

CONTINUING DISCLOSURE ANNUAL REPORT

FISCAL YEAR ENDING JUNE 30, 2020

**Alameda County Flood Control and Water Conservation District, Zone 7
Water Agency**



Livermore Valley Water Financing Authority



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

**Continuing Disclosure
Annual Report for Fiscal Year Ending June 30, 2020**

This Continuing Disclosure Annual Report has been prepared to satisfy the continuing disclosure undertakings of the Alameda County Flood Control and Water Conservation District, Zone 7 (the “Agency”), in connection with the following obligations (the “Obligations”):

\$64,010,000 Livermore Valley Water Financing Authority Water Revenue Bonds, 2018 Series A (the “2018 Bonds”)

In accordance with the provisions of Rule 15c2-12 of the Securities and Exchange Commission and the continuing disclosure obligations of the Agency, this Continuing Disclosure Annual Report is being filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) website for the benefit of the owners of the Obligations. All capitalized terms used herein shall have the meanings set forth in the respective continuing disclosure obligations for the issues.

The audited financial statements of the Agency for the Fiscal Year ending June 30, 2020, have previously been filed on EMMA. Information contained in this Report has been excerpted from the audited financial statements and/or provided by the responsible department of the Agency. The data herein is subject to revision or restatement.

The COVID-19 pandemic has had minimal impact on the operations and finances of the Agency. To comply with Alameda County’s shelter-in-place order, issued on March 16, 2020, and CDC guidelines, the Agency has encouraged staff to work remotely, if possible. Given the Agency provides essential services to the community, the Agency implemented additional safety measures, including requirements for handwashing and practicing “social distancing” in the performance of those essential duties that cannot be done by staff remotely.

Increased residential water usage likely due to the shelter in place orders, resulted in water sales revenue that exceeded budget by \$4 million in Fiscal Year 2019-20. As of March 31, 2021, the Agency continues to experience higher water sales revenue, likely attributable to increased residential water usage due to continued COVID-19 restrictions, telecommuting and school closures.

Although the Agency has experienced increased water demand as described above, connection fee revenues have declined, likely due to the COVID-19 pandemic and shelter-in-place orders. Agency staff continues to closely monitor connection fee revenue and is in contact with surrounding cities to stay abreast on upcoming development within the Agency’s service area. Despite COVID-19 pandemic challenges, as shown in the Historical Operating Results contained in this Report, the Agency’s debt service coverage for fiscal year 2019-20 is 8.3x.

TABLE OF CONTENTS

	Page
HISTORICAL WATER DELIVERIES	1
HISTORICAL WATER SUPPLY AND DEMAND.....	2
ADOPTED WATER RATES.....	2
AGENCY RECEIPTS FROM WATER CUSTOMERS FOR TREATED WATER.....	3
CALENDAR YEAR 2020 WATER CONNECTION FEES.....	3
HISTORICAL ACTUAL CONNECTIONS AND TOTAL REVENUE FROM WATER CONNECTION FEES	3
HISTORICAL OPERATING RESULTS.....	4

Historical Water Deliveries

The Agency records the volume of water delivered by the Agency. The following table presents a summary of historical water deliveries for the five most recent calendar years.

HISTORICAL WATER DELIVERIES

	2016		2017		2018		2019		2020	
	Treated Water	Retailer GW ⁽¹⁾	Treated Water	Retailer GW ⁽¹⁾	Treated Water	Retailer GW ⁽¹⁾	Treated Water	Retailer GW ⁽¹⁾	Treated Water	Retailer GW ⁽¹⁾
Pleasanton	8,646	3,426	9,007	4,538	10,410	3,497	10,328	3,496	11,745	3,109
DSRSD	7,474	645	8,664	645	9,231	645	9,506	645	10,320	645
CalWater	5,135	2,424	6,273	1,878	6,145	2,396	8,165	996	8,760	1,063
Livermore	4,818	0	5,326	0	5,909	0	5,930	0	6,550	0
Direct Customers ⁽²⁾	604		905		930		980	0	730	0
Subtotal	<u>26,677</u>	<u>6,495</u>	<u>30,175</u>	<u>7,061</u>	<u>32,625</u>	<u>6,538</u>	<u>34,909</u>	<u>5,137</u>	<u>38,105</u>	<u>4,817</u>
Untreated Water	<u>4,678</u>		<u>4,555</u>		<u>5,390</u>		<u>4,520</u>		<u>5,814</u>	
Total	31,355	6,495	34,730	7,061	38,015	6,538	39,429	5,137	43,919	4,817

(1) Retail GW refers to Retailer Groundwater Pumping Quota.

(2) Direct customers include Lawrence Livermore National Laboratory, Livermore Area Parks and Recreation Department, Veteran's Hospital, State of California Department of Water Resources, East Bay Regional Parks and Wentz Brothers.

