



September 11, 2024

Attention: Administrative and Finance Committee

Controller’s Report on Monthly Financial Activity. (Information)

Water Sales Volume (in acre-feet) for the month of July 2024		This chart (left) shows water sales in acre-feet for the month of July 2024, while other sections of the Controller's Report pertain to the 12-month period ending June 30, 2024. The chart shows the most current water sales volume information available as of the date this report was prepared.
Budget	35,566	
Actual	37,048	

Purpose

To provide a summary of key financial information to the Board of Directors.

Financial Information

Attached are the following graphs and financial reports comprising the Controller’s Report:

1. Water Sales Volumes Budget and Actual and YOY Comparisons
2. Water Sales Revenues Budget and Actual Comparison
3. Water Purchases and Treatment Costs Budget and Actual Comparison
4. Budget Status Report
5. Schedule of Cash and Investments

The Water Authority is in the process of undergoing the year-end audit and preparing the audited Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024. This report contains preliminary/unaudited financial information for the twelve-month period of July 1, 2023, through June 30, 2024.

Fiscal Year 2024 Results

A summary of the Fiscal Year 2024 Budget Status Report (in millions) are as follows:

	<u>FY 2024</u>		<u>For the 12 months ended June 30, 2024</u>		
	<u>Adopted</u>				
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>\$ Variance</u> <u>Positive/</u> <u>(Negative)</u>	<u>% Budget</u> <u>Above/</u> <u>(Below)</u>
Water Sales	\$ 699.7	\$ 699.7	\$ 598.6	\$ (101.1)	-14%
Water Purchases & Treatment	565.3	565.3	476.2	89.1	-16%
Net Water Sales Revenue	134.4	134.4	122.4	(12.0)	-9%
Revenues & Other Income	154.8	154.8	152.3	(2.5)	-2%
Total Revenues	289.2	289.2	274.7	(14.5)	-5%
Total Expenses	250.3	250.3	232.0	18.3	-7%
Net Revenues Before CIP	38.9	38.9	42.7	3.8	10%
CIP Expenses	59.2	59.2	45.6	13.6	-23%
Net Fund Withdraws	\$ (20.3)	\$ (20.3)	\$ (2.9)	\$ 17.4	-86%

Summary

For the twelve months ended June 30, 2024, the Water Authority's actual net revenues after CIP was a negative \$2.9 million. This means that a draw from fund balance was required, but the amount is less than the adopted budget withdrawal of \$20.3 million.

Previously, the Water Authority was showing a positive increase to fund balance due to the \$39 million reimbursement received from IID as part of the System Conservation Implementation Agreement and the \$8.5 million exit fee received from the Fallbrook Public Utility District. However, closing year end entries required the earlier recording of IID Transfer water received by June 30. Accordingly, water purchases and treatment costs were increased for this earlier received water that will be paid for in fiscal year 2025. The effect of recording this was to increase expenses in fiscal year 2024 by \$15.3 million to be followed by a like decrease in fiscal year 2025. There is no impact on the two-year adopted budget for this adjustment as it is due to a timing difference between the two fiscal years.

Net Water Sales Revenue

Net water sales revenue is the difference between the receipts from the sale of water and the cost of that water, providing the Water Authority's principal source of revenue. Sales include revenues from:

<u>Variable Commodity Charges</u>	<u>Fixed Charges</u>
Supply	Customer Service
Treatment	Storage
Transportation	Supply Reliability
	Infrastructure Access

For the twelve-month period ended June 30, 2024, total acre-feet (AF) of water sold was budgeted at 367,388 AF and actual water sales volumes were 295,069 AF or 20 percent below budget (Attachment 1). Water sales were below budget due to the above average rainfall in the San Diego region earlier in the year that resulted in a continued reduction in total water demand and increased member agency local surface water use. On a year over year basis, fiscal year 2024 actual water sales volumes through June 2024 were 51,812 AF, or 14.9 percent lower compared to the prior fiscal year's water sales volumes of 346,881 AF (Attachment 1). This reduction is tied to the two back-to-back wet winters of heavy rainfall that had not been experienced in the region in decades.

Net water sales revenue for the twelve-month period ended June 30, 2024, was \$122.3 million, or \$12.1 million lower than the budgeted amount of \$134.4 million. Even though water sales volumes and revenues were below budgeted amounts, the water purchases and treatment costs were lower by a greater factor due to (1) the savings from the System Conservation Implementation Agreement and (2) a storage valuation adjustment to match the price paid for the water delivered and placed into storage to the supply source, offset by the (3) accrual of the additional expense related to the earlier delivered IID Transfer water.

Water purchases and treatment costs of \$476.3 million was comprised of purchased water that was also either treated or untreated when sold. Outside the cost of Water Purchases and Treatment was an additional \$52.6 million (41,792 AF) net of untreated water that was

purchased and added into inventory that remains as an asset as of June 30, 2024. The cost of this water is not recorded until it is withdrawn from inventory (storage) and sold. The Water Authority operates under take-or-pay contracts for three of its supply sources and because of the reduced sales from back-to-back wet winters, not all of the water scheduled to be delivered was able to be sold during the year.

