ZONE 7 WATER AGENCY
Delivering Quality, Reliability and Safety

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

ZONE 7 BOARD OF DIRECTORS
FINANCE COMMITTEE

DATE:	Wednesday, September 10, 2025
TIME:	3:00 p.m.
LOCATION:	Zone 7 Administration Building 100 North Canyons Parkway, Livermore

Director Benson
Director Brown
Director Narum

A G E N D A

1. Call Meeting to Order
2. Public Comment on Items Not on Agenda
3. Calendar Year 2026 Preliminary Untreated Water Rate
4. FY 2024-25 Unaudited Fourth Quarter Revenue and Expenditure Report
5. Adjournment

ZONE 7 WATER AGENCY
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100 North Canyons Parkway
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(925) 454-5000

ITEM NO. 3

DATE: September 10, 2025

TO: Finance Committee

FROM: Osborn Solitei, Treasurer/Assistant General Manager – Finance

SUBJECT: Calendar Year 2026 Preliminary Untreated Water Rate

SUMMARY:

- The proposed action 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. This rate review is consistent with the Board policy guidelines for untreated water rates adopted via Resolution No. 21-77 on October 20, 2021.

- The Agency sets untreated water rates on an annual basis. Rates are typically adopted by the Board each October and become effective the following January. The Agency also performs an annual reconciliation each year to true-up prior year actuals. This process was implemented to ensure the Agency is neither over- nor under-collecting from the Untreated Customers.

- Each year, prior to the annual untreated rate setting process, staff email the Untreated Customers to provide an overview of the upcoming rate setting process to ensure customers are aware of specific Committee and Board meetings that may be of interest. As part of this correspondence, staff encourage customers to attend and participate throughout the process to facilitate open communication and transparency.

- Staff completed and presented the results of the calendar year (CY) 2024 reconciliation at the August 27, 2025, Finance Committee meeting. Based on the results of the reconciliation, a credit of $273,145 was applied to the outstanding reconciliation balance, reducing it to ($835,020).

- The CY 2026 preliminary untreated water rate calculation has been completed. Based on the policy guidelines for untreated water rates, the CY 2026 calculated untreated water rate is $255 per acre foot ($255/AF).

- A five-year implementation schedule to collect the outstanding reconciliation balance was selected and approved by the Board via Resolution No. 23-77, dated October 18, 2023. The scheduled reconciliation charge for CY 2026 (the third year of the five-year implementation schedule) is $42/AF. Applying this charge to the calculated rate brings the CY 2026 preliminary untreated water rate to $297/AF.

- Consistent with past practice, staff will present the CY 2026 preliminary untreated water rate at the September Finance Committee meeting. Staff will seek the Committee's recommendation regarding the CY 2026 preliminary untreated water rate to forward to the Board for formal adoption in October.

FUNDING:

N/A

RECOMMENDED ACTION:

Discuss and provide a recommendation for the CY 2026 preliminary untreated water rate.

ATTACHMENTS:

Attachment A – Draft CY 2026 Untreated Water Rate Update Report
Attachment B – Historical Untreated Water Rates

DISCUSSION:

- In October 2021, following an extensive untreated water stakeholder outreach process, the Board provided policy guidelines regarding the untreated water rate components. The approved components include:

  〉 *Water Supply Costs:* Water supply costs make up approximately 80-90% of the untreated water rate and have proven to be very volatile due to declining water supply reliability, climate change, and weather whiplash. In dry years, expensive water transfers may be needed to meet current demands. In extremely wet years, the Agency incurs costs associated with storing water, which is essential to meet demands during future dry years. Given the uncertainty, the Agency uses the five-year historical average of water supply costs and water deliveries for rate setting purposes. The five-year historical average captures the highs and lows of hydrology and associated costs and helps mitigate major rate volatility from year to year. The annual reconciliation process captures any under or over collection of revenues.

  〉 *Water Service Costs:* The Agency is committed to providing a reliable supply of high-quality water for municipal, industrial, and agricultural customers, and spends a considerable amount of time managing the water supply portfolio. These water service costs are relatively stable year-to-year and are projected based on hours worked and hourly rate.

  〉 *Overhead:* Overhead costs are the ongoing costs of running the Agency that are not directly tied to water delivery or water service. These include expenses like property management and utilities at North Canyons, Board and administration salaries, IT, and insurance. The customers pay for a portion of the overhead costs through the water rate, ensuring the Agency can maintain operations and continue to deliver water.

- The untreated water rate calculation has resulted in a CY 2026 untreated water rate of $255/AF and a preliminary temporary untreated water rate of $1,023/AF. Table 1 provides a breakdown of both calculations.

Table 1: Untreated Water Rate Calculation[1]

Untreated Water Rate Calculation	Total Untreated	Untreated Deliveries (AF)	Unit Rate ($/AF)
Water Service Costs	$152,276	5,243	$29
Overhead Costs	$81,540	5,243	$16
Water Supply Costs	1,100,141	5,243	$210
Total Untreated Water Rate	**$1,333,957**		**$255**
Untreated Water Costs	$1,333,957	5,243	$255
Temporary Water Supply Costs[2]	$4,025,325	5,243	$768
Total Temporary Untreated Water Rate	**$5,359,282**		**$1,023**

- The Board approved the five-year implementation schedule via Resolution No. 23-77, dated October 18, 2023. Last year, as part of the 2025 untreated rate setting process, the Board revised year two of the five-year implementation schedule (CY 2025), reducing the reconciliation charge to $24/AF. The difference of $18/AF was added to the last year of the implementation schedule (CY 2028), as summarized in Table 2. Per the schedule, a reconciliation charge of $42/AF is planned to be applied to the CY 2026 untreated water rate.

Table 2: Approved/Revised Implementation Schedule

	Year 1 CY 2024	Year 2 CY 2025	Year 3 CY 2026	Year 4 CY 2027	Year 5 CY 2028
5-Year Phase-in	$43	$42	$42	$41	$41
Revised	-	$24	$42	$41	$59
Change	-	($18)	-	-	$18

- Table 3 shows the impact of applying the scheduled CY 2026 reconciliation charge to the CY 2026 calculated untreated water rate and compares the CY 2026 calculated untreated rate to the CY 2025 calculated untreated water rate.

[1] Values may not add due to rounding.
[2] Temporary costs include the State Water Project fixed costs collected through the property tax override.

Table 3: CY 2026 Preliminary Untreated Water Rate

	CY 2025 Adopted	CY 2026 (Preliminary)	Calculated Rate Change (%)
Calculated Rate	$239	$255	6.7%
Reconciliation Charge	$24[3]	$42	
Total Untreated Rate	$263	$297	

- The draft report for the CY 2026 Untreated Water Rate Update can be found in Attachment A.

- Staff are seeking the Committee's recommendation on the CY 2026 preliminary untreated water rate. Staff will incorporate the Finance Committee's recommendation into the Draft CY 2026 Untreated Water Rate Update Report and bring the CY 2026 preliminary untreated water rate to the full Board for adoption at the October 15, 2025, regular Board meeting. If approved, the CY 2026 untreated water rate will take effect January 1, 2026.

[3] As part of the CY 2025 rate setting process, the Board revised the approved five-year implementation schedule, reducing the CY 2025 reconciliation charge from $42/AF to $24/AF. The difference of $18/AF was added to the last year of the implementation schedule (CY 2028).

ZONE 7 WATER AGENCY

CY 2026 UNTREATED WATER RATE UPDATE

DRAFT REPORT
SEPTEMBER
2025

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Executive Summary

Agency Background

Zone 7 Water Agency (the "Agency") was established in 1957 to provide untreated water to support agriculture and provide treated wholesale water to the Livermore-Amador Valley. In 1961, the Agency contracted for State Water Project (SWP) water deliveries through the South Bay Aqueduct (the "SBA").

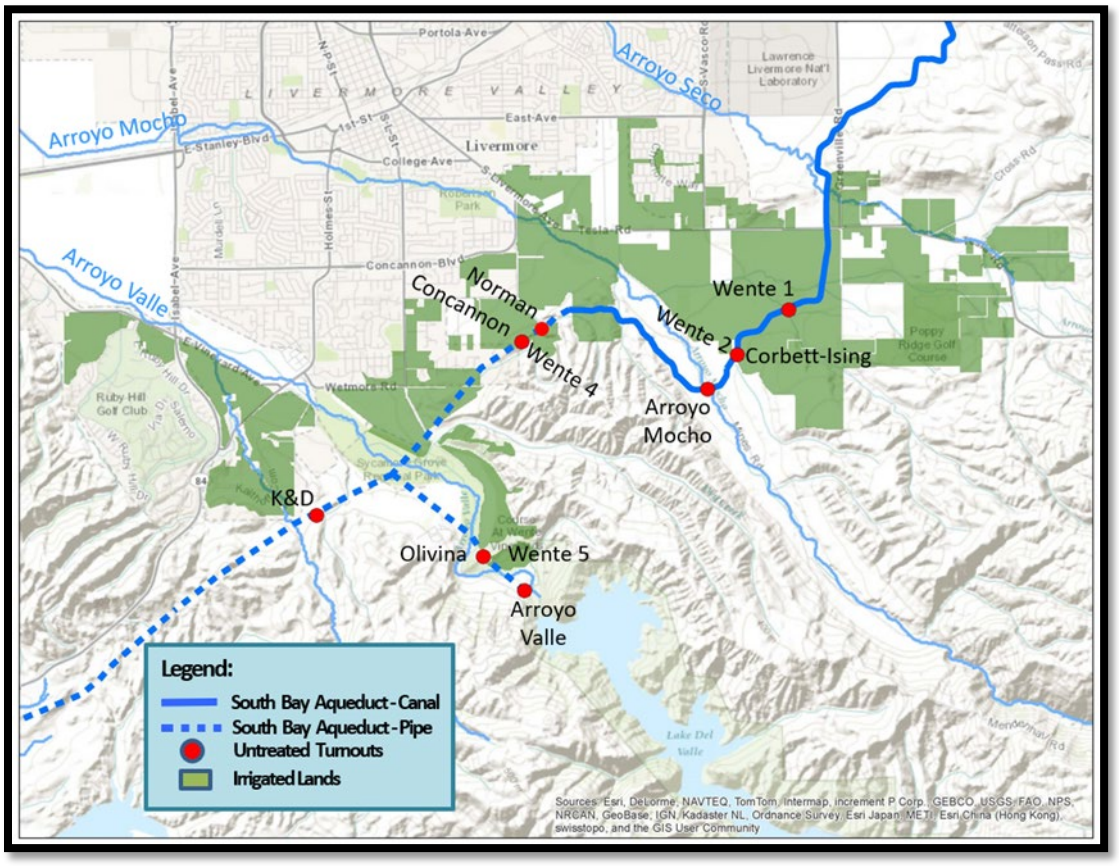
The Agency's water resources include imported water from the SWP, local groundwater storage, local water captured in Lake Del Valle, and offsite groundwater banking in Kern County. Historically, most of the Agency's water demand has been met by imported water from the SWP; approximately 90 percent of the current water demand is met through water originating from the SWP.

The Agency began delivering untreated water to its service area from the California Department of Water Resources (DWR) via the SBA in 1962. Over the years, deliveries increased with the agricultural development of South Livermore. The Agency provides untreated water service to 95 untreated water users that may collectively request water deliveries of up to 8,104 acre-feet (AF) per year. However, only seven of these contractors receive water from the Agency directly from an SBA turnout. These seven water users are referred to as "turnout water users." The remaining 88 "remote water users" receive their water deliveries through the turnout water users' respective conveyance facilities. The Agency's current practice is to invoice the turnout water users for all water delivered through the turnouts, which includes water wheeled, or delivered through their respective facilities, to remote water users. The turnout water users, in turn, invoice the respective individual remote water users. The Agency does not invoice remote water users and is not involved in setting remote water user rates.

