



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

Comprehensive Annual

FINANCIAL REPORT

Fiscal Year
Ended June 30, **2021**
San Diego, California





COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended June 30, 2021

Prepared by the Finance Department
San Diego, California 92123

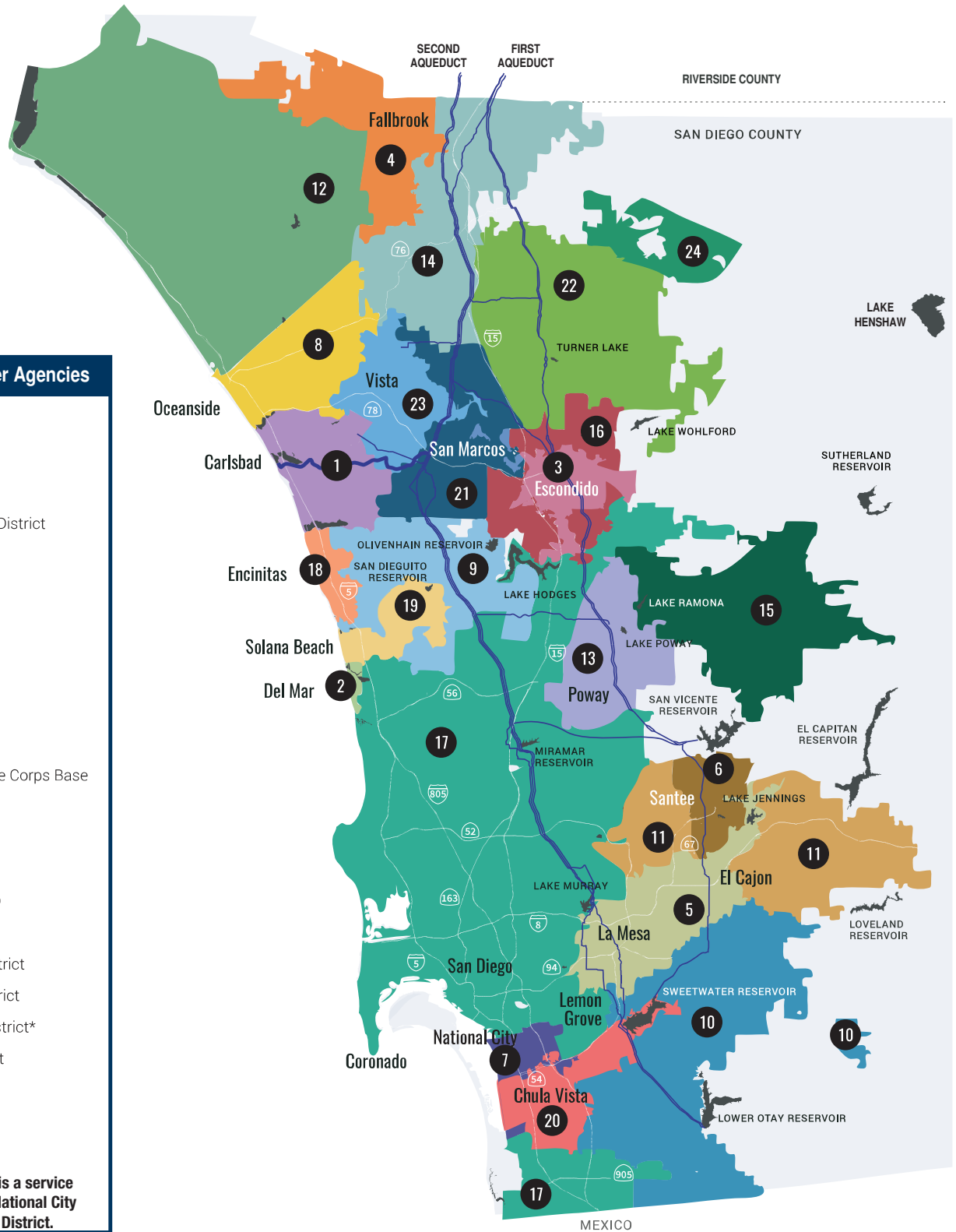


San Diego County Water Authority Service Area

Water Authority Member Agencies

- 1 Carlsbad MWD
- 2 City of Del Mar
- 3 City of Escondido
- 4 Fallbrook Public Utility District
- 5 Helix Water District
- 6 Lakeside Water District
- 7 City of National City*
- 8 City of Oceanside
- 9 Olivenhain MWD
- 10 Otay Water District
- 11 Padre Dam MWD
- 12 Camp Pendleton Marine Corps Base
- 13 City of Poway
- 14 Rainbow MWD
- 15 Ramona MWD
- 16 Rincon del Diablo MWD
- 17 City of San Diego
- 18 San Dieguito Water District
- 19 Santa Fe Irrigation District
- 20 South Bay Irrigation District*
- 21 Vallecitos Water District
- 22 Valley Center MWD
- 23 Vista Irrigation District
- 24 Yuima MWD

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



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Introductory Section



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

October 14, 2021

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, 2021 in accordance with Section 25253 of the California Government Code. The purpose of this report is to provide the Water Authority Board of Directors (Board), member agencies, investors, the public, and other interested parties 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 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, 2021. 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 both fiscal years can be found in the Other Supplemental Information Section of this report.

Fiscal Year 2021 Brings Challenges, Opportunities

Fiscal Year 2021 brought both major challenges and significant opportunities for the Water Authority as the COVID-19 pandemic and expanding drought conditions required staff to collaborate in new and innovative ways both internally and with external stakeholders. The result was uninterrupted delivery of safe, reliable water supplies for the region that proved the value of the region's long-term investments in supply reliability. In fact, the Urban Water Management Plan completed in May shows reliable supplies through the 2045 planning horizon even during multiple dry years.

Despite the headwinds, the Water Authority's efforts continued on all fronts, including the Board's passage of a two-year, \$1.7 billion budget – a 0 percent increase from the previous budget. In addition, the Water Authority increased its regional outreach efforts to assure residents about both the reliability of water supplies and the need to maintain WaterSmart efforts in the face of drought. The Water Authority also welcomed a new general manager at the Metropolitan Water District of Southern California in hopes of turning over a new leaf in that decades-long relationship. At the same time, the Water Authority succeeded in securing a \$44.4 million refund of overcharges by MWD in years past, and those funds were given back to the Water Authority's member agencies.

On the ground, staff completed a major rehabilitation of the historical First Aqueduct in north San Diego County, advanced a study of a potential new alternative aqueduct system, refinanced all or parts of six debt issuances realizing \$118.7 million in cash flow savings for San Diego rate payers and launched a new website that serves as a one-stop shop for water industry jobs, in addition to working through the pandemic. With those achievements and many others, the Water Authority and its member agencies remain 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 \$253 billion economy.



Sandra Louis, Receptionist



*Vadim Livshits, Sr. Management Analyst and
Jason Foster, Director of Administrative Services*

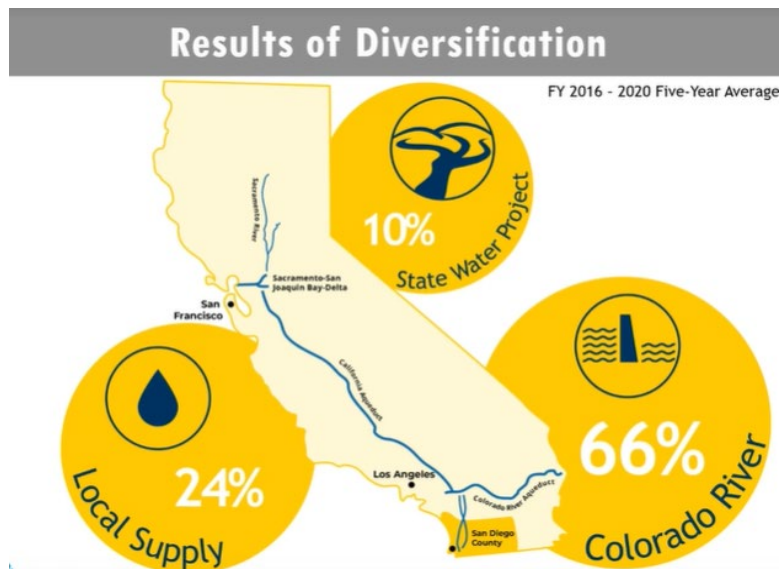


Ron LaMadrid, Information Systems Analyst

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) 2021, 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.

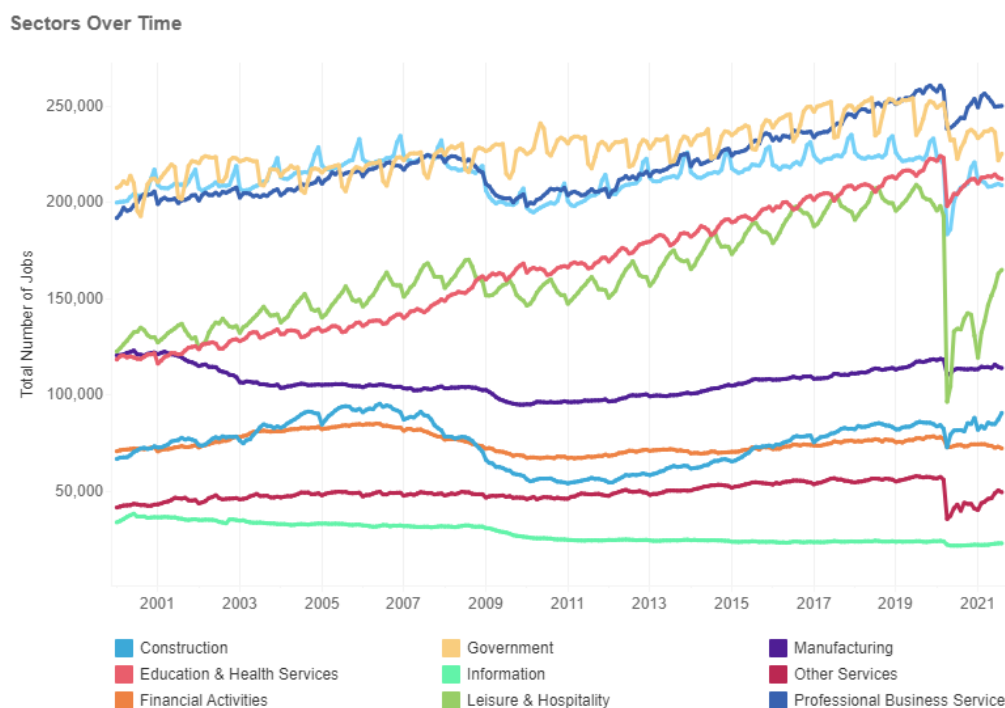
In addition, the Water Authority has one special purpose Board committee that is responsible for oversight of the audit and CAFR as follows:

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, 2021 can be found on page 22. 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, an Assistant General Manager, the Human Resources Director and the Clerk of the Board. The remainder of the executive team consists of nine department and program directors, responsible for managing the Administrative Services, Government Relations, 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 6.8 percent unemployment rate in June 2021 due to the lingering effects of the COVID-19 pandemic. This is a significant decrease from a year ago when it was 13.2 percent, but still higher than prior years. Also, it is below the state's average of 7.7 percent. While eight of California's industry sectors gained jobs in June, the Leisure and Hospitality sector continued to have the state's largest month-over increase for the fifth consecutive month thanks to restaurants hiring and increased tourism. This was evidenced in San Diego too. Other services also performed well with increases in Personal and Laundry Services. Construction suffered the largest month-over job reduction due to losses in Building Foundation and Exterior Contractors from statistics provided by the state's Employment Development Department. And as can be seen in the table, there has been continuous growth in employment in the San Diego area, and specific improvements since a year ago in many sectors from statistics provided by the San Diego Workforce Partnership.



San Diego County's median home prices keep increasing and reached \$750,000 in June 2021, which was a 24.9 percent increase over a year earlier, as reported by real estate tracker CoreLogic/DQNews. Homes are staying on the market for a shorter period than last year, due to historically low interest rates of 2.99 percent or lower, and despite the ongoing pandemic. Construction of all residential housing comprised of apartments, townhouses and single-family homes was up 22 percent from the first quarter 2020 to the first quarter 2021 to 2,830 units, said the Real Estate Research Council of Southern California. The County saw a large increase in construction of multi-family units comprised of apartments and for-sale townhouses representing a 76 percent increase from a year ago or 2,040 units. Single-family home construction was down 32 percent with 790 new homes being built. Similar to last year, building permits pulled included increases in retail construction, but was lower for office buildings, hotels and industrial buildings. While the pandemic slowed activity last year, construction was deemed an essential service and continued at higher rates with only a minor amount of the jobs in construction being lost. Construction in all sectors continues to be impacted by increasing labor and materials costs, particularly lumber, but is moving forward.

Regional Water Demands

Total water use (imported and local sources) in the San Diego region reached 501,880 AF in FY 2021; a 38,700 AF increase from FY 2020. The increase in total water demand is attributed to abnormally dry conditions in the San Diego region during FY 2021. Total rainfall at Lindbergh Field for FY 2021 was recorded as 4.5 inches, or 43% of normal. Drought conditions persisted in many parts of the state throughout FY 2021, leading Governor Newsom to proclaim a regional drought emergency in two Northern California counties in April 2021. In May 2021, regional drought emergencies were expanded to 39 additional counties. At the close of FY 2021, San Diego County was not under a regional drought state of emergency highlighting the value of three decade's worth of strategic development of regionally and locally controlled water supplies.

Total water use is anticipated to increase moderately year-over-year as a result of continued economic recovery due to the lifting of California's regional stay-at-home orders. 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 continue to help safeguard the region from future supply shortages and sustain the growth of the region's economy. The water supply portfolio strategy implemented by the Water Authority complements Governor Newsom's Water Resilience Portfolio, a plan envisioned to prepare California's water systems to support a growing population in a warmer, more extreme climate, by embracing a broad and diversified planning approach.

2020 Urban Water Management Plan

Urban water suppliers are required under the California Urban Water Management Planning Act (Act), which is part of the California Water Code, to update their Urban Water Management Plan (UWMP) and submit the revised document to the California Department of Water Resources every five years. The 2020 UWMP 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 2020 UWMP identifies a diverse mix of existing and future water supplies projected 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 long-range demands on the Water Authority.

The San Diego County Water Authority Board held a public hearing on its draft 2020 UWMP in March and implemented a 60-day public comment period - which ended in May. The Board approved the Water Authority's final 2020 UWMP in May 2021 and it was successfully submitted to the California Department of Water Resources (DWR) in June 2021. Additionally, the Act requires 2020 UWMPs to include a Water Shortage Contingency Plan (WSCP). This requirement was added in 2018 with the passage of Senate Bill 606. For the San Diego region, the Water Authority's WSCP serves as the region's guiding supply shortage management document.

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. At the end of fiscal year 2021, the Water Authority was in the process of updating the Long-Range Financing Plan for Board approval in September 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: <https://www.sdcwa.org/about-us/budgets-financial-reports/>

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

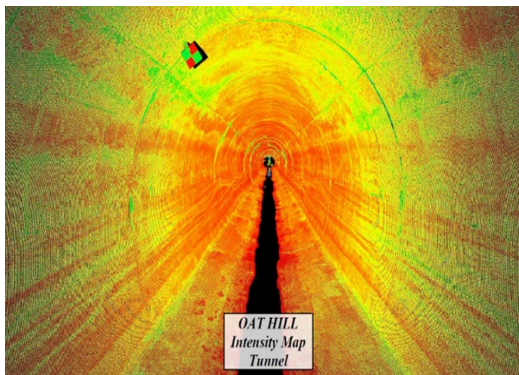
In addition to the financial statements, the Water Authority includes a schedule in the Other Supplementary Information Section that compares the final budget to the actual amounts for the fiscal year ended June 30, 2021. The schedule includes a reconciliation of adjustments from the budgetary basis 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 – Managing risk to enhance critical asset utilization.



3D Scan of OAT Hill Intensity Map Tunnel

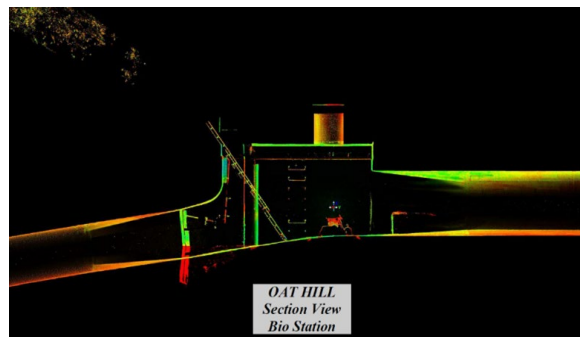
The Water Authority's asset management program is a nationally recognized leader in adopting the latest technologies and processes to ensure that critical water delivery assets attain their maximum potential and longevity.

Following the unprecedented accomplishments achieved by the team that completed the comprehensive condition assessment of over 27 miles of large diameter pipelines in FY 2020, a system-wide risk assessment of the entire water delivery infrastructure was performed in FY 2021 using the recently gathered condition data, along with prior inspection and analyses results.

Combining both the age-related risks of pipeline corrosion, and the ongoing evaluation of water delivery facilities, a number of repair, rehabilitation and replacement projects were developed for inclusion in the FY 2022 and FY 2023 budget cycle. In addition, with the Long-Range Financing Plan update currently underway, the data analysis and risk assessment served to provide a 10-year forecast of asset management needs.

Following a rolling 5-year Condition Assessment Plan, all infrastructure assets are evaluated for performance and integrity over the medium and long term. Upcoming projects include the condition assessment of approximately 35 miles of large diameter pipelines that are approaching 75 years of continuous service, and the site-specific seismic and hydraulic performance evaluation of critical flow control facilities to ensure system integrity is maintained at the least cost to the region's ratepayers.

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



3D Scan of OAT Hill Cross-sectional view

Capital Assets

The Water Authority also has a significant investment in capital assets approximating a \$3.6 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



Colorado River

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 highly reliable, cost-effective Quantification Settlement Agreement conserved supplies from the Colorado River to the San Diego region.



Lake Mead

The study also includes 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 second phase of the study will be complete by the end of FY 2022 at which point the Water Authority Board will make a decision on any potential next steps.

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 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. 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 and new water and energy infrastructure.



Rancho Peñasquitos Inline Hydroelectric Facility

In FY 2021, the Water Authority saved \$663,247 in energy costs at the Claude “Bud” Lewis Carlsbad Desalination Plant with participation in SDG&E’s Renewable Energy Self-Generation Bill Credit Transfer (RES-BCT) program. This program allows the Water Authority to credit the energy generated from the 4.5-megawatt Rancho Peñasquitos Hydroelectric and Pressure Control Facility to the Claude “Bud” Lewis Carlsbad Desalination Plant. Additionally, the Water Authority sold Renewable Energy Credits/Low Carbon Fuel Standard Credits from the Rancho facility generating \$38,048 in revenue.

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. In July 2021, the State approved \$18 million to support the initial project design, environmental reviews, and federal licensing process for the energy storage facility. With state funding in place, the Water Authority and City are preparing to issue a Request for Proposal for a full-service private partner to help develop the project, launch federal and state environmental reviews, and seek a project license from the Federal Energy Regulatory Commission. These project components are expected to take at least four years. With an anticipated completion in 2030, this facility will provide enough energy for approximately 135,000 households.



The Water Authority continues to evaluate opportunities to reduce energy costs. This includes participating in receiving energy from local community choice aggregators. The Water Authority enrolled 30 of its meters into San Diego’s community choice aggregator, San Diego Community Power. The Water Authority annually applies for San Diego Gas and Electric’s Direct Access program, which is a lottery through SDG&E to have lower energy rates. The Water Authority is also exploring regulatory and legislative options for Wholesale Open Access Distribution, which is an energy tariff that would significantly reduce the Water Authority’s energy costs.

Maintaining and improving the Water Authority’s energy resilience and reliability is also an important component of the Energy Program. In FY 2021, the Water Authority received a conditional \$2 million incentive from the California Public Utilities Commission for battery energy storage that could be used to run a portion of the electric

loads at facilities during a blackout or other grid emergency. The Water Authority is in the planning stages to determine the feasibility of implementing this incentive.

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 Energy Storage Facility

Innovation Program – Building a strong innovation culture improves processes and efficiencies

The Water Authority's Innovation Program, which began in FY 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 innovation power, maintain an innovation culture where staff sees themselves as innovators, build external collaborative partnerships and provide a conduit for outside vendors to partner with the Water Authority where our business interests align. The Innovation Program includes the internal "Bright Idea Program", which collects innovative ideas throughout the organization. Our external 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, with a focus on asset management collaboration relative to process improvements and efficiencies.

IRWM Program

The San Diego Integrated Regional Water Management (IRWM) Program provides grant funding to support public and non-profit projects that increase reliable local water supplies, improve the quality of the region's water bodies and protect natural resources. The grant funding also lowers the cost of these projects to the San Diego region's ratepayers.

IRWM is an innovative, inclusive way to conduct water management planning and implementation while fostering cooperation among public agencies with different jurisdictions and non-profit public interest organizations. The IRWM program conducts planning that encompasses different aspects of water management and secures funding to support projects to achieve the 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 the lead role in this effort, representing the program to the State of California and administering the IRWM grant funds awarded to local projects. The program is supported by a 32-member Regional Advisory Committee that represents the wide spectrum of stakeholders involved in water issues.

The San Diego IRWM Program is 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. IRWM grant funding helps to achieve the water supply goals established in the Water Authority's Urban Water Management Plan.

To date, the program has successfully applied to the California Department of Water Resources for nine grants totaling \$111.7 million in grant funds. Combined, the grants have supported 74 high-priority multi-benefit projects. \$72 million of the total funding has been directed to nine projects sponsored by the Water Authority and 30 projects sponsored by Water Authority member agencies.



