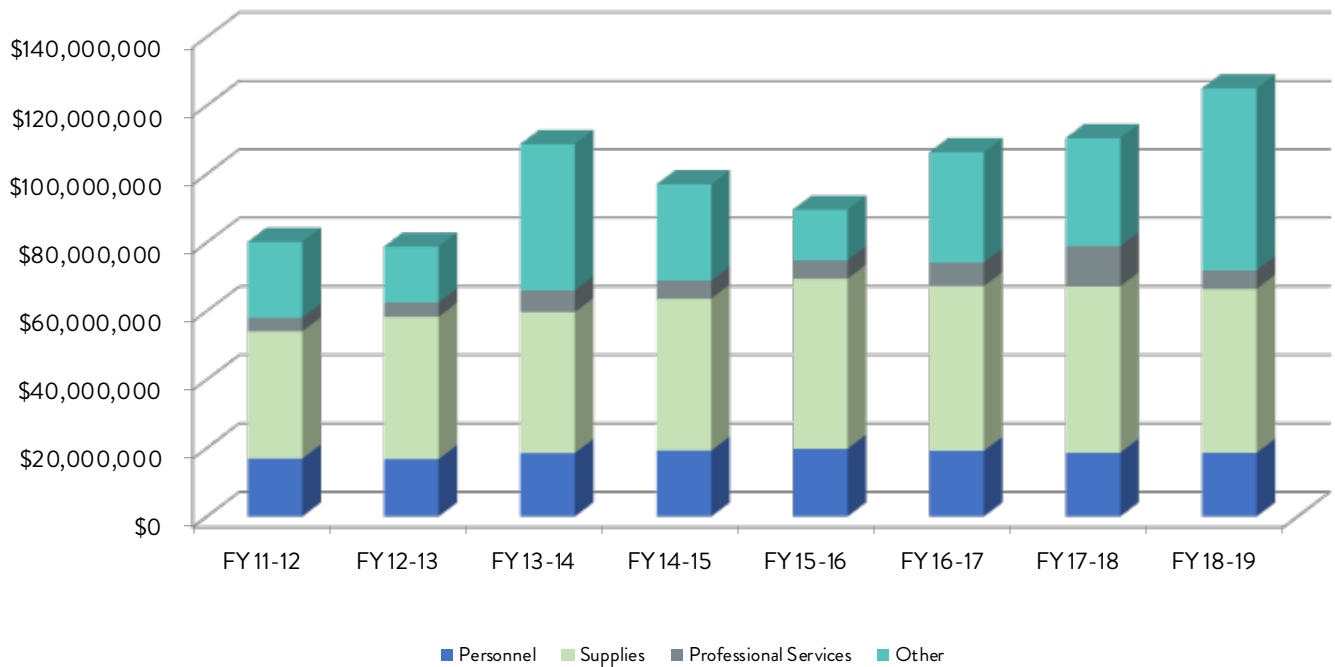
Fund	FY 18-19 Audited Actual	FY 19-20 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget	% Change	
						FY 20-21 vs. FY 19-20 Projections	FY 21-21 Budget vs. FY 21-22
Fund 100 - Water Enterprise	\$4,119,379	\$5,193,829	\$4,264,773	\$5,002,681	\$5,198,100	17%	4%
Fund 110 - State Water Facilities	21,420,192	27,508,997	25,702,354	25,675,583	29,279,388	0%	14%
Fund 130 - Water Expansion	17,838,005	18,465,669	17,644,952	17,500,913	17,763,254	-1%	1%
Total	\$43,377,576	\$51,168,495	\$47,612,079	\$48,179,177	\$52,240,742	1%	8%



Expense History

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

Category	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
Personnel	\$16,934,133	\$16,744,604	\$18,546,131	\$19,232,704	\$19,765,371	\$19,168,856	\$18,632,453	\$18,600,336
Supplies	37,114,680	41,532,896	41,121,385	44,334,450	49,657,729	48,104,165	48,540,239	47,829,249
Professional Services	3,923,871	4,190,699	6,342,039	5,298,707	5,318,930	6,829,577	11,734,676	5,409,116
Other	22,188,938	16,295,156	42,674,910	28,105,095	14,815,842	32,244,783	31,531,014	53,137,793
Total	\$80,161,622	\$78,763,354	\$108,684,464	\$96,970,956	\$89,557,871	\$106,347,382	\$110,438,382	\$124,976,494





WATER SUPPLY · WATER QUALITY · FLOOD PROTECTION

CAPITAL IMPROVEMENT PLAN

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 2020-21 and FY 2021-22 capital projects by fund.

Capital Improvement Plan (CIP)

WATER ENTERPRISE

Capital Projects Listing

Fund 120 – Renewal/Replacement & System-wide Improvements

FY 2020-21 & 2021-22 Budget - Fund 120 Capital Project List

Fund 120	FY 2020-21 Proposed Budget	FY 2021-22 Proposed Budget
Asset Management Program Management	\$70,000	\$70,000
Booster Pump Station	\$880,000	\$5,010,000
Capital Improvement Program Management	\$20,000	\$40,000
Chain of Lakes Pipeline	\$280,900	\$1,590,000
Chain of Lakes Facilities and Improvements - Water Supply	\$381,000	\$150,000
Chain of Lakes Master Planning	\$7,500	\$3,000
Contingency	\$750,000	\$750,000
Corrosion Protection Project	\$80,000	\$430,000
Cross Valley Line Valve at Stanley/Murrieta Blvd	\$160,000	\$590,000
Distribution System Control Station Replacement	\$0	\$970,000
DVWTP Building and Grounds Improvements	\$250,000	\$0
DVWTP Chemical Ferric Chloride and Caustic System Replacements	\$0	\$300,000
DVWTP Polymer Mixing System Replacement	\$340,000	\$0
DVWTP Pump Stations Variable Frequency Drive Replacement	\$235,000	\$0
DVWTP Roadway/Parking Lot Improvements and Post Ozone Modifications	\$750,000	\$2,000,000
DVWTP Underdrain Pump Station Replacement	\$0	\$350,000
Laboratory Equipment Replacement	\$150,000	\$150,000
MGDP Acid Injection Facility	\$0	\$1,770,000
MGDP RO Membrane Replacement	\$240,000	\$250,000
Minor Renewal/Replacement Projects	\$500,000	\$550,000
Mocho 2 Building and Electrical Systems Replacement	\$0	\$490,000
Monitoring Well Replacements & Abandonments	\$180,000	\$190,000
North Canyons - HVAC Replacement Project	\$1,444,000	\$0
North Canyons Energy Upgrades	\$250,800	\$0
North Canyons Office Interior Replacement Project	\$76,000	\$425,600
North Canyons Renewal/Replacement and Improvements	\$30,400	\$30,400
North Canyons Roofing Rehabilitation Project	\$0	\$304,000
PPWTP Anionic System Replacement	\$0	\$80,000
SCADA Upgrades and Replacements	\$550,000	\$570,000
Silver Oaks Pump Station Replacement	\$0	\$810,000
System-Wide Installation of Line Valves	\$0	\$80,000
Well PFAS Treatment Project	\$3,000,000	\$12,000,000
TOTAL	\$10,625,600	\$29,953,000

Capital Improvement Plan (CIP)

WATER ENTERPRISE

Capital Projects Listing

Fund 130 – Expansion

FY 2020-21 & 2021-22 Budget - Fund 130 Capital Project List

Fund 130	FY 2020-21 Proposed Budget	FY 2021-22 Proposed Budget
Busch-Valley Well 1	\$0	\$1,670,000
Capital Improvement Program Management	\$60,000	\$110,000
Cawelo Groundwater Banking Program Debt Service	\$1,089,700	\$1,092,450
Chain of Lakes Facilities and Improvements - Water Supply	\$889,000	\$350,000
Chain of Lakes Master Planning	\$17,500	\$7,000
Chain of Lakes Pipeline	\$249,100	\$1,410,000
Conservation - Other Items	\$13,020	\$22,940
Conservation - Rebates	\$33,000	\$33,000
Contingency	\$500,000	\$500,000
Fourth Contractor's Share of the SBA - Capital Costs	\$3,000,000	\$3,000,000
Integrated Water Operations Model	\$28,600	\$0
North Canyons - HVAC Replacement Project	\$57,000	\$0
North Canyons Energy Upgrades	\$9,900	\$0
North Canyons Office Interior Replacement Project	\$3,000	\$16,800
North Canyons Renewal/Replacement and Improvements	\$1,200	\$1,200
North Canyons Roofing Rehabilitation Project	\$0	\$12,000
South Bay Aqueduct Enlargement Project	\$14,470,913	\$14,723,254
SWP Peaking Payment (Lost Hills & Belridge Water Districts)	\$30,000	\$40,000
Vasco Pipeline Enlargement and Replacement	\$150,000	\$350,000
TOTAL	\$20,601,933	\$23,338,644

Capital Improvement Plan (CIP)

FLOOD PROTECTION

Projects Listing

Fund 200 – Flood Protection

FY 2020-21 & 2021-22 Budget - Fund 200 Capital Project List

Fund 200	FY 2020-21 Proposed Budget	FY 2021-22 Proposed Budget
Arroyo Mocho Medeiros Reach Project	\$516,000	\$0
Chain of Lakes Planning	\$11,000	\$4,400
COL Facilities and Improvements	\$430,000	\$60,000
EPA Grant #7 (Concannon)	\$151,000	\$0
Living Arroyos	\$226,000	\$226,000
North Canyons - HVAC Replacement Project	\$380,000	\$0
North Canyons Energy Upgrades	\$66,000	\$0
North Canyons Office Interior Replacement Project	\$20,000	\$112,000
North Canyons Renewal/Replacement and Improvements	\$8,000	\$8,000
North Canyons Roofing Rehabilitation Project	\$0	\$80,000
SMMP Update	\$59,000	\$59,000
Stanley Reach Stabilization Project	\$500,000	\$5,300,000
TOTAL	\$2,367,000	\$5,849,400

Capital Improvement Plan (CIP)

FLOOD PROTECTION

Projects Listing

Fund 210 – Flood Protection Development Impact Fee Fund

FY 2020-21 & 2021-22 Budget - Fund 200 Capital Project List

Fund 210	FY 2020-21 Proposed Budget	FY 2021-22 Proposed Budget
Arroyo Mocho Medeiros Reach Project	\$684,000	\$0
Chain of Lakes Planning	\$14,000	\$5,600
COL Facilities and Improvements	\$570,000	\$80,000
Contingency	500,000	500,000
Flood Protection Planning Efforts	\$86,127	\$131,777
North Canyons - HVAC Replacement Project	\$19,000	\$0
North Canyons Energy Upgrades	\$3,300	\$0
North Canyons Office Interior Replacement Project	\$1,000	\$5,600
North Canyons Roofing Rehabilitation Project	\$0	\$4,000
SMMP Update	\$41,000	\$41,000
TOTAL	\$1,918,827	\$768,377



WATER SUPPLY · WATER QUALITY · FLOOD PROTECTION

DEPARTMENT OVERVIEW

Personnel

	FY 16-17 Budget	FY 17-18 Budget	FY 18-19 Budget	FY 19-20 Budget	FY 2020-21 Budget	FY 2021-22 Budget	Change
Office of the General Manager	9.00	9.00	9.00	10.00	10.00	10.00	0.00
Finance	10.00	10.00	10.00	11.00	11.00	11.00	0.00
Employee Services	4.00	4.00	3.00	3.00	3.00	3.00	0.00
Water Quality	7.50	7.50	7.50	7.50	7.00	7.00	-0.50
Integrated Planning	9.50	9.50	7.50	8.50	9.50	9.50	1.00
Facilities Engineering	13.00	13.00	11.00	12.00	11.00	11.00	-1.00
Groundwater	7.50	7.50	7.50	7.50	7.00	7.00	-0.50
Operations	27.00	27.00	28.00	29.00	30.00	30.00	1.00
Maintenance	20.00	20.00	18.00	19.00	21.00	21.00	2.00
Agency Total	114.50	114.50	108.50	114.50	115.00	115.00	0.50

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: June 25, 2022
- Zone 7 salary contract end date: June 25, 2022
- COLA increases of 3% on June 30, 2019, 3% on June 28, 2020, and 3% on June 27, 2021.
- Negotiations will start in 2022.

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

- Memorandum of Understanding (MOU) end date: November 12, 2022.
- Zone 7 salary contract end date: June 25, 2022
- COLA increases of 3% on June 30, 2019, 3% on June 28, 2020, and 3% on June 27, 2021.
- Negotiations will start in 2022.

Service Employees International Union (SEIU), Local 1021

- Memorandum of Understanding (MOU) end date: December 10, 2022
- Zone 7 salary contract end date: June 25, 2022
- COLA increases of 3% on June 30, 2019, 3% on June 28, 2020, and 3% on June 27, 2021.
- Negotiations will start in 2022.

Alameda County Building and Construction Trades Council (ACBCTC)

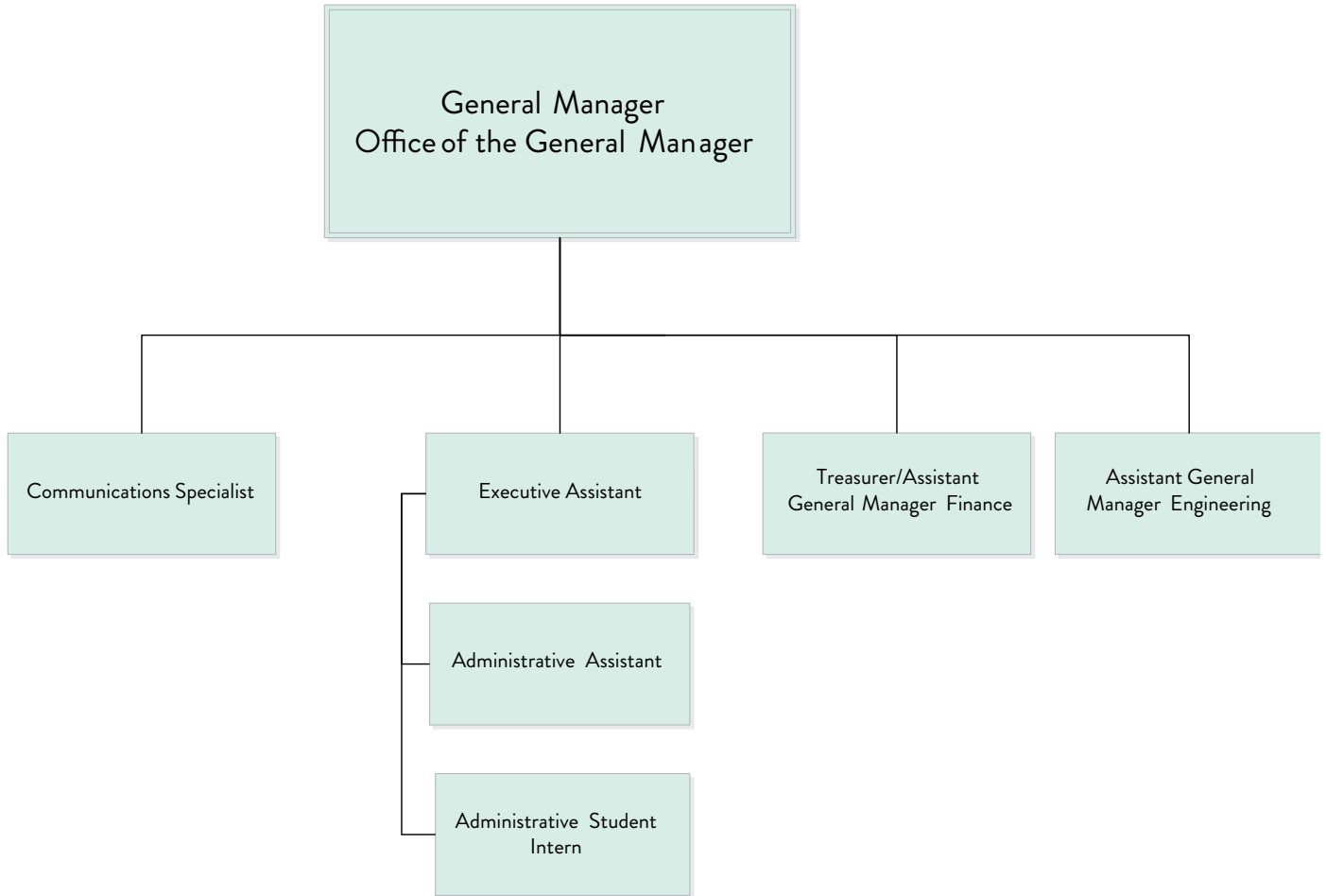
- Memorandum of Understanding (MOU) end date: October 1, 2022.
- Zone 7 salary contract end date: June 25, 2022
- COLA increases of 3% on June 30, 2019, 3% on June 28, 2020, and 3% on June 27, 2021.
- Negotiations will start in 2022.

Unrepresented Employees follow the Alameda County Administrative Code.

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

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.

FY 2020-22 GOALS AND OBJECTIVES

- Implement the initiatives outlined in Goals A-G of the Zone 7 Strategic Plan.
- Review and update current Board policies.
- Update the flood protection strategy.
- Continue to optimize communications, public outreach and community engagement.
- Review professional development approach to maintain workforce capability for now and into the future.
- Redesign the Agency website.

FY 2018-20 MAJOR ACCOMPLISHMENTS

- Developed and adopted an Agency Five-Year Strategic Plan.
- Continued to pursue additional long-term water supplies through participation in the Sites Reservoir Project, Las Vaqueros Reservoir and Delta Conveyance planning phases.
- Held multiple public workshops and public meetings throughout the year to provide information and gather community feedback, including the first Zone 7 Open House.
- In response to COVID-19 Shelter-in-Place orders, successfully transitioned most staff to telework and provided the necessary computer supplies to continue operations.
- Developed and launched a new Kids Zone eNewsletter designed specifically for local area teachers to support them during this time of remote teaching with virtual resources on water education.
- Received Transparency Certificate of Excellence.
- Launched the Agency’s first social media campaign which included the launching of Zone Facebook and NextDoor profiles.
- Created fact sheets proving the community with questions and answers about COVID-19 and PFAS.
- Continued televising monthly Board agendas, minutes and meetings via TV30.org.

