



**WATER
AGENCY**

**PROPOSED TWO-YEAR BUDGET
FY 2024-25 AND FY 2025-26**

Zone 7 Special Board Meeting

May 1, 2024

Lizzie Foss and JaVia Green

Strategic Plan Goals and Initiatives



Water Quality



Water Reliability



Flood Protection

Goal G

Fiscal Responsibility:
Operate the Agency in a
fiscally responsible manner

Initiative 24

Continue to effectively
manage financial resources
for the Agency

Agenda

1. Budget Highlights and Overview
2. Agency-wide Revenue and Expenses
3. Water Enterprise Funds
4. Flood Protection Funds
5. Recommended Action / Next Steps
6. Q&A



2022-2023 Storm Damage - Hopyard



Patterson Pass Water Treatment Plant

Challenges Now & Future

Aging Infrastructure



PPWTP Filter Gallery

Emerging Contaminants Regulatory Compliance



Stoneridge PFAS Treatment Facility



Climate Change



2021

2023

Lake Oroville

Inflationary Cost Pressures



Arroyo Mocho-Alamo Canal-
Arroyo de la Laguna Confluence
(Low and High Flows)

Education & Community Outreach Programs

Girl Scouts / Zone 7 Little Free Library



Lawn to Garden Party



Living Arroyos



School Program



Patterson Pass Water Treatment Plant Public Tours

Long-Term Financial Stability

Stable Rate Structure & Regular Board Rate Review

Leverage of External Funding

Responsible Debt Management

Proactive Capital Investment

Water Supply Management

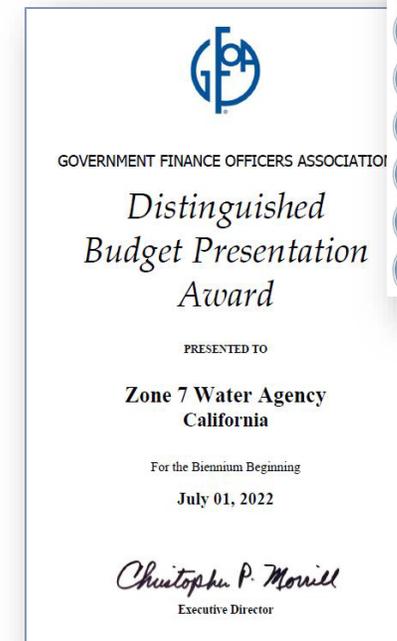


Proposed Budget supports long-term financial stability

Zone 7's Current Bond Ratings

AAA
S&P Global
Ratings

AA+
FitchRatings



Budget Awards

What Does a Dollar of Water Rate Revenue Fund?



¹Regulatory Compliance includes PFAS.

Budget Highlights

Revenue

- **Water Rates** - 5.5% water rate increase for calendar years 2025 and 2026.
- **State Water Project Property Tax** - No increase to State Water Project property tax.
- **Connection Fee Revenue** - Assumed \$10M per year.

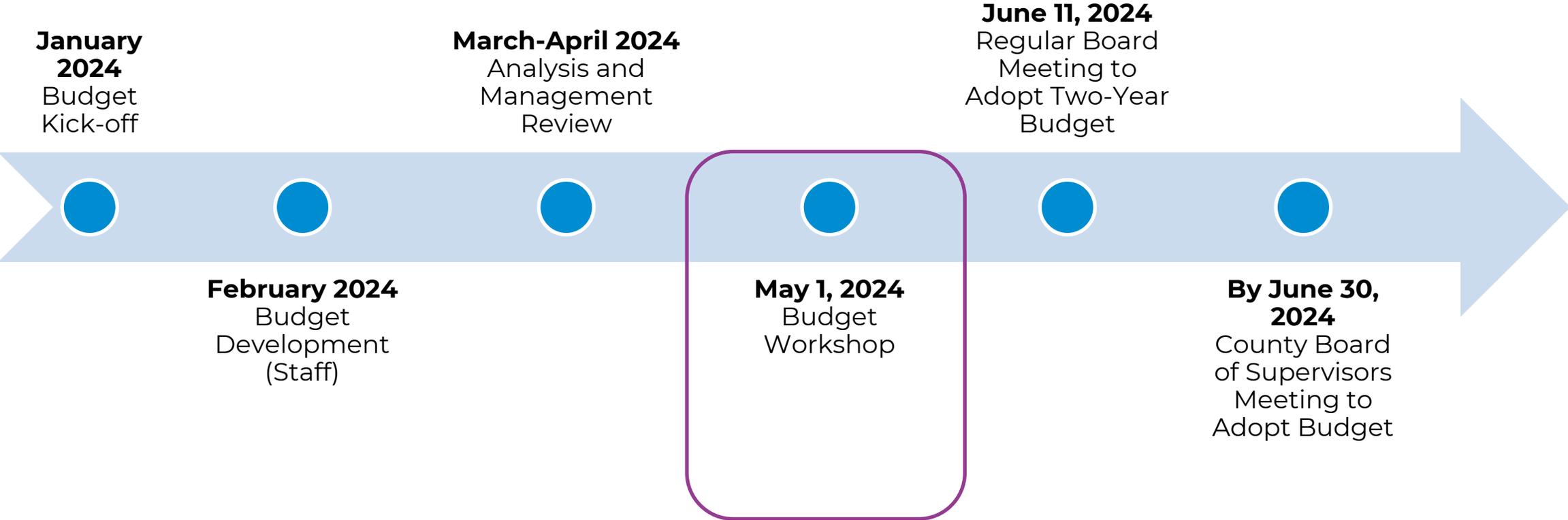
Expenses

- **Storm Damage Repairs** - Assumed \$18.7M to repair 78 damaged sites from the 2022-2023 storms.
- **Personnel** - Addition of five full-time employees, 4% annual cost of living adjustments, and 10% vacancy estimate each year.

Reserves

- **Section 115 Pension Trust** - Contributions assumed each year.
- **Reserves** - Compliant with Reserve Policy.

