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 19, 2012**

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 28, 2012

5. Consent Calendar
   a. Request by Director Quigley for Authorization to Attend Santa Ana River Watershed 2013 Meeting
   b. Annual Report on Collection and Use of Development Fees

6. Staffing Update:
   a. New Employee Introduction
   b. Employee of the Month Recognition

7. Award of Contract for Centrifuge Equipment System Rental Service for Patterson Pass Water Treatment Plant

   Recommended Action: Adopt resolution.

8. Information Technology Services Contract Award

   Recommended Action: Adopt resolution.

9. Independent Auditor's Report and Annual Financial Statements for Fiscal Year Ending June 30, 2012

   Recommended Action: Adopt resolution.

10. Committees – Finance Committee – November 26, 2012 – minutes

11. Reports – Directors

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

12. Items for Future Agenda – Directors

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

    a. General Manager's Report
    b. Legislative Update
    c. Status Report on Separation Efforts and Financial Software Replacement Project
    d. Report on Water Sales and Connection Fee Revenue
    e. Update Related to the Site-Specific Analysis for the Bay Area Regional Desalination Project
    f. Verbal Reports

14. CLOSED SESSION

    a) 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.

    b) Conference with Legal Counsel – Significant exposure to litigation pursuant to Subdivision (b) of Government Code Section 54956.9: 1 case

15. Open Session and Report Out of Closed Session

16. Adjournment

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

    a) Special Board Meeting: January 2, 2013 (if needed)
    b) Regular Board Meeting: January 16, 2013, 7:00 p.m.

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

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

REGULAR MEETING
November 28, 2012

President Palmer called the regular meeting to order at 7:00 p.m. with a salute to the flag. The following were present:

DIRECTORS:	SANDS FIGUERS JOHN GRECI A J 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 TOM HUGHES, ASSISTANT GENERAL MANAGER, ADMINISTRATION TAMARA BAPTISTA, FINANCE MANAGER JUDY RECTOR, BOARD SECRETARY
COUNSEL:	DAVID ALADJEM, DOWNEY BRAND

Item 3 - Citizens Forum - None.

Item 4 - Minutes of the Regular Meeting of October 17, 2012

President Palmer and Director Ramirez Holmes corrected the minutes as follows: 1) a roll call vote of 6-0-1 on Page 5 of Item 8 was corrected to a vote of 6-1; 2) on Page 7 of Item 12, clarification language “in the meantime it will remain as Livermore-Amador Valley” was added; and 3) a previous correction in the Liaison Committee minutes regarding Mayor Jennifer Hosterman’s first name was changed. Director Ramirez Holmes moved for approval and Director Quigley seconded approval of the minutes. There was a voice vote of 6-0 with Director Figuers absent.

Item 5 - Consent Calendar

President Palmer pulled Consent Items 5(a), 5(c) and 5(e). Director Stevens moved approval for Items 5(b) and 5(d) and Director Machaevich seconded. The following resolutions were approved by a voice vote of 6-0 with Director Figuers absent:

Resolution 13-4239 Authorized the General Manager to negotiate and execute an Easement Area Use Agreement with the Owners of 7099 Amador Plaza in Dublin and record a certificate of acceptance at the Office of the Recorder of Alameda County. (Item 5b)

Resolution 13-4241 Authorized the General Manager to reject all bids for Project 222-13, the destruction of the former Camp Parks well, and return the bid and bid bonds submitted by the bidders. (Item 5d)

Director Figuers arrived at 7:06 p.m.

President Palmer asked to revisit Consent Items 5(a), 5(c) and 5(d) for the following reasons: 5(a) - in the future provide a copy of an amendment in the agenda item; 5(c) - add a date stamp to maps or pictures showing a timeframe reference when included in future agenda items; and 5(e) - is the sedimentation study going to help with issues the County is dealing with regarding sedimentation and Flood Control? Staff responded that this study will provide comparable data for the County, in that SFEI was used for downstream studies, too.

Director Quigley questioned how the size of large storm events is defined. What are the metrics that are being looked at over the next two years? Mr. Arends explained that over the past two years there have been only small, one to two-year events. There is a lot of data on small events but very little on larger events. Zone 7 wants to be in a position to collect that data should a larger event occur. President Palmer also mentioned the invaluable training that Zone 7 people are getting to do that kind of sampling.

Director Ramirez Holmes moved and Director Quigley seconded approval of Consent Items 5(a), 5(c) and 5(d). The following resolutions were approved by a voice vote of 7-0:

Resolution 13-4238 Authorized the General Manager to negotiate and execute Amendment No. 1 to the agreement between California Department of Water Resources, Alameda County Water District and Zone 7. (Item 5a)

Resolution 13-4240 Authorized the General Manager to negotiate and execute Grant of Easements from the City of Pleasanton for access and a pipeline for the Mocho Demineralization Project and record a certificate of acceptance at the Office of the Recorder of Alameda County. (Item 5c)

Resolution 13-4242 Authorized the General Manager to negotiate and execute a contract with the San Francisco Estuary Institute for Phase 2 of the sedimentation study. (Item 5e)

Randy Werner, City of Livermore, asked about Consent Item 5(d) regarding abandoning wells and when the specs are going to be available. The City of Livermore will need to abandon a well soon and wants the information.

Item 6 - Staffing Updates

Item 6a - New Employees

Ms. Duerig introduced two new employees: Barrie Lindsay, Water Plant Operator III, and Zeljka Bozic, Office Assistant. After a brief description of their respective backgrounds, the Board applauded and welcomed them both to Zone 7.

Item 6b - Employee of the Month Recognition

Ms. Duerig acknowledged Kevin Hulme as the September Employee of the Month. The Board recognized Kevin in absentia as a valuable employee and an asset to Zone 7.

Item 7 - Committees - Finance Committee - November 26, 2012 - minutes pending

Ms. Duerig said the Finance Committee members agreed that the auditor's report will be brought before the full Board in December. Director Ramirez Holmes, a member of the Finance Committee, reported that the independent audit of Zone 7 finances resulted in an unqualified "clean" opinion by the auditor.

Item 8 - Reports - Directors

a. Verbal comments by President

President Palmer said that a final Ad Hoc Response Committee meeting will be scheduled and a revised Doodle Poll will be sent out with new Liaison Committee dates.

b. Written report by Director Quigley

Director Quigley noted that he had attended an ACWA Board Meeting on November 16 and there were discussions concerning the super majority in the State, the water bond, and federal and state elections.

Director Ramirez Holmes added that she will be attending the swearing in of the two new local legislators in Sacramento.

Item 9 - Items for Future Agendas - Directors

Item 10 - Staff Reports (Information items)

a. General Manager's Report
b. Recent Outreach Activities
c. Legislative Update
d. Status Report on Separation Efforts and Financial Software Replacement Project
e. Report on Water Sales and Connection Fee Revenue
f. Capital Improvement Program Update
g. Deferral of Water Connection and Development Impact Fees

h. Update Related to the Bay Delta Conservation Plan
i. Verbal Reports

Director Ramirez Holmes asked for notification of upcoming events prior to the event occurring, in addition to accomplishments, so she can let others know or attend herself. She said that future events are not always listed on the website. Ms. Duerig responded that staff would take care of it.

Director Stevens commented on Staff Report 10(d) regarding the new financial software. There was a discussion about the set backs and the contract with the vendor. Tom Hughes, Assistant General Manager, Administration, said there is an issue of inadequate training/support and a lack of manuals so the vendor's contract is being reviewed. Director Figuers suggested implementation should come before the Finance Committee. Director Machaevich suggested that a training videotape be made during the next onsite visit. The directors asked if a change of vendor is appropriate. Mr. Hughes and Ms. Duerig noted that Zone 7 staff has invested a lot of time in implementation thus far, including creating the manuals.

Director Palmer asked about Staff Report 10(e) and the connection fee stacked graph of accumulated loss revenue and the actual connection fee. Ms. Duerig explained the stack graph shows the total amount of development that occurs. The orange color represents what is really collected and the gray color represents additional money that would have been collected (credits) for the total amount of development if the money was coming in to Zone 7. The orange color on the graph is the money Zone 7 actually collects.

Randy Werner, City of Livermore, suggested that pressure be put on the retailers to accurately estimate their water use because Zone 7 depends upon that revenue to buy water. Mr. Werner said the estimates should be accurate but he wants to see monthly what is estimated and what is used. Mr. Hughes responded that there had been a recent TVRG kick-off meeting regarding finances and budget. Accurate estimating is one of the issues being discussed with them. Director Stevens noted the multi-year budget they want, too.

Director Quigley asked to meet with staff for clarification of "$1 budget remaining" on Page 3 of the agenda item for Staff Report 10(e). Mr. Hughes responded that Director Quigley should call him to set something up.

Ms. Baptista, Finance Manager, answered Director Ramirez Holmes' questions on water rebate money and if it is added to the budget surplus so she can see if money is available in Fund 72. Mr. Hughes added that once the new financial system is in place, the Board will be able to get updates. Ms. Duerig discussed adjusted budget numbers and the use of the term "as money is available."

Randy Werner asked if a month-to-month running balance will be available through the new financial software because if retailers know that there is money available, they would get more people involved in rebate programs. There was a discussion on toilet recycling and water savings.

Mr. Arends clarified in Item 10(g) that there is a statewide SCIP program (Statewide Community Infrastructure Program) for cities where a developer can apply for a deferral of developer fees. The program funds development fees through bond sales and allows the developer to establish an assessment district on the property to pay the debt service. The City of Dublin actively participates and can defer the fees (like Zone 7 development fees) while keeping school and water districts whole.

Director Ramirez Holmes suggested that a SCIP person might want to speak at a future Liaison Committee meeting.

The Board went into Closed Session at 7:55 p.m.

Item 11 - Closed Session

a) 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.

b) Conference with Legal Counsel – Significant exposure to litigation pursuant to Subdivision (b) of Government Code Section 54956.9: 1 case

Item 12 - Open Session and Report Out of Closed Session

The Board came out of Closed Session at 8:06 p.m. President Palmer reported that the Board approved a cost-of-living adjustment for the General Manager.

Item 13 - Adjournment

The meeting was adjourned at 8:09 p.m.

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

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

ORIGINATING SECTION: ADMINISTRATION
CONTACT: JILL DUERIG

AGENDA DATE: December 19, 2012 ITEM NO. 5a

SUBJECT: REQUEST BY DIRECTOR QUIGLEY FOR AUTHORIZATION TO ATTEND SANTA ANA RIVER WATERSHED 2013 MEETING

SUMMARY:

- On April 11, 2013, there will be a meeting called the "Santa Ana River Watershed 2013, The Power of Partnerships" in Costa Mesa, California.
- This year's meeting is being sponsored by the Santa Ana Watershed Project Authority (SAWPA), One Water-One Watershed (OWOW) and the Water Education Foundation (WEF).
- Director Quigley has expressed an interest in attending this meeting and is seeking board support for his attendance.

FINANCIAL:

Registration cost is $125. There will be additional miscellaneous expenses associated with attendance such as travel and lodging expenses. Total miscellaneous expenditures are estimated at an additional $450. Funds are available from Fund 52-Water Enterprise.

RECOMMEND ACTION:

Approve Director Quigley's request by adopting attached Resolution.

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

RESOLUTION NO

INTRODUCED BY
SECONDED BY

AUTHORIZATION FOR DIRECTOR QUIGLEY TO ATTEND SANTA ANA RIVER WATERSHED 2013 MEETING

WHEREAS, Director Dick Quigley has expressed an interest in attending the April 11, 2013, "Santa Ana River Watershed 2013, The Power of Partnerships" in Costa Mesa, California;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Zone 7 of Alameda County Flood Control & Water Conservation District does hereby authorize Director Dick Quigley's attendance at said meeting;

BE IT FURTHER RESOLVED that Director Quigley be reimbursed for actual and necessary expenses associated with his 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 19, 2012.

By:______________________________________
President, Board of Directors

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

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

ORIGINATING DIVISION: Administrative Services
CONTACT PERSON: Tamara Baptista/Margaret Chun

AGENDA DATE: December 19, 2012 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, 2012 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 Connections 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, 2012.

ATTACHMENTS:

Resolution
Annual Development Fees Report for the fiscal year ending June 30, 2012

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, 2012.

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 19, 2012.

By____
President, Board of Directors

ZONE 7 WATER AGENCY
ANNUAL DEVELOPMENT FEE REPORT
For Fiscal Year Period Ending June 30, 2012

Flood Protection and Storm Water Drainage Development Impact Fees Fund (76):

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 to be used for the 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 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 through 12/31/2011 was set at $0.96 per square foot of impervious surface created. The fee schedule effective 01/01/2012 through 06/30/2012, was set at $1.10 per square foot of impervious surface created.