The San Diego IRWM Program has funded a variety of water management projects, including several addressing the issue of stormwater. The Water Conservation and Watershed Protection Project (left), sponsored by UCSD, featured multiple components, including the installation of bioretention corridors to treat stormwater on campus. The Integrated Water Resources Solutions for the Carlsbad Watershed Project (right), sponsored by the San Elijo Joint Powers Authority, involved the installation of storm drain facilities to alleviate flooding in the area.

Water Authority Continues Commitment to Employee Engagement and Inclusion

Following the 2019 employee engagement survey where a desire to create a new vibrant culture that embraced transparency, inclusion and collaboration was identified, under the leadership of the General Manager, a team of employees across the organization came together in Spring 2021 to help define a new set of values for the organization. The Board received a preview of the Value Discovery Project which began in February and is now complete. The Values Discovery Team (VDT) was a cross-departmental team of front-line and supervisory employees that were critical to this work. Using a research-based Appreciative Inquiry process, they interviewed a diverse group of 59 employees (25% of the agency overall). Focusing on inquiry and storytelling, they sought to uncover what drives employees when they are at their best. The VDT analyzed the story data collected for recurring themes and finalized new values statements based on what they heard. In July the VDT introduced the new values statements to the entire agency. Over the coming year, we will further integrate these values into our daily work lives in a meaningful way, so they become even more reflective in how we work together to serve the region. Again, we'll look to the employees to help with this implementation phase.



Additionally, the General Manager continued to engage employees through weekly calls, newsletters and workshops with the ongoing goal of strengthening equity, and inclusion. Engagement also continued with external partners and stakeholders, regionally and statewide, where ideas and processes for diversity, equity and inclusion efforts and employee engagement were discussed and brainstormed. Regional workforce efforts came to fruition via the Water Authority's SDWaterWorks website which serves as a central hub for job, information, and training opportunities, and a place where the water industry can be promoted across the region. The Water Authority also began participating in the Department of Defense's SkillBridge partnership program. As the first public

agency in the State of California to participate, the Water Authority is proud to already have two interns from the program assisting the agency and continues to look for additional opportunities to partner with exiting military members.

A second employee engagement survey is underway at the time of publication, and while nearly two years of pandemic response may have slowed some forms of change in the organization, it accelerated others, and the results of the second survey will serve as a roadmap for where the path of change goes from here.

Financial Strategy Work Group Succeeds Fiscal Sustainability Task Force

In conjunction with the adoption of the FY's 2020 and 2021 Budget, the Fiscal Sustainability Task Force (FSTF) was convened to provide a forum for discussion and recommendations regarding the Water Authority's 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 term ended in FY 2021.

The Financial Strategy Work Group (FSWG) was later created to replace the FSTF. The FSWG is comprised of a mix of Member Agency Officers and Water Authority Board Members to deliberate long-range financial planning, the Capital Improvement Program, FY's 2022 and 2023 budget development, and calendar year 2022 rates and charges. During FY 2021, the FSWG discussed the Capital Improvement Program prioritization and risk, long-range financial planning, the development of calendar year 2022 rates and charges, and FY's 2022 and 2023 budget development. The FSWG also recommended that the Temporary Special Agricultural Water Rate be extended to allow participants to apply for the Permanent Special Agricultural Water Rate program.

Government Relations

The Water Authority has long been a statewide leader in shaping California water policy at the federal, state, and local levels. The Water Authority has a lengthy track record of successfully navigating important legislative initiatives through the State Legislature to protect the region's interests and to make important advancements in water policy for the benefit of the San Diego region, our member agencies, and San Diego ratepayers.

The Water Authority actively engages within Congress, the federal administration, the State Legislature, California regulatory and administrative agencies, and the state administration to share the San Diego region's perspectives, interests, issues, and concerns on a wide variety of water, natural resources, environmental, and local government policy and funding matters.

In FY 2020, the Water Authority took a statewide leadership role through the co-sponsorship of legislation to help military veterans leaving military service to transition successfully to civilian water and wastewater treatment occupations. The Water Authority continued its efforts in FY 2021 on this initiative given the significant number of military personnel within the San Diego region, and the importance of providing meaningful assistance to our dedicated military service members who are looking for their transition into civilian life.



The Water Authority also continued its long-standing and successful engagement with member agencies through the Member Agency Legislative Liaisons program. For years, the Water Authority has worked in partnership with its member agencies to find common ground on legislative and government relations issues at the federal, state, and local levels. The Legislative Liaisons program has helped to successfully connect regional interests and strengthen the region's voice in Sacramento and Washington, D.C.

Prudent Financial Management

Adopted Calendar Year (CY) 2022 Rates and Charges

In June 2021, consistent with the Water Authority's annual rate setting process, the Board approved adjustments to rates and charges for CY 2022. These adjustments amount to an all-in increase of \$49/acre foot (AF) or 3.3 percent for untreated water and \$64/AF or 3.6 percent for treated water. Larger increases were mitigated by a projected draw of the Rate Stabilization Fund and an ongoing multi-year debt optimization effort, resulting in savings of \$67.4 million on a present value basis over the lifetime of the bond series 2013A and 2011A&B. The key rate and charges drivers were MWD's transportation and fixed-charge increases, as well as the reduced water sales environment.

Rating Agency Affirmation of Rates

The Water Authority's strong credit ratings of AA+, and Aa2 from Fitch and Moody's, and AAA by Standard & Poor's were affirmed in March of 2021. Long-term subordinate lien credit ratings are usually rated one level below the senior lien credit ratios of the same issuer. Accordingly, subordinate lien debt are inferred to be at AA+ and Aa3 by Standard and Poor's (S&P) and Moody's, with Fitch holding the subordinate lien bond rating at AA+. S&P modified the outlook to negative due to heightened risks associated with various financial metrics including declines in rate stabilization reserve funds, debt service coverage, reduced water demand, member agency discord and detachment.

Adopted Fiscal Year 2022 and 2023 Budget Highlights

In June 2021, the Water Authority Board adopted the \$1.69 billion budget for FY's 2022 and 2023. The two-year budget is a net zero increase from the FY's 2020 and 2021 budget. Water purchases and treatment represent 66.0 percent or \$1.11 billion of the total Water Authority Budget. This includes the costs of water, treatment, transportation, and payments for groundwater storage. The Construction Improvement Program represents 10.0 percent or \$170.4 million of the total budget, as the Water Authority has shifted from the construction of new infrastructure to asset management. The operating departments budget represents 7.0 percent of the total budget or \$113.4 million.

Metropolitan Water District Rate Litigation

The Water Authority sued the Metropolitan Water District of Southern California (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 is as follows:

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, and over \$13 million in attorney's fees and costs. MWD paid the main judgment, though it appealed certain wording in the judgment, and also appealed the fee/cost award. The Court of Appeal upheld the judgment's wording. The fee/cost matter is still before the Court of Appeal.

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. MWD has cross-complained against the Water Authority for non-monetary claims such as declaratory relief. Trial is set for May 2022.

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. MWD has cross-complained against the Water Authority for non-monetary claims such as declaratory relief. Trial is set for May 2022.

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 was stayed. The stay was lifted, and trial is set for May 2022.

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 was filed on September 18, 2020. The matter is before LAFCO, and that entity will hold a public hearing to decide the applications, which may be denied, approved, or approved with conditions. 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 and fire service costs. The case alleges violations of Proposition 218. The case 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 litigation, please contact the General Counsel's office, 4677 Overland Ave., San Diego, CA 92123, (858) 522-6790.

California Weather and Supply

Most of California is experiencing a second consecutive, abnormally dry year in Water Year (WY) 2021, which runs from October 2020 – September 2021. Northern Sierra precipitation through June 2021 was 23 inches, or 46 percent of normal - which is less than this time last year. Additionally, the last 18 months were the second driest on record for the Northern Sierra. Peak snowpack occurred in the Northern Sierra at the end of March 2021 and was quickly reduced by 97 percent within a month due to warming spring temperatures. In other parts of the Sierra, snow water equivalents were reduced to zero by the end of May 2021. The Sacramento River runoff, which feeds DWR's State Water Project (SWP), is projected to be 45 percent of normal conditions. Deficiencies in precipitation and snowpack are impacting statewide reservoirs with many of the largest state reservoirs at around half of normal for this time of year. Due to the ongoing dry conditions and the forecasted low runoff, DWR announced a SWP Table A allocation of 5 percent for 2021, which matches the lowest allocation on record. 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

Water use efficiency is a key component of water supply resiliency. The Water Authority works with member agencies and other stakeholders to advocate for equitable and implementable water use efficiency standards and objectives and provides a comprehensive portfolio of programs and outreach to help our region meet those standards.

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 proactively 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 began in 2018. The standards must be adopted by the State Water Resources Control Board by June 2022. Retail water suppliers will report compliance beginning in January 2024, and by January 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.

To help meet any future water use efficiency targets, the Water Authority manages a broad portfolio of incentives and educational opportunities designed to conserve water. Water demand projections include reasonable assumptions regarding reductions in demand due to anticipated future conservation efforts. The Water Authority will continue to work closely with its member agencies to remain engaged in the process and make any necessary adjustments in its water use efficiency programs as the new water-use objectives and reporting requirements are adopted and implemented.

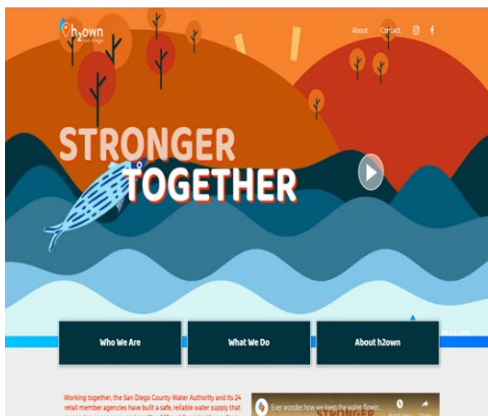
Public Outreach

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 rates, water quality, 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 FY 2021, 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 \$253 billion economy and its 3.3 million residents. While the COVID-19 pandemic continued to impact in-person outreach, the Water Authority maintained a regional presence by attending (virtually) numerous community events, sponsoring virtual forums and continuing participation in civic and business organizations.

The Water Authority also 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.

A major focus of the Water Authority's outreach efforts is a news platform called the Water News Network. Founded by the Water Authority about five years ago, the platform has grown to more than 12,000 visits per month. Staff works with member agencies and others to produce original content about important water-related stories in the region. The site also serves as a news aggregator for local, state and national news on water and related issues. An email newsletter with relevant news and headlines is distributed to more than 7,000 subscribers daily. The site is frequently used by the news media and other outlets and has resulted in several positive stories and mentions of Water Authority projects on larger statewide and regional websites.



In FY 2021, in response to the need for more virtual learning offerings to support teachers, the Water Authority increased its suite of educational offerings for school-age students, securing a grant to produce an online workbook that supports state curriculum standards. The digital workbook will be completed in time for the 2021-2022 school year. In January, the Water Authority launched an innovative website and education program to increase awareness and understanding of the regional water system, the importance of ratepayer investments, and water use efficiency. The site, called H2O Own, consists of animated videos and more public “friendly” information to interest a wider audience in water issues and support for water rates.

In February, with the growing likelihood of statewide drought conditions, staff began preparing materials to inform the public of the value of decades-long investments in water supplies and storage, which has prepared the San Diego region to handle drought conditions without major economic impacts. The staff developed the theme “drought safe” to communicate the wisdom of ratepayer investments and the importance of continuing water efficient behaviors. To support the distribution of the message, advertising on local television was secured, along with an advertising program in community newspapers. A digital and social media program was also launched and will continue into the fall.

The Water Authority continued its partnership with local musician and social media influencer Jon Foreman, frontman for the rock band Switchfoot. The campaign, which was funded entirely with state grant funds, received favorable social media response, and helps reach a younger and more diverse audience than traditional Water Authority outreach tactics, and has attracted thousands of video and social media views and engagements.

In addition, staff coordinated closely with member agencies on the continuation of the popular “Faces of the Water Industry,” which highlighted staff from various water and wastewater agencies.

Additionally, the Water Authority coordinated with Joint Public Information Council (JPIC) on the continuation 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 partnerships with community organizations, such as the Chicano Federation, and Catholic Charities, to share information about water quality and safety.

Also, in FY 2021, 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, 2020. This is the twenty-first 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, Andrea Halshaw and Alan Okewole, Senior Accountants; Priscilla Tam and Delecia Odavar, Accounting Technicians, 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**

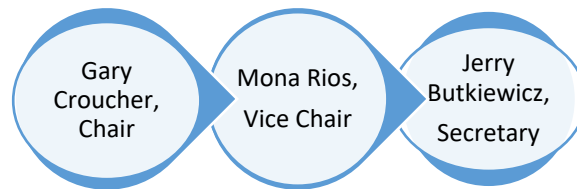
For its Comprehensive Annual Financial
Report
for the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

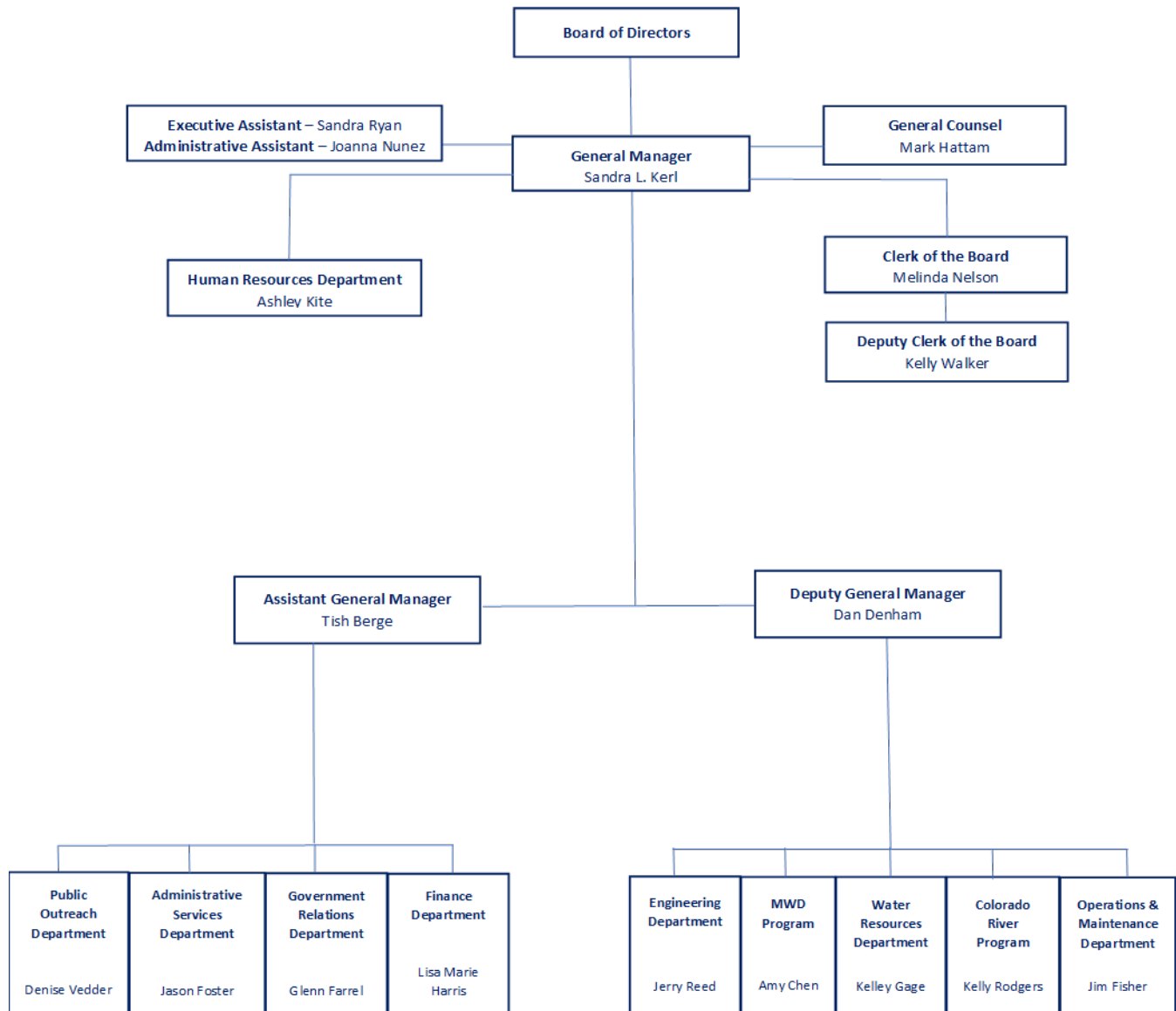
Executive Director/CEO

San Diego County Water Authority Board of Directors



Ismahan Abdullahi	City of San Diego
Gary Arant	Valley Center Municipal Water District
Jimmy Ayala	City of San Diego
Jack Bebee	Fallbrook Public Utility District
Brian Boyle	City of Oceanside
Jerry Butkiewicz	City of San Diego
Chris Cate	City of San Diego
Gary Croucher	Otay Water District
Craig Elitharp	Vallecitos Water District
Lois Fong-Sakai	City of San Diego
Matt Hall	Carlsbad Municipal Water District
Eric Heidemann	City of Poway
Frank Hilliker	Lakeside Water District
Michael T. Hogan	Santa Fe Irrigation District
Gary Hurst	Ramona Municipal Water District
Mel Katz	City of Del Mar
Tom Kennedy	Rainbow Municipal Water District
Keith Lewinger	Carlsbad Municipal Water District
Dan McMillan	Helix Water District
Valentine Macedo Jr.	City of San Diego
Jim Madaffer	City of San Diego
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
Nick Serrano	City of San Diego
John Simpson	Pendleton Military Reservation
Tim Smith	Otay Water District
Fern Steiner	City of San Diego
Kimberly A. Thorner	Olivenhain Municipal Water District
Doug Wilson	Padre Dam Municipal Water District
Terra Lawson-Remer, 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, 2021, 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, 2021, 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.

Report on Summarized Comparative Information

We previously audited the Water Authority's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 14, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 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, 2021 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, 2021

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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, 2021. 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,	
	2021	2020
Assets:		
Capital assets	\$ 3,424.0	\$ 3,444.0
Other assets	508.2	502.0
Total assets	3,932.2	3,946.0
Deferred outflows of resources	34.7	53.0
Liabilities:		
Long-term liabilities	1,934.9	1,900.4
Other liabilities	425.9	493.3
Total liabilities	2,360.8	2,393.7
Deferred inflows of resources	10.2	10.5
Net position:		
Net investment in capital assets	1,283.3	1,257.2
Restricted	2.3	35.1
Unrestricted	310.3	302.5
Total net position	\$ 1,595.9	\$ 1,594.8

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 \$1,595.9 million and \$1,594.8 million as of June 30, 2021 and 2020, respectively. Of these amounts, \$310.3 million and \$302.5 million in unrestricted net position as of June 30, 2021 and June 30, 2020, respectively, were available for current approved services and construction projects, and for new programs for the region's citizenry. During Fiscal Year 2021 (FY 2021), total net position increased by \$1.1 million or 0.1 percent. The largest portion of the Water Authority's net position, 80.6 percent, reflected the investment in capital assets less any related outstanding debt used to acquire those assets.

While water sales increased in FY 2021 driving higher revenues compared to the prior year, the corresponding increases related to the purchase, treatment and distribution of water exceeded those gains resulting in the nominal increase to net assets. This is because the nonoperating revenues, nonoperating expenses and capital contributions categories in total were flat for the year. The Water Authority did receive a \$44.4 million legal settlement payment from MWD during the year, but this was rebated to its Member Agencies. The ongoing effects of the COVID-19 pandemic is still having an effect on revenues, but the Water Authority continued to respond with decreased expenses similar to the prior year by deferring certain CIP projects, reducing professional services expenses, suspending most travel and training activities, and implementing a hiring freeze.

Capital Assets

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

	June 30,	
	2021	2020
Capital Assets - Non-Depreciable	\$ 137.1	\$ 170.6
Capital Assets - Depreciable, net	3,286.9	3,273.4
Total	\$ 3,424.0	\$ 3,444.0

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 2021 and 2020, total capital asset additions were \$47.6 million and \$55.7 million, respectively. Of those amounts, \$45.0 million and \$54.0 million were additions to construction in progress, a non-depreciable category of capital assets, for the FY's ended June 30, 2021 and 2020, respectively. Other non-depreciable additions consisting of land and easements additions in FY's 2021 and 2020 were \$1 thousand each for both years. Depreciable capital asset additions in FY's 2021 and 2020 relating to buildings and facilities and machinery and equipment were \$2.6 million and \$1.7 million, respectively. The amounts referenced above can be found in Note 6 of the Notes to the Financial Statements.

There were three projects with material commitments under construction contracts existing at June 30, 2021 totaling \$24.9 million that can be found in Note 17a of the Notes to the Financial Statements. The following projects accounted for the majority of the 81 capital projects' expenditures incurred during FY 2021:

Mission Trails FRS II and Flow Control Facility	\$ 18.9 million
First Aqueduct Structures and Lining Rehabilitation	7.1 million
Rancho Hydroelectric Facility Generator & Turbine Replacement/Rehabilitation	2.3 million
Hauck Mesa Storage Reservoir	2.0 million
San Diego 28 Flow Control Facility	1.8 million
First Aqueduct Structures Rehabilitation - Hubbard Hill South	1.7 million
Pipeline 5 Pre-stressed Concrete Cylinder Relining Point of Delivery to Sage Road	1.0 million

Debt Administration

Short-Term Debt

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

	June 30,	
	2021	2020
Tax-Exempt Commercial Paper Program	\$ 245.0	\$ 245.0
Extendable Commercial Paper Program	-	100.0
Total	\$ 245.0	\$ 345.0

The Water Authority continued to employ a short-term Tax-Exempt Commercial Paper (TECP) program to provide financing for its capital improvement program.