Budget Process



FY 2024-25 and FY 2025-26 Budgeted Funds

Water Enterprise Funds

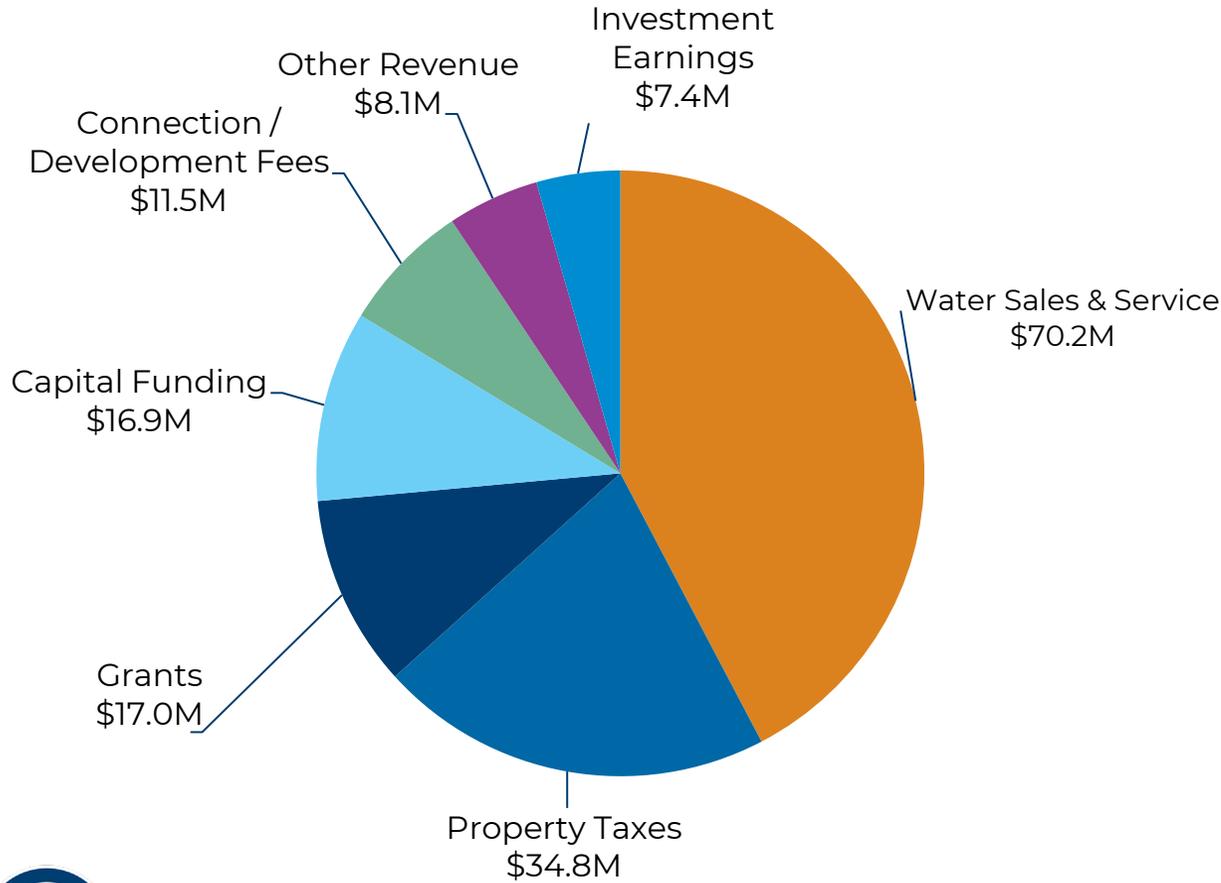
- Fund 100 – Water Enterprise Operations
- Fund 120 – Water Enterprise Renewal/Replacement and System-wide Improvements
- Fund 110 – State Water Project Facilities
- Fund 130 – Water Enterprise Expansion

Flood Protection Funds

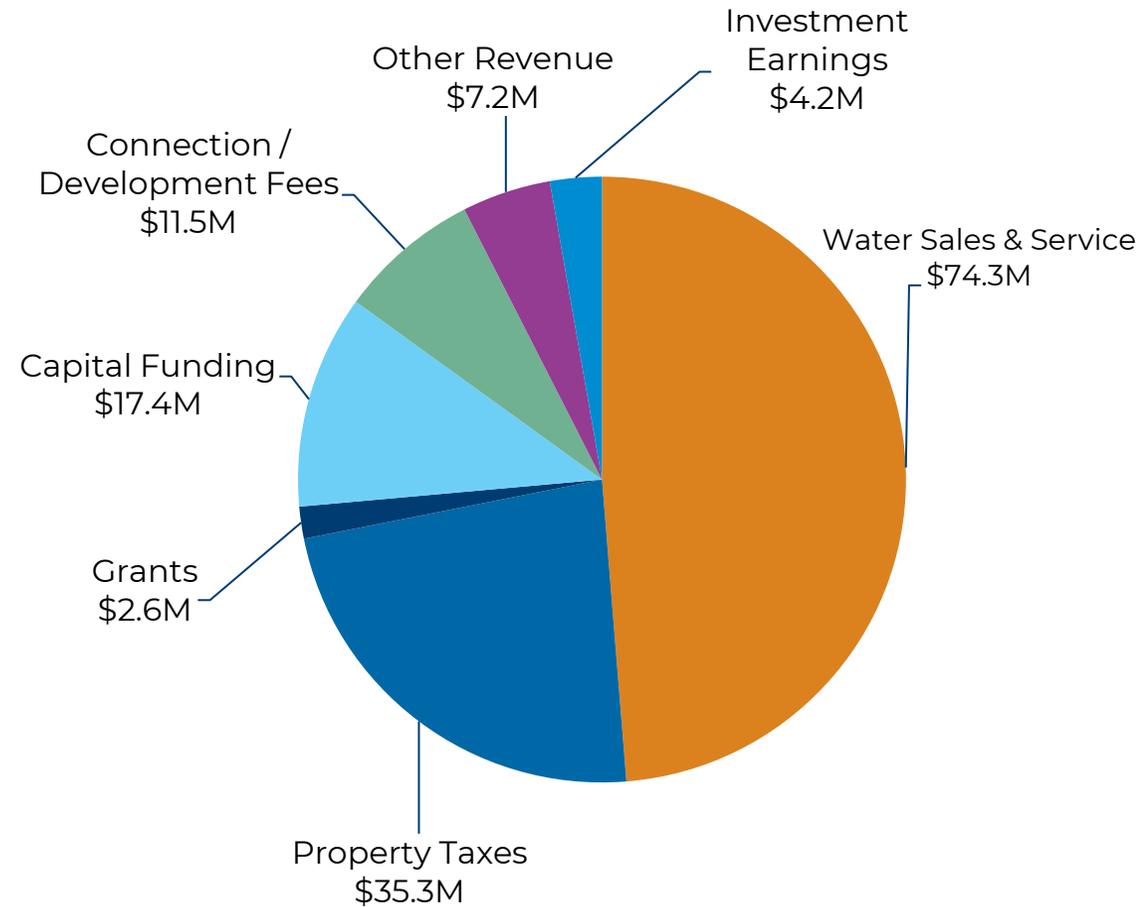
- Fund 200 – Flood Protection Operations
- Fund 210 – Flood Protection Development Impact Fee

