

November 10, 2021

**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. YOY Water Sales Comparison FY22 and FY21
3. Water Sales Revenues, in millions
4. Water Purchases and Treatment Costs, in millions
5. Budget Status Report
6. Schedule of Cash and Investments

A summary of the Fiscal Year 2022 Budget Status Report (in millions) for the three-month period of July 1, 2021, through September 30, 2021 are as follows:

	FY 2022 Adopted Budget	For the 3 months ended September 30, 2021			
		3 Months Budget	3 Months Actual	\$ Variance Positive/ (Negative)	% Budget Above/ (Below)
Water Sales	\$ 646.7	\$ 197.3	\$ 196.0	\$ (1.3)	-1%
Water Purchases & Treatment	538.1	164.8	156.9	7.9	-5%
<b>Net Water Sales Revenue</b>	<b>108.6</b>	<b>32.5</b>	<b>39.1</b>	<b>6.6</b>	<b>20%</b>
Revenues & Other Income	127.5	20.5	54.1 *	33.6	164%
<b>Total Revenues</b>	<b>236.1</b>	<b>53.0</b>	<b>93.2</b>	<b>40.2</b>	<b>76%</b>
<b>Total Expenses</b>	<b>203.3</b>	<b>40.7</b>	<b>33.5</b>	<b>7.2</b>	<b>-18%</b>
Net Revenues Before CIP	32.8	12.3	59.7	47.4	385%
<b>CIP Expenses</b>	<b>65.2</b>	<b>15.8</b>	<b>8.3</b>	<b>7.5</b>	<b>-47%</b>
<b>Net Fund Withdraws</b>	<b>\$ (32.4)</b>	<b>\$ (3.5)</b>	<b>\$ 51.4</b>	<b>\$ 54.9</b>	<b>-1569%</b>

\* Other Income includes the \$35.9 million MWD settlement monies.

**Summary**

The Water Authority is three months into the twelve-month budget and is showing actual net revenues after CIP of \$51.4 million which is in excess of the period-to-date budget that planned for a \$3.5 million withdrawal from fund balance. Therefore, the Water Authority is showing a favorable variance to budget of \$54.9 million because total revenues were higher than budget by \$40.2 million and total expenses, including CIP, were lower than budget by \$14.7 million. Water sales revenues were below budget by 1 percent and water purchases and treatment costs were below budget by 5 percent, as can be seen in the summary table. Actual other revenues were

\$54.1 million, which included the \$35.9 million judgment payment received from MWD that the Board has directed to be rebated to its Member Agencies. Additional details on these variances follow.

### **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 three-month period ended September 30, 2021 was \$39.1 million, or 6.6 million higher than the budgeted amount of \$32.5 million. Actual Water Purchase and Treatment Costs were lower than budgeted by 5 percent due to lower than projected water sales of 1 percent. Detailed information relating to Net Water Sales Revenue is described below and shown on Attachments 1, 2, 3, and 4.

Total acre-feet (AF) of water sold was budgeted at 132,341 AF for the three-month period ended September 30, 2021. Actual water sales volumes were 132,113 AF or 228 AF less than budgeted (Attachment 1). The fiscal year 2022 actual water sales volumes through September 2021 were 132,113 AF, or 14.9 percent higher compared to the prior fiscal year's actual water sales volumes of 115,016 AF through September 2020 (Attachment 2). Total Water Sales Revenues were \$196.0 million or 1 percent lower than the budget of \$197.3 million (Attachment 3).

Total Water Purchases and Treatment costs were budgeted at \$164.8 million. Actual costs were \$156.9 million or 5 percent lower than budgeted (Attachment 4). This cost category included \$34.4 million for 50,001 AF of water purchased from IID, \$37.7 million for MWD's conveyance charges related to IID, Coachella Canal and All-American Canal water, and \$42.3 million of water purchased from Poseidon Resources (Channelside) LP.