Account / Job Number and Description		Start-End Fiscal Year	Actual FYTD 6/30/2012	
Revenue and Transfers In:				
4311	INTEREST FROM INVESTMENTS		$	141,004
4431	FLOOD PROTECTION/ STORM DRAINAGE DIF			5,464,326
4819	OTHER MISCELLANEOUS			2,036
4941	OPERATING TRANSFERS IN			-
Total Revenue and Transfers In			$	5,607,366
Expenditures:				
61000	FLOOD PROTECTION/DIF GENERAL ADMIN	ongoing	$	3,850
61124	TRIAD DEV - COLLIER CREEK IMP	1997-24		-
61145	STREAMWISE (41% fr 61902)	2001-13		102,309
61150	LINE G/H ARROYO MOCHO/WD;LS PS/RLGN	2002-13		-
61154	NORTH CANYONS ADMIN/ENG BUILDING LEASE (10%)	2005-20		115,465

61156	CIP MANAGEMENT (5% fr 52916)	2006-ongoing		4,339
61157	FLOW STUDIES-STEELHEAD RESTORATION (50% fr 61903)	2007-13		19,516
61158	E. ALAMEDA COUNTY CONSERV STRATEGY (10% fr 61904)	2007-12		402
61160	FLOOD CONTROL HYDROLOGY STUDY (41% fr 61905)	2011-2013		220,322
61161	SEDIMENT STUDY-SFEI 2010 (41% fr 61906)	2011-2015		42,459
61162	EL CHARRO SPECIFIC PLAN JOINT AGREEMT (57% fr 61907)	2011-2014		5,130,243
61163	ARROYO DE LA LAGUNA VERONA REACH (17% fr 61908)	2012-2014		3,235
61164	ARROYO MOCHO - STANLEY REACH (17% fr 61909)	2012-2014		61,907
61165	COPE LAKE SLOPE REPAIR (28% fr 61910)	2012-2014		22,082
Total Expenditures			$	5,726,128
Excess Revenue Over (Under) Expense			$	(118,762)
Commitments and Reserves (including encumbrances) FYTD			$	1,861,832
3510	**BEGINNING FUND BALANCE**		$	36,814,917
AVAILABLE END OF FISCAL YEAR FUND BALANCE			$	34,834,324

development fees report 06-2012.xls 10/04/2012

ZONE 7 WATER AGENCY
ANNUAL DEVELOPMENT FEE REPORT
For Fiscal Year Period Ending June 30, 2012

Capital Expansion Fund (73):

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 01/01/11 through 12/31/11 was $22,230 and effective 01/01/12 through 6/30/12 was $22,930 . A separate charge for Dougherty Valley was $20,580 per connection for the period of 1/01/11 through 12/31/11 and $21,230 for 1/01/12 thru 6/30/12.

Account / Job Number and Description	Start-End Fiscal Year		Actual FYTD 6/30/2012
Revenue and Transfers In:			
4231 GRANT NONOPERATING REVENUE		$	3,389
4311 INTEREST FROM INVESTMENTS			221,456
4321 INTEREST FROM OTHER SOURCES			16,084
4411 CONNECTION FEES - TREATED			6,370,742
4412 CONNECTION FEES - DVSA			4,427,630
4414 CONNECTION FEES - AG			
4613 ENGINEERING FEES - AGENCY			4,264
4814 DWR REFUNDS			1,854,349
4819 OTHER REVENUE			80,474
Total Revenue		$	12,978,388
Expeditures:			
51401 DWR -SWP (SBA capacity & fixed costs)	ongoing	$	3,354,763

51408 LHWD - WATER AGREEMENTS	ongoing		-
51410 SWSD -WATER STORAGE AGREEMENTS	ongoing		49,178
51416 BWSD - WATER AGREEMENTS	ongoing		-
Subtotal Water Expansion Agreements		$	3,403,941
55000 CONNECTION FEE REFUNDS	1972-ongoing	$	340
55001 WATER CONNECTION FEE ADMIN	1972-ongoing		98,742
55003 LOW FLOW TOILET REBATE(41% from Job 52909)	1997-ongoing		10,873
55004 EXPANSION PROJECTS PLANNING	1997-ongoing		-
55010 GENERAL PLANNING	1995-ongoing		143,882
55034 ANNUAL SWP PEAKING PAYMENT	2001-ongoing		-
55037 SO BAY AQUEDUCT ENLARGEMENT Phase II	2002-36		10,397,441
55038 GOVERNMENT AFFAIRS/GRANTS	2003-ongoing		-
55039 ARROYO MOCHO LOW FLOW CROSSINGS	2003-14		-
55043 CUWA MEMBERSHIP & TECHNICAL STUDIES	2004-ongoing		69,987
55046 DVSA CONNECTION FEE REFUNDS	2005-ongoing		-
55048 NORTH CANYONS ADMIN/ENG BUILDING LEASE (35%)	2005-20		404,128
55050 CIP MANAGEMENT (75% from Job 52916)	2006-ongoing		65,080
55051 EVAL DELTA FUTR INFLU-WTR SUP/QUAL (40% f 55503)	2006-ongoing		-
55052 HABIT CONSERV PLAN-DELTA WTRSHED (50% 55504)	2006-12		10,330
55053 DELTA OUTREACH (50% from 55505)	2006-12		8,651
55054 WATER QUAL MGMT IMPLEMENT PLAN (25% 52917)	2007-ongoing		6,177
55056 E. ALAMEDA COUNTY CONSERV STRATEGY(80% fr 61904)	2007-12		3,215
55059 DELTA SUPPLY RELIABILITY ASSESSMENT	2008-12		-
55060 2010 WATER SYSTEMS PLANNING (65% fr 52922)	2010-12		5,136
55061 GROUNDWATER/SALT/NUTRIENT MGMT PLAN (30%52925)	2012-14		46,207
88315 TECH REVIEW OF BDCP (75% reimbursable)	2007-12		-
Subtotal General		$	11,270,188
55100 WATER TRANSFER PLANNING	1995-ongoing	$	-
55104 WATER STORAGE	1998-ongoing		-
55106 CAWELO WD GROUNDWATER BANKING PROJ	2003-36		1,292,819
Subtotal Water Transfer Projects		$	1,292,819

ZONE 7 WATER AGENCY
ANNUAL DEVELOPMENT FEE REPORT
For Fiscal Year Period Ending June 30, 2012

Capital Expansion Fund (73) continued:

Account / Job Number and Description	Start-End Fiscal Year		Actual FYTD 6/30/2012
55200 WATER RECYCLING - PLANNING	1995-ongoing		-
55203 BAY AREA REG WATER RECYCLING PROGRAM	1995-ongoing		-
55207 RECYCLED WATER FEASIBILITY STUDY (30% from 52926)	2012-ongoing	$	8,528
Subtotal Water Recycling Projects		$	8,528
55300 WATER CONSRV PLAN (25% from Job 52905)	1995-ongoing	$	12,283
55302 WATER CONSRV EDUC MAT (25% from 52907)	1995-ongoing		-
55303 WASHER REBATE PG (25% from Job 52908)	1997-ongoing		32,361
Subtotal Water Conservation Projects		$	44,644
55426 CHAIN OF LAKES WELLFIELD	2007-12 - closed	$	3,339
55429 CHAIN OF LAKES WELLS 3, 4 & 5	2008-12		-
55430 BAY AREA DESALINATION FEASABILITY STUDY (65% fr 52923)	2010-12		234,737
55431 CAMP PARK/ TEST WELL	2011-12		40,303
Subtotal Well Field Expansion Projects		$	278,379
55603 ALTAMONT WTP AND ALTAMONT PIPELINE	2002-16	$	3,655
55613 ALTAMONT WATER TREATMENT PLANT	2007-16		304
55614 ALTAMONT PIPELINE - LIVERMORE REACH	2007-11		201,478
55616 ALTAMONT PIPELINE - COUNTY REACH	2008-15		-
55617 PPWTP EXPANSION FEASIBILITY	2012-14		32,596
Subtotal Treatment Plant Expansion Projects		$	238,033

57101 CEQA LK H DIVERT (cost share f/88305)	2001-13	$	27,522
57102 CHAIN OF LAKES FACILITIES & IMPROVEMENTS	2000-30		107,609
57104 CHAIN OF LAKES MASTER PLAN	2005-12		13,971
57106 COPE LAKE FACILITIES PROJECT	2011-13		91,666
57107 COPE LAKE SLOPE REPAIR (35% fr 61910)			27,603
Subtotal Chain of Lakes		$	268,372
Total Expenditure		$	16,804,904
Excess Revenue Over (Under) Expense		$	(3,826,516)
Encumbrances, Commitments, and Reserves FYTD		$	10,721,797
3510 BEGINNING FUND BALANCE		$	25,108,690
AUDIT ADJUSTMENT END OF FISCAL YEAR		$	-
AVAILABLE END OF FISCAL YEAR FUND BALANCE		$	10,560,378

development fees report 06-2012.xls 10/03/2012

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 Hughes

AGENDA DATE: December 19, 2012 ITEM NO. 6a

SUBJECT: New Employee Introduction

SUMMARY:

We are introducing one new employee to the Board of Directors who joined the Zone 7 team since our last Board meeting.

Tami Church, Junior Water Resources Planner

On Monday, December 10, Tami Church joined Zone 7's Integrated Planning section as a Junior Water Resources Planner. Tami's experience includes eight years as a Watershed Ecologist with Stillwater Sciences, freelance design work with the Codornices Creek Watershed Council and a position as Student Design Trainee with the San Francisco Public Utilities Commission, Urban Watershed Management Program.

Tami earned her BA degree in Environmental Science and her Master of Landscape Architecture with an emphasis in environmental planning from the University of California, Berkeley.

Please join me in welcoming Tami to the Zone 7 team!

RECOMMENDED ACTION:

Information only.

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

ORIGINATING SECTION: Administrative Services
CONTACT: Tom Hughes

AGENDA DATE: December 19, 2012 ITEM NO. 6b

SUBJECT: Employee of the Month Recognition

SUMMARY:

The Employee Recognition Program Nomination Committee met in November and selected the Employee of the Month for October 2012 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.

Joel Larson, Instrument Technician II, has been chosen from among those nominated as the October 2012 Employee of the Month.

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

RECOMMENDED ACTION:

It is recommended that the Zone 7 Board of Directors recognize and congratulate Joel Larson as October 2012 Employee of the Month.

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

ORIGINATING SECTION: FACILITIES ENGINEERING
CONTACT: JOHN KOLTZ / RHETT ALZONA

AGENDA DATE: December 19, 2012 ITEM NO. 7

SUBJECT: Award of Contract for Centrifuge Equipment System Rental Service for Patterson Pass Water Treatment Plant

SUMMARY:

- A new annual centrifuge rental services contract that can be renewed for up to two additional years is needed to allow time to purchase land adjacent to Patterson Pass WTP and construct additional sludge beds.
- Zone 7's existing centrifuge rental services contract will be able to continue at Del Valle Water Treatment Plant until Zone 7 procures its own mechanical dewatering system in 2013.
- Per CEQA guidelines, Zone 7 staff has filed a Categorical Exemption for the project.
- Zone 7 advertised the PPWTP Centrifuge Equipment System Rental Services Contract on November 14th and 21st, 2012. The Engineer's estimate for the project scope under this contract is $450,000 to $550,000.
- One bid for $488,125 was received. The bid was reviewed by Zone 7 staff and it was determined that the bidder, Karl Needham Enterprises (KNE) Inc., was responsive and responsible.
- KNE has been providing this service for the last three years and staff is satisfied with their performance.

FUNDING:
This contract is funded from Fund 52 – Water Enterprise.

RECOMMENDED ACTION:
Consider bids for the PPWTP Centrifuge Equipment System Rental Services Contract and adopt the attached resolution to accept the bid and award a contract to KNE, Inc., as the responsive and responsible bidder for the bid amount of $488,125. Authorize the General Manager to negotiate and execute the contract with KNE, Inc. for a not-to-exceed amount of $488,125. Authorize the General Manager to extend the contract for up to an additional two years in an amount not-to-exceed $488,125 per year, adjusting the unit rate for Bid Item No. 5 and total annually in accordance with the Engineering News Record CPI All Urban Consumers (US City Average). Authorize the General Manager to issue change orders as and when needed in an amount not-to-exceed $48,000 per year (10% of contract amount).

ATTACHMENTS:

1. Memo providing additional background and discussion of agenda item
2. Zone 7 Board Resolution

Interoffice Memo

Date: December 19, 2012
To: Jill Duerig, General Manager
From: John Koltz, Senior Engineer

Subject: Award of Contract for Centrifuge Equipment System Rental Service for Patterson Pass Water Treatment Plant

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

BACKGROUND:

Sludge drying beds at the Patterson Pass Water Treatment Plant (PPWTP) and Del Valle Water Treatment Plant (DVWTP) have limited capacity. Historically, without adequate sludge bed capacity, both water treatment plants have been forced to operate at reduced flows to reduce sludge output from the treatment process.

To reliably sustain maximum plant output from the treatment plants, either additional sludge beds or mechanical dewatering equipment are needed. A Solids Handling Study was completed (2010) which recommends permanent solutions to solids handling at both PPWTP and DVWTP. The Study recommends additional drying beds at PPWTP and mechanical dewatering equipment at DVWTP.

Additional sludge beds and permanent mechanical dewatering facilities will take time to implement. At PPWTP, it is anticipated that within the next two years land will be purchased adjacent to the plant and additional drying beds will be constructed to adequately manage the plants solids handling requirements.

Zone 7 needs to continue with temporary mechanical dewatering systems at PPWTP to help ensure reliable production at PPWTP. This will enable Zone 7 to schedule planning, design and construction of permanent sludge handling facilities without disrupting existing plant production.

DISCUSSION:

While land acquisition is taking place at PPWTP for the construction of the recommended drying beds, an interim mechanical dewatering solution is required to maintain adequate plant capacity. This new contract will provide that service until such time that additional drying beds can be constructed and mechanical dewatering is no longer needed. The current centrifuge rental services contract still has funding available which will be used to provide for mechanical dewatering at DVWTP until Zone 7 can purchase, install, and operate its own centrifuge at that plant in 2013.

