

May 20, 2020

Attention: Administrative and Finance Committee

Controller's Report on Monthly Financial Activity. (Information)

Purpose

The purpose of the Controller's Report is to provide summarized financial information on a monthly basis to the Board of Directors.

Financial Information

Attached for review by the Administrative and Finance Committee and the Board of Directors are the following financial documents comprising the Controller's Report:

1. Water Sales Volumes, in acre-feet
2. Water Sales Revenues, in millions
3. Water Purchases and Treatment Costs, in millions
4. Budget Status Report
5. Schedule of Cash and Investments

A summary of the Fiscal Year 2020 Budget Status Report (in millions) for the nine-month period of July 1, 2019 through March 31, 2020 are as follows:

	FY 2020 Adopted Budget	For the 9 months ended March 31, 2020			
		9 Months Budget	9 Months Actual	\$ Variance Positive/ (Negative)	% Budget Above/ (Below)
Water Sales	\$ 632.6	\$ 465.4	\$ 423.0	\$ (42.4)	-9%
Water Purchases & Treatment	518.5	375.9	339.8	36.1	-10%
Net Water Sales Revenues	114.1	89.5	83.2	(6.3)	-7%
Revenues & Other Income	120.9	79.6	77.8	(1.8)	-2%
Total Revenues	235.0	169.1	161.0	(8.1)	-5%
Total Expenses	229.5	138.1	117.2	20.9	-15%
Net Revenues Before CIP	5.5	31.0	43.8	12.8	41%
CIP Expenses	81.4	64.6	41.1	23.5	-36%
Net Fund Withdraws	\$ (75.9)	\$ (33.6)	\$ 2.7	\$ 36.3	-108%

Summary

The Water Authority was nine months into the twelve-month budget and had a favorable variance of \$36.3 million for the period ending March 31, 2020. Water Sales had a negative variance of \$42.4 million because actual revenues were less than budget, or -9% below budget. Water Purchases & Treatment costs had a positive variance of \$36.1 million because actual expenses were less than budget, or -10% below budget. The nine-month budget provided for a withdrawal from fund balance of -\$33.6 million, however, a withdrawal was not needed at this time since actual net revenues after CIP was \$2.7 million for the nine-month period. The savings of \$36.3 million was due to overall expenses less than budget by \$44.4 million, and partially offset by overall revenues less than budget by \$8.1 million. Additional details on these variances follow.

The Budget Status Report (Attachment 4) compares actual revenues and expenses, on a budgetary basis, to the period-to-date adopted budget. Period-to-date budgeted amounts for the nine-month period are presented on a straight-line basis unless adjusted for the timing of periodic items, as noted on Attachment 4 footnote (n). Water sales and water purchases are budgeted based on projected monthly volume in acre-feet.

Net Water Sales Revenue

Net Water Sales Revenue is the Water Authority's principal source of revenue and is the difference between the sale of water and the cost of that water. Sales include revenues from variable commodity charges for supply, treatment and transportation, as well as from fixed charges for customer service, storage, infrastructure access charge, and supply reliability. Cost of water includes payments to the following water suppliers: Metropolitan Water District (MWD), Imperial Irrigation District (IID), and Poseidon Resources (Channelside) LP.

Net Water Sales Revenue for the nine-month period ended March 31, 2020 was \$83.2 million, or 7 percent lower than the budgeted amount of \$89.5 million. Actual Water Purchase and Treatment Costs were lower than budgeted by 10 percent due to lower than projected water sales of 9 percent. Detailed information relating to Net Water Sales Revenue is described below and shown on Attachments 1, 2, and 3.

Total acre-feet (AF) of water sold was budgeted at 300,877 AF. Actual water sales volume was 266,012 AF or 12 percent less than budgeted due to lower demand (Attachment 1). Total Water Sales Revenue was \$423.0 million or 9 percent lower than the budget of \$465.4 million (Attachment 2).

