



**ADMINISTRATIVE AND FINANCE COMMITTEE**

AGENDA FOR

**FEBRUARY 25, 2010**

Ken Williams – Chair  
Michael Hogan – Vice Chair  
Hershell Price – Vice Chair  
Jim Bond  
Jim Bowersox  
Mitch Dion  
Frank Hilliker

Bud Lewis  
Bud Pocklington  
Richard Smith  
Fern Steiner  
Barbara Wight  
Howard Williams  
Tom Wornham

1. Roll call – determination of quorum.
2. Additions to agenda (Government Code Section 54954.2(b)).
3. Public comment – opportunities for members of the public to address the Committee on matters within the Committee’s jurisdiction.
4. Chair’s report.  
    4-A Directors’ comments.

**I. CONSENT CALENDAR**

1. Treasurer’s report. Eric Sandler  
Staff recommendation: Note and file the monthly Treasurer’s report.  
(Action)

**II. ACTION/DISCUSSION**

**III. INFORMATION**

1. Update on water sales revenue and discussion of mitigation strategies. Lisa Celaya
2. Controller’s report on monthly financial statements. Leanne Wade
3. Board Calendar.



**IV. CLOSED SESSION**

**1. CLOSED SESSION:**

Dan Hentschke

Conference with Labor Negotiator, Government Code §54957.6  
Agency Designated Representatives: Frank Belock, Susan Leone  
Employee Organization: California Teamsters Public,  
Professional and Medical Employees Union Local 911

**V. ADJOURNMENT**

Doria F. Lore  
Clerk of the Board

**NOTE:** This meeting is called as an Administrative and Finance Committee meeting. Because a quorum of the Board may be present, the meeting is also noticed as a Board meeting. Members of the Board who are not members of the Committee may participate in the meeting pursuant to Section 2.00.060(g) of the Authority Administrative Code (Recodified). All items on the agenda, including information items, may be deliberated and become subject to action. All public documents provided to the committee or Board for this meeting including materials related to an item on this agenda and submitted to the Board of Directors within 72 hours prior to this meeting may be reviewed at the San Diego County Water Authority headquarters located at 4677 Overland Avenue, San Diego, CA 92123 at the reception desk during normal business hours.

February 17, 2010

**Attention: Administrative and Finance Committee**

### **Treasurer's Report**

Attached for review by the Administrative and Finance Committee and the Board of Directors is the Treasurer's Report as of January 31, 2010. The reports are formatted to provide information as required by the California Government Code and the San Diego County Water Authority's Annual Statement of Investment Policy, which was last adopted by the Board on December 17, 2009. A brief description of each report follows:

Portfolio Master Summary: This one page report summarizes all cash and investments held by the Water Authority.

Portfolio Characteristics: This one page snapshot shows the Water Authority's portfolio holdings by type and percentage; the maturity distribution of the portfolio; the portfolio yield for the past twelve months, with and without bond-related funds, compared to a rolling average yield of the Board adopted benchmark; the credit quality of the portfolio's holdings; the cash flow projections for the next six months; and relevant market information.

Portfolio Details - Investments: This report takes the summary information listed in the Portfolio Master Summary and provides details of active investments.

Activity Summary: This one page report produces a thirteen-month rolling summary of portfolio investment activity.

The Water Authority's portfolio is diversified among investment types, with a current concentration toward short-term maturities. This concentration is the result of cash flow needs, as well as the current historic low interest rate environment. The portfolio is comprised of very high quality investments, with 95% currently invested in AAA-rated securities. The Water Authority's overall portfolio yield decreased to 1.06 percent in January 2010, yet it continues to exceed the investment benchmark of 0.46 percent in January 2010. A continuing decline in interest rates could result in investment earnings below budgeted levels. However, this reduction in investment earnings is partially offset by lower interest expense on our variable rate commercial paper program.

All investments have been made in accordance with the San Diego County Water Authority Statement of Investment Policy. This report provides documentation that the Water Authority has sufficient funds to meet the financial obligations for the next six months. The market value information is provided by Bloomberg L.P. and is as of the report date.

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Eric Sandler, Director of Finance/Treasurer

**PORTFOLIO MASTER SUMMARY**  
as of January 31, 2010

**PORTFOLIO PERCENTAGES**

Investment Type	Permitted By Board Policy	Actual Percentage	Actual Amount
Local Agency Investment Fund (LAIF)	\$40 Million	4.13%	\$ 9,913,431
Banker's Acceptances	20%	0.00%	-
Treasury Securities	15% - Minimum	37.08%	89,066,686
Agency Securities	85%	32.36%	77,715,647
Reverse Repurchase Agreements	20%	0.00%	-
Certificates of Deposit (CDARS)	15%	0.83%	2,000,000
Negotiable Certificates of Deposit	15%	0.00%	-
Commercial Paper	25%	0.00%	-
Medium Term Notes/Corporates	30%	0.00%	-
JPA Pools (CAMP)	25%	21.75%	52,239,133
Money Market Funds	15%	3.85%	9,247,235
		<u>100.00%</u>	
Accrued Interest (unavailable for investing)			416,227
Checking/Petty Cash/Available Funds (unavailable for investing)			**** (19,667)
<b>Subtotal for Pooled Funds:</b>			<u>\$ 240,578,692</u>
<b><u>Bond/CP Fund Excluded from Portfolio Percentages:</u></b>			
Money Market Funds and Cash			36,632,088
Treasury Securities			-
Agency Securities			31,726,485
Commercial Paper			-
JPA Pools (CAMP)			49,265,163
<b>Subtotal for Bond/CP Fund (available for CIP expenditures):</b>			<u>\$ 117,623,736</u>
<b><u>Debt Service Reserve (DSR) Funds Excluded from Portfolio Percentages:</u></b>			
Treasury Securities and Money Market Fund - Series 2004A COPs			38,599,839
FSA - Reserve (GIC) Series 2002A COPs			18,385,750
Trinity Plus - Reserve (GIC) Series 1998A COPs			12,240,775
<b>Subtotal for Debt Service Reserve Funds (unavailable for CIP expenditures):</b>			<u>\$ 69,226,364</u>
<b>Total Cash and Investments</b>			<u><b>\$ 427,428,792</b></u>

**PORTFOLIO INFORMATION**

	Pooled Funds **	Bond/CP Fund	Debt Service Reserve	Total *
Portfolio Yield to Maturity - 365 Days	0.60%	1.01%	2.76%	1.06%
Average Term	285	165	203	239
Average Days to Maturity (730 Days Maximum)	173	6	118	118
<b>Accrued Interest Earnings (Cash and Investments):</b>				
Month Ended January 2010 ***	\$ 329,569	\$ (15,665)	\$ 226,692	\$ 540,596
Fiscal Year to Date	\$ 1,365,124	\$ 777,244	\$ 951,442	\$ 3,093,810
Total Cash and Investments	\$ 240,578,692	\$ 117,623,736	\$ 69,226,364	\$ 427,428,792

\* "The weighted average days to maturity of the total portfolio shall not exceed 730 days (two years) to maturity" per SDCWA Investment Policy.

\*\* Pooled Funds include Operating, Pay Go, RSF and Equipment.

