

**LIVERMORE-AMADOR VALLEY
WATER MANAGEMENT AGENCY
OPERATING AND CAPITAL BUDGET
FISCAL YEAR 2011-12**

Prepared April 2011

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LIVERMORE-AMADOR VALLEY WATER MANAGEMENT AGENCY OPERATING AND CAPITAL BUDGETS FISCAL YEAR 2011-20112

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EXECUTIVE SUMMARY

OPERATING BUDGET

The proposed operating budget of \$2.5 million is a 4% decrease from the FY 2010-11 budget. The total revenue requirements of \$12.9 million also include \$2.8 million of estimated debt service on Series A bonds for the Repair Project, and \$6.8 million of estimated debt service on Series A bonds for the Expansion Project and the debt service payment of \$412 thousand payment to EBDA.

The proposed FY 2011-12 operating budget considers projected FY 2010-11 expenditures and is largely based on the detailed budget prepared by DSRSD pursuant to the Maintenance Agreement (copy attached). FY 2010-11 expenditures are projected to slightly exceed the authorized budget by \$25,000 (1%). If the budget is exceeded the O&M reserve funds that are utilized to cover the costs will be reimbursed during the annual reconciliation process. The \$110,000 (4%) decrease in LAVWMA's operating budget is due to a anticipated reduction in LAVWMA's administrative costs as the Export Pipeline Project is closed out and the anticipated completion of the wet weather discharge NPDES permit process (renewal required every 5 years).

CAPITAL BUDGET

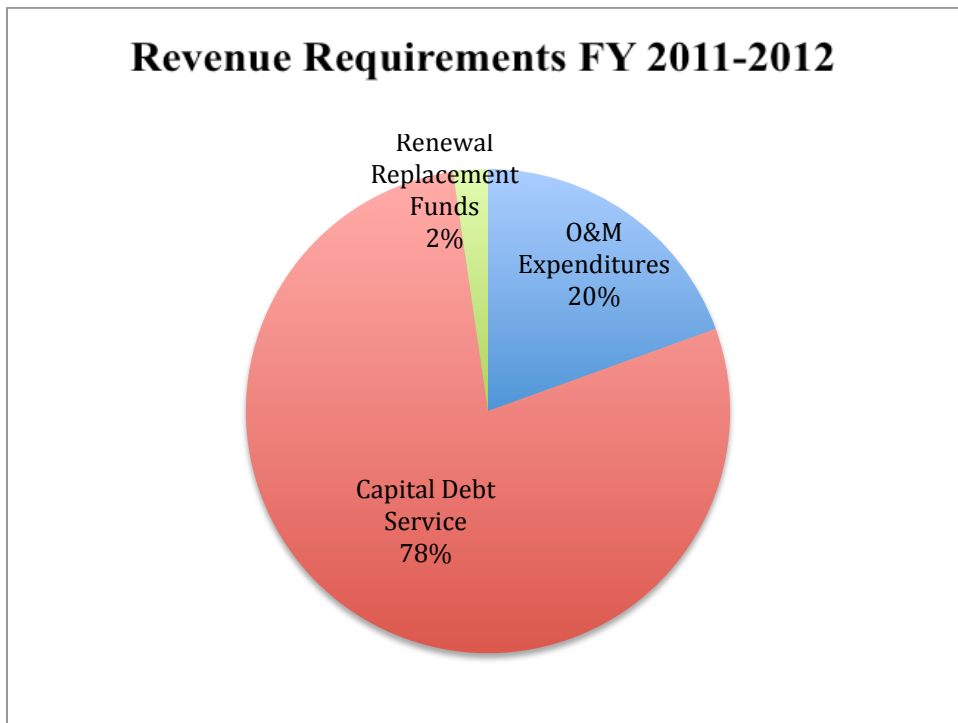
The FY 2011-12 capital budget of \$1.2 million is for the renewal and replacement of LAVWMA facilities. The budget includes \$500,000 for the design and right of way acquisition of the wet weather discharge conveyance facility to the Alamo Canal and \$400,000 associated with the repairs of corroded coupling bolts on the LAVWMA Export Pipeline.

