

San Geronio Pass Water Agency

DATE: July 15, 2024

TO: Board of Directors

FROM: Lance Eckhart, General Manager

BY: Tom Todd, Jr., Chief Financial Officer

SUBJECT: DEBT SERVICE BUDGET FOR FY 2024-25

RECOMMENDATION

Approve the Debt Service Budget for FY 2024-25.

PREVIOUS CONSIDERATION

- Finance and Budget Committee – June 27, 2024: The Committee reviewed and discussed the proposed budget. After Committee input, some changes were made, reflected in the latest version of the proposed budget.

BACKGROUND

The Board considers and adopts a Debt Service budget every year. Normally, about 90% of the expenditures are dictated by the Statement of Charges (SOC) issued by the Department of Water Resources (DWR). For the coming fiscal year, due to some additional local expenditures, the SOC makes up 85% of the budget.

Because the Agency operates on a fiscal year, and DWR operates on a calendar year, there are parts of two SOC's, part to finish the calendar year 2024, and part to start the calendar year 2025.

ANALYSIS

The proposed FY24-25 Debt Service Budget projects expenditures of \$33,107,000. This budget includes a reduction of charges in the SOC, mostly in the invoice for Operations, Maintenance, Power and Replacements, also known as the T-invoice. There is a slight increase in the EBX payments, but not the significant increase expected in the years 2026 through 2029. The major increase is due to the Agency's participation in the City Creek Crossing repair, of which the Agency's share is projected to be about \$3.2 million.

The Draft Debt Service Budget for FY 2024-25 presentation, which is included in the agenda packet, contains a detailed explanation of the proposed expenditures and line items, as well as a discussion of the future direction of the Agency.

FISCAL IMPACT

The Agency is well-prepared to utilize this budget to meet its obligations to the State Water Project, as well as its partners in EBX infrastructure. Previous Board decisions have assured the Agency of sufficient resources to meet current demands and provided reserves to help with future obligations.

ACTION

Approve the Debt Service Budget for FY 2024-25.

ATTACHMENTS

Draft Debt Service Budget for FY 2024-25



San Geronio Pass Water Agency

DRAFT DEBT SERVICE FUND BUDGET FY 2024-25



Headquarters

ABOUT THE AGENCY

The San Geronio Pass Water Agency is one of 29 local government organizations, called State Water Contractors, that have contracted with the State of California to import water to their local service areas using the State Water Project. The Agency was created by the Legislature of the State of California under Senate Bill 8, Chapter 40, which was signed into law by Governor Edmund “Pat” Brown on April 19, 1961. The purpose for creating this public agency by special law was for the “planning, conservation, development, distribution, control and use of an adequate water supply for the public good and for the protection of life and property therein.” As part of the act, the Agency was given taxing authority similar to the taxing power of other local governments.



Brookside East Recharge Facility

The Agency service area covers about 141,000 acres and has an estimated population of slightly more than 100,000. Major communities include Banning, Beaumont, Cabazon, Calimesa, and Cherry Valley. Retail water purveyors that serve the region include the City of Banning, Banning Heights



Cherry Valley Pump Station



Citrus Reservoir and Pump Station



Crafton Hills Reservoir

Mutual Water Company, Beaumont Cherry Valley Water District, Cherry Valley Water Company, High Valleys Water District, Mission Springs Water District, South Mesa Water Company, and Yucaipa Valley Water District.

The Agency entered into a contract with the State of California Department of Water Resources for an annual entitlement of 15,000 acre-feet from the State Water Project in 1962. Two years later, additional entitlement became available. Even then, the forward-focused Board was concerned that the original entitlement might not be sufficient for future needs, but was also concerned about the cost to local taxpayers. They took a bold step and voted to increase the Agency's entitlement to its current amount of 17,300 acre-feet.

However, water did not get delivered to the region until the completion of the East Branch Extension. The East Branch Extension, known locally as EBX, completed the necessary infrastructure to deliver water to the Agency's service area. EBX Phase 1 was completed in 2003; EBX Phase 2 was completed in 2018. The new facilities included an additional pipeline, an additional reservoir, additional pumps and expanded an existing reservoir. The Agency now had sufficient capacity to deliver its entire allotment in any year that it was available. EBX is unique in the State Water Project because it is jointly operated by DWR, San Bernardino Valley Municipal Water District and the Agency.

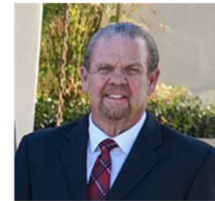
In 2020, the Agency completed construction and started using its new recharge site on the corner of Beaumont Avenue and Brookside in Beaumont. This facility was built to be able to recharge water, most often during wet years, but also as necessity arises because of operational constraints. The Agency is currently planning on expanding additional recharge in this area to maximize wet-year deliveries and respond to increasing water supply variability in the SWP.

In 2022, the Agency finalized a 20-year exchange agreement with the City of Ventura, another State Water Contractor, to use its annual entitlement of 10,000 acre-feet.

In 2023, the Agency set a historical record by receiving, delivering, and storing over 24,400 acre-feet of SWP water.



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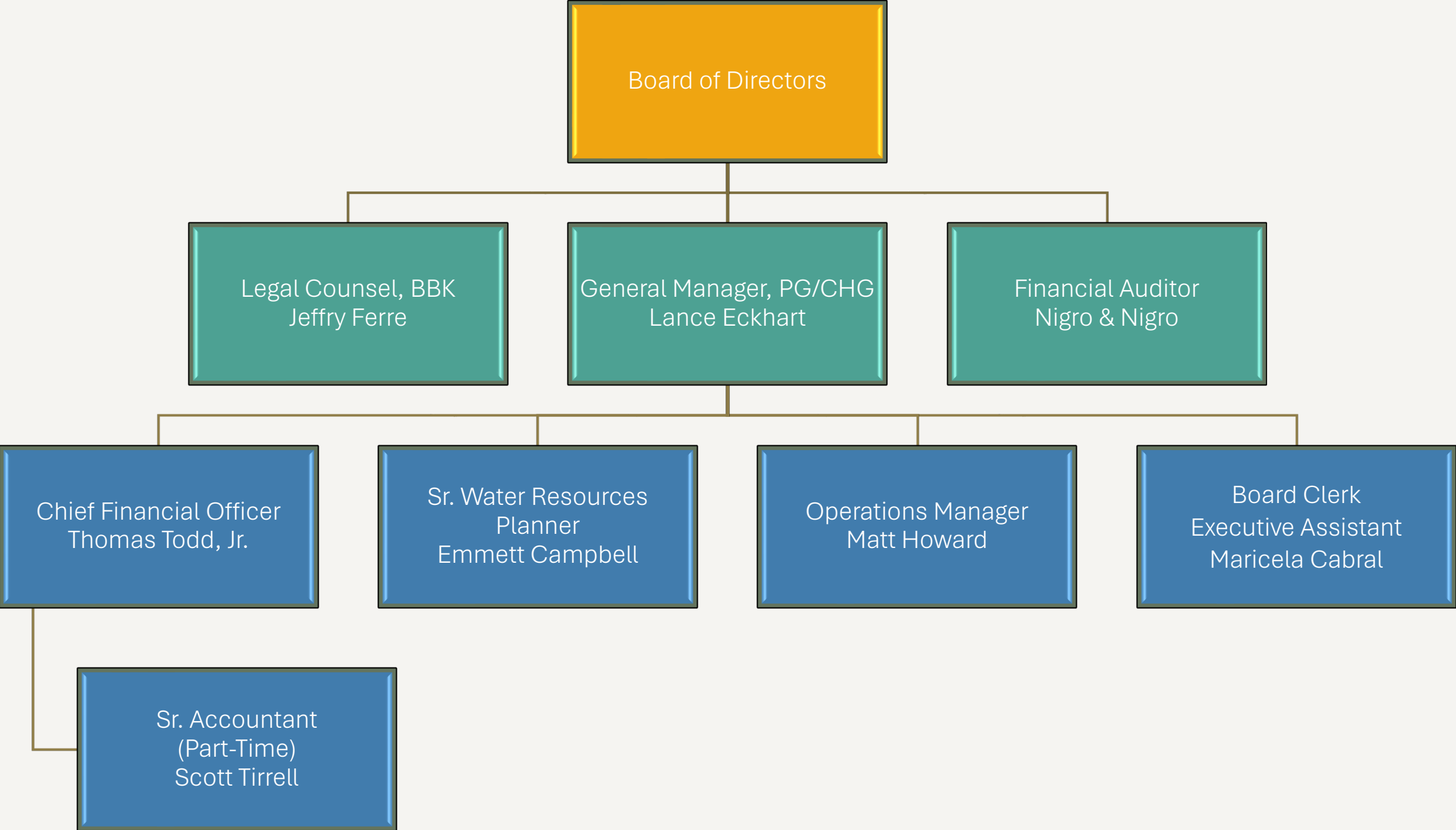


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FROM THE GENERAL MANAGER



Lance Eckhart, PG, CHG

Dear Board Members,

As we prepare for the fiscal year 2024-2025, I am pleased to present our Debt Service Budget, structured to robustly support our long-term strategic goals and continue our commitment to regional water security. This budget aligns with our Strategic Plan, focusing on financial prudence while gearing us towards significant infrastructural, environmental, and regulatory resilience projects.

