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 SPECIAL MEETING OF BOARD OF DIRECTORS

DATE: **Wednesday, June 4, 2014**

TIME: **7:00 p.m.**

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

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

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

AGENDA

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. 2014-15 CIP Projects

   Recommended Action: Discuss and provide direction.

5. Proposed Drought Surcharge

   Recommended Action: Discuss and provide direction.

6. Proposed FY 2014/15 Budget

   Recommended Action: Discuss and provide direction.

7. Committees - Water Resources Committee, May 29, 2014 - notes

8. Verbal Reports

9. Adjournment

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

    a) Regular Board Meeting: June 18, 2014, 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.

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ORIGINATING SECTION: Engineering
CONTACT: Kurt Arends

AGENDA DATE: June 4, 2014 ITEM NO. **4**

SUBJECT: 2014-15 CIP Projects

SUMMARY:

- The October 2011Capital Improvement Program (CIP) was adopted by the Board on October 19, 2011 containing a ten-year Water System Plan and a five-year Flood Protection Plan.
- The CIP projects the annual capital expenditures which are then incorporated into the annual budget.
- The CIP is proposed to be updated every two years, however, due to the drought, several capital projects were accelerated within the CIP and others were reprioritized.
- The ongoing drought, changing priorities and limited staff resources make it difficult to prepare an updated CIP this year.
- Staff recommends amending the fiscal year 2014/15 expenditure plan in the approved CIP for inclusion in the 2014/15 annual budget and returning next year with an updated ten-year CIP.
- The proposed amendments were reviewed by the Water Resources Committee on May 29, 2014 and the committee concurred that those amended project costs should be incorporated in the draft budget.

FUNDING:

The proposed amendments have the following impact on FY 2014/15 capital expenditures:

Fund 120 expenditures change from $7,699,000 to $7,986,889, an increase of $287,889
Fund 130 expenditures change from $25,317,000 to $21,606,078, a decrease of $3,710,922 (largely due to a credit from DWR)
Fund 200 & 210 expenditures change from $4,243,000 to $11,232,684, an increase of $6,989,684 (largely due to set-asides to qualify for grants or to allow developers to move forward should they be ready)

RECOMMENDED ACTION:

For information and discussion.

ATTACHMENT:

Proposed amendments to Funds 120, 130 and 200/210.

Fund 120 - Renewal/Replacements and System-wide Improvements

	Projects	FY12/13 CIP - Planned 14/15	Proposed 2014/15	Comments
1	Administrative & Engineering Building - Sinking Fund (Fund 120)*	406,000	408,000	Minor increase
2	Administrative & Engineering Building Lease (Water System)	539,000	549,198	Minor increase
3	Asset Management Program Management	40,000	40,000	
4	Capital Improvement Program Management	15,000	12,000	Reduced
5	Contigency	750,000	750,000	
6	SWI-R/R Program Management	60,000		Deleted, staff time now charged to facility
7	Laboratory Equipment Replacement	120,000	120,000	
8	Storage/Transmission/Distribution System Master Plan Update		140,000	New effort to evaluate transmission system alternatives and develop recommendations for 2014/15 CIP update (line 12)
9	Arroyo del Valle Permit Extension		450,000	Continuing effort to support Petition for Extension of Del Valle Water Rights
10	Chain of Lakes Facilities and Improvements	423,000	-	Deferred
11	Reliability Intertie		800,000	Planning and potential grant for a reliability intertie with EBMUD
12	Water System Master Plan	148,000	38,691	Reduced scope, added Storage/Transmission/Distribution System Master Plan (line 8)
13	DVWTP Instrumentation Upgrade	30,000		Combined with Minor R/R Projects (line 16)
14	DVWTP Superpulsator Rehabilitation	2,400,000	2,580,000	Minor increase to complete phase 2 construction based on actual bid
15	PPWTP Ultrafiltration Membrane Replacement	440,000	-	Deferred - modules no longer available. Pending alternatives evaluation
16	Minor Renewal/Replacement Projects	280,000	470,000	Combined smaller projects and identified additional scope
17	PWRPA Distribution Facilities		385,000	Additional funding to complete transition to PWRPA to provide power at the Mocho well complex.
18	SCADA Enhancements	1,070,000	750,000	Reduced scope
19	Water Quality Management Program	28,000	14,000	Reduced to reflect rescinding of Jt WQ Reso.
20	Treatment Alternatives Study		160,000	Funding for water treatment alternatives study
21	DVWTP Roof Replacement and Rehabilitation for 3.0 MG Clearwell	80,000		Deferred
22	DVWTP Access Road Pavement Rehabilitation		120,000	Seal coating and repairing of Foley Rd. to DVWTP in coordination with City of Livermore
23	PPWTP Chemical System Improvements	220,000		Deferred based on condition assessment
24	PPWTP Filter System Rehabilitation	450,000		Deferred, media replenished in 2013
25	Drought Projects		200,000	Staff time and contracts
26	Mocho Well No. 2 Improvements/Rehab.	200,000		Deferred based on condition assessment
	Total	**$ 7,699,000**	**$ 7,986,889**	**Proposed increase of $287,889**

* Sinking Fund Contributions are not included in Board Appropriation, but are in cash flow/resereve projection.

New or Increased
Deferred or Decreased

	Project	FY12/13 CIP - Planned 14/15	Proposed 2014/15	Comments
1	Administrative & Engineering Building - Sinking Fund (Fund 130)*	$ 564,000	$ 520,200	Minor decrease
2	Administrative & Engineering Building Lease (Water System)	$ 423,000	$ 426,376	Minor increase
3	Capital Improvement Program Management	$ 45,000	$ 36,000	Reduced
4	Contingency	250,000	$ 250,000	
5	Storage/Transmission/Distribution System Master Plan Update		$ 260,000	New Effort to evaluate transmission system alternatives and develop recommendation for 2014/15 CIP Update
6	South Bay Aqueduct Enlargement Project -sinking fund	$ 1,074,000	$ 1,073,680	Adjusted on DWR Statement of Charges & allocation
7	South Bay Aqueduct Enlargement Project	$ 15,123,000	$ 12,238,163	Received credit for off-peak pumping
8	Fourth Contractor share of SBA -sinking fund	$ 527,000	$ 527,062	Adjusted on DWR Statement of Charges & allocation
9	Fourth Contractor's Share of the SBA (capital costs)	$ 2,100,000	$ 3,000,000	Adjusted on DWR Statement of Charges & allocation
10	Cawelo Groundwater Banking Program	$ 1,294,000	$ 1,296,000	
11	Delta Habitat Conservation and Conveyance Program	$ 10,000	$ 20,694	Adjusted
12	Arroyo Mocho Diversion Facility Coordination & Implementation	$ 240,000	$ 50,000	Reduced, work done by Hansen, provide Peer review
13	Bay Area Regional Desalination Project - Planning	$ 220,000	$ 50,000	Reduced per a recent meeting at EBMUD, implementation is delayed
14	Fixed Cost of Water Entitlement	$ 648,000	$ 70,048	Adjusted on DWR Statement of Charges & allocation
15	High-Efficiency Washing Machine Rebate Program	$ 100,000	$ 100,000	
16	SWP Peaking Payment (Lost Hills & Belridge Water Districts)	$ 70,000	$ 70,000	
17	CUWA Membership	$ 20,000	-	moved to Fund 100 -Water Enterprise.
18	Semitropic Stored Water Recovery Unit	$ 48,000	$ 50,000	
19	Chain of Lakes Master Planning	$ 110,000	$ -	The COL Use Plan is complete. Addtional planning is proposed to be deferred to future years
20	High-Efficiency Toilet Rebate Program	$ 30,000	$ 30,000	
21	Water Conservation Best Management Practices	$ 30,000	$ 30,000	
22	Arroyo Mocho Low Flow Crossings	$ 110,000	$ -	The project proposed to defer to future years
23	Bay-Delta Conservation Planning (Zone 7)	$ 60,000	$ -	Staff time being charged to SWP Program
24	Chain of Lakes Facilities and Improvements	$ 987,000	$ -	Deferred based upon reassessed needs for improvement
25	Reliability Intertie		$ 1,200,000	Planning and potential grant for a reliability intertie with EBMUD
26	Delta Outreach Program	$ 30,000	$ 30,000	
27	Water System Master Plan	$ 222,000	$ 71,855	Reduced because some of this effort will be completed in Storage/Transmission/Distribution System Master Plan Update Project
28	Water Quality Management Program	$ 12,000	$ 6,000	adjusted to reflect rescinding of the Jount WQ Reso
29	PPWTP Expansion/New Media Filters	$ 970,000	$ -	Defer due to pending Treated Water Facilities Near-Term Planning Study (line 5)
30	Drought Projects		$ 200,000	moved up due to drought
	Total	**$ 25,317,000**	**$ 21,606,078**	**Proposed reduction of $3,710,922**

* Sinking Fund Contributions are not included in Board Appropriation, but are in cash flow/resereve projection.

