

November 9, 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; FY23 & FY22 Actual Water Sales YOY Comparison
2. Water Sales Revenues, in millions
3. Water Purchases and Treatment Costs, in millions
4. Budget Status Report
5. Schedule of Cash and Investments

The Multi-Year Budget Status Report compares actual revenues and expenses on a budgetary basis to the period-to-date budget. This report includes the mid-term budget amendments approved by the Board in June 2022. A summary of the Fiscal Years 2022 and 2023 Budget Status Report (in millions) for the 15-month period of July 1, 2021 through September 30, 2022 are as follows:

	FY 2022 & 2023		For the 15 months ended September 30, 2022			
	Two-Year Adopted Budget	Two-Year Amended Budget	15 Months Budget	15 Months Actual	\$ Variance Positive/ (Negative)	% Budget Above/ (Below)
	Water Sales	\$ 1,343.5	\$ 1,351.0	\$ 870.4	\$ 883.8	\$ 13.4
Water Purchases & Treatment	1,110.4	1,117.1	720.9	736.7	(15.8)	2%
Net Water Sales Revenue	233.1	233.9	149.5	147.1	(2.4)	-2%
Revenues & Other Income	250.6	326.6	211.8	218.3 ⁽¹⁾	6.5	3%
Total Revenues	483.7	560.5	361.3	365.4	4.1	1%
Total Expenses	412.7	474.2	287.8	272.6 ⁽²⁾	15.2	-5%
Net Revenues Before CIP	71.0	86.3	73.5	92.8	19.3	26%
CIP Expenses	170.4	177.6	87.0	52.8	34.2	-39%
Net Fund Withdraws	<u>\$ (99.4)</u>	<u>\$ (91.3)</u>	<u>\$ (13.5)</u>	<u>\$ 40.0</u>	<u>\$ 53.5</u>	<u>-396%</u>

⁽¹⁾ Other Income includes \$50.9 million MWD settlement monies received in FY 2022 & 2023.
⁽²⁾ Other Expenses includes \$46.7 million MWD settlement monies disbursed to the member agencies in FY 2022 & 2023.

Summary

The Water Authority was fifteen months into its two-year budget and has a favorable variance to budget of \$53.5 million for the period ending September 30, 2022. The 15-month budget provided for a withdrawal from fund balance of \$13.5 million, but a withdrawal was not needed since actual net revenues after CIP was \$40 million. The variance will be absorbed by planned

expenditures in Fiscal Year 2023 comprising of increases in water purchase costs, CIP, debt services, and operating departments, as amended by the Board in June 2022.

Water sales were higher than budget by 2 percent and water purchases and treatment costs were also higher than budget by 2 percent, resulting in net water sales revenue being \$2.4 million below budget. The period-to-date net water sales revenues amounted to \$147.1 million and contributed to paying for other costs as planned. Actual other revenues and other expenses were \$218.3 million and \$272.6 million, respectively. Both included the \$46.7 million judgment payment received from MWD in Fiscal Years 2022 and 2023, and then distributed to the 24 member agencies comprising the Water Authority, while other revenues also included the \$18 million lump sum funding from the State for the San Vicente Energy Storage Facility Project and \$4.2 million from the MWD settlement authorized to spend for legal services and associated costs. Lastly, CIP expenses were \$34.2 million under budget but that savings was planned to be spent in year two of the two-year budget where the corresponding projects and new projects will be worked on. 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 15-month period ended September 30, 2022, was \$147.1 million, or \$2.4 million lower than the budgeted amount of \$149.5 million. Actual water purchase and treatment costs were 2 percent higher than budget and actual water sales revenues were also 2 percent higher than budget. 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 543,022 AF for the 15-month period ended September 30, 2022. Actual water sales volumes were 544,586 AF or 1,564 AF higher than budgeted (Attachment 1). The fiscal year 2023 actual water sales volumes through September 2022 were 135,072 AF, or 2.2 percent higher compared to the prior fiscal year's actual water sales volumes of 132,113 AF through September 2021 (Attachment 1). Total water sales revenues were \$883.8 million or \$13.4 million higher than the budget of \$870.4 million (Attachment 2).

