

Financial Status Update and Strategy Recommendations during COVID-19 Pandemic: *Budget Review Working Group Recommendations*

September 22, 2020

The FY 2019-20 unaudited financial statements contained herein have been prepared by Valley Water for information only and have not been audited by the external auditor. These financial statements remain subject to change by Valley Water and remain subject to review by external auditor. Changes made by the external auditor, including changes in response to the outsider auditor's review, could be material. No party is authorized to disseminate these unaudited financial statements to the State Comptroller or any nationally recognized rating agency nor post these statements on EMMA or any similar financial reporting outlets or redistribute the information without the express written authorization of the Chief Financial Officer of Valley Water. Any projections, plans or other forward-looking statements included in the information in this agenda are subject to a variety of uncertainties that could cause any actual plans or results to differ materially from any such statement. The information herein is not intended to be used by investors or potential investors in considering the purchase or sale Valley Water bonds, notes or other obligations and investors and potential investors should rely on information filed by Valley Water on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for municipal securities disclosures, maintained on the World Wide Web at <https://emma.msrb.org/>.

Meeting #1 (9/2/2020)

- **Local Economy Status → Little change since May 2020 (budget adoption with 0% rate increase)**
- **VW Financial Status → Remains strong**
 - **Cash/Debt: increased liquidity since May 2020**
 - **Revenue Collection: property tax collections and revenue collections on track for FY21**
 - **Water usage appears unaffected due to Pandemic**
 - **Majority of retailers have not increased water rates for FY 2020-21**
 - **CalPERS: Unfunded liability projected to be 100% funded by FY 3038-39 assuming 7% annual return**
 - **Continuing annual \$3 million “OPEB redirect” beyond FY 2020-21 could help achieve 100% funding by FY 2034-35**
 - **OPEB: Unfunded liability projected to be 100% funded by FY 2027-28 or FY 2028-29**

Meeting #1 (9/2/2020), continued

- **FY 20 Unaudited Close Status → No surprises**
 - Revenues are \$502.4M or 100.1% of Adj Budget
 - Operating Expenditures of \$365.9M or 88.6% of Adj Budget
 - Capital Expenditures of \$234.7M or 63.3% of Adj Budget
- **FY 21 Budget Review in light of Pandemic → Minimal impact currently projected**
- **Potential Impacts to Capital Project efforts → No disruptions foreseen at this time**

Meeting #2 (9/9/2020)

- **Customer Assistance Program Status → Progress made as follows:**
 - Initiated outreach efforts in support of local small businesses
 - Trash abatement assistance to City of San Jose provided on two occasions; additional opportunities being evaluated
 - Retailer loan program term sheet developed
 - \$5 million total program amount, allocated to retailers based on water use
 - Funded by 1% ad valorem property taxes
 - Minimum allocation amount of \$100,000 per retailer
 - Revolving deferred payment structure to be repaid within 12 months after end of pandemic
 - Repayment can be deferred based on ongoing customer hardship
 - Interest rate not to exceed 1.5% (\$225 admin fee/draw)
- **Federal Stimulus Fund opportunity status → Advocacy continues**

Meeting #2 (9/9/2020), continued

- **Mid-Year Rate Adjustment Analysis → BRWG recommends foregoing a mid-year adjustment**
 - Would require higher water rate increases in future years without offsetting cost cutting actions
 - Assumes Purified Water Program (PWP) delivered via P3 with operations start in FY26

North County Zone W-2

Scenario			10-Year Rate Adjustment	
			FY21	FY22 – FY30
Without mid-year increase	1	PWP 70% debt financed by P3 entity & 30% financed by SCVWD	0.0%	9.9%
	2	PWP 100% debt financed by P3 entity	0.0%	9.8%
With mid-year increase	3	PWP 70% debt financed by P3 entity & 30% financed by SCVWD	8.6% *	8.6%
	4	PWP 100% debt financed with P3 entity	8.4% *	8.4%

* Rate increase would apply January 1, 2021 – June 30, 2021

Meeting #2 (9/9/2020), continued

- **Mid-Year Rate Adjustment Analysis → BRWG recommends foregoing a mid-year adjustment**
 - Would require higher water rate increases in future years without offsetting cost cutting actions

South County Zone W-7

Scenario	10-Year Rate Adjustment	
	FY21	FY22 – FY30
Without mid-year rate increase	0.0%	10.4%
With mid-year rate increase	9.4% *	9.4%

** Rate increase would apply January 1, 2021 – June 30, 2021*

The Budget Review Working Group has the following recommendations for the full Board:

1. **Direct staff not to pursue mid-year water rate adjustment for FY 2020-21**
 - Local economic conditions have not changed much since May
 - Incremental revenue from mid-year increase not necessary at this time
2. **Direct staff to continue to pursue partnerships to assist with water related programs and to continue to expand outreach and support for small businesses**
3. **Direct staff to implement Retailer Loan Program based on draft termsheet (see Attachment 2)**

QUESTIONS

Back Up Slides

Local Economy has seen little change since May

- **Unemployment Rate:** The July 2020 local unemployment rate was 9.3%, down from a revised 10.8% in June 2020 (versus 2.6% in February 2020)
 - 13.7% in July for State of California, down from 16.4% in May (versus 3.9% in February)
- **Local Government:** Expected to face steep drops in sales, hotel/bed taxes, and property transfer taxes. City officials are calling on the state and federal government to provide more funding as they project a collective \$7 billion dollar revenue shortfall in the next two fiscal years
- **City of San Jose:** Uncertainty remains for FY 21 budget year as COVID impact is difficult to predict. A budget shortfall of \$25.7M is expected for FY 22 if all revenue and cost assumptions for FY 21 remain unchanged.
- **Santa Clara County housing market:** currently characterized by strong demand and low supply

