



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: OSBORN SOLITEI

AGENDA DATE: May 15, 2019

ITEM NO. 18e

SUBJECT: FY 2018-19 Unaudited Third 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 third quarter of FY 2018-19 (July 1, 2018 – March 31, 2019) as well as third 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, third 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 21,600 acre-feet of treated water through March 2019, which is 21% less than the 27,449 acre-feet sold during the same time frame in FY 2012-13 due to the very wet weather this Winter and early Spring. This compares to a conservation rate of 17% that is assumed in the FY 2018-19 Budget. The water sales projection has been decreased from 33,085 AF to 30,513 AF based on YTD trends.
- › End-of-year reserves are projected to be \$3.5M less than the target reserve requirement of \$18M. The \$18M reserve target includes funding the Operating, Emergency and Drought Contingency at target levels. The target amount may be changed as a result of the Board consideration of the reserve policy at the May 15, 2019 board meeting.

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

- › 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. A groundbreaking ceremony took place on April 10, 2019.

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 is complete and 49 sites were repaired in 2017 and 2018.
- › On April 17, 2019, the Board awarded a contract to Fanfa to complete an additional 26 sites in an amount not to exceed \$4.4M (Phase 2).

RECOMMENDED ACTION:

Information only.

ANALYSIS:

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

UNRESTRICTED FUNDS

Unrestricted Fund Balance: This describes 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.

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

FY 2018-19 Unaudited Third Quarter Revenue and Expenditure Report

Fund Description	Projected Fund Balance at 6/30/2019
Fund 100 - Water Enterprise Operations	14,474,936
Fund 120 - Water Enterprise Capital R/R & SWI*	42,105,209
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
Total Unrestricted Funds	\$64,222,053

*Excludes Bond Proceeds of \$44M for the DVWTP and PPWTP Ozone Projects.

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, Third Quarter (Q3) Projected FYE and Year-End Projected Over/(Under) Budget.

Fund 100 - Water Enterprise Operations	FY 18-19 Adopted Budget	FY 18-19 YTD Actual	FY 18-19 Q1 Projected FYE	FY 18-19 Q2 Projected FYE	FY 18-19 Q3 Projected FYE	Year-End Over/(Under) Budget
Audited Beginning Fund Balance	\$12,087,957	\$12,827,301	\$12,827,301	\$12,903,399	\$12,903,399	\$815,442
Revenue	47,951,037	34,970,319	48,223,635	46,866,909	46,782,507	(1,168,530)
Water Sales ¹	47,640,173	34,302,455	47,912,771	46,271,078	46,061,832	(1,578,341)
Investment Earnings ²	127,019	158,435	127,019	189,426	211,247	84,228
Other Revenue	183,845	509,428	183,845	406,405	509,428	325,583
Expenses*	34,342,319	23,871,095	34,842,319	33,869,329	32,713,564	(\$1,628,755)
Labor & Overhead Distributed ³	15,266,665	10,572,308	15,266,665	15,139,969	14,096,410	(1,170,255)
Professional Services ⁴	2,645,695	1,721,213	2,645,695	1,906,045	1,998,665	(647,030)
County Services	1,603,668	755,755	1,603,668	1,603,668	1,603,668	-
Water ⁵	4,825,802	3,797,054	5,325,802	5,325,802	4,863,054	37,252
Chemicals ⁵	2,337,648	1,634,844	2,337,648	1,937,648	2,010,858	(326,790)
Utilities ⁵	2,361,693	1,740,621	2,361,693	2,136,026	2,320,828	(40,865)
Repairs and Maintenance	1,953,309	1,187,285	1,953,309	1,896,363	1,887,285	(66,025)
Rental Services	122,203	50,916	122,203	122,203	122,203	-
Other Services/ Supplies	1,533,225	1,139,026	1,533,225	1,357,842	1,366,831	(166,394)
Debt Service ⁶	1,692,411	1,272,074	1,692,411	2,443,763	2,443,763	751,352
Capital Funding	12,497,406	9,376,167	12,497,406	12,497,406	12,497,406	-
Estimated Revenue over Expenses	1,111,312	1,723,058	883,910	500,174	1,571,537	460,225
Estimated Ending Fund Balance	\$13,199,269	\$14,550,359	\$13,711,211	\$13,403,573	\$14,474,936	\$1,275,667

