

ORIGINATING SECTION: Administrative Services

CONTACT: Osborn Solitei

AGENDA DATE: June 18, 2025

SUBJECT: Proposed Mid-Cycle Operating and Capital Budget Amendment for Fiscal Year 2025-26

SUMMARY:

- The FY 2025-26 proposed budget amendment aligns with the Agency's 2025-2029 Strategic Plan, prioritizing resources toward key strategic initiatives, including investing in, and maintaining a high-quality workforce, addressing major storm damage repair projects related to the 2022/2023 storms, and assessing and investing in the Agency's aging infrastructure while demonstrating fiscal responsibility and maintaining adaptability to emerging needs.
- The proposed action is in support of Strategic Plan Goal H – Fiscal Responsibility: Operate the Agency in a fiscally responsible manner and Strategic Plan Initiative No. 21 – Continue to effectively manage financial resources for the Agency. In carrying out these responsibilities, staff conducts a review of the second year (FY 2025-26) of the adopted FY 2024-26 biennial budget, for the Board of Director's review and approval, for the following operating and capital funds:
 - › Fund 100 – Water Enterprise Operations
 - › Fund 110 – State Water Facilities
 - › Fund 120 – Water Enterprise 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)
- On June 11, 2024, the Board of Directors adopted the two-year operating and capital budget for Fiscal Years (FY) 2024-25 and 2025-26 via Resolution No. 24-48. The proposed budget amendment covers FY 2025-26.
- The purpose of the mid-cycle review is to confirm the budget continues to align with Board priorities, economic and climate conditions, capital project schedules, projected fund balances, and reserve policy requirements.

- The following table summarizes the FY 2025-26 Proposed Amended Budget and the proposed change from the FY 2025-26 Adopted Budget. The amended revenue is proposed to decrease by \$2.5M due to the timing of Federal and State grant revenue in Fund 200. The amended expenses are proposed to decrease by \$11.3M, primarily from capital project deferrals in Funds 120 and 130. The key factors driving the budget amendments are outlined in the discussion section.

Proposed Amended Budget (Agency-wide)

	FY 2025-26 Adopted Budget	FY 2025-26 Proposed Amended Budget	Change (\$)
Est. Beginning Fund Balance	\$295,177,000	\$325,762,000	\$30,585,000
Operating Revenue	135,139,000	132,674,000	(2,465,000)
Capital Funding	17,398,000	17,398,000	-
Total Revenue	\$152,537,000	\$150,072,000	(\$2,465,000)
Personnel	26,952,000	28,008,000	1,056,000
Operating Expenses	96,191,000	96,355,000	164,000
Capital Projects	26,018,000	13,490,000	(12,528,000)
Debt Service	6,076,000	6,076,000	-
Capital Funding ¹	17,634,000	17,634,000	-
Total Expenses	\$172,871,000	\$161,563,000	(\$11,308,000)
Est. Ending Fund Balance	\$274,843,000	\$314,271,000	\$39,428,000

Note: Values may not add due to rounding.

¹Capital funding includes the annual Asset Management Plan (AMP) capital funding from Fund 100 to Fund 120 and the annual transfer from Fund 100 to the vehicle replacement reserve.

- Highlights of the FY 2025-26 proposed amended budget include:
 - › **2022/2023 Storm Damage Repairs (Fund 200):**
 - Decrease of \$2.5M for Federal and State grant revenue. Storm repairs scheduled for summer 2024 were deferred due to environmental permitting delays. Therefore, the anticipated grants will be delayed as the grants reimburse for costs incurred to complete the storm repairs.
 - Increase of \$3.76M for high and medium-priority Phase 1 storm repair projects.
 - › **Water Production (Fund 100):**
 - *Water:* Reduction of \$900K for Kern County Storage/Recovery Program. Per the updated water operations plan, the Agency plans to recover less water from the Kern County Banks in FY 2025-26 than originally planned.
 - *Chemicals:* Increased by \$350K due to unit cost increases from continued inflation.
 - *Utilities:* Increased by \$792K due to the updated water operations plan. It is anticipated that the Agency will increase groundwater pumping to provide some capacity in the groundwater basin before the next rainy season.

