



# FY 2019-20 Financial and Capital Highlights First Quarter

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# Presentation Topics

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- Consolidated Enterprise
- Operating Services
  - Water Service
  - Sewer Service
  - Recycled Service
  - General & Administrative (G&A)
  - Other Statistics
- Capital
- Summary/Conclusion

- Staff prepared a quarterly financial report and accompanying analysis.
- Includes key variances and operational highlights
  - Prior year (FY 2018-19) and year-to-date budget to actual
  - Information for each business service, G&A, and other statistics
- Includes key variances in Capital Program.



# Consolidated Enterprise Summary



# Consolidated Enterprise

REVENUES AND EXPENSES  
Fiscal Year 2019-2020  
Year-to-date ending September 30, 2019

Category	Annual Budget	Fiscal Year-To-Date Actual	Fiscal Year-To-Date Budget	YTD % Variance
<b>Operating Revenue</b>				
Water Service	\$ 149,295,035	\$ 45,351,349	\$ 49,903,071	-9.1%
Wastewater Service	101,881,599	26,381,991	25,470,399	3.6%
Recycled Service	11,102,177	3,785,918	3,552,045	6.6%
<b>Total Operating Revenue</b>	<b>\$ 262,278,811</b>	<b>\$ 75,519,258</b>	<b>\$ 78,925,515</b>	<b>-4.3%</b>
<b>Non-Operating Revenue</b>				
Property Tax & Standby	\$ 41,000,000	\$ 298,233	\$ -	100.0%
Connection & Development Fees	46,992,000	18,026,118	11,748,000	53.4%
Interest Income	11,925,000	2,834,238	2,981,244	-4.9%
Other Income/Grants	6,500,000	2,721,665	1,487,988	82.9%
<b>Total Non-Operating Revenue</b>	<b>\$ 106,417,000</b>	<b>\$ 23,880,255</b>	<b>\$ 16,217,230</b>	<b>47.3%</b>
<b>Total Revenues</b>	<b>\$ 368,695,811</b>	<b>\$ 99,399,513</b>	<b>\$ 95,142,745</b>	<b>4.5%</b>
<b>Operating Expense</b>				
Water Purchases	\$ 75,350,000	\$ 25,979,103	\$ 26,817,163	-3.1%
Water Operations	56,430,491	14,272,569	15,135,126	-5.7%
Wastewater Operations	64,146,909	15,048,272	16,503,380	-8.8%
Recycled Water Operations	7,417,603	1,816,913	1,886,412	-3.7%
<b>Total Operating Expense</b>	<b>\$ 203,345,003</b>	<b>\$ 57,116,857</b>	<b>\$ 60,342,081</b>	<b>-5.3%</b>
<b>Non-Operating Expense</b>				
General & Administrative	\$ 26,908,769	\$ 4,756,287	\$ 7,412,957	-35.8%
Miscellaneous Expense	1,000,000	32,160	249,999	-87.1%
Special Projects & Studies	3,975,000	257,587	993,750	-74.1%
C.O.P./Bond Debt Expense	58,402,000	20,020,687	23,078,000	-13.2%
<b>Total Non-Operating Expense</b>	<b>\$ 90,285,769</b>	<b>\$ 25,066,720</b>	<b>\$ 31,734,706</b>	<b>-21.0%</b>
<b>Other Commitments</b>				
Other Post-Employment Benefits	18,000,000	18,000,000	18,000,000	0.0%
<b>Total Other Commitments</b>	<b>\$ 18,000,000</b>	<b>\$ 18,000,000</b>	<b>\$ 18,000,000</b>	<b>0.0%</b>
<b>Total Expenses</b>	<b>\$ 311,630,772</b>	<b>\$ 100,193,578</b>	<b>\$ 110,076,787</b>	<b>9.0%</b>
<b>Net Operating Margin</b>	<b>\$ 57,065,039</b>	<b>\$ (784,065)</b>	<b>\$ (14,934,042)</b>	<b>-94.7%</b>
<b>Capital Commitments</b>				
Operating Fixed Assets	\$ 30,164,764	\$ 3,275,269	\$ 7,541,191	-56.6%
Capital Improvement Plan (CIP)	70,899,500	18,755,131	17,724,875	5.8%
<b>Total Capital Commitments</b>	<b>\$ 101,064,264</b>	<b>\$ 22,030,400</b>	<b>\$ 25,266,066</b>	<b>-12.8%</b>
Less: Contribution from Net Operating Margin	\$ (57,065,039)	\$ 784,065	\$ 14,934,042	-94.7%
Less: Contribution from Debt/Reserves	(43,999,225)	(22,814,465)	(40,200,108)	-43.2%
<b>Net</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>TOTAL EXPENDITURES</b>	<b>\$ 412,695,036</b>	<b>\$ 122,213,977</b>	<b>\$ 135,342,853</b>	<b>-9.7%</b>