Inclusive of the cost of water added to inventory, \$84.6 million was paid to MWD for 56,057 AF of treated and untreated water plus treatment costs for 31,541 AF of IID Transfer water; \$133.9 million for 169,572 AF of IID Transfer water (untreated water); \$151.1 million for 37,751 AF of treated desalinated water from Poseidon; and \$0.9 million for 85,302 AF of Canal Lining water (untreated). The Canal Lining water costs represents the current year's operations and maintenance costs for maintaining the All-American and Coachella canals as the Water Authority previously incurred significant costs to line the canals with cement panels and now has ongoing maintenance responsibilities. The Water Authority also incurred an additional cost of \$141.5 million for exchange and wheeling costs on 254,875 AF paid to MWD (comprised of IID Transfer and Canal Lining water).

The CY 2024 Rates and Charges [Cost of Service Study](#) (included on the Water Authority's website) forecasted the cost of water by supply source as follows: Desal supply cost \$3,224 AF; IID Transfer water supply cost \$1,312 AF and MWD supply cost \$903 AF. There are additional debt service costs of \$143 AF associated with the water supplies as well. Actuals costs paid for the year can differ from these amounts based on many factors, including prior year cost true-ups, hydrological conditions, changes to quantities delivered, energy costs, and impacts of water transfer agreements. Differences between budgeted amounts and actuals are expected and are factored into the Water Authority's Board adopted reserve policies.

Revenues and Other Income

Total revenues and other income were budgeted at \$154.8 million for the twelve-month period ended June 30, 2024. Actual revenues were \$152.3 million or \$2.5 million lower than the budget (Attachment 4). Revenue categories materially higher than the budget include the following:

- **Other Income:** The \$11.6 million higher than budget with \$8.5 million representing the full detachment payment received from the Fallbrook Public Utility District; \$0.5 million in proceeds from the sale of San Miguel Conservation Bank mitigation credits previously approved by the Board to sell the excess credits when buyers are found; \$0.1 million representing FEMA reimbursements for the 2023 Winter Storms and COVID19 claims; \$0.3 million in various Water Authority owned property space lease revenues; and the balance relating to higher intergovernmental revenues and other one-time miscellaneous revenues all in excess of budgeted amounts
- **Property Taxes:** \$1.4 million higher than budget reflecting increased development activity in the county and property tax rate increases
- **Capacity Charges:** \$0.7 million higher than budget due to the continuing increased development in the region requiring new or larger water meter building permits

Revenue categories materially lower than the budget include the following:

- Grant Reimbursements: \$12.5 million lower than budget due to timing of project work completion by the Local Project Sponsors (LPS). Specifically, delays were experienced in areas of land easement acquisition, design, permitting, and construction in the Proposition 1, Rounds 1 and 2, projects, and in Drought Relief projects for underrepresented communities and tribal areas. The completion of Proposition 84, Round 4 projects in FY 2025 is expected to contribute about \$2M to the budget, including retention funding. Most construction will start in FY2025, with most revenues and expenses anticipated in FY 2026 and FY 2027.
- Contributions in Aid of Capital Improvement Program: the majority of the \$2.9 million budgeted to be received in FY24 pertained to a State budget allocation for the San Vicente Energy Storage Project that will now not happen given the State's current budget deficit; a similar allocation budgeted in FY25 is also now not expected to be received
- Investment Income: \$0.9 million lower due to the impact of lower water sales revenues causing less monies to be received and invested to earn a return; also, decreasing cash balances resulted in a similar reduction to interest income

Expenses

Total expenses were budgeted at \$250.3 million for the twelve-month period ended June 30, 2024. Actual expenses were \$232.0 million or \$18.4 million lower than the budget (Attachment 4). Expense categories materially lower than the budget include the following:

- Grant Expenses: \$10.9 million lower than budget due to timing of project work completion by the Local Project Sponsors (see explanation for Grant Revenues reduction above).
- Operating Departments: \$7.1 million lower expenses due to the timing of expenses planned in the two-year budget that is different than actuals associated with delayed contract start dates, shutdown maintenance periods shifting to later months and budget cuts directed by the General Manager.
- Equipment Replacement Fund: \$2.2 million lower than budget due mainly to timing of equipment to be received from manufacturers that has extended in FY 2025; it is expected that the two-year budgeted appropriation will be realized once the remaining vehicles and other equipment is received in FY 2025

CIP Expenses

Capital Improvement Program expenses were budgeted at \$59.2 million for the twelve-month period ended June 30, 2024, and actual expenses amounted to \$45.6 million or \$13.6 million lower than the budget (Attachment 4). The delayed starts for the \$41.6 million Southern First Aqueduct Structures Rehabilitation project and \$9.0 million Helix 9 Flow Control Facility project (contracts awarded in October) contributed to this variance. The underspend will be made up in the second year of the two-year budget with the full two-year appropriation of \$183.8 million being spent by the end of FY25.

