

FY2020-21 Financial Status Update

October 12, 2021

The FY 2020-21 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. 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/>.

1. Financial Status

- Cash & Investments
- Debt Portfolio

2. FY 21 Unaudited Close Status

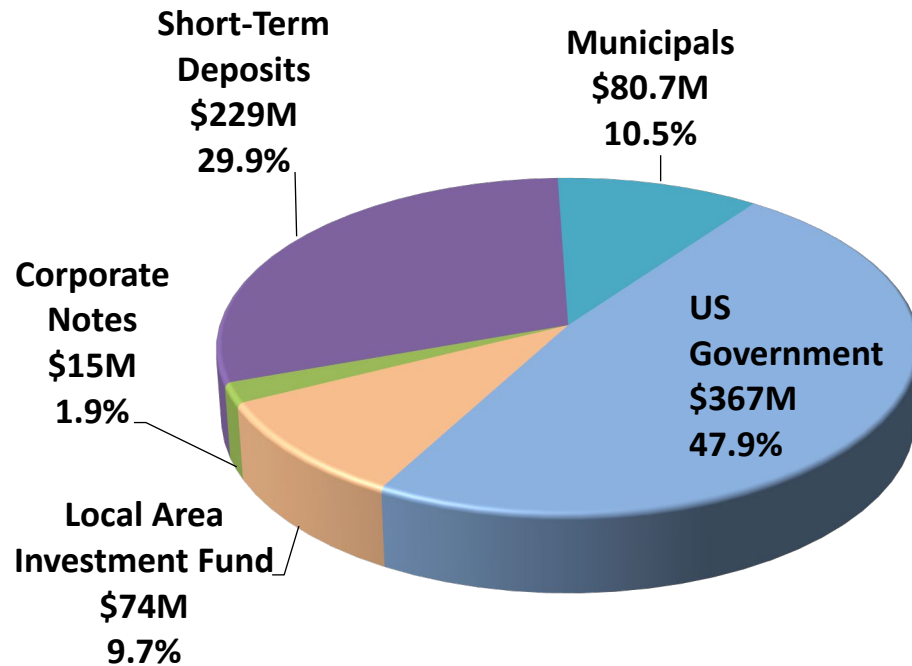
- Revenue
- Operating & Capital Expenditures

3. Back Up Slides – Revenue and Ops & Cap Expenditures by Fund

Financial Status Update – Cash & Investments

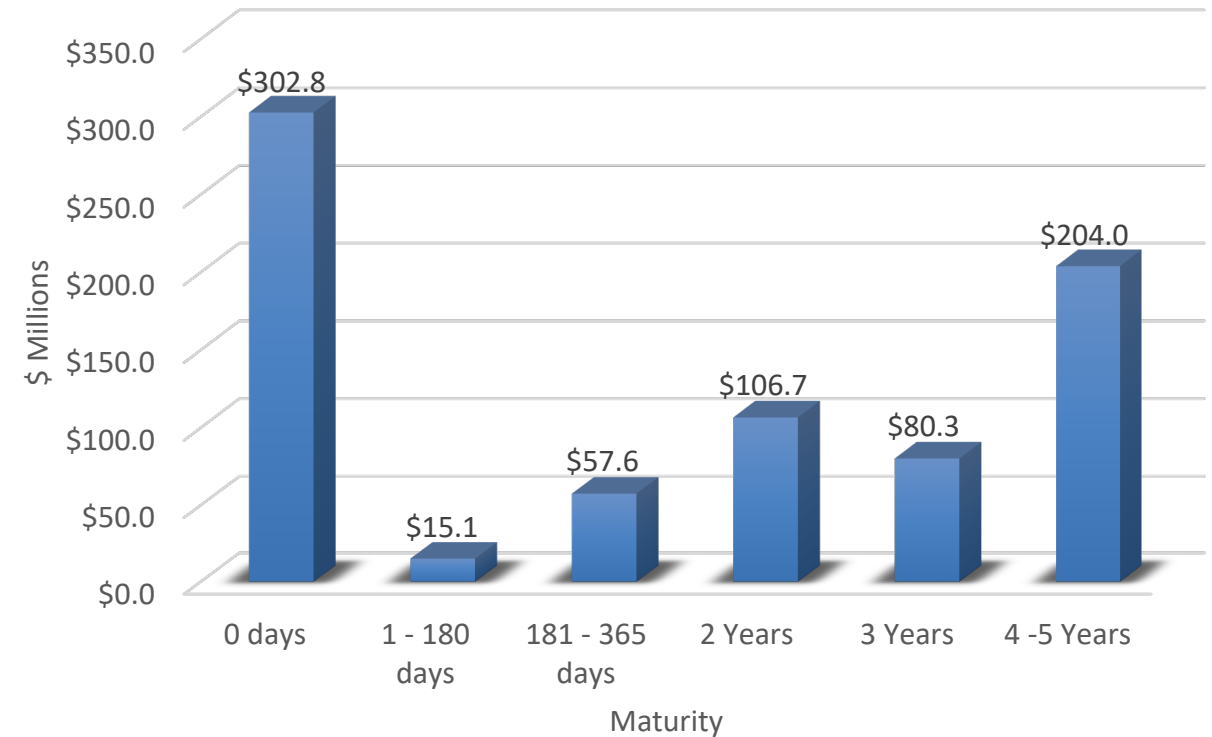
\$375M or 49% of portfolio very liquid (<1-year maturity)

