

February 16, 2022

**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 six-month period of July 1, 2021, through December 31, 2021 are as follows:

	FY 2022 Adopted Budget	For the 6 months ended December 31, 2021			
		6 Months Budget	6 Months Actual	\$ Variance Positive/ (Negative)	% Budget Above/ (Below)
Water Sales	\$ 646.7	\$ 356.5	\$ 350.8	\$ (5.7)	-2%
Water Purchases & Treatment	538.1	296.0	295.8	0.2	0%
<b>Net Water Sales Revenue</b>	<b>108.6</b>	<b>60.5</b>	<b>55.0</b>	<b>(5.5)</b>	<b>-9%</b>
Revenues & Other Income	127.5	52.6	87.3 *	34.7	66%
<b>Total Revenues</b>	<b>236.1</b>	<b>113.1</b>	<b>142.3</b>	<b>29.2</b>	<b>26%</b>
<b>Total Expenses</b>	<b>203.3</b>	<b>86.6</b>	<b>109.2 *</b>	<b>(22.6)</b>	<b>26%</b>
Net Revenues Before CIP	32.8	26.5	33.1	6.6	25%
<b>CIP Expenses</b>	<b>65.2</b>	<b>29.0</b>	<b>19.1</b>	<b>9.9</b>	<b>-34%</b>
<b>Net Fund Withdraws</b>	<b>\$ (32.4)</b>	<b>\$ (2.5)</b>	<b>\$ 14.0</b>	<b>\$ 16.5</b>	<b>-660%</b>

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

**Summary**

For the six-month-period ended December 31, 2021, the Water Authority is showing actual net revenues after CIP of \$14.0 million which is in excess of the six-month budget that planned for a \$2.5 million withdrawal from fund balance. Water sales were below budget by 2 percent and water purchases and treatment costs were right on budget, as can be seen in the summary table. Actual net water sales revenue was \$55.0 million or 9 percent lower than the six-month budget of \$60.5 million. Actual other revenues and other expenses were \$87.3 million and \$109.2 million, respectively, which included the \$35.9 million judgment payment received from MWD

and then distributed to the 24 member agencies comprising the Water Authority. The Water Authority is showing a favorable variance to budget of \$16.5 million because total revenues were higher than budget by \$29.2 million, offset by a variance in total expenses, including CIP, which were higher than budget by \$12.7 million. 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 six-month period ended December 31, 2021 was \$55.0 million, or \$5.5 million lower than the budgeted amount of \$60.5 million. Actual Water Purchase and Treatment Costs were right on budget and actual water sales were 2 percent lower than budget. 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 229,412 AF for the six-month period ended December 31, 2021. Actual water sales volumes were 229,208 AF or 204 AF less than budgeted (Attachment 1). The fiscal year 2022 actual water sales volumes through December 2021 were 229,208 AF, or 6.5 percent higher compared to the prior fiscal year's actual water sales volumes of 215,161 AF through December 2020 (Attachment 2). Total Water Sales Revenues were \$350.8 million or 2 percent lower than the budget of \$356.5 million (Attachment 3).

Total Water Purchases and Treatment costs were budgeted at \$296.0 million. Actual costs were \$295.8 million or \$0.2 million lower than budgeted (Attachment 4). This cost category included \$68.8 million for 99,998 AF of water purchased from IID, \$75.4 million for MWD's conveyance charges related to IID, Coachella Canal and All-American Canal water, and \$76.6 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 \$52.6 million for the six-month period ended December 31, 2021. Actual revenues were \$87.3 million or \$34.7 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 December 2021.

### **Expenses**

As shown in Attachment 5, total Expenses were budgeted at \$86.6 million for the six-month period ended December 31, 2021. Actual expenses were \$109.2 million or \$22.6 million higher than budget. The variance was attributable to the judgment payment of \$35.9 million received from MWD that was rebated to the 24 member agencies. 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. The Debt Service category is lower than budget due to commercial paper program savings.