Cash and Investments

Cash and investments totaled \$366.3 million. Approximately 62 percent is pooled funds available to meet Water Authority needs and Board set reserve requirements, and the remaining

38 percent represented bond proceeds with amounts restricted for specific purposes (Attachment 5).

Overall, the total cash position of the Water Authority fell significantly in FY 2024 driven by lower sales and generally higher costs. Pooled funds dropped \$32.97 million or 12.6% during the fiscal year. Against the target of 150 days of cash, the pooled funds ended the year at just 99 days.

Fiscal Year 2024 concluded with the Rate Stabilization Fund (RSF) cash and investments balance at \$78.5 million, which was the same as Target balance for the year. Therefore, no addition to or withdrawal from the RSF was required. The senior lien debt coverage ratio was 1.52X at June 30, 2024.

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Attachments:

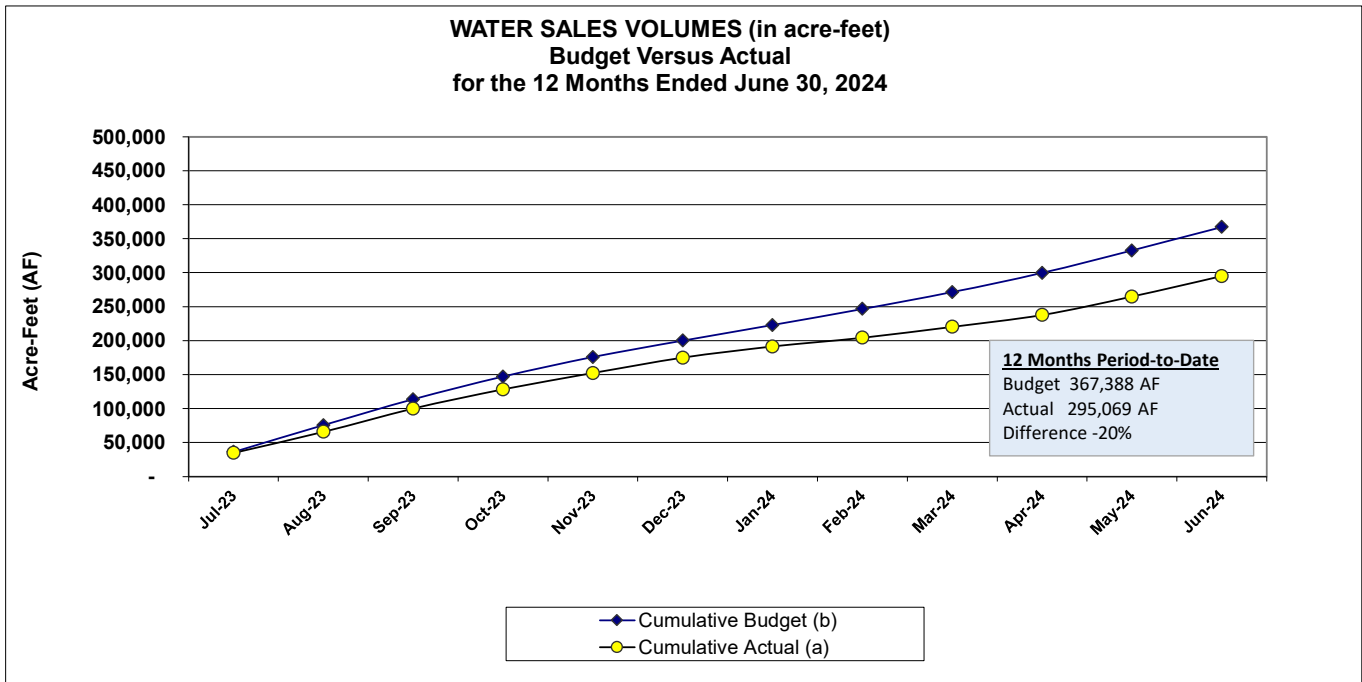
Attachment 1 – Water Sales Volumes Budget and Actual and YOY Comparisons

