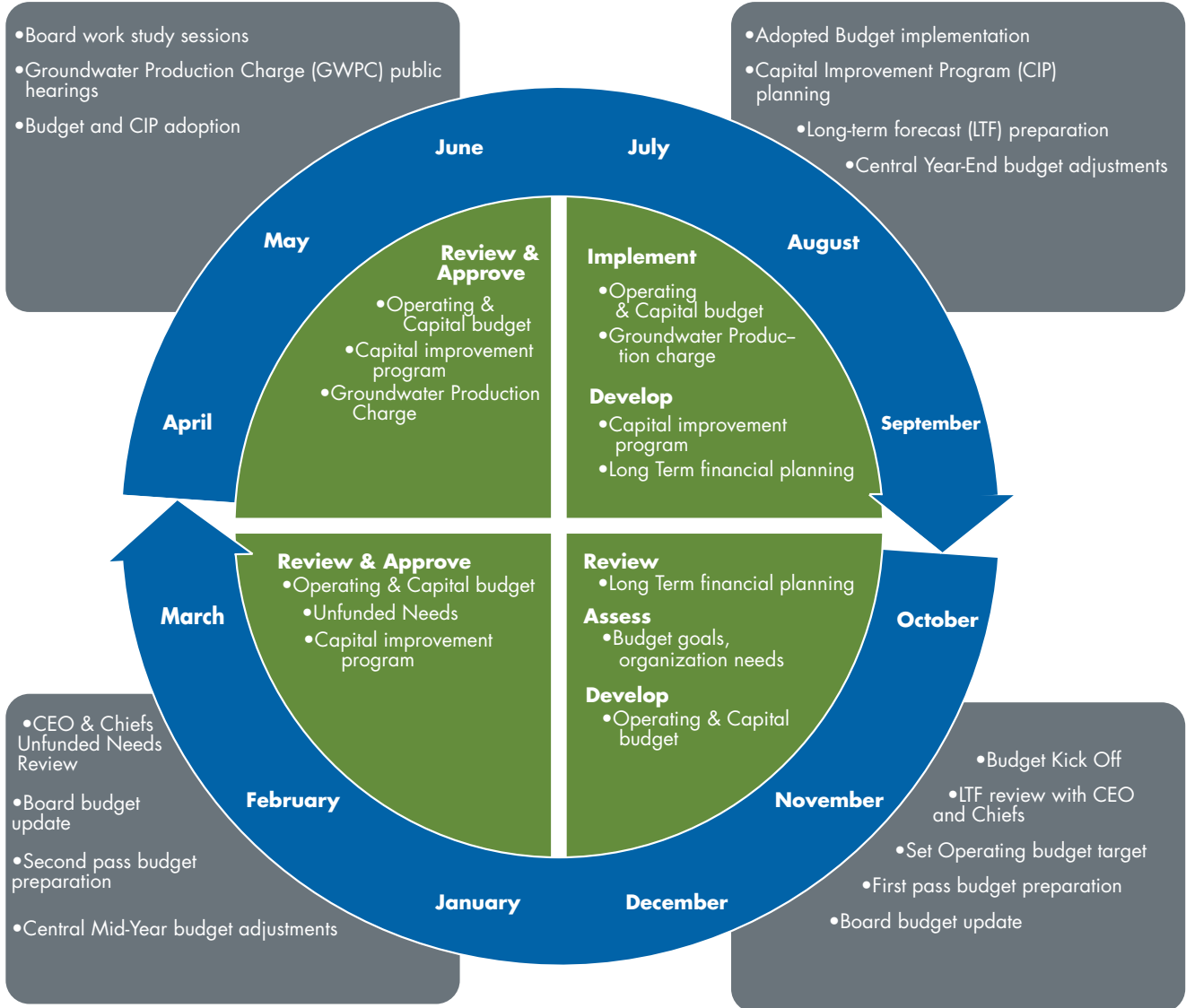


FINANCIAL OVERVIEW

Financial Overview

Budget Process Overview



Financial Overview

Financial Planning and Rate Setting

Every year staff prepares a rolling ten-year expenditure forecast that provides the basis for developing the budget targets and for analyzing the long-term financial sustainability of the various Valley Water funds. For the Water Utility Enterprise funds, Valley Water uses the “revenue requirements” methodology to set the groundwater production charge and other water charges for each zone. In general, costs associated with operations, capital, debt service and reserve requirements are estimated over a 10-year time frame. The amount not funded by property taxes, interest earnings, debt proceeds, and other income is covered by water charges. A water charge projection is calculated for each zone to recover the revenue requirements over a 10-year time period in accordance with the pricing policy (Board Resolution 99-21). The water charge setting process is conducted in accordance with the District Act and Board resolution 12-10, and includes the preparation of an annual report on the Protection and Augmentation of Water Supplies (PAWS). The report provides information on present and future water requirements for the County, water supply available to Valley Water, future capital and operating requirements, benefits and services provided by Valley Water, financing methods, and water charges by zone. A series of public hearings and meetings are conducted with advisory committees and stakeholders to ensure that feedback is gathered for the Board to consider in establishing water charges each year.

Capital Improvement Plan

Valley Water prepares a Capital Improvement Program (CIP) annually. It is a 5-year rolling CIP, meaning that it is updated annually and covers the upcoming five-year period. The CIP is approved by the Board each year, and is publicly available for review. The CIP includes project descriptions, schedules and forecasts for capital funding needs. The CIP is the primary means of coordinating schedules and budgets on capital work.

For detailed capital expenditure and impact of capital

investments on operating budget, please visit: <https://www.valleywater.org/public-review-documents>.

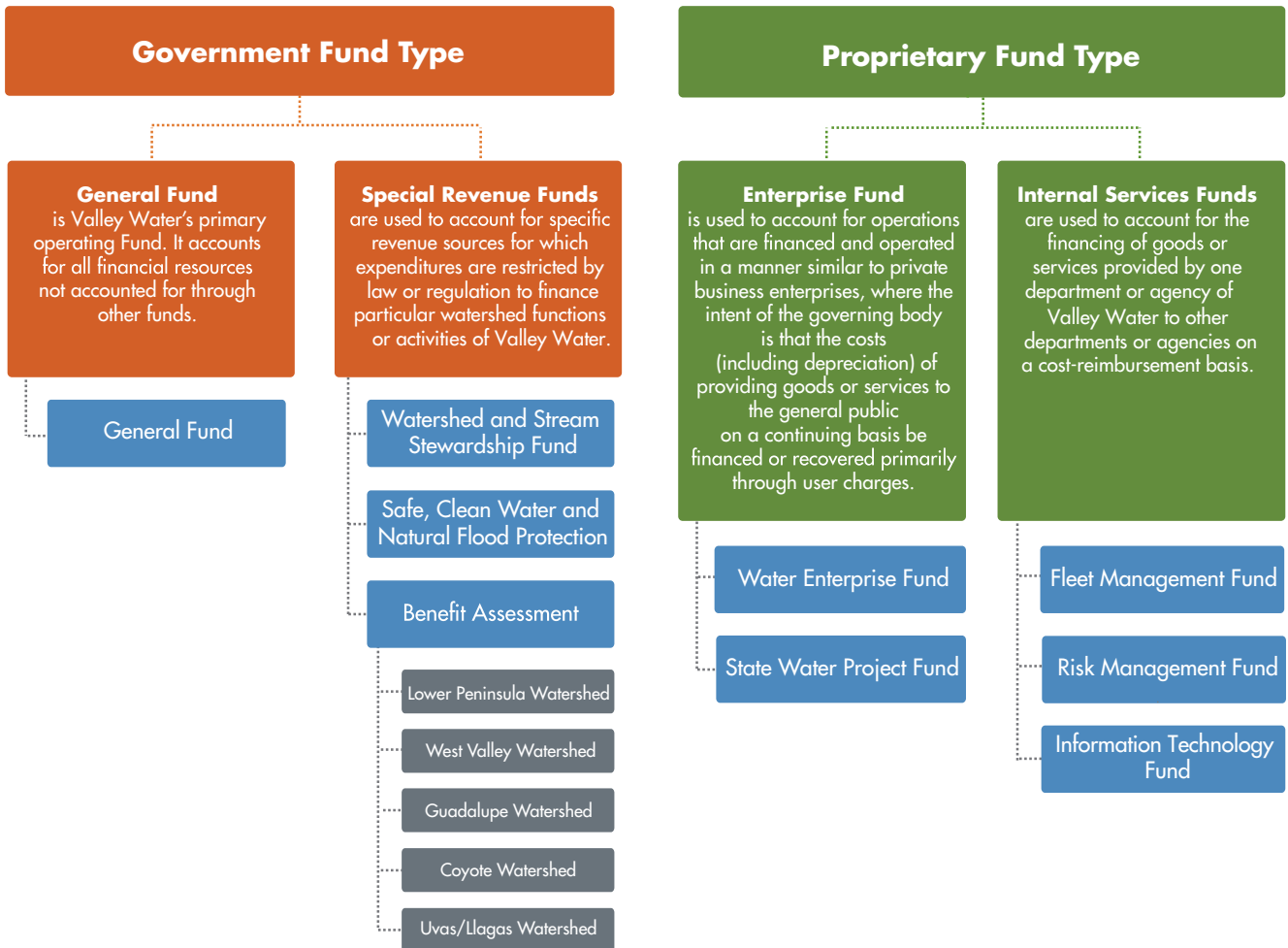
Other Planning Documents

Valley Water’s budget is informed by many planning documents including but not limited to:

- Countywide Water Reuse Master Plan (CoRe Plan)
- One Water Plan Countywide Framework
- Protection and Augmentation of Water Supplies Report 2021-2022
- Requests of the 117th Congress
- Safe, Clean Water and Natural Flood Protection 5-Year Implementation Plan
- Stream Maintenance Program Manual
- Water Utility Enterprise Five Year Operations and Maintenance Plan
- Water Utility Groundwater Management Plan
- Water Utility Water Supply Master Plan
- Watersheds Five Year Operations and Maintenance Plan

Financial Overview

Valley Water Fund Structure



Financial Overview

Basis of Budgeting

The Budget is prepared using the modified accrual basis. Revenues are recognized only when they become measurable and available to finance expenditures of the fiscal period. Expenditures are recognized when the payments are incurred or a commitment or encumbrance is made.

The accounts of Valley Water are organized based on fund types and account groups. Each fund is an independent accounting entity with a self-balancing set of accounts comprised of its assets, liabilities, fund equity, revenue, and expenditures or expenses, as appropriate. Fund accounting allows government resources to be segregated and accounted for per their intended purposes, aiding management in demonstrating compliance with finance-related legal and contractual provisions.

Revenue

Revenue projections are, in general, taken from Valley Water's long-range planning documents. These planning tools are updated annually based on the best information available. They are documented annually as part of the Annual Report on the Protection and Augmentation of Water Supplies (PAWS), the Flood Control Benefit Assessments Report, and the Safe, Clean Water and Natural Flood Protection Report.

The FY 2021-22 Budget includes projected revenues of approximately \$539.4 million. These revenues are a net increase of 6.5% from the \$506.6 million included in the FY 2020-21 Adopted Budget. The net \$32.8 million increase is primarily derived from the increase in water charges revenue (\$27.4 million), property taxes (\$15.5 million), special parcel tax (\$1.6 million) and Benefit Assessment revenues (\$1.1 million), offset by a decrease of capital reimbursements (-\$8.5 million), as well as interest income and other operating and non-operating revenues (-\$4.3 million). The specific categories of revenue include:

Water Revenue

The main source of Valley Water revenue is from water charges projected at \$288.5 million for FY 2021-22. Revenues from treated water continue to be the largest source with an estimated amount of \$150.4 million. Groundwater production charges are budgeted at \$135.3 million, and surface/recycled water sales are projected at \$2.8 million. This amount includes Board adopted increases of 9.1% in Zone W-2, 4.5% in Zone W-5, 9.9% in Zone W-7, and 4.4% in Zone W-8 for municipal and industrial groundwater charges. Further discussion on groundwater production charges is provided in the Water Utility Enterprise Fund Summary section of this budget and in the FY 2021-22 PAWS Report.

Property Tax

Property tax revenues are estimated at \$144.4 million for FY 2021-22, an increase of 12.0% from the FY 2020-21 Adopted Budget. Valley Water benefits from two types of property taxes: 1% ad valorem (\$118.4 million) and levies for State Water Project (SWP) indebtedness (\$26.0 million). More information is included in the Major Sources of Revenue section later in this chapter.

Special Parcel Tax

The Safe, Clean Water Program special parcel tax was approved by the voters in November 2012 for a 15 year period, and funding was approved ongoing by voters November 2020. The Special Parcel Tax for FY 2021-22 is budgeted at \$47.1 million, and reflects an increase of \$1.6 million relative to FY 2020-21. Further details on the Special Parcel Tax can be located in the Major Sources of Revenues section.

Benefit Assessments

Benefit assessment revenue consists of levies approved by voters in 1986 and 1990 to support financing for flood control capital improvements, and are set at 1.25 times the duly authorized annual debt service requirements for assessed parcels in each watershed. Benefit assessment revenue budget is \$13.5 million for FY 2021-22.

Financial Overview

Capital Reimbursements

Capital reimbursements are from local, state and federal agencies for specified capital projects that are already completed or would be undertaken during this budget period. District-wide capital reimbursements are budgeted at \$35.1 million for FY 2021-22. More information is included in the Major Sources of Revenue section.

Interest

Interest earnings are estimated to be \$6.0 million in FY 2021-22, a decrease of \$4.1 million compared to FY 2020-21 Adopted Budget.

Intergovernmental Services

Intergovernmental Services revenue are reimbursements from cost sharing agreements with local cities and agencies. The FY 2021-22 totals \$1.2 million in this category and is primarily comprised of reimbursements from the San Benito Water District (\$528,000) for O&M San Felipe Reach 1 projects, Solano County (\$305,000) for the IRWM Round 2 - Water Conservation Grant projects, and the State of California (\$236,000) for the Proposition 1 - Water Conservation projects.

Other Revenue

Other Operating and Non-Operating Revenues comprised of receipts from minor sources such as rental income and the sale of vehicles totals \$3.6 million.

Appropriations/Outlays

Net total operating and capital outlays for the FY 2021-22 Budget are \$837.6 million. This figure does not include capital carry forward (\$52.1 million) appropriated by the Board in prior years and is net of General Fund intra-district reimbursements and Internal Service Funds charges (\$103.3 million). Total operating and capital outlays are budgeted at \$940.9 million, which includes intra-district reimbursements of \$103.3 million and are discussed in the following section, in more detail.

FY 2021-22 net operating outlays are \$354.2 million, an

increase of approximately \$42.3 million compared to the FY 2020-21 Adopted Budget of \$311.9 million.