Agency-wide Estimated Revenue

FY 2024-25 Proposed Budget (\$165.9M)

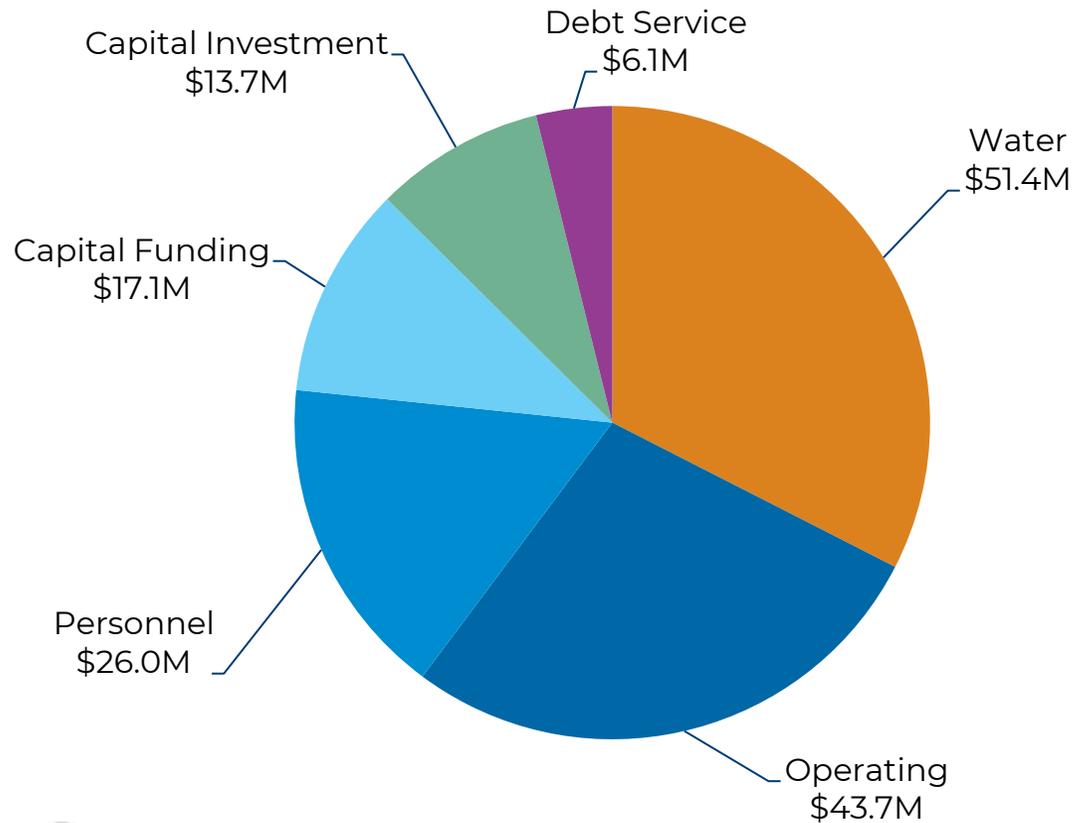


FY 2025-26 Proposed Budget (\$152.5M)

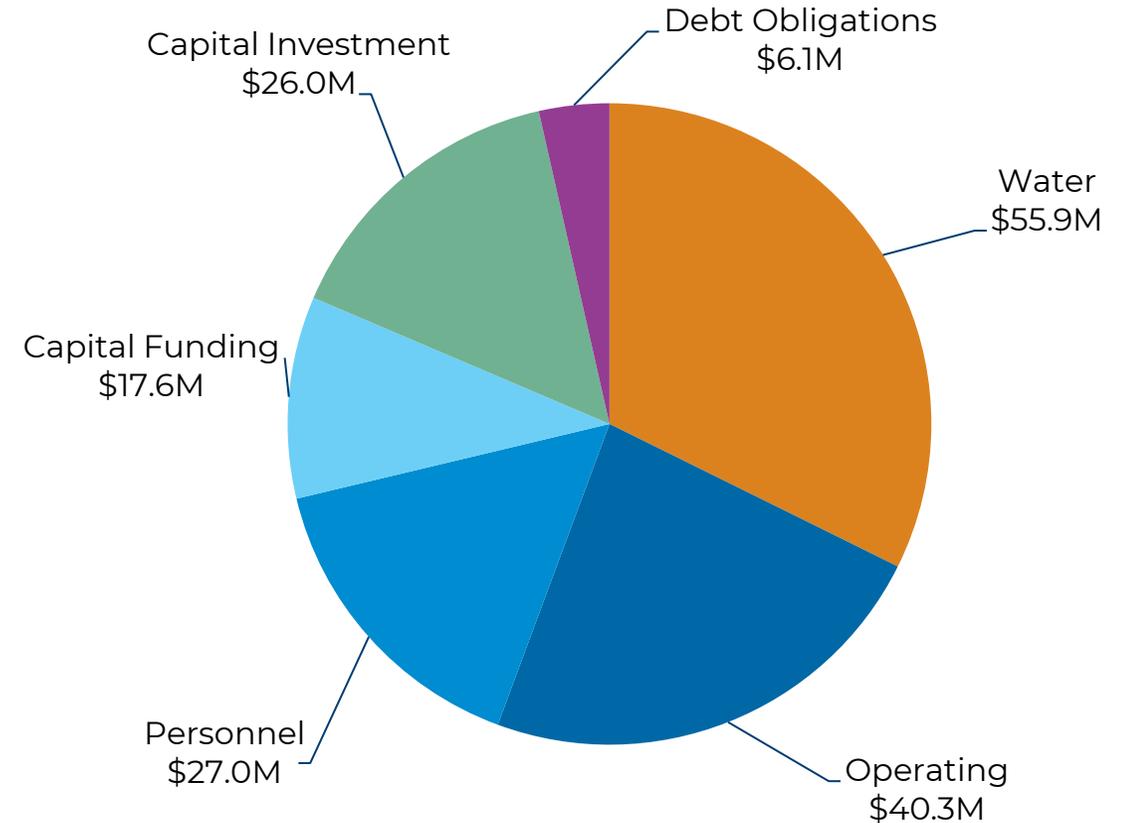


Agency-wide Estimated Expenses

FY 2024-25 Proposed Budget (\$158.0M)



