

February 17, 2021

**Attention: Administrative and Finance Committee**

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

**Purpose**

The purpose of the Controller's Report is to provide summarized financial information on a monthly basis to the Board of Directors.

**Financial Information**

Attached for review by the Administrative and Finance Committee and the Board of Directors are the following financial documents comprising the Controller's Report:

1. Water Sales Volumes, in acre-feet
2. Water Sales Revenues, in millions
3. Water Purchases and Treatment Costs, in millions
4. Budget Status Report
5. Schedule of Cash and Investments

The Multi-Year Budget Status Report compares actual revenues and expenses on a budgetary basis to the period-to-date budget. This report includes the mid-term budget amendments approved by the Board in June 2020. A summary of the Fiscal Years 2020 and 2021 Budget Status Report (in millions) for the eighteen-month period of July 1, 2019 through December 31, 2020 are as follows:

	FY 2020 & 2021 Amended Budget	For the 18 months ended December 31, 2020		\$ Variance	% Budget
		18 Months Budget	18 Months Actual	Positive/ (Negative)	Above/ (Below)
Water Sales	\$ 1,306.9	\$ 1,012.4	\$ 898.8	\$ (113.6)	-11%
Water Purchases & Treatment	1,075.5	835.4	719.6	115.8	-14%
<b>Net Water Sales Revenue</b>	<u>231.4</u>	<u>177.0</u>	<u>179.2</u>	<u>2.2</u>	<u>1%</u>
Revenues & Other Income	237.1	167.4	164.3	(3.1)	-2%
<b>Total Revenues</b>	<u>468.5</u>	<u>344.4</u>	<u>343.5</u>	<u>(0.9)</u>	<u>0%</u>
<b>Total Expenses</b>	<u>449.9</u>	<u>314.2</u>	<u>305.1</u>	<u>9.1</u>	<u>-3%</u>
Net Revenues Before CIP	18.6	30.2	38.4	8.2	27%
<b>CIP Expenses</b>	<u>162.2</u>	<u>130.5</u>	<u>85.0</u>	<u>45.5</u>	<u>-35%</u>
<b>Net Fund Withdraws</b>	<u>\$ (143.6)</u>	<u>\$ (100.3)</u>	<u>\$ (46.6)</u>	<u>\$ 53.7</u>	<u>-54%</u>

**Summary**

The Water Authority is eighteen months into the two-year budget and has a favorable variance of \$53.7 million for the period ending December 31, 2020. The eighteen-month budget provided for a withdrawal from fund balance of \$100.3 million, but the actual amount required from fund balance was a withdrawal of \$46.6 million. Water sales are below budget by 11 percent and water purchases and treatment costs are below by a similar amount as can be seen in the summary table. Even with lower sales, actual net water sales revenue of \$179.2 million is greater than the eighteen-month budgeted amount of \$177.0 million by \$2.2 million. As of December

2020, other revenues are \$3.1 million below budget, but other expenses and CIP are \$9.1 million and \$45.5 million, respectively, below budget, contributing to a significantly lower draw from fund balance than projected through December. Additional details on these variances follow.

### **Net Water Sales Revenue**

Net Water Sales Revenue is the Water Authority's principal source of revenue and is the difference between the sale of water and the cost of that water. Sales include revenues from variable commodity charges for supply, treatment and transportation, as well as from fixed charges for customer service, storage, infrastructure access charge, and supply reliability. Cost of water includes payments to the following water suppliers: Metropolitan Water District (MWD), Imperial Irrigation District (IID), and Poseidon Resources (Channelside) LP.

Net Water Sales Revenue for the eighteen-month period ended December 31, 2020 was \$179.2 million, or 1 percent more than the budgeted amount of \$177.1 million. Actual Water Purchase and Treatment Costs were lower than budgeted by 14 percent due to lower than projected water sales of 11 percent. Detailed information relating to Net Water Sales Revenue is described below and shown on Attachments 1, 2, and 3.

Total acre-feet (AF) of water sold was budgeted at 661,247 AF. Actual water sales volume was 569,168 AF or 14 percent less than budgeted due to lower demand (Attachment 1). Total Water Sales Revenue was \$898.8 million or 11 percent lower than the budget of \$1,012.4 million (Attachment 2). Reduced water sales continued through this reporting period and cumulatively are lower due to (1) member agencies using more local surface water supplies than anticipated, and (2) the demand dampening effects of significant local rainstorms experienced over the November, December and April months of Fiscal Year 2020.

Total Water Purchases and Treatment costs were budgeted at \$835.4 million. Actual costs were \$719.6 million or 14 percent lower than budgeted (Attachment 3). This cost category included \$183.1 million for 272,500 AF of water purchased from IID, \$189.2 million for MWD's conveyance charges related to IID, Coachella Canal and All-American Canal water, and \$181.7 million of water purchased from Poseidon Resources (Channelside) LP.