Revenue

1. Water Sales: primarily from the sale of 21,600 acre-feet of treated water through March 2019, which is 21% less than the 27,449 acre-feet sold during the same time frame 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 less than budget because 1) the water sales projection has been decreased from 33,085 AF to 30,513 AF based on YTD trends and 2) 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 March of \$10.6M.
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.
 - › The FY 2018-19 Budget for Water included purchasing 2,400 acre-feet of water from Yuba (\$1.1M), but this was not necessary due to the high State Water Project allocation.
 - › In October 2018, the Board approved \$0.5M for Water Supply Reliability projects in FY 2018-19, if this amount is not spent by June 2018, it will carry forward to FY 2019-20.
 - › Chemicals are projected to be under-budget as a result of above average groundwater pumping due to DVWTP (surface water) being taken offline for construction activities through April. More chemicals are required to produce surface water than groundwater and more energy (Utilities) and required to pump groundwater.
 - › Water purchased from DWR is projected to be under-budget (around \$0.2M) because more groundwater is being pumped.
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.

Reserves

The table below shows the projected ending fund balances for the FY 2018-19 Adopted Budget and Q3 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 \$14.5M is \$3.5M less than the target reserve requirement of \$18M.

FY 2018-19 Unaudited Third Quarter Revenue and Expenditure Report

<i>Fund 100 Reserves</i>	<i>FY 18-19 Adopted Budget</i>	<i>FY 18-19 Q3 Projected FYE</i>
Operating Reserves ¹	\$5,367,108	\$8,050,662
Emergency Reserves ²	4,478,836	5,314,070
Drought Contingency	3,353,326	1,110,204
Rate Stabilization Reserves	-	
Total Reserves	\$13,199,270	\$14,474,936

¹The FY 2018-19 Q3 Projected FYE Operating Reserve is funded at the target level of 90 days of operating expenses.

²The FY 2018-19 Q3 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, Third Quarter (Q3) Projected FYE and Year-End Projected Over/(Under) Budget.

<i>Fund 120 - Water Enterprise Renewal/Replacement & 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>FY 18-19 Q3 Projected FYE</i>	<i>Year-End Over/(Under) Budget</i>
Audited Beginning Fund Balance	\$57,441,056	\$98,327,349	\$98,827,349	\$98,327,349	\$98,674,047	\$41,232,991
Less commitments for:						
Estimated Carryovers/Encumbrances	-	37,892,155	38,096,178	37,892,155	37,892,155	37,892,155
Adjusted Beginning Fund Balance	57,441,056	60,435,194	60,731,171	60,435,194	60,781,892	3,340,836
Revenue	871,212	1,748,845	871,212	1,873,264	2,608,203	1,736,991
Facility Use Fees	420,000	331,640	420,000	420,000	420,000	-
Investment Earnings ¹	448,212	1,416,153	448,212	1,450,264	1,888,203	1,439,991
Other Revenue	3,000	1,052	3,000	3,000	300,000	297,000
Other Financing Sources	12,300,000	7,422,074	12,300,000	14,743,763	2,443,763	(9,856,237)
Capital Funding	12,300,000	6,150,000	12,300,000	12,300,000	12,300,000	-
Debt Service Transfers In ²	-	1,272,074	-	2,443,763	2,443,763	2,443,763
Expenses	37,956,477	16,771,905	37,956,477	14,512,384	5,228,649	(32,727,828)
Labor & Overhead Distributed	1,301,306	975,208	1,301,306	1,365,568	1,300,277	(1,029)
Debt Service ³	-	1,106,703	-	2,278,372	2,278,372	2,278,372
Capital Projects ⁴	36,655,171	14,689,994	36,655,171	10,868,444	1,650,000	(35,005,171)
Estimated Revenue/Other Financing Sources over Expenses	(24,785,265)	(7,600,986)	(24,785,265)	2,104,643	(176,682)	24,608,583
Estimated Ending Fund Balance	\$32,655,791	\$52,834,208	\$35,945,906	\$62,539,837	\$60,605,209	\$27,949,418

*Includes Bond Proceeds of \$18.5M for the PPWTP Ozone Projects.

Revenue

1. Investment Earnings: from the Agency & County treasuries. Also includes investment income from bond proceeds held with the trustee of \$0.9M. 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 Q3 expenditure projection reflects the projected three-year draw-down of the construction phase costs.

Reserves

The table below shows the projected ending fund balances for the FY 2018-19 Adopted Budget and Q3 projected FYE.