Total Water Purchases and Treatment costs were budgeted at \$375.9 million. Actual costs were \$339.8 million or 10 percent lower than budgeted (Attachment 3). This cost category included \$85.8 million for 127,499 AF of water purchased from IID, \$91.5 million for MWD's conveyance charges related to IID, Coachella Canal and All-American Canal water, and \$92.2 million of water purchased from Poseidon Resources (Channelside) LP.

Revenues and Other Income

As shown in Attachment 4, total Revenues and Other Income were budgeted at \$79.6 million for the nine-month period ended March 31, 2020. Actual revenues were \$77.8 million or 2 percent lower than budget.

Actual revenues materially lower than the period-to-date budget include the following:

- Grant Reimbursements: \$2.3 million grant funding was received in March from DWR Prop 50 for the Desal Relining Project; however, total actual revenues continue to be lower than the period-to-date budget by \$4.8 million due to the timing of reimbursement requests related to the Integrated Regional Water Management Program
- Hydroelectric Revenue: \$0.4 million less than budgeted due to lower than anticipated deliveries

Actual revenues materially higher than the period-to-date budget include the following:

- Capacity Charges: \$2.7 million higher than anticipated due an increase in the number of permits issued
- Investment Income: \$0.9 million higher than budgeted due to higher yield on investments

Expenses

As shown in Attachment 4, total Expenses were budgeted at \$138.1 million for the nine-month period ended March 31, 2020. Actual expenses were \$117.2 million or 15 percent lower than budget. Actual expenses materially lower than the period-to-date budget include the following:

- Grant Expenses: \$10.9 million lower than budget due to the timing of reimbursement requests received from the local project sponsors
- Operating Departments: \$5.0 million lower than budget due to the timing of payments
- Debt Service: \$4.2 million lower than budget due to commercial paper program savings
- Equipment Replacement: \$0.8 million lower than budget due to the timing of purchases

CIP Expenses

Attachment 4 shows CIP Expenses were budgeted at \$64.6 million through March but actual expenses were \$41.1 million or 36 percent lower than the period-to-date budget. The variance was primarily attributed to the timing of expenses.

Cash and Investments

As of March 31, 2020, the Water Authority's cash and investments balance was \$329.2 million, approximately 80 percent unrestricted funds with the remaining 20 percent of funds restricted for specific purposes (Attachment 5). The Water Authority Treasurer pools the cash of the Pay-As-You-Go Fund with total unrestricted funds to maximize investment returns.

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Approved by: Christopher Woidzik, CPA, Controller

Attachments:

