ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
100 NORTH CANYONS PARKWAY • LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

NOTICE OF REGULAR MEETING OF BOARD OF DIRECTORS

DATE: Wednesday, December 17, 2014

TIME: 7:00 p.m.

LOCATION: Zone 7 Administration Building
100 North Canyons Parkway, Livermore, California

Any member of the public desiring to address the Board on an item under discussion may do so upon receiving recognition from the President. After receiving recognition, please step to the podium and state your name and address.

In compliance with the Americans with Disabilities Act, the meeting room is wheelchair accessible and disabled parking is available at the Zone 7 Administrative Building lot. If you are a person with a disability and you need disability-related modifications or accommodations to participate in this meeting, please contact the Zone 7 Board Secretary, Judy Rector, at (925) 454-5053 or fax (925) 454-5724. Notification 48 hours prior to the meeting will enable Zone 7 to make reasonable arrangements to ensure accessibility to this meeting. {28 CFR 35.102-35, 104 ADA Title II}

A G E N D A

1. Call Meeting to Order
2. Pledge of Allegiance
3. Citizens Forum

   This is an opportunity for members of the public to speak on an item not listed on the agenda. The Board cannot deliberate or take action on a non-agenda item unless it is an emergency as defined under Government Code Section 54954.2.

4. Minutes of the Regular Meeting of November 19, 2014
5. Consent Calendar

   a. Request for Out-of-State Travel to Attend Upcoming Association of California Water Agencies' DC Conference
   b. Annual Report on Collection and Use of Development Fees
   c. Authorization for commercial Septic System Use, Birch Creek Ranch, LLC, 8433 Patterson Pass Road, Livermore
   d. Trail License Agreement Amendment and Storm Drain Maintenance Agreement with City of Pleasanton, Lake I

6. Staffing Update:

   a. October Employee of the Month Recognition

7. Independent Auditor's Report and Annual Financial Statements for Fiscal Year Ending June 30, 2014

   Recommended Action: Adopt resolution.

8. Committees - Finance Committee Meeting – December 8, 2014 - notes
   Retailers/Wholesaler Liaison Committee Meeting - November 17, 2014 - notes pending

9. Reports - Directors

   a. Verbal comments by President
   b. Written report by Director Quigley
   c. Verbal reports

10. Items for Future Agenda - Directors

11. Staff Reports (Information items. No action will be taken.)

   a. Monthly Budget Report
   b. November Legislative Update
   c. November Outreach Activities
   d. Drought Update
   e. Verbal Reports

12. CLOSED SESSION

   (a) Conference with Legal Counsel - Significant exposure to litigation pursuant to Gov't Code Section 54956.9(d) (2): 3 cases

   (b) Conference with Legal Counsel - Potential litigation pursuant to Gov't Code section 54956.9(d) (3): 1 case

   (c) Conference with Legal Counsel - Existing litigation pursuant to Gov't Code Section 54956.9(d) (1):

   Alameda County Flood Control and Water Conservation District, Zone 7 v. Pleasanton Gravel Co., Alameda County case no. HG14724177

   (d) Conference with Labor Negotiators:
   Agency Negotiator: G.F. Duerig
   Employee Organizations: Alameda County Management Employees Association; Alameda County Building and Construction Trades Council, Local 342, AFL-CIO; International Federation of Professional and Technical Engineers, Local 21, AFL-CIO; Local 1021 of the Service Employees International Union, CTW; Unrepresented Management.

13. Open Session and Report Out of Closed Session

14. Verbal Reports

15. Adjournment

16. Upcoming Board Schedule: (All meeting locations are in the Boardroom at 100 North Canyons Parkway, Livermore, California, unless otherwise noted)

   a) Special Board Meeting (if needed): January 7, 2015
   b) Finance Committee Meeting: January 8, 2015, 4:00 p.m.
   c) Water Resources Committee Meeting: January 13, 2015, 4:00 p.m.
   d) Regular Board Meeting: January 21, 2015, 7:00 p.m.

Materials related to an item on this agenda that have been provided to the Board less than 72 hours prior to the meeting are available for public inspection at the Zone 7 office at the time of, and prior to, the meeting and at www.zone7water.com.
All other material otherwise provided to the Board will be available at the public meeting.

MINUTES OF THE BOARD OF DIRECTORS
ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

REGULAR MEETING

November 19, 2014

The following were present:

DIRECTORS:	SANDY FIGUERS JOHN GRECI JIM MCGRAIL SARAH PALMER DICK QUIGLEY ANGELA RAMIREZ HOLMES BILL STEVENS
DIRECTORS ABSENT:	NONE
ZONE 7 STAFF:	JILL DUERIG, GENERAL MANAGER KURT ARENDS, ASSISTANT GENERAL MANAGER, ENGINEERING CAROL MAHONEY, MANAGER, INTEGRATED PLANNING JUDY RECTOR, BOARD SECRETARY
COUNSEL:	DAVID ALADJEM, DOWNEY BRAND

Item 1 - Call Meeting to Order

President Greci called the meeting to order at 7:00 p.m.

Item 2 - Pledge of Allegiance

Item 3 - Citizens Forum - none

Item 4 - Minutes of the Regular Meeting of October 17, 2014

Director Ramirez Holmes submitted proposed changes to the minutes prior to the meeting and they were distributed to the Board and public. Director Stevens moved to approve the amended minutes of October 17, 2014, and Director Palmer seconded the motion. The minutes were approved by a voice vote of 7-0.

President Greci explained the process to the directors for proposed changes to the minutes. They can be submitted to the Board Secretary prior to the board meeting as their concerns only but will not be a part of the final public record until there is a vote of approval by at least four of the seven directors.

<u>Item 5 - Consent Calendar</u>

Director Ramirez Holmes asked that Item 5(b) be pulled for discussion.

Director Palmer asked that Item 5(a) be pulled for a question.

<u>Item 5(a) DVWTP Carbon Dioxide Injection System</u>

President Greci asked for the discussion on Item 5(a) first. Director Palmer asked if our carbon footprint increases by any significant amount if we are using carbon dioxide in the injection system. Ms. Duerig said most of the time the carbon footprint calculation doesn't get into CO_2 at all so the answer is "no."

Director Quigley asked if mobile facilities were looked at as a cost option. Mr. Arends replied that it is a temporary facility and they are skid-mounted. If the project is successful, staff will look at a permanent installation.

Director Palmer moved for approval of Item 5(a) and Director Ramirez Holmes seconded the motion. Item 5(a) was approved by a roll call vote of 7-0.

<u>Item 5(b) Personnel Action: Manager of Integrated Water Resources</u>

Director Ramirez Holmes asked who is performing the duties of the Manager of Integrated Water Resources now and where does it go on the organizational chart. She is concerned that positions are being added and where they fit in Zone 7's organizational budget, especially with some directors expressing interest in hiring a Director of Finance. She wanted more information about who is doing the work now, why it is needed, and since it is a big-ticket item, do we have money budgeted for it? She said that she wants the General Manager and staff to have what they need to make the agency work well but with the addition of staff one at a time, it is hard to see how it fits overall into the plan. She suggested that the Administrative Committee could help with long-term planning.

Ms. Duerig explained the long process to get a new classification approved by the County once a position is created and this item allows Zone 7 to start that process. No one is doing the job now and the tasks are split. Ms. Duerig is interested in doing some reorganization and the position is similar to a position recently created by Alameda County Water District. She anticipates that two or three sections would be managed under this new position. The salary is set at the same level as the Engineering Manager and would be at a similar level in the organization. The drought highlighted that water supply planning is critical to Zone 7 and how we manage and integrate it with other programs. Ms. Duerig added that this position would not be filled before Budget Year 15/16. There is enough budget now to cover this position because there are always vacancies, but it has not been specifically budgeted nor could it be filled in FY 14/15. Ms. Duerig said she is working with core managers Tom Hughes, Kurt Arends, Carol Mahoney, Jarnail Chahal, Colter Andersen and Gerald DeWitt. Director Palmer asked if this position would change the organizational structure and Ms. Duerig replied that it would change a little.

Director Ramirez Holmes said the comments about reorganization are important and piece mealing a position a month as has happened the past two months is not the way to give the Board information on how Ms. Duerig plans to reorganize the upper level management at Zone 7. She would be interested in the position coming to the Administrative Committee or a board meeting where directors talk more about the reorganization because she feels there are unfinished goals that fit into that discussion.

Ms. Duerig clarified that in the past any organizational decisions have been considered management decisions and have not come before the board for discussion unless they are new positions. This new position is being brought to the board as has been done in the past. But organizational charts and who reports to who are management decisions. Director Ramirez Holmes said she is only interested in the budget and long-term commitment to positions that are created such as lost month's Buyer I position. It is hard to figure out who determines the need. She would like to see a broader picture of how the positions fit in, and the fiscal impact on the agency especially with higher salary manager positions.

Director Quigley agrees with Director Ramirez Holmes and he has been very vocal about the need for a Chief Financial Officer (CFO). Knowing how long it takes to get County approval, he thinks the new position should be approved.

President Greci asked if any current employees could apply for the new position. Ms. Duerig said she anticipates it would be for internal promotion only. President Greci said it is important to have in-house growth and give qualified people in the organization that opportunity. He also recognized that you can't put an organizational chart together until that position is filled and the reorganization is complete.

Director Figuers asked Ms. Duerig how many new hires/new positions have there been in the Lost four years not including people who replaced people who left? Ms. Duerig replied that several positions in Maintenance were added because of doing work internally but she is not sure of the exact number. Last month an administrative position was brought in because of County requests for additional administrative work with processing purchase orders.

Director Palmer said the position of Manager of Integrated Water Resources has been needed for a long time. Director McGrail said that if the position takes a year to 18 months to get it through the recruitment stages, he feels it is important to get things started now.

Director Palmer moved for approval of the motion and Director Quigley seconded. The motion passed with a roll call vote of 6-1 with Director Ramirez Holmes voting no.

Resolution No. 15-27	The Board approved the new classification and salary schedule for Manager of Integrated Water Resources. (Item 5b)

Item 6 - Staffing Update

Ms. Duerig announced that the September Employee of the Month was John Koltz, Senior Engineer, Mr. Koltz was present and the Board applauded him.

Item 7 - Amendment 5 to Agreement for Yuba Accord Dry Year Water Purchases

Ms. Duerig noted that a letter from the Dublin San Ramon Services District had been received supporting both Items 7 and 8.

Carol Mahoney, Manager of Integrated Planning, outlined the background of the Yuba Accord and dry year transfers. There have been several amendments that have been made since Zone 7 joined the Accord in 2008 which clarified the process for cost accounting and what different components of water from Yuba were going to cost. The new amendment addresses rates more in alignment with the current need by looking at the market and the rates Yuba can get for available water on the open market. This has been a successful program for Zone 7 because we have received water for most years since 2008 except for 2011 when we did not need or take any water. Yuba water not purchased by the member agencies will then be made available to other members of the State Water Contractors who need water and, provided that they have a buyer for that water, we are not obligated to pay our share, which is about 1.4%. Historically Zone 7 has taken the full amount if we did not need it and the program has been oversubscribed so staff does not see that changing. If someone else in the program does not need all of the water, then Zone 7 has the opportunity to take more than our normal allocation in a dry year. It is a good program overall for Zone 7 to be involved in. Costs are going up but we are in a situation where water is getting more expensive. There is a revised price structure for this water because of the changed market. Larger water agencies would fund Yuba's deposit. Yuba is willing to fix prices for five years. If we decide to take water in dry years there would be an assured cost and no new amendment for new fees if things got worse. If Agencies decide not to be a part of this now, the opportunity to rejoin would be in 2020 when the current agreement with the Department of Water Resources (DWR) will sunset. The costs are transparent so whatever DWR negotiates with Yuba, those are the costs that are passed through to us. On average Zone 7 has taken as high as 1300 acre-feet in a year and as little as 315-acre feet. Zone 7 would pay about $5,300 annually for the deposit, our pro rata share for the interest cost to be paid back to those larger water agencies that are covering the deposit.

Staff's recommendation is for the Board to adopt the resolution authorizing the General Manager to negotiate and execute Amendment 5. President Greci noted the importance of Zone 7 having extra water for the success of this agency to be able to meet our mission to provide water to our customers. There are not too many opportunities to get extra water anywhere and we have to contend with the drought issues so we should proceed. Director McGrail agreed and noted that we are lucky to have this opportunity. Director Quigley also agreed and said he is supportive of having an opportunity to purchase water at reasonable prices.

Director Figuers moved for approval of the motion and Director Quigley seconded. The motion passed with a roll call vote of 7-0.

Resolution No. 15-28	Authorized the adoption of Amend 5 to the Agreement for Yuba Accord Dry Year Water Purchases. (Item No. 7)

Item 8 - Water Exchange with Contra Costa Water District

Ms. Duerig again noted that a letter from the Dublin San Ramon Services District had been received supporting Item 8.

Carol Mahoney provided background on this item. Last year Alameda County Water District (ACWD) worked with Contra Costa Water District to do a one-year transfer. Los Vaqueros Reservoir could be used to facilitate exchanges and Zone 7 was asked if we are interested in looking at this option. This is a new way of moving water through the system and involves an exchange between the Central Valley Project and the State Water Project. The risk to Zone 7 is the cost of the permit fee we are putting forward to get the application in front of the State Board, which would be between $40,000 and $50,000 for a new, one-year transfer of water. The benefits to Zone 7 are that we would be able to move water into storage that is currently being stored in Kern County. There is no pumpback system that brings that water back up to Zone 7 if Delta pumps are shut down. Having a system that allows Zone 7 to have upstream storage is very important because even if we took our carryover water and stored it in San Luis Reservoir in Santa Clara Valley, there is still not a pumpback system to bring it physically back up – it is all a paper exchange. There has to be a need in Southern California and for them to be able to use water for us to make that exchange. It is important to experiment with a way to store water upstream of our valley. By doing so, that may give us the ability in a future extremely dry year, we would be able to use that water being stored south of us and have it stored upstream. This one-year transfer will involve the Bureau of Reclamation, the Department of Water Resources, State Board, and potentially a joint point of diversion. All of these options are available and we have received positive feedback from the State and from the Bureau of Reclamation. The staff report notes a maximum additional cost of $483,000 for the 2,500-acre feet (AF) but we do not have to take 2,500 AF and can take less when we do the exchange. That cost actually represents not only the fixed costs of holding the water in storage, but a variable cost so it is like renting space in a reservoir if we stored it for a full year. If we don't store it for a year, the cost is less. A big advantage is that we would have access to it in the summer months when we have a greater demand. We are pumping back now and do not have a great need for the water when it is winter but if we use less water, we can "store" (on paper) that water upstream of us and in the summer months we can call that water back.

Staff is recommending that we try this and have a one-time exchange as a proof of concept to have all of the agencies see that this is a way that water can be exchanged among the South Bay Contractors and the Central Valley Contractors. Ms. Duerig noted that ACWD took this concept to their board for the same amount of water and it was approved last week.

Director Figuers had a general question about who is responsible in the agreement for evaporation cost. If we put 2,500 AF in storage for a couple of years, you lose roughly 6 AF per year in evaporation. Are we made whole or do we lose water due to evaporation? Ms. Mahoney said that this was not discussed but in theory we would lose it all if we left it in there for any length of time but this is only a one-year exchange. Director Figuers noted that we have water long term in San Luis Reservoir and how does that work? Ms. Mahoney said that it is associated with carriage loses of about 30% when transferring water so it is the same concept.

Director Quigley said the one-year test is a good project for water sustainability. He thinks working with Contra Costa Water on the exchange helps Zone 7 with the intertie goal.

Director Ramirez Holmes said we are not adding water, just trading water, and Ms. Mahoney agreed. She asked if we are unable to store this water ourselves since we are pulling the water back during the winter months and do not have a need to use the water in the valley. If we tried to store it, we would have to release it to the arroyos, which make it subject to evaporative losses even in the winter, and it goes to Zone 7's shallow aquifer system so it will take a while before it actually transfers down to a level where our wells would be pulling it out. It is a more long-term process to do groundwater recharge than it would be to do an exchange where we can use that exact amount of water in the summer when it is needed.

Director Stevens asked how the water would be transferred to Zone 7 without an intertie with Contra Costa Water District. Ms. Mahoney said they have two intakes, Middle and Old River, so they are going to pull water out of the Delta system, use it, and have water stored in Los Vaqueros, which will act as the exchange for the CVP. We will then take water out of the Delta through DWR's pumping plant and Contra Costa will use the water in Los Vaqueros for their supply, so it is the concept of them taking it and using it within their system in lieu of leaving water in Los Vaqueros Reservoir. He then asked if we will still need the California Aqueduct. Ms. Duerig said yes, that is why the State Board needs to be involved because the State pumps will pump the CVP allocation to make this trade happen and the CVP allocations are different than the State Project. He then said that if the intertie benefited the whole region, there are costs to be shared among other water agencies. He asked for a detailed presentation after one year on how this worked. Ms. Duerig said when they pump to supply their system, they could be drawing down out of Los Vaqueros but instead they will leave the water in Los Vaqueros and take Zone 7's share of SemiTropic pump back and pump through their pumps. When they use it, they put it in their treatment plants for distribution. Ms. Mahoney added that the reason why this works is because the water is already in the reservoir. Director Stevens noted that this is another example of working cooperatively with a federal water contractor.

Director McGrail asked why Zone 7 did not own a piece of Los Vaqueros because a lot of it is in Alameda County. He commended the idea of a water transfer and is all for it.

<u>Public Comment:</u>

Dan McIntyre, Public Works Director, City of Livermore, said this project is a great hedge against uncertainty next year and also a fantastic pilot project if it works well. There might be a chance to expand the concept in the future. He is supportive of it.

Alfred Exner, Pleasanton, said it is a lot of money so he wanted a feel for the timing and asked if the money is in the budget? Ms. Mahoney said the money is already in the budget.

Director Figuers said staff may want to provide the information that it is under $200 per AF compared to what our normal costs are and that may not be known. Ms. Duerig said that if the drought continues and we have a need, this adds about $200 per AF to what we ordinarily pay. Our Yuba costs are similar and any time there is a drought, we pay more for these exchanges because the water is more expensive. We anticipated spending more on water during FY 14-15 because we depleted our groundwater basin and we knew we would have to bring in stored supplies so we budgeted more for water purchases this year. Director Palmer added the amount is about $193 per AF and that is reasonable.

Director Stevens moved for approval of the motion and Director Palmer seconded. The motion passed with a roll call vote of 7-0.

Resolution No. 15-29 Authorized a one-year demonstration project for Water Exchange with Contra Costa Water District. (Item No. 9)

Director Figuers leaves at 7:55 p.m.

Item 9 - Committees - Water Resources Committee Meeting - November 5, 2014 - notes
Retailers/Wholesaler Liaison Committee Meeting - November 17, 2014 - notes pending

Item 10 - Reports - Directors

a. Verbal comments by President - none
b. Written report by Director Quigley
c. Verbal Reports

Director Palmer said that she and staff member Brad Ledesma, along with Dan Smith, City of Pleasanton, made presentations to the American Association of University Women and League of Women Voters about local water policies and issues as well as the background of Zone 7. She thanked Brad Ledesma for helping put the presentation together.

Director Ramirez Holmes said she attended the renaming dedication of the Dublin Post Office to the Jim Kohnen Dublin Post Office for former Zone 7 Director Jim Kohnen. Congressman Swalwell put it together and it was a nice tribute to Mr. Kohnen.

Director Stevens attended the second Water Policy Roundtable of the Tri-Valley Liaison Committee. This was a good example of the Tri-Valley agencies coming together to solve our water problems. Director Palmer added that the small round table groups were able to talk and share priorities. The participants from the Lost meeting were moved around so they met with different people at this meeting and will at the next meeting, too. Director Quigley also attended and agreed that it was a great opportunity to get to know other people in the valley.

President Greci shared a segment from the TV show “60 minutes” about two satellites that track around the globe and monitor groundwater basins throughout the world and used color imaging changes as the basins were depleted. The picture painted was of world pandemic concerns regarding groundwater basins. They took thousands of years to be established and in the past 150 years they have and will continue to shrink because more groundwater is taken out than recharged. Director McGrail saw the same TV show and had the same reaction. At the end of the show, the reporter drank a glass of recycled water and Director McGrail said whether we like it or not, we may have to look at recycled drinking water, and commended DSRSD for their water recycling.

Item 11 - Items for Future Agendas - Directors

Item 12 - Staff Reports (Information items. (No action will be taken.)

a. General Manager's Report
b. Monthly Budget Report
c. October Legislative Update
d. October Outreach Activities
e. Drought Update
f. Verbal Reports

Ms. Duerig said that Lake Oroville is now below where it was in 1977-78 and we are still in a decline.

Director Ramirez Holmes requested to see the Outreach Activities calendar in advance so the directors have knowledge of events before they happen and directors can choose to stop by.

The Board went into closed session at 8:00 p.m.

Item 13 - Closed Session

(a) Conference with Legal Counsel - Significant exposure to litigation pursuant to Gov't Code Section 54956.9(d) (2): 3 cases

(b) Conference with Legal Counsel - Potential litigation pursuant to Gov't Code section 54956.9(d) (3): 1 case

(c) Conference with Legal Counsel - Existing litigation pursuant to Gov't Code Section 54956.9(d) (1):

Alameda County Flood Control and Water Conservation District, Zone 7 v. Pleasanton Gravel Co., Alameda County Case No. HG14724177

(d) Conference with Labor Negotiators:
Agency Negotiator: G.F. Duerig
Employee Organizations: Alameda County Management Employees Association; Alameda County Building and Construction Trades Council, Local 342, AFL-CIO; International Federation of Professional and Technical Engineers, Local 21, AFL-CIO; Local 1021 of the Service Employees International Union, CTW; Unrepresented Management.

Item 14 - Open Session and Report Out of Closed Session

The Board came out of Closed Session at 8:40 p.m. and President Greci reported there were no reportable actions taken in closed session.

Item 15 - Adjournment

The meeting was adjourned at 8:41 p.m.

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

100 NORTH CANYONS PARKWAY • LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

ORIGINATING SECTION: ADMINISTRATION
CONTACT: JILL DUERIG

AGENDA DATE: December 17, 2014 ITEM NO. **5a**

SUBJECT: Request for Out-Of-State Travel to Attend Upcoming Association of California Water Agencies' DC Conference

SUMMARY:

Director Dick Quigley has expressed an interest in attending the Association of California Water Agencies' (ACWA) Annual DC Conference to be held February 25 through 26, 2015, in Washington, DC. Although an agenda has not yet been posted, this conference traditionally provides an opportunity to learn about the current plans and priorities of the Administration and Congress. ACWA's Washington, DC Conference provides a unique opportunity to meet with members of Congress and the President's Administration. Meeting highlights usually include learning about key Congressional Committee agendas, understanding the direction of federal agencies, and developing insights about where Congress is headed this year. Although staff often participate in this annual conference, they have expressed an interest in saving travel expenses this year by foregoing attendance.

Director Quigley has already obtained board approval to attend all in-state ACWA conferences while participating on the ACWA Region 5 Board and the Energy Committee without seeking approval from the Board for reimbursement of travel and registration expenses. However, this is an out-of-state conference so additional Board authorization must be obtained. By authorizing early, some savings on travel and lodging may be realized.

FINANCIAL:

Registration for ACWA's Annual DC Conference is $595.00. There are also miscellaneous expenses associated with attendance, i.e., airfare, parking, accommodations and meals, with a total cost estimated at $4,000. Funds are available from Fund 100-Water Enterprise.

