



***San Diego County
Water Authority***

Our Region's Trusted
Water Leader



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended June 30, 2020



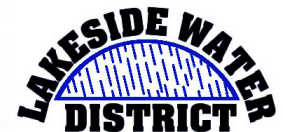
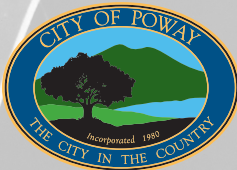
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended
June 30, 2020

Prepared by the Finance Department
San Diego, California 92123



Our Region's Trusted Water Leader
San Diego County Water Authority



* The Sweetwater Authority is a service organization for the City of National City and the South Bay Irrigation District.

Introductory Section

Letter of Transmittal	1
Awards and Acknowledgements	17
San Diego County Water Authority Board of Directors	19
San Diego County Water Authority Organizational Structure	20

Financial Section

Independent Auditor's Report	21
------------------------------------	----

Management's Discussion and Analysis (Required Supplementary Information)	25
--	-----------

Financial Statements

Statement of Net Position	35
Statement of Revenues, Expenses, and Changes in Net Position	36
Statement of Cash Flows	37
Notes to the Financial Statements	39

Required Supplementary Information (RSI)

Defined Benefit Pension Plan Schedules	75
Other Post-Employment Benefits Schedules	77

Supplemental Information

Budgetary Comparison Schedule	79
-------------------------------------	----

Statistical Section

Financial Trends (Tables 1-5)

Net Position	84
Revenues and Capital Contributions by Source	85
Expenses by Function	87
Operating Department/Program Expenses by Major Expense Category	88
Capital Assets	89

Revenue Capacity (Tables 6-10)

Schedule of Rates and Charges	90
Water Sales by Customer	91
Total Treated and Untreated Water Sales	92
Assessed Valuation of Taxable Property	93
Levies and Collections	94

Debt Capacity (Tables 11-13)

Revenue Debt Service Coverage.....	95
Long-Term Debt Outstanding	96
Direct and Overlapping Debt	98

General Information (Tables 14, 15)

General Information	99
Operating Indicators.....	99

Demographic and Economic Information (Tables 16, 17)

Demographic and Economic Statistics.....	100
Largest Employers in San Diego County	100

Continuing Disclosure

General Information	102
A Guide to the Continuing Disclosure	102
Selected Financial Highlights	103
Summary of Outstanding Debt	104
Member Agency Voting Entitlements	106
Water Source and Use.....	107
Operating Results.....	109
Summary of Water Rates	111
Summary of Investments	112
Investment Policy.....	112
Litigation.....	113
Member Agency Detachment	114
Cybersecurity	115
Economy of San Diego County	115
Subsequent Events	118



Introductory Section

October 14, 2020

MEMBER AGENCIES

Carlsbad
Municipal Water District

City of Del Mar

City of Escondido

City of National City

City of Oceanside

City of Poway

City of San Diego

Fallbrook
Public Utility District

Helix Water District

Lakeside Water District

Olivenhain
Municipal Water District

Otay Water District

Padre Dam
Municipal Water District

Camp Pendleton
Marine Corps Base

Rainbow
Municipal Water District

Ramona
Municipal Water District

Rincon del Diablo
Municipal Water District

San Dieguito Water District

Santa Fe Irrigation District

South Bay Irrigation District

Vallecitos Water District

Valley Center
Municipal Water District

Vista Irrigation District

Yuima
Municipal Water District

**OTHER
REPRESENTATIVE**

County of San Diego

The Honorable Board of Directors
San Diego County Water Authority
4677 Overland Avenue
San Diego, CA 92123

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the San Diego County Water Authority (Water Authority) for the fiscal year ended June 30, 2020 in accordance with Section 25253 of the California Government Code. The purpose of this report is to provide the Board of Directors (Board), member agencies, investors, the public, and other interested parties with reliable financial information about the Water Authority.

Management assumes full responsibility for the completeness and reliability of the information contained in the CAFR, which is based upon a comprehensive framework of internal controls that were established for this purpose. Because the costs of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Water Authority policy requires that an independent certified public accounting firm, selected by the Board, audit the financial statements on an annual basis. Davis Farr, LLP, has issued an unmodified (or clean) opinion on the Water Authority's financial statements for the fiscal year ended June 30, 2020. The independent auditor's report is presented as the first component of the Financial Section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report in the Financial Section and provides an overview, summary, and analysis of the financial statements. The MD&A complements this Letter of Transmittal and should be read in conjunction with it.

According to Generally Accepted Accounting Principles (GAAP) enterprise funds are not legally required to adopt and adhere to a budget, nor present budgetary comparison information. However, the Board has chosen to adopt a two-year budget as a management tool for estimating and planning Water Authority revenues and expenses which is used to identify unusual or unanticipated trends. The Water Authority adopted a multi-year budget for fiscal years 2020 and 2021, and a Budgetary Comparison Schedule for fiscal year 2020 can be found in the Other Supplemental Information Section of this report.

Fiscal Year 2020 a Challenging Year

For the Water Authority, 2020 produced extreme challenges that tested the agency's abilities and flexibility as the COVID-19 pandemic drastically rearranged routines and priorities. The Water Authority rose to the challenge by swiftly transitioning three-quarters of staff to remote work in support of staff required on-site or in the field to ensure safe, reliable water delivery continued uninterrupted. Employees adapted to social distancing, temperature checks, mask wearing and limited public access to facilities. The new realities also created a tsunami of teleconference meetings, including virtual Board meetings. In light of the unanticipated challenges, the General Manager launched weekly all-staff calls to provide updates on COVID and allow employees to share progress on projects and programs. In addition, management and labor leaders implemented weekly meetings to ensure employee questions and concerns were addressed.

The Water Authority continued to meet its mission in 2020 showcasing decades of work to transform itself into one of the most pioneering, visionary, agile and driven water agencies in the world, as evidenced by numerous national and international awards for engineering, asset management and water management excellence. Today, the Water Authority and its member agencies are leaders in water conservation, asset management, innovation, seawater desalination and water resource planning to serve the region's 3.3 million residents and sustain its \$245 billion economy for decades to come.

Sandra L. Kerl Appointed General Manager

At the November 21, 2019 board meeting the San Diego County Water Authority Board of Directors appointed Sandra L. Kerl to be the new General Manager. Sandy previously served as acting general manager since March after the retirement of the former general manager and joined the Water Authority in November 2009 as deputy general manager.

Sandy has more than 35 years of progressively responsible experience in all aspects of municipal management. She served as city manager of La Mesa, California, and has broad experience with city management, extensive knowledge of organizational issues, and a pragmatic understanding of capital project management and delivery. Sandy's career highlights in the water industry include leading the effort to secure financing for the nation's largest seawater desalination plant, a public-private partnership that was hailed as a model for other large-scale water works around the country. Throughout her professional career Sandy has been active in the International County Management Association. She currently sits on the board of the California Urban Water Agencies as an Officer, which represents the water supplies that serve more than two-thirds of California's population.

Water Authority Profile

The Water Authority was organized on June 9, 1944, under the County Water Authority Act for the primary purpose of providing a safe and reliable supply of imported water to its member agencies for domestic, municipal, and agricultural uses. The Water Authority's service area encompasses roughly the western one-third of San Diego County, or approximately 1,490 square miles. As a wholesale water supplier, the Water Authority supplies water to its 24 member agencies, which then deliver the water to the region's 3.3 million residents. The member agencies include six cities, five water districts, three irrigation districts, eight municipal water districts, one public utility district, and one federal agency.

As a semi-arid region, the Water Authority relies on a diversified mix of water resources to meet the demands of its member agencies. In Fiscal Year (FY) 2020, the region's water supply was provided through a combination of imported water and local water. Those supplies included water from a water transfer agreement with the Imperial Irrigation District, All-American and Coachella Canal lining agreements, seawater desalination, surface water, recycled water, groundwater, San Luis Rey Water Transfers and imported water from the Metropolitan Water District of Southern California.



Board of Directors

A 36-member board governs the Water Authority, with each of the 24 member agencies having at least one voting representative on the Board. Member agencies may also designate and appoint one additional representative for each full five percent of Water Authority assessed value within the member agency service area. Currently, the City of San Diego has 10 directors; Carlsbad, Helix, and Otay Water District have two directors each; and the remaining member agencies have one director each. Directors are appointed to six-year terms by the chief executive officers of the respective member agencies, subject to approval by the member agencies' governing bodies. The voting rights of member agencies are weighted and based upon each agency's total historical financial contribution to the Water Authority. Currently, all Board actions require an affirmative vote constituting at least 55 percent of the total weighted vote of the member agencies. In addition to the 36 voting members, the County of San Diego has one representative who may participate in certain Board deliberations and committee actions, but has no voting rights on Board actions. Officers of the Board begin two-year terms on October 1st of each even-numbered year.

Committees and Organizational Structure

To facilitate matters, most business coming before the Water Authority's Board is first considered by one of its five standing committees, described below, which then makes recommendations to the full Board for formal action:

The Administrative and Finance Committee is responsible for administrative and finance matters, including: rates, fees, charges, and other sources of revenue; budget; investments; human resources; employer-employee relations; information technology; insurance; risk management; and other matters of general business operations.

The Engineering and Operations Committee is responsible for matters of design, construction, replacement, maintenance and operation of the Water Authority's facilities, property and equipment, including: administration of the Capital Improvement Program; administration of the Asset Management Program; right of way acquisition and management; system and facility security; water quality; and other matters relating to facility operations.

The Imported Water Committee is responsible for imported water supply matters, including: activities and issues as a member agency of MWD, inclusive of those related to the California State Water Project and a Sacramento-San Joaquin Bay-Delta project; administration of the Colorado River Quantification Settlement Agreement and related agreements; participation on the Colorado River Board of California; and other matters relating to water supplies from sources outside San Diego County.

The Legislation and Public Outreach Committee is responsible for community and governmental outreach matters, including: legislation, lobbying, and intergovernmental relations; community relations; media relations; social media; online communication; capital project outreach; and small-business contracting outreach.

The Water Planning and Environmental Committee is responsible for water supply planning and supporting local supply development, including: water supply and demand forecasting and reporting; shortage allocation planning and administration; seawater desalination; water recycling and potable reuse; groundwater and conjunctive use; local surface water; environmental management; regulatory compliance and policy; Urban Water Management Plans; water use efficiency programs; and other planning matters.

In addition, the Water Authority has one special purpose Board committee that is responsible for oversight of the audit and CAFR as follows:

The Audit Committee is responsible for independent oversight of the annual financial reporting process, including the selection of, and communication with the Water Authority's outside audit firms. The Audit Committee was established in 2009 driven by the Board's desire to separate oversight responsibilities for the audit function from the Administrative and Finance Committee.

The Water Authority's organizational structure as of June 30, 2020 can be found on page 20. The General Manager reports directly to the Board and manages the Water Authority's daily operations. The General Counsel also reports directly to the Board. Reporting directly to the General Manager is a Deputy General Manager, one Assistant General Manager, the Clerk of the Board and six departments. The executive team consists of department and program directors, responsible for managing the Administrative Services, Government Relations, Human Resources, Engineering, Finance, Operations and Maintenance, Public Outreach, and Water Resources Departments, and the MWD Program and Colorado River Program.

Economic Conditions and Outlook

San Diego had a 13.09 percent unemployment rate in June 2020 due to the effects of the COVID-19 pandemic. This, however, is below the state's average of 15.1 percent and down slightly from highs seen in the March-April time period when as many as 152,000 jobs were lost. That said, "San Diego's job market staged an impressive turnaround in June, with large employment gains and easing joblessness," per Lynn Reaser, chief economist for the Fermanian Business & Economic Institute at Point Loma Nazarene University. The loss of jobs was seen throughout the services, tourism and hospitality sectors, but not as much in the professional, scientific and technical areas. Opinions differ between economists on where we go from here with some saying the economy will rebound quickly once a vaccine is developed while others are more cautious saying the economy will grow slowly due to increasing

bankruptcies. It is still unknown whether the expiration of the extra \$600 a week in unemployment benefits under the federal CARES act will benefit, or hurt, the economy.

San Diego County's median home prices keep increasing and hit \$634,000 in July, which was a 9.3 percent increase over a year earlier, as reported by real estate tracker CoreLogic. Homes are staying on the market for a shorter period than last year, due to historically low interest rates of 3.02 percent and despite the ongoing pandemic. The County saw a large increase in residential and multi-family construction compared to the decreases seen in 2019 with both categories being on track to meet or exceed average construction totals for the last few years. However, building permits pulled included increases in retail construction, but was down for office buildings, hotels and industrial buildings. The pandemic slowed some activity, however, because the Governor declared construction an essential service, only a minor amount of the total jobs lost were in construction.

Regional Water Demands

Water use in the San Diego region totaled approximately 466,000 AF in FY 2020; a 3,000 AF increase from FY 2019. Despite that increase, water demands continued to be suppressed due to a second consecutive year of above average rainfall in the San Diego region. Total rainfall at Lindbergh Field for FY 2020 measured approximately 14 inches, or 133 percent of normal. Looking ahead, water use is anticipated to increase year-over-year as normal precipitation levels are expected to return. The Water Authority will continue to implement long-term water use efficiency measures and the Water Authority's investments in highly reliable, resilient supplies (such as Colorado River transfers, local seawater desalination, and in-region carryover storage) will help to buffer the region's exposure to potential supply shortages and support sustained growth of the local economy. This resilience strategy is directly in line with Governor Newsom's Water Resilience Portfolio, a plan intended to help the state manage more extreme droughts and floods, aging infrastructure, declining fish populations and other challenges. The Water Authority hosted a water resilience portfolio event in July 2019, with four of the governor's cabinet members in attendance, to help them assess the San Diego region's water projects as part of their role in developing a [water portfolio strategy](#) for the state.

2020 Urban Water Management Plan

The Water Authority is preparing its 2020 Urban Water Management Plan (UWMP) for submittal to the state by July 1, 2021. Urban water suppliers are required under the California Urban Water Management Planning Act (Act), which is part of the California Water Code, to adopt and submit an UWMP to the California Department of Water Resources every five years. The plan serves as the Water Authority's long-term water supply planning document with a 25-year planning horizon and is a key resource for the Water Authority, its member agencies, and the public.

The plan identifies the projected mix of existing and future water supplies needed to reliably meet demands in the San Diego region. Since first required in 1985, the importance of the UWMP has evolved and expanded. The analysis and information included in the UWMP make it the foundational document for other Water Authority planning efforts, including the Long-Range Financing Plan, Facilities Master Plan, and Integrated Regional Water Management Plan. Preparation of the Water Authority's 2020 UWMP is closely coordinated with the Water Authority's member agencies to accurately capture the local water supply information that is used to develop the regional long-range demand forecast.

Long-Range Planning

The Government Finance Officers Association (GFOA) recommends that all governmental entities use some form of strategic planning to provide a long-term perspective for service delivery and budgeting. The Water Authority has developed a comprehensive Long-Range Financing Plan (LRFP) that is monitored and reviewed frequently to adapt to the ever-changing environment. The 2015 LRFP was developed with member agency involvement and approved by the Board of Directors in January 2016. The Water Authority is currently updating the LRFP and anticipates completion in early 2021.

The LRFP codifies certain enhanced financial policies relating to debt service coverage, reserve levels, and financial risks. The current LRFP highlights the transition to an operations and asset management-focused agency from a construction-oriented agency. The LRFP also addresses the near-term financial impacts of statewide demand regulations and provides additional information regarding key assumptions, sensitivity analysis, and non-bonded liabilities. More information about the LRFP can be found at: http://www.sdcwa.org/sites/default/files/files/finance-investor/FINAL_LRFP2015.pdf

Financial Policies

The Water Authority has adopted a comprehensive set of financial policies. During the current year, four of these policies were of most significance.

Debt

The Water Authority has a Debt Management and Disclosure Policy that sets forth comprehensive guidelines for the issuance and management of the Water Authority's debt. Compliance with the policy is essential to ensure that the Water Authority maintains a sound debt position and that it protects the credit quality of its debt obligations. The Water Authority's policy establishes guidelines for its disclosure obligations and refinancing debt to achieve savings levels based on a call option pricing model.

Investments

Annually, the Board adopts an investment policy that is in compliance with California Government Code Section 53600 et seq. The investment of idle funds is delegated by the Board to the Water Authority's Treasurer, who assumes full responsibility for the transactions of the investment program, including the investment of bond proceeds and debt service reserves. The objectives of the investment policy are safety, liquidity, yield, and public trust. The Water Authority's investments are in compliance with the adopted investment policy. Refer to Note 2 in the Notes to the Financial Statements for detailed investment information and the Continuing Disclosure Section for a more detailed overview of the policy.

Funds

The Board has an adopted policy that governs the Rate Stabilization Fund's (RSF) balances. The policy established a minimum target balance and maximum target balance. The minimum RSF target balance is equal to the financial impact of 2.5 years of wet weather and the maximum target balance (cash reserve) is set equal to the financial impact of 3.5 years of wet weather. As a general rule, the Water Authority will transfer portions of its net water revenues exceeding its debt service coverage requirement into the RSF. From time to time, as needed, the Water Authority will transfer amounts from the RSF into water revenues to meet debt service coverage requirements, or to help provide adequate working capital to the Operating Fund.

Budget

In addition to the financial statements, the Water Authority includes a schedule in the Other Supplementary Information Section that compares the final budget to the actual amounts for the fiscal year ended June 30, 2020. The schedule includes a reconciliation of adjustments from the budgetary basis to the Generally Accepted Accounting Principles (GAAP) basis.

This report also contains a Statistical Section, which provides both financial and non-financial trend data about the Water Authority and its operations, and a Continuing Disclosure Section, which provides both financial and non-financial information in compliance with the Water Authority's Continuing Disclosure requirements.

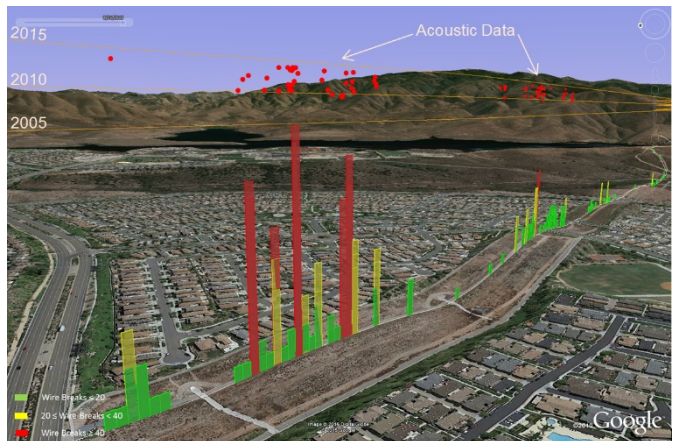
Highlights of the Capital Improvement Program

The major Capital Improvement Program (CIP) activities include the following:

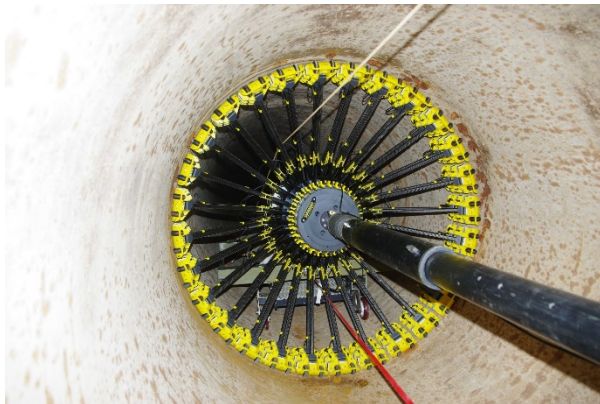
Asset Management Program

The Water Authority continues to implement and develop the latest in inspection technologies and risk-assessment processes to safeguard its critical water conveyance infrastructure. With the latest data gathering techniques comes increased confidence in being able to optimize the timing of infrastructure rehabilitation spending.

Following a rolling 5-year Condition Assessment Plan, all infrastructure assets are evaluated for performance and integrity over the medium and long term. This allows a system-wide risk assessment to be performed ahead of every two-year budget cycle, with focus on executing projects to maximize the lifespan of pipelines and flow control facilities.



Risk Assessment Using Pipeline Condition Data



Electromagnetic Pipe Inspection Tool

Several pipeline projects were programmed into the FY 2020 and 2021 budget cycle and included the assessment of the Water Authority's oldest pipelines, constructed beginning in 1947. The inspection surpassed its objectives by completing 27 miles in under 16 months, an unprecedented accomplishment for the asset management team.

Beginning in FY 2020, an extensive desktop analysis of technical data associated with flow control facilities, that considers seismic vulnerabilities, hydraulic performance, and other risks, was recently completed. This will contribute to the data used to perform the system-wide risk assessment in FY 2021.

Additionally, the Water Authority executed two major emergency repairs in FY 2020. The early detection of each issue allowed the Water Authority to make the necessary repairs before either resulted in an actual failure or impacted service to our member agencies. This early detection was an outgrowth of the work performed as part of the Asset Management Program.

More information about the Asset Management Program can be found at the project web page at: <http://www.sdcwa.org/asset-management>.

Capital Assets

The Water Authority also has a significant investment in capital assets approximating a \$3.5 billion net book value to ensure the safe and reliable delivery of water to the San Diego region. The capital assets are comprised of non-depreciable and depreciable assets. Non-depreciable assets include land, easements, mitigation bank credits and construction in progress. Depreciable assets include pipelines and dams, buildings and facilities, machinery and equipment, and intangible assets such as software and mitigation improvements, participation and capacity rights and water storage rights. These assets are monitored and maintained to ensure continuous performance and then replaced according to set schedules or as needed.

Supporting this practice is the Equipment Replacement Fund (ERF), created to receive monies designated for replacing machinery and equipment, computers, fleet vehicles, SCADA operating system and computer software when needed. As part of the budget adoption process, the Board authorizes monies to be deposited into the ERF where it will accrue over time to correspond back to the replacement cost of the individual asset lives. Footnotes 1(f) and 6-9 in the Notes to the Financial Statements provides further information on the Water Authority's Capital Assets.

Major Initiatives

Colorado River Plan

With prolonged drought conditions and historic decline in Lake Mead levels, the Drought Contingency Plan, finalized in 2019, is now being implemented to help build elevation in Lake Mead and prevent future shortages, largely through leveraging the existing storage program created under the 2007 Interim Operating Guidelines. While not a party to the Drought Contingency Plan, the Water Authority has eligible supplies to store in Lake Mead which would provide both local and Basin-wide benefits and is pursuing full participation in the storage program.

Colorado River opportunities such as Lake Mead storage are a key focus area in the next era of water management for the Water Authority. Additionally, the upcoming work to develop the next set of operating guidelines for the Colorado River that will be in effect beyond 2026 will be crucial for future Colorado River management. The Water Authority will continue to work with our member agencies, California stakeholders, Colorado River Basin states, the Bureau of Reclamation, and binationally with Mexico on these issues going forward. Finally, the Water Authority continues to study the feasibility of a Regional Conveyance System to directly deliver its Quantification Settlement Agreement supplies from the Colorado River to the San Diego region while engaging with stakeholders to explore partnership opportunities along the way that would provide multiple benefits to the Southwest and support Governor Newsom's Water Resilience Portfolio.



The Water Authority has eligible supplies to store in Lake Mead.

Energy Program

Energy is a significant cost in treating and delivering water to our member agencies. The Water Authority created the Energy Program to oversee agency-wide planning, regulatory, and operational energy-related issues regarding energy usage and production. The following initiatives are examples of the Energy Program's pursuit of opportunities to reduce energy demands and costs; stabilize water rates for our member agencies; and reduce greenhouse gas emissions for our communities by leveraging existing water infrastructure.

The Board approved 2019 Energy Management Policy (EMP) focuses on six areas: energy supplies, existing system operations, new energy generation and storage, energy efficient equipment and features, collaborative relationships, and government relations. The EMP establishes goals including reducing energy costs at the Claude "Bud" Lewis Carlsbad Desalination Plant, continuing progress on the proposed San Vicente Energy Storage Facility, and using existing and new infrastructure to generate revenues to offset water rates.

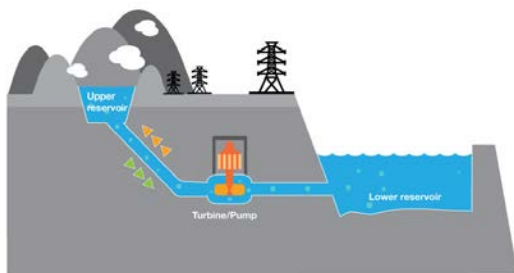


Desal Plant

In August 2019, the Water Authority received approval from the California Public Utilities Commission to credit the energy generated from the 4.5-megawatt Rancho Peñasquitos Hydro-generation and Pressure Control Facility to the Carlsbad Desalination Plant. This is done through SDG&E's Renewable Energy Self-Generation Bill Credit Transfer (RES-BCT) program. The energy credit is estimated to save up to \$1 million annually in energy costs at the Desal Plant.

The Water Authority continues to evaluate opportunities to reduce energy costs. This includes applying for SDG&E's Direct Access program, which is a lottery through SDG&E to have lower energy rates, and exploring both regulatory and legislative options for Wholesale Open Access Distribution, which is an energy tariff that would significantly reduce the Water Authority's energy costs.

How Does a Closed-Loop Pumped Energy Storage Work?



Pump Storage

The Water Authority and City of San Diego continue to explore a potential 500-megawatt pumped energy storage facility located at the San Vicente Reservoir, which is owned by the City and where both parties share water storage. The facility would consist of a closed-loop pumping system between the existing lower reservoir and a new, smaller reservoir located uphill. It would pump water uphill when renewable energy is plentiful to create a bank of stored energy that would be released to the lower reservoir by gravity at times when renewable energy supplies are unavailable and energy demand and costs are high. If developed, revenues generated could lessen upward pressure on water rates and support California's clean and renewable energy goals. To help advance this potential project, the City and Water Authority focused on legislative initiatives to promote pumped storage procurement and participated in regulatory procurement proceedings.

Reducing energy costs and exploring revenue generating projects, such as the potential San Vicente Energy Storage Facility, are the cornerstones of the Energy Program. By pursuing these initiatives and continuing to optimize energy usage at existing and proposed facilities, developing collaborative relationships with strategic partners, and working with government relations staff to support the Water Authority's energy legislative policies, the Water Authority will maximize energy reliability, which is crucial to fulfilling our water supply mission.



San Vicente Dam and Reservoir

Innovation Program

The Water Authority's Innovation Program, which began in November 2015, provides structure and processes to identify creative ideas, which assist the Water Authority in meeting our objectives. The Water Authority's Innovation Program's goals are to capture the organization's collective innovative power, maintain an innovation culture where all staff see themselves as innovators, build external collaborative partnerships and provide a conduit for outside vendors to partner with the Water Authority where business interests align. The Innovation Program includes the internal "Bright Idea" program, which collects innovative ideas throughout the organization. Externally, our innovation efforts align with our strategic direction, mission and vision, and include exchanging information with regional agencies, including the Water Authority's 24 member agencies. Two examples are the Water Authority sponsored Regional Innovation Forum and the Interagency Asset Management Coordination Program.

IRWM Program

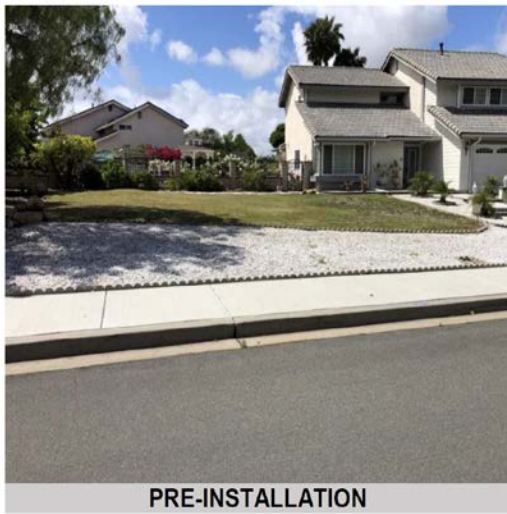
Integrated Regional Water Management (IRWM) planning is an innovative, inclusive way to increase reliable water supplies, improve water quality, and protect natural resources through cooperation among public agencies with different jurisdictions and non-profit public interest organizations. IRWM programs conduct planning that encompasses different aspects of water management and seek out funding to support projects that achieve goals established through the planning effort.

The Water Authority joined with the County of San Diego and City of San Diego in 2005 to form the San Diego IRWM Program. The Water Authority has taken a lead role in implementing the program since then, representing the program to the State of California and administering the IRWM grant funds awarded to local projects. The program is supported by a 31-member Regional Advisory Committee that represents a wide spectrum of public agencies and non-profit stakeholders involved in water issues.

In FY 2020, the San Diego IRWM Program began implementing the 2019 San Diego IRWM Plan Update. The IRWM Plan aligns with the Water Authority's mission of providing a safe, reliable water supply to its member agencies serving the San Diego Region.

The program also applied for \$15.3 million from a state Department of Water Resources (DWR) implementation grant program. To date, the program has successfully applied to DWR for eight grants totaling \$96.4 million in grant funds. Combined, the grants have supported 67 high-priority multi-benefit projects. \$62 million of the total funding has been directed to eight projects sponsored by the Water Authority and 26 projects sponsored by Water Authority member agencies. As this grant funding supports projects that expand the region's reliable local water supplies, the IRWM program helps to achieve the water supply goals established in the Water Authority's Urban Water Management Plan.

4569 FIELDGATE RD., OCEANSIDE, CA 92056 – 1485 SQUARE FEET OF TURF REMOVED



PRE-INSTALLATION



POST-INSTALLATION

Water Authority Commitment to Employee Engagement and Inclusion

In August 2019, the Water Authority initiated its first-ever employee engagement survey. All 240 employees were invited to participate and 212 responded. With an 88 percent response rate and 879 individual comments received, the Water Authority was able to take stock of its most valuable asset – the employees. Water Authority culture was described by employees as innovative, professional, visionary, and dedicated, but we also heard rigid, divided, old-fashioned, and bureaucratic. The feedback helped the General Manager chart a course for moving forward and in November 2019, the General Manager provided employees with an in-depth review of the survey results. A plan began to develop to address long-standing issues and to create a new vibrant culture for the Authority that embraced transparency, inclusion and collaboration.

Outside of the Water Authority, in response to an epidemic of racial injustice, public and private employers were called on by citizens to speak out against racial injustice and publicly affirm their commitment to equality, equity, and inclusion. The General Manager met the moment and publicly reaffirmed to community stakeholders that discrimination has no place at the Water Authority, but also engaged the employees for discussion on this sensitive topic. Through a second online survey, employees were invited to share their experiences as both Water Authority employees and members of the community with racism, xenophobia, and social injustice. Once again, employees answered the call to engage with the General Manager and provided their thoughts and feedback on the issues. Employees asked for increased education, training, and open dialogue, and the General Manager committed to space for dialogue, and reviews of the Water Authority's contracting, recruitment, and public outreach efforts to ensure the agency was doing its part to strengthen equity, and inclusion internally and externally.

Fiscal Sustainability Task Force

In conjunction with the adoption of the Fiscal Years 2020 and 2021 Budget, the Board adopted to include the reconstitution of the Fiscal Sustainability Task Force (FSTF) to provide a forum for discussion and recommendations regarding the Water Authority Rates and Charges and financial policies, ensuring fair and proportionate recovery of capital investments and continued long term financial health of the Water Authority. The FSTF is comprised of a mix of Member Agency Managers and Water Authority Board Members to focus on the following:

During FY 2020, the FSTF convened for ten meetings and discussed a myriad of topics focusing on the Temporary Special Agriculture Rate (TSAWR), Infrastructure Access Charge (IAC) policy, the fixed/variable charge mix, roll-off and detachment impacts, and MWD rates. To better frame these discussions, subject matter experts presented key data that impact rates and charges including budget and its development process, water demand and forecasts, cost of service and rate setting, operations and maintenance, and capital budgeting and planning.

From this discussion and analysis, the task force provided two recommendations for Board consideration including the 2nd year of the forecasted IAC ramp up be included in the CY 2021 Rates and Charges and that the TSAWR be made permanent. As such, in November, the Board adopted both recommendations for incorporation in the CY 2021 Rates and Charges.

Prudent Financial Management

Adopted Calendar Year 2021 Rates and Charges

In June 2020, consistent with the Water Authority's annual rate setting process, the Board approved adjustments to rates and charges for Calendar Year 2021. These adjustments amount to an all-in increase of \$68/acre foot (AF) or 4.8 percent for untreated water and \$83/AF or 4.9 percent for treated water. These increases are mitigated by planned rate relief measures that included budget savings, a projected draw of the Rate Stabilization Fund and a forecasted multi-year debt management strategy, including the refunding of 2013A and 2011A&B bonds that saved \$67.4 million on a present value basis over the lifetime of the refunded bonds. The key rate and charge drivers were MWD's transportation rate increases, increased planned QSA water deliveries, and the reduced water sales environment.

Rating Agency affirmation of rates

The Water Authority continued to hold long-term senior lien credit ratings of AA+, and Aa2 from Fitch and Moody's, and AAA by Standard & Poor's. Long-term subordinate lien credit ratings are usually rated one level below the senior lien credit ratings of the same issuer. Accordingly, credit ratings of long-term Water Authority subordinate lien debt are inferred to be at AA+ and Aa3 by Standard and Poor's and Moody's, Fitch upgraded the subordinate lien bonds from AA to AA+. The ratings were affirmed in June 2020.

Other Post-Employment Benefits (OPEB) plan

The Water Authority maintains an account within the California Employers Retirement Benefit Trust (CERBT), an OPEB trust administered by CalPERS. The trust presently has a funded ratio of 124.9 percent. After carefully assessing the Water Authority's OPEB liabilities, the Board adopted a funding policy establishing a 90-110 percent funded target range, where funds that would have otherwise been used to make an actuarial determined contribution are applied instead to pension liabilities. Once the OPEB overfunded status drops to 110 percent, actuarial determined contributions to the CERBT will resume maintaining the favorable overfunded ratio.

Adopted Fiscal Year 2020 and 2021 Budget Highlights

In June 2020, the Water Authority Board adopted the mid-term budget for fiscal years 2020 and 2021. The two-year budget remains \$1.69 billion for Fiscal Years 2020 and 2021. The mid-term budget transferred funds which were previously set aside, to the operating departments budgets for labor in the amount of \$3.0 million to correspond with the approved MOU effective July 1, 2019 through June 30, 2021. As part of the mid-term budget process the Water Authority identified \$44.5 million in savings to minimize expenditures in Fiscal Years 2020 and 2021 due to economic impacts from the COVID-19 pandemic.

Adopted Canal Maintenance Reserve Fund Policy

With the adoption of the Fiscal Years 2020 and 2021 Budget, the new Canal Maintenance Reserve Fund was established. The fund is responsible for maintenance costs consisting of replacement of concrete panels, grading of major canal access roads and other non-routine work necessary to maintain operation of the All-American and Coachella Canals. Funding into the reserve is incorporated into the cost of sales and will generate \$188,000 in CY 2020. The reserve will mitigate large expenses associated with periodic maintenance that is estimated to occur every five to eight years.

Metropolitan Water District Rate Litigation

The Water Authority has sued MWD in various related cases, mainly pertaining to alleged rate overcharges by MWD. The Water Authority has been paying the disputed MWD rates over the years, so the cases generally relate to potential damages to be awarded to the Water Authority, not additional new payments or damages to MWD. The general status of these cases:

2010/2012 Rate Cases:

The Water Authority won a trial court award from MWD on rate overcharges, interest, and attorney's fees for years 2011-2014. On June 21, 2017, the First District Court of Appeal (Court of Appeal) issued its decision in the MWD appeal of that trial award. The Court of Appeal decision may be found at 12 Cal.App.5th 1124. The Court of Appeal sided with the Water Authority on most issues but allowed MWD to charge the Water Authority certain California State Water Project costs for water being transported under an exchange agreement, thereby potentially significantly reducing the ultimate monetary award to the Water Authority. That Court of Appeal decision was subject to a Petition for Review to the California Supreme Court, which was filed by the Water Authority on July 31, 2017. The Supreme Court, however, denied review on September 27, 2017. The Court of Appeal opinion therefore became final, and the case returned to the trial court for further proceedings consistent with the Court of Appeal's ruling. The trial court subsequently entered judgment for the Water Authority in August of 2020, including a monetary award of \$44,373,872.29. MWD has appealed the judgment. The Court will hold a hearing in November of 2020 on attorney's fees.

2014 Rate Case:

This case challenges MWD's rates adopted in 2014 for 2015 and 2016, was transferred to San Francisco Superior Court, and was stayed. However, the stay was lifted at the request of the Water Authority, and the case will now proceed.

2016 Rate Case:

This case challenges MWD's rates adopted in 2016 for 2017 and 2018, and was transferred to San Francisco Superior Court. The Water Authority, MWD, and the eight MWD member agencies who answered the 2016 complaint entered into a stipulation (1) allowing the Water Authority to amend the 2016 complaint to add claims under the Exchange Agreement and for monetary damages; and (2) staying the 2016 case pending the outcome of the appeal in the 2010/2012 cases. On November 14, 2016, the Water Authority filed its amended complaint, and the 2016 case was stayed. However, the stay was lifted at the request of the Water Authority, and the case will now proceed.

