

NOTICE OF SPECIAL MEETING OF BOARD OF DIRECTORS

BOARD WORKSHOP

DATE: Tuesday, May 12, 2026
TIME: 6:00 p.m.
LOCATION: Zone 7 Administration Building
100 North Canyons Parkway, Livermore
LIVE STREAMING: Comcast Channel 29
AT&T U-Verse Channel 99 (Livermore)
Streaming Live at tv29live.org

Any member of the public wishing to address the Board on an item under discussion may do so upon receiving recognition from the President. If a member of the public wishes to provide comment before the meeting, please email publiccomment@zone7water.com by 5:00 p.m. on the day before the Board meeting.

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 Executive Assistant, Donna Fabian, at (925) 454-5000. 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}.

AGENDA

1. Call Meeting to Order
2. Pledge of Allegiance
3. Roll Call of Directors

4. Public Comment on Non-Agenda Items

The Public Comment section provides an opportunity to address the Board of Directors on items that are not listed on the agenda, or informational items pertinent to the Agency's business. The Board welcomes your comments and requests that speakers present their remarks in a respectful manner, within established time limits, and focus on issues which directly affect the agency or are within the jurisdiction of the Agency. The Board will not be able to act on matters brought to its attention under this item until a future Board meeting.

5. Proposed Two-Year Operating and Capital Budget for Fiscal Years 2026-27 and 2027-28

Recommended action: Discuss and provide direction

6. Adjournment

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

- a. Finance Committee Meeting: May 13, 2026, 3:00 p.m.
- b. Legislative Committee Meeting: May 14, 2026, 4:00 p.m.
- c. Regular Board Meeting: May 20, 2026, 7:00 p.m.
- d. Special Board Meeting: August 12, 2026, 6:00 p.m.

ORIGINATING SECTION: Administrative Services
CONTACT: Osborn Solitei

AGENDA DATE: May 12, 2026

SUBJECT: Proposed Two-Year Operating and Capital Budget for Fiscal Years 2026-27
and 2027-28

SUMMARY:

- The proposed budget is aligned with Strategic Plan Goal H - Fiscal Responsibility: Operate the Agency in a fiscally responsible manner and Strategic Plan Initiative No. 21 – Continue to effectively manage financial resources for the Agency. In carrying out these responsibilities, staff propose a biennial budget for the Board’s review and approval. The proposed budget covers fiscal years (FY) 2026-27 and 2027-28 with a mid-cycle budget review planned for FY 2027-28.
- The proposed budget was developed through a collaborative process involving executive management and Agency staff across all departments. This process ensures the proposed budget captures planned day-to-day operational needs of the water and flood protection systems, strategic priorities, capital improvements, and water reliability investments.
- The proposed budget reflects a balanced and forward-looking approach, aligning the Agency’s financial resources with the Agency’s strategic priorities over the next two years. It maintains the Agency’s strong financial position while supporting long-term sustainability and reliability of water supply and flood protection systems. Key investments over the next two years include:
 - › Commitment to maintaining a high-quality workforce
 - › Continued investment in long-term water supply reliability
 - › Continued efforts to proactively address and treat per- and polyfluoroalkyl substances (PFAS)
 - › Continued progress on storm damage repair projects
- The following assumptions have been incorporated into the proposed budget:
 - › **Water Rates:** For budgeting purposes, 4.5% water rate adjustments are assumed for calendar years 2027 and 2028. Formal adoption of the four-year wholesale water rates will occur in October 2026, following completion of a wholesale treated water rate study.

- › **Storm Damage Repairs:** Funding for multiple phases of the 2023 storm repairs project, totaling approximately \$32.2M over two years.
 - › **State Water Project Property Tax Override:** No proposed increase to the State Water Project property tax override for FYs 2026-27 and 2027-28.
 - › **Connection Fee Revenue:** Approximately \$21M in connection fee revenue for FY 2026-27 and FY 2027-28.
 - › **Personnel:** Addition of one full-time equivalent position in Flood Protection, Board-approved annual cost of living adjustments of 5% in FY 2026-27 and 4% in FY 2027-28, and an estimated 10% vacancy rate for both years.
 - › **Section 115 Pension Trust:** Contributions of \$125K to the Pension Trust for FY 2026-27 and FY 2027-28 in accordance with the annual contribution criteria set forth in the Agency’s Funding of Long-Term Pension Liability Policy.
 - › **Reserves:** All reserves are compliant with Reserve Policy.
 - › *Water Reliability Reserve:* This reserve is designated by the Board to support water supply reliability investments, including projects such as the Sites Reservoir. Under the Sites Project Authority Plan of Finance, the Agency’s financial obligation is expected to begin in FY 2028–29, contingent upon the Board’s formal commitment to the project. The proposed budget does not anticipate the need to draw from the Water Reliability Reserve for Sites payments within the two-year budget period.
- The table below summarizes the Agency-wide proposed budget for FYs 2026-27 and 2027-28.

	FY 2025-26 Projected Actual	FY 2026-27 Budgeted	FY 2027-28 Budgeted
Estimated Beginning Fund Balance	\$383,620,000	\$393,839,000	\$377,761,000
Revenue	171,192,000	174,198,000	184,453,000
Expenses	142,756,000	190,276,000	216,174,000
Operating Impact (Rev-Exp)	28,436,000	(16,078,000) ²	(31,721,000) ²
Estimated Ending Fund Balance	\$412,055,000¹	\$377,761,000	\$346,040,000

¹The FY 2025-26 projected ending fund balance is based on the FY 2025-26 unaudited second quarter year-end projections. The FY 2026-27 Budgeted beginning fund balance accounts for approximately \$18.2M in budget carryovers from FY 2025-26 to FY 2026-27 for multi-year contracts/projects.

² The proposed operating impact is negative due to planned water system capital projects (i.e. Mocho PFAS Treatment Plant Project, Regional Groundwater Development Project, and Chain of Lakes Conveyance System) and planned storm damage repair projects. When expenses exceed revenue, reserves are used to fund the difference.

RECOMMENDED ACTION:

Discuss and provide direction. Staff will incorporate Board recommendations into the final proposed budget, which will be presented for adoption at the June Board meeting.

ATTACHMENTS:

1. Attachment A – Zone 7 Water Agency Draft Proposed Two-Year Budget | FY 2026-27 and FY 2027-28
2. Attachment B – FY 2026-27 and FY 2027-28 Proposed Budget – Summary by Account Classification



Attachment A
Zone 7 Water Agency
Draft Proposed Two-Year Budget
FY 2026-27 and FY 2027-28





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Executive Summary

This executive summary presents the key elements of the proposed budget, covering Fiscal Years (FY) 2026–2027 and 2027–2028. The proposed budget is a two-year spending plan to ensure the Agency continues to deliver safe, reliable, efficient, and sustainable water and flood protection services to the community it serves.

Agency-wide Financial Overview

The proposed budget reflects a balanced approach between operating needs and capital investments. The table below summarizes the Agency-wide revenues and expenditures as well as beginning and projected ending fund balances for the next two fiscal years. Revenues are projected to increase slightly, primarily supported by steady water sales, property tax, and connection fee revenue. Treated water rate adjustments are included to keep pace with short-term inflation, rising energy costs, debt covenants, evolving regulatory requirements, and to sustain long-term financial stability. Total expenditures are increasing by \$25.9M in FY 2027-28 primarily due to construction of major capital investments, such as the Mocho per- and polyfluoroalkyl substances (PFAS) Treatment Plant Project and the Regional Groundwater Development Project.

	FY 2026-27 Budgeted ¹	FY 2027-28 Budgeted ¹	(\$ Change)
Beginning Fund Balance	\$393,839,000	\$377,761,000	(\$16,078,000)
Total Revenues	\$174,198,000	\$184,453,000	\$10,255,000
Total Expenditures	\$190,276,000	\$216,174,000	\$25,898,000
Total Revenues Less Expenditures ²	(\$16,078,000)	(\$31,721,000)	(\$15,643,000)
Ending Fund Balance	\$377,761,000	\$346,040,000	(\$31,721,000)

¹In this report, fiscal year labels are used interchangeably: FY 2026–27 (FY 2027) and FY 2027–28 (FY 2028)

²The proposed operating impact is negative in FY 2026-27 and 2027-28 due to planned water system capital projects (i.e. Mocho PFAS Treatment Plant Project, Regional Groundwater Development Project, and Chain of Lakes Conveyance System) and planned storm damage repair projects. When expenses exceed revenue, reserves are expended.

Water Enterprise and Flood Protection Operating Budget

Proposed operating expenditures prioritize day-to-day operations, including administration, water treatment and distribution, flood protection services, and maintenance of these systems. Major cost drivers include:

- Personnel expenses — includes Board-approved cost-of-living adjustments through FY 2027-28, one new full-time equivalent (FTE) Construction Maintenance Laborer position in the Flood Protection Operations Fund, and a 10% vacancy assumption
- Water production — inclusive of water, chemicals, and utilities — includes \$1.8M of funding in FY 2027-28 to remove and replace ion exchange resin (PFAS treatment) at Stoneridge and Chain of

Lakes PFAS Treatment Plants

- Continued participation in the Delta Conveyance Project — \$5.3M of Board-approved funding for continued participation through December 2028
- Significant funding for the 2023 Storm Repairs Projects — \$23.8M in FY 2026-27 and \$8.5M in FY 2027-28
- Ongoing compliance with state and federal water quality regulations
- Technology upgrades to improve cybersecurity

Water Enterprise Capital Improvement Plan

The proposed budget allocates significant funding toward water system capital projects aimed at improving system reliability, water quality, regulatory compliance, and resilience to drought and climate change. Key investments over the next two years include:

- Improvements to Del Valle and Patterson Pass Water Treatment Plants
- Mocho Groundwater Demineralization Plant Reverse Osmosis Membrane Replacement and Expansion
- Chain of Lakes Conveyance System Planning
- Construction of the Mocho PFAS Treatment Plant
- Design and Construction of the Regional Groundwater Development Project

The proposed budget includes partial receipt of forgivable loan proceeds in FY 2027-28, through the Clean Water State Revolving Fund, for the Mocho PFAS Treatment Plant. The Agency continues to pursue grant funding and low-interest financing to offset capital costs where feasible. If the forgivable loan is not received, staff will return to the Board to discuss alternative funding.

Reserves

The proposed budget maintains the Agency's prudent reserve levels to address uncertainties such as drought conditions, regulatory changes, and economic fluctuations. All reserves are compliant with the Agency's Reserve Policy in the proposed budget.

Credit Rating

The Agency is rated 'AAA' by both Standard & Poor's Global Ratings and Fitch Ratings, establishing Zone 7 as one of the most financially resilient and well-managed water agencies in California. The proposed budget supports the Agency's strong credit rating.



Conclusion

This proposed budget aligns with the Agency's 2025-2029 Strategic Plan and mission to deliver safe, reliable, efficient, and sustainable water and flood protection services. The proposed budget addresses short-term needs, day-to-day operations, and investment in vital infrastructure while maintaining the Agency's strong financial position to participate and invest in future water reliability projects. The proposed budget demonstrates the Agency's commitment to:

- Valuing, investing in, and maintaining a high-quality workforce
- Maintaining a safe and reliable water supply
- Sustainable groundwater management
- Effective flood protection services
- Stakeholder engagement
- Fiscal responsibility

Fund 100 - Water Enterprise Operations

Primary Funding Source: Water Rates

The Water Enterprise Operations Fund ensures the delivery of high-quality drinking and irrigation water to the Tri-Valley. This operations and maintenance fund includes water treatment and distribution of potable water, distribution of untreated/agricultural water, and groundwater management. Activities include water treatment, water quality analysis, water resource management, groundwater management, maintenance, and water supply engineering.

