

# Year-to-Date - 2nd Quarter 2023 Financial Review



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# Financial Overview

The following discussion presents an overview of the financial activities and condition of the Central Arizona Water Conservation District (CAWCD or District). It summarizes the 2023 financial and budget performance through the second quarter and provides a projection for the full year. More detailed explanations are covered on the following pages.

## Highlights

**TOTAL REVENUES:** As shown on the graph to the right, total revenues through the second quarter were below budget by \$31 million. The variance is primarily due to Water Operations & Maintenance (O&M) charges coming in \$38 million lower than budget, offset by interest income which came in \$10 million higher than budget.

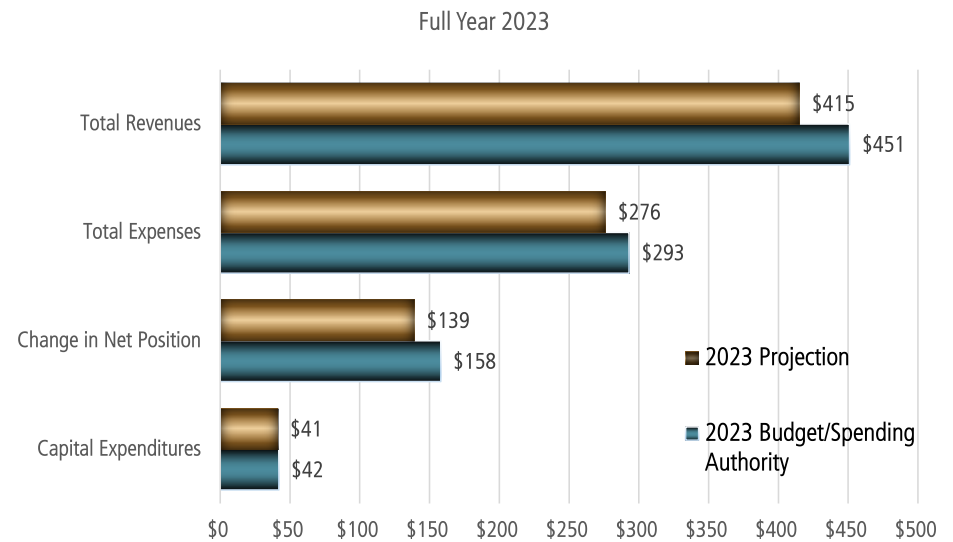
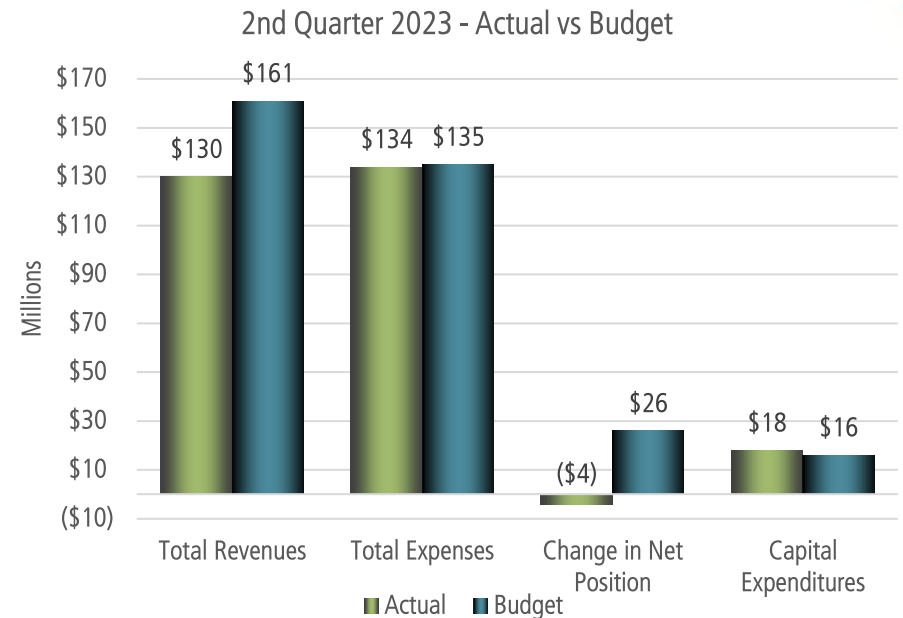
Full-year 2023 revenues are projected to be \$36 million lower than budget. Similar to the second quarter results, the variance is primarily due to Water O&M Charges projected to come in \$47 million lower than budget, offset by interest income, which is projected to finish the year \$21 million higher than budget.

**TOTAL EXPENSES:** Expenses through the second quarter were close to budget, but are projected to be \$17 million below budget at the end of the year. Energy costs are the primary driver and are projected to be \$13 million below budget.

See Total Revenues and Total Expenses sections on pages 6-7 for additional information.

**CHANGE IN NET POSITION:** The change in net position—which is the difference between revenues and expenses—was negative \$4 million at the end of the second quarter, \$30 million lower than budget. For the full year, the change in net position is projected to be \$139 million, \$19 million lower than budget. See Statements of Net Position on page 5 for additional information.

**CAPITAL** The Project Steering Committee (PSC) oversees the capital budget. Capital spending through the second quarter was \$2 million higher than budget; however, it is projected to finish the year \$1 million lower than budget. See Capital section starting on page 57 for additional information.





## Statements of Net Position

### TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Total assets and deferred outflows at the end of 2023 are projected to be \$35 million higher than the 2022 year-end balance.

**CURRENT ASSETS:** The largest component of the District's current assets is water inventory, which represents long term storage credits (LTSCs) and lake inventories. Water inventory is projected to increase by \$18 million in 2023.

Cash and cash equivalents are projected to increase by \$29 million. Other current assets—which are primarily made up of accounts receivable—are expected to increase by \$19 million. The majority of this increase is due to water customer receivables, which are a result of higher 2023 water delivery rates and the year-end reconciliation.

**NONCURRENT ASSETS:** The largest component of the District's capital assets is the net permanent service right (PSR). The PSR represents the District's right to operate the Central Arizona Project (CAP) system and collect revenues from operations, for which the District has incurred a repayment obligation to the United States. Amortization of the PSR is approximately \$22 million. For 2023, the net PSR will decrease from \$997 million to \$975 million. Net capital operating assets, which grow as a result of ongoing capital projects, are projected to increase by \$17 million.

Investments and restricted assets are expected to decrease by \$21 million because of the use of taxes for rates and the use of rate stabilization funds.

Through the 2007 Arizona Water Settlements Act, the District acquired 96,295 acre-feet of non-Indian agricultural water rights, valued at \$89 million.

In 2021, 44,530 acre-feet were allocated to M&I contractors leaving a remaining balance of 51,765 acre-feet valued at \$48 million. The remaining NIA priority water rights are anticipated to be reallocated by 2030.

**DEFERRED OUTFLOWS OF RESOURCES:** Includes Pension & Other Post-Employment Benefits (OPEB) valuation and upfront payments. Valuations are done at the end of the year.

<i>(Dollars in millions)</i>	2023	2022	Change	
<b>Current Assets</b>				
Cash and cash equivalents	\$ 198	\$ 169	\$ 29	17.2%
Funds held by federal gov't	7	9	(2)	(22.2%)
Water inventory	246	228	18	7.9%
Other current assets	96	77	19	24.7%
	547	483	64	13.3%
<b>Noncurrent Assets</b>				
Investments and restricted assets	591	612	(21)	(3.4%)
Agricultural water rights	48	48	-	0.0%
Capital assets - operating, net	348	331	17	5.1%
Capital assets - PSR, net	975	997	(22)	(2.2%)
Other assets	6	10	(4)	(40.0%)
	1,968	1,998	(30)	(1.5%)
<b>Deferred Outflows of Resources</b>				
Pension & OPEB valuation and Upfront Payments	15	14	1	7.1%
<b>Total Assets &amp; Deferred Outflows</b>	\$ 2,530	\$ 2,495	\$ 35	1.4%



## TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION

**CURRENT LIABILITIES:** Current liabilities include payables, accrued interest, and current principal obligations. Overall, current liabilities are projected to decrease \$38 million in 2023. Accounts payable is projected to decrease \$33 million due to a large 2022 customer payable that was paid in 2023, and the current portion of the asset retirement obligations is projected to decrease of \$4 million.

**NONCURRENT LIABILITIES:** Overall, noncurrent liabilities are projected to decrease \$55 million, the largest component of which is the federal repayment obligation, that will decrease \$40 million. In addition, contract revenue bonds are expected to decrease \$6 million; the long term portion of the asset retirement obligation is expected to decrease by \$9 million; and other liabilities are expected to remain flat.

**DEFERRED INFLOW:** Deferred inflows include customer deposits and upfront payments, as well as deferred inflow OPEB and pension valuation. Deferred inflows of resources are expected to decrease by \$11 million in 2023 through the use of rate stabilization funds.

**NET POSITION:** Net position—which is the difference between Total Assets and Deferred Outflows and Total Liabilities and Deferred Inflows—is expected to increase \$139 million in 2023.

<i>(Dollars in millions)</i>	2023	2022	Char
<b>Current Liabilities</b>	\$ 143	\$ 181	(38)
<b>Noncurrent Liabilities</b>			
Repayment obligation, net	\$ 857	\$ 897	\$ (40)
Contract revenue bonds	39	45	(6)
Ag water right debt	89	89	-
Asset retirement obligation	22	31	(9)
Other	92	92	-
<b>Noncurrent Liabilities</b>	1,099	1,154	(55)
<b>Total Liabilities</b>	\$ 1,242	\$ 1,335	\$ (93)
<b>Deferred Inflows of Resources</b>			
Customer Deposits and Upfront Payments	44	55	(11)
Deferred Inflow OPEB	2	2	-
Pension valuation	13	13	-
<b>Total Deferred Inflows of Resources</b>	\$ 59	\$ 70	\$ (11)
<b>Net Position</b>			
Investments in Capital Assets	\$ 382	\$ 340	42
Restricted, net	95	92	3
Unrestricted, net	752	658	94
<b>Net Position</b>	\$ 1,229	\$ 1,090	139
<b>Total Liabilities, Deferred Inflow of Resources and Net Position</b>	\$ 2,530	\$ 2,495	35



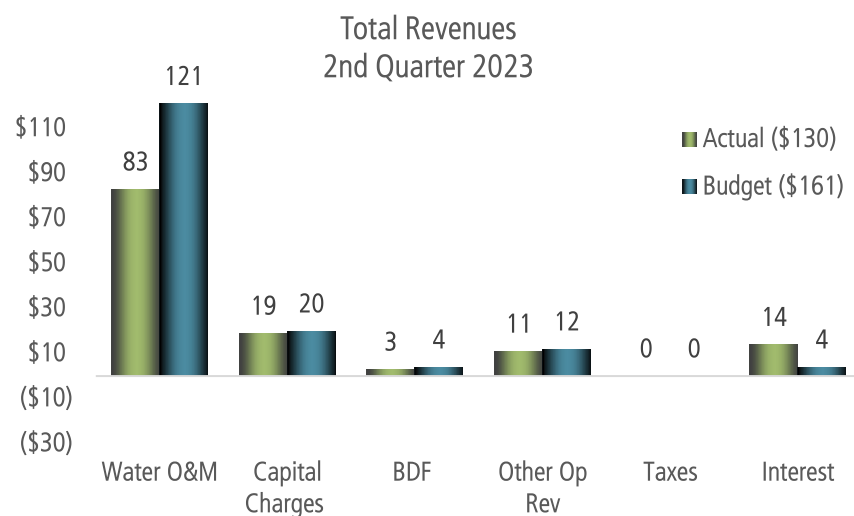
## Statements of Revenues, Expenses & Change in Net Position

Net position decreased \$4 million through the second quarter, compared to a budgeted increase of \$26 million. Net position is projected to increase by \$139 million for the year. The factors contributing to the full-year net position change are discussed in the sections that follow.

### TOTAL REVENUES

**2ND QUARTER 2023 BUDGET PERFORMANCE:** Revenues through the second quarter were \$130 million compared to a budget of \$161 million. The variance is primarily due to the following:

- Water O&M revenues were \$38 million lower than budget due to lower deliveries related to mitigation efforts and use of taxes.
- Interest income was \$10 million higher than budget due to favorable market conditions.
- Capital charges, BDF revenues, and other operating revenues were each \$1 million lower than budget.



### FULL YEAR 2023 BUDGET PERFORMANCE:

At year-end, total revenues are anticipated to be \$36 million lower than budget.

Operating Revenues are projected to be \$57 million lower than budget.

- Water O&M charges are projected to be \$47 million lower due to a lower volume of water deliveries as a result of the conservation programs and use of taxes.
- Capital charges are expected to be \$3 million lower than budget due to charging a lower rate than anticipated in the budget.
- BDF revenues are projected to be \$1 million lower than budget
- Other revenues are projected to be \$6 million lower than budget as CAGR rates and fees revenues are projected to be lower than budget.

Non-Operating Revenues are expected to be \$21 million higher than budget.

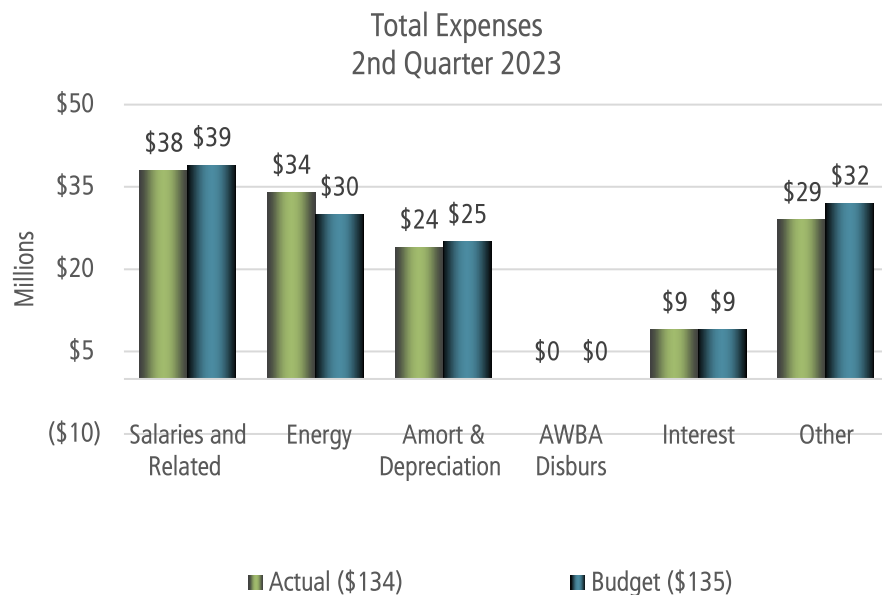
- Property taxes are expected to be \$1 million higher than budget
- Interest income & other revenues are expected to be \$20 million higher than budget because of favorable market conditions and the resulting fair value adjustments.

