



November 12, 2025

**Attention: Administrative and Finance Committee**

**Controller’s Report on Monthly Financial Activity. (Information)**

**Purpose**

To provide a summary of key financial information to the Board of Directors.

*Note: Due to the early November Board meeting, water sales data for October was not available at time of Board memo release.*

**Financial Information**

Attached are the following graphs and financial reports comprising the Controller’s Report:

1. Water Sales Volumes Budget and Actual and YOY Comparisons
2. Water Sales Revenues Budget and Actual Comparison
3. Water Purchases and Treatment Costs Budget and Actual Comparison
4. Budget Status Report
5. Schedule of Cash and Investments

The Budget Status Report compares actual revenues and expenses on a budgetary basis to the period-to-date adopted budget. Below is a summary of the financial activities for the period July 1, 2025 through September 30, 2025, in millions:

	<u>FY 2026</u>	<u>For the 3 months ended September 30, 2025</u>			
	<u>Adopted Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>\$ Variance Positive/ (Negative)</u>	<u>% Budget Above/ (Below)</u>
Water Sales	\$ 782.3	\$ 223.0	\$ 217.7	\$ (5.3)	-2%
Water Purchases & Treatment	595.0	174.9	170.2	4.7	-3%
<b>Net Water Sales Revenue</b>	<u>187.3</u>	<u>48.1</u>	<u>47.5</u>	<u>(0.6)</u>	<u>-1%</u>
Revenues & Other Income	122.0	20.7	23.7	3.0	14%
<b>Total Revenues</b>	<u>309.3</u>	<u>68.8</u>	<u>71.2</u>	<u>2.4</u>	<u>3%</u>
<b>Total Expenses</b>	<u>243.7</u>	<u>43.9</u>	<u>38.8</u>	<u>5.1</u>	<u>-12%</u>
Net Revenues Before CIP	65.6	24.9	32.4	7.5	30%
<b>CIP Expenses</b>	<u>80.4</u>	<u>23.0</u>	<u>9.2</u>	<u>13.8</u>	<u>-60%</u>
<b>Net Fund Withdraws</b>	<u>\$ (14.8)</u>	<u>\$ 1.9</u>	<u>\$ 23.2</u>	<u>\$ 21.3</u>	<u>1121%</u>

**Summary**

For the three months ended September 30, 2025, the Water Authority’s actual net revenues after CIP was a positive \$23.2 million; therefore, a draw from fund balance (reserves) based on results from the first three months of the year has not been required. Budget expectations for the remainder of the year remain in place. Lower than budget water sales and treatment costs resulted in net water sales revenue under budget by \$0.6 million. Capacity charges were over budget by \$2.4 million, while operating department expenses and CIP were lower than the budget by \$3.9 million and \$13.8 million, respectively, primarily due to the timing of revenues and expenses. For example, contractors completing work on CIP projects submit invoices one to

two months after completing their work, which must then go through internal review by Water Authority staff before payment. The CIP expenses will catch up to budgeted amounts as the year progresses, similar to Operating department expenses.

### **Net Water Sales Revenue**

Net water sales revenue is the difference between the receipts from the sale of water and the cost of that water, providing the Water Authority's principal source of revenue. Sales include revenues from three variable and five fixed charge components:

Variable Commodity Charges for supply, treatment, and transportation

Fixed Charges for customer service, storage, supply reliability, transportation, and infrastructure access

For the three-month period ended September 30, 2025, total acre-feet (AF) of water sold was budgeted at 101,452 AF, which was 2,648 AF or 3 percent higher than actual sales volumes of 98,804 AF (Attachment 1). Water sales were below budget by \$5.3 million, while water purchases and treatment costs were lower than budget by \$4.7 million (Attachments 2 and 3), resulting in overall net water sales revenues of \$47.4 million or \$0.6 million lower than the budgeted amount of \$48.0 million (Attachment 4). The reductions to costs resulted from reduced sales and water inventory reporting being one month in arrears and due to sale of water from inventory which has a lower basis (\$903 AF) than water we would have been required to purchase.