Comprehensive Fund Summary

Details of Revenue and Expenses for Fund 100

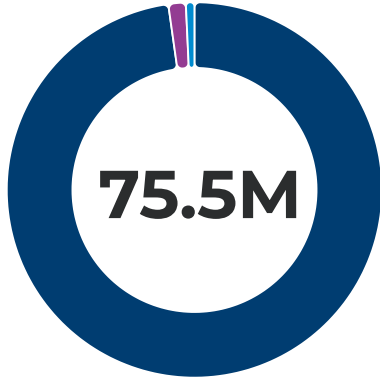
Category	FY 2026 Projected Actual	FY 2027 Budgeted	FY 2028 Budgeted
Beginning Fund Balance	\$38,704,352	\$43,956,000	\$45,871,000
Revenues			
Water Sales & Service	\$72,427,000	\$73,835,000	\$77,087,000
Other Revenue	\$778,000	\$563,000	\$563,000
Grants	\$15,000	\$0	\$0
Investment Earnings	\$1,191,000	\$1,122,000	\$1,078,000
Total Revenues	\$74,411,000	\$75,520,000	\$78,728,000
Expenditures			
Personnel	\$22,364,000	\$23,801,000	\$24,871,000
Professional Services	\$3,249,000	\$4,055,000	\$3,148,000
County Services	\$1,936,000	\$1,471,000	\$2,384,000
Insurance Services	\$900,000	\$950,000	\$1,000,000
Legal Services	\$322,000	\$405,000	\$405,000
Water	\$4,987,000	\$4,976,000	\$7,951,000
Delta Conveyance Project	\$1,320,000	\$3,300,000	\$1,980,000
Chemicals	\$4,200,000	\$4,939,000	\$6,585,000
Utilities	\$3,775,000	\$2,806,000	\$3,510,000
Telecommunications	\$157,000	\$169,000	\$166,000
Maintenance Services	\$2,427,000	\$2,752,000	\$2,735,000
Rental Services	\$116,000	\$119,000	\$119,000
Office Supplies and Other Services	\$1,050,678	\$1,636,000	\$1,407,000
Organizational Memberships and Support	\$425,752	\$421,000	\$437,000
Training and Travel	\$60,000	\$187,000	\$187,000
Water Conservation Program	\$37,000	\$160,000	\$160,000
Equipment	\$43,000	\$0	\$0
Debt Service	\$4,976,000	\$4,978,000	\$4,981,000
Capital Funding	\$16,573,000	\$16,480,000	\$16,967,000
Total Expenditures	\$68,918,430	\$73,605,000	\$78,993,000
Total Revenues Less Expenditures	\$5,492,570	\$1,915,000	-\$265,000
Ending Fund Balance	\$44,196,922	\$45,871,000	\$45,606,000



Note: The FY 2026 projected ending fund balance is based on the FY 2025-26 unaudited second quarter year-end projections. The FY 2027 Budgeted beginning fund balance accounts for approximately \$241K in budget carryovers from FY 2025-26 to FY 2026-27 for multi-year contracts.

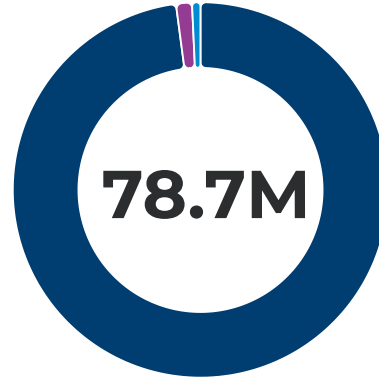
Revenue by Source

FY 2027 Budgeted



● Water Sales & Service	\$73,835,000	97.77%
● Investment Earnings	\$1,122,000	1.49%
● Other Revenue	\$563,000	0.75%

FY 2028 Budgeted



● Water Sales & Service	\$77,087,000	97.92%
● Investment Earnings	\$1,078,000	1.37%
● Other Revenue	\$563,000	0.72%

Revenue

For fiscal years 2026-27 and 2027-28, proposed revenue is \$75.5M and \$78.7M, respectively. Revenue highlights and assumptions are described below.

Water Sales and Service: For budgeting purposes, annual treated water rate adjustments are assumed for calendar years 2027 and 2028 to meet short-term operating needs and regulatory requirements and maintain long-term financial stability in preparation for anticipated future water reliability investments. A summary of these assumptions is provided in the table below. The Agency will conduct a comprehensive wholesale treated water rate study in Fall 2026 to set treated water rates for calendar years 2027-2030.

Water Sales Revenue Assumptions	2027	2028
Treated Water Rate Annual Adjustment	4.5%	4.5%
Treated Water Demand ¹	35,000 Acre-Feet	35,000 Acre-Feet
Untreated Water Demand ¹	5,000 Acre-Feet	5,000 Acre-Feet

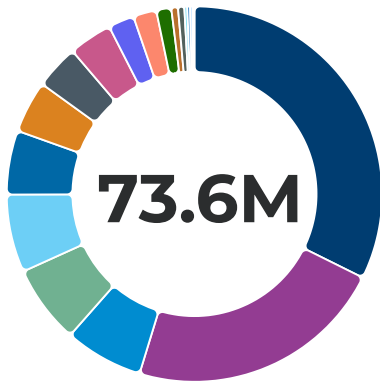
¹Projected demand is based on historical averages.

Investment Earnings: The proposed budget anticipates an investment return of 2.5% for both years.

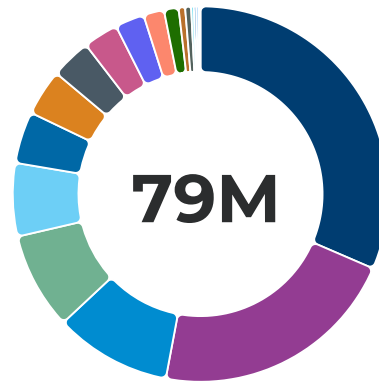
Other Revenue: The proposed budget includes miscellaneous revenue such as permit fees and Department of Water Resources refunds.

Expenditures by Expense Type

FY 2027 Budgeted



FY 2028 Budgeted



● Personnel	\$23,801,000	32.34%
● Capital Funding	\$16,480,000	22.39%
● Debt Service	\$4,978,000	6.76%
● Water	\$4,976,000	6.76%
● Chemicals	\$4,939,000	6.71%
● Professional Services	\$4,055,000	5.51%
● Delta Conveyance Project	\$3,300,000	4.48%
● Utilities	\$2,806,000	3.81%
● Maintenance Services	\$2,752,000	3.74%
● Office Supplies and Other Services	\$1,636,000	2.22%
● County Services	\$1,471,000	2.00%
● Insurance Services	\$950,000	1.29%
● Organizational Memberships and Support	\$421,000	0.57%
● Legal Services	\$405,000	0.55%
● Training and Travel	\$187,000	0.25%
● Telecommunications	\$169,000	0.23%
● Water Conservation Program	\$160,000	0.22%
● Rental Services	\$119,000	0.16%

● Personnel	\$24,871,000	31.49%
● Capital Funding	\$16,967,000	21.48%
● Water	\$7,951,000	10.07%
● Chemicals	\$6,585,000	8.34%
● Debt Service	\$4,981,000	6.31%
● Utilities	\$3,510,000	4.44%
● Professional Services	\$3,148,000	3.99%
● Maintenance Services	\$2,735,000	3.46%
● County Services	\$2,384,000	3.02%
● Delta Conveyance Project	\$1,980,000	2.51%
● Office Supplies and Other Services	\$1,407,000	1.78%
● Insurance Services	\$1,000,000	1.27%
● Organizational Memberships and Support	\$437,000	0.55%
● Legal Services	\$405,000	0.51%
● Training and Travel	\$187,000	0.24%
● Telecommunications	\$166,000	0.21%
● Water Conservation Program	\$160,000	0.20%
● Rental Services	\$119,000	0.15%

Expenses

For fiscal years 2026-27 and 2027-28, proposed expenditures are \$73.6M and \$79M, respectively. Expense highlights and assumptions are described below.

Personnel: No new positions are requested within this fund. The personnel budget includes cost-of-living adjustments of 5% (effective June 21, 2026) and 4% (effective June 20, 2027), approved by the Board on June 18, 2025. The budget assumes a 10% vacancy rate in both years.

Capital Funding: FY 2026-27 reflects the approved asset management program capital funding of \$16.3M set forth in the 2026 Asset Management Program Update adopted by the Board on April 15, 2026 (Board Resolution No. 26-30). The FY 2027-28 proposed capital funding assumes a 3% increase.

Debt Service: The proposed budget includes annual debt service payments for the Agency's Water Revenue Bonds, 2018 Series A and 2023 Series A of \$4.9M annually.

Water Production: Includes water, chemicals, and utility costs. The proposed budget plans for drier conditions over the next two years, with total water production costs increasing from \$12.7M in FY 2026-27 to \$18.0M in FY 2027-28. The drivers for this increase are described below.

- Water:** The proposed budget for water costs is \$4.9M in FY 2026-27, increasing to \$8.0M in FY 2027-28. As stated above, the proposed budget plans for drier conditions in 2027 and 2028, which may lead to low State Water Project allocations and a greater reliance on previously stored water or water transfers. The proposed budget for FY 2026-27 is close to the current year's budget due to the Agency's healthy water supplies heading into summer 2026. The proposed FY 2027-28 water budget increases by approximately \$3M to plan for water purchases through an agreement with Sutter Extension Water District and recovery of water stored in Kern County. A breakdown of the proposed water budget is shown in the table below.

Water Cost Category	Description	FY 2027 Budgeted	FY 2028 Budgeted
Variable Transportation Charges	State Water Project Conveyance Charges	\$3,100,000	\$2,800,000
Water Purchase/Transfer Costs	Yuba Accord, Dry Year Transfer, Other Water Transfers (Sutter Extension Water District)	\$50,000	\$2,850,000
Water Storage Purchases	Kern County Banks (Recovery/Stored Water)	\$1,000,000	\$1,500,000
Water Storage O&M/Exchange	Semitropic Water Storage District Fixed Annual Charge	\$600,000	\$600,000
Other Water Costs	Lake Del Valle Fixed Annual Charge, Municipal Water Quality Program, Quagga Mussel Program at Lake Del Valle	\$226,000	\$201,000
Total		\$4,976,000	\$7,951,000

- Chemicals:** The proposed budget for water treatment chemicals is \$4.9M in FY 2026-27, increasing to \$6.6M in FY 2027-28. These costs include annual inflationary adjustments ranging from 6%–46% for chemicals used at the Agency's treatment plants. The primary driver for the increase in FY 2027-28 is the addition of approximately \$1.8M for the removal and replacement of ion exchange resin (PFAS treatment) at the Stoneridge and Chain of Lakes PFAS Treatment Facilities. This is the first removal and replacement of ion exchange resin since the PFAS treatment facilities came online.
- Utilities:** The proposed budget for utilities is \$2.8M in FY 2026-27, increasing to \$3.5M in FY 2027-28. The drivers for the increase include estimated annual inflationary adjustments and increased energy usage from groundwater production due to projected drier conditions.



Professional Services: The proposed professional services are summarized below by Agency department/section.

