ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
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ORIGINATING DIVISION: ADMINISTRATIVE SERVICES
CONTACT PERSON: OSBORN SOLITEI

AGENDA DATE: October 21, 2015 ITEM NO. **17d**

SUBJECT: **FY 2015-16 First Quarter Revenue and Expenditure Report**

SUMMARY:

- Since New World Systems was implemented on July 1, 2013, staff has been providing a monthly budget report to the Board.
- Staff now recommends changing to a quarterly revenue and expenditure (R&E) report instead of the monthly budget report. A majority of the Finance Committee members endorsed this approach at the September 10, 2015 Finance Committee Meeting.
- Quarterly R&E reports provide a better indicator of the Agency's financial condition, since most of Zone 7's revenues and expenditures are seasonal and often delayed by the booking of transactions by Zone 7 and the County.
- This report provides a summary of FY 15-16 revenue and expenditures and explanations of any major variances for the first quarter of FY 15-16 (July 1, 2015 through September 30, 2015) as well as first quarter projections for fiscal year-end for the following funds:
  - Fund 100 – Water Enterprise
  - Fund 110 – State Water Facilities
  - Fund 120 – Water Renewal/Replacement & System-Wide Improvements
  - Fund 130 – Water Expansion
  - Fund 200 – Flood Control Operations
  - Fund 210 – Flood Protection & Stormwater Drainage (DIF)
- This report shows adopted budget, year-to-date (YTD) actuals, first quarter projected fiscal year-end, current year surplus/(shortfall) in revenue and expenditures, and reserve balances. The current surplus/(shortfall) is the net difference between the revenue and expenditure projections.

RECOMMENDED ACTION:
Information only.

M E M O R A N D U M

DATE: October 21, 2015

TO: Jill Duerig, General Manager

FROM: Osborn Solitei, Assistant General Manager – Finance

SUBJECT: **FY 2015-16 First Quarter Revenue and Expenditure (R&E) Report**

SUMMARY:

This report provides a summary of FY 2015-16 revenue and expenditures and explanations of any major variances for the first quarter of FY 15-16 (July 1, 2015 through September 30, 2015) as well as first quarter projections for fiscal year-end.

The following provides explanations and additional details concerning this report:

The period of July 1, 2015 through September 30, 2015 is reported herein, which is approximately 25% of the fiscal year or three months. However, Zone 7's revenue and expenditures cycles do not follow this pattern. Please note that the first quarter is not a strong trend indicator for revenue and expenditures. For example, the first installment of property tax revenue is not received until December and capital project expenses vary based on construction schedules.

In addition, by September, we typically expect anywhere between 15-20% of the budget has been used, representing only about two months (17%) of expenditures rather than three months. This is because services rendered/goods purchased in September would typically be billed and paid for in October. Other variations are due to the as-needed, seasonal nature of expenditure and delayed booking of transactions by Zone 7 and the County.

Highlights of this FY 15-16 first quarter revenue and expenditure report include:

- Fund 100 - Water Enterprise - during the Cost of Service Study rate development process, staff developed a forecast for FY 15-16 end-of-year revenue and expenditures in this fund. Staff projects a $3.7M decrease in expenditures due to the ongoing effort to keep costs low and a $4.7M decrease in revenue due to higher-than-expected water conservation. A summary of FY 15/16 projected end-of-year revenue, expenditures and ending fund balance are shown in the table below:

Fund 100 – Water Enterprise Revenue and Expenditures	*FY 15-16 Adopted Budget*	*FY 15-16 Q1 Projected FYE*	*Year-End Over/(Under) Budget*
Beginning Fund Balance (unaudited)	**$15,404,825**	**$14,388,282**	**($1,016,543)**
Total Revenues	$34,552,636	$29,857,875	($4,694,761)
Operating Expenditures	$35,619,302	$31,884,216	($3,735,068)
AMP Transfer	$7,000,000	$7,000,000	$0
Total Expenditures	$42,619,302	$38,884,216	$3,735,086
Surplus/(Shortfall)	($8,066,666)	(9,026,341)	($959,675)
Ending Fund Balance	**$7,338,159**	**$5,361,941**	**($1,976,218)**

Note: The total revenues projection <u>does not</u> include any rate changes currently being proposed to the Zone 7 Board.

- Fund 110 – State Water Facilities Fund has a temporary cash-flow shortfall due to the timing of revenue to cover Department of Water Resources (DWR) charges. For more detail, please refer to the Fund 110 – State Water Facilities Fund table and narrative.