Source: Zone 7 Water Agency

HISTORICAL WATER SUPPLY AND DEMAND

SUPPLIES (acre-feet)	2016	2017	2018	2019	2020
State Water Project, Table A	48,400	68,500	28,200	60,500	16,100
Yuba Accord/Other ⁽¹⁾	800	710	2,700	0	7,110
Byron Bethany Irrigation District	0	0	0	0	0
Arroyo Valle ⁽²⁾	100	9,520	1,200	1,000	8,580
Groundwater	1,810	4,610	5,260	9,910	11,440
State Water Project – Carryover	13,400	2,940	15,700	2,640	10,810
Kern County Groundwater Banks	320	0	0	0	1,000
Total Supplies	64,830	86,280	53,060	74,050	55,040
					DEMANDS (acre-feet)
Retailer Demand	26,535	29,703	32,360	34,574	38,020
Untreated Water Demand	4,660	4,560	5,390	4,520	5,810
Direct Retail Demand	604	905	930	980	730
Groundwater Recharge	10,360	9,050	4,500	3,620	1,430
Kern County Groundwater Banks Recharge	12,000	30,000	0	18,900	0
State Water Project Carryover or Other Storage	9,350	10,040	7,801	10,840	8,870
Transmission System Loss	1,321	2,022	2,080	616	180
Total Demands	64,830	86,280	53,060	74,050	55,040
					Supplies in Storage (End of the Year) ⁽³⁾
SWP Carryover	9,400	10,100	7,100	10,840	8,870
Arroyo Valle Carryover	8,900	5,600	1,200	8,100	20
Groundwater-Emergency	128,000	128,000	128,000	128,000	128,000
Groundwater-Operational	99,000	109,000	118,000	122,000	115,000
Kern Banks	82,100	104,100	104,100	117,130	116,130
Total Supplies in Storage	327,400	356,800	358,400	386,070	368,020

(1) Other includes sources like Yuba Accord, Dry Year Transfer Program, River Garden Farms and Turnback Pool.

(2) Amounts used directly by the Agency. Excess supplies become Arroyo Valle Carryover.

(3) Supplies in storage reflect net amounts after storage losses are accounted for.

Source: Zone 7 Water Agency

ADOPTED WATER RATES

<i>Calendar Year</i>	<i>Volume-Based Treated Water Rate per AF</i>	<i>Total Fixed Charges⁽¹⁾</i>
2017	\$1,359 ⁽²⁾	\$14,367,286
2018	888	15,849,610
2019	876	19,363,098
2020	915	21,497,919
2021 ⁽³⁾	915	21,497,919
2022	897	25,716,705

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

(2) Includes \$248 Drought Surcharge

(3) At the June 17, 2020 Zone 7 Board meeting, in response to the COVID-19 pandemic, the Zone 7 Board of Directors approved Resolution No. 20-37 maintaining calendar year 2021 water rates at the same level as calendar year 2020 rates.

Source: Zone 7 Water Agency

**AGENCY RECEIPTS FROM WATER CUSTOMERS FOR TREATED WATER
(Fiscal Year)**

Customer	2015-16	2016-17	2017-18	2018-19	2019-20
California Water Service Company	\$ 5,425,924	\$ 8,211,286	\$ 9,069,203	\$ 9,493,706	\$ 12,014,679
City of Livermore	5,324,926	7,549,062	8,439,773	8,288,029	9,160,161
City of Pleasanton	7,957,260	13,354,894	14,922,955	14,040,043	16,943,894
Dublin San Ramon Services District	8,367,597	12,216,755	13,791,425	13,679,135	15,180,076
Direct Customers ⁽¹⁾	442,896	1,084,045	1,040,297	1,257,655	1,500,014
Temporary Treated Water	6,591	2,297	1,271	1,868	1,953
Treated Water Total	\$ 27,525,194	\$ 42,418,339	\$ 47,264,922	\$ 46,760,435	\$ 54,800,778
Untreated Water Total	585,780	557,621	595,222	680,157	976,430
Grand Total	\$ 28,110,974	\$ 42,975,960	\$ 47,860,144	\$ 47,440,592	\$ 55,777,208

(1) Direct Customers include Lawrence Livermore National Laboratory, Livermore Area Parks and Recreation Department, Veteran's Hospital, State of California Department of Water Resources, East Bay Regional Parks and Wentz Brothers.

Source: Zone 7 Water Agency

CALENDAR YEAR 2020 WATER CONNECTION FEES

<u>Fee Factor</u>	<u>Connection Fee (Alameda County)</u>	<u>Connection Fee (Dougherty Valley)</u>
1.0	\$29,440	\$28,250

For meter types larger than a 5/8-inch basic meter, the basic charge is multiplied by specified fee factor.

