



ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7

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**ORIGINATING SECTION: ADMINISTRATIVE SERVICES**  
**CONTACT PERSON: OSBORN SOLITEI**

**AGENDA DATE:** March 20, 2019

**ITEM NO. 22f**

**SUBJECT:** FY 2018-19 Unaudited First Quarter Revenue and Expenditure (R&E) Report

**SUMMARY:**

This report provides a summary of FY 2018-19 revenue and expenditures and explanations of any major variances for the second quarter of FY 2018-19 (July 1, 2018 – December 31, 2018) as well as second quarter projections for fiscal year-end for the following funds:

- Fund 100 – Water Enterprise Operations
- Fund 110 – State Water Facilities
- Fund 120 – Water Renewal/Replacement & System-Wide Improvements
- Fund 130 – Water Expansion
- Fund 200 – Flood Protection Operations
- Fund 210 – Flood Protection Development Impact Fee Fund (DIF)
- Fund 300 – Water Facilities Fund
- Fund 310 – Water Supply and Reliability Fund

This report shows adopted budget, year-to-date (YTD) actuals, second quarter projected fiscal year-end, current year revenue over expenses, and reserve balances. Estimated revenue over expenses is the net difference between the revenue and expenditure projections.

Highlights of this report include:

**Fund 100 – Water Enterprise Operations (unrestricted fund)**

- FY 2018-19 YTD revenue is primarily from the sale of 16,984 acre-feet of treated water through December 2018, which is 19% less than the 20,941 acre-feet sold during the same period in FY 2012-13. This compares to a conservation rate of 17% that is assumed in the FY 2018-19 Budget.
- End-of-year reserves are projected to be \$4.6M less than the target reserve requirement of \$18M. The \$18M reserve target includes funding the Operating, Emergency and Drought Contingency at target levels.

**Fund 120 – Water Enterprise Capital Renewal/Replacement and System-wide Improvements (unrestricted fund)**

- Construction of the new ozone facility at DVWTP is underway. The facility is scheduled for completion in Spring 2020.

## **FY 2018-19 Unaudited Second Quarter Revenue and Expenditure Report**

- On February 6, 2019, the Board approved resolution 19-09, 19-10, 19-11 and 19-12 awarding the construction and related support contracts for the PPWTP Upgrades and Ozone project. The total project cost is approximately \$110M; this fund's share is \$42M of which \$19M is bond-financed and \$23M is from unrestricted reserves.

### **Fund 310 - Water Supply and Reliability Fund (unrestricted fund)**

- On January 16, 2019, the Board authorized \$0.9M from this fund for continued participation in the Sites Reservoir and Los Vaqueros Expansion projects. The available fund balance is projected to be around \$2.7M after the funds are expended.

### **Fund 130 - Water Enterprise Capital Expansion (restricted fund)**

- Development activities within the service area are continuing, however, based on YTD trends, the projection for connection fee revenue has been reduced by 20%.
- This fund will use \$68M of restricted reserve funds to pay for its share of the \$110M PPWTP Upgrades and Ozone project. The need for other planned major Expansion projects will be evaluated as part of the upcoming Capital Improvement Plan update.

### **Fund 200 - Flood Protection Operations (restricted fund)**

- Phase 1 of the Flood Protection Emergency Repair Program was completed in November 2018. This includes repair of 35 sites at approximately \$4M.
- Design of Phase 2 (26 additional sites) has been completed and the regulatory permitting process is underway. Bid documents were advertised in February and construction is expected to start in May 2019.

**RECOMMENDED ACTION:** Information only.

### **ANALYSIS:**

The Agency maintains a number of funds, which are grouped into two categories – Restricted Fund Balances and Unrestricted Fund Balances.

### **UNRESTRICTED FUNDS**

**Unrestricted Fund Balance:** These describe the portion fund balance, which is not restricted to use. To facilitate the discussion of reserve funds, this report will categorize the various funds as “Unrestricted Reserves” and “Restricted Reserves.” In general, Board policy can most affect Unrestricted Reserves.

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Unrestricted funds and their projected balances at 06/30/2019 are shown in the table below.

Fund Description	Projected Fund Balance at 6/30/2019
Fund 100 - Water Enterprise Operations	\$13,403,573
Fund 120 - Water Enterprise Capital R/R & SWI*	\$44,039,837
Fund 300 - Water Facilities Fund	\$3,569,386
Fund 310 - Water Supply and Reliability Fund	\$3,235,858
Fund 140 - Vehicle & Equipment Replacement	\$836,664
<b>Total Unrestricted Funds</b>	<b>\$65,085,318</b>

\*Excludes Bond Proceeds.

**Water Enterprise Fund (Fund 100)**

*Primary Funding Source: Water Rates*

The purpose of this fund is to ensure the delivery of high quality drinking and irrigation water to the Livermore-Amador Valley. This operations and maintenance fund includes water treatment and distribution of potable (drinking) water; distribution of untreated agricultural/irrigation water; and surface water and groundwater management. Water distributed is a combination of locally stored and imported water from the State Water Project. Activities include water treatment; water quality analysis; water resource management; groundwater recharge and protection; maintenance; out-of-area water banking infrastructure and water supply planning and engineering.

