

NOTICE OF SPECIAL MEETING OF BOARD OF DIRECTORS

BOARD WORKSHOP

DATE: Wednesday, May 1, 2024

TIME: 5:30 p.m.

LOCATION: Zone 7 Administration Building

100 North Canyons Parkway, Livermore, California

VIDEO/TELECONFERENCE:

<https://us02web.zoom.us/j/88190667926>

(669) 444-9171, Meeting ID: 881 9066 7926

LIVE STREAMING:

Comcast Channel 29

AT&T U-Verse Channel 99 (Livermore)

Streaming Live at tv29live.org

Any member of the public wishing to address the Board on an item under discussion may do so upon receiving recognition from the President. If the public wishes to provide comment before the meeting, please email publiccomment@zone7water.com by 3:00 p.m. on Wednesday, May 1st.

In compliance with the Americans with Disabilities Act, the meeting room is wheelchair accessible and disabled parking is available at the Zone 7 Administrative Building lot. If you are a person with a disability and you need disability-related modifications or accommodations to participate in this meeting, please contact the Executive Assistant, Donna Fabian, at (925) 454-5000 or fax (925) 454-5723. Notification 48 hours prior to the meeting will enable Zone 7 to make reasonable arrangements to ensure accessibility to this meeting. {28 CFR 35.102-35, 104 ADA Title II}.

AGENDA

1. Call Meeting to Order
2. Open Session

3. Pledge of Allegiance
4. Roll Call of Directors
5. Public Comment on Non-Agenda Items
The Public Comment section provides an opportunity to address the Board of Directors on items that are not listed on the agenda, or informational items pertinent to the agency's business. The Board welcomes your comments and requests that speakers present their remarks in a respectful manner, within established time limits, and focus on issues which directly affect the agency or are within the jurisdiction of the agency. The Board will not be able to act on matters brought to its attention under this item until a future board meeting.
6. State Water Contractors Briefing
Recommended action: Information Only
7. Strategic Plan Kickoff
Recommended action: Information Only
8. Budget Workshop
Recommended action: Discuss and provide direction
9. Adjournment
10. Upcoming Board Schedule: (All meeting locations are in the Boardroom at 100 North Canyons Parkway, Livermore, unless otherwise noted.)
 - a. Regular Board Meeting: May 15, 2024, 7:00 pm



100 North Canyons Parkway
Livermore, CA 94551
(925) 454-5000

ORIGINATING SECTION: Administration
CONTACT: Valerie Pryor

AGENDA DATE: May 1, 2024

SUBJECT: State Water Contractors Briefing

SUMMARY:

- To support the Mission Statement to deliver safe, reliable, efficient and sustainable water, Zone 7 Water Agency (Zone 7) is a member of the State Water Contractors (SWC) organization. The SWC is an organization representing 27 of the 29 Public Water Agencies (PWAs) that hold contracts with the California Department of Water Resources (DWR) for participation in the State Water Project (SWP). Collectively, the members of the SWC provide part of the water supply delivered to approximately 27 million Californians, roughly two-thirds of the State's population, and to over 750,000 acres of irrigated agriculture.
- Under this item, the SWC General Manager, Jennifer Pierre, will provide a briefing on the SWC organization and current areas of activity.

FUNDING:

None.

RECOMMENDED ACTION:

Information only.

ORIGINATING SECTION: Office of the General Manager

CONTACT: Valerie Pryor

AGENDA DATE: May 1, 2024

SUBJECT: Strategic Plan Kickoff

SUMMARY:

This item supports Strategic Plan, Goal E – Effective Operations - provide the Agency with effective leadership, administration, and governance. The Agency’s current Five-Year Strategic Plan covers the period 2020-2024. Means Consulting, LLC will facilitate the development of the next Five-Year Strategic Plan. This process will run through December 2024.

Under this item, Ed Means will provide an overview of the process and schedule.

FUNDING:

None.

RECOMMENDED ACTION:

Information only.

ORIGINATING SECTION: Administrative Services
CONTACT: Osborn Solitei

AGENDA DATE: May 1, 2024

SUBJECT: Proposed Two-Year Operating and Capital Budget for Fiscal Years 2024-25 and 2025-26

SUMMARY:

- The proposed budget is aligned with 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 proposes a biennial budget for the Board’s review and approval. The proposed budget covers fiscal years (FY) 2024-25 and 2025-26 with a mid-cycle budget review planned for FY 2025-26.
- For the purpose of developing this budget, the Board approved water rates for Calendar Years (CY) 2025 and 2026 have been incorporated into the revenue assumptions. However, the proposed budget does not set rates; it is a planning document. Pursuant to Board Resolution No. 22-93, dated November 16, 2022, the Board shall revisit the rate schedule for CY 2025 and 2026, through a public process, with any changed rates adopted by November 2024.
- The following assumptions have been incorporated into the proposed budget:
 - › **Water Rates:** 5.5% water rate increases approved by the Board for CYs 2025 and 2026.
 - › **State Water Project (SWP) Property Tax:** No increase to the SWP property tax for FY 2024-25 and 2025-26.
 - › **Connection Fee Revenue:** \$10M in connection fee revenue for both FY 2024-25 and FY 2025-26. This is a \$15M reduction from the current year budget.
 - › **Storm Damage Repairs:** Phase 1 of the 2023 Storm repairs, which includes 78 damaged sites totaling \$18.7M over two years.
 - › **Personnel:** Addition of five full-time positions, at a cost of \$1.1M, a 4% annual cost of living adjustment each year, and an estimated 10% vacancy rate.

- › **Section 115 Pension Trust:** Contributions of \$150K to the Pension Trust for FY 2024-25 and FY 2025-26 as unallocated fund balance is estimated to be available at the end of each fiscal year.
- › **Reserves:** All reserves are compliant with Reserve Policy.

The table below summarizes the Agency-wide proposed budget.

	FY 2023-24 Projection¹	FY 2024-25 Proposed Budget	FY 2025-26 Proposed Budget
Estimated Beginning Fund Balance	\$322,915,000	\$287,268,000	\$295,177,000
Revenue²	146,145,000	165,920,000	152,537,000
Expenses³	181,792,000	158,011,000	172,871,000
Operating Impact (Rev-Exp)	(35,647,000)	7,909,000	(20,334,000)
Estimated Ending Fund Balance	\$287,268,000	\$295,177,000	\$274,843,000

¹ Amounts based on FY 2023-24 Second Quarter (Q2) projections and are subject to change.

² Increase in revenue in FY 2024-25 is due to a one-time collection of grants for the Stoneridge PFAS (\$16M) and Chain of Lakes PFAS (\$958K) projects.

³ The decrease in expenses in FY 2024-25 is due to the construction of major water system projects in the prior year such as the Stoneridge PFAS (\$10M) and Chain of Lakes PFAS (\$22M).

RECOMMENDED ACTION:

Discuss and provide direction. Staff will incorporate the Board’s recommended changes into a final proposed budget, which will be presented for adoption at the June 11, 2024, Regular Board Meeting.

ATTACHMENT(S):

1. Exhibit A – FY 2024-25 and FY 2025-26 Proposed Budget – Summary of Budget by Account Classification
2. Exhibit B – FY 2024-25 and FY 2025-26 Proposed Capital Projects Listing

OPERATING BUDGETS

Fund 100 – Water Enterprise Operations 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 includes water treatment and transmission 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. Programs in the fund include water treatment, water quality analysis, water resource management, groundwater recharge and protection, general administration, maintenance, out-of-area water banking infrastructure, and water supply planning and engineering.