Valley Water Investment Portfolio Composition



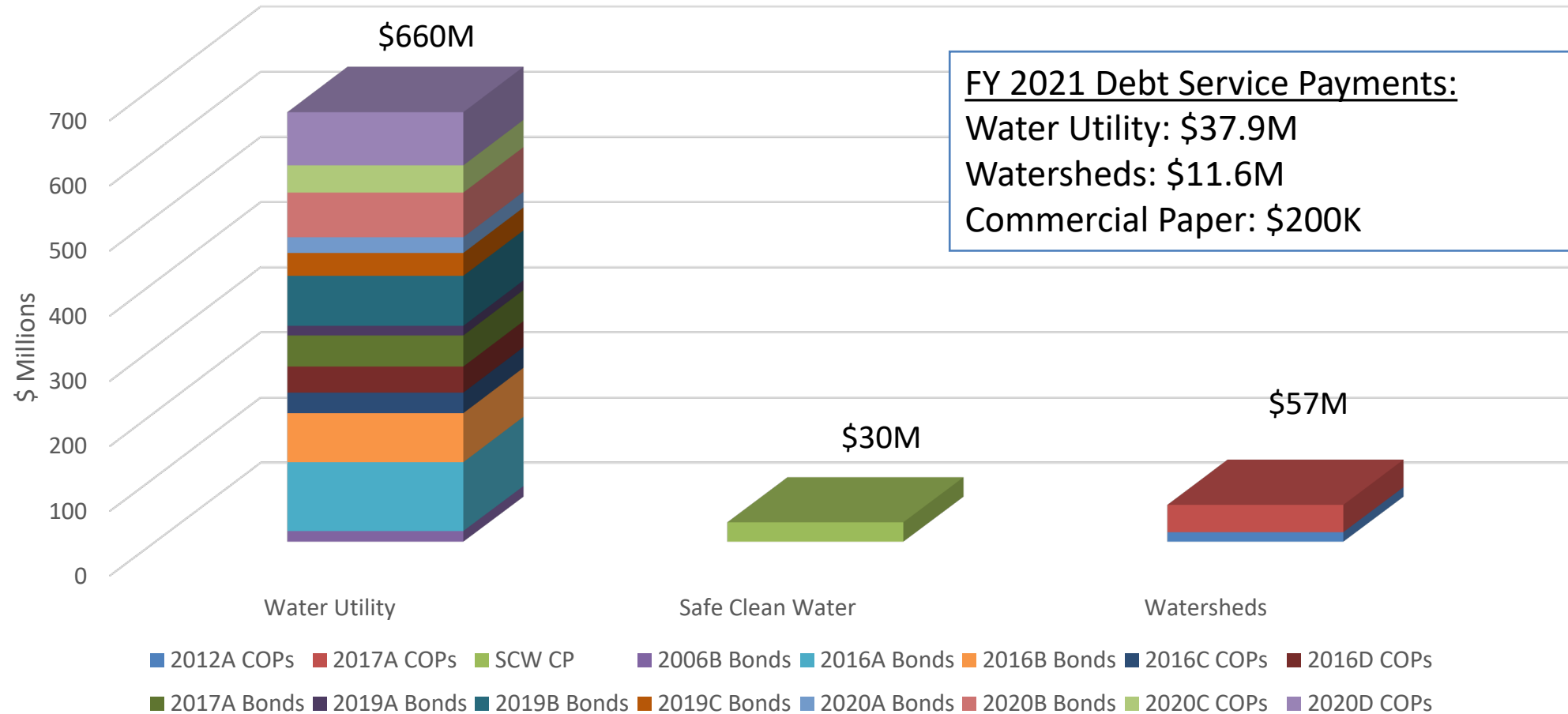
Valley Water Portfolio Book Value as of June 30, 2021: \$766 Million