2017 Rate Case:

This case challenges MWD's rates adopted in 2017 for 2018 and was transferred to San Francisco Superior Court, where it was stayed. The case was dismissed without prejudice by the Water Authority in August of 2020.

2018 Rate Case:

This case challenges MWD's rates adopted in 2018 for 2019/2020 and was transferred to San Francisco Superior Court, where it is stayed. The stay may be lifted in the future, given the above results in the 2010-2016 cases.

All the above cases have been the subject of settlement talks between the parties. To date no settlement has been reached, and, although the litigation continues, the parties will continue to consider ways to potentially resolve their disputes. The Water Authority cannot provide any opinions as to the outcomes of the cases.

Member Agency Detachment:

The Water Authority has 24 member agencies. In May of 2019 two of those members at the north end of the Water Authority service area, Fallbrook Public Utilities District and Rainbow Municipal Water District, informed the Water Authority that they planned to file applications with the San Diego Local Agency Formation Commission ("LAFCO") to detach from the Water Authority and annex into Eastern Municipal Water District in Riverside County. Such applications have now been filed with the LAFCO. The Water Authority's response is expected to be filed by September 18, 2020. The Water Authority anticipates there may be a multi-year process to review the requests and for the LAFCO to reach a decision which would likely then go to the voters. The Water Authority cannot provide any opinions as to whether the detachment applications will be denied, or approved, or how they might be conditioned by the local LAFCO.

Kessner Litigation

A class action lawsuit was filed against the Water Authority and many other public agencies statewide related to (for the Water Authority) certain lower agricultural rates. The case alleges violations of Proposition 218. The case is subject to a petition to coordinate that is being heard in Santa Cruz County Superior Court. The case challenges the validity of the lower rate program operated by the Water Authority. The Water Authority cannot provide any opinions as to the outcomes of the case.

For detailed information on the Water Authority's rate litigation, visit: <http://www.sdcwa.org/mwdrate-challenge>. Also see the Notes to these financial statements, including Notes 18 and 19. For any other information, contact the General Counsel's office, 4677 Overland Ave., San Diego, CA 92123, (858) 522-6790.

California Weather and Supply

California Water Year (WY) 2020, which runs from October 2019 – September 2020, got off to a slow start, but by mid-December precipitation was near or above average in central and southern California. However, dry conditions returned for much of the state in January 2020 and most of California experienced its driest February on record in 2020. Statewide, precipitation events slightly increased in March and April, but only marginally improved statewide snowpack to 64 percent of average. As a result, unimpaired statewide runoff through spring of 2020 was at 53 percent of historical average. For comparison, WY 2019's unimpaired statewide runoff through spring 2019 was 125 percent of historical average. These conditions prompted the Department of Water Resources to set the State Water Project (SWP) contractors' Table A allocation for 2020 at 20 percent of requested supplies, the second lowest allocation since 1991. WY 2020 precipitation through July measured 31 inches at the Northern Sierra 8-Station Index, which represented 63 percent of normal. Water Authority staff continues to closely monitor seasonal weather patterns and evolving hydrologic conditions to assess potential impacts on the San Diego region's water supplies.

Continuing Water Use Efficiency

In May 2018, Senate Bill 606 and Assembly Bill 1668 were signed into law by then California State Governor Jerry Brown. The laws are intended to help the state better prepare for droughts and climate change through various provisions, including the creation of water-use objectives for retail water agencies (not individual households or

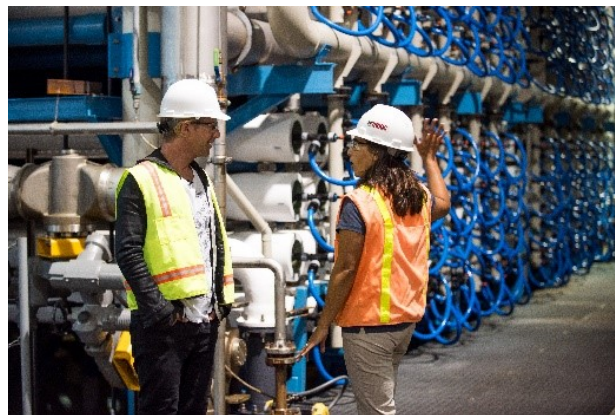
businesses). The Water Authority and its member agencies are still engaged in the stakeholder process to represent the San Diego region's interests. For wholesale water suppliers like the Water Authority, the water-use objective provisions of the law do not apply. However, there are other provisions of the law that address water supply planning that apply to the Water Authority.

The new water-use objectives for retail water agencies will be calculated based on aggregated standards for indoor and outdoor use, system water loss, variances, and potable reuse credit. The state-initiated work on developing the standards using a stakeholder process. The standards must be adopted by the State Water Resources Control Board by June 2022. Retail water suppliers will report compliance beginning in November 2023, and by November 1 every year thereafter. Starting in 2027, fines could be issued to retail water agencies that do not meet their water-use objectives. The fines would not be levied on individual households or businesses. The laws also established new planning and submittal requirements for agricultural water management and urban water management plans. The Water Authority will work closely with its member agencies to remain engaged in the process as the new water-use objectives and reporting requirements are implemented.

Public Outreach

The Water Authority has a decades-long track record of successfully managing comprehensive and increasingly sophisticated public outreach, conservation and education programs to address near-term concerns such as drought and supply conditions. It has also effectively deployed multi-year strategies to inform and educate the public on the value of a reliable water system, member agency investments and efficient water use practices. In addition, the Water Authority manages a suite of education offerings to inform the next generation about the importance of using precious water resources wisely.

In Fiscal Year 2020, the Water Authority continued with its regional outreach efforts to increase understanding and appreciation for the ratepayer investments in water reliability necessary to support the region's \$245 billion economy and its 3.3 million residents. Prior to the onset of the COVID-19 pandemic, the Water Authority increased its regional presence by attending numerous community events, sponsoring forums and participating in civic and business organizations. For example, in July 2019, the Water Authority hosted a regional helicopter tour of water facilities for high ranking state officials, including the California Secretary for Natural Resources and the Chair of the State Water Resources Control Board. The tour was followed by an invitation-only event at the world renowned Scripps Institute of Oceanography, where state, regional and local executives participated in discussions on water challenges. In particular, the event highlighted the Water Authority's innovative portfolio approach to developing water supplies as a statewide model for resiliency and reliability.



In addition during July, the Water Authority launched an innovative outreach and education program to increase awareness and understanding of the regional water system, the importance of ratepayer investments, and water use efficiency. Local musician and social media influencer Jon Foreman appeared in three videos produced by the Water Authority and distributed via social media. The campaign, which was funded entirely with state grant funds, received favorable social media response and helped reach a younger and more diverse audience than traditional Water Authority outreach tactics.



The Water Authority also embarked on stepped up efforts to engage its member agencies in outreach and education. For decades, the Water Authority has worked in partnership with its member agencies through its Joint Public Information Council to educate the public about the importance of a safe and reliable water supply during both drought and non-drought periods. In January, Public Affairs staff began planning outreach efforts with member agencies to increase confidence

in the region's public water supplies. When the pandemic hit in mid-March, the timeline was compressed, and staff worked quickly with member agencies to implement outreach to calm any fears about the virus or diseases being contracted via the public water system. An outreach program was implemented that involved increased media relations and social media outreach, overhauled web content, enhanced communications with stakeholders across the region, a revamped school education program, and deployment of a grant-funded advertising program called Trust the Tap. These efforts were extended into early June as the shutdown continued and additional grant funds became available. In early May, the Water Authority worked closely with JPIC to provide a toolkit of materials to promote plumbing safety when employees started returning to work.

In addition, staff coordinated closely with member agencies to produce a video called "We're Here for You" to showcase water and wastewater employees working from home and in the field to ensure vital utilities continue to function. The video was shared widely on social media and media platforms by the Water Authority and member agencies.



Additionally, the Water Authority coordinated with JPIC on the deployment of a pilot program for Hispanic outreach, which was also funded by a grant. Phase 1 included an assessment of the target audience, a strategic plan for reaching Hispanics, and creative asset development and distribution in social media. Phase 2 included additional media and social media using a local Hispanic doctor and TV personality. Long-term message and tactical development for multiple audiences is now underway as part of Phase 2, in collaboration with JPIC.

Also, in FY 2020, the Water Authority continued its offerings to assist residential and commercial customers with implementing water efficiency measures. Using a combination of Member Agency Administered Program (MAAP), in addition to grants from the state of California, the Water Authority offered audits, device incentives, education and rebates for turf conversions. These grants also helped to support popular education programs to train landscape professionals in best practices and help homeowners design water smart landscapes. In addition, the Water Authority helped its member agencies develop and successfully receive MAAP funding for a variety of agency-specific programs, including smart meter pilot program, hydro-stations at schools, informational videos and water smart plant rebates.



Awards and Acknowledgements

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the Water Authority for its CAFR for the fiscal year ended June 30, 2019. This is the twentieth consecutive year that the Water Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Water Authority had to publish an easily readable and efficiently organized CAFR that satisfies both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe the current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

We would like to thank the Board for its continued leadership in excellence in financial management. Additionally, this report could not have been accomplished without the hard work and dedication of the entire Finance Department with recognition to the Accounting Division. Special appreciation is extended to: Christopher W. Woidzik, Controller; Geena Balistrieri and Wendy Joplin, Accounting Supervisors; Jocelyn Matsuo and Andrea Halshaw, Senior Accountants; David Gore, Senior Management Analyst; Litsa Tzotzolis, Public Affairs Representative I; and Nicole Spriggs, Administrative Assistant. We also wish to express our appreciation to all departments that assisted and contributed to the preparation of this report.

Respectfully submitted,



Sandra L. Kerl
General Manager



Lisa Marie Harris
Director of Finance/Treasurer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**San Diego County Water Authority
California**

For its Comprehensive Annual Financial
Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

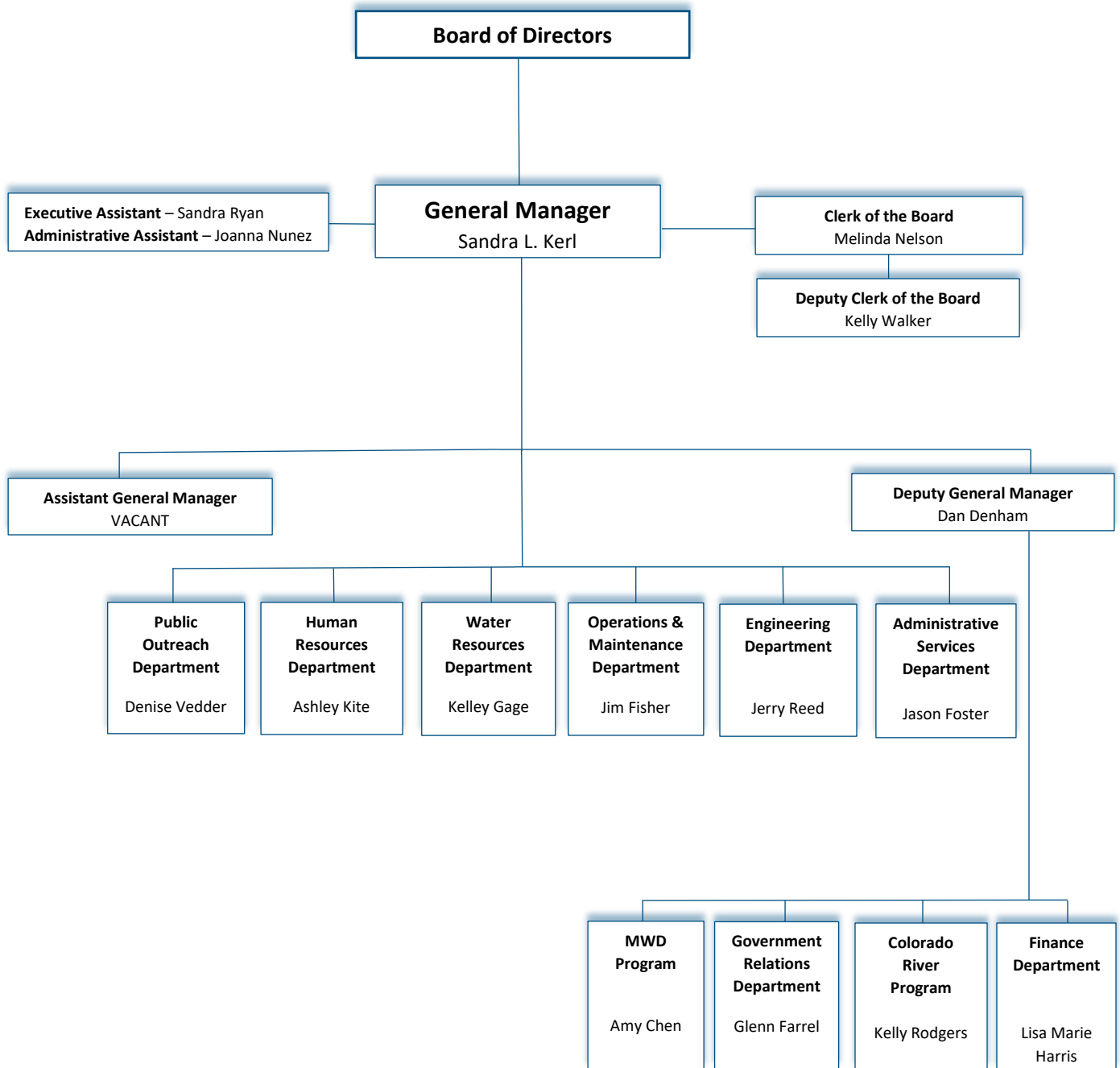
Executive Director/CEO

San Diego County Water Authority Board of Directors

City of San Diego	•Jim Madaffer, Chair
Otay Water District	•Gary Croucher, Vice Chair
Olivenhain Municipal Water District	•Christy Guerin, Secretary

Gary Arant	Valley Center Municipal Water District
Jimmy Ayala.....	City of San Diego
David Barnum	Ramona Municipal Water District
Jack Bebee	Fallbrook Public Utility District
Brian Boyle.....	City of Oceanside
Jerry Butkiewicz.....	City of San Diego
Chris Cate	City of San Diego
David Cherashore	City of San Diego
Betty Evans.....	Vallecitos Water District
Lois Fong-Sakai	City of San Diego
Matt Hall.....	Carlsbad Municipal Water District
Kathleen Coates Hedberg	Helix Water District
Eric Heidemann	City of Poway
Tony Heinrichs	City of San Diego
Frank Hilliker	Lakeside Water District
Michael T. Hogan.....	Santa Fe Irrigation District
Mel Katz	City of Del Mar
Tom Kennedy	Rainbow Municipal Water District
Keith Lewinger.....	Carlsbad Municipal Water District
Consuelo Martinez.....	City of Escondido
Marty Miller	Vista Irrigation District
Joe Mosca	San Dieguito Water District
James Murtland	Rincon del Diablo Municipal Water District
Jose Preciado	South Bay Irrigation District
Amy Reeh	Yuima Municipal Water District
Mona Rios	City of National City
Elsa Saxod	City of San Diego
Joel Scalzitti	Helix Water District
John Simpson	Pendleton Military Reservation
Tim Smith.....	Otay Water District
Fern Steiner	City of San Diego
Almis G. Udrys.....	City of San Diego
Doug Wilson.....	Padre Dam Municipal Water District
Jim Desmond, Representative	County of San Diego

San Diego County Water Authority Organizational Structure





Financial
Section

Independent Auditor's Report

Board of Directors
San Diego County Water Authority
San Diego, California

Report on the Financial Statements

We have audited the accompanying financial statements of the San Diego County Water Authority (the "Water Authority") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Water Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Authority, as of June 30, 2020, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The financial statements for the year ended June 30, 2020 reflect a prior period adjustment as described further in note 18 to the financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We previously audited the Water Authority's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, the *defined benefit pension schedules*, and the *other post-employment benefits schedules* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Water Authority's basic financial statements. The *budgetary comparison schedule*, *introductory section*, *statistical section*, and *continuing disclosure section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *budgetary comparison schedule* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial

statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *budgetary comparison schedule* is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The *introductory section*, *statistical section*, and *continuing disclosure section* have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2020 on our consideration of the Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water Authority's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Davis Fan" followed by a stylized flourish.

Irvine, California
October 14, 2020

THIS PAGE INTENTIONALLY LEFT BLANK



Management's Discussion
and Analysis

Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial performance of the San Diego County Water Authority (Water Authority) during the Fiscal Year ended June 30, 2020. Please read it in conjunction with the Letter of Transmittal located in the Introductory Section, and the Water Authority's Basic Financial Statements and accompanying Notes to the Financial Statements (Notes), which follow this section. All amounts, unless otherwise indicated, are expressed in millions of dollars.

Overview of the Financial Statements

The basic financial statements report information about the Water Authority's financial position and changes in financial position using the accrual basis of accounting, similar to methods used by private sector companies. They are designed to provide readers with a broad overview of the finances, and present changes in cash balances and information about both short-term and long-term activities. There are three required components to these statements: the MD&A, the Financial Statements, and the Notes.

The Statement of Net Position presents information on all of the Water Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Water Authority is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information on how the Water Authority's net position changed during the Fiscal Year. All changes in net position are reported on the accrual basis of accounting, recognizing all revenues when earned and all expenses when incurred.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities for the Fiscal Year.

The Notes provide additional information essential for a full understanding of the data provided in the Financial Statements. The Notes are located immediately following the Financial Statements.

Other Information

The Financial Statements include the accounts of the San Diego County Water Authority Financing Corporation, a separate legal entity established in December 1997, and the San Diego County Water Authority Financing Agency, a Joint Powers Authority (JPA), established in December 2009. The accounts of these entities are blended into the Water Authority's Financial Statements in accordance with Governmental Accounting Standards. See Note 1(a) of the Notes for further information regarding these entities.

Financial Analysis of the Water Authority

San Diego County Water Authority Condensed Statement of Net Position, in Millions (\$)

	June 30,	
	2020	2019
Assets:		
Capital assets	\$ 3,444.0	\$ 3,452.5
Other assets	502.0	549.0
Total assets	3,946.0	4,001.5
Deferred outflows of resources	53.0	65.4
Liabilities:		
Long-term liabilities	1,900.4	1,961.6
Other liabilities	493.3	502.0
Total liabilities	2,393.7	2,463.6
Deferred inflows of resources	10.5	11.9
Net position:		
Net investment in capital assets	1,257.2	1,214.4
Restricted	35.1	65.6
Unrestricted	302.5	311.4
Total net position	\$ 1,594.8	\$ 1,591.4

Net Position

Over time net position may serve as a useful indicator of an entity's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,594.8 million and \$1,591.4 million as of June 30, 2020 and 2019, respectively. Of these amounts, \$302.5 million and \$311.4 million in unrestricted net position as of June 30, 2020 and June 30, 2019, respectively, were available for current approved services and construction projects, and for new programs for the region's citizenry. During Fiscal Year 2020 (FY 2020), total net position increased by \$3.4 million, or 0.2 percent. The largest portion of the Water Authority's net position, 78.8 percent, is reflected in the investment in capital assets less any related outstanding debt used to acquire those assets.

Net Position has been affected by the decrease to water sales and the ongoing effects of the COVID-19 pandemic. The Water Authority responded to reduced revenues in several ways by deferring certain CIP projects, reducing professional services expenses, implementing a hiring freeze, suspending most travel and going ahead with only critical training costs, withholding the budgeted supplemental pension plan prepayments and postponing equipment purchases. Such efforts served to reduce expenses in FY 2020 that will continue into the second year of the adopted two-year budget.

Capital Assets

San Diego County Water Authority Capital Assets (Net of Accumulated Depreciation and Amortization), in Millions (\$)

	June 30,	
	2020	2019
Capital Assets - Non-Depreciable	\$ 170.6	\$ 119.3
Capital Assets - Depreciable, net	3,273.4	3,333.2
Total	\$ 3,444.0	\$ 3,452.5

Capital assets are classified into two categories: non-depreciable and depreciable capital assets. Non-depreciable capital assets include land, easements, mitigation bank credits, and construction in progress. Depreciable capital assets include pipelines and dams, buildings and facilities, equipment, computer systems software, participation and capacity rights, and storage rights, net of accumulated depreciation and amortization. In accordance with the Water Authority's capitalization policy, capital assets under construction are capitalized to construction in progress and when a project is substantially complete and has been issued a notice of operational acceptance or has been placed in service, it is reclassified to the appropriate depreciable category. Additional information regarding capital assets can be found in the Notes 6 – 9 of the Notes to the Financial Statements.

During FY's 2020 and 2019, total capital asset additions were \$65.0 million and \$62.2 million, respectively. Of those amounts, \$63.3 million and \$59.5 million were additions to construction in progress, a non-depreciable category of capital assets, for the FY's ended June 30, 2020 and 2019, respectively. Other non-depreciable additions consisting of land and easements additions in FY's 2020 and 2019 were \$1 thousand and \$5 thousand, respectively. Depreciable capital asset additions in FY's 2020 and 2019 relating to buildings and facilities, machinery and equipment, and participation and capacity rights additions were \$1.7 million and \$2.6 million, respectively.

There were two projects with material commitments under construction contracts existing at June 30, 2020 totaling \$18.9 million. The following projects accounted for the majority of the 84 capital projects expenditures incurred during FY 2020:

First Aqueduct Structures and Lining Rehabilitation	\$ 20.9 million
San Diego 28 Flow Control Facility	8.2 million
Mission Trails FRS II and Flow Control Facility	6.8 million
Vallecitos 11/Vista Irrigation District 12 Flow Control Facility Rehabilitation	4.4 million
Pipeline 4 Moosa Canyon Emergency Repair	3.9 million
Comprehensive Condition Assessment of First Aqueduct Reinforced Concrete	2.9 million
Alvarado Hydroelectric Facility Rehabilitation	2.7 million

Debt Administration

Short-Term Debt

San Diego County Water Authority Outstanding Short-Term Debt, in Millions (\$)

	June 30,	
	2020	2019
Tax-Exempt Commercial Paper Program	\$ 245.0	\$ 245.0
Extendable Commercial Paper Program	100.0	100.0
Total	\$ 345.0	\$ 345.0

The Water Authority has a short-term Tax-Exempt Commercial Paper (TECP) program and an Extendable Commercial Paper (ECP) program to provide financing for the capital improvement programs. More detailed information on short-term debt is presented in Note 10 of the Notes.

There was no change to the outstanding amount in the short-term debt program for FY 2020. During the prior year the Water Authority extended the Series 9 Tax-Exempt Commercial Paper Notes to July 2023. The Series 8 Tax-Exempt Commercial Paper Notes expired in June 2019 and were replaced with the Series 10 Tax-Exempt Commercial Paper Notes expiring in June 2024. The non-tax exempt Extendable Commercial Paper Notes, Series 1 do not expire. The Water Authority has a practice of extending its short-term debt borrowings to service its capital improvement program requirements as well as provide a balanced portfolio debt approach.

Long-Term Debt

San Diego County Water Authority Outstanding Long-Term Debt, in Millions (\$)

	June 30,	
	2020	2019
Revenue Bonds	\$ 1,706.1	\$ 1,742.2
Certificates of Participation	25.5	34.3
Total	\$ 1,731.6	\$ 1,776.5

Long-term debt consists of revenue bonds and certificates of participation used to fund the capital improvement program. The Water Authority continues to hold long-term senior lien credit ratings of AAA, AA+, and Aa2 from Standard & Poor's, Fitch and Moody's, respectively. Long-term subordinate lien credit ratings are usually rated one level below the senior lien credit ratings of the same issuer. Accordingly, credit ratings of long-term Water Authority subordinate lien debt are inferred to be at AA+, AA+, and Aa3 by Standard & Poor's, Fitch, and Moody's, respectively. More detailed information on long-term debt is presented in Note 11 of the Notes.

As of June 30, 2020, the Water Authority had \$1.7 billion in long-term debt outstanding, a 2.5 percent decrease compared to FY 2019. As of June 30, 2020, and 2019, the total Revenue Bonds outstanding approximated \$1.7 billion for both years, and total Certificates of Participation were \$25.5 million and \$34.3 million, respectively. During FY 2020, \$36.1 million of scheduled revenue bond and \$8.8 million of certificates of participation principal payments were made.

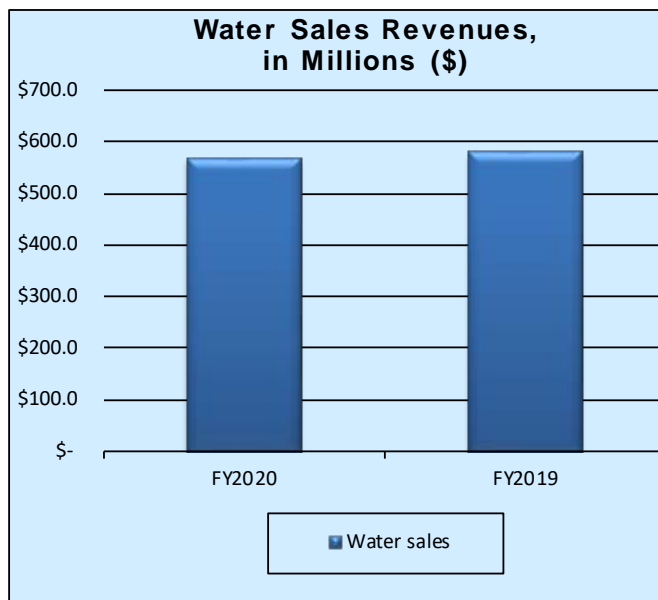
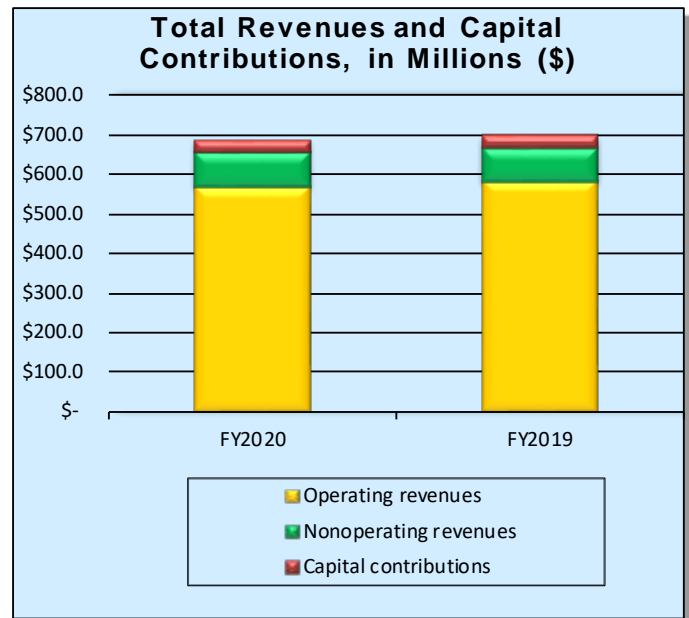
San Diego County Water Authority

Statement of Revenues, Expenses and Changes in Net Position, in Millions (\$)

	June 30,	
	2020	2019
Operating revenues:		
Water sales	\$ 565.8	\$ 579.6
Other revenues	3.3	4.6
Total operating revenues	569.1	584.2
Nonoperating revenues:		
Property taxes and in-lieu charges	15.5	14.7
Infrastructure access charges	36.9	33.2
Investment income	11.8	13.8
Other income	9.6	9.6
Intergovernmental	12.0	11.3
Total nonoperating revenues	85.8	82.6
Total revenues	654.9	666.8
Operating expenses:		
Cost of sales	449.8	450.2
Operations and maintenance	26.2	21.5
Planning	9.3	9.6
General and administrative	19.9	16.3
Depreciation and amortization	64.0	62.7
Total operating expenses	569.2	560.3
Nonoperating expenses:		
Interest expense	92.8	97.1
Debt issuance costs	0.3	3.7
Other expenses	21.0	11.7
Loss on sale/retirement of capital assets	0.1	-
Total nonoperating expenses	114.2	112.5
Total expenses	683.4	672.8
Loss before capital contributions	(28.5)	(6.0)
Capital contributions:		
Capacity charges	18.0	19.8
Water standby availability charges	11.2	11.2
Contributions in aid of capital assets	2.7	-
Total capital contributions	31.9	31.0
Changes in net position	3.4	25.0
Net position, beginning of year, as restated (Note 18)	1,591.4	1,566.4
Net position, end of year	\$ 1,594.8	\$ 1,591.4

Revenues by Source

Total revenues (operating and nonoperating) and capital contributions for the FY's 2020 and 2019 were \$686.8 million and \$697.8 million, respectively. Operating revenues consist primarily of water sales. Nonoperating revenues include property taxes and in-lieu charges, infrastructure access charges (IAC), investment income, intergovernmental revenue, gain on sale/retirement of capital assets, and other income. Capital contributions include capacity charges, water standby availability charges, and contributions in aid of capital assets. For FY 2020, water sales and other operating revenues, nonoperating revenues, and capital contributions accounted for 82.9 percent, 12.5 percent and 4.6 percent, respectively, of the total revenues and capital contributions.



Operating Revenues

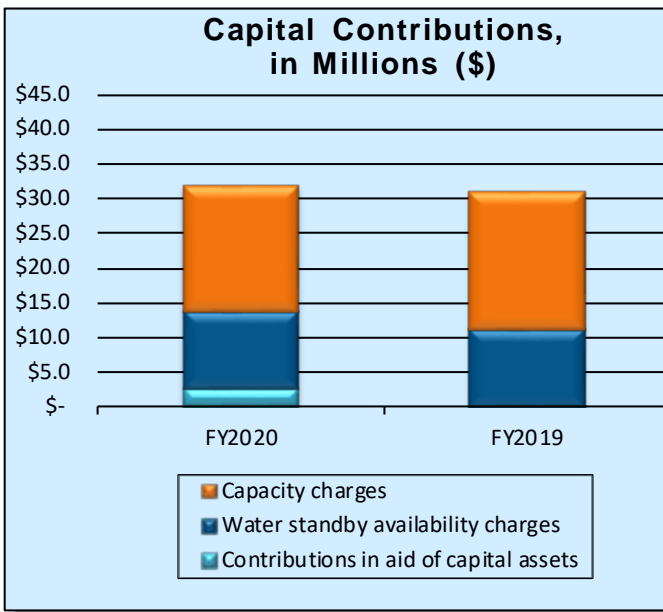
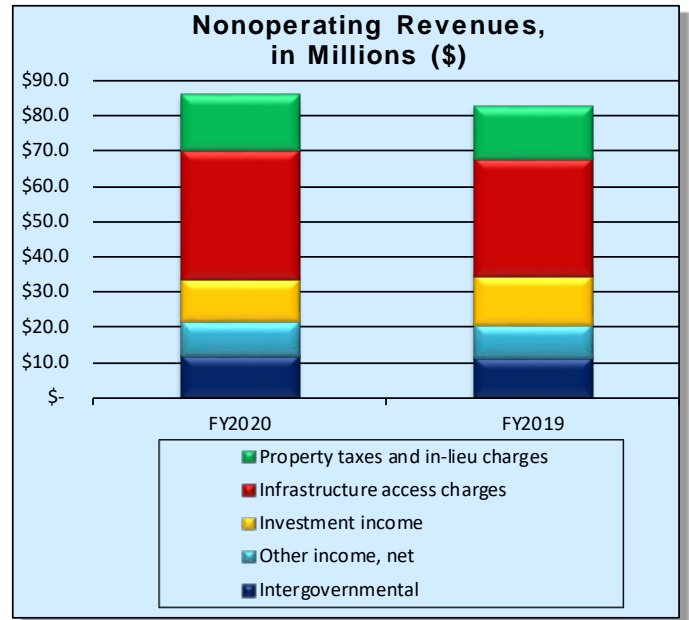
Water sales revenue is the principal source of revenue and totaled \$565.8 million for FY 2020, a decrease of \$13.8 million or 2.4 percent from the FY 2019 total of \$579.6 million. Overall, in FY 2020 total water deliveries were lower by 6.5 percent to 354,007 acre-feet (AF) from 378,528 AF in FY 2019. This decrease was attributed to (1) greater use of local surface water supplies by member agencies from use of their reservoirs, lakes and other facilities and (2) the effects of heavy rains in the winter and spring months (November, December and April) of the fiscal year. Water sales are also believed to have been impacted as a result of the Covid-19 pandemic and the Governor's shelter-in-place order issued on March 19, 2020; however, research and analysis is incomplete and the impacts on sectors of the county is still unknown.

Additionally, although not shown in the graph, other operating revenues consisting of hydroelectric revenues decreased by \$1.3 million compared to FY 2019 primarily due to a significant unplanned 3-month outage on one of the two generating units at the Lake Hodges Hydroelectric Facility, as well as from reduced demands on the Water Authority's aqueduct system which impacted flows through the Rancho Penasquitos Hydroelectric and Pressure Control Facility (RPH). Reduced flows through RPH were caused by increased local water use by key member agencies mentioned previously and an outage at a large downstream flow control facility (SD12) due to its planned replacement.

Revenues by Source (continued)

Nonoperating Revenues

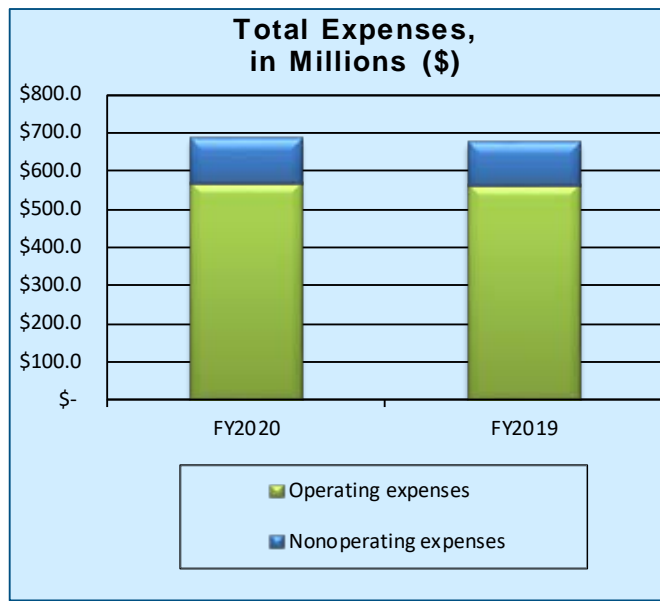
Nonoperating revenues were \$3.2 million higher in FY 2020 compared to FY 2019. Infrastructure access charges revenue increased by \$3.7 million in accordance with the adoption of the Calendar Year 2020 Rates and Charges followed by a \$0.8 million increase in property taxes and in-lieu charges and a \$0.7 million increase in various intergovernmental revenues. These increases were offset by a drop in investment income of \$2.0 million due to the reduction in interest rates and from lower cash balances due to the use of cash to fund capital improvement program expenses.



Capital Contributions

Capital contributions increased by \$0.9 million in FY 2020 compared to FY 2019. The change was the result of a \$2.7 million increase in contributions in aid of capital assets from a cash capital grant received relating to the Department of Water Resources Proposition 50 Desalination Relining Project. This was offset by a \$1.8 million decrease in capacity charges revenue resulting from a decrease in building permits primarily related to commercial activities (i.e., office buildings, hotels and industrial buildings) construction. Water standby availability charge revenue was flat for the year.

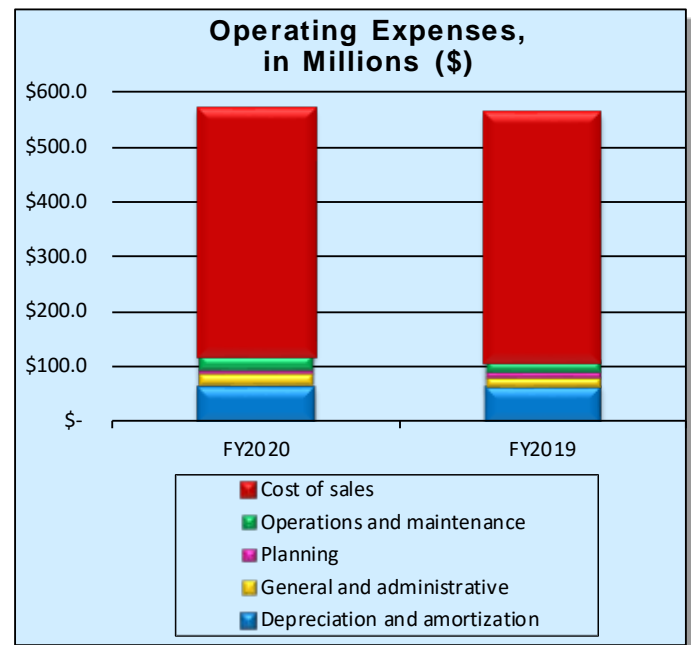
Expenses by Function



Total expenses for FY's 2020 and 2019 were \$683.4 million and \$672.8 million, respectively. Operating expenses include the cost of water sales (water purchases and treatment costs), operating department/program expenses, and depreciation and amortization expenses. Operating expenses were \$569.2 million and \$560.3 million for FY's 2020 and 2019, respectively. Nonoperating expenses, consist of interest, debt issuance costs, loss on sale/retirement of capital assets and other expenses. Total nonoperating expenses were \$114.2 million and \$112.5 million for FY's 2020 and 2019, respectively. Interest expense for FY 2020 was \$92.8 million and \$97.1 million tied to paydowns of outstanding principal and lower rates on short-term debt during the year.

