

August 17, 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

The Water Authority is in the process of closing Fiscal Year 2022 and preparing the audit schedules, the financial statements, and the related documents required for the audited Annual Comprehensive Financial Report (ACFR). This report contains **preliminary/unaudited** financial information for the twelve-month period of July 1, 2021 through June 30, 2022. Cash and Investment fund balances, as shown in Attachment 6, will be adjusted for any year-end budgeted transfers between the Operating Fund, Rate Stabilization Fund, and Pay-As-You-Go Fund. In addition, other as yet undetermined adjustments for other line items will be made prior to completion of the ACFR.

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

	For the 12 months ended June 30, 2022				
	FY 2022	12 Months		\$ Variance	% Budget
	Adopted Budget	Amended Budget	12 Months Actual	Positive/ (Negative)	Above/ (Below)
Water Sales	\$ 646.7	\$ 646.7	\$ 669.3	\$ 22.6	3%
Water Purchases & Treatment	538.1	538.1	563.6	(25.5)	5%
Net Water Sales Revenue	108.6	108.6	105.7	(2.9)	-3%
Revenues & Other Income	127.5	127.5	198.7 ⁽¹⁾	71.2	56%
Total Revenues	236.1	236.1	304.4	68.3	29%
Total Expenses	203.3	207.5	235.4 ⁽²⁾	(27.9)	13%
Net Revenues Before CIP	32.8	28.6	69.0	40.4	141%
CIP Expenses	65.2	65.2	45.1	20.1	-31%
Net Fund Withdraws	\$ (32.4)	\$ (36.6)	\$ 23.9	\$ 60.5	-165%

⁽¹⁾ Other Income includes \$35.9 million MWD settlement monies and \$14.6 million MWD payment received for attorney's fees, costs, and interest.
⁽²⁾ Other Expenses includes \$35.9 million MWD settlement monies and \$10.4 million related award disbursed to the member agencies.

Summary

For the fiscal year ended June 30, 2022, the Water Authority is twelve months into its two-year budget and is showing a preliminary favorable variance to budget in the first year of \$60.5 million. Additionally, the first year of the two-year budget provided for a withdrawal from fund balance of \$36.6 million. However, based on preliminary and unaudited amounts, a withdrawal was not needed since actual net revenues after CIP was \$23.9 million. Increased revenues and a change in planned expenditures contributed to this variance in the first year of the budget. The variance will be absorbed by planned expenditures in Fiscal Year 2023 comprising of an increase in water purchase costs, CIP, debt services, and operating departments as outlined in the June 2022 mid-term budget update.

Water sales were higher than budget by 3 percent while water purchases and treatment costs were higher than budget by 5 percent resulting in net water sales revenue being \$2.9 million below budget. For the year, net water sales revenues amounted to \$105.7 million and contributed to paying for other costs as planned. Actual other revenues and other expenses were \$198.7 million and \$235.4 million, respectively. Both included the \$35.9 million judgment payment received from MWD 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 the \$14.6 million award received from MWD in March 2022 for attorney's fees, costs, and interest. The Board authorized in May to distribute \$10.4 million of the \$14.6 million award to the member agencies and this was completed in early June. Lastly, CIP expenses were \$20.1 million under budget but that savings has shifted to 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 twelve-month period ended June 30, 2022 was \$105.7 million, or \$2.9 million lower than the budgeted amount of \$108.6 million. Actual water purchase and treatment costs were 5 percent higher than budget and actual water sales revenues were 3 percent higher 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 391,066 AF for the twelve-month period ended June 30, 2022. Actual water sales volumes were 409,514 AF or 5 percent higher than budgeted (Attachment 1). The fiscal year 2022 actual water sales volumes through June 2022 were 409,514 AF, or 6.6 percent higher compared to the prior fiscal year's actual water sales volumes of 384,167 AF through June 2021 (Attachment 2). Total water sales revenues were \$669.3 million or \$22.6 million higher than the budget of \$646.7 million (Attachment 3).