The table on the following page shows the audited beginning fund balance, FY 2018-19 Adopted Budget, FY 2018-19 YTD Actuals, Second Quarter (Q2) Projected FYE and Year-End Projected Over/(Under) Budget.

**FY 2018-19 Unaudited Second Quarter Revenue and Expenditure Report**

<i>Fund 100 - Water Enterprise Operations</i>	<i>FY 18-19 Adopted Budget</i>	<i>FY 18-19 YTD Actual</i>	<i>FY 18-19 Q1 Projected FYE</i>	<i>FY 18-19 Q2 Projected FYE</i>	<i>Year-End Over/(Under) Budget</i>
<b>Audited Beginning Fund Balance</b>	<b>\$12,087,957</b>	<b>\$12,827,301</b>	<b>\$12,827,301</b>	<b>\$12,903,399</b>	<b>\$815,442</b>
Revenue	47,951,037	25,479,348	48,223,635	46,866,908	(1,084,129)
Water Sales <sup>1</sup>	47,640,173	24,947,892	47,912,771	46,271,078	(1,369,095)
Investment Earnings <sup>2</sup>	127,019	125,052	\$127,019	\$189,426	62,407
Other Revenue	183,845	406,405	\$183,845	\$406,405	222,560
Expenses*	34,342,319	17,060,255	34,842,319	33,869,328	(\$472,991)
Labor & Overhead Distributed <sup>3</sup>	15,266,665	6,582,595	15,266,665	15,139,969	(126,696)
Professional Services <sup>4</sup>	2,645,695	803,022	2,645,695	1,906,045	(739,650)
County Services	1,603,668	755,755	1,603,668	1,603,668	-
Water <sup>5</sup>	4,825,802	3,218,824	5,325,802	5,325,802	500,000
Chemicals	2,337,648	1,446,609	2,337,648	1,937,648	(400,000)
Utilities	2,361,693	1,068,013	2,361,693	2,136,026	(225,667)
Repairs and Maintenance	1,953,309	848,184	1,953,309	1,896,363	(56,946)
Rental Services	122,203	36,258	122,203	122,203	-
Other Services/ Supplies	1,533,225	1,028,921	1,533,225	1,357,842	(175,383)
Debt Service <sup>6</sup>	1,692,411	1,272,074	1,692,411	2,443,763	751,352
Capital Funding	12,497,406	6,250,778	12,497,406	12,497,406	-
Estimated Revenue over Expenses	1,111,312	2,168,315	883,910	500,174	(611,138)
<b>Estimated Ending Fund Balance</b>	<b>\$13,199,269</b>	<b>\$14,995,616</b>	<b>\$13,711,211</b>	<b>\$13,403,573</b>	<b>\$204,304</b>

*Revenue*

1. Water Sales: primarily from the sale of 16,984 acre-feet of treated water through December 2018, which is 19% less than the 20,941 acre-feet sold during the same period in FY 2012-13. This compares to a conservation rate of 17% that is assumed in the FY 2018-19 Budget. Projected water sales revenue are slightly less than budget because the budget assumed a 8% water rate increase for CY 2019, but 6.7% was adopted.
2. Investment Earnings: from the Agency and County treasuries. Interest earnings have exceeded the budget projection due to higher interest rates and favorable economic conditions.

*Expenditures*

3. Labor costs: includes payroll through mid-January of \$6.6M.
4. Professional Services: projected to be \$0.6M under-budget due to the as-need nature of professional services, for example Bay-Delta outreach and engineering support services contracts. The budget also includes a contingency of \$0.25M.
5. Water production costs: includes Water, Chemicals and Utilities. Water costs are expected to exceed the budget by \$0.5M based on the Board's approval of additional water supply reliability projects as part of the water rate approval in October 2018.
6. Debt Service: transfers to Fund 120 to pay debt service. The amount is higher than budget because the accrued interest debt service payment due on July 1, 2019 will be paid during FY 2018-19.

**FY 2018-19 Unaudited Second Quarter Revenue and Expenditure Report**

*Reserves*

The table below shows the projected ending fund balances for the FY 2018-19 Adopted Budget and Q2 projected FYE. The FY 2018-19 Adopted budget funded the Operating, Emergency and Drought Contingency reserves at the minimum levels. The level of funding reserves was changed with the approval of treated water rates on October 17, 2018. The Board approved funding the Operating, Emergency and Drought Contingency reserves at target levels. The Rate Stabilization reserve is not funded. The end-of-year projected balance of \$13.4M is \$4.6M less than the target reserve requirement of \$18M.

<i>Fund 100 Reserves</i>	<i>FY 18-19 Adopted Budget</i>	<i>FY 18-19 Q2 Projected FYE</i>
Operating Reserves <sup>1</sup>	\$5,367,108	\$8,050,662
Emergency Reserves <sup>2</sup>	4,478,836	5,314,070
Drought Contingency	3,353,326	38,841
Rate Stabilization Reserves	-	-
<b>Total Reserves</b>	<b>\$13,199,270</b>	<b>\$13,403,573</b>

<sup>1</sup>The FY 2018-19 Q2 Projected FYE Operating Reserve is funded at the target level of 90 days of operating expenses.