REVENUE REQUIREMENTS

The FY 2011-12 budget also includes projected FY 2010-11 debt service (repair and expansion) for Series A bonds and for the EBDA capacity purchase agreement. Although repair and expansion of the existing pipeline and the EBDA capacity purchase are capital costs, the associated debt service are tabulated in the operating budget to assist member agencies with their rate and fee calculations. The projected debt service includes payment of principal and interest. The annual \$600,000 of deposits to LAVWMA's capital facilities renewal replacement accounts was deferred the past two years to aid member agencies in addressing the ongoing economic crisis. This year's budget recommends that deposits be resumed at a reduced level of \$300,000 and applied only to the Joint Use Replacement Fund. Dual Use facilities are minimal and are currently adequately funded. Funding requirements for the Sole Use facilities replacement fund

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are currently being discussed with the City of Livermore and will be included in next years budget. The following pie chart illustrates the allocation of the \$12.3 million in total revenue requirements for FY 2010-11.



1.0 GENERAL

Livermore-Amador Valley Water Management Agency (LAVWMA) is a Joint Powers Agency comprised of the Cities of Livermore and Pleasanton, and Dublin San Ramon Services District (DSRSD). The City of Livermore collects and treats all city wastewater. DSRSD delivers water to the City of Dublin and the Dougherty Valley, and it collects and treats wastewater for Dublin and southern San Ramon, and treats additional wastewater under a contract with the City of Pleasanton. LAVWMA exports treated effluent from the LAVWMA Pumping Station west over the Dublin Grade, through Castro Valley and the City of San Leandro, to a pipeline operated by the East Bay Dischargers Authority (EBDA). EBDA dechlorinates the effluent and discharges it through a deepwater outfall into the San Francisco Bay.

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1.1 Mission & Goals

LAVWMA'S MISSION

Our mission is to continue to operate our current facilities cost effectively, and to provide 41.2 million gallons per day of wastewater export capacity to support our member agencies' General Plans. We will complete our work in a way that benefits all stakeholders and meets all regulatory requirements from source to discharge. The new facilities will meet up to 20-year objectives for capacity, and have a design life of 40 years.

We will complete our work primarily through consultants. We will invest in this diverse project team and promote a work ethic that recognizes and promotes teamwork and a positive work environment. We will practice fairness, provide challenges and allow freedom of communication and thought to enable team members to make meaningful contributions to LAVWMA, the industry and our community.

Agency Goals & Objectives

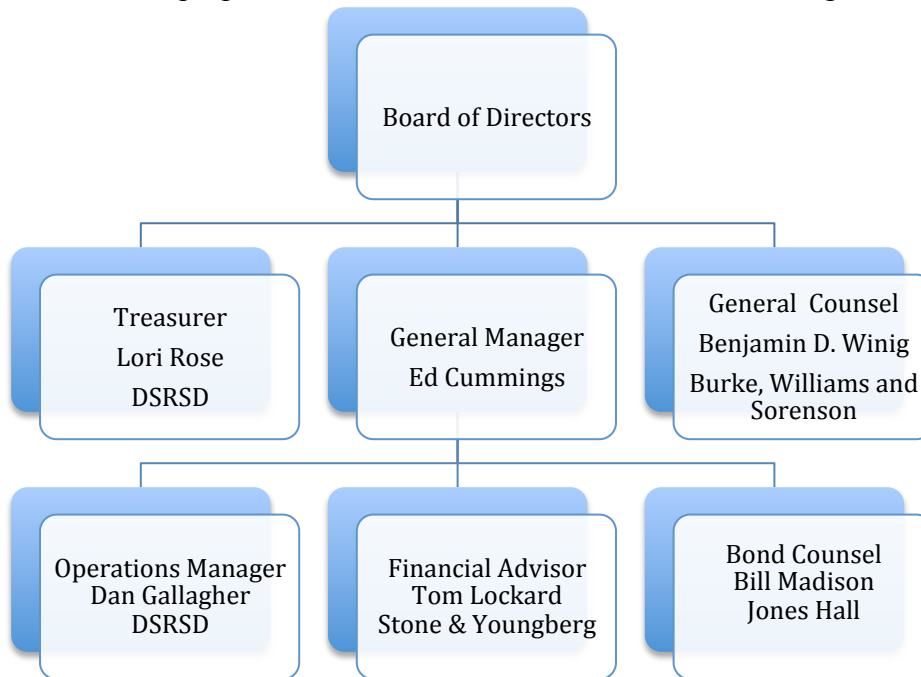
To carry out our Mission, LAVWMA will pursue the following goals:

- **Environmental Compliance.** Continue efficient operations of facilities to prevent wastewater overflows. Meet all CEQA mitigation requirements for new construction. Exceed requirements pertaining to community impacts.
- **Cost Effectiveness.** Continue to perform routine maintenance on existing facilities in a manner that promotes cost savings over the projected life of the facilities.
- **Technical Soundness.** Provide technically sound solutions that use the newest available technology without incurring excessive risk.
- **Customer Service.** Continue to comply with the 1997 Joint Exercise of Powers Agreement (JPA) and the March 2001 Sewer Service Contract with the LAVWMA member agencies .

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1.2 ORGANIZATION

The LAVWMA team proposed for FY 2011-12 is shown in the following chart.



2.0 OPERATING BUDGET

2.1 Description of Services Provided

The Operations and Maintenance (O&M) budget includes all costs required to operate and maintain existing LAVWMA facilities. LAVWMA's existing facilities include the sole-use and dual-use interceptors, junction structure, Export and Livermore pumping stations, storage basins, export pipeline including appurtenances, and two emergency dechlorination stations. LAVWMA's facilities are operated and maintained by DSRSD pursuant to a Maintenance Agreement initially executed in 1979.

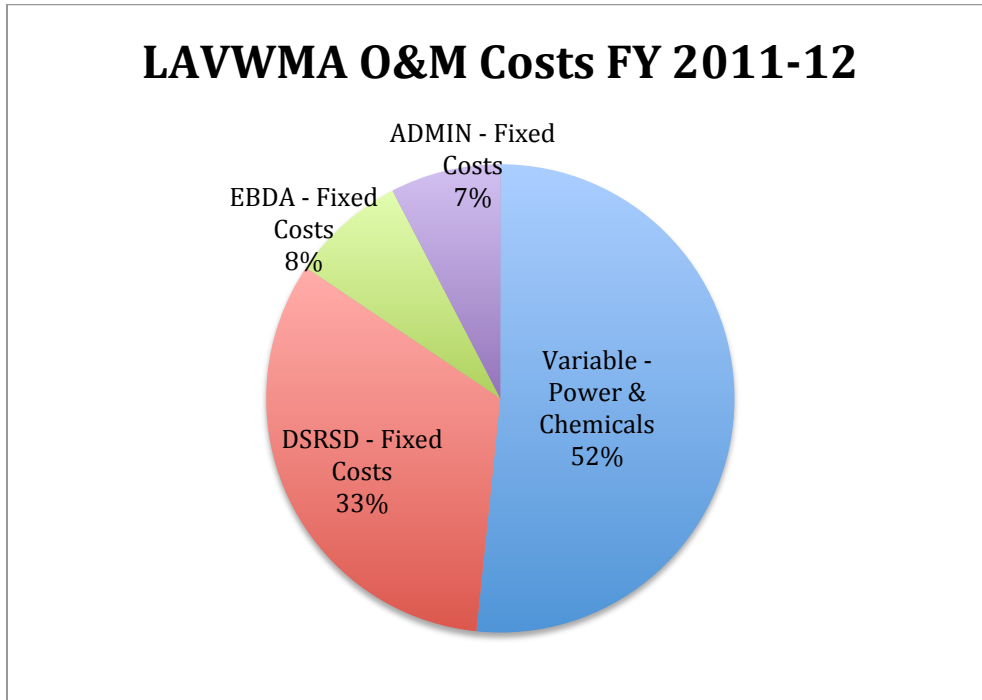
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2.2 Operating Budget Summaries