	Full Year 2023		
(Dollars in millions)	Projected	Budget	Change
<b>Operating Revenues</b>			
Water O&M charges	\$ 187	\$ 234	\$ (47)
Water service capital charges	37	40	(3)
BDF revenues	7	8	(1)
Other revenues	57	63	(6)
	<u>\$ 288</u>	<u>\$ 345</u>	<u>\$ (57)</u>
<b>Non-operating Revenues</b>			
Property taxes	\$ 98	\$ 97	\$ 1
Interest income & other	29	9	20
	<u>\$ 127</u>	<u>\$ 106</u>	<u>\$ 21</u>
<b>Total Revenues</b>	<u>\$ 415</u>	<u>\$ 451</u>	<u>\$ (36)</u>

## TOTAL EXPENSES

**2ND QUARTER 2023 BUDGET PERFORMANCE:** Through June 30, 2023, total expenses were \$1 million lower than budget. The key factors were:

- Energy charges were \$4 million over budget as a result of higher energy costs
- Other Operating Expenses were \$3 million under budget. Outside service were \$5 million under budget, largely due to system conservation agreements that were originally part of the budget but were ultimately federally funded. This was offset by CAGRD'S water for underground storage expenses, which came in over budget because of an increase in estimated 2023 pumping and an increase in replenishment costs due to the shortage.



**FULL YEAR 2023 BUDGET PERFORMANCE:** Total expenses are anticipated to be \$286 million, which is \$17 million below budget. The key factors are:

Operating Expenses are projected to be \$17 million below budget.

- Energy expenses are projected to end the year \$13 million under budget as a combined result of reduced deliveries from the mitigation programs; lower deliveries also creates the opportunity for greater shaping, as all six Mark Wilmer pumping plant units will be available in off-peak periods
- Other expenses are projected to be \$2 million over budget, mostly related to CAGRD water for underground storage

Non-Operating Expenses are expected to be very close to budget.

- Interest expense is projected to be \$1 million over budget.

<u>Full Year 2023</u>					
<i>(Dollars in millions)</i>	Projected	Spending Authority	Change		
<b>Operating Expenses</b>					
Salaries & related costs	\$ 79	\$ 80	1	1.3%	
Energy	51	64	13	20.3%	
Amortization & depreciation	49	50	1	2.0%	
Other	78	80	2	2.5%	
	<u>\$ 257</u>	<u>\$ 274</u>	<u>\$ 17</u>	<u>6.2%</u>	
<b>Nonoperating Expenses</b>					
AWBA Disbursements	\$ 1	\$ 1	-	0.0%	
Interest Expense	18	18	-	0.0%	
	<u>19</u>	<u>19</u>	<u>-</u>	<u>0.0%</u>	
<b>Total Expenses</b>	<b>\$ 276</b>	<b>\$ 293</b>	<b>\$ 17</b>	<b>5.8%</b>	



# Statement of Revenues, Expenses and Change in Net Position Combined Funds/Accounts

(Dollars in Millions)

	2nd Quarter 2023			Full Year 2023		
	Actual	Budget	Variance	Projection	Spending Authority	Variance
Operating Revenues/Expenses						
Revenues	\$ 116.0	\$ 156.7	\$ (40.7)	\$ 287.8	\$ 344.7	\$ (56.9)
Expenses	(124.7)	(125.4)	0.7	(256.9)	(273.9)	17.0
Operating Income/Loss	\$ (8.7)	\$ 31.3	\$ (40.0)	\$ 30.9	\$ 70.8	\$ (39.9)
Non-operating Revenues/Expenses						
Revenues	13.8	4.3	9.5	127.3	105.8	21.5
Expenses	(9.2)	(9.4)	0.2	(18.8)	(18.6)	(0.2)
Non-operating Income/(Loss)	\$ 4.6	\$ (5.1)	\$ 9.7	\$ 108.5	\$ 87.2	21.3
Change in Net Position	\$ (4.1)	\$ 26.2	\$ (30.3)	\$ 139.4	\$ 158.0	\$ (18.6)
Variance Analysis:						
General Fund	(14.5)	16.6	(31.1)	99.1	113.4	(14.3)
CAGR	9.1	9.1	-	38.4	43.4	(5.0)
Other	1.3	0.5	0.8	1.9	1.2	0.7
	\$ (4.1)	\$ 26.2	\$ (30.3)	\$ 139.4	\$ 158.0	\$ (18.6)

# General Fund

(Dollars in Millions)

	2nd Quarter 2023			Full Year 2023		
	Actual	Budget	Variance	Projection	Spending Authority	Variance
Water Deliveries (000 AF)	404	572	(168)	795	1,095	(300)
Revenues	\$ 122.4	\$ 157.1	\$ (34.7)	\$ 369.1	\$ 404.8	\$ (35.7)
Expenses	(136.9)	(140.5)	3.6	(270.0)	(291.4)	21.4
Change in Net Position	<u>\$ (14.5)</u>	<u>\$ 16.6</u>	<u>\$ (31.1)</u>	<u>\$ 99.1</u>	<u>\$ 113.4</u>	<u>\$ (14.3)</u>

## Variance Analysis:

Water O&M Charges	\$ 87.6	\$ 127.8	\$ (40.2)	\$ 198.8	\$ 248.7	\$ (49.9)
Capital Charges	18.9	20.5	(1.6)	38.6	41.0	(2.4)
Basin Development Fund Revenues	3.1	4.0	(0.9)	7.2	8.1	(0.9)
Property Taxes	-	-	-	97.8	97.2	0.6
Interest and Other Income	12.8	4.8	8.0	26.6	9.8	16.8
Energy	(34.0)	(30.1)	(3.9)	(51.3)	(64.4)	13.1
Amortization/Depreciation	(23.7)	(25.0)	1.3	(48.5)	(50.1)	1.6
Disbursements to AWBA	(0.4)	(0.3)	(0.1)	(0.7)	(0.5)	(0.2)
Interest expense and other	(8.7)	(8.7)	-	(17.5)	(17.5)	-
Other	(70.1)	(76.4)	6.3	(151.9)	(158.9)	7.0
	<u>\$ (14.5)</u>	<u>\$ 16.6</u>	<u>\$ (31.1)</u>	<u>\$ 99.1</u>	<u>\$ 113.4</u>	<u>\$ (14.3)</u>



# Central Arizona Groundwater Replenishment District (CAGRD) Account

(Dollars in Millions)

	2nd Quarter 2023			Variance	Full Year 2023			Variance
	Actual	Budget			Projection	Spending Authority		
Revenues	\$ 11.4	\$ 11.4	\$ -		\$ 59.7	\$ 62.6	\$ (2.9)	
Expenses	(2.3)	(2.3)	-		(21.3)	(19.2)	(2.1)	
Change in Net Position	<u>\$ 9.1</u>	<u>\$ 9.1</u>	<u>\$ -</u>		<u>\$ 38.4</u>	<u>\$ 43.4</u>	<u>\$ (5.0)</u>	

## Variance Analysis:

Revenue-Rates	-	-	-	26.0	28.9	(2.9)
Revenue-Fees	9.5	11.0	(1.5)	18.3	21.4	(3.1)
Revenue-Dues	-	-	-	11.2	11.5	(0.3)
Interest Income	1.9	0.4	1.5	4.2	0.8	3.4
Expense -Water For Recharge	(0.4)	-	(0.4)	(17.0)	(14.8)	(2.2)
Expense - All Other	(1.9)	(2.3)	0.4	(4.3)	(4.4)	0.1
	<u>\$ 9.1</u>	<u>\$ 9.1</u>	<u>\$ -</u>	<u>\$ 38.4</u>	<u>\$ 43.4</u>	<u>\$ (5.0)</u>

# Statement of Revenues, Expenses and Change in Net Position All Funds/Accounts

(Dollars in Thousands)

	2nd Quarter 2023				Full Year 2023					
	Actual	Budget	Variance		Projection	Budget	Additional Spending Authority	Total Spending Authority	Variance	
			(\$)	(%)					(\$)	(%)
<b>Operating Revenues</b>										
Water O&M charges	\$ 83,589	\$ 121,173	\$ (37,584)	(31.0%)	\$ 186,791	\$ 233,483	\$ -	\$ 233,483	\$ (46,692)	(20.0%)
Water service capital charges	18,761	19,853	(1,092)	(5.5%)	36,785	39,734	-	39,734	(2,949)	(7.4%)
Basin Development Fund Revenue	3,074	3,977	(903)	(22.7%)	7,202	8,130	-	8,130	(928)	(11.4%)
Other revenues	10,592	11,705	(1,113)	(9.5%)	57,055	63,363	-	63,363	(6,308)	(10.0%)
<b>Total Operating Revenues</b>	<b>\$ 116,016</b>	<b>\$ 156,708</b>	<b>\$ (40,692)</b>	<b>(26.0%)</b>	<b>\$ 287,833</b>	<b>\$ 344,710</b>	<b>\$ -</b>	<b>\$ 344,710</b>	<b>\$ (56,877)</b>	<b>(16.5%)</b>
<b>Operating Expenses</b>										
Salaries and related costs	\$ (38,295)	\$ (39,334)	\$ 1,039	2.6%	\$ (78,624)	\$ (80,302)	\$ -	\$ (80,302)	\$ 1,678	2.1%
Energy	(33,992)	(30,121)	(3,871)	(12.9%)	(51,271)	(64,410)	-	(64,410)	13,139	20.4%
Transmission	(8,134)	(7,797)	(337)	(4.3%)	(14,964)	(15,580)	-	(15,580)	616	4.0%
Amortization	(10,891)	(10,892)	1	0.0%	(21,782)	(21,783)	-	(21,783)	1	0.0%
Depreciation	(12,853)	(14,181)	1,328	9.4%	(26,827)	(28,361)	-	(28,361)	1,534	5.4%
Other Operating Costs:										
Outside services	(17,635)	(22,322)	4,687	21.0%	(46,282)	(49,782)	-	(49,782)	3,500	7.0%
Materials and supplies	(5,450)	(4,890)	(560)	(11.5%)	(9,746)	(9,019)	-	(9,019)	(727)	(8.1%)
Water for underground storage	3,734	7,328	(3,594)	(49.0%)	(3,127)	1,804	-	1,804	(4,931)	(273.3%)
Overhead	2,643	2,104	539	25.6%	4,964	3,767	-	3,767	1,197	31.8%
Other expenses	(3,781)	(5,326)	1,545	29.0%	(9,231)	(10,257)	-	(10,257)	1,026	10.0%
Subtotal other costs	(20,489)	(23,106)	2,617	11.3%	(63,422)	(63,487)	-	(63,487)	65	0.1%
<b>Total Operating Expenses</b>	<b>(124,654)</b>	<b>(125,431)</b>	<b>777</b>	<b>0.6%</b>	<b>(256,890)</b>	<b>(273,923)</b>	<b>-</b>	<b>(273,923)</b>	<b>17,033</b>	<b>6.2%</b>
<b>Operating Income/(Loss)</b>	<b>\$ (8,638)</b>	<b>\$ 31,277</b>	<b>\$ (39,915)</b>	<b>(127.6%)</b>	<b>\$ 30,943</b>	<b>\$ 70,787</b>	<b>\$ -</b>	<b>\$ 70,787</b>	<b>\$ (39,844)</b>	<b>(56.3%)</b>
<b>Non-operating Revenues/(Expenses)</b>										
Property taxes	\$ 1	\$ -	\$ 1		\$ 97,846	\$ 97,194	\$ -	\$ 97,194	\$ 652	0.7%
Interest income and other	13,830	4,291	9,539	222.3%	29,518	8,603	-	8,603	20,915	243.1%
Disbursements to AWBA	(366)	(273)	(93)	(34.1%)	(733)	(545)	-	(545)	(188)	(34.5%)
Interest expense and other	(8,834)	(9,085)	251	2.8%	(18,084)	(18,128)	-	(18,128)	44	0.2%
<b>Total Non-operating Revenues/(Expenses)</b>	<b>4,631</b>	<b>(5,067)</b>	<b>9,698</b>	<b>191.4%</b>	<b>108,547</b>	<b>87,124</b>	<b>-</b>	<b>87,124</b>	<b>21,423</b>	<b>24.6%</b>
<b>Change in Net Position</b>	<b>(4,007)</b>	<b>26,210</b>	<b>(30,217)</b>	<b>(115.3%)</b>	<b>139,490</b>	<b>157,911</b>	<b>-</b>	<b>157,911</b>	<b>(18,421)</b>	<b>(11.7%)</b>
Net position at beginning of period	1,089,778	1,110,783	(21,005)	(1.9%)	1,089,778	1,110,783	-	1,110,783	(21,005)	(1.9%)
Cumulative-effect of change in accounting	-	-	-		-	-	-	-	-	
Net position at beginning of period	1,089,778	1,110,783	(21,005)	(1.9%)	1,089,778	1,110,783	-	1,110,783	(21,005)	(1.9%)
Net position at end of period	<b>\$ 1,085,771</b>	<b>\$ 1,136,993</b>	<b>\$ (51,222)</b>	<b>(4.5%)</b>	<b>\$ 1,229,268</b>	<b>\$ 1,268,694</b>	<b>\$ -</b>	<b>\$ 1,268,694</b>	<b>\$ (39,426)</b>	<b>(3.1%)</b>



# Statement of Revenues, Expenses and Change in Net Position By Fund/Account

*(Dollars in Thousands)*

	2nd Quarter 2023	Elimination	General Fund	Supplemental Water	CAGR Account	Captive Insurance Fund
<b>Operating Revenues</b>						
Water O&M charges	\$ 83,589	\$ (4,003)	\$ 87,592	\$ -	\$ -	\$ -
Water service capital charges	18,761	(170)	18,931	-	-	-
Basin Development Fund Revenues	3,074	-	3,074	-	-	-
Other revenues	10,592	(6,093)	1,023	-	9,569	6,093
<b>Total Operating Revenues</b>	<b>\$ 116,016</b>	<b>\$ (10,266)</b>	<b>\$ 110,620</b>	<b>\$ -</b>	<b>\$ 9,569</b>	<b>\$ 6,093</b>
<b>Operating Expenses</b>						
Salaries and related costs	\$ (38,295)	\$ -	\$ (37,621)	\$ -	\$ (674)	\$ -
Energy	(33,992)	-	(33,992)	-	-	-
Transmission	(8,134)	-	(8,134)	-	-	-
Amortization	(10,891)	-	(10,891)	-	-	-
Depreciation	(12,853)	-	(12,822)	-	(31)	-
Other operating costs:						
Outside services	(17,635)	-	(17,277)	-	(226)	(132)
Materials and supplies	(5,450)	-	(5,450)	-	-	-
Water for recharge	3,734	4,174	-	-	(440)	-
Overhead	2,643	-	3,373	-	(730)	-
Other expenses	(3,781)	6,092	(4,956)	-	(103)	(4,814)
Subtotal other costs	(20,489)	10,266	(24,310)	-	(1,499)	(4,946)
<b>Total Operating Expenses</b>	<b>(124,654)</b>	<b>10,266</b>	<b>(127,770)</b>	<b>-</b>	<b>(2,204)</b>	<b>(4,946)</b>
<b>Operating Income/(Loss)</b>	<b>\$ (8,638)</b>	<b>\$ -</b>	<b>\$ (17,150)</b>	<b>\$ -</b>	<b>\$ 7,365</b>	<b>\$ 1,147</b>
<b>Non-operating Revenues/(Expenses)</b>						
Property taxes	\$ 1	\$ -	\$ 1	\$ -	\$ -	\$ -
Interest income and other	13,830	-	11,819	132	1,878	1
Disbursements to AWBA	(366)	-	(366)	-	-	-
Interest expense and other	(8,834)	-	(8,740)	-	(94)	-
<b>Total Non-operating Revenues/(Expenses)</b>	<b>4,631</b>	<b>-</b>	<b>2,714</b>	<b>132</b>	<b>1,784</b>	<b>1</b>
Change in Net Position	(4,007)	-	(14,436)	132	9,149	1,148
Net position at beginning of period	1,089,778	(2,350)	778,441	8,592	293,955	11,140
Cumulative-effect of change in accounting principles	-	-	-	-	-	-
Net position at beginning of period-restated	1,089,778	(2,350)	778,441	8,592	293,955	11,140
<b>Net position at end of period</b>	<b>\$ 1,085,771</b>	<b>\$ (2,350)</b>	<b>\$ 764,005</b>	<b>\$ 8,724</b>	<b>\$ 303,104</b>	<b>\$ 12,288</b>

