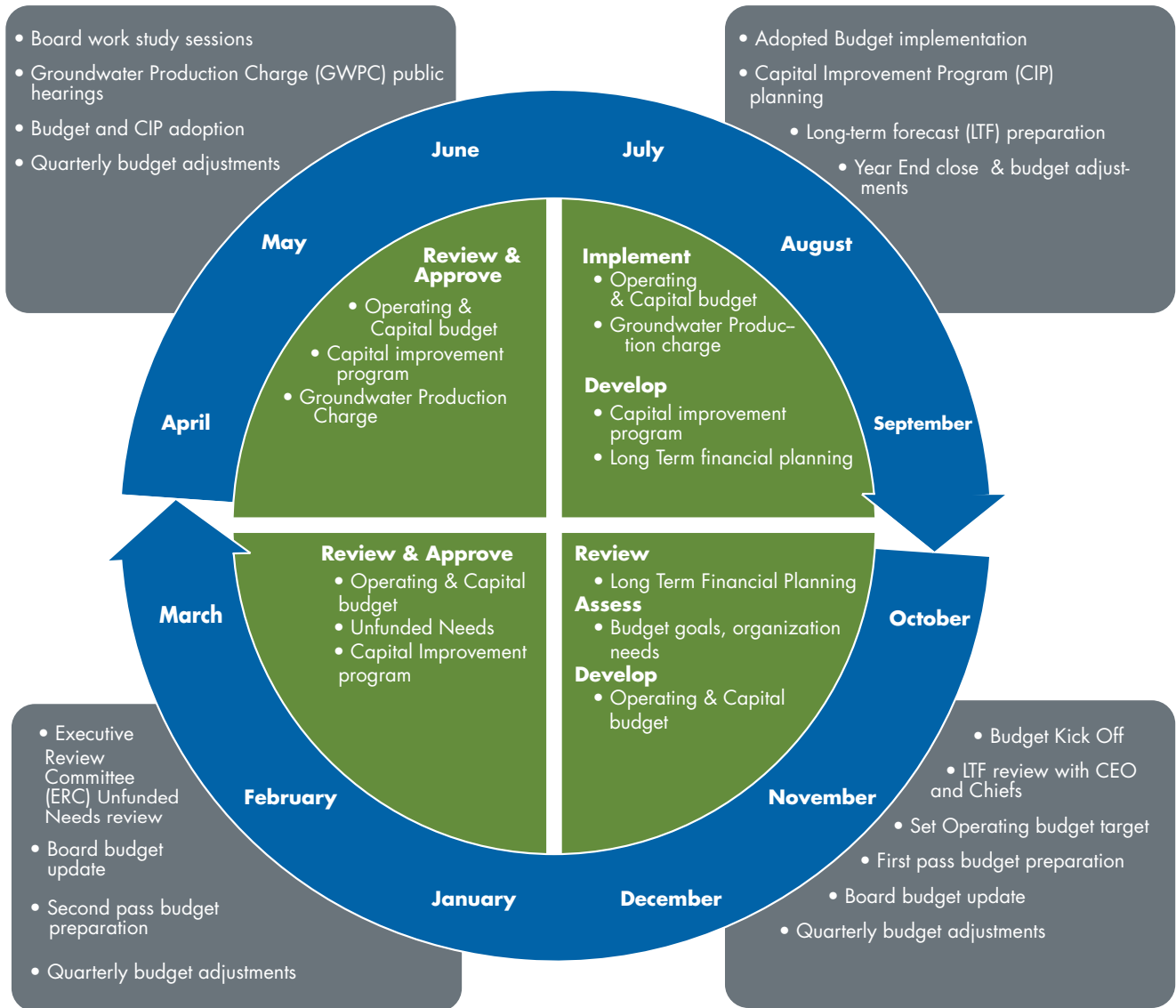


# FINANCIAL OVERVIEW

# Financial Overview

## Budget Process Overview



# Financial Overview

## Financial Planning and Rate Setting

Every year staff prepare 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 district funds. For the Water Utility Enterprise funds, the district 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 timeframe. 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 resolutions 12-10 and 12-11, 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 the district, future capital and operating requirements, benefits and services provided by the district, financing methods and water charges by zone. A series of public hearings and meetings with advisory committees and stakeholders ensure feedback is gathered for the Board to consider in establishing water charges each year.

## Capital Improvement Plan

The District 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 detail capital expenditure and impact of capital investments on operating budget, please visit: <http://aqua.gov/business-mgt-policies/capital-improvement-program>.

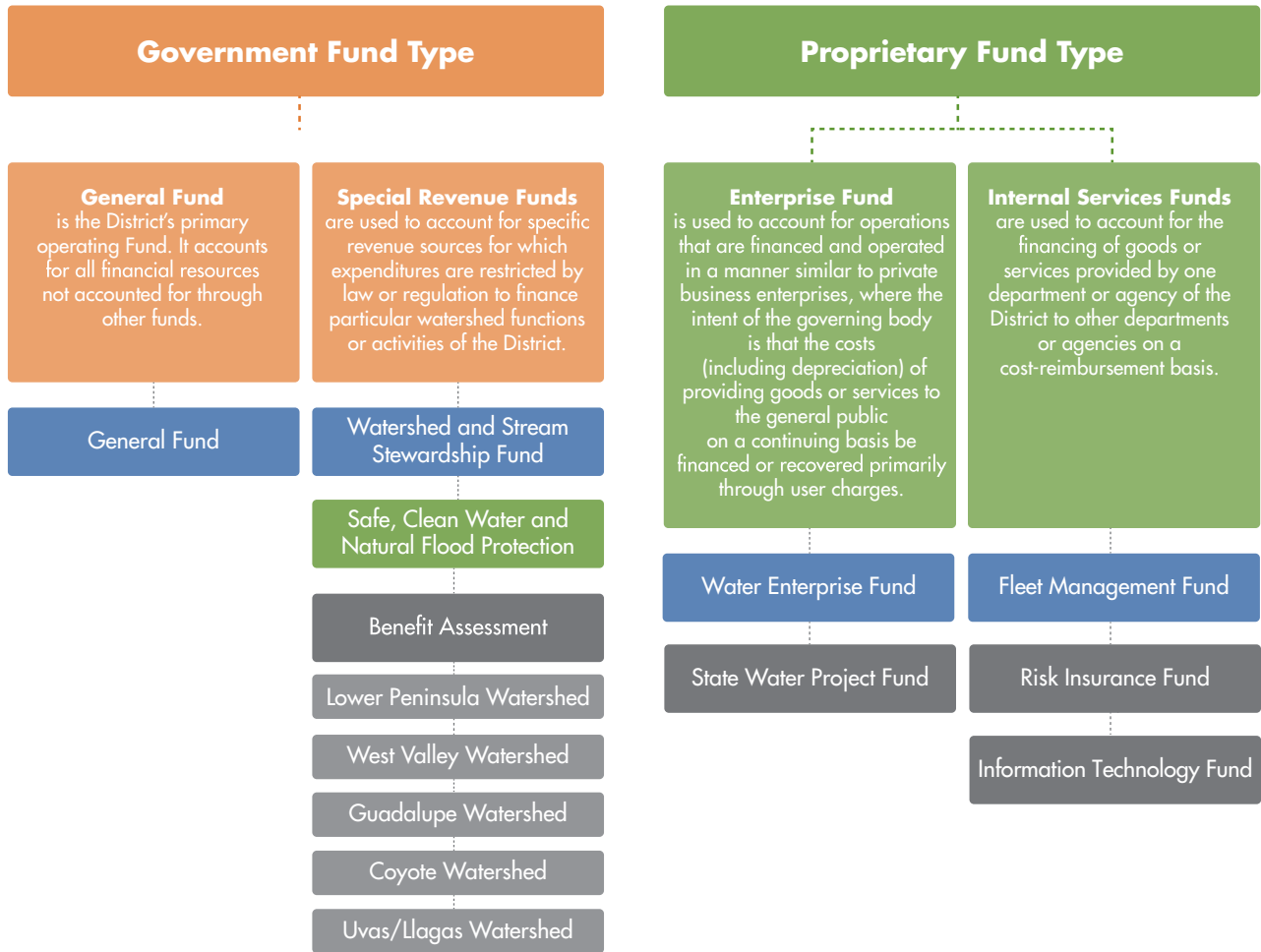
## Other Planning Documents

The District’s budget is informed by many planning documents including but not limited to:

- Protection and Augmentation of Water Supplies Report
- Water Utility Enterprise Operations Plan
- Water Utility Enterprise Maintenance Work Plan
- Water Supply Master Plan
- Stream Maintenance Program Manual
- Safe, Clean Water and Natural Flood Protection Program
- Safe, Clean Water and Natural Flood Protection 5-Year Implementation Plan
- Requests of the 115th Congress
- Engaging Our Diversity: 2015-2019

# Financial Overview

## District Fund Structure



# Financial Overview

## Basis of Budgeting

The annual 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 is made through an encumbered purchase order.

The accounts of the District 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 the District's long-range planning documents. These planning tools are continuously updated based on the best information available. They are formalized annually in the Annual Report on the Protection and Augmentation of Water Supplies, the Flood Control Benefit Assessments Report, and the Safe, Clean Water and Natural Flood Protection Report.

The FY 2018-19 budget includes projected revenues of approximately \$448.0 million. These revenues are a net increase of 1% from the \$444.1 million included in the FY 2017-18 adopted budget. The net \$3.9 million increase is primarily derived from increases in water revenue (\$31.0 million), 1% ad valorem property taxes (\$6.7 million), and special parcel tax (\$1.5 million), offset by a decrease in capital reimbursement revenue (-\$26.9 million), State Water Project property tax (-\$8 million) and other revenue (-\$0.4 million).

The specific categories of revenue include:

## Water Revenue

The main source of District revenue is from water charges which are projected for FY 2018-19 at \$246.2 million. Charges for water that is processed through District treatment plants (treated water) continue to be the largest contributor with an estimate of \$152.8 million. Groundwater production charges are estimated at \$90.8 million, and surface/recycled water sales are projected at approximately \$2.6 million. Staff is recommending a 9.7% increase in municipal & industrial groundwater charges for Zone W-2 and a 7.7% increase for Zone W-5 in the FY 2018-19 budget.

## Property Tax

Property taxes for FY 2018-19 are estimated at \$111.9 million, a decrease of 1.2% from the FY 2017-18 adopted budget. The District benefits from two types of property taxes - 1% ad valorem (\$93.9 million) and levies for State Water Project (SWP) indebtedness (\$18.0 million). More information can be found 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. The Special Parcel Tax estimated for FY 2018-19 is \$44.0 million, an increase of 3.5% over FY 2017-18.

## 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 in FY 2018-19 is forecasted to be \$14.8 million.

# Financial Overview

## Capital Reimbursements

Capital reimbursements are from local, state and federal agencies for specified capital projects that the District has completed, initiated or will undertake in this budget period. District-wide capital reimbursements are budgeted at approximately \$22.9 million for FY 2018-19. More specific information is provided in the Major Sources of Revenue section.

## Interest

Interest earnings are estimated to be \$4.0 million in FY 2018-19.

## Other Revenue

Other Revenue, comprised of revenue 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 2018-19 budget is \$509.9 million. This figure does not include capital carry forward that was appropriated by the Board in prior years and is net of General Fund intra-district reimbursements and Internal Service Funds charges.

FY 2018-19 net operating outlays are \$304.8 million, an increase of approximately \$21.9 million compared to the FY 2017-18 adopted budget of \$282.9 million.

The increase in net outlays reflects continued efforts to maintain service levels that support key strategic objectives. Objectives and issues facing the District include:

- Infrastructure maintenance and construction needs (ensuring dam safety, managing infrastructure for reliability, care of district facilities and assets)
- Funding for capital projects (shortage of federal funding, coordinated planning of permitting efforts, environmental stewardship efforts)
- Advancing the District's interests in countywide stormwater resource planning

- Coyote Creek flood response
- Making key decisions regarding the California WaterFix
- Advancing recycled and purified water efforts
- Finalizing the Fisheries and the Aquatic Habitat Collaborative Effort (FAHCE)
- Pursuing efforts to increase water storage opportunities
- Advancing diversity and inclusion efforts

The District is responding to these challenges in several ways, including expanding efforts with the help of 4 new positions, as discussed in greater detail 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 2018-19, the total is \$85.5 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, 50% of intra-district charges is paid by the Water Utility Enterprise, 36% by Watersheds, 6% by General Fund, and 8% by Internal Service Funds.