### **CIP Expenses**

Attachment 5 shows CIP Expenses were budgeted at \$29.0 million for the six-month period ended December 31, 2021, but actual expenses amounted to \$19.1 million or \$9.9 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 December 31, 2021, the Water Authority's cash and investments balance was \$280.9 million, approximately 92 percent unrestricted funds with the remaining 8 percent of funds restricted for specific purposes (Attachment 6). 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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#### **Attachments:**

Attachment 1 – Water Sales Volumes

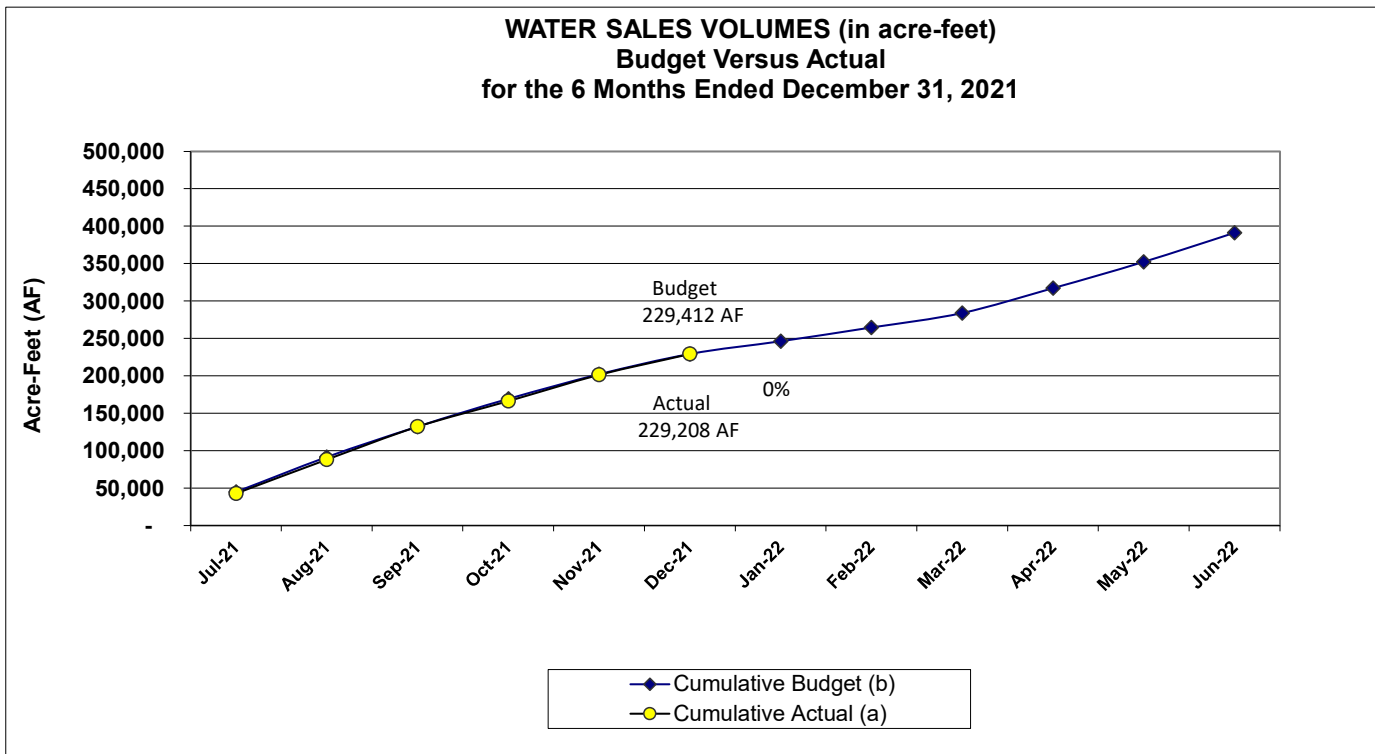
Attachment 2 – YOY Water Sales Comparison FY22 and FY21

