



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

**ORIGINATION SECTION:** Administrative Services

**CONTACT:** Osborn Solitei

**AGENDA DATE:** October 21, 2020

**SUBJECT:** FY 2019-20 Unaudited Fourth Quarter Revenue and Expenditure (R&E) Report

**SUMMARY:**

The proposed action is in support of Strategic Plan Goal G – Fiscal Responsibility: Operate the Agency in a fiscally responsible manner and Strategic Plan Initiative No. 24 – Continue to effectively manage financial resources for the Agency. In carrying out these fiscal responsibilities, staff provides quarterly financial reports to the Finance Committee and the Board. This quarterly report provides a summary of FY 2019-20 unaudited revenue and expenditures and explanations of any major variances through the fourth quarter of FY 2019-20 (July 1, 2019 – June 30, 2020) for the following funds:

- › Fund 100 – Water Enterprise Operations
- › Fund 110 – State Water Facilities
- › Fund 120 – Water Renewal/Replacement & System-Wide Improvements
- › Fund 130 – Water Enterprise Capital Expansion
- › Fund 200 – Flood Protection Operations
- › Fund 210 – Flood Protection Development Impact Fee Fund (DIF)
- › Fund 300 – Water Facilities Fund
- › Fund 310 – Water Supply and Reliability Fund

This report was presented to the Finance Committee on September 21, 2020.

Highlights of this report include:

Staff has provided the Board will regular updates on the financial impacts of COVID-19. End of fiscal year updates are below:

- **Water Sales** – Treated water demands increased due to the shelter in place order, a warm dry, spring and increased supply to the City of Pleasanton and California Water Service due to their reduced groundwater pumping.
- As part of the budget process, on June 17, 2020 the Board Resolution No. 20-37 approving water rates for CY 2021 and CY 2022, resulting in a no rate increase in 2021. The 2021 rates will remain the same as the CY 2020 rates and the rates adopted for CY 2021 will shift to CY 2022. This rate action was in response to the financial impacts of COVID-19 on ratepayers and the community.

- **Property Tax Revenues** – No property tax revenue impacts in FY 2019-20 due to the economic decline. The agency has received 100% of the anticipated property taxes in Funds 110 and 200.
  - **Investment Income** – The fourth quarter did experience lower interest income due to lower interest rates.
  - **Connection Fees** – Connection fees received were \$10.2M less than the budget, actual connection fee received was \$22.4M compared to \$32.6M budgeted. This is mainly due to slow-down in development resulting from the shelter in place orders.
  - **Capital Projects** – There may be increases to the cost of the DWWTP Ozonation, PPWTP project and the Dougherty Tank Recoating projects due to project delays resulting from social distancing.
- › Fund 100 – Water Enterprise Operations: Year-end reserves are projected to be \$8.9M more than the target level, due to a combination of:
- › One-time higher revenue of \$4.4M from increased water demands
  - › One-time labor savings of \$3.5M:
    - Resulting from a 25% vacancy rate
    - Delayed hiring due to COVID-19
    - Increased CIP activities and labor being charged to the CIP funds
  - › Other expenses underbudget by \$2.2M:
    - Lower overall water production costs
    - Deferred work due to the COVID-19 pandemic, the shelter in place orders and social distancing requirements (i.e., maintenance, professional services, conservation rebate programs)
    - Lower office supply, travel and training expenses

Some suggestions for use of these one-time savings include:

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

## **ANALYSIS:**

The Agency maintains a number of funds; these fund balances are grouped into two categories – Unrestricted Fund Balances and Restricted Fund Balances.

## **UNRESTRICTED FUNDS**

---

**Unrestricted Fund Balance:** This describes the portion of fund balance which is not restricted to use. To facilitate the discussion of reserve funds, this report will categorize the various funds as “Unrestricted Reserves” and “Restricted Reserves.” In general, Board policy can most affect Unrestricted Reserves.

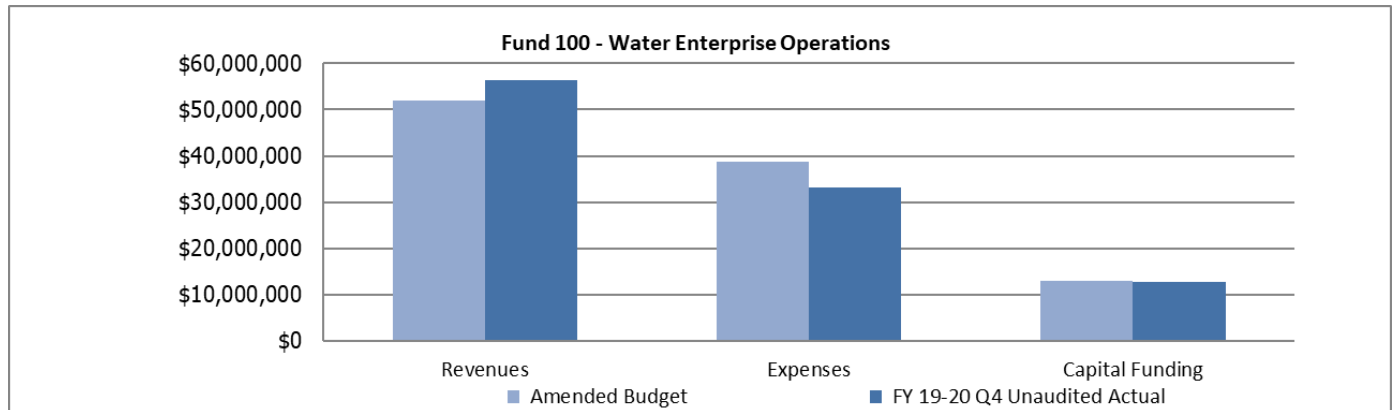
**Water Enterprise Fund (Fund 100)**

*Primary Funding Source: Water Rates*

The purpose of this fund is to ensure the delivery of high-quality drinking and irrigation 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; groundwater recharge and protection; maintenance; out-of-area water banking infrastructure and water supply planning and engineering.

The following table and graph show FY 2019-20 Amended Budget, Fourth Quarter (Q4) Unaudited Actuals and Year-End Over/(Under) Budget.

<b>Fund 100 - Water Enterprise Operations</b>			
	Amended Budget	Q4 YTD Unaudited Actual	Difference
Revenues	\$51,980,021	\$56,348,978	4,368,957
Expenses	38,768,354	33,208,340	(5,560,014)
Capital Funding	12,995,328	12,833,128	(162,200)
Revenues over Expenses	\$216,339	\$10,307,509	\$10,091,170



**Details of Revenue and Expenses for Fund 100**

<b>Fund 100 - Water Enterprise Operations</b>	<b>FY 19-20 Amended Budget</b>	<b>FY 19-20 YTD Actual</b>	<b>Year-End Over/(Under) Budget</b>
<b>Audited Beginning Fund Balance</b>	\$14,444,936	\$18,530,469	\$4,085,533
<b>Revenue</b>			
<b>Water Sales<sup>1</sup></b>	51,576,094	55,777,208	4,201,114
<b>Investment Earnings<sup>2</sup></b>	217,377	281,454	64,077
<b>Other Revenue</b>	186,550	290,316	103,766
<b>Total Revenue</b>	<b>\$51,980,021</b>	<b>\$56,348,978</b>	<b>\$4,368,957</b>

<b>Expenses</b>			
<b>Labor<sup>3</sup></b>	17,206,004	13,675,347	(3,530,657)
<b>Professional Services<sup>4</sup></b>	2,737,474	1,730,194	(1,007,280)
<b>Legal Services</b>	399,855	282,823	(117,032)
<b>County Services<sup>5</sup></b>	1,669,818	2,143,165	473,347
<b>Insurance Services</b>	421,081	383,230	(37,851)
<b>Water<sup>6</sup></b>	5,193,829	4,033,250	(1,160,579)
<b>Chemicals<sup>6</sup></b>	2,668,761	2,556,168	(112,593)
<b>Utilities<sup>6</sup></b>	1,818,044	2,329,772	511,728
<b>Repairs and Maintenance</b>	2,140,582	2,226,902	86,320
<b>Rental Services</b>	125,355	60,504	(64,851)
<b>Other Services/ Supplies<sup>7</sup></b>	1,264,213	663,647	(600,566)
<b>Debt Service</b>	3,123,338	3,123,338	-
<b>Total Expenses</b>	<b>\$38,768,354</b>	<b>\$33,208,340</b>	<b>(\$5,560,014)</b>
<b>Capital Funding</b>	\$12,995,328	\$12,833,128	(\$162,200)
<b>Estimated Revenue over Expenses</b>	216,339	10,307,509	10,091,170
<b>Estimated Ending Fund Balance</b>	<b>\$14,661,275</b>	<b>\$28,837,979</b>	<b>\$14,176,704</b>

Note: Totals may not add due to rounding.