### **Revenues and Other Income**

As shown in Attachment 5, total Revenues and Other Income were budgeted at \$20.5 million for the three-month period ended September 30, 2021. Actual revenues were \$54.1 million or \$33.6 million higher than budget. The variance was attributable to the judgment payment of \$35.9 million received from MWD, offset by a variance in grant reimbursements from the Integrated Regional Water Management Program (IRWM) Proposition 1 Round 1 grant agreement execution delays that stalled construction activities on some projects. In addition, Local Project Sponsors (LPS) must fulfill their local match commitments first, which increased from 25% on previous grant programs to 50% before invoicing for grant reimbursements. Work is now underway, and so we anticipate the LPS' submitting costs for grant reimbursement starting in November 2021.

### **Expenses**

As shown in Attachment 5, total Expenses were budgeted at \$40.7 million for the three-month period ended September 30, 2021. Actual expenses were \$33.5 million or \$7.2 million lower

than budget. Actual expenses materially lower than the period-to-date budget include Grant Expenses which are lower by a similar amount as grant revenues for the reasons noted above. However, these are just delays in projects and it is still planned for the full amount of grant revenues and expenses to be incurred in FY22. Additionally, Water Authority grant funded project expenses are recorded as they are incurred whereas expenses from the external LPS' are not recorded until they are submitted and have met all reimbursement requirements. The difference between the grant revenues and expenses is due to timing and the revenues will increase once invoices are sent to DWR. The Operating Departments category is below budget due to the timing of payments related to budgeted expenses.

### **CIP Expenses**

Attachment 5 shows CIP Expenses were budgeted at \$15.8 million for the three-month period ended September 30, 2021, but actual expenses amounted to \$8.3 million or \$7.5 million lower than budget. The variance is primarily attributed to the timing of expenses because contractor services performed will be invoiced to the Water Authority in the months following the period of performance, reviewed for appropriateness, and paid in subsequent months. For this reason, capital improvement program expenses will always trail the budget because the budget is tied to the completion of the work, which does not always coincide with the timing of payment. The two main projects in construction (Mission Trails FRS II FCF and Hauck Mesa Storage Reservoir) are on schedule.

### **Cash and Investments**

As of September 30, 2021, the Water Authority's cash and investments balance was \$318.7 million, approximately 93 percent unrestricted funds with the remaining 7 percent of funds restricted for specific purposes (Attachment 6). The balance includes the \$35.9 million judgment payment received from MWD in September 2021. 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 – YOY Water Sales Comparison FY22 and FY21