Attachment 3 – Water Sales Revenues

Attachment 4 – Water Purchases and Treatment Costs

Attachment 5 – Budget Status Report

Attachment 6 – Schedule of Cash and Investments

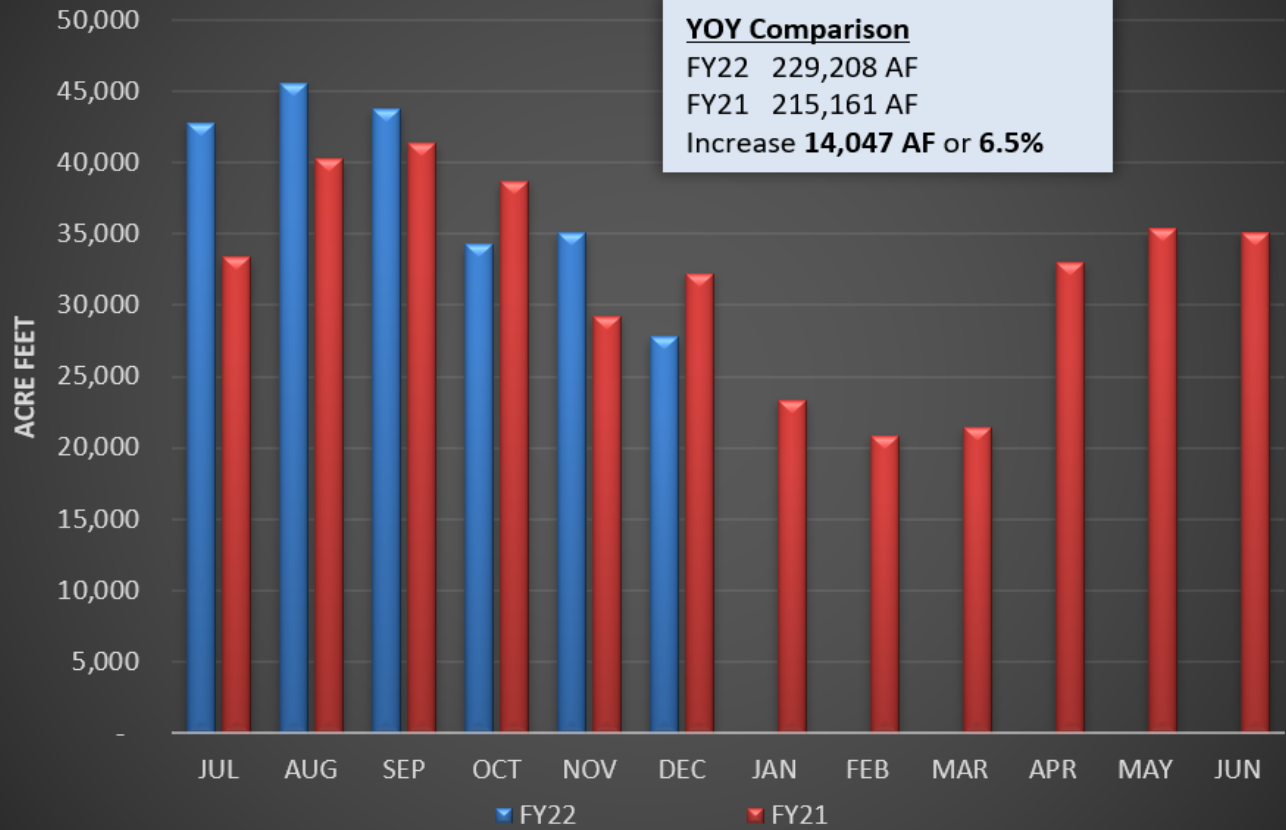


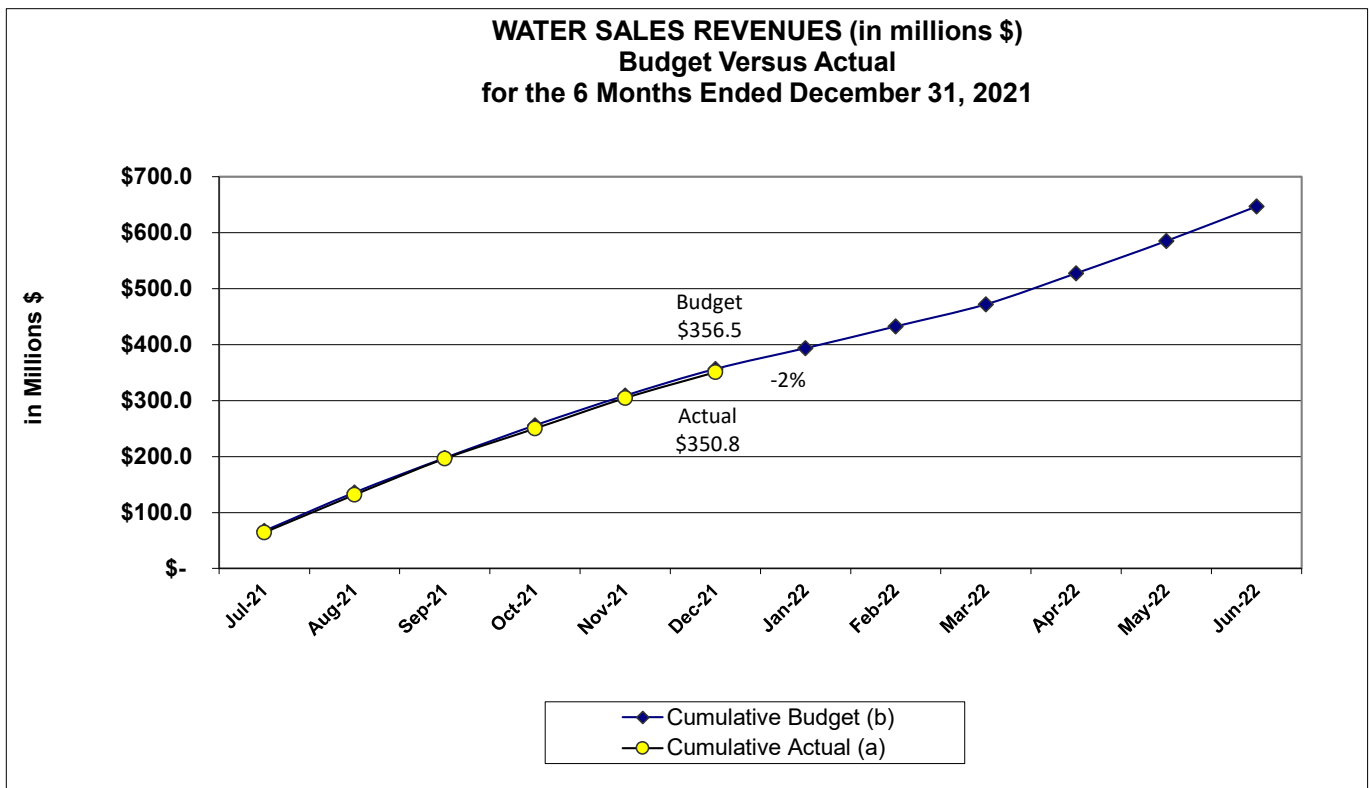
\*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2022 and 2023.

**Fiscal Year 2022 Cumulative Water Sales (AF)**

Months	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
Monthly Actual	42,809	45,593	43,711	34,280	35,032	27,783	-	-	-	-	-	-
Cumulative Actual (a)	42,809	88,402	132,113	166,393	201,425	229,208	-	-	-	-	-	-
Monthly Budget	45,055	46,537	40,749	37,073	32,732	27,266	16,885	18,302	19,488	33,113	35,096	38,770
Cumulative Budget (b)	45,055	91,592	132,341	169,414	202,146	229,412	246,297	264,599	284,087	317,200	352,296	391,066
AF Difference (c) (a-b)	(2,246)	(3,190)	(228)	(3,021)	(721)	(204)						
% Difference (c/b)	-5%	-3%	0%	-2%	0%	0%						