Professional Services	FY 2027 Budgeted	FY 2028 Budgeted
Office of the General Manager (Legislative Services, IT Services, Contingency)	\$642,000	\$651,000
Communications (Agency Communications, Website)	\$330,000	\$280,000
Communications (Schools and Outreach Program)	\$277,000	\$284,000
Finance (Water Rates Study, Rates Outreach, External Auditor, Municipal Advisory Services)	\$264,000	\$132,000
Human Resources (Labor Relations Consulting, HR Support)	\$92,000	\$94,000
Facilities Engineering (As-Needed Engineering Support, Geotechnical, Surveying)	\$70,000	\$150,000
Groundwater (Groundwater Sustainability Plan, GIS, Water Sampling, Research Studies)	\$724,000	\$361,000
Water Quality (Analytical Services, Backflow Tester/Cross Connection Control Services)	\$271,000	\$228,000
Integrated Planning (Water Supply Evaluation & Model, Grant Support, Environmental Support)	\$730,000	\$520,000
Operations (Security Services, Database Support, SCADA Support)	\$335,000	\$343,000
Maintenance (Safety Training, Security Assessment and Plan, Environmental Health & Safety Consultant)	\$320,000	\$105,000
Total	\$4,055,000	\$3,148,000

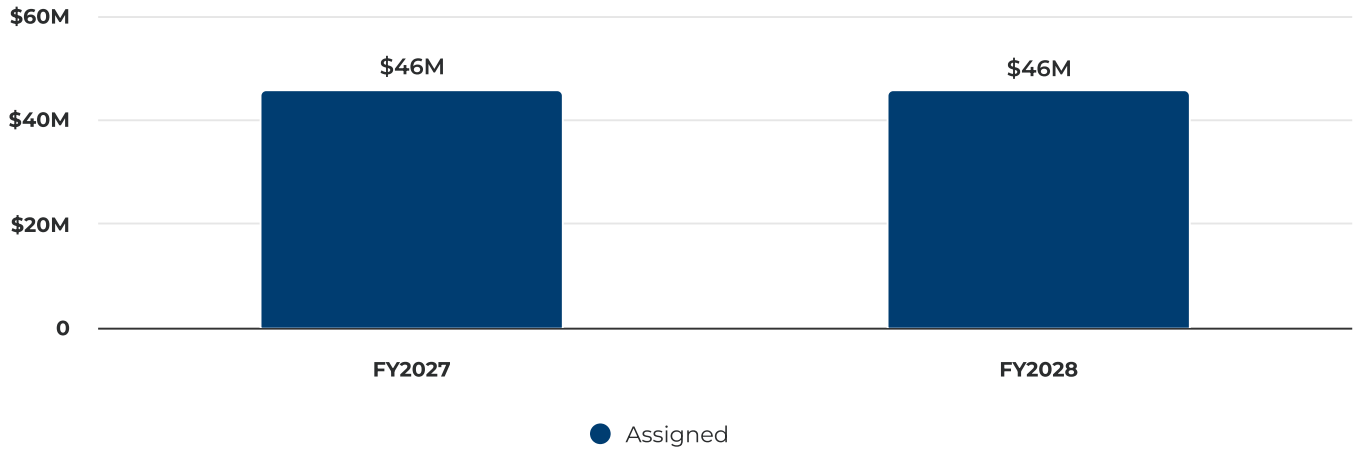
Delta Conveyance Project: In October 2024, the Board adopted Resolution No. 24-28 authorizing \$6.6M for pre-construction activities in calendar years 2026 and 2027. The proposed budget includes \$5.3M for costs incurred during FY 2026-27 and FY 2027-28.

Office Supplies and Other Services: The proposed budget allocates funding for general office and emergency supplies and services, annual software licenses, and state and local fees. The FY 2026-27 proposed budget includes additional one-time expenditures such as a new firewall and storage area network to enhance the Agency's cybersecurity and \$75K in funding for promotional materials to celebrate the Agency's 70th anniversary. The proposed budget also includes the new annual licensing fee for the Computerized Maintenance Management System of \$100K.

Water Conservation Program: The proposed budget allocates \$160K annually for the Agency's rebate program to continue efforts to incentivize the community to convert to water-efficient appliances and drought-resistant landscapes.

Fund Balance

Fund Balance Projections



Reserves

This fund maintains several reserves as defined in the Agency's Reserve Policy (Resolution No. 25-47). Per Strategic Plan Initiative #21, the Agency shall continue to effectively manage financial resources by maintaining target levels of reserves. In the proposed budget, reserves are funded at target levels in both years. The Water Reliability Reserve does not have a defined minimum, target, or maximum level as this reserve was designated by the Board to address future water reliability investments, such as Sites Reservoir. This reserve holds the balance of funds once target levels are achieved. The corresponding target reserve requirements for the proposed budget are shown in the table below.

Fund 100 Reserves	Target Policy	FY 2027 Budgeted	FY 2028 Budgeted
Operating	90 days of the current year's budgeted operating expenses	14,086,000	15,294,000
Emergency	2.5% of the Agency's water system capital assets	8,932,000	9,289,000
Reserve for Economic Uncertainties	15% of the current year's budgeted volume-based water sales	5,774,000	6,037,000
Total Target Reserves		\$28,792,000	\$30,620,000
Section 115 Pension Trust Fund	No minimum, target, or maximum	2,399,000	2,524,000
Water Reliability Reserve	No minimum, target, or maximum	14,680,000	12,462,000
Total Reserves		\$45,871,000	\$45,606,000

Fund 110 - State Water Facilities

Primary Funding Source: Property Taxes. The property tax override is exempt from the ad valorem property tax levy limitations of Article XIII A of the Constitution of the State of California as the indebtedness was approved prior to July 1, 1978.

The Agency's cost of importing water from the Department of Water Resources is funded through the State Water Facilities Fund. This includes repayment of voter-approved, State-incurred, long-term debt.

Comprehensive Fund Summary

Details of Revenue and Expenses for Fund 110

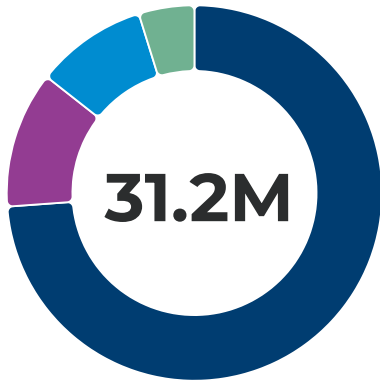
Category	FY 2026 Projected Actual	FY 2027 Budgeted	FY 2028 Budgeted
Beginning Fund Balance	\$57,911,111	\$59,421,000	\$60,350,000
Revenues			
Water Sales & Service	\$2,696,000	\$2,995,000	\$3,145,000
Property Taxes	\$22,201,000	\$23,051,000	\$23,051,000
Other Revenue	\$3,675,000	\$3,675,000	\$3,675,000
Investment Earnings	\$2,033,000	\$1,497,000	\$1,506,000
Total Revenues	\$30,605,000	\$31,218,000	\$31,377,000
Expenditures			
Professional Services	\$19,000	\$16,000	\$16,000
Water	\$29,076,000	\$30,273,000	\$31,533,000
Total Expenditures	\$29,095,000	\$30,289,000	\$31,549,000
Total Revenues Less Expenditures	\$1,510,000	\$929,000	-\$172,000
Ending Fund Balance	\$59,421,111	\$60,350,000	\$60,178,000

Note: The FY 2026 projected ending fund balance is based on the FY 2025-26 unaudited second quarter year-end projections.

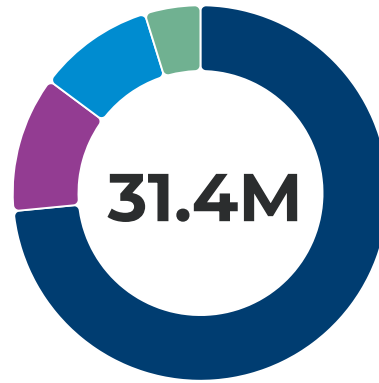


Revenues by Revenue Type

FY 2027 Budgeted



FY 2028 Budgeted



● Property Taxes	\$23,051,000	73.84%
● Other Revenue	\$3,675,000	11.77%
● Water Sales & Service	\$2,995,000	9.59%
● Investment Earnings	\$1,497,000	4.80%

● Property Taxes	\$23,051,000	73.46%
● Other Revenue	\$3,675,000	11.71%
● Water Sales & Service	\$3,145,000	10.02%
● Investment Earnings	\$1,506,000	4.80%

Revenue

For fiscal years 2026-27 and 2027-28, proposed revenue is \$31.2M and \$31.4M, respectively. Revenue highlights and assumptions are described below.

Property Taxes: The proposed budget assumes no increase in the property tax override; the property tax override will remain at \$22M for both years. The additional \$1M includes miscellaneous property tax revenue, such as prior-year, unsecured, and supplemental property taxes.

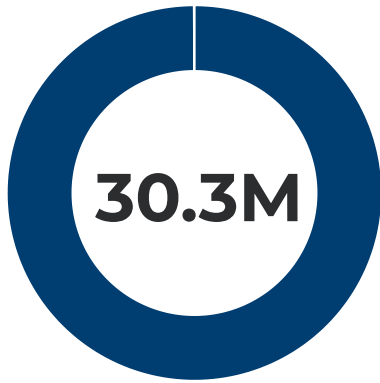
Other Revenue: Other revenue includes miscellaneous revenue, such as Department of Water Resources refunds.

Water Sales and Services: The proposed budget assumes surcharge revenue from Dougherty Valley, which is outside the Agency's taxable service area.

Investment Earnings: The proposed budget anticipates an investment return of 2.5% for both years.

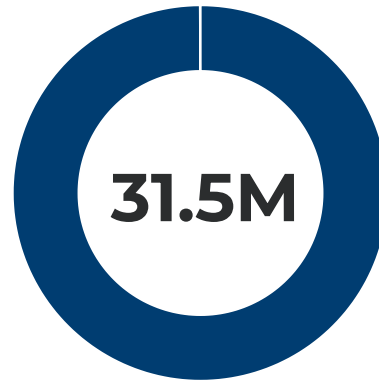
Expenditures by Expense Type

FY 2027 Budgeted



● Water	\$30,273,000	99.95%
● Professional Services	\$16,000	0.05%

FY 2028 Budgeted



● Water	\$31,533,000	99.95%
● Professional Services	\$16,000	0.05%

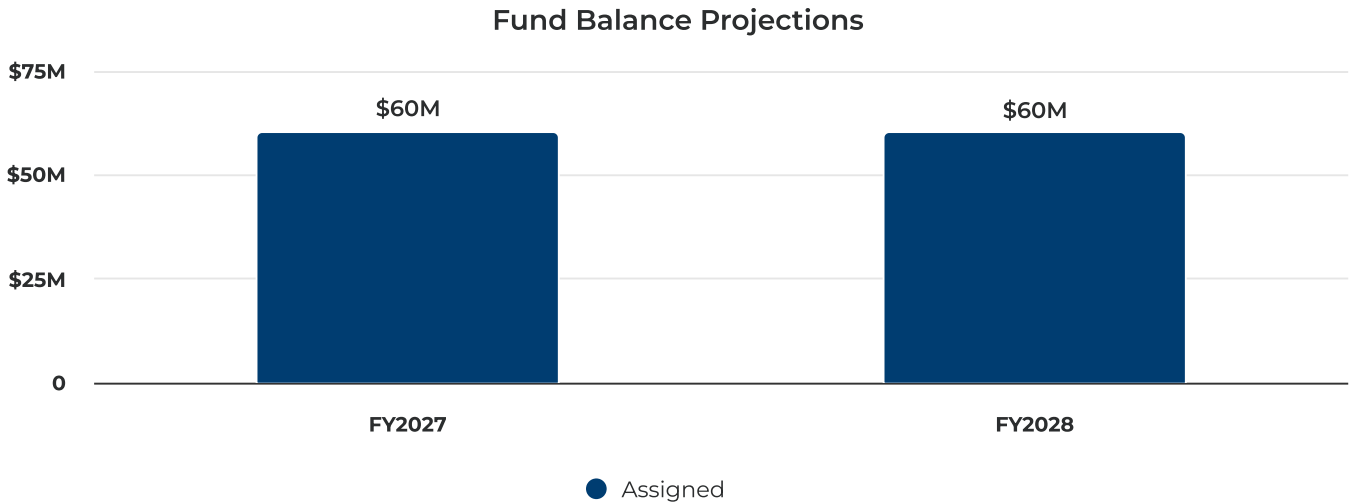
Expenses

The State Water Project fixed costs account for the majority of this fund's expenses. For fiscal years 2026-27 and 2027-28, proposed expenditures are \$30.3M and \$31.5M, respectively. Expense highlights and assumptions are described below.

Professional Services: The proposed budget includes this fund's share of the Agency's investment advisory services, estimated at \$16K per year.