Inclusive of the cost of water added to inventory, \$16.0 million was paid to MWD for 4,410 AF of treated and untreated water plus treatment costs for 9,892 AF of IID Transfer water; \$48.6 million for 59,513 AF of IID Transfer water; and \$49.8 million for 13,678 AF of treated desalinated water from Channelside. 19,425 AF of Canal Lining water was also received but no costs have been paid yet (Canal Lining water costs represent operations and maintenance costs for maintaining the All-American and Coachella canals as the Water Authority previously incurred significant costs to line the canals with cement panels and now has ongoing maintenance responsibilities). The Water Authority also incurred an additional cost of \$49.1 million for exchange and wheeling costs on 78,938 AF paid to MWD (comprised of IID Transfer and Canal Lining water).

### **Revenues and Other Income**

Total revenues and other income were budgeted at \$20.7 million for the three-month period ended September 30, 2025. Actual revenues were \$23.7 million or \$3.0 million higher than the budget (Attachment 4). Revenue categories materially higher than the budget include the following:

- Capacity Charges: \$2.4 million more than the budget due to timing revenues in the first quarter of FY 2026
- Other Income: \$0.7 million higher than budget primarily due to receipt of a \$0.6 million workers' compensation refund on the long-completed ESP OCIP program that had a long 10-year tail close out period. This amount was not budgeted because it was uncertain how much would be received as it is based on an actuarial valuation. The program is now completed with no further proceeds expected.

### **Expenses**

Total expenses were budgeted at \$43.9 million for the three-month period ended September 30, 2025. Actual expenses were \$38.8 million or \$5.1 million lower than the budget (Attachment 4).

Expense categories materially lower than the budget include the following:

- Operating Departments: \$3.9 million lower in expenses due to the periodic nature of incurring such general expenses and the variance will be absorbed in future months. See individual Operating Department results on Attachment 4.

### **CIP Expenses**

Capital Improvement Program expenses were budgeted at \$23.0 million for the three-month period ended September 30, 2025, and actual expenses amounted to \$9.2 million or \$13.8 million lower than the budget (Attachment 4). Contractors submit invoices according to their schedules. The period-to-date budget amount is tied to performance, not actual payment of expenses, and so there will always be a time lag but the variance is expected to be absorbed in the next few months. The Pay-As-You-Go (PayGo) fund now assumes full responsibility for CIP expenditures until the next debt issuance.

### **Cash and Investments**

As of September 30, 2025, cash and investments totaled \$393.3 million. Approximately 94 percent is pooled funds available to meet Water Authority needs and Board set reserve requirements, and the remaining 6 percent represents amounts restricted for debt service (Attachment 5). The Water Authority Treasurer pools the cash of the PayGo fund with total unrestricted funds to maximize investment returns. Cash balances are high in the PayGo fund currently, but they will be drawn down in the next few months to pay for CIP expenses as there are no bond proceeds available. Additionally, the Water Authority's pooled cash and investments balance is in excess of the 150-day target balance, but this is subject to change based on future financial conditions. Certain of this excess is being evaluated for potential defeasance opportunities during the anticipated 2026 debt issuance.