The increase in net outlays reflects continued efforts to maintain service levels that support key strategic objectives. Objectives and issues facing Valley Water include but are not limited to:

- Infrastructure maintenance and construction needs (ensuring dam safety, managing infrastructure for reliability, care of Valley Water facilities and assets)
- Advancing Valley Water's interests in countywide storm water resource planning
- Active participation in decisions regarding California Delta Conveyance
- Leading efforts to advanced recycled and purified water efforts within Santa Clara County
- Pursuing efforts to increase water storage opportunities
- Responding to projected dry conditions by improving water supply, including conservation and supplemental water purchases
- Continue to provide safe, clean water and natural flood protection to Santa Clara County with passage of renewed SCW program
- Attaining net positive impact on the environment when completing projects
- Advancing racial equity, diversity and inclusion efforts

Valley Water is responding to these challenges in several ways including the addition of 20 regular positions, one fellowship, and funding for additional water purchases. These and other efforts are discussed in the Fund Summaries chapter.

Intra-district Reimbursements

The primary funding sources for the General Fund and Service Funds are intra-district reimbursements. For FY 2021-22, the total is \$103.3 million. Intra-district charges reimburse the General Fund and Service Funds for functions such as finance, accounting, payroll, human resources, information technology, facilities, organizational leadership, and fleet management.

Approximately, 60% of intra-district charges is paid by the Water Utility Enterprise, 40% by Watersheds Funds.

Financial Overview

Capital Outlays

FY 2021-22 net capital project outlays total \$412.1 million, an increase of \$176.3 million as compared to the FY 2020-21 Adopted Budget of \$235.8 million. It is anticipated that \$52.1 million of the FY 2020-21 Adjusted Budget for capital projects will be carried forward to FY 2021-22 as most capital projects require multiple years to complete. The capital budget represents the projects that have been identified and prioritized in the 5-Year Capital Improvement Program (CIP).

Other Financing Sources/Uses

Other financing sources and uses include proceeds from debt issuance. For FY 2021-22, Valley Water anticipates issuing bonds or commercial paper for approximately \$259.3 million to finance various Water Utility and Safe, Clean Water capital improvement projects.

Reserves

Overall, budgeted reserves for FY 2021-22 are estimated at \$336.3 million, a decrease of \$12.9 million compared to the FY 2020-21 Adopted Budget level. The decrease is primarily due to increased capital projects in FY 2021-22.

Staffing

The FY 2021-22 Budget includes 879 regular positions, 8 limited-term positions and 5 fellowships. This staffing level includes 20 new regular positions and one fellowship in the FY 2021-22 Budget to support priorities such as: Water Utility and Watershed Management capital improvement projects; Safe, Clean Water commitments including watershed maintenance efforts, flood protection infrastructure, and the grants and public arts programs; and, administrative support to sustain service levels. For a comprehensive schedule of district-wide salaries and benefits, please refer to the salaries & benefits section in this chapter.

Financial Overview

Combined Fund Summary - All Funds

	Budgetary Basis Actual 2019-20	Adopted Budget 2020-21	Projected Year End 2020-21	Adopted Budget 2021-22	Change from 2020-21 Adopted	
					\$ Diff	% Diff
REVENUE						
Groundwater Production Charges	\$ 112,560,186	\$ 121,105,000	\$ 121,105,000	\$ 135,253,000	\$ 14,148,000	11.7%
Treated Water Charges	152,621,750	137,399,000	137,399,000	150,449,000	13,050,000	9.5%
Surface&Recycled Water Charges	1,713,303	2,562,000	2,562,000	2,778,000	216,000	8.4%
Benefit Assessment	13,440,269	12,369,217	12,369,218	13,453,662	1,084,445	8.8%
Property Tax	132,447,216	128,902,000	132,798,332	144,411,295	15,509,295	12.0%
Special Parcel Tax	46,091,377	45,537,000	46,093,772	47,105,387	1,568,387	3.4%
Intergovernmental Services	4,292,223	1,242,326	1,177,326	1,242,326	—	—
Operating Other	673,252	954,410	731,662	737,505	(216,905)	(22.7)%
Capital Reimbursements	33,826,349	43,608,000	50,545,000	35,059,000	(8,549,000)	(19.6)%
Interest Income *	13,391,835	10,050,000	10,050,000	6,000,000	(4,050,000)	(40.3)%
Non-Operating Other	5,486,482	2,887,975	2,887,975	2,880,280	(7,695)	(0.3)%
TOTAL REVENUE	\$ 516,544,242	\$ 506,616,928	\$ 517,719,285	\$ 539,369,455	\$ 32,752,527	6.5%
OUTLAYS						
Operating Outlays						
Operations **	\$ 308,142,787	\$ 372,955,560	\$ 379,181,175	\$ 423,633,190	\$ 50,677,630	13.6%
Operating Project	11,822,457	6,169,013	6,310,390	5,772,934	(396,079)	(6.4)%
Debt Service	46,301,288	61,811,513	61,811,513	71,264,693	9,453,180	15.3%
Total Operating Outlays	\$ 366,266,532	\$ 440,936,086	\$ 447,303,078	\$ 500,670,817	\$ 59,734,731	13.5%
Capital Outlays						
Capital Projects	\$ 234,919,764	\$ 259,703,817	\$ 415,083,052	\$ 440,233,176	\$ 180,529,360	69.5%
Carry Forward Capital Projects	—	64,362,188	—	52,075,664	(12,286,524)	(19.1)%
Total Capital Outlays	\$ 234,919,764	\$ 324,066,005	\$ 415,083,052	\$ 492,308,840	\$ 168,242,836	51.9%
TOTAL OUTLAYS****	\$ 601,186,296	\$ 765,002,091	\$ 862,386,130	\$ 992,979,657	\$ 227,977,566	29.8%
Less Intra-District Reimb	(77,919,249)	(91,131,585)	(91,251,747)	(103,345,912)	(12,214,327)	13.4%
NET OUTLAYS	\$ 523,267,047	\$ 673,870,506	\$ 771,134,383	\$ 889,633,745	\$ 215,763,239	32.0%
OTHER FINANCING SOURCES/(USES)						
Debt Proceeds	\$ 54,760,476	\$ 135,500,000	\$ 162,075,000	\$ 259,288,000	\$ 123,788,000	91.4%
Transfers In	28,520,057	26,996,926	25,463,152	11,684,277	(15,312,649)	(56.7)%
Transfers Out	(28,520,057)	(26,996,926)	(25,463,152)	(11,684,277)	15,312,649	(56.7)%
TOTAL OTHER SOURCES/(USES)	\$ 54,760,476	\$ 135,500,000	\$ 162,075,000	\$ 259,288,000	\$ 123,788,000	91.4%
BALANCE AVAILABLE	\$ 48,037,671	\$ (31,753,578)	\$ (91,340,098)	\$ (90,976,290)	\$ (59,222,712)	186.5%

Financial Overview

Combined Fund Summary - All Funds (Continued)

	Budgetary Basis Actual 2019-20	Adopted Budget 2020-21	Projected Year End 2020-21	Adopted Budget 2021-22	Change from 2020-21 Adopted	
					\$ Diff	% Diff
YEAR-END RESERVES						
Restricted Reserves						
WUE Rate Stabilization	\$ 23,466,551	\$ 25,878,053	\$ 25,069,620	\$ 28,332,567	\$ 2,454,514	9.5%
WUE San Felipe Emergency	3,260,045	3,249,972	3,310,045	3,360,045	110,073	3.4%
WUE State Water Project Tax Reserve	13,768,393	—	3,132,132	2,523,006	2,523,006	100.0%
CP Debt Service	128,396	—	—	—	—	—
WUE Public-Private Partnership (P3)	8,000,000	—	—	—	—	—
WUE Water Supply	15,077,000	15,477,000	15,477,000	7,877,000	(7,600,000)	(49.1)%
WUE SVAWPC	1,298,138	908,138	908,138	908,138	—	—
WUE Drought Reserve	10,000,000	10,000,000	10,000,000	10,000,000	—	—
GP5 Reserve	6,609,637	3,613,000	5,873,358	7,106,660	3,493,660	96.7%
SCW Rate Stabilization Reserve	—	—	—	25,000,000	25,000,000	100.0%
SCW Contingency Reserve	—	—	—	5,000,000	5,000,000	100.0%
SCW Currently Authorized Projects	82,078,451	22,477,299	51,918,583	39,599,917	17,122,618	76.2%
SCW Operating and Capital Reserve	71,279,858	57,903,219	53,258,394	54,254,365	(3,648,854)	(6.3)%
Total Restricted Reserves	\$ 234,966,469	\$ 139,506,681	\$ 168,947,270	\$ 183,961,698	\$ 44,455,017	31.9%
Committed Reserves						
Currently Authorized Projects ***	\$ 111,351,392	\$ 21,698,185	\$ 57,102,604	\$ 14,824,063	\$ (6,874,122)	(31.7)%
Benefit Assessment Reserve	1,097,604	—	—	—	—	—
Operating and Capital Reserve	157,587,516	174,680,591	187,792,498	124,666,918	(50,013,673)	(28.6)%
Workers Compensation Liability	7,483,500	7,085,600	6,621,000	6,621,000	(464,600)	(6.6)%
Catastrophy - Property Self-Insurance	6,134,455	6,196,433	6,817,466	6,230,869	34,436	0.6%
Total Committed Reserves	\$ 283,654,467	\$ 209,660,809	\$ 258,333,568	\$ 152,342,850	\$ (57,317,959)	(27.3)%
TOTAL YEAR-END RESERVES	\$ 518,620,936	\$ 349,167,490	\$ 427,280,838	\$ 336,304,548	\$ (12,862,942)	(3.7)%

Financial Overview

Combined Fund Summary - All Funds (Continued)

	Budgetary	Adopted	Projected	Adopted	Change from	
	Basis Actual	Budget	Year End	Budget	2020-21 Adopted	
	2019-20	2020-21	2020-21	2021-22	\$ Diff	% Diff
Outlay Summary by Account Type						
OPERATING OUTLAY						
Salaries and Benefits	\$ 130,385,993	\$ 145,837,315	\$ 145,504,466	\$ 158,930,947	\$ 13,093,632	9.0%
Salary Savings Factor	—	(3,776,645)	(3,776,645)	(2,610,625)	1,166,020	(30.9)%
Services & Supplies	135,735,877	169,845,234	176,607,980	197,840,079	27,994,845	16.5%
Intra-District Charges	53,843,374	67,218,668	67,155,763	75,245,723	8,027,054	11.9%
OPERATING OUTLAY TOTAL	\$ 319,965,244	\$ 379,124,572	\$ 385,491,564	\$ 429,406,124	\$ 50,281,551	13.3%
DEBT SERVICE						
Services & Supplies	\$ 766,664	\$ 3,014,438	\$ 3,014,438	\$ 3,265,251	\$ 250,813	8.3%
Debt Service	45,534,624	58,797,075	58,797,075	67,999,442	9,202,367	15.7%
DEBT SERVICE TOTAL	\$ 46,301,288	\$ 61,811,513	\$ 61,811,513	\$ 71,264,693	\$ 9,453,180	15.3%
CAPITAL PROJECTS						
Salaries and Benefits	\$ 33,359,300	\$ 42,588,015	\$ 42,698,136	\$ 48,255,173	\$ 5,667,157	13.3%
Salary Savings Factor	—	(1,142,476)	(1,142,476)	(809,151)	333,325	(29.2)%
Services & Supplies	184,511,260	194,345,362	349,549,813	364,686,966	170,341,604	87.6%
Carry Forward Capital Projects	—	64,362,188	—	52,075,664	(12,286,524)	(19.1)%
Intra-District Charges	17,049,205	23,912,916	23,977,580	28,100,190	4,187,273	17.5%
CAPITAL PROJECTS TOTAL	\$ 234,919,765	\$ 324,066,005	\$ 415,083,053	\$ 492,308,842	\$ 168,242,835	51.9%
TOTAL OUTLAYS****	\$ 601,186,297	\$ 765,002,090	\$ 862,386,130	\$ 992,979,659	\$ 227,977,566	29.8%

(*) Interest revenue does not include GASB31 market value adjustment

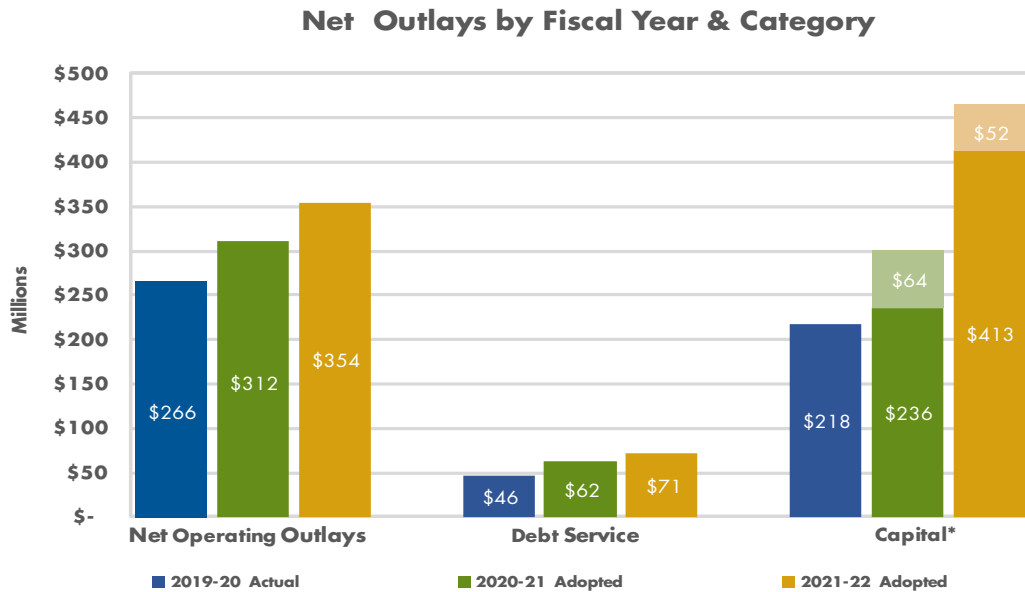
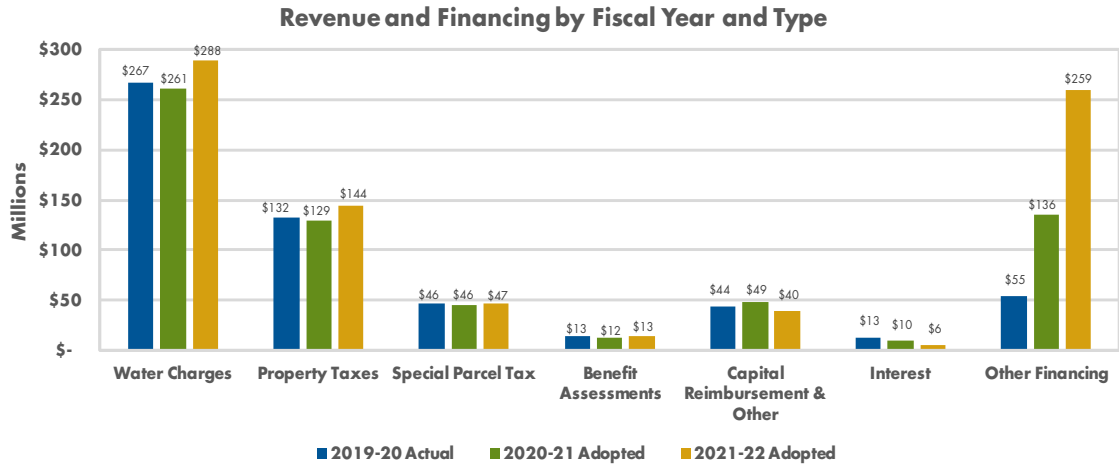
(**) Operations outlay does not include OPEB Expense-unfunded liability