The table below summarizes the proposed budget for Fund 100. This proposed budget uses projected unallocated fund balance for FYs 2024-25 and 2025-26:

	FY 2023-24 Projection ¹	FY 2024-25 Proposed Budget	FY 2025-26 Proposed Budget
Estimated Beginning Fund Balance	\$29,369,000	\$32,050,000	\$30,794,000
Revenue	67,230,000	68,185,000	72,165,000
Expenses	64,549,000	69,441,000	72,442,000
Operating Impact (Rev-Exp)	2,681,000	(1,256,000)	(277,000)
Estimated Ending Fund Balance²	\$32,050,000	\$30,794,000	\$30,517,000

¹Amounts based on FY 2023-24 Q2 projections and are subject to change.

²The estimated ending fund balance includes target reserves, Section 115 Pension Trust, and unallocated fund balance.

Fund 100 Detailed Budget

The table below provides a detailed breakdown of the proposed FY 2024-25 and FY 2025-26 Fund 100 budget.

Fund 100 - Water Enterprise Operations	FY 2023-24 Projection¹	FY 2024-25 Proposed Budget	FY 2025-26 Proposed Budget
Estimated Beginning Fund Balance	\$29,369,000	\$32,050,000	\$30,794,000
Revenue			
Water Sales	66,148,000	67,393,000	71,268,000
Investment Earnings	750,000	479,000	454,000
State Grant	-	-	130,000
Other Revenue	332,000	313,000	313,000
Total Revenue	67,230,000	68,185,000	72,165,000
Expenses			
Personnel	18,508,000	20,255,000	21,005,000
Professional Services	2,950,000	4,216,000	3,589,000
County Services	1,909,000	1,133,000	1,936,000
Insurance Services	760,000	850,000	900,000
Legal Services	340,000	455,000	455,000
Water	6,288,000	5,952,000	7,273,000
Delta Conveyance Project	2,375,000	3,300,000	3,300,000
Chemicals	3,821,000	4,000,000	4,000,000
Utilities	2,410,000	2,308,000	2,428,000
Telecommunications	157,000	251,000	238,000
Maintenance Services	2,207,000	2,533,000	2,484,000
Rental Services	309,000	556,000	546,000
Office Supplies and Other Services	620,000	739,000	595,000
Organizational Memberships and Support	470,000	442,000	424,000
Los Vaqueros Reservoir Expansion Project	992,000	-	320,000
Training and Travel	160,000	199,000	197,000
Water Conservation Program	120,000	158,000	158,000
Equipment	160,000	-	-
Debt Service	3,342,000	4,976,000	4,976,000
Capital Funding	16,651,000	17,118,000	17,618,000
Total Expenses	64,549,000	69,441,000	72,442,000
Operating Impact (Rev-Exp)	2,681,000	(1,256,000)	(277,000)
Estimated Ending Fund Balance	\$32,050,000	\$30,794,000	\$30,517,000

¹Amounts based on FY 2023-24 Q2 projections and are subject to change.

Revenue

The FY 2024-25 and FY 2025-26 proposed revenue is \$68.2M and \$72.2M. Revenue highlights and assumptions are described below.

- **Water Sales:** The proposed budget assumes rate increases of 5.5% for CYs 2025 and 2026, as adopted via Resolution No. 22-93, dated November 16, 2022. Treated water sales are estimated to be 34,000 AF in FY 2024-25 and 35,000 AF in FY 2025-26. Untreated water sales are estimated at 5,000 AF each year. Water sales estimates are based on a five-year historical average.
- **Investment Earnings:** The proposed budget assumes investment earnings of 2.5% in FY 2024-25 and 1.5% in FY 2025-26.
- **Grants:** FY 2025-26 includes receipt of Prop 1 IRWM Round 2 grant proceeds for the water supply risk model enhancements and optimization project, which funds approximately 50% of the total project cost.
- **Other Revenue:** The proposed budget includes miscellaneous revenue such as well permit fees and DWR refunds.

Expenses

The FY 2024-25 and FY 2025-26 proposed expenses are \$69.4M and \$72.4M. Expense highlights and assumptions are described below.

- **Personnel:** The proposed budget assumes the addition of five full-time positions, at a cost of \$1.1M, a 4% annual cost of living adjustment each year, and an estimated 10% vacancy rate. The newly proposed positions are described in the table below.

Position	Justification
Water Treatment Plant Operator (2 FTE)	Two additional Water Treatment Operators to reduce the occurrence of extended-duration solo-work at the treatment plants.
Water Quality Laboratory Supervisor, Zone 7 (1 FTE)	This new Laboratory Supervisor position is required for compliance with the new California Environmental Laboratory Accreditation Program regulations, which requires the Agency to designate a "Technical Manager" and a "Quality Manager".
CMMS Position (1 FTE)	This new position will be responsible for development, implementation, and management of the new CMMS program.
Senior Network Engineer (1 FTE)	This new position will be responsible for assessing, planning, designing, and managing network infrastructure, SCADA applications, and cybersecurity.

- **Professional Services:** The proposed professional services are summarized below, categorized primarily by section.

Professional Services	FY 2024-25 Proposed	FY 2025-26 Proposed
Communications (Communication Services, School & Outreach, Website)	\$507,000	\$537,000
Engineering (As-needed Engineering Services, Water Infrastructure Act Risk and Resiliency Assessment)	390,000	190,000
Finance (Cost System Programming, As-needed Grant/Loan Support, External Auditor)	173,000	176,000
Groundwater (GW Model Update, GW Database Development and Implementation, other as-needed studies)	735,000	445,000
Human Resources (HR Related Activities, Support)	90,000	95,000
Information Technology Services	313,000	321,000
Office of General Manager (Legislative Services, Strategic Planning)	330,000	202,000
Security Guard Services	255,000	275,000
Water Supply Planning (Energy Strategic Plan, Water Supply Model – partially grant funded, Demand Study, Urban Water Management Plan, ADV Water Rights CEQA Compliance)	743,000	840,000
Water Quality (PFAS Monitoring, Analytical Support)	323,000	150,000
Other (SCADA Services, Safety Consultant)	107,000	108,000
Contingency	250,000	250,000
Total	\$4,216,000	\$3,589,000

- **Water Production:** Includes water, chemicals, and utilities. Based on current information, the proposed budget anticipates drier conditions in CYs 2025 and 2026 and surface water as the primary source of water supply.
 - › **Water** – Water costs in FY 2024-25 are estimated to be \$5.95M and increase to \$7.3M in FY 2025-26. Based on current information, the proposed budget allocates funding for State Water Project (SWP) conveyance, water recovery from local storage, recovery/storage from the Kern County banking program, and purchase of additional water supplies. The increase in FY 2025-26 reflects planned recovery of banked water from Kern County.
 - › **Chemicals** – The proposed budget incorporates the continued inflationary cost increases to chemicals and the assumption of predominately treating surface water to meet demands.
 - › **Utilities** – The proposed budget primarily reflects energy costs associated with the treatment of surface water at the Agency’s ozone facilities.
- **Water Reliability Projects:** The proposed budget estimates \$3.3M per year for the Delta Conveyance project and \$320K in FY 2025-26 for the Los Vaqueros Reservoir Expansion project. Due to project delays, no payment is planned for FY 2024-25 for the Los Vaqueros project.

- **Water Conservation Program:** The proposed budget allocates funding to the Agency’s rebate program to continue efforts dedicated to incentivizing Tri-Valley residents to convert to water efficient appliances and drought resistant landscapes.
- **Computerized Maintenance Management System (CMMS):** The proposed budget includes funding for a new CMMS position and \$1.6M in capital funding for CMMS support. The new system will need continued support to ensure that the project is successfully implemented and sustained. Successful implementation of the new CMMS will lower reactive maintenance and increase asset uptime, reliability, and safety, extending the useful life of Zone 7 assets.
- **Debt Service:** The proposed budget includes annual debt service payments for the Agency’s 2018 and 2023 Series A Bonds.