- Fund 120 – Water Renewal/Replacement & System-Wide first quarter expenditure projections for fiscal year-end decreased from $19.9M to $7.1M to reflect the proposed deferred Capital Improvement Program (CIP) that was presented to the Water Resources and Finance Committees in September 2015 as stated below:

CIP Options ($millions)	FY 15-16
Master CIP	$19.9
Proposed Deferred CIP	$7.1
Difference	($12.8)

- The FY 15-16 unaudited beginning fund balances for all Zone 7 funds is $33.2M higher than the budget projection as shown in the table below, with the two greatest increases realized due to increased development in the area:

Fund	FY 15-16 Adopted Budget Beginning Fund Balance (Projected)	FY 15-16 Beginning Fund Balance (Unaudited)	Year-End Over/(Under) Budget
Fund 100 - Water Enterprise	$15,404,825	$14,388,282	($1,016,543)
Fund 110 - State Water Facilities	$6,057,083	$8,025,616	$1,968,533
Fund 120 - Renewal/Replacement & Systemwide Improvements	$20,520,638	$24,725,199	$4,204,561
Fund 130 - Expansion	$31,604,468	$42,861,615	$11,257,147
Fund 200 - Flood Control	$12,323,809	$17,991,862	$5,668,054
Fund 210 - Flood Protection & Stormwater Drainage	$37,996,820	$49,136,604	$11,139,784
Total	**$123,907,644**	**$157,129,179**	**$33,221,535**

  - Fund 100 is $1M lower because of increased water conservation in FY 14-15.

  - Fund 110 beginning fund balance is $2M higher than the FY 2015-16 budget projections because FY 2014-15 property tax and DWR refund were $0.7M and $0.38M higher, respectively than anticipated and FY 2014-15 expenditures were $0.8M less than projected.

  - Fund 120 is $4.2M higher than budget due to multi-year projects in FY 14-15, $2.9M of which will be carried forward in FY 15-16 and $1.3M will remain unspent (i.e. project deferrals, unused contingency).

  - Fund 130 is $11.2M higher primarily due to more than anticipated connection fees collected in FY 14-15. The FY 2014-15 increase in connection fee was mainly from Livermore developments along El Charro Road ($5M increase) and increase of $2.8M collected in Pleasanton due to the Pleasanton Gateway project in the Bernal area. Dougherty Valley development continues with an increase of $2.5M in fees collected.

  - Fund 200 is $5.7M higher than budget due to multi-year projects in FY 14-15. $3.6M of the $5.7M will be carried forward in FY 15-16, the remaining $2.1M will remain unspent due to projects being on hold until the Stream Management Master Plan is complete or grant funding identified (i.e. Arroyo Las Positas Treatment Wetland).

  - Fund 210 is $11.1M higher because of more than anticipated development impact fees collected in FY 14-15 and lower expenditures. $3.1M of the $11.1M will be carried forward FY 15-16. The lower expenditures in FY 14/15 are due to unspent contingency and projects on hold until the Stream Management Master Plan is complete or grant funding identified (i.e. Arroyo Las Positas Treatment Wetland). There was an increase in development impact fees collected in Livermore due to development along El Charro Road ($1.8M increase) and increase of $1.6M collected in Pleasanton due to the Pleasanton Gateway project in Bernal area.

BACKGROUND:

Since New World Systems was implemented on July 1, 2013, staff has been providing a monthly budget report to the Board. Staff now recommends changing to a quarterly revenue and expenditure report instead of the monthly budget report. Quarterly revenue and expenditure reports provide a better indicator of the Agency's financial condition, since most of Zone 7's revenues and expenditures are seasonal and often delayed by the booking of transactions by Zone 7 and the County.

This report shows adopted budget, year-to-date (YTD) actuals, first quarter projected fiscal year-end, current year surplus/(shortfall) in revenue and expenditures, and reserve balances. The current surplus/(shortfall) is the net difference between the revenue and expenditure projections.

ANALYSIS:

Water Enterprise Fund (Fund 100)

Primary Funding Source: Water Rates

The purpose of this fund is to ensure the delivery of high quality water to the Livermore-Amador Valley. This includes water treatment and distribution of potable (drinking) water; distribution of untreated agricultural/irrigation water; and surface water and groundwater management. Water distributed is a combination of locally conserved and imported water from the State Water Project. Activities include water treatment; water quality analysis; water resource management and groundwater protection; and water supply planning and engineering.

The table below shows beginning fund balance, revenues, expenditures and ending fund balance for the FY 15-16 Adopted Budget, FY 15-16 Year-to-Date (YTD) Actual, FY 15-16 Q1 Projected FYE, and Year-End Projected Over/(Under) Budget.