- › **Personnel (Funds 100, 120, 130, 200, and 210):** Increase of \$1.1M. To support Strategic Plan Goal A – Professional Workplace, four full-time equivalent (FTE) positions are proposed to be added to the budget. The proposed amended budget has also been updated with current salaries, benefits, and other wage adjustments.
- › **Water Supply Reliability Projects (Funds 100 and 130):**
 - *Los Vaqueros Reservoir Expansion Project (Funds 100 and 130):* Reduction of \$400K. The Los Vaqueros Reservoir Expansion Project Joint Powers Authority was formally dissolved on April 9, 2025, and the project has been terminated. Therefore, the Agency does not have any additional payments required.
 - *Delta Conveyance Project (Fund 100):* Reduction of \$1.65M. Per Resolution No. 24-28, dated October 16, 2024, the Agency approved funding for pre-construction for CYs 2026 and 2027. There is no funding requirement for calendar year 2025.
 - *Sites Reservoir Project (Fund 130):* Reduction of \$850K. The Sites Authority authorized the time extension of the Third Amendment through June 2026. No additional cash calls were requested as part of this extension. Therefore, the budget has been reduced to reflect Zone 7 staff time required to complete Phase 2 of the planning phase.
- › **Flood Management Plan (Funds 200 and 210):** Reduction of \$1.1M. This is a multi-year project, and no additional budget is needed to complete Phase 2.
- › **Pension Trust Fund (Funds 100, 120, 130, and 200):** Increase of \$100K. Per the Finance Committee's recommendation, a one-time contribution of \$100K has been assumed for FY 2025-26. This one-time contribution is in addition to the planned annual contribution for FY 2025-26 of \$150K.
- › **Capital Projects (Funds 120 and 130):** Reduction of \$12.5M. The FY 2025-26 capital budget amendments reflect progress made on the 10-Year Water System Capital Improvement Plan and Asset Management Plan updates. Some projects span multiple fiscal years, and funding for the additional years will be requested in future Agency budgets.

RECOMMENDED ACTION:

Adopt the attached Resolution approving the proposed Mid-Cycle Operating and Capital Budget Amendment for Fiscal Year 2025-26.

ATTACHMENTS:

1) Resolution; 2) Exhibit A: FY 2025-26 Proposed Budget Amendment – Summary of Budget by Account Classification; 3) Exhibit B: FY 2025-26 Proposed Amended Capital Projects Listing

DISCUSSION:

OPERATING BUDGETS

Fund 100 – Water Enterprise Operations

Primary Funding Source: Water Rates

The table below summarizes the proposed budget amendment and change from the adopted budget for Fund 100. Total revenue is proposed to remain unchanged, and expenses are proposed to decrease by \$882K. A summary of the proposed amendments is outlined below. Please see Exhibit A for the proposed budget amendment details.

	FY 2025-26 Adopted Budget	FY 2025-26 Proposed Amended Budget	Change (\$)
Beginning Fund Balance	\$30,794,000	\$38,642,000	\$7,848,000
Revenue	72,165,000	72,165,000	-
Expenses	72,442,000	71,560,000	(882,000)
Operating Impact (Rev-Exp)	(277,000)	605,000	882,000
Fiscal Year-End Fund Balance	\$30,517,000	\$39,247,000	\$8,730,000

The Fund 100 Proposed Budget Amendments include:

- **Personnel:** Increase of \$845K for the addition of four FTE positions and updates to reflect current salaries, benefits, and other wage adjustments.

Position	Justification
Administrative Assistant (1 FTE)	Additional administrative support for the Agency, including records management, maintaining the Agency's website, front desk coverage, and other administrative duties.
Human Resources Analyst (1 FTE)	Additional support for employee and labor relations, medical leaves and accommodations programs, training, and workforce analytics.
Principal Engineer (1 FTE)	Lead the Water Supply Engineering Section and oversee large capital projects, including the Mocho PFAS project, the Regional Wells Project, and the Chain of Lakes Conveyance Project.
Staff Analyst (1 FTE)	Administrative support for the Operations, Maintenance, and Engineering Division, including budget development, contracts management, agenda item preparation, and cost/performance reporting.

- **Water Production Costs:** Total increase of \$242K for water, chemicals, and utilities.

Water: Costs are proposed to be reduced by \$900K based on the updated water operations plan that indicates less water is planned to be recovered from the Kern County Banks. A summary of the water budget changes is shown in the table below:

Source	FY 2025-26 Adopted Budget	FY 2025-26 Proposed Amended Budget	Change (\$)
State Water Project – Table A	\$3,000,000	\$3,000,000	-
Kern Storage/Recovery Program	3,078,000	2,178,000	(900,000)
Water Transfers/Exchanges	1,000,000	1,000,000	-
Other Water Costs	195,000	195,000	-
Total	\$7,273,000	\$6,373,000	(\$900,000)

Chemicals: Increase of \$350K due to unit cost increases from continued inflation.