Total water purchases and treatment costs were budgeted at \$538.1 million. Actual costs were \$563.6 million or \$25.5 million higher than budgeted (Attachment 4). This cost category included \$142.2 million for 202,500 AF of water purchased from IID, \$153.3 million for MWD's conveyance charges related to IID, Coachella Canal and All-American Canal water, and \$142.6 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 \$127.5 million for the twelve-month period ended June 30, 2022. Actual revenues were \$198.7 million or \$71.2 million higher than budget. The variance was attributable to the judgment payment of \$35.9 million received from MWD along with a related award payment of \$14.6 million received for attorney's fees, costs, and interest. In addition, the Water Authority received the full funding amount of \$18 million in May 2022 for the San Vicente Energy Storage Facility project through the state Budget Act of 2021 (Senate Bill 170), which is shown in the contributions in aid of capital improvement program category. Other increased revenues include capacity charges, interest income, property taxes, and hydroelectric revenue categories which were higher than anticipated. These increases were partially 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. (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 5, total expenses were budgeted at \$207.5 million for the twelve-month period ended June 30, 2022. Actual expenses were \$235.4 million or \$27.9 million higher than budget. The variance was attributable to the judgment payments received from MWD that were rebated to the Water Authority's 24 member agencies in November 2021 and June 2022 in the amounts of \$35.9 million and \$10.4 million, respectively. Expenses materially lower than the budget include the grant expenses category which were lower than budgeted similar to grant revenues (for the reasons noted above). The operating departments category is \$5.8 million lower than budget with 91 percent of the first-year appropriation being spent. The debt service category is lower than budget due to commercial paper program savings and lower debt issuance fees.

CIP Expenses

Attachment 5 shows CIP expenses were budgeted at \$65.2 million for the twelve-month period ended June 30, 2022, and actual expenses amounted to \$45.1 million or \$20.1 million lower than budget; however, this variance is not a savings as the remaining first year appropriation, in addition to the full second year appropriation, is planned to be spent in year two of the adopted two-year budget.

Actual CIP Expenses were funded by the Pay-As-You-Go Fund and CIP/Bond Construction Fund (Water Revenue Bonds, series 2022A proceeds) for the twelve-month period ended June 30, 2022 were \$17.6 million (39%) and \$27.5 million (61%), respectively.

Cash and Investments

As of June 30, 2022, the Water Authority's cash and investments balance was \$502.1 million, approximately 54 percent unrestricted funds with the remaining 46 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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Approved by: Christopher Woidzik, CPA, Controller

Attachments:

Attachment 1 – Water Sales Volumes

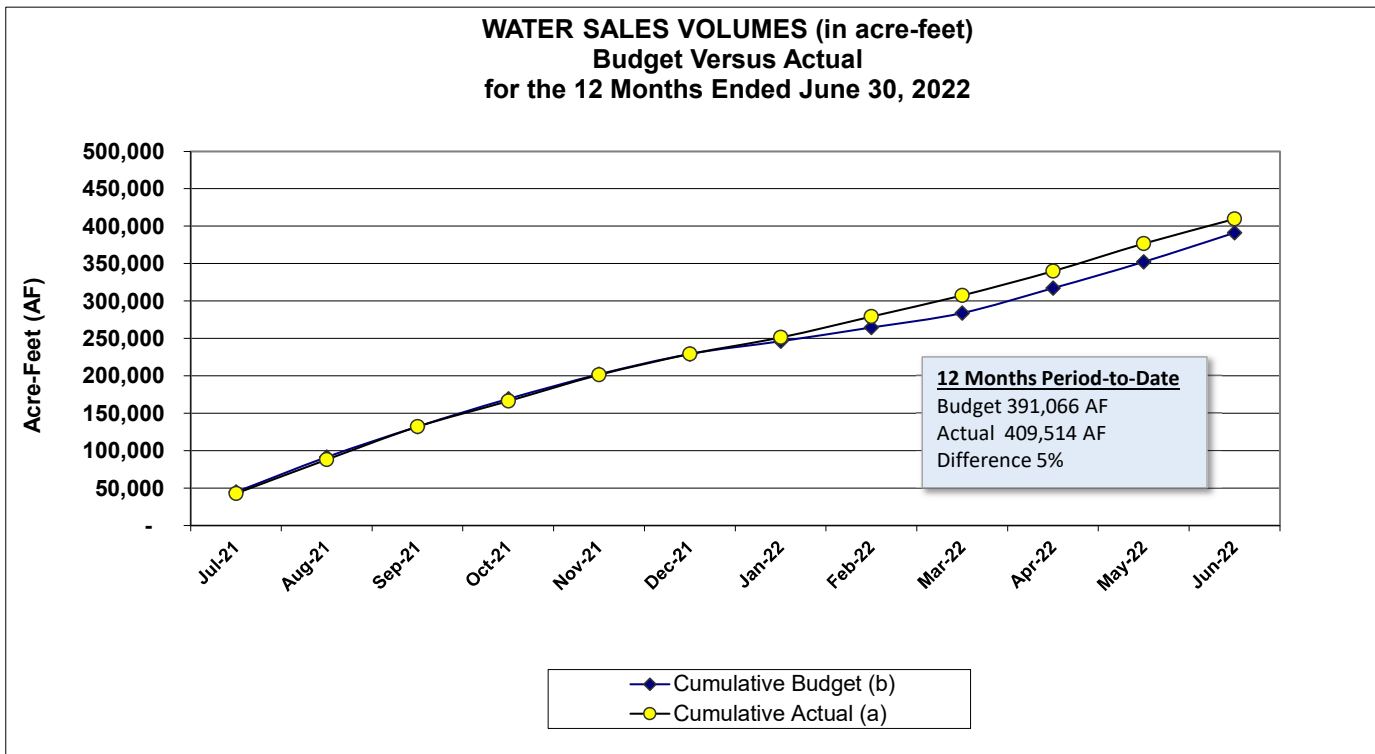
Attachment 2 – YOY Water Sales Comparison FY22 and FY21

