ZONE 7 WATER AGENCY

# CY 2026 UNTREATED WATER RATE UPDATE

FINAL REPORT
OCTOBER 2025

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# Executive Summary

## Agency Background

Zone 7 Water Agency (the "Agency") was established in 1957 to provide untreated water to support agriculture and provide treated wholesale water to the Livermore-Amador Valley. In 1961, the Agency contracted for State Water Project (SWP) water deliveries through the South Bay Aqueduct (the "SBA").

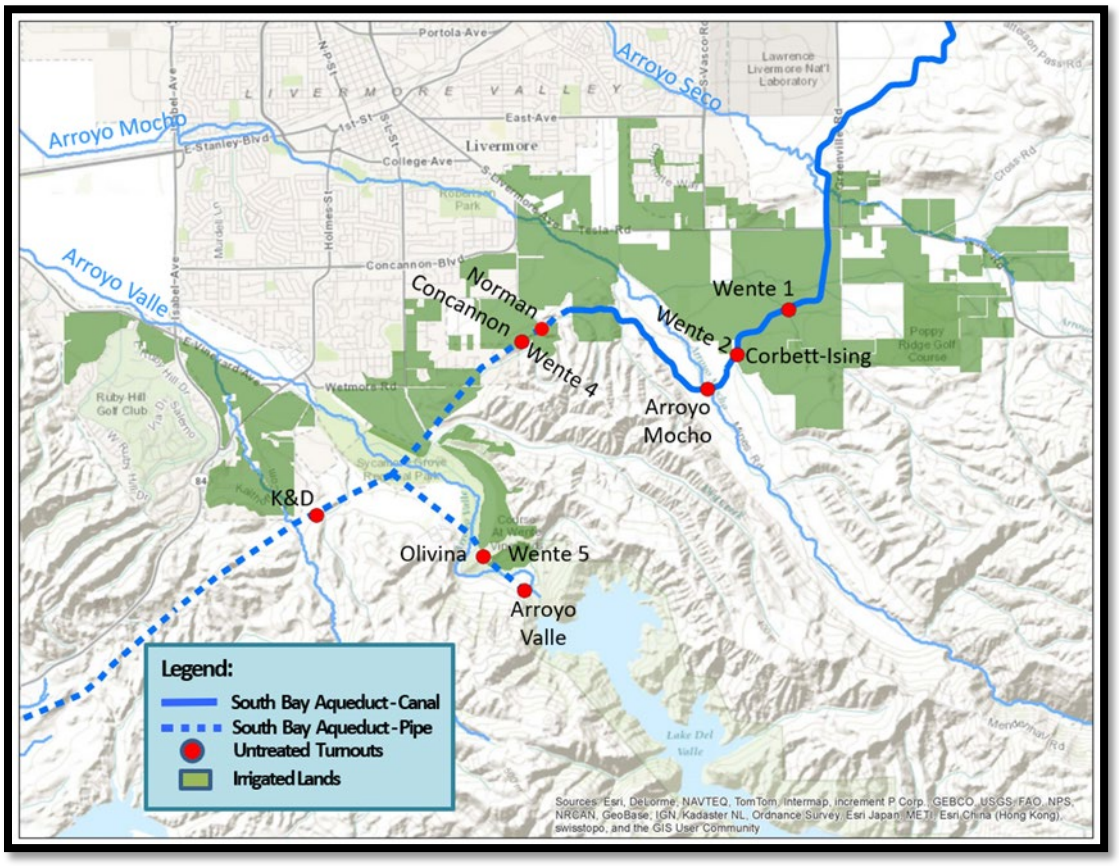
The Agency's water resources include imported water from the SWP, local groundwater storage, local water captured in Lake Del Valle, and offsite groundwater banking in Kern County. Historically, most of the Agency's water demand has been met by imported water from the SWP; approximately 90 percent of the current water demand is met through water originating from the SWP.

The Agency began delivering untreated water to its service area from the California Department of Water Resources (DWR) via the SBA in 1962. Over the years, deliveries increased with the agricultural development of South Livermore. The Agency provides untreated water service to 95 untreated water users that may collectively request water deliveries of up to 8,104 acre-feet (AF) per year. However, only seven of these contractors receive water from the Agency directly from an SBA turnout. These seven water users are referred to as "turnout water users." The remaining 88 "remote water users" receive their water deliveries through the turnout water users' respective conveyance facilities. The Agency's current practice is to invoice the turnout water users for all water delivered through the turnouts, which includes water wheeled, or delivered through their respective facilities, to remote water users. The turnout water users, in turn, invoice the respective individual remote water users. The Agency does not invoice remote water users and is not involved in setting remote water user rates.

Prior to 2011, the Agency had contracts with separate users. In 2011, the Agency transitioned from individual contracts to the Rules and Regulations Governing Water Service. The Rules and Regulations Governing Water Service reflect the actual relationship the Agency has with its untreated water customers. This transition allowed the Agency to administer the untreated water program more effectively by clearly documenting and maintaining a maximum annual allocation for each water user and providing a process for water transfers within the service area.