# Statement of Revenues, Expenses and Change in Net Position By Fund/Account

(Dollars in Thousands)

	Full Year 2023	Elimination	General Fund	Supplemental Water	CAGR D Account	Captive Insurance Fund
<b>Operating Revenues</b>						
Water O&M charges	\$ 186,791	\$ (12,035)	\$ 198,826	\$ -	\$ -	\$ -
Water service capital charges	36,785	(1,862)	38,647	-	-	-
Basin Development Fund Revenues	7,202	-	7,202	-	-	-
Other revenues	57,055	(12,619)	1,555	-	55,500	12,619
<b>Total Operating Revenues</b>	<b>\$ 287,833</b>	<b>\$ (26,516)</b>	<b>\$ 246,230</b>	<b>\$ -</b>	<b>\$ 55,500</b>	<b>\$ 12,619</b>
<b>Operating Expenses</b>						
Salaries and related costs	\$ (78,624)	\$ -	\$ (77,291)	\$ -	\$ (1,333)	\$ -
Energy	(51,271)	-	(51,271)	-	-	-
Transmission	(14,964)	-	(14,964)	-	-	-
Amortization	(21,782)	-	(21,782)	-	-	-
Depreciation	(26,827)	-	(26,766)	-	(61)	-
Other operating costs:						
Outside services	(46,282)	-	(45,425)	-	(613)	(244)
Materials and supplies	(9,746)	-	(9,745)	-	(1)	-
Water for recharge	(3,127)	13,898	-	-	(17,025)	-
Overhead	4,964	-	6,410	-	(1,446)	-
Other expenses	(9,231)	12,618	(10,947)	-	(202)	(10,700)
Subtotal other costs	(63,422)	26,516	(59,707)	-	(19,287)	(10,944)
<b>Total Operating Expenses</b>	<b>(256,890)</b>	<b>26,516</b>	<b>(251,781)</b>	<b>-</b>	<b>(20,681)</b>	<b>(10,944)</b>
<b>Operating Income/(Loss)</b>	<b>\$ 30,943</b>	<b>\$ -</b>	<b>\$ (5,551)</b>	<b>\$ -</b>	<b>\$ 34,819</b>	<b>\$ 1,675</b>
<b>Non-operating Revenues/(Expenses)</b>						
Property taxes	\$ 97,846	\$ -	\$ 97,846	\$ -	\$ -	\$ -
Interest income and other	29,518	-	25,016	295	4,203	4
Disbursements to AWBA	(733)	-	(733)	-	-	-
Interest expense and other	(18,084)	-	(17,479)	-	(605)	-
<b>Total Non-operating Revenues/(Expenses)</b>	<b>108,547</b>	<b>-</b>	<b>104,650</b>	<b>295</b>	<b>3,598</b>	<b>4</b>
<b>Change in Net Position</b>	<b>139,490</b>	<b>-</b>	<b>99,099</b>	<b>295</b>	<b>38,417</b>	<b>1,679</b>
Net position at beginning of period	1,089,778	(2,350)	778,441	8,592	293,955	11,140
Cumulative-effect of change in accounting principles	-	-	-	-	-	-
Net position at beginning of period-restated	1,089,778	(2,350)	778,441	8,592	293,955	11,140
<b>Net position at end of period</b>	<b>\$ 1,229,268</b>	<b>\$ (2,350)</b>	<b>\$ 877,540</b>	<b>\$ 8,887</b>	<b>\$ 332,372</b>	<b>\$ 12,819</b>



# Statement of Net Position

(Dollars in Thousands)

	2022	As of 06/30/2023	As of 12/31/2023
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 19,992	\$ 18,259	\$ 23,283
Cash Equivalents	148,578	148,447	175,148
Total cash and cash equivalents	168,570	166,706	198,431
Receivables			
Due from water customers	75	9,114	250
Due from property taxes, less allowance for doubtful accounts	44,619	2,388	47,323
Other Receivables	28,071	7,627	46,329
Water inventory	228,199	237,996	245,884
Funds held by federal government	9,081	3,109	6,637
Other assets	4,354	12,005	2,587
<b>Total Current Assets</b>	<b>482,969</b>	<b>438,945</b>	<b>547,441</b>
<b>Non-current Assets</b>			
Investments	501,222	491,101	478,465
Restricted assets	111,083	112,018	112,255
Agriculture water rights	47,692	47,692	47,692
Capital assets, less accumulated depreciation	331,241	336,447	348,543
Permanent service right, less accumulated amortization	996,834	985,944	975,053
Other assets	9,897	9,897	5,998
<b>Total Non-current Assets</b>	<b>1,997,969</b>	<b>1,983,099</b>	<b>1,968,006</b>
<b>Total Assets</b>	<b>\$ 2,480,938</b>	<b>\$ 2,422,044</b>	<b>\$ 2,515,447</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension & OPEB Valuation and Upfront Payments	\$ 14,092	\$ 14,527	\$ 14,527
<b>Total Deferred Outflows of Resources</b>	<b>14,092</b>	<b>14,527</b>	<b>14,527</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 2,495,030</b>	<b>\$ 2,436,571</b>	<b>\$ 2,529,974</b>

# Statement of Net Position

(Dollars in Thousands)

	2022	As of 06/30/2023	As of 12/31/2023
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 65,078	\$ 22,494	\$ 32,008
Accrued payroll, payroll taxes and other accrued expenses	9,445	9,254	9,200
Water operations, capital charges, and unearned revenue	37,362	89,707	38,116
Asset retirement obligation due within one year	4,886	10,752	765
Current liabilities payable from restricted assets, advances to federal government, and other Non-current assets:			
Accrued interest payable	18,716	9,114	17,293
Repayment obligation, due within one year	40,456	40,456	40,456
Contract revenue bonds, due within one year	5,540	5,725	5,725
<b>Total Current Liabilities</b>	<b>181,483</b>	<b>187,502</b>	<b>143,563</b>
<b>Non-current Liabilities:</b>			
Repayment obligation, due after one year	897,080	856,623	856,623
Contract revenue bonds, due after one year, net	45,323	39,317	39,036
Non-Indian agricultural 9(d) debt	88,719	88,719	88,719
Asset retirement obligation due after one year	30,448	20,906	21,730
Other non-current liabilities	91,975	91,975	91,975
<b>Subtotal Non-current Liabilities</b>	<b>1,153,545</b>	<b>1,097,540</b>	<b>1,098,083</b>
<b>Total Liabilities</b>	<b>1,335,028</b>	<b>1,285,042</b>	<b>1,241,646</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Customer Deposits	55,213	50,748	44,048
Deferred Inflow OPEB	2,391	2,391	2,391
Pension Valuation	12,621	12,621	12,621
<b>Total Deferred Inflows of Resources</b>	<b>70,225</b>	<b>65,760</b>	<b>59,060</b>
<b>NET POSITION</b>			
Net investment in capital assets	339,677	380,269	381,755
Restricted	92,367	102,904	94,962
Unrestricted	657,733	602,596	752,551
<b>Total Net Position</b>	<b>1,089,777</b>	<b>1,085,769</b>	<b>1,229,268</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 2,495,030</b>	<b>\$ 2,436,571</b>	<b>\$ 2,529,974</b>

# Statement of Net Position by Fund

(Dollars in Thousands)

	As of 12/31/2023	Elimination	General Fund	Supplemental Water	CAGR Account	Captive Insurance
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 198,431	\$ -	\$ 137,700	\$ -	\$ 46,206	\$ 14,525
Receivables	93,902	(7,147)	91,202	-	9,847	-
Water inventory	245,884	-	23,691	-	222,193	-
Funds held by / advanced to federal government	6,637	-	6,637	-	-	-
Other assets	2,587	(2,144)	(148)	-	4,869	10
<b>Total Current Assets</b>	<b>547,441</b>	<b>(9,291)</b>	<b>259,082</b>	<b>-</b>	<b>283,115</b>	<b>14,535</b>
<b>Non-current Assets</b>						
Investments and restricted assets	590,720	(2,350)	520,244	8,887	61,689	2,250
Agriculture water rights	47,692	-	47,692	-	-	-
Capital assets, less accumulated depreciation	348,543	-	323,087	-	25,456	-
Permanent service right, less accumulated amortization	975,053	-	975,053	-	-	-
Other assets, less accumulated amortization	5,998	(7,329)	13,327	-	-	-
Bond issuance costs, net of accumulated amortization	-	-	-	-	-	-
<b>Total Non-current Assets</b>	<b>1,968,006</b>	<b>(9,679)</b>	<b>1,879,403</b>	<b>8,887</b>	<b>87,145</b>	<b>2,250</b>
<b>Total Assets</b>	<b>2,515,447</b>	<b>(18,970)</b>	<b>2,138,485</b>	<b>8,887</b>	<b>370,260</b>	<b>16,785</b>
<b>Deferred Outflows of Resources</b>						
	14,527	-	14,527	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 2,529,974</b>	<b>(18,970)</b>	<b>2,153,012</b>	<b>8,887</b>	<b>370,260</b>	<b>16,785</b>



# Statement of Net Position by Fund

(Dollars in Thousands)

	As of 12/31/2023	Elimination	General Fund	Supplemental Water	CAGRD Account	Captive Insurance
<b>Current Liabilities</b>						
Accounts payable / accrued payroll	\$ 41,208	\$ (7,218)	\$ 23,728	\$ -	\$ 20,732	\$ 3,966
Water operations, capital charges, and unearned revenue	38,116	-	38,116	-	-	-
Asset retirement obligation due within one year	765		765			
Other current liabilities	63,474	(2,073)	59,595	-	5,952	-
<b>Total Current Liabilities</b>	<b>143,563</b>	<b>(9,291)</b>	<b>122,204</b>	<b>-</b>	<b>26,684</b>	<b>3,966</b>
<b>Noncurrent Liabilities</b>						
Asset retirement obligation due after one year	21,730		21,730			
Repayment obligation, due after one year	856,623	-	856,623	-	-	-
Contract revenue bonds, due after one year, net	39,036	-	35,161	-	3,875	-
Non-Indian agricultural 9(d) debt	88,719	-	88,719	-	-	-
Other non-current liabilities	91,975	(7,329)	91,975	-	7,329	-
<b>Total Noncurrent Liabilities</b>	<b>1,098,083</b>	<b>(7,329)</b>	<b>1,094,208</b>	<b>-</b>	<b>11,204</b>	<b>-</b>
<b>Total Liabilities</b>	<b>1,241,646</b>	<b>(16,620)</b>	<b>1,216,412</b>	<b>-</b>	<b>37,888</b>	<b>3,966</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Customer Deposits and Upfront Payments	44,048	-	44,048	-	-	-
Deferred Inflow OPEB	2,391		2,391			
Pension Valuation	12,621	-	12,621	-	-	-
<b>Total Deferred inflows of Resources</b>	<b>59,060</b>	<b>-</b>	<b>59,060</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>						
Net Investment in capital assets	381,755	-	363,959	-	17,796	-
Restricted	94,962	-	60,930	8,887	22,895	2,250
Unrestricted	752,551	(2,350)	452,651	-	291,681	10,569
<b>Total Net Position</b>	<b>1,229,268</b>	<b>(2,350)</b>	<b>877,540</b>	<b>8,887</b>	<b>332,372</b>	<b>12,819</b>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$ 2,529,974</b>	<b>(18,970)</b>	<b>2,153,012</b>	<b>8,887</b>	<b>370,260</b>	<b>16,785</b>

## Spending Authority Full Year 2023

	General Fund Operating <sup>1</sup>	CAGR Operating <sup>2</sup>	Captive Insurance Fund	Capital Budget
Board Approved Budget	\$ 193,378	\$ 3,776	\$ 11,746	\$ 41,943
Additional Board Authorized Spending:				
Accounting Changes & Adjustments:				
Adjusted Spending Authority	\$ 193,378	\$ 3,776	\$ 11,746	\$ 41,943
Projection	\$ 185,546	\$ 3,656	\$ 10,944	\$ 41,238
Variance (\$) Fav/(Unfav)	\$ 7,832	\$ 120	\$ 802	\$ 705
Variance (%)	4.1%	3.2%	6.8%	1.7%

### BUDGETARY CONTROLS

Provided that total expenses within each fund do not exceed budget (including adjustments) by greater than \$250,000 or 2% of the annual budget, expense is considered to be within spending authority.

### NOTES

<sup>1</sup> Energy and transmission are excluded because of market volatility and are administered by an Energy Risk Oversight Committee.

<sup>2</sup> CAGR water for recharge to meet obligations is excluded.