Attachment 3 – Water Sales Revenues

Attachment 4 – Water Purchases and Treatment Costs

Attachment 5 – Budget Status Report

Attachment 6 – Schedule of Cash and Investments

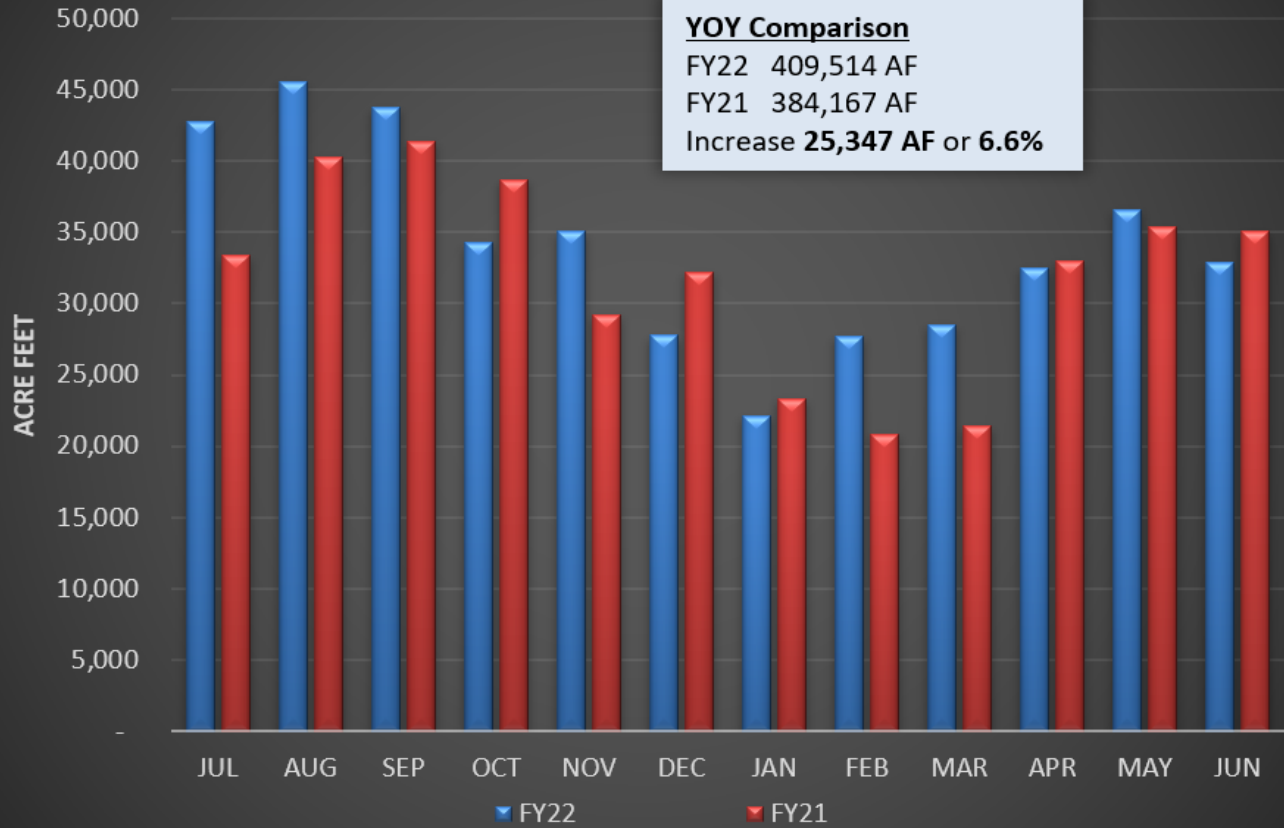