Total water purchases and treatment costs were budgeted at \$720.9 million for the 15-month period ended September 30, 2022. Actual costs were \$736.7 million or \$15.8 million higher than budgeted (Attachment 3). This cost category included \$178.6 million for 252,501 AF of water purchased from IID, \$199.2 million for MWD's conveyance charges related to IID, Coachella Canal and All-American Canal water, and \$184.7 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 \$211.8 million for the 15-month period ended September 30, 2022. Actual revenues were \$218.3 million or \$6.5 million higher than budget. Revenue categories materially higher than the budget include capacity charges, other income, and property taxes revenue categories which were higher than anticipated. These increases were partially offset by variances in hydroelectric revenue, contributions in aid of capital improvement program, and 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. (Of note is that 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.)

Expenses

As shown in Attachment 4, total expenses were budgeted at \$287.8 million for the 15-month period ended September 30, 2022. Actual expenses were \$272.6 million or \$15.2 million lower than budget. The operating departments category is \$10.9 million lower than budget with \$68.6 million of the 15-month appropriation being spent. Other expense categories materially lower than the budget include the grant expenses category which were lower than budgeted similar to grant revenues (for the reasons noted above), and the equipment replacement category which were lower than anticipated. The debt service expenses were higher than budgeted due to the debt service on the new Series 2022A Bonds.

CIP Expenses

Attachment 4 shows CIP expenses were budgeted at \$87 million for the 15-month period ended September 30, 2022, and actual expenses amounted to \$52.8 million or \$34.2 million lower than budget; however, this variance is not a savings as the appropriation is planned to be spent in year two of the two-year amended budget.

Actual CIP Expenses for the 15-month period ended September 30, 2022 were funded 63 percent from the Series 2022A Bonds and 37 percent from the Pay-As-You-Go Fund.

Cash and Investments

As of September 30, 2022, the Water Authority's cash and investments balance was \$523.8 million, approximately 62 percent were pooled funds with the remaining 38 percent representing bonds funds (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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Reviewed by: Geena Xiaoqing Balistreri, CPA, Accounting Supervisor

Approved by: Christopher Woidzik, CPA, Controller

Attachments:

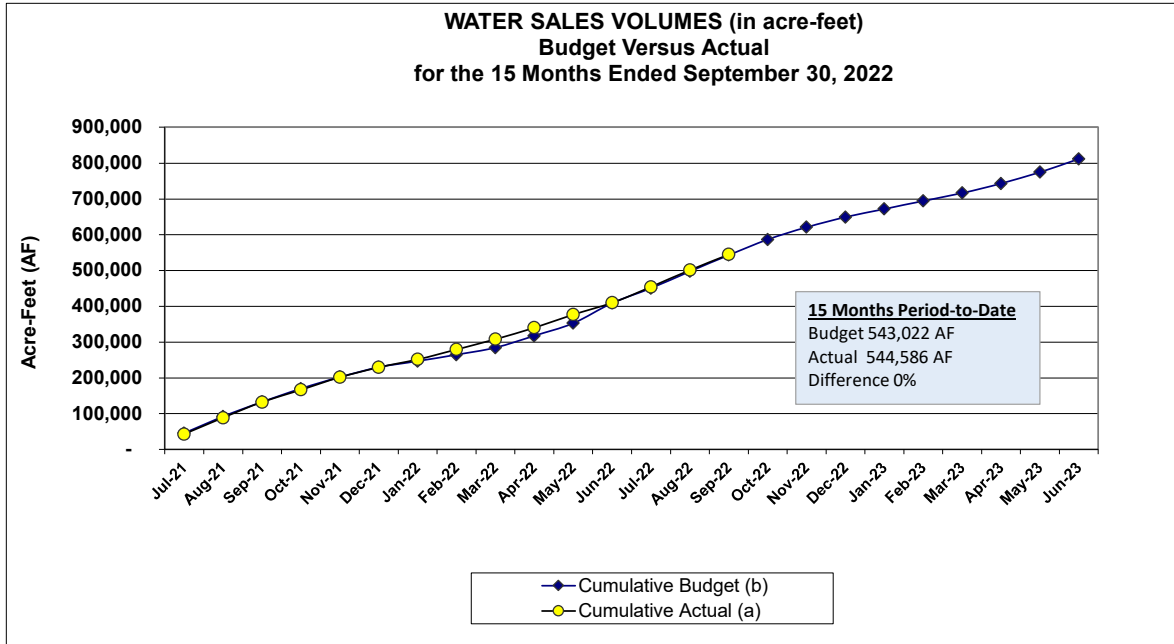
Attachment 1 – Water Sales Volumes; FY23 & FY22 Actual Water Sales