Operating Expenses

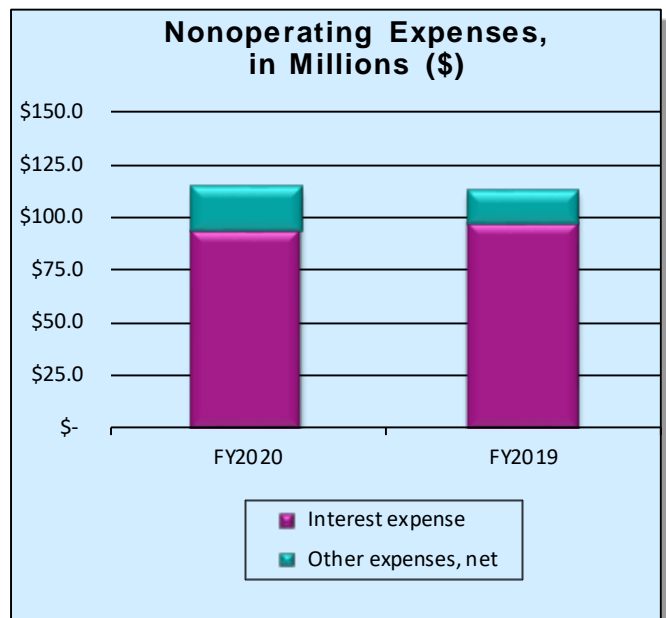
Total operating expenses increased by \$8.9 million in FY 2020 compared to FY 2019. The 1.6 percent increase in operating expenses in FY 2020 was due primarily to total operating department expenses increasing by \$8.0 million in FY 2020 compared to FY 2019 as a result of the effect of pension plan expenses, as well as scheduled salary increases. Other departmental expenses were essentially flat from the prior year. The effect of CalPERS' updated actuarial assumptions impacted the Water Authority serving to increase plan expenses by \$4.1 million in FY 2020 whereas there was a decrease of \$2.1 million in FY 2019. (Pension and Other Post-Employment Benefit plan expenses can vary from year to year due to actuarial assumptions reviews and experience studies updated by actuaries.) Depreciation and amortization expense increased by \$1.3 million from FY 2019 due to new depreciation on capital asset additions during the year, as well as from the recording of full year of depreciation on assets added in the prior year. These increases were offset by a \$0.4 million decrease in the cost of water sold due to lower water purchasing and treatment costs. Water volume sold in FY 2020 was 354,007 acre feet which was 24,521 acre feet lower than FY 2019. Member agency higher use of local surface water supplies coupled with significant rainstorms impacted sales. Additionally, the effect of the drop in volume on costs was offset due to increases from MWD and supply mix changes where the Water Authority acquired 15,000 AF more of local QSA supply per the agreement (next calendar year is the final year of the increase).



Expenses by Function (continued)

Nonoperating Expenses

Total nonoperating expenses, consisting primarily of interest expense, debt issuance costs, other expenses and loss on retirement of assets, totaled \$114.2 million and \$112.5 million in FY's 2020 and 2019, respectively. Interest costs decreased by \$4.3 million with \$92.8 million recorded in FY 2020 and \$97.1 million recorded in FY 2019. The reduction is due to (1) lower rates on the short-term debt, (2) decreased rates on the debt that was refunded in the prior year and (3) the reduction in principal outstanding from schedule principal payments. Interest costs remain a significant part of nonoperating expenses and will continue to be until long-term debt principal begins to be paid down according to the set payoff schedules. Debt issuance costs were lower by \$3.4 million and amounted to \$0.3 million in FY 2020 compared to \$3.7 million in FY 2019. The higher costs in FY 2019 were attributed to debt refunding and new issuance activities that did not occur in FY 2020. The current year debt issuance costs approximate the typical ongoing costs to keep the \$345.0 million short-term debt program in place.



Other expenses increased \$9.3 million in FY 2020 compared to FY 2019 primarily due to the write-off of project costs in construction in progress relating to demolition costs, out of warranty costs, feasibility studies on projects and repair costs relating to the Pipeline 4 Moosa Canyon emergency repairs and Pipeline 5 rehabilitation carbon fiber lining repairs. Loss on retirement of assets amounted to \$0.1 million net of proceeds from sales in FY 2020 due to the disposal of 31 pieces of equipment or other assets that had either been fully depreciated or were retired early due to obsolescence.

Contacting the Water Authority's Finance Department

This financial report is designed to provide the Board of Directors, the Water Authority's member agencies, taxpayers, creditors, and investors with a general overview of the Water Authority's accountability for the financial resources it manages. If you have questions about this report or need additional financial information, contact Christopher W. Woidzik, CPA, Controller in the Finance Department at the San Diego County Water Authority, 4677 Overland Avenue, San Diego, California 92123, via email at cwoidzik@sdewa.org, or 858-522-6670.

THIS PAGE INTENTIONALLY LEFT BLANK



Financial Statements

San Diego County Water Authority
Statement of Net Position
June 30, 2020
(with comparative data as of June 30, 2019)

	2020	2019
ASSETS		
Current assets:		
Cash and investments (Note 2)	\$ 86,034,446	\$ 118,299,651
Restricted cash and investments (Note 2)	25,388,275	65,357,774
Water receivables	107,514,736	88,919,021
Interest receivable	1,242,174	1,295,060
Taxes receivable	1,279,406	1,133,750
Other receivables	8,527,771	14,897,732
Inventories (Note 3)	103,446,200	101,120,903
Prepaid expenses (Note 4)	4,631,143	4,639,845
Total current assets	338,064,151	395,663,736
Noncurrent assets:		
Cash and investments (Note 2)	120,731,082	118,940,860
Restricted cash and investments (Note 2)	31,610,085	22,038,315
Advances to other agencies	164,394	717,345
Retention receivable	1,422,938	1,217,781
Long-term loan receivables (Note 5)	8,832,767	9,180,815
Net OPEB asset (Note 13)	1,110,981	1,231,733
Capital assets (Note 6):		
Non-depreciable	170,644,538	119,280,158
Depreciable, net	3,273,414,125	3,333,229,133
Total noncurrent assets	3,607,930,910	3,605,836,140
Total assets	3,945,995,061	4,001,499,876
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	39,346,682	49,932,704
Pension contributions subsequent to measurement date (Note 12)	7,571,578	7,445,085
OPEB contributions subsequent to measurement date (Note 13)	500,885	397,828
Deferred actuarial amounts related to pensions (Note 12)	4,778,218	7,573,946
Deferred actuarial amounts related to OPEB (Note 13)	845,458	40,643
Total deferred outflows of resources	53,042,821	65,390,206
LIABILITIES		
Current liabilities:		
Accounts payable and other liabilities	64,253,598	77,309,736
Interest payable	18,714,791	17,911,578
Construction deposits	431,821	377,721
Short-term liabilities (Note 10)	345,000,000	345,000,000
Current portion of long-term liabilities (Note 11)	143,293,305	51,307,411
Total current liabilities	571,693,515	491,906,446
Noncurrent liabilities:		
Long-term liabilities (Note 11)	1,757,126,305	1,910,295,701
Net pension liability (Note 12)	64,924,751	61,399,347
Total noncurrent liabilities	1,822,051,056	1,971,695,048
Total liabilities	2,393,744,571	2,463,601,494
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on refunding	4,027,520	4,185,980
Deferred actuarial amounts related to pensions (Note 12)	5,536,941	7,124,856
Deferred actuarial amounts related to OPEB (Note 13)	893,055	588,822
Total deferred inflows of resources	10,457,516	11,899,658
NET POSITION		
Net investment in capital assets	1,257,199,783	1,214,420,504
Restricted for construction projects	35,039,210	65,357,775
Restricted for debt service	113,227	178,327
Unrestricted	302,483,575	311,432,324
Total net position	\$ 1,594,835,795	\$ 1,591,388,930

See accompanying notes to the financial statements.



San Diego County Water Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2020
(with comparative data for the Fiscal Year Ended June 30, 2019)

	2020	2019
OPERATING REVENUES:		
Water sales	\$ 565,784,174	\$ 579,605,983
Other revenues	3,315,307	4,565,447
Total operating revenues	569,099,481	584,171,430
OPERATING EXPENSES:		
Cost of sales	449,752,095	450,184,311
Operations and maintenance	26,153,130	21,538,024
Planning	9,345,036	9,564,422
General and administrative	19,881,599	16,283,984
Total operating expenses	505,131,860	497,570,741
Net operating income before depreciation and amortization	63,967,621	86,600,689
Depreciation and amortization	64,041,389	62,719,586
Operating income (loss)	(73,768)	23,881,103
NONOPERATING REVENUES (EXPENSES):		
Property taxes and in-lieu charges	15,525,521	14,666,252
Infrastructure access charges	36,941,802	33,202,686
Investment income	11,783,278	13,755,026
Other income	9,566,974	9,638,210
Intergovernmental	11,962,880	11,280,109
Loss on sale/retirement of capital assets	(111,180)	(11,035)
Interest expense	(92,760,951)	(97,053,235)
Debt issuance costs	(289,716)	(3,645,450)
Other expenses	(20,970,642)	(11,663,707)
Total nonoperating revenues (expenses)	(28,352,034)	(29,831,144)
Loss before capital contributions	(28,425,802)	(5,950,041)
CAPITAL CONTRIBUTIONS:		
Capacity charges	17,983,100	19,809,365
Water standby availability charges	11,164,067	11,153,993
Contributions in aid of capital assets	2,725,500	-
Total capital contributions	31,872,667	30,963,358
Changes in net position	3,446,865	25,013,317
NET POSITION AT BEGINNING OF YEAR, AS RESTATED (Note 18)	1,591,388,930	1,566,375,613
NET POSITION AT END OF YEAR	\$ 1,594,835,795	\$ 1,591,388,930

See accompanying notes to the financial statements.

San Diego County Water Authority
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020
(with comparative data for the Fiscal Year Ended June 30, 2019)

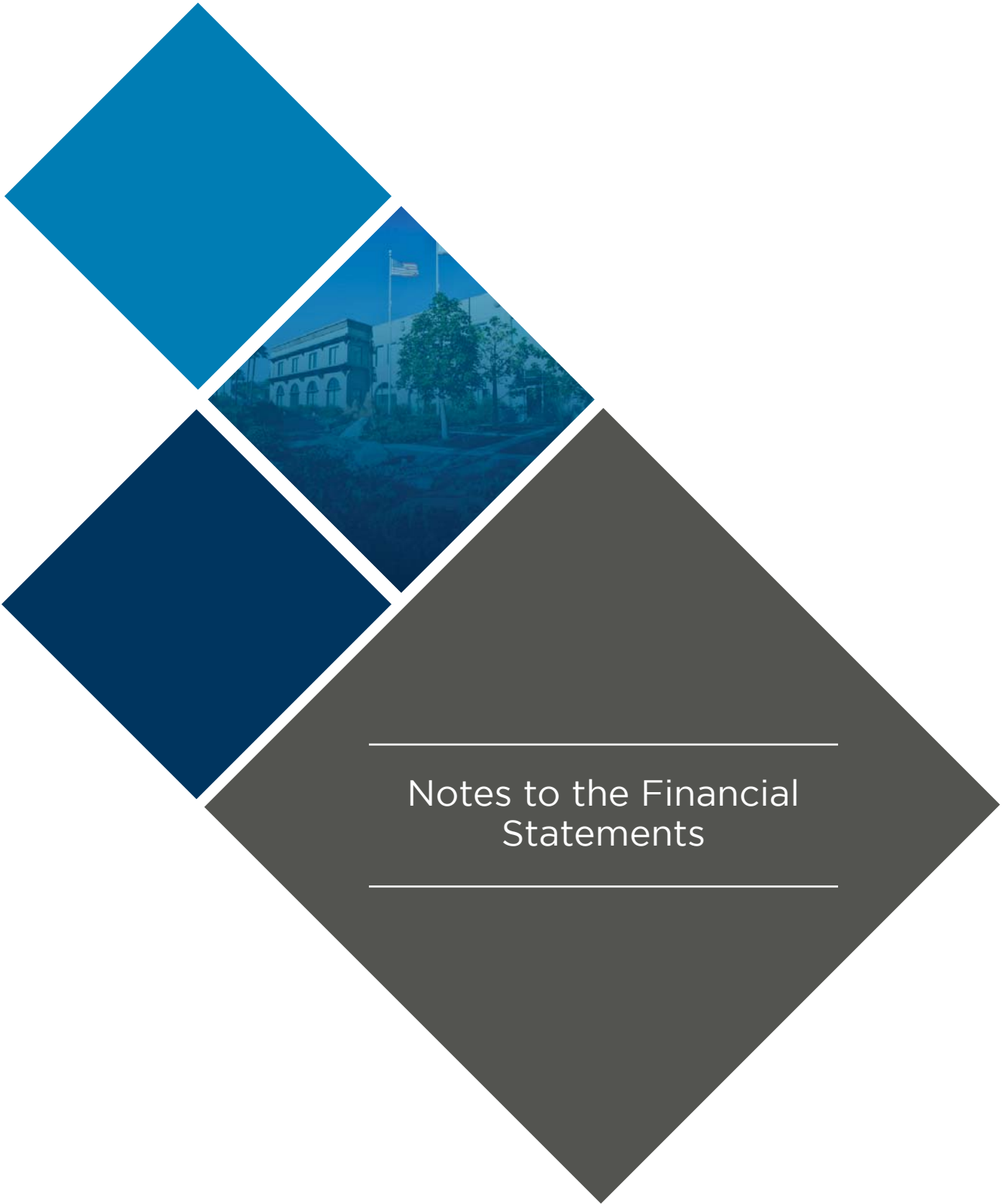
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 600,366,112	\$ 648,834,295
Payments to suppliers for purchases of water	(465,065,945)	(452,199,887)
Payments to suppliers for goods and services	(23,815,559)	(16,185,647)
Payments to employees for services	(47,764,419)	(44,525,321)
Net cash provided by operating activities	<u>63,720,189</u>	<u>135,923,440</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes and in-lieu charges received	15,379,865	14,558,698
Intergovernmental	11,962,880	11,280,109
Net cash provided by noncapital financing activities	<u>27,342,745</u>	<u>25,838,807</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(55,056,272)	(82,387,403)
Contributions and capital related revenues received from other governments	34,889,058	32,141,123
Proceeds from disposition of capital assets	28,790	63,206
Proceeds from long-term debt issuance	-	202,728,177
Proceeds from long-term debt service reserve fund and bond fund release	-	13,432,491
Cost of debt issuance	(289,716)	(3,645,450)
Principal paid on long-term debt	(47,104,549)	(250,574,399)
Interest paid on debt	(96,280,804)	(104,269,681)
Net cash used for capital and related financing activities	<u>(163,813,493)</u>	<u>(192,511,936)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(31,881,900)	(146,716,322)
Proceeds from sale of investments	116,734,376	129,613,171
Interest received on investments	6,830,528	7,043,184
Net cash provided by (used for) investing activities	<u>91,683,004</u>	<u>(10,059,967)</u>
Net increase (decrease) in cash and cash equivalents	18,932,445	(40,809,656)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	72,280,413	113,090,069
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 91,212,858</u></u>	<u><u>\$ 72,280,413</u></u>
Reconciliation of cash and cash equivalents at end of year to the Statement of Net Position:		
Current assets:		
Cash and investments	\$ 86,034,446	\$ 118,299,651
Restricted cash and investments	25,388,275	65,357,774
Noncurrent assets:		
Cash and investments	120,731,082	118,940,860
Restricted cash and investments	31,610,085	22,038,315
Less investments not meeting the definition of cash equivalents	(172,551,030)	(252,356,187)
Cash and cash equivalents at end of year	<u><u>\$ 91,212,858</u></u>	<u><u>\$ 72,280,413</u></u>

See accompanying notes to the financial statements.

**San Diego County Water Authority
Statement of Cash Flows (continued)
For the Fiscal Year Ended June 30, 2020
(with comparative data for the Fiscal Year Ended June 30, 2019)**

	2020	2019
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (73,768)	\$ 23,881,103
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	64,041,389	62,719,586
Infrastructure access charges	36,941,802	33,202,686
Other expenses	(20,969,593)	(10,795,466)
Other income	9,566,974	9,638,210
(Increase) Decrease in assets:		
Water receivables	(18,595,715)	18,063,853
Other receivables	3,353,570	3,758,116
Inventories	(2,325,297)	(4,786,672)
Prepaid expenses	8,702	10,038
Retention receivable	(205,157)	27,689
Long-term loan receivables	348,048	9,993,489
Net OPEB asset	120,752	(435,881)
(Increase) Decrease in deferred outflows of resources:		
Pension contributions subsequent to measurement date	(126,493)	(3,204,404)
OPEB contributions subsequent to measurement date	(103,057)	(31,237)
Deferred actuarial amounts related to pensions	2,795,728	5,159,126
Deferred actuarial amounts related to OPEB	(804,815)	43,779
Increase (Decrease) in liabilities:		
Accounts payable and other liabilities	(13,178,695)	(7,242,817)
Construction deposits	54,100	14,876
Compensated absences	629,992	10,580
Net pension liability	3,525,404	(8,706,970)
Increase (Decrease) in deferred inflows of resources:		
Deferred actuarial amounts related to pensions	(1,587,915)	4,596,496
Deferred actuarial amounts related to OPEB	304,233	7,260
Total adjustments	63,793,957	112,042,337
Net cash provided by operating activities	\$ 63,720,189	\$ 135,923,440
Noncash investing, capital and financing activities:		
Change in fair value of investments	\$ 5,047,319	\$ 6,696,622

See accompanying notes to the financial statements.



Notes to the Financial
Statements

Table of Contents
Notes to the Financial Statements

<u>NOTE</u>	<u>PAGE</u>
1. Nature of Business and Summary of Significant Accounting Policies.....	41
2. Cash and Investments	47
3. Inventories	52
4. Prepaid Expenses	52
5. Long-Term Loan Receivables	52
6. Capital Assets	53
7. Mitigation Bank	53
8. Participation and Capacity Rights	54
9. Storage Rights.....	56
10. Short-Term Liabilities.	57
11. Long-Term Liabilities	57
12. Defined Benefit Pension Plan.....	60
13. Other Post-Employment Benefits (OPEB).....	66
14. Deferred Compensation Plan and Defined Contribution Plan	70
15. Insurance	71
16. Jointly Governed Organization	71
17. Commitments and Contingencies.....	71
18. Restatement of Net Position.....	73
19. Subsequent Events.....	73

THIS PAGE INTENTIONALLY LEFT BLANK

1. Nature of Business and Summary of Significant Accounting Policies

(a) Nature of Business

The San Diego County Water Authority (Water Authority) was organized on June 9, 1944 under the County Water Authority Act (Act). The Water Authority's primary purpose is providing wholesale water to its member agencies for domestic, municipal, and agricultural uses. The Water Authority consists of 24 member public agencies that are each represented by at least one person on the Water Authority's Board of Directors (Board). The Water Authority is also a member of the Metropolitan Water District of Southern California (MWD). Historically, the Water Authority purchased all the water it required from MWD to meet the demands of the member agencies.

The Water Authority has been in the process of diversifying its supply and adopted a Regional Water Facilities Master Plan in 2003 to identify capital facilities necessary to store, treat, and deliver a reliable water supply. Pursuant to the Colorado River Quantification Settlement Agreement (QSA), signed on October 10, 2003, and its related contracts, the Water Authority is obtaining conserved water from the Imperial Irrigation District (IID) and receives water conserved by lining of the All-American and Coachella Canals. On December 20, 2012, the Water Authority entered into a 30-year Water Purchase Agreement to purchase potable water from the Claude "Bud" Lewis Carlsbad Desalination Plant (Plant). The Plant became operational in December 2015 (see Note 17).

The MWD Act provides a preferential right for the purchase of water by each of its constituent agencies. This preferential right is calculated using a formula. Based on the formula, the Water Authority has a statutory preferential right to approximately 25.32 percent of MWD's total supply as of June 30, 2019, based on the most recent data provided by MWD. MWD has represented that it will provide reliable water supplies notwithstanding preferential rights.

The San Diego County Water Authority Financing Corporation (SDCWAFC) was incorporated on December 29, 1997. The SDCWAFC is a California non-profit public benefit corporation formed to assist the Water Authority as a financing entity and is administered by a governing board, which consists of five members as follows: the Chair of the Board of the Water Authority, the Chair of the Administrative and Finance Committee of the Board, the General Manager of the Water Authority, the Director of Finance/Treasurer of the Water Authority, and the General Counsel of the Water Authority. The Water Authority does not issue separate financial statements for the SDCWAFC because its activities are blended with those of the Water Authority for financial reporting purposes.

The San Diego County Water Authority Financing Agency (SDCWafa) was established on December 17, 2009 to facilitate financing and refinancing of capital improvement projects of the Water Authority. The SDCWafa is a Joint Powers Authority (JPA) with statutory authority to issue revenue bonds and was formed by an agreement between the Water Authority and the California Municipal Finance Authority (CMFA). The CMFA is a JPA that was created in 2004 by various local agencies to facilitate tax-exempt financing. The CMFA has entered into such JPA agreements. Under the JPA agreement, the Water Authority has control over all finance matters.

The SDCWafa's sole purpose is to be a financing entity for the Water Authority and is administered by a governing board, which consists of five members as follows: the Chair of the Board of the Water Authority, the Chair of the Administrative and Finance Committee of the Board, the General Manager of the Water Authority, the Director of Finance/Treasurer of the Water Authority, and the General Counsel of the Water Authority. The Water Authority does not issue separate financial statements for the SDCWafa because its activities are blended with those of the Water Authority for financial reporting purposes.

1. Nature of Business and Summary of Significant Accounting Policies (continued)

(b) Basis of Accounting

The Water Authority is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and changes in financial position of a specific governmental activity. The activities of enterprise funds closely resemble those of private-sector businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges.

The Water Authority utilizes the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized as they are incurred. The Water Authority's financial statements include all applicable and effective pronouncements of the Governmental Accounting Standards Board (GASB).

(c) Cash and Investments

The Water Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in money market mutual funds, pooled funds, and short-term investments with original maturities of three months or less from the date of acquisition. For financial statement presentation purposes, cash and cash equivalents includes both restricted and unrestricted cash and investments.

The Water Authority has the following legally restricted funds: Construction, Debt Service Reserve, and Pay-As-You-Go (PAYGO). The Construction Fund includes the proceeds from long-term and short-term debt and is restricted for use on capital project expenses. The Debt Service Reserve Fund holds the required amount for Water Authority debt issues and is responsible for making an issue's annual debt service payments in the event that the Water Authority should be unable to make such payments. The PAYGO Fund consists of Capacity Charges and Water Standby Availability Charges and is restricted per Board adopted ordinances for the Capital Improvement Program (CIP). The funds are dedicated for capital project outlays, as well as debt service.

Changes in fair value that occur during Fiscal Year 2020 (FY 2020) are recognized as investment income. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments. Note 2 contains additional information on permissible investments per the Water Authority's Investment Policy.

(d) Inventories and Prepaid Expenses

The Water Authority's inventories consist of water, valves, pipes and materials. Water and materials are valued using the average cost method. Valves and pipes are valued at actual cost which approximates average cost. Prepaid expenses represent advances, and purchases of prepaid water stored in Northern California outside the Water Authority's service area in a long-term groundwater storage facility. Both inventory and prepaid items are expensed as they are used.

(e) Reserves

The Water Authority established other designated funds in alignment with best practice guidance:

Rate Stabilization Fund (RSF) - The RSF was established for the purpose of collecting the excess amount of net revenues in years when operating revenues exceeded operating expenses. These monies are to be used to mitigate "rate shock" in years of weak water sales and/or to manage debt service coverage ensuring coverage ratios remain above the legally required minimum.

1. Nature of Business and Summary of Significant Accounting Policies (continued)

(e) Reserves (continued)

Equipment Replacement Fund (ERF) - The ERF was established to ensure monies were available to replace equipment that has reached the end of its useful life including small capital equipment purchases such as computers, vehicles, the Supervisory Control and Data Acquisition (SCADA) system, etc. It is funded through scheduled draws from the Operating Fund per the Board approved budget.

Stored Water Fund – This fund was established to support the purchase of water to fill the various Water Authority reservoirs and then to maintain certain inventory levels. The majority of the monies have been used to fill San Vicente Reservoir for the Emergency and Carryover Storage project.

Canal Maintenance Fund – This fund is responsible for maintenance costs consisting of replacement of concrete panels, grading of major canal access roads and other non-routine work necessary to maintain operation of the All American and Coachella Canals that occurs every five to eight years.

(f) Capital Assets

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are reported at acquisition value. The Water Authority capitalizes all assets with a cost of at least \$5,000 and a useful life of at least three years. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Non-depreciable capital assets include land, easements, mitigation bank credits, and construction in progress. Depreciable capital assets include pipelines and dams, facilities, equipment, computer systems software, mitigation improvements, participation and capacity rights, and storage rights.

Depreciation and amortization are computed utilizing the straight-line method over the following useful lives:

Pipelines and Dams	60 to 100 years
Buildings and Facilities	5 to 50 years
Machinery and Equipment	3 to 8 years
Computer Systems Software	4 years
Mitigation Improvements	30 to 55 years
Participation and Capacity Rights	10 to 110 years
Storage Rights	10 to 100 years

Intangible Assets

In addition to computer systems software intangible assets, the Water Authority also participates in various storage and water management programs or builds capital assets that by agreement entitle it to permanent storage rights, or participation and capacity rights that are included in capital assets as intangible assets. Some projects also require payments for on-going maintenance, which are charged to expense as incurred. Amortization is computed utilizing the straight-line method over the estimated useful life for software and mitigation improvements, and over the life of the agreements for storage, participation and capacity rights.

(g) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until that time. The Water Authority has the following items that qualify for reporting in this category:

- Deferred loss on refunding
- Employer contributions subsequent to measurement date for pensions and other post-employment benefits
- Deferred actuarial amounts related to pensions and other post-employment benefits

1. Nature of Business and Summary of Significant Accounting Policies (continued)

(g) Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Water Authority has the following items that qualifies for reporting in this category:

- Deferred gain on refunding
- Deferred actuarial amounts related to pensions and other post-employment benefits

(h) Compensated Absences

Water Authority employees earn vacation, sick, and compensatory leave in varying amounts depending on length of service. Earned but unused vacation benefits accrue to a maximum of 400 hours (600 hours for management) and compensatory leave benefits to a maximum of 120 hours (but only 80 hours can be carried over to the next fiscal year). There is no maximum for sick leave accruals. Employees age 55 or older who vest with five years of service, and separate due to retirement, layoff, or death, are paid 100 percent of their unused vacation, compensatory time and first 1,000 hours of unused sick leave, and 50 percent of any unused sick leave in excess of 1,000 hours. Employees who separate prior to vested retirement or death are eligible for payment of unused vacation and compensatory leave only.

The Terminal Pay Plan (TPP) benefit was established in 2007 requiring vested retirees aged 55 or older, or those separating due to death, to transfer unused leave balances into the TPP. Those who separate prior to retirement with five years of service and are at least age 55, may use the TPP for payout of unused vacation only. See Footnote 13 for TPP plan description.

Obligations for vacation, sick and compensatory leave are accrued based on current pay rates. Allocations between the current and long-term portions of these obligations were set based on experience and turnover.

(i) Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

Net investment in capital assets

This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding, net of unspent proceeds related to the acquisition, construction, or improvement of those assets, and deferred outflows and inflows of resources related to debt.

Restricted for construction projects

This component of net position consists of external constraints placed on net position use imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation, less outstanding debt associated with restricted assets.

Restricted for debt service

This component of net position consists of amounts required by bond covenants to be set aside in reserve to be used to pay debt service in the event pledged revenues are insufficient to cover the debt service requirements, less outstanding debt associated with restricted assets.

1. Nature of Business and Summary of Significant Accounting Policies (continued)

(i) Net Position (continued)

Unrestricted

This component of net position consists of net position that does not meet the definition of net investment in capital assets, restricted for construction projects, or restricted for debt service.

When both restricted and unrestricted resources are available, it is the Water Authority's policy to use restricted resources first followed by unrestricted resources as they are needed.

(j) Infrastructure Access Charges

In June 1998, the Infrastructure Access Charge (IAC) was adopted by the Board as an additional source of fixed revenue to provide better coverage of the Water Authority's projected fixed expenses. The IAC is levied on each Water Authority member agency based on the number and size of retail water meters within the agencies and the Water Authority's service area. The fixed charge levied against each member agency together with the water standby charge and property tax revenue all combine for the purpose of maintaining a minimum ratio of projected fixed revenue to projected fixed expenses of at least 25 percent. The IAC is adjusted each Calendar Year (CY) as part of the regular rate-setting process and was \$3.66 per meter equivalent per month for CY 2020.

(k) Property Taxes & In-Lieu Charges

The Water Authority is authorized under the Act to levy taxes on all taxable property within its boundaries for the purposes of carrying on its operations and paying its obligations subject to certain limitations in the Act, the Revenue and Taxation Code, and the California Constitution. Property taxes are billed and collected by the County of San Diego and are remitted to the Water Authority throughout the year. The tax rate is based upon the San Diego County Assessor's valuation of taxable property within the Water Authority's service area. Member agencies of the Water Authority may elect to pay in-lieu charges instead of the tax levy. Presently, only the City of San Diego pays the in-lieu charge directly to the Water Authority.

(l) Classification of Revenues

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with an enterprise fund's principal operations. The principal operating revenues of the Water Authority consist of sales of water. Nonoperating revenues consist of property taxes, in-lieu charges, IAC, investment income, intergovernmental, and other miscellaneous income.

(m) Capital Contributions

Capital contributions include capacity charges, water standby availability charges, and contributions in aid of capital assets that are reflected in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Capital contributions consist of contributed capital assets and special charges that are legally restricted for capital expenses by state law or by the Board action that established those charges.

The Water Authority has two separate revenue sources to fund the Capital Improvement Program. A water standby availability charge was put into effect in Fiscal Year 1990 and is intended to recover some of the capital costs associated with maintaining the system. In Fiscal Year 1991, a capacity charge on all new or larger retail water meters installed within the boundaries of the Water Authority was implemented. This charge, based on meter size, is designed to recover a proportionate share of the capital costs associated with providing services to new connections.

1. Nature of Business and Summary of Significant Accounting Policies (continued)

(m) Capital Contributions (continued)

Federal, state, and private grants used for capital purposes are included in contributions in aid of capital assets. These grants are typically of a reimbursable nature, that is the Water Authority first pays for the project and then the granting agency reimburses the Water Authority for its eligible expenses.

(n) Classification of Expenses

Operating expenses for the Water Authority include the cost of sales, operations and maintenance, planning, general and administrative expenses, depreciation on capital assets, and amortization of intangible assets. Expenses not meeting this definition are reported as nonoperating expenses and include interest expense, debt issuance costs, amortization of bond premiums, amortization of deferred loss on refunding, and other miscellaneous expenses.

(o) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates. Management believes all estimates in the financial statements are reasonable.

(p) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Water Authority's plan (Plan), which is administered by the California Public Employees' Retirement System (CalPERS), and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

(q) Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Water Authority's plan (OPEB Plan), the assets of which are held by the California Employers' Retiree Benefit Trust (CERBT), and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

1. Nature of Business and Summary of Significant Accounting Policies (continued)

(r) Prior Year Data

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with GAAP. Accordingly, such information should be read in conjunction with the Water Authority's prior year financial statements, from which this selected financial data was derived.

(s) New Accounting Pronouncements

To provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic, ***GASB Statement No. 95 - Postponement of the Effective Dates of Certain Authoritative Guidance*** was issued to postpone the effective dates of GASB statements and certain provisions in Statements and Implementation Guides scheduled to become effective for periods beginning after June 15, 2018, and later. The postponement does not impact the Water Authority's operations. The new effective dates for GASB pronouncements not previously implemented, as well as new pronouncements not postponed, are as follows:

- **GASB Statement No. 84** – *Fiduciary Activities*, effective for periods beginning after June 15, 2021.
- **GASB Statement No. 87** – *Leases*, effective for periods beginning after June 15, 2021.
- **GASB Statement No. 90** – *Majority Equity Interests*, effective for periods beginning after December 15, 2019.
- **GASB Statement No. 91** – *Conduit Debt Obligations*, effective for periods beginning after December 15, 2021.
- **GASB Statement No. 92** – *Omnibus 2020*, effective for periods beginning after June 15, 2021.
- **GASB Statement No. 93** – *Replacement of Interbank Offered Rate*, effective for periods beg. after June 15, 2021.
- **GASB Statement No. 94** – *Private-Public and Public-Public Partnerships and Availability Payment Arrangements*, effective for periods beginning after June 15, 2022.
- **GASB Statement No. 96** – *Subscription-Based Information Technology Arrangements*, effective for periods beginning after June 15, 2022.
- **GASB Statement No. 97** – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, effective for periods beg. after June 15, 2021.

2. Cash and Investments

Cash and investments are classified in the accompanying Statement of Net Position at June 30, 2020 as follows:

Current assets:	
Cash and investments	\$ 86,034,446
Restricted cash and investments	25,388,275
Total current assets	111,422,721
Noncurrent assets:	
Cash and investments	120,731,082
Restricted cash and investments	31,610,085
Total noncurrent assets	152,341,167
Total cash and investments	\$ 263,763,888

The carrying value of cash and investments held by the Water Authority at June 30, 2020 consisted of the following:

Petty Cash	\$ 2,500
Deposits	342,866
Investments	263,418,522
Total cash and investments	\$ 263,763,888

2. Cash and Investments (continued)

(a) Investments Authorized by the California Government Code (Gov't Code) and the Water Authority's Investment Policy (Inv. Policy)

The following table identifies the investment types that are authorized for the Water Authority by the Gov't. Code and the Inv. Policy. The table also identifies certain provisions of the Gov't Code (or the Inv. Policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the Water Authority rather than the general provisions of the Gov't Code Sections 53600 et seq. or the Inv. Policy.

	Maximum Maturity		Maximum Percentage of Portfolio		Maximum Investment in One Issuer		Minimum Rating	
	Gov't. Code	Inv. Policy	Gov't. Code	Inv. Policy	Gov't. Code	Inv. Policy	Gov't. Code	Inv. Policy
Municipal securities	None	None	None	30%	None	5%	None	A
U.S. Treasury securities	None	None	None	None	None	None	None	None
Federal agency securities	None	None	None	None	None	None	None	None
Bankers' acceptances	180 days	180 days	40%	40%	30%	5%	None	A-1
Commercial paper	270 days	270 days	25%	25%	None	5%	A-1	A-1
Non-negotiable certificates of deposit	5 years	5 years	None	30% ⁽¹⁾	None	None	None	None
Placement service deposits	5 years	5 years	50%	30% ⁽¹⁾	None	None	None	None
Negotiable certificates of deposit	5 years	5 years	30%	30% ⁽¹⁾	None	5%	None	A-1 or A
Repurchase agreements	1 year	1 year	None	20%	None	None	None	A
Medium-term notes	5 years	5 years	30%	30%	None	5%	A	A
Mutual funds	n/a	n/a	20%	20%	10%	10%	AAA ⁽²⁾	AAA ⁽²⁾
Money market mutual funds	n/a	n/a	20%	20%	None	20%	AAA ⁽²⁾	AAA ⁽²⁾
Mortgage pass-through and asset backed securities ⁽³⁾	5 years	5 years	20%	20%	None	5%	AA	AA
County pooled investment funds	n/a	⁽⁴⁾	None	⁽⁴⁾	None	⁽⁴⁾	None	⁽⁴⁾
JPA pools (other investment pools)	n/a	n/a	None	25%	None	None	None	AAA
Supranationals	5 years	5 years	30%	15%	None	5%	AA	AA
Local agency investment fund (LAIF)	n/a	n/a	None	⁽⁵⁾	None	None	None	None

Notes:

- ⁽¹⁾ The combined investment policy maximum portfolio exposure to certificates of deposit, placement service certificates of deposit and negotiable certificates of deposit is 30%.
- ⁽²⁾ A mutual fund and a money market mutual fund must receive the highest ranking by not less than two NRSROs authorized by Govt. Code Sections 53601 and 53635.
- ⁽³⁾ Limitations in this section apply to securities not issued by the U.S. Treasury or Federal Agencies.
- ⁽⁴⁾ These investments are not authorized by the investment policy.
- ⁽⁵⁾ The investment policy's maximum investment amount is the maximum permitted by LAIF.

2. Cash and Investments (continued)

(b) Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the Gov't. Code or the Inv. Policy. In addition to the investments authorized in the previous table, debt proceeds held by bond trustees may be invested in guaranteed investment contracts with a maximum maturity that is limited to the final maturity of the bonds being issued.

(c) Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk where changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. One of the ways that the Water Authority manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or approaching maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Water Authority's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that show the distribution of the Water Authority's investments by terms to maturity for FY 2020.