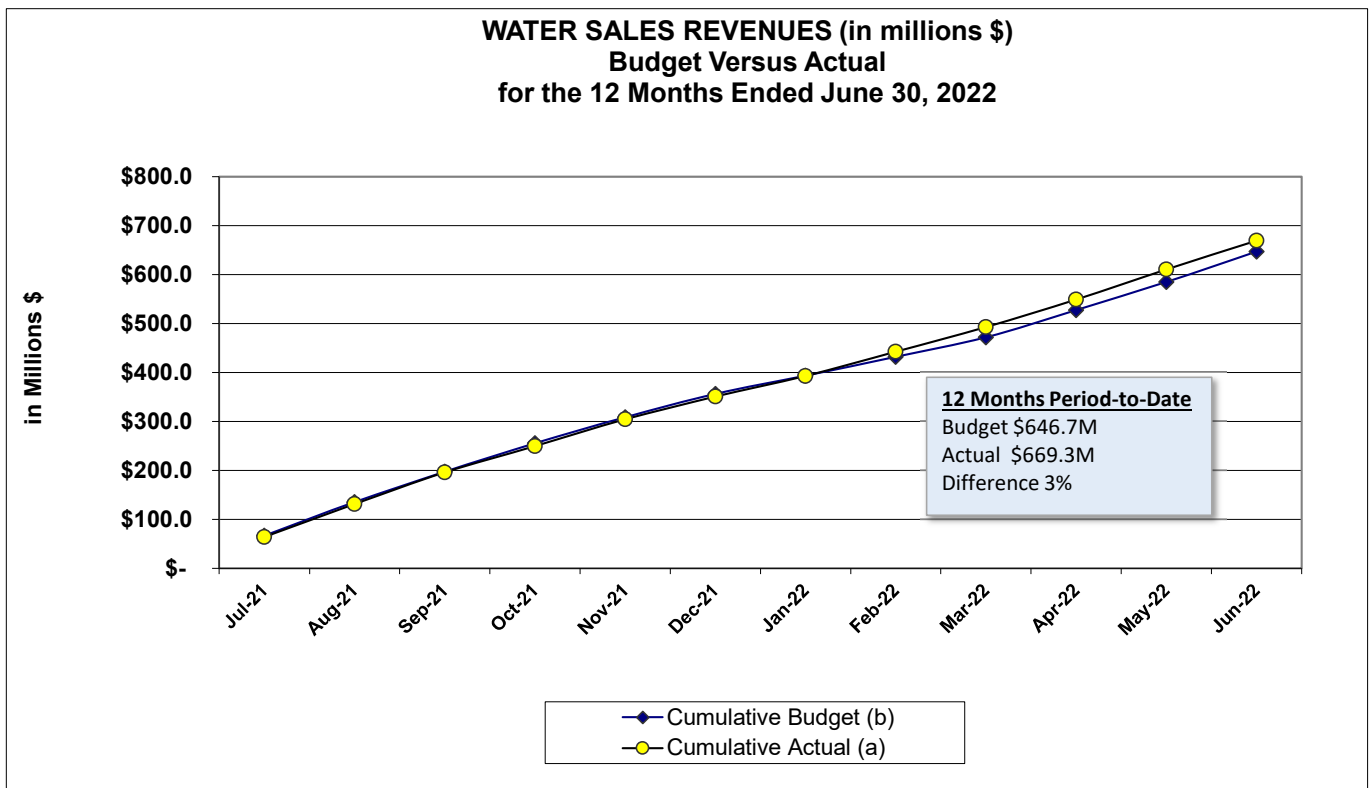
Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2022 and 2023.
Fiscal Year 2022 Semitropic Water Bank Sales were 3,426 AF and are excluded from the graph and table.