Strategic Fiscal Management and Budget Overview

The proposed Debt Service Budget is a testament to our agency's solid financial health and strategic foresight. Anticipated revenues of approximately \$33.6 million, bolstered by consistent local economic development and efficient management of resources, enable us to meet our foreseeable financial obligations. Our expenditures, projected at about \$33.1 million, are strategically directed toward critical State Water Project payments and operational sustainability.

Generational Investments and Strategic Initiatives

Looking ahead, the agency is poised to tackle substantial financial commitments as we conclude payments for the East Branch Extension and engage in transformative projects like the Delta Conveyance Project and the Sites Reservoir. These generational projects are crucial for securing a dependable water supply for the region for decades to come, embodying our role in prudent long-term planning.

Debt Management and Long-term Planning

Our debt service strategy is not merely about meeting current obligations

but is intricately linked with our strategic vision of ensuring water availability and system reliability long into the future. The upcoming fiscal years will see us navigating increased payments for the East Branch Extension, with strategic reserves set aside to manage these without financial strain.

Commitment to Strategic Goals

Our budget supports the agency's mission to enhance water supply reliability through proactive financial management and strategic capital investments. It reflects our commitment to maintaining and expanding our infrastructure, managing our resources sustainably, and engaging with the community to support our regional water security goals.

Conclusion

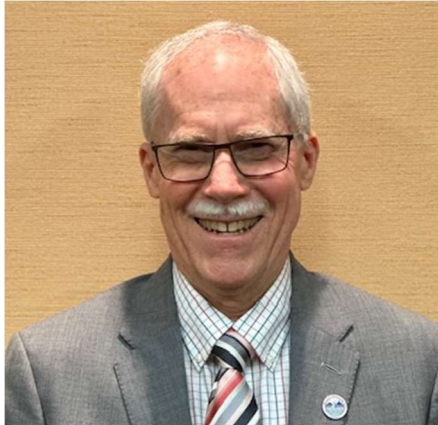
This budget underscores our dedication to fulfilling our obligations not only to the State of California but also to the residents and stakeholders of our region. By judiciously managing our debt service obligations and investing in pivotal infrastructure projects, we ensure the continued provision of an adequate and reliable water supply.

I look forward to your insights and approval to move forward with these plans, ensuring that the San Geronio Pass Water Agency remains a leader in regional water management and a regional resource steward.

Respectfully,

A handwritten signature in black ink, appearing to read "James E. Cook". The signature is stylized with a large, looped initial "G" or "J" followed by the name "James" and a large, stylized "E" followed by "Cook".

FROM THE CHIEF FINANCIAL OFFICER



Thomas W. Todd, Jr.

“A budget is a spending plan that helps manage an organization, not a program limit.”

The General Fund supports the many regional initiatives the Agency participates in, and is available for a multitude of activities and expenditures. The Debt Service Fund on the other hand, is dedicated to fulfilling our obligation to the State of California for the State Water Project and our primary objective: importing water to the Pass area. As such, we are called a State Water Contractor, because we have a contract with the State to pay for our participation in the State Water Project.

The Debt Service Fund also supports activities directly related to the SWP. As you will see in the following information, there are a number of line items that relate directly to the delivery of State Water Project water into the region.

As FY 2023-24 comes to a close, it appears that two factors will affect excess revenues positively. First, current projections suggest that tax revenue will exceed expectations. Second, there was a significant reduction in charges owed to the State due to a credit applied towards the East Branch Extension payment schedule.

As a result, the Debt Service Fund will conclude FY 2023-24 within budget and with a surplus.

For FY 2024-25, tax revenue is projected to increase by about 5%. Additional revenue comes from interest and refunds issued by the Department of Water Resources. **Total income is projected to be about \$33.6 million.**

On the expense side, there are two basic expense categories for the Debt Service Fund. The major one is State Water Contract Payments and Water Transfers. State Water Contract Payments are derived from the annual Statement of Charges issued by the Department of Water Resources. They are shown in a table later in this document.

Water Transfers is the line item for expenditures related to transfer agreements the Agency has with other State Water Contractors. An example of this is the transfer agreement we have with the City of Ventura. Throughout the year, we may enter into other agreements with other State Water Contractors, and those expenditures would be added to this line item.

These two categories account for about 85% of the expenditures from the Debt Service Fund in FY 2024-25.

The other line items account for activities directly related to the delivery of water through the SWP, and for operations and administration of the same. Two line items are being transferred to the Debt Service Fund from the General Fund for this fiscal year. Contract Operations and Maintenance, which are charges generally paid to San Bernardino Valley Municipal Water District (SBVMWD) to operate the East Branch Extension, will be added to the Debt Service budget. Water Treatment Expense is a line item that was added about three years ago, to help reduce algae that grows during the summer months. Originally, we supported efforts by SBVMWD to treat water before it reached Cherry Valley Pump Station, and we continue to do so. But in FY23-24 we also added our own system to introduce water treatment chemicals (copper sulfate) closer to the delivery point to more effectively treat the water.

For FY24-25, the SWP Engineering and Maintenance line item includes \$3.2 million to share the cost of repairing the City Creek Crossing with San Bernardino Valley Municipal Water District. The design of the project is underway; construction is expected to start in 2025. This is an expense included for FY24-25, and is not expected to extend into FY 2025-26.

Altogether, total expenses for the Debt Service Fund are projected to be \$33.1 million.

One thing to note that causes some confusion: the Statement of Charges is issued on a calendar basis, while our financial cycle operates on a fiscal year basis, from July 1 to June 30. So, any budget we consider has DWR charges from two different calendar years.

Due to some changes suggested by the Board, we have changed the way we consider the Debt Service Budget for the coming fiscal year. In order to allow the Finance and Budget Committee to review the proposed budget first, we are using the May Estimate issued by DWR, rather than the Statement of Charges, which is not available until July 1. When the Statement of Charges is received, the Finance Department will make any revisions necessary to bring the budget in line with the best available information.

Once that is done, the budget will be presented to the Board for consideration.

At the same time the Board considers the Debt Service Budget, it also considers and approves a tax rate that will support the activities related to the SWP. Of necessity, the Board considers what is necessary for the coming year, but also considers what will be necessary in the years ahead.

The SWP will face a number of challenges in the coming years. Besides the expected effects of inflation and cost increases, and repairs needed to aging infrastructure, the SWP will continue to face environmental and mandated restrictions that reduce the delivery capability of the Project. This makes the Project more expensive but reduces the amount of water available for delivery.

In addition, SWP improvements are necessary to offset the continued degradation of water delivery. The most important project is probably the Delta Conveyance Project. It is designed to help restore some of the lost delivery capability by building a dedicated conveyance across the Delta to take advantage of wet years and guard against potential seismic events and the effects of climate change.

Another important project the Agency participates in is Sites Reservoir. This is another project to help restore lost delivery capability by storing water in wet years, to be delivered during drier years.