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 2022 and 2023.
 Calendar Year 2022 Semitropic Water Bank Sales were 3,719 AF and are excluded from the graph and table.

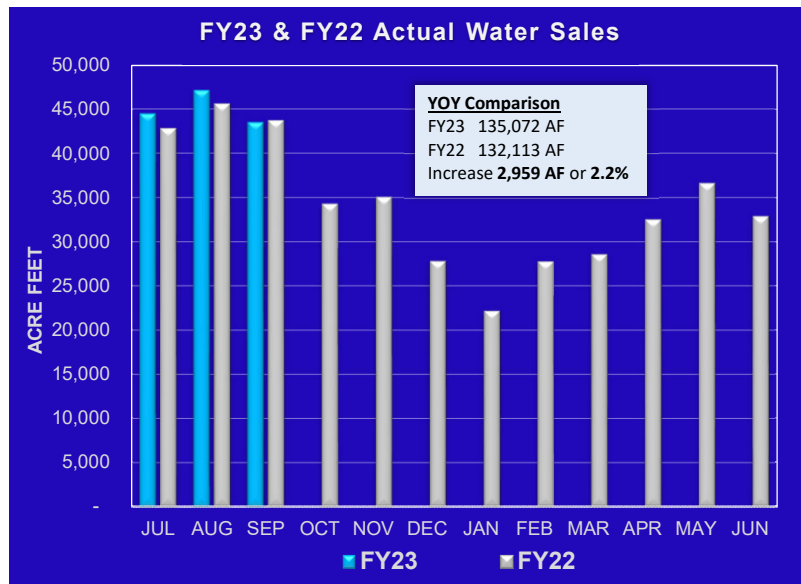
Fiscal Year 2022 Cumulative Water Sales (AF)