## Revenue

Revenue exceeded the budget projection by \$4.4M, primarily due to increased water sales revenue as described below:

- Water Sales:** see the table below for a water sales budget to actual comparison:

Water Sales Budget			
	FY 2019-20 Budget	FY 2019-20 Actual	Increase/Decrease
July – June	34,065	39,023	
Water Sales in AF	15% conservation	3% less than FY 2012-13	18%

A comparison to FY 2012-13 (pre-drought) and the actual amount for FY 2019-20 is shown in the table below:

Water Sales Actuals			
	FY 2019-20	FY 2012-13	Increase/Decrease
July – June			
Water Sales in AF	39,023	40,054	-3%

Overall, water demand in FY 2019-20 exceeded the budget projection by 18% due to a number of factors:

- › Increased supply to the City of Pleasanton and California Water Service due to their reduced groundwater pumping, which contributed to overall higher demands:
  - The City of Pleasanton has been without Well 8 (due to PFAS) and was without Well 5 from January through mid-July due to motor failure. Pleasanton therefore pumped less of their groundwater pumping quota (GPQ) resulting in approximately 1,100 AF of additional Zone 7 water

provided to Pleasanton. For the second half of the year, Pleasanton does anticipate pumping more of its GPQ.

- Cal Water also reduced groundwater pumping during FY 2019-20, resulting in around 1,000 AF of additional Zone 7 water delivered to Cal Water in-lieu of pumping their GPQ.
- › Increased residential water usage likely due to the shelter in place orders
- › Growth in the service area as evidenced by additional connections
- › Overall warmer, drier conditions particularly in the late winter and late spring

2. **Investment earnings:** the unaudited actual amount is higher than budget due to favorable economic conditions in the first three quarters. In Q4, less interest was earned because the Federal Funds Rate has been cut as a result of COVID-19 financial impacts to the economy. County interest earnings for Q4 has not been posted yet.

### Expenses:

Expenses were \$5.7M less than budget, with \$3.5M of this amount resulting from an Agency-wide vacancy rate of 25%.

3. **Labor costs:** \$3.5M underbudget. Labor costs includes payroll through June 2020 of \$13.7M. During the bulk of the fiscal year, the Agency experienced a vacancy rate of 25%. The shelter in place orders impacted Zone 7's ability to fill vacant positions. These are considered one-time savings and are not expected to continue through FY 2020-21 because the Agency is actively recruiting vacant positions.
4. **Professional Services:** \$1M under budget. Actuals are less than budget because the budget includes contingency and as-needed services. Note that due to the multi-year nature of professional services, an additional \$0.3M was carried forward and will be spent in FY 2020-21.
5. **County Services:** overbudget by \$0.5M. This is primarily due to the March 3, 2020 Primary Election expense of \$0.7M.
6. **Water production costs:** underbudget by \$0.7M. This category includes Water, Chemicals and Utilities. Utility costs were higher than budget due to more groundwater production because DVWTP was off-line longer than expected to due construction activities. This increase is offset by lower imported water and chemical costs.
7. **Other Services and Supplies:** under budget by \$0.6M. This category includes organizational memberships and dues, office supplies, tools and instruments and conservation rebates. There was much lower participation in the rebate program than originally projected, leaving \$0.1M unspent funds. This was due to the following factors:
  - › postponement of the new rebate program "Garden by Number" due to the shelter in place orders
  - › apparent declining community interest in rebates (which may partly be driven by saturation levels of water-efficient appliances)

Zone 7 continues to re-evaluate the conservation program based on participation trends, regulations, demand patterns, and saturation levels. Outreach will also be increased and more targeted this coming fiscal year.

### **Water Supply Conditions**

Please also note the final State Water Project allocation for 2020 is at 20% (see the Water Supply Operations Plan for 2020, in the August 2020 Board Agenda packet).

The United States Drought Monitor indicates severe to moderate drought in most of California (<https://droughtmonitor.unl.edu/CurrentMap/StateDroughtMonitor.aspx?CA>).

### **Reserves**

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 at 15% of budgeted volume-based water sales revenue. The FY 2019-20 Amended Budget approved reserves at target amounts.

As part of the rate setting process in 2018, the Board approved \$1M funding for Water Supply Reliability projects as follows. Note that, this amount has not been spent and is available for Water Supply Reliability projects as approved by the Board

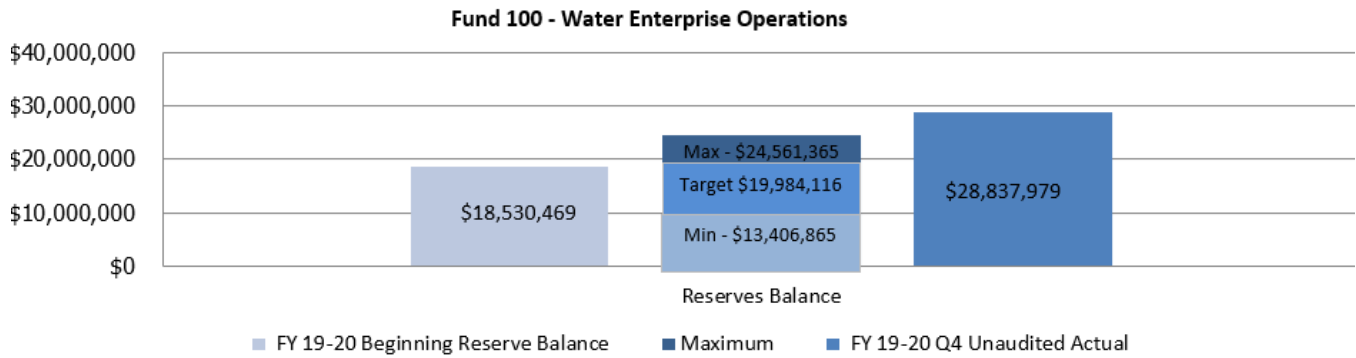
- › FY 2018-19 \$0.5M
- › FY 2019-20 \$0.5M

As part of the budget process, on June 17, 2020 the Board adopted water rates for CY 2021 and CY 2022, resulting in a no rate increase in 2021. The 2021 rates will remain the same as the CY 2020 rates and the rates adopted for CY 2021 will shift to CY 2022. This rate action was in response to the financial impacts of COVID-19 on ratepayers and the community. This was accomplished by funds available from one-time savings in FY 2019-20 of \$10.1M (a combination of \$4.4M from higher revenue, and \$5.7M from lower expenses).

The table and chart below compare Minimum, Target, and Maximum reserves to projected reserves at the end this fiscal year. The total reserve balance is \$8.9M more than the target level and \$4.2M more than the maximum. Some recommendations for using the unallocated fund balance include:

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

## FY 2019-20 Unaudited Fourth Quarter Revenue and Expenditure Report



Fund 100 Reserves	Minimum	Target	Maximum	FY 19-20 Q4 Unaudited Actual	Actual Reserves Above/Below Target
Operating Reserves <sup>1</sup>	\$5,859,455	\$8,789,182	\$11,718,909	\$8,789,182	\$-
Emergency Reserves <sup>2</sup>	4,504,732	5,630,916	6,757,099	5,630,916	-
Reserve for Economic Uncertainties <sup>3</sup>	3,042,678	4,564,018	6,085,357	4,564,018	-
<b>Subtotal</b>	<b>\$13,406,865</b>	<b>\$18,984,116</b>	<b>\$24,561,365</b>	<b>\$18,984,116</b>	<b>\$-</b>
Water Supply Reliability Projects <sup>4</sup>	n/a	1,000,000	n/a	1,000,000	-
Projected Unallocated Fund Balance <sup>5</sup>	-	-	-	8,853,863	\$8,853,863
<b>Total Reserves</b>	<b>\$13,406,865</b>	<b>\$19,984,116</b>	<b>\$24,561,365</b>	<b>\$28,837,979</b>	<b>8,853,863</b>

<sup>1</sup>The FY 19-20 Q4 Projected FYE Operating Reserve is funded at the target level of 90 days of operating expenses.