## Capital Outlays

FY 2018-19 capital project appropriations total \$205.1 million, a decrease of \$13.2 million from the FY 2017-18 adopted budget. It is anticipated that \$90.3 million of the FY 2017-18 adjusted budget for capital projects will carry forward into FY 2018-19 at the close of the current fiscal year as most capital improvement projects will require multiple years to complete. The capital budget represents those projects that have been identified and prioritized in the Five-Year Capital Improvement Program (CIP).

# Financial Overview

## Other Financing Sources/Uses

Other financing sources and uses include debt financing proceeds to fund capital improvements. For FY 2018-19, Bond Proceeds of \$64.2 million and Commercial Paper proceeds of \$110 million are projected to be received to finance Water Utility and Watersheds capital improvement projects.

## Reserves

Overall, budgeted reserves for FY 2018-19 are estimated at \$334.1 million, a decrease of \$25.3 million compared to the FY 17-18 budget. The decrease is primarily due to decreases in the currently authorized projects reserves (-\$23.4 million) and the operating and capital reserves (-\$12.5 million), offset by increases in the Water Utility public-private-partnership reserve (\$4 million), Water Utility drought reserve (\$2 million) and the state water project tax reserve (\$4.7 million).

## Staffing

The FY 2018-19 budget includes 813 authorized positions and four management fellows, an increase of 4 new positions from the prior year. The new positions costs total approximately \$690,000. The new positions support the District's Fisheries and Aquatic Habitat Collaborative Effort (FAHCE), and support the review of external development proposals that affect District facilities., such as the BART extension, High Speed Rail, and San Jose downtown Google development. 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	Adopted	Projected	Adopted	Change from	
	Basis Actual	Budget	Year End	Budget	2017-18 Adopted	
	2016-17	2017-18	2017-18	2018-19	\$ Diff	% Diff
<b>REVENUE</b>						
GroundWater	\$ 67,936,832	\$ 78,943,000	\$ 78,943,000	\$ 90,696,000	\$ 11,753,000	14.9%
Treated Water	122,212,497	133,875,000	133,875,000	152,787,000	18,912,000	14.1%
Surface/Recycled	747,007	2,424,000	2,424,000	2,653,000	229,000	9.4%
Benefit Assessment	14,790,953	14,777,514	14,777,514	14,778,000	486	0.0%
Property Tax	127,011,647	113,249,700	118,601,589	111,866,326	(1,383,374)	(1.2)%
Parcel Tax	41,098,834	42,510,582	42,510,582	43,998,000	1,487,418	3.5%
Intergovernmental Services	2,531,133	1,189,000	1,189,000	625,000	(564,000)	(47.4)%
Operating Other	928,397	968,166	968,166	975,000	6,834	0.7%
Capital Reimbursements	19,344,737	49,846,000	51,577,000	22,924,000	(26,922,000)	(54.0)%
Interest Income *	5,222,018	3,500,000	3,500,000	4,000,000	500,000	14.3%
Non-Operating Other	5,059,924	2,816,656	2,816,656	2,626,000	(190,656)	(6.8)%
<b>TOTAL REVENUE</b>	<b>\$ 406,883,979</b>	<b>\$ 444,099,618</b>	<b>\$ 451,182,507</b>	<b>\$ 447,928,326</b>	<b>\$ 3,828,708</b>	<b>0.9%</b>
<b>OUTLAYS</b>						
<b>Operating Outlays</b>						
Operations **	\$ 279,345,459	\$ 307,834,475	\$ 310,594,987	\$ 323,517,389	\$ 15,682,914	5.1%
Operating Project	8,242,741	6,774,970	7,484,970	7,621,255	846,286	12.5%
Debt Service	34,820,132	49,750,357	49,750,357	59,189,136	9,438,779	19.0%
<b>Total Operating Outlays</b>	<b>\$ 322,408,332</b>	<b>\$ 364,359,802</b>	<b>\$ 367,830,314</b>	<b>\$ 390,327,780</b>	<b>\$ 25,967,979</b>	<b>7.1%</b>
<b>Capital Outlays</b>						
Capital Projects	\$ 209,387,992	\$ 218,301,234	\$ 243,980,011	\$ 205,072,687	\$ (13,228,546)	(6.1)%
Carry Forward Capital Projects	—	98,812,000	94,087,533	90,305,126	(8,506,874)	(8.6)%
<b>Total Capital Outlays</b>	<b>\$ 209,387,992</b>	<b>\$ 317,113,234</b>	<b>\$ 338,067,544</b>	<b>\$ 295,377,813</b>	<b>\$ (21,735,420)</b>	<b>(6.9)%</b>
<b>TOTAL OUTLAYS****</b>	<b>\$ 531,796,324</b>	<b>\$ 681,473,036</b>	<b>\$ 705,897,858</b>	<b>\$ 685,705,593</b>	<b>\$ 4,232,557</b>	<b>0.6%</b>
Less Intra-District Reimb	(63,159,603)	(81,442,097)	(81,427,601)	(85,543,321)	(4,101,224)	5.0%
<b>NET OUTLAYS</b>	<b>\$ 468,636,721</b>	<b>\$ 600,030,939</b>	<b>\$ 624,470,257</b>	<b>\$ 600,162,272</b>	<b>\$ 131,333</b>	<b>0.0%</b>
<b>OTHER FINANCING SOURCES/(USES)</b>						
Bond Proceeds	\$ —	\$ 62,000,000	\$ 110,000,000	\$ 64,193,000	\$ 2,193,000	3.5%
Commercial Paper Proceeds	24,230,000	140,000,000	30,000,000	110,000,000	(30,000,000)	(21.4)%
Certificates of Participation	1,443,987	8,500,000	8,500,000	—	(8,500,000)	(100.0)%
Transfers In	7,628,126	16,914,831	18,033,609	12,629,471	(4,285,360)	(25.3)%
Transfers Out	(7,628,126)	(16,914,831)	(18,033,609)	(12,629,471)	4,285,360	(25.3)%
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 25,673,987</b>	<b>\$ 210,500,000</b>	<b>\$ 148,500,000</b>	<b>\$ 174,193,000</b>	<b>\$ (36,307,000)</b>	<b>(17.2)%</b>
<b>BALANCE AVAILABLE</b>	<b>\$ (36,078,755)</b>	<b>\$ 54,568,679</b>	<b>\$ (24,787,750)</b>	<b>\$ 21,959,054</b>	<b>\$ (32,609,625)</b>	<b>(59.8)%</b>



# Financial Overview

## Combined Fund Summary - All Funds (Continued)

	Budgetary	Adopted	Projected	Adopted	Change from	
	Basis Actual	Budget	Year End	Budget	2017-18 Adopted	
	2016-17	2017-18	2017-18	2018-19	\$ Diff	% Diff
<b>YEAR-END RESERVES</b>						
<b>Restricted Reserves</b>						
WUE Rate Stabilization	\$ 19,973,809	\$ 21,066,011	\$ 21,066,011	\$ 22,477,551	\$ 1,411,540	6.7%
WUE San Felipe Emergency	2,953,130	2,976,275	3,003,130	3,053,130	76,855	2.6%
WUE State Water Project Tax Reserve	7,908,331	—	6,620,109	4,725,400	4,725,400	—
WUE Public-Private Partnership (P3) Reserve	—	—	—	4,000,000	4,000,000	—
WUE Water Supply	14,277,014	14,677,141	14,677,141	14,677,000	(141)	(0.0)%
WUE SVAWPC	1,906,000	1,906,000	986,000	986,000	(920,000)	(48.3)%
WUE Drought Reserve	3,000,000	5,000,000	5,000,000	7,000,000	2,000,000	40.0%
SCW Currently Authorized Projects	129,018,840	15,357,000	68,665,756	16,134,748	777,748	5.1%
SCW Operating and Capital Reserve	631,179	146,714,094	16,807,181	123,269,436	(23,444,658)	(16.0)%
<b>Total Restricted Reserves</b>	<b>\$ 179,668,303</b>	<b>\$ 207,696,521</b>	<b>\$ 136,825,328</b>	<b>\$ 196,323,265</b>	<b>\$ (11,373,256)</b>	<b>(5.5)%</b>
<b>Committed Reserves</b>						
Currently Authorized Projects ***	\$ 84,906,704	\$ 37,575,326	\$ 27,601,371	\$ 13,398,137	\$ (24,177,189)	(64.3)%
Operating and Capital Reserve	58,893,178	102,443,956	135,943,100	113,259,257	10,815,301	10.6%
Workers Compensation Liability	5,666,000	5,666,000	5,666,000	6,000,000	334,000	5.9%
Catastrophy - Property Self-Insurance	7,689,364	6,000,000	6,000,000	5,014,194	(985,806)	(16.4)%
<b>Total Committed Reserves</b>	<b>\$ 157,155,246</b>	<b>\$ 151,685,282</b>	<b>\$ 175,210,471</b>	<b>\$ 137,671,588</b>	<b>\$ (14,013,694)</b>	<b>(9.2)%</b>
<b>TOTAL YEAR-END RESERVES</b>	<b>\$ 336,823,549</b>	<b>\$ 359,381,803</b>	<b>\$ 312,035,799</b>	<b>\$ 333,994,853</b>	<b>\$ (25,386,950)</b>	<b>(7.1)%</b>
<b>Uncommitted Funds</b>						
<b>Outlay Summary by Account Type</b>						
<b>OPERATING OUTLAY</b>						
Salaries & Benefits	\$ 108,810,671	\$ 119,111,888	\$ 119,111,888	\$ 125,163,731	\$ 6,051,843	5.1%
Salary Savings Factor	—	(3,213,991)	(3,213,991)	(3,338,375)	(124,385)	3.9%
Services & Supplies	130,495,879	138,917,967	142,402,975	146,742,728	7,824,761	5.6%
Intra-District Charges	48,281,651	59,793,581	59,779,085	62,570,561	2,776,980	4.6%
<b>OPERATING OUTLAY TOTAL</b>	<b>\$ 287,588,200</b>	<b>\$ 314,609,445</b>	<b>\$ 318,079,957</b>	<b>\$ 331,138,645</b>	<b>\$ 16,529,199</b>	<b>5.3%</b>
<b>DEBT SERVICE</b>						
Services & Supplies	\$ 989,906	\$ 2,198,870	\$ 2,198,870	\$ 3,241,959	\$ 1,043,089	47.4%
Debt Service	33,830,226	47,551,487	47,551,487	55,947,177	8,395,690	17.7%
<b>DEBT SERVICE TOTAL</b>	<b>\$ 34,820,132</b>	<b>\$ 49,750,357</b>	<b>\$ 49,750,357</b>	<b>\$ 59,189,136</b>	<b>\$ 9,438,779</b>	<b>19.0%</b>
<b>CAPITAL PROJECTS</b>						
Salaries & Benefits	\$ 26,761,345	\$ 33,796,308	\$ 33,796,308	\$ 37,524,810	\$ 3,728,502	11.0%
Salary Savings Factor	—	(930,696)	(930,696)	(1,033,537)	(102,840)	11.1%
Services & Supplies	167,748,695	163,787,107	189,465,884	145,608,654	(18,178,453)	(11.1)%
Carry Forward Capital Projects	—	98,812,000	94,087,533	90,305,126	(8,506,874)	(8.6)%
Intra-District Charges	14,877,953	21,648,516	21,648,516	22,972,760	1,324,245	6.1%
<b>CAPITAL PROJECTS TOTAL</b>	<b>\$ 209,387,993</b>	<b>\$ 317,113,235</b>	<b>\$ 338,067,545</b>	<b>\$ 295,377,813</b>	<b>\$ (21,735,420)</b>	<b>(6.9)%</b>
<b>TOTAL OUTLAYS****</b>	<b>\$ 531,796,325</b>	<b>\$ 681,473,037</b>	<b>\$ 705,897,859</b>	<b>\$ 685,705,594</b>	<b>\$ 4,232,558</b>	<b>0.6%</b>