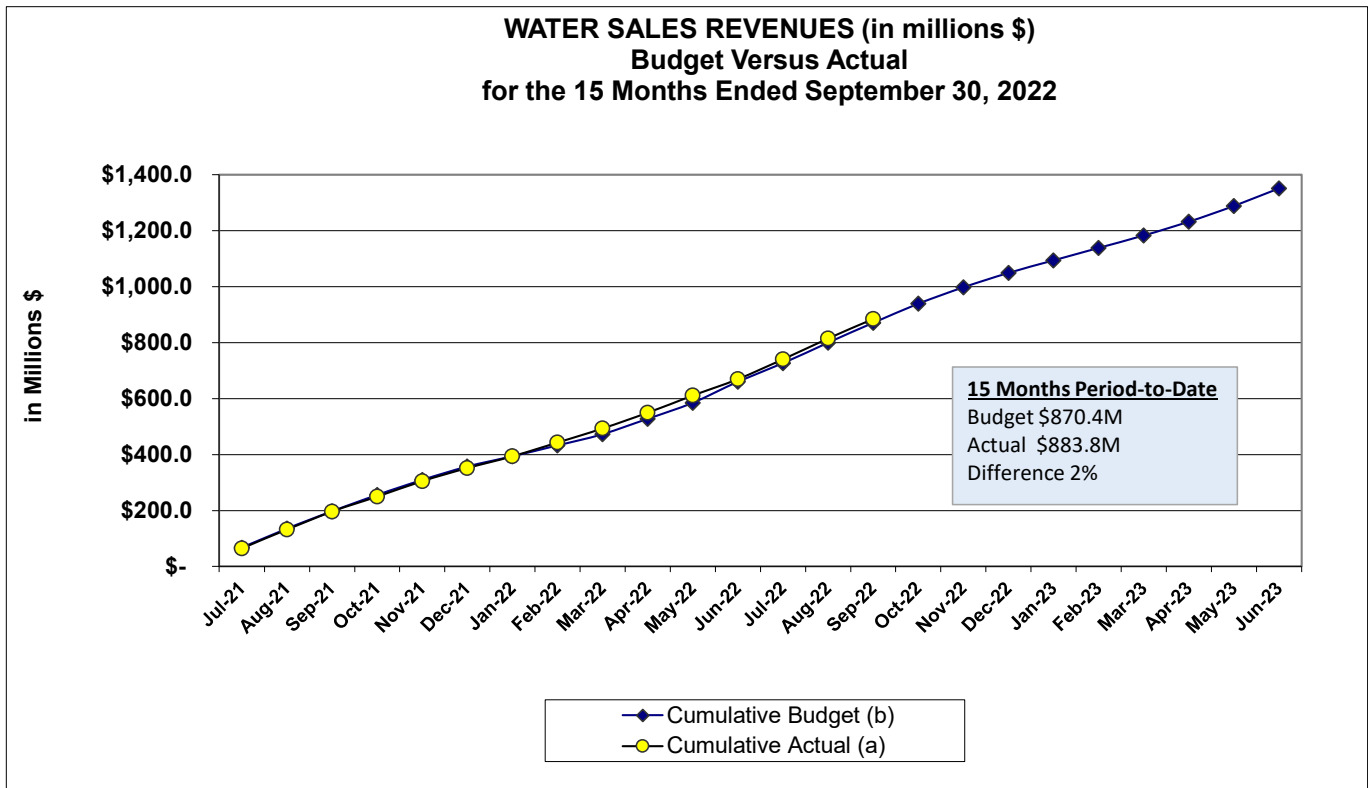
Months	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
Monthly Actual	42,809	45,593	43,711	34,280	35,032	27,783	22,134	27,731	28,532	32,489	36,577	32,843
Cumulative Actual (a)	42,809	88,402	132,113	166,393	201,425	229,208	251,342	279,073	307,605	340,094	376,671	409,514
Monthly Budget	45,055	46,537	40,749	37,073	32,732	27,266	16,885	18,302	19,488	33,113	35,096	56,647
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	408,943
AF Difference (c) (a-b)	(2,246)	(3,190)	(228)	(3,021)	(721)	(204)	5,045	14,474	23,518	22,894	24,375	571
% Difference (c/b)	-5%	-3%	0%	-2%	0%	0%	2%	5%	8%	7%	7%	0%

Fiscal Year 2023 Cumulative Water Sales (AF)

Months	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Monthly Actual	44,481	47,115	43,476	-	-	-	-	-	-	-	-	-
Cumulative Actual (a)	44,481	91,596	135,072	135,072	135,072	135,072	135,072	135,072	135,072	135,072	135,072	135,072
Monthly Budget	41,397	46,945	45,737	43,242	34,489	28,183	22,986	22,141	22,465	26,287	31,925	36,956
Cumulative Budget (b)	41,397	88,342	134,079	177,321	211,810	239,993	262,979	285,120	307,585	333,872	365,797	402,753
AF Difference (c) (a-b)	3,084	3,254	993									
% Difference (c/b)	7%	4%	1%									

	FY22	FY23 through Sep-22	Total
Budget	408,943	134,079	543,022
Actual	409,514	135,072	544,586
Difference	571	993	1,564
% Difference	0%	1%	0%