Valley Water Portfolio Aging Report June 30, 2021 Portfolio Book Value: \$766 Million



Financial Status Update - Outstanding Debt (6/30/2021)

Total Outstanding Debt: \$747 Million



Ample access to cash at low interest rates

\$320M short-term credit facilities

- \$150M Commercial Paper – ongoing program
- \$170M Bank Line of Credit (\$150M Lead + \$20M Small/Local)
 - US Bank Lead (\$150M), Community Bank of the Bay (\$5M), Bank of SF (\$7M), and First Foundation Bank (8M)

FY 2021 Debt Issuance: \$216M Water Utility Series 2020 A/B/C/D

FY 2022 Planned Debt Issuances (~March – May 2022):

- \$100M Safe, Clean Water Program
- \$159M Water Utility

WIFIA Loan Program Update: \$135M SCW + \$1.2B Pacheco

FY 21 Unaudited Close - Revenues

Majority of sources of revenues exceeded budget, except for capital reimbursements

Observations

- FY 21 revenues \$524.6M, 104% of Adj budget.
- 1% Ad Valorem Property Tax and State Water Project Tax higher than budget due to 2021 assessment roll growth in Santa Clara County (leading contributors are changes in ownership and new construction).
- Groundwater production charges \$132.1M or 109% of budget.
- Treated water charges \$154.9M, 113% of the budget due to approximately 24 KAF higher volume consumption.
- Capital Reimbursement \$19.9M or 46% of the budget, due to timing of expenditures vs. grant reimbursement process.
- Interest Income and Other revenue, \$2.7M higher than budget due to higher intergovernmental service in Water Utility Enterprise Fund

(\$ in millions)	FY21 Adj Budget	FY21 Actuals	Over/(Under) Adj Budget	FY21 % Rec'd	FY20 Actuals	FY21 vs FY20
Groundwater Production Charges	\$ 121.1	\$ 132.1	\$ 11.0	109%	\$ 112.6	\$ 19.5
Treated Water Charges	137.4	154.9	17.5	113%	152.6	2.3
Surface/Recycled Water Charges	2.6	2.7	0.1	104%	1.7	1.0
1% Ad-valorem Property Tax	110.9	117.3	6.4	106%	110.6	6.7
Safe Clean Water Special Parcel Tax	45.5	46.1	0.6	101%	46.1	-
Benefit Assessments	12.4	12.4	-	100%	13.4	(1.0)
State Water Project Tax	18.0	21.3	3.3	118%	21.8	(0.5)
Capital Reimbursements	43.6	19.9	(23.7)	46%	33.8	(13.9)
Interest Income & Other	15.2	17.9	2.7	118%	23.9	(6.0)
Total Revenue	\$ 506.7	\$ 524.6	\$ 17.9	104%	\$ 516.5	\$ 8.1

(\$ in millions)	FY21 Adj Budget	FY21 Actuals	Over/(Under) Adj Budget	FY21 % Rec'd	FY20 Actuals	FY21 vs FY20
General Fund	\$ 9.4	\$ 10.0	\$ 0.6	106%	\$ 9.7	\$ 0.3
Watershed & Stream Stewardship Fund	117.8	107.7	(10.1)	91%	114.7	(7.0)
Safe, Clean Water Fund	61.1	56.9	(4.2)	93%	64.4	(7.5)
Water Utility Enterprise Fund	305.5	337.0	31.5	110%	313.3	23.7
Service Funds	0.5	0.6	0.1	120%	1.1	(0.5)
Benefit Assessment Funds	12.4	12.4	-	100%	13.4	(1.0)
Total Revenue	\$ 506.7	\$ 524.6	\$ 17.9	104%	\$ 516.5	\$ 8.1