### **Revenues and Other Income**

As shown in Attachment 4, total Revenues and Other Income were budgeted at \$167.4 million for the eighteen-month period ended December 31, 2020. Actual revenues were \$164.3 million or 2 percent lower than budget.

Actual revenues materially lower than the eighteen-month budget include the following:

- **Grant Reimbursements:** \$12.0 million lower than budgeted primarily due to construction and implementation delays for the IRWM projects and to a lesser extent timing of reimbursements from the state of California's Department of Water Resources
- **Hydroelectric Revenue:** \$0.7 million lower than budgeted due to reduced water demands and an unplanned 3-month outage on one of two generating units at the Lake Hodges Hydroelectric facility in Fiscal Year 2020

Actual revenues materially higher than the eighteen-month budget include the following:

- Capacity Charges: \$2.9 million higher than anticipated due to an increase in the number of building permits issued for water services throughout the county
- Other Income: \$2.4 million higher than budgeted due to contracted shortfall payment revenues received from Poseidon for the months of May through July, and due to other miscellaneous revenue reimbursements
- Property Taxes: \$2.1 million higher than anticipated due to increased property values
- Contributions in Aid of CIP: \$1.4 million higher than budgeted due to a capital grant received relating to the DWR Prop 50 Desal Relining Project K0304

### **Expenses**

As shown in Attachment 4, total Expenses were budgeted at \$314.2 million for the eighteen-month period ended December 31, 2020. Actual expenses were \$305.1 million or 3 percent lower than budget, with these continued savings offsetting reduced revenues.

Actual expenses materially lower than the eighteen-month budget include the following:

- Grant Expenses: \$11.7 million lower than budgeted similar to the reduction in grant revenues because of construction and implementation delays for the IRWM projects. There have also been more advance funded grants thereby increasing revenues without the matching expenses being received until later dates.
- Operating Departments: \$2.9 million lower than budgeted due to effects of implementing a hiring freeze, suspending most travel, limiting training to critical needs and reducing professional services costs; the Operating Department budgets include contributions for pension and OPEB benefits, but these expenses can vary significantly once actuarial reports are received (based on updated assumptions and experience studies) and so there was an additional \$4.1 million charge related to pensions in Fiscal Year 2020 that will be paid through increased contributions in future years.
- Equipment Replacement: \$1.8 million lower than budgeted due to the deferral of purchases; it is anticipated that this same amount of savings will carry through Fiscal Year 2021

Actual expenses materially higher than the eighteen-month budget include the following:

- Debt Service: \$4.4 million higher than budgeted due to the one-time cash defeasance of debt funded through the Pay-As-You-Go Fund related to the series 2005A, 2011A and 2011B bonds authorized by the Board that was offset by commercial paper program savings and cash flow savings from the Series 2020A bond refunding transaction; the defeasance of the three debt issues will significantly reduce interest costs in future years
- Other Expenses: \$2.8 million higher than budgeted primarily due to engineering and construction project costs related to the MWD Skinner bypass line to be completed in Fiscal Year 2021 along with increased compensated absences accruals (vacation and sick leaves) for employee leaves not yet taken, and lastly costs related to developer deposits and grants program administration that were already reimbursed. (Generally Accepted Accounting Principles require that revenues and expenses be shown gross and not net, and so some of the Other Income reported above directly offsets Other Expenses)

### **CIP Expenses**

Attachment 4 shows CIP Expenses were budgeted at \$130.5 million for the eighteen-month period ended December 31, 2020. Actual expenses were \$85.0 million or \$45.5 million lower than budget due to the deferral of projects; it is projected that CIP expenses for both years will approximate \$132 million resulting in about \$32 million in savings.

### **Cash and Investments**

As of December 31, 2020, the Water Authority's cash and investments balance was \$286.4 million, approximately 92 percent unrestricted funds with the remaining 8 percent of funds restricted for specific purposes (Attachment 5). The Water Authority Treasurer pools the cash of the Pay-As-You-Go Fund with total unrestricted funds to maximize investment returns. The Rate Stabilization Fund (RSF) cash and investments balance was \$121.8 million, representing approximately 164 percent of the targeted value of \$74.3 million and 116 percent of the maximum balance of \$105.2 million. In June 2018, the Water Authority Board approved a multi-year refinement to its RSF methodology. FY 2021 will reflect the final adjustment to this methodology, and, as such, the current fund balances are expected to exceed target/maximum levels. The CY 2021 Rate Study forecasted future withdrawals to provide rate smoothing and align balances within the revised target levels.