Utilities: Increase of \$792K due to the updated water operations plan. It is anticipated that the Agency will increase groundwater pumping to provide some capacity in the groundwater basin before the next rainy season.

- **Los Vaqueros Reservoir Expansion Costs:** Decrease of \$320K due to the termination of the project. The Los Vaqueros Reservoir Expansion Project Joint Powers Authority was formally dissolved on April 9, 2025, and the project has been terminated. Therefore, the Agency does not have any additional required payments.
- **Delta Conveyance Project Planning Costs:** Decrease of \$1.65M due to no funding requirement for calendar year 2025. Per Resolution No. 24-28, dated October 16, 2024, the Agency approved funding for pre-construction for calendar years 2026 and 2027.
- **Reserves:** The proposed amended budget recommends continuing to fund reserves at target levels. The corresponding target reserve requirements for the proposed budget amendment are shown in the table below. The table also reflects the newly proposed Water Reliability Reserve Fund balance.

Fund 100 Reserves	Target Policy	FY 2025-26 Proposed Amended Budget
Operating	90 days of budgeted operating expenses	\$13,301,000
Emergency	2.5% of water enterprise assets	8,588,000
Economic Uncertainties	15% of budgeted volume-based water sales	5,611,000
Total Target Reserves¹		\$27,500,000
Section 115 Pension Trust Fund ²		2,135,000
Water Reliability Fund ³		8,112,000
Unallocated Fund Balance ⁴		1,500,000
Total Proposed Reserves Budget		\$39,247,000

1. **Target Reserves:** The proposed budget amendment meets the Agency's reserve policy requirement of funding the operating and emergency reserves, and reserve for economic uncertainties at target levels.

2. **Section 115 Pension Trust Fund:** The proposed budget amendment includes an annual contribution of \$150K to the Pension Trust as well as a one-time additional contribution of \$100K, per the Finance Committee's recommendation.
3. **Water Reliability Reserve Fund (*Newly Proposed Reserve*):** This reserve is proposed to have no assigned minimum, target, or maximum amount and is intended to accumulate funds to maintain agility and flexibility in addressing water supply challenges and investment opportunities as they arise. The proposed budget amendment plans for a reserve balance of \$8.1M.
4. **Unallocated Fund Balance:** The unallocated fund balance is the remaining balance of funds after all reserves have been funded.

Fund 110 – State Water Facilities

Primary Funding Source: Property Taxes. The property tax override is exempt from the ad valorem property tax levy limitations of Article XIII A of the Constitution of the State of California as the indebtedness was approved prior to July 1, 1978.

No proposed amendments.

Fund 200 – Flood Protection Operations

Primary Funding Source: Property Taxes. Ad valorem property taxes equal to one percent (1%) of the full cash value, of which Zone 7 of the Alameda County Flood and Water Conservation District receives a proportionate share.

The table below summarizes the proposed budget amendment and changes from the adopted budget for Fund 200. Total revenue is proposed to decrease by \$2.47M, and expenses are proposed to increase by \$3.28M. A summary of the proposed amendments is outlined below. Please see Exhibit A for the proposed budget amendment details.

	FY 2025-26 Adopted Budget	FY 2025-26 Proposed Amended Budget	Change (\$)
Beginning Fund Balance	\$13,620,000	\$18,995,000	\$5,375,000
Revenue	15,958,000	13,493,000	(2,465,000)
Expenses	19,430,000	22,712,000	3,282,000
Operating Impact (Rev-Exp)	(3,472,000)	(9,219,000)	(5,747,000)
Fiscal Year-End Fund Balance	\$10,148,000	\$9,776,000	\$372,000

The Fund 200 Proposed Budget Amendments include:

- **Grant Revenue:** Decrease of \$2.47M due to Phase 1 storm repair delays. State and Federal grants will reimburse expenses incurred for storm repair projects currently anticipated for construction in summer of 2025, pending approval of environmental permits.
- **Professional Services:** Decrease of \$773K, primarily for the Flood Management Plan (\$649K). This is a multi-year project, and no additional budget is needed to complete

Phase 2. The proposed decrease also includes reducing other as-needed services (\$124K).

- **Repairs and Maintenance:** Increase of \$4.06M. The table below identifies the proposed changes.