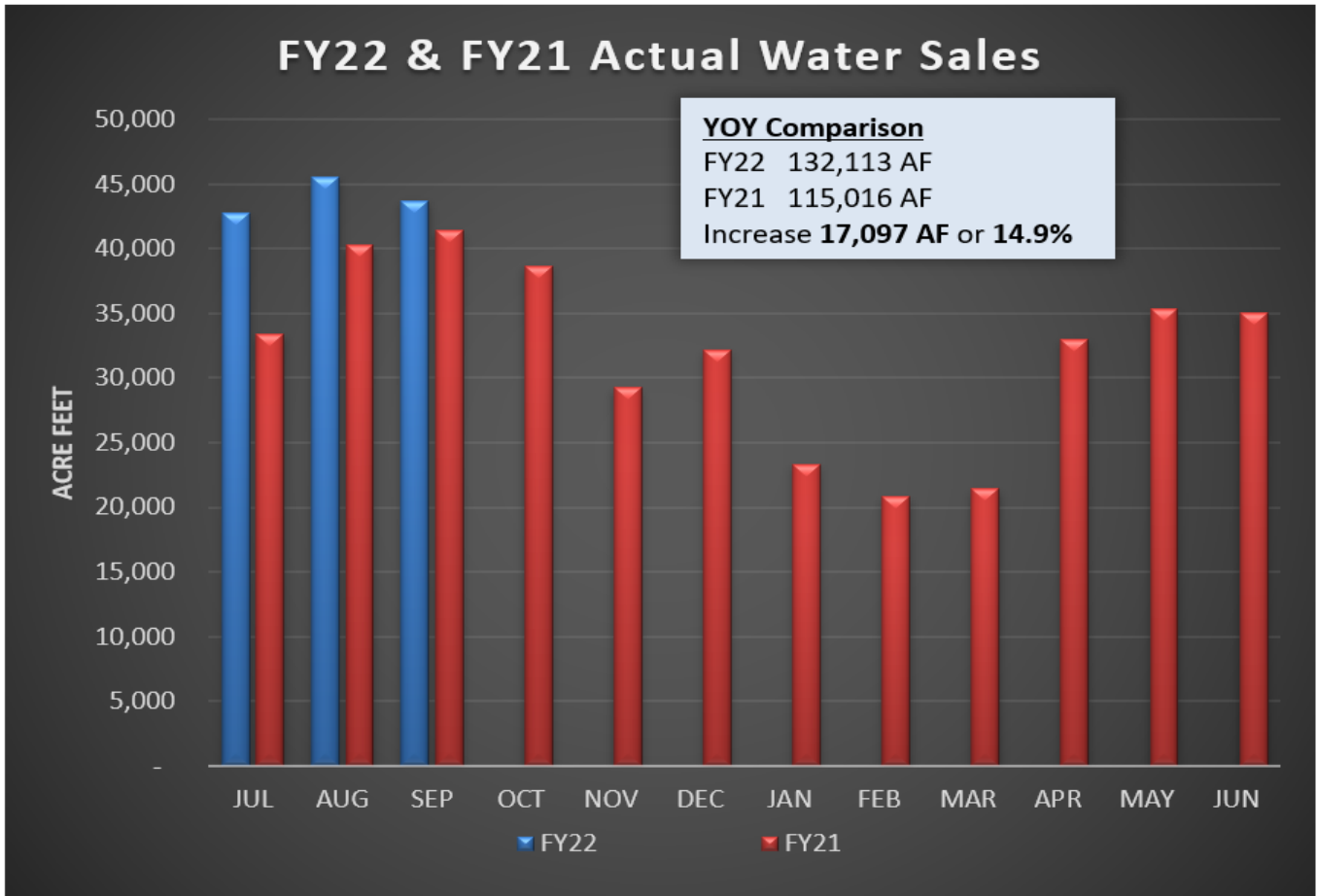
Attachment 3 – Water Sales Revenues

Attachment 4 – Water Purchases and Treatment Costs

Attachment 5 – Budget Status Report

Attachment 6 – Schedule of Cash and Investments









**San Diego County Water Authority  
Fiscal Year 2022 Budget Status Report  
For the 3 Months Ended September 30, 2021  
Unaudited**