Prepared by: Jocelyn Matsuo, Senior Accountant

Reviewed by: Geena Xiaoqing Balistreri, CPA, Accounting Supervisor

Approved by: Christopher Woidzik, CPA, Controller

#### Attachments:

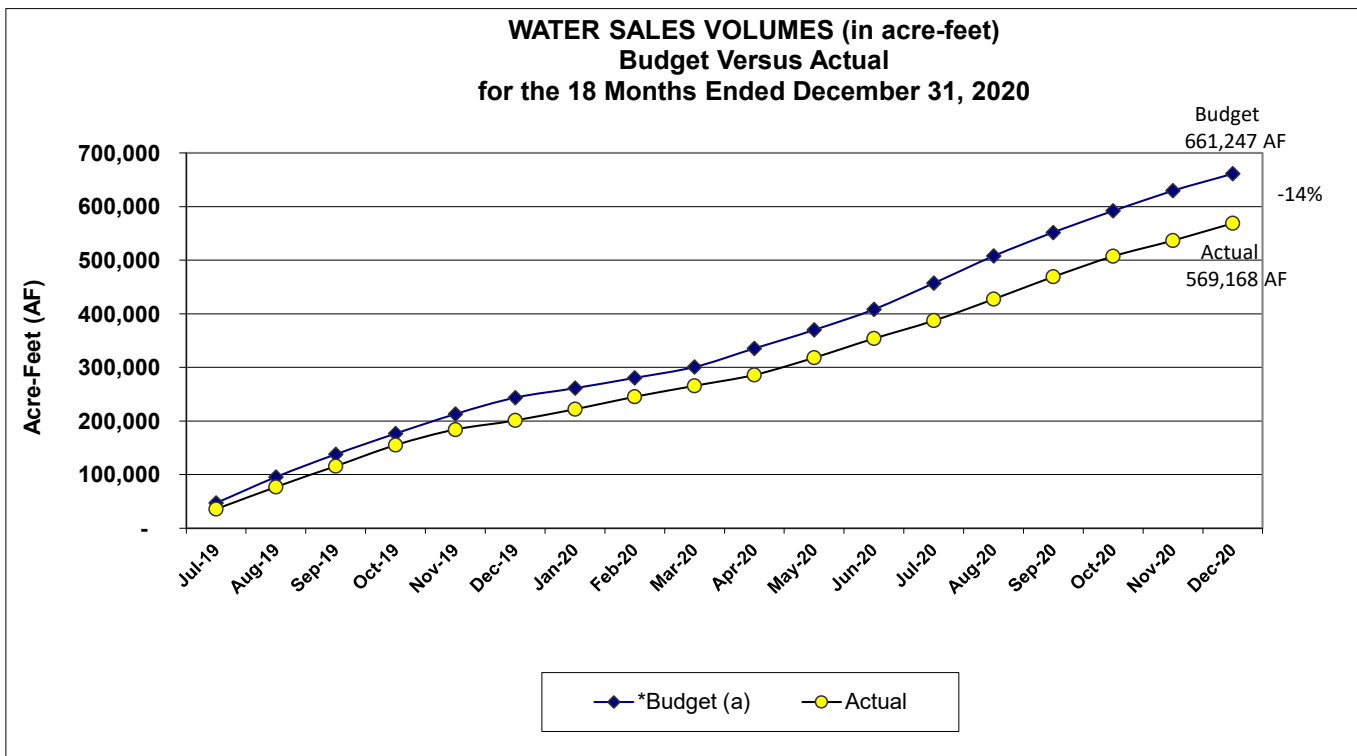
Attachment 1 – Water Sales Volumes

Attachment 2 – Water Sales Revenues

Attachment 3 – Water Purchases and Treatment Costs

Attachment 4 – Budget Status Report

Attachment 5 – Schedule of Cash and Investments



\*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2020 and 2021.

