ZONE 7 BOARD OF DIRECTORS
FINANCE COMMITTEE

Thursday, April 23, 2015
4:00 p.m.

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

Director Figuers
Director Palmer
Director Ramirez Holmes

A G E N D A

1. Public Comment
2. Reserve Policy Discussion
3. Possibility of Cawelo Refinance
4. FY 15/16 Proposed Budget
5. Verbal Reports
6. Adjournment

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

M E M O R A N D U M

DATE: April 23, 2015

TO: Finance Committee

FROM: Tamara Baptista, Finance Manager
Hossein Golestan, Acting Assistant General Manager

SUBJECT: **Reserve Policy**

SUMMARY/BACKGROUND:

The Zone 7 Board of Directors adopted a Reserve Policy in February 2005 that set forth the principals to be followed in creating and maintaining reasonably prudent reserves for conducting the Agency's business.

On November 16, 2011, the Zone 7 Board adopted a Financial Management Framework, which includes planning for current operating and capital resources needed to ensure it will achieve the mission of providing for the financial health and stability of the Agency.

On April 17, 2013, the Board adopted an Interim Reserve Policy to ensure the Agency's ability to respond to changes in the economic environment and service demands with minimal impact on its customers while maintaining the financial integrity of the Agency, consistent with the Financial Management Framework.

DISCUSSION:

In February 2013, staff secured the assistance of a highly regarded consulting firm, Fieldman, Rolapp & Associates, to help develop the Reserve Policy. A part of the FY 15/16 budget process, staff is revisiting the reserve policy, to ensure it continues to meet the Agency's needs and to ensure the committee members' questions and concerns are addressed.

The Reserve Policy designates ten specific Reserves, allocated across the three major funding areas. The following is a list of those designations, which are fully described in Attachment A:

1. Water Enterprise
    a. Operating Reserve
    b. Emergency Reserve
    c. Drought Contingency Reserve
    d. Rate Stabilization

    e. Capital Improvement, Renewal & Replacement and System –Wide Improvements Reserve
    f. Capital Expansion Reserve
2. Flood Control
    a. Operating Reserve
    b. Capital Project Reserve
    c. Capital Flood Protection and Storm Water Drainage Development Impact Fee Project Reserve
3. State Water Facilities Operating Reserve

Robert Porr, from Fieldman, Rolapp & Associates will give a brief presentation on the Agency's Reserve Policy.

RECOMMENDED ACTION:

Receive the presentation and discuss the Interim Reserve Policy.

ATTACHMENTS:

Attachment A – April 17, 2013 agenda item on Interim Reserve Policy

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

ORIGINATING DIVISION: Administrative Services
CONTACT PERSON: Tom Hughes

AGENDA DATE: April 17, 2013 ITEM NO. 8

SUBJECT: Interim Reserve Policy

SUMMARY:

- Zone 7 Water Agency adopted a Financial Framework on November 16, 2011 to assure the prudent management of its funds. One of the Framework's primary goals is to ensure the Agency's ability to respond to changes in the economic environment and service demands with minimal impact on its customers while maintaining the financial integrity of the Agency.
- Last year the Zone 7 Board directed staff to review and possible revise the Reserve Policy to incorporate additional financial policies and procedures that meet the intent of the Board to ensure its mission by providing financial health and stability to the Agency.
- On October 18, 2012, a draft revised policy was presented to the Board but continued for further discussion. Staff held meetings with both the Hacienda Owners Association and the Retailers to share plans and solicit feedback.
- On April 8, 2013, Staff presented a draft Interim Reserve Policy to the Zone 7 Finance Committee, which included input from the Agency's customers. The committee directed Staff to move the Interim Reserve Policy forward to the full Board at its next meeting of April 17, 2013.

FUNDING:

N/A

RECOMMENDED ACTION:

Adopt the attached resolution approving the Interim Reserve Policy.

ATTACHMENT:

- Zone 7 Memorandum to Board
- Zone 7 Reserve Policy
- Zone 7 Financial Management Framework and Board Resolution
- Draft Interim Reserve Policy
- Overview of Interim Reserve Policy
- Board Resolution

Interoffice Memo

DATE: April 17, 2013
TO: Jill Duerig, General Manager
FROM: Tom Hughes, Assistant General Manager
SUBJECT: **Draft Interim Reserve Policy**

SUMMARY/BACKGROUND:

The Zone 7 Board of Directors adopted a Reserve Policy in February 2005 that set forth the principles to be followed in creating and maintaining reasonably prudent reserves for conducting the Agency's business (Attachment A).

On November 16, 2011, the Zone 7 Board adopted a Financial Management Framework (Attachment B), which includes planning for current operating and capital resources needed to ensure it will achieve the mission of providing for the financial health and stability of the Agency. One of the Framework's primary goals is to ensure the Agency's ability to respond to changes in the economic environment and service demands with minimal impact on its customers while maintaining the financial integrity of the Agency.

DISCUSSION:

Last year the Zone 7 Board directed staff to review the Reserve Policy in order to determine if the policy could be improved to better define appropriate procedures and constraints for which the Agency would manage reserve funds. A first draft of a revised policy was developed and staff made a public presentation on the draft policy to Director Ramirez Holmes, a member of the Finance Committee on October 9, 2012. An agenda item requesting adoption of the revised policy was prepared for the October 18, 2012 Board meeting. However, the item was continued at the request of the City of Pleasanton and Hacienda Owners Association to facilitate further discussions. Staff subsequently met with representatives from Pleasanton and Hacienda Owners Association to address their concerns.

In February 2013, staff secured the assistance of a highly regarded financial consulting firm, Fieldman, Rolapp & Associates, to help develop an Interim Reserve policy. A review of the current policy was commenced with a focus on the minimum and maximum limits attributed to each reserve.

This allowed a broader scale of analysis to occur which delivered a narrow set of commonly exercised best practices from among industry peers which could be adopted and utilized within Zone 7.

In mid-March 2013, Staff provided the Retailers with an early draft of the Interim Reserve Policy and on March 27, 2013, met jointly with the financial consultant and the Retailers to discuss their comments and questions. The Retailer group provided useful comments, observations and a sense of general support for the draft Interim Reserve Policy. Several changes were made based on external and internal feedback.

The draft Interim Reserve Policy is a straight-forward, clearly laid-out, and easier to administer reserve policy document. The draft Interim Reserve Policy designates ten specific Reserves, allocated across six funds. Full descriptions and definitions are provided in the accompanying document (Attachment C). The following is a listing of those designations.

1. **Water Enterprise (Fund 52)**
   a. Operating Reserve
   b. Emergency Reserve
   c. Drought Contingency Reserve
   d. Rate Stabilization

2. **Capital Improvement, Renewal & Replacement and System –Wide Improvements Reserve (Fund 72)**

3. **Capital Expansion Reserve (Fund 73)**

4. **Flood Control (Fund 50)**
   a. Operating Reserve
   b. Capital Project Reserve

5. **Capital Flood Protection and Storm Water Drainage Development Impact Fee Project Reserve (Fund 76)**

6. **State Water Facilities (Fund 51)**
   a. Operating Reserve

On April 8, 2013 Staff provided an overview of the draft Interim Reserve Policy to the Zone 7 Finance Committee. The committee reviewed, discussed the policy documents and provided suggestions including the creation of an overview document with specific guidelines depicted in a numeric fashion (Attachment D). The committee provided Staff direction to move the Interim Reserve Policy to the full Board for consideration and approval at its regularly scheduled meeting on April 17, 2013.

ATTACHMENT A

ZONE 7 WATER AGENCY

RESERVE POLICY

Adopted by the Zone 7 Board on February 16, 2005

Zone 7 Water Agency
Reserve Fund Policy

Policy Statement

Zone 7 of the Alameda County Flood Control and Water Conservation District has adopted a Financial Management Policy which includes planning for current operating and capital resource needs to ensure it can achieve its mission by providing for financial stability and health of the Agency. Among the stated goals is to be able to respond to changes in the economic environment and service demands with minimal impact on its customers while maintaining the financial integrity of the Agency.

Key elements of prudent financial planning include ensuring sufficient funding is available for current operating, capital and debt service costs; anticipating and preparing for future funding needs; and allowing for unforeseen disasters and other unforeseen events.

Zone 7 will maintain reserve funds to ensure it can fund emergency expenses; cash flow requirements; capital improvement plans and future operating requirements while avoiding significant rate fluctuations due to changes funding needs. It will also maintain a cash reserve position that may be utilized to fund unexpected fluctuations in revenue and operating/capital expenditures. Staff will review the amount of reserves recommended each year with the Board of Directors at the presentation of the annual Agency budget.

Definitions

- <u>Restricted Reserves:</u> Restrictions imposed by an outside source. May be required by bond covenants in the case of debt issuance.
- <u>Designated Reserves:</u> Set aside for a specific purpose determined by the Board of Directors. The Board of Directors has the authority to redirect the use of these funds as needs of the Agency change.
- <u>Unrestricted Reserves:</u> Have no imposed restrictions as to their use.

Designated Reserve Funds

- <u>Emergency/Operating Reserves:</u> Designated by the Board of Directors to provide for emergencies and cash flow requirements. The amount of these reserves is determined by the fund to which they apply. The water enterprise is maintained at 20% of operating expenses; flood control estimated at flood repair cash flow needs; and the State Water Project at 50% of revenue.
- <u>Rate Stabilization:</u> Designated by the Board of Directors to provide funds in the case of an unforeseen event such as a natural disaster, water shortage or other catastrophic event. Use of these funds is approved by the Board of Directors.
- <u>Designated Reserve:</u> Designated by the Board of Directors to provide for increases in operating expenses in excess of the target established by the Board. The Board authorizes use of these funds.

- Capital Projects and Contingencies Reserve: These reserves are earmarked by the Board of Directors for capital improvements to meet regulatory requirements, system reliability and future demand. These capital improvements are included in the 10 year Capital Improvement Program and the Asset Management Program both of which are reviewed by the Board of Directors each fiscal year. These reserves are also used to fund unanticipated capital projects. Use of these funds is approved by the Board of Directors.