Reserves

Per Resolution No. 19-37, dated May 15, 2019, the Board approved the revised reserve policy. The proposed budget recommends continuing to fund reserves at target levels. The corresponding target reserve requirements for the proposed budget are shown in the table below.

Fund 100 Reserves	Target Policy	FY 2024-25 Proposed Budget	FY 2025-26 Proposed Budget
Operating	90 days of budgeted operating expenses	\$12,902,000	\$13,518,000
Emergency	2.5% of water enterprise assets	8,381,000	8,465,000
Economic Uncertainties	15% of budgeted volume-based water sales	5,298,000	5,611,000
Total Target Reserves¹		\$26,581,000	\$27,594,000
Section 115 Pension Trust Fund ²		1,920,000	2,047,000
Unallocated Fund Balance ³		2,293,000	876,000
Total Proposed Reserves Budget		\$30,794,000	\$30,517,000

1. **Target Reserves** - The proposed budget meets the Agency’s reserve policy requirement of funding all reserves at target levels.
2. **Section 115 Pension Trust Fund** - The proposed budget includes contributions of \$150K to the Pension Trust for FY 2024-25 and FY 2025-26 as unallocated fund balance is estimated to be available at the end of each FY.
3. **Unallocated Fund Balance** – The unallocated fund balance is the remaining balance of funds after all reserves have been funded at target level. Based on the proposed budget, this balance is projected to be approximately \$876K by the end of FY 2025-26. The unallocated fund balance is unrestricted, giving the Board discretion of how and when to use it. At the February 15, 2024, Finance Committee Meeting, staff were given direction on the Committee’s preferred use of unallocated fund balance. These options include:
 - i. Offsetting future rate increases,
 - ii. Funding the annual contribution to the IRS Section 115 Pension Trust per the adopted Board policy,
 - iii. Funding for water supply reliability projects.

Fund 110 – State Water Facilities Fund (Fund 110)

Primary Funding Source: Property Taxes

This fund finances the Agency’s contractual obligation to 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 table below summarizes the proposed budget and projected reserve balances in Fund 110. Details of the proposed budget can be found in Exhibit A.

	FY 2023-24 Projection ¹	FY 2024-25 Proposed Budget	FY 2025-26 Proposed Budget
Estimated Beginning Fund Balance	\$48,613,000	\$51,731,000	\$52,960,000
Revenue	29,426,000	29,941,000	29,655,000
Expenses	26,308,000	28,712,000	31,252,000
Operating Impact (Rev-Exp)	3,118,000	1,229,000	(1,597,000)
Estimated Ending Fund Balance	\$51,731,000	\$52,960,000	\$51,363,000
Reserve Policy Maximum	28,712,000	31,252,000	33,752,000
Above/(Below) Policy Max.²	23,019,000	21,708,000	17,611,000

¹Amounts based on FY 2023-24 Q2 projections and are subject to change.

²Although the projected year-end fund balance exceeds the reserve maximum, State Water Project costs are highly volatile and unpredictable. Based on the State Water Project budget report for CYs 2024 and 2025, the total capital need for the next 12 years is estimated to be \$6.0B, of which the Agency is responsible for its proportional share.

Revenue

The FY 2024-25 and FY 2025-26 proposed revenue is \$29.9M and \$29.7M. Revenue highlights and assumptions are described below.

- **Property Taxes:** The proposed budget assumes no increase in the property tax override in FY 2024-25 and FY 2025-26.
- **Investment Earnings:** The proposed budget assumes investment earnings of 2.5% in FY 2024-25 and 1.5% in FY 2025-26.
- **Other Revenue:** Other revenue includes miscellaneous revenue such as DWR refunds.

Expenses

The FY 2024-25 and FY 2025-26 proposed expenses are \$28.7M and \$31.3M. Expense highlights and assumptions are described below.

- **Professional Services:** The proposed budget includes Fund 110’s share of the Agency’s investment advisory services.
- **Water:** The proposed FY 2024-25 budget assumes an increase of 6% over the FY 2023-24 projection and FY 2025-26 assumes a 9% increase over the prior year. The increases are based on rising operating and maintenance costs and DWR’s projection of increasing costs due to critical infrastructure improvement needs.

Fund 200 – Flood Protection Operations (Fund 200)

Primary Funding Source: Property Taxes

Fund 200 funds the Agency’s general flood administration and flood control services to ensure controlled drainage of the Tri-Valley’s excess stormwater runoff. 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.

The table below summarizes the proposed budget and projected reserve balances for Fund 200.

	FY 2023-24 Projection ¹	FY 2024-25 Proposed Budget	FY 2025-26 Proposed Budget
Estimated Beginning Fund Balance	\$23,917,000	\$23,830,000	\$13,620,000
Revenue	12,837,000	13,498,000	15,958,000
Expenses	12,924,000	23,708,000	19,430,000
Operating Impact (Rev-Exp)	(87,000)	(10,210,000)	(3,472,000)
Estimated Ending Fund Balance	\$23,830,000	\$13,620,000	\$10,148,000
Reserve Policy Maximum²	6,644,000	12,060,000	9,932,000
Above/below Policy Max.	17,186,000	1,560,000	216,000

¹Amounts based on FY 2023-24 Q2 projections and are subject to change.

²Reserve policy max is equal to 50% of O&M plus the Section 115 Pension Trust balance allocated to this fund.

Fund 200 Detailed Budget

The table below provides a detailed breakdown of the proposed FY 2024-25 and FY 2025-26 Fund 200 budget.

Fund 200 - Flood Protection Operations	FY 2023-24 Projection ¹	FY 2024-25 Proposed Budget	FY 2025-26 Proposed Budget
Estimated Beginning Fund Balance	\$23,917,000	\$23,830,000	\$13,620,000
Revenue			
Property Taxes	11,630,000	12,573,000	13,077,000
Grants		94,000	2,465,000
Investment Earnings	550,000	595,000	180,000
Other Revenue	657,000	236,000	236,000
Total Revenue	\$12,837,000	\$13,498,000	\$15,958,000
Expenses			
Personnel	2,719,000	3,133,000	3,208,000
Professional Services	3,750,000	3,264,000	3,175,000
County Services	100,000	110,000	110,000
Telecommunications	5,000	6,000	6,000
Maintenance Services	5,500,000	16,224,000	11,920,000
Rental Services	10,000	88,000	45,000
Office Supplies and Other Services	700,000	717,000	797,000
Organizational Memberships and Support	75,000	88,000	91,000
Training and Travel	25,000	27,000	27,000
Equipment	25,000	35,000	35,000
Capital Funding	15,000	16,000	16,000
Total Expenses	\$12,924,000	\$23,708,000	\$19,430,000
Operating Impact (Rev-Exp)	(87,000)	(10,210,000)	(3,472,000)
Ending Fund Balance	\$23,830,000	\$13,620,000	\$10,148,000

¹Amounts based on FY 2023-24 Q2 projections and are subject to change.

Revenue

The FY 2024-25 and FY 2025-26 proposed revenue is \$13.5M and \$15.9M. Revenue highlights and assumptions are described below.

- **Property Taxes:** The proposed FY 2024-25 property tax collection is based on amounts provided by the County. FY 2025-26 assumes a 4% increase in assessed valuation.
- **Grants:** The Agency is pursuing Federal and State assistance/funding from the U.S Army Corps of Engineers (USACE), the Federal Emergency Management Agency (FEMA), and the California Office of Emergency Services (CAL OES) for the 2023 Storm repairs. FY 2024-25 and FY 2025-26 include \$94K and \$2.5M in grant funding, respectively for Phase 1 Repairs (described in the Expenses section below).