(***) Currently Authorized Projects Reserve is unspent budget for authorized capital projects

(****) Total Outlays amounts may have a slight variance due to rounding

Financial Overview

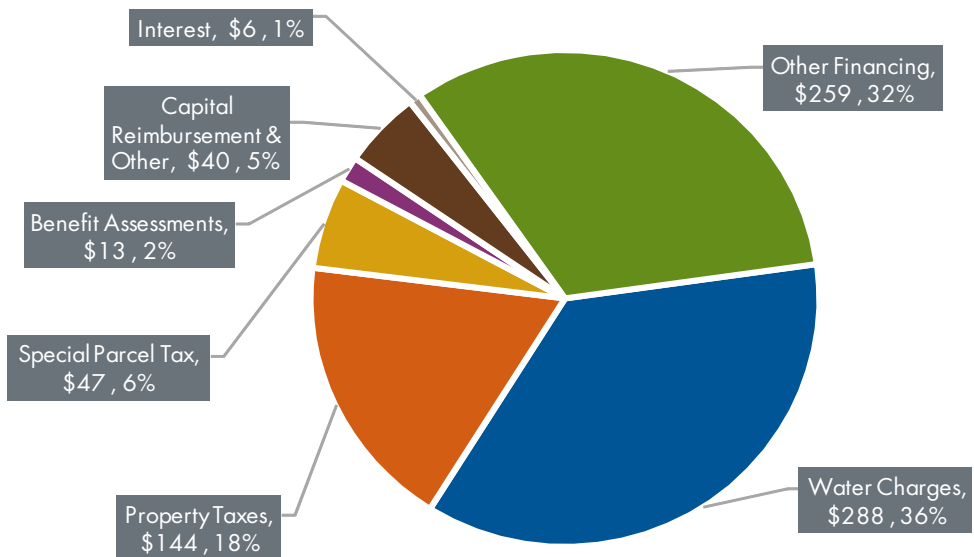
Revenue and Outlays



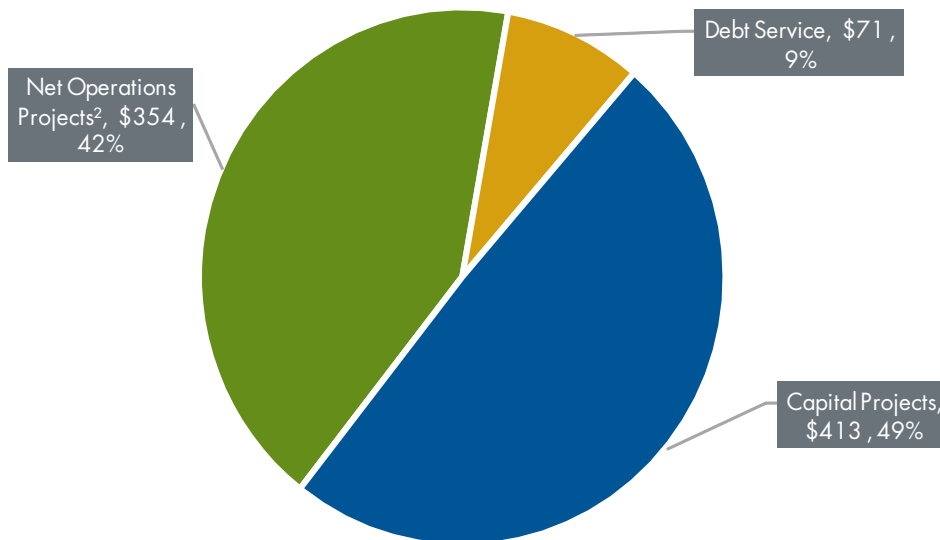
* Capital budget includes current year budget and prior year capital budget carry forward in the lighter shade

Financial Overview

FY 2021-22 Revenue and Debt Financing, \$798 Million



FY 2021-22 Net Outlays By Category, \$838 Million



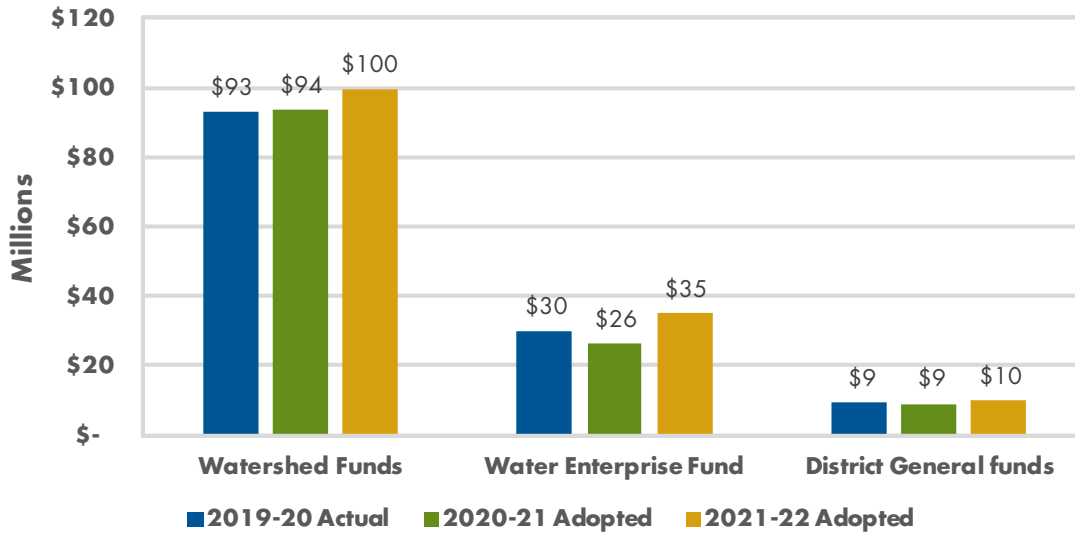
¹Capital Projects Outlay does not include capital budget estimated to be carried forward from prior year
²Operations are net of intra-district reimbursements.

MAJOR SOURCES OF REVENUES

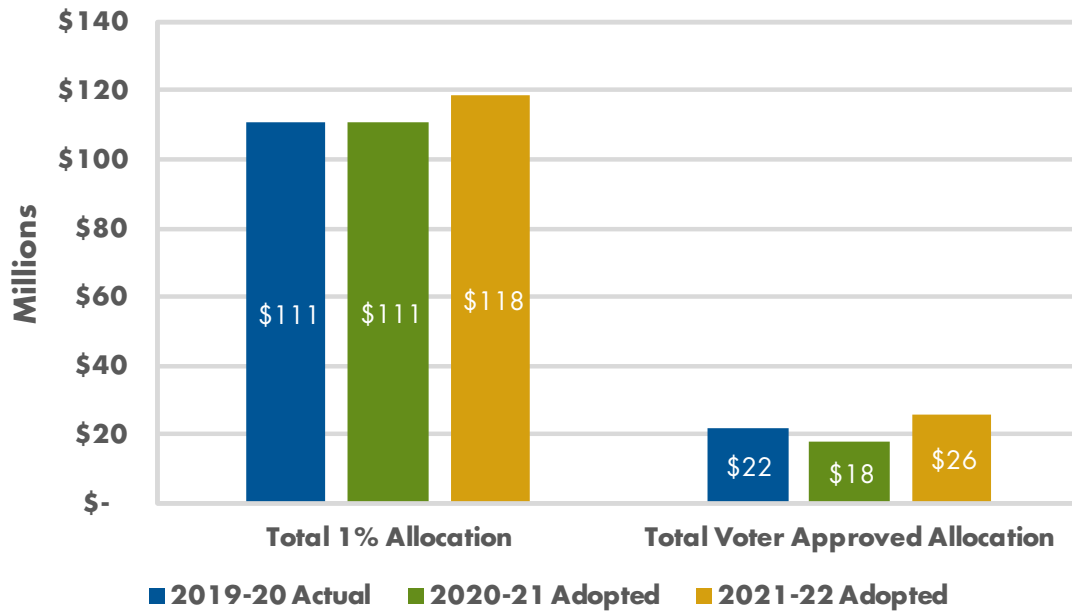
Financial Overview

Property Taxes

Property Taxes by Fiscal Year and Fund Group



Property Taxes by Fiscal Year and Taxing Authority Type



Financial Overview

Property Taxes

Valley Water’s property tax revenues are comprised of two distinct categories: an allocated share of countywide 1% Ad Valorem property tax receipts and a voter-approved levy for State Water Project (SWP) contract obligations.

For FY 2021-22, Valley Water is projecting \$118.4 million in 1% Ad Valorem tax revenues, a 6.8% increase over the FY 2020-21 Adopted Budget. The increase reflects the assessed valuation growth of all property in Santa Clara County.

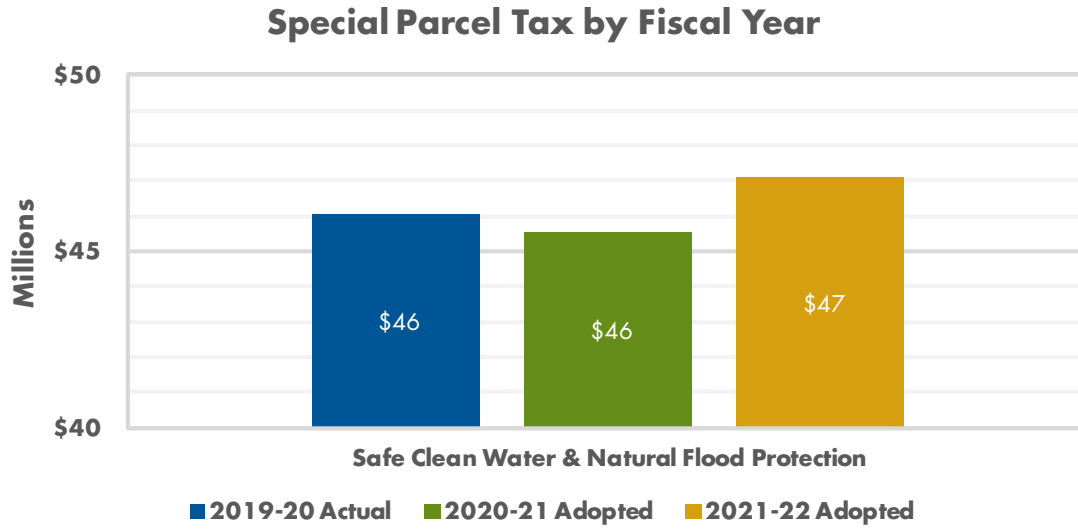
Valley Water also levies a State Water Project property tax based on its annual indebtedness to the State pursuant to

its water supply contract dated November 20, 1961. This indebtedness is part of Valley Water’s SWP water purchase costs and pays for construction, maintenance and operation of SWP infrastructure and facilities. In FY 2021-22, Valley Water expects to collect \$26.0 million, based on the projected operation costs for the fiscal year.

	Budgetary Basis Actual 2019-20	Adopted Budget 2020-21	Projected Year End 2020-21	Adopted Budget 2021-22	Change from 2020-21 Adopted	
					\$ Diff	% Diff
Property Tax						
1 % Ad Valorem Property Tax						
Watershed and Stream Stewardship Fund	\$ 93,054,481	\$ 93,520,000	\$ 96,623,384	\$ 99,651,159	\$ 6,131,159	6.6%
Water Utility Enterprise Funds	8,350,178	8,217,000	8,647,378	8,927,304	710,304	8.6%
General Fund	9,224,367	9,165,000	9,527,570	9,832,832	667,832	7.3%
Total 1% Allocation	\$ 110,629,026	\$ 110,902,000	\$ 114,798,332	\$ 118,411,295	\$ 7,509,295	6.8%
State Water Project Debt Service	\$ 21,818,191	\$ 18,000,000	\$ 18,000,000	\$ 26,000,000	\$ 8,000,000	44.4%
Total Property Tax	\$ 132,447,217	\$ 128,902,000	\$ 132,798,332	\$ 144,411,295	\$ 15,509,295	12.0%

Financial Overview

Special Parcel Tax



Financial Overview

Special Parcel Tax

In November 2000, over two-thirds of Santa Clara County voters approved the original 15-year special parcel tax to fund the Valley Water’s countywide Clean, Safe Creeks and Natural Flood Protection Program (Clean, Safe Creeks Program). In November 2012, the voters approved the Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water Program) that built upon the success of its predecessor Clean, Safe Creeks Program. In November 2020, voters overwhelmingly approved Measure S, a renewal of Safe, Clean Water Program. The special parcel tax levy is based on the proportionate distribution of storm water runoff per parcel, and may be increased annually by either the prior year’s San

Francisco-Oakland-San Jose Consumer Price Index for all Urban Consumers (CPI) or 2%, whichever is greater.