Investment Type	June 30, 2020	Remaining Term to Maturity			
		12 months or less	13 to 36 months	37 to 60 months	More than 60 months
U.S. Treasury securities	\$ 45,193,692	\$ 12,119,260	\$ 15,059,302	\$ 18,015,130	\$ -
Federal agency securities	38,382,308	-	17,434,635	20,947,673	-
Medium-term notes	46,929,857	2,022,921	28,676,212	16,230,724	-
Supranationals	8,251,400	-	8,251,400	-	-
LAIF	70,360,055	70,360,055	-	-	-
JPA pools	254,232	254,232	-	-	-
Money market mutual funds	14,311,303	14,311,303	-	-	-
Asset backed securities	5,766,940	-	4,055,624	1,711,316	-
Held by bond trustees:					
Guaranteed investment contract	12,240,775	-	-	-	12,240,775
Money market mutual funds	21,727,960	21,727,960	-	-	-
Total	\$ 263,418,522	\$ 120,795,731	\$ 73,477,173	\$ 56,904,843	\$ 12,240,775

(d) Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following table for FY 2020 is the minimum rating required (where applicable) by the Gov't. Code, the Inv. Policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	June 30, 2020	Minimum Rating	Exempt from Disclosure	Rating as of Fiscal Year Ended June 30, 2020			
				A/AAA	AA+	A-/AA/AA-	Not Rated
U.S. Treasury securities	\$ 45,193,692	n/a	\$ 45,193,692	\$ -	\$ -	\$ -	\$ -
Federal agency securities	38,382,308	n/a	-	-	38,382,308	-	-
Medium-term notes	46,929,857	A	-	26,741,993	2,704,700	17,483,164	-
Supranationals	8,251,400	AA	-	8,251,400	-	-	-
LAIF	70,360,055	n/a	-	-	-	-	70,360,055
JPA pools	254,232	AAAm	-	254,232	-	-	-
Money market mutual funds	14,311,303	AAAm	-	14,311,303	-	-	-
Asset backed securities	5,766,940	AA	-	5,766,940	-	-	-
Held by bond trustees:							
Guaranteed investment contract	12,240,775	n/a	-	-	-	-	12,240,775
Money market mutual funds	21,727,960	AAAm	-	21,727,960	-	-	-
Total	\$ 263,418,522		\$ 45,193,692	\$ 77,053,828	\$ 41,087,008	\$ 17,483,164	\$ 82,600,830

2. Cash and Investments (continued)

(e) Concentration of Credit Risk

Investments in any one issuer (other than U.S. Treasury securities, money market mutual funds, and external investment pools) that represent five percent or more of investments for FY 2020 are as follows:

Issuer	Investment Type	Reported Amount	% of Total Investments
Federal Home Loan Bank	Federal agency securities	\$ 25,076,133	10.0%

(f) Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (for example, broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Gov't. Code and the Inv. Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments other than the following provision for deposits: the Gov't. Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

(g) Investment Value Measurement

The Water Authority categorizes certain assets and liabilities within the fair value hierarchy established by generally accepted accounting principles. The following is a summary of Water Authority investments based on the method for measuring value as of June 30, 2020:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	June 30, 2020
Investments by fair value level:				
U.S. Treasury securities	\$ -	\$ 45,193,692	\$ -	\$ 45,193,692
Federal agency securities	-	38,382,308	-	38,382,308
Medium-term notes	-	46,929,857	-	46,929,857
Supranationals	-	8,251,400	-	8,251,400
Asset backed securities	-	5,766,940	-	5,766,940
Total investments by fair value level	\$ -	\$ 144,524,197	\$ -	\$ 144,524,197
Investments measured at cost				
Guaranteed investment contract				12,240,775
Money market mutual funds ⁽¹⁾				36,039,263
LAIF ⁽²⁾				70,360,055
JPA pools ⁽³⁾				254,232
Total investments measured at cost				118,894,325
Total investments				\$ 263,418,522

Notes:

⁽¹⁾ Reported as a stable one-dollar value per share.

⁽²⁾ Reported based on the application of a fair value factor to each one-dollar share.

⁽³⁾ Measured at amortized cost.

2. Cash and Investments (continued)

(g) Investment Value Measurement (continued)

The Water Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the investments. The three levels of the fair value hierarchy are as follows:

LEVEL 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities. As of June 30, 2020, the Water Authority did not own Level 1 investments.

LEVEL 2: Inputs are significant other observable inputs for the asset or liability. Securities classified in Level 2 are valued by a recognized third-party utilizing matrix pricing.

LEVEL 3: Inputs are significant unobservable inputs for the asset or liability. As of June 30, 2020, the Water Authority did not own Level 3 investments.

The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured as an exit price for financial investments.

The Water Authority utilizes valuation techniques consistent with market, cost, or income approaches to determine fair value. The most appropriate technique is utilized to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Water Authority owns investments utilizing a stable one dollar per share value. These investment assets are exempt from reporting under the fair value measurement levels. There are no redemption restrictions for the investments reported at a value of one dollar per share.

(h) Investment in State Investment Pool

The Water Authority is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429.1 under the oversight of the Treasurer of the State of California. The value of the Water Authority's investment in the pool is reported in the accompanying financial statements at amounts based upon a fair value factor applied to each one-dollar share.

(i) JPA Pools

The Water Authority is a voluntary participant in the California Asset Management Program (CAMP), a California Joint Powers Authority that falls under California Government Code Section 53601(p), which is directed by a Board of Trustees that is made up of experienced local government finance directors and treasurers.

3. Inventories

Components of inventories at June 30, 2020 are as follows:

Water in storage	\$ 102,596,195
Valves and pipes in storage	680,050
Materials in storage	169,954
Total inventories	\$ 103,446,199

Water in storage:	Value	Acre-Feet
San Vicente	\$ 81,878,527	123,567
Olivenhain	12,806,586	20,305
Lake Hodges	4,299,595	7,050
Otay	3,611,487	4,863
Sweetwater	-	-
Total water in storage	\$ 102,596,195	155,785

4. Prepaid Expenses

In March 2008, the Water Authority purchased 10,006 and 13,071 acre-feet (AF) of transfer water from the Butte Water District and Sutter Extension Water District, respectively, for a total of 23,077 AF. As part of the transfer, the Water Authority incurred a Delta carriage loss of 20 percent, a conveyance loss of three percent and evaporative and aquifer losses of ten percent. After the adjustments, the total acre-feet for Butte Water District and Sutter Extension Water District are 6,930 and 9,187, respectively, a total of 16,117 AF. This water is currently stored outside the Water Authority's service area pursuant to a long-term groundwater storage agreement as outlined in Note 8(d). As such, it is classified as prepaid expenses on the Statement of Net Position in the amount of \$4,620,500 as of June 30, 2020. Other prepaid expenses were \$10,643. The total prepaid expenses balance as of June 30, 2020 was \$4,631,143.

5. Long-Term Loan Receivables

Imperial Irrigation District (IID)

In October 2003, the Water Authority amended its Transfer Agreement with IID. As part of this amendment, the Water Authority made initial socioeconomic impact payments totaling \$10.0 million. These funds will be used to pay for the initial administrative costs and estimated and annual cumulative socioeconomic impact costs. Beginning in CY 2018, the Water Authority began receiving credits from IID to be applied against any payments due and shall continue until CY 2047 or until the agreement is terminated, whichever comes first. If the agreement terminates before CY 2047, IID is under no obligation to pay the Water Authority the remaining balance of the loan.

As of June 30, 2020, the total outstanding balance due from IID is \$9,180,815, of which \$348,048 is expected to be collected within the next year, and the \$8,832,767 balance collected according to a payment schedule.

6. Capital Assets

Capital asset activity for the Fiscal Year ended June 30, 2020 was as follows:

	Balance at June 30, 2019, as Restated	Additions	Deletions	Transfers	Balance at June 30, 2020
Non-depreciable capital assets:					
Land	\$ 24,621,026	\$ 550	\$ -	\$ -	\$ 24,621,576
Easements	12,848,771	-	-	-	12,848,771
Mitigation bank credits	5,323,118	-	(1,049)	165	5,322,234
Construction in progress	76,487,243 ⁽¹⁾	54,060,473	-	(2,695,759)	127,851,957
Total non-depreciable capital assets	119,280,158	54,061,023	(1,049)	(2,695,594)	170,644,538
Depreciable capital assets:					
Pipelines and dams	2,234,331,612	-	(12,350)	1,489,110	2,235,808,372
Buildings and facilities	808,458,481	653,415	(267,418)	213,745	809,058,223
Machinery and equipment	33,814,036	1,017,342	(424,871)	14,984	34,421,491
Intangible software and mitigation improvements	6,599,377	-	-	-	6,599,377
Participation and capacity rights	520,051,103	-	-	-	520,051,103
Storage rights	522,856,068	-	-	977,755	523,833,823
Total depreciable capital assets	4,126,110,677	1,670,757	(704,639)	2,695,594	4,129,772,389
Less accumulated depreciation and amortization for:					
Pipelines and dams	(396,202,644)	(27,074,184)	9,702	-	(423,267,126)
Buildings and facilities	(234,215,902)	(22,515,062)	165,581	-	(256,565,383)
Machinery and equipment	(28,388,620)	(1,244,719)	389,386	-	(29,243,953)
Intangible software and mitigation improvements	(2,854,587)	(513,195)	-	-	(3,367,782)
Participation and capacity rights	(105,048,147)	(7,164,047)	-	-	(112,212,194)
Storage rights	(26,171,644)	(5,530,182)	-	-	(31,701,826)
Total accumulated depreciation and amortization	(792,881,544)	(64,041,389)	564,669	-	(856,358,264)
Total depreciable capital assets, net	3,333,229,133	(62,370,632)	(139,970)	2,695,594	3,273,414,125
Total capital assets, net	\$ 3,452,509,291	\$ (8,309,609)	\$ (141,019)	\$ -	\$ 3,444,058,663

Notes:

⁽¹⁾ Due to decreasing water demands in 2012, the Board decided to delay actions on the Mission Trails Flow Regulatory Structure II project and emergency storage Pump Station at Pipeline 3 and Pipeline 3 Interconnect projects. The decision was later made that the projects as initially planned would not be completed and, in FY 2020, it was determined that the \$10,582,096 in accumulated costs needed to be written off. Accordingly, a prior period adjustment was recorded to restate the beginning construction in progress balance at June 30, 2019.

7. Mitigation Bank

The Mitigation Bank contains purchased rights to designate the future use of land in which title is held by another entity. This acreage includes wetland, stream, or other open space areas that have been restored, established, enhanced, or preserved for the purpose of providing compensation to the public for unavoidable impacts to the environment permitted under Section 404 of the Federal Clean Water Act or other state or local regulations.

The Water Authority transfers a proportionate share of the cost of the Mitigation Bank to the capital project at the time the acreage is identified to mitigate the impacts from a specific project. These costs are then amortized over the estimated useful life of the related asset. As of June 30, 2020, the value of acreage remaining was \$5,322,234.

Mitigation Sites	Acres		Value
	Total	Remaining	
Crestridge Habitat Management Area (HMA)	258.45	16.93	\$ 148,840
San Miguel Conservation	820.85	819.62	5,173,394
Total Mitigation Bank	1,079.30	836.55	\$ 5,322,234

8. Participation and Capacity Rights

The Water Authority builds capital assets that, by agreement, entitle it to certain participation and capacity rights. The total participation and capacity rights, net of amortization, were \$407,838,909 as of June 30, 2020.

Participation Rights:	
Colorado River Water Delivery and All-American and Coachella Canals (a)	\$ 257,843,169
Quantification Settlement Agreement Joint Powers Authority (b)	75,119,800
Imperial Irrigation District Water Transfer (c)	44,909,460
Semitropic-Rosamond Water Bank (d)	8,506,097
Vidler Water Company (d)	6,622,671
Rancho Cañada Permit for Endangered Species (e)	4,959,667
Total Participation Rights	397,960,864
Capacity Rights:	
Helix Water District Levy Treatment Plant (f)	9,821,365
Moreno-Lakeside Pipeline (g)	56,680
Total Capacity Rights	9,878,045
Total Participation and Capacity Rights, net of amortization	\$ 407,838,909

(a) Canal Lining Participation Rights

On October 10, 2003, the Water Authority assumed MWD's rights and obligations for the All-American Canal and Coachella Canal Lining Projects under Article 4A of the Colorado River Water Delivery Settlement Allocation agreement between the United States, MWD, IID, Coachella Valley Water District (CVWD), and the San Luis Rey Indian Water Authority (SLR). Participation rights for this agreement, net of amortization, totaled \$3,356,095 as of June 30, 2020 and are amortized utilizing the straight-line method over the life of the agreement, which is 110 years.

The agreement specifically assigned the project of lining the Coachella Canal, which is a branch of the All-American Canal from the Colorado River and is owned by the U.S. Bureau of Reclamation (USBR), to the Water Authority. The lining of the canal prevents and conserves water seepage through the previous unlined canal. The Coachella Canal now provides a firm supply of 21,500 acre-feet per year to the Water Authority. The cost of the project was offset by a funding agreement with the Department of Water Resources (State DWR) for \$79,447,974. Participation rights for this project, net of amortization, totaled \$114,650,933 as of June 30, 2020 and are amortized utilizing the straight-line method over the life of the agreement, which is 110 years.

The agreement executed January 13, 2006 between USBR, IID, and the Water Authority for the construction of the All-American Canal Lining Project provides for the construction of the canal by IID with oversight by the Water Authority and the USBR. The All-American Canal provides 56,200 acre-feet per year to the Water Authority annually for 110 years. The State DWR funded \$135.7 million for construction of the All-American Canal Lining Project, and the Water Authority funded the amount over the state subsidy. Participation rights for this project, net of amortization, totaled \$139,836,141 as of June 30, 2020 and are amortized utilizing the straight-line method over the life of the agreement of 110 years.

8. Participation and Capacity Rights (continued)

(b) Quantification Settlement Agreement Joint Powers Authority Participation Rights

Pursuant to the QSA JPA Creation and Funding Agreement (Agreement), the Water Authority agreed with IID, CVWD, and the State of California, to accept responsibility for certain environmental mitigation requirements.

Under Article IX of the Agreement, the environmental mitigation contribution required by the Water Authority net of amortization was \$46,605,502 as of June 30, 2020. Amortization is computed using the acre-feet assigned per CY over the 75-year life of the Agreement.

In addition, the Agreement required the Water Authority to pay, net of amortization, \$7,394,682 as of June 30, 2020 as a contribution to the Salton Sea Restoration Fund. Amortization is computed utilizing the straight-line method over the 75-year life of the Agreement.

Legal expenses associated with the right to purchase water were capitalized in Fiscal Year 2011 due to litigation finalized in that Fiscal Year with MWD, in relation to the QSA JPA projects. These costs are being amortized utilizing the straight-line method over the life of the 75-year Agreement, and totaled, net of amortization, \$21,119,616 for Fiscal Year ended June 30, 2020. The QSA JPA is not a named party to separate ongoing Water Authority litigation challenging MWD's rate structure, as discussed in Note 17.

(c) IID Water Transfer - Base Contract Price Settlement Participation Rights

IID and the Water Authority executed an agreement that settled all disputes related to the Base Contract Price and the Water Authority/IID Conserved Water Transfer Agreement as stated in the Fifth Amendment to the agreement. Participation rights for this agreement, net of amortization, totaled \$44,909,460 as of June 30, 2020 and are being amortized utilizing the straight-line method over the 75-year life of the agreement.

(d) Vidler and Semitropic Participation Rights

In July 2008, the Water Authority entered into agreements with Vidler Water Company (Vidler) and Semitropic-Rosamond Water Bank (Semitropic) that entitles the Water Authority to storage, withdrawal, and exchange rights within the Semitropic Water Banking and Exchange Program, the Semitropic Water Bank Recovery Unit, and the Antelope Valley Water Bank.

The Water Authority bought Vidler's 30,000 acre-feet of storage and recovery rights in the Semitropic Water Storage District's underground basin in Kern County. The Water Authority also invested in Semitropic, which will provide a total of 40,000 acre-feet of storage rights, for a total of 70,000 acre-feet. Storage and recovery rights for this program totaled, net of amortization, \$8,506,097 for Semitropic and \$6,622,671 for Vidler as of June 30, 2020. These rights are amortized using the straight-line method over the life of the agreements, which end in 2035.

(e) Rancho Cañada Permit for Endangered Species

The Water Authority contributed to property acquisition for conservation measures under this permit in an amount net of amortization of \$4,959,667 as of June 30, 2020. The property is owned and managed by the Department of Fish and Wildlife consistent with mitigation requirements associated with the Emergency Storage Project (ESP) and Carryover Storage Project (CSP), Federal Endangered Species Act (Section 7), Clean Water Act, Porter-Cologne Act, CA Fish and Game Code 1602 permits and the CSP CA Environmental Quality Act (CEQA) mitigation measures, and the Natural Community Conservation Plan/Habitat Conservation Plan, a 55-year multi-species take permit issued pursuant to the Federal Endangered Species Act (Section 10) and Natural Community Conservation Planning Act (NCCPA). Any acreage not applied as mitigation to ESP or CSP, constitutes the Water Authority's commitment towards regional multi-species conservation pursuant to provisions of the NCCPA, and allowed for the issuance of the 55-year multi-species take permit, which streamlines endangered species permitting for the Water Authority's current and future CIP projects and operation and maintenance activities.

8. Participation and Capacity Rights (continued)

(f) Helix Water District Levy Treatment Plant Capacity Rights

In April 1997, the Water Authority entered into a capacity agreement with Helix Water District (Helix) for installation of an untreated water transmission pipeline, a flow control facility, and expansion of the R.M. Levy Water Treatment Plant (Levy Plant). Helix owns, operates, and maintains the Levy Plant and agreed to its phased expansion to 106 million gallons per day (mgd). In accordance with the April 1997 agreement, the Water Authority has capacity rights of 26 mgd. In April 2006, a third amendment to the agreement with Helix transferred to the Water Authority an additional 10 mgd capacity in the Levy Plant, for total capacity rights of 36 mgd. The Water Authority paid \$10.6 million to Helix for 10 mgd of additional capacity in the Levy Plant, \$300,000 to Helix for 4 mgd of additional capacity in the 54-inch transmission main (for Lakeside Water District), \$1.5 million to Helix for 8 mgd of additional capacity in Helix Flume Pipeline (for Otay Water District), and \$600,000 to Helix for 12 mgd of additional capacity in Helix Flume Pipeline (for Padre Dam Municipal Water District). Capacity rights for Levy Plant Capacity Purchases, net of amortization, totaled \$9,821,365 as of June 30, 2020 and are being amortized using the straight-line method over 35 years.

(g) Moreno-Lakeside Pipeline Capacity Rights

In June 2001, Otay Water District constructed a new pipeline from the Otay 14 Flow Control Facility location to the regulatory reservoirs in the Otay System. The Water Authority reimbursed Otay Water District for the new pipeline and Otay Water District agreed to purchase at least 10,000 acre-feet of water per CY from the Water Authority. The capacity rights added to the Moreno-Lakeside Pipeline, net of amortization, totaled \$56,680 as of June 30, 2020 and are being amortized using the straight-line method over ten years.

9. Storage Rights

In 1995, the Water Authority entered into agreements with the City of San Diego (City) to acquire permanent water storage rights in the City's Hodges and San Vicente reservoirs as part of the Water Authority's Emergency Storage Project (ESP) program. The ESP consists of a system of reservoirs, interconnected pipelines, and pumping stations designed to make water available to the San Diego region in the event of an interruption in imported water deliveries.

The Lake Hodges Projects connected the City's Hodges Reservoir, also called Lake Hodges, to the Water Authority's Olivenhain Reservoir. The Water Authority constructed the Tailrace Tunnel and Inlet/Outlet components to permit water movement between the reservoirs and to store 20,000 acre-feet of water for emergency use in the Hodges Reservoir. The related improvements for the storage rights, net of amortization, totaled \$37,769,251, as of June 30, 2020 and are amortized utilizing the straight-line method over 100 years. Separately, the Water Authority completed two related subprojects that are being amortized over twenty and ten years that have a net unamortized balance of \$2,335,314. All of the corresponding improvements have been turned over to the City and San Diego Gas & Electric Company in exchange for the Water Authority receiving permanent storage rights.

The San Vicente Dam Raise Project raised the San Vicente Dam by 117 feet, more than doubling the capacity of the reservoir, and adding 157,000 acre-feet of water for emergency use by the Water Authority in San Vicente Reservoir. Storage rights for this project, net of amortization, totaled \$452,027,432 as of June 30, 2020 and are amortized utilizing the straight-line method over 100 years. The corresponding improvements have been turned over to the City in exchange for the Water Authority receiving permanent storage rights.

10. Short-Term Liabilities

The Water Authority has a Tax-Exempt Commercial Paper (TECP) program through which it can borrow funds on a tax-exempt basis for periods up to 270 days to provide financing for the Water Authority's CIP. The Water Authority also has an Extendable Commercial Paper (ECP) program to provide financing for the Water Authority's CIP. ECP offers a lower cost of funds than TECP but is only available to highly rated agencies like the Water Authority. The Water Authority has the ability to access the capital markets and redeem the notes before the end of the 150-day extension period. ECP maturities are limited to between 1 and 120 days to allow a 150-day extension period and maintain a maximum maturity of 270 days.

The total amount of short-term revenue certificates (TECP and ECP Notes) authorized at any time to be outstanding is \$460,000,000.

The TECP and ECP notes are secured and payable on a parity basis solely from net water revenues and are subordinate to the Water Revenue Certificates of Participation, Water Revenue Bonds, and Water Revenue Refunding Bonds. At June 30, 2020, the Water Authority had short-term debt outstanding of \$345,000,000.

Short-term liabilities activity for the Fiscal Year ended June 30, 2020 are as follows:

	Original Issue	Interest Rate	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020
Commercial Paper Notes, Series 9	2016	0.31%	\$ 135,000,000	\$ -	\$ -	\$ 135,000,000
Commercial Paper Notes, Series 10	2019	0.60%	110,000,000	-	-	110,000,000
Extendable Commercial Paper Notes, Series 1	2014	0.31%	100,000,000	-	-	100,000,000
Total short-term liabilities			\$ 345,000,000	\$ -	\$ -	\$ 345,000,000

11. Long-Term Liabilities

(a) Changes in Long-Term Liabilities

Long-term liabilities activity for the Fiscal Year ended June 30, 2020 are as follows:

	Balance at June 30, 2019	Additions	Deletions	Balance at June 30, 2020	Due Within One Year
Revenue Bonds	\$ 1,742,165,000	\$ -	\$ (36,100,000)	\$ 1,706,065,000	\$ 130,575,000
Certificates of Participation	34,310,000	-	(8,825,000)	25,485,000	6,725,000
Total long-term debt	1,776,475,000	-	(44,925,000)	1,731,550,000	137,300,000
Unamortized bond premiums	166,626,518	-	(14,750,628)	151,875,890	-
Total long-term debt, net	1,943,101,518	-	(59,675,628)	1,883,425,890	137,300,000
Contributions payable	11,365,789	-	(2,179,549)	9,186,240	1,374,649
Compensated absences	6,367,972	4,428,401	(3,798,409)	6,997,964	4,618,656
Arbitrage rebate	767,833	41,683	-	809,516	-
Total long-term liabilities, net	\$ 1,961,603,112	\$ 4,470,084	\$ (65,653,586)	\$ 1,900,419,610	\$ 143,293,305

11. Long-Term Liabilities (continued)

(b) Long-Term Debt Outstanding

The following schedule summarizes the major terms of outstanding long-term debt at June 30, 2020:

	Issue Date	Interest Rates to Maturity	Final Maturity Fiscal Year	Original Amount	Balance Outstanding June 30, 2020
Revenue Bonds:					
Water Revenue Bonds, Series 2010B (Taxable Build America Bonds) ⁽¹⁾	2010	6.138%	2049	\$ 526,135,000	\$ 526,135,000
Water Revenue Refunding Bonds, Series 2011A	2011	0.45-5.00%	2027	139,945,000	77,585,000
Water Revenue Refunding Bonds, Series 2011B	2011	3.00-5.00%	2031	94,540,000	94,540,000
Water Revenue Refunding Bonds, Series 2013A	2013	3.00-5.00%	2034	299,105,000	270,475,000
Water Revenue Refunding Bonds, Series 2015A	2015	2.00-5.00%	2029	184,795,000	170,150,000
Subordinate Lien Water Revenue Refunding Bonds, Series 2016S-1	2016	3.00-5.00%	2021	87,685,000	87,685,000
Water Revenue Refunding Bonds, Series 2016A	2016	5.00%	2033	98,945,000	98,945,000
Water Revenue Refunding Bonds, Series 2016B	2016	5.00%	2038	197,395,000	197,395,000
Water Furnishing Revenue Refunding Bonds, Series 2019 (Pipeline Bonds)	2019	5.00%	2046	183,155,000	183,155,000
Total Revenue Bonds					\$ 1,706,065,000
Certificates of Participation (COP):					
Water Revenue COP, 1998A	1998	4.50-5.25%	2028	\$ 180,000,000	\$ 11,685,000
Water Revenue Refunding COP, Series 2005A	2005	5.00-5.25%	2022	107,455,000	13,800,000
Total COP					\$ 25,485,000
Total long-term debt					\$ 1,731,550,000

Note:

- ⁽¹⁾ The 2010B Bonds were designated as Taxable Build America Bonds (BABs) under the provisions of the American Recovery and Reinvestment Act of 2009, the interest with respect to which is not excluded from gross income for federal income tax purposes, but is exempt from State of California personal income taxes. The Water Authority receives semi-annual subsidy payments from the United States Treasury equal to 35 percent of the interest payable on the 2010B Bonds.

11. Long-Term Liabilities (continued)

(c) Debt Service Requirements

The total debt service requirements, including principal and interest payments, are as follows:

FY	Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 130,575,000	\$ 89,700,710	\$ 6,725,000	\$ 1,279,538	\$ 137,300,000	\$ 90,980,248
2022	45,180,000	83,555,210	7,075,000	926,476	52,255,000	84,481,686
2023	52,425,000	81,388,960	-	555,038	52,425,000	81,943,998
2024	55,145,000	78,910,410	-	555,038	55,145,000	79,465,448
2025	58,105,000	76,204,785	-	555,038	58,105,000	76,759,823
2026-2030	329,935,000	334,341,787	11,685,000	1,665,110	341,620,000	336,006,897
2031-2035	369,110,000	245,701,490	-	-	369,110,000	245,701,490
2036-2040	280,800,000	153,665,608	-	-	280,800,000	153,665,608
2041-2045	217,550,000	87,301,403	-	-	217,550,000	87,301,403
2046-2049	167,240,000	23,160,968	-	-	167,240,000	23,160,968
Total	\$ 1,706,065,000	\$ 1,253,931,331	\$ 25,485,000	\$ 5,536,238	\$ 1,731,550,000	\$ 1,259,467,569

(d) Long-Term Pledged Liabilities

Long-term pledged liabilities for the Fiscal Year ended June 30, 2020 are comprised of the following:

Type of Pledged Revenue	FY Maturity Date	Pledged Revenue to Maturity	Debt Principal and Interest Paid	Pledged Revenue Recognized
Pledged Net Water Revenue:				
Water Revenue COP, Series 1998A	2028	\$ 16,125,300	\$ 555,038	\$ 555,038
Water Revenue Refunding COP, Series 2005A	2022	14,895,938	724,500	724,500
Water Revenue COP, Series 2008A	2020	-	9,266,250	9,266,250
Water Revenue Bonds, Series 2010A (<i>Non-AMT Tax-Exempt</i>)	2020	-	4,882,800	4,882,800
Water Revenue Bonds, Series 2010B (<i>Taxable Build America Bonds</i>)	2049	1,196,841,012	32,294,166	32,294,166
Water Revenue Refunding Bonds, Series 2011A	2027	93,038,700	13,294,050	13,294,050
Water Revenue Refunding Bonds, Series 2011B	2031	125,446,250	4,707,000	4,707,000
Water Revenue Refunding Bonds, Series 2013A	2034	383,553,563	27,986,369	27,986,369
Water Revenue Refunding Bonds, Series 2015A	2029	212,011,750	16,257,250	16,257,250
Subordinate Lien Water Revenue Refunding Bonds, Series 2016S-1	2021	91,769,250	4,084,250	4,084,250
Water Revenue Refunding Bonds, Series 2016A	2033	156,672,250	4,947,250	4,947,250
Water Revenue Refunding Bonds, Series 2016B	2038	347,711,000	9,869,750	9,869,750
Water Furnishing Revenue Refunding Bonds, Series 2019 (<i>Pipeline Bonds</i>)	2046	352,952,556	7,911,278	7,911,278
Total Pledged Net Water Revenue		\$2,991,017,569	\$ 136,779,951	\$ 136,779,951

11. Long-Term Liabilities (continued)

(e) Contributions Payable

Contributions Payable represent the Water Authority's payment obligation to the QSA JPA for environmental mitigation pursuant to the QSA JPA Creation and Funding Agreement. The outstanding balance of the payment obligation at June 30, 2020 was \$9,186,240. The total contributions payable, including principal and interest payments, are as follows:

Year	Contributions Payable		
	Principal	Interest	Total
2021	\$ 1,374,649	\$ 526,187	\$ 1,900,836
2022	3,332,937	468,695	3,801,632
2023	1,248,878	268,719	1,517,597
2024	1,028,050	193,787	1,221,837
2025	1,213,335	132,104	1,345,439
2026	988,391	59,302	1,047,693
Total	\$ 9,186,240	\$ 1,648,794	\$ 10,835,034

(f) Rate Covenants

Under the Water Authority Act, the Board sets water rates and charges that are sufficient to meet its operation expenses and payment obligations. The Board has established that, exclusive of the tax revenue and debt servicing costs associated with voter-approved general obligation bonds and other voter-approved debt, net water revenues will equal or exceed 120 percent of senior lien debt service costs (principal and interest). The Water Authority was in compliance with its rate obligations for Fiscal Year 2020.

12. Defined Benefit Pension Plan

California Public Employees' Retirement System

Plan Description

All qualified full-time Water Authority employees are required to participate in the Water Authority's Miscellaneous Plan with CalPERS, an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements is established by state statutes within the Public Employees' Retirement Law. The Water Authority selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. Benefit provisions and all other requirements are established by state statute, Water Authority resolution, and contracts with employee bargaining groups.

Effective January 1, 2013, Water Authority new hires who meet the definition of "new employee" and "new member" accrue and receive defined benefit pension plan benefits in accordance with the California Public Employees' Pension Reform Act (PEPRA) of 2013.

Financial statements for the Water Authority's plan are not separately issued. Requests for detailed plan provisions and copies of CalPERS' annual financial report can be obtained from CalPERS Fiscal Services Division, P.O. Box 942703, Sacramento, CA, 94229-2703 or <http://www.calpers.ca.gov>.

12. Defined Benefit Pension Plan (continued)

California Public Employees' Retirement System (continued)

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 or 52, depending on hire date, with statutorily reduced benefits. All members are eligible for non-duty disability benefits after ten years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost of living adjustments is applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

Hire Date	Miscellaneous Plan	
	Prior to January 1, 2013 "Classic Members"	On or after January 1, 2013 "PEPRA Members"
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation ⁽¹⁾	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.00%
Required employer contribution rates ⁽²⁾	26.22%	26.22%

Notes:

⁽¹⁾ Benefit amounts vary depending on retirement age. Classic members retiring between ages 50-55 receive a benefit of 2% and 2.5% at age 55 or later. PEPRA members retiring between ages 52-62 receive a benefit of 1%, 2% between ages 62-67 and 2.5% thereafter.

⁽²⁾ Employer contribution includes the normal cost percentage plus unfunded actuarial liability percentage.

Employees Covered

As of the June 30, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms under the Miscellaneous Plan:

Miscellaneous Plan	
Active employees	236
Inactive employees or beneficiaries currently receiving benefits	250
Inactive employees entitled to, but not yet receiving benefits	163
Total	649

Contributions

Water Authority employees hired prior to January 1, 2013, and any employees hired on or after this date who are not considered "New Members" within the meaning of the Public Employees' Pension Reform Act of 2013 (PEPRA) are Tier 1 members or "Classic Members". Tier II members are employees hired on or after January 1, 2013 and are considered "New Members" as defined by PEPRA. Current Classic Members are required to contribute eight percent of their annual covered salary to fund the Plan. The Water Authority currently pays seven percent of the employees' required member contribution. Employees pay the remaining one percent of the required member contribution. As a cost sharing method, pursuant to Government Code Section 20516 of the California Public Employees' Retirement Law, Classic Members pay seven percent of the Water Authority's required employer contributions.

12. Defined Benefit Pension Plan (continued)

California Public Employees' Retirement System (continued)

Contributions (continued)

Due to cost sharing, for "classic" employees, effective July 1, 2013, the Technical/Support, Professional/Administrative, Managerial/Supervisory, and Confidential classified employees increased the amount they pay toward CalPERS by 1.25 percent for a total contribution of seven percent, increasing to eight percent by July 2014. Executive and Senior Management employees increased the amount they pay toward CalPERS by 1.75 percent for a total contribution of eight percent as of July 1, 2013.

The terms of PEPRA mandate that a "New Member" contribution rate be the greater of 50 percent of the total normal cost rate for their defined benefit plan or the current contribution rate of similarly situated employees. The current employee contribution rate of new members and similarly situated employees at the Water Authority is six percent.

The Water Authority is required to contribute the remaining amounts, as determined by calculating the required employer contribution rate multiplied by the covered salary, necessary to fund the benefits for its members, using the actuarial basis recommended by CalPERS actuaries and actuarial consultants, and adopted by the CalPERS Board of Administration.

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Water Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2018 valuation was rolled forward to determine the June 30, 2019 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' Membership Data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.5% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

Note:

⁽¹⁾ The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

12. Defined Benefit Pension Plan (continued)

California Public Employees' Retirement System (continued)

Discount Rate

The discount rate used to measure the total pension liability is 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class ⁽¹⁾	Assumed Asset Allocation	Real Return Years 1 - 10 ⁽²⁾	Real Return Years 11 + ⁽³⁾
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100%		

Notes:

⁽¹⁾ In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments;

Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

⁽²⁾ An expected inflation of 2.00% used for this period.

⁽³⁾ An expected inflation of 2.92% used for this period.

Net Pension Liability

The Water Authority's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures.

12. Defined Benefit Pension Plan (continued)

California Public Employees' Retirement System (continued)

Changes in the Net Pension Liability

The changes in the net pension liability for the Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2019 <i>(Measurement Date June 30, 2018)</i>	\$ 251,761,653	\$ 190,362,306	\$ 61,399,347
Changes recognized for the measurement period:			
Service cost	5,192,117	-	5,192,117
Interest on total pension liability	17,976,349	-	17,976,349
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Differences between expected and actual experience	2,433,181	-	2,433,181
Contributions - employer	-	7,445,103	(7,445,103)
Contributions - employees	-	2,097,507	(2,097,507)
Net investment income	-	12,669,038	(12,669,038)
Benefit payments, including refunds of employee contributions	(10,746,814)	(10,746,814)	-
Administrative expense	-	(135,847)	135,847
Other miscellaneous income/(expense)	-	442	(442)
Net Changes	14,854,833	11,329,429	3,525,404
Balance at June 30, 2020 <i>(Measurement Date June 30, 2019)</i>	\$ 266,616,486	\$ 201,691,735	\$ 64,924,751

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Water Authority if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ending June 30, 2019:

	1% Decrease	Current Discount Rate	1% Increase
	6.15%	7.15%	8.15%
Net Pension Liability	\$101,603,798	\$64,924,751	\$34,626,602

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued CalPERS GASB 68 Accounting Valuation report for the Water Authority.

12. Defined Benefit Pension Plan (continued)

California Public Employees' Retirement System (continued)

Amortization of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARS) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the Fiscal Year ended June 30, 2020, the Water Authority recognized pension expense of \$12,178,320 and reported deferred outflows of resources and deferred inflows of resources related to its pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,571,578	\$ -
Changes of assumptions	2,409,385	(4,107,628)
Differences between expected and actual experiences	2,368,833	(320,745)
Net difference between projected and actual earnings on pension plan investments	-	(1,108,568)
Total	\$ 12,349,796	\$ (5,536,941)

The \$7,571,578 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net pension liability during the Fiscal Year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense/(income) as follows:

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2021	\$1,495,238
2022	(2,523,957)
2023	92,494
2024	177,502
Thereafter	-

The CalPERS Board of Administration has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gain/losses. The new policy removes the 5-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

13. Other Post-Employment Benefits (OPEB)

(a) Terminal Pay Plan

Plan Description

The Water Authority established a Terminal Pay Plan (TPP), effective December 10, 2007, which is administered by the Water Authority's Controller, who serves as the administrator and trustee. The TPP was established and is governed under the Internal Revenue Code Section 414(d), which provides benefits to participants. The benefit is the accumulated balance of the retiring employee's (or a separated employee due to death) earned but unpaid vacation and sick leave on the date of retirement. Each employee of the Water Authority who is entitled to vacation-leave pay or sick-leave pay (under the applicable rules, regulations, and policies) is required to participate in the TPP if the participant retires, or separates employment due to death, from the Water Authority after reaching the age of 55 and completing five years of service.

GASB states the definition of pensions does not include postemployment healthcare benefits and termination benefits. As such, the TPP liability is related to earned, but unpaid sick and vacation benefits, and is recorded in the financial statements as compensated absences.