ATTACHMENT B

ZONE 7 WATER AGENCY

FINANCIAL MANAGEMENT FRAMEWORK

Adopted by the Zone 7 Board on November 16, 2011

Financial Management Framework

1. Purpose

To direct staff to prudently manage Zone 7's funds and to maintain financial and accounting records of all transactions in accordance with generally accepted accounting principles.

To adequately plan for the funding of current and future operational requirements and capital resources necessary to achieve the Agency's mission.

To provide staff with a framework to develop policies and procedures to ensure Zone 7's mission by providing financial health and stability to the Agency.

To direct staff that the assessment, levy and collection of taxes, the adoption of the Agency budget, and the appropriation, accounting, and transfer of funds shall be governed by general law and in accordance with generally accepted accounting principles and practices.

2. Administration of the system

In keeping with Resolution No. 09-3266, which states that "The Agency's General Manager has full charge and control of the day-to-day management, operation and administration of the Agency," the General Manager shall retain primary jurisdiction, responsibility, and authority for all matters pertaining to the day-to-day financial management of the Agency. To direct, control, supervise, and manage the development, preparation, organization, administration, operation, implementation, and maintenance of a comprehensive financial management program for Zone 7 Water Agency, the General Manager shall be designated as the fiscal officer of the Agency.

The General Manager may delegate any of the powers and duties conferred upon him or her as fiscal officer to any other employee of the Agency or may recommend that such powers and duties or any part of them be performed under contract.

3. Security of the system

The General Manager shall cause an audit of the financial transactions and records of the Agency to be made at least annually by a third party certified public accountant (i.e., one not employed by the Agency). As soon as possible at the end of each fiscal year a final audit and report shall be completed and submitted to the Board of Directors. Copies shall be placed on file in the office of the General Manager and be available for public inspection.

The General Manager shall also prepare such additional reports as the Board of Directors may from time to time request for information and use in setting financial policies for the Agency.

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

RESOLUTION NO 11-4137

INTRODUCED BY DIRECTOR QUIGLEY
SECONDED BY DIRECTOR GRECI

WHEREAS, Zone 7 Water Agency is pursuing separation from Alameda County and as one sequential step in the separation, an agency financial management framework should be developed to provide direction to Zone 7 in managing its finances.

WHEREAS, the purpose for the financial management framework is to direct Zone 7 staff to prudently manage the Agency's funds and to maintain financial and accounting records of all transactions in accordance with generally accepted accounting principles and practices.

NOW THEREFORE BE IT RESOLVED that this financial management framework directs the General Manager to retain primary jurisdiction, responsibility, and authority for all matters pertaining to the day-to-day financial management of the Agency.

BE IT FURTHER RESOLVED that the Board of Directors of Zone 7 of Alameda County Flood Control and Water Conservation District does hereby adopt the attached Financial Management Framework.

ADOPTED BY THE FOLLOWING VOTE:

AYES: DIRECTORS FIGUERS, GRECI, MACHAEVICH, MOORE, PALMER, QUIGLEY

NOES: NONE

ABSENT: DIRECTOR STEVENS

ABSTAIN: NONE

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

November 16, 2011

By S. Figuers
President, Board of Directors

ATTACHMENT C

ZONE 7 WATER AGENCY

INTERIM RESERVE POLICY

APRIL 2013

DRAFT

ZONE 7 WATER AGENCY
INTERIM RESERVE POLICY

1. Policy Statement

As a part of its mission to provide a reliable supply of high-quality water and effective flood control in a fiscally-responsible way, the Agency is in the process of developing a comprehensive financial plan that will provide a strategy for the timely and cost-effective funding of operations, the capital improvement program and long term financial stability. In conjunction with the development of the aforementioned financial plan, this Interim Reserve Policy, including the methodology for establishing minimum and maximum levels, will be reviewed and re-evaluated to ensure the Agency's financial and fiscal soundness.

A key element of prudent financial planning is to ensure that sufficient funding is available for current operating, capital, and debt service needs. Additionally, fiscal responsibility requires anticipating the likelihood of, and preparing for, unforeseen events. Zone 7 Water Agency ("Zone 7", or the "Agency") will at all times strive to have sufficient funding available to meet its operating, capital, and debt service obligations. Reserve Funds ("Funds") will be accumulated, designated and maintained to allow Zone 7 to fund operating expenses and capital expenditures in a manner consistent with its budget and capital improvement plan, respectively, and avoid significant customer rate fluctuations due to changes in cash flow requirements. Further Zone 7 will endeavor to designate funds for all forms of potential disasters, emergencies and unforeseen events to ensure that funds are available to cover the costs associated therewith.

The Zone 7 Board of Directors (the "Board") adopted a Financial Management Framework (the "Framework") on November 16, 2011 (Resolution Number 4137) which includes planning for current operating and capital resource needs to ensure it can achieve its mission by providing for financial stability and health of the Agency. This Interim Reserve Policy has been developed in keeping with the Framework. One of the Framework's goals is to be able to respond to changes in the economic environment and service demands with minimal impact on its customers while maintaining the financial integrity of Zone 7. A fundamental purpose of this policy is to link what must be accomplished with the necessary resources to successfully do so.

The Policy directives outlined in this document are intended to ensure Zone 7 has sufficient funds to meet current and future needs. The Board shall designate specific funds and maintain minimum fund balances consistent with definitions and funding levels outlined in the Policy. The Board will annually review the level of Funds. For the purposes of compliance with this Policy, Zone 7 may use the amounts on deposit in each of the funds as of the final day of each fiscal year for such calculation.

2. **Definitions**

- Restricted Reserves: Restrictions imposed by an outside source. May be required by bond covenants in the case of debt issuance or by California's Mitigation Fee Act in the case of water connection fees or flood control's developer impact fees
- Designated Reserves: Set aside for a specific purpose determined by Zone 7's Board of Directors. The Board of Directors has the authority to redirect the use of these funds as needs of the Agency change.
- Unrestricted Reserves: Have no imposed restrictions as to their use.

3. **General Provisions**

Zone 7 will maintain its funds in separate accounts in a clearly identifiable manner that provides transparency to its ratepayers. This Policy establishes Reserve Funds for each of the following major funding areas.

- Water Enterprise
- Flood Control
- State Water Project

The minimum fund balances are established to:

- Comply with applicable statutory requirements
- Finance future capital facilities, finance improvements, and repair and replacement of existing assets
- Assure cash flow requirements are met
- Provide for economic uncertainties, local disasters, and other financial hardships or downturns in the local or national economy
- Provide for contingencies, emergencies or unforeseen operating or capital needs

To ensure reliable service to its ratepayers and maintain fiscal responsibility, in every fiscal year Zone 7 will maintain balances in its Reserve Funds that are financially prudent.

Segregation of Funds

The Agency will not transfer moneys between reserve funds that are established under different functions of the Agency. The Agency may complete interfund borrowing between reserves of different functions of the Agency. The Board shall approve any reallocation of funds or any transfers among Reserve Funds.

4. **Fund Target Levels and Policy Compliance Management**

Upon Board adoption of this policy, Zone 7 staff will take necessary actions to comply with this policy.

Fund balances will be reviewed on an annual basis at the end of the fiscal year based on unaudited/audited actuals to ensure compliance with this Policy
The minimum established for each Fund represents the target that is acceptable to Zone 7 from risk and long-range financial planning perspectives. Maintaining fund balances at appropriate levels is a prudent, ongoing business process that consists of an iterative, dynamic assessment and application of various revenue generating alternatives. These revenue-generating alternatives (either alone or in combination with each other) include, but are not limited to:

- fees and charges,
- energy usage,
- capital financing,
- investment of funds, and
- levels of capital expenditures.

I. WATER ENTERPRISE OPERATING RESERVE

The amounts in the Water Enterprise Operating Reserve should fluctuate depending on the annual operating expenses of Zone 7. The Water Enterprise Operating Reserve Fund is designated by the Board to maintain a reserve for current operations and to meet routine cash flow needs. Money on deposit in this fund may be used for unanticipated operating expenses, daily cash flow requirements and emergencies.

Minimum and Maximum Levels – Funding shall be targeted at a minimum amount equal to thirty-two (32) days of the Agency's budgeted total operating expenses, and the maximum amount shall not exceed ninety (90) days of the total budgeted operating expenses. Zone 7 will strive to maintain a target balance amount between thirty-two (32) and ninety (90) days of the Agency's budgeted total operating expenses.

Events or Conditions Prompting the Use of the Fund – This fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses and extraordinary decreases in revenues and unexpected increases in expenses.

Periodic Review Dates for Balances – Fund balances and target levels will be reviewed by staff, the Board and the public during the development and approval of each budget.

II. WATER ENTERPRISE EMERGENCY RESERVE

Funds in the Water Enterprise Emergency Reserve can be used for any operating or capital purpose (i) to begin repair of the water enterprise system after a catastrophic event, such as, but not limited to, an earthquake, fire, terrorist event, or storm while insurance claims are being processed or (ii) in the event of severe financial events that impact the financial soundness of Zone 7.

Minimum and Maximum Levels – Funding shall be targeted at a minimum equal to 1% of the capital assets of the Agency's water enterprise system and a maximum of 3% of the capital assets of the enterprise system, based on current Federal Emergency Management Agency (FEMA) guidelines. Zone 7 will strive to maintain a target balance equal to 2% of the capital assets of the water enterprise system.

Events or Conditions Prompting the Use of the Fund – The Board may designate use of this fund after establishing that conditions exist as called out in the definition and purpose of the fund. Funds will be transferred to the appropriate capital or operating fund as necessary.

Periodic Review Dates for Balances – Fund balances and target level will be reviewed by staff, the Board and the public during the development and approval of each budget.

III. WATER ENTERPRISE DROUGHT CONTINGENCY RESERVE

The Water Enterprise Drought Contingency Reserve, formerly called the "Rate Stabilization Reserve," supplements losses to water sales revenue resulting from impacts of drought conditions due to regulatory or State and Federal mandated reductions in supply, or an unforeseen event such as a natural disaster, water shortage or other catastrophic event.