# Annual Repayment Obligation

## Master Repayment Contract (Accrual Basis)

*(Dollars in Thousands)*

	2022 Actual	2023		Variance (\$)	Notes
		Projection	Budget		
<b>Sources of Funds</b>					
Net line rental revenue	2,711	3,168	2,200	968	A
Hoover 4.5 mil surcharge	2,924	2,275	3,200	(925)	B
Parker-Davis	2,712	2,265	2,900	(635)	C
Net CAP transmission revenues including line losses	(75)	(1,328)	(1,000)	(328)	D
Land-related revenues:					
Land use (net)	654	822	830	(8)	
Land sales (net)	-	-	-	-	
Interest on deposits	155	161	300	(139)	E
<b>Total Credits Toward Repayment</b>	<b>\$ 9,081</b>	<b>\$ 7,363</b>	<b>\$ 8,430</b>	<b>\$ (1,067)</b>	
<b>Uses of Funds</b>					
Principal	\$ 40,456	\$ 40,456	\$ 40,456	\$ -	
Interest	17,689	16,357	16,357	-	
Gross Payment <i>(Due Jan. 20th, following year-end)</i>	\$ 58,145	\$ 56,813	\$ 56,813	\$ -	
<b>Net Due / Excess Funds for Repayment</b>	<b>\$ (49,064)</b>	<b>\$ (49,450)</b>	<b>\$ (48,383)</b>	<b>\$ (1,067)</b>	
<b>CAP NGS Energy &amp; Navajo Transmission Reconciliation</b>	<b>\$ 654</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Net funds (due to)/from Federal Government</b>	<b>\$ (48,410)</b>	<b>\$ (49,450)</b>	<b>\$ (48,383)</b>	<b>\$ (1,067)</b>	

**Notes:**

- A Line rental revenue is much higher than budgeted amount through the first 6 months
- B Hoover Power Plant surcharge revenue under budget due to lower than projected kilowatt hour usage
- C Parker-Davis surcharge revenue under budget due to lower than projected kilowatt hour usage
- D Southern transmission losses are higher than anticipated
- E Interest will be under budget due to lower than expected revenues



# Staffing - Average Full Time Equivalent (FTE)

	2022	2nd Quarter 2023	2023		Variance	
			Projection	Budget	FTEs	% (*)
Management Council	12.0	11.2	11.3	12.0	0.7	5.7%
<i>AGM - Finance &amp; Admin Group</i>						
Finance & Administration						
Finance & Accounting	20.1	21.0	21.0	21.0	-	0.0%
Supply Chain & Facilities	26.9	27.0	27.0	27.0	-	0.0%
Total Finance and Administration	47.0	48.0	48.0	48.0	-	
 Technology & Governance						
Analytics	7.3	8.0	8.5	4.0	(4.5)	
Information Technology	27.1	27.6	28.1	36.0	7.9	
Protective Services	10.8	10.6	11.3	9.0	(2.3)	
Total Technology & Governance	45.2	46.2	47.9	49.0	1.1	
 Employee Services						
Cent Learning & Development	5.5	5.0	5.3	6.0	0.7	11.7%
Environment, Health & Safety	10.4	9.4	10.0	11.0	1.0	9.1%
Human Resources	7.2	7.1	7.2	7.5	0.3	4.0%
Total Employee Services	23.1	21.5	22.5	24.5	2.0	8.2%
 <i>AGM - Water Policy Group</i>						
Water Policy						
CAGRD	9.2	9.0	9.0	9.0	-	0.0%
Water Policy	7.8	8.7	8.8	8.0	(0.8)	(10.0%)
Total Water Policy	17.0	17.7	17.8	17.0	(0.8)	(4.7%)
 General Counsel	5.0	5.0	5.0	5.0	-	0.0%
 Public Affairs	16.3	16.6	16.8	17.0	0.2	1.2%
 <i>AGM - Ops &amp; Engineering Group</i>						
Centralized Maint & Reliability						
Centralized Maintenance	68.1	67.0	67.9	72.0	4.1	5.7%
Maintenance Control	36.6	37.7	39.9	42.0	2.1	5.0%
Total Centralized Maint & Reliability	104.7	104.7	107.8	114.0	6.2	5.4%
 Field Maintenance						
Operational Technology	35.2	35.2	36.8	38.0	1.2	3.2%
South Area Maintenance	42.6	42.7	43.5	46.0	2.5	5.4%
West Area Maintenance	44.9	45.7	45.9	45.0	(0.9)	(2.0%)
Total Field Maintenance	122.7	123.6	126.2	129.0	2.8	2.2%
 Operations and Engineering						
Engineering	61.3	61.2	61.9	63.0	1.1	1.7%
Power Program Admin	2.1	2.3	2.1	2.0	(0.1)	(5.0%)
Water Operations	23.3	22.8	23.3	24.0	0.7	2.9%
Total Operations and Engineering	86.7	86.3	87.3	89.0	1.7	1.9%
Vacancy/Salary Savings Equivalent	-	-	(6.0)	(15.0)	(9.0)	59.7%
<b>Total FTE</b>	<b>479.7</b>	<b>480.8</b>	<b>484.6</b>	<b>489.5</b>	<b>4.9</b>	<b>1.0%</b>

# General Fund

The General Fund ended the second quarter with a net position decrease of \$14.4 million compared to a budgeted net position increase of \$16.6 million. The General Fund is projected to end the year with a net gain of \$99.1 million.

The following discussion summarizes the General Fund's 2023 budget performance through the second quarter and for the full year projection.

## GENERAL FUND Budget Performance - 2nd Quarter 2023

<i>(Dollars in thousands)</i>	Actuals	Budget	Change	
Revenues	\$ 122,440	\$ 157,146	\$ (34,706)	(22.1%)
Expenses	(136,876)	(140,503)	3,627	2.6%
Change in Net Position	\$ (14,436)	\$ 16,643	\$ (31,079)	
Beginning Net Position	778,441	830,672	(52,231)	
Ending Net Position	\$ 764,005	\$ 847,315	\$ (83,310)	

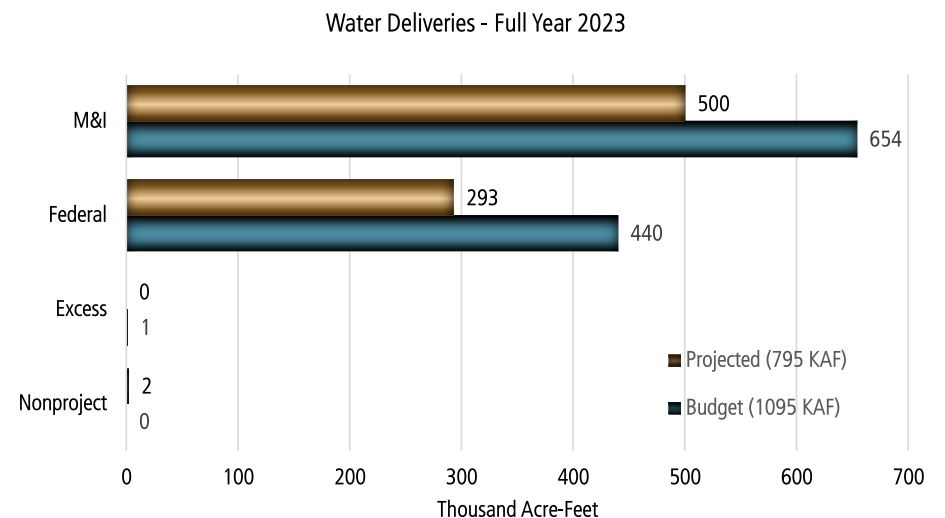
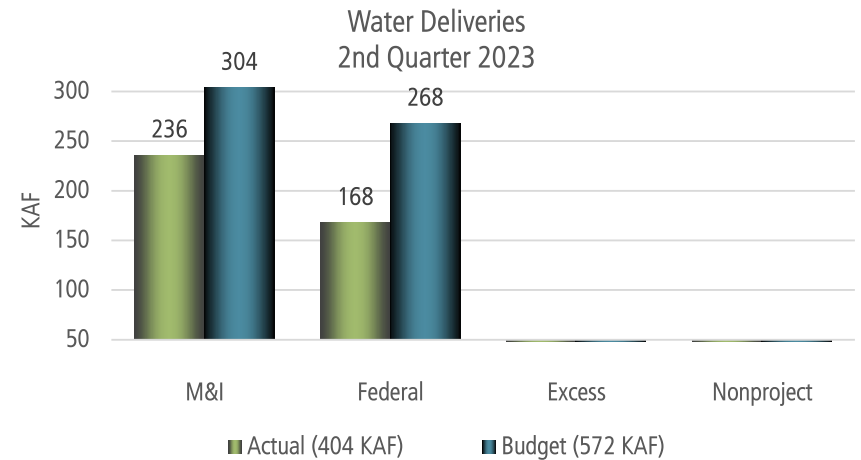
## GENERAL FUND Budget Performance - Full Year 2023

<i>(Dollars in thousands)</i>	Projected	Spending Authority	Change	
Revenues	\$ 369,092	\$ 404,836	\$ (35,744)	
Expenses	(269,993)	(291,392)	21,399	
Change in Net Position	\$ 99,099	\$ 113,444	\$ (14,345)	
Beginning Net Position	778,441	830,672	(52,231)	
Ending Net Position	\$ 877,540	\$ 944,116	\$ (66,576)	

## Water Deliveries

Through June 2023, total water deliveries were 168 KAF lower than budget because of limited supply and conservation programs.

Full-year total deliveries are expected to be 300 KAF lower than budget. M&I deliveries are expected to be 154 KAF lower than budget, and federal deliveries are expected to be 112 KAF lower than budget. Total full-year deliveries are expected to include 2 KAF of nonproject water deliveries.



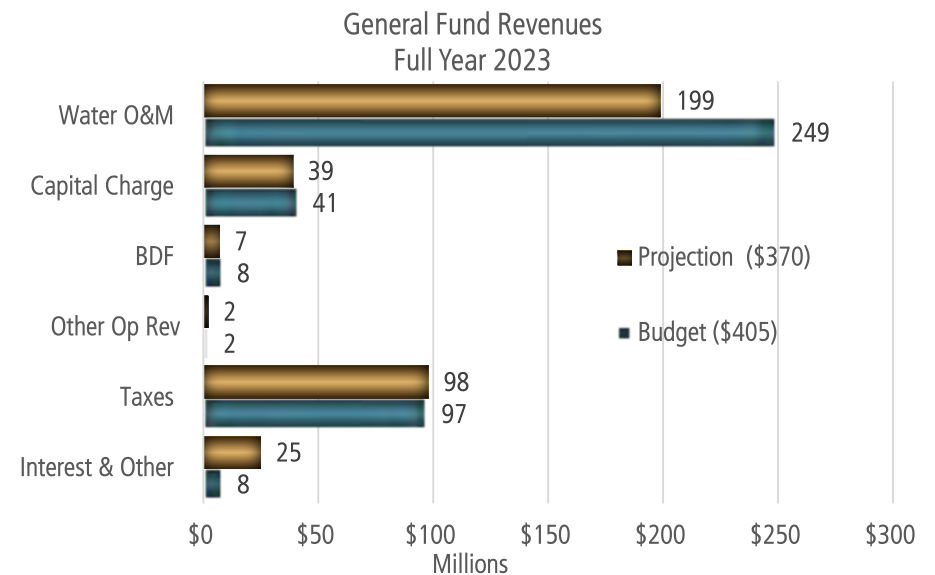
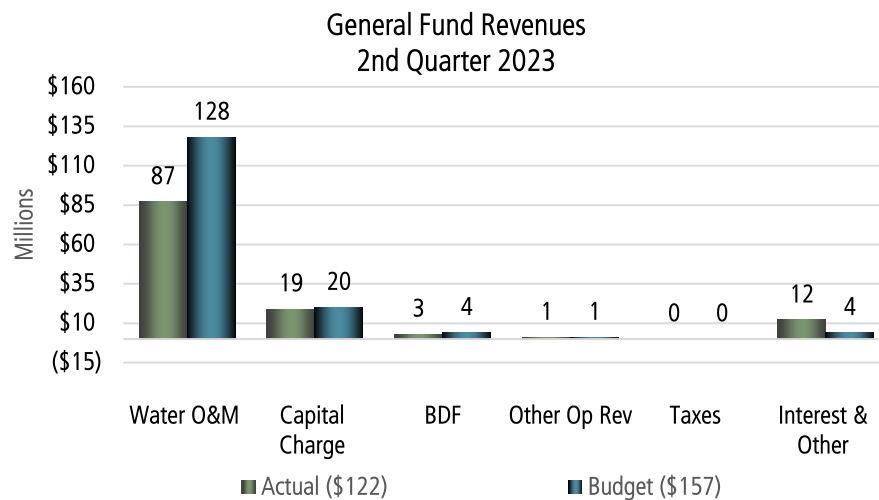
## Total Revenues

**2ND QUARTER 2023 BUDGET PERFORMANCE:** Through June 2023, total General Fund revenues were \$122 million, \$35 million lower than the \$157 million budget. Key factors contributing to the variance were:

- Water O&M revenues were lower than budget by \$41 million due to lower deliveries related to conservation efforts and taxes applied to the delivery rate.
- Interest income was higher than budget by \$8 million due to favorable market conditions and the resulting fair value adjustment.
- All other operating and nonoperating revenues were at or near budget.

**FULL YEAR 2023 BUDGET PERFORMANCE:** The full year revenues are projected to be \$370 million, \$35 million below the full-year budget of \$405 million. The key factors contributing to the variance are:

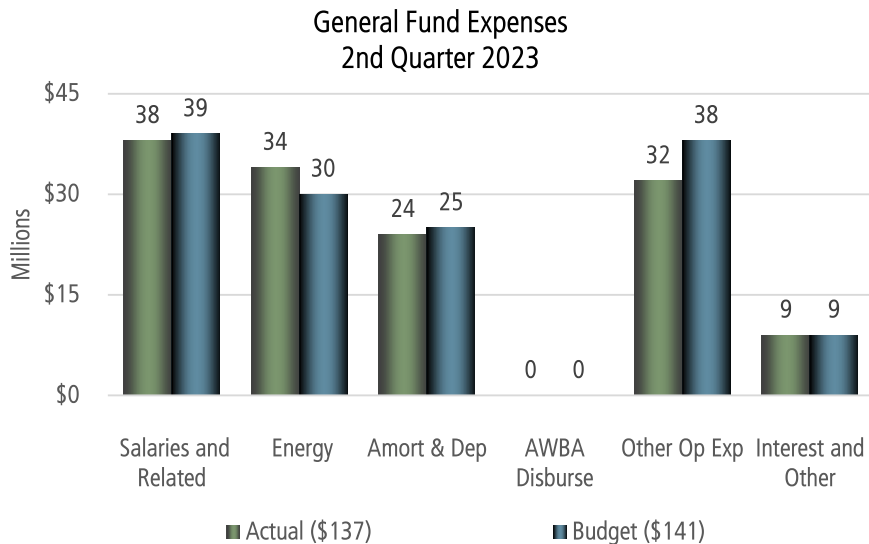
- Water O&M revenues are projected to be \$50 million lower than budget due to lower deliveries related to conservation efforts and taxes applied to the delivery rate.
- Capital charges are projected to be \$2 million lower than budget because of a lower capital rate than originally planned.
- Interest income is projected to be \$17 million higher than budget due to favorable market conditions and the resulting fair value adjustment.
- All other operating and nonoperating revenues are projected to be at or near budget.