Employees may elect benefits be disbursed from the TPP in a lump sum or in monthly installments over a 60-month period (with no interest). As an alternative, an employee has the right to elect that all or a portion of benefits be immediately rolled over or transferred to an individual retirement account (IRA), a tax-sheltered annuity, another tax-qualified retirement plan, or an eligible deferred compensation plan such as a Section 457 deferred compensation plan. A separate financial report is not prepared for the TPP.

Benefits Provided

Contributions equal to the accumulated balance in the employee's earned but unpaid vacation and sick leave accounts are made by the Water Authority to the TPP for eligible employees who retire, or separate due to death, from the Water Authority after reaching the age of 55 and completing five years of service, and are made as soon as administratively practicable after termination of employment. Amounts held on behalf of participants are fully vested and held in trust at all times. TPP benefits for a participant who retires, or separates due to death, from Water Authority service are fully vested once they are accrued and the value of TPP benefits is the amount of an employee's earned but unpaid vacation and sick leave on the date of retirement. No additional employee contributions are permitted. Benefits earned are accrued as compensated absences.

Distribution

If the value of benefits is over \$5,000, a distribution will only be made if the employee consents before April 1st following the CY in which they reach age 70½. If the value of an employee's vested benefit is \$5,000 or less on the date of retirement, or separation due to death, benefits will be distributed in a single lump sum.

Changes or Termination of Plan

The Water Authority reserves the right to amend the TPP at any time and for any reason. In the event the TPP is terminated, no additional contributions will be made, but the retirees affected will continue to be entitled to the entire benefits under the TPP. Benefits under the TPP are not insured by the Pension Benefit Guaranty Corporation or any other government agency.

13. Other Post-Employment Benefits (OPEB) (continued)

(b) Retiree Health Benefit

Plan Description

The Water Authority has established a Retiree Healthcare Plan (HC Plan), an agent multiple-employer defined benefit retiree healthcare plan. The HC Plan, administered by the Water Authority and California Employers Retirement Benefit Trust (CERBT), provides employees who retire directly from the Water Authority, at a minimum age of 55, with a minimum of five years of service, a cash subsidy for monthly medical insurance premiums up to a cap of \$200 per employee or \$320 for employee plus spouse. Payments cease at age 65 when the retiree or spouse is eligible for Medicare. If applicable, a cash subsidy for the monthly medical premium continues up to a cap of \$160 for a spouse until age 65 is attained. Surviving spouses are also eligible for this benefit.

Employees who retire directly from the Water Authority at a minimum age of 55 with a minimum of five years of CalPERS service are eligible to continue medical coverage as a participant with active employees at a blended premium rate until eligible for Medicare at age 65 as an implied subsidy. A separate financial report is not prepared for the HC Plan.

Employees Covered

As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the HC Plan:

HC Plan	
Active employees	242
Inactive employees or beneficiaries currently receiving benefits	61
Inactive employees entitled to, but not yet receiving benefits	-
Total	303

Contributions

The HC Plan and its contribution requirements are established by a Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the Water Authority and the bargaining units. The annual contribution is based on projected pay-as-you-go financing requirements. For the Fiscal Year ended June 30, 2020, the Water Authority's cash contributions were \$198,941 in current premiums and the estimated implied subsidy was \$301,944 resulting in total payments of \$500,885.

Actuarial Methods and Assumptions Used to Determine Total OPEB liability (asset)

The June 30, 2019 valuation was used to determine the June 30, 2019 total OPEB liability (asset), based on the following actuarial methods and assumptions:

Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Salary Increases	3.00% per annum, in aggregate
Investment Rate of Return	7.00%, assuming actuarially determined contributions funded into CERBT Investment Strategy 1
Mortality Rate ⁽¹⁾	Derived using CalPERS' Membership Data for all funds
Pre-Retirement Turnover ⁽²⁾	Derived using CalPERS' Membership Data for all funds
Healthcare Trend Rate	6.50% HMO/6.50% PPO decreasing to 5.00%HMO/5.00% PPO

Note:

⁽¹⁾ Pre-retirement mortality rates based on the SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using scale MP-2019 for PERS employees. Continuing survivors mortality is based on the SOA Pub-2010 Contingent Survivors Total Dataset Headcount Weighted Mortality Table fully generational using MP-2019.

⁽²⁾ The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2017 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

13. Other Post-Employment Benefits (OPEB) (continued)

(b) Retiree Health Benefit (continued)

Discount Rate

The discount rate used to measure the total OPEB liability (asset) was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that Water Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset).

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	STRATEGY 1 *	
	Target Allocation	Long-term expected real rate of return
Global Equities	59.0%	5.50%
Global Fixed Income	25.0%	2.35%
REITs	8.0%	3.65%
Inflation Assets	5.0%	1.50%
Commodities	3.0%	1.75%
Total	100%	

* Long-term expected rate of return is 7.00%.

Net OPEB liability (asset)

The Water Authority's net OPEB liability (asset) for the HC Plan is measured as the total OPEB liability (asset), less the OPEB plan's fiduciary net position. The net OPEB liability (asset) of the HC Plan is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2019.

Changes in the OPEB liability (asset)

The changes in the net OPEB liability (asset) for the HC Plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
Balance at June 30, 2019 <i>(Measurement Date June 30, 2018)</i>	\$ 4,021,416	\$ 5,253,149	\$ (1,231,733)
Changes recognized for the measurement period:			
Service cost	150,577	-	150,577
Interest	278,543	-	278,543
Changes of benefit terms	-	-	-
Changes of assumptions	(534,801)	-	(534,801)
Differences between expected and actual experience	935,272	-	935,272
Contributions - employer	-	385,620	(385,620)
Net investment income	-	324,345	(324,345)
Benefit payments	(385,620)	(385,620)	-
Administrative expense	-	(1,126)	1,126
Net Changes	443,971	323,219	120,752
Balance at June 30, 2020 <i>(Measurement Date June 30, 2019)</i>	\$ 4,465,387	\$ 5,576,368	\$ (1,110,981)

13. Other Post-Employment Benefits (OPEB) (continued)

(b) Retiree Health Benefit (continued)

Sensitivity of the Net OPEB liability (asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the Water Authority if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ending June 30, 2019:

	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Net OPEB Liability (Asset)	(\$842,103)	(\$1,110,981)	(\$1,358,967)

Sensitivity of the Net OPEB liability (asset) to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability (asset) of the Water Authority if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ending June 30, 2019:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
	(5.50%HMO/5.50%PPO decreasing to 4.00%HMO/4.00%PPO)	(6.50%HMO/6.50%PPO decreasing to 5.00%HMO/5.00%PPO)	(7.50%HMO/7.50%PPO decreasing to 6.00%HMO/6.00%PPO)
Net OPEB Liability (Asset)	(\$1,342,632)	(\$1,110,981)	(\$846,508)

OPEB Plan Fiduciary Net Position

The HC Plan assets are held by the CERBT where they are audited annually and a copy of the financial statements may be obtained by contacting CalPERS's CERBT program at www.calpers.ca.gov. Additional, information about the HC Plan is available in the separately issued Nyhart Actuary and Employee Benefits GASB 75 Actuarial Valuation report for the Water Authority.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability (asset) and fiduciary net position are recognized in OPEB expense systematically over time.

The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5-year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARS) of all members that are provided with benefits (active and retired) as of the beginning of the measurement period

13. Other Post-Employment Benefits (OPEB) (continued)

(b) Retiree Health Benefit (continued)

OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the Fiscal Year ended June 30, 2020, the Water Authority recognized OPEB expense of \$5,790 and reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 500,885	\$ -
Changes of assumptions	27,095	(712,060)
Differences between expected and actual experiences	818,363	(176,417)
Net difference between projected and actual earnings on OPEB plan investments	-	(4,578)
Total	\$ 1,346,343	\$ (893,055)

The \$500,885 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB liability (asset) during the Fiscal Year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as OPEB expense as follows:

FY Ended June 30	Deferred Outflows/(Inflows) of Resources
2021	\$ (56,777)
2022	(108,831)
2023	(90,892)
2024	58,727
2025	50,059
Thereafter	100,117

14. Deferred Compensation Plan and Defined Contribution Plan

The Water Authority Board of Directors has adopted a deferred compensation plan and defined contribution plan (the Plans) in accordance with Sections 457(b) and 401(a), respectively, of the Internal Revenue Code. The Water Authority Board has discretion to amend the Plans. These plans permit all eligible employees to defer, either pre-tax or post-tax, a portion of their salary until future years. The plan recordkeeper for the Water Authority at June 30, 2020 was TIAA-CREF.

Participation in the 457(b) plan is not required and employee contributions may be modified from time to time at the employee's direction. Employees eligible for the 401(a) plan must contribute an irrevocable mandatory minimum of three percent up to a maximum of 20 percent of salary to the plan. The Water Authority makes an annual contribution to the 401(a) plan on behalf of Senior and Executive Managers as specified in the compensation plans. Contributions to the Plans and interest earnings are 100 percent vested immediately. Benefits depend solely on the amounts contributed to the Plans plus investment earnings.

Plan contributions and earnings are not available to employees until termination, retirement, death, disability, or an unforeseeable emergency. All assets and income of the Plans are held in trust for the exclusive benefit of plan participants and their beneficiaries. The Plans are not considered part of the Water Authority's financial reporting entity. For FY 2020, the employee and employer contributions to the 457(b) plan were \$1,656,693 and \$7,863, respectively, and for the 401(a) plan the employee and employer contributions were \$456,348 and \$51,900, respectively.

15. Insurance

The Water Authority is exposed to various risks of loss related to torts, including theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Water Authority obtains coverage for general liability, errors and omissions, employment practices liability, and crime coverage from the Joint Powers Risk and Insurance Management Authority (JPRIMA) underwritten by Allied World Assurance Company, coverage for automobile physical damage from Travelers Property Casualty Company of America (Travelers), and property coverage, including boiler and machinery from Swiss Reinsurance Company (SwissRE) and RSUI Indemnity Company. Liability coverage is \$46 million per occurrence with a \$75,000 deductible per occurrence. Property coverage is provided with a \$300 million per occurrence and aggregate coverage limit. Property and boiler and machinery coverage have a \$50,000 deductible per occurrence. The current property policy limit of \$300 million matches the current valuation of scheduled property. The Water Authority is a participant in Joint Powers Risk and Insurance Management Authority (JPRIMA) pooled insurance program and obtains workers' compensation coverage through the program underwritten by The Zenith Insurance Company. Workers' compensation coverage is per California statutory limits with \$1 million per occurrence for employer's liability coverage. There is no deductible per occurrence.

The amount of claims settlements did not exceed insurance coverage for the past three fiscal years for all coverage types, individually and collectively.

16. Jointly Governed Organization

The Water Authority's payment of specific environmental mitigation costs are being made to the QSA JPA, which reviews and approves actual expenses for required mitigation and environmental costs. The QSA JPA is administered by the Water Authority and is made up of the Water Authority, IID, CVWD, and the State of California's Department of Fish and Game. The QSA JPA board is comprised of one member from each participating entity. See Note 11(e) for the Water Authority's remaining required payments to the QSA JPA.

17. Commitments and Contingencies

(a) Construction Projects

The Water Authority had two material commitments under construction contracts as of June 30, 2020 as follows:

Mission Trails FRS II & FCF	\$ 18,382,746
First Aqueduct Rehabilitation	502,276
Total	\$ 18,885,022

(b) Water Purchase Agreement

On December 20, 2012, the Water Authority entered into a 30-year Water Purchase Agreement with Poseidon Resources (Channelside) LP (Company) to purchase potable water from the Claude "Bud" Lewis Carlsbad Desalination Plant (Plant) upon commencement of commercial operations, which was achieved December 23, 2015. The Plant is a 50 MGD (million gallons per day) reverse osmosis desalination plant with an approximate ten-mile pipeline (Pipeline) that connects the Plant to the Water Authority's existing distribution system.

The project was developed as a "public-private partnership" between the Water Authority and the Company. The Company owns, operates and maintains the Plant whereas the Water Authority owns, operates and maintains the Pipeline. Pursuant to the Water Purchase Agreement (WPA), the Company sells the potable water produced by the Plant (Product Water) to the Water Authority and the Water Authority is the sole purchaser of the Product Water.

17. Commitments and Contingencies (continued)

(b) Water Purchase Agreement (continued)

The Water Authority has an annual obligation to purchase or pay (a take-or-pay contract) for 48,000 acre-feet (AF), the minimum annual demand commitment by the Water Authority, of Product Water that meets the requirements of the WPA and may request up to 56,000 AF each year, the maximum annual supply commitment, of Product Water produced by the Company. Prior to each contract year, the Water Authority and the Company schedule the monthly delivery of the Product Water such that the annual total will be between 48,000 AF and 56,000 AF, unless otherwise adjusted in accordance with the terms of the WPA. The monthly payments are based on actual units of Product Water delivered or deliverable according to the delivery schedule. The Water Authority pays a per-acre-foot charge for delivered or deliverable water calculated to be sufficient to pay debt service on the Series 2012 Plant Bonds, Senior Note due January 2nd, 2023, an equity return, and variable and fixed Project operating costs. The Water Authority is responsible for paying debt service costs on the Series 2012 Water Furnishing Revenue Pipeline Bonds. The Company is obligated to make shortfall payments to the Water Authority for the failure to deliver Product Water as required under the WPA (Operating Period Shortfall Payments). To secure its performance obligations under the WPA, the Company was required to post a \$5.125 million letter of credit.

The Water Authority has an option to purchase the Plant at any time following the tenth anniversary of the December 23, 2015 Commercial Operation Date for a price sufficient to redeem or defease the Series 2012 Plant Bonds and any additional plant senior debt incurred for the construction and modification of the Plant that constitutes permitted approved debt under the WPA plus a return on equity. The Water Authority will also have an option to purchase the Plant for the same price if financing is unavailable to pay for modifying or reinstating the Plant under those circumstances.

The Water Authority may also purchase the Plant for the aggregate outstanding principal and accrued interest on the Series 2012 Plant Bonds and any additional plant senior debt under the Plant Loan Agreement (described in the Project Financing section) incurred for the construction and modification of the Plant and that constitutes permitted approved debt under the WPA upon a termination of the WPA for the Company's default.

(c) Litigation

The Water Authority is subject to lawsuits and claims, which arise out of the normal course of business. In the opinion of management, based upon the opinion of legal counsel, the disposition of such actions of which it is aware will not have a material effect on the change in financial position, or liquidity of the Water Authority.

Currently, the Water Authority is involved in litigation with MWD in various related cases, mainly pertaining to alleged rate overcharges by MWD. The Water Authority has been paying the disputed MWD rates over the years. The cases generally relate to potential damages to be awarded to the Water Authority, not additional new payments or damages to MWD. Most cases were stayed pending outcome of the 2010/2012 rate case which is proceeding in trial court, but the stay has now been lifted in the 2014/16 cases, and should be lifted in the 2018 case also, so they can move to completion. The Water Authority was awarded a judgment in excess of \$44 million in the 2010/12 cases, but that award is subject to appeal.

Additionally, the Water Authority has been sued for alleged violation of Proposition 218 in setting lower-price agricultural rates for a lower level of service. That suit (*Kessner*) is a class action pending in Santa Cruz Superior Court (many other water agencies statewide were sued as well). Also see Note 19(e) below on Vallecitos matter.

For further information on litigation matters, contact the General Counsel's office, 4677 Overland Avenue, San Diego, CA 92123, (858) 522-6790.

18. Restatement of Net Position

Net Position as of June 30, 2019 was restated by \$10,582,096 to properly value construction in progress for projects that were not going to be completed based on decisions made in prior years. The resulting adjustment was a decrease in Non-Depreciable Capital Assets – Construction in Progress, and a decrease in Net Position.

Net Position as of June 30, 2019, as previously reported	\$ 1,601,971,026
Write-off Construction in Progress Adjustment	(10,582,096)
Net Position as of June 30, 2019, as restated	<u>\$ 1,591,388,930</u>

19. Subsequent Events

(a) Water Revenue Refunding Bond Issuance Series 2020A

In July 2020, following the guidelines set forth in the Water Authority's Debt Management Policy, the Water Authority issued \$283,470,000 of Water Revenue Refunding Bonds, Series 2020A (the 2020A Bonds) to advance refund a portion of the Water Revenue Refunding Bonds, Series 2013A in the amount of \$253,355,000. The 2020A bonds are secured by and payable solely from net water revenues, the final maturity date for the 2020A bonds is May 1, 2034.

(b) Water Revenue Refunding Bond Series 2021A (Green Bonds) Authorization

In June 2020, the Board of Directors adopted a resolution authorizing (i) the issuance of Water Revenue Refunding Bonds, Series 2021A (Green Bonds) (the "Bonds") to refund, on a tax-exempt forward delivery basis, certain outstanding long-term debt, (ii) a negotiated method of sale, (iii) the execution and delivery of financing documents, including the Indenture, Escrow Agreements, Continuing Disclosure Agreements, Forward Delivery Purchase Contract and Official Statement, and (iv) the distribution of the Preliminary Official Statement. In July 2020, the Bonds were authorized for sale but not issued.

(c) Water Revenue Refunding Certificates of Participation Series 2005A, Water Revenue Refunding Bonds Series 2011A and Water Revenue Refunding Bonds Series 2011B Defeasance

In August 2020, the Board of Directors adopted a resolution authorizing the legal defeasance of outstanding debt, in an aggregate principal amount not to exceed \$30,000,000 in CY 2020, and the execution and delivery of escrow agreements and related actions. In September 2020, the Water Authority defeased a portion of the Water Revenue Refunding Certificates of Participation, Series 2005A in an amount of \$6,725,000, the Water Revenue Refunding Bonds, Series 2011A in an amount of \$9,535,000, and the Water Revenue Refunding Bonds, Series 2011B in an amount of \$2,775,000.

(d) Metropolitan Water District of Southern California Litigation

In August 2020, after appeals were exhausted by MWD and the Water Authority, the trial court handling the litigation of the 2010/2012 rate cases entered judgment for the Water Authority with a monetary award of \$44,373,872.29. The award is subject to potential appeal, and the court will hold a hearing in November of 2020 on attorney's fees.

(e) Vallecitos Water District Litigation

In September 2020, Vallecitos Water District initiated legal action (San Diego Superior Court Case No. 37-2020-00034563-CU-BC-NC) for over \$6 million in alleged damages and for cancelation of its treated water delivery contract of 3,500 acre-feet per year. The Water Authority will contest the Complaint.

THIS PAGE INTENTIONALLY LEFT BLANK



Required Supplementary
Information (RSI)

A. Defined Benefit Pension Plan - California Public Employees' Retirement System

San Diego County Water Authority Miscellaneous Plan SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS for the Measurement Periods Ended June 30						
Measurement Period	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 5,192,117	5,054,460	5,050,914	4,578,555	4,706,004	4,921,587
Interest on the total pension liability	17,976,349	16,947,158	16,572,166	15,841,721	14,880,474	14,066,260
Actual and expected experience difference	2,433,181	1,255,258	(1,924,464)	527,455	(1,543,047)	-
Changes in assumptions	-	(8,431,448)	14,456,305	-	(3,864,680)	-
Changes in benefit terms	-	-	-	-	-	-
Benefit payments:						
including refunds of employee contributions	(10,746,814)	(9,471,875)	(8,936,136)	(8,045,995)	(6,923,794)	(6,089,127)
Net change in total pension liability	14,854,833	5,353,553	25,218,785	12,901,736	7,254,957	12,898,720
Total pension liability - beginning	251,761,653	246,408,100	221,189,315	208,287,579	201,032,622	188,133,902
Total pension liability - ending (a)	\$ 266,616,486	251,761,653	246,408,100	221,189,315	208,287,579	201,032,622
Plan Fiduciary Net Position						
Contribution - employer	7,445,103	7,052,963	16,165,772	6,198,142	5,766,812	5,273,604
Contribution - employee	2,097,507	2,257,185	2,040,297	2,017,385	2,079,502	2,680,225
Net investment income	12,669,038	15,019,130	17,199,107	829,361	3,400,388	21,444,232
Benefit payments:						
including refunds of employee contributions	(10,746,814)	(9,471,875)	(8,936,136)	(8,045,995)	(6,923,794)	(6,089,127)
Net plan to plan resource movement	-	(442)	-	-	-	-
Administrative expense	(135,847)	(274,727)	(221,545)	(90,897)	(167,895)	-
Other miscellaneous income/(expense) ¹	442	(521,711)	-	-	-	-
Net change in plan fiduciary net position	11,329,429	14,060,523	26,247,495	907,996	4,155,013	23,308,934
Plan fiduciary net position - beginning	190,362,306	176,301,783	150,054,288	149,146,292	144,991,279	121,682,345
Plan fiduciary net position - ending (b)	\$ 201,691,735	190,362,306	176,301,783	150,054,288	149,146,292	144,991,279
Net pension liability - ending (a)-(b)	\$ 64,924,751	61,399,347	70,106,317	71,135,027	59,141,287	56,041,343
Plan fiduciary net position as a percentage of the total pension liability	75.65%	75.61%	71.55%	67.84%	71.61%	72.12%
Covered payroll \$	27,362,934	27,642,656	26,809,523	26,692,446	26,977,782	26,830,872
Net Pension Liability as a percentage of covered payroll	237%	222%	261%	266%	219%	209%

Notes to Schedule of Changes in the Net Pension Liability and Related Ratios:

¹ During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2018 valuation date.

Changes in assumptions: None in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

Future years' information will be displayed up to 10 years as information becomes available.

A. Defined Benefit Pension Plan - California Public Employees' Retirement System (continued)

San Diego County Water Authority Miscellaneous Plan SCHEDULE OF PLAN CONTRIBUTIONS FOR THE FISCAL YEARS ENDED JUNE 30*							
Fiscal Year End	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution (ADC) ¹	\$ 7,511,089	6,616,476	5,970,163	6,583,368	6,198,142	5,766,812	5,273,604
Contributions in relation to the ADC	(7,571,578)	(7,445,103)	(7,052,963)	(16,165,772)	(6,198,142)	(5,766,812)	(5,273,604)
Contribution (excess)	<u>\$ (60,489)</u>	<u>(828,627)</u>	<u>(1,082,800)</u>	<u>(9,582,404)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 30,253,739	27,362,934	27,642,656	26,809,523	26,692,446	26,977,782	26,830,872
Contributions as a percentage of covered payroll	25.03%	27.21%	25.51%	60.30%	23.22%	21.38%	19.65%

Notes to Schedule of Plan Contributions:

¹ Employers are assumed to make contributions equal to the actuarially determined contributions. However, the Water Authority has chosen to make additional contributions towards its unfunded liability. Therefore, the contributions have exceeded the actuarially determined contributions in Fiscal Years 2017-2020.

*Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2020 were derived from the June 30, 2017 Funding Valuation Report. For changes to previous year's information, refer to past Funding Valuation and Accounting Valuation Reports.

Methods and assumptions used to determine contribution rates:

San Diego County Water Authority, an agent multiple-employer defined benefit plan

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2017 Funding Valuation Report.
Asset Valuation Method	Market value of Assets. For details, see June 30, 2017 Funding Valuation Report
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.25% Net of Pension Plan Investment and Administrative Expenses; includes inflation.
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement & Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

Future years' information will be displayed up to 10 years as information becomes available.

B. Other Post-Employment Benefits

San Diego County Water Authority				
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (ASSET) AND RELATED RATIOS				
for the Measurement Periods Ended June 30				
Measurement Period	2019	2018	2017	2016
Total OPEB Liability				
Service cost	\$ 150,577	146,191	200,118	187,026
Interest on the total OPEB liability	278,543	282,880	323,133	314,699
Actual and expected experience difference	935,272	(119,318)	(209,656)	-
Changes in assumptions	(534,801)	-	(488,219)	81,287
Changes in benefit terms	-	-	-	-
Benefit payments	(385,620)	(366,591)	(326,391)	(279,009)
Net change in total OPEB liability	443,971	(56,838)	(501,015)	304,003
Total OPEB liability - beginning	4,021,416	4,078,254	4,579,269	4,275,266
Total OPEB liability - ending (a)	\$ 4,465,387	4,021,416	4,078,254	4,579,269
Plan Fiduciary Net Position				
Contributions - employer	385,620	366,591	326,391	279,009
Net investment income	324,345	388,093	467,344	43,839
Benefit payments	(385,620)	(366,591)	(326,391)	(279,009)
Administrative expense	(1,126)	(9,050)	(2,366)	(2,081)
Net change in plan fiduciary net position	323,219	379,043	464,978	41,758
Plan fiduciary net position - beginning	5,253,149	4,874,106	4,409,128	4,367,370
Plan fiduciary net position - ending (b)	\$ 5,576,368	5,253,149	4,874,106	4,409,128
Net OPEB (asset) liability - ending (a)-(b)	\$ (1,110,981)	(1,231,733)	(795,852)	170,141
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	124.88%	130.63%	119.51%	96.28%
Covered-employee payroll	\$ 27,892,858	26,726,000	26,726,484	24,720,000
Net OPEB liability (asset) as a percentage of covered-employee payroll	3.98%	4.61%	2.98%	0.69%

Notes to Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios:

Changes in assumptions. In 2016, the discount rate was changed from 7.28% (net of administrative expense) to 7.00%. Historical information is required only for measurement periods for which GASB 75 is applicable.

Future years' information will be displayed up to 10 years as information becomes available.

B. Other Post-Employment Benefits (continued)

San Diego County Water Authority SCHEDULE OF CONTRIBUTIONS FOR THE FISCAL YEARS ENDED JUNE 30*						
Fiscal Year End	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution (ADC) ¹	\$ 36,016	73,885	69,192	185,774	180,363	627,077
Contributions in relation to the ADC	(500,885)	(385,620)	(366,591)	(326,391)	(279,909)	(4,300,000)
Contribution deficiency (excess)	\$ (464,869)	(311,735)	(297,399)	(140,617)	(99,546)	(3,672,923)
Covered-employee payroll	\$ 32,295,496	27,892,858	26,726,000	26,726,484	24,720,000	24,720,000
Contributions as a percentage of covered-employee payroll	1.55%	1.38%	1.37%	1.22%	1.13%	17.39%

Notes to Schedule of Contributions:

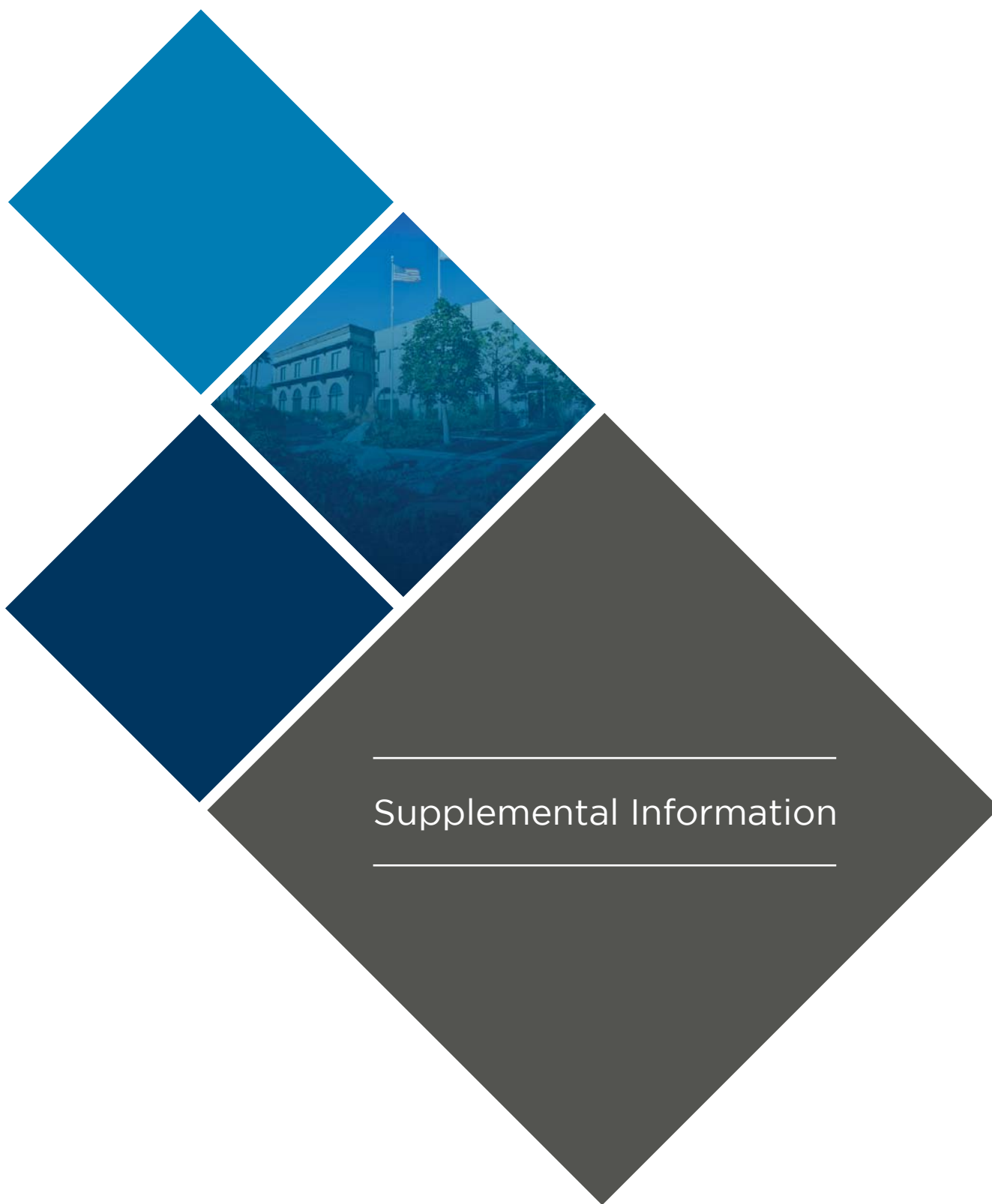
¹ Employers are assumed to make contributions equal to the actuarially determined contributions. However, the Water Authority has chosen to make additional contributions towards its unfunded liability. Therefore, the contributions have exceeded the actuarially determined contributions in Fiscal Years 2015-2020. In Fiscal Year 2015, the Water Authority elected to prefund its OPEB Plan.

*Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2020 was from the June 30, 2019 actuarial valuation, Fiscal Years 2019 and 2018 were from the June 30, 2017 actuarial valuation, Fiscal Years 2017 and 2016 were from the June 30, 2015 actuarial valuation and Fiscal Year 2015 was from the June 30, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level percent of payroll over a closed rolling 15-year period
Asset Valuation Method	Market value
Inflation	2.75%
Payroll Growth	3% per annum, in aggregate
Investment Rate of Return	7.00% per annum. Assumes investing in California Employers' Retiree Benefit Trust asset allocation Strategy 1 with a margin for adverse deviation of 28 bps.
Healthcare Cost-Trend Rates	6.5% HMO and 6.5% PPO initial, 1.0% - 2.0% near-term increase then decreasing 0.5% per year to trend rate that reflects medical price inflation.
Retirement Age	Tier 1 employees - 2.5% @ 55 and Tier 2 employees - 2.0% @ 62
Mortality	The probabilities of retirement are based on the 2017 CalPERS Experience Study. Pre-retirement mortality rates based on the SOA Pub-2010 General Total Dataset Headcount Weighted Mortality Table fully generational using scale MP-2019 for PERS employees. Continuing survivors mortality is based on the SOA Pub-210 Contingent Survivors Total Dataset Headcount Weighted Mortality Table fully generational using MP-2019.

*Future years' information will be displayed up to 10 years as information becomes available.



Supplemental Information

C. San Diego County Water Authority Budgetary Comparison Schedule

For the Fiscal Year Ended June 30, 2020 – Budgetary Basis

	Final Budget	Actual Amounts ⁽¹⁾	Variance with Final Budget Positive (Negative)
Net Water Sales Revenue			
Water Sales	\$ 632,571,819	\$ 565,784,174	\$ (66,787,645)
Water Purchases and Treatment	(518,502,779)	(449,752,095)	68,750,684
Total Net Water Sales Revenue	114,069,040	116,032,079	1,963,039
Revenues and Other Income			
Infrastructure Access Charges	36,829,000	36,941,802	112,802
Property Taxes and In-Lieu Charges	14,012,000	15,525,521	1,513,521
Investment Income	5,967,000	6,788,844	821,844
Hydroelectric Revenue	3,675,000	3,192,171	(482,829)
Grant Reimbursements	19,185,000	6,797,244	(12,387,756)
Build America Bonds Subsidy	10,565,000	10,624,779	59,779
Other Income	2,264,000	4,119,787	1,855,787
Capital Contributions:			
Capacity Charges	16,463,000	17,983,100	1,520,100
Water Standby Availability Charges	11,110,000	11,164,067	54,067
Contributions in Aid of Capital Improvement Program (CIP)	800,000	2,725,500	1,925,500
Total Revenues and Other Income	120,870,000	115,862,815	(5,007,185)
Total Revenues	234,939,040	231,894,894	(3,044,146)
Expenses			
Debt Service	147,712,000	142,743,144	4,968,856
QSA Mitigation	2,810,053	2,810,053	-
Equipment Replacement	3,174,000	1,413,852	1,760,148
Grant Expenses	18,392,000	6,417,766	11,974,234
Other Expenses	2,244,000	4,257,883	(2,013,883)
Operating Departments/Programs (Note 4)	55,160,378	55,308,227	(147,849)
Total Expenses	229,492,431	212,950,925	16,541,506
Net Revenues Before CIP Expenses	5,446,609	18,943,969	13,497,360
CIP Expenses	81,409,000	63,661,701	17,747,299
Change in Net Position - Budgetary Basis	(75,962,391)	(44,717,732)	31,244,659
Add Adjustments - Full Accrual (Note 5)	48,164,597	48,164,597	-
Change in Net Position - GAAP Basis	(27,797,794)	3,446,865	31,244,659
Net Position at Beginning of Year, as Restated	1,591,388,930	1,591,388,930	-
Net Position at End of Year	\$ 1,563,591,136	\$ 1,594,835,795	\$ 31,244,659

Note:

⁽¹⁾ Actual amounts have been adjusted to more accurately compare it to the adopted multi-year budget which is prepared on a modified accrual basis.

1. General Manager's Adopted Multi-Year Budget

In June 2019, the Board of Directors (Board) adopted a \$1.7 billion budget for the Fiscal Years 2020 and 2021. The Water Authority adheres to the budget policies and budgetary controls adopted by the Board for the Fiscal Years 2020 and 2021. The schedule on the previous page presents the final Adopted Multi-Year Budget, as presented for the fiscal year 2020, and compares them to actual amounts as presented on a modified accrual basis, which are different from the amounts presented in the Statement of Revenues, Expenses, and Changes in Net Position for the Fiscal Year ended June 30, 2020, with comparative data for the Fiscal Year ended June 30, 2019.

2. Budgetary Controls

The Board, by resolution, has established budgetary controls and made a total appropriation for expenses consistent with the adopted budget. The total appropriation adopted by the Board establishes the legal spending limit for the Water Authority. The Board, by resolution, has delegated to the General Manager authority to make budget adjustments as necessary within a limit of \$150,000 subject to the total appropriation limit. Budget adjustments in excess of \$150,000 or increases in the total appropriation limit must be approved by the Board.

3. Budget Process

The Board adopts a multi-year operating and capital improvement program budget every other fiscal year. The Board approves total budgeted appropriations and any amendments to the appropriations throughout the two-year period. The General Manager views the budget as an essential tool for proper financial management and holds a series of budget hearings through the Administrative and Finance Committee. The budget process includes presentations of key assumptions in the budget development and provides mechanisms for questions and comments from the Board to the Water Authority staff. The Finance Department leads the effort in developing the budget and is responsible for monitoring and reporting to the Board.

4. Operating Departments/Programs

	Final Budget ⁽¹⁾	Actual Amounts	Variance with Final Budget Positive (Negative)
Operating Departments/Programs			
Administrative Services	\$ 6,507,936	\$ 6,327,631	\$ 180,305
Colorado River Program	1,686,006	1,471,517	214,489
Engineering	3,891,805	4,099,684	(207,879)
Finance	2,592,286	2,578,448	13,838
General Counsel	4,018,182	3,161,185	856,997
General Manager and Board of Directors	4,713,419	4,263,543	449,876
MWD Program	1,982,105	1,745,454	236,651
Operations and Maintenance	20,921,383	19,803,336	1,118,047
Public Outreach and Conservation	4,421,856	3,617,197	804,659
Water Resources	4,425,400	4,116,395	309,005
Actuarial amounts related to Pensions/OPEB	-	4,123,837	(4,123,837)
Total Operating Departments/Programs	\$ 55,160,378	\$ 55,308,227	\$ (147,849)

Note:

⁽¹⁾ Included in the budget is the annual pension contribution, however, pension expenses can vary significantly once the CalPERS actuarial report is received.