# Financial Overview

## Combined Fund Summary - All Funds (Continued)

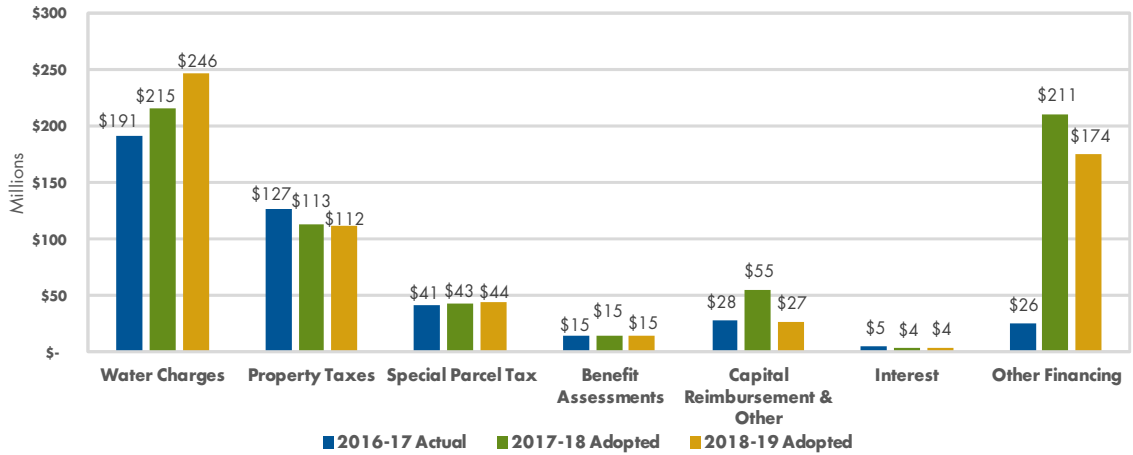
	Budgetary Basis Actual 2016-17	Adopted Budget 2017-18	Projected Year End 2017-18	Adopted Budget 2018-19	Change from 2017-18 Adopted	
					\$ Diff	% Diff

(\*) 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

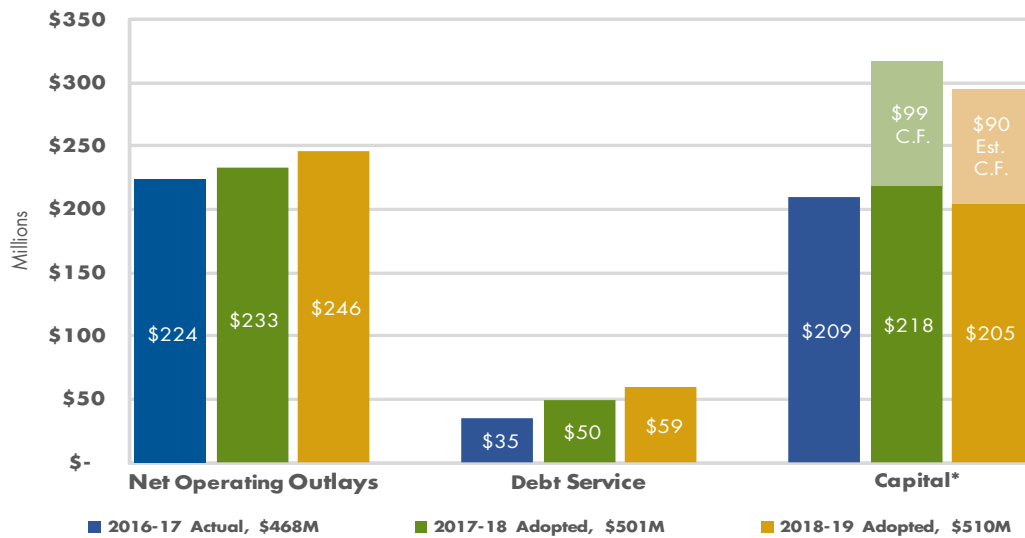
# Financial Overview

## Revenue and Outlays

Revenue and Financing by Fiscal Year and Type



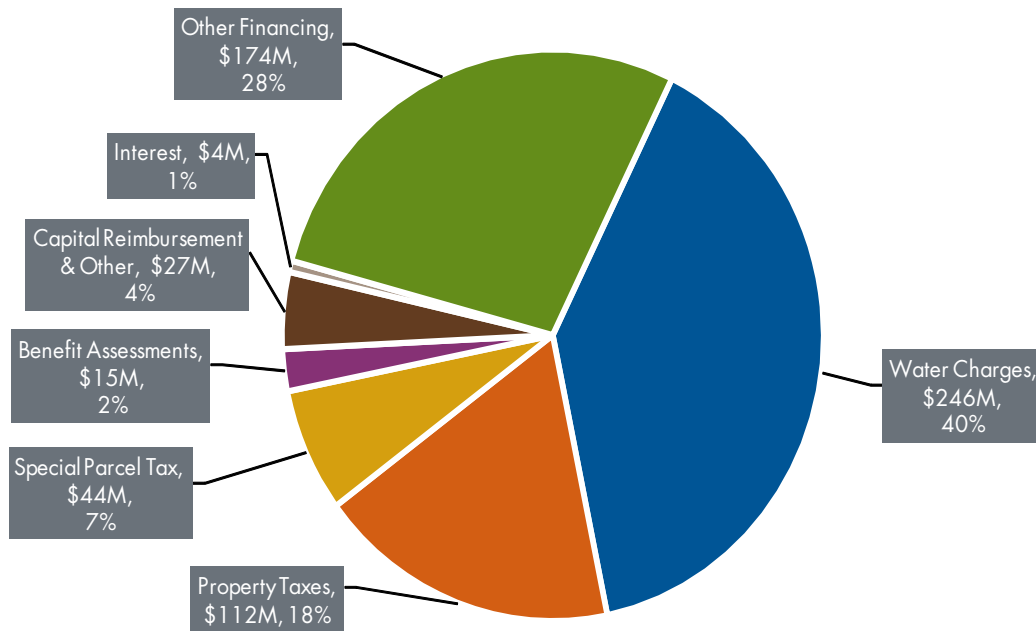
Net Outlays by Fiscal Year & Category



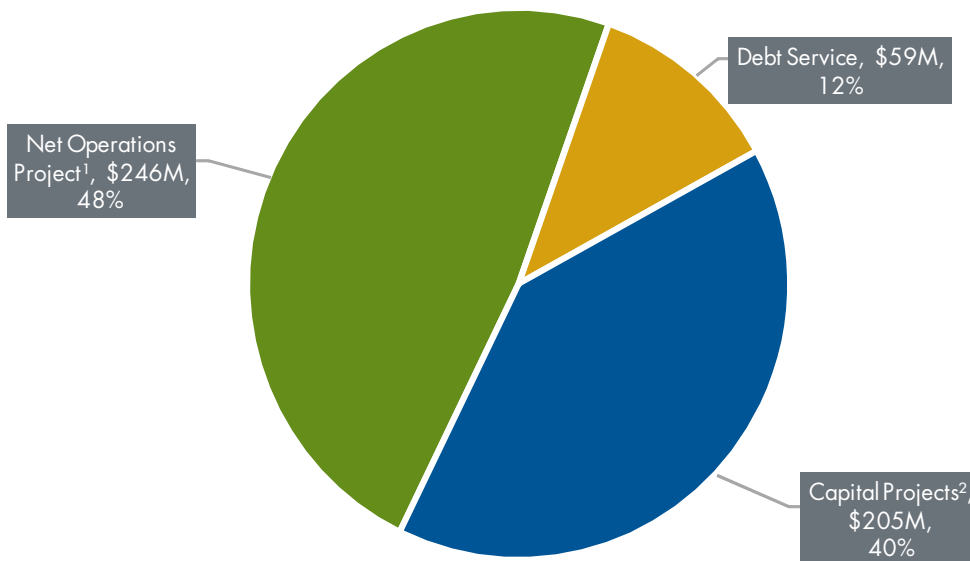
\* Capital budget includes current year budget and prior year capital budget carry forward in the lighter shade

# Financial Overview

**FY 2018-19 Revenue and Financing, \$622 Million**



**FY 2018-19 Net Outlays By Category, \$510 Million**



<sup>1</sup>Operations are net of intra-district reimbursements.

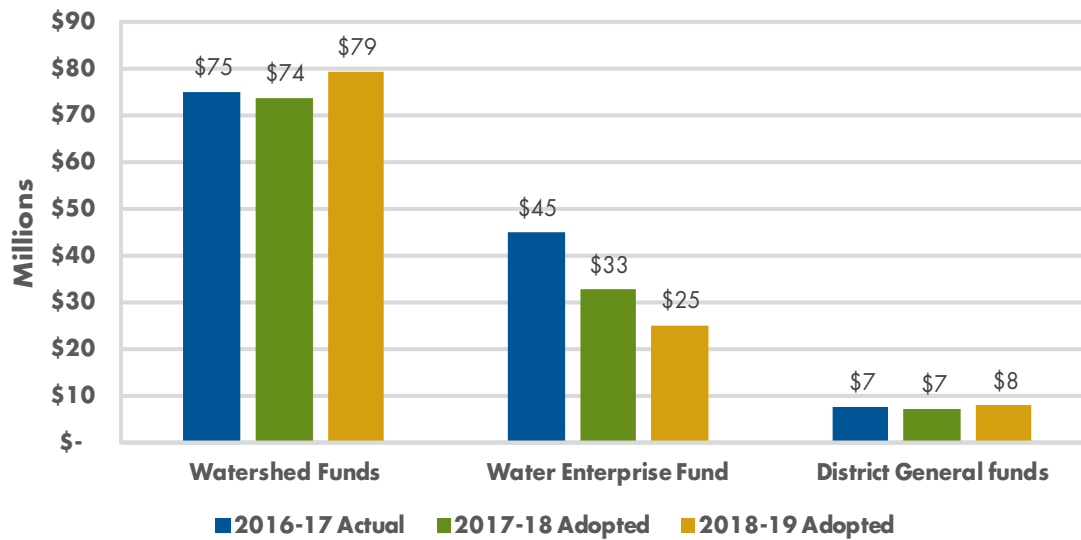
<sup>2</sup>Capital Projects Outlay does not include capital budget estimated to be carried forward from prior year.

# MAJOR SOURCES OF REVENUES

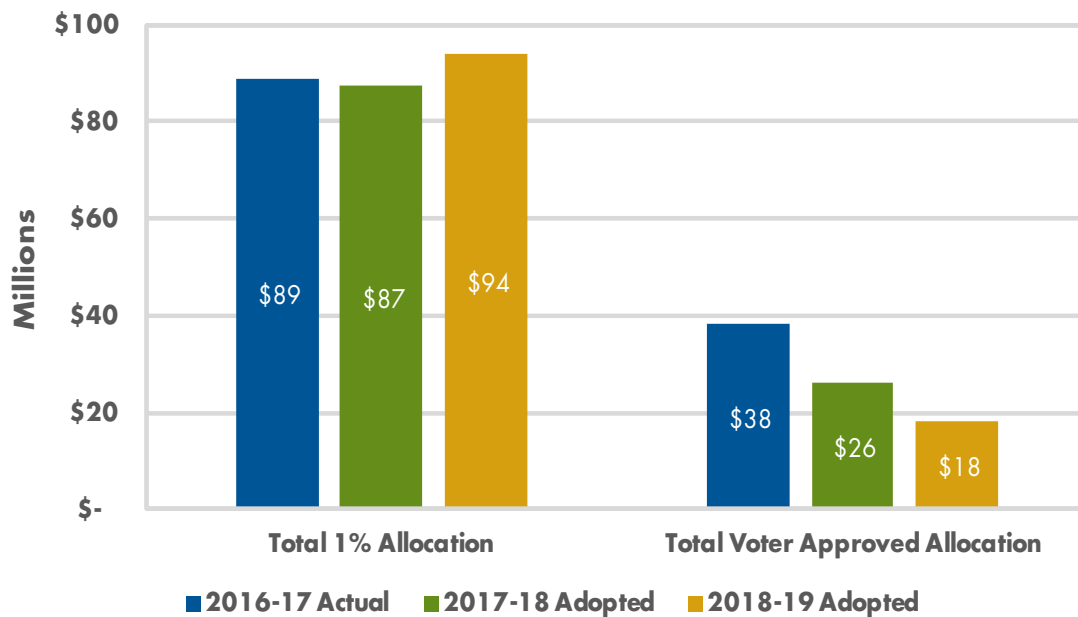
# Financial Overview

## Property Taxes

Property Taxes by Fiscal Year and Fund Group



Property Taxes by Fiscal Year and Taxing Authority Type



# Financial Overview

## Property Taxes

The District'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.