Prior to 2011, the Agency had contracts with separate users. In 2011, the Agency transitioned from individual contracts to the Rules and Regulations Governing Water Service. The Rules and Regulations Governing Water Service reflect the actual relationship the Agency has with its untreated water customers. This transition allowed the Agency to administer the untreated water program more effectively by clearly documenting and maintaining a maximum annual allocation for each water user and providing a process for water transfers within the service area.

Figure 1 shows the map of the untreated water turnouts and deliveries via the SBA.

Figure 1: Map of Untreated Water Turnouts



Untreated Water Rate Update Background

The Untreated Water Rate Update calculates the untreated water rates for calendar year (CY) 2026 based on the Board principles for untreated water rates adopted via Resolution No. 21-77, dated October 20, 2021.

The major objectives of the update include:

- Ensure financial sufficiency for the untreated water enterprise to meet water supply and program costs
- Develop untreated and temporary untreated water rates consistent with approved Board principles
- Maintain fairness and equitability of rates while minimizing customer impacts

General Report Assumptions

The calculation acknowledges the volatility of water supply costs from year to year and the challenge of accurately predicting future water supply by smoothing projected water supply costs using a five-year historical average. This method helps avoid major rate shock to

untreated water customers when extreme weather patterns are anticipated. The following assumptions are based on five-year historical averages:

- Planned Water Deliveries
- Planned Water Supply Costs

Current Rates

The Agency's current untreated water rates include two components: an untreated water rate for normal water service and a temporary untreated water rate for customers that require temporary service and are unable to obtain water from other areas in the valley. **Table 1** shows the current untreated water rates (CY 2025), which the Agency adopted on October 16, 2024, via Resolution No. 24-83.

Table 1: Current Untreated Water Rates (CY 2025)

Current Untreated Water Rates ($/AF)	CY 2025
Untreated Water Rate	$263[1]
Temporary Untreated Water Rate	$954

Planned Water Deliveries

Table 2 shows the planned water deliveries for untreated and treated water customers in CY 2026, and the percent of total deliveries for each service. As mentioned above, planned untreated and treated water deliveries are based on the five-year historical average.

Table 2: Planned Water Deliveries (CY 2026)[2]

Planned Water Deliveries	Total AF	% of Total
Untreated Water	5,243	12.89%
Treated Water	35,442	87.11%
Total	**40,685**	**100.0%**

Calculated Untreated Water Rates

Table 3 shows the calculated untreated water rate and the temporary untreated water rate for CY 2026. The calculated rate excludes any reconciliation charge or credit.

Table 3: Calculated Untreated Water Rates (CY 2026)

Calculated Untreated Water Rates ($/AF)	CY 2026
Untreated Water Rate	$255
Temporary Untreated Water Rate	$1,023

[1] Current rate includes a $24/AF reconciliation charge.
[2] Values may not add due to rounding.

Water Service

This section outlines the Agency's water service costs and the associated costs and descriptions of the various staff programs that make up the water service costs.

Agency Staff Programs

The Agency is committed to providing a reliable supply of high-quality water for municipal, industrial, and agricultural customers and spends a considerable amount of time managing the water supply portfolio. These water service costs are calculated based on projected hours worked by Agency staff and hourly rate.

The following section describes the various staff programs and their roles in the untreated water system. The following Agency staff programs, with the exception of the Untreated Water Program, serve both treated and untreated water customers. All Agency staff programs that do not serve the untreated water customers (i.e. Water Treatment, Groundwater Administration, Local Water Rights, and Flood Protection) have been excluded.

State Water Project Program
Administration of the State Water Project water supply.

Untreated Water Program
Execution, management, and administration of the Untreated Water Program.

Water Supply and Storage Planning
Operational planning of the water utility and the water supply, day-to-day water supply management activities, administration and support related to water storage, water supply and conveyance, and other water supplies.

Cawelo Banked Water Program
Administration, operation, and maintenance of the Cawelo water supply, including recovery and storage.

Semitropic Banked Water Program
Administration, operation, and maintenance of the Semitropic water supply, including recovery and storage.

Water Service Costs

Agency staff provide estimated water service costs for each of the programs, which include hourly rate and projected hours worked for CY 2026. The detailed water service costs by program are included in the **Technical Appendix**.

Table 4 shows the water service cost summary for all Agency staff programs serving the Untreated Water Customers and the allocation to the untreated water program. Untreated Water Program costs are only distributed to the untreated customers, while the remaining staff programs benefit both treated and untreated customers. The percent of water service costs allocated to untreated water customers (except for Untreated Water Program costs) is based on the proportion of planned water deliveries for CY 2026 from **Table 2**.

Table 4: Water Service Cost Summary (CY 2026)[3]

Water Service Costs Summary	Total Agency	% To Untreated	Total Untreated
State Water Project Program	$138,957	12.89%	$17,907
Untreated Water Program	$34,727	100.0%	$34,727
Water Supply and Storage Planning	$746,614	12.89%	$96,215
Semitropic Banked Water Program	$14,360	12.89%	$1,850
Cawelo Banked Water Program	$12,235	12.89%	$1,577
Total Water Service Costs	**$946,893**	**16.08%**	**$152,276**

[3] Values may not add due to rounding.

Agency Overhead

This section outlines the Agency's overhead costs and calculation. The resulting overhead percentage, determined in **Table 7**, is applied to the water service costs derived in the previous section.

Overhead Costs and Calculation

Overhead costs are the ongoing costs of running the Agency that are not directly tied to water production or water service. These include expenses like property management and utilities at the Agency's headquarters, Board and administration salaries, information technology, and insurance. The Agency needs to cover these costs to stay operational, therefore the customer indirectly pays for a portion of the overhead through the rate, ensuring the Agency can maintain operations and continue to deliver water.

For this report, these costs are referred to as Central Administration costs, or indirect costs and are shared across all Agency departments. Detailed central administration costs are included in the **Technical Appendix** at the end of this report.

The overhead calculation uses both direct labor costs and indirect costs for all Agency programs. Direct labor costs are Agency staff hours charged directly to the following programs: Water Utility Support Services, Supply Source and Conveyance, Water Storage, Water Treatment, Water Transmission, and Flood Protection. Indirect costs are charged to the Central Administration program. **Table 5** shows the total direct labor and indirect costs for each program.

Table 5: Agency Direct Labor and Indirect Costs (CY 2026)[4]

Programs	Direct Labor	Indirect Costs
Water Utility Support Services	$3,479,888	$0
Supply Source & Conveyance	$326,576	$0
Water Storage	$1,857,641	$0
Water Treatment	$8,090,930	$0
Water Transmission	$1,368,913	$0
Central Administration	$0	$9,113,443
Flood Protection	$1,895,289	$0
Total - Programs	**$17,019,237**	**$9,113,443**

Table 6 takes the total direct labor and indirect costs from **Table 5** and adds the allocation of indirect costs to each program based on the proportion of direct labor costs. For example, the following equation is used to calculate the allocated Central Administration indirect costs for the Water Utility Support Services program:

[4] Values may not add due to rounding.

$9,113,443 total Central Administration costs x ($3,479,888 Water Utility Support Services direct labor costs / $17,019,237 total direct labor costs) = $1,863,407

Table 6: Agency-wide Overhead Cost Allocations (CY 2026)[5]

Programs	Direct Costs	Indirect Costs (Central Admin)	Central Admin Allocation
Water Utility Support Services	$3,479,888	$0	$1,863,407
Supply Source & Conveyance	$326,576	$0	$174,875
Water Storage	$1,857,641	$0	$994,728
Water Treatment	$8,090,930	$0	$4,332,523
Water Transmission	$1,368,913	$0	$733,024
Central Administration	$0	$9,113,443	$0
Flood Protection	$1,895,289	$0	$1,014,886
Total - Programs	**$17,019,237**	**$9,113,443**	**$9,113,443**

The relevant programs, applicable to the untreated water system, include Water Utility Support Services, Supply Source and Conveyance, and Water Storage (highlighted in light blue). **All other program costs do not directly apply to the untreated water system and are not included in the calculation.**

Table 7 shows the calculation of the untreated water overhead percentage. The Agency-wide overhead allocation is represented by the indirect costs associated with each dollar of direct labor costs. To calculate the untreated water overhead percentage, the central administration costs for the Water Utility Support Services, Supply Source and Conveyance, and Water Storage Programs are divided by the total direct labor costs for the same three programs. The resulting percentage of 53.5 percent represents approximately 54 cents of indirect costs for each dollar of applicable direct labor costs allocated to untreated water.

Table 7: Untreated Water Overhead Percentage Calculation (CY 2026)[5]

Untreated Water Programs	Direct Labor	Central Admin
Water Utility Support Services	$3,479,888	$1,863,407
Supply Source & Conveyance	$326,576	$174,875
Water Storage	$1,857,641	$994,728
Total - Untreated Water Programs	**$5,664,105**	**$3,033,010**
Overhead Percentage	53.5%	

Table 8 shows the untreated water program's portion of overhead, which is calculated by multiplying the overhead percentage in **Table 7** by the planned untreated water service costs for CY 2026 in **Table 4**.

[5] Values may not add due to rounding.

Table 8: Untreated Water Overhead Costs (CY 2026)[6]

Overhead Costs	Total Untreated
Untreated Water Service Costs	$152,276
Overhead Percentage	53.5%
Untreated Water Overhead Costs	$81,540

[6] Values may not add due to rounding.

Water Supply

This section of the report outlines the Agency's water supply sources and planned water supply costs for CY 2026. Water supply costs make up approximately 80-90% of the untreated water rate and historically have been very volatile and challenging to predict.

Water Supply Portfolio

The Agency's water sources are used to meet treated and untreated water demand. Treated water demand comes from municipal (retailers) and industrial (direct) customers and untreated water demand comes from agricultural customers. When available, excess surface water supplies are placed into storage locally or remotely for future use. Total water supply costs are included in the rate calculation for both treated and untreated water deliveries.

State Water Project

- **Table A**
  Table A is the Agency's portion of the State Water Project annual allocation and represents the largest portion of Zone 7's "new" water supply each year. The Agency's maximum allocation is 80,619 AF annually. Each year, the Agency receives a "Table A allocation" representing a percentage of 80,619 AF.
- **Excess Supplies**
  This is officially referred to as "Article 21" water and is surplus water that is made available, in addition to Table A water, when the San Luis Reservoir is full. It is water that would otherwise flow to the Bay.
- **Carryover**
  This is officially referred to as "Article 56" water and is available when the Agency's Table A water rolls over as carryover for use in future years. In most years, this water remains in the San Luis Reservoir, but in wet years, such as 2023, the San Luis Reservoir can be at risk of spilling, which causes stored carryover to be lost. Each year, the Agency typically reserves 10,000 to 15,000 AF as a carryover to mitigate against fluctuating Table A allocations.
- **Delta Conveyance Project**
  This project offers alternative conveyance to the existing State Water Project system based on a new, single-tunnel option to bypass the South Delta when it is unusable. The project has been developed by DWR to address challenges related to climate change/sea level rise, earthquakes, environmental impacts, and water quality degradation rendering the State Water Project conveyance system and Delta unreliable.

Water Transfers/Exchanges

This supply is comprised of imported water purchased by the Agency through both long-term and short-term (annual) agreements with another entity (e.g., water agency, farm).

- **Yuba Accord**
  Water from this source is available mainly in dry years through an agreement with the

DWR and Yuba County Water Agency. The Agency receives approximately 1 percent of available water.

- **Dry Year Transfer Program**
  During dry years, the State Water Contractors negotiate water purchases north of the Delta, making additional water available to interested State Water Project contractors.
  Other Transfers
  Water from this source is obtained through negotiations with other SWP contractors, typically in dry years when the Table A allocation is low.