- **Investment Earnings:** The proposed budget assumes investment earnings of 2.5% in FY 2024-25 and 1.5% in FY 2025-26.

Expenses

The FY 2024-25 and FY 2025-26 proposed expenses are \$23.7M and \$19.4M. Expense highlights and assumptions are described below.

- **Personnel:** The proposed budget estimates 4% increases each year for a cost-of-living adjustment.
- **Professional Services:** The proposed budget includes \$3.2M each year to provide services such as engineering support, hydraulic modeling, environmental planning & permitting, construction management, and the next phase of the Flood Management Plan (FMP).
- **Repairs and Maintenance:** The proposed budget provides funding for Phase 1 of the 2023 Storm repairs, which includes 78 damaged sites totaling \$18.7M over two years:
 - › FY 2024-25: The proposed budget assumes USACE will repair 48 damaged sites at a total cost of \$40M. The Agency will be responsible for 20%, or \$8M, which has been included in the budget. FY 2024-25 also includes \$3.7M to repair six high-priority sites.
 - › FY 2025-26: The proposed budget includes \$7M for the repair of 24 damaged sites.
- **Professional and Maintenance Services:** The proposed professional and maintenance services are summarized below.

Professional & Maintenance Services	FY 2024-25 Proposed Budget	FY 2025-26 Proposed Budget
2023 Storm Damage Repair Project Phase 1 (repair of 78 sites)	\$11,730,000	\$6,981,000
Maintenance (Flood Maintenance, Landscaping, Mowing, Trucking, Pest Control, Vegetation Spraying)	3,668,000	3,665,000
Engineering (Hydraulic Modeling, Surveying, Engineering Design and Support Services)	2,055,000	2,004,000
Finance (investment advisory services)	5,000	5,000
Flood Management Plan (future phases of FMP and strategic O&M consulting)	944,000	944,000
Planning (Environmental Planning, Programmatic Permitting Support, Living Arroyos Program)	696,000	706,000
Contingency	500,000	500,000
Alamo Creek Pilot Project¹		400,000
Total	\$19,598,000	\$15,205,000

¹Total estimated project cost is \$6.2M, of which \$5.8M has been appropriated in prior years' budgets. The Agency was awarded a \$4.6M grant for this project.

CAPITAL BUDGETS

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

This is a sub-fund of Fund 100 – Water Enterprise Operations Fund

Primary funding source: Water rates via the capital funding transfer from Fund 100

The purpose of this fund is to ensure 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 table below summarizes the proposed budget and projected reserve balances for Fund 120. Details of the proposed budget can be found in Exhibit A.

	FY 2023-24 Projection ¹	FY 2024-25 Proposed Budget	FY 2025-26 Proposed Budget
Estimated Beginning Fund Balance	\$74,784,000²	\$34,914,000	\$57,323,000
Revenue	17,921,000	35,700,000	18,212,000
Expenses	57,791,000	13,291,000	24,887,000
Operating Impact (Rev-Exp)	(39,870,000)	22,409,000	(6,675,000)
Estimated Ending Fund Balance	\$34,914,000	\$57,323,000	\$50,648,000
Reserve Policy Requirement³	19,632,000	31,244,000	42,138,000
Above/Below Policy Requirement	15,282,000	26,079,000	8,510,000

¹Amounts based on FY 2023-24 Q2 projections plus prior-year carryovers (subject to change).

²Includes approximately \$29.7M in 2023 Revenue Bond proceeds.

³Reserve policy requirement is comprised of 100% of the following years' capital budget, debt rate stabilization fund, and the Section 115 Pension Trust balance allocated to this fund. Any reserves above the policy requirement will fund future projects as set forth in the Asset Management Plan/Capital Improvement Plan.

Revenue

The FY 2024-25 and FY 2025-26 proposed revenue is \$35.7M and \$18.2M. Revenue highlights and assumptions are described below.

- **Capital Funding:** The proposed budget assumes a 3% increase in capital funding from Fund 100 for FY 2024-25 and FY 2025-26.
- **Grants:** The Agency has been awarded a \$16M grant from the DWR's Sustainable Groundwater Management Grant Program for development of the Stoneridge Well IX PFAS treatment facility and a \$960K federal grant to help fund the Chain of Lakes PFAS treatment facility. Both grants are anticipated to be received in FY 2024-25.
- **Investment Earnings:** The proposed budget assumes investment earnings of 2.5% in FY 2024-25 and 1.5% in FY 2025-26.

Expenses

The FY 2024-25 and FY 2025-26 proposed expenses are \$13.3M and \$24.9M. Expense highlights and assumptions are described below.

- **Professional Services:** The proposed budget includes Fund 120's portion of the Agency's Investment Advisory services.
- **Capital Projects:** The proposed budget includes \$13.3M in FY 2024-25 and \$24.9M in FY 2025-26 for renewal/replacement and system-wide improvement capital projects including the following:
 - › Chain of Lakes Conveyance System
 - › Mocho Groundwater Demineralization Plant and Mocho Wellfield PFAS Compliance Conceptual Design
 - › Del Valle Water Treatment Plant and Patterson Pass Water Treatment Plant HVAC Replacement
 - › Patterson Pass Water Treatment Plant Improvements and Replacements
 - › Regional Project Feasibility Study

See Exhibit B for the capital projects listing.

Fund 130 – Water Enterprise Expansion (Fund 130)

Primary Funding Source: Water Connection Fees

The purpose of this fund is to ensure the Agency can 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 table below summarizes the proposed budget and projected reserve balances for Fund 130. Details of the proposed budget can be found in Exhibit A.

	FY 2023-24 Projection ¹	FY 2023-24 Proposed Budget	FY 2024-25 Proposed Budget
Estimated Beginning Fund Balance	\$70,387,000	\$66,651,000	\$60,741,000
Revenue	15,400,000	15,119,000	13,835,000
Expenses	19,136,000	21,029,000	23,077,000
Operating Impact (Rev-Exp)	(\$3,736,000)	(\$5,910,000)	(\$9,242,000)
Estimated Ending Fund Balance	\$66,651,000	\$60,741,000	\$51,499,000
Reserve Policy Requirement²	39,862,000	42,234,000	44,978,000
Above/Below Policy Requirement	26,789,000	18,507,000	6,521,000

¹Amounts based on FY 2023-24 Q2 projections and are subject to change.

²Reserve policy requirement is comprised of 60% of non-discretionary expenses, debt rate stabilization fund, sinking funds and the Section 115 Pension Trust balance allocated to this fund. Any reserves above the policy requirement will fund future capital expansion projects as set forth in the Capital Improvement Plan.

Revenue

The FY 2024-25 and FY 2025-26 proposed revenue is \$15.1M and \$13.8M. Revenue highlights and assumptions are described below.

- **Connection Fee Revenue:** The primary revenue source in this fund is connection fee revenue, which has continued to decline since 2019. The proposed budget assumes \$10M in connection fee revenue each year, which is equal to the projected amount to be received in FY 2023-24. A connection fee study is currently underway. The study will evaluate the number of future connections in the service area and the allocation of capital projections to the Water Expansion Fund.
- **Investment Earnings:** The proposed budget assumes investment earnings of 2.5% in FY 2024-25 and 1.5% in FY 2025-26.
- **Other Revenue:** Other revenue includes miscellaneous revenue such as DWR refunds.