Flood Protection Repairs and Maintenance Services	FY 2025-26 Adopted Budget	FY 2025-26 Proposed Amended Budget	Change (\$)
Phase 1B Storm Damage Repairs (FEMA/CalOES Assistance) ¹	\$6,981,000	\$10,741,000	\$3,760,000
General and On-Call Engineering Repairs	1,155,000	1,155,000	-
Alamo Creek Pilot Project	400,000	400,000	-
Maintenance (On-Call Maintenance Contracts and General Maintenance Services) ²	\$3,384,000	\$3,679,000	\$295,000
Total	\$11,920,000	\$15,975,000	\$4,055,000

¹Proposed increase due to higher than anticipated construction costs and the addition of medium/high priority projects to Phase 1B.

²Proposed increase due to the expanded scope of work for the operated equipment supply contract and emergency work for flood control facilities.

CAPITAL BUDGETS

Fund 120 – Water Renewal/Replacement and System-wide Improvements

Primary Funding Source: Water Rates

The table below summarizes the proposed capital budget amendment and changes from the adopted budget for Fund 120. Total revenue is proposed to remain unchanged, and expenses are proposed to decrease by \$11.01M. The FY 2025-26 capital budget amendments reflect progress made on the 10-Year Water System Capital Improvement Plan and Asset Management Plan updates. Some projects span multiple fiscal years, and funding for the additional years will be requested in future Agency budgets.

	FY 2025-26 Adopted Budget	FY 2025-26 Proposed Amended Budget	Change (\$)
Beginning Fund Balance	\$57,323,000	\$64,589,000	\$7,266,000
Revenue	18,212,000	18,212,000	-
Expenses	24,887,000	13,877,000	(11,010,000)
Operating Impact (Rev-Exp)	(6,675,000)	4,335,000	11,010,000
Fiscal Year-End Fund Balance	\$50,648,000	\$68,924,000	\$18,276,000

Fund 120 newly proposed and amended capital projects are detailed in Exhibit B.

Fund 130 – Water Enterprise Capital Expansion

Primary Funding Source: Water Connection Fees

The table below summarizes the proposed water expansion capital budget amendment and changes from the adopted budget for Fund 130. Total revenue is proposed to remain unchanged, and expenses are proposed to decrease by \$2.25M.

	FY 2025-26 Adopted Budget	FY 2025-26 Proposed Amended Budget	Change (\$)
Beginning Fund Balance	\$60,741,000	\$66,608,000	\$5,867,000
Revenue	13,835,000	13,835,000	-
Expenses	23,077,000	20,830,000	(2,247,000)
Operating Impact (Rev-Exp)	(9,242,000)	(6,995,000)	2,247,000
Fiscal Year-End Fund Balance	\$51,499,000	\$59,613,000	\$8,114,000

Fund 130 newly proposed and amended capital projects are detailed in Exhibit B.

Fund 210 – Flood Protection Development Impact Fee

Primary Funding Source: Developer Impact Fees

The table below summarizes the proposed flood expansion capital budget amendment and changes from the adopted budget for Fund 210. Total revenue is proposed to remain unchanged, and expenses are proposed to decrease by \$451K. Details of the proposed amendments are outlined below.

	FY 2025-26 Adopted Budget	FY 2025-26 Proposed Amended Budget	Change (\$)
Beginning Fund Balance	\$79,739,000	\$82,335,000	\$2,596,000
Revenue	2,712,000	2,712,000	-
Expenses	1,783,000	1,332,000	(451,000)
Operating Impact (Rev-Exp)	929,000	1,380,000	451,000
Fiscal Year-End Fund Balance	\$80,668,000	\$83,715,000	\$3,047,000

The Fund 210 Proposed Budget Amendment includes:

- **Professional Services:** Decrease of \$451K for the Flood Management Plan. This is a multi-year project, and no additional budget is needed to complete Phase 2.

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

BOARD OF DIRECTORS

RESOLUTION NO. 25-50

INTRODUCED BY DIRECTOR NARUM
SECONDED BY DIRECTOR PALMER

Mid-Cycle Operating and Capital Budget Amendment for Fiscal Year 2025-26

WHEREAS, Zone 7 of the Alameda County Flood Control and Water Conservation District is committed to delivering safe, reliable, efficient, and sustainable water and flood protection services; and

WHEREAS, the Proposed Mid-Cycle Operating and Capital Budget Amendment for FY 2025-26 is in support of Strategic Plan Goal H – Fiscal Responsibility – Operate the Agency in a fiscally responsible manner and Strategic Initiative No. 21 – Continue to effectively manage financial resources.