New or Increased

Deferred or Decreased

Flood Protection CIP (Fund 200 and 210)

	Projects	2014/15 CIP	Proposed 2014/15	Comments
1	Administrative & Engineering Building Lease (Flood Protection)	$240,000	$243,644	
2	Administrative and Engineering Building - Sinking Fund (Flood Protection)*	$180,000	$180,000	
3	Contingency	$250,000	$250,000	
4	Arroyo Las Positas Treatment Wetland		$3,830,540	Moved up. Time sensitive- grant related
5	Chabot Canal Regional Stormwater Detention		$3,640,000	Moved up. Time sensitive- developer driven
6	El Charro Phase 2 - Airway		$80,000	New proposed project
7	Flood Control Hydrologic and Hydraulic Model Studies		$550,000	Modeling to support SMMP Update effort
8	Flood Warning System Development and Implementation		$260,000	New proposed project
9	Living Arroyos Program	$40,000	$18,500	Ongoing maintenance for AM Stannley Reach.Reduced cost due cost saving utilizing public
10	Sediment Transport Study	$30,000	$140,000	Ongoing study extended due to dry 2013\14 season
11	Slope Stability Study		$160,000	New proposed project
12	SMMP Financing Strategy and Implementation		$230,000	New effort
13	Steelhead and Related Studies		$20,000	Ongoing effort
14	Stream Maintenance Program & Permitting		$520,000	New proposed effort for multiyear permit
15	Stream Management Master Plan Update		$940,000	effort deferred from previous year
16	Coordination Studies Area-wide		$170,000	New effort to support other regional projects
17	Capital Improvement Program Management	$3,000	$2,000	
18	Flood Control Renewal & Replacement Projects	$2,100,000		moved to Flood Control O&M budget for routine maintenance and channel repairs
19	Arroyo deLaguna Improvement Project - Verona Reach	$60,000		deferred for combing with other projects along ADLL
20	Flood Facilities Chain of Lakes	$1,340,000		deferred
	Grand Total	**$4,243,000**	**$11,232,684**	**Proposed increase of $6,989,684**

New or Increased
Deferred or Decreased

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100 NORTH CANYONS PARKWAY, LIVERMORE, CA 94551-9486 • PHONE (925) 454-5000

ORIGINATING DIVISION: Administrative Services
CONTACT PERSON: Tom Hughes

AGENDA DATE: June 4, 2014 ITEM NO. **5**

SUBJECT: **Proposed Drought Surcharge**

SUMMARY:

- January 17, 2014: Governor Jerry Brown declared a Drought State of Emergency and requested everyone in the state to voluntarily reduce water use by 20 percent.
- January 29, 2014: Zone 7's Board of Directors declared a local drought emergency and approved a response plan that, in addition to asking everyone in the service area to conserve, includes immediate agency actions aimed at minimizing potential water supply shortages.
- The drought brings forth a lot of challenges both from a water supply and from a financial perspective. There will be less revenue due to mandatory water usage reductions and increased spending for drought related expenses.
- In order to address the financial impact of the drought, staff is proposing a 15% drought surcharge on the treated water rates, which is $146 per A/F.
- With the 15% surcharge, we would still need to use $12.3M ($5.9M of the Drought Contingency reserve and $6.4M of the Rate Stabilization reserve).
- Staff met with the retailers on April 30, 2014 to discuss the financial impact of the drought.
- The proposed drought surcharge was discussed at the June 2, 2014 Finance Committee meeting. The material provided to the Finance Committee is attached.

RECOMMENDED ACTION:
Upon the completion of the presentation and discussion, staff is seeking the Board's direction on these recommendations and concurrence to bring back a drought surcharge for possible adoption on June 18, 2014.

ATTACHMENTS:
Memorandum
Proposed 15% Drought Surcharge Details
0% Drought Surcharge Option Details
25% Drought Surcharge Option Details

M E M O R A N D U M

DATE: June 4, 2014

TO: Jill Duerig, General Manager

FROM: Tom Hughes, Assistant General Manager, Administration

SUBJECT: **Proposed Drought Surcharge**

BACKGROUND:

- January 17, 2014: Governor Jerry Brown declared a Drought State of Emergency and requested everyone in the state to voluntarily reduce water use by 20 percent.
- January 29, 2014: Zone 7's Board of Directors declared a local drought emergency and approved a response plan that, in addition to asking everyone in the service area to conserve, includes immediate agency actions aimed at minimizing potential water supply shortages.
- Two of the authorized projects expedite construction of wells to draw from the groundwater basin, and a third involves construction of a pipeline to move water captured in local mining operations to a lake that has groundwater basin recharge capacity.
- March 27, 2014: Zone 7 announced that due to the drought emergency, the agency was being forced to gradually shut off releases of imported State Water Project supplies to the local arroyos that normally help replenish the local groundwater basin.
- April 16, 2014: Zone 7's board set forth water demand reduction measures needed to achieve an overall 25 percent cutback in water deliveries for 2014. Letters were sent the following day to both treated and untreated water customers informing them that they will receive only 75 percent of their requested supplies this year.
- April 18, 2014: The state Department of Water Resources announced that allocations to Zone 7 and other State Water Project contractors in 2014 would increase from 0 percent to 5 percent, which still remains the lowest overall allocation in SWP history and the water won't be available until September.
- April 25, 2014: Governor Brown issued an executive order aimed at strengthening the state's ability to manage water supply and habitat effectively in drought conditions, and to call on all Californians to redouble their efforts to conserve water. The governor's call to limit outdoor irrigation was consistent with measures already outlined by Zone 7.

DISCUSSION:

The drought brings forth a lot of challenges both from a water supply and from a financial perspective. There will be less revenue due to mandatory water usage reductions and increased spending for drought related expenses. For example, any water supply that becomes available will be at premium prices. The agency is also using cash on hand to pay for drought emergency capital projects.

In order to address the financial impact of the drought, staff proposes a drought surcharge. Staff assumed that the duration of drought is through calendar year 2014 and there will be a 25% overall loss of water sales revenue for 2014. All of the drought contingency reserve ($5.9M) and some of the rate stabilization reserve ($6.4M) will be used to help cover the shortfall. In addition to the 25% loss of water sales revenue, the FY 14/15 proposed Fund 100 – Water Enterprise budget includes $3.3M net increase in water, power and chemicals and also an additional $3.3M for the drought emergency capital projects.

Staff is proposing a 15% drought surcharge on the treated water rates, which is $146 per A/F. With the 15% surcharge, we would still need to use $12.3M ($5.9M of the Drought Contingency reserve and $6.4M of the Rate Stabilization reserve). If we didn't have a drought surcharge, we would need to use $14.7M of our reserves as shown in the 0% Drought Surcharge Option (see attachment). If the 15% surcharge is fully passed onto the customers by the retailers, their bill would decrease by $5.56 per month if 25% is conserved.

Two other drought surcharge options (a 0% and a 25%) are also provided, but staff is recommending a 15% drought surcharge.

Staff met with the retailers on April 30, 2014 to discuss the financial impact of the drought and they didn't express any strong objections about the proposed 15% drought surcharge.