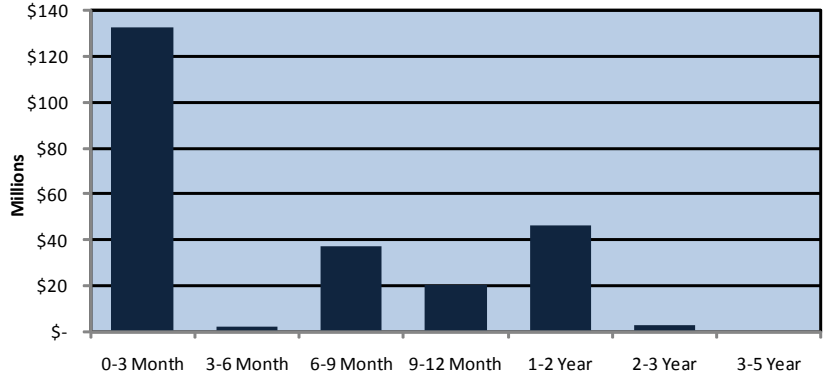
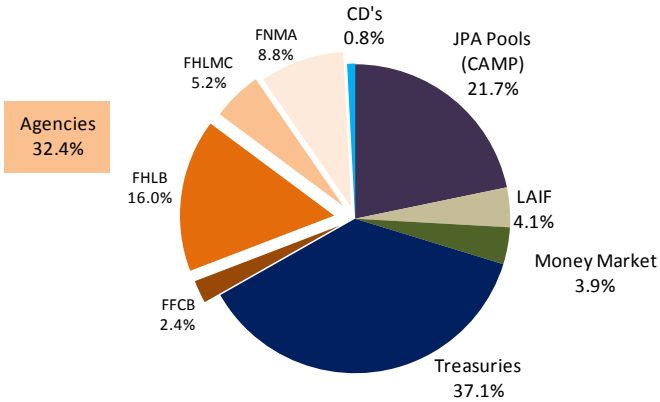
\*\*\* Interest earnings have been reduced by the premiums that were paid at the time of purchase for investments that matured in January 2010.

\*\*\*\* Negative cash balance due to outstanding checks at 1/31/10.

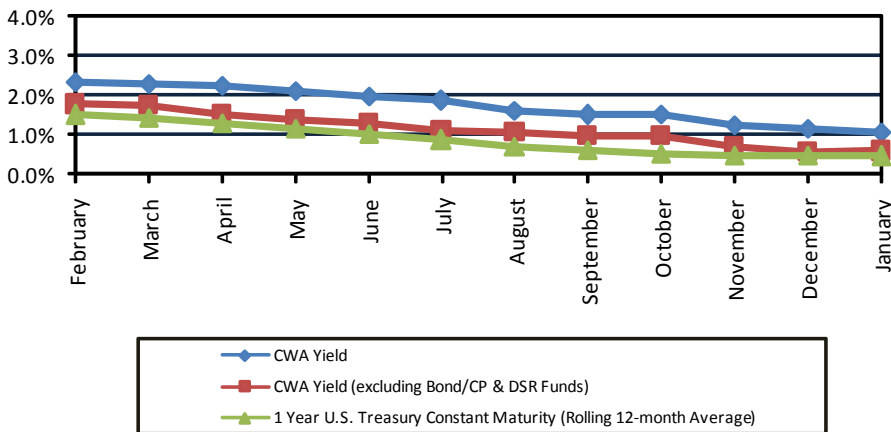
Asset Allocation

Maturity Distribution

P o o l e d F u n d s



Portfolio Yield - Feb 09 - Jan 10



Credit Quality

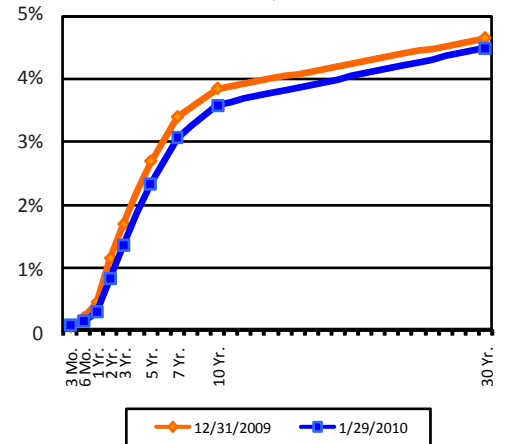
Category	% of Portfolio
US Treasury (AAA)	37.1%
Agency (AAA)	32.3%
Other (AAA)*	25.6%
AA**	0.0%
not rated***	5.0%
<b>Total</b>	<b>100.0%</b>

\* Includes money market funds & JPA Pools (CAMP)  
 \*\* The Water Authority's Investment Policy does not permit investments with a rating below AA-  
 \*\*\* Includes LAIF, which is part of the state investment pool, and is not rated; and CDARS, which is comprised of FDIC-insured CDs.

Projected Cash Flows (in Millions) \*

Month End	Investment Maturities	Projected Receipts	Projected Disbursements	Reinvestment/ (Use) of Liquid Funds	Projected Cash & Investments
<b>Pooled Funds</b>					
Jan 10					\$240.58
Feb 10	10.00	22.35	18.53	13.82	244.40
Mar 10	8.80	19.96	19.23	9.53	245.13
Apr 10	41.19	21.85	58.73	4.31	208.25
May 10	2.00	24.52	20.78	5.74	211.99
June 10	-	22.68	21.90	0.77	209.02
July 10	-	26.51	18.54	7.98	219.96
<b>Bond/CP Fund</b>					
Jan 10					\$117.62
Feb 10	22.40	0.05	40.29	(17.85)	77.38
Mar 10	9.00	0.02	20.16	(11.13)	57.24
Apr 10	-	> 0.01	17.26	(17.26)	39.99
May 10	-	> 0.01	16.93	(16.92)	23.07
June 10	-	> 0.01	13.51	(13.51)	9.56
July 10	Page 75 of 163	-	9.71	(9.71)	-

U.S. Treasury Yield Curve



Market Notes

On January 27<sup>th</sup> the FOMC maintained the target for the federal funds rate at a range of 0-25 basis points. The next meeting is March 16<sup>th</sup>.