Expenses

The FY 2024-25 and FY 2025-26 proposed expenses are \$21M and \$23.1M. Expense highlights and assumptions are described below.

- **Professional Services:** The proposed budget includes Fund 130's portion of the Agency's Investment Advisory services.
- **Legal Services:** The proposed budget includes \$200K annually for legal services.
- **Water:** The proposed budget includes the annual debt service payments for the South Bay Aqueduct (SBA) enlargement and the future contractor's share of the SBA of approximately \$17M per year.
- **Water Supply Reliability Projects:** The proposed budget includes funding for continuing participation in the following projects:
 - Los Vaqueros Reservoir Expansion Project: \$85K in FY 2024-25 and \$170K in FY 2025-26
 - Sites Reservoir Project \$450K in FY 2024-25 and \$1M in FY 2025-26
- **Debt Service:** The proposed budget includes \$1.1M annually for debt service payments.
- **Capital Projects:** The proposed budget includes \$2.4M in FY 2024-25 and \$3.2M in FY 2025-26 for capital projects planning, including:
 - › Well Master Plan
 - › Regional Well Project Feasibility Study
 - › Groundwater Contaminant Mobilization Follow-up Study
 - › COL Conveyance System

See Exhibit B for the capital projects listing.

Fund 210 – 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 can 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 table below summarizes the proposed budget and projected reserve balances for Fund 210. Details of the proposed budget can be found in Exhibit A.

	FY 2023-24 Projection ¹	FY 2024-25 Proposed Budget	FY 2025-26 Proposed Budget
Estimated Beginning Fund Balance	\$75,845,000	\$78,092,000	\$79,739,000
Revenue	3,331,000	3,477,000	2,712,000
Expenses	1,084,000	1,830,000	1,783,000
Operating Impact (Rev-Exp)	2,247,000	1,647,000	929,000
Estimated Ending Fund Balance²	\$78,092,000	\$79,739,000	\$80,668,000

¹Amounts based on FY 2023-24 Q2 projections and are subject to change.

²Per the Reserve Policy, this fund is not required to have a minimum or maximum balance.

Revenue

The FY 2024-25 and FY 2025-26 proposed revenue is \$3.5M and \$2.7M. Revenue highlights and assumptions are described below.

- **Development Fees:** Development fees have been trending lower since FY 2021-22 (averaging \$1.3M per year). Therefore, the proposed budget is conservatively estimating \$1.5M in development fee revenue per year.
- **Investment Earnings:** The proposed budget assumes investment earnings of 2.5% in FY 2024-25 and 1.5% in FY 2025-26.

Expenses

The proposed expenses are \$1.8M each year. Expense highlights and assumptions are described below.

- **Professional Services:** The proposed budget includes approximately \$1.3M each year to provide services related to flood expansion such as engineering support, hydraulic modeling, environmental planning, the next phase of the FMP and \$500K of annual contingency.

Exhibit A - Summary of Budget by Account Classification

The schedule below summarizes the proposed budget by fund and account classification. The schedule includes revenue, expenses and projected reserve balances at fiscal year-end. 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/Development Impact Fee Fund).

	Fund 100	Fund 110	Fund 120	Fund 130	Fund 200	Fund 210	Total
FY 2024-25 Estimated Beginning Fund Balance	\$32,050,000	\$51,731,000	\$34,914,000	\$66,651,000	\$23,830,000	\$78,092,000	\$287,268,000
Revenue							
Water Sales and Service	67,393,000	2,773,000					70,166,000
Property Taxes		22,201,000			12,573,000		34,774,000
Connection/Development Fees				10,000,000		1,500,000	11,500,000
Investment Earnings	479,000	1,292,000	1,378,000	1,669,000	595,000	1,952,000	7,365,000
Grants			16,958,000		94,000		17,052,000
Other Revenue	313,000	3,675,000	452,000	3,450,000	236,000	25,000	8,151,000
Capital Funding			16,912,000				16,912,000
Total Revenue	\$68,185,000	\$29,941,000	\$35,700,000	\$15,119,000	\$13,498,000	\$3,477,000	\$165,920,000
Expenses							
Personnel	20,255,000		2,118,000	379,000	3,133,000	147,000	26,032,000
Professional Services	4,216,000	16,000	29,000	50,000	3,264,000	1,183,000	8,758,000
County Services	1,133,000				110,000		1,243,000
Insurance Services	850,000						850,000
Legal Services	455,000			200,000			655,000
Water	5,952,000	28,696,000		16,790,000			51,438,000
Delta Conveyance Project	3,300,000						3,300,000
Chemicals	4,000,000						4,000,000
Utilities	2,308,000						2,308,000
Telecommunications	251,000				6,000		257,000
Maintenance Services	2,533,000				16,224,000		18,757,000
Rental Services	556,000				88,000		644,000
Office Supplies and Other Services	739,000				717,000		1,456,000
Organizational Memberships and Support	442,000				88,000		530,000
Los Vaqueros Expansion Project							-
Sites Reservoir Project				450,000			450,000
Training and Travel	199,000				27,000		226,000
Water Conservation Program	158,000						158,000
Capital Projects			11,144,000	2,068,000		500,000	13,712,000
Equipment					35,000		35,000
Debt Service	4,976,000			1,092,000			6,068,000
<i>Subtotal (before capital funding)</i>	<i>52,323,000</i>	<i>28,712,000</i>	<i>13,291,000</i>	<i>21,029,000</i>	<i>23,692,000</i>	<i>1,830,000</i>	<i>140,877,000</i>
Capital Funding	17,118,000				16,000		17,134,000
Total Expenses	69,441,000	28,712,000	13,291,000	21,029,000	23,708,000	1,830,000	158,011,000
Operating Impact (Revenue-Expenses)	(1,256,000)	1,229,000	22,409,000	(5,910,000)	(10,210,000)	1,647,000	7,909,000
FY 2024-25 Estimated Ending Fund Balance	\$30,794,000	\$52,960,000	\$57,323,000	\$60,741,000	\$13,620,000	\$79,739,000	\$295,177,000
Reserves							
Operating	12,902,000	52,960,000			11,854,000		77,716,000
Debt Rate Stabilization			6,300,000	2,300,000			8,600,000
Emergency	8,381,000						8,381,000
Reserve for Economic Uncertainties	5,298,000						5,298,000
Section 115 Trust	1,920,000		57,000	19,000	206,000		2,202,000
SBA Enlargement				21,000,000			21,000,000
Future Contractor's Share of SBA				8,170,000			8,170,000
Capital Projects			50,966,000	29,252,000	1,560,000	79,739,000	161,517,000
Unallocated Fund Balance	2,293,000						2,293,000
Total Reserves	30,794,000	\$52,960,000	\$57,323,000	\$60,741,000	\$13,620,000	\$79,739,000	\$295,177,000

Exhibit A - Summary of Budget by Account Classification

The schedule below summarizes the proposed budget by fund and account classification. The schedule includes revenue, expenses and projected reserve balances at fiscal year-end. 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/Development Impact Fee Fund).