OFFICE OF THE GENERAL MANAGER STAFFING SUMMARY

Office of the General Manager	FY 16-17 Budget	FY 17-18 Budget	FY 18-19 Budget	FY 19-20 Budget	FY 2020-21 Budget	FY 2021-22 Budget	Change
General Manager	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Assistant General Mgr, Engineering	1.00	1.00	0.00	1.00	1.00	1.00	0.00
Assistant General Mgr, Finance	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Executive Assistant	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Administrative Assistant	3.00	3.00	4.00	4.00	4.00	4.00	0.00
Communications Specialist	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Administrative Student Intern	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Total	9.00	9.00	9.00	10.00	10.00	10.00	0.00

Staffing Changes: none

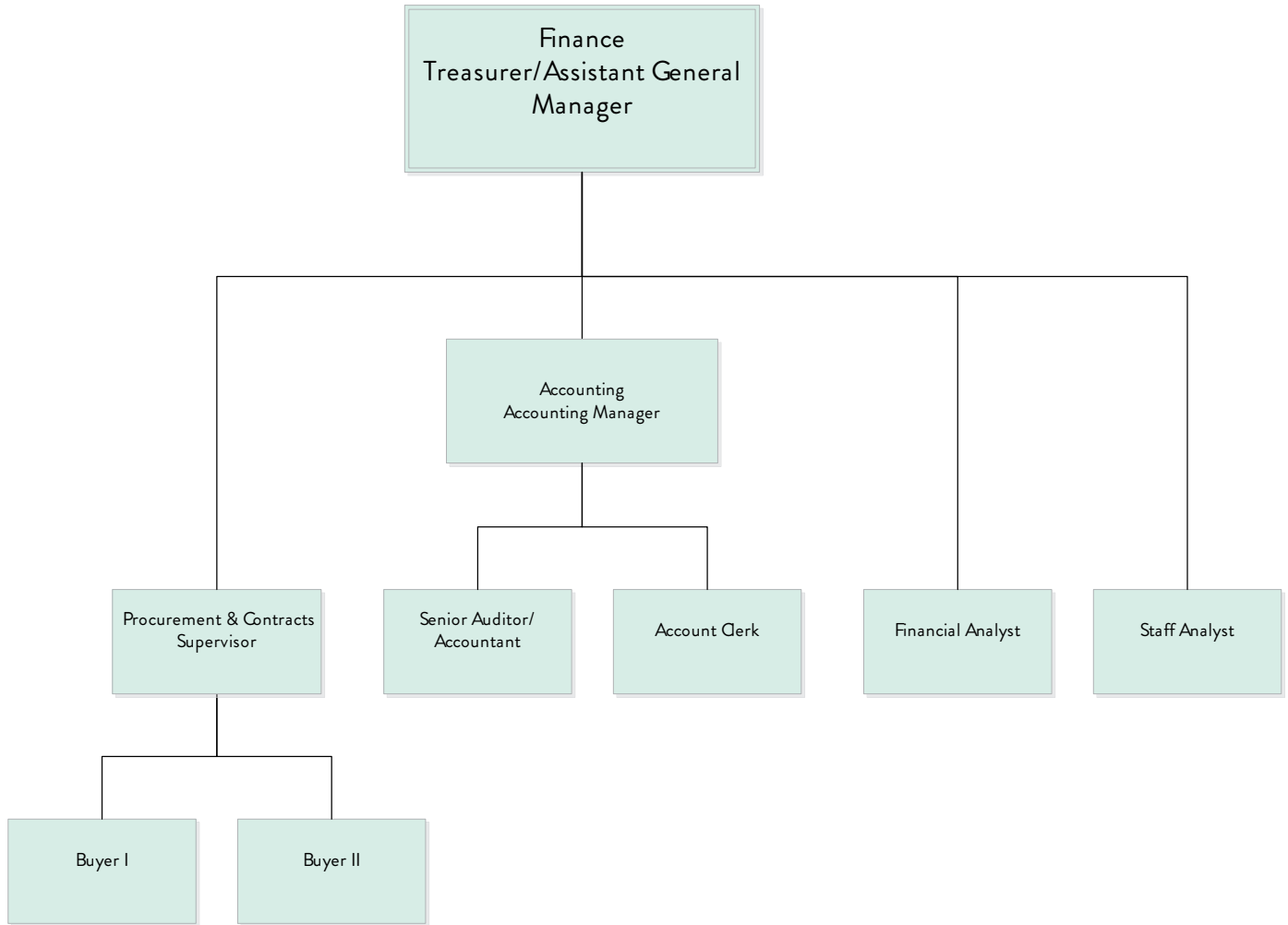
OFFICE OF THE GENERAL MANAGER BUDGET BY FUND

Fund	FY 18-19 Audited Actual	FY 1920 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget
Fund 100 - Water Enterprise	3,406,941	4,861,968	1,866,941	4,867,648	6,298,100
Fund 110 - State Water Facilities	-	-	-	-	-
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	1,927,970	635,000	1,706,140	750,000	750,000
Fund 130 - Capital Expansion	385,837	1,590,575	667,790	1,589,700	1,592,450
Fund 200 - Flood Control	892,824	863,984	732,893	987,264	1,075,960
Fund 210 - Flood Protection & Stormwater Drainage	-	-	-	-	-
Total	\$6,613,572	\$7,951,527	\$4,973,763	\$8,194,612	\$9,716,510

OFFICE OF THE GENERAL MANAGER BUDGET BY PROGRAM

Program	FY 18-19 Audited Actual	FY 1920 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget
Water Utility Support Services	259,275	353,761	203,953	407,014	1,188,011
Supply Source & Conveyance	82,387	27,569	76,508	25,649	11,920
Water Storage	30,665	21,855	-	-	-
Water Treatment	247,009	-	55,701	-	-
Water Transmission	22,443	-	-	-	-
Central Administration	2,765,163	4,458,783	1,530,778	4,434,985	5,098,169
Flood Protection	892,824	863,984	732,893	987,264	1,075,960
Capital Projects	2,313,807	2,225,575	2,373,929	2,339,700	2,342,450
Total	\$6,613,572	\$7,951,527	\$4,973,763	\$8,194,612	\$9,716,510

Finance FY 2020-22



Finance

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

FY 2020-22 GOALS AND OBJECTIVES

- Implement the strategies associated with Goal G of the Zone 7 Strategic Plan - Operate the Agency In a Fiscally-Responsible Manner.
- Continue to provide quarterly and annual financial reports to the Finance Committee and Board.
- Evaluate the Agency's unfunded pension and other post-employment benefits (OPEB) liabilities
- Maintain target levels of reserves as set forth in the Reserve Policy adopted on May 15, 2019.
- Maintain the current high bond rating of AA+ (Fitch) and AA+ (Standard and Poors).
- Meet debt coverage ratios in connection with Livermore Valley Water Financing Authority Water Revenue Bonds, 2018 Series A.
- Continued safeguard of the Agency's financial and material assets by maintaining strong internal controls, ensuring equity and transparency in transactions processes, adhering to established financial policies and procedures, and complying with all legal fiscal reporting requirements.
- Manage and maintain Information technology equipment and systems while protecting systems integrity from outside threats.
- Manage the risk of the Agency and strive to minimize costs and exposure while enhancing safety and productivity.
-

FY 2018-20 MAJOR ACCOMPLISHMENTS

- Awarded for the fifth straight year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded Zone 7 the Distinguished Budget Presentation Award. As GFOA states, "...it's the highest form of recognition in governmental budgeting and represents a significant achievement by an organization".
- Awarded for the fourth straight year, the California Society of Municipal Finance Officers (CSMFO) awarded Zone 7 the Operating Budget Excellence Award for its Fiscal Year 2018-2019.
- Awarded for the third straight year, the GFOA Certificate of Achievement for Excellence in Financial Reporting for the Zone 7 Comprehensive Annual Financial Report (CAFR) for Fiscal Year ending June 30, 2018.
- For two years in a row, issued the Continuing Disclosure Annual Report to satisfy the continuing disclosure requirements in connection with Livermore Valley Water Financing Authority Water Revenue Bonds, 2018 Series A. In each year, it was reported that the agency met and exceeded required debt service coverage.
- Produced timely and accurate quarterly revenue and expenditure analysis reports.
- The Board approved a four-year treated water rate schedule consisting of 6.7% annual rate increases for CY 2019-CY 2022. The Board also approved a gradual ramp-up of fixed charges from 37.5% in CY 2019 to 45% in CY 2020.
- Successfully migrated the Agency to a self-insured status with ACWA JPIA pooled insurance for both Property and General Liability Insurance.
- Launched a trial telecommute program due to COVID-19 in March of 2020. Outfitted all eligible Agency employees with hardware, software and virtual access from outside the Agency plants and offices and continues off-site support throughout the pandemic response.

FINANCE STAFFING SUMMARY

Finance	FY 16-17 Budget	FY 17-18 Budget	FY 18-19 Budget	FY 19-20 Budget	FY 2020-21 Budget	FY 2021-22 Budget	Change
Financial & Systems Services Manager	1.00	1.00	1.00	1.00	0.00	0.00	-1.00
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	2.00	2.00	2.00	1.00	1.00	-1.00
Financial Analyst	0.00	0.00	0.00	0.00	2.00	2.00	2.00
Procurement & Contracts Supervisor	1.00	1.00	0.00	1.00	1.00	1.00	0.00
Buyer I	1.00	1.00	2.00	2.00	2.00	2.00	0.00
Buyer II	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Account Clerk	2.00	2.00	2.00	2.00	2.00	2.00	0.00
Total	10.00	10.00	10.00	11.00	11.00	11.00	0.00

Staffing Changes

2 FTE funding units transferred to Financial Analyst

Procurement and Contracts Specialist reclassified to Procurement and Contracts Supervisor

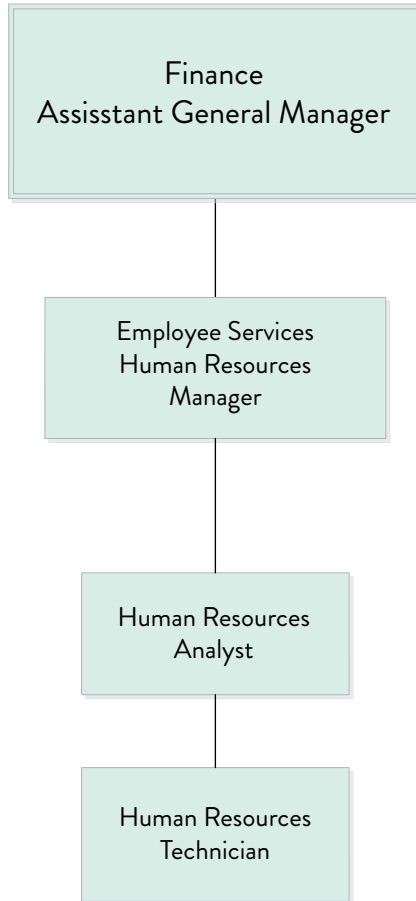
FINANCE BUDGET BY FUND

Fund	FY 18-19 Audited Actual	FY 1920 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget
Fund 100 - Water Enterprise	1,509,324	1,964,181	1,512,089	2,220,076	2,234,318
Fund 120 - Water Renewal/ Replacement & Systemwide Improvements	700	37,047	-	20,000	40,000
Fund 130 - Water Expansion	15,716	142,278	32,317	60,000	110,000
Fund 200 - Flood Protection	-	7,145	-	-	98
Fund 210 - Flood Protection & Stormwater Drainage	-	-	-	-	-
Total	\$1,525,740	\$2,150,651	\$1,544,406	\$2,300,076	\$2,384,416

FINANCE BUDGET BY PROGRAM

Program	FY 18-19 Audited Actual	FY 1920 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget
Water Utility Support Services	169,928	151,726	183,730	309,731	175,751
Supply Source & Conveyance	2,621	71,701	26,585	83,355	86,387
Water Treatment	680	-	730	-	-
Central Administration	1,336,095	1,740,754	1,301,044	1,826,990	1,972,180
Flood Protection	-	7,145	-	-	98
Capital Projects	16,416	179,325	32,317	80,000	150,000
Total	\$1,525,740	\$2,150,651	\$1,544,406	\$2,300,076	\$2,384,416

Employee Services FY 2020-22



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 2020-22 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 comprehensive 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 2018-20 MAJOR ACCOMPLISHMENTS

- Improved human resources selection processes through numerous internal recruitments and many promotional 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.
- Processed numerous employee retirements including transition of new executive leadership.
- Provided on-site training to all employees and Supervisors regarding Workplace Harassment Prevention, including new California AB 2053 requirement regarding abusive conduct
- Expanded 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

Employee Services	FY 16-17 Budget	FY 17-18 Budget	FY 18-19 Budget	FY 19-20 Budget	FY 2020-21 Budget	FY 2021-22 Budget	Change
Human Resources Manager	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Human Resources Analyst	2.00	2.00	2.00	2.00	1.00	1.00	-1.00
Human Resources Technician	0.00	0.00	0.00	0.00	1.00	1.00	1.00
Total	4.00	4.00	3.00	3.00	3.00	3.00	0.00

Staffing Changes

Funding for 1 FTE Human Resources Officer II transferred to 1 FTE Human Resources Technician.

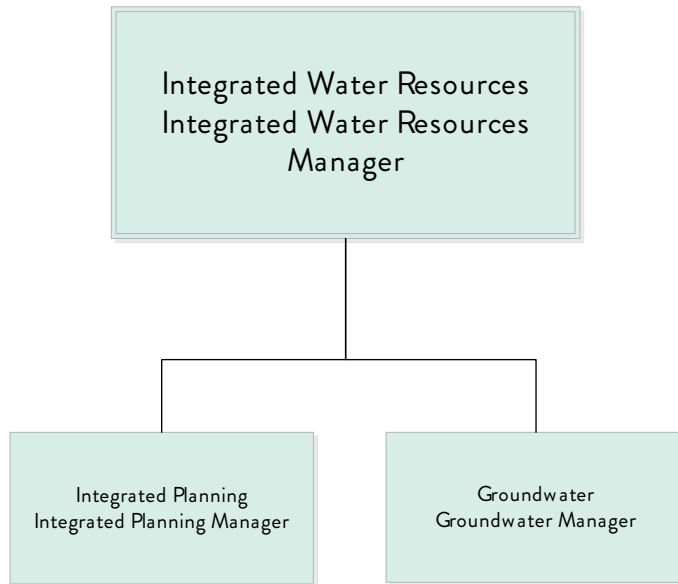
EMPLOYEE SERVICES BUDGET BY FUND

Fund	FY 18-19 Audited Actual	FY 1920 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget
Fund 100 - Water Enterprise	376,437	760,382	237,567	717,302	762,469
Total	\$376,437	\$760,382	\$237,567	\$717,302	\$762,469

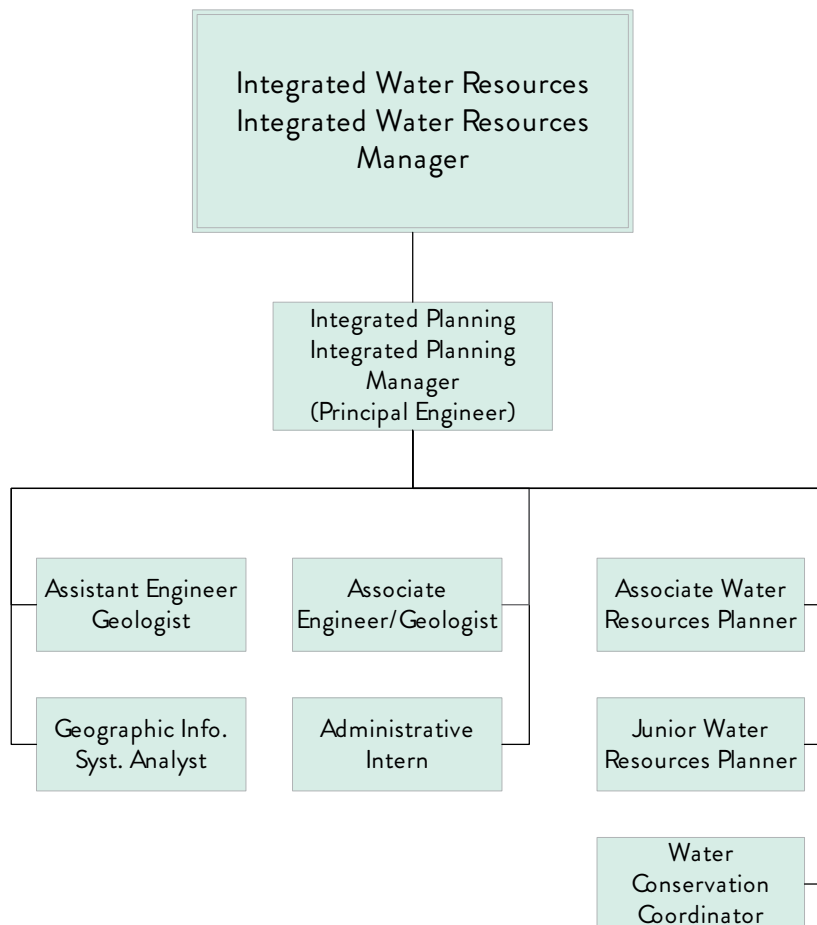
EMPLOYEE SERVICES BUDGET BY PROGRAM

Program	FY 18-19 Audited Actual	FY 1920 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget
Central Administration	376,437	760,382	237,567	717,302	762,469
Total	\$376,437	\$760,382	\$237,567	\$717,302	\$762,469

Integrated Water Resources FY 2020-22



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 2020-22 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

- Develop regional demand forecasts and update based on upcoming regulations.
- Continue to engage at the State level to support implementation of the Delta Conveyance Project, in order to improve the reliability of Zone 7's main source of water supply, the State Water Project.
- Continue to evaluate other water supply and storage alternatives for the Tri-Valley such as desalination , Los Vaqueros Expansion, potable reuse, and Sites Reservoir.
- Continue to engage with the retailers and other Bay Area water agencies to enhance regional reliability.
- Enhance public understanding of source water supply and quality and the importance of water conservation.

FLOOD PROTECTION

- Support the development of a new flood system management plan.
- 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 enhance public understanding and appreciation of the local watershed.
- 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.
- Continue to engage with regulators, consultants, local government, landowners, and other stakeholders on natural resource planning within Alameda County and the Alameda Creek Watershed.

FY 2018-20 MAJOR ACCOMPLISHMENTS

- Working with Finance, completed the Cost Allocation Study for Future Water Supply Projects.
- Completed the 2019 Water Supply Evaluation Update.
- Provided presentations to elected officials and retailer staff on Tri-Valley water supply reliability conditions.
- Through the Sites Reservoir Committee, completed the Sites Project Value Planning Alternatives Appraisal Report and strengthened the organizational structure of the Sites Project Authority to support continued project progress in the next phase.
- Advanced major planning elements of Los Vaqueros Reservoir Expansion, including environmental documents, design, and financial analysis through funding and participation in the project.
- Secured Board approval for continued participation in the next phase of Sites Reservoir through December 2021.
- Secured Board approval for continued participation in the next phase of Los Vaqueros Reservoir Expansion through December 2021.
- Helped Zone 7 achieve \$1,300,000 in reduced energy costs by participating in PWRPA. An additional \$65,000 was saved by participating in PG&E's Peak Day Pricing and \$61,000 through net metering with DVWTP solar power system.
- Continued administrative oversight and participation in the Living Arroyos Program including stream enhancement activities for Program Partners, public outreach and engagement through presentations and twice-monthly volunteer workdays. The Program was awarded the 2020 CASQA Outstanding Sustainable Stormwater Project or Program.
- Made significant progress on tasks that were part of the \$1.31 million in grant funding from the U.S. EPA Water Quality Improvement Fund for "Preparing for the Storm" – a partnership with consultants and several local public and private landowners. Major task work includes green infrastructure strategic planning for runoff reduction benefits, sycamore alluvial woodland studies, and developing a sediment reuse strategy for the Tri-Valley area and regionally.
- Completed a fisheries study documenting the occurrence of fish in Arroyo Mocho when the stream becomes intermittent.
- Documented the presence of an active bald eagle nest and the successful fledging of a juvenile bald eagle in the heart of the Tri Valley.
- Completed CEQA and environmental permitting for numerous engineering projects including the Patterson Pass Water Treatment Plant Ozonation Project, Medeiros Reach Floodplain Project, Phase 1 and Phase 2 flood protection projects, Dougherty Tank restoration, and others.