A CEQA Categorical Exemption was filed for the project.

The project was advertised on November 14th and 21st, 2012 in a local newspaper (Tri-Valley

Herald) and on Zone 7's website. On December 4, 2012, in accordance with established procedures, one bid was received:

	CONTRACTOR	BID AMOUNT
1	Karl Needham Enterprises (KNE), Inc., Stockton CA	$488,125.00

The Engineer's estimate for the project scope under this contract is from $450,000 to $550,000. The bid has been reviewed by Zone 7 staff. The bid rate for treating sludge ($/MG) is comparable to the current contract in place covering the period 2009 to 2012 ($12,500 versus $12,000). The bid rate to provide centrifuge equipment in dollars per day is also competitive with the current contract in place for this service ($525 versus $550). The contract will be structured such that the contractor will be paid based on the amount of sludge processed at the plant, currently estimated at 20 MG annually. Based upon a review of the bid, staff believes that the bid is a fair and reasonable bid for this scope of work.

The bidder has complied with the bid requirements and was determined to be responsive to the contract requirements. Staff recommends the award of contract to Karl Needham Enterprises (KNE) Inc. in an amount not-to-exceed $488,125 with an option to extend the contract for up to two additional years for a total of three years. Additionally, staff recommends that the General Manager be authorized to negotiate and issue change orders if and when needed in an amount not-to-exceed $48,000 per year (10% of contract amount).

SCHEDULE:

Implementation of the project is scheduled to commence immediately after the contract is signed in order to maintain a solids handling presence at the plant.

FUNDING:

Funds are available in Fund 52- Water Enterprise.

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

RESOLUTION NO.

INTRODUCED BY
SECONDED BY

Award of Contract for Centrifuge Equipment System Rental Service for Patterson Pass Water Treatment Plant

WHEREAS, Zone 7 of the Alameda County Flood Control and Water Conservation District has a project to provide Centrifuge Equipment System Rental Services at PPWTP; and

WHEREAS, a Categorical Exemption per the California Environmental Quality Act (CEQA) guidelines was prepared and filed for the project; and

WHEREAS, the Project specifications and addenda were developed and advertised for bids in accordance with the California Public Contract Code; and

WHEREAS, bids were received and publicly read by the Zone 7 General Manager's authorized representatives at the Zone 7 Administration Office, 100 North Canyons Parkway, Livermore, California 94551 on December 04, 2012 at 2:00 pm; and

WHEREAS, one bid was received and the lowest responsive responsible bid received is the bid by Karl Needham Enterprises (KNE), Inc., with a bid amount of $488,125.

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 approve the plans, specifications, appendices, and addenda for the PPWTP Centrifuge Rental Services Contract; and

BE IT FURTHER RESOLVED that the bid of the responsive and responsible bidder, KNE, Inc., be accepted, and that the contract for the work be awarded to KNE, Inc., in an amount not-to-exceed $ 488,125 per year; and

BE IT FURTHER RESOLVED that the General Manager be authorized to negotiate and execute the contract on behalf of Zone 7 of the Alameda Flood Control and Water Conservation District in an amount not-to-exceed $488,125 for the first year of the contract; and

BE IT FURTHER RESOLVED that the General Manager be authorized to extend the contract for up to two additional years at an amount not-to-exceed $488,125 per year, adjusting the unit rate for Bid Item No. 5 and total annually in accordance with the Engineering News Record Consumer Price Index (CPI) All Urban Consumers (US City Average); and

BE IT FURTHER RESOLVED that the General Manager be authorized to negotiate and issue change orders as and when needed in an amount not to exceed $48,000 per year.

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 <u>December 19, 2012.</u>

By____
President, Board of Directors

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

ORIGINATING DIVISION: Administrative Services
CONTACT PERSON: Mike Wallace/Tamara Baptista

AGENDA DATE: December 19, 2012 ITEM NO. 8

SUBJECT: Information Technology Services Contract Award

SUMMARY:

- The current Information Technology (IT) services contract expires on December 31, 2012.
- Staff distributed a Request for Proposals for IT services covering the period January 1, 2013, through December 31, 2015. Responses were received from Definitive Networks, Inc., Interwest Consulting Group and Lanlogic, Inc.
- After conducting an assessment of the respondents, Lanlogic was the highest rated and only fully responsive respondent.

Staff recommends Zone 7 enter into a 36-month agreement with Lanlogic to provide IT services for an amount not to exceed $671,788.

MONTH	PERIOD	AMOUNT
1 - 12	January 1, 2013 – December 31, 2013	$219,510
13 - 24	January 1, 2014 – December 31, 2014	$223,900
25 - 36	January 1, 2015 – December 31, 2015	$228,378
	Total	$671,788

FUNDING:

Funds for these services will be come from Fund 50 – Flood Control and Fund 52 – Water Enterprise.

RECOMMENDED ACTION:

Adopt resolution authorizing the General Manager to negotiate and execute a professional services agreement with Lanlogic Incorporated, in the total, three-year amount not to exceed $671,788.

ATTACHMENTS:

Board Resolution

M E M O R A N D U M

DATE: December 19, 2012

TO: Jill Duerig, General Manager

FROM: Mike Wallace, Staff Analyst

SUBJECT: **Information Technology Services Contract Award**

BACKGROUND:

In 2008, a formal Request for Proposal (RFP) to select an Information Technology (IT) service provider was conducted and Lanlogic was selected from among the two submissions and awarded the contract for the period July 1, 2008 through June 30, 2009. Staff exercised the contract renewal option and renewed the contract for fiscal years 2010/2011 and 2011/2012. Lanlogic has provided satisfactory services during the contract periods.

DISCUSSION:

On November 1, 2012, staff issued a new Request for Proposal (RFP) for Information Technology services with a deadline for submittals of November 26, 2012. The RFP was posted to Zone 7's website and distributed directly to 14 prospective bidders, as sourced from Alameda County's SLEB database and a search in the local area. A proposal review committee consisting of staff with IT knowledge was formed to review the proposals. The following three firms submitted proposals:

Name of firm	Location	Proposed fee Schedule for the contract term
Definitive Networks, Incorporated	Pleasanton, CA	$250,800
Interwest Consulting Group	Pleasanton, CA	$598,015
Lanlogic, Incorporated	Livermore, CA	$671,788

Definitive Networks and Interwest Consulting Group were non-responsive, as they did not provide the required Dun and Bradstreet report as required by the RFP. This independent financial ratings company provides staff the basis on which to gauge the financial health of each prospective service provider. However, the review committee still evaluated each of the three proposals to rate each of the other factors independently. Each firm's submission was evaluated on the basis of understanding of the project requirements; clarity, quality and format of submittal; the firm's financial stability as reported by Dun and Bradstreet; the firm's reputation, availability, and experience with similar projects; personnel qualifications, abilities and experience with similar projects; availability and response time for service calls; and the provided references.

Based on the rating of these factors, the RFP review committee recommends that Lanlogic, Inc. be awarded the contract. If approved, this contract will be issued from January1, 2013 through December 31, 2015.

The proposed annual fee schedule is as follows:

	2013	2014	2015
Desktop/Network Maintenance and Service	$ 179,246	$ 182,831	$ 186,488
Professional Services	$ 21,384	$ 21,812	$ 22,248
SCADA Support	$ 18,880	$ 19,258	$ 19,643
Total	$ 219,510	$ 223,900	$ 228,378

Year two and three fee schedules include a maximum 2% per year increase, based on projected inflation.

RECOMMENDED ACTION:

Adopt resolution authorizing the General Manager to negotiate and execute a three-year professional services agreement with Lanlogic Incorporated, in a total amount not to exceed $671,788.

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

RESOLUTION NO.

INTRODUCED BY
SECONDED BY

AWARD OF CONTRACT FOR INFORMATION TECHNOLOGY SERVICES

BE IT RESOLVED that the Board of Directors of Zone 7 of Alameda County Flood Control and Water Conservation District does hereby authorize the General Manager to execute an agreement with Lanlogic Incorporated to provide desktop and network computer maintenance and information technology support to Zone 7 for an amount not to exceed $671,788 total, for Calendar Years 2013-2015.

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 19, 2012.

By_______________________________________

President, Board of Directors

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

ORIGINATING DIVISION: Administrative Services
CONTACT PERSON: Tamara Baptista

AGENDA DATE: December 19, 2012 ITEM NO. 9

SUBJECT: Independent Auditor's Report and Annual Financial Statements for Fiscal Year Ending June 30, 2012

SUMMARY:

- Maze and Associates conducted an independent financial audit of Zone 7 for the fiscal year ending June 30, 2012.
- 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, 2012, 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 26, 2012.

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, 2012.

ATTACHMENTS:

Resolution
Basic Financial Statements - Year Ending June 30, 2012
Memorandum on Internal Control and Required Communications - Year Ending June 30, 2012

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, 2012 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, 2012, 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, 2012.

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 19, 2012.

By:____
President, Board of Directors

DRAFT

ALAMEDA COUNTY FLOOD AND WATER CONSERVATION DISTRICT – ZONE 7

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2012

PREPARED BY THE
FINANCE AND MANAGEMENT
SERVICES DEPARTMENT

DRAFT

This Page Left Intentionally Blank

DRAFT

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT– ZONE 7
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Table of Contents

Page

FINANCIAL SECTION

Independent Auditor's Report 1

Management's Discussion and Analysis 3

Basic Financial Statements

Government-Wide Financial Statements:

Statement of Net Assets 9

Statement of Activities 10

Fund Financial Statements:

Balance Sheet – Governmental Funds 12

Reconciliation of the Governmental Funds - Fund Balance with the Governmental Activities Statement of Net Assets 13

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 14

Reconciliation of the Net Change in Fund Balances – Total Governmental Funds with the Change in Net Assets of Governmental Activities 15

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual 17

Statement of Net Assets – Proprietary Funds 18

Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds 20

Statement of Cash Flows – Proprietary Funds 22

Notes to Basic Financial Statements 25

DRAFT

This Page Left Intentionally Blank

DRAFT

INDEPENDENT AUDITOR'S REPORT

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

We have audited the basic financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Alameda County Flood Control and Water Conservation District – Zone 7, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the District's June 30, 2011 financial statements and our report dated September 21, 2011, in which we expressed an unqualified opinion.

We conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above 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, 2012, 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.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison information 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 this information in accordance with generally accepted auditing standards 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.

October 8, 2012

DRAFT

This Page Left Intentionally Blank

This section presents a narrative overview and analysis of Zone 7's financial activities for the fiscal year ended June 30, 2012. All amounts, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- Total assets exceeded its liabilities at the close of this fiscal year by $370 million. Net assets from governmental activities are $74.6 million and Business-Type activities are $295 million.
- Net assets decreased by $2.4 million or 0.07% from the prior fiscal year's close. Governmental activities decreased $2.8 million, while Business-Type activities increased $0.3 million.
- Total expenses increased $13.3 million or 20.1% over the prior year to $79.5 million primarily due to a large capital project – the El Charro Specific Plan.
- Total revenues increased $10.7 million or 16.1% from the prior year to $66.4 million primarily due to improvement in the local economic conditions.
- Water Sales revenues in the Business-Type Funds increased $3.7 million or 11.6% to $35.6 million.
- Construction in Progress at fiscal year-end include the Altamont Water Treatment Plant, Site Acquisition and Pipeline Projects for $17,439,634, the PPWTP sewer line for $826,340, the Santa Rita Pipeline Relocation for $547,993, 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 assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets 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 9-10 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 Assets 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 25-36 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Zone 7's assets exceeded liabilities by $370 million at June 30, 2012.

The largest portion of Zone 7's net assets, $218.7 million or 59% 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.

DRAFT

Net Assets as of June 30

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current and other assets	$60,672,924	$63,075,901	$123,689,917	$118,731,001	$184,362,841	$181,806,902
Capital assets	14,301,567	14,479,216	205,651,283	210,061,388	219,952,850	224,540,604
Total assets	74,974,491	77,555,117	329,341,200	328,792,389	404,315,691	406,347,506
Liabilities:						
Current liabilities	417,372	233,000	3,821,534	3,612,865	4,238,906	3,845,865
Long-term liabilities	0	0	30,500,000	30,500,000	30,500,000	30,500,000
Total liabilities	417,372	233,000	34,321,534	34,112,865	34,738,906	34,345,865
Net assets:						
Invested in capital assets net of related debt	14,301,567	14,479,216	204,358,226	208,841,658	218,659,793	223,320,874
Unrestricted-Designated	50,405,824	58,914,899	61,528,652	79,436,419	111,934,476	138,351,318
Unrestricted	9,849,728	3,928,002	29,132,788	6,401,447	38,982,516	10,329,449
Total net assets	$74,557,119	$77,322,117	$295,019,666	$294,679,524	$369,576,785	$372,001,641

Changes in Net Assets for Year ended June 30

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Charges for services	$5,505,177	$3,178,719	$35,563,265	$31,879,951	$41,068,442	$35,058,670
Grants and other contributions	61,249	53,229	106,194	444,139	167,443	497,368
Other program revenues	41,461	21,626	29,154,849	23,991,982	29,196,310	24,013,608
General revenues						
Property taxes	5,773,050	5,745,003			5,773,050	5,745,003
Investment earnings and other	257,328	345,843	641,133	735,257	898,461	1,081,100
Total Revenues	11,638,265	9,344,420	65,465,441	57,051,329	77,103,706	66,395,749
Expenses:						
General government	8,499,485	4,063,566			8,499,485	4,063,566
Flood protection	5,903,778	615,758			5,903,778	615,758
Special drainage area operations						0
State Water Project			13,858,280	10,670,494	13,858,280	10,670,494
Cost of water sales			30,711,144	30,572,172	30,711,144	30,572,172
Facility use fees - capital improvement projects			3,864,713	4,443,284	3,864,713	4,443,284
Water connection fees - capital expansion projects			16,691,162	15,853,975	16,691,162	15,853,975
Total Expenses	14,403,263	4,679,324	65,125,299	61,539,925	79,528,562	66,219,249
Increase/(decrease) in net assets before transfers	(2,764,998)	4,665,096	340,142	(4,488,596)	(2,424,856)	176,500
Transfers						
Extraordinary item						0
Change in net assets	-2,764,998	4,665,096	340,142	(4,488,596)	-2,424,856	176,500
Net assets-beginning	77,322,117	72,657,021	294,679,524	299,168,120	372,001,641	371,825,141
Net assets-ending	$74,557,119	$77,322,117	$295,019,666	$294,679,524	$369,576,785	$372,001,641

DRAFT

Zone 7's net assets decreased by $2.4 million during the fiscal year ended June 30, 2012. Total revenue was $77.1 million and is offset by total expenses, including transfers, of $79.5 million.