Banked Water Programs

- **Cawelo and Semitropic Banked Water**
  The Agency has agreements with Semitropic Water Storage District and Cawelo Water District in Kern County for 78,000 AF and 120,000 AF of storage capacity, respectively. The Agency recovers water from these banks as needed during dry years (such as 2021 and 2022) and stores water in wet years (2023 and 2024). Recovered water is delivered via exchange through the SBA as surface water is conveyed through the Delta.

Water Supply Costs

Water supply costs are challenging to predict due to climate change and declining water supply reliability. In addition, the anticipated water supply costs and the SWP's final allocation for CY 2026 is not available until mid-2026. Because of these challenges, the CY 2026 planned water supply costs are based on the five-year historical average of allocable water supply costs. This method generates planned water supply costs of $8,536,949 for CY 2026.

Table 9 shows five years of historical water supply costs. The water supply breakdown can be found in the **Technical Appendix.**

Table 9: Five-Year Historical Water Supply Costs[7]

	Total Water Supply Costs
FY 2020-21	$5,672,701
FY 2021-22	$15,912,409
FY 2022-23	$9,107,429
FY 2023-24	$7,467,271
FY 2024-25 (Unaudited)	$4,524,934
5-Year Average	**$8,536,949**

Table 10 shows the water supply cost summary and the allocation to the untreated water program. The percentage of costs allocated to untreated water customers is based on the proportion of planned water deliveries in CY 2026 from **Table 2**.

[7] Values may not add due to rounding.

Table 10: Planned Water Supply Cost Summary (CY 2026)[8]

Planned Water Supply Cost Summary	Total Agency-wide	% To Untreated	Total Untreated
Water Supply Costs	$8,536,949	12.89%	$1,100,141
Temporary Water Supply Costs	$31,236,000	12.89%	$4,025,325

[8] Values may not add due to rounding.

Water Reconciliation Charge

This section of the report outlines the framework and calculations for the water reconciliation charge.

Reconciliation Framework

As part of the 2021 Untreated Water Rate Study, Raftelis Financial Consultants, Inc. collaborated with Agency staff to develop the following framework for calculating the annual water reconciliation charge, which is detailed in this subsection of the report. The proposed water reconciliation charge framework meets the Agency's objectives for the following reasons:

- Truing up water supply and water service costs from prior years will ensure that the Agency is collecting sufficient revenues to meet its costs.
- The water reconciliation charge, which can be an additional charge or a credit, ensures the Agency is not over- or under-collecting revenues from its untreated water customers.
- The water reconciliation charge also establishes equity between treated and untreated water customers by ensuring that untreated water customers are paying for their fair share of costs.

Step 1: Determine the implementation schedule for the water reconciliation charge.
Actual calendar year cost information is available to the Agency six months after the year ends. Therefore, the water reconciliation charge trues up costs at least two years prior to the year that it is implemented. For example, actual costs for CY 2024 are available in mid-2025; the water reconciliation charge, which is calculated to true up CY 2024 costs, is then implemented in the CY 2026 untreated water rate. The Agency's Board can determine the number of years to phase-in the reconciliation charge based on relevant policy objectives, such as minimizing customer impacts. Generally, the water reconciliation charge is applied to the next year's rate. However, if the true-up of costs in a particular year is significantly higher than planned, the Board can opt to phase-in the water reconciliation charge over a reasonable number of years to minimize impacts to customers.

Step 2: Allocate actual costs for the entire Agency between treated and untreated water based on planned or actual deliveries.
Agency costs include water supply costs, water service costs, and overhead for both treated and untreated water customers. Once actual costs are available for the reconciliation year, the proposed framework allocates each cost category based on the following:

- Water supply costs are allocated between treated and untreated customers based on each user group's proportion of actual deliveries. Since most water supply costs are variable (meaning that the more water delivered, the higher the costs), it is most equitable to allocate these costs between the two customer types based on the amount of actual water delivered to each.

- Untreated water program costs are allocated entirely to untreated water customers.
- The remaining water service costs are allocated between treated and untreated customers based on each user group's proportion of planned deliveries. Since water service costs are fixed (meaning that these costs are incurred regardless of how much water is delivered), it is most equitable to allocate these costs based on the planned deliveries that were used to calculate that year's rate.
- Overhead costs are determined by multiplying the planned overhead percentage for that year's rate by the actual water service costs allocated to untreated water customers.
- It is important to note that all cost components included in the original untreated water rate should be included in the reconciliation.

Step 3: Calculate the reconciliation amount using a cash flow analysis.
Historically, untreated water usage has been relatively steady year-to-year. However, in years where actual untreated water usage exceeds planned untreated water usage (which is used to determine the rate), increased revenue is received from the untreated water program. The cash flow analysis not only incorporates the actual costs incurred by the Agency but also isolates the untreated water customers' economies of scale generated from increased water usage. The cash flow analysis to determine the amount that is reconciled includes two components:

- Actual untreated water rate revenues for the reconciliation year
- Actual untreated water program costs for the reconciliation year.

Actual untreated water rate revenues are compiled for the reconciliation year and actual untreated water program costs were determined in Step 2. The cash flow analysis is equal to the actual untreated water rate revenues less actual untreated water costs.

If a reconciliation balance is outstanding, the credit/charge resulting from the cash flow analysis will be applied to the outstanding reconciliation balance.

Step 4: Determine the water reconciliation charge.
To determine the reconciliation charge, the reconciliation amount, calculated in Step 3, is divided by the planned deliveries for the implementation year. The reconciliation charge is then divided by the number of phase-in years determined in Step 1. The resulting number is the reconciliation charge to apply to each future year.

Step 5: Repeat the same process for future years.
This framework can be used to determine the water reconciliation charge for any future year. The Agency's Board can elect to phase-in the water reconciliation charge as determined in Step 1. However, the reconciliation implementation schedule determined in Step 1, must be incorporated each year to ensure Agency staff can fully understand the financial impacts of the implemented rates, especially rates that are lower than what is necessary to fully reconcile all costs and revenues for the untreated water system.

CY 2024 Reconciliation Calculation

This subsection will detail the calculation for the CY 2024 water reconciliation amount following the steps outlined in the framework.

Step 1: Determine the implementation schedule for the water reconciliation charge.
As a result of the CY 2022 reconciliation calculation, the Board approved a five-year implementation schedule of the outstanding reconciliation balance (Resolution No. 23-77, dated October 18, 2023). The second year of the phase-in was applied to the CY 2025 untreated water rate.

Step 2: Allocate actual costs for the entire Agency between treated and untreated water based on planned or actual deliveries.
Table 11 shows the planned and actual water deliveries between untreated and treated water in CY 2024. The planned deliveries for CY 2024 are the same as those used to calculate the CY 2024 untreated water rate. The resulting percentage allocations are then used to divide actual water supply and water service costs to untreated water customers.

Table 11: Water Deliveries and Allocations (CY 2024)[9]

Water Deliveries	Untreated Water	Treated Water	Total
Planned Deliveries (AF)	5,412	34,721	**40,133**
Percent Allocation	13.49%	86.51%	**100%**
Actual Deliveries (AF)	4,336	35,618	**39,954**
Percent Allocation	10.85%	89.15%	**100%**

Table 12 shows the CY 2024 actual costs allocated to untreated water. Water supply costs are allocated based on the percent of actual deliveries, untreated water program costs are allocated entirely to untreated water and the remaining water service costs are allocated based on the percent of planned deliveries from **Table 11**. Untreated overhead costs are allocated based on the planned overhead allocation.

[9] Values may not add due to rounding.

Table 12: Actual Untreated Water Supply and Service Costs (CY 2024)[10]

Actual Costs (CY 2024)	Agency Total	Allocation Method	% to Untreated	Total Untreated
Water Supply Costs[11]				
Delta Conveyance Project	$2,375,000	Actual Deliveries	10.85%	$257,746
SWP Transportation[12]	$2,363,611	Actual Deliveries	10.85%	$256,510
Yuba Accord	$0	Actual Deliveries	10.85%	$0
Dry Year Transfer Program	$0	Actual Deliveries	10.85%	$0
Other Water Transfers	$0	Actual Deliveries	10.85%	$0
Semitropic Banked Water	$245,140	Actual Deliveries	10.85%	$26,604
Semitropic Banked Water O&M	$559,000	Actual Deliveries	10.85%	$60,665
Cawelo Banked Water	$898,774	Actual Deliveries	10.85%	$97,539
Total Water Supply Costs	**$6,441,525**			**$699,064**
Water Service Costs				
State Water Project Administration	$99,542	Planned Deliveries	13.49%	$13,423
Untreated Water Administration	$41,767	Untreated Water	100%	$41,767
Water Supply and Storage Planning	$398,450	Planned Deliveries	13.49%	$53,732
Water Banking Programs	$35,792	Planned Deliveries	13.49%	$4,827
Total Water Service Costs	**$575,551**			**$113,749**
Overhead				
Total Overhead Costs	N/A	Planned	47.83%	**$54,410**
Total Costs	**$7,017,076**			**$867,223**

Step 3: Calculate the reconciliation amount using a cash flow analysis.
The cash flow analysis calculates whether the untreated water sales revenue, collected in CY 2024, was sufficient to cover the actual untreated water program costs. Where revenues exceed costs, a credit is applied to the reconciliation balance. Where costs exceed revenue, a charge is applied.

[10] Values may not add due to rounding.
[11] CY 2024 water supply costs reflect a State Water Project Allocation of 40%.
[12] SWP Transportation costs exclude cost incurred to convey 8,392 AF of water for groundwater basin recharge.

Table 13 shows the cash flow analysis used to determine whether CY 2024 resulted in a credit or charge against the untreated water program reconciliation balance.

Table 13: Cash Flow Analysis (CY 2024)

	CY 2024
Actual Untreated Water Rate Revenue	$1,140,368
Less: Actual Untreated Water Costs	$867,223
CY 2024 Credit	**$273,145**

The CY 2024 credit of $273,145 was a result of the following:

1. $43/AF reconciliation charge and 4,336 AF of untreated water sales, generating approximately $186K of revenue (approximately $47K less than planned).
2. Approximately $87K of additional water cost savings.

The planned reconciliation collection for CY 2024 was approximately $233K ($43/AF multiplied by 5,412 AF of planned untreated water sales). The water cost savings in CY 2024 enabled the Agency to collect the planned amount plus an additional $40K.

Step 4: Determine the water reconciliation charge.
The CY 2024 reconciliation resulted in a credit which has been applied to the outstanding reconciliation balance. Per Resolution No. 23-77, dated October 18, 2023, the remaining outstanding reconciliation balance will be collected over the succeeding three years. Based on the Board approved five-year phase-in, a reconciliation charge of $42/AF is scheduled to be applied to the CY 2026 untreated water rate.

Outstanding Reconciliation Balance

The outstanding reconciliation amount as of December 2024 is ($835,020).

Preliminary Untreated Water Rates

This section of the report combines the planned water service costs, overhead costs, water supply costs, and the scheduled reconciliation charge to calculate the preliminary untreated water rates in **Table 16**.

Untreated Water Rate Calculation

Table 14 shows the preliminary untreated water rate calculation for CY 2026. The preliminary untreated water rate includes the untreated water system's portion of water service costs (from **Table 4**), overhead costs (from **Table 8**), and water supply costs (from **Table 10**). The temporary untreated water rate includes all untreated water costs and the temporary water supply costs (from **Table 10**). The reconciliation charge is not applied to the temporary untreated water rate. The untreated costs are divided by the planned untreated water deliveries for CY 2026 (from **Table 2**) to derive the rate per AF of water.