Attachment 2 – Water Sales Revenues Budget and Actual Comparison

Attachment 3 – Water Purchases and Treatment Costs Budget and Actual Comparison

Attachment 4 – Budget Status Report

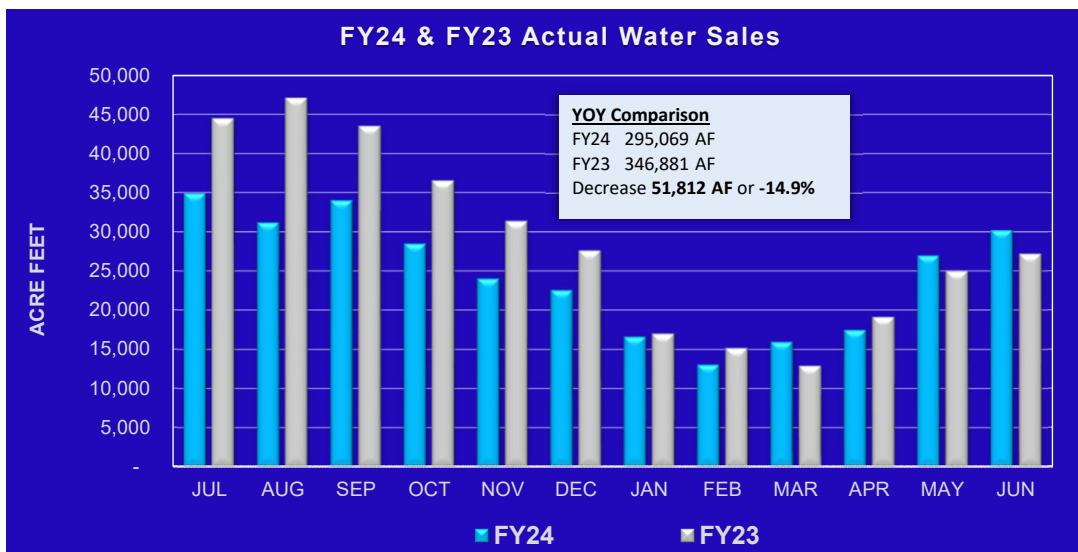
Attachment 5 – Schedule of Cash and Investments

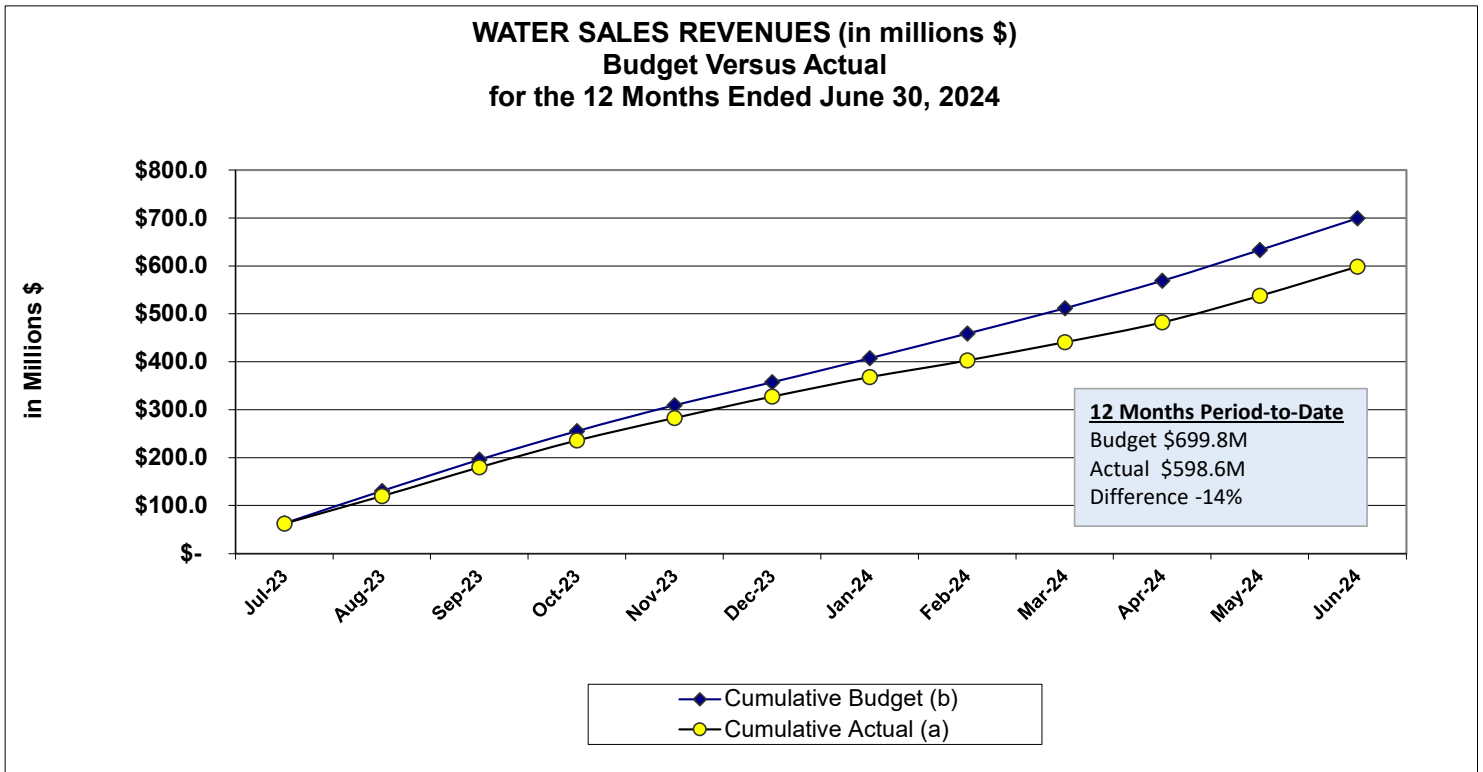


Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2024 and 2025. Calendar Year 2023 Semitropic Water Bank Sales were 4,200 AF and are excluded from the graph and table.