FY 21 Unaudited Close – Operating Outlays & Capital Expenditures

Operating and Capital expenditures end FY below budgeted levels

Operating

(\$ in millions)	FY21 Adj Budget	FY21 Actuals	Remaining Budget	FY21 % Spent	FY20 Actuals	FY21 vs FY20
General Fund	\$ 69.5	\$ 68.4	1.1	98%	\$ 59.1	\$ 9.3
Watershed & Stream Stewardship Fund	62.6	59.2	3.4	95%	51.7	7.5
Safe, Clean Water Fund	20.5	15.9	4.6	78%	21.1	(5.2)
Water Utility Enterprise Fund	243.1	236.6	6.5	97%	199.5	37.1
Service Funds	31.9	30.6	1.3	96%	23.8	6.8
Benefit Assessment Funds	11.2	11.0	0.2	99%	11.0	-
Total Operating Expenditures	\$ 438.8	\$ 421.7	\$ 17.1	96%	\$ 366.2	\$ 55.5

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

Note 2: FY 21 Actuals column reflects Budgetary basis Actuals, includes actuals and encumbrances as of 06/30/21

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

Capital

(\$ in millions)	FY21 Adj Budget	FY21 Actuals	Remaining Budget	FY21 % Spent	FY20 Actuals	FY21 vs FY20
General Fund	\$ 3.0	\$ 3.3	\$ (0.3)	110%	\$ 1.5	\$ 1.8
Watershed & Stream Stewardship Fund	87.4	63.5	23.9	73%	19.0	44.5
Safe, Clean Water Fund	127.0	71.7	55.3	56%	70.9	0.8
Water Utility Enterprise Fund	210.2	136.0	74.2	65%	132.2	3.8
Service Funds	18.7	9.7	9.0	52%	11.3	(1.6)
Total Capital Expenditures	\$ 446.3	\$ 284.2	\$ 162.1	64%	\$ 234.9	\$ 49.3

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

Note 2: Budgetary basis Actuals includes actuals and encumbrances as of 06/30/21

Observations

- FY 21 Operating Expenditures of \$421.7M or 96% of Budget
- SCW Fund \$4.6M below budget due to impact of COVID 19 on project schedules (pending execution for grants projects, CDC restrictions on Encampment Cleanup / suspended activities in the Impaired Water Bodies Improvements project).
- Water Utility Enterprise Fund savings of \$6.5M primarily due to savings in training, travel and debt service expenses.
- FY 21 Capital Expenditures of \$284.2M or 64% of the Adj Budget, lower spending primarily due to project schedule changes and project delays.

Back Up Slides

FY 21 Unaudited Revenue and Expenditures – General Fund

Revenue

(\$ in millions)	FY21 Adj Budget	FY21 Actuals	Over/(Under) Adj Budget	FY21 % Rec'd	FY20 Actuals	FY21 vs FY20
Property Tax	\$ 9.2	\$ 9.8	\$ 0.6	107%	\$ 9.2	\$ 0.6
Interest Income	0.2	0.1	(0.1)	59%	0.4	(0.3)
Other	-	0.1	0.1	-	0.1	-
Total Revenue	\$ 9.4	\$ 10.0	\$ 0.6	106%	\$ 9.7	\$ 0.3

Total Outlays

(\$ in millions)	FY21 Adj Budget	FY21 Actuals	Remaining Budget	FY21 % Spent	FY20 Actuals	FY21 vs FY20
Operations	\$ 69.0	\$ 67.9	1.1	98%	\$ 58.6	\$ 9.3
Debt Service	0.5	0.5	-	100%	0.5	-
Operating Outlays	\$ 69.5	\$ 68.4	\$ 1.1	98%	59.1	9.3
Capital Projects	3.0	3.3	(0.3)	110%	1.5	1.8
Capital Outlays	3.0	3.3	(0.3)	110%	1.5	1.8
Total Outlays	\$ 72.5	\$ 71.7	\$ 0.8	99%	\$ 60.6	\$ 11.1