Minimum and Maximum Levels – Zone 7 will strive to maintain a minimum target balance equal to seven percent (7%) of the budgeted amount of water sales revenue and a maximum target amount equal to 20% of the budgeted amount of water sales revenue.

Events or Conditions Prompting the Use of the Fund – Funds may be utilized by staff to cover operating expenses when revenue does not cover the cost of providing services (operating expenses and Asset Management Program transfer) due to losses resulting from the aforementioned conditions.

Periodic Review Dates for Balances – Fund balances and the need for funding drought contingency measures will be reviewed by staff, the Board, and the public during the development and approval of each budget. Additionally, the need for funding drought contingency measures may be reviewed at any time during the course of any fiscal year should the need arise.

IV. WATER ENTERPRISE RATE STABILIZATION RESERVE

The Rate Stabilization Reserve is a new reserve that will serve as a means to temper the need for significant water rate increases. Ongoing water rate increases are projected to meet the cost of service. In order to offset significant increases in water rates, the rate stabilization reserve will be established. The reserve will accumulate revenues for use during periods of unanticipated fluctuations in treated water rate revenues and cost of service.

Minimum and Maximum Levels – The Agency will maintain a minimum target level equal to six percent (6%) of the budgeted amount of water sales revenue.

Events or Conditions Prompting the Use of the Fund – This reserve will be drawn down to smooth rate increases as authorized by the Board during the rate-setting and/or budget process. The Agency will strive for an initial target balance of $6.8 million. To determine whether and in what amount money from this reserve should be used to offset any proposed water rate increase in excess of 2 times the CPI for the San Francisco Bay Area, Zone 7 will consider and analyze the following factors:

1. the annual CPI for the San Francisco Bay Area;
2. the annual increase in construction costs as provided by the Engineering New Record or alternative source for such data;
3. the projected rate increases for the next succeeding five fiscal years of the Agency;
4. the actual rate increases for the previous five fiscal years of the Agency;
5. the projected capital expenditures for the next succeeding five fiscal years of the Agency;
6. the funds on hand to spend on capital projects over the next succeeding five fiscal years of the Agency; and
7. the amounts on deposit in each of the other Reserve Funds covered under this policy.

Periodic Review Dates for Balances – Fund balances and target level will be reviewed by staff, the Board, and the public during the development and approval of each budget.

V. WATER ENTERPRISE CAPITAL IMPROVEMENT, RENEWAL & REPLACEMENT AND SYSTEM-WIDE IMPROVEMENTS RESERVE

The Agency employs a pay-as-you-go funding strategy to minimize debt borrowing and interest expenses, therefore capital reserve funds are accumulated to provide for current and future funding needs of the various capital programs. The amount on deposit in the Water Enterprise Capital Improvement, Renewal & Replacement and System-Wide Improvements Reserve is earmarked by the Board of Directors for capital projects to meet regulatory requirements, replacement needs and system reliability of Zone 7's water enterprise. These capital projects are included in the

- 10-year Water System Capital Improvement Program; and
- the Asset Management Program (AMP),

both of which are reviewed and approved by the Board of Directors periodically.

Within this fund is a separate reserve to be used for a portion of the acquisition of the Agency's administrative-engineering building (the "Building Sinking Fund"). Contributions are made to the Water Enterprise Capital Improvement, Renewal & Replacement and System-Wide Improvement Sinking Fund at the discretion of the Agency and money therein is designated for the purpose of acquiring the Agency's future administrative-engineering building. At such time that the administrative-engineering building is acquired by Zone 7, the Building Sinking Fund may be closed at the discretion of the Agency. The Capital Improvement, Renewal & Replacement System-Wide Improvements Reserve funds capital improvement projects and assets, and the renewal or replacement of capitalized assets as they reach the end of their useful lives.

<u>Minimum and Maximum Levels</u> – Funding for the Water Enterprise Capital Improvement, Renewal & Replacement and System-Wide Improvement Reserve shall be targeted at a minimum amount equal to 100% of the estimated capital budget for the fiscal year immediately succeeding the then-current budgeted fiscal year, plus 50% of the estimated capital budget for the fiscal year two years subsequent to the then current budgeted fiscal year. Zone 7 will not have a maximum target for this fund, but rather the fund shall accumulate sufficient reserves to pay for future projects set forth in the AMP and the reserve balance shall be consistent with the reserve balances forecast in the most recent asset management plan and the current capital improvement plan. Funds on deposit in the Building Sinking Fund shall not be considered in connection with the calculation of minimum levels.

<u>Events or Conditions Prompting the Use of the Fund</u> – Staff will recommend that assets be constructed, replaced, upgraded and/or repaired during the development and approval of the annual budget. Funds will be appropriated from the Water Enterprise Capital Improvement, Renewal & Replacement and System-Wide Improvement Reserve for renewal, replacement, or system-wide improvements projects.

Periodic Review Dates for Balances – Fund balances and projected improvement projects will be reviewed by staff, the Board and the public during the development and approval of each budget.

VI. WATER ENTERPRISE CAPITAL EXPANSION RESERVE

The Agency employs a pay-as-you-go funding strategy to minimize debt borrowing and interest expenses, therefore capital reserve funds are accumulated to provide for current and future funding needs. Money in the Water Enterprise Capital Expansion Reserve is earmarked by the Board of Directors for capital projects to meet needs as a result of development and system reliability. In furtherance of meeting such needs the Agency incurred certain non-discretionary financial obligations associated with capital expansion projects. Within this fund are three separate reserves to be used for the:

1. A portion of the acquisition costs for the Agency's administrative-engineering building, (the "Building Sinking Fund");
2. Construction of improvements and enlargements to the South Bay Aqueduct (the "SBA Sinking Fund") and
3. Future Contractors share of the South Bay Aqueduct construction (the "FCSBA Sinking Fund").

Contributions are made to the Building Sinking Fund at the discretion of the Agency and moneys therein are designated for the sole use of acquiring the Agency's administrative-engineering building. At such time that the administrative-engineering building is acquired by Zone 7 the Building Sinking Fund may be closed at the discretion of the Agency.

The Water Enterprise Capital Expansion Reserve is used for the funding of expansion capital projects to accommodate new growth.

Minimum and Maximum Levels – Funding for the Water Enterprise Capital Expansion Reserve shall be targeted at a minimum amount equal to 60% of the estimated non-discretionary amount budgeted annually. Zone 7 will not have a maximum limitation for this fund, but rather the fund shall accumulate sufficient reserves to pay for future capital expansion projects as set forth in the capital improvement plan. The Agency may satisfy the minimum amount through the use of lines of credit, interim inter-fund borrowings or other financing arrangements. Funds on deposit in the Building Sinking Fund, SBA Sinking Fund and FCSBA Sinking Fund shall not be considered in connection with the calculation of minimum or maximum levels of the Water Enterprise Capital Expansion Reserve.

Events or Conditions Prompting the Use of the Fund – Staff will recommend new assets to be constructed during the development and approval of the annual budget. Funds will be appropriated from the Water Enterprise Capital Expansion Reserve for expansion capital projects.

Periodic Review Dates for Balances – Fund balances and projected capital projects will be reviewed by staff, the Board and the public during the development and approval of each budget.

VII. FLOOD CONTROL OPERATING RESERVE

The amounts in the Flood Control Operating Reserve Fund will fluctuate depending on the receipt of property taxes and the annual operating expenses of Zone 7. The Flood Control Operating Reserve is designated by the Board to maintain a reserve for current operations and to meet routine cash flow needs. Money on deposit in this fund may is used for unanticipated operating expenses, daily cash flow requirements and emergencies.

Minimum and Maximum Levels – Funding shall be targeted at a minimum amount equal to twenty percent (20%) of the Agency's budgeted total annual operating expenses, and the maximum amount shall not exceed 50% of the total budgeted operating expenses.

Events or Conditions Prompting the Use of the Fund – This fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses and/or shifts in the allocation of property taxes to Zone 7.

Periodic Review Dates for Balances – Fund balances and target levels will be reviewed by staff, the Board and the public during the development and approval of each budget.

VIII. FLOOD CONTROL CAPITAL PROJECT RESERVE

The Flood Control Capital Project Reserve is a new reserve that will hold the balance of funds once the Flood Control Operating Reserve Fund achieves levels that are consistent with this Policy on an annual basis. The amount on deposit in the Flood Control Capital Project Reserve is earmarked by the Board of Directors for capital projects to meet Zone 7's flood protection needs. These capital projects are included in the current Flood Control Capital Improvement Plan and in the Stream Management Master Plan and any related updates. Within the Flood Control Project Reserve is a separate reserve to be used for a portion of the acquisition of the Agency's administrative-engineering building (the "Building Sinking Fund"). Contributions are made to this fund at the discretion of the Agency and money therein is designated for the purpose of acquiring the Agency's administrative-engineering building. At such time that the administrative-engineering building is acquired by Zone 7, the Building Sinking Fund may be closed at the discretion of the Agency.

Minimum and Maximum Levels – There are no current plans to set minimum or maximum target balances in the Flood Control Project Reserve.

Events or Conditions Prompting the Use of the Fund –The Flood Control Project Reserve may be used at any time for flood control maintenance or improvement projects not related to development.

Periodic Review Dates for Balances – Fund balances will be reviewed by staff, the Board and the public during the development and approval of each budget.

IX. FLOOD PROTECTION AND STORM WATER DRAINAGE DEVELOPMENT IMPACT FEE PROJECT RESERVE

The purpose of the Flood Protection and Storm Water Drainage Development Impact Fee (DIF) Project Reserve is to ensure that Zone 7 is able to meet current and future needs for flood control facilities and is primarily intended to provide funding for any flood control facilities required to mitigate the impacts of new development. This Reserve will hold development impact fees in connection with Flood Protection improvements related to development. Within this fund is a separate reserve to be used for a portion of the acquisition of the Agency's administrative-engineering building (the "Building Sinking Fund"). Contributions to the Building Sinking Fund are made at the discretion of the Agency and money therein is designated for the sole use of acquiring the Agency's administrative-engineering building. At such time that the administrative-engineering building is acquired by Zone 7 the Building Sinking Fund may be closed at the discretion of the Agency.