<sup>2</sup>The FY 19-20 Q4 Projected FYE Emergency Reserve is funded at the target level of 2.5% of Water Enterprise assets.

<sup>3</sup>The FY 19-20 Q4 Projected FYE Actual Economic Uncertainties is funded at 15% of Budgeted Volume-based Water Sales Revenue.

<sup>4</sup>In October 2018, the Board approved \$0.5M for Water Supply Reliability projects in FY 2018-19 and \$0.5M in FY 2019-20; this amount has not been spent. 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.

<sup>5</sup>At 6/30/2020, Fund 100 is projected to have \$8.9M of unallocated fund balance.

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

*This is a sub-fund of the Water Enterprise Fund (Fund 100)*

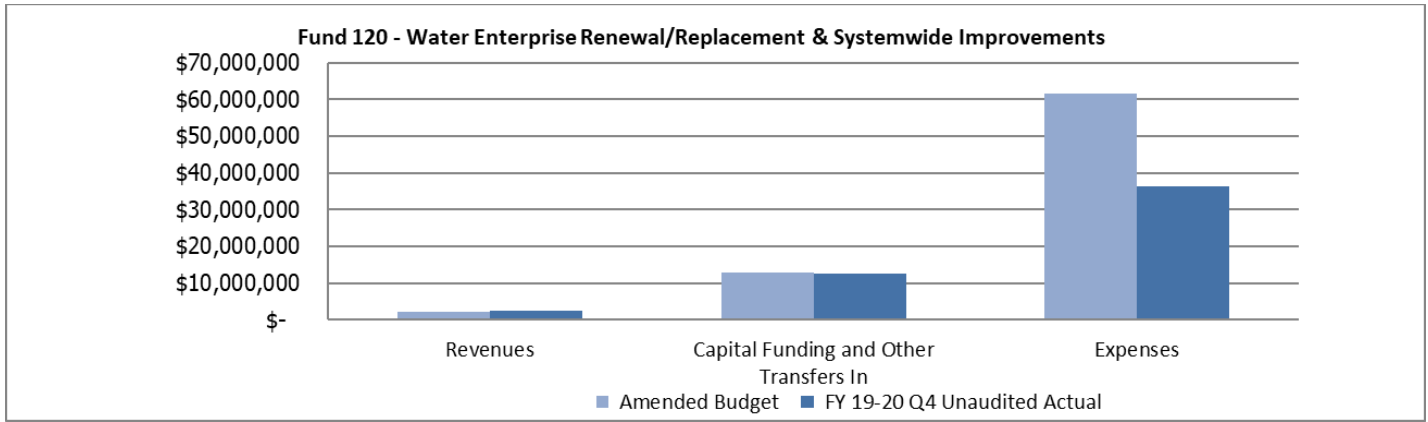
*Primary Funding Source: Water Rates via a transfer from Fund 100*

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 program and the capital improvement program. The following table and graph show FY 2019-20 Amended Budget, Fourth Quarter (Q4) Unaudited Actuals and Year-End Over/(Under) Budget.

	Amended Budget	FY 19-20 Q4 Unaudited Actual	Difference
Revenues	\$ 2,268,519	\$ 2,653,592	\$ 385,073
Capital Funding and Other Transfers In	12,792,000	12,647,808	(144,193)
Expenses	61,687,300	36,351,854	\$ (25,335,446)
<b>Revenues over Expenses</b>	<b>\$ (46,626,781)</b>	<b>\$ (21,050,455)</b>	<b>\$ 25,576,326</b>

When expenses exceed revenue, capital reserves (working capital) are being expended.





**Details of Revenue and Expenses for Fund 120**

Fund 120 - Water Enterprise Renewal/Replacement & Systemwide Improvements	FY 19-20 Amended Budget	FY 19-20 Q4 Unaudited Actual	Year-End Over/(Under) Budget
<b>Adjusted Beginning Fund Balance</b>	<b>\$84,987,019</b>	<b>\$84,987,019</b>	<b>\$-</b>
<b>Revenue</b>			
Facility Use Fees <sup>1</sup>	-	367,950	367,950
Investment Earnings <sup>2</sup>	666,019	1,266,592	600,573
Other Revenue <sup>3</sup>	1,602,500	1,019,050	(583,450)
<b>Total Revenue</b>	<b>\$2,268,519</b>	<b>\$2,653,592</b>	<b>\$385,073</b>
<b>Other Financing Sources</b>			
Capital Funding <sup>4</sup>	12,792,000	12,647,808	(144,192)
<b>Total Other Financing Sources</b>	<b>\$12,792,000</b>	<b>\$12,647,808</b>	<b>(\$144,192)</b>
<b>Expenses</b>			
Labor <sup>5</sup>	1,434,263	2,130,119	695,856
Capital Projects <sup>6</sup>	60,253,037	34,221,735	(26,031,302)
<b>Total Expenses</b>	<b>\$61,687,300</b>	<b>\$36,351,854</b>	<b>(\$25,335,446)</b>
<b>Estimated Revenue/Other Financing Sources over Expenses</b>	<b>(46,626,781)</b>	<b>(21,050,455)</b>	<b>25,576,326</b>
<b>Estimated Ending Fund Balance</b>	<b>\$38,360,238</b>	<b>\$63,936,565</b>	<b>\$25,576,326</b>

Note: Totals may not add due to rounding.

**Revenue**

- Facility Use Fees:** While DSRSD advised us that there will be no new connections in Dougherty Valley, some use fees have been received for Gale Ranch in Dougherty Valley.
- Investment Earnings:** includes interest earned on Zone 7 and County treasuries as well as bond proceeds, totaling \$1.3M. The unaudited actual amount is higher than budget due to favorable economic conditions in the first three quarters. In Q4, less than \$0.1M was earned in interest earnings because the Federal Funds Rate has been cut as a result of COVID-19 financial impacts to the economy. County interest earnings for Q4 has not been posted yet.
- Other Revenue:** includes reimbursements from DSRSD for its share of the Dougherty Reservoir Interior/ Exterior Recoating & Rehab Project.
- Capital Funding:** Includes funding from Fund 100 for the AMP program. Per the Board resolution, the funding amount shall be adjusted for inflation annually using the



Engineering News Record Construction Cost Index starting with the base year of \$12.3M in FY 2018-19. The budget assumes a 4% adjustment, but actual inflation was 2.8%, thus the transfer amount is slightly lower than budget.

