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 18, 2013**

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 20, 2013
5. Consent Calendar
   a. Reimbursement Agreement with City of Livermore for Road Maintenance to Del Valle
   b. Annual Report on Collection and Use of Development Fees
   c. Request for Out-of-State Travel to Attend Upcoming Association of California Water Agencies DC Conference
   d. Principles of Understanding Between Contra Costa County and Zone 7
6. Staffing Update:

   October Employee of the Month Recognition

7. Independent Auditor's Report and Annual Financial Statements for Fiscal Year Ending June 30, 2013

   Recommended Action: Adopt resolution.

8. Award of Contract for Security Guard Services

   Recommended Action: Adopt resolution.

9. Committees - Finance Committee, November 14, 2013 - notes

10. Reports - Directors
    a. Verbal comments by President
    b. Written report by Director Quigley
    c. Verbal reports

11. Items for Future Agenda - Directors

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

    a. General Manager's Report
    b. Communications Outreach Activities
    c. Legislative Update
    d. Monthly Budget Report
    e. Constituents of Emerging Concern (CECs): Protecting Groundwater Under the State Recycled Water Policy
    f. Verbal Reports

13. CLOSED SESSION

    (a) Conference with Legal Counsel -- Significant exposure to litigation pursuant to Gov't Code Section 54956.9(d) (2): 1 case.

    (b) Conference with Legal Counsel -- Potential litigation pursuant to Gov't Code section 54956.9(d) (3): 2 cases.

    (c) 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.

    (d) Conference with Real Property Negotiator:
    Property: APNs 946-1251-029-00 and 946-1251-8-6 (partial)
    Agency Negotiator: G.F. Duerig
    Negotiating Parties: Robert M. Krantz, UPRR and Daniel Woldesenbet, AlCo PWA
    Under negotiation: Price and terms of payment

14. Open Session and Report Out of Closed Session

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 8, 2014
    b) Water Resources Committee: January 13, 2014, 4:00 p.m.
    c) Regular Board Meeting: January 15, 2014, 7:00 p.m.
    d) Public Workshop on California Water Action Plan, January 30, 2014, 6:00 p.m.
    Dublin City Council Chamber

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 20, 2013

President Stevens called the meeting to order at 7 p.m. The following were present:

DIRECTORS:	SANDS FIGUERS JOHN GRECI AJ MACHAEVICH SARAH PALMER RICHARD QUIGLEY ANGELA RAMIREZ HOLMES BILL STEVENS
DIRECTORS ABSENT:	NONE
ZONE 7 STAFF:	JILL DUERIG, GENERAL MANAGER KURT ARENDS, ASSISTANT GENERAL MANAGER, ENGINEERING JUDY RECTOR, BOARD SECRETARY
COUNSEL:	DAVID ALADJEM, DOWNEY BRAND

Item 1 - Call Meeting to Order

Item 2 - Pledge of Allegiance

President Stevens led a salute to the flag.

Item 3 - Citizens Forum - None.

Item 4 - Minutes of the Regular Meeting of October 16, 2013:

Director Ramirez Holmes noted that on the minutes the vote of 6-0-1 implies that Director Figuers abstained from the vote instead of when he was absent. General Counsel David Aladjem clarified that this is Zone 7 practice and General Manager Jill Duerig added that it would not be correct without the explanatory phrase "6-0-1 with Director Figuers absent" which clarifies that the "1" is not an abstention. Director Ramirez Holmes then corrected the wording in her statement on Page 2 from "is not raising rates" to "cannot raise rates."

Director Palmer moved that the corrected minutes for October 16, 2013, be approved and Director Quigley seconded the motion. The minutes passed by a 7-0 voice vote.

Item 5 - Consent Calendar

Director Ramirez Holmes requested that Consent Item 5(b) be pulled because she had questions regarding the item. Director Ramirez Holmes moved that both resolutions for Consent Item 5(a) be approved and Director Palmer seconded the motion which was approved by a voice vote of 7-0.

Resolution No. 14-4321	The Board of Directors designated Director Dick Quigley as the Zone 7 Water Agency voting representative in the upcoming ACWA Officer Elections to be held at the 2013 ACWA Fall Conference. (Item 5a-1)
Resolution No. 14-4322	The Board of Directors endorsed John Coleman as ACWA President and directed and authorized Director Dick Quigley to cast the Zone 7 Water Agency vote for John Coleman as ACWA President and such other candidates as deemed appropriate at the time of voting. (Item 5a-2)

Director Ramirez Holmes asked about the sole source professional services for the Water Treatment Support and Investigation contract in Item 5(b). Under what circumstances are sole source awards allowed as opposed to going for a proposal? General Counsel David Aladjem responded that the sole source criteria as opposed to bidding a contract is (1) the threshold for the bidding requirement as this contract is and (2) the nature of the services to be provided under the contract. If the services are construction services, they go out to bid. If they are professional services such as engineering, analysis or evaluation, as this one is, then it can be sole sourced. Director Quigley moved for approval of the resolution and Director Machaevich seconded the motion. The motion passed with a roll call vote of 7-0.

Resolution No. 14-4323	Authorized the General Manager to negotiate and execute a Contract with Water Quality & Treatment Solutions, Inc., to provide professional services to evaluate mitigation measures to improve filter performance at the Del Valle and Patterson Pass Water Treatment Plants in an amount not to exceed $105,000. (Item 5b)

Item 6 - Staffing Update:

Ms. Duerig announced that Elena Scharnhorst, Employee Services Specialist, was chosen as the September 2013 Employee of the Month. The program allows a repeat nomination if it has been over 18 months since being chosen so this is her second time receiving this honor. Ms. Duerig noted that she has a fantastic attitude and has done a lot to improve her knowledge in this area by acquiring a Professional in Human Resources Certification (PHR) as well as Water Treatment and Distribution Operator certificates which allow her to better understand the issues the Operators are facing. The Board applauded her in absentia.

Item 7 - Renewal of Municipal Water Quality Investigations Program Agreement

Kurt Arends, Assistant General Manager, Engineering, told the Board that this item continues Zone 7's involvement in the Municipal Water Quality Investigations Program which monitors and provides valuable information regarding the water quality of the Delta and the water being delivered to the State Water Contractors, especially Zone 7 since we are so close to the Delta, by tracking the water quality and trying to forecast what changes are occurring. The annual total cost for the program is about $3.1 million and $2.7 million is funded through the Statement of Charges, with the other $400,000 set aside for the Specific Programs Committee that controls the money that goes to DWR for special studies and technical services funded through a separate program. The $3.1 million is divided among the Table A contractors so Zone 7's share is not to exceed $88,187 per year and funds both the MWQI and the Specific Programs' efforts.

President Stevens asked about monitoring the water as it travels through 100 miles of canals. Mr. Arends said monitoring happens throughout the system in real time data so we know specifically what is coming through the system.

Mr. Arends responded affirmatively to both of Director Ramirez Holmes' questions regarding if the previous contract renewal was for three years, and has it been previously budgeted for this year?

Director Quigley noted that a report called the Fingerprint Report is produced which assesses the health of the Delta from a throughput standpoint. He feels the information is worthwhile and the investment is worth the cost.

Under Public Comment, Randy Werner, City of Livermore, noted that in Table 1 and Table 2 the numbers in the Proportionate Share column are different. Mr. Arends noted that, although this is a draft, there is a mistake because one of the contractors is missing from Table 2. The math is correct but the total should be reduced by $25,000. They are paying their portion of the $2.7 million but they are not involved in the Specific Projects Committee or paying part of the $400,000. Mr. Arends has asked DWR staff to correct the agreements.

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

Resolution No. 14-4324	Authorized the General Manager to negotiate and execute the Municipal Water Quality Investigations Agreement with the Department of Water Resources for the calendar years 2014 through 2016; and to execute the Specific Project Agreement with the State Water Project Contractors Authority for the calendar years 2014 through 2016 for a combined amount not-to-exceed $88,187 per year.

Item 8 - Committees - Water Resources Committee, October 21, 2013 - notes

Director Figuers described the November 14, 2013, Finance Committee (notes pending). He reported that the auditors gave Zone 7 the highest ranking possible. The Committee members are suggesting that trigger points be made internally which would mean that if a value for an account varies by a percentage, that should be flagged so it can be spotted easily. Other agencies have this. The Committee members need to decide what trigger point to set so it flags their attention quickly in a particular account and they can ask why it has changed. Director Palmer noted that it does not mean anything is wrong, but it could be, and allows them an opportunity to check. Director Ramirez Holmes said the Committee Members asked for more information on a number of items before it comes to the full Board.

President Stevens reported that the Water Resources presentation will be given to the full Board after modifications are made.

Director Figuers left the meeting at 7:20 p.m.

Item 9 - Reports - Directors

a. Verbal comments by President
b. Written report by Director Quigley
c. Other Directors' Verbal Reports

Director Palmer reported on the GRACast she viewed on Salt and Nutrient Management, contrasting SNMPs for Northern California Wine Country and the Southern California Desert, and distributed copies of her notes from the GRACast. The San Francisco Bay Region discussion included Zone 7. She noted that the Livermore-Amador Valley was selected as a priority basin because early on Zone 7 staff developed salt management plans for our basin and we are now looked at as a model for development.

Director Ramirez Holmes reported that she attended the Tri-Valley Mayors' Summit on October 30 where Dublin Mayor Tim Sbranti discussed partnerships, which included Zone 7. On November 1, she attended the Stoneridge Drive Opening and Pleasanton's City Manager talked about Zone 7's contribution to the project. On October 8, she attended the Elected Women's Lunch. On November 15, she attended the ACWA Statewide Water Action Plan (SWAP) and was able to do some brainstorming with DSRSD representatives. She also graduated from the California Special District's Leadership Academy in Napa and will have more information soon.

Director Quigley also attended the November 15 Region 1 & 5 Statewide Water Action Plan (SWAP) at East Bay Municipal Utility District in Oakland. The SWAP is an ACWA proposal that proposes a statewide plan. ACWA is looking for all water agencies to comment and bring the plan back for endorsement. Director Quigley suggested that the endorsement might be a subject for a future Board meeting.

Item 10 - Items for Future Agenda - Directors - none.

Item 11 - Staff Reports (Information items.)

a. General Manager's Report
b. Communications Outreach Activities
c. Legislative Update
d. Monthly Budget Report
e. Update Related to the Bay Delta Conservation Plan
f. Verbal Reports

Ms. Duerig reported that title had transferred for the Patterson Ranch property and Zone 7 is now the owner of 5,000 acres in the Del Valle watershed that Zone 7 will be able to protect in perpetuity.

The State Department of Water Resources released its initial allocation and it was only 5 percent, the second time in the history of the project that it has been that low. Ms. Duerig distributed graphs that showed the Lake Oroville storage level the lowest level ever, even lower than the 1976-77 drought, so that we are going into this year with a very low storage level. We are about 1.4 million-acre feet and usually are closer to 2.2 million acre feet. The second graph showed that Northern Sierra Precipitation, Eight-Station Index, which is a critical piece for the State Water Project allocations, is well below average and given the low storage for the season and the dry season for October-November, it is no surprise we have such a low allocation.

The board went into closed session at 7:30 p.m.

Item 12 - Closed Session

(a) Conference with Legal Counsel -- Significant exposure to litigation pursuant to Gov't Code Section 54956.9(d) (2): 1 case.

(b) Conference with Legal Counsel -- Potential litigation pursuant to Gov't Code section 54956.9(d)(3): 2 cases.

(c) 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 13 - Open Session and Report Out of Closed Session

The Board came out of Closed Session at 8:25 p.m. President Stevens stated there was no reportable action taken in closed session.

Item 14 - Adjournment

The meeting was adjourned at 8:26 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: Engineering
CONTACT: Dennis Gambs/Jarnail Chahal

AGENDA DATE: December 18, 2013 ITEM NO. **5a**

SUBJECT: Agreement with the City of Livermore for the Del Valle Water Treatment Plant Roadway Maintenance Project

SUMMARY:

- In 1975, Zone 7 constructed a paved access road from Vallecitos Road to its newly constructed Del Valle Water Treatment Plant (DVWTP), a distance of approximately one mile. Zone 7 is the primary user of this private road and has overlying property rights for its use and maintenance.
- At Zone 7's request, the City of Livermore's pavement management consultant assessed the road and determined that slurry sealing and crack filling is the appropriate maintenance for extending its useful life before a more costly pavement repair project would be required.
- Zone 7 staff has worked with City staff to include the DVWTP Roadway Maintenance Project with the City of Livermore's 2014 Slurry Seal Project. The larger City project would result in an economy of scale and costs savings to Zone 7.
- Zone 7 is by far the major user of this road and given its usage, funding the entire project would appear equitable. However, in going forward, maintenance of the road might not be assumed to be entirely Zone 7's responsibility. Should the usage significantly change, Zone 7 could work collaboratively with the other road users to ensure costs are shared proportionately based on usage.
- Staff from the City and Zone 7 prepared a draft agreement wherein the City would act as Zone 7's agent in designing, bidding, awarding, inspecting and administering the contract for the Project. The final cost to Zone 7 under the agreement will not be known until the project is complete but it is estimated to be approximately $105,500, which includes approximately 20% contingency over the conceptual project cost estimate.

FUNDING:

Funding for the DVWTP Roadway Project is available from Fund 120 - Renewal Replacement and System-Wide Improvements.

RECOMMENDED ACTION:

Adopt attached resolution authorizing the General Manager to negotiate and execute an Agreement with the City of Livermore for the DVWTP Roadway Maintenance Project for up to $105,500.

ATTACHMENTS:

1. Memo with additional background and discussion
2. Resolution
3. DVWTP Roadway Map
4. Draft Agreement

INTEROFFICE MEMO

Date: December 18, 2013
To: Jill Duerig, General Manager
From: Dennis Gambs, Principal Engineer
Subject: Agreement with the City of Livermore for the Del Valle Water Treatment Plant Roadway Maintenance Project

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

BACKGROUND:

In 1975, Zone 7 completed construction of its Del Valle Water Treatment Plant (DVWTP), including pavement of a road for accessing DVWTP from Vallecitos Road. The private road is approximately one mile long.

Since neither the City nor County has any ownership or maintenance responsibilities for the Roadway, maintenance responsibilities have fallen largely to Zone 7 as the major user. Zone 7 has either fee property ownership or easement rights over the entire road. Zone 7's fee ownership is over the northerly portion near Vallecitos Road and the southerly portion between the water treatment plant and Kalthoff Common. Zone 7 has easement rights in-between its fee ownership parcels. Other users of the Roadway also have rights that allow them to use the roadway. These other users include Vineyard Estates owners, Crohare et. al./Olivina Ranch Partners (Crohare), Kurtzer, Moir, LARPD, Foley, and PG&E (see attached map).

Roadway Usage by Others
Use of the Roadway by others has increased since the Roadway was constructed, primarily as a result of the Vineyard Estates development. Vineyard Estates, which is located west of the Roadway, was approved by the City of Livermore in 1996 and consists of a number of 20-acre lots and a private road, Kalthoff Common. The primary access for this development is Kalthoff Common, which connects to State Route 84. However, the DVWTP Roadway does provide secondary access. The Vineyard Estates owners' right to use the Roadway stems from rights along various portions of the Roadway including property ownership (fee), easement rights, agreements with roadway property owners and the assertion of prescriptive rights (past usage).

The development of the Crohare property located just north of the DVWTP is permitted under the City of Livermore's South Livermore Plan. The zoning allows for subdividing the 120-acre Crohare property into six parcels of approximately 20 acres each. Each parcel would have a two-acre building envelope to be used for a single-family residence with the remaining acreage planted in agriculture as required by the South Livermore Plan. The zoning would also allow for one of the parcels to be used as a commercial site such as an inn, restaurant, or winery. While there has been virtually no usage of the Roadway from the Crohare property to date, this could change in the future, particularly if there is any commercial use on the property.

Traffic Study
In 2004, a traffic study by TKJM (Signature Properties' Traffic Engineer), estimated usage on the DVWTP Roadway based on the classifications of users of the road (e.g. residence, winery and vineyard) and determined the pro-rata share of traffic for each user of each roadway. Zone 7's share of use of the DVWTP Roadway was approximately 85%. This number did not include a future development at the Crohare property. Vineyard Estates' share of Roadway use was 12% under the same conditions. The other users (Kurtzer, Moir, Pacific Gas & Electric, and

Foley) had only minor or negligible shares of the usage. This same study indicated that Zone 7's use of Kalthoff Common was 8%.

East Vineyard Avenue Realignment and Signalization Project

The City of Livermore has recently realigned the intersection of Vineyard Avenue with Vallecitos Road. This project included signalizing the new intersection and widening Vallecitos Road. The project began this summer and is now substantially completed. While the project does not include any changes to the existing DVWTP access road, it does improve access at the intersection with Vallecitos Road. With the realignment of Vineyard Avenue, the existing intersection is now a three-way intersection instead of four-way. The new intersection is striped to include an acceleration lane for turning left onto Vallecitos Road from the private access road. Vallecitos Road now has a "refuge area" for turning left onto the road. (There was not enough room for a standard turning lane because of the closeness to the bridge over Arroyo del Valle but a vehicle making a left turn would be out of the west bound lane). In addition, the new signal periodically stops traffic on Vallecitos Road allowing easier access onto or out of the DVWTP access road.

Roadway Maintenance

In 2007, Zone 7 retained a consultant, Bellecci and Associates, to evaluate and recommend pavement repair options for a number of Zone 7 paved areas including the DVWTP access road (which is approximately 5,400 feet in length). The portion of the road between Kalthoff Common and the DVWTP is approximately 1,600 feet and is used almost exclusively by Zone 7. The remaining portion between Kalthoff Common and Vallecitos Road is 3,800 feet and is the portion of the road shared with other users. The consultant found that the pavement had a number of cracks, areas missing seal coat, inadequate slope for drainage (leading to standing water and pavement deterioration) and potential settlement and cracks on the portion constructed on an embankment. As a consequence, this road rehabilitation project was added to Zone 7's CIP.

At the request of Zone 7, the City of Livermore's pavement management consultant, AMS Consulting, recently (September 2013) assessed the DVWTP access road. The consultant determined that it has a Pavement Condition Index (PCI) of 73 where crack filling and a slurry sealing are appropriate treatments. (Below a PCI of 70, an AC overlay is the appropriate treatment.)

Roadway Maintenance Responsibilities

Zone 7 has been the major user of the access road and, after paving it, has maintained it without a written agreement with any other users. While Zone 7 had discussions for road maintenance with Signature Properties for the Vineyard Estates Development, no formal discussions with other users for a maintenance agreement have been conducted. However, it should be noted that Mr. Crohare has expressed an interest in formalizing a maintenance agreement. Since Zone 7 would not be pursuing financial contributions from other users for this maintenance project, staff does not believe a maintenance agreement with Crohare or any other user is needed at this time.

DISCUSSION:

Zone 7's proportionate use, as estimated by TKJM in 2004, was 85%. Vineyard Estate Owners use of the 3,800-foot portion of the DVWTP access road was 12%, while other users accounted for the remaining 3%. At the same time Zone 7 has benefited from using Kalthoff Common without contributing to its maintenance. Zone 7's use of Kalthoff Common, which is approximately 8,200 feet in length, was estimated by TKJM at 8%. An informal use agreement brings equity between Zone 7 and the Vineyard Estate Owners. In addition, the ongoing functionality of the access road is critical to Zone 7 operations where it may be less important to a residential user (the private road had been unpaved earlier). Therefore, for Zone 7 to pay the entire costs for the DVWTP Roadway Maintenance Project would appear equitable and in the best interest of Zone 7.

