ZONE 7 BOARD OF DIRECTORS
FINANCE COMMITTEE

April 22, 2013
4:00 p.m.

Location: Board Room
Zone 7 Administration Building
100 North Canyons Parkway
Livermore, CA 94551

Director Figuers
Director Machaevich
Director Ramirez Holmes

AGENDA

1. Public Comment
2. Proposed FY 2013/14 Budget
3. Verbal Reports
4. Adjournment

4/19/2013

ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7
100 NORTH CANYONS PARKWAY, LIVERMORE, CA 94551-9486 • PHONE (925) 454-5000

M E M O R A N D U M

DATE: April 22, 2013

TO: Finance Committee

FROM: Tom Hughes, Assistant General Manager, Administration

SUBJECT: Proposed FY 2013/14 Budget

BACKGROUND/DISCUSSION:

The County wants Zone 7 to submit an annual budget for three operating funds (Funds 50, 51 and 52) for inclusion in the County-wide budget. Upon adoption by the Zone 7 Board, Zone 7's budget is then comingled with the other County departments' budgets and presented to the Board of Supervisors for adoption in June each year. In addition, Zone 7 adopts three capital budgets.

Zone 7 staff has prepared preliminary FY 13/14 budgets for the three operating funds and three capital funds, the details of each are shown below:

Water Enterprise Fund – Fund 100 (formerly Fund 52)

Category	*11/12 Actual*	*12/13 Adopted Budget*	*12/13 Estimated Actual*	*13/14 Proposed Budget*	*% Change (13/14 budget to 12/13 est actuals)*
Revenue	$ 36,013,796	$ 37,305,455	$ 34,882,112	$ 37,884,745	8.61%
Expenses	$ 29,146,838	$ 38,804,500	$ 37,653,711	$ 41,823,474	11.07%
Reserves	$ 27,252,955	$ 20,028,729	$ 24,481,356	$ 20,542,627	-16.09%

The proposed Water Enterprise Fund Budget – Fund 100 (formerly Fund 52) expenditure budget is $41.8 million and reserves are $20.5 million. The FY 13/14 expenditures are increasing by $4.2 million compared to the FY 12/13 estimated actuals primarily due to a combination of the planned higher Asset Management Plan (AMP) transfer and an increase in professional services. The projected FY 13/14 revenues are increasing by $3.0 million compared to FY 12/13 estimated actuals, due to a higher volume of water requested and a 2.65% water rate increase already adopted for 2014. Reserves are projected to decrease by $3.9 million due to use of funds to minimize water rate increases.

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

Category	*11/12 Actual*	*12/13 Adopted Budget*	*12/13 Estimated Actual*	*13/14 Proposed Budget*	*% Change (13/14 budget to 12/13 est actuals)*
Revenue	$ 15,738,218	$ 12,600,971	$ 12,244,635	$ 13,798,385	12.69%
Expenses	$ 13,858,279	$ 13,974,125	$ 13,837,954	$ 14,118,181	2.03%
Reserves	$ 10,603,823	$ 8,220,442	$ 9,010,504	$ 8,690,708	-3.55%

The proposed State Water Facilities Fund Budget – Fund 110 (formerly Fund 51) expenditure budget is $14.1 million and reserves are $8.3 million. This is a pass-through fund for fixed charges associated with the State Water Project. The FY 13/14 expenditures are increasing $0.03 million over the FY12/13 estimated actuals, based on Department of Water Resources' (DWR) statement of charges (SOC) and estimates for 2014. The FY 13/14 proposed revenues are increasing slightly over FY 12/13, by $1.5 million in order to maintain reserve target levels. Reserves are decreasing by $0.70 million due to the use of the fund balance.

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

Category	11/12 Actual	12/13 Adopted Budget	12/13 Estimated Actual	13/14 Proposed Budget	% Change (13/14 budget to 12/13 est actuals)
Revenue	$ 5,707,614	$ 6,768,253	$ 7,035,276	$ 8,831,962	25.54%
Expenses	$ 4,985,890	$ 12,023,062	$ 11,701,991	$ 14,010,377	19.73%
Reserves	$ 21,733,112	$ 14,019,726	$ 17,066,397	$ 11,887,982	-30.34%

The proposed Renewal/Replacement & System-wide Improvements Budget – Fund 120 (formerly Fund 72) expenditure budget is $14.0 million and reserves are $11.8 million. The FY 13/14 expenditures are increasing by $2.3 million compared to the FY 12/13 estimated actuals primarily higher revenue. The FY 13/14 revenue budget is $8.8 million, increasing by $1.8 million compared to FY 12/13 estimated actuals, due to a higher AMP transfer from Fund 100. Along with various capital projects and a share of watershed investments, this results in a decrease in reserves of $5.1 million.