NOW THEREFORE, BE IT RESOLVED THAT the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District does hereby approve the following budget amendment, including revenues, expenses, and the use of fund balances for Fiscal Year 2025-26 as detailed in Exhibit A:

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

BE IT FURTHER RESOLVED that the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District does hereby approve the proposed capital projects (Exhibit B) for Fiscal Year 2025-26 and authorizes the General Manager to implement such projects; and

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

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

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

BE IT FURTHER RESOLVED, that consistent with the requirements of law and specifically within the limitations imposed by Article XIII A of the Constitution of the State of California there shall be levied a property tax within the District sufficient to raise the sum of \$22,000,000 for Fiscal Year 2025-26 to meet that portion of the District's State Water Supply Contract obligation. All funds received by the District pursuant to the aforementioned property tax levy shall be placed in Fund 110 – State Water Facilities Fund, a separate fund identified for the indebtedness set forth above; and

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

BE IT FURTHER RESOLVED that the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District does hereby approve the personnel actions, if any, as contained in the proposed amended budget for Fiscal Year 2025-26 and authorizes the General Manager to implement such personnel actions; and

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

ADOPTED BY THE FOLLOWING VOTE:

AYES: DIRECTORS BENSON, BROWN, FIGUERS, GAMBS, GREEN, NARUM, PALMER

NOES: NONE

ABSENT: NONE

ABSTAIN: NONE

I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District on June 18, 2025.

Dennis H. Gambs

By: _____
President, Board of Directors

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	\$38,642,000	\$54,593,000	\$64,589,000	\$66,608,000	\$18,995,000	\$82,335,000	\$325,762,000
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						130,000
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	\$13,493,000	\$2,712,000	\$150,072,000
Expenses							
Personnel	21,851,000		2,590,000	198,000	3,208,000	161,000	28,008,000
Professional Services	3,589,000	16,000	29,000	50,000	2,402,000	671,000	6,757,000
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	6,373,000	31,236,000		17,400,000			55,009,000
Delta Conveyance Project	1,650,000						1,650,000
Chemicals	4,350,000						4,350,000
Utilities	3,220,000						3,220,000
Telecommunications	238,000				6,000		244,000
Maintenance Services	2,484,000				15,975,000		18,459,000
Rental Services	116,000						116,000
Office Supplies and Other Services	1,025,000				842,000		1,867,000
Organizational Memberships and Support	424,000				91,000		515,000
Sites Reservoir Project				150,000			150,000
Training and Travel	197,000				27,000		224,000
Water Conservation Program	158,000						158,000
Capital Projects			11,258,000	1,732,000		500,000	13,490,000
Equipment					35,000		35,000
Debt Service	4,976,000			1,100,000			6,076,000
Subtotal (before capital funding)	53,942,000	31,252,000	13,877,000	20,830,000	22,696,000	1,332,000	143,929,000
Capital Funding	17,618,000				16,000		17,634,000
Total Expenses	71,560,000	31,252,000	13,877,000	20,830,000	22,712,000	1,332,000	161,563,000
Operating Impact (Revenue-Expenses)	605,000	(1,597,000)	4,335,000	(6,995,000)	(9,219,000)	1,380,000	(11,491,000)
FY 2025-26 Estimated Ending Fund Balance	\$39,247,000	\$52,996,000	\$68,924,000	\$59,613,000	\$9,776,000	\$83,715,000	\$314,271,000
Reserves							
Operating	13,301,000	52,996,000			9,548,000		75,845,000
Debt Rate Stabilization			6,300,000	2,300,000			8,600,000
Emergency	8,588,000						8,588,000
Reserve for Economic Uncertainties	5,611,000						5,611,000
Section 115 Trust	2,135,000		64,000	17,000	228,000		2,444,000
Water Reliability Reserve	8,112,000						8,112,000
SBA Enlargement				22,590,000			22,590,000
Future Contractor's Share of SBA				8,950,000			8,950,000
Capital Projects			62,560,000	25,756,000		83,715,000	172,031,000
Unallocated Fund Balance	1,500,000						1,500,000
Total Reserves	\$39,247,000	\$52,996,000	\$68,924,000	\$59,613,000	\$9,776,000	\$83,715,000	\$314,271,000