## Highlights:

- Overall, Consolidated revenues exceeded budget by 4.5%, with expenses 9.0% below budget.
- Water Service revenue was lower than budget by 9.1% due to acre feet sales less than budget by 6.5%.
- Connection fees for 2,105 EDU/EMS through Q1 were \$6.3 million higher than budget.
- Total Operating Expense of \$57.1 million was under budget by 5.3%.
- Net Operating Margin exceeded budget by \$14.2 million.





# Operating Services Summary



# Water Service

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## Summary:

- 29,346 acre-feet (AF) sold
  - 6.5% below budget
- Revenue was 9.1% below budget
- Total operating costs were \$40.3 million or 4.1% below budget.
- **Net Operating Revenue to Fund Capital Commitments was \$2.9 million lower than budget, and \$2.9 million lower than previous year, at \$5.1 million.**

## Highlights/Key Variances:

### **Higher Sales:**

- Domestic water sales were \$1.2 million below budget
  - Acre feet sales exceeded budget by 887 AF
- Agricultural water sales were \$3.3 million below budget
  - Acre feet sales below budget by 2,917 AF

### **Lower Purchased Water Costs:**

- Purchased water costs were \$2.2 million lower than budget.

# Water Service (continued)

<b>Water Service</b>							
(Year To Date)							
(in thousands)	SEP FY 18-19	SEP FY 19-20		SEP FY 19-20 Actual vs Budget		Actual SEP FY 19-20 vs SEP FY 18-19	
<b>Water Revenues:</b>	Actual	Actual	Budget	\$ Variance	% Variance	\$ Variance	% Variance
Domestic Water	\$34,126	<b>\$35,475</b>	\$37,335	(\$1,860)	(5.0%)	\$1,349	4.0%
Domestic demand	8,032	<b>9,096</b>	8,481	615	7.3%	1,064	13.2%
Irrigation	2,863	<b>758</b>	4,065	(3,306)	(81.3%)	(2,104)	(73.5%)
Irrigation demand	20	<b>22</b>	23	(1)	(2.3%)	2	11.1%
<b>Total Water Revenues</b>	<b>\$45,040</b>	<b>\$45,351</b>	\$49,903	(\$4,552)	<b>(9.1%)</b>	\$311	<b>0.7%</b>
<b>Operating Costs:</b>							
Purchased Water	\$22,851	<b>\$24,218</b>	\$26,441	(\$2,223)	(8.4%)	\$1,367	6.0%
Purchased Replenishment Water	0	<b>1,761</b>	376	1,385	368.4%	1,761	
Groundwater O&M	25	<b>144</b>	184	(40)	(21.7%)	119	465.2%
Operations & Maintenance	4,976	<b>4,263</b>	5,078	(815)	(16.1%)	(713)	(14.3%)
Energy	2,493	<b>2,739</b>	2,651	89	3.3%	246	9.9%
Allocated Support Costs	5,170	<b>5,482</b>	6,004	(523)	(8.7%)	312	6.0%
Gen & Admin Allocation	1,551	<b>1,644</b>	1,217	427	35.0%	93	6.0%
<b>Total Operating Costs</b>	<b>\$37,067</b>	<b>\$40,252</b>	\$41,952	(\$1,701)	<b>(4.1%)</b>	\$3,185	<b>8.6%</b>
<b>Net Operating Revenue to Fund Capital Commitments</b>	<b>\$7,973</b>	<b>\$5,100</b>	\$7,951	-\$2,851	-35.9%	-\$2,872	-36.0%