Table 14: Preliminary Untreated Water Rates Calculation (CY 2026)[13]

Untreated Water Rate Calculation	Total Untreated	Untreated Deliveries (AF)	Unit Rate ($/AF)
Water Service Costs	$152,276	5,243	$29
Overhead Costs	$81,540	5,243	$16
Water Supply Costs	$1,100,141	5,243	$210
Total Untreated Water Rate	**$1,333,957**		**$255**
Untreated Water Costs	$1,333,957	5,243	$255
Temporary Water Supply Costs[14]	$4,025,325	5,243	$768
Total Temporary Untreated Water Rate	**$5,359,282**		**$1,023**

Reconciliation Implementation Schedule

Table 15 shows the Board approved and subsequently revised five-year implementation schedule. The reconciliation charge for CY 2026 is scheduled to be $42/AF.

[13] Values may not add due to rounding.
[14] Temporary costs include the State Water Project fixed costs collected through the property tax override.

Table 15: Board Approved/Revised Five-Year Implementation Schedule

	Year 1 CY 2024	Year 2 CY 2025	Year 3 CY 2026	Year 4 CY 2027	Year 5 CY 2028
5-Year Phase-in	$43	$42	$42	$41	$41
Revised	-	$24[15]	$42	$41	$59
Change	-	($18)	-	-	$18

Table 16 shows the impacts of applying the scheduled reconciliation charge for year three from **Table 15** to the calculated CY 2026 untreated water rate and compares the CY 2026 calculated untreated water rate to the CY 2025 calculated untreated water rate.

Table 16: Reconciliation Charge Impact on CY 2026 Calculated Untreated Water Rate

	CY 2025 Adopted	CY 2026 (Preliminary)	Calculated Rate Change (%)
Calculated Rate	$239	$255	6.7%
Reconciliation Charge	$24	$42	
Untreated Rate	**$263**	**$297**	

[15] Reconciliation charge of $24/AF was applied to the CY 2025 untreated water rate. Revenue generated from this charge will be analyzed as part of the CY 2025 reconciliation process and applied to the outstanding reconciliation balance.

Technical Appendix

Table 17: Water Service Cost Detail (CY 2026)[16]

Water Service Costs	Hourly Rate ($/hr)[17]	Hours Worked	Total Cost
Untreated Water Administration			
Financial Analyst	$161.46	87	$14,047
Senior Planner	$164.54	4	$658
Associate Engineer	$179.49	106	$19,026
Integrated Planning Manager	$197.20	3	$592
Senior Planner	$155.63	1	$156
Associate Planner	$124.08	2	$248
Total- Untreated Water Administration			**$34,727**
Water Utility Planning Administration			
Water Resources Manager	$215.49	234	$50,425
Water Resources Tech II	$132.47	145	$19,208
Integrated Planning Manager	$197.20	593	$116,940
Engineering Manager	$230.86	14	$3,232
Associate Engineer	$179.49	327	$58,693
Senior Planner	$164.54	133	$21,884
Associate Engineer	$164.83	987	$162,687
Senior Planner	$155.63	4	$623
Principal Engineer	$213.63	17	$3,632
Associate Planner	$124.08	728	$90,330
Associate Engineer	$147.97	26	$3,847
Assistant Engineer	$134.38	367	$49,317
Total - Water Utility Planning Administration			**$580,818**
State Water Project Administration			
Associate Engineer	$179.49	245	$43,975
Associate Planner	$124.08	473	$58,690
Integrated Planning Manager	$197.20	10	$1,972
Water Resources Manager	$215.49	135	$29,091
Associate Engineer	$164.83	27	$4,450
Senior Planner	$155.63	5	$778
Total - State Water Project Administration			**$138,957**
Water Storage Administration			
Integrated Planning Manager	$197.20	6	$1,183
Associate Engineer	$179.49	33	$5,923
Total - Water Storage Administration			**$7,106**

[16] Values may not add due to rounding.
[17] Includes salaries, wages, and benefits.

Other Water Supplies			
Water Resources Manager	$215.49	99	$21,334
Integrated Planning Manager	$197.20	44	$8,677
Associate Engineer	$179.49	106	$19,026
Senior Planner	$155.63	1	$156
Associate Planner	$124.08	136	$16,875
Total - Other Water Supplies			**$66,067**
Supply Source & Conveyance Administration			
Water Resources Manager	$215.49	345	$74,344
Associate Engineer	$179.49	61	$10,949
Integrated Planning Manager	$197.20	36	$7,099
Engineering Manager	$230.86	1	$231
Total - Supply Source & Conveyance Administration			**$92,623**
Semitropic			
Associate Engineer	$179.49	33	$5,923
Associate Planner	$124.08	68	$8,437
Total - Semitropic			**$14,360**
Cawelo			
Associate Engineer	$179.49	26	$4,666
Associate Planner	$124.08	61	$7,569
Total - Cawelo			**$12,235**

Table 18: Central Administration (Indirect Cost) Detail (CY 2026)[18]

Account Description - Central Administration	Total Indirect Costs	Flood Protection Operations	Water Operations	
			Treated Water Customers	Untreated Water Customers[19]
Salaries and Wages (Board of Directors, Office of General Manager, Finance, Human Resources and Administration)	$3,760,455	$418,770	$3,308,039	$33,646
Professional and Technical Services (Website, Communication, North Canyons Property Management, etc.)	$1,338,010	$149,003	$1,177,035	$11,972
County Services (Payroll and Vendor checks etc.)	$2,192,774	$244,191	$1,928,964	$19,619
Insurance Services (Property, General Liability, Cyber, etc.)	$755,250	$84,106	$664,387	$6,757
Gas and Electricity for North Canyons	$142,753	$15,897	$125,579	$1,277
Sewer Discharge Fees	$1,182	$132	$1,040	$11
Water Service for North Canyons	$5,559	$619	$4,890	$50
Communications (Telecommunication services for North Canyons)	$54,132	$6,028	$47,619	$484
Garbage Disposal Services for North Canyons	$12,733	$1,418	$11,201	$114
Janitorial Services/Supplies for North Canyons	$317	$35	$279	$3
Repairs/Service of Equipment (Backup Generator repairs etc.)	$11,288	$1,257	$9,930	$101
Repairs/Service of Buildings & Property (Commercial property Mgmt., ADT security services etc.)	$259,980	$28,952	$228,702	$2,326
Maintenance Parts & Supplies (Irrigation parts, electrical parts and misc. supplies)	$739	$82	$650	$7
Rents & Leases - Equipment (Copier machine, postage meter etc.)	$22,732	$2,531	$19,997	$203
General Office Supplies & Expenses (IT services, software, paper, pens, files etc.)	$430,696	$47,963	$378,879	$3,854
Reproduction and Printing (Budget book etc.)	$601	$67	$529	$5
Subscriptions (Newspapers, CA Dept of Fish and Wildlife)	$2,487	$277	$2,188	$22
Postage, Delivery & Shipping (Payments to US Postal Services, FedEx etc.)	$206	$23	$181	$2
Organization Memberships (Membership for Board Members, GM, Admin Staff etc.)	$8,250	$919	$7,257	$74
Support and Program Participation (Sponsorships - Association of Bay Area Governments (ABAG)	$0	$0	$0	$0
Advertising and Legal Notices (Job postings)	$15,242	$1,697	$13,408	$136
State and Local Fees (City of Livermore Tri-Valley Tech Park CFD No. 99-1 Series 2015 Bonds)	$27,164	$3,025	$23,896	$243
Training Materials and Services (ACWA Training, Water Education, CSMFO and GFOA)	$47,459	$5,285	$41,749	$425
Educational Stipend - Zone 7	$15,322	$1,706	$13,479	$137
Travel/Transportation (Board Members travel expense reimbursement)	$3,405	$379	$2,995	$30
Mileage	$4,706	$524	$4,140	$42
Total	**$9,113,443**	**$1,014,887**	**$8,017,015**	**$81,540**

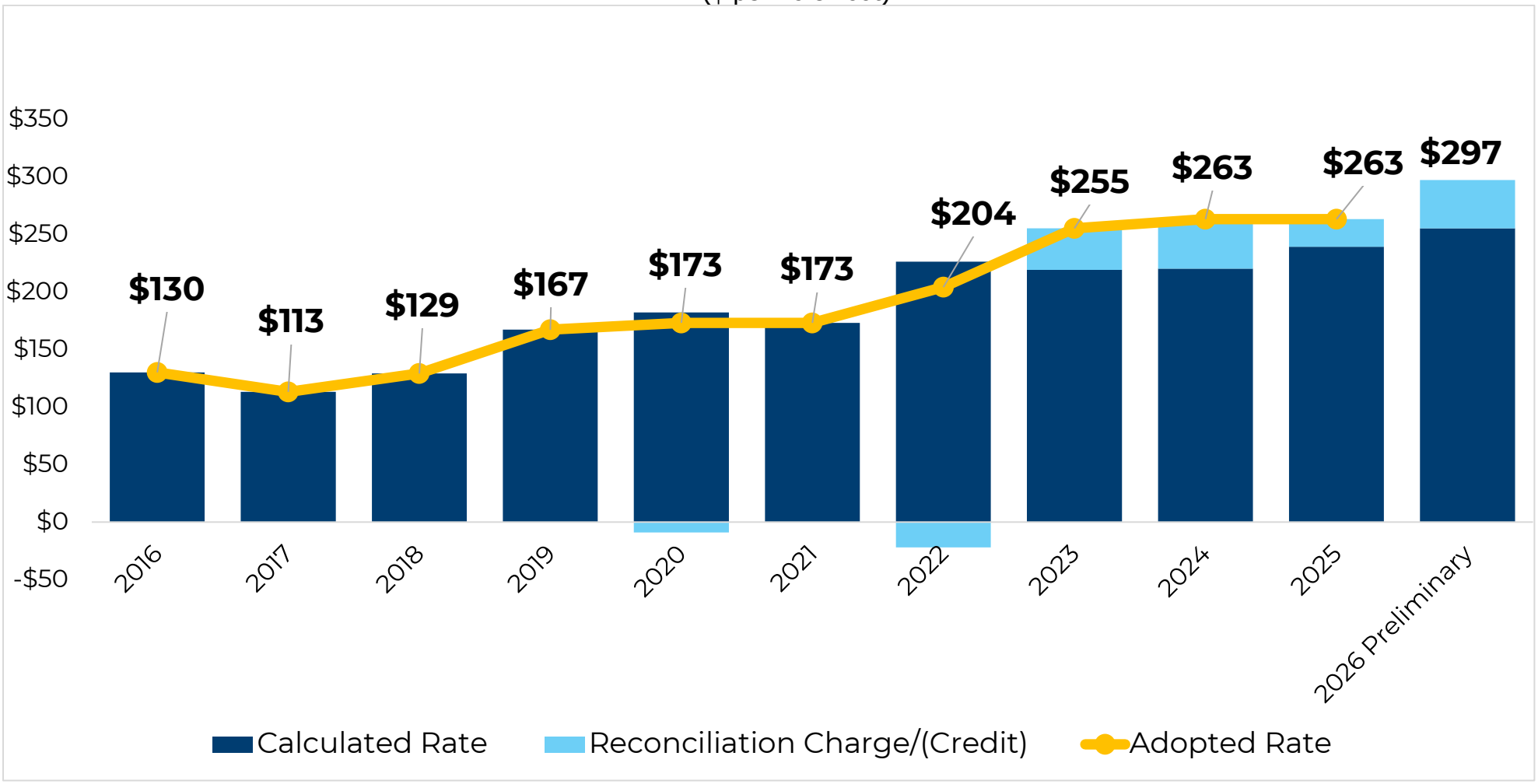
[18] Values may not add due to rounding.
[19] Untreated Customers pay approximately 0.89% of total Agency overhead.