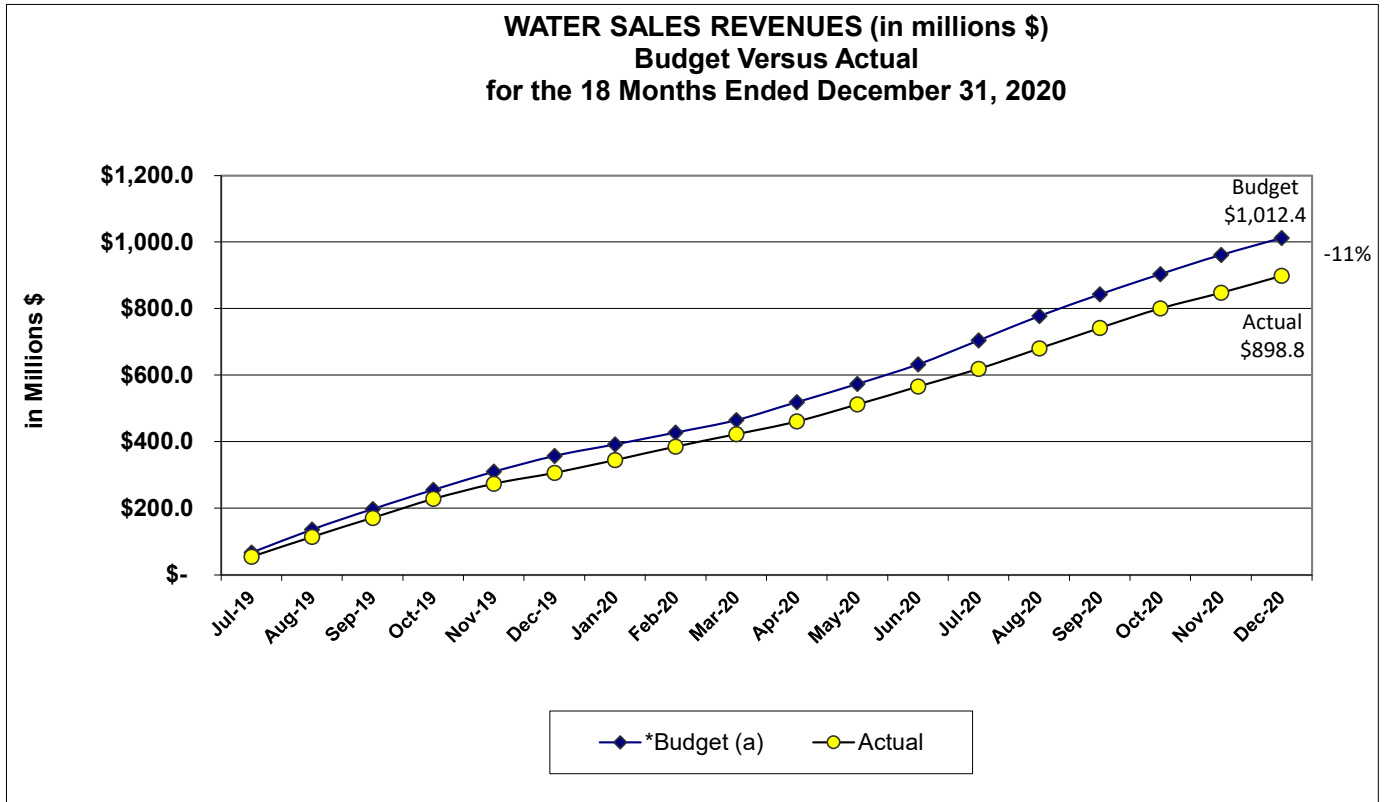
**Fiscal Year 2020 Cumulative Water Sales (AF)**

Months	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
*Budget (a)	47,103	95,717	138,285	177,013	213,249	243,725	261,414	280,533	300,877	335,479	370,081	408,524
Actual	35,833	77,374	116,148	155,148	184,280	201,341	222,340	245,178	266,012	286,277	318,292	354,007
AF Difference (b)	(11,270)	(18,343)	(22,137)	(21,865)	(28,969)	(42,384)	(39,074)	(35,355)	(34,865)	(49,202)	(51,789)	(54,517)
Cum. Actual AF												
% Difference (b/a)	-24%	-19%	-16%	-12%	-14%	-17%	-15%	-13%	-12%	-15%	-14%	-13%

**Fiscal Year 2021 Cumulative Water Sales (AF)**

Months	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
*Budget (a)	48,841	99,250	143,391	183,548	221,122	252,723	271,065	290,891	311,986	347,865	383,744	423,465
Actual	33,361	73,635	115,016	153,716	182,956	215,161	-	-	-	-	-	-
AF Difference (b)	(15,480)	(25,615)	(28,375)	(29,832)	(38,166)	(37,562)						
Cum. Actual AF												
% Difference (b/a)	-32%	-26%	-20%	-16%	-17%	-15%						

	FY20	FY21 through Dec-20	Total
Budget	408,524	252,723	661,247
Actual	354,007	215,161	569,168
Difference	(54,517)	(37,562)	(92,079)
% Difference	-13%	-15%	-14%



\*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2020 and 2021.