**Expenses**

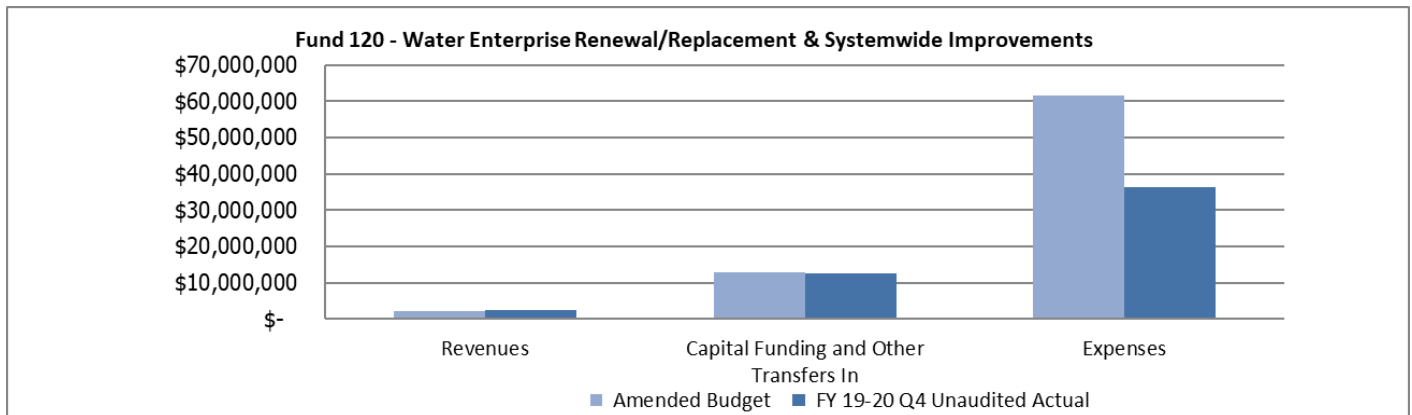
- 5. **Labor costs:** includes this fund’s share of payroll through June 2020. The year-end actual reflects more labor charges to this fund as a result of many capital projects underway.
- 6. **Capital Projects:** includes costs for capital projects such as the PPWTP Upgrades & Ozone project and the DVWTP Ozone project. There may be cost increases to these projects due to COVID-19, but the amounts have not been quantified yet. Actual capital projects expenditures are less than budget due to the multi-year nature of capital projects. For example, \$23M encumbered for the PPWTP Upgrades and Ozone Project has been carried forward and will be spent in FY 2020-21.

**Reserves**

The following table and chart compare the FY 2019-20 Amended Budget ending reserves balance to the Q4 unaudited ending reserves balance.

<b>Fund 120 Reserves</b>	<b>FY 19-20 Beginning Reserve Balance</b>	<b>FY 19-20 Q4 Unaudited</b>
Debt Service Rate Stabilization Reserve	\$6,300,000	\$6,300,000
Designated for Capital Projects Reserve <sup>1</sup>	78,687,019	57,636,565
<b>Total Reserve</b>	<b>\$84,987,019</b>	<b>\$63,936,565</b>

<sup>1</sup>This reserve is designated for capital projects to fund the Fund 120 CIP projects the Agency has committed to over the next ten years. The Zone 7 Board adopted the Ten-Year Water System CIP on October 18, 2017 (Resolution No. 17-81), including \$23M for the PPWTP Upgrades and Ozone Project.



Below is a summary of the major projects in progress. For more information on capital projects, see the Capital Projects Status Report, item 12d included in the August 19, 2020 agenda package.

**FY 2019-20 Unaudited Fourth Quarter Revenue and Expenditure Report**

<b>Project</b>	<b>Total Estimated Cost</b>	<b>Fund 120 Share</b>	<b>Fund 120 Cash Financed</b>	<b>Fund 120 Bond Financed</b>	<b>Status</b>	<b>In-service</b>
Del Valle Water Treatment Plant (DVWTP) Ozone Project	\$49M	\$49M	\$11M	\$38M	Substantial Complete	September 2020
DVWTP Polymer Mixing System Replacement	\$0.6M	\$0.6M	\$0.6M	\$-	Design	May 2021
CWS 5 – Turnout Replacement Project	\$0.7M	\$0.7M	\$0.7M	\$-	Completed	May 2020
CWS 6 – Turnout Replacement Project	\$0.7M	\$0.7M	\$0.7M	\$-	Design	May 2021
MGDP Concentrate Pipeline Batch Cleaning – Phase 1 Project	\$1.2M	\$1.2M	\$1.2M	\$	Pre-construction	August 2020
Dougherty Reservoir Recoating and Rehabilitation Project <sup>1</sup>	\$3.2M	\$1.6M	\$1.6M	\$-	Construction	July 2020
Chain of Lakes Well 1 Stabilization Project	\$3.0M	\$3.0M	\$3.0M	\$-	Completed	April 2020
Pipeline Inspection Study	\$0.3M	\$0.3M	\$0.3M	\$-	Delayed due to COVID-19	February 2021
PFAS Treatment Feasibility Study	\$0.3M	\$0.3M	\$0.3M	\$-	Study Completed	July 2020
PPWTP Upgrades project	\$65M	\$19.5M	\$19.5M	\$-	Construction	Summer 2022
PPWTP Ozone Project	\$45M	\$22.5M	\$3.5M	\$19M	Construction	Summer 2022
<b>Total</b>	<b>\$169M</b>	<b>\$99M</b>	<b>\$42M</b>	<b>\$57M</b>		

<sup>1</sup>This project is jointly funded by Zone 7 and DSRSD

**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.

**FY 2019-20 Unaudited Fourth Quarter Revenue and Expenditure Report**

Fund	FY 19-20 Beginning Unaudited Fund Balance	FY 2019-20 Q4 Unaudited Interest Income	FY 2019-20 Q4 Unaudited Expenses (transfers out)	FY 2019-20 Projected Ending Fund Balance
Fund 300 - Water Facilities Fund	\$3,546,197	\$63,399		\$3,609,596
Fund 310 - Water Supply and Reliability Fund <sup>1,2,3</sup>	\$3,233,843	\$47,878	(\$408,901)	\$2,872,820

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. On July 15, 2020, the Board adopted Resolution No. 20-45 authorizing the General Manager to negotiate and execute the Second Amendment to the 2019 Sites Reservoir Project Agreement at 10,000 acre-feet of participation in an amount not-to-exceed \$1,000,000 from Fund 310.
  
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. On August 20, 2020, the Board adopted Resolution No. 20-49 authorized the General Manager to negotiate and execute Amendment No. 2 to the Cost Share Agreement for Los Vaqueros Reservoir Expansion Project Planning, including additional Zone 7 contribution not-to-exceed \$1.014 million from Fund 310 and term extension through December 31, 2021.
  
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 project

**RESTRICTED FUNDS ANALYSIS**

**Restricted Fund Balance:** These describe the portion of the fund balance that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. It also includes a legally enforceable requirement that the resources can only be used for specific purposes enumerated in the law. The restricted funds are not available to serve as operating or emergency reserves. These principally include property taxes, connection and developer fees received for use on capital projects, debt service requirements, and fees charged for the provision of future water resources.

**State Water Facilities Fund (Fund 110)**

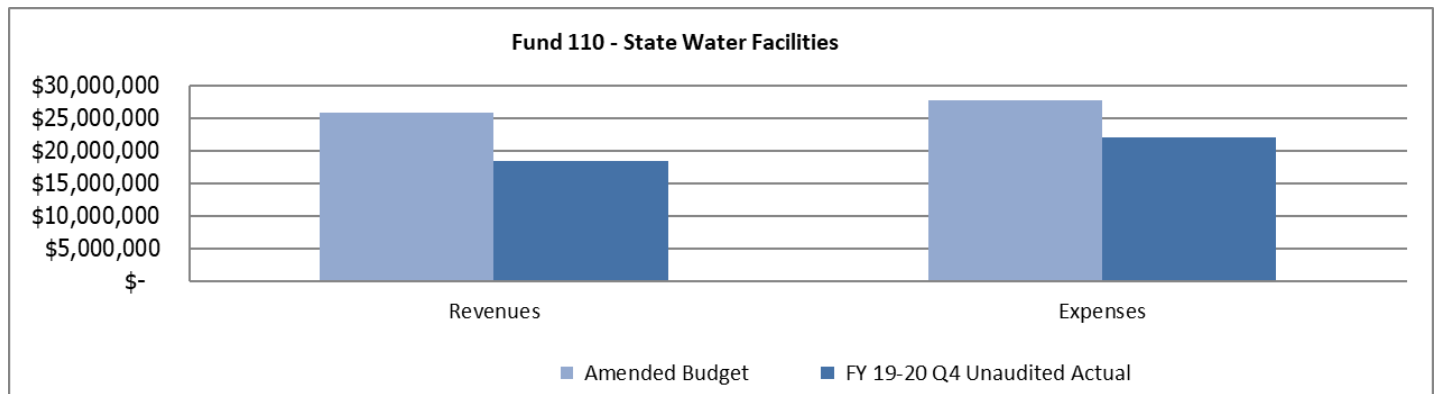
*Primary Funding Source: Property Taxes*

This fund finances the "fixed cost" payment to the State Department of Water Resources (DWR) to import water to the Agency. The purpose is to pay the fixed costs of the State Water Project delivery system, which includes repayment of voter-approved, State-incurred, long-term debt.