**Figure 1** shows the map of the untreated water turnouts and deliveries via the SBA.

Figure 1: Map of Untreated Water Turnouts




## Untreated Water Rate Update Background

The Untreated Water Rate Update calculates the untreated water rates for calendar year (CY) 2026 based on the Board principles for untreated water rates adopted via Resolution No. 21-77, dated October 20, 2021.

The major objectives of the update include:

- Ensure financial sufficiency for the untreated water enterprise to meet water supply and program costs
- Develop untreated and temporary untreated water rates consistent with approved Board principles
- Maintain fairness and equitability of rates while minimizing customer impacts

## General Report Assumptions

The Untreated Water Rate Update acknowledges the volatility of water supply costs from year to year and the challenge of accurately predicting future water supply by smoothing projected water supply costs using a five-year historical average. This method helps avoid

major rate shock to untreated water customers when extreme weather patterns are anticipated. The following assumptions are based on five-year historical averages:

- Planned Water Deliveries
- Planned Water Supply Costs

## Current Rates

The Agency's current untreated water rates include two components: an untreated water rate for normal water service and a temporary untreated water rate for customers that require temporary service and are unable to obtain water from other areas in the valley. **Table 1** shows the current untreated water rates (CY 2025), which the Agency adopted on October 16, 2024, via Resolution No. 24-83.

**Table 1: Current Untreated Water Rates (CY 2025)**

| Current Untreated Water Rates ($/AF) | CY 2025 |
|---|---|
| Untreated Water Rate | $263[1] |
| Temporary Untreated Water Rate | $954 |

## Planned Water Deliveries

**Table 2** shows the planned water deliveries for untreated and treated water customers in CY 2026, and the percent of total deliveries for each service. As mentioned above, planned untreated and treated water deliveries are based on the five-year historical average.

**Table 2: Planned Water Deliveries (CY 2026)[2]**

| Planned Water Deliveries | Total AF | % of Total |
|---|---|---|
| Untreated Water | 5,243 | 12.89% |
| Treated Water | 35,442 | 87.11% |
| **Total** | **40,685** | **100.0%** |

## Calculated Untreated Water Rates

**Table 3** shows the calculated untreated water rate and the temporary untreated water rate for CY 2026. The calculated rate excludes any reconciliation charge or credit.

**Table 3: Calculated Untreated Water Rates (CY 2026)**

| Calculated Untreated Water Rates ($/AF) | CY 2026 |
|---|---|
| Untreated Water Rate | $255 |
| Temporary Untreated Water Rate | $1,023 |

[1] Current rate includes a $24/AF reconciliation charge.
[2] Values may not add due to rounding.

# Water Service

This section outlines the Agency's water service costs and the associated costs and descriptions of the various staff programs that make up the water service costs.

## Agency Staff Programs

The Agency is committed to providing a reliable supply of high-quality water for municipal, industrial, and agricultural customers and spends a considerable amount of time managing the water supply portfolio. These water service costs are calculated based on projected hours worked by Agency staff and hourly rate.

The following section describes the various staff programs and their roles in the untreated water system. The following Agency staff programs, with the exception of the Untreated Water Program, serve both treated and untreated water customers. Agency staff programs that do not serve the untreated water customers (i.e. Water Treatment, Groundwater Administration, Local Water Rights, and Flood Protection) have been excluded.

**State Water Project Program**
Administration of the State Water Project water supply.

**Untreated Water Program**
Execution, management, and administration of the Untreated Water Program.

**Water Supply and Storage Planning**
Operational planning of the water utility and the water supply, day-to-day water supply management activities, administration and support related to water storage, water supply and conveyance, and other water supplies.

**Cawelo Banked Water Program**
Administration, operation, and maintenance of the Cawelo water supply, including recovery and storage.

**Semitropic Banked Water Program**
Administration, operation, and maintenance of the Semitropic water supply, including recovery and storage.

## Water Service Costs

Agency staff provide estimated water service costs for each of the programs, which include hourly rate and projected hours worked for CY 2026. The detailed water service costs by program are included in the **Technical Appendix**.

**Table 4** shows the water service cost summary and allocation for all Agency staff programs serving the untreated water customers. Untreated Water Program costs are only distributed to untreated customers, while the remaining staff programs benefit both treated and untreated customers. The percent of water service costs allocated to untreated water customers (except for Untreated Water Program costs) is based on the proportion of planned water deliveries for CY 2026 from **Table 2**.

**Table 4: Water Service Cost Summary (CY 2026)[3]**

| Water Service Costs Summary | Total Agency | % To Untreated | Total Untreated |
|---|---|---|---|
| State Water Project Program | $138,957 | 12.89% | $17,907 |
| Untreated Water Program | $34,727 | 100.0% | $34,727 |
| Water Supply and Storage Planning | $746,614 | 12.89% | $96,215 |
| Semitropic Banked Water Program | $14,360 | 12.89% | $1,850 |
| Cawelo Banked Water Program | $12,235 | 12.89% | $1,577 |
| **Total Water Service Costs** | **$946,893** | **16.08%** | **$152,276** |

[3] Values may not add due to rounding.