FY 2025-26 Proposed Budget (\$172.9M)



Water Enterprise Funds





Stoneridge PFAS Treatment Facility

Fund 100 – Water Enterprise Operations

Funds day-to-day operations of the water enterprise system



**Del Valle Water Treatment Plant
Ozone Facility**

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

Sub-Fund of Fund 100

Funds water system capital investments

Fund 100 – Water Enterprise Operations

Revenue

- FY 2024-25 - \$68.2M
- FY 2025-26 - \$72.2M

Expenses

- FY 2024-25 - \$69.4M
- FY 2025-26 - \$72.4M

Reserves

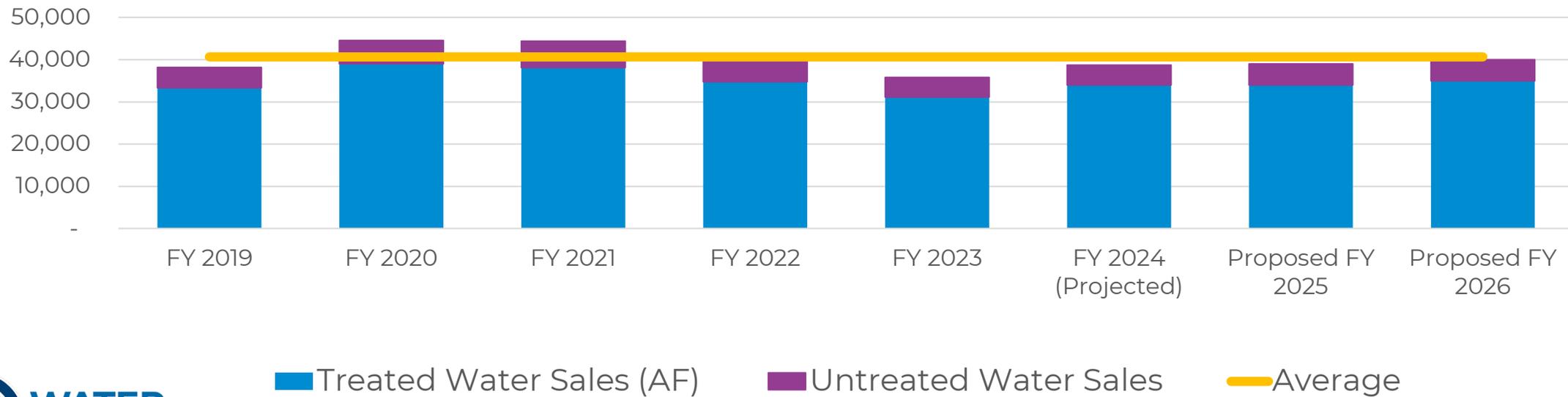
- Operating, Emergency, and Economic Uncertainties Reserves - Compliant with Reserve Policy
- Section 115 Trust - Contributions assumed each year
- Unallocated Fund Balance - \$876K by end of FY 2025-26

Fund 100 – Water Enterprise Operations Revenue

Assumptions:

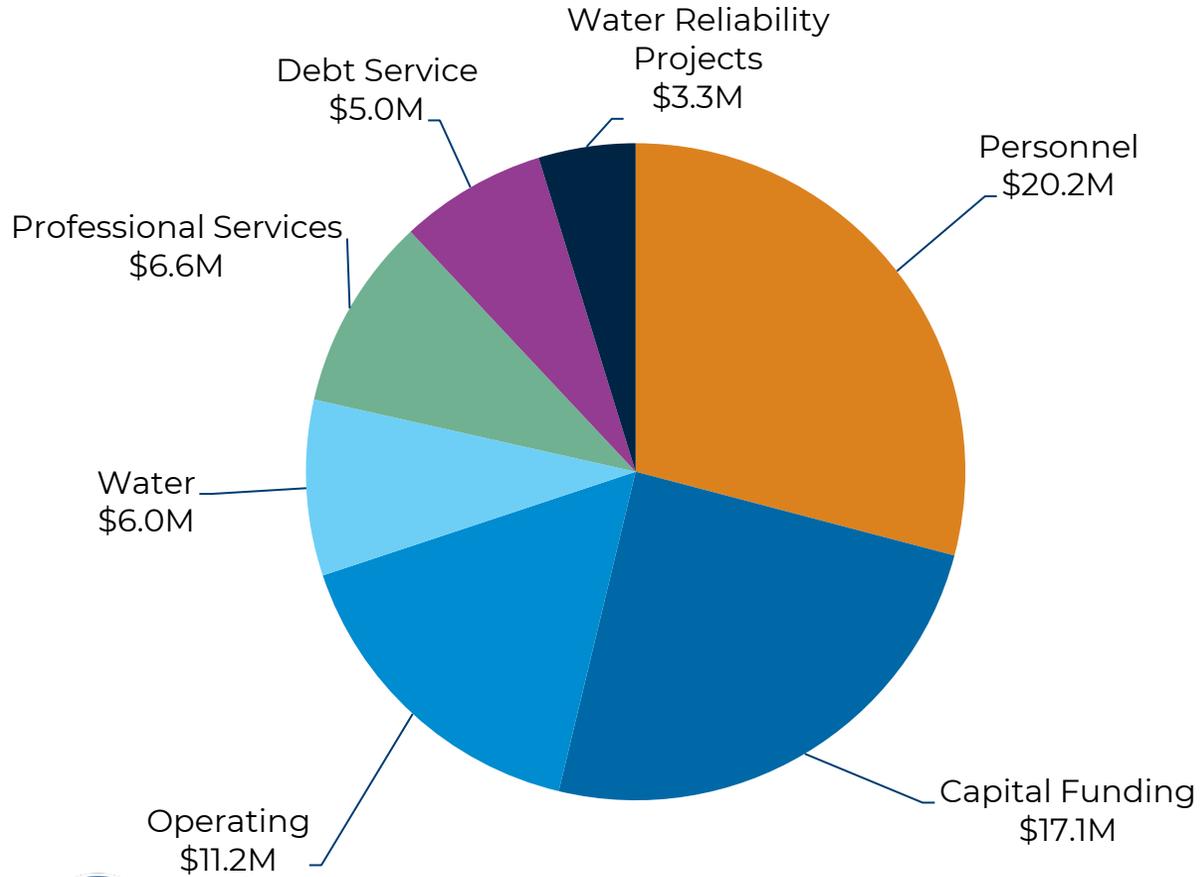
- › Board approved 5.5% rate increases in calendar years 2025 and 2026
- › Treated Water Sales - 34,000 AF (FY 2025) and 35,000 AF (FY 2026)
- › Untreated Water Sales - 5,000 AF (2025 and 2026)