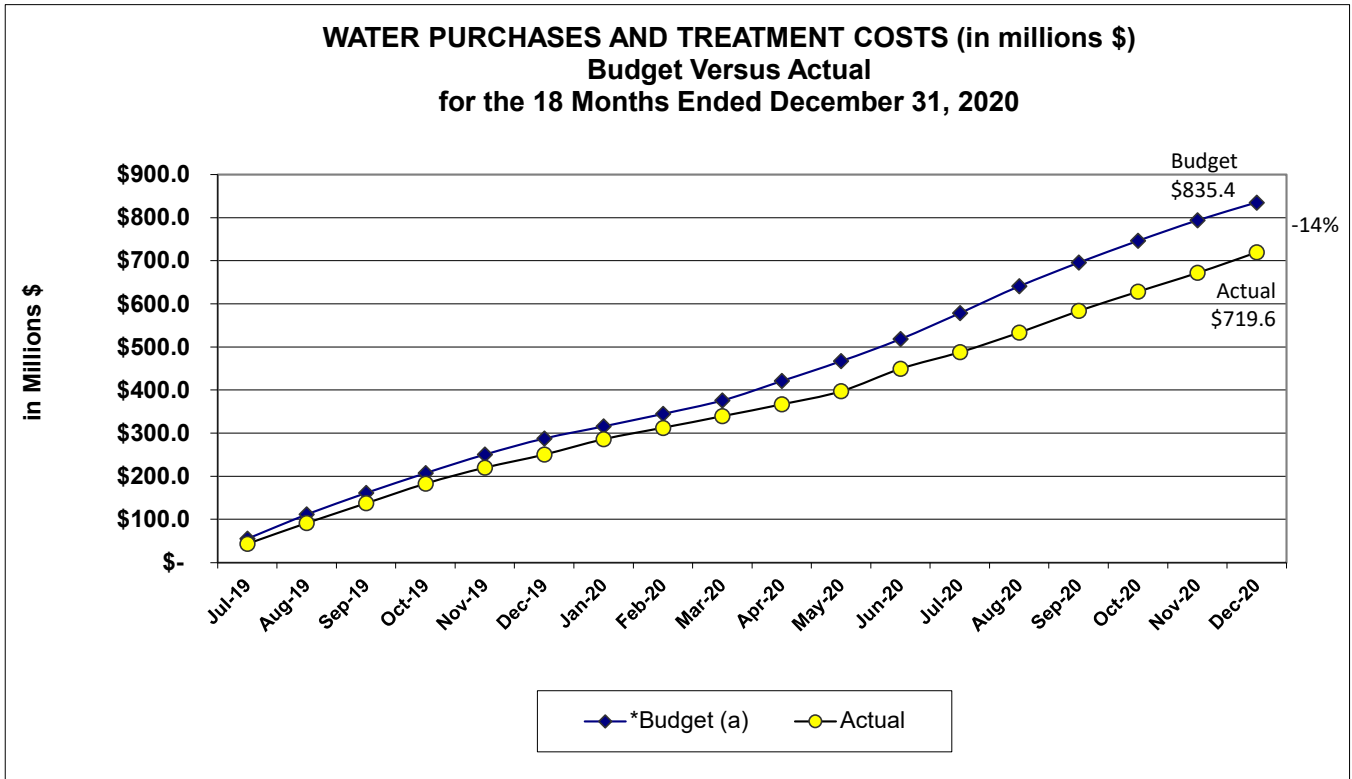
#### Fiscal Year 2020 Cumulative Water Sales (in millions \$)

Months	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
*Budget (a)	\$ 67.4	\$ 136.3	\$ 198.0	\$ 255.5	\$ 310.0	\$ 357.7	\$ 392.1	\$ 428.0	\$ 465.4	\$ 519.4	\$ 573.7	\$ 632.6
Actual	54.2	114.5	171.3	228.2	274.1	306.7	345.2	385.5	423.0	460.9	512.0	565.8
Difference (b)	\$ (13.2)	\$ (21.8)	\$ (26.7)	\$ (27.3)	\$ (35.9)	\$ (51.0)	\$ (46.9)	\$ (42.5)	\$ (42.4)	\$ (58.5)	\$ (61.7)	\$ (66.8)
Cum. Actual												
% Difference (b/a)	-20%	-16%	-13%	-11%	-12%	-14%	-12%	-10%	-9%	-11%	-11%	-11%

#### Fiscal Year 2021 Cumulative Water Sales (in millions \$)

Months	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
*Budget (a)	\$ 71.7	\$ 145.0	\$ 210.5	\$ 271.5	\$ 329.2	\$ 379.8	\$ 416.3	\$ 454.6	\$ 494.3	\$ 552.5	\$ 610.8	\$ 674.3
Actual	53.6	114.5	176.5	234.8	282.2	333.0	-	-	-	-	-	-
Difference (b)	\$ (18.1)	\$ (30.5)	\$ (34.0)	\$ (36.7)	\$ (47.0)	\$ (46.8)						
Cum. Actual												
% Difference (b/a)	-25%	-21%	-16%	-14%	-14%	-12%						

	FY20	FY21 through Dec-20	Total
Budget	\$ 632.6	\$ 379.8	\$ 1,012.4
Actual	565.8	333.0	898.8
Difference	\$ (66.8)	\$ (46.8)	\$ (113.6)
% Difference	-11%	-12%	-11%



\*Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2020 and 2021, as amended by the Board.