# Agency Overhead

This section outlines the Agency's overhead costs and calculation. The resulting overhead percentage, determined in **Table 7**, is applied to the water service costs derived in the previous section.

## Overhead Costs and Calculation

Overhead costs are the ongoing costs of running the Agency that are not directly tied to water production or water service. These include expenses like property management and utilities at the Agency's headquarters, Board and administration salaries, information technology, and insurance. The Agency needs to cover these costs to stay operational, therefore the customer pays for a portion of the overhead through the rate, ensuring the Agency can maintain operations and continue to deliver water.

For this report, these costs are referred to as Central Administration costs, or indirect costs and are shared across all Agency departments. Detailed central administration costs are included in the **Technical Appendix** at the end of this report.

The overhead calculation uses both direct labor costs and indirect costs for all Agency programs. Direct labor costs are Agency staff hours charged directly to the following programs: Water Utility Support Services, Supply Source and Conveyance, Water Storage, Water Treatment, Water Transmission, and Flood Protection. Indirect costs are charged to the Central Administration program. **Table 5** shows the total direct labor and indirect costs for each program.

**Table 5: Agency Direct Labor and Indirect Costs (CY 2026)[4]**

| Programs | Direct Labor | Indirect Costs |
|---|---|---|
| Water Utility Support Services | $3,479,888 | $0 |
| Supply Source & Conveyance | $326,576 | $0 |
| Water Storage | $1,857,641 | $0 |
| Water Treatment | $8,090,930 | $0 |
| Water Transmission | $1,368,913 | $0 |
| Central Administration | $0 | $9,113,443 |
| Flood Protection | $1,895,289 | $0 |
| **Total - Programs** | **$17,019,237** | **$9,113,443** |

**Table 6** takes the total direct labor and indirect costs from **Table 5** and adds the allocation of indirect costs to each program based on the proportion of direct labor costs. For example, the following equation is used to calculate the allocated Central Administration indirect costs for the Water Utility Support Services program:

[4] Values may not add due to rounding.

*$9,113,443 total Central Administration costs x ($3,479,888 Water Utility Support Services direct labor costs / $17,019,237 total direct labor costs) = $1,863,407*

**Table 6: Agency-wide Overhead Cost Allocations (CY 2026)[5]**

| Programs | Direct Costs | Indirect Costs (Central Admin) | Central Admin Allocation |
|---|---|---|---|
| Water Utility Support Services | $3,479,888 | $0 | $1,863,407 |
| Supply Source & Conveyance | $326,576 | $0 | $174,875 |
| Water Storage | $1,857,641 | $0 | $994,728 |
| Water Treatment | $8,090,930 | $0 | $4,332,523 |
| Water Transmission | $1,368,913 | $0 | $733,024 |
| Central Administration | $0 | $9,113,443 | $0 |
| Flood Protection | $1,895,289 | $0 | $1,014,886 |
| **Total - Programs** | **$17,019,237** | **$9,113,443** | **$9,113,443** |

The relevant programs, applicable to the untreated water system, include Water Utility Support Services, Supply Source and Conveyance, and Water Storage (highlighted in light blue). **All other program costs do not directly apply to the untreated water system and are not included in the calculation.**

**Table 7** shows the calculation of the untreated water overhead percentage. The Agency-wide overhead allocation is represented by the indirect costs associated with each dollar of direct labor costs. To calculate the untreated water overhead percentage, the central administration costs for the Water Utility Support Services, Supply Source and Conveyance, and Water Storage Programs are divided by the total direct labor costs for the same three programs. The resulting percentage of 53.5 percent represents approximately 54 cents of indirect costs for each dollar of applicable direct labor costs allocated to untreated water.

**Table 7: Untreated Water Overhead Percentage Calculation (CY 2026)[5]**

| Untreated Water Programs | Direct Labor | Central Admin |
|---|---|---|
| Water Utility Support Services | $3,479,888 | $1,863,407 |
| Supply Source & Conveyance | $326,576 | $174,875 |
| Water Storage | $1,857,641 | $994,728 |
| **Total - Untreated Water Programs** | **$5,664,105** | **$3,033,010** |
| Overhead Percentage | 53.5% | |

**Table 8** shows the untreated water program's portion of overhead, which is calculated by multiplying the overhead percentage determined in **Table 7** by the planned untreated water service costs for CY 2026 in **Table 4**.

[5] Values may not add due to rounding.

**Table 8: Untreated Water Overhead Costs (CY 2026)[6]**

| Overhead Costs | Total Untreated |
|---|---|
| Untreated Water Service Costs | $152,276 |
| Overhead Percentage | 53.5% |
| **Untreated Water Overhead Costs** | $81,540 |

[6] Values may not add due to rounding.

# Water Supply

This section of the report outlines the Agency's water supply sources and planned water supply costs for CY 2026. Water supply costs make up approximately 80-90% of the untreated water rate and historically have been very volatile and challenging to predict.