Staff Recommendation - 15% Drought Surcharge/$12.3M Use of Drought Contingency and Rate Stabilization Reserves (Fund 100 - Water Enterprise only)

Calendar Year	2013	2014
Water Rate per AF	$945	$970
Proposed Drought Surcharge per AF	n/a	$146
Volume of Water Sales (AF)	41,484	30,484
YTD Actual (January 2014 - April 2014) Volume of Water Sales	n/a	8,634

Fund 100 - Water Enterprise	**FY12/13 Actual**	**FY13/14 Forecast**	**FY14/15 Proposed Budget**
Beginning Fund Balance:	**27,289,110**	**31,495,970**	**30,522,038**
Sources of Funds			
Revenue	39,469,513	37,076,060	36,908,927
Total Sources	39,469,513	37,076,060	36,908,927
Uses of Funds			
Personnel	12,664,872	12,907,418	12,792,802
Maint-Structures/Equip	1,437,573	1,675,645	3,498,899
Utilities	2,241,667	1,914,354	1,922,616
Chemicals	1,777,427	2,490,960	2,250,973
Water	5,607,796	6,233,010	8,883,578
Professional/Specialized Services	2,759,028	2,747,093	4,356,103
Other Services/Supplies	2,174,289	1,568,252	3,124,014
Capital Equip/Structures	-	13,260	27,700
Budget Savings	-	-	(1,500,000)
Transfer to Fund 120	6,600,000	8,500,000	12,823,924
Total Uses	35,262,653	38,049,992	48,180,609
Ending Fund Balance:	**31,495,970**	**30,522,038**	**19,250,356**
Net Additions/(Uses) of Reserves	4,206,860	(973,932)	(11,271,682)
Reserves Balances(End of Period)			
Operating Reserve	8,308,044	7,366,813	8,067,130
Drought Contingency Reserve	5,861,673	5,861,673	0
Emergency Reserve	4,113,026	4,197,380	4,353,940
Rate Stabilization Reserve	13,213,227	13,096,172	6,829,286
Total	31,495,970	30,522,038	19,250,356
Board Approved Minimum Reserve Levels	9,410,982	9,329,691	9,980,127
Over/(Under) Board Approved Minimum Reserve Levels	22,084,989	21,192,347	9,270,229
Average customer monthly decrease with 25% conservation			(5.56)

Assumptions:

Duration is related to the calendar year 2014 allocation.
25% reduction in water sales for 2014.
Use of Drought Contingency reserve is $5.9M and the use of the Rate Stabilization reserve is $6.4M.
FY 14/15 includes an additional $3.3M in the transfer to Fund 120 for the drought emergency projects.
FY 14/15 includes $3.3M net increase in water, power and chemicals due to drought.

Notes:

Operating Expenses:

Personnel - FY 13/14 expenses are higher due to a shift of staff resources to drought planning efforts rather than planned capital projects.

Maintenance - FY 14/15 proposed maintenance budget includes $0.7M for stand-by generator rental for wells for drought preparedness.

Utilities - FY 14/15 proposed utilities budget reflect energy savings from PWRPA while expected groundwater production is higher.

Chemicals - Even though production volume is down in FY 13/14, expenses are high due to challenges treating Delta water.

Water - FY 14/15 proposed water budget increase of $2.6M plans for premium prices for any available water. There is no guarantee that these sources will be available.

0% Drought Surcharge/$14.7M Use of Drought Contingency and Rate Stabilization Reserves (Fund 100 - Water Enterprise only)

Calendar Year	2013	2014
Water Rate per AF	$945	$970
Proposed Drought Surcharge per AF	n/a	$0
Volume of Water Sales (AF)	41,484	30,484
YTD Actual (January 2014 - April 2014) Volume of Water Sales	n/a	8,634

Fund 100 - Water Enterprise	**FY12/13 Actual**	**FY13/14 Forecast**	**FY14/15 Proposed Budget**
Beginning Fund Balance:	**27,289,110**	**31,495,970**	**30,522,038**
Sources of Funds			
Revenue	39,469,513	37,076,060	34,461,062
Total Sources	39,469,513	37,076,060	34,461,062
Uses of Funds			
Personnel	12,664,872	12,907,418	12,792,802
Maint-Structures/Equip	1,437,573	1,675,645	3,498,899
Utilities	2,241,667	1,914,354	1,922,616
Chemicals	1,777,427	2,490,960	2,250,973
Water	5,607,796	6,233,010	8,883,578
Professional/Specialized Services	2,759,028	2,747,093	4,356,103
Other Services/Supplies	2,174,289	1,568,252	3,124,014
Capital Equip/Structures	-	13,260	27,700
Budget Savings	-	-	(1,500,000)
Transfer to Fund 120	6,600,000	8,500,000	12,823,924
Total Uses	35,262,653	38,049,992	48,180,609
Ending Fund Balance:	**31,495,970**	**30,522,038**	**16,802,491**
Net Additions/(Uses) of Reserves	4,206,860	(973,932)	(13,719,547)
Reserves Balances(End of Period)			
Operating Reserve	8,308,044	7,366,813	8,067,130
Drought Contingency Reserve	5,861,673	5,861,673	0
Emergency Reserve	4,113,026	4,197,380	4,353,940
Rate Stabilization Reserve	13,213,227	13,096,172	4,381,421
Total	31,495,970	30,522,038	16,802,491
Board Approved Minimum Reserve Levels	9,410,982	9,329,691	9,661,904
Over/(Under) Board Approved Minimum Reserve Levels	22,084,989	21,192,347	7,140,587
Average customer monthly decrease with 25% conservation			(10.10)

Assumptions:

Duration is related to the calendar year 2014 allocation.
25% reduction in water sales for 2014.
Use of Drought Contingency reserve is $5.9M and the use of the Rate Stabilization reserve is $8.8M.
FY 14/15 includes an additional $3.3M in the transfer to Fund 120 for the drought emergency projects.
FY 14/15 includes $3.3M net increase in water, power and chemicals due to drought.

Notes:

Operating Expenses:

Personnel - FY 13/14 expenses are higher due to a shift of staff resources to drought planning efforts rather than planned capital projects.

Maintenance - FY 14/15 proposed maintenance budget includes $0.7M for stand-by generator rental for wells for drought preparedness.

Utilities - FY 14/15 proposed utilities budget reflect energy savings from PWRPA while expected groundwater production is higher.

Chemicals - Even though production volume is down in FY 13/14, expenses are high due to challenges treating Delta water.

Water - FY 14/15 proposed water budget increase of $2.6M plans for premium prices for any available water. There is no guarantee that these sources will be available.

25% Drought Surcharge/$10.6M Use of Drought Contingency and Rate Stabilization Reserves (Fund 100 - Water Enterprise only)

Calendar Year	2013	2014
Water Rate per AF	$945	$970
Proposed Drought Surcharge per AF	n/a	$243
Volume of Water Sales (AF)	41,484	30,484
YTD Actual (January 2014 - April 2014) Volume of Water Sales	n/a	8,634

Fund 100 - Water Enterprise	**FY12/13 Actual**	**FY13/14 Forecast**	**FY14/15 Proposed Budget**
Beginning Fund Balance:	**27,289,110**	**31,495,970**	**30,522,038**
Sources of Funds			
Revenue	39,469,513	37,076,060	38,535,249
Total Sources	39,469,513	37,076,060	38,535,249
Uses of Funds			
Personnel	12,664,872	12,907,418	12,792,802
Maint-Structures/Equip	1,437,573	1,675,645	3,498,899
Utilities	2,241,667	1,914,354	1,922,616
Chemicals	1,777,427	2,490,960	2,250,973
Water	5,607,796	6,233,010	8,883,578
Professional/Specialized Services	2,759,028	2,747,093	4,356,103
Other Services/Supplies	2,174,289	1,568,252	3,124,014
Capital Equip/Structures	-	13,260	27,700
Budget Savings	-	-	(1,500,000)
Transfer to Fund 120	6,600,000	8,500,000	12,823,924
Total Uses	35,262,653	38,049,992	48,180,609
Ending Fund Balance:	**31,495,970**	**30,522,038**	**20,876,678**
Net Additions/(Uses) of Reserves	4,206,860	(973,932)	(9,645,360)
Reserves Balances(End of Period)			
Operating Reserve	8,308,044	7,366,813	8,067,130
Drought Contingency Reserve	5,861,673	5,861,673	0
Emergency Reserve	4,113,026	4,197,380	4,353,940
Rate Stabilization Reserve	13,213,227	13,096,172	8,455,608
Total	31,495,970	30,522,038	20,876,678
Board Approved Minimum Reserve Levels	9,410,982	9,329,691	10,191,549
Over/(Under) Board Approved Minimum Reserve Levels	22,084,989	21,192,347	10,685,130
Average customer monthly decrease with 25% conservation			(2.53)

Assumptions:

Duration is related to the calendar year 2014 allocation.
25% reduction in water sales for 2014.
Use of Drought Contingency reserve is $5.9M and the use of the Rate Stabilization reserve is $4.7M.
FY 14/15 includes an additional $3.3M in the transfer to Fund 120 for the drought emergency projects.
FY 14/15 includes $3.3M net increase in water, power and chemicals due to drought.