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#### **Attachments:**

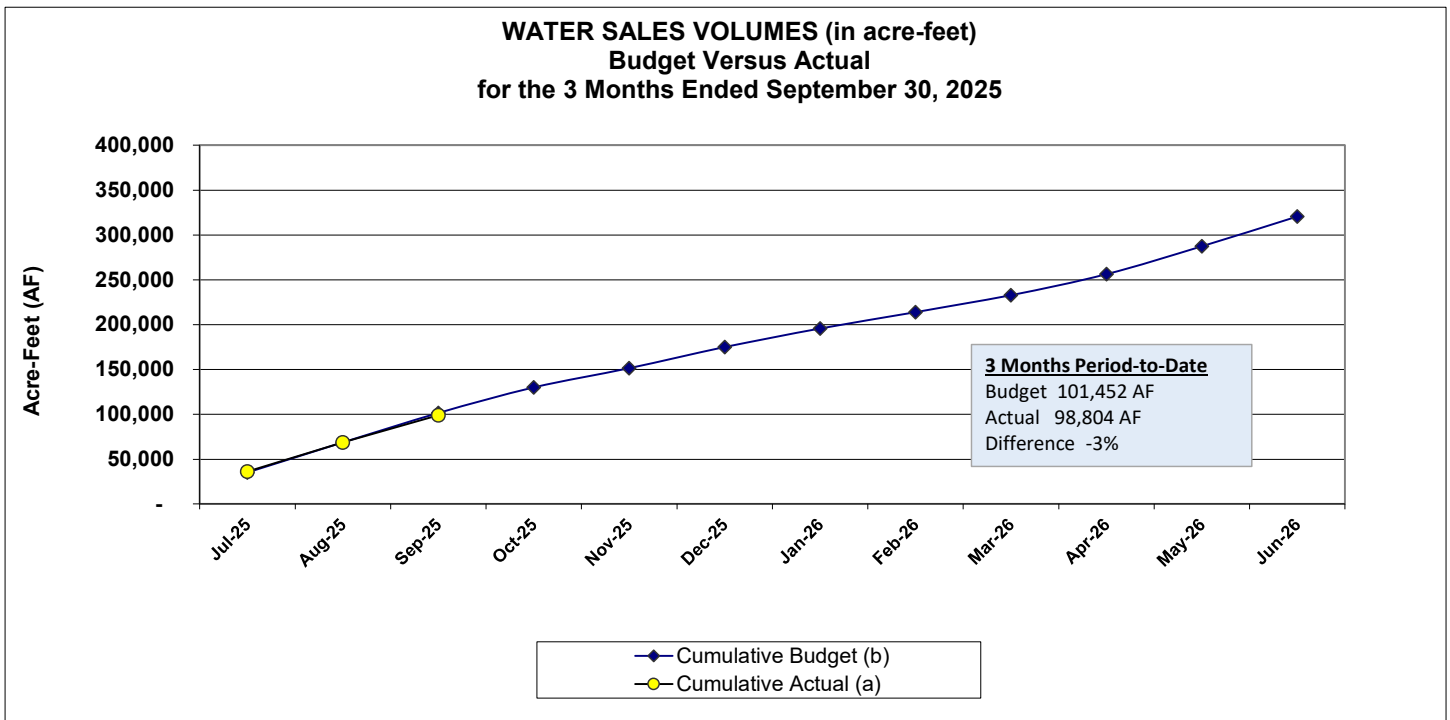
Attachment 1 – Water Sales Volumes Budget and Actual and YOY Comparisons

Attachment 2 – Water Sales Revenues Budget and Actual Comparison

Attachment 3 – Water Purchases and Treatment Costs Budget and Actual Comparison

Attachment 4 – Budget Status Report

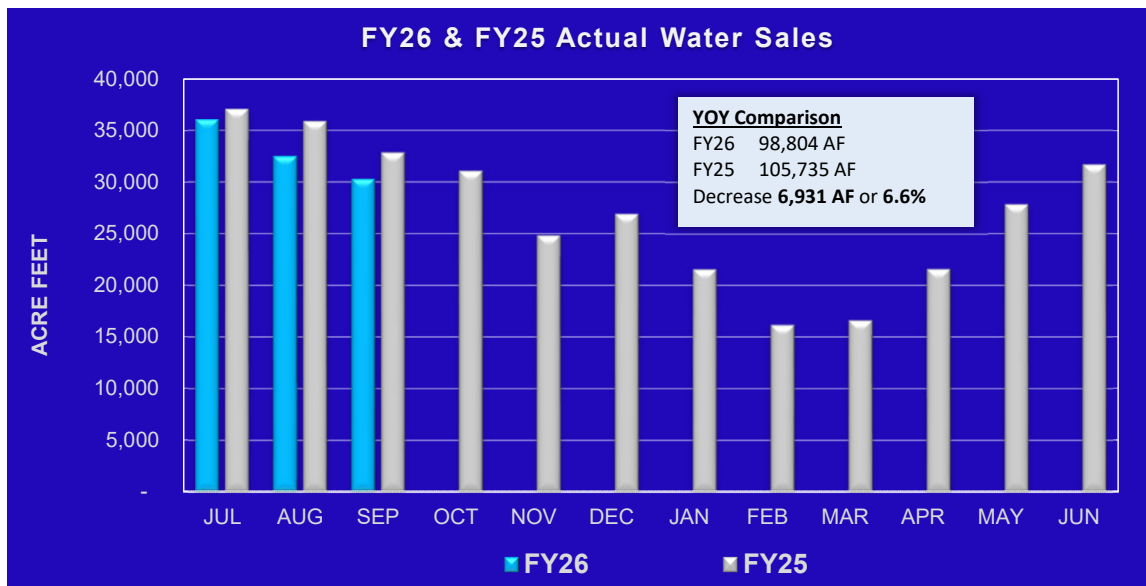
Attachment 5 – Schedule of Cash and Investments



Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2026 and 2027.

