

**FISCAL YEAR 2019/20**  
**PROPOSED BUDGET**



DELTA CONVEYANCE FINANCE AUTHORITY

**EXECUTIVE SUMMARY**

The Delta Conveyance Finance Authority (Authority or DCFA) was created in July 2018. Its eleven members are 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 help finance conveyance improvements for the State Water Project to enable the State Water Project to improve water supply reliability, while meeting 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 the conveyance improvements. As the Department conducts the planning and other work associated with the conveyance project, the DCFA will be assisting as needed by issuing Authority debt to secure the funding necessary to purchase the Department’s bonds.

**Table1. Budget Summary – Sources and Uses  
Delta Conveyance Finance Authority  
2019/20 Budget Operating Budget  
Sources and Uses**

	Budget 2018/19	Projected 2018/19	Proposed 2019/20
Revenues			
Member Agency Payments	550,000	400,000	550,000
Interest Earnings	-	300	600
Total	550,000	400,300	550,600
Operating Expenses	550,000	290,643	597,000
Net Income	-	109,657	(46,400)
<b>Fund Balance</b>	-	<b>109,657</b>	<b>63,257</b>

The DCFA is a conduit financing authority whose sole source of revenue comes from its members and investment earnings. As shown in Table 1, fiscal year 2019/20 revenues are expected to be just over \$550,000, similar to the fiscal year 2018/19 budget, and \$150,000 higher than projected revenues for fiscal year 2018/19. Proposed 2019/20 expenditures of \$597,000 are approximately 8.6%, or \$47,000, higher than budgeted in 2018/19. Budgeted revenues (member payments) are flat compared to the 2018/19 budget, as approximately \$46,000 of expenditures will be funded from reserves. The reserve balance is a result of 2018/19 expenditures being less than budget since activities were delayed as the project was reconfigured.

**FISCAL YEAR 2019/20 PROPOSED OPERATING BUDGET**

The proposed operating budget is shown in Table 2, and totals \$597,000. The Authority will continue to receive support from the State Water Contractors, Inc. for administrative activities (e.g., meetings, minutes, agendas, etc.) But, 2019/20 will be the first full year for the Authority, and will entail more legal and other expenses than in 2018/19. Each of the major categories are described in more detail below.

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 \$25,000 higher than in 2018/19, reflecting anticipated work for a full fiscal year. The expenditure level is based on the existing contract, which was approved by the board in December 2018, and assumes a similar contract will be approved in December 2019.

Professional Services. This includes expenditures on general counsel, bond and disclosure counsel, municipal advisors, and audit services. In addition, the budget includes \$30,000 for outreach. This would include expenses for communication, website, etc. Unlike in fiscal year 2018/19, it is anticipated that bond and disclosure counsel will be working with the general counsel and executive director on the financing structure. The budget assumes these services would be paid on a time and material basis. Once a financing is completed, bond and disclosure counsel would be paid from bond proceeds. General Counsel fees are based on the existing contract and anticipated level of effort. Fees for the annual audit are also included as part of the Professional Services line item.

Accounting/Treasury Services. This line item accounts for the costs for services from the Metropolitan Water District to provide accounting and treasury services (e.g., accounting, financial reporting, banking, check processing, etc.) The 2019/20 budget is equal to the expenses in fiscal year 2018/19 and is consistent with the existing contract with Metropolitan.

**Table 2. Proposed Operating Budget  
Delta Conveyance Finance Authority  
2019/20 Budget Operating Budget**

Item	Object	Budget 2018/19	Projected 2018/19	Proposed 2019/20
1	Executive Director Compensation	\$ 175,000	\$ 175,000	\$200,000
2	Professional Services			
	General Counsel	75,000	35,000	80,000
	Bond Counsel	50,000	15,000	75,000
	Disclosure Counsel	50,000	15,000	50,000
	Municipal Advisor	50,000	-	50,000
	Audit	10,000	5,000	5,000
	Outreach	-	1,200	30,000
3	Accounting/Treasury Services	30,000	30,000	30,000
4	Insurance	35,000	11,943	14,000
5	Travel and Meeting	10,000	2,500	8,000
6	Materials and Supplies	10,000	-	5,000

Agenda Item 7.a (Attachment)

Item	Object	Budget 2018/19	Projected 2018/19	Proposed 2019/20
7	Contingency	55,000	-	50,000
	<b>Total</b>	<b>\$ 550,000</b>	<b>\$ 290,643</b>	<b>\$597,000</b>

Insurance. This is an estimate of the premium for liability and directors and officers insurance. The proposed budget accommodates an increase in premiums for insurance of up to \$2,000 or 17%.

Travel and Meeting. This expenditure reflects the cost of meeting rooms, travel (if any) for board members, and other similar expenses. The budget is lower than last year, and actual expenditures will depend on how many meetings are required.

Materials and Supplies. Materials and supplies includes basic office materials, and supplies. Many of these expenditures were incurred by the State Water Contractors, Inc. or Metropolitan in 2018/19, but expenditures are expected to remain small.

Contingency. A contingency of \$50,000 has been included in the proposed budget to account for activities that may arise during the course of the fiscal year.