Source: Zone 7 Water Agency

**HISTORICAL ACTUAL CONNECTIONS AND TOTAL REVENUE
FROM WATER CONNECTION FEES**

<u>Fiscal Year</u>	<u>EQUIVALENT CONNECTIONS (5/8" Meter)</u>	<u>ACTUAL REVENUE</u>
2015-16	1,600	\$39,135,444
2016-17	1,338	33,128,281
2017-18	1,301	35,434,462
2018-19	1,214	34,068,092
2019-20	796	22,461,926

Source: Zone 7 Water Agency

HISTORICAL OPERATING RESULTS
FISCAL YEAR ENDING JUNE 30

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Operating Revenues					
Water Sales ⁽¹⁾	\$ 28,110,974	\$ 42,975,960	\$ 47,860,145	\$ 47,440,592	\$ 55,777,208
Connection and development fees ⁽²⁾	39,135,444	33,128,280	35,434,462	34,068,092	22,461,926
Charges for Services ⁽²⁾	976,853	1,201,296	609,191	620,503	500,371
Intergovernmental Revenues ⁽³⁾	9,227,359	6,666,935	3,495,215	3,466,308	2,950,774
Interest and rental income	474,139	830,347	1,763,601	4,607,135	3,727,928
Other Revenues ⁽³⁾	245,323	404,044	402,364	1,030,920	1,192,390
Total Revenues	\$ 78,170,092	\$ 85,206,862	\$ 89,564,978	\$ 91,233,550	\$ 86,610,597
Maintenance & Operations Costs					
Labor Costs ⁽⁴⁾	\$ 17,309,917	\$ 17,158,105	\$ 16,407,779	\$ 16,274,184	\$ 16,394,530
Contractual services ⁽⁵⁾	5,920,812	2,999,280	3,571,533	2,567,392	5,297,933
Technical supplies	117,754	120,612	147,995	181,601	277,074
Chemical Purchases	1,861,443	1,767,573	1,940,215	2,085,082	2,556,168
Water Purchases ⁽⁶⁾	21,274,946	22,088,330	21,705,318	21,201,472	19,395,676
Water Storage ⁽⁷⁾	3,989,716	2,068,664	3,723,168	755,911	1,282,526
Utilities	1,376,686	1,414,039	1,667,619	2,544,052	2,521,296
Maintenance and repairs	1,366,627	1,093,932	1,405,705	1,592,006	1,950,838
Equipment and building rents	1,221,495	953,053	53,130	72,391	60,504
Other services and supplies	1,940,636	2,103,060	2,300,609	2,114,868	1,856,461
Total Operating Expenses	\$ 56,380,032	\$ 51,766,648	\$ 53,507,401	\$ 49,388,959	\$ 51,593,006
Net Revenues	\$ 21,790,060	\$ 33,440,214	\$ 36,057,577	\$ 41,844,591	\$ 35,017,590
Debt Service	-	-	\$ 919,498	\$ 2,310,542	\$ 4,213,913
Debt Service Coverage Ratio	NA	NA	39.21x	18.11x	8.31x

⁽¹⁾ Water Sales Revenue is comprised of: Treated and untreated water revenue. Fiscal Year 2015-16 and Fiscal Year 2016-17 includes temporary surcharge revenue. Fiscal Year 2016-17, Fiscal Year 2017-18, Fiscal Year 2018-19, and Fiscal Year 2019-20 include treated water fixed charges and volume-based rates, implemented January 1, 2017.

⁽²⁾ Connection Fees and Development Impact Fees include water connection fees. Charges for Services include Dougherty Valley Facility Use Fees.

⁽³⁾ Intergovernmental revenue includes California Department of Water Resources (DWR) refunds and grant proceeds. In Fiscal Year 2018-19, Other Revenue includes a Water Enterprise Expansion Fund credit of \$0.8M. In Fiscal Year 2019-20 Other Revenue includes \$1.0 million cost-share revenue from Dublin San Ramon Services District for the Dougherty Reservoir Recoating Project.

⁽⁴⁾ Labor costs include salaries, wages and benefits. Governmental Accounting Standard Board Statement No. 68 was implemented in Fiscal Year 2015-16 and the pension expense is included in the Comprehensive Annual Financial Reports for Fiscal Year 2015-16 through Fiscal Year 2019-20, but it is excluded in this reporting. In addition, Governmental Accounting Standard Board Statement No. 75 was implemented in Fiscal Year 2017-18 and the other post employee benefits (OPEB) expense is included in the Comprehensive Annual Financial Reports for Fiscal Year 2017-18 through Fiscal Year 2019-20, but it is excluded in this reporting.

⁽⁵⁾ Contractual Services includes Professional Services, County Services and Risk Management.

⁽⁶⁾ Water purchases includes water purchases from DWR and capital payments for the South Bay Aqueduct Improvement and Enlargement Project.

⁽⁷⁾ Water storage includes costs associated with Cawelo and Semitropic groundwater banking including recovery, storage, operations & maintenance. Fiscal Year 2015-16 through Fiscal Year 2017-18 includes capital payments of \$1.3 million (Cawelo) and \$0.05 million (Semitropic). The Comprehensive Annual Financial Report for Fiscal Year 2017-18 includes prepayment the Agency's obligations in connection with the Cawelo Water District Certificates of Participation, Series 2006, with Livermore Valley Water Financing Authority, Water Revenue Bonds Series A, but this amount is excluded in this reporting. In 2017-18, the Semitropic capital obligation was paid and refunding of the Cawelo Water District Certificates of Participation, Series 2006 is now a debt service payment.

Totals may not add due to rounding.

Source: Zone 7 Water Agency