	Fund 100	Fund 110	Fund 120	Fund 130	Fund 200	Fund 210	Total
FY 2025-26 Estimated Beginning Fund Balance	\$30,794,000	\$52,960,000	\$57,323,000	\$60,741,000	\$13,620,000	\$79,739,000	\$295,177,000
Revenue							
Water Sales and Service	71,268,000	2,995,000					74,263,000
Property Taxes		22,201,000			13,077,000		35,278,000
Connection/Development Fees				10,000,000		1,500,000	11,500,000
Investment Earnings	454,000	784,000	812,000	835,000	180,000	1,187,000	4,252,000
Grants	130,000				2,465,000		2,595,000
Other Revenue	313,000	3,675,000	2,000	3,000,000	236,000	25,000	7,251,000
Capital Funding			17,398,000				17,398,000
Total Revenue	\$72,165,000	\$29,655,000	\$18,212,000	\$13,835,000	\$15,958,000	\$2,712,000	\$152,537,000
Expenses							
Personnel	21,005,000		2,194,000	393,000	3,208,000	152,000	26,952,000
Professional Services	3,589,000	16,000	29,000	50,000	3,175,000	1,131,000	7,990,000
County Services	1,936,000				110,000		2,046,000
Insurance Services	900,000						900,000
Legal Services	455,000			200,000			655,000
Water	7,273,000	31,236,000		17,400,000			55,909,000
Delta Conveyance Project	3,300,000						3,300,000
Chemicals	4,000,000						4,000,000
Utilities	2,428,000						2,428,000
Telecommunications	238,000				6,000		244,000
Maintenance Services	2,484,000				11,920,000		14,404,000
Rental Services	546,000				45,000		591,000
Office Supplies and Other Services	595,000				797,000		1,392,000
Organizational Memberships and Support	424,000				91,000		515,000
Los Vaqueros Expansion Project	320,000			80,000			400,000
Sites Reservoir Project				1,000,000			1,000,000
Training and Travel	197,000				27,000		224,000
Water Conservation Program	158,000						158,000
Capital Projects			22,664,000	2,854,000		500,000	26,018,000
Equipment					35,000		35,000
Debt Service	4,976,000			1,100,000			6,076,000
<i>Subtotal (before capital funding)</i>	<i>54,824,000</i>	<i>31,252,000</i>	<i>24,887,000</i>	<i>23,077,000</i>	<i>19,414,000</i>	<i>1,783,000</i>	<i>155,237,000</i>
Capital Funding	17,618,000				16,000		17,634,000
Total Expenses	72,442,000	31,252,000	24,887,000	23,077,000	19,430,000	1,783,000	172,871,000
Operating Impact (Revenue-Expenses)	(277,000)	(1,597,000)	(6,675,000)	(9,242,000)	(3,472,000)	929,000	(20,334,000)
FY 2025-26 Estimated Ending Fund Balance	\$30,517,000	\$51,363,000	\$50,648,000	\$51,499,000	\$10,148,000	\$80,668,000	\$274,843,000
Reserves							
Operating	13,518,000	51,363,000			9,715,000		74,596,000
Debt Rate Stabilization			6,300,000	2,300,000			8,600,000
Emergency	8,465,000						8,465,000
Reserve for Economic Uncertainties	5,611,000						5,611,000
Section 115 Trust	2,047,000		66,000	22,000	217,000		2,352,000
SBA Enlargement				22,590,000			22,590,000
Future Contractor's Share of SBA				8,950,000			8,950,000
Capital Projects			44,282,000	17,637,000	216,000	80,668,000	142,803,000
Unallocated Fund Balance	876,000						876,000
Total Reserves	\$30,517,000	\$51,363,000	\$50,648,000	\$51,499,000	\$10,148,000	\$80,668,000	\$274,843,000

Exhibit B
FY 2024-25 and FY 2025-26 Proposed Capital Projects Listing

**Fund 120 – Water Renewal/Replacement and System-wide Improvements
Capital Project Listing**

Project Listing	FY 2024-25 Proposed Budget	FY 2025-26 Proposed Budget
Asset Management Program Management	-	110,000
Capital Improvement Program Management	392,000	160,000
Chain of Lakes Conveyance System	600,000	1,760,000
CMMS Support (NEW)	475,000	1,125,000
Contingency	750,000	750,000
DVWTP and PPWTP HVAC Replacement	625,000	1,166,000
Energy Master Plan Priority Projects	-	110,000
Hopyard Pipeline Corrosion Protection Improvement Project	110,000	477,000
Laboratory Equipment Replacement	110,000	170,000
Maintenance Yard and Building Storage Study (NEW)	188,000	-
Maintenance Yard and Building (NEW)	-	400,000
MGDP and Mocho Wellfield PFAS Compliance Conceptual Design (NEW)	300,000	-
MGDP RO Membrane Replacement	-	250,000
Minor Renewal/Replacement Projects	800,000	840,000
Mocho Wellfield PFAS Treatment Facility Project	2,291,000	7,347,000
Monitoring Well Replacements & Abandonments (NEW)	206,000	-
North Canyons Renewal/Replacement and Improvements	50,000	50,000
North Canyons/Parkside EV Charges	50,000	-
On-call Design and Construction Services	825,000	850,000
PPWTP Improvements and Replacements	2,300,000	3,926,000
PPWTP Sludge Handling Rehabilitation	850,000	-
Production Well Pump Replacement Project	-	430,000
Regional Project Feasibility Study (NEW)	900,000	-
SCADA Upgrades and Replacements	850,000	340,000
Silver Oaks Pump Station Replacement	400,000	3,333,000
System-Wide Installation of Line Valves	-	110,000
Wells & MGDP Electrical Upgrades/Replacement Project - Phase 2	190,000	1,154,000
Total¹	13,262,000	24,858,000

¹Fund total does not include \$29K each year for professional services.

Exhibit B
FY 2024-25 and FY 2025-26 Proposed Capital Projects Listing

The adopted FY 2024-25 Five-Year Water System Capital Improvement Plan was reviewed as part of the budget process. The proposed adjustments are summarized below.

Fund 120 – Capital Project Descriptions (Newly Proposed)

Computerized Maintenance Management System (CMMS) Support - \$1.6M

In FY 2024-25, the Agency will implement a new CMMS system. The new CMMS system will need continued support to ensure the project is successfully implemented and sustained. Successful implementation of the new CMMS will lower reactive maintenance and increase asset uptime, reliability, and safety, extending the useful life of Zone 7 assets.

Maintenance Yard and Building Storage Study - \$188K

The Maintenance Yard and Building Project is in the CIP to begin design in FY 2026-27 and be completed by FY 2027-28. This study will inform the design for that project.

Maintenance Yard and Building Storage Building - \$400K

Project is currently in the CIP to begin design in FY 2026-27. The anticipated scope of this project includes design and construction of additional facilities to provide additional equipment storage areas, maintenance work areas, and office space for Maintenance staff. Bringing some of the design budget to FY 2025-26 allows for 10% design, including developing the 10% design level cost estimate, to proceed immediately following the study, based on the study's recommendations.

MGDP and Mocho Wellfield PFAS Compliance Conceptual Design - \$300K

This study will evaluate PFAS treatment options for the Mocho wellfield and identify near-term modifications that can be implemented to reduce loss of the Mocho wellfield capacity should the treatment facility not be online by the compliance date.

Monitoring Well Replacements & Abandonments - \$206K

This project involves removing a well currently located in a busy turn lane on Bollinger Canyon Road and drilling a replacement well near Iron Horse trail. In addition, modifications to several existing monitoring wells will be made to install telemetry equipment and replace some well housings.

Regional Project Feasibility Study - \$900K

This study is to evaluate the feasibility of developing new municipal groundwater wells in the Bernal subbasin jointly with the City of Pleasanton. The study will be cost-shared 50/50 between the City of Pleasanton and Zone 7. If the study finds that it's feasible to construct new wells to pump the City's groundwater production quota and additional capacity for Zone 7, a regional groundwater project will be developed. This project will include installing new wells, constructing pipelines, and upgrading Hopyard treatment facilities. This project is split 50/50 with Fund 130 – Water Enterprise Capital Expansion.