## Water Supply Portfolio

The Agency's water sources are used to meet treated and untreated water demand. Treated water demand comes from municipal (retailers) and industrial (direct) customers and untreated water demand comes from agricultural customers. When available, excess surface water supplies are placed into storage locally or remotely for future use. Total water supply costs are included in the rate calculation for both treated and untreated water deliveries.

**State Water Project**

- **Table A**
  Table A is the Agency's portion of the State Water Project annual allocation and represents the largest portion of Zone 7's "new" water supply each year. The Agency's maximum allocation is 80,619 AF annually. Each year, the Agency receives a "Table A allocation" representing a percentage of 80,619 AF.
- **Excess Supplies**
  This is officially referred to as "Article 21" water and is surplus water that is made available, in addition to Table A water, when the San Luis Reservoir is full. It is water that would otherwise flow to the Bay.
- **Carryover**
  This is officially referred to as "Article 56" water and is available when the Agency's Table A water rolls over as carryover for use in future years. In most years, this water remains in the San Luis Reservoir, but in wet years, such as 2023, the San Luis Reservoir can be at risk of spilling, which causes stored carryover to be lost. Each year, the Agency typically reserves 10,000 to 15,000 AF as a carryover to mitigate against fluctuating Table A allocations.
- **Delta Conveyance Project**
  This project offers alternative conveyance to the existing State Water Project system based on a new, single-tunnel option to bypass the South Delta when it is unusable. The project has been developed by DWR to address challenges related to climate change/sea level rise, earthquakes, environmental impacts, and water quality degradation rendering the State Water Project conveyance system and Delta unreliable. The Board has directed staff to continue participation in the project through 2027 (Resolution No. 24-86).

**Water Transfers/Exchanges**

This supply is comprised of imported water purchased by the Agency through both long-term and short-term (annual) agreements with another entity (e.g., water agency, farm).

- **Yuba Accord**
  Water from this source is available mainly in dry years through an agreement with the DWR and Yuba County Water Agency. The Agency receives approximately 1 percent of available water.
- **Dry Year Transfer Program**
  During dry years, the State Water Contractors negotiate water purchases north of the Delta, making additional water available to interested State Water Project contractors.

  **Other Transfers**
  Water from this source is obtained through negotiations with other SWP contractors, typically in dry years when the Table A allocation is low.

**Banked Water Programs**

- **Cawelo and Semitropic Banked Water**
  The Agency has agreements with Semitropic Water Storage District and Cawelo Water District in Kern County for 78,000 AF and 120,000 AF of storage capacity, respectively. The Agency recovers water from these banks as needed during dry years (such as 2021 and 2022) and stores water in wet years (2023 and 2024). Recovered water is delivered via exchange through the SBA as surface water is conveyed through the Delta.

## Water Supply Costs

Water supply costs are challenging to predict due to climate change and declining water supply reliability. In addition, the anticipated water supply costs and the SWP's final allocation for CY 2026 is not available until mid-2026. Because of these challenges, the CY 2026 planned water supply costs are based on the five-year historical average of allocable water supply costs. This method generates planned water supply costs of $8,536,949 for CY 2026.

**Table 9** shows five years of historical water supply costs. The water supply breakdown can be found in the **Technical Appendix.**

**Table 9: Five-Year Historical Water Supply Costs[7]**

| | Total Water Supply Costs |
|---|---|
| FY 2020-21 | $5,672,701 |
| FY 2021-22 | $15,912,409 |
| FY 2022-23 | $9,107,429 |
| FY 2023-24 | $7,467,271 |
| FY 2024-25 (Unaudited) | $4,524,934 |
| **5-Year Average** | **$8,536,949** |

[7] Values may not add due to rounding.

**Table 10** shows the water supply cost summary and the allocation to the untreated water program. The percentage of costs allocated to untreated water customers is based on the proportion of planned water deliveries in CY 2026 from **Table 2**.

**Table 10: Planned Water Supply Cost Summary (CY 2026)[8]**

| Planned Water Supply Cost Summary | Total Agency-wide | % To Untreated | Total Untreated |
|---|---|---|---|
| Water Supply Costs | $8,536,949 | 12.89% | $1,100,141 |
| Temporary Water Supply Costs | $31,236,000 | 12.89% | $4,025,325 |

[8] Values may not add due to rounding.

# Water Reconciliation Charge

This section of the report outlines the framework and calculations for the water reconciliation charge.

## Reconciliation Framework

As part of the 2021 Untreated Water Rate Study, Raftelis Financial Consultants, Inc. collaborated with Agency staff to develop the following framework for calculating the annual water reconciliation charge, which is detailed in this subsection of the report. The proposed water reconciliation charge framework meets the Agency's objectives for the following reasons:

- Truing up water supply and water service costs from prior years will ensure that the Agency is collecting sufficient revenues to meet its costs.
- The water reconciliation charge, which can be an additional charge or a credit, ensures the Agency is not over- or under-collecting revenues from its untreated water customers.
- The water reconciliation charge also establishes equity between treated and untreated water customers by ensuring that untreated water customers are paying for their fair share of costs.