## Total Expenses

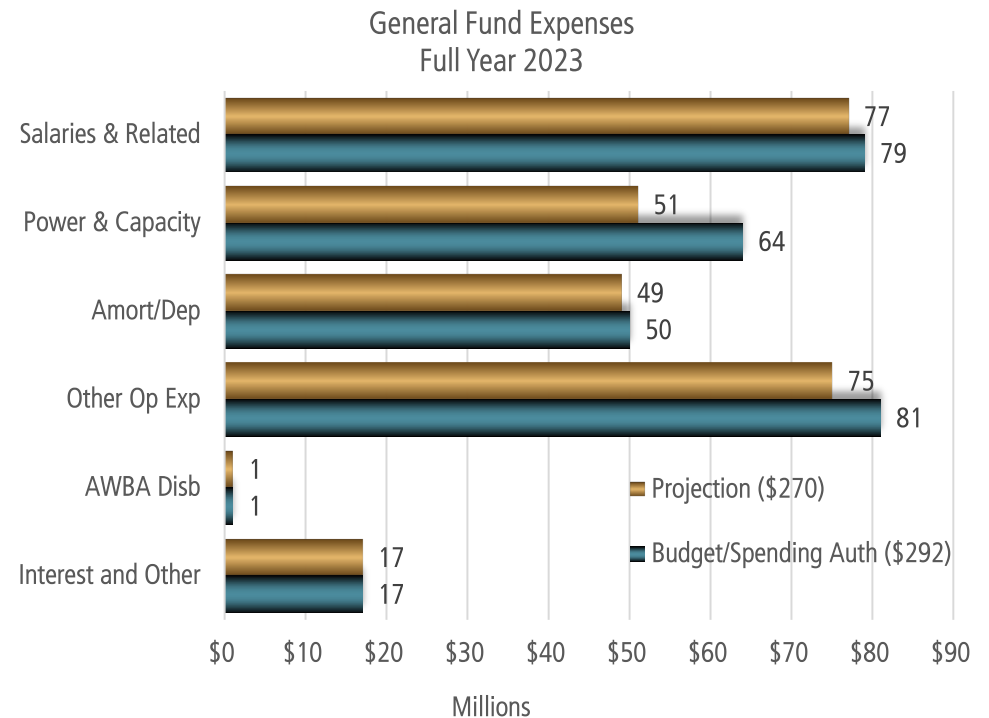
**2ND QUARTER BUDGET PERFORMANCE:** Through June 2023, total General Fund expenses were \$137 million, \$4 million lower than the \$141 million budget. Key factors contributing to the variance were:

- Energy expenses were \$4 million over budget.
- Other operating expenses were \$6 million under budget, largely because system conservation agreements that were in place as part of CAWCD's 500+ plan have been federally funded.
- All other operating and nonoperating expenses were at or near budget.



**FULL YEAR 2023 BUDGET PERFORMANCE:** Total expenses for 2023 are anticipated to be \$270 million compared to a budget of \$292 million.

- Salaries and related expenses are projected to be \$2 million under budget.
- Energy expenses are expected to end the year \$13 million under budget because of the conservation efforts, which creates the opportunity for greater shaping, as all six Mark Wilmer pumping plant units will be available.
- Other operating costs are projected to be \$6 million under budget, largely because system conservation agreements that were in place as part of CAWCD's 500+ plan have been federally funded.
- All other operating and nonoperating expenses are projected to be at or near budget.





## General Fund Reserves

The District maintains several reserves, many of which are restricted for specific purposes. The District also maintains the following reserves that the Board has specified:

- **STRATEGIC RESERVES** are cash reserves for unusual or unplanned events, such as equipment failures, business interruption or unplanned costs. These reserves may be drawn upon if unusual or unplanned events occur, or they may never be used at all.
- **EXTRAORDINARY COST RESERVES** were established through Board action, and these reserves are essentially a revolving fund intended to pay for large expenses that may either not be appropriate for the water rate or may cause unplanned "spikes" in the water rate.
- **WORKING CAPITAL** is self-replenishing funds used to smooth out timing differences in revenues and spending, within and across years.

The CAWCD Board reviews each of the reserves targets biennially, and on May 5, 2022 approved separate revised reserve targets. Each of them is calculated with a consistent methodology applicable for each reserve type, in accordance with Government Finance Officers Association (GFOA) best practices.

Known planned expenses or events are included in the budget, and funded on a "pay as you go" basis through water rates and taxes. Other reserves have been established for specific purposes, such as the water storage reserve, or rate stabilization reserve, and are not included in these reserves.

Working Capital will fluctuate depending on operational needs of the District and capital spending. Funds typically decrease throughout the year until property taxes are received, primarily in May-June and again in November-December.

### RESERVE MANAGEMENT GUIDELINES

The Board established Reserve Management Guidelines in May 2022 to identify a flow of funds. The general rule is to fill Strategic Reserves to target, then fill Working Capital to target, and then fill Extraordinary Cost Reserves to target. Extraordinary Cost Reserves are currently below the newly established target, and will take several years to get to the target. Once that target is met, any excess funds will flow to Working Capital.

### END OF YEAR BALANCE PROJECTIONS

Strategic Reserves and Working Capital are expected to be at target at the end of the year. The Extraordinary Cost Reserve is expected to be at \$206 million; through Q2, \$36 million from this reserve was allocated for Board approved purposes, leaving an unallocated amount of \$170 million.

## Board Established Targets

*(Dollars in Millions)*

### Strategic Reserves

Capital Reserve	\$73
Operating Reserve	\$80
Contingency Reserve	\$8
<b>Total Strategic Reserves Target</b>	<b>\$161</b>
<b>Total Extraordinary Cost Reserves Target</b>	<b>\$281</b>
<b>Total Working Capital Target</b>	<b>\$89</b>

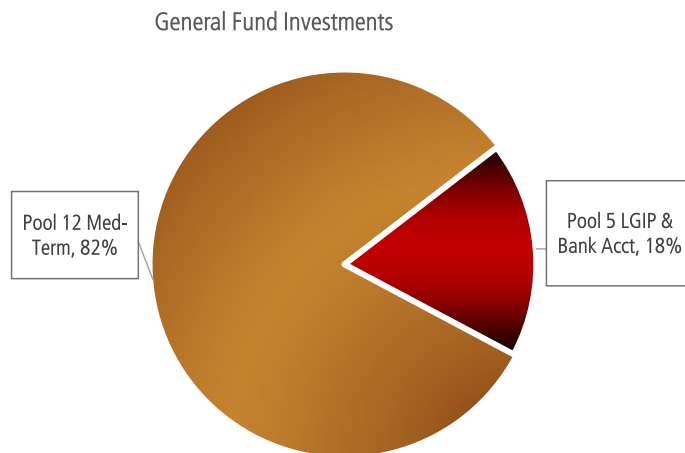
## General Fund Cash and Investments

As prescribed by the District's Enabling Act, the Arizona State Treasurer holds the District's investments. These investments are held in the following investment pools:

- **Pool 5 (Local Government Investment Pool or LGIP)** – Used for liquid cash equivalent needs consisting of short-term investments.
- **Pool 12 (CAWCD Medium-Term Pool)** – Provides investments in medium- to long-term securities with a target duration of two to four years.

The average investment yields for funds invested with the State Treasurer through June 2023 was 3.20% for pool 12 and 5.02% for pool 5.

Funds needed to meet the immediate expenses and costs of the District are held with Bank of America (BoFA).



As shown on the following table, the District maintains several reserves to meet specific purposes:

	Market Value as of	
(Dollars in millions)	6/30/23	12/31/22
<b>Strategic Reserves</b>		
<b>Restricted Reserves</b>		
Major Repair & Replacement Reserve	1	2
<b>Assigned Reserves</b>		
Capital Reserve	72	72
Operating Reserve	80	80
Contingency Reserve	8	7
<b>Total Strategic Reserves</b>	<b>161</b>	<b>161</b>
<b>Working Capital</b>	<b>\$ 45</b>	<b>\$ 89</b>
<b>Extraordinary Cost Reserves</b>	<b>\$ 242</b>	<b>\$ 216</b>
<b>Other Reserves</b>		
Navajo Decommissioning	\$ 25	\$ 28
Repayment Reserve	38	37
Emergency OM&R Reserve	6	6
System Use Reserve	4	4
Tribal ICS Reserve	33	33
Rate Stabilization	16	17
Voluntary Rate Stabilization	7	7
Bond Reserve	6	6
9(d) Debt Reserve	18	18
Recovery Reserve	6	6
Recharge O & M	8	8
Water Storage Tax for AWBA	32	30
<b>Total Other Reserves</b>	<b>199</b>	<b>200</b>
<b>Total Reserves</b>	<b>\$ 647</b>	<b>\$ 666</b>

# Statement of Revenues, Expenses and Change in Net Position

## General Fund

(Dollars in Thousands)

	2nd Quarter 2023				Full Year 2023					
	Actual	Budget	Variance		Projection	Budget	Additional Spending	Total Spending Authority	Variance	
			(\$)	(%)					(\$)	(%)
Water Deliveries (acre-feet in thousands)	404	572	(168)	(29.4%)	795	1,095	-	1,095	(300)	(27.4%)
<b>Operating Revenues</b>										
Water O&M charges	\$ 87,592	\$ 127,766	(40,174)	(31.4%)	\$ 198,826	\$ 248,741	\$ -	\$ 248,741	\$ (49,915)	(20.1%) A
Water service capital charges	18,931	20,492	(1,561)	(7.6%)	38,647	40,984	-	40,984	(2,337)	(5.7%) B
Basin Development Fund Revenues	3,074	3,977	(903)	(22.7%)	7,202	8,130	-	8,130	(928)	(11.4%) C
Other revenues	1,023	1,100	(77)	(7.0%)	1,555	2,144	-	2,144	(589)	(27.5%) D
<b>Total Operating Revenues</b>	<b>\$ 110,620</b>	<b>\$ 153,335</b>	<b>\$ (42,715)</b>	<b>(27.9%)</b>	<b>\$ 246,230</b>	<b>\$ 299,999</b>	<b>-</b>	<b>\$ 299,999</b>	<b>\$ (53,769)</b>	<b>(17.9%)</b>
<b>Operating Expenses</b>										
Salaries and related costs	\$ (37,621)	\$ (38,601)	\$ 980	2.5%	\$ (77,291)	\$ (78,912)	\$ -	\$ (78,912)	\$ 1,621	2.1% E
Energy	(33,992)	(30,121)	(3,871)	(12.9%)	(51,271)	(64,410)	-	(64,410)	13,139	20.4% F
Transmission	(8,134)	(7,797)	(337)	(4.3%)	(14,964)	(15,580)	-	(15,580)	616	4.0% G
Amortization of Permanent Service Right	(10,891)	(10,891)	-	0.0%	(21,782)	(21,782)	-	(21,782)	-	0.0%
Depreciation and Amortization	(12,822)	(14,150)	1,328	9.4%	(26,766)	(28,300)	-	(28,300)	1,534	5.4% H
Other operating costs:										
Outside services	(17,277)	(21,780)	4,503	20.7%	(45,425)	(48,751)	-	(48,751)	3,326	6.8% I
Materials and supplies	(5,450)	(4,890)	(560)	(11.5%)	(9,745)	(9,019)	-	(9,019)	(726)	(8.0%)
Overhead	3,373	2,899	474	16.4%	6,410	5,274	-	5,274	1,136	21.5%
Other expenses	(4,956)	(6,160)	1,204	19.5%	(10,947)	(11,888)	-	(11,888)	941	7.9% J
Subtotal	(24,310)	(29,931)	5,621	18.8%	(59,707)	(64,384)	-	(64,384)	4,677	7.3%
<b>Total Operating Expenses</b>	<b>(127,770)</b>	<b>(131,491)</b>	<b>3,721</b>	<b>2.8%</b>	<b>(251,781)</b>	<b>(273,368)</b>	<b>-</b>	<b>(273,368)</b>	<b>21,587</b>	<b>7.9%</b>
<b>Operating Income/(Loss)</b>	<b>\$ (17,150)</b>	<b>\$ 21,844</b>	<b>\$ (38,994)</b>	<b>(178.5%)</b>	<b>\$ (5,551)</b>	<b>\$ 26,631</b>	<b>\$ -</b>	<b>\$ 26,631</b>	<b>\$ (32,182)</b>	<b>(120.8%)</b>
<b>Non-Operating Revenues/(Expenses)</b>										
Property taxes	\$ 1	\$ -	\$ 1		\$ 97,846	\$ 97,194		97,194	652	0.7%
Interest income and other	11,819	3,811	8,008	210.1%	25,016	7,643	-	7,643	17,373	227.3% K
Disbursements to AWBA	(366)	(273)	(93)	(34.1%)	(733)	(545)	-	(545)	(188)	(34.5%)
Interest expense and other	(8,740)	(8,739)	(1)	(0.0%)	(17,479)	(17,479)	-	(17,479)	-	0.0%
<b>Net Non-operating Income/(Loss)</b>	<b>2,714</b>	<b>(5,201)</b>	<b>7,915</b>	<b>152.2%</b>	<b>104,650</b>	<b>86,813</b>	<b>-</b>	<b>86,813</b>	<b>17,837</b>	<b>20.5%</b>
<b>Change in Net Position</b>	<b>(14,436)</b>	<b>16,643</b>	<b>(31,079)</b>	<b>(186.7%)</b>	<b>99,099</b>	<b>113,444</b>	<b>-</b>	<b>113,444</b>	<b>(14,345)</b>	<b>(12.6%)</b>
Net Position at beginning of period	778,441	830,672	(52,231)	(6.3%)	778,441	830,672	-	830,672	(52,231)	(6.3%)
Cumulative-effect of Change in Accounting Principles	-	-	-		-	-		-	-	
Net Position at beginning of period - restated	\$ 778,441	\$ 830,672	\$ (52,231)	(6.3%)	\$ 778,441	\$ 830,672	\$ -	\$ 830,672	\$ (52,231)	(6.3%)
Net Position at end of period	\$ 764,005	\$ 847,315	\$ (83,310)	(9.8%)	\$ 877,540	\$ 944,116	\$ -	\$ 944,116	\$ (66,576)	(7.1%)

# Statement of Revenues, Expenses and Change in Net Position

## General Fund

### *Notes*

- A **Water O&M Charges:** 2023 water deliveries are 300,378 acre-feet under budget primarily because of conservation efforts. Water O&M revenue for 2023 is \$50 million under budget, primarily because of lower-than-expected deliveries and tax revenues applied to some water delivery costs.
- B **Water Service Capital Charges:** 2023 capital charges are projected to be \$2.3 million lower than budget because the final rate is \$3 per acre feet lower than the budgeted rate.
- C **Basin Development Fund Revenues:** Q2 and full year revenues are projected to be below budget primarily because of higher than projected transmission losses and lower than expected water deliveries
- D **Other Revenues:** 2023 Other revenues is \$589 thousand lower than budget due in part to 44% less excess water available to recharge projects due to conservation initiatives this year resulting in \$725 thousand in less revenues and an energy income adjustment of \$406 thousand. This is offset by \$185 thousand in increased revenues from Land use.
- E **Salaries and Related Costs:** Salaries and related costs are projected to be under budget due to more labor charged to capital projects and lower benefit costs.
- F **Energy:** Due to the shortage and conservation & preservation agreements, there are projected lower diversions and lower water deliveries than planned, creating the opportunity for greater shaping. The planned water release by the Army Corps of Engineers out of Alamo Lake resulted in an operational decision to stop diversions and pumping for approximately 8 days in March until the turbidity levels in Lake Havasu dropped. Also during Q1, Mark Wilmer Pumping Plant experienced a power supply disruption, resulting in stopping diversions and pumping for a few days. The forecast includes favorable summer sales. CAP continues to explore price stability and looks to the forward energy auctions as a method to accomplish this.
- G **Transmission:** There was a substantial unanticipated rate increase of approximately 600% in 2022, which equates to a \$2.6 million increase over budget, in the El Paso Electric transmission capacity contract. Additionally, transmission losses are projected over budget by \$900 thousand due to higher rates. These increases are offset by the reduction in the CAP transmission system rate of approximately \$3.5 million.
- H **Depreciation and Amortization:** Full-year variance is primarily due to ongoing impacts and delays in the supply chain, even as project and equipment deliveries increase.
- I **Outside Services:** 2023 positive YTD and full-year variances is due largely to system conservation agreements that were in place as part of CAWCD's 500+ plan that have been moved to be federally funded.
- J **Other Expenses:** Full year positive variance of \$941 thousand is due in part to a \$313 thousand reduction in employee travel, \$257 thousand in reduced licenses renewal rates, and reduced wheeling fees at Lower Santa Cruz Recharge Project due to conservation.
- K **Interest Income and Other:** YTD and full year variances primarily due to higher favorable economic environment.