Table 19: Water Supply Breakdown (CY 2026)[20]

Water Supply Cost Breakdown	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25 (Unaudited)	5-Year Average
State Water Project	$1,643,971	$2,040,223	$1,114,630	$3,779,334	$2,726,637	$2,260,959
Water Transfers/Exchanges	2,153,562	8,192,572	3,880,464	128,000	51,799	2,881,279
Banked Water Programs	1,179,750	4,305,743	2,246,378	1,184,937	559,000	1,895,162
Delta Conveyance Project	695,418	1,373,871	1,865,957	2,375,000	1,187,498	1,499,549
Total Water Supply Costs	**$5,672,701**	**$15,912,409**	**$9,107,429**	**$7,467,271**	**$4,524,934**	**$8,536,949**

[20] Values may not add due to rounding.

Attachment B
Historical Untreated Water Rates
($ per Acre Foot)



ZONE 7 WATER AGENCY
Delivering Quality, Reliability and Safety

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

DATE: September 10, 2025

TO: Finance Committee

FROM: Osborn Solitei, Treasurer/Assistant General Manager - Finance

SUBJECT: FY 2024-25 Unaudited Fourth Quarter Revenue and Expenditure Report

SUMMARY:

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 fiscal responsibilities, staff provides quarterly financial reports to the Finance Committee and the Board. This quarterly report provides a summary of unaudited revenue and expenditures, fiscal year-end projections, and explanations of any major variances through the fourth quarter of fiscal year (FY) 2024-25 (July 1, 2024 – June 30, 2025) for the following 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)

Highlights of this report include:

- **Water Sales** – Year-end unaudited water sales revenue exceeded the budget by approximately $1.7M due to actual treated water sales. The primary driver is water deliveries to the City of Pleasanton. The City of Pleasanton continues to purchase additional water supply from the Agency due to the City's suspended groundwater pumping from heightened levels of PFAS in the groundwater. The table below compares budgeted to actual water sales.

	FY 2024-25 Budget	FY 2024-25 Unaudited Actual
Treated Water Sales (AF)	34,000	36,179
Untreated Water Sales (AF)	5,000	4,836

- **Water Connection Fees** – Year-end unaudited actual water connection fee revenue exceeded the budget by approximately $10.8M primarily the City of Livermore, including Triad Place and Serenity Homes as part of the Isabel Neighborhood Plan and the Arroyo Crossings Development located on the east side of the Arroyo Seco channel along Las Positas Road.

› **Reserves** – On June 18, 2025, the Board established the Water Reliability Reserve via Resolution No. 25-47. The year-end unaudited reserve balance is approximately $9.8 million. The Water Reliability Reserve provides flexibility and agility to address water supply challenges and opportunities. The Board may designate the use of this reserve during the budget development process.

› **Flood Project Delays** – Delays in environmental permitting for high-priority storm damage sites, the Alamo Creek Project, Phase 1 Group A Storm Repairs, and US Army Corps of Engineers storm sites, have pushed back work originally scheduled for fiscal year 2024-25 to at least fiscal year 2025-26. As a result of these delays, the budget for Fund 200 – Flood Protection Operations has been significantly underspent. The unspent budgets from FY 2024-25 will be utilized once the necessary permits for the projects are obtained.

ANALYSIS:

The Agency maintains several funds that are grouped into two categories – Unrestricted Fund Balances and Restricted Fund Balances.

UNRESTRICTED FUNDS

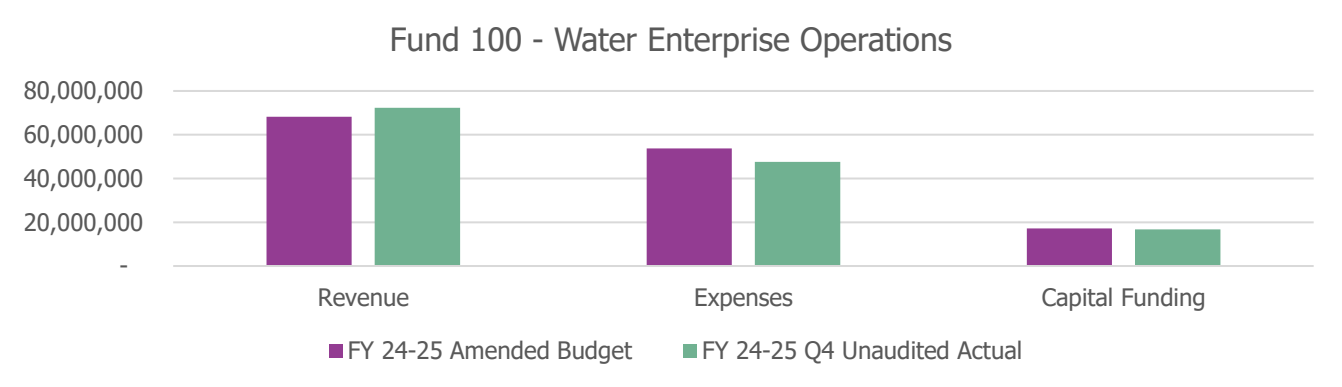
Unrestricted Fund Balance: This describes the portion of fund balance that is not restricted for use. To facilitate the discussion of reserve funds, this report will categorize the various funds as "Unrestricted Reserves" and "Restricted Reserves." In general, Board policy can most affect Unrestricted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

Fund 100 – Water Enterprise Operations Fund

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 distribution of potable (drinking) water, distribution of untreated agricultural/irrigation water, and groundwater management. Water distributed is a combination of locally stored and imported water from the SWP. Activities include water treatment, water quality analysis, water resource management, groundwater recharge and protection, maintenance, out-of-area water banking infrastructure, and water supply planning and engineering.

The following graph shows the FY 2024-25 Amended Budget and fiscal year-end unaudited actual revenues, expenditures, and capital funding.



Details of Revenue and Expenses for Fund 100

Fund 100 - Water Enterprise Operations	FY 24-25 Amended Budget	FY 24-25 Q4 Unaudited Actual	Year-End Over / (Under) Budget
Audited Beg. Fund Balance	**$32,050,000**	**$32,032,000**	**($18,000)**
Revenue			
Water Sales[1]	67,393,000	69,112,000	1,719,000
Investment Earnings[2]	479,000	959,000	480,000
Other Revenue[3]	313,000	2,227,000	1,914,000
Total Revenue	**$68,185,000**	**$72,298,000**	**4,113,000**
Expenses			
Labor	20,801,000	20,779,000	(22,000)
Professional Services[4]	4,909,000	2,948,000	(1,961,000)
Legal Services	455,000	316,000	(139,000)
County Services	1,133,000	1,145,000	12,000
Insurance Services	850,000	830,000	(20,000)
Water[5]	9,268,000	5,574,000	(3,694,000)
Chemicals[5]	4,000,000	4,068,000	68,000
Utilities[5]	2,308,000	2,539,000	231,000
Repairs and Maintenance	2,478,000	2,416,000	(62,000)
Rental Services	119,000	114,000	(5,000)
General/Other Supplies	1,913,000	1,611,000	(302,000)
Other Services	455,000	306,000	(149,000)
Debt Service	4,976,000	4,976,000	-
Total Operating Expenses	**$53,665,000**	**$47,622,000**	**($6,043,000)**
Capital Funding[6]	17,118,000	16,737,000	(381,000)
Total Expenses	**$70,783,000**	**$64,359,000**	**($6,424,000)**
Estimated Revenue over Expenses	(2,598,000)	7,939,000	10,537,000
Ending Fund Balance	**$29,452,000**	**$39,971,000**	**$10,519,000**

Note: Values are rounded to the thousands.

Revenue

1. **Water Sales:** Year-end unaudited water sales revenue exceeded the budget by approximately $1.7M due to treated water sales. The primary driver is water deliveries to the City of Pleasanton. The City of Pleasanton continues to purchase additional water supply from the Agency due to the City's suspended groundwater pumping from heightened levels of PFAS in the groundwater. The table below compares budgeted to actual water sales.

	FY 2024-25 Budget	FY 2024-25 Unaudited Actual
Treated Water Sales (AF)	34,000	36,179
Untreated Water Sales (AF)	5,000	4,836

2. **Investment Earnings:** Unaudited year-end investment earnings exceed budget, reflecting favorable market conditions.

3. **Other revenue**: Other revenue exceeds budget primarily due to a one-time reimbursement of $1.59M from the Los Vaqueros Reservoir Expansion project. Fund 100 received 80% (~$1.27M) of the reimbursement. The remaining 20% (~$318K) was allocated to Fund 130. The year-end unaudited actual also includes other revenues such as DWR refunds.

Expenditures

4. **Professional Services:** Includes professional services related to water enterprise operations. The year-end unaudited actual is less than the budget because of multi-year and as-needed budgeted services. The following lists unspent budgets for ongoing efforts to be continued in FY 2025-26.
    - Water supply model (~$113K)
    - ADV Water Rights CEQA Compliance (~$185K)
    - Demand Study and Urban Water Management Plan (~$227K)
    - Legislative Advocacy Services (~$70K)
    - Engineering Support for Water Quality Studies (~$125K)
    - Groundwater model update (~$180K)
    - Water Infrastructure Act Risk and Resiliency (~$70K)

    In addition, $250K from contingency was unspent during the year.

5. **Water production costs:** Includes Water, Chemicals, and Utilities.

    Water: The SWP allocation for CY 2024 was 40% and the final allocation for CY 2025 is 50%. Year-to-date expenses are primarily made up of the SWP conveyance costs and six months of the Delta Conveyance Project (DCP) participation costs (CY 2024 funding).

The following table summarizes the primary drivers for the year-end unaudited actual.

	2024-25 Adopted Budget	FY 2024-25 Unaudited Actual	Difference	Reason for Variance
SWP Conveyance Costs	$3,000,000	$2,727,000	($273,000)	On par with the budget. Actual Water Operations Plan aligned with the budget.
Delta Conveyance Project Funding	$3,300,000	$1,187,000	($2,113,000)	Per Resolution No. 24-28, dated October 16,2024 – Agency approved funding for pre-construction for CYs 2026 and 2027. No funding is required for CY 2025.
Water Transfers	$1,000,000	$52,000	($948,000)	No water transfers occurred FY 24-25 due to the 50% allocation. Actual expenses are admin costs for the Sutter Extension Water District Agreement.
Water Banking Program	$1,778,000	$1,461,000	($317,000)	The actuals represent the annual fixed charge to Semitropic and recharge expenses to Cawelo.

Chemicals and Utilities: The year-end unaudited actual chemical expenditures slightly over budget due to continued cost increases. Year-end unaudited actual utility costs are over budget primarily due to an increase in groundwater production at Stoneridge and Chain of Lakes wells. In addition, the newly added booster pump at Stoneridge well has increased power consumption significantly over previous years. The Agency is in the process of switching the power at the Stoneridge well to PWRPA to reduce future energy costs.

6. **Capital Funding**: The year-end unaudited actual capital funding is less than budget as the budget assumes a 3% annual adjustment, and the actual Engineering News Record Construction Cost Index (ENRCCI) adjustment from June 2023 to June 2024 was 0.001%.

Reserves

Per Initiative No. 21 of the Agency's Strategic Plan, the Agency shall maintain target levels of reserves. As of June 30, 2025, Fund 100 reserves are fully funded at the target level. The table below compares Minimum, Target, and Maximum reserves to projected FYE reserves.