**Fiscal Year 2026 Cumulative Water Sales (AF)**

Months	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
Monthly Actual	36,056	32,483	30,265	-	-	-	-	-	-	-	-	-
Cumulative Actual (a)	36,056	68,539	98,804	-	-	-	-	-	-	-	-	-
Monthly Budget	35,167	33,417	32,868	28,430	21,355	23,566	20,786	18,430	18,889	23,263	31,042	33,197
Cumulative Budget (b)	35,167	68,584	101,452	129,882	151,237	174,803	195,589	214,019	232,908	256,171	287,213	320,410
AF Difference (c) (a-b)	889	(45)	(2,648)									
% Difference (c/b)	3%	0%	-3%									







**San Diego County Water Authority**  
**Fiscal Year 2026 Budget Status Report**  
**For the 3 Months Ended September 30, 2025**  
**Unaudited**

	[A]	[B]	[C]	Revenues = [B + C] Expenses = [B - C]	[C / A]
		FY 2026 (3 Months - 25%)			
	FY 2026 Adopted Budget	3 Months Period-to-Date Adopted Budget (n)	3 Months Period-to-Date Actual	Variance Positive (Negative)	Actual to FY 2026 Adopted Budget
<b>Net Water Sales Revenue</b>					
Water Sales (a)	\$ 782,337,287	\$ 222,993,560	\$ 217,698,156	\$ (5,295,404)	28%
Water Purchases & Treatment (a)(b)	595,013,972	174,947,242	170,250,856	4,696,386	29%
<b>Total Net Water Sales Revenue</b>	<b>187,323,315</b>	<b>48,046,318</b>	<b>47,447,300</b>	<b>(599,018)</b>	<b>25%</b>
<b>Revenues and Other Income</b>					
Infrastructure Access Charges	49,641,688	12,394,710	12,324,831	(69,879)	25%
Property Taxes & In-lieu Charges (c)	20,026,000	1,187,479	1,271,532	84,053	6%
Investment Income (d)	9,249,689	3,472,419	3,217,958	(254,461)	35%
Hydroelectric Revenue (e)	-	-	-	-	0%
Grant Reimbursements	9,904,854	805,528	943,382	137,854	10%
Build America Bonds Subsidy (f)	10,623,541	2,655,885	2,655,885	-	25%
Other Income	885,390	123,238	840,640	717,402	95%
Capital Contributions:					
Capacity Charges (g)	11,155,355	-	2,421,565	2,421,565	22%
Water Standby Availability Charges (h)	10,531,935	57,250	45,545	(11,705)	0%
Contributions in Aid of Capital Improvement Program (CIP) (i)	-	-	-	-	0%
<b>Total Revenues and Other Income</b>	<b>122,018,452</b>	<b>20,696,509</b>	<b>23,721,338</b>	<b>3,024,829</b>	<b>19%</b>
<b>Total Revenues</b>	<b>309,341,767</b>	<b>68,742,827</b>	<b>71,168,638</b>	<b>2,425,811</b>	<b>23%</b>
<b>Expenses</b>					
Debt Service (j)	158,951,100	24,655,656	23,938,347	717,309	15%
QSA Mitigation (k)	266,548	133,274	48,717	84,557	18%
Equipment Replacement	2,559,914	690,497	356,349	334,148	14%
Grant Expenses	9,149,199	290,575	232,458	58,117	3%
Other Expenses	944,422	236,106	218,657	17,449	23%
Operating Departments (l)	71,849,217	17,907,758	14,001,685	3,906,073	19%
<b>Total Expenses</b>	<b>243,720,400</b>	<b>43,913,866</b>	<b>38,796,213</b>	<b>5,117,653</b>	<b>16%</b>
<b>Net Revenues Before CIP</b>	<b>\$ 65,621,367</b>	<b>\$ 24,828,961</b>	<b>\$ 32,372,425</b>	<b>\$ 7,543,464</b>	<b>49%</b>
<b>CIP Expenses</b>	<b>\$ 80,385,589</b>	<b>\$ 22,990,030</b>	<b>\$ 9,169,957</b>	<b>\$ 13,820,073</b>	<b>11%</b>
<b>Net Fund Withdraws (m)</b>	<b>\$ (14,764,222)</b>	<b>\$ 1,838,931</b>	<b>\$ 23,202,468</b>	<b>\$ 21,363,537</b>	<b>-157%</b>
<b>CIP Expenses by Funding Source</b>					
Pay-As-You-Go Fund			\$ 9,169,957	100%	
			<b>Operating Departments Detail</b>		
Administrative Services	\$ 9,227,392	\$ 2,343,927	\$ 2,525,373	\$ (181,446)	27%
Engineering	4,927,560	1,219,001	955,295	263,706	19%
Finance	5,504,507	1,320,681	1,126,190	194,491	20%
General Counsel	2,684,857	669,312	214,911	454,401	8%
General Manager & Board of Directors	4,785,363	1,177,857	868,467	309,390	18%
Human Resources	1,387,553	334,117	296,095	38,022	21%
Imported Water *	4,049,551	1,010,527	783,431	227,096	19%
Operations & Maintenance	29,094,243	7,269,774	5,323,691	1,946,083	18%
Public Affairs	3,344,709	819,228	519,597	299,631	16%
Water Resources	6,843,482	1,743,334	1,388,635	354,699	20%
<b>Total Operating Departments</b>	<b>\$ 71,849,217</b>	<b>\$ 17,907,758</b>	<b>\$ 14,001,685</b>	<b>\$ 3,906,073</b>	<b>19%</b>

