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Zone 7 Board Approves 2.5 Percent Water Rate Increase
Action Will Help Protect Critical Reserves, Ease Later Rate Pressures

In efforts to maintain adequate funding reserve levels during these financially uncertain times, and to reduce the need for large rate spikes later, the Zone 7 Water Agency Board of Directors this week approved a modest 2.5 percent increase in wholesale treated water rates for 2011.

The action will increase the monthly rate for the typical household by 92 cents, if fully passed on to customers by retailers serving Pleasanton, Livermore, Dublin and Dougherty Valley.

“A small, incremental increase now can be swallowed a whole lot easier by our ratepayers than a big lump sum next year,” said board President John Greci.

Greci said that even as the Agency continues to achieve cost-cutting efficiencies, “Our goal is to keep the organization functioning and meeting its mission of providing safe and reliable water supplies, and to avoid borrowing money to operate.”

Adequate reserves, he said, help Zone 7 maintain its pay-as-you-go approach because debt financing is risky and only adds costs that eventually have to be paid by ratepayers.

The Board had considered rate options ranging from no increase up to a 4.5 percent increase, based on how much the Agency would need to dip into reserves to cover operating costs and plan for anticipated equipment repairs and replacements. Sensitive to the current economic hard times for ratepayers, but also to the need to be fiscally responsible to those ratepayers, the Board struck a middle ground. A 2.5 percent increase will still require taking more than \$2.5 million from reserves, but will help hold down projected rate increases for the next few

years. The vote for an increase in 2011 was 5-2, with Board members Bill Stevens and Sandy Figuers dissenting.

Water agencies statewide are experiencing unprecedented rate pressures due to increasing uncertainty over water-supply reliability and dealing with the needs of an aging infrastructure.

Zone 7's 2011 rate reflects continued costs to cover the Agency's contribution to a statewide effort to address alternatives for a long-term fix to the Delta, through which more than 80 percent of our water supply is conveyed and which faces serious ecological decline and court orders for reduced pumping by the State Water Project. The Bay Delta Conservation Plan aims to improve the long-term reliability of our SWP supplies, and to improve the quality of those supplies.

The rate also includes further investments into enhanced water conservation programs in furtherance of a new state law requiring a 20 percent per-capita reduction in water use by 2020.

Cost-efficiency measures that are helping to hold down the 2011 rate include: 1) continuing this year's soft hiring freeze for about 10 percent of Zone 7's workforce at an annual saving of \$1.9 million, 2) employee benefit and cost-of-living wage concessions, 3) reduced overtime costs, 4) lowered costs of outside contracts by maximizing use of in-house resources, and 5) deferring replacement and improvement projects, as well as equipment purchases. This past fiscal year, the Agency also launched a voluntary resignation program to reduce costs, and came in \$300,000 under budget for training and office expenses.

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Zone 7 Water Agency is one of the 10 active zones of the Alameda County Flood Control and Water Conservation District. The District was established by the State Legislature in October 1949 to solve problems of flooding, drainage, channel erosion and water supply and conservation in Alameda County. In 1957, by popular vote, Zone 7 became a special district governed by a seven-member board of directors. Along with flood protection, Zone 7 supplies water to all of eastern Alameda County and a population of more than 200,000. Treated water is sold wholesale to local retailers, including the cities of Livermore and Pleasanton, the Dublin San Ramon Services District, and the California Water Service Company. Zone 7 also distributes untreated water to local agriculture operations and golf courses.