Water: The proposed water budget makes up the majority of this fund's costs and comprises the State Water Project fixed costs. Expenses are projected to increase by 4% each year. This estimate is based on historical cost trends and information from the State Water Project 2026 and 2027 Budget Report. Actual costs for 2027 will be determined by the Department of Water Resources Statement of Charges, issued on July 1, 2026, which is after the budget is adopted. The Agency maintains an operating reserve in this fund to help offset any unexpected increases in expenses.

Fund Balance



Reserves

Per the Agency's Reserve Policy (Resolution No. 25-47), this fund maintains a minimum operating reserve balance equal to 50% of the following year's operating expenses. This reserve may be used for unanticipated operating expenses, daily cash flow requirements, and emergencies. This reserve has no maximum level due to the unpredictability of future State Water Project costs.

For FY 2026-27 and FY 2027-28, reserves are projected to be \$60.4M and \$60.2M, respectively, which is above the minimum level.

Fund 200 - Flood Protection Operations

Primary Funding Source: Property Taxes. Ad valorem property taxes equal to one percent (1%) of the full cash value, of which Zone 7 of the Alameda County Flood and Water Conservation District receives a proportionate share.

This fund receives property taxes to provide 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 supports 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 also supports renewal/replacement and improvement projects for the existing flood protection system.

Comprehensive Fund Summary

Details of Revenue and Expenses for Fund 200

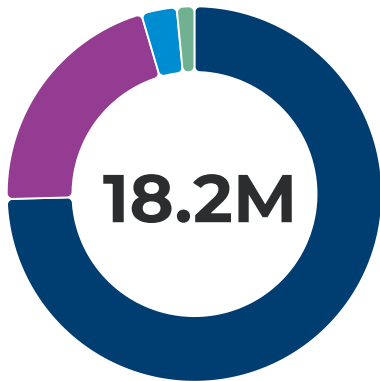
Category	FY 2026 Projected Actual	FY 2027 Budgeted	FY 2028 Budgeted
Beginning Fund Balance	\$33,637,946	\$31,061,000	\$12,843,000
Revenues			
Property Taxes	\$13,077,000	\$13,598,000	\$14,137,000
Other Revenue	\$740,000	\$276,000	\$276,000
Grants	\$0	\$3,801,000	\$2,018,000
Investment Earnings	\$1,037,000	\$557,000	\$314,000
Total Revenues	\$14,854,000	\$18,232,000	\$16,745,000
Expenditures			
Personnel	\$3,008,000	\$3,352,000	\$3,501,000
Professional Services	\$2,506,000	\$2,926,000	\$2,972,000
County Services	\$150,000	\$164,000	\$170,000
Legal Services	\$18,000	\$15,000	\$15,000
Telecommunications	\$10,000	\$10,000	\$10,000
Maintenance Services	\$4,963,000	\$28,917,000	\$11,857,000
Rental Services	\$20,000	\$5,000	\$5,000
Office Supplies and Other Services	\$755,500	\$917,000	\$729,000
Organizational Memberships and Support	\$91,300	\$75,000	\$76,000
Training and Travel	\$15,000	\$29,000	\$29,000
Equipment	\$35,000	\$27,000	\$1,000
Capital Funding	\$16,000	\$13,000	\$13,000
Total Expenditures	\$11,587,800	\$36,450,000	\$19,378,000
Total Revenues Less Expenditures	\$3,266,200	-\$18,218,000	-\$2,633,000
Ending Fund Balance	\$36,904,146	\$12,843,000	\$10,210,000

Note: The FY 2026 projected ending fund balance is based on the FY 2025-26 unaudited second quarter year-end projections. The FY 2027 Budgeted beginning fund balance accounts for approximately \$5.8M in budget carryovers from FY 2025-26 to FY 2026-27 for multi-year projects.

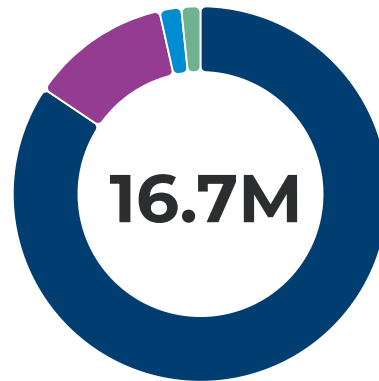


Revenues by Source

FY 2027 Budgeted



FY 2028 Budgeted



● Property Taxes	\$13,598,000	74.58%	● Property Taxes	\$14,137,000	84.43%
● Grants	\$3,801,000	20.85%	● Grants	\$2,018,000	12.05%
● Investment Earnings	\$557,000	3.06%	● Investment Earnings	\$314,000	1.88%
● Other Revenue	\$276,000	1.51%	● Other Revenue	\$276,000	1.65%

Revenue

For fiscal years 2026-27 and 2027-28, proposed revenue is \$18.2M and \$16.7M, respectively. Revenue highlights and assumptions are described below.

Property Taxes: The proposed ad valorem property tax revenue assumes a 4% annual increase in assessed valuation for both years.

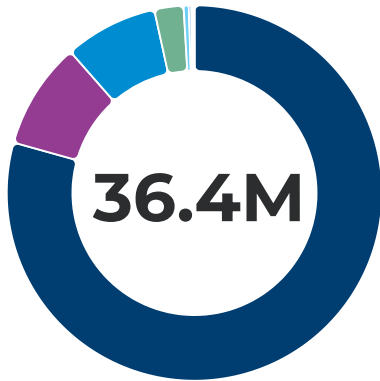
Grants: Grant revenue includes funding from the Department of Water Resources and the Federal Emergency Management Agency. The table below summarizes the anticipated grant funds for FY 2026-27 and FY 2027-28.

Project	Awarding Agency	FY 2027 Budgeted	FY 2028 Budgeted
Alamo Creek Pilot Project	Department of Water Resources	\$3,566,000	-
Stream Gage Improvement Program	Department of Water Resources	\$235,000	-
2023 Storm Repair	Federal Emergency Management Agency (FEMA)	-	\$2,018,000
Total		\$3,801,000	\$2,018,000

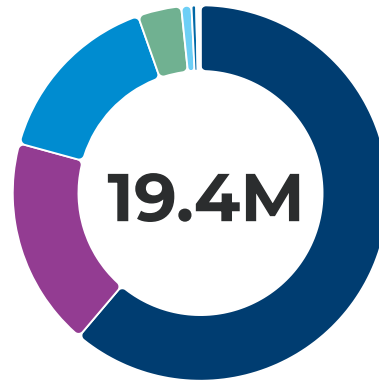
Investment Earnings: The proposed budget anticipates an investment return of 2.5% for both years.

Expenditures by Expense Type

FY 2027 Budgeted



FY 2028 Budgeted



● Maintenance Services	\$28,917,000	79.33%
● Personnel	\$3,352,000	9.20%
● Professional Services	\$2,926,000	8.03%
● Office Supplies and Other Services	\$917,000	2.52%
● County Services	\$164,000	0.45%
● Organizational Memberships and Support	\$75,000	0.21%
● Training and Travel	\$29,000	0.08%
● Equipment	\$27,000	0.07%
● Legal Services	\$15,000	0.04%
● Capital Funding	\$13,000	0.04%
● Telecommunications	\$10,000	0.03%
● Rental Services	\$5,000	0.01%

● Maintenance Services	\$11,857,000	61.19%
● Personnel	\$3,501,000	18.07%
● Professional Services	\$2,972,000	15.34%
● Office Supplies and Other Services	\$729,000	3.76%
● County Services	\$170,000	0.88%
● Organizational Memberships and Support	\$76,000	0.39%
● Training and Travel	\$29,000	0.15%
● Legal Services	\$15,000	0.08%
● Capital Funding	\$13,000	0.07%
● Telecommunications	\$10,000	0.05%
● Rental Services	\$5,000	0.03%
● Equipment	\$1,000	0.01%

Expenses

For fiscal years 2026-27 and 2027-28, proposed expenditures are \$36.4M and \$19.4M, respectively. Expense highlights and assumptions are described below.

Personnel: The proposed budget includes funding for one new full-time equivalent Construction Maintenance Laborer. Flood maintenance activities have increased due to increased frequency of storm events, sediment accumulation, encampment response, debris removal, and vegetation management. A second Construction Maintenance Laborer position will help meet operational demands, increase maintenance activities, and strengthen emergency response capabilities. The personnel budget also includes cost of living adjustments of 5% (effective June 21, 2026) and 4% (effective June 20, 2027) approved by the Board on June 18, 2025.

Professional Services: The proposed budget includes \$2.9M each year for engineering support, hydraulic modeling, environmental planning and permitting activities, and the Flood Management Plan Phase 2B.

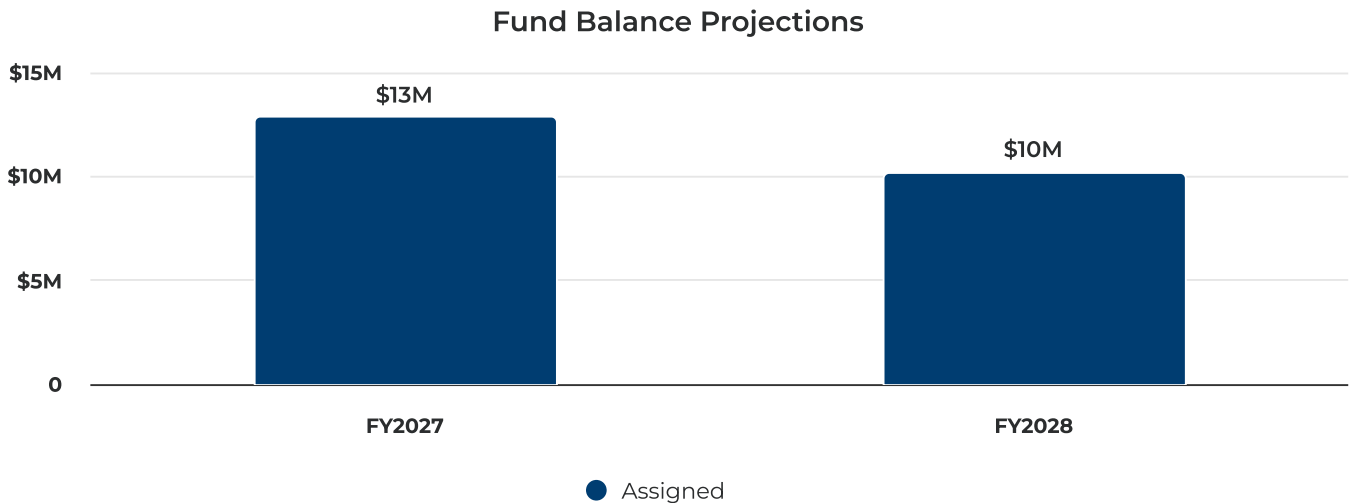
Maintenance Services: The Agency will address 99 repair sites across Dublin, Pleasanton, and Livermore over the next two years to restore flood protection infrastructure damaged during the 2023

storms. The proposed budget includes funding for routine flood maintenance (mowing, pest control, vegetation spraying, grazing, homeless abatement and removal, etc.) and the 2023 Storm Repairs Project. The proposed budget includes approximately \$28.9M in FY 2026-27 and \$11.9M in FY 2027-28 for the following maintenance activities:

Flood Maintenance Services	FY 2027 Budgeted	FY 2028 Budgeted
High Priority Storm Damage Repairs (3 sites) ¹	\$1,790,000	-
2023 Storm Repair Project — Phase 1A (38 sites)	\$16,500,000	-
2023 Storm Repair Project — Phase 1B (12 sites)	-	\$5,800,000
US Army Corps of Engineers Rehabilitation (41 sites)	\$3,860,000	\$1,688,000
Alamo Creek Bank Repair (3 sites)	\$1,100,000	-
Mitigation of Repaired Sites	\$500,000	\$1,000,000
Routine Maintenance and Other Maintenance Activities (1 site)	\$5,167,000	\$3,369,000
Total	\$28,917,000	\$11,857,000

¹One additional site will be repaired in fiscal year 2028-29.