Exhibit B
FY 2024-25 and FY 2025-26 Proposed Capital Projects Listing

Fund 120 – Capital Project Descriptions (Proposed Schedule/Budget Adjustment)

Asset Management Program Management- \$110K

This project includes ongoing program management of the Asset Management Program. Activities include facilitating condition assessments, maintaining the asset database, regular updates of the Asset Management Program, and other ongoing implementation tasks. The budget in FY 2024-25 has been reallocated to the Capital Improvement Program Management Project to complete the 10-Year Capital Improvement and Asset Management Plan Update. The proposed adjustment will decrease the proposed capital budget by \$90K.

Capital Improvement Program Update - \$552K

This project includes ongoing program management of the Capital Improvement Program including annual report preparation, Zone 7 labor, and other Capital Improvement Program related efforts. The budget is proposed to increase in FY 2024-25 because of the consolidation of the Asset Management Program budget and staff labor. The proposed adjustment will increase the proposed capital budget by \$352K.

Chain of Lakes Facilities Improvements – Water Supply - \$0

This project has been removed as projects are yet to be defined. This proposed adjustment will decrease the proposed capital budget by \$230K.

DWTP and PPWTP HVAC Replacement - \$1.8M

This project will replace key equipment including but not limited to boilers and appurtenances, air handling units and exhaust fans, air cooled chiller for the Laboratory Building, associated system control and pressure valves, switches, appurtenances, etc., and digital control systems for the HVAC. The design phase was accelerated to expedite the replacements as a single project. Staff estimates two low demand periods will be needed to complete the HVAC replacements. Therefore, the construction schedule has been extended an additional year and the proposed adjustment will decrease the proposed capital budget by \$934K.

DWTP Sewer Line Connection and Access Road Modifications -\$0

The project is proposed to be deferred as there is no imminent extension of sewer connection in the vicinity. The project implementation schedule is dependent on the schedule of private development that involves sewer extension. The proposed adjustment will decrease the proposed capital budget by \$240K.

Energy Master Plan Priority Projects - \$110K

The Energy Master Plan is currently in development. This project has been deferred one year as priority projects will be identified through the completion of the Energy Master Plan. The proposed adjustment will decrease the proposed capital budget by \$390K.

MGDP HVAC System Replacement - \$0

The project is proposed to be deferred one year to allocate resources to the DWTP and PPWTP HVAC replacements as those replacements are a higher priority based on current conditions. The proposed adjustment will decrease the proposed capital budget by \$450K.

Exhibit B
FY 2024-25 and FY 2025-26 Proposed Capital Projects Listing

MGDP RO Membrane Replacement - \$250K

The membranes are in good condition and have a few years of remaining useful life. A replacement schedule will be reassessed annually based on the performance of the membranes. The proposed adjustment will decrease the proposed capital budget by \$1.66M.

Mocho Wellfield PFAS Treatment Facility - \$9.6M

The project design and construction schedule has been revised from two years to four based on the addition of the MGDP and Mocho Wellfield PFAS Compliance Conceptual Design study. This proposed adjustment will decrease the proposed capital budget by \$23M.

North Canyons/Parkside EV Chargers - \$50K

The EV charger project is ongoing. The additional budget in FY 2024-25 is needed to complete the project. The proposed adjustment will increase the proposed capital budget by \$50K.

PPWTP Improvements and Replacements - \$6.2M

This project consolidates existing PPWTP renewal/replacement projects and addresses modifications for operational and maintenance needs, safety, and regulatory compliance. Partial construction costs have been accelerated one year to address high priority replacements. The construction phase has been extended by one year. The proposed adjustments will decrease the proposed capital budget by \$3.1M.

PPWTP Sludge Handling Rehabilitation - \$890K

This project consists of the rehabilitation of four sludge drying beds. The rehabilitation consists of replacing the media, underdrain system, and inlet valves. The budget has been increased for additional staff labor. This proposed adjustment will increase the proposed capital budget by \$260K.

Production Well Pump Replacement Project - \$430K

This project is budgeted annually to replace production wells identified as needing critical and immediate repairs. The budget has been removed in FY 2024-25 as no wells have been identified for replacement next year. The proposed adjustment will decrease the proposed capital budget by \$400K.

Silver Oaks Pump Station Replacement - \$3.7M

This project consists of replacement of the existing pump station in total, including land acquisition, rebuilding the pump station, and constructing a standard block building structure. The budget for the land acquisition has been deferred one year to allow proper time to complete the acquisition. The proposed adjustment will increase the proposed capital budget by \$103K.

System-Wide Installation of Line Valves - \$110K

This project has been deferred to FY 2025-26 as no specific valve installation has been identified for FY 2024-25. This proposed adjustment will not affect the proposed capital budget.

Exhibit B
FY 2024-25 and FY 2025-26 Proposed Capital Projects Listing

Wells & MGD Electrical Upgrades/Replacement Project - Phase 2 (Formally named Mocho 3 and 4 Switchgear Replacement Project) - \$1.3M

This project has been identified as phase 2 and accelerated one year for the project to be eligible for a possible grant. The proposed adjustment will increase the proposed capital budget by \$954K.

Fund 120 – Capital Project Descriptions (No Proposed Adjustments)

Chain of Lakes Conveyance System - \$2.4M

This project consists of a new multi-purpose 36-in conveyance pipeline and 12-MGD pump station connecting DVWTP/SBA with Lakes H/I/Cope. Active gravel mining operations may continue until 2060, delaying completion of the Chain of Lakes (COLs) by 30 years beyond the previous planning horizon. This means that previously planned groundwater recharge, local water right perfection, and other key water management strategies (e.g., to reduce salt loading) are also potentially delayed because they are tied to the COLs. Zone 7 is therefore planning to construct this project to allow Zone 7 to proceed with planned and potential uses of the COLs regardless of when the remaining projects are turned over to Zone 7.

Laboratory Equipment - \$280K

Replacement of various monitoring and analytical laboratory equipment and components in the water quality laboratory. This equipment includes gas chromatography/mass spectrometry (GC/MS) instruments, total organic carbon (TOC) analyzer, cyanotoxin analyzer, ion chromatography (IC) instruments, and turbidimeters.

Minor Renewal/Replacement Projects - \$1.6M

As needed replacement and repair of water system assets which individually are not large enough to implement as a capital project. In the past, this project has included emergency pipeline repair leaks on the Hopyard and Cross Valley pipelines, pump replacements at the various pump stations in the distribution system, and a line valve replacement.

North Canyons Renewal/Replacement Project - \$100K

This project includes small repairs/improvement projects, including but not limited to phone system replacements, audio-visual system improvements, roof repairs and other building repairs as needed.

On-Call Design and Construction Services - \$1.7M

This project provides funding for on-call as-needed contracts for unforeseen and unplanned repairs for replacement and rehabilitation of existing water system infrastructure.

SCADA Upgrades and Replacements - \$1.2M

There is an ongoing need for reprogramming, installation of additional devices, and upgrading of the existing devices to continue to provide a reliable SCADA system for the plants and transmission system operation. The SCADA system will also require major software and hardware upgrades about every five years.

Exhibit B
FY 2024-25 and FY 2025-26 Proposed Capital Projects Listing

**Fund 130 – Water Enterprise Capital Expansion
Capital Project Listing**

Project Listing	FY 2024-25 Proposed Budget	FY 2025-26 Proposed Budget
Capital Improvement Program Management	100,000	160,000
Cawelo Groundwater Banking Program Debt Service	1,092,000	1,100,000
Chain of Lakes Conveyance System	460,000	1,560,000
City Reach Pipeline Mitigation Planning	-	410,000
Contingency	500,000	500,000
Fourth Contractor's Share of South Bay Aqueduct - Payment to DWR	3,000,000	3,000,000
Groundwater Contaminant Mobilization Follow-up Study (NEW)	100,000	-
Los Vaqueros Reservoir Expansion	85,000	170,000
North Canyons Renewal/Replacement and Improvements	2,000	2,000
Regional Project Feasibility Study (NEW)	900,000	-
Sites Reservoir	450,000	1,000,000
South Bay Aqueduct Enlargement Project - Payment to DWR	13,790,000	14,400,000
Well Master Plan (NEW)	300,000	525,000
Total¹	20,779,000	22,827,000

¹Fund total does not include \$250K each year for professional and legal services.