Historical and Proposed Water Sales (Acre Feet)

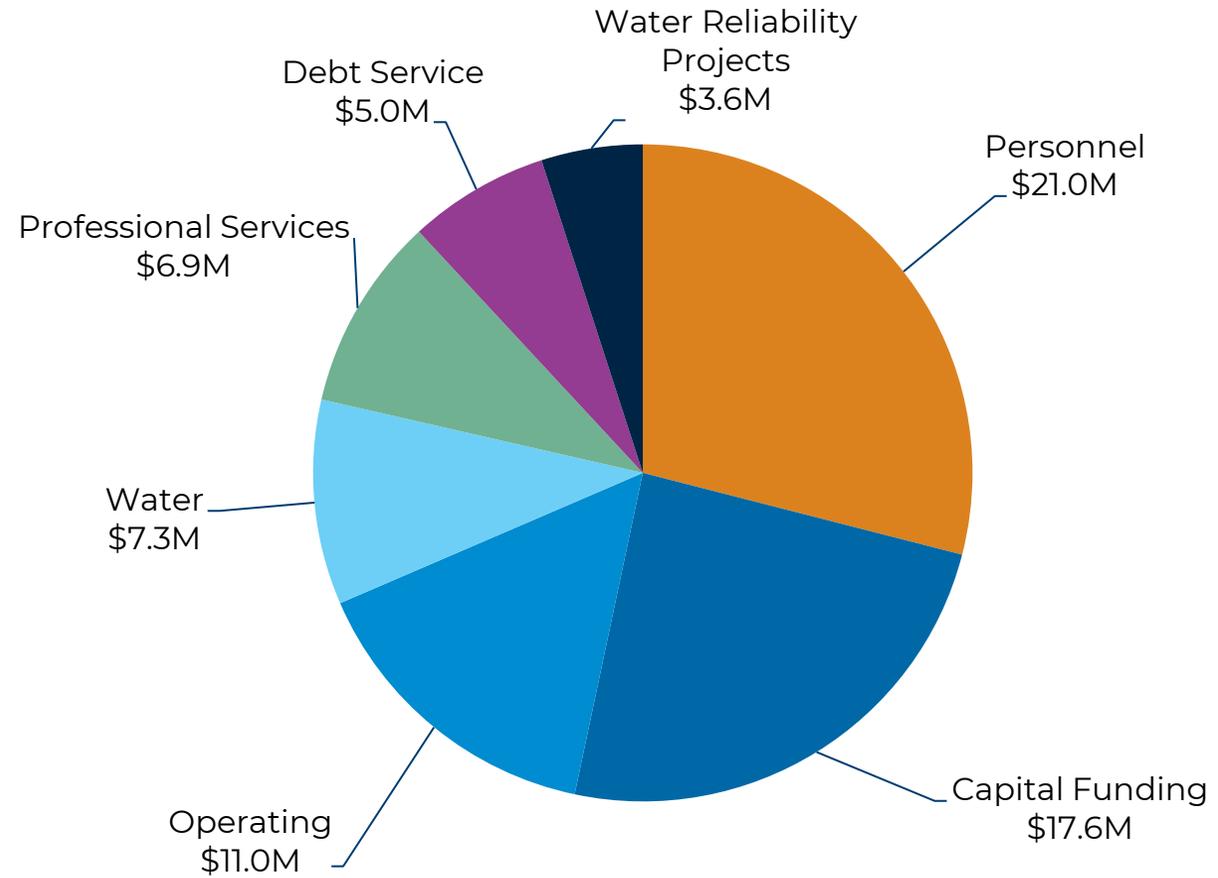


Fund 100 - Water Enterprise Operations Expenses

FY 2024-25 Proposed Budget (\$69.4M)



FY 2025-26 Proposed Budget (\$72.4M)



Fund 100 – Water Enterprise Operations Reserves

- Reserves funded at Target level.
- Contributions to Section 115 Pension Trust assumed both years.

Fund 100 Reserves		Target Policy	FY 2024-25 Proposed Budget	FY 2025-26 Proposed Budget
Operating		90 days of budgeted operating expenses	\$12.9M	\$13.5M
Emergency		2.5% of water enterprise assets	\$8.4M	\$8.5M
Economic Uncertainties		15% of budgeted volume-based water sales	\$5.3M	\$5.6M
Total Target Reserves			\$26.6M	\$27.6M
Section 115 Pension Trust			\$1.9M	\$2.0M
Unallocated Fund Balance			\$2.3M	\$876K
Total Fund Balance			\$30.8M	\$30.5M

Note: Values may not add due to rounding.