<sup>2</sup>The FY 2018-19 Q2 Projected FYE Emergency Reserve is funded at the target level of 2.5% of Water Enterprise assets.

**Water Renewal/Replacement & System-Wide Improvements (Fund 120)**

*This is a sub-fund of the Water Enterprise Fund (Fund 100)*

*Primary Funding Source: Water Rates via a transfer from Fund 100*

The purpose of this fund is to ensure that funding is available for capital renewal, replacement and system-wide improvement projects needed to keep the current water treatment and delivery systems functioning effectively. Fund 120 pays for capital projects as outlined in the Agency’s asset management program and the capital improvement program.

The table on the following page shows the audited beginning fund balance, FY 2018-19 Adopted Budget, FY 2018-19 YTD Actuals, Second Quarter (Q2) Projected FYE and Year-End Projected Over/(Under) Budget.

**FY 2018-19 Unaudited Second Quarter Revenue and Expenditure Report**

<i>Fund 120 - Water Enterprise Renewal/Replacement &amp; Systemwide Improvements</i>	<i>FY 18-19 Adopted Budget</i>	<i>FY 18-19 YTD Actual</i>	<i>FY 18-19 Q1 Projected FYE</i>	<i>FY 18-19 Q2 Projected FYE</i>	<i>Year-End Over/(Under) Budget</i>
<b>Audited Beginning Fund Balance</b>	<b>\$57,441,056</b>	<b>\$98,327,349</b>	<b>\$98,827,349</b>	<b>\$98,327,349</b>	<b>\$40,886,293</b>
Less commitments for:					-
Estimated Carryovers/Encumbrances	-	37,892,155	38,096,178	37,892,155	37,892,155
<b>Adjusted Beginning Fund Balance</b>	<b>57,441,056</b>	<b>60,435,194</b>	<b>60,731,171</b>	<b>60,435,194</b>	<b>2,994,138</b>
Revenue	871,212	1,203,579	871,212	1,873,264	1,002,052
Facility Use Fees	420,000	235,940	420,000	420,000	-
Investment Earnings <sup>1</sup>	448,212	966,842	448,212	1,450,264	1,002,052
Other Revenue	3,000	797	3,000	3,000	-
Other Financing Sources	12,300,000	7,422,074	12,300,000	14,743,763	2,443,763
Capital Funding	12,300,000	6,150,000	12,300,000	12,300,000	-
Debt Service Transfers In <sup>2</sup>	-	1,272,074	-	2,443,763	2,443,763
Expenses	37,956,477	10,159,543	37,956,477	14,512,384	(23,444,093)
Labor & Overhead Distributed	1,301,306	620,713	1,301,306	1,365,568	64,262
Debt Service <sup>3</sup>	-	1,106,703	-	2,278,372	2,278,372
Capital Projects <sup>4</sup>	36,655,171	8,432,127	36,655,171	10,868,444	(25,786,727)
Estimated Revenue/Other Financing Sources over Expenses	(24,785,265)	(1,533,889)	(24,785,265)	2,104,643	26,889,908
<b>Estimated Ending Fund Balance</b>	<b>\$32,655,791</b>	<b>\$58,901,305</b>	<b>\$35,945,906</b>	<b>\$62,539,837</b>	<b>\$29,884,046</b>

*Revenue*

1. Investment Earnings: from the Agency & County treasuries. Also includes investment income from bond proceeds held with the trustee of \$0.6M. Interest earnings have exceeded the budget projection due to higher interest rates and favorable economic conditions.
2. Debt Service Transfers In: transfers from Fund 100 for debt service.

*Expenditures*

3. Debt Service: includes the January 1, 2019 interest payment and the accrued interest debt service payment due on July 1, 2019.
4. Capital Projects: Include capital projects expenses for major projects - PPWTP Upgrades/Ozone (design) and DVWTP Ozone (construction). These funds will be expended over a three-year construction period. The FY 2018-19 Q2 expenditure projection reflects the projected three-year drawdown of the construction phase costs.

*Reserves*

The table on the following page shows the projected ending fund balances for the FY 2018-19 Adopted Budget and Q2 projected FYE.

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<i>Fund 120 Reserves</i>	<i>FY 18-19 Adopted Budget</i>	<i>FY 18-19 Q2 Projected FYE</i>
Debt Service Rate Stabilization Reserve	\$6,300,000	\$6,300,000
Designated for PPWTP Ozone Project	-	18,500,000
Designated for PPWTP Upgrades Project	-	16,300,000
Designated for Capital Projects Reserve <sup>1</sup>	26,355,791	21,439,837
<b>Total Reserve</b>	<b>\$32,655,791</b>	<b>\$62,539,837</b>

<sup>1</sup>This reserve is designated for capital projects to fund the \$200M of Fund 120 CIP projects the Agency has committed to over the next ten years. The Zone 7 Board adopted the Ten-Year Water System CIP on October 18, 2017 (Resolution No. 17-81). The projected fund balance complies with Board policy.