Financial Status Update – Water Retailer Status

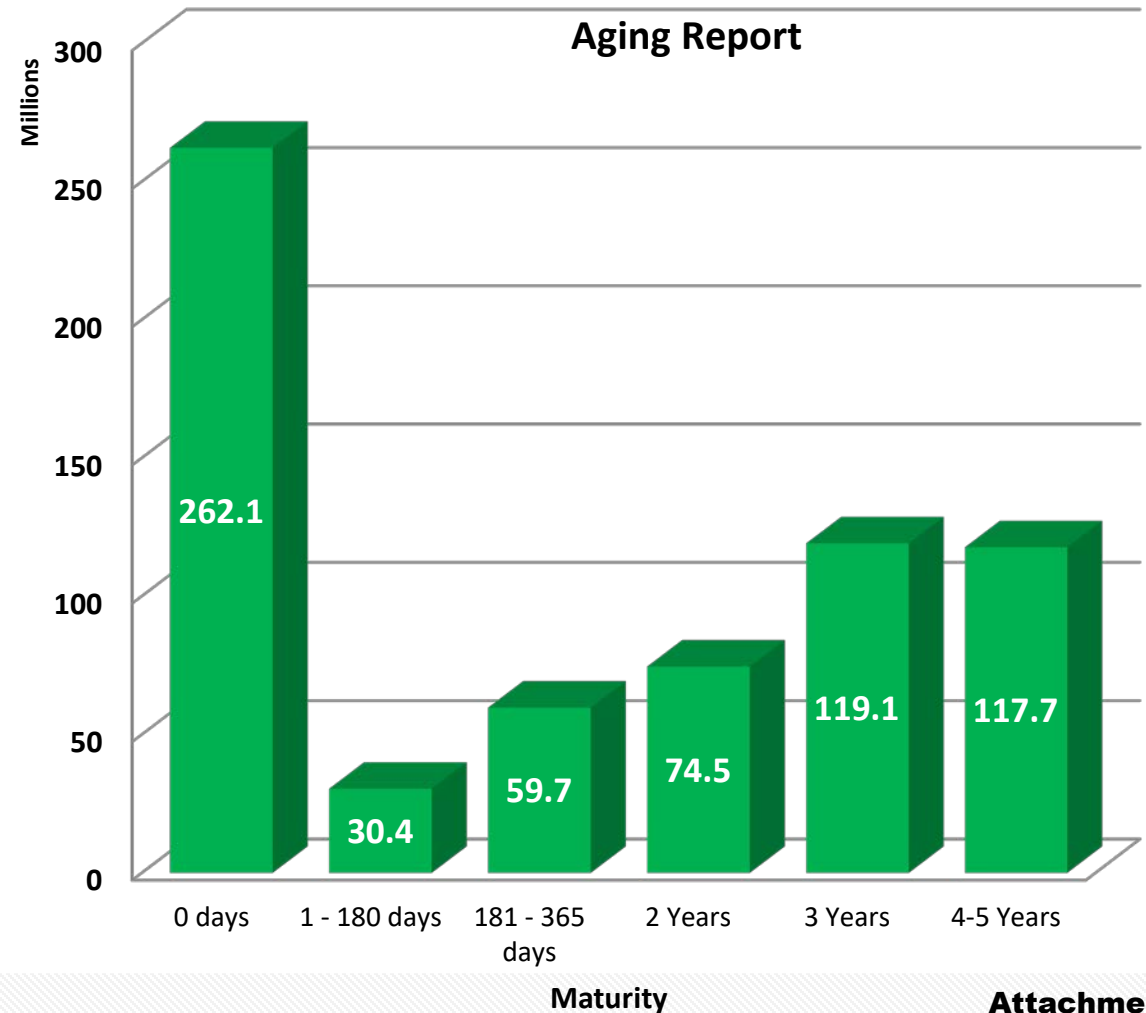
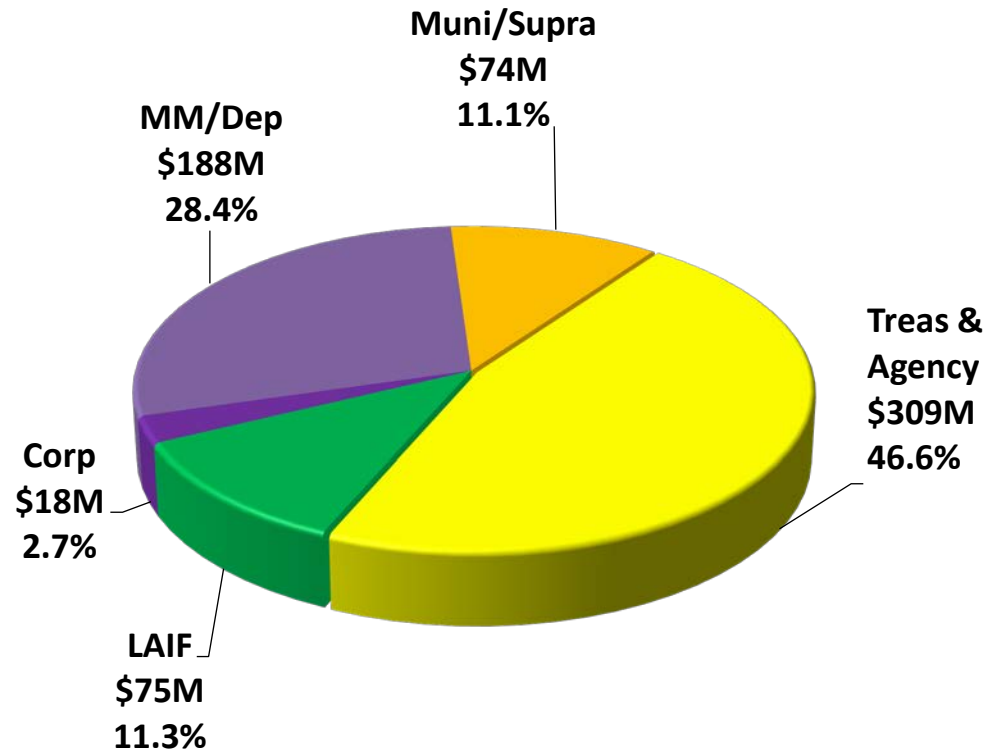
Majority of Retailer's not increasing rates in FY21

Action in FY21	Percent of Major Retailer Water Use (District Managed)
No FY21 Rate Increases	81.1%
San Jose Water Company	58.0%
San Jose Muni	7.1%
Great Oaks	5.4%
Sunnyvale	5.0%
Gilroy	4.0%
Milpitas	1.6%
Undetermined Action	10.5%
Cal Water Services (rates last adjusted February 1, 2020)	6.8%
Morgan Hill (rates last adjusted January 1, 2020 with a SCVWD pass-through component)	3.6%
FY21 Rate Increases	8.4%
Santa Clara (1.0%)	7.5%
Mountain View (3.4%)	0.7%
Stanford (Domestic Water 11% and Lake Water 9%)	0.2%

Financial Status Update - Cash

\$293M or 44% of portfolio very liquid (<1-year maturity)

Portfolio Book Value as of July 31, 2020: \$664M



\$320M short-term credit facilities

- \$150M Commercial Paper – ongoing program
- \$170M Bank Line of Credit (\$150M Lead + \$20M Small/Local)
 - Expect to close in October/November 2020, subject to Board approval

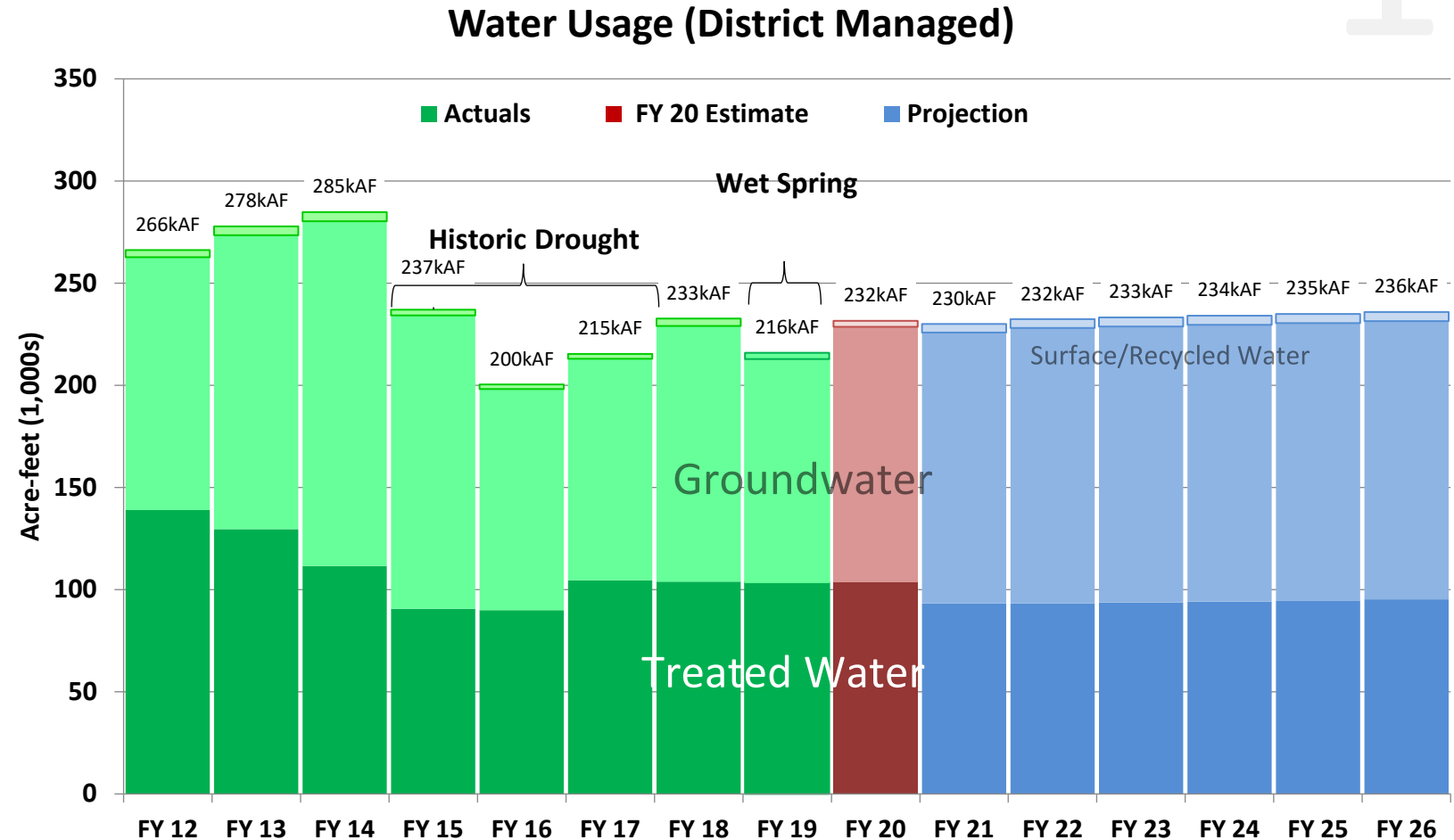
Up to \$275M long-term debt issuance for Water Utility

