

**FISCAL YEAR 2020/21
PROPOSED BUDGET**



DELTA CONVEYANCE FINANCE AUTHORITY

EXECUTIVE SUMMARY

Background. The Delta Conveyance Finance Authority (Authority or DCFA) was created in July 2018. Its eleven members are all State Water Project Contractors, and include the Alameda County Water District, Alameda Flood Control & Water Conservation District - Zone 7, Antelope Valley-East Kern Water Agency, Coachella Valley Water District, Desert Water Agency, Metropolitan Water District of Southern California, Mojave Water Agency, San Bernardino Valley Municipal Water District, San Geronio Pass Water Agency, Santa Clara Valley Water District, and Santa Clarita Valley Water Agency. The purpose of the Authority is to assist the Department of Water Resources to finance conveyance improvements for the State Water Project to support a more reliable and resilient water delivery system, while meeting California’s environmental objectives. The State of California, through the Department of Water Resources (Department) owns and operates the State Water Project. The DCFA’s primary purpose is to enable the Department to access capital markets via the sale of municipal bonds to the Authority to provide funding for conveyance improvements. If necessary, the DCFA will issue Authority debt to secure the funding necessary to purchase the Department’s bonds. The Authority debt would be secured by revenues from the sale of installment purchase agreements (or similar agreements) to some or all of the Authority members.

Budget Summary. The DCFA is a conduit financing authority whose sole source of revenue comes from its members and investment earnings. Operating expenditures are primarily for administration, legal, accounting, and auditing services.

	Actual 2018/19	Budget 2019/20	Projected 2019/20	Proposed 2020/21
Receipts				
Member Agency Payments	400,000	550,000	550,000	-
Interest Earnings	1,900	600	4,000	1,500
Total	401,900	550,600	554,000	1,500
Disbursements	175,870	597,000	211,639	209,500
Receipts less Disbursements	226,030	(46,400)	342,361	(208,000)
Fund Balance	226,030	63,257	568,391	360,391

Table 1. Budget Summary – Receipts and Expenditures

As shown in Table 1, fiscal year 2019/20 receipts are projected to be just over \$550,000. Member Agency payments total \$550,000 and are equal to the budget.

Interest earnings are forecast at \$4,000, which is higher than budgeted due to higher fund balances as all member agencies paid dues in the first quarter of the year and expenditures are expected to be significantly less than budget. Proposed 2020/21 expenditures of \$209,500 are essentially equal to projected expenditures in 2019/20, and are approximately 35% of the prior year's budget. These expenditure levels reflect the reduced activity at the Authority due to several factors, including a limited need for financing in fiscal year 2019/20 and budget year 2020/21.

Receipts. Due to significantly less activity than anticipated in fiscal year 2019/20, the Authority forecasts reserve levels of just under \$570,000 at the end of fiscal year 2019/20. As a result, the proposed fiscal year 2020/21 budget will not require member agency payments since reserve levels are sufficient to meet all anticipated expenditure needs, even if activities were to increase during the second half of the fiscal year.

FISCAL YEAR 2020/21 PROPOSED OPERATING BUDGET

The proposed operating budget is shown in Table 2, and totals \$209,500. The Authority will continue to receive administrative support (e.g., meetings, minutes, agendas, etc.) from the State Water Contractors, which helps contain expenses. In addition, given that activities surrounding the Delta Conveyance Project are expected to continue to be focused on environmental, geotechnical, and preliminary engineering work, capital financing in excess of the funds contributed by the Department and the State Water Project Contractors is not anticipated in the coming year. The Authority expected to begin the financing process in fiscal year 2019/20, but given legal and other considerations, this activity will likely be delayed for at least one more fiscal year. The proposed budget recognizes that reduced level of activity.

Executive Director Compensation. This includes professional fees and expenses for the executive director to perform all services related to managing the activities of the Authority. The budget is \$60,000, reflecting the reduction in activity, including fewer meetings and reduced travel cost. This level of expenditure is slightly lower than in fiscal year 2019/20, and can be covered by previously approved contract amounts.

Professional Services. This includes expenditures for professional services such as general counsel, bond and disclosure counsel, municipal advisors, outreach (including website design and maintenance). While the 2019/20 budget and resulting expenditures included limited activity on the part of the Authority's bond and disclosure counsel, given that no financing activities are anticipated in 2020/21, there are no dollars budgeted for these firms in the coming year. General Counsel fees are based on the existing contract and anticipated level of effort and are generally reflective of the 2019/20 activity level. An annual audit is also included as part of the Professional Services line item, and includes a 3% increase.

Accounting/Treasury Services. This line item captures the cost for services from the Metropolitan Water District to provide accounting and treasury services (e.g., accounting, financial reporting, banking, check processing, etc.) The 2020/21 budget of

\$30,000 is equal to the expenses in the prior two fiscal years, and is consistent with the existing contract with Metropolitan.

Item	Object	Actual 2018/19	Budget 2019/20	Projected 2019/20	Proposed 2020/21
1	Executive Director Compensation	\$ 109,170	\$ 200,000	\$ 65,000	\$ 60,000
2	Professional Services				
	General Counsel	19,024	80,000	70,000	65,000
	Bond Counsel	-	75,000	21,000	-
	Disclosure Counsel	1,920	50,000	5,000	-
	Municipal Advisor	-	50,000	-	-
	Audit	-	5,000	7,900	8,500
	Outreach	1,713	30,000	1,000	5,000
3	Accounting/Treasury Services	30,000	30,000	30,000	30,000
4	Insurance	11,943	14,000	11,239	13,000
5	Travel and Meeting	2,100	8,000	500	2,000
6	Materials and Supplies	-	5,000	-	1,000
7	Contingency	-	50,000	-	25,000
	Total	\$ 175,870	\$ 597,000	\$211,639	\$ 209,500

Table 2. Proposed Operating Budget

Insurance. This is an estimate of the premium for liability and directors and officers insurance. The proposed budget of \$13,000 accommodates an increase in premiums for insurance of about 15%. While the Authority’s exposure remains very low, changes in insurance premiums in the coming year are likely to be affected by the continuing health crisis.

Travel and Meeting. This expenditure reflects the cost of meeting rooms, travel (if any) for board members, and other similar expenses. The budget of \$2,000 is lower than the fiscal 2019/20 budget, and is about what was paid in fiscal year 2018/19. Actual expenditures will depend on how many meetings are required, and whether they will be held remotely or in person.

Materials and Supplies. Materials and supplies include basic office materials and supplies. Many of these expenditures were incurred by the State Water Contractors or Metropolitan in 2019/20 on behalf of the Authority. Expenditures in this category are expected to remain small, even if paid by the Authority rather than others.

Contingency. A contingency of \$25,000 has been included in the proposed budget to account for activities that may arise during the course of the fiscal year. While there is a significant amount of uncertainty concerning economic activity, the need for financing, the pace at which the Delta Conveyance Project proceeds, and needed support activity by the Authority, the Authority has sufficient reserves that budget augmentations (should they be needed) through the year should be manageable without the need for additional calls for member contributions.