# Wastewater Service

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## Summary:

- Treatment flows were 43.6 million gallons per day (MGD), lower than budget of 44.0 MGD.
- Wastewater revenue was \$26.4 million, and \$0.9 million or 3.6% above budget.
- Operating costs were \$1.5 million or 8.8% below budget.
- **Net Operating Revenue to Fund Capital Commitments was \$2.4 million above budget and \$0.2 million above prior year, at \$11.3 million.**

## Highlights/Key Variances:

- Lower Chemical and Disinfection chemical costs.
- SCQAMD operating and quarterly emission fees higher than budget during the quarter. Annual expenditure expected to be within budget.



# Wastewater Service (continued)

<b>Wastewater Service</b>							
(Year To Date)							
(in thousands)	SEP FY 18-19	SEP FY 19-20		SEP FY 19-20 Actual vs Budget		Actual SEP FY 19-20 vs SEP FY 18-19	
Wastewater Revenues:	Actual	Actual	Budget	\$ Variance	% Variance	\$ Variance	% Variance
Wastewater Service	\$17,228	<b>\$18,555</b>	\$17,419	\$1,136	6.5%	\$1,327	7.7%
Outside Sewer Collections	7,220	<b>7,568</b>	7,888	(320)	(4.1%)	348	4.8%
Dump Stations	239	<b>259</b>	163	96	58.5%	21	8.6%
<b>Total Wastewater Revenues</b>	<b>\$24,687</b>	<b>\$26,382</b>	\$25,470	\$912	<b>3.6%</b>	\$1,695	<b>6.9%</b>
<b>Operating Costs:</b>							
Recycled Disposal	\$648	<b>\$692</b>	\$768	(\$76)	(9.9%)	\$43	6.7%
Collect/Lift	1,098	<b>1,081</b>	1,395	(314)	(22.5%)	(18)	(1.6%)
Treatment	5,165	<b>5,740</b>	6,916	(1,177)	(17.0%)	575	11.1%
Energy	1,354	<b>1,827</b>	1,359	468	34.4%	473	35.0%
Sludge Hauling	533	<b>516</b>	578	(61)	(10.6%)	(16)	(3.1%)
Allocated Support Costs	2,695	<b>2,931</b>	3,227	(296)	(9.2%)	236	8.8%
Gen & Admin Allocation	2,120	<b>2,262</b>	2,261	1	0.0%	141	6.7%
<b>Total Operating Costs</b>	<b>\$13,613</b>	<b>\$15,048</b>	\$16,503	(\$1,455)	<b>(8.8%)</b>	\$1,435	<b>10.5%</b>
<b>Net Operating Revenue to Fund Capital Commitments</b>	<b>\$11,074</b>	<b>\$11,334</b>	\$8,967	\$2,367	26.4%	\$261	2.4%



# Recycled Service

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## Summary:

- 12,652 AF sold
  - 16.7% below budget and 16.2% above prior year
- Revenue was 6.6% above budget.
- Operating costs were in line with budget at \$1.8 million.
- **Net Operating Revenue to Fund Capital Commitments was \$0.3 million above budget and \$0.2 million above prior year, at \$2.0 million.**

## Highlights/Key Variances:

- Major Unplanned Maintenance & Repair of 24" pipeline leak in Temecula of \$57,100.