Fund 100 - Water Enterprise	*FY 15-16 Adopted Budget*	*FY 15-16 YTD Actual*	*FY 15-16 Q1 Projected FYE*	*Year-End Over/(Under) Budget*
Beginning Fund Balance (Unaudited)	**$15,404,825**	**$14,388,282**	**$14,388,282**	**($1,016,543)**
Revenue	$34,552,636	$5,229,515	$29,857,875	($4,694,761)
Water Sales & Service	$34,191,645	$5,170,751	$29,496,884	($4,694,761)
Investment Earnings	$90,000	$0	$90,000	$0
Other Revenue	$270,991	$58,764	$270,991	$0
Expenses	$35,619,302	$6,897,012	$31,884,216	($3,735,086)
Labor & Overhead Distributed	$13,589,767	$4,287,705	$16,119,992	$2,530,225
Professional Services	$4,360,785	$389,523	$3,006,577	($1,354,208)
Water*	$7,566,114	$644,863	$5,076,600	($2,489,514)
Chemicals	$2,432,413	$568,939	$2,228,503	($203,910)
Utilities	$2,106,427	$242,526	$2,046,244	($60,183)
Repairs and Maintenance	$2,842,580	$267,552	$1,968,666	($873,914)
Rental Services	$118,900	$44,695	$137,718	$18,818
Other Services/ Supplies	$2,602,316	$451,210	$1,260,431	($1,341,885)
Transfers	$7,000,000	$1,797,917	$7,000,000	$0
Estimated Current Year Surplus/(Shortfall)	($8,066,666)	($3,465,413)	($9,026,341)	($959,675)
Ending Fund Balance	**$7,338,159**	**$10,922,868**	**$5,361,941**	**($1,976,218)**

*Water includes imported water purchases and out-of-area storage and recovery.

Revenue

FY 15-16 YTD revenue is primarily from the sale of 5,022 acre-feet of treated water through August 2015, which is 48% less than the 9,637 acre-feet sold for the same time period in 2013. The FY 15-16 budget assumed 20% conservation; however, Zone 7 has experienced conservation levels of about 45% this summer (55% of 2013 normal demands), prompting an adjustment to the first quarter projection for fiscal year-end water sales revenue to assume 32% conservation for the entire year, resulting in a $4.7M reduction in revenue. **The water sales projection <u>does not</u> include any rate changes currently being proposed to the Zone 7 Board.**

September water sales revenue is not reported because the meter reading data that generates the monthly water billing was not available at the time of this report.

Expenditures

YTD expenditures include payroll through mid-September of $4.3M, and water production, maintenance, and other operating and maintenance (O&M) costs totaling $2.6M. The first quarter transfer of $1.75M for the Asset Management Program (AMP) from Fund 100 – Water Enterprise to Fund 120 – Renewal/Replacement & System-wide Improvements has been made.

During the Cost of Service Study rate development process, staff developed a forecast for FY 15-16 end-of-year revenue and expenditures in this fund. Staff projects a $3.7M decrease in expenditures due to the ongoing effort to keep costs low and a $4.7M decrease in revenue due to higher-than-expected water conservation.

Labor Costs

Labor costs in Fund 100 are projected to be $2.5M higher than budget due to staff resources shifting from capital projects. This shift causes an increase in Fund 100 labor, but decreases labor in other funds. This shifting of staff resources as projects are deferred and redistribution of labor costs is reflected in the table below.

Total Labor - All Funds	*FY 15-16 Adopted Budget*	*FY 15-16 YTD Actual*	*FY 15-16 Q1 Projected FYE*	*Year-End Over/(Under) Budget*
Fund 100 - Water Enterprise	$13,589,767	$4,287,705	$16,119,992	$2,530,225
Fund 120 - Renewal/Replacement & Systemwide Improvements	$2,540,500	$70,512	$732,411	($1,808,089)
Fund 130 - Expansion	$421,400	$67,193	$347,976	($73,424)
Fund 200 - Flood Control	$2,241,030	$352,149	$2,032,735	($208,295)
Fund 210 - Flood Protection & Stormwater Drainage	$662,040	$52,158	$221,623	($440,417)
Ending Fund Balance	**$19,454,737**	**$4,829,717**	**$19,454,737**	**$0**

Reserves
The FY 15-16 budget projected a current year shortfall of $8.1M. Staff now projects an estimated current year shortfall of $9M based on the new forecast. The table below breaks down the budgeted reserves, YTD actual reserves, projected year-end reserves and the difference between the budget and projection. Note that the first quarter projected fiscal year-end is $2M less than the FY 15-16 Adopted Budget.

Reserves:	*FY 15-16 Adopted Budget*	*FY 15-16 YTD Actual*	*FY 15-16 Q1 Projected FYE*	*Year-End Over/(Under) Budget*
Operating Reserves	$3,122,788	$3,122,788	$2,795,328	($327,460)
Emergency Reserves	$2,246,460	$1,989,152	$1,989,152	($257,308)
Drought Contingency	$0	$0	$0	$0
Rate Stabilization Reserves	$1,968,911	$5,810,928	$577,461	($1,391,450)
Total Reserves	**$7,338,159**	**$10,922,868**	**$5,361,941**	**($1,976,218)**

State Water Facilities Fund (Fund 110)
Primary Funding Source: Property Taxes

This fund finances the "fixed cost" payment to the State Department of Water Resources (DWR) to import water to Zone 7. The purpose is to pay the costs for use of the State water delivery system, which includes repayment of voter approved, State incurred, long-term debt.