Besides on-going refurbishment of aging facilities, the SWP is facing another challenge because of subsidence. As the ground level sinks, SWP facilities can't maintain the gradients set by the original designers to allow water to easily flow through the Central Valley. Considerable work must be done to address this unexpected development.

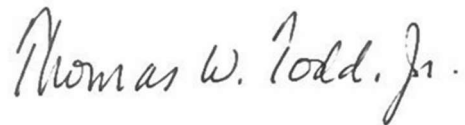
An additional financial challenge specific to the Agency is the increased payments for EBX in the later part of this decade. Some bond payments were deferred to later time periods, in the expectation that the Agency would be better able to afford

the payments. In years 2026 through 2029, the Agency will pay a total of about \$18 million over the average payment of about \$10 million annually.

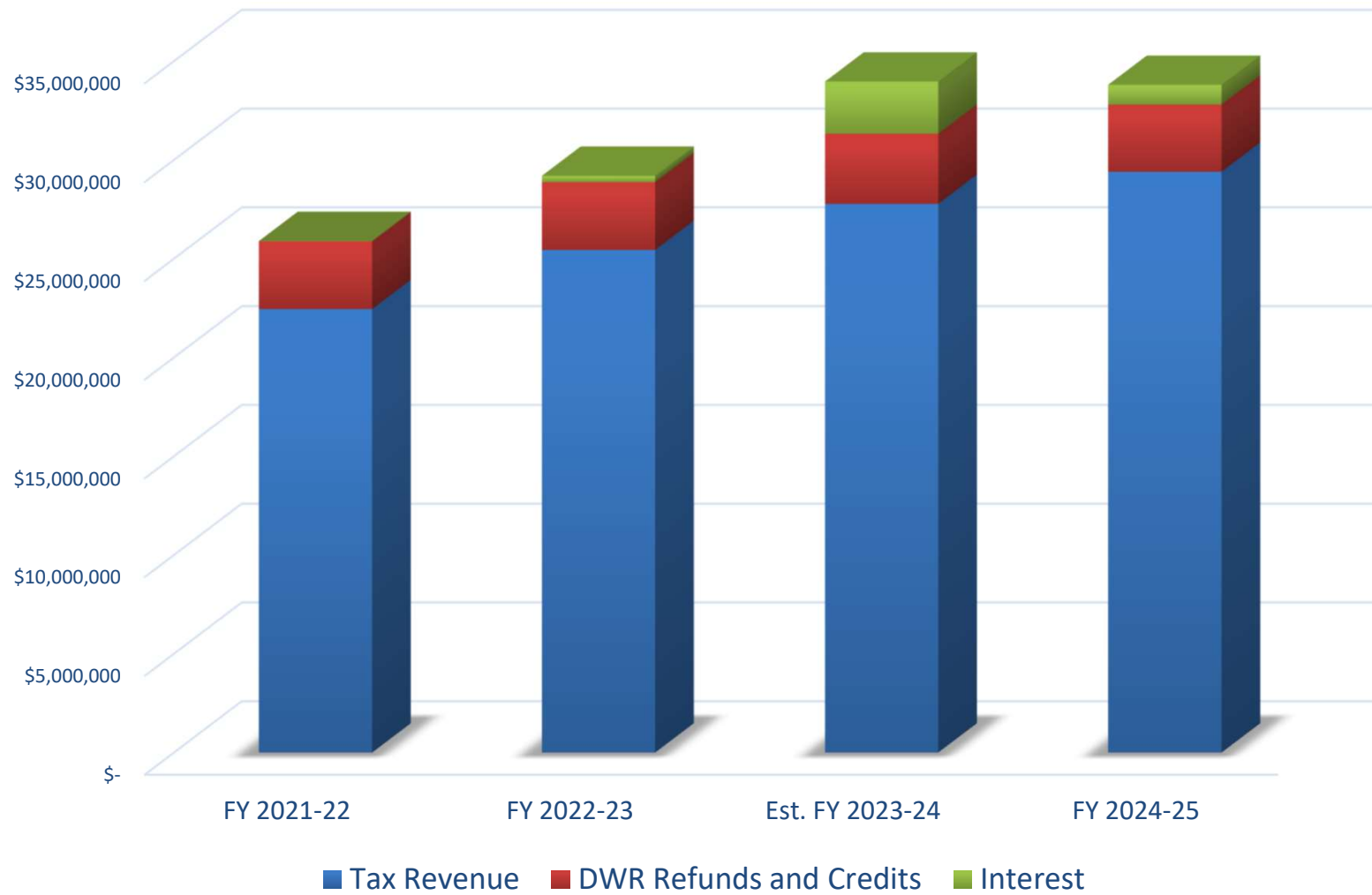
The Agency is well prepared to meet this unique challenge. In 2011, the Board chose to raise the tax rate to 18.5 cents per \$100 of assessed value to build up reserves to make these payments when they came due. As a result of this decision, the Agency is also prepared to meet the known challenges in coming years. But equally important is the Agency's ability to meet unknown challenges in the coming years. **Maintaining the current level of income is vitally important to stability for taxpayers as well as resilience for the Agency.**

This budget reflects the Agency's commitment to fulfilling its obligations to the State of California as well as its obligations to the taxpayers of the region. By participating in generational opportunities and maintaining adequate funding and reserves, the Agency can continue to provide an adequate water supply to our region.

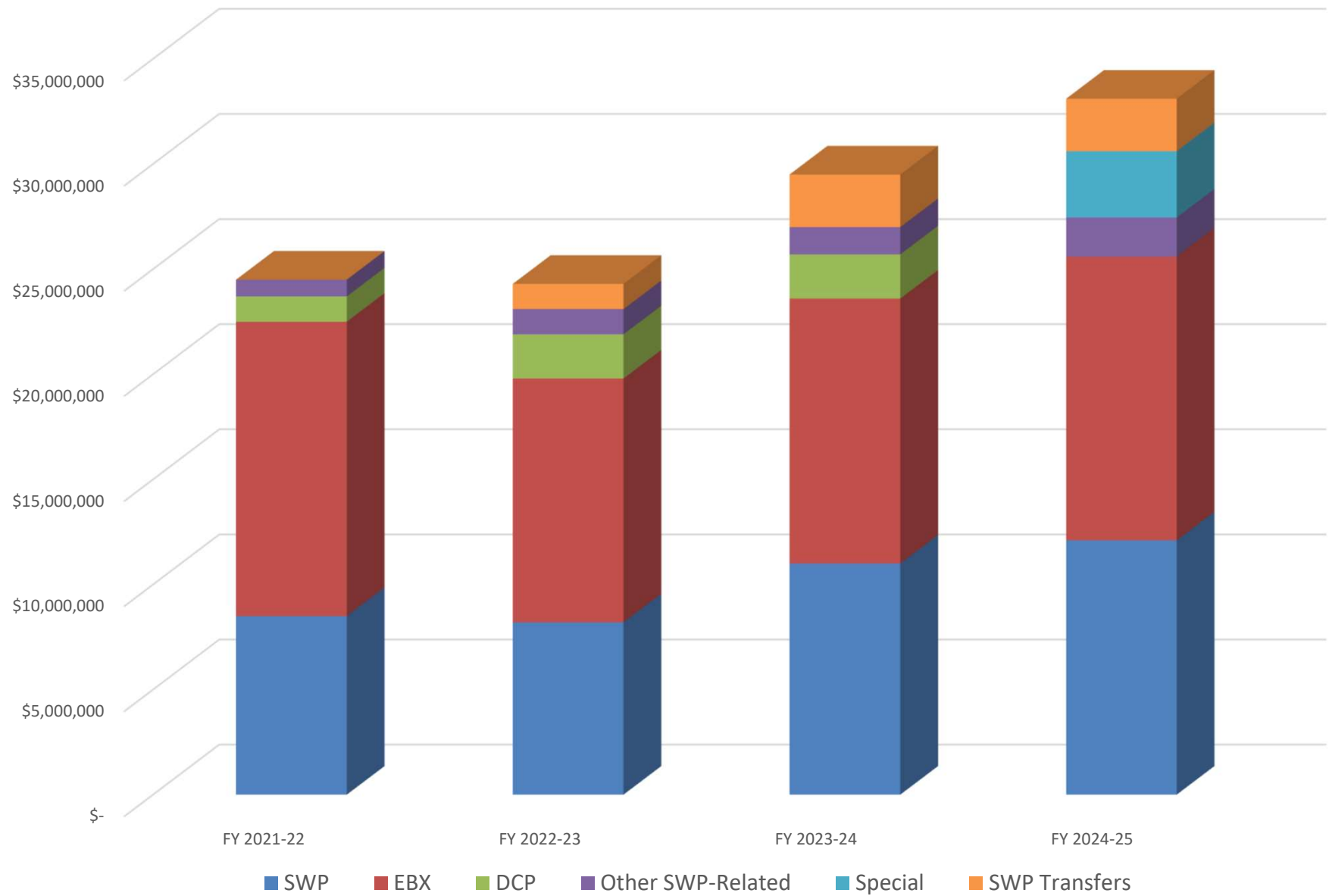
Respectfully,

A handwritten signature in cursive script that reads "Thomas W. Todd, Jr.".