Fund 120 – Renewal/Replacement and System-wide Improvements

Revenue

- FY 2024-25 - \$35.7M
- FY 2025-26 - \$18.2M

Capital Projects

- FY 2024-25 - \$13.3M
- FY 2025-26 - \$24.9M

Reserves

- FY 2024-25 - \$57.3M
- FY 2025-26 - \$50.6M

Fund 120 – Renewal/Replacement and System-wide Improvements Capital Investments

Planned Capital Projects for FY 2024-25 and FY 2025-26 include:

- Chain of Lakes Conveyance System \$2.4M
- DVWTP and PPWTP HVAC Replacement \$1.8M
- Mocho Wellfield PFAS Treatment Facility \$9.6M
- PPWTP Improvements and Replacements \$6.2M
- Regional Project Feasibility Study \$900K
- Silver Oaks Pump Station Replacement \$3.7M



Chain of Lakes PFAS Treatment Plant
Constructing Tank Pad, April 2024





South Bay Pumping Plant

Fund 110 – State Water Project

Funds contractual obligations to the California Department of Water Resources to import water from the State Water Project



Patterson Pass Water Treatment Plant

Fund 130 – Water Enterprise Expansion

Funds water system expansion capital investments

Fund 110 - State Water Project Fund

Proposed Revenue

- FY 2024-25 – \$29.9M
- FY 2025-26 – \$29.7M
- Assumes no increase to property tax override (remains at \$22M/yr).

Proposed Expenses

- FY 2024-25 – \$28.7M
- FY 2025-26 – \$31.3M
- Assumes 6% increase in FY 2025 and 9% in FY 2026.

Reserves

- FY 2024-25 – \$52.9M
- FY 2025-26 – \$51.4M
- Reserves > maximum level, however, SWP costs are highly volatile and projected to increase significantly over the next decade.

Fund 130 - Water Enterprise Expansion Fund

Proposed Revenue

- FY 2024-25 – \$15.1M
- FY 2025-26 – \$13.8M

- Both years assume \$10M in connection fee revenue.

- Connection fee revenue has been on a decline since FY 2018-19.

- Upcoming connection fee study will evaluate:
 - Future connections in the service area.
 - Allocation of projects to Expansion fund.

Historical Connection Fee Revenue



Fund 130 - Water Enterprise Expansion Fund

Proposed Expenses

Agency is obligated to pay majority of costs:

- **Water:** SBA Enlargement Debt Service \$28M
- **Water:** Future Contractor's Share of SBA fixed costs \$6.0M
- **Debt:** Cawelo Banking \$2.2M
- **Average Annual Payments:** **\$18.1M/yr**

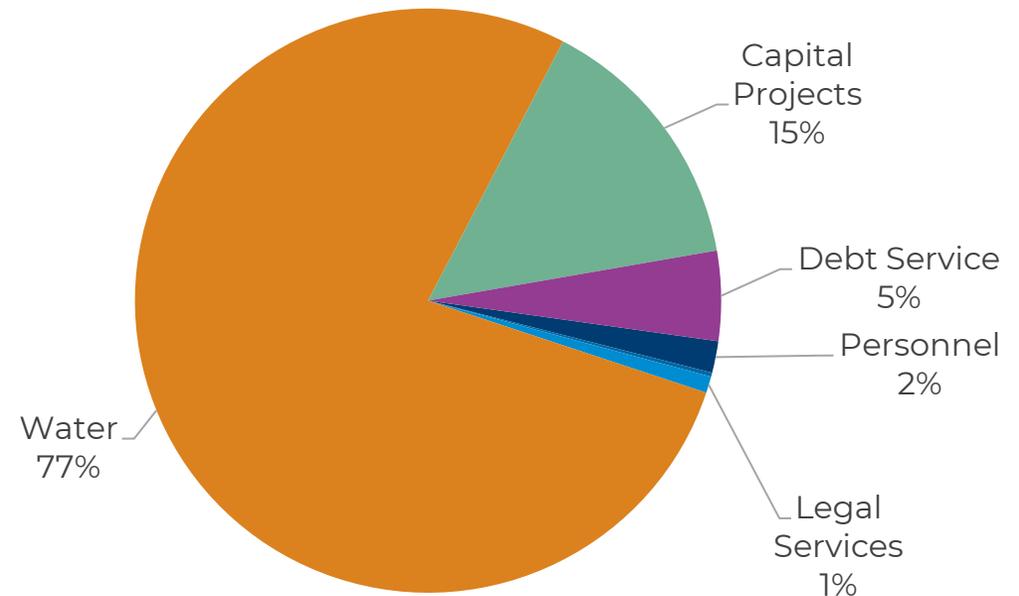
Capital Projects/Planning:

- COL Conveyance System \$2.0M
- Regional Well Project Feasibility Study \$900K
- Well Master Plan \$825K
- Groundwater Contaminant Mobilization Study \$100K

Water Supply Reliability Projects:

- Los Vaqueros Reservoir Expansion \$255K
- Sites Reservoir \$1.5M

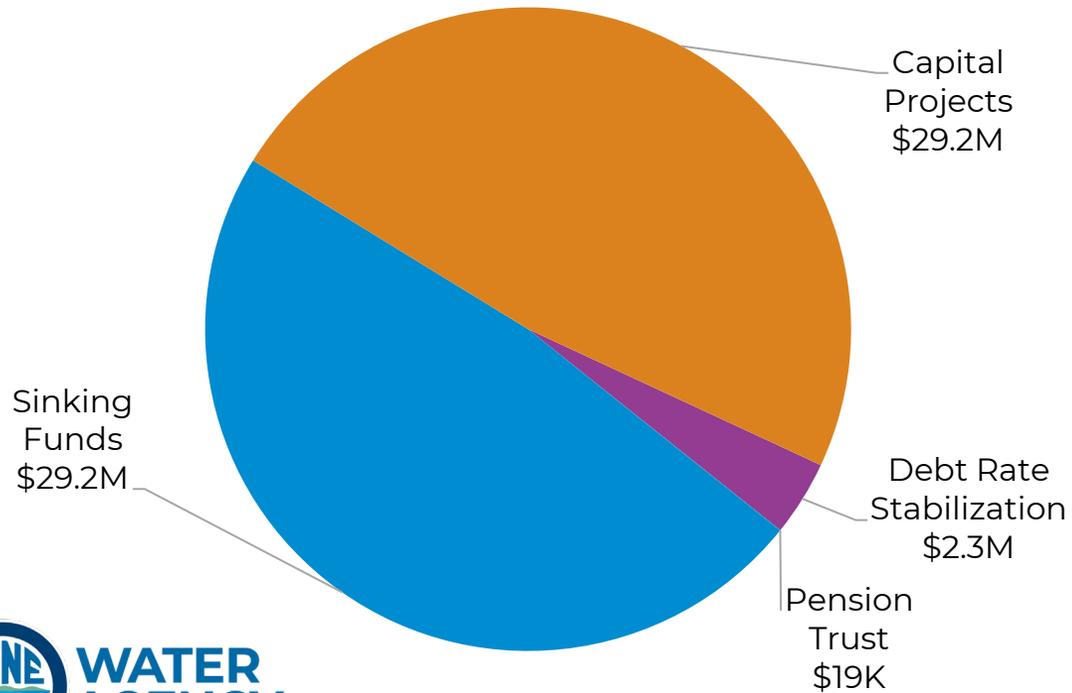
Proposed Expenses FY 2024-25 (\$21.0M) FY 2025-26 (\$23.1M)