FY 2011-12 OPERATIONS BUDGET SUM					
		FY11	FY11	FY12	Change From
		Adopted Budget	Projected Actual	Proposed Budget	Adopted FY11
OPERATIONS AND MAINTENANCE					
VARIABLE COSTS					
	DSRSD Maintenance Agreement (Power)	\$1,000,000	\$1,100,000	\$1,000,000	0.0%
	EBDA O&M	\$260,000	\$280,000	\$300,000	15.4%
	Subtotal - Variable Costs	\$1,260,000	\$1,380,000	\$1,300,000	3.2%
FIXED COSTS					
DSRSD Maintenance Agreement					
	Labor/equip	\$690,000	\$660,000	\$685,000	-0.7%
	Materials/Supplies	\$50,000	\$30,000	\$50,000	0.0%
	Contractual	\$60,000	\$46,000	\$60,000	0.0%
	Monitoring/Testing	\$30,000	\$23,000	\$26,000	-13.3%
	Utilities (fixed)		\$5,000	\$5,000	0.0%
	Subtotal	\$830,000	\$764,000	\$826,000	-0.5%
	EBDA O&M	\$200,000	\$180,000	\$200,000	0.0%
ADMIN/MGMT					
	Mgr/Treas/Counsel/Board	\$135,000	\$117,000	\$71,000	-47.4%
	Services/Supplies/Misc	\$150,500	\$158,500	\$65,000	-56.8%
	Permits/Insurance	\$54,000	\$53,200	\$56,000	3.7%
	Subtotal	\$339,500	\$328,700	\$192,000	-43.4%
	Subtotal Fixed Costs	\$1,369,500	\$1,272,700	\$1,218,000	-11.1%
	TOTAL VARIABLE & FIXED COSTS	\$2,629,500	\$2,652,700	\$2,518,000	-4.2%
		FY11	FY11	FY12	Change From
		Adopted Budget	Projected Actual	Proposed Budget	Adopted FY11
CAPITAL PROGRAM FUNDING					
	Replacement Fund	\$0	\$0	\$300,000	restarted
	Repair Debt Service	\$2,812,631	\$2,812,164	\$2,832,932	0.7%
	Expansion Debt Service	\$6,816,369	\$6,815,236	\$6,865,568	0.7%
	EBDA Debt Service			\$412,000	
	SUBTOTAL	\$9,629,000	\$9,627,400	\$10,410,500	
	TOTAL REVENUE REQUIREMENTS	\$12,258,500	\$12,280,100	\$12,928,500	5.5%
	Excess bond funds/interest net required	\$6,958,000		\$1,800,000	
		\$5,300,500		\$11,128,500	110.0%

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The following pie chart depicts the allocation of operating costs:



2.2.1 Variable Costs – Power and Chemicals

Variable costs for power (DSRSD) and chemicals (EBDA) are directly tied to the amount of water LAVWMA discharges. They total over \$1.3 million and make up over 50% of LAVWMA’s total operating budget. Pumping costs for FY2011-12 are projected to remain flat and possibly be reduced due to increased use of recycled water within the valley. Chemical costs are anticipated to increase 10-15% due to the rise in the related energy costs required to produce the chemicals.

2.2.2 Fixed Costs - DSRSD Maintenance Agreement

Operation and maintenance of LAVWMA facilities for FY 2011-12 is estimated to require 5,240 fully burdened labor hours. This is the same level of support budgeted over the past few years. No significant increases in operating costs are anticipated in FY 2011-12.

2.2.3 Fixed Costs - EBDA Agreement

This item covers EBDA’s fixed operational and maintenance costs that are billed to LAVWMA. Costs are expected to remain about the same as the past year.

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2.2.4 Fixed Costs - Administration & Management

This grouping includes general administration, program management, legal and financial services, permits, insurance, etc. Expenditures for FY 2011-12 are anticipated to decrease significantly due to the completion of NPDES permit renewal effort (occurs every five years), the consolidation of all financial management and Treasurer activities under DSRSD (once the Project 2001 Bond funds are closed out), and a 50% reduction in the number of Board meetings needed to conduct LAVWMA business.

2.2.5 Capital Program Funding

This category includes projected FY 2011-12 debt service (repair and expansion) for Series A bonds and the EBDA capacity purchase. Although repair and expansion of the existing pipeline and the EBDA capacity purchase are capital costs, the associated debt service and funding program costs are tabulated in the operating budget to assist member agencies with their rate and fee calculations. The projected debt service includes payment of principal and interest. The annual \$600,000 deposit to LAVWMA's capital facilities renewal replacement accounts was deferred the past two years to aid member agencies in addressing the ongoing economic crisis. This year's budget recommends that deposit be resumed at a reduced level of \$300,000 and applied only to the Joint Use Replacement Fund. Dual Use facilities are minimal and have adequate replacement funds. Funding requirements for the renewal and replacement of Sole Use facilities are currently being discussed with the City of Livermore and will be included in next year's budget.