The table below shows beginning fund balance, revenues, expenditures and ending fund balance for the FY 15-16 Adopted Budget, FY 15-16 Year-to-Date (YTD) Actual, FY 15-16 Q1 Projected FYE, and Year-End Projected Over/(Under) Budget.

Fund 110 - State Water Facilities	*FY 15-16 Adopted Budget*	*FY 15-16 YTD Actual*	*FY 15-16 Q1 Projected FYE*	*Year-End Over/(Under) Budget*
Beginning Fund Balance (Unaudited)	**$6,057,083**	**$8,025,616**	**$8,025,616**	**$1,968,533**
Revenue	$19,685,300	$390,630	$20,490,937	$805,637
Dougherty Valley Surcharge	$1,521,620	$0	$1,583,631	$62,011
Property Taxes	$16,650,000	390,630	$16,650,000	$0
Aid from Governmental Agencies	$45,610	$0	$45,610	$0
Investment Earnings	$30,000	$0	$30,000	$0
SBA Credit*	$0	$0	$743,626	$743,626
Other Revenue	$1,438,070	$0	$1,438,070	(0)
Expenses	$19,344,521	$9,161,392	$20,000,117	$655,596
Estimated Current Year Surplus/(Shortfall)	$340,779	($8,770,761)	$490,820	$150,041
Ending Fund Balance	**$6,397,862**	**($745,146)**	**$8,516,436**	**$2,118,574**

*This is a credit to Zone 7 that is anticipated but not yet received for the South Bay Aqueduct (SBA) Enlargement/Improvement project of $1.5M in this fund and $5.9M in Fund 130. Half of the credit is expected to be received in FY 15/16 and the other half in FY 16/17.

Revenue
This is a pass-through fund for fixed charges associated with the State Water Project, assessed as a property tax override. The bulk of property tax revenue is not received until December and the second installement is not received until April. YTD expenditures have exceeded revenue (which is normal at this time of year for this fund). A small amount of property tax revenue has been posted.

Expenditures
YTD expenditures reflect payments to DWR for fixed costs for July-September. DWR charges are both monthly and semi-annual. The Transportation Capital charges and the SBA Improvement and Enlargement debt service payment are paid in January/July and March/September, respectively.

Staff anticipates a short-term revenue shortfall in this fund due to an increase in DWR costs to cover their own cash flow issues. Costs have increased due to these factors:

1. Increased labor costs (salary increases and hiring of more full time employees)
2. A credit to Zone 7 that is anticipated but not yet received for the South Bay Aqueduct (SBA) Enlargement/Improvement project of $1.5M in this fund and $5.9M in Fund 130.

To address the short-term revenue shortfall, the Board approved smoothing out the property tax increase by using reserves and stepping up the increase half this year and half next year. Staff has since talked with DWR and learned that the reimbursement/credit will be applied in January and July 2016 (half in FY 15/16 and the other half in FY 16/17). Despite this, the fund balance will still temporarily drop below the Board-approved minimum reserve level, but is expected to recover by the end of the fiscal year.

Reserves
The beginning fund balance is $2M higher than the FY 2015-16 budget projections because FY 2014-15 property tax and DWR refund were $0.7M and $0.38M higher, respectively than anticipated and FY 2014-15 expenditures were $0.8M less than projected.

The current fund balance is negative $0.7M and is expected to return a positive state ($8.5M) by the end of FY 15-16 as property taxes are posted and transfers from Fund 130 are made.

The table below breaks down the budgeted reserves, YTD actual reserves, projected year-end reserves and the difference between the budget and projection.

Reserves:	*FY 15-16 Adopted Budget*	*FY 15-16 YTD Actual*	*FY 15-16 Q1 Projected FYE*	*Year-End Over/(Under) Budget*
Operating Reserves	$6,397,862	($745,146)	$8,516,436	$2,118,574
Total Reserves	**$6,397,862**	**($745,146)**	**$8,516,436**	**$2,118,574**

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

Primary Funding Source: Water Rates via a transfer from the Water Enterprise (Fund 100)

The purpose of this fund is to ensure that the current water treatment and delivery systems are functioning effectively and that capital replacement and improvement needs are funded. Fund 120 pays for capital projects including the renewal, replacement and improvement of the current water treatment and delivery system.