In FY 2021, the Water Authority modified its Commercial Paper portfolio. While the Series 9 and Series 10 TECP programs remained in place at the same funding levels, the \$100,000,000 Series 1 Extendable Commercial Paper (ECP) program was replaced by the San Diego County Water Authority's Subordinate Lien Water Revenue Refunding Bonds, Series 2021S-1 on April 6, 2021. The ECP program does not have an expiration date and remains a future funding option. The Series 9 and Series 10 letter of credit facilities expire in July 2023, and June 2024, respectively.

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. More detailed information on short-term debt is presented in Note 10 of the Notes.

Long-Term Debt

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

	June 30,	
	2021	2020
Revenue Bonds	\$ 1,717.4	\$ 1,706.1
Certificates of Participation	18.8	25.5
Total	\$ 1,736.2	\$ 1,731.6

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, 2021, the Water Authority had \$1.7 billion in long-term debt outstanding, a 0.3 percent increase compared to FY 2020. As of June 30, 2021, and 2020, the total Revenue Bonds outstanding approximated \$1.7 billion for both years, and total Certificates of Participation were \$18.8 million and \$25.5 million, respectively. During FY 2021, only revenue bonds had scheduled principal payments of \$30.6 million that were made.

The Water Authority has a long history of debt portfolio optimization. These efforts have saved \$278.0 million through debt optimization over the last decade. In April of 2021, the Water Authority refinanced its subordinate bonds at a lower yield, saving \$3.8 million, and refunded Series 2016A bonds, and portions of Series 2016B bonds, resulting in an additional \$44.5 million in present value savings. These refundings along with other recent moves have resulted in a total of \$130.0 million of savings in the last two years. Efforts to further improve the Water Authority's debt portfolio are ongoing.

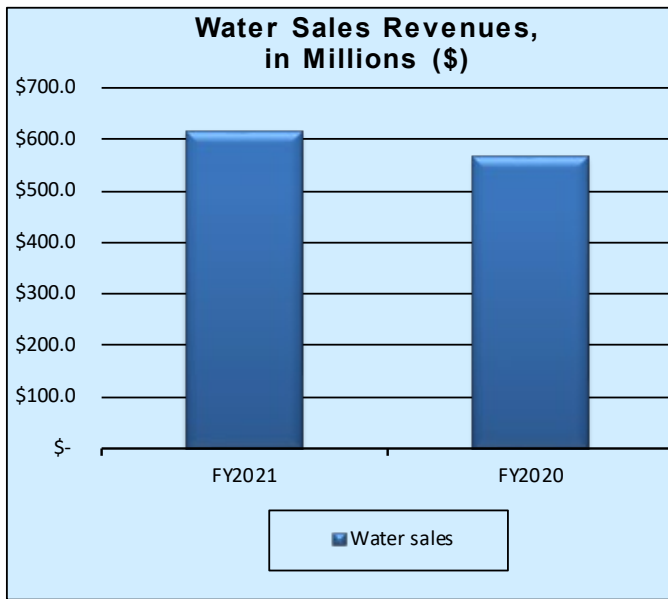
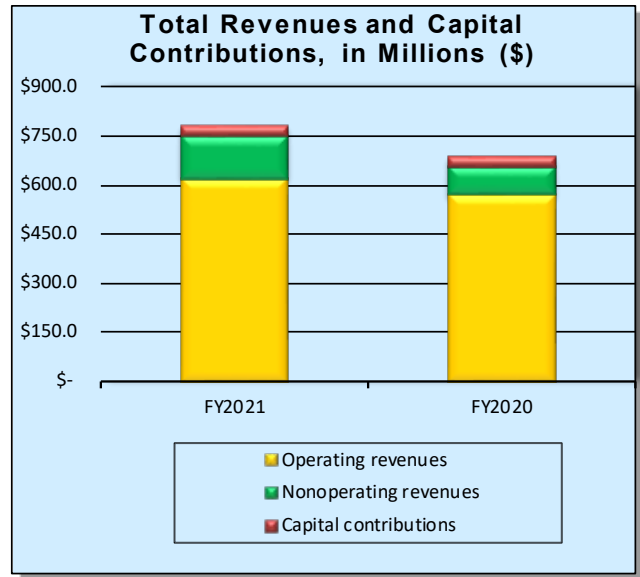
San Diego County Water Authority

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

	June 30,	
	2021	2020
Operating revenues:		
Water sales	\$ 616.4	\$ 565.8
Other revenues	3.6	3.3
Total operating revenues	620.0	569.1
Nonoperating revenues:		
Property taxes and in-lieu charges	16.2	15.5
Infrastructure access charges	43.9	36.9
Investment income	1.2	11.8
Settlement proceeds	44.4	-
Other income	10.3	9.6
Intergovernmental	11.9	12.0
Total nonoperating revenues	127.9	85.8
Total revenues	747.9	654.9
Operating expenses:		
Cost of sales	514.4	449.8
Operations and maintenance	26.7	26.2
Planning	9.4	9.3
General and administrative	20.3	19.9
Depreciation and amortization	64.4	64.0
Total operating expenses	635.2	569.2
Nonoperating expenses:		
Interest expense	76.6	92.8
Debt issuance costs	3.7	0.3
Settlement rebate to Member Agencies	44.4	-
Other expenses	17.6	21.0
Loss on sale/retirement of capital assets	0.2	0.1
Loss on in-substance defeasance	0.4	-
Total nonoperating expenses	142.9	114.2
Total expenses	778.1	683.4
Loss before capital contributions	(30.2)	(28.5)
Capital contributions:		
Capacity charges	18.7	18.0
Water standby availability charges	11.2	11.2
Contributions in aid of capital assets	1.4	2.7
Total capital contributions	31.3	31.9
Changes in net position	1.1	3.4
Net position, beginning of year	1,594.8	1,591.4
Net position, end of year	\$ 1,595.9	\$ 1,594.8

Revenues by Source

Total revenues (operating and nonoperating) and capital contributions for the FY's 2021 and 2020 were \$779.2 million and \$686.8 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, other income and settlement proceeds. Capital contributions include capacity charges, water standby availability charges, and contributions in aid of capital assets. For FY 2021, water sales and other operating revenues, nonoperating revenues, and capital contributions accounted for 79.6 percent, 16.4 percent and 4.0 percent, respectively, of the total revenues and capital contributions. Equivalent FY 2020 percentages were 82.9 percent, 12.5 percent and 4.6 percent, respectively, a trend that remains consistent with prior years.



Operating Revenues

Water sales revenue is the principal source of revenue and totaled \$616.4 million for FY 2021, an increase of \$50.6 million or 8.9 percent from the FY 2020 total of \$565.8 million. Overall, in FY 2021 total water deliveries were higher by 8.5 percent to 384,165 acre-feet (AF) from 354,007 AF in FY 2020. This increase in demand was attributed to the effects of reduced rains received in FY 2021 amounting to 4.5 inches at Lindbergh Field compared to heavier rains in FY 2020 of 13.7 inches at Lindbergh Field, as well as return to a more stabilized economy from what was seen in FY 2020 due to the COVID-19 pandemic.

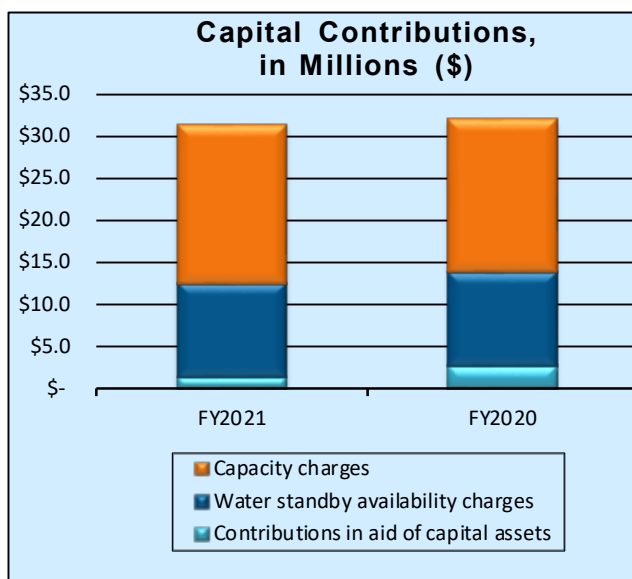
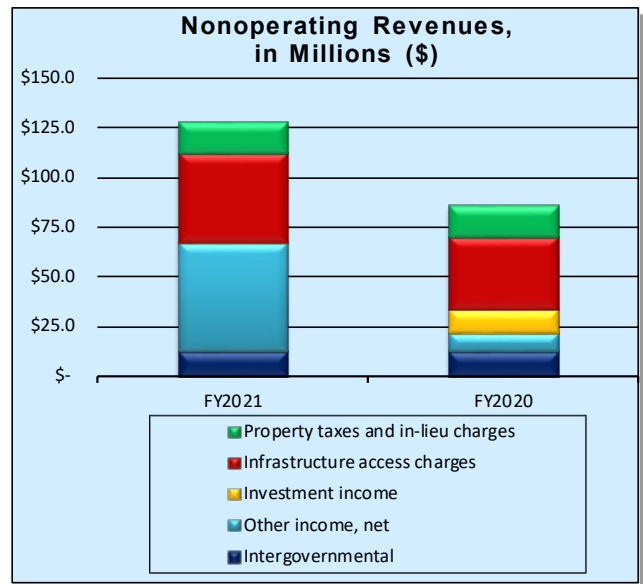
Additionally, although not shown in the graph, other operating revenues consisting of hydroelectric revenues increased by \$0.3 million compared to FY 2020 reflecting the increased flows from the higher water sales

shown in the table. In FY 2020, there was an outage of one of the two generating units at the Lake Hodges Hydroelectric Facility whereas in FY 2021 it was operational the full year.

Revenues by Source (continued)

Nonoperating Revenues

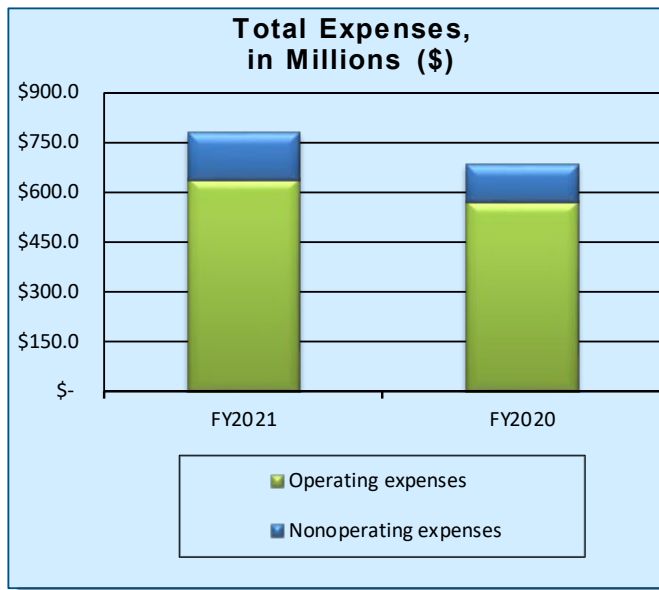
Nonoperating revenues were \$42.1 million higher in FY 2021 compared to FY 2020. Infrastructure access charges revenue increased by \$7.0 million in accordance with the adoption of the Calendar Year 2021 Rates and Charges followed by a \$0.7 million increase in property taxes and in-lieu charges and a \$45.1 million increase in various other income revenues comprised primarily of the \$44.4 million MWD settlement payment that was rebated to the Member Agencies. These increases were offset by a drop in investment income of \$10.6 million, \$2.0 million of which was due to the reduction in interest rates due to economic conditions resulting from the pandemic, and \$8.6 million due to unrealized gains in total - reversing course from the prior year as bond prices moved lower on subsequent purchases of reinvestments. (In spite of the decreased bond prices, the Water Authority will not realize losses because we hold investments until maturity and the Water Authority's only invests in highly rated securities.). Lastly, there was a \$0.1 million decrease in intergovernmental revenues related to grants activities.



Capital Contributions

Capital contributions decreased by \$0.6 million in FY 2021 compared to FY 2020. The change was the result of a \$0.7 million increase in capacity charges revenue to \$18.7 million as a result of increased building permits primarily related to commercial activities (i.e., office buildings, hotels and industrial buildings) construction. This was offset by the \$1.3 million decrease in contributions in aid of capital assets from the prior year which was higher due to the delayed reimbursement of a Department of Water Resources grant. The current year revenue of \$1.4 million pertained to the contribution of the Padre Dam 7 Flow Control Facility from the Padre Dam Municipal Water District. Water standby availability charge revenue of \$11.2 million was flat for the year.

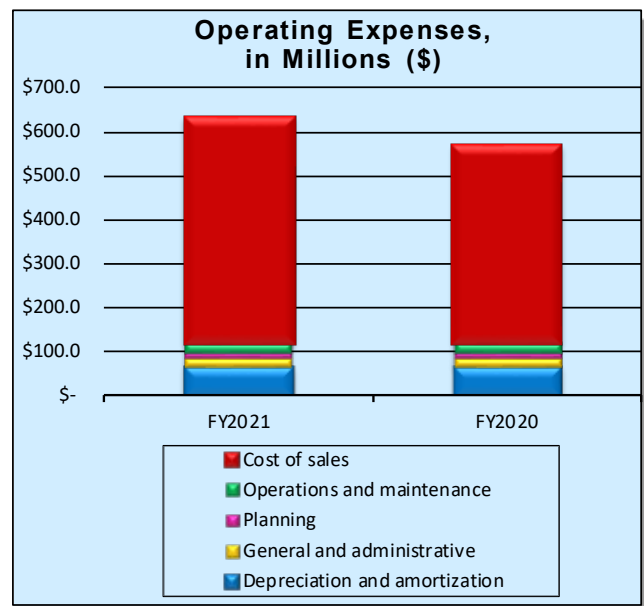
Expenses by Function



Total expenses for FY's 2021 and 2020 were \$778.1 million and \$683.4 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 \$635.2 million and \$569.2 million for FY's 2021 and 2020, respectively. Nonoperating expenses consist of interest, debt issuance costs, loss on sale/retirement of capital assets and other expenses. Total nonoperating expenses were \$142.9 million and \$114.2 million for FY's 2021 and 2020, respectively. Interest expense for FY 2021 was \$76.6 million compared to \$92.8 million for FY 2020 tied primarily to favorable debt refundings and lower interest rates on variable and fixed rate debt.

Operating Expenses

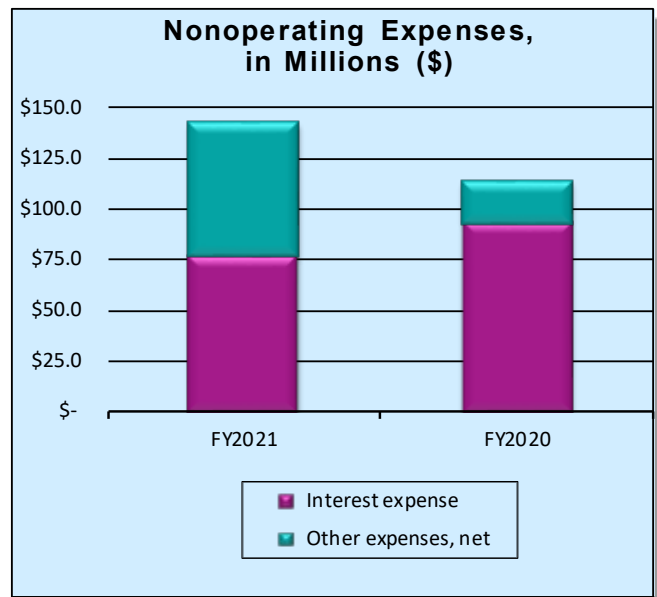
Total operating expenses increased by \$66.0 million in FY 2021 compared to FY 2020. This 11.6 percent increase in operating expenses in FY 2021 was due mainly to the increase in cost of sales of water representing the purchase, treatment and distribution of water. Water volume sold in FY 2021 was 384,167 AF or 30,159 AF higher than the previous year due to increased usage from drier conditions and improvement in the economy as mentioned in the Operating Revenues section. Supply mix was another contributing factor as the Water Authority acquired 12,500 AF more of local QSA supply per the Transfer of Conserved Water Agreement (this was the final year of the increase). These two contributing factors represented 97.9 percent of the overall increase in operating expenses. Other departmental expenses were essentially flat from the prior year as seen in the table with Operations and Maintenance expenses increasing by \$0.5 million, Planning increasing by \$0.1 million and General and Administrative costs increasing by \$0.4 million. Depreciation and amortization expenses increased by \$0.4 million from the prior year due to the addition of equipment and completed projects in the current and prior year.



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 \$142.9 million and \$114.2 million in FY's 2021 and 2020, respectively. Interest costs decreased by \$16.2 million with \$76.6 million recorded in FY 2021 and \$92.8 million recorded in FY 2020. The reduction is due to (1) lower rates on the short-term debt, (2) the effects of decreased rates on the debt that was refunded in the prior and current year, and (3) the reduction of \$30.6 million in principal outstanding from scheduled 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 higher by \$3.4 million and amounted to \$3.7 million in FY 2021 compared to \$0.3 million in FY 2020. These higher costs were attributed to the four debt refundings and related cash defeasances that were completed in the fiscal year.



Other expenses increased by \$41.0 million in FY 2021 compared to FY 2020 primarily due to the \$44.4 million MWD settlement payment that was rebated to the Member Agencies as a result of the litigation resolution. Loss on retirement of assets amounted to \$0.2 million, net of proceeds from sales in FY 2021, due to the disposal of 32 pieces of equipment or other assets that had either been fully depreciated or were retired early due to obsolescence. The loss on in-substance defeasance of debt was \$0.4 million and related to the refunding of the 2005A Refunding Certificates of Participation and 2011 A and B Revenue Refunding Bonds in FY21. This loss represented the difference between the carrying amount and reacquisition price of the outstanding debt. Even though there were corresponding interest savings and economic gains associated with the refundings, the remaining balance of unamortized premiums needed to be expensed at the time of the new refundings.

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.



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Financial Statements



San Diego County Water Authority
Statement of Net Position
June 30, 2021
(with comparative data as of June 30, 2020)

	2021	2020
ASSETS		
Current assets:		
Cash and investments (Note 2)	\$ 106,796,774	\$ 86,034,446
Restricted cash and investments (Note 2)	2,000,666	25,388,275
Water receivables	114,765,688	107,514,736
Interest receivable	948,933	1,242,174
Taxes receivable	1,152,605	1,279,406
Other receivables	9,565,438	8,527,771
Inventories (Note 3)	103,734,638	103,446,200
Prepaid expenses (Note 4)	4,620,609	4,631,143
Total current assets	343,585,351	338,064,151
Noncurrent assets:		
Cash and investments (Note 2)	131,177,192	120,731,082
Restricted cash and investments (Note 2)	22,193,650	31,610,085
Advances to other agencies	-	164,394
Retention receivable	1,339,577	1,422,938
Long-term loan receivables (Note 5)	8,488,964	8,832,767
Net OPEB asset (Note 13)	1,402,043	1,110,981
Capital assets (Note 6):		
Non-depreciable	137,130,475	170,644,538
Depreciable, net	3,286,852,136	3,273,414,125
Total noncurrent assets	3,588,584,037	3,607,930,910
Total assets	3,932,169,388	3,945,995,061
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	19,890,659	39,346,682
Pension contributions subsequent to measurement date (Note 12)	8,288,175	7,571,578
OPEB contributions subsequent to measurement date (Note 13)	501,912	500,885
Deferred actuarial amounts related to pensions (Note 12)	5,187,709	4,778,218
Deferred actuarial amounts related to OPEB (Note 13)	845,146	845,458
Total deferred outflows of resources	34,713,601	53,042,821
LIABILITIES		
Current liabilities:		
Accounts payable and other liabilities	91,481,506	64,253,598
Interest payable	16,899,412	18,714,791
Construction deposits	66,584	431,821
Short-term liabilities (Note 10)	245,000,000	345,000,000
Current portion of long-term liabilities (Note 11)	39,836,162	143,293,305
Total current liabilities	393,283,664	571,693,515
Noncurrent liabilities:		
Long-term liabilities (Note 11)	1,895,022,088	1,757,126,305
Net pension liability (Note 12)	72,480,967	64,924,751
Total noncurrent liabilities	1,967,503,055	1,822,051,056
Total liabilities	2,360,786,719	2,393,744,571
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on refunding	7,419,834	4,027,520
Deferred actuarial amounts related to pensions (Note 12)	1,945,718	5,536,941
Deferred actuarial amounts related to OPEB (Note 13)	826,567	893,055
Total deferred inflows of resources	10,192,119	10,457,516
NET POSITION		
Net investment in capital assets	1,283,285,577	1,257,199,783
Restricted for construction projects	2,000,666	35,039,210
Restricted for debt service	344,315	113,227
Unrestricted	310,273,593	302,483,575
Total net position	\$ 1,595,904,151	\$ 1,594,835,795

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, 2021
(with comparative data for the Fiscal Year Ended June 30, 2020)

	2021	2020
OPERATING REVENUES:		
Water sales	\$ 616,433,122	\$ 565,784,174
Other revenues	3,533,325	3,315,307
Total operating revenues	619,966,447	569,099,481
OPERATING EXPENSES:		
Cost of sales	514,395,141	449,752,095
Operations and maintenance	26,720,889	26,153,130
Planning	9,411,990	9,345,036
General and administrative	20,346,260	19,881,599
Total operating expenses	570,874,280	505,131,860
Net operating income before depreciation and amortization	49,092,167	63,967,621
Depreciation and amortization	64,408,571	64,041,389
Operating loss	(15,316,404)	(73,768)
NONOPERATING REVENUES (EXPENSES):		
Property taxes and in-lieu charges	16,233,221	15,525,521
Infrastructure access charges	43,921,782	36,941,802
Investment income	1,183,759	11,783,278
Settlement proceeds	44,373,872	-
Other income	10,353,513	9,566,974
Intergovernmental	11,935,586	11,962,880
Loss on sale/retirement of capital assets	(209,409)	(111,180)
Loss on in-substance defeasance	(393,593)	-
Interest expense	(76,583,539)	(92,760,951)
Debt issuance costs	(3,722,023)	(289,716)
Settlement rebate to Member Agencies	(44,373,872)	-
Other expenses	(17,642,805)	(20,970,642)
Total nonoperating revenues (expenses)	(14,923,508)	(28,352,034)
Loss before capital contributions	(30,239,912)	(28,425,802)
CAPITAL CONTRIBUTIONS:		
Capacity charges	18,714,471	17,983,100
Water standby availability charges	11,168,915	11,164,067
Contributions in aid of capital assets	1,424,882	2,725,500
Total capital contributions	31,308,268	31,872,667
Changes in net position	1,068,356	3,446,865
NET POSITION AT BEGINNING OF YEAR	1,594,835,795	1,591,388,930
NET POSITION AT END OF YEAR	\$ 1,595,904,151	\$ 1,594,835,795

See accompanying notes to the financial statements.

