



**\*Revised\***

**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

**NOTICE OF SPECIAL MEETING OF BOARD OF DIRECTORS**

**DATE: Wednesday, September 5, 2018**  
**TIME: 5:00 p.m.**  
**LOCATION: Zone 7 Administration Building**  
**100 North Canyons Parkway, Livermore, California**

*Any member of the public desiring to address the Board on an item under discussion may do so upon receiving recognition from the President. After receiving recognition, please step to the podium and state your name and address.*

*In compliance with the Americans with Disabilities Act, the meeting room is wheelchair accessible and disabled parking is available at the Zone 7 Administrative Building lot. If you are a person with a disability and you need disability-related modifications or accommodations to participate in this meeting, please contact the Zone 7 Acting Board Secretary, Nzinga Arrington, at (925) 454-5007 or fax (925) 454-5724. Notification 48 hours prior to the meeting will enable Zone 7 to make reasonable arrangements to ensure accessibility to this meeting. {28 CFR 35.102-35, 104 ADA Title II}*

**A G E N D A**

- 1. Call Meeting to Order
- 2. Pledge of Allegiance
- 3. Citizens Forum

*This is an opportunity for members of the public to speak on an item not listed on the agenda. The Board cannot deliberate or take action on a non-agenda item unless it is an emergency as defined under Government Code Section 54954.2.*

- 4. Wholesale Water Rate Study

Recommended Action: Discuss and Provide Direction

- 5. Adjournment

- 6. CLOSED SESSION

- (a) Conference with Legal Counsel - Existing litigation pursuant to Government Code §54956.9(d)(1): 2 cases
  - (1) Zone 7 v. Bhupinder Singh, et al., Alameda County case no. RG17862001 and related cross action
  - (2) Edwin Belshe and Ginger Belshe v. Alameda County Flood Control and Water Conservation District, Zone 7, et al., Alameda County Superior Court Case No. RG17868354

- 7. Upcoming Board Schedule: (All meeting locations are in the Boardroom at 100 North Canyons Parkway, Livermore, California, unless otherwise noted)

Zone 7 Water Agency: a) Regular Board Meeting: September 19, 2018, 7:00 p.m.

Materials related to an item on this agenda that have been provided to the Board less than 72 hours prior to the meeting are available for public inspection at the Zone 7 office at the time of, and prior to, the meeting and at [www.zone7water.com](http://www.zone7water.com). All other material otherwise provided to the Board will be available at the public meeting



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**ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT, ZONE 7**

100 NORTH CANYONS PARKWAY, LIVERMORE, CA 94551-9486 • PHONE (925) 454-5000

**ORIGINATING SECTION: Administration**  
**CONTACT: Osborn Solitei**

**AGENDA DATE: September 5, 2018**

**ITEM NO. 4**

**SUBJECT: Wholesale Water Rate Study**

**SUMMARY:**

- In 2015, Zone 7 hired Raftelis to prepare a Wholesale Water Rate Study to determine treated water rates for Calendar Years 2016, 2017 and 2018. The study resulted in adoption of: 1) a three-year wholesale water schedule; 2) a temporary surcharge for calendar years 2016 and 2017; 3) restructuring of rates from nearly 100% volume-based to 65% fixed /35% volume-based.
- Calendar Year 2018 is the last year of the adopted rate schedule. Zone 7 has hired Raftelis to conduct another Wholesale Water Rate Study to determine a four-year rate schedule for Calendar Years 2019, 2020, 2021 and 2022.
- A staff kick-off meeting was held on May 5, 2018 with Zone 7 and Retailer staff to discuss the study approach. This was an opportunity for the Retailers to give input early in the process.
- On August 10, 2018, postcards were mailed to 94,000 businesses and residents notifying the public of upcoming Zone 7 meetings on water rates.
- On August 22, 2018, Raftelis and Zone 7 staff met with Retailer staff to review and discuss the preliminary financial model, key assumptions, rate scenarios, and potential impacts to customers using rough numbers in the preliminary model.
- On August 29, 2018, a public presentation was held to educate the public on water in the Tri-Valley.
- The four scenarios discussed include base case (only inflationary rate adjustments), meeting Fund 100 minimum reserve requirements by FY 2022, funding water supply reliability projects, no funding for water supply reliability projects, but meeting minimum reserve requirements by FY 2022 and gradually increasing the fixed charge component from 35% to 45% by CY 2022.
- At this meeting, staff will present these rate scenarios and request feedback and direction from the Board. The rates will be discussed again at the September 19, 2018 regular Board meeting and are proposed for adoption at the October 17, 2018 regular Board meeting. The new rates will take effect January 1, 2019.