The table below shows beginning fund balance, revenues, expenditures and ending fund balance for the FY 15-16 Adopted Budget, FY 15-16 Year-to-Date (YTD) Actual, FY 15-16 Q1 Projected FYE, and Year-End Projected Over/(Under) Budget.

Fund 120 - Renewal/Replacement & Systemwide Improvements	*FY 15-16 Adopted Budget*	*FY 15-16 YTD Actual*	*FY 15-16 Q1 Projected FYE*	*Year-End Over/(Under) Budget*
Beginning Fund Balance (Unaudited)	**$20,520,638**	**$24,725,199**	**$24,725,199**	**$4,204,561**
Less commitments for:				
Estimated Carryovers	$0	$2,876,245	$2,876,245	$2,876,245
Sinking funds	$4,302,454	$3,884,630	$3,884,630	($417,824)
Adjusted Beginning Fund Balance	**$16,218,184**	**$17,964,324**	**$17,964,324**	**$1,746,140**
Revenue	$7,433,460	$1,865,224	$7,433,460	$0
Facility Use Fees	$375,960	$130,050	$375,960	$0
Investment Earnings	$55,000	$0	$55,000	$0
Other Revenue	$2,500	-$14,826	$2,500	$0
Transfers	$7,000,000	$1,750,000	$7,000,000	$0
Expenses	$19,404,102	$397,340	$7,070,000	($12,334,102)
Labor & Overhead Distributed	$2,540,500	$70,512	$732,411	($1,808,089)
Professional Services	$4,328,500	$92,464	$2,368,450	($1,960,050)
Repairs and Maintenance	$0	$0	$0	$0
Rental Services	$560,102	$146,051	$560,102	$0
Other Services/ Supplies	$1,130,000	$16,657	$411,722	($718,278)
Land and Facility Improvements	$10,845,000	$71,657	$2,459,476	($8,385,524)
Estimated Current Year Surplus/(Shortfall)	($11,970,642)	$1,467,885	$363,460	$12,334,102
Ending Fund Balance (designated for capital projects)	**$4,247,542**	**$19,432,209**	**$18,327,784**	**$14,080,242**

Revenue

YTD revenue is from Dougherty Valley facility use fees, miscellaneous revenue and the first quarter transfer of $1.75M for Asset Management Program (AMP) from Fund 100 – Water Enterprise to Fund 120 – Renewal/Replacement & System-wide Improvements. **Zone 7 was awarded a $3M grant from the Department of Water Resources for drought projects; because the timing of funding is unknown the revenue has not been included in the fiscal year-end revenue projection.** There are no other information/significant trends available to change the fiscal year-end revenue projection at this time.

Expenditures
YTD expenditures are for a fraction of the North Canyons lease payment and capital project planning.

As part of the Cost of Service study, staff re-evaluated the near-term CIP for this fund. A comparison of the Master CIP and the proposed deferred CIP by year is shown in the table below:

CIP Options ($millions)	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Total
Master CIP	$19.9	$19.3	$26.6	$12.6	$17.7	$96.1
Proposed Deferred CIP	$7.1	$13.6	$23.8	$22.5	$14.5	$81.5
Deferred CIP	($12.8)	($5.7)	($2.8)	$9.9	($3.2)	($14.6)

A proposed deferred CIP was presented to the Water Resources and Finance Committees in September 2015, including:

- Spending of $81M over the next five years, including $15M in project deferrals.
- Proposed debt financing of $43M.
- A reduction of FY 15-16 expenditures by $12.8M, from $19.9M to $7.1M.

Reserves
The projected FY 15-16 ending fund balance is $14.1M higher than budget due to project deferrals. The ending fund balance is designated for capital projects to fund the $81M of Fund 120 CIP projects the agency has committed to over the next five years.

The table below lists the FY 15-16 capital projects as recommended in the proposed deferred CIP.

Fund 120*
FY 15/16 Projects

Project	Amount $(millions)
Administrative & Engineering Building - Sinking Fund (Fund 120)	$0.42
Administrative & Engineering Building Lease (Water System)	0.56
Arroyo del Valle Permit Extension	0.28
Asset Management Program Management	0.28
Booster Pump station	0.30
Capital Improvement Program Management	0.03
DVWTP Filter Valves Replacement	0.40
DVWTP Roof Replacement and Rehabilitation for 3.0 MG Clearwell	0.08
Hopyard Well 6 & Stoneridge Sodium Hypochlorite Tank Replacement	0.50
Laboratory Equipment Replacement	0.12
MGDP Concentrate Disposal Pipeline Inspection and Cleaning	0.52
Minor Renewal/Replacement Projects	0.36
Mocho 2 Well Improvements/Rehabilitation	0.20
Mocho Wellfield Automation & Control Valves	0.10
Monitoring Well Replacements & Abandonments	0.11
Ozonation at DVWTP	1.00
PPWTP Clearwell Improvements (seismic)	0.10
SCADA Enhancements	0.24
System-Wide Installation of Line Valves	0.05
Additional Treated Water Storage	0.60
Transmission System Planning Update	0.06
Water Quality Management Program	0.02
Contingency	0.75
Annual Total:	**$7.07**

*This proposed CIP adjustment was presented to the Zone 7 Water Resources Committee on September 9, 2015 and the financial total was presented to the Finance Committee on September 10, 2015.