RECOMMENDED ACTION:

Adopt attached resolution.

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
BOARD OF DIRECTORS

RESOLUTION NO

INTRODUCED BY
SECONDED BY

AUTHORIZATION FOR OUT-OF-STATE TRAVEL

WHEREAS Director Dick Quigley has expressed an interest in attending the Association of California Water Agencies' (ACWA) Annual DC Conference to be held February 25 through 26, 2015, in Washington, DC;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Zone 7 of the Alameda County Flood Control & Water Conservation District does hereby authorize Director Quigley's attendance at ACWA's Annual DC Conference; and

BE IT FURTHER RESOLVED that Director Quigley be reimbursed for actual and necessary expenses associated with attendance at this event.

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSENT:

ABSTAIN:

I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District on December 17, 2014.

By: ____________________________________
President, Board of Directors

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

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ORIGINATING DIVISION: Administrative Services
CONTACT PERSON: Margaret Chun

AGENDA DATE: December 17, 2014 ITEM NO. **5b**

SUBJECT: Annual Report on Collection and Use of Development Fees

SUMMARY:

- This item reports the status of development impact fees held as of June 30, 2014 as required by AB 1600 and SB 1693, codified in California Government Code sections 66000, *et seq*. The fees accounted for in this report are Water Connection Fees, and Flood Protection and Storm Water Drainage Development Impact Fees.

- The Water Connection Fee and Flood Protection and Storm Water Drainage Fee are imposed to provide funding for projects that serve new development. Zone 7 maintains separate funds to account for each of these fees, allocates interest to each fund and accounts for expenditures for each separate project funded from these fees.

- The individual projects funded by the fees are reviewed and approved by the Board of Directors as part of the annual Capital Improvement Program. A detailed description of each project is available in the program document.

- The attached tables summarize the activities of the Water Connections Fees (accounted for under the Capital Expansion Fund 130) and Flood Protection and Storm Water Drainage Development Impact Fees (accounted for under Flood Protection/Drainage DIF Fund 210).

FUNDING:

There is no funding impact.

RECOMMENDED ACTION:

Adopt the attached resolution accepting the annual report on Collection and Use of Development Fees for the fiscal year ending June 30, 2014.

ATTACHMENTS:

Resolution
Annual Development Fees Report for the fiscal year ending June 30, 2014.

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
BOARD OF DIRECTORS

RESOLUTION NO.

INTRODUCED BY
SECONDED BY

Annual Report on Collection and Use of Development Fees

WHEREAS, California Government Code sections 66000-66006 implement Assembly Bill 1600 and Senate Bill 1693, which impose requirements for the collection and expenditure of development impact fees; and

WHEREAS, pursuant to Government Code section 66006, Zone 7 must issue an annual report relating to the development fees it imposes.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of Zone 7 of the Alameda County Flood Control & Water Conservation District hereby accepts the attached annual report of development fee revenues and expenditures for the fiscal year ending June 30, 2014.

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSENT:

ABSTAIN:

I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District on December 17, 2014.

By: ____________________________________
President, Board of Directors

Zone 7 Water Agency Annual Development Fee Report
For Fiscal Year Ending June 30, 2014
Capital Expansion Fund (NWS Fund 130)

The water connection fee ordinance was adopted in 1972. The fees are used to fund water acquisitions and expansion to the Zone's water supply, treatment, and delivery systems. The connection charge, per equivalent dwelling unit (5/8-inch meter), effective 01/01/2013 through 12/31/2013 was $23,500 and effective 01/01/2014 through 6/30/2014 was $24,030. A separate charge for Dougherty Valley was $21,750 per connection for the period of 01/01/2013 through 12/31/2013 and $22,240 for 01/01/2014 thru 06/30/2014.

Beginning Fund Balance			**$**	**31,644,568**
Revenue and Transfers In:				
Acct. No.	Description			FYTD Actuals
4311	Connection Fees - Treated			18,543,526
4312	Connection Fees - DVSA			3,027,452
4523	State Grant			1,759
4611	Interest from Investments			100,510
4621	Interest from Other Sources			31,199
4814	DWR Refunds			2,523,695
4890	Other Revenue			507
Total Revenue and Transfers In			$	24,228,649
Expenditures:				
Project No.	Description	Start-End (FY)		FYTD Actuals
COM0001	Water Conservation - General (30%)	On-going		5,976
COM0002	Efficient Washer Rebate Program (30%)	2000 - 2022		28,904
COM0003	Efficient Toilet Rebate Program (30%)	1997 - 2018		7,765
COM0004	CIP Management (75%)	On-going		84,437
COM0005	Water Quality Management Implementation Plan (30%)	On-going		1,706
COM0006	Camp Parks & Test Well Destructions (30%)	2011 - 2014 (clsd)		7,386
COM0007	Groundwater/Salt/Nutrient Management Plan Update (30%)	2012 - 2015		51,227
COM0008	Recycled Water Feasibility Study (30%)	2012 - 2015		210
COM0009	Bay Delta (30%)	2006 - 2019		99,464
COM0010	CUWA Membership & Technical Studies (30%)	2004-2014 (clsd)		20,200
COM0011	Chain of Lakes Planning (35%)	On-going		39,793
COM0019	Cope Lake Slope Repair (35%)	2012 - 2015		38,289
COM0021	DWR Land Acquisition Adjacent to PPWTP (30%)	2013 - 2014 (clsd)		89,366
COM0022	Vulcan Pipeline (70%)	2013 - 2014 (clsd)		52,294
COM0023	Chain of Lakes Water Elevation Monitoring Equipment Install (70%)	2013 - 2014 (clsd)		23,139
COM0025	LGA Grant 2012 - Groundwater Model Upgrade (30%)	2013 - 2015		10,307
COM0026	Busch Valley Well #1 (50%)	2014 - Deferred		635,754
COM0027	Chain of Lakes Well #5 (50%)	2014 - 2015		880,072
COM0028	Cope Lake - Lake I Pipeline Project (70%)	2014 - 2015		988,188
EXP0002	South Bay Aqueduct Enlargement	2003 - 2035		14,011,800
EXP0003	Arroyo Mocho Low Flow Crossing	2004 - 2020		6,393
EXP0004	Bay Area Desalination Feasibility	2010 - 2018		16,722
EXP0005	PPWTP Expansion Feasibility Study	2011 - 2015		3,101
EXP0006	Arroyo Mocho/Lake H Diversion	2002 - 2015		25,744
EXP0008	AWTP Site Acquisition/Raw H20	2003 - Deferred		2,632
EXP0009	Altamont Water Treatment Plant	2007 - Deferred		420
EXP0001	Miscellaneous Expansion Program Costs:			
	North Canyons Admin/Engineering Bldg Lease	2005 - 2020		418,577
	Interest Expense (ISA)	2010 - 2014 (clsd)		63,833
	DWR - SWP Fixed/Variable Costs	On-going		3,128,556
	Watershed Protection Property Purchase	2013 - 2014		422,126
	Water Storage Costs			1,347,077
	Water Utility Planning			15,503
Total Expenditures			$	22,526,965
Excess Revenue Over (Under) Expenditures			$	1,701,684
Encumbrances, Commitments, and Reserves FYTD			$	9,457,742
Fund Balance - Reserved for Projects @ 06/30/2014			**$**	**23,888,510**

Zone 7 Water Agency Annual Development Fee Report

For Fiscal Year Ending June 30, 2014

Flood Protection and Storm Water Drainage Development Impact Fees Fund (NWS Fund 210)

The Flood Protection and Storm Water Drainage Development Impact Fee Ordinance was adopted in 2009 (Zone 7 Ordinance No. 2009-01). Revenues collected are authorized for the use of acquisition, construction, engineering, and improvement of the flood protection and/ or storm water drainage elements of the SMMP of Zone 7, or to reduce the principal or interest of any bonded indebtedness thereof. Effective 5/18/09, all funds in the SDA Operations Fund (71) and SDA 7-1 Trust Fund (90) were transferred to the Flood Protection and Storm Water Drainage Development Impact Fee Fund (NWS Fund 210) and all outstanding SDA 7-1 Reimbursement Agreements were assigned to and assumed as obligations payable from the Flood Protection and Storm Water Drainage Development Impact Fee Fund. The fee schedule effective from 01/01/2011 was set at $1.00 per square foot of impervious surface created and remains unchanged as of 06/30/2014.

Beginning Fund Balance			**$**	**40,648,531**
Revenue and Transfers In:				
Acct. No.	Description			FYTD Actuals
4314	Flood Protection/Drainage DIF			4,766,235
4611	Interest from Investments			92,370
4890	Other Revenue			28,560
Total Revenue and Transfers In			$	4,887,165
Expenditures:				
Project No.	Description	Start-End (FY)		FYTD Actuals
COM0004	CIP Management (5%)	On-going		5,629
COM0011	Chain of Lakes Planning (28%)	On-going		31,834
COM0012	Stream Management Master Plan (41%)	2001 - 2015		92,199
COM0013	Flow Studies - Steelhead Restoration (50%)	2007 - 2019		11,956
COM0014	Flood Control Hydrology Study (41%)	2011 - 2016		216,039
COM0015	Sediment Study - SFE 2010 (41%)	2011 - 2015		8,239
COM0016	El Charro Specific Plan Joint Agreement (57%)	2011 -		286,336
COM0018	Arroyo Mocho - Stanley Reach R. 3-5 (17%)	2012 - 2015		187,931
COM0019	Cope Lake Slope Repair (28%)	2012 - 2015		30,631
COM0020	Arroyo Las Positas Reach 1-7 Improvements (17%)	2013 - 2015		30,447
COM0024	Living Arroyos Program (17%)	2013 - 2019		31,746
DIF0001	Miscellaneous DIF Program Costs:			
	North Canyons Admin/Engineering Bldg Lease	2005 - 2020		119,593
	Watershed Protection Property Purchase	2013 - 14		2,973,575
	Flood Protection/DIF General Administration	On-going		731
	Chain of Lakes General	On-going		2,380
Total Expenditures			$	4,029,267
Excess Revenue Over (Under) Expenditures			$	857,898
Encumbrances, Commitments, and Reserves FYTD			$	1,530,305
Fund Balance - Reserved for Projects @ 06/30/2014			**$**	**39,976,124**

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
100 NORTH CANYONS PARKWAY • LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

ORIGINATING SECTION: Groundwater Section
CONTACT: Matt Katen

AGENDA DATE: December 17, 2014 ITEM NO. **5c**

SUBJECT: Authorization for Commercial Septic System Use, Birch Creek Ranch, LLC, 8433 Patterson Pass Road, Livermore

SUMMARY:

- Mr. Phillip Marshall has requested Zone 7 authorization for use of a septic tank system for a commercial equine facility on a 59-acre parcel located at 8433 Patterson Pass Road, near Livermore (APN 099A-2120-001-03).
- It is not feasible for the facility to connect to the municipal sewer because of restrictions imposed by City of Livermore's Urban Growth Boundary policy; however, the site is not in a known area of high groundwater nitrate concentrations.
- The existing conventional septic system installed for the residence in 2007 has sufficient capacity to serve the proposed equine facility as well as the current rural residence.
- Zone 7 Resolution 1165 prohibits the use of septic tanks for new commercial developments unless an exception is granted by the Board of Directors.
- Another Zone 7 policy restricts onsite wastewater loading from any new development to a maximum density of one rural residential equivalence (1 RRE) per 5 acres.
- The estimated total wastewater loading anticipated for the Birch Creek Ranch parcel is approximately 2.7 RRE for the entire 59-acre parcel, or about 0.2 RRE per 5 acres.
- Following the Board-approved septic system decision tree process (Exhibit B of the attached memorandum), staff recommends approval of this commercial septic system use and for the finding that the use is in compliance with Resolution 1165.

FUNDING:

There is no funding impact associated with this item.

RECOMMENDED ACTION:

Adopt attached resolution approving the commercial use of a septic system for the Birch Creek Ranch, LLC, 8433 Patterson Pass Road, Livermore, in accordance with Resolution 1165.

ATTACHMENTS:

Memo Providing Additional Background and Discussion on Agenda Item
Zone 7 Board Resolution

Interoffice Memo

Date: December 17, 2014
To: Jill Duerig, General Manager
From: Matt Katen, Groundwater Section Manager
Subject: Authorization of a Commercial Use of a Septic System for Birch Creek Ranch, LLC, 8433 Patterson Pass Road, Livermore

The following provides additional background and discussion on the above-referenced Agenda Item.

BACKGROUND:

Mr. Phillip Marshall has requested Zone 7 authorization for use of a septic tank system for a commercial equine facility located at 8433 Patterson Pass Road, near Livermore (APN 099A-2120-001-03) (Exhibit A).

The parcel is approximately 59 acres in size and is situated over a southeastern portion of the Mocho I fringe sub-basin of the Livermore Valley Groundwater Basin (Figure 1). It is located outside of Livermore's Urban Growth Boundary (UGB). The closest municipal sewer line is the line to Zone 7's Patterson Pass Water Treatment Plant, which runs down Patterson Pass Road in front of Birch Ranch. However, it is unavailable for connection to Birch Creek Ranch due to a stipulation in the Zone 7 out-of-service area agreement with the City of Livermore.

The existing conventional septic system and leach field on the premises reportedly has sufficient capacity for all existing and planned onsite sewage flows. There is an existing seven-bedroom home on the parcel and several additional restrooms in various outbuildings used by residents, the caretaker and members of a local 4-H club. The new commercial use also involves only residential-type sewage, but from equine facility patrons, employees and equine event attendees.

Zone 7 adopted Wastewater Management Policies to minimize the potential for impacts to groundwater from over use and misuse of septic tanks over the Central Groundwater Basin and its fringe areas. One such policy limits all new developments proposing to use septic tank systems to a maximum density of one rural residential equivalence per five acres (1 RRE/5 Ac.). For the purpose of evaluating onsite wastewater loading, staff assumes 1 RRE is equivalent to an onsite nitrogen loading of approximately 39 lb. N per year, which is based on an average daily residential sewage discharge of 320 gallons per day (gpd) with an average total nitrogen concentration of 40 mg/L.

A second policy prohibits the use of septic tanks for any new commercial development unless the Zone 7 Board approves it. The Board has also adopted criteria for approval of commercial systems and a process for evaluating which projects meet the criteria for approval. This process is summarized in the Zone 7 Septic Tank Approval Decision Tree, which is provided in Exhibit B.

Horse manure is another expected contributor to the onsite nitrogen (nutrient) loading anticipated at this commercial livestock boarding facility; however, its potential for impact to groundwater will be minimized through a Manure Management Plan and use of "best management practices (BMPs)" which are both requirements for the County's conditional use permit (CUP) for equine facility operations. The additional nitrogen loading from onsite livestock facilities is not included in this evaluation of the commercial septic tank use; however, they are being accounted for in Zone 7's forthcoming Nutrient Management Plan.

The draft Nutrient Management Plan being prepared by Zone 7 proposes stricter requirements for new or modified septic uses being proposed within known nitrogen/nutrient "hot spots". The closest monitored high nitrate area is approximately 2 miles west of the site. Since this proposed septic use is outside of the high nitrate area, the stricter requirements do not apply.

DISCUSSION:

In accordance with procedures adopted by the Zone 7 Board in 1986, Zone 7 Staff has reviewed the application and additional information provided by Mr. Marshall using Zone 7's Septic Tank Permit Review Decision Tree (Exhibit B). The decision path is as follows:

- The project would result in change in wastewater classification from rural residential to a combination of residential and commercial uses. With the project fully implemented, the average onsite sewage flow would increase from 4,615 gallons per week to an estimated 6,015 gallons per week. See attached Project Wastewater Loading Worksheet, Exhibit C.

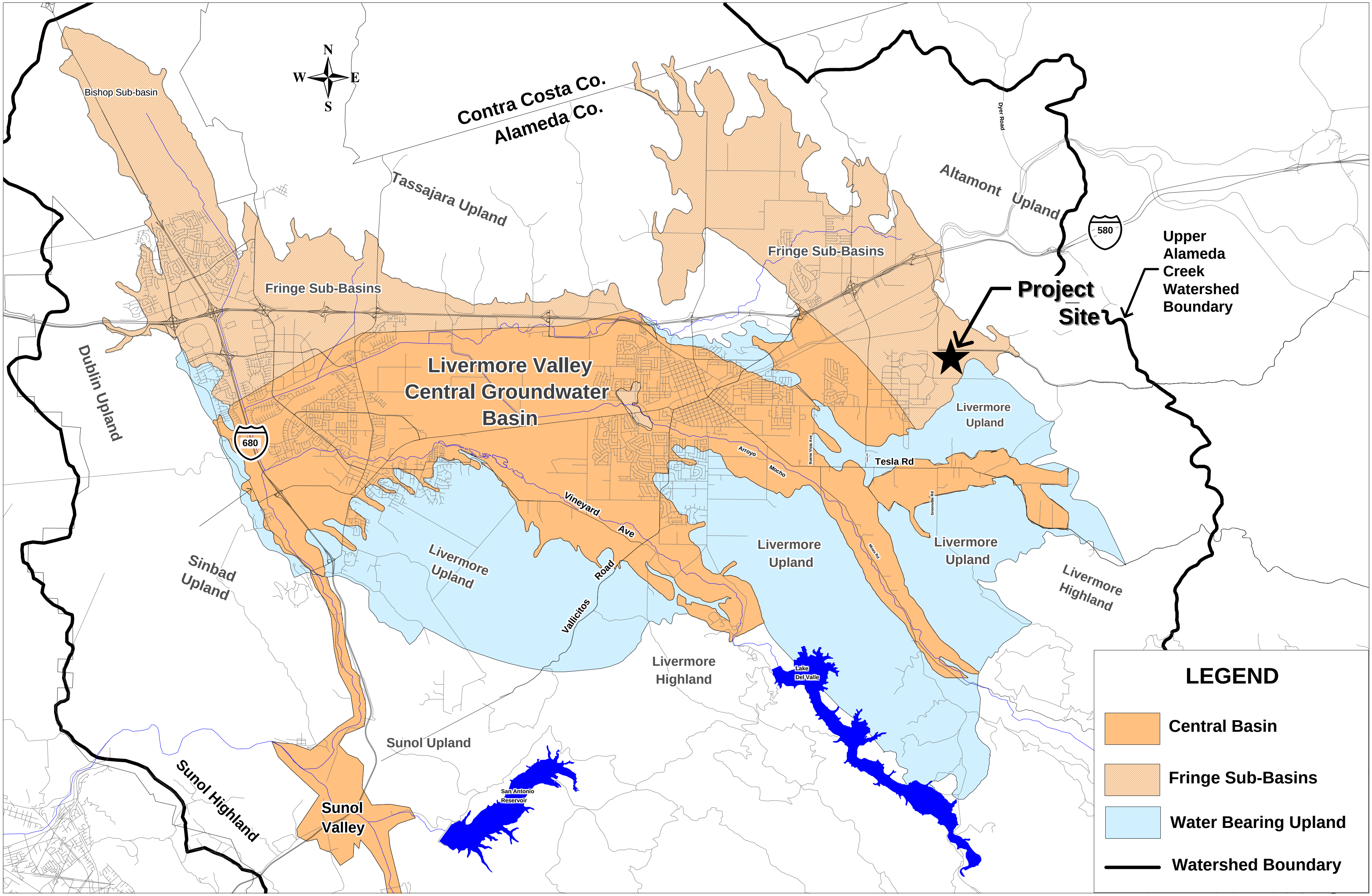
- The proposed use conforms to the Zone 7 Wastewater Management Policy (WMP) that permits a maximum wastewater loading of 1 RRE/5 Acres when no community sewerage system is available. It is not feasible for the project to connect to the municipal sewer because the parcel is located outside of the City of Livermore Urban Growth Boundary, and because of a stipulation in Zone 7's out-of-service area agreement with City of Livermore, that prohibits others from connecting to the sewer line that serves our Patterson Pass Water Treatment Plant. These circumstances are not anticipated to change in the near future. However, if permitted in the future, this commercial use would be required to connect to the municipal sewage system. When combined with the loading from the existing residential use, the total onsite loading would become 2.7 RRE (see Exhibit C). However, accounting for the parcel being 59 acres in area, the corresponding prorated onsite loading is significantly less than the 1 RRE/5 Ac, which is permitted by the Wastewater Management Plan Policy.

- The proposed septic tank use conforms to Zone 7's Resolution 1165. Resolution 1165 prohibits the use of septic tanks for new commercial developments overlying the groundwater basin unless it can be satisfactorily demonstrated to the Board of Directors that the wastewater loading will be no more than that from "an equivalent rural residential unit." A portion of the loading will come from a commercial use (i.e., restrooms for business patrons, employees, and event attendees); however, as demonstrated by the loading calculation in Exhibit C, the average loading of on the parcel will be less than 0.25 RRE/5 Ac wastewater loading equivalence or less than 25% of the maximum allowable loading. The sewage generated by the commercial aspect would be the same type and strength as rural residential wastewater, and the commercial operations do not involve the use of significant quantities of hazardous materials or wastes.

- Based on staff's assessment of the information provided by the applicant, staff recommends that the proposed septic tank use be approved and the project be deemed to be in compliance with Zone 7's Resolution 1165. The Zone 7 Board issued similar approvals in 2006 and 2013 for two other equine facilities in South Livermore. Staff concludes that there is no significant risk of contamination to the groundwater basin from the proposed septic tank use if utilized as described in the application. The management of groundwater contamination risks from concentrated livestock facilities is being addressed through the County's CUP process, and by Zone 7's Nutrient Management Plan for the Livermore Valley Groundwater Basin, which is currently in progress.

EXHIBITS:

Figure 1: Project Location Map
Exhibit A: Septic Tank Application for Non-Residential Use
Exhibit B: Zone 7 Septic Tank Approval Decision Tree
Exhibit C: Project Wastewater Loading Worksheet



Zone 7 Water Agency
100 North Canyons Parkway
Livermore, CA 94551

PROJECT LOCATION:
Birch Creek Ranch, LLC
8433 Patterson Pass Rd, Livermore, CA

Date: 12/2/14

Drawn by: M. Katen

FIGURE 1

E:\septic\Birch Ranch.WOR

Alameda County Flood Control & Water Conservation District, Zone 7

100 North Canyons Parkway • Livermore CA, 94551 • Phone: 925/454-5000 • Fax: 925/454-5728

Septic Tank Application for Non-Residential Use

For Applicant to Complete

1) Name of Business: Birch Creek Ranch LLC

2) Address: 8433 Patterson Pass Rd
Livermore, CA 94551

3) Contact Person: Phillip Marshall
Title: Manager
Telephone: (925) 449-4020
Fax No.: (925) 449-4025

4) Location of Septic Tank Site:
a) Address: 8433 Patterson Pass Rd
Livermore, CA 94551

b) Assessors Parcel No.: 99A-1650-1-5

5) Statement of existing use of the property: The property

The Property is currently being used as a private ranch with personal horses and other livestock.

6) Statement of proposed use of the property: ________

We wish to open an equestrian center on the property that would include horse boarding and training.

7) Attach site map showing location of buildings, improvements, and septic tank/leachfield system.

8) Attach Hazardous Materials Management Plan, or statement of onsite hazardous materials use.