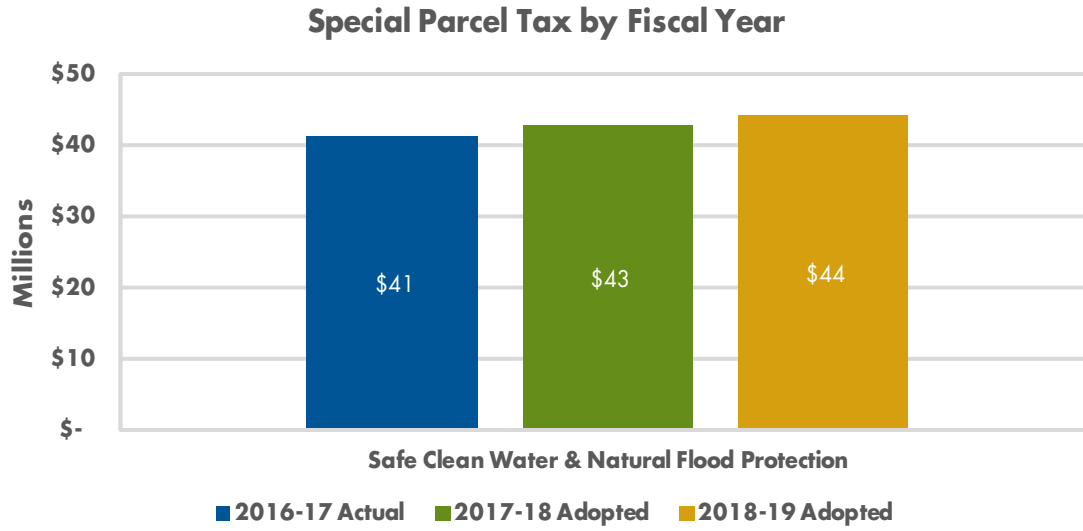
For FY 2018-19, the District is projecting \$93.9 million in Ad Valorem tax revenues, a 7.6% increase over the FY 2017-18 adopted budget. The increase is based on updates from Santa Clara County staff and is tied to the increase in the assessed value of all property in Santa Clara County. Property sales and new construction

were principal contributors to assessment roll growth.

The District also directly levies a property tax based on annual indebtedness to the State of California pursuant to its water supply contract dated November 20, 1961. Such indebtedness is reflected in the District SWP water purchase costs and pays for construction, maintenance and operation of SWP infrastructure and facilities. The amount of District taxes to be collected is estimated at \$18.0 million for FY 2018-19. This is a decrease of \$8.0 million over the FY 2017-18 adopted budget. The decrease is primarily due to lower SWP costs.

	Budgetary Basis Actual 2016-17	Adopted Budget 2017-18	Projected Year End 2017-18	Adopted Budget 2018-19	Change from 2017-18 Adopted	
					\$ Diff	% Diff
<b>Property Tax</b>						
<b>1 % Ad Valorem Property Tax</b>						
Watershed Funds	\$ 74,805,680	\$ 73,638,000	\$ 78,080,178	\$ 79,160,985	\$ 5,522,985	7.5%
Water Enterprise Fund	6,682,112	6,509,600	6,837,470	6,962,471	452,871	7.0%
District General Fund	7,419,980	7,102,100	7,683,941	7,742,870	640,770	9.0%
<b>Total 1% Allocation</b>	<b>\$ 88,907,772</b>	<b>\$ 87,249,700</b>	<b>\$ 92,601,589</b>	<b>\$ 93,866,326</b>	<b>\$ 6,616,626</b>	<b>7.6%</b>
<b>State Water Project Voter-approved Levy</b>	<b>\$ 38,103,875</b>	<b>\$ 26,000,000</b>	<b>\$ 26,000,000</b>	<b>\$ 18,000,000</b>	<b>\$ (8,000,000)</b>	<b>(30.8)%</b>
<b>Total Property Tax</b>	<b>\$ 127,011,647</b>	<b>\$ 113,249,700</b>	<b>\$ 118,601,589</b>	<b>\$ 111,866,326</b>	<b>\$ (1,383,374)</b>	<b>(1.2)%</b>

## 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 District’s countywide Clean, Safe Creeks and Natural Flood Protection Program (Clean, Safe Creeks). In November 2012, more than two-thirds of the voters approved the Safe, Clean Water and Natural Flood Protection program that builds upon the success of its predecessor Clean, Safe Creeks program and extends the special parcel tax another 15 years. 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 3%, whichever is greater.

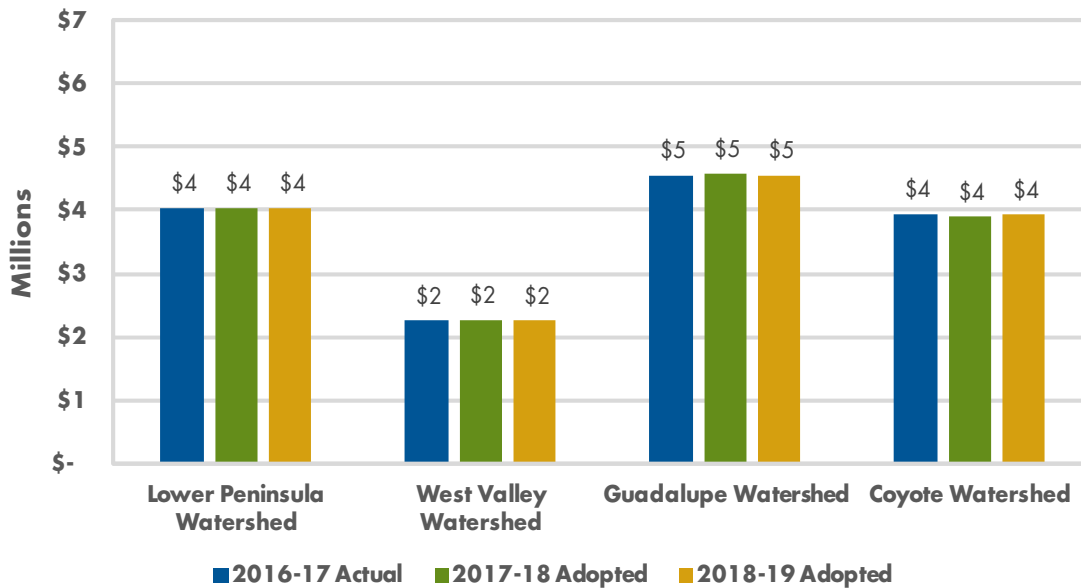
For FY 2018-19, special parcel tax revenues are expected to increase by \$1.5 million or 3.5% over the FY 2017-18 adopted budget. The increase is mainly due to the increase in the special tax rates, and partially due to an anticipated increase in eligible parcel count from economic growth within the county.

	Budgetary Basis Actual 2016-17	Adopted Budget 2017-18	Projected Year End 2017-18	Adopted Budget 2018-19	Change from 2017-18 Adopted	
					\$ Diff	% Diff
<b>Special Parcel Tax</b>						
Safe Clean Water & Natural Flood Protection	\$ 41,098,834	\$ 42,510,582	\$ 42,510,582	\$ 43,998,000	\$ 1,487,418	3.5%
<b>Total Special Parcel Tax</b>	<b>\$ 41,098,834</b>	<b>\$ 42,510,582</b>	<b>\$ 42,510,582</b>	<b>\$ 43,998,000</b>	<b>\$ 1,487,418</b>	<b>3.5%</b>

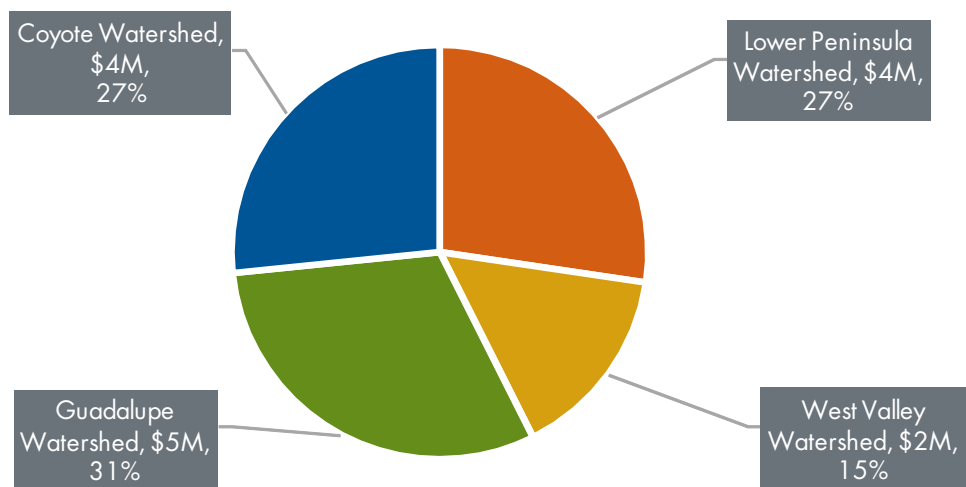
# Financial Overview

## Benefit Assessment

**Benefit Assessment by Fiscal Year and Watershed Fund**



**FY 2018-19 Adopted Benefit Assessments, \$15 Million**



# Financial Overview

## Benefit Assessment

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

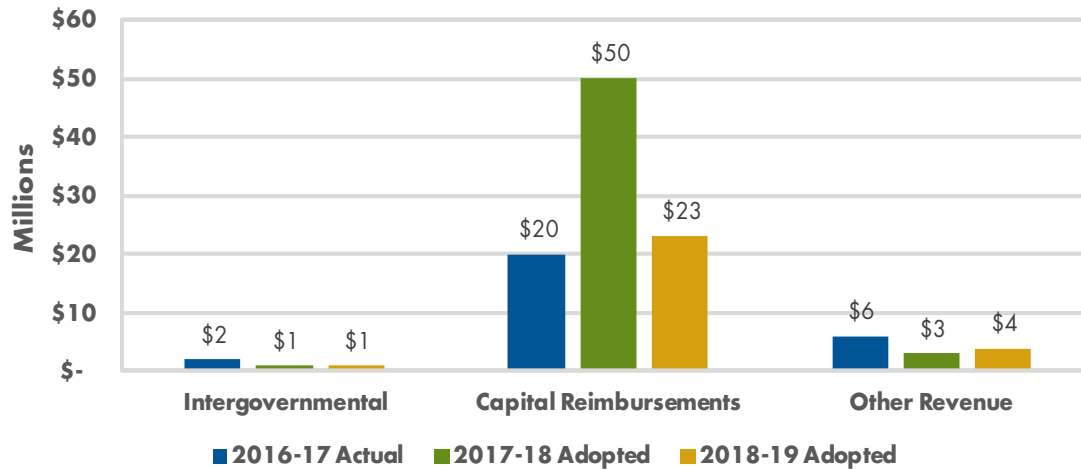
FY 2018-19 continues under this debt repayment phase

of the benefit assessment program with benefit assessments levied at 1.25 times the annual debt service. For FY 2018-19, the Benefit Assessment revenue receipts are anticipated to come in at \$14.8 million. As the District pays down principal, the amount collected decreases.