Debt Service Fund Income by Type



Debt Service Expenditures by Fiscal Year



SAN GORGONIO PASS WATER AGENCY
DRAFT DEBT SERVICE FUND BUDGET FOR FY 2024-25
BASED ON MAY 2024 BUDGET REPORT

				FISCAL YEAR JULY 1, 2023 - JUNE 30, 2024				FY JULY 1, 2024 - JUNE 30, 2025	
				1	2	3	4	5	6
				TOTAL REVISED BUDGET	ACTUAL MAY 2024	PROJECTED YEAR END	Over/Under Budget	PROPOSED FY 2024-25	%Projected to Proposed
150									
151			DEBT SERVICE FUND - INCOME						
152			INCOME						
153			TAX REVENUE	26,100,000	27,772,190.13	28,672,190.13	9.9%	29,400,000	2.5%
154			INTEREST	460,000	1,329,122.51	1,435,452.32	212.1%	1,000,000	-30.3%
155			CONTRIBUTIONS - GOVERNMENT	0	0.00	0.00	0.0%	0	
156			DWR CREDITS - BOND COVER, OTHER	3,100,000	3,549,475.63	3,549,475.63	14.5%	3,200,000	-9.8%
157			TOTAL DEBT SERVICE FUND INCOME	29,660,000	32,650,788.27	33,657,118.08	13.5%	33,600,000	-0.2%
158									
159			DEBT SERVICE FUND - EXPENSES						
160			EXPENSES						
161			SALARIES	425,000	385,396.66	416,228.39	2.1%	500,000	20.1%
162			PAYROLL TAXES	30,000	22,810.79	24,635.65	17.9%	35,000	42.1%
163			BENEFITS	220,000	106,932.67	189,487.28	13.9%	320,000	68.9%
164			SWP LEGAL SERVICES	0	0.00	0.00		0	%NA
165			SWP UTILITIES	11,000	3,704.39	4,000.74	63.6%	10,000	150.0%
166			STATE WATER CONTRACT AUDIT	7,000	6,181.00	6,181.00	11.7%	7,000	no change
167			STATE WATER CONTRACTOR DUES	51,000	53,402.00	53,402.00	-4.7%	55,000	3.0%
168			DELTA CONVEYANCE FINANCING AUTHORITY	30,000	0.00	0.00	100.0%	30,000	no change
169			NEW - WATER TREATMENT EXPENSE - TRANSFERRED		41,581.51	55,000.00	%NA	100,000	81.8%
170			EBX CONTRACT OPERATIONS	200,000	193,334.09	380,000.00	-90.0%	400,000	5.3%
171			SWP ENGINEERING AND MAINTENANCE	200,000	88,967.56	100,000.00	50.0%	3,400,000	3300.0%
172			WATER TRANSFERS	2,500,000	2,181,803.98	2,181,803.98	0.0%	2,500,000	14.6%
173			STATE WATER CONTRACT PAYMENTS	26,000,000	22,679,142.00	23,624,871.00	9.1%	25,600,000	8.4%
174			TAX COLLECTION CHARGES	130,000	137,349.88	145,000.00		150,000	3.4%
175			TOTAL DEBT SERVICE FUND EXPENSES	29,804,000	25,900,606.53	27,035,610.05	9.3%	33,107,000	11.1%
176									
177			TRANSFERS FROM RESERVES	0	0.00	0.00	0.00	0	
178									
179			DEBT SERVICE NET INCOME YEAR-END	-144,000	6,750,181.74	6,621,508.03	-4698.3%	493,000	

SAN GORGONIO PASS WATER AGENCY						
DEPARTMENT OF WATER RESOURCES EXPENSE REQUIREMENTS						
FOR THE FISCAL YEAR 2024-25						
		DRAFT				
DEPARTMENT OF WATER RESOURCES						
				Statement of Charges	May Estimate	
				FOR THE	FOR THE	
		INVOICE		PERIOD	PERIOD	
		INVOICE (type) - NUMBER (attachment)		JUL - DEC 2024	JAN - JUN 2025	
		Water Supply - T Invoice - ATTACHMENT 1		5,938,345	4,197,924	
		Delta Conveyance Project		1,054,772	0	
		Sites Reservoir		0	0	
		Other				
		Sub-Total Water Supply		6,993,117	4,197,924	
		OAP - O Invoice- ATTACHMENT 1-1		0	5,009	
		RAS - U Invoice - ATTACHMENT 1-2		0	0	
		EBX - X Invoice - ATTACHMENT 1-5		10,378,654	2,875,982	
		Tehachapi - TAB Invoice - ATTACHMENT 1-6		22,135	21,664	
		DWR FIXED CHARGES		17,393,906	7,100,579	
		TOTAL DWR STATEMENT OF CHARGES			24,494,485	
		OTHER DWR CHARGES				
		Health Rivers and Landscapes			110,000	
		CONTINGENCY			1,000,000	
		TOTAL OTHER CHARGES			1,110,000	
		TOTAL PROJECTED DWR EXPENDITURES (rounded)			25,600,000	

SAN GORGONIO PASS WATER AGENCY						
DRAFT		ADDITIONAL DEBT SERVICE EXPENDITURES				
		FOR THE FISCAL YEAR 2024-25				
		Debt Service Salaries			500,000	
		Debt Servie Payroll Taxes			35,000	
		Debt Service Benefits			320,000	
		SWP Legal Services			0	
		Debt Service Utilities			10,000	
		State Water Contract Audit			7,000	
		SWC Contractor Dues			55,000	
		Delta Conveyance Financing Authority			30,000	
		Water Treatment			100,000	
		EBX Contract Operations			400,000	
		SWP Engineering and Maintenance			3,400,000	
		Tax Collection Charges			150,000	
		TOTAL ADDITIONAL EXPENSES			5,007,000	
		WATER TRANSFERS				
		Ventura Water Transfer			2,500,000	
		TOTAL WATER TRANSFERS			2,500,000	
		GRAND TOTAL DEBT SERVICE EXPENDITURES			33,107,000	

DRAFT

**SAN GORGONIO PASS WATER AGENCY
DEBT SERVICE REVENUE REQUIREMENTS
COMPARISON OF TAX RATE ALTERNATIVES FOR FY 2024-25**

CALCULATION OF POTENTIAL REVENUE PER CENT OF TAX RATE

CURRENT FY 2023-24

Tax Revenue (Projected) FY 2023-24	28,670,400	Current Tax Rate
Adjustments	0	17.50
Total Projected Tax Revenue FY 2023-24	28,670,400	
Income derived for each cent of tax FY 2023-24	1,638,308.57	

PROJECTION FOR FY 2024-25

Income derived for each cent of tax FY 2023-24	1,638,309	
Estimated percentage increase in assessed value		5.0%
Estimated percentage delinquency rate FY 2024-25		-2.4%
Net percentage revenue increase		2.6%
Estimated increase in tax revenue for 1 cent	42,596	
Estimate of revenue for each cent of tax FY 2024-25	1,680,905	