\* Numbers may not foot due to rounding

**SDCWA - Fiscal Year 2010  
Portfolio Management  
Portfolio Details - Investments  
January 31, 2010**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
<b>Managed Pool Accounts</b>												
CASH35	73	CAMP - OPERATING			52,239,132.72	52,239,132.72	52,239,132.72	0.200	AAA	0.200	1	
CASH37	6004	CAMP - 2008A COPS			49,265,163.02	49,265,163.02	49,265,163.02	0.200	AAA	0.200	1	
CASH07	205	FSA CAPITAL MGMT. SVC. - 2002A			18,385,750.00	18,385,750.00	18,385,750.00	5.810	AAA	5.810	1	
CASH09	8001	GOLDMAN - RATE STABILIZATION			0.00	0.00	0.00	0.040	AAA	0.040	1	
CASH31	6001	GOLDMAN - 2008A COPS			36,632,084.56	36,632,084.56	36,632,084.56	0.040	AAA	0.040	1	
CASH18	7001	GOLDMAN - EQUIPMENT			0.00	0.00	0.00	0.040	AAA	0.040	1	
CASH11	0002	GOLDMAN - OPERATING/POOLED			9,226,914.92	9,226,914.92	9,226,914.92	0.040	AAA	0.040	1	
CASH12	5001	GOLDMAN - PAY AS YOU GO			0.00	0.00	0.00	0.040	AAA	0.040	1	
CASH13	72	LAIF - OPERATING		07/01/2009	9,913,431.24	9,913,431.24	9,913,431.24	0.550		0.550	1	
CASH17	204	TRINITY PLUS - 1998A			12,240,775.00	12,240,775.00	12,240,775.00	5.550	AAA	5.550	1	
CASH27	1002	US BANK MONEY MARKET FUND			20,320.37	20,320.37	20,320.37	0.001	AAA	0.001	1	
CASH33	208	US BANK MONEY MARKET FUND			759.17	759.17	759.17	0.001	AAA	0.001	1	
<b>Subtotal and Average</b>			<b>223,717,719.59</b>		<b>187,924,331.00</b>	<b>187,924,331.00</b>	<b>187,924,331.00</b>			<b>1.077</b>	<b>1</b>	
<b>Federal Agency - Coupon</b>												
31331VXG6	5613	FEDERAL FARM CREDIT BANK		03/16/2009	3,500,000.00	3,538,010.00	3,656,030.00	5.200	AAA	1.080	77	04/19/2010
31331YDC1	7027	FEDERAL FARM CREDIT BANK		09/12/2008	2,000,000.00	2,021,200.00	2,048,560.00	4.250	AAA	2.731	93	05/05/2010
3133XVDM0	10006	FEDERAL HOME LOAN BANK		01/28/2010	20,000,000.00	20,058,866.67	20,095,666.67	0.700	AAA	0.470	441	04/18/2011
3133XJVL9	5556	FEDERAL HOME LOAN BANK		09/20/2007	5,000,000.00	5,248,705.00	5,076,300.00	5.000	AAA	4.520	403	03/11/2011
3133XBB20	5609	FEDERAL HOME LOAN BANK		11/21/2008	1,800,000.00	1,809,540.00	1,843,686.00	4.375	AAA	2.495	44	03/17/2010
3133XQ5C2	5610	FEDERAL HOME LOAN BANK		11/21/2008	8,890,000.00	8,936,228.00	8,886,799.60	2.375	AAA	2.400	88	04/30/2010
3133XES83	6137	FEDERAL HOME LOAN BANK		06/19/2008	5,000,000.00	5,027,500.00	5,121,150.00	4.875	AAA	3.418	39	03/12/2010
3133XBB20	6138	FEDERAL HOME LOAN BANK		06/19/2008	4,000,000.00	4,021,200.00	4,061,520.00	4.375	AAA	3.456	44	03/17/2010
3133XJUT3	8160	FEDERAL HOME LOAN BANK		09/20/2007	2,500,000.00	2,693,215.00	2,539,125.00	5.000	AAA	4.608	767	03/09/2012
3137EABG3	5614	FEDERAL HOME LOAN MORTGAGE COR		03/16/2009	5,400,000.00	5,435,100.00	5,505,084.00	2.875	AAA	1.124	88	04/30/2010
3137EAAP4	6135	FEDERAL HOME LOAN MORTGAGE COR		06/19/2008	7,000,000.00	7,007,000.00	7,176,463.00	4.875	AAA	3.280	8	02/09/2010
31359MM26	10005	FEDERAL NATION MORTGAGE ASSOC.		01/28/2010	20,000,000.00	21,381,263.89	21,413,863.89	5.125	AAA	0.489	438	04/15/2011
31398AKX9	6136	FEDERAL NATION MORTGAGE ASSOC.		06/19/2008	15,400,000.00	15,410,780.00	15,367,352.00	3.250	AAA	3.381	9	02/10/2010
<b>Subtotal and Average</b>			<b>72,691,483.25</b>		<b>100,490,000.00</b>	<b>102,588,608.56</b>	<b>102,791,600.16</b>			<b>1.978</b>	<b>240</b>	
<b>Federal Agency - Discount</b>												
313397UW9	5619	FEDERAL HOME LOAN MORTGAGE COR		07/29/2009	7,000,000.00	6,998,782.00	6,983,462.50	0.350	AAA	0.362	56	03/29/2010
<b>Subtotal and Average</b>			<b>10,265,115.81</b>		<b>7,000,000.00</b>	<b>6,998,782.00</b>	<b>6,983,462.50</b>			<b>0.362</b>	<b>56</b>	
<b>Treasury Securities - Coupon</b>												
912828DR8	10000	UNITED STATES TREASURY		08/28/2009	21,000,000.00	21,164,073.00	21,493,500.00	4.000	AAA	0.271	73	04/15/2010
912828EJ5	10002	UNITED STATES TREASURY		10/27/2009	12,000,000.00	12,354,313.19	12,458,690.03	4.250	AAA	0.430	256	10/15/2010
912828JL5	10003	UNITED STATES TREASURY		11/24/2009	22,000,000.00	22,324,301.52	22,396,483.52	2.000	AAA	0.230	241	09/30/2010

**SDCWA - Fiscal Year 2010  
Portfolio Management  
Portfolio Details - Investments  
January 31, 2010**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
<b>Treasury Securities - Coupon</b>												
912828JS0	10004	UNITED STATES TREASURY		11/24/2009	20,000,000.00	20,162,500.00	20,192,200.00	1.250	AAA	0.302	302	11/30/2010
912828JJ0	210	UNITED STATES TREASURY		09/01/2009	37,863,000.00	38,338,771.61	38,599,079.74	2.375	AAA	0.426	211	08/31/2010
912828HX1	5616	UNITED STATES TREASURY		06/30/2009	2,400,000.00	2,411,625.60	2,434,500.00	2.125	AAA	0.397	88	04/30/2010
912828DL1	5618	UNITED STATES TREASURY		07/29/2009	10,000,000.00	10,012,500.00	10,174,609.38	3.500	AAA	0.302	14	02/15/2010
<b>Subtotal and Average</b>			<b>127,749,062.67</b>		<b>125,263,000.00</b>	<b>126,768,084.92</b>	<b>127,749,062.67</b>			<b>0.336</b>	<b>194</b>	
<b>Certificates of Deposit - CDARS</b>												
CDARS01	10001	FIRST BUSINESS BANK		10/08/2009	2,000,000.00	2,000,000.00	2,000,000.00	1.300		1.300	248	10/07/2010
<b>Subtotal and Average</b>			<b>2,000,000.00</b>		<b>2,000,000.00</b>	<b>2,000,000.00</b>	<b>2,000,000.00</b>			<b>1.300</b>	<b>248</b>	
<b>Total and Average</b>			<b>437,240,077.25</b>		<b>422,677,331.00</b>	<b>426,279,806.48</b>	<b>427,448,456.33</b>			<b>1.061</b>	<b>118</b>	

**SDCWA - Fiscal Year 2010  
Portfolio Management  
Portfolio Details - Cash  
January 31, 2010**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity
<b>Passbook/Checking Accounts</b>											
CASH00	50	WELLS FARGO - RETIREE & COBRA		07/01/2009	37,531.88	37,531.88	37,531.88			0.000	1
CASH01	48	PETTY CASH		07/01/2009	2,500.00	2,500.00	2,500.00			0.000	1
CASH02	1000	WELLS FARGO - OPERATING/POOLED			6,540.13	6,540.13	6,540.13	0.001		0.001	1
CASH03	1001	WELLS FARGO - PAYROLL ZBA		07/01/2009	-66,239.23	-66,239.23	-66,239.23			0.000	1
CASH04	5000	WELLS FARGO - PAY AS YOU GO		07/01/2009	0.00	0.00	0.00			0.000	1
CASH05	8000	WELLS FARGO - RSF		07/01/2009	0.00	0.00	0.00			0.000	1
CASH30	6000	WELLS FARGO - 2008A COPS			3.19	3.19	3.19	0.001		0.001	1
CASH19	7000	WELLS FARGO - EQUIPMENT		07/01/2009	0.00	0.00	0.00			0.000	1
		<b>Average Balance</b>	<b>0.00</b>								<b>0</b>
<b>Total Cash and Investmentss</b>			<b>437,240,077.25</b>		<b>422,657,666.97</b>	<b>426,260,142.45</b>	<b>427,428,792.30</b>			<b>1.061</b>	<b>118</b>



