

# San Geronio Pass Water Agency

**DATE:** February 5, 2024  
**TO:** Board of Directors  
**FROM:** Lance Eckhart, General Manager  
**BY:** Tom Todd, Jr., Chief Financial Officer  
**SUBJECT: MID-YEAR BUDGET REVIEW FY 2023-24**

## Executive Summary

Overall, the expenditure and income levels are performing as expected, and the Agency is on-track to end the fiscal year as planned. As this is a six month review, 50% of the annual approved budget amount would be a suggested target to review income and expenditure levels.

In the General Fund, the overall expenditure percentage is 25%, or 75% remaining to be expended. Income is trailing, as only 20% has been received, but it is performing as expected.

In the Debt Service Fund, the overall expenditure level is 58%, or 42% remaining to be expended. Income is higher than the General Fund, at 36%, with 64% yet to be received, but is also performing as expected.

## Unrestricted Funds – General Fund Revenue

General Fund income is derived primarily from two sources, water sales and tax revenue. Both of these revenue sources are out of phase with a six-month cycle, for different reasons.

Revenue generated by water sales always lags by one or two months from the time it was delivered. The amount of water that has been delivered in a month is reported after the month is complete, at the beginning of the next month. An invoice is produced and delivered to the appropriate retailer, and the payment is often received in the next month. As of December, about \$2.34 million was received. Payments for November and December deliveries were received in January. In total, by the end of January, about \$3.9 million will have been received for water delivered in the first six months of the fiscal year, which is very close to 50% of the projected annual total.

Revenue received for the Agency allocation of the 1% property tax assessed by Riverside County and other local and state-wide sources is usually divided into two major portions. The first portion is delivered starting in December and extending through February. As



of December, the Agency had received about 11% of its expected tax revenue. In January, it is expected that will increase to about 47%. This is the pattern of receipts that the Agency has previously experienced.

## **Expenditures**

Expenditures for the General Fund are grouped into major categories for context. The first category is Commodity Purchases. This includes purchased water invoices from the Department of Water Resources (DWR), through invoices commonly known as variable invoices. The invoices arrive mid-month following the delivery month and are paid that month. As of December, 37% of the budget had been used. Additional items in Purchased Water include the charges for Nickel water and other purchases of water that the Agency intends to deliver in the current fiscal year, such as the purchase of water in September from Yuba City.

For the first time ever, there will be an entry in Purchased Water for Banking (Future Sale) in January. The water that was delivered to the AVEK bank will be allocated to that line item, and will use about 47% of that line item.

The next major category is Salaries and Employee Benefits. Overall, the category has used 41% of planned expenses, and each line item is below budget. The line item for OPEB (row 19) includes a \$30,000 additional payment toward the California Employer Retirement Benefits Trust (CERBT), which has not been made. Although this item currently has used 46%, it will be divided with the Debt Service fund at year-end, so is still projected to be within budget at year-end.

Administrative and Professional Services has used a similar amount, about 40%. This category includes expenditures for directors, the office, services, maintenance and equipment, and the county of Riverside. Most categories are under budget at the end of December, with some exceptions:

- Directors Travel and Education (row 32) has a budget of \$50,000; about \$39,000 has been used, or 79%.
- Office Expense (row 35) has used 54%.
- General Manager and Staff Travel (row 41) has used 54%.
- Insurance and Bonds (row 42) has a budget of \$35,000, but has expended \$48,432, or about 38% over-budget. Insurance costs rose dramatically this year as reported by ACWA. Their major expense was in the re-insurance rates for coverage at multi-million dollar levels.
- Accounting and Auditing (row 43) and Dues and Assessments (row 44) are also over-budget for December, but minimal additional expenditures are expected for the rest of the fiscal year, so they are expected to be within budget at year-end.
- LAFCO Cost-Share (row 57) has is also over budget, but there will not be any additional expenditures, so will be within budget at year-end.