Minimum and Maximum Levels – This Reserve will not be required to have a minimum or maximum balance.

Events or Conditions Prompting the Use of the Fund – This Reserve may be used at any time for flood protection projects required to mitigate the impacts of new development.

Periodic Review Dates for Balances – Fund balances will be reviewed by staff, the Board and the public during the development and approval of each budget.

X. STATE WATER FACILITIES OPERATING RESERVE

The amounts in the State Water Facilities Operating Reserve Fund will fluctuate depending on the receipt of property taxes and the annual operating expenses of Zone 7 related to the State Water Project. The State Water Facilities Operating Reserve Fund is designated by the Board to maintain a reserve for current operations and to meet routine cash flow needs. This fund may be used for unanticipated operating expenses, daily cash flow requirements and emergencies related to State Water Project costs.

Minimum and Maximum Levels – Funding shall be targeted at a minimum amount equal to fifty percent (50%) of the Agency's budgeted total annual operating expenses and a maximum targeted amount of 100% of the Agency's budgeted total annual operating expenses.

Events or Conditions Prompting the Use of the Fund – This fund may be routinely utilized by staff to cover temporary cash flow deficiencies caused by timing differences between revenue and expenses and extraordinary decreases unexpected increases in expenses.

Periodic Review Dates for Balances – Fund balances and target levels will be reviewed by staff, the Board and the public during the development and approval of each budget.

Interim Reserve Policy
Overview

Reserves	Minimum	Maximum	Balances as of FY 2012	2011-12 Operating Budget	% of Operating Budget to Reserves
Water Enterprise (Fund 52)				**$33.5M**	**123%**
Operating Reserve	32 days	90 days of total Operating exp.	$8.4M		
Emergency Reserve	1%	3% of Agency's total Enterprise Plant & Equip.	$6.3M		
Rate Stabilization Reserve	6% of Annual water sales revenue	N/A	$5.4M		
Drought Contingency Reserve	7%	20% of budgeted water sales Revenue	$7.2M		
Fund 52 subtotal			**$27.3M**		
Capital Renewal/Replacement & System-Wide Improvement (Fund 72)				**$12.0M**	**55%**
Project Reserve	100% of following year's capital budget plus 50% of the subsequent year	N/A	$19.0M		
Building Sinking Fund	N/A	N/A	$2.7M		
Fund 72 subtotal			**$21.7M**		
Capital Expansion (Fund 73)				**$22.5M**	**106%**
Installment Sale Agreement (ISA) Fund*	N/A	N/A	$30M*		
Project Reserves	60% of the following year's non-discretionary expenditures	N/A	$12.3M		
Building Sinking Fund	N/A	N/A	$1.4M		
Future Contractor's share of the SBA	N/A	N/A	$1.1M		
SBA Enlargement Project	N/A	N/A	$6.5M		
Fund 73 subtotal			**$21.3M***		
State Water Facilities (Fund 51)				**$12.6M**	**119%**
Operating Reserve	50%	100% of budgeted Operating Exp.	$10.6M		
Fund 51 subtotal			**$10.6M**		
Flood Control (Fund 50)				**$8.7M**	**37%**
Operating Reserve	20%	50% of budgeted Operating Exp.	$4.3M		
Project Reserves	N/A	N/A	$18.6M		
Building Sinking Fund	N/A	N/A	$0.7M		
Fund 50 subtotal			**$23.6M**		
Flood Protection & Stormwater Drainage (Fund 76)				**$3.3M**	**9%**
Project Reserves	N/A	N/A	$36.0M		
Building Sinking Fund	N/A	N/A	$0.7M		
Fund 76 subtotal			**$36.7M**		
Total Reserves*			**$141.2M**	**$92.6M**	**66%**

* ISA is not included in reserve balance calculation total

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

RESOLUTION NO.

INTRODUCED BY
SECONDED BY

WHEREAS, Zone 7 implemented its most recent Reserve Policy on February 16, 2005; and

WHEREAS, Zone 7 further strengthened its financial management policies and practices by adopting the Financial Management Framework on November 16, 2011 with Board Resolution No 11-4137; and

WHEREAS, the purpose of the Interim Reserve Policy is to ensure the Agency's ability to respond to changes in the economic environment and service demands with minimal impact on its customers while maintaining the financial integrity of the Agency.

WHEREAS, the Agency has created this policy document by working, and communicating with its business partners, the Retailers, in a transparent and forthright manner;

NOW THEREFORE BE IT RESOLVED that the Board of Directors of Zone 7 of Alameda County Flood Control and Water Conservation District does hereby establish an Interim Reserve Policy.

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 April 17, 2013.

BY ____________________________
President, Board of Directors

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 23, 2015

TO: Members of the Finance Committee

FROM: Tamara Baptista, Finance Manager
Hossein Golestan, Acting Assistant General Manager, Finance

SUBJECT: Proposed FY 2015/16 Budget

BACKGROUND:

Staff annually prepares an operating budget on a fiscal year basis (July 1 through June 30) and we present it to the Finance Committee for review and discussion prior to presenting it to the full Board. Many components of water planning and rate-setting are on a calendar year basis so budgeting on a fiscal year basis can present challenges and cause confusion unless these differences are acknowledged.

The Agency also prepares a Capital Improvement Program (CIP) (five years for Flood Control and ten years for Water Enterprise), typically every two years, as a separate process from the annual budget process. The CIP is the basis for developing the annual capital budgets that get folded into the fiscal year budgets. The most recent CIP was adopted in October 2014.

An interim reserve policy was adopted by the Board on April 17, 2013. The reserve levels discussed in this report are compared to the interim reserve policy.

The Agency also submits an annual budget to Alameda County for three operating funds 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.

Issues and Trends

Financial issues facing the Agency include the drought, the increasing fiscal impacts from water conservation efforts, the increased State Water Project charges, the slow recovery of the economy, and the continued increasing need to allocate funds to the Asset Management Program (AMP) for infrastructure maintenance and improvements.

Drought:

The drought continues to create challenges both from a water supply and from a financial perspective. There will be less revenue due to mandatory water usage reductions and the expenses will increase due to the replenishment of our water banking programs. In calendar years 2014 and 2015, the low allocations from the State Water Project have been balanced with groundwater both from the local groundwater basin and from out-of-basin groundwater storage in Kern County. Such recovery increased water costs in FY 14/15 and will again in FY 15/16. In addition, the Agency plans to start replenishing those water supplies in calendar year 2016, which increases costs still further in Fiscal Year 15/16.

In calendar year 2014, a local state of drought emergency existed and retailers were directed to achieve 25% conservation. The community did an outstanding job and achieved 29% saving for calendar year 2014. On April 1, 2015, Governor Brown issued an Executive Order, primarily for calendar year 2015, requiring 25% water conservation measures for residential use compared to 2013 use. Conservation of this magnitude significantly reduces revenues, reducing revenues for FY 14/15 (and, by extension, the available fund balance at the beginning of the next fiscal year) and again reducing revenues for FY 15/16.

Water Conservation Act of 2009:

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. Water demands on a per capita basis continue to decrease while fixed costs remain high.

State Water Project Charges:

The State Water Project charges are by far the largest component of the Agency's budget. The charges are increasing due to both capital debt service payments and operating costs.

Asset Management Program (AMP):

With the addition of new facilities, and as the water system infrastructure ages with time, the annual funding of the Renewal/Replacement and System-wide Improvement Fund from the Water Enterprise Fund is increasing. An updated AMP study to assess the condition of Zone 7's infrastructure was adopted by the Board on June 15, 2011, with another study scheduled for 2016. Board-approved funding transfers will be made from the Water Enterprise Fund (Fund 100) to the Renewal/Replacement and System-wide Improvements Fund (Fund 120).

Slow Economic Recovery:

New development within the service area has been picking up, providing slight growth in new water rate payers, development-related property tax income and connection fee revenue. There is also a moderate increase in property values that has resulted in stabilization of the 2014 and 2015 tax assessment roll.

Staffing

There are 122.5 full-time equivalent (FTE) authorized positions of which the FY 15/16 budget funds 110.5 FTE positions with the remaining 12 positions unfunded due to the Soft Hiring Freeze initiative that began in FY 09/10. For FY 15/16 there are 4.5 additional funded positions; one Assistant General Manager of Finance, one Manager of Integrated Water Resources, one GIS Analyst, one Well Permit Technician, and 0.5 FTE Water Resources Engineer Trainee. The Assistant General Manager of Finance, the Well Permit Technician, 0.5 FTE Water Resources Engineer Trainee and the GIS Analyst positions were previously identified as soft hiring freeze positions that are now funded. The Manager of Integrated Water Resources position is new and was approved by the Board in November 2014. Personnel costs are increasing 3% in FY 15/16 due to previously-negotiated COLAs.