**SDCWA - Fiscal Year 2010  
Portfolio Management  
Activity Summary  
January 2009 through January 2010**

Month End	Year	Number of Securities	Total Invested	Yield to Maturity		Managed Pool Rate	Number of Investments Purchased	Number of Investments Redeemed	Average Term	Average Days to Maturity
				360 Equivalent	365 Equivalent					
January	2009	100	623,940,068.32	2.402	2.436	1.859	4	5	313	174
February	2009	95	605,826,154.55	2.321	2.353	1.817	1	6	315	161
March	2009	92	597,110,137.92	2.251	2.282	1.655	2	5	316	146
April	2009	85	537,563,803.34	2.225	2.256	1.633	2	9	307	127
May	2009	81	538,642,068.84	2.080	2.109	1.379	0	4	293	105
June	2009	75	523,328,873.94	1.941	1.968	1.236	1	7	279	90
July	2009	70	511,452,913.69	1.837	1.862	1.254	10	3	284	83
August	2009	67	505,522,939.30	1.583	1.605	0.990	1	4	243	74
September	2009	64	500,637,555.33	1.488	1.508	1.080	1	4	253	85
October	2009	60	455,388,877.68	1.517	1.538	1.143	2	6	264	87
November	2009	53	464,047,156.23	1.249	1.266	1.083	2	9	244	99
December	2009	45	424,393,508.31	1.136	1.152	1.021	0	8	222	91
January	2010	42	427,448,456.33	1.047	1.061	1.077	2	5	239	118
Average		71	516,561,731.83	1.775%	1.800%	1.325	2	6	275	111



February 17, 2010

**Attention: Administrative and Finance Committee**

**Update on Water Sales Revenue and discussion of mitigation strategies. (Information)**

**Purpose**

To provide the Board with an update on the financial impacts from reduced water sales and the Water Authority’s mechanisms for mitigating the projected deficit.

**Background**

On June 25, 2009 the Board adopted the Fiscal Years 2010 and 2011 Multi-Year Budget appropriating \$1.65 billion for operations and capital improvement. This budget was developed under unprecedented challenges, including uncertain water supply conditions and a difficult economy. It was also anticipated that a reduction in water sales demand would occur due to voluntary and mandatory use restrictions and increased water conservation programs. These programs achieved greater success than anticipated and the Water Authority is now projecting sales volumes well below the budget.

At the October Board meeting, Finance staff provided information on potential financial impacts from a range of varying water sales. At that time, the combined total sales for July and August were below budget by approximately 21%. Included in this report, was the identification of a “low sales” scenarios in which sales volumes were adjusted downward utilizing the current reduction trend experienced as a result of mandatory restrictions, and an assumption of above normal rainfall. It was estimated that water sales could drop approximately 13%, resulting in a \$9 million deficit in net water sales revenue for Fiscal Year 2010.

**Discussion**

The purpose of this report is to update the Board regarding current projections for net water sales revenues based on actual sales volumes for the period of July 1 through December 31, 2009 and to discuss the various tools the Water Authority will incorporate to mitigate the projected deficit.

Fiscal Year 2010 Net Water Sales Revenue

Attachment A to the Board memo provides a graphical representation of water sales and projections for Fiscal Year 2010. As of December 31, 2009, the Water Authority experienced an 17% overall reduction in water sales volumes as detailed by customer class in the table below.

**Water Sales Volumes (acre-feet)  
July 1 - December 31, 2009**

	<b>Budget</b>	<b>Actual</b>	<b>% Diff.</b>
Municipal & Industrial	307,025	254,584	-17%
Agricultural	36,932	31,344	-15%
<b>Total</b>	<b>343,957</b>	<b>285,928</b>	<b>-17%</b>

It is anticipated that actual sales volumes for the Fiscal Year will be slightly below the “low sales” scenario presented to the Board in October. Based on the current data, the Water Authority is projecting overall sales volumes for Fiscal Year 2010 to be 15% less than budgeted, as detailed by customer class in the table below.

**Projected Water Sales Volumes (acre-feet)  
Fiscal Year 2010**

	<b>Budget</b>	<b>Projection</b>	<b>% Diff.</b>
Municipal & Industrial	535,000	461,471	-14%
Agricultural	65,754	50,727	-23%
<b>Total</b>	<b>600,754</b>	<b>512,198</b>	<b>-15%</b>

Based on these revised water sales figures, net water sales (water sales net of water purchases and treatment) is anticipated to be less than budget by \$9.4 million for Fiscal Year 2010. The projected deficit not only impacts the budget on a cash basis, but also impacts the Water Authority’s debt service coverage ratio (DSCR). The DSCR is an important financial metric and is measured as a ratio of annual revenues (net of operating expenses) to total annual debt service. Any effort(s) to mitigate the projected deficit will not only need to ensure a balanced budget, but take into consideration the impact on the DSCR.

Fiscal Year 2010 Deficit Mitigation

As part of the Water Authority’s budget monitoring process, staff has developed a multi-part strategy for mitigating the budgetary and DSCR impacts of the projected deficit for Fiscal Year 2010. These various pieces are described below:

- Reductions to the Operating Fund—Staff has developed and implemented a plan to reduce the Fiscal Year 2010 operating fund budget by \$2.4 million (5% of the Water Authority’s operating budget). This includes \$1.4 million in programmatic reductions in conservation, drought communication and local supply development program budgets. These specific programmatic reductions can be accommodated due to success in water conservation, low program demand, and/or shifting priorities. An additional \$1.0 million was identified in short-term operational reductions through cuts to 60+ line items in services, capital equipment, materials, memberships, travel and other categories.
- Capitalized Interest – To mitigate the impact of projects during construction, an agency may pay debt service out of bond proceeds. This is referred to as “capitalized interest.” Capitalizing interest reduces net debt service and increases the DSCR. Though not initially contemplated in developing the budget, proceeds from the Series 2008A bond issue could be used to capitalize interest on the 2008A bonds during Fiscal Year 2010 and would be consistent with the Water Authority’s Long-Range Financing Plan. In combination with the Operating Fund reductions described above, capitalizing approximately \$6.5 million in interest would allow the Water Authority to meet the target DSCR with a smaller draw from the Rate Stabilization Fund.

- Rate Stabilization Fund (RSF) –The RSF was designed to be funded during high sales years and drawn down during low sales years. Draws from the fund supplement Net Revenues to meet operating expenses and/or achieve DSCR target levels. The current balance in the fund is \$43.8 million, which is below the target funding level established by the Board. The Water Authority is likely facing a succession of years with low water sales and should be judicious in drawing funds from the RSF. After the reductions to the operating fund and capitalizing interest, approximately \$500,000 may need to be withdrawn from the Rate Stabilization Fund to meet the DSCR target.

#### Fiscal Year 2011 Net Water Sales Revenues

Staff currently projects that Fiscal Year 2011 sales volumes will be similar to Fiscal Year 2010. This would result in an estimated \$8.7 million deficit in net water sales revenue versus the budget projections. Because rates for Calendar Year 2011 have not been set, a deficit could be met through some combination of an increase in Calendar Year 2011 rates and charges and a draw from the RSF. All other assumptions being equal, mitigating the entire deficit through a rate increase would result in an overall rate increase approximately \$18/acre-foot or 2% higher than that estimated in the budget. Despite this additional increase, it is currently forecast that overall Calendar Year 2011 rates and charges will be within the high/low forecast range developed during the CRACA ‘Lite’ process.

#### Next Steps

The largest driver of the Water Authority’s budget and rates is MWD. Similar to last year’s schedule, the MWD Board will adopt Fiscal Year 2011 supply allocations and Calendar Year 2011 rates and charges at its April Board meeting. At the May meeting, Water Authority staff will present its Calendar Year 2011 rate recommendation and notice a public hearing for the June Board meeting. Also in June staff will provide a comprehensive review of the multi-year budget including any necessary modifications to reflect changed conditions or actions taken by during the current year.