5. Reconciliation of Adjustments

	Actual Budgetary Basis	Adjustments ⁽¹⁾	Actual GAAP Basis
Revenues and Other Income			
Investment Income	\$ 6,788,844	\$ 4,994,434	\$ 11,783,278
Hydroelectric Revenue	3,192,171	(3,192,171)	-
Grant Reimbursements	6,797,244	(6,797,244)	-
Build America Bonds Subsidy	10,624,779	(10,624,779)	-
Other Income ⁽²⁾	4,119,787	20,614,194	24,733,981
Total Revenues and Other Income	31,522,825	4,994,434	36,517,259
Expenses			
Debt Service	142,743,144	(49,982,193)	92,760,951
QSA Mitigation	2,810,053	(2,810,053)	-
Equipment Replacement	1,413,852	(1,413,852)	-
Grant Expenses	6,417,766	(6,417,766)	-
Other Expenses	4,257,883	16,712,759	20,970,642
Operating Departments	55,308,227	71,538	55,379,765
Depreciation and Amortization	-	64,041,389	64,041,389
Bond Issuance Costs	-	289,716	289,716
Total Expenses	212,950,925	20,491,538	233,442,463
Net Revenues Before CIP Expenses	(181,428,100)	(15,497,104)	(196,925,204)
CIP Expenses	63,661,701	(63,661,701)	-
Change in Net Position	\$ (245,089,801)	\$ 48,164,597	\$ (196,925,204)

Notes:

⁽¹⁾ Only includes revenues and expenses with adjustments.

⁽²⁾ Other Income includes operating revenues, other income, intergovernmental, and gain/loss on sale/retirement of capital assets.

6. Monthly Financial Reporting

In accordance with best financial management practices, the Finance Department provides monthly financial reports to the Board that include the monitoring of Water Purchases and Water Sales in acre-feet and in dollars, and a narrative and variance analysis. In addition, a schedule prepared on a budgetary basis compares the final adopted budget, as amended by the Board, to actual expenses. These monthly financial reports are prepared to provide timely information on the financial progress of the Water Authority for the Board to consider in the decision-making process.

7. Annual Financial Reporting

The Water Authority elects to present the budgetary schedule, optional for Enterprise Funds, in accordance with best practices recommended by professional accounting organizations and in keeping with the Water Authority's commitment to transparency in financial reporting and disclosure. The schedule prepared on a budgetary basis compares the final two-year adopted budget, as amended by the Board, to actual expenses for the two-year period as presented on the initial schedule in Other Supplementary Information. In addition, a reconciliation of the budgetary schedule and the audited financial statements are presented in Note 5 Reconciliation of Adjustments.

THIS PAGE INTENTIONALLY LEFT BLANK



Statistical
Section

Statistical Section

This section of the San Diego County Water Authority's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Water Authority's overall financial health.

CONTENTS

TABLES

Financial Trends

1-5

These tables contain trend information to help the reader understand how the Water Authority's financial performance has changed over time.

Revenue Capacity

6-10

These tables contain information to help the reader assess the Water Authority's most significant revenue sources.

Debt Capacity

11-13

These tables present information to help the reader assess the ability of the Water Authority to pay debt service on outstanding debt.

General Information

14-15

These tables contain service and infrastructure data to help the reader understand how information in its financial report relates to Water Authority provided services and activities.

Demographic and Economic Information

16-17

These tables offer demographic and economic indicators to help the reader understand the environment in which the Water Authority's financial activities take place.

Note:

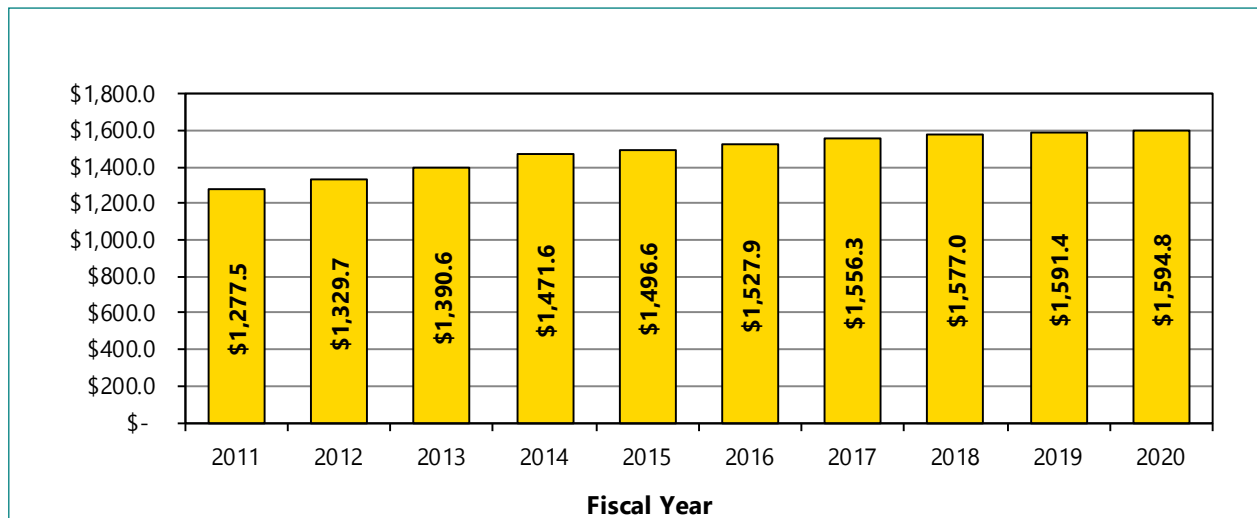
Unless otherwise noted, the information in these schedules is derived from the Water Authority's comprehensive annual financial reports of the relevant year.

Net Position Last Ten Fiscal Years

Table 1

Fiscal Year	Net Investment in Capital Assets	Restricted for Construction Projects	Restricted for Debt Service	Unrestricted	TOTAL NET POSITION	Changes in Net Position
2020	\$ 1,257,199,783	\$ 35,039,210	\$ 113,227	\$ 302,483,575	\$ 1,594,835,795	\$ 3,446,865
2019	1,214,420,504	65,357,775	178,327	311,432,324	1,591,388,930	(1) 25,013,317
2018	1,154,718,703	119,984,952	377,929	301,876,125	1,576,957,709	20,641,607
2017	1,123,928,892	147,352,064	235,337	284,799,809	1,556,316,102	(2) 30,302,015
2016	1,138,995,458	156,718,296	158,377	232,035,734	1,527,907,865	(2) 35,965,133
2015	1,102,128,289	143,366,311	113,537	250,964,563	1,496,572,700	(3) 86,143,313
2014	1,011,397,033	201,696,008	549,186	257,965,113	1,471,607,340	81,003,310
2013	980,446,318	151,728,963	540,932	257,887,817	1,390,604,030	60,895,729
2012	976,837,047	133,157,019	675,910	219,038,325	1,329,708,301	(4) 52,228,329
2011	959,638,557	121,172,255	586,217	196,082,943	1,277,479,972	(4) 39,160,773

Total Net Position, in Millions (\$)



Notes:

- (1) Net position at June 30, 2019 was restated by \$10,582,096 to write-off construction in progress.
- (2) Net position at June 30, 2017 and 2016 were restated to properly amortize intangible assets for Storage Rights. Beginning net position was restated by a decrease of \$1,893,778 pursuant to GASB Statement No. 75 implemented in Fiscal Year 2017.
- (3) Beginning net position was restated by a decrease of \$61,177,953 pursuant to GASB Statement Nos. 68 and 71 implemented in Fiscal Year 2015.
- (4) Net position at June 30, 2012 and 2011 was restated to reflect the bond issuance costs expensed in the period incurred.

Revenues and Capital Contributions by Source Last Ten Fiscal Years

Table 2.1

Fiscal Year	Water Sales ⁽¹⁾	Other Revenues	TOTAL OPERATING REVENUES
2020	\$565,784,174	\$ 3,315,307	\$ 569,099,481
2019	579,605,983	4,565,447	584,171,430
2018	591,809,280	4,053,221	595,862,501
2017	579,057,028	3,727,332	582,784,360
2016	524,934,642	3,240,007	528,174,649
2015	584,172,839	4,567,285	588,740,124
2014	593,695,290	3,935,305	597,630,595
2013	523,455,688	2,578,210	526,033,898
2012	443,347,502	1,519,525	444,867,027
2011	382,922,036	634,572	383,556,608

Table 2.2

Fiscal Year	Property Taxes	In-Lieu Charges ⁽²⁾	Infrastructure Access Charges	Investment Income	Other, net	TOTAL NONOPERATING REVENUES
2020	\$ 13,022,509	\$ 2,503,012	\$ 36,941,802	\$ 11,783,278	\$ 21,529,854	\$ 85,780,455
2019	12,279,706	2,386,546	33,202,686	13,755,026	20,918,319	82,542,283
2018	11,515,329	2,238,385	32,482,290	4,342,461	30,050,559	80,629,024
2017	10,816,635	2,096,678	31,144,704	2,237,947	22,860,940	69,156,904
2016	10,066,792	2,000,431	30,434,370	5,985,490	25,905,838	74,392,921
2015	9,577,280	1,898,327	29,895,726	2,905,952	18,967,088	63,244,373
2014	9,387,129	1,754,973	29,205,684	3,674,934	21,265,070	65,287,790
2013	9,202,932	1,593,549	28,675,422	2,936,474	13,546,781	55,955,158
2012	8,240,009	1,642,353	27,700,326	5,211,394	16,277,941	59,072,023
2011	8,071,041	1,583,467	24,507,570	6,960,755	19,250,470	60,373,303

Notes:

⁽¹⁾ Includes readiness-to-serve and capacity charges assessed by the Metropolitan Water District (MWD).

⁽²⁾ The City of San Diego elects to pay in-lieu charges rather than the tax levy. This calculation is based on prior year assessed valuation.

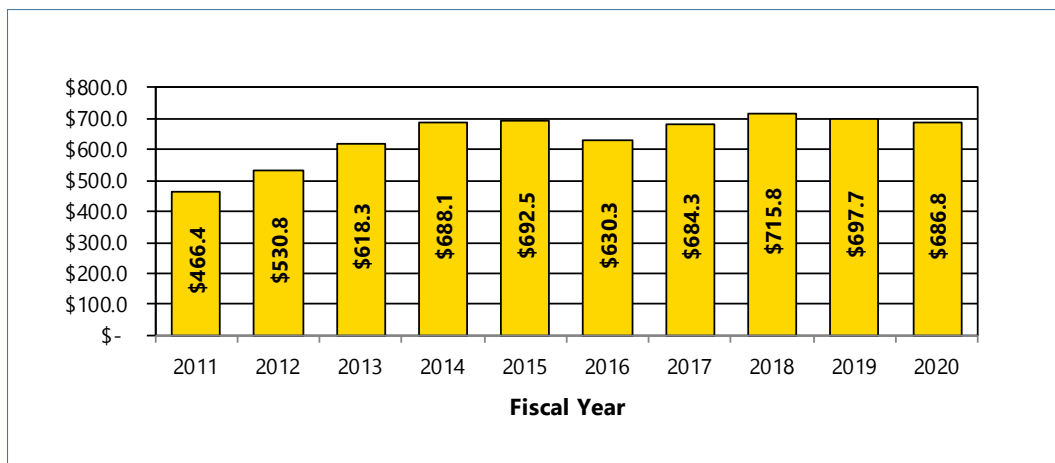
Revenues and Capital Contributions by Source (continued)

Last Ten Fiscal Years

Table 2.3

Fiscal Year	Capacity Charges	Water Standby Availability Charges	Contributions in Aid of Capital Assets	TOTAL CAPITAL CONTRIBUTIONS	GRAND TOTAL
2020	\$ 17,983,100	\$ 11,164,067	\$ 2,725,500	\$ 31,872,667	\$ 686,752,603
2019	19,809,365	11,153,993	-	30,963,358	697,677,071
2018	28,153,768	11,102,611	16,000	39,272,379	715,763,904
2017	21,080,540	11,091,285	219,325	32,391,150	684,332,414
2016	15,838,800	11,088,377	791,486	27,718,663	630,286,233
2015	22,559,844	11,106,743	6,897,528	40,564,115	692,548,612
2014	13,815,194	11,137,248	230,952	25,183,394	688,101,779
2013	17,709,796	11,147,488	7,409,404	36,266,688	618,255,744
2012	11,098,619	11,240,988	4,533,844	26,873,451	530,812,501
2011	10,321,076	11,255,132	913,097	22,489,305	466,419,216

Total Revenues by Source, in Millions (\$)



Expenses by Function Last Ten Fiscal Years

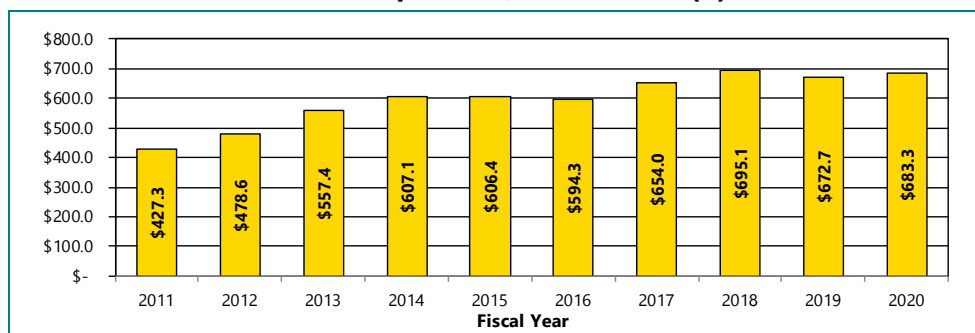
Table 3.1

Fiscal Year	Cost of Sales	Operations & Maintenance	Planning	General & Administrative	Depreciation & Amortization	TOTAL OPERATING EXPENSES
2020	\$ 449,752,095	\$ 26,153,130	\$ 9,345,036	\$ 19,881,599	\$ 64,041,389	\$ 569,173,249
2019	450,184,311	21,538,024	9,564,422	16,283,984	62,719,586	560,290,327
2018	442,369,171	24,219,304	9,179,960	16,914,642	62,842,596	555,525,673
2017	430,560,992	19,097,518	9,040,200	14,487,899	67,086,517	540,273,126
2016	387,123,145	18,212,388	8,651,233	14,259,469	64,023,664	492,269,899
2015	411,037,897	22,365,531	8,416,134	14,115,738	57,751,284	513,686,584
2014	422,699,658	18,780,808	6,851,384	13,670,808	56,589,618	518,592,276
2013	371,258,531	19,252,138	9,009,004	13,314,635	52,259,977	465,094,285
2012	312,446,563	16,800,991	7,163,795	13,545,177	51,705,749	401,662,275
2011	275,099,372	16,576,465	9,754,403	13,238,715	37,364,821	352,033,776

Table 3.2

Fiscal Year	Interest Expense	Other, net	TOTAL NONOPERATING EXPENSES	GRAND TOTAL
2020	\$ 92,760,951	\$ 21,371,538	\$ 114,132,489	\$ 683,305,738
2019	97,053,235	15,320,192	112,373,427	672,663,754
2018	99,915,662 ⁽¹⁾	39,680,962	139,596,624	695,122,297
2017	95,533,730 ⁽²⁾	18,223,543	113,757,273	654,030,399
2016	85,112,986 ⁽²⁾	16,938,215	102,051,201	594,321,100
2015	81,792,704 ⁽²⁾	10,926,011	92,718,715	606,405,299
2014	77,791,397 ⁽²⁾	10,714,796	88,506,193	607,098,469
2013	80,738,966 ⁽²⁾	11,526,764	92,265,730	557,360,015
2012	69,076,153 ^{(2),(3)}	7,845,744 ⁽³⁾	76,921,897	478,584,172
2011	67,209,780 ^{(2),(3)}	8,014,887 ⁽³⁾	75,224,667	427,258,443

Total Expenses, in Millions (\$)



Notes:

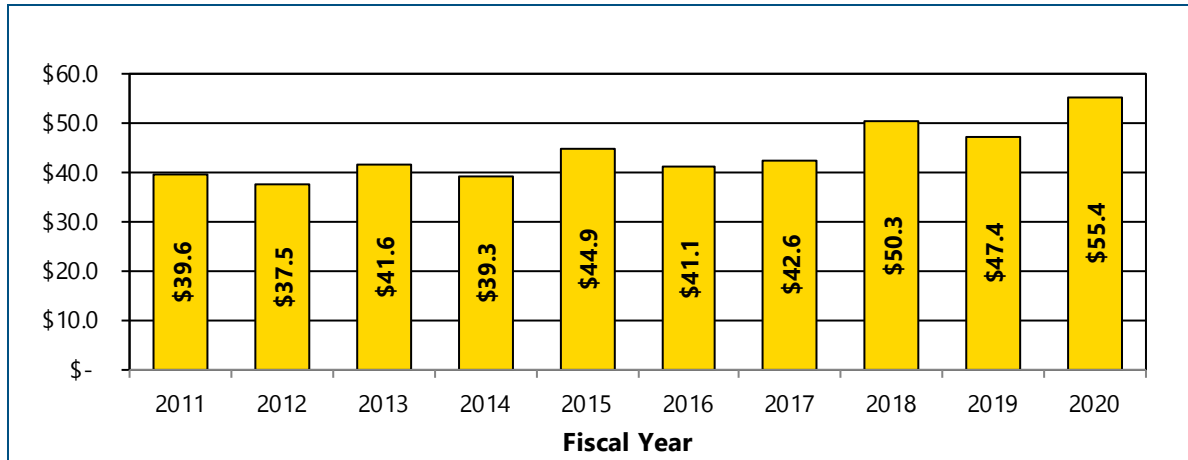
- ⁽¹⁾ With the adoption of GASB 89 in Fiscal Year 2018, interest expense is no longer capitalizable.
⁽²⁾ Net of interest expense incurred during construction, "capitalized interest" Fiscal Years 2010-2018.
⁽³⁾ Fiscal Years 2012 and 2011 expenses were restated for GASB 65 implementation.

Operating Department/Program Expenses by Major Expense Category Last Ten Fiscal Years

Table 4

Fiscal Year	Labor & Benefits	Outside Services	Supplies, Utilities, Insurance	Other Expenses	Capitalized Overhead	TOTAL OPERATING DEPARTMENT EXPENSES ⁽¹⁾
2020	\$ 42,115,275	\$ 11,329,625	\$ 4,224,808	\$ 1,801,057	\$ (4,091,000)	\$ 55,379,765
2019	33,720,381	11,211,468	4,109,872	2,056,709	(3,712,000)	47,386,430
2018	39,921,737 ⁽²⁾	10,153,682	4,171,046	1,842,991	(5,775,550)	50,313,906
2017	30,203,216	13,163,995	3,809,016	2,012,274	(6,562,884)	42,625,617
2016	30,157,924	12,393,149	3,264,804	1,832,617	(6,525,404)	41,123,090
2015	33,547,387	13,244,296	3,324,270	1,713,115	(6,931,665)	44,897,403
2014	29,882,613	13,981,175	3,127,000	1,640,283	(9,328,071)	39,303,000
2013	30,592,860	13,555,169	3,151,622	1,576,776	(7,300,650)	41,575,777
2012	30,342,606	8,759,265	2,584,696	2,270,811	(6,447,415)	37,509,963
2011	30,972,738	9,928,970	3,078,911	1,491,077	(5,902,113)	39,569,583

Total Operating Department/Program Expenses, in Millions (\$)



Notes:

- (1) Excludes equipment purchases.
- (2) In Fiscal Year 2018, Labor and Benefits expense is higher than prior years due to \$9.6 million supplemental payment to CalPERS to reduce the Unfunded Pension Liability.

Capital Assets Last Ten Fiscal Years

Table 5.1

Fiscal Year	Land	Easements	Mitigation Banks	Construction in Progress	Total Non-Depreciable Capital Assets
2020	\$ 24,621,576	\$ 12,848,771	\$ 5,322,234	\$ 127,851,957	\$ 170,644,538
2019	24,621,026	12,848,771	5,323,118	76,487,243	119,280,158
2018	24,621,026	12,843,763	5,323,118	75,507,207	118,295,114
2017	24,490,954	11,915,888	5,329,998	110,208,603	151,945,443
2016	24,458,404	11,858,791	5,329,998	171,049,357	212,696,550
2015	24,053,307	11,858,791	5,329,998	187,115,515	228,357,611
2014	23,244,672	7,933,369	5,017,023	555,898,353	592,093,417
2013	22,333,982	7,610,124	5,017,023	451,716,143	486,677,272
2012	19,291,657	7,301,686	2,644,029	637,434,621	666,671,993
2011 ⁽¹⁾	16,833,637	7,301,686	2,644,029	520,058,635	546,837,987

Table 5.2

Fiscal Year	Pipelines & Dams	Facilities	Equipment	Intangible Software & Mitigation	Participation & Capacity Rights	Storage Rights ⁽²⁾	Total Depreciable Capital Assets
2020	\$ 2,235,808,372	\$ 809,058,223	\$ 34,421,491	\$ 6,599,377	\$ 520,051,103	\$ 523,833,823	\$ 4,129,772,389
2019	2,234,331,612	808,458,481	33,814,036	6,599,377	520,051,103	522,856,068	4,126,110,677
2018	2,200,695,359	798,272,139	32,970,982	6,599,377	520,051,103	519,052,259	4,077,641,219
2017	2,160,923,351	789,443,884	32,025,782	5,306,323	517,686,553	489,681,404	3,995,067,297
2016	2,131,640,177	780,095,031	37,739,089	8,757,292	510,663,098	418,652,214	3,887,546,901
2015	1,871,305,792	739,777,239	36,341,572	7,917,720	507,821,415	415,862,959	3,579,026,697
2014	1,790,726,715	731,162,857	35,202,142	7,917,720	508,782,992	41,016,383	3,114,808,809
2013	1,786,130,985	744,832,423	34,751,465	7,644,109	503,001,729	41,016,383	3,117,377,094
2012	1,645,493,121	635,616,230	32,307,160	4,995,235	491,565,179	-	2,809,976,925
2011 ⁽¹⁾	1,629,816,278	622,504,085	31,694,365	3,253,579	482,042,703	-	2,769,311,010

Table 5.3

Fiscal Year	Accumulated Depreciation/Amortization	Depreciable Capital Assets, Net	NET CAPITAL ASSETS
2020	\$ (856,358,264)	\$ 3,273,414,125	3,444,058,663
2019	(792,881,544)	3,333,229,133	3,452,509,291
2018	(731,356,845)	3,346,284,374	3,464,579,488
2017	(669,824,136)	3,325,243,161	3,477,188,604
2016	(618,428,521)	3,269,118,380	3,481,814,930
2015	(554,725,060)	3,024,301,637	3,252,659,248
2014	(493,889,000)	2,620,919,809	3,213,013,226
2013	(437,057,773)	2,680,319,321	3,166,996,593
2012	(384,901,910)	2,425,075,015	3,091,747,008
2011 ⁽¹⁾	(334,288,815)	2,435,022,195	2,981,860,182

Notes:

- ⁽¹⁾ In Fiscal Year 2012, the categorization of non-depreciable and depreciable capital assets was updated. For comparative purposes, Fiscal Year 2011 has been updated.
- ⁽²⁾ Storage Rights were recategorized from non-depreciable to depreciable in Fiscal Year 2018.

Schedule of Rates and Charges Last Ten Calendar Years

Table 6.1

Calendar Year	Metropolitan Water District Supply Charges ⁽¹⁾							
	Full Service Tier 1		Full Service Tier 2		Interim Agricultural Water Program ⁽²⁾		Replenishment Water Rate ⁽³⁾	
	UTR	TR	UTR	TR	UTR	TR	UTR	TR
2020	\$ 755	\$ 1,078	\$ 842	\$ 1,165	\$ -	\$ -	\$ -	\$ -
2019	731	1,050	817	1,136	-	-	-	-
2018	695	1,015	781	1,101	-	-	-	-
2017	666	979	760	1,073	-	-	-	-
2016	594	942	728	1,076	-	-	-	-
2015	582	923	714	1,055	-	-	-	-
2014	593	890	735	1,032	-	-	-	-
2013	593	847	743	997	-	-	-	-
2012	560	794	686	920	537	765	442	651
2011	527	744	652	869	482	687	409	601

Notes:

(1) All rates are calendar year except for the Surface Storage Operating Agreement rates, which apply from October 1 through April 30.

(2) Reflects MWD treated Interim Agricultural Water Program (IAWP) rate which was discontinued after 2012.

(3) MWD's Replenishment Rate is a discounted rate for surplus system supplies available for the purpose of replenishing local supplies.

UTR = untreated acre foot

TR = treated acre foot

Table 6.2

Calendar Year ⁽¹⁾	San Diego County Water Authority										
	Melded Supply Rate ⁽²⁾		Special Agricultural Water Rate ⁽³⁾		Transportation Rate ⁽⁴⁾	Customer Service	Storage	Supply Reliability Charge ⁽⁵⁾	Water Standby Charge ⁽⁶⁾	Capacity Charge ⁽⁷⁾	Infrastructure Access Charge ⁽⁸⁾
	UTR	TR	UTR	TR							
2020	\$925	\$1,205	\$755	\$1,035	\$132	\$25,600,000	\$65,000,000	\$37,430,000	\$10	\$ 5,301	\$3.66
2019	909	1,185	731	1,007	120	25,600,000	65,000,000	30,200,000	10	5,267	3.01
2018	894	1,194	695	995	115	26,400,000	65,000,000	28,600,000	10	5,240	3.01
2017	855	1,145	666	956	110	26,400,000	65,000,000	24,800,000	10	5,157	2.87
2016	780	1,060	594	874	105	26,400,000	63,200,000	26,000,000	10	4,963	2.76
2015	764	1,042	582	860	101	26,400,000	63,200,000	-	10	4,800	2.76
2014	732	1,006	593	867	97	26,400,000	63,200,000	-	10	4,800	2.68
2013	714	970	593	849	93	26,400,000	60,200,000	-	10	4,492	2.65
2012	638	872	560	794	85	26,400,000	54,200,000	-	10	4,492	2.60
2011	597	812	527	742	75	23,200,000	44,300,000	-	10	4,492	2.49

Notes:

(1) All rates are calendar year except for the Water Standby Charge, which is fiscal year.

(2) The Water Authority's Melded Supply Rate includes MWD's Full Service Tier 1 charge, as well as other supply and treatment charges.

(3) A new transitional rate was adopted on December 10, 2008 for customers opting out of MWD's IAWP. Customers participating in the Special Agricultural Water Rate (SAWR) program are considered M&I customers by MWD.

(4) Per acre-foot of water.

(5) The Supply Reliability charge is a fixed charge that went into effect on January 1, 2016 and recovers costs associated with desalinated and transfer water.

(6) Per parcel or acre, whichever is greater.

(7) Per equivalent meter (less than one inch) and includes system and treatment capacity charges.

(8) Per equivalent meter.

UTR = untreated acre foot

TR = treated acre foot

Water Sales by Customer

Fiscal Years Ended June 30, 2020 and 2011⁽¹⁾

Table 7

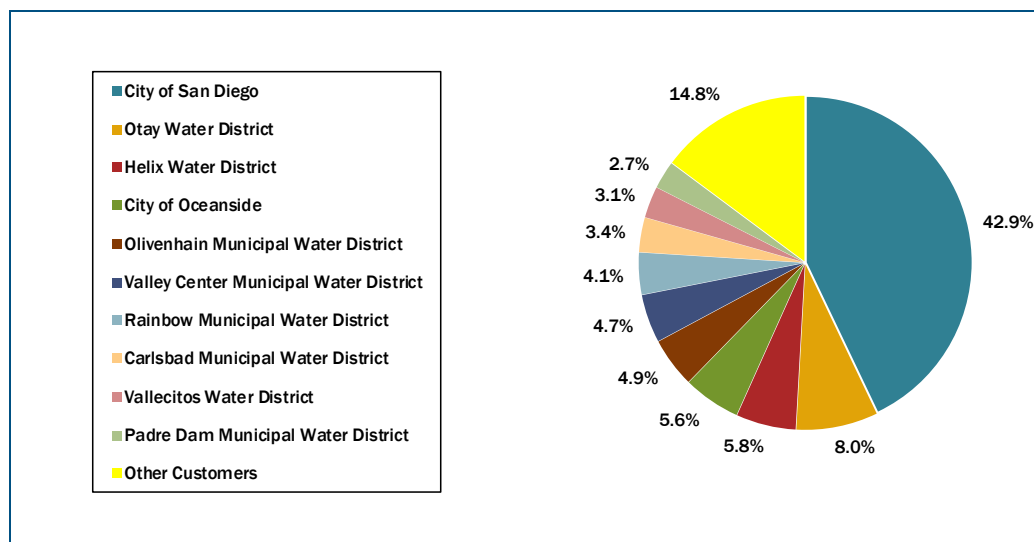
Fiscal Year Ended June 30, 2020			Fiscal Year Ended June 30, 2011		
Member Agency	Sales (acre-feet)	Percent of Water Sold	Member Agency	Sales (acre-feet)	Percent of Water Sold
City of San Diego	151,865	42.9%	City of San Diego	168,161	40.1%
Otay Water District	28,309	8.0%	Otay Water District	29,861	7.1%
Helix Water District	20,710	5.9%	Valley Center Municipal Water District	25,674	6.1%
City of Oceanside	19,844	5.6%	City of Oceanside	21,559	5.1%
Olivenhain Municipal Water District	17,189	4.9%	Helix Water District	19,192	4.6%
Valley Center Municipal Water District	16,684	4.7%	Rainbow Municipal Water District	18,495	4.4%
Rainbow Municipal Water District	14,479	4.1%	Olivenhain Municipal Water District	18,440	4.4%
Carlsbad Municipal Water District	11,957	3.4%	Carlsbad Municipal Water District	15,786	3.8%
Vallecitos Water District	10,860	3.1%	Vallecitos Water District	15,433	3.7%
Padre Dam Municipal Water District	9,589	2.7%	City of Escondido	11,592	2.7%
Total Top Ten Customers	301,486	85.3%	Total Top Ten Customers	344,193	82.0%
City of Poway	8,714	2.5%	Fallbrook Public Utilities District	11,998	2.9%
Fallbrook Public Utilities District	7,822	2.2%	Padre Dam Municipal Water District	11,450	2.7%
City of Escondido	5,791	1.6%	City of Poway	10,904	2.6%
Santa Fe Irrigation District	5,625	1.6%	Vista Irrigation District	10,818	2.6%
Rincon Municipal Water District	4,838	1.4%	Sweetwater Authority ⁽²⁾	6,966	1.7%
Yuima Municipal Water District	4,652	1.3%	Rincon Municipal Water District	5,770	1.4%
Ramona Municipal Water District	3,755	1.1%	Ramona Municipal Water District	5,410	1.3%
Vista Irrigation District	3,361	0.9%	Santa Fe Irrigation District	4,092	1.0%
San Dieguito Water District	3,128	0.9%	Lakeside Water District	3,251	0.8%
Lakeside Water District	2,879	0.8%	San Dieguito Water District	1,901	0.5%
City of Del Mar	954	0.3%	Yuima Municipal Water District	1,619	0.4%
Sweetwater Authority ⁽²⁾	950	0.3%	City of Del Mar	1,088	0.3%
Camp Pendleton Marine Corps Base	52	0.0%	Camp Pendleton Marine Corps Base	51	0.0%
Other Customers	52,521	14.7%	Other Customers	75,318	18.0%
Total Water Sales	354,007	100%	Total Water Sales	419,511	100.0%

Notes:

⁽¹⁾ Represents gross water delivery net of water exchanges.

⁽²⁾ Sweetwater Authority includes National City and South Bay Irrigation District.

Water Sales by Customer for Fiscal Year Ended June 30, 2020



Total Treated and Untreated Water Sales Last Ten Fiscal Years

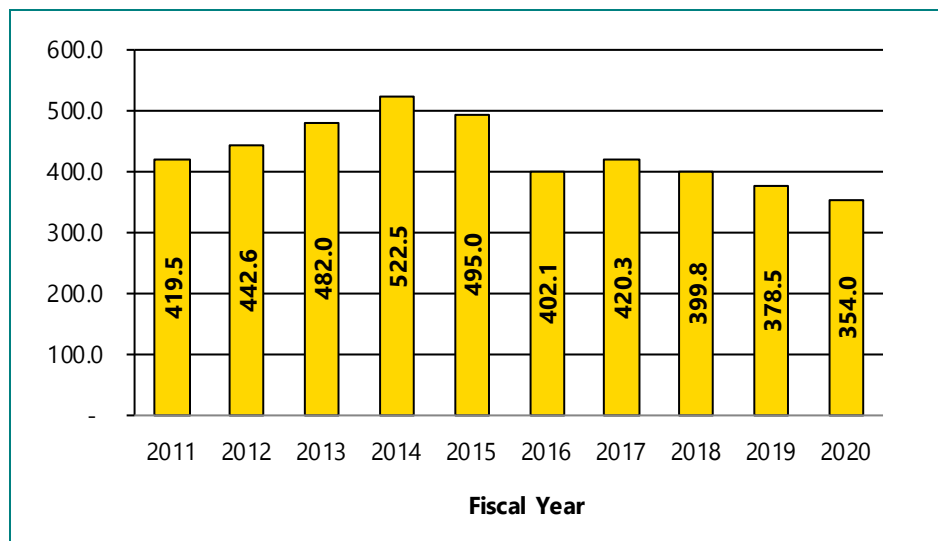
Table 8

Fiscal Year	Treated Water		Untreated Water		Total			
	Acre-Feet	Sales	Acre-Feet	Sales	Acre-Feet	Change in Acre-Feet	Sales ⁽¹⁾	Change in Sales
2020	129,363	\$ 172,982,165	224,644	\$ 247,182,856	354,007	(24,521)	\$ 420,165,021	\$ (15,050,366)
2019	141,902	186,273,586	236,626	248,941,801	378,528	(21,298)	435,215,387	(12,710,557)
2018	164,636	209,395,264	235,190	238,530,680	399,826	(20,446)	447,925,944	14,248,821
2017	157,126	185,939,681	263,146	247,737,442	420,272	18,207	433,677,123	41,553,006
2016	146,112	159,173,709	255,953	232,950,408	402,065	(92,918)	392,124,117	(68,001,573)
2015	173,204	181,907,967	321,779	278,217,723	494,983	(27,470)	460,125,690	(13,560,973)
2014	198,397	199,785,961	324,056	273,900,702	522,453	40,440	473,686,663	64,636,999
2013	199,257	186,241,667	282,756	222,807,997	482,013	39,370	409,049,664	75,184,306
2012	181,445	150,884,055	261,198	182,981,303	442,643	23,132	333,865,358	38,485,802
2011	177,098	138,798,942	242,413	156,580,614	419,511	(71,318)	295,379,556	(23,150,056)

Notes:

⁽¹⁾ Total water sales do not include MWD's readiness-to-serve, capacity charges, CWA fixed charges, and agriculture credits passed on to member agencies.

