



*San Diego County  
Water Authority*

# Water Sales Update

February 25, 2010

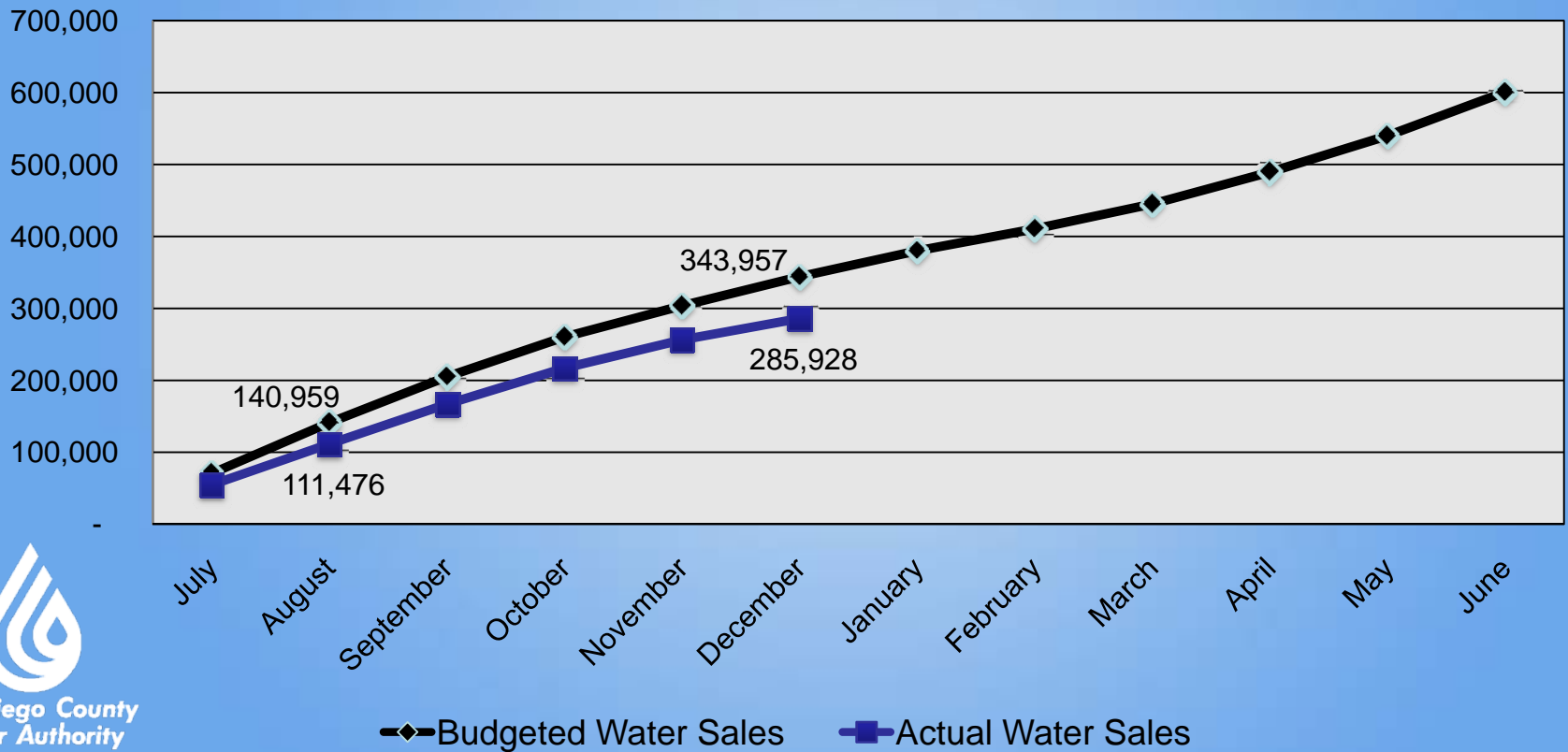
# Purpose

- Net Water Sales Projections
  - Fiscal Year 2010
  - Fiscal Year 2011
- Next Steps



# Water Sales Volumes as of 12/31/09

## Actual vs Budgeted Water Sales (Total AF) Fiscal Year 2010



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◆ Budgeted Water Sales    ■ Actual Water Sales

# Fiscal Year 2010

## Projected Water Sales Volumes (acre-feet)

	Budget	Projection	% Diff
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>

- Projected Net Water Sales Deficit: \$9.4m
  - Impacts budget and debt service coverage ratio (DSCR)
  - Mitigation tools focus on one-time solutions