# Water Volumes

(in Acre-Feet)

	2nd Quarter 2023				Full Year 2023				Notes
	Actual	Budget	Variance		Projection	Budget	Variance		
			(A/F)	(%)			(A/F)	(%)	
PROJECT WATER DELIVERIES									
Municipal & Industrial Water Subcontract	235,506	304,110	(68,604)	(22.6%)	500,067	654,341	(154,274)	(23.6%)	A
Federal Contract Water	168,073	267,648	(99,575)	(37.2%)	292,997	440,459	(147,462)	(33.5%)	B
Subtotal Federal & M&I Contract Water	403,579	571,758	(168,179)	(29.4%)	793,064	1,094,800	(301,736)	(27.6%)	
Excess									C
Ag Settlement Pool (includes Ag Forbearance)	-	-	-	-	-	-	-	-	
CAGRD Obligation	-	-	-	-	-	-	-	-	
CAGRD Obligation @ Scottsdale IWDS	-	-	-	-	-	-	-	-	
AWBA	-	-	-	-	-	-	-	-	
AWBA Interstate Banking Water	-	-	-	-	-	-	-	-	
USBR Firming	-	-	-	-	-	-	-	-	
CAGRD Replenishment Reserve	-	-	-	-	-	-	-	-	
Temporary water use permits	-	293	(293)	(100.0%)	-	625	(625)	(100.0%)	
Full Cost Excess (Unscheduled overruns)	-	-	-	-	-	-	-	-	
Subtotal Excess	-	293	(293)	(100.0%)	-	625	(625)	(100.0%)	
NONPROJECT WATER DELIVERIES									
Firming - Federal	-	-	-	-	1,040	-	1,040	-	
Firming - CAWCD	-	-	-	-	-	-	-	-	
Other Wheeled Water-Federal	69	-	69	-	943	-	943	-	
Other Wheeled Water - CAWCD	-	-	-	-	-	-	-	-	
Subtotal Nonproject Water	69	-	69	-	1,983	-	1,983	-	
Total Water Deliveries	403,648	572,051	(168,403)	(0)	795,047	1,095,425	(300,378)	(27.4%)	
Transfer of credits to CAGRD	-	-	-	-	13,617	16,289	(2,672)	(16.4%)	
Take or Pay/Adjustment	-	-	-	-	-	6,000	(6,000)	(100.0%)	
Billed Fixed OM&R Water Volumes	403,648	572,051	(168,403)	(29.4%)	808,664	1,117,714	(309,050)	(27.7%)	

Notes explaining the variances are shown on the following page.

# Notes

## Water Volumes , Water Revenues, and Capital Charges (pages 28 and 31)

- A **M&I Subcontract:** 2023 deliveries are expected to be 154 thousand acre feet less than budget due to conservation programs.
- B **Federal Customers:** 2023 deliveries are expected to be 147 thousand acre feet less than budget due to conservation programs.
- C **Excess:** There are no planned excess deliveries in 2023.
- D **Capital and Facility Use Charges (M&I Subcontractors):** Full-year M&I allocations is \$2M less than budget due to a difference of \$3 per acre feet between the final published rate and the budgeted rate.
- E **Capital and Facility Use Charges (M&I Non-Subcontractors):** Planned transfers of LTSC to CAGR is lower than budgeted, and the actual capital charge rate is \$3 per acre feet lower than planned.
- F **Underground Storage Facility Use Charges:** There will be no storage of water by the tribes at our recharge projects, due to planned diversion to Lake Mead this year.



# Water Revenues and Capital Charges

(Dollars in Thousands)

	2nd Quarter 2023					Full Year 2023					Notes
	Actual	Budget	Variance		Projection	Budget	Variance				
			(\$)	(%)			(\$)	(%)			
PROJECT WATER REVENUES											
Municipal & Industrial Water Subcontract	\$ 51,105	\$ 67,853	(16,748)	-25%	\$ 122,951	145,997	(23,046)	-16%	A		
Federal Contract											
Subtotal Federal & M&I Contract Water	36,472	59,718	(23,246)	(38.9%)	72,039	98,275	(26,236)	(26.7%)			
Subtotal Federal Contract	\$ 87,577	\$ 127,571	(39,994)	(31.4%)	194,990	244,272	(49,282)	(20.2%)	B		
Excess									C		
Ag Settlement Pool (includes Ag Forbearance)	-	-	-	-	-	-	-	-			
CAGR D Obligation	-	-	-	-	-	-	-	-			
CAGR D Obligation @ Scottsdale IWDS	-	-	-	-	-	-	-	-			
AWBA	-	-	-	-	-	-	-	-			
AWBA Interstate Banking Water	-	-	-	-	-	-	-	-			
USBR Firming	-	-	-	-	-	-	-	-			
CAGR D Replenishment Reserve	-	-	-	-	-	-	-	-			
Water Revenues Contra WSTA	-	-	-	-	-	-	-	-			
Temporary water use permits	-	195	(195)	(100.0%)	-	416	(416)	(100.0%)			
Full Cost Excess (Unscheduled overruns)	-	-	-	-	-	-	-	-			
Subtotal Excess	-	195	(195)	(100.0%)	-	416	(416)	(100.0%)			
NON PROJECT WATER REVENUES											
Firming - Federal	-	-	-	-	256	-	256	-			
Firming - CAWCD	-	-	-	-	-	-	-	-			
Other Wheeled Water-Federal	15	-	15	-	232	-	232	-			
Other Wheeled Water - CAWCD	-	-	-	-	-	-	-	-			
Subtotal Non Project Water	15	-	15	0%	488	-	488	-			
Total Water Deliveries	87,592	127,766	(56,937)	(44.6%)	195,478	244,688	(72,744)	(29.7%)			
Misc. Adjustments	-	-	-	-	-	-	-	-			
Transfer of credits to CAGR D	-	-	-	-	3,348	3,453	(105)	(3.0%)			
Take/Pay Adj.	-	-	-	-	-	600	(600)	(100.0%)			
Total Water O&M Charges	\$ 87,592	\$ 127,766	\$ (40,174)	(31.4%)	\$ 198,826	248,741	\$ (73,449)	(29.5%)			
CAPITAL & FACILITY USE CHARGES											
M&I subcontractors	\$ 18,881	\$ 20,010	\$ (1,129)	(5.6%)	\$ 37,875	40,019	\$ (2,144)	(5.4%)	D		
M&I non-subcontract	-	456	(456)	(100.0%)	722	912	(190)	(20.8%)	E		
Facility Use Charges - Pima&Maricopa (Interstate)	-	-	-	-	-	-	-	-			
Facility Use Charges - Non Project Water	50	-	50	-	50	-	50	-			
Underground storage facilities	-	26	(26)	-100%	0	53	(53)	(100.0%)	F		
Total Capital & Facility Use Charges	\$ 18,931	\$ 20,492	\$ (1,561)	(7.6%)	\$ 38,647	40,984	\$ (2,337)	(5.7%)			

Notes explaining the variances are shown on page 29.

# Energy & Transmission Adjustment

	2nd Quarter 2023					Full Year 2023				
	2022 Actuals	Actual	Budget	Variance		Projection	Budget	Variance		Notes
				(\$)	(%)			(Amount)	(%)	
ENERGY (MWH)										
Waddell	32,382	7,879	11,939	4,060	0.0%	26,587	29,452	2,865	9.7%	
Hoover	121,467	62,799	69,656	6,857	9.8%	112,155	128,019	15,864	12.4%	
Long-term contracts	310,377	150,612	242,419	91,807	37.9%	346,447	474,768	128,321	27.0%	
Market Purchases	1,253,075	827,447	856,523	29,076	3.4%	1,073,238	1,455,849	382,611	26.3%	
Total MWH	1,717,301	1,048,737	1,180,537	131,800	11.2%	1,558,427	2,088,088	529,661	25.4%	
ENERGY RATE (\$/MWH)										
Waddell	\$ -	\$ -	\$ -	\$ -	n/a	\$ -	\$ -	\$ -	n/a	
Hoover	42.92	42.82	46.05	3.24	7.0%	46.84	48.18	1.34	2.8%	
Long-term contracts	68.40	48.40	36.52	(11.88)	(32.5%)	47.56	37.07	(10.49)	(28.3%)	A
Market Purchases	13.20	37.36	23.80	(13.55)	(56.9%)	29.49	27.87	(1.61)	(5.8%)	B
Grand Weighted Average \$/MWH	\$ 25.51	\$ 39.28	\$ 27.77	\$ (11.52)	(41.5%)	\$ 34.84	\$ 31.26	\$ (3.59)	(11.5%)	
ENERGY COSTS (\$000)										
Waddell	\$ -	\$ -	\$ -	\$ -	n/a	\$ -	\$ -	\$ -	n/a	
Hoover	5,213	2,689	3,208	519	16.2%	5,253	6,168	915	14.8%	
Long-term contracts	21,229	7,289	8,852	1,563	17.7%	16,477	17,600	1,123	6.4%	A
Market Purchases	16,542	30,911	20,388	(10,523)	(51.6%)	31,645	40,576	8,931	22.0%	B
Gross Energy Costs (\$000)	\$ 42,984	\$ 40,889	\$ 32,449	\$ (8,440)	(26.0%)	\$ 53,375	\$ 64,344	\$ 10,969	17.0%	
Energy Scheduling Services	\$ 1,161	\$ 544	\$ 580	\$ 36	6.2%	\$ 849	\$ 1,161	\$ 312	26.9%	
MWD Agreement Expense	73	-	-	-	0.0%	80	80	-	0.0%	
Lake Pleasant Adjustment	4,003	(7,465)	(3,115)	4,350	139.6%	(3,364)	(1,767)	1,597	(90.4%)	C
Lake Roosevelt Adjustment	693	24	207	183	(88.4%)	331	591	260	44.0%	C
Total Energy (\$000)	\$ 48,914	\$ 33,992	\$ 30,121	\$ (3,871)	(12.9%)	\$ 51,271	\$ 64,409	\$ 13,138	20.4%	
TRANSMISSION ADJUSTMENT										
Elec Trans-Losses	\$ 5,508	\$ 2,312	\$ 1,256	\$ (1,056)	(84.1%)	\$ 3,369	\$ 2,511	\$ (858)	(34.2%)	D
Elec Trans-SRP SALT GILA	285	67	189	122	64.6%	185	378	193	51.1%	D
Elec Trans-Brady/Pichacho/RR	485	212	175	(37)	(21.1%)	428	350	(78)	(22.3%)	D
Elec Trans-WECC Trans	201	125	116	(9)	(7.8%)	171	233	62	26.6%	D
Total Transmission Adjustment (\$000)	\$ 6,479	\$ 2,716	\$ 1,736	\$ (980)	(56.5%)	\$ 4,153	\$ 3,472	\$ (681)	(19.6%)	
OTHER ADJUSTMENT										
Other Income	\$ -	(209)	-	209	0.0%	(406)	-	406	0.0%	E
Total Energy, Transmission & Other Adjustments (\$000)	\$ 55,393	\$ 36,499	\$ 31,857	\$ (4,642)	(14.6%)	\$ 55,018	\$ 67,881	\$ 12,863	18.9%	
Notes explaining the variances are shown on page 33.										



# Energy & Transmission Adjustment

## *Notes*

### Notes:

- A As part of the CAP power portfolio, two long-term contracts were solidified at the end of 2019. The first is a 20 year power purchase agreement at a fixed contract energy price from a solar facility, and the second is a 5 year power purchase agreement from Salt River Project (SRP), in which the contracted energy price is tied to a natural gas index and is therefore variable in nature.
- B Due to the shortage and conservation & preservation agreements, there are projected lower diversions and lower water deliveries than planned, creating the opportunity for greater shaping. The planned water release by the Army Corps of Engineers out of Alamo Lake resulted in an operational decision to stop diversions and pumping for approximately 8 days in March until the turbidity levels in Lake Havasu dropped. Also during Q1, Mark Wilmer Pumping Plant experienced a power supply disruption, resulting in stopping diversions and pumping for a few days. The forecast includes favorable summer sales. CAP continues to explore price stability and looks to the forward energy auctions as a method to accomplish this.
- C The Lake Pleasant & Lake Roosevelt variances are the net impact of storing (negative number) and releasing (positive number) water. The energy cost to store water in the lakes is held as inventory rather than being expensed. When used, the inventory amount is added to the energy cost. Due to the shortage and conservation & preservation agreements, Lake Pleasant water will be stored, increasing inventory. Additionally, Lake Roosevelt (SRP/CAP exchange agreement) is planned to contribute 5 thousand acre-feet to fulfill water delivery orders.
- D Transmission costs, which are variable in nature, are included in energy costs. Transmission losses are contractually assessed to the affected transmission systems and are projected to increase over planned amounts due to higher rates.
- E Sale of 2021 - 2023 year-to-date renewable energy credits (REC) as a result of the Salome AZ Solar 1 project, which passed all registration requirements and began collecting RECs in October of 2020.