Total Treated and Untreated Water Sales Total Acre-Feet (in Thousands)



Assessed Valuation of Taxable Property Last Ten Fiscal Years

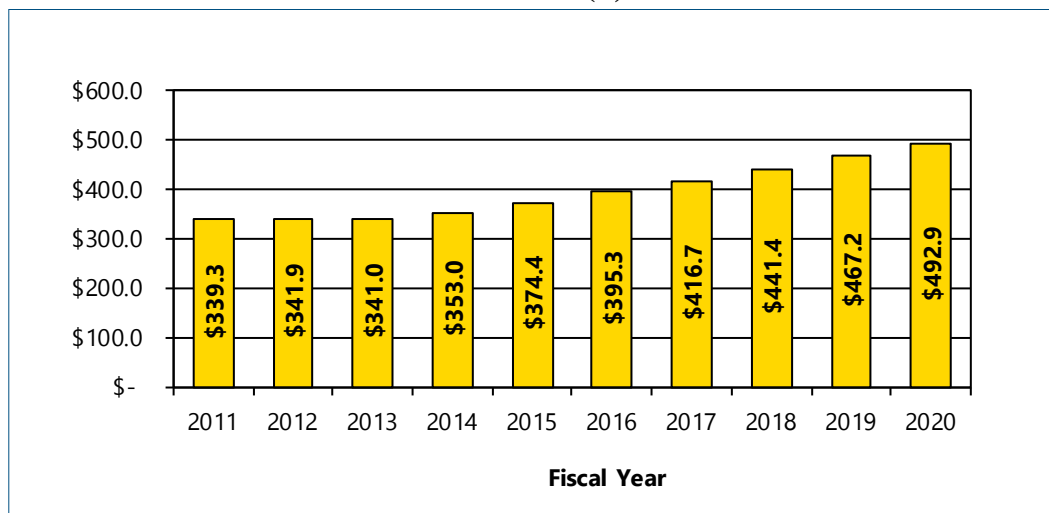
Table 9

Fiscal Year	Local Secured Property	State Secured Property	Redevelopment and Homeowners Exemptions	Net Secured Assessed Value	Net Unsecured Assessed Value	TOTAL ASSESSED VALUE
2020	\$ 538,163,868,373	\$ 1,509,387,992	\$ 62,213,089,492	\$ 477,460,166,873	\$ 15,474,877,559	\$ 492,935,044,432
2019	509,133,975,679	1,342,390,285	57,792,609,392	452,683,756,572	14,509,708,976	467,193,465,548
2018	479,613,217,379	1,046,310,773	53,266,338,749	427,393,189,403	13,988,486,909	441,381,676,312
2017	451,344,411,144	947,193,625	48,943,478,320	403,348,126,449	13,343,942,403	416,692,068,852
2016	427,427,915,780	798,410,621	45,982,840,513	382,243,485,888	13,084,323,381	395,327,809,269
2015	404,011,617,061	730,338,926	43,257,822,190	361,484,133,797	12,871,635,577	374,355,769,374
2014	380,636,482,118	808,778,971	40,786,610,505	340,658,650,584	12,314,446,187	352,973,096,771
2013	367,697,518,087	934,170,553	39,467,366,837	329,164,321,803	11,813,249,531	340,977,571,334
2012	368,513,444,797	948,639,459	39,371,348,044	330,090,736,212	11,762,281,838	341,853,018,050
2011	366,269,868,285	987,948,775	39,929,289,823	327,328,527,237	11,965,058,478	339,293,585,715

Source:

County of San Diego's Office of the Auditor & Controller

Total Assessed Valuation in Billions (\$)



Levies and Collections Last Ten Fiscal Years

Table 10

Fiscal Year	Property Taxes	Special Assessments ⁽¹⁾	Total Levy	Total Collections	Net Delinquent	% of Delinquent/Total Levy
2020	\$ 12,410,161	\$ 11,819,580	\$ 24,229,741	\$ 23,267,188	\$ 962,553	3.97%
2019	11,783,510	11,787,017	23,570,527	22,676,119	894,408	3.79%
2018	11,188,782	11,867,058	23,055,840	22,231,133	824,707	3.58%
2017	10,602,193	11,912,245	22,514,438	21,531,426	983,012	4.37%
2016	10,057,779	11,913,896	21,971,675	20,939,584	1,032,091	4.70%
2015	9,642,868	12,045,616	21,688,484	20,644,160	1,044,324	4.82%
2014	9,175,527	12,260,070	21,435,597	20,236,442	1,199,155	5.59%
2013	8,831,152	12,319,533	21,150,685	19,747,352	1,403,333	6.63%
2012	8,769,573	12,331,193	21,100,766	19,603,936	1,496,830	7.09%
2011	8,885,757	12,443,203	21,328,960	19,878,227	1,450,733	6.80%

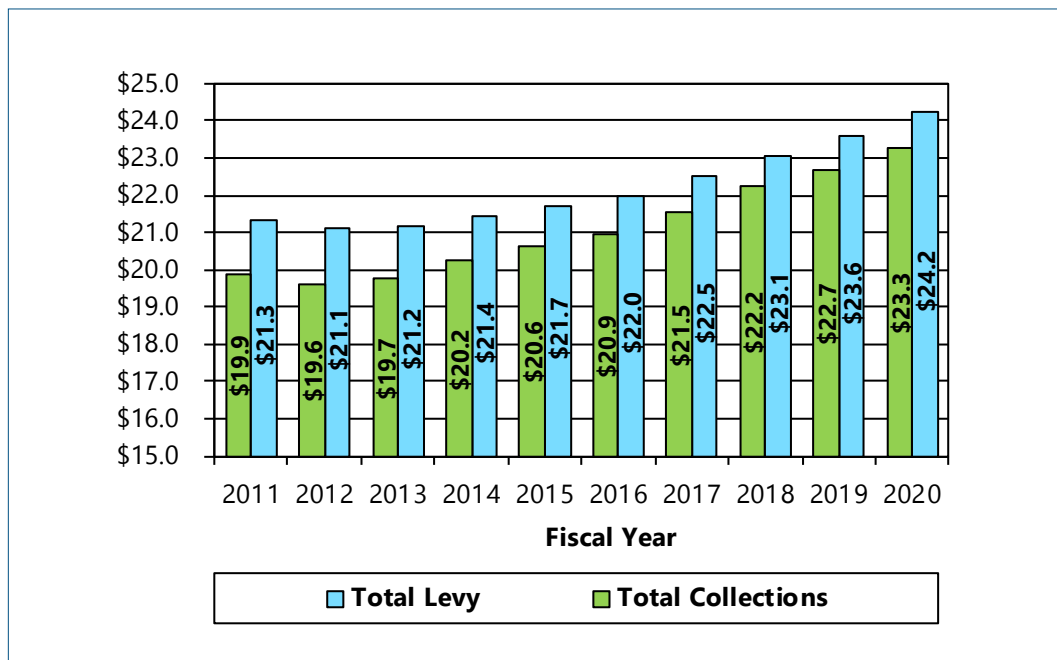
Notes:

⁽¹⁾ Represents the tax levy for the Water Authority's Water Standby Availability Charge.

Source:

County of San Diego's Office of the Auditor & Controller and the San Diego County Water Authority

Total Levy and Collections in Millions (\$)



Revenue Debt Service Coverage Last Ten Fiscal Years

Table 11

				Senior Lien Debt Service ⁽³⁾			
Fiscal Year	Revenues for Purpose of Calculation ⁽¹⁾	Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage Factor
2020	\$ 683,560,166	\$ 489,606,339	\$ 193,953,827	\$ 44,925,000	\$ 79,508,289	\$ 124,433,289	156%
2019	676,782,031	482,904,489	193,877,542	42,390,000	81,558,921	123,948,921	156%
2018	671,386,019	478,929,363	192,456,656	44,620,000	83,683,510	128,303,510	150%
2017	650,240,212	460,273,296	189,966,916	41,560,000	85,044,572	126,604,572	150%
2016	589,264,060	416,179,012	173,085,048	26,550,000	88,662,002	115,212,002	150%
2015	636,915,844	444,459,693	192,456,151	34,615,000	93,550,901	128,165,901	150%
2014	643,791,434	450,860,556	192,930,878	31,940,000	96,311,875	128,251,875	150%
2013	584,848,831	402,037,827	182,811,004	28,175,000	93,543,288	121,718,288	150%
2012	502,859,753	340,074,164	162,785,589	26,585,000	84,026,291	110,611,291	147%
2011	446,399,335	305,014,447	141,384,888	24,120,000	79,942,971	104,062,971	136%

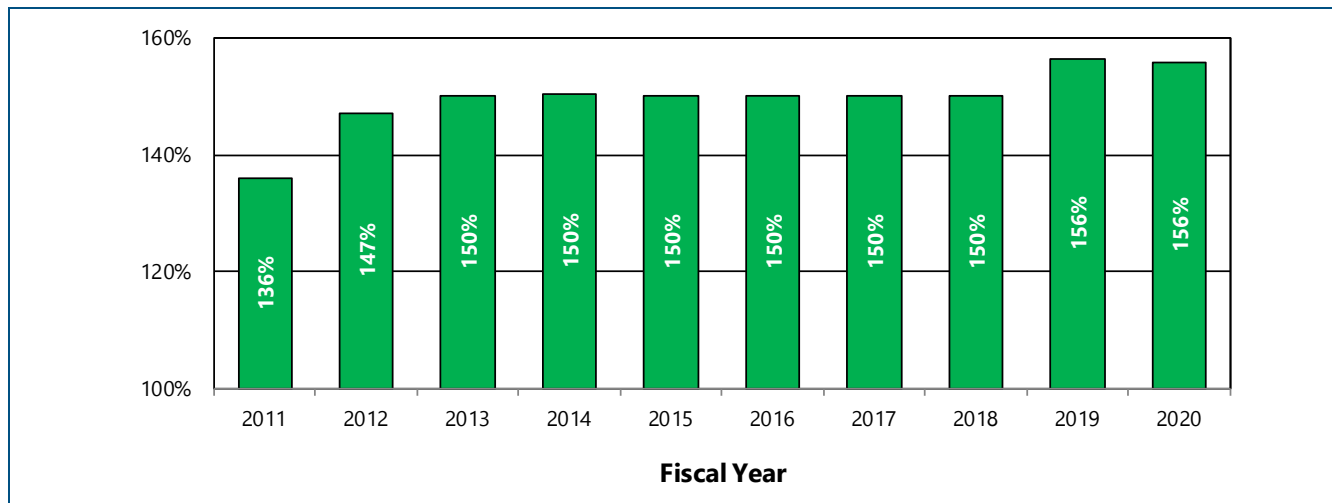
Notes:

⁽¹⁾ Includes amounts transferred to and from the Rate Stabilization Fund, and excludes interest on debt proceeds, property tax receipts, contributions in aid of capital assets, and Capital Improvement Program (CIP) grant reimbursements.

⁽²⁾ Excludes depreciation and amortization expenses; net of applicable property tax receipts.

⁽³⁾ Excludes commercial paper.

Senior Lien Debt Service Coverage in Percentages (%)



Long-Term Debt Outstanding Last Ten Fiscal Years (in Thousands)

Table 12.1

	Certificates of Participation						
Fiscal Year	1997A	1998A	2002A	2004A	2005A	2008A	TOTAL
2020	\$ -	\$ 11,685	\$ -	\$ -	\$ 13,800	\$ -	\$ 25,485
2019	-	11,685	-	-	13,800	8,825	34,310
2018	-	11,685	-	-	13,800	17,140	42,625
2017	-	11,685	-	-	28,490	34,460	74,635
2016	-	11,685	-	-	43,495	48,965 ⁽⁶⁾	104,145
2015	-	11,685	-	- ⁽²⁾	57,375	512,650 ⁽⁷⁾	581,710
2014	-	11,685	-	43,925	70,885	536,110	662,605
2013	-	11,685	- ⁽¹⁾	43,925 ⁽³⁾	83,490	547,030	686,130
2012	-	11,685	17,510	388,710	95,730	556,150	1,069,785
2011	6,110	11,685	236,750	425,000	107,455	558,015	1,345,015
Original Par Amount	\$ 162,315	\$ 180,000	\$ 300,000	\$ 425,000	\$ 107,455	\$ 558,015	
Debt Service Reserve Funds	\$ -	\$ 12,241	\$ - ⁽¹⁾	\$ - ⁽⁴⁾	\$ 10,746 ⁽⁵⁾	\$ 23,671 ⁽⁵⁾	\$ 46,658
Final Maturity FY	2012	2028	2013	2015	2022	2020	

Notes:

- (1) \$18,385,750 of proceeds were released from the debt service reserve fund to defease the balance of \$17,510,000 on the 2002A COPs in February 2013.
- (2) \$43,925,000 was defeased on the 2004A COPs in February 2015.
- (3) \$344,785,000 of the 2004A COPs was refunded by the 2013A Bonds in March 2013.
- (4) \$4,052,362 of proceeds were released from the debt service reserve fund to defease part of the 2004A COPs in February 2015.
- (5) Balance satisfied with surety bond.
- (6) \$142,445,000 of the 2008A COPs was refunded by the 2015A Bonds in September 2015; \$114,895,000 and \$205,195,000 of the 2008A COPs was refunded by the 2016A and 2016B Bonds, respectively, in June 2016.
- (7) \$12,100,000 was defeased on the 2008A COPs in February 2015.
- (8) \$52,375,000 of the 2010A Bonds was refunded by the 2015A Bonds in September 2015; \$20,425,000 of the 2010A Bonds was refunded by the 2016B Bonds in June 2016.
- (9) \$86,630,000 of the 2011S-1 Bonds was refunded by the Series 9 Notes in May 2016.
- (10) \$200,605,000 of the 2012 Bonds was refunded in February 2019.
- (11) See Table 16 for personal income and population data.

Long-Term Debt Outstanding (continued) Last Ten Fiscal Years (in Thousands)

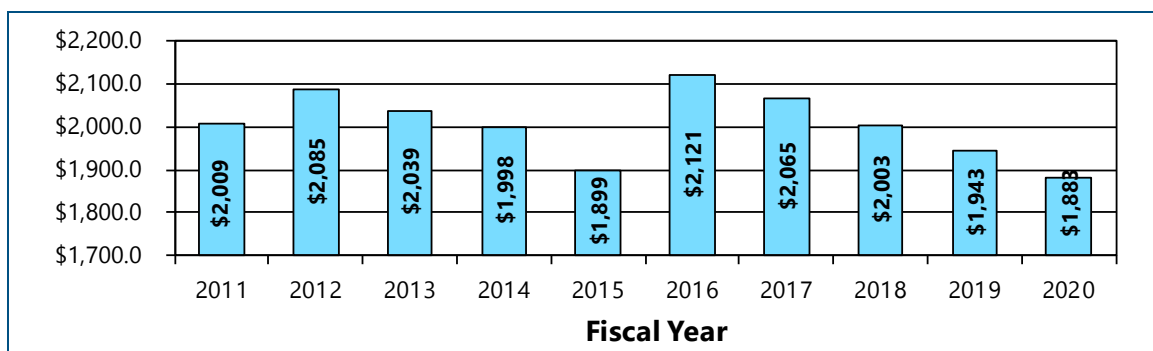
Table 12.2

Revenue Bonds													
Fiscal Year	2010A	2010B	2011S-1	2011A	2011B	2012	2013A	2015A	2016S-1	2016A	2016B	2019	TOTAL
2020	\$ -	\$ 526,135	\$ -	\$ 77,585	\$ 94,540	\$ -	\$ 270,475	\$ 170,150	\$ 87,685	\$ 98,945	\$ 197,395	\$ 183,155	\$ 1,706,065
2019	4,695	526,135	-	86,670	94,540	- ⁽¹⁰⁾	285,100	177,845	87,685	98,945	197,395	183,155	1,742,165
2018	9,165	526,135	-	95,320	94,540	200,605	299,105	184,795	87,685	98,945	197,395	-	1,793,690
2017	13,460	526,135	-	103,635	94,540	203,215	299,105	184,795	87,685	98,945	197,395	-	1,808,910
2016	17,590 ⁽⁸⁾	526,135	- ⁽⁹⁾	111,555	94,540	203,215	299,105	184,795	87,685	98,945	197,395	-	1,820,960
2015	94,365	526,135	86,630	119,100	94,540	-	299,105	-	-	-	-	-	1,219,875
2014	96,925	526,135	86,630	126,285	94,540	-	299,105	-	-	-	-	-	1,229,620
2013	98,495	526,135	86,630	133,130	94,540	-	299,105	-	-	-	-	-	1,238,035
2012	98,495	526,135	86,630	139,945	94,540	-	-	-	-	-	-	-	945,745
2011	98,495	526,135	-	-	-	-	-	-	-	-	-	-	624,630
Original Par Amount	\$ 98,495	\$ 526,135	\$ 86,630	\$ 139,945	\$ 94,540	\$ 203,215	\$ 299,105	\$ 184,795	\$ 87,685	\$ 98,945	\$ 197,395	\$ 183,155	
Reserve Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,718	\$ 9,718
Final Maturity FY	2020	2049	2016	2027	2031	2019	2034	2029	2021	2033	2038	2046	

Table 12.3

Fiscal Year	TOTAL Unamortized Premiums/ Discounts	TOTAL DEBT OUTSTANDING (in Thousands)	% of Personal Income ⁽¹¹⁾	Debt Per Capita (in dollars) ⁽¹¹⁾
2020	\$ 151,876	\$ 1,883,426	0.86%	\$ 562
2019	166,627	1,943,102	0.92%	578
2018	167,118	2,003,433	0.99%	598
2017	181,348	2,064,893	1.07%	621
2016	195,579	2,120,684	1.16%	639
2015	97,009	1,898,594	1.07%	577
2014	105,863	1,998,088	1.19%	613
2013	114,717	2,038,882	1.29%	634
2012	69,809	2,085,339	1.37%	655
2011	39,402	2,009,047	1.38%	640

Total Debt Outstanding, in Millions (\$)



Direct and Overlapping Debt June 30, 2020

Table 13

2019-20 Assessed Valuation: \$537,708,515,445

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT

	Total Debt Outstanding June 30, 2020	% Applicable ⁽¹⁾	Estimated Share of Overlapping Debt June 30, 2020
Metropolitan Water District	\$ 37,300,000	17.393%	\$ 6,487,589
Community College Districts	2,727,045,125	79.655 - 99.960	2,610,035,452
San Diego Unified School District	3,827,676,889	99.961	3,826,184,095
Other Unified School Districts	1,207,095,439	Various	1,203,381,480
High School Districts	1,445,458,721	Various	1,408,419,297
School Districts	1,149,590,545	Various	1,110,476,438
City of Escondido	54,845,000	99.488	54,564,194
City of La Mesa	19,290,000	99.984	19,286,914
City of National City	3,080,000	99.882	3,076,366
Grossmont Healthcare District	254,648,330	96.009	244,485,315
Palomar Pomerado Hospital District	422,024,019	98.094	413,980,241
Otay Water District, I.D. No. 27	2,105,000	100.000	2,105,000
Community Facilities Districts	1,302,742,503	100.000	1,302,742,503
1915 Act Bonds (Estimated)	101,230,515	100.000	101,230,515
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$12,306,455,399
OVERLAPPING GENERAL FUND DEBT			
San Diego County General Fund Obligations	\$231,350,000	96.67%	\$223,652,986
San Diego County Pension Obligation Bonds	456,040,000	96.673	440,867,549
San Diego Superintendent of Schools Certificates of Participation	9,350,000	96.673	9,038,926
Community College District Certificates of Participation	2,495,000	79.655 - 97.476	2,319,590
Unified School District General Fund Obligations	200,459,715	90.193 - 99.923	197,886,393
High School and School District General Fund Obligations	382,024,203	89.621 - 99.990	378,236,597
City of San Diego General Fund Obligations	496,327,409	99.949	496,074,282
Other City General Fund Obligations	352,372,908	99.457 - 99.998	351,544,485
Lakeside Fire General Fund Obligations	4,375,000	96.138	4,206,038
TOTAL OVERLAPPING GENERAL FUND DEBT			\$2,103,826,846
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):	\$1,041,997,255	0.816-100.00%	\$1,010,534,037
TOTAL DIRECT DEBT			\$0
TOTAL OVERLAPPING DEBT			\$15,420,816,282
COMBINED TOTAL DEBT			\$15,420,816,282 ⁽²⁾
Ratios to 2019-20 Assessed Valuation:			
Direct Debt	0.00%		
Total Direct and Overlapping Tax and Assessment Debt	2.29%		
Combined Total Debt	2.87%		
Ratios to Redevelopment Successor Agencies Incremental Valuation (\$61,608,138,164):			
Total Overlapping Tax Increment Debt	1.64%		

Notes:

⁽¹⁾ The percentage of overlapping debt applicable to the Water Authority is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the Water Authority divided by the district's total taxable assessed value.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue bonds and non-bonded capital lease obligations.

General Information

June 30, 2020

Table 14

Number of member agencies.....	24
Cities.....	6
Water districts.....	5
Irrigation districts.....	3
Municipal water districts.....	8
Public utility districts.....	1
Federal agency (military base).....	1

Operating Indicators

Last 10 Fiscal Years

Table 15

Fiscal Year	Water System Service Area ⁽¹⁾	Number of Primary Pipelines	Miles of Pipeline	Miles of Patrol Road Maintained	Number of Service Connections	Treated Water Pipeline Capacity ⁽²⁾	Untreated Water Pipeline Capacity ⁽²⁾	Average Daily Deliveries ⁽²⁾	Total Regular Employees
2020	946,000	5	310	168	96	420	504	315	239.50
2019	946,000	5	310	168	96	420	504	334	254.50
2018	946,000	5	310	168	96	420	504	350	254.50
2017	946,000	5	310	168	96	420	504	375	247.40
2016	951,000	5	310	168	96	420	504	349	247.40
2015	951,000	5	300	168	96	420	504	442	253.65
2014	951,000	5	300	168	96	420	504	442	254.65
2013	951,000	5	300	150	96	420	504	430	253.00
2012	947,288	5	300	150	106	420	504	395	254.50
2011	951,000	5	300	150	106	420	504	375	267.50

Notes:

(1) Acres.

(2) Millions of gallons per day (mgd).

Demographic and Economic Statistics Last Ten Calendar Years

Table 16

Year	County Population	Personal Income		Per Capita Personal Income		Unemployment Rate	
		(1)	(in thousands)	(1)	(in dollars)	(1)	(2)
2020	3,349,150 ⁽³⁾	\$	219,891,615 ⁽³⁾	\$	66,451 ⁽³⁾	13.9%	^{(4) (5)}
2019	3,338,330 ⁽³⁾		210,988,894 ⁽³⁾		63,757 ⁽³⁾	3.3%	
2018	3,333,861		205,236,393		61,386	3.6%	
2017	3,321,237		193,199,828		58,097	4.2%	
2016	3,306,089		186,440,274		56,322	5.0%	
2015	3,280,850		179,970,974		54,801	5.3%	
2014	3,248,877		169,747,904		52,214	6.5%	
2013	3,209,768		159,145,662		49,559	8.2%	
2012	3,174,335		153,367,801		48,302	9.5%	
2011	3,137,156		145,975,037		46,528	10.7%	

Notes:

- ⁽¹⁾ U.S. Department of Commerce, Bureau of Economic Analysis, St. Louis Federal Reserve Economic Data (FRED)
- ⁽²⁾ CALMIS, Employment Development Department (EDD), June numbers
- ⁽³⁾ Estimate based on average increase over the last three years
- ⁽⁴⁾ Preliminary as of June 30, 2020
- ⁽⁵⁾ COVID-19 related business closure orders in place

Largest Employers in San Diego Fiscal Year 2019 and 2010

Table 17

2019 ⁽¹⁾				2010 ⁽²⁾			
Industry Type	Rank	# of Employees	% of Total Employment	Industry Type	Rank	# of Employees	% of Total Employment
Naval Base San Diego	1	41,607	2.72%	Marine Corps Base, Camp Pendleton	1	60,000	4.44%
University of California, San Diego	2	38,749	2.53%	Federal Government	2	43,500	3.22%
Sharp Healthcare	3	18,736	1.22%	United States Navy	3	42,000	3.11%
County of San Diego	4	18,606	1.22%	State of California	4	40,900	3.03%
San Diego Unified School District	5	12,996	0.85%	University of California, San Diego	5	26,000	1.93%
Scripps Health	6	12,348	0.81%	County of San Diego	6	20,500	1.52%
City of San Diego	7	11,598	0.76%	City of San Diego	7	19,500	1.44%
Qualcomm Inc.	8	10,300	0.67%	San Diego Unified School District	8	15,881	1.18%
San Diego Community College District	9	6,246	0.41%	Sharp Healthcare	9	14,390	1.07%
Kaiser Permanente	10	5,349	0.35%	Scripps Health	10	12,700	0.94%
Total All Industries		176,535	11.54%	Total All Industries		295,371	21.88%
2019 Total Number employed in San Diego County ⁽³⁾			1,529,800	2010 Total Number employed in San Diego County ⁽³⁾			1,350,500
Source:							
⁽¹⁾ Data for Fiscal Year 2020 not available at time of publication; Avenu Insights and Analytics, LLC and City of San Diego.							
⁽²⁾ The Daily Transcript, Sourcebook							
⁽³⁾ California Employment Development Department							



Continuing
Disclosure

October 14, 2020

MEMBER AGENCIES

Carlsbad
Municipal Water District
City of Del Mar
City of Escondido
City of National City
City of Oceanside
City of Poway
City of San Diego
Fallbrook
Public Utility District
Helix Water District
Lakeside Water District
Olivenhain
Municipal Water District
Otay Water District
Padre Dam
Municipal Water District
Camp Pendleton
Marine Corps Base
Rainbow
Municipal Water District
Ramona
Municipal Water District
Rincon del Diablo
Municipal Water District
San Dieguito Water District
Santa Fe Irrigation District
South Bay Irrigation District
Vallecitos Water District
Valley Center
Municipal Water District
Vista Irrigation District
Yuima
Municipal Water District

**OTHER
REPRESENTATIVE**

County of San Diego

Dear friends and interested parties:

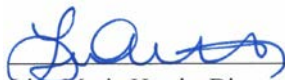
We are pleased to present a portion of the Continuing Disclosure Report (Report) for fiscal year ended June 30, 2020 for the San Diego County Water Authority (Water Authority). Certain of the tables contained in this Report are subject to further update and additional information regarding water sources and uses is expected to be provided prior to the date required pursuant to the Water Authority's Continuing Disclosure Agreements.

The information provided in this Report speaks only as of its date, October 15, 2020 and the financial and operating data included therein is accurate only as of the dates specified therein. The delivery of this Report may not, under any circumstances, create an implication that there has been no other change to the information provided in any final official statement of the Water Authority. Other than as set forth in its Continuing Disclosure Agreements, the Water Authority has not undertaken to disclose financial or operating data or to provide notice of changes to the information in this Report.

This Report is provided solely pursuant to the Water Authority's Continuing Disclosure Agreements. The filing of this Report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the Water Authority or the referenced securities, or (iii) that no changes, circumstances, or events have occurred since the end of the fiscal year to which this Report relates (other than as contained in this Report), or any other date specified with respect to any of the information contained in this Report, or that no other information exists, which may have a bearing on the security for the referenced securities, or an investor's decision to buy, sell, or hold the referenced securities. The information contained in this Report has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this Report should be construed as a prediction or representation about future financial performance of the Water Authority. Any statements regarding the referenced securities, other than a statement made by the Water Authority in an official release or subsequent notice published in a financial newspaper of general circulation and/or filed with the Municipal Securities Rulemaking Board are not authorized by the Water Authority. The Water Authority shall not be responsible for the accuracy, completeness, or fairness of any such unauthorized statement.

If you have any questions regarding this Report, please contact Lisa Marie Harris, Director of Finance at (858) 522-6671, or by email at lharris@sdewa.org.

Sincerely,



Lisa Marie Harris, Director of Finance/Treasurer

General Information

San Diego County Water Authority Management

Sandra L. Kerl	General Manager
Dan Denham	Deputy General Manager
Lisa Marie Harris	Director of Finance/Treasurer
Mark Hattam	General Counsel

A Guide to the Continuing Disclosure

Selected Financial Highlights Statement of Net Position as of June 30, 2020, and comparative data as of June 30, 2019 can be found in the Financial Statements Section.....	35
Statement of Revenues, Expenses, and Changes in Net Position as of June 30, 2020 and comparative data as of June 30, 2019 can be found in the Financial Statements Section.....	36
Cash and Investments.....	47
Summary of Outstanding Debt	
Long-Term Senior Lien Fixed-Rate Debt.....	104
Short-Term and Subordinate Lien Fixed-Rate Debt.....	105
Member Agency Voting Entitlements.....	106
Water Source and Use	
Member Agency Gross Water Sales by Fiscal Year.....	107
Water Source and Use (in Acre-feet)	108
Water Source and Use – Current Year Breakout.....	109
Operating Results	
Historical Operating Results by Fiscal Year.....	110
Summary of Water Rates.....	112
Summary of Investments.....	113
Investment Policy.....	113
Litigation.....	114
Member Agency Detachment.....	115
Cybersecurity.....	116
Economy of San Diego County.....	116
San Diego County Annual Building Permit Activity.....	117
Labor Force Rate Trends.....	118
Subsequent Events.....	119
COVID -19 Pandemic.....	119

The Water Authority currently has 24 member agencies. A member of the San Diego County Board of Supervisors serves as a non-voting representative to the Water Authority Board of Directors. As a wholesale entity, the Water Authority serves only its member agencies and has no retail customers. The Water Authority has broad powers related to acquiring, developing, storing, transporting, selling, and delivering water both inside and outside its boundaries. The Water Authority is authorized to fix and collect rates or other charges for the purchase and delivery of water or the use of facilities for service. The Water Authority may borrow money, incur indebtedness, and issue bonds and other evidences of indebtedness.

The Water Authority currently receives a minor amount of revenue from hydroelectric energy sales. Legislation enacted in September 2000 expands the Water Authority's power generation authority to include the purchase, sale, and transmission of energy.

Selected Financial Highlights

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position are located in the Financial Section, under the Financial Statements tab, pages 34 and 36, respectively.

The Water Authority's restricted and unrestricted cash and investments balances at June 30, 2020 were \$57.0 million and \$206.8 million, respectively. Approximately 78.4 percent of total cash is unrestricted.

TABLE 1. Cash and Investments, June 30, 2020 and 2019

	2020	2019
As of June 30, 2020 and 2019, restricted cash and investments balances were as follows:		
Debt Service Reserve ⁽¹⁾	\$21,959,150	\$22,038,315
Pay-As-You-Go	35,039,210	65,357,774
Total Restricted	\$ 56,998,360	\$ 87,396,089
As of June 30, 2020 and 2019, unrestricted cash and investments balances were as follows:		
Operating Fund	\$85,798,915	\$85,627,558
Rate Stabilization	\$120,731,082	\$149,593,318
Equipment Replacement	235,531	2,019,635
Stored Water	-	-
Total Unrestricted	\$ 206,765,528	\$ 237,240,511

Note:

⁽¹⁾ The Debt Service Reserve balance includes the California Pollution Control Financing Authority (CPCFA) issued 2019 Pipeline Bond reserves.

Summary of Outstanding Debt

The Water Authority continues to hold long-term senior lien credit ratings of AA+, Aa2, and AAA from Fitch, Moody's, and Standard & Poor's respectively. Long-term subordinate lien credit ratings are typically rated one level below the senior lien credit ratings of the same issuer. The credit ratings of long-term Water Authority subordinate lien debt are AA+ and Aa3 by Standard & Poor's and Moody's, respectively. In late July Fitch upgraded their rating of the Water Authority's subordinate lien debt to AA+.

Long-Term Senior Lien Fixed-Rate Debt

The table below summarizes the Water Authority's outstanding long-term, fixed-rate debt as of June 30, 2020, which includes final maturities, original par amounts, amounts outstanding, and applicable debt service reserve fund requirements. All reserve requirements are fully funded by either reserves or surety bonds.

San Diego County Water Authority Bond Rating¹

Rating Agency	Senior Lien Ratings ²	Subordinate Lien Ratings	Outlook
Standard & Poor's	AAA	AA+	Stable
Fitch	AA+	AA+	Stable
Moody's	AA2	Aa3	Stable

(1) This table accurate as of June 30, 2020

(2) Senior Lien includes the Water Authority's Revenue Bonds and Certificates of Participation.

TABLE 2. Long-Term, Fixed-Rate Debt Outstanding, Fiscal Year June 30, 2020*

Issue Name	Final Maturity	Original Par Amount	Amount Outstanding	Debt Service Reserve Funds	(1)
Water Revenue Certificates of Participation:					
Series 1998A	2028	\$180,000,000	\$11,685,000	\$12,240,775	
Series 2005A	2022	107,455,000	13,800,000	10,745,500	(2)
Water Revenue Bonds:					
Series 2010B (Taxable Build America Bonds)	2049	526,135,000	526,135,000	n/a	
Series 2011A	2027	139,945,000	77,585,000	n/a	
Series 2011B	2031	94,540,000	94,540,000	n/a	
Series 2013A	2034	299,105,000	270,475,000	n/a	
Series 2015A	2029	184,795,000	170,150,000	n/a	
Series 2016A	2033	98,945,000	98,945,000	n/a	
Series 2016B	2038	197,395,000	197,395,000	n/a	
Series 2019	2045	183,155,000	183,155,000	n/a	
Total		\$2,011,470,000	\$1,731,550,000	\$22,986,275	

* The CPCFA issued 2019 Pipeline Bond is not shown as it is a super-subordinate bond and therefore not included in debt service coverage (DSC) calculations. The 2016S-1 bond is also not shown as it is subordinate and therefore not included in DSC calculations.

(1) Amounts stated reflect the minimum balance required.

(2) Balance satisfied with surety bond.

Short-Term and Subordinate Lien Fixed-Rate Debt

The Water Authority currently has three forms of short-term debt: five-year fixed-rate bonds, Tax-Exempt Commercial Paper (TECP) and Extendable Commercial Paper (ECP).

The Water Authority issued \$87,685,000 of Subordinate Lien Water Revenue Refunding Bonds, Series 2016S-1 in June 2016. These bonds mature May 1, 2021.

The Water Authority established its commercial paper program in 1995. Commercial paper is a form of variable-rate debt, and is issued with maturities of 1 to 270 days. When the commercial paper matures, it is rolled over to new investors by the Water Authority's commercial paper dealers. The Water Authority has authorized the issuance of up to \$100,000,000 of ECP and \$245,000,000 of TECP. The TECP has been issued in two series – Series 9 (\$135,000,000), and Series 10 (\$110,000,000). Series 9 was issued in 2016 and extended in 2019. Series 10 was issued in 2019. Each of these series is supported with a bank “revolving credit and term loan agreement”. As of June 30, 2020, no advances have been made under any of the revolving credit and term loan agreements.

The Water Authority has remarketing agreements with seven separate broker-dealers, all of which serve on all series for TECP: Bank of America Securities LLC/Merrill Lynch, Citigroup Global Markets Inc., Goldman Sachs and Co., JP Morgan Securities, LLC, Morgan Stanley and Co. LLC, LOOP Capital Markets, LLC, and RBC Capital Markets, LLC.

The Water Authority established an ECP Program in June 2014. ECP is considered a market access product and therefore does not require bank liquidity to back stop the notes. This allows the Water Authority to save on bank costs for revolving credit and term loan agreements which support the TECP program. ECP is issued with a final maturity between 1 and 120 days. If the notes cannot be remarketed at their maturity date, the notes will be automatically extended to 270 days from the initial issuance and bear interest at a penalty rate until the notes can be remarketed or redeemed. The product's final maturity of 270 days assures that ECP complies with SEC Rule 2a-7, making the notes eligible investments for money market funds. The ECP has been issued as Series 1, for \$100,000,000 par amount.

The Water Authority has remarketing agreements with Bank of America Merrill Lynch, Morgan Stanley & Co. LLC, and JP Morgan Securities, LLC who serve as the dealers for ECP.

TABLE 3. Subordinate Lien Fixed-Rate Debt, Fiscal Year June 30, 2020

Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
Water Revenue Refunding Bonds, Series 2016S-1	2021	\$87,685,000	\$87,685,000

TABLE 4. TECP and ECP Program Summary, Fiscal Year June 30, 2020

Short-Term Active Debt Debt Instruments	Size	Liquidity Provider	Liquidity Provider Agreement Expiration
Series 1 (ECP)	\$100,000,000	n/a	n/a
Series 9	135,000,000	Bank of America, N.A.	June 22, 2022 ⁽¹⁾
Series 10	110,000,000	Bank of the West	June 19, 2024 ⁽²⁾
Total	\$345,000,000		

⁽¹⁾ The Series 9 Remarketing Agreement was amended in June of 2019 and extended to June 2022.

⁽²⁾ The Series 10 Remarketing Agreement expires in June 2024.

Member Agency Voting Entitlements

The 24 voting member agencies currently served by the Water Authority consist of six cities, seventeen special districts, and one federal agency. Under the County Water Authority Act (Act), California Statutes 1943, Chapter 545, a member agency's vote is based on its "total financial contribution" to the Water Authority since the Water Authority was organized in 1944. Total financial contribution includes all amounts paid in taxes, assessments, fees, and charges to or on behalf of the Water Authority or the Metropolitan Water District of Southern California (MWD) excluding charges for water treatment. The Act authorizes each member agency to cast one vote for each \$5 million, or major fractional part thereof, of the total financial contribution paid by the member agency.

TABLE 5. Member Agency Voting Entitlements, Effective as of January 1, 2020 *

Member Agency	Total Financial Contribution ⁽¹⁾	Vote Entitlement ⁽²⁾	Percentage
Carlsbad Municipal Water District	\$516,168,549	103.234	3.659%
City of Del Mar	41,825,272	8.364	0.296%
City of Escondido	498,188,446	99.638	3.532%
Fallbrook Public Utility District	320,908,718	64.182	2.275%
Helix Water District	949,520,414	189.904	6.731%
Lakeside Water District	104,178,035	20.836	0.739%
City of National City	103,527,023	20.705	0.734%
City of Oceanside	727,331,159	145.466	5.156%
Olivenhain Municipal Water District	461,113,372	92.223	3.269%
Otay Water District	832,527,069	166.505	5.902%
Padre Dam Municipal Water District	381,382,207	76.276	2.704%
Pendleton Military Reservation	12,385,497	2.477	0.088%
City of Poway	297,712,337	59.542	2.111%
Rainbow Municipal Water District	560,657,964	112.132	3.975%
Ramona Municipal Water District	208,764,732	41.753	1.480%
Rincon del Diablo Municipal Water District	199,889,069	39.978	1.417%
City of San Diego	5,609,355,715	1121.871	39.767%
San Dieguito Water District	151,126,071	30.225	1.071%
Santa Fe Irrigation District	225,758,747	45.152	1.600%
South Bay Irrigation District	279,214,034	55.843	1.979%
Vallecitos Water District	406,694,371	81.339	2.883%
Valley Center Municipal Water District	725,289,252	145.058	5.142%
Vista Irrigation District	428,200,948	85.640	3.036%
Yuima Municipal Water District	63,977,879	12.796	0.454%
Total	\$14,105,696,880	2,821.139	100.000%

(1) Total Cumulative Financial Contribution equals Cumulative Total Financial Contribution as of June 30, 2018 plus total Member Agency Financial Contribution for fiscal year ended June 30, 2019, excluding contributions for water treatment.

(2) Vote Entitlement amount is calculated as a Member Agency's Total Cumulative Financial Contribution divided by \$5,000,000.