9) Applicant's signature: [signature]

Date: October 31, 2014

For Office Use Only (Shaded Areas)

Septic Tank Permit No.: 14-068

Taken by: M. Katen Date: 10-31-2014

(Check Appropriate Action)

Approved:
____ 1) Complies w/Res. No. 1165 Date: ________
____ 2) Exception, Special Review 2 Date: ________
____ 3) Exception, Special Review 1 Date: ________

Disapproved:
____ 4) Non-compliance Date: ________

Permit Conditions

This permit is issued subject to the following General Conditions and to the circled Special Conditions:

A. General Conditions:

1. Limit the number of full-time employees to ____ persons.
2. Comply with policies of Wastewater Management Plan.
3. Comply with all other requirements of federal, state and local jurisdictions.
4. Subject to unscheduled inspections.
5. Connect to community sewerage system when within 200 feet of any property line.

B. Special Conditions:

1. Develop and maintain a Hazardous Materials Management Program as approved by Alameda County Environmental Health Division, Hazardous Materials Management Unit.
2. Provide sampling stations for analysis of suspected contaminants at applicant's expense as follows: ________
3. Other: ________

C:\WINDOWS\Temporary Internet Files\OLK3054\Septic Application Non-res 7-99.wpd

EXHIBIT A

Zone 7 Septic Tank Approval
Decision Tree

Applicant: **Birch Creek Ranch, LLC**	Case No.: **14-068**
Site Address: **8433 Patterson Pass Rd., Livermore**	
Date: **December 17, 2014**	

(Most septic tank reviews are made when the property owner request the Planning Department for a land use change, rezoning, or parcel split.)

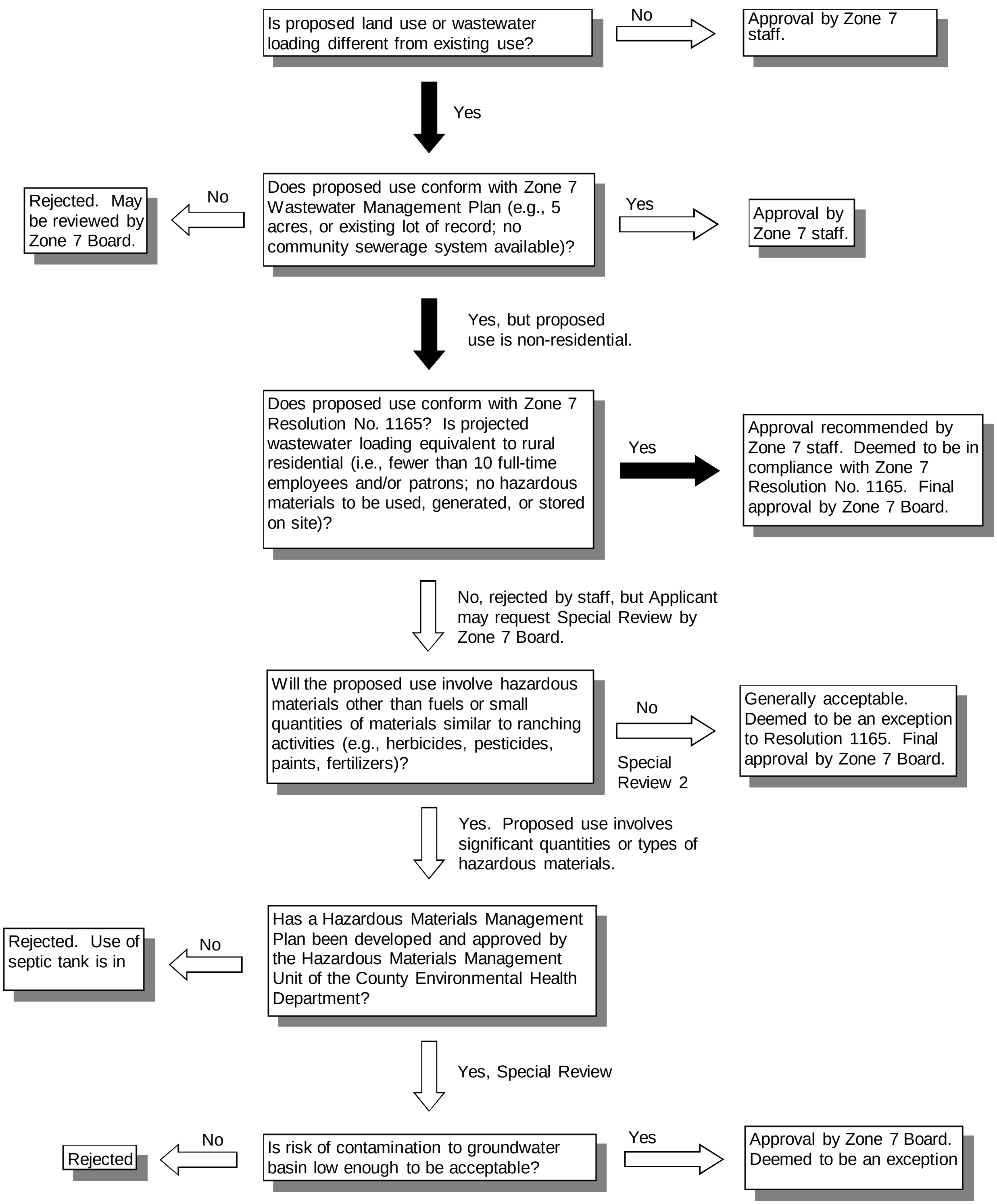


EXHIBIT B

Project Wastewater Loading Worksheet
for
Birch Creek Ranch, LLC
8433 Patterson Pass Rd. Livermore
(Case # 14-068)

Current Wastewater Loading: **(59 Acres)**

Facility	Qty	Loading Description	Sewage Flow Rate per unit	Days per week	Gallons per week	Annual Nitrogen Loading	Total Rural Residential Equivalences[6]	Total RRE Pro-rated per 5 Ac[7]
Main House	1	residential	320 gpd[1]	7	2240 gal/wk	39.0 lbs N/yr	1.00	
Caretaker Unit	1	residential	320 gpd[1]	7	2240	39.0	1.00	
Water Tower Office	1	employee (day worker)	15 gpd[2]	5	75	1.3	0.03	
Water Tower Office	1	4-H club meetings	60 gpd[3]	1	60	1.0	0.03	
TOTALS					**4,615 gal/wk**	**80 lbs N/yr**	**2.1 RRE**	**0.17 RRE/5 acres**

Proposed Wastewater Loading: **(59 Acres)**

Facility	Qty	Loading Description	Sewage Flow Rate per unit	Days per week	Gallons per week	Annual Nitrogen Loading[6]	Total Rural Residential Equivalences[7]	Total RRE Pro-rated per 5 Ac[8]
Main House	1	residential	320 gpd[1]	7	2240 gal/wk	39.0 lbs N/yr	1.00 RRE	
Caretaker Unit	1	residential	320 gpd[1]	7	2240	39.0	1.00	
Barn #1	3	employee (day worker)	15 gpd[2]	5	225	3.9	0.10	
Barn #2	1	employee (day worker)	15 gpd[2]	5	75	1.3	0.03	
Water Tower Office	1	employee (part time)	15 gpd[2]	2	30	0.5	0.01	
Equestrian Center	1	employee (trainer)	15 gpd[4]	7	105	1.8	0.05	
Equestrian Center	3	employee (day worker)	15 gpd[2]	5	225	3.9	0.10	
Equestrian Center	25	visitors/patrons	5 gpd[4]	7	875	15.2	0.39	
Equestrian Center	var	events (guests)	0 gpd[5]	0.25	0	0.0	0.00	
TOTALS					**6,015 gal/wk**	**105 lbs N/yr**	**2.7 RRE**	**0.23 RRE/5 acres**

Notes:

(1) Zone 7's standard for average wastewater loading of a single-family rural residential unit

(2) Estimated sewage flow from Table 3, Alameda County Onsite Wastewater Treatment System Regulations (2007)

(3) Estimated sewage flow from SJB Consulting Group, August 28, 2007.

(4) Estimated sewage flow from SJB Consulting Group, October 10, 2014.

(5) No flow addition because most event will use self-contained portable toilets

(6) Assumes average effluent concentration = 40 mg/L Total Nitrogen

(7) Based on 1 RRE = 39 lbs N/yr

(8) 5 Ac proration based on 59 Ac actual parcel size (i.e., 5/59 x Total RRE)

EXHIBIT C

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

BOARD OF DIRECTORS

RESOLUTION NO.

INTRODUCED BY
SECONDED BY

Authorization for a Commercial Use of a Septic System for Birch Creek Ranch, LLC located at 8433 Patterson Pass Rd, near Livermore (APN 099A-1650-001-05)

WHEREAS, the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District adopted the Wastewater Management Plan for the Unsewered, Unincorporated Area of Alameda Creek Watershed above Niles (Resolution No. 1037, May 19, 1982) to protect the surface and ground water resources within the Zone; and

WHEREAS, said Wastewater Management Plan provides for strict controls on the use of septic tank/leach field systems which may affect groundwater quality within the Zone 7 area; and

WHEREAS, the Board of Directors adopted a policy prohibiting the use of septic tank/leach field systems for new development zoned for commercial or industrial uses which overlies the central or fringe groundwater sub-basins unless it can be satisfactorily demonstrated that the wastewater loading be no more than the loading from an equivalent rural residential unit (Resolution No. 1165, August 28, 1986); and

WHEREAS, on October 15, 1986, the Board of Directors approved a Zone 7 Septic Tank Review Procedure for commercial/industrial development, and said Procedure provides for Special Review by the Board of Directors of Septic Tank Permit Applications for Non-residential Use; and

WHEREAS, by application dated October 31, 2014, Mr. Phillip Marshall is seeking approval for use of a septic tank system for a commercial equine facility on an approximately 59 acre parcel located at 8433 Patterson Pass Rd, near Livermore (APN 099A-1650-001-05); and

WHEREAS, the total wastewater loading per 5 acres generated onsite by all uses, residential and commercial, will be no greater than one equivalent rural residential unit per 5 acres; and

WHEREAS, the subject property is outside of any known high nitrate areas of concern; and

WHEREAS, the nature of the commercially generated wastewater to be disposed to the septic system is similar to rural residential wastewater.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District hereby makes the following findings regarding said application:

1. It is not feasible at this time for the onsite facilities to connect to a municipal sewer;

2. The proposed use conforms to the Zone 7 Wastewater Management Policy (WMP) that allows a maximum wastewater loading of one rural residential equivalence per five acres (1 RRE/5 Ac) when no community sewerage system is available;

3. The proposed land use does not involve the use, storage or generation of hazardous materials other than those found in typical households;

4. There is no significant risk of contamination to the groundwater basin from the proposed use of the septic system(s).

BE IT FURTHER RESOLVED that said septic tank use is deemed to be in compliance with Zone 7 Resolution No. 1165, but subject to the following conditions:

1. Zone 7's approval is contingent on Alameda County Environmental Health Department's approval and oversight during the operation and maintenance of the system.

2. No wastewater disposal, other than that specifically approved herewith, is allowed without prior approval by the Zone 7 Water Agency.

3. When it becomes feasible to serve the parcel with a public sewer, the septic system shall be abandoned, and all building sewers shall be connected to the public sewer.

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSENT:

ABSTAIN:

I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District on December 17, 2014.

By ______________________________

President, Board of Directors

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

100 NORTH CANYONS PARKWAY • LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

ORIGINATING SECTION: Engineering
CONTACT: Dennis Gambs/Jarnail Chahal

AGENDA DATE: December 17, 2014 ITEM NO. **5d**

SUBJECT: Trail License Agreement Amendment and Storm Drain Maintenance Agreement with City of Pleasanton, Lake I

SUMMARY:

- At the July 17, 2013 meeting, the Board approved the first amendment to the existing recreational use license agreement for the Buffer Zone on Martin Avenue with the City of Pleasanton.
- The first amendment allowed for a public trail along Zone 7's Lake I that Ponderosa Homes was required to construct by the City as a condition of approval for their adjacent housing development.
- Subsequent to this approval, residents adjacent to the proposed trail objected to its location and requested that it be moved away from their homes to provide more privacy.
- Zone 7 staff is agreeable to moving the trail an additional 12 feet north of the homes and closer to Lake I along the easterly trail segment. The new location still allows enough room for a Zone 7 maintenance road separate from the trail.
- To accommodate the new trail location the exhibit which delineated the trail area under the first amendment needs to be revised. The second amendment to the license agreement will replace the existing Exhibit A-1 with Exhibit A-2.
- At the same July 2013 meeting, the Board also approved an agreement with the City for the construction and maintenance of a Storm Drain in Mohr Avenue. The storm drain agreement proposed now includes provisions for the City to perform routine maintenance of the storm drain.

FUNDING:
No funding impact.

RECOMMENDED ACTION:
Adopt the attached resolutions:

a) Authorizing the General Manager to negotiate and execute the second amendment to the Buffer Zone License Agreement for Recreational Use of Lake I Property with City of Pleasanton.
b) Authorizing the General Manager to negotiate and execute the Storm Drain Maintenance Agreement with City of Pleasanton.

ATTACHMENTS:

1. Memo with background and discussion
2. Resolutions
3. Location Map
4. Second Amendment to Buffer Zone License Agreement
5. Storm Drain Maintenance Agreement

INTEROFFICE MEMO

Date: December 17, 2014
To: Jill Duerig, General Manager
From: Dennis Gambs, Principal Engineer
Subject: Trail License Agreement Amendment and Storm Drain Maintenance Agreement with City of Pleasanton, Lake I

The following provides background and discussion on the above-referenced agenda item.

BACKGROUND:

At the July 17, 2013 Zone 7 Board meeting, the Board approved an amendment to the existing Recreational Use License Agreement with the City of Pleasanton for the Buffer Zone at Lake I. This action was needed to accommodate a public trail required by the City of Pleasanton on property owned by Zone 7 and located along the southerly boundary of Lake I and a portion of Mohr Avenue. The construction of a trail is required as a condition of approval by the City of Pleasanton for the Ponderosa Homes housing development.

At this same meeting, the Board also approved a license agreement with the City to allow Zone 7 to maintain a segment of the storm drain on City property that conveys storm water captured from the trail area and Zone 7 maintenance road area along the southern portion of Lake I.

DISCUSSION:

Subsequent to the 2013 approval, near-by residents objected to the proposed trail location and requested that the trail be moved away from their homes, towards Lake I. To implement this change, the trail would need to be moved approximately 12 feet northerly along the easterly trail segment. The new location still allows enough room for a Zone 7 maintenance road separate from the trail.

Ponderosa Homes and the City of Pleasanton would like Zone 7 to accommodate the new trail location and revise the area included under the license agreement to include the newly proposed trail location. The second amendment to the license agreement will replace the existing Exhibit A-1 with Exhibit A-2 revising the area included under the license agreement. All other terms of the license agreement would remain the same.

The near-by residents also expressed concerns to the City that the proposed trees along the trail will block their views of Mount Diablo. During discussions between City and Zone 7 staff, the City agreed to plant additional trees in the buffer zone area instead of planting along the trail. The City has also agreed to remove 15 to 20 dead trees along the eastern side (lake side) of the buffer zone fence in addition to the removal of dead trees in the City maintained portion of the buffer zone covered under the existing license agreement.

In addition, subsequent to the July 2013 Board approval of the storm drain license agreement, which was never executed, staff from the City and Zone 7 further discussed the storm drain maintenance responsibilities. Under the revised storm drain maintenance agreement, Zone 7 will continue to be responsible for major maintenance such as repairs or reconstruction, but the City will now perform routine maintenance such as removal of debris. Approval of the revised storm drain agreement will supersede the July 2013 agreement approval.

The City of Pleasanton approved the amended license agreement and storm drain maintenance agreement at its December 2, 2014 council meeting.

Staff recommends authorizing the General Manager to negotiate and execute: a) the second amendment to the Buffer Zone License Agreement for Recreational Use of Lake I Property; and b) the Storm Drain Maintenance Agreement with City of Pleasanton.

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

BOARD OF DIRECTORS

RESOLUTION NO.

INTRODUCED BY
SECONDED BY

Second Amendment to Buffer Zone
License Agreement with the City of Pleasanton

WHEREAS, Ponderosa Homes was required to construct a public trail adjacent to the development on property located along the southerly boundary of Lake I and a portion of Mohr Avenue as a condition of approval by the City of Pleasanton for the "Ironwood Active Adult Community" development; and

WHEREAS, Zone 7 Board at the July 17, 2013 meeting approved Amendment No. 1 to the existing Recreational Use License Agreement with the City of Pleasanton for the Buffer Zone at Lake I for construction of this trail segment along the southerly boundary of Lake I; and

WHEREAS, subsequent to this approval, near-by residents objected to the proposed trail location and requested that the trail be moved away from their homes towards Lake I; and

WHEREAS, Zone 7 and the City agree to implement the change by moving the trail location approximately 12 feet northerly along the easterly trail segment.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District does hereby authorize the General Manager to negotiate and execute the second amendment to the License Agreement (A09-45-PLE) with the City of Pleasanton to revise the exhibit approved in the first amendment to include the proposed change in the trail location.

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSENT:

ABSTAIN:

I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District on December 17, 2014.

By: ______________________________
President, Board of Directors

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

BOARD OF DIRECTORS

RESOLUTION NO.

INTRODUCED BY
SECONDED BY

Storm Drain Maintenance Agreement

WHEREAS, Ponderosa Homes as part of the Ironwood Active Adult Community development installed a storm drain system which conveys storm water from Zone 7's property along the southerly boundary of Lake I to the City storm drain; and

WHEREAS, Zone 7 Board at the July 17, 2013 meeting approved a license agreement with the City to allow Zone 7 to maintain a segment of the storm drain system on the City property and because of public concerns with a nearby trail, the license agreement was never executed; and

WHEREAS, Zone 7 and the City now agree to share storm drain maintenance responsibility.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District does hereby authorize the General Manager to negotiate and execute a Storm Drain Maintenance Agreement with City of Pleasanton for the purpose of specifying construction, operation, maintenance, repair and replacement responsibilities for the storm drain system installed to capture storm water from the trail area and Zone 7 maintenance road area along the southern portion of Lake I.

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSENT:

ABSTAIN:

I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District on December 17, 2014.

By: ______________________________
President, Board of Directors

ZONE 7 WATER AGENCY
100 North Canyons Parkway
Livermore, CA

DRAWN: BW rev sje	SCALE: AS SHOWN	LAKE I LICENSE AGREEMENTS WITH CITY OF PLEASANTON LOCATION MAP
REVIEWED: DG	DATE: 04/09/2013 rev 07/3/2013	
File: W:/WSE/STAFF/Steven/Dennis Gambs/Lake I License Agreements with CoP.mdx	FIGURE #	

SECOND AMENDMENT TO LICENSE AGREEMENT

THIS SECOND AMENDMENT TO LICENSE AGREEMENT (hereinafter "Second Amendment") is made and entered into this _______ day of May, 2014, by and between Zone 7 of Alameda County Flood Control and Water Conservation District, a body corporate and politic (hereinafter "Zone 7") and the City of Pleasanton, a municipal corporation (hereinafter "City").

RECITALS

This Second Amendment is entered into on the basis of the following facts, intentions and understanding of the parties:

A. On August 27, 2008, City and Zone 7 entered into a License Agreement in which Zone 7 agreed to allow City to construct and maintain trails and a park-like atmosphere on certain property owned by Zone 7 as part of the westerly buffer area of Lake I which is adjacent to Martin Avenue and known as the Buffer Zone.
B. On July 15, 2013, the parties amended that agreement to expand the license area to include additional property owned by Zone 7 in which Ponderosa homes constructed a trail adjacent to the Ironwood Active Adult Community.
C. The additional property and trail were delineated in Exhibit A-1 which was incorporated into the First Amendment.
D. The parties now desire to move portions of that trail alignment slightly north. As a result, Exhibit A-1 needs to be modified.
E. With this Second Amendment, the parties will replace Exhibit A-1 (which shows the former proposed location of the trail) with Exhibit A-2 (which shows the new location of the trail).

NOW, THEREFORE, BE IT MUTUALLY AGREED AS FOLLOWS:

1. Exhibit A-1 of the First Amendment to License Agreement is hereby replaced with Exhibit A-2 which is attached hereto and incorporated herein.
2. In all other respects, the terms and provisions of the August 27, 2008 License Agreement shall continue in full force and effect as amended.

IN WITNESS THEREOF, the parties hereto have executed this Second Amendment to License Agreement below their respective authorized signatures.

Zone 7 of Alameda County Flood Control and Water Conservation District

____
G.F. Duerig, General Manager

City of Pleasanton

____
Nelson Fialho, City Manager

Attest:_____________________
Karen Diaz, City Clerk

Approved as to form:

____
Jonathan Lowell, City Attorney

MAINTENANCE AGREEMENT FOR STORM DRAIN

This MAINTENANCE AGREEMENT (hereinafter "Agreement"), is made and entered into this ____ day of ______, 2014, by and between Zone 7 of Alameda County Flood Control and Water Conservation District, a body corporate and politic (hereinafter "Zone 7") and the City of Pleasanton, a Municipal Corporation (hereinafter "City").

RECITALS

A. Ponderosa Homes is building a housing development which includes a public trail to be operated by the City under a license agreement with Zone 7. The trail includes installation of a storm drain for conveying storm water captured from the trail area and Zone 7's maintenance road area along the southern portion of Lake I to an existing City storm drain system as shown on Exhibit A, attached hereto and made a part hereof.

B. The storm drain crosses street right of way, known as Mohr Avenue (10 foot wide) owned by the City and Zone 7 property, known as Lake I (adjacent to and northerly of said Mohr Avenue) owned by Zone 7.

C. This Maintenance Agreement shall set forth the obligations of each party with regard to the Storm Drain System.

NOW, THEREFORE, BE IT MUTUALLY AGREED as follows:

1. Zone 7 Maintenance Responsibilities: City grants permission to Zone 7 to reconstruct, replace, use, inspect, maintain, repair, operate or remove the Storm Drain System, including any and all appurtenances thereto, under, over, and across all that property known as Mohr Avenue.

2. City Maintenance Responsibilities: City has offered and Zone 7 has accepted City's offer for City to perform routine preventative maintenance on the Storm Drain System on that property known as Lake I, from the storm drain inlet generally southwest to the Mohr Avenue right-of-way i.e., routine cleaning of the Storm Drain System to keep it clear from debris. Zone 7 shall retain all other responsibilities including maintenance and repairs, e.g., repairing or replacing broken or collapsed pipes, separated joints, etc. However, in the event that the City's actions damage the Storm Drain System, the City shall be responsible for repairing the damage.

3. Term: The term of this Maintenance Agreement shall be for twenty-five (25) years from the date of execution with an option by Zone 7 to renew for additional periods of twenty-five (25) years upon written notice to City. The parties' obligations to indemnify (section 6 Indemnification) shall survive the termination of this Agreement.

4. Rights to Access: Zone 7 grants the City access over Zone 7 property so that City may access the Storm Drain System to perform said maintenance and/or repairs. City grants Zone 7 access over City property so that Zone 7 may access the Storm Drain System to perform said maintenance and/or repairs.

5. Damage to Property: Both parties agree that upon the completion of any of its work within the other party's property, to restore the surface of the ground to the condition in which it was prior to the commencement of said work or as acceptable to the other party. Each party shall, at its sole cost, promptly repair any damage to the other party's real and personal property, arising out of or in connection with that party's operation, maintenance, replacement, repair or removal of said Storm Drain and appurtenances.