Below is summary of the major projects in progress. A separate quarterly Capital Projects Status Report was included in the February 20, 2019 Board agenda packet.

[http://www.zone7water.com/images/pdf\\_docs/agenda-packets/2-20-19\\_packet\\_revised.pdf](http://www.zone7water.com/images/pdf_docs/agenda-packets/2-20-19_packet_revised.pdf)

Project	Total Estimated Cost	Fund 120 Share	Fund 120 Cash Financed	Fund 120 Bond Financed	Status	In-service
Del Valle Water Treatment Plant (DVWTP) Ozone Project	\$49M	\$49M	\$11M	\$38M	Construction	Spring 2020
DVWTP Polymer Mixing System Replacement	\$0.6M	\$0.6M	\$0.6M	\$-	Design	Fall 2019
Dougherty Reservoir Recoating and Rehabilitation Project <sup>1</sup>	\$2.2M	\$1.1M	\$1.1M	\$-	Planning	Summer 2020
Chain of Lakes Well 1 Stabilization Project	\$3.4M	\$3.4M	\$3.4M	\$-	Design	December 2019
Patterson Pass Water Treatment Plant (PPWTP) Upgrades	\$65M	\$19.5M	\$19.5M	\$-	Construction contract awarded	Summer 2022
PPWTP Ozone Project	\$45M	\$22.5M	\$3.5M	\$19M	Design	Summer 2022
<b>Total</b>	<b>\$165M</b>	<b>\$96M</b>	<b>\$39M</b>	<b>\$57M</b>		

<sup>1</sup> This project is jointly funded by Zone 7 and DSRSD

**Other Unrestricted Funds**

Fund 300 - Water Facilities Fund is used for Chain of Lakes mitigation and planning reserve, quarry discharge exports, miscellaneous fees and deposits, and permit inspection deposits.

Fund 310 - Water Supply and Reliability Fund is used for future water, water storage and Delta-related projects.

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Fund	FY 18-19 Beginning Unaudited Fund Balance	FY 2018-19 Q2 Projected Interest income	FY 2018-19 Q2 Projected Expenses (transfers out) <sup>1</sup>	FY 2018-19 Projected Ending Fund Balance
Fund 300 - Water Facilities Fund	\$3,499,398	\$69,988	-	\$3,569,386
Fund 310 - Water Supply and Reliability Fund <sup>1,2,3</sup>	\$3,689,566	\$73,791	(\$527,500)	\$3,235,858

1. On September 15, 2017, the Zone 7 Board adopted Resolution No. 17-75 supporting the California WaterFix and authorizing up to \$250K from Fund 310 for a gap funding agreement to cover costs starting on January 1, 2018.
2. On January 16, 2019, the Board adopted Resolution No. 19-07 authorizing the General Manager to negotiate and execute the Phase 2 Reservoir Project Agreement for funding in the amount of \$600,000 from Fund 310. On October 26, 2016, Zone 7 accepted the Sites Project Authority’s counter-offer to participate in the Phase 1 Reservoir Project Committee at 11,380 AF Class 1 water and 8,620 AF of Class 2 water.
3. On January 16, 2019, the Board adopted Resolution No. 19-08 authorizing the General Manager to negotiate and execute a Multi-Party Agreement for the Los Vaqueros Reservoir Expansion Project for funding in the amount of \$355,000 from Fund 310.

In the future, staff may also propose using Funds 300 and 310 for other water supply projects, including but not limited to:

- Chain of Lakes Pipeline
- Potable Reuse
- Future Phases of Sites Reservoir and/or other storage projects
- Additional gap funding for the California WaterFix

**RESTRICTED FUNDS ANALYSIS**

**Restricted Fund Balance:** These describe the portion of the fund balance that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. It also includes a legally enforceable requirement that the resources can only be used for specific purposes enumerated in the law. The restricted funds are not available to serve as operating or emergency reserves. These principally include property taxes, connection and developer fees received for use on capital projects, debt service requirements, and fees charged for the provision of future water resources.



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Restricted funds and their projected balances at 06/30/2019 are shown in the table below.

Fund Description	Projected Fund Balance at 6/30/2019
Fund 110 - State Water Facilities	\$26,270,834
Fund 130 -Water Enterprise Capital Expansion	\$105,642,767
Fund 200 - Flood Protection Operations	\$10,939,255
Fund 210 - Flood Protection Development Impact Fee	\$62,175,525
<b>Total Restricted Funds</b>	<b>\$205,028,381</b>

**State Water Facilities Fund (Fund 110)**

*Primary Funding Source: Property Taxes*

This fund finances the "fixed cost" payment to the State Department of Water Resources (DWR) to import water to the Agency. The purpose is to pay the fixed costs of the State Water Project delivery system, which includes repayment of voter approved, State incurred, long-term debt.

The table below shows the audited beginning fund balance, FY 2018-19 Adopted Budget, FY 2018-19 YTD Actuals, Second Quarter (Q2) Projected FYE and Year-End Projected Over/(Under) Budget.