Fiscal Year 2024 Cumulative Water Sales (AF)

Months	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Monthly Actual	34,883	31,152	34,001	28,440	23,992	22,517	16,561	13,018	15,913	17,455	26,962	30,175
Cumulative Actual (a)	34,883	66,035	100,036	128,476	152,468	174,985	191,546	204,564	220,477	237,932	264,894	295,069
Monthly Budget	36,290	39,464	38,056	33,338	28,754	24,306	22,843	23,777	24,653	28,274	33,103	34,530
Cumulative Budget (b)	36,290	75,754	113,810	147,148	175,902	200,208	223,051	246,828	271,481	299,755	332,858	367,388
AF Difference (c) (a-b)	(1,407)	(9,719)	(13,774)	(18,672)	(23,434)	(25,223)	(31,505)	(42,264)	(51,004)	(61,823)	(67,964)	(72,319)
% Difference (c/b)	-4%	-13%	-12%	-13%	-13%	-13%	-14%	-17%	-19%	-21%	-20%	-20%

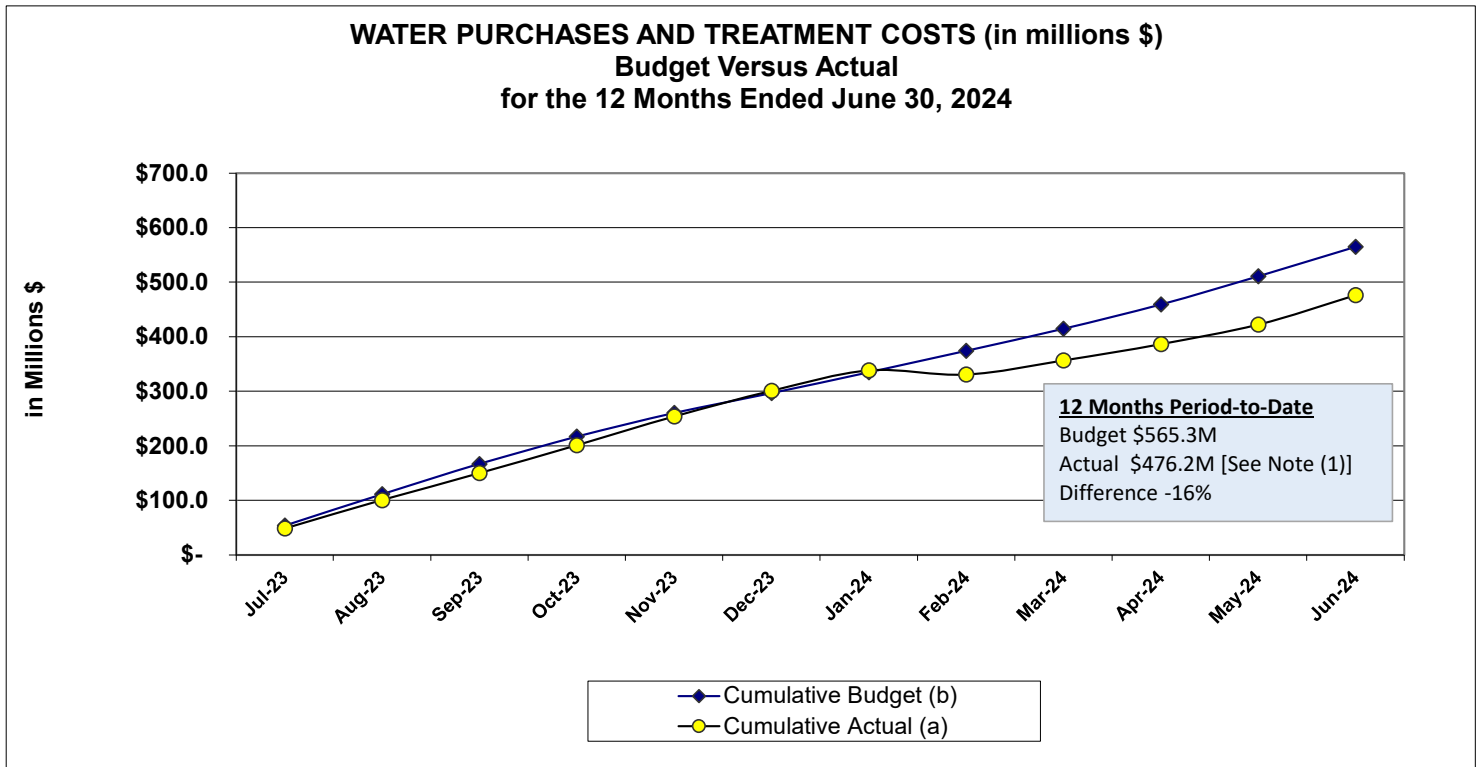




Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2024 and 2025.