The following table and graph show FY 2019-20 Amended Budget, Fourth Quarter (Q4) Unaudited Actuals, and Year-End Over/(Under) Budget.

<b>Fund 110 - State Water Facilities</b>				
	Amended Budget	FY 19-20 Q4 Unaudited Actual		Difference
Revenues	\$ 25,701,963	\$ 27,459,499	\$	1,757,536
Expenses	27,628,997	24,329,111		(3,299,886)
<b>Revenues over Expenses</b>	<b>\$ (1,927,034)</b>	<b>\$ 3,130,388</b>	<b>\$</b>	<b>5,057,422</b>

When expenses exceed revenue, operating reserves (working capital) are being expended.



**Details of Revenue and Expenses for Fund 110**

<b>Fund 110 - State Water Facilities</b>	<b>FY 19-20 Amended Budget</b>	<b>FY 19-20 Q4 Unaudited Actual</b>	<b>Year-End Over/(Under) Budget</b>
<b>Audited Beginning Fund Balance</b>	<b>\$26,447,963</b>	<b>\$29,244,928</b>	<b>\$2,796,965</b>
<b>Revenue</b>			
Dougherty Valley Surcharge	2,024,319	1,862,176	(162,143)
Property Taxes <sup>1</sup>	20,150,000	21,553,508	1,403,508
Other Revenue	51,100	98,461	47,361
Investment Earnings	379,421	485,433	106,012
DWR Refunds	3,097,123	3,459,920	362,797
<b>Total Revenue</b>	<b>\$25,701,963</b>	<b>\$27,459,499</b>	<b>\$1,757,536</b>
<b>Expenses<sup>2</sup></b>	<b>\$27,628,997</b>	<b>\$24,329,111</b>	<b>(\$3,299,886)</b>
<b>Estimated Revenue over Expenses</b>	<b>(1,927,034)</b>	<b>3,130,388</b>	<b>5,057,422</b>
<b>Estimated Ending Fund Balance</b>	<b>\$24,520,929</b>	<b>\$32,375,315</b>	<b>\$7,854,386</b>

Note: Totals may not add due to rounding.

**Revenue**

- Property Taxes:** Year-end revenue includes the first and second installments of property tax revenue, so the entire fiscal year is complete. In April, the County informed us that that the April installment will be reduced by 5% due to anticipated delinquencies as a result of COVID-19. The final allotment was trued-up in June 2020 and Zone 7 received the entire requested amount plus additional revenue from supplemental and prior year taxes, which are difficult to estimate during budget development.

**Expenses**

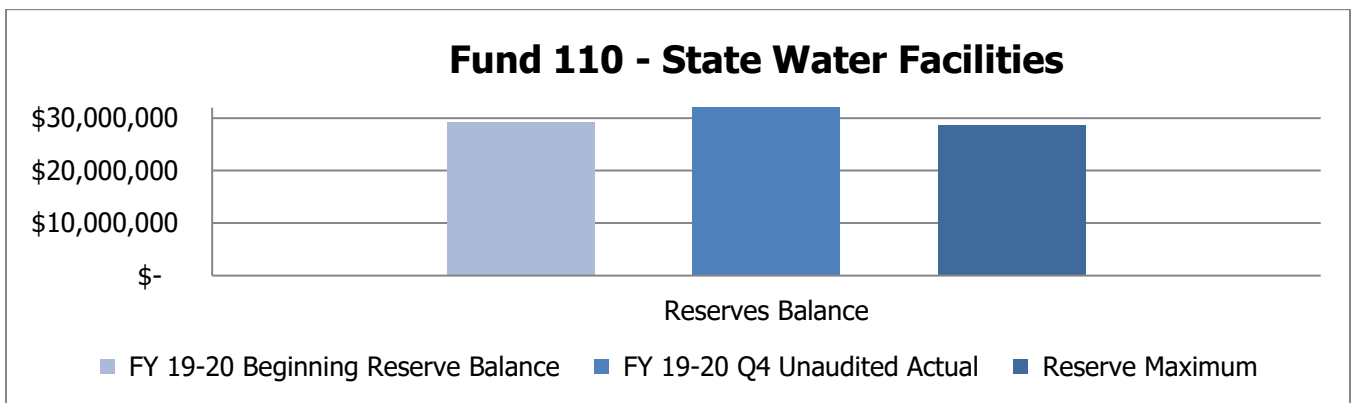
2. **DWR fixed charges.** DWR fixed charges were around \$3M less than budget. The budget was developed before the DWR statement of charges was issued. The minimum Operations, Maintenance, Power and Replacement (OMP&R) charges were about \$3.3M less than budget. Based on data from DWR, these costs are trending at 7% underbudget. Reports from their O&M Division and other SWP divisions indicate there is a greater impact on some of the capital projects due to COVID-19 and the impact on operations is less material because State Water Project (SWP) work is essential.

**Reserves**

The following table and chart compare the FY 2019-20 Amended Budget ending reserves balance to the Q4 unaudited reserve balance. The reserve policy sets the maximum reserve requirement for this fund at 100% of the following year’s projected expenses or \$28.7M.

**Fund 110 - State Water Facilities**

	FY 19-20 Beginning Reserve Balance	FY 19-20 Q4 Unaudited Actual	Reserve Maximum
Reserves Balance	\$ 29,244,928	\$ 32,375,315	\$ 28,675,583



**Water Enterprise Capital Expansion (Fund 130)**

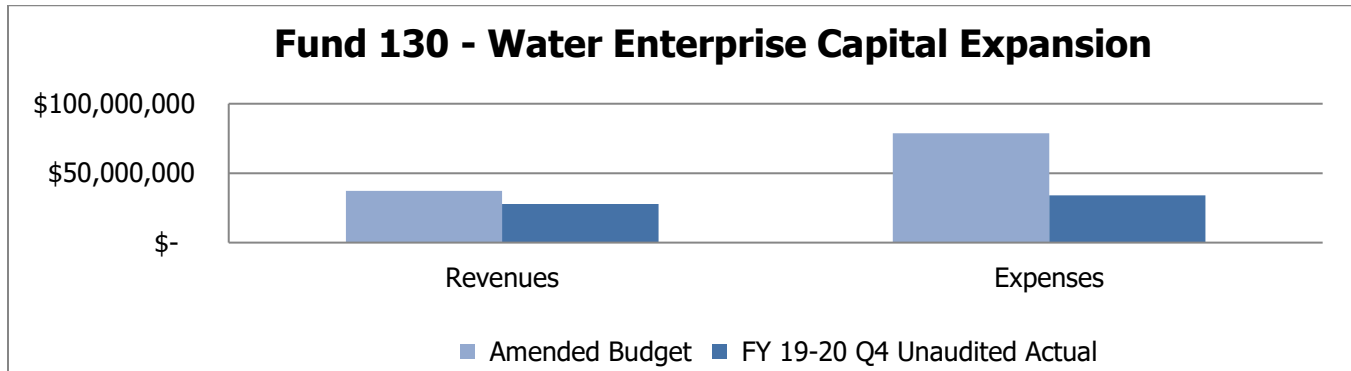
*Primary Funding Source: Water Connection Fees.*

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.

The following table and graph show FY 2019-20 Amended Budget, Fourth Quarter (Q4) Unaudited Actuals and Year-End Over/(Under) Budget.

	Amended Budget	FY 19-20 Q4 Unaudited Actual	Difference
Revenues	\$ 37,161,482	\$ 27,702,149	\$ (9,459,333)
Expenses	78,607,903	34,073,977	(44,533,926)
Revenues over Expenses	\$ (41,446,421)	\$ (6,371,828)	\$ 35,074,593

When expenses exceed revenue, capital reserves (working capital) are being expended.