6. Indemnification: Each party agrees to indemnify and hold harmless the other party (and its officials and employees) from and against all claims, demands, suits, costs, expenses, liabilities, fines, penalties, losses, damages and injury to person, property or otherwise, including, without limitation, direct, indirect and consequential damages, court costs and reasonable attorney's fees, arising from or in any respect related to the duties to be performed pursuant to this Maintenance Agreement by that party including the use of the other party's property by it or its agents except when such injury, loss or damage as shall have been caused by the negligence or willful act of the party performing the duties set forth in this Agreement..

7. Binding on Successors: The provisions hereof shall inure to the benefit of and bind the successors and assigns of the respective parties hereto.

8. Entire Agreement: This instrument contains the entire agreement between the parties relating to the rights herein granted and the obligations herein assumed. Any oral representations or modifications concerning this instrument shall be of no force and effect except by a subsequent modification in writing, signed by the party to be charged.

City of Pleasanton

____
Nelson Fialho, City Manager

Alameda County Flood Control & Water Conservation District, Zone 7

____
G. F. Duerig, General Manager

ATTEST:

____
Karen Diaz, City Clerk

APPROVED AS TO FORM:

____
Jonathan Lowell, City Attorney

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
100 NORTH CANYONS PARKWAY • LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

ORIGINATING SECTION: ADMINISTRATIVE SERVICES
CONTACT: GINGER STATON

AGENDA DATE: December 17, 2014 ITEM NO. **6a**

SUBJECT: October Employee of the Month Recognition

SUMMARY:

The Employee Recognition Program Nomination Committee met in November and selected the Employee of the Month for October 2014 according to the established Program Guidelines. The individual chosen out of the submitted nominations is then recommended to Management for approval and there is a subsequent announcement of the selection to all Agency employees.

Amparo Flores, Associate Engineer has been chosen from among those nominated as the October 2014 Employee of the Month. Amparo works in the Integrated Planning section at the North Canyons office.

As mentioned in the nomination, Amparo's duties include preparation of the Urban Water Management Plan and updates, Zone 7 representation at State Water Contractor meetings, planning and coordinating projects for the Capital Improvement Program, and preparation of other planning studies like the Chain of Lakes Use Evaluation.

The nomination further states that over the last year, Amparo has been on the front line in assessing the drought emergency and communicating Zone 7 drought response goals and objectives to internal Zone 7 staff, retailers and the public. Amparo was suited to play this role and perform her other duties based on her makeup of technical knowledge, understanding of Zone 7 issues, professionalism, leadership, collaborative nature, and strong communication skills, both oral and written.

Overall, she is recognized for her good work in the past, her ability to rise to the occasion during the drought emergency and taking on the challenges of the future.

The committee seconded the recommendation and recognized Amparo as a valuable employee and asset to Zone 7, with management approving the selection.

RECOMMENDED ACTION:

It is recommended that the Zone 7 Board of Directors recognize and congratulate Amparo Flores as October 2014 Employee of the Month.

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

100 NORTH CANYONS PARKWAY • LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

ORIGINATING DIVISION: Administrative Services
CONTACT PERSON: Margaret Chun

AGENDA DATE: December 17, 2014 ITEM NO. **7**

SUBJECT: Independent Auditor's Report and Annual Financial Statements for Fiscal Year Ending June 30, 2014

SUMMARY:

- Maze and Associates conducted an independent financial audit of Zone 7 for the fiscal year ending June 30, 2014.
- The audit was conducted in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.
- The audit concluded that: (1) the financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the major funds of the Alameda County Flood Control and Water Conservation District - Zone 7 as of June 30, 2014, and the respective changes in the financial position and cash flows for the year; (2) the accounting is in conformity with generally accepted accounting principles in the United States of America; and (3) the internal controls and communications are adequate.
- The audit findings and an overview of the financial statements were presented to the Finance Committee on December 8, 2014.

FUNDING:

There is no funding impact.

RECOMMENDED ACTION:

Adopt the attached resolution accepting the Independent Auditor's Report and Annual Financial Statements for Fiscal Year Ending June 30, 2014.

ATTACHMENTS:

Resolution
Basic Financial Statements - Year Ending June 30, 2014
Memorandum on Internal Control and Required Communications - Year Ending June 30, 2014

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

BOARD OF DIRECTORS

RESOLUTION NO.

INTRODUCED BY
SECONDED BY

WHEREAS, Maze and Associates performed an independent audit of the financial statements for the fiscal year ending June 30, 2014 of Alameda County Flood Control & Water Conservation District - Zone 7; and

WHEREAS, Maze and Associates opined that the basic financial statements present fairly in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Alameda County Flood Control and Water Conservation District - Zone 7 as of June 30, 2014 and the respective changes in the financial position and cash flows, where applicable, thereof for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of Zone 7 of Alameda County Flood Control & Water Conservation District hereby accepts the attached independent auditor's report, basic financial statements and supplementary information for the fiscal year ending June 30, 2014.

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSENT:

ABSTAIN:

I certify that the foregoing is a correct copy of a Resolution Adopted by the Board of Directors of Zone 7 of Alameda County Flood Control and Water Conservation District on December 17, 2014.

By: ______________________________
President, Board of Directors

ALAMEDA COUNTY FLOOD AND
WATER CONSERVATION DISTRICT – ZONE 7

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2014

PREPARED BY THE
FINANCE AND MANAGEMENT
SERVICES DEPARTMENT

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ALAMEDA COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT– ZONE 7
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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MAZE
& ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Alameda County Flood Control and
Water Conservation District – Zone 7
Livermore, California

Report on Financial Statements

We have audited the accompanying financial statements of governmental activities, business-type activities and major funds of the Alameda County Flood Control and Water Conservation District – Zone 7 (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents. The prior year comparative totals have been derived from the District's 2013 financial statements and our report dated September 25, 2013, in which we expressed an unmodified opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W mazeassociates.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, business-type activities and major funds of the District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Pleasant Hill, California
October 22, 2014

Alameda County Flood Control and Water Conservation District – Zone 7
Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2014

This section of the Alameda County Flood Control and Water Conservation District – Zone 7's (Zone 7) annual financial report presents an overview and analysis of Zone 7's financial activities for the fiscal year ended June 30, 2014. This information is presented in conjunction with the audited basic financial statements, which follow this section.

Financial Highlights

- Zone 7 total assets exceeded liabilities at the close of this fiscal year by $399 million

- Zone 7 total net position increased by $10 million or 2.6%
  - Governmental activities increased $5.9 million
  - Business-Type activities increased $4.1 million

- Total revenues decreased $6.1 million or 6.6%
  - Governmental activity revenues increased $0.1 million
  - Business-Type activity revenues decreased $6.3 million

- Total expenses increased $3.1 million or 4.2%
  - Governmental activity expenses increased $0.9 million
  - Business-Type activity expenses increased $2.2 million

Overview of the Financial Statements

This discussion and analysis serves as an introduction to Zone 7's basic financial statements. The basic financial statements are comprised of three components: (1) Management's Discussion and Analysis, (2) Basic Financial Statements, and (3) Notes to the Financial Statements.

Zone 7 Government-Wide Financial Statements

The Zone 7 government-wide financial statements are designed to provide readers with an overview of Zone 7's finances, in a manner similar to private-sector business. The Statement of Net Position presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Zone 7 is improving or deteriorating. The Statement of Activities presents information showing how Zone 7's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or disbursed.

The government-wide statements distinguish functions of Zone 7 that are principally supported by taxes (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include the Flood Protection Operations Fund and the Flood Protection Drainage Development Impact Fee Fund. The business-type (proprietary) activities include the State Water Facilities Fund, the Water Enterprise Operations Fund, the Water Enterprise Capital Improvement Renewal & Replacement Fund, the Water Enterprise Capital Expansion Fund, and the Water Facilities and Water Supply and Reliability Trust Funds.

The government-wide financial statements can be found on pages 11-13 of this report.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. Zone 7, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The two types of funds used by Zone for reporting activities – governmental funds and proprietary funds - use different accounting approaches, as described below.

Flood Protection Operations and Flood Protection Drainage Development Impact Fee services are reported in *governmental funds*, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting method which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed near-term view of Zone 7's governmental operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance Zone 7's Flood Protection programs.

The basic governmental fund financial statements can be found on pages 14-19 of this report.

Proprietary funds are generally used to account for the services of a government's business-type activities (activities supported by fees or charges). Proprietary activities, which include the State Water Facilities Fund, the Water Enterprise Operations Fund, the Water Enterprise Capital Improvement Renewal & Replacement Fund, the Water Enterprise Capital Expansion Fund, and the Water Facilities and Water Supply and Reliability Trusts, are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities, using the accrual method of accounting.

The basic proprietary fund financial statements can be found on pages 20-25 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-40 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The largest portion of Zone 7's net position, $242 million or 61%, reflects its investment in capital assets (e.g. land, buildings, equipment and infrastructure). These capital assets are used to provide services to citizens; therefore, these assets are not available for future spending.

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	$57,054,555	$65,714,158	$106,475,587	$140,005,021	$163,530,142	$205,719,179
Capital assets	30,403,950	16,232,189	211,603,471	202,295,691	242,007,421	218,527,880
Total assets	87,458,505	81,946,347	318,079,058	342,300,712	405,537,563	424,247,059
Liabilities:						
Current liabilities	287,858	710,648	6,458,060	34,752,361	6,745,918	35,463,009
Long-term liabilities						
Total liabilities	287,858	710,648	6,458,060	34,752,361	6,745,918	35,463,009
Net Position:						
Invested in capital assets net of related debt	30,403,950	16,232,189	211,603,471	202,295,691	242,007,421	218,527,880
Unrestricted-Designated	56,766,697	65,003,510	100,017,527	105,252,660	156,784,224	170,256,170
Unrestricted					0	0
Total net position	$87,170,647	$81,235,699	$311,620,998	$307,548,351	$398,791,645	$388,784,050

As the statement above indicates, Zone 7's overall net position increased by $10 million during the fiscal year ended June 30, 2014. Zone 7's assets exceeded liabilities by $399 million at June 30, 2014

The net position of the agency's Flood Protection activities increased by $5.9 million during the 2014 fiscal year.

Zone 7's business-type activities produced an increase in net position of $4.1 million. The net investment in capital assets increased by $9.3 million. The current liabilities were reduced due to the payoff of the agency's $30.5 million line of credit in December 2013.

Condensed Statement of Changes in Net Position for Year ended June 30, 2014

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Charges for services	$4,823,378	$5,117,561	$35,665,613	$38,236,282	$40,488,991	$43,353,843
Grants and other contributions	64,318	61,578	385,730	68,416	450,048	129,994
Other program revenues	187,136	13,520	38,639,022	42,732,054	38,826,158	42,745,574
General revenues						
Property taxes	6,201,653	5,959,083			6,201,653	5,959,083
Investment earnings and other	189,800	179,858	437,661	362,588	627,461	542,446
Total Revenues	11,466,285	11,331,600	75,128,026	81,399,340	86,594,311	92,730,940
Expenses:						
Flood Protection Operations	1,488,735	3,947,332			1,488,735	3,947,332
Flood Protection Drainage DIF	4,029,268	705,688			4,029,268	705,688
State Water Project			13,681,891	14,002,380	13,681,891	14,002,380
Water Enterprise Operations			34,748,111	34,181,740	34,748,111	34,181,740
Facility Use fees - Capital Improvements			3,139,842	2,387,938	3,139,842	2,387,938
Water Connection Fees - Capital Expansion			19,498,869	18,298,597	19,498,869	18,298,597
Total Expenses	5,518,003	4,653,020	71,068,713	68,870,655	76,586,716	73,523,675
Increase/(decrease) in net assets before transfers	5,948,282	6,678,580	4,059,313	12,528,685	10,007,595	19,207,265
Transfers	(13,334)		13,334			
Extraordinary item						
Change in net assets	5,934,948	6,678,580	4,072,647	12,528,685	10,007,595	19,207,265
Net position-beginning	81,235,699	74,557,119	307,548,351	295,019,666	388,784,050	369,576,785
Net position-ending	$87,170,647	$81,235,699	$311,620,998	$307,548,351	$398,791,645	$388,784,050

As reflected in the statement above, total revenues for the agency were $86.6 million and total expenses, including transfers, were $76.6 million.

Flood Protection activities generated revenues of $11.5 million. Charges for services decreased $0.3 million compared to 2013 mainly due to a decrease in the number of impervious area applications. Other program revenues for fees and permit activities increased $0.2 million. Property taxes revenues increased $0.2 million, or 4.1% due to slightly higher assessed property values.

Flood Protection operations activities expenses decreased $2.5 million due to an increase in capital activity in the fund, which is not reflected on this report. Flood Protection Drainage Development Impact Fee expenses increased $3.3 million primarily due to the Watershed Protection Property purchase. Total governmental activity expenses, including transfers, were $5.5 million.

Water Enterprise business-type activities generated revenues totaling $75.1 million. Business-type activities showed an overall decrease of $6.3 million as compared to 2013. Charges for services decreased $2.6 million or 6.7% from the prior year as a result of lower water sales (due to water conservation for the drought). Other program revenues decreased $4.1 million, or 9.6% from the prior year due to the decrease in connection fee revenue received for new development.

Total expenses for agency business-type activities, including transfers, were $71 million. State Water Project costs decreased $0.3 million or 2.3% as result of slightly lower expenses incurred by the State. The cost of water sales increased $0.6 million or 1.7% due to an increase in water purchases and water storage costs. Capital improvement project expenses increased $0.8 million or $31.5% due to the drought emergency capital projects implemented. Capital expansion project expenses increased $1.2 million or 6.6% primarily due to drought emergency capital projects.

Governmental Funds Budgetary Highlights

As of the fiscal year ending June 30, 2014, Zone 7's governmental funds reported combined ending fund balances of $56.8 million, a decrease of $8.2 million or 12.7% as compared to the prior year. Fund balances are classified in accordance with Governmental and Accounting Standards Board Statement Number 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions. $1.1 million is reserved for encumbrances and the balance of $55.6 million is committed, due to constraints imposed by formal action of the Board. There were no long-term liabilities.

A comparative budgetary statement for the Zone's Flood Protection funds follows:

	Final Budgeted Amounts	Actual Amounts	Budget Variance June 30, 2014	Budget Variance June 30, 2013
Resources (inflows):				
Taxes	$5,979,557	$6,201,653	$222,096	$85,772
Intergovernmental	54,690	64,318	9,628	7,578
Charges for services	3,000	57,142	54,142	25,661
Interest and rentals	128,100	97,429	(30,671)	(48,107)
Other	35,000	158,576	123,576	(15,527)
Amounts available for appropriation	6,200,347	6,579,118	378,771	55,377
Charges to appropriations (outflows):				
Salaries and benefits	2,100,065	2,235,984	(135,919)	(1,009,482)
Services and supplies	8,403,210	2,344,569	6,058,641	4,449,796
Equipment and capital structures	15,444,833	11,079,943	4,364,890	
Total changes to appropriations	25,948,108	15,660,496	10,287,612	3,440,314
Excess of resources over charges to appropriations	(19,747,761)	(9,081,378)	10,666,383	3,495,691
Other Financing Sources		(13,334)	13,334	
Net change in fund balance	(19,747,761)	(9,094,712)	10,653,049	3,495,691
Fund balance beginning		24,354,979		
Fund balance ending		15,260,267		

Zone 7's actual Flood Protection Operations Fund revenues are over the budget by $0.4 million or 6.1%. Variations between budget and actual expenditures in the general fund reflect overall expenditures less than the adjusted budget by $10.3 million or 65.7%. The variance is primarily due to good storm season resulting in less than planned storm repairs, which is the major expense category in this fund.

Capital Assets and Debt Administration

A summary of changes in Capital Assets for both business type activities and governmental activities can be found on pages 33-34. Further detail of Capital Assets as of June 30, 2014 can be found in Note 3. Highlights for the fiscal year include capitalization of the following assets:

Del Valle Water Treatment Plant Filter #2 Rehabilitation	$543,756
DWR Land Acquisition Adjacent to the Patterson Pass Treatment Plant	314,263
Busch Valley Well #1 Land	1,106,594
Watershed Protection Property	18,590,757

Rates and Other Economic Factors

- The Water Conservation Act of 2009 (SBX7-7) sets an overall goal of reducing per capita urban water use by 20% by the end of 2020, and calls for agricultural water suppliers to prepare and adopt water management plans. Failure to meet this goal currently results in an agency not being eligible for state grants. Water conservation and other recycling efforts are nearing the level of "demand hardening" or maximum potential as all new construction and landscaping is utilizing improved ecological designs, and older systems have been updated. Water demands continue to decrease while fixed costs remain high.

- New development within the service area has been picking up, providing slight growth in the number of water rate payers and in connection fee revenue. Property Values in Zone7's service area have increased slightly, showing signs of a slow economic recovery. Alameda County's average unemployment rate has decreased markedly, registering 5.9 percent as of April 2014, below the 2013 rate of 8.6 percent.

- Calendar Year 2013 was the driest year in recorded history in many parts of California, including in the Livermore-Amador Valley. On January 17, 2014, Governor Jerry Brown declared a State of Emergency in California due to drought conditions and asked all citizens to cut back water use by 20 percent. On January 29, 2014 the Board of Directors, declared a local state of Drought Emergency and a Drought Emergency Response Plan was approved that included emergency capital projects and accelerated preventive maintenance aimed at minimizing impacts on water deliveries. On January 31, 2014, the California Department of Water Resources (DWR) announced it was reducing State Water Project allocations from an already-low 5 percent down to zero for the first time in history. On April 16, 2014, Zone 7's 2014 Annual Review of Sustainable Water Supply was presented to the Board. Among other things, it clarified the need for Zone 7's water retailers to achieve conservation consistent with "Stage 2 Actions" under Zone 7's Urban Water Management Plan. Zone 7 notified it's treated and untreated water customers that they will receive only 75 percent of their requested supplies in 2014 and to take certain actions to achieve 25 percent savings.

Significant financial impacts have been identified due to the agency's projected 25 percent loss in water sales revenue, in combination with drought-emergency capital projects and increased drought-related operations and maintenance costs.

All of the above factors were considered in preparing Zone 7's budget for fiscal year 2014/15.

Requests for Information

This financial report is designed to provide our customers, ratepayers, investors and creditors with a general overview of Zone 7's finances and to demonstrate accountability for the money it receives. Below is the contact information for questions about this report or requests for additional financial information.

Zone 7 Water Agency, 100 North Canyons Parkway, Livermore, CA 94551

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ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash in County treasury (Note 2)	$55,017,628	$100,224,101	$155,241,729
Accounts receivable, net	2,036,927	6,161,486	8,198,413
Prepaid expenses		90,000	90,000
Total current assets	57,054,555	106,475,587	163,530,142
Noncurrent assets			
Capital assets (Note 4):			
Rights of way, water entitlements, easements and construction in progress	23,343,231	73,279,176	96,622,407
Depreciable, net	7,060,719	138,324,295	145,385,014
Total noncurrent assets	30,403,950	211,603,471	242,007,421
Total assets	87,458,505	318,079,058	405,537,563
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	287,858	4,881,752	5,169,610
Deposits-water facilities trust		343,518	343,518
Compensated absences (Note 1J)		1,232,790	1,232,790
Total current liabilities	287,858	6,458,060	6,745,918
Total liabilities	287,858	6,458,060	6,745,918
NET POSITION (Note 6)			
Net investment in capital assets	30,403,950	211,603,471	242,007,421
Unrestricted-designated for			
Capital projects	50,909,178	52,037,227	102,946,405
Specific projects and programs	5,857,519	47,980,300	53,837,819
Unrestricted			
Total net position	$87,170,647	$311,620,998	$398,791,645

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Other Program Revenues	Total
Governmental activities:					
Flood Protection Operations	$1,488,735	$57,142	$64,318	$158,576	$280,036
Flood Protection Drainage DIF	4,029,268	4,766,236		28,560	4,794,796
Total governmental activities	5,518,003	4,823,378	64,318	187,136	5,074,832
Business-type activities:					
State Water Project	13,681,891		79,667	13,707,794	13,787,461
Water Enterprise Operations	34,748,111	35,665,118	300,199	433,781	36,399,098
Facility use fees-Capital Improvement	3,139,842	495	4,105	402,268	406,868
Water connection fees Capital Expansion	19,498,869		1,759	24,095,179	24,096,938
Total business-type activities	71,068,713	35,665,613	385,730	38,639,022	74,690,365
Total	$76,586,716	$40,488,991	$450,048	$38,826,158	$79,765,197

General revenues:
Property taxes:
Secured
Unsecured
Supplemental
Investment earnings
Rental charges

Total general revenues

Transfers, net

Change in net position

Net position-beginning of year

Net position-end of year

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
($1,208,699)		($1,208,699)
765,528		765,528
(443,171)		(443,171)
	$105,570	105,570
	1,650,987	1,650,987
	(2,732,974)	(2,732,974)
	4,598,069	4,598,069
	3,621,652	3,621,652
(443,171)	3,621,652	3,178,481
5,755,844		5,755,844
325,557		325,557
120,252		120,252
133,926	390,865	524,791
55,874	46,796	102,670
6,391,453	437,661	6,829,114
(13,334)	13,334	
5,934,948	4,072,647	10,007,595
81,235,699	307,548,351	388,784,050
$87,170,647	$311,620,998	$398,791,645

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2014
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2013

	Flood Protection Operations	Flood Protection and Drainage Development Impact Fee	Totals 2014	Totals 2013
ASSETS				
Current assets				
Cash in County treasury (Note 2)	$15,506,938	$39,510,690	$55,017,628	$64,906,791
Accounts receivable, net		2,036,927	2,036,927	807,367
Total assets	$15,506,938	$41,547,617	$57,054,555	$65,714,158
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	$246,671	$41,187	$287,858	$710,648
Total liabilities	246,671	41,187	287,858	710,648
FUND BALANCES (Note 6)				
Nonspendable:				
Encumbrances	649,473	472,350	1,121,823	2,601,224
Committed	14,610,794	41,034,080	55,644,874	62,402,286
Assigned				
Unassigned				
Total fund balances	15,260,267	41,506,430	56,766,697	65,003,510
Total liabilities and fund balances	$15,506,938	$41,547,617	$57,054,555	$65,714,158

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7
RECONCILIATION OF
GOVERNMENTAL FUNDS - FUND BALANCE
WITH THE GOVERNMENTAL ACTIVITIES
STATEMENT OF NET POSITION
JUNE 30, 2014

	2014
TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$56,766,697
Amounts reported for Governmental Activities in the Statement of Net position are different from those reported in the Governmental Funds above because of the following:	
CAPITAL ASSETS	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	30,403,950
NET POSITION OF GOVERNMENTAL ACTIVITIES	$87,170,647

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2013

	Flood Protection Operations	Flood Protection and Drainage Development Impact Fee	Totals	
			2014	2013
REVENUES				
Property taxes	$6,201,653		$6,201,653	$5,959,083
Intergovernmental revenues	64,318		64,318	61,578
Charges for services	57,142	$4,766,236	4,823,378	5,117,561
Interest and rentals	97,429	92,371	189,800	179,858
Other revenues	158,576	28,560	187,136	13,520
Total revenues	6,579,118	4,887,167	11,466,285	11,331,600
EXPENDITURES				
Salaries and employee benefits transferred from district-wide	2,235,984	299,795	2,535,779	2,631,352
Services and supplies	2,344,569	305,552	2,650,121	3,500,550
Equipment and capital structure	11,079,943	3,423,921	14,503,864	451,740
Total expenditures	15,660,496	4,029,268	19,689,764	6,583,642
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(9,081,378)	857,899	(8,223,479)	4,747,958
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(13,334)		(13,334)	
NET CHANGE IN FUND BALANCES	(9,094,712)	857,899	(8,236,813)	4,747,958
FUND BALANCES, BEGINNING OF YEAR	24,354,979	40,648,531	65,003,510	60,255,552
FUND BALANCES, END OF YEAR	$15,260,267	$41,506,430	$56,766,697	$65,003,510