Exhibit B
FY 2025-26 Proposed Amended Capital Projects Listing

Fund 120 – Water Renewal/Replacement and System-wide Improvements

Project Listing	FY 2025-26 Proposed Budget
Chain of Lakes Conveyance System (Amended)	530,000
CMMS Support	1,125,000
Contingency	750,000
DVWTP and PPWTP HVAC Replacement (Amended)	670,000
DVWTP Master Plan (Amended)	500,000
Electrical Vehicle Charging Infrastructure Program (Newly Proposed)	53,000
Facility Improvements for Energy Cost Savings (Newly Proposed)	318,000
Laboratory Equipment Replacement (Amended)	200,000
Minor Renewal/Replacement Projects	840,000
Mocho PFAS Treatment Plant (Amended)	4,019,000
North Canyons Renewal/Replacement and Improvements	50,000
North Canyons Electrical Vehicle Chargers (Amended)	150,000
On-call Design and Construction Services	850,000
PPWTP Improvements and Replacements (Amended)	850,000
Production Well Pump Replacement Project	430,000
Regional Project Feasibility Study (Amended)	383,000
SCADA Upgrades and Replacements	340,000
Silver Oaks Pump Station Replacement (Amended)	1,740,000
Transmission System Planning Update (Newly Proposed)	50,000
Total¹	13,848,000

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

The FY 2025-26 Adopted Budget was reviewed and amended as part of the mid-cycle budget process. The proposed amended capital projects also incorporate progress made on the 10-Year Water System Capital Improvement Plan and Asset Management Program updates. Some projects span multiple fiscal years, and funding for the additional years will be requested in future Agency budgets. The proposed adjustments are summarized below.

Fund 120 – Capital Project Descriptions (Newly Proposed)

Electrical Vehicle Charging Infrastructure Program - \$53K

The project will include the design and construction of electric vehicle chargers at DVWTP, Parkside, and PPWTP. The California Air Resources Board (CARB) Advanced Clean Fleets (ACF) regulation requires that Zone 7 begin converting its fleet to zero-emission vehicles. Zone 7 plans to electrify its fleet to comply with this regulation. To support an electric fleet, electric vehicle charging infrastructure will be required at DVWTP, Parkside, and PPWTP. This project, together with the Facility Improvements for Energy Cost Savings project identified below, replaced the Energy Master Plan Priority Projects (as identified in the FY 2024-26 Adopted Budget).

Exhibit B
FY 2025-26 Proposed Amended Capital Projects Listing

Facility Improvements for Energy Cost Savings - \$318K

This project aligns with the Agency's Energy Policy and implements the Energy Master Plan. The project would implement one or more cost-effective facility improvements that reduce energy costs by procuring/generating less expensive energy and/or by modifying facility utility systems to qualify for better utility rates and reduce exposure to utility demand charges. This project, together with the Electrical Vehicle Charging Infrastructure Program project identified above, replaced the Energy Master Plan Priority Projects (as identified in the FY 2024-26 Adopted Budget).

Transmission System Planning Update - \$50K

This update will use the latest near-term and long-term demand estimates and hydraulic modeling to verify the capability of Zone 7's existing system and identify CIP projects to deliver treated water at an adequate level of service and to meet the reliability policy. Policy review will also be conducted to include delivered water flows and pressures at various turnouts. As a result of updated hydraulic modeling scenarios, this project may also identify new transmission system project needs (e.g., pump stations, pipelines, and other appurtenances) and additional storage needs (e.g., sizing and location of treated water storage facility) for incorporation into the CIP. This project has a 50/50 split with Fund 130.

Exhibit B
FY 2025-26 Proposed Amended Capital Projects Listing

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

Asset Management Program Management- \$0

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 is proposed to decrease due to the timing of the completion of the Asset Management Plan. The proposed adjustment will decrease the proposed capital budget by \$110K.

Capital Improvement Program Update - \$0

Project funds the 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 decrease due to the timing of the completion of the 10-Year Water System Capital Improvement Plan. The proposed adjustment will decrease the proposed capital budget by \$160K.

Chain of Lakes Conveyance System - \$530K

This project consists of a new multi-purpose conveyance pipeline and pump station connecting DVWTP/SBA with Lakes I/Cope and future lakes. Since active gravel mining operations may continue until 2060 and thereby delay completion of the Chain of Lakes (COLs) by 30 years beyond the previous planning horizon, Zone 7 is planning to construct this project using Zone 7-owned lakes to maximize the water supply reliability and operational flexibility benefits and append future lakes as appropriate when they become available. The project budget has been reduced to allow more time for additional analyses to identify the most viable project options. The proposed adjustment will decrease the proposed capital budget by \$1.23M.