# Recycled Service (continued)

<b>Recycled Water Service</b>							
(Year To Date)							
(in thousands)	SEP FY 18-19	SEP FY 19-20		SEP FY 19-20 Actual vs Budget		Actual SEP FY 19-20 vs SEP FY 18-19	
	Actual	Actual	Budget	\$ Variance	% Variance	\$ Variance	% Variance
<b>Recycled Water Revenues:</b>							
Recycled Sales	\$2,580	<b>\$2,953</b>	\$2,696	\$257	9.5%	\$373	14.5%
Recycled Demand	112	<b>130</b>	87	43	48.6%	18	16.2%
Recycled-Groundwater	-	-	-	-	-	-	-
Recovery Projects	2	<b>11</b>	19	(8)	(39.8%)	9	375.1%
From Wastewater Customers	648	<b>692</b>	750	(58)	(7.8%)	43	6.7%
<b>Total Recycled Revenues</b>	<b>\$3,342</b>	<b>\$3,786</b>	\$3,552	\$234	<b>6.6%</b>	\$444	<b>13.3%</b>
<b>Operating Costs:</b>							
Purchased Water	\$ -	\$ -	\$ -	\$ -	-	\$ -	-
Transmission	168	<b>291</b>	292	(0)	(0.1%)	\$124	73.7%
Pumping	157	<b>181</b>	161	20	12.5%	24	15.4%
Energy	296	<b>324</b>	255	68	26.8%	27	9.2%
Storage	102	<b>124</b>	209	(86)	(41.0%)	22	21.5%
Allocated Support Costs	838	<b>898</b>	970	(72)	(7.4%)	60	7.1%
<b>Total Operating Costs</b>	<b>\$1,560</b>	<b>\$1,817</b>	\$1,886	(\$69)	<b>(3.7%)</b>	\$256	<b>16.4%</b>
<b>Net Operating Revenue to Fund Capital Commitments</b>	<b>\$1,782</b>	<b>\$1,969</b>	1,666	\$303	18.2%	\$187	10.5%