Fund 100 Reserves	Minimum	Target	Maximum	FY 24-25 Unaudited Actual
Operating Reserves[1]	$8,601,000	$12,902,000	$17,202,000	$12,902,000
Emergency Reserves[2]	6,803,000	8,503,000	10,204,000	8,503,000
Reserve for Economic Uncertainties[3]	3,532,000	5,298,000	7,065,000	5,298,000
Subtotal	***$18,936,000***	***$26,703,000***	***$34,471,000***	***$26,703,000***
Pension Trust Fund				1,920,000
Water Reliability Fund[4]				9,848,000
Unallocated Balance				1,500,000
Total Reserves	**$18,936,000**	**$26,703,000**	**$34,471,000**	**$39,971,000**

Note: Values rounded to the thousands.

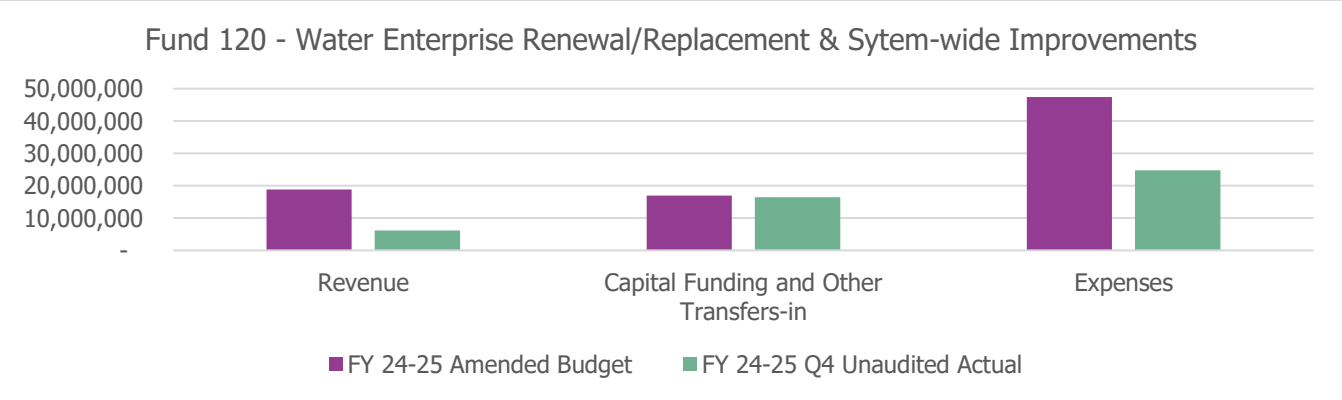
[1]The FY 24-25 Q4 projected FYE Operating Reserve is funded at the target level of 90 days of FY 2025-26 operating expenses.
[2]The FY 24-25 Q4 projected FYE Emergency Reserve is funded at the target level of 2.5% of FY 2024-25 Water Enterprise assets.
[3]The FY 24-25 Q4 projected FYE Reserve for Economic Uncertainties is funded at 15% of FY 2025-26 budgeted volume-based water sales revenue.
[4]The Board established the Water Reliability Fund via Resolution No. 25-47, dated June 18, 2025. The Water Reliability Reserve provides flexibility and agility to address water supply challenges and opportunities. The reserve has no assigned minimum, target, or maximum amount.

Fund 120 – Water Renewal/Replacement & System-Wide Improvements

This is a sub-fund of the Fund 100 – Water Enterprise Operations Fund
Primary Funding Source: Water Rates via a 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 following graph shows the FY 2024-25 Amended Budget and year-end unaudited actual revenue, capital funding, and expenditures.



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

Details of Revenue and Expenses for Fund 120

Fund 120 - Water Enterprise Renewal/Replacement & Systemwide Improvements	FY 24-25 Amended Budget	FY 24-25 Q4 Unaudited Actual	Year-End Over/(Under) Budget
Audited Beginning Fund Balance	**$70,914,000**	**$81,633,000***	**$10,719,000**
Revenue			
Investment Earnings[1]	1,378,000	2,870,000	1,492,000
Other Revenue[2]	452,000	7,494,000	7,042,000
DWR Grant[3]	16,958,000	2,902,000	(14,056,000)
Total Revenue	**$18,788,000**	**$13,266,000**	**($5,522,000)**
Other Financing Sources			
Capital Funding[4]	16,912,000	16,441,000	(471,000)
Total Other Financing Sources	**$16,912,000**	**$16,441,000**	**($471,000)**
Expenses			
Labor[5]	2,118,000	1,678,000	(440,000)
Legal Services[6]	-	1,775,000	(1,775,000)
Capital Projects[7]	45,296,000	23,086,000	(22,210,000)
Total Expenses	**$47,414,000**	**$26,539,000**	**($20,875,000)**
Estimated Revenue/Other Financing Sources over Expenses	(11,714,000)	3,168,000	14,882,000
Ending Fund Balance	**$59,200,000**	**$84,801,000**	**$25,601,000**

Note: Values are rounded to the thousands.
* The audited beginning fund balance is approximately $10.7M higher than budget due to the partial receipt of the Stoneridge PFAS Treatment Facility grant in FY 2023-24.

Revenue

1. **Investment Earnings:** Year-end unaudited actual investment earnings exceed budget and reflect current favorable market conditions.

2. **Other Revenue:** The Agency was part of a class action in the Aqueous Film-Forming Foams Product Liability Multidistrict Litigation ("AFFF MDL") due to PFAS contamination in Public Water System's Drinking Water. The class action includes settling defendants 3M, Du Pont, Tyco, and BASF. A class action settlement was reached with 3M and Zone 7's share is estimated to be about $11 million. The Agency received $7.1 million ($5.3 million net of legal costs) in FY 2024-25, the remaining settlement amount will be paid over eight years through 2033. Additionally, other revenue includes a partial receipt of the City of Pleasanton's 50% cost share for the Regional Groundwater Project. This project is currently underway and will continue into FY 2025-26.

3. **DWR Grant:** The Agency was formally awarded $16M for the Stoneridge PFAS Treatment Facility project in September 2023. The Agency has submitted all invoices and has received all grant funds except for 10% of the grant funds set aside for retention ($1.6M). The Agency plans to request the remaining 10% of funds in FY 2025-26.

4. **Capital Funding:** The year-end unaudited actual capital funding is less than budget as the budget assumes a 3% annual adjustment, and the actual Engineering News Record Construction Cost Index (ENRCCI) adjustment from June 2023 to June 2024 was 0.001%.

Expenses

5. **Labor costs:** Year-end unaudited labor includes payroll through June 30, 2025.

6. **Legal Services**: Year-end unaudited legal services include legal services, fees, and other costs associated with the 3M class action settlement.

7. **Capital Projects:** The year-end unaudited actual is less than budget because of multi-year projects and projects that were completed under budget. The list below captures unspent budget for ongoing projects that will continue into or start in FY 2025-26.
    - Stoneridge PFAS Treatment Facility – switching to PWRPA power (~$2.3M)
    - Mocho Wellfield PFAS Treatment Facility and Well & MGDP Electrical Upgrades/Replacement (~$2.4M)
    - Chain of Lakes PFAS Treatment Facility (~$2.9M)
    - Chain of Lakes Conveyance System (~$600K)
    - DVWTP and PPWTP HVAC Replacement (~$625K)
    - Patterson Pass Improvements and Replacements (~$2.3M)
    - DVWTP Booster Pump Station VFDs and Sludge Bed Underdrain Pump Station Replacement (~$1.5M)
    - Electric Vehicle Charges at North Canyons (~$600K)
    - PPWTP Sludge Handling Rehabilitation (~$850K)

Reserves

The table below compares the FY 2024-25 Amended Budget ending reserve balances to the unaudited actual ending reserve balances.

Fund 120 Reserves	FY 24-25 Amended Budget FYE	FY 24-25 Unaudited Actual
Debt Service Rate Stabilization Reserve	$6,300,000	$6,300,000
Pension Trust	57,000	50,000
Designated for Capital Projects Reserve[1]	52,843,000	78,451,000
Total Reserve	$59,200,000	$84,801,000

[1]Reserve is designated for capital projects to fund the Fund 120 CIP projects the Agency has committed to over the next five years. The Zone 7 Board adopted the Five-Year Water System CIP on June 21, 2023 (Resolution No. 17-81).

The following table summarizes the Agency's major projects in progress. For more information on capital projects, see the Capital Projects Status Report in the August 20, 2025, Board meeting agenda packet.

Project	Total Estimated Cost	Fund 120 Share	Fund 120 Cash Financed	Fund 120 Bond Financing	Status	In-Service
Asset Management Program and Ten-Year CIP Update	$1.16M	$902K	$902K	$-	Planning	Late Fall 2025
Pipeline Inspection Study	$250K	$250K	$250K	$-	In-process	Fall 2025
DVWTP and PPWTP HVAC Replacement	$3.0M	$3.0M	$3.0M	$-	Planning	Summer 2028
PPWTP Improvements	$9.0M	$9.0M	$9.0M	$-	Planning	Summer 2028
Stoneridge Well PFAS Project	$16.3M	$16.3M	$16.3M	$-	Functional completion September 2023	Winter 2026 (PWRPA Switch)
Wells & MGDP Electrical Upgrades/ Replacement Project	$7.3M	$7.3M	$7.3M	$-	Functional completion Feb 2025	Oct 2025 – Feb 2026 (PWRPA Switch)
Electric Vehicle Chargers	$651K	$651K	$651K	$-	Pre-construction	Spring 2026
DVWTP Booster Pump Station VFD and Underdrain Pump Station Replacement	$1.91M	1.91M	$1.91M	$-	Construction	Spring 2026
Mocho PFAS Treatment Plant*	$35.5M	$35.5M	TBD	TBD	Planning / Design	Summer 2028
Risk and Resilience Assessment and Emergency Response Plan	$200K	$200K	$200K	$-	On-going	Fall 2025
Joint Regional Groundwater Development Project**	$2.7M	$1.35M	$1.35M	$-	In-process	Fall 2025
Total	**$78.1M**	**$76.4M**	**$40.9M**	**$-**		

* The total project cost for the Mocho PFAS Treatment Plant is estimated to range between $35.5M and $52M and is anticipated to be partially funded by external funding sources.
** The Joint Regional Groundwater Development Project is funded 50% by the City of Pleasanton and 50% by Zone 7.

RESTRICTED FUNDS ANALYSIS

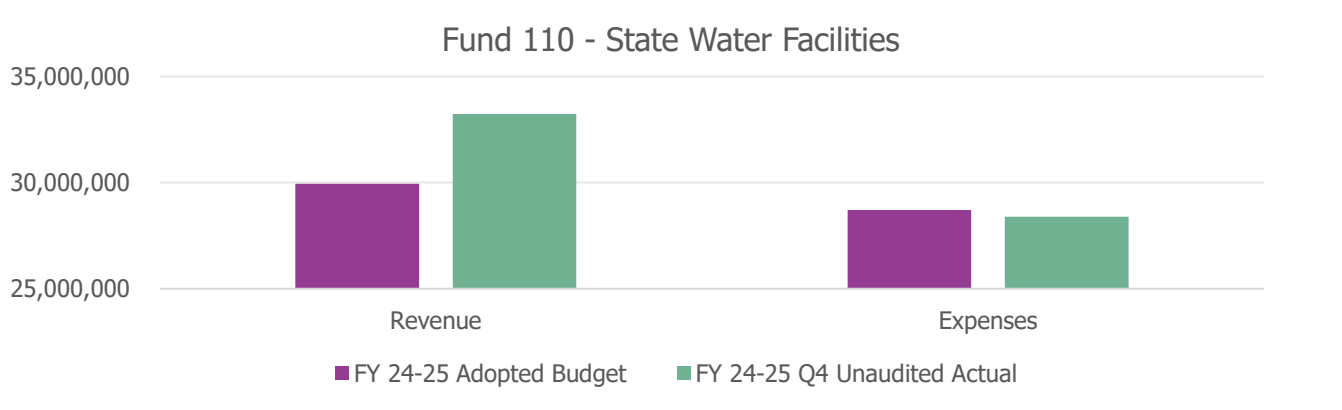
Restricted Fund Balance: Includes the portion of the fund balance that can only be spent for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. The restricted fund balance also includes a legally enforceable requirement that the resources can only be used for specific purposes enumerated in the law. The restricted funds are not available to serve as operating or emergency reserves. These primarily

include property taxes, connection and developer fees received for capital projects, debt service requirements, and fees charged for the provision of future water resources.