COMPARISON OF PROJECTED EXPENSES WITH POTENTIAL REVENUE

Projected Debt Service Expenditures 33,107,000

Potential Debt Service Non-Tax Revenue 4,200,000

Potential Debt Service Tax Revenue

Alternative Tax Rates

Reduced Rate	Reduced Rate	Reduced Rate	Reduced Rate	Maintain Rate	Increased Rate	Increased Rate	Increased Rate	Increased Rate
16.50	16.75	17.00	17.25	17.50	17.75	18.00	18.25	18.50

Resulting Alternative Tax Revenue

27,734,926	28,155,152	28,575,378	28,995,604	29,415,830	29,836,057	30,256,283	30,676,509	31,096,735
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Estimate of Total Debt Service Revenue FY 2024-25

31,934,926	32,355,152	32,775,378	33,195,604	33,615,830	34,036,057	34,456,283	34,876,509	35,296,735
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PROJECTED DEDUCTION FROM OR ADDITION TO NET RESERVES FY 2024-25

-1,172,074	-751,848	-331,622	88,604	508,830	929,057	1,349,283	1,769,509	2,189,735
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LINE ITEM AND PROJECT DESCRIPTIONS, page 1

DEBT SERVICE FUND INCOME

Tax Revenue (reference line #153)

Tax revenue for the Debt Service Fund comes from the Agency's authority to levy a tax. The rate is based on the assessed valuation of property located within the Agency's service area and is currently set at 17.5 cents per \$100 of assessed value. As shown on the HdL Transfer of Ownership (2019 – 2023) page in this report, the projected increase in assessed value for FY2024-25 is about 5%.

Government Contributions (#155)

The Agency participates in a number of joint efforts in which other districts and agencies agree to share the cost. Sometimes, the Agency is the lead agency for a study or a consulting contract. This line item relates to items that can be allocated to the Debt Service Fund only. This budget item is for income that is reimbursed to the Agency for these expenditures. Currently, no projects are contemplated that would be included in this line item.

DWR Credits (#156)

The Agency receives credits from the Department of Water Resources (DWR) for a number of items, mostly in the form of bond cover refunds. A bond cover is a stipulation in the bond covenants attached to the bonds sold by DWR. The cover is designed to provide a reserve and an alternative payment mechanism in case a State Water Contractor should default on their payment. This provides additional assurance to potential purchasers of DWR bonds and the bondholders that lowers the risk associated with bond payment defaults. The cover amount is 25% of the face value of the bond. For this provision, the bond issuer (DWR) receives a discount in the interest rate. DWR administers this by collecting the cover amount when the payment is due, holding the income in an interest-bearing account (California's Surplus Money Investment Fund (SMIF)) for one year, then returning the funds to the Contractors, along with an allocation of interest earned while deposited in SMIF.

LINE ITEM AND PROJECT DESCRIPTIONS, page 2

DEBT SERVICE FUND EXPENSES

SWP Legal Services (#164)

This line item is for legal services related to the State Water Project (SWP). Past expenditures were made for Agency participation in Environmental Impact Review (EIR) challenges or other matters that Contractors decided were necessary. No expenditures are expected for FY24-25.

SWP Utilities (#165)

This covers charges for phone service and electric service for Agency turnouts. Additional electronic connections are being planned for security and other needs for FY24-25.

State Water Contract Audit (#166)

The Agency participates in the Independent Audit Association (IAA), which includes most of the other Contractors except for the Metropolitan Water District. The IAA contracts with Ernst & Young, a major accounting firm, to perform an annual audit of DWR procedures. This helps the Contractors review the procedures DWR uses to calculate the Statement of Charges, to help make sure no mistakes are being made.

State Water Contractor Dues (#167)

The Agency is a member of the State Water Contractors, an association of 27 of the public agencies that have contracted with the State of California to receive a water supply through the State Water Project. The SWC represents the legal, policy and regulatory interests of the 27 State Water Project Contractors who are responsible for the capital, operations, and maintenance costs of the SWP. The Agency pays a proportional share of the cost to operate the SWC.

Delta Conveyance Financing Authority (#168)

The Agency is a founding member of the Delta Conveyance Financing Authority (DCFA), which was formed to explore possible alternatives for funding solutions for the Delta Conveyance Project. The DCFA is currently waiting for further developments in the DCP, which will determine what future steps the DCFA might consider to advance the project. The DCFA has sufficient funds in reserve to maintain their current level of activity, but has indicated that they may need contributions from member agencies if it is decided that additional work is to be done.

LINE ITEM AND PROJECT DESCRIPTIONS, page 3

Water Treatment Expense (#169)

This line item was transferred from the General Fund. This pays for the expenditures related to treating SWP deliveries with algaecide (copper sulfate) to reduce the occurrence of algae at the delivery points in the region. This was determined by Staff to be a necessary expense of delivering water, so included in the Debt Service Fund.

EBX Contract Operations (#170)

EBX Contract Operations are charges paid to San Bernardino Valley Municipal Water District (SBVMWD) to operate the East Branch Extension (EBX). SBVMWD calculates the charges based on staff time needed to operate EBX to deliver water. Originally, the Agency split the invoices evenly between the General Fund (known as Contract Operations and Maintenance) and the Debt Service Fund. After consideration by Staff and discussion with Legal Counsel, it was decided that all of the expenses should be borne by the Debt Service Fund.

SWP Engineering and Maintenance (#171)

The Agency shares the other costs of improvements and maintenance of the EBX with SBVMWD. There are a variety of routine costs, for example, air conditioning maintenance, or fuel for back-up generators. We also share the costs of major repairs and improvements. SBVMWD is currently working on the repair of the City Creek Crossing. We are responsible for approximately 18% of these costs, which are divided into two major categories, design and construction. The design element is expected to cost the Agency about \$150,000 this fiscal year. The construction contract for the repairs is projected to cost about \$16 million in total, of which the Agency would be responsible for about \$3 million. Construction is likely to start in 2025 and once under way will be completed fairly quickly.

Water Transfers (#172)

In 2022, the Agency entered into an agreement with the City of Ventura to receive their water supply for the next 20 years. This line item is for the annual cost of that agreement. The expense of other water transfers to the Agency from other Contractors would also be included in this line item.

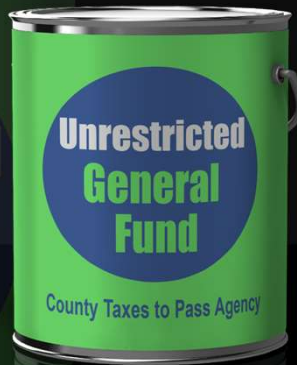
State Water Contract Payments (#173)

This is the line item that accounts for the payments the Agency makes to the State of California for its participation in the State Water Project. This is the largest part of the Debt Service expenditures, approximately 85% this year. In a year when we are not responsible for major improvements (SWP Engineering and Maintenance), the percentage is closer to 95%.