Fiscal Year 2024 Cumulative Water Sales (in millions \$)

Months	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Monthly Actual	\$ 62.7	\$ 57.1	\$ 60.3	\$ 55.7	\$ 47.3	\$ 44.6	\$ 40.4	\$ 34.6	\$ 38.7	\$ 41.1	\$ 55.5	\$ 60.6
Cumulative Actual (a)	\$ 62.7	\$ 119.8	\$ 180.1	\$ 235.8	\$ 283.1	\$ 327.7	\$ 368.1	\$ 402.7	\$ 441.4	\$ 482.5	\$ 538.0	\$ 598.6
Monthly Budget	\$ 63.4	\$ 67.1	\$ 65.3	\$ 59.8	\$ 53.7	\$ 48.0	\$ 50.3	\$ 51.6	\$ 52.7	\$ 57.4	\$ 64.2	\$ 66.3
Cumulative Budget (b)	\$ 63.4	\$ 130.5	\$ 195.8	\$ 255.6	\$ 309.3	\$ 357.3	\$ 407.6	\$ 459.2	\$ 511.9	\$ 569.3	\$ 633.5	\$ 699.8
Difference (c) (a-b)	\$ (0.7)	\$ (10.7)	\$ (15.7)	\$ (19.8)	\$ (26.2)	\$ (29.6)	\$ (39.5)	\$ (56.5)	\$ (70.5)	\$ (86.8)	\$ (95.5)	\$ (101.2)
% Difference (c/b)	-1%	-8%	-8%	-8%	-8%	-8%	-10%	-12%	-14%	-15%	-15%	-14%



Budgeted amounts are based on the Adopted Multi-Year Budget for Fiscal Years 2024 and 2025.

Note (1): The \$38,848,500 reimbursement from IID related to the System Conservation Implementation Agreement to conserve water in Lake Mead was received and recorded in February. The related costs had been recorded in November and December also on a cash basis.

In June 2024, the cost of water purchases and treatment costs was \$38.4 million. An additional \$15.3 million was added to account for the earlier cost of water received under the QSA Agreement referred to as the IID Transfer water. Each calendar year the Water Authority receives 200,000 AF of water from IID. Per the QSA Agreement, that water was set to be delivered in equal installments and payments for 12 months. However, the Water Authority has the ability to adjust the delivery schedule to fit our needs better (i.e., ensure we have sufficient supplies during shutdowns, or change quantities received to better meet increased sales in the summer months vs. reduced sales in the winter months). As a result of this, the Water Authority received 19,572 AF more of water in the fiscal year. Therefore, even though we have not paid for this water, we accrued this expense into June. In fiscal year 2025, because of the earlier accrual of the expense into fiscal year 2024, lower expenses will result in fiscal year 2025, but over the course of the two-year budget, there is no impact.

Fiscal Year 2024 Cumulative Cost of Water Purchases and Treatment (in millions \$)

Months	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Monthly Actual	\$ 48.7	\$ 51.9	\$ 49.3	\$ 51.4	\$ 52.7	\$ 47.0	\$ 37.5	\$ (7.8)	\$ 25.9	\$ 30.1	\$ 35.8	\$ 53.7
Cumulative Actual (a)	\$ 48.7	\$ 100.6	\$ 149.9	\$ 201.3	\$ 254.0	\$ 301.0	\$ 338.5	\$ 330.7	\$ 356.6	\$ 386.7	\$ 422.5	\$ 476.2
Monthly Budget	\$ 54.2	\$ 57.3	\$ 55.4	\$ 50.1	\$ 43.3	\$ 36.7	\$ 38.1	\$ 39.4	\$ 40.3	\$ 44.7	\$ 51.7	\$ 54.1
Cumulative Budget (b)	\$ 54.2	\$ 111.5	\$ 166.9	\$ 217.0	\$ 260.3	\$ 297.0	\$ 335.1	\$ 374.5	\$ 414.8	\$ 459.5	\$ 511.2	\$ 565.3
Difference (c) (a-b)	\$ (5.5)	\$ (10.9)	\$ (17.0)	\$ (15.7)	\$ (6.3)	\$ 4.0	\$ 3.4	\$ (43.8)	\$ (58.2)	\$ (72.8)	\$ (88.7)	\$ (89.1)
% Difference (c/b)	-10%	-10%	-10%	-7%	-2%	1%	1%	-12%	-14%	-16%	-17%	-16%

San Diego County Water Authority
Fiscal Year 2024 Budget Status Report
For the 12 Months Ended June 30, 2024
Unaudited