Fund Balance



Reserves

Per the Agency's Reserve Policy (Resolution No. 25-47), this fund maintains a minimum operating reserve balance equal to 20% of the current year's operating expenses. This reserve may be used for unanticipated operating expenses, daily cash flow requirements, and emergencies. This reserve has no target, and its maximum level is equal to 50% of the current year's operating expenses. The proposed budget funds this reserve at the minimum level in both years.

The Flood Protection Capital Projects Reserve holds the balance of funds once the operating reserve is funded. This reserve is used to pay for capital projects as set forth in the annual budget and has no minimum or maximum reserve requirement. The forthcoming Flood Management Plan will direct the Agency's future capital projects.

The Section 115 Pension Trust holds this fund's share of the Agency's Section 115 Pension Trust. The Agency's Funding of Long-Term Pension Liability Policy (Resolution No. 23-20) established a pension trust reserve to pre-fund future pension payments.

For FY 2026-27 and FY 2027-28, reserves are projected to be \$12.8M and \$10.2M, respectively.

Fund 210 - Flood Protection Development Impact Fee

Primary Funding Source: Development Impact Fees.

The purpose of this fund is to ensure the Agency can 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, land and right of way acquisition, environmental review, permitting, and construction for drainage projects.

Comprehensive Fund Summary

Details of Revenue and Expenses for Fund 210

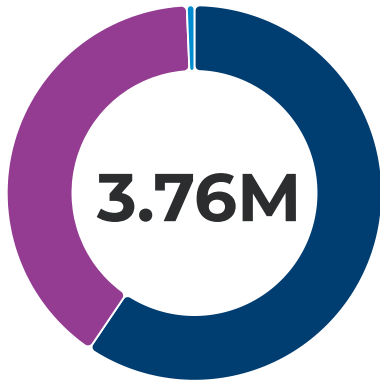
Category	FY 2026 Projected Actual	FY 2027 Budgeted	FY 2028 Budgeted
Beginning Fund Balance	\$85,092,017	\$88,222,000	\$90,639,000
Revenues			
Connection/Development Fees	\$2,000,000	\$1,500,000	\$1,500,000
Other Revenue	\$25,000	\$25,000	\$25,000
Investment Earnings	\$2,559,000	\$2,236,000	\$2,293,000
Total Revenues	\$4,584,000	\$3,761,000	\$3,818,000
Expenditures			
Personnel	\$62,000	\$184,000	\$197,000
Professional Services	\$965,000	\$660,000	\$914,000
Capital Projects	\$0	\$500,000	\$500,000
Total Expenditures	\$1,027,000	\$1,344,000	\$1,611,000
Total Revenues Less Expenditures	\$3,557,000	\$2,417,000	\$2,207,000
Ending Fund Balance	\$88,649,017	\$90,639,000	\$92,846,000

Note: The FY 2026 projected ending fund balance is based on the FY 2025-26 unaudited second quarter year-end projections. The FY 2027 Budgeted beginning fund balance accounts for approximately \$427K in budget carryovers from FY 2025-26 to FY 2026-27 for multi-year agreements.



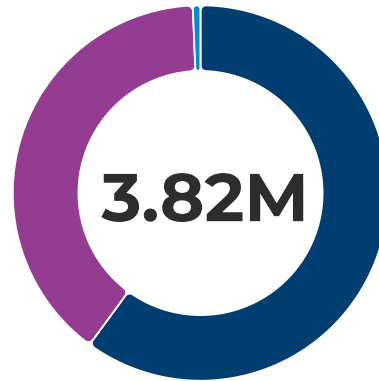
Revenues by Source

FY 2027 Budgeted



● Investment Earnings	\$2,236,000	59.45%
● Connection/Development Fees	\$1,500,000	39.88%
● Other Revenue	\$25,000	0.66%

FY 2028 Budgeted



● Investment Earnings	\$2,293,000	60.06%
● Connection/Development Fees	\$1,500,000	39.29%
● Other Revenue	\$25,000	0.65%

Revenue

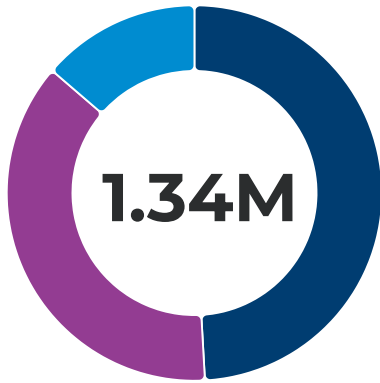
For fiscal years 2026-27 and 2027-28, proposed revenue is \$3.8M and \$3.8M, respectively. Revenue highlights and assumptions are described below.

Investment Earnings: The proposed budget anticipates an investment return of 2.5% for both years.

Development Fees: Development impact fees are collected from a development project within Zone 7's service area, equal to the number of square feet of impervious surface created. Development impact fee revenue is estimated at \$1.5M each year based on projected growth within the service area.

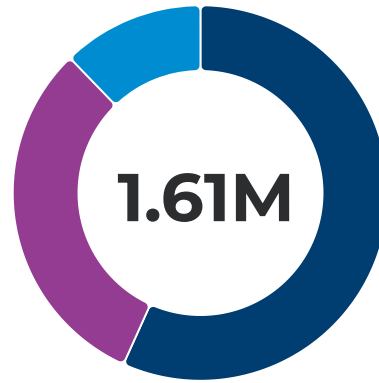
Expenditures by Expense Type

FY 2027 Budgeted



● Professional Services	\$660,000	49.11%
● Capital Projects	\$500,000	37.20%
● Personnel	\$184,000	13.69%

FY 2028 Budgeted



● Professional Services	\$914,000	56.73%
● Capital Projects	\$500,000	31.04%
● Personnel	\$197,000	12.23%

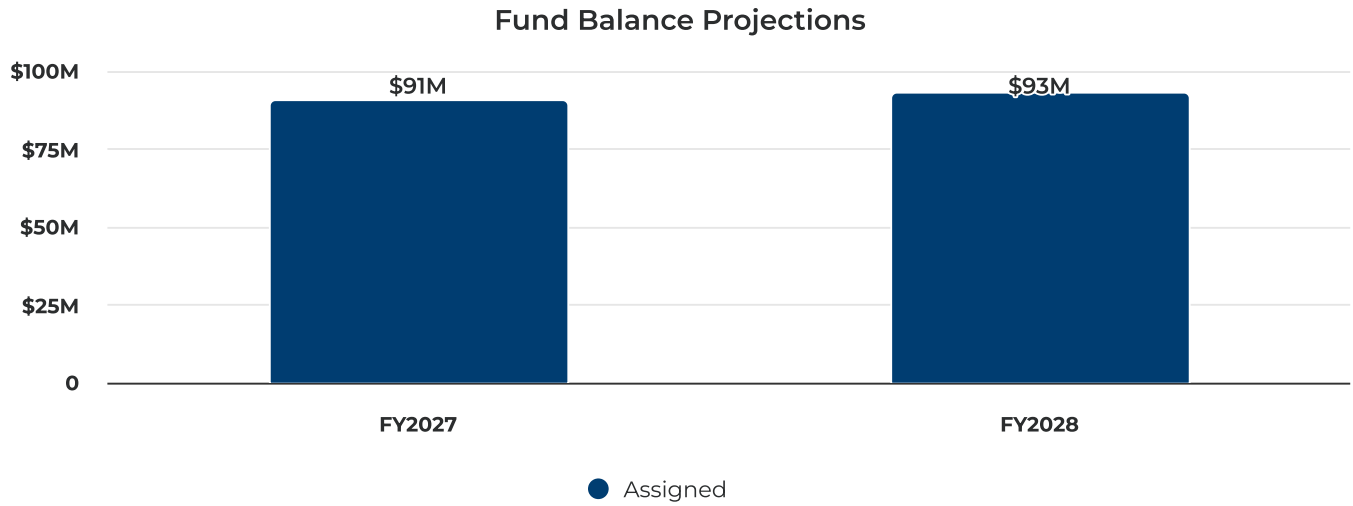
Expenses

For fiscal years 2026-27 and 2027-28, proposed expenditures are \$1.3M and \$1.6M, respectively. Expense highlights and assumptions are described below.

Professional Services: The proposed budget includes funding for services related to flood expansion, including engineering support, hydraulic modeling, environmental planning, and Phase 2B of the Flood Management Plan.

Capital Projects: Includes an annual contingency of \$500K for unforeseen projects or services. No capital projects are planned during the two-year budget period. The Agency is developing a Flood Management Plan to guide the Agency’s future flood maintenance activities and capital projects.

Fund Balance



Reserves

Per the Agency's Reserve Policy (Resolution No. 25-47), this fund maintains a capital projects reserve to ensure the Agency is able to meet current and future needs for Flood Protection facilities. The reserve is intended to provide funding for any Flood Protection facilities required to mitigate the impacts of new development. The reserve has no minimum, target, or maximum requirement.

For FY 2026-27 and FY 2027-28, ending reserve balances are projected to be \$90.6M and \$92.8M, respectively.

Capital Improvement Plan

The Agency prepares a Water System Capital Improvement Plan that outlines the plans for capital projects and programs needed to carry out the goals and policy objectives of the Agency. The capital improvement plan is based on a number of planning documents such as the Urban Water Management Plan, Water Supply Evaluation, and Asset Management Plan, incorporating the projects, costs, schedules, and priorities from those documents into the capital improvement plan.

On April 15, 2026, the Board of Directors adopted the 2026 Asset Management Plan Update and the FY 2026-27 Ten-Year Water System Capital Improvement Plan via Resolution No. 26-30. The Ten-Year Capital Improvement Plan identifies the prioritized investment plan for FY 2026-27 through FY 2035-36 and outlines recommended system improvements and facility expansions to meet existing and projected future water demands, and the water system facility renewal and replacement recommendations included in the Asset Management Plan Update. The proposed water system capital budget reflects the first two years of the adopted FY 2026-27 Ten-Year Water System Capital Improvement Plan.



Chain of Lakes Conveyance System
Illustration



Regional Groundwater Development Project



Mocho PFAS Treatment Plant
Location Map

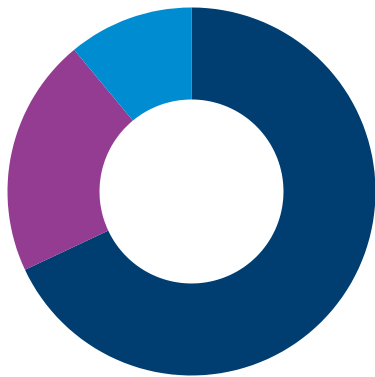
Capital Improvement Plan Funding Sources

Zone 7's Water System capital improvement plan projects are funded from the following three sources depending on the project's beneficiaries:

- *Renewal/Replacement* focuses on existing facilities reaching the end of their useful service life. These projects rehabilitate or replace assets to maintain the established level of service to existing Zone 7 customers. The renewal/replacement projects are funded by water rates.
- *System-Wide Improvements* address new regulatory requirements and enhancements to existing facilities that will improve their operation and maintenance, safety, flexibility, and cost-effectiveness as necessary for existing Zone 7 customers. The system-wide improvement projects are also funded by water rates.
- *Expansion* identifies the capital projects needed to meet the needs of future customers within Zone 7's service area. The Water System expansion projects are funded by water connection fees, which are collected from developers.

The following charts break down the FY 2026-27 and FY 2027-28 water system capital budgets by funding source.

FY 2027 Water System Capital Budget



- Expansion **68%**
- System-wide Improvements **21%**
- Renewal/Replacement **11%**

FY 2028 Water System Capital Budget



- Expansion **52%**
- System-wide Improvements **32%**
- Renewal/Replacement **16%**

Fund 120 - Water Enterprise Renewal/Replacement and System-wide Improvements

Primary Funding Source: Water Rates via capital funding from Fund 100

The purpose of this fund is to ensure 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 supports the capital projects as outlined in the Agency's asset management program and the capital improvement program.