- Refund up to \$120M Commercial Paper
- Issue up to \$155M new money debt proceeds
- Expect to close in October 2020, subject to Board approval on September 8, 2020

Financial Status Update – Revenue Collections

On track for FY21

- All major retailers current on payments to Valley Water as of 7/31/2020
- Water usage appears unaffected due to Pandemic



Financial Status Update – Property Tax Collections

No indications of Teeter Plan suspension

- 100% of Valley Water share of 1% ad valorem property taxes received for FY 20 (\$110.6M)
- FY 21 budget at \$110.9M
- FY 21 revenue budget based on assessed value as of January 1, 2020
 - Property values have not, yet, been affected by Pandemic
- FY 22 property tax growth may be impacted
 - Depending on if Pandemic results in real estate downturn
- California Proposition 15, if approved, would be phased in FY 23
 - Could result in incremental \$19M revenue to Valley Water from increase in commercial/industrial property tax payments

Unfunded Liability projection including impact of FY 20 return

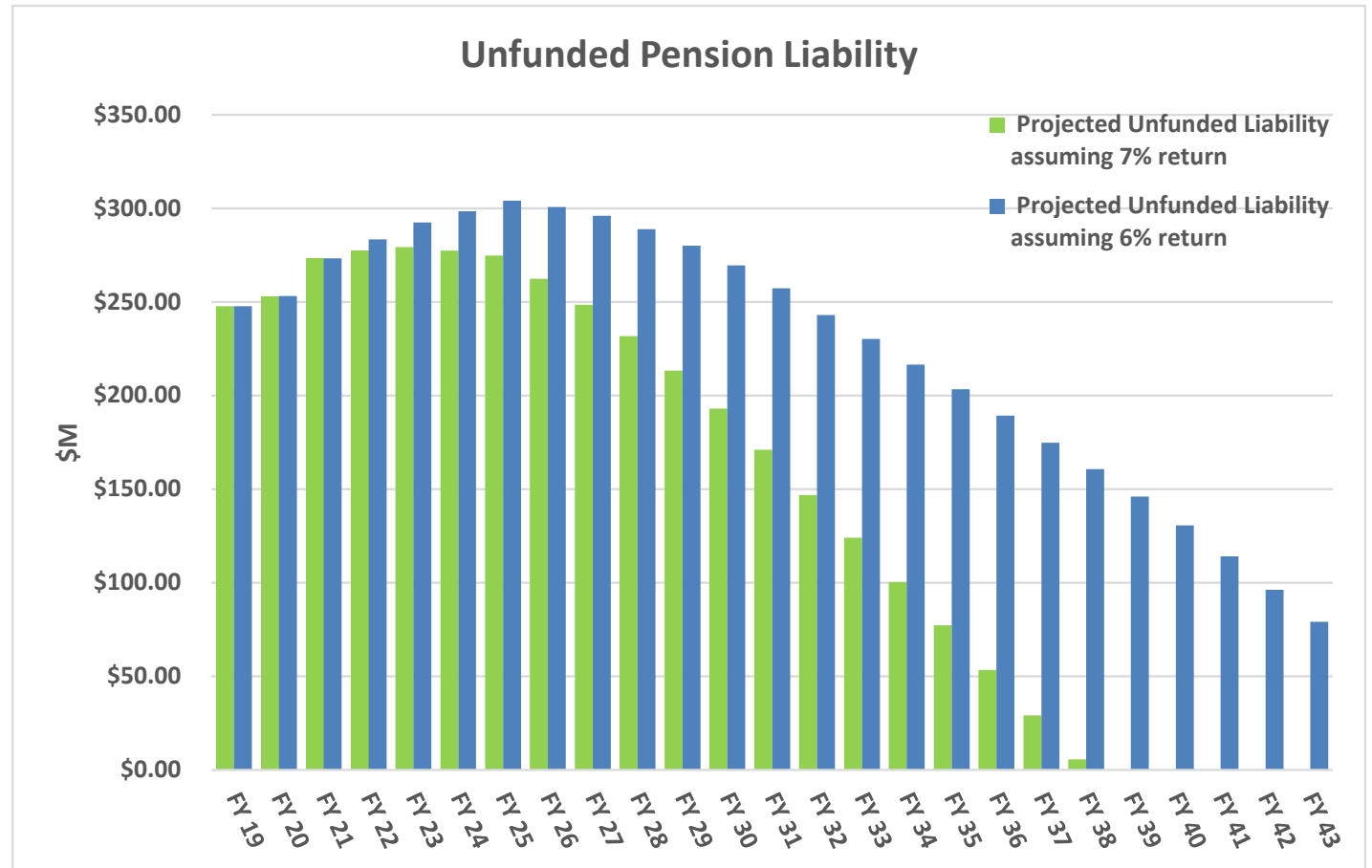
Total Pension Liability is 70.7% funded as of 6/30/19 per the July 2020 CalPERS Actuarial Valuation Report

If assume 7% return:

- Achieve 80% funded by FY 28
- Achieve 100% funded by FY 39
- Continuing annual \$3M OPEB redirect beyond FY 22 would achieve 100% funding by FY 35

If assume 6% return:

- Achieve 80% funded by FY 32
- 95% funded achieved FY 43



Employer contribution projection including impact of FY 20 return

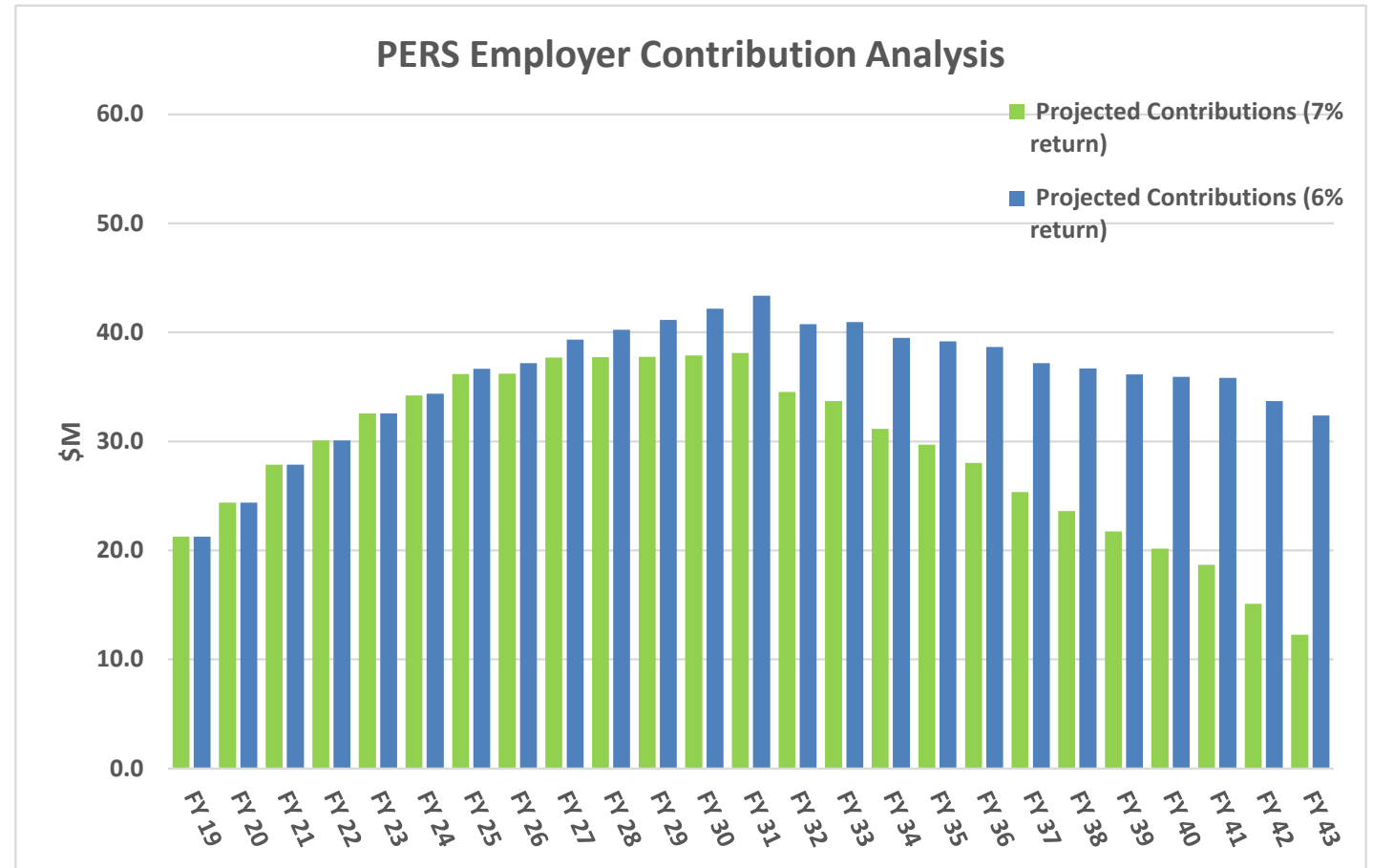
If assume 7% return:

- Future employer contributions peak at \$38.1M in FY 31

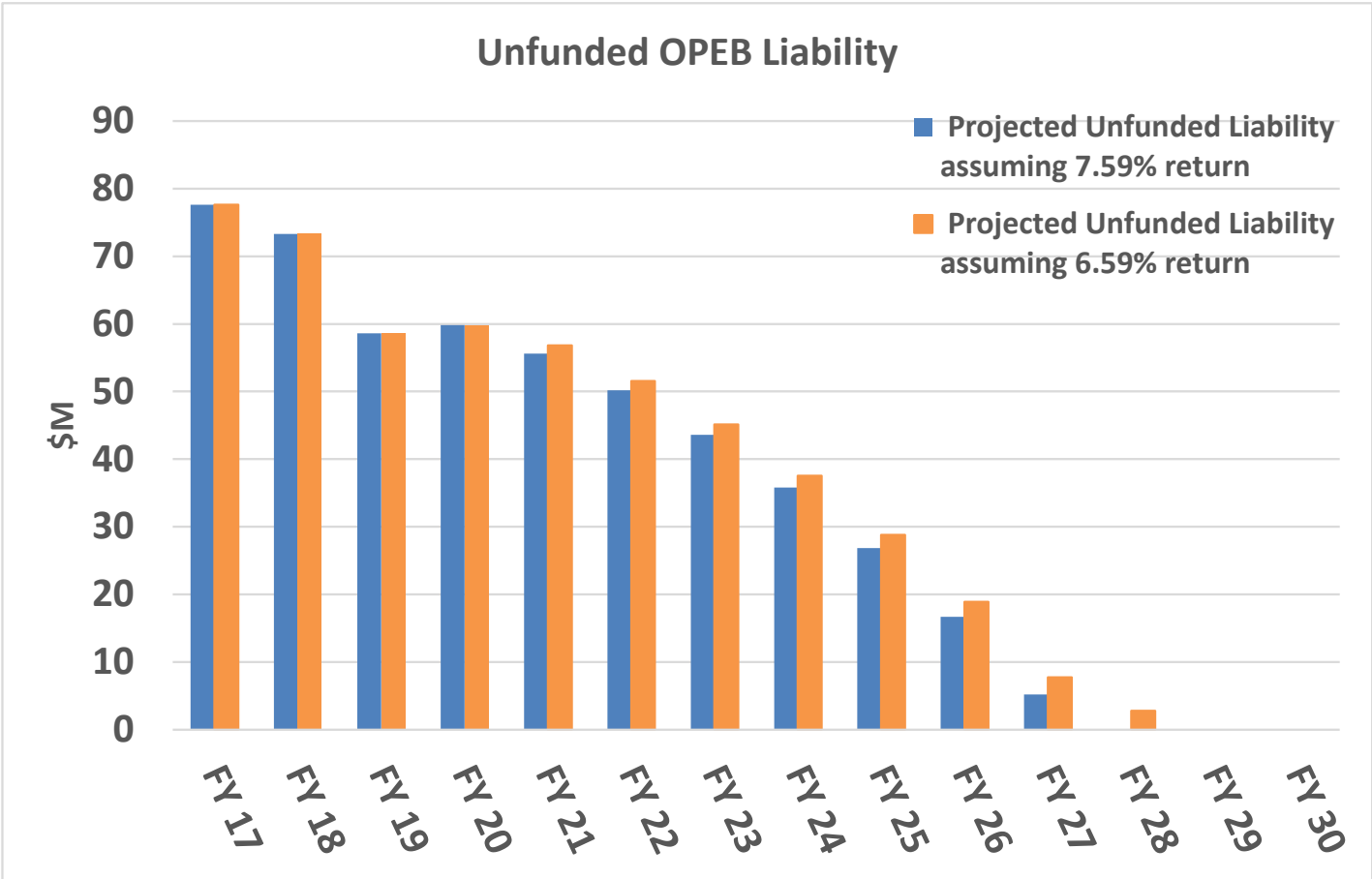
If assume 6% return:

- Future employer contributions peak at \$43.4M in FY 31

Both Scenarios assume continuation of 2% Employee contribution toward UAL



On Track for OPEB Unfunded Liability payoff by FY 28 or FY 29



- FY 19 Unfunded OPEB Liability = \$58.6M (for FY 20 reporting date in CAFR)
- Estimated FY 20 Unfunded OPEB Liability = \$59.8M
- Projections assume no OPEB trust fund contributions
- Board redirected \$3M/yr. from OPEB trust fund contribution to PERS unfunded liability for 3 years (FY 19 thru FY 21)
- Actual trust fund returns for FY 17, FY 18, FY 19 and FY 20 was 10.7%, 8.1%, 6.2% and 3.5% respectively

Labor expenditures represent “lost productivity”

	FY20	FY21 (8/24/20)
Labor	\$ 3,307,254	\$ 895,520
Services & Supplies	1,029,152	105,873
Total	\$ 4,336,406	\$ 1,001,393

- FY21 labor expenses averaging approximately \$450,000 per month, which is offset by savings in other projects
- FY20 key drivers of S&S expenses are Other Information Systems, Food and Beverage, Temporary Labor and Safety Supplies
- FY21 expenses primarily Food and Beverage

FY 21 Budget Review in Light of Pandemic

Potential areas of Budget surplus

Account Category (\$Ms)	FY21 Adopted Operating Budget
Conferences and Professional Dev	2.3
Travel	1.2
Office Supplies and Equipment	2.8
Student Intern Services	2.6
Total	<hr/> \$ 8.9

Note: Travel includes Fuel/Fuel Taxes account

Potential areas of Budget overspend

	FY 21 Overrun
IT and Admin Services	\$ 322,000
Water Utility	<hr/> 10,000
Total	<hr/> \$ 332,000

- IT and Admin Services includes \$300/employee in office supplies reimbursement in COVID-19 project (\$255K) and additional COVID-19 related janitorial cleaning (\$67K)
- Water Utility is conditional expense if regulatory coverage requirement if staff is affected by COVID illness at water laboratory

Board approved changes to FY 2021-25 CIP due to Pandemic

- Deferred Bolsa Road Fish Passage Improvement Construction from FY 21 to FY 22
- Deferred Upper Guadalupe Gravel Augmentation Construction from FY 21 to FY 22

No additional disruptions to capital program foreseen at this time due to Pandemic

Base: FY2020-21 PAWS Report assumptions

- Annual water use remains the same
- Operations & Capital remain essentially the same
- Purified Water Program: P3 WITH operations start in FY26
 - was DBB with operations start in FY30
- Smooth rate adjustments over 10 years
- North County Zone W-2 and South County Zone W-7

Mid Year Rate Analysis – North County (Zone W-2)

		Scenario	10-Year Rate Adjustment	
			FY21	FY22 – FY30
Without mid-year increase	1	PWP 70% debt financed by P3 entity & 30% financed by SCVWD	0.0%	9.9%
	2	PWP 100% debt financed by P3 entity	0.0%	9.8%
With mid-year increase	3	PWP 70% debt financed by P3 entity & 30% financed by SCVWD	8.6% *	8.6%
	4	PWP 100% debt financed with P3 entity	8.4% *	8.4%