Water Expansion (Fund 130)

Primary Funding Source: Water Connection Fees.

The purpose of this fund is to ensure that Zone 7 is able to meet future needs for increased water demands. The program is primarily intended to provide funding for new facilities and additional water supplies to serve additional capacity requirements of new development, many of them fixed (i.e., bond payment obligations for debt incurred by others to increase capacity).

Note: Developer fees cannot be used for other purposes.

The table below shows beginning fund balance, revenues, expenditures and ending fund balance for the FY 15-16 Adopted Budget, FY 15-16 Year-to-Date (YTD) Actual, FY 15-16 Q1 Projected FYE, and Year-End Projected Over/(Under) Budget.

Fund 130 - Expansion	*FY 15-16 Adopted Budget*	*FY 15-16 YTD Actual*	*FY 15-16 Q1 Projected FYE*	*Year-End Over/(Under) Budget*
Beginning Fund Balance (Unaudited)	**$31,604,468**	**$42,861,615**	**$42,861,615**	**$11,257,147**
Less commitments for:				
Estimated Carryovers	$0	$551,794	$551,794	$551,794
Sinking funds	$13,763,656	$11,578,684	$13,763,656	$0
Adjusted Beginning Fund Balance	**$17,840,812**	**$30,731,137**	**$28,546,165**	**$10,705,353**
Revenue	$26,210,826	$3,363,693	$29,185,331	2,974,505
Development Fees	$22,826,757	$3,369,362	$22,826,757	$0
Investment Earnings	$264,069	$0	$264,069	$0
SBA Credit*	$0	$0	$2,974,505	2,974,505
Other Revenue	$3,120,000	-$5,669	$3,120,000	$0
Expenses	$24,347,176	$11,664,484	$24,347,176	$0
Labor & Overhead Distributed	$421,400	$67,193	$347,976	($73,424)
Professional Services	$1,902,906	$102,951	$1,902,906	$0
Water	$20,906,541	$11,354,877	$20,906,541	$0
Rental Services	$435,635	$113,595	$435,635	$0
Other Services/ Supplies	$655,694	$25,867	$655,694	$0
Land and Facility Improvements	$25,000	$0	$25,000	$0
Estimated Current Year Surplus/(Shortfall)	$1,863,650	($8,300,791)	$4,838,155	-
Ending Fund Balance (designated for Capital Projects)	**$19,704,462**	**$22,430,346**	**$33,384,320**	**$13,679,858**

*This is a credit to Zone 7 that is anticipated but not yet received for the South Bay Aqueduct (SBA) Enlargement/Improvement project of $5.9M in this fund and $1.5M in Fund 110. Half of the credit is expected to be received in FY 15/16 and the other half in FY 16/17.

Revenue

The primary source of revenue is connection fees. YTD revenue is comprised of the connection fee revenue from 140 connections, mainly from the Jordan Ranch and Schafer Ranch developments in Dublin, Gale Ranch development in Dougherty Valley and Commons at Gateway development in Pleasanton. The bulk of connection fee revenue is received in the Spring/Early Summer.

The first quarter projected fiscal year-end revenue projection is the same as the budget because there is no other information/significant trends available to change the projections at this time, except for a credit to Zone 7 that is anticipated but not yet received for the South Bay Aqueduct (SBA)

Enlargement/Improvement project of $5.9M in this fund and $1.5M in Fund 110. Staff has since talked with DWR and learned that the reimbursement/credit should be applied in January and July 2016 (half in FY 15/16 and half in FY 16/17).

Expenditures
YTD expenditures are mainly comprised of the first installment of the SBA payment (paid in September and March), Semitropic payment and a fraction of the North Canyons lease payment. Since most of this fund expenditures are non-discretionary (such as debt service for Cawelo and DWR for the SBA Enlargement/Improvement project) and paid twice a year, close to 50% of the budget has been spent.

The first quarter fiscal year-end expenditure projection is based on the budget, except for labor to reflect the shifting of staff resources mentioned in the Labor Costs section earlier in this report. There is no other information/significant trends available to change the expenditure projections at this time.