WORKLOAD MEASURES

	Actual FY 15-16	Actual FY 16-17	Actual FY 17-18	Actual FY 18-19	Actual FY 19-20	Estimate FY 20-21	Estimate FY 21-22
Water conservation rebates	1,500	800	600	500	300	300	300
CEQA Documentation for Z-7 projects	10	12	6	6	7	8	4
Main Basin artificial recharge (AF)	4,600	9,400	9,000	5,000	400	500	2,500
Water from banking programs (AF)	7,800	0	0	0	0	0	0
Water Stored in banking programs (AF)	4,367	14,541	21,343	10,150	8,750	0	0

INTEGRATED PLANNING STAFFING SUMMARY

Integrated Planning	FY 16-17 Budget	FY 17-18 Budget	FY 18-19 Budget	FY 19-20 Budget	FY 2020-21 Budget	FY 2021-22 Budget	Change
Manager of Integrated Water Resources	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Senior Engineer/Geologist	1.00	1.00	0.00	0.00	0.00	0.00	0.00
Principal Engineer/IP Manager	0.00	0.00	1.00	1.00	1.00	1.00	0.00
Associate Engineer/Geologist	1.00	1.00	1.00	1.00	2.00	2.00	1.00
Associate Water Resources Planner	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Assistant Engineer/Geologist	2.00	2.00	1.00	1.00	1.00	1.00	0.00
Geographic Info Sys Analyst	1.00	1.00	0.00	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 Conservation Coordinator	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Administrative Student Intern	0.50	0.50	0.50	0.50	0.50	0.50	0.00
Total	9.50	9.50	7.50	8.50	9.50	9.50	1.00

Staffing Changes

1 FTE Assistant Engineer/Geologist pay units transferred from Water Quality for 1 FTE Associate Engineer/Geologist

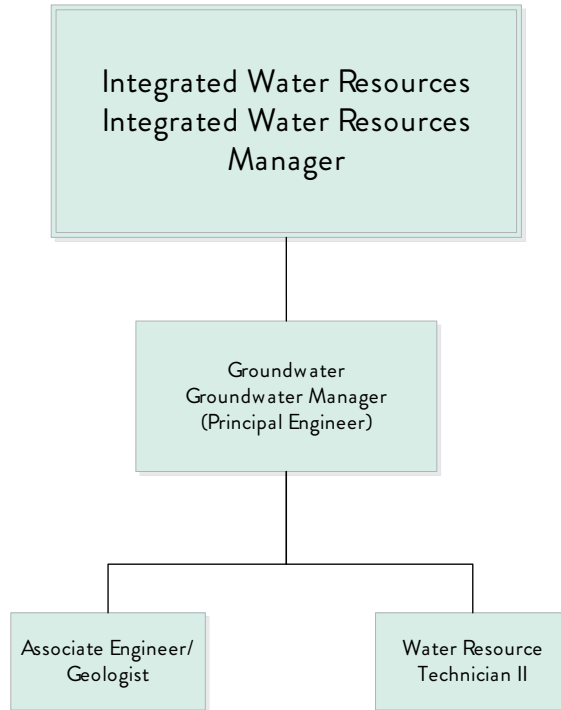
INTEGRATED PLANNING BUDGET BY FUND

Fund	FY 18-19 Audited Actual	FY 19-20 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget
Fund 100 - Water Enterprise	5,343,559	7,655,795	5,366,290	7,829,345	8,111,566
Fund 110 - State Water Facilities	21,420,192	27,508,997	25,010,589	25,675,583	29,279,388
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	42,146	745,232	70,711	971,954	1,796,134
Fund 130 - Water Expansion	18,596,803	24,924,210	16,442,254	18,915,804	21,631,631
Fund 200 - Flood Protection	653,105	1,009,030	690,472	1,446,224	877,656
Fund 210 - Flood Protection & Stormwater Drainage	31,151	128,865	6,515	779,098	324,775
Total	\$46,086,956	\$61,972,129	\$47,586,832	\$55,618,008	\$62,021,150

INTEGRATED PLANNING BUDGET BY PROGRAM

Program	FY 18-19 Audited Actual	FY 19-20 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget
Water Utility Support Services	683,370	1,338,934	811,451	1,697,578	1,954,554
Supply Source & Conveyance	25,062,399	31,434,731	27,933,697	30,823,614	34,210,102
Water Storage	802,332	2,029,704	1,305,105	597,762	834,811
Water Treatment	418	1,132	-	1,204	1,237
Central Administration	215,233	360,291	326,626	384,770	390,250
Flood Protection	684,256	1,137,895	696,986	2,225,322	1,202,431
Capital Projects	18,638,948	25,669,442	16,512,966	19,887,758	23,427,765
Total	\$46,086,956	\$61,972,129	\$47,586,832	\$55,618,008	\$62,021,150

Integrated Water Resources Groundwater FY 2020-22



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 2020-22 GOALS AND OBJECTIVES

Protect and manage the groundwater resources:

- Administer and implement a Proposition 68 grant to complete and submit the 2022 Five Year Update to the Alternative Groundwater Sustainability Plan by January 1, 2022.
- Prepare annual Groundwater Sustainability Reports with results from ongoing monitoring programs and submit to California Department of Water Resources by April 1st each year.
- Continue to implement and improve groundwater management programs that reduce or halt impacts to groundwater supplies and ensures sustained resource reliability.
- Continue monthly verification of groundwater levels to ensure sustainable groundwater basin management and report any trends of concern.
- Continue administering Alameda County's Water Wells Ordinance in eastern Alameda County, including collecting permit fees and conducting permit compliance inspections.
- Review all new high-flow, high-strength and non-residential onsite wastewater treatment system (OWTS) proposals ensuring that compliance with the Agency's Salt and Nutrient Plan guidelines.
- Continue work with the County and the mining companies to ensure that lake reclamation will continue to meet Zone 7 goals and plans for the Chain of Lakes.
- Establish per- and polyfluoroalkyl substances (PFAS) monitoring program to support PFAS treatment and mitigation.
- Continue to lead Agencywide implementation of GIS software to improve efficiency in documenting field investigations and improve retrieval of data.

FY 2018-20 MAJOR ACCOMPLISHMENTS

Awarded \$500,000 through the Department of Water Resources' Proposition 68 Sustainable Groundwater Management Grant Program to prepare the 2022 Five-Year Update to the Alternative Groundwater Sustainability Plan.

- Prepared annual Groundwater Management Program Reports for Water Years 2018 and 2019.
- Satisfied all California Statewide Groundwater Elevation Monitoring (CASGEM) responsibilities for the assigned groundwater basins.
- Made 65 streamflow measurements.
- Maintained an optimized artificial recharge operation.
- Issued 273 well and soil boring drilling permits and conducted compliance inspections for 82% of those permits.
- Reorganized and improved Groundwater Section's geologic, water resources and well record databases.
- Coordinated with the Alameda County Community Development Agency and the mining companies to ensure that the final lake reclamation will continue to meet Zone 7 goals and plans for the Chain of Lakes.
- Provided technical support for various Chain of Lakes development projects such as developing the Chain of Lakes Model, the Lake Use Evaluation Study, and the Chain of Lakes Pipeline alignment study.
- Investigated the extent and potential sources of PFAS in groundwater.

WORKLOAD MEASURES

	FY 15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Estimate	FY 20-21 Estimate	FY 21-22 Estimate
Groundwater samples	177	156	174	170	205	170	170
Groundwater level measurements	874	834	892	732	970	800	800

GROUNDWATER STAFFING SUMMARY

Groundwater	FY 16-17 Budget	FY 17-18 Budget	FY 18-19 Budget	FY 19-20 Budget	FY 2020-21 Budget	FY 2021-22 Budget	Change
Principal Engineer	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Associate Engineer/Geologist	1.00	1.00	2.00	2.00	2.00	2.00	0.00
Assistant Engineer/Geologist	1.00	1.00	0.00	0.00	0.00	0.00	0.00
Water Resources Technician II	4.00	4.00	4.00	4.00	4.00	4.00	0.00
Water Resources Engineer Trainee	0.50	0.50	0.50	0.50	0.00	0.00	-0.50
Total	7.50	7.50	7.50	7.50	7.00	7.00	-0.50

Staffing Changes

0.5 FTE Water Resources Engineer Trainee transferred to Flood

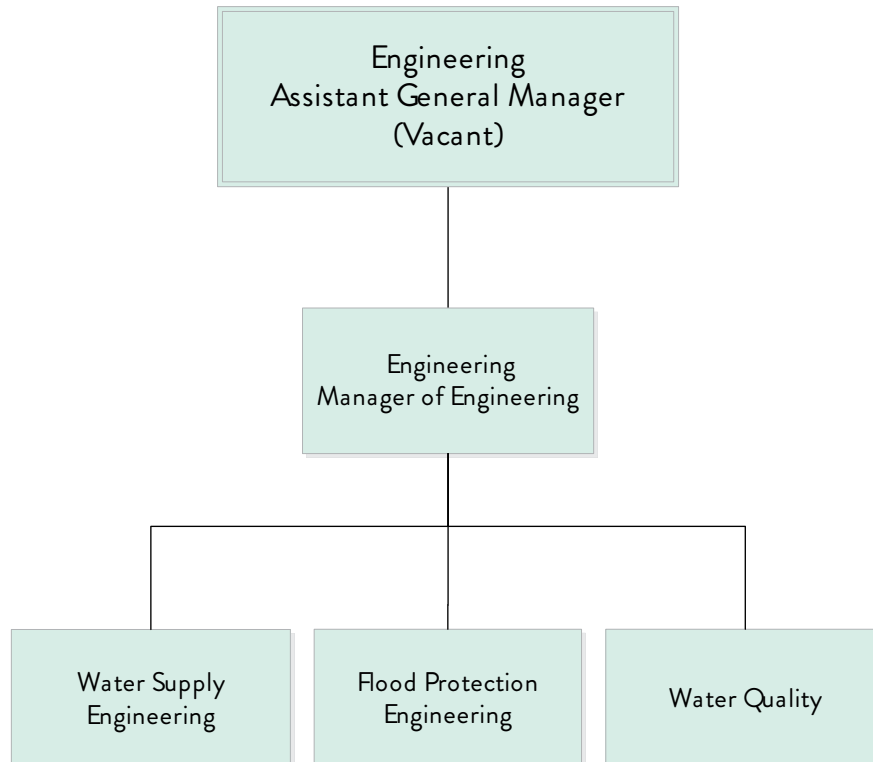
GROUNDWATER BUDGET BY FUND

Fund	FY 18-19 Audited Actual	FY 1920 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget
Fund 100 - Water Enterprise	1,242,687	1,372,638	1,268,952	2,058,735	1,693,709
Fund 120 - Water Renewal/ Replacement & Systemwide Improvements	49,343	559,966	29,023	196,011	206,374
Fund 130 - Water Expansion	115,134	104,283	66,392	17,316	17,684
Fund 200 - Flood Protection	180	55,585	-	-	51,485
Fund 210 - Flood Protection & Stormwater Drainage	239	-	-	-	-
Total	\$1,407,584	\$2,092,472	\$1,364,366	\$2,272,062	\$1,969,252

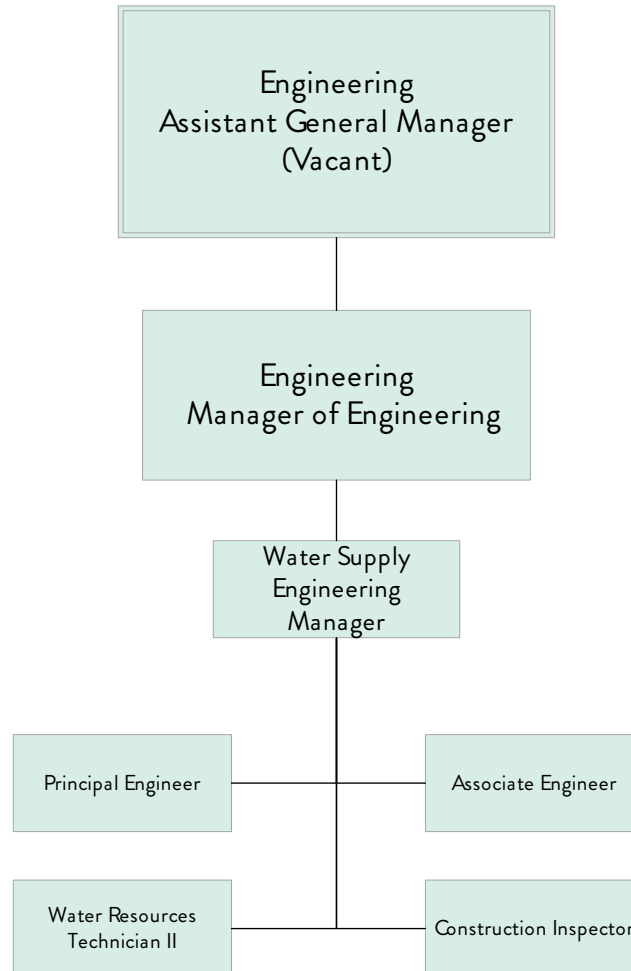
GROUNDWATER BUDGET BY PROGRAM

Program	FY 18-19 Audited Actual	FY 1920 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget
Water Utility Support Services	-	-	-	2,391	2,381
Supply Source & Conveyance	1,237,798	1,272,638	1,259,186	2,056,344	1,691,328
Water Storage	-	-	-	-	-
Water Treatment	-	-	-	-	-
Water Transmission	4,889	-	9,435	-	-
Central Administration	-	100,000	331	-	-
Flood Protection	419	55,585	-	-	51,485
Capital Projects	164,478	664,249	95,414	213,327	224,058
Total	\$1,407,584	\$2,092,472	\$1,364,366	\$2,272,062	\$1,969,252

Engineering FY 2020-22



Engineering Water Supply Engineering FY 2020-22



Water Supply Engineering

Plans, designs and constructs major water supply, conveyance, production, and delivery facilities for expansion, system-wide improvements and renewal/replacement programs. WSE also manages the Agency's Water Enterprise Capital Improvement and Asset Management Programs.

FY 2020-22 GOALS AND OBJECTIVES

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

- Continue construction of the PPWTP Upgrades and Ozonation Project.
- Complete construction of the DVWTP Polymer Mixing System Project.
- Complete construction of the California Water Service Turnout No. 6 Renewal/Replacement Project.
- Complete the Per- and Polyfluoroalkyl substances (PFAS) Treatment Study and begin implementing recommendations.
- Complete Pipeline Investigation Program Study and begin implementing recommendations.
- Complete planning and design of the Mocho Groundwater Demineralization Plant Acid Injection Facility.
- Complete construction of the North Canyons HVAC System Renewal/Replacement Project.
- Complete design of the North Canyons Office Interior Replacement Project.
- Complete construction of the Chain of Lakes No. 1 Pump Replacement Project.
- Complete prioritization list for Corrosion Control System Upgrades and Replacement Project.
- Complete design and construction of the Distribution System Control Station Replacement Project.
- Complete design of the Cross-Valley Pipeline Line Valve at Stanley Blvd and Murrieta Blvd.
- Complete design of the Booster Pump Station Project.
- Complete construction of the DVWTP Pump Station Variable Frequency Drive Replacement Project.
- Complete construction of the PPWTP Upgrades and Ozonation Project.
- Complete design of the North Canyons Office Roofing Rehabilitation Project.
- Complete construction of the Mocho Groundwater Demineralization Plant Acid Injection Facility.
- Complete construction of the Corrosion Control System Upgrades and Replacement Project.
- Complete design of the Mocho Well No. 2 Building and Electrical Systems Replacement Project.
- Complete construction of the Cross-Valley Pipeline Line Valve at Stanley Blvd and Murrieta Blvd.
- Complete Pipeline Alignment Study for El Charro Pipeline Phase 2 section.
- Complete design of the PPWTP Polymer Mixing System Replacement Project.
- Complete design of 2MG Clearwell Seismic Retrofit Project.
- Complete design for the Silver Oaks Pump Station Replacement Project.
- Complete construction of the Booster Pump Station Project.

ASSIST IN OTHER AGENCY OBJECTIVES:

- Continue to manage/implement CIP Program and Asset Management Program to provide maximum reliability for current year and beyond while meeting current water demands.
- Continue with ongoing Supervisory Control and Data Acquisitions (SCADA) Upgrades and Enhancements.
- Continue to provide engineering support as needed to the other Zone 7 departments, especially Operations and Maintenance, to help ensure the reliability of current facilities' performance.
- Continue to coordinate new development plan reviews in relation to existing facilities.
- 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 for water supply planning activities and manage specific projects.
- Continue to provide support for maintenance projects in the Chain of Lakes area.
- 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.
- Continue to manage and incorporate any regulatory updates to the Labor Compliance Program.

FY 19/20 MAJOR ACCOMPLISHMENTS

- Completed construction of the Chain of Lakes No. 1 Facility Stabilization Project.
- Completed design and construction of the Dougherty Reservoir Recoating and Rehabilitation Project.
- Completed construction of the California Water Service Turnout No. 5 Renewal/Replacement Project.
- Completed construction of the DVWTP Ozonation Project.
- Continuing construction of the PPWTP Upgrades and Ozonation Project.
- Completed DVWTP HVAC System Control System Modifications Project.
- Completed design of the Mocho Well No. 3 Sodium Hypochlorite System Replacement Project.
- Initiated the Per- and Polyfluoroalkyl substances (PFAS) Treatment Study.
- Initiated Zone 7 Pipeline Investigation Program Study.
- Completed design of the DVWTP Polymer Mixing System Replacement Project.
- Completed construction of the Mocho Groundwater Demineralization Plant Concentrate Pipeline Batch Cleaning Project.
- Completed construction of the Chain of Lakes No. 2 Pump Replacement Project.
- Initiated design of the California Water Service Turnout No. 6 Renewal/Replacement Project.
- Completed planning and design of the North Canyons HVAC System Renewal/Replacement Project.
- Completed design of the DVWTP Pump Station Variable Frequency Drive Replacement Project.