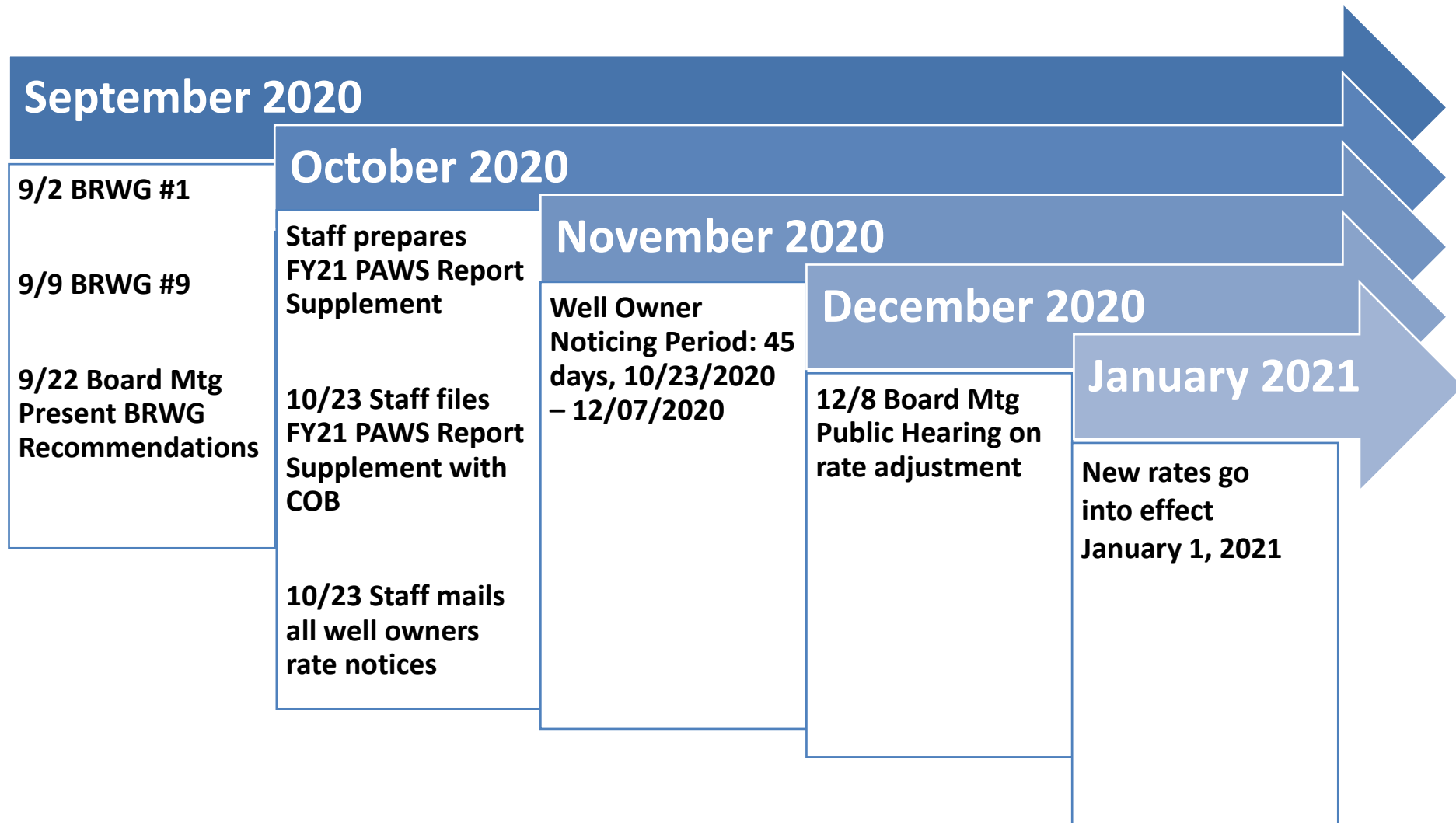
* Rate increase would apply January 1, 2021 – June 30, 2021

Mid Year Rate Analysis – South County (Zone W-7)

Scenario	10-Year Rate Adjustment	
	FY21	FY22 – FY30
Without mid-year rate increase	0.0%	10.4%
With mid-year rate increase	9.4% *	9.4%

** Rate increase would apply January 1, 2021 – June 30, 2021*

Mid Year Rate Analysis - Timeline



Opportunities to initiate Valley Water work for small businesses

- **Concept:** Valley Water to expand outreach and support for small businesses
- **Current Initiatives:**
 - Procurement staff has initiated outreach to local Chamber of Commerce to arrange potential bid advertisement for small businesses.
 - Procurement staff has started initial planning process to host a Virtual Vendor Fair.

Partnerships to Assist with Water Related Programs

- **For initial COVID assistance activities, staff prioritized the areas of trash abatement and supplementary creek cleanups**
- **Current actions:**
 - Provided staff and trash compactors to help with City of San Jose's large trash cleanup located primarily on non-Valley Water owned property along Coyote Creek from I-280 to Williams Street Bridge on August 10-12 (\$21K)
 - Provided financial assistance to pay SJPd's cost of police participation during trash raft cleanups in March and April (\$14K)
- **Future opportunities:**
 - Additional supplementary creek cleanups
 - Trash abatement at large homeless encampments to prevent trash from entering waterways
 - Barriers/fencing to prevent illegal dumping in areas bordering Valley Water property or facilities

- **Opportunities for assistance beyond currently prioritized activities:**
 - Contribution toward Coastal Cleanup 2020 trash pickup costs will be explored
 - Safe, Clean Water Project B7 grant funding is available for environmental stewardship projects that meet specific criteria
 - Stormwater drainage projects will continue under Safe, Clean Water Project B2, with an eye toward easing budget burdens caused by the COVID response
 - Demand for water supply project contributions and the delivery of hydrology technical support has been low, but staff will continue to monitor opportunities in these areas
- **Constraints:**
 - Staff must continue regular operations and maintenance activities, and are occupied with ongoing SMP season work; this impacts staff availability for extra COVID assistance trash abatement work

Customer Assistance Program Status

Retailer Loan Program

- \$5 Million, allocated based on water usage
- Funded by 1% ad valorem property tax
- Revolving, credit against retailer invoice
- Up to 1.5% interest, \$225 admin fee; flexible repayment
- Repayment deferred based on ongoing hardship

Allocated by District-managed Water Use (Acre-Feet)			
Retailer	FY 2019 Water Use	% Total	Allocation \$
SJWC	99,406	57.1%	\$ 2,744,861
Santa Clara	14,436	8.3%	\$ 398,616
San Jose Muni	11,929	6.9%	\$ 329,391
Cal Water Services	11,921	6.8%	\$ 329,170
Great Oaks	10,208	5.9%	\$ 281,870
Sunnyvale	8,267	4.7%	\$ 228,274
Gilroy	7,624	4.4%	\$ 210,519
Morgan Hill	6,421	3.7%	\$ 177,301
Milpitas	3,208	1.8%	\$ 100,000
Mountain View	339	0.2%	\$ 100,000
Stanford	313	0.2%	\$ 100,000
TOTAL	174,072		\$ 5,000,000

Federal Stimulus Funding

Enacted Bills:

- **Coronavirus Preparedness and Response Supplemental Appropriations Act** (signed into law March 6): \$8.3B
- **Families First Coronavirus Response Act** (March 18): \$3.4B
- **Coronavirus Aid, Relief, and Economic Security (CARES) Act** (March 27): \$2T
- **Paycheck Protection Program and Health Care Enhancement Act** (April 21): \$484.5B

Pending Stimulus/Funding Bills:

HEROES Act: \$3T COVID Stimulus Bill (Passed House only)

- \$540 billion for each of the 50 States and D.C.
- \$1.5B in grants to States, territories, and tribes to assist low-income and other adversely affected consumers with payments for drinking water and wastewater expenses

Status: Passed the House in May, unlikely to move in the Senate.

INVEST in America Act: \$494B Infrastructure Bill (Passed House only)

- Water infrastructure provisions include: Funding for water storage, water recycling, canal rehab/repair, and more

Status: Passed the House in June, unlikely to move in the Senate.