Governmental activities

Net assets in Zone 7's flood control governmental activities decreased by $2.8 million. Total revenues were $11.6 million while total expenses amounted to $14.4 million.

Revenues: Charges for services increased $2.3 million from the prior year mainly due to an increase in the number of impervious area applications. Other program revenues increased from the prior year for fees and permits activities. Property taxes decreased slightly because of lower total assessed value and higher delinquencies. Investment earnings and other decreased $0.08 million, or 25.6%, because of considerably lower earnings rates due to the economic downturn.

Expenses: General government increased $9.7 million, or 207.8% mainly due to a large capital project – the El Charro Specific Plan.

Business-type activities

Net assets in Zone 7's water enterprise business-type activities increased by $0.3 million with total revenues of $65.5 million less total expenses including transfers of $65.2 million.

Revenues: Charges for services increased $3.7 million or 11.6% over the prior year as a result of a water rate increase and a higher volume of water sold. Grants and other contributions decreased $0.3 million from the prior year due to receipt of State grants for the Mocho Demineralization project in the prior year. Other program revenues decreased $5.2 million from the prior year.

Expenses: State water project costs increased $3.2 million or 29.9% because of increased expenses incurred by the State. Cost of water sales increased $0.1 million or 0.5% because of the increase in water treatment related costs due to a higher depreciation expense. Facility use fees - Capital improvement project expenses decreased $0.6 million or $13% because there were fewer capital projects during this year. Water connection fees – capital expansion projects increased $0.8 million or 5.3% 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, 2012, Zone 7's governmental funds reported combined ending fund balances of $60.3 million, a decrease of $2.6 million or 4.29% 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. Out of the total fund balance of $60.3 million; $31.1 million is committed, which have constraints imposed by formal action of the Board and may be altered only by formal action of the Board; $14.1 million is unassigned, which are not restricted, committed, or assigned and are available for spending; $13.5 million is assigned, which are constrained by management's intent to be used for a specific purpose; and $1.6 million is reserved for encumbrances. There were no long term liabilities.

DRAFT

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 assets for the enterprise increased by $0.3 million or 0.1%. Net assets invested in capital assets net of related debt decreased $4.5 million primarily due to the increase in accumulated depreciation. There is no change in long-term liabilities.

Governmental Funds Budgetary highlights

A comparative budgetary statement for the Zone's general governmental funds (General Fund) follows:

	Final Budgeted Amounts	Actual Amounts	Budget Variance June 30, 2012	Budget Variance June 30, 2011
Resources (inflows):				
Taxes	$5,845,383	$5,773,050	($72,333)	$639,800
Intergovernmental	54,000	61,249	7,249	(771)
Charges for services	10,200	40,851	30,651	(7,229)
Interest and rentals	117,460	116,325	(1,135)	(161,820)
Other	25,284	39,424	14,140	5,026
Amounts available for appropriation	6,052,327	6,030,899	(21,428)	475,006
Charges to appropriations (outflows):				
Salaries and benefits	1,134,002	1,915,556	(781,554)	(503,402)
Services and supplies	7,547,998	6,583,929	964,069	6,610,646
Total changes to appropriations	8,682,000	8,499,485	182,515	6,107,244
Excess of resources over charges to appropriations	(2,629,673)	(2,468,586)	161,087	5,632,238

Zone 7's actual general fund revenues came under the budget by $21,428 or 0.4%.

Variations between budget and actual expenditures in the general fund reflect overall expenditures less than the adjusted budget by $.2 million or 2.15%. 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 30-31. Highlights include capitalizing the Mocho Groundwater Demineralization facility and the Chain of Lakes Wells 1 & 2 and the Construction in Progress mentioned above in the Financial Highlights. Further detail of Capital Assets as of June 30, 2012 can be found under Note 3.

At the end of the current fiscal year, Zone 7 had long-term obligations outstanding of $30.5 million. The line of credit's interest 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 and it expires on December 31, 2013. 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. 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.
- New development within the service area has been picking up, albeit at a low but steady rate, providing slight growth in new water rate payers and connection fee revenue.
- A leveling-off in property values has resulted in stabilization of the 2011 and 2012 assessment roll, sustaining the lower level of property tax revenue for the 2010/11 year. Alameda County's average unemployment rate has decreased markedly, now registering 9.0% as of April 2012, below the 2011 rate of 10.2 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.

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

DRAFT

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash in county treasury (Note 2)	$59,446,259	$114,231,341	$173,677,600
Accounts receivable, net	1,226,665	9,368,576	10,595,241
Prepaid expenses		90,000	90,000
Total current assets	60,672,924	123,689,917	184,362,841
Noncurrent assets			
Capital assets (Note 3):			
Rights of way, water entitlements, easements and construction in progress	6,875,550	58,489,629	65,365,179
Depreciable, net	7,426,017	147,161,654	154,587,671
Total noncurrent assets	14,301,567	205,651,283	219,952,850
Total assets	74,974,491	329,341,200	404,315,691
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	417,372	2,352,560	2,769,932
Deposits-water facilities trust		353,039	353,039
Compensated absences (Note 1J)		1,115,935	1,115,935
Total current liabilities	417,372	3,821,534	4,238,906
Noncurrent liabilities			
Line of credit (Note 4)		30,500,000	30,500,000
Total noncurrent liabilities		30,500,000	30,500,000
Total liabilities	417,372	34,321,534	34,738,906
NET ASSETS (Note 5)			
Invested in capital assets, net of related debt	14,301,567	205,651,283	219,952,850
Unrestricted-designated for			
Capital projects	36,696,155	37,928,558	74,624,713
Specific projects and programs	5,055,644	41,291,980	46,347,624
Unrestricted	18,503,753	10,147,845	28,651,598
Total net assets	$74,557,119	$295,019,666	$369,576,785

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, 2012

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Other Program Revenues	Total
Governmental activities:					
General government	$8,499,485	$40,851	$61,249	$39,424	$141,524
Flood protection	5,903,778	5,464,326		2,037	5,466,363
Total governmental activities	14,403,263	5,505,177	61,249	41,461	5,607,887
Business-type activities:					
State water project	13,858,280		92,639	15,489,732	15,582,371
Water sales	30,711,144	35,547,771		379,468	35,927,239
Facility use fees-capital improvement	3,864,713	11,230	10,166	552,453	573,849
Water connection fees capital expansion	16,691,162	4,264	3,389	12,733,196	12,740,849
Total business-type activities	65,125,299	35,563,265	106,194	29,154,849	64,824,308
Total	$79,528,562	$41,068,442	$167,443	$29,196,310	$70,432,195

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

Change in net assets

Net assets-beginning of year

Net Assets-end of year

See accompanying notes to financial statements

DRAFT

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
($8,357,961)		($8,357,961)
(437,415)		(437,415)
(8,795,376)		(8,795,376)
	$1,724,091	1,724,091
	5,216,095	5,216,095
	(3,290,864)	(3,290,864)
	(3,950,313)	(3,950,313)
	(300,991)	(300,991)
(8,795,376)	(300,991)	(9,096,367)
5,392,724		5,392,724
330,976		330,976
49,350		49,350
239,596	610,133	849,729
17,732	31,000	48,732
6,030,378	641,133	6,671,511
(2,764,998)	340,142	(2,424,856)
77,322,117	294,679,524	372,001,641
$74,557,119	$295,019,666	$369,576,785

DRAFT

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2012
WITH SUMMARIZED TOTALS AS OF JUNE 30, 2011

		Flood	Totals	
	General	Protection	2012	2011
ASSETS				
Current assets				
Cash in county treasury (Note 2)	$23,948,959	$35,497,300	$59,446,259	$62,627,113
Accounts receivable, net		1,226,665	1,226,665	448,788
Total assets	$23,948,959	$36,723,965	$60,672,924	$63,075,901
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	$389,562	$27,810	$417,372	$233,000
Total liabilities	389,562	27,810	417,372	233,000
FUND BALANCES (Note 5)				
Nonspendable:				
Encumbrances	855,644	739,264	1,594,908	10,103,983
Committed		35,956,891	35,956,891	31,099,208
Assigned	17,823,912		17,823,912	13,511,708
Unassigned	4,879,841		4,879,841	8,128,002
Total fund balances	23,559,397	36,696,155	60,255,552	62,842,901
Total liabilities and fund balances	$23,948,959	$36,723,965	$60,672,924	$63,075,901

See accompanying notes to financial statements

DRAFT

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7
RECONCILIATION OF GOVERNMENTAL FUNDS - FUND BALANCE WITH THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET ASSETS
JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR JUNE 30, 2011

	2012	2011
TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$60,255,552	$62,842,901
Amounts reported for Governmental Activities in the Statement of Net Assets 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.	14,301,567	14,479,216
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$74,557,119	$77,322,117

See accompanying notes to financial statements

DRAFT

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, 2012
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	General	Flood Protection	Totals 2012	Totals 2011
REVENUES				
Property taxes	$5,773,050		$5,773,050	$5,745,003
Intergovernmental revenues	61,249		61,249	53,229
Charges for services	40,851	$5,464,326	5,505,177	3,178,719
Interest and rentals	116,325	141,003	257,328	345,843
Other revenues	39,424	2,037	41,461	21,626
Total revenues	6,030,899	5,607,366	11,638,265	9,344,420
EXPENDITURES				
Salaries and employee benefits transferred from district-wide	1,915,556	328,000	2,243,556	1,937,436
Services and supplies	6,583,929	267,191	6,851,120	2,559,113
Equipment and capital structure		5,130,850	5,130,850	
Other		88	88	126
Total expenditures	8,499,485	5,726,129	14,225,614	4,496,675
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,468,586)	(118,763)	(2,587,349)	4,847,745
NET CHANGE IN FUND BALANCES	(2,468,586)	(118,763)	(2,587,349)	4,847,745
FUND BALANCES, BEGINNING OF YEAR	26,027,983	36,814,918	62,842,901	57,995,156
FUND BALANCES, END OF YEAR	$23,559,397	$36,696,155	$60,255,552	$62,842,901

See accompanying notes to financial statements

DRAFT

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 ASSETS OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	2012	2011
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 Assets 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	($2,587,349)	$4,847,745
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	5,000	
Depreciation expense is deducted from the fund balance	(182,649)	(182,649)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	($2,764,998)	$4,665,096

See accompanying notes to financial statements

DRAFT

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, 2012

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts Budgetary Basis	Positive (Negative)
REVENUES				
Property taxes	$5,845,383	$5,845,383	$5,773,050	($72,333)
Intergovernmental revenue	54,000	54,000	61,249	7,249
Charges for services	10,200	10,200	40,851	30,651
Interest and rentals	117,460	117,460	116,325	(1,135)
Other revenue	25,284	25,284	39,424	14,140
TOTAL REVENUES	6,052,327	6,052,327	6,030,899	(21,428)
EXPENDITURES				
Salaries and benefits	1,134,002	1,134,002	1,915,556	(781,554)
Services and supplies	7,547,998	7,547,998	6,583,929	964,069
TOTAL EXPENDITURES	8,682,000	8,682,000	8,499,485	182,515
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(2,629,673)	(2,629,673)	(2,468,586)	161,087
NET CHANGE IN FUND BALANCE	($2,629,673)	($2,629,673)	(2,468,586)	$161,087
Fund balance, beginning of year			26,027,983	
Fund balance, end of year			$23,559,397	

See accompanying notes to financial statements

DRAFT

This Page Left Intentionally Blank

DRAFT

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012
WITH SUMMARIZED TOTALS AS OF JUNE 30, 2011