At this point, having the DVWTP access road, which is an integral part of the water treatment plant infrastructure, in a serviceable condition, is important to Zone 7's ability to deliver water to its customers. The Project for surface maintenance and road repairs consists of filling and sealing cracks, repairing damaged pavement areas, slurry sealing the road surface, replacing striping and pavement markers and other related tasks. Surface coating of pavement extends its useful life, perhaps as much as 10 years, at which time a more costly pavement overlay or replacement project would be required. The Project would maintain access to the treatment plant in a serviceable condition for operations and maintenance staff as well as for delivery of treatment chemicals and off hauling of sludge.

Zone 7 staff has worked with City Engineering staff to include the DVWTP Roadway with the City of Livermore’s 2014 Slurry Seal Project. The City pavement project would be much larger than a stand-alone Zone 7 Roadway project. Implementing the Project through the City’s 2014 Slurry Seal Project will result in an economy of scale and cost savings for Zone 7. Furthermore, pavement management is a core business for Cities and by working with the City of Livermore; Zone 7 is utilizing their expertise.

City of Livermore and Zone 7 staff drafted an agreement to set forth the terms necessary to implement the DVWTP Roadway Maintenance Project. Under the proposed agreement, Zone 7 will review and approve the Project plans and the City would act as Zone 7’s agent in designing, bidding, administering the construction contract, and inspecting the road maintenance project. The total cost for the DVWTP Roadway Maintenance Project is estimated to be $105,500 including a 20% contingency over the conceptual project cost estimate prepared by the City. Zone 7 could opt out of the Project, if, for example, the bids for the Project were too high; however, it would be obligated to pay a not-to-exceed amount of $17,000 for the design and contract administration. The actual total billing to Zone 7 for the project under this agreement will be based on the Cities actual cost, the construction bid, and any approved change orders. Funding for the Project is available from Fund 120 - Renewal Replacement and System-Wide Improvements. The project is scheduled to be completed in 2014.

RECOMMENDATION:

Staff recommends Board adoption of the attached resolution authorizing the General Manager to negotiate and execute the agreement with the City of Livermore.

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

BOARD OF DIRECTORS

RESOLUTION NO.

INTRODUCED BY
SECONDED BY

Agreement with the City of Livermore for the Del Valle Water Treatment Plant Roadway Maintenance Project

WHEREAS, Zone 7 has a paved access road (Roadway) from Vallecitos Road to its Del Valle Water Treatment Plant (DVWTP), approximately one mile in length; and

WHEREAS, the City of Livermore's pavement management consultant assessed the Roadway at Zone 7's request and determined that slurry sealing and crack filling to be appropriate maintenance for extending the useful life of the Roadway; and

WHEREAS, an agreement to implement the Roadway Maintenance Project through the City of Livermore's 2014 Slurry Seal Project has been prepared.

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 an Agreement with the City of Livermore for the Del Valle Water Treatment Plant Roadway Maintenance Project in an amount not to exceed $105,500.

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 18, 2013.

By ______________________________________
President, Board of Directors

DEL VALLE WATER TREATMENT PLANT ROADWAY

AGREEMENT BETWEEN CITY OF LIVERMORE AND ZONE 7 FOR PAVEMENT MAINTENANCE OF THE DEL VALLE WATER TREATMENT PLANT ROADWAY BETWEEN VALLECTIOS ROAD AND THE TREATMENT PLANT

DRAFT

This Agreement is entered into on _________, 2013 by and between the City of Livermore ("City"), a municipal corporation, and the Zone 7 of the Alameda County Flood Control and Water Conservation District ("Zone 7"), a body corporate and politic.

Recitals

A. Zone 7 was established in 1957 pursuant to the Alameda County Flood Control and Water Conservation District Act to address specific issues of flooding and water supply in the Livermore-Amador Valley.

B. In 1975, Zone 7 constructed a paved access road from Vallecitos Road to its then new Del Valle Water Treatment Plant, known as the DVWTP Access Road, hereinafter referred to as "DVWTP Roadway" or "Roadway."

C. Zone 7 is the primary user of the Roadway which is a private road in the City of Livermore that also provides access to residential and agricultural properties in South Livermore. Zone 7 has property rights over the Roadway for use and maintenance of the road.

D. As part of the City of Livermore's Pavement Management Program, the City conducts an annual slurry seal project to resurface City streets. Zone 7 has requested that the City include the DVWTP Roadway with the City of Livermore's 2014 Slurry Seal Project.

E. In addition to slurry coating, the DVWTP Roadway maintenance project ("PROJECT") will include base repairing, crack sealing, and other related tasks, from Vallecitos Road to the entrance of the Zone 7 property at the southern terminus of the Roadway. The PROJECT includes the design and construction of the items listed in the attached cost estimate (Exhibit "A") for the PROJECT.

F. The City will act as agent in designing, bidding, awarding and administering the construction contract and inspecting the PROJECT, subject to Zone 7's payment as set forth below.

G. There shall be no City contribution of funds towards this PROJECT.

H. Zone 7 and the City of Livermore desire to enter into this Agreement to set forth the terms necessary to implement the PROJECT.

NOW, THEREFORE, in consideration of the performance of the terms and conditions set forth in this Agreement, the parties agree as follows:

1. ZONE 7 RESPONSIBILITIES. Zone 7 shall do all of the following tasks:

   a. Review and approve in writing the 60% and the 90% plans and specifications within 15 calendar days from receipt of said plans and specifications for the PROJECT. Plans and specifications will be prepared by the City. Work will not continue until comments are received from Zone 7. City will not be responsible for delays resulting from delayed Zone 7 response. Zone 7 shall indicate approval of 100% plans by signing the 2014 Slurry Seal project plans. If Zone 7 fails to approve PROJECT plans and specifications, City will move forward with awarding the 2014 Slurry Seal project without the DVWTP Roadway portion.

b. Designate the City of Livermore as Zone 7's agent for the PROJECT.

c. Pay all actual fees and construction costs related to the environmental, regulatory permits, right of way, construction, material testing, and all associated permitting fees and costs for the PROJECT. Design, contract administration and inspection fees shall be fixed at a not-to-exceed amount of $17,000. All fees and costs shall be payable within 30 calendar days after the date of each invoice from the City.

d. Defend, indemnify and hold harmless the City as provided in section 5 below.

e. Zone 7 shall notify all property owners along DVWTP Roadway of the PROJECT through public outreach

f. Obtain all necessary regulatory permits.

2. <u>City responsibilities</u>. City shall do all of the following tasks:

a. City shall prepare standard Categorical Exemption for the 2014 Slurry Seal Project which will include DVWTP Roadway since the road is within the City limits.

b. Prepare the plans and specifications for the PROJECT. Provide 60% and 90% plans and specifications to Zone 7 for review, approval and signature. Submit 100% plans and specifications to Zone 7 for approval signature.

c. Solicit bids for the PROJECT as a separate bid schedule as part of the City of Livermore's 2014 Slurry Seal Project (City Project No. 2014-04) which will be advertised and constructed in 2014.

d. Award and administer the construction contract, provide construction inspection and testing services and file a Notice of Completion when the construction is completed. Before filing a Notice of Completion, the City shall consult with Zone 7 on the final construction contract deficiency list. Once the construction contract deficiency list items are satisfactorily completed by the City's contractor, the City will file the Notice of Completion. The total conceptual PROJECT cost estimate is $96,000 as shown on the attached Exhibit "A".

e. Consult with Zone 7 regarding the timing and progress of the construction PROJECT.

f. Starting after July 1, 2014, send invoices to Zone 7 for the environmental, design, construction, administration, inspection and testing costs, permitting costs, and all other costs associated with the PROJECT.

g. Maintain local access along the DVWTP Roadway during construction of the PROJECT.

After a Notice of Completion has been filed by the City for the PROJECT, the City will accept the PROJECT for maintenance by the City Council. Upon acceptance for Maintenance by City Council, the City will warrant work for one year under the Contractor's Maintenance Bond for the PROJECT.

3. Agency Limitations. City is acting as the agent of Zone 7 for design and construction purposes only. City will not maintain the Roadway improvements once PROJECT is completed.

4. Term. This Agreement shall commence upon the Effective Date and shall continue until completion of the PROJECT including warrantee work, unless terminated earlier as provided in section 6,

5. Indemnification. Zone 7 shall defend, indemnify and hold harmless the City and its officers, officials, employees and volunteers from and against any and all liability, loss, damage, expense, costs (including, without limitation, costs and fees of litigation) of every nature arising out of or in connection with the performance of work under this Agreement, except such loss or damage which was caused by the negligence or willful misconduct of the City.

6. Termination**.** City may terminate this Agreement for any reason at the City's sole discretion by providing thirty (30) days' written notice to Zone 7. Zone 7 may at the completion of design and after bids are received elect to terminate should bid prices exceed budget estimate by more than 10%. Such termination must occur in writing no later than 5 days after bids are received. If Zone 7 elects to terminate after bid opening of PROJECT, all costs incurred for engineering services provided till that date are due to City.

7. Notices. Wherever in this Agreement it shall be required or permitted that notice or demand be given or served by either party to this Agreement to or on the other, such notice or demand shall be given or served in writing and forwarded by registered mail, addressed as follows:

City: City Engineer
City of Livermore
1052 S. Livermore Avenue
Livermore, California 94550

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

Any party may change such address or contact person by written notice by registered mail to the other.

8. Modification. This Agreement may only be modified or amended by written agreement signed by both parties hereto, except that the number of extensions and the length of the initial term and extensions shall not be modified.

9. Entire Agreement. This instrument, including any attachments hereto, constitutes the entire agreement of the parties relating to the subject matter of this Agreement and correctly sets forth the rights, duties and obligations of each party to the other.

10. Partial Invalidity. If any provision or portion of this Agreement shall be deemed invalid, it is agreed that such invalidity shall affect only such provision or portion thereof, and the remainder of this contract shall remain in force and effect.

IN WITNESS WHEREOF, the parties to this Agreement have executed this Agreement as of the dates set forth below.

Signatures

City of Livermore	Alameda County Flood Control and Water Conservation District (Zone 7)
By: ____________________________	By: ________________________
Marc Roberts City Manager	G.F. Duerig General Manger
Date: _____________	Date: _______________

Approved as to form:

By: ___________________________
Sr. Assistant City Attorney

Date: _____________

ATTEST:

____
Susan Neer, City Clerk

Date: _______________

EXHIBIT A					
Engineer's Opinion of Probable Construction Cost					
Zone 7 Roadway - Budget Estimate					
Roadway					
Item	**Description**	**Est. Quantity**	**Unit**	**Unit Cost**	**Total Cost**
1.	Site Preparation/Mobilization	1	LS	$5,000.00	$5,000.00
2.	Traffic Control & Construction Area Signs	1	LS	$2,500.00	$2,500.00
3.	Remove Existing Striping & Pavement Markings	1	LS	$1,500.00	$1,500.00
4.	Crack Seal	1	LS	$5,000.00	$5,000.00
5.	AC repair (6" Type A, 3/4" max)	1500	SF	$6.00	$9,000.00
6.	Type II Slurry Seal	130000	SF	$0.25	$32,500.00
7.	Detail 1 (yellow dashed- thermo)	5200	LF	$0.75	$3,900.00
8.	Detail 23	250	LF	$2.00	$500.00
9.	12" White Stripe (thermoplastic)	45	SF	$5.00	$225.00
10.	Stop Legends (thermoplastic) One at each end of Foley Road	44	SF	$5.00	$220.00
11.	Detail 27B (White edge line)	10000	LF	$1.00	$10,000.00
	Subtotal				**$70,345.00**
	10% Cont:				**$7,034.50**
	Labor/Materials Cost:				**$77,379.50**
	22% Design (12%) and Construction Admin (10%):				**$17,023.49**
	Materials Testing				**$1,500.00**
	Total Cost:				**$95,903**

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: Tom Hughes/Margaret Chun

AGENDA DATE: December 18, 2013 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, 2013 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/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 Connection Fees (accounted for under the Capital Expansion Fund 73) and Flood Protection and Storm Water Drainage Development Impact Fees (accounted for under Flood Protection/Drainage DIF Fund 76).

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, 2013.

ATTACHMENTS:

Resolution
Annual Development Fees Report for the fiscal year ending June 30, 2013.

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

RESOLUTION NO.

INTRODUCED BY
SECONDED BY

ACCEPTING THE 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, 2013.

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 18, 2013.

By:____________________________________
President, Board of Directors

ZONE 7 WATER AGENCY
ANNUAL DEVELOPMENT FEE REPORT
For Fiscal Year Period Ending June 30, 2013

Flood Protection and Storm Water Drainage Development Impact Fees Fund (76) (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 76 (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 06/30/2013

Account/ Job Number and Description		Start-End Fiscal Year		FYTD Actuals 6/30/2013
Revenue and Transfers In:				
4311	INTEREST FROM INVESTMENTS		$	97,847
4431	FLOOD PROTECTION/ STORM DRAINAGE DIF			5,081,088
4614	SPECIFICATION FEES			812
4818	UNCLAIMED MONEY			307
4819	OTHER MISCELLANEOUS			50
4941	OPERATING TRANSFERS IN			-
Total Revenue and Transfers In			$	5,180,104
Expenditures:				
61000	FLOOD PROTECTION/DIF GENERAL ADMIN	ongoing	$	119
61145	STREAM MANAGEMENT MASTER PLAN (41% fr 61902)	2001-14		180,165
61154	NORTH CANYONS ADMIN/ENG BUILDING LEASE (10%)	2005-20		118,298
61157	FLOW STUDIES-STEELHEAD RESTORATION (50% fr 61903)	2007-14		10,433
61158	E. ALAMEDA COUNTY CONSERV STRATEGY (10% fr 61904)	2007-13 (closed)		526
61160	FLOOD CONTROL HYDROLOGY STUDY (41% fr 61905)	2011-2014		191,271
61161	SEDIMENT STUDY-SFEI 2010 (41% fr 61906)	2011-2015		40,206
61162	EL CHARRO SPECIFIC PLAN JOINT AGREEMT (57% fr 61907)	2011-2014		260
61164	ARROYO MOCHO - STANLEY REACH (17% fr 61909)	2012-2014		162,571
61165	COPE LAKE SLOPE REPAIR (28% fr 61910)	2012-2014		517,994
61166	ARROYO LAS POSITAS IMPRV (17%)	2013-2014		5,886
Total Expenditures			$	1,227,729
Excess Revenue Over (Under) Expenditures			$	3,952,376
Commitments and Reserves (including encumbrances) FYTD			$	2,894,964
3510	Beginning Fund Balance		$	36,696,156
Available End of Fiscal Year Fund Balance			**$**	**37,753,568**

ZONE 7 WATER AGENCY
ANNUAL DEVELOPMENT FEE REPORT
For Fiscal Year Period Ending June 30, 2013

Capital Expansion Fund (73) (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 01/01/2012 through 12/31/2012 was $22,930 and effective 01/01/2013 through 6/30/2013 was $23,500 . A separate charge for Dougherty Valley was $21,230 per connection for the period of 01/01/2012 through 12/31/2012 and $21,750 for 01/01/2013 thru 06/30/2013.

Account / Job Number and Description	Start-End Fiscal Year		FYTD Actuals 6/30/2013
Revenue and Transfers In:			
4231 GRANT NONOPERATING REVENUE		$	-
4311 INTEREST FROM INVESTMENTS			132,600
4321 INTEREST FROM OTHER SOURCES			15,903
4411 CONNECTION FEES - TREATED			22,620,233
4412 CONNECTION FEES - DVSA			4,286,941
4613 ENGINEERING FEES - AGENCY			3,368
4614 SPECIFICATION FEES			12
4814 DWR REFUNDS			2,117,774
4819 OTHER REVENUE			-
Total Revenue		$	29,176,830
Expeditures:			
51401 DWR -SWP (SBA capacity & fixed costs)	ongoing	$	3,402,857
51410 SWSD -WATER STORAGE AGREEMENTS	ongoing		49,178
Subtotal Water Expansion Agreements		$	3,452,035
55001 WATER CONNECTION FEE ADMIN	1972-ongoing	$	30,812
55010 GENERAL PLANNING	1995-ongoing		260,977
55037 SO BAY AQUEDUCT ENLARGEMENT Phase II	2002-36		12,301,858
55043 CUWA MEMBERSHIP & TECHNICAL STUDIES	2004-ongoing		19,210
55048 NORTH CANYONS ADMIN/ENG BUILDING LEASE (35%)	2005-20		414,043
55052 HABIT CONSERV PLAN-DELTA WTRSHED (50% 55504)	2006-13		7,190
55053 DELTA OUTREACH (50% from 55505)	2006-13		11,024
55054 WATER QUAL MGMT IMPLEMENT PLAN (25% 52917)	2007-ongoing		8,678
55056 E. ALAMEDA COUNTY CONSERV STRATEGY(80% fr 61904)	2007-13 (closed)		4,208
55061 GROUNDWATER/SALT/NUTRIENT MGMT PLAN (30%52925)	2012-14		59,907
55062 DWR LAND ACQUISITION (30%)	2013-15		6,775
Subtotal General		$	13,124,681
55106 CAWELO WD GROUNDWATER BANKING PROJ	2003-36		1,294,292
Subtotal Water Transfer Projects		$	1,294,292
55207 RECYCLED WATER FEASIBILITY STUDY (30% from 52926)	2012-ongoing		6,950
Subtotal Water Recycling Projects		$	6,950

ZONE 7 WATER AGENCY
ANNUAL DEVELOPMENT FEE REPORT
For Fiscal Year Period Ending June 30, 2013

Capital Expansion Fund (73) (NWS Fund 130)

Account / Job Number and Description	Start-End Fiscal Year		FYTD Actuals 6/30/2013
55300 WATER CONSRV PLAN (25% from Job 52905)	1995-ongoing	$	13,497
55302 WATER CONSRV EDUC MAT (25% from 52907)	1995-ongoing		75
55303 WASHER REBATE PG (25% from Job 52908)	1997-ongoing		600
Subtotal Water Conservation Projects		$	14,172
55430 BAY AREA DESALINATION FEASABILITY STUDY (65% fr 52923)	2010-14	$	78,340
55431 CAMP PARK/ TEST WELL	2011-14		3,411
Subtotal Well Field Expansion Projects		$	81,751
55603 ALTAMONT WTP AND ALTAMONT PIPELINE	2002-16	$	10,819
55614 ALTAMONT PIPELINE - LIVERMORE REACH	2007-13 (closed)		169
55617 PPWTP EXPANSION FEASIBILITY	2012-14		28,943
Subtotal Treatment Plant Expansion Projects		$	39,931
57101 CEQA LK H DIVERT (cost share f/88305)	2001-13	$	8,436
57104 CHAIN OF LAKES MASTER PLAN	2005-13		139,146
57107 COPE LAKE SLOPE REPAIR (35% fr 61910)	2012-14		647,492
57108 COL FACILITIES & IMPROVEMENTS (70%)	2013-15		105
57109 VULCAN PIPELINE (70%)	2013-14		5,174
57110 COL WATER ELEVATION EQUIPMENT (70%)	2013-14		272
Subtotal Chain of Lakes		$	800,625
Total Expenditures		$	18,814,436
Excess Revenue Over (Under) Expenditures		$	10,362,394
Encumbrances, Commitments, and Reserves FYTD		$	9,468,242
3510 Beginning Fund Balance		$	21,282,174
Available End of Fiscal Year Fund Balance		**$**	**22,176,326**

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 18, 2013 ITEM NO. **5c**

SUBJECT: REQUEST FOR OUT-OF-STATE TRAVEL TO ATTEND UPCOMING ASSOCIATION OF CALIFORNIA WATER AGENCIES' D.C. CONFERENCE

SUMMARY:

Director Dick Quigley has expressed an interest in attending the Association of California Water Agencies' (ACWA) Annual D.C. Conference to be held February 25 through 27, 2014, in Washington, D.C. 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, D.C., Conference provides a unique opportunity to meet with members of the 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 D.C. conference is $595; 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 D.C. Conference to be held February 25 through 27, 2014, in Washington, D.C.;

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 D.C. 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 18, 2013.