**The fate of any new stimulus package remains uncertain, as negotiations continue.*

Federal Stimulus Funding

Valley Water Stimulus Advocacy

Project Name	Description	Current Phase	Construction Cost Estimate	Expected Construction Advertise Date	Estimated Jobs Created	Appropriations Account and Program (If Known)	Language Requested
Anderson Dam Tunnel Project	Construct low-level outlet tunnel, which was originally part of the Anderson Dam Seismic Retrofit Project, in order to comply with Feb 20 FERC directive and help maintain a safe reservoir operating level for the downstream communities.	Design	\$200M	January 20, 2021	2,000-4,000	Homeland Security: FEMA, Rehabilitation of High Hazard Potential Dams	Allow eligibility for dams with hydroelectric facilities (at least those under 1.5MW)
FERC Order Compliance Project (Anderson Reservoir Dewatering)	Dewatering activities (sludge and biomass removal, landslide studies/monitoring) necessary to comply with FERC Feb 20 order to dewater Anderson Reservoir to deadpool beginning Oct 1, 2020	Design	\$5M	September 20, 2020	50-100	Homeland Security: FEMA, Rehabilitation of High Hazard Potential Dams	Allow eligibility for dams with hydroelectric facilities (at least those under 1.5MW)
Anderson Dam Seismic Retrofit Project	Dam is biggest reservoir serving Silicon Valley, providing enough drinking water for one million people for one year. Hundreds of thousands of people live in the inundation zone. Retrofit is needed to protect public safety.	Planning	\$425M	Late 2023/ Early 2024	4,250-8,500	Pot of Dam Safety Funding (including for non-federal dams) or Augmentation of FEMA Dam Safety Program	Create pot of funding for dam rehabilitation/ repair; require adherence to statutory deadlines for ESA consultation
San Luis Low Point Improvement Project (Pacheco Reservoir Expansion as preferred alternative)*	Expanding Pacheco Reservoir from 5,500 acre-feet to 140,000 acre-feet would provide enough water to supply 1.4 million people during an emergency. Project would also improve habitat for threatened species of steelhead.	Design/Pre-Construction	\$2.1B	August 2024	21,000-42,000	Energy and Water: Bureau of Reclamation, Water and Related Resources, WIIN Act Storage	Amend Title I(f)(1)(A) of P.L. 108-361 (118 Stat. 1694) that prohibits use of funds for Pacheco construction.

FY 20 Unaudited Close - Revenues

District-wide revenues on track with FY 20 budget

(\$ in millions)	FY20 Adj Budget	FY20 Est Actuals	Over/(Under) Adj Budget	FY20 Est % Rec'd	FY19 Actuals	FY20 vs FY19
1% Ad-valorem Property Tax	\$ 102.0	\$ 110.6	\$ 8.6	108.5%	\$ 107.9	\$ 2.7
Safe Clean Water Special Parcel Tax	45.5	46.1	0.6	101.2%	44.1	2.0
Benefit Assessments	13.4	13.4	(0.0)	99.7%	14.7	(1.3)
State Water Project Tax	18.0	21.8	3.8	121.1%	22.3	(0.5)
Groundwater Production Charges	105.0	103.5	(1.5)	98.5%	81.9	21.6
Treated Water Revenue	169.5	152.6	(16.9)	90.0%	144.0	8.6
Surface/Recycled Water Revenue	2.8	1.7	(1.1)	60.7%	1.8	(0.1)
Capital Reimbursement	32.6	29.6	(3.0)	90.7%	26.7	2.9
Interest Income & Other	12.9	23.1	10.2	178.8%	21.9	1.2
Total Revenue	\$ 501.8	\$ 502.4	\$ 0.6	100.1%	\$ 465.3	\$ 37.1

(\$ in millions)	FY20 Adj Budget	FY20 Est Actuals	Over/(Under) Adj Budget	FY20 Est % Rec'd	FY19 Actuals	FY20 vs FY19
General Fund	\$ 8.6	\$ 9.6	\$ 1.0	111.6%	\$ 9.4	\$ 0.2
Watershed & Stream Stewardship Fund	97.0	114.3	17.3	117.8%	98.6	15.7
Safe, Clean Water Fund	61.4	61.8	0.4	100.7%	72.6	(10.8)
Water Utility Enterprise Fund	320.7	302.3	(18.4)	94.3%	269.0	33.3
Service Funds	0.7	1.0	0.3	142.9%	1.0	-
Benefit Assessment Funds	13.4	13.4	-	100.0%	14.7	(1.3)
Total Revenue	\$ 501.8	\$ 502.4	\$ 0.6	100.1%	\$ 465.3	\$ 37.1

Observations

- FY20 District revenues are \$502.4M or 100.1% of Adj Budget and \$37.1M higher than FY19 revenues of \$465.3M
- Property Tax assessment growth on secured property is 6.8%; higher than assumed 4% and received \$3.2M from Excess ERAF distribution
- Groundwater production charges of \$103.5M or 98.5% of Adj Budget and \$21.6M higher than FY19
- Treated water revenue of \$152.6M or 90.0% of Adj Budget and \$8.6M higher than FY19
- Water revenue down versus Adj Budget but consistent with projected year end, which was based on reduced water usage
- State Water Project Tax excess revenue of \$3.8M vs Budget
- Capital Reimbursement revenue \$3.0M less than Budget due to \$2M from USBR for South County Recycled Water Pipeline being delayed due to environmental review
- Interest income and other revenue \$10.2M more than Adj Budget due to higher interest income (\$4.9M) and SJC Advanced Water Treatment Facility payment (\$3.1M)

FY 20 Unaudited Close – Operating Outlays & Capital Expenditures

Operating and Capital expenditures end FY below budgeted levels

Operating

(\$ in millions)	FY20 Adj Budget	FY20 Actuals	Remaining Budget	FY20 % Spent	FY19 Actuals	FY20 vs FY19
General Fund	\$ 59.3	\$ 59.1	0.2	99.7%	\$ 52.1	\$ 7.0
Watershed & Stream Stewardship Fund	59.1	51.6	7.5	87.3%	53.4	(1.8)
Safe, Clean Water Fund	25.5	21.1	4.4	82.7%	17.1	4.0
Water Utility Enterprise Fund	230.7	199.3	31.4	86.4%	197.5	1.8
Service Funds	27.0	23.8	3.2	88.1%	24.4	(0.6)
Benefit Assessment Funds	11.2	11.0	0.2	98.2%	11.1	(0.1)
Total Operating Expenditures	\$ 412.8	\$ 365.9	\$ 46.9	88.6%	\$ 355.6	\$ 10.3

Note 1: Operating Adjusted Budget includes Adopted Budget and current year budget adjustments

Note 2: FY 20 Actuals column reflects Budgetary basis Actuals, includes actuals and encumbrances as of 06/30/20

Note 3: Operating Expenditures does not include OPEB and Pension accruals related to unfunded liability

Capital

(\$ in millions)	FY20 Adj Budget	FY20 Actuals	Remaining Budget	FY20 % Spent	FY19 Actuals	FY20 vs FY19
General Fund	\$ 2.2	\$ 1.5	\$ 0.7	68.2%	\$ 2.7	\$ (1.2)
Watershed & Stream Stewardship Fund	65.7	18.9	46.8	28.8%	27.6	(8.7)
Safe, Clean Water Fund	131.6	70.9	60.7	53.9%	41.6	29.3
Water Utility Enterprise Fund	155.6	132.1	23.5	84.9%	97.7	34.4
Service Funds	15.8	11.3	4.5	71.5%	5.5	5.8
Total Capital Expenditures	\$ 370.9	\$ 234.7	\$ 136.2	63.3%	\$ 175.1	\$ 59.6

Note 1: Capital Adjusted Budget includes Adopted Budget and prior year capital carryforward

Note 2: Budgetary basis Actuals includes actuals and encumbrances as of 06/30/20

Observations

- FY20 Operating Expenditures of \$365.9M or 88.6% of Adj Budget
- W&SS Fund \$7.5M below budget due to savings across majority of projects
- Water Utility Enterprise Fund savings of \$31.4M due to debt service savings (\$9.8M) and savings across projects

- FY20 Capital Expenditures of \$234.7M or 63.3% of Adj Budget
- W&SS, SCW and WUE Fund savings across multitude of projects

FY 20 Unaudited Close – General Fund

Revenue

(\$ in millions)	FY20 Adj Budget	FY20 Est Actuals	Over/(Under) Adj Budget	FY20 Est % Rec'd	FY19 Actuals	FY20 vs FY19
Property Tax	\$ 8.4	\$ 9.2	\$ 0.8	109.7%	\$ 9.0	\$ 0.2
Intergovernmental Services	-	0.0	0.0	N/A	0.0	(0.0)
Interest Income	0.2	0.3	0.2	229.3%	0.3	0.1
Other	-	0.1	0.1	N/A	0.1	(0.1)
Total Revenue	\$ 8.6	\$ 9.6	\$ 1.0	111.6%	\$ 9.4	\$ 0.2