OPERATING BUDGETS:

Zone 7 staff prepared preliminary FY 15/16 budgets for the three operating funds (Funds 100, 110 and 200) and the summary of these budgets are shown below:

Water Enterprise Fund – Fund 100 (formerly Fund 52)

Category	*13/14 Audited Actual*	*14/15 Amended Budget*	*14/15 End of Year Projections*	*15/16 Proposed Budget*	*% Change (15/16 budget to 14/15 est actuals)*
Revenue	$ 36,479,758	$34,461,062	$ 31,606,909	$34,552,636	9.32%
Expenses	$ 37,525,019	$50,157,219	$ 46,652,793	$43,119,302	-7.57%
Reserves	$ 30,450,709	$14,754,552	$ 15,404,825	$ 6,838,159	-55.61%

Reserve Policy Levels:
Min $9,666,392
Max $28,814,828

The proposed expenses for this fund are $43.1M and projected reserves at the end of the year are $6.8M. The FY 15/16 expenses are decreasing by $3.6M compared to the FY 14/15 end-of-year projections, primarily due to a $3M lower transfer from the Water Enterprise Fund (Fund 100) to the Renewal/Replacement & System-wide Improvement Fund (Fund 120). While the demand is less for water due to the call for conservation, projected water purchase expenses are still projected to be high. The SWP allocation for 2015 is at 20%, so plans are to remove water from storage in 2015 and to purchase extra water in 2016 to replenish the Cawelo and Semitropic banking programs as well as local storage. The FY 15/16 revenues are decreasing by $0.09M compared to FY 14/15 end-of-year projections due to the estimated 25% loss of water sales for calendar year 2015 and 15% loss of water sales for calendar year 2016 partially offset by the 3% Board-approved rate increase for calendar years 2015 and 2016. The FY 14/15 end of year revenue projections are anticipated to be less than budget due to the fact that the community achieved 29% water conservation instead of the 25% level the agency requested. FY 15/16 reserves are projected to decrease by another $8.6M from the FY 14/15 estimated reserve balance because of the continuation of the drought.

The projected reserve balance at the end of FY 15/16 is $2.8M below the Board-approved minimum reserve level target overall. The Drought Contingency reserve has been depleted and the Emergency Reserve is $2.2M, which is at the minimum policy level. The Operating Reserve is at $3.1M, which is at the minimum policy level.

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

Category	*13/14 Audited Actual*	*14/15 Amended Budget*	*14/15 End of Year Projections*	*15/16 Proposed Budget*	*% Change (15/16 budget to 14/15 End of Year Projections)*
Revenue	$ 13,889,496	$ 14,060,937	$ 14,408,763	$ 19,685,300	36.62%
Expenses	$ 13,681,891	$ 14,227,251	$ 17,201,569	$ 19,344,521	12.46%
Reserves	$ 8,849,889	$ 8,683,575	$ 6,057,083	$ 6,397,862	5.63%

Reserve Policy Levels
Min $9,672,261
Max $19,344,521

The proposed expense budget for this fund is $19.3M and the projected end-of-year reserves are $6.4M. This is a pass-through fund for fixed charges associated with the State Water Project. The FY 15/16 projected expenses are $2.1M greater than the FY 14/15 end-of-year projections, based on the California Department of Water Resources' (DWR) statement of charges (SOC) for 2015 and DWR's estimates for 2016. In June 2014, DWR announced that they were experiencing cash flow issues and presented the State Water Contractors (SWC) with a 2015 Statement of Charges (SOC) proposing to cover the majority of the shortfall. DWR stated that the primary reason for the cash flow issue was a large salary increase for DWR employees as well as an increase in DWR's number of full time employees working on the State Project. Projected FY 15/16 revenues are increasing $5.3M over the FY 14/15 end of year projections due to the increased property tax needed to pay for the increase in DWR charges.

There are two options for increasing revenues to cover this shortfall. One option is to spike up the property tax levy significantly in FY 15/16 to fully cover the shortfall in this fund. The other option is to smooth out the property tax increase to pay for the shortfall. Staff recommends smoothing out the property tax increase over a few years and continue to monitor DWR's invoices and re-bills. The proposed property tax levy for FY 15/16 is $16.5M.

The reserve balance at the end of FY 15/16 is $3.3M below the Board approved minimum reserve level target.

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

Category	*13/14 Audited Actual*	*14/15 Amended Budget*	*14/15 End of Year Projections*	*15/16 Proposed Budget*	*% Change (15/16 budget to 14/15 End of Year Projections)*
Revenue	$ 6,579,116	$ 6,505,936	$ 6,546,087	$ 6,709,984	2.50%
Expenses	$ 15,673,828	$ 14,279,561	$ 9,482,545	$ 12,424,922	31.03%
Reserves	$ 15,260,267	$ 7,486,642	$ 12,323,809	$ 6,608,871	-46.37%

Reserve Policy Levels
Min $1,646,627 (Operating Reserve)
Max N/A

The proposed expenses for this fund are $12.4M and projected reserves at the end of FY 15/16 are $6.7M. The FY 15/16 expenses are increasing $2.9M compared to the FY 14/15 end-of-year projections due to planned Flood Control activities. The FY 15/16 proposed revenues are increasing by $0.16M over FY 14/15 end-of-year projections due to increased property tax revenue percentage increase estimates provided by the Alameda County Assessor's Office (4.5%) and reserves are decreasing by $5.7M due to the use of the fund balance.

Of the $6.6M reserve balance at the end of FY 15/16, $4.1M is for the Operating Reserve. This amount is $2.5M above the Board approved minimum reserve for Operating Reserve. The remaining $2.5M includes $1.5M for Capital Project Reserves and $1M for the Sinking Fund Reserves.

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 FY 15/16 Capital Improvement Program (CIP) was last adopted by the Board in October 2014. The resulting proposed capital budgets are included in the proposed FY 15/16 capital budget.

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

Category	*13/14 Audited Actual*	*14/15 Amended Budget*	*14/15 End of Year Projections*	*15/16 Proposed Budget*	*% Change (15/16 budget to 14/15 End of Year Projections)*
Revenue	$ 8,957,719	$ 13,129,324	$ 13,322,244	$ 7,933,460	-40.45%
Expenses	$ 15,247,494	$ 13,236,048	$ 11,492,580	$ 19,764,102	71.97%
Reserves	$ 18,690,974	$ 18,584,250	$ 20,520,638	$ 8,689,996	-57.65%

Reserve Policy Levels
Min $31,950,000 (Capital Project Reserve)
Max N/A

The proposed expense budget for Fund 120 in FY 15/16 is $19.8M and projected reserves at the end of FY 15/16 are $8.7M (well below the minimum reserve policy level). The FY 15/16 expenses are increasing by $8.3M compared to the FY 14/15 end-of-year projections due to planned capital projects. The FY 15/16 revenue budget is $7.9M, decreasing by $5.4M compared to the FY 14/15 end-of-year projections due to a $3M lower transfer from the Water Enterprise Fund (Fund 100) to the Renewal/Replacement & System-wide Improvement Fund (Fund 120). Reserves are decreasing by $11.8M due to the decreased transfer and planned capital projects.

Of the $8.7M reserve balance at the end of FY 15/16 $4.4M is for the Capital Project Reserve. This amount is $27.5M below the Board-approved minimum reserve for Capital Projects. The remaining $4.3M reserve balance is for the Sinking Funds.

Water Enterprise Expansion – Fund 130 (formerly Fund 73)

Category	*13/14 Audited Actual*	*14/15 Amended Budget*	*14/15 End of Year Projections*	*15/16 Proposed Budget*	*% Change (15/16 budget to 14/15 End of Year Projections)*
Revenue	$ 24,228,649	$ 22,042,020	$ 22,375,836	$ 26,210,826	17.14%
Expenses	$ 22,526,965	$ 22,352,045	$ 25,581,620	$ 24,890,176	-2.70%
Reserves	$ 33,346,252	$ 33,036,227	$ 30,140,468	$ 31,461,118	4.38%

Reserve Policy Levels
Min $12,000,000 (Capital Project Reserve)
Max N/A

The proposed expense budget for this fund is $24.9M and projected reserves at the end of the fiscal year are $31.5M. The FY 15/16 expenses are decreasing by $0.7M compared to the FY 14/15 end of year projections. The proposed FY 15/16 revenue budget is $26.2M, increasing by $3.8M compared to FY 14/15 end of year projections primarily due to a increase in projected connection fee revenue. Reserves are increasing by $1.3M.

Of the $31.5M reserve balance at the end of FY 15/16, $17.7M is for the Capital Project Reserve. This amount is $5.7M above the Board approved minimum reserve for Capital Projects. The remaining $13.8M reserve balance is for the Sinking Funds.

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

Category	*13/14 Audited Actual*	*14/15 Amended Budget*	*14/15 End of Year Projections*	*15/16 Proposed Budget*	*% Change (15/16 budget to 14/15 End of Year Projections)*
Revenue	$ 4,887,165	$ 2,646,500	$ 2,630,098	$ 2,861,500	8.80%
Expenses	$ 4,029,267	$ 7,022,157	$ 6,139,707	$ 5,178,863	-15.65%
Reserves	$ 41,506,429	$ 37,130,772	$ 37,996,820	$ 35,679,457	-6.10%

Reserve Policy Levels
Min N/A
Max N/A

The proposed expense budget for this fund is $5.2M and projected reserves at the end of the fiscal year are $35.7M. The FY 15/16 expenses are decreasing $0.9M over FY 14/15 end of year projections due to planned capital project activities. The proposed FY 15/16 revenues are increasing by $0.3M due to a slight increase in development. Reserves are decreasing by $2.3M due to increased capital project activities.

SUMMARY OF TOTAL ZONE 7 BUDGET:

Category	*13/14 Audited Actual*	*14/15 Amended Budget*	*14/15 End of Year Projections*	*15/16 Proposed Budget*	*% Change (15/16 budget to 14/15 End of Year Projections)*
Revenue	$ 95,021,903	$ 92,845,779	$ 90,889,937	$ 97,953,706	7.77%
Expenses	$108,684,464	$121,274,281	$116,550,814	$124,721,886	7.01%
Reserves	$148,104,521	$119,676,019	$122,443,644	$ 95,675,463	-21.86%

RECOMMENDATION:
Upon the completion of the presentation and discussion, staff is seeking the Committee's direction on the proposed FY 15/16 budget.

