

**Board Administrative Committee
September 5, 2019**

SUBJECT:

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

BACKGROUND:

We are pleased to present the financial operating and capital highlights for the fourth quarter of Fiscal Year 2018-19, period ending June 30, 2019. Some notable highlights include:

- Overall, consolidated enterprise results were favorable to budget:
 - Consolidated Enterprise operating revenue was above budget by 1.8%, with total operating expenses below budget by 5.7%.
 - Net Operating Margin exceeded the budget by \$38.3 million.

- Water system revenue was on target:
 - Domestic water sales were 2,716 acre-feet (AF) or 3.4 percent below budget.
 - Total water revenues were \$132.8 million, which was \$0.2 million or 0.1 percent above budget.
 - Operating costs were \$116.7 million, which was \$5.4 million or 4.5 percent below budget.
 - Net operating revenue to fund capital commitments was \$16.2 million, which was \$5.6 million above budget.

- Wastewater system net operating revenue was above target:
 - Revenues were \$102.0 million, which was \$5.0 million or 5.2 percent above budget.
 - Operating expenses were \$57.3 million, which was \$5.4 million or 8.6 percent below budget. Temporary postponement of the hypochlorite disinfection system implementation at the San Jacinto and Perris Valley RWRFs resulted in lower chemical/hypochlorite costs.
 - Net operating revenue to fund capital commitments was \$44.8 million, which was \$10.4 million above budget.

- Recycled system net operating revenue was below target:

- Revenues were \$9.7 million, which was 7.3 percent below budget. The District sold 25,811 acre feet of recycled water, which was 10,189 acre feet, or 28.3 percent below budget as a result of heavy rains from January through April 2019.
- Operating expenses were \$6.8 million which was in line with budget.
- Net operating revenue to fund capital commitments was \$3.0 million, which was \$0.7 million below budget.

- Connection fees for 7,613 EDU/EMS through the fourth quarter were higher than the 6,796 EDU/EMS from the same time period last year, and were above the budgeted connection fee revenues by \$11.7 million or 26.4 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 fourth 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 fourth quarter of Fiscal Year 2018-19. Attached are presentations of the operating and financial highlights and the capital improvement program.

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

8/27/2019


Laura Nomura, Deputy General Manager

8/23/2019

Attachment(s):

*Exhibit A - Fourth Quarter Fiscal Year 2018-19 Financial and Operating Highlights Report
Presentation - Operating and Financial Highlights for the Fourth Quarter of FY 2018-19*

Presentation - Capital Improvement Program for Fourth Quarter of FY 2018-19

09/18/19 Board Meeting

Staff Contact: Charles Turner