San Diego County Water Authority
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2021
(with comparative data for the Fiscal Year Ended June 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 666,825,691	\$ 600,366,112
Payments to suppliers for purchases of water	(485,271,573)	(465,065,945)
Payments to suppliers for goods and services	(19,243,341)	(23,815,559)
Payments to employees for services	(47,964,552)	(47,764,419)
Net cash provided by operating activities	<u>114,346,225</u>	<u>63,720,189</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes and in-lieu charges received	16,360,022	15,379,865
Intergovernmental	11,935,586	11,962,880
Net cash provided by noncapital financing activities	<u>28,295,608</u>	<u>27,342,745</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(49,382,118)	(55,056,272)
Contributions and capital related revenues received from other governments	30,435,700	34,889,058
Proceeds from disposition of capital assets	57,123	28,790
Proceeds from long-term debt issuance	189,915,762	-
Cost of debt issuance	(2,166,236)	(289,716)
Principal paid on short-term debt	(100,000,000)	-
Principal paid on long-term debt	(138,769,324)	(47,104,549)
Interest paid on debt	(75,805,346)	(96,280,804)
Net cash used for capital and related financing activities	<u>(145,714,439)</u>	<u>(163,813,493)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(31,856,594)	(31,881,900)
Proceeds from sale of investments	26,698,878	116,734,376
Interest received on investments	4,957,321	6,830,528
Net cash provided by (used for) investing activities	<u>(200,395)</u>	<u>91,683,004</u>
Net increase (decrease) in cash and cash equivalents	<u>(3,273,001)</u>	<u>18,932,445</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>91,212,858</u>	<u>72,280,413</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 87,939,857</u></u>	<u><u>\$ 91,212,858</u></u>
Reconciliation of cash and cash equivalents at end of year to the Statement of Net Position:		
Current assets:		
Cash and investments	\$ 106,796,774	\$ 86,034,446
Restricted cash and investments	2,000,666	25,388,275
Noncurrent assets:		
Cash and investments	131,177,192	120,731,082
Restricted cash and investments	22,193,650	31,610,085
Less investments not meeting the definition of cash equivalents	(174,228,425)	(172,551,030)
Cash and cash equivalents at end of year	<u><u>\$ 87,939,857</u></u>	<u><u>\$ 91,212,858</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, 2021
(with comparative data for the Fiscal Year Ended June 30, 2020)**

	2021	2020
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (15,316,404)	\$ (73,768)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	64,408,571	64,041,389
Infrastructure access charges	43,921,782	36,941,802
Other expenses	(58,964,689)	(20,969,593)
Other income	54,727,385	9,566,974
(Increase) Decrease in assets:		
Water receivables	(7,250,952)	(18,595,715)
Other receivables	(165,099)	3,353,570
Inventories	(288,438)	(2,325,297)
Prepaid expenses	10,534	8,702
Retention receivable	83,361	(205,157)
Long-term loan receivables	343,803	348,048
Net OPEB asset	(291,062)	120,752
(Increase) Decrease in deferred outflows of resources:		
Pension contributions subsequent to measurement date	(716,597)	(126,493)
OPEB contributions subsequent to measurement date	(1,027)	(103,057)
Deferred actuarial amounts related to pensions	(409,491)	2,795,728
Deferred actuarial amounts related to OPEB	312	(804,815)
Increase (Decrease) in liabilities:		
Accounts payable and other liabilities	29,939,192	(13,178,695)
Construction deposits	(365,237)	54,100
Compensated absences	781,776	629,992
Net pension liability	7,556,216	3,525,404
Increase (Decrease) in deferred inflows of resources:		
Deferred actuarial amounts related to pensions	(3,591,223)	(1,587,915)
Deferred actuarial amounts related to OPEB	(66,488)	304,233
Total adjustments	129,662,629	63,793,957
Net cash provided by operating activities	\$ 114,346,225	\$ 63,720,189
Noncash investing, capital and financing activities:		
Change in fair value of investments	\$ (3,480,321)	\$ 5,047,319
Capital asset acquisition related to financed purchases liability	(815,811)	-
Refunding bond proceeds deposited directly into irrevocable trusts	776,874,729	-
Debt service defeased with refunding bonds deposited into irrevocable trusts	(578,971,058)	-
Debt issuance costs deducted directly from issuance of refunding bonds	(1,555,787)	-

See accompanying notes to the financial statements.



Notes to the Financial Statements



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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 25.83 percent of MWD's total supply as of June 30, 2020, 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, 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 2021 (FY 2021) 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 30 years
Computer Systems Software	4 to 10 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 \$4.24 per meter equivalent per month for CY 2021.

(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, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

(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, 2020
Measurement Period	July 1, 2019 to June 30, 2020

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

Current Year Standards

The following GASB Statements were implemented for the fiscal year ended June 30, 2021, as required, and did not impact the Water Authority's financial statements:

- **GASB Statement No. 84** – *Fiduciary Activities*, effective for periods after December 15, 2019.
- **GASB Statement No. 90** – *Majority Equity Interests*, effective for periods after December 15, 2019.

Pending Accounting Standards

The following GASB Statements have been issued which may impact the Water Authority's financial reporting requirements in the future:

- **GASB Statement No. 87** – *Leases*, effective for periods after June 15, 2021.
- **GASB Statement No. 91** – *Conduit Debt Obligations*, effective for periods after December 15, 2021.
- **GASB Statement No. 92** – *Omnibus 2020*, effective for periods after June 15, 2021.
- **GASB Statement No. 93** – *Replacement of Interbank Offered Rate*, effective for periods after June 15, 2021.
- **GASB Statement No. 94** – *Private-Public and Public-Public Partnerships and Availability Payment Arrangements*, effective for periods after June 15, 2022.
- **GASB Statement No. 96** – *Subscription-Based Information Technology Arrangements*, effective for periods 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 after June 15, 2021.

2. Cash and Investments

Cash and investments are classified in the accompanying Statement of Net Position at June 30, 2021 as follows:

Current assets:	
Cash and investments	\$ 106,796,774
Restricted cash and investments	2,000,666
Total current assets	108,797,440
Noncurrent assets:	
Cash and investments	131,177,192
Restricted cash and investments	22,193,650
Total noncurrent assets	153,370,842
Total cash and investments	\$ 262,168,282

The carrying value of cash and investments held by the Water Authority at June 30, 2021 consisted of the following:

Petty Cash	\$ 2,500
Deposits	415,887
Investments	261,749,895
Total cash and investments	\$ 262,168,282

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	40% ⁽¹⁾	30%	10% ⁽²⁾	5%	A-1	A-1
Non-negotiable certificates of deposit	5 years	5 years	None	30% ⁽³⁾	None	None	None	None
Placement service deposits	5 years	5 years	50%	30% ⁽³⁾	None	None	None	None
Negotiable certificates of deposit	5 years	5 years	30%	30% ⁽³⁾	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%	10% ⁽²⁾	5%	A	A
Mutual funds	n/a	n/a	20%	20%	10%	10%	AAA ⁽⁴⁾	AAA ⁽⁴⁾
Money market mutual funds	n/a	n/a	20%	20%	None	20%	AAA ⁽⁴⁾	AAA ⁽⁴⁾
Mortgage pass-through and asset backed securities ⁽⁵⁾	5 years	5 years	20%	20%	None	5%	AA	AA
County pooled investment funds	n/a	⁽⁶⁾	None	⁽⁶⁾	None	⁽⁶⁾	None	⁽⁶⁾
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	⁽⁷⁾	None	None	None	None

Notes:

- ⁽¹⁾ SB 998, until January 1, 2026, allows for a maximum of 40% of the portfolio to be invested in eligible commercial paper for local agencies that have more than \$100 million in assets under management.
- ⁽²⁾ The combined maximum portfolio exposure to the commercial paper and medium-term notes of any single issuer is 10% per Govt. Code Section 53601(h)(k).
- ⁽³⁾ The combined investment policy maximum portfolio exposure to certificates of deposit, placement service certificates of deposit and negotiable certificates of deposit is 30%.
- ⁽⁴⁾ A mutual fund and a money market mutual fund must receive the highest ranking by not less than two Nationally Recognized Statistical Rating Organizations authorized by Govt. Code Sections 53601 and 53635.
- ⁽⁵⁾ Limitations in this section apply to securities not issued by the U.S. Treasury or Federal Agencies.
- ⁽⁶⁾ These investments are not authorized by the investment policy.
- ⁽⁷⁾ 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 and 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 shows the distribution of the Water Authority's investments by terms to maturity for FY 2021.

Investment Type	June 30, 2021	Maturities in Years			
		Less than 1	1-3	4-5	More than 5
U.S. Treasury securities	\$ 46,764,530	\$ 2,774,613	\$ 25,469,242	\$ 18,520,675	\$ -
Federal agency securities	43,704,053	2,049,600	21,958,393	19,696,060	-
Medium-term notes	40,236,605	6,088,600	29,936,005	4,212,000	-
Supranationals	13,084,800	4,023,860	4,083,660	4,977,280	-
LAIF	71,093,962	71,093,962	-	-	-
JPA pools	952,411	952,411	-	-	-
Money market mutual funds	15,266,439	15,266,439	-	-	-
Asset backed securities	2,316,287	-	630,580	1,685,707	-
Held by bond trustees:					
Guaranteed investment contract	12,240,775	-	-	-	12,240,775
Money market mutual funds	16,090,033	16,090,033	-	-	-
Total	\$ 261,749,895	\$ 118,339,518	\$ 82,077,880	\$ 49,091,722	\$ 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 2021 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, 2021	Rating as of Fiscal Year Ended June 30, 2021					
		Minimum Rating	Exempt from Disclosure	A / A-	AA / AA+	AA- / AAA	Not Rated
U.S. Treasury securities	\$ 46,764,530	n/a	\$ 46,764,530	\$ -	\$ -	\$ -	\$ -
Federal agency securities	43,704,053	n/a	-	3,446,590	40,257,463	-	-
Medium-term notes	40,236,605	A	-	28,736,320	3,690,715	7,809,570	-
Supranationals	13,084,800	AA	-	-	-	13,084,800	-
LAIF	71,093,962	n/a	-	-	-	-	71,093,962
JPA pools	952,411	AAAm	-	-	-	952,411	-
Money market mutual funds	15,266,439	AAAm	-	-	-	15,266,439	-
Asset backed securities	2,316,287	AA	-	2,316,287	-	-	-
Held by bond trustees:							
Guaranteed investment contract	12,240,775	n/a	-	-	-	-	12,240,775
Money market mutual funds	16,090,033	AAAm	-	16,090,033	-	-	-
Total	\$ 261,749,895		\$ 46,764,530	\$ 50,589,230	\$ 43,948,178	\$ 37,113,220	\$ 83,334,737

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 2021 are as follows:

Issuer	Investment Type	Reported Amount	% of Total Investments
Federal Home Loan Bank	Federal agency securities	\$ 18,340,678	7.0%
Federal National Mortgage Association	Federal agency securities	\$ 16,303,825	6.0%

(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 fair 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) Fair 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, 2021:

Total Investments as of June 30, 2021	
Investments measured at fair value:	
U.S. Treasury securities	\$ 46,764,530
Federal agency securities	43,704,053
Medium-term notes	40,236,605
Supranationals	13,084,800
Asset backed securities	2,316,287
Significant Other Observable Inputs (Level 2)	\$ 146,106,275
Investments measured at cost	
Guaranteed investment contract	\$ 12,240,775
Money market mutual funds ⁽¹⁾	31,356,472
LAIF ⁽²⁾	71,093,962
JPA pools ⁽³⁾	952,411
Total investments measured at cost	\$ 115,643,620
Total investments	\$ 261,749,895

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, 2021, 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, 2021, 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 (State). 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, 2021 are as follows:

	Value	Acre-Feet
Water in storage:		
San Vicente	\$ 84,610,633	124,016
Olivenhain	11,180,530	17,188
Lake Hodges	6,511,630	10,367
Otay	514,198	135
Total water in storage	\$ 102,816,991	151,706
Valves and pipes in storage	692,325	
Materials in storage	225,322	
Total inventories	\$ 103,734,638	

4. Prepaid Expenses

The Water Authority owns 6,930 acre-feet (AF) and 9,187 AF of transfer water from Butte Water District and Sutter Extension Water District, respectively. The acquisition was completed in March 2008 and has been reduced for carriage, conveyance and evaporation and aquifer losses. The 16,117 AF of 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) and is classified as prepaid expenses on the Statement of Net Position in the amount of \$4,620,500 as of June 30, 2021. Other prepaid expenses amounted to \$109. The total prepaid expenses balance as of June 30, 2021 was \$4,620,609.

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. The Water Authority began receiving credits from IID in 2018 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, 2021, the total outstanding balance due from IID is \$8,832,797, of which \$343,803 is expected to be collected within the next year, and the \$8,488,964 balance collected according to a payment schedule.

6. Capital Assets

Capital asset activity for the Fiscal Year ended June 30, 2021 was as follows:

	Balance at June 30, 2020	Additions	Deletions	Transfers	Balance at June 30, 2021
Non-depreciable capital assets:					
Land	\$ 24,621,576	\$ -	\$ -	\$ -	\$ 24,621,576
Easements	12,848,771	1,400	-	-	12,850,171
Mitigation bank credits	5,322,234	-	(189)	-	5,322,045
Construction in progress	127,851,957	45,019,169	(3,051,799) ⁽¹⁾	(75,482,644)	94,336,683
Total non-depreciable capital assets	170,644,538	45,020,569	(3,051,988)	(75,482,644)	137,130,475
Depreciable capital assets:					
Pipelines and dams	2,235,808,372	-	(1,235,926)	30,298,207	2,264,870,653
Buildings and facilities	809,058,223	1,458,391	(604,714)	42,565,750	852,477,650
Machinery and equipment	34,421,491	1,172,079	-	522,078	36,115,648
Intangible software and mitigation improvements	6,599,377	-	-	2,096,609	8,695,986
Participation and capacity rights	520,051,103	-	-	-	520,051,103
Storage rights	523,833,823	-	-	-	523,833,823
Total depreciable capital assets	4,129,772,389	2,630,470	(1,840,640)	75,482,644	4,206,044,863
Less accumulated depreciation and amortization for:					
Pipelines and dams	(423,267,126)	(27,469,527)	1,194,872	-	(449,541,781)
Buildings and facilities	(256,565,383)	(23,603,396)	379,236	-	(279,789,543)
Machinery and equipment	(29,243,953)	(1,145,499)	-	-	(30,389,452)
Intangible software and mitigation improvements	(3,367,782)	(538,702)	-	-	(3,906,484)
Participation and capacity rights	(112,212,194)	(6,199,108)	-	-	(118,411,302)
Storage rights	(31,701,826)	(5,452,339)	-	-	(37,154,165)
Total accumulated depreciation and amortization	(856,358,264)	(64,408,571)	1,574,108	-	(919,192,727)
Total depreciable capital assets, net	3,273,414,125	(61,778,101)	(266,532)	75,482,644	3,286,852,136
Total capital assets, net	\$ 3,444,058,663	\$ (16,757,532)	\$ (3,318,520)	\$ -	\$ 3,423,982,611

Notes:

⁽¹⁾ Construction in progress deletions primarily pertain to write-offs of project costs related to repairs at Vallecitos 9; the Regional Conveyance System Study costs; the accumulation of minimal project costs that do not meet the threshold defined in the Capital Assets Policy for capitalization; and demolition or decommissioning activities for the San Diego 28 Flow Control Facility project, the First Aqueduct facilities and lining rehabilitation at Hubbard Hill North project, and the abandonment of the La Mesa-Sweetwater extension pipeline project

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, 2021, the value of acreage remaining was \$5,322,045.

Mitigation Sites	Acres		Value
	Total	Remaining	
Crestridge Habitat Management Area (HMA)	258.45	16.93	\$ 148,840
San Miguel Conservation	820.85	819.59	5,173,205
Total Mitigation Bank	1,079.30	836.52	\$ 5,322,045

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 \$401,639,801 as of June 30, 2021.

Participation Rights:		
Colorado River Water Delivery and All-American and Coachella Canals ^(a)	\$	255,249,978
Quantification Settlement Agreement Joint Powers Authority ^(b)		73,700,133
Imperial Irrigation District Water Transfer ^(c)		44,152,559
Semitropic-Rosamond Water Bank ^(d)		7,957,317
Vidler Water Company ^(d)		6,195,402
Rancho Cañada Permit for Endangered Species ^(e)		4,853,955
Total Participation Rights	\$	392,109,344
Capacity Rights:		
Helix Water District Levy Treatment Plant ^(f)	\$	9,475,611
Moreno-Lakeside Pipeline ^(g)		54,846
Total Capacity Rights	\$	9,530,457
Total Participation and Capacity Rights, net of amortization	\$	401,639,801

(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 \$3,298,480 as of June 30, 2021 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 \$113,504,458 as of June 30, 2021 and are amortized utilizing the straight-line method over the life of the agreement, which is 110 years.

8. Participation and Capacity Rights (continued)

(a) Canal Lining Participation Rights (continued)

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 \$138,447,040 as of June 30, 2021 and are amortized utilizing the straight-line method over the life of the agreement of 110 years.

(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 \$45,814,891 as of June 30, 2021. 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, \$7,132,924 as of June 30, 2021 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, \$20,752,318 for Fiscal Year ended June 30, 2021. 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 \$44,152,559 as of June 30, 2021 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, \$7,957,317 for Semitropic and \$6,195,402 for Vidler as of June 30, 2021. These rights are amortized using the straight-line method over the life of the agreements, which end in 2035.

8. Participation and Capacity Rights (continued)

(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 \$4,853,955 as of June 30, 2021. 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.

(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 \$9,475,611 as of June 30, 2021 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 \$54,846 as of June 30, 2021 and are being amortized using the straight-line method.

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 \$37,359,087, as of June 30, 2021 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 \$2,093,544. 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.

9. Storage Rights (continued)

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 \$447,227,027 as of June 30, 2021 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 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, 2021, the Water Authority had short-term debt outstanding of \$245,000,000.