ATTACHMENTS:
FY 15/16 Annual Budget by Account Classification
Comparative Annual Budget by Account Classification

	FY 15/16 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	Water Enterprise System Fund Totals
1	Available Fund Balance July 1, 2014	$ 30,450,709	$ 8,849,889	$ 18,690,974	$ 33,346,252	$ 91,337,825
2	FY 14/15 Projected Change in Fund Balance (Revenue over Expenses)	(15,045,884)	(2,792,806)	1,829,664	(3,205,784)	(19,214,810)
3	FY 14/15 Budgeted Change in Fund Balance (Revenue over Expenses)[1]	(15,219,547)	(166,314)	5,550,433	2,556,882	(7,278,546)
4	Estimated Beginning Fund Balance July 1, 2015	15,404,825	6,057,083	20,520,638	30,140,468	72,123,015
5	**Revenue**					
6	Water Sales & Service	34,191,645	1,521,620			35,713,265
7	Property Taxes		16,650,000			16,650,000
8	Development Fees			375,960	22,826,757	23,202,717
9	Charges for Services	131,500		2,500		134,000
10	Aid from Governmental Agencies - State	-	45,000			45,000
11	Aid from Governmental Agencies - Local		610			610
12	Investment Earnings	90,000	30,000	55,000	264,069	439,069
13	Rents and Royalties	65,263				65,263
14	Other Revenue	74,228	1,438,070		3,120,000	4,632,298
15	*Subtotal (before transfers)*	*34,552,636*	*19,685,300*	*433,460*	*26,210,826*	*80,882,222*
16	Transfers			7,500,000		7,500,000
17	**Total Revenue**	**34,552,636**	**19,685,300**	**7,933,460**	**26,210,826**	**88,382,222**
18	**Expenses**					
19	Labor and Benefits Distributed	$16,173,433		1,222,684	185,411	17,581,528
20	Credits/Charges for Applied Overhead	($2,583,665)		1,317,816	280,389	(985,460)
21	Purchased Services	$4,360,785		4,328,500	2,401,506	11,090,791
22	Water	$7,566,114	19,344,521		20,906,541	47,817,176
23	Chemicals	$2,432,413				2,432,413
24	Energy	$1,929,277				1,929,277
25	Communications	$177,150				177,150
26	Cleaning Services	$40,351				40,351
27	Repairs and Maintenance	$2,802,229				2,802,229
28	Rental Services	$118,900		560,102	435,635	1,114,637
29	General Office Services/ Supplies	$593,678		-		593,678
30	Organizational Membership/ Participation	$471,381			694	472,075
31	Other Services/ Supplies	$416,197		260,000	5,000	681,197
32	Training and Travel	$405,525				405,525
33	Special Departmental Expense/Capital Projects	$587,835		1,110,000	650,000	2,347,835
34	Capital Projects					
35	Equipment, Furniture and Vehicles	$127,700		120,000		247,700
36	Land and Facility Improvements			10,845,000	25,000	10,870,000
37	Debt Service					
38	*Subtotal (before transfers)*	*$35,619,302*	*19,344,521*	*19,764,102*	*24,890,176*	*99,618,101*
39	Transfers	7,500,000				7,500,000
40	**Total Expenses**	**43,119,302**	**19,344,521**	**19,764,102**	**24,890,176**	**107,118,101**
41	Estimated Ending Fund Balance June 30, 2016	6,838,159	6,397,862	8,689,996	31,461,118	53,387,135
42	**Reserve Balances**					
43	Operating	3,122,788	6,397,862			9,520,650
44	Rate Stabilization	1,468,911				1,468,911
45	Emergency	2,246,460				2,246,460
46	Drought Contingency	0				0
47	Capital Projects			4,387,542	17,697,462	22,085,004
48	Sinking Funds - FY 14/15 Contributions					
49	*Building Sinking Fund*			*417,824*	*520,200*	*938,024*
50	*Future Contractor's Share of the South Bay Aqueduct*				*548,145*	*548,145*
51	*South Bay Aqueduct Enlargement*				*1,116,627*	*1,116,627*
52	Sinking Funds Reserve Balance			4,302,454	13,763,656	18,066,110
53	**Total Reserves (lines 43+44+45+46+47+52)**	$ 6,838,159	$ 6,397,862	$ 8,689,996	$ 31,461,118	$ 53,387,135
54	Change in Fund Balance[2] (use of reserves) - line 53 minus line 4	(8,566,666)	340,779	(11,830,642)	1,320,650	(18,735,880)

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.

	FY 15/16 PROPOSED BUDGET	Fund 200 Flood Protection/ General Fund	Fund 210 Flood Protection Development Impact Fees	Flood Control Fund Totals	Grand Total
1	Available Fund Balance July 1, 2014	$ 15,260,267	$ 41,506,429	$ 56,766,696	$ 148,104,521
2	FY 14/15 Projected Change in Fund Balance (Revenue over Expenses)	(2,936,458)	(3,509,609)	(6,446,067)	(25,660,877)
3	FY 14/15 Budgeted Change in Fund Balance (Revenue over Expenses)[1]	(3,910,156)	(3,108,775)	(7,018,931)	(14,297,477)
4	Estimated Beginning Fund Balance July 1, 2015	12,323,809	37,996,820	50,320,629	122,443,644
5	**Revenue**				
6	Water Sales & Service				35,713,265
7	Property Taxes	6,472,129		6,472,129	23,122,129
8	Development Fees		2,656,500	2,656,500	25,859,217
9	Charges for Services	47,650		47,650	181,650
10	Aid from Governmental Agencies - State	54,000		54,000	99,000
11	Aid from Governmental Agencies - Local	10,700		10,700	11,310
12	Investment Earnings	30,000	180,000	210,000	649,069
13	Rents and Royalties	60,505		60,505	125,768
14	Other Revenue	35,000	25,000	60,000	4,692,298
15	*Subtotal (before transfers)*	*6,709,984*	*2,861,500*	*9,571,484*	*90,453,706*
16	Transfers				7,500,000
17	**Total Revenue**	**6,709,984**	**2,861,500**	**9,571,484**	**97,953,706**
18	**Expenses**				
19	Labor and Benefits Distributed	1,418,225	416,472	1,834,697	19,416,225
20	Credits/Charges for Applied Overhead	752,477	232,983	985,460	(0)
21	Purchased Services	2,428,282	1,278,650	3,706,932	14,797,723
22	Water				47,817,176
23	Chemicals				2,432,413
24	Energy				1,929,277
25	Communications	5,592	328	5,920	183,070
26	Cleaning Services	6,000		6,000	46,351
27	Repairs and Maintenance	2,818,293		2,818,293	5,620,522
28	Rental Services	157,418	126,518	283,936	1,398,573
29	General Office Services/ Supplies	12,500		12,500	606,178
30	Organizational Membership/ Participation	118,000		118,000	590,075
31	Other Services/ Supplies	484,915	287	485,202	1,166,399
32	Training and Travel	18,100		18,100	423,625
33	Special Departmental Expense/Capital Projects	13,332	250,000	263,332	2,611,167
34	Capital Projects	4,191,788		4,191,788	4,191,788
35	Equipment, Furniture and Vehicles				247,700
36	Land and Facility Improvements		2,873,625	2,873,625	13,743,625
37	Debt Service				
38	*Subtotal (before transfers)*	*12,424,922*	*5,178,863*	*17,603,785*	*117,221,886*
39	Transfers				7,500,000
40	**Total Expenses**	**12,424,922**	**5,178,863**	**17,603,785**	**124,721,886**
41	Estimated Ending Fund Balance June 30, 2016	6,608,871	35,679,457	42,288,328	95,675,463
42	**Reserve Balances**				-
43	Operating	4,116,567		4,116,567	13,637,217
44	Rate Stabilization				1,468,911
45	Emergency				2,246,460
46	Drought Contingency				0
47	Capital Projects	1,462,508	34,670,196	36,132,704	58,217,708
48	Sinking Funds - FY 14/15 Contributions				
49	*Building Sinking Fund*	*92,850*	*92,850*	*185,700*	*1,123,724*
50	*Future Contractor's Share of the South Bay Aqueduct*				*548,145*
51	*South Bay Aqueduct Enlargement*				*1,116,627*
52	Sinking Funds Reserve Balance	1,029,796	1,009,261	2,039,057	20,105,167
53	**Total Reserves (lines 43+44+45+46+47+52)**	$ 6,608,871	$ 35,679,457	$ 42,288,328	$ 95,675,463
54	Change in Fund Balance[2] (use of reserves) - line 53 minus line 4	(5,714,938)	(2,317,363)	(8,032,301)	(26,768,181)

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.