By: ___________________________________
President, Board of Directors

ORIGINATING SECTION: Engineering
CONTACT: Jill Duerig/David Aladjem

AGENDA DATE: December 18, 2013 ITEM NO. **5d**

SUBJECT: Principles of Understanding Between Contra Costa County and Zone 7

SUMMARY

- On April 1, 2009, Management Partners, Inc. presented its interim report to the Zone 7 Board on its analysis of whether the existing County support services best met the needs of Zone 7. A draft Final Report was presented to the Zone 7 Board on September 16, 2009, identifying certain inefficient uses of labor and redundant work processes along with some cost saving potentials in separating functions from the County.
- After further discussions (both in-house and with County staff and supervisors), the Zone 7 board directed staff to pursue independence as a multi-county agency to fully realize these opportunities for efficiencies as well as to allow people in Dougherty Valley to vote for and serve on the Zone 7 Board.
- Senate Bill 1337 was introduced by Senator DeSaulnier in early 2012. While the bill was later withdrawn by the author, it would have created the desired independent special district.
- Subsequent to this, discussions with Alameda County Supervisors and the Alameda County Local Agency Formation Commission (LAFCo) have been ongoing.
- Before pursuing any new legislation, Zone 7 plans to file an application with LAFCo but, as a prerequisite to preparing that application, several milestones were identified.
- One of these milestones was to develop Principles of Understanding with Contra Costa County to clarify roles of the new agency in the Dougherty Valley. A draft of the Principles was developed and discussed at the Contra Costa County Board of Supervisors' Transportation, Water & Infrastructure Committee on October 3, 2013. The committee was supportive of the Draft Principles. The Draft Principles were also discussed at the Zone 7 Board's Administrative Committee on October 10, 2013. Again, the committee was supportive of the draft Principles and recommended consideration and approval by the full Board. On October 16, 2013, the Zone 7 Board passed a resolution of support. On December 10, the Contra Costa County Board of Supervisors accepted the Principles.
- Staff recommends notifying LAFCo that this milestone has been completed.

FUNDING:
No funding impacts.

RECOMMENDED ACTION:
Adopt attached resolution authorizing the President of the Board to send a letter to LAFCo.

ATTACHMENTS: Resolution; Draft Letter to LAFCo

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

RESOLUTION NO.

INTRODUCED BY
SECONDED BY

Notify LAFCo of Principles of Understanding with Contra Costa County

WHEREAS, staff have been working with various staff in Contra Costa County Flood Control and Water Conservation District, as well as other Contra Costa County departments to develop Principles of Understanding that will provide a framework for future LAFCo applications and/or legislative language for Zone 7's independence; and

WHEREAS, both the Zone 7 Board and the Contra Costa County Board of Supervisors have now approved those Principles.

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 direct the Board President to notify LAFCo of this milestone in pursuing independence.

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 18, 2013.

By: ______________________________________
President, Board of Directors

December 18, 2013

Mona Palacios, Executive Officer
Alameda Local Agency Formation Commission
1221 Oak Street, Suite 555
Oakland, CA 94612

Subject: ***Status and Timing of Zone 7's Application to LAFCo for Independence***

Dear Ms. Palacios:

As you know from Zone 7's June 18, 2013 letter, Zone 7 continues to move towards independence (see http://www.zone7water.com/images/pdf_docs/separation/6-18-13_ltr-to-lafco.pdf). At the December 10, 2013, meeting of the Contra Costa County Board of Supervisors, the Board unanimously accepted the Principles of Agreement developed collaboratively between Contra Costa staff and Zone 7 staff. These Principles of Agreement had been previously endorsed by the Zone 7 Board of Directors at their October 16, 2013, Regular Monthly Board Meeting. This is one of two key items Zone 7 has been working to complete before initiating a LAFCo application for independent special district status.

While Zone 7 works towards completing a Memorandum of Understanding with the County of Alameda's Flood Control and Water Conservation District, Zone 7 will rely on the continuing support of Supervisors Miley and Haggerty and their respective staffs to help fulfill the best interests of our respective Tri-Valley. We thank them for their constructive input and will continue to work cooperatively and collaboratively with Alameda County during and after the independence process. In addition, Zone 7 is one of six agencies participating in the Tri-Valley Utilities Coordination/ Integration Study, which will also inform the LAFCo application process; Zone 7 also plans to complete that effort before submitting an application to LAFCo. We anticipate the Study will be completed in the spring of 2014.

If you have any questions or comments in the meantime, please feel free to contact either me at the number above or Jill Duerig by e-mail at jduerig@zone7water.com.

Sincerely,

William R. Stevens
President, Board of Directors

c: LAFCo Commissioners and Alternates
Zone 7 Board Members
Susan Muranishi, Alameda County Administrator
Daniel Woldesenbet, Alameda Co. Flood Control & Water Conservation Dist. General Manager
Jill Duerig

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 18, 2013 ITEM NO. **6**

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 2013 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.

Sara Whatley, Safety Technician II, has been chosen from among those nominated as the October 2013 Employee of the Month. She works at the North Canyons office reporting to Tom Pico, Employee Services Manager.

Sara was nominated for the dedication and hard work she provides to the Agency. During the past year Sara was assigned environmental compliance section duties. She quickly came up to speed and streamlined processes to help employees and managers save time in the engineering, maintenance, operations and water quality sections. Sara has continually developed her knowledge and skills to contribute to the Agency within her role.

As noted in her recommendation, Sara is an outstanding employee who is a pleasure to work with and has done a stand-out job this past year in taking on new environmental compliance duties and working to streamline processes.

The committee seconded the recommendation and recognized Sara Whatley 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 Sara Whatley as October 2013 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 18, 2013 ITEM NO. 7

SUBJECT: Independent Auditor's Report and Annual Financial Statements for Fiscal Year Ending June 30, 2013

SUMMARY:

- Maze and Associates conducted an independent financial audit of Zone 7 for the fiscal year ending June 30, 2013.
- 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 fund of the Alameda County Flood Control and Water Conservation District - Zone 7 at June 30, 2013, 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 November 14, 2013, and the committee recommended bringing to the full board for acceptance.

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, 2013.

ATTACHMENTS:

Resolution
Staff Report
Basic Financial Statements - Year Ending June 30, 2013
Memorandum on Internal Control and Required Communications - Year Ending June 30, 2013

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, 2013 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 at June 30, 2013 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, 2013.

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 18, 2013.

By:______________________________________
President, Board of Directors

Interoffice Memo

DATE: December 18, 2013

TO: Jill Duerig, General Manager

FROM: Margaret Chun, Accounting Manager

SUBJECT: **2013 Financial Audit**

SUMMARY:

On November 14, 2013, the Annual Financial Statements for the Year Ending June 30, 2013 and the Auditor's Reports were presented to the Finance Committee for review and discussion. Maze & Associates audited the agency's basic financial statements for fiscal year 2013 and issued an "unmodified opinion", which is the cleanest opinion possible. David Alvey, of Maze & Associates, attended the meeting to present the auditor's findings.

Highlights of the audit include the following:

- Total net position increased by $19.2 million (5.2%)
- Total revenues increased $15.6 million (20.3%)
- Total expenses decreased $7.6 million (7.6%)

DISCUSSION:

Following are questions that were raised during the meeting as well as explanations:

- Overall expenses decreased in the governmental funds when compared to FY 2012, but current liabilities (accounts payable) at 6/30/13 increased by approximately $300k. How is it possible for the expenses to decrease but the liabilities increased?
    - The expenses that make up the Accounts Payable reported at the end of the fiscal year are also included in the total expenses reported. These costs are reported as liabilities at year end because goods/services have been received as of 6/30 for which payment has not been made. Accounts Payable at any given time are primarily due to the timing of the receipt of goods/services and the payment for those services (cash outlay).
- The General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual report (page 16) indicates that the actual cost for salaries and benefits for flood control exceeded the budgeted amount by $1 million. Why is there such a large variance?
    - The higher-than-budgeted cost for salaries and benefits was primarily related to staff time spent on the Flood Control Hydrology Study, Arroyo Mocho-Stanley Reach, and the Cope Lake Slope Repair projects.
- What "thresholds" are used during the audit process to determine if/when additional analytical work is performed to explain variances between fiscal years?
    - As part of the audit process, the audit team routinely performs an analytical review on all agency accounts. The analysis is forwarded to staff that then provides an explanation for identified variances. Per the auditor, the Board and/or management can request that particular accounts be reviewed or that particular "thresholds" be used during the analysis.

ALAMEDA COUNTY FLOOD AND WATER CONSERVATION DISTRICT – ZONE 7

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2013

PREPARED BY THE
FINANCE AND MANAGEMENT
SERVICES DEPARTMENT

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT– ZONE 7
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Table of Contents

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, 2013, 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 2012 financial statements and our report dated October 8, 2012, 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
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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, 2013, 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.

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2013 and had material effects on the financial statements:

Statement 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. See Note 5 to the financial statements for relevant disclosures.

Statement 65 - *Items Previously Reported as Assets and Liabilities.*

The emphasis of these matters does not constitute a modification to our opinions.

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.

Maze & Associates

Pleasant Hill, California
September 25, 2013

Alameda County Flood Control and Water Conservation District – Zone 7
Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2013

This section presents a narrative overview and analysis of Zone 7's financial activities for the fiscal year ended June 30, 2013. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- Total assets exceeded liabilities at the close of this fiscal year by $389 million. Net position for governmental activities is $81 million and for Business-Type activities is $308 million.
- The total net position increased by $19.2 million or 5.2% over the prior fiscal year's close. Governmental activities increased $6.7 million, while Business-Type activities increased $12.5 million.
- Total revenues increased $15.6 million or 20.3% from the prior year to $92.7 million primarily due to the increase in the number of connection fees collected for new development.
- Total expenses decreased $6 million or 7.6% from the prior year to $73.5 million, primarily due to the El Charro Specific Plan project that was funded in the prior year.
- Construction in Progress at fiscal year-end include the Altamont Water Treatment Plant, Site Acquisition and Pipeline Projects for $17.4 million, Cope Lake Slope repair for $0.9 million, Del Valle Water Treatment Plant (DVWTP) treatment system repairs for $0.7 million, DVWTP chemical and sludge handling process improvements for $0.3 million, and other small capital projects.

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) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Zone 7-wide financial statements

The Zone 7-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 paid.

Both of 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 of Zone 7 include Flood Control and Flood Protection. The business-type (proprietary) activities include the Water Enterprise.

The government-wide financial statements can be found on pages 9-11 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. Zone 7's two kinds of funds - governmental and proprietary - use different accounting approaches.

Governmental funds

Flood Control (General) and Flood Protection services (Funds 50 and 76) 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 general government 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 programs.

The basic governmental fund financial statements can be found on pages 12-16 of this report.

Proprietary funds

Proprietary funds are generally used to account for services for a government's business-type activities (activities supported by fees or charges). Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. Enterprise activities, which include the State Water Project, Water Sales, Capital Improvement Renewal & Replacement, Capital Expansion, Water Facilities Trust and Water Supply Trust, 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 Net Activities, using the accrual method of accounting.

The basic proprietary fund financial statements can be found on pages 18–23 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 25-37 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. Zone 7's assets exceeded liabilities by $389 million at June 30, 2013.

The largest portion of Zone 7's net position, $218.5 million or 56% 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. While the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position as of June 30

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	$65,714,158	$60,672,924	$140,005,021	$123,689,917	$205,719,179	$184,362,841
Capital assets	16,232,189	14,301,567	202,295,691	205,651,283	218,527,880	219,952,850
Total assets	81,946,347	74,974,491	342,300,712	329,341,200	424,247,059	404,315,691
Liabilities:						
Current liabilities	710,648	417,372	34,752,361	3,821,534	35,463,009	4,238,906
Long-term liabilities				30,500,000		30,500,000
Total liabilities	710,648	417,372	34,752,361	34,321,534	35,463,009	34,738,906
Net assets:						
Invested in capital assets net of related debt	16,232,189	14,301,567	202,295,691	205,651,283	218,527,880	219,952,850
Unrestricted-Designated	65,003,510	41,751,799	105,252,660	79,220,538	170,256,170	120,972,337
Unrestricted		18,503,753		10,147,845	0	28,651,598
Total net position	$81,235,699	$74,557,119	$307,548,351	$295,019,666	$388,784,050	$369,576,785

Changes in Net Position for Year ended June 30

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Charges for services	$5,117,561	$5,505,177	$38,236,282	$35,563,265	$43,353,843	$41,068,442
Grants and other contributions	61,578	61,249	68,416	106,194	129,994	167,443
Other program revenues	13,520	41,461	42,732,054	29,154,849	42,745,574	29,196,310
General revenues						
Property taxes	5,959,083	5,773,050			5,959,083	5,773,050
Investment earnings and other	179,858	257,328	362,588	641,133	542,446	898,461
Total Revenues	11,331,600	11,638,265	81,399,340	65,465,441	92,730,940	77,103,706
Expenses:						
General government	3,947,332	8,499,485			3,947,332	8,499,485
Flood protection	705,688	5,903,778			705,688	5,903,778
Special drainage area operations						
State Water Project			14,002,380	13,858,280	14,002,380	13,858,280
Cost of water sales			34,181,740	30,711,144	34,181,740	30,711,144
Facility use fees - capital improvement projects			2,387,938	3,864,713	2,387,938	3,864,713
Water connection fees - capital expansion projects			18,298,597	16,691,162	18,298,597	16,691,162
Total Expenses	4,653,020	14,403,263	68,870,655	65,125,299	73,523,675	79,528,562
Increase/(decrease) in net position before transfers	6,678,580	(2,764,998)	12,528,685	340,142	19,207,265	(2,424,856)
Transfers						
Extraordinary item						
Change in net position	6,678,580	-2,764,998	12,528,685	340,142	19,207,265	-2,424,856
Net position-beginning	74,557,119	77,322,117	295,019,666	294,679,524	369,576,785	372,001,641
Net position-ending	$81,235,699	$74,557,119	$307,548,351	$295,019,666	$388,784,050	$369,576,785

Zone 7's net position increased by $19.2 million during the fiscal year ended June 30, 2013. Total revenue was $92.7 million and total expenses, including transfers, were $73.5 million.

Governmental activities

The net position for Zone 7's flood control governmental activities increased by $6.7 million. Total revenues were $11.3 million while total expenses amounted to $4.6 million.

Revenues: Charges for services decreased $0.4 million from the prior year mainly due to a decrease in the number of impervious area applications. Other program revenues decreased $0.03 million, or 67.4% from the prior year for fees and permits activities. Investment earnings and other decreased $0.08 million, or 30.1%, because of considerably lower earnings rates due to the economic downturn. Property taxes increased $0.2 million, or 3.2% because of slightly higher total assessed value and higher delinquencies.

Expenses: General government decreased $9.7 million, or 67.7% mainly due to the El Charro Specific Plan project in the prior year.

Business-type activities

The net position for Zone 7's water enterprise business-type activities increased by $12.5 million, with total revenues of $81.4 million and total expenses (including transfers) of $68.9 million.

Revenues: Charges for services increased $2.7 million or 7.5% over the prior year as a result of a water rate increase and a higher volume of water sold. Other program revenues increased $13.6 million, or 46.6% over the prior year due to the increase in the number of connection fees for new development. The increases in revenues are mostly offset by the decrease of $0.3 million, or 43.4% in investment earnings due to lower earnings rates.

Expenses: State water project costs increased $0.1 million or 1% because of slightly increased expenses incurred by the State. Cost of water sales increased $3.5 million or 11.3% because of the increase in water purchases and water storage costs. Facility use fees - Capital improvement project expenses decreased $1.5 million or $38.2% because there were fewer capital projects during this year. Water connection fees – capital expansion projects increased $1.6 million or 9.6% mainly due to the South Bay Aqueduct Enlargement/Improvement Project increased costs.

Governmental funds

As of the end of the fiscal year ended June 30, 2013, Zone 7's governmental funds reported combined ending fund balances of $65 million, an increase of $4.7 million or 7.9% 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. $2.6 million is reserved for encumbrances and the balance of $62.4 million is committed, due to constraints imposed by formal action of the Board. There were no long term liabilities.

Proprietary funds

Zone 7's proprietary fund statements provide the same type of information as is found in the government-wide financial statements. The net position for the enterprise increased $12.5 million. The net investment in capital assets decreased $3.4 million. There is a change in long-term liabilities due to the December 2013 expiration of the agency's line of credit. The $30.5 million line of credit is reported as a current liability.

General Fund budgetary highlights

A comparative budgetary statement for Zone 7's General Fund follows:

	Final Budgeted Amounts	Actual Amounts	Budget Variance June 30, 2013	Budget Variance June 30, 2012
Resources (inflows):				
Taxes	$5,873,311	$5,959,083	$85,772	($72,333)
Intergovernmental	54,000	61,578	7,578	7,249
Charges for services	10,000	35,661	25,661	30,651
Interest and rentals	130,118	82,011	(48,107)	(1,135)
Other	28,690	13,163	(15,527)	14,140
Amounts available for appropriation	6,096,119	6,151,496	55,377	(21,428)
Charges to appropriations (outflows):				
Salaries and benefits	1,148,163	2,157,645	(1,009,482)	(781,554)
Services and supplies	7,648,065	3,198,269	4,449,796	5,532,221
Total charges to appropriations	8,796,228	5,355,914	3,440,314	4,750,667
Excess of resources over charges to appropriations	(2,700,109)	795,582	3,495,691	4,729,239
Fund balance allocations	2,700,109	0	(2,700,109)	(7,197,825)
Excess of resources over charges to appropriations	$0	$795,582	$795,582	($2,468,586)

Zone 7's actual general fund revenues are over the budget by $0.05 million or 0.9%.

Variations between budget and actual expenditures in the general fund reflect overall expenditures less than the adjusted budget by $3.4 million or 64.2%. 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, Proprietary Enterprise Fund and Governmental General Fund, can be found on pages 30-32. Highlights include capitalizing the Patterson Pass Water Treatment Plant and Patterson Pass road sanitary sewer pipeline, the Santa Rita pipeline relocation project and the Construction in Progress mentioned above in the Financial Highlights. Further detail of Capital Assets as of June 30, 2013 can be found under Note 3.

At the end of the current fiscal year, the $30.5 million line of credit, which expires December 2013, is reported as a current liability. Interest for the line of credit is calculated at a fluctuating rate per annum of 81.41% of the Prime Rate in effect from time to time, less 2.2%, the prime rate minus 2 points. Adequate funds are available to pay off the Line of Credit when due.

Economic factors and next year's budget and rates

- 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 new water rate payers and connection fee revenue.

- A leveling-off in property values has resulted in stabilization of the 2012 and 2013 assessment roll. Alameda County's average unemployment rate has decreased markedly, now registering 7.8 percent as of July 2013, below the 2012 rate of 9.0 percent, exhibiting signs of slow but steady economic stabilization.