Expansion – Fund 130 (formerly Fund 73)

Category	11/12 Actual	12/13 Adopted Budget	12/13 Estimated Actual	13/14 Proposed Budget	% Change (13/14 budget to 12/13 est actuals)
Revenue	$ 13,659,740	$ 15,011,472	$ 20,997,629	$ 20,948,165	-0.24%
Expenses	$ 17,486,256	$ 22,455,379	$ 19,887,027	$ 51,868,015	160.81%
Reserves	$ 51,782,174	$ 41,053,224	$ 52,892,776	$ 21,972,926	-58.46%

The Proposed Expansion Fund Budget – Fund 130 (formerly Fund 73) expenditure budget is $51.8 million and reserves are $21.9 million. The FY 13/14 expenditures are increasing by $32.0 million compared to the FY 12/13 estimated actuals due to the payoff of the ISA in December 2013. The proposed FY 13/14 revenue budget is $20.9 million, increasing by $0.05 million compared to FY 12/13 estimated actuals, due primarily to a slightly higher projected volume of connection fees. Reserves are decreasing $31.0 million due to payment of the ISA.

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

Category	11/12 Actual	12/13 Adopted Budget	12/13 Estimated Actual	13/14 Proposed Budget	% Change (13/14 budget to 12/13 est actuals)
Revenue	$ 6,030,897	$ 6,096,119	$ 6,049,576	$ 6,200,347	2.49%
Expenses	$ 8,499,484	$ 5,654,148	$ 6,012,893	$ 22,230,365	269.71%
Reserves	$ 23,559,397	$ 22,965,703	$ 23,596,080	$ 7,566,062	-67.94%

The proposed General Fund/Flood Control Budget – Fund 200 (formerly Fund 50) expenditure budget is $22.2 million and reserves are $7.6 million. The FY 13/14 expenditures are increasing $16.2 million compared to the FY12/13 estimated actuals due to an increase in capital projects. The FY 13/14 proposed revenues are increasing slightly over FY 12/13 estimated actuals, by $0.15 million due to inflation, but reserves are decreasing by $16.0 million due to the use of the fund balance for watershed investments.

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

Category	11/12 Actual	12/13 Adopted Budget	12/13 Estimated Actual	13/14 Proposed Budget	% Change (13/14 budget to 12/13 est actuals)
Revenue	$ 5,607,366	$ 2,027,330	$ 3,227,500	$ 2,632,000	-18.45%
Expenses	$ 5,726,128	$ 3,347,956	$ 3,177,357	$ 5,962,539	87.66%
Reserves	$ 36,696,155	$ 29,172,457	$ 37,096,280	$ 33,765,741	-8.98%

The Proposed Flood Protection and Stormwater Drainage Budget – Fund 210 (formerly Fund 76) expenditure budget is $6.0 million and reserves are $33.8 million. The FY 13/14 expenditures are increasing $2.8 million over the FY12/13 estimated actuals. The proposed FY 13/14 revenues are decreasing compared to FY 12/13 estimated actuals, by $0.60 million due to a conservative projection of development activity (slightly higher than that budgeted for FY 12/13). Reserves are decreasing by $3.30 million for watershed investments.

Total for All Funds

Category	11/12 Actual	12/13 Adopted Budget	12/13 Estimated Actual	13/14 Proposed Budget	% Change (13/14 budget to 12/13 est actuals)
Revenue	$ 82,757,632	$ 79,809,600	$ 84,436,728	$ 90,295,604	6.94%
Expenses	$ 79,702,875	$ 96,259,170	$ 92,270,933	$ 150,012,951	62.58%
Reserves	$ 171,627,616	$ 135,460,281	$ 164,143,393	$ 104,426,046	-36.38%

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.