Notes:

Operating Expenses:

Personnel - FY 13/14 expenses are higher due to a shift of staff resources to drought planning efforts rather than planned capital projects.

Maintenance - FY 14/15 proposed maintenance budget includes $0.7M for stand-by generator rental for wells for drought preparedness.

Utilities - FY 14/15 proposed utilities budget reflect energy savings from PWRPA while expected groundwater production is higher.

Chemicals - Even though production volume is down in FY 13/14, expenses are high due to challenges treating Delta water.

Water - FY 14/15 proposed water budget increase of $2.6M plans for premium prices for any available water. There is no guarantee that these sources will be available.

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ORIGINATING DIVISION: Administrative Services
CONTACT PERSON: Tom Hughes

AGENDA DATE: June 4, 2014 ITEM NO. **6**

SUBJECT: **Proposed FY 2014/15 Budget**

SUMMARY:

- For fiscal year (FY) 2014/15, the total proposed budget for all the operating and capital funds is $107M; this is a $18M decrease, or 24% less than the FY 2013/14 estimated actuals.
- The total budget proposed for the Water Enterprise System funds is $91M this is an $18M decrease or 10% less than the FY 2013/14 estimated actuals.
- The total budget proposed for the Flood Control System funds is $16M; an $8.7M decrease, or 35% less than the FY 2013/14 estimated actuals.
- The proposed budget was discussed at the Finance Committee meeting on June 2, 2014. The material provided to the Finance Committee is attached.

RECOMMENDED ACTION:

Upon the completion of the presentation and discussion, staff is seeking the Board's direction on the proposed budget and concurrence to present to the full Board on June 18, 2014.

ATTACHMENTS:

Memorandum
Summary of Annual Budget by Account Classification (Proposed FY 14/15 Budget)
Annual Budget By Account Classification (Proposed FY 14/15 Budget)

M E M O R A N D U M

DATE: June 4, 2014

TO: Jill Duerig, General Manager

FROM: Tom Hughes, Assistant General Manager, Administrative Services

SUBJECT: **Proposed FY 2014/15 Budget**

BACKGROUND:

Zone 7 Water Agency submits an annual budget to Alameda County for three operating funds (Funds 100, 110 and 200) for inclusion in the County-wide budget. Upon adoption by the Zone 7 Board, Zone 7's operating fund budgets are then included with the other County department's budgets and presented to the Board of Supervisors for adoption in June each year.

OPERATING BUDGETS:

Zone 7 staff has prepared preliminary FY 14/15 budgets for the three operating funds and the details of these budgets are shown below:

Water Enterprise Fund – Fund 100 (formerly Fund 52)

Category	12/13 Actual	13/14 Budget	13/14 Estimated Actual	14/15 Proposed Budget	% Change (14/15 budget to 13/14 est actuals)
Revenue	$ 39,469,514	$ 37,884,745	$ 37,076,060	$ 36,908,927	-0.45%
Expenses	$ 35,262,653	$ 42,779,364	$ 38,049,992	$ 49,680,609	30.57%
Reserves	$ 31,495,970	$ 20,542,627	$ 30,522,038	$ 17,750,356	-41.84%
Reserve Levels	14/15 Min	$ 10,114,815	14/15 Max	$ 29,665,333	

The proposed Water Enterprise Fund Budget – Fund 100 (formerly Fund 52) expenditure budget is $49.7M and reserves are $17.7M. The FY 14/15 expenditures are increasing by $11.6M compared to the FY 13/14 estimated actuals primarily due to a combination of a $4.3M higher transfer ($3.3M for emergency drought projects and $1M for the Asset Management Plan (AMP)), another $3.3M for drought-related O&M expenses such as water, power and chemicals and other increases in professional services, maintenance and miscellaneous services and supplies. The FY 14/15 revenues are decreasing by $0.17M compared to FY 13/14 due to the estimated 25% loss of water sales offset by a proposed 15% drought surcharge. For more details on the proposed drought surcharge, please see the agenda item titled, Proposed Drought Surcharge. The FY 13/14 estimated expenses are anticipated to be less than budget due to continued cost saving measures; revenue is anticipated to be less than budget due to mandatory water restrictions. FY 14/15 reserves are projected to decrease by $12.8M from FY 13/14 estimated reserve balance because of the drought.

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

Category	*12/13 Actual*	*13/14 Budget*	*13/14 Estimated Actual*	*14/15 Proposed Budget*	*% Change (14/15 budget to 13/14 est actuals)*
Revenue	$ 12,040,842	$ 13,798,385	$ 13,505,807	$ 14,060,937	4.11%
Expenses	$ 14,002,380	$ 14,118,181	$ 13,599,773	$ 14,227,251	4.61%
Reserves	$ 8,642,285	$ 8,690,708	$ 8,548,319	$ 8,382,005	-1.95%
Reserve Levels	14/15 Min	$ 7,113,626	14/15 Max	$ 14,227,251	

The proposed State Water Facilities Fund Budget – Fund 110 (formerly Fund 51) expenditure budget is $14.2M and reserves are $8.4M. This is a pass-through fund for fixed charges associated with the State Water Project. The FY 14/15 expenditures are increasing $0.6M over the FY13/14 estimated actuals, based on Department of Water Resources' (DWR) statement of charges (SOC) and estimates for 2015. The FY 14/15 proposed revenues are increasing $0.55M over FY 13/14 in order to meet the revenue requirements. Reserves are decreasing by $0.17M due to the use of the fund balance.

General Fund/Flood Control – Fund 200 (formerly Fund 50)

Category	*12/13 Actual*	*13/14 Budget*	*13/14 Estimated Actual*	*14/15 Proposed Budget*	*% Change (14/15 budget to 13/14 est actuals)*
Revenue	$ 6,151,496	$ 6,200,347	$ 6,254,848	$ 6,505,936	4.01%
Expenses	$ 5,355,914	$ 25,948,108	$ 20,306,996	$ 10,416,092	-48.71%
Reserves	$ 24,354,979	$ 7,566,062	$ 10,302,831	$ 6,392,675	-37.95%
Reserve Levels	14/15 Min	$ 2,083,218	14/15 Max	N/A	

The proposed General Fund/Flood Control Budget – Fund 200 (formerly Fund 50) expenditure budget is $10.4M and reserves are $6.4M. The FY 14/15 expenditures are decreasing $9.9M compared to the FY13/14 estimated actuals due to a one-time capital expenditure in FY 13/14 for watershed investments. The FY 14/15 proposed revenues are increasing slightly over FY 13/14 estimated actuals, by $0.2M due to increased property tax revenue, and reserves are decreasing by $3.9M due to the use of the fund balance.

CAPITAL BUDGETS:

The Zone 7 Board adopts the operating budgets along with budgets for the three capital funds below (Funds 120, 130 and 210). The Capital Improvement Program (CIP) is usually completed every two years with the last CIP being adopted in 2011. However, the drought makes it difficult to plan for water demands and associated project needs. Therefore, staff is planning to complete the CIP update next year when more is known about our water supply. A one-year CIP plan has been developed and was discussed with the Water Resources Committee on May 29, 2014. The resulting proposed capital budgets are included in the proposed FY 14/15 budget.