**Step 1: Determine the implementation schedule for the water reconciliation charge.**
Actual calendar year cost information is available to the Agency six months after the year ends. Therefore, the water reconciliation charge trues up costs at least two years prior to the year that it is implemented. For example, actual costs for CY 2024 are available in mid-2025; the water reconciliation charge, which is calculated to true up CY 2024 costs, is then implemented in the CY 2026 untreated water rate. The Agency's Board can determine the number of years to phase-in the reconciliation charge based on relevant policy objectives, such as minimizing customer impacts. Generally, the water reconciliation charge is applied to the next year's rate. However, if the true-up of costs in a particular year is significantly higher than planned, the Board can opt to phase-in the water reconciliation charge over a reasonable number of years to minimize impacts to customers.

**Step 2: Allocate actual costs for the entire Agency between treated and untreated water based on planned or actual deliveries.**
Agency costs include water supply costs, water service costs, and overhead for both treated and untreated water customers. Once actual costs are available for the reconciliation year, the proposed framework allocates each cost category based on the following:

- Water supply costs are allocated between treated and untreated customers based on each user group's proportion of actual deliveries. Since most water supply costs are variable (meaning that the more water delivered, the higher the costs), it is most equitable to allocate these costs between the two customer types based on the amount of actual water delivered to each.

- Untreated water program costs are allocated entirely to untreated water customers.
- The remaining water service costs are allocated between treated and untreated customers based on each user group's proportion of planned deliveries. Since water service costs are fixed (meaning that these costs are incurred regardless of how much water is delivered), it is most equitable to allocate these costs based on the planned deliveries that were used to calculate that year's rate.
- Overhead costs are determined by multiplying the planned overhead percentage for that year's rate by the actual water service costs allocated to untreated water customers.
- It is important to note that all cost components included in the original untreated water rate should be included in the reconciliation.

**Step 3: Calculate the reconciliation amount using a cash flow analysis.**
Historically, untreated water usage has been relatively steady year-to-year. However, in years where actual untreated water usage exceeds planned untreated water usage (which is used to determine the rate), increased revenue is received from the untreated water program. The cash flow analysis not only incorporates the actual costs incurred by the Agency but also isolates the untreated water customers' economies of scale generated from increased water usage. The cash flow analysis to determine the amount that is reconciled includes three components:

- Actual untreated water rate revenues for the reconciliation year
- Actual water transfer sale net revenues allocable to the untreated water program for the reconciliation year
- Actual untreated water program costs for the reconciliation year.

Actual untreated water rate revenues and water transfer sale net revenues allocable to the untreated water program are compiled for the reconciliation year and actual untreated water program costs were determined in Step 2. The cash flow analysis is equal to the actual untreated water rate revenue sources less actual untreated water costs.

If a reconciliation balance is outstanding, the credit/charge resulting from the cash flow analysis will be applied to the outstanding reconciliation balance.

**Step 4: Determine the water reconciliation charge.**
To determine the reconciliation charge, the reconciliation amount, calculated in Step 3, is divided by the planned deliveries for the implementation year. The reconciliation charge is then divided by the number of phase-in years determined in Step 1. The resulting number is the reconciliation charge to apply to each future year.

**Step 5: Repeat the same process for future years.**
This framework can be used to determine the water reconciliation charge for any future year. The Agency's Board can elect to phase-in the water reconciliation charge as determined in Step 1. However, the reconciliation implementation schedule determined in

Step 1, must be incorporated each year to ensure Agency staff can fully understand the financial impacts of the implemented rates, especially rates that are lower than what is necessary to fully reconcile all costs and revenues for the untreated water system.

## CY 2024 Reconciliation Calculation

This subsection will detail the calculation for the CY 2024 water reconciliation amount following the steps outlined in the framework.

**Step 1: Determine the implementation schedule for the water reconciliation charge.**
As a result of the CY 2022 reconciliation calculation, the Board approved a five-year implementation schedule of the outstanding reconciliation balance (Resolution No. 23-77, dated October 18, 2023). The second year of the phase-in was applied to the CY 2025 untreated water rate.

**Step 2: Allocate actual costs for the entire Agency between treated and untreated water based on planned or actual deliveries.**
**Table 11** shows the planned and actual water deliveries between untreated and treated water in CY 2024. The planned deliveries for CY 2024 are the same as those used to calculate the CY 2024 untreated water rate. The resulting percentage allocations are then used to divide actual water supply and water service costs to untreated water customers.

**Table 11: Water Deliveries and Allocations (CY 2024)[9]**

| Water Deliveries | Untreated Water | Treated Water | Total |
|---|---|---|---|
| Planned Deliveries (AF) | 5,412 | 34,721 | **40,133** |
| Percent Allocation | 13.49% | 86.51% | **100%** |
| | | | |
| Actual Deliveries (AF) | 4,336 | 35,618 | **39,954** |
| Percent Allocation | 10.85% | 89.15% | **100%** |

**Table 12** shows the CY 2024 actual costs allocated to untreated water. Water supply costs are allocated based on the percent of actual deliveries, untreated water program costs are allocated entirely to untreated water and the remaining water service costs are allocated based on the percent of planned deliveries from **Table 11**. Untreated overhead costs are allocated based on the planned overhead allocation.