**Details of Revenue and Expenses for Fund 130**

Fund 130 - Water Enterprise Capital Expansion	FY 19-20 Amended Budget	FY 19-20 Q4 Projected FYE	Year-End Over/(Under) Budget
<b>Audited Beginning Fund Balance</b>	<b>\$74,738,255</b>	<b>\$113,212,883</b>	<b>\$38,474,628</b>
Less commitments for:			
<b>Sinking funds</b>	18,422,814	18,422,814	-
<b>Adjusted Beginning Fund Balance</b>	<b>\$56,315,441</b>	<b>\$94,790,069</b>	<b>\$38,474,628</b>
<b>Revenue</b>			
<b>Connection Fees<sup>1</sup></b>	32,634,257	22,461,926	(10,172,331)
<b>Investment Earnings<sup>2</sup></b>	1,191,435	1,943,348	751,913
<b>DWR Refunds</b>	3,085,790	2,937,974	(147,816)
<b>Other Revenue</b>	250,000	358,901	108,901
<b>Total Revenue</b>	<b>\$37,161,482</b>	<b>\$27,702,149</b>	<b>(\$9,459,333)</b>
<b>Expenses</b>			
<b>Labor<sup>3</sup></b>	259,763	665,270	405,507
<b>Water<sup>4</sup></b>	18,465,669	16,644,952	(1,820,717)
<b>Capital Projects<sup>5</sup></b>	58,791,896	15,673,180	(43,118,716)
<b>Debt Service</b>	1,090,575	1,090,575	-
<b>Total Expenses</b>	<b>\$78,607,903</b>	<b>\$34,073,977</b>	<b>(\$44,533,926)</b>
<b>Estimated Revenue over Expenses</b>	(41,446,421)	(6,371,828)	35,074,593
<b>Designation for Capital Reserves</b>	12,569,020	86,118,241	73,549,221
<b>Rate Stabilization Reserve</b>	2,300,000	2,300,000	-
<b>Sinking funds</b>	18,422,814	18,422,814	-
<b>Estimated Ending Fund Balance</b>	<b>\$33,291,834</b>	<b>\$106,841,055</b>	<b>\$73,549,221</b>

Note: Totals may not add due to rounding.

**Revenue**

The primary source of revenue is connection fee revenue.

- 1. Connection Fees:** FY 2019-20 YTD revenue is comprised of connection fees from 796 connections, mainly from the Moller and Wallis Ranch developments in Dublin. In the Q3 report, staff noted that the Agency was experiencing a reduction in revenue and reduced the projection for FY 2019-20 by \$7.6M from \$32.6M to \$25M due to COVID-19 pandemic and the shelter in place orders. Connection fees received were \$10.2M less than the budget, actual connection fee received, \$22.4M compared to \$32.6M budgeted. Staff continues to closely monitor connection fee revenue and is in contact with the Retailers about anticipated development activities this fiscal year.

- Investment Earnings:** includes investment earnings from the Agency’s treasury. County Q4 earnings have not been posted yet. Actual revenue exceeds budget due to favorable economic conditions through the third quarter. These favorable earnings tapered off in Q4 because the Federal Funds rate was lowered.

**Expenses**

- Labor & Overhead Distributed:** includes this fund’s share of payroll through June 2020 for capital projects.
- Water:** expenses are comprised of the SBA debt service payments (paid in September and March) and transfers to Fund 110 for expansion’s share of fixed costs. The actual payment of \$13.6M is \$1.8M less than budget of \$15.4M because DWR refunded some of the SBA bonds resulting in lower payments.
- Capital Projects:** mostly comprised of capital projects expenses for the PPWTP Upgrades/Ozone project. There may be cost increases to these projects due to COVID-19, but the amounts have not been quantified yet. Actual capital projects expenditures are less than budget due to the multi-year nature of capital projects. For example, \$44.2M encumbered and budgeted for the PPWTP Upgrades and Ozone Project has been carried forward and will be spent in FY 2020-21.

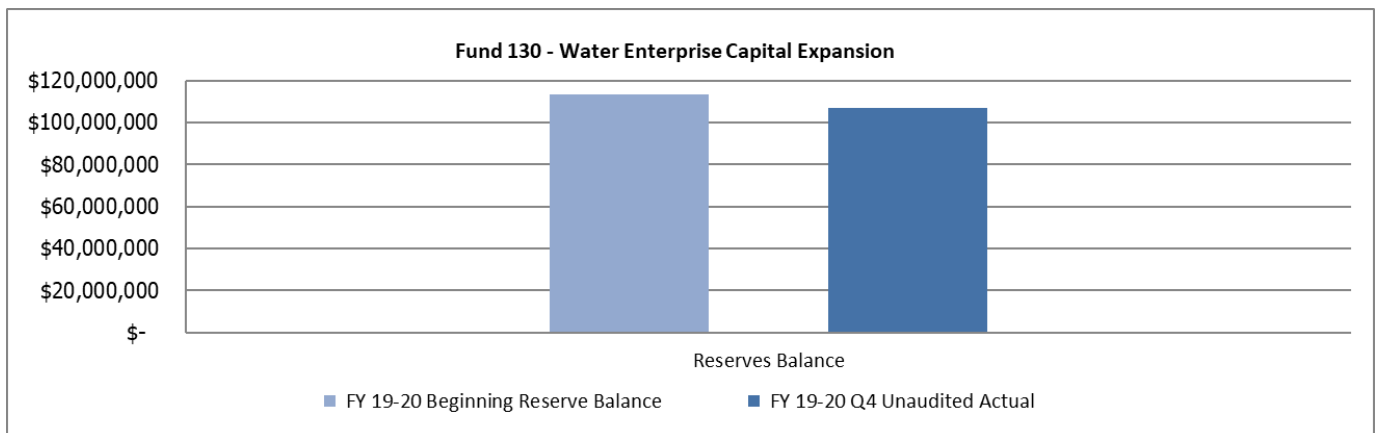
**Reserves**

The following table and chart compare the FY 2019-20 Amended Budget ending reserves balance to the Q4 unaudited actual ending reserves balance.

<b>Fund 130 Reserves</b>	<b>FY 19-20 Beginning Reserve Balance</b>	<b>FY 19-20 Q4 Unaudited Actual</b>
Sinking funds	\$18,422,814	\$18,422,814
Debt Service Rate Stabilization Reserve <sup>1</sup>	2,300,000	2,300,000
Designated for Capital Projects Reserve <sup>2</sup>	92,490,069	86,118,241
<b>Total Reserves</b>	<b>\$113,212,883</b>	<b>\$106,841,055</b>

<sup>1</sup>These reserves were established by the Board to fund debt service payments that continue after service are build-out.

<sup>2</sup>This reserve is designated for capital projects to fund the Fund 130 CIP projects the Agency has committed to over the next ten years including \$44M for the PPWTP Upgrades and Ozone Project.



Below is summary of the major projects in progress.



**FY 2019-20 Unaudited Fourth Quarter Revenue and Expenditure Report**

<b>Project</b>	<b>Total Cost</b>	<b>Fund 130 Share</b>	<b>Status</b>	<b>In-service</b>
PPWTP Upgrades Project	\$65M	\$45.5M	Construction	Summer 2022
PPWTP Ozone Project	\$45M	\$22.5M	Construction	Summer 2022
Non-discretionary obligations	~\$20M annually	~\$20M	n/a	ongoing