Short-term liabilities activity for the Fiscal Year ended June 30, 2021 are as follows:

	Original Issue	Interest Rate	Balance at June 30, 2020	Additions	Deletions	Balance at June 30, 2021
Commercial Paper Notes, Series 9	2016	0.10%	\$ 135,000,000	\$ -	\$ -	\$ 135,000,000
Commercial Paper Notes, Series 10	2019	0.11%	110,000,000	-	-	110,000,000
Extendable Commercial Paper Notes, Series 1	2014	0.10%	100,000,000	-	(100,000,000)	-
Total short-term liabilities			\$ 345,000,000	\$ -	\$ (100,000,000)	\$ 245,000,000

11. Long-Term Liabilities

(a) Changes in Long-Term Liabilities

Long-term liabilities activity for the Fiscal Year ended June 30, 2021 are as follows:

	Balance at June 30, 2020	Additions	Deletions	Balance at June 30, 2021	Due Within One Year
Revenue Bonds	\$ 1,706,065,000	\$ 819,105,000	\$ (807,720,000)	\$ 1,717,450,000	\$ 24,220,000
Certificates of Participation	25,485,000	-	(6,725,000)	18,760,000	7,075,000
Total long-term debt	1,731,550,000	819,105,000	(814,445,000)	1,736,210,000	31,295,000
Unamortized bond premiums	151,875,890	147,685,491	(118,035,114)	181,526,267	-
Total long-term debt, net	1,883,425,890	966,790,491	(932,480,114)	1,917,736,267	31,295,000
Contributions payable	9,186,240	-	(1,374,649)	7,811,591	3,332,937
Compensated absences	6,997,964	3,953,015	(3,171,239)	7,779,740	5,134,628
Financed purchases	-	815,811	(94,675)	721,136	73,597
Arbitrage rebate	809,516	-	-	809,516	-
Total long-term liabilities, net	\$ 1,900,419,610	\$ 971,559,317	\$ (937,120,677)	\$ 1,934,858,250	\$ 39,836,162

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, 2021:

	Issue Date	Interest Rates to Maturity	Final Maturity Fiscal Year	Original Amount	Balance Outstanding June 30, 2021
Revenue Bonds:					
Water Revenue Bonds, Series 2010B (<i>Taxable Build America Bonds</i>) ⁽¹⁾	2010	6.138%	2049	\$ 526,135,000	\$ 526,135,000
Water Revenue Refunding Bonds, Series 2013A	2013	4.00-5.00%	2023	299,105,000	17,120,000
Water Revenue Refunding Bonds, Series 2015A	2015	2.00-5.00%	2029	184,795,000	154,645,000
Water Revenue Refunding Bonds, Series 2016B	2016	5.00%	2027	197,395,000	17,865,000
Water Furnishing Revenue Refunding Bonds, Series 2019 (<i>Pipeline Bonds</i>)	2019	5.00%	2046	183,155,000	182,580,000
Water Revenue Refunding Bonds, Series 2020A	2020	0.593-1.951%	2034	283,470,000	283,470,000
Water Revenue Refunding Bonds, Series 2021A	2021	5.00%	2031	117,690,000	117,690,000
Subordinate Lien Water Revenue Refunding Bonds, Series 2021S-1	2021	5.00%	2028	146,490,000	146,490,000
Water Revenue Refunding Bonds, Series 2021B	2021	4.00-5.00%	2038	271,455,000	271,455,000
Total Revenue Bonds					\$ 1,717,450,000
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	7,075,000
Total COP					\$ 18,760,000
Total long-term debt					\$ 1,736,210,000

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:

Fiscal Year	Revenue Bonds		Certificates of Participation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 24,220,000	\$ 79,928,810	\$ 7,075,000	\$ 926,476	\$ 31,295,000	\$ 80,855,286
2023	49,450,000	78,217,753	-	555,038	49,450,000	78,772,791
2024	52,025,000	75,887,953	-	555,038	52,025,000	76,442,991
2025	64,305,000	74,128,283	-	555,038	64,305,000	74,683,321
2026	65,790,000	71,954,286	-	555,038	65,790,000	72,509,324
2027-2031	506,290,000	299,653,007	11,685,000	1,110,073	517,975,000	300,763,080
2032-2036	359,455,000	213,256,220	-	-	359,455,000	213,256,220
2037-2041	250,280,000	136,720,380	-	-	250,280,000	136,720,380
2042-2046	236,050,000	74,537,590	-	-	236,050,000	74,537,590
2047-2049	109,585,000	13,627,897	-	-	109,585,000	13,627,897
Total	\$1,717,450,000	\$1,117,912,179	\$ 18,760,000	\$ 4,256,701	\$1,736,210,000	\$1,122,168,880

(d) Issuance of Debt

On July 22, 2020, the Water Authority issued \$283,470,000 of Water Revenue Refunding Bonds, Series 2020A (2020A Bonds) to advance refund a portion of the Water Revenue Refunding Bonds, Series 2013A (2013A Bonds) in the amount of \$253,355,000. The 2020A Bonds are secured by and payable solely from Net Water Revenues. The 2020A Bonds have stated interest rates ranging from 0.593 percent to 1.951 percent payable semi-annually on May 1 and November 1. The final maturity date for the 2020A Bonds is May 1, 2034. As a result of the refunding, the related liabilities have been removed from the Fiscal Year 2021 financial statements. The refunding resulted in a cash flow savings of \$40,651,173, an economic gain of \$38,713,338, and a deferred loss on refunding the 2013A Bonds of \$18,163,123.

On February 3, 2021, the Water Authority issued \$117,690,000 of Water Revenue Refunding Bonds, Series 2021A (2021A Bonds) on a tax-exempt forward delivery basis to refund all of the Water Revenue Refunding Bonds, Series 2011A (2011A Bonds) and to refund a portion of the Water Revenue Refunding Bonds, Series 2011B (2011B Bonds) in the amount of \$68,050,000 and \$77,265,000, respectively. The 2021A Bonds are secured by and payable solely from Net Water Revenues. The 2021A Bonds have a stated interest rate of 5.00 percent payable semi-annually on May 1 and November 1. The final maturity date for the 2021A Bonds is May 1, 2031. Additional funds from the Water Authority were provided in the amount of \$1,780,325 for the debt service set asides related to the 2011A Bonds and the 2011B Bonds. As a result of the refunding, the related liabilities have been removed from the Fiscal Year 2021 financial statements. The refunding resulted in a cash flow savings of \$29,263,042, an economic gain of \$28,699,092, a deferred gain on refunding the 2011A Bonds of \$451,382, and a deferred gain on refunding the 2011B Bonds of \$3,260,561.

11. Long-Term Liabilities (continued)

(d) Issuance of Debt (continued)

On April 6, 2021, the Water Authority issued \$146,490,000 of Subordinate Lien Water Revenue Refunding Bonds, Series 2021S-1 (2021S-1 Bonds) to refund all of the Subordinate Lien Water Revenue Refunding Bonds, Series 2016S-1 (2016S-1 Bonds) and to refinance all of the Extendable Commercial Paper Notes, Series 1 in the amount of \$87,685,000 and \$100,000,000, respectively. The 2021S-1 Bonds are secured by and payable solely from Net Water Revenues. The 2021S-1 Bonds have a stated interest rate of 5.00 percent payable semi-annually on May 1 and November 1. The final maturity date for the 2021S-1 Bonds is May 1, 2028. As a result of the refunding, the related liabilities have been removed from the Fiscal Year 2021 financial statements. The refunding resulted in a deferred gain on refunding the 2016S-1 Bonds in the amount of \$482,169.

On April 29, 2021, the Water Authority issued \$271,455,000 of Water Revenue Refunding Bonds, Series 2021B (2021B Bonds) to refund all of the Water Revenue Refunding Bonds, Series 2016A (2016A Bonds) and to refund a portion of the Water Revenue Refunding Bonds, Series 2016B (2016B Bonds) in the amount of \$98,945,000 and \$179,530,000, respectively. The 2021B Bonds are secured by and payable solely from Net Water Revenues. The 2021B Bonds have stated interest rates ranging from 4.00 percent to 5.00 percent payable semi-annually on May 1 and November 1. The final maturity date for the 2021B Bonds is May 1, 2038. As a result of the refunding, the related liabilities have been removed from the Fiscal Year 2021 financial statements. The refunding resulted in a cash flow savings of \$48,831,364, an economic gain of \$44,474,129, a deferred loss on refunding the 2016A Bonds of \$3,063,626, and a deferred loss on refunding the 2016B Bonds of \$1,137,310.

(e) Redemption and Defeasance of Debt

On September 15, 2020, the Water Authority defeased a portion of the Water Revenue Refunding Certificates of Participation, Series 2005A (2005A COP) in an amount of \$6,725,000, the Water Revenue Refunding Bonds, Series 2011A (2011A Bonds) in an amount of \$9,535,000, and the Water Revenue Refunding Bonds, Series 2011B (2011B Bonds) in an amount of \$2,775,000, for a total debt defeasance of \$19,035,000 (collectively, the “2020 Defeasance”). The related liabilities have been removed from the fiscal year 2021 financial statements. Pursuant to the escrow agreements, existing resources of the Water Authority (funded by the PAYGO Fund) were deposited in the escrow funds with the escrow agent for the 2005A COP, the 2011A Bonds, and the 2011B Bonds in the amounts of \$7,073,305, \$10,005,015, and \$2,911,790, respectively, for a total escrow deposit of \$19,990,110. As a result of the 2020 Defeasance, the Water Authority paid off high-cost outstanding debt, reduced the cost of funds, and provided future rate relief. The escrow cash flows required to service the defeased debt for the 2005A COP, the 2011A Bonds, and the 2011B Bonds were in the amounts of \$7,078,063, \$10,011,750, and \$2,913,750, respectively, for a total escrow cash flows of \$20,003,563.

11. Long-Term Liabilities (continued)

(f) Long-Term Pledged Liabilities

Long-term pledged liabilities for the Fiscal Year ended June 30, 2021 are comprised of the following:

Type of Pledged Revenue	Fiscal Year Maturity Date	Pledged Revenue to Maturity	Debt Principal and Interest Paid	Pledged Revenue Recognized
Pledged Net Water Revenue:				
Water Revenue COP, Series 1998A	2028	\$ 15,570,263	\$ 555,038	\$ 555,038
Water Revenue Refunding COP, Series 2005A	2022	7,446,438	371,437	371,437
Water Revenue Bonds, Series 2010B (<i>Taxable Build America Bonds</i>)	2049	1,164,546,846	32,294,166	32,294,166
Water Revenue Refunding Bonds, Series 2011A	2021	-	1,639,025	1,639,025
Water Revenue Refunding Bonds, Series 2011B	2021	-	17,146,625	17,146,625
Water Revenue Refunding Bonds, Series 2013A	2023	18,731,100	805,550	805,550
Water Revenue Refunding Bonds, Series 2015A	2029	188,329,250	23,682,500	23,682,500
Subordinate Lien Water Revenue Refunding Bonds, Series 2016S-1	2021	-	3,800,622	3,800,622
Water Revenue Refunding Bonds, Series 2016A	2021	-	2,473,625	2,473,625
Water Revenue Refunding Bonds, Series 2016B	2027	22,788,750	5,381,500	5,381,500
Water Furnishing Revenue Refunding Bonds, Series 2019 (<i>Pipeline Bonds</i>)	2046	343,234,181	9,718,375	9,718,375
Water Revenue Refunding Bonds, Series 2020A	2034	320,261,895	3,103,846	3,103,846
Water Revenue Refunding Bonds, Series 2021A	2031	154,292,000	1,438,433	1,438,433
Subordinate Lien Water Revenue Refunding Bonds, Series 2021S-1	2028	198,270,146	-	-
Water Revenue Refunding Bonds, Series 2021B	2038	424,908,011	-	-
Total Pledged Net Water Revenue		\$ 2,858,378,880	\$ 102,410,742	\$ 102,410,742

(g) 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, 2021 was \$7,811,591. The total contributions payable, including principal and interest payments, are as follows:

Fiscal Year	Contributions Payable		
	Principal	Interest	Total
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	\$ 7,811,591	\$ 1,122,607	\$ 8,934,198

11. Long-Term Liabilities (continued)

(h) 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 2021.

12. Defined Benefit Pension Plan

California Public Employees' Retirement System (CalPERS)

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. 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>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members or their 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 measurement date, 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⁾	28.97%	28.97%

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.

12. Defined Benefit Pension Plan (continued)

California Public Employees' Retirement System (continued)

Employees Covered

At the June 30, 2020 measurement date, the following current and former employees were covered by the benefit terms under the Miscellaneous Plan:

Miscellaneous Plan	
Active employees	242
Inactive employees or beneficiaries currently receiving benefits	277
Inactive employees entitled to, but not yet receiving benefits	154
Total	673

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.

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 6.75 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.

12. Defined Benefit Pension Plan (continued)

California Public Employees' Retirement System (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2019 valuation was rolled forward to determine the June 30, 2020 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	Lesser of contract COLA or 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.

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.

12. Defined Benefit Pension Plan (continued)

California Public Employees' Retirement System (continued)

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, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures.

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, 2020 <i>(Measurement Date June 30, 2019)</i>	\$ 266,616,486	\$ 201,691,735	\$ 64,924,751
Changes recognized for the measurement period:			
Service cost	5,286,784	-	5,286,784
Interest on total pension liability	19,026,595	-	19,026,595
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Differences between expected and actual experience	2,830,661	-	2,830,661
Contributions - employer	-	7,571,560	(7,571,560)
Contributions - employees	-	2,257,048	(2,257,048)
Net investment income	-	10,043,552	(10,043,552)
Benefit payments, including refunds of employee contributions	(11,968,647)	(11,968,647)	-
Administrative expense	-	(284,336)	284,336
Other miscellaneous income/(expense)	-	-	-
Net Changes	15,175,393	7,619,177	7,556,216
Balance at June 30, 2021 <i>(Measurement Date June 30, 2020)</i>	\$ 281,791,879	\$ 209,310,912	\$ 72,480,967

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, 2020:

	1% Decrease	Current Discount Rate	1% Increase
	6.15%	7.15%	8.15%
Net Pension Liability	\$110,657,901	\$72,480,967	\$40,915,341

12. Defined Benefit Pension Plan (continued)

California Public Employees' Retirement System (continued)

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.

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 June 30, 2021, the Water Authority recognized pension expense of \$10,410,465 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	\$ 8,288,175	\$ -
Changes of assumptions	-	(1,945,718)
Differences between expected and actual experiences	3,436,705	-
Net difference between projected and actual earnings on pension plan investments	1,751,004	-
Total	\$ 13,475,884	\$ (1,945,718)

The \$8,288,175 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net pension liability during the Fiscal Year ended June 30, 2022. 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
2022	\$ (901,329)
2023	1,715,122
2024	1,570,615
2025	857,583
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 the June 30, 2019 valuation.

13. Other Post-Employment Benefits (OPEB)

(a) 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, 2021, the Water Authority's cash contributions were \$184,342 in current premiums and the estimated implied subsidy was \$317,571 resulting in total payments of \$501,913.

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

The June 30, 2019 valuation was used to determine the June 30, 2020 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/4.50% PPO decreasing to 5.00% HMO/4.50% 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)

(a) 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, 2020, 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, 2020 <i>(Measurement Date June 30, 2019)</i>	\$ 4,465,387	\$ 5,576,368	\$ (1,110,981)
Changes recognized for the measurement period:			
Service cost	157,108	-	157,108
Interest	309,886	-	309,886
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Differences between expected and actual experience	(165,848)	-	(165,848)
Contributions - employer	-	397,828	(397,828)
Net investment income	-	197,105	(197,105)
Benefit payments	(397,828)	(397,828)	-
Administrative expense	-	(2,725)	2,725
Net Changes	(96,682)	194,380	(291,062)
Balance at June 30, 2021 <i>(Measurement Date June 30, 2020)</i>	\$ 4,368,705	\$ 5,770,748	\$ (1,402,043)

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

(a) 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, 2020:

	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Net OPEB Liability (Asset)	(\$1,139,600)	(\$1,402,043)	(\$1,644,518)

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, 2020:

	1% Decrease (5.50%HMO/3.50%PPO decreasing to 5.50%HMO/3.50%PPO)	Current Healthcare Cost Trend Rates (6.50%HMO/4.50%PPO decreasing to 6.50%HMO/4.50%PPO)	1% Increase (7.50%HMO/5.50%PPO decreasing to 7.50%HMO/5.50%PPO)
Net OPEB Liability (Asset)	(\$1,663,163)	(\$1,402,043)	(\$1,102,799)

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)

(a) Retiree Health Benefit (continued)

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

For the Fiscal Year ended June 30, 2021, the Water Authority recognized OPEB expense of \$39,563 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	\$ 501,912	\$ -
Changes of assumptions	13,547	(563,840)
Differences between expected and actual experiences	701,454	(262,727)
Net difference between projected and actual earnings on OPEB plan investments	130,145	-
Total	\$ 1,347,058	\$ (826,567)

The \$501,912 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability (asset) during the Fiscal Year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2022	\$ (90,933)
2023	(72,994)
2024	76,625
2025	67,957
2026	29,328
Thereafter	8,596

(b) 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.

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

(b) Terminal Pay Plan (continued)

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 calendar year 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.

14. Deferred Compensation Plan and Defined Contribution Plan

The Board 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, and 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, 2021 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 2021, the employee and employer contributions to the 457(b) plan were \$1,656,981 and \$9,910, respectively, and for the 401(a) plan the employee and employer contributions were \$433,202 and \$52,700, 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).

15. Insurance (continued)

Liability coverage is \$31 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(g) for the Water Authority's remaining required payments to the QSA JPA.

17. Commitments and Contingencies

(a) Construction Projects

The Water Authority had three material commitments under construction contracts as of June 30, 2021 as follows:

Mission Trails FRS II & FCF	\$ 10,689,421
Hauck Mesa Storage Reservoir	10,521,235
Rancho Peñasquitos Hydroelectric Facility Improvements	3,717,256
Total	\$ 24,927,912

(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.

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.

17. Commitments and Contingencies (continued)

(b) Water Purchase Agreement (continued)

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 2014/16/18 cases, so they can move to completion. The Water Authority was awarded a judgment in excess of \$44 million in the 2010/12 cases, and fees and costs exceeding \$13 million, but those awards are 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 and fire service issues. That suit (*Kessner*) is a class action pending in Santa Cruz Superior Court (many other water agencies statewide were sued as well).

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

18. Subsequent Event

In September 2021, the Water Authority received a \$35.9 million litigation settlement payment from MWD related to the Water Stewardship Rate charges for rate years 2015-17, plus interest. This represents another partial resolution to existing litigation with MWD.



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	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 5,286,784	5,192,117	5,054,460	5,050,914	4,578,555	4,706,004	4,921,587
Interest on the total pension liability	19,026,595	17,976,349	16,947,158	16,572,166	15,841,721	14,880,474	14,066,260
Actual and expected experience difference	2,830,661	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	(11,968,647)	(10,746,814)	(9,471,875)	(8,936,136)	(8,045,995)	(6,923,794)	(6,089,127)
Net change in total pension liability	15,175,393	14,854,833	5,353,553	25,218,785	12,901,736	7,254,957	12,898,720
Total pension liability - beginning	266,616,486	251,761,653	246,408,100	221,189,315	208,287,579	201,032,622	188,133,902
Total pension liability - ending (a)	\$ 281,791,879	266,616,486	251,761,653	246,408,100	221,189,315	208,287,579	201,032,622
Plan Fiduciary Net Position							
Contribution - employer	7,571,560	7,445,103	7,052,963	16,165,772	6,198,142	5,766,812	5,273,604
Contribution - employee	2,257,048	2,097,507	2,257,185	2,040,297	2,017,385	2,079,502	2,680,225
Net investment income	10,043,552	12,669,038	15,019,130	17,199,107	829,361	3,400,388	21,444,232
Benefit payments:							
including refunds of employee contributions	(11,968,647)	(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	(284,336)	(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	7,619,177	11,329,429	14,060,523	26,247,495	907,996	4,155,013	23,308,934
Plan fiduciary net position - beginning	201,691,735	190,362,306	176,301,783	150,054,288	149,146,292	144,991,279	121,682,345
Plan fiduciary net position - ending (b)	\$ 209,310,912	201,691,735	190,362,306	176,301,783	150,054,288	149,146,292	144,991,279
Net pension liability - ending (a)-(b)	\$ 72,480,967	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	74.28%	75.65%	75.61%	71.55%	67.84%	71.61%	72.12%
Covered payroll	\$ 28,377,800	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	255%	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, 2019 valuation date.

Changes in assumptions: None in 2020 or 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of 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	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution (ADC) ¹ \$	8,288,175	7,511,071	6,616,476	5,970,163	6,583,368	6,198,142	5,766,812	5,273,604
Contributions in relation to the ADC	(8,288,175)	(7,571,560)	(7,445,103)	(7,052,963)	(16,165,772)	(6,198,142)	(5,766,812)	(5,273,604)
Contribution (excess)	\$ -	(60,489)	(828,627)	(1,082,800)	(9,582,404)	-	-	-
Covered payroll	\$ 30,245,809	28,377,800	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	27.40%	26.68%	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 2021 were derived from the June 30, 2018 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, 2018 Funding Valuation Report.
Asset Valuation Method	Fair Value of Assets. For details, see June 30, 2018 Funding Valuation Report
Inflation	2.500%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.750%
Investment Rate of Return	7.00% Net of Pension Plan Investment and Administrative Expenses; includes inflation.
Retirement Age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement & Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 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	2020	2019	2018	2017	2016
Total OPEB Liability					
Service cost	\$ 157,108	150,577	146,191	200,118	187,026
Interest on the total OPEB liability	309,886	278,543	282,880	323,133	314,699
Actual and expected experience difference	(165,848)	935,272	(119,318)	(209,656)	-
Changes in assumptions	-	(534,801)	-	(488,219)	81,287
Changes in benefit terms	-	-	-	-	-
Benefit payments	(397,828)	(385,620)	(366,591)	(326,391)	(279,009)
Net change in total OPEB liability	(96,682)	443,971	(56,838)	(501,015)	304,003
Total OPEB liability - beginning	4,465,387	4,021,416	4,078,254	4,579,269	4,275,266
Total OPEB liability - ending (a)	\$ 4,368,705	4,465,387	4,021,416	4,078,254	4,579,269
Plan Fiduciary Net Position					
Contributions - employer	397,828	385,620	366,591	326,391	279,009
Net investment income	197,105	324,345	388,093	467,344	43,839
Benefit payments	(397,828)	(385,620)	(366,591)	(326,391)	(279,009)
Administrative expense	(2,725)	(1,126)	(9,050)	(2,366)	(2,081)
Net change in plan fiduciary net position	194,380	323,219	379,043	464,978	41,758
Plan fiduciary net position - beginning	5,576,368	5,253,149	4,874,106	4,409,128	4,367,370
Plan fiduciary net position - ending (b)	\$ 5,770,748	5,576,368	5,253,149	4,874,106	4,409,128
Net OPEB (asset) liability - ending (a)-(b)	\$ (1,402,043)	(1,110,981)	(1,231,733)	(795,852)	170,141
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	132.09%	124.88%	130.63%	119.51%	96.28%
Covered-employee payroll	\$ 32,467,380	29,355,071	29,514,470	27,425,060	28,000,016
Net OPEB liability (asset) as a percentage of covered-employee payroll	4.32%	3.78%	4.17%	2.90%	0.61%

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	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution (ADC) ¹	\$ 40,662	36,016	73,885	69,192	185,774	180,363	627,077
Contributions in relation to the ADC	(501,913)	(397,828)	(385,620)	(366,591)	(326,391)	(279,909)	(4,300,000)
Contribution deficiency (excess)	\$ (461,251)	(361,812)	(311,735)	(297,399)	(140,617)	(99,546)	(3,672,923)
Covered-employee payroll	\$ 31,900,658	32,467,380	29,355,071	29,514,470	27,425,060	28,000,016	27,192,885
Contributions as a percentage of covered-employee payroll	1.57%	1.23%	1.31%	1.24%	1.19%	1.00%	15.81%

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 2015-2021. 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 Years 2021 and 2020 were 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-dollar of payroll over a closed 13-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 The probabilities of retirement are based on the 2017 CalPERS Experience Study.
Mortality	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.