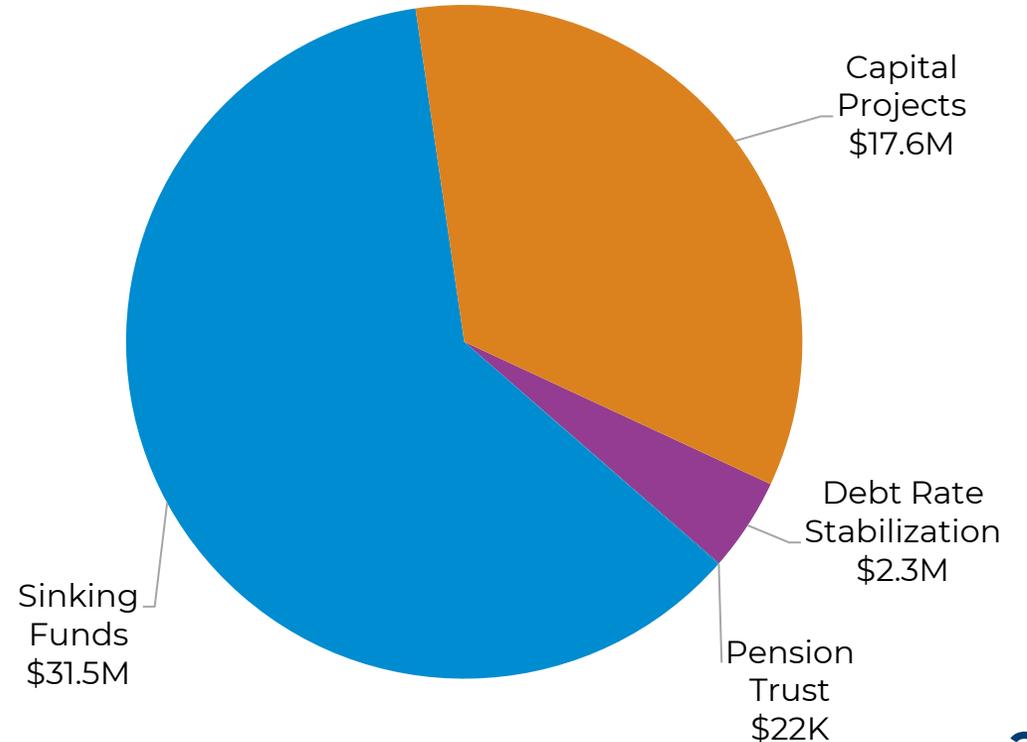
Fund 130 - Water Enterprise Expansion Fund

Reserves

FY 2024-25 Reserves Breakdown (\$60.7M)



FY 2025-26 Reserves Breakdown (\$51.5M)





Flood Protection





Arroyo Mocho

Fund 200 – Flood Protection Operations

Funds flood control services to ensure controlled drainage of the Tri-Valley's excess stormwater runoff



Arroyo Mocho Medeiros Floodplain Reconnection Project

Fund 210 – Flood Protection Development Impact Fee Fund

Funds flood control facilities required for new development

Fund 200 - Flood Protection Operations

Proposed Revenue

- FY 2024-25 Total – \$13.5M
- FY 2025-26 Total – \$16.0M
- Primary revenue source is property taxes
- Grants: FEMA/CAL OES total = \$2.6M

Proposed Expenses

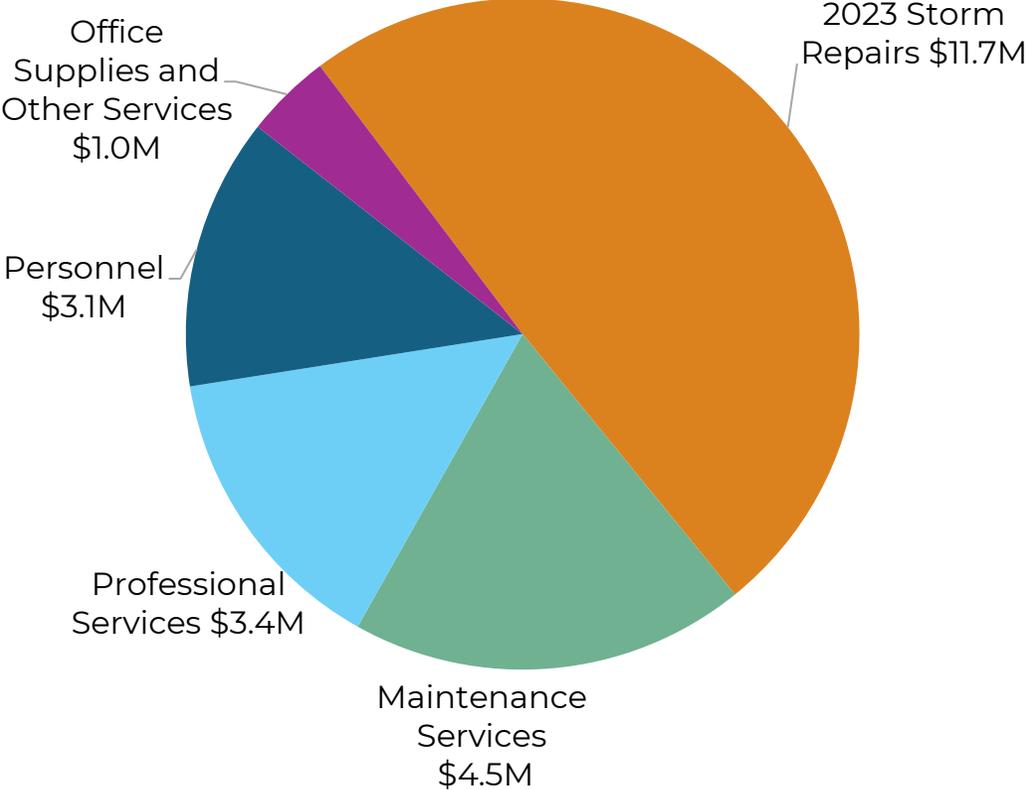
- FY 2024-25 Total - \$23.7M
- FY 2025-26 Total - \$19.4M