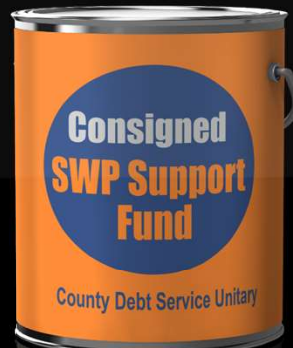
The State of the Buckets

Other Funds

Unrestricted
Portion of County 1%
Water Sales
Grants
Unitary Tax



\$13 m



\$17 m

Debt Service

Restricted
SGPWA Ad Valorem Tax



\$75 m

We Control Income
We DON'T Control Income
We DON'T Control Income



Estimate as of May 2024



SAN GORGONIO PASS WATER AGENCY

PROPERTY TAX REVIEW

2023-24

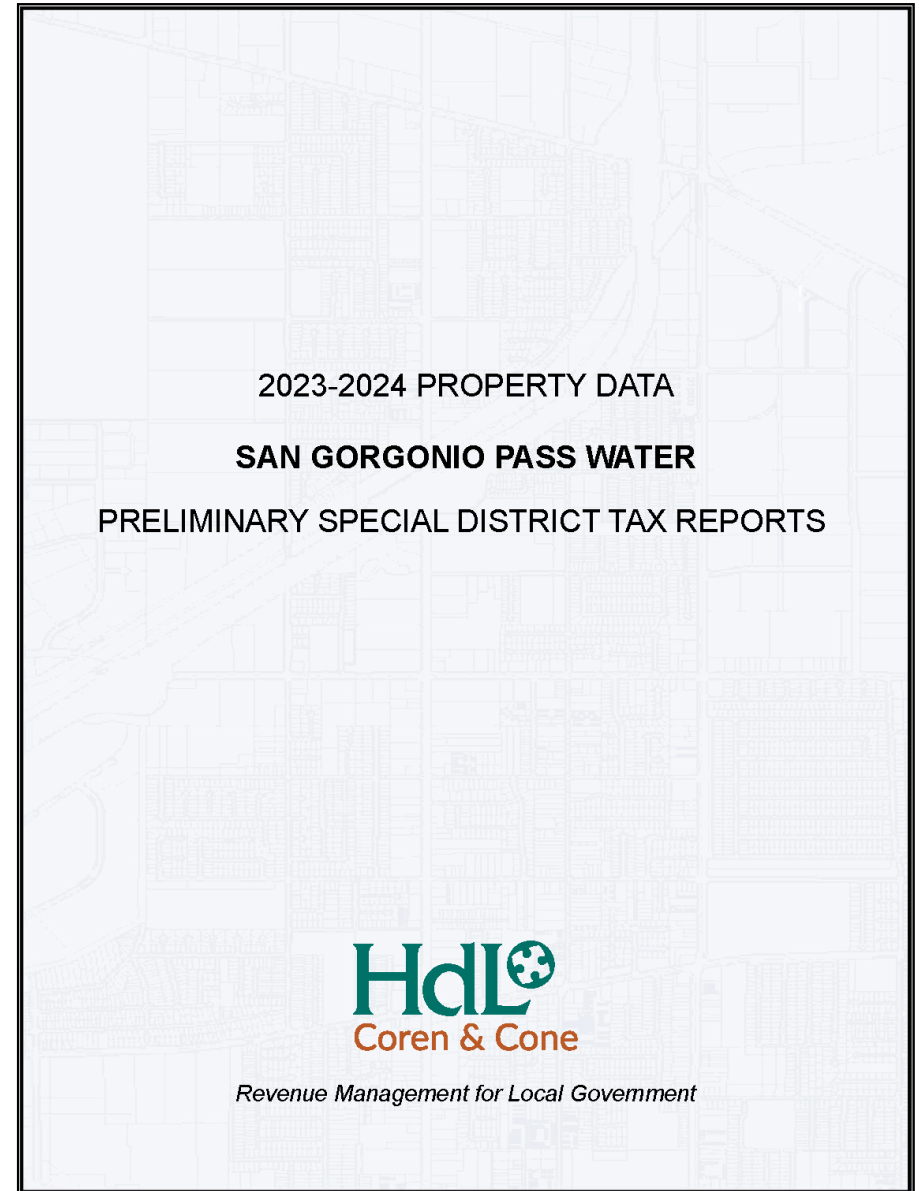
AND FORECAST FOR

2024-25

December 18, 2023

Powerful Solutions, Proven Results

HdL



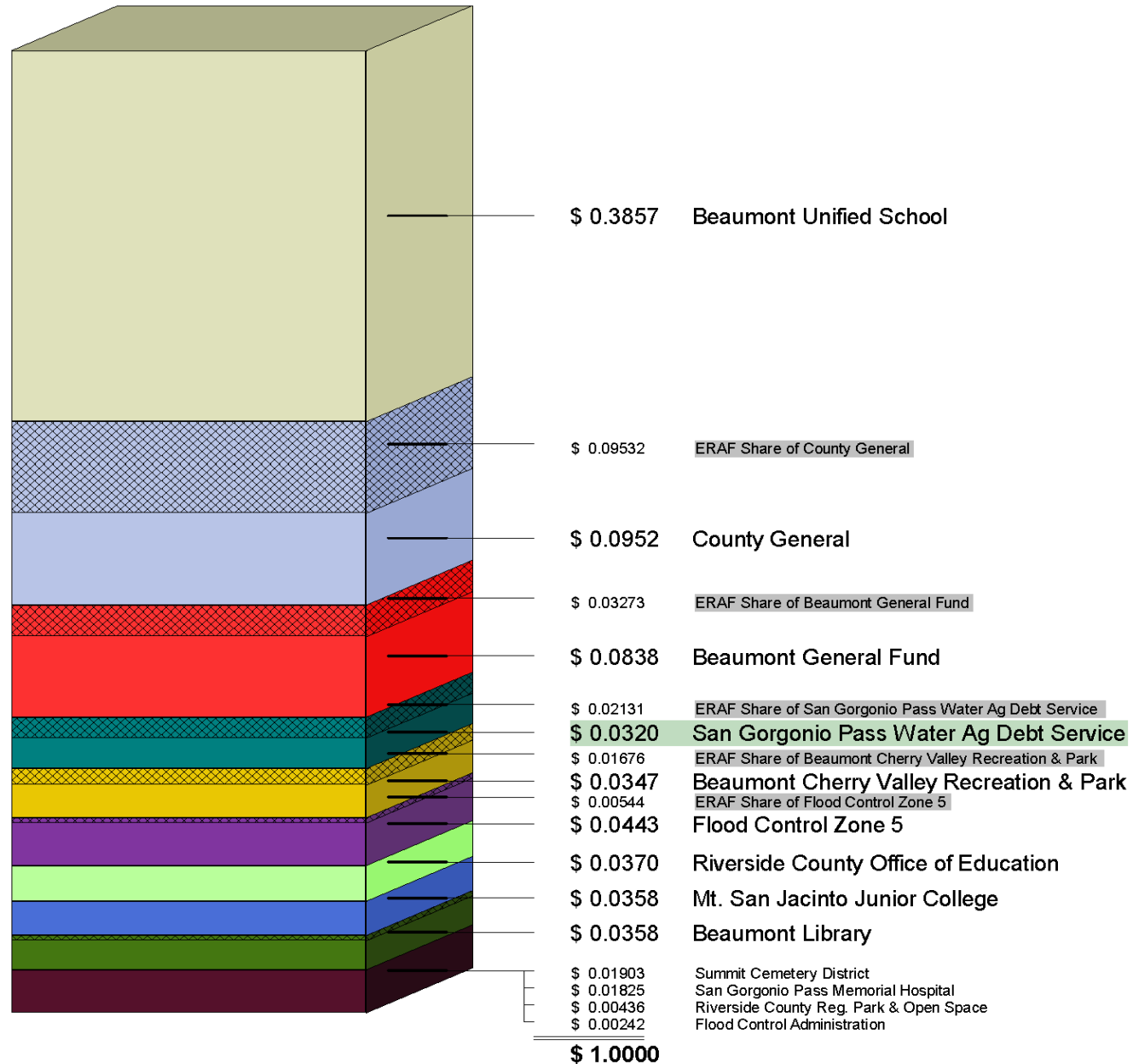


SAN GORGONIO PASS WATER TRANSFER OF OWNERSHIP (2019 - 2023)