WORKLOAD MEASURES

	FY 15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Estimate	FY 20-21 Estimate	FY 21-22 Estimate
Development reviews	20	17	13	11	20	20	20
Capital projects (millions)	\$3.6	\$5.9	\$13.1	\$54.9	\$38.1	\$12.7	\$34.5

WATER SUPPLY ENGINEERING STAFFING SUMMARY

	FY 16-17 Budget	FY 17-18 Budget	FY 18-19 Budget	FY 19-20 Budget	FY 2020-21 Budget	FY 2021-22 Budget	Change
Facilities Engineering							
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	1.00	1.00	0.00	0.00	-1.00
Associate Engineer - Control System	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Associate Engineer/Geologist	4.00	4.00	5.00	5.00	6.00	6.00	1.00
Assistant Engineer/Geologist	2.00	2.00	1.00	1.00	0.00	0.00	-1.00
Construction Inspector	1.00	1.00	0.00	1.00	1.00	1.00	0.00
Water Resources Technician II	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Total	13.00	13.00	11.00	12.00	11.00	11.00	-1.00

Staffing Changes

Pay units for 1 FTE Assistant Engineer/Geologist transferred to Flood
 1 FTE Senior Engineer/Geologist reclassified to Associate Senior Engineer/Geologist

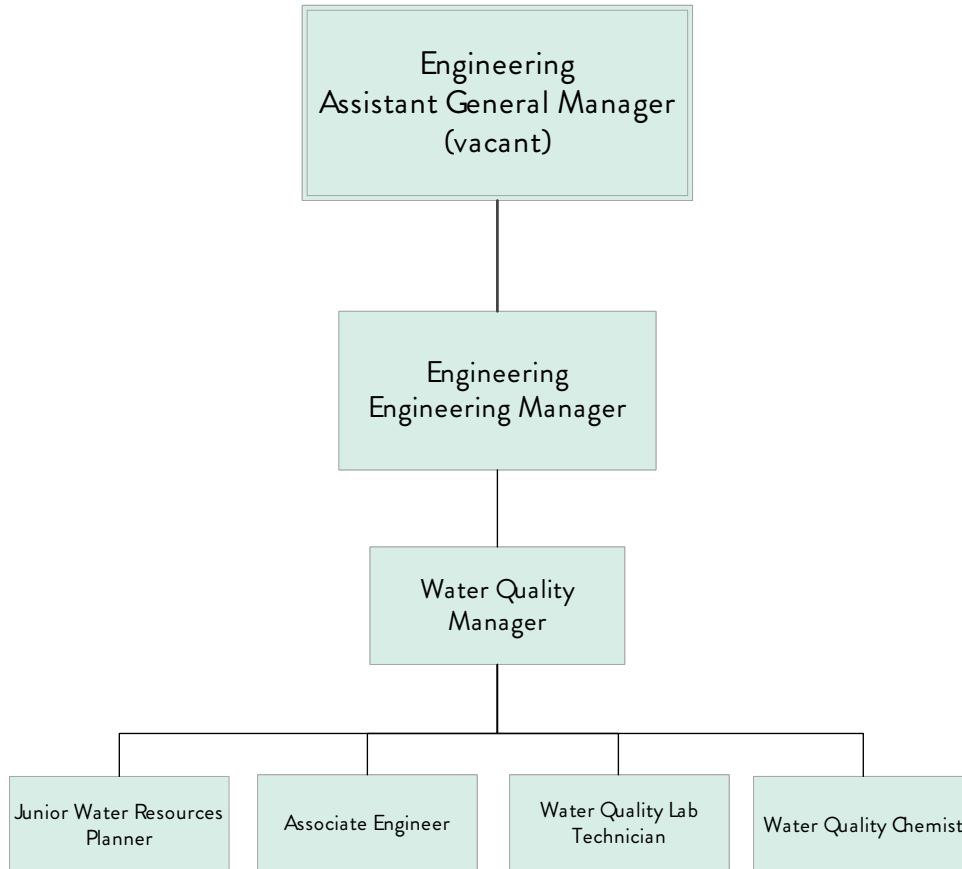
WATER SUPPLY ENGINEERING BUDGET BY FUND

Fund	FY 18-19 Audited Actual	FY 1920 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget
Fund 100 - Water Enterprise	1,318,568	1,523,091	877,773	1,498,774	1,544,719
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	27,599,837	58,276,787	31,748,266	7,430,292	26,091,098
Fund 130 - Water Expansion	6,121,042	51,840,510	13,440,853	8,464	-24,082
Fund 200 - Flood Control	273,347	2,382,135	195,810	1,261,940	346,315
Fund 210 - Flood Protection & Stormwater Drainage	195,810	2,281,994	55,456	562,513	-135,987
Total	\$35,508,603	\$116,304,517	\$46,318,157	\$10,761,983	\$27,822,063

WATER SUPPLY ENGINEERING BUDGET BY PROGRAM

Program	FY 18-19 Audited Actual	FY 1920 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget
Water Utility Support Services	515,470	922,008	359,191	931,190	960,917
Supply Source & Conveyance	45,918	31,046	8,457	31,927	33,692
Water Storage	11,788	35,335	4,419	31,927	33,692
Water Treatment	146,358	178,919	84,539	116,479	120,520
Water Transmission	200,419	165,757	122,566	106,585	108,043
Central Administration	398,615	190,026	298,601	280,666	287,855
Flood Protection	469,157	4,664,129	251,266	1,824,453	210,328
Capital Projects	33,720,879	110,117,297	45,189,118	7,438,756	26,067,016
Total	\$35,508,603	\$116,304,517	\$46,318,157	\$10,761,983	\$27,822,063

Engineering Water Quality FY 2020-22



Water Quality

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

FY 2020-22 GOALS AND OBJECTIVES

Provide safe and reliable water supply:

- Continue providing regulatory compliance monitoring to document that water supply meets all DDW and EPA primary (health-related) standards.
- Renew ELAP certification.
- Develop EPA method 551.1 for analysis of Semi-volatile Organics and obtain ELAP certification.
- Continue providing engineering support, including obtaining amended water supply permit for the ozone project at PPWTP.
- Continue voluntary monitoring for PFAS and provide periodic updates to Zone 7 Board, Retailers, and postings on the agency website.
- Continue monitoring State and federal regulatory development for drinking water standards and chemical of emerging concern such as per- and polyfluoroalkyl substances (PFAS).
- Continue to represent Zone 7 and its interests in source water quality collaboration groups, including the Municipal Water Quality Investigation Program (MWQI), the South Bay Contractors Water Quality Task Force (SBCWQTF), and the Bay Area Regional Consortium for the Coordinated Prevention of Quagga and Zebra Mussels.

FY 2019-20 MAJOR ACCOMPLISHMENTS

- Obtained amended water supply permit for the ozone project at DVWTP.
- Provided analytical and engineering support for the start-up of the new ozone project facilities at DVWTP.
- Provided monitoring and communication support for PFAS related activities including completion of initial 4 quarterly monitoring as required by DDW order and notification to Zone 7 Board, retailers, and direct customers.
- Provided engineering support for a study to assess treatment options for treating PFAS in the affected production wells to anticipated regulatory standards/guidelines as well as to the lowest technically and economically feasible levels.
- Completed joint research project with Water Research Foundation (WRF), ACWD and other water utilities for “Optimizing Biofiltration for Improved Manganese Control under Winter Conditions”.
- Applied for AWWA Partnership for Safe Water Directors awards for DVWTP in 2019.
- Obtained ELAP certification for bromate analysis.
- Installed new analytical systems including anion analysis with ion chromatography and TOC/DOC analyzer.
- Implemented automated analysis for cyanotoxins.
- Acquired bench-top ozone residual analyzers and provided training for operation and laboratory staff.
- Completed interlaboratory studies for Manganese and Chromium with South Bay Contractors and contract laboratories.

WORKLOAD MEASURES

	FY 15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Estimate	FY 20-21 Estimate	FY 21-22 Estimate
Water quality samples analyzed	1,007	1,410	1180	1217	1450	1,500	1600
Bacteriology samples analyzed	1,450	1,320	1375	1298	1400	1,600	1650

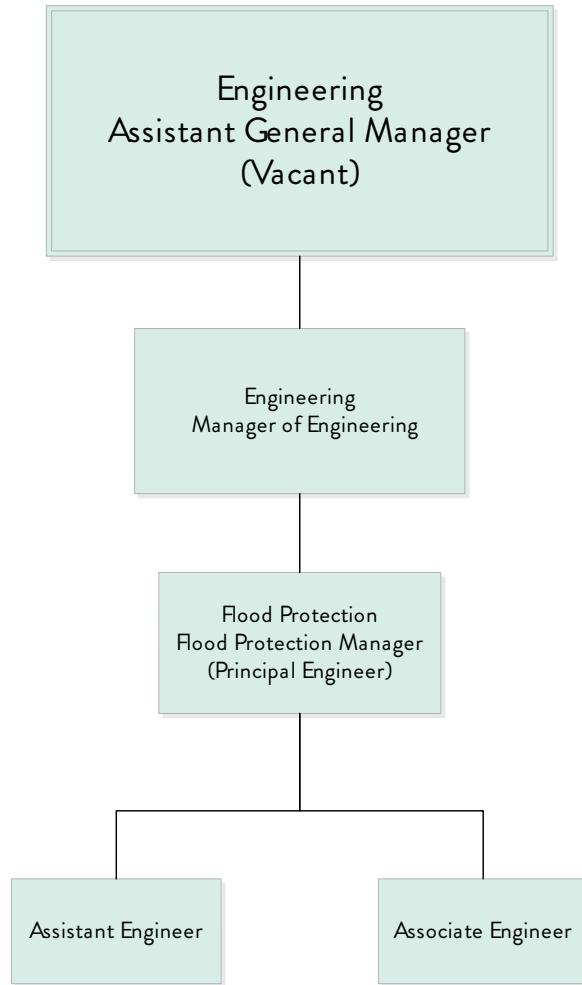
WATER QUALITY BUDGET BY FUND

Fund	FY 18-19 Audited Actual	FY 19-20 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget
Fund 100 - Water Enterprise	1,242,687	1,372,638	1,268,952	2,058,735	1,693,709
Fund 120 - Water Renewal/Replacement & Systemwide Improvements	49,343	559,966	29,023	196,011	206,374
Fund 130 - Water Expansion	115,134	104,283	66,392	17,316	17,684
Fund 200 - Flood Protection	180	55,585	-	-	51,485
Fund 210 - Flood Protection & Stormwater Drainage	239	-	-	-	-
Associate Engineer/Geologist	4.00	4.00	5.00	5.00	6.00
Assistant Engineer/Geologist	2.00	2.00	1.00	1.00	0.00
Construction Inspector	1.00	1.00	0.00	1.00	1.00
Water Resources Technician II	1.00	1.00	1.00	1.00	1.00
Total	\$1,407,584	\$2,092,472	\$1,364,366	\$2,272,062	\$1,969,252

WATER QUALITY BUDGET BY PROGRAM

Fund	FY 18-19 Audited Actual	FY 19-20 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget
Water Utility Support Services	-	-	-	2,391	2,381
Supply Source & Conveyance	1,237,798	1,272,638	1,259,186	2,056,344	1,691,328
Water Storage	-	-	-	-	-
Water Treatment	-	-	-	-	-
Water Transmission	4,889	-	9,435	-	-
Central Administration	-	100,000	331	-	-
Flood Protection	419	55,585	-	-	51,485
Capital Projects	164,478	664,249	95,414	213,327	224,058
Water Resources Technician II	1.00	1.00	1.00	1.00	1.00
Total	\$1,407,584	\$2,092,472	\$1,364,366	\$2,272,062	\$1,969,252

Engineering Flood Protection Services FY 2020-22



Flood Protection

Plans, designs and manages construction of major flood protection facilities and annual embankment slide repairs as well as manages the Agency's Flood Protection Capital Improvement and Asset Management Programs.

FY 2020-22 GOALS AND OBJECTIVES

- Complete design and construction of the Phase 3 Rehabilitation Project which includes 11 embankment damage sites.
- Complete design and construction of engineered embankment slides repairs and roadway repairs (annual program).
- Complete design and construction of the Stanley Reach Stabilization project.
- Complete development of the Asset Management Plan (AMP) for Flood Protection Facilities.
- Complete development of the Flood Protection 10-year Capital Improvement Program (CIP).
- Continue updating the district-wide Hydrology & Hydraulic models based on land use changes and available of new High-Definition LIDAR data.
- Continue expanding the use of GIS for FP Capital Improvement Program, database for DIF collection, FP property rights management including easements and license agreements, and tracking encroachment permits.
- Continue providing real-property-rights management services for the agency.
- Continue implementing the bi-annual bridge inspection program and implementation of recommended repairs.

Assist in other Agency objectives:

- Continue to provide engineering support for the Stream Routine Maintenance Program (RMP) programmatic permitting.
- Continue to provide engineering support for the development of the SMMP Update upon Board Input on Strategy.
- Continue to provide engineering support for the development of the programmatic CEQA for SMMP amendment.
- Continue to provide engineering support for the development of the mitigation strategy planning and identification for CIP program.
- Continue to assist in applying for a new 5-year Routine Maintenance Agreement for streambed alteration activities with CDFW.

FY 2019-20 MAJOR ACCOMPLISHMENTS

- Completed repair of 21 embankment damage sites under the U.S. Army Corps of Engineers program.
- Completed repair of 26 embankment damage sites using District's contractor forces.
- Completed design and submitted for permitting Phase 3 Rehabilitation Project which includes 11 embankment damage sites.
- Completed development of a streamlined permitting process with various regulatory agencies for on-going repairs and maintenance activities.
- Initiated development of the use of GIS to improve workflow, data management, and public communications.
- Continued data collection for the sediment study.
- Collaborated with local cities in four creek cleanup events.

WORKLOAD MEASURES

	FY 15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Estimate	FY 20-21 Estimate	FY 21-22 Estimate
Channel miles maintained	37	37	37	37	38	38	38
Active flood protection & storm-water drainage projects	3	3	3	4	3	4	5
Design Reviews	20	17	13	11	20	20	20

FLOOD PROTECTION STAFFING SUMMARY

Flood Protection	FY 16-17 Budget	FY 17-18 Budget	FY 18-19 Budget	FY 19-20 Budget	FY 20-21 Budget	FY 21-22 Budget	Change
Principal Engineer	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Senior Engineer	1.00	1.00	0.00	0.00	0.00	0.00	0.00
Associate Engineer/Geologist	1.00	1.00	1.00	1.00	2.00	2.00	1.00
Assistant Engineer/Geologist	2.00	2.00	3.00	3.00	2.00	2.00	-1.00
Water Resources Technician II	2.00	2.00	2.00	2.00	0.00	0.00	-2.00
Water Resources Engineer Trainee	0.00	0.00	0.00	0.00	0.50	0.50	0.50
Flood Protection	7.00	7.00	7.00	7.00	5.50	5.50	-1.50

Staffing Changes

Pay units for 1 FTE Assistant was transferred to 1 FTE Associate
 2 FTE Water Resources Technician II transferred to MAINT
 Water Resources Engineer Trainee transferred from Groundwater

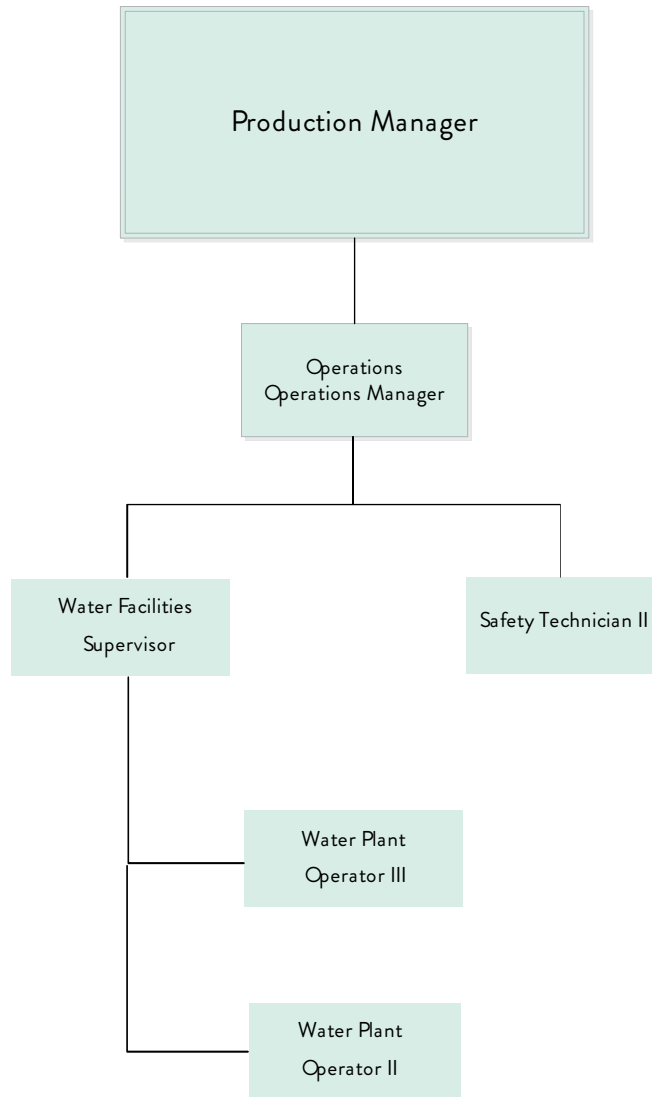
FLOOD PROTECTION BUDGET BY FUND

Fund	FY 18-19 Audited Actual	FY 1920 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget
Fund 100 - Water Enterprise	-	13,898	5,965	14,457	14,976
Fund 200 - Flood Protection	8,816,467	10,943,820	5,263,175	5,059,697	10,925,747
Fund 210 - Flood Protection & Stormwater Drainage	140,705	3,108,228	53,817	77,216	79,589
Total	\$8,957,172	\$14,065,946	\$5,322,957	\$5,151,370	\$11,020,312

FLOOD PROTECTION BUDGET BY PROGRAM

Fund	FY 18-19 Audited Actual	FY 1920 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget
Central Administration	-	13,898	5,965	14,457	14,976
Flood Protection	8,957,172	14,052,048	5,316,993	5,136,913	11,005,336
Total	\$8,957,172	\$14,065,946	\$5,322,957	\$5,151,370	\$11,020,312

Production Operations FY 2020-22



Operations

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

FY 2020-22 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 two water treatment plants, nine 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 2019-20 MAJOR ACCOMPLISHMENTS

- Evaluation of backup power capabilities and purchased three new mobile generators to replace three that were past useful life. This will help keep the Agency robust during emergencies including PG&E Public Safety Power Shutoff (PSPS) events.
- Kept all water installations operational during wildfires and threat of evacuation.
- Operation staff collaborated and worked with Engineering for a successful startup of the Ozone Upgrade Project at the Del Valle Water Treatment Plant after two years of construction.
- Kept all water installations operating normally during the COVID Worldwide Pandemic.
- Proactively worked with Engineering to successfully shutdown and hibernate the Reverse Osmosis Membranes at the Mocho Groundwater Demineralization Plant. Once the Concentrate Pipeline Cleaning Project was completed, brought all systems successfully online.