*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

Two-Year Budget for the Fiscal Year Ended June 30, 2021 and 2020 – Budgetary Basis

	Final Budget	Actual Amounts ⁽¹⁾	Variance with Final Budget Positive (Negative)
Net Water Sales Revenue			
Water Sales	\$ 1,306,918,978	\$ 1,182,217,296	\$ (124,701,682)
Water Purchases and Treatment	(1,075,463,402)	(964,147,236)	111,316,166
Total Net Water Sales Revenue	231,455,576	218,070,060	(13,385,516)
Revenues and Other Income			
Infrastructure Access Charges	81,656,000	80,863,584	(792,416)
Property Taxes and In-Lieu Charges	28,304,000	31,758,742	3,454,742
Investment Income	11,501,000	11,746,165	245,165
Hydroelectric Revenue	7,350,000	6,432,085	(917,915)
Grant Reimbursements	27,327,000	16,481,686	(10,845,314)
Build America Bonds Subsidy	21,104,000	21,275,934	171,934
Other Income	2,528,000	50,796,998	48,268,998
Capital Contributions:			
Capacity Charges	33,220,000	36,697,571	3,477,571
Water Standby Availability Charges	22,221,000	22,332,982	111,982
Contributions in Aid of Capital Improvement Program (CIP)	1,855,000	4,150,382	2,295,382
Total Revenues and Other Income	237,066,000	282,536,129	45,470,129
Total Revenues	468,521,576	500,606,189	32,084,613
Expenses			
Debt Service	297,432,000	266,846,349	30,585,651
QSA Mitigation	4,710,889	4,710,889	-
Equipment Replacement	6,024,000	3,088,811	2,935,189
Grant Expenses	26,323,000	16,555,735	9,767,265
Other Expenses	3,888,000	50,769,392	(46,881,392)
Operating Departments (Note 4)	111,503,285	111,956,341	(453,056)
Total Expenses	449,881,174	453,927,517	(4,046,343)
Net Revenues Before CIP Expenses	18,640,402	46,678,672	28,038,270
CIP Expenses	162,222,000	108,603,215	53,618,785
Changes in Net Position - Budgetary Basis	(143,581,598)	(61,924,543)	81,657,055
Add Adjustments - Full Accrual (Note 5)	66,439,764	66,439,764	-
Change in Net Position - GAAP Basis	(77,141,834)	4,515,221	81,657,055
Net Position at Beginning of Year 1	1,591,388,930	1,591,388,930	-
Net Position at End of Year 2	\$ 1,514,247,096	\$ 1,595,904,151	\$ 81,657,055

Note:

(1) Actual amounts have been adjusted to compare it more accurately 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 Year's 2020 and 2021. The Water Authority adheres to the budget policies and budgetary controls adopted by the Board for the Fiscal Year's 2020 and 2021. The schedule on the previous page presents the final Adopted Multi-Year Budget amount, as amended by the Board, 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, 2021, with comparative data included for the Fiscal Year ended June 30, 2020.

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

	Two-Year Final Budget ⁽¹⁾	Two-Year Actual Amounts	Variance with Final Budget Positive (Negative)
Operating Departments			
Administrative Services	\$ 13,611,163	\$ 12,869,593	\$ 741,570
Colorado River Program	3,458,721	3,129,810	328,911
Engineering	8,007,603	7,925,088	82,515
Finance	5,480,705	5,232,483	248,222
General Counsel	6,689,550	6,646,566	42,984
General Manager and Board of Directors	6,816,751	6,269,940	546,811
Government Relations	1,351,581	1,003,946	347,635
Human Resources	1,551,617	1,276,188	275,429
MWD Program	4,045,097	3,663,441	381,656
Operations and Maintenance	42,710,716	41,449,367	1,261,349
Public Affairs	7,270,725	6,444,914	825,811
Water Resources	10,509,056	9,440,528	1,068,528
Actuarial amounts related to Pensions/OPEB	-	6,604,477	(6,604,477)
Total Operating Departments	\$ 111,503,285	\$ 111,956,341	\$ (453,056)

Note:

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

5. Reconciliation of Adjustments

	Two-Year Actual Budgetary Basis	Adjustments ⁽¹⁾	Two-Year Actual GAAP Basis
Revenues and Other Income			
Investment Income	\$ 11,746,165	\$ 1,220,872	\$ 12,967,037
Hydroelectric Revenue	6,432,085	(6,432,085)	-
Grant Reimbursements	16,481,686	(16,481,686)	-
Build America Bonds Subsidy	21,275,934	(21,275,934)	-
Other Income ⁽²⁾	50,796,998	43,530,277	94,327,275
Total Revenues and Other Income	106,732,868	561,444	107,294,312
Expenses			
Debt Service	266,846,349	(97,501,859)	169,344,490
QSA Mitigation	4,710,889	(4,710,889)	-
Equipment Replacement	3,088,811	(3,088,811)	-
Grant Expenses	16,555,735	(16,555,735)	-
Other Expenses	50,769,392	32,217,927	82,987,319
Operating Departments	111,956,341	(97,437)	111,858,904
Depreciation and Amortization	-	128,449,960	128,449,960
Debt Issuance Costs	-	4,011,739	4,011,739
Total Expenses	453,927,517	42,724,895	496,652,412
Net Revenues Before CIP Expenses	(347,194,649)	(42,163,451)	(389,358,100)
CIP Expenses	108,603,215	(108,603,215)	-
Changes in Net Position	\$ (455,797,864)	\$ 66,439,764	\$ (389,358,100)

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.



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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

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

Debt Capacity

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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:

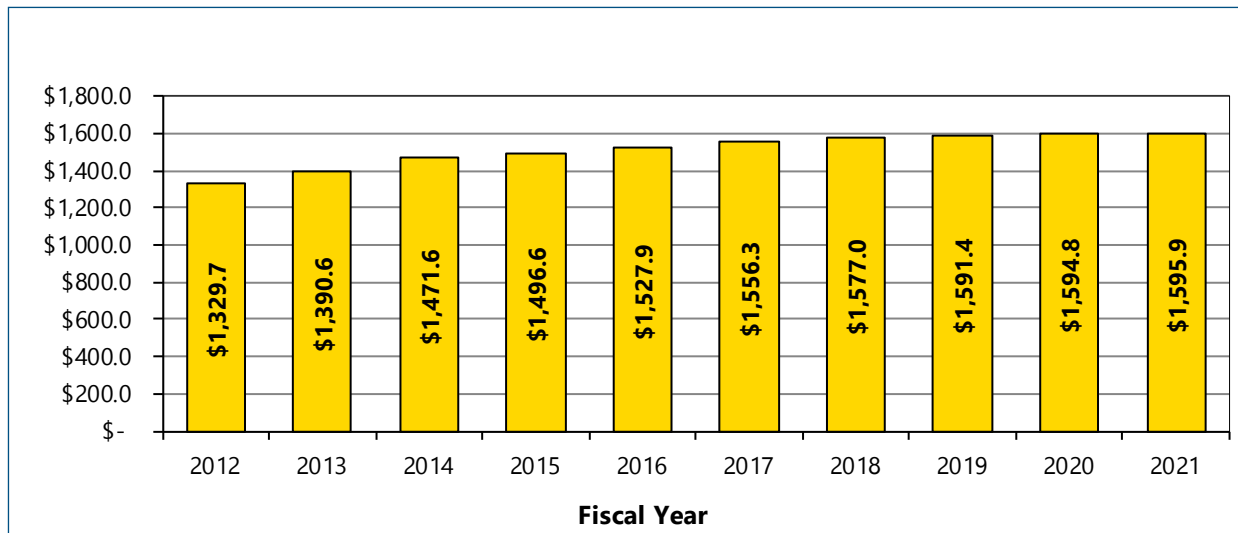
Unless otherwise noted, the information in these schedules is derived from the Water Authority's comprehensive annual financial reports of the relevant year.

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
2021	\$ 1,283,285,577	\$ 2,000,666	\$ 344,315	\$ 310,273,593	\$ 1,595,904,151	\$ 1,068,356
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

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
2021	\$ 616,433,122	\$ 3,533,325	\$ 619,966,447
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

Table 2.2

Fiscal Year	Property Taxes	In-Lieu Charges ⁽²⁾	Infrastructure Access Charges	Investment Income	Other, net	TOTAL NONOPERATING REVENUES
2021	\$ 13,662,289	\$ 2,570,932	\$ 43,921,782	\$ 1,183,759	\$ 66,662,971 ⁽³⁾	\$ 128,001,733
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

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.

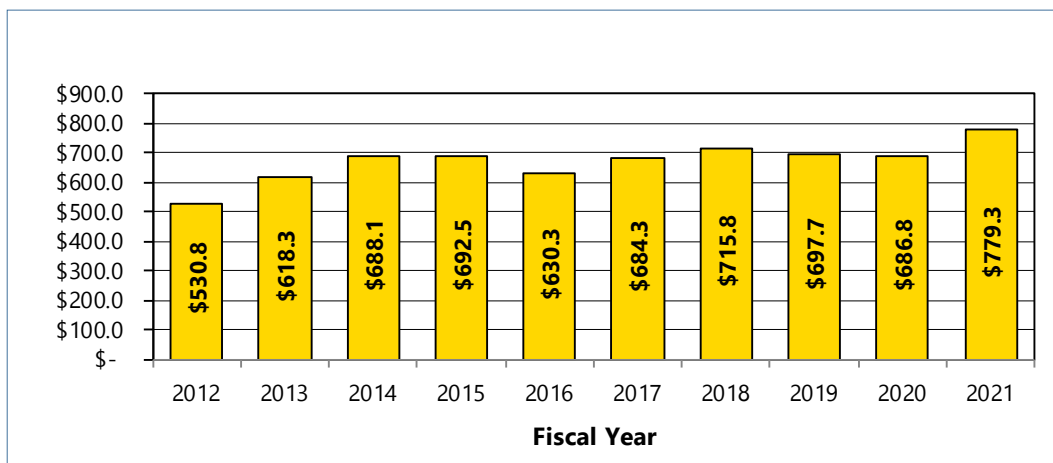
⁽³⁾ Includes \$44.4 million litigation settlement payment from MWD.

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
2021	\$ 18,714,471	\$ 11,168,915	\$ 1,424,882	\$ 31,308,268	\$ 779,276,448
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

Total Revenues by Source, in Millions (\$)



Expenses by Function Last Ten Fiscal Years

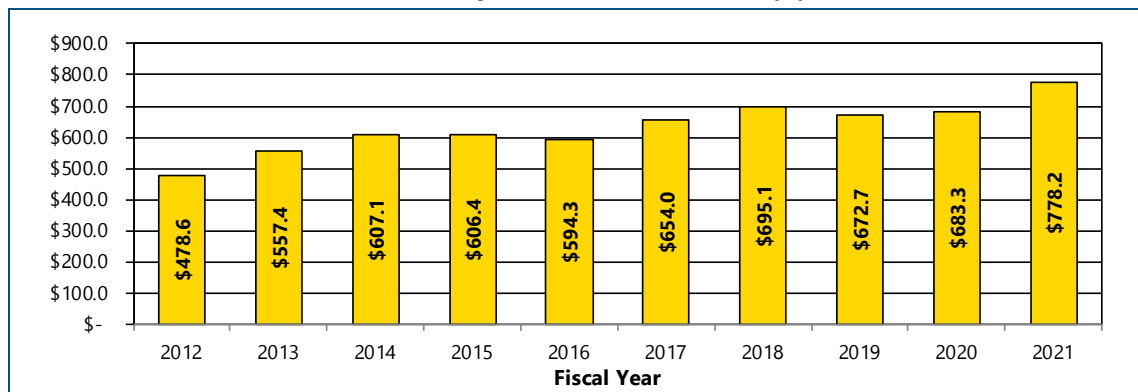
Table 3.1

Fiscal Year	Cost of Sales	Operations & Maintenance	Planning	General & Administrative	Depreciation & Amortization	TOTAL OPERATING EXPENSES
2021	\$ 514,395,141	\$ 26,720,889	\$ 9,411,990	\$ 20,346,260	\$ 64,408,571	\$ 635,282,851
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

Table 3.2

Fiscal Year	Interest Expense	Other, net	TOTAL NONOPERATING EXPENSES	GRAND TOTAL
2021	\$ 76,583,539	\$ 66,341,702 ⁽⁴⁾	\$ 142,925,241	\$ 778,208,092
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

Total Expenses, in Millions (\$)



Notes:

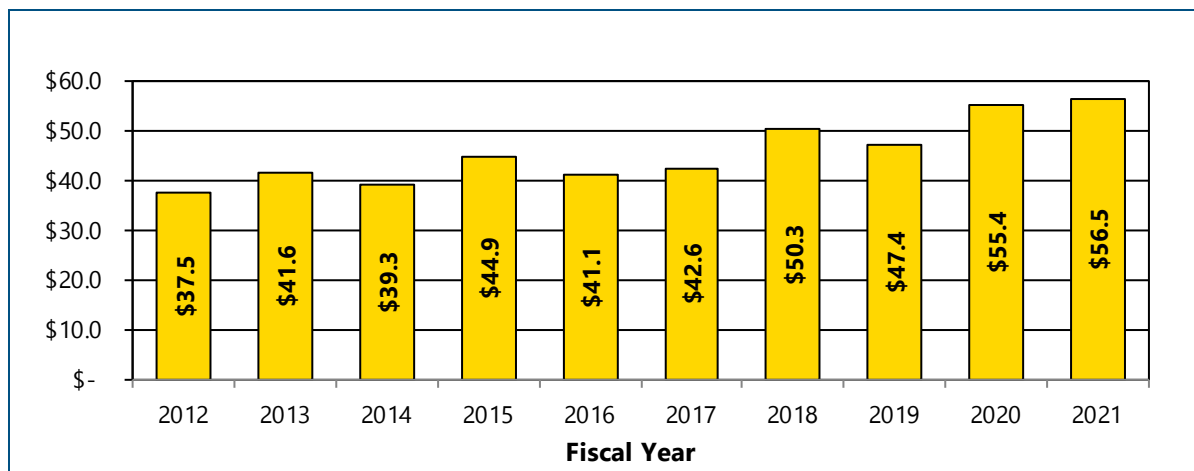
- ⁽¹⁾ With the adoption of GASB 89 in Fiscal Year 2018, interest expense is no longer capitalizable.
- ⁽²⁾ Net of interest expense incurred during construction, "capitalized interest" Fiscal Years 2010-2018.
- ⁽³⁾ Fiscal Years 2012 expenses were restated for GASB 65 implementation.
- ⁽⁴⁾ Includes \$44.4 million litigation settlement payment from MWD rebated to Member Agencies.

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/ PROGRAM EXPENSES ⁽¹⁾
2021	\$ 41,321,322	\$ 13,502,287	\$ 4,286,984	\$ 1,422,546	\$ (4,054,000)	\$ 56,479,139
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

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 Bank Credits	Construction in Progress	Total Non-Depreciable Capital Assets
2021	\$ 24,621,576	\$ 12,850,171	\$ 5,322,045	\$ 94,336,683	\$ 137,130,475
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

Table 5.2

Fiscal Year	Pipelines & Dams	Buildings & Facilities	Machinery & Equipment	Intangible Software & Mitigation Improvements	Participation & Capacity Rights	Storage Rights ⁽¹⁾	Total Depreciable Capital Assets
2021	\$ 2,264,870,653	\$ 852,477,650	\$ 36,115,648	\$ 8,695,986	\$ 520,051,103	\$ 523,833,823	\$ 4,206,044,863
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

Table 5.3

Fiscal Year	Accumulated Depreciation/Amortization	Depreciable Capital Assets, Net	NET CAPITAL ASSETS
2021	\$ (919,192,727)	\$ 3,286,852,136	3,423,982,611
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

Notes:

⁽¹⁾ 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
2021	\$ 777	\$ 1,104	\$ 819	\$ 1,146	\$ -	\$ -	\$ -	\$ -
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

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							
	2021	\$940	\$1,235	\$777	\$1,072	\$ 150	\$25,600,000	\$ 60,000,000	\$ 38,840,000	\$ 10	\$ 5,312
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

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 Municipal and Industrial 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 2012⁽¹⁾

Table 7

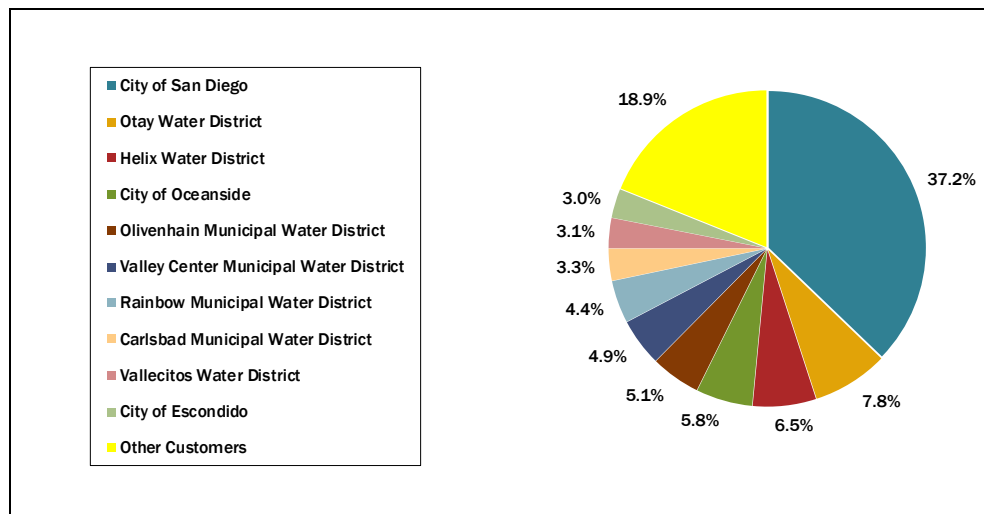
Fiscal Year Ended June 30, 2021			Fiscal Year Ended June 30, 2012		
Member Agency	Sales (acre-feet)	Percent of Water Sold	Member Agency	Sales (acre-feet)	Percent of Water Sold
City of San Diego	142,898	37.2%	City of San Diego	168,342	38.0%
Otay Water District	30,084	7.8%	Otay Water District	30,543	6.9%
Helix Water District	25,132	6.5%	Valley Center Municipal Water District	27,723	6.3%
City of Oceanside	22,241	5.8%	Helix Water District	23,788	5.4%
Olivenhain Municipal Water District	19,548	5.1%	City of Oceanside	23,774	5.4%
Valley Center Municipal Water District	18,846	4.9%	Rainbow Municipal Water District	20,819	4.7%
Rainbow Municipal Water District	16,972	4.4%	Olivenhain Municipal Water District	19,307	4.4%
Carlsbad Municipal Water District	12,648	3.3%	City of Escondido	17,289	3.9%
Vallecitos Water District	12,042	3.1%	Vallecitos Water District	16,174	3.7%
City of Escondido	11,435	3.0%	Carlsbad Municipal Water District	16,104	3.5%
Total Top Ten Customers	311,846	81.1%	Total Top Ten Customers	363,863	82.2%
Padre Dam Municipal Water District	10,229	2.7%	Vista Irrigation District	12,353	2.8%
City of Poway	10,210	2.7%	Fallbrook Public Utilities District	11,893	2.7%
Fallbrook Public Utilities District	8,969	2.3%	Padre Dam Municipal Water District	11,458	2.6%
Vista Irrigation District	7,401	1.9%	City of Poway	10,989	2.5%
Santa Fe Irrigation District	6,910	1.8%	Ramona Municipal Water District	6,489	1.5%
Yuima Municipal Water District	5,624	1.5%	Rincon Municipal Water District	5,951	1.3%
Rincon Municipal Water District	5,271	1.4%	Santa Fe Irrigation District	5,654	1.3%
Sweetwater Authority ⁽²⁾	5,250	1.4%	Sweetwater Authority ⁽²⁾	5,619	1.2%
Ramona Municipal Water District	4,325	1.1%	Lakeside Water District	3,375	0.8%
San Dieguito Water District	3,820	1.0%	San Dieguito Water District	2,663	0.6%
Lakeside Water District	3,223	0.8%	Yuima Municipal Water District	1,198	0.3%
City of Del Mar	1,046	0.3%	City of Del Mar	1,083	0.2%
Camp Pendleton Marine Corps Base	43	0.0%	Camp Pendleton Marine Corps Base	55	0.0%
Other Customers	72,321	18.9%	Other Customers	78,780	17.8%
Total Water Sales	384,167	100%	Total Water Sales	442,643	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, 2021



Total Treated and Untreated Water Sales Last Ten Fiscal Years

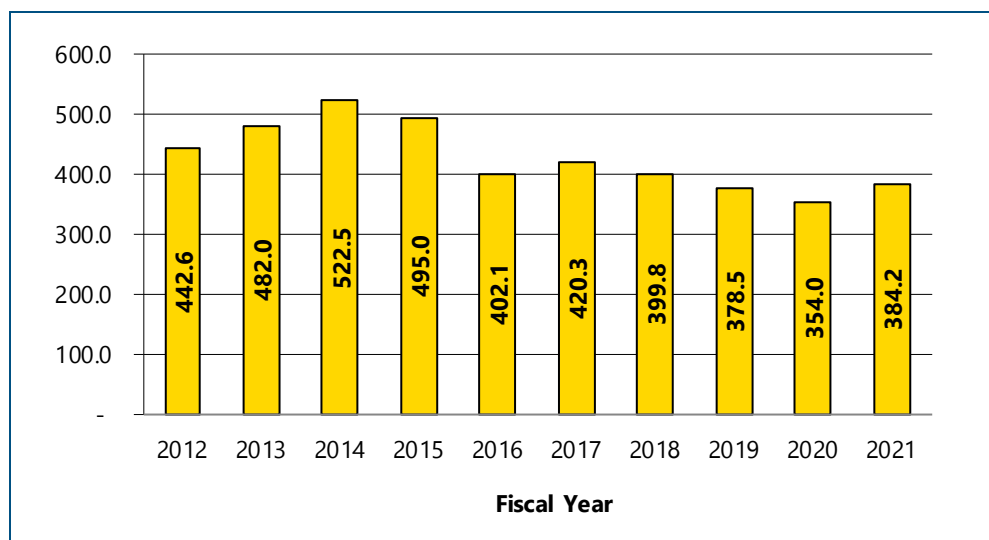
Table 8

Fiscal Year	Treated Water		Untreated Water		Total			
	Acre-Feet	Sales	Acre-Feet	Sales	Acre-Feet	Change in Acre-Feet	Sales ⁽¹⁾	Change in Sales
2021	153,234	\$ 207,773,540	230,933	\$ 261,862,264	384,167	30,160	\$ 469,635,804	\$ 49,470,783
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