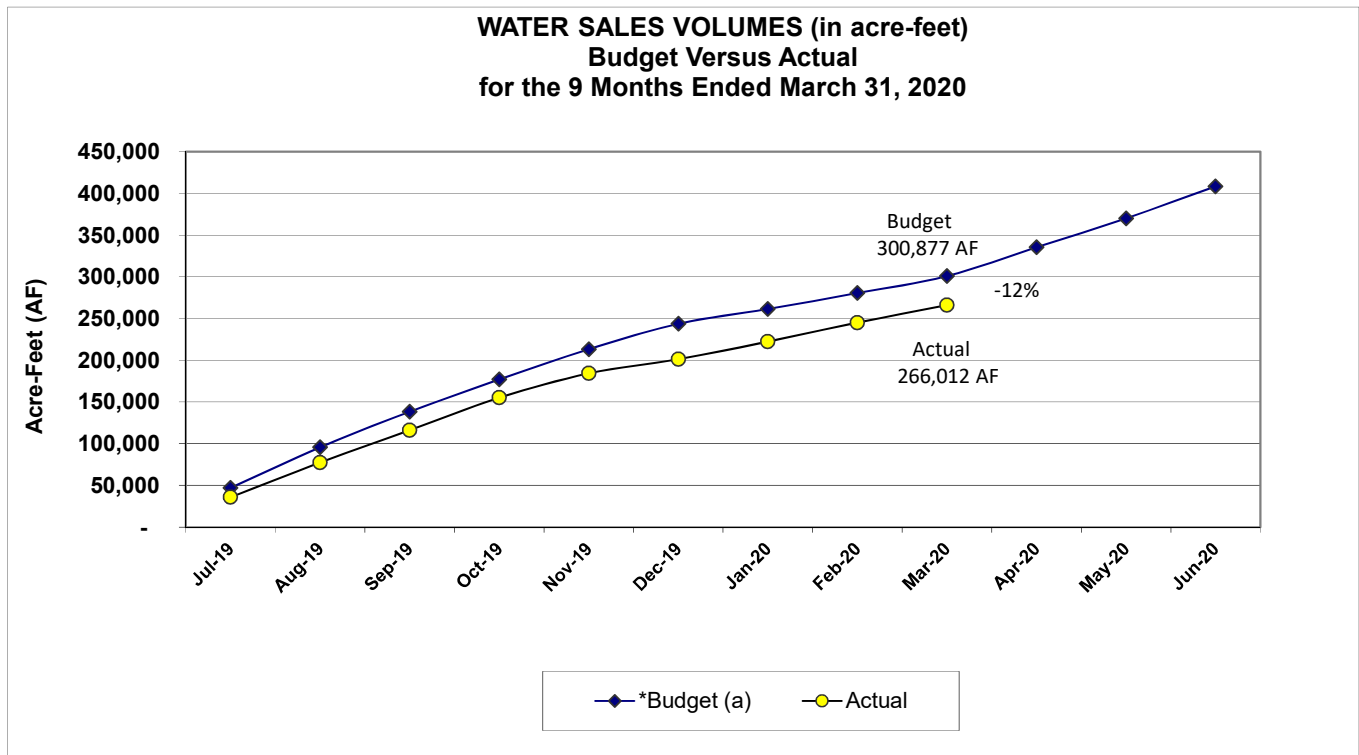
Attachment 1 – Water Sales Volumes

Attachment 2 – Water Sales Revenues

Attachment 3 – Water Purchases and Treatment Costs

Attachment 4 – Budget Status Report