2.3 Changes from FY 2010-11 Budget

FY 2010-11 expenditures are projected to slightly exceed the authorized budget by \$25,000 (1%). If the budget is exceeded the O&M reserve funds that are utilized to cover the costs will be reimbursed during the annual reconciliation process. The operating budget for FY 2011-12 reflects a \$110,000 (4%) decrease from FY 2010-11 due to an anticipated reduction in LAVWMA's administrative costs.

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3.0 CAPITAL BUDGET

3.1 Description of Budget

The Capital budget includes all costs associated with replacement of existing capitalized facilities. The following table provides details on the anticipated balance of the Series A bond funds at the end of FY 2010-11. Prior to the end of June the remaining balance in the Project Bond fund will be transferred to the Debt Service fund to be applied against the August 2011 principle bond payment. Final reconciliation of the Series A bond fund expenditures will take place once the 2010-11 audit is completed.

Series A Bond Proceeds and Expenditures

SERIES A Bond Issue		
	Proceeds	\$131,000,000
	Interest During Construction	\$16,000,000
	Total	\$147,000,000
Expenditures to Date		
	Joint Export Facilities	\$140,100,000
	Livermore Pump Station Project	\$4,800,000
	Bond Principal Payment Aug 2010	\$3,275,000
	Total	\$144,900,000
Current Bond Fund Balance		\$2,100,000
Remaining FY 2010-11 Expenditures		
	Joint Export Facilities	\$385,000
	ACWD Payment	\$215,000
	Total	\$600,000
Remaining Funds		\$1,500,000

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3.2 Discussion of Capital Expenditures During FY 2011-12

The following table summarizes \$1.3 million of anticipated FY 2011-12 capital expenditures on the renewal and replacement of LAVWMA and EBDA facilities.

FY 2011-12 Capital Expenditures			
Renewal/Replacement Program			
	Wet Weather Discharge Pipe to Alamo Canal (Design and ROW)		\$500,000
	LAVWMA Renewal/Replacements		\$250,000
	EBDA Renewal/Replacements		\$150,000
	Bolt Corrosion Project		\$300,000
	Planning/Mgmt/Contingency		\$100,000
Total Expenditures			
			\$1,300,000

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4.0 FY 2011-12 Member Agency Cost Sharing & Schedule

	Total	Livermore	DSRSD - Pleasanton Regional Agreement
		32.000%	68.00%
Variable O&M	\$1,300,000	\$416,000	\$884,000
		30.10%	69.90%
Fixed O&M	\$1,218,000	\$366,618	\$851,382
Total O&M	\$2,518,000	\$782,618	\$1,735,382
		30.10%	69.90%
Replacement Fund	\$300,000	\$90,300	\$209,700
		39.95%	60.05%
Repair Debt	\$2,832,932	\$1,131,756	\$1,701,176
		22.87%	77.13%
Expansion Debt	\$6,865,568	\$1,570,155	\$5,295,413
EBDA Debt	\$412,000	\$94,224	\$317,776
Total Capital Costs	\$10,410,500	\$2,886,436	\$7,524,064
Total Rev Required	\$12,928,500	\$3,669,054	\$9,259,446
		28%	72%
Bond Fund Allocation			
Apply Bond interest to debt service and Bond funds to principle payment	\$1,500,000	\$417,886	\$1,082,114
Net Debt Service Payments	\$8,198,500	\$2,284,026	\$5,914,474
Net Cash Advances for FY2010/11	\$11,428,500	\$3,251,168	\$8,177,332
Quarterly O&M Advance	\$629,500	\$195,655	\$433,846
Quarterly Replacement Fund Advance	\$75,000	\$22,575	\$52,425
EBDA Debt Advance (July)	\$412,000	\$94,224	\$317,776
July 1 Bond Debt Service Advance	\$5,202,127	\$1,449,264	\$3,752,863
Jan 1 Bond Debt Service Advance	\$2,996,373	\$834,762	\$2,161,611
Total Jul 1 Advance	\$6,318,627	\$1,761,718	\$4,556,909
Total Oct 1 Advance	\$704,500	\$218,230	\$486,271
Total Jan 1 Advance	\$3,700,873	\$1,052,991	\$2,647,882
Total Mar 1 Advance	\$704,500	\$218,230	\$486,271