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

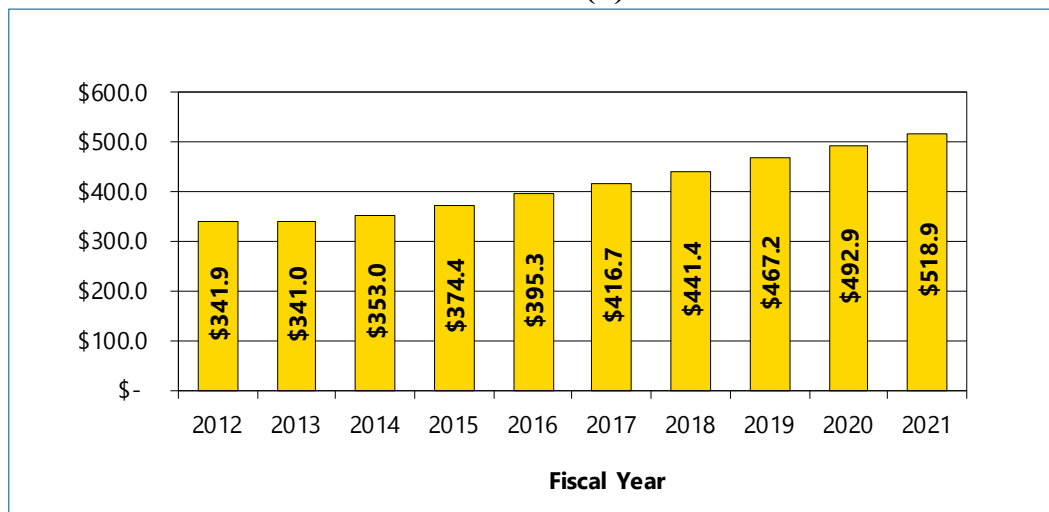
Table 9

Fiscal Year	Local Secured Property	State Secured Property	Redevelopment and Homeowners Exemptions	Net Secured Assessed Value	Net Unsecured Assessed Value	TOTAL ASSESSED VALUE
2021	\$ 567,854,064,087	\$ 1,554,435,973	\$ 66,513,189,296	\$ 502,895,310,764	\$ 16,043,260,248	\$ 518,938,571,012
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

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
2021	\$ 13,099,730	\$ 11,822,978	\$ 24,922,708	\$ 23,973,526	\$ 949,182	3.81%
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%

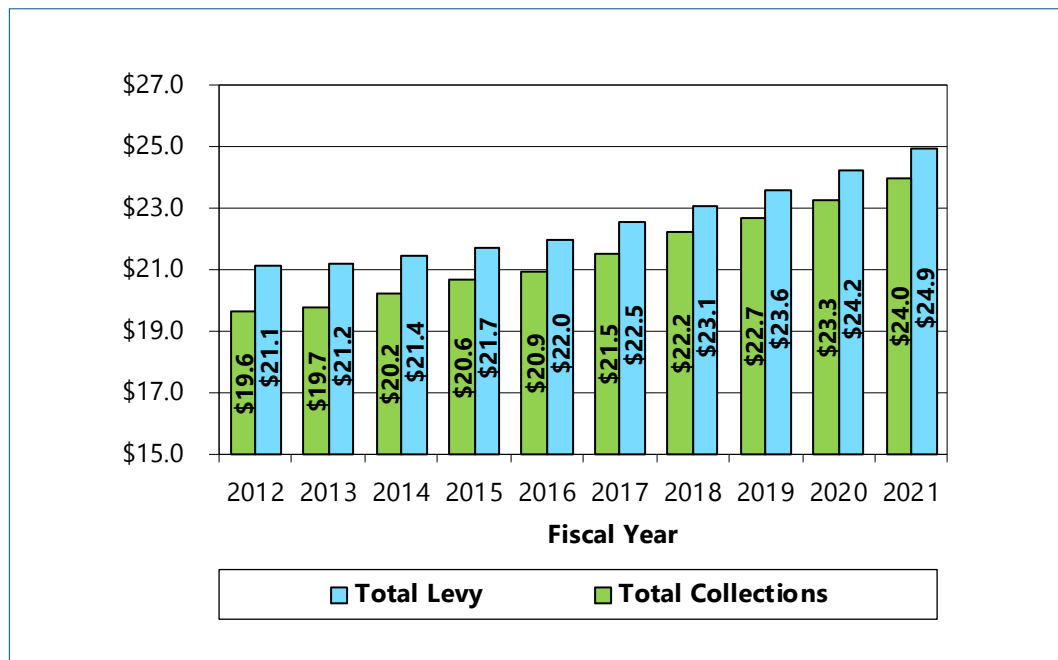
Notes:

⁽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

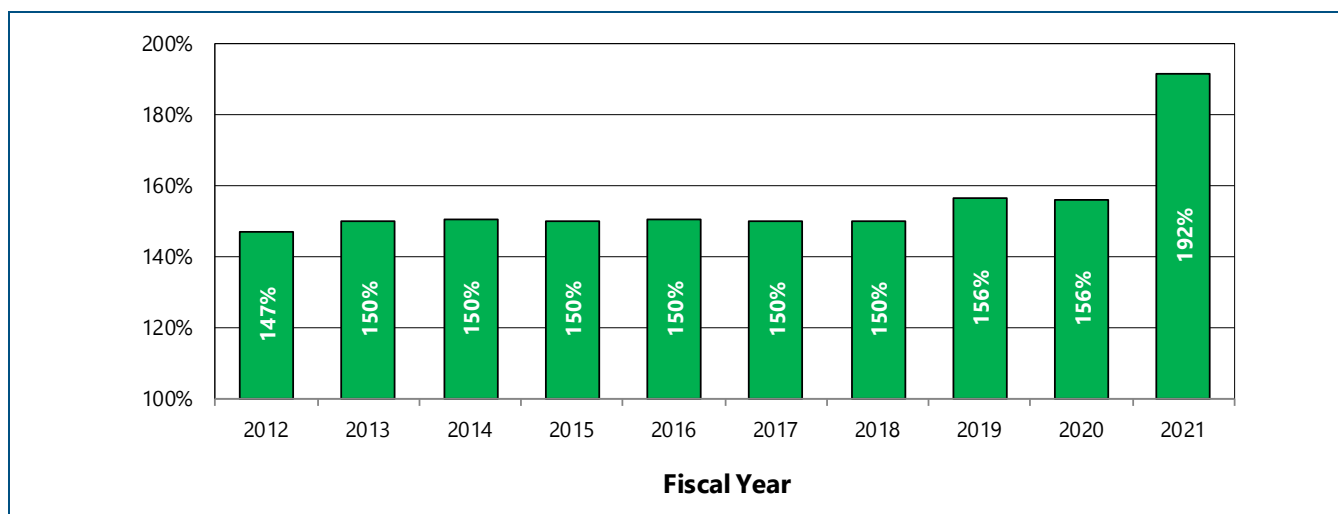
Table 11

				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
2021	\$ 724,087,260	\$ 554,641,059	\$ 169,446,201	\$30,005,000	\$58,371,373	\$ 88,376,373	192%
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%

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	1998A	2002A	2004A	2005A	2008A	TOTAL
2021	\$ 11,685	\$ -	\$ -	\$ 7,075	\$ -	\$ 18,760
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
Original Par Amount	\$ 180,000	\$ 300,000	\$ 425,000	\$ 107,455	\$ 558,015	
Debt Service Reserve Funds	\$ 12,241	\$ - ⁽¹⁾	\$ - ⁽⁴⁾	\$ 10,746 ⁽⁵⁾	\$ 23,671 ⁽⁵⁾	
Final Maturity FY	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)

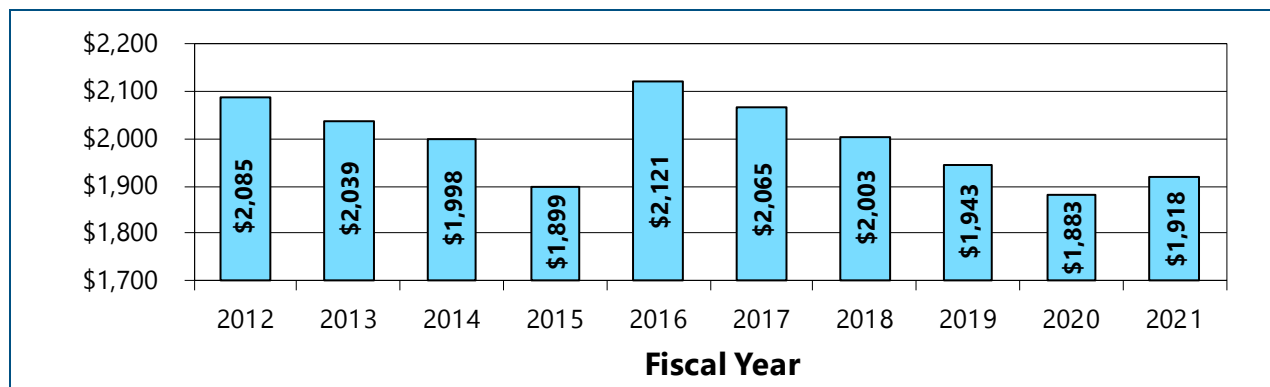
Table 12.2

Revenue Bonds																	
Fiscal Year	2010A	2010B	2011S-1	2011A	2011B	2012	2013A	2015A	2016S-1	2016A	2016B	2019	2020A	2021A	2021S-1	2021B	TOTAL
2021	\$ -	\$ 526,135	\$ -	\$ -	\$ -	\$ -	\$ 17,120	\$154,645	\$ -	\$ -	\$ 17,865	\$182,580	\$283,470	\$117,690	\$146,490	\$271,455	\$1,717,450
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
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	\$ 283,470	\$ 117,690	\$ 146,490	\$ 271,455	
Debt Service Reserve Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,953	\$ -	\$ -	\$ -	\$ -	
Final Maturity FY	2020	2049	2016	2021	2021	2019	2023	2029	2021	2021	2027	2046	2034	2031	2028	2038	

Table 12.3

Fiscal Year	TOTAL Unamortized Premiums/ Discounts	TOTAL DEBT OUTSTANDING (in Thousands)	% of Personal Income ⁽¹¹⁾	Debt Per Capita (in dollars) ⁽¹¹⁾
2021	\$ 181,526	\$ 1,917,736	0.82%	\$ 583
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

Total Debt Outstanding, in Millions (\$)



Direct and Overlapping Debt June 30, 2021

Table 13

2020-21 Assessed Valuation: \$566,343,031,902

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT

	Total Debt Outstanding June 30, 2021	% Applicable ⁽¹⁾	Estimated Share of Overlapping Debt June 30, 2021
Metropolitan Water District	\$ 5,850,000	17.354%	\$ 1,015,209
Community College Districts	3,173,917,758	79.829 - 99.959	3,027,740,066
San Diego Unified School District	4,484,627,581	99.96	4,482,833,730
Other Unified School Districts	1,274,570,956	Various	1,270,894,644
High School Districts	1,529,932,760	Various	1,493,775,022
School Districts	1,200,731,030	Various	1,162,398,266
City of Escondido	52,780,000	99.506	52,519,267
City of La Mesa	18,515,000	99.985	18,512,223
City of National City	2,790,000	99.884	2,786,764
Grossmont Healthcare District	279,978,330	96.088	240,199,178
Palomar Pomerado Hospital District	415,526,602	98.087	407,577,578
Otay Water District, I.D. No. 27	1,425,000	100.000	1,425,000
Community Facilities Districts	1,289,216,961	100.000	1,289,216,961
1915 Act Bonds (Estimated)	99,446,874	100.000	99,446,874
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 13,549,325,573
OVERLAPPING GENERAL FUND DEBT			
San Diego County General Fund Obligations	\$ 211,585,000	96.70%	\$ 204,606,927
San Diego County Pension Obligation Bonds	400,125,000	96.702	386,928,878
San Diego Superintendent of Schools Certificates of Participation	8,585,000	96.702	8,301,867
Community College District Certificates of Participation	2,050,000	79.829 - 97.495	1,912,084
Unified School District General Fund Obligations	193,469,158	90.008 - 99.921	191,015,007
High School and School District General Fund Obligations	385,468,168	90.644 - 99.990	381,110,247
City of San Diego General Fund Obligations	593,804,429	99.949	593,501,589
Other City General Fund Obligations	827,303,206	99.458 - 99.998	825,653,334
Lakeside Fire General Fund Obligations	4,020,000	96.077	3,862,295
TOTAL OVERLAPPING GENERAL FUND DEBT			\$2,596,892,228
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):	\$ 974,159,419	0.786-100.00%	\$944,371,058
TOTAL DIRECT DEBT			\$0
TOTAL OVERLAPPING DEBT			\$17,091,604,068
COMBINED TOTAL DEBT			\$17,091,604,068 ⁽²⁾
Ratios to 2020-21 Assessed Valuation:			
Direct Debt	0.00%		
Total Direct and Overlapping Tax and Assessment Debt	2.39%		
Combined Total Debt	3.02%		
Ratios to Redevelopment Successor Agencies Incremental Valuation (\$66,107,133,028):			
Total Overlapping Tax Increment Debt	1.43%		

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, 2021

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 Budgeted
2021	946,000	5	310	168	96	420	504	345	256.50
2020	946,000	5	310	168	96	420	504	315	256.50
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

Notes:

(1) Acres.

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

Demographic and Economic Statistics

Last Ten Calendar Years

Table 16

Year	County Population ⁽¹⁾	Personal Income (in thousands) ⁽¹⁾	Per Capita Personal Income (in dollars) ⁽¹⁾	Unemployment Rate ⁽²⁾
2021	3,291,213 ⁽³⁾	\$ 232,490,647 ⁽³⁾	\$ 69,224 ⁽³⁾	7.0% ⁽⁴⁾
2020	3,298,634 ⁽⁵⁾	222,173,636 ⁽³⁾	66,337 ⁽³⁾	12.3% ⁽⁴⁾
2019	3,338,330	212,748,650	63,729	3.3%
2018	3,333,861	203,855,654	61,147	3.6%
2017	3,321,237	193,892,473	58,380	4.2%
2016	3,306,089	186,813,359	56,506	5.0%
2015	3,280,850	179,862,110	54,822	5.3%
2014	3,248,877	169,638,087	52,214	6.5%
2013	3,209,768	158,965,053	49,525	8.2%
2012	3,174,335	153,367,801	48,315	9.5%

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) COVID-19 related business closure orders in place until June 15, 2021.
 (5) Actual U.S. Census data as of 4/1/2020

Largest Employers in San Diego County

Fiscal Year 2020 and 2011

Table 17

2020 ⁽¹⁾				2011 ⁽²⁾			
Industry Type	Rank	# of Employees	% of Total Employment	Industry Type	Rank	# of Employees	% of Total Employment
Naval Base San Diego	1	41,111	3.09%	U.S. Department of Defense	1	136,664	10.10%
University of California, San Diego	2	40,888	3.07%	Federal Government	2	46,300	3.42%
Sharp Healthcare	3	19,148	1.44%	State of California	3	45,500	3.36%
County of San Diego	4	17,929	1.35%	University of California, San Diego	4	27,393	2.02%
San Diego Unified School District	5	14,020	1.05%	County of San Diego	5	15,109	1.12%
Scripps Health	6	13,254	1.00%	Sharp Healthcare	6	14,969	1.11%
City of San Diego	7	11,598	0.87%	Scripps Health	7	13,830	1.02%
Qualcomm Inc.	8	11,050	0.83%	San Diego Unified School District	8	13,730	1.01%
Kaiser Permanente	9	9,653	0.73%	Qualcomm Inc.	9	10,509	0.78%
San Diego Community College District	10	6,804	0.51%	City of San Diego	10	10,211	0.75%
Total All Industries		185,455	13.94%	Total All Industries		334,215	24.69%
2020 Total Number employed in San Diego County ⁽³⁾				2011 Total Number employed in San Diego County ⁽³⁾			
1,330,000				1,353,400			
Source:							
⁽¹⁾ Data for Fiscal Year 2021 not available at time of publication; Avenu Insights and Analytics, LLC and City of San Diego.							
⁽²⁾ San Diego Business Journal, Book of Lists, 2011.							
⁽³⁾ California Employment Development Department							



Continuing Disclosure



October 14, 2021

Dear friends and interested parties:

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

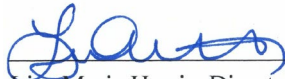
We are pleased to present a portion of the Continuing Disclosure Report (Report) for fiscal year ended June 30, 2021 for the San Diego County Water Authority (Water Authority). Please note that certain of the tables contained in this Report are subject to further update and additional information regarding 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 14, 2021 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
Tish Berge	Assistant General Manager
Lisa Marie Harris	Director of Finance/Treasurer
Mark Hattam	General Counsel

A Guide to the Continuing Disclosure

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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 37 and 38, respectively.

The Water Authority's restricted and unrestricted cash and investments balances at June 30, 2021 were \$24.2 million and \$238.0 million, respectively. Approximately 90.8 percent of total cash is unrestricted.

TABLE 1. Cash and Investments, June 30, 2021 and 2020

	2021	2020
As of June 30, 2021 and 2020, restricted cash and investments balances were as follows:		
Debt Service Reserve ⁽¹⁾	\$ 22,193,650	\$ 21,959,150
Pay-As-You-Go	2,000,666	35,039,210
Total Restricted	\$ 24,194,316	\$ 56,998,360
As of June 30, 2021 and 2020, unrestricted cash and investments balances were as follows:		
Operating Fund	\$ 132,137,392	\$ 85,798,915
Rate Stabilization	104,195,654	120,731,082
Equipment Replacement	1,353,346	235,531
Canal Maintenance Fund	287,574	-
Total Unrestricted	\$ 237,973,966	\$ 206,765,528

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 AAA, AA+, Aa2, and from Standard & Poor's, Fitch, and Moody'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. S&P modified their outlook to negative due to heightened risks associated with various financial metrics including declines in rate stabilization reserve funds, debt service coverage, reduced water demand, and member agency discord and possible detachment.

San Diego County Water Authority Bond Rating ¹			
Rating Agency	Senior Lien Ratings ²	Subordinate Lien Ratings	Outlook
Standard & Poor's	AAA	AA+	Negative
Fitch	AA+	AA+	Stable
Moody's	Aa2	Aa3	Stable
(1) This table accurate as of June 30, 2021			
(2) Senior Lien includes the Water Authority's Revenue Bonds and Certificates of Participation.			

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, 2021, 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.

TABLE 2. Long-Term, Fixed-Rate Debt Outstanding, Fiscal Year June 30, 2021*

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	7,075,000	10,745,500 ⁽²⁾
Water Revenue Bonds:				
Series 2010B (Taxable Build America Bonds)	2049	526,135,000	526,135,000	n/a
Series 2013A	2023	299,105,000	17,120,000	n/a
Series 2015A	2029	184,795,000	154,645,000	n/a
Series 2016B	2027	197,395,000	17,865,000	n/a
Series 2020A	2034	283,470,000	283,470,000	n/a
Series 2021A	2031	117,690,000	117,690,000	n/a
Series 2021B	2038	271,455,000	271,455,000	n/a
Total		\$2,167,500,000	\$1,407,140,000	\$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 2021S-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 two forms of short-term debt: five-year fixed-rate bonds and Tax-Exempt Commercial Paper (TECP).

The Water Authority issued \$146,490,000 of Subordinate Lien Water Revenue Refunding Bonds, Series 2021S-1 in April 2021. These bonds mature May 1, 2028.

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 Water Authority currently does not presently hold ECP in its portfolio, but could utilize that borrowing option should it be seen as advantageous. 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, 2021, 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.