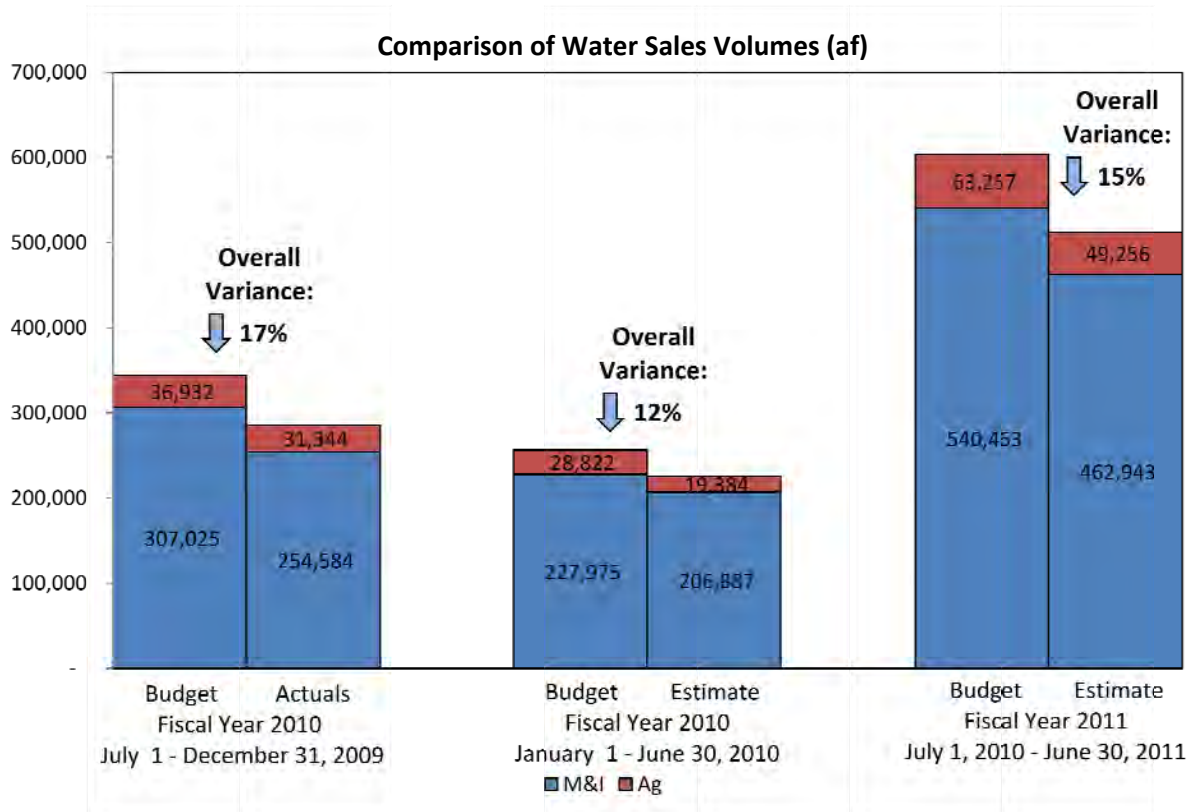
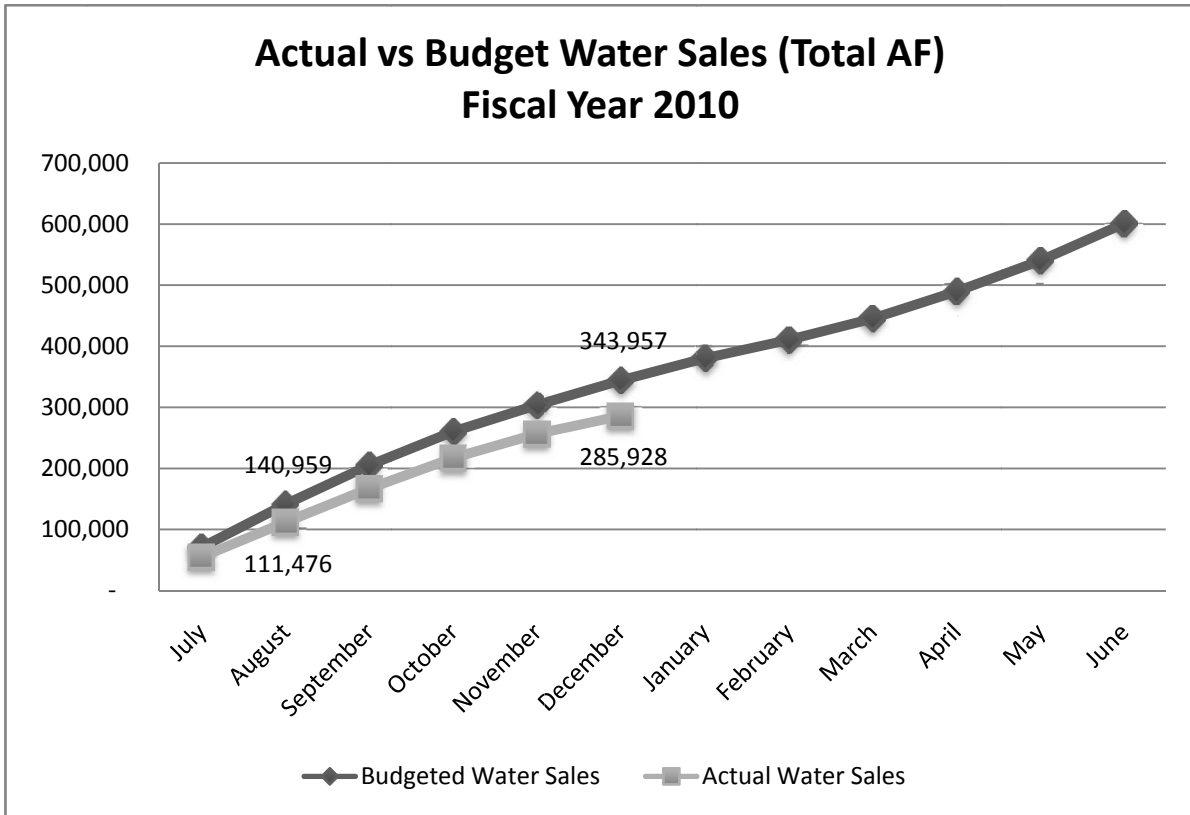
Prepared by: Lisa M. Celaya, Budget and Analysis Manager

Reviewed by: Eric Sandler, Finance Director

Approved by: Sandra Kerl, Deputy General Manager

Attachment A: Fiscal Year 2010 Water Sales Volumes

**FY 2010 Water Sales Volumes  
Attachment A**



February 17, 2010

**Attention: Administrative and Finance Committee**

**Controller's Report on Monthly Financial Statements (Information)**

Attached for review by the Administrative and Finance Committee and the Board of Directors are the Monthly Financial Statements for the six months ended December 31, 2009 with a comparison to November 30, 2009.

- Statements of Net Assets – Assets, Liabilities, and Net Assets
- Statements of Revenues, Expenses, and Changes in Net Assets
- Cash and Investments by Fund
- Budget Status Report
- Graphs for Budget to Actual Comparison:
  - Operating Expenses by Department
  - Water Sales and Capacity Charges

The Budget Status Report compares the budget to actual expenses through the current month of the fiscal year and prior year on a budgetary basis. Explanations for material variances are provided below. At the February Board meeting, staff will be presenting the semi-annual budget monitoring report with updated forecasts on water sales revenues.

Revenues

Gross water sales for the six months ended December 31, 2009 are 285,928 acre-feet or \$211.2 million. This represents a continued trend of lower than projected water sales revenue. Water sales are down due to mandatory cutbacks, successful water conservation efforts across the region, the economy, and increased rainfall.

Capacity charges revenue of \$5.7 million is trending higher than budget due to a greater number of meter permits issued by the member agencies than anticipated. Property tax and in-lieu receipts of \$4.3 million are slightly less than budget. The variance is primarily due to the reassessment of property values resulting in lower property taxes and refunds of prior periods by the County. Interest income of \$4.5 million is trending lower than budget at 39.6%. It is anticipated that year-end receipts will be in-line with the budget due to additional interest income anticipated from the 2010 Series A and B bond issues.