The implementation of the new financial software has required substantial, focused resources and a major shift in the way the Agency develops, manages and reports its budgets. For instance, staff completely reorganized the General Ledger account structure, tracking appropriations and expenses by program and sub-program. Programs and sub-programs have been delineated in order to better track and report associated finances. Staff is reporting the Funds in both the new and old Fund names to aid in this transition. The new budget structure includes: four (4) Water Enterprise Funds (100, 110, 120, 130), two (2) "Governmental" or Flood Control Funds (200, 210), ten (10) Sections, and seven (7) Programs.

As the go-live, switchover date of July 1, 2013 for the financial software approaches, staff is working diligently to enter all new budget information into the New World software while at the same time continuing to use Fundware. As staff gains valuable experience in the operating of this software, the day-to-day management of each Section's budget will become a more meaningful management tool.

Upon the completion of the presentation and discussion, staff is seeking the Committee's direction on these recommendations and concurrence to present to the full Board on May 15, 2013.

ATTACHMENT:

Summary of Annual Budget by Account Classification (Proposed FY 13/14 Budget).
Annual Budget By Account Classification (Proposed FY 13/14 Budget).

cc: Jill Duerig, General Manger
Tom Hughes, Assistant General Manager, Administration
Kurt Arends, Assistant General Manager, Engineering

Summary of Annual Budget by Account Classification - FY 13/14 Proposed Budget

	FY 13/14 PROPOSED BUDGET	Fund 100 Water Enterprise	Fund 110 State Water Facilities	Fund 120 Renewal/Replacement/Improvements	Fund 130 Expansion	Fund 200 Flood Protection/General Fund	Fund 210 Flood Protection Development Impact Fees	Total
1	Available Fund Balance July 1, 2012	$ 27,252,955	$ 10,603,823	$ 21,733,112	$ 51,782,174	$ 23,559,397	$ 36,696,155	$ 171,627,616
2	FY 12/13 Projected Change in Fund Balance (Revenue over Expenses)	(2,771,599)	(1,593,319)	(4,666,715)	1,110,602	36,683	400,125	(7,484,223)
3	FY 12/13 Budgeted Change in Fund Balance (Revenue over Expenses)*	(1,499,045)	(1,373,154)	(5,254,809)	(7,443,906)	441,971	(1,320,626)	(16,449,569)
4	Estimated Beginning Fund Balance July 1, 2013	24,481,356	9,010,504	17,066,397	52,892,776	23,596,080	37,096,280	164,143,393
5	**Revenue**							
6	Water Sales & Service	37,664,745	1,299,710					38,964,455
7	Property Taxes		11,247,000			5,979,557		17,226,557
8	Development Fees			250,000	18,400,000		2,500,000	21,150,000
9	Charges for Services		45,000	7,500		3,000		55,500
10	Aid from Governmental Agencies - State	700	611			54,000		55,311
11	Aid from Governmental Agencies - Local					690		690
12	Investment Earnings	95,000	16,522	74,462	166,565	110,600	132,000	595,149
13	Rents and Royalties	31,000				17,500		48,500
14	Other Revenue	93,300	1,189,542		2,381,600	35,000		3,699,442
15	Transfers			8,500,000				8,500,000
16	**Total Revenue**	37,884,745	13,798,385	8,831,962	20,948,165	6,200,347	2,632,000	90,295,604
17	**Expenses**							
18	Labor and Benefits Distributed	13,909,726				1,457,332		15,367,058
19	Credits/Charges for Applied Overhead	(1,792,812)		863,597	131,348	642,733	155,134	-
20	Purchased Services	4,074,437				947,901		5,022,338
21	Water	6,878,235	14,118,181		18,654,187			39,650,603
22	Chemicals	2,841,522						2,841,522
23	Energy	1,822,126						1,822,126
24	Communications	174,755				2,200		176,955
25	Cleaning Services	48,835				10,000		58,835
26	Repairs and Maintenance	2,381,514				2,530,356		4,911,870
27	Rental Services	108,650				145,500		254,150
28	General Office Services/ Supplies	584,385				19,550		603,935
29	Organizational Membership/ Participation	519,283				123,500		642,783
30	Other Services/ Supplies	769,206				28,400		797,606
31	Training and Travel	395,220				30,900		426,120
32	Special Departmental Expense/Capital Projects	586,392				13,333		599,725
33	Capital Projects			13,146,780	2,328,999	16,278,660	5,807,405	37,561,844
34	Equipment, Furniture and Vehicles	22,000						22,000
35	Debt Service				30,753,481			30,753,481
36	*Subtotal (before transfers)*	*33,323,474*	*14,118,181*	*14,010,377*	*51,868,015*	*22,230,365*	*5,962,539*	*141,512,951*
37	Transfers	8,500,000						8,500,000
38	**Total Expenses**	**41,823,474**	**14,118,181**	**14,010,377**	**51,868,015**	**22,230,365**	**5,962,539**	**150,012,951**
39	Estimated Ending Fund Balance June 30, 2014	20,542,627	8,690,708	11,887,982	21,972,926	7,566,062	33,765,741	104,426,046
40	**Reserve Balances**							-
41	Operating	8,308,044	8,690,708			2,975,852		19,974,604
42	Rate Stabilization	1,456,863						1,456,863
43	Emergency	4,113,026						4,113,026
44	Drought Contingency	6,664,695						6,664,695
45	Capital Projects			8,410,871	12,515,544	3,743,823	32,939,889	57,610,127
46	Sinking Funds			3,477,111	9,457,382	846,386	825,852	14,606,731
47	**Total Reserves**	$ 20,542,627	$ 8,690,708	$ 11,887,982	$ 21,972,926	$ 7,566,062	$ 33,765,741	$ 104,426,046
48	Change in Reserve Balance (line 47 minus line 4)	(3,938,729)	(319,796)	(5,178,415)	(30,919,850)	(16,030,018)	(3,330,539)	(59,717,347)