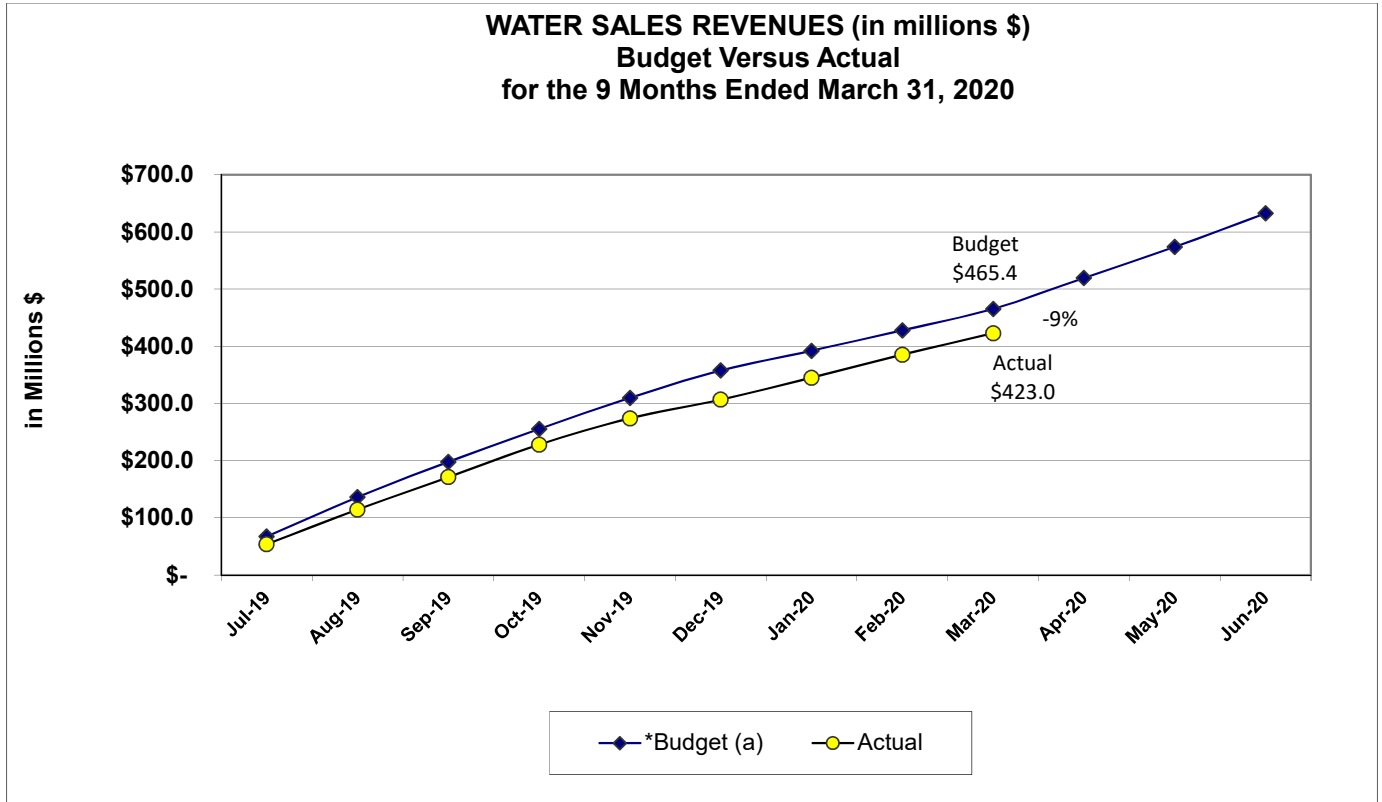
Attachment 5 – Schedule of Cash and Investments



*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2020 and 2021.

Fiscal Year 2020 Cumulative Water Sales (AF)