### FY22 & FY21 Actual Water Sales

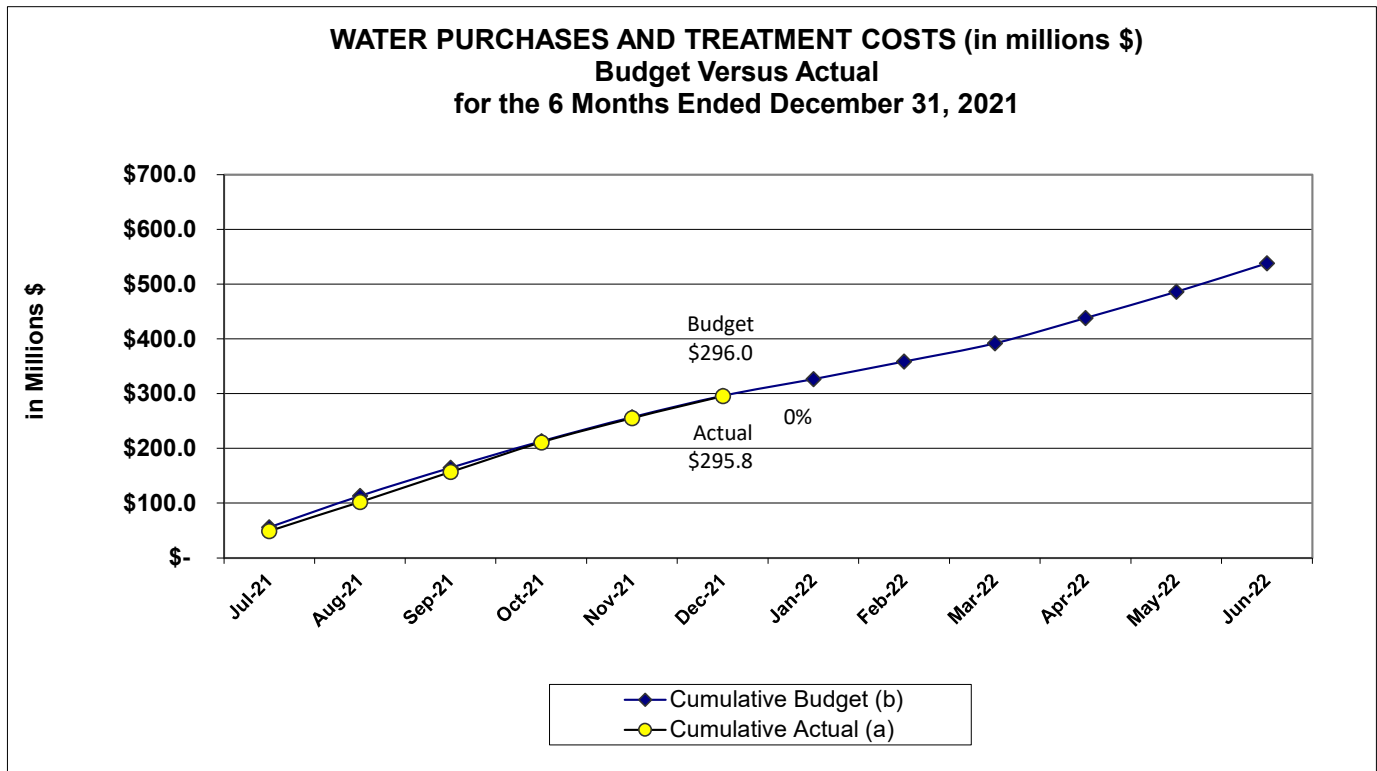




\*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2022 and 2023.

**Fiscal Year 2022 Cumulative Water Sales (in millions \$)**

Months	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
Monthly Actual	\$ 64.1	\$ 67.2	\$ 64.7	\$ 53.7	\$ 54.6	\$ 46.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cumulative Actual (a)	\$ 64.1	\$ 131.3	\$ 196.0	\$ 249.7	\$ 304.3	\$ 350.8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Monthly Budget	\$ 67.0	\$ 68.3	\$ 62.0	\$ 58.2	\$ 53.3	\$ 47.7	\$ 37.0	\$ 38.6	\$ 39.9	\$ 55.3	\$ 57.6	\$ 61.8
Cumulative Budget (b)	\$ 67.0	\$ 135.3	\$ 197.3	\$ 255.5	\$ 308.8	\$ 356.5	\$ 393.5	\$ 432.1	\$ 472.0	\$ 527.3	\$ 584.9	\$ 646.7
AF Difference (c) (a-b)	\$ (2.9)	\$ (4.0)	\$ (1.3)	\$ (5.8)	\$ (4.5)	\$ (5.7)						
% Difference (c/b)	-4%	-3%	-1%	-2%	-1%	-2%						



\*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2022 and 2023.

**Fiscal Year 2022 Cumulative Cost of Water Purchases and Treatment (in millions \$)**

Months	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
Monthly Actual	\$ 49.1	\$ 53.2	\$ 54.6	\$ 54.2	\$ 44.4	\$ 40.3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cumulative Actual (a)	\$ 49.1	\$ 102.3	\$ 156.9	\$ 211.1	\$ 255.5	\$ 295.8	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Monthly Budget	\$ 56.0	\$ 57.2	\$ 51.6	\$ 48.3	\$ 44.0	\$ 38.9	\$ 30.8	\$ 32.1	\$ 33.1	\$ 46.2	\$ 48.1	\$ 51.8
Cumulative Budget (b)	\$ 56.0	\$ 113.2	\$ 164.8	\$ 213.1	\$ 257.1	\$ 296.0	\$ 326.8	\$ 358.9	\$ 392.0	\$ 438.2	\$ 486.3	\$ 538.1
AF Difference (c) (a-b)	\$ (6.9)	\$ (10.9)	\$ (7.9)	\$ (2.0)	\$ (1.6)	\$ (0.2)						
% Difference (c/b)	-12%	-10%	-5%	-1%	-1%	0%						