Expenditures

Water purchases of \$161.9 million include \$16.6 million for 25,000 acre-feet of water purchased from the Imperial Irrigation District (IID), as well as \$27.1 million for Metropolitan Water District's wheeling charges related to IID, Coachella Canal and All-American Canal water. Capital expenditures and operating expenditures are trending less than budget at 33.9 percent and 43.0 percent, respectively, due to the timing of payment processing. The General Counsel Department is currently trending higher than budget due to the amount of legal services rendered from July 1 through September 30, 2009. These types of expenditure levels were anticipated to occur and are not expected to keep occurring at this level for the rest of the budget period. The Water Resources Department and the Water Conservation Program are trending less than budget at 33.1% and 19.8%, respectively. Water Resources is trending less than budget due to agreements totaling \$1.6 million for Local Investigations and Study Assistance (LISA), which have been authorized and are awaiting reimbursement requests from member agencies. Expenses for outside services are in the preliminary RFP stage for the Water Conservation Program, which is contributing to the less than budget trend for the program.

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Leanne B. Wade, Controller

**San Diego County Water Authority**  
**Statements of Net Assets**  
**As of December 31, and November 30, 2009**

	<b>December</b>	<b>November</b>
<b>Assets:</b>		
<b>Current assets:</b>		
Cash and investments	\$ 115,498,570	\$ 119,954,321
Restricted cash and investments	271,483,092	307,377,263
Water receivables	57,195,174	71,406,870
Interest receivable	3,493,983	3,493,983
Taxes receivable	592,693	592,693
Other receivables	2,230,755	2,648,875
Inventories	25,198,768	25,326,774
Prepaid water	4,615,500	4,615,500
<b>Total current assets</b>	<b>480,308,535</b>	<b>535,416,279</b>
<b>Noncurrent Assets:</b>		
Cash and investments	2,539,125	2,539,125
Restricted cash and investments	35,702,825	35,702,825
Deferred charges	142,390	123,926
Advances to other agencies	12,305,047	20,397,375
Retention receivable	2,081,304	2,081,304
Long-term loan receivable	20,000,000	20,000,000
Unamortized bond issuance costs	12,012,201	12,054,024
Capital assets:		
Land	13,128,344	13,128,344
Construction in progress	1,309,772,406	1,272,862,745
Work in progress	749,017	749,017
Plant and equipment, net	1,153,394,080	1,155,553,440
Intangible assets, net	169,951,413	120,325,637
<b>Total noncurrent assets</b>	<b>2,731,778,152</b>	<b>2,655,517,762</b>
<b>Total assets</b>	<b>3,212,086,687</b>	<b>3,190,934,041</b>
<b>Liabilities:</b>		
<b>Current Liabilities:</b>		
Accounts payable and other liabilities	36,703,330	62,054,316
Interest payable	11,768,021	5,884,011
Construction deposits	1,081,364	1,079,364
Commercial paper and other liabilities	510,000,000	460,000,000
Current portion of long-term liabilities	10,906,808	10,881,217
<b>Total current liabilities</b>	<b>570,459,523</b>	<b>539,898,908</b>
<b>Noncurrent liabilities:</b>		
Long-term liabilities	1,519,383,605	1,524,679,531
<b>Total liabilities</b>	<b>2,089,843,128</b>	<b>2,064,578,439</b>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	612,078,083	612,078,083
Restricted for construction projects	347,541,565	347,541,565
Restricted for debt service	68,708,574	68,708,574
Unrestricted	98,337,252	98,337,252
Change in net assets	(4,421,915)	(309,872)
<b>Total net assets</b>	<b>\$ 1,122,243,559</b>	<b>\$ 1,126,355,602</b>



**San Diego County Water Authority**  
**Statements of Revenues, Expenses, and Changes in Net Assets**  
**Months Ended December 31, and November 30, 2009**

	December	November
<b>Operating revenues:</b>		
Water sales	\$ 211,202,111	\$ 187,371,888
<b>Total operating revenues</b>	211,202,111	187,371,888
<b>Operating expenses:</b>		
Cost of sales	161,859,118	149,366,930
Depreciation and amortization	15,066,697	12,921,264
Operations and maintenance	7,592,731	5,950,917
Planning	3,835,318	2,989,770
General and administrative	7,983,460	6,369,159
<b>Total operating expenses</b>	196,337,324	177,598,040
<b>Operating income</b>	14,864,787	9,773,848
<b>Nonoperating revenues (expenses):</b>		
Property taxes and in-lieu charges	4,321,259	1,552,125
Infrastructure access charges	10,291,439	8,576,505
Investment income	4,920,094	4,665,560
Other income	1,331,607	913,814
Interest expense	(39,667,277)	(30,357,825)
Other expenses	(7,980,695)	(1,650,536)
<b>Total nonoperating revenues (expenses)</b>	(26,783,573)	(16,300,357)
<b>Income before capital contributions</b>	(11,918,786)	(6,526,509)
<b>Capital contributions</b>		
Capacity charges	5,713,190	5,713,394
Water standby availability charges	1,763,303	485,375
Contributions in aid of capital assets	20,378	17,868
<b>Total capital contributions</b>	7,496,871	6,216,637
<b>Changes in net assets</b>	(4,421,915)	(309,872)
<b>Net assets at beginning of year</b>	1,126,665,474	1,126,665,474
<b>Net assets at end of year</b>	\$ 1,122,243,559	\$ 1,126,355,602

**Cash and Investments by Fund**  
**As of December 31, and November 30, 2009**

	<u>December</u>	<u>November</u>
Operating Fund*	\$ 53,090,413	\$ 57,482,950
Water Storage Fund	11,755,580	11,755,580
Equipment Replacement Fund	9,629,389	9,692,603
Rate Stabilization Fund	43,562,313	43,562,313
Pay As You Go Fund**	<u>126,761,375</u>	<u>133,538,908</u>
<b>Total Pooled Funds</b>	<b>\$ 244,799,070</b>	<b>\$ 256,032,354</b>
<b>CIP/Bond Construction Fund **</b>	<b>111,687,397</b>	<b>140,804,035</b>
<b>Debt Service Reserve Fund**</b>	<u><b>68,737,145</b></u>	<u><b>68,737,145</b></u>
<b>Total Cash and Investments</b>	<u><u><b>\$ 425,223,612</b></u></u>	<u><u><b>\$ 465,573,534</b></u></u>

\* Operating Fund includes Special Use Funds.

\*\* Pay As You Go, CIP/Bond Construction and Debt Service Reserve Funds are Restricted.