Observations

- General Fund FY 21 Operating Capital budget expenditures on target

FY 21 Unaudited Revenue and Expenditures – Service Funds

Revenue

(\$ in millions)	FY21 Adj Budget	FY21 Actuals	Over/(Under) Adj Budget	FY21 % Rec'd	FY20 Actuals	FY21 vs FY20
Interest Income	0.4	0.5	0.1	123%	0.8	(0.3)
Non-Operating Other	0.1	0.1	-	100%	0.3	(0.2)
Total Revenue	\$ 0.5	\$ 0.6	\$ 0.1	120%	\$ 1.1	\$ (0.5)

Total Outlays

(\$ in millions)	FY21 Adj Budget	FY21 Actuals	Remaining Budget	FY21 % Spent	FY20 Actuals	FY21 vs FY20
Operations	\$ 31.6	\$ 30.4	1.2	96%	\$ 22.7	\$ 7.7
Operating Project	0.3	0.2	0.1	67%	1.1	(0.9)
Operating Outlays	\$ 31.9	\$ 30.6	\$ 1.3	96%	23.8	6.8
Capital Projects	18.7	9.7	9.0	52%	11.3	(1.6)
Capital Outlays	18.7	9.7	9.0	52%	11.3	(1.6)
Total Outlays	\$ 50.6	\$ 40.3	\$ 10.3	80%	\$ 35.1	\$ 5.2

Observations

- Operations savings \$1.3M due to vacant position salary savings and lower vehicle maintenance expenses
- Capital projects outlays \$9.0M lower than Budget due to purchase delay of network equipment (global microprocessors/computer chip shortage) and several unplanned high priority tasks (cybersecurity) affected IT's ability to carry out computer refresh and software upgrades

FY 21 Unaudited Revenue & Expenditures – Watershed & Stream Stewardship Fund

Revenue

(\$ in millions)	FY21 Adj Budget	FY21 Actuals	Over/(Under) Adj Budget	FY21 % Rec'd	FY20 Actuals	FY21 vs FY20
Property Tax	\$ 93.5	\$ 98.6	\$ 5.1	105%	\$ 93.1	\$ 5.5
Intergovernmental Services	-	-	-	-	0.5	(0.5)
Interest Income	2.6	2.0	(0.6)	77%	3.1	(1.1)
Capital Reimbursements	20.1	5.0	(15.1)	25%	15.2	(10.3)
Other	1.6	2.1	0.5	131%	2.8	(0.7)
Total Revenue	\$ 117.8	\$ 107.7	\$ (10.1)	91%	\$ 114.7	\$ (7.0)

Total Outlays

(\$ in millions)	FY21 Adj Budget	FY21 Actuals	Remaining Budget	FY21 % Spent	FY20 Actuals	FY21 vs FY20
Operations	\$ 59.8	\$ 57.7	2.1	96%	\$ 50.2	\$ 7.5
Operating Project	2.8	1.5	1.3	54%	1.4	0.1
Operating Outlays	\$ 62.6	\$ 59.2	\$ 3.4	95%	51.7	7.5
Capital Projects	87.4	63.5	23.9	73%	19.0	44.5
Capital Outlays	87.4	63.5	23.9	73%	19.0	44.5
Total Outlays	\$ 150.0	\$ 122.7	\$ 27.3	82%	\$ 70.7	\$ 52.0

Observations

- Property Tax higher than budgeted due to the 2021 growth in property assessed values (changes in ownership and new construction)
- Capital Reimbursements \$15.1M less than budget primarily due to reimbursements for the SFBRA Measure AA Grant for the SF Bay Shoreline project that have been partially collected and are still in process.
- Capital Outlays are \$23.9M lower due to:
 - Updated project schedule for Calabazas Creek Bank Repair Project (\$8.4M), which shifts remaining funds to FY 22;
 - Encumbrance of construction costs (awarded during the 5/25/21 Board Meeting) in FY22 instead of FY 21 for the Lower Berryessa Creek project (\$9.9M)
 - Project delays in the Lower Silver project (\$2.0M)