Zone 7 Water Agency

Annual Budget by Account Classification Report

FY 15/16 Budget compared to FY 14/15 End of Year Projections

	FY13/14 Actual Amount	FY14/15 Amended Budget	FY14/15 End of Year Projections	FY15/16 Proposed Budget	Diff from FY 15/16 Bud vs FY 14/15 End of Year Projections	% Variance FY 15/16 Bud vs FY 14/15 End of Year Projections	Comments
FUND: 100 Water Enterprise Operations							
Revenue							
411 - Water Sales & Service	$35,616,588.40	$34,246,611.00	$30,876,195.00	$34,191,645.00	$3,315,450.00	11%	Based on 25% conservation for CY 2015 and 15% for CY 2016 and a 3% water rate increase for CY 2016 and another 3% for 2016. FY 14/15 end of year projections represent 29% conservation for CY 2014.
441 - Charges for Services	$2,442.85	$0.00	$1,500.00	$131,500.00	$130,000.00	8667%	$130K for well permit fees based on new Well Ordinance
452 - Aid from Governmental Agencies - State	$300,198.73	$0.00	$220,576.00	$0.00	($220,576.00)	-100%	Received grant in FY 14/15.
461 - Investment Earnings	$84,819.44	$75,000.00	$84,275.00	$90,000.00	$5,725.00	7%	Based on 0.5% interest
462 - Rents and Royalties	$65,509.85	$65,263.00	$65,263.00	$65,263.00	$0.00	0%	
464 - Fines and Penalties	$231.58	$0.00	$100.00	$0.00	($100.00)	-100%	
481 - Other Revenue	$409,967.29	$74,188.00	$359,000.00	$74,228.00	($284,772.00)	-79%	End of year projections includes $60K PGE Rebates, and $240K DWR refunds
Revenue Totals	$36,479,758.14	$34,461,062.00	$31,606,909.00	$34,552,636.00	$2,945,727.00	9%	
Expenditures							
600 - Labor & Overhead Distributed	$14,120,329.05	$13,233,704.00	$14,490,595.00	$13,589,767.00	($900,828.00)	-6%	For FY 14/15, staff plans to spend more time in this fund
611 - Professional Services	$3,280,985.05	$4,456,603.00	$3,514,869.00	$4,360,785.00	$845,916.00	24%	Higher than end of year projection and less than FY 14/15 budget
621 - Water	$4,696,692.26	$9,014,831.00	$6,864,252.00	$7,566,114.00	$701,862.00	10%	Planned purchases include sending water to Cawelo and Semitropic, not recovering the water
631 - Chemicals	$1,788,872.65	$2,250,973.00	$2,250,973.00	$2,432,413.00	$181,440.00	8%	In CY 2014 we treated 29% less water than CY 2013 due to conservation. For CY 2015 we are planning to treat 25% less water than CY 2013.
641 - Utilities	$2,134,092.29	$1,922,616.00	$2,461,316.00	$1,929,277.00	($532,039.00)	-22%	Utility costs are decreasing in FY 14/15 due to the plan to use more surface water than groundwater
643 - Communications	$152,443.06	$174,124.00	$152,651.00	$177,150.00	$24,499.00	16%	
651 - Cleaning Services	$46,832.05	$50,931.00	$40,535.00	$40,351.00	($184.00)	0%	
652 - Repairs and Maintenance	$1,515,683.01	$2,833,012.00	$2,143,731.00	$2,802,229.00	$658,498.00	31%	As needed services
653 - Rental Services	$85,934.98	$792,900.00	$81,800.00	$118,900.00	$37,100.00	45%	FY 15/16 budget includes $57K for one month of emergency generator rental services for the wells.
661 - General Office Services/ Supplies	$320,642.16	$610,897.00	$420,796.00	$593,678.00	$172,882.00	41%	
662 - Organizational Membership/ Participation	$343,310.38	$467,783.00	$441,659.00	$471,381.00	$29,722.00	7%	
665 - Other Services/ Supplies	$24,135.84	$399,078.00	$355,460.00	$416,197.00	$60,737.00	17%	
667 - Training and Travel	$128,006.26	$399,195.00	$186,877.00	$405,525.00	$218,648.00	117%	
669 - Special Departmental Expense	$216,525.51	$698,948.00	$380,655.00	$587,835.00	$207,180.00	54%	Grant monies for the conservation rebate programs will not be available in FY 15/16.
671 - Equipment, Furniture and Vehicles	$16,933.80	$27,700.00	$42,700.00	$127,700.00	$85,000.00	199%	Skip loader $75K and $10K for storage unit for Maint, $15K for replacement servers
691 - Transfers	$8,653,600.48	$12,823,924.00	$12,823,924.00	$7,500,000.00	($5,323,924.00)	-42%	Board approved transfer for FY 14/15 is $12.8M and $7.5M for FY 15/16
Revenue Totals:	$36,479,758.14	$34,461,062.00	$31,606,909.00	$34,552,636.00	$2,945,727.00	9%	
Expenditure Totals	$37,525,018.83	$50,157,219.00	$46,652,793.00	$43,119,302.00	($3,533,491.00)	-8%	The $9M difference between the FY 13/14 actuals and the FY 14/15 end of year projections is due the transfer increase of $4.2M, labor charges $0.4M, water purchases of $2.1M, maintenance costs $0.5M, chemicals $ 0.4M, other services /supplies $0.3M and other miscellaneous increases in FY 14/15
FUND 100: Revenue Less Expenses	($1,062,194.49)	($15,696,157.00)	($15,045,884.00)	($8,566,666.00)	$6,479,218.00	-43%	
FUND: 110 State Water Facilities							
Revenue							
411 - Water Sales & Service	$1,252,790.11	$1,311,950.00	$1,648,305.00	$1,521,620.00	($126,685.00)	-8%	Dougherty Valley (DV) Surcharge: Based on DWR estimates
421 - Property Taxes	$11,016,533.26	$11,350,000.00	$11,357,315.00	$16,650,000.00	$5,292,685.00	47%	Based on the revenue requirements for DWR's fixed charges. Smoothing, no spike in taxes

Zone 7 Water Agency

Annual Budget by Account Classification Report

FY 15/16 Budget compared to FY 14/15 End of Year Projections

	FY13/14 Actual Amount	FY14/15 Amended Budget	FY14/15 End of Year Projections	FY15/16 Proposed Budget	Diff from FY 15/16 Bud vs FY 14/15 End of Year Projections	% Variance FY 15/16 Bud vs FY 14/15 End of Year Projections	Comments
452 - Aid from Governmental Agencies - State	$77,897.06	$45,000.00	$45,000.00	$45,000.00	$0.00	0%	
453 - Aid from Governmental Agencies - Local	$1,770.32	$610.00	$610.00	$610.00	$0.00	0%	
461 - Investment Earnings	$102,033.78	$15,000.00	$19,156.00	$30,000.00	$10,844.00	57%	Based on 0.5% interest
464 - Fines and Penalties	$6.80	$0.00	$0.00	$0.00	$0.00	0%	
481 - Other Revenue	$1,438,464.80	$1,338,377.00	$1,338,377.00	$1,438,070.00	$99,693.00	7%	Based on DWR refund information such as the return of the revenue bond surcharge in the prior year
Revenue Totals	$13,889,496.13	$14,060,937.00	$14,408,763.00	$19,685,300.00	$5,276,537.00	37%	
Expenditures							
621 - Water	$13,681,891.48	$14,227,251.00	$17,201,569.00	$19,344,521.00	$2,142,952.00	12%	Based on DWR's invoices for 2015 and an estimate for 2016.
Revenue Totals:	$13,889,496.13	$14,060,937.00	$14,408,763.00	$19,685,300.00	$5,276,537.00	37%	
Expenditure Totals	$13,681,891.48	$14,227,251.00	$17,201,569.00	$19,344,521.00	$2,142,952.00	12%	
FUND 110: Revenue Less Expenses	$207,604.65	($166,314.00)	($2,792,806.00)	$340,779.00	$3,133,585.00	-112%	
FUND: 120 Water Enterprise Capital IR&R							
Revenue							
431 - Development Fees	$402,268.21	$250,000.00	$375,000.00	$375,960.00	$960.00	0%	
441 - Charges for Services	$495.00	$2,500.00	$150.00	$2,500.00	$2,350.00	1567%	
452 - Aid from Governmental Agencies - State	$4,105.26	$0.00	$70,270.00	$0.00	($70,270.00)	-100%	Received grant in FY 14/15.
461 - Investment Earnings	$50,850.15	$52,900.00	$52,900.00	$55,000.00	$2,100.00	4%	Based on 0.5% interest
481 - Other Revenue	$0.11	$0.00	$0.00	$0.00	$0.00	0%	
499 - Transfers	$8,500,000.00	$12,823,924.00	$12,823,924.00	$7,500,000.00	($5,323,924.00)	-42%	Based on the $7.5M transfer the Board approved
Revenue Totals	$8,957,718.73	$13,129,324.00	$13,322,244.00	$7,933,460.00	($5,388,784.00)	-40%	
Expenditures							
600 - Labor & Overhead Distributed	$1,487,229.78	$1,177,962.00	$1,156,650.00	$2,540,500.00	$1,383,850.00	120%	
611 - Professional Services	$1,007,054.53	$2,875,329.00	$529,100.00	$4,328,500.00	$3,799,400.00	718%	
643 - Communications	$106.37	$0.00	$20.00	$0.00	($20.00)	-100%	
652 - Repairs and Maintenance	$7,279.20	$0.00	$0.00	$0.00	$0.00	0%	
653 - Rental Services	$542,884.37	$549,198.00	$550,000.00	$560,102.00	$10,102.00	2%	
661 - General Office Services/ Supplies	$6,061.26	$150,000.00	$10,110.00	$0.00	($10,110.00)	-100%	
665 - Other Services/ Supplies	$24,356.72	$8,595.00	$16,700.00	$260,000.00	$243,300.00	1457%	Increase in FY 15/16 is due to the budgeting of state and local fees.
667 - Training and Travel	$34.54	$0.00	$0.00	$0.00	$0.00	0%	
669 - Special Departmental Expense	($12,107,651.25)	$978,698.00	$0.00	$1,110,000.00	$1,110,000.00	100%	
671 - Equipment, Furniture and Vehicles	$257,795.61	$120,000.00	$0.00	$120,000.00	$120,000.00	100%	
672 - Land and Facility Improvements	$11,914,691.21	$7,376,266.00	$9,230,000.00	$10,845,000.00	$1,615,000.00	17%	
691 - Transfers	$12,107,651.25	$0.00	$0.00	$0.00	$0.00	0%	
Revenue Totals:	$8,957,718.73	$13,129,324.00	$13,322,244.00	$7,933,460.00	($5,388,784.00)	-40%	
Expenditure Totals	$15,247,493.59	$13,236,048.00	$11,492,580.00	$19,764,102.00	$8,271,522.00	72%	Expenses based on the Board approved CIP
FUND 120: Revenue Less Expenses	($6,289,774.86)	($106,724.00)	$1,829,664.00	($11,830,642.00)	($13,660,306.00)	-747%	
FUND: 130 Water Enterprise Cap Expansion							
Revenue							
431 - Development Fees	$21,570,977.45	$19,020,120.00	$19,320,120.00	$22,826,757.00	$3,506,637.00	18%	Based on 930 connections
441 - Charges for Services	$0.00	$0.00	$0.00	$0.00	$0.00	0%	
452 - Aid from Governmental Agencies - State	$1,759.40	$0.00	$30,116.00	$0.00	($30,116.00)	-100%	Received grant in FY 14/15.