*Shown for comparative purposes only.

ZONE 7 WATER AGENCY
Annual Budget by Account Classification Report

		FY 13/14 Proposed Budget	FY 12/13 Adopted Budget	Difference
1	**Fund: 100 Water Enterprise**			
2	**Revenue**			
3	Water Sales & Service	$37,664,745	$37,085,455	$579,290
4	Aid from Governmental Agencies - State	$700	$700	$0
5	Investment Earnings	$95,000	$95,000	$0
6	Rents and Royalties	$31,000	$31,000	$0
7	Other Revenue	$93,300	$93,300	$0
8	Revenue Totals	$37,884,745	$37,305,455	$579,290
9	**Expenditures**			
10	Labor & Overhead Distributed	$12,116,914	$11,532,274	$584,640
11	Purchased Services	$4,074,437	$3,458,839	$615,598
12	Water	$6,878,235	$5,327,008	$1,551,227
13	Chemicals	$2,841,522	$3,490,885	($649,363)
14	Energy	$1,822,126	$1,664,556	$157,570
15	Communications	$174,755	$227,508	($52,753)
16	Cleaning Services	$48,835	$64,196	($15,361)
17	Repairs and Maintenance	$2,381,514	$2,955,100	($573,586)
18	Rental Services	$108,650	$113,200	($4,550)
19	General Office Services/ Supplies	$584,385	$904,375	($319,990)
20	Organizational Membership/ Participation	$519,283	$452,323	$66,960
21	Other Services/ Supplies	$769,206	$726,440	$42,766
22	Training and Travel	$395,220	$424,296	($29,076)
23	Special Departmental Expense	$586,392	$826,500	($240,108)
24	Equipment, Furniture and Vehicles	$22,000	$37,000	($15,000)
25	Transfers	$8,500,000	$6,600,000	$1,900,000
26	Expenditure Totals	$41,823,474	$38,804,500	$3,018,974

ZONE 7 WATER AGENCY
Annual Budget by Account Classification Report

		FY 13/14 Proposed Budget	FY 12/13 Adopted Budget	Difference
27	**Fund: 110 State Water Facilities**			
28	**Revenue**			
29	Water Sales & Service	$1,299,710	$1,314,313	($14,603)
30	Property Taxes	$11,247,000	$10,150,000	$1,097,000
31	Aid from Governmental Agencies - State	$45,000	$45,000	$0
32	Aid from Governmental Agencies - Local	$611	$505	$106
33	Investment Earnings	$16,522	$25,750	($9,228)
34	Other Revenue	$1,189,542	$1,065,403	$124,139
35	Revenue Totals	$13,798,385	$12,600,971	$1,197,414
36	**Expenditures**			
37	Water	$14,118,181	$13,974,125	$144,056
38	Expenditure Totals	$14,118,181	$13,974,125	$144,056