**San Diego County Water Authority**  
**Fiscal Year 2022 Budget Status Report**  
**For the 6 Months Ended December 31, 2021**  
**Unaudited**

	[A]	[B]	[C]	Revenues = [-B + C] Expenses = [B - C]	[C / A]
	FY 2022 (6 months - 50%)				
	FY 2022 Adopted Budget	6 Months Period-to-Date Adopted Budget (a)	6 Months Period-to-Date Actual	Variance Positive (Negative)	Actual to FY 2022 Adopted Budget
<b>Net Water Sales Revenue</b>					
Water Sales	\$ 646,676,065	\$ 356,454,413 (b)	\$ 350,772,755	\$ (5,681,658)	54%
Water Purchases & Treatment	538,089,829	295,987,736 (b)	295,777,894	209,842	55%
<b>Total Net Water Sales Revenue</b>	<b>108,586,236</b>	<b>60,466,677</b>	<b>54,994,861</b>	<b>(5,471,816)</b>	<b>51%</b>
<b>Revenues and Other Income</b>					
Infrastructure Access Charges	47,155,000	23,577,502	23,606,658	29,156	50%
Property Taxes and In-Lieu Charges	16,100,000 (c)	6,601,000 (n)	6,461,987	(139,013)	40%
Investment Income	2,953,138 (d)	1,476,568	2,650,525	1,173,957	90%
Hydroelectric Revenue	2,886,000 (e)	1,443,000	1,739,286	296,286	60%
Grant Reimbursements	16,657,737	6,163,363 (n)	970,484	(5,192,879)	6%
Build America Bonds Subsidy	10,658,690	5,329,346	5,329,345 (l)	(1)	50%
Other Income	2,116,025	1,058,010	37,420,017 (o)	36,362,007	1768%
Capital Contributions:					
Capacity Charges	16,929,903 (f)	4,063,177 (n)	5,669,717	1,606,540	33%
Water Standby Availability Charges	11,200,000 (g)	2,469,688 (n)	3,442,163	972,475	31%
Contributions in Aid of Capital Improvement Program (CIAC)	802,246 (h)	401,123 (n)	-	(401,123)	0%
<b>Total Revenues and Other Income</b>	<b>127,458,739</b>	<b>52,582,777</b>	<b>87,290,182</b>	<b>34,707,405</b>	<b>68%</b>
<b>Total Revenues</b>	<b>236,044,975</b>	<b>113,049,454</b>	<b>142,285,043</b>	<b>29,235,589</b>	<b>60%</b>
<b>Expenses</b>					
Debt Service	118,887,858 (i)	44,158,834 (n)	41,812,380	2,346,454	35%
QSA Mitigation	3,995,407 (j)	3,995,407 (n)	3,801,632	193,775	95%
Equipment Replacement	3,092,616	989,638 (n)	381,445	608,193	12%
Grant Expenses	16,897,231	6,251,976 (n)	587,170	5,664,806	3%
Other Expenses	2,011,025	1,005,513	36,404,072 (o)	(35,398,559)	1810%
Operating Departments (see below)	58,369,680 (k)	30,169,148 (n)	26,173,660	3,995,488	45%
<b>Total Expenses</b>	<b>203,253,817</b>	<b>86,570,516</b>	<b>109,160,359</b>	<b>(22,589,843)</b>	<b>54%</b>
<b>Net Revenues Before CIP</b>	<b>\$ 32,791,158</b>	<b>\$ 26,478,938</b>	<b>\$ 33,124,684</b>	<b>\$ 6,645,746</b>	<b>101%</b>
<b>CIP Expenses*</b>	<b>\$ 65,227,044</b>	<b>\$ 29,000,299 (n)</b>	<b>\$ 19,137,063</b>	<b>\$ 9,863,236</b>	<b>29%</b>
<b>Net Fund Withdraws</b>	<b>\$ (32,435,886) (m)</b>	<b>\$ (2,521,361)</b>	<b>\$ 13,987,621</b>	<b>\$ 16,508,982</b>	<b>-43%</b>