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7
RECONCILIATION OF THE
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
WITH THE
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	2014
The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.	
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	($8,236,813)
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
CAPITAL ASSETS TRANSACTIONS	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
The capital outlay expenditures are therefore added back to fund balance	14,354,410
Depreciation expense is deducted from the fund balance	(182,649)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$5,934,948

See accompanying notes to financial statements

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ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7
FLOOD PROTECTION OPERATIONS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts Budgetary Basis	Positive (Negative)
REVENUES				
Property taxes	$5,979,557	$5,979,557	$6,201,653	$222,096
Intergovernmental revenue	54,690	54,690	64,318	9,628
Charges for services	3,000	3,000	57,142	54,142
Interest and rentals	128,100	128,100	97,429	(30,671)
Other revenue	35,000	35,000	158,576	123,576
TOTAL REVENUES	6,200,347	6,200,347	6,579,118	378,771
EXPENDITURES				
Salaries and benefits	2,100,065	2,100,065	2,235,984	(135,919)
Services and supplies	5,987,539	8,403,210	2,344,569	6,058,641
Equipment and capital structure	14,142,761	15,444,833	11,079,943	4,364,890
TOTAL EXPENDITURES	22,230,365	25,948,108	15,660,496	10,287,612
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(16,030,018)	(19,747,761)	(9,081,378)	10,666,383
OTHER FINANCING SOURCES (USES)				
Transfers (out)			(13,334)	13,334
NET CHANGE IN FUND BALANCE	($16,030,018)	($19,747,761)	(9,094,712)	$10,653,049
Fund balance, beginning of year			24,354,979	
Fund balance, end of year			$15,260,267	

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

ZONE 7

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2014

WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2013

	State Water Facilities	Water Enterprise Operations	Water Enterprise Capital Improvement Renewal & Replacement	Water Enterprise Capital Expansion
ASSETS				
Current assets:				
Cash in County treasury (Note 2)	$8,849,889	$30,246,734	$20,445,377	$32,306,197
Receivables, net		4,401,048		1,760,438
Prepaid deposits		90,000		
Total current assets	8,849,889	34,737,782	20,445,377	34,066,635
Noncurrent assets:				
Capital assets (Note 4), right of ways, water entitlements and construction in progress		73,279,176		
Improvements, net of depreciation		138,324,295		
Total noncurrent assets		211,603,471		
Total assets	8,849,889	246,341,253	20,445,377	34,066,635
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses		2,406,967	1,754,403	720,382
Deposits				
Line of Credit (Note 5)				
Compensated absences (Note 1J)		1,232,790		
Total current liabilities		3,639,757	1,754,403	720,382
Total liabilities		3,639,757	1,754,403	720,382
NET POSITION (Note 6)				
Net Investment in capital assets		211,603,471		
Unrestricted-designated for:				
Capital projects			18,690,974	33,346,253
Designated projects	8,849,889	31,098,025		
Total net position	8,849,889	242,701,496	18,690,974	33,346,253
Total liabilities and net position	$8,849,889	$246,341,253	$20,445,377	$34,066,635

See accompanying notes to financial statements

Water Facilities Trust	Water Supply and Reliability Trust	Totals 2014	Totals 2013
$3,611,924	$4,763,980	$100,224,101	$129,462,574
		6,161,486	10,452,447
		90,000	90,000
3,611,924	4,763,980	106,475,587	140,005,021
		73,279,176	58,959,521
		138,324,295	143,336,170
		211,603,471	202,295,691
3,611,924	4,763,980	318,079,058	342,300,712
		4,881,752	2,771,476
343,518		343,518	336,635
			30,500,000
		1,232,790	1,144,250
343,518		6,458,060	34,752,361
343,518		6,458,060	34,752,361
		211,603,471	202,295,691
		52,037,227	65,125,317
3,268,406	4,763,980	47,980,300	40,127,343
3,268,406	4,763,980	311,620,998	307,548,351
$3,611,924	$4,763,980	$318,079,058	$342,300,712

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2013

	State Water Facilities	Water Enterprise Operations	Water Enterprise Capital Improvement Renewal & Replacement	Water Enterprise Capital Expansion
OPERATING REVENUES				
Property taxes	$11,016,532			
Water sales		$35,616,588		
Intergovernmental revenue	79,667	300,199	$4,105	$1,759
Connection and development fees			402,268	21,570,977
Charges for services		2,443	495	
Other revenues	2,691,262	433,781		2,524,202
Total operating revenues	13,787,461	36,353,011	406,868	24,096,938
OPERATING EXPENSES				
Salaries, wages and benefits		13,895,496	1,487,230	402,790
Contractual services		2,945,938	12,921,746	3,028,489
Technology supplies		126,647		
Chemical purchases		1,788,873		
Water purchases	13,681,891	3,991,642		17,201,005
Water storage		705,050		1,344,102
Utilities		2,286,535	106	77
Maintenance and repairs		1,412,248	7,279	
Equipment and building rents		85,935	542,885	418,577
Other services and supplies		1,346,736	288,247	131,922
Risk management		335,047		
Depreciation (Note 4)		5,876,693		
Expenses capitalized		(48,729)	(12,107,651)	(3,028,093)
Total operating expenses	13,681,891	34,748,111	3,139,842	19,498,869
Operating income (loss)	105,570	1,604,900	(2,732,974)	4,598,069
NONOPERATING REVENUES				
Interest income and rental fees	102,034	133,203	50,850	131,709
Total nonoperating revenues	102,034	133,203	50,850	131,709
Income (loss) before transfers	207,604	1,738,103	(2,682,124)	4,729,778
Transfers in		15,149,078	8,500,000	
Transfers (out)		(8,500,000)	(12,107,651)	(3,028,093)
Change in net position	207,604	8,387,181	(6,289,775)	1,701,685
Net position, beginning of year	8,642,285	234,314,315	24,980,749	31,644,568
Net position, end of year	$8,849,889	$242,701,496	$18,690,974	$33,346,253

See accompanying notes to financial statements

Water Facilities Trust	Water Supply and Reliability Trust	Totals 2014	Totals 2013
		$11,016,532	$9,517,243
		35,616,588	38,130,264
		385,730	68,416
		21,973,245	27,483,527
		2,938	70,587
$46,087		5,695,332	5,766,715
46,087		74,690,365	81,036,752
		15,785,516	14,113,249
		18,896,173	5,538,789
		126,647	128,160
		1,788,873	1,777,427
		34,874,538	33,078,200
		2,049,152	3,496,894
		2,286,718	2,393,857
		1,419,527	1,312,559
		1,047,397	1,078,747
		1,766,905	1,915,595
		335,047	335,047
		5,876,693	5,827,294
		(15,184,473)	(2,125,163)
		71,068,713	68,870,655
46,087		3,621,652	12,166,097
8,567	$11,298	437,661	362,588
8,567	11,298	437,661	362,588
54,654	11,298	4,059,313	12,528,685
		23,649,078	8,986,359
		(23,635,744)	(8,986,359)
54,654	11,298	4,072,647	12,528,685
3,213,752	4,752,682	307,548,351	295,019,666
$3,268,406	$4,763,980	$311,620,998	$307,548,351

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2013

	State Water Facilities	Water Enterprise Operations	Water Enterprise Capital Improvement Renewal & Replacement
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$13,787,461	$39,936,287	$47,950
Connection and development fees			402,268
Payments to employees		(13,806,956)	(1,487,230)
Payments to suppliers	(13,681,891)	(15,155,154)	(52,478)
Net cash provided (used) by operating activities	105,570	10,974,177	(1,089,490)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in		15,149,078	8,500,000
Transfers (out)		(8,500,000)	(12,107,651)
Interest income	102,034	133,203	50,850
Cash flows from noncapital financing activities	102,034	6,782,281	(3,556,801)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property, plant, and equipment		(15,184,473)	
Principal retirement of long term debt			
Cash flows from (used for) capital and related financing activities		(15,184,473)	
Net increase (decrease) in cash and cash equivalents	207,604	2,571,985	(4,646,291)
Cash and investments at beginning of period	8,642,285	27,674,749	25,091,668
Cash and investments at end of period	$8,849,889	$30,246,734	$20,445,377
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$105,570	$1,604,900	($2,732,974)
Adjustments to reconcile operating income to cash flows			
Depreciation		5,876,693	
Changes in assets and liabilities			
Receivables		3,583,276	43,350
Accounts payable and accrued expenses		(179,232)	1,600,134
Compensated absences		88,540	
Deposits			
Net cash provided (used) by operating activities	$105,570	$10,974,177	($1,089,490)

See accompanying notes to financial statements

Water Enterprise Capital Expansion	Water Facilities Trust	Water Supply and Reliability Trust	Total 2014	Total 2013
$3,190,296	$52,970		$57,014,964	$52,452,950
21,570,977			21,973,245	27,483,527
(402,790)			(15,696,976)	(14,084,934)
(18,406,705)			(47,296,228)	(48,511,196)
5,951,778	52,970		15,995,005	17,340,347
			23,649,078	8,986,359
(3,028,093)			(23,635,744)	(8,986,359)
131,709	8,567	$11,298	437,661	362,588
(2,896,384)	8,567	11,298	450,995	362,588
			(15,184,473)	(2,471,702)
(30,500,000)			(30,500,000)	
(30,500,000)			(45,684,473)	(2,471,702)
(27,444,606)	61,537	11,298	(29,238,473)	15,231,233
59,750,803	3,550,387	4,752,682	129,462,574	114,231,341
$32,306,197	$3,611,924	$4,763,980	$100,224,101	$129,462,574
$4,598,069	$46,087		$3,621,652	$12,166,097
			5,876,693	5,827,294
664,335			4,290,961	(1,083,871)
689,374			2,110,276	418,916
			88,540	28,315
	6,883		6,883	(16,404)
$5,951,778	$52,970		$15,995,005	$17,340,347

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The Alameda County Flood Control and Water Conservation District – Zone 7 (the District) is a public corporation, organized and existing under the constitution and laws of the State of California. The District provides various services including the purchase, treatment and sales of water and the maintenance of flood control channels within the boundaries of its service area. The financial statements of the District have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for governmental accounting and financial reported purposes.

B. Basis of Presentation

Government-Wide Statements

The statement of net position and statement of activities display information about the primary government (the District). These statements distinguish between the *governmental* and *business-type activity* of the District. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from the business-type activity, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

When both restricted and unrestricted net position are available, restricted resources are used for qualified expenditures for capital improvement projects before any unrestricted resources are spent.

Fund Financial Statements

The fund financial statements provide information about the District's funds. The fund financial statements present all governmental funds and the water enterprise funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following governmental funds:

- The *Flood Protection Operations Fund* (200) is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District that are not accounted for through other funds.

- The *Flood Protection Drainage Development Impact Fee Fund* (210) is used for the acquisition, construction, engineering and improvement of the flood protection and /or storm water drainage elements of the Stream Management Master Plan of Zone 7, or to reduce the principal or interest of any bonded indebtedness thereof.

The District reports the following proprietary funds:

- The *State Water Facilities Fund* (110) is used for fixed State water charges and State water project bonded indebtedness.

- The *Water Enterprise Operations Fund* (100) account for enterprise operation and administration, emergency and support services, variable State water charges, water facilities maintenance and operation, water facilities, water resources and water supply planning.

- The *Water Enterprise Capital Improvement Renewal and Replacement Fund* (120) is used for improvement, renewal and replacement program.

- The *Water Enterprise Capital Expansion Fund* (130) is used for Water Enterprise capital expansion projects.

- The *Water Facilities Trust Fund* (300) is used for Chain of Lakes mitigation and planning reserve, quarry discharge exports, miscellaneous fees and deposits, and permit inspection deposits.

- The *Water Supply and Reliability Trust Fund* (310) is used for future water, water storage and Delta-related projects.

C. Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, benefit assessments and grants. On an accrual basis, revenues from property taxes and benefit assessments are recognized in the fiscal year for which the taxes and assessments are levied; revenue from grants is recognized in the fiscal year in which the grant revenue is received; and revenue from investments is recognized when earned.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property taxes benefit assessments, interest, grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences are recorded when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Enterprise Operations fund is the sale of water to outside customers. Operating expenses for the fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows the District defines cash and cash equivalents to include all cash and temporary investments with original maturities of three months or less from the date of acquisition, including restricted assets, and all pooled deposits.

E. Receivables

Accounts receivable arise from billings to customers for water and certain improvements made to customers' property. Uncollectible amounts from individual customers are not significant.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets

Capital assets are those purchased or acquired with a useful life greater than one year and an original cost greater than $250,000 for infrastructure, buildings, building improvements, land improvements and software. The District capitalizes equipment and land with a useful life greater than one year and an original cost greater than $5,000. These assets are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

Capital Assets	Useful Life
Treatment plants	40 years
Treatment plants improvements	10 - 40 years
Sludge drying ponds	40 years
Pipeline	40 years
Equipment	3-10 years
Reservoir	40 years
Office building	40 years
Wellfields	40 years
Flood control channels	100 years
Rights of way	Indefinite
Water entitlement	Indefinite

G. Budgets and Budgetary Accounting

Formal budgets are employed as a management control during the year for the Funds.

Budgets for the Governmental Funds are prepared to include encumbrances at year end. Budget comparisons presented are on this Non-GAAP budgetary basis.

H. Encumbrances – Governmental Fund Financial Statements

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the Flood Protection Operations Fund and Flood Protection Drainage Development Impact Fee Fund. Encumbrances at year end are reported as reservation of fund balances since they do not constitute expenditures or liabilities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Property Taxes

The District receives property taxes from Alameda County. The District recognizes property taxes as revenue in the fiscal year of levy, based on the assessed value as of September 1 of the preceding fiscal year. They become a lien on the first day of the year they are levied. Secured property tax is levied on September 1 and due in two installments, on November 1 and March 1. They become delinquent on December 10 and April 10, respectively. Unsecured property taxes are due on July 1, and become delinquent on August 31. The District elected to receive the property taxes from the County under the Teeter Bill. Under this program the District receives 100% of the levied property taxes in periodic payments, with the County assuming responsibility for delinquencies.

J. Compensated Absences

The District's policy allows employees to accumulate earned but unused vacation and overtime compensation, subject to a vesting policy. The cost of vacation is recorded in the period it is earned. The District will recognize accrued vacation to the maximum of vacation earned during the preceding two years prior to separation of service. Accumulated employee sick leave benefits are not recognized as liabilities of the District, as these benefits do not vest with the employee. Therefore, sick leave is recorded as an expenditure in the period that the benefit is taken. As of June 30, 2014, the balance of compensated absences is $1,232,790.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

The District's cash and investments is controlled and invested by the Alameda County Treasurer. Investments are stated at fair value as required by generally accepted accounting principles. Pooled investment earning are allocated by the Treasurer to each fund based on the cash and investment balances in these funds at the end of each accounting period. At June 30, 2014, the District's cash and investments amounted to $155,241,729 of which $55,017,628 and $100,224,101 were reflected in the District's Governmental and Business-Type Activities, respectively. The composition of the County investment pool can be found in the Alameda County Treasurer's Investment Pool Market Value Report as of June 30, 2014, however the majority of the Pool is comprised of collateralized securities (Treasury Notes, Bills, Federal Agencies and Commercial Paper).

NOTE 3 – INTERFUND TRANSFERS

Transfers during the fiscal year ended June 30, 2014, comprised of the following:

Fund Making Transfer	Fund Receiving Transfers	Amount Transferred	
Governmental Fund			
Flood Protection Operations	Water Enterprise Operations	$13,334	**(A)**
Enterprise Funds:			
Water Enterprise Operations	Water Enterprise Capital Improvement Renewal & Replacement	8,500,000	**(B)**
Water Enterprise Capital Improvement Renewal & Replacement	Water Enterprise Operations	12,107,651	**(C)**
Water Enterprise Capital Expansion	Water Enterprise Operations	3,028,093	**(C)**
		$23,649,078	

(A) Transfer to fund vehicle replacement.
(B) Transfer to fund capital improvements.
(C) Transfer of completed construction projects and other fixed assets.

NOTE 4 – CAPITAL ASSETS

A. Summary

The following is a summary of capital assets as of June 30, 2014:

Governmental Activities	Balance at June 30, 2013	Additions	Balance at June 30, 2014
Capital assets not being depreciated:			
Rights of way	$6,875,550	$13,112,378	$19,987,928
Construction in progress	2,113,271	1,242,032	3,355,303
Total capital assets not being depreciated	8,988,821	14,354,410	23,343,231
Capital assets being depreciated:			
Flood control channels	9,939,359		9,939,359
Total capital assets being depreciated	9,939,359		9,939,359
Less accumulated depreciation for:			
Flood control channels	2,695,991	182,649	2,878,640
Total accumulated depreciation	2,695,991	182,649	2,878,640
Net capital assets being depreciated	7,243,368	(182,649)	7,060,719
Governmental activity capital assets, net	$16,232,189	$14,171,761	$30,403,950

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT – ZONE 7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 4 – CAPITAL ASSETS (Continued)

Business-Type Activities	Balance at June 30, 2013	Additions and Transfers	Retirements	Balance at June 30, 2014
Capital assets not being depreciated:				
Rights of way	$1,277,897	$6,899,236		$8,177,133
Water entitlements	36,655,364			36,655,364
Easements	1,350,090			1,350,090
Construction in progress	19,676,170	7,420,419		27,096,589
Total capital assets not being depreciated	58,959,521	14,319,655		73,279,176
Capital assets being depreciated:				
Equipment	3,174,898	321,062	$34,132	3,461,828
Treatment plants	106,522,163	543,756		107,065,919
Office building	1,264,251			1,264,251
Reservoir	1,934,197			1,934,197
Pipelines	52,670,181			52,670,181
Wellfields	26,435,329			26,435,329
Supervisory Control and Data Acquisition project	9,704,664			9,704,664
Other infrastructure	487,550			487,550
Total capital assets being depreciated	202,193,233	864,818	34,132	203,023,919
Less accumulated depreciation for:				
Equipment	2,646,025	228,311	34,132	2,840,204
Treatment plants	34,439,311	3,116,660		37,555,971
Office building	816,738	31,606		848,344
Reservoir	957,641	48,355		1,005,996
Pipelines	11,428,263	1,293,456		12,721,719
Wellfields	4,385,690	660,883		5,046,573
Supervisory Control and Data Acquisition project	4,124,482	485,233		4,609,715
Other infrastructure	58,913	12,189		71,102
Total accumulated depreciation	58,857,063	5,876,693	34,132	64,699,624
Net capital assets being depreciated	143,336,170	(5,011,875)		138,324,295
Business-Type activity capital assets, net	$202,295,691	$9,307,780		$211,603,471

NOTE 4 – CAPITAL ASSETS (Continued)

B. Construction in Progress

Construction in Progress at June 30, 2014 comprises the following projects:

Governmental Activities

Projects	
Arroyo Mocho-Stanley Reach	$2,254,536
Cope Lake Slope Repair (50%)	935,692
Arroyo Las Positas Improvements	165,075
Total	$3,355,303

Business-Type Activities

Projects	
Altamont Water Treatment Plant (AWTP) - Site Acquisition and Raw Water	$15,524,166
Del Valle Water Treatment Plant (DVWTP) Superpulsator Rehabilitation	2,792,178
Altamont Water Treatment Plant	1,334,628
DVWTP Sludge Handling Improvement	1,142,877
Cope Lake - Lake I Pipeline	1,387,459
Chain of Lakes Well 5	1,726,490
Cope Lake Slope Repair (50%)	935,692
DVWTP Caustic Soda System	612,894
Altamont Pipeline - County Reach	592,392
Arroyo Mocho/Lake H Diversion	350,613
Patterson Pass Water Treatment Plant (PPWTP) Ultra Filtration Clarifier Corrosion Control Improvements	347,073
Mocho Groundwater Demin Plant Concrete Sump Pump Replacement	103,448
Busch Valley Well 1	127,194
PPWTP Ferric Chloride and Caustic	58,950
DVWTP 4.5 MG Clearwell Recoat	49,689
DVWTP Aqua Ammonia Facility	10,846
Total	$27,096,589

NOTE 5 – LINE OF CREDIT

On January 15, 2008, the District signed an installment sale agreement with the Municipal Finance Corporation and Wells Fargo Bank for a tax-exempt revolving line of credit in the amount of $60,000,000 due January 1, 2014. Effective January 19, 2011 the Board approved reducing the line to a maximum amount of $30,500,000. During the fiscal year ending June 30, 2014, the District paid off the credit line.

NOTE 6 – NET POSITION AND FUND BALANCES

Net Position

Net Position is the excess of all the District's assets over all its liabilities, regardless of fund. Net Position are divided into three captions under GASB Statement 34. These captions apply only to Net Position and are described below:

Net investment in capital assets describes the portion of Net Position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position, if any, which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and fees charged for the provision of future water resources.

Unrestricted describes the portion of Net Position which is not restricted to use.

Fund Balance

Governmental fund balances represent the net current position of each fund. Net current positions generally represent a fund's cash and receivables, less its liabilities.

The District's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions,* which requires the District to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the District prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for resale are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

NOTE 6 – NET POSITION AND FUND BALANCES (Continued)

Restricted fund balances, if any, have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the Board of Directors which may be altered only by formal action of the Board of Directors. Encumbrances and nonspendable amounts subject to Board commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Board of Director or its designee and may be changed at the discretion of the Board of Directors or its designee. This category includes encumbrances; nonspendables, when it is the District's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual fund balance and residual fund deficits, if any, of other governmental funds.

NOTE 7 – RETIREMENT PLAN

All qualified permanent employees participate in the Plan. Members are eligible to retire at age 50 with ten years of service, at age 70 regardless of years of service or at any age with thirty years of service. A year of qualifying service equals one year of full time employment.

The Plan requires participants in Tier 1 to contribute from 7.46%-14.59% of their salary of which the District contributes up to 19.58%. The Plan requires participants in Tier 2 to contribute from 5.08%-10.39% of their salary of which the District contributes up to 18.66%. Contributions necessary to fund the Plan on an actuarial basis are determined by the Alameda County Employees Retirement Association.

The California Public Employees' Pension Reform Act (CalPEPRA) of 2013 (AB340) was passed on September 12, 2012 and became effective on January 1, 2013. It affects new members who enter the plan on or after January 1, 2013. New plan provisions include new benefit formulas, a limit on pensionable income, 3-year final average salary, and new cost sharing by members. A new Tier 4 has been created for members covered under AB340. The Plan requires participants in Tier 4 to contribute 8.12% of their salary of which the District contributes up to 17.75%.