[9] Values may not add due to rounding.

**Table 12: Actual Untreated Water Supply and Service Costs (CY 2024)[10]**

| Actual Costs (CY 2024) | Agency Total | Allocation Method | % to Untreated | Total Untreated |
|---|---|---|---|---|
| **Water Supply Costs[11]** | | | | |
| Delta Conveyance Project | $2,375,000 | Actual Deliveries | 10.85% | $257,746 |
| SWP Transportation[12] | $2,363,611 | Actual Deliveries | 10.85% | $256,510 |
| Yuba Accord | $0 | Actual Deliveries | 10.85% | $0 |
| Dry Year Transfer Program | $0 | Actual Deliveries | 10.85% | $0 |
| Other Water Transfers | $0 | Actual Deliveries | 10.85% | $0 |
| Semitropic Banked Water | $245,140 | Actual Deliveries | 10.85% | $26,604 |
| Semitropic Banked Water O&M | $559,000 | Actual Deliveries | 10.85% | $60,665 |
| Cawelo Banked Water | $898,774 | Actual Deliveries | 10.85% | $97,539 |
| **Total Water Supply Costs** | **$6,441,525** | | | **$699,064** |
| **Water Service Costs** | | | | |
| State Water Project Administration | $99,542 | Planned Deliveries | 13.49% | $13,423 |
| Untreated Water Administration | $41,767 | Untreated Water | 100% | $41,767 |
| Water Supply and Storage Planning | $398,450 | Planned Deliveries | 13.49% | $53,732 |
| Water Banking Programs | $35,792 | Planned Deliveries | 13.49% | $4,827 |
| **Total Water Service Costs** | **$575,551** | | | **$113,749** |
| **Overhead** | | | | |
| **Total Overhead Costs** | N/A | Planned | 47.83% | **$54,410** |
| **Total Costs** | **$7,017,076** | | | **$867,223** |

**Step 3: Calculate the reconciliation amount using a cash flow analysis.**
The cash flow analysis determines whether the untreated water program revenue, collected in CY 2024, was sufficient to cover the actual untreated water program costs. Where revenues exceed costs, a credit is applied to the reconciliation balance. Where costs exceed revenue, a charge is applied.

[10] Values may not add due to rounding.
[11] CY 2024 water supply costs reflect a State Water Project Allocation of 40%.
[12] SWP Transportation costs exclude cost incurred to convey 8,392 AF of water for groundwater basin recharge.

**Table 13** shows the cash flow analysis used to determine whether CY 2024 resulted in a credit or charge against the untreated water program reconciliation balance.

**Table 13: Cash Flow Analysis (CY 2024)**

| | CY 2024 |
|---|---|
| Actual Untreated Water Rate Revenue | $1,140,368 |
| Actual Water Transfer Sale Net Revenues Allocable to Untreated Water Program | $94,634 |
| *Total Untreated Water Program Revenue* | *$1,235,002* |
| *Less:* Actual Untreated Water Costs | $867,223 |
| **CY 2024 Credit** | **$367,779** |

The planned reconciliation collection for CY 2024 was approximately $233K ($43/AF multiplied by 5,412 AF of planned untreated water sales). The water cost savings and additional net revenue from the water transfer sale in CY 2024 enabled the Agency to collect the planned amount plus an additional $135K.

**Step 4: Determine the water reconciliation charge.**
The CY 2024 reconciliation resulted in a credit which has been applied to the outstanding reconciliation balance. Per Resolution No. 23-77, dated October 18, 2023. In CY 2024, the Board revised year two (CY 2025) of the five-year implementation schedule, reducing the reconciliation charge from $42/AF to $24/AF.

The Finance Committee's recommendation is to modify the CY 2026 reconciliation charge to $32/AF. **Table 14** shows the newly proposed reconciliation schedule for the remaining three years.

**Table 14: Five-Year Implementation Schedule: Committee Recommendation**

| | Year 1 CY 2024 Actual | Year 2 CY 2025 Actual | Year 3 CY 2026 Recommended | Year 4 CY 2027 Planned | Year 5 CY 2028 Planned |
|---|---|---|---|---|---|
| 2025 Committee Recommendation | $43 | $24 | $32 | $41 | $48 |

## Outstanding Reconciliation Balance

The outstanding reconciliation amount as of December 2024 is ($740,387).

# Proposed Untreated Water Rates

This section of the report combines the planned water service costs, overhead costs, water supply costs, and the scheduled reconciliation charge to calculate the proposed untreated water rates in **Table 15**.