**Flood Protection Operations (Fund 200)**

*Primary Funding Source: Property Taxes.*

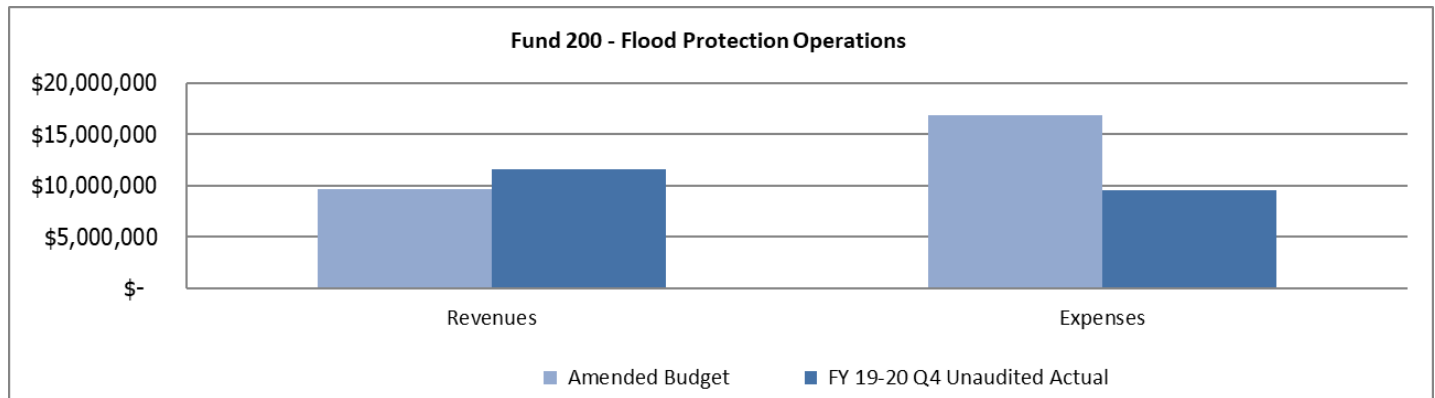
This fund uses property taxes to provide for general administration and maintenance and operation of regional flood protection facilities. The Agency manages a watershed of 425 square miles in eastern Alameda County, receiving drainage from parts of Contra Costa, Santa Clara and San Joaquin Counties. More than 37 miles of flood control channels and regional drainage facilities are owned and maintained by the Agency. 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. This fund pays renewal/replacement and improvement projects for the existing flood protection system.

The following table and graph show FY 2019-20 Adopted Budget, Fourth Quarter (Q4) Unaudited Actuals and Year-End Over/(Under) Budget.

**Fund 200 - Flood Protection Operations**

	Amended Budget	FY 19-20 Q4 Unaudited Actual	Difference
Revenues	\$ 9,629,434	\$ 11,578,834	\$ 1,949,400
Expenses	16,877,450	9,512,131	(7,365,319)
Revenues over Expenses	\$ (7,248,016)	\$ 2,066,703	\$ 9,314,719

When expenses exceed revenue, capital reserves (working capital) are being expended.



**Details of Revenue and Expenses for Fund 200**

<b>Fund 200 - Flood Protection Operations</b>	<b>FY 19-20 Amended Budget</b>	<b>FY 19-20 Q4 Projected FYE</b>	<b>Year-End Over/(Under) Budget</b>
<b>Audited Beginning Fund Balance</b>	<b>\$10,057,622</b>	<b>\$17,602,713</b>	<b>\$7,545,091</b>
<b>Revenue</b>			
Property Taxes <sup>1</sup>	9,283,103	9,834,264	551,161

**FY 2019-20 Unaudited Fourth Quarter Revenue and Expenditure Report**

<b>Investment Earnings</b>	123,071	307,486	184,415
<b>Grants</b>	64,700	79,929	15,229
<b>Other Revenue<sup>2</sup></b>	158,560	1,357,155	1,198,595
<b>Total Revenue</b>	<b>\$9,629,434</b>	<b>\$11,578,834</b>	<b>\$1,949,400</b>
<b>Expenses</b>			
<b>Labor<sup>3</sup></b>	1,852,750	2,131,040	278,290
<b>Professional Services<sup>4</sup></b>	5,450,710	2,248,477	(3,202,233)
<b>Repairs and Maintenance<sup>5</sup></b>	6,444,310	4,393,296	(2,051,014)
<b>Rental Services</b>	21,000	39	(20,961)
<b>Other Services/ Supplies</b>	796,136	714,331	(81,805)
<b>Capital Projects</b>	2,312,544	24,949	(2,287,595)
<b>Total Expenses</b>	<b>\$16,877,450</b>	<b>\$9,512,131</b>	<b>(\$7,365,319)</b>
<b>Estimated Revenue over Expenses</b>	(7,248,016)	2,066,703	9,314,719
<b>Ending Fund Balance</b>	<b>\$2,809,606</b>	<b>\$19,669,416</b>	<b>\$16,859,810</b>

Note: Totals may not add due to rounding.

**Revenue**

The primary source of revenue is property taxes.

- Property Tax:** YTD revenue includes the first and second installment of property tax revenue. Similar to Fund 110, in April, the County informed us that that the April installment will be reduced by 5% due to anticipated delinquencies as a result of COVID-19. The final allotment was trued-up in June 2020 and Zone 7 received the entire anticipated amount plus additional revenue from supplemental and prior year taxes, which are difficult to estimate during budget development.
- Other Revenue** includes a \$1.2M refund from the United States Army Corp of Engineers (USACE). USACE repaired 26 sites which were damaged during the 2017 storms. The initial cost estimate was \$15M and Zone 7's share was \$3M or 20%. The actual cost was \$9M, so Zone 7 received a credit of \$1.2M in May 2020.

**Expenses**

- Labor costs:** includes this fund's share of payroll through June 2020.
- Professional Services:** includes professional services related to the emergency flood control repairs program. Expenditures are projected to be less than budget because the budget planned for Preparing for the Storm Grant – Concannon, will remained unspent and requested in future budget years.
- Repairs and Maintenance:** FY 2019-20 expenditures include agency staff labor, summer Flood Control maintenance work and the Flood Emergency Repair Program. Actuals are less than budget mainly because the Phase 3 repair work was planned for this fiscal year but has been delayed due to permitting.

**Reserves**

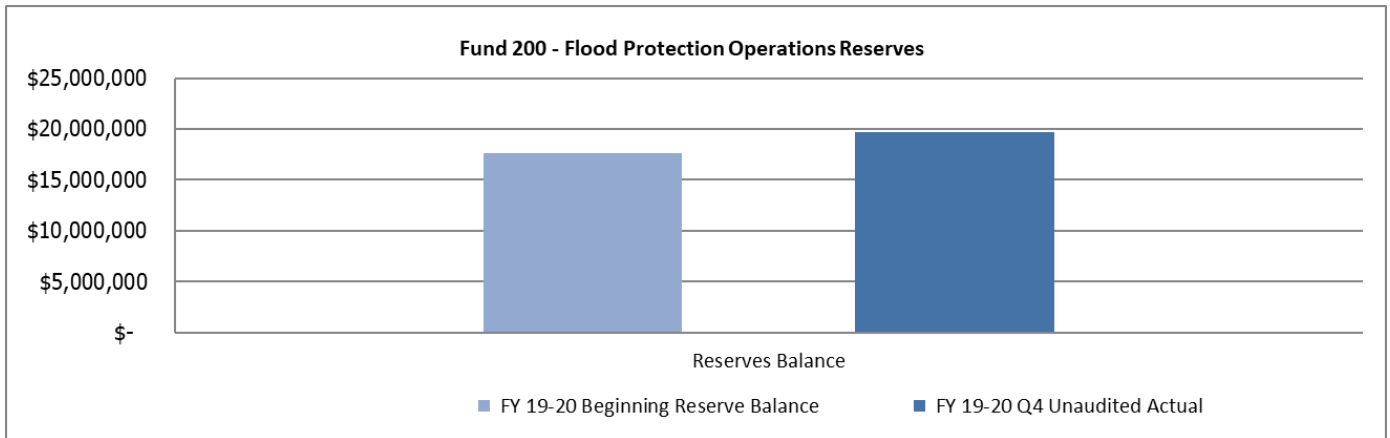
The following table and chart compare the FY 2019-20 Amended Budget ending reserves balance to the Q4 unaudited actual ending reserves balance.

	FY 19-20 Beginning Reserve Balance	FY 19-20 Q4 Projected FYE
Fund 200 Reserves		
Designated for Capital Projects Reserve	\$2,198,986	\$2,198,987
Operating Reserves	15,403,727	17,470,429
<b>Total Reserves</b>	<b>\$17,602,713</b>	<b>\$19,669,416</b>

The following table lists major projects that are in the planning/design phase.