[A]	[B]	[C]	Revenues = [-B + C] Expenses = [B - C]	[C / A]	
FY 2022 Adopted Budget	3 Months Period-to-Date Adopted Budget (a)	3 Months Period-to-Date Actual	Variance Positive (Negative)	Actual to FY 2022 Adopted Budget	
<b>FY 2022 (3 months - 25%)</b>					
<b>Net Water Sales Revenue</b>					
Water Sales	\$ 646,676,065	\$ 197,300,534 (b)	\$ 196,002,249	\$ (1,298,285)	30%
Water Purchases & Treatment	538,089,829	164,814,517 (b)	156,883,530	7,930,987	29%
<b>Total Net Water Sales Revenue</b>	<b>108,586,236</b>	<b>32,486,017</b>	<b>39,118,719</b>	<b>6,632,702</b>	<b>36%</b>
<b>Revenues and Other Income</b>					
Infrastructure Access Charges	47,155,000	11,788,753	11,803,329	14,576	25%
Property Taxes and In-Lieu Charges	16,100,000 (c)	966,000 (n)	910,135	(55,865)	6%
Investment Income	2,953,138 (d)	738,283 (n)	1,472,149	733,866	50%
Hydroelectric Revenue	2,886,000 (e)	721,500	875,411	153,911	30%
Grant Reimbursements	16,657,737	2,998,393 (n)	74,340	(2,924,053)	0%
Build America Bonds Subsidy	10,658,690	2,664,674	2,664,672 (l)	(2)	25%
Other Income	2,116,025	529,005 (n)	36,176,406 (o)	35,647,401	1710%
Capital Contributions:					
Capacity Charges	16,929,903 (f)	- (n)	63,176	63,176	0%
Water Standby Availability Charges	11,200,000 (g)	57,457 (n)	64,688	7,231	1%
Contributions in Aid of Capital Improvement Program (CIP)	802,246 (h)	- (n)	-	-	0%
<b>Total Revenues and Other Income</b>	<b>127,458,739</b>	<b>20,464,065</b>	<b>54,104,306</b>	<b>33,640,241</b>	<b>42%</b>
<b>Total Revenues</b>	<b>236,044,975</b>	<b>52,950,082</b>	<b>93,223,025</b>	<b>40,272,943</b>	<b>39%</b>
<b>Expenses</b>					
Debt Service	118,887,858 (i)	22,036,135 (n)	21,461,257	574,878	18%
QSA Mitigation	3,995,407 (j)	- (n)	-	-	0%
Equipment Replacement	3,092,616	247,410 (n)	250,934	(3,524)	8%
Grant Expenses	16,897,231	3,041,502 (n)	443,123	2,598,379	3%
Other Expenses	2,011,025	502,756	128,708	374,048	6%
Operating Departments (see below)	58,369,680 (k)	14,886,688	11,194,400	3,692,288	19%
<b>Total Expenses</b>	<b>203,253,817</b>	<b>40,714,491</b>	<b>33,478,422</b>	<b>7,236,069</b>	<b>16%</b>
<b>Net Revenues Before CIP</b>	<b>\$ 32,791,158</b>	<b>\$ 12,235,591</b>	<b>\$ 59,744,603</b>	<b>\$ 47,509,012</b>	<b>182%</b>
<b>CIP Expenses*</b>	<b>\$ 65,227,044</b>	<b>\$ 15,806,630 (n)</b>	<b>\$ 8,289,373</b>	<b>\$ 7,517,257</b>	<b>13%</b>
<b>Net Fund Withdraws</b>	<b>\$ (32,435,886) (m)</b>	<b>\$ (3,571,039)</b>	<b>\$ 51,455,230</b>	<b>\$ 55,026,269</b>	<b>-159%</b>

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

<b>Operating Departments Detail</b>					
Administrative Services	\$ 7,149,365	\$ 2,638,966	\$ 1,858,088	\$ 780,878	26%
Colorado River Program	2,263,646	755,415	432,742	322,673	19%
Engineering	4,041,202	968,607	918,569	50,038	23%
Finance	3,068,767	692,510	616,128	76,382	20%
General Counsel	3,717,612	164,541	305,000	(140,459)	8%
General Manager & Board of Directors	2,548,266	730,039	557,106	172,933	22%
Government Relations	1,276,504	345,400	216,943	128,457	17%
Human Resources	1,502,480	377,133	282,009	95,124	19%
MWD Program	2,024,277	506,275	326,447	179,828	16%
Operations & Maintenance	22,370,500	5,701,080	4,064,645	1,636,435	18%
Public Affairs	2,846,281	672,957	549,870	123,087	19%
Water Resources	5,560,780	1,333,765	1,066,853	266,912	19%
Actuarial amounts related to Pensions/OPEB	-	-	-	-	---
<b>Total Operating Departments</b>	<b>\$ 58,369,680</b>	<b>\$ 14,886,688</b>	<b>\$ 11,194,400</b>	<b>\$ 3,692,288</b>	<b>19%</b>