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

Category	*12/13 Actual*	*13/14 Budget*	*13/14 Estimated Actual*	*14/15 Proposed Budget*	*% Change (14/15 budget to 13/14 est actuals)*
Revenue	$ 7,347,879	$ 8,831,962	$ 8,883,400	$ 13,129,324	47.80%
Expenses	$ 5,709,564	$ 25,904,419	$ 22,400,015	$ 7,578,891	-66.17%
Reserves	$ 24,980,749	$ 10,977,982	$ 11,464,134	$ 17,014,567	48.42%
Reserve Levels	14/15 Min	$ 9,850,000	14/15 Max	N/A	

The proposed Water System Renewal/Replacement & System-wide Improvements Budget – Fund 120 (formerly Fund 72) expenditure budget is $7.6M and reserves are $17M. The FY 14/15 expenditures are decreasing by $14.8M compared to the FY 13/14 estimated actuals due to large one-time projects expenses in FY 13/14, and project deferrals in FY 14/15. The FY 14/15 revenue budget is $13.1M, increasing by $4.2M compared to FY 13/14 due to an increased transfer from Fund 100 for the asset management program plus an additional $3.3M for the drought projects. Reserves are increasing by $5.5M due to the increased transfer and project deferrals. Note: The minimum reserve balance target for this fund is equal to 100% of FY 15/16 project expenses plus 50% of FY 16/17. These reserve minimums are met if the FY 15/16 and FY 16/17 budgets are $7M and $8M, respectively.

Water System Expansion – Fund 130 (formerly Fund 73)

Category	*12/13 Actual*	*13/14 Budget*	*13/14 Estimated Actual*	*14/15 Proposed Budget*	*% Change (14/15 budget to 13/14 est actuals)*
Revenue	$ 29,176,830	$ 20,948,165	$ 21,056,789	$ 22,042,020	4.68%
Expenses	$ 18,814,437	$ 57,289,099	$ 26,430,851	$ 19,485,138	-26.28%
Reserves	$ 31,644,568	$ 21,312,926	$ 26,270,506	$ 28,827,388	9.73%
Reserve Levels	14/15 Min	$ 10,350,000	14/15 Max	N/A	

The Proposed Water System Expansion Fund Budget – Fund 130 (formerly Fund 73) expenditure budget is $19.5M and reserves are $28.8M. The FY 14/15 expenditures are decreasing by $7M compared to the FY 13/14 estimated actuals mainly due to one-time projects in FY 13/14 and the deferral of capital projects in FY 14/15. The proposed FY 14/15 revenue budget is $22M, increasing by $0.6M compared to FY 13/14 primarily due to a slight increase in projected connection fee revenue. Reserves are increasing by $2.5M due to project deferrals.

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

Category	*12/13 Actual*	*13/14 Budget*	*13/14 Estimated Actual*	*14/15 Proposed Budget*	*% Change (14/15 budget to 13/14 est actuals)*
Revenue	$ 5,180,104	$ 2,632,000	$ 2,576,038	$ 2,646,500	2.74%
Expenses	$ 1,227,729	$ 7,440,315	$ 4,562,856	$ 5,755,275	26.13%
Reserves	$ 40,648,531	$ 33,765,741	$ 38,661,713	$ 35,552,938	-8.04%
Reserve Levels	14/15 Min	N/A	14/15 Max	N/A	

The Proposed Flood Protection and Stormwater Drainage Budget – Fund 210 (formerly Fund 76) expenditure budget is $2.2M and reserves are $35.5M. The FY 14/15 expenditures are increasing $1.2M over the FY13/14 estimated actuals due to planned capital project activities. The proposed FY 14/15 revenues are increasing by $0.08M due to a slight increase in development. Reserves are decreasing by $3M due to increased capital project activities.

SUMMARY OF TOTAL ZONE 7 BUDGET:

Category	*12/13 Actual*	*13/14 Budget*	*13/14 Estimated Actual*	*14/15 Proposed Budget*	*% Change (14/15 budget to 13/14 est actuals)*
Revenue	$ 99,366,666	$ 90,295,604	$ 89,352,942	$ 95,293,644	6.65%
Expenses	$ 80,372,676	$ 173,479,486	$ 125,350,483	$ 107,143,256	-14.53%
Reserves	$ 161,767,081	$ 102,856,046	$ 125,769,540	$ 113,919,929	-9.42%

An interim reserve policy was adopted by the Board on April 17, 2013. The reserve balances shown meet the reserve levels outlined in the policy.

Summary of Annual Budget by Account Classification - FY 14/15 Proposed Budget

	FY 14/15 PROPOSED BUDGET	Fund 100 Water Enterprise	Fund 110 State Water Facilities	Fund 120 Water Enterprise Capital Renewal/Replacement/ Improvements	Fund 130 Water Enterprise Capital Expansion
1	Available Fund Balance July 1, 2013	$ 31,495,970	$ 8,642,285	$ 24,980,749	$ 31,644,568
2	FY 13/14 Projected Change in Fund Balance (Revenue over Expenses)	(973,932)	(93,966)	(13,516,615)	(5,374,062)
3	FY 13/14 Budgeted Change in Fund Balance (Revenue over Expenses)[1]	(3,938,729)	(319,796)	(6,088,415)	(31,579,850)
4	Estimated Beginning Fund Balance July 1, 2014	30,522,038	8,548,319	11,464,134	26,270,506
5	**Revenue**				
6	Water Sales & Service	36,694,476	1,311,950		
7	Property Taxes		11,350,000		
8	Development Fees			250,000	19,020,120
9	Charges for Services		45,000	2,500	
10	Aid from Governmental Agencies - State	-	610		
11	Aid from Governmental Agencies - Local				
12	Investment Earnings	75,000	15,000	52,900	81,100
13	Rents and Royalties	65,263			
14	Other Revenue	74,188	1,338,377		2,940,800
15	*Subtotal (before transfers)*	*36,908,927*	*14,060,937*	*305,400*	*22,042,020*
16	Transfers			12,823,924	
17	**Total Revenue**	**36,908,927**	**14,060,937**	**13,129,324**	**22,042,020**
18	**Expenses**				
19	Labor and Benefits Distributed	$14,916,773		914,729	364,866
20	Credits/Charges for Applied Overhead	($1,957,755)		249,233	242,591
21	Purchased Services	$4,356,103		1,375,033	1,296,400
22	Water	$8,883,578	14,227,251		16,744,211
23	Chemicals	$2,250,973			
24	Energy	$1,922,616			
25	Communications	$174,097			
26	Cleaning Services	$50,931			
27	Repairs and Maintenance	$2,705,999			
28	Rental Services	$792,900		549,198	426,376
29	General Office Services/ Supplies	$586,247		150,000	
30	Organizational Membership/ Participation	$467,783			694
31	Other Services/ Supplies	$827,130			
32	Training and Travel	$402,045			
33	Special Departmental Expense/Capital Projects	$615,781		895,698	410,000
34	Capital Projects				
35	Equipment, Furniture and Vehicles	$27,700		120,000	
36	Land and Facility Improvements			3,325,000	
37	Debt Service				
38	*Subtotal (before transfers)*	*$36,856,685*	*14,227,251*	*7,578,891*	*19,485,138*
39	Transfers	12,823,924			
40	**Total Expenses**	**49,680,609**	**14,227,251**	**7,578,891**	**19,485,138**
41	Estimated Ending Fund Balance June 30, 2015	17,750,356	8,382,005	17,014,567	28,827,388
42	**Reserve Balances**				
43	Operating	8,067,130	8,382,005		
44	Rate Stabilization	5,329,286			
45	Emergency	4,353,940			
46	Drought Contingency	-			
47	Capital Projects			13,129,937	17,483,064
48	Sinking Funds - FY 14/15 Contributions				
49	*Building Sinking Fund*			*407,519*	*520,200*
50	*Future Contractor's Share of the South Bay Aqueduct*				*527,062*
51	*South Bay Aqueduct Enlargement*				*1,073,680*
52	Sinking Funds Reserve Balance			3,884,630	11,344,324
53	**Total Reserves (lines 43+44+45+46+47+52)**	$ 17,750,356	$ 8,382,005	$ 17,014,567	$ 28,827,388
54	Change in Fund Balance[2] (use of reserves) - line 53 minus line 4	(12,771,681)	(166,314)	5,550,433	2,556,882

Notes

[1]Shown for comparative purposes only.