All of the above factors were considered in preparing Zone 7's budget for fiscal year 2013/14.

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

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash in county treasury (Note 2)	$64,906,791	$129,462,574	$194,369,365
Accounts receivable, net	807,367	10,452,447	11,259,814
Prepaid expenses		90,000	90,000
Total current assets	65,714,158	140,005,021	205,719,179
Noncurrent assets			
Capital assets (Note 3):			
Rights of way, water entitlements, easements and construction in progress	8,988,821	58,959,521	67,948,342
Depreciable, net	7,243,368	143,336,170	150,579,538
Total noncurrent assets	16,232,189	202,295,691	218,527,880
Total assets	81,946,347	342,300,712	424,247,059
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	710,648	2,771,476	3,482,124
Deposits-water facilities trust		336,635	336,635
Line of Credit (Note 4)		30,500,000	30,500,000
Compensated absences (Note 1J)		1,144,250	1,144,250
Total current liabilities	710,648	34,752,361	35,463,009
Total liabilities	710,648	34,752,361	35,463,009
NET POSITION (Note 5)			
Net investment in capital assets	16,232,189	202,295,691	218,527,880
Unrestricted-designated for			
Capital projects	60,596,601	65,125,317	125,721,918
Specific projects and programs	4,406,909	40,127,343	44,534,252
Total net position	$81,235,699	$307,548,351	$388,784,050

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, 2013

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Other Program Revenues	Total
Governmental activities:					
General government	$3,947,332	$35,661	$61,578	$13,163	$110,402
Flood protection	705,688	5,081,900		357	5,082,257
Total governmental activities	4,653,020	5,117,561	61,578	13,520	5,192,659
Business-type activities:					
State water project	14,002,380		68,416	11,942,972	12,011,388
Water sales	34,181,740	38,223,901		1,187,780	39,411,681
Facility use fees-capital improvement	2,387,938	9,001		576,353	585,354
Water connection fees capital expansion	18,298,597	3,380		29,024,949	29,028,329
Total business-type activities	68,870,655	38,236,282	68,416	42,732,054	81,036,752
Total	$73,523,675	$43,353,843	$129,994	$42,745,574	$86,229,411

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

Total general revenues

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
($3,836,930)		($3,836,930)
4,376,569		4,376,569
539,639		539,639
	($1,990,992)	(1,990,992)
	5,229,941	5,229,941
	(1,802,584)	(1,802,584)
	10,729,732	10,729,732
	12,166,097	12,166,097
539,639	12,166,097	12,705,736
5,559,295		5,559,295
334,675		334,675
65,113		65,113
161,622	331,588	493,210
18,236	31,000	49,236
6,138,941	362,588	6,501,529
6,678,580	12,528,685	19,207,265
74,557,119	295,019,666	369,576,785
$81,235,699	$307,548,351	$388,784,050

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2013
WITH SUMMARIZED TOTALS AS OF JUNE 30, 2012

	General	Flood Protection and Storm Water Drainage Development Impact Fee	Totals 2013	Totals 2012
ASSETS				
Current assets				
Cash in county treasury (Note 2)	$24,990,434	$39,916,357	$64,906,791	$59,446,259
Accounts receivable, net	365	807,002	807,367	1,226,665
Total assets	$24,990,799	$40,723,359	$65,714,158	$60,672,924
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	$635,820	$74,828	$710,648	$417,372
Total liabilities	635,820	74,828	710,648	417,372
FUND BALANCES (Note 5)				
Nonspendable:				
Encumbrances	1,638,556	962,668	2,601,224	1,594,908
Committed	22,716,423	39,685,863	62,402,286	35,956,891
Assigned				17,823,912
Unassigned				4,879,841
Total fund balances	24,354,979	40,648,531	65,003,510	60,255,552
Total liabilities and fund balances	$24,990,799	$40,723,359	$65,714,158	$60,672,924

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, 2013

	2013
TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$65,003,510
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.	16,232,189
NET POSITION OF GOVERNMENTAL ACTIVITIES	$81,235,699

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, 2013
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2012

	General	Flood Protection and Storm Water Drainage Development Impact Fee	Totals 2013	Totals 2012
REVENUES				
Property taxes	$5,959,083		$5,959,083	$5,773,050
Intergovernmental revenues	61,578		61,578	61,249
Charges for services	35,661	$5,081,900	5,117,561	5,505,177
Interest and rentals	82,011	97,847	179,858	257,328
Other revenues	13,163	357	13,520	41,461
Total revenues	6,151,496	5,180,104	11,331,600	11,638,265
EXPENDITURES				
Salaries and employee benefits transferred from district-wide	2,157,645	473,707	2,631,352	2,243,556
Services and supplies	3,198,269	300,275	3,498,544	6,851,120
Equipment and capital structure		451,740	451,740	5,130,850
Other		2,006	2,006	88
Total expenditures	5,355,914	1,227,728	6,583,642	14,225,614
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	795,582	3,952,376	4,747,958	(2,587,349)
NET CHANGE IN FUND BALANCES	795,582	3,952,376	4,747,958	(2,587,349)
FUND BALANCES, BEGINNING OF YEAR	23,559,397	36,696,155	60,255,552	62,842,901
FUND BALANCES, END OF YEAR	$24,354,979	$40,648,531	$65,003,510	$60,255,552

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, 2013

	2013
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	$4,747,958
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	2,113,271
Depreciation expense is deducted from the fund balance	(182,649)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$6,678,580

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts Budgetary Basis	Positive (Negative)
REVENUES				
Property taxes	$5,873,311	$5,873,311	$5,959,083	$85,772
Intergovernmental revenue	54,000	54,000	61,578	7,578
Charges for services	10,000	10,000	35,661	25,661
Interest and rentals	130,118	130,118	82,011	(48,107)
Other revenue	28,690	28,690	13,163	(15,527)
TOTAL REVENUES	6,096,119	6,096,119	6,151,496	55,377
EXPENDITURES				
Salaries and benefits	1,148,163	1,148,163	2,157,645	(1,009,482)
Services and supplies	4,505,985	7,648,065	3,198,269	4,449,796
TOTAL EXPENDITURES	5,654,148	8,796,228	5,355,914	3,440,314
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	441,971	(2,700,109)	795,582	3,495,691
NET CHANGE IN FUND BALANCE	$441,971	($2,700,109)	795,582	$3,495,691
Fund balance, beginning of year			23,559,397	
Fund balance, end of year			$24,354,979	

See accompanying notes to financial statements

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013
WITH SUMMARIZED TOTALS AS OF JUNE 30, 2012

	State Water Project	Water Sales	Capital Improvement Renewal & Replacement	Capital Expansion
ASSETS				
Current assets:				
Cash in county treasury (Note 2)	$8,642,285	$27,674,749	$25,091,668	$59,750,803
Receivables, net		7,984,324	43,350	2,424,773
Prepaid deposits		90,000		
Total current assets	8,642,285	35,749,073	25,135,018	62,175,576
Noncurrent assets:				
Capital assets (Note 3), right of ways, water entitlements and construction in progress		58,959,521		
Improvements, net of depreciation		143,336,170		
Total noncurrent assets		202,295,691		
Total assets	8,642,285	238,044,764	25,135,018	62,175,576
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses		2,586,199	154,269	31,008
Deposits				
Line of Credit (Note 4)				30,500,000
Compensated absences (Note 1J)		1,144,250		
Total current liabilities		3,730,449	154,269	30,531,008
Long-term liabilities:				
Line of Credit (Note 4)				
Total long-term liabilities				
Total liabilities		3,730,449	154,269	30,531,008
NET POSITION (Note 5)				
Net Investment in capital assets		202,295,691		
Unrestricted-designated for:				
Capital projects		8,500,000	24,980,749	31,644,568
Designated projects	8,642,285	23,518,624		
Unrestricted				
Total net position	8,642,285	234,314,315	24,980,749	31,644,568
Total liabilities and net position	$8,642,285	$238,044,764	$25,135,018	$62,175,576

See accompanying notes to financial statements

	Water Facilities Trust	Water Supply Trust	Totals 2013	Totals 2012
	$3,550,387	$4,752,682	$129,462,574	$114,231,341
			10,452,447	9,368,576
			90,000	90,000
	3,550,387	4,752,682	140,005,021	123,689,917
			58,959,521	58,489,629
			143,336,170	147,161,654
			202,295,691	205,651,283
	3,550,387	4,752,682	342,300,712	329,341,200
			2,771,476	2,352,560
	336,635		336,635	353,039
			30,500,000	
			1,144,250	1,115,935
	336,635		34,752,361	3,821,534
				30,500,000
				30,500,000
	336,635		34,752,361	34,321,534
			202,295,691	205,651,283
			65,125,317	37,928,558
	3,213,752	4,752,682	40,127,343	41,291,980
				10,147,845
	3,213,752	4,752,682	307,548,351	295,019,666
	$3,550,387	$4,752,682	$342,300,712	$329,341,200

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, 2013
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2012

	State Water Project	Water Sales	Capital Improvement Renewal & Replacement	Capital Expansion
OPERATING REVENUES				
Property taxes	$9,517,243			
Water sales		$38,130,264		
Intergovernmental revenue	68,416			
Connection and development fees			$576,353	$26,907,174
Charges for services		58,206	9,001	3,380
Other revenues	2,425,729	1,187,780		2,117,775
Total operating revenues	12,011,388	39,376,250	585,354	29,028,329
OPERATING EXPENSES				
Salaries, wages and benefits		12,516,864	1,105,252	491,133
Contractual services		2,408,535	2,348,825	781,429
Supplies		128,160		
Chemical purchases		1,777,427		
Water purchases	14,002,380	3,454,373		15,621,447
Water storage		2,153,424		1,343,470
Utilities		2,391,932	408	1,517
Maintenance and repairs		1,312,559		
Equipment and building rents		132,363	532,341	414,043
Office expenses		1,743,762	10,434	161,399
Risk management		335,047		
Depreciation (Note 3)		5,827,294		
Expenses capitalized			(1,609,322)	(515,841)
Total operating expenses	14,002,380	34,181,740	2,387,938	18,298,597
Operating income (loss)	(1,990,992)	5,194,510	(1,802,584)	10,729,732
NONOPERATING REVENUES				
Interest income and rental fees	29,454	103,628	59,543	148,503
Total nonoperating revenues	29,454	103,628	59,543	148,503
Income (loss) before transfers	(1,961,538)	5,298,138	(1,743,041)	10,878,235
Transfers in		2,283,378	6,702,981	
Transfers (out)		(6,758,215)	(1,712,303)	(515,841)
Change in net position	(1,961,538)	823,301	3,247,637	10,362,394
Net position, beginning of year	10,603,823	233,491,014	21,733,112	21,282,174
Net position, end of year	$8,642,285	$234,314,315	$24,980,749	$31,644,568

See accompanying notes to financial statements

Water Facilities Trust	Water Supply Trust	Totals 2013	Totals 2012
		$9,517,243	$12,017,106
		38,130,264	35,398,908
		68,416	106,194
		27,483,527	11,345,942
		70,587	129,384
$35,431		5,766,715	5,826,774
35,431		81,036,752	64,824,308
		14,113,249	14,552,112
		5,538,789	5,207,898
		128,160	115,792
		1,777,427	1,854,047
		33,078,200	29,608,615
		3,496,894	2,444,072
		2,393,857	2,185,713
		1,312,559	1,183,573
		1,078,747	1,035,709
		1,915,595	2,024,648
		335,047	354,389
		5,827,294	5,793,649
		(2,125,163)	(1,234,918)
		68,870,655	65,125,299
35,431		12,166,097	(300,991)
9,144	$12,316	362,588	641,133
9,144	12,316	362,588	641,133
44,575	12,316	12,528,685	340,142
		8,986,359	7,086,110
		(8,986,359)	(7,086,110)
44,575	12,316	12,528,685	340,142
3,169,177	4,740,366	295,019,666	294,679,524
$3,213,752	$4,752,682	$307,548,351	$295,019,666

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2012

	State Water Project	Water Sales	Capital Improvement Renewal & Replacement
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$12,148,729	$39,740,685	($31,254)
Connection and development fees			576,353
Payments to employees		(12,488,549)	(1,105,252)
Payments to suppliers	(14,002,380)	(15,107,543)	(1,558,426)
Net cash provided (used) by operating activities	(1,853,651)	12,144,593	(2,118,579)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in		2,283,378	6,702,981
Transfers (out)		(6,758,215)	(1,712,303)
Interest income	29,454	103,628	59,543
Cash flows from noncapital financing activities	29,454	(4,371,209)	5,050,221
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property, plant, and equipment		(2,471,702)	
Cash flows from (used for) capital and related financing activities		(2,471,702)	
Net increase (decrease) in cash and cash equivalents	(1,824,197)	5,301,682	2,931,642
Cash and investments at beginning of period	10,466,482	22,373,067	22,160,026
Cash and investments at end of period	$8,642,285	$27,674,749	$25,091,668
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	($1,990,992)	$5,194,510	($1,802,584)
Adjustments to reconcile operating income to cash flows			
Depreciation		5,827,294	
Changes in assets and liabilities			
Receivables	137,341	364,435	(40,255)
Prepaid deposits			
Accounts payable and accrued expenses		730,039	(275,740)
Compensated absences		28,315	
Deposits			
Net cash provided (used) by operating activities	($1,853,651)	$12,144,593	($2,118,579)

See accompanying notes to financial statements

	Capital Expansion	Water Facilities Trust	Water Supply Trust	Total 2013	Total 2012
	$575,763	$19,027		$52,452,950	$51,012,417
	26,907,174			27,483,527	11,345,942
	(491,133)			(14,084,934)	(14,588,267)
	(17,842,847)			(48,511,196)	(44,506,756)
	9,148,957	19,027		17,340,347	3,263,336
				8,986,359	7,086,110
	(515,841)			(8,986,359)	(7,086,110)
	148,503	9,144	$12,316	362,588	641,133
	(367,338)	9,144	12,316	362,588	641,133
				(2,471,702)	(1,383,544)
				(2,471,702)	(1,383,544)
	8,781,619	28,171	12,316	15,231,233	2,520,925
	50,969,184	3,522,216	4,740,366	114,231,341	111,710,416
	$59,750,803	$3,550,387	$4,752,682	$129,462,574	$114,231,341
	$10,729,732	$35,431		$12,166,097	($300,991)
				5,827,294	5,793,649
	(1,545,392)			(1,083,871)	(2,571,810)
					133,819
	(35,383)			418,916	272,782
				28,315	(36,155)
		(16,404)		(16,404)	(27,958)
	$9,148,957	$19,027		$17,340,347	$3,263,336

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 fund.

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 *General Fund* 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 and Storm Water Drainage Development Impact Fee Fund* 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 Project* is used for fixed State water charges and State water project bonded indebtedness.

- The *Water Sales* 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 *Capital Improvement Renewal & Replacement* is used for improvement, renewal and replacement program.

- The *Capital Expansion* is used for Water Enterprise capital expansion projects.

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

- The *Water Supply Trust* 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 all eligibility requirements have been satisfied; 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 fund is the sale of water to outside customers. Operating expenses for the enterprise 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 sewer usage 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 General Fund.

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 General Funds and Flood Protection and Storm Water 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 expenditure in the period that the benefit is taken. As of June 30, 2013, the balance of compensated absences is $1,144,250.

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, 2013, the District's cash and investments amounted to $194,369,365 of which $64,906,791 and $129,462, 574 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, 2013, however the majority of the Pool is comprised of collateralized securities (Treasury Notes, Bills, Federal Agencies and Commercial Paper).

NOTE 3 – CAPITAL ASSETS

A. Summary

The following is a summary of capital assets as of June 30, 2013:

Governmental Activities	Balance at June 30, 2012	Additions	Balance at June 30, 2013
Capital assets not being depreciated:			
Rights of way	$6,875,550		$6,875,550
Construction in progress		$2,113,271	2,113,271
Total capital assets not being depreciated	6,875,550	2,113,271	8,988,821
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	2,513,342	182,649	2,695,991
Total accumulated depreciation	2,513,342	182,649	2,695,991
Net capital assets being depreciated	7,426,017	(182,649)	7,243,368
Governmental activity capital assets, net	$14,301,567	$1,930,622	$16,232,189

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT – ZONE 7
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 3 – CAPITAL ASSETS (Continued)

Business-Type Activities	Balance at June 30, 2012	Additions and Transfers	Retirements	Balance at June 30, 2013
Capital assets not being depreciated:				
Rights of way	$1,277,897			$1,277,897
Water entitlements	36,655,364			36,655,364
Easements	1,293,057	$57,033		1,350,090
Construction in progress	19,263,311	412,859		19,676,170
Total capital assets not being depreciated	58,489,629	469,892		58,959,521
Capital assets being depreciated:				
Equipment	2,869,024	346,540	($40,666)	3,174,898
Treatment plants	105,415,112	1,107,051		106,522,163
Office building	1,264,251			1,264,251
Reservoir	1,934,197			1,934,197
Pipelines	52,121,962	548,219		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	200,232,089	2,001,810	(40,666)	202,193,233
Less accumulated depreciation for:				
Equipment	2,492,801	193,890	(40,666)	2,646,025
Treatment plants	31,336,488	3,102,823		34,439,311
Office building	785,132	31,606		816,738
Reservoir	909,286	48,355		957,641
Pipelines	10,135,948	1,292,315		11,428,263
Wellfields	3,724,807	660,883		4,385,690
Supervisory Control and Data Acquisition project	3,639,249	485,233		4,124,482
Other infrastructure	46,724	12,189		58,913
Total accumulated depreciation	53,070,435	5,827,294	(40,666)	58,857,063
Net capital assets being depreciated	147,161,654	(3,825,484)		143,336,170
Business-Type activity capital assets, net	$205,651,283	($3,355,592)		$202,295,691

NOTE 3 – CAPITAL ASSETS (Continued)

B. Construction in Progress

Construction in Progress at June 30, 2013 comprises the following projects:

Projects	
DV Chemical Sys/ ParkLlot Imprv	$233,428
Del Valle Water Treatment Plant-DVWTP Sludge Handling Imprv	84,365
Cope Lake Slope Repair (15%)	265,718
DWR Land Acquisition (70%)	11,946
Del Valle Water Treatment Plant-DVWTP Aqua Ammonia Facility	6,658
Del Valle Water Treatment Plant-DVWTP Superpulsator Rehab	136,705
Del Valle Water Treatment Plant-DVWTP Filter #2 Rehab	533,900
DWR Land Acquisition (30%)	5,120
Altamont Water Treatment PlantAWTP-Site Aquis/Raw H2O T	15,522,493
Altamont Water Treatment Plant	1,334,358
Altamont Pipeline-County Reach	592,392
Arroyo Mocho/Lake H Diversion	329,079
Cope Lake Slope Repair (35%)	620,008
Total	$19,676,170

NOTE 4 – 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. The line carries a variable interest rate based on a calculation of 81.41% of bank's Prime rate, less 2.2%. There are no prepayment penalties, an unused portion fee of 0.05% per year applies, and a debt service of 1.0 times net revenues has to be maintained. As of June 30, 2013 the outstanding balance for the line of credit was $30,500,000 at an interest rate of 0.45%.

NOTE 5 – 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 assets of each fund. Net current assets 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:

Nonspendables 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.

Restricted fund balances 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.

NOTE 5 – NET POSITION AND FUND BALANCES (Continued)

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 general fund balance and residual fund deficits, if any, of other governmental funds.