Expenditures for Consulting and Engineering Services is the second largest category of the budget, by amount and complexity. As of December, four line items exceed 50%:

- Yucaipa GSA Verbina GSA (row 74): this item includes similar items as the San Gorgonio GSA. The Agency shares costs with the members of the GSA; an adjustment will be made to reclassify the charges in this line item.
- Water Portfolio (row 81): two vendors are participating in formulating the Agency Water Portfolio, Zanjero and Provost & Pritchard. The study done by Zanjero is almost complete, a presentation will be made in the future; 55% spent.
- Strategic Plan Update (row 85): the Strategic Plan was recently accepted by the Board; additional invoices for work are expected; 60% spent.
- SAWPA Regional Projects (row 90): the Santa Ana Watershed Project Authority has various programs to monitor and enhance the Santa Ana watershed. We participate through a cost-share agreement. We are also participating in the pilot cloud-seeding project. No other expenditures are expected for this fiscal year; 80% spent.

Overall Consulting and Engineering Services has spent about \$378,000 out of about \$2,800,000, or 13%.

Legal Services billing comes in the month after services have been performed. Currently, the December balance in the general ledger includes services provided through November 2023. Increases in legal fees include a Board review of Agency policies, which included a review of the Agency Employee Guide and the Procurement Policy. In addition, matters like PFAS litigation and easement re-alignment have increased legal fees. This item has used 59%.

Major and Capital Expenditures includes potential expenditures for building maintenance and replacements for office equipment and furniture and other equipment. Sites Reservoir makes up the largest amount of this category, and the Agency recently received an invoice for the next phase of participation, which will dramatically change the percentage spent. But as of December, no expenditures had been made.

### **Unrestricted Funds - Consigned State Water Project (SWP) Fund**

The Board authorized the SWP Fund starting in FY 2021-22, with the provision that expenditures would not be authorized by the Board for two to three years. This fiscal year is the third fiscal year. Income is derived from tax revenue at this time. As of December, no revenue had been received for this fiscal year, but is expected in January 2024. No expenditures have been made from this fund.



### **Restricted Funds – Debt Service Fund Revenue**

Debt Service Fund tax revenue follows a similar pattern of timing as the General Fund, but with slightly larger percentages. As of December, the Agency has received about 32% of the expected Debt Service revenue. By the end of January, it is expected to increase to about 60%.



## **Expenditures**

Expenditures for the Debt Service Fund tend to have a wider range of variances, depending on the type of expense. Salaries and related expenses, Utilities and Tax Collection Services track evenly throughout the year. Items like SWC Audit and SWC Contractor Dues get paid at the beginning of the fiscal year and don't have any additional charges for the rest of the year. Water Transfers and Delta Conveyance Facility Authority are usually one-time payments, so look inactive, then exceed the monthly guide after the payment is made. Engineering-Maintenance-Consulting and EBX Contract Operations come in chunks, depending on repairs needed and the amount of water delivered. Finally, State Water Contract Payments are generally even month to month, with the exception of September (largest EBX payment) and March (large EBX payment).

Also, State Water Contract Payments make up almost 90% of all the expenditures for the Debt Service Fund, so a variance in that line item affects the total Debt Service expenditure percentage more significantly than any other item.

Even though the total expenditure level of the Debt Service Fund is 58%, the pattern of expenses is consistent with previous years, and on track to meet budget projections for the end of the year.

## **Gap Funding Program**

The current balance of the Gap Funding program with Cabazon Water District has not changed in the last few months. CWD owes the Agency \$95,745.70.

## **Adjustments**

The following invoices will be analyzed to determine if the correct general ledger item is being charged in the General Fund Budget and reported in the correct category and line item in the budget report:

- Review City of Beaumont invoices for the Agency's share of costs related to the consultant who is guiding the process of utilizing recycled water in the region. They are being charged to Other Professional Services. They will be changed to Recycled Water Cost-Share. In the budget report, charges will appear in Local Supplies.
- Review the budget report for the Provost and Pritchard contract for Potential Water Availability. Currently charges are included in Local Supplies; they will appear in Water Portfolio.
- Review CV Strategies invoices in the general ledger to properly allocate Social Media and Conservation-Education-Public Relations.
- Review charges in the general ledger for the USGS contract to establish a data baseline for the County Line Recharge facility; they should be charged to USGS Studies and Monitoring in the general ledger and the budget report, rather than Yucaipa GSA – Verbenia GSA.