**FUNDING:**

Treated Water Sales revenue accrues to Fund 100 – Water Enterprise and, through transfers, to Fund 120 – Renewal, Replacement and System-Wide Improvements.

**RECOMMENDED ACTION:**

Discuss and provide direction to staff.

**ATTACHMENT:** Attachment A – Proforma Cash Flow for Each Rate Scenario

**Attachment A**  
**Scenario 1: Base Case (Inflation Only)**

**Rates and Customer Impacts (assuming 10 CCF per month)**

	<b>CY 2018</b>	<b>CY 2019</b>	<b>CY 2020</b>	<b>CY 2021</b>	<b>CY 2022</b>
Variable Charge (\$/ccf)	\$2.04	\$2.00	\$2.07	\$2.02	\$2.09
Weighted Fixed Charge (\$/ccf)	\$1.14	\$1.31	\$1.41	\$1.64	\$1.77
<b>Total Charge (\$/ccf)</b>	<b>\$3.18</b>	<b>\$3.31</b>	<b>\$3.48</b>	<b>\$3.66</b>	<b>\$3.86</b>
Monthly Water Usage (ccf)	10	10	10	10	10
Variable Charges	\$20.40	\$20.00	\$20.70	\$20.20	\$20.90
Fixed Charges	\$11.39	\$13.10	\$14.12	\$16.40	\$17.65
Total Charges	\$31.79	\$33.10	\$34.82	\$36.60	\$38.55
Dollar Amount Difference		<b>\$1.31</b>	<b>\$1.72</b>	<b>\$1.79</b>	<b>\$1.95</b>

**Proforma Cash Flow**

	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Revenue</b>				
Water Sales - Existing Rate	\$30,010,113	\$31,789,243	\$33,648,218	\$35,668,479
Fixed Charge - Existing Rate	\$16,087,355	\$16,569,978	\$17,067,078	\$17,579,088
Total Additional Revenue	\$0	\$0	\$0	\$0
<b>Total Rate Revenue</b>	<b>\$46,097,468</b>	<b>\$48,359,221</b>	<b>\$50,715,296</b>	<b>\$53,247,567</b>
Investment Earnings	\$127,019	\$102,183	\$57,436	\$8,827
Other Revenue	\$898,845	\$901,550	\$901,550	\$901,550
<b>Total Revenue</b>	<b>\$47,123,332</b>	<b>\$49,362,954</b>	<b>\$51,674,282</b>	<b>\$54,157,944</b>
<b>Expenses</b>				
O&M Expenses	\$34,149,908	\$37,524,235	\$39,738,845	\$42,022,338
Existing Debt Service	\$1,692,410	\$3,123,338	\$3,122,338	\$3,124,213
<b>Total Expenses</b>	<b>\$35,842,318</b>	<b>\$40,647,573</b>	<b>\$42,861,183</b>	<b>\$45,146,551</b>
<b>Net Cash Flow before Capital Funding</b>				
	<b>\$11,281,014</b>	<b>\$8,715,381</b>	<b>\$8,813,099</b>	<b>\$9,011,393</b>
Accumulated Capital Outlay	\$197,406	\$203,328	\$203,328	\$203,328
Capital Funding	\$12,300,000	\$12,792,000	\$13,303,680	\$13,835,827
<b>Net Cash Flow</b>	<b>(\$1,216,392)</b>	<b>(\$4,279,947)</b>	<b>(\$4,693,909)</b>	<b>(\$5,027,762)</b>
<b>Fund 100</b>				
Ending Balance	\$12,370,460	\$8,090,513	\$3,396,604	(\$1,631,158)
Minimum Target	\$16,779,560	\$17,673,506	\$18,390,963	\$19,146,173

**Attachment A**

**Scenario 2: Increase Fund 100 Reserves to Minimum Reserve Requirements by FY 2022**

**Rates and Customer Impacts (assuming 10 CCF per month)**

	<b>CY 2018</b>	<b>CY 2019</b>	<b>CY 2020</b>	<b>CY 2021</b>	<b>CY 2022</b>
Variable Charge (\$/ccf)	\$2.04	\$2.00	\$2.07	\$2.02	\$2.09
Weighted Fixed Charge (\$/ccf)	\$1.14	\$1.31	\$1.41	\$1.64	\$1.77
<b>Total Charge (\$/ccf)</b>	<b>\$3.18</b>	<b>\$3.31</b>	<b>\$3.48</b>	<b>\$3.66</b>	<b>\$3.86</b>
Monthly Water Usage (ccf)	10	10	10	10	10
Variable Charges	\$20.40	\$20.00	\$20.70	\$20.20	\$20.90
Fixed Charges	\$11.39	\$13.10	\$14.12	\$16.40	\$17.65
Total Charges	\$31.79	\$33.10	\$34.82	\$36.60	\$38.55
Dollar Amount Difference		<b>\$1.31</b>	<b>\$1.72</b>	<b>\$1.79</b>	<b>\$1.95</b>