DVWTP and PPWTP HVAC Replacement - \$670K

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 systems at PPWTP and DVWTP. The project schedule has been adjusted due to limited staff resources (as a result of delays in other projects in progress) and to enable coordination with the design of facility improvements with the PPWTP Improvements and Replacement project. The design and construction phases will begin FY 2025-26. Completion of the HVAC facilities at PPWTP and DVWTP is anticipated by spring 2027 and spring 2028, respectively. The proposed adjustment will decrease the proposed capital budget by \$496K.

DVWTP Master Plan - \$500K

The planned scope of this project has been expanded to include the development of a master plan for DVWTP that fully integrates all planned CIP projects, identifies new projects to be added based on site evaluations and analysis, including the proposed maintenance yard and storage building, and will include prioritization of projects. This project replaces the existing Maintenance Yard and Storage Study. The proposed adjustment will increase the proposed capital budget by \$500K.

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Hopyard Pipeline Corrosion Protection Improvement Project - \$0

The project is proposed to be replaced with a future project based on the findings of an upcoming condition assessment. Staff is working with an on-call contractor to schedule a video camera survey inside a portion of the Hopyard Pipeline during the City of Pleasanton's construction work on turnout 4 in fall 2025. The proposed adjustment will decrease the proposed capital budget by \$477K.

Laboratory Equipment Replacement - \$200K

Replacement of various monitoring and analytical laboratory equipment and components that are nearing the end of their useful life. Replacement of some instruments in the water quality laboratory were previously delayed and planned for FY 2025-26. This equipment includes gas chromatography (GC), gas chromatography/mass spectrometry (GC/MS), inductively coupled plasma/optical emission spectrometry (ICP/OES), inductively coupled plasma/mass spectrometry (ICP/MS), total organic carbon (TOC) analyzer, cyanotoxin analyzer, ion chromatography (IC) instruments, and turbidimeters. The proposed adjustment will increase the proposed capital budget by \$30K.

Maintenance Yard and Building - \$0K

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. The project has been deferred to follow the completion of the Del Valle Water Treatment Plant Master Plan. The proposed adjustment will decrease the proposed capital budget by \$400K.

MGDP RO Membrane Replacement - \$0K

This project is proposed to be deferred for one year. The MGDP RO membranes continue to perform well and are not at the end of their useful lives. The proposed adjustment will decrease the proposed capital budget by \$250K.

Mocho PFAS Treatment Plant - \$4.02M

This project has been rescoped to include both the Mocho Wellfield PFAS Treatment Facility project and the Wells & MGDP Electrical Upgrades/Replacement Project (as identified in the FY 2024-26 Adopted Budget). The treatment plant will remove PFAS from Mocho wellfield supplies to meet drinking water standards and restore production capacity and water supply reliability, operated in concert with the Mocho Groundwater Demineralization Plant. The project will also implement planned replacement of the aging switchgears at Mocho Wells 3 and 4, which will be partially funded by a \$1,226,000 Department of Water Resources Proposition 1 Integrated Regional Water Management grant. The proposed adjustment will decrease the proposed capital budget by \$4.48M.

North Canyons Electrical Vehicle Chargers - \$150K

The EV charger project is ongoing. An additional budget in FY 2025-26 is needed to complete the project. The proposed adjustment will increase the proposed capital budget by \$150K.

PPWTP Improvements and Replacements - \$850K

This project consolidates existing PPWTP renewal/replacement projects and addresses modifications for operational and maintenance needs, safety, and regulatory compliance. The project schedule has been adjusted due to limited staff resources (as a result of delays in other

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projects in progress) and to enable coordination with the design of facility improvements with the DVWTP and PPWTP HVAC Replacement projects. The design and construction phases will begin FY 2025-26 and FY 2026-27, respectively. Project completion is anticipated in spring 2028. The proposed adjustments will decrease the proposed capital budget by \$3.08M.

Silver Oaks Pump Station Replacement - \$1.74M

This project has been amended based on the current project schedule. The proposed FY 2025-26 budget is for design and planning. Land acquisition is anticipated to be completed in FY 2026-27. The proposed adjustment will decrease the proposed capital budget by \$1.59M.

System-Wide Installation of Line Valves - \$0K

This project includes periodic installation of new line valves in the transmission system, as needed. The project is proposed to be deferred for one year as this is not a priority project. The proposed adjustment will decrease the proposed capital budget by \$110K.