# General and Administrative

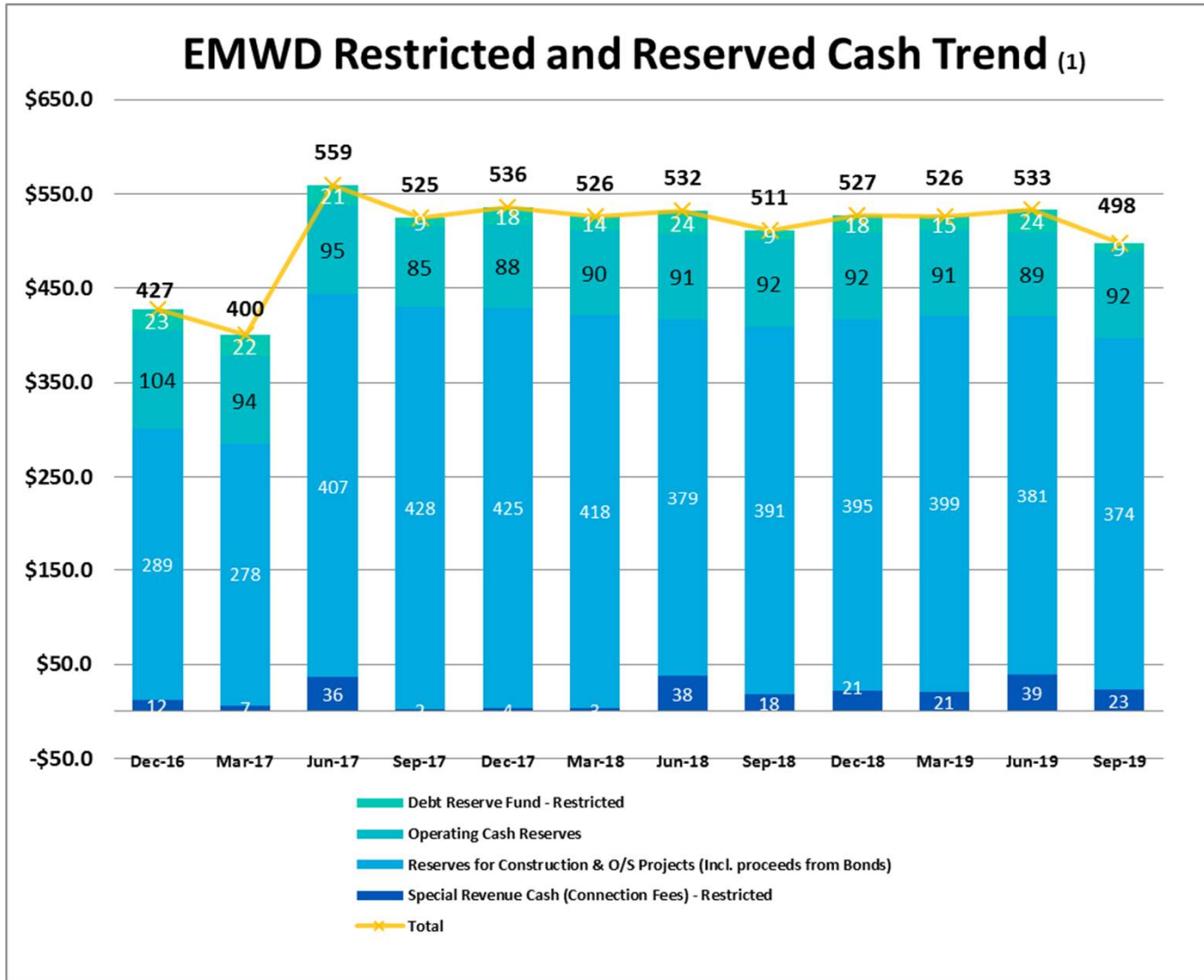
## Highlights / Key Variances: (across all departments)

- Total G&A expenses were \$2.2 million or 20.5% below budget and \$0.3 million or 3.2% below prior year.
  - Outside Service expenditures were below budgeted estimates (~\$0.4 million variance).
  - Labor expense was below budget due to retirements and vacancies (39 vacant positions at end of September 2019).