	State Water Project	Water Sales	Capital Improvement Renewal & Replacement	Capital Expansion
ASSETS				
Current assets:				
Cash in county treasury (Note 2)	$10,466,482	$22,373,067	$22,160,026	$50,969,184
Receivables, net	137,341	8,348,759	3,095	879,381
Prepaid deposits		90,000		
Total current assets	10,603,823	30,811,826	22,163,121	51,848,565
Noncurrent assets:				
Capital assets (Note 3), right of ways, water entitlements and construction in progress		58,489,629		
Improvements, net of depreciation		147,161,654		
Total noncurrent assets		205,651,283		
Total assets	10,603,823	236,463,109	22,163,121	51,848,565
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses		1,856,160	430,009	66,391
Deposits				
Compensated absences (Note 1J)		1,115,935		
Total current liabilities		2,972,095	430,009	66,391
Long-term liabilities:				
Line of Credit (Note 4)				30,500,000
Total long-term liabilities				30,500,000
Total liabilities		2,972,095	430,009	30,566,391
NET ASSETS (Note 5)				
Invested in capital assets		205,651,283		
Unrestricted-designated for:				
Capital projects		6,600,000	19,041,132	12,287,426
Designated projects	10,603,823	11,091,886	2,691,980	8,994,748
Unrestricted		10,147,845		
Total net assets	10,603,823	233,491,014	21,733,112	21,282,174
Total liabilities and net assets	$10,603,823	$236,463,109	$22,163,121	$51,848,565

See accompanying notes to financial statements

DRAFT

Water Facilities Trust	Water Supply Trust	Totals 2012	Totals 2011
$3,522,216	$4,740,366	$114,231,341	$111,710,416
		9,368,576	6,796,766
		90,000	223,819
3,522,216	4,740,366	123,689,917	118,731,001
		58,489,629	57,258,300
		147,161,654	152,803,088
		205,651,283	210,061,388
3,522,216	4,740,366	329,341,200	328,792,389
		2,352,560	2,079,778
353,039		353,039	380,997
		1,115,935	1,152,090
353,039		3,821,534	3,612,865
		30,500,000	30,500,000
		30,500,000	30,500,000
353,039		34,321,534	34,112,865
		205,651,283	208,841,658
		37,928,558	40,041,672
3,169,177	4,740,366	41,291,980	39,394,747
		10,147,845	6,401,447
3,169,177	4,740,366	295,019,666	294,679,524
$3,522,216	$4,740,366	$329,341,200	$328,792,389

DRAFT

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	State Water Project	Water Sales	Capital Improvement Renewal & Replacement	Capital Expansion
OPERATING REVENUES				
Property taxes	$12,017,106			
Water sales		$35,398,908		
Intergovernmental revenue	92,639		$10,166	$3,389
Connection and development fees			547,570	10,798,372
Charges for services		113,890	11,230	4,264
Other revenues	3,472,626	379,468	4,883	1,934,824
Total operating revenues	15,582,371	35,892,266	573,849	12,740,849
OPERATING EXPENSES				
Salaries, wages and benefits		12,529,536	1,378,299	644,277
Contractual services		2,246,105	2,579,724	382,069
Supplies		115,792		
Chemical purchases		1,854,047		
Water purchases	13,858,280	2,104,846		13,645,489
Water storage		1,102,075		1,341,997
Utilities		1,984,768	157,744	43,201
Maintenance and repairs		1,183,573		
Equipment and building rents		99,677	531,904	404,128
Office expenses		1,342,687	338,217	343,744
Risk management		354,389		
Depreciation (Note 3)		5,793,649		
Expenses capitalized			(1,121,175)	(113,743)
Total operating expenses	13,858,280	30,711,144	3,864,713	16,691,162
Operating income (loss)	1,724,091	5,181,122	(3,290,864)	(3,950,313)
NONOPERATING REVENUES				
Interest income and rental fees	155,849	123,456	89,614	237,540
Total nonoperating revenues	155,849	123,456	89,614	237,540
Income (loss) before transfers	1,879,940	5,304,578	(3,201,250)	(3,712,773)
Transfers in		1,360,610	5,044,148	681,352
Transfers (out)		(5,169,840)	(1,121,175)	(795,095)
Change in net assets	1,879,940	1,495,348	721,723	(3,826,516)
Net assets, beginning of year	8,723,883	231,995,666	21,011,389	25,108,690
Total net assets, end of Year	$10,603,823	$233,491,014	$21,733,112	$21,282,174

See accompanying notes to financial statements

DRAFT

Water Facilities Trust	Water Supply Trust	Totals 2012	Totals 2011
		$12,017,106	$9,860,412
		35,398,908	31,785,517
		106,194	444,139
		11,345,942	9,697,595
		129,384	69,872
$34,973		5,826,774	4,458,537
34,973		64,824,308	56,316,072
		14,552,112	14,811,943
		5,207,898	4,647,071
		115,792	118,003
		1,854,047	1,542,425
		29,608,615	27,676,513
		2,444,072	2,316,114
		2,185,713	2,192,612
		1,183,573	1,348,377
		1,035,709	1,000,498
		2,024,648	1,441,471
		354,389	203,728
		5,793,649	4,682,019
		(1,234,918)	(440,849)
		65,125,299	61,539,925
34,973		(300,991)	(5,223,853)
14,856	$19,818	641,133	735,257
14,856	19,818	641,133	735,257
49,829	19,818	340,142	(4,488,596)
		7,086,110	173,168,966
		(7,086,110)	(173,168,966)
49,829	19,818	340,142	(4,488,596)
3,119,348	4,720,548	294,679,524	299,168,120
$3,169,177	$4,740,366	$295,019,666	$294,679,524

DRAFT

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT
ZONE 7
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2011

	State Water Project	Water Sales	Capital Improvement Renewal & Replacement
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$15,445,030	$33,495,811	$52,704
Connection and development fees			547,570
Payments to employees		(12,565,691)	(1,378,299)
Payments to suppliers	(13,858,280)	(12,014,408)	(2,599,920)
Net cash provided (used) by operating activities	1,586,750	8,915,712	(3,377,945)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Interest income	155,849	123,456	89,614
Cash flows from noncapital financing activities	155,849	123,456	89,614
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property, plant, and equipment		(1,383,544)	
Transfers in		1,360,610	5,044,148
Transfers (out)		(5,169,840)	(1,121,175)
Cash flows from (used for) capital and related financing activities		(5,192,774)	3,922,973
Net increase (decrease) in cash and cash equivalents	1,742,599	3,846,394	634,642
Cash and investments at beginning of period	8,723,883	18,526,673	21,525,384
Cash and investments at end of period	$10,466,482	$22,373,067	$22,160,026
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$1,724,091	$5,181,122	($3,290,864)
Adjustments to reconcile operating income to cash flows			
Depreciation		5,793,649	
Changes in assets and liabilities			
Receivables	(137,341)	(2,530,274)	26,425
Prepaid deposits		133,819	
Accounts payable and accrued expenses		373,551	(113,506)
Compensated absences		(36,155)	
Deposits			
Net cash provided (used) by operating activities	$1,586,750	$8,915,712	($3,377,945)

See accompanying notes to financial statements

DRAFT

Capital Expansion	Water Facilities Trust	Water Supply Trust	Total 2012	Total 2011
$2,011,857	$7,015		$51,012,417	$49,342,793
10,798,372			11,345,942	9,697,595
(644,277)			(14,588,267)	(14,773,158)
(16,034,148)			(44,506,756)	(43,876,871)
(3,868,196)	7,015		3,263,336	390,359
237,540	14,856	$19,818	641,133	735,257
237,540	14,856	19,818	641,133	735,257
			(1,383,544)	(498,163)
681,352			7,086,110	173,168,966
(795,095)			(7,086,110)	(173,168,966)
(113,743)			(1,383,544)	(498,163)
(3,744,399)	21,871	19,818	2,520,925	627,453
54,713,583	3,500,345	4,720,548	111,710,416	111,082,963
$50,969,184	$3,522,216	$4,740,366	$114,231,341	$111,710,416
($3,950,313)	$34,973		($300,991)	($5,223,853)
			5,793,649	4,682,019
69,380			(2,571,810)	2,820,150
			133,819	
12,737			272,782	(1,830,908)
			(36,155)	38,785
	(27,958)		(27,958)	(95,834)
($3,868,196)	$7,015		$3,263,336	$390,359

DRAFT

This Page Left Intentionally Blank

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 assets 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 assets 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* is for flood protection and storm water drainage facilities and is reserved for reimbursement to developers.

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 fess 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For its business-type activities and enterprise fund, the District has elected, under Governmental Accounting Standard's Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The District has elected not to follow subsequent private-sector guidance of FASB after November 30, 1989.

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 are 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 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, 2012, the balance of compensated absences is $1,115,935.

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, 2012, the District's cash and investments amounted to $173,677,600 of which $59,446,259 and $114,231,341 were reflected in the District's Governmental and Business-Type Activities, respectively. The make up of these investments can be found in the Alameda County Treasurer's Investment Pool Market Value Report as of June 30, 2012, 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, 2012:

Governmental Activities	Balance at June 30, 2011	Additions	Balance at June 30, 2012
Capital assets not being depreciated:			
Rights of way	$6,870,550	$5,000	$6,875,550
Total capital assets not being depreciated	6,870,550	5,000	6,875,550
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	2,330,693	182,649	2,513,342
Total accumulated depreciation	2,330,693	182,649	2,513,342
Net capital assets being depreciated	7,608,666	(182,649)	7,426,017
Governmental activity capital assets, net	$14,479,216	($177,649)	$14,301,567

NOTE 3 – CAPITAL ASSETS (Continued)

Business-Type Activities	Balance at June 30, 2011	Additions and Transfers	Retirements	Balance at June 30, 2012
Capital assets not being depreciated:				
Rights of way	$559,718	$718,179		$1,277,897
Water entitlements	36,655,364			36,655,364
Easements	1,219,730	73,327		1,293,057
Construction in progress	18,823,488	439,823		19,263,311
Total capital assets not being depreciated	57,258,300	1,231,329		58,489,629
Capital assets being depreciated:				
Equipment	2,726,433	148,626	($6,035)	2,869,024
Treatment plants	105,415,112			105,415,112
Office building	1,264,251			1,264,251
Reservoir	1,934,197			1,934,197
Pipelines	52,118,373	3,589		52,121,962
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	200,085,909	152,215	(6,035)	200,232,089
Less accumulated depreciation for:				
Equipment	2,313,480	185,356	(6,035)	2,492,801
Treatment plants	28,247,503	3,088,985		31,336,488
Office building	753,526	31,606		785,132
Reservoir	860,931	48,355		909,286
Pipelines	8,854,906	1,281,042		10,135,948
Wellfields	3,063,924	660,883		3,724,807
Supervisory Control and Data Acquisition project	3,154,016	485,233		3,639,249
Other infrastructure	34,535	12,189		46,724
Total accumulated depreciation	47,282,821	5,793,649	(6,035)	53,070,435
Net capital assets being depreciated	152,803,088	(5,641,434)		147,161,654
Business-Type activity capital assets, net	$210,061,388	($4,410,105)		$205,651,283

NOTE 3 – CAPITAL ASSETS (Continued)

B. Construction in Progress

Construction in Progress at June 30, 2012 comprises the following projects:

Projects	
Patterson Pass Water Treatment Plant PPWTP-Sewer Line Project	$826,340
Santa Rita Pipeline Relocation	547,993
Del Valle Water Treatment Plant-DVWTP Sludge Handling Imprv	1,370
Altamont Water Treatment PlantAWTP-Site Aquis/Raw H2O T	15,512,884
Altamont Water Treatment Plant	1,334,358
Altamont Pipeline-County Reach	592,392
Arroyo Mocho/Lake H Diversion	326,201
Cope Lake Facilities Project	121,773
Total	$19,263,311

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 for a term of six years. 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, 2012 the outstanding balance for the line of credit was $30,500,000 at an interest rate of 0.45%.

NOTE 5 – NET ASSETS AND FUND BALANCES

Net Assets

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

Invested in capital assets, net of related debt describes the portion of Net Assets 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 Assets, 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.

NOTE 5 – NET ASSETS AND FUND BALANCES (Continued)

Unrestricted describes the portion of Net Assets 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.

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. On February 16, 2005, the District adopted a Reserve Fund Policy which established the Operating and Emergency Reserve. This reserve is to be used in the case of a flood control emergency pending receipt of any State or Federal reimbursements. As of June 30, 2012, the reserve is $4,200,000 which is included in unassigned fund balance.

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 9.39%-14.14% of their salary of which the District contributes up to 17.61%. The Plan requires participants in Tier 2 to contribute from 6.30%-10.29% of their salary of which the District contributes up to 16.35%. Contributions necessary to fund the Plan on an actuarial basis are determined by the Alameda County Employees Retirement Association.

The actuarial accrued liability presented below was computed as part of an actuarial valuation performed as of December 31, 2010, which is the latest actuarial valuation available. Significant actuarial assumptions used in the valuation include (a) investment rate of return of 7.9%, (b) projected salary increases of 4.7%-8% 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. 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 21 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.

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
2009-2010	$423,182	$2,750,842	$3,174,024
2010-2011	716,787	2,663,052	3,379,839
2011-2012	689,817	2,688,349	3,378,166

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	610,000,000	50,000
Crime	10,000,000	2,500
Pollution	10,000,000	500,000
Watercraft	1,000,000	1,000

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. $881,306 was paid for the year ended June 30, 2012.

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.