Total Outlays

(\$ in millions)	FY20 Adj Budget	FY20 Est Actuals	Remaining Budget	FY20 % Spent	FY19 Actuals	FY20 vs FY19
Operations	\$ 58.8	\$ 58.6	0.2	99.7%	\$ 51.5	\$ 7.1
Operating Project	-	-	-	N/A	0.2	(0.2)
Debt Service	0.5	0.5	-	100.0%	0.5	-
Operating Outlays	\$ 59.3	\$ 59.1	\$ 0.2	99.7%	52.2	6.9
Capital Projects	2.2	1.5	0.7	68.2%	2.7	(1.2)
Capital Outlays	2.2	1.5	0.7	68.2%	2.7	(1.2)
Total Outlays	\$ 61.5	\$ 60.6	\$ 0.9	98.5%	\$ 54.9	\$ 5.7

Note 1: Operating Adjusted Budget includes Adopted Budget and current year budget adjustments

Note 2: FY 20 Actuals column reflects Budgetary basis Actuals, includes actuals and encumbrances as of 06/30/20

Note 3: Operating Expenditures does not include OPEB and Pension accruals related to unfunded liability

Note 4: Capital Adjusted Budget includes Adopted Budget and prior year capital carryforward

Note 5: Budgetary basis Actuals includes actuals and encumbrances as of 06/30/20

Observations

- Covid-19 expenditures (Project 60601013) of \$4.4M supported by General Fund savings across multitude of operating projects
- FY20 Capital Expenditures of \$1.5M or 68.2% of Adj Budget due to purchase delay of furniture and other services (Project 60604016)

FY 20 Unaudited Close – Service Funds

50

Revenue

(\$ in millions)	FY20 Adj Budget	FY20 Est Actuals	Over/(Under) Adj Budget	FY20 Est % Rec'd	FY19 Actuals	FY20 vs FY19
Intergovernmental Services	\$ -	\$ 0.1	\$ 0.1	N/A	\$ -	\$ 0.1
Interest Income	0.5	0.7	0.2	145.6%	0.8	(0.1)
Non-Operating Other	0.2	0.1	(0.1)	48.9%	0.2	(0.1)
Total Revenue	\$ 0.7	\$ 1.0	\$ 0.2	142.9%	\$ 1.0	\$ (0.0)

Total Outlays

(\$ in millions)	FY20 Adj Budget	FY20 Est Actuals	Remaining Budget	FY20 % Spent	FY19 Actuals	FY20 vs FY19
Operations	\$ 25.8	\$ 22.9	2.9	88.8%	\$ 24.2	\$ (1.3)
Operating Project	1.2	0.9	0.3	75.0%	0.2	0.7
Debt Service	-	-	-	N/A	-	-
Operating Outlays	\$ 27.0	\$ 23.8	\$ 3.2	88.1%	24.4	(0.6)
Capital Projects	15.8	11.3	4.5	71.5%	5.5	5.8
Capital Outlays	15.8	11.3	4.5	71.5%	5.5	5.8
Total Outlays	\$ 42.8	\$ 35.1	\$ 7.7	82.0%	\$ 29.9	\$ 5.2

Note 1: Operating Adjusted Budget includes Adopted Budget and current year budget adjustments

Note 2: FY 20 Actuals column reflects Budgetary basis Actuals, includes actuals and encumbrances as of 06/30/20

Note 3: Operating Expenditures does not include OPEB and Pension accruals related to unfunded liability

Note 4: Capital Adjusted Budget includes Adopted Budget and prior year capital carryforward

Note 5: Budgetary basis Actuals includes actuals and encumbrances as of 06/30/20

Observations

- Operations savings due to reduction of vehicle maintenance and gasoline costs. Additionally, purchase of Zoom, DocuSign, and laptops and tablet computers after COVID-19 were charged to COVID-19 project (60601013)
- Capital Project savings due to time spent on assisting and helping over 800 employees working remotely situation. Therefore, IT unable to execute some capital projects that were planned for Q4FY20

FY 20 Unaudited Close Revenue – Watershed & Stream Stewardship Fund

Revenue

(\$ in millions)	FY20 Adj Budget	FY20 Est Actuals	Over/(Under) Adj Budget	FY20 Est % Rec'd	FY19 Actuals	FY20 vs FY19
Property Tax	\$ 86.1	\$ 93.1	\$ 7.0	108.1%	\$ 90.7	\$ 2.3
Intergovernmental Services	-	0.5	0.5	N/A	1.2	(0.7)
Interest Income	2.0	3.0	1.0	148.7%	2.9	0.0
Capital Reimbursements	7.3	15.0	7.7	205.2%	1.6	13.4
Other	1.6	2.8	1.2	174.2%	2.2	0.6
Total Revenue	\$ 97.0	\$ 114.3	\$ 17.3	117.8%	\$ 98.6	\$ 15.7

Total Outlays

(\$ in millions)	FY20 Adj Budget	FY20 Est Actuals	Remaining Budget	FY20 % Spent	FY19 Actuals	FY20 vs FY19
Operations	\$ 56.4	\$ 50.2	6.2	89.0%	\$ 50.4	\$ (0.2)
Operating Project	2.7	1.4	1.3	51.9%	3.1	(1.7)
Debt Service	-	-	-	N/A	-	-
Operating Outlays	\$ 59.1	\$ 51.6	\$ 7.5	87.3%	53.4	(1.8)
Capital Projects	65.7	18.9	46.8	28.8%	27.6	(8.7)
Capital Outlays	65.7	18.9	46.8	28.8%	27.6	(8.7)
Total Outlays	\$ 124.8	\$ 70.5	\$ 54.3	56.5%	\$ 81.0	\$ (10.5)

Note 1: Operating Adjusted Budget includes Adopted Budget and current year budget adjustments

Note 2: FY 20 Actuals column reflects Budgetary basis Actuals, includes actuals and encumbrances as of 06/30/20

Note 3: Operating Expenditures does not include OPEB and Pension accruals related to unfunded liability

Note 4: Capital Adjusted Budget includes Adopted Budget and prior year capital carryforward

Note 5: Budgetary basis Actuals includes actuals and encumbrances as of 06/30/20

Observations

- Property Tax higher than budgeted due to the 2019 annual assessment roll growth on secured property that was higher than assumed (6.8 % versus 4%)
- Capital Reimbursements excess of \$7.7M due to capital grants received that were not budgeted
- Operations and Operating Project savings across multitude of projects
- Capital Project savings primarily due to project expenditures slower than anticipated for the San Francisco Shoreline Project

FY 20 Unaudited Close Revenue – Safe, Clean Water Fund

Revenue

(\$ in millions)	FY20 Adj Budget	FY20 Est Actuals	Over/(Under) Adj Budget	FY20 Est % Rec'd	FY19 Actuals	FY20 vs FY19
Special Parcel Tax	\$ 45.5	\$ 46.1	\$ 0.6	101.2%	\$ 44.1	\$ 2.0
Intergovernmental Services	-	0.1	0.1	N/A	0.1	(0.1)
Interest Income	2.4	3.4	1.0	143.3%	4.0	(0.5)
Capital Reimbursements	13.5	11.8	(1.7)	87.7%	24.0	(12.1)
Other	-	0.4	0.4	N/A	0.4	(0.1)
Total Revenue	\$ 61.4	\$ 61.8	\$ 0.4	100.7%	\$ 72.6	\$ (10.8)

Total Outlays

(\$ in millions)	FY20 Adj Budget	FY20 Est Actuals	Remaining Budget	FY20 % Spent	FY19 Actuals	FY20 vs FY19
Operations	\$ 13.1	\$ 11.5	1.6	87.8%	\$ 13.4	\$ (1.9)
Operating Project	9.3	9.0	0.3	96.8%	2.9	6.1
Debt Service	3.1	0.6	2.5	19.4%	0.8	(0.2)
Operating Outlays	\$ 25.5	\$ 21.1	\$ 4.4	82.7%	17.1	4.0
Capital Projects	131.6	70.9	60.7	53.9%	41.6	29.3
Capital Outlays	131.6	70.9	60.7	53.9%	41.6	29.3
Total Outlays	\$ 157.1	\$ 92.0	\$ 65.1	58.6%	\$ 58.7	\$ 33.3

Note 1: Operating Adjusted Budget includes Adopted Budget and current year budget adjustments