## CY 2026 Proposed Untreated Water Rates

**Table 15** shows the proposed untreated water rate calculation for CY 2026. The proposed untreated water rate includes the untreated water system's portion of water service costs (from **Table 4**), overhead costs (from **Table 8**), and water supply costs (from **Table 10**). The temporary untreated water rate includes all untreated water costs and the temporary water supply costs (from **Table 10**). The reconciliation charge is not applied to the temporary untreated water rate. The untreated costs are divided by the planned untreated water deliveries for CY 2026 (from **Table 2**) to derive the rate per AF of water.

**Table 15: Proposed Untreated Water Rates Calculation (CY 2026)[13]**

| Untreated Water Rate Calculation | Total Untreated | Planned Untreated Deliveries (AF) | Unit Rate ($/AF) |
|---|---|---|---|
| Water Service Costs | $152,276 | 5,243 | $29 |
| Overhead Costs | $81,540 | 5,243 | $16 |
| Water Supply Costs | $1,100,141 | 5,243 | $210 |
| *Calculated Untreated Water Rate* | | | *$255* |
| CY 2026 Reconciliation Charge | | | $32 |
| **Proposed Untreated Water Rate** | **$1,333,957** | | **$287** |
| Untreated Water Costs | $1,333,957 | 5,243 | $255 |
| Temporary Water Supply Costs[14] | $4,025,325 | 5,243 | $768 |
| **Proposed Temporary Untreated Water Rate** | **$5,359,282** | | **$1,023** |

[13] Values may not add due to rounding.
[14] Temporary costs include the State Water Project fixed costs collected through the property tax override.

# Technical Appendix

**Table 16: Water Service Cost Detail (CY 2026)[15]**

| Water Service Costs | Hourly Rate ($/hr)[16] | Hours Worked | Total Cost |
|---|---|---|---|
| **Untreated Water Administration** | | | |
| Financial Analyst | $161.46 | 87 | $14,047 |
| Senior Planner | $164.54 | 4 | $658 |
| Associate Engineer | $179.49 | 106 | $19,026 |
| Integrated Planning Manager | $197.20 | 3 | $592 |
| Senior Planner | $155.63 | 1 | $156 |
| Associate Planner | $124.08 | 2 | $248 |
| **Total- Untreated Water Administration** | | | **$34,727** |
| | | | |
| **Water Utility Planning Administration** | | | |
| Water Resources Manager | $215.49 | 234 | $50,425 |
| Water Resources Tech II | $132.47 | 145 | $19,208 |
| Integrated Planning Manager | $197.20 | 593 | $116,940 |
| Engineering Manager | $230.86 | 14 | $3,232 |
| Associate Engineer | $179.49 | 327 | $58,693 |
| Senior Planner | $164.54 | 133 | $21,884 |
| Associate Engineer | $164.83 | 987 | $162,687 |
| Senior Planner | $155.63 | 4 | $623 |
| Principal Engineer | $213.63 | 17 | $3,632 |
| Associate Planner | $124.08 | 728 | $90,330 |
| Associate Engineer | $147.97 | 26 | $3,847 |
| Assistant Engineer | $134.38 | 367 | $49,317 |
| **Total - Water Utility Planning Administration** | | | **$580,818** |
| | | | |
| **State Water Project Administration** | | | |
| Associate Engineer | $179.49 | 245 | $43,975 |
| Associate Planner | $124.08 | 473 | $58,690 |
| Integrated Planning Manager | $197.20 | 10 | $1,972 |
| Water Resources Manager | $215.49 | 135 | $29,091 |
| Associate Engineer | $164.83 | 27 | $4,450 |
| Senior Planner | $155.63 | 5 | $778 |
| **Total - State Water Project Administration** | | | **$138,957** |
| | | | |
| **Water Storage Administration** | | | |
| Integrated Planning Manager | $197.20 | 6 | $1,183 |
| Associate Engineer | $179.49 | 33 | $5,923 |
| **Total - Water Storage Administration** | | | **$7,106** |

[15] Values may not add due to rounding.
[16] Includes salaries, wages, and benefits.

| | | | |
|---|---|---|---|
| **Other Water Supplies** | | | |
| Water Resources Manager | $215.49 | 99 | $21,334 |
| Integrated Planning Manager | $197.20 | 44 | $8,677 |
| Associate Engineer | $179.49 | 106 | $19,026 |
| Senior Planner | $155.63 | 1 | $156 |
| Associate Planner | $124.08 | 136 | $16,875 |
| **Total - Other Water Supplies** | | | **$66,067** |
| | | | |
| **Supply Source & Conveyance Administration** | | | |
| Water Resources Manager | $215.49 | 345 | $74,344 |
| Associate Engineer | $179.49 | 61 | $10,949 |
| Integrated Planning Manager | $197.20 | 36 | $7,099 |
| Engineering Manager | $230.86 | 1 | $231 |
| **Total - Supply Source & Conveyance Administration** | | | **$92,623** |
| | | | |
| **Semitropic** | | | |
| Associate Engineer | $179.49 | 33 | $5,923 |
| Associate Planner | $124.08 | 68 | $8,437 |
| **Total - Semitropic** | | | **$14,360** |
| | | | |
| **Cawelo** | | | |
| Associate Engineer | $179.49 | 26 | $4,666 |
| Associate Planner | $124.08 | 61 | $7,569 |
| **Total - Cawelo** | | | **$12,235** |