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, 2012, the District paid $1,120,582. A schedule of future rents is as follows:

For the Year Ending June 30	Lease Obligation
2013	$1,143,017
2014	1,165,901
2015	1,189,198
2016	1,212,958
2017	1,237,241
2018-2021	3,308,776
Totals	$9,257,091

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT – ZONE 7

MEMORANDUM ON INTERNAL CONTROL AND REQUIRED COMMUNICATIONS

FOR THE YEAR ENDED JUNE 30, 2012

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

For the Year Ended June 30, 2012

Table of Contents

	Page
Memorandum on Internal Control	1
Required Communications	3
Financial Statement Audit Assurance	3
Other Information Included with the Audited Financial Statements	3
Accounting Policies	3
Unusual Transactions, Controversial or Emerging Areas	4
Estimates	4
Disagreements with Management	4
Retention Issues	4
Difficulties	4
Audit Adjustments	5
Uncorrected Misstatements	5

MEMORANDUM ON INTERNAL CONTROL

To the Board of Directors of
the 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 as of and for the year ended June 30, 2012, 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.

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.

October 8, 2012

REQUIRED COMMUNICATIONS

To the Board of Directors of
the Alameda County Flood Control and Water
Conservation District – Zone 7

We have audited the financial statements of the Alameda County Flood Control and Water Conservation District – Zone 7 as of and for the year ended June 30, 2012 and have issued our report thereon dated October 8, 2012. Professional standards require that we advise you of the following matters relating to our audit.

Financial Statement Audit Assurance: Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit in accordance with generally accepted auditing standards does not provide absolute assurance about, or guarantee the accuracy of, the financial statements. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is an inherent risk that material errors, fraud, or illegal acts may exist and not be detected by us.

Other Information Included with the Audited Financial Statements: Pursuant to professional standards, our responsibility as auditors for other information in documents containing the District's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. Our responsibility also includes communicating to you any information that we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements. This other information and the extent of our procedures are explained in our audit report.

Accounting Policies: Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There were no changes made to the District's accounting policies for fiscal year ended June 30, 2012.

Unusual Transactions, Controversial or Emerging Areas: No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

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 markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements is depreciation. Management's estimate of depreciation is based on the estimated useful lives of the capital assets. We evaluated the key factors and assumptions used to develop the depreciation expense and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Disagreements with Management: For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Retention Issues: We did not discuss any major issues with management regarding the application of accounting principles and auditing standards that resulted in a condition to our retention as the District's auditors.

Difficulties: We encountered no serious difficulties in dealing with management relating to the performance of the audit.

Audit Adjustments: For purposes of this communication, professional standards define an audit adjustment, whether or not recorded by the District, as a proposed correction of the financial statements that, in our judgment, may not have been detected except through the audit procedures performed. These adjustments may include those proposed by us but not recorded by the District that could potentially cause future financial statements to be materially misstated, even though we have concluded that the adjustments are not material to the current financial statements.

We did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on the entity's financial reporting process.

Uncorrected Misstatements: Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to management.

******

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

October 8, 2012

SUMMARY MINUTES OF THE FINANCE COMMITTEE
ZONE 7 BOARD OF DIRECTORS

November 26, 2012
4:00 p.m.

Directors present:	Sandy Figuers	Zone 7 Staff:	Jill Duerig, General Manager
	AJ Machaevich		Tom Hughes, Asst. Gen. Mgr., Admin.
	Angela Ramirez Holmes		Tamara Baptista, Finance Manager
			Margaret Chun, Accounting Manager
			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, 2012 and Auditor's Reports

Ms. Baptista introduced Timothy Krisch, from Maze & Associates who 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.

Mr. Krisch noted that audits include spot checks of financial records. The purpose of the audit is:

- Assure that the agency is in compliance with financially-acceptable accounting principles;
- Assure that financial statements are free of material misstatements (accurate) and that staff is following policies which have been adopted by the Board of Directors;
- Looking at internal controls

Mr. Kirsch also summarized the Memorandum on Internal Control and Required Communications (MOIC). Maze found no material weaknesses or other areas needing to be improved.

Mr. Krisch answered questions by Director Figuers about unfunded liability, specifically as it applies to the County retirement system (ACERA). Ms. Baptista conducted an overview of the basic financial statements document.

Ms. Duerig acknowledged Margaret Chun and Teri Yasuda for the agency's excellent accounting and all the work they did on the audit.

3. Verbal Reports

Ms. Baptista reported that they had met with the retailers to discuss the reserve policy and finances. It is anticipated that the reserve policy will be presented to the board in January or February 2013.

4. Adjournment

Since there were no further issues or comments, the meeting was adjourned at 4:28 p.m.

12/19/12 Board Written/narrative comments by Dick Quigley

<u>11/16/12</u> Attended the ACWA board meeting in Sacramento. Reorganization, staff reduction, strategic plan review were highlights. The Delta (BDCP) and water bond 14 was also a hot topic, as well as Cal legislation, which has water agency impact.

<u>12/3-7/12</u> Attended ACWA fall conference in San Diego entitled "Millennials Are Remaking America: Are You Ready?" was a powerful keynote presentation. Heavy emphasis on generational organizational make up and culture change for superior team success. Good session on "Transforming Your Board from a Group to TEAM." On Tuesday I attended committee meetings: Outreach, Energy, Water Quality (Jill chaired), and Local Government. Great Statewide Issue Forum: "New Faces, Changing Places…Leadership Evolves at Key Agencies" Very senior leaders with California Fish & Game, DWR, Delta Stewardship Council, and State Water Resources Control Board, moderated by EBMUD Board Chair and VP of ACWA, John Coleman.

The keynote speaker Wednesday was Sunne Wright McPeak, President of the Delta Vision Foundation, who gave a very compelling presentation on recent breakthroughs and the need for the "BDC Plus" and opportunities available if we seize the momentum. A town hall panel "State Water Project: The Next 50 Years" was extremely interesting and brought reliability, challenges, climate change, and sustainability into the strategies to meet the continuing demands of supplying California's water needs.

Thursday's panel, "Changing Your Organizational Culture in Turbulent Times" was excellent and our own Jill Duerig was a panelist along with Dr. Bill Mathis and two other water leaders, moderated by Tim Quinn, Executive Director of ACWA. Luncheon Keynote speaker was an FBI Special Agent in Charge discussing a new generation of threats and vulnerabilities water districts face today from cyber crimes to chemical security.

Some takeaway to share: watch for new efficiency dollars from PGE for water heaters. State may be eyeing property tax funds of special districts and a run soon appears likely.

Over 1,700 attended the ACWA conference and I am proud to have represented the Zone 7 Board while attending with Jill Duerig, Kurt Arends, Tom Pico and Tamara Baptista. There were way too many sessions to attend, so my report only summarizes those I attended. We were given an update on "After the Elections: What Now" with projections on the fiscal cliff, super majority, redistricting, and what is in store for water agencies in 2013 and beyond.

<u>Quigley Initiative (report update from Sept 19, 2012 written comments)</u>
Hydration Station-
August 30 – Gave a Value of Water (Tap v. Bottled) to 5 Granada Science and Health classes or 260 students. The two teachers asked assistance to get a personal water bottle refill station program started. I have asked staff for ideas.

I am pleased to report that a $1,000 grant from StopWaste.org, and a $500 grant from Livermore Valley Rotary Club have Granada High School close to funding needed for a Hydration Station (pilot test unit) in a high traffic area on campus. Note: It is now law and water agencies may be of assistance." Making Free, Fresh Drinking Water Available to Students During Meal Times Complying with California Senate Bill 1413" (Leno)

Chapter 558 of the Statutes of 2010 (Senate Bill [SB] 1413, Leno) establishes California *Education Code (EC)* Section 38086, which requires school districts to provide access to free, fresh drinking water during meal times in school food service areas by July 1, 2011, unless the governing board of a school district adopts a resolution stating it is unable to comply with this requirement due to fiscal constraints or health and safety concerns.

Consider: All Livermore Schools= 120 schools and "LVJUSD serves about **13,225 students** in Kindergarten through 12th grade.

All Tri-Valley Schools (Livermore, Pleasanton, Dublin = 42,000 students. Teachers and support staff may increase by~5K.

I believe this project is Value of water education 1A, plus water quality and health and nutrition.

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 19, 2012 **ITEM NO.** 13a

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.

Operations and Maintenance:

- Dyer Reservoir was emptied in November so that the Department of Safety of Dams (DSOD) could conduct a final inspection. The outflow meter from Dyer should be installed in early 2013.

- Patterson Pass Water Treatment Plant (PPWTP) was off-line the first part of the month to accommodate the Department of Water Resources' (DWR) work on the South Bay Aqueduct. Production was almost all coming from the Del Valle Water Treatment Plant (DVWTP) which was receiving 100% lake water. Late in the month, PPWTP came back on line and DVWTP shut down to accommodate other DWR work (installing a gate valve on Check Structure #8).

- During the PPWTP shutdown, various preventive maintenance and calibration work was completed. This included removing and cleaning the ammonia injectors; performing routine maintenance on the overall ammonia systems; and installing a battery backup circuit for the analyzers at the Ultra-Filtration Plant.

- Engineering and Flood Control:

- Analysis of the end of November, beginning of December storm series continues. Preliminary data indicates the Friday storm was a 3-year event while the Sunday storm was roughly a 5-year event. Post-storm inspections identified a total of 15 bank washouts/toe erosions. Plastic sheeting will be placed as an interim measure to minimize additional damage in these areas; permanent repairs will be made during the summer maintenance cycle.

- Staff participated in the November South Bay Aqueduct's Water Quality Task Force meeting. Santa Clara Valley Water District gave a presentation on their pilot filter columns that are being used to evaluate several potential new media configurations for their upcoming media replacement project at the Penitencia Treatment Plant.

- In the meantime, Zone 7 is also reviewing filter media and installation specifications to remedy the loss of media that occurred this summer with the air binding issues. The project includes "topping off" media in most filters and actually replacing with in-kind media in a few filters at Del Valle to determine the condition of concrete and coating in the filter beds, themselves.

Finance & Administration

- Staff met with a representative from the financial software vendor late in November to discuss the lack of usable documentation and negotiate a solution. The outcome was that the vendor agreed to assign an application specialist to build a “Zone 7 manual” as training sessions proceed. This will include screen shots and specific instructions based on how the Zone will utilize the software. These tools should provide sufficient documentation for the Agency to move forward with implementing the system in July.

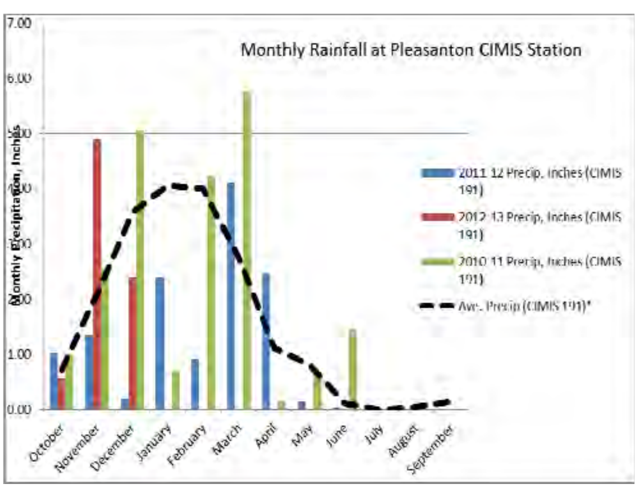
- Zone 7 hosted the second Tri-Valley Water Agencies Emergency Group tabletop exercise. Both retailers and Zone 7 participated, with California Department of Water Resources staff in attendance as observers. It was another great opportunity to learn about each other’s systems and identify ways to support one another and minimize impacts on the public.

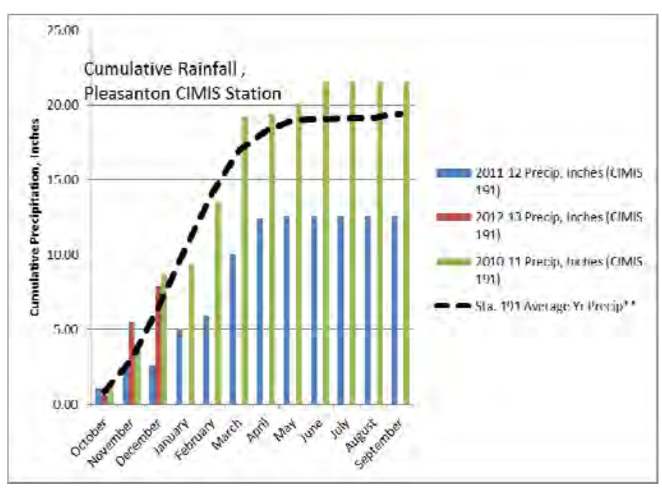
- The County informed Zone 7 that they are eliminating departmental petty cash funds (the County considers Zone 7 as a County Department).

Environmental & External Affairs:

- The Delta Stewardship Council released its final draft of the Delta Plan. It can be viewed at http://deltacouncil.ca.gov/delta-plan/current-draft-of-delta-plan.

