

Board Administrative Committee

March 7, 2019

SUBJECT:

Financial Operating and Capital Highlights Through the Second Quarter of Fiscal Year 2018-19

BACKGROUND:

We are pleased to present the financial operating and capital highlights for the second quarter of Fiscal Year 2018-19, period ending December 31, 2018. Some notable highlights include:

- Overall, consolidated enterprise results were favorable to budget:
 - Consolidated Enterprise operating revenue was above budget by 7.2 percent, with total operating expenses below budget by 2.0 percent.
 - Net Operating Margin exceeded budget by \$30.4 million.

- Water system revenue was above target:
 - Domestic water sales were 4,598 acre-feet (AF) or 12.2 percent above budget.
 - Total water revenues were \$78.8 million, which was \$7.9 million or 11.1 percent above budget.
 - Acre-feet sales exceeded budget by 4,598 AF due to warmer Fall weather and growth; with per-capita usage still 20% below 2013 levels (123 gpcd)
 - Operating costs were \$66.3 million, which was \$2.7 million or 4.2 percent above budget. Purchased water costs were higher due to increased demands; purchase of 5,500 acre feet Carry-Over credit for replenishment from the City of San Jacinto, at \$3.4 million.
 - Net operating revenue to fund capital commitments was \$12.6 million, which was \$5.2 million above budget.

- Wastewater system net operating revenue was above target:
 - Revenues were \$49.5 million, which was \$1.0 million or 2.0 percent above budget.
 - Operating expenses were \$27.0 million, which was \$4.3 million or 13.8 percent below budget. Temporary postponement of the hypochlorite system implementations at the San Jacinto and Perris Valley RWRFs resulted in lower chemical/hypochlorite costs.
 - Net operating revenue to fund capital commitments was \$22.5 million, which was \$5.3 million above budget.

- Recycled system net operating revenue was above target:
 - Revenues were \$5.4 million, which was 2.1 percent above budget.
 - Operating expenses were \$3.1 million which was \$0.4 million below budget.
 - Net operating revenue to fund capital commitments was \$2.3 million, which was \$0.5 million above budget.

- Connection fees for 4,683 EDU/EMS through the second quarter were higher than the 2,829 EDU/EMS from the same time period last year, and were above the budgeted connection fee revenues by \$22.1 million or 55.5 percent.

Attached for the Board's review is a staff report (Exhibit A) providing data and analysis of the District's financial and capital position through the second quarter of Fiscal Year 2018-19. The report includes a consolidated enterprise summary, an operating services summary, and a summary of capital expenditures for the second quarter of Fiscal Year 2018-19. Attached is a presentation of the operating and financial highlights (Exhibit B) along with a presentation on the Capital Improvement Program (CIP) activities.

FINANCIAL IMPACT:

As noted herein.

STRATEGIC PLANNING GOAL/OBJECTIVE:

Ensure financial stability and demonstrate responsible stewardship of public funds.

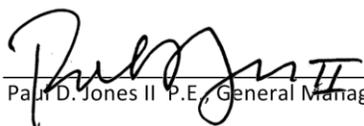
ENVIRONMENTAL IMPACT:

None

RECOMMENDATION:

Receive and file this report.

SUBMITTED BY:


Paul D. Jones II, P.E., General Manager

3/1/2019


Laura Nomura, Deputy General Manager

2/28/2019

Attachment(s):

Exhibit A - 2nd Quarter Fiscal Year 2018-19 Financial and Operating Highlights Report
Presentation - Financial and Operating Highlights

Presentation - Capital Improvement Program Highlights

03/20/19 Board Meeting

Staff Contact: Charles Turner, Gary Molin