## Table 17: Central Administration (Indirect Cost) Detail (CY 2026)[17]

| Account Description - Central Administration | Total Indirect Costs | Flood Protection Operations | Water Operations | |
|---|---|---|---|---|
| | | | Treated Water Customers | Untreated Water Customers[18] |
| Salaries and Wages (Board of Directors, Office of General Manager, Finance, Human Resources and Administration) | $3,760,455 | $418,770 | $3,308,039 | $33,646 |
| Professional and Technical Services (Website, Communication, North Canyons Property Management, etc.) | $1,338,010 | $149,003 | $1,177,035 | $11,972 |
| County Services (Payroll and Vendor checks etc.) | $2,192,774 | $244,191 | $1,928,964 | $19,619 |
| Insurance Services (Property, General Liability, Cyber, etc.) | $755,250 | $84,106 | $664,387 | $6,757 |
| Gas and Electricity for North Canyons | $142,753 | $15,897 | $125,579 | $1,277 |
| Sewer Discharge Fees | $1,182 | $132 | $1,040 | $11 |
| Water Service for North Canyons | $5,559 | $619 | $4,890 | $50 |
| Communications (Telecommunication services for North Canyons) | $54,132 | $6,028 | $47,619 | $484 |
| Garbage Disposal Services for North Canyons | $12,733 | $1,418 | $11,201 | $114 |
| Janitorial Services/Supplies for North Canyons | $317 | $35 | $279 | $3 |
| Repairs/Service of Equipment (Backup Generator repairs etc.) | $11,288 | $1,257 | $9,930 | $101 |
| Repairs/Service of Buildings & Property (Commercial property Mgmt., ADT security services etc.) | $259,980 | $28,952 | $228,702 | $2,326 |
| Maintenance Parts & Supplies (Irrigation parts, electrical parts and misc. supplies) | $739 | $82 | $650 | $7 |
| Rents & Leases - Equipment (Copier machine, postage meter etc.) | $22,732 | $2,531 | $19,997 | $203 |
| General Office Supplies & Expenses (IT services, software, paper, pens, files etc.) | $430,696 | $47,963 | $378,879 | $3,854 |
| Reproduction and Printing (Budget book etc.) | $601 | $67 | $529 | $5 |
| Subscriptions (Newspapers, CA Dept of Fish and Wildlife) | $2,487 | $277 | $2,188 | $22 |
| Postage, Delivery & Shipping (Payments to US Postal Services, FedEx etc.) | $206 | $23 | $181 | $2 |
| Organization Memberships (Membership for Board Members, GM, Admin Staff etc.) | $8,250 | $919 | $7,257 | $74 |
| Support and Program Participation (Sponsorships - Association of Bay Area Governments (ABAG) | $0 | $0 | $0 | $0 |
| Advertising and Legal Notices (Job postings) | $15,242 | $1,697 | $13,408 | $136 |
| State and Local Fees (City of Livermore Tri-Valley Tech Park CFD No. 99-1 Series 2015 Bonds) | $27,164 | $3,025 | $23,896 | $243 |
| Training Materials and Services (ACWA Training, Water Education, CSMFO and GFOA) | $47,459 | $5,285 | $41,749 | $425 |
| Educational Stipend - Zone 7 | $15,322 | $1,706 | $13,479 | $137 |
| Travel/Transportation (Board Members travel expense reimbursement) | $3,405 | $379 | $2,995 | $30 |
| Mileage | $4,706 | $524 | $4,140 | $42 |
| **Total** | **$9,113,443** | **$1,014,887** | **$8,017,015** | **$81,540** |

[17] Values may not add due to rounding.
[18] Untreated Customers pay approximately 0.89% of total Agency overhead.

**Table 18: Water Supply Breakdown (CY 2026)[19]**

| Water Supply Cost Breakdown | FY 2020-21 | FY 2021-22 | FY 2022-23 | FY 2023-24 | FY 2024-25 (Unaudited) | 5-Year Average |
|---|---|---|---|---|---|---|
| State Water Project | $1,643,971 | $2,040,223 | $1,114,630 | $3,779,334 | $2,726,637 | $2,260,959 |
| Water Transfers/Exchanges | 2,153,562 | 8,192,572 | 3,880,464 | 128,000 | 51,799 | 2,881,279 |
| Banked Water Programs | 1,179,750 | 4,305,743 | 2,246,378 | 1,184,937 | 559,000 | 1,895,162 |
| Delta Conveyance Project | 695,418 | 1,373,871 | 1,865,957 | 2,375,000 | 1,187,498 | 1,499,549 |
| **Total Water Supply Costs** | **$5,672,701** | **$15,912,409** | **$9,107,429** | **$7,467,271** | **$4,524,934** | **$8,536,949** |

[19] Values may not add due to rounding.