ZONE 7 BOARD OF DIRECTORS
FINANCE COMMITTEE

Thursday, May 7, 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. Proposed Fiscal Year 2015/16 Budget
3. Verbal Reports
4. Adjournment

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

MEMORANDUM

DATE: May 7, 2015

TO: Members of the Finance Committee

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

SUBJECT: Proposed Fiscal Year 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.

The Finance Committee met on April 23rd to review and discuss the preliminary 2015/16 budget. The Committee raised a number of questions, which will be addressed during the May 7th Finance Committee meeting.

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 statewide for residential use compared to 2013 use. Conservation of this magnitude significantly reduces revenues, in both FY 14/15 (and, by extension, the available fund balance at the beginning of the next fiscal year) and in 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 are scheduled to be made from the Water Enterprise Fund (Fund 100) to the Renewal/Replacement and System-wide Improvements Fund (Fund 120). AS a result of emergency drought transfers in 2014, the Board directed staff to reduce the transfer in FY 15/16 to $7M.

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. The FY 15/16 budget proposes funding 110.5 FTE positions with the remaining 12 positions left 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, and 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 End of Year Projections)*
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	$ 42,619,302	-8.65%
Reserves	$ 30,450,709	$ 14,754,552	$ 15,404,825	$ 7,338,159	-52.36%

*At end of FY

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

The proposed expenses for this fund are $42.6M and projected reserves at the end of the year are $7.4M. The FY 15/16 expenses are decreasing by $4.0M compared to the FY 14/15 end-of-year projections, due to a $5.8M lower transfer from the Water Enterprise Fund (Fund 100) to the Renewal/Replacement & System-wide Improvement Fund (Fund 120) partially offset by $1.8M increase in projected operating expenses, primarily due to underspending the current year's budget. The proposed 2015/16 operating expenses (excluding transfer to AMP) are $1.7M below the 2014/15 budget. While demands for water are reduced by conservation, projected water purchase expenses are still projected to be high. The SWP allocation for 2015 is 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 groundwater storage. The FY 15/16 revenues are increasing by $2.9M 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 (both lower than the 29% achieved in 2015), which is 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 in calendar year 2014 and statewide regulations will most likely achieve at least 20% savings in 2015 (compared to the 15% projected when preparing the FY 14/15 budget). FY 15/16 reserves are projected to decrease by another $8.1M 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 $2.3M below the Board-approved minimum reserve level target overall. The Drought Contingency Reserve has been fully depleted. The projected Emergency Reserve is $2.2M, the Operating Reserve is at $3.1M, and the Rate Stabilization Reserve is at $1.9M, all approximately at the minimum policy level by the end of FY 15/16.

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%

*At end of FY

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

This is a pass-through fund for fixed charges associated with the State Water Project. The proposed expense budget for this fund is $19.3M and the projected end-of-year reserves are $6.4M. 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 Water Project. The other factor affecting this fund is a reimbursement/credit of approximately $1.2M that we expected to receive in 2015 for the SBA Enlargement/Improvement project, but wasn't in the 2015 SOC. Zone 7 prepaid the initial costs of the project around $6M to launch it and DWR had stated that we would in turn be reimbursed via the 2015 SOC. This project is split 20% in this fund (110) and 80% in Fund 130. This Fund will eventually receive 20% of the $6M credit, which is approximately $1.2M. Because timing of the credit is unclear, the credit is not in the

FY 15/16 budget. 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 by using reserves this year and stepping up the increase half this year and half next year. Staff recommends smoothing out the property tax increase over a few years and to continue monitoring DWR's invoices and re-bills. The proposed property tax levy for FY 15/16 is $16.5M.

Taking this approach, the projected reserve balance at the end of FY 15/16 is $3.3M, significantly 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%

*At end of FY

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 estimate of 4.5% (provided by the Alameda County Assessor's Office).
Reserves are decreasing by $5.7M due to the use planned 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 approved project 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	$ 7,433,460	-44.20%
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	$ 8,189,996	-60.09%

*At end of FY

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 capital projects approved in October 2014. The FY 15/16 revenue budget is $7.4M, decreasing by $5.9M compared to the FY 14/15 end-of-year projections due to a $3.5M lower transfer from the Water Enterprise Fund (Fund 100) to the Renewal/Replacement & System-wide Improvement Fund (Fund 120). Reserves are decreasing by $12.3M due to the decreased transfer and planned capital projects.

Of the $8.2M reserve balance at the end of FY 15/16, $3.9M is for the Capital Project Reserve. This amount is $28M below the Board-approved minimum reserve, driven by large CIP amounts approved for 2016/17 and 2017/18. The remaining $4.3M reserve balance is for the Sinking Funds. Depending on feedback received as part of the Cawelo bond refinancing, Zone 7 may want to defer some projects.

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	$ 23,839,836	$ 26,210,826	9.95%
Expenses	$ 22,526,965	$ 22,352,045	$ 25,581,620	$ 24,890,176	-2.70%
Reserves	$ 33,346,252	$ 33,036,227	$ 31,604,468	$ 32,925,118	4.18%

*At end of FY

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. DWR's cash flow issue mentioned above in Fund 110 also impacts this fund. This Fund will eventually receive 80% of the $6M credit, which is approximately $4.8M. Because of the timing of the credit is unclear, the credit is not in the FY 15/16 budget.

The proposed FY 15/16 revenue budget is $26.2M, increasing by $2.4M compared to FY 14/15 end-of-year projections primarily due to an increase in projected connection fee revenue. Projected reserves at year-end are increasing by $1.3M.