[2]In order to achieve a balanced budget, use of reserve as shown in line 54 will appropriated as revenue in the financial/accounting system.

Summary of Annual Budget by Account Classification - FY 14/15 Proposed Budget

	FY 14/15 PROPOSED BUDGET	Fund 200 Flood Protection/General Fund	Fund 210 Flood Protection Development Impact Fees	Total
1	Available Fund Balance July 1, 2013	$ 24,354,979	$ 40,648,531	$ 161,767,081
2	FY 13/14 Projected Change in Fund Balance (Revenue over Expenses)	(14,052,148)	(1,986,818)	(35,997,541)
3	FY 13/14 Budgeted Change in Fund Balance (Revenue over Expenses)[1]	(9,692,845)	(1,516,808)	(53,136,444)
4	Estimated Beginning Fund Balance July 1, 2014	10,302,831	38,661,713	125,769,540
5	**Revenue**			
6	Water Sales & Service			38,006,426
7	Property Taxes	6,307,731		17,657,731
8	Development Fees		2,530,000	21,800,120
9	Charges for Services	13,000		60,500
10	Aid from Governmental Agencies - State	54,000		54,610
11	Aid from Governmental Agencies - Local	10,700		10,700
12	Investment Earnings	25,000	91,500	340,500
13	Rents and Royalties	60,505		125,768
14	Other Revenue	35,000	25,000	4,413,365
15	*Subtotal (before transfers)*	*6,505,936*	*2,646,500*	*82,469,720*
16	Transfers			12,823,924
17	**Total Revenue**	**6,505,936**	**2,646,500**	**95,293,644**
18	**Expenses**			
19	Labor and Benefits Distributed	1,349,640	369,155	17,915,163
20	Credits/Charges for Applied Overhead	1,179,356	286,575	0
21	Purchased Services	5,051,000	4,727,723	16,806,259
22	Water			39,855,040
23	Chemicals			2,250,973
24	Energy			1,922,616
25	Communications	3,000		177,097
26	Cleaning Services	10,000		60,931
27	Repairs and Maintenance	2,355,491		5,061,490
28	Rental Services	159,322	121,822	2,049,618
29	General Office Services/ Supplies	19,550		755,797
30	Organizational Membership/ Participation	158,000		626,477
31	Other Services/ Supplies	86,000		913,130
32	Training and Travel	31,400		433,445
33	Special Departmental Expense/Capital Projects	13,333	250,000	2,184,812
34	Capital Projects	-		-
35	Equipment, Furniture and Vehicles			147,700
36	Land and Facility Improvements		-	3,325,000
37	Debt Service			-
38	*Subtotal (before transfers)*	*10,416,092*	*5,755,275*	*94,319,332*
39	Transfers			12,823,924
40	**Total Expenses**	**10,416,092**	**5,755,275**	**107,143,256**
41	Estimated Ending Fund Balance June 30, 2015	6,392,675	35,552,938	113,919,929
42	**Reserve Balances**			-
43	Operating	5,208,046		21,657,181
44	Rate Stabilization			5,329,286
45	Emergency			4,353,940
46	Drought Contingency			-
47	Capital Projects	338,243	34,727,086	65,678,330
48	Sinking Funds - FY 14/15 Contributions			-
49	*Building Sinking Fund*	*90,560*	*90,560*	*1,108,838*
50	*Future Contractor's Share of the South Bay Aqueduct*			*527,062*
51	*South Bay Aqueduct Enlargement*			*1,073,680*
52	Sinking Funds Reserve Balance	846,386	825,852	16,901,192
53	**Total Reserves (lines 43+44+45+46+47+52)**	$ 6,392,675	$ 35,552,938	$ 113,919,929
54	Change in Fund Balance[2] (use of reserves) - line 53 minus line 4	(3,910,156)	(3,108,775)	(11,849,611)

Notes

[1]Shown for comparative purposes only.

[2]In order to achieve a balanced budget, use of reserve as shown in line 54 will appropriated as revenue in the financial/accounting system.

Annual Budget by Account Classification Report

	FY 14/15 Proposed Budget	FY 13/14 Estimated Amount (Forecast)	Difference
FUND: 100 Water Enterprise Operations			
Revenue			
411 - Water Sales & Service	$36,694,476.00	$36,257,093.00	$437,383.00
441 - Charges for Services	$0.00	$1,000.00	($1,000.00)
452 - Aid from Governmental Agencies - State	$0.00	$300,199.00	($300,199.00)
461 - Investment Earnings	$75,000.00	$75,622.00	($622.00)
462 - Rents and Royalties	$65,263.00	$63,268.00	$1,995.00
464 - Fines and Penalties (64)	$0.00	$210.00	($210.00)
481 - Other Revenue	$74,188.00	$378,668.00	($304,480.00)
499 - Transfers	$0.00	$0.00	$0.00
Revenue Totals	$36,908,927.00	$37,076,060.00	($167,133.00)
Expenditures			
511 - Personal Services - Salaries and Wages	$13,859,924.00	$10,677,877.00	$3,182,047.00
512 - Personal Services - Overtime	$215,074.00	$160,934.00	$54,140.00
513 - Personal Services - Benefits	$7,120,240.00	$5,737,139.00	$1,383,101.00
600 - Labor & Overhead Distributed	($8,402,436.00)	($3,668,532.00)	($4,733,904.00)
611 - Purchased Services	$4,356,103.00	$2,747,093.00	$1,609,010.00
621 - Water	$8,883,578.00	$6,233,010.00	$2,650,568.00
631 - Chemicals	$2,250,973.00	$2,490,960.00	($239,987.00)
641 - Utilities	$1,922,616.00	$1,786,454.00	$136,162.00
643 - Communications	$174,097.00	$127,900.00	$46,197.00
651 - Cleaning Services	$50,931.00	$38,610.00	$12,321.00
652 - Repairs and Maintenance	$2,705,999.00	$1,575,431.00	$1,130,568.00
653 - Rental Services	$792,900.00	$100,214.00	$692,686.00
661 - General Office Services/ Supplies	$586,247.00	$321,141.00	$265,106.00
662 - Organizational Membership/ Participation	$467,783.00	$482,731.00	($14,948.00)
665 - Other Services/ Supplies	$827,130.00	$246,672.00	$580,458.00
667 - Training and Travel	$402,045.00	$119,814.00	$282,231.00
669 - Special Departmental Expense	$615,781.00	$359,284.00	$256,497.00
671 - Equipment, Furniture and Vehicles	$27,700.00	$13,260.00	$14,440.00
675 - Debt Service	$0.00	$0.00	$0.00
691 - Transfers	$12,823,924.00	$8,500,000.00	$4,323,924.00
Revenue Totals:	$36,908,927.00	$37,076,060.00	($167,133.00)
Expenditure Totals	$49,680,609.00	$38,049,992.00	$11,630,617.00
FUND Total: Water Enterprise Operations	($12,771,682.00)	($973,932.00)	($11,797,750.00)
FUND: 110 State Water Facilities			
Revenue			
411 - Water Sales & Service	$1,311,950.00	$1,252,533.00	$59,417.00
421 - Property Taxes	$11,350,000.00	$10,750,270.00	$599,730.00
452 - Aid from Governmental Agencies - State	$45,000.00	$45,000.00	$0.00
453 - Aid from Governmental Agencies - Local	$610.00	$1,237.00	($627.00)
461 - Investment Earnings	$15,000.00	$14,148.00	$852.00
464 - Fines and Penalties (64)	$0.00	$5.00	($5.00)
481 - Other Revenue	$1,338,377.00	$1,442,614.00	($104,237.00)
499 - Transfers	$0.00	$0.00	$0.00
Revenue Totals	$14,060,937.00	$13,505,807.00	$555,130.00
Expenditures			
621 - Water	$14,227,251.00	$13,599,773.00	$627,478.00
669 - Special Departmental Expense	$0.00	$0.00	$0.00
Revenue Totals:	$14,060,937.00	$13,505,807.00	$555,130.00
Expenditure Totals	$14,227,251.00	$13,599,773.00	$627,478.00
FUND Total: State Water Facilities	($166,314.00)	($93,966.00)	($72,348.00)