# Underground Storage Operations and Maintenance

(Dollars in Thousands)

	2nd Quarter 2023				Full Year 2023				Notes
	Actual	Budget	Variance (\$)	(%)	Projection	Budget	Variance (\$)	(%)	
Water Deliveries (000 acre-feet)	15	60	(45)	(75.0%)	65	117	(52)	(44.4%)	
<b>Revenues</b>									
Other revenues	180	477	(297)	(62.3%)	1,002	1,630	(628)	(38.5%)	
<b>Total Revenues</b>	\$ 180	\$ 477	\$ (297)	(62.3%)	\$ 1,002	\$ 1,630	\$ (628)	(38.5%)	
<b>Expenses</b>									
Salaries and related costs	\$ (31)	\$ (129)	\$ 98	76.0%	\$ (215)	\$ (267)	\$ 52	19.5%	
Other operating costs:									
Outside services	(12)	(150)	138	92.0%	(192)	(301)	109	36.2%	
Materials and supplies	(11)	(53)	42	79.2%	(52)	(102)	50	49.0%	
Other expenses	(138)	(439)	301	68.6%	(456)	(875)	419	47.9%	
Subtotal	(161)	(642)	481	74.9%	(700)	(1,278)	578	45.2%	
<b>Total Expenses</b>	<b>(192)</b>	<b>\$ (771)</b>	<b>\$ 579</b>	<b>75.1%</b>	<b>\$ (915)</b>	<b>\$ (1,545)</b>	<b>\$ 630</b>	<b>40.8%</b>	
Change in Net Position	(12)	(294)	282	(95.9%)	87	85	2	(2.4%)	
Net position at beginning of period	\$ 8,021	4,485	3,536	78.8%	8,021	4,485	3,536	78.8%	
Net position at end of period	\$ 8,009	\$ 4,191	\$ 3,818	91.1%	\$ 8,108	\$ 4,570	\$ 3,538	77.4%	
<b>Expense Summary</b>									
Aqua Fria	\$ (12)	\$ (55)	\$ 43	78.2%	\$ (121)	\$ (110)	\$ (11)	(10.0%)	A
Hieroglyphic Mountains	(59)	(117)	58	49.6%	(148)	(235)	87	37.0%	B
Lower Santa Cruz	(22)	(255)	233	91.4%	(152)	(511)	359	70.3%	C
Pima Mine Road	(29)	(107)	78	72.9%	(173)	(215)	42	19.5%	D
Superstition Mountain	(68)	(170)	102	60.0%	(300)	(340)	40	11.8%	E
Tonopah Desert	(2)	(67)	65	97.0%	(21)	(134)	113	84.3%	F
<b>Total</b>	<b>\$ (192)</b>	<b>\$ (771)</b>	<b>\$ 579</b>	<b>75.1%</b>	<b>\$ (915)</b>	<b>\$ (1,545)</b>	<b>\$ 630</b>	<b>40.8%</b>	

Notes explaining the variances are shown on the next page.

# Underground Storage Operations and Maintenance

## *Notes*

- A **Agua Fria:** 2023 deliveries are projected to be 7 thousand acre-feet less than budget, resulting in \$97 thousand less in revenues when compared to budget. Total costs are projected to be \$11 thousand more than budget, due in part to salaries/wages and overhead charged to this recharge site.
- B **Hieroglyphic Mountains:** 2023 deliveries are projected to be 9 thousand acre-feet less than budget, resulting in \$119 thousand less revenues than budget. Total costs are projected to be \$87 thousand less than budget, due in part to decrease in power costs associated with lower-than-expected deliveries this year.
- C **Lower Santa Cruz:** Total costs are projected to be \$359 thousand less than budget, mostly due to a decrease in wheeling fees resulting from decrease in deliveries this year.
- D **Pima Mine Rd:** Total costs are projected to be \$42 thousand less than budget, due in part to a decrease in outside commercial services associated with planned annual maintenance of the basins.
- E **Superstition Mountain:** Full year deliveries are projected to be 7 thousand acre-feet lower than budget. Full-year total cost is projected to be \$40 thousand less than budget, due in part to \$42 thousand in less energy related costs due to reduced deliveries to this site.
- F **Tonopah Desert:** There were no planned deliveries to Tonopah this year; regularly planned maintenance will still be completed. Total costs are projected to be \$113 thousand less than budget due mostly to a decrease in materials and supplies for reduced maintenance.

# 2023 Rate Reconciliation

(Dollars in Thousands)

	Projection		Published		Budget
General Fund Operating Expenses	\$ 251,781	\$	280,422	\$	273,368
Adjustments for O&M Expenses					
Depreciation & Amortization	(48,548)		(49,951)		(50,081)
Energy	(51,271)		(72,098)		(64,410)
Transmission & Other Adjustments	(3,747)		(4,178)		(3,472)
Underground storage site O&M	(915)		(1,518)		(1,545)
Extraordinary Maintenance (when part of "Big R")	(1,880)		(2,572)		(2,572)
Other income	(650)		(514)		(556)
Conservation Initiative - PVID Fallowing (Funded by Extraordinary Cost Reserve)	(1,204)		(2,100)		-
Irrigation Conserv Prgms, including Ndrip (Funded by Extraordinary Cost Reserve)	(1,056)		(700)		(8,276)
Compensated Mitigation (Funded by 'Big R')	(3,535)		-		(3,493)
Regional Recycled with MWD - (Funded by Water Storage Reserve)	(1,605)		(1,000)		(1,000)
Wheeling Costs - (Funded by System Use Reserve)	(15)		(20)		(20)
Recovery Expenses - (Funded by Recovery Reserve)	-		(3,750)		(3,750)
500+ Plan/ICS Preservation - (Funded by Extraordinary Cost Reserve)	(4,670)		(5,000)		-
500+ Plan Additional Spending Authority - Funded by Extra Ordinary Cost Reserves	-		(5,000)		-
Storm Damage Repair Pool 34 - (Funded by Extraordinary Cost Reserve)	(206)		(4,500)		-
Conservation Fallowing with Bard - (Funded by Extraordinary Cost Reserve)	-		(216)		-
Visitor Center Design - (Funded by Extraordinary Cost Reserve)	-		(260)		-
Total Adjustments	(119,302)		(153,377)		(139,175)
Fixed O&M Expenses	\$ 132,479	\$	127,045	\$	134,193
Energy, Transmission & Other Adjustments					
Energy	\$ 51,271	\$	72,098	\$	64,410
Transmission & Other Adjustments	3,747		4,178		3,472
Total Energy, Transmission & Other Adjustments	\$ 55,018	\$	76,276	\$	67,882

# 2023 Rate Reconciliation

(Dollars in Thousands)

## Calculation of Reconciled Water Rates

### Subcontract / Federal Rates

	Projection	Tier 1 Published	Tier 2a Budget	Variance Publ vs Proj	Variance Bdgt vs Proj
<b>Water Delivery Costs (<i>Thousands</i>)</b>					
Fixed O&M Expenses	\$ 132,479	\$ 127,045	\$ 134,193	\$ (5,434)	\$ 1,714
Total Energy & Transmission Adjustment Expenses	55,018	76,276	67,882	21,258	12,864
<b>Water Delivery (<i>Acre-Feet</i>)</b>					
Total water deliveries with credits	808,664	1,003,703	1,111,714	195,039	303,050
Take or Pay adjustment	-	-	6,000	-	6,000
Billed Fixed OM&R Water Volume	808,664	1,003,703	1,117,714	195,039	309,050
Pumping Energy Rate 1 Water Volume	808,664	1,003,703	1,111,714	195,039	303,050
<b>Water Delivery Rate (<i>\$/AF</i>)</b>					
Calculated Fixed O&M Rate	\$ 163.83	\$ 127.00	\$ 120.06	\$ (36.83)	\$ (43.77)
Apply 2.5 cents of 2022/23 Property taxes	(12.00)	(12.00)	-	-	-
Adjusted Fixed OM Rate	151.83	115.00	120.06	(36.83)	(31.77)
Capital Replacement Component ("Big R")	37.00	37.00	42.00	-	5.00
Total Fixed OM&R	188.83	152.00	162.06	(36.83)	(26.77)
Calculated Pumping Energy Rate	68.04	76.00	61.06	7.96	(6.98)
Apply 2 cents of 2022/23 Property taxes	(11.00)	(11.00)	-	-	11.00
Total Pumping Energy Rate 1	57.04	65.00	61.06	7.96	4.02
Total Delivery Rate	\$ 245.87	\$ 217.00	\$ 223.12	\$ (28.87)	\$ (26.77)
Full Rate Stabilization	\$ (12.00)	\$ (12.00)	\$ (12.00)	\$ -	\$ -
Net Delivery Rate	\$ 233.87	\$ 205.00	\$ 211.12	\$ (28.87)	\$ (26.77)

Long Term Contract reconciliation-Fixed OM&R (\$000)- (refund)/bill	\$ 29,209
Long Term Contract reconciliation-Energy (\$000)- (refund)/bill	\$ (6,313)
Total Long Term Contract reconciliation (\$000)- (refund)/bill	\$ 22,896



## ICS & System Conservation/Augmentation Programs

The CAWCD Board has established an ICS & system conservation/augmentation strategy to improve the reliability of CAWCD's Colorado River supply to directly benefit CAP long-term customers.

Program - ICS	Project Activity Years	Involved Parties (Contracted)	Description	CAWCD Financial Impact	Acre-Feet	Notes
Gila River Indian Community (GRIC)	2022	ICS Creation Plan and AZ ICS Framework Agmnt	Conserve and create EC ICS for GRIC	BOR paid Fixed OM&R	78,565	A
Gila River Indian Community (GRIC)	2021	ICS Creation Plan and AZ ICS Framework Agmnt	Conserve and create EC ICS for GRIC	BOR paid Fixed OM&R	40,000	
Gila River Indian Community (GRIC)	2020	ICS Creation Plan and AZ ICS Framework Agmnt	Conserve and create EC ICS for GRIC	BOR paid Fixed OM&R	50,000	
Gila River Indian Community (GRIC)	2020	ICS Creation Plan and AZ ICS Framework Agmnt; GRIC and Arizona Water Banking Authority Agmnt	Conserve and create EC ICS for GRIC	BOR paid Fixed OM&R	33,000	
Gila River Indian Community (GRIC)	2019	ICS Creation Plan and AZ ICS Framework Agmnt; GRIC and Arizona Water Banking Authority Agmnt	Conserve and create EC ICS for GRIC	BOR paid Fixed OM&R	17,000	
Gila River Indian Community (GRIC)	2019	GRIC and BOR (ICS Creation Plan); United States (BOR), State of Arizona, and CAWCD; (AZ ICS Framework Agmnt); GRIC and BOR Agmnt	Conserve and create EC ICS for GRIC	BOR paid Fixed OM&R	100,000	
Ag Forbearance III	2017-2030	CAWCD and Ag Settlement Pool participants	Conserve and create ICS for CAWCD through Ag districts forbearing any or all of their Ag Settlement Pool water	Fixed O&M increases and CAWCD reserves increase due to reduction of covered Fixed OM&R.	various	
CAWCD ICS Preservation Program	2023	10 CAWCD Subcontractors and the Arizona Department of Water Resources (ADWR)	Conserve 41,776 AF to reduce 2023 delivery of ICS	Total cost of \$13.8M. CAWCD contribution of \$4.6M and ADWR contribution of \$9.2M. Rate impact of additional \$14-\$15 per acre-foot in addition to the rate impact on 93,000 AF in the 2023 rates.	41,776	
United States System Conservation Program	2023	8 CAWCD Subcontractors, United States (BOR)	Conserve 141,400 AF	Rate impact of additional \$14-\$15 per acre-foot in addition to rate impact on 93,000 AF in 2023 rates. No CAWCD project contribution. Total project cost of \$56.4M.	141,000	

## ICS & System Conservation/Augmentation Programs

The CAWCD Board has established an ICS & system conservation/augmentation strategy to improve the reliability of CAWCD's Colorado River supply to directly benefit CAP long-term customers.

Program - System Conservation/Augmentation	Project Activity Years	Involved Parties (Contracted)	Description	CAWCD Financial Impact	Acre-Feet	Notes
United States System Conservation Program	2024	8 CAWCD Subcontractors, United States (BOR)	Conserve 127,400 AF	Cost and rate impact to be determined	127,400	
United States System Conservation Program	2025	8 CAWCD Subcontractors, United States (BOR)	Conserve 126,400 AF	Cost and rate impact to be determined	126,400	
CAWCD Subcontractor Conservation	2022	11 CAWCD Subcontractors, United States (BOR), Arizona Department of Water Resources (ADWR), and Southern Nevada Water Authority (SNWA)	Conserve 35,506 AF	CAWCD contribution of \$928,837, with total project cost of \$9,288,370.	35,506	A
CAWCD Subcontractor Conservation	2022	5 CAWCD Subcontractors and United States (BOR)	Conserve 52,288 AF	Utilize extraordinary cost reserves to offset 50% of Fixed OM&R rate impact. Total impact was estimated at \$8.7M.	52,288	A
Wellton-Mohawk Irrigation and Drainage District System Conservation (WMIDD)	2023	WMIDD and United States (BOR)	Under consideration; potential volume stated	No impact	60,000	
Mohave Valley Irrigation and Drainage District System Conservation (MVIDD)	2023	MVIDD and United States (BOR)	Conserve 12,819 AF	No impact	12,819	
Yuma Mesa Irrigation and Drainage District System Conservation (YMIDD)	2023	YMIDD and United States (BOR)	Conserve 13,670 AF	No impact	13,670	
Mohave Valley Irrigation and Drainage District System Conservation (MVIDD)	2022	MVIDD, United States (BOR), Arizona Department of Water Resources (ADWR), the Metropolitan Water District of Southern California (MWD), and Southern Nevada Water Authority (SNWA)	Conserve 9,531 AF	CAWCD contribution of \$423,863, with total project cost of \$2,493,310.	9,531	A
Yuma Mesa Irrigation and Drainage District System Conservation	2022	YMIDD, United States (BOR), Arizona Department of Water Resources (ADWR), the Metropolitan Water District of Southern California (MWD), and Southern Nevada Water Authority (SNWA)	Conserve 8,523 AF.	CAWCD contribution of \$222,962, with total project cost of \$2,229,617.	8,523	A
Gabrych	2023	Gabrych and United States (BOR)	Conserve 3,200 AF	No impact	3,200	
California Regional Recycled Water Program	2022-2035	Arizona Department of Water Resources (ADWR) and the Metropolitan Water District of Southern California (MWD).	Recycle water currently discharged to the Pacific Ocean & firm M&I supplies through Interstate exchange	\$6 million total over the period - Water Storage Reserves decrease of \$5 million and \$1 million from DWR (ensured by Water Storage Reserves, if necessary)	TBD	B

## ICS & System Conservation/Augmentation Programs - continued

Program - System Conservation/Augmentation	Project Activity Years	Involved Parties (Contracted)	Description	CAWCD Financial Impact	Acre-Feet	Notes
Fort McDowell Yavapai Nation (FMYN) System Conservation	2023	FMYN and BOR	Conserve 13,933 AF	Fixed O&M increase of \$1.78/af	13,933	A
Fort McDowell Yavapai Nation (FMYN) System Conservation	2022	FMYN and BOR	Conserve 13,933 AF	Fixed O&M increase of \$1.20/af	13,933	A
Fort McDowell Yavapai Nation (FMYN) System Conservation	2021	FMYN and BOR	Conserve 13,933 AF	Fixed O&M increase of \$0.75/af	13,933	
Fort McDowell Yavapai Nation (FMYN) System Conservation	2020	FMYN and BOR	Conserve 10,000 AF	Fixed O&M increase of \$0.53/af	10,000	
GRIC System Conservation	2023	GRIC and BOR	Conserve 92,000 AF	Fixed O&M increase of \$12.46/af	92,000	
GRIC System Conservation	2022	GRIC and BOR	Conserve 58,837 AF	Fixed O&M increase of \$2.25/af	58,837	A
GRIC System Conservation	2021	GRIC and BOR	Conserve 40,000 AF	Fixed O&M increase of \$2.25/af	40,000	
San Carlos Apache Tribe (SCAT)	2023	SCAT and BOR	Conserve 23,275 AF	Fixed O&M increase of \$1.98/af	23,275	
Interstate System Conservation (with Palo Verde Irrigation District (PVID))	2021-2024 (3 Years)	United States (BOR), CAWCD, Metropolitan Water District of Southern California (MWD) and Southern Nevada Water Authority (SNWA)	Conserve up to 60,000 AF/year. CAWCD is contributing 16.7%.	\$6.3 million over the period - Extraordinary Cost Reserve decrease. Joint funding is terminating July 31, 2023 as program moves to IRA funding.	60,000	

Notes:

A: Numbers for 2023 - 2025 are provisional.