- Rainfall at Pleasanton’s California Irrigation Management Information System’s Station 191 shows that the late November/early December storms provided a good start for the water year (graphed through December 6th):





Monthly List of GM Contracts

November 2012

Contracts:

Bay Area Coating Consultants, Inc.	$ 1,200	Patterson Pass Water Treatment Plant Clarifier Coating Inspection
JDH Corrosion Consultants, Inc.	22,924	Corrosion Engineering Services on the DVWTP Superpulsator Rehabilitation Project
Doulos Environmental	19,000	Groundwater Sampling
Total November 2012	$43,124	

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

ORIGINATING SECTION: Administration
CONTACT: Tom Pico/Tim Hunt

AGENDA DATE: December 19, 2012 ITEM NO. 13b

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 convened on December 3rd to swear in new members. Virtually all of the Zone 7 service area now is represented by state Assemblywoman Joan Buchanan and state Senator Mark DeSaulnier.
- There are 39 new legislators, 38 of them in the Assembly. Under voter-approved changes to term-limits law, all will have the right to serve a total 12 years in one or both houses. When Buchanan is termed out in 2014 and the Legislature convenes, there will be a total of 56 members with zero to two years of experience in Sacramento. The term-limit change allowing up to 12 years in a single house may result in legislators developing significantly more policy expertise (Assembly members previously could serve up to six years and Senate members up to eight years).
- The Democrats will hold a supermajority of two-thirds in both houses of the Legislature (55-25 in the Assembly and 29-10 with one vacancy in the Senate). This allows Democrats to pass constitutional amendments, urgency legislation and tax increases (if the governor agrees) without any Republican support. Although the supermajorities will remain, the final membership breakdown will not be settled for many months because two senators were elected to Congress and must be replaced in special elections that likely will draw sitting Assembly members.
- The Legislature reconvenes on January 7, 2013 and the governor is expected to present his budget on January 10th. A report by the Legislative Analyst's Office forecasts a much brighter fiscal situation with a $1.9 billion gap between expenditures and estimated revenues for the 2012-13 fiscal year that starts July 1st. Voter approval of Propositions 30 and 39 will result in about $9 billion in additional state revenue. For comparison, the budget gap in the current year was $15.7 billion. The LAO report forecasts a surplus in future years with a number of caveats. Most specifically, it assumes there will be no salary adjustments for state workers and that the Legislature will not vote to restore programs that have been cut. It also includes a relatively robust revenue prediction based upon an improving economy.

RECOMMENDED ACTION: Information only

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

ORIGINATING SECTION: Administrative Services
CONTACT: Tom Hughes

AGENDA DATE: December 19, 2012 ITEM NO. 13c

SUBJECT: Status Report on Separation Efforts and Financial Software Replacement Project

SUMMARY:

Business Administration:

- The financial software vendor was on-site November 28th and 29th to identify outstanding issues and prepare an updated implementation timeline based on current project status and go-live date of July 1, 2013. Staff continues to work on system set-up, testing, development of user manuals, and development of training materials.

- Testing of the cost accounting system continues.

Employee Services:

- Staff continues to assess all separation-related activities and to reach out to Alameda County staff to address any remaining concerns and to keep moving the transition forward.
- Staff also continues to collaborate with Pleasanton, Livermore, Dublin, San Ramon, and Dublin-San Ramon Services District to identify opportunities to share services.

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

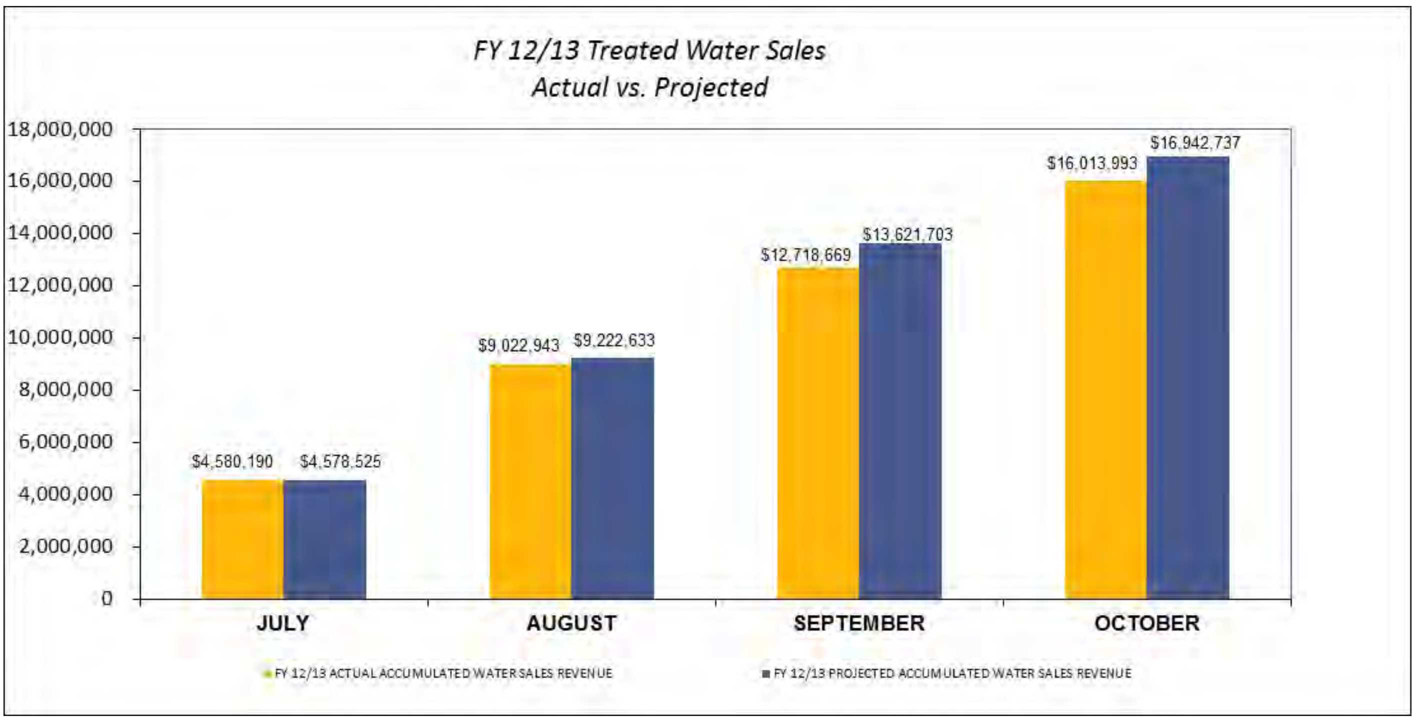
ORIGINATING SECTION: ADMINISTRATIVE SERVICES
CONTACT: JAVIA GREEN

AGENDA DATE: December 18, 2012 ITEM NO. 13d

SUBJECT: **Report on Water Sales and Connection Fee Revenue**

Treated Water Sales

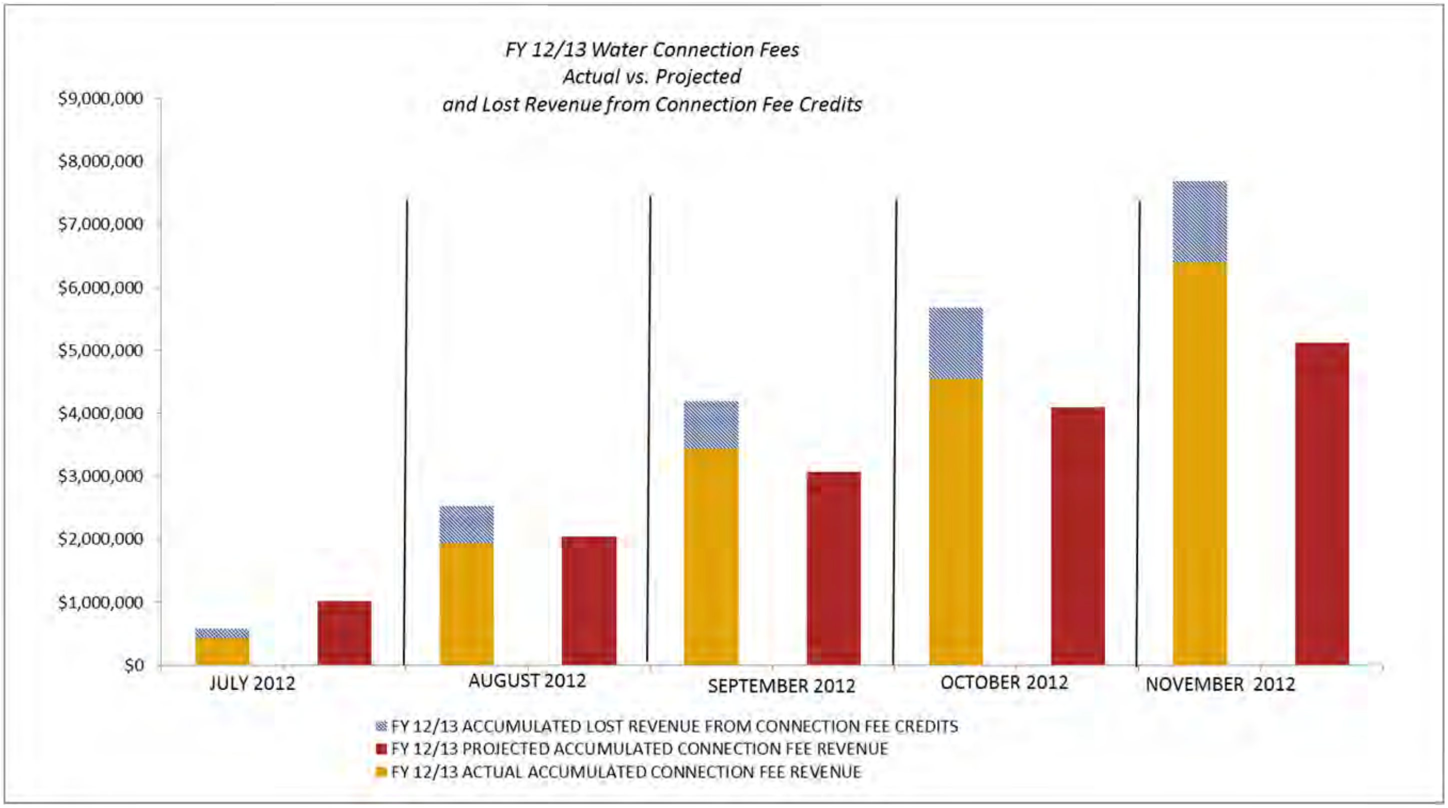
Treated water sales revenue funds the Water Enterprise (Fund 52). Through the end of October 2012, 17,084 acre-feet of water was sold, resulting in actual sales of $16M. This is 6% less than the projection of $16.9M (from 18,169 acre-feet). Actual water sales compared to projected sales through October 2012 is shown in the graph below:



Connection Fees

Non-discretionary expenditures (fixed costs) for Fund 73 are close to $20M annually. The expenditures include debt payments for the South Bay Aqueduct (SBA) Enlargement Project, Fourth Contractor's Share of the SBA and the Cawelo Groundwater Banking Program. While development activity is picking up, Staff continues to closely monitor cash flow and prepares quarterly updates of this fund to assure cash availability.

For 12/13, year-to-date (July 1, 2012 – November 30, 2012) connection fee revenue totals $6.4M, about 25% higher than the projection of $5.1M. A total of fifty-six connection fee credits were used totaling $1.3M, while 853 credits remain outstanding ($19.5M at the 2012 connection fee level). Actual connection fee revenue plus lost revenue from credits used for FY 12/13 compared to projected revenue is shown in the graph below:



RECOMMENDED ACTION:

Information only.

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

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

ORIGINATING SECTION: Integrated Planning
CONTACT: Amparo Flores/Carol Mahoney

AGENDA DATE: December 19, 2012 ITEM NO. 13e

SUBJECT: Update Related to the Site-Specific Analysis for the Bay Area Regional Desalination Project

BACKGROUND:

The State Water Project (SWP), the source of over 80% of the water supply for Zone 7 Water Agency (Zone 7), is subject to an uncertain future due to legal and environmental constraints in the Sacramento-San Joaquin Delta (Delta). While Zone 7 is committed to protecting its SWP supplies and improving the reliability of the SWP, Zone 7 has concurrently been investigating alternative water supply sources. The Bay Area Regional Desalination Project (BARDP) is one of the potential water supply sources identified in our 2011 Water Supply Evaluation because it could provide a drought-resistant, high-quality water supply that would diversify Zone 7's existing water supply mix while reducing reliance on the SWP.

Four of the Bay Area's largest water agencies—East Bay Municipal Utility District (EBMUD), San Francisco Public Utilities Commission (SFPUC), Santa Clara Valley Water District (SCVWD) and Contra Costa Water District (CCWD)—have been working together since 2003 to evaluate the feasibility of a joint desalination facility to improve regional water supply reliability. In May 2010, Zone 7 formally accepted an invitation to join the BARDP partners. As a partner, Zone 7 is evaluating the feasibility of receiving up to 5,600 acre-feet (AF) of water every year, or only during normal/wet years, from the BARDP starting around the year 2020. This would be equivalent to 5 million gallons per day (MGD) over twelve months. The key potential benefits of the BARDP include the minimization of costs and environmental impacts associated with the development of a shared facility and the use of existing facilities; and access to a reliable water supply that is relatively drought-proof.

In 2010, the five BARDP partners evaluated water right opportunities and limitations in various locations around the San Francisco Bay Area, developed an institutional framework for how partners can receive water from the BARDP facility, and identified a possible project location and capacity. Locations that were considered included eastern Contra Costa County, near Carquinez Bridge, and near the Bay Bridge. The partners preliminarily selected a site in eastern Contra Costa County as the most feasible location for a desalination plant at this time. In addition to CCWD's existing water rights (and other municipalities' water rights) potentially available for use by the BARDP, there are also existing intake and power supply facilities owned by CCWD, and nearby outfall and transmission facilities that could be co-used by the BARDP at this location; co-use of facilities would reduce costs and environmental impacts.