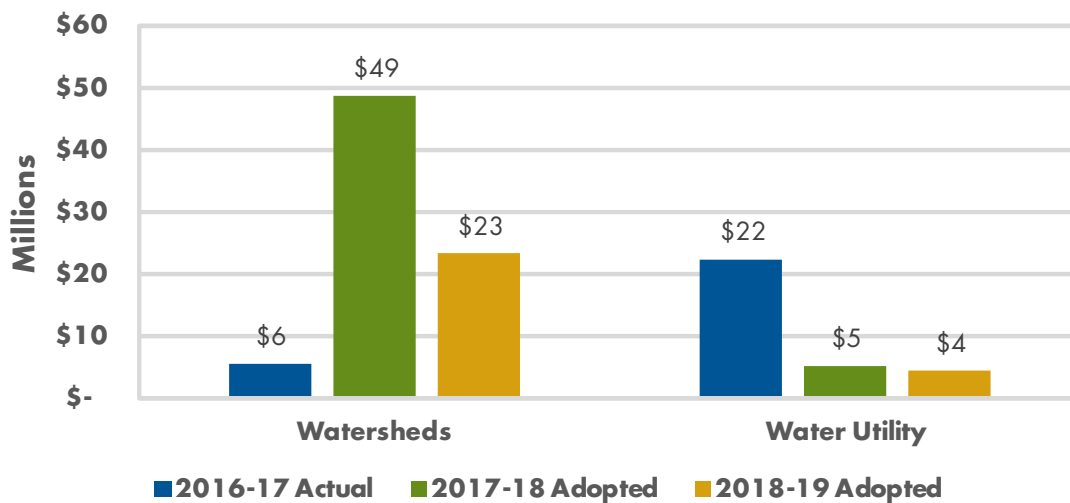
	Budgetary	Adopted	Projected	Adopted	Change from	
	Basis Actual	Budget	Year End	Budget	2017-18 Adopted	
	2016-17	2017-18	2017-18	2018-19	\$ Diff	% Diff
<b>Benefit Assessment</b>						
Lower Peninsula Watershed	\$ 4,037,346	\$ 4,038,079	\$ 4,038,079	\$ 4,039,000	\$ 921	0.0%
West Valley Watershed	2,256,521	2,265,508	2,265,508	2,255,000	(10,508)	(0.5)%
Guadalupe Watershed	4,552,181	4,578,702	4,578,702	4,552,000	(26,702)	(0.6)%
Coyote Watershed	3,944,906	3,895,225	3,895,225	3,932,000	36,775	0.9%
<b>Total Benefit Assessments</b>	<b>\$ 14,790,954</b>	<b>\$ 14,777,514</b>	<b>\$ 14,777,514</b>	<b>\$ 14,778,000</b>	<b>\$ 486</b>	<b>0.0%</b>

## 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 Services

The District anticipates receiving intergovernmental services revenue of \$0.6 million for the Water Utility.

## Capital Reimbursement Revenue

The District anticipates capital reimbursement revenue in the amount of \$22.9 million.

Water Enterprise receipts are budgeted at \$1.4 million comprised of \$0.7 million from San Benito Water District (SBWD) for small capital improvements on the San Felipe pipeline, \$0.3 million from SBWD for the Pacheco/Santa Clara Conduit ROW acquisition, and \$0.4 million from SBWD for SCADA remote architecture and communications upgrades and Coyote Pumping Plant ASD replacement.

Total Watersheds capital reimbursements are budgeted at \$21.5 million. Of this, \$12.4 million is budgeted in the Watershed and Stream Stewardship Fund and \$9.1 million is budgeted in the Safe, Clean Water Fund.

Watershed and Stream Stewardship reimbursements are comprised of \$6.6 million from Department of Water Resources (DWR) Proposition 1E funds, \$4.3 million from the DWR Natural Resource Conservation Service (NRCS), \$1.4 million from Joint Powers Authority, and \$0.1 million from State Subventions.

Safe, Clean Water reimbursements are comprised of \$6.1 million from State Subventions: Berryessa Creek, Calaveras Blvd. to I-680 and Llagas Creek – Upper, Buena Vista to Wright ; and \$3.0 million from DWR Proposition 1E: Berryessa Creek, Calaveras Blvd to I-680.

## Other Revenue

The Other Revenue category totals \$3.6 million for FY 2018-19. Approximately \$1.6 million is budgeted for the Watersheds, \$1.9 million for Water Utility and \$0.1 million for the Internal Service Funds.

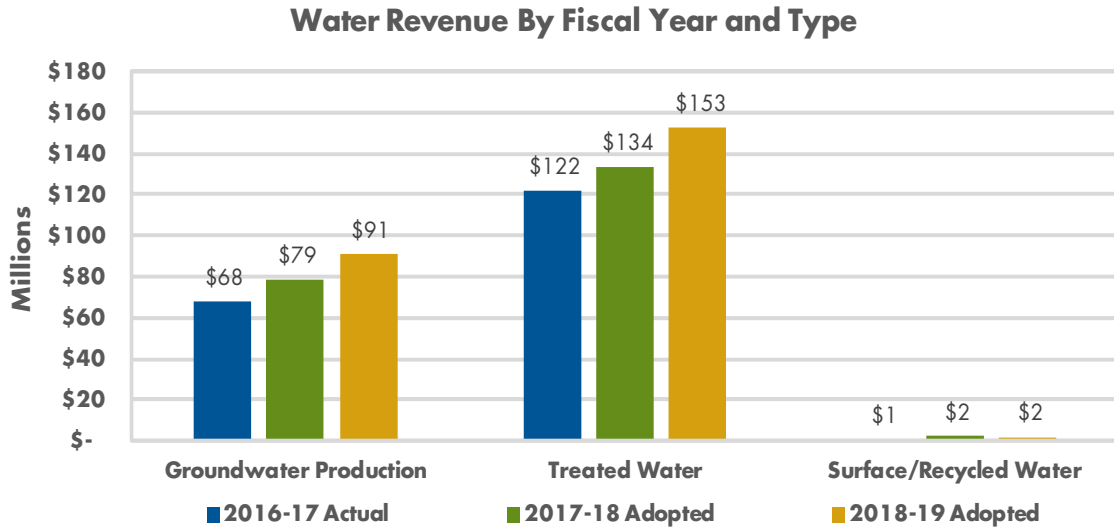
	Budgetary Basis Actual 2016-17	Adopted Budget 2017-18	Projected Year End 2017-18	Adopted Budget 2018-19	Change from 2017-18 Adopted	
					\$ Diff	% Diff
<b>Intergovernmental Services</b>						
Watershed Funds	\$ 491,870	\$ —	\$ —	\$ —	\$ —	—
Safe Clean Water & Natural Flood Protection	2,662	—	—	—	—	—
Water Enterprise Fund	2,036,601	1,189,000	1,189,000	625,000	(564,000)	(47.4)%
<b>Total Intergovernmental Services</b>	<b>\$ 2,531,133</b>	<b>\$ 1,189,000</b>	<b>\$ 1,189,000</b>	<b>\$ 625,000</b>	<b>\$ (564,000)</b>	<b>(47.4)%</b>
<b>Capital Reimbursements</b>						
Watershed Funds	\$ 29	\$ 28,000,000	\$ 33,938,000	\$ 12,443,000	\$ (15,557,000)	(55.6)%
Safe Clean Water & Natural Flood Protection	1,818,009	19,158,000	13,523,000	9,126,000	(10,032,000)	(52.4)%
Water Enterprise Fund	17,526,700	2,688,000	4,116,000	1,355,000	(1,333,000)	(49.6)%
<b>Total Capital Reimbursements</b>	<b>\$ 19,344,738</b>	<b>\$ 49,846,000</b>	<b>\$ 51,577,000</b>	<b>\$ 22,924,000</b>	<b>\$ (26,922,000)</b>	<b>(54.0)%</b>

# Financial Overview

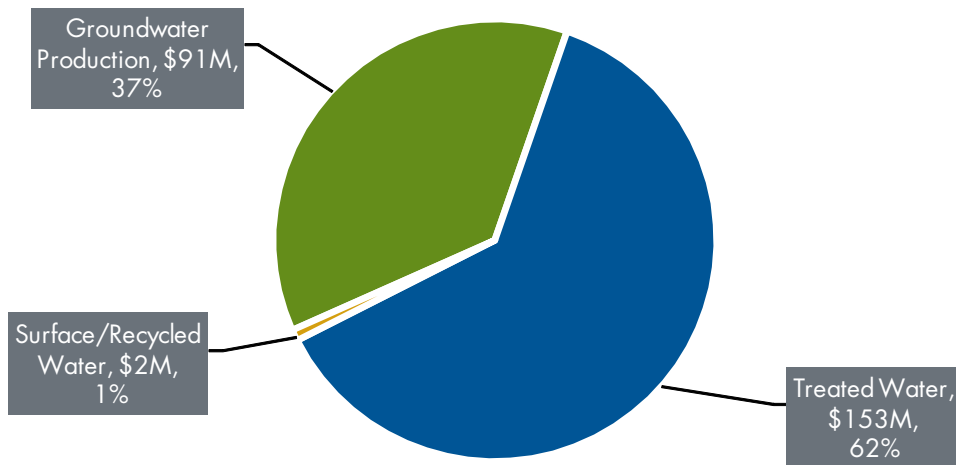
	Budgetary	Adopted	Projected	Adopted	Change from	
	Basis Actual	Budget	Year End	Budget	2017-18 Adopted	
	2016-17	2017-18	2017-18	2018-19	\$ Diff	% Diff
<b>Other</b>						
Watershed Funds	\$ 2,904,346	\$ 1,568,758	\$ 1,568,758	\$ 1,616,000	\$ 47,242	3.0%
Safe Clean Water & Natural Flood Protection	294,020	—	—	—	—	—
Water Enterprise Fund	1,315,408	1,114,064	1,114,064	935,000	(179,064)	(16.1)%
State Water Project Fund	1,209,801	1,000,000	1,000,000	1,000,000	—	—
District General Fund	95,987	—	—	—	—	—
Internal Service Funds	168,759	102,000	102,000	50,000	(52,000)	(51.0)%
<b>Total Other</b>	<b>\$ 5,988,321</b>	<b>\$ 3,784,822</b>	<b>\$ 3,784,822</b>	<b>\$ 3,601,000</b>	<b>\$ (183,822)</b>	<b>(4.9)%</b>
<b>Total Intergov'l &amp; Other Revenues</b>	<b>\$ 27,864,192</b>	<b>\$ 54,819,822</b>	<b>\$ 56,550,822</b>	<b>\$ 27,150,000</b>	<b>\$ (27,669,822)</b>	<b>(50.5)%</b>

# Financial Overview

## Water Revenue



### FY 2018-19 Adopted Water Revenue \$246 Million



# Financial Overview

## Water Revenue

The District'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 District 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 2018-19 are based on staff's recommendation to the District's Board of Directors for water charges in the North County and South County zones of benefit. Revenue estimates reflect a 9.7% and 7.7% increase in groundwater production charges for the North County (Zone W-2) and South County (Zone W-5) respectively, relative to FY 2017-18. These increases in water charges are necessary to pay for critical investments in water supply infrastructure rehabilitation and upgrades, and the

development of future drought-proof supplies, most notably purified water. In addition, staff projects lower water usage than pre-drought averages, which results in lower revenues and puts upward pressure on water charges in the near term. The water charges are shown in the accompanying Water Enterprise Fund schedules.