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	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)	5,045	14,474	23,518	22,894	24,375	18,448
% Difference (c/b)	-5%	-3%	0%	-2%	0%	0%	2%	5%	8%	7%	7%	5%

FY22 & FY21 Actual Water Sales

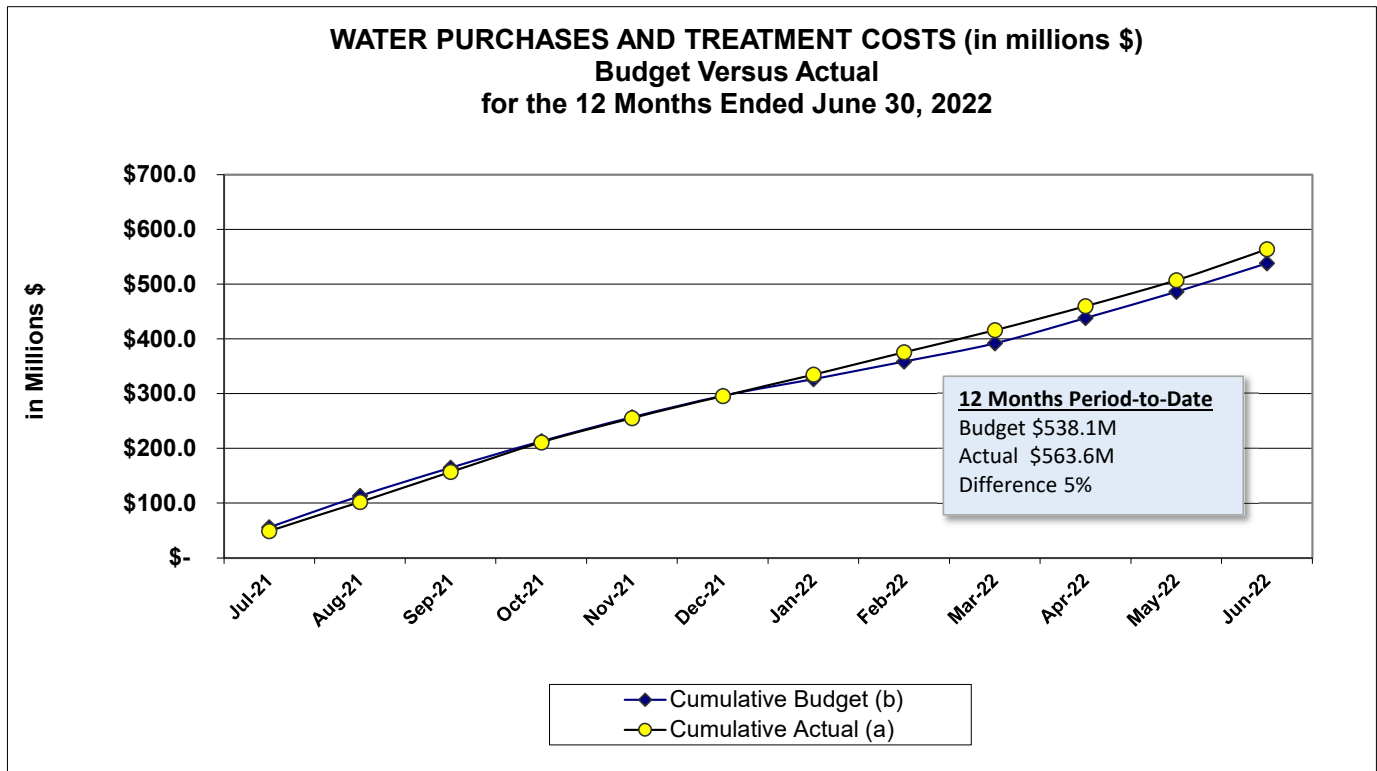




Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2022 and 2023.