WORKLOAD MEASURES

	FY 15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Estimate	FY 20-21 Estimate	FY 21-22 Estimate
Water treated (millions of gallons)	7,609	10,653	11,084	11,264	12,855	13,800	14,000

OPERATIONS STAFFING SUMMARY

Operations	FY 16-17 Budget	FY 17-18 Budget	FY 18-19 Budget	FY 19-20 Budget	FY 2020-21 Budget	FY 2021-22 Budget	Change
Production Manager	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Operations Manager	1.00	1.00	0.00	1.00	1.00	1.00	0.00
Water Facilities Supervisor	3.00	3.00	3.00	3.00	4.00	4.00	1.00
Safety Technician II	2.00	2.00	2.00	2.00	2.00	2.00	0.00
Water Plant Operator II	0.00	0.00	2.00	2.00	2.00	2.00	0.00
Water Plant Operator III	20.00	20.00	20.00	20.00	20.00	20.00	0.00
Total	27.00	27.00	28.00	29.00	30.00	30.00	1.00

Staffing Changes

Per Board Resolution No. 18-80, funding for the Water Facilities Supervisor position became available from various vacant positions

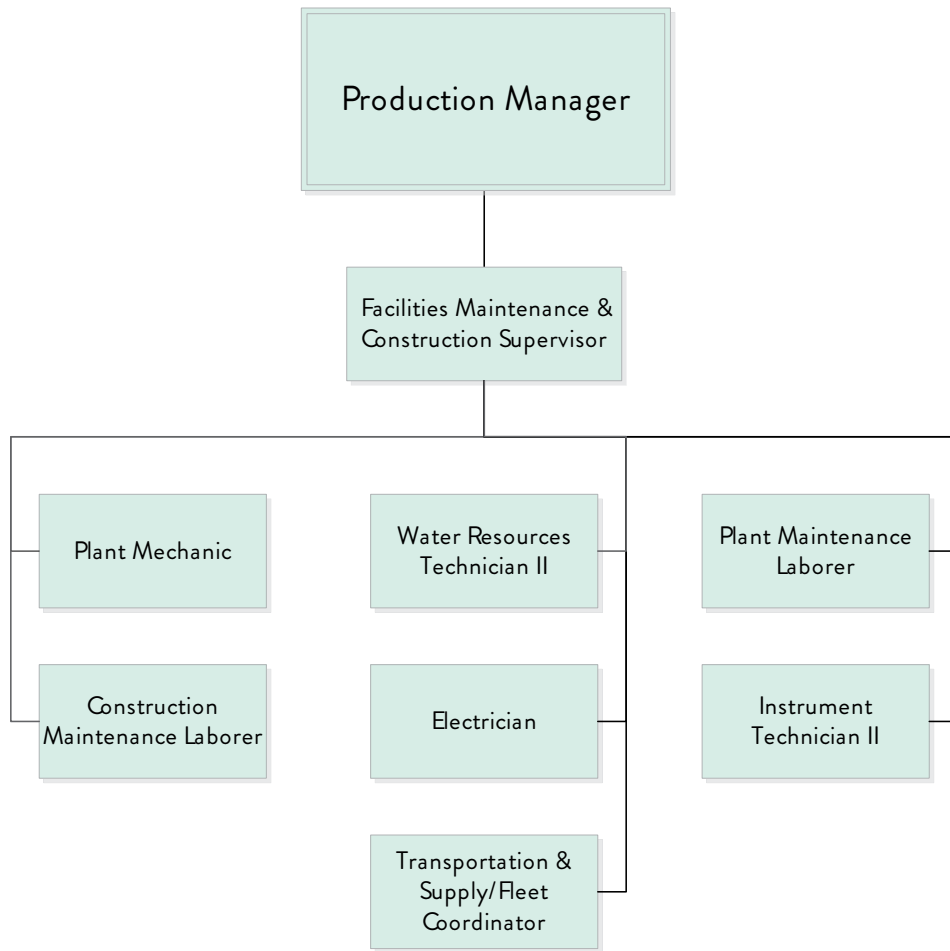
OPERATIONS BUDGET BY FUND

Fund	FY 18-19 Audited Actual	FY 1920 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget
Fund 100 - Water Enterprise	10,112,161	11,019,363	9,879,907	12,573,672	13,583,875
Fund 120 - Renewal/ Replacement & Systemwide Improvements	24,078	-	42,151	-	-
Fund 130 - Expansion	11,757	-	9,982	-	-
Fund 200 - Flood Control	-	450	41,267	450	450
Total	\$10,147,995	\$11,019,813	\$9,973,307	\$12,574,122	\$13,584,325

OPERATIONS BUDGET BY PROGRAM

Program	FY 18-19 Audited Actual	FY 1920 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget
Water Utility Support Services	362,646	432,782	277,625	405,280	424,974
Supply Source & Conveyance	-	4,751	-	-	4,751
Water Storage	-	296	-	-	296
Water Treatment	8,859,532	9,194,055	8,979,711	10,857,403	11,814,447
Water Transmission	874,297	1,001,700	629,681	926,219	949,474
Central Administration	51,521	385,779	45,023	384,770	389,933
Flood Protection	-	450	41,267	450	450
Total	\$10,147,995	\$11,019,813	\$9,973,307	\$12,574,122	\$13,584,325

Production Maintenance FY 2020-22



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, such as Flood Protection. The Maintenance section also provides fleet management services for all Agency vehicles.

FY 2020-22 GOALS AND OBJECTIVES

Maintenance will continue daily work as stated above and 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 for staff to get a better understanding of how the new Ozone systems work and operate in order to perform corrective and preventative maintenance at the Del Valle and Patterson Facilities. To continue installation of new hypochlorite and ammonia chemical feed pumps at our production wells. Staff continues working towards a functional inventory and storage system as well. Make the necessary changes and adjustments on how we plan and schedule maintenance tasks in order to raise our proactive percentages while lowering our reactive percentages.

FY 2019-20 MAJOR ACCOMPLISHMENTS

- Repaired leak on the 24” Santa Rita-Dougherty pipeline.
- COL #2 was pulled, repaired and changed from a mechanical seal to a packing style seal.
- COL #1 was pulled, repaired and changed from a mechanical seal to a packing style seal.
- Replaced flowmeter and check valve at liv#8.
- Installed New UPS system At the Delvalle Treatment Plant.
- Rebuilt the RO feed pumps at the MGDp plant.

WORKLOAD MEASURES

	FY 15-16 Actual	FY 16-17 Actual	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Estimate	FY 20-21 Estimate	FY 21-22 Estimate
Maintenance jobs completed After consolidation of PM work orders	3,000	2,325	2,350	2,285	2,500	2,500	2,500

MAINTENANCE STAFFING SUMMARY

Staffing Changes

Maintenance	FY 16-17 Budget	FY 17-18 Budget	FY 18-19 Budget	FY 19-20 Budget	FY 2020- 21 Budget	FY 2021- 22 Budget	Change
Maintenance Manager	1.00	1.00	0.00	1.00	0.00	0.00	-1.00
Maintenance & Construction Supervisor	2.00	2.00	2.00	2.00	3.00	3.00	1.00
Electrician	2.00	2.00	2.00	2.00	2.00	2.00	0.00
Transportation 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	0.00	0.00	-1.00
Plant Mechanic	4.00	4.00	4.00	4.00	5.00	5.00	1.00
Plant Maintenance Laborer	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Water Resources Technician II	1.00	1.00	1.00	1.00	3.00	3.00	2.00
Construction Maintenance Laborers	2.00	2.00	2.00	2.00	2.00	2.00	0.00
Total	20.00	20.00	18.00	19.00	21.00	21.00	2.00

MAINTENANCE BUDGET BY FUND

Fund	FY 18-19 Audited Actual	FY 1920 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget
Fund 100 - Water Enterprise	3,936,851	4,714,845	3,851,621	4,202,509	4,210,342
Fund 120 - Water Renewal/Replacement & System-wide Improvements	77,207	1,280,896	571,714	1,083,600	894,965
Fund 130 - Expansion	-	-	-	-	-
Fund 200 - Flood Protection	23,587	1,601,157	1,236,685	2,910,324	3,092,786
Total	\$4,037,645	\$7,596,898	\$5,660,019	\$8,196,433	\$8,198,093

MAINTENANCE BUDGET BY PROGRAM

Program	FY 18-19 Audited Actual	FY 1920 Amended Budget	FY 19-20 End-of-Year Projection	FY 20-21 Proposed Budget	FY 21-22 Proposed Budget
Water Utility Support Services	1,189,806	1,507,631	952,336	1,427,073	1,460,261
Water Storage	51,229	98,163	16,821	100,748	102,474
Water Treatment	2,403,737	2,534,136	2,451,845	2,094,869	2,061,124
Water Transmission	186,431	497,029	246,507	501,933	508,597
Central Administration	105,647	77,886	184,111	77,886	77,886
Flood Protection	23,587	1,601,157	1,236,685	2,910,324	3,092,786
Capital Projects	77,207	1,280,896	571,714	1,083,600	894,965
Total	\$4,037,645	\$7,596,898	\$5,660,019	\$8,196,433	\$8,198,093



WATER SUPPLY · WATER QUALITY · FLOOD PROTECTION

APPENDIX A

FINANCIAL MANGAEMENT FRAMEWORK

Financial Management Framework

1. PURPOSE

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

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

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

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

2. ADMINISTRATION OF THE SYSTEM

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

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

3. SECURITY OF THE SYSTEM

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

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



WATER SUPPLY · WATER QUALITY · FLOOD PROTECTION

APPENDIX B

RESERVE POLICY

Reserve Policy

1. POLICY STATEMENT

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

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

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

2. FUNDS

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

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

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

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

State Water Project Fund (Fund 110)

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

Water Enterprise Capital Expansion Fund (Fund 130)

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

Flood Protection Operations Fund (Fund 200)

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

Flood Protection Development Impact Fee Fund (Fund 210)

Expansion is funded by development impact fees imposed on new development to pay for new development's fair share of the acquisition, construction, engineering and improvement of the flood protection and/or storm water drainage elements of the Stream Management Master Plan of Zone 7, or to reduce the principal or interest of any bonded indebtedness thereof. Development fees are collected in accordance with the California Mitigation Fee Act (Government Code § 66000 et seq.)

3. RESERVE FUND DEFINITIONS

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

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

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

4. GENERAL PROVISIONS

Purpose of Reserve Funds

Reserves are established to:

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

Segregation of Funds

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

Periodic Review Dates for Balances

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

5. POLICY COMPLIANCE

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

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

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

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

6. RESERVE FUND TARGET LEVELS AND MANAGEMENT

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

WATER ENTERPRISE OPERATIONS FUND RESERVES

The Water Enterprise Operations fund has three reserve categories:

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

A. OPERATING RESERVE

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

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

Minimum Level

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

Target Level

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

Maximum Level

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

Events or Conditions Prompting the Use of the Fund

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

B. EMERGENCY RESERVE

This reserve serves as working capital to address early stages of repairs and other activities while the Agency reviews accessing insurance, The Federal Emergency Management Agency (FEMA) and other reimbursements, developing other revenue streams or other funding mechanisms to address long term repairs. Funds in the Emergency Reserve can be used for any operating or capital purpose (i) to begin repair of the water enterprise system after a catastrophic event or disaster, such as, but not limited to, an earthquake, fire, terrorist event, or storm while insurance claims are being processed or (ii) in the event of severe financial events that impact the financial soundness of Zone 7. FEMA may provide reimbursement to utilities after a catastrophic event; however, the reimbursement may take up to three years. It is important to have immediate funding available for the repairs, especially given the seismic vulnerability of the region and potential multi-year delays in reimbursement.

Minimum Level

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

Target Level

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

Maximum Level

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

Events or Conditions Prompting the Use of the Fund

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

C. RESERVE FOR ECONOMIC UNCERTAINTIES

The Agency shall maintain a reserve for uncertain economic conditions. A reserve of this level is prudent to maintain a high bond rating and to protect the Agency from the effects of fluctuations in water usage and the cost of imported water to which the Agency is vulnerable, and other unforeseen events such as a natural disaster, water shortage emergency, or other unanticipated adverse situations.

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

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

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

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

D. DEBT SERVICE RATE STABILIZATION RESERVE

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

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

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

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

WATER ENTERPRISE RENEWAL & REPLACEMENT AND SYSTEM-WIDE IMPROVEMENTS RESERVE

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

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

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

Target Level Not applicable

Maximum Level Zone 7 will not have a maximum target for this reserve, but rather the fund shall accumulate sufficient reserves to pay for future projects set forth in the AMP and the reserve balance shall be consistent with the reserve balances forecast in the most recent Asset Management Plan and the current Capital Improvement Plan. Funds on deposit in the Debt Service Rate Stabilization Reserve shall not be considered in connection with the calculation of minimum levels.

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

WATER ENTERPRISE CAPITAL EXPANSION RESERVE

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

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

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

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

Target Level Not applicable

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

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

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

FLOOD PROTECTION OPERATING RESERVE

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

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

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

Target Level Not-applicable

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

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

FLOOD PROTECTION CAPITAL PROJECT RESERVE

The Flood Protection Capital Project Reserve holds the balance of funds once the Flood Protection Operating Reserve Fund achieves levels that are consistent with this Policy on an annual basis. The amount on deposit in the Flood Protection 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 Protection Capital Improvement Plan and in the Stream Management Master Plan and any related updates. Minimum and Maximum Levels – This Reserve will not be required to have a minimum or maximum balance.

Target Level Not applicable

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

FLOOD PROTECTION AND STORM WATER DRAINAGE DEVELOPMENT IMPACT FEE PROJECT RESERVE

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

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

Target Level Not-applicable

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

STATE WATER FACILITIES OPERATING RESERVE

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

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

Target Level Not applicable

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

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

VEHICLE REPLACEMENT RESERVE

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



WATER SUPPLY · WATER QUALITY · FLOOD PROTECTION

APPENDIX C

INVESTMENT POLICY

Investment Policy

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

1.0 POLICY

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

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

2.0 INVESTMENT AUTHORITY

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

3.0 DELEGATION OF AUTHORITY

Responsibility for the investment program is specifically delegated by the Board to the Board-appointed Treasurer or, if no such appointment has been made, to the General Manager, hereafter referred to as Treasurer who will establish procedures for the investment program, consistent with this Investment Policy. The Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities, including procedures to execute investment transactions in the absence of the Treasurer.

4.0 STATEMENT OF OBJECTIVES

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

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

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

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

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

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

into account cash flow requirements, striving to maintain an average portfolio maturity of approximately twenty-four (24) months. The Treasurer shall have an overall investment objective of holding investments to maturity and not investing with the objective of actively trading or trading for speculative purposes. However, the Treasurer may, from time to time, swap or sell securities in order to re-position securities to current coupon issues, maintain proper asset allocation limits, or to realize profits from market value appreciation.

The Treasurer may sell securities in order to protect the overall quality of the portfolio under the following circumstances:

- i) To raise cash to meet unanticipated cash-flow requirements
- ii) To swap old securities for current coupon securities
- iii) Maintain portfolio allocation limits
- iv) To avoid further erosion and loss of investment principal due to deterioration in credit-worthiness, as well as to respond to rapidly changing interest rate environments

5.0 SCOPE

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

6.0 PRUDENT INVESTOR STANDARD

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

7.0 PORTFOLIO ADJUSTMENTS

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

Should a security held in the portfolio be downgraded below the minimum rating criteria specified in this Investment Policy, the Treasurer shall sell such security in a manner designed to minimize losses. If the security is downgraded to a level that is less than investment grade, the Treasurer shall perform a credit analysis of such security to determine whether hold or sell the security. The Treasurer may elect to sell the security immediately to minimize losses in the event that an orderly disposition with minimal losses cannot be achieved. If the security matures within sixty (60) days of the rating decline, the Treasurer may choose not to sell the affected security.

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

8.0 SAFEKEEPING AND CUSTODY

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

9.0 REPORTING

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

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

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

10.0 INVESTMENT GUIDELINES AND ELIGIBLE SECURITIES

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

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

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

10.1 US TREASURY BONDS, BILLS AND NOTES

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

- Maximum limit: 100% of the portfolio
- Maximum maturity of five (5) years
- Credit Requirement: N.A.

10.2 FEDERAL AGENCY BONDS AND NOTES

Notes and bonds of federal agencies, government-sponsored enterprises and international institutions. Not all are direct obligations of the U. S. Treasury but may involve federal sponsorship and/or guarantees, in some instances.

- Maximum limit: 100% of the portfolio
- Maximum maturity of five (5) years
- Credit Requirement: N.A.

10.3 BANKER'S ACCEPTANCES

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

- Maximum limit: forty percent (40%) of the portfolio
- Issued by banks with total deposits of over one billion dollars (\$1,000,000,000)
- Maximum maturity of one-hundred eighty (180) days
- Twenty-five percent (25%) limitation to any one issuer
- Credit requirement: Ratings of A1, P1 or F1 or better by two of the three nationally-recognized rating agencies: S&P, Moody's, or Fitch, respectively. No rating may be lower than any of the rating listed above.
- Issued by banks from offices in the USA.

10.4 COMMERCIAL PAPER

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

- Maximum limit: Twenty-five percent (25%) of the portfolio
- Maximum Maturity of two hundred seventy (270) days
- Maximum Issuer Exposure: Ten percent (10%) limitation on outstanding commercial paper to any one issuer
- Credit requirement: Ratings of A1, P1 or F1 or better by two of the three nationally-recognized rating agencies: S&P, Moody's, or Fitch, respectively. No rating may be lower than any of the rating listed above.
- Limited to paper issued by corporations organized and operating in the U.S. with total assets in excess of five hundred million (\$500,000,000), and having "A" or higher ratings for the issuer's debt, other than commercial paper, if any, as provided by national recognized rating agency.

10.5 MEDIUM TERM CORPORATE NOTES

Corporate Bonds, Corporate Notes and Deposit Notes. Issuers are banks and bank holding companies, thrifts, finance companies, insurance companies and industrial corporations. These debt obligations that are generally unsecured.

- Maximum limit: Thirty percent (30%) of the portfolio
- Maximum maturity of five (5) years
- Maximum Issuer Exposure: No more than 5% of the portfolio shall be invested in any single issuer
- Credit Requirement: Must be rated A3, A- or AA or better by two of the three nationally-recognized rating agencies: S&P, Moody's, or Fitch, respectively. No rating may be lower than any of the ratings listed above.
- Eligibility: Limited to corporations organized and operating within the United States or depository institutions licensed by the United States or any State and operating within the United States.

10.6 NEGOTIABLE CERTIFICATES OF DEPOSIT

Issued by commercial banks and thrifts, and foreign banks (Yankee CD's).

- Maximum limit: Thirty percent (30%) of the portfolio, with five percent (5%) per issuer
- Maximum maturity of five (5) years
- Credit Requirement: Rated A, A2 or A (S&P, Moody's or Fitch, respectively)
- Issued by banks with total deposits of one billion dollars (\$1,000,000,000) or more

10.7 CERTIFICATES OF TIME DEPOSIT

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

- Maximum limit: Thirty percent (30%) of the portfolio for all deposits
- Maximum maturity five (5) years
- On uncollateralized deposits, limited to FDIC insured amount of two hundredfifty thousand (\$250,000)
- Amounts over FDIC insured amount must be fully collateralized
- Credit Requirement: For federally-insured deposits of two hundred-fifty thousand (\$250,000) or less, no minimum credit rating required. For deposits over two hundred-fifty thousand (\$250,000): Ratings of A, A2, or A or better by two of the three nationally-recognized rating agencies: S&P, Moody's, or Fitch, respectively.

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

10.8 MONEY MARKET MUTUAL FUNDS

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

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

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

LAIF is a pooled investment fund overseen by the State Treasurer, which operates like a money market fund, but is for the exclusive benefit of governmental entities within the state. The maximum investment amount currently authorized by Local Agency Investment Fund (LAIF) is sixty-five million (\$65 million), which is subject to change. The LAIF is in trust in the custody of the State of California Treasurer. The Agency's right to withdraw its deposited monies from LAIF is not contingent upon the State's failure to adopt a State Budget.