<i>Fund 110 - State Water Facilities</i>	<i>FY 18-19 Adopted Budget</i>	<i>FY 18-19 YTD Actual</i>	<i>FY 18-19 Q1 Projected FYE</i>	<i>FY 18-19 Q2 Projected FYE</i>	<i>Year-End Over/(Under) Budget</i>
<b>Audited Beginning Fund Balance</b>	<b>\$21,942,211</b>	<b>\$23,468,449</b>	<b>\$23,468,449</b>	<b>\$23,468,449</b>	<b>\$1,526,238</b>
Revenue	25,401,261	13,222,423	25,401,261	25,461,679	60,418
Dougherty Valley Surcharge	1,854,602	\$0.00	1,854,602	1,854,602	-
Property Taxes <sup>1</sup>	20,150,000	10,797,485	20,150,000	20,150,000	-
Other Revenue	45,610	\$1.67	45,610	45,610	-
Investment Earnings	243,578	176,914	243,578	303,996	60,418
DWR Refunds	3,107,471	2,248,023	3,107,471	3,107,471	-
Expenses <sup>2</sup>	22,435,644	15,454,002	22,435,644	22,659,293	223,649
Estimated Revenue over Expenses	2,965,617	(2,231,578)	2,965,617	2,802,385	(163,232)
<b>Estimated Ending Fund Balance</b>	<b>\$24,907,828</b>	<b>\$21,236,871</b>	<b>\$26,434,066</b>	<b>\$26,270,834</b>	<b>\$1,363,006</b>

*Revenue*

This is a pass-through fund for fixed charges associated with the State Water Project, assessed as a property tax override.

1. Property Taxes: the first installment of property tax revenue was received in December and the second installment is not received until April.

**FY 2018-19 Unaudited Second Quarter Revenue and Expenditure Report**

*Expenditures*

2. Expenses: YTD expenditures are for DWR fixed charges. The expenditure projection for FY 2018-19 is slightly more than budget and based on the Statement of Charges for 2019 which was issued by DWR after the budget was adopted. Staff has been informed that DWR is anticipating higher than budgeted costs for CY 2019, but not enough information has been provided at the contractor level to change Zone 7’s projection at this time.

*Reserves*

The table below shows the projected ending fund balances for the FY 2018-19 Adopted Budget and Q2 projected FYE.

<i>Fund 110 Reserves</i>	<i>FY 18-19 Adopted Budget</i>	<i>FY 18-19 Q2 Projected FYE</i>
Operating Reserve <sup>1</sup>	\$24,907,828	\$26,270,834
<b>Total Reserve</b>	<b>\$24,907,828</b>	<b>\$26,270,834</b>

<sup>1</sup>The reserve policy sets the minimum reserve requirement for this fund at 50% of the following year’s projected expenses. The projected ending reserve balance of \$26.3M is in compliance with the minimum reserve requirement.

**Water Expansion (Fund 130)**

*Primary Funding Source: Water Connection Fees.*

The purpose of this fund is to ensure that the Agency is able to meet future needs of new customers with development paying its own way. The program is primarily intended to provide funding for new or expanded facilities and additional water supplies to serve additional capacity requirements of development, many of them fixed (i.e., bond payment obligations for debt incurred by others to increase capacity, such as the enlargement portion of the South Bay Aqueduct Improvement and Enlargement Project). Developer fees can only be used for projects related to water system expansion.

The table on the following page shows the audited beginning fund balance, FY 2018-19 Adopted Budget, FY 2018-19 YTD Actuals, Second Quarter (Q2) Projected FYE and Year-End Projected Over/(Under) Budget.

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<i>Fund 130 - Water Enterprise Expansion</i>	<i>FY 18-19 Adopted Budget</i>	<i>FY 18-19 YTD Actual</i>	<i>FY 18-19 Q1 Projected FYE</i>	<i>FY 18-19 Q2 Projected FYE</i>	<i>Year-End Over/(Under) Budget</i>
<b>Audited Beginning Fund Balance</b>	<b>\$98,756,696</b>	<b>\$98,500,685</b>	<b>\$98,532,145</b>	<b>\$98,500,685</b>	<b>(\$256,011)</b>
Less commitments for:					-
Estimated Carryovers/Encumbrances		1,079,347	1,079,347	1,079,347	1,079,347
Sinking funds	\$16,592,814	\$14,792,814	16,592,814	16,592,814	-
<b>Adjusted Beginning Fund Balance</b>	<b>82,163,882</b>	<b>82,628,524</b>	<b>80,859,984</b>	<b>80,828,524</b>	<b>(1,335,358)</b>
Revenue	46,478,583	17,554,828	46,478,583	39,027,580	(7,451,003)
Connection Fees <sup>1,2</sup>	42,537,656	15,049,051	42,537,656	34,043,389	(8,494,267)
Investment Earnings	848,124	943,655	848,124	1,841,387	993,263
DWR Refunds	3,092,803	1,534,072	3,092,803	3,092,803	-
Other Revenue	-	28,050	-	50,000	50,000
Expenses	73,504,017	13,993,307	73,504,017	30,806,150	(42,697,867)
Labor & Overhead Distributed	428,723	306,823	428,723	613,645	184,922
Water <sup>3</sup>	19,049,100	12,253,254	19,049,100	17,888,005	(1,161,095)
Capital Projects <sup>4</sup>	53,594,160	1,217,151	53,594,160	12,304,500	(41,289,660)
Debt Service <sup>5</sup>	432,034	216,079	432,034	515,179	83,145
Estimated Revenue over Expenses	(27,025,434)	3,561,521	(27,025,434)	8,221,429	35,246,863
<b>Designation for Capital Reserves</b>	<b>52,838,448</b>	<b>83,890,044</b>	<b>51,534,550</b>	<b>86,749,953</b>	<b>33,911,505</b>
Rate Stabilization Reserve	2,300,000	2,300,000	2,300,000	2,300,000	-
Sinking funds	16,592,814	16,592,814	16,592,814	16,592,814	-
<b>Estimated Ending Fund Balance</b>	<b>\$71,731,262</b>	<b>\$102,782,858</b>	<b>\$70,427,364</b>	<b>\$105,642,767</b>	<b>33,911,505</b>