NOTE 6 – 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 7.48%-14.62% of their salary of which the District contributes up to 19.86%. The Plan requires participants in Tier 2 to contribute from 5.09%-10.40% of their salary of which the District contributes up to 19.19%. 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 8.25% of their salary of which the District contributes up to 17.77%.

The actuarial accrued liability presented below was computed as part of an actuarial valuation performed as of December 31, 2012, 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 Normal Cost Method with a supplemental present value. The amortization period for the supplemental present value is 24 years, with 20 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).

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

NOTE 6 – RETIREMENT PLAN (Continued)

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
2010-2011	$716,787	$2,663,052	$3,379,839
2011-2012	689,817	2,688,349	3,378,166
2012-2013	701,287	2,818,583	3,519,870

NOTE 7 - 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.

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 2027 based on the December 31, 2010 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 2027.

NOTE 8 - 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	$25,000,000	$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 9 - 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. $399,762 was paid for the year ended June 30, 2013.

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:

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.

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.

NOTE 9 - COMMITMENT AND CONTINGENT LIABILITIES (Continued)

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, 2013, the District paid $1,143,017. A schedule of future rents is as follows:

For the Year Ending June 30	Lease Obligation
2014	$1,165,901
2015	1,189,198
2016	1,212,958
2017	1,237,241
2018	1,262,026
2019-2021	2,046,750
Totals	$8,114,074

NOTE 10 – SUBSEQUENT EVENT

On July, 17 2013 the Board of Directors authorized the General Manager to enter into a land purchase contract in an amount not to exceed $19,000,000 for the purchase of 5,000 acres of land adjacent to the California Department of Water Resource's Lake Del Valle property for watershed protection purposes. The purchase of the land was completed on August, 1 2013 for $18,570,000.

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT – ZONE 7

MEMORANDUM ON INTERNAL CONTROL AND REQUIRED COMMUNICATIONS

FOR THE YEAR ENDED JUNE 30, 2013

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

For the Year Ended June 30, 2013

Table of Contents

MEMORANDUM ON INTERNAL CONTROL

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

In planning and performing our audit of the financial statements of the Alameda County Flood Control and Water Conservation District – Zone 7 (the District) as of and for the year ended June 30, 2013, 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 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.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. 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. 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 generally accepted government auditing standards, and is not intended to be and should not be used by anyone other than these specified parties

Maze + Associates

September 25, 2013

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

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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, 2013. 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 pronouncements became effective, but did not have a material effect on the financial statements:

GASB 60 - *Accounting and Financial Reporting for Service Concession Arrangements*

GASB 61 - *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34.*

GASB 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*

The following pronouncements became effective, and required a format change in the Statement of Net Assets and certain nomenclature revisions in the footnotes accompanying the financial statements

GASB 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

GASB 65 - *Elements of Financial Statements*

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by the governmental unit 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.

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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.

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 September 25, 2013.

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 governmental unit'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

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Very truly yours,

Maye + Associates

September 25, 2013

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: Integrated Planning
CONTACT: Carol Mahoney / Diana Gaines

AGENDA DATE: December 18, 2013 ITEM NO. **8**

SUBJECT: Award of Contract for Security Guard Services

SUMMARY:

- Zone 7 requires unarmed stationary and motor patrol services (security guard services) at its Water Treatment facilities, Distribution facilities (wellfields, reservoir, and rate control stations), and two office buildings (Parkside and North Canyons).

- The existing services contract with ABC Security Services expires on December 31, 2013.

- On October 21, 2013, staff issued Request for Proposal No. 08-2013. Eleven firms attended the mandatory pre-proposal meeting on October 29, 2013. Proposals were received from six firms. The Proposal Evaluation Team scored and ranked the proposals based on pre-determined criteria.

- Zone 7's practice is to go through the Request for Proposals process for such services once every three to five years. The proposed contract is for three years. With satisfactory performance, the contract may be extended annually up to two additional years with the same firm to provide the services for a total of up to five years.

- Overton Security Services, Inc. received the highest ranked score and was found to be best qualified to provide these services to Zone 7.

FUNDING:

Funding is budgeted and available for FY's 2013/14 and 2014/15 from Fund 100 – Water Enterprise and will be requested in future budget years.

RECOMMENDED ACTION:

Adopt attached resolution authorizing the General Manager to negotiate and execute a 3-year services contract, not to exceed $405,000, with Overton Security Services, Inc., for security guard services with two optional one-year extensions.

ATTACHMENTS:

Memo providing additional information
Resolution

Interoffice Memo

Date: December 18, 2013
To: Jill Duerig, General Manager
From: Diana Gaines, Senior Engineer/ Karen Bartels, Buyer II
Subject: Recommendation to Award Security Guard Services Contract to Overton Security Services, Inc.

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

BACKGROUND:

As the wholesale water supplier and flood protection agency for eastern Alameda County, Zone 7 has an ongoing commitment to protect the public drinking water supply and provide a safe and secure working environment for employees. To meet this commitment, Zone 7 utilizes regular unarmed stationary and motor patrol security services (security guard services) at the water treatment facilities, distribution facilities and two office buildings (Parkside and North Canyons).

The existing contract with ABC Security Services for these services expires on December 31, 2013. This contract was begun as an emergency stop gap which was brought to the Board on February 20, 2013 (Contract A13-53-ABC) when the previous contract was terminated by the County GSA with little notice and was extended to provide more time to perform a full procurement process. Zone 7's practice is to go through the Request for Proposals process for such services once every three to five years. The proposed contract is for three years. With satisfactory performance, the contract may be extended up to two additional years with the same firm to provide the services for a total of up to five years.

DISCUSSION:

In October 2013, staff issued Request for Proposal No. 08-2013 to 12 firms, advertised with the Bay Area News Group and posted on the District website. Of the eleven firms that attended the mandatory pre-proposal meeting, six firms submitted proposals on November 13, 2013. Those firms are:

1. 238 Security Services
2. A1 Protective Services
3. ABC Security Services
4. Ceed Security Services
5. National Security Industries & Services
6. Overton Security Services

An RFP Evaluation Team made up of 4 Zone 7 staff, 3 of which scored and ranked the proposals. Overton Security Services, Inc. received the highest ranked score and was found to be the best candidate among those qualified to provide these services to Zone 7. The criteria used to rank firms included qualifications and experience of the firm and its employees; proposed understanding and approach to the contract; response time; firm's approach to risk management through hiring practices; training of officers; safety policies; management and supervision; problem solving; and references. The Scope and Definition of Services to be performed by the contractor is shown on Exhibit A. The contractor's fee proposal is shown as Exhibit B. The proposed original contract will be for three years. Upon completion of the first three years, with satisfactory performance and mutually-agreeable terms between Zone 7 and the Contractor, the original contract could be extended for up to two additional years.

Recommendation:

Staff recommends that the Board authorize the General Manager to negotiate and execute a 3-year services contract, not to exceed $405,000, with Overton Security Services, Inc., for security guard services with up to two optional one-year extensions.

EXHIBIT A

APPENDIX A

SCOPE OF SERVICES

Scope of Services

The District contracts with private Security Guard and Patrol agencies to station full-time security officers, which include stationary and patrolling positions at 17 sites within the Livermore, Pleasanton, and Dublin areas. Two of the 17 sites also include stationary guard services.

The requirements and responsibilities of these positions depend upon the location and shall be briefly described within this RFP and in the Post Orders at each specific location. Positions may vary in length. A typical shift for stationary guards is 9 hours 5 days per week. A typical shift for the motor patrol officers is 8 hours 2 days a week. As stated, positions may vary in length. The service areas include treatment facilities, well sites, and office buildings. Some locations may require second and third shift security officers and some officers have roving responsibilities. Additional details are provided in Exhibit B2-Site Specific Security Services. Site specific responsibilities will be developed in Task Orders within contracts that result from this RFP.

"Stationary" Guards. Contractor shall provide unarmed guards for stationary post positions at Del Valle Water Treatment Plant location in Livermore and the Patterson Pass Water Treatment Plant location in Livermore Monday through Friday 7:00 am to 4:00 pm. These hours and days may increase or decrease depending on the District's business needs and on the alert security level. The "Stationary" guard's primary duties are to observe and document incoming and outgoing traffic and open gates as described in the Site-Specific Protective Measures (SSPM) which will be provided to the Contractor prior to start date. Other duties and responsibilities of guards who hold stationary post positions shall include, but are not be limited to, the following:

a. Maintain a high level of visibility at all times as a deterrent.

Weapons are not allowed on District premises (with the exception of weapons worn by Sheriff's Deputies/personnel, and other law enforcement officers). If the "Stationary" guard suspects someone of possessing a weapon, he/she **shall notify 9-1-1** at once and leave their cell phone number so the security guard can notify the following:

Del Valle Water Treatment Plant	**Patterson Pass Water Treatment Plant**
1. Water Plant Operator	1. Water Plant Operator
2. Facility Supervisor	2. Facility Supervisor
3. District Operations Manager	3. District Operations Manager
4. District Designee, Sr. Engineer	4. District Designee, Sr. Engineer

(Call in order above until a person is reached)

b. Inform relief "Stationary" guards of any special situations or instructions

c. May be required to patrol the location or building by foot at regular intervals or at the beginning, end of a shift, or as needed.

d. "Stationary" guards must be able to read, understand, and enforce the checkpoint procedures and control facility access by operating manual and/or electronic gates.

e. Security to verify all facility entrants by means of identification badge, picture ID, contractor/consultant listing on Entrant Log and as described in the SSPM. Log time in/out of person or driver entering/exiting facility.

Security guards who hold stationary post positions <u>shall not</u>:

1) Allow objects to be left unattended at any time near buildings or near the post sites. In the event of a bomb threat, the "Stationary" guards shall gather as much information as possible (such as time, names, location, what was said), and convey this information immediately to 9-1-1 and the District Water Facilities Supervisors, and also call the District Operations Manager, District designee, and Senior Engineer.

If evacuation is ordered, the "Stationary" guards shall assist with the removal of all site occupants in an orderly and safe manner. The "Stationary" guards shall notify authorities of anything suspicious or out of place that has been observed during the evacuation. If a suspicious object is located, "Stationary" guards shall take the following precautions:

a) Do not touch, move, or disturb the object;
b) Get a good description of the object – size, color and markings;
c) Note the exact location of the object;
d) If requested by the District Facility manager, another District manager, and/or the 9-1-1 operator, begins clearing all persons from the immediate vicinity in an orderly and safe manner;
e) Cordon off the area and deny re-entry; and
f) DO NOT USE A PAGER, RADIO OR CELLULAR PHONE near the suspicious object, since these may detonate some explosive devices. Exercise caution and advise others not to use pagers, radios or cellular phones near the facility.

2) Unlock doors unless so authorized by the District Water Facilities Supervisor, Operations Manager or District designee, Senior Engineer.

3) Use District offices, equipment or supplies; read, rearrange, or remove material from offices, and they shall not permit any unauthorized person(s) to do so.

"Stationary" guards shall not sit on desks, cabinets, tables, or rest feet on desk tops or open desk drawers, etc.

4) Possess or use illegal substances or drink alcohol on the job. "Motor Patrol" and "Stationary" guards" under the influence of alcohol or illegal drugs while on duty will be promptly dismissed.

5) Engage in dialog or private conversations with Zone 7 staff that disrupt duty work.

6) Wear headphones while on duty unless they are part of a District-provided communications device.

7) Converse privately with acquaintances or personal visitors while on duty.

8) Read books, magazines, or newspapers while on duty; use unauthorized computers or cell phones for personal use; or text while on duty.

9) No soliciting District staff , or request or accept any kind of credit or loan from District staff or surrounding businesses.

10) Accept any gifts or gratuities

11) Occupy their personal vehicles while on duty

12) Bring any unauthorized personnel, family members, pets, or friends on site.

"Motor Patrol" Officers. The "Motor Patrol" officer(s) has a varied schedule of days and hours. Patrols for District travel approximately 132 miles in an (8) hour shift covering all locations. The days, hours, and miles covered may increase or decrease, depending on District's business need. The District allows the patrol to start at different locations on pre-established routes.

The "Motor Patrol" primary duties are to observe, report on facilities as described and listed in the Motor Patrol Basic Procedures which shall be given to the Contractor prior to start date. The duties are not limited to the information listed above.

APPENDIX A-1

DEFINITION OF SERVICES

A. Definition of Services. (*This section provides additional information to the Scope of Services and calls out all Special Requirements and Responsibilities for the Contractor*)

1. Offerer shall identify the key personnel of the project team, as applicable during a contract term, and agrees to the following:

   a. Contractor agrees that it shall not transfer or reassign the individuals identified as Key Personnel or substitute subcontractors without the express written agreement of District. Agreement shall not be unreasonably withheld. Should such individual(s) in the employ of Contractor no longer be employed by Contractor during the term of any Agreement, Contractor shall make a good faith effort to present to District an individual or individuals with greater or equal qualifications as a replacement subject to District's approval. Approval shall not be unreasonably withheld.

2. The approval of District to a requested change shall not release Contractor from its obligations under this Agreement.

3. Prior to employment and assignment to any security position, a mandatory background check is required of all "Stationary" guards and "Motor Patrol" officers assigned to Zone 7. Additionally, security officers driving vehicles on District property must have a valid driver's license verification. Written verification must be submitted to District prior to security employee(s) assignment.

4. During the entire term of an awarded contract, each District fiscal year (July 1) the Contractor must update the background checks of their assigned "Motor Patrol" and "Stationary" guard employees and present the updates to District.

5. Zone 7 reserves the right to reduce or increase the number of service days and/or hours of the "Motor Patrol" and "Stationary" guards including eliminating service depending on various events affecting the designated locations at no additional cost to the District. Contractor must accept flexible day and hour scheduling for "Motor Patrol" and "Stationary" guards as part of this contract.

6. Zone 7 requires the Contractor to have "Motor Patrol" and "Stationary" guards available for twenty-four (24) hour call up with a response time anywhere from one (1) hour to a maximum of twenty-four (24) hours depending on the need. Additional cost for twenty-four hour call up service is stated on EXHIBIT B.

7. Zone 7 anticipates a paid orientation session totaling four (4) hours for the Del Valle and Patterson Pass Water Treatment Plant "Stationary" guards" and "Motor Patrol" officers. After the guards are initially trained, it will be the responsibility of the Contractor to train additional guards at their expense. Zone 7 will not be providing any HAZMAT training other than informing "Motor Patrol" and "Stationary" guards of potential hazards contained on the site, (Proposition 65 acknowledgement forms with appropriate Material

Safety Data Sheets (MSDS)), as required by Federal and State regulations, during the initial (4) hours of paid orientation.

8. Contractor shall provide vehicles for Motor Patrol security services. Security vehicles must be clearly marked to indicate security presence. Vehicle identification must be a minimum size of 4-inches or be approved by District. All charges for vehicles and costs including mileage are to be included in the total hourly bill rate.

9. Contractor is authorized to park a vehicle in a designated area on District property maintained by Zone 7 for the sole purpose of providing roving patrol services at Zone 7 locations. The District will not be held liable or responsible for any theft, vandalism or other damages to the vehicle while on District property. Contractor will be responsible for all general and automobile liability exposures relating to any Contractor Security vehicle while on District property during the entire term of this contract.

10. Weapons of Mass Destruction (WMD) and Terrorism Awareness training is required of all "Motor Patrol" and "Stationary Guard" officers reporting to Zone 7. The Contractor will be responsible for the costs of this training program. There is a bulletin available which lists this training course in the form of a DVD and CDROM and will be provided to all licensed private patrol operators and BSIS licensed training facilities at no charge. http://www.bsis.ca.gov/industries_regulated/g_train.shtml

11. Specific Requirements:

    a. Contractor shall be in compliance with all local, state, and federal environmental and worker health and safety regulations that apply to their operation.

    b. Contractor shall respond with additional "Motor Patrol" and "Stationary" guards to any Zone 7 locations within twenty-four (24) hours of a request and respond to normal service requests the following day. Contractor shall be capable of responding to all service requests from District designee, Senior Engineer or Operations Manager.

    c. In case of an emergency or unusual event, all employees of Contractor located on the sites shall be subject to the direction of any District Water Facilities Supervisor, or designee.

    d. Contractor must be able to deploy their employees to District sites in an organized, efficient manner on the first day, as agreed, of the contract execution date.

    e. Contractor must have sufficient "Motor Patrol" and "Stationary" guard personnel who possess a current Security Guard Registration and Certification (http://www.bsis.ca.gov) to fill the positions, and maintain additional personnel to provide the necessary coverage for vacation, sick time and other leaves as they may occur.

f. In the event a "Motor Patrol" and/or "Stationary" guard is unable to perform his/her duties during a shift due to illness or injury, the Contractor shall provide a replacement officer within one (1) hour from the time the post is vacated to finish shift or complete rounds and services.

g. Contractor shall designate a permanent member of its management staff at no additional cost to the District, to act as a Security liaison between District personnel and "Motor Patrol" and "Stationary" guard.

h. Contractor shall provide the name, telephone number, pager or cell phone number, facsimile number, email address and office address of the designated Security liaison to District's designated staff person. Contractor shall provide updated information to the District's designated staff person for all replacement "Motor Patrol" and "Stationary" guards for the duration of the contract.

i. The Security liaison shall be available on an on-call basis 24 hours a day, 7 days a week by cell phone to the "Motor Patrol" and "Stationary" guards and District's designated staff person. The Security liaison is responsible for, but not to limited, the following:

1). Work with the District's designated personnel to develop a high standard of professional security service which meets the needs of the District.

2). Develop or review written Post Orders with an emphasis on the needs of the District and as specified by District management in the Del Valle Water Treatment Plant scope of work, Patterson Pass Water Treatment Plant scope of work, and Wells and Pump Stations scope of work. Binders (here-in specified as notebook binder containing Scope of Work and Site Specific Protective Measures) shall be given to ABC Security's Contract Manager via the Security liaison prior to start date. Written post orders for each District location assignment shall be completed and reviewed by the Contractor's Security liaison and submitted to District for review and approval within fifteen (15) business days from the first day of each location assignment. The Contractor agrees to follow District procedures and Site-Specific Protective Measures provided by the District until post orders are approved by the District. Failure to follow District procedures and Site-Specific Protective Measures will constitute a material breach of contract and shall be grounds for immediate contract termination.

3). Review post orders for adds and edits with the District's designated staff person at least twice a year at agreed to dates each year. Contractor will re-issue post orders with new edits within one (1) month of the requests, and will go over the changes with <u>each</u> "Motor Patrol" and "Stationary" officer (including new hires/replacements and substitutes for vacation and/or sick leave).

4). Respond in a timely manner, within two (2) hours or less, to requests from the District's designated staff person for follow-up with appropriate action and/or recommendations on any incidents or complaints involving “Motor Patrol” and “Stationary” officers employed by Contractor or it’s subcontractor.

5) Keep District’s designated staff person apprised of security issues, which affect the safety of the staff and employees, and make appropriate recommendations for improvement.

6) Promptly report any unusual event or emergency (such as an accident on the property, break-ins or broken windows, suspicious unmarked packages) to the District’s designated staff person or Water Facilities Supervisor for each location. These incidents shall be followed by a written report submitted to the District’s designated staff person within twenty-four (24) hours of the incident or event.

7). Investigate all complaints received about the “Motor Patrol” and “Stationary” officers, and inform District designee of remedial action(s) taken.