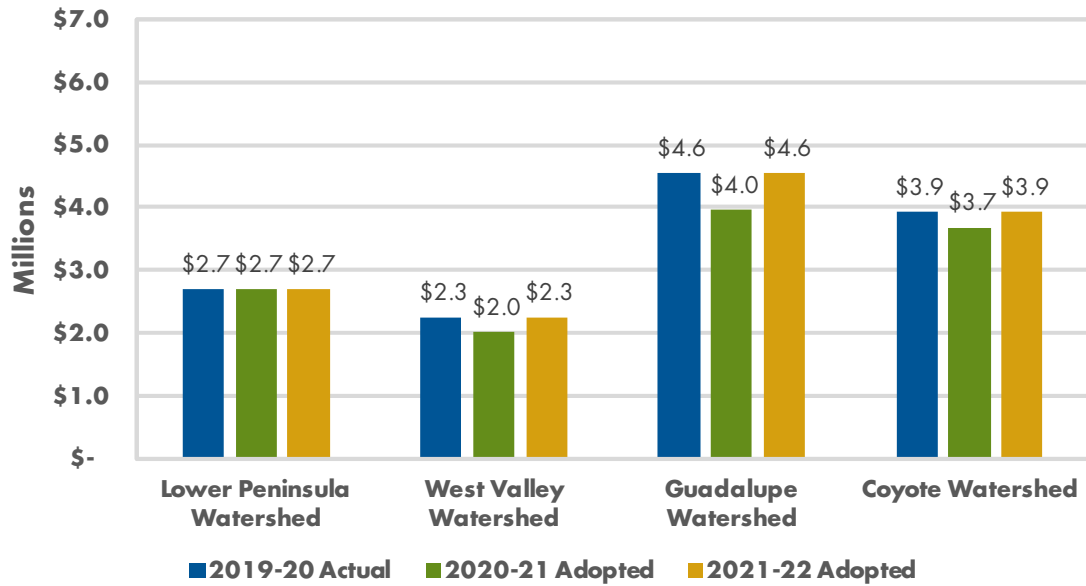
A report released by the Bureau of Labor Statistics indicates that the change in CPI from February 2020 to February 2021 is 1.57 percent. For FY 2021-22, special parcel tax revenues are expected to increase by 3.4 percent over the FY 2020-21 Adopted Budget. The increase is mainly due to the Board adopted 2% increase in the special tax rates, and partially due to an anticipated increase in eligible parcels based on construction activity in the county.

	Budgetary Basis Actual 2019-20	Adopted Budget 2020-21	Projected Year End 2020-21	Adopted Budget 2021-22	Change from 2020-21 Adopted	
					\$ Diff	% Diff
Special Parcel Tax						
Safe, Clean Water and Natural Flood Protection Fund	\$ 46,091,377	\$ 45,537,000	\$ 46,093,772	\$ 47,105,387	\$ 1,568,387	3.4%
Total Special Parcel Tax	\$ 46,091,377	\$ 45,537,000	\$ 46,093,772	\$ 47,105,387	\$ 1,568,387	3.4%

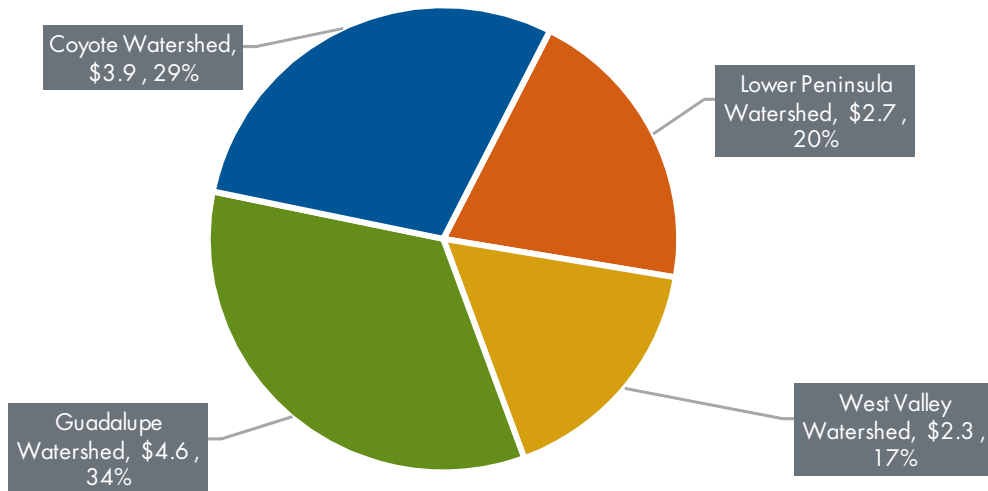
Financial Overview

Benefit Assessment

Benefit Assessment by Fiscal Year and Funds



FY 2021-22 Benefit Assessments, \$13.5 Million



Financial Overview

Benefit Assessment

The Flood Control Benefit Assessment was first authorized by the Valley Water Board of Directors in 1981, and later by the ballot measures in 1982, 1986, and 1990. The program had a sunset date of 2000 but the assessment will continue until 2030, when Valley Water will pay-off the bonds associated with this program.

FY 2021-22 continues under this debt repayment phase of the Benefit Assessment program with benefit assessments levied at 1.25 times the annual debt service.

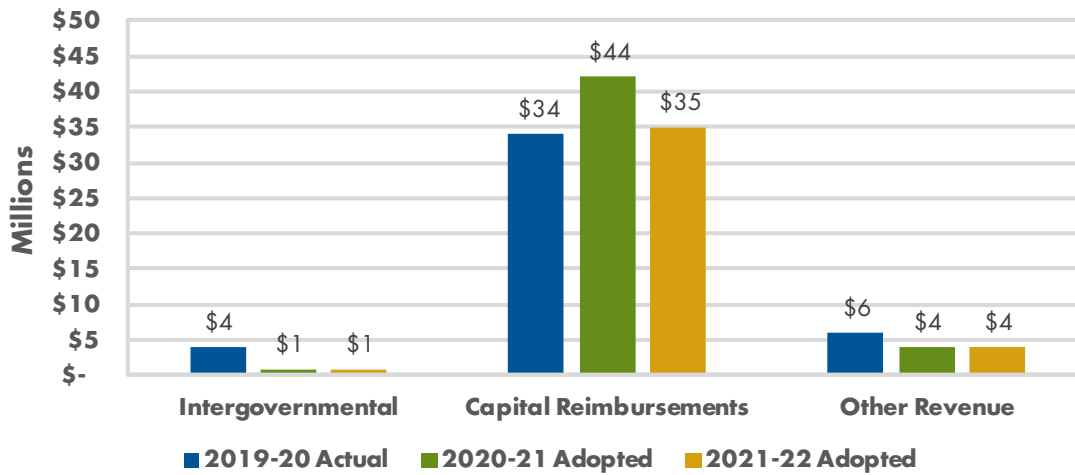
For FY 2021-22, the Benefit Assessment revenue receipts are anticipated to come in at \$13.5 million. As Valley Water continues to pay down principal, the amount collected will decrease.

	Budgetary Basis Actual 2019-20	Adopted Budget 2020-21	Projected Year End 2020-21	Adopted Budget 2021-22	Change from 2020-21 Adopted		
					\$ Diff	% Diff	
Benefit Assessment							
Lower Peninsula Watershed	\$ 2,704,095	\$ 2,707,674	\$ 2,707,674	\$ 2,707,552	\$ (122)	(0.0)%	
West Valley Watershed	2,254,581	2,017,606	2,017,606	2,256,627	239,021	11.8%	
Guadalupe Watershed	4,551,128	3,955,671	3,955,671	4,553,263	597,592	15.1%	
Coyote Watershed	3,930,465	3,688,266	3,688,266	3,936,220	247,954	6.7%	
Total Benefit Assessments	\$ 13,440,269	\$ 12,369,217	\$ 12,369,217	\$ 13,453,662	\$ 1,084,445	8.8%	

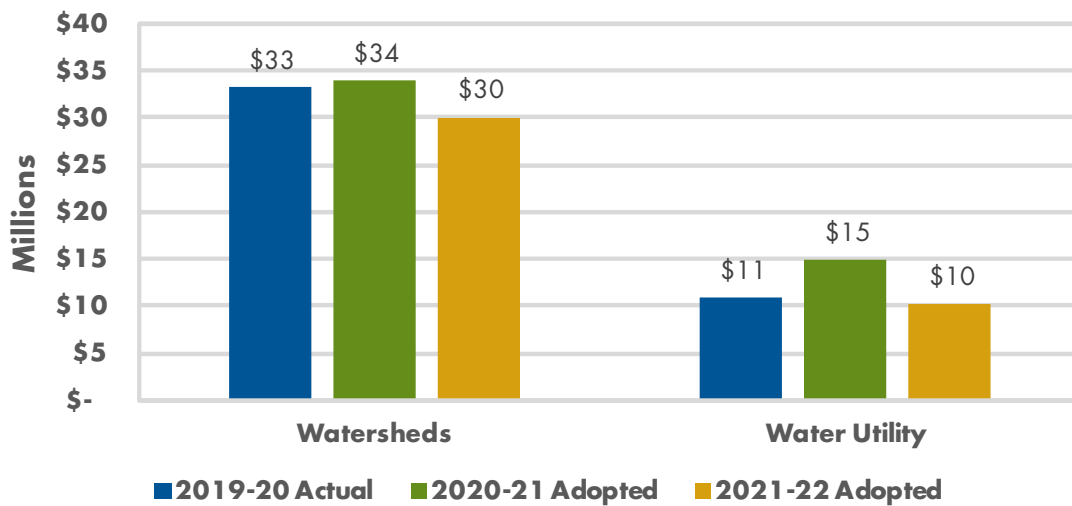
Financial Overview

Intergovernmental, Capital Reimbursements and Other Revenue

Intergovernmental, Capital Reimbursements and Other Revenue by Fiscal Year & Type



Intergovernmental, Capital Reimbursements and Other Revenue by Fiscal Year & Fund Group



Financial Overview

Intergovernmental, Capital Reimbursements and Other Revenue

Intergovernmental Services

Valley Water anticipates receiving intergovernmental services revenue of \$1.2 million for the Water Utility. These funds are primarily for reimbursement from the San Benito County Water District (SBCWD) for operating maintenance of the San Felipe Division Reach 1, and for conservation rebate programs funded by state grants and local cost sharing agreements.

Capital Reimbursement Revenue

Valley Water anticipates capital reimbursement revenue of \$35.1 million.

Water Utility Enterprise receipts are budgeted at \$6.6 million comprised of \$0.8 million from SBCWD for small capital improvements on the San Felipe pipeline, \$3.8 million from the California Water Commission for the Pacheco Reservoir Expansion project, \$2.0 million of USBR Title 16 funding for the recycled water pipeline efforts in South County.

Watershed and Stream Stewardship fund capital reimbursement are budgeted at \$20.9 million for the San Francisco Bay Shoreline Project.

Safe, Clean Water fund reimbursements are comprised of State Subventions for Berryessa Creek, Calaveras Blvd. to I-680 (\$0.8 million), and Llagas Creek - Upper, Buena Vista Rd. to Wright Ave. Project (\$6.7 million).

Other Revenue

The other operating and non-operating revenue category totals \$3.6 million. Approximately \$1.6 million is budgeted for Watersheds, \$1.9 million for Water Utility and \$0.1 million for the Internal Service Funds.

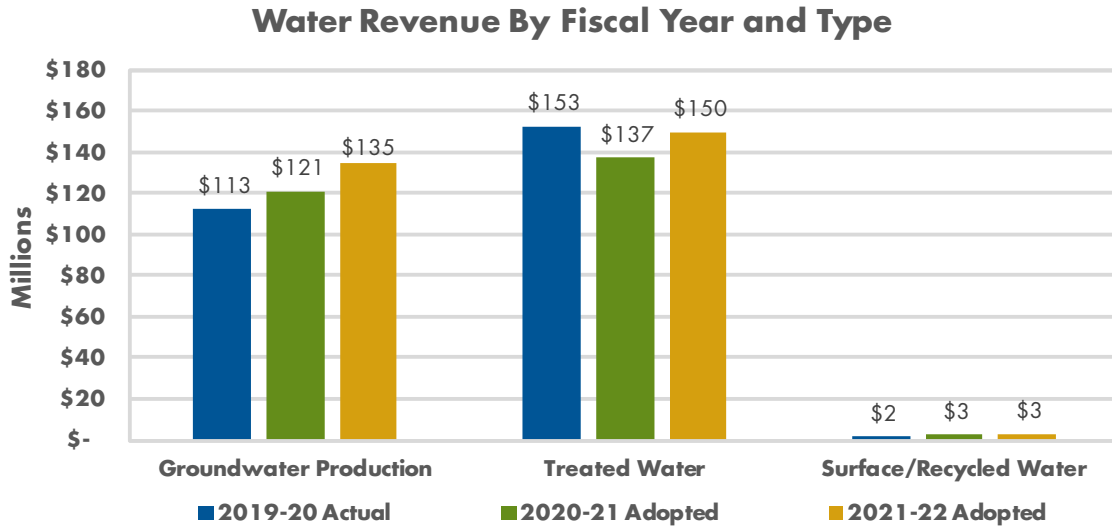
Financial Overview

Intergovernmental, Capital Reimbursements and Other Revenue

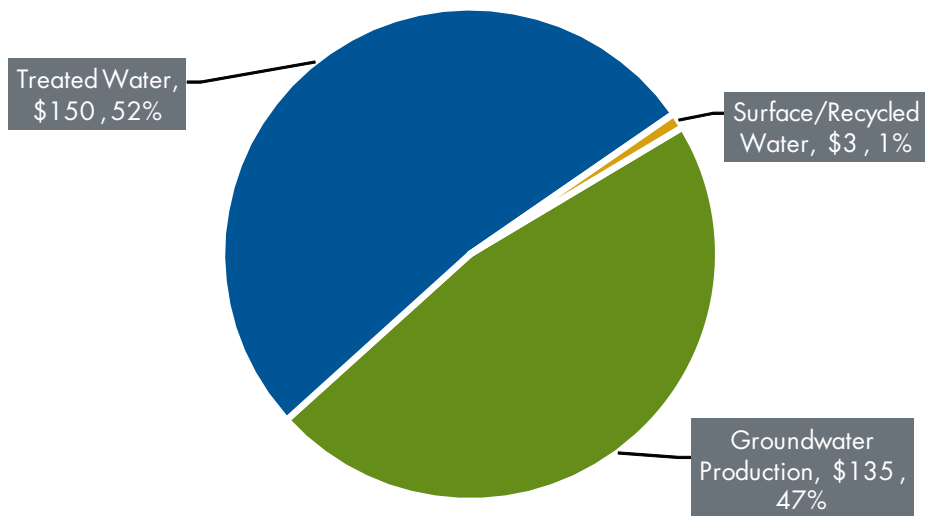
	Budgetary	Adopted	Projected	Adopted	Change from	
	Basis Actual	Budget	Year End	Budget	2020-21 Adopted	
	2019-20	2020-21	2020-21	2021-22	\$ Diff	% Diff
Intergovernmental Services						
Watershed and Stream Stewardship Fund	\$ 503,078	\$ —	\$ —	\$ —	\$ —	—
Safe, Clean Water and Natural Flood Protection Fund	67,430	—	—	—	—	—
Water Utility Enterprise Funds	3,721,199	1,242,326	1,177,326	1,242,326	—	—
Internal Service Funds	516	—	—	—	—	—
Total Intergovernmental Services	\$ 4,292,223	\$ 1,242,326	\$ 1,177,326	\$ 1,242,326	\$ —	—
Capital Reimbursements						
Watershed and Stream Stewardship Fund	\$ 15,230,851	\$ 20,072,000	\$ 18,794,000	\$ 20,886,000	\$ 814,000	4.1%
Safe, Clean Water and Natural Flood Protection Fund	14,250,264	12,178,000	14,477,000	7,560,000	(4,618,000)	(37.9)%
Water Utility Enterprise Funds	4,345,234	11,358,000	17,274,000	6,613,000	(4,745,000)	(41.8)%
Total Capital Reimbursements	\$ 33,826,349	\$ 43,608,000	\$ 50,545,000	\$ 35,059,000	\$ (8,549,000)	(19.6)%
Other						
Watershed and Stream Stewardship Fund	\$ 2,811,625	\$ 1,661,831	\$ 1,602,189	\$ 1,622,567	\$ (39,264)	(2.4)%
Safe, Clean Water and Natural Flood Protection Fund	358,979	—	—	—	—	—
Water Utility Enterprise Funds	1,335,578	1,100,554	937,448	945,217	(155,337)	(14.1)%
State Water Project Fund	1,370,072	1,000,000	1,000,000	1,000,000	—	—
General Fund	75,915	—	—	—	—	—
Internal Service Funds	207,564	80,000	80,000	50,000	(30,000)	(37.5)%
Total Other	\$ 6,159,733	\$ 3,842,385	\$ 3,619,637	\$ 3,617,784	\$ (224,601)	(5.8)%
Total Intergov'l & Other Revenues	\$ 44,278,305	\$ 48,692,711	\$ 55,341,963	\$ 39,919,110	\$ (8,773,601)	(18.0)%

Financial Overview

Water Revenue



FY 2021-22 Water Revenue \$288 Million



Financial Overview

Water Revenue

Valley Water’s water revenue is comprised of charges for the following types of water usage:

- **Groundwater Production-** Water produced by pumping from the underground water basins
- **Treated Water-** Water which has been processed through a Valley Water treatment plant
- **Surface Water-** Water diverted from streams, creeks, reservoirs, or raw water distribution lines
- **Recycled Water-** Wastewater which has been treated for use in crop irrigation, landscaping and industrial uses.