*Revenue*

The primary source of revenue is connection fee revenue.

1. Connection Fees: FY 2018-19 YTD revenue is comprised of connection fees from 541 connections, mainly from the Moller, Gale and Wallis Ranch developments in Dublin and Ponderosa Homes in Pleasanton and Auburn Homes in Livermore.
2. Connection Fees: the FY 2018-19 Q2 FYE revenue projection for connection fee revenue has been revised downward from 1,493 connections to 1,194 connections based on YTD trends.

*Expenditures*

3. Water: YTD expenses are mainly comprised of the first installment of the SBA debt service payments (paid in September and March), transfers to Fund 110 – State Water Facilities Fund totaling \$1.5M, for DWR fixed costs.
4. Capital Projects: includes expenses for projects such as the PPWTP Upgrades and Ozone project. The projection for capital project expenses has been updated to reflect the mufti-year spending of the PPWTP Upgrades and Ozone project.
5. Debt Service: includes the January 1, 2019 interest payment and the accrued interest debt service payment due on July 1, 2019.

**FY 2018-19 Unaudited Second Quarter Revenue and Expenditure Report**

*Reserves*

The table below shows the projected ending fund balances for the FY 2018-19 Adopted Budget and Q2 projected FYE.

<i>Fund 130 Reserves</i>	<i>FY 18-19 Adopted Budget</i>	<i>FY 18-19 Q2 Projected FYE</i>
Sinking funds	\$16,592,814	\$16,592,814
Debt Service Rate Stabilization Reserve <sup>1</sup>	2,300,000	2,300,000
Designated for PPWTP Ozone Project	-	18,500,000
Designated for PPWTP Upgrades Project	-	38,100,000
Designated for Capital Projects Reserve <sup>2</sup>	52,838,448	30,149,953
<b>Total Reserves</b>	<b>\$71,731,262</b>	<b>\$105,642,767</b>

<sup>1</sup>These reserves were established by the Board to fund debt service payments that continue after service are build-out.

<sup>2</sup>This reserve is designated for capital projects to fund the \$710M of Fund 130 CIP projects the Agency has committed to over the next ten years. The projected ending reserve balance is in compliance with Board policy.

Below is summary of the major projects in progress.

<i>Project</i>	<i>Total Cost</i>	<i>Fund 130 Share</i>	<i>Status</i>	<i>In-service</i>
Patterson Pass Water Treatment Plant (PPWTP) Upgrades Project	\$65M	\$45.5M	Construction contract awarded	Summer 2022
PPWTP Ozone Project	\$45M	\$22.5M	Construction contract awarded	Summer 2022
Non-discretionary obligations	~\$20M annually	~\$20M	n/a	ongoing

**Flood Protection Operations (Fund 200)**

*Primary Funding Source: Property Taxes.*

This fund uses property taxes to provide for general administration, maintenance and operation of regional flood protection facilities. The Agency manages a watershed of 425 square miles in eastern Alameda County, receiving drainage from parts of Contra Costa, Santa Clara and San Joaquin Counties. More than 37 miles of flood control channels and regional drainage facilities are owned and maintained by the Agency. This fund finances a comprehensive year-round maintenance program that includes repairing slides and erosion, refurbishing access roads and associated drainage ditches, installing and repairing gates and fences, and maintaining landscaped areas. This fund pays renewal/replacement and improvement projects for the existing flood protection system.

The table below shows the audited beginning fund balance, FY 2018-19 Adopted Budget, FY 2018-19 YTD Actuals, Second Quarter (Q2) Projected FYE and Year-End Projected Over/(Under) Budget.