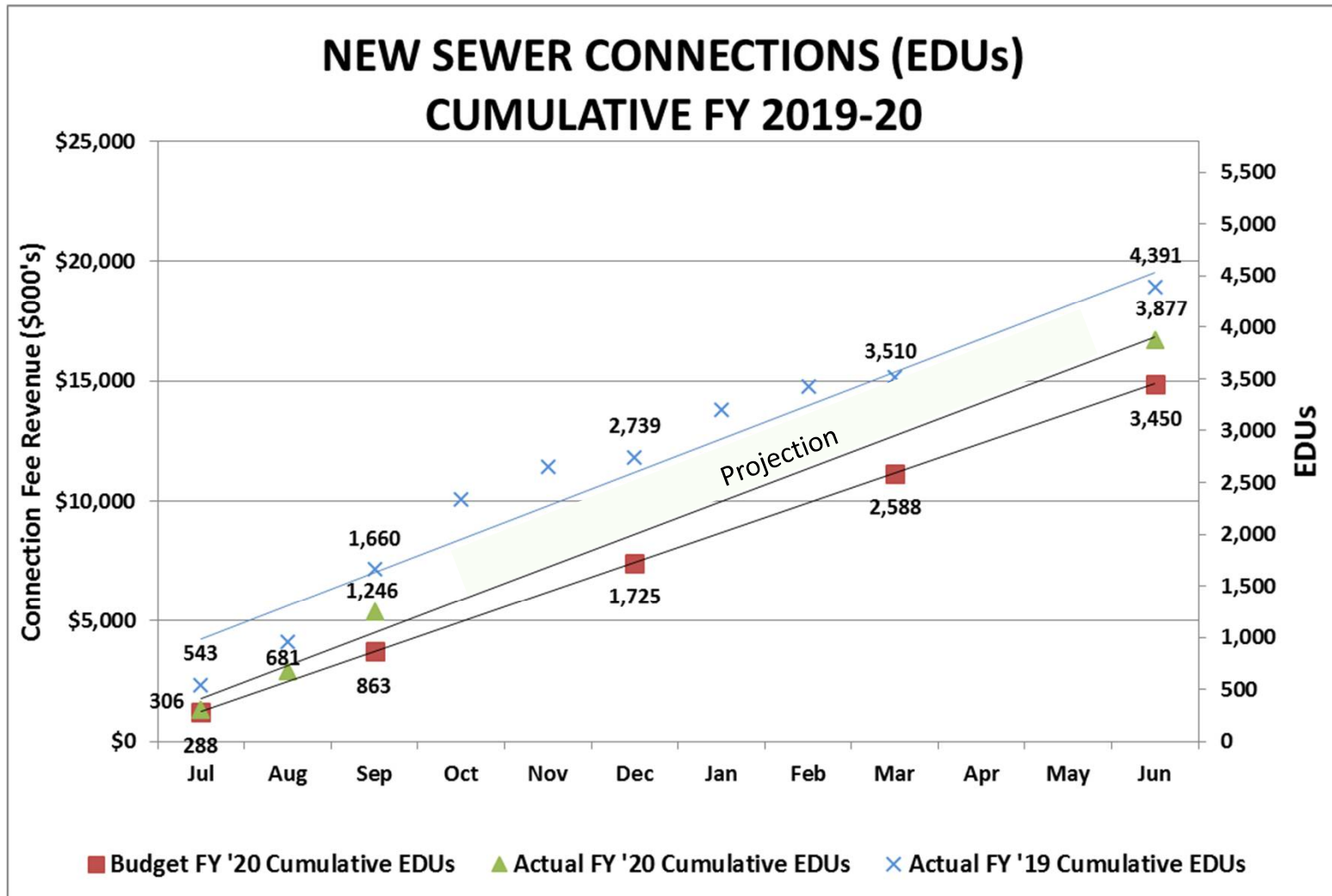
(in thousands) Year to Date	SEP FY 18-19	SEP FY 19-20		SEP FY 19-20 Actual vs Budget		Actual SEP FY20 vs SEP FY19	
	Actual	Actual	Budget	\$ Variance	% Variance	\$ Variance	% Variance
<b>Total G&amp;A</b>	\$8,947	\$8,662	\$10,891	(\$2,229)	(20.5%)	(\$285)	(3.2%)