Water Source and Use

TABLE 6. Member Agency Gross Water Sales by Fiscal Year, Thousands of Dollars * (1)

Member Agency	2016 ⁽²⁾	2017	2018	2019	2020
Carlsbad Municipal Water District	\$20,929	\$26,133	\$29,386	\$27,895	\$27,582
City of Del Mar	1,133	1,212	1,393	1,308	1,341
City of Escondido	20,765	20,198	14,611	18,266	12,726
Fallbrook Public Utility District	12,665	12,657	15,093	12,211	12,214
Helix Water District	30,279	32,216	35,110	34,723	31,069
Lakeside Water District	3,758	4,197	4,607	4,387	4,734
City of Oceanside	27,204	29,432	32,012	28,150	28,950
Olivenhain Municipal Water District	20,483	22,868	25,657	23,646	24,571
Otay Water District	39,233	42,722	47,799	45,599	47,457
Padre Dam Municipal Water District	13,427	14,800	16,528	15,364	15,904
Camp Pendleton Marine Corps Base	86	82	125	124	91
City of Poway	10,980	11,179	13,641	12,432	12,426
Rainbow Municipal Water District	23,418	24,513	28,015	22,778	22,486
Ramona Municipal Water District	6,874	6,858	7,909	7,714	6,295
Rincon del Diablo Municipal Water District	7,249	7,870	8,775	7,922	8,113
City of San Diego	194,692	211,989	215,688	218,586	222,059
San Dieguito Water District	4,307	4,928	4,038	4,952	4,690
Santa Fe Irrigation District	7,524	9,512	8,559	9,339	8,587
Sweetwater Authority ⁽³⁾	13,085	15,512	6,274	10,742	6,376
Vallecitos Water District	20,912	25,754	28,925	27,103	26,957
Valley Center Municipal Water District	27,224	28,828	33,042	26,620	26,172
Vista Irrigation District	17,564	22,646	9,822	16,209	10,530
Yuima Municipal Water District	4,367	5,673	8,179	6,704	6,753
Total	\$528,158	\$ 581,779	\$595,188	\$582,774	\$568,083

* Numbers may not total due to rounding.

(1) Gross water sales represent total water sales invoiced less adjustments for certain items such as agricultural and reclaimed water, treatment credits, and infrastructure access charges. In addition to gross water sales revenues, in some years the Water Authority has also received a minor amount of revenues from adjacent water districts that provide water to customers within the Water Authority's service area under operating agreements. These revenues are not included in this chart.

(2) Numbers have been adjusted to account for the adjustments stated in Note 1.

(3) Represents sales to the city of National City and South Bay Irrigation District for which Sweetwater Authority acts as a purchasing agent.

In Fiscal Year 2020, the Water Authority member agencies combined imported and local water use totaled 463,128 acre-feet. This figure is within one tenth of one percent of the prior year's total water use.

TABLE 7. Water Source and Use (in Acre-Feet), Fiscal Years 2016-2020

Member Agency	2016	2017	2018	2019	2020	Change from prior year
Carlsbad Municipal Water District	17,391	18,324	20,527	18,135	17,702	97.61%
City of Del Mar	1,016	1,061	1,195	1,050	1,062	101.17%
City of Escondido	18,518	18,672	22,021	20,656	20,869	101.03%
Fallbrook Public Utility District	10,175	9,863	10,830	8,605	8,546	99.32%
Helix Water District	27,118	28,717	30,258	27,898	28,618	102.58%
Lakeside Water District	3,185	3,380	3,650	3,326	3,472	104.38%
City of National City	5,014	5,210	5,251	5,312	4,856	91.41%
City of Oceanside	22,789	22,723	24,969	22,509	22,242	98.82%
Olivenhain Municipal Water District	18,167	20,007	22,271	19,233	19,577	101.79%
Otay Water District	29,128	30,734	33,794	30,742	31,642	102.93%
Padre Dam Municipal Water District	9,371	10,138	11,053	10,090	10,254	101.62%
Camp Pendleton Marine Corps Base ⁽¹⁾	6,277	6,206	7,580	7,545	7,961	105.51%
City of Poway	8,806	9,800	10,898	9,318	9,445	101.36%
Rainbow Municipal Water District	17,050	16,983	19,240	14,831	14,386	97.00%
Ramona Municipal Water District	4,867	5,042	5,580	4,775	4,381	91.75%
Rincon del Diablo Municipal Water District	8,882	8,882	7,488	7,572	8,212	6,576
City of San Diego ⁽²⁾	164,228	171,883	181,661	169,154	165,814	98.03%
San Dieguito Water District	5,895	6,110	6,872	6,047	6,317	104.46%
Santa Fe Irrigation District	8,482	9,851	11,022	9,428	9,594	101.76%
South Bay Irrigation District	11,987	12,484	12,128	11,750	11,703	99.60%
Vallecitos Water District	12,985	14,410	16,134	14,224	14,085	99.02%
Valley Center Municipal Water District	20,025	20,606	22,905	16,899	17,072	101.02%
Vista Irrigation District ⁽³⁾	15,812	17,190	18,031	16,044	16,416	102.32%
Yuima Municipal Water District	9,191	10,058	12,315	9,208	10,540	114.5%
Total	454,965	477,024	518,397	463,329	463,128	99.96%
Allocation of Water Use						
Residential	296,379	306,757	335,136	305,952	304,406	-0.51%
Commercial & Industrial	74,049	80,668	85,553	76,307	74,266	-2.67%
Agricultural ⁽⁴⁾	44,675	45,167	50,323	36,866	38,382	4.11%
Public & Other	39,860	44,432	47,385	44,204	46,074	4.23%
Total	454,963	477,024	518,397	463,329	463,128	-0.04%

(1) Includes Water Authority deliveries via South Coast Water District System.

(2) Excludes City of San Diego local surface water use outside of Water Authority service area.

(3) Excludes land outside of Water Authority service area.

(4) Agricultural use based on member agencies' estimated sector weightings.

TABLE 8. Water Source and Use –Breakout of Fiscal Year Ending June 30, 2020

	Source of Water (Supply) (Acre-feet)			Type of Supply (Acre-feet)		Gross Area (Acres)
	Local ⁽¹⁾	Water Authority (Imported) ⁽²⁾	Total	Ag Use ⁽³⁾	M & I Use	
Carlsbad Municipal Water District	5,983	11,719	17,702	-	11,719	20,682
City of Del Mar	108	954	1,062	-	954	1,442
City of Escondido	13,453	7,416	20,869	814	6,602	18,560
Fallbrook Public Utility District	653	7,893	8,546	1,830	6,063	27,988
Helix Water District	7,582	21,035	28,618	-	21,035	31,350
Lakeside Water District	593	2,879	3,472	-	2,879	11,488
City of National City	4,329	527	4,856	-	527	4,812
City of Oceanside	2,399	19,844	22,242	321	19,523	26,983
Olivenhain Municipal Water District	2,416	17,189	19,577	86	17,104	30,942
Otay Water District	3,333	28,309	31,642	-	28,309	80,320
Padre Dam Municipal Water District	669	9,585	10,254	122	9,463	45,893
Camp Pendleton Marine Corps Base ⁽⁴⁾	7,795	166	7,961	0	166	134,625
City of Poway	608	8,837	9,445	24	8,813	25,047
Rainbow Municipal Water District	-	14,386	14,386	5,654	8,732	47,670
Ramona Municipal Water District	307	4,075	4,381	602	3,473	45,868
Rincon del Diablo Municipal Water District	1,737	4,839	6,576	-	4,839	10,596
City of San Diego ⁽⁵⁾	25,309	140,505	165,814	129	140,376	213,121
San Dieguito Water District	3,190	3,127	6,317	-	3,127	5,660
Santa Fe Irrigation District	3,952	5,642	9,594	-	5,642	10,359
South Bay Irrigation District	9,774	1,929	11,703	-	1,929	13,837
Vallecitos Water District	3,208	10,877	14,085	536	10,341	28,363
Valley Center Municipal Water District	388	16,684	17,072	9,730	6,954	64,559
Vista Irrigation District	13,054	3,361	16,416	13	3,348	21,153
Yuima Municipal Water District	5,887	4,653	10,540	3,509	1,144	13,460
Total ⁽⁶⁾	116,697	346,431	463,128	23,370	323,061	934,778

(1) Includes surface, recycled, seawater desalination, and groundwater supplies; does not reflect conserved water.

(2) Water use in a given year may differ from Water Authority sales due to utilization of storage.

(3) Includes only amounts certified through the Transitional Special Agricultural Water Program (TSAWR).

(4) Includes Water Authority deliveries via South Coast Water District System.

(5) Excludes City of San Diego local surface water use outside of Water Authority service area.

(6) Numbers may not total due to rounding.

Operating Results

TABLE 9. Historical Operating Results by Fiscal Year, Thousands of Dollars*

	2016	2017	2018	2019	2020
Operating Revenue					
Water Sales ⁽¹⁾	\$524,935	\$579,057	\$591,809	\$579,606	\$565,784
Standby Charges	11,088	11,091	11,103	11,154	11,164
Capacity Charges	15,839	21,081	28,154	19,809	17,983
Infrastructure Access Charges ⁽²⁾	30,434	31,145	32,482	33,203	36,942
Total Operating Revenue	\$582,296	\$642,374	\$663,548	\$643,772	\$631,873
Plus Withdrawals from or Minus Deposits to the Rate Stabilization Fund	(10,300)	(8,673)	(18,399)	8,100	32,000
BABs Interest Rate Subsidy ⁽³⁾	10,544	10,527	10,546	10,587	10,625
Nonoperating Revenue ⁽⁴⁾	6,724	6,013	15,691	14,323	9,062
Total Revenue ⁽⁵⁾	\$589,264	\$650,241	\$671,386	\$676,782	\$683,560
Operating Expenses ⁽⁶⁾					
Cost of Sales	387,123	430,561	442,369	450,184	449,752
Other Maintenance and Operations Costs ⁽⁷⁾	41,123	42,626	50,314	47,386	55,380
Total Operating Expense	\$428,246	\$473,187	\$492,683	\$497,570	\$505,132
Application of Net Tax Receipts	12,067	12,913	13,754	14,666	15,526
Net Operating Expense	\$416,179	\$460,274	\$478,929	\$482,904	\$489,606
Net Water Revenue Available for Debt Service	\$173,085	\$189,967	\$192,457	\$193,878	\$193,954

* Some amounts are prepared on a basis other than generally accepted accounting principles.

(1) Water sales represent accrued sales to member agencies, as well as revenues from treatment of raw water and certain miscellaneous income items.

(2) Infrastructure access charge was implemented January 1999 and is levied on retail water meters within the service area.

(3) Taxable Build America Bonds (BABs) receive a 35 percent subsidy of interest payable from the United States Treasury. In Fiscal Year 2014, due to Congressionally -mandated sequestration, the IRS reduced the subsidy payments to issuers of BABs. The first semi-annual payment was reduced by 8.7 percent and the second semi-annual payment was reduced by 7.2 percent. In Fiscal Years 2018, 2019, and 2020 both semi-annual payments were reduced by 6.6 percent, 6.2 percent, and 6.1 percent respectively.

(4) Nonoperating revenue consists of interest earnings on Water Authority funds (excluding interest earnings on bond proceeds and the Rate Stabilization Fund) and other revenues (hydroelectric sales, penalties, etc.).

(5) Total revenue includes amounts transferred to and from the Rate Stabilization Fund, and excludes property taxes, contributions in aid of capital assets, and CIP grant reimbursements.

(6) Operating expenses exclude depreciation and amortization expenses.

(7) Includes operations, maintenance, planning, and general and administrative costs; excludes capital equipment purchases.

(8) Includes only debt service on Water Authority indebtedness payable from net water revenues and excludes debt service paid from tax revenues. Senior lien debt service does not include trust fees.

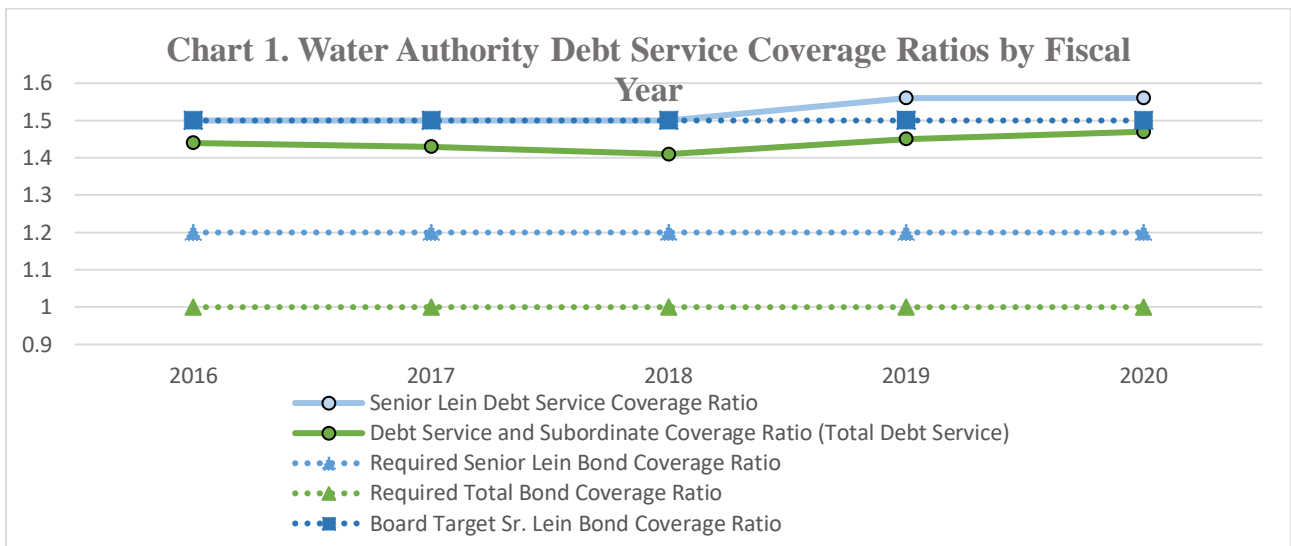
(9) Total debt service excludes the CPCFA issued 2012 & 2019 Pipeline Bonds.

(10) Commercial paper (CP) costs include interest and related program fees.

(11) Coverage ratios do not include program fee.

TABLE 9. Historical Operating Results by Fiscal Year, Thousands of Dollars*, (continued)

Revenue Supported Debt Service⁽⁸⁾	2016	2017	2018	2019	2020
1998 Certificates	\$555	\$555	\$555	\$555	\$555
2005 Certificates	16,771	17,157	16,057	725	725
2008 Certificates	19,504	16,832	18,899	9,103	9,193
2010A&B Bond	38,505	37,145	37,143	37,138	37,146
2011A Bond	13,230	13,224	13,234	13,219	13,218
2011B Bond	4,707	4,707	4,707	4,707	4,707
2013A Bond	13,982	13,982	13,982	27,883	27,880
2015A Bond	6,905	8,910	8,910	15,802	16,193
2016A&B Bond	1,054	14,093	14,817	14,817	14,817
Total Debt Service⁽⁹⁾	\$115,213	\$126,605	\$128,304	\$123,949	\$124,434
Subordinate Obligation Payments					
Commercial Paper ⁽¹⁰⁾	1,925	3,853	4,944	6,702	4,751
2011S-1 Bond	3,916	-	-	-	-
2016S-1 Bond	290	3,885	4,084	4,084	4,084
Total Subordinate Obligation Payments	\$6,131	\$7,738	\$9,028	\$10,786	\$8,835
Balance Available after Debt Service and Subordinate Obligation Payments	<u>\$51,741</u>	<u>\$55,625</u>	<u>\$55,124</u>	<u>\$59,143</u>	<u>\$60,685</u>
Revenue Supported Debt Service Coverage Ratio	1.50X	1.50X	1.50X	1.56X	1.56X
Debt Service and Subordinate Obligation Coverage Ratio ⁽¹¹⁾	1.44X	1.43X	1.41X	1.45X	1.47X



Summary of Water Rates

Water rates are established by the Board of Directors and are not subject to regulation by the California Public Utilities Commission or by any other local, state, or federal agency. Under the General Resolution, the Water Authority is required to fix rates that are reasonably fair and nondiscriminatory. The Water Authority assesses five different charges for the supply and delivery of water including, (i) the fixed Customer Service, (ii) Storage, (iii) Supply Reliability Charges, (iv) the variable Transportation Rate and Supply and (v) Treatment Rates. The Customer Service Charge recovers operating and capital costs associated with the overall functioning of the Water Authority, the Storage Charge recovers costs associated with the Emergency and Carryover Storage Program, the Supply Reliability Charge recovers a portion of costs associated with desalinated water and IID transfer water, and the Transportation Rate recovers costs associated with the conveyance of water through the Water Authority's aqueducts.

TABLE 10. Summary of Water Rates, Effective January 1 – December 31

San Diego County Water Authority										MWD ⁽¹⁾
Calendar Year	Melded Supply		SAWR ⁽²⁾		Transport Rate	Infrastructure Access Charge (per Meter Equivalent)	Customer Service	Storage	Supply Reliability	Full Service Tier 1
	UTR	TR	UTR	TR						UTR TR
2014	\$732	\$1,006	\$593	\$867	\$97	\$2.68	\$26,400,000	\$63,200,000	n/a	\$593 \$890
2015	764	1,042	582	860	101	2.76	26,400,000	63,200,000	n/a	582 923
2016	780	1,060	594	874	105	2.76	26,400,000	63,200,000	26,000,000	594 942
2017	855	1,145	666	956	110	2.87	26,400,000	65,000,000	24,800,000	666 979
2018	894	1,194	695	995	115	3.01	26,400,000	65,000,000	28,600,000	695 1015
2019	909	1,185	731	1,007	120	3.01	25,600,000	65,000,000	30,200,000	731 1050
2020	925	1,205	755	1,035	132	3.66	25,600,000	65,000,000	37,430,000	755 1078

UTR=Untreated Water
TR=Treated Water
SAWR=Special Agricultural Water Rate

(1) Metropolitan Water District rates are shown as the rates adopted by MWD.

(2) SAWR is comprised of both the Temporary Special Agricultural Water Rate (TSAWR) and the Permanent Special Agricultural Water Rate (PSAWR). The TSAWR was adopted on December 10, 2008 for customers opting out of MWD's Interim Agriculture Water Program, and will terminate on December 31, 2020. On January 1, 2021, the PSAWR program will commence, replacing the TSAWR program. Customers that participate in the SAWR programs are considered M&I customers by MWD.

Summary of Investments

TABLE 11. Summary of Investments, Fiscal Year Ended June 30, 2020 ⁽¹⁾

Investment Type	Permitted by Board Policy	Maximum Maturity	Maximum Financial Institution Concentration	Actual Percentage	Actual Amount Book Value ⁽²⁾
Local Agency Investment Fund (LAIF)	\$75 Million	n/a	n/a	30.75%	\$70,016,080
Treasury Securities	100%	5 years	n/a	18.71%	42,590,355
Agency Securities	100%	5 years	n/a	15.87%	36,135,758
Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, & Collateralized Mortgage Obligations	20%	5 years	5%	2.49%	5,661,769
Supranational Securities	10%	5 years	5%	3.42%	7,790,040
Medium Term Notes/Corporates	30%	5 years	5%	19.34%	44,034,695
JPA Pools (CAMP)	25%	n/a	n/a	0.11%	254,232
Mutual Funds & Money Market Funds	20%	n/a	n/a	9.31%	21,208,608
				100%	227,691,537
Accrued Interest (unavailable for investing)					-
Checking/Petty Cash/Available Funds (unavailable for investing)					345,366
Subtotal for Pooled Funds:					228,036,903
Debt Service Reserve (DSR) Funds Excluded from Portfolio Percentages ⁽³⁾:					
Trinity Plus - Reserve (GIC) - Series 1998A COPs					12,240,775
Subtotal for Debt Service Reserve Funds (unavailable for CIP expenditures):					12,240,775
Total Cash and Investments					\$240,277,678

(1) Includes only investment types with balances at June 30, 2020.

(2) Book value of investments differs from fair market values contained in financial statements. Book value of investments represents cost.

(3) Debt Service Reserve does not include the CPCFA issued 2019 Pipeline Bond.

Investment Policy

The Water Authority's investment policy is defined and approved annually. The purpose is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy, and to organize and formalize investment-related activities. The Water Authority's Board of Directors has delegated investment responsibility to the Water Authority's Treasurer, who is primarily responsible for implementing the investment policy. The Board and the Treasurer adhere to the guidance provided by the "prudent investor rule." The Treasurer presents an investment report to the Board monthly. The objectives of the investment policy are as follows:

A. Safety: Each investment transaction shall seek to avoid capital losses. Diversification of the portfolio will be used to reduce exposure to principal loss.

B. Liquidity: An adequate percentage of the portfolio will be maintained in liquid, short-term securities that can be converted to cash to meet disbursement requirements. Investment in securities with active secondary markets will be utilized. These securities will have a low sensitivity to market risk.

C. Yield: Yield should become a consideration only after the basic requirements of safety and liquidity have been met.

D. Public Trust: All participants in the investment process shall act as custodians of the public trust. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust.

The investment portfolio will be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. Portfolio diversification is employed to control risk.

The Water Authority strives to maintain an efficient portfolio by providing for the lowest level of risk for a given level of return. This acceptable level of return has been quantified as a return that is consistent with the two-year U.S. Treasury constant maturity.

The Water Authority is governed by the California Government Code, Sections 53600 et seq. Within the context of these limitations, investments are authorized for the Water Authority's operating and reserve funds as indicated in the Summary of Investments table.

The Water Authority does not invest in derivative instruments. Securities such as yield curve notes, interest only, principal only, range notes, and inverse floaters are prohibited. Callable bonds, step-up bonds, and floating rate securities (with a positive spread) are permitted investments. No security will be purchased that could result in a zero interest accrual if held to maturity. Investments such as common stocks, futures, and the writing of options are prohibited from use in the Water Authority's portfolio. The use of short positions is also prohibited.

Litigation

MWD Litigation

The Water Authority has sued MWD in various related cases, mainly pertaining to alleged rate overcharges by MWD. The Water Authority has been paying the disputed MWD rates over the years, so the cases generally relate to potential damages to be awarded to the Water Authority, not additional new payments or damages to MWD. The general status of these cases:

2010/2012 Rate Cases:

The Water Authority won a trial court award from MWD on rate overcharges, interest, and attorney's fees for years 2011-2014. On June 21, 2017, the First District Court of Appeal (Court of Appeal) issued its decision in the MWD appeal of that trial award. The Court of Appeal decision may be found at 12 Cal.App.5th 1124. The Court of Appeal sided with the Water Authority on most issues but allowed MWD to charge the Water Authority certain California State Water Project costs for water being transported under an exchange agreement, thereby potentially significantly reducing the ultimate monetary award to the Water Authority. That Court of Appeal decision was subject to a Petition for Review to the California Supreme Court, which was filed by the Water Authority on July 31, 2017. The Supreme Court, however, denied review on September 27, 2017. The Court of Appeal opinion therefore became final, and the case returned to the trial court for further proceedings consistent with the Court of Appeal's ruling. The trial court subsequently entered judgment for the Water Authority in August of 2020, including a monetary award of \$44,373,872.29. MWD has appealed the judgment. The Court will hold a hearing in November of 2020 on attorney's fees.

2014 Rate Case:

This case challenges MWD's rates adopted in 2014 for 2015 and 2016, was transferred to San Francisco Superior Court, and was stayed. However, the stay was lifted at the request of the Water Authority, and the case will now proceed with a reduced claims scope, as the Water Authority eliminated some claims via amendment.

2016 Rate Case:

This case challenges MWD's rates adopted in 2016 for 2017 and 2018, and was transferred to San Francisco Superior Court. The Water Authority, MWD, and the eight MWD member agencies who answered the 2016 complaint entered into a stipulation (1) allowing the Water Authority to amend the 2016 complaint to add claims under the Exchange Agreement and for monetary damages; and (2) staying the 2016 case pending the outcome of the appeal in the 2010/2012 cases. On November 14, 2016, the Water Authority filed its amended complaint, and the 2016 case was stayed. However, the stay was lifted at the request of the Water Authority, and the case will now proceed, with a reduced claims scope, as the Water Authority eliminated some claims via amendment.

2017 Rate Case:

This case challenged MWD's rates adopted in 2017 for 2018 and was transferred to San Francisco Superior Court, where it was stayed. The case was dismissed without prejudice by the Water Authority in August of 2020.

2018 Rate Case:

This case challenges MWD's rates adopted in 2018 for 2019/2020 and was transferred to San Francisco Superior Court, where it was stayed. The stay may be lifted in the future, given the above results in the 2010-2016 cases.

All the above cases have been the subject of settlement talks between the parties. To date no settlement has been reached, but as the litigation continues, the parties will also continue to consider ways to potentially resolve their disputes. The Water Authority cannot provide any opinions as to the outcomes of the cases.

Kessner Litigation:

A class action lawsuit was filed against the Water Authority and many other public agencies statewide related to (for the Water Authority) certain lower agricultural rates. The case alleges violations of Proposition 218. The case is subject to a petition to coordinate that is being heard in Santa Cruz County Superior Court. The case challenges the validity of the lower rate program operated by the Water Authority. The Water Authority cannot provide any opinions as to the outcomes of the case.

Vallecitos Water District Claim

On September 5, 2019, member agency Vallecitos Water District submitted a claim for a \$5,889,163.65 refund for alleged overcharges on a treated water delivery contract between the Water Authority and Vallecitos. The Water Authority has formally denied the claim and the parties are in mediation trying to resolve it. Vallecitos sued in September 2020 (San Diego Superior Court Case No. 37-2020-00034563-CU-BC-NC) for over \$6 million in alleged damages and for cancelation of its treated water delivery contract of 3,500 acre-feet per year. The Complaint will be contested by the Water Authority. The Water Authority does not believe an adverse outcome in this matter would have a material effect on the financial position, results of operation, or liquidity of the Water Authority.

For detailed information on the Water Authority's rate litigation, visit: <http://www.sdcwa.org/mwdrate-challenge>.

Member Agency Detachment

The Water Authority has 24 member agencies. In May of 2019 two of those members at the north end of the Water Authority service area, Fallbrook Public Utilities District and Rainbow Municipal Water District, informed the Water Authority that they planned to file applications with the San Diego Local Agency Formation Commission ("LAFCO") to detach from the Water Authority and annex into Eastern Municipal Water District in Riverside County. Such applications have now been filed with the LAFCO. The Water Authority's response was filed September 18, 2020. The Water Authority anticipates there may be a multi-year process to review the requests and for the LAFCO to reach a decision which would likely then go to the voters. The Water Authority Board has passed resolutions requesting that LAFCO consider a service area-wide vote, and that LAFCO consider certain key factors

in reviewing the applications. The Water Authority Board resolved to oppose detachment unless these factors were satisfied: (a) It can be determined by what means Rainbow and Fallbrook can guarantee that all obligations as promised to their own ratepayers are met; (b) It can be demonstrated that detachment will not adversely affect other Water Authority member agencies and San Diego County as a region financially or environmentally; (c) It can be demonstrated that detachment and then annexation into Riverside County's Eastern Municipal Water District will not increase reliance on the Bay-Delta; and (d) It can be demonstrated that detachment will not result in a diminution of the Water Authority's voting power at MWD to represent the interests of all San Diego County ratepayers and property owners. The Water Authority cannot provide any opinions as to whether the detachment applications will be denied, or approved, or how they might be conditioned by the local LAFCO.

Cybersecurity

The Water Authority strives to be an innovative industry leader and uses technology to better administer systems, inform business decisions, and communicate with stakeholders. While emerging technologies provide improved capability, they also pose new risks. Hackers, motivated by financial gain or ideology, regularly exploit the weaknesses exposed by widely used technologies.

In recognition of the increasing level of urgency that cyber threats pose to our agency, the Water Authority has a robust cybersecurity program that incorporates many elements of the National Institute of Standards and Technology's Framework for Improving Critical Infrastructure Cybersecurity (Cybersecurity Framework), National Initiative for Cybersecurity Education (NICE) Cybersecurity Workforce Framework (NICE Framework), and the Center for Internet Security's Critical Controls. These guidance documents outline various suggested technical and administrative controls which the Water Authority is working to implement, recognizing the challenging cyber landscape and the importance of our mission.

The Water Authority's cybersecurity program includes hundreds of specific practices and control measures, including 24/7 system monitoring, multi-factor authentication, penetration testing, and system restoration processes.

Economy of San Diego County

Two of the San Diego region's greatest assets are its geography and climate. The average annual rainfall is only ten inches, so the county is highly reliant on imported water. For these reasons, the health of the regional economy is inextricably linked to the long-term success of the San Diego County Water Authority.

San Diego County has an estimated population of just over 3.3 million people; the estimated average growth between 2019 and 2050 is approximately 53 percent.

Prior to the COVID-19 pandemic, San Diego region had seen employment growth in the professional and business services sectors. One of the fastest growing sectors had been healthcare, indicating continued demand. Industries that underperformed included trade, transportation and utilities, financial activities, including real estate, and rental and leasing.

Like the rest of the nation, the San Diego region has suffered both a health and economic crisis due to the COVID-19 pandemic. According to the San Diego Association of Regional Governments, the region's unemployment rate increased from 3 percent in early March to 25 percent the week of May 9th, and as of the week of September fifth was 13 percent. These numbers differ slightly from the Bureau of Labor Statistics due to methodological differences but reflect the peak and level of economic recovery from COVID-19 thus far. Workers in lower-paid jobs have been the most impacted by the pandemic's disruption to operations and resulting changing business needs.

Housing prices continue to pose a problem as San Diego continues to remain one of the least affordable housing markets in the nation, second only to the San Francisco area. Building units authorized for construction have risen with an expectation of continued improvement; and home building has shifted from single family to multi-family housing of five or more units.

TABLE 12. San Diego County Annual Building Permit Activity, Calendar Year ⁽¹⁾

	2016	2017	2018	2019	2020 (est.) ⁽³⁾
Single Family	2,341	4,058	3,510	3,019	2,951
Multi-Family ⁽²⁾	8,328	6,357	6,278	5,197	6,847
Total	10,669	10,415	9,788	8,216	9,798

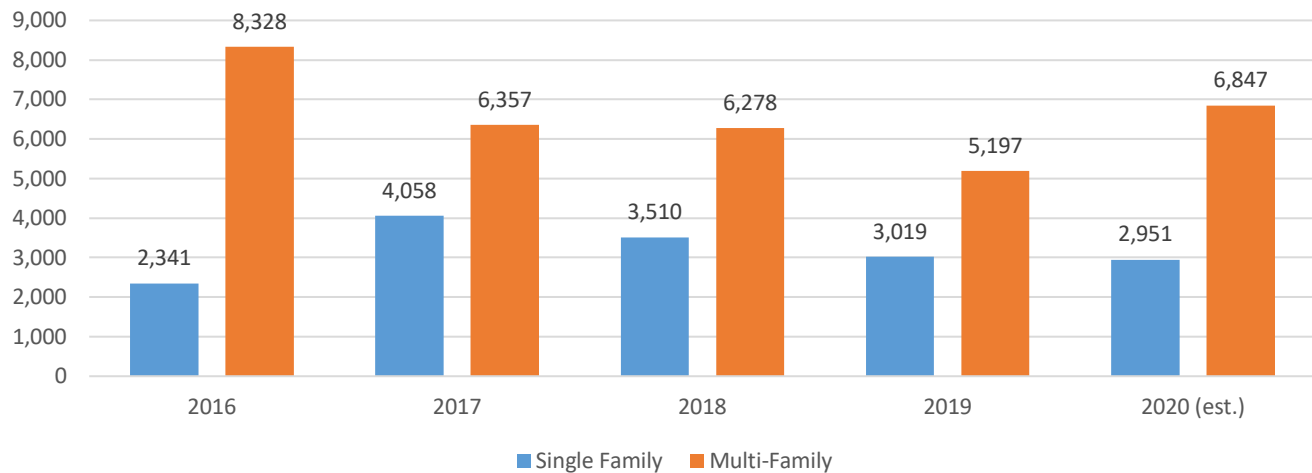
2020 year-to-date	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Single Family	263	379	210	137	139	324	214	257
Multi-Family ⁽²⁾	391	136	652	472	229	756	521	738

(1) Source: U.S. Census Bureau.

(2) Measured in individual dwelling units.

(3) Assumes the August monthly permit rate will continue through the year end.

Chart 2. Building Permit Activity, 2016-2020 (est.), Calendar Year ⁽¹⁾



(1) Source: U.S. Census Bureau.

TABLE 13. Labor Force Rate Trends, Calendar Year

YEAR	AREA	CIVILIAN LABOR FORCE	EMPLOYMENT	UNEMPLOYMENT	UNEMPLOY- MENT RATE
2016	San Diego County	1,565,063	1,498,710	66,353	4.2%
	California	19,094,492	18,085,431	1,009,061	5.3%
	United States	159,711,000	152,216,000	7,495,000	4.7%
2017	San Diego County	1,571,391	1,518,275	53,116	3.4%
	California	19,200,661	18,353,112	847,549	4.4%
	United States	160,538,000	153,977,000	6,561,000	4.1%
2018	San Diego County	1,586,412	1,533,874	52,538	3.3%
	California	19,375,276	18,546,310	828,966	4.3%
	United States	163,111,000	156,825,000	6,286,000	3.9%
2019	San Diego County	1,597,099	1,552,857	44,242	2.8%
	California	19,483,790	18,729,074	754,716	3.9%
	United States	164,556,000	158,803,000	5,753,000	3.5%
2020 ⁽¹⁾	San Diego County	1,559,100	1,404,700	154,300	9.9%
	California	18,708,800	16,574,300	2,134,600	11.4%
	United States	160,838,000	147,288,000	13,550,000	8.4%

Source: Bureau of Labor Statistics.

(1) Preliminary August numbers as of October 1, 2020.

TABLE 14. San Diego County Employment by Industry, Calendar Year ⁽¹⁾

Industry	2016	2017	2018	2019	2020 ⁽²⁾
Farm Production	8,900	8,600	9,300	9,600	9,600
Mining and Logging	300	300	400	400	400
Construction	76,300	79,500	83,700	84,000	82,800
Manufacturing	108,400	109,400	112,300	115,100	108,800
Trade, Transportation, and Utilities	220,900	224,700	225,100	224,000	206,600
Information	23,700	23,400	23,600	23,500	19,800
Financial Activities	73,000	74,600	76,000	76,400	74,000
Professional and Business Services	234,500	239,000	248,900	256,600	259,200
Educational and Health Services	198,700	204,300	208,900	216,000	202,700
Leisure and Hospitality	190,400	195,600	199,600	202,400	148,000
Other Services	54,400	55,000	55,500	55,800	44,700
Government	242,200	246,300	248,100	249,600	224,300
Total	1,431,700	1,460,700	1,491,400	1,513,400	1,380,900

Source: EDD State of California

(1) Table uses the North American Industry Classification System (NAICS), non-seasonally adjusted data

(2) Current year is based on revised August data

Subsequent Events

(a) Bond Refunding Series 2005A, 2011A, 2011B

In August 2020, the Board of Directors adopted a resolution authorizing the legal defeasance of outstanding debt, in an aggregate principal amount not to exceed \$30,000,000 in CY 2020, and the execution and delivery of escrow agreements and related actions. In September 2020, the Water Authority defeased a portion of the Water Revenue Refunding Certificates of Participation, Series 2005A in an amount of \$6,725,000, the Water Revenue Refunding Bonds, Series 2011A in an amount of \$9,535,000, and the Water Revenue Refunding Bonds, Series 2011B in an amount of \$2,775,000.

(b) 2020A Bond Issuance

In July 2020, following the guidelines set forth in the Water Authority's Debt Management Policy, the Water Authority issued \$283,470,000 of Water Revenue Refunding Bonds, Series 2020A (the 2020A Bonds) to advance refund a portion of the Water Revenue Refunding Bonds, Series 2013A in the amount of \$253,355,000. The 2020A bonds are secured by and payable solely from net water revenues, the final maturity date for the 2020A bonds is May 1, 2034.

(c) 2021A Bond Issuance

In June 2020, the Board of Directors adopted a resolution authorizing (i) the issuance of Water Revenue Refunding Bonds, Series 2021A (Green Bonds) (the "Bonds") to refund, on a tax-exempt forward delivery basis, certain outstanding long-term debt, (ii) a negotiated method of sale, (iii) the execution and delivery of financing documents, including the Indenture, Escrow Agreements, Continuing Disclosure Agreements, Forward Delivery Purchase Contract and Official Statement, and (iv) the distribution of the Preliminary Official Statement. In July 2020, the Bonds were authorized for sale but not issued.

(d) Metropolitan Water District of Southern California Litigation

In August 2020, after appeals were exhausted by MWD and the Water Authority, the trial court handling the litigation of the 2010/2012 rate cases entered judgment for the Water Authority with a monetary award of \$44,373,872.29. The award is subject to potential appeal, and the court will hold a hearing in November of 2020 on attorney's fees.

COVID-19 Pandemic

The COVID-19 pandemic has affected travel, commerce and financial markets globally, and is widely expected to affect national, state and local economies. The degree of any such impact to the Water Authority's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, (ii) severity and (iii) ultimate geographic spread, as well as with regard to what actions may be taken by governmental authorities to contain or mitigate its impact. Nonetheless, there can be no assurances that the spread of COVID-19 will not materially adversely impact the financial condition of the Water Authority.