Water revenues budgeted for FY 2021-22 are based on staff’s recommendations to the Board.

Revenue estimates reflect an increase of 9.1% in groundwater production charges for the North County (Zone W-2) when compared to FY 2020-21. In the Llagas Subbasin (Zone W-5), revenue estimates reflect an increase of 4.5% in the groundwater production charge when compared to FY 2020-21. In the Coyote Valley (Zone W-7) revenue estimates reflect an increase of 9.9%

in the groundwater production charge when compared to FY 2020-21. In the Foothills below the Uvas and Chesbro reservoirs (Zone W-8), revenue estimates reflect an increase of 4.4% to the groundwater production charge relative to FY 2020-21.

The FY 2021-22 revenue projection assumes water sales of roughly 232,000 acre-feet. Additionally, other sources such as Hetch Hetchy and local retail water supplies like San Jose Water Company, Stanford, and South Bay Water Recycling provide approximately 70,000 acre-feet of water to the Santa Clara County. Valley Water does not receive revenue for these sources of supply.

Water charges are necessary to pay for drought preparation, critical investments in water system infrastructure rehabilitation and upgrades, expanded storage capacity, water imported via California’s state and federal water systems and the development of future supplies including purified water. The water charges are shown in the accompanying Water Enterprise Fund schedules.

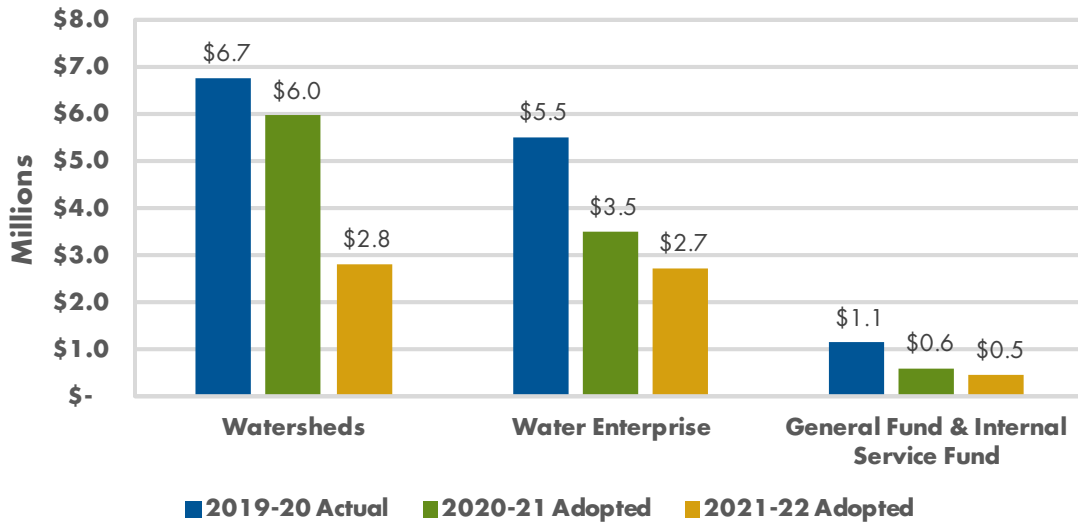
Water Revenue

	Budgetary	Adopted	Projected	Adopted	Change from	
	Basis Actual	Budget	Year End	Budget	2020-21 Adopted	
	2019-20	2020-21	2020-21	2021-22	\$ Diff	% Diff
Water Revenue						
Groundwater Production Charges	\$ 112,560,186	\$ 121,105,000	\$ 121,105,000	\$ 135,253,000	\$ 14,148,000	11.7%
Treated Water Charges	152,621,750	137,399,000	137,399,000	150,449,000	13,050,000	9.5%
Surface & Recycled Water Charges	1,713,303	2,562,000	2,562,000	2,778,000	216,000	8.4%
Total Water Revenue	\$ 266,895,239	\$ 261,066,000	\$ 261,066,000	\$ 288,480,000	\$ 27,414,000	10.5%

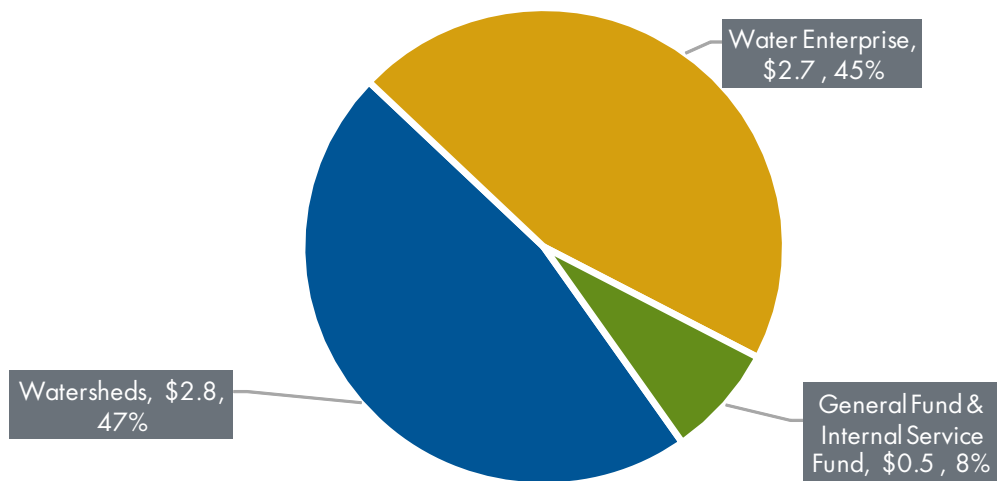
Financial Overview

Interest Income

Interest Income by Fiscal Year



FY 2021-22 Interest Earnings, \$6.0 Million



Financial Overview

Interest Income

Valley Water invests funds not immediately required for daily operations in various securities as authorized by California Government Code 53600 et.al. Valley Water's investment policy limits portfolio holdings to obligations of the U.S. Treasury, U.S. federal agencies, the state of California's Local Agency Investment Fund, bankers acceptances, negotiable and time certificates of deposit, commercial paper, corporate notes and bonds, repurchase agreements, municipal obligations, mutual funds, and supranational obligations. Prohibited investments include securities not listed above, as well as fossil fuel companies, inverse floaters, range notes, interest-only strips derived from a pool of mortgages and any security

that could result in zero interest accrual if held to maturity, as specified in Section 53601.6 of the California Government Code. For additional information regarding the Valley Water's investment policy, please visit: <https://www.valleywater.org/how-we-operate/financebudget/investor-relations> and select District Debt and Investment Management.

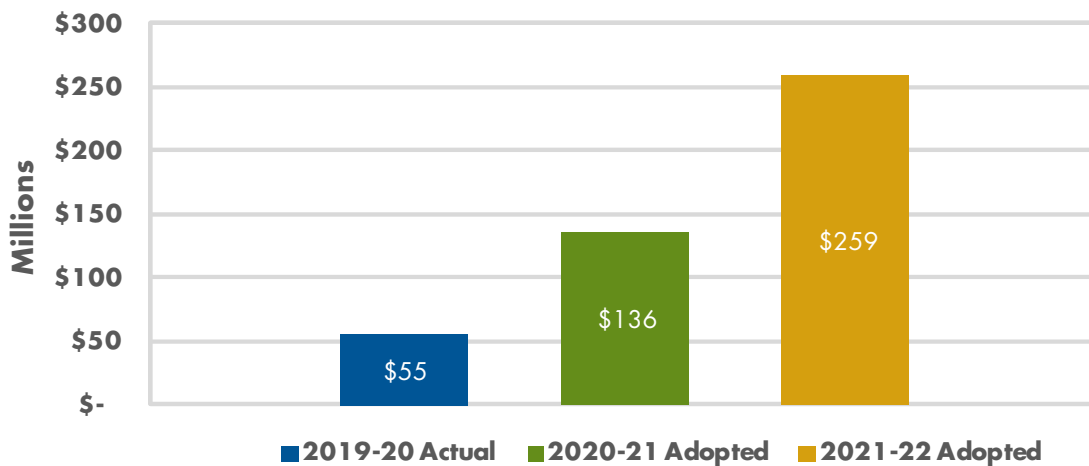
The FY 2021-22 interest earnings revenue are estimated to be \$6.0 million, a decrease of \$4.1 million from the FY 2020-21 Adopted Budget. The estimates assume an average portfolio yield of 1.0% which reflects the trend of declining rates in the current market environment.

	Budgetary	Adopted	Projected	Adopted	Change from	
	Basis Actual	Budget	Year End	Budget	2020-21 Adopted	
	2019-20	2020-21	2020-21	2021-22	\$ Diff	% Diff
Interest Income						
Watershed Funds	\$ 3,131,163	\$ 2,550,000	\$ 2,550,000	\$ 1,250,000	\$ (1,300,000)	(51.0)%
Safe, Clean Water and Natural Flood Protection Fund	3,617,379	3,400,000	3,400,000	1,561,000	(1,839,000)	(54.1)%
Water Enterprise Fund	5,500,357	3,500,000	3,500,000	2,731,500	(768,500)	(22.0)%
General Fund	361,328	200,000	200,000	150,000	(50,000)	(25.0)%
Service Funds	781,608	400,000	400,000	307,500	(92,500)	(23.1)%
Total Interest Income	\$ 13,391,835	\$ 10,050,000	\$ 10,050,000	\$ 6,000,000	\$ (4,050,000)	(40.3)%

Financial Overview

Other Financing

Other Financing by Fiscal Year



The Other Financing Sources and Uses category typically includes one-time or ongoing non-revenue financial transactions. Debt financing instruments in this category include commercial paper, short-term debt obligations, refunding revenue bonds, and certificates of participation (COPs). These financing instruments may be issued to assist in refunding and financing the costs of acquisition, design, construction, improvement, and installation of certain Safe, Clean Water and Water Utility capital projects.

Valley Water anticipates issuing approximately \$259.3

million in debt proceeds in FY 2021-22, of which \$159.3 million is for the Water Utility Enterprise fund and \$100 million is for the Safe Clean Water fund.

All planned debt financing is factored in Valley Water's long-term financial forecast models to ensure that pledged revenues are sufficient to meet or exceed the targeted debt service coverage ratio.

Interfund transfers are also included in this category. They are monies transferred internally between Valley Water Funds. They net to zero at the District-wide total, and therefore, are not displayed in the table below.

	Budgetary Basis Actual 2019-20	Adopted Budget 2020-21	Projected Year End 2020-21	Adopted Budget 2021-22	Change from 2020-21 Adopted	
					\$ Diff	% Diff
OTHER FINANCING SOURCES/(USES)						
Debt Proceeds	\$ 54,760,476	\$ 135,500,000	\$ 162,075,000	\$ 259,288,000	\$ 123,788,000	91.4%
TOTAL OTHER SOURCES/(USES)	\$ 54,760,476	\$ 135,500,000	\$ 162,075,000	\$ 259,288,000	\$ 123,788,000	91.4%

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SALARIES AND BENEFITS

Financial Overview

Salaries and Benefits

The FY 2021-22 salaries and benefits budget is based on a total of 892 positions, which includes 879 regular positions, 8 limited term positions, and 5 management fellows.

The total salaries budget is \$135.0 million, an increase of \$14.6 million from the FY 2020-21 Adopted Budget. The increase is primarily due to a 4% cost of living adjustment, step increases for eligible positions, extra pay period and funding for 20 new positions and 1 fellowship.

Total salaries of \$135.0 million include regular salaries \$134.3 million less \$3.4 million in salary savings, plus \$4.1 million in overtime and special pay.

Total benefits are budgeted at \$68.8 million, an increase of \$5.7 million from the FY 2020-21 Adopted Budget, which includes a \$4.9 million increase in CalPERS and deferred compensation costs, a \$0.3 million increase in healthcare insurance costs and \$0.5 million increase in payroll taxes and other benefits

A comprehensive organizational chart and further information by division is included in the Division Summaries chapter.