**San Diego County Water Authority  
Budget Status Report  
For the 6 Months Ended December 31, 2009**

	Annual Budget	Year-to-Date Budget (a) 6/12 months (50%)	Actual Fiscal Year 2010 Revenues/Expenditures Period-to-Date Budgetary Basis	Actual Fiscal Year 2008 Revenues/Expenditures Period-to-Date Budgetary Basis	Remaining Budget	% Actual Revenues/Expenditures Period-to-Date Budgetary Basis
<b>Revenues and Other Funding Sources/Uses</b>						
Water sales	\$ 450,564,000	\$ 259,529,687 (b)	\$ 211,202,111	\$ 185,628,973	\$ 239,361,889	46.9%
Infrastructure access charges	21,292,000	10,646,000	10,291,439	9,139,325	11,000,561	48.3%
Property taxes and in-lieu charges	10,423,000 (c)	5,211,500	4,321,259	4,577,804	6,101,741	41.5%
Investment income	11,254,000 (d)	5,627,000	4,451,035	10,066,835	6,802,965	39.6%
Hydroelectric revenue	1,300,000 (e)	650,000	708,539	685,537	591,461	54.5%
Other income	12,932,000 (f)	6,466,000	623,068	1,156,985	12,308,932	4.8%
Capital contributions:						
Capacity charges	6,200,000 (g)	3,100,000	5,713,190	8,397,397	486,810	92.1%
Water standby availability charges	11,145,000 (h)	5,572,500	1,763,303	1,823,806	9,381,697	15.8%
Contributions in aid of CIP	90,000 (i)	45,000	20,378	-	69,622	22.6%
Subtotal revenues and capital contributions	525,200,000	296,847,687	239,094,322	221,476,662	286,105,678	45.5%
Other funding sources/uses	250,978,000	115,837,078	117,990,547	89,471,592	169,940,093	47.0%
<b>Total Revenues and Other Funding Sources/Uses</b>	<b>\$ 776,178,000</b>	<b>\$ 412,684,765</b>	<b>\$ 357,084,869</b>	<b>\$ 310,948,254</b>	<b>\$ 456,045,771</b>	<b>46.0%</b>
<b>Expenditures</b>						
Water purchases & treatment	\$ 348,942,000	\$ 190,054,391 (b)	\$ 161,859,118	\$ 136,602,240	\$ 187,082,882	46.4%
Stored water purchases	4,840,000	2,420,000	-	-	4,840,000	0.0%
Capital improvement program (CIP)	258,590,000	129,295,000	87,714,108	107,155,181	170,875,892	33.9%
Debt service	93,043,000 (j)	46,521,500	35,304,064	40,757,479	57,738,936	37.9%
QSA mitigation	11,082,000 (k)	8,141,875	8,141,875	4,094,225	2,940,125	73.5%
Equipment replacement	1,678,000	839,000	136,449	81,002	1,541,551	8.1%
Other expenditures	12,823,000 (l)	6,411,500	7,565,105	1,560,829	5,257,895	59.0%
Operating departments/programs	45,180,000 (m)	22,590,000	19,411,510	20,697,298	25,768,490	43.0%
<b>Total Expenditures</b>	<b>\$ 776,178,000</b>	<b>\$ 412,684,765</b>	<b>\$ 357,084,869</b>	<b>\$ 310,948,254</b>	<b>\$ 456,045,771</b>	<b>46.0%</b>
<b>Operating Departments/Programs</b>						
Administrative Services	\$ 5,504,700	\$ 2,752,350	\$ 2,781,109	\$ 2,354,261	2,723,591	50.5%
Colorado River Programs	1,318,100	659,050	667,070	667,817	651,030	50.6%
Engineering	884,100	442,050	451,388	231,019	432,712	51.1%
Finance	2,219,000	1,109,500	918,531	997,437	1,300,469	41.4%
General Counsel	1,564,600	782,300	1,640,062	674,049	(75,462)	104.8%
General Manager & Board of Directors	2,563,900	1,281,950	1,193,306	1,353,153	1,370,594	46.5%
Human Resources	1,253,200	626,600	529,609	483,777	723,591	42.3%
MWD Program	1,303,100	651,550	546,080	434,210	757,020	41.9%
Operations & Maintenance	13,700,000	6,850,000	5,882,622	8,137,303	7,817,378	42.9%
Public Affairs	2,120,000	1,060,000	920,844	1,731,355	1,199,156	43.4%
Right of Way	2,779,300	1,389,650	1,258,721	1,002,411	1,520,579	45.3%
Water Conservation Program	5,118,200	2,559,100	1,014,318	859,484	4,103,882	19.8%
Water Resources	4,851,800	2,425,900	1,607,850	1,771,022	3,243,950	33.1%
<b>Total Operating Departments/Programs</b>	<b>\$ 45,180,000 (m)</b>	<b>\$ 22,590,000</b>	<b>\$ 19,411,510</b>	<b>\$ 20,697,298</b>	<b>\$ 25,768,490</b>	<b>43.0%</b>

(a) Year-to-date budget amounts are 6/12ths of the annual budget unless noted below.

(b) Water sales and water purchases are based on projected acre-feet per month. For seasonal water forecasts refer to the Cumulative Water Sales by Acre-Feet (AF) table.

(c) Property taxes are primarily received in December and April. In-lieu charges in the amount of \$407,321 are received quarterly.

(d) Investment income excludes unrealized gains or losses.

(e) Hydroelectric sales include Rancho Penasquitos Hydroelectric Plant.

(f) Other income includes grants, conservation programs and other miscellaneous revenues.

(g) Capacity charges are received quarterly in July, October, January and April.

(h) Water Standby availability charges are received in January and May.

(i) Contributions in aid of CIP includes East County Regional Treated Water Improvements.

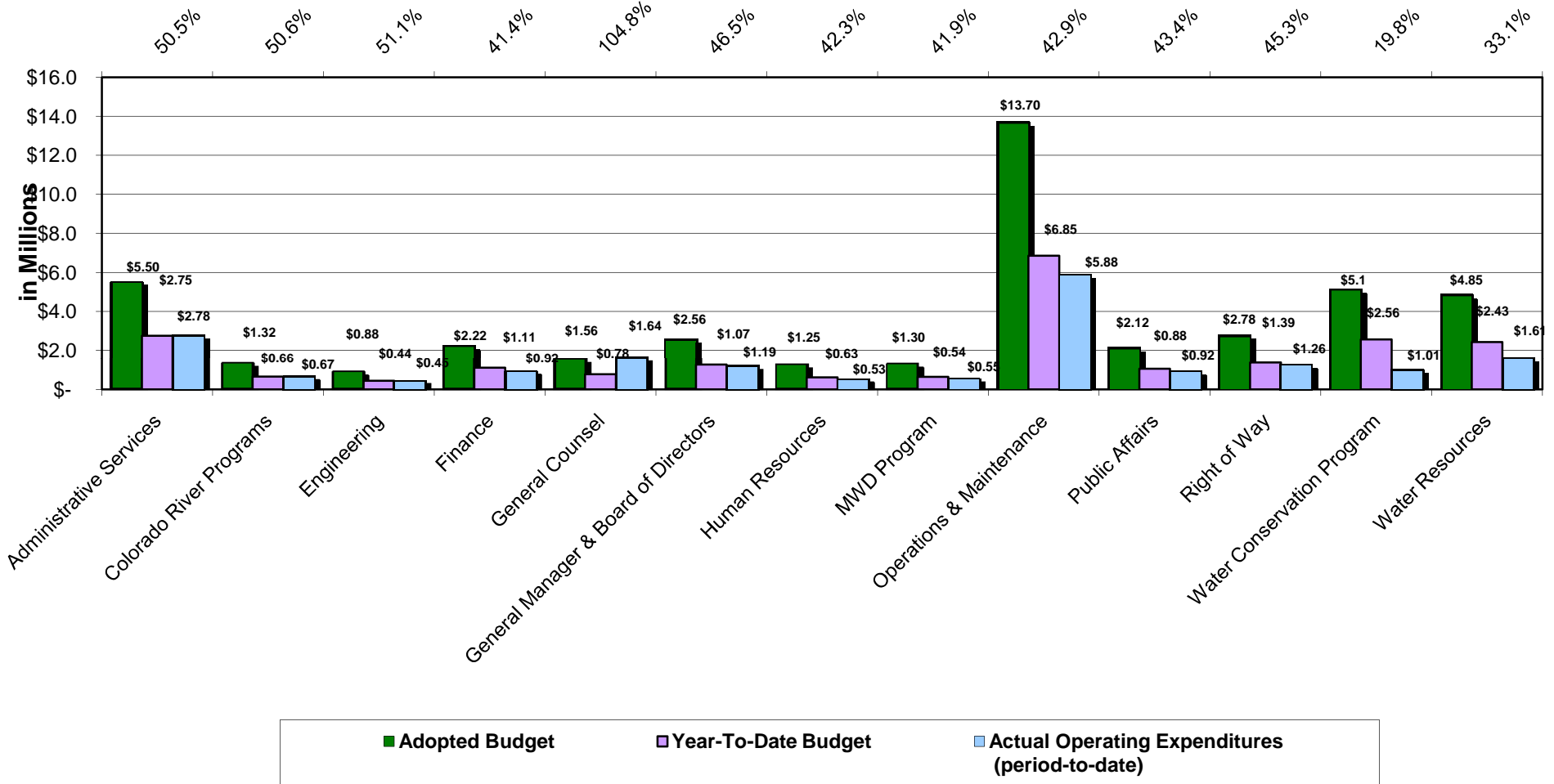
(j) The majority of the Debt Service payments are due in October and April. Debt Service includes principal, interest expense, and debt service fees. Amortization expense relating to premiums and discounts on long-term debt are excluded.