8). Ensure that incident reports and other written documentation requested are forwarded to the appropriate Water Facilities Manager for each location and the District’s designee within twenty-four (24) hours of the incident or event.

9). Proper conduct is expected of “Motor Patrol” and “Stationary” guards when on District premises. This includes adhering to no-smoking ordinances, the drug-free work place policy, not using alcoholic beverages and treating employees courteously.

10). The District has the right to request removal of any Contractor employee or subcontractor who does not properly conduct himself/herself or perform quality work.

11). It is the Contractor’s responsibility to conduct a thorough criminal background check on all “Motor Patrol” and “Stationary” guards assigned to any Zone 7 facility to ensure that “Motor Patrol” and “Stationary” guards have no history of a criminal record. A copy of the written verification that the guard has passed the Contractors background checks must be provided to the District’s designated staff person prior to assignment at any District facilities. The Contractor will conduct annual background checks for security personnel and provide a summary of the results to the District’s designee by July 1st of each year or just prior to a new contract.

12). <u>Uniforms and Equipment</u>

All of contractor’s personnel who perform work under this contract shall be uniformed and shall wear a numbered badge. The uniform shall be a police/military-style uniform in one or a combination of the following colors:

dark blue, dark gray, forest green or tan. Lighter color or white shirts may be worn in the summer months. Uniform shoes/boots shall be black.

Personal cleanliness and neatness are basic requirements for all security personnel. The following guidelines must be adhered to:

- The uniform will be kept clean and in good repair. Faded shirts must be replaced promptly
- All security personnel shall practice good grooming and hygiene practices

"Motor Patrol" and "Stationary" guards reporting to Zone 7 are to be supplied dedicated company owned cell phones to communicate and receive calls with Zone 7 employees and 911 at the Contractors expense. Cell phone numbers shall be given to the Zone 7 designated staff person before "Motor Patrol" and "Stationary" guards report on the first day at each location assignment. The Security liaison shall ensure that the Zone 7 designee have accurate cell phone numbers at all times. Failure to provide cell phones and numbers and remain in contact with Zone 7 will be grounds for contract termination.

"Motor Patrol" and "Stationary" guards are not to carry handguns, batons, mace, or handcuffs. Failure to ensure security personnel do not carry or possess weapons on/off District property will be grounds for termination.

13). Reports:

Contractor shall require "Motor Patrol" and "Stationary" guards to maintain an Officer's Daily Activity Report (DAR)/Entrant log and any reports or information requests in a binder for the Del Valle Water Treatment Plant and Patterson Pass Water Treatment Plant locations. Wells, Pump Stations, Parkside and North Canyons buildings DAR/reports shall be dropped in the lockbox or mail slot located at the Parkside office. The "Motor Patrol" and "Stationary" guards will complete all activities during each shift for the entire term of the contract. The Contractor will provide copies of these reports to District Water Facilities Supervisor at each location at the end of each shift. Offerer shall submit a copy their Daily Activity Report with the proposal.

Incident reports must be in English and are to be clear, concise, factual and to the point. Reports must be printed or typewritten. Incident reports shall be written for any of the following situations:

a. Any damage occurring on or near District property;
b. Any theft or burglary, attempted or otherwise, occurring inside or outside of the District facility or location;
c. Suspicious circumstances observed by the "Motor Patrol" and "Stationary" guards;
d. Police activities on or near the District's property;
e. Fire Department activities on or near the District's property;
f. Accidents occurring on or near the District property; and

g. Any unusual occurrences which the "Motor Patrol" and "Stationary" guards determines should be reported.

Reports are to be printed or typewritten and are to include the following information:

(1) Names of the person(s) involved in the incident;
(2) Location of the incident;
(3) Exact time and date of the occurrence;
(4) Description of the event(s);
(5) List of any injuries incurred and by whom; and
(6) Emergency services or other agencies called.

<u>Offerer shall submit a copy their Incident Report with their proposal.</u>

<u>Routine Reports</u>: The original report must be given to the District Water Facilities Supervisor by the end of each shift. The Water Facilities Supervisor or designee will be notified immediately of any incidents by phone. Incidents in this category include, but are not to be limited to incidents where:

a. There is harmful physical contact with another person or person(s) (e.g. visitor and/or staff);
b. The officer witnesses a crime or other type of unusual occurrence or activity;
c. There is involvement with an outside law enforcement agency;
d. An arrest is made;
e. Building staff or personnel specifically requested security assistance or intervention;
f. Any person refuses or is unwilling to comply with a reasonable request or direction given by the "Motor Patrol" and "Stationary" guards;
g. Injuries requiring medical attention occur; and
h. Damage or loss of property occurs.

<u>Critical Reports</u>: The original report is to be filed with the Contractor's manager, District Water Facilities Supervisor and the District designated staff person at the end of the shift on which the incident occurred. The District Water Facilities Supervisor and the designated staff person will be notified immediately of any incidents by phone. Incidents in this category are incidents in which one or more of the following occur:

a. Building break-ins;
b. Injuries;
c. Verbal and or physical assaults;
d. Seizure;
e. Loss of consciousness; and
f. Death.

Daily Attendance Log. Contractor shall keep a daily attendance log for all Security Officers assigned along with a weekly summation of all hours worked and must be able to provide this documentation upon request.

14). District Holidays. The following is a list of designated District holidays:

New Year's Day
Martin Luther King Jr.'s Birthday
Lincoln's Birthday
Washington's Birthday
Memorial Day
Independence Day
Labor Day
Veteran's Day
Thanksgiving (Thursday & Friday)
Christmas Day

EXHIBIT B
BID (COST) FORM

RFP No. 08-2013 - SECURITY GUARD SERVICES

EXHIBT B must be submitted showing the breakdown of Vendor hourly costs for each listed position. No alterations or changes of any kind are permitted. Bid responses that do not comply will be subject to rejection in total.

<u>The total hourly bill rates listed below are to include compensation for holidays</u>. District will pay for all days worked and will not pay premiums for holidays. District will only pay straight time hourly bill rates quoted for all shifts even those shifts designated as exceeding eight (8) hours.

In anticipation of the Affordable Health Care Act going into effect January 1, 2015, vendors may provide hourly rates with and without ACA. Call Karen Bartels at 925.454.5039 if you have any questions.

	Year 1(2014)	Year 2 (2015)		Year 3 (2016)	
Description	Hourly Rate	Hourly Rate *[w/ACA]*	Hourly Rate *[excluding ACA]*	Hourly Rate *[w/ACA]*	Hourly Rate *[excluding ACA]*
Hourly Rate - Stationary Security Officer	$17.75	$18.52	$18.00	$18.77	$18.25
Hourly Rate - Motor Patrol Officer	$29.75	$30.52	$30.00	$30.77	$30.25
Monthly Fee for 24/7 Call Up Services for Stationary & Motor Patrol Officers	$0.00	$0.00	$0.00	$0.00	$0.00

<u>Optional Contract Terms for Years 4 & 5:</u>
Hourly Rate Percent Increase (Years 4 & 5) *(including ACA)*: 1.5%
Hourly Rate Percent Increase (Years 4 & 5) (exc*luding ACA*): 1.5%
Monthly Fee Increase (Years 4&5): $0.00

Offerer agrees that the price(s) quoted are the maximum they will charge during the term of any contract awarded.

FIRM: Overton Security SIGNATURE: Jason Solorzano DATE: 11/8/2013

PRINTED NAME: Jason Solorzano TITLE: Vice President

This Form must be completed, signed and submitted. Failure to submit this form will result in disqualification of bid.

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

BOARD OF DIRECTORS

RESOLUTION NO.

INTRODUCED BY
SECONDED BY

SERVICES CONTRACT WITH OVERTON SECURITY SERVICE, INC. FOR SECURITY GUARD SERVICES

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 services contract, not to exceed $405,000 with Overton Security Services, Inc. for security guard services for three years, (January 1, 2014 through December 31, 2016), plus two optional one-year terms.

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 18, 2013.

By:______________________________________
President, Board of Directors

SUMMARY NOTES OF THE FINANCE COMMITTEE
ZONE 7 BOARD OF DIRECTORS

November 14, 2013
4:00 p.m.

Directors present:	Sandy Figuers	Zone 7 Staff:	Jill Duerig, General Manager
	Angela Ramirez Holmes		Margaret Chun, Accounting Manager
	Sarah Palmer		Judy Rector, Board Secretary

President Figuers called the meeting to order at 4:00 p.m.

1. Public Comment - None

2. Annual Financial Statements for Year Ending June 30, 2013 and Auditor's Reports

Margaret Chun, Accounting Manager, introduced David Alvey from Maze & Associates who performed the annual audit for the year ending June 30, 2013. Ms. Chun's presentation included a handout that described the purpose of an audit, Governmental Funds Flood Control/Flood Protection Activities, Proprietary Funds Water Activities, and a Zone 7 Financial Summary.

David Alvey reported that the independent audit of Zone 7 finances was an unqualified "clean" opinion; the agency remains in solid financial shape; and there are no glitches concerning internal controls.

Directors Figuers, Palmer and Ramirez Holmes discussed the audit and asked questions. Mr. Alvey said untimely bank reconciliations are the most common problems with audits.

The three directors discussed having trigger points internally so if a value for an account varies by a percentage, it would be flagged and could be spotted easily without going through pages of numbers. Mr. Alvey said other agencies have this built in but the Committee members need to decide the set point for the triggers so it flags their attention quickly in a particular account and they can question why it changed.

Director Ramirez Holmes asked Ms. Chun several questions and she is researching any answers she was not able to provide at the meeting.

The Directors asked questions regarding the information on the handouts including a draft of "The Memorandum on Internal Control and Required Communications" and a draft of "Basic Financial Statements." The Committee members agreed to bring the audit information to the full Board at the next meeting and made suggestions for next year's audit.

Ms. Duerig complimented Ms. Chun and staff on information gathering for the audit. With the new financial software and monthly reports provided to the board on budget status, there should be fewer surprises because the Board members will see the financial picture as it evolves.

3. Verbal Reports - None

4. Adjournment

Since there were no further issues or comments, the meeting was adjourned at 5:15 p.m.

12/18/13 Board written/narrative comments by Dick Quigley

Nov 21-22: Participated in an ACWA board meeting in Sacramento and orientation for new board members.

Dec 3-6: Participated in the ACWA Fall conference with Jill Duerig, Kurt Arends, Tom Pico, and over 1,700 in attendance. Intense education and networking on California water issues. Ninety different session briefings on SWAP, Water Bond ground water, water quality, and legislative and regulatory hot topics. New methods being employed successfully at other districts for recycling and contaminants of emerging concern were shared. Our Region 5 Thursday morning panel session entitled Water Investments, Coloring Outside the Box, was very well received (ask Tom or Kurt) and Tom and I picked up a Best in Blue Huell Howser outreach award for Zone 7. Our Region 5 general meeting Thursday was well attended and reported out (key topics) by great reporters. Glad Tom Pico attended, as did Burt Michalczyk, Walt Wadlow, SFPUC, ACWD, Santa Clara, EBMUD, CCWD and many others.

Some of the topics explored include building resiliency in a changing climate, the water-energy nexus, fracking, ocean desalination, the 2014 water bond and the potential for a critically dry 2014.

<u>Keynote Speakers included:</u>

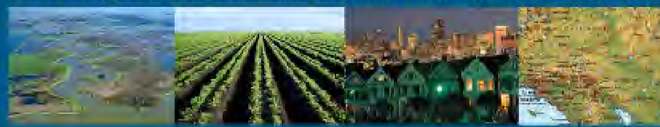
<u>Assembly Member Anthony Rendon</u> (D-Lakewood), chair of the Assembly Water, Parks and Wildlife Committee and point person on discussions on the 2014 water bond. Rendon shared his thoughts on the upcoming legislative session and potential action on the 2014 water bond during the conference closing breakfast on Friday, December 6.

<u>Natural Resources Secretary John Laird, Cal/EPA Secretary Matt Rodriquez and Food and Agriculture Secretary Karen Ross</u> who provided an overview of the state's recently released draft California Water Action Plan during the Wednesday luncheon, December 4. The plan seeks to provide a road map to guide the state's efforts on pressing water issues over the next five years.

Michael J. McGuire, author of a new book on the public water system's conquest over water borne diseases in the United States. McGuire delivered the keynote address at the luncheon program on Thursday, December 5.

I am proud to say I coordinated the following program as the incoming Chair of ACWA Region 5 for the next two years. I am trying to promote a spring (Late March or April 2014) Region event at a Livermore winery venue. I want to spread the watershed investment theme, with a two-day event including a tour, and educational panels on success stories, vulnerability issues and new technology. I want to copy what Celeste Cantu, General Manager of SWPA, has been doing annually in Costa Mesa.

910 K Street, Suite 100 • Sacramento, CA 95814 • 916.441.4545 • www.acwa.com



ACWA
Association of California Water Agencies
Leadership • Advocacy
Information • Service

ACWA Regional Program

Water Investments:
Coloring Outside the Box

ACWA Fall Conference
Thursday, December5, 2013 | 9:30 a.m. – 11:00 a.m.
JW Marriott L.A. Live, Diamond Ballroom – Salon 10

Hosted by ACWA Region 5

With today's heightened focus on conservation, it's important to be careful how we use water for non-consumption uses. Recycled water, grey water, and black water can be used in a variety of ways that don't take from our drinking water supply. At this program, learn how using creative water recycling methods can extend the water supply and help maintain a healthy water source.

Moderator:

Carl Guardino, *President & CEO, Silicon Valley Leadership Group*

Panelists:

Paula Kehoe, *Director of Water Resources, San Francisco PUC*

Josiah Cain, *Director of Innovation, Sherwood Design Engineers*

Celeste Cantu, *General Manager, Santa Ana Watershed Project Authority*

Andy Lipkis, *President, TreePeople*

For information about ACWA Region 5, please visit www.acwa.com.
Or contact ACWA Regional Affairs Representative Katie Dahl at katied@acwa.com.

Please 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 SECTION: ADMINISTRATION
CONTACT: Jill Duerig

AGENDA DATE: December 18, 2013 **ITEM NO. 12a**

SUBJECT: GENERAL MANAGER'S REPORT

SUMMARY: The following highlights a few of the key activities which occurred during November. Also attached is a list of the General Manager (GM) contract(s) executed during the month.

Finance & Administration

- DWR staff announced an initial allocation for the State Water Project of only 5% on November 19. Only one other time in the history of the SWP has the initial allocation been such a small percentage. As a result, staff submitted an application and a relatively small deposit to be in a position to receive up to 10,000-acre feet of water under the State Water Contractors' Dry Year Water Transfer Program.

Environmental & External Affairs:

- November 2nd, 8th and 16th were volunteer workdays for the Living Arroyos Program. The volunteer crew completed a tremendous amount of work and planted acorns in at least another 250 holes, as well as finishing the replacement of the previously-installed biodegradable cages with wire cages to be more squirrel-resistant (as discovered from earlier planting efforts). Upcoming volunteer planting days are posted on the website, http://www.livingarroyos.org.

- The State and Federal Contractors Water Agency (Zone 7 staff sit on the SFCWA board) was a critical partner in developing a new Delta data portal that, while still evolving, is now open to the public, http://www.mywaterquality.ca.gov/eco_health/estuaries/healthy/.

- Staff received inquiries about which trail/area/gate is opened to the public for recreational use in and around the El Charro development area. The opening of the trail bridge over the Arroyo las Positas fish ladder in Livermore, the recently opened Stoneridge Bridge over the Arroyo Mocho in Pleasanton and their connectivity (or lack thereof) has added confusion to the public users. Thus, Zone 7 staff met with staff from Livermore and Pleasanton to discuss solutions. The result is that additional signs will be posted in the near future, clarifying public access routes after the proposed signage plan is reviewed by the Pleasanton Bicycle, Pedestrian and Trails committee at their January 27, 2014 meeting.

Engineering and Flood Control:

- Department of Water Resources (DWR) staff continue work on the South Bay Pumping Station. Of the thirteen pumps, three are currently out of service. In addition, the newly installed butterfly valves are unacceptable (these are for isolation purposes and are not impacting current operations).

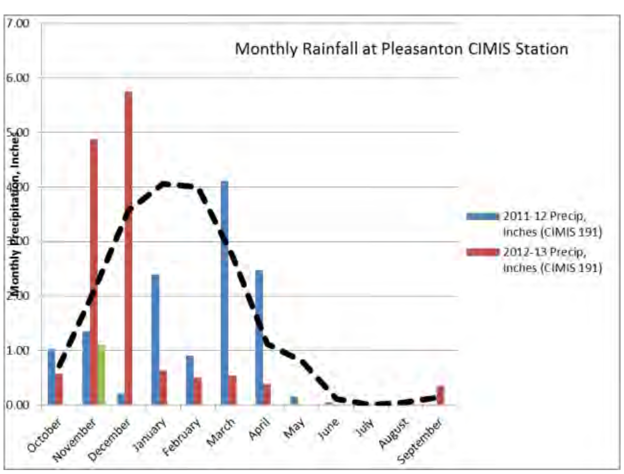
- On a related issue, power for DWR's facilities at Dyer Reservoir was to be installed as part of Zone 7's Altamont Water Treatment Plant construction activities. When the Altamont Plant was deferred, DWR had to begin working on alternative power options. After determining that bringing power from the South Bay Pumping Plant would be cost-prohibitive, DWR staff began working directly with PG&E to bring power to the site. PG&E is now saying that power could be made available by June 2014. Meanwhile, Zone 7's costs continue to rise for the project as these loose ends are addressed by DWR staff.

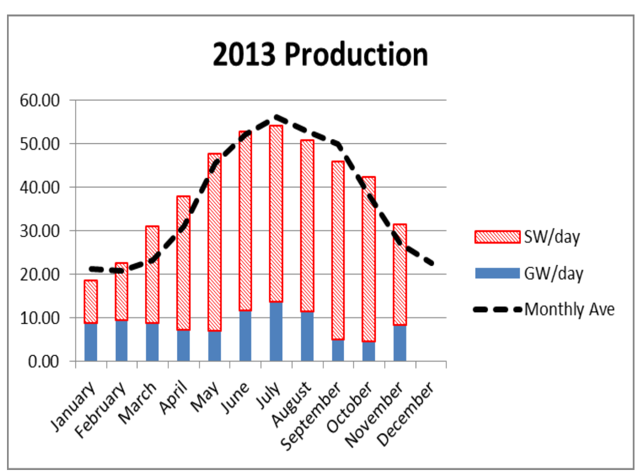
Operations and Maintenance:

- Staff facilitated a tabletop emergency operations exercise with the retailers on November 13. The exercise was held in the Pleasanton Operations Center and focused on the scenario of a water loss emergency that affected the whole valley. The exercise was well-received and included not only administrative staff but also operations and maintenance staff from the four retailers and Zone 7. The exercise also included broad discussions about public messaging and potential water rationing during such emergencies.

- Patterson Pass Water Treatment Plant's anhydrous ammonia feed system (which provides ammonia for both the conventional and ultra-filtration sides of the plant) was shut down on November 14th to swap out a flow meter on the ammonia system and to repair an associated rotameter. During the shutdown, a small leak was noticed on one of the ammonia tank valves. Airgas, who owns the storage and feed system and provides emergency response, was contacted and came out to replace that valve and several others of approximately the same age and type. The plant was taken offline a second time to accommodate the Airgas work.

- Following a dry October, CIMIS Station 191 in Pleasanton received only 1.10 inches of rain in November so cumulative rainfall for the Water Year is only 36% of the local average. Snowfall in the Northern Sierra is similarly well below average with storage in Lake Oroville very low. This combination of factors led to an initial DWR allocation of 5% from the State Water Project.