Financial Overview

Summary of Positions

	Adopted Budget FY 2019-2020	Adjusted Budget FY 2019-2020 ²	Adopted Budget FY 2020-21	Adjusted Budget FY 2020-21 ³	Adopted Budget FY 2021-22 ⁴	Position Change
Board Appointed Officers ¹	104	77	77	73	73	—
Office of Integrated Water Mgmt	—	—	—	38	39	1
External Affairs	36	39	39	42	45	3
IT & Administrative Services	122	160	160	159	162	3
Water Utility	341	309	309	293	296	3
Watersheds	239	274	274	254	264	10
Total Regular Positions	842	859	859	859	879	20
Fellowships	4	4	4	4	5	1
Limited Term Positions	—	8	8	12	8	—
Total	846	871	871	875	892	21

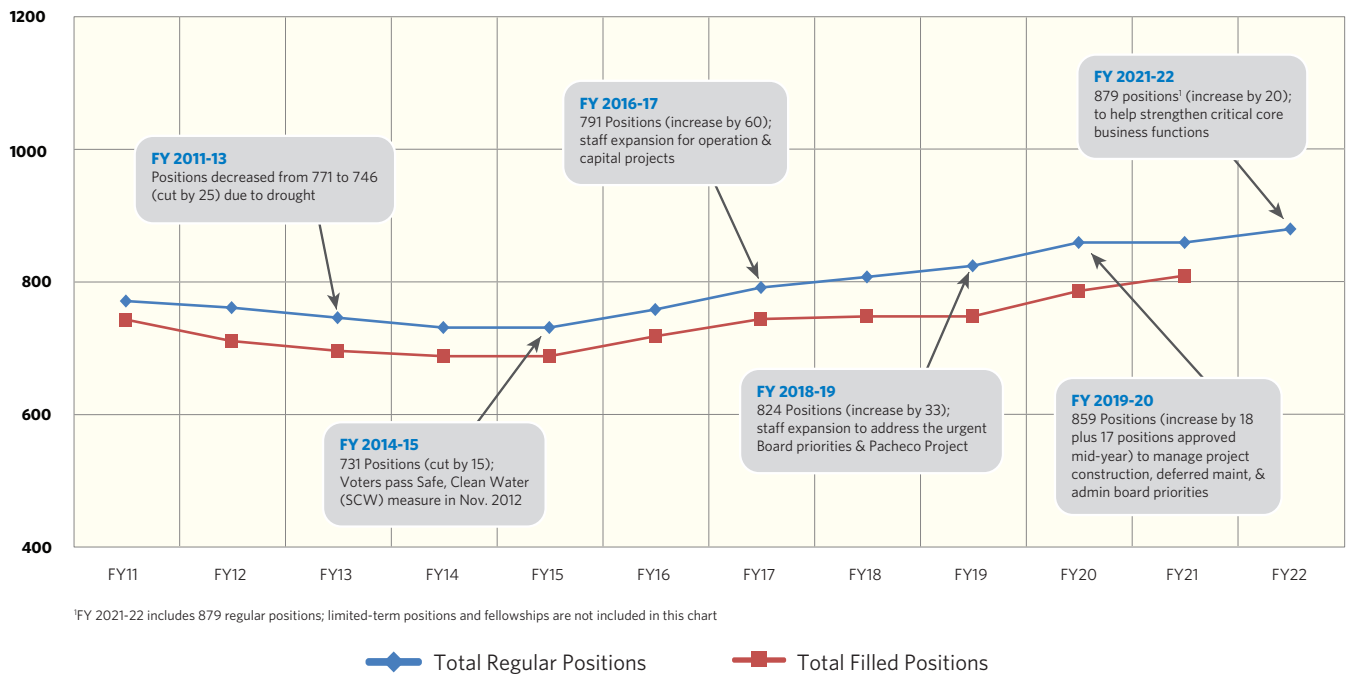
(1) Board Appointed Officers Include: Office of Chief Executive Office, District Counsel and Clerk of the Board.

(2) During FY 2019-20, the Board approved additional 17 positions to strengthen core business functions.

(3) In FY 2020-21, A new Office of Integrated Water Management was created. A new Racial Equity, Diversity and Inclusion Unit was created in External Affairs.

(4) For FY 2021-22, 21 new positions are approved by the Board, to strengthen critical core business functions.

Valley Water Staffing Trends, FY 2011-2022



¹FY 2021-22 includes 879 regular positions; limited-term positions and fellowships are not included in this chart

Financial Overview

Salaries and Benefits

	Budgetary Basis Actual 2019-20	Adopted Budget 2020-21	Projected Year End 2020-21	Adopted Budget 2021-22	Change from 2020-21 Adopted	
					\$ Diff	% Diff
Salaries-Regular Employee	\$ 103,635,499	\$ 121,216,118	\$ 121,216,118	\$ 134,274,831	\$ 13,058,713	10.8%
Overtime	3,508,126	3,164,361	3,164,361	3,076,115	(88,246)	(2.8)%
Special Pays	831,339	923,214	923,214	1,051,100	127,886	13.9%
Salary Savings	—	(4,919,121)	(4,919,121)	(3,419,776)	1,499,345	(30.5)%
Total Salaries	\$ 107,974,964	\$ 120,384,572	\$ 120,384,572	\$ 134,982,270	\$ 14,597,698	12.1%
BENEFITS						
Fed & State Taxes & Benefits	\$ 1,557,837	\$ 1,531,985	\$ 1,531,985	\$ 1,992,985	\$ 461,000	30.1%
Retirement Contributions	29,444,317	32,620,914	32,620,914	37,503,937	4,883,023	15.0%
Group Ins-Active Employees	14,019,326	16,775,938	16,775,938	16,859,752	83,814	0.5%
Group Ins-Retired Employees	10,757,161	12,192,800	12,192,800	12,427,400	234,600	1.9%
Total Benefits	\$ 55,778,641	\$ 63,121,637	\$ 63,121,637	\$ 68,784,074	\$ 5,662,437	9.0%
Net Total Salary & Benefits	\$ 163,753,605	\$ 183,506,209	\$ 183,506,209	\$ 203,766,344	\$ 20,260,135	11.0%

Budget Hours

	Labor Hours 2019-2020	Labor Hours 2020-21	Labor Hours 2020-21	Labor Hours 2021-22	Change from 2020-21 Adopted	
					Hours Diff	% Diff
Salaries-Regular Employee	1,329,599	1,529,140	1,529,140	1,630,304	101,164	6.6%
Overtime	40,445	30,637	30,637	27,964	-2,673	(8.7)%
Compensated Absences	232,168	276,111	276,111	286,458	10,347	3.7%
Total Salaries	1,602,212	1,835,888	1,835,888	1,944,726	108,838	5.9%

DEBT SERVICE

Financial Overview

Debt Service Overview

Provisions of the state constitution, laws, and various portions of Sections 14 and 25 of the District Act authorize the Board of Directors (Board) to incur short and long term debt under certain conditions and to issue bonds in a form designated by resolution of the Board, including designation of which participating watersheds are affected by the issuance of new debt. Sections 25.1 and 25.2 of District Act authorize the Board to issue revenue bonds for the Water Enterprise Fund. Valley Water's debt issuance practices are governed under the California Government and Water codes. The District Act authorizes short-term debt (maturity of less than five years) of up to a limit of \$8 million. Other provisions of state law authorize the issuance of short-term debt up to a specified percentage of revenue anticipated within a period of time.

Specifically, Valley Water may issue short term notes under the tax and revenue anticipation note statute included in the California Government Code (Sections 53850-53858). Under the tax and revenue anticipation note statute, Valley Water may issue notes for principal and interest which do not exceed 85% of the uncollected revenues of Valley Water on the date such notes are issued (and subject to certain other limitations including a 15-month maturity provision). Section 53851 provides that the tax and revenue anticipation note statute is separate authority for Valley Water to issue notes and any amount borrowed under the tax and revenue anticipation note statute is not limited by any other provision of law.

Board Policies - Executive Limitations

In addition to statutory requirements, the Board has adopted policies (Executive Limitations) related to debt: EL-4.7 states that a Board Appointed Officer (BAO) shall: "Not indebt the organization, except as provided in the District Act, and in an amount greater than can be repaid by certain, otherwise unencumbered revenues within 90 days, or prior to the close of the fiscal year." Furthermore, the BAO shall:

- 4.7.1. Not issue debt (long or short-term obligations that are sold within the financial marketplace) that conflicts with the District Act or the legal authority of Valley Water, and without Board authorization;
- 4.7.2. Not issue debt without a demonstrated financial need;
- 4.7.3. Meet debt repayment schedules and covenants of bond documents;
- 4.7.4. Establish prudent Valley Water Debt Policies that are consistent with Board policies and provide guidance to Valley Water staff in regards to administering the debt programs and agreements, including consideration for the appropriate level of debt for Valley Water to carry and structuring debt repayment to address intergenerational benefits;
- 4.7.5. Be consistent with Valley Water's Debt Policies and any addendums when issuing debt;
- 4.7.6. Maintain strong credit ratings and good investor relations.
- 4.7.7 Valley Water shall not do business with banks who do not have an Environmental, Social and Governance (ESG) ranking at or better than the "Average/Medium" category by at least one of the professional ESG research companies such as Sustainalytics, or other equivalent rankings published by other ESG research firms. Small and local banks/ credit unions located within the nine Bay Area counties with total assets at or below \$10 billion are exempt from this provision.

Debt Policy

Valley Water proactively manages its outstanding liabilities to ensure access to the credit markets at the lowest available borrowing cost, to preserve strong credit standing with the municipal rating agencies, to fulfill its fiduciary responsibility to its customers, and to provide high quality water service, stream stewardship and flood protection at the lowest possible cost. Consistent with these commitments, Valley Water shall periodically review the cost of its outstanding liabilities for opportunities to appropriately reduce these costs through refinancing or restructuring. The CEO shall present the results of these periodic reviews to the Board of Directors. Covenants and agreements related to outstanding

Financial Overview

Certificates of Participation and Revenue Bonds are encompassed within the criteria of Senior Master Resolutions adopted on June 23, 1994 (as amended from time to time), and the Parity Master Resolution adopted on February 23, 2016 (as amended from time to time). Coverage ratios required for debt service are set at 1.25 times the annual debt service for senior and parity lien debt. Valley Water is in compliance with all coverage ratio requirements for all outstanding debt. For additional information regarding Valley Water's debt policy, please visit: <https://www.valleywater.org/how-we-operate/financebudget/investor-relations>.

Bond Ratings

The bond ratings for Valley Water's outstanding debt reflect high grade investment quality debt. They are based on Valley Water's positive fiscal policy and financial strengths. The bond ratings are either the highest for a water related governmental entity in the State of California or among the highest. Bonds issued at this credit rating result in lower interest rates and corresponding lower debt service payments.

Outstanding Debt

Total debt includes Certificates of Participation (COPs), Commercial Paper and Revenue Bonds of \$746.9 million as of June 30, 2021. Scheduled annual debt service for FY 2021-22 is approximately \$71.3 million including financing and legal fees. There are no balloon payments in the future years or significant fluctuations in annual debt service.

Currently outstanding for the Watersheds are Series 2017A COPs, with a final maturity of 2030 and the 2012A COPs, with a final maturity of 2024. Debt service for these COPs is paid via benefit assessments, which are collected based on 125% of the annual debt service. Currently outstanding for the Water Utility are 2006B Water Revenue Refunding Bonds with a final maturity of 2035, the Water System Refunding Revenue Bonds 2016A/B with a final maturity of 2046, the Revenue Certificates of Participation 2016C/D with a final maturity of 2029, the

Water System Refunding Revenue Bonds 2017A with a final maturity of 2037, the Water System Refunding Revenues Bonds Series 2019A/B with a final maturity of 2049, 2019C with a final maturity of 2036, the Water System Refunding Revenue Bonds 2020A/B with a final maturity of 2050, the Revenue Certificates of Participation 2020C/D with a final maturity of 2041 as well as the Commercial Paper Certificates which are secured by Tax and Revenue Anticipation Notes that are subject to annual reauthorization by the Valley Water Board.

Planned Issuances

Valley Water is planning the issuance of debt to finance the Safe, Clean Water program and the Water Utility Enterprise to finance the long-term capital improvement plan. The source of debt service repayment for the Safe, Clean Water program will be the special parcel tax initially approved by Santa Clara County voters in the November 6, 2012 election and renewed in the November 3, 2020 election. Debt service for the Water Utility Enterprise is paid from water revenues. Bond covenants stipulate that Valley Water must maintain a minimum 1.25 debt service coverage ratio on all senior and parity bonds. Based on the financial models from the Water Utility Enterprise Finance organization, the projected debt service coverage ratios are as follows:

- FY 2021-22: 2.08
- FY 2022-23: 2.14
- FY 2023-24: 2.12
- FY 2024-25: 2.52
- FY 2025-26: 2.66

(Source: FY 2021-22 Annual Report on the Protection and Augmentation of Water Supplies)

Investment Portfolio

Valley Water's investment portfolio is invested with the following three priorities in mind: safety, liquidity and yield. Safeguarding taxpayers' money and ensuring that Valley Water has funds available when needed to meet expenditures are the two most important goals. Once

Financial Overview

those goals are satisfied, Valley Water strives to earn a market rate of return on its investments. About 60% of the portfolio is invested in government securities, such as federal agency notes and US treasury notes. The remainder 40% of the portfolio is invested in instruments of the highest credit quality and in highly liquid instruments such as the Local Agency Investment Fund, money market mutual funds and Certificates of Deposit as well as supranational/corporate medium term notes.

The investment holdings are reviewed for compliance with Valley Water’s investment policy and California State Government Code by accounting staff on a monthly basis and by the Valley Water’s independent auditor on an annual basis. In addition, Valley Water’s investment committee holds meetings at least quarterly to review the portfolio performance.

In addition to statutory requirements, the Board has

adopted policies (Executive Limitations or EL) related to investment:

EL-4.9 states that a Board Appointed Officer (BAO) shall:

- Not invest or hold funds of Valley Water in accounts or instruments that are inconsistent with the following statement of investment policies:
- 4.9.1. Public funds not needed for the immediate necessities of Valley Water should, to the extent reasonably possible, be prudently invested or deposited to produce revenue for Valley Water consistent with the Board Investment Policy and applicable law.
- 4.9.2. The Treasurer or his or her designee shall submit quarterly investment reports to the Board as specified under Government Code Section 53646.4.9.3. No investments will be made in fossil fuel companies with significant carbon emissions potential.