- Maximum limit: 100% of the portfolio
- Maximum Maturity: N/A

10.10 MUNICIPAL BONDS AND NOTES

Municipal obligations issued by a municipality within the State of California and any other of the states in the union. This may include bonds, notes, warrants, or other evidences of indebtedness of a local agency within the state.

- Maximum limit: Forty percent (40%) of the portfolio
- Maximum maturity of five (5) years
- Must be issued by State of California or California local agency
- Credit Requirement: Prudent person standard applies

10.11 REPURCHASE AGREEMENT

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

- Maximum limit: Twenty percent (20%) of the portfolio
- Maximum maturity of two hundred seventy (270) days
- Master Repurchase Agreement must be on file
- Limited to primary dealers or financial institutions rated “A” or better by Moody’s or equivalent.
- Fully collateralized at market value of at least one hundred two percent (102%) with US government or federal agency securities

10.12 CALIFORNIA ASSET MANAGEMENT PROGRAM (CAMP)

- Maximum limit: Ten percent (10%) of the portfolio
- Rated highest short term rating by largest nationally recognized rating services

11.0 CREDIT RATING

Credit rating requirements for eligible securities as specified in this policy shall mean alpha numeric designations assigned by the following rating agencies:

- Moody’s Investors Service
- Standard & Poor’s Rating Services
- Fitch IBCA, Inc.
- Thompson Bank Watch

Please see Rating Description table herein, below.

12.0 MONITORING SAFETY AND LIQUIDITY

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

13.0 ADMINISTRATION

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

14.0 PURCHASING ENTITIES

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

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

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

Approved dealers and brokers shall be limited to primary dealers or regional dealers that qualify under

Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule) and which provide: proof of Financial Industry Regulatory Authority (FINRA) certification; proof of California State registration; and a completed Agency broker/dealer questionnaire.

In addition, prior to approval and for every two years thereafter, approved dealers and brokers must provide: an audited financial statement; certification of receipt, review of and willingness to comply with the current Investment Policy; and certification of compliance with Rule G-37 of the Municipal Securities Rulemaking Board regarding limitations on political contributions to the Board of Directors of the Agency or to any candidate for these offices.

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

15.0 INVESTMENT SECURITY

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

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

16.0 FUND WIRE PROCEDURES

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

17.0 PERFORMANCE REVIEW AND INTERNAL CONTROL

The Treasurer or designee shall maintain a system of internal controls designed to ensure compliance with the Investment Policy and to prevent losses due to fraud, employee error, and misrepresentations by third parties or unanticipated changes in financial markets. The internal control includes; the activities of any subordinate officials acting on behalf of the Agency. Procedures should include references to individuals authorized to execute transactions or transfers, safekeeping agreements, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. As part of the Comprehensive Annual Financial Report (CAFR) audit, the Agency's external auditor will perform a review of investment transactions to verify compliance with policies and procedures.

18.0 ETHICS AND CONFLICT OF INTEREST

All officers and employees involved in the investment process shall refrain from engaging in any personal business activity which could conflict with proper execution of investments subject to this Policy. Any material financial interests in financial institutions which do business with the Agency should be disclosed to the General Manager of the Agency. All individuals involved in the investment process are required to report all gifts and income in accordance with California State Law.

SUMMARY TABLE OF INVESTMENT GUIDELINES AND ELIGIBLE SECURITIES

Authorized Investments	Maximum % Holdings	Purchase Restrictions	Maximum Maturity	Credit Quality
US Treasury Bonds, Bills and Notes	100%	N/A	5 Years	N/A
Federal Agency Bonds & Notes	100%	N/A	5 Years	Full backing by the federal government of the United States of America
Bankers Acceptance	40%	25% limitation to a single issuer	180 days	"A-1/P-1" rated by S&P and Moody's or equivalent for domestic banks
Commercial Paper	25%	10% limitation to single issuer	270 days	"A-1/P-1" rated by S&P and Moody's or equivalent "AA" rated by S&P or equivalent for US branch of foreign banks
Medium Term Corporate Notes	30%	5% limitation to a single issuer. Limited to US licensed and operating corporations	5 years	"A3" rated by at least one nationally recognized rating service
Negotiable CD	30%	National or state chartered bank, S&L, or branch of foreign bank	5 years	"A" rated by one or more nationally rated credit rating agencies
Certificates of Time Deposit	30%	See California Government Code Section 53637	5 Years	Limit to FDIC Insured amount \$250,000, Fully collateralized on amounts over the insured amount in accordance with California Government Code
Money Market Mutual Funds	20%	Must maintain constant NAV of \$1.00	Daily Liquidity	Top ranking or highest letter and numerical by 2 of the 3 nationally recognized rating services Fund must be invested in securities and obligation permitted under Government Code
State of California, Local Agency Investment Fund ("LAIF")	100%	None	N/A	Subject to California Government Code Section 16429.1 limitations
Municipal Bonds & Notes	40%	State of California or California agencies	5 Years	Prudent person standard
Repurchase Agreements ("REPO")	20%	Limited to primary dealers or financial institutions rated "A" or better by Moody's	270 days	Fully collateralized (min 102% of funds borrowed with daily mark to market) with US Government or federal agency securities with maximum 5 year maturities
California Asset Management Program ("CAMP")	10%	N/A	Daily Liquidity	Highest short term rating by S&P, Moody's and/or Fitch

Rating Description Table

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

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

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

Exhibit A – Glossary

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

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

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

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

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

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

BANKERS’ ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer. This money market instrument is used to finance international trade.

BASIS POINT: One-hundredth of one percent (i.e., 0.01%).

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio’s investment.

BID PRICE: The price a broker/dealer offers to purchase securities.

BOND: A financial obligation for which the issuers promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

BOOK VALUE: The value at which a debt security is shown on the holder’s balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

BROKER: A broker acts as an intermediary between a buyer and seller for a commission and does not trade for his/her own risk and account or inventory.

CALLABLE SECURITIES: A security that can be redeemed by the issuer before the scheduled maturity date.

CASH EQUIVALENTS (CE): Highly liquid and safe instruments or investments that can be converted into cash immediately. Examples include bank accounts, money market funds, and Treasury bills.

CASH FLOW: An analysis of all changes that affect the cash account during a specified period.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large-denomination CD’s are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COLLATERALIZED MORTGAGE OBLIGATION (CMO): A type of mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of passthrough securities are used to retire the bonds in the order specified by the bonds’ prospectus.

COMMERCIAL PAPER: Short-term, unsecured, negotiable promissory notes of corporations.

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

CORPORATE NOTE: Debt instrument issued by a private corporation.

COUPON: The annual rate at which a bond pays interest.

CREDIT RATINGS: A grade given to a debt instrument that indicates its credit quality. Private independent rating services such as Standard & Poor’s, Moody’s and Fitch provide these

CREDIT RISK: The risk that an obligation will not be paid and a loss will result due to a failure of the issuer of a security.

CUSIP: Stands for Committee on Uniform Securities Identification Procedures. A CUSIP number identifies most securities, including: stocks of all registered U.S. and Canadian companies, and U.S. government and municipal bonds. The CUSIP system—owned by the American Bankers Association and operated by Standard & Poor’s—facilitates the clearing and settlement process of securities. The number consists of nine characters (including letters and numbers) that uniquely identify a company or issuer and the type of security.

CURRENT YIELD: The annual interest on an investment divided by the current market value. Since the calculation relies on the current market value rather than the investor’s cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his/her own risk and account or inventory.

DEBENTURES: A bond secured only by the general credit of the issuers.

DELIVERY VERSUS PAYMENT (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

DERIVATIVES: A financial instrument that is based on, or derived from, some underlying asset, reference date, or index.

DIRECT ISSUER: Issuer markets its own paper directly to the investor without use of an intermediary.

DISCOUNT: The difference between the cost of a security and its value at maturity when quoted at lower than face value.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns and risk profiles.

DURATION: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. Duration measures the price sensitivity of a bond to changes in interest rates.

FACE VALUE: The principal amount owed on a debt instrument. It is the amount on which interest is computed and represents the amount that the issuer promises to pay at maturity.

FAIR VALUE: The amount at which a security could be exchanged between willing parties, other than in a forced or liquidation sale. If a market price is available, the fair value is equal to the market value.

FANNIE MAE: Trade name for the Federal National Mortgage Association (FNMA), a U.S. Government sponsored enterprise.

FEDERAL DEPOSIT INSURANCE CORPORATION

(FDIC): A federal agency that provides insurance on bank deposits, guaranteeing deposits to a set limit per account, currently \$250,000.

FEDERAL FARM CREDIT BANK (FFCB): Government-sponsored enterprise that consolidates the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks and the Banks for Cooperatives. Its securities do not carry direct U.S. government guarantees.

FEDERAL FUNDS RATE: The rate of interest at which Federal funds are traded. This rate is considered to be the most sensitive indicator of the direction of interest rates, as it is currently pegged by the Federal Reserve through open-market operations.

FEDERAL GOVERNMENT AGENCY SECURITIES: Federal Agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored enterprise (currently made up of 12 regional banks) that regulates and lends funds and provides correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. Although the banks operate under federal charter with government supervision, the securities are not guaranteed by the U. S. Government.

FEDERAL HOME LOAN MORTGAGE CORPORATION

(FHLMC): Government sponsored enterprise that helps maintain the availability of mortgage credit for residential housing. FHLMC finances these operations by marketing guaranteed mortgage certificates and mortgage participation certificates. Its discount notes and bonds do not carry direct U.S. government guarantees.

FEDERAL NATIONAL MORTGAGE ASSOCIATION

(FNMA): Government sponsored enterprise that is the largest single provider of residential mortgage funds in the United States. FNMA is a private stockholder-owned corporation. The corporation’s purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA’s securities are also highly liquid and are widely accepted.

FEDERAL OPEN MARKET COMMITTEE (FOMC): A committee of the Federal Reserve Board, which establishes monetary policy and executes it through temporary and permanent changes to the supply of bank reserves.

FEDERAL RESERVE SYSTEM: The central bank of the U.S. which consists of a seven member Board of Governors, 12 regional banks and about 5,700 commercial banks that are members.

FED WIRE: A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

FREDDIE MAC: Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. government sponsored enterprise.

GINNIE MAE: Trade name for the Government National Mortgage Association (GNMA), a direct obligation bearing the full faith and credit of the U.S. Government.

GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB): A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

GUARANTEED INVESTMENT CONTRACTS (GICS): An agreement acknowledging receipt of funds, for deposit, specifying terms for withdrawal, and guaranteeing a rate of interest to be paid.

INTEREST RATE: The annual yield earned on an investment, expressed as a percentage.

INTEREST RATE RISK: The risk of gain or loss in market values of securities due to changes in interest-rate levels. For example, rising interest rates will cause the market value of portfolio securities to decline.

INVESTMENT AGREEMENTS: A contract providing for the lending of issuer funds to a financial institution which agrees to repay the funds with interest under predetermined specifications.

INVESTMENT GRADE (LONG TERM RATINGS): The minimum, high quality ratings for long term debt such as corporate notes. Investment Grade ratings are as follows: A3 (Moody's), A- (S&P), and A- (Fitch).

INVESTMENT PORTFOLIO: A collection of securities held by a bank, individual, institution or government agency for investment purposes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash with minimum risk of principal.

LOCAL AGENCY INVESTMENT FUND (LAIF): An investment pool sponsored by the State of California and administered/managed by the State Treasurer. Local government units, with consent of the governing body of that agency, may voluntarily deposit surplus funds for the purpose of investment. Interest earned is distributed by the State Controller to the participating governmental agencies on a quarterly basis.

LOCAL AGENCY INVESTMENT POOL: A pooled investment vehicle sponsored by a local agency or a group of local agencies for use by other local agencies.

MARKET RISK: The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates. Systematic risk of a security that is common to all securities of the same general class (stocks, bonds, notes, money market instruments) and cannot be eliminated by diversification (which may be used to eliminate non-systematic risk).

MARKET VALUE: The price at which a security is currently being sold in the market. See FAIR VALUE.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase agreements and reverse repurchase agreements that establish each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

MATURITY: The date that the principal or stated value of a debt instrument becomes due and payable.

MEDIUM-TERM CORPORATE NOTES (MTNs): Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts either on a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

MODIFIED DURATION: The percent change in price for a 100 basis point change in yields. This is a measure of a portfolio's or security's exposure to market risk.

MONEY MARKET: The market in which short term debt instruments (Treasury Bills, Discount Notes, Commercial Paper, Banker's Acceptances and Negotiable Certificates of Deposit) are issued and traded.

MORTGAGED BACKED SECURITIES: A type of security that is secured by a mortgage or collection of mortgages. These securities typically pay principal and interest monthly.

MUNICIPAL BONDS: Debt obligations issued by states and local governments and their agencies, including cities, counties, government retirement plans, school Agencies, state universities, sewer agency, municipally owned utilities and authorities running bridges, airports and other transportation facilities

MUTUAL FUND: An entity that pools money and can invest in a variety of securities which are specifically defined in the fund's prospectus.

NEGOTIABLE CERTIFICATE OF DEPOSIT: A large denomination certificate of deposit which can be sold in the open market prior to maturity.

NET PORTFOLIO YIELD: Calculation in which the 365-day basis equals the annualized percentage of the sum of all Net Earnings during the period divided by the sum of all Average Daily Portfolio Balances.

NATIONALLY RECOGNIZED RATING ORGANIZATION (NRSRO): is a credit rating agency that issues credit rating that U.S Securities and Exchange Commission permits other financial firms to use for certain regulatory purposes.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit: Sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PAR VALUE: The amount of principal which must be paid at maturity. Also referred to as the face amount of a bond. See FACE VALUE.

PORTFOLIO: The collection of securities held by an individual or institution.

PREMIUM: The difference between the par value of a bond and the cost of the bond, when the cost is above par.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. These dealers are authorized to buy and sell government securities in direct dealing with the Federal Reserve Bank of New York in its execution of market operations to carry out U.S. monetary policy. Such dealers must be qualified in terms of reputation, capacity, and adequacy of staff and facilities.

PRIME (SHORT TERM RATING): High quality ratings for short term debt such as commercial paper. Prime ratings are as follows: P1 (Moody's), A1 (S&P), and F1 (Fitch).

PRINCIPAL: The face value or par value of a debt instrument, or the amount of capital invested in a given security.

PRIVATE PLACEMENTS: Securities that do not have to be registered with the Securities and Exchange Commission because they are offered to a limited number of sophisticated investors.

PROSPECTUS: A legal document that must be provided to any prospective purchaser of a new securities offering registered with the Securities and Exchange Commission that typically includes information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements (also known as an "official statement").

PRUDENT INVESTOR STANDARD: A standard of conduct for fiduciaries. Investments shall be made with judgment and care--under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

PUBLIC DEPOSIT: A bank that is qualified under California law to accept a deposit of public funds.

PURCHASE DATE: The date in which a security is purchased for settlement on that or a later date. Also known as the "trade date".

RATE OF RETURN: 1) The yield which can be attained on a security based on its purchase price or its current market price. 2) Income earned on an investment, expressed as a percentage of the cost of the investment.

REALIZED GAIN (OR LOSS): Gain or loss resulting from the sale or disposal of a security.

REGIONAL DEALER: A financial intermediary that buys and sells securities for the benefit of its customers without maintaining substantial inventories of securities and that is not a primary dealer.

REPURCHASE AGREEMENT (RP or REPO): A transaction in which a counterparty or the holder of securities (e.g. the investment dealer) sells these securities to an investor (e.g. the Agency) with a simultaneous agreement to repurchase them at a fixed date. The security "buyer" (e.g. the Agency) in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate the "buyer" for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

REVERSE REPURCHASE AGREEMENT (REVERSE

REPO): The opposite of a repurchase agreement. A reverse repo is a transaction in which the Agency sells securities to a counterparty (e.g. investment dealer) and agrees to repurchase the securities from the counterparty at a fixed date. The counterparty in effect lends the seller (e.g. the Agency) money for the period of the agreement with terms of the agreement structured to compensate the buyer.

RISK: Degree of uncertainty of return on an asset.

SAFEKEEPING: A service which banks offer to clients for a fee, where physical securities are held in the bank's vault for protection and book-entry securities are on record with the Federal Reserve Bank or Depository Trust Company in the bank's name for the benefit of the client. As agent for the client, the safekeeping bank settles securities transactions, collects coupon payments, and redeems securities at maturity or on call date, if called.

SECURITIES AND EXCHANGE COMMISSION (SEC):

Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SECONDARY MARKET: A market for the repurchase and resale of outstanding issues following the initial distribution.

SECURITIES: Investment instruments such as notes, bonds, stocks, money market instruments and other instruments of indebtedness or equity.

SETTLEMENT DATE: The date on which a trade is cleared by delivery of securities against funds.

SPREAD: The difference between two figures or percentages. It may be the difference between the bid (price at which a prospective buyer offers to pay) and asked (price at which an owner offers to sell) prices of a quote, or between the amount paid when bought and the amount received when sold.

STRUCTURED NOTE: A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include "inverse floating rate" notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising and "dual index floaters", which pay interest based on the relationship between two other interest rates, for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONALS: are international institutions that provide development financing, advisory services and/or financial services to their member countries to achieve the overall goal of improving living standards through sustainable economic growth. The Government Code allows local agencies to purchase the United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank.

TIME DEPOSIT: A deposit with a California bank or savings and loan association for a specific amount and with a specific maturity date and interest rate. Deposits of up to \$250,000 are insured by FDIC. Deposits over \$250,000 are collateralized above the insurance with either government securities (at 110% of par value), first trust deeds (at 150% of par value), or letters of credit (at 105% of par value).

TOTAL RATE OF RETURN: A measure of a portfolio's performance over time. It is the internal rate of return which equates the beginning value of the portfolio with the ending value, and includes interest earnings and realized and unrealized gains and losses on the portfolio. For bonds held to maturity, total return is the yield to maturity.

TRUSTEE OR TRUST COMPANY OR TRUST

DEPARTMENT OF A BANK: A financial institution with trust powers which acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the bond contract.

UNDERWRITER: A dealer which purchases a new issue of municipal securities for resale.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker/dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

U.S. GOVERNMENT AGENCY SECURITIES: Securities issued by U.S. government agencies, most of which are secured only by the credit worthiness of the particular agency. See AGENCIES.

U.S. TREASURY OBLIGATIONS: Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are the benchmark for interest rates on all other securities in the U.S. The Treasury issues both discounted securities and fixed coupon notes and bonds. The income from Treasury securities is exempt from state and local, but not federal, taxes.

TREASURY BILLS: Securities issued at a discount with initial maturities of one year or less. The Treasury currently issues three-month and six-month Treasury bills at regular weekly auctions. It also issues very short-term “cash management” bills as needed to smooth out cash flows.

TREASURY NOTES: Intermediate-term coupon-bearing securities with initial maturities of one year to ten years.

TREASURY BOND: Long-term coupon-bearing securities with initial maturities of ten years or longer.

UNREALIZED GAIN (OR LOSS): Gain or loss that has not become actual. It becomes a realized gain (or loss) when the security in which there is a gain or loss is actually sold. See REALIZED GAIN (OR LOSS).

VOLATILITY: Characteristic of a security, commodity or market to rise or fall sharply in price within a short-term period.

WEIGHTED AVERAGE MATURITY: The average maturity of all the securities that comprise a portfolio that is typically expressed in days or years.