Reserves
The FY 15-16 Beginning fund balance is $11.3M higher than the budget projection primarily due to higher than projected connection revenue collected in FY 14-15 of $9.5M (as explained earlier). The ending fund balance is designated for capital projects to fund the $400M of Fund 130 CIP projects the agency has committed to over the next ten years.

Flood Protection Operations (Fund 200)
Primary Funding Source: Property Taxes.

This fund provides for general administration and flood control services to ensure the controlled drainage of the Valley's excess stormwater runoff. Zone 7 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 Zone 7. This fund finances a comprehensive year-round maintenance program that includes repairing slides and erosion, refurbishing access roads and associated drainage ditches, installing and repairing gates and fences, and maintaining landscaped areas.

The table below shows beginning fund balance, revenues, expenditures and ending fund balance for the FY 15-16 Adopted Budget, FY 15-16 Year-to-Date (YTD) Actual, FY 15-16 Q1 Projected FYE, and Year-End Projected Over/(Under) Budget.

Fund 200 - Flood Control	FY 15-16 Adopted Budget	FY 15-16 YTD Actual	FY 15-16 Q1 Projected FYE	Year-End Over/(Under) Budget
Beginning Fund Balance (Unaudited)	**$12,323,809**	**$17,991,862**	**$17,991,862**	**$5,668,053**
Less commitments for:				
Estimated Carryovers	$0	$3,648,266	$3,648,266	$3,648,266
Sinking funds	$1,029,796	$936,946	$1,029,796	$0
Adjusted Beginning Fund Balance	**$11,294,013**	**$13,406,650**	**$13,313,800**	**$2,019,787**
Revenue	$6,709,984	$319,617	$7,214,810	$504,826
Property Taxes	$6,472,129	$306,818	$6,976,955	$504,826
Investment Earnings	$30,000	$0	$30,000	$0
Other Revenue	$207,855	$12,799	$207,855	$0
Expenses	$13,276,559	$821,790	$13,068,264	($208,295)
Labor & Overhead Distributed	$2,241,030	$352,149	$2,032,735	($208,295)
Professional Services	$3,209,594	$22,052	$3,209,594	$0
Utilities	$5,592	$89	$5,592	$0
Repairs and Maintenance	$2,824,293	$400,642	$2,824,293	$0
Rental Services	$157,418	$33,754	$157,418	$0
Other Services/ Supplies	$646,847	$9,772	$646,847	$0
Land and Facility Improvements	$4,191,785	$0	$4,191,785	$0
Estimated Current Year Surplus/(Shortfall)	($6,566,575)	($502,173)	($5,853,454)	$713,121
Ending Fund Balance	**$4,727,438**	**$12,904,477**	**$7,460,347**	**$2,732,909**
Designated for Capital Projects Reserve	$185,051	$8,362,090	$2,917,960	$2,732,909
Operating Reserves	$4,542,387	$4,542,387	$4,542,387	$0

Revenue

The primary source of revenue is property taxes. The bulk of property tax revenue will not be posted until taxes are received by the County Auditor in April and November of each year. YTD revenue is from miscellaneous fees and a small amount of property taxes. The end-of-year projection for revenue is based on the budget, except for property taxes. Assessed valuation in the service area has increased by $3.5 billion or 7.8% over FY 14-15, so the projection for property tax revenue has been increased by 7.8%.

Expenditures
YTD expenditures include labor, a fraction of the North Canyons lease payment and the Summer Flood Control Maintenance Program. The first quarter expenditure projection for fiscal year-end is based on the budget, except for labor. Labor reflects the shifting of staff resources mentioned in the Labor Costs section on page five of this report. There are no other information/significant trends available to change other expenditure projections at this time.

The table below breaks down the budgeted reserves, YTD actual reserves, projected year-end reserves and the difference between the budget and projection.

Reserves:	FY 15-16 Adopted Budget	FY 15-16 YTD Actual	FY 15-16 Q1 Projected FYE	Year-End Over/(Under) Budget
Operating Reserves	$4,542,387	$4,542,387	$4,542,387	$0
Designated for Capital Projects Reserve	$185,051	$8,362,090	$2,917,960	$2,732,909
Reserve Subtotal	**$4,727,438**	**$12,904,477**	**$7,460,347**	**$2,732,909**
Building Sinking Fund	$1,029,796	$936,946	$1,029,796	$0
Total Reserves	**$5,757,234**	**$13,841,423**	**$8,490,143**	**$2,732,909**

Reserves
The FY 15-16 adjusted beginning fund balance is $2M due to:

- $1M increase in property tax revenue for FY 2014-15
- $1M lower expenditures due to deferred CIP projects for FY 2014-15.

In FY 2015-16, we are projecting additional $0.7M increase in fund balance due to:

- Property tax revenue increasing $0.5M as a result of updated assessed valuation of 7.8% and,
- Decreased labor expenditures of $0.2M.