Bond Rating

	Water Utility		Watershed Debt
	Senior Debt	Parity Debt	
Moody's	Aa1	Aa1	Aa1
Standard & Poor's	AA-	N/A	AAA
Fitch	N/A	AA+	AA+

Financial Overview

Debt Service Payments Schedule

	Principal	Interest	Total ⁽¹⁾
Watersheds Certificates of Participation / Safe, Clean Water Revenue Bonds ⁽²⁾			
2021/22	\$ 10,860,000	\$ 4,393,500	\$ 15,253,500
2022/23	11,805,000	6,716,635	18,521,635
2023/24	12,310,000	6,214,735	18,524,735
2024/25	7,030,000	5,690,925	12,720,925
2025/26 and thereafter	145,960,000	68,839,650	214,799,650
Total	\$ 187,965,000	\$ 91,855,445	\$ 279,820,445
Water Utility Revenue Bonds / Certificates of Participation ⁽²⁾			
2021/22	\$ 20,915,000	\$ 27,074,940	\$ 47,989,940
2022/23	23,705,000	32,167,908	55,872,908
2023/24	24,465,000	31,384,931	55,849,931
2024/25	25,290,000	30,554,779	55,844,779
2025/26 and thereafter	724,847,600	391,625,105	1,116,472,705
Total	\$ 819,222,600	\$ 512,807,663	\$ 1,332,030,263
Commercial Paper			
2021/22	\$ —	\$ 4,756,000	\$ 4,756,000
2022/23	—	4,114,000	4,114,000
2023/24	—	3,159,000	3,159,000
2024/25	—	5,875,000	5,875,000
2025/26 and thereafter	—	39,086,000	39,086,000
Total	\$ —	\$ 56,990,000	\$ 56,990,000
Total All Outstanding Debt			
2021/22	\$ 31,775,000	\$ 36,224,440	\$ 67,999,440
2022/23	35,510,000	42,998,543	78,508,543
2023/24	36,775,000	40,758,666	77,533,666
2024/25	32,320,000	42,120,704	74,440,704
2025/26 and thereafter	870,807,600	499,550,755	1,370,358,355
Total	\$ 1,007,187,600	\$ 661,653,108	\$ 1,668,840,708

(1) Annual debt service payments reflect principal and interest only and exclude fees.

(2) Includes projected principal and interest payments for the anticipated issuances of Water Utility Series 2022A, 2022B and Safe, Clean Water Series 2022A

Financial Overview

Status of Bonded Indebtedness, Certificates of Participation, and Commercial Paper ⁽¹⁾

	Total Amount Sold	Date of Issue	True Interest Rate	Outstanding as of 6/30/21	2021-2022 Debt Service Payments		
					Principal	Interest	Total
Watersheds Indebtedness							
2017A COPs ⁽²⁾	\$ 59,390,000	3/7/2017	2.56%	\$ 42,310,000	\$ 4,150,000	\$ 2,115,500	\$ 6,265,500
2012A COPs	52,955,000	11/20/2012	1.41%	14,700,000	4,710,000	588,000	5,298,000
2022A Safe, Clean Water Revenue Bonds	130,000,000	3/30/2022	3.40%		2,000,000	1,690,000	3,690,000
Safe, Clean Water Commercial Paper -TE ⁽³⁾	30,000,000	various	variable	30,000,000	—	1,939,000	1,939,000
Total Watersheds	\$ 272,345,000			\$ 87,010,000	\$ 10,860,000	\$ 6,332,500	\$ 17,192,500
Water Utility Indebtedness							
2006 Water Utility Refunding Revenue Bonds							
Series B - taxable	\$ 25,570,000	12/21/2006	5.39%	\$ 16,480,000	\$ 905,000	\$ 875,418	\$ 1,780,418
Subtotal	\$ 25,570,000			\$ 16,480,000	\$ 905,000	\$ 875,418	\$ 1,780,418
2016 Water Utility Refunding Revenue Bonds							
Series A	\$ 106,315,000	3/30/2016	3.25%	\$ 106,315,000	\$ —	\$ 5,315,750	\$ 5,315,750
Series B - taxable	75,215,000	3/30/2016	4.32%	75,215,000	—	3,229,621	3,229,621
Subtotal	\$ 181,530,000			\$ 181,530,000	\$ —	\$ 8,545,371	\$ 8,545,371
2016 Water Utility Certificates of Participation							
Series C	\$ 43,075,000	3/30/2016	2.13%	\$ 31,565,000	\$ 3,405,000	\$ 1,578,250	\$ 4,983,250
Series D - taxable	54,970,000	3/30/2016	3.14%	40,020,000	4,430,000	1,273,613	5,703,613
Subtotal	\$ 98,045,000			\$ 71,585,000	\$ 7,835,000	\$ 2,851,863	\$ 10,686,863
2017 Water Utility Refunding Revenue Bonds							
Series A	\$ 54,710,000	5/2/2017	3.13%	\$ 47,750,000	\$ 1,980,000	\$ 2,387,500	\$ 4,367,500
2019 Water Utility Refunding Revenue Bonds							
Series A	\$ 15,225,000	4/25/2019	3.75%	\$ 14,755,000	\$ 255,000	\$ 737,750	\$ 992,750
Series B - taxable	80,030,000	4/25/2019	3.81%	76,730,000	1,710,000	2,793,995	4,503,995
Series C - taxable	38,280,000	11/26/2019	2.76%	35,130,000	2,140,000	881,736	3,021,736
Subtotal	\$ 133,535,000			\$ 126,615,000	\$ 4,105,000	\$ 4,413,481	\$ 8,518,481
2020 Water Utility Refunding Revenue Bonds							
Series A	\$ 24,120,000	10/14/2020	3.33%	\$ 24,120,000	\$ —	\$ 1,206,000	\$ 1,206,000
Series B - taxable	68,530,000	10/14/2020	2.98%	68,530,000	—	2,033,285	2,033,285
Subtotal	\$ 92,650,000			\$ 92,650,000	\$ —	\$ 3,239,285	\$ 3,239,285
2020 Water Utility Certificates of Participation							
Series C	\$ 41,765,000	10/14/2020	2.07%	\$ 41,765,000	\$ 1,685,000	\$ 2,088,250	\$ 3,773,250
Series D - taxable	81,560,000	10/14/2020	2.20%	81,560,000	3,240,000	1,495,688	4,735,688
Subtotal	\$ 123,325,000			\$ 123,325,000	\$ 4,925,000	\$ 3,583,938	\$ 8,508,938
2022 Water Utility Certificates of Participation							
Series A	\$ 107,198,400	3/30/2022	3.40%	\$ —	\$ 582,500	\$ 585,214	\$ 1,167,714
Series B - taxable	52,089,200	3/30/2022	4.30%	—	582,500	592,871	1,175,371
Subtotal	\$ 159,287,600			\$ —	\$ 1,165,000	\$ 1,178,085	\$ 2,343,085

Financial Overview

Status of Bonded Indebtedness, Certificates of Participation, and Commercial Paper ⁽¹⁾

	Total Amount Sold	Date of Issue	True Interest Rate	Outstanding as of 6/30/21	2021-2022 Debt Service Payments		
					Principal	Interest	Total
WU Commercial Paper							
Commercial Paper ⁽³⁾		— various	variable	—	—	2,817,000	2,817,000
Total Water Utility	\$ 868,652,600			\$ 659,935,000	\$ 20,915,000	\$ 29,891,940	\$ 50,806,940
Combined Total	\$ 1,140,997,600			\$ 746,945,000	\$ 31,775,000	\$ 36,224,440	\$ 67,999,440

(1) Annual debt service payments reflect principal and interest only and exclude fees.

(2) Approximately \$0.5M of the 2017A COPs annual debt service is funded by the general fund.

(3) Commercial Paper incurs variable rates that are subject to change pending actual market conditions at time of issuance.

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RESERVE POLICY AND FUND BALANCES

Financial Overview

Valley Water Reserve Policy

Valley Water Reserve Policy is reviewed annually with the Board of Directors pursuant to Executive Limitation 4.6 - Financial Planning and Budgeting - "At least annually present the Board with information about Valley Water's financial reserves and schedule an opportunity for the public to comment thereon."

The Governmental Accounting Standards Board (GASB) 54 statement, issued in March 2009, required that governmental agencies adopt new standards of reporting fund balance no later than the first fiscal year beginning after June 15, 2010. While the GASB 54 requirement was specifically issued for governmental type funds, Valley Water, under its conservative and prudent fiscal policy, extended the requirement to include the enterprise and internal service funds (Water Utility Enterprise, State Water Project, Fleet Management, Information Technology, and Risk Management).

Key objectives of prudent financial planning are to ensure sufficient resources for current services and obligations, and to prepare for future anticipated funding requirements and unforeseen events. To meet these objectives, Valley Water will strive to have sufficient funding available to meet its operating, capital, and debt service cost obligations. Reserve funds will be accumulated and managed in a manner that allows Valley Water to fund costs consistent with the Capital Improvement Program, Integrated Water Resources Plan, and long range financial plans while avoiding significant water charge fluctuations due to changes in cash flow requirements. Valley Water will also maintain a cash reserve position that may be utilized to fund unexpected fluctuations in revenues and operating/capital expenditures.

The level of reserves maintained and policies behind them are reviewed annually with the Board of Directors during budget deliberations.

Definitions

According to a GASB 54 statement issued in March 2009, there are four categories for reporting of fund balances

depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non-spendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund). NOTE: For the purpose of this reserve policy, only spendable fund balances are considered.
- Restricted fund balance - these are externally imposed legal restrictions or amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - these are self-imposed limitations or amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Assigned fund balance - these are amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Valley Water reserves are comprised of Restricted Fund Balance reserves, Committed Fund Balance reserves and Assigned Fund Balance reserves. Within these categories are budgeted reserves and special purpose reserves which are defined as follows:

- Budgeted Reserves - Budgeted reserves may vary from those of the Annual Financial Report (AFR) where it is appropriate to recognize actual cash transactions that are recorded in the AFR as liabilities. Such adjustments include recognizing inter-fund loans, debt financing, and certain accruals as funding sources available for appropriation or as funding uses that reduce funds available for other purposes. These adjustments must be annually reconciled to the audited AFR.

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- Special Purpose Reserves, Water Utility Enterprise Fund – These reserves are per the Parity Master Resolution which allows establishment of special purpose reserves by District Board resolution. Amounts in the Special Purpose Reserves may be used to offset extraordinary expenses and to supplement Valley Water revenues to meet debt service coverage requirements. Special purpose reserves are restricted per debt financing agreements which are in accordance with bond covenants.

Restricted Reserves

Debt Service Reserve

These reserves were established for various bond issuances. The funds are not available for general needs of Valley Water and must be maintained as dictated in the bond covenants of the various issuances. Not all bond issuances may have all of the following reserves, but the primary debt reserves are: Debt Service Reserve Fund (to fund payments should Valley Water not be able to make debt service payments due to cash shortfalls), Arbitrage Rebate (to accumulate funds to offset the potential liability from excess earnings) and Debt Service Payment Fund (a pass-through reserve for initiating debt service payments).

Debt Proceeds Reserve

Bond covenants prescribe the use of debt financing proceeds. Debt proceeds typically fund capital projects as described in various bond issues. Debt proceeds, however, are not claimed until project expenses are incurred. Unclaimed debt proceeds are held in trust and identified in Debt Proceeds Reserves.

Rate Stabilization Reserve for Bond Covenant - Water Utility Enterprise Fund

The Parity Master Resolution for the Water Utility Enterprise requires the provision of a Rate Stabilization Reserve to offset expenses and revenue shortfalls, and to supplement Valley Water revenues to meet debt service coverage requirements. The minimum funding level is 10% of annual debt service due on all senior and parity

obligations plus one month of adopted budget operations outlays. The specific level is to be financially prudent and based on reasonably anticipated needs.

Guiding Principal #5 (GP5) Reserve - Water Utility Enterprise Fund

In May 2018, Valley Water Board approved a resolution to establish GP5 – Equity and costs are important, to allow certain communities/agencies to receive Valley Water contributions in the form of additional, incremental, dedicated and segregated funds exclusively for water conservation programs, recycled water, purified water, wastewater treatment plant environment updates, automatic meter infrastructure (AMI) updates, or dedicated environmental focused grants from FY 2019 through FY 2024, subject to 20% matching funds from the communities receiving Valley Water contributions. This funding source is limited to communities/agencies that currently pay State Water Project tax but receive an average of 85% of their water supply from non-District managed supplies. Valley Water's contributions shall not exceed the State Water Project taxes paid by these communities/agencies. Any unspent funds shall be returned to Valley Water by FY 2026. The GP5 reserve was established in FY 2019-20, and will continue through FY 2025-26, as a sub-category of the Rate Stabilization Fund to set aside the unspent/unencumbered balances as approved by the Board in FY 2018-19 and subsequent years. The minimum funding level for this reserve is \$0. The specific level is to be financially prudent and based on reasonably anticipated needs.

San Felipe Emergency Reserve - Water Utility Enterprise Fund

This special purpose reserve is required by Valley Water contractual obligations with the U.S. Bureau of Reclamation for the operation and maintenance of the San Felipe Division of the Central Valley Project. The purpose of the reserve is to provide resources for unusual operation and maintenance costs incurred during periods of special stress caused by damaging droughts, storms, earthquakes, floods, or emergencies threatening or

Financial Overview

causing interruption of water service.

Use of this reserve requires authorization by the U.S. Department of the Interior. Per contract, the funding level is accumulated in annual deposits of \$200,000 until the reserve totals \$1.75 million after which interest earned on the reserve is deposited annually.

Silicon Valley Advanced Water Purification Center Reserve - Water Utility Enterprise Fund

This special purpose reserve serves as a fund for replacement of micro-filtration modules, reverse osmosis elements, and ultraviolet lamps at the Silicon Valley Advanced Water Purification Center (SVAWPC). Per the Recycled Water Facilities and Programs Integration Agreement between the City of San Jose and the Santa Clara Valley Water District dated March, 2010, the annual contribution to the reserve may be up to \$810,000 starting in FY 2009-10 and adjusted annually by 3% for inflation, thereafter, until such time that the reserve reaches the reserve cap. The reserve cap was set in FY 2013-14 at \$2.6 million and is to be adjusted by 3% for inflation annually thereafter. The reserve cap is based on a five-year replacement schedule for the micro-filtration modules and reverse osmosis elements. The specific level of this reserve is to be set based on reasonably anticipated needs and uses.

Supplemental Water Supply Reserve - Water Utility Enterprise Fund

This special purpose reserve funds water banking activities, transfers, and exchanges necessary to augment supplies during water shortages and to sell or bank unused supplies when water resources are available. The minimum funding level is set at 20% - 50% of the annual imported water purchases budget based on prudent projections of hydrology, Delta conditions, and the water market.

Drought Reserve - Water Utility Enterprise Fund

This special purpose reserve funds drought response costs necessary to protect the residents, industry and riparian

ecosystems of Santa Clara County, and to minimize water charge impacts during a drought emergency (as determined by the Board). To minimize water rate impacts, this reserve may be funded by Board direction to allocate actual surplus revenue that may have occurred during the prior year. Surplus revenue is defined as the positive difference between actual Water Utility operating revenue and budgeted Water Utility operating revenue. This reserve may also be funded by planned appropriations, which would be paid for by water rates and approved by the Board during annual water rate adoption. Drought response costs may include but not be limited to: water purchases and exchanges; special studies or system improvements related to delivery of water purchases; incremental conservation activities; and accelerated or opportunistic operations and maintenance activities spurred by the drought. The maximum funding level is set at 10% of adopted budget operating outlays.