Note 2: FY 20 Actuals column reflects Budgetary basis Actuals, includes actuals and encumbrances as of 06/30/20

Note 3: Operating Expenditures does not include OPEB and Pension accruals related to unfunded liability

Note 4: Capital Adjusted Budget includes Adopted Budget and prior year capital carryforward

Note 5: Budgetary basis Actuals includes actuals and encumbrances as of 06/30/20

Observations

- Operations savings primarily due to grant agreements that were not executed before the close of FY20 due to unexpected delays and COVID-19 impacts to both staff and grantee agencies
- Debt Service savings due to lower actual interest rates than the budgetary rates experienced in FY 2020
- Capital Projects delays primarily due to project delays due to lack of federal funding for the Upper Guadalupe project and delays in the reconciliation of the District's participation costs with our federal sponsor for the San Francisquito project

FY 20 Unaudited Close – Benefit Assessment Funds

Revenue

(\$ in millions)	FY20 Adj Budget	FY20 Est Actuals	Over/(Under) Adj Budget	FY20 Est % Rec'd	FY19 Actuals	FY20 vs FY19
Lower Peninsula Watershed	\$ 2.7	\$ 2.7	\$ (0.0)	100.0%	\$ 4.0	\$ (1.3)
West Valley Watershed	2.3	2.3	(0.0)	100.0%	2.3	0.0
Guadalupe Watershed	4.6	4.6	(0.0)	100.0%	4.5	0.0
Coyote Watershed	3.9	3.9	(0.0)	99.9%	3.9	(0.0)
Total Revenue	\$ 13.4	\$ 13.4	\$ (0.0)	100.0%	\$ 14.7	\$ (1.3)

Total Outlays

(\$ in millions)	FY20 Adj Budget	FY20 Est Actuals	Remaining Budget	FY20 % Spent	FY19 Actuals	FY20 vs FY19
Operations	\$ -	\$ -	-	N/A	\$ -	\$ -
Operating Project	-	-	-	N/A	-	-
Debt Service	11.2	11.0	0.2	98.2%	11.1	(0.1)
Operating Outlays	\$ 11.2	\$ 11.0	\$ 0.2	98.2%	11.1	(0.1)
Capital Projects	-	-	-	N/A	-	-
Capital Outlays	-	-	-	N/A	-	-
Total Outlays	\$ 11.2	\$ 11.0	\$ 0.2	98.2%	\$ 11.1	\$ (0.1)

Note 1: Operating Adjusted Budget includes Adopted Budget and current year budget adjustments

Note 2: FY 20 Actuals column reflects Budgetary basis Actuals, includes actuals and encumbrances as of 06/30/20

Note 3: Operating Expenditures does not include OPEB and Pension accruals related to unfunded liability

Note 4: Capital Adjusted Budget includes Adopted Budget and prior year capital carryforward

Note 5: Budgetary basis Actuals includes actuals and encumbrances as of 06/30/20

Observations

- Revenue received and expenditures by zone, comprised of voter-approved debt repayment of the benefit assessment program

FY 20 Unaudited Close – Water Utility Enterprise Fund

Revenue

(\$ in millions)	FY20 Adj Budget	FY20 Est Actuals	Over/(Under) Adj Budget	FY20 Est % Rec'd	FY19 Actuals	FY20 vs FY19
GroundWater	\$ 105.0	\$ 103.5	\$ (1.6)	98.5%	\$ 81.9	\$ 21.5
Treated Water	169.5	152.6	(16.9)	90.0%	144.0	8.6
Surface/Recycled	2.8	1.7	(1.1)	60.7%	1.8	(0.0)
Intergovernmental Services	1.2	3.6	2.4	290.3%	2.8	0.8
Property Tax	25.5	30.2	4.7	118.5%	30.5	(0.3)
Capital Reimbursements	11.9	2.8	(9.0)	23.8%	1.1	1.7
Interest Income	2.8	5.2	2.4	187.0%	5.1	0.2
Other	2.0	2.7	0.7	134.1%	1.9	0.8
Total Revenue	\$ 320.7	\$ 302.3	\$ (18.4)	94.3%	\$ 269.0	\$ 33.3

Total Outlays

(\$ in millions)	FY20 Adj Budget	FY20 Est Actuals	Remaining Budget	FY20 % Spent	FY19 Actuals	FY20 vs FY19
Operations	\$ 186.5	\$ 165.0	21.5	88.5%	\$ 166.9	\$ (1.9)
Operating Project	0.3	0.2	0.1	66.7%	0.3	(0.1)
Debt Service	43.9	34.1	9.8	77.7%	30.3	3.8
Operating Outlays	\$ 230.7	\$ 199.3	\$ 31.4	86.4%	197.5	1.8
Capital Projects	155.6	132.1	23.5	84.9%	97.7	34.4
Capital Outlays	155.6	132.1	23.5	84.9%	97.7	34.4
Total Outlays	\$ 386.3	\$ 331.4	\$ 54.9	85.8%	\$ 295.2	\$ 36.2

Note 1: Operating Adjusted Budget includes Adopted Budget and current year budget adjustments

Note 2: FY 20 Actuals column reflects Budgetary basis Actuals, includes actuals and encumbrances as of 06/30/20

Note 3: Operating Expenditures does not include OPEB and Pension accruals related to unfunded liability

Note 4: Capital Adjusted Budget includes Adopted Budget and prior year capital carryforward

Note 5: Budgetary basis Actuals includes actuals and encumbrances as of 06/30/20

Observations

Revenue:

- Treated/Surface/Recycle Revenue less than budget due approx. 20 KAF less consumption. On target w/year-end projections.
- Capital Reimbursements- primarily due to delays in Pacheco and South County Recycled Water Pipeline reimbursements

Operations:

- \$3.3M Guiding Principle #5 unspent
- \$3.0M decreased need for supplemental water
- \$2.2M FAHCE shift to capital and project refinement deferral
- \$1.9M CCWD deferred LVE payment to FY22 due to pandemic
- \$1.8M Delta Conveyance debt service less than anticipated
- \$1.7M Unnecessary recharge pond grooming due to high GW
- \$7.6M due to various reasons for over 91 other projects

Debt Service:

- \$9.8M due to postponement of 2020A/B debt issuance, and lower than expected interest rates for Commercial Paper

Capital:

- \$6.0M change in purchasing method for 10 yr Pipeline project
- \$2.5M deferred San Felipe Division pump rebuild
- \$15M due to various reasons for 43 other continuing projects

FY 20 Reserve Balances

Estimated Actual Reserve Balances higher than projected

(\$ in millions)	FY 20 Adopted Budget	FY 20 Projected	FY20 Est Actual	FY20 vs Projected
Restricted Reserves				
Safe Clean Water Fund	\$ 116.1	\$ 119.6	\$ 148.5	\$ 28.9
Water Utility Enterprise Fund	65.5	73.9	81.8	7.9
Restricted Subtotal	\$ 181.6	\$ 193.6	\$ 230.3	\$ 36.7
Committed Reserves				
General Fund	\$ 4.3	\$ 9.0	\$ 8.2	\$ (0.8)
Watershed & Stream Stewardship Fund	82.2	108.1	158.4	50.3
Water Utility Enterprise Fund	57.3	50.3	73.3	23.0
Service Funds	17.5	20.0	27.2	7.2
Committed Subtotal	\$ 161.3	\$ 187.4	\$ 267.1	\$ 79.7
Total Reserves	\$ 342.9	\$ 380.9	\$ 497.4	\$ 116.5

Observations

Overall, FY 20 estimated year-end reserve balances of \$497.4M, \$116.5M higher than the FY 20 projection of \$380.9 M

Safe Clean Water Fund reserve \$28.9M higher than projected, \$27.4M in Currently Authorized Project Reserve, \$1.5M in Operating and Capital Reserve

Watershed & Stream Stewardship Fund reserve is \$50.3M higher than projected, \$46.6M in Currently Authorized Project Reserves and \$3.7M in Operating and Capital Reserve

Water Utility Enterprise Fund reserve is \$30.9M higher, \$8.9 M in Currently Authorized Project Reserves, \$14.1M in Operating and Capital Reserve, \$4.5M in State Water Project Tax Reserve, \$3.4M in GP5 Reserve

Service Fund reserve is \$7.2M higher than projected, \$4.7M in Currently Authorized Project reserves and \$2.5M in Operating and Capital Reserve

THIS PAGE INTENTIONALLY LEFT BLANK