Single Family Residential					Multifamily, Commercial, Industrial, Vacant					Totals			
Tax Year	# SFR Sales	Original Values	Sale Price	% Change	Non SFR Sales	Original Values	Sale Price	% Change	Total Sales	Original Values	Sale Values	% Change	\$ Change
ENTIRE DISTRICT <i>Valid Sales Price Analysis</i>													
2023 1/1/23-10/31/23	1,362	\$384,118,200	\$607,354,543	58.1%	548	\$117,578,293	\$355,593,625	202.4%	1,910	\$501,696,493	\$962,948,168	91.9%	\$461,251,675
2022 1/1/22-12/31/22	2,077	\$540,466,189	\$1,012,077,025	87.3%	904	\$167,139,403	\$640,648,518	283.3%	2,981	\$707,605,592	\$1,652,725,543	133.6%	\$945,119,951
2021 1/1/21-12/31/21	2,596	\$609,405,386	\$1,097,913,466	80.2%	948	\$233,526,801	\$523,369,784	124.1%	3,544	\$842,932,187	\$1,621,283,250	92.3%	\$778,351,063
2020 1/1/20-12/31/20	2,086	\$523,192,812	\$753,156,611	44.0%	778	\$135,844,822	\$392,754,324	189.1%	2,864	\$659,037,634	\$1,145,910,935	73.9%	\$486,873,301
2019 1/1/19-12/31/19	1,952	\$491,340,845	\$644,182,163	31.1%	851	\$130,392,848	\$316,401,730	142.7%	2,803	\$621,733,693	\$960,583,893	54.5%	\$338,850,200
DISTRICT NON SA AREA <i>Valid Sales Price Analysis</i>													
2023 1/1/23-10/31/23	1,265	\$361,292,187	\$566,955,395	56.9%	399	\$95,781,568	\$269,870,142	181.8%	1,664	\$457,073,755	\$836,825,537	83.1%	\$379,751,782
											<i>Est. Revenue Change:</i>		
2022 1/1/22-12/31/22	1,895	\$500,253,123	\$933,221,749	86.5%	710	\$137,535,239	\$538,180,426	291.3%	2,605	\$637,788,362	\$1,471,402,175	130.7%	\$833,613,813
											<i>Est. Revenue Change:</i>		
2021 1/1/21-12/31/21	2,265	\$543,421,586	\$969,014,705	78.3%	644	\$188,937,654	\$392,464,149	107.7%	2,909	\$732,359,240	\$1,361,478,854	85.9%	\$629,119,614
											<i>Est. Revenue Change:</i>		
2020 1/1/20-12/31/20	1,762	\$455,939,577	\$646,602,429	41.8%	400	\$90,270,689	\$244,301,467	170.6%	2,162	\$546,210,266	\$890,903,896	63.1%	\$344,693,630
											<i>Est. Revenue Change:</i>		
2019 1/1/19-12/31/19	1,707	\$441,961,270	\$571,859,759	29.4%	493	\$73,029,828	\$169,599,599	132.2%	2,200	\$514,991,098	\$741,459,358	44.0%	\$226,468,260
											<i>Est. Revenue Change:</i>		

It will require the addition of \$133.6 million in additional value to increase the GF 1% portion of the SGPWA revenue 1% next year in 2024-25. The sales reported in the first 10 months of 2023 with an additive of \$379.7 million will result in the addition of 2.84% to the CPI granted for a conservative growth estimate of 4.52%. New construction added 2.17% to the overall increase this year. Budgeting 1/2 of this amount next year will grow this estimate to 5.6%. The balance of the calendar year sales are not known yet but will likely result in the addition of a modest value increase to this early forecast view. Prop 8 reductions will need to be monitored for a potential negative impact.

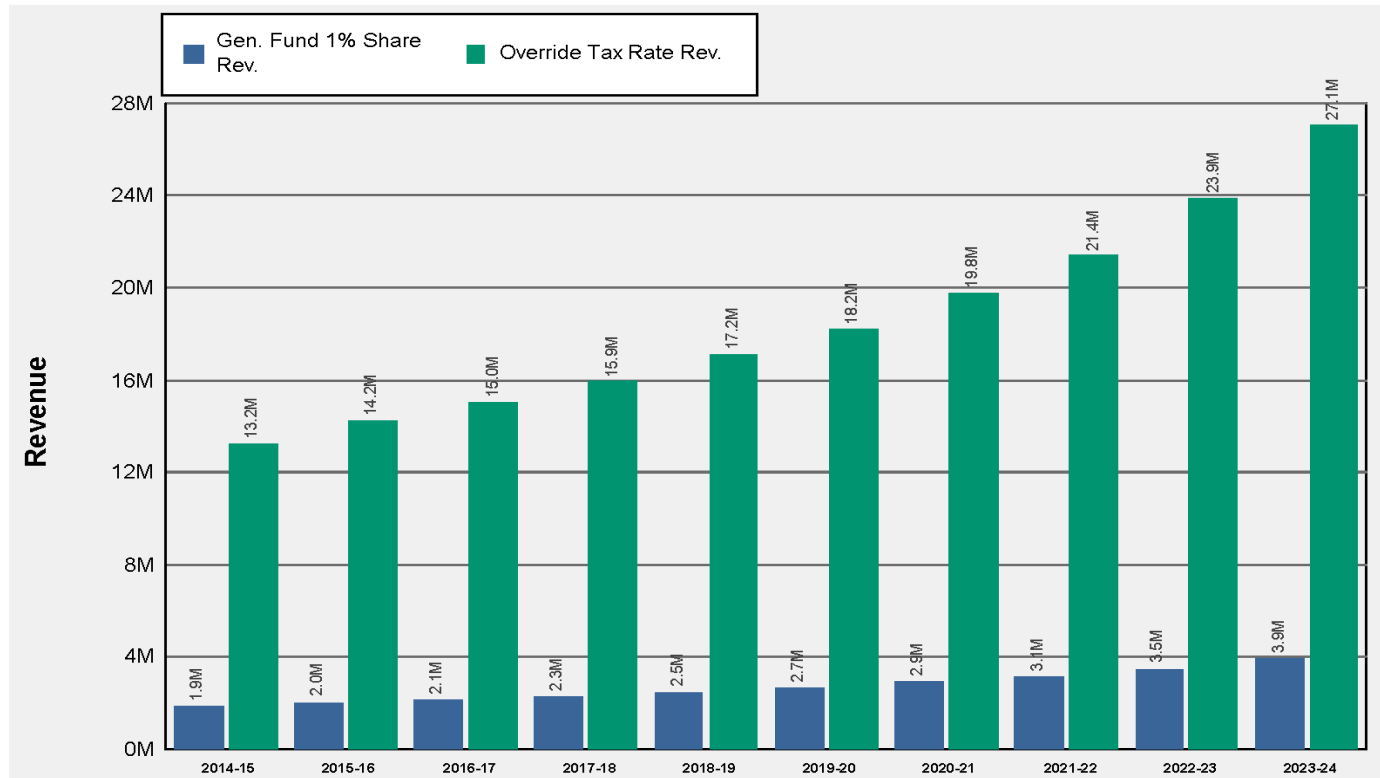
SAN GORGONIO PASS WATER PROPERTY TAX DOLLAR BREAKDOWN