Public-Private Partnership (P3) Reserve - Water Utility Enterprise Fund

This special purpose reserve provides a funding source for costs associated with Valley Water's Public-Private Partnership (P3) to design, build, finance, operate and maintain the Expedited Purified Water Program. The minimum funding level for this reserve is \$0, and the maximum is \$20 million. The specific level is to be financially prudent and based on reasonably anticipated needs.

State Water Project Tax Reserve - Water Utility Enterprise Fund

The purpose of the State Water Project Tax Reserve is to accumulate unspent funds for voter-approved State Water Project contract obligations. Funds accumulated in this reserve will be available to fund State Water Project contract obligations in subsequent years.

Currently Authorized Projects Reserve - Voter Approved Safe, Clean Water Fund

This reserve is designated to fund those capital projects that are included in the annually adopted 5-Year Capital

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Improvement Program (CIP) and which have had funding appropriated by the Board in prior years. The amount of this reserve for each fund at the end of a given fiscal year shall be based on the accumulated unexpended and unencumbered balances of Board- approved capital project appropriations remaining at the end of each fiscal year.

A portion of this reserve is automatically re-appropriated at the beginning of the following fiscal year consistent with those projects that have been identified in the 5-Year CIP for funding in that year. All remaining amounts shall stay in these reserves during the fiscal year unless a budget adjustment requiring the use of these reserves is approved by the Board. At the end of each fiscal year, these reserves shall also be adjusted for any capital projects that are closed out consistent with the 5-Year CIP.

Encumbrance Reserves - Voter Approved Safe, Clean Water Fund and State Water Project Fund

This reserve represents the balance of outstanding encumbrances (contractual commitments) at year end, for which the goods or services have not been received. The reserved balance is available for subsequent year expenditures based on the encumbered appropriation authority carried over to the next fiscal year. The funding level of this reserve will be adjusted annually, at year-end, based on the remaining balance of encumbrances still outstanding as of the end of the fiscal year.

Operating and Capital Reserve - Voter Approved Safe, Clean Water Fund

The purposes of this reserve are to ensure adequate working capital for cash flow needs and to provide a funding source for operating and capital needs that arise during the year. The funding level is a minimum of 50% of adopted budget operations outlays. The minimum level includes remaining available resources after the needs of all other reserves have been met. The specific level of this reserve is to be set based on reasonably anticipated needs.

Safe, Clean Water (SCW) Rate Stabilization Reserve - Voter Approved Safe, Clean Water Fund

The SCW Rate Stabilization Reserve is required to offset timing differences between expenses and collection of the SCW special parcel tax to meet debt service coverage requirements. The minimum funding level is \$0. The specific level is to be financially prudent and based on reasonably anticipated needs. The annual amount to contribute or withdraw will be determined as financial conditions warrant and as approved by the Valley Water Board of Directors.

Contingency Reserve - Voter Approved Safe, Clean Water Fund

The Contingency Reserve for the Safe, Clean Water Fund is established and maintained as financial or other business conditions warrant. Funds accumulated in this reserve are used to ensure that Valley Water delivers on the commitments made in the November 2020 ballot. The minimum funding level is \$0. The specific level is to be financially prudent and based on reasonably anticipated needs. The annual amount to contribute or withdraw will be determined as financial or other business conditions warrant and as approved by the Valley Water Board of Directors.

Committed Reserves

Liability/Workers' Compensation Self-Insurance Reserve - Risk Management Fund

The Liability/Workers' Compensation Self-Insurance Reserve is to ensure that Valley Water's self-insurance programs have adequate resources for general liability and workers' compensation ultimate payouts for both known and incurred but not reported claims.

Additionally, because of Valley Water's high self-insured retention, and low claims volume, it also provides for reserve funds to cover one large liability loss which would otherwise virtually deplete existing reserves. The reserve is based on an independent actuarial evaluations conducted bi-annually for general liability and workers

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compensation programs. The reserve level is set each year based on the actuarially determined confidence level for total claims liabilities discounted to present value. The reserve is intended to be used for claim payouts that are greater than those budgeted.

The Board of Directors approved funding of Workers' Compensation Reserve at 90 percent actuarial confidence level and funding of General Liability Reserve at 90 percent confidence level at the April 28, 2009 board meeting.

Property Self-Insurance/Catastrophic Reserve - Risk Management Fund

The Property Self-Insurance/Catastrophic Reserve purposes are to provide for uninsured property losses to Valley Water facilities such as pipelines and levees and to provide sufficient funds to initiate repair and recovery of damage to Valley Water facilities in advance of FEMA activation and reimbursement. The reserve may be used to pay for uninsured/uninsurable property losses which would adversely impact Valley Water operations and/or to cover all or a portion of District-paid expenses necessary to initiate immediate service restoration efforts. It is anticipated that in most cases, the reserves would be replenished from later reimbursement by FEMA for costs initially paid from this reserve. The reserve funding level is a minimum of 5 million adjusted for outstanding reimbursements.

When this reserve is used, the corresponding reimbursements received are deposited in the Risk Management Fund to replenish the reserve directly or through subsequent adjustments to intra-district Risk Management Fund charges.

Floating Rate Debt Payment Stabilization Reserve - Water Utility Enterprise Fund

This reserve is intended to stabilize the debt service payments on floating rate debt which by its nature fluctuates constantly. This reserve will be for long-term floating rate debt and not short-term floating rate debt (i.e., commercial paper). The reserve may be funded at

10% of the floating rate debt service interest payment. The maximum amount is no more than 20% of total floating rate debt service interest payments for a fiscal year. Excess funds over 20% will be used to pay down floating rate debt when advisable (i.e., based on market conditions, future issuance plans, etc.). The minimum amount is \$0. Should payments for floating rate interest in a given fiscal year exceed budgeted amounts, this reserve will be drawn down to provide stabilization of debt service interest payments.

Operating & Capital Reserve - except for Safe, Clean Water Fund

These reserves serve several purposes: to ensure adequate working capital for cash flow needs; to provide a funding source for operating and capital needs that arise during the year and, in the case of the water utility, to protect against revenue shortage caused by unusually wet years. The funding level for the Water Utility is a minimum of 15% of adopted budget operations outlays and a minimum of 50% for the Watershed Funds. For the General Fund and Internal Service Funds, the funding level is a minimum of 5% of total adopted budget operations outlays. The minimum level for each fund includes remaining available resources after the needs of all other reserves within those funds have been met. The specific level of this reserve is to be set based on reasonably anticipated needs.

Currently Authorized Projects Reserve - except for Safe, Clean Water Fund

These reserves are designated to fund those capital projects that are included in the annually adopted 5-Year Capital Improvement Program (CIP) and which have had funding appropriated by the Board in prior years. The amount of these reserves for each fund at the end of a given fiscal year shall be based on the accumulated unexpended and unencumbered balances of Board approved capital project appropriations remaining at the end of each fiscal year.

A portion of these reserves are automatically re-

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appropriated to projects at the beginning of the following fiscal year consistent with those projects that have been identified in the 5-Year CIP for funding in that year. All remaining amounts shall stay in these reserves during the fiscal year unless a budget adjustment requiring the use of these reserves is approved by the Board. At the end of each fiscal year, these reserves shall also be adjusted for any capital projects that are closed out consistent with the 5-Year CIP.

which, with very few exceptions, Valley Water holds all securities to their maturity, thereby not incurring any loss or gain that could impact the size and yield of the investment portfolio. These reserves do not represent cash available for appropriation and were established to ensure that the increase in the investment value does not result in an overstatement of funding available for expenditure.

Assigned Reserves

Encumbrance Reserves - except for Safe, Clean Water Fund and State Water Project Fund

These reserves represent the balance of outstanding encumbrances (contractual commitments) at year end, for which the goods or services have not been received. The reserved balance is available for subsequent year expenditures based on the encumbered appropriation authority carried over to the next fiscal year. The funding level of these reserves will be adjusted annually, at year-end, based on the remaining balance of encumbrances still outstanding as of the end of the fiscal year.

Market Valuation Reserves

The reserves for market valuation represent the increase/gain (only) in the market value of Valley Water's pooled investments as of the end of the fiscal year as a result of its compliance with the provisions of Government Accounting Standard Board Statement No. 31 (GASB 31), Accounting and Financial Reporting for Certain Investments and for External Investment Pools. GASB 31 requires Valley Water to report investments at fair market value in the Statement of Net Assets, the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Due to this requirement, investment income must be adjusted to reflect the fair value change from one fiscal year to the next fiscal year. However, Valley Water's investment policy dictates a buy-and-hold strategy in

Financial Overview

Reserves Schedule

	Estimated Balances				Change from 2020-21 Adopted	
	Year-End 2019-20	Adopted 2020-21	Projected YE 2020-21	Adopted Budget 2021-22	\$ Diff	% Diff
GENERAL FUND						
Committed Reserves						
Operating & Capital Reserve	\$ 8,235,014	\$ 5,732,805	\$ 5,794,154	\$ 6,575,512	\$ 842,707	14.7%
Total General Fund Reserves	\$ 8,235,014	\$ 5,732,805	\$ 5,794,154	\$ 6,575,512	\$ 842,707	14.7%
SPECIAL REVENUE FUNDS (WATERSHEDS)						
Restricted Reserves						
CP Debt Service	\$ 26,107	\$ —	\$ —	\$ —	\$ —	—
SCW Rate Stabilization Reserve	—	—	—	25,000,000	25,000,000	100.0%
SCW Contingency Reserve	—	—	—	5,000,000	5,000,000	100.0%
SCW Operating & Capital Reserve	71,279,858	57,903,219	53,258,394	54,254,365	(3,648,854)	(6.3)%
SCW Currently Authorized Projects	82,078,451	22,477,299	51,918,583	39,599,917	17,122,618	76.2%
Total Restricted Reserves	\$ 153,384,416	\$ 80,380,518	\$ 105,176,977	\$ 123,854,282	\$ 43,473,764	54.1%
Committed Reserves						
Benefit Reserve	\$ 1,097,604	\$ —	\$ —	\$ —	\$ —	—
Operating & Capital Reserve	97,687,518	103,370,090	68,075,315	68,457,190	(34,912,900)	(33.8)%
Currently Authorized Projects	62,843,789	12,142,988	24,515,424	5,866,617	(6,276,371)	(51.7)%
Total Committed Reserves	\$ 161,628,911	\$ 115,513,078	\$ 92,590,739	\$ 74,323,807	\$ (41,189,271)	(35.7)%
Total Special Revenue Funds Reserves	\$ 315,013,327	\$ 195,893,596	\$ 197,767,716	\$ 198,178,089	\$ 2,284,493	1.2%
Total Governmental Funds	\$ 323,248,341	\$ 201,626,401	\$ 203,561,870	\$ 204,753,601	\$ 3,127,200	1.6%
WATER ENTERPRISE & STATE WATER PROJECT FUNDS						
Restricted Reserves						
WUE- Rate Stabilization Reserve for Bond Covenant	\$ 23,466,551	\$ 25,878,053	\$ 25,069,620	\$ 28,332,567	\$ 2,454,514	9.5%
San Felipe Emergency Reserve	3,260,045	3,249,972	3,310,045	3,360,045	110,073	3.4%
State Water Project Tax Reserve	13,768,393	—	3,132,132	2,523,006	2,523,006	100.0%
CP Debt Service	102,289	—	—	—	—	—
WUE Public-Private Partnership (P3) Reserve	8,000,000	—	—	—	—	—
WUE- Supplemental Water Supply	15,077,000	15,477,000	15,477,000	7,877,000	(7,600,000)	(49.1)%
SV Advanced Water Purification Center	1,298,138	908,138	908,138	908,138	—	—
Drought Reserve	10,000,000	10,000,000	10,000,000	10,000,000	—	—
GP5	6,609,637	3,613,000	5,873,358	7,106,660	3,493,660	96.7%
Total Restricted Reserves	\$ 81,582,053	\$ 59,126,163	\$ 63,770,293	\$ 60,107,416	\$ 981,253	1.7%
Committed Reserves						
Operating & Capital Reserve	\$ 47,569,150	\$ 61,994,081	\$ 110,561,046	\$ 47,772,364	\$ (14,221,717)	(22.9)%
Currently Authorized Projects	39,201,340	9,385,922	30,561,198	8,957,446	(428,476)	(4.6)%
Total Committed Reserves	\$ 86,770,490	\$ 71,380,003	\$ 141,122,244	\$ 56,729,810	\$ (14,650,193)	(20.5)%
Total Water Enterprise Funds Reserves	\$ 168,352,543	\$ 130,506,166	\$ 204,892,537	\$ 116,837,226	\$ (13,668,940)	(10.5)%

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Reserves Schedule (Continued)

	Estimated Balances				Change from 2020-21 Adopted	
	Year-End 2019-20	Adopted 2020-21	Projected YE 2020-21	Adopted Budget 2021-22	\$ Diff	% Diff
INTERNAL SERVICE FUNDS:						
Committed Reserves						
Operating & Capital Reserve	\$ 4,095,833	\$ 3,583,615	\$ 3,361,983	\$ 1,861,852	\$ (1,721,763)	(48.0)%
Currently Authorized Projects	9,306,263	169,275	2,025,982	—	(169,275)	(100.0)%
Liability/Workers' Comp Self Insurance	7,483,500	7,085,600	6,621,000	6,621,000	(464,600)	(6.6)%
Property Self Insurance/Catastrophic	6,134,455	6,196,433	6,817,466	6,230,869	34,436	0.6%
Total Committed Reserves	\$ 27,020,051	\$ 17,034,923	\$ 18,826,431	\$ 14,713,721	\$ (2,321,202)	(13.6)%
Total Internal Service Funds Reserves	\$ 27,020,051	\$ 17,034,923	\$ 18,826,431	\$ 14,713,721	\$ (2,321,202)	(13.6)%
Total Proprietary Funds	\$ 195,372,594	\$ 147,541,089	\$ 223,718,968	\$ 131,550,947	\$ (15,990,142)	(10.8)%
TOTAL RESERVE SUMMARIES						
Total Proprietary Funds	\$ 195,372,594	\$ 147,541,089	\$ 223,718,968	\$ 131,550,947	\$ (15,990,142)	(10.8)%
Total Governmental Funds	323,248,341	201,626,401	203,561,870	204,753,601	3,127,200	1.6%
Total Year-End Reserves	\$ 518,620,935	\$ 349,167,490	\$ 427,280,838	\$ 336,304,548	\$ (12,862,942)	(3.7)%
Total Restricted Reserves	234,966,469	139,506,681	168,947,270	183,961,698	44,455,017	31.9%
Total Committed Reserves	283,654,466	209,660,809	258,333,568	152,342,850	(57,317,959)	(27.3)%
Total Year-End Reserves	\$ 518,620,935	\$ 349,167,490	\$ 427,280,838	\$ 336,304,548	\$ (12,862,942)	(3.7)%

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