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	\$ 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	\$ 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
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	\$ 22.6
% Difference (c/b)	-4%	-3%	-1%	-2%	-1%	-2%	0%	2%	4%	4%	4%	3%



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	\$ 56.3
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	\$ 563.6
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
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	\$ 25.5
% Difference (c/b)	-12%	-10%	-5%	-1%	-1%	0%	2%	5%	6%	5%	4%	5%

San Diego County Water Authority
Fiscal Year 2022 Budget Status Report
For the 12 Months Ended June 30, 2022
Preliminary/Unaudited

	[A]	[B]	[C]	Revenues = [-B + C] Expenses = [-B - C]	[C / B]
	FY 2022 (12 months - 100%)				
	FY 2022 Originally Adopted Budget	FY 2022 Period-to-Date Amended Budget (a)	FY 2022 Period-to-Date Actual	Variance Positive (Negative)	Actual to FY 2022 Amended Budget
Net Water Sales Revenue					
Water Sales	\$ 646,676,065	\$ 646,676,065 (b)	\$ 669,277,819	\$ 22,601,754	103%
Water Purchases & Treatment	538,089,829	538,089,829 (b)	563,604,911	(25,515,082)	105%
Total Net Water Sales Revenue	108,586,236	108,586,236	105,672,908	(2,913,328)	97%
Revenues and Other Income					
Infrastructure Access Charges	47,155,000	47,155,000	47,284,548	129,548	100%
Property Taxes & In-lieu Charges	16,100,000 (c)	16,100,000	16,965,774	865,774	105%
Investment Income	2,953,000 (d)	2,953,000	3,986,785	1,033,785	135%
Hydroelectric Revenue	2,886,000 (e)	2,886,000	3,290,067	404,067	114%
Grant Reimbursements	16,658,000	16,658,000	8,613,291	(8,044,709)	52%
Build America Bonds Subsidy	10,659,000	10,659,000	10,658,690 (l)	(310)	100%
Other Income	2,116,000	2,116,000	56,648,462 (o),(p)	54,532,462	2677%
Capital Contributions:					
Capacity Charges	16,930,000 (f)	16,930,000	22,103,246	5,173,246	131%
Water Standby Availability Charges	11,200,000 (g)	11,200,000	11,141,972	(58,028)	99%
Contributions in Aid of Capital Improvement Program (CIP)	802,000 (h)	802,000	18,003,972 (q)	17,201,972	2245%
Total Revenues and Other Income	127,459,000	127,459,000	198,696,807	71,237,807	156%
Total Revenues	236,045,236	236,045,236	304,369,715	68,324,479	129%
Expenses					
Debt Service	118,888,000 (i)	118,888,000	116,229,789	2,658,211	98%
QSA Mitigation	3,995,407 (j)	3,995,407	3,997,156	(1,749)	100%
Equipment Replacement	3,093,000	3,093,000	1,208,269	1,884,731	39%
Grant Expenses	16,897,000	16,897,000	8,611,247	8,285,753	51%
Other Expenses	2,011,000	2,011,000	48,640,509 (o),(p)	(46,629,509)	2419%
Operating Departments (see below)	58,369,680 (k)	62,569,680	56,720,109	5,849,571	91%
Total Expenses	203,254,087	207,454,087	235,407,079	(27,952,992)	113%
Net Revenues Before CIP	\$ 32,791,149	\$ 28,591,149	\$ 68,962,636	\$ 40,371,487	241%
CIP Expenses	\$ 65,227,000	\$ 65,227,000	\$ 45,069,012 (r)	\$ 20,157,988	69%
Net Fund Withdraws	\$ (32,435,851) (m)	\$ (36,635,851)	\$ 23,893,624	\$ 60,529,475	-65%
CIP Expenses by Funding Source					
Pay As You Go Fund			\$ 17,573,838	39%	
CIP/Bond Construction Fund			27,495,174	61%	
Total CIP Expenses by Funding Source			\$ 45,069,012		

Operating Departments Detail

	[A]	[B]	[C]	[C / B]
Administrative Services	\$ 7,149,365	\$ 7,149,365	\$ 6,459,601	90%
Colorado River Program	2,263,646	2,263,646	1,629,876	72%
Engineering	4,041,202	4,041,202	3,707,705	92%
Finance	3,068,767	3,068,767	2,966,324	97%
General Counsel	3,717,612	7,917,612 (n)	6,589,569	83%
General Manager & Board of Directors	2,548,266	2,548,266	2,393,991	94%
Government Relations	1,276,504	1,276,504	995,450	78%
Human Resources	1,502,480	1,502,480	1,349,355	90%
MWD Program	2,024,277	2,024,277	1,991,072	98%
Operations & Maintenance	22,370,500	22,370,500	21,675,206	97%
Public Affairs	2,846,281	2,846,281	2,636,227	93%
Water Resources	5,560,780	5,560,780	4,325,733	78%
Total Operating Departments	\$ 58,369,680	\$ 62,569,680	\$ 56,720,109	91%