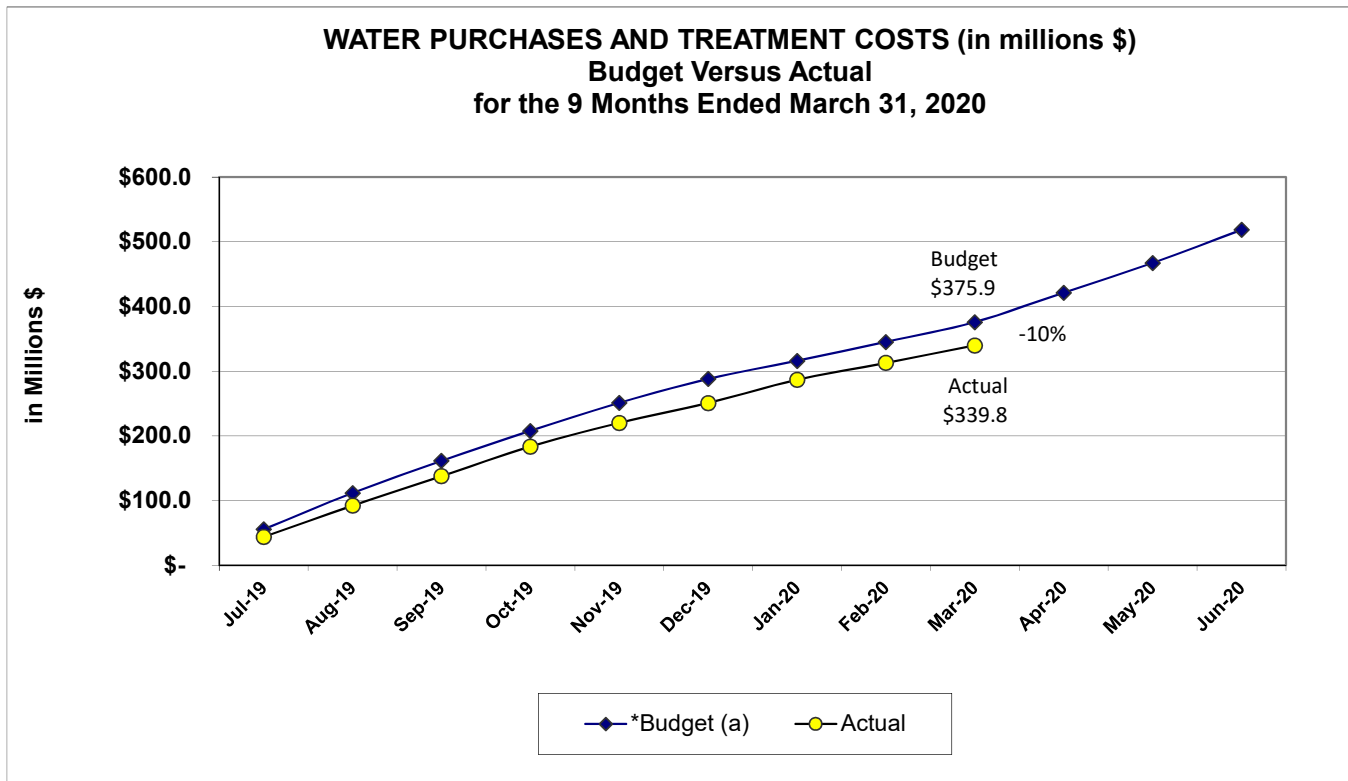
Months	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
*Budget (a)	47,103	95,717	138,285	177,013	213,249	243,725	261,414	280,533	300,877	335,479	370,081	408,524
Actual	35,833	77,374	116,148	155,148	184,280	201,341	222,340	245,178	266,012	-	-	-
AF Difference (b)	(11,270)	(18,343)	(22,137)	(21,865)	(28,969)	(42,384)	(39,074)	(35,355)	(34,865)			
Cum. Actual AF												
% Difference (b/a)	-24%	-19%	-16%	-12%	-14%	-17%	-15%	-13%	-12%			



*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2020 and 2021.

Fiscal Year 2020 Cumulative Water Sales (in millions \$)

Months	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
*Budget (a)	\$ 67.4	\$ 136.3	\$ 198.0	\$ 255.5	\$ 310.0	\$ 357.7	\$ 392.1	\$ 428.0	\$ 465.4	\$ 519.5	\$ 573.7	\$ 632.6
Actual	54.2	114.5	171.3	228.2	274.1	306.7	345.2	385.5	423.0	-	-	-
Difference (b)	\$ (13.2)	\$ (21.8)	\$ (26.7)	\$ (27.3)	\$ (35.9)	\$ (51.0)	\$ (46.9)	\$ (42.5)	\$ (42.4)			
Cum. Actual												
% Difference (b/a)	-20%	-16%	-13%	-11%	-12%	-14%	-12%	-10%	-9%			



*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2020 and 2021.

Fiscal Year 2020 Cumulative Cost of Water Purchases and Treatment (in millions \$)

Months	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
*Budget (a)	\$ 55.4	\$ 111.6	\$ 161.3	\$ 207.7	\$ 250.9	\$ 288.0	\$ 316.0	\$ 345.3	\$ 375.9	\$ 421.4	\$ 467.2	\$ 518.5
Actual	43.6	92.0	137.5	183.4	220.0	250.8	286.6	312.7	339.8	-	-	-
Difference (b)	\$ (11.8)	\$ (19.6)	\$ (23.8)	\$ (24.3)	\$ (30.9)	\$ (37.2)	\$ (29.4)	\$ (32.6)	\$ (36.1)			
Cum. Actual												
% Difference (b/a)	-21%	-18%	-15%	-12%	-12%	-13%	-9%	-9%	-10%			