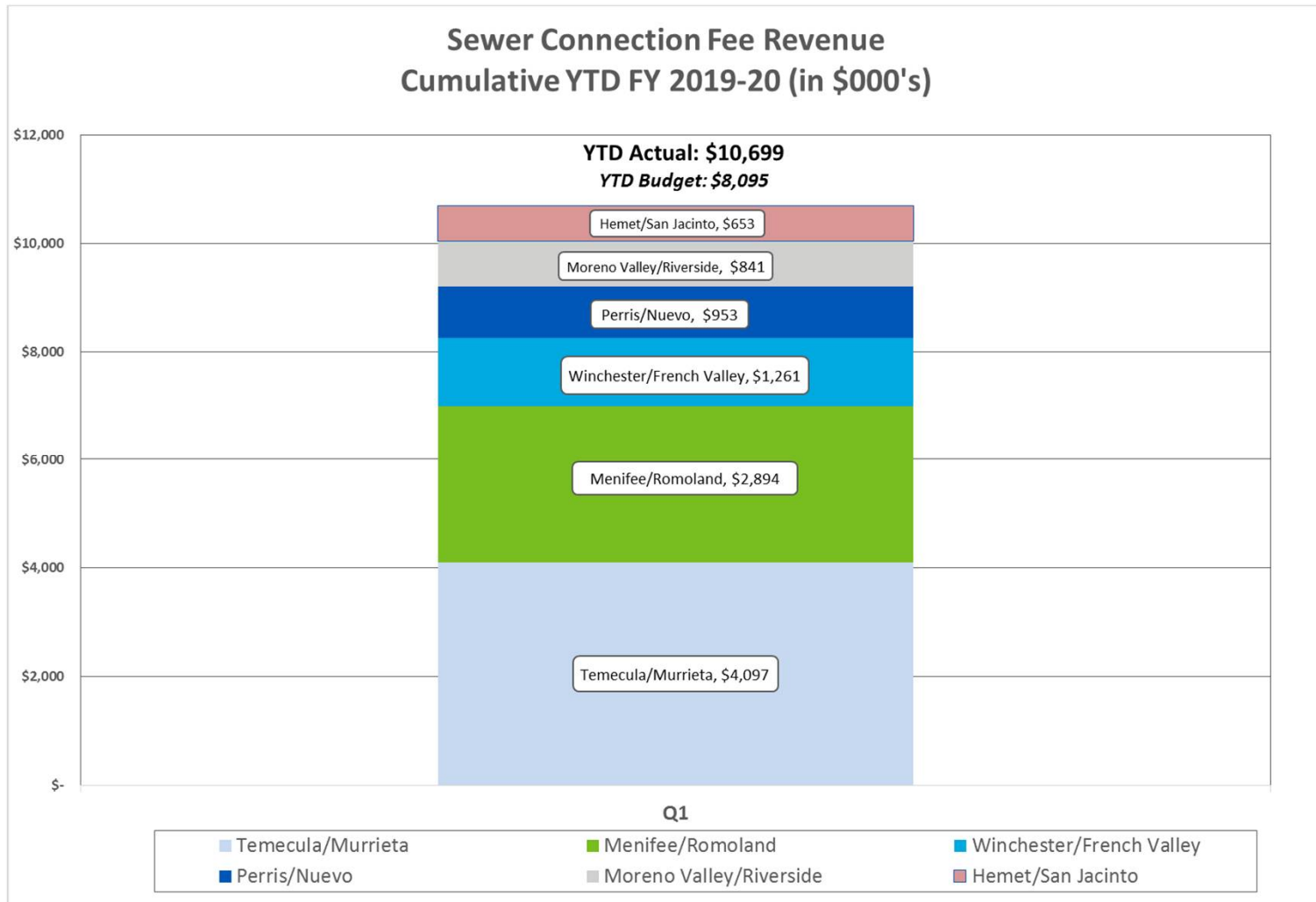
# Reserves



# Sewer Connections (EDUs)



# Sewer Connections (\$000's)



# Services Summary

(in thousands)	(Year To Date)						
	SEP FY 18-19	SEP FY 19-20		SEP FY 19-20 Actual vs Budget		Actual SEP FY 19-20 vs SEP FY 18-19	
	Actual	Actual	Budget	\$ Variance	% Variance	\$ Variance	% Variance
<b>Water Revenues:</b>							
<b>Sales:</b>							
Water	\$45,040	\$45,351	\$49,903	(\$4,552)	-9.1%	\$311	0.7%
Wastewater	24,687	26,382	25,470	912	3.6%	1,695	6.9%
Recycled	3,342	3,786	3,552	234	6.6%	444	13.3%
<b>Total Sales</b>	<b>\$73,069</b>	<b>\$75,520</b>	<b>\$78,926</b>	<b>(\$3,406)</b>	<b>-4.3%</b>	<b>\$2,450</b>	<b>3.4%</b>
<b>Operating Costs:</b>							
Water	\$37,067	\$40,252	\$41,952	(\$1,701)	-4.1%	\$3,185	8.6%
Wastewater	13,613	15,048	16,503	(1,455)	(8.8%)	1,435	10.5%
Recycled	1,560	1,817	1,886	(69)	(3.7%)	256	16.4%
<b>Total Operating Costs</b>	<b>\$52,241</b>	<b>\$57,117</b>	<b>\$60,342</b>	<b>(\$3,225)</b>	<b>(5.3%)</b>	<b>\$4,876</b>	<b>9.3%</b>
<b>Net Operating Revenue to Fund Capital Commitments</b>	<b>\$20,829</b>	<b>\$18,403</b>	<b>\$18,583</b>	<b>(\$181)</b>	<b>-1.0%</b>	<b>(\$2,426)</b>	<b>-11.6%</b>