**Proforma Cash Flow**

	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Revenue</b>				
Water Sales - Existing Rate	\$30,010,113	\$31,789,243	\$33,648,218	\$35,668,479
Fixed Charge - Existing Rate	\$16,087,355	\$16,569,978	\$17,067,078	\$17,579,088
Total Additional Revenue	\$1,267,680	\$4,062,779	\$7,284,400	\$10,997,380
<b>Total Rate Revenue</b>	<b>\$47,365,148</b>	<b>\$52,422,000</b>	<b>\$57,999,696</b>	<b>\$64,244,947</b>
Investment Earnings	\$127,019	\$135,340	\$147,946	\$192,116
Other Revenue	\$898,845	\$901,550	\$901,550	\$901,550
<b>Total Revenue</b>	<b>\$48,391,012</b>	<b>\$53,458,890</b>	<b>\$59,049,192</b>	<b>\$65,338,613</b>
<b>Expenses</b>				
O&M Expenses	\$34,149,908	\$37,524,235	\$39,738,845	\$42,022,338
Existing Debt Service	\$1,692,410	\$3,123,338	\$3,122,338	\$3,124,213
<b>Total Expenses</b>	<b>\$35,842,318</b>	<b>\$40,647,573</b>	<b>\$42,861,183</b>	<b>\$45,146,551</b>
<b>Net Cash Flow before Capital Spending</b>				
	<b>\$12,548,694</b>	<b>\$12,811,317</b>	<b>\$16,188,009</b>	<b>\$20,192,062</b>
Accumulated Capital Outlay	\$197,406	\$203,328	\$203,328	\$203,328
Capital Funding	\$12,300,000	\$12,792,000	\$13,303,680	\$13,835,827
<b>Net Cash Flow</b>	<b>\$51,288</b>	<b>(\$184,011)</b>	<b>\$2,681,001</b>	<b>\$6,152,907</b>
<b>Fund 100</b>				
Ending Balance	\$13,638,140	\$13,454,129	\$16,135,130	\$22,288,037
Minimum Target	\$16,969,712	\$18,282,923	\$19,483,623	\$20,795,780

**Attachment A**  
**Scenario 3: Additional Water Supply Reliability Projects and**  
**Meeting Minimum Reserve Requirements by FY 2022**

**Rates and Customer Impacts (assuming 10 CCF per month)**

	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022
Variable Charge (\$/ccf)	\$2.04	\$2.00	\$2.07	\$2.02	\$2.09
Weighted Fixed Charge (\$/ccf)	\$1.14	\$1.31	\$1.41	\$1.64	\$1.77
<b>Total Charge (\$/ccf)</b>	<b>\$3.18</b>	<b>\$3.31</b>	<b>\$3.48</b>	<b>\$3.66</b>	<b>\$3.86</b>
Monthly Water Usage (ccf)	10	10	10	10	10
Variable Charges	\$20.40	\$20.00	\$20.70	\$20.20	\$20.90
Fixed Charges	\$11.39	\$13.10	\$14.12	\$16.40	\$17.65
Total Charges	\$31.79	\$33.10	\$34.82	\$36.60	\$38.55
Dollar Amount Difference		<b>\$1.31</b>	<b>\$1.72</b>	<b>\$1.79</b>	<b>\$1.95</b>