The actuarial accrued liability presented below was computed as part of an actuarial valuation performed as of December 31, 2013, which is the latest actuarial valuation available. Significant actuarial assumptions used in the valuation include (a) investment rate of return of 7.8%, (b) projected salary increases of 4.6%-7.2% per year reflecting 3.50% for inflation and .50% across the board, and (c) cost of living adjustments of 3% for Tier 1 and 2% for Tier 2 and Tier 4. The Plan uses the Entry Age Cost Method with a supplemental present value. The amortization period for the supplemental present value is 24 years, with 19 years remaining from January 1, 2012. The Plan uses the level percent of projected payroll method to amortize the unfunded actuarial accrued liability (22-year declining).

NOTE 7 – RETIREMENT PLAN (Continued)

The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the actuarial accrued liability.

In valuing Plan assets used in determining funding status, the actuary spreads realized and unrealized gains and losses over 5 years.

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Plan wide trend information may be found in the Association's Annual Reports.

Annual contributions paid by the District to the Plan are equal to the annual required contributions which were as follows:

Fiscal Year	Employee	Employer	Total
2011-2012	$689,817	$2,688,349	$3,378,166
2012-2013	701,287	2,818,583	3,519,870
2013-2014	749,151	3,251,299	4,000,450

NOTE 8 - POST EMPLOYMENT BENEFITS OTHER THAN RETIREMENT

The District, through the County of Alameda (County), is a participant under the Alameda County Employees' Retirement Association's (ACERA) plan for other post employment benefits as established by the California Legislature under Article 5.5 of the County Employees Retirement Law of 1937. Retired employees from the District receive a monthly medical allowance toward the cost of their retiree health insurance from the Supplemental Retiree Benefit Reserve (SRBR). The SRBR is a funded trust that receives 50% of the investment earnings that are in excess of the target investment return of the ACERA pension fund. The District funds the premiums for current active employees while ACERA funds the premiums for retirees.

As the underlying cost for non-Medicare eligible retirees is higher than the blended average of actives and non-Medicare eligible retirees, there is an implicit subsidy inherent in the cost allocation process. GASB 45 requires employers using a blended rate for active and non-Medicare eligible retirees to recognize the implicit subsidy liability.

The SRBR is used to fund these benefits for eligible retirees, including retirees from the County and other employers who contribute to the ACERA pension fund, including the District. Accordingly, the District believes it has already accounted for the payments to be made from the SRBR indirectly through its pension contributions and therefore the District's only GASB 45 liability is for the implicit subsidy. Furthermore, as the Board of Retirement cannot make payments to retirees after the SRBR is exhausted, the liability for these benefits is capped at the amount of SRBR assets, therefore, the unfunded liability for these benefits is, by definition, zero.

NOTE 8 - POST EMPLOYMENT BENEFITS OTHER THAN RETIREMENT (Continued)

The funding of these benefits is limited to investment earnings to a special reserve allocated in accordance with the statute. The Board of Retirement has no authority to demand funding from employers or member participants to fund these benefits. If these reserves were depleted, benefits provided by the program will cease. Under the current actuarial assumptions it is anticipated that the reserves will be sufficient to fund the program through the year 2028 based on the December 31, 2013 valuation. Because of the limitations on the Board of Retirement's ability to provide these benefits, this program is considered to be 100% funded through 2028.

NOTE 9 - INSURANCE

The District is self-insured for claims under the County of Alameda self-insurance/excess insurance program. The County is a member of the California State Association-Excess Insurance Authority (CSAC-EIA), a California Counties Joint Powers Authority whose purpose is to develop and fund programs of excess and primary insurance for its member counties.

Type of Coverage	Coverage Limit	Self-Insured/Deductible
General Liability, including Auto Liability	$35,000,000	$1,000,000
Workers' Compensation	Statutory Limit	3,000,000
Property	600,000,000	50,000
Crime	10,000,000	2,500
Pollution	10,000,000	500,000

NOTE 10 - COMMITMENT AND CONTINGENT LIABILITIES

A. Litigation

The District is a defendant in a number of lawsuits, which have arisen, in the normal course of business including challenges over certain rates and changes. The ultimate outcome of these matters is not presently determinable. In the opinion of the District, these actions when finally adjudicated will not have a material adverse effect on the financial position of the District.

B. Other Contingencies

In June, 2006, the District entered into a Water Banking and Exchange Program with Cawelo Water District. The District's capital cost is approximately $19,000,000 to be financed by 30-year revenue bonds issued by Cawelo. In addition, the District will pay for transportation of the water to and from the banking site. No payment for transportation of water was made for the year ended June 30, 2014.

In compliance with California Environmental Quality Act (CEQA), the District implemented the "Modified Near-Term Project" (the Project), as identified in the Final Environmental Impact Report for the Water Supply Planning Program. The District entered into the following contracts to implement the Project:

NOTE 10 - COMMITMENT AND CONTINGENT LIABILITIES (Continued)

A) Effective January 1, 1999, a 15-year agreement with Byron-Bethany Irrigation District to purchase up to 5,000 acre-feet of water per year, with a minimum of 2,000 acre-feet per year available for the District, and a minimum payment of $90,000 per year. This agreement has been amended to extend through December 31, 2030.

B) Commencing January 1, 2000, the purchase and permanent transfer of 15,000 acre-feet of State Water Project entitlements from the Lost Hills Water District for a purchase price of $15,000,000 and assumption of State Water Project "fixed costs" of approximately $900,000 per year.

C. Lease Obligation

On June 4, 2003, the District executed a lease-buy-option agreement with a developer to build a new administrative-engineering building in Livermore, California. The agreement calls for a 15 year escalating operating lease, with annual rents to start at $986,831 to $1,302,133 through year 15, with a purchase option of $12,153,000. Occupancy started February 19, 2005. For the fiscal year ended June 30, 2014, the District paid $1,165,901. A schedule of future rents is as follows:

For the Year Ending June 30	Lease Obligation
2015	$1,189,198
2016	1,212,958
2017	1,237,241
2018	1,262,026
2019	1,287,173
2020-2021	759,577
Totals	$6,948,173

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT – ZONE 7

MEMORANDUM ON INTERNAL CONTROL AND REQUIRED COMMUNICATIONS

FOR THE YEAR ENDED JUNE 30, 2014

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ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT – ZONE 7
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS

For the Year Ended June 30, 2014

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MAZE & ASSOCIATES

MEMORANDUM ON INTERNAL CONTROL

Board of Directors
Alameda County Flood Control and Water
Conservation District – Zone 7
Livermore, California

We have audited the financial statements of the Alameda County Flood Control and Water Conservation District – Zone 7 (the District) for the year ended June 30, 2014, and have issued our report thereon dated October 22, 2014. In planning and performing our audit of the financial statements of the District as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, Board of Directors, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

Pleasant Hill, California
October 22, 2014

Accountancy Corporation
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REVIEW DRAFT 12/10/2014

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MAZE & ASSOCIATES

REQUIRED COMMUNICATIONS

Board of Directors
Alameda County Flood Control and Water
Conservation District – Zone 7
Livermore, California

We have audited the basic financial statements of the Alameda County Flood Control and Water Conservation District – Zone 7 (the District) for the year ended June 30, 2014. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards.

Significant Audit Findings

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are included in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year.

The following pronouncement became effective, but did not have a material effect on financial statements.

GASB 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements are depreciation and claims liability.

Management's estimate of depreciation is based on the estimated useful lives of the capital assets and its estimate of claims is based on the District Attorney's estimates of current and potential litigation. We evaluated the key factors and assumptions used to develop the depreciation expense and claims liability and reviewed the current actuary study and determined that they are reasonable in relation to the basic financial statements taken as a whole.

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Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all/certain such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated October 22, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

Other Information Accompanying the Financial Statements

With respect to the required supplementary information accompanying the financial statements, we applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not express an opinion nor provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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This information is intended solely for the use of the Finance Committee, Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Pleasant Hill, California
October 22, 2014

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SUMMARY NOTES OF THE FINANCE COMMITTEE
ZONE 7 BOARD OF DIRECTORS

December 8, 2014
4:00 p.m.

Directors present: Sandy Figuers
Angela Ramirez Holmes
Sarah Palmer

Staff present: Kurt Arends, Assistant General Manager, Engineering
Margaret Chun, Accounting Manager
Judy Rector, Board Secretary

Director Figuers called the meeting to order at 4:05 p.m.

1. Public Comment – Letter from Margaret Tracy

Margaret Tracy presented copies of her letter to the Finance Committee and the public regarding contamination in groundwater. She asked the Finance Committee members if there is action reflected in the financial report (audit) to remove the contamination and when will it occur?

2. Annual Financial Statements for Year Ending June 30, 2014 and Auditor's Reports

Margaret Chun, Accounting Manager, introduced David Alvey and Tim Krisch from Maze and Associates with the annual financial audit for the year ending June 30, 2014. Ms. Chun stated that the purpose of the meeting is for the auditors to answer questions.

Director Palmer asked that the auditor put their company name on the Independent Auditor's Report. The final version will be on letterhead but this is a draft.

Director Ramirez Holmes asked Mr. Krisch and Mr. Alvey to present an overall highlight and walk the Committee through the process. Mr. Krisch said the purpose of an audit is to 1) verify or confirm that the financial statements are fairly stated and materially correct – the numbers are accurate; and 2) test internal controls. The Board hired the auditors to verify that the policies and procedures the Board has adopted are being followed by management and staff. The primary areas they look at are cash receipts, cash disbursements and payroll. They are testing these areas against policies adopted by prior boards. The auditors' determined that the agency will receive an unmodified opinion, which was called an unqualified opinion in the past. It is a clean opinion, the highest level of assurance auditors' can issue for an organization, and it is extremely positive and good news. As far as internal control testing, the auditors' found no material weaknesses or significant deficiencies, nor do they have any other subject matter that they want to elevate to management or the Board that should be considered from an operational standpoint that may or may not impact finances.

Director Ramirez Holmes asked the auditors to walk the Committee members through some of the numbers because they are presented differently than what the Committee members are used to seeing. Mr. Krisch noted that the format is mandated by the Government Accounting

Standards Board (GASB) and presents the results of what transpired in the past year. The Management Discussion and Analysis is highlighting the changes between the fiscal years ending June 30, 2013 and June 30, 2014.

The variances between what Finance sees and what the Board sees on a regular basis is typically at the fund level. Mr. Krisch recommended concentrating on the fund level for governmental funds as this is the type of information the Board has been receiving throughout the course of the year and is what the budget is based on prior to entering into a new fiscal year.

Mr. Krisch directed the Committee members to Page 19 of the report to see how actual results compare to budget. The Flood Protection Operations fund results came in much more favorably than budgeted because property taxes were higher than anticipated, and actual expenditures were less than projected. Director Ramirez Holmes asked about the $10 million variance in Flood Protection expenditures and the approved budget. Ms. Chun said that actual maintenance activities related to storm damage were much less than anticipated due to a light storm season.

Director Ramirez Holmes asked if there is a summary page like page 19 for the other funds and was told there isn't one because GASB requires budget to actual reporting for governmental funds only. Mr. Krisch said it is not a requirement to do it for enterprise funds but could be done for supplementary information. Director Palmer requested that it be done in the future.

Ms. Chun said there were no budget-to-actuals reports in previous audits except for the governmental funds. Director Ramirez Holmes asked if it was titled differently and Ms. Chun replied that when the financial software was changed and updated, the names of the funds were changed to be more descriptive; the same reports are included in the audit document, but the fund names were revised. Director Ramirez Holmes asked if Ms. Chun could run budget-to-actuals for the Committee members and have it ready by the next board meeting as a supplement to the agenda item. Mr. Arends asked for clarification. The Committee requested budget-to-actual reports for all operating and capital funds such as 100, 110, 120, 130 and 210, but staff will start specifically with Fund 100 and progress from there based on available time.

Director Figuers asked if the actual fund number could be put in the title because the name of the fund changes but the fund number would remain the same. Ms. Chun said that for the fiscal year ending June 30, 2014, the names and the numbers were both changed. Director Ramirez Holmes suggested a footnote reference guide to help them clearly understand. Director Figuers also noted that on the left hand side there is a listing of what each line is and asked if it could also be put on the far right hand side to assist them with staying on the correct line when the information is spread over two pages.

He also asked for a note saying "negative for revenue" or revenue/expenses because it is not clear.

Director Ramirez Holmes said if a summary like Page 19 was included for all funds, variances such as the $10 million variance between the Flood Protection Operations fund budget and actual expenditures would be reported. Changes to the report would be evaluated given the short turnaround to finalize the report.

Mr. Krisch changed from discussing governmental funds to proprietary funds and the change in net position. He repeated that it is a summary of what the position is of the district in assets and liabilities as of June 30, 2014, one date in time and the end of the fiscal year. He then noted the net position of sources and uses of the funds, what were the revenues collected as far as operating and non-operating, and what were the operating expenses and any non-operating expenses broken down by fund.

Director Figuers asked Ms. Chun to create a list of capitalized projects that show up as part of the $18 million and it was explained that Page 8 of the Basic Financial Statements had an explanation of capital assets and debt administration. Director Palmer asked if bullets could be used in the future.

Director Figuers said that last year the Committee had requested that if there were variances of 10% or more that they be listed separately as it saves the Committee members time if they can get a list of them rather than flipping pages.

Director Ramirez Holmes added that the Committee members had asked the auditors last year for an opinion on what percentage would be viewed as a signal for budget variance control and recalled that 5% was suggested. Committee members asked last year if that should be put into a policy and were told no because those things will be called out and come back to the Board but now she feels it will have to be put into the policies. Ms. Chun asked if they were looking for that information in terms of a staff report that would go along with the audit and was told yes, along with any other variance items that were in the report or other instances which would have triggered that variance control. Director Figuers agreed and asked if they could have a one-or-two sentence explanation of why the variance occurred, such as drought projects, because the information is scattered throughout the audit. Director Ramirez Holmes added that the discussion at the last audit meeting was that when they see a jump in a budget area, it should not be a surprise to them and often it is because they do not know in advance that it is coming so it jumps out at them.

Mr. Krisch said it is up to Committee members what level of detail they want within the confines of their audit report and that further analysis and detail of the fiscal year activities could be included in the Management Discussion and Analysis, which is an executive summary of what went on throughout the year. Last year there was discussion about quarterly budget actual information and the auditors do their analytical review by taking total assets and revenue and averaging them within 5% to 10%; if something stands out, they question why. He recommended that if Committee members wanted to do that on a quarterly basis he recommended putting it into the policy. Director Figuers said he supports 10% so it highlights the bigger variances.

Director Ramirez Holmes asked if there is a specific number for Zone 7's unfunded liability. Mr. Krisch said they would have to get it from Alameda County Employees Retirement Association but that reporting requirements are changing as of June 2015. He believes it is part of the County number as a whole, will be called Net Pension Liability, and that information will be available in the future. She then asked if there would be any changes the auditors would recommend to the Finance Committee to improve the Board's oversight in terms of policy. The auditors said they would like to develop a timeline for developing communication and possibly a workshop with the Finance Committee.

Mr. Krisch said the auditors are looking at the financial health of an entity, how well the Board, management and staff are doing, what is the overall environment (the culture of the organization), and he described ways to measure the results of their internal control testing and if the internal controls the Board has adopted are being followed.

Director Palmer stated that despite a few suggestions by the Committee members, she thought the audit was fair.

Ms. Chun said she thought the Monthly Report was designed to help answer the Board's questions. Director Ramirez Holmes said the Monthly Report is helpful but the concern is that the Board members never see the budget to actuals when the fiscal year is done and by the time they catch the call-out details, it is months later. It was suggested that a quarterly summary would be beneficial Director Ramirez Holmes said a format like Page 19 with a footnote explanation is what they want.

Mr. Arends asked if the Committee supports bringing the audit to the Board next week and was told yes. He said it is a clean audit and many questions had to do with budget and budget tracking. The Committee members commended staff for doing a nice job.

3. Verbal Reports

Director Ramirez Holmes said there had been discussion in the recent past about setting a regular meeting date and time for the Finance Committee which could be cancelled if not needed. In January, she would like the Committee members to look at a 2015 calendar to figure out a work plan for the Committee with a regular meeting date and time. Director Palmer asked if the Finance staff could provide the markers such as water rates, budget or audit. The directors agreed that at the next meeting, Finance and Accounting staff can tell them what the upcoming items are, and by what dates they need to be reviewed.

Director Figures proposed another agenda item to find out the history of reserve levels. Staff created the actual dollar amounts for the reserve levels and they were approved by the Board but he has no idea how those dollar amounts were decided or if there are records of how those amounts were decided. This is Step 1 of looking at the policy. Mr. Arends said some reserve levels are based on a percentage and Director Figuers asked how that percentage was determined, the process of creating those reserve levels.

Director Ramirez Holmes asked and was told that the topics of the January 8 Finance Committee meeting will be operating budget process and the FY 15-16 development process. Mr. Arends said it is an attempt to touch base early in the budget process and the Directors responded favorably.

4. Adjournment

Since there were no further issues or comments, the meeting was adjourned at 5:05 p.m.

12/17/14 Board written/narrative comments by Dick Quigley

Nov 20-21 Attended ACWA Board meeting in Sacramento; roll out of Technical Resources Policy for ACWA owned computers, phones or equipment. Overview of Prop 1 funding competition, groundwater legislation and fall conference highlights.

Dec 1-5 participated at ACWA Fall Conference "Moment of Truth-One State, One Water Future." It was the best conference I have had the pleasure of attending to date! California and Australia's epic droughts and the passage of Proposition 1 – the $7.5 billion water bond – were among the myriad of topics being addressed at ACWA's Fall Conference & Exhibition in San Diego.

Themed "Moment of Truth: One State, One Water Future," the event at the Manchester Grand Hyatt brought about 1830 water leaders together to listen to, or participate in, expert panels and discussions on topics ranging from the California's drought to the landmark groundwater legislation passed this year by the Legislature.

Senate President Pro Tempore Emeritus Darrell Steinberg delivered the opening day keynote address and praised ACWA for its role in legislative discussions this year that helped build consensus around water policy issues. Bette Boatmun, former ACWA President and long-time member of the Contra Costa Water District Board of Directors, was awarded ACWA's Emissary Award – for her contributions to California's water world. DSRSD was honored with an outreach award, and the "Best in Blue Award" went to the Cucamonga Valley Water District for its community tours program. The communications committee lead by Sue Stephenson envisions taking the community tours program to another level with a community water leaders academy. More than 80 programs, panel discussions, business meetings and other sessions examined a wide range of issues important to ACWA members to keep up to the date on the latest developments in California water. Topics include everything from water conservation to water storage to groundwater managers to the water-energy nexus.

On Thursday, BB&K water attorney Eric Garner will put 2014's landmark groundwater legislation in context during a lunchtime address. He gave us a historical water law perspective and vision on how the statute will change the way water is managed in California.

On Friday, State Treasurer Bill Lockyer and Tony Krvaric, vice chair of the California Republican Party and chair Republican Party of San Diego County, shared thoughts of the November 2014 elections and what they mean for California and the nation.

I was privileged to attended the following sessions; Water Management committee, Ground water committee, JPIA, "Future of Health Care" briefing, Local Government Committee, Attorney-Statewide Issue Programs 1) "Is Sustainable Obtainable?" and 2) "The Future of Water Transfers After the 2014 Drought." Our own David Aladjem was on both panels and did a GREAT job! A Statewide Issue Forum "Making Every Drop Count: The Future of Water Storage in Calf" was very interesting as I was able to visit with panelists one on one. A Region 8 Issue Forum "Navigating Success: A Road Map to Implementing Indirect Potable Reuse Projects" was very informative. Staff and board members from many of our neighboring agencies were on hand to visit with. Dined one evening with the new ACWD GM and a number of his board. Tom Pico from Zone 7 staff attended as did Carl Morrison who shared Sue Stephenson's Communications Report at the Region 5 breakout session late Thursday. I must say this ACWA conference was the best I have attended in terms of valuable content. Thanks Zone 7 Board & Staff for allowing me to represent you at ACWA. I would like to represent Zone 7 in late February at the annual Washington D.C. conference and am seeking your support.

Let me know if you have any questions or suggestions. Thanks, DQ

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
100 NORTH CANYONS PARKWAY • LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

ORIGINATING DIVISION: ADMINISTRATIVE SERVICES
CONTACT PERSON: JAVIA GREEN/TAMARA BAPTISTA

AGENDA DATE: December 17, 2014 ITEM NO. **11a**

SUBJECT: **Monthly Budget Report**

SUMMARY:

This report provides a summary of FY 14/15 budget performance and explanations of any major variances for the period July 1, 2014 through November 30, 2014.

The following provides explanations and additional details concerning this report:

The period of July 1, 2014 through November 30, 2014 is reported herein, which is approximately 42% of the fiscal year or five months. However, Zone 7's revenue and expense cycles do not follow this pattern. 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 November, we typically expect anywhere between 27-33% of the budget has been used, representing only about four months (33%) of expenses rather than five. This is because services rendered/goods purchased in November would typically be billed and paid for in December. Other variations are due to the as-needed and seasonal nature of expenses.

The FY 14/15 Budget shown is the amended budget, which includes any additional Board-approved appropriations, prior-year encumbrance carryovers and unspent capital project balances carried forward to this fiscal year.

The attached Fund Equity Changes Report details year-to-date changes in fund balance by fund type and category. Note the overall fund balance of the Proprietary Fund Category (Water Enterprise Funds), decreased by $14.5M. This is primarily due to the timing differences between the receipt of property tax/connection fee revenue and DWR payments for fixed costs, which are the bulk of Fund 110 and 130 expenses.

The information in the following tables summarizes, by fund, the attached Annual Budget by Account Classification Report.

Water Enterprise Fund – Fund 100 (formerly Fund 52):

Category	FY 14/15 Budget	FY 14/15 YTD Actual	FY 14/15 % Used/Received
Revenue	$ 34,461,062	$ 10,912,728	32%
Expenses	$ 50,157,219	$ 12,941,783	26%

This fund provides financing for the acquisition and conveyance of raw water, treatment and delivery to the Zone 7 service area. The main source of revenue for this fund is water sales. FY 14/15 YTD revenue is primarily from the sale of 10,641 acre-feet of treated water through October 2014. The month of October 2014 treated water sales of $2.6M are 84% of the October 2013 (pre-drought) amount of $3M. November 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. Other revenue is from grant proceeds and DWR refunds; both are greater than the budget estimates.

YTD expenses include the first quarter transfer to Fund 120, water production costs, maintenance, miscellaneous services/supplies and memberships and dues. While imported water purchases are low, utility and chemical costs are slightly ahead of budget because Zone 7 has pumped more groundwater this summer and used higher dosages of chemicals to deal with source water quality issues. Rental expenses are significantly less than budget because the planned use of portable generators for the wells during the drought hasn't occurred, to date. Organizational memberships are high, since the majority of them are due at the beginning of the fiscal year.

State Water Facilities Fund – Fund 110 (formerly Fund 51)**:**

Category	FY 14/15 Budget	FY 14/15 YTD Actual	FY 14/15 % Used/Received
Revenue	$ 14,060,937	$ 499,716	4%
Expenses	$ 14,227,251	$ 7,777,100	55%

This is a pass-through fund for fixed charges associated with the State Water Project, assessed as a property tax override. The first installment of property tax payments is not usually received until November or December. YTD revenue is from DWR refunds. YTD expenses reflect payments to DWR for fixed costs. 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, so expenses of about 55% of budget and lower revenues are anticipated.