# Impact on Debt Service Coverage Ratio (DSCR)

## (Fiscal Year 2010)

	Official Statement	FY10 Projection w/o Mitigation	
<b>Net Revenue</b>	\$119.9m	\$110.5m	<\$9.4m>
<b>÷ Sr. Lien Debt Service</b>	\$81.1m	\$81.1m	
<b>= DSCR</b>	1.48x	1.36x	

Covenant: 1.2x

Board DSCR Target: 1.5x



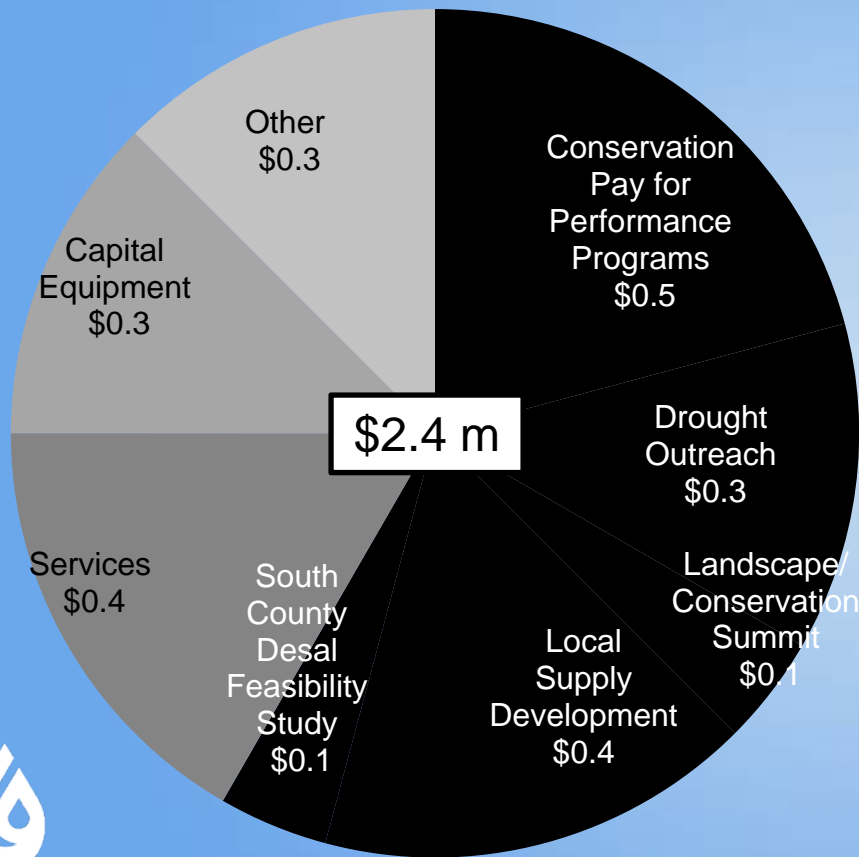
# Fiscal Year 2010 Mitigation

## Multiple mitigation tools:

- Reductions to the Operating Fund (\$2.4 m)
  - Programmatic and short-term operational
- Capitalized Interest (up to \$6.5 m)
- Rate Stabilization Fund Withdraw (~\$0.5m)



# Operating Reductions (FY10)



- Specific Programmatic Reductions (\$1.4m)
- Short-term Operational Reductions (\$1.0m)



# Rate Stabilization Fund

	Fiscal Year 2010	Withdraw	Revised
<b>RSF Maximum (1)</b>	\$82.8m		\$82.8m
<b>RSF Target (2)</b>	\$53.1m		\$53.1m
<b>RSF Balance</b>	\$43.8m	- \$0.5m	\$43.3m
<b>Balance as a % of Target</b>	82.5%		81.5%

1. RSF Maximum balance is equal to the financial impact of 3.5 years of wet weather.
2. RSF Target balance is equal to the financial impact of 2.5 years of wet weather.