Comprehensive Fund Summary

Details of Revenue and Expenses for Fund 120

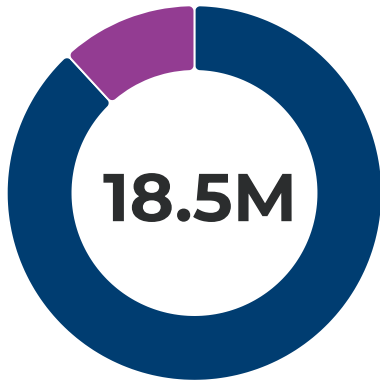
Category	FY 2026 Projected Actual	FY 2027 Budgeted	FY 2028 Budgeted
Beginning Fund Balance	\$89,592,777	\$86,577,000	\$88,295,000
Revenues			
Other Revenue	\$2,060,000	\$0	\$0
Grants	\$0	\$0	\$4,009,000
Investment Earnings	\$2,743,000	\$2,186,000	\$1,968,000
Capital Funding	\$16,353,000	\$16,277,000	\$16,765,000
Total Revenues	\$21,156,000	\$18,463,000	\$22,742,000
Expenditures			
Personnel	\$1,873,000	\$2,092,000	\$2,129,000
Professional Services	\$29,000	\$20,000	\$25,000
Capital Projects	\$11,341,000	\$14,633,000	\$39,658,000
Total Expenditures	\$13,243,000	\$16,745,000	\$41,812,000
Total Revenues Less Expenditures	\$7,913,000	\$1,718,000	-\$19,070,000
Ending Fund Balance	\$97,505,777	\$88,295,000	\$69,225,000

Note: The FY 2026 projected ending fund balance is based on the FY 2025-26 unaudited second quarter year-end projections. The FY 2027 Budgeted beginning fund balance accounts for approximately \$10.9M in budget carryovers from FY 2025-26 to FY 2026-27 for multi-year capital projects.



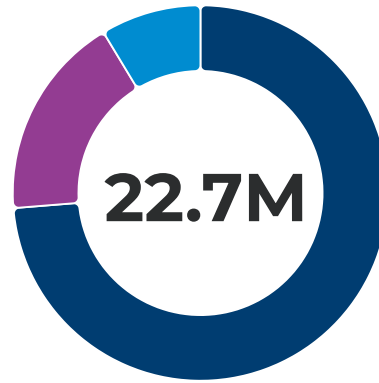
Revenue by Source

FY 2027 Budgeted



● Capital Funding	\$16,277,000	88.16%
● Investment Earnings	\$2,186,000	11.84%

FY 2028 Budgeted



● Capital Funding	\$16,765,000	73.72%
● Grants	\$4,009,000	17.63%
● Investment Earnings	\$1,968,000	8.65%

Revenue

For fiscal years 2026-27 and 2027-28, the proposed revenue is \$18.5M and \$22.7M, respectively. Revenue highlights and assumptions are described below.

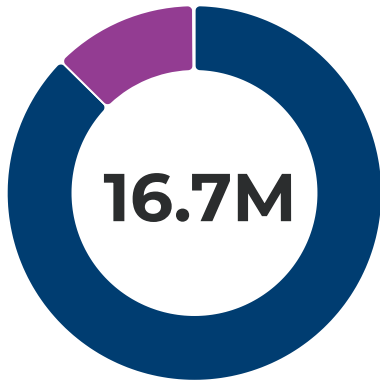
Grants: The FY 2027-28 proposed budget assumes partial receipt of the Emerging Contaminant Forgivable Loan proceeds for the Mocho PFAS Treatment Plant project.

Investment Earnings: The proposed budget anticipates an investment return of 2.5% for both years.

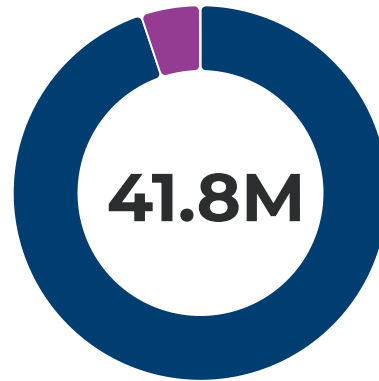
Capital Funding: FY 2026-27 reflects the approved asset management program capital funding of \$16.3M set forth in the 2026 Asset Management Program Update adopted by the Board on April 15, 2026 (Board Resolution No. 26-30). The FY 2027-28 proposed capital funding assumes a 3% increase.

Expenditures by Expense Type

FY 2027 Budgeted



FY 2028 Budgeted



● Capital Projects	\$14,633,000	87.39%	● Capital Projects	\$39,658,000	94.85%
● Personnel	\$2,092,000	12.49%	● Personnel	\$2,129,000	5.09%
● Professional Services	\$20,000	0.12%	● Professional Services	\$25,000	0.06%

Expenses

For fiscal years 2026-27 and 2027-28, the proposed capital expenses are \$16.7M and \$41.8M, respectively. Expense highlights and assumptions are described below.

Professional Services: The proposed budget includes this fund's share of the Agency's investment advisory services.

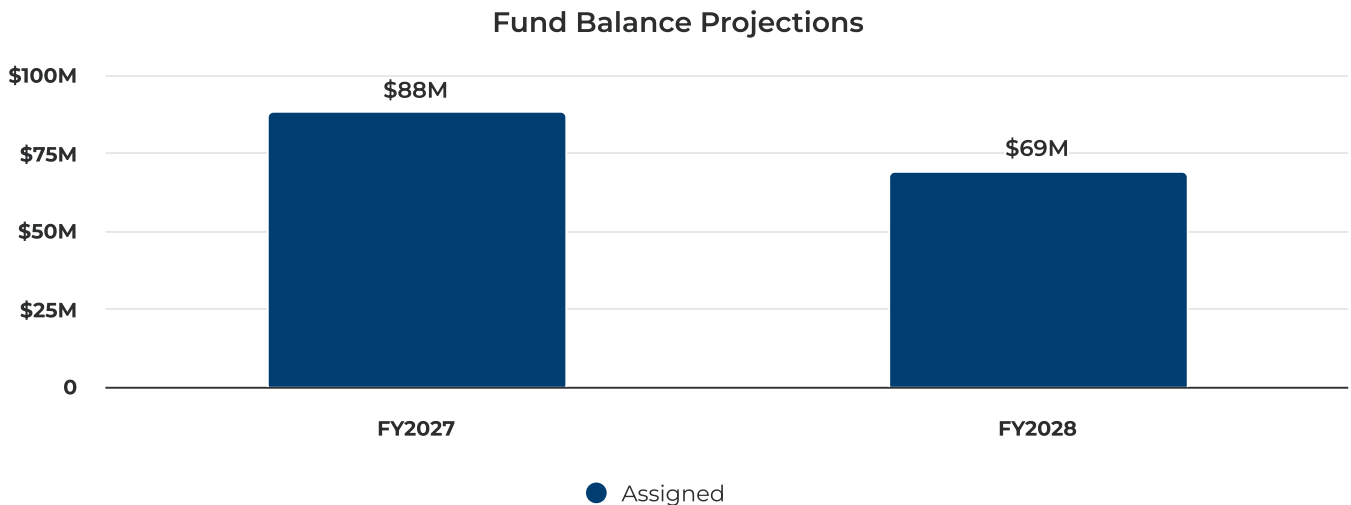
Capital Projects: The proposed budget reflects the first two years of the adopted FY 2026-27 Ten-Year Water System Capital Improvement Plan for renewal/replacement and system-wide improvement capital projects, as shown in the table below. For capital project details, please see the Agency's FY 2026-27 Ten-Year Water System Capital Improvement Plan.

Renewal/Replacement Projects	FY 2027 Budgeted	FY 2028 Budgeted
Contingency	\$750,000	\$750,000
Groundwater Basin Management		
Monitoring Well Replacements and Abandonments	\$350,000	-
Program Management		
Asset Management Program	\$12,500	\$12,900
Capital Improvement Program Management	\$7,900	\$8,100
Regulatory Compliance Monitoring		
Laboratory Equipment Replacement	\$180,000	\$226,600
Transmission and Distribution		
Silver Oaks Pump Station	\$1,936,000	\$737,800
Transmission System Plan and Hydraulic Model Update	\$420,000	\$185,400
Water Treatment Facilities		
DVWTP and PPWTP HVAC and Improvements	\$440,000	\$5,300,000
DVWTP Wastewater System	-	\$95,400
Maintenance Yard and Building	-	\$159,000
Renewal/Replacement Projects (Engineering)	\$900,000	\$875,000
Renewal/Replacement Projects (Maintenance)	\$875,000	\$875,000
SCADA Upgrades and Replacements	\$330,000	\$349,800
Wells		
MGDP RO Membrane Replacement/Expansion	-	\$3,551,000
Production Well Pump Replacement	-	\$1,007,000
Renewal/Replacement Subtotal	\$6,201,400	\$14,133,000

System-wide Improvement Projects	FY 2027 Budgeted	FY 2028 Budgeted
Transmission and Distribution		
Hopyard Wellfield Pipeline	-	\$127,200
Transmission System Line Valve Installation	\$50,000	-
Water Supply and Conveyance		
Chain of Lakes Conveyance System	\$784,400	\$1,488,800
Wells		
Chain of Lakes PFAS Treatment Plant Process Improvement Study	\$350,000	-
Mocho PFAS Treatment Plant	\$9,339,600	\$26,037,700
<i>System-wide Improvement Subtotal</i>	<i>10,524,000</i>	<i>27,653,700</i>
Total ¹	\$16,725,400	\$41,786,700

¹ Totals do not include investment advisory professional services in the amounts of \$20,000 (FY 2026-27) and \$25,000 (FY 2027-28).

Fund Balance



Reserves

Per the Agency's Reserve Policy (Resolution No. 25-47), this fund maintains a minimum capital reserve equal to 100% of the following year's planned pay-go capital budget. For pay-go funding, capital reserve funds are accumulated to provide for the current and future funding needs of the various capital programs to facilitate completion of multi-year projects. This reserve has no maximum level.

For FY 2026-27 and FY 2027-28, ending reserve balances are projected to be \$88.3M and \$69.2M, respectively.

Fund 130 - Water Enterprise Capital Expansion

Primary Funding Source: Water Connection Fees

The purpose of this fund is to ensure the Agency can meet the 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 meet additional capacity requirements for development. Most expenses in this fund are 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.

Comprehensive Fund Summary

Details of Revenue and Expenses for Fund 130

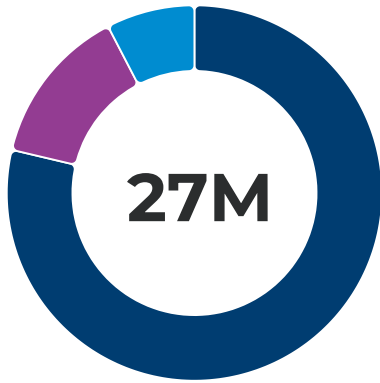
Category	FY 2026 Projected Actual	FY 2027 Budgeted	FY 2028 Budgeted
Beginning Fund Balance	\$78,681,415	\$84,602,000	\$79,763,000
Revenues			
Connection/Development Fees	\$20,326,000	\$21,250,000	\$21,900,000
Other Revenue	\$3,000,000	\$3,700,000	\$7,297,000
Investment Earnings	\$2,256,000	\$2,054,000	\$1,846,000
Total Revenues	\$25,582,000	\$27,004,000	\$31,043,000
Expenditures			
Personnel	\$300,000	\$932,000	\$990,000
Professional Services	\$69,000	\$50,000	\$50,000
Legal Services	\$25,000	\$50,000	\$50,000
Water	\$16,425,000	\$17,800,000	\$17,800,000
Capital Projects	\$966,166	\$11,918,000	\$22,845,000
Debt Service	\$1,100,000	\$1,093,000	\$1,096,000
Total Expenditures	\$18,885,166	\$31,843,000	\$42,831,000
Total Revenues Less Expenditures	\$6,696,834	-\$4,839,000	-\$11,788,000
Ending Fund Balance	\$85,378,249	\$79,763,000	\$67,975,000

Note: The FY 2026 projected ending fund balance is based on the FY 2025-26 unaudited second quarter year-end projections. The FY 2027 Budgeted beginning fund balance accounts for approximately \$776K in budget carryovers from FY 2025-26 to FY 2026-27 for multi-year capital expansion projects.