The adopted FY 2024-25 Five-Year Water System Capital Improvement Plan was reviewed as part of the budget process. The proposed adjustments are summarized below.

Fund 130 – Newly Proposed Capital Project Descriptions

Groundwater Contaminant Mobilization Follow-up Study - \$100K

The Desktop Groundwater Contaminant Mobilization Follow-up Study will advance the Agency's investigation of potable reuse as a potential new water supply. Additionally, this study will also support the Agency in understanding and characterizing the Livermore Valley Groundwater Basin. This study may include work such as additional reactive transport modeling based on the Agency's updated groundwater model, groundwater sampling, bench testing, and field testing.

Regional Project Feasibility Study - \$900K

This study is to evaluate the feasibility of developing new municipal groundwater wells in the Bernal subbasin jointly with the City of Pleasanton. The study will be cost-shared 50/50 between the City of Pleasanton and Zone 7. If the study finds that it's feasible to construct new wells to pump the City's groundwater production quota (GPQ) and additional capacity for Zone 7, a regional groundwater project will be developed. This project will include installing new wells, constructing pipelines, and upgrading Hopyard treatment facilities. This project is split 50/50 with Fund 120 – Water Renewal/Replacement and System-wide Improvements.

Well Master Plan - \$825K

This effort was originally budgeted in FY 2023-24. However, no proposals were received from the request for proposal process. This effort has been budgeted in FY 2024-25 and FY 2025-26 to reflect the newly anticipated schedule.

Exhibit B
FY 2024-25 and FY 2025-26 Proposed Capital Projects Listing

Fund 130 – Capital Project Descriptions (Proposed Schedule/Budget Adjustment)

Capital Improvement Program Management - \$260K

Ongoing program management of the Capital Improvement Program including annual report preparation, Zone 7 labor, and other Capital Improvement Program related efforts. The budget is proposed to increase in FY 2024-25 because of an increase to staff labor. The proposed adjustment will increase the proposed capital budget by \$60K.

Chain of Lakes Facilities Improvements – Water Supply - \$0

This project has been removed as projects are yet to be defined. This proposed adjustment will decrease the proposed capital budget by \$510K.

City Reach Pipeline Mitigation Planning – \$410K

The mitigation need is for the City Reach of Altamont Pipeline. This limited mitigation need can be fulfilled by purchasing mitigation credits at a suitable mitigation bank or by developing a Zone 7 mitigation project. The project requires additional time to secure regulatory concurrence, identify an approved alternative mitigation approach, and complete administrative permitting work. This proposed adjustment will not affect the proposed capital budget.

El Charro Pipeline Phase 2 - \$0

This project includes planning, land/easement acquisition, design, and construction of a pipeline that loops the transmission system in the vicinity of the Chain of Lakes wells. The project is contemplated to occur in parallel with the Chain of Lakes Conveyance System project. Deferring the project for one year allows more time to develop the Chain of Lakes Conveyance System Project schedule. The proposed adjustment will decrease the proposed capital budget by \$2.5M.

Los Vaqueros Reservoir Expansion Project - \$255K

This proposed project will expand the existing Los Vaqueros Reservoir by an additional 115,000 acre-feet of storage capacity and construct the Transfer-Bethany Pipeline and other supporting facilities. The reservoir is owned by Contra Costa Water District and is located in Contra Costa County. The project will use existing infrastructure to divert water from the Delta and Sacramento River. Diverted water may also be directly delivered to project participants. Zone 7 has been participating in the project planning phase for a storage allocation of up to 10,000 acre-feet. The project budget is proposed to increase for increased staff time and the anticipation of the project securing funding by February 2025. This proposed adjustment will increase the proposed capital budget by \$125K.

PPWTP Centrifuge Facility - \$0

This project can be postponed because of improvements planned to the PPWTP sludge handling rehab. Postponing this project allows resources to be allocated to other priorities. This proposed adjustment will decrease the proposed capital budget by \$5.5M.

Exhibit B
FY 2024-25 and FY 2025-26 Proposed Capital Projects Listing

Sites Reservoir Project - \$1.5M

This project will construct a 1.5 million acre-feet off-stream reservoir and supporting facilities. The reservoir will be located in Glenn and Colusa Counties. This project will use existing infrastructure to divert excess stormwater flows from the Sacramento River to fill the reservoir. Captured water can be released when needed for project participants. Project participants include water agencies across California and federal and state agencies. Zone 7 has been participating in the project planning phase for a storage allocation of 62,340 acre-feet, which provides average reservoir releases of approximately 10,000 acre-feet per year. The budget has been revised based on updated information provided by the Sites Authority. This proposed adjustment will decrease the capital budget by \$1.5M

Fund 130 – Capital Project Descriptions (No Proposed Adjustments)

Chain of Lakes Conveyance System - \$2M

This project consists of a new multi-purpose 36-in conveyance pipeline and 12-MGD pump station connecting DVWTP/SBA with Lakes H/I/Cope. Active gravel mining operations may continue until 2060, delaying completion of the Chain of Lakes (COLs) by 30 years beyond the previous planning horizon. This means that previously planned groundwater recharge, local water right perfection, and other key water management strategies (e.g., to reduce salt loading) are also potentially delayed because they are tied to the COLs. Zone 7 is therefore planning to construct this project to allow Zone 7 to proceed with planned and potential uses of the COLs regardless of when the remaining projects are turned over to Zone 7.

Cawelo Groundwater Banking Program Debt Service - \$2.2M

On June 21, 2006, the Zone 7 Board of Directors approved an agreement with the Cawelo Water District for a water banking and exchange program. The banking program increased Zone 7's dry-year water supply by up to 10,000 acre-feet per year. Zone 7 can store up to 120,000 acre-feet of water within the Cawelo Water District area. Cawelo financed this program with a \$21.1 million sale of Certificates of Participation (COPs) on August 15, 2006. In 2018, the COPs were refunded with the Livermore Valley Water Financing Authority Series A Revenue Bonds. The portion of the debt payment allocated to the banking and exchange program is paid from the expansion capital fund.

Fourth Contractor's Share of South Bay Aqueduct (Payment to DWR) - \$6M

Zone 7 contracted to purchase 22,000 AFA of previously unallocated capacity in the South Bay Aqueduct under Amendments 19 and 20 to its water supply contract with DWR. This project reflects Fund 130's share of the Water System Revenue Bond and Transportation Capital Cost Component charges associated with this capacity per Amendments 19 and 20. Fund 110 pays for the Transportation Minimum Cost Component of this capacity.

North Canyons Renewal/Replacement and Improvements - \$4K

This project includes small repairs/improvement projects, including but not limited to phone system replacements, audio-visual system improvements, roof repairs and other building repairs as needed.

Exhibit B
FY 2024-25 and FY 2025-26 Proposed Capital Projects Listing

South Bay Aqueduct Enlargement Project (Payment to DWR) - \$28.2M

South Bay Aqueduct improvements by DWR can convey an additional 130 cubic feet per second through Reach 1 and 80cfs through Reaches 2 through 4. The project is in-service with ongoing payments.