**Fiscal Year 2020 Cumulative Cost of Water Purchases and Treatment (in millions \$)**

Months	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
*Budget (a)	\$ 55.4	\$ 111.6	\$ 161.3	\$ 207.7	\$ 250.9	\$ 288.0	\$ 316.0	\$ 345.3	\$ 375.9	\$ 421.4	\$ 467.2	\$ 518.5
Actual	43.6	92.0	137.5	183.4	220.0	250.8	286.6	312.7	339.8	367.5	397.4	449.8
Difference (b)	\$ (11.8)	\$ (19.6)	\$ (23.8)	\$ (24.3)	\$ (30.9)	\$ (37.2)	\$ (29.4)	\$ (32.6)	\$ (36.1)	\$ (53.9)	\$ (69.8)	\$ (68.7)
Cum. Actual												
% Difference (b/a)	-21%	-18%	-15%	-12%	-12%	-13%	-9%	-9%	-10%	-13%	-15%	-13%

**Fiscal Year 2021 Cumulative Cost of Water Purchases and Treatment (in millions \$)**

Months	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
*Budget (a)	\$ 60.4	\$ 122.6	\$ 177.4	\$ 228.3	\$ 275.8	\$ 316.9	\$ 345.8	\$ 376.3	\$ 408.0	\$ 455.9	\$ 504.0	\$ 557.0
Actual	38.2	84.1	134.0	178.8	222.4	269.8	-	-	-	-	-	-
Difference (b)	\$ (22.2)	\$ (38.5)	\$ (43.4)	\$ (49.5)	\$ (53.4)	\$ (47.1)						
Cum. Actual												
% Difference (b/a)	-37%	-31%	-24%	-22%	-19%	-15%						

	FY20	FY21 through Dec-20	Total
Budget	\$ 518.5	\$ 316.9	\$ 835.4
Actual	449.8	269.8	719.6
Difference	\$ (68.7)	\$ (47.1)	\$ (115.8)
% Difference	-13%	-15%	-14%

**San Diego County Water Authority**  
**Fiscal Years 2020 and 2021 Budget Status Report**  
**For the 18 Months Ended December 31, 2020**  
**Unaudited**

	[A]	[B]	[C]	Revenues = [-B + C] Expenses = [B - C]	[C / A]
	FY 2020 & 2021 (18 months - 75%)				
	FY 2020 & 2021 Amended Budget	18 Months Period-to-Date Amended Budget (a)	18 Months Period-to-Date Actual	Variance Positive (Negative)	Actual to FY 2020 & 2021 Amended Budget
<b>Net Water Sales Revenue</b>					
Water Sales	\$ 1,306,919,000	\$ 1,012,419,036 (b)	\$ 898,802,211	\$ (113,616,825)	69%
Water Purchases & Treatment	1,075,463,402	835,352,138 (b)	719,555,396	115,796,742	67%
<b>Total Net Water Sales Revenue</b>	<b>231,455,598</b>	<b>177,066,898</b>	<b>179,246,815</b>	<b>2,179,917</b>	<b>77%</b>
<b>Revenues and Other Income</b>					
Infrastructure Access Charges	81,656,000	57,144,019	57,256,926	112,907	70%
Property Taxes and In-Lieu Charges	28,304,000 (c)	19,871,912 (n)	21,999,665	2,127,753	78%
Investment Income	11,501,000 (d)	9,232,218 (n)	9,373,247	141,030	81%
Hydroelectric Revenue	7,350,000 (e)	5,512,500	4,846,480	(666,020)	66%
Grant Reimbursements	27,327,000	22,034,688 (n)	10,059,010	(11,975,678)	37%
Build America Bonds Subsidy	21,104,000	15,834,685	15,946,589 (l)	111,904	76%
Other Income	2,528,000	2,396,000 (n)	4,749,990	2,353,990	188%
Capital Contributions:					
Capacity Charges	33,220,000 (f)	20,484,301 (n)	23,398,736	2,914,435	70%
Water Standby Availability Charges	22,221,000 (g)	13,554,406 (n)	13,944,171	389,765	63%
Contributions in Aid of Capital Improvement Program (CIP)	1,855,000 (h)	1,300,000 (n)	2,725,500	1,425,500	147%
<b>Total Revenues and Other Income</b>	<b>237,066,000</b>	<b>167,364,728</b>	<b>164,300,314</b>	<b>(3,064,414)</b>	<b>69%</b>
<b>Total Revenues</b>	<b>468,521,598</b>	<b>344,431,626</b>	<b>343,547,129</b>	<b>(884,497)</b>	<b>73%</b>
<b>Expenses</b>					
Debt Service	297,432,000 (i)	198,332,310 (n)	202,716,581	(4,384,271)	68%
QSA Mitigation	4,711,000 (j)	4,710,889 (n)	4,710,889	-	100%
Equipment Replacement	6,024,000	4,086,074 (n)	2,330,183	1,755,891	39%
Grant Expenses	26,323,000	21,246,850 (n)	9,519,280	11,727,570	36%
Other Expenses	3,888,000	3,066,000	5,889,478	(2,823,478)	151%
Operating Departments (see below)	111,503,285 (k)	82,790,021	79,925,427	2,864,594	72%
<b>Total Expenses</b>	<b>449,881,285</b>	<b>314,232,144</b>	<b>305,091,838</b>	<b>9,140,306</b>	<b>68%</b>
<b>Net Revenues Before CIP</b>	<b>\$ 18,640,313</b>	<b>\$ 30,199,482</b>	<b>\$ 38,455,291</b>	<b>\$ 8,255,809</b>	<b>206%</b>
<b>CIP Expenses*</b>	<b>\$ 162,222,000</b>	<b>\$ 130,526,129 (n)</b>	<b>\$ 84,961,385</b>	<b>\$ 45,564,744</b>	<b>52%</b>
<b>Net Fund Withdraws</b>	<b>\$ (143,581,687) (m)</b>	<b>\$ (100,326,647)</b>	<b>\$ (46,506,094)</b>	<b>\$ 53,820,553</b>	<b>32%</b>