Annual Budget by Account Classification Report

	FY 14/15 Proposed Budget	FY 13/14 Estimated Amount (Forecast)	Difference
FUND: 120 Water Enterprise Capital IR&R			
Revenue			
431 - Development Fees	$250,000.00	$310,900.00	($60,900.00)
441 - Charges for Services	$2,500.00	$7,500.00	($5,000.00)
461 - Investment Earnings	$52,900.00	$65,000.00	($12,100.00)
481 - Other Revenue	$0.00	$0.00	$0.00
499 - Transfers	$12,823,924.00	$8,500,000.00	$4,323,924.00
Revenue Totals	$13,129,324.00	$8,883,400.00	$4,245,924.00
Expenditures			
600 - Labor & Overhead Distributed	$1,163,962.00	$2,470,925.00	($1,306,963.00)
611 - Purchased Services	$1,375,033.00	$905,825.00	$469,208.00
643 - Communications	$0.00	$0.00	$0.00
652 - Repairs and Maintenance	$0.00	$0.00	$0.00
653 - Rental Services	$549,198.00	$537,737.00	$11,461.00
661 - General Office Services/ Supplies	$150,000.00	$556,000.00	($406,000.00)
665 - Other Services/ Supplies	$0.00	$0.00	$0.00
667 - Training and Travel	$0.00	$0.00	$0.00
669 - Special Departmental Expense	$895,698.00	$831,543.00	$64,155.00
671 - Equipment, Furniture and Vehicles	$120,000.00	$221,403.00	($101,403.00)
672 - Land and Facility Improvements	$3,325,000.00	$16,876,582.00	($13,551,582.00)
Revenue Totals:	$13,129,324.00	$8,883,400.00	$4,245,924.00
Expenditure Totals	$7,578,891.00	$22,400,015.00	($14,821,124.00)
FUND Total: Water Enterprise Capital IR&R	$5,550,433.00	($13,516,615.00)	$19,067,048.00
FUND: 130 Water Enterprise Cap Expansion			
Revenue			
431 - Development Fees	$19,020,120.00	$18,400,000.00	$620,120.00
441 - Charges for Services	$0.00	$0.00	$0.00
461 - Investment Earnings	$81,100.00	$133,094.00	($51,994.00)
481 - Other Revenue	$2,940,800.00	$2,523,695.00	$417,105.00
499 - Transfers	$0.00	$0.00	$0.00
Revenue Totals	$22,042,020.00	$21,056,789.00	$985,231.00
Expenditures			
600 - Labor & Overhead Distributed	$607,457.00	$808,020.00	($200,563.00)
611 - Purchased Services	$1,296,400.00	$1,339,348.00	($42,948.00)
621 - Water	$16,744,211.00	$18,702,933.00	($1,958,722.00)
643 - Communications	$0.00	$0.00	$0.00
653 - Rental Services	$426,376.00	$418,240.00	$8,136.00
661 - General Office Services/ Supplies	$0.00	$0.00	$0.00
662 - Organizational Membership/ Participation	$694.00	$16,800.00	($16,106.00)
665 - Other Services/ Supplies	$0.00	$0.00	$0.00
667 - Training and Travel	$0.00	$0.00	$0.00
669 - Special Departmental Expense	$410,000.00	$342,675.00	$67,325.00
671 - Equipment, Furniture and Vehicles	$0.00	$0.00	$0.00
672 - Land and Facility Improvements	$0.00	$4,739,001.00	($4,739,001.00)
675 - Debt Service	$0.00	$63,834.00	($63,834.00)
Revenue Totals:	$22,042,020.00	$21,056,789.00	$985,231.00
Expenditure Totals	$19,485,138.00	$26,430,851.00	($6,945,713.00)
FUND Total: Water Enterprise Cap Expansion	$2,556,882.00	($5,374,062.00)	$7,930,944.00

Annual Budget by Account Classification Report

	FY 14/15 Proposed Budget	FY 13/14 Estimated Amount (Forecast)	Difference
FUND: 200 Flood Protection Operations			
Revenue			
421 - Property Taxes	$6,307,731.00	$5,889,175.00	$418,556.00
441 - Charges for Services	$13,000.00	$17,319.00	($4,319.00)
452 - Aid from Governmental Agencies - State	$54,000.00	$25,922.00	$28,078.00
453 - Aid from Governmental Agencies - Local	$10,700.00	$6,820.00	$3,880.00
461 - Investment Earnings	$25,000.00	$42,583.00	($17,583.00)
462 - Rents and Royalties	$60,505.00	$55,874.00	$4,631.00
464 - Fines and Penalties (64)	$0.00	$5.00	($5.00)
481 - Other Revenue	$35,000.00	$200,000.00	($165,000.00)
491 - Other Financing Sources	$0.00	$17,150.00	($17,150.00)
499 - Transfers	$0.00	$0.00	$0.00
Revenue Totals	$6,505,936.00	$6,254,848.00	$251,088.00
Expenditures			
600 - Labor & Overhead Distributed	$2,528,996.00	$2,242,418.00	$286,578.00
611 - Purchased Services	$5,051,000.00	$1,431,906.00	$3,619,094.00
643 - Communications	$3,000.00	$1,200.00	$1,800.00
651 - Cleaning Services	$10,000.00	$6,000.00	$4,000.00
652 - Repairs and Maintenance	$2,355,491.00	$1,636,376.00	$719,115.00
653 - Rental Services	$159,322.00	$143,660.00	$15,662.00
661 - General Office Services/ Supplies	$19,550.00	$14,400.00	$5,150.00
662 - Organizational Membership/ Participation	$158,000.00	$57,500.00	$100,500.00
665 - Other Services/ Supplies	$86,000.00	$15,350.00	$70,650.00
667 - Training and Travel	$31,400.00	$7,800.00	$23,600.00
669 - Special Departmental Expense	$13,333.00	$13,333.00	$0.00
671 - Equipment, Furniture and Vehicles	$0.00	$0.00	$0.00
672 - Land and Facility Improvements	$0.00	$14,737,053.00	($14,737,053.00)
Revenue Totals:	$6,505,936.00	$6,254,848.00	$251,088.00
Expenditure Totals	$10,416,092.00	$20,306,996.00	($9,890,904.00)
FUND Total: Flood Protection Operations	($3,910,156.00)	($14,052,148.00)	$10,141,992.00
FUND: 210 Flood Protection/Drainage DIF			
Revenue			
431 - Development Fees	$2,530,000.00	$2,457,038.00	$72,962.00
441 - Charges for Services	$0.00	$0.00	$0.00
452 - Aid from Governmental Agencies - State	$0.00	$0.00	$0.00
461 - Investment Earnings	$91,500.00	$90,000.00	$1,500.00
481 - Other Revenue	$25,000.00	$29,000.00	($4,000.00)
499 - Transfers	$0.00	$0.00	$0.00
Revenue Totals	$2,646,500.00	$2,576,038.00	$70,462.00
Expenditures			
600 - Labor & Overhead Distributed	$655,730.00	$725,935.00	($70,205.00)
611 - Purchased Services	$4,727,723.00	$536,092.00	$4,191,631.00
643 - Communications	$0.00	$0.00	$0.00
653 - Rental Services	$121,822.00	$119,497.00	$2,325.00
661 - General Office Services/ Supplies	$0.00	$0.00	$0.00
662 - Organizational Membership/ Participation	$0.00	$0.00	$0.00
665 - Other Services/ Supplies	$0.00	$0.00	$0.00
667 - Training and Travel	$0.00	$0.00	$0.00
669 - Special Departmental Expense	$250,000.00	$0.00	$250,000.00
672 - Land and Facility Improvements	$0.00	$3,181,332.00	($3,181,332.00)
Revenue Totals:	$2,646,500.00	$2,576,038.00	$70,462.00
Expenditure Totals	$5,755,275.00	$4,562,856.00	$1,192,419.00
FUND Total: Flood Protection/Drainage DIF	($3,108,775.00)	($1,986,818.00)	($1,121,957.00)
Revenue Grand Totals:	$95,293,644.00	$89,352,942.00	$5,940,702.00
Expenditure Grand Totals:	$107,143,256.00	$125,350,483.00	($18,207,227.00)
Net Grand Totals:	($11,849,612.00)	($35,997,541.00)	$24,147,929.00

Water Resources Committee
May 29, 2014
Meeting Summary

Directors Present: J. Greci, A. Machaevich, B. Stevens
Staff Present: J. Duerig, K. Arends, C. Mahoney, J. Green and J. Chahal

Director Stevens called the meeting to order at 3:35 p.m.