Zone 7 Water Agency

Annual Budget by Account Classification Report

FY 15/16 Budget compared to FY 14/15 End of Year Projections

	FY13/14 Actual Amount	FY14/15 Amended Budget	FY14/15 End of Year Projections	FY15/16 Proposed Budget	Diff from FY 15/16 Bud vs FY 14/15 End of Year Projections	% Variance FY 15/16 Bud vs FY 14/15 End of Year Projections	Comments
461 - Investment Earnings	$131,709.43	$81,100.00	$85,600.00	$264,069.00	$178,469.00	208%	Based on 0.5% interest
481 - Other Revenue	$2,524,202.61	$2,940,800.00	$2,940,000.00	$3,120,000.00	$180,000.00	6%	Based on DWR refund information such as the return of the revenue bond surcharge in the prior year
499 - Transfers	$0.00	$0.00	$0.00	$0.00	$0.00	0%	
Revenue Totals	$24,228,648.89	$22,042,020.00	$22,375,836.00	$26,210,826.00	$3,834,990.00	17%	
Expenditures							
600 - Labor & Overhead Distributed	$402,793.46	$636,105.00	$294,248.00	$465,800.00	$171,552.00	58%	
611 - Professional Services	$1,138,298.59	$1,808,744.00	$1,259,596.00	$2,401,506.00	$1,141,910.00	91%	
621 - Water	$18,545,106.50	$16,744,211.00	$20,743,743.00	$20,906,541.00	$162,798.00	1%	
643 - Communications	$76.79	$0.00	$20.00	$0.00	($20.00)	-100%	
653 - Rental Services	$418,577.19	$426,376.00	$426,376.00	$435,635.00	$9,259.00	2%	
661 - General Office Services/ Supplies	$45.22	$0.00	$2,110.00	$0.00	($2,110.00)	-100%	
662 - Organizational Membership/ Participation	$18,335.40	$694.00	$3,127.00	$694.00	($2,433.00)	-78%	
665 - Other Services/ Supplies	$324.40	$0.00	$400.00	$5,000.00	$4,600.00	1150%	
667 - Training and Travel	$14.80	$0.00	$0.00	$0.00	$0.00	0%	
669 - Special Departmental Expense	($2,993,261.26)	$472,643.00	$52,000.00	$650,000.00	$598,000.00	1150%	
671 - Equipment, Furniture and Vehicles	$14,538.19	$0.00	$0.00	$0.00	$0.00	0%	
672 - Land and Facility Improvements	$1,890,189.51	$2,263,272.00	$2,800,000.00	$25,000.00	($2,775,000.00)	-99%	
675 - Debt Service	$63,833.47	$0.00	$0.00	$0.00	$0.00	0%	
691 - Transfers	$3,028,092.67	$0.00	$0.00	$0.00	$0.00	0%	
Revenue Totals:	$24,228,648.89	$22,042,020.00	$22,375,836.00	$26,210,826.00	$3,834,990.00	17%	
Expenditure Totals	$22,526,964.93	$22,352,045.00	$25,581,620.00	$24,890,176.00	($691,444.00)	-3%	Expenses based on the Board approved CIP
FUND 130: Revenue Less Expenses	$1,701,683.96	($310,025.00)	($3,205,784.00)	$1,320,650.00	$4,526,434.00	-141%	
FUND: 200 Flood Protection Operations							
Revenue							
421 - Property Taxes	$6,201,652.88	$6,307,731.00	$6,181,231.00	$6,472,129.00	$290,898.00	5%	Increase of 4.5% per the Assessor's office
441 - Charges for Services	$57,141.26	$13,000.00	$115,100.00	$47,650.00	($67,450.00)	-59%	YTD activities higher than current year budget estimates
452 - Aid from Governmental Agencies - State	$52,388.59	$54,000.00	$100,563.00	$54,000.00	($46,563.00)	-46%	Received state grant
453 - Aid from Governmental Agencies - Local	$11,929.46	$10,700.00	$10,700.00	$10,700.00	$0.00	0%	
461 - Investment Earnings	$41,555.12	$25,000.00	$42,988.00	$30,000.00	($12,988.00)	-30%	Based on 0.5% interest
462 - Rents and Royalties	$55,873.52	$60,505.00	$60,505.00	$60,505.00	$0.00	0%	
464 - Fines and Penalties	$8.77	$0.00	$0.00	$0.00	$0.00	0%	
481 - Other Revenue	$141,416.83	$35,000.00	$35,000.00	$35,000.00	$0.00	0%	
491 - Other Financing Sources	$17,150.00	$0.00	$0.00	$0.00	$0.00	0%	
Revenue Totals	$6,579,116.43	$6,505,936.00	$6,546,087.00	$6,709,984.00	$163,897.00	3%	
Expenditures							
600 - Labor & Overhead Distributed	$2,235,983.44	$2,098,094.00	$2,168,545.00	$2,170,702.00	$2,157.00	0%	
611 - Professional Services	$678,191.42	$6,178,344.00	$1,526,970.00	$2,428,282.00	$901,312.00	59%	
643 - Communications	$1,212.66	$3,000.00	$6,980.00	$5,592.00	($1,388.00)	-20%	
651 - Cleaning Services	$5,450.23	$10,000.00	$6,000.00	$6,000.00	$0.00	0%	
652 - Repairs and Maintenance	$1,467,356.05	$2,355,491.00	$2,589,991.00	$2,818,293.00	$228,302.00	9%	
653 - Rental Services	$143,478.72	$159,322.00	$152,822.00	$157,418.00	$4,596.00	3%	

Zone 7 Water Agency

Annual Budget by Account Classification Report

FY 15/16 Budget compared to FY 14/15 End of Year Projections

	FY13/14 Actual Amount	FY14/15 Amended Budget	FY14/15 End of Year Projections	FY15/16 Proposed Budget	Diff from FY 15/16 Bud vs FY 14/15 End of Year Projections	% Variance FY 15/16 Bud vs FY 14/15 End of Year Projections	Comments
661 - General Office Services/ Supplies	$11,273.46	$19,550.00	$13,220.00	$12,500.00	($720.00)	-5%	
662 - Organizational Membership/ Participation	$14,212.50	$175,584.00	$47,533.00	$118,000.00	$70,467.00	148%	
665 - Other Services/ Supplies	$21,037.75	$516,902.00	$485,852.00	$484,915.00	($937.00)	0%	
667 - Training and Travel	$2,355.80	$31,400.00	$14,300.00	$18,100.00	$3,800.00	27%	
669 - Special Departmental Expense	$0.00	$13,333.00	$13,332.00	$13,332.00	$0.00	0%	
672 - Land and Facility Improvements	$11,079,943.03	$2,718,541.00	$2,450,000.00	$4,191,788.00	$1,741,788.00	71%	Increase based on planned CIP projects
691 - Transfers	$13,333.32	$0.00	$7,000.00	$0.00	($7,000.00)	-100%	
Revenue Totals:	$6,579,116.43	$6,505,936.00	$6,546,087.00	$6,709,984.00	$163,897.00	3%	
Expenditure Totals	$15,673,828.38	$14,279,561.00	$9,482,545.00	$12,424,922.00	$2,942,377.00	31%	
FUND 200: Revenue Less Expenses	($9,094,711.95)	($7,773,625.00)	($2,936,458.00)	($5,714,938.00)	($2,778,480.00)	95%	
FUND: 210 Flood Protection/Drainage DIF							
Revenue							
431 - Development Fees	$4,766,234.72	$2,530,000.00	$2,508,098.00	$2,656,500.00	$148,402.00	6%	Based on CIP projections
441 - Charges for Services	$0.00	$0.00	$17,000.00	$0.00	($17,000.00)	-100%	offsite habitat mitigation $17K,
452 - Aid from Governmental Agencies - State	$0.00	$0.00	$33,000.00	$0.00	($33,000.00)	-100%	Received grant in FY 14/15.
461 - Investment Earnings	$92,370.31	$91,500.00	$72,000.00	$180,000.00	$108,000.00	150%	Based on 0.5% interest
481 - Other Revenue	$28,560.04	$25,000.00	$0.00	$25,000.00	$25,000.00	100%	
Revenue Totals	$4,887,165.07	$2,646,500.00	$2,630,098.00	$2,861,500.00	$231,402.00	9%	
Expenditures							
600 - Labor & Overhead Distributed	$299,795.23	$665,730.00	$311,553.00	$649,455.00	$337,902.00	108%	
611 - Professional Services	$185,226.66	$5,166,799.00	$5,306,020.00	$1,278,650.00	($4,027,370.00)	-76%	
643 - Communications	$7.39	$0.00	$12.00	$328.00	$316.00	2633%	
653 - Rental Services	$119,593.44	$121,822.00	$122,022.00	$126,518.00	$4,496.00	4%	
661 - General Office Services/ Supplies	$0.00	$0.00	$100.00	$0.00	($100.00)	-100%	
665 - Other Services/ Supplies	$722.75	$0.00	$0.00	$287.00	$287.00	100%	
669 - Special Departmental Expense	$0.00	$250,000.00	$0.00	$250,000.00	$250,000.00	100%	
672 - Land and Facility Improvements	$3,423,921.54	$817,806.00	$400,000.00	$2,873,625.00	$2,473,625.00	618%	
Revenue Totals:	$4,887,165.07	$2,646,500.00	$2,630,098.00	$2,861,500.00	$231,402.00	9%	
Expenditure Totals	$4,029,267.01	$7,022,157.00	$6,139,707.00	$5,178,863.00	($960,844.00)	-16%	Expenses based on the Board approved CIP
FUND 210: Revenue Less Expenses	$857,898.06	($4,375,657.00)	($3,509,609.00)	($2,317,363.00)	$1,192,246.00	-34%	
Revenue Grand Totals:	$95,021,903.39	$92,845,779.00	$90,889,937.00	$97,953,706.00	$7,063,769.00	8%	
Expenditure Grand Totals:	$108,684,464.22	$121,274,281.00	$116,550,814.00	$124,721,886.00	$8,171,072.00	7%	
Net Grand Totals:	($13,662,560.83)	($28,428,502.00)	($25,660,877.00)	($26,768,180.00)	($1,107,303.00)	4%	