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

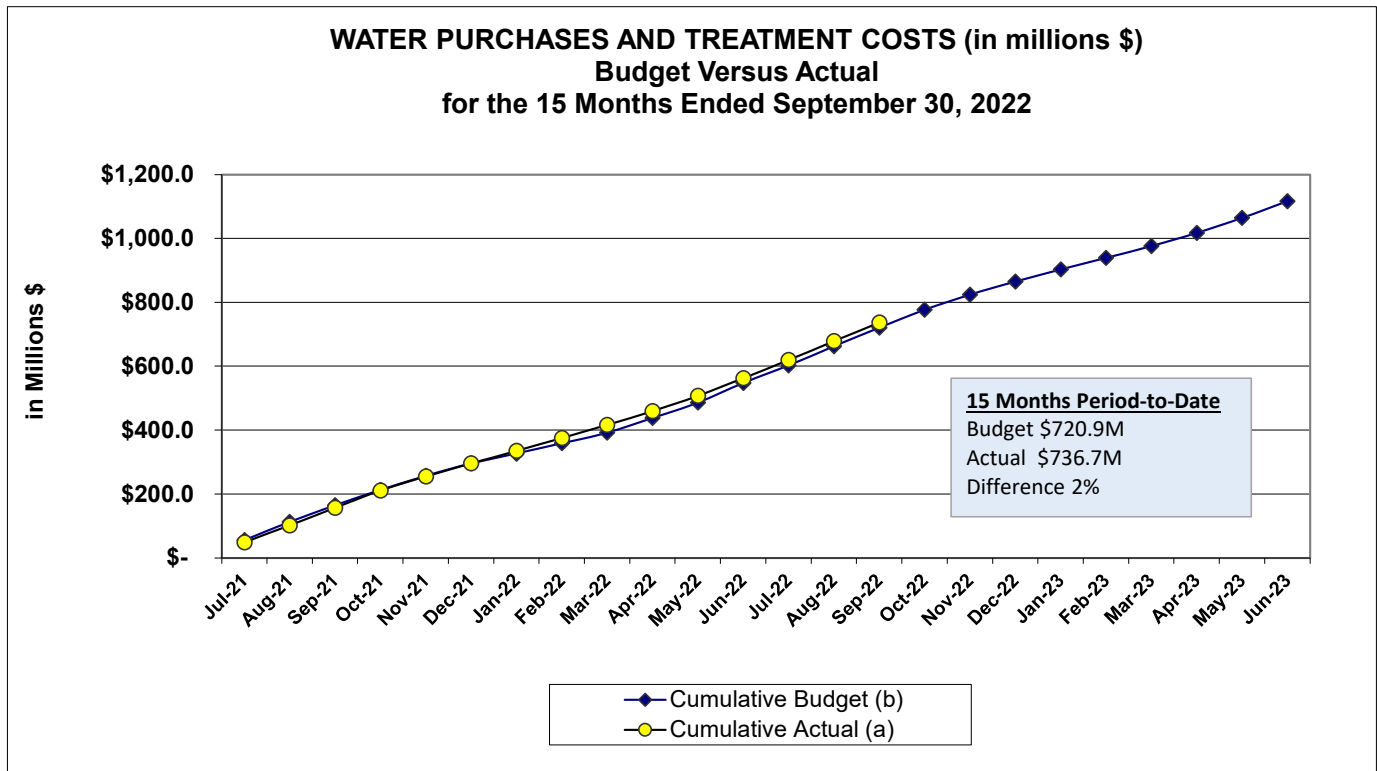
Fiscal Year 2022 Cumulative Water Sales (in millions \$)

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	\$ 42.2	\$ 49.2	\$ 50.5	\$ 56.1	\$ 61.6	\$ 58.9
Cumulative Actual (a)	\$ 64.1	\$ 131.3	\$ 196.0	\$ 249.7	\$ 304.3	\$ 350.8	\$ 393.0	\$ 442.2	\$ 492.7	\$ 548.8	\$ 610.4	\$ 669.3
Monthly Budget	\$ 67.0	\$ 68.3	\$ 62.0	\$ 58.2	\$ 53.3	\$ 47.7	\$ 37.0	\$ 38.6	\$ 39.9	\$ 55.3	\$ 57.6	\$ 74.5
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	\$ 659.4
Difference (c) (a-b)	\$ (2.9)	\$ (4.0)	\$ (1.3)	\$ (5.8)	\$ (4.5)	\$ (5.7)	\$ (0.5)	\$ 10.1	\$ 20.7	\$ 21.5	\$ 25.5	\$ 9.9
% Difference (c/b)	-4%	-3%	-1%	-2%	-1%	-2%	0%	2%	4%	4%	4%	2%

Fiscal Year 2023 Cumulative Water Sales (in millions \$)