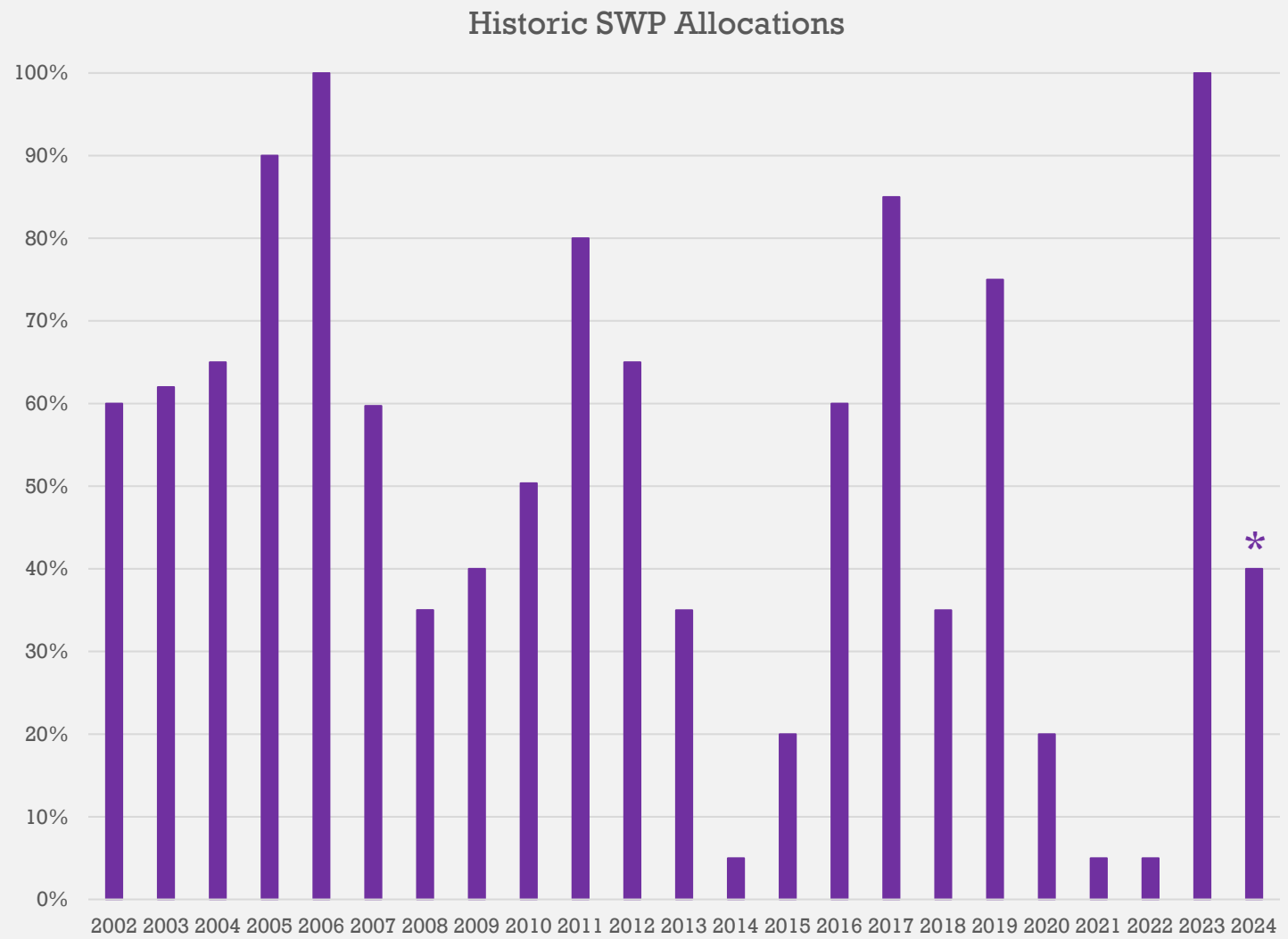
2023-24 RATE FOR STATE
WATER PROJECT 0.175000

SAN GORGONIO PASS WATER REVENUE HISTORY

Roll Year	Gen. Fund 1% Share Rev.	% Chg	Override Tax Rate Rev.	% Chg
2014-15	\$1,881,521		\$13,227,420	
2015-16	\$2,026,300	7.6%	\$14,223,718	7.5%
2016-17	\$2,141,989	5.7%	\$15,040,530	5.7%
2017-18	\$2,292,484	7.0%	\$15,939,848	5.9%
2018-19	\$2,480,408	8.2%	\$17,150,833	7.6%
2019-20	\$2,667,891	7.5%	\$18,195,740	6.0%
2020-21	\$2,939,769	10.1%	\$19,779,724	8.7%
2021-22	\$3,146,604	7.0%	\$21,408,739	8.2%
2022-23	\$3,491,780	10.9%	\$23,918,845	11.7%
2023-24	\$3,934,896	12.6%	\$27,068,474	13.1%



SGPWA Portfolio @ 40%		
Source	TOTAL (AF)	Delivered
SWP – Carryover SGPWA	8,650	✓
SWP – Carryover Ventura	4,178	✓
SWP – Table A	6,920	
SWP – Ventura	4,000	
<u>Subtotal SWP</u>	<u>23,748</u>	
Non-SWP - Nickel Water	1,700	
<u>Total</u>	<u>25,448</u>	



* Final DWR Allocation and Portfolio Subject to Change



2024 SWP Allocation & Portfolio Update



San Gorgonio Pass Water Agency

List of Some Acronyms and Vendors and Their Functions

Acronym	Name and Function	Version 240320
ACWA	Association of California Water Agencies	Affinity organization that provides conferences, training, lobbying and insurance services for water agencies in California
ACWA JPIA	ACWA Joint Powers Insurance Agency	Designation for payments made for property, liability and workers compensation insurance
ACWABE	ACWA Benefits	Designation for dental and life insurance
ALWEAS	Albert Webb Associates	Provides engineering consulting services
AVEK	Antelope Valley-East Kern Water Agency	State Water Contractor
BBK	Best Best & Krieger	Provides legal counsel
BCVWD	Beaumont-Cherry Valley Water District	Provides retail water service in Beaumont
BHMWC	Banning Heights Mutual Water Company	Mutual water company within Agency boundaries
CalPERS	California Public Employees Retirement System	Provides retirement and health insurance services for public agencies in California
CAMP	California Asset Management Plan	Financial entity that advises and manages investments for public agencies in California
COBRA	Consolidated Omnibus Budget Reconciliation Act	Designation for continued health coverage
CONTEM	Control Temp, Inc.	Provides building maintenance for heating and air conditioning
CWD	Cabazon Water District	Retail water agency within Agency boundaries
DUCCLE	Ducking Clean	Provides building maintenance for outside cleaning - gutters and solar panels
DWR	Department of Water Resources	Branch of the California government that is responsible for managing the SWP
EBX	East Branch Extension	Infrastructure from East Branch of SWP to SGPWA service area
EDD	Employee Development Department	State of California department for collection of employment taxes
EFTPS	Electronic Federal Tax Payment System	Federal system for collection of employment taxes
ERSC	Engineering Services of Southern California	Provides engineering consulting services
ESRI	ESRI	Provides mapping services
GSA	Groundwater Sustainability Act	or Groundwater Sustainability Agency
GSP	Groundwater Sustainability Plan	
HCN	HCN Bank	Local regional bank; formerly the Bank of Hemet
HdL Coren & Cone		Provide tax revenue consulting services.
HOX	Homeowners Exemption	
HVWD	High Valleys Water District	Mutual water company within Agency boundaries
IERCD	Inland Empire Resources Conservation District	Special District that provides conservation education
LAFCO	Local Agency Formation Commission	Branch of Riverside County government; reviews district and agency formation
LAIF	Local Agency Investment Fund	Financial organization sponsored by California for investments of surplus money

San Gorgonio Pass Water Agency

List of Some Acronyms and Vendors and Their Functions

Acronym	Name and Function	Version 240320
LAMMA	Local Agency Money Market Account	
MAPILA	Matthew Pistilli Landscape Services	Provides landscape and gardening services
OAP	Off-Aqueduct Power	DWR invoice for specific facilities that are not directly part of the SWP aqueduct
OPEB	Other Post-Employment Benefits	
PPIC	Public Policy Institute of California	Think tank on issues in California
PROPRI	Provost & Pritchard	Provides engineering and other consulting services
RC	Riverside County	
RDV	Redevelopment	
SAWPA	Santa Ana Watershed Project Authority	Coordinates activities to protect the Santa Ana watershed
SBE	State Board of Equalization	AKA Unitary taxes
SBVMWD	San Bernardino Valley Municipal Water District	State Water Contractor in San Bernardino County and a partner with EBX
SCADA	Supervisory Control and Data Acquisition	Electronic monitoring and control system used by DWR and other water purveyors
SCWC	Southern California Water Coalition	
SMIF	Surplus Money Investment Fund	State of California depository for government funds that are not currently needed
SMWC	South Mesa Water Company	Retail water agency within Agency boundaries
SRJP	Sites Reservoir Joint Powers Authority	Joint powers authority formed to construct and manage Sites Reservoir
STAINS	Standard Insurance Company	Disability insurance provider
SWC	State Water Contractors	Affinity organization representing districts and agencies that have a water supply contract with the state of California
SWP	State Water Project	System of reservoirs, aqueducts, and pump stations that distributes water throughout the state of California; governed by agreements called water supply contracts
TSAB	Tehachapi Second After-Bay	A DWR facility that SGPWA participates in
UNIVAR	Univar Solutions, Inc.	Provides EarthTec solution for water treatment
USGS	U.S. Geological Survey	Federal agency that provides groundwater data and modeling
UWMP	Urban Water Management Plan	
WEF	Water Education Foundation	
WSRB	Water System Revenue Bonds	Bonds sold by the state of California to pay for SWP construction
YTD	Year to Date	
YVWD	Yucaipa Valley Water District	Retail water district with part of its service area within Agency boundaries