Fund 110 – State Water Facilities Fund
Primary Funding Source: Property Taxes. The property tax override is exempt from the ad valorem property tax levy limitations of Article XIIIA of the Constitution of the State of California as the indebtedness was approved prior to July 1, 1978.

Fund 110 funds the fixed cost payment to DWR to import water to the Agency which includes repayment of voter-approved, State-incurred, long-term debt.

The following graph shows the FY 2024-25 Adopted Budget and year-end unaudited actual revenue and expenditures.



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

Details of Revenue and Expenses for Fund 110

Fund 110 - State Water Facilities	FY 24-25 Adopted Budget	FY 24-25 Q4 Unaudited Actual	Year-End Over / (Under) Budget
Audited Beg. Fund Balance	**$51,731,000**	**$52,340,000**	**$609,000**
Revenue			
Dougherty Valley Surcharge	2,773,000	2,717,000	(56,000)
Property Taxes[1]	22,201,000	23,997,000	1,796,000
DWR Refunds	3,675,000	4,746,000	1,071,000
Investment Earnings[2]	1,292,000	1,778,000	486,000
Total Revenue	**$29,941,000**	**$33,238,000**	**$3,297,000**
Expenses[3]	**$28,712,000**	**$28,398,000**	**($314,000)**
Estimated Revenue over Expenses	1,229,000	4,840,000	3,611,000
Ending Fund Balance	**$52,960,000**	**$57,180,000**	**$4,220,000**

Note: Values are rounded to the thousands.

Revenue

This is a pass-through fund for fixed charges associated with the SWP, assessed as a property tax override.

1. **Property Taxes**: Year-end unaudited actual property tax is comprised of the first and second installments of current property taxes. Revenue is higher than the budget due to increases in assessed value within the service area and increases in unsecured and supplemental property taxes.

2. **Investment Earnings:** Year-end unaudited actual investment earnings exceed budget and reflect current favorable market conditions.

Expenses

3. **Expenditures:** Year-end unaudited actual include annual DWR fixed charges, including transportation capital charges and the improvement portion of the South Bay Aqueduct (SBA) Improvement and Enlargement Project.

Reserves

The following table compares the FY 2024-25 Adopted Budget ending reserve balance to the unaudited ending reserve balance. In December 2024, the Board formally adopted the amended Reserve Policy, via Resolution No. 24-106, removing the maximum level from the State Water Facilities Reserve. The reserve will accumulate funds to offset future volatile increases in State Water Project capital costs.

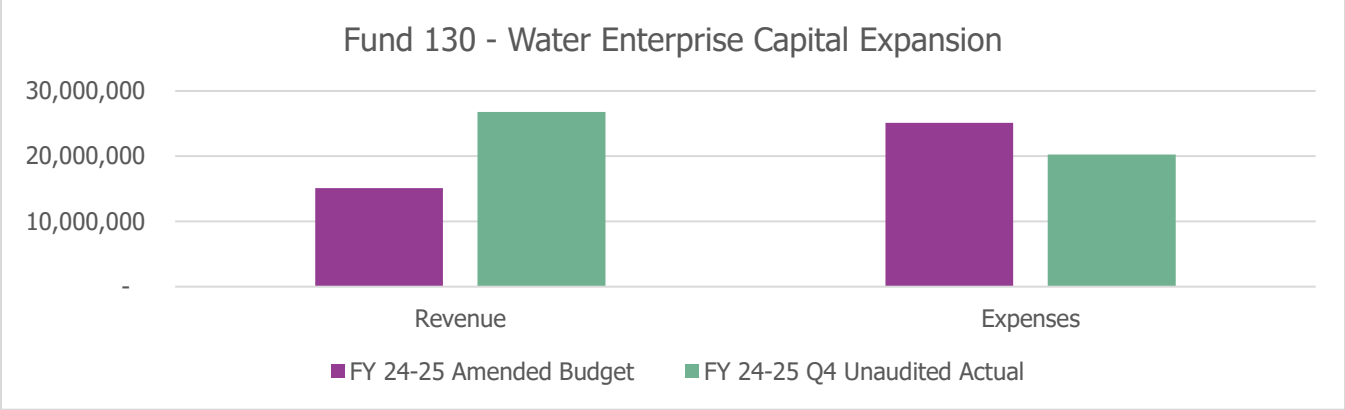
Fund 110 Reserves	FY 24-25 Adopted Budget FYE	FY 24-25 Q4 Unaudited Actual
Operating Reserve	$52,960,000	$57,180,000
Total Reserve	$52,960,000	$57,180,000

Fund 130 – Water Enterprise Capital Expansion

Primary Funding Source: Water Connection Fees.

The purpose of this fund is to ensure the Agency can meet the 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. Most expenses in this fund are fixed (i.e., bond payment obligations for debt incurred by others to increase capacity, such as the enlargement portion of the South Bay Aqueduct Improvement and Enlargement Project). Developer fees can only be used for projects related to water system expansion.

The following graph shows the FY 2024-25 Amended Budget and fiscal year-end unaudited actual revenue and expenditures.



Details of Revenue and Expenses for Fund 130

Fund 130 - Water Enterprise Capital Expansion	FY 24-25 Amended Budget	FY 24-25 Q4 Unaudited Actual	Year-End Over/(Under) Budget
Audited Beg. Fund Balance	**$69,651,000**	**$68,034,000**	**($1,617,000)**
Revenue			
Connection Fees[1]	10,000,000	20,780,000	10,780,000
Investment Earnings[2]	1,669,000	2,375,000	706,000
DWR Refunds	3,000,000	3,139,000	139,000
Other Revenue[3]	450,000	504,000	54,000
Total Revenue	**$15,119,000**	**$26,798,000**	**$11,679,000**
Expenses			
Labor[4]	379,000	291,000	(88,000)
Water[5]	16,790,000	16,594,000	(196,000)
Capital Projects[6]	6,850,000	2,294,000	(4,556,000)
Debt Service	1,092,000	1,092,000	-
Total Expenses	**$25,111,000**	**20,271,000**	**($4,840,000)**
Estimated Revenue over Expenses	(9,992,000)	6,527,000	16,519,000
Ending Fund Balance	**$59,659,000**	**$74,561,000**	**$14,902,000**

Note: Values are rounded to the thousands.

Revenue

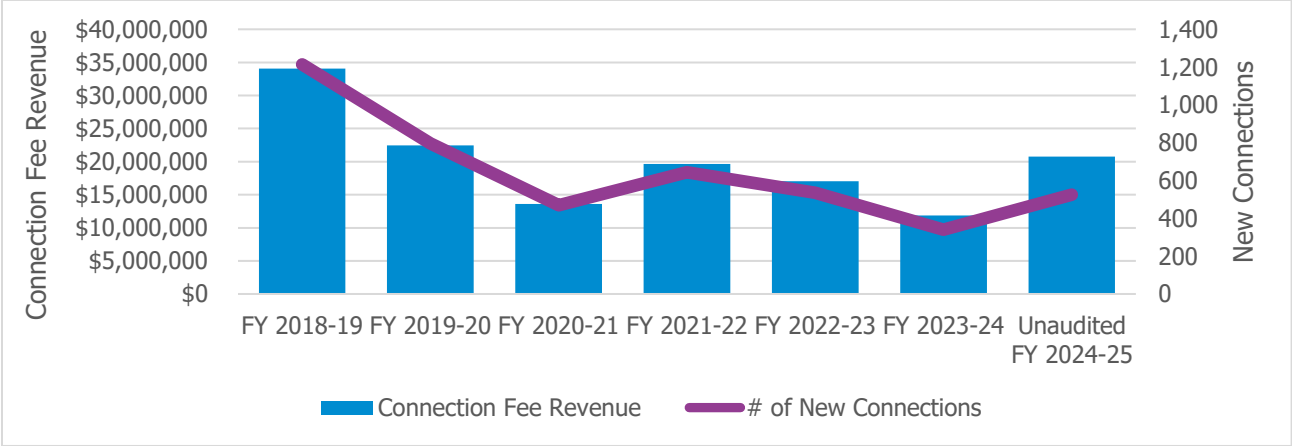
The primary source of revenue is connection fees.

1. **Connection Fees:** Year-end unaudited actual revenue is higher than budget primarily due to new development within the City of Livermore, including Triad Place and Serenity Homes as part of the Isabel Neighborhood Plan and the Arroyo Crossings Development located on the east side of the Arroyo Seco channel along Las Positas Road.

Triad Place Spring 2025

Triad Place August 2025

Although this year's connection fee revenue was better than expected, connection fee revenue has continued to decline since 2019. The on-going connection fee study will inform staff of future development in the service area. The following graph illustrates the declining trend since FY 2018-19.



	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	2024-25 Unaudited Actual
Connection Fee Revenue	$34,068,092	$22,461,926	$13,609,527	$19,669,510	$17,023,627	$11,860,411	$20,780,000
# of New Connections	1,214	796	470	643	535	340	525[1]

[1] The City of Livermore had 336 new water connections of the 525 new water connections received in FY 2024-25.

2. **Investment Earnings:** Year-end unaudited actual investment earnings exceed budget and reflect current favorable market conditions.

3. **Other Revenue:** Includes a one-time reimbursement from the Los Vaqueros Reservoir Expansion project ($1.59M). Fund 100 received 80% (~$1.27M) of the reimbursement. The remaining 20% (~$318K) was allocated to Fund 130. Other revenue also includes part of the City of Pleasanton's 50% cost share of the Regional Groundwater Project. The project is underway and will continue into FY 2025-26.

Expenses

4. **Labor:** Year-end unaudited actual includes water expansion project labor through June 30, 2025.

5. **Water**: Year-end unaudited actuals are made up of both installments of the SBA debt service payments.

6. **Capital Projects:** Year-end unaudited actuals include the FY 2024-25 Sites Reservoir participation payment, continued work on the Regional Groundwater project and connection fee study, and progress on the 10-year capital improvement plan update.

Reserves

The table below compares the FY 2024-25 Amended Budget ending reserve balances to the unaudited actual ending reserve balances.

Fund 130 Reserves	FY 24-25 Amended Budget FYE	FY 24-25 Q4 Unaudited Actual
Sinking Funds[1]	$29,170,000	$29,170,000
Debt Service Rate Stabilization Reserve	2,300,000	2,300,000
Designated for Capital Projects Reserve[2]	28,170,000	43,076,000
Pension Trust Fund	19,000	15,000
Total Reserves	$59,659,000	$74,561,000

[1]Reserve established by the Board to fund SBA debt service payments that continue after the service is built out.
[2]Reserve designated for capital projects to fund expansion CIP projects the Agency has committed to over the next ten years.

Below is a summary of the Agency's major projects in progress or recently completed.