YIELD: The annual rate of return on an investment expressed as a percentage of the investment. See CURRENT YIELD; YIELD TO MATURITY.

YIELD CURVE: Graph showing the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity.

YIELD TO MATURITY: Concept used to determine the rate of return if an investment is held to maturity. It takes into account purchase price, redemption value, time to maturity, coupon yield, and the time between interest payments. It is the rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.



WATER SUPPLY · WATER QUALITY · FLOOD PROTECTION

APPENDIX D

DEPT POLICY

Debt Policy

1. STATEMENT OF CAPITAL FINANCING AND DEBT POLICY

On a biennial basis, Zone 7 Water Agency prepares a Capital Improvement Program Plan. The Plan is a 10-year Capital Plan for the Water System and historically a 5-year Capital Plan for Flood Protection, although the intent is to expand the planning horizon to ten years in the near future, as well. This Debt Policy provides the guidelines under which specific projects outlined in this biennial planning process and documented in the Capital Improvement Program Plan may be best financed. Debt issuance should be evaluated on a case-by-case basis as well as within the Agency's general debt management program. The Agency recognizes that changes in the capital markets and other unforeseen circumstances may require action deviating from this Debt Management Policy. In cases requiring any exception to this policy, approval from the Board will be required. The Debt Management Policy is not applicable to intra-agency borrowing.

2. GOALS AND OBJECTIVES

This Debt Policy formally establishes parameters for issuing debt and managing a debt portfolio, which encompasses the Agency's specific capital improvement needs, its ability to repay financial obligations, and the existing legal, economic, financial and debt market conditions. The policies outlined in the Debt Policy are not goals nor a list of rules to be applied toward the Agency's debt issuance; rather, these policies should be utilized as tools to ensure that adequate financial resources are available to support the Agency's long-term capital needs including:

- Evaluating critical debt issuance options
- Promoting sound financial management
- Providing accurate and timely financial disclosure
- Maintaining appropriate capital assets for present and future needs
- Ensuring best possible credit ratings for the debt issuance program

3. SCOPE

The guidelines established by this policy will govern the issuance and management of all debt incurred for short-term and long-term capital financing needs and cash flow needs. Staff recognizes that changes in the capital markets and other unforeseen circumstances may require exception(s) to this Policy, for which approval from the Board will be required. The Policy may be amended by the Board as it deems appropriate from time to time in the prudent management of the debt of the Agency. Any approval of debt by the Board that is not consistent with this Policy shall constitute a waiver of this Policy.

4. PAY AS YOU GO – VS – DEBT FINANCING

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

5. GOVERNING LAW

The Agency shall comply with all legal constraints and conditions imposed by federal, state and local law. The following section highlights the governing laws for the Agency debt administration:

A. District Act:

The Agency is authorized by the laws of the State of California to incur indebtedness, including Section 55-5 of the Alameda County Flood Control and Water Conservation District ("District Act"), created in 1957 pursuant to Section 36 of Act 205 of the California Uncodified Water Code. Act 205, the Alameda County Flood Control and Water Conservation District Act ("the District Act") was originally, adopted in 1949, which authorizes the Agency to acquire certain improvements ("the project") to the Agency's water system (the "Enterprise") and to finance the construction of such facilities through entering into installment sale agreements.

B. State of California Law:

State law dictates certain requirements when issuing debt and certain statutes must be followed for any issuance or refunding.

C. Federal Tax Law:

The Agency shall issue and manage debt in accordance with the limitations and constraints imposed by federal tax law to maximize its ability to sell tax-exempt debt. Such constraints include, but are not limited to, private activity tests, power to acquire projects as in Section 55-5 of the District Act, spend-down tests and arbitrage rebate limitations.

D. Securities Law:

The Agency shall comply with the requirements of federal and state securities laws in offering Agency debt and the Agency shall comply with securities law requirements in providing ongoing disclosure to the securities markets.

6. PERMITTED DEBT BY TYPE

The Agency may legally issue both short-term and long-term debt, using the debt instruments described below. The Agency in consultation with the Agency Counsel, Bond Counsel and Financial Advisors, shall determine the most appropriate instrument for a proposed bond sale.

A. General Obligation Bonds:

The Agency is empowered, under its District Act; to levy taxes on all taxable property within its boundaries for the purpose of paying its voter approved general obligation bonds, subject to certain limitations in the District Act, the California Revenue and Taxation Code and the California Constitution. The Agency is authorized to sell general obligation bonds under Section 55-13 of the District Act, subject to the approval of a two-thirds majority of those voters in a local election.

B. Installment Sale Agreement (“ISA”):

The Agency is authorized by the laws of the State of California, including Section 55-13 of the Alameda County Flood Control and Water Conservation District (“District Act”), to acquire certain improvements (“the project”) to the Agency’s water system (the “Enterprise”) and to finance the construction of such facilities through the entering into installment sale agreements. An installment sale agreement can be a vehicle for public borrowing in one of two ways:

I. Joint Exercise of Powers Authority Revenue Bonds

In an installment sale revenue bond financing, a public entity (the “agency”) enters into an installment sale agreement with a Joint Exercise of Agency Powers (a “JPA”), which in turn issues bonds payable solely from the installment sale payments the agency makes to the financing entity pursuant to the installment sale agreement. JPAs are authorized by California’s Marks-Roos Local Bond Pooling Act of 1985 to issue revenue bonds and to lease and sell property, all in furtherance of the financing of public capital improvements.

II. Certificate of Participations

Certificates of Participation (“COPs”) provide debt financing through a lease or installment sale agreement. In a certificate of participation financing, a financing entity (a JPA, a nonprofit corporation or a for-profit corporation) enters into an installment sale agreement with the agency. Board action is sufficient to legally authorize a COP issue.

C. Loans, Letters of Credit, Lines of Credit - State Loans

The Agency may from time to time borrow through a loan with a commercial bank, Letter of Credit, Lines of Credit with a commercial bank, state revolving loan program (“SRF”) or other governmental agency. Each loan will have a specific purpose. Voter approval is not required for obtaining a loan if such loan is structured as an Installment Sale Agreement through a COP or JPA.

D. Refunding Bonds:

Refunding outstanding bonds that will provide a net economic benefit to the Agency is allowable within the federal tax law constraints.

7. METHODS OF SALE

The Agency will strive to maximize credit ratings, minimize financing costs, utilize best practices, while maintaining required flexibility in funding capital needs. The Agency will evaluate the use of all financial methods available including but not limited to structures listed above utilizing the most cost advantageous structures available while minimizing risk exposure and the Agency's best interest at the time of the issuance of the debt:

A. Competitive Sale – The Agency may elect to sell bonds in the public market on a competitive basis depending on market conditions, required size of issuance and relative complexity of structure. The Bonds are marketed to a wide audience of investment banking (underwriting) firms. The underwriter is selected based on its bid for the securities. The Agency will award the sale of the competitively sold bonds on the basis of the lowest true interest cost basis. Pursuant to this policy, Agency staff are authorized to sign the bid form on behalf of the Agency fixing the interest rates on bonds sold on a competitive basis.

B. Negotiated Sale – The Agency may elect to sell bonds in the public market on a negotiated basis depending on market conditions, required size of issuance and relative complexity of structure. The Agency staff selects the underwriter, or team of underwriters, of its securities in advance of the bond sale on the basis of responses to a competitive proposal process. Agency staff works with the underwriter to bring the issue to market and negotiates all rates and terms of the sale. In advance of the sale, Agency staff will determine compensation for and liability of each underwriter employed and the designation rules and priority of orders under which the sale itself will be conducted. Pursuant to this policy, the General Manager or designee (Treasurer/Assistant General Manager – Finance) will be authorized to sign the bond purchase agreement on behalf of the Agency, fixing the interest rates on bonds sold on a negotiated basis.

C. Private placement - The Agency may elect to issue debt on a private placement basis. Such method shall be considered if it is demonstrated to result in cost savings or provide other advantages relative to other methods of debt issuance, or if it is determined that access to the public market is unavailable and timing considerations require that a financing be completed

8. TERMS AND CONDITIONS OF BONDS

The Agency will establish terms and conditions relating to the issuance of bonds and will direct the trustee in the management and investment of bond proceeds. General terms will be as follows:

A. Term – All capital improvements as outlined in the Capital Improvement Program Plan will be financed for a period consistent with the useful life of the project, but in no event greater than forty years.

B. Capitalized Interest – Certain types of financings will require interest be capitalized or funded from bond proceeds from the issuance date to the date at which the Agency has beneficial use and occupancy of the financed project. The Agency will comply with the requisite federal tax laws in the use of capitalized interest.

C. Debt Service Reserve – The Agency may use, as needed, a debt service reserve fund to enhance the credit structure of the bonds and provide added security for bondholders. Debt service reserve funds are generally funded from bond proceeds and are limited in size by federal tax regulations.

D. Debt Service Structure – Debt service structures should be consistent with the useful life of the project financed generally, provide for overall level debt structure for the Agency on an aggregate basis, and consider the budgetary impact of incremental debt service.

E. Call Provisions – In general, the Agency's securities will include a call feature, which is no later than ten (10) years from the date of delivery of the bonds. The Agency will avoid the sale of non-callable bonds absent careful evaluation by the Agency of the value of the call option.

9. CREDIT CONSIDERATIONS

In order to ensure the highest possible credit rating the Agency may implement the following:

- A. Rate Covenant** – The Agency will covenant to maintain rates at a minimum coverage level on outstanding debt required to ensure strong ratings. To the extent coverage ratios on outstanding debt fall below this minimum level, the Agency will use rate stabilization or other reserves to bring coverage to the minimum covenant level or implement necessary rate increases to bring coverage levels back to this minimum level. This minimum level can be determined based on rating considerations and market standards which may prevail at the time of issuance of the bonds.
- B. Additional Bonds Test** – The Agency will require a net revenue to annual debt service coverage level, among other tests, for the sale of additional bonds to ensure strong ratings.
- C. Rate Stabilization Fund** – The Agency will create and/or augment a rate stabilization fund in order to meet coverage ratios, address revenue volatility, avoid rate volatility to rate payers and ensure best credit outcome.
- D. Financing Structures** – The Agency will maintain a relatively straightforward debt structure which would result in best possible credit ratings, taking into consideration revenue volatility, capital needs and development cycles.
- E. Debt Service Reserve** – When required a reserve fund equal to the least of ten percent (10%) of the original principal of the bonds, one hundred percent (100%) of the maximum annual debt service, and one hundred and twenty five percent (125%) of average annual debt service, or, if permitted, 10 % of the par value of bonds outstanding (the “Reserve Requirement”) shall be funded from the proceeds of each series of bonds, subject to federal tax regulations and in accordance with the requirements of credit enhancement providers and/or rating agencies. The Agency may purchase reserve equivalents (i.e., the use of a reserve fund surety) when such purchase is deemed prudent and advantageous. Such equivalents shall be evaluated in comparison to cash funding of reserves on a net present value basis.

10. CREDIT ENHANCEMENTS

The Agency will consider the use of credit enhancement on a case-by-case basis, evaluating the economic benefit. Credit enhancement will only be used to the extent that the cost savings from the enhanced credit and improved pricing levels exceeds the cost of this enhancement on a net present value basis. Credit enhancements which may be used include but are not limited to the following: bond insurance and bank letters of credit.

- A) Bond Insurance.** The Agency shall have the authority to purchase bond insurance when such purchase is deemed prudent and advantageous. The predominant determination shall be based on such insurance being less costly than the present value of the difference in the interest on insured bonds versus uninsured bonds. The General Manager or designee will solicit quotes for bond insurance from interested providers, or in the case of a competitive sale submit an application for pre-qualification on insurance. In a negotiated sale, the General Manager, and/or Assistant General Manager – Finance or designee shall have the authority to select a provider whose bid is most cost effective and whose terms and conditions governing the guarantee are satisfactory for the Agency. The winning bidder in a competitive sale will determine whether it chooses to purchase bond insurance for the issue.
- B) Letter of Credit.** The Agency may enter into a letter of credit (“LOC”) or liquidity agreement when such an agreement is deemed prudent and advantageous.

11. REFINANCING OUTSTANDING DEBT

The Agency will analyze outstanding bond issues for refunding opportunities as well as consider refunding opportunities presented by underwriters or financial advisors with the goal of reducing debt service payments and obtaining net present value savings on outstanding debt. The General Manager and/or designee will consider the following when analyzing refunding opportunities:

A. Debt Service Savings – A minimum savings threshold goal of three percent (3%) of net present value savings as a percent of refunded bond principal amount must be obtained, unless specifically directed otherwise by the Board of Directors of the Agency or unless there are legal or restructuring reasons for defeasance. Refunding which produce a net savings of less than three percent (3%) will be considered on a case-by-case basis. The present value savings will be the net of all costs related to the refinancing.

B. Restructuring – The Agency may restructure debt without meeting the 3% savings threshold in order to:

- Address unanticipated revenue changes
- Mitigate irregular debt service payments
- Release reserve funds
- Remove unwanted bond covenants
- Achieve cost savings

C. Term of Refunding Issues – The Agency may refund bonds within the term of the originally issued debt. However, the Agency may consider maturity extension, when necessary to achieve a desired outcome, provided that such extension is legally permissible. The Agency may also consider shortening the term of the originally issued debt to realize greater savings. The remaining useful life of the financed facility and the concept of inter-generational equity should guide this decision.

D. Escrow Structuring – The Agency shall utilize the least costly securities available in structuring refunding escrows. The Agency will examine the viability of an economic versus legal defeasance on a net present value basis. A certificate will be required from a third party agent who is not a broker-dealer, stating that the securities were procured through an arms-length, competitive bid process (in the case of open market securities), that such securities were more cost effective than State and Local Government Obligations (SLGS), and that the price paid for the securities was reasonable within Federal guidelines. Under no circumstances shall an underwriter, agent or financial advisor sell escrow securities to the Agency from its own account.

E. Arbitrage – Arbitrage regulations apply to all of the Agency’s tax exempt financings. The Agency shall take all necessary steps to optimize escrows and to avoid negative arbitrage in its refunding. Any resulting positive arbitrage will be rebated as necessary according to Federal guidelines.

12. CONTINUING DISCLOSURE COMPLIANCE

The Agency shall remain in compliance with SEC Rule 15c2-12 by filing its annual financial statements and other financial and operating data for the benefits of its bondholders within nine (9) months of the close of the fiscal year. The General Manager, or his designee (Treasurer/Assistant General Manager – Finance), shall be responsible for providing ongoing disclosure information to the Municipal Securities Rulemaking Board’s (“MSRB”) Electronic Municipal Market Access system (“EMMA”), the central depository designated by the SEC for ongoing disclosures by municipal issuers. The Agency will keep current with any changes to the administrative aspects of its filing requirements and the national repositories responsible for ensuring issuer compliance with the continuing disclosure regulations. In the event of a ‘material event’ requiring immediate disclosure, the Agency will work with its Dissemination Agent to ensure dissemination of the information to the appropriate disclosure notification parties.

This policy is intended to comply with Senate Bill 1029 codified as Government Code Section 8855 (“SB 1029”). SB 1029, signed by Governor Brown on September 12, 2016, requires California public agencies that issue debt to provide certain initial and ongoing disclosures to the California Debt and Investment Advisory Commission (“CDIAC”) including:

- A. The purposes for which the debt proceeds may be used.
- B. The types of debt that may be issued.
- C. The relationship of the debt to, and integration with, the issuer’s capital improvement program or budget, if applicable.
- D. Policy goals related to the issuer’s planning goals and objections.
- E. The internal control procedures that the issuer has implemented, or will implement, to ensure that the proceeds of the proposed debt issuance will be directed to the intended use.

13. COMPLIANCE WITH BOND CONVENANTS

Once the bonds are issued, the Agency, in addition to financial disclosure and arbitrage compliance, is responsible for verifying compliance with, all undertakings, covenants, and agreements of each bond issuance on an ongoing basis. This typically includes ensuring:

- Annual appropriation of revenues to meet debt service payments,
- Timely transfer of debt service payments to the trustee or paying agent,
- Compliance with insurance requirements,
- Compliance with rate covenants, where applicable,
- Compliance with all other bond covenants.

On an annual basis, all required debt-related schedules and footnotes shall be included in the Agency's Comprehensive Annual Financial Report (CAFR).

14. PROFESSIONAL SERVICES

The Agency will use a competitive process through a Request for Proposal (RFP) in the retention of professional services, however, if there are unforeseen events that necessitate immediate action including but not limited to redemption, defeasance, or restructuring to prevent the Agency from experiencing further losses, the General Manager or designee can select a consultant without using the competitive process or RFP process. The Agency will seek to retain the best possible financing professionals to ensure a high quality financing experience and result. The professional service selected by the Agency will help to develop a credit strategy, issue debt and ensure compliance with federal and state statutes, and Internal Revenue Code at the time of issuance as well as on a continuing basis:

A. Rating Agencies – The Agency will maintain an effective relationship with the one or more of the national statistical rating agencies, Moody's Investors Service, Standard & Poor's, Fitch Ratings, or Kroll Bond Rating Agency, in the issuance of debt as well as in the on-going monitoring of outstanding debt.

B. Financial or Municipal Advisors – The Agency will comply with the Municipal Advisor Rule, ensuring the use of external Advisors in the sale of debt as well in managing relationships with the underwriting community. The Financial advisory services provided to the Agency shall include, but not limited to the following:

- Evaluation of risks and opportunities associated with debt issuance;
- Monitoring marketing opportunities;
- Evaluation of proposals submitted to the Agency by investment banking firms;
- Structuring and pricing;
- Preparation of request for proposals for other financial services (trustee and paying agent services, printing, credit facilities, remarketing agent services, etc.);
- Advice, assistance and preparation for presentations with rating agencies and investors;
- Assist in the preparation and review of legal and financing documents in coordination with the financing team in connection with the financing.

C. Underwriters – The Agency will utilize an underwriter in the sale of bonds on a competitive, negotiated or private placement basis. For a negotiated sale, the Agency will select an underwriter through a request for proposal process; basing the selection on best value for the Agency including capital structure, underwriting capabilities, demonstrated expertise and experience as well as proposed fees.

D. Disclosure Counsel – the Agency will ensure complete and accurate disclosure of financial and legal condition in the issuance of debt. The Agency will also ensure full compliance with continuing disclosure requirements. The Agency will select, through a request for proposal process, and retain qualified and experienced counsel in achieving this objective of accurate, comprehensive and complete disclosure.

E. Bond Counsel – The Agency will select through a request for proposal process, and retain qualified and experienced legal counsel as representation for Bondholders as well as the Agency in structuring debt and ensuring legal accuracy and enforceability of bond documents, as well as compliance with all federal and state laws and the Internal Revenue Code.

F. Trustee – The Agency will select through a request for proposal process the services of an external trustee to hold and invest and disburse financing proceeds. The trustee or fiscal agent will provide for debt service payments of all debt issued by the Agency. The Agency Treasurer or designee shall monitor the services rendered by the fiscal agent to ensure prompt and efficient service to bondholders.

15. INTERNAL CONTROL PROCEDURES

All debt transactions must be approved by the Board of Directors. The proceeds of bond sales will be invested until used for the intended project(s) in order to maximize utilization of the public funds. The investments will be made to obtain the highest level of

- 1) safety of principal,
- 2) liquidity,
- 3) diversity and
- 4) return on investment or yield, and may be held as cash.