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

Operating Departments Detail					
Administrative Services	\$ 13,611,163	\$ 10,059,550	\$ 9,689,966	\$ 369,584	71%
Colorado River Program	3,458,721	2,572,364	2,282,038	290,326	66%
Engineering	8,007,603	5,949,704	6,002,202	(52,498)	75%
Finance	5,480,705	4,036,641	3,892,442	144,198	71%
General Counsel	6,689,550	5,353,866	4,637,218	716,648	69%
General Manager & Board of Directors	6,816,751	5,604,248	5,185,137	419,111	76%
Government Relations	1,351,581	675,791	450,509	225,282	33%
Human Resources	1,551,617	775,809	602,560	173,249	39%
MWD Program	4,045,097	3,013,601	2,618,231	395,370	65%
Operations & Maintenance	42,710,716	31,816,049	29,038,098	2,777,951	68%
Public Affairs	7,270,725	5,464,976	4,919,425	545,551	68%
Water Resources	10,509,056	7,467,424	6,483,764	983,660	62%
Actuarial amounts related to Pensions/OPEB	-	-	4,123,837	(4,123,837)	---
<b>Total Operating Departments</b>	<b>\$ 111,503,285</b>	<b>\$ 82,790,021</b>	<b>\$ 79,925,427</b>	<b>\$ 2,864,594</b>	<b>72%</b>



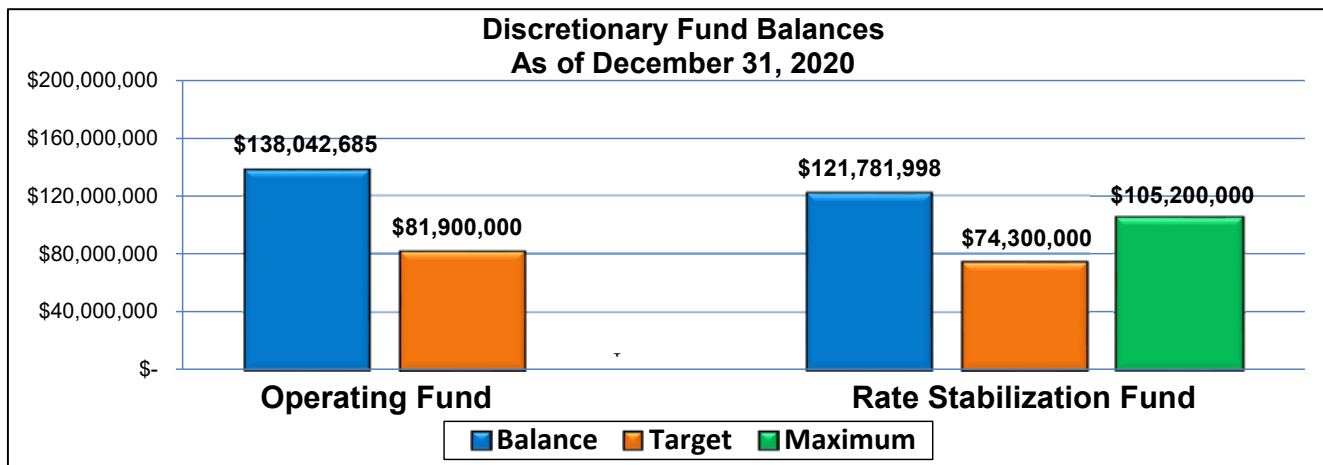
**San Diego County Water Authority  
Fiscal Years 2020 and 2021 Budget Status Report  
For the 18 Months Ended December 31, 2020**