Project	Total Cost	Fund 130 Share	Status	In-Service/Completion
Asset Management Program and Ten-Year CIP Update	$1.15M	$250K	In-process	Fall 2025
Non-discretionary obligations	~$20M annually	~$20M	n/a	ongoing
Joint Regional Groundwater Development Project	$2.7M	$1.35M	In-process	Fall 2025

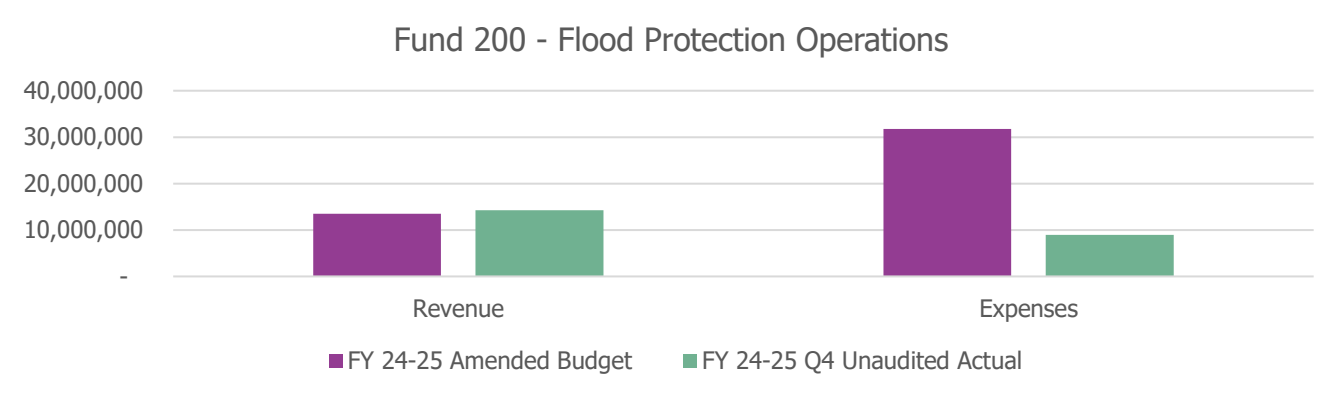
Fund 200 – Flood Protection Operations

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.

This fund uses property taxes to provide general administration, maintenance, and operation of regional flood protection facilities. The Agency manages a watershed of 425 square miles in eastern Alameda County, receiving drainage from parts of Contra Costa, Santa Clara, and San Joaquin Counties. More than 37 miles of flood control channels and regional drainage facilities are owned and maintained by the Agency. This fund finances a comprehensive year-round maintenance program that includes repairing slides and erosion, refurbishing access roads and

associated drainage ditches, installing and repairing gates and fences, and maintaining landscaped areas. This fund pays for renewal/replacement and improvement projects for the existing flood protection system.

The following graph shows FY 2024-25 Amended Budget and year-end unaudited actual revenue and expenditures.



Details of Revenue and Expenses for Fund 200

Fund 200 - Flood Protection Operations	FY 24-25 Amended Budget	FY 24-25 Q4 Unaudited Actual	Year-End Over/(Under) Budget
Audited Beg. Fund Balance	**$27,790,000**	**$27,801,000**	**$11,000**
Revenue			
Property Taxes[1]	12,573,000	12,630,000	57,000
Investment Earnings[2]	595,000	986,000	391,000
Grants[3]	94,000	382,000	288,000
Other Revenue	236,000	247,000	11,000
Total Revenue	**$13,498,000**	**$14,245,000**	**$747,000**
Expenses			
Labor[4]	3,133,000	3,194,000	61,000
Professional Services[5]	6,319,000	2,718,000	(3,601,000)
Repairs and Maintenance[6]	21,277,000	2,318,000	(18,959,000)
Other Services/Supplies	1,041,000	706,000	(335,000)
Total Expenses	**$31,770,000**	**$8,936,000**	**($22,834,000)**
Estimated Revenue over Expenses	(18,272,000)	5,309,000	23,581,000
Ending Fund Balance	**$9,518,000**	**$33,110,000**	**$23,592,000**

Note: Values are rounded to the thousands.

Revenue

The primary source of revenue for this fund is property taxes.

1. **Property Tax:** Year-end unaudited actual property tax is comprised of the first and second installment of property tax, as well as revenue received through unsecured and supplemental property taxes.

2. **Investment Earnings:** Year-end unaudited actual investment earnings exceed budget and reflect current favorable market conditions.

3. **Grants:** The year-end unaudited actual reflects a $43K federal grant received from Cal OES for prior expenses incurred from the high-priority maintenance work from the 2023 storms, a $21K State grant for prior expenses incurred on the Arroyo Mocho Floodplain and Riparian Forest Restoration Project, and approximately $318K in state grant funds for the Flood Management Plan.

Expenses

4. **Labor:** Year-end unaudited actuals include this fund's share of labor through June 30, 2025.

5. **Professional Services:** Includes professional services for Flood operations (permitting, surveys, Living Arroyos, as-needed services etc.) and ongoing services related to the Flood Management Plan. The year-end unaudited actual reflects ongoing design and permitting efforts for the Phase 1 and high priority flood sites and on-going efforts for the Flood Management Plan. However, permitting delays have slowed down progress on Phase 1 and high priority site projects. These efforts will continue into FY 2025-26.

6. **Repairs and Maintenance:** Delays in environmental permitting for the following projects have pushed back work originally scheduled for fiscal year 2024-25 to at least fiscal year 2025-26. The list below captures the FY 2024-25 unspent budgets for ongoing flood projects that will continue into FY 2025-26.
    - High-priority storm damage sites (~880K)
    - Alamo Creek Project (~$5.1M)
    - Phase 1 Storm Repairs Group A (~$3.7M)
    - US Army Corps of Engineers (USACE) storm sites (~$8M)

    As a result of these delays, the budget for Fund 200 – Flood Protection Operations has been significantly underspent. The unspent budgets from FY 2024-25 will be utilized once the necessary permits for the projects are obtained. In addition, flood maintenance activities were approximately ~$1.3M under budget due to as-needed and on-call budgeted services.

Reserves

The table below compares the FY 2024-25 Amended Budget ending reserve balance to the unaudited year-end projected ending reserve balance.

Fund 200 Reserves	FY 24-25 Amended Budget	FY 24-25 Unaudited Actual
Operating Reserves[1]	$9,312,000	$11,854,000
Designated for Capital Projects Reserve[2]	-	21,048,000
Section 115 Pension Trust	206,000	208,000
Total Reserves	$9,518,000	$33,110,000

[1] This fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses and/or shifts in the allocation of property taxes to Zone 7.
[2] Per the Agency's Reserve Policy, there is no minimum or maximum level required for the Flood capital projects reserve.

The Agency is in the process of developing and implementing a Flood Management Plan to direct the Agency's future flood maintenance activities and capital projects. Flood Management Plan Phase 2A professional and project management services were approved at the February 15, 2023 Board meeting.

The following table lists major repairs/projects that are in progress or recently completed.

Project	Total Cost	Fund 200 Share	Status	Approx. Completion
Alamo Creek Bank Stabilization Pilot Project[1]	$6.1M	$6.1M	Permitting	2026
2022-23 Storm Damage High Priority Repairs	$4.47M	$4.47M	Permitting	2026
2023 Storm Damage Repairs – Phase 1	$28.7M	$28.7M	Design/Permitting	2027
2023 Storm Damage Sites by USACE	$27M	$6.15M	Permitting	2026

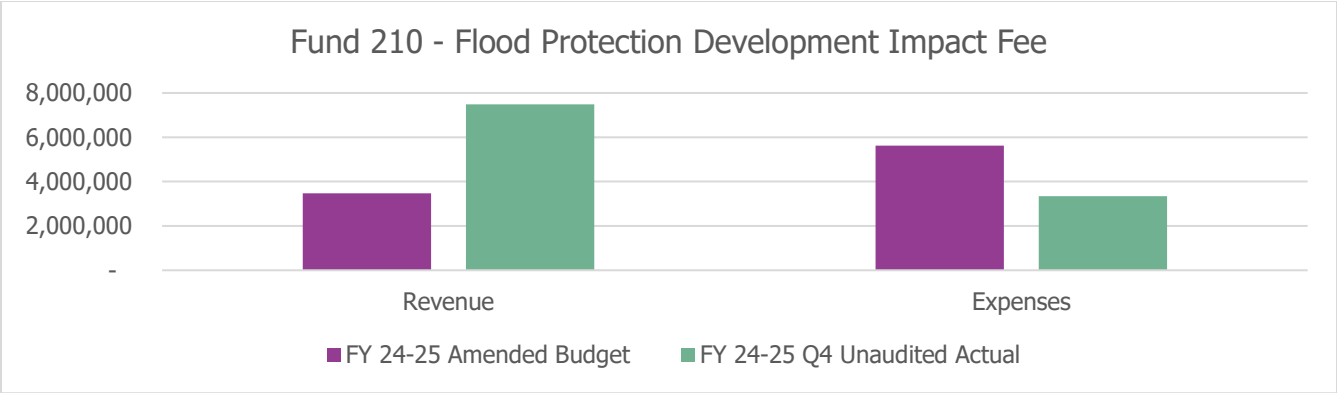
[1]DWR awarded the Agency up to $4.6M in grants through the Floodplain Management, Protection, and Risk Awareness (FMPRA) Grant program. Proceeds of this grant are not reflected in the projected ending fund balance.

Fund 210 – Flood Protection Development Impact Fee Fund

Primary Funding Source: Development Impact Fees.

The purpose of this fund is to ensure 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 following graph shows the FY 2024-25 Amended Budget and year-end unaudited actual revenue and expenditures.



Details of Revenue and Expenses for Fund 210

Fund 210 - Flood Protection DIF Fund	FY 24-25 Amended Budget	FY 24-25 Q4 Unaudited Actual	Year-End Over/(Under) Budget
Audited Beg. Fund Balance	**$78,092,000**	**$79,774,000**	**$1,682,000**
Revenue			
Development Fees[1]	1,500,000	4,698,000	3,198,000
Investment Earnings[2]	1,952,000	2,537,000	585,000
Other Revenue	25,000	250,000	225,000
Total Revenue	**$3,477,000**	**$7,485,000**	**$4,008,000**
Expenses			
Labor[3]	147,000	30,000	(117,000)
Capital Projects[4]	5,470,000	3,311,000	(2,159,000)
Total Expenses	**$5,617,000**	**3,341,000**	**($2,276,000)**
Revenue over Expenses	(2,140,000)	4,144,000	6,284,000
Estimated Carryovers			
Estimated Ending Fund Balance	**$75,952,000**	**$83,918,000**	**$7,966,000**

Note: Values are rounded to the thousands.

Revenue

1. **Development Impact Fees:** Development impact fees are collected from a development project within Zone 7's service area equal to the number of square feet of impervious surface created, meaning, any surface or parcel that reduces the rate of natural infiltration of storm water into the soil. The fee is $1.00 per square foot. The year-end unaudited actual is higher than budget primarily due to the ongoing new development in the City of Livermore, including Oaks Business Park, a new manufacturing/warehouse business center in city's industrial area.

2. **Investment Earnings:** Year-end unaudited actual investment earnings exceed budget reflecting the current favorable market conditions.

Expenses

3. **Labor:** Includes flood staff labor for flood expansion projects through June 30, 2025.

4. **Capital Projects:** The year-end unaudited actual is primarily made up of the Board approved $3.03M reimbursement to Dublin Crossing, LLC for construction and easements required for the Camp Park Detention Basin (Resolution No. 24-89). The year-end unaudited actuals also include professional service expenses related to the ongoing Flood Management Plan effort.

Reserves

The following table and chart compare the FY 2024-25 Amended Budget ending reserve balance to the Q4 projected ending reserve balance.

Fund 210 Reserves	FY 24-25 Amended Budget FYE	FY 24-25 Q4 Unaudited Actual
Capital Projects Reserve	$75,952,000	$83,918,000
Total Reserves	$75,952,000	$83,918,000

The Agency is in the process of developing and implementing a Flood Management Plan to direct the Agency's future flood maintenance activities and capital projects. Flood Management Plan Phase 2A professional and project management services were approved at the Board meeting on February 15, 2023.