# Mitigation Impacts on DSCR

## (Fiscal Year 2010)

	Official Statement	FY10 Projection	Operating Reductions/ RSF Draw	Capitalized Interest	Revised Projection
<b>Net Revenue</b>	\$119.9m	\$110.5m	+ \$2.9m		\$113.4m
<b>÷ Sr. Lien Debt Service</b>	\$81.1m	\$81.1m		- \$6.5m	\$74.6m
<b>= DSCR</b>	1.48x	1.36x			1.52x



# Fiscal Year 2011

- Water Sales similar to 2010
- Board Retreat to address “New Normal” and focus on structural changes
  - Water Sales
  - Conservation
  - Local Supply Development



# Next Steps

- April 2010
  - Water Authority Board Retreat
  - MWD adopts FY 2011 water allocations
  - MWD adopts FY 2011 budget and CY 2011 rates
- May 2010
  - Provide recommended CY 2011 rates and charges
  - Notice public hearing for June
- June 2010
  - Provide mid-term budget update
  - Hold public hearing on CY 2011 rates and charges





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# Fiscal Year 2011

- If entire deficit were part of Jan 2011 rate increase: \$18/AF or 2% higher than estimated
- Within CRACA “Lite” forecast

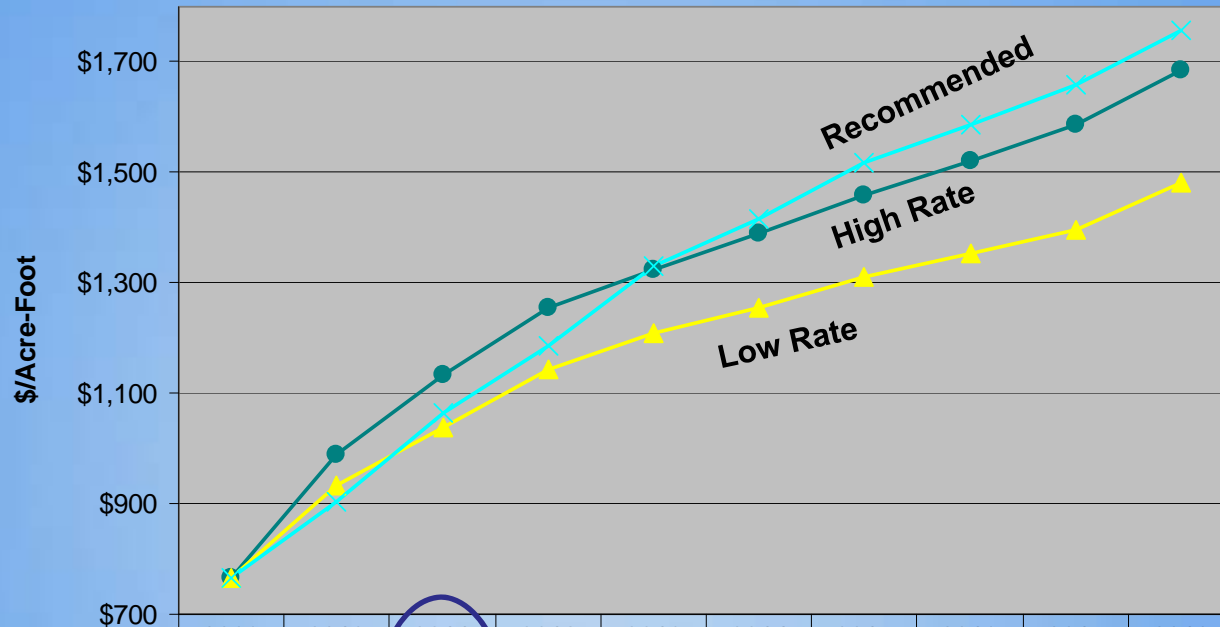
	<u>Treated</u>	<u>Untreated</u>
High	\$1,133/af	\$917/af
Low	\$1,039/af	\$825/af

- Significant unknown—MWD rates & charges



# CRACA "Lite" Rate Forecasts

## "All-in" Treated Water Rate



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
CRACA High Rate	\$766	\$990	\$1,133	\$1,254	\$1,324	\$1,389	\$1,458	\$1,522	\$1,587	\$1,686
CRACA High % Change	11.9%	29.3%	14.4%	10.7%	5.6%	4.9%	5.0%	4.3%	4.3%	6.2%
CRACA Low Rate	\$766	\$932	\$1,039	\$1,144	\$1,210	\$1,255	\$1,311	\$1,355	\$1,398	\$1,480
CRACA Low % Change	11.9%	21.6%	11.6%	10.0%	5.8%	3.7%	4.5%	3.4%	3.2%	5.9%
Recommended	\$766	\$905	\$1,063	\$1,185	\$1,329	\$1,416	\$1,516	\$1,587	\$1,660	\$1,757
Recommended % Change	11.9%	18.1%	17.5%	11.5%	12.1%	6.6%	7.1%	4.6%	4.6%	5.9%