FY 21 Unaudited Revenue & Expenditures– Safe, Clean Water Fund

Revenue

(\$ in millions)	FY21 Adj Budget	FY21 Actuals	Over/(Under) Adj Budget	FY21 % Rec'd	FY20 Actuals	FY21 vs FY20
Special Parcel Tax	\$ 45.5	\$ 46.1	\$ 0.6	101%	\$ 46.1	-
Interest Income	3.4	2.0	(1.4)	60%	3.6	(1.6)
Capital Reimbursements	12.2	8.5	(3.7)	70%	14.3	(5.8)
Other	-	0.3	0.3	-	0.4	(0.1)
Total Revenue	\$ 61.1	\$ 56.9	\$ (4.2)	93%	\$ 64.4	\$ (7.5)

Total Outlays

(\$ in millions)	FY21 Adj Budget	FY21 Actuals	Remaining Budget	FY21 % Spent	FY20 Actuals	FY21 vs FY20
Operations	\$ 16.3	\$ 13.4	2.9	82%	\$ 11.5	\$ 1.9
Operating Project	2.5	1.6	0.8	65%	9.0	(7.4)
Debt Service	1.7	0.9	0.8	53%	0.6	0.3
Operating Outlays	\$ 20.5	\$ 15.9	\$ 4.6	78%	21.1	(5.2)
Capital Projects	127.0	71.7	55.3	56%	70.9	0.8
Capital Outlays	127.0	71.7	55.3	56%	70.9	0.8
Total Outlays	\$ 147.5	\$ 87.6	\$ 59.9	59%	\$ 92.0	\$ (4.4)

Observations

- Capital Reimbursements \$3.7M less than budgeted primarily due to reimbursements from state subventions that are partially collected and still in process for the Llagas Creek project.
- Operations outlays savings primarily due to impact of COVID on projects (ie: agreements pending execution for grant projects; CDC restrictions Encampment Cleanup project; suspended activities in the Impaired Water Bodies project), and permitting challenges related to the Uvas Creek Fish Habitat Improvement project;
- Capital Outlays are \$55.3M lower due to:
 - Project delays for the Sunnyvale East & West project(\$17.3M) and Upper Penitencia Creek Project(\$6.6M) and Upper Guadalupe River project (\$6.9M);
 - Reimbursements pending to USACE for the Berryessa Calaveras Project (\$12.2M)

FY 21 Unaudited Revenue and Expenditures – Benefit Assessment Funds

Revenue

(\$ in millions)	FY21 Adj Budget	FY21 Actuals	Over/(Under) Adj Budget	FY21 % Rec'd	FY20 Actuals	FY21 vs FY20
Lower Peninsula Watershed	\$ 2.7	\$ 2.7	\$ -	100%	\$ 2.7	\$ -
West Valley Watershed	2.0	2.0	-	100%	2.3	(0.3)
Guadalupe Watershed	4.0	4.0	-	100%	4.5	(0.5)
Coyote Watershed	3.7	3.7	-	100%	3.9	(0.2)
Total Revenue	\$ 12.4	\$ 12.4	\$ -	100%	\$ 13.4	\$ (1.0)

Total Outlays

(\$ in millions)	FY21 Adj Budget	FY21 Actuals	Remaining Budget	FY21 % Spent	FY20 Actuals	FY21 vs FY20
Debt Service	11.2	11.0	0.2	99%	11.0	-
Total Outlays	\$ 11.2	\$ 11.0	\$ 0.2	99%	\$ 11.0	\$ -

