

**Board Administrative Committee
June 6, 2019**

SUBJECT:

Financial Operating and Capital Highlights through the Third Quarter of Fiscal Year 2018-19

BACKGROUND:

We are pleased to present the financial operating and capital highlights for the third quarter of Fiscal Year 2018-19, period ending March 31, 2019. Some notable highlights include:

- Overall, consolidated enterprise results were favorable to budget:
 - Consolidated Enterprise operating revenue was above budget by 2.8 percent, with total operating expenses below budget by 4.8 percent.
 - Net Operating Margin exceeded budget by \$25.1 million.
- Water system revenue was above target:
 - Domestic water sales were 985 acre-feet (AF) or 1.9 percent above budget.
 - Total water revenues were \$101.2 million, which was \$2.6 million or 2.7 percent above budget. Higher than anticipated average water consumption per account was the key driver for the higher revenue.
 - Operating costs were \$87.7 million, which was \$1.5 million or 1.7 percent below budget. Purchased water costs were lower due to high rainfall amounts and diminished demands; this was partially offset by the purchase of 5,500 acre feet Carry-Over credit for replenishment from the City of San Jacinto, at \$3.4 million in December 2018. Additionally, the District's share of settlement water purchased for recharge was 344.9 acre feet at a cost of \$0.2 million for the year-to-date period ending March 31, 2019.
 - Net operating revenue to fund capital commitments was \$13.6 million, which was \$4.1 million above budget.
- Wastewater system net operating revenue was above target:
 - Revenues were \$75.6 million, which was \$2.8 million or 3.9 percent above budget.
 - Operating expenses were \$42.7 million, which was \$5.3 million or 11.0 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 \$32.8 million, which was \$8.1 million above budget.
- Recycled system net operating revenue was above target

- Revenues were \$6.8 million, which was 5.4 percent below budget.
 - Operating expenses were \$5.1 million, which was in line with budget.
 - Net operating revenue to fund capital commitments was \$1.7 million, which was \$0.3 million below budget.
- Connection fees for 6,183 EDU/EMS through the third quarter were higher than the 4,575 EDU/EMS from the same time period last year, and were above the budgeted connection fee revenues by \$11.5 million or 34.8 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 third 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 third quarter of Fiscal Year 2018-19. Also attached is a presentation of the operating and financial highlights.

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

6/4/2019


Laura Nomura, Deputy General Manager

5/30/2019

Attachment(s):

Exhibit A - 3rd Quarter Fiscal Year 2018-19 Financial and Operating Highlights Report
Presentation

06/19/19 Board Meeting

Staff Contact: Charles Turner, Gary Molin