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

Operating Departments Detail					
Administrative Services	\$ 7,149,365	\$ 4,300,222	\$ 3,377,563	\$ 922,659	47%
Colorado River Program	2,263,646	1,279,924	840,759	439,165	37%
Engineering	4,041,202	2,070,784	1,921,354	149,430	48%
Finance	3,068,767	1,458,177	1,405,919	52,258	46%
General Counsel	3,717,612	1,687,804	1,454,374	233,430	39%
General Manager & Board of Directors	2,548,266	1,360,870	1,097,851	263,019	43%
Government Relations	1,276,504	663,563	568,642	94,921	45%
Human Resources	1,502,480	754,460	623,742	130,718	42%
MWD Program	2,024,277	1,011,928	934,897	77,031	46%
Operations and Maintenance	22,370,500	11,404,875	10,503,163	901,712	47%
Public Affairs	2,846,281	1,478,934	1,190,297	288,637	42%
Water Resources	5,560,780	2,697,607	2,255,099	442,508	41%
Actuarial amounts related to Pensions/OPEB	-	-	-	-	---
<b>Total Operating Departments</b>	<b>\$ 58,369,680</b>	<b>\$ 30,169,148</b>	<b>\$ 26,173,660</b>	<b>\$ 3,995,488</b>	<b>45%</b>



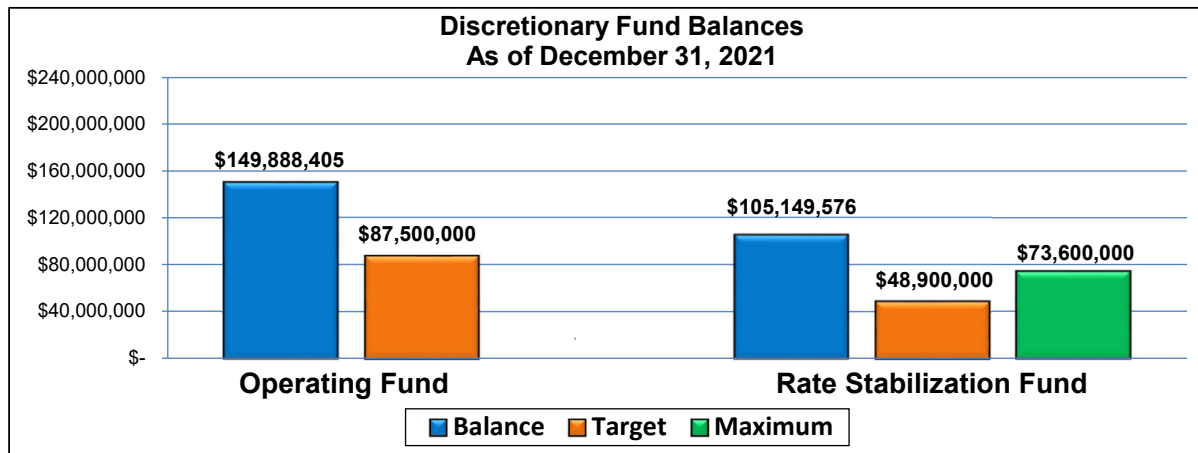
**San Diego County Water Authority  
Fiscal Year 2022 Budget Status Report  
For the 6 Months Ended December 31, 2021**

**Notes to the Budget Status Report:**

- a) Period-to-date budgeted amounts are 6/12ths (50%) 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. The monies received by the Water Authority were disbursed to the Member Agencies.

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

	<u>December</u>	<u>November</u>	<u>Target</u>
Operating Fund	\$ 149,888,405	\$ 153,382,791	\$ 87,500,000
Equipment Replacement Fund	3,052,680	3,062,900	
Canal Maintenance Fund	387,359	370,665	
Rate Stabilization Fund	105,149,576	104,991,006	\$ 48,900,000
<b>Total Unrestricted Funds <sup>(1)</sup></b>	<b>92%</b> <u>258,478,020</u>	<b>92%</b> <u>261,807,362</u>	
Pay-As-You-Go Fund <sup>(1)</sup>	-	1,345,317	
Debt Service Reserve Funds	<u>22,462,525</u>	<u>22,462,525</u>	
<b>Total Restricted Funds</b>	<b>8%</b> <u>22,462,525</u>	<b>8%</b> <u>23,807,842</u>	
<b>Total Cash and Investments</b>	<b>\$ 280,940,545</b>	<b>\$ 285,615,204</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 215% of the targeted value of \$48.9 million and 143% 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.