<i>Fund 120 Reserves</i>	<i>FY 18-19 Adopted Budget</i>	<i>FY 18-19 Q3 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 ¹	26,355,791	19,505,209
Total Reserve	\$32,655,791	\$60,605,209

¹This 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 is in compliance with Board policy.

FY 2018-19 Unaudited Third Quarter Revenue and Expenditure Report

Below is summary of the major projects in progress. A separate quarterly Capital Projects Status Report is included in this Board agenda packet.

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	May 2021
Dougherty Reservoir Recoating and Rehabilitation Project ¹	\$3.2M	\$1.6M	\$1.6M	\$-	Planning	Summer 2020
Chain of Lakes Well 1 Stabilization Project	\$3.4M	\$3.4M	\$3.4M	\$-	Design completed	April 2020
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
Total	\$166M	\$97M	\$40M	\$57M		

¹This 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

Fund	FY 18-19 Beginning Unaudited Fund Balance	FY 2018-19 Q3 Projected Interest income	FY 2018-19 Q3 Projected Expenses (transfers out) ¹	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 ^{1,2,3}	\$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. The total amount will be expended over two fiscal years.
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. The total amount will be expended over two fiscal years.

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. 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	\$26,447,963
Fund 130 -Water Enterprise Capital Expansion	\$114,688,255
Fund 200 - Flood Protection Operations	\$10,057,622
Fund 210 - Flood Protection Development Impact Fee	\$63,340,830
Total Restricted Funds	\$214,534,671

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 on the following page shows the audited beginning fund balance, FY 2018-19 Adopted Budget, FY 2018-19 YTD Actuals, Third Quarter (Q3) 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>FY 18-19 Q3 Projected FYE</i>	<i>Year-End Over/(Under) Budget</i>
Audited Beginning Fund Balance	\$21,942,211	\$23,468,449	\$23,468,449	\$23,468,449	\$23,468,449	\$1,526,238
Revenue	25,401,261	18,216,564	25,401,261	25,461,679	25,638,807	237,546
Dougherty Valley Surcharge	1,854,602	\$2,066,713	1,854,602	1,854,602	2,066,713	212,111
Property Taxes ¹	20,150,000	13,700,065	20,150,000	20,150,000	20,150,000	-
Other Revenue	45,610	\$1.67	45,610	45,610	45,610	-
Investment Earnings	243,578	201,761	243,578	303,996	269,014	25,436
DWR Refunds	3,107,471	2,248,023	3,107,471	3,107,471	3,107,471	-
Expenses ²	22,435,644	19,710,644	22,435,644	22,659,293	22,659,293	223,649
Estimated Revenue over Expenses	2,965,617	(1,494,081)	2,965,617	2,802,385	2,979,514	13,897
Estimated Ending Fund Balance	\$24,907,828	\$21,974,368	\$26,434,066	\$26,270,834	\$26,447,963	\$1,540,135

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 (fourth quarter).

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 Q3 projected FYE.

<i>Fund 110 Reserves</i>	<i>FY 18-19 Adopted Budget</i>	<i>FY 18-19 Q3 Projected FYE</i>
Operating Reserve ¹	\$24,907,828	\$26,447,963
Total Reserve	\$24,907,828	\$26,447,963

¹The 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 \$26.5M 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 below shows the audited beginning fund balance, FY 2018-19 Adopted Budget, FY 2018-19 YTD Actuals, Third Quarter (Q3) Projected FYE and Year-End Projected Over/(Under) Budget.

Revenue

The primary source of revenue is connection fee revenue.

1. Connection Fees: FY 2018-19 YTD revenue is comprised of connection fees from 935 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 Q3 FYE revenue projection for connection fee revenue has been revised downward from 1,493 connections to 1,194 connections based on YTD trends.