Water Renewal/Replacement & System-Wide Improvements – Fund 120 (formerly Fund 72):

Category	FY 14/15 Budget	FY 14/15 YTD Actual	FY 14/15 % Used/Received
Revenue	$ 13,129,324	$ 3,444,780	26%
Expenses	$ 11,751,032	$ 3,041,669	26%

This fund pays for capital projects addressing the replacement and improvement of the current water treatment and delivery system. The primary source of funding is a quarterly transfer from Fund 100 – Water Enterprise; the first quarter transfer has been posted. Other revenue is from the sale of plans and specifications, grant proceeds and Dougherty Valley Facility Use Fees. FY 14/15 YTD expenses reflect capital project expenses such as a portion of the Chain of Lakes Well 5 costs, DVWTP Superpulsator Rehabilitation, the Chemical Systems/Parking Lot Improvements and Filter 1 Media Replacement projects at DVWTP, PPWTP Ferric Chloride & Caustic Improvement project, and this fund's share of the North Canyons Building Lease. Capital project expenses are tied to construction schedules. Projects related to the existing treatment facilities are typically done during the fall and winter when water demands are lower, and plant flows can be reduced or interrupted to facilitate construction.

Water Expansion – Fund 130 (formerly Fund 73):

Category	FY 14/15 Budget	FY 14/15 YTD Actual	FY 14/15 % Used/Received
Revenue	$ 22,042,020	$ 6,620,508	30%
Expenses	$ 21,433,029	$ 12,260,999	57%

This fund is intended to provide funding for new facilities and supplies to meet the demands of new development, many of them fixed (i.e., bond payment obligations for debt incurred by others). The primary source of revenue is connection fees. YTD revenue is primarily comprised of connection fee revenue from 282 connections. Since July 1, 2014, 102 connection fee credits have been used totaling $2.5M, while 347 credits remain outstanding, valued at $8.3M at the 2014 connection fee level (see Chart 1 attached). FY 14/15 YTD expenses reflect this fund's portion of capital project expenses such as Chain of Lakes Well 5 costs and the SBA Improvement and Enlargement debt service payment ($9.8M). The SBA payment is made twice a year (March and September), with September always being the higher payment per the DWR debt service schedule.

Flood Protection Operations – Fund 200 (formerly Fund 50):

Category	FY 14/15 Budget	FY 14/15 YTD Actual	FY 14/15 % Used/Received
Revenue	$ 6,505,936	$ 478,856	7%
Expenses	$ 14,279,561	$ 1,813,205	13%

This fund provides for general administration and the maintenance and improvement of the existing flood protection system. The primary source of revenue is property taxes. Similar to Fund 110 - State Water Facilities Fund, property tax revenue will not be posted until taxes are received by the County in April and November of each year. Expenses include labor, a fraction of the North Canyons lease payment, flood protection maintenance activities and capital project expenses such as the Cope Lake Slope Repair Project, Arroyo Mocho – Stanley Reach R. 3.5, Arroyo Las Positas Reach 1-7 Improvement Project, Living Arroyos Program, Sediment Study – SFE 2010, Flood Control Hydrology Study, and the Stream Management Master Plan Update. Budgeted projects (i.e., Arroyo Las Positas Treatment Wetland and Chabot Canal Regional Stormwater Detention projects) have yet to commence. Note that these projects are funded by both Fund 200 and Fund 210.

Flood Protection and Stormwater Drainage (DIF) – Fund 210 (formerly Fund 76):

Category	FY 14/15 Budget	FY 14/15 YTD Actual	FY 14/15 % Used/Received
Revenue	$ 2,646,500	$ 729,060	28%
Expenses	$ 7,022,157	$ 263,994	4%

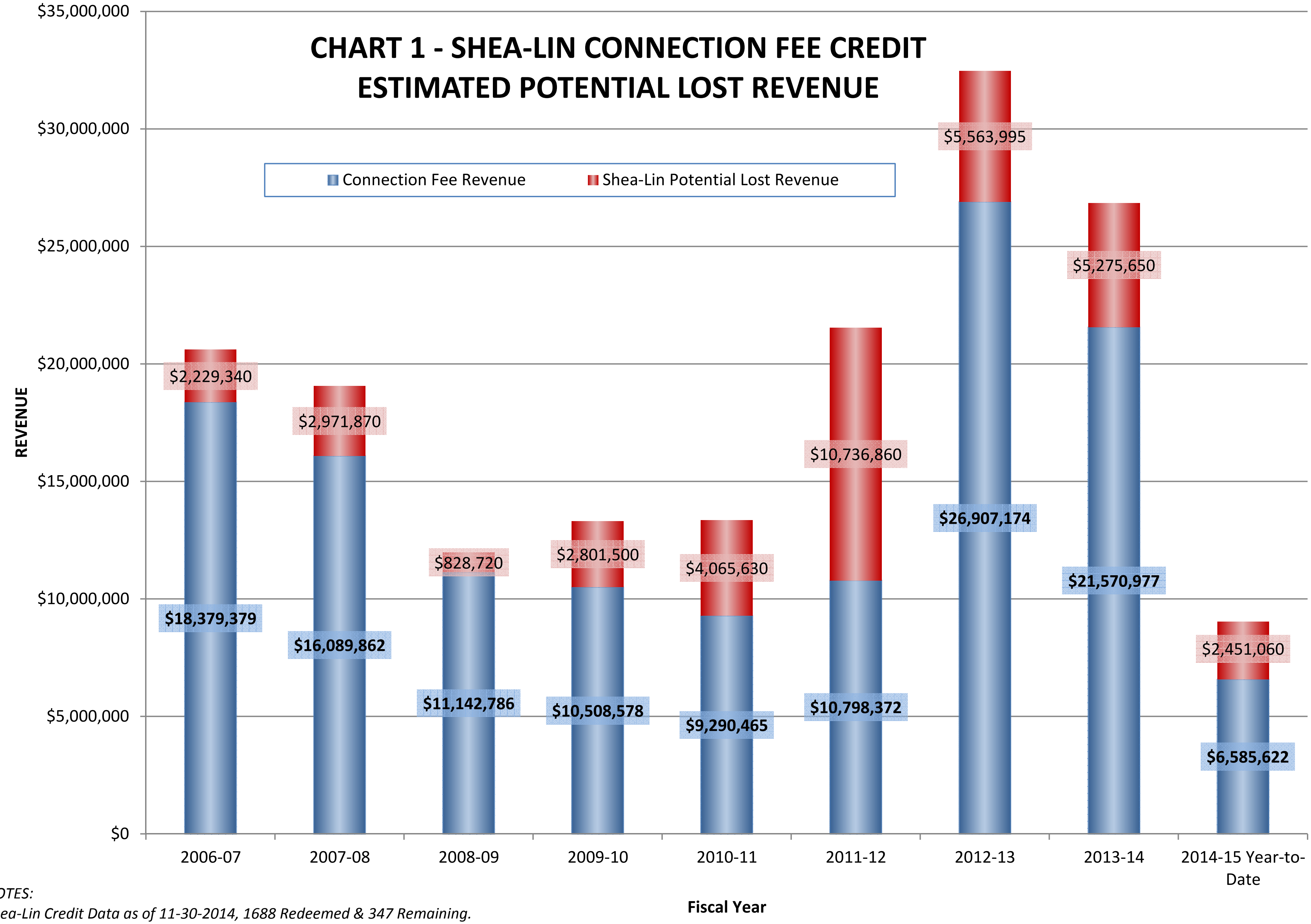
This fund pays for flood protection facilities required for new development. The primary source of revenue is development impact fees. Zone 7 tends to receive most development impact fee revenue in the spring/early summer. FY 14/15 YTD capital project expenses are for the Cope Lake Slope Repair, Arroyo Mocho – Stanley Reach R. 3.5, Living Arroyos Program, Sediment Study – SFE 2010, Flood Control Hydrology Study, SMMP Update and the Arroyo Las Positas Reach 1-7 Improvement Project. Budgeted projects that are split with Fund 200 (i.e., Arroyo Las Positas Treatment Wetland and Chabot Canal Regional Stormwater Detention projects) have yet to commence.

RECOMMENDED ACTION:

Information only.

ATTACHMENTS:

CHART 1 – Shea-Lin Connection Fee Credit Estimated Potential Lost Revenue
Zone 7 Water Agency Annual Budget by Account Classification Report
Zone 7 Water Agency Fund Equity Changes Report



NOTES:
Shea-Lin Credit Data as of 11-30-2014, 1688 Redeemed & 347 Remaining.
Revenue as of 09-30-2014 for Livermore, 10-31-2014 for DSRSD & Pleasanton
Initial Calendar Year 2000 Payment of $10,000,000 in for Credits is Not Reflected in This Graph

ZONE 7 WATER AGENCY

Annual Budget by Account Classification Report

Budget Summary for the period 7/1/2014 - 11/30/2014

	FY 14/15 Budget	FY14/15 YTD Actual	% Used/Rec
FUND: 100 Water Enterprise Operations			
Revenue			
411 - Water Sales & Service	$34,246,611.00	$10,491,881.00	31%
441 - Charges for Services	$0.00	$1,250.00	-
452 - Aid from Governmental Agencies - State	$0.00	$112,733.22	-
461 - Investment Earnings	$75,000.00	$21,068.81	28%
462 - Rents and Royalties	$65,263.00	$15,649.81	24%
464 - Fines and Penalties	$0.00	$62.77	-
481 - Other Revenue	$74,188.00	$270,082.09	364%
Revenue Totals	$34,461,062.00	$10,912,727.70	32%
Expenditures			
511 - Personal Services - Salaries and Wages[1]	$13,859,924.00	$4,219,459.76	30%
512 - Personal Services - Overtime[1]	$215,074.00	$34,946.52	16%
513 - Personal Services - Benefits[1]	$7,120,240.00	$2,007,579.89	28%
600 - Labor & Overhead Distributed[2]	($8,392,436.00)	($1,490,975.02)	18%
611 - Purchased Services	$4,456,603.00	$839,855.04	19%
621 - Water	$9,014,831.00	$1,273,234.95	14%
631 - Chemicals	$2,250,973.00	$761,993.90	34%
641 - Utilities	$1,922,616.00	$768,602.75	40%
643 - Communications	$174,124.00	$49,657.21	29%
651 - Cleaning Services	$50,931.00	$17,463.24	34%
652 - Repairs and Maintenance	$2,833,012.00	$588,684.66	21%
653 - Rental Services	$792,900.00	$21,998.95	3%
661 - General Office Services/ Supplies	$610,897.00	$84,185.23	14%
662 - Organizational Membership/ Participation	$467,783.00	$311,726.82	67%
665 - Other Services/ Supplies	$827,130.00	$88,138.02	11%
667 - Training and Travel	$402,045.00	$34,297.82	9%
669 - Special Departmental Expense	$698,948.00	$124,952.26	18%
671 - Equipment, Furniture and Vehicles	$27,700.00	$0.00	0%
691 - Transfers	$12,823,924.00	$3,205,981.00	25%
Expenditure Totals	$50,157,219.00	$12,941,783.00	26%
FUND Total: Water Enterprise Operations	($15,696,157.00)	($2,029,055.30)	
FUND: 110 State Water Facilities			
Revenue			
411 - Water Sales & Service	$1,311,950.00	$0.00	0%
421 - Property Taxes	$11,350,000.00	$371,735.70	3%
452 - Aid from Governmental Agencies - State	$45,000.00	$0.00	0%
453 - Aid from Governmental Agencies - Local	$610.00	$0.00	0%
461 - Investment Earnings	$15,000.00	$3,181.64	21%
481 - Other Revenue	$1,338,377.00	$124,799.00	9%
Revenue Totals	$14,060,937.00	$499,716.34	4%
Expenditures			
621 - Water	$14,227,251.00	$7,777,099.57	55%
Expenditure Totals	$14,227,251.00	$7,777,099.57	55%
FUND Total: State Water Facilities	($166,314.00)	($7,277,383.23)	

ZONE 7 WATER AGENCY

Annual Budget by Account Classification Report

Budget Summary for the period 7/1/2014 - 11/30/2014

	FY 14/15 Budget	FY14/15 YTD Actual	% Used/Rec
FUND: 120 Water Enterprise Capital IR&R			
Revenue			
431 - Development Fees	$250,000.00	$206,339.40	83%
441 - Charges for Services	$2,500.00	$150.00	6%
452 - Aid from Governmental Agencies - State	$0.00	$18,868.47	-
461 - Investment Earnings	$52,900.00	$13,441.30	25%
499 - Transfers	$12,823,924.00	$3,205,981.00	25%
Revenue Totals	$13,129,324.00	$3,444,780.17	26%
Expenditures			
600 - Labor & Overhead Distributed[1]	$1,177,962.00	$555,234.82	47%
611 - Purchased Services	$2,875,329.00	$173,192.99	6%
653 - Rental Services	$549,198.00	$227,307.90	41%
661 - General Office Services/ Supplies	$150,000.00	$7,182.52	5%
665 - Other Services/ Supplies	$8,595.00	$10,020.33	117%
669 - Special Departmental Expense	$978,698.00	$0.00	0%
671 - Equipment, Furniture and Vehicles	$120,000.00	$0.00	0%
672 - Land and Facility Improvements	$5,891,250.00	$2,068,730.84	35%
Expenditure Totals	$11,751,032.00	$3,041,669.40	26%
FUND Total: Water Enterprise Capital IR&R	$1,378,292.00	$403,110.77	
FUND: 130 Water Enterprise Cap Expansion			
Revenue			
431 - Development Fees	$19,020,120.00	$6,585,622.45	35%
452 - Aid from Governmental Agencies - State	$0.00	$8,086.48	-
461 - Investment Earnings	$81,100.00	$22,366.76	28%
481 - Other Revenue	$2,940,800.00	$4,432.00	0%
Revenue Totals	$22,042,020.00	$6,620,507.69	30%
Expenditures			
600 - Labor & Overhead Distributed[1]	$636,105.00	$167,489.39	26%
611 - Purchased Services	$1,808,744.00	$104,739.97	6%
621 - Water	$16,744,211.00	$10,963,404.38	65%
653 - Rental Services	$426,376.00	$176,795.05	41%
661 - General Office Services/ Supplies	$0.00	$8.03	-
662 - Organizational Membership/ Participation	$694.00	$0.00	0%
669 - Special Departmental Expense[3]	$472,643.00	$16,209.61	3%
672 - Land and Facility Improvements	$1,344,256.00	$832,352.38	62%
Expenditure Totals	$21,433,029.00	$12,260,998.81	57%
FUND Total: Water Enterprise Cap Expansion	$608,991.00	($5,640,491.12)	

ZONE 7 WATER AGENCY

Annual Budget by Account Classification Report

Budget Summary for the period 7/1/2014 - 11/30/2014

	FY 14/15 Budget	FY14/15 YTD Actual	% Used/Rec
FUND: 200 Flood Protection Operations			
Revenue			
421 - Property Taxes	$6,307,731.00	$279,494.53	4%
441 - Charges for Services	$13,000.00	$100,856.62	776%
452 - Aid from Governmental Agencies - State	$54,000.00	$46,562.67	86%
453 - Aid from Governmental Agencies - Local	$10,700.00	$0.00	0%
461 - Investment Earnings	$25,000.00	$10,730.45	43%
462 - Rents and Royalties	$60,505.00	$41,212.15	68%
481 - Other Revenue	$35,000.00	$0.00	0%
Revenue Totals	$6,505,936.00	$478,856.42	7%
Expenditures			
600 - Labor & Overhead Distributed[1]	$2,528,996.00	$681,696.05	27%
611 - Purchased Services	$6,178,344.00	$167,989.13	3%
643 - Communications	$3,000.00	$1,741.32	58%
651 - Cleaning Services	$10,000.00	$1,320.45	13%
652 - Repairs and Maintenance	$2,355,491.00	$820,376.87	35%
653 - Rental Services	$159,322.00	$67,417.85	42%
661 - General Office Services/ Supplies	$19,550.00	$5,584.64	29%
662 - Organizational Membership/ Participation	$175,584.00	$13,032.50	7%
665 - Other Services/ Supplies	$86,000.00	$1,087.36	1%
667 - Training and Travel	$31,400.00	$2,325.00	7%
669 - Special Departmental Expense	$13,333.00	$3,333.33	25%
672 - Land and Facility Improvements	$2,718,541.00	$47,300.00	2%
Expenditure Totals	$14,279,561.00	$1,813,204.50	13%
FUND Total: Flood Protection Operations	($7,773,625.00)	($1,334,348.08)	
FUND: 210 Flood Protection/Drainage DIF			
Revenue			
431 - Development Fees	$2,530,000.00	$650,688.28	26%
441 - Charges for Services	$0.00	$17,000.00	-
452 - Aid from Governmental Agencies - State	$0.00	$32,357.11	-
461 - Investment Earnings	$91,500.00	$29,015.07	32%
481 - Other Revenue	$25,000.00	$0.00	0%
Revenue Totals	$2,646,500.00	$729,060.46	28%
Expenditures			
600 - Labor & Overhead Distributed[1]	$665,730.00	$86,554.76	13%
611 - Purchased Services	$5,166,799.00	$66,720.45	1%
643 - Communications	$0.00	$5.72	-
653 - Rental Services	$121,822.00	$50,512.85	41%
669 - Special Departmental Expense	$250,000.00	$0.00	0%
672 - Land and Facility Improvements	$817,806.00	$60,200.00	7%
Expenditure Totals	$7,022,157.00	$263,993.78	4%
FUND Total: Flood Protection/Drainage DIF	($4,375,657.00)	$465,066.68	-11%
Revenue Grand Totals:	$92,845,779.00	$22,685,648.78	24%
Expenditure Grand Totals:	$118,870,249.00	$38,098,749.06	32%
Net Grand Totals:	($26,024,470.00)	($15,413,100.28)	

Notes:

1. Agency-wide salaries, wages, overtime and benefits are budgeted in Fund 100, then distributed to other funds based on assignments and work demands.
2. This is a credit to Fund 100 for salaries, wages, overtime and benefits charged to other funds.

Fund Equity Changes Report

Through 11/30/14
Summary Listing

FUND	FUND Description	July 1, 2014 Unaudited Fund Balance	YTD Revenues	YTD Expenses	November 30, 2014 Estimated Fund Balance
Fund Category **Proprietary Funds**					
Fund Type **Enterprise Funds**					
100	Water Enterprise Operations	30,450,709	10,912,728	12,941,783	28,421,654
110	State Water Facilities	8,849,889	499,716	7,777,100	1,572,506
120	Water Enterprise Capital IR&R	18,690,974	3,444,780	3,041,669	19,094,085
130	Water Enterprise Cap Expansion	33,346,252	6,620,508	12,260,999	27,705,761
	Fund Type **Enterprise Funds** Totals	91,337,825	21,477,732	36,021,551	76,794,006
	Fund Category **Proprietary Funds** Totals	91,337,825	21,477,732	36,021,551	76,794,006
Fund Category **Governmental Funds**					
Fund Type **Special Revenue Funds**					
200	Flood Protection Operations	15,260,267	478,856	1,813,205	13,925,919
210	Flood Protection/Drainage DIF	41,506,429	729,060	263,994	41,971,496
	Fund Type **Special Revenue Funds** Totals	56,766,696	1,207,917	2,077,198	55,897,415
	Fund Category **Governmental Funds** Totals	56,766,696	1,207,917	2,077,198	55,897,415
	Grand Totals	148,104,521	22,685,649	38,098,749	132,691,420

Please note:

This Fund Equity Changes Report shows the unaudited beginning balance of total reserves as of July 1, 2014 (which is the balance of total reserves as of June 30, 2014 carried over to July 1, 2014 as the beginning balance) and posted revenues and expenses which have occurred as of the date that the report was created.

There are other timing differences in posting revenues which have been earned and expenses which have been incurred (e.g., payroll).

The July 2014 report (Unaudited Reserve Balances as of July 31, 2014) calculated individual reserve balances on the basis of posted revenues and expenses as of the date of the report. This led to some questions as to why there was no decrease in certain reserves. This Fund Equity Changes Report reports total reserve balances as of the date of the report. An accurate allocation of the individual reserves cannot be calculated without considering all of the revenues earned and expenses incurred for the period and then allocating the reserves based on the amounts budgeted for each reserve. This is why the individual reserve balances cannot be estimated monthly.

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

100 NORTH CANYONS PARKWAY • LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

ORIGINATING SECTION: ADMINISTRATIVE SERVICES
CONTACT: TOM PICO

AGENDA DATE: December 17, 2014 ITEM NO. **11b**

SUBJECT: November Legislative Update

SUMMARY:

- Zone 7 staff, with the support of Agency consultants, monitors legislation that is being considered in Sacramento, as well as other political activities of interest to the Agency.
- Voters approved the $7.5 billion water bond (Proposition 1) on the November 4th ballot by a two-thirds margin. Funding for various programs and projects – from water storage and regional water reliability to watershed protection and groundwater sustainability -- will be distributed through a competitive process overseen by various state agencies including the California Water Commission, the California Department of Water Resources and the State Water Resources Control Board. Governor Jerry Brown spent his time campaigning for the passage of Propositions 1 and 2 and easily won re-election to another term. Democrats continue to hold all of the statewide offices.
- Republicans ended the Democrat super-majority in the Assembly by picking up two seats in Southern California as well as the East Bay's 16th Assembly District where Catharine Baker defeated Tim Sbranti of Dublin. Democrats now have a 52-28 majority in the Assembly, while the current Senate count is 24-12 in favor of the Democrats with four pending special elections.
- One of the pending special elections will be to serve the final two years of Democrat Mark DeSaulnier's term after he easily won the 11th Congressional District seat to replace the retiring 20-term Congressman George Miller. Two Democrats, Assemblywoman Susan Bonilla and termed-out Assemblywoman Joan Buchanan, will run as will Republican Mark Meuser.
- In local elections, Livermore Mayor John Marchand was unopposed for re-election and will be joined on the City Council by re-elected Councilman Bob Woerner and by Planning Commissioner Steve Spedowfski. In Dublin, David Haubert won a three-way race for mayor, while Councilmen Don Biddle and Abe Gupta were re-elected. In Pleasanton, Mayor Jerry Thorne won re-election as did Councilwoman Kathy Narum. Former Planning Commissioner Arne Olson also won a council seat.
- California Senator Dianne Feinstein suspended conference committee negotiations over the federal drought relief legislation. Both houses had passed measures that bypassed the normal committee process. Negotiations were serious after the election and a compromise appeared to be close according to media reports. Feinstein said she will introduce a measure early in the new session that will go through the regular process.

RECOMMENDED ACTION: Information only.