Monthly List of GM Contracts

November 2013

Contracts:

JDH Corrosion Consultants, Inc.	$26,845	PPWTP UF Clarifier Corrosion Control Upgrades Project
KP Corporation	15,000	Mailing Services for Bulk Mailings
Provost & Pritchard Consulting Group	35,000	Assisting South Bay Aqueduct Contractors with assessment of SBA Operations & Maintenance Issues
Water Research Foundation	20,000	Co-Funding for Projects 4508 and 4536**
Total November 2013	$96,845	

**Project 4508: Assessment of Techniques for Evaluating and Demonstrating Safety of Water from Direct Potable Reuse Treatment Facilities

Project 4536: Blending Requirement for Water from Direct Potable Reuse Treatment Facilities

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
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ORIGINATING SECTION: Administrative Services
CONTACT: Tom Pico

AGENDA DATE: December 18, 2013 ITEM NO. **12b**

SUBJECT: Communications Outreach Activities

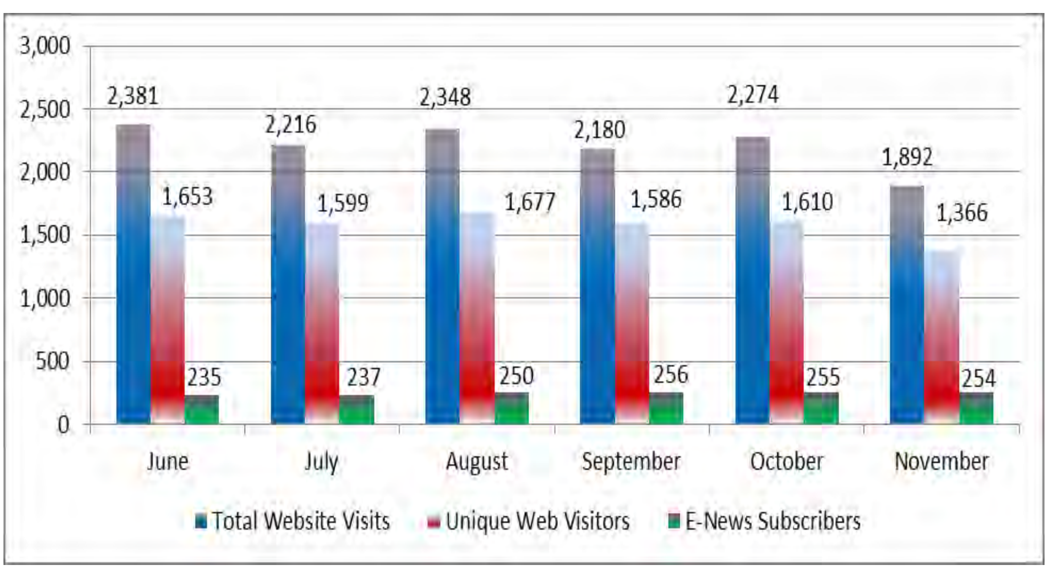
Zone 7 Honored as ACWA "Best in Blue" finalist

Zone 7 was one of six finalists for the 2013 Huell Howser Best in Blue Award, which recognizes outstanding achievements by public water agencies in communications. There were a total of 26 entries. Our agency was specifically honored for its water jug pyramid display and its powerful messages about both the need to use water wisely and about the value, convenience and environmental benefits of publicly-delivered tap water. As a finalist, we were given the opportunity to display material at ACWA's Fall Conference & Exhibition in Los Angeles December 3-6 -- not only about the pyramid but also about Zone 7 generally.

E-newsletter, November 1st

The e-newsletter provided information on release of the Public Review Draft of the California Water Action Plan developed jointly by the California Resources Agency, the California Department of Food and Agriculture, and the California Environmental Protection Agency. The e-newsletter noted that the proposed state actions are based on broad objectives: more reliable water supplies; the restoration of important species and habitat; and a more resilient, sustainably-managed water system that can better withstand inevitable pressures in coming decades. The e-newsletter remains posted with other archived newsletters on Zone 7's website, http://www.zone7water.com/news/enewsletter-signups.

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: Administration
CONTACT: Tom Pico/Tim Hunt

AGENDA DATE: December 18, 2013 ITEM NO. **12c**

SUBJECT: Legislative Update

SUMMARY:

- Zone 7 staff, with the support of the Agency's lobbying firm, The Gualco Group, Inc., and the Agency's legislative support consultant, Tim Hunt, monitors legislation that is being considered in Sacramento, as well as other political activities of interest to the Agency.
- The Legislature is currently in recess but will reconvene January 6, 2014 for the second year of the two-year session. The Democrats regained their two-thirds majority in the Assembly after a Democrat won a close November special election in the Los Angeles area.
- Governor Brown is scheduled to introduce his FY 2014-15 budget on January 10, 2014. The November forecast by the Legislative Analyst's Office said the structural deficit that has plagued state legislators for a decade has been eliminated by the temporary tax increase and revenue growth. The outlook said revenues will grow faster than expenditures through 2020 if spending continues to be restrained.
- The governor's office has announced that it will use the "budget revise" process to transfer the Office of Drinking Water from the Department of Public Health to the State Water Resources Control Board. The plan is to complete the transition prior to July 1, 2014.
- The Brown Administration was scheduled to release its finalized California Water Action Plan to coincide with the December 13 release of the Bay Delta Conservation Plan's public review draft.
- Both Senator Lois Wolk (D-Davis) and Assemblyman Anthony Rendon (D-Lakewood) are planning to advance their bills on a new water bond. Approving either one for placement on the ballot will require a two-thirds majority vote of both houses of the Legislature and the governor's signature, as would modifying or delaying the $11.2 billion bond currently headed for the November 2014 ballot. Both the Wolk and Rendon proposals call for expenditures of about $6.5 billion. Notably, the governor has not said anything publicly about the existing $11.2 billion bond or the new proposals.

RECOMMENDED ACTION: Information only

ATTACHMENT: None

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

AGENDA DATE: December 18, 2013 ITEM NO. **12d**

SUBJECT: Monthly Budget Report

SUMMARY:

A new financial software system (New World) was implemented on July 1, 2013, starting with fiscal year 2013/14. New World allows us to provide monthly updates on both revenue and expenses. This report provides a summary of budget performance and an explanation of any major variances. The following bullet points provide explanations and additional details to assist in reading this report:

- For all the funds except for Fund 100, expenses currently exceed revenue. This is due to the timing difference of revenues and expenses. For example, Fund 110 - State Water Project receives the bulk of property tax revenue in November and April, while the majority of payments to the Department of Water Resources (DWR) are processed monthly. Until property tax revenue is received, expenses will continue to exceed revenue. The financial data reported for Fund 130 – Expansion is another example of a revenue and expense timing difference. Most connection fee revenue is received in the spring and summer, but the majority of non-discretionary expenses (i.e., SBA Enlargement and Cawelo Groundwater Banking Program) are incurred in the late summer and late winter.

- Year-to-date (YTD) payroll expenses for all funds are reported through the pay period ending 10/26/2013. Payroll costs are not automatically captured by New World. Instead, labor is imported from a separate system.

- The capital project funds are Funds 120, 130 and 210. On the attached Annual Budget by Account Classification Report, please note that the budgets for the capital project funds are reported in account 669 only. Actual project expenses are reported in the appropriate expense accounts as incurred.

- The information in the following tables summarizes, by fund, the attached Annual Budget by Account Classification Report (produced in New World) and includes FY Unaudited Actuals from the former financial system (Fundware).

- The Annual Budget by Account Classification report provides the FY 12/13 Budget for comparison purposes. FY 12/13 Actuals are not included in this report because the data is not available in the new financial system. The FY 13/14 Budget shown is the adopted budget plus any transfers or carryovers.

- The period through November represents approximately 42% of the fiscal year.

Water Enterprise Fund – Fund 100 (formerly Fund 52)

Category	12/13 Unaudited Actual	13/14 Budget	13/14 YTD Actual	% Used/Received
Revenue	$ 39,469,514	$ 41,823,474	$ 17,045,326	40.8%
Expenses	$ 35,262,653	$ 42,779,364	$ 12,157,243	28.4%

This fund provides financing for the acquisition and conveyance of raw water, treatment and delivery to the Zone 7 service area. The primary source of revenue for this fund is treated water sales. YTD revenue includes the sale of 17,613-acre feet of treated water through October 2013, slightly less than the projection for the same time frame of 17,685. 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. Revenue also includes proceeds from the State of California Prop 84 Water Conservation Grant and refunds from DWR. YTD expenses reflect labor, payments to DWR for the monthly variable water charge, and other water production related expenses (i.e., chemicals, utilities and maintenance).

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

Category	12/13 Unaudited Actual	13/14 Budget	13/14 YTD Actual	% Used/Received
Revenue	$ 12,040,842	$ 14,118,181	$ 1,132,929	8.0%
Expenses	$ 14,002,380	$ 14,118,181	$ 7,668,422	54.3%

This is a pass-through fund for fixed charges associated with the State Water Project, assessed as a property tax override. $0.3M of the revenue received is from unsecured property taxes. These taxes are assessments on personal property such as airplanes or boats and are due on August 31. Property tax revenue from secured property is yet to be posted; this is because first installments are due November 1, and are considered delinquent if postmarked after December 10. Therefore, the secured property revenue is usually received in December. YTD revenue is also comprised of a $0.7M refund from DWR. YTD expenses reflect payments to DWR for fixed costs.

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

Category	12/13 Unaudited Actual	13/14 Budget	13/14 YTD Actual	% Used/Received
Revenue	$ 7,347,879	$ 14,920,377	$ 2,258,160	15.1%
Expenses	$ 4,100,242	$ 22,513,419	$ 5,875,723	26.1%

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 transfer from Fund 100 – Water Enterprise of $8.5M. Additionally, use of reserves ($6M) is budgeted as revenue to achieve a balanced budget. YTD revenue includes Dougherty Valley Facility Use Fees and the quarterly transfer from Fund 100. Expenses reflect labor for capital projects, the North Canyons lease payment, laboratory equipment, and watershed investments.

Water Expansion – Fund 130 (formerly Fund 73)

Category	12/13 Unaudited Actual	13/14 Budget	13/14 YTD Actual	% Used/Received
Revenue	$ 29,176,830	$ 52,528,015	$ 6,200,032	11.8%
Expenses	$ 18,814,437	$ 53,478,099	$ 11,218,818	21.0%

This fund is intended to provide funding for new facilities and supplies to meet the demands of new development. The primary source of revenue is connection fees. Additionally, use of reserves ($31.6M) is budgeted as revenue to achieve a balanced budget. YTD revenue includes $1.1M in DWR refunds and $5.1M in connection fees.

A total of 57 connection fee credits have been used totaling $1.3M, while 613 credits remain outstanding, valued at $14.4M at the 2013 connection fee level (see Chart 1 attached). Expenses reflect payments to DWR, the North Canyons lease payment, interest on the ISA, watershed investments, SBA Enlargement and Cawelo debt payments. Based on YTD and projected revenue and expenses, staff anticipates sufficient funding to pay off the ISA by January 1, 2014.

Flood Protection Operations – Fund 200 (formerly Fund 50)

Category	12/13 Unaudited Actual	13/14 Budget	13/14 YTD Actual	% Used/Received
Revenue	$ 6,151,496	$ 22,230,365	$ 477,507	2.15%
Expenses	$ 5,355,914	$ 25,948,108	$ 12,355,524	47.62%

This fund provides funding for general administration and the maintenance and improvement of the existing flood protection system. The primary source of revenue is property tax revenue ($6M), additionally, reserves of ($16M) are budgeted as revenue to achieve a balanced budget. Similar to Fund 110 - State Water Facilities Fund, secured property tax revenue is yet to be posted because it is received in the winter and spring. Of the revenue that has been posted, $0.3M is from unsecured property tax revenue. Expenses include labor, the North Canyons lease payment, watershed investments, and the summer flood control maintenance program.

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

Category	12/13 Unaudited Actual	13/14 Budget	13/14 YTD Actual	% Used/Received
Revenue	$ 5,180,104	$ 5,962,539	$ 939,503	15.8%
Expenses	$ 1,227,729	$ 7,440,315	$ 3,305,475	44.4%

This fund provides funding for flood protection facilities required for new development. YTD revenue is primarily from development impact fees. Similar to connection fees, roughly 40% of impact fee revenue is received during the fall/winter, with the remaining 60% occurring in the spring/early summer. Expenses also include the North Canyons lease payment, flood protection projects and watershed investments.

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

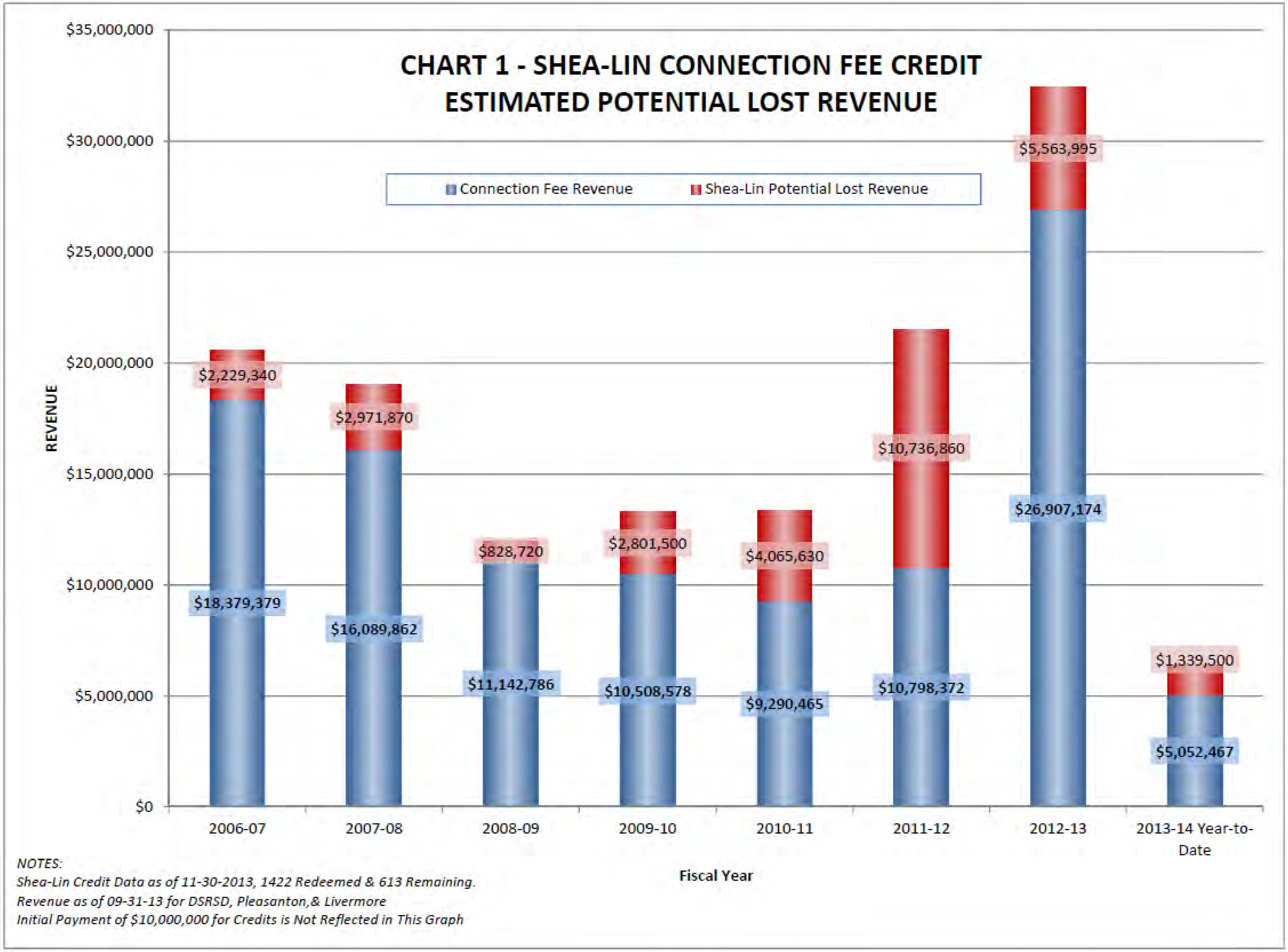


CHART 1 - SHEA-LIN CONNECTION FEE CREDIT
ESTIMATED POTENTIAL LOST REVENUE
Connection Fee Revenue
Shea-Lin Potential Lost Revenue
REVENUE
$35,000,000
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$0
$2,229,340
$18,379,379
$2,971,870
$16,089,862
$828,720
$11,142,786
$2,801,500
$10,508,578
$4,065,630
$9,290,465
$10,736,860
$10,798,372
$5,563,995
$26,907,174
$1,339,500
$5,052,467
2006-07
2007-08
2008-09
2009-10
2010-11
2011-12
2012-13
2013-14 Year-to-Date
Fiscal Year
NOTES:
Shea-Lin Credit Data as of 11-30-2013, 1422 Redeemed & 613 Remaining.
Revenue as of 09-31-13 for DSRSD, Pleasanton,& Livermore
Initial Payment of $10,000,000 for Credits is Not Reflected in This Graph

ZONE 7 WATER AGENCY

Annual Budget by Account Classification Report

Budget Summary

	FY 12/13 Budget	FY 13/14 Budget	FY 13/14 YTD Amount	% Used/Rec
FUND: 100 Water Enterprise Operations				
Revenue				
411 - Water Sales & Service	$37,085,455.00	$37,664,745.00	$16,826,147.39	45%
441 - Charges for Services	$0.00	$0.00	$0.00	-
452 - Aid from Governmental Agencies - State	$700.00	$700.00	$92,670.00	13239%
461 - Investment Earnings	$95,000.00	$95,000.00	$0.00	0%
462 - Rents and Royalties	$31,000.00	$31,000.00	$6,285.72	20%
464 - Fines and Penalties	$0.00	$0.00	$103.14	-
481 - Other Revenue	$93,300.00	$93,300.00	$120,119.66	129%
499 - Use of Reserves	$0.00	$3,938,729.00	$0.00	0%
Revenue Totals	$37,305,455.00	$41,823,474.00	$17,045,325.91	41%
Expenditures				
511 - Personal Services - Salaries and Wages[1]	$12,979,972.00	$13,325,249.00	$3,388,095.73	25%
512 - Personal Services - Overtime[1]	$204,410.00	$206,778.00	$36,869.79	18%
513 - Personal Services - Benefits[1]	$5,935,795.00	$6,388,757.00	$1,845,436.60	29%
600 - Labor & Overhead Distributed[2]	($7,587,903.00)	($7,803,870.00)	($1,431,460.61)	18%
611 - Purchased Services	$3,458,839.00	$4,660,032.00	$746,302.43	16%
621 - Water	$5,327,008.00	$6,914,912.00	$2,649,393.30	38%
631 - Chemicals	$3,490,885.00	$2,841,522.00	$724,935.28	26%
641 - Utilities	$1,664,556.00	$1,829,570.00	$806,365.21	44%
643 - Communications	$227,508.00	$175,014.00	$47,743.10	27%
651 - Cleaning Services	$64,196.00	$48,835.00	$15,981.09	33%
652 - Repairs and Maintenance	$2,955,100.00	$2,451,870.00	$527,708.31	22%
653 - Rental Services	$113,200.00	$108,650.00	$29,115.22	27%
661 - General Office Services/ Supplies	$904,375.00	$617,065.00	$82,378.01	13%
662 - Organizational Membership/ Participation	$452,323.00	$519,283.00	$288,597.78	56%
665 - Other Services/ Supplies	$726,440.00	$780,206.00	$109,106.46	14%
667 - Training and Travel	$424,296.00	$395,220.00	$39,536.96	10%
669 - Special Departmental Expense	$826,500.00	$787,772.00	$115,639.90	15%
671 - Equipment, Furniture and Vehicles	$37,000.00	$32,499.00	$10,498.81	32%
691 - Transfers	$0.00	$8,500,000.00	$2,125,000.00	25%
Expenditure Totals	$32,204,500.00	$42,779,364.00	$12,157,243.37	28%
FUND Total: Water Enterprise Operations	$5,100,955.00	($955,890.00)	$4,888,082.54	