\* Colorado River Program, MWD Program, and Imperial Valley Outreach Program are included in Imported Water.

**San Diego County Water Authority  
Fiscal Year 2026 Budget Status Report  
For the 3 Months Ended September 30, 2025**

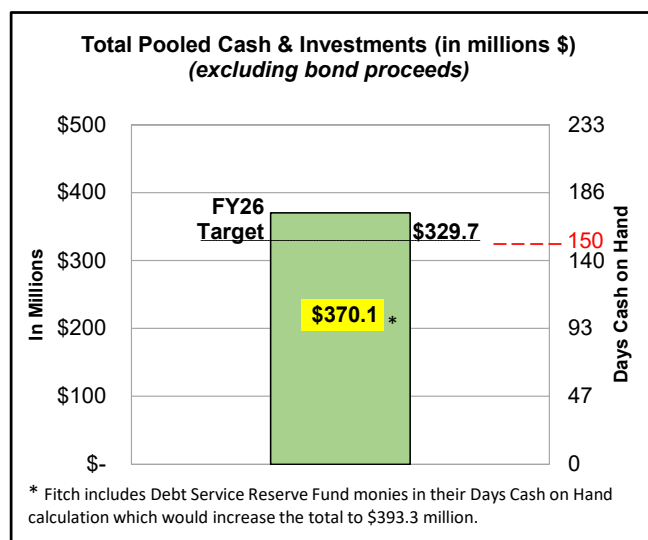
**Notes to the Budget Status Report:**

- a) Water sales and water purchases period-to-date budgeted amounts are based on projected acre-feet activity calculated per month.
- b) Water purchases and treatment costs are comprised of water (treated and untreated) that has been both purchased and sold. Other purchased water may be added into inventory and sold in future months. The cost of the water added to inventory is not recorded as an expense until it is withdrawn from storage and sold. Water may be added to inventory as a result of take or pay contracts or to meet future needs from scheduled pipeline maintenance shut down projects.
- c) Property taxes are primarily received in December and April. The City of San Diego alternatively pays In-lieu charges each year in quarterly installments. In-lieu charges for Fiscal Year 2026 total \$3,341,928.
- d) Investment income excludes unrealized gains/losses, which are non-cash transactions.
- e) Hydroelectric revenues have not been budgeted for Fiscal Year 2026.
- f) The 2010B Water Revenue Bonds were issued under the American Recovery and Reinvestment Act which allowed for taxable Build America Bonds (BABs) to be issued at a lower cost, effectively subsidized by the federal government. Semi-annual subsidy payments from the United States Treasury equal to 33.5 percent of the interest payments are received as a reimbursement. (The original subsidy was 35% but has been lowered due to Congressionally-mandated sequestration reductions and this subsidy amount will remain unchanged until 2030.)
- g) Capacity charges are primarily received in July, October, January and April, after the quarterly period ends, and accrued revenue is recorded for the quarter ending June.
- h) Water standby availability charges are primarily received in January and May.
- i) Contributions in aid of capital improvement program revenues have not been budgeted for Fiscal Year 2026. Any such revenues received may include payments or reimbursements from state or other local agencies for miscellaneous projects in the form of cash payments or contribution of physical assets.
- j) Bonds and Certificates of Participation debt service payments are due semi-annually on November 1 (interest) and May 1 (principal and interest). Pipeline Bonds, Series 2019 debt service payments are due semi-annually on July 1 (principal and interest) and January 1 (interest). 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 refundings are excluded because they are non-cash transactions. Short-term debt expenses (commercial paper) are paid monthly.
- k) QSA Mitigation includes the annual Lower Colorado River Multi-Species Conservation Program (LCR MSCP) payment in the amount of \$194,870 (paid in quarterly installments) for Fiscal Year 2026.