Of the $32.9M reserve balance at the end of FY 15/16, 19.1M is for the Capital Project Reserve. This amount is $7.1M above the Board-approved minimum reserve for this fund. 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%

*At end of FY

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 BUDGETS:

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	$ 92,353,937	$ 97,453,706	5.52%
Expenses	$108,684,464	$ 121,274,281	$ 116,550,814	$ 124,221,886	6.58%
Reserves	$148,104,521	$ 119,676,019	$ 123,907,644	$ 97,139,463	-21.60%

*At end of FY

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
Water Charges Breakdown

FY 15/16 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	(1,741,784)	(17,750,810)
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	31,604,468	73,587,015
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			7,000,000		7,000,000
17	**Total Revenue**	**34,552,636**	**19,685,300**	**7,433,460**	**26,210,826**	**87,882,222**
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	7,000,000				7,000,000
40	**Total Expenses**	**42,619,302**	**19,344,521**	**19,764,102**	**24,890,176**	**106,618,101**
41	Estimated Ending Fund Balance June 30, 2016	7,338,159	6,397,862	8,189,996	32,925,118	54,851,135
42	**Reserve Balances**					
43	Operating	3,122,788	6,397,862			9,520,650
44	Rate Stabilization	1,968,911				1,968,911
45	Emergency	2,246,460				2,246,460
46	Drought Contingency	0				0
47	Capital Projects			3,887,542	19,161,462	23,049,004
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)**	$ 7,338,159	$ 6,397,862	$ 8,189,996	$ 32,925,118	$ 54,851,135
54	Change in Fund Balance[2] (use of reserves) - line 53 minus line 4	(8,066,666)	340,779	(12,330,642)	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)	(24,196,877)
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	123,907,644
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				7,000,000
17	**Total Revenue**	**6,709,984**	**2,861,500**	**9,571,484**	**97,453,706**
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				7,000,000
40	**Total Expenses**	**12,424,922**	**5,178,863**	**17,603,785**	**124,221,886**
41	Estimated Ending Fund Balance June 30, 2016	6,608,871	35,679,457	42,288,328	97,139,463
42	**Reserve Balances**				-
43	Operating	4,116,567		4,116,567	13,637,217
44	Rate Stabilization				1,968,911
45	Emergency				2,246,460
46	Drought Contingency				0
47	Capital Projects	1,462,508	34,670,196	36,132,704	59,181,708
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	$ 97,139,463
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%	FY 14/15 end-of-year projections includes unplanned $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 spent more time in this fund than originally budgeted due to drought planning efforts.
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 recovering water in 2015 and replenishing water in 2016
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 FY 15/16, we are planning to treat 20% less water due to conservation
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%	Training is underspent in the current FY; however FY 14/15 budget to FY 15/16 budget is going up 2%.
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	$7,000,000.00	($5,823,924.00)	-45%	Board approved transfer for FY 14/15 is $12.8M and $7M for FY 15/16
Expenditure Totals	$37,525,018.83	$50,157,219.00	$46,652,793.00	$42,619,302.00	($4,033,491.00)	-9%	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	($1,045,260.69)	($15,696,157.00)	($15,045,884.00)	($8,066,666.00)	$6,979,218.00	-46%	
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

Zone 7 Water Agency

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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
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
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.
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	$7,000,000.00	($5,823,924.00)	-45%	Based on the $7M transfer the Board approved
Revenue Totals	$8,957,718.73	$13,129,324.00	$13,322,244.00	$7,433,460.00	($5,888,784.00)	-44%	
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%	
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	($12,330,642.00)	($14,160,306.00)	-774%	
FUND: 130 Water Enterprise Cap Expansion							
Revenue							
431 - Development Fees	$21,570,977.45	$19,020,120.00	$20,784,120.00	$22,826,757.00	$2,042,637.00	10%	Based on 930 connections
441 - Charges for Services	$0.00	$0.00	$0.00	$0.00	$0.00	0%	

Zone 7 Water Agency

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	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	$1,759.40	$0.00	$30,116.00	$0.00	($30,116.00)	-100%	Received grant in FY 14/15.
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	$23,839,836.00	$26,210,826.00	$2,370,990.00	10%	
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%	Reclassified from account classification 672
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%	
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)	($1,741,784.00)	$1,320,650.00	$3,062,434.00	-176%	
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%	

Zone 7 Water Agency

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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
653 - Rental Services	$143,478.72	$159,322.00	$152,822.00	$157,418.00	$4,596.00	3%	
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%	
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%	
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	$92,353,937.00	$97,453,706.00	$5,099,769.00	6%	
Expenditure Grand Totals:	$108,684,464.22	$121,274,281.00	$116,550,814.00	$124,221,886.00	$7,671,072.00	7%	
Net Grand Totals:	($13,662,560.83)	($28,428,502.00)	($24,196,877.00)	($26,768,180.00)	($2,571,303.00)	11%	

Water Costs for the FY 15/16 Proposed Budget

	FY 14/15 Amended Budget			FY 15/16 Proposed Budget		
	AF	Per Unit	Total ($M)	AF	Per Unit	Total ($M)
SWP	24,000	$70	$1.7	39,000	$70	$2.7
Dry Year	2,000	$500	$1.0	-	$0	$0.0
Yuba	350	$200	$0.1	300	$300	$0.1
BBID	1,000	$183.75	$0.2	1,000	$183.75	$0.2
Cawelo	10,000	$270	$2.7	20,000	$155	$3.1
Semitropic	9,000	$180	$1.6	6,000	$95	$0.6
Total			**$7.3**			**$6.7**