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<i>Fund 200 - Flood Protection Operations</i>	<i>FY 18-19 Adopted Budget</i>	<i>FY 18-19 YTD Actual</i>	<i>FY 18-19 Q1 Projected FYE</i>	<i>FY 18-19 Q2 Projected FYE</i>	<i>Year-End Over/(Under) Budget</i>
<b>Audited Beginning Fund Balance</b>	<b>\$12,770,327</b>	<b>\$18,471,691</b>	<b>\$18,471,691</b>	<b>\$18,352,378</b>	<b>\$5,582,051</b>
Less commitments for:					-
Estimated Carryovers/Encumbrances	-	3,772,720	3,772,720	3,772,720	3,772,720
<b>Adjusted Beginning Fund Balance</b>	<b>12,770,327</b>	<b>14,698,971</b>	<b>14,698,971</b>	<b>14,579,658</b>	<b>1,809,331</b>
Revenue	9,219,902	5,066,821	9,219,902	9,506,116	286,214
Property Taxes <sup>1</sup>	8,841,052	4,713,449	8,841,052	8,909,618	68,566
Investment Earnings	155,590	140,899	155,590	281,798	126,208
Aid from Governmental Agencies	64,700	8	64,700	64,700	-
Other Revenue	158,560	212,465	158,560	250,000	91,440
Expenses <sup>2</sup>	13,004,855	5,925,122	13,004,855	13,146,519	141,664
Labor & Overhead Distributed	1,728,983	931,691	1,728,983	1,863,381	134,398
Professional Services	3,536,140	946,308	3,536,140	2,817,862	(718,278)
Repairs and Maintenance	5,840,197	3,745,647	5,840,197	7,045,647	1,205,450
Rental Services	21,000	-	21,000	21,000	-
Other Services/Supplies	211,237	130,084	211,237	211,237	-
Capital Projects <sup>3</sup>	1,667,298	171,392	1,667,298	1,187,392	(479,906)
Estimated Revenue over Expenses	(3,784,953)	(858,301)	(3,784,953)	(3,640,403)	144,550
<b>Ending Fund Balance</b>	<b>\$8,985,374</b>	<b>\$13,840,670</b>	<b>\$10,914,018</b>	<b>10,939,255</b>	<b>1,953,881</b>

*Revenue*

The primary source of revenue is property taxes.

1. Property Taxes: YTD revenue reflects the first installment of property taxes; a second installment will be posted in April. The end-of-year projection for revenue is slightly more than budget based on higher interest income earnings and slightly more a higher property tax revenue estimated which was recently provided by Alameda County.

*Expenditures*

2. Expenses: FY 2018-19 expenditures include agency staff labor, summer Flood Control maintenance work and the Flood Emergency Repair Program. On March 15, 2017, the Zone 7 Board adopted Resolution No. 17-10 declaring a local flood emergency. The declared storm disaster caused damage at 208 sites within Zone 7's regional Flood Protection system, estimated at \$44M and several years to repair.
  - The Foothill Property emergency repair project was completed in FY 2017-18.
  - Repair of seven high priority projects was completed in FY 2017-18 at a cost of \$1.4M.
  - On March 7, 2018, the Board adopted Resolution No. 18-17 authorizing up to \$3.5M for project coordination and cost share with the United States Army Corp of Engineers (USACE) to repair damaged sites under the PL84-99 program. The total cost for repairing the 26 of awarded sites including engineering, design and construction is estimated to be \$8.5M, with Zone 7 sharing 20% of the total cost. Construction started in September 2018 and five sites will be completed in October 2018. The remaining will restart in April 2019 and will be completed in Summer 2019.
  - 35 sites (Phase 1) were completed by November 2018 at approximately \$4M.

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- Design of Phase 2 (26 additional sites) has been completed and the regulatory permitting process is underway. Construction is expected to start in May 2019 permit pending.
3. Capital Projects: the estimate reflects the revised scope and lower cost of the Arroyo Mocho Medeiros Parkway project. Staff continues to work on an amendment to the Stream Management Master Plan for Board adoption.

*Reserves*

The table below shows the projected ending fund balances for the FY 2018-19 Adopted Budget and Q2 projected FYE. The projected reserve balance is in compliance with Board policy.

<i>Fund 200 Reserves</i>	<i>FY 18-19 Adopted Budget</i>	<i>FY 18-19 Q1 Projected FYE</i>
Designated for Capital Projects Reserve	3,316,595	5,270,476
Operating Reserves	5,668,779	5,668,779
<b>Total Reserves</b>	<b>\$8,985,374</b>	<b>\$10,939,255</b>

The table below lists major projects that are in the planning/design phase.

<i>Project</i>	<i>Total Cost</i>	<i>Fund 200 Share<sup>1</sup></i>	<i>Status</i>	<i>In-service</i>
Flood Protection Emergency Repairs	\$44M	\$44M	Design/Construction	ongoing
Arroyo Mocho Medeiros Parkway	\$2.7M	\$1.1M	Design	December 2019
SMMP Update	\$2.7M	\$1.6M	Planning	2019
Stream Maintenance Program and Permitting Program	\$1.0M	\$0.8M	Planning	Summer 2020

<sup>1</sup>The remainder is paid by Fund 210 - Flood Protection Development Impact Fee Fund

**Flood Protection Development Impact Fee Fund – Fund 210:**

*Primary Funding Source: Development Impact Fees.*

The purpose of this fund is to ensure that the Agency is able to meet future needs for expansion-related flood control facilities. The program is primarily intended to provide funding for any flood control facilities required for new development. Funds are expended on the planning, design, lands and right of way acquisition, environmental review, permitting, and construction for drainage projects.