FY 2018-19 Unaudited Third Quarter Revenue and Expenditure Report

<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>FY 18-19 Q3 Projected FYE</i>	<i>Year-End Over/(Under) Budget</i>
Audited Beginning Fund Balance	\$98,756,696	\$98,500,685	\$98,532,145	\$98,500,685	\$98,579,717	(\$176,979)
Less commitments for:						
Estimated Carryovers/Encumbrances		1,079,347	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	16,592,814	-
Adjusted Beginning Fund Balance	82,163,882	82,628,524	80,859,984	80,828,524	80,907,556	(1,256,326)
Revenue	46,478,583	29,358,770	46,478,583	39,027,579	40,079,786	(6,398,797)
Connection Fees ^{1,2}	42,537,656	26,156,785	42,537,656	34,043,389	34,877,785	(7,659,871)
Investment Earnings	848,124	1,323,856	848,124	1,841,387	1,765,141	917,017
DWR Refunds	3,092,803	1,534,072	3,092,803	3,092,803	3,092,803	-
Other Revenue	-	344,057	-	50,000	344,057	344,057
Expenses	73,504,017	19,550,095	73,504,017	30,806,149	22,891,901	(50,612,116)
Labor & Overhead Distributed	428,723	473,652	428,723	613,645	631,537	202,814
Water ³	19,049,100	17,088,005	19,049,100	17,888,005	17,888,005	(1,161,095)
Capital Projects ⁴	53,594,160	1,772,359	53,594,160	12,304,500	4,372,359	(49,221,801)
Debt Service ⁵	432,034	216,079	432,034	515,179	515,179	83,145
Estimated Revenue over Expenses	(27,025,434)	9,808,674	(27,025,434)	8,221,430	17,187,885	44,213,319
Designation for Capital Reserves	52,838,448	90,137,198	51,534,550	86,749,954	95,795,441	42,956,993
Rate Stabilization Reserve	2,300,000	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	16,592,814	-
Estimated Ending Fund Balance	\$71,731,262	\$109,030,012	\$70,427,364	\$105,642,768	\$114,688,255	42,956,993

Expenditures

- Water: YTD expenses are mainly comprised of the first and second installments 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.
- 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 multi-year spending of the PPWTP Upgrades and Ozone project.
- Debt Service: includes the January 1, 2019 interest payment and the accrued interest debt service payment due on July 1, 2019.

Reserves

The table below shows the projected ending fund balances for the FY 2018-19 Adopted Budget and Q3 projected FYE.

<i>Fund 130 Reserves</i>	<i>FY 18-19 Adopted Budget</i>	<i>FY 18-19 Q3 Projected FYE</i>
Sinking funds	\$16,592,814	\$16,592,814
Debt Service Rate Stabilization Reserve ¹	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 ²	52,838,448	39,195,441
Total Reserves	\$71,731,262	\$114,688,255

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

²This 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.

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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, Third Quarter (Q3) Projected FYE and Year-End Projected Over/(Under) Budget.

<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>FY 18-19 Q3 Projected FYE</i>	<i>Year-End Over/(Under) Budget</i>
Audited Beginning Fund Balance	\$12,770,327	\$18,471,691	\$18,471,691	\$18,352,378	\$18,352,378	\$5,582,051
Less commitments for:						-
Estimated Carryovers/Encumbrances	-	3,772,720	3,772,720	3,772,720	3,772,720	3,772,720
Adjusted Beginning Fund Balance	12,770,327	14,698,971	14,698,971	14,579,658	14,579,658	1,809,331
Revenue	9,219,902	6,378,800	9,219,902	9,506,116	9,426,061	206,159
Property Taxes ¹	8,841,052	5,990,961	8,841,052	8,909,618	8,909,618	68,566
Investment Earnings	155,590	151,307	155,590	281,798	201,743	46,153
Aid from Governmental Agencies	64,700	3,817	64,700	64,700	64,700	-
Other Revenue	158,560	232,714	158,560	250,000	250,000	91,440
Expenses	13,004,855	7,243,231	13,004,855	13,146,519	13,948,097	943,242
Labor & Overhead Distributed	1,728,983	1,490,909	1,728,983	1,863,381	1,987,878	258,895
Professional Services ²	3,536,140	1,276,146	3,536,140	2,817,862	2,811,613	(724,527)
Repairs and Maintenance ³	5,840,197	3,941,093	5,840,197	7,045,647	7,591,093	1,750,896
Rental Services	21,000	3,865	21,000	21,000	21,000	-
Other Services/Supplies	211,237	349,121	211,237	211,237	349,121	137,884
Capital Projects ⁴	1,667,298	182,099	1,667,298	1,187,392	1,187,392	(479,906)
Estimated Revenue over Expenses	(3,784,953)	(864,432)	(3,784,953)	(3,640,403)	(4,522,036)	(737,083)
Ending Fund Balance	\$8,985,374	\$13,834,539	\$10,914,018	10,939,255	10,057,622	1,072,248