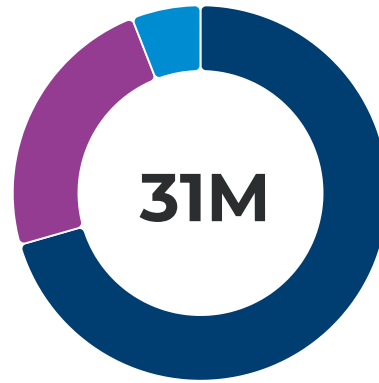


Revenues by Source

FY 2027 Budgeted



FY 2028 Budgeted



● Connection/Development Fees	\$21,250,000	78.69%
● Other Revenue	\$3,700,000	13.70%
● Investment Earnings	\$2,054,000	7.61%

● Connection/Development Fees	\$21,900,000	70.55%
● Other Revenue	\$7,297,000	23.51%
● Investment Earnings	\$1,846,000	5.95%

Revenue

For fiscal years 2026-27 and 2027-28, the proposed revenue is \$27M and \$31M, respectively. Revenue highlights and assumptions are described below.

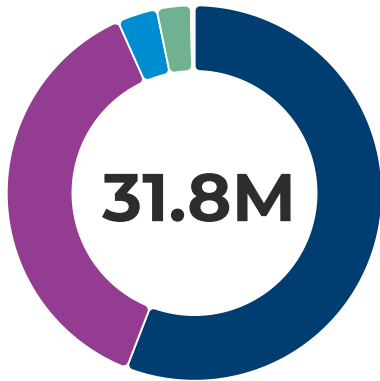
Connection/Development Fees: The proposed budget assumes approximately 610 new connections each year based on projected growth in the service area as forecasted in the Agency's forthcoming Tri-Valley Demand Assessment, 2025 Urban Water Management Plan, and Water Connection Fee Study (under development). The revenue assumes a 3% annual inflationary adjustment to the fees.

Other Revenue: Other revenue includes projected refunds from the Department of Water Resources. FY 2027-28 other revenue also includes refunds and cost-share agreement revenue for the Regional Groundwater Development Project from the City of Pleasanton for 1/3 of the cost.

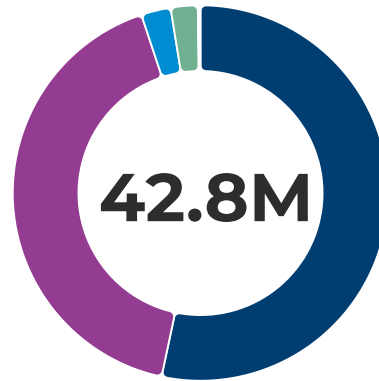
Investment Earnings: The proposed budget assumes an investment return of 2.5% each year.

Expenditures by Expense Type

FY 2027 Budgeted



FY 2028 Budgeted



● Water	\$17,800,000	55.90%
● Capital Projects	\$11,918,000	37.43%
● Debt Service	\$1,093,000	3.43%
● Personnel	\$932,000	2.93%
● Professional Services	\$50,000	0.16%
● Legal Services	\$50,000	0.16%

● Capital Projects	\$22,845,000	53.34%
● Water	\$17,800,000	41.56%
● Debt Service	\$1,096,000	2.56%
● Personnel	\$990,000	2.31%
● Professional Services	\$50,000	0.12%
● Legal Services	\$50,000	0.12%

Expenses

For fiscal years 2026-27 and 2027-28, the proposed expansion capital expenses are \$31.8M and \$42.8M, respectively. Expense highlights and assumptions are described below.

Water: The proposed budget includes the annual debt service payments for the South Bay Aqueduct enlargement project and the future contractor's share of the South Bay Aqueduct of \$17.8M per year.

Professional Services: The proposed budget includes this fund's share of the Agency's investment advisory services.

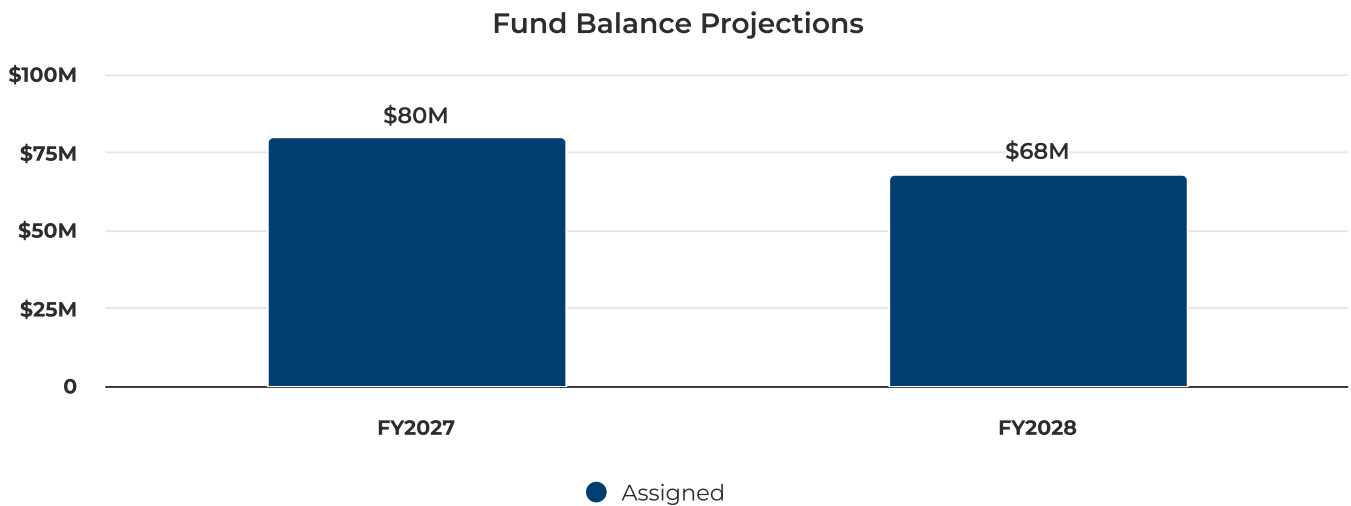
Legal Services: The proposed budget includes \$50K annually for legal services.

Debt Service: The proposed budget includes the expansion portion of the Water Revenue Bonds, 2018 Series A debt service of approximately \$1.1M per year. The Water Revenue Bonds, 2018 Series A refunded the Agency's obligations in connection with the Cawelo Water District Certificates of Participation.

Capital Projects: The proposed budget reflects the first two years of the adopted FY 2026-27 Ten-Year Water System Capital Improvement Plan for water system expansion capital projects, as shown in the following table. For capital project details, please see the Agency's FY 2026-27 Ten-Year Water System Capital Improvement Plan.

Water System Capital Expansion Project Listing	FY 2027 Budgeted	FY 2028 Budgeted
Contingency	\$500,000	\$500,000
Program Management		
Capital Improvement Program Management	\$4,600	\$4,800
Transmission and Distribution		
City Reach Pipeline Mitigation	-	\$434,600
Silver Oaks Pump Station	\$484,000	\$184,400
Transmission System Plan and Hydraulic Model Update	\$140,000	\$61,800
Water Supply and Conveyance		
Chain of Lakes Conveyance System	\$695,600	\$1,320,200
Potable Reuse Study	\$125,000	\$128,800
Wells		
Regional Groundwater Development Project	10,900,000	\$21,200,000
Total¹	\$12,849,200	\$23,834,600
¹ Totals do not include investment advisory professional services and legal services of \$100K each year.		

Fund Balance



Reserves

Per the Agency's Reserve Policy (Resolution No. 25-47), this fund maintains a minimum reserve equal to 60% of the current annually budgeted non-discretionary obligations. This reserve has no maximum level as it is designed to accumulate sufficient reserves to pay for future capital expansion projects as set forth in the FY 2026-27 Ten-Year Capital Improvement Plan.

For FY 2026-27 and FY 2027-28, ending reserve balances are projected to be \$79.8M and \$68.0M, respectively.

Agency-wide Financial Summary

Comprehensive Fund Summary

Details of Revenue and Expenses for All Funds

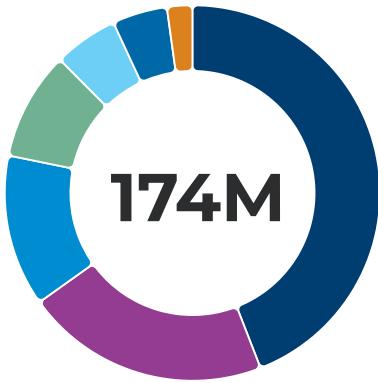
Category	FY 2026 Projected Actual	FY 2027 Budgeted	FY 2028 Budgeted
Beginning Fund Balance	\$383,619,618	\$393,839,000	\$377,761,000
Revenues			
Water Sales & Service	\$75,123,000	\$76,830,000	\$80,232,000
Property Taxes	\$35,278,000	\$36,649,000	\$37,188,000
Connection/Development Fees	\$22,326,000	\$22,750,000	\$23,400,000
Other Revenue	\$10,278,000	\$8,239,000	\$11,836,000
Grants	\$15,000	\$3,801,000	\$6,027,000
Investment Earnings	\$11,819,000	\$9,652,000	\$9,005,000
Capital Funding	\$16,353,000	\$16,277,000	\$16,765,000
Total Revenues	\$171,192,000	\$174,198,000	\$184,453,000
Expenditures			
Personnel	\$27,607,000	\$30,361,000	\$31,688,000
Professional Services	\$6,837,000	\$7,727,000	\$7,125,000
County Services	\$2,086,000	\$1,635,000	\$2,554,000
Insurance Services	\$900,000	\$950,000	\$1,000,000
Legal Services	\$365,000	\$470,000	\$470,000
Water	\$50,488,000	\$53,049,000	\$57,284,000
Delta Conveyance Project	\$1,320,000	\$3,300,000	\$1,980,000
Chemicals	\$4,200,000	\$4,939,000	\$6,585,000
Utilities	\$3,775,000	\$2,806,000	\$3,510,000
Telecommunications	\$167,000	\$179,000	\$176,000
Maintenance Services	\$7,390,000	\$31,669,000	\$14,592,000
Rental Services	\$136,000	\$124,000	\$124,000
Office Supplies and Other Services	\$1,806,178	\$2,553,000	\$2,136,000
Organizational Memberships and Support	\$517,052	\$496,000	\$513,000
Training and Travel	\$75,000	\$216,000	\$216,000
Water Conservation Program	\$37,000	\$160,000	\$160,000
Capital Projects	\$12,307,166	\$27,051,000	\$63,003,000
Equipment	\$78,000	\$27,000	\$1,000
Debt Service	\$6,076,000	\$6,071,000	\$6,077,000
Capital Funding	\$16,589,000	\$16,493,000	\$16,980,000
Total Expenditures	\$142,756,396	\$190,276,000	\$216,174,000
Total Revenues Less Expenditures	\$28,435,604	-\$16,078,000	-\$31,721,000
Ending Fund Balance	\$412,055,222	\$377,761,000	\$346,040,000

Note: The FY 2026 projected ending fund balance is based on the FY 2025-26 unaudited second quarter year-end projections. The FY 2027 Budgeted beginning fund balance accounts for approximately \$18.2M in budget carryovers from FY 2025-26 to FY 2026-27 for multi-year contracts/projects.