TABLE 3. Subordinate Lien Fixed-Rate Debt, Fiscal Year June 30, 2021

Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
Water Revenue Refunding Bonds, Series 2021S-1	2028	\$146,490,000	\$146,490,000

TABLE 4. TECP Program Summary, Fiscal Year June 30, 2021

Short-Term Active Debt Instruments	Size	Liquidity Provider	Liquidity Provider Agreement Expiration
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	\$245,000,000		

⁽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, 2021 *

Member Agency	Total Financial Contribution ⁽¹⁾	Vote Entitlement ⁽²⁾	Percentage
Carlsbad Municipal Water District	\$544,829,176	108.966	3.697%
City of Del Mar	44,544,590	8.909	0.302%
City of Escondido	515,454,774	103.091	3.499%
Fallbrook Public Utility District	332,495,234	66.499	2.256%
Helix Water District	985,082,302	197.016	6.685%
Lakeside Water District	108,820,072	21.764	0.739%
City of National City	106,779,380	21.356	0.725%
City of Oceanside	764,027,220	152.805	5.185%
Olivenhain Municipal Water District	496,608,624	99.322	3.370%
Otay Water District	874,168,518	174.834	5.932%
Padre Dam Municipal Water District	395,579,156	79.116	2.685%
Pendleton Military Reservation	12,440,598	2.488	0.084%
City of Poway	316,402,341	63.280	2.147%
Rainbow Municipal Water District	578,113,063	115.623	3.923%
Ramona Municipal Water District	216,510,714	43.302	1.469%
Rincon del Diablo Municipal Water District	213,295,289	42.659	1.448%
City of San Diego	5,855,394,309	1,171.079	39.737%
San Dieguito Water District	157,966,307	31.593	1.072%
Santa Fe Irrigation District	237,073,741	47.415	1.609%
South Bay Irrigation District	289,465,387	57.893	1.964%
Vallecitos Water District	437,104,844	87.421	2.966%
Valley Center Municipal Water District	744,423,437	148.885	5.052%
Vista Irrigation District	440,964,539	88.193	2.993%
Yuima Municipal Water District	67,916,194	13.583	0.461%
Total	\$14,735,459,810	2,947.092	100.000%

(1) Total Cumulative Financial Contribution equals Cumulative Total Financial Contribution as of June 30, 2019 plus total Member Agency Financial Contribution for fiscal year ended June 30, 2020, 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	2017	2018	2019	2020	2021
Carlsbad Municipal Water District	\$26,133	\$29,386	\$27,895	\$27,582	\$29,576
City of Del Mar	1,212	1,393	1,308	1,341	1,489
City of Escondido	20,198	14,611	18,266	12,726	19,065
Fallbrook Public Utility District	12,657	15,093	12,211	12,214	13,759
Helix Water District	32,216	35,110	34,723	31,069	36,732
Lakeside Water District	4,197	4,607	4,387	4,734	5,345
City of Oceanside	29,432	32,012	28,150	28,950	32,658
Olivenhain Municipal Water District	22,868	25,657	23,646	24,571	27,761
Otay Water District	42,722	47,799	45,599	47,457	51,453
Padre Dam Municipal Water District	14,800	16,528	15,364	15,904	17,273
Camp Pendleton Marine Corps Base	82	125	124	91	85
City of Poway	11,179	13,641	12,432	12,426	14,379
Rainbow Municipal Water District	24,513	28,015	22,778	22,486	26,327
Ramona Municipal Water District	6,858	7,909	7,714	6,295	7,221
Rincon del Diablo Municipal Water District	7,870	8,775	7,922	8,113	8,927
City of San Diego	211,989	215,688	218,586	222,059	219,214
San Dieguito Water District	4,928	4,038	4,952	4,690	5,510
Santa Fe Irrigation District	9,512	8,559	9,339	8,587	10,195
Sweetwater Authority ⁽³⁾	15,512	6,274	10,742	6,376	8,791
Vallecitos Water District	25,754	28,925	27,103	26,957	29,553
Valley Center Municipal Water District	28,828	33,042	26,620	26,172	29,862
Vista Irrigation District	22,646	9,822	16,209	10,530	15,679
Yuima Municipal Water District	5,673	8,179	6,704	6,753	8,410
Total	\$ 581,779	\$595,188	\$582,774	\$568,083	\$619,265

* 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 2021, the Water Authority member agencies combined imported and local water use totaled 502,725 acre-feet. This figure is eight and one half percent higher than the prior year's total water use.

TABLE 7. Water Source and Use (in Acre-Feet), Fiscal Years 2017-2021

Member Agency	2017	2018	2019	2020	2021 ⁽¹⁾	Change from prior year
Carlsbad Municipal Water District	18,324	20,527	18,135	17,702	19,329	9.19%
City of Del Mar	1,061	1,195	1,050	1,062	1,153	8.57%
City of Escondido	18,672	22,021	20,656	20,869	23,112	10.75%
Fallbrook Public Utility District	9,863	10,830	8,605	8,546	9,475	10.87%
Helix Water District	28,717	30,258	27,898	28,618	30,830	7.73%
Lakeside Water District	3,380	3,650	3,326	3,472	3,626	4.44%
City of National City	5,210	5,251	5,312	4,856	4,973	2.41%
City of Oceanside	22,723	24,969	22,509	22,242	25,016	12.47%
Olivenhain Municipal Water District	20,007	22,271	19,233	19,576	22,373	14.28%
Otay Water District	30,734	33,794	30,742	31,642	34,257	8.26%
Padre Dam Municipal Water District	10,138	11,053	10,090	10,254	11,267	9.88%
Camp Pendleton Marine Corps Base ⁽²⁾	6,206	7,580	7,545	7,961	7,945	-.20%
City of Poway	9,800	10,898	9,318	9,445	10,293	8.98%
Rainbow Municipal Water District	16,983	19,240	14,831	14,386	17,082	18.74%
Ramona Municipal Water District	5,042	5,580	4,775	4,381	5,040	15.04%
Rincon del Diablo Municipal Water District	8,882	8,882	7,488	6,576	7,502	-6.87%
City of San Diego ⁽³⁾	171,883	181,661	169,154	165,814	173,910	4.88%
San Dieguito Water District	6,110	6,872	6,047	6,317	6,950	10.02%
Santa Fe Irrigation District	9,851	11,022	9,428	9,594	10,764	12.20%
South Bay Irrigation District	12,484	12,128	11,750	11,703	12,450	6.38%
Vallecitos Water District	14,410	16,134	14,224	14,085	15,553	10.42%
Valley Center Municipal Water District	20,606	22,905	16,899	17,072	19,232	12.65%
Vista Irrigation District ⁽⁴⁾	17,190	18,031	16,044	16,416	17,981	9.53%
Yuima Municipal Water District	10,058	12,315	9,208	10,540	12,614	19.68%
Total	477,024	518,397	463,329	463,128	502,725	8.55%
Allocation of Water Use						
Residential	306,757	335,136	305,952	304,406	339,602	11.56%
Commercial & Industrial	80,668	85,553	76,307	74,266	84,812	14.20%
Agricultural ⁽⁵⁾	45,167	50,323	36,866	38,382	28,865	-24.80%
Public & Other	44,432	47,385	44,204	46,074	49,446	7.32%
Total	477,024	518,397	463,329	463,128	502,725	8.55%

(1) Preliminary numbers.

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

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

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

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

TABLE 8. Preliminary Water Source and Use – Breakout of Fiscal Year Ending June 30, 2021

	Source of Water (Supply) (Acre-feet)			Type of Imported Supply (Acre-feet)		Gross Area (Acres)
	Local & Supple- mental ⁽¹⁾	Water Authority (Imported) ⁽²⁾	Total Regional Use	Ag Use ⁽³⁾	M & I Use	
Carlsbad Municipal Water District	6,828	12,501	19,329	-	12,501	20,682
City of Del Mar	107	1,046	1,153	-	1,046	1,442
City of Escondido	10,826	12,286	23,112	1,833	10,454	18,560
Fallbrook Public Utility District	653	8,822	9,475	1,998	6,824	27,988
Helix Water District	6,074	24,756	30,830	-	24,756	31,350
Lakeside Water District	404	3,223	3,626	-	3,223	11,488
City of National City	4,677	296	4,973	-	296	4,812
City of Oceanside	2,776	22,240	25,016	370	21,870	26,983
Olivenhain Municipal Water District	2,826	19,548	22,373	128	19,420	30,942
Otay Water District	4,131	30,126	34,257	-	30,126	80,320
Padre Dam Municipal Water District	1,022	10,245	11,267	93	10,153	45,893
Camp Pendleton Marine Corps Base ⁽⁴⁾	7,782	163	7,945	-	163	134,625
City of Poway	542	9,752	10,293	28	9,724	25,047
Rainbow Municipal Water District	-	17,082	17,082	7,207	9,875	47,670
Ramona Municipal Water District	530	4,510	5,040	720	3,790	45,868
Rincon del Diablo Municipal Water District	2,231	5,271	7,502	-	5,271	10,596
City of San Diego ⁽⁵⁾	48,772	125,138	173,910	67	125,072	213,121
San Dieguito Water District	3,130	3,820	6,950	-	3,820	5,660
Santa Fe Irrigation District	3,853	6,911	10,764	-	6,911	10,359
South Bay Irrigation District	9,553	2,897	12,450	-	2,897	13,837
Vallecitos Water District	3,500	12,053	15,553	654	11,399	28,363
Valley Center Municipal Water District	386	18,846	19,232	11,197	7,649	64,559
Vista Irrigation District	10,579	7,401	17,981	34	7,367	21,153
Yuima Municipal Water District	6,990	5,624	12,614	4,537	1,088	13,460
Total ⁽⁶⁾	138,172	364,557	502,725	28,865	335,692	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*

	2017	2018	2019	2020	2021
Operating Revenue					
Water Sales ⁽¹⁾	\$579,057	\$591,809	\$579,606	\$565,784	\$616,433
Standby Charges	11,091	11,103	11,154	11,164	11,169
Capacity Charges	21,081	28,154	19,809	17,983	18,714
Infrastructure Access Charges ⁽²⁾	31,145	32,482	33,203	36,942	43,922
Total Operating Revenue	\$642,374	\$663,548	\$643,772	\$631,873	\$690,238
Plus Withdrawals from or Minus Deposits to the Rate Stabilization Fund	(8,673)	(18,399)	8,100	32,000	18,500
BABs Interest Rate Subsidy ⁽³⁾	10,527	10,546	10,587	10,625	10,651
Nonoperating Revenue ⁽⁴⁾	6,013	15,691	14,323	9,062	4,698
Total Revenue ⁽⁵⁾	\$650,241	\$671,386	\$676,782	\$683,560	\$724,087
Operating Expenses ⁽⁶⁾					
Cost of Sales	430,561	442,369	450,184	449,752	514,395
Other Maintenance and Operations Costs ⁽⁷⁾	42,626	50,314	47,386	55,380	56,479
Total Operating Expense	\$473,187	\$492,683	\$497,570	\$505,132	\$570,874
Application of Net Tax Receipts	12,913	13,754	14,666	15,526	16,233
Net Operating Expense	\$460,274	\$478,929	\$482,904	\$489,606	\$554,641
Net Water Revenue Available for Debt Service	\$189,967	\$192,457	\$193,878	\$193,954	\$169,446

* 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, 2020, and 2021 both semi-annual payments were reduced by 6.6 percent, 6.2 percent, 5.9 percent, and 5.7 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.

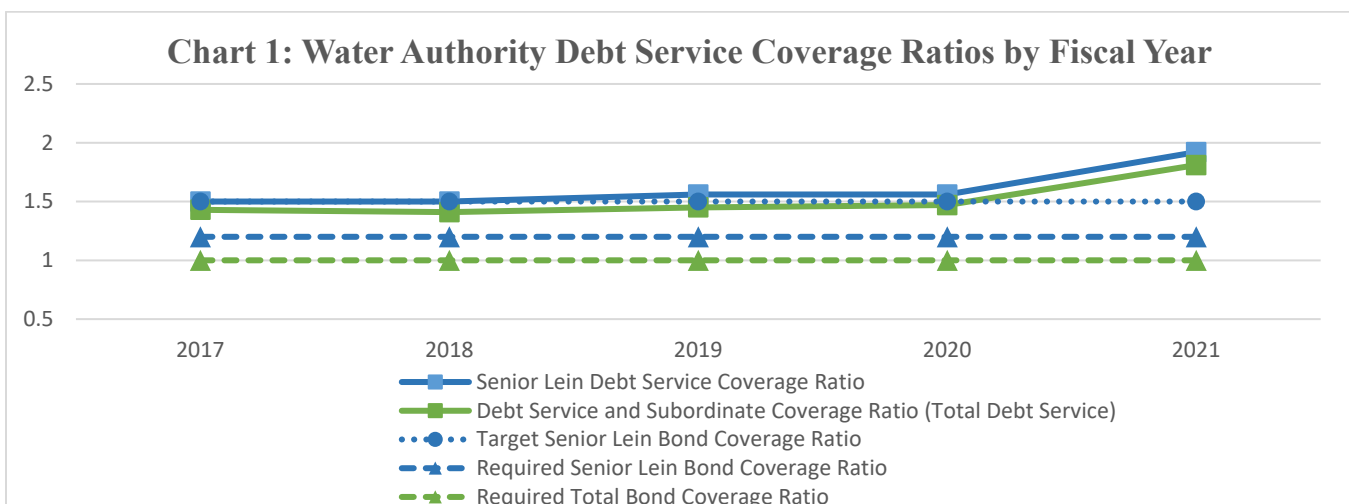
(9) Total debt service excludes the CPCFA issued 2019 Pipeline Bonds and 2021S-1.

(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⁾	2017	2018	2019	2020	2021
1998 Certificates	\$555	\$555	\$555	\$555	\$555
2005 Certificates	17,157	16,057	725	725	313
2008 Certificates	16,832	18,899	9,103	9,193	-
2010A&B Bond	37,145	37,143	37,138	37,146	32,294
2011A Bond	13,224	13,234	13,219	13,218	1,833
2011B Bond	4,707	4,707	4,707	4,707	17,323
2013A Bond	13,982	13,982	27,883	27,880	-1,181
2015A Bond	8,910	8,910	15,802	16,193	23,568
2016A&B Bond	14,092	14,817	14,817	14,817	5,534
2020A Bond	-	-	-	-	3,771
2021A&B Bond	-	-	-	-	4,365
Total Debt Service⁽⁹⁾	\$126,604	\$128,304	\$123,949	\$124,434	\$88,375
Subordinate Obligation Payments					
Commercial Paper ⁽¹⁰⁾	3,853	4,944	6,702	4,751	1,466
2016S-1 Bond	3,885	4,084	4,084	4,084	3,120
2021S-1 Bond	-	-	-	-	1,390
Total Subordinate Obligation Payments	\$7,738	\$9,028	\$10,786	\$8,835	\$5,976
Balance Available after Debt Service and Subordinate Obligation Payments Revenue Supported Debt Service	<u>\$55,625</u>	<u>\$55,125</u>	<u>\$59,143</u>	<u>\$60,685</u>	<u>\$75,095</u>
Coverage Ratio	1.50X	1.50X	1.56X	1.56X	1.92X
Debt Service and Subordinate Obligation Coverage Ratio ⁽¹¹⁾	1.43X	1.41X	1.45X	1.47X	1.81X



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
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
2021	940	1,235	777	1,072	150	4.24	25,600,000	60,000,000	38,840,000	777	1104
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 terminated on December 31, 2020. On January 1, 2021, the PSAWR program commenced, 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, 2021 ⁽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	31.10%	\$71,088,064
Treasury Securities	100%	5 years	n/a	19.66%	44,936,234
Agency Securities	100%	5 years	n/a	18.61%	42,550,628
Asset-Backed, Mortgage-Backed, Mortgage Pass-Through Securities, & Collateralized Mortgage Obligations	20%	5 years	5%	1.00%	2,293,371
Supranational Securities	15%	5 years	5%	5.59%	12,789,580
Medium Term Notes/Corporates	30%	5 years	5%	16.78%	38,367,125
JPA Pools (CAMP)	25%	n/a	n/a	0.42%	952,411
Mutual Funds & Money Market Funds	20%	n/a	n/a	6.84%	15,629,295
				100%	228,606,708
Accrued Interest (unavailable for investing)					7,591
Checking/Petty Cash/Available Funds (unavailable for investing)					381,443
Subtotal for Pooled Funds:					228,995,742
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					\$241,236,517

(1) Includes only investment types with balances at June 30, 2021.

(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. However, MWD has filed cross-complaints in the newer cases. Most of the claims are for declaratory relief, but there is an assertion of a possible claimed return of funding 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 appealed the judgment, but the Court of Appeal sustained the trial court decision. The trial court also granted the Water Authority over \$13.5 million in fees and costs, but MWD appealed and that appeal is still pending.

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. On September 30, 2021, MWD paid the Water Authority \$35,871,153.70 for overcharges on the Water Stewardship Rate, plus interest, for the 2015-2017 rate years at issue in the 2014 and 2016 rate cases. The cases will continue remaining issues. Trial is set for May 2022.

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 is now pending. Trial is set for May 2022.

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

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.

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 is in the midst of a multi-year process 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. The Water Authority has a dedicated Information Security team led by an Information Security Officer to carry out the cybersecurity program, and in addition the Water Authority carries cybersecurity insurance to further manage its information security risk.

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 3.5 million people; the estimated average growth between 2020 and 2050 is forecasted to be approximately 24 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.

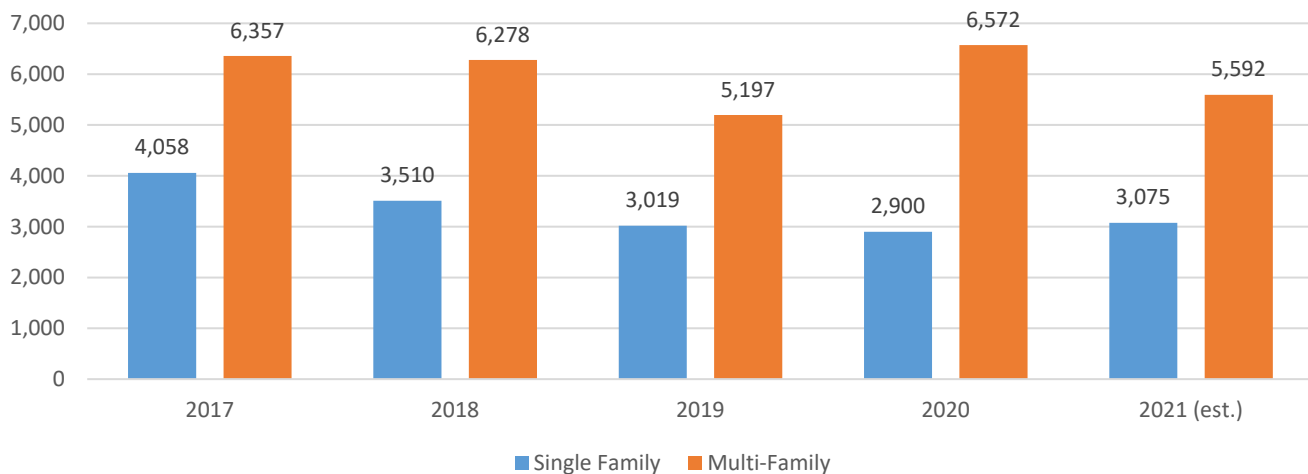
Like the rest of the nation, the San Diego region has suffered both a health and economic crisis due to COVID-19 with unemployment reaching a peak of 25 percent unemployment according to the San Diego Association of Regional Governments. Since that time the region's economy has recovered with unemployment decreasing from approximately 14 percent to 7 percent over the course of fiscal year 2021. 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.

Housing prices continue to pose a challenge as San Diego continues to remain one of the least affordable housing markets in the nation. 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⁾

	2017	2018	2019	2020	2021 (est.) ⁽³⁾		
Single Family	4,058	3,510	3,019	2,900	3,075		
Multi-Family ⁽²⁾	6,357	6,278	5,197	6,572	5,592		
Total	10,415	9,788	8,216	9,472	8,667		
2021 year-to-date⁽⁴⁾	Jan	Feb	Mar	Apr	May	Jun	Jul
Single Family	229	251	294	268	200	288	225
Multi-Family ⁽²⁾	797	497	600	469	195	584	444
Total	1026	748	894	737	395	872	669

Chart 2. Building Permit Activity, 2017-2021 (est.), Calendar Year ⁽¹⁾



- (1) Source: U.S. Census Bureau.
 (2) Measured in individual dwelling units.
 (3) Assumes the permit rate through July will continue through year end.
 (4) Preliminary numbers, YTD and monthly numbers do not foot.

TABLE 13. Labor Force Rate Trends, Calendar Year

YEAR	AREA	CIVILIAN LABOR FORCE	EMPLOYMENT	UNEMPLOYMENT	UNEMPLOY- MENT RATE
2017	San Diego County	1,570,136	1,516,850	53,286	3.4%
	California	19,182,534	18,323,965	858,569	4.5%
	United States	160,500,000	153,928,000	6,572,000	4.1%
2018	San Diego County	1,583,883	1,531,399	52,484	3.3%
	California	19,327,664	18,492,465	835,199	4.3%
	United States	162,918,000	156,777,000	6,142,000	3.8%
2019	San Diego County	1,577,709	1,530,118	47,591	3.0%
	California	19,436,766	18,629,682	807,084	4.2%
	United States	164,435,000	158,628,000	5,807,000	3.5%
2020	San Diego County	1,535,149	1,412,499	122,650	8.0%
	California	18,705,475	16,957,019	1,748,456	9.3%
	United States	160,607,000	149,769,000	10,838,000	6.7%
2021 ⁽¹⁾	San Diego County	1,543,890	1,437,601	106,289	6.9%
	California	18,927,481	17,493,636	1,433,845	7.6%
	United States	161,537,000	153,154,000	8,384,000	5.2%

Source: Bureau of Labor Statistics.

(1) Preliminary August numbers as of September 15, 2021.

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

Industry	2017	2018	2019	2020	2021 ⁽²⁾
Farm Production	8,600	9,300	9,600	9,200	9,400
Mining and Logging	300	400	400	300	300
Construction	79,500	83,700	84,000	81,900	87,300
Manufacturing	109,400	112,300	115,100	113,800	114,200
Trade, Transportation, and Utilities	224,700	225,100	224,000	208,500	209,400
Information	23,400	23,600	23,500	22,100	22,600
Financial Activities	74,600	76,000	76,400	74,300	72,500
Professional and Business Services	239,000	248,900	256,600	247,700	249,100
Educational and Health Services	204,300	208,900	216,000	210,200	211,500
Leisure and Hospitality	195,600	199,600	202,400	144,900	161,900
Other Services	55,000	55,500	55,800	44,500	49,500
Government	246,300	248,100	249,600	237,100	221,200
Total	1,460,700	1,491,400	1,513,400	1,394,500	1,408,900

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 preliminary July data

Subsequent Event

In September 2021, the WaterAuthority received a \$35.9 million litigation settlement payment from MWD related to the Water Stewardship Rate charges for rate years 2015-17, plus interest. This represents another partial resolution to existing litigation with MWD.