**Notes to the Budget Status Report:**

- a) Period-to-date budgeted amounts are 18/24ths (75%) of Fiscal Years 2020 and 2021 amended budget unless noted.
- b) Water sales and water purchases period-to-date budgeted amounts are based on projected acre-feet calculated per month.
- c) Property taxes are primarily received in December and April. In-lieu charges in the amount of \$625,709 for Fiscal Year 2020 and \$642,733 for Fiscal Year 2021 are received quarterly from the City of San Diego.
- d) Investment income excludes unrealized gains/losses, which are non-cash transactions.
- e) Hydroelectric revenue budget amount includes Rancho Penasquitos Hydro-generation and Pressure Control Facility (Rancho Hydro) and Lake Hodges Pumped Storage Facility (Hodges Hydro).
- f) Capacity charges are primarily received in July, October, January and April, after the quarterly period ends, and accrued revenue are recorded for the quarter ending June.
- g) Water standby availability charges are primarily received in January and May.
- h) Contributions in aid of capital improvement program include planned reimbursements for miscellaneous projects.
- i) Bonds and Certificates of Participation debt service payments are due semi-annually on November 1 and May 1. Pipeline Bonds, Series 2019 debt service payments are due semi-annually on July 1 and January 1. Debt Service includes principal, interest expense, and debt service fees. Amortization expense relating to long-term debt, such as discounts, premiums, and deferred gain/loss on refunding are excluded because they are non-cash transactions. Short-term debt for Commercial Paper are paid monthly.
- j) QSA Mitigation includes: 1) Fiscal Year 2020 contributions of \$1,750,000 due July 1 and \$1,060,053 due December 31; and 2) Fiscal Year 2021 contributions of \$850,000 due July 1 and \$1,050,836 due December 31.
- k) Amounts include capital equipment purchases included in the project budget.
- l) The semi-annual subsidy payments from the United States Treasury equal to 35 percent of the interest payable on the Series 2010B Bonds were reduced under Congressionally-mandated sequestration.
- m) Represents withdraws from fund balances.
- n) Period-to-date budgeted amounts adjusted based on items occurring on a periodic basis.

**San Diego County Water Authority  
Schedule of Cash and Investments  
As of December 31, and November 30, 2020  
Unaudited**

	<u>December</u>	<u>November</u>	<u>Target</u>
Operating Fund	\$ 138,042,685	\$ 130,413,091	\$ 81,900,000
Equipment Replacement Fund	2,170,412	2,536,521	
Canal Maintenance Fund	189,065	173,204	
Rate Stabilization Fund	121,781,998	121,644,367	\$ 74,300,000
<b>Total Unrestricted Funds <sup>(1)</sup></b>	<b>92%</b> <u>262,184,160</u>	<b>91%</b> <u>254,767,183</u>	
Pay-As-You-Go Fund <sup>(1)</sup>	2,000,000	2,402,255	
Debt Service Reserve Funds	22,218,495	22,217,269	
<b>Total Restricted Funds</b>	<b>8%</b> <u>24,218,495</u>	<b>9%</b> <u>24,619,524</u>	
<b>Total Cash and Investments</b>	<b>\$</b> <u><u>286,402,655</u></u>	<b>\$</b> <u><u>279,386,707</u></u>	



**Note:**

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

**Reserve Fund Categories**

*Operating Fund:* The Water Authority's working capital and emergency operating reserve. The Operating Fund's policy requires 45 days of average annual operating expenses to be kept in reserves as assessed on an annual basis.

*Stored Water Fund (SWF):* This fund provides working capital to purchase water inventory necessary to fully utilize the Water Authority's storage facilities. A 70,000 acre-feet target was established for Carryover Storage inventory along with a maximum of 100,000 acre-feet, which is the storage capacity. The SWF is to only hold a cash position if the cost to replace the target amount is below the current value of water inventory in the fund.

*Equipment Replacement Fund (ERF):* The ERF is funded by transfers from the Operating Fund for capital equipment purchases such as computers, vehicles, and SCADA systems and is used to replace equipment which has reached the end of its effective useful life.

*Canal Maintenance Fund:* This fund provides for the large periodic maintenance expenses of the All-American and Coachella Canals that is estimated to occur every five to eight years.

*Rate Stabilization Fund (RSF):* The RSF holds the water revenues greater than expenditures in years of strong water sales. Funds can then be used to mitigate "rate shock" in years of weak water sales and/or to manage debt service coverage. The RSF target balance is equal to the financial impact of 2.5 years of wet weather or mandatory restrictions and the maximum fund balance is equal to the financial impact of 3.5 years of wet weather or mandatory restrictions. The current balance in this fund represents approximately 164% of the targeted value of \$74.3 million and 116% of the maximum balance of \$105.2 million.

*Pay-As-You-Go Fund (PAYGO):* The PAYGO fund collects Capacity Charges and Water Standby Availability Charges to be used to pay for the cash portion of the CIP. The funds are dedicated for construction outlays as well as debt service.

*Debt Service Reserve Fund:* This fund contains the required legal reserve for Water Authority debt issues. Such reserves are held for the purpose of making an issue's annual debt service payments in the event the Water Authority should be unable to make such payments. The funds are held by trustees and interest earned is transferred into the Operating Fund and is not restricted.