Reserves

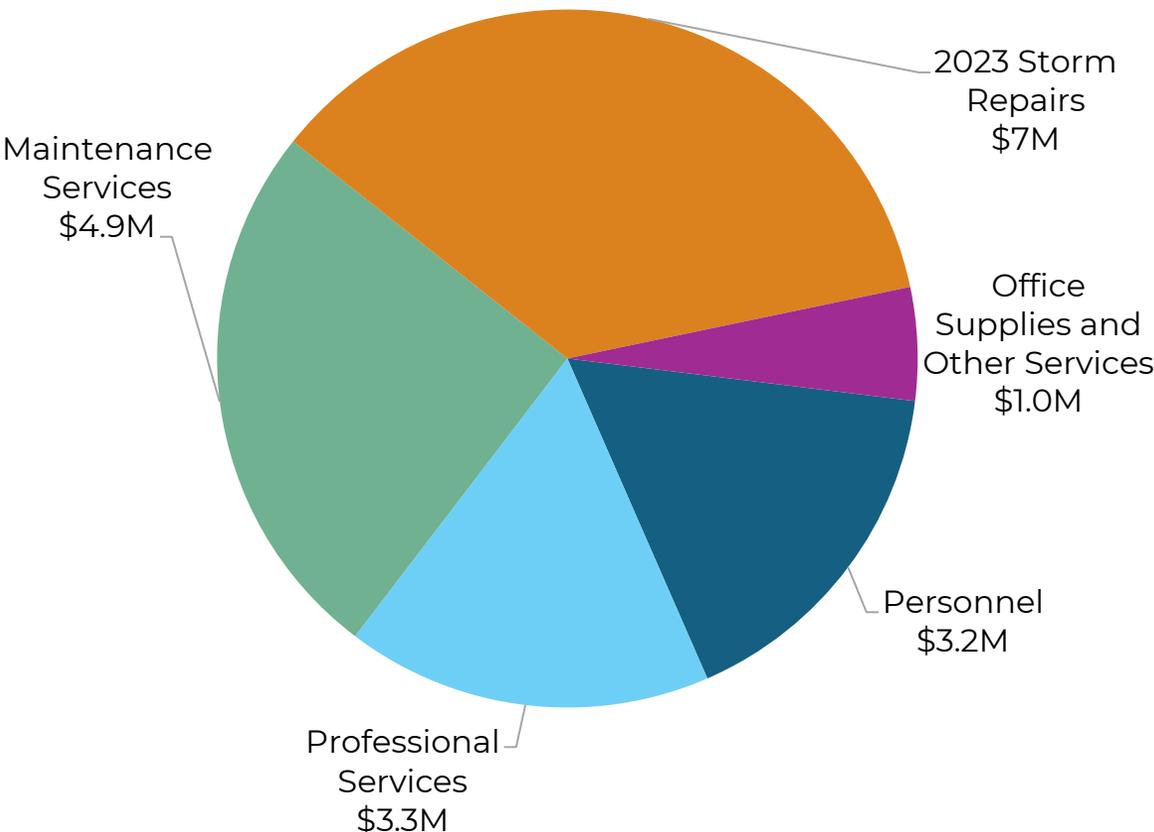
- FY 2024-25 Total – \$13.6M
- FY 2025-26 Total – \$10.1M
- Reserves are compliant with reserve policy.

Fund 200 - Flood Protection Operations Proposed Expenses

FY 2024-25 Proposed Budget (\$23.7M)



FY 2025-26 Proposed Budget (\$19.4M)



2023 Storm Repairs Project

Staff is pursuing state and federal assistance for the repairs:

FY 2024-25: \$11.7M

- Army Corp of Engineers repair of 48 sites estimated between \$30M-\$50M.
- Budget assumes 20% costs share of \$40M = \$8M.
- \$3.7M for repair of 6 high priority sites

FY 2025-26: \$7M

- Repair of 24 damaged sites

Grants:

- FEMA/CAL OES: \$2.6M included in revenue budget.



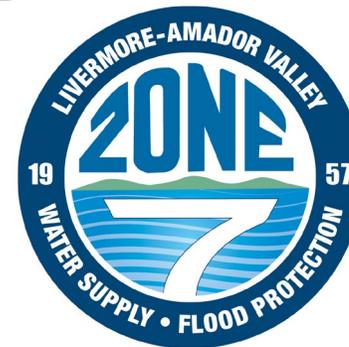
**US Army Corps
of Engineers®**



Cal OES
GOVERNOR'S OFFICE
OF EMERGENCY SERVICES



FEMA



Fund 210 – Flood Protection Development Impact Fee

Proposed Revenue

- FY 2024-25 Total – \$3.5M
- FY 2025-26 Total – \$2.7M
- Primary revenue source is development impact fee revenue:
 - Assumes \$1.5M million annually

Proposed Expenses

- \$1.8M/yr to fund:
 - \$1.3M engineering support, hydraulic modeling, environmental planning, Flood Management Plan
 - \$500K of annual contingency
 - Majority of costs are shared with Fund 200.

Reserves

- FY 2024-25 Total – \$79.7M
- FY 2025-26 Total – \$80.7M
- This fund does not have a minimum or maximum reserve requirement.



Recommended Action/Next Steps

- Discuss and provide direction.
- Staff will incorporate Board changes and present proposed budget for adoption at the June 11, 2024 Regular Board meeting.



**WATER
AGENCY**

Questions?