ZONE 7 WATER AGENCY
Annual Budget by Account Classification Report

		FY 13/14 Proposed Budget	FY 12/13 Adopted Budget	Difference
39	**Fund: 120 Capital IR&R**			
40	**Revenue**			
41	Development Fees	$250,000	$26,550	$223,450
42	Charges for Services	$7,500	$0	$7,500
43	Investment Earnings	$74,462	$141,703	($67,241)
44	Transfers	$8,500,000	$6,600,000	$1,900,000
45	Revenue Totals	$8,831,962	$6,768,253	$2,063,709
46	**Expenditures**			
47	Capital Projects	$14,010,377	$12,023,062	$1,987,315
48	Expenditure Totals	$14,010,377	$12,023,062	$1,987,315
49	**Fund: 130 Capital Expansion Fund**			
50	**Revenue**			
51	Development Fees	$18,400,000	$12,382,587	$6,017,413
52	Investment Earnings	$166,565	$89,885	$76,680
53	Other Revenue	$2,381,600	$2,539,000	($157,400)
54	Revenue Totals	$20,948,165	$15,011,472	$5,936,693
55	**Expenditures**			
56	Water	$18,654,187	$18,690,148	($35,961)
57	Capital Projects	$2,460,347	$3,488,766	($1,028,419)
58	Debt Service	$30,753,481	$276,465	$30,477,016
59	Expenditure Totals	$51,868,015	$22,455,379	$29,412,636

ZONE 7 WATER AGENCY
Annual Budget by Account Classification Report

		FY 13/14 Proposed Budget	FY 12/13 Adopted Budget	Difference
60	**Fund: 200 Flood Protection Operations**			
61	**Revenue**			
62	Property Taxes	$5,979,557	$5,873,310	$106,247
63	Charges for Services	$3,000	$3,000	$0
64	Aid from Governmental Agencies - State	$54,000	$54,000	$0
65	Aid from Governmental Agencies - Local	$690	$690	$0
66	Investment Earnings	$110,600	$112,619	($2,019)
67	Rents and Royalties	$17,500	$17,500	$0
68	Other Revenue	$35,000	$35,000	$0
69	Revenue Totals	$6,200,347	$6,096,119	$104,228
70	**Expenditures**			
71	Labor & Overhead Distributed	$2,100,065	$1,218,073	$881,992
72	Purchased Services	$947,901	$904,095	$43,806
73	Communications	$2,200	$3,000	($800)
74	Cleaning Services	$10,000	$6,000	$4,000
75	Repairs and Maintenance	$2,530,356	$1,118,200	$1,412,156
76	Rental Services	$145,500	$25,000	$120,500
77	General Office Services/ Supplies	$19,550	$64,100	($44,550)
78	Organizational Membership/ Participation	$123,500	$77,000	$46,500
79	Other Services/ Supplies	$28,400	$22,000	$6,400
80	Training and Travel	$30,900	$18,500	$12,400
81	Special Departmental Expense	$13,333	$25,000	($11,667)
82	Equipment, Furniture and Vehicles	$0	$3,500	($3,500)
83	Capital Projects	$16,278,660	$2,169,680	$14,108,980
84	Expenditure Totals	$22,230,365	$5,654,148	$16,576,217
85	**Fund: 210 Flood Protection/Drainage DIF**			
86	**Revenue**			
87	Development Fees	$2,500,000	$1,872,436	$627,564
88	Aid from Governmental Agencies - State	$0	$0	$0
89	Investment Earnings	$132,000	$154,894	($22,894)
90	Revenue Totals	$2,632,000	$2,027,330	$604,670
91	**Expenditures**			
92	Capital Projects	$5,962,539	$3,347,956	$2,614,583
93	Expenditure Totals	$5,962,539	$3,347,956	$2,614,583
94	**Revenue Grand Totals:**	$90,295,604	$79,809,600	$10,486,004
95	**Expenditure Grand Totals:**	$150,012,951	$96,259,170	$53,753,781