	FY 12/13 Budget	FY 13/14 Budget	FY 13/14 YTD Amount	% Used/Rec
FUND: 110 State Water Facilities				
Revenue				
411 - Water Sales & Service	$1,314,313.00	$1,299,710.00	$0.00	0%
421 - Property Taxes	$10,150,000.00	$11,247,000.00	$361,373.02	3%
452 - Aid from Governmental Agencies - State	$45,000.00	$45,000.00	$0.00	0%
453 - Aid from Governmental Agencies - Local	$505.00	$611.00	$620.58	102%
461 - Investment Earnings	$25,750.00	$16,522.00	$0.00	0%
464 - Fines and Penalties (64)	$0.00	$0.00	$4.65	-
481 - Other Revenue	$1,065,403.00	$1,189,542.00	$770,931.20	65%
499 - Use of Reserves	$0.00	$319,796.00	$0.00	0%
Revenue Totals	$12,600,971.00	$14,118,181.00	$1,132,929.45	8%
Expenditures				
621 - Water	$13,974,125.00	$14,118,181.00	$7,668,421.50	54%
Expenditure Totals	$13,974,125.00	$14,118,181.00	$7,668,421.50	54%
FUND Total: State Water Facilities	($1,373,154.00)	$0.00	($6,535,492.05)	

ZONE 7 WATER AGENCY
Annual Budget by Account Classification Report
Budget Summary

	FY 12/13 Budget	FY 13/14 Budget	FY 13/14 YTD Amount	% Used/Rec
FUND: 120 Water Enterprise Capital IR&R				
Revenue				
431 - Development Fees	$26,550.00	$250,000.00	$132,940.00	53%
441 - Charges for Services	$0.00	$7,500.00	$220.00	3%
461 - Investment Earnings	$141,703.00	$74,462.00	$0.00	0%
499 - Transfers and Use of Reserves	$6,600,000.00	$14,588,415.00	$2,125,000.00	15%
Revenue Totals	$6,768,253.00	$14,920,377.00	$2,258,160.00	15%
Expenditures				
600 - Labor & Overhead Distributed	$0.00	$0.00	$417,508.97	-
611 - Purchased Services	$0.00	$192,728.00	$74,517.89	39%
643 - Communications	$0.00	$0.00	$41.72	-
653 - Rental Services	$0.00	$0.00	$222,487.50	-
661 - General Office Services/ Supplies	$0.00	$0.00	$324.19	-
665 - Other Services/ Supplies	$0.00	$0.00	$1,915.80	-
669 - Special Departmental Expense[3]	$12,023,062.00	$22,147,261.00	$0.00	0%
671 - Equipment, Furniture and Vehicles	$0.00	$76,281.00	$67,076.59	88%
672 - Land and Facility Improvements	$0.00	$97,149.00	$5,091,850.80	5241%
Expenditure Totals	$12,023,062.00	$22,513,419.00	$5,875,723.46	26%
FUND Total: Water Enterprise Capital IR&R	($5,254,809.00)	($7,593,042.00)	($3,617,563.46)	

	FY 12/13 Budget	FY 13/14 Budget	FY 13/14 YTD Amount	% Used/Rec
FUND: 130 Water Enterprise Cap Expansion				
Revenue				
431 - Development Fees	$12,382,587.00	$18,400,000.00	$5,051,902.74	27%
461 - Investment Earnings	$89,885.00	$166,565.00	$0.00	0%
481 - Other Revenue	$2,539,000.00	$2,381,600.00	$1,148,128.80	48%
499 - Use of Reserves	$0.00	$31,579,850.00	$0.00	0%
Revenue Totals	$15,011,472.00	$52,528,015.00	$6,200,031.54	12%
Expenditures				
600 - Labor & Overhead Distributed	$0.00	$0.00	$147,821.47	-
611 - Purchased Services	$0.00	$172,751.00	$27,987.63	16%
621 - Water	$0.00	$18,654,187.00	$10,341,280.65	55%
653 - Rental Services	$0.00	$0.00	$173,045.85	-
662 - Organizational Membership/ Participation	$0.00	$0.00	$16,929.00	-
665 - Other Services/ Supplies	$0.00	$0.00	$342.70	-
669 - Special Departmental Expense[3]	$22,455,379.00	$3,834,499.00	$11,211.68	0%
671 - Equipment, Furniture and Vehicles	$0.00	$6,377.00	$14,538.19	228%
672 - Land and Facility Improvements	$0.00	$56,804.00	$429,004.22	755%
675 - Debt Service	$0.00	$30,753,481.00	$56,656.93	0%
Expenditure Totals	$22,455,379.00	$53,478,099.00	$11,218,818.32	21%
FUND Total: Water Enterprise Cap Expansion	($7,443,907.00)	($950,084.00)	($5,018,786.78)	

ZONE 7 WATER AGENCY

Annual Budget by Account Classification Report

Budget Summary

	FY 12/13 Budget	FY 13/14 Budget	FY 13/14 YTD Amount	% Used/Rec
FUND: 200 Flood Protection Operations				
Revenue				
421 - Property Taxes	$5,873,310.00	$5,979,557.00	$313,591.48	5%
441 - Charges for Services	$3,000.00	$3,000.00	$6,499.30	217%
452 - Aid from Governmental Agencies - State	$54,000.00	$54,000.00	$0.00	0%
453 - Aid from Governmental Agencies - Local	$690.00	$690.00	$697.88	101%
461 - Investment Earnings	$112,619.00	$110,600.00	$0.00	0%
462 - Rents and Royalties	$17,500.00	$17,500.00	$17,274.69	99%
464 - Fines and Penalties	$0.00	$0.00	$4.03	0%
481 - Other Revenue	$35,000.00	$35,000.00	$139,440.00	398%
499 - Use of Reserves	$0.00	$16,030,018.00	$0.00	0%
Revenue Totals	$6,096,119.00	$22,230,365.00	$477,507.38	2%
Expenditures				
600 - Labor & Overhead Distributed	$1,218,073.00	$2,100,065.00	$719,356.55	34%
611 - Purchased Services	$1,396,975.00	$2,720,461.00	$150,848.47	6%
643 - Communications	$3,000.00	$2,239.00	$519.18	23%
651 - Cleaning Services	$6,000.00	$10,000.00	$2,390.47	24%
652 - Repairs and Maintenance	$2,795,000.00	$5,291,743.00	$747,252.04	14%
653 - Rental Services	$25,000.00	$145,500.00	$64,924.02	45%
661 - General Office Services/ Supplies	$64,100.00	$19,550.00	$2,805.20	14%
662 - Organizational Membership/ Participation	$77,000.00	$141,084.00	$930.00	1%
665 - Other Services/ Supplies	$22,000.00	$28,400.00	$797.47	3%
667 - Training and Travel	$18,500.00	$30,900.00	$2,355.80	8%
669 - Special Departmental Expense	$25,000.00	$13,333.00	$3,333.33	25%
671 - Equipment, Furniture and Vehicles	$3,500.00	$0.00	$0.00	-
672 - Land and Facility Improvements	$0.00	$15,444,833.00	$10,660,011.17	69%
Expenditure Totals	$5,654,148.00	$25,948,108.00	$12,355,523.70	48%
FUND Total: Flood Protection Operations	$441,971.00	($3,717,743.00)	($11,878,016.32)	
FUND: 210 Flood Protection/Drainage DIF				
Revenue				
431 - Development Fees	$1,872,436.00	$2,500,000.00	$910,943.06	36%
461 - Investment Earnings	$154,894.00	$132,000.00	$0.00	0%
481 - Other Revenue	$0.00	$0.00	$28,560.00	-
499 - Use of Reserves	$0.00	$3,330,539.00	$0.00	0%
Revenue Totals	$2,027,330.00	$5,962,539.00	$939,503.06	16%
Expenditures				
600 - Labor & Overhead Distributed	$0.00	$0.00	$146,773.62	-
611 - Purchased Services	$0.00	$184,493.00	$29,865.23	16%
653 - Rental Services	$0.00	$0.00	$49,441.65	-
665 - Other Services/ Supplies	$0.00	$0.00	$118.73	-
669 - Special Departmental Expense[3]	$3,347,956.00	$6,522,656.00	$0.00	0%
672 - Land and Facility Improvements	$0.00	$733,166.00	$3,079,276.23	420%
Expenditure Totals	$3,347,956.00	$7,440,315.00	$3,305,475.46	44%
FUND Total: Flood Protection/Drainage DIF	($1,320,626.00)	($1,477,776.00)	($2,365,972.40)	
Revenue Grand Totals:	$79,809,600.00	$151,582,951.00	$28,053,457.34	19%
Expenditure Grand Totals:	$89,659,170.00	$166,277,486.00	$52,581,205.81	32%
Net Grand Totals:	($9,849,570.00)	($14,694,535.00)	($24,527,748.47)	

Notes:

1. Agency-wide salaries, wages, overtime and benefits are budgeted in Fund 100.
2. This is a credit to Fund 100 for salaries, wages, overtime and benefits charged to other funds.
3. Budgets for capital projects are reported in account 669 only. Actual project expenses are reported in the appropriate expense account.

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
CONTACT: Matt Katen

AGENDA DATE: December 18, 2013 ITEM NO. **12e**

SUBJECT: Constituents of Emerging Concern (CECs): Protecting Groundwater Under the State Recycled Water Policy

BACKGROUND:

Increasing the use of recycled water is a major part of the State's plan for addressing its current and future water supply needs, as well as a diversified portfolio to meet water demands in the Livermore-Amador Valley. A variety of reasons, including water use efficiency, the health of the Delta ecosystem and reduced snowpack caused by climate change led the State to adopt a new Recycled Water Policy in 2009 (Resolution 2009-0011). The purpose of the Policy is to provide conservative, health-protective guidelines that will allow for increased use of recycled water from municipal wastewater sources in a manner that also protects groundwater quality. The policy mandates increases in recycled water use, development of Salt and Nutrient Management Plans and implementation of a streamlined permitting process for qualifying recycled water use projects. Among the goals of the Policy, is replacing as much potable water with recycled water as possible by 2030.

In July 2009, the State Water Resources Control Board adopted the "General Waste Discharge Requirements for Landscape Irrigation Uses of Municipal Recycled Water" (General Permit) for the purpose of streamlining the approval of recycled water use for "landscape irrigation" projects. The projects considered "landscape irrigation" included:

- Parks, greenbelts, and playgrounds;
- School yards, athletic fields and golf courses;
- Residential and commercial landscaping, except eating areas;
- Freeway, highway and street landscaping; and
- Cemeteries

Existing and planned uses of recycled water by Zone 7's Retailers are consistent with these landscape irrigation uses.

The Recycled Water Policy was amended in January 2013 (Resolution No. 2013-0003) to include requirements for monitoring constituents-of-emerging-concern (CECs) in certain situations. Landscape irrigation applications were specifically excluded from the CEC monitoring requirements based on the predicted low ingestion rate associated with landscape irrigation projects. CECs include any synthetic or naturally occurring chemical or microorganism that is not commonly monitored in the environment but has the potential to enter the environment and cause known or suspected adverse ecological and/or human health effects. Chemicals that have been known to be discharged at given concentrations for which protective objectives have not been established may also be identified as CECs.

DISCUSSION:

With its adoption of the amended Recycled Water Policy in 2013, the State Water Board made the finding that recycled water is a safe alternative to potable water for landscape irrigation when used in compliance with the Recycled Water Policy, California Code of Regulations (CCR) Title 22, and all applicable State and Federal water quality laws. Additionally, they found that the beneficial use of recycled water for landscape irrigation is environmentally sound and preferable to the non-beneficial waste of water associated with wastewater disposal and using potable water for irrigation purposes.

Zone 7's Retailers plan to expand recycled water use for landscape irrigation over the Main Basin. Zone 7 is updating its Salt Management Plan (SMP) to be consistent with the new requirements of the Recycled Water Policy, namely updating the salt loading components and incorporating nutrient management strategies into the SMP, even though Zone 7's SMP is "grandfathered in" and does not require such an update. The Policy also considers the addition of CEC monitoring.

Under the new Policy, landscape irrigation projects that qualify for streamlined permitting shall not be required to include a project-specific receiving water and groundwater-monitoring component unless such project-specific monitoring is required under an adopted salt/nutrient management plan. However, monitoring for priority pollutants in the recycled water at the recycled water production facility and reporting of the nitrogen and salinity application rates are required. To protect public health, the General Permit employs a minimum treatment standard of disinfected tertiary recycled water, as well as exposure control measures including minimum setback distances, signage, method of application, and use restrictions. It also relies on California Health and Safety Code (HSC) section 116555 to prevent cross-connections and backflow of recycled water into potable water systems. In addition, all uses of recycled water must comply with the requirements set by the CDPH permit.

The General Permit does not specify CEC monitoring requirements, but the January amendment to the Policy does for certain uses of recycled water. The CEC monitoring requirements and criteria for evaluating monitoring results specified in the Policy are based on recommendations from a "blue-ribbon" Science Advisory Panel convened by the State Water Board, in consultation with CDPH. The Advisory Panel was charged with reviewing the scientific literature regarding CECs in recycled water, describing the current state of scientific knowledge regarding the risks of CECs to public health and the environment, and providing recommendations on monitoring CECs for various water recycling practices, including groundwater recharge to augment groundwater via surface spreading and percolation into a drinking water aquifer; groundwater recharge via subsurface injection into a drinking water aquifer; and urban landscape irrigation.

The Advisory Panel was composed of one human health toxicologist, one environmental toxicologist, one epidemiologist, one biochemist, one civil engineer familiar with the design and construction of recycled water treatment facilities, and one chemist familiar with the design and operation of advanced laboratory methods for the detection of emerging constituents. Each of these panelists had extensive experience as a principal investigator in their respective areas of expertise. In 2010, the Panel submitted its report to the State Water Board and CDPH, which described the current state of scientific knowledge regarding the risks of CECs to public health and the environment, and recommended monitoring for eight health and performance-based indicator CECs for groundwater recharge projects. CDPH recommended that an additional 15 constituents be initially monitored on recycled water projects that were designed solely for groundwater recharge. A copy of the Blue Ribbon report is posted at http://www.waterboards.ca.gov/water_issues/programs/water_recycling_policy/docs/cec_monitoring_rpt.pdf. After drafting an amendment, which was subject to review by the public as well as a peer review by other scientists, the State Water Board adopted these recommendations in its 2013 policy amendment. While these monitoring requirements are not applied to irrigation projects, these monitoring requirements can be found in Attachment A of the amended Policy (http://www.waterboards.ca.gov/water_issues/programs/water_recycling_policy/docs/amendment_docs/attach_a_010713_clean.pdf).

Monitoring for health-based and performance-based indicator CECs was <u>not</u> recommended for landscape irrigation projects because of the low water ingestion rate associated with landscape irrigation use. The ingestion rate associated with groundwater recharge projects is much higher, since the intent of the use is to provide drinking water supplies. When applied to landscape vegetation at the prescribed agronomic rates, only a small amount of the recycled water reaches the underlying aquifers as incidental recharge. Incidental groundwater recharge from current recycled water use over the Main Basin is estimated by staff to contribute less than 1% of the total recharge received by the Main Basin, and is predicted to remain below 2% following completion of the Retailer's planned recycled water use expansions.

CEC concentrations in the applied recycled water are very low to begin with, typically quantified as nanograms per liter or parts-per-trillion. They are then reduced during percolation by the natural soil processes (i.e., Soil Aquifer Treatment) that bind, degrade and dilute the constituents as they move through the root zone and soil. The small portion of recycled water that reaches the aquifers is further attenuated through bio-degradation, fixation, and dispersion processes as it mixes with the thousands of acre-feet of water in storage. Finally, the pumped groundwater is disinfected before it is blended with treated surface water and delivered to our customers. In addition, a significant portion of the groundwater pumped by Zone 7 is run through the Mocho Groundwater Demineralization Plant, which provides yet another barrier prior to ingestion. Likewise, given the multiple barrier concept and water treatment process redundancy requirements in place, the Panel believes that the potential public health risk associated with exposure to pathogens in recycled water used for landscape irrigation or groundwater recharge is insignificant.

Surface water runoff of recycled water from landscape irrigation projects is somewhat of a concern, particularly for aquatic and amphibian species, perhaps because of the potential high levels of disinfectants. However, with the implementation of the Best Management Practices (BMPs) identified in the general and project-specific permits for municipal recycled water production, distribution and use, this potential impact has been reduced to a "less than significant" level.

According to the Policy, the Regional Water Quality Control Boards shall not issue requirements for monitoring of additional CECs in recycled water beyond the requirements provided in the Policy except when they have made a finding that an "unusual circumstance (i.e., unique, site-specific conditions such as proposed recycled water use for irrigation over high transmissivity soils over a shallow (5' or less) high quality groundwater aquifer)" exists, or when recommended by CDPH or requested by the project proponent. Staff does not believe that the recycled water use plans for the Livermore Valley Groundwater Basin, as represented by Livermore and DSRSD, constitute "unusual circumstances" that would inspire the RWQCB to make such a finding and require CEC monitoring. Nevertheless, if plans were to be developed in the future for a recharge project using recycled water, the Policy clearly states what the monitoring requirement and constituent thresholds are for CECs.

In an effort to further the science associated with recycled water, Zone 7 is also participating in two Water Research Foundation studies, Project 4508, "Assessment of Techniques for Evaluating and Demonstrating Safety of Water from Direct Potable Reuse Facilities" and Project 4536 "Blending Requirement for Water from Direct Potable Reuse Treatment Facilities." About $600,000 will be spent on these studies by the partners (Zone 7's share is $20,000). Although recycled water in Zone 7's service area is for irrigation purposes, only, these studies will shed additional light on Chemicals of Emerging Concern and related monitoring and safety issues.

An overview of emerging groundwater contaminants was presented at the Association of California Water Agencies' (ACWA) 2013 Fall Conference in early December. The presentation provides an overview of the broad range of contaminants, some regulatory history as well as several case studies. A copy of the presentation can be found at http://www.acwa.com/sites/default/files/page/2013/12/emerging-contaminants_aquilogic_anthony-brown_ppt.pdf

While the state of knowledge regarding CECs is incomplete, the constituents that are the subject of studies and subject to the scrutiny of CDPH, the United States Environmental Protection Agency, and the United States Geological Survey, will in all likelihood change over time as their relative importance or unimportance to human health and the environment becomes better known. However, the State Water Recycling Policy has carefully considered the risks and benefits of recycled water use, and lays out a path for water recyclers and purveyors to move forward that adequately protects human health and the environment while expanding the use of recycled water to help meet the State's water supply needs.

RECOMMENDATION:

Information only.