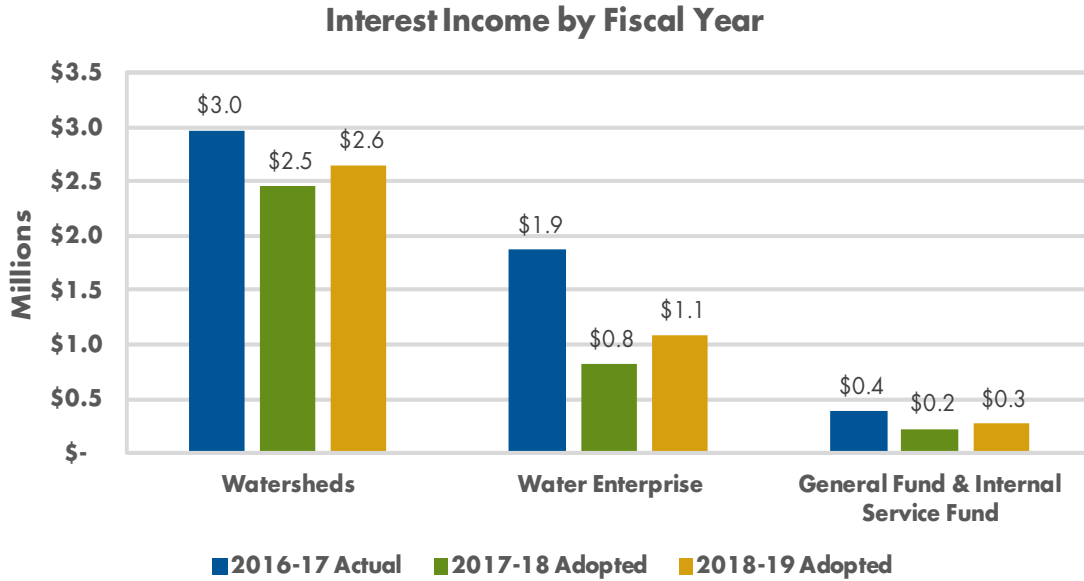
The FY 2018-19 revenue projection assumes water usage of roughly 226,000 acre-feet; Treated water demand comprises 49%, groundwater comprises 49%, and surface water and District-delivered recycled water comprise approximately 2% of the assumed water use. Compared to the historical District managed water usage of 286,000 acre-feet in calendar year 2013, this projection equates to a 21% reduction. In addition, other sources, such as Hetch Hetchy and local water supply companies like San Jose Water Company, Stanford and South Bay Water Recycling, provide approximately 70,000 acre-feet of water to Santa Clara County. The District does not receive revenue for these other sources of supply.

	Budgetary Basis Actual 2016-17	Adopted Budget 2017-18	Projected Year End 2017-18	Adopted Budget 2018-19	Change from 2017-18 Adopted	
					\$ Diff	% Diff
<b>Water Revenue</b>						
Groundwater Production	\$ 67,936,832	\$ 78,943,000	\$ 78,943,000	\$ 90,696,000	\$ 11,753,000	14.9%
Treated Water	122,212,497	133,875,000	133,875,000	152,787,000	18,912,000	14.1%
Surface/Recycled Water	747,007	2,424,000	2,424,000	2,653,000	229,000	9.4%
<b>Total Water Revenue</b>	<b>\$ 190,896,336</b>	<b>\$ 215,242,000</b>	<b>\$ 215,242,000</b>	<b>\$ 246,136,000</b>	<b>\$ 30,894,000</b>	<b>14.4%</b>

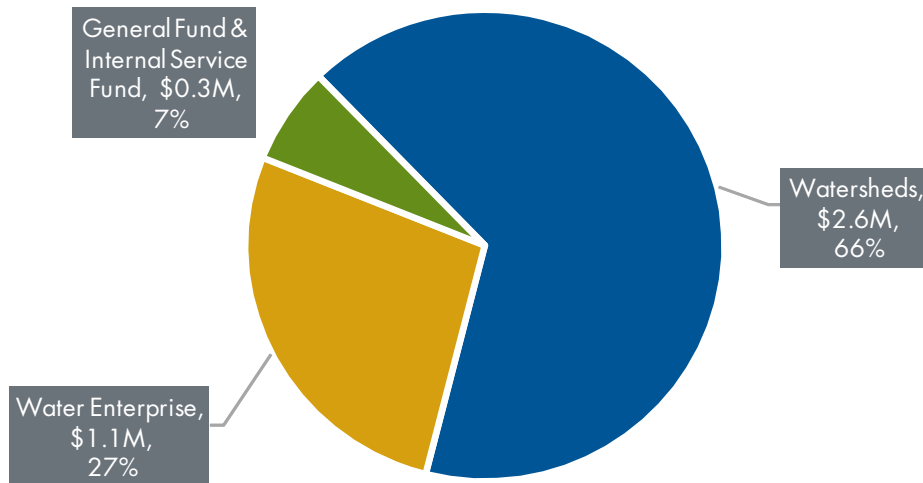


# Financial Overview

## Interest Income



### FY 2018-19 Adopted Interest Earnings, \$4.0 Million



# Financial Overview

## Interest Income

The District invests funds not immediately required for daily operations in various securities as authorized by California Government Code 53600 et.al. The District'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 District's investment policy, please visit: <https://www.valleywater.org/how-we-operate/financebudget/investor-relations>

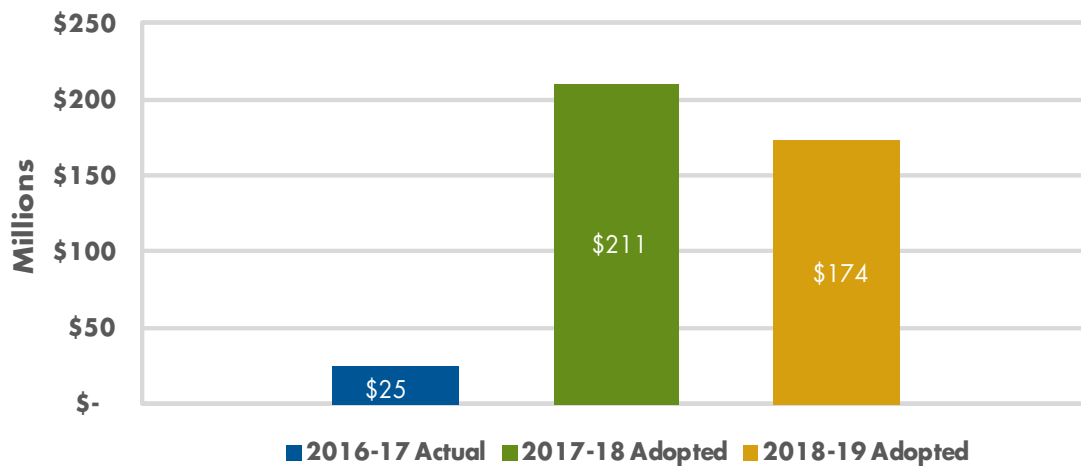
The FY 2018-19 interest revenue is expected to be approximately \$4 million. The estimates are using an average portfolio yield of 1% which is a reflection of the overall market environment. The market, coupled with expected short-term liquidity needs for the 5-year Capital Improvement Plan will result in \$4 million in projected earnings.

	Budgetary	Adopted	Projected	Adopted	Change from	
	Basis Actual	Budget	Year End	Budget	2017-18 Adopted	
	2016-17	2017-18	2017-18	2018-19	\$ Diff	% Diff
<b>Interest Income</b>						
Watershed Funds	\$ 1,090,936	\$ 783,000	\$ 783,000	\$ 978,000	\$ 195,000	24.9%
Safe Clean Water & Natural Flood Protection	1,882,260	1,670,000	1,670,000	1,670,000	—	—
Water Enterprise Fund	1,866,077	820,000	820,000	1,084,000	264,000	32.2%
General Fund	116,793	80,000	80,000	85,000	5,000	6.3%
Service Funds	265,952	147,000	147,000	183,000	36,000	24.5%
<b>Total Interest Income</b>	<b>\$ 5,222,018</b>	<b>\$ 3,500,000</b>	<b>\$ 3,500,000</b>	<b>\$ 4,000,000</b>	<b>\$ 500,000</b>	<b>14.3%</b>

# 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, 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 flood control facilities, Safe, Clean Water projects and Water Utility projects.

Overall, the District anticipates issuing approximately \$174.2 million in bonds and commercial paper in FY 2018-19 comprised of \$64.2 million for the Water Utility Enterprise fund and \$110 million for the Safe, Clean Water program.

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

	Budgetary Basis Actual 2016-17	Adopted Budget 2017-18	Projected Year End 2017-18	Adopted Budget 2018-19	Change from 2017-18 Adopted	
					\$ Diff	% Diff
<b>Other Financing</b>						
Bond Proceeds	\$ —	\$ 62,000,000	\$ 110,000,000	\$ 64,193,000	\$ 2,193,000	3.5%
Commercial Paper Proceeds	24,230,000	140,000,000	30,000,000	110,000,000	(30,000,000)	(21.4)%
Certificates of Participation	1,443,987	8,500,000	8,500,000	—	(8,500,000)	(100.0)%
<b>Total Other Financing</b>	<b>\$ 25,673,987</b>	<b>\$ 210,500,000</b>	<b>\$ 148,500,000</b>	<b>\$ 174,193,000</b>	<b>\$ (36,307,000)</b>	<b>(17.2)%</b>

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# SALARIES AND BENEFITS

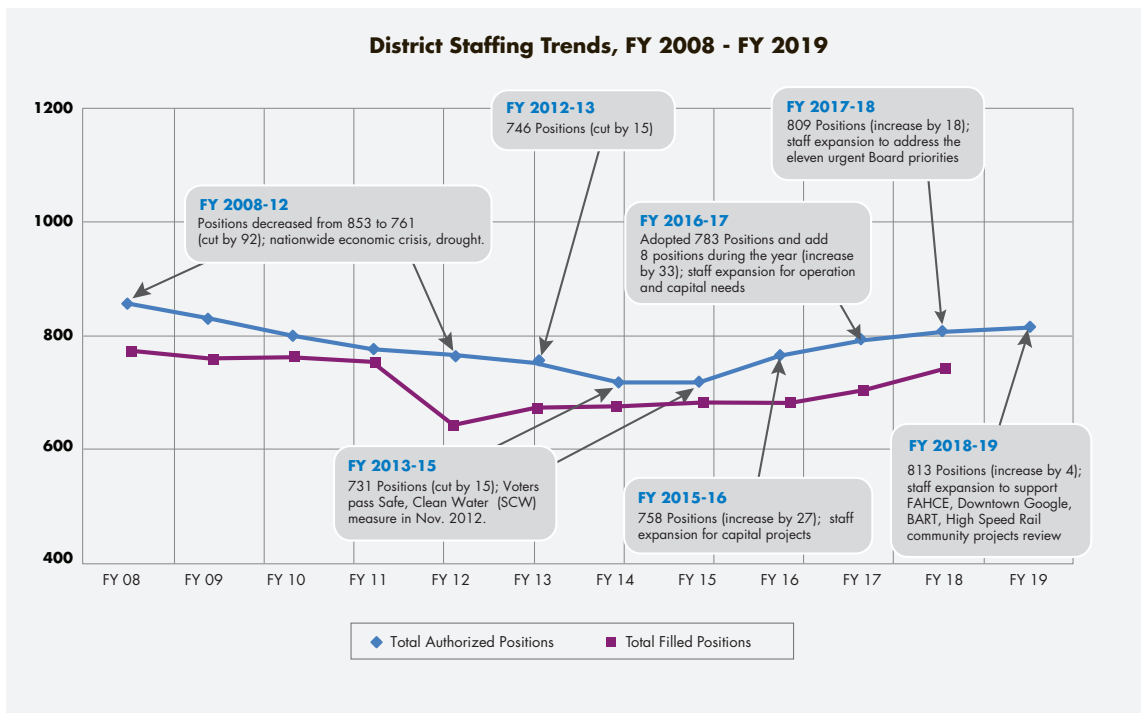
# Financial Overview

## Salaries and Benefits

The FY 2018-19 salary budget contains 813 authorized positions and four management fellows. The total salaries budgeted for these positions are \$103.1 million, an increase of \$5.9 million from the FY 2017-18 adopted budget. The increase is primarily due to a 4% cost of living adjustment, and funding for 4 new positions (\$690,000). Total salaries for FY 2018-19 include \$103.5 million in regular salaries less \$4.4 million salary savings, and \$4.0 million in overtime and special pay.

Total benefits are budgeted at \$55.2 million, a 7% increase over the FY 2017-18 adopted budget, which includes a \$6.0 million increase in CalPERS contributions, a \$0.6 million increase in medical costs for active and retired employees, offset by a \$3.0 million decrease in the Other Post Employment Benefits contribution.

A comprehensive organizational chart and detail information by division can be found in the Division Summaries chapter.