The Agency's investment guidelines and bond indentures will govern objectives and criteria for investment of bond proceeds. The Treasurer will oversee the investment of bond proceeds in a manner to avoid, if possible, and minimize any potential negative arbitrage over the life of the bond issuance, while complying with arbitrage and tax provisions.

Bond proceeds will be deposited and recorded in separate accounts to ensure funds are not comingled with other forms of Agency funds. The Agency's Trustee or Fiscal Agent will administer the disbursement of bond proceeds pursuant to each certain Indenture of Trust or Fiscal Agent Agreement, respectively. To ensure proceeds from bond sales are used in accordance with legal requirements invoices are submitted by the Facilities & Engineering Section and approved by the Accounting Section and Agency Treasurer/ Assistant General Manager – Finance for payment. Requisition for the disbursement of bonds funds will be approved by the Agency's Treasurer / Assistant General Manager – Finance or designated alternate. Responsibility for general ledger reconciliations and records is segregated from the invoice processing, cash receipting, and cash disbursement functions.

The Finance and/or Accounting Section will be tasked with monitoring the expenditure of bond proceeds to ensure they are used only for the purpose and authority for which the bonds were issued and exercising best efforts to spend bond proceeds in such a manner that the Agency will meet one of the spend-down exemptions from arbitrage rebate. Tax-exempt bonds will not be issued unless it can be demonstrated that 85% of the proceeds can reasonably be expected to be expended within the three-year temporary period.

16. RECORD KEEPING

A copy of all debt-related records shall be retained at the Agency's offices. At minimum, these records shall include all official statements, bid documents, bond documents/transcripts, indentures, resolutions, trustee statements, leases, and title reports for each financing (to the extent available). To the extent possible, the Agency shall retain an electronic copy of each document, preferably in PDF or CD-ROM format.

17. REBATE POLICY AND SYSTEM

The Agency will accurately account for all interest earnings in debt related funds. These records will be designed to ensure compliance with all debt covenants and with State and Federal laws. The Agency will calculate and report interest earnings that relate to Internal Revenue Code rebate yield limits and arbitrage requirements.

18. PUBLIC STATEMENTS REGARDING FINANCIAL INFORMATION

Whenever the Agency makes statements or releases information relating to its finances to the public that are reasonably expected to reach investors and the trading markets, the Agency is obligated to ensure that such statements and information are complete, true, and accurate in all material respects.

19. TRAINING

The General Manager shall ensure that the members of the Agency staff involved in the initial or continuing disclosure process and the Board of Directors and staff are properly trained to understand and perform their responsibilities.

The General Manager shall arrange for disclosure training sessions conducted by the Agency’s disclosure counsel which shall include education of these Disclosure Policies, the Agency’s disclosure obligations under applicable federal and state securities laws, and the disclosure responsibilities and potential liabilities of members of the Agency’s staff and members of the Board of Directors.

20. POLICY REVIEW

The General Manager, or designee (Treasurer/Assistant General Manager – Finance), will be responsible for regularly reviewing and updating this policy, and present any recommended revisions to the Board for adoption.

GLOSSARY

Arbitrage – The difference between the interest paid on the tax-exempt securities and the interest earned by investing the security proceeds in higher-yielding taxable securities. IRS regulations govern arbitrage on the proceeds from issuance of municipal securities.

Call Provisions – The terms of the bond contract giving the issuer the right to redeem all or a portion of an outstanding issue of bonds prior to their stated dates of maturity at a specific price, usually at or above par.

Capitalized Interest – A portion of the proceeds of an issue which is set aside to pay interest on the securities for a specified period of time. Interest is commonly capitalized for the construction period of the project.

Competitive Sale – A sale of securities by an issuer in which underwriters or syndicates of underwriters submit sealed bids to purchase the securities in contrast to a negotiated sale.

Continuing Disclosure – The principle that accurate and complete information material to the transaction which potential investors would be likely to consider material in making investment decisions with respect to the securities be made available on an ongoing basis.

Credit Enhancement – Credit support purchased by the issuer to raise the credit rating of the issue. The most common credit enhancements consist of bond insurance, direct or standby letters of credit, and lines of credit.

Debt Service Reserve Fund – The fund in which moneys are placed which may be used to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements.

Derivatives – A financial product whose value is derived from some underlying asset value.

Escrow – A fund established to hold moneys pledged and to be used to pay debt service on an outstanding issue.

Letters of Credit – A bank credit facility wherein the bank agrees to lend a specified amount of funds for a limited term.

Negotiated Sale – A method of sale in which the issuer chooses one underwriter to negotiate terms pursuant to which such underwriter will purchase and market the bonds.

Pay-As-You-Go – An issuer elects to finance a project with existing cash flow as opposed to issuing debt obligations.

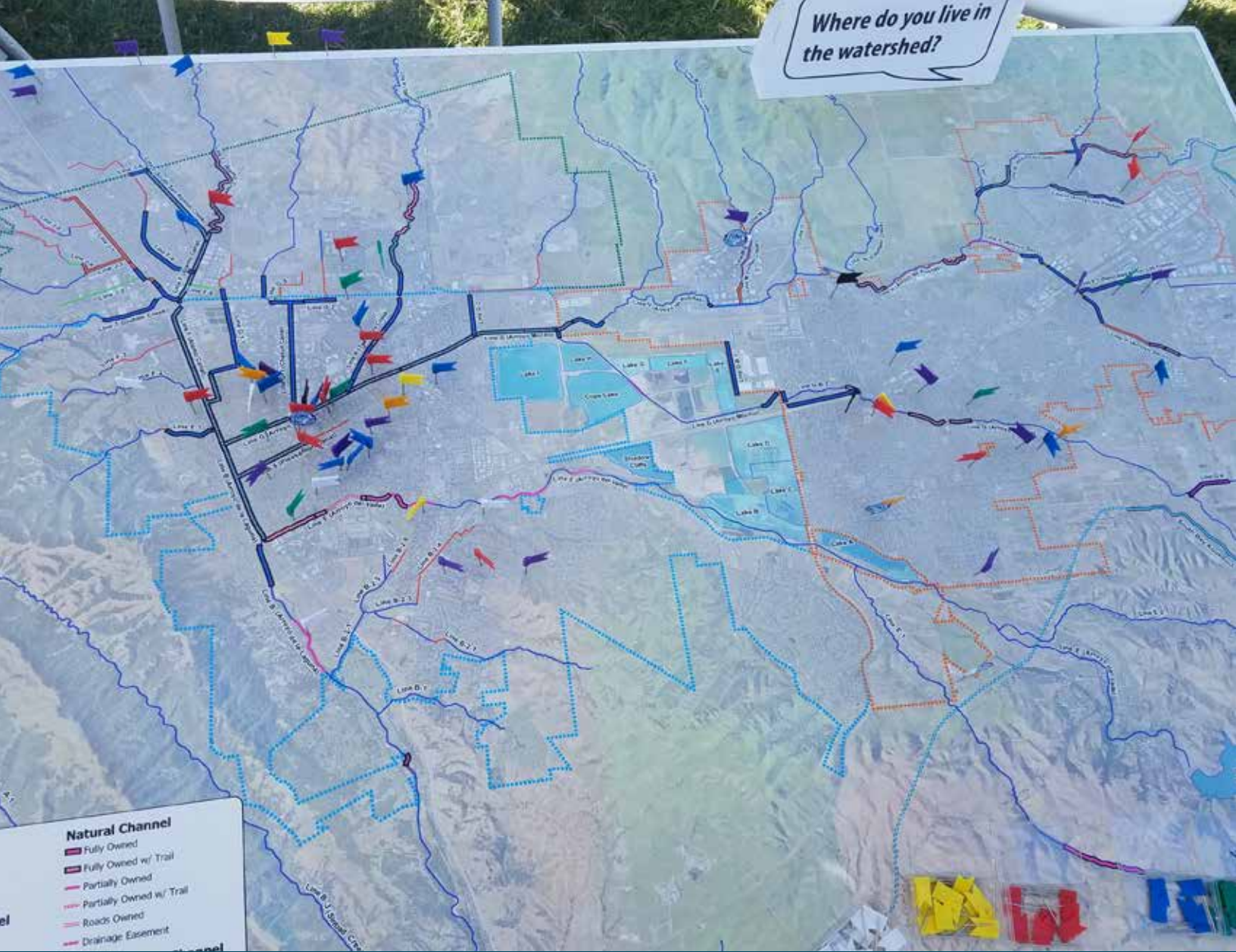
Present Value – The current value of a future cash flow.

Rebate – A requirement imposed by Tax Reform Act of 1986 whereby the issuer of the bonds must pay the IRS an amount equal to its profit earned from investment of bond proceeds at a yield above the bond yield calculated pursuant to the IRS code together with all income earned on the accumulated profit pending payment.

Syndicate Policies – The contractual obligations placed on the underwriting group relating to distribution, price limitations and market transactions.

Underwriter – A dealer that purchases new issues of municipal securities from the Issuer and resells them to investors.

Where do you live in the watershed?



WATER SUPPLY · WATER QUALITY · FLOOD PROTECTION

APPENDIX E

POSITION DETAIL

Position Detail, Fiscal Years 2016-17- 2020-22

	FY 16-17 Budget	FY 17-18 Budget	FY 18-19 Budget	FY 19-20 Budget	FY 2020-21 Budget	FY 2021-22 Budget	Change
Office of the General Manager							
General Manager	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Assistant General Mgr, Engineering	1.00	1.00	0.00	1.00	1.00	1.00	0.00
Assistant General Mgr, Finance	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Executive Assistant	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Administrative Assistant	3.00	3.00	4.00	4.00	4.00	4.00	0.00
Communications Specialist	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Administrative Student Intern	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Total	9.00	9.00	9.00	10.00	10.00	10.00	0.00
Finance							
Financial & Systems Services Manager	1.00	1.00	1.00	1.00	0.00	0.00	-1.00
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	2.00	2.00	2.00	1.00	1.00	-1.00
Financial Analyst	0.00	0.00	0.00	0.00	2.00	2.00	2.00
Procurement & Contracts Supervisor	1.00	1.00	0.00	1.00	1.00	1.00	0.00
Buyer I	1.00	1.00	2.00	2.00	2.00	2.00	0.00
Buyer II	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Account Clerk	2.00	2.00	2.00	2.00	2.00	2.00	0.00
Total	10.00	10.00	10.00	11.00	11.00	11.00	0.00
Employee Services							
Human Resources Manager	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Human Resources Analyst	2.00	2.00	2.00	2.00	1.00	1.00	-1.00
Human Resources Technician	0.00	0.00	0.00	0.00	1.00	1.00	1.00
Total	4.00	4.00	3.00	3.00	3.00	3.00	0.00
Water Quality							
Associate Engineer	0.50	0.50	0.50	0.50	1.00	1.00	0.50
Assistant Engineer/Geologist	1.00	1.00	1.00	1.00	0.00	0.00	-1.00
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
Total	7.50	7.50	7.50	7.50	7.00	7.00	-0.50

	FY 16-17 Budget	FY 17-18 Budget	FY 18-19 Budget	FY 19-20 Budget	FY 2020-21 Budget	FY 2021-22 Budget	Change
Integrated Planning							
Manager of Integrated Water Resources	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Senior Engineer/Geologist	1.00	1.00	0.00	0.00	0.00	0.00	0.00
Principal Engineer/IP Manager	0.00	0.00	1.00	1.00	1.00	1.00	0.00
Associate Engineer/Geologist	1.00	1.00	1.00	1.00	2.00	2.00	1.00
Associate Water Resources Planner	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Assistant Engineer/Geologist	2.00	2.00	1.00	1.00	1.00	1.00	0.00
Geographic Info Sys Analyst	1.00	1.00	0.00	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 Conservation Coordinator	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Administrative Student Intern	0.50	0.50	0.50	0.50	0.50	0.50	0.00
Total	9.50	9.50	7.50	8.50	9.50	9.50	1.00
Facilities Engineering							
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	1.00	1.00	0.00	0.00	-1.00
Associate Engineer - Control System	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Associate Engineer/Geologist	4.00	4.00	5.00	5.00	6.00	6.00	1.00
Assistant Engineer/Geologist	2.00	2.00	1.00	1.00	0.00	0.00	-1.00
Construction Inspector	1.00	1.00	0.00	1.00	1.00	1.00	0.00
Water Resources Technician II	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Total	13.00	13.00	11.00	12.00	11.00	11.00	-1.00
Groundwater							
Principal Engineer	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Associate Engineer/Geologist	1.00	1.00	2.00	2.00	2.00	2.00	0.00
Assistant Engineer/Geologist	1.00	1.00	0.00	0.00	0.00	0.00	0.00
Water Resources Technician II	4.00	4.00	4.00	4.00	4.00	4.00	0.00
Water Resources Engineer Trainee	0.50	0.50	0.50	0.50	0.00	0.00	-0.50
Total	7.50	7.50	7.50	7.50	7.00	7.00	-0.50
Operations							
Production Manager	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Operations Manager	1.00	1.00	0.00	1.00	1.00	1.00	0.00
Water Facilities Supervisor	3.00	3.00	3.00	3.00	4.00	4.00	1.00
Safety Technician II	2.00	2.00	2.00	2.00	2.00	2.00	0.00
Water Plant Operator II	0.00	0.00	2.00	2.00	2.00	2.00	0.00
Water Plant Operator III	20.00	20.00	20.00	20.00	20.00	20.00	0.00
Total	27.00	27.00	28.00	29.00	30.00	30.00	1.00

	FY 16-17 Budget	FY 17-18 Budget	FY 18-19 Budget	FY 19-20 Budget	FY 2020-21 Budget	FY 2021-22 Budget	Change
Maintenance							
Maintenance Manager	1.00	1.00	0.00	1.00	0.00	0.00	-1.00
Maintenance & Construction Supervisor	2.00	2.00	2.00	2.00	3.00	3.00	1.00
Maintenance Coordinator	1.00	1.00	0.00	0.00	0.00	0.00	0.00
Electrician	2.00	2.00	2.00	2.00	2.00	2.00	0.00
Transportation 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	0.00	0.00	-1.00
Plant Mechanic	4.00	4.00	4.00	4.00	5.00	5.00	1.00
Plant Maint Laborer	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Water Resources Technician II	1.00	1.00	1.00	1.00	3.00	3.00	2.00
Construction Maintenance Laborers	2.00	2.00	2.00	2.00	2.00	2.00	0.00
Total	20.00	20.00	18.00	19.00	21.00	21.00	2.00
Principal Engineer	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Senior Engineer	1.00	1.00	0.00	0.00	0.00	0.00	0.00
Associate Engineer/Geologist	1.00	1.00	1.00	1.00	2.00	2.00	1.00
Assistant Engineer/Geologist	2.00	2.00	3.00	3.00	2.00	2.00	-1.00
Water Resources Technician II	2.00	2.00	2.00	2.00	0.00	0.00	-2.00
Water Resources Engineer Trainee	0.00	0.00	0.00	0.00	0.50	0.50	0.50
Total	7.00	7.00	7.00	7.00	5.50	5.50	-1.50
Agency Total	114.50	114.50	108.50	114.50	115.00	115.00	0.50



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APPENDIX F

ACRONYMS AND GLOSSARY OF TERMS

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	CUWA	California Urban Water Agencies
ACERA	Alameda County Employees Retirement Association	CY	Calendar Year
ACMEA	Alameda County Management Employees Association	DDW	Division of Drinking Water
ACO	Accumulated Capital Outlay	DHCCP	Delta Habitat Conservation and Conveyance Program
ACWA	Association of California Water Agencies	DWR	Department of Water Resources
AF	Acre-Foot	DIF	Development Impact Fee
AMP	Asset Management Program	DVWTP	Del Valle Water Treatment Plant
AWWA	American Water Works Association	EAP	Employee Assistance Program
BAYWORK	Bay Area Water/Wastewater Workforce Development	EPA	Environmental Protection Agency
CAD	Computer-Aided Design	FCC	Federal Communication Commission
CAFR	Comprehensive Annual Financial Report	FEMA	Federal Emergency Management Agency
CALAFCO	California Local Agency Formation Commission	FSA	Flexible Spending Account
Ccf	One Hundred Cubic Feet	FTE	Full-Time Equivalent
CCTV	Closed Circuit Television	GAAP	Generally Accepted Accounting Principles
CEQA	California Environmental Quality Act	GASB	Governmental Accounting Standards Board
CIP	Capital Improvement Plan	GFOA	Government Finance Officers Association
COLAs	Cost-of-Living Adjustments	GHG	Green House Gas
COP	Certificates of Participation	GIS	Geographic Information System
CPI	Consumer Price Index	GPS	Global Positioning System

GSA	Groundwater Sustainability Agency	PWRPA	Power and Water Resources Pooling Authority
HMI	Human Machine Interface	RDA	Redevelopment Agency
HP	Horse Power	RFP	Request for Proposal
HVAC	Heating, Ventilation and Air Conditioning	ROW	Right-of-Way
I/O	Input/Output	SCADA	Supervisory Control and Data Acquisition
IP	Internet Protocol	SBA	South Bay Aqueduct
IRWMP	Integrated Regional Water Management Plan	SCIF	State Compensation Insurance Fund
IS	Information Systems	SEIU	Service Employees International Union
IVR	Interactive Voice Response	SMMP	Stream Management Master Plan
KW	Kilowatt	SWP	State Water Project
LAFCO	Local Agency Formation Commission	UPBR	United States Bureau of Reclamation
MGDP	Mocho Groundwater Demineralization Plant	USGS	United States Geological Survey
MOU	Memorandum of Understanding	USACE	United States Corp of Engineers
MWQI	Municipal Water Quality Investigations	UWMP	Urban Water Management Plan
NEPA	National Environmental Protection Act	VFD	Variable Frequency Drive
NPDES	National Pollutant Discharge Elimination System	VMS	Virtual Memory System
O&M	Operations and Maintenance	VOIP	Voice Over Internet Protocol
OPEB	Other Post-Employment Benefits	VPN	Virtual Private Network
OSHA	Occupational Safety & Health Administration	WAN	Wide Area Network
PDR	Preliminary Design Report	WSE	Water Supply Evaluation
PEPRA	Public Employee Pension Reform Act	WTP	Water Treatment Plan
PFAS	Per- and polyfluoroalkyl substances, Two chemicals in the PFAS family, PFOA and PFOS	WQL	Water Quality Laboratory
PLC	Programmable Logic Controller	YTD	Year-to-Date
PPO	Preferred Provider Organization		
PPWTP	Patterson Pass Water Treatment Plant		

Glossary of Terms

The Zone 7 Two-Year Budget, Fiscal Years 2020-22 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 PLAN (CIP): A long-range plan of Zone 7 for the construction, rehabilitation and modernization of Zone 7-owned and operated infrastructure.

CAPITAL OUTLAY: Expenditures which result in the acquisition of or in addition to, fixed assets including land, buildings, improvements, machinery and equipment.

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).

PER- AND POLYFLUOROALKYL SUBSTANCES: A group of thousands of chemicals found in a range of consumer and industrial products, including nonstick pans, carpeting, and firefighting foam

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.