Based on existing constraints, including the availability of water rights, the BARDP partners are evaluating the feasibility of constructing up to a 25-MGD[1] desalination plant by CCWD's Mallard Slough Pump Station (MSPS) in eastern Contra Costa County (see **Figure 1**). Desalinated water could be fully treated or require further post-treatment to potable water standards depending on the delivery point into either the CCWD or EBMUD system. Brine from the desalination process could be blended with discharges from either of two nearby wastewater treatment plants, the Central Contra Costa Sanitary District (CCCSD) or the Delta Diablo Sanitation District (DDSD) (**Figure 1**). Power to the desalination plant could be provided by on-site or nearby renewable energy sources, and/or through an existing Pacific Gas and Electric connection or from a nearby power plant. Zone 7's water supply from the BARDP would be wheeled through EBMUD's distribution system for delivery to Zone 7 via a new reliability intertie[2], as shown on **Figure 2**.

In May 2011, the Zone 7 Board approved the Memorandum of Agreement (MOA) to Conduct Site-Specific Analysis of the Bay Area Regional Desalination Project. The MOA set forth the roles and responsibilities of the BARDP partners, including the equal sharing of costs equivalent to $200,000 per partner ($1 million in total costs). Most of the work is being conducted by BARDP partner staff, which is expected to result in net savings. The Site-Specific Analysis consists of:

- hydraulic modeling to determine EBMUD system's wheeling capacities and costs,
- modeling of BARDP impacts on the Sacramento-San Joaquin River Delta (Delta),
- analysis and optimization of storage,
- greenhouse gas reduction analysis, and
- public outreach.

The discussion below provides an update on the current status of the Site-Specific Analysis.

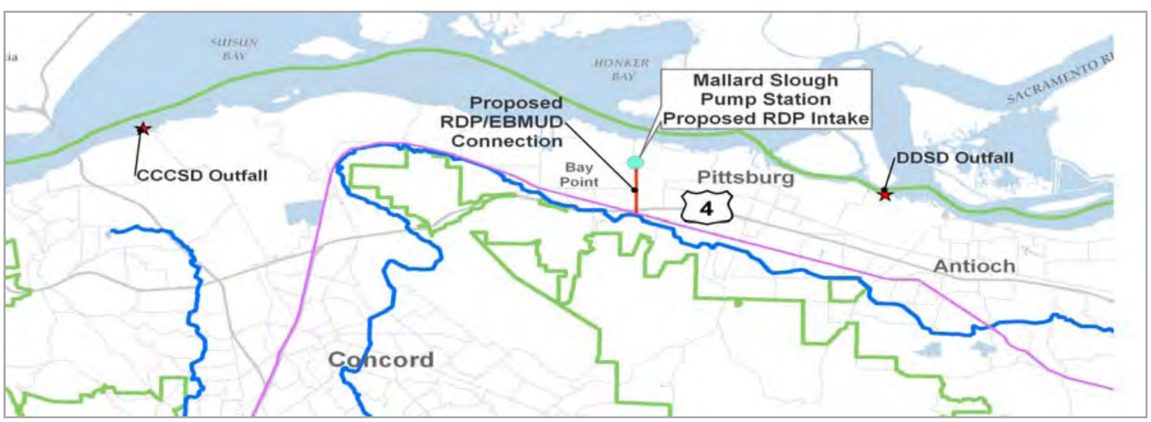


Figure 1. Locations of the proposed BARDP intake at Mallard Slough Pump Station and the Wastewater Outfalls in the Vicinity of the BARDP Site

[1] Accounting for brine losses, the desalinated water produced would be 20 MGD.
[2] A new reliability intertie with another agency such as EBMUD has benefits that extend beyond the BARDP; Zone 7 staff has been considering these benefits under the Water Supply Evaluation effort currently being completed.

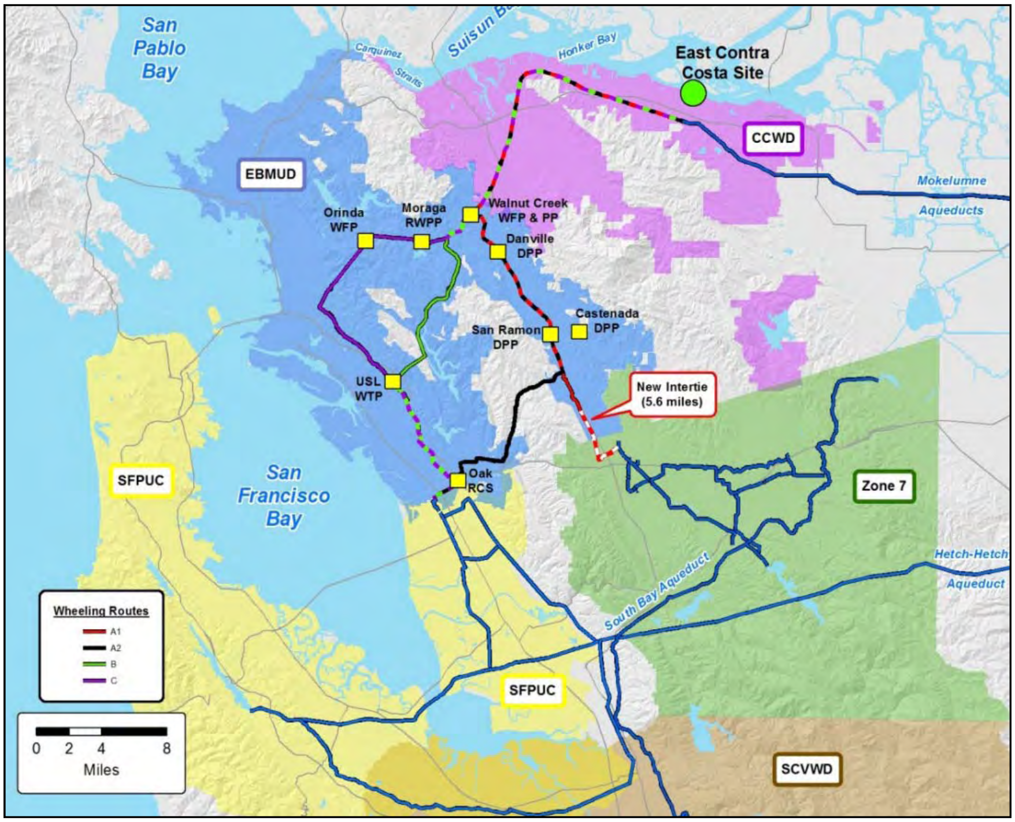


Figure 2. Potential wheeling routes for desalinated water produced by the BARDP at an eastern Contra Costa County site. A1 shows a possible water wheeling route to Zone 7 via a new intertie.

DISCUSSION:

Work on the Site-Specific Analysis began in the fall of 2011 and will continue through the spring of 2013. A description and update for each specific sub-task is presented below. The lead agency and the total budget are noted in parentheses.

Hydraulic Analysis for Wheeling Water (EBMUD, $470,000)

Under this task, EBMUD staff are conducting hydraulic modeling to evaluate the EBMUD system's capacity—and associated costs—to deliver (or wheel) water to Zone 7, SFPUC, and SCVWD under projected future conditions. Note that the results from this effort will be useful not only for the BARDP, but potentially for Zone 7's other uses of a new reliability intertie with EBMUD.

Preliminary seasonal hydraulic modeling results presented by EBMUD at a meeting in October 2012 show that EBMUD will be able to wheel up to 10 MGD to Zone 7 under average summer, spring/fall, and winter conditions, but may not be able to wheel the full 10 MGD capacity to Zone 7 during approximately 20 high-demand summer days. EBMUD's analysis also shows that no new capital improvement projects on their side of the system are necessary to wheel water to Zone 7 once the EBMUD/Zone 7 reliability intertie and associated facilities are constructed.

The next steps for this sub-task include analysis of peak day delivery capabilities by December 2012 with the final complete water supply analysis and cost estimates available in February 2013.

Delta Modeling (CCWD, $210,000)

The Delta Modeling consists of an evaluation of the BARDP's potential impacts to Delta water quality and water supply conditions. The modeling analyzes the potential effects of drawing up to 25 MGD (39 cfs) of source water from CCWD's Mallard Slough Pump Station and blending of brine with treated wastewater from either CCCSD or DDSD.

Preliminary modeling results indicate that the increase in Delta salinity (measured as electrical conductivity or EC) due to increased diversions at the MSPS is small (less than 0.1%). Combined with brine disposal impacts, the total increase in EC remains relatively small at less than 0.25% for disposal at DDSD or less than 0.1% for disposal at CCCSD. The proposed BARDP operations and brine disposal are therefore not expected to have a significant water quality impact—from a salinity perspective—to the environment or other water projects. *Preliminary* analysis also shows that, during very saline conditions in the Delta, BARDP operations could be easily modified to ensure no salinity standard violations occur (modification of operations may only be required a few days over 16 years depending on the brine disposal location).

The next steps include a comparison of the number of standards violations at all compliance points, evaluation of the circumstances where changes to proposed BARDP operations might be needed to meet water quality standards, preparation of the first draft report and incorporation of partner comments, and preparation of the final report. The draft report is expected in December 2012. In response to public comments, BARDP staff will also be consulting academic researchers to determine what additional water quality issues should be evaluated in future studies.

Fisheries Modeling (CCWD, $130,000)

Potential impacts to sensitive fish species (e.g., Delta smelt, longfin smelt, and green sturgeon) found in the vicinity of the MSPS intake in the Delta are being evaluated under this sub-task. The work is currently in progress; draft results will be presented in January 2013.

Storage Optimization (CCWD, $40,000)

This sub-task evaluates how storage in CCWD's Los Vaqueros Reservoir can be incorporated to maximize water delivery to the BARDP partners, particularly those who only require water supply from the BARDP during dry years. As part of the analysis, CCWD will develop a preliminary cost estimate for the use of any CCWD facilities associated with conjunctive operation of the BARDP with the Los Vaqueros Reservoir. Under current assumptions, Zone 7 expects to receive water from BARDP during all years or only during wet years, and would not store water in Los Vaqueros Reservoir.

CCWD staff presented their draft results in June 2012. Draft results indicate that without storage, all of the partner demands in non-drought years are met, but only a little over half (54%) of the drought year demands can be met; therefore, only about three-quarters of the total partner demand over all the years (79%) can be met. As expected, incorporating storage in the operation of the BARDP increases the water supply to partners, allowing 77% to 100% of drought year demands to be met, depending on the storage arrangement (i.e., different amounts of fixed storage space were considered, as well as variable storage space). Storage cost estimates for various arrangements are currently being developed and are expected to be available December 2012. CCWD also plans to incorporate information about EBMUD's wheeling and water treatment capability and other partner constraints (as available) related to the delivery of stored water; these factors may ultimately affect how much water can be made available to dry-year partners. Modeling of Los Vaqueros Reservoir storage is expected to be complete early next year.

Greenhouse Gas Reduction Analysis (Kennedy/Jenks Consultants, $60,000; Zone 7 Lead)

Zone 7 has the lead on this subtask. Under this sub-task, the consultant (Kennedy/Jenks Consultants was selected through a competitive bid evaluation) is estimating the BARDP's potential greenhouse gas (GHG) emissions, and identifying and evaluating potential strategies to minimize GHG emissions. Note that this is only the first step in addressing the concerns about the BARDP's potentially high energy requirements and carbon footprint; more detailed analysis would be developed as part of the environmental review process should the project proceed.

A draft report was presented to the partners in July 2012 and the report and analysis are currently being revised to incorporate updated data on the energy consumption of various water supply sources, and to incorporate EBMUD's preliminary hydraulic modeling results, which affect BARDP pumping energy requirements. For the purposes of this initial analysis, Kennedy/Jenks Consultants is analyzing two potential GHG reduction goals for the BARDP: a) carbon-free BARDP water supply and b) no net increase in water portfolio (also referred to as a net carbon-neutral water portfolio).

The first goal assumes that all GHG emissions associated with BARDP operations are offset through a variety of GHG reduction strategies, resulting in 'carbon-free' water. In contrast, the second goal seeks to maintain GHG emissions at the level of an alternative water portfolio without the BARDP water supply; in other words, only the difference in GHG emissions between the BARDP water supply and an alternative water supply is offset. Kennedy/Jenks Consultants has identified conceptual-level strategies and projects for GHG reduction portfolios that could meet the potential range of GHG reduction required under the two goals. The portfolios will be revised as the GHG emission calculations are finalized. A final report is expected in January 2013.

Outreach Strategy (SFPUC)

The public outreach strategy includes three public outreach meetings to 1) present the scope of the Site-Specific Analysis, 2) present the preliminary results, and 3) present the final results and recommended next steps. Two meetings on each topic will be conducted; one in the East Bay (EBMUD/CCWD/Zone 7 region) and the second in the West Bay (SFPUC/SCVWD region).

The first series of meetings, presenting the Site-Specific Analysis scope, were held at Oakland in March 2012 (organized by the Sierra Club) and in Redwood City in May 2012. The meetings to present the preliminary results are currently being scheduled for early 2013, with the third series to follow in mid-2013. Comments from the public outreach meetings are being compiled. BARDP staff are also responding to inquiries and generating a contact list of interested parties. A website for the BARDP is being maintained at: http://www.regionaldesal.com/.

In addition to the public meetings, 6-10 meetings with regulatory agencies are being planned for early to mid-2013.

While the Site-Specific Analysis is being completed, BARDP staff have also begun discussing the next steps for the project. The preliminary results and potential project alternatives will be discussed at a partner meeting in February 2013; the next steps for the project will also be considered at that time.