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
100 NORTH CANYONS PARKWAY • LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

ORIGINATING SECTION: ADMINISTRATIVE SERVICES
CONTACT: BONI BREWER/TOM PICO

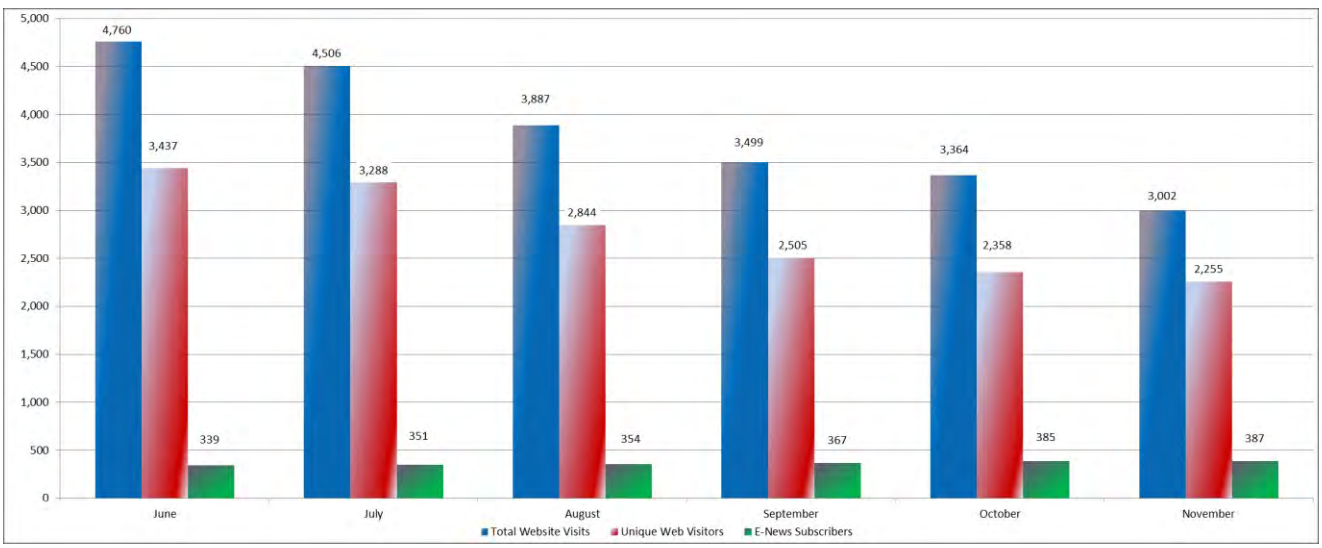
AGENDA DATE: December 17, 2014 ITEM NO. **11c**

SUBJECT: November Outreach Activities

E-Newsletter, November 13th

The e-newsletter had an article on an announcement from the California Department of Water Resources that Zone 7 will be awarded $3 million in grants for drought-relief projects and another $282,000 to augment Agency water conservation programs. The article noted that the grants are part of an overall $221 million in Proposition 84 Integrated Regional Water Management (IRWM) funding to be awarded to projects statewide ($32.1 million for the Bay Area IRWM region) through an expedited drought-relief process initiated in March by Governor Brown.

Website & E-news Subscription Activity



ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
100 NORTH CANYONS PARKWAY • LIVERMORE, CA 94551 • PHONE (925) 454-5000 • FAX (925) 454-5727

ORIGINATING SECTION: Engineering
CONTACT: Rhett Alzona

AGENDA DATE: December 17, 2014

SUBJECT: Drought Update ITEM NO. **11d**

SUMMARY:

- DWR was able to maintain Lake Del Valle full throughout the summer. DWR has lowered the lake by releasing water into the South Bay Aqueduct from August 28 to October 24 for flood control. The current lake level is 687.5' (29,900 AF).

- Raw water TOC concentrations at the treatment plants held around 4.0 mg/L which remain above normal. Coagulant demand also remains much higher than normal to combat the elevated TOC levels.

- Following is the status of the two remaining emergency projects approved by the board on January 29th.

  1. Chain of Lakes Well No. 5 – Substantial completion was issued on October 31. The well has been operational and is producing around 1,500 gpm (2.1 MGD). The contractor is working on punchlist items for final completion.
  2. Busch Valley Well No. 1 – Zone 7 entered into a Progressive Design-Build contract with Conco West, Inc. (with Stantec as sub-consultant). The basis of design is still being completed as details on configuration of the facility are still being refined. In addition, two pipe stubs and associated valving will be designed and constructed at the site to allow for installation of a temporary, portable booster pump. The temporary pumping will allow testing to determine impacts of such a station on maximizing well capacity and confirm whether such pumping could also facilitate blending to meet chromium standards. Along with the basis of design, this will be the final work to be undertaken before the Busch Valley Well project is deferred.

From an operational standpoint, staff used wells only as needed during November while optimizing surface water treatment given the timing of the limited SWP allocation and associated window for exchanges (to access water banked out-of-basin). There were no groundwater recharge operations during the month. The Mocho Groundwater Demineralization Plant (MGDP) operation was limited to minimum reverse osmosis (RO) feed to maintain the membranes. Minimal MGDP use avoids discharge of the concentrate and minimizes water loss (waste stream is approximately 15% of the amount of groundwater pumped).

- In September, Zone 7 began recovering water from both Semitropic and Cawelo water banks. With current conservation levels, it is anticipated there will be more water recovered than Zone 7 needs in 2014. Therefore, in preparation for another drought year in 2015, staff is working with DWR to store any excess water in San Luis Reservoir to make the water available to Zone 7 in 2015. In addition, the recently approved exchange with Contra Costa Water District would facilitate access to banked water during the summertime peak demands.

- On December 1st, DWR announced a 10% *initial* Table A allocation. The *final* allocation will be issued in April 2015. If the water year turns out severely dry, like 2014, the allocation may be reduced.

BACKGROUND:

Calendar Year 2013 was the driest year in recorded state history. 2013 also set a new record as the driest year measured in the Livermore-Amador Valley, with total precipitation of only 4.5 inches out of the average yearly rainfall of 14.47-inches (only 31% of average at Livermore Station 15e). At the beginning of 2014, the snowpack's statewide water content was estimated at about 20% of average for this time of year and January set a record for being the driest January in recorded history for the State and Bay Area.

On January 17, 2014, Governor Jerry Brown declared a State of Emergency in California due to the current drought conditions and asked all citizens to cut back water use by 20%. On January 29, 2014 at a Special Meeting of the Zone 7 Board, a Local Drought Emergency was declared and a Drought Emergency Response Plan was accepted. In addition, on January 31, 2014, the California Department of Water Resources (DWR) announced they were reducing State Water Project allocations from 5% to zero for the first time in history.

On January 29, 2014 the General Manager was authorized and directed to establish an appropriate level of conservation for the Livermore-Amador Valley, consistent with the governor's proclamation of a drought emergency (20% or greater). The initial conservation level was set at 20%.

On April 16th, the Zone 7 Board received the annual Sustainability Report and authorized the General Manager to implement Stage Two Actions under the 2010 Urban Water Management Plan to achieve 25% demand reductions. On April 25th, Governor Jerry Brown issued a second drought proclamation.

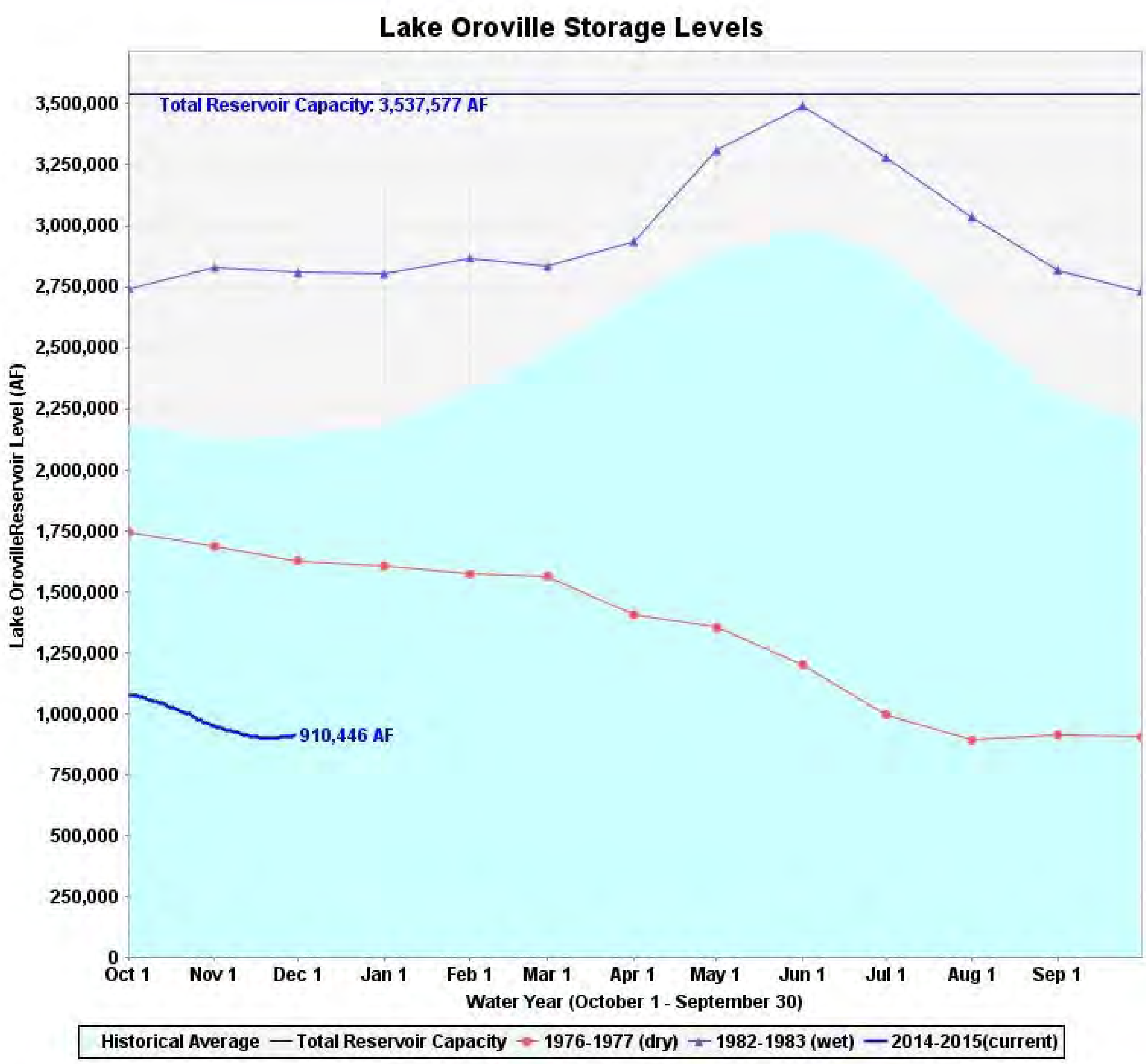
On July 29th, a State Water Resources Control Board emergency regulation to increase mandatory conservation practices for all Californians went into effect. The new conservation regulation targets outdoor urban water use and mandates conservation reporting by retail water agencies.

On August 14th, the California Public Utilities Commission ordered the water companies under its jurisdiction to provide notice to their customers of the July 29th emergency regulation.

DISCUSSION:

In November, storage in Lake Oroville exhibited a stable water level for the first time in many months. However, storage levels are still well below average and well below the 1976-1977 critical dry year conditions at approximately 54% of the historic average (see Oroville graph, below).

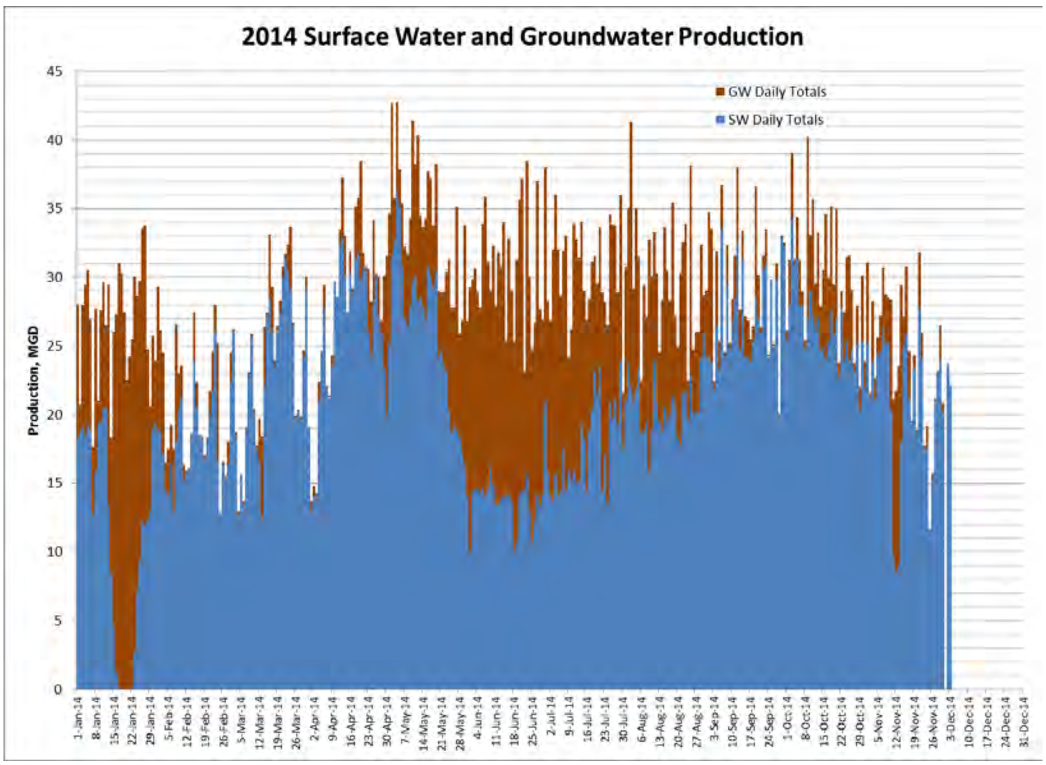
This can be tracked on the DWR data website at
http://cdec.water.ca.gov/cdecapp/resapp/resDetailOrig.action?resid=ORO

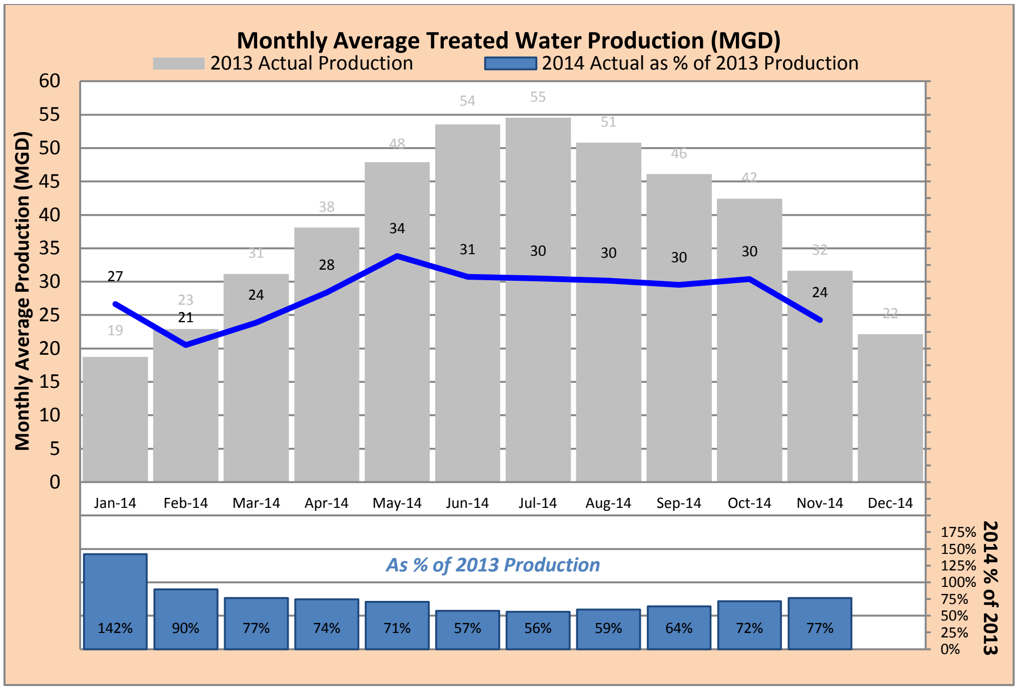


The local hydrology for the Water Year (October 1, 2013-September 30, 2014) ended at 44% of average conditions at 6.42 inches. This minimized the amount of local water captured under the Arroyo Valle Water Rights permit. The current water year has brought little relief from the drought yielding only 58% of normal precipitation in the first two months.

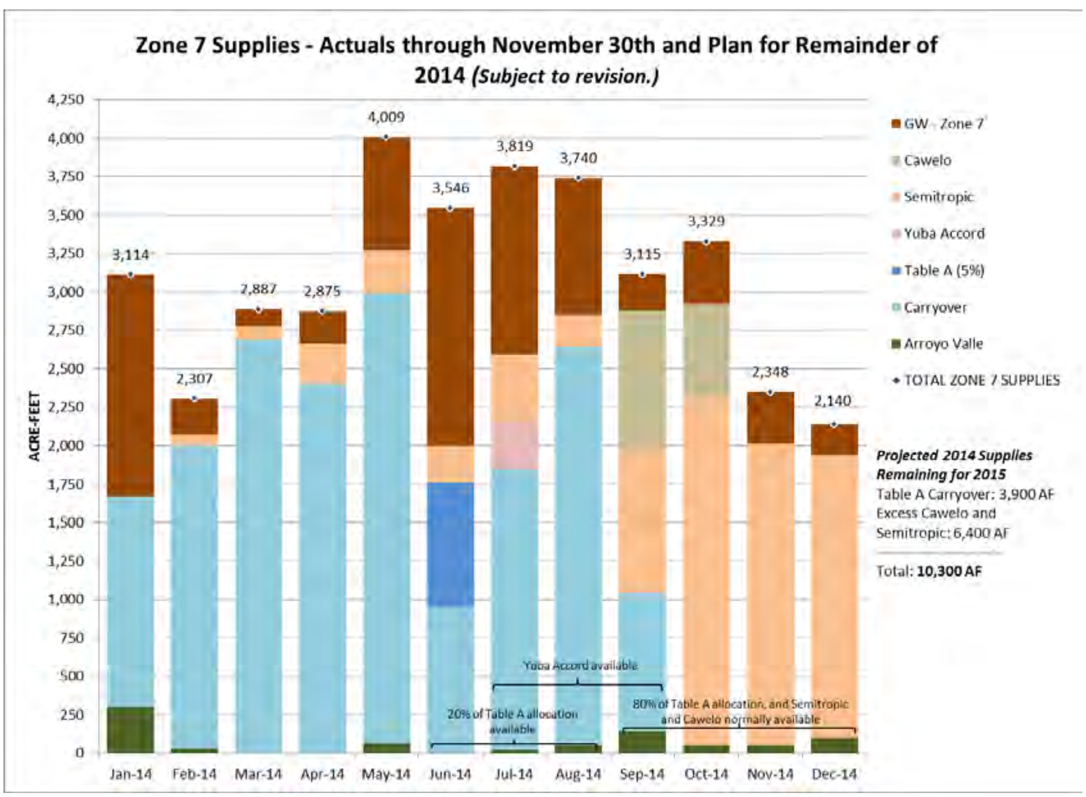
From January to November 2014, cumulative valley-wide treated water demands from Zone 7 have stayed at 30% below 2013 demands. Successful conservation efforts continued through November: the treated water production in November 2014 was 23% lower than November 2013, a difference of 680 AF. As expected, the amount of conservation has decreased because demands are now more representative of indoor use.

In November, surface water production remained high with the increased water deliveries from the SWP of recovered banked water from Semitropic Water Storage District and Cawelo Water District. Del Valle Water Treatment Plant and the Patterson Pass Treatment Plant produced an average of 20.6 million gallons per day (MGD). Production wells met approximately 14% of November demands. Total average production in November 2014 decreased to 24 MGD, as compared to 32 MGD in November 2013.





The graph below shows Zone 7's actual use of water supplies through November 30th and planned use for the remainder of the year. This graph is regularly updated to reflect additional information received from DWR, Zone 7's banking partners, and actual demands. This year, Semitropic was able to pump some water for Zone 7 during the summer months; pumpback water is typically not available during the peak irrigation months of June, July, and August. Semitropic and Cawelo deliveries will cover much of the projected water use this fall.

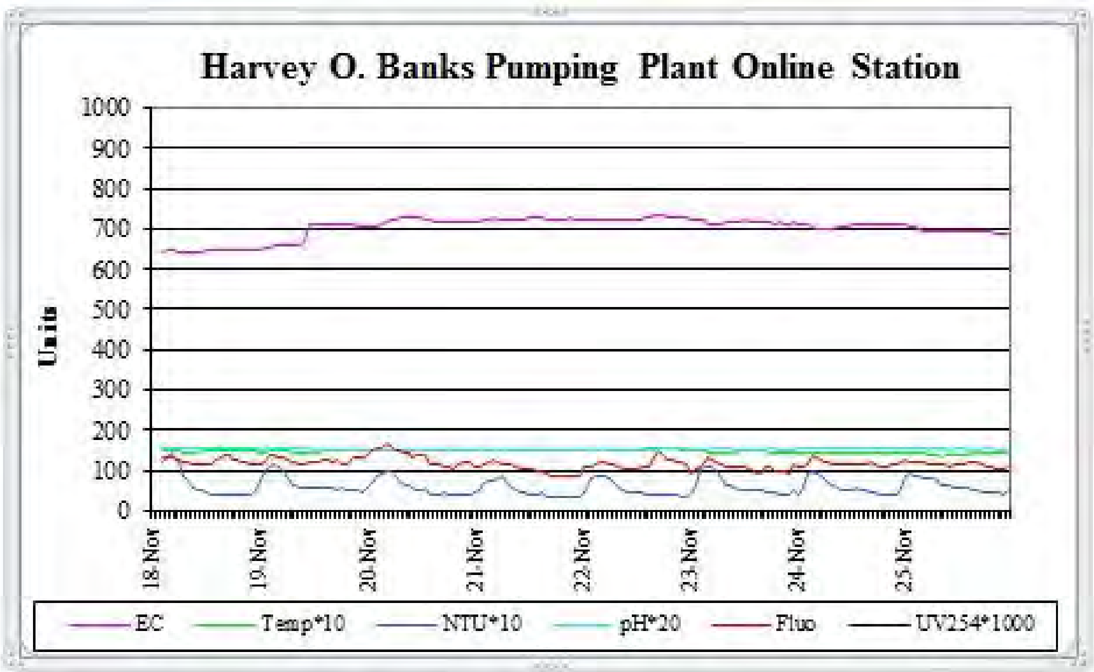


On December 1st, DWR announced a 10% initial Table A allocation, which is higher than the widely expected 0-5%. This announcement was based on DWR's analysis of 90% exceedance conditions[1] (their usual procedure) and least restrictive regulatory conditions (if it is critically dry, regulations are expected to be relaxed); the analysis also accounted for the very dry ground conditions. However, if the water year turns out drier than 90% of the historical records of rainfall, like 2014, the allocation may be reduced. Note that at 10% Table A allocation, there is expected to be sufficient exchange capacity to facilitate delivery of banked water.

To be conservative, Zone 7 is preparing for another drought year in 2015. Under the latest plan, there would be 10,300 AF of 2014 supplies saved for 2015 use. Staff will continue to work with Cawelo, Semitropic, DWR, and other SWP contractors to ensure deliveries of banked water this fall and into next year.

Electrical conductivity is measured as a surrogate for TDS (TDS is approximately equal to 0.58 times EC):

Electrical Conductance (µS/cm)



Based on the above data, raw water to the treatment plants has total dissolved solids (TDS) around 400 mg/L. Typical TDS levels around this time of year are between 250 mg/L and 300 mg/L.

Higher TOC levels continue to impact treatment at the plants requiring higher ferric chloride dosages and more pH adjustments. Ferric chloride dosages have been around 50 to 60 mg/L in late October and November. In the past, Zone 7 treatment plants have operated with ferric chloride dosages in the neighborhood of 25 mg/L.

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1 Based on the historical records of annual rainfall, using '90% exceedance' means assuming a rainfall amount for the water year that would be exceeded 90% of the time; therefore, this is a conservative estimate.