**Proforma Cash Flow**

	FY 2019	FY 2020	FY 2021	FY 2022
<b>Revenue</b>				
Water Sales - Existing Rate	\$30,010,113	\$31,789,243	\$33,648,218	\$35,668,479
Fixed Charge - Existing Rate	\$16,087,355	\$16,569,978	\$17,067,078	\$17,579,088
Total Additional Revenue	\$1,613,411	\$5,196,198	\$9,380,884	\$14,266,062
<b>Total Rate Revenue</b>	<b>\$47,710,879</b>	<b>\$53,555,419</b>	<b>\$60,096,181</b>	<b>\$67,513,628</b>
Investment Earnings	\$127,019	\$144,510	\$158,364	\$198,694
Other Revenue	\$898,845	\$901,550	\$901,550	\$901,550
<b>Total Revenue</b>	<b>\$48,736,743</b>	<b>\$54,601,479</b>	<b>\$61,156,095</b>	<b>\$68,613,873</b>
<b>Expenses</b>				
O&M Expenses	\$34,149,908	\$37,524,235	\$42,738,845	\$45,172,338
Existing Debt Service	\$1,692,410	\$3,123,338	\$3,122,338	\$3,124,213
<b>Total Expenses</b>	<b>\$35,842,318</b>	<b>\$40,647,573</b>	<b>\$45,861,183</b>	<b>\$48,296,551</b>
<b>Net Cash Flow before Capital Spending</b>	<b>\$12,894,425</b>	<b>\$13,953,906</b>	<b>\$15,294,912</b>	<b>\$20,317,322</b>
Accumulated Capital Outlay	\$197,406	\$203,328	\$203,328	\$203,328
Capital Funding	\$12,300,000	\$12,792,000	\$13,303,680	\$13,835,827
<b>Net Cash Flow</b>	<b>\$397,019</b>	<b>\$958,578</b>	<b>\$1,787,904</b>	<b>\$6,278,167</b>
<b>Fund 100</b>				
Ending Balance	\$13,983,871	\$14,942,450	\$16,730,353	\$23,008,520
Minimum Target	\$17,021,571	\$18,452,936	\$20,291,247	\$21,803,890

**Attachment A**  
**Scenario 4: No Funding for Water Supply Reliability Projects,**  
**Meeting Minimum Reserve Requirements by FY 2022**

**Rates and Customer Impacts (assuming 10 CCF per month)**

	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022
Variable Charge (\$/ccf)	\$2.04	\$2.00	\$2.07	\$2.02	\$2.09
Weighted Fixed Charge (\$/ccf)	\$1.14	\$1.31	\$1.41	\$1.64	\$1.77
<b>Total Charge (\$/ccf)</b>	<b>\$3.18</b>	<b>\$3.31</b>	<b>\$3.48</b>	<b>\$3.66</b>	<b>\$3.86</b>
Monthly Water Usage (ccf)	10	10	10	10	10
Variable Charges	\$20.40	\$20.00	\$20.70	\$20.20	\$20.90
Fixed Charges	\$11.39	\$13.10	\$14.12	\$16.40	\$17.65
Total Charges	\$31.79	\$33.10	\$34.82	\$36.60	\$38.55
Dollar Amount Difference		<b>\$1.31</b>	<b>\$1.72</b>	<b>\$1.79</b>	<b>\$1.95</b>

**Proforma Cash Flow**

	FY 2019	FY 2020	FY 2021	FY 2022
<b>Revenue</b>				
Water Sales - Existing Rate	\$30,010,113	\$31,789,243	\$33,648,218	\$35,668,479
Fixed Charge - Existing Rate	\$16,087,355	\$16,569,978	\$17,067,078	\$17,579,088
Total Additional Revenue	\$691,462	\$2,197,927	\$3,895,619	\$5,810,263
<b>Total Rate Revenue</b>	<b>\$46,788,930</b>	<b>\$50,557,148</b>	<b>\$54,610,916</b>	<b>\$59,057,830</b>
Investment Earnings	\$127,019	\$145,303	\$154,223	\$182,999
Other Revenue	\$898,845	\$901,550	\$901,550	\$901,550
<b>Total Revenue</b>	<b>\$47,814,794</b>	<b>\$51,604,001</b>	<b>\$55,666,688</b>	<b>\$60,142,378</b>
<b>Expenses</b>				
O&M Expenses	\$32,649,908	\$35,524,235	\$37,238,845	\$39,022,338
Existing Debt Service	\$1,692,410	\$3,123,338	\$3,122,338	\$3,124,213
<b>Total Expenses</b>	<b>\$34,342,318</b>	<b>\$38,647,573</b>	<b>\$40,361,183</b>	<b>\$42,146,551</b>
<b>Net Cash Flow before Capital Spending</b>	<b>\$13,472,476</b>	<b>\$12,956,428</b>	<b>\$15,305,505</b>	<b>\$17,995,827</b>
Accumulated Capital Outlay	\$197,406	\$203,328	\$203,328	\$203,328
Capital Funding	\$12,300,000	\$12,792,000	\$13,303,680	\$13,835,827
<b>Net Cash Flow</b>	<b>\$975,070</b>	<b>(\$38,900)</b>	<b>\$1,798,497</b>	<b>\$3,956,672</b>
<b>Fund 100</b>				
Ending Balance	\$14,561,922	\$14,523,022	\$16,321,519	\$20,278,191
Minimum Target	\$16,636,704	\$17,674,428	\$18,564,347	\$19,524,561