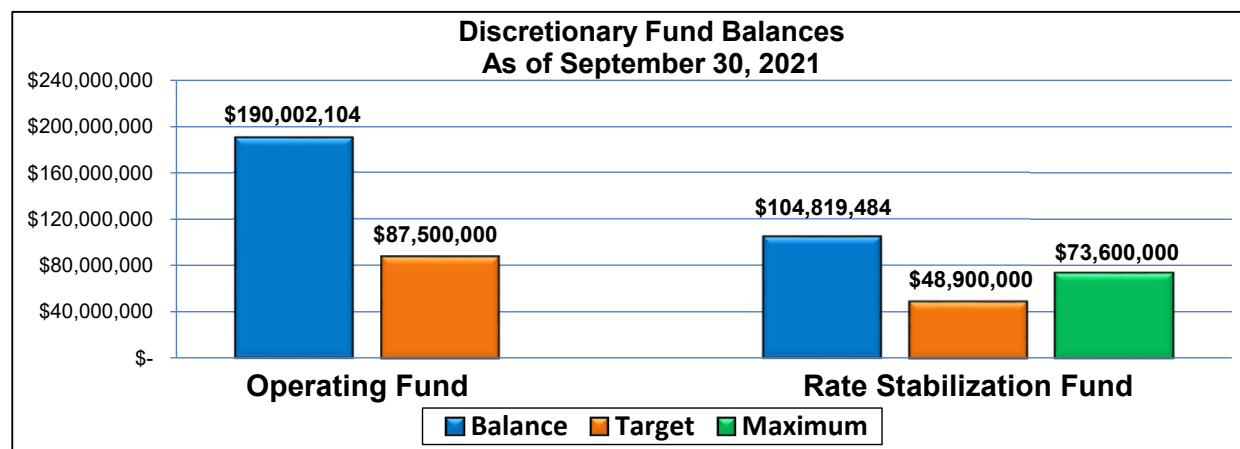
**San Diego County Water Authority  
Fiscal Year 2022 Budget Status Report  
For the 3 Months Ended September 30, 2021**

**Notes to the Budget Status Report:**

- a) Period-to-date budgeted amounts are 3/12ths (25%) of Fiscal Year 2022 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 \$650,389 for Fiscal Year 2022 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 2022 contributions of \$3,801,632 due December 31; and 2) Fiscal Year 2023 contributions of \$1,517,597 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.
- o) This includes the \$35.9 million MWD settlement payment.

**San Diego County Water Authority**  
**Schedule of Cash and Investments**  
**As of September 30, and August 31, 2021**  
**Unaudited**

	<u>September</u>		<u>August</u>		<u>Target</u>
Operating Fund	\$ 190,002,104		\$ 134,923,942		\$ 87,500,000
Equipment Replacement Fund	1,101,764		1,244,814		
Canal Maintenance Fund	337,819		320,883		
Rate Stabilization Fund	104,819,484		104,559,600		\$ 48,900,000
<b>Total Unrestricted Funds <sup>(1)</sup></b>	<b>93%</b> 296,261,171	<b>91%</b>	241,049,239		
Pay-As-You-Go Fund <sup>(1)</sup>	-		2,002,320		
Debt Service Reserve Funds	22,462,525		22,462,525		
<b>Total Restricted Funds</b>	<b>7%</b> 22,462,525	<b>9%</b>	24,464,845		
<b>Total Cash and Investments</b>	<b>\$ 318,723,696</b>		<b>\$ 265,514,084</b>		

**Note:**

<sup>(1)</sup> 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.

*Canal Maintenance Fund:* This fund provides for the large periodic maintenance expenses of the All-American and Coachella Canals that is estimated to occur every five to eight years.

*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 214% of the targeted value of \$48.9 million and 142% of the maximum balance of \$73.6 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.