Designation for capital projects of $2.9M is to fund the $34M of Fund 200 CIP projects the agency has committed to over the next five years.

Flood Protection and Stormwater Drainage (DIF) – Fund 210:
Primary Funding Source: Development Impact Fees.

The purpose of this fund is to ensure that Zone 7 is able to meet future needs for flood control facilities. The program is primarily intended to provide funding for any flood control facilities required for new development. Funds are expended on the planning, design, lands and right of way acquisition, environmental review, permitting, and construction for drainage projects.

The table below shows beginning fund balance, revenues, expenditures and ending fund balance for the FY 15-16 Adopted Budget, FY 15-16 Year-to-Date (YTD) Actual, FY 15-16 Q1 Projected FYE, and Year-End Projected Over/(Under) Budget.

Fund 210 - Flood Protection & Stormwater Drainage	*FY 15-16 Adopted Budget*	*FY 15-16 YTD Actual*	*FY 15-16 Q1 Projected FYE*	*Year-End Over/(Under) Budget*
Beginning Fund Balance (Unaudited)	**$37,996,820**	**$49,136,604.45**	**$49,136,604**	**$11,139,784**
Less commitments for:				
Estimated Carryovers	$0	$3,091,299	$3,091,299	$3,091,299
Sinking funds	$1,009,261	$916,411	$1,009,261	$0
Adjusted Beginning Fund Balance	**$36,987,559**	**$45,128,895**	**$45,036,045**	**$8,048,486**
Revenue	$2,861,500	$92,998	$2,861,500	$0
Development Fees	$2,656,500	$92,381	$2,656,500	$0
Investment Earnings	$180,000	$0	$180,000	$0
Other Revenue	$25,000	$0	$25,000	$0
Expenses	$5,178,863	$96,029	$4,738,446	($440,417)
Labor & Overhead Distributed	$662,040	$52,158	$221,623	($440,417)
Professional Services	$1,266,065	$11,177	$1,266,065	$0
Utilities	$328	$0	$328	$0
Rental Services	$126,518	$32,694	$126,518	$0
Other Services/ Supplies	$250,287	$0	$250,287	$0
Land and Facility Improvements	$2,873,625	$0	$2,873,625	$0
Estimated Current Year Surplus/(Shortfall)	($2,317,363)	($3,032)	($1,876,946)	$440,417
Ending Fund Balance (designated for capital projects)	**$34,670,196**	**$45,125,863**	**$43,159,099**	**$8,488,902**

Revenue
YTD revenue is from development impact fees mainly from the Commons at Gateway, Ponderosa and DeNova Homes developments in Pleasanton, and a property in unincorporated Alameda County (Sunol). The end-of-year projection for revenue is based on the budget. There are no other information/significant trends available to change other projections at this time.

Expenditures
YTD expenditures are flood control planning and a fraction of the North Canyons lease payment. The end-of-year expenditure projections are based on the budget. All expenditure projections are based on the budget except labor. Labor reflects the shifting of staff resources mentioned in the Labor Costs section on page five. There are no other information/significant trends available to change other projections at this time.

Reserves
The FY 15-16 beginning fund balance is $11.1M higher than budget due to higher than anticipated development impact fee revenue and lower actual expenditures in FY 14-15 (as explained earlier). The ending fund balance of $43.1M is designated for capital projects to fund the $22M of Fund 210 CIP projects the agency has committed to over the next five years and future developer-driven Stream Management Master Plan projects.

Summary of All Funds (Funds 100, 110, 120, 130, 200, & 210)

The table below summarizes revenue, expenditures and projected reserve balances at 6/30/2016 for all funds.

Total All Funds	*FY 15-16 Adopted Budget*	*FY 15-16 YTD Actual*	*FY 15-16 Q1 Projected FYE*	*Year-End Over/(Under) Budget*
Beginning Fund Balance (Unaudited)	**$123,907,644**	**$157,129,179**	**$157,129,179**	**$33,221,535**
Revenue	$97,453,706	$11,261,678	$97,043,913	($409,793)
Expenses	$124,170,523	$30,835,964	$108,108,218	($16,062,305)
Estimated Current Year Surplus/(Shortfall)	($26,716,817)	($19,574,286)	($11,064,305)	$15,652,512
Net Available Fund Balance	**$97,190,827**	**$137,554,893**	**$146,064,874**	**$48,874,047**
Designated Fund Balance (Capital Projects Reserve)	$58,807,252	$95,350,508	$97,789,163	$38,981,911
Designated Fund Balance (Sinking Funds)	$20,105,167	$17,316,671	$20,105,167	$0
Net Available Ending Fund Balance	**$18,278,408**	**$24,887,714**	**$28,170,544**	**$9,892,136**

RECOMMENDED ACTION:
Information only.