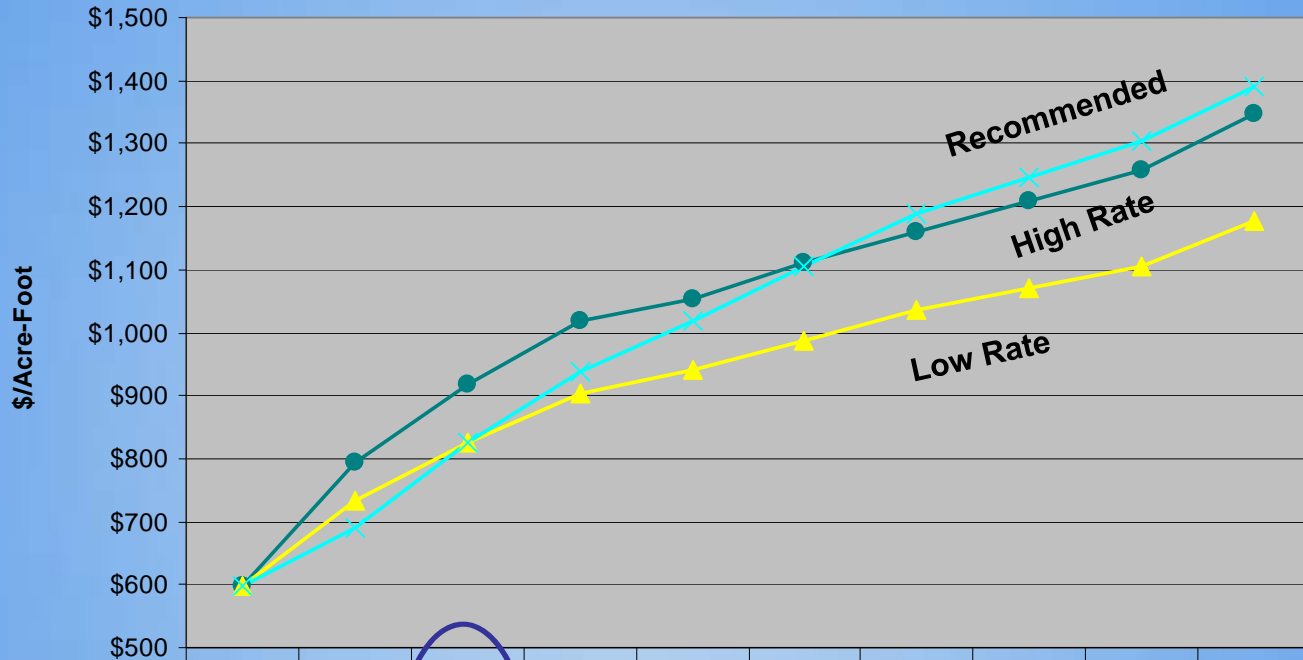
Calendar Year



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# CRACA "Lite" Rate Forecasts

## "All-in" Untreated Water Rate



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
CRACA High Rate	\$598	\$793	\$917	\$1,017	\$1,053	\$1,110	\$1,161	\$1,209	\$1,258	\$1,346
CRACA High % Change	14.8%	32.6%	15.6%	11.0%	3.5%	5.4%	4.6%	4.1%	4.0%	7.0%
CRACA Low Rate	\$598	\$733	\$825	\$902	\$942	\$987	\$1,036	\$1,071	\$1,104	\$1,177
CRACA Low % Change	14.8%	22.6%	12.6%	9.3%	4.4%	4.8%	4.9%	3.4%	3.1%	6.6%
Recommended	\$598	\$690	\$825	\$937	\$1,018	\$1,104	\$1,189	\$1,247	\$1,305	\$1,390
Recommended % Change	14.7%	15.4%	19.6%	13.6%	8.6%	8.5%	7.6%	4.9%	4.7%	6.5%



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Calendar Year

# Programmatic Reductions (\$1.4m)

## Conservation Pay for Performance Programs

- \$750,000 budgeted for FY10 & 11
- \$500,000 proposed reduction
- \$250,000 remaining to target short term conservation efforts over the two-year period