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 (fourth quarter). 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. Professional Services: On February 20, 2019, the Board adopted Resolution No. 19-18 approving time extension for professional services related to emergency flood control repairs for a total not-to-exceed amount of \$3,000,000 for FY 19/20, FY 20/21, and FY 21/22. \$7.8M was originally appropriated for this work in FY 2017-18 and FY 2018-19, but \$1.1M has been spent.
3. Repairs and Maintenance: 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.
 - › 49 sites were repaired in 2017 and 2018 (Phase 1).
 - › 47 sites will be repaired in 2019 (Phase 2).
 - › 25 sites are expected to be repaired in 2020 (Phase 3)
 - › The remaining 87 sites will be monitored.
4. 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 Q3 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	\$4,388,843
Operating Reserves	5,668,779	5,668,779
Total Reserves	\$8,985,374	\$10,057,622

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

<i>Project</i>	<i>Total Cost</i>	<i>Fund 200 Share¹</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	January 2021
SMMP Update	\$2.7M	\$1.6M	Planning	2019
Stream Maintenance Program and Permitting Program	\$1.0M	\$0.8M	Planning	Summer 2020

¹The 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, Third Quarter (Q3) Projected FYE and Year-End Projected Over/(Under) Budget.

<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>FY 18-19 Q3 Projected FYE</i>	<i>Year-End Over/(Under) Budget</i>
Audited Beginning Fund Balance	\$62,143,188	\$62,760,524	\$62,143,188	\$62,760,524	\$62,760,524	\$617,336
Less commitments for:						-
Estimated Carryovers/Encumbrances	-	381,713	381,713	381,713	381,713	381,713
Adjusted Beginning Fund Balance	62,143,188	62,378,811	61,761,475	62,378,811	62,378,811	235,623
Revenue ¹	5,119,272	2,139,387	5,119,272	4,605,845	4,333,680	(785,592)
Development Fees	4,494,244	1,591,014	4,494,244	3,595,395	3,595,395	(898,849)
Charges for Services	-	8,474	-	8,474	8,474	8,474
Investment Earnings	600,028	528,608	600,028	976,976	704,811	104,783
Other Revenue	25,000	11,291	25,000	25,000	25,000	-
Expenses ²	6,090,531	226,206	6,090,531	4,812,131	3,371,661	(2,718,870)
Labor & Overhead Distributed	300,880	136,366	300,880	229,536	181,822	(119,058)
Capital Projects	5,789,651	89,840	5,789,651	4,582,595	3,189,840	(2,599,811)
Estimated Revenue over Expenses	(971,259)	1,913,182	(971,259)	(206,286)	962,019	1,933,278
Estimated Ending Fund Balance	61,171,929	64,291,993	60,790,216	62,172,525	63,340,830	2,168,901

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, Arroyo Mocho Medeiros Project and Camp Parks Detention Basin. 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 Q3 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 Q3 Projected FYE</i>
Designated for Capital Projects Reserve	\$61,171,929	\$63,340,830
Total Reserves	\$61,171,929	\$63,340,830

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

<i>Project</i>	<i>Total Cost</i>	<i>Fund 210 Share¹</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
SMMP Update	\$2.7M	\$1.1M	Planning	2019
Stream Maintenance Program and Permitting Program	\$1.0M	\$0.2M	Planning	Summer 2020

¹The remainder is paid by Fund 200 - Flood Protection Operations.

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Projected fund balances for the restricted and unrestricted funds are shown in the table below. Note that 77% 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	26,447,963	10%	Fund 100 - Water Enterprise Operations	14,474,936	5%
Fund 130 - Water Enterprise Capital Expansion	114,688,255	41%	Fund 120 - Water Enterprise Capital R/R & SWI*	42,105,209	15%
Fund 200 - Flood Protection Operations	10,057,622	4%	Fund 300 - Water Facilities Fund	3,569,386	1%
Fund 210 - Flood Protection Development Impact Fee	63,340,830	23%	Fund 310 - Water Supply and Reliability Fund	3,235,858	1%
			Fund 140 - Vehicle & Equipment Replacement	836,664	0%
Total Restricted Funds	\$214,534,671	77%	Total Unrestricted Funds	\$64,222,053	23%
			Total		\$278,756,724

*Excludes Bond Proceeds of \$44M for the DVWTP and PPWTP Ozone Projects.