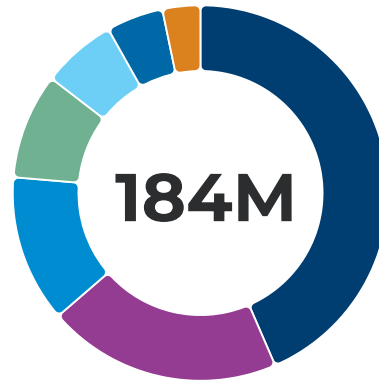
Revenues by Source

FY 2027 Budgeted



Water Sales & Service	\$76,830,000	44.10%
Property Taxes	\$36,649,000	21.04%
Connection/Development Fees	\$22,750,000	13.06%
Capital Funding	\$16,277,000	9.34%
Investment Earnings	\$9,652,000	5.54%
Other Revenue	\$8,239,000	4.73%
Grants	\$3,801,000	2.18%

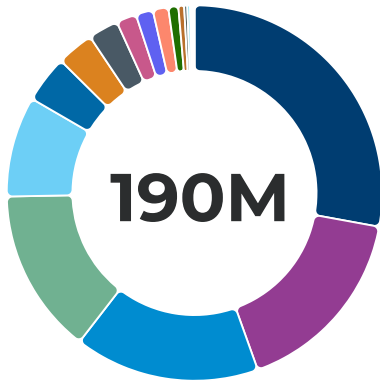
FY 2028 Budgeted



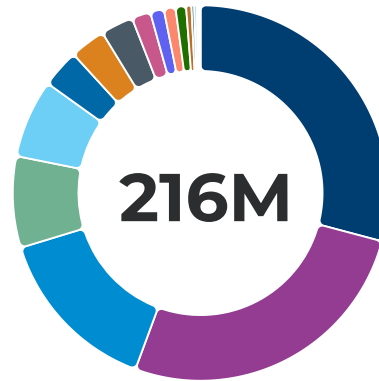
Water Sales & Service	\$80,232,000	43.50%
Property Taxes	\$37,188,000	20.16%
Connection/Development Fees	\$23,400,000	12.69%
Capital Funding	\$16,765,000	9.09%
Other Revenue	\$11,836,000	6.42%
Investment Earnings	\$9,005,000	4.88%
Grants	\$6,027,000	3.27%

Expenditures by Expense Type

FY 2027 Budgeted



FY 2028 Budgeted



● Water	\$53,049,000	27.88%
● Maintenance Services	\$31,669,000	16.64%
● Personnel	\$30,361,000	15.96%
● Capital Projects	\$27,051,000	14.22%
● Capital Funding	\$16,493,000	8.67%
● Professional Services	\$7,727,000	4.06%
● Debt Service	\$6,071,000	3.19%
● Chemicals	\$4,939,000	2.60%
● Delta Conveyance Project	\$3,300,000	1.73%
● Utilities	\$2,806,000	1.47%
● Office Supplies and Other Services	\$2,553,000	1.34%
● County Services	\$1,635,000	0.86%
● Insurance Services	\$950,000	0.50%
● Organizational Memberships and Support	\$496,000	0.26%
● Legal Services	\$470,000	0.25%
● Training and Travel	\$216,000	0.11%
● Telecommunications	\$179,000	0.09%
● Water Conservation Program	\$160,000	0.08%
● Rental Services	\$124,000	0.07%
● Equipment	\$27,000	0.01%

● Capital Projects	\$63,003,000	29.14%
● Water	\$57,284,000	26.50%
● Personnel	\$31,688,000	14.66%
● Capital Funding	\$16,980,000	7.85%
● Maintenance Services	\$14,592,000	6.75%
● Professional Services	\$7,125,000	3.30%
● Chemicals	\$6,585,000	3.05%
● Debt Service	\$6,077,000	2.81%
● Utilities	\$3,510,000	1.62%
● County Services	\$2,554,000	1.18%
● Office Supplies and Other Services	\$2,136,000	0.99%
● Delta Conveyance Project	\$1,980,000	0.92%
● Insurance Services	\$1,000,000	0.46%
● Organizational Memberships and Support	\$513,000	0.24%
● Legal Services	\$470,000	0.22%
● Training and Travel	\$216,000	0.10%
● Telecommunications	\$176,000	0.08%
● Water Conservation Program	\$160,000	0.07%
● Rental Services	\$124,000	0.06%
● Equipment	\$1,000	0.00%

Attachment B

FY 2026-27 Proposed Budget - Summary By Account Classification

	Fund 100	Fund 110	Fund 120	Fund 130	Fund 200	Fund 210	Total
Beginning Fund Balance	\$43,956,000	\$59,421,000	\$86,577,000	\$84,602,000	\$31,061,000	\$88,222,000	\$393,839,000
Revenues							
Water Sales & Service	\$73,835,000	\$2,995,000					\$76,830,000
Property Taxes		\$23,051,000			\$13,598,000		\$36,649,000
Connection/Development Fees				\$21,250,000		\$1,500,000	\$22,750,000
Other Revenue	\$563,000	\$3,675,000		\$3,700,000	\$276,000	\$25,000	\$8,239,000
Grants					\$3,801,000		\$3,801,000
Investment Earnings	\$1,122,000	\$1,497,000	\$2,186,000	\$2,054,000	\$557,000	\$2,236,000	\$9,652,000
Capital Funding			\$16,277,000				\$16,277,000
Total Revenues	\$75,520,000	\$31,218,000	\$18,463,000	\$27,004,000	\$18,232,000	\$3,761,000	\$174,198,000
Expenditures							
Personnel	\$23,801,000		\$2,092,000	\$932,000	\$3,352,000	\$184,000	\$30,361,000
Professional Services	\$4,055,000	\$16,000	\$20,000	\$50,000	\$2,926,000	\$660,000	\$7,727,000
County Services	\$1,471,000				\$164,000		\$1,635,000
Insurance Services	\$950,000						\$950,000
Legal Services	\$405,000			\$50,000	\$15,000		\$470,000
Water	\$4,976,000	\$30,273,000		\$17,800,000			\$53,049,000
Delta Conveyance Project	\$3,300,000						\$3,300,000
Chemicals	\$4,939,000						\$4,939,000
Utilities	\$2,806,000						\$2,806,000
Telecommunications	\$169,000				\$10,000		\$179,000
Maintenance Services	\$2,752,000				\$28,917,000		\$31,669,000
Rental Services	\$119,000				\$5,000		\$124,000
Office Supplies and Other Services	\$1,636,000				\$917,000		\$2,553,000
Organizational Memberships and Support	\$421,000				\$75,000		\$496,000
Training and Travel	\$187,000				\$29,000		\$216,000
Water Conservation Program	\$160,000						\$160,000
Capital Projects			\$14,633,000	\$11,918,000		\$500,000	\$27,051,000
Equipment					\$27,000		\$27,000
Debt Service	\$4,978,000			\$1,093,000			\$6,071,000
Capital Funding	\$16,480,000				\$13,000		\$16,493,000
Total Expenditures	\$73,605,000	\$30,289,000	\$16,745,000	\$31,843,000	\$36,450,000	\$1,344,000	\$190,276,000
Total Revenues Less Expenditures	\$1,915,000	\$929,000	\$1,718,000	(\$4,839,000)	(\$18,218,000)	\$2,417,000	(\$16,078,000)
Ending Fund Balance	\$45,871,000	\$60,350,000	\$88,295,000	\$79,763,000	\$12,843,000	\$90,639,000	\$377,761,000
Reserves							
Capital Projects			\$81,922,000	\$43,215,000	\$5,294,000	\$90,639,000	\$221,070,000
2018 Revenue Bond Rate Stabilization Fund			\$6,300,000	\$2,300,000			\$8,600,000
Emergency	\$8,932,000						\$8,932,000
Future Contractor's Share of SBA				\$9,760,000			\$9,760,000
Operating	\$14,086,000	\$60,350,000			\$7,287,000		\$81,723,000
Reserve for Economic Uncertainties	\$5,774,000						\$5,774,000
SBA Enlargement				\$24,468,000			\$24,468,000
Section 115 Trust	\$2,399,000		\$73,000	\$20,000	\$262,000		\$2,754,000
Water Reliability Reserve	\$14,680,000						\$14,680,000
Total	\$45,871,000	\$60,350,000	\$88,295,000	\$79,763,000	\$12,843,000	\$90,639,000	\$377,761,000

Attachment B

FY 2027-28 Proposed Budget - Summary By Account Classification

	Fund 100	Fund 110	Fund 120	Fund 130	Fund 200	Fund 210	Total
Beginning Fund Balance	\$45,871,000	\$60,350,000	\$88,295,000	\$79,763,000	\$12,843,000	\$90,639,000	\$377,761,000
Revenues							
Water Sales & Service	\$77,087,000	\$3,145,000					\$80,232,000
Property Taxes		\$23,051,000			\$14,137,000		\$37,188,000
Connection/Development Fees				\$21,900,000		\$1,500,000	\$23,400,000
Other Revenue	\$563,000	\$3,675,000		\$7,297,000	\$276,000	\$25,000	\$11,836,000
Grants			\$4,009,000		\$2,018,000		\$6,027,000
Investment Earnings	\$1,078,000	\$1,506,000	\$1,968,000	\$1,846,000	\$314,000	\$2,293,000	\$9,005,000
Capital Funding			\$16,765,000				\$16,765,000
Total Revenues	\$78,728,000	\$31,377,000	\$22,742,000	\$31,043,000	\$16,745,000	\$3,818,000	\$184,453,000
Expenditures							
Personnel	\$24,871,000		\$2,129,000	\$990,000	\$3,501,000	\$197,000	\$31,688,000
Professional Services	\$3,148,000	\$16,000	\$25,000	\$50,000	\$2,972,000	\$914,000	\$7,125,000
County Services	\$2,384,000				\$170,000		\$2,554,000
Insurance Services	\$1,000,000						\$1,000,000
Legal Services	\$405,000			\$50,000	\$15,000		\$470,000
Water	\$7,951,000	\$31,533,000		\$17,800,000			\$57,284,000
Delta Conveyance Project	\$1,980,000						\$1,980,000
Chemicals	\$6,585,000						\$6,585,000
Utilities	\$3,510,000						\$3,510,000
Telecommunications	\$166,000				\$10,000		\$176,000
Maintenance Services	\$2,735,000				\$11,857,000		\$14,592,000
Rental Services	\$119,000				\$5,000		\$124,000
Office Supplies and Other Services	\$1,407,000				\$729,000		\$2,136,000
Organizational Memberships and Support	\$437,000				\$76,000		\$513,000
Training and Travel	\$187,000				\$29,000		\$216,000
Water Conservation Program	\$160,000						\$160,000
Capital Projects			\$39,658,000	\$22,845,000		\$500,000	\$63,003,000
Equipment					\$1,000		\$1,000
Debt Service	\$4,981,000			\$1,096,000			\$6,077,000
Capital Funding	\$16,967,000				\$13,000		\$16,980,000
Total Expenditures	\$78,993,000	\$31,549,000	\$41,812,000	\$42,831,000	\$19,378,000	\$1,611,000	\$216,174,000
Total Revenues Less Expenditures	(\$265,000)	(\$172,000)	(\$19,070,000)	(\$11,788,000)	(\$2,633,000)	\$2,207,000	(\$31,721,000)
Ending Fund Balance	\$45,606,000	\$60,178,000	\$69,225,000	\$67,975,000	\$10,210,000	\$92,846,000	\$346,040,000
Reserves							
Capital Projects			\$62,843,000	\$28,638,000	\$6,061,000	\$92,846,000	\$190,388,000
2018 Revenue Bond Rate Stabilization Fund			\$6,300,000	\$2,300,000			\$8,600,000
Emergency	\$9,289,000						\$9,289,000
Future Contractor's Share of SBA				\$10,600,000			\$10,600,000
Operating	\$15,294,000	\$60,178,000			\$3,873,000		\$79,345,000
Reserve for Economic Uncertainties	\$6,037,000						\$6,037,000
SBA Enlargement				\$26,416,000			\$26,416,000
Section 115 Trust	\$2,524,000		\$82,000	\$21,000	\$276,000		\$2,903,000
Water Reliability Reserve	\$12,462,000						\$12,462,000
Total	\$45,606,000	\$60,178,000	\$69,225,000	\$67,975,000	\$10,210,000	\$92,846,000	\$346,040,000