## Drought Management Advertising/Marketing

- \$1,200,000 budgeted for FY10 & 11
- \$300,000 proposed reduction eliminates 92% of FY10 budgeted funds (\$250,000 reallocated to the Garden)
- \$600,000 remaining in FY11

## Landscape Recognition Awards/Water Conservation Summit

- \$159,000 budgeted for FY10 & 11
- \$148,000 proposed reduction for contest and summit
- Potential matches for DWR grant

## Local Supply Development

- \$1,900,000 budgeted for FY10 & 11
- \$350,000 proposed reduction
- Existing program funding meets current demand

## South County Desal Feasibility Study

- \$100,000 budgeted for FY10 & 11
- \$100,000 proposed reduction
- Desal program priorities are Camp Pendleton and Rosarito





# Short Term Operational Reductions (\$1.0m)

## Services (\$0.4m)

- Renegotiated terms for AFO monitoring contract
- Outside Services (pump station maintenance, tree removal, SCADA)
- Disaster recovery and Security Assessment (delay)
- Outreach services, including Splash Lab appearances, SCOOP sponsorships, small business training
- Wheeling Consultant services
- MWD Incentive Programs Study

## Capital Equipment (\$0.3m)

- Defer the purchase (2) and replacement (5) of vehicles

## Other (\$0.3m)

- Travel/Training/Conferences
- Memberships
- Overtime/Double-time
- Promotional supplies and printing materials for Imperial Valley Outreach and Public Affairs
- Misc Materials and Supplies



# Sources of Funds

	Adopted FY10&11	Projected FY10&11	Variance \$	Variance %
Water Sales	964.3	841.3	(123.0)	-12.8%
Other Operating Revenue	126.8	130.8	4.0	3.2%
Capital Contributions	<u>56.8</u>	<u>60.8</u>	<u>4.0</u>	<u>7.1%</u>
Revenue	1,147.8	1,032.9	(114.9)	-10.0%



# Sources of Funds

	Adopted FY10&11	Projected FY10&11	Variance \$	Variance %
Operating Revenue				
Water Sales	964.3	841.3	(123.0)	-12.8%
Investment Income	26.9	26.9	-	0.0%
Infrastructure Access Charges	45.6	45.6	-	0.0%
Property Taxes and In-Lieu Charges	20.8	20.2	(0.7)	-3.3%
Hydroelectric Revenue	2.6	2.6	-	0.0%
Other Income	30.9	35.6	4.7	15.3%
Capital Contributions	<u>56.8</u>	<u>60.8</u>	<u>4.0</u>	<u>7.1%</u>
Revenue	1,147.8	1,032.9	(114.9)	-10.0%



# Uses of Funds

	Adopted FY10&11	Projected FY10&11	Variance \$	Variance %
Water Purchases & Treatment	736.4	631.7	(104.7)	-14.2%
Other Operating/Debt Service Expend.	362.5	371.9	9.4	2.6%
Capital Improvements Program (CIP)	<u>555.7</u>	<u>499.8</u>	<u>(55.9)</u>	<u>-10.1%</u>
Total Uses of Funds	1,654.7	1,503.4	(151.2)	-9.1%



# Uses of Funds

	Adopted FY 10&11	Projected FY 10&11	Variance \$	Variance %
Water Purchases & Treatment	736.4	631.7	(104.7)	-14.2%
Stored Water Purchases	10.7	10.7	-	0.0%
Capital Improvements Program (CIP)	555.7	499.8	(55.9)	-10.1%
Debt Service	209.8	215.7	5.8	2.8%
Operating Departments	90.8	88.6	(2.2)	-2.5%
QSA Mitigation	16.8	22.8	6.0	35.7%
Equipment Replacement	3.8	3.6	(0.2)	-4.9%
Other Expenditures	<u>30.6</u>	<u>30.6</u>	<u>-</u>	<u>0.0%</u>
Total Uses of Funds	1,654.7	1,503.4	(151.2)	-9.1%



# Net Water Sales

	Adopted FY10&11	Projected FY10&11	Variance \$	Variance %
Gross Water Sales	\$ 964.3	\$ 841.3	\$ (123.0)	-12.8%
Water Purchases & Treatment	<u>736.4</u>	<u>631.7</u>	<u>104.7</u>	<u>14.2%</u>
Net Water Sales	\$ 227.9	\$ 209.6	\$ (18.2)	-8.0%