Observations

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

FY 21 Unaudited Revenue and Expenditures – Water Utility Enterprise Fund

Revenue

(\$ in millions)	FY21 Adj Budget	FY21 Actuals	Over/(Under) Adj Budget	FY21 % Rec'd	FY20 Actuals	FY21 vs FY20
Groundwater Charges	\$ 121.1	\$ 132.1	\$ 11.0	109%	\$ 112.6	\$ 19.5
Treated Water Charges	137.4	154.9	17.5	113%	152.6	2.3
Surface/Recycled Water Charge	2.6	2.7	0.1	104%	1.7	1.0
Intergovernmental Services	1.2	4.0	2.8	323%	3.7	0.3
Property Tax	26.2	30.3	4.1	116%	30.2	0.1
Capital Reimbursements	11.4	6.4	(5.0)	56%	4.3	2.1
Interest Income	3.5	4.1	0.6	117%	5.5	(1.4)
Other	2.1	2.5	0.4	119%	2.7	(0.2)
Total Revenue	\$ 305.5	\$ 337.0	\$ 31.5	110%	\$ 313.3	\$ 23.7

Total Outlays

(\$ in millions)	FY21 Adj Budget	FY21 Actuals	Remaining Budget	FY21 % Spent	FY20 Actuals	FY21 vs FY20
Operations	\$ 201.4	\$ 197.3	4.1	98%	\$ 165.1	\$ 32.2
Operating Project	0.3	0.3	0.0	95%	0.2	0.1
Debt Service	41.4	39.0	2.4	94%	34.2	4.8
Operating Outlays	\$ 243.1	\$ 236.6	\$ 6.5	97%	199.5	37.1
Capital Projects	210.2	136.0	74.2	65%	132.2	3.8
Capital Outlays	210.2	136.0	74.2	65%	132.2	3.8
Total Outlays	\$ 453.3	\$ 372.6	\$ 80.7	82%	\$ 331.7	\$ 40.9

Observations

Revenue:

- Treated/Groundwater Revenue higher than budget due to approximately 24 KAF volume higher consumption
- Capital Reimbursements shortfall primarily due to delays in Pacheco and So. Co. Recycled Water Pipeline reimbursements

Operations:

- \$2.0M unspent administrative support primarily in training
- \$1.1M unspent for Dams/Reservoir General Maintenance due to delayed lower access road availability at Lenihan Dam
- \$2.4M debt service savings due to lower than anticipated interest costs

Capital:

- \$24.3M due to Pacheco contract scope and schedule changes
- \$10.7M Rinconada Residuals Remediation Construction contract awarded in July 2021 rather than June 2021
- \$8.9M due to So. Co. Recycled Water Pipeline Short-Term 1B project schedule delays
- \$5.2M delays to 10-Year Pipeline project due to drought impact on District-wide shut down schedule
- \$25.1M due to variances across 54 project budgets

FY 21 Year-end Reserve Balances (unaudited)

FY21 Actual Reserve Balances higher than projected

(\$ in millions)	FY20 Actual	FY21 Projected	FY21 Year-end Actuals	FY21 Year-end vs. Projected
Restricted Reserves				
Safe Clean Water Fund	\$ 153.4	\$ 105.2	\$ 132.4	27.2
Water Utility Enterprise Fund	81.6	63.8	72.1	8.3
Restricted Subtotal	\$ 235.0	\$ 169.0	\$ 204.5	\$ 35.5
Committed Reserves				
General Fund	\$ 8.2	\$ 5.8	\$ 7.1	1.3
Watershed & Stream Stewardship Fund	161.6	92.6	131.5	38.9
Water Utility Enterprise Fund	86.8	141.1	224.6	83.5
Service Funds	27.0	18.8	28.2	9.4
Committed Subtotal	\$ 283.6	\$ 258.3	\$ 391.4	\$ 133.1
Total Reserves	\$ 518.6	\$ 427.3	\$ 595.9	\$ 168.6

Observations

- Overall, FY21 actual reserve balance at year-end, 595.9M. \$168.6M higher than FY 21 projected year-end balance.
- Safe Clean Water Fund Reserve: \$27.2M higher, primarily due to lower actual capital expenditures.
- Watershed & Stream Stewardship Fund Reserve: \$38.9M higher, primarily due to actual FY21 expenditures for the San Francisco Bay Shoreline Project less than projected spending in FY 21 by \$37.2M.
- Water Utility Enterprise Fund Reserve: \$91.8M higher than projection (Water Revenue higher than projection by \$28.0M, Lower than anticipated capital expenditures \$57.1M)
- Service Fund Reserve: \$9.4M higher, primary due to actual capital expenditures less than projection by \$8.9M.

QUESTIONS