# Financial Overview

## Salaries and Benefits

	Budgetary	Adopted	Projected	Adopted	Change from	
	Basis Actual	Budget	Year End	Budget	2017-18 Adopted	
	2016-17	2017-18	2017-18	2018-19	\$ Diff	% Diff
Salaries-Regular Employee	\$ 86,548,330	\$ 97,954,360	\$ 97,954,360	\$ 103,536,995	\$ 5,582,635	5.7%
Overtime	2,469,879	2,561,718	2,561,718	2,969,864	408,146	15.9%
Special Pays	630,293	825,695	825,695	932,651	106,956	13.0%
Salary Savings	—	(4,144,687)	(4,144,687)	(4,371,912)	(227,225)	5.5%
<b>Total Salaries</b>	<b>\$ 89,648,502</b>	<b>\$ 97,197,086</b>	<b>\$ 97,197,086</b>	<b>\$ 103,067,598</b>	<b>\$ 5,870,512</b>	<b>6.0%</b>
<b>BENEFITS</b>						
Fed & State Taxes & Benefits	\$ 1,288,238	\$ 1,242,959	\$ 1,242,959	\$ 1,308,854	\$ 65,895	5.3%
Retirement Contributions	19,487,300	22,137,797	22,137,797	28,120,304	5,982,507	27.0%
Group Ins-Active Employees	13,379,066	16,130,666	16,130,666	15,436,161	(694,505)	(4.3)%
Group Ins-Retired Employees	8,644,250	9,055,000	9,055,000	10,383,712	1,328,712	14.7%
Other Post Employment Benefits (OPEB)	3,000,000	3,000,000	3,000,000	—	(3,000,000)	(100.0)%
<b>Total Benefits</b>	<b>\$ 45,798,854</b>	<b>\$ 51,566,422</b>	<b>\$ 51,566,422</b>	<b>\$ 55,249,031</b>	<b>\$ 3,682,609</b>	<b>7.1%</b>
<b>Net Total Salary &amp; Benefits</b>	<b>\$ 135,447,356</b>	<b>\$ 148,763,508</b>	<b>\$ 148,763,508</b>	<b>\$ 158,316,629</b>	<b>\$ 9,553,121</b>	<b>6.4%</b>

## Budget Hours

	Labor Hours	Labor Hours	Labor Hours	Labor Hours	Change from	
	2016-2017	2017-18	2017-18	2018-19	# Diff	% Diff
Salaries-Regular Employee	1,259,759	1,425,040	1,425,040	1,432,456	7,416	0.5%
Overtime	24,098	28,378	28,378	30,724	2,346	8.3%
Compensated Absences	226,325	252,104	252,104	260,371	8,267	3.3%
<b>Total Salaries</b>	<b>1,510,182</b>	<b>1,705,522</b>	<b>1,705,522</b>	<b>1,723,551</b>	<b>18,029</b>	<b>1.1%</b>

## Summary of Positions

	Adopted Budget	Adopted Budget	Adjusted Budget	Adopted Budget	Position Change
	FY 2016-2017	FY 2017-18	FY 2017-18**	FY 2018-19	
Board Appointed Officers*	61	35	80	77	-3
External Affairs	—	28	28	32	4
Administration	183	195	150	149	-1
Water Utility	320	332	332	334	2
Watersheds	219	219	219	221	2
<b>Total Authorized Positions</b>	<b>783</b>	<b>809</b>	<b>809</b>	<b>813</b>	<b>4</b>
Fellowships***	—	4	4	4	—
<b>Total</b>	<b>783</b>	<b>813</b>	<b>813</b>	<b>817</b>	<b>4</b>

(\*) Board Appointed Officers Include: Chief Executive Officer, District Counsel and Clerk of the Board

(\*\*) In FY 17-18, the Financial Planning and Management Services Division was transferred from Administration to the Office of the CEO

(\*\*\*) The Fellowship program is a pilot program, for FY2018-19, total authorized positions are 813, plus 4 fellowships

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# DEBT SERVICE

## 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 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 the District Act authorize the Board to issue revenue bonds for the Water Enterprise Fund. The District'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, the District 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, the District may issue notes for principal and interest which do not exceed 85% of the uncollected revenues of the District 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 the District 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 the District, 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 District Debt Policies that are consistent with Board policies and provide guidance to District staff in regards to administering the debt programs and agreements, including consideration for the appropriate level of debt for the District to carry and structuring debt repayment to address intergenerational benefits;
- 4.7.5. Be consistent with the District's Debt Policies and any addendums when issuing debt;
- 4.7.6. Maintain strong credit ratings and good investor relations.

## Debt Policy

The Santa Clara Valley Water District 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, the District 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 Certificates of Participation and Revenue Bonds are encompassed within the criteria of Senior Master Resolutions adopted on June 23, 1994 (as amended

# Financial Overview

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. The District is in compliance with all coverage ratio requirements for all outstanding debt. For additional information regarding the District's debt policy, please visit: <https://www.valleywater.org/how-we-operate/financebudget/investor-relations>.

## Bond Ratings

The bond ratings for the District's outstanding debt reflect high grade investment quality debt. They are based on the District'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 \$877 million as of June 30, 2018. Scheduled annual debt service for FY 2018-19 is approximately \$59 million including 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 2007B Revenue Certificates of Participation with a final maturity of 2037, 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, and the Commercial Paper Certificates which are secured by Tax and Revenue Anticipation Notes that are subject to annual reauthorization by the District Board.

## Planned Issuances

The District 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 approved by Santa Clara County voters in the November 6, 2012 election. Debt service for the Water Utility Enterprise is paid from water revenues. Bond covenants stipulate that the District 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 2018-19: 2.39
- FY 2019-20: 2.89
- FY 2020-21: 2.76
- FY 2021-22: 2.59
- FY 2022-23: 2.40

(Source: FY 2018-19 Annual Report on the Protection and Augmentation of Water Supplies)

## Investment Portfolio

The District's investment portfolio is invested with the following three priorities in mind: safety, liquidity and yield. Safeguarding taxpayers' money and ensuring that the District has funds available when needed to meet expenditures are the two most important goals. Once those goals have been satisfied, the District strives to earn a market rate of return on its investments. About 80% of the portfolio is invested in government securities, such as federal agency notes and US

# Financial Overview

treasury notes. The remainder of the portfolio is invested in instruments of the highest credit quality and in highly liquid instruments such as the Local Agency Investment Fund and money market mutual funds.

The investment holdings are reviewed for compliance with the District’s investment policy and California State Government Code by accounting staff on a monthly basis and by the District’s independent auditor on an annual basis. In addition, the District’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) related to investment:

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

shall:

- Not invest or hold funds of the District 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 the District should, to the extent reasonably possible, be prudently invested or deposited to produce revenue for the District 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
	Senior Debt	Parity Debt	Debt
Moody's	Aa1	Aa1	Aa1
Standard & Poor's	AA-	N/A	AA+
Fitch	AA+	AA+	AA+

# Financial Overview

## Debt Service Payments Schedule

	Principal	Interest	Total <sup>(1)</sup>
<b>Watersheds Certificates of Participation</b>			
2018/19	\$ 8,715,000	\$ 3,921,950	\$ 12,636,950
2019/20	8,075,000	3,486,200	11,561,200
2020/21	8,485,000	3,082,450	11,567,450
2021/22	8,860,000	2,703,500	11,563,500
2022/23 and thereafter	48,150,000	9,525,700	57,675,700
<b>Total</b>	<b>\$ 82,285,000</b>	<b>\$ 22,719,800</b>	<b>\$ 105,004,800</b>
<b>Water Utility Revenue Bonds / Certificates of Participation <sup>(2)</sup></b>			
2018/19	\$ 12,670,000	\$ 23,113,367	\$ 35,783,367
2019/20	15,720,000	30,724,732	46,444,732
2020/21	16,375,000	30,069,820	46,444,820
2021/22	17,055,000	29,371,174	46,426,174
2022/23 and thereafter	593,180,000	400,705,971	993,885,971
<b>Total<sup>(3)</sup></b>	<b>\$ 655,000,000</b>	<b>\$ 513,985,064</b>	<b>\$ 1,168,985,064</b>
<b>Commercial Paper</b>			
2018/19	\$ 140,000,000	\$ 5,920,000	\$ 145,920,000
2019/20	—	9,849,000	9,849,000
2020/21	—	11,218,000	11,218,000
2021/22	—	11,845,000	11,845,000
2022/23 and thereafter	—	47,225,000	47,225,000
<b>Total</b>	<b>\$ 140,000,000</b>	<b>\$ 86,057,000</b>	<b>\$ 226,057,000</b>
<b>Total All Outstanding Debt</b>			
2018/19	\$ 161,385,000	\$ 32,955,317	\$ 194,340,317
2019/20	23,795,000	44,059,932	67,854,932
2020/21	24,860,000	44,370,270	69,230,270
2021/22	25,915,000	43,919,674	69,834,674
2022/23 and thereafter	641,330,000	457,456,671	1,098,786,671
<b>Total</b>	<b>\$ 877,285,000</b>	<b>\$ 622,761,864</b>	<b>\$ 1,500,046,864</b>

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

(2) Water Utility projected principal and interest payments include the anticipated issuances of Series 2018A, 2018B, 2019A, 2019B, and 2019C

(3) TTL WU principal = 6/30/18 Outstanding \$386,335+ 2018AB \$124,470 + 2019 ABC \$144,195 = \$655M

# Financial Overview

## Status of Bonded Indebtedness, Certificates of Participation, and Commercial Paper

	Total Amount Sold	Date of Issue	True Interest Rate	Outstanding as of 6/30/18	2018-2019 Debt Service Payments <sup>(1)</sup>		
					Principal	Interest	Total
<b>Watersheds Indebtedness</b>							
2017A COPs <sup>(2)</sup>	\$ 59,390,000	3/7/2017	2.555%	\$ 54,640,000	\$ 4,610,000	\$ 2,732,000	\$ 7,342,000
2012A COPs	52,955,000	11/20/2012	1.409%	27,645,000	4,105,000	1,189,950	5,294,950
Safe, Clean Water Commercial Paper <sup>(3)</sup>		various	3.500%	30,000,000	—	3,637,000	3,637,000
<b>Total Watersheds</b>	<b>\$ 112,345,000</b>			<b>\$ 112,285,000</b>	<b>\$ 8,715,000</b>	<b>\$ 7,558,950</b>	<b>\$ 16,273,950</b>
<b>Water Utility Indebtedness</b>							
<b>2006 Water Utility Refunding Revenue Bonds</b>							
Series B - taxable	\$ 25,570,000	12/21/2006	5.356%	\$ 18,930,000	\$ 775,000	\$ 1,003,049	\$ 1,778,049
<b>Total</b>	<b>\$ 25,570,000</b>			<b>\$ 18,930,000</b>	<b>\$ 775,000</b>	<b>\$ 1,003,049</b>	<b>\$ 1,778,049</b>
<b>2007 Water Utility Revenue Certificates of Participation</b>							
Series B - taxable/floating <sup>(3)</sup>	\$ 53,730,000	10/1/2007	2.000%	\$ 39,370,000	\$ 1,390,000	\$ 1,999,000	\$ 3,389,000
<b>Total</b>	<b>\$ 53,730,000</b>			<b>\$ 39,370,000</b>	<b>\$ 1,390,000</b>	<b>\$ 1,999,000</b>	<b>\$ 3,389,000</b>
<b>2016 Water Utility Refunding Revenue Bonds</b>							
Series A	\$ 106,315,000	3/30/2016	3.252%	\$ 106,315,000	\$ —	\$ 5,315,750	\$ 5,315,750
Series B - taxable	75,215,000	3/30/2016	4.319%	75,215,000	—	3,229,621	3,229,621
<b>Total</b>	<b>\$ 181,530,000</b>			<b>\$ 181,530,000</b>	<b>\$ —</b>	<b>\$ 8,545,371</b>	<b>\$ 8,545,371</b>
<b>2016 Water Utility Revenue Certificates of Participation</b>							
Series C	\$ 43,075,000	3/30/2016	2.128%	\$ 41,055,000	\$ 3,010,000	\$ 2,022,650	\$ 5,032,650
Series D- taxable	54,970,000	3/30/2016	3.136%	52,340,000	3,915,000	1,536,973	5,451,973
<b>Total</b>	<b>\$ 98,045,000</b>			<b>\$ 93,395,000</b>	<b>\$ 6,925,000</b>	<b>\$ 3,559,623</b>	<b>\$ 10,484,623</b>
<b>2017 Water Utility Revenue Bonds</b>							
Series A	\$ 54,710,000	5/2/2017	3.126%	\$ 53,110,000	\$ 1,700,000	\$ 2,655,500	\$ 4,355,500
<b>2018 Water Utility Refunding Revenue Bonds</b>							
Series A	\$ 54,265,000	12/1/2018	4.097%	\$ —	\$ 750,000	\$ 2,487,146	\$ 3,237,146
Series B - taxable	70,205,000	12/1/2018	4.640%	—	1,130,000	2,863,678	3,993,678
<b>Total</b>	<b>\$ 124,470,000</b>			<b>\$ —</b>	<b>\$ 1,880,000</b>	<b>\$ 5,350,824</b>	<b>\$ 7,230,824</b>
<b>2019 Water Utility Refunding Revenue Bonds</b>							
Series A	\$ 23,295,000	12/1/2019	4.441%	\$ —	\$ —	\$ 800,000	\$ 800,000
Series B - taxable	36,580,000	12/1/2019	5.148%	—	—	800,000	800,000
Series C - New Money	84,320,000	12/1/2019	4.441%	—	—	—	—
<b>Total</b>	<b>\$ 144,195,000</b>			<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,600,000</b>	<b>\$ 1,600,000</b>
Commercial Paper <sup>(3)</sup>	—	various	3.500%	—	—	2,283,000	2,283,000
<b>Total Water Utility</b>	<b>\$ 682,250,000</b>			<b>\$ 386,335,000</b>	<b>\$ 12,670,000</b>	<b>\$ 26,996,367</b>	<b>\$ 39,666,367</b>
<b>Combined Total</b>	<b>\$ 794,595,000</b>			<b>\$ 498,620,000</b>	<b>\$ 21,385,000</b>	<b>\$ 34,555,317</b>	<b>\$ 55,940,317</b>