1. Public Comment on Items Not on Agenda

There were no public comments.

2. Drought Projects

Mr. Arends provided status update on the projects included in January 29, 2014 Board approved Drought Emergency Response Plan.

COL Well #5 Project – Mr. Arends reported that the contractor has lost a drill bit in the first well hole and could not recover. The contractor is starting on a new well hole. Staff is working with the contractor to recover schedule but completion could move from August 2014 to September 2014. The well is scheduled to be in service this year as planned to assist in the drought response.

Cope Lake – Lake I conveyance – Mr. Arends reported that construction is complete and the pipeline is in service a month ahead of the schedule. Director Greci asked what will this pipeline provide us? Mr. Arends explained that this pipeline allows the water that is being discharged into Cope Lake by the Vulcan gravel mining operation to be conveyed to Lake I for recharge back into the groundwater basin. Since Cope Lake does not recharge and was being filled by the discharge of the mining operation, the pipeline was completed in time to begin conveying water to Lake I before Cope Lake was full which would have forced discharging to be stopped, losing water down the arroyo and out of the valley.

Cross Valley pipeline Booster Station – Mr. Arends reported that staff is modeling the Zone 7 distribution system to look at various operational scenarios, booster pump station locations and alternatives. Analysis shows that a booster pump station would provide benefit by lowering the pressure on the wells when we are pumping groundwater east when we have limited or no surface water to treat at the water treatment plants. The booster pump location and cost is being compared to benefit and risks. The pump station is critical if we have no surface water but less critical if we have some surface water. Director Greci asked about the cost of the booster pump station. Mr. Arends stated that the cost could be between $5M to $10M depending on the location and size of the booster pump station. Since it is a significant cost and effort to build a pump station and we think it is not feasible to build such a pump station this year, it might be included in a future CIP. The probability of having no surface water this year at this time is lower than in January. Jill Duerig explained that the big change from January is that DWR has told us that they will deliver our carryover water and that reduces the chance of a no surface water scenario.

Director Stevens asked Mr. Arends to explain "Carryover Water." Mr. Arends explained that it is our unused SWP water (Table A water) from the previous year that DWR stores in San Luis Reservoir or Lake Oroville. Earlier in the year there was a possibility that DWR would not be able to deliver our carryover if it could not pump out of the Delta for water quality reasons. Since Lake Del Valle is full now, DWR will be able to deliver our remaining carryover from Lake Del Valle even if water quality in the Delta goes bad. Normally, we carry over about 10,000 AF but going into this year we carried over about 18,000 AF. Ms. Duerig mentioned that we will likely not have any carryover for next year.

Director Stevens discussed Senator Dianne Feinstein's proposed bill related to salt barriers in the Delta. Ms. Duerig explained how DWR is reluctant to build the rock barriers because they are temporary, expansive and DWR is not sure if they will be necessary to stop salt water intrusion.

Busch Valley Well No. 1 – Mr. Arends explained that as part of the Phase 1 work, staff is working with our contractor (Conco West) to develop the Basis of Design which will include project scope, estimate of cost, likely schedule and risks. This work is expected to be completed in July 2014. Based on our recent experience with well drilling contractors, we have seen significant increases in costs and a lack of availability of drillers. Due to the projected increase in costs and extended schedule, staff is recommending that we suspend the project at the end of Phase 1 until there is a more favorable construction climate. Ms. Duerig mentioned that as part of Phase I, we may get bids for the well drilling but not proceed with the project at this time.

Mr. Don Kahler asked if this site will have treatment? Staff explained that this site will require construction of chemical treatment facilities.

Chain of Lakes Package Treatment Plant Feasibility Assessment Update – Mr. Arends explained that staff has been working with Water Quality Treatment Solutions (WQTS) to complete this feasibility study. We looked into the feasibility of constructing a temporary 5-10 MGD treatment facility near COL Well #1 which would use water from Lake I as the source water. The study included analysis of water quality, required facilities, treatment options, costs, permitting and schedule. The findings are that it will cost $5M in capital costs with an annual operating cost of $3.7M for generator fuel and renting trailer mounted membrane filtration systems, and generators for a 5 MGD temporary plant. It would also take at least 12 months to permit, design and construct. Other challenges include land acquisition, environmental permitting, CDPH permitting, and discharge of backwash from membranes into Cope Lake. Staff's recommendation is not to proceed based on cost, schedule and current need for the facility.

Director Stevens asked why not build a permanent plant for the long term? Staff explained that our long term planning includes construction of a dual purpose pipeline from the COL to the DVWTP and the SBA to convey water in both directions and the construction of a pumping plant to pump water from the lakes to be treated at the DVWTP. Although a more expansive project, in addition to treating COLs water at DVWTP during emergency or dry conditions, it will allow for direct diversion of water from the SBA to the COL for recharge under normal conditions.

Don Kahler asked if this plant is intended for treating recycled water and what size plant? Staff explained that the feasibility study looked into a plant capable of treating only surface water from Lake I at 5 MGD rate and located near COL Well #1.

3. Review of the 2014/15 Capital Improvement Projects –

Mr. Arends explained how we plan to update our 10-year Capital Improvement Plan every two years. In 2011, we prepared our 10-year CIP starting with fiscal year 2012/13. The approved CIP is then incorporated into the annual budget. Because of this year's drought, priorities changed and new projects were initiated. Continuing changes to priorities and cash flow plus staffing resource limitations makes developing a new ten year CIP difficult at this time. Staff recommends delaying development of a new ten-year CIP for a year and focusing on the possible modifications to the FY 2014/15 projects in the approved 10 year CIP. Those proposed changes would then be included in the FY 2014/15 annual budget, which is typical for off-year budgeting (i.e., years when a new CIP is not developed). An updated 10-year CIP will be prepared next year for Board consideration. Director Greci supported this approach of dealing with one year of the CIP this year due to the drought emergency and developing a new 10-year CIP next year as being a good idea and providing flexibility.

Mr. Arends walked through a handout that included charts and projects for the two Water Enterprise capital funds and the two Flood Protection Capital Funds and went over the proposed projects highlighting significant changes from the adopted CIP. Directors had questions on several projects and staff explained the reasons for the proposed changes.

Mr. Arends explained proposed deferral of some projects due to increased expenditures this year because of the approved drought projects.

Mr. Arends explained the significant drop in the proposed expenditures for Fund 130 – Expansion being due to DWR crediting Zone 7 for the Off-Peak Pumping portion of the SBA Enlargement Project expenses fronted by Zone 7 since 2004. Most of the other big items in this fund are non-discretionary expenditures.

Mr. Arends explained how the bulk of the work proposed under the Flood Control CIP is to complete the hydrology and hydraulic modeling to support SMMP and Update of SMMP, itself. There are some proposed projects such as Arroyo Las Positas Treatment Wetlands that are proposed to take advantage of grant opportunities and Chabot Canal Regional Stormwater Detention to take advantage of partnering opportunities with developers. Director Stevens asked if you need to have EIRs completed to apply for grants? Staff explained that some grants don't require EIRs to be completed prior to the application but require that there are matching funds in the approved budgets for the project.

Director Stevens asked if the proposed projects bring our reserves too low? Staff answered that the projected fund balance meets our Reserve Policy.

4. Verbal Comments

Ms. Duerig reported how the recent SWRCB ruling to curtail diversions related to post 1914 water rights make the water transfers and exchanges (such as Semitropic's effort to facilitate an exchange by fallowing agricultural land in the Delta very difficult this year.

5. Adjournment

Director Stevens adjourned the meeting at 4:30 p.m.