Months	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Monthly Actual	\$ 70.8	\$ 74.3	\$ 69.4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cumulative Actual (a)	\$ 70.8	\$ 145.1	\$ 214.5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Monthly Budget	\$ 67.0	\$ 72.7	\$ 71.3	\$ 68.4	\$ 58.5	\$ 51.1	\$ 45.3	\$ 44.2	\$ 44.4	\$ 49.5	\$ 56.3	\$ 62.9
Cumulative Budget (b)	\$ 67.0	\$ 139.7	\$ 211.0	\$ 279.4	\$ 337.9	\$ 389.0	\$ 434.3	\$ 478.5	\$ 522.9	\$ 572.4	\$ 628.7	\$ 691.6
Difference (c) (a-b)	\$ 3.8	\$ 5.4	\$ 3.5									
% Difference (c/b)	6%	4%	2%									

	FY22	FY23 through Sep-22	Total
Budget	\$ 659.4	\$ 211.0	\$ 870.4
Actual	669.3	214.5	883.8
Difference	\$ 9.9	\$ 3.5	\$ 13.4
% Difference	2%	2%	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	\$ 39.1	\$ 40.7	\$ 40.6	\$ 43.8	\$ 47.3	\$ 55.8
Cumulative Actual (a)	\$ 49.1	\$ 102.3	\$ 156.9	\$ 211.1	\$ 255.5	\$ 295.8	\$ 334.9	\$ 375.6	\$ 416.2	\$ 460.0	\$ 507.3	\$ 563.1
Monthly Budget	\$ 56.0	\$ 57.2	\$ 51.6	\$ 48.3	\$ 44.0	\$ 38.9	\$ 30.8	\$ 32.1	\$ 33.1	\$ 46.2	\$ 48.1	\$ 61.8
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	\$ 548.1
Difference (c) (a-b)	\$ (6.9)	\$ (10.9)	\$ (7.9)	\$ (2.0)	\$ (1.6)	\$ (0.2)	\$ 8.1	\$ 16.7	\$ 24.2	\$ 21.8	\$ 21.0	\$ 15.0
% Difference (c/b)	-12%	-10%	-5%	-1%	-1%	0%	2%	5%	6%	5%	4%	3%

Fiscal Year 2023 Cumulative Cost of Water Purchases and Treatment (in millions \$)

Months	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Monthly Actual	\$ 56.4	\$ 59.2	\$ 58.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cumulative Actual (a)	\$ 56.4	\$ 115.6	\$ 173.6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Monthly Budget	\$ 54.9	\$ 59.6	\$ 58.3	\$ 55.9	\$ 47.5	\$ 41.2	\$ 37.6	\$ 36.7	\$ 36.8	\$ 41.2	\$ 46.9	\$ 52.4
Cumulative Budget (b)	\$ 54.9	\$ 114.5	\$ 172.8	\$ 228.7	\$ 276.2	\$ 317.4	\$ 355.0	\$ 391.7	\$ 428.5	\$ 469.7	\$ 516.6	\$ 569.0
Difference (c) (a-b)	\$ 1.5	\$ 1.1	\$ 0.8									
% Difference (c/b)	3%	1%	0%									

	FY22	FY23 through Sep-22	Total
Budget	\$ 548.1	\$ 172.8	\$ 720.9
Actual	563.1	173.6	736.7
Difference	\$ 15.0	\$ 0.8	\$ 15.8
% Difference	3%	0%	2%

San Diego County Water Authority
Fiscal Years 2022 and 2023 Budget Status Report
For the 15 Months Ended September 30, 2022
Unaudited