Regional Project Feasibility Study - \$383K

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 is cost-shared 50/50 between the City of Pleasanton and Zone 7. This project will include installing new wells, constructing pipelines, and upgrading Hopyard treatment facilities. The proposed budget is necessary to cover the Board approved increase in the revised Cost Share Agreement and any potential updates and changes to the project. This project is split 50/50 with Fund 130 – Water Enterprise Capital Expansion. The proposed adjustment will increase the proposed capital budget by \$383K.

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

FY 2025-26 Proposed Budget	
Project Listing	
Cawelo Groundwater Banking Program Debt Service	1,100,000
Chain of Lakes Conveyance System (Amended)	470,000
Contingency	500,000
Fourth Contractor's Share of South Bay Aqueduct - Payment to DWR	3,000,000
North Canyons Renewal/Replacement and Improvements	2,000
Regional Project Feasibility Study (Amended)	383,000
Sites Reservoir (Amended)	150,000
South Bay Aqueduct Enlargement Project - Payment to DWR	14,400,000
Transmission System Planning Update (Newly Proposed)	50,000
Well Master Plan	525,000
Total¹	20,580,000

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

The FY 2025-26 Adopted Budget was reviewed and amended as part of the mid-cycle budget process. The proposed amended capital projects also incorporate progress made on the 10-Year Water System Capital Improvement Plan update. Some projects span multiple fiscal years, and funding for the additional years will be requested in future Agency budgets. The proposed adjustments are summarized below.

Fund 130 – Newly Proposed Capital Project Descriptions

Transmission System Planning Update - \$50K

This update will use the latest near-term and long-term demand estimates and hydraulic modeling to verify the capability of Zone 7's existing system and identify CIP projects to deliver treated water at an adequate level of service and to meet the reliability policy. Policy review will also be conducted to include delivered water flows and pressures at various turnouts. As a result of updated hydraulic modeling scenarios, this project may also identify new transmission system project needs (e.g., pump stations, pipelines, and other appurtenances) and additional storage needs (e.g., sizing and location of treated water storage facility) for incorporation into the CIP. This project has a 50/50 split with Fund 120.

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

Capital Improvement Program Management - \$0

Project funds the 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 decrease due to the timing of the completion of the 10-Year Water System Capital Improvement Plan. The proposed adjustment will decrease the proposed capital budget by \$160K.

Chain of Lakes Conveyance System - \$470K

This project consists of a new multi-purpose conveyance pipeline and pump station connecting DVWTP/SBA with Lakes I/Cope and future lakes. Since active gravel mining operations may continue until 2060 and thereby delay completion of the Chain of Lakes (COLs) by 30 years beyond the previous planning horizon, Zone 7 is planning to construct this project using Zone 7-owned lakes to maximize the water supply reliability and operational flexibility benefits and append future lakes as appropriate when they become available. The project budget has been reduced to allow more time for additional analyses to identify the most viable project options. The proposed adjustment will decrease the proposed capital budget by \$1.09M.

City Reach Pipeline Mitigation Planning – \$0

The mitigation is needed 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 negotiate the terms of mitigation with CDFW and USFWS. This proposed adjustment will decrease the proposed capital budget by 410K.

Los Vaqueros Reservoir Expansion Project - \$0K

This project has been formally terminated. This proposed adjustment will decrease the proposed capital budget by \$170K.

Sites Reservoir Project - \$150K

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. Zone 7 has been participating in the project planning phases for a storage allocation of 62,340 acre-feet, which provides average reservoir releases of approximately 10,000 acre-feet per year. The Sites Authority authorized the time extension of the Third Amendment through June 2026. No additional cash calls were requested as part of this extension. Therefore, the budget has been reduced to reflect Zone 7 staff time required to complete Phase 2 of the planning phase. This proposed adjustment will decrease the capital budget by \$850K.

Regional Project Feasibility Study - \$383K

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 is cost-shared 50/50 between the City of Pleasanton and Zone 7. This project will include installing new wells, constructing pipelines, and upgrading Hopyard treatment facilities. The proposed budget is necessary to

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FY 2025-26 Proposed Amended Capital Projects Listing

cover the Board approved increase in the revised Cost Share Agreement and any potential updates and changes to the project. This project is split 50/50 with Fund 120 – Water Renewal/Replacement and System-wide Improvements. The proposed adjustment will increase the proposed capital budget by \$383K.