The table below shows the audited beginning fund balance, FY 2018-19 Adopted Budget, FY 2018-19 YTD Actuals, Second Quarter (Q2) Projected FYE and Year-End Projected Over/(Under) Budget.

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<i>Fund 210 - Flood Protection DIF Fund</i>	<i>FY 18-19 Adopted Budget</i>	<i>FY 18-19 YTD Actual</i>	<i>FY 18-19 Q1 Projected FYE</i>	<i>FY 18-19 Q2 Projected FYE</i>	<i>Year-End Over/(Under) Budget</i>
<b>Audited Beginning Fund Balance</b>	<b>\$62,143,188</b>	<b>\$62,760,524</b>	<b>\$62,143,188</b>	<b>\$62,760,524</b>	<b>\$617,336</b>
Less commitments for:					
Estimated Carryovers/Encumbrances	-	381,713	381,713	381,713	381,713
<b>Adjusted Beginning Fund Balance</b>	<b>62,143,188</b>	<b>62,378,811</b>	<b>61,761,475</b>	<b>62,378,811</b>	<b>235,623</b>
Revenue <sup>1</sup>	5,119,272	1,505,046	5,119,272	4,608,845	(510,427)
Development Fees	4,494,244	995,293	4,494,244	3,595,395	(898,849)
Charges for Services	-	8,474	-	8,474	8,474
Investment Earnings	600,028	489,988	600,028	979,976	379,948
Other Revenue	25,000	\$11,291	25,000	25,000	-
Expenses <sup>2</sup>	6,090,531	156,154	6,090,531	4,812,131	(1,278,400)
Labor & Overhead Distributed	300,880	104,335	300,880	229,536	(71,344)
Capital Projects	5,789,651	51,819	5,789,651	4,582,595	(1,207,056)
Estimated Revenue over Expenses	(971,259)	1,348,892	(971,259)	(203,287)	767,972
<b>Estimated Ending Fund Balance</b>	<b>61,171,929</b>	<b>63,727,703</b>	<b>60,790,216</b>	<b>62,175,525</b>	<b>1,003,596</b>

*Revenue*

1. Revenue: YTD revenue is from development impact fees, which are seasonal, and interest earnings. The end-of-year projection for revenue has been revised to reflect higher interest earnings and slightly less development impact fee revenue based on current trends.

*Expenditures*

2. Expenses: include agency staff labor for capital projects such as the SMMP Update and Arroyo Mocho Medeiros Project. The estimate for Capital Project expenses reflects the revised scope and lower cost of the Arroyo Mocho Medeiros Parkway project.

*Reserves*

The table below shows the projected ending fund balances for the FY 2018-19 Adopted Budget and Q2 projected FYE. The reserve balance is in compliance with Board policy.

<i>Fund 210 Reserves</i>	<i>FY 18-19 Adopted Budget</i>	<i>FY 18-19 Q2 Projected FYE</i>
Designated for Capital Projects Reserve	\$61,171,929	\$62,175,525
<b>Total Reserves</b>	<b>\$61,171,929</b>	<b>\$62,175,525</b>

The table below lists major projects that are in the planning/design phase.

<i>Project</i>	<i>Total Cost</i>	<i>Fund 210 Share<sup>1</sup></i>	<i>Status</i>	<i>In-service</i>
Arroyo Mocho Medeiros Parkway	\$2.7M	\$1.6M	Design	December 2019
Camp Parks Detention Basin	\$3.0M	\$3.0M	Planning	Summer 2019

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SMMP Update	\$2.7M	\$1.1M	Planning	2019
Stream Maintenance Program and Permitting Program	\$1.0M	\$0.2M	Planning	Summer 2020

<sup>1</sup>The remainder is paid by Fund 200 - Flood Protection Operations.

Projected fund balances for the restricted and unrestricted funds are shown in the table below. Note that 76% of the Agency’s funds are restricted:

Restricted Funds			Unrestricted Funds		
Fund Description	Projected Fund Balance at 6/30/2019	% of Total	Fund Description	Projected Fund Balance at 6/30/2019	% of Total
Fund 110 - State Water Facilities	26,270,834	10%	Fund 100 - Water Enterprise Operations	13,403,573	5%
Fund 130 -Water Enterprise Capital Expansion	105,642,767	39%	Fund 120 - Water Enterprise Capital R/R & SWI*	44,039,837	16%
Fund 200 - Flood Protection Operations	10,939,255	4%	Fund 300 - Water Facilities Fund	3,569,386	1%
Fund 210 - Flood Protection Development Impact Fee	62,175,525	23%	Fund 310 - Water Supply and Reliability Fund	3,235,858	1%
			Fund 140 - Vehicle & Equipment Replacement	836,664	0%
<b>Total Restricted Funds</b>	<b>\$205,028,381</b>	<b>76%</b>	<b>Total Unrestricted Funds</b>	<b>\$65,585,318</b>	<b>24%</b>
				<b>Total</b>	<b>\$270,113,699</b>

\*Excludes Bond Proceeds