- l) Amounts may include capital equipment purchases used for CIP projects as well as in operations.
- m) Represents budgeted withdraws from fund balance.
- 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 September 30, 2025  
Unaudited**

**Attachment 5**

	<b>September 2025</b>	<b>September 2024</b>
Operating Fund	\$ 174,862,434	\$ 185,990,887
Rate Stabilization Fund	126,140,740	78,540,740
Pay-As-You-Go Fund	63,499,470	14,316,070
Equipment Replacement Fund	4,603,387	1,510,331
Canal Maintenance Fund	1,017,889	772,191
<b>Total Pooled Funds</b>	<b>94%</b> 370,123,920	281,130,219
CIP/Bond Construction Fund	-	99,784,835
Debt Service Reserve Fund	23,196,025	23,249,525
<b>Total Bond Funds</b>	<b>6%</b> 23,196,025	123,034,360
<b>Total Cash and Investments</b>	<b>\$ 393,319,945</b>	<b>\$ 404,164,579</b>



**Notes:**

The Total Pooled Cash & Investments graph depicts the Water Authority's available monies measured against the 150 Days Cash on Hand requirement as set in the 2021 Rate Model. For FY26, days cash on hand equates to a \$329.7 million target balance. It's important to note that cash and investments balances will increase and decrease during the year, especially in May and November, when debt service payments are made, but the target is fixed for the fiscal year. Amounts above the target balance are being evaluated for potential defeasance opportunities. Other reserves may also have specific maximums, minimums or targets, and these are noted in the reserve definitions below.

**Ratings Impact:** Overall cash and investments position and days cash on hand metrics are crucial to the Water Authority maintaining its current ratings of AAA, AA+ and Aa2 from Standard & Poor's, Fitch and Moody's, respectively. A balance below the 150 days cash on hand metric of \$329.7 million target places risk on the Water Authority for a downgrade, which will affect investors interests in owning Water Authority bonds and achieving favorable interest rates on subsequent debt issuances.

**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 and include \$5 million held for emergency repairs. The Operating Fund has a minimum cash balance for FY26 of \$97.6 million.

**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. For FY26, the RSF has a fixed maximum balance of \$126.2 million and a fixed Target balance of \$87.0 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.

**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.

**CIP/Bond Construction Fund:** This fund most recently contained bond proceeds from the Series 2022A debt issuance to finance approved capital projects. As of June 30, 2025, all bond proceeds had been spent, resulting in a cash and investments balance of zero.

**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.

**Stored Water Fund (SWF):** This fund provides working capital to purchase water inventory necessary to fully utilize the Water Authority's storage facilities. In April 2025, a 40,000 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.