San Diego County Water Authority
Fiscal Year 2020 Budget Status Report
For the 9 Months Ended March 31, 2020
Unaudited

[A]	[B]	[C]	Revenues = [-B + C] Expenses = [B - C]	[C / A]	
FY 2020 (9 months - 75%)					
FY 2020 Adopted Budget	9 Months Period-to-Date Adopted Budget (a)	9 Months Period-to-Date Actual	Variance Positive (Negative)	Actual to FY 2020 Adopted Budget	
Net Water Sales Revenue					
Water Sales	\$ 632,571,819	\$ 465,360,953 (b)	\$ 423,049,309	\$ (42,311,644)	67%
Water Purchases & Treatment	518,502,779	375,895,915 (b)	339,819,939	36,075,976	66%
Total Net Water Sales Revenue	114,069,040	89,465,038	83,229,370	(6,235,668)	73%
Revenues and Other Income					
Infrastructure Access Charges	36,829,000	26,784,240	26,784,240	-	73%
Property Taxes and In-Lieu Charges	14,012,000 (c)	8,827,601 (n)	9,298,577	470,976	66%
Investment Income	5,967,000 (d)	4,415,724 (n)	5,280,915	865,191	89%
Hydroelectric Revenue	3,675,000 (e)	2,756,250	2,326,786	(429,464)	63%
Grant Reimbursements	19,185,000	11,511,080 (n)	6,736,654	(4,774,426)	35%
Build America Bonds Subsidy	10,565,000	7,923,815	7,965,757 (l)	41,942	75%
Other Income	2,264,000	2,198,000 (n)	2,109,519	(88,481)	93%
Capital Contributions:					
Capacity Charges	16,463,000 (f)	7,902,065 (n)	10,605,789	2,703,724	64%
Water Standby Availability Charges	11,110,000 (g)	6,888,188 (n)	6,602,370	(285,818)	59%
Contributions in Aid of Capital Improvement Program (CIP)	800,000 (h)	400,000 (n)	125,500	(274,500)	16%
Total Revenues and Other Income	120,870,000	79,606,963	77,836,107	(1,770,856)	64%
Total Revenues	234,939,040	169,072,001	161,065,477	(8,006,524)	69%
Expenses					
Debt Service	147,712,000 (i)	78,025,113 (n)	73,778,157	4,246,956	50%
QSA Mitigation	2,810,053 (j)	2,810,053 (n)	2,810,053	-	100%
Equipment Replacement	3,174,000	1,714,083 (n)	867,892	846,191	27%
Grant Expenses	18,392,000	12,506,292 (n)	1,588,063	10,918,229	9%
Other Expenses	2,244,000	1,683,000	1,825,447	(142,447)	81%
Operating Departments (see below)	55,160,378 (k)	41,370,285	36,343,614	5,026,671	66%
Total Expenses	229,492,431	138,108,826	117,213,226	20,895,600	51%
Net Revenues Before CIP	\$ 5,446,609	\$ 30,963,175	\$ 43,852,251	\$ 12,889,076	805%
CIP Expenses*	\$ 81,409,000	\$ 64,640,086 (n)	\$ 41,120,629	\$ 23,519,457	51%
Net Fund Withdraws	\$ (75,962,391) (m)	\$ (33,676,911)	\$ 2,731,622	\$ 36,408,533	

*(CIP Expenses are all funded by Pay-As-You-Go Fund)