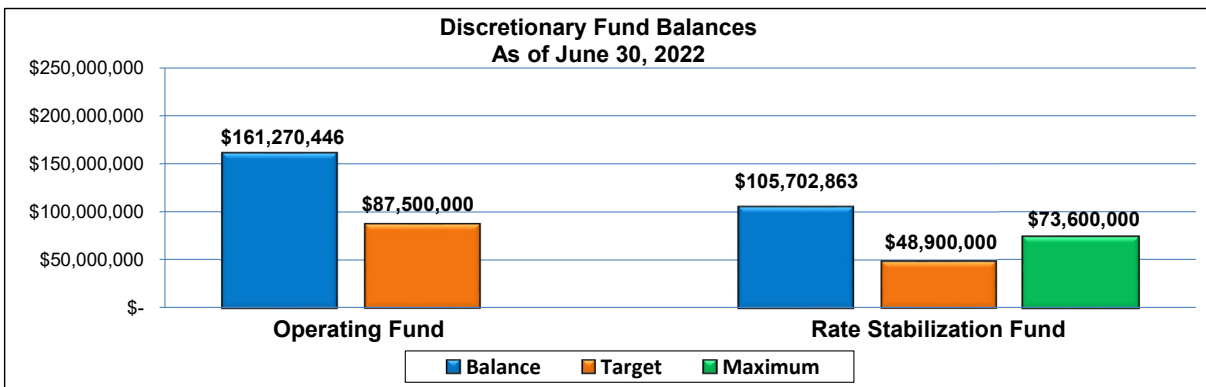
**San Diego County Water Authority
Fiscal Year 2022 Budget Status Report
For the 12 Months Ended June 30, 2022**

Notes to the Budget Status Report:

- a) Period-to-date budgeted amounts are 12/12ths (100%) 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) 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) 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.
- o) This includes the \$35.9 million MWD settlement payment. The monies received by the Water Authority were disbursed to the Member Agencies.
- 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.
- q) 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.
- r) 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.

**San Diego County Water Authority
Schedule of Cash and Investments
As of June 30, and May 31, 2022
Preliminary/Unaudited**

	<u>June</u>		<u>May</u>		<u>Target</u>
Operating Fund	\$ 161,270,446		\$ 175,150,443		\$ 87,500,000
Equipment Replacement Fund	2,522,267		2,632,982		
Canal Maintenance Fund	489,332		472,198		
Rate Stabilization Fund	105,702,863		105,588,269		\$ 48,900,000
Total Unrestricted Funds ⁽¹⁾	54% <u>269,984,908</u>		55% <u>283,843,892</u>		
Pay-As-You-Go Fund ⁽¹⁾	23,542,371		24,426,629		
CIP/Bond Construction Fund	186,124,760		189,380,507		
Debt Service Reserve Fund	22,434,150		22,434,150		
Total Restricted Funds	46% <u>232,101,281</u>		45% <u>236,241,286</u>		
Total Cash and Investments	\$ 502,086,189		\$ 520,085,178		

**Notes:**

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

The Target and Maximum levels are calculated as fiscal year 2022 ending amounts which do not change monthly and remain constant for the year. The Operating Fund target was set based on 45 days of operating expenses and actual cash balances will increase and decrease during the year timed with receipt of operating revenues or debt/operating payments, respectively. The RSF Target and Maximum were set based on the Board's approved methodology for determining the RSF targets and are based on volatile components. This includes both cost of sales and water sales over a 2.5 year to 3.5 year period. As such, the FY '22 target, defined in May 2021, is determined using CY '23-'25 projections. The result is a target that is highly fluid and regularly assessed to ensure sufficient funding by year-end. Lastly, we need to maintain a balance of \$70 million or more in the RSF to retain favorable ratings or risk a downgrade.

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 216% of the targeted value of \$48.9 million and 144% 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.

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.