	[A]	[B]	[C]	Revenues = [-B + C] Expenses = [B - C]	[C / A]
	FY 2024 (12 months)				
	FY 2024 Adopted Budget	12 Months Period-to-Date Adopted Budget	12 Months Period-to-Date Actual	Variance Positive (Negative)	Actual to FY 2024 Adopted Budget
Net Water Sales Revenue					
Water Sales	\$ 699,748,668	\$ 699,748,668 (b)	\$ 598,596,228	\$ (101,152,440)	86%
Water Purchases & Treatment (a)	565,346,788	565,346,788 (b)	476,261,910	89,084,878	84%
Total Net Water Sales Revenue	134,401,880	134,401,880	122,334,318	(12,067,562)	91%
Revenues and Other Income					
Infrastructure Access Charges	48,174,385	48,174,385	48,230,322	55,937	100%
Property Taxes & In-lieu Charges	18,527,049 (c)	18,527,049	19,935,864	1,408,815	108%
Investment Income	15,566,907 (d)	15,566,907	14,677,869	(889,038)	94%
Hydroelectric Revenue	153,512 (e)	153,512	125,598	(27,914)	82%
Grant Reimbursements	28,377,854	28,377,854	15,844,515	(12,533,339)	56%
Build America Bonds Subsidy	10,658,690	10,658,690	10,658,690 (l)	-	100%
Other Income	599,000	599,000	12,185,865	11,586,865	2034%
Capital Contributions:					
Capacity Charges	18,082,662 (f)	18,082,662	18,789,425	706,763	104%
Water Standby Availability Charges	11,200,000 (g)	11,200,000	11,282,060	82,060	101%
Contributions in Aid of Capital Improvement Program (CIP)	3,474,806 (h)	3,474,806	556,305	(2,918,501)	16%
Total Revenues and Other Income	154,814,865	154,814,865	152,286,513	(2,528,352)	98%
Total Revenues	289,216,745	289,216,745	274,620,831	(14,595,914)	95%
Expenses					
Debt Service	147,458,941 (i)	147,458,941	148,048,497	(589,556)	100%
QSA Mitigation	4,045,451 (j)	4,045,451	3,794,424	251,027	94%
Equipment Replacement	6,331,605	6,331,605	4,098,138	2,233,467	65%
Grant Expenses	27,048,894	27,048,894	16,123,393	10,925,501	60%
Other Expenses	1,563,435	1,563,435	3,176,581	(1,613,146)	203%
Operating Departments	63,899,788 (k)	63,899,788	56,755,352	7,144,436	89%
Total Expenses	250,348,114	250,348,114	231,996,385	18,351,729	93%
Net Revenues Before CIP	\$ 38,868,631	\$ 38,868,631	\$ 42,624,446	\$ 3,755,815	110%
CIP Expenses	\$ 59,157,477	\$ 59,157,477	\$ 45,589,180	\$ 13,568,297	77%
Net Fund Withdraws	\$ (20,288,846) (m)	\$ (20,288,846)	\$ (2,964,734)	\$ 17,324,112	15%
CIP Expenses by Funding Source					
Pay-As-You-Go Fund			\$ 20,309,178	45%	
CIP/Bond Construction Fund			25,280,002	55%	
Total CIP Expenses by Funding Source			\$ 45,589,180		

	Operating Departments Detail*				
Administrative Services	\$ 8,478,923	\$ 8,478,923	\$ 8,081,213	\$ 397,710	95%
Colorado River Program	2,053,063	2,053,063	1,412,902	640,161	69%
Engineering	4,169,293	4,169,293	4,079,123	90,170	98%
Finance	3,831,061	3,831,061	4,042,391	(211,330)	106%
General Counsel	3,648,160	3,648,160	2,149,734	1,498,426	59%
General Manager & Board of Directors	3,952,773	3,952,773	3,831,159	121,614	97%
Human Resources	1,336,489	1,336,489	1,120,681	215,808	84%
MWD Program	2,123,568	2,123,568	2,128,074	(4,506)	100%
Operations & Maintenance	25,019,212	25,019,212	22,037,647	2,981,565	88%
Public Affairs	3,224,664	3,224,664	2,850,499	374,165	88%
Water Resources	6,062,582	6,062,582	5,021,929	1,040,653	83%
Total Operating Departments	\$ 63,899,788	\$ 63,899,788	\$ 56,755,352	\$ 7,144,436	89%

* The Water Authority adopted a two-year budget covering Fiscal Years 2024 and 2025. Although budget and actual figures are reported for the first year on this report, the Operating Departments have reforecasted their expenses and they show that they will spend their full budgets by the end of fiscal year 2025, inclusive of the \$2 million reduction directed by the Board effective for fiscal year 2025. The reforecasted Mid-Term budget will be presented in the October Controller's Report.

**San Diego County Water Authority
Fiscal Year 2024 Budget Status Report
For the 12 Months Ended June 30, 2024**

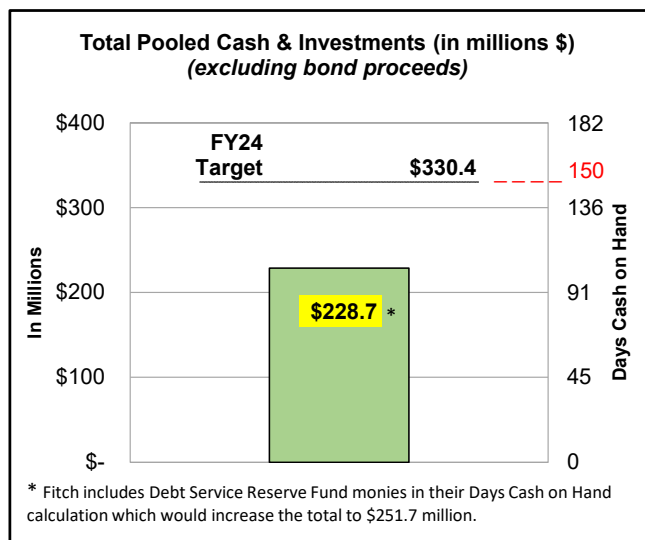
Notes to the Budget Status Report:

- a) Water Purchases and Treatment costs are comprised of water (treated and untreated) that has been both purchased and sold during the fiscal year. Other water that has been purchased during the year but not sold has been added into storage inventory at June 30, 2024 and will be sold in fiscal year 2025. The cost of this water is not recorded (as an expense) until it is withdrawn from inventory and sold. For June activity, please see Attachment 4 note on Water Purchases and Treatment Costs.
- b) Water sales and water purchases period-to-date budgeted amounts are based on projected acre-feet calculated per month.
- c) Property taxes are primarily received in December and April. In-lieu charges for Fiscal Year 2024 total \$3,187,375 and are collected from the City of San Diego in four installments.
- d) Investment income excludes unrealized gains/losses, which are non-cash transactions.
- e) Hydroelectric revenue budget amount includes Rancho Penasquitos Hydro-generation and Pressure Control Facility (Rancho Hydro).
- f) Capacity charges are primarily received in July, October, January and April, after the quarterly period ends, and accrued revenue are recorded for the quarter ending June.
- g) Water standby availability charges are primarily received in January and May.
- h) Contributions in aid of capital improvement program include planned reimbursements for miscellaneous projects.
- i) Bonds and Certificates of Participation debt service payments are due semi-annually on November 1 and May 1. Pipeline Bonds, Series 2019 debt service payments are due semi-annually on July 1 and January 1. Debt Service includes principal, interest expense, and debt service fees. Amortization expense relating to long-term debt, such as discounts, premiums, and deferred gain/loss on refunding are excluded because they are non-cash transactions. Short-term debt for Commercial Paper are paid monthly.
- j) QSA Mitigation includes the Lower Colorado River Multi-Species Conservation Program in the amount of \$430,482 for Fiscal Year 2024. Payments are due quarterly. The remaining budget was for the early payoff of the QSA JPA contributions paid in July 2023.
- k) Amounts include capital equipment purchases included in the project budget.
- l) The semi-annual subsidy payments from the United States Treasury equal to 35 percent of the interest payable on the Series 2010B Bonds were reduced under Congressionally-mandated sequestration.
- m) Represents withdraws from fund balances.

San Diego County Water Authority
Schedule of Cash and Investments
As of June 30, 2024
Preliminary/Unaudited

Attachment 5

	<u>June 2024</u>	<u>June 2023</u>
Operating Fund	\$ 134,922,231	\$ 160,946,414
Rate Stabilization Fund	78,540,740	78,540,740
Pay-As-You-Go Fund	12,698,172	20,537,571
Equipment Replacement Fund	1,862,446	1,197,038
Canal Maintenance Fund	712,665	484,147
Total Pooled Funds	62% 228,736,254	261,705,910
CIP/Bond Construction Fund	114,620,924	130,284,403
Debt Service Reserve Fund	22,934,025	22,679,650
Total Bond Funds	38% 137,554,949	152,964,053
Total Cash and Investments	\$ 366,291,203	\$ 414,669,963



Notes:

The Total Pooled Cash & Investments graph depicts the Water Authority's available monies, excluding bond proceeds, measured against the 150 Days Cash on Hand requirement as set in the 2021 Rate Model. For FY24, days cash on hand equates to a \$330.4 million target balance. It's important to note that cash and investments balances will increase and decrease during the year, especially in May and November when debt service payments are made, but the target is fixed for the fiscal year. Other reserves may also have specific maximums, minimums or targets, and these are noted in the reserve definitions below.

Ratings Impact: Overall cash and investments position and days cash on hand metrics are crucial to the Water Authority maintaining its current ratings of AAA, AA+ and Aa2 from Standard & Poor's, Fitch and Moody's, respectively. A balance below the 150 days cash on hand metric of \$330.4 million target places risk on the Water Authority for a downgrade, which will affect investors interests in owning Water Authority bonds and achieving favorable interest rates on subsequent debt issuances.

Reserve Fund Categories

Operating Fund: The Water Authority's working capital and emergency operating reserve. The Operating Fund's policy requires 45 days of average annual operating expenses to be kept in reserves as assessed on an annual basis and include \$5 million held for emergency repairs. The Operating Fund has a minimum cash balance for FY24 of \$98.0 million.

Rate Stabilization Fund (RSF): The RSF holds the water revenues greater than expenditures in years of strong water sales. Funds can then be used to mitigate "rate shock" in years of weak water sales and/or to manage debt service coverage. The RSF target balance is equal to the financial impact of 2.5 years of wet weather or mandatory restrictions, and the maximum fund balance is equal to the financial impact of 3.5 years of wet weather or mandatory restrictions. For FY24, the RSF has a fixed maximum balance of \$111.7 million and a fixed Target balance of \$78.4 million.

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

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

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

CIP/Bond Construction Fund: This fund contains bond proceeds from the Series 2022A debt issuance to finance approved capital projects.

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

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