Operating Departments Detail					
Administrative Services	\$ 6,507,936	\$ 4,880,952	\$ 4,740,832	\$ 140,120	73%
Colorado River Program	1,686,006	1,264,505	1,044,158	220,347	62%
Engineering	3,891,805	2,918,854	2,920,748	(1,894)	75%
Finance	2,592,286	1,944,215	1,901,544	42,671	73%
General Counsel	4,018,182	3,013,637	1,709,680	1,303,957	43%
General Manager & Board of Directors	4,713,419	3,535,064	3,213,446	321,618	68%
MWD Program	1,982,105	1,486,579	1,274,236	212,343	64%
Operations & Maintenance	20,921,383	15,691,037	13,755,211	1,935,826	66%
Public Outreach and Conservation	4,421,856	3,316,392	2,771,077	545,315	63%
Water Resources	4,425,400	3,319,050	3,012,682	306,368	68%
Actuarial amounts related to Pensions/OPEB	-	-	-	-	---
Total Operating Departments	\$ 55,160,378	\$ 41,370,285	\$ 36,343,614	\$ 5,026,671	66%

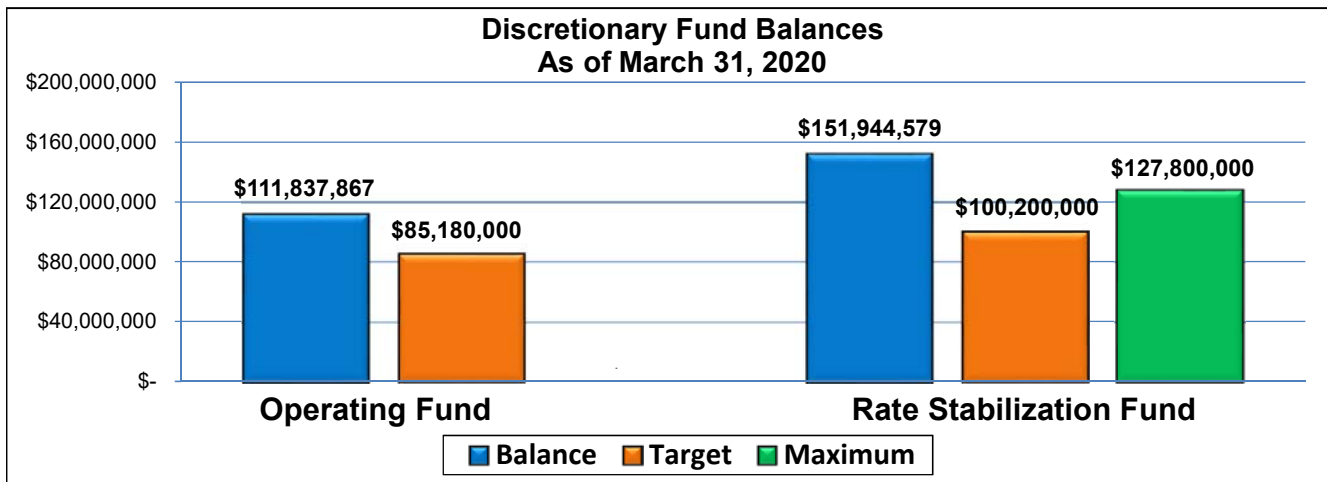
**San Diego County Water Authority
Fiscal Year 2020 Budget Status Report
For the 9 Months Ended March 31, 2020**

Notes to the Budget Status Report:

- a) Period-to-date budgeted amounts are 9/12ths (75%) of Fiscal Year 2020 adopted budget unless noted.
- b) Water sales and water purchases period-to-date budgeted amounts are based on projected acre-feet calculated per month.
- c) Property taxes are primarily received in December and April. In-lieu charges in the amount of \$625,709 for Fiscal Year 2020 are received quarterly from the City of San Diego.
- d) Investment income excludes unrealized gains/losses, which are non-cash transactions.
- e) Hydroelectric revenue budget amount includes Rancho Penasquitos Hydro-generation and Pressure Control Facility (Rancho Hydro) and Lake Hodges Pumped Storage Facility (Hodges Hydro).
- f) Capacity charges are primarily received in July, October, January and April, after the quarterly period ends, and accrued revenue are recorded for the quarter ending June.
- g) Water standby availability charges are primarily received in January and May.
- h) Contributions in aid of capital improvement program include planned reimbursements for miscellaneous projects.
- i) Bonds and Certificates of Participation debt service payments are due semi-annually on November 1 and May 1. Pipeline Bonds, Series 2019 debt service payments are due semi-annually on July 1 and January 1. Debt Service includes principal, interest expense, and debt service fees. Amortization expense relating to long-term debt, such as discounts, premiums, and deferred gain/loss on refunding are excluded because they are non-cash transactions. Short-term debt for Commercial Paper are paid monthly.
- j) QSA Mitigation includes: 1) Fiscal Year 2020 contributions of \$1,750,000 due July 1 and \$1,060,053 due December 31; and 2) Fiscal Year 2021 contributions of \$850,000 due July 1 and \$1,050,836 due December 31.
- k) Amounts include capital equipment purchases included in the project budget.
- l) The semi-annual subsidy payments from the United States Treasury equal to 35 percent of the interest payable on the Series 2010B Bonds were reduced under Congressionally-mandated sequestration.
- m) Represents withdraws from fund balances.
- n) Period-to-date budgeted amounts adjusted based on items occurring on a periodic basis.

**San Diego County Water Authority
Schedule of Cash and Investments
As of March 31, and February 29, 2020
Unaudited**

	<u>March</u>		<u>February</u>	<u>Target</u>
Operating Fund	\$ 111,837,867		\$ 108,023,304	\$ 85,180,000
Equipment Replacement Fund	103,999		87,845	
Rate Stabilization Fund	151,944,579		151,656,761	\$ 100,200,000
Total Unrestricted Funds ⁽¹⁾	80% 263,886,445	80%	259,767,910	
Pay-As-You-Go Fund ⁽¹⁾	43,331,444		44,874,531	
Debt Service Reserve Funds	21,959,150		21,959,150	
Total Restricted Funds	20% 65,290,594	20%	66,833,681	
Total Cash and Investments	\$ 329,177,039		\$ 326,601,591	



Note:

⁽¹⁾ Total Unrestricted Funds and the Pay-As-You-Go Fund represent the Pooled Funds in the Treasurer's Report.

Reserve Fund Categories

Operating Fund: The Water Authority's working capital and emergency operating reserve. The Operating Fund's policy requires 45 days of average annual operating expenses to be kept in reserves as assessed on an annual basis.

Stored Water Fund (SWF): This fund provides working capital to purchase water inventory necessary to fully utilize the Water Authority's storage facilities. A 70,000 acre-feet target was established for Carryover Storage inventory along with a maximum of 100,000 acre-feet, which is the storage capacity. The SWF is to only hold a cash position if the cost to replace the target amount is below the current value of water inventory in the fund.

Equipment Replacement Fund (ERF): The ERF is funded by transfers from the Operating Fund for capital equipment purchases such as computers, vehicles, and SCADA systems and is used to replace equipment which has reached the end of its effective useful life.

Rate Stabilization Fund (RSF): The RSF holds the water revenues greater than expenditures in years of strong water sales. Funds can then be used to mitigate "rate shock" in years of weak water sales and/or to manage debt service coverage. The RSF target balance is equal to the financial impact of 2.5 years of wet weather or mandatory restrictions and the maximum fund balance is equal to the financial impact of 3.5 years of wet weather or mandatory restrictions. The current balance in this fund represents approximately 152% of the targeted value of \$100.2 million and 119% of the maximum balance of \$127.8 million.

Pay-As-You-Go Fund (PAYGO): The PAYGO fund collects Capacity Charges and Water Standby Availability Charges to be used to pay for the cash portion of the CIP. The funds are dedicated for construction outlays as well as debt service.

Debt Service Reserve Fund: This fund contains the required legal reserve for Water Authority debt issues. Such reserves are held for the purpose of making an issue's annual debt service payments in the event the Water Authority should be unable to make such payments. The funds are held by trustees and interest earned is transferred into the Operating Fund and is not restricted.