<b>Project</b>	<b>Total Cost</b>	<b>Fund 200 Share<sup>1</sup></b>	<b>Status</b>	<b>In-service</b>
Flood Protection Emergency Repairs	\$27M	\$27M	Design/Construction	ongoing
Arroyo Mocho Medeiros Parkway	\$2.7M	\$1.1M	Design	January 2022
Stream Maintenance Program and Permitting Program	\$1.0M	\$0.8M	Planning	Fall 2020

<sup>1</sup>The remainder is paid by Fund 210 - Flood Protection Development Impact Fee Fund



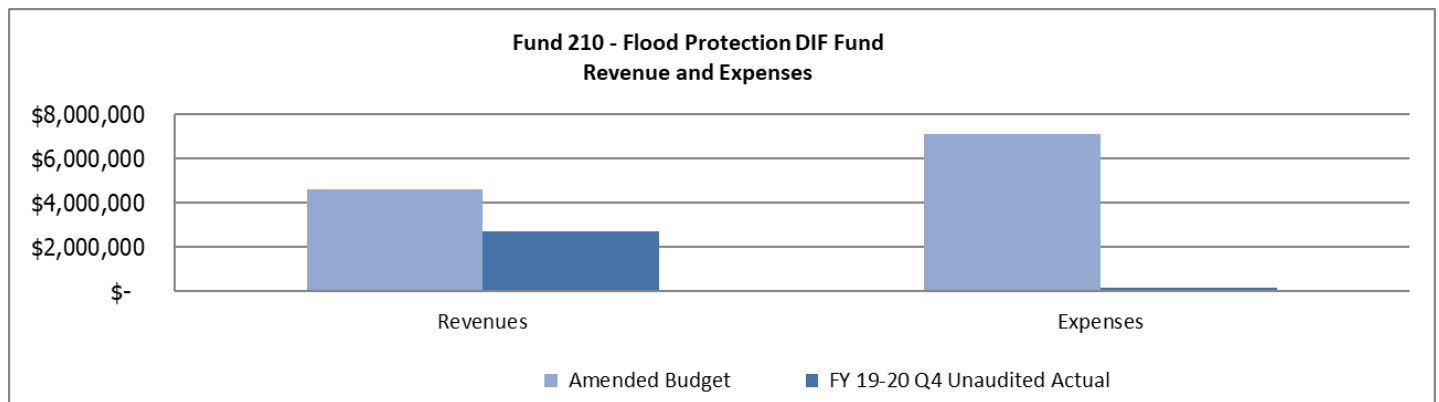
**Flood Protection Development Impact Fee Fund – Fund 210**

*Primary Funding Source: Development Impact Fees.*

The purpose of this fund is to ensure that the Agency 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.

The following table and graph show FY 2019-20 Amended Budget, Fourth Quarter (Q4) Unaudited Actuals and Year-End Over/(Under) Budget.

	Amended Budget	FY 19-20 Q4 Unaudited Actual	Difference
Revenues	\$ 4,642,649	\$ 2,695,251	\$ (1,947,398)
Expenses	7,113,270	166,910	(6,946,360)
Revenues over Expenses	\$ (2,470,621)	\$ 2,528,341	\$ 4,998,962



**Details of Revenue and Expenses for Fund 210**

Fund 210 - Flood Protection DIF Fund	FY 19-20 Amended Budget	FY 19-20 Q4 Projected FYE	Year-End Over/(Under) Budget
<b>Audited Beginning Fund Balance</b>	<b>\$63,340,830</b>	<b>\$66,872,665</b>	<b>\$3,531,835</b>
<b>Revenue<sup>1</sup></b>			
Development Fees	3,670,594	1,592,214	(2,078,380)
Investment Earnings	947,055	1,103,037	155,982
Other Revenue	25,000	-	(25,000)
<b>Total Revenue</b>	<b>\$4,642,649</b>	<b>\$2,695,251</b>	<b>(\$1,947,398)</b>
<b>Expenses<sup>2</sup></b>			
Labor	245,407	59,911	(185,496)
Capital Projects	6,867,863	106,999	(6,760,865)
<b>Total Expenses</b>	<b>7,113,270</b>	<b>166,910</b>	<b>(6,946,360)</b>
<b>Estimated Revenue over Expenses</b>	<b>(2,470,621)</b>	<b>2,528,341</b>	<b>4,998,962</b>
<b>Estimated Ending Fund Balance</b>	<b>\$60,870,209</b>	<b>\$69,401,006</b>	<b>\$8,530,797</b>

Note: Totals may not add due to rounding.

**Revenue**

1. **Revenue:** revenue is from development impact fees and interest earnings. Actual development impact fee revenue has slowed down due to COVID-19 pandemic and the impact of the shelter in place orders on construction activities.

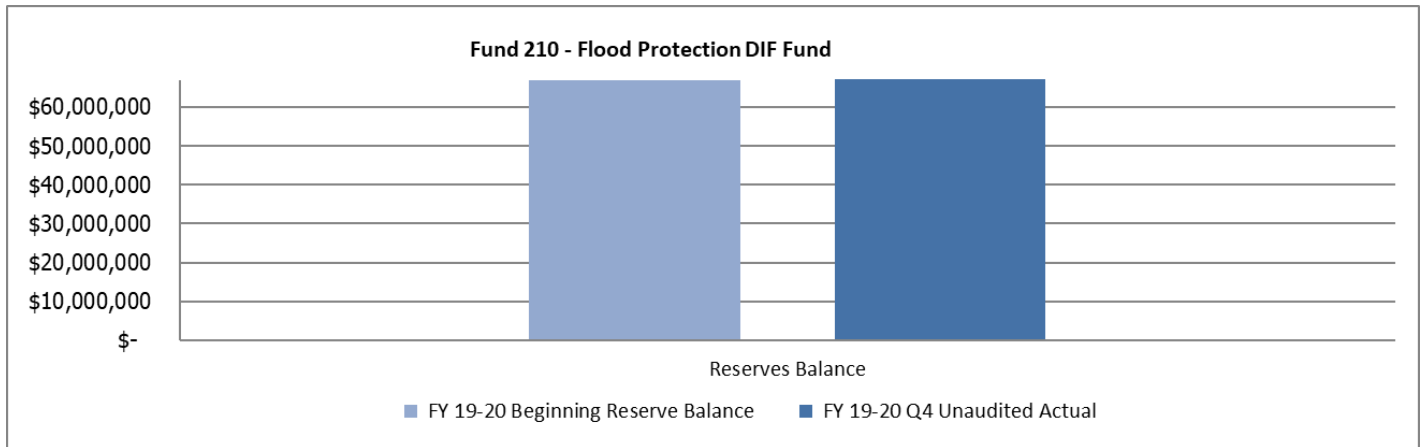
**Expenses**

2. **Expenses:** include staff labor through June 2020. The budget includes a pay-out of the Camp Parks Detention Basin reimbursement of \$3M, but that did not occur in fiscal year 2019-20 and will be carried forward to FY 2020-21. In addition, expenditures are less than budget because the budget planned for Preparing for the Storm Grant – Concannon, will remained unspent and requested in future budget years.

**Reserves**

The following table and chart compare the FY 2019-20 Amended Budget ending reserves balance to the Q4 Unaudited Actual ending reserves balance.

<b>Fund 210 Reserves</b>	FY 19-20 Beginning Reserve Balance	FY 19-20 Q4 Unaudited Actual
Designated for Capital Projects Reserve	\$66,872,665	\$69,401,006
<b>Total Reserves</b>	<b>\$66,872,665</b>	<b>\$69,401,006</b>



The following table lists major projects that are in the planning/design phase.

<b>Project</b>	<b>Total Cost</b>	<b>Fund 210 Share<sup>1</sup></b>	<b>Status</b>	<b>In-service</b>
Arroyo Mocho Medeiros Parkway	\$2.7M	\$1.6M	Design	January 2022
Camp Parks Detention Basin	\$3.0M	\$3.0M	Planning	Fall 2020
Stream Maintenance Program and Permitting Program	\$1.0M	\$0.2M	Planning	Fall 2020

<sup>1</sup>The remainder is paid by Fund 200 - Flood Protection Operations.

**FUNDING:**

No funding impacts.

**RECOMMENDED ACTION:**

Information only.