# Capital

Operating Fixed Assets (OFA)

Capital Improvement Program (CIP)



# Operating Fixed Assets

## EMWD OPERATING FIXED ASSETS Q1 FY 2019-20 ACTUAL vs. BUDGET

Service	FY 2019-20 Annual Budget	FY 2019-20 Projects	FY 2019-20 Direct Purchases	FY 2019-20 Total	YTD Spent as % of Budget
Vehicles	\$ 3,824,000	\$ -	\$ -	\$ -	0%
IT Infrastructure	15,623,095	1,460,460	141,563	1,602,023	10%
O&M / RWRF Maintenance	9,583,725	1,143,191	495,193	1,638,384	17%
Water Quality/Lab	677,044	-	-	-	0%
Total Maint. Projects & Equip.	\$ 10,260,769	\$ 1,143,191	\$ 495,193	\$ 1,638,384	16%
AMI Meter Replacement + Infrastructure Repl.	\$ -	\$ 29,041	\$ -	\$ 29,041	100%
Other	\$ 456,900	\$ 5,821	\$ -	\$ 5,821	1%
<b>Total Q1 FY 2019-20 YTD</b>	<b>\$ 30,164,764</b>	<b>\$ 2,638,513</b>	<b>\$ 636,756</b>	<b>\$ 3,275,269</b>	<b>11%</b>

# Capital Improvement Program

Service	Program	FY 2019-20 Annual Budget <sup>1</sup>	FY 2019-20 YTD Q1 Spent	YTD % of Budget
	Supply Water Desalination	10,153,066	3,584,976	35%
	Supply Water Filtration	595,437	40,393	7%
	Supply Water Groundwater Dev	16,458,726	1,687,469	10%
	Water Storage	3,406,635	493,979	15%
	Water Transmission	9,766,404	1,771,954	18%
Water		\$ 40,380,268	\$ 7,578,770	19%
	Wastewater RWRf	17,139,296	3,145,065	18%
	Wastewater Transmission	9,219,584	1,811,791	20%
Wastewater		\$ 26,358,880	\$ 4,956,856	19%
	Recycled Storage	1,747,666	395,870	23%
	Recycled Transmission	12,885,530	3,608,908	28%
Recycled		\$ 14,633,196	\$ 4,004,778	27%
	General Miscellaneous	9,943,040	2,214,727	22%
General		\$ 9,943,040	\$ 2,214,727	22%
Grand Total		\$ 91,315,384	\$ 18,755,131	21%
	Less Externally Funded	\$ 20,511,169	\$ -	
	Internally Funded	\$ 70,804,215	\$ 18,755,131	26%

1. This Annual Budget is an updated amount that differs from the Board-approved published budget.



# Summary and Conclusions

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## For the First Quarter Fiscal Year 2019-20:

- Consolidated Enterprise results:
  - Net Operating Revenue in-line with budget
  - Total operating revenue below target (by 4.3%)
  - Total operating expenses lower than target (by 5.3%)
- Water revenue below target (by 9.1%); water purchases lower than budget (by 8.4%)
- Wastewater system revenue performed better than budget target (by 3.6%)
- Recycled system revenue was higher than the budget target (by 6.6%)
- Connection fee revenue exceeded budget (by 53.4%)



## Contact Information

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