	[A]	[B]	[C]	Revenues = [-B + C] Expenses = [B - C]	[C / A]
	FY 2022 & 2023 (15 months - 63%)				
	FY 2022 & 2023 Amended Budget	15 Months Period-to-Date Amended Budget (a)	15 Months Period-to-Date Actual	Variance Positive (Negative)	Actual to FY 2022 & 2023 Amended Budget
Net Water Sales Revenue					
Water Sales	\$ 1,351,009,689	\$ 870,415,340 (b)	\$ 883,814,680	\$ 13,399,340	65%
Water Purchases & Treatment	1,117,120,466	720,937,397 (b)	736,731,470	(15,794,073)	66%
Total Net Water Sales Revenue	233,889,223	149,477,943	147,083,210	(2,394,733)	63%
Revenues and Other Income					
Infrastructure Access Charges	94,685,334	59,134,681	59,123,493	(11,188)	62%
Property Taxes & In-lieu Charges	32,361,000 (c)	17,075,660 (n)	18,028,932	953,272	56%
Investment Income	12,697,689 (d)	5,892,422 (n)	5,960,574	68,152	47%
Hydroelectric Revenue	5,772,000 (e)	3,607,500	3,388,332	(219,168)	59%
Grant Reimbursements	28,481,234	12,382,325 (n)	9,071,383	(3,310,942)	32%
Build America Bonds Subsidy	21,317,380	13,323,364	13,323,362 (l)	(2)	62%
Other Income	55,129,225	53,379,652	57,200,951 (o),(p),(q)	3,821,299	104%
Capital Contributions:					
Capacity Charges	34,186,325 (f)	16,929,903 (n)	22,988,599	6,058,696	67%
Water Standby Availability Charges	22,400,000 (g)	11,257,457 (n)	11,185,815	(71,642)	50%
Contributions in Aid of Capital Improvement Program (CIP)	19,612,011 (h)	18,802,246 (n)	18,006,522 (r)	(795,724)	92%
Total Revenues and Other Income	326,642,198	211,785,210	218,277,963	6,492,753	67%
Total Revenues	560,531,421	361,263,153	365,361,173	4,098,020	65%
Expenses					
Debt Service	260,243,525 (i)	139,630,258 (n)	140,118,945	(488,687)	54%
QSA Mitigation	5,890,904 (j)	4,099,893 (n)	3,997,156	102,737	68%
Equipment Replacement	4,732,517	2,922,927 (n)	1,494,974	1,427,953	32%
Grant Expenses	27,846,051	12,598,011 (n)	8,804,133	3,793,878	32%
Other Expenses	50,753,525	49,099,454	49,579,893 (o),(p),(q)	(480,439)	98%
Operating Departments (see below)	124,760,168 (k)	79,474,423 (n)	68,617,323	10,857,100	55%
Total Expenses	474,226,690	287,824,966	272,612,424	15,212,542	57%
Net Revenues Before CIP	\$ 86,304,731	\$ 73,438,187	\$ 92,748,749	\$ 19,310,562	107%
CIP Expenses	\$ 177,555,196	\$ 86,999,363 (n)	\$ 52,761,746 (s)	\$ 34,237,617	30%
Net Fund Withdraws	\$ (91,250,465) (m)	\$ (13,561,176)	\$ 39,987,003	\$ 53,548,179	-44%
CIP Expenses by Funding Source					
Pay-As-You-Go Fund			\$ 19,496,581	37%	
CIP/Bond Construction Fund			33,265,165	63%	
Total CIP Expenses by Funding Source			\$ 52,761,746		

	Operating Departments Detail				
Administrative Services	\$ 14,559,380	\$ 9,349,920	\$ 8,557,560	\$ 792,360	59%
Colorado River Program	4,538,148	2,868,212	2,185,110	683,102	48%
Engineering	8,354,310	5,363,978	4,523,037	840,941	54%
Finance	7,494,063	4,551,200	3,667,409	883,791	49%
General Counsel	11,284,018 (t)	7,684,206	7,193,367	490,839	64%
General Manager & Board of Directors	5,238,564	3,362,352	2,918,357	443,995	56%
Government Relations	2,204,994	1,284,197	1,200,355	83,842	54%
Human Resources	3,169,606	1,982,669	1,671,529	311,140	53%
MWD Program	4,142,527	2,623,500	2,289,818	333,682	55%
Operations & Maintenance	47,526,273	30,105,967	25,894,036	4,211,931	54%
Public Affairs	5,824,428	3,784,734	3,178,018	606,716	55%
Water Resources	10,423,857	6,513,488	5,338,727	1,174,761	51%
Total Operating Departments	\$ 124,760,168	\$ 79,474,423	\$ 68,617,323	\$ 10,857,100	55%

**San Diego County Water Authority
Fiscal Years 2022 and 2023 Budget Status Report
For the 15 Months Ended September 30, 2022**