(k) The QSA mitigation payments scheduled for FY2010 are: QSA-JPA payment of \$8.1M in December, and IID socioeconomic settlement payment of \$2.9M in June.

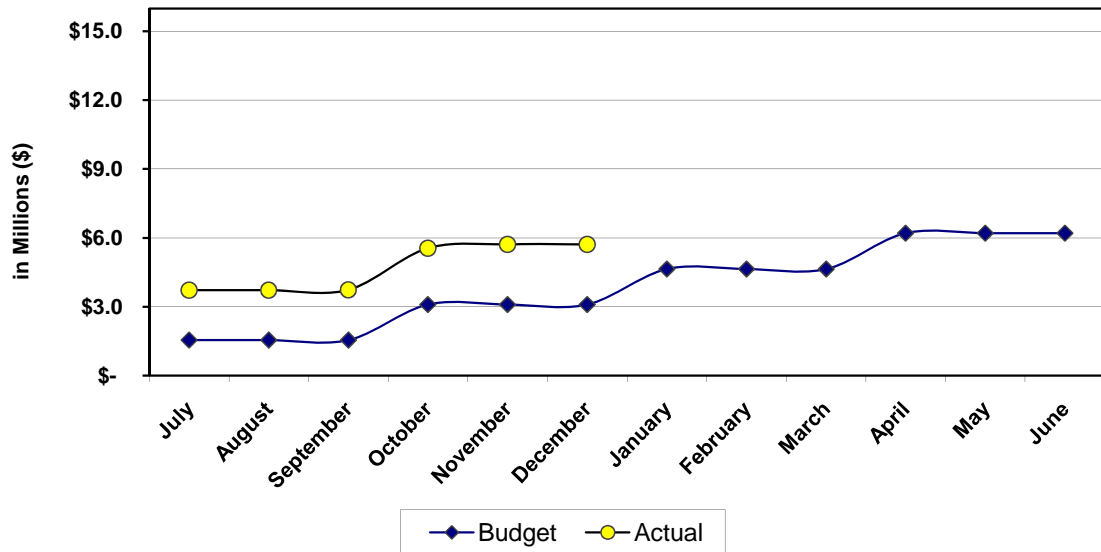
(l) Other expenditures include costs incurred for grants, conservation programs and other miscellaneous expenditures.

(m) Amounts include capital equipment purchases.

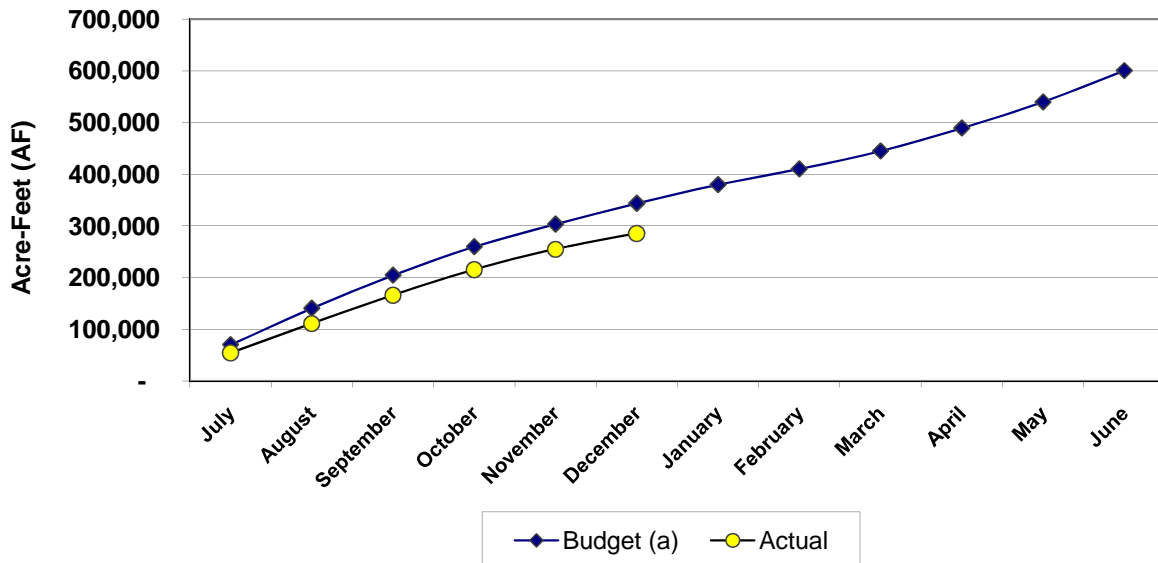
**San Diego County Water Authority  
 Comparison of Adopted Budget and Year-to-Date Budget (50.00% Overall)  
 to Actual Operating Expenditures by Department  
 For the 6 Months Ended December 31, 2009**



**CAPACITY CHARGES  
Budget Versus Actual  
for the 6 Months Ended December 31, 2009**



**WATER SALES  
Budget Versus Actual  
for the 6 Months Ended December 31, 2009**



**Fiscal Year 2010 Cumulative Water Sales (AF)**

Months	July	August	September	October	November	December	January	February	March	April	May	June
Budget (a)	70,476	140,959	204,870	260,170	303,733	343,957	380,091	410,411	445,174	489,533	540,069	600,753
Actual	54,717	111,476	166,277	215,946	255,185	285,928						
AF Difference (b)	(15,759)	(29,483)	(38,593)	(44,224)	(48,548)	(58,029)						
Cum. Actual AF												
% Difference (b/a)	-22.4%	-20.9%	-18.8%	-17.0%	-16.0%	-16.9%						



## BOARD CALENDAR

### MARCH 2010

- 3 MWD Delegates – 11:30 a.m.
- 10 SCOOP meeting – 1:30 p.m.
- 11 **No Special Board meeting this month – please remove the hold from your calendar**
- 25 Regular Board meeting – 3:00 p.m.

### APRIL 2010

- 7 MWD Delegates – 11:30 a.m.
- 8 Board of Directors Workshop  
9:00 a.m. – 3:00 p.m.  
Workshop held at the:  
Otay Water District  
2554 Sweetwater Springs Blvd.  
Spring Valley, CA 91978
- 22 Regular Board meeting – 3:00 p.m.

### MAY 2010

- 3 MWD Delegates – 11:30 a.m.
- 12 Engineering & Operations Tour –  
8:30 Kearny Mesa headquarters  
9:00 Escondido Operations Center
- 13 Tentative Special Board meeting – 1:30 p.m.
- 27 Regular Board meeting – 3:00 p.m.



February 17, 2010

**Attention: Administrative and Finance Committee**

**CLOSED SESSION:  
Conference with Labor Negotiator, Government Code §54957.6**

**Agency Designated Representatives: Frank Belock, Susan Leone**

**Employee Organization: California Teamsters Public, Professional and Medical  
Employees Union Local 911**

**Purpose**

The General Manager has asked that the above-referenced closed session be scheduled for the Administrative and Finance Committee at the February 25, 2010, Board meeting.

A closed session has also been included on the agenda of the formal Board of Directors' meeting. Unless the Board desires additional discussion, it is not staff's intention to ask for a closed session with the full Board at that time, but staff may request action to confirm directions given or action recommended by the committee.

Prepared by: Daniel S. Hentschke, General Counsel