(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) The interest rates shown for the 2007B Water Utility COPs and Commercial Paper reflect the planning rates for variable rate bonds for budgeting purposes. The actual rates are subject to change pending actual market conditions throughout the fiscal year.

# RESERVE POLICY AND FUND BALANCES

# Financial Overview

## District Reserve Policy

The District 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 the District'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, the District, 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, Information Technology and Risk).

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, the District 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 which allows the District 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. The District 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.

District 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:



# Financial Overview

- Budgeted Reserves - Budgeted reserves may vary from those of the Comprehensive Annual Financial Report (CAFR) where it is appropriate to recognize actual cash transactions that are recorded in the CAFR 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 CAFR.
- 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 District 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 issues. The funds are not available for general needs of the District and must be maintained as dictated in the bond covenants of the various issues. 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 the District 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 District 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.

### San Felipe Emergency Reserve - Water Utility Enterprise Fund

This special purpose reserve is required by District 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 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

# Financial Overview

annually by 3% for inflation, thereafter, until such time that the reserve reaches the reserve cap. The reserve cap is 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 the District'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 \$4 million, 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 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-budgeted 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

# Financial Overview

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 fund 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.

## **Committed Reserves**

### **Liability/Workers' Compensation Self-Insurance Reserve - Risk Fund**

The Liability/Workers' Compensation Self-Insurance Reserve is to ensure that the District'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 the District'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 independent actuarial evaluations conducted bi-annually for general liability and workers compensation. 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 Fund**

The Property Self-Insurance/Catastrophic Reserve purposes are to provide for uninsured property losses to District facilities such as pipelines and levees and to provide sufficient funds to initiate repair and recovery of damage to District facilities in advance of FEMA activation and reimbursement. The reserve may be used to pay for uninsured/uninsurable property losses which would adversely impact District 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 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

# Financial Overview

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 will be funded initially 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-budgeted 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.

## **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 fund 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 the District'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 the District to report investments at fair market value in the Statement of Net Assets, the amount at which an investment could

# Financial Overview

be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Because of this requirement, investment income must be adjusted to reflect the fair value change from one fiscal year to the next fiscal year. However, the District's investment policy dictates a buy-and-hold strategy in which, with very few exceptions, the District holds all securities to their maturity, thereby not incurring 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.

# Financial Overview

## Reserve Schedule

	Estimated Balances				Change from 2017-18 Adopted	
	Year-End 2016-17	Adopted 2017-18	Projected YE 2017-18	Adopted Budget 2018-19	\$ Diff	% Diff
<b>GENERAL FUND</b>						
<b>Committed Reserves</b>						
Operating & Capital Reserve	\$ 5,961,836	\$ 4,091,403	\$ 4,281,420	\$ 4,565,381	\$ 473,978	11.6%
Currently Authorized Projects	—	1,060,326	—	—	(1,060,326)	(100.0)%
<b>Total General Fund Reserves</b>	<b>\$ 5,961,836</b>	<b>\$ 5,151,729</b>	<b>\$ 4,281,420</b>	<b>\$ 4,565,381</b>	<b>\$ (586,348)</b>	<b>(11.4)%</b>
<b>SPECIAL REVENUE FUNDS (WATERSHEDS)</b>						
<b>Restricted Reserves</b>						
Operating & Capital Reserve	\$ 631,179	\$ 146,714,094	\$ 16,807,181	\$ 123,269,436	\$ (23,444,658)	(16.0)%
Currently Authorized Projects	129,018,840	15,357,000	68,665,756	16,134,748	777,748	5.1%
<b>Total Restricted Reserves</b>	<b>\$ 129,650,019</b>	<b>\$ 162,071,094</b>	<b>\$ 85,472,937</b>	<b>\$ 139,404,184</b>	<b>\$ (22,666,910)</b>	<b>(14.0)%</b>
<b>Committed Reserves</b>						
Operating & Capital Reserve	\$ 30,522,489	\$ 60,189,191	\$ 67,804,497	\$ 70,230,488	\$ 10,041,297	16.7%
Currently Authorized Projects	34,375,681	9,369,000	22,926,371	6,357,396	(3,011,604)	(32.1)%
<b>Total Committed Reserves</b>	<b>\$ 64,898,170</b>	<b>\$ 69,558,191</b>	<b>\$ 90,730,868</b>	<b>\$ 76,587,884</b>	<b>\$ 7,029,693</b>	<b>10.1%</b>
<b>Total Special Revenue Funds Reserves</b>	<b>\$ 194,548,189</b>	<b>\$ 231,629,285</b>	<b>\$ 176,203,805</b>	<b>\$ 215,992,068</b>	<b>\$ (15,637,217)</b>	<b>(6.8)%</b>
<b>Total Governmental Funds</b>	<b>\$ 200,510,025</b>	<b>\$ 236,781,014</b>	<b>\$ 180,485,225</b>	<b>\$ 220,557,449</b>	<b>\$ (16,223,565)</b>	<b>(6.9)%</b>
<b>WATER ENTERPRISE &amp; STATE WATER PROJECT FUNDS</b>						
<b>Restricted Reserves</b>						
WUE- Rate Stabilization Reserve for Bond Covenant	\$ 19,973,809	\$ 21,066,011	\$ 21,066,011	\$ 22,477,551	\$ 1,411,540	6.7%
San Felipe Emergency Reserve	2,953,130	2,976,275	3,003,130	3,053,130	76,855	2.6%
State Water Project Tax Reserve	7,908,331	—	6,620,109	4,725,400	4,725,400	—
WUE Public-Private Partnership (P3) Reserve	—	—	—	4,000,000	4,000,000	—
WUE- Supplemental Water Supply	14,277,014	14,677,141	14,677,141	14,677,000	(141)	(0.0)%
SV Advanced Water Purification Center	1,906,000	1,906,000	986,000	986,000	(920,000)	(48.3)%
Drought Reserve	3,000,000	5,000,000	5,000,000	7,000,000	2,000,000	40.0%
<b>Total Restricted Reserves</b>	<b>\$ 50,018,284</b>	<b>\$ 45,625,427</b>	<b>\$ 51,352,391</b>	<b>\$ 56,919,081</b>	<b>\$ 11,293,654</b>	<b>24.8%</b>
<b>Committed Reserves</b>						
Operating & Capital Reserve	\$ 17,140,170	\$ 36,126,107	\$ 35,977,869	\$ 37,278,868	\$ 1,152,761	3.2%
Currently Authorized Projects	44,276,441	27,146,000	21,213,594	6,599,468	(20,546,532)	(75.7)%
<b>Total Committed Reserves</b>	<b>\$ 61,416,611</b>	<b>\$ 63,272,107</b>	<b>\$ 57,191,463</b>	<b>\$ 43,878,336</b>	<b>\$ (19,393,771)</b>	<b>(30.7)%</b>
<b>Total Water Enterprise Funds Reserves</b>	<b>\$ 111,434,895</b>	<b>\$ 108,897,534</b>	<b>\$ 108,543,854</b>	<b>\$ 100,797,417</b>	<b>\$ (8,100,117)</b>	<b>(7.4)%</b>

# Financial Overview

## Reserve Schedule (Continued)

	Estimated Balances				Change from 2017-18 Adopted	
	Year-End 2016-17	Adopted 2017-18	Projected YE 2017-18	Adopted Budget 2018-19	\$ Diff	% Diff
<b>INTERNAL SERVICE FUNDS:</b>						
<b>Committed Reserves</b>						
Operating & Capital Reserve	\$ 5,268,684	\$ 2,037,255	\$ 4,308,432	\$ 1,184,522	\$ (852,733)	(41.9)%
Currently Authorized Projects	6,254,582	—	7,032,290	441,273	441,273	—
Liability/Workers' Comp Self Insurance	5,666,000	5,666,000	5,666,000	6,000,000	334,000	5.9%
Property Self Insurance/Catastrophic	7,689,364	6,000,000	6,000,000	5,014,194	(985,806)	(16.4)%
<b>Total Committed Reserves</b>	<b>\$ 24,878,630</b>	<b>\$ 13,703,255</b>	<b>\$ 23,006,722</b>	<b>\$ 12,639,989</b>	<b>\$ (1,063,266)</b>	<b>(7.8)%</b>
<b>Total Internal Service Funds Reserves</b>	<b>\$ 24,878,630</b>	<b>\$ 13,703,255</b>	<b>\$ 23,006,722</b>	<b>\$ 12,639,989</b>	<b>\$ (1,063,266)</b>	<b>(7.8)%</b>
<b>Total Proprietary Funds</b>	<b>\$ 136,313,525</b>	<b>\$ 122,600,789</b>	<b>\$ 131,550,576</b>	<b>\$ 113,437,406</b>	<b>\$ (9,163,383)</b>	<b>(7.5)%</b>
<b>TOTAL RESERVE SUMMARIES</b>						
Total Proprietary Funds	\$ 136,313,525	\$ 122,600,789	\$ 131,550,576	\$ 113,437,406	\$ (9,163,383)	(7.5)%
Total Governmental Funds	200,510,025	236,781,014	180,485,225	220,557,449	(16,223,565)	(6.9)%
<b>Total Year-End Reserves</b>	<b>\$ 336,823,550</b>	<b>\$ 359,381,803</b>	<b>\$ 312,035,801</b>	<b>\$ 333,994,855</b>	<b>\$ (25,386,948)</b>	<b>(7.1)%</b>
Total Restricted Reserves	179,668,303	207,696,521	136,825,328	196,323,265	(11,373,256)	(5.5)%
Total Committed Reserves	157,155,247	151,685,282	175,210,473	137,671,590	(14,013,692)	(9.2)%
<b>Total Year-End Reserves</b>	<b>\$ 336,823,550</b>	<b>\$ 359,381,803</b>	<b>\$ 312,035,801</b>	<b>\$ 333,994,855</b>	<b>\$ (25,386,948)</b>	<b>(7.1)%</b>

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