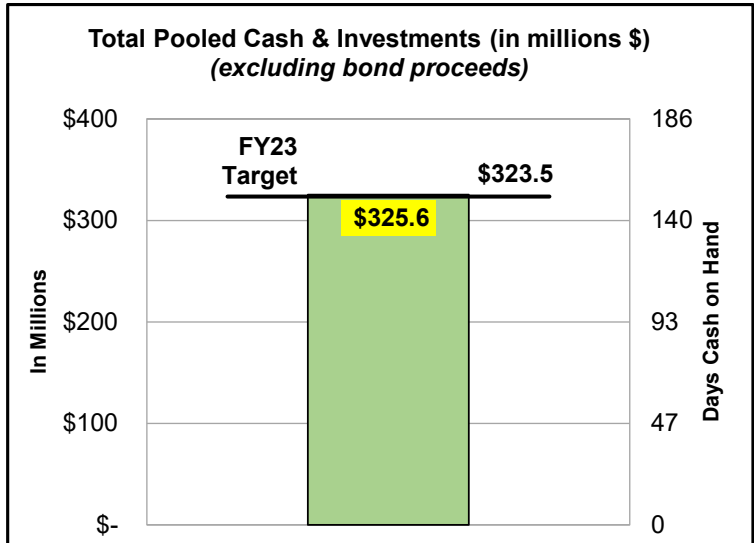
Notes to the Budget Status Report:

- a) Period-to-date budgeted amounts are 15/24ths (63%) of Fiscal Years 2022 and 2023 amended 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 and \$737,762 for Fiscal Year 2023 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) QSA JPA contributions due December 31 Fiscal Year 2022 for \$3,801,632 and Fiscal Year 2023 for \$1,517,597; and 2) Lower Colorado River Multi-Species Conservation Program Fiscal Year 2022 for \$193,775 and Fiscal Year 2023 for \$377,900, paid quarterly.
- 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 November 2021.
- p) This includes the \$14.6 million MWD payment received for attorney's fees, costs, and interest. The Water Authority disbursed \$10.4 million to the Member Agencies June 2022.
- q) This includes the \$0.4 million MWD settlement payment. The monies received by the Water Authority were disbursed to the Member Agencies August 2022.
- r) The \$18 million represents the lump sum payment from the State to fund the San Vicente Energy Storage Facility Project. The monies will be spent over the next three years.
- s) The Water Authority adopts a two-year budget and after completion of the mid-year budget update in June 2022, it is anticipated there will not be any savings in CIP as the full appropriation for both years will be spent in FY22 and FY23. The variance between budget and actual on a monthly basis is primarily due to the timing of payment of contractor invoices. CIP expenses are budgeted based on completion of work while payment will follow months later due to timing of receipt of contractor invoices and completion of Water Authority review.
- t) The Board approved in May 2022 the authorization to spend \$4.2 million of the MWD Settlement payment to fund expenses for legal services and additional associated costs for the General Counsel department.

San Diego County Water Authority
Schedule of Cash and Investments
As of September 30, 2022
Unaudited

Attachment 5

Operating Fund	\$ 194,096,883
Rate Stabilization Fund	101,159,082
Pay-As-You-Go Fund	27,938,307
Equipment Replacement Fund	2,067,516
Canal Maintenance Fund	322,999
Total Pooled Funds	62% 325,584,787
CIP/Bond Construction Fund	175,506,712
Debt Service Reserve Fund	22,715,775
Total Bond Funds	38% 198,222,487
Total Cash and Investments	\$ 523,807,274



Notes:

The Total Pooled Cash & Investments graph depicts the Water Authority's available monies, excluding bond proceeds, measured against the 150 Days Cash on Hand requirement as set in the 2021 Rate Model. For FY23, days cash on hand equates to a \$323.5 million target balance. Cash and investments balances will increase and decrease during the year, but the target is fixed for the fiscal year. 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 \$323.5 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 FY23 of \$95.6 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 FY23, the RSF has a fixed maximum balance of \$109.9 million and a fixed Target balance of \$76.4 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 contains bond proceeds from the Series 2022A debt issuance to finance approved capital projects.

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. 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.