B: In 2022, ADWR could not secure the funding. Water Storage Reserves will be used to pay for the total cost of the project (\$6 million).

# Extraordinary Maintenance Projects

(Dollars in Thousands)

	2nd Quarter 2023				Full Year 2023					
	Actual	Budget	Variance		Projection	Budget	Additional Spending	Total Spending Authority	Variance	
			(\$)	(%)					(\$)	(%)
<b>Expenses</b>										
Salaries and related costs	\$ (83)	\$ (96)	\$ 13	13.4%	\$ (262)	\$ (236)	\$ -	\$ (236)	\$ (26)	(10.9%)
Other operating costs:				0.0%						
Outside services	(174)	(520)	346	66.5%	(1,515)	(2,040)	-	(2,040)	525	25.7%
Materials and supplies	(3)	(10)	7	70.9%	(3)	(10)	-	(10)	7	70.9%
Other expenses/overhead	(92)	(116)	23	20.2%	(306)	(286)	-	(286)	(21)	(7.2%)
Subtotal	(269)	(646)	376	58.3%	(1,824)	(2,336)	-	(2,336)	511	21.9%
<b>Total Expenses</b>	<b>\$ (352)</b>	<b>\$ (742)</b>	<b>\$ 389</b>	<b>52.5%</b>	<b>\$ (2,086)</b>	<b>\$ (2,572)</b>	<b>\$ -</b>	<b>\$ (2,572)</b>	<b>\$ 486</b>	<b>18.9%</b>

	Total Project Costs										Notes	
	Through 2022	2023 Projection	Balance Remaining	Total						Variance (\$)		Variance (%)
				Projection	Budget	Additional Spending	Spending Authority					
EM-Storm Damage Repairs Pool 34	\$ (11,115)	\$ (206)	\$ 0	\$ (11,321)	\$ -	\$ (13,000)	\$ (13,000)	\$ 1,679	12.9%	A		
EM-MWP Suction Tubes & BSH Right Manifold Re	(3,264)	(1,880)	0	(5,144)	(6,776)	-	(6,776)	1,632	24.1%	B		
Total	\$ (14,379)	\$ (2,086)	\$ (0)	\$ (16,465)	\$ (6,776)	\$ (13,000)	\$ (19,776)	\$ 3,311	16.7%			

## Notes:

- A Pool 34 repairs were funded through Extraordinary Cost Reserves and are not part of the Fixed O&M Rate. On September 2, 2021, the Board approved \$4.5 million of additional spending authority for 2021 expenses, and, on August 4, 2022, the Board approved \$8.5 million of additional spending authority for 2022 expenses related to the Pool 34 repair. Final project expenses occurred in Q1 2023.
- B Funded through "Big R"





# Central Arizona Groundwater Replenishment District (CAGRD)

## BUDGET PERFORMANCE - Full Year 2023

<i>(Dollars in Thousands)</i>	Projection	Spending Authority	Change	
Revenues	\$ 59,703	\$ 62,596	\$ (2,893)	(5%)
Expenses	(21,286)	(19,252)	(2,034)	(11%)
Change in Net Position	38,417	43,344	(4,927)	(11%)
Beginning Net Position	293,955	265,973	27,982	
Ending Net Position	\$ 332,372	\$ 309,317	\$ 23,055	

### Total Revenues

Total revenues are projected to be \$59.7 million for the year, \$2.9 million lower than budget. Operating revenue—which includes rates, fees, and dues revenues—is projected to be \$6.3 million lower than budget. Rates revenue is projected to be \$2.9 million lower than budget because of lower obligation than estimated in the budget; and fees revenue is projected to be \$3.1 million lower than budget because of lower enrollments. Nonoperating income is projected to be \$3.4 million higher than budget due to a favorable economic environment and the resulting fair value adjustment.

### Total Expenses

Expenses are projected to be \$21.3 million for the year, \$2.0 million higher than budget. The difference is primarily due to \$2.2 million of higher water expenses. The expense for water represents an estimate of 2023 pumping and any 2023 long term storage credit purchases from CAWCD. The variance is primarily because the increase in the CAWCD delivery cost. Nonoperating expenses are projected to be close to budget for the year.

## Reserves

The CAGRD maintains the following cash reserves that are held by the Arizona State Treasurer:

**Administrative** – Funds are used to pay the administrative expenses of the CAGRD.

**Infrastructure and Water Rights** – Funds in this reserve are dedicated to the development of water supplies and infrastructure necessary for CAGRD to meet its replenishment obligations. In accordance with the current Plan of Operation and direction of the CAWCD Board of Directors, CAGRD is actively pursuing the development of additional water supplies that can be used to meet replenishment obligations in both the near-term and long-term.

To date, CAGRD has developed several different types of water supplies through a variety of mechanisms. These supplies range from permanent CAP M&I subcontract entitlements to a long-term lease of water from an Arizona Tribal community. CAGRD has entered into several agreements to purchase long-term storage credits and has contracted for a 100-year lease of municipal effluent. These various supplies represent the equivalent of approximately 35,000 acre-feet/year of 100-year water supply. A \$95 million long-term storage credit purchase was completed in 2019.

**Water and Replenishment** – Funds are used to purchase and recharge water to meet CAGRD's annual replenishment obligation on a cost-of-service basis. Water is not actually purchased until the revenues have been received by CAGRD. This methodology ensures CAGRD's financial health because it allows CAGRD to avoid going into debt for this activity.

**Replenishment Reserve** – Funds held in this reserve are used to accrue long-term storage credits to establish and build a replenishment reserve as required by state law.



# Statement of Revenues, Expenses and Change in Net Position

## CAGR

(Dollars in Thousands)

	2nd Quarter 2023				Full Year 2023						Notes
	Actual	Budget	Variance		Projection	Budget	Additional Spending	Spending Authority	Variance		
			(\$)	(%)					(\$)	(%)	
Operating Other Revenues											
Revenue-Rates	\$ -	\$ -	\$ -		\$ 25,967	\$ 28,915		\$ 28,915	\$ (2,948)	(10.2%)	
Revenue-Fees	9,569	10,954	(1,385)	(12.6%)	18,284	21,369		21,369	(3,085)	(14.4%)	
Revenue-Dues	-	-	-		11,249	11,519		11,519	\$ (270)	(2.3%)	
Total Operating Other Revenues	\$ 9,569	\$ 10,954	\$ (1,385)	\$ (0)	\$ 55,500	\$ 61,803		\$ 61,803	\$ (6,303)	(10.2%)	A
Operating Expenses											
Salaries and related costs	\$ (674)	\$ (733)	\$ 59	8.0%	\$ (1,333)	\$ (1,390)		\$ (1,390)	\$ 57	4.1%	
Depreciation	(31)	(31)	-	0.0%	(61)	(61)		(61)	-	0.0%	
Other operating costs:											
Outside services	(226)	(408)	182	44.6%	(613)	(763)	-	(763)	150	19.7%	
Water for underground storage	(440)	-	(440)		(17,025)	(14,827)		(14,827)	(2,198)	(14.8%)	B
Materials and supplies	-	(1)	1	100.0%	(1)	(1)		(1)	-	0.0%	
Overhead	(730)	(795)	65	8.2%	(1,446)	(1,507)		(1,507)	61	4.0%	
Other expenses	(103)	(31)	(72)	(232.3%)	(202)	(54)	-	(54)	(148)	(274.1%)	
Subtotal	(1,499)	(1,235)	(264)	(21.4%)	(19,287)	(17,152)	-	(17,152)	(2,135)	(12.4%)	
Total Operating Expenses	\$ (2,204)	\$ (1,999)	\$ (205)	\$ (0)	\$ (20,681)	\$ (18,603)	\$ -	\$ (18,603)	\$ (2,078)	(11.2%)	
Net Operating Income/(loss)	\$ 7,365	\$ 8,955	\$ (1,590)	(17.8%)	\$ 34,819	43,200	\$ -	\$ 43,200	\$ (8,381)	(19.4%)	
Non-operating Revenues/(Expenses)											
Interest income and other	\$ 1,878	\$ 396	\$ 1,482	374.2%	\$ 4,203	\$ 793		\$ 793	\$ 3,410	430.0%	C
Interest expense and other	(94)	(346)	252	72.8%	(605)	(649)	-	(649)	\$ 44	6.8%	
Net Non-operating Income/(Loss)	\$ 1,784	\$ 50	1,734	3468.0%	\$ 3,598	\$ 144	\$ -	\$ 144	\$ 3,454	2398.6%	
Change in Net assets	\$ 9,149	\$ 9,005	\$ 144	1.6%	\$ 38,417	\$ 43,344	\$ -	\$ 43,344	\$ (4,927)	(11.4%)	

### NOTES:

- A Other Operating Revenues:** YTD revenue is lower than budget by \$1.4 million due to lower activation fees. Full-year 2023 revenue is projected to be below budget by \$6.3 million. Revenues from rates are expected to be \$2.9 million lower than budget due to lower obligation than estimated in the budget. Revenue from fees are projected to be \$3.1 million lower than budget due to lower enrollments and activations. Revenues from dues are projected to be close to budget.
- B Water for Underground Storage:** The expense for water represents the 2023 estimate and any 2023 long term storage credit purchases from CAP. The variance is because of an increase in the obligation estimate for 2023 pumping and an increase in replenishment costs due to the shortage.
- C Interest Income and Other:** YTD and the full-year projection are higher than budget due to a positive interest rate environment and the resulting fair value adjustments.

# CAGRD Replenishment Obligation Year and Corresponding Purchased Water

*(in Acre-Feet)*

## REPLENISHMENT OBLIGATIONS

Acre-Feet by AMA	Phoenix AMA	Pinal AMA	Tucson AMA	Total AMAs
2023				
Outstanding Obligation - Year Ending	38,031	1,242	2,872	42,145
Prior year Obligations adjustment (prev est less CDAR)	(5,890)	(1,034)	(122)	(7,046)
Obligation Estimate for current year	36,656	1,242	2,872	40,770
Less CAWCD Deliveries to meet Obligation (CDAR)	(30,766)	-	(2,750)	(33,516)
Less CAWCD LTSC purchased to meet Obligation	-	(208)	-	(208)
Less I&WR LTSC purchased to meet Obligation	-	-	-	-
Outstanding Obligations at end of 2023	38,031	1,242	2,872	42,145

# CAGRD Fund Balances

(Dollars in Thousands)

	2022 Actual	2nd Qtr 2023 Actual	2023 Projection
<b>Administrative:</b>			
Beginning Fund Balance	\$ 1,766	\$ 1,883	\$ 1,883
Administrative Component Revenue	1,700	488	1,678
Transfer from Phoenix Infrastructure	294	113	163
<b>Total Cash Collected</b>	<b>1,994</b>	<b>601</b>	<b>1,841</b>
Administrative (Operating) Expenses	(1,895)	(907)	(1,814)
Interest Income / Expense	18	40	80
<b>Ending Fund Balance</b>	<b>\$ 1,883</b>	<b>\$ 1,617</b>	<b>\$ 1,990</b>
<b>Conservation:</b>			
Beginning Fund Balance	\$ 849	\$ 911	\$ 911
Administrative Component Revenue	\$ 72	\$ 23	\$ 75
Administrative (Operating) Expenses	(10)	(85)	(150)
Interest Income / Expense	-	22	44
<b>Ending Fund Balance</b>	<b>\$ 911</b>	<b>\$ 871</b>	<b>\$ 880</b>



# CAGR Fund Balances

(Dollars in Thousands)

	Full year projection 2023			
	Phoenix AMA	Pinal AMA	Tucson AMA	Total
<b>Water and Replenishment:</b>				
Beginning Fund Balance	\$ 3,947	\$ 171	\$ 584	\$ 4,702
Revenue	8,142	11	852	9,005
Rate Adjustment	334	-	36	370
Water Purchased	(7,938)	-	(710)	(8,648)
CAWCD Credits Purchased	-	(46)	-	(46)
I&WR Credits Purchased	-	-	-	-
Interest Income (Expense)	210	8	34	252
Ending Balance	\$ 4,695	\$ 144	\$ 796	\$ 5,635
<b>Replenishment Reserve:</b>				
Beginning Fund Balance	\$ 2,258	\$ 2	\$ 183	\$ 2,443
Replenishment Reserve Revenue	3,487	46	272	3,805
Water Purchased	(2,643)	-	-	(2,643)
CAP Credits	180	(14)	-	166
I&WR Credits Purchased	-	-	(236)	(236)
Interest Income / Expense	142	1	11	154
Ending Balance	\$ 3,424	\$ 35	\$ 230	\$ 3,689

# CAGRD Fund Balances

(Dollars in Thousands)

	2022 Actual	2nd Qtr 2023 Actual	2023 Projection
<b>Infrastructure and Water Rights:</b>			
Beginning Fund Balance	\$ 60,110	\$ 76,153	\$ 76,153
Revenue	39,818	17,145	35,661
Proceeds from LTSC internal transfers	665	-	-
Proceeds from M&I Allocation transfer	1,205	-	-
NIA Reallocation and 9(d) Debt	(7,912)	-	-
GRIC and other Lease Considerations	288	(7,374)	(8,053)
Water Costs for LTSC	(4,285)	-	-
LTSC purchases	(9,683)	(4,570)	(12,570)
Technical Studies & Other Operating Expenses	(977)	(492)	(163)
Debt Service payments	(3,975)	(2,000)	(3,986)
Interest Income / Expense	899	2,303	3,040
<b>Ending Fund Balance</b>	<b>\$ 76,153</b>	<b>\$ 81,164</b>	<b>\$ 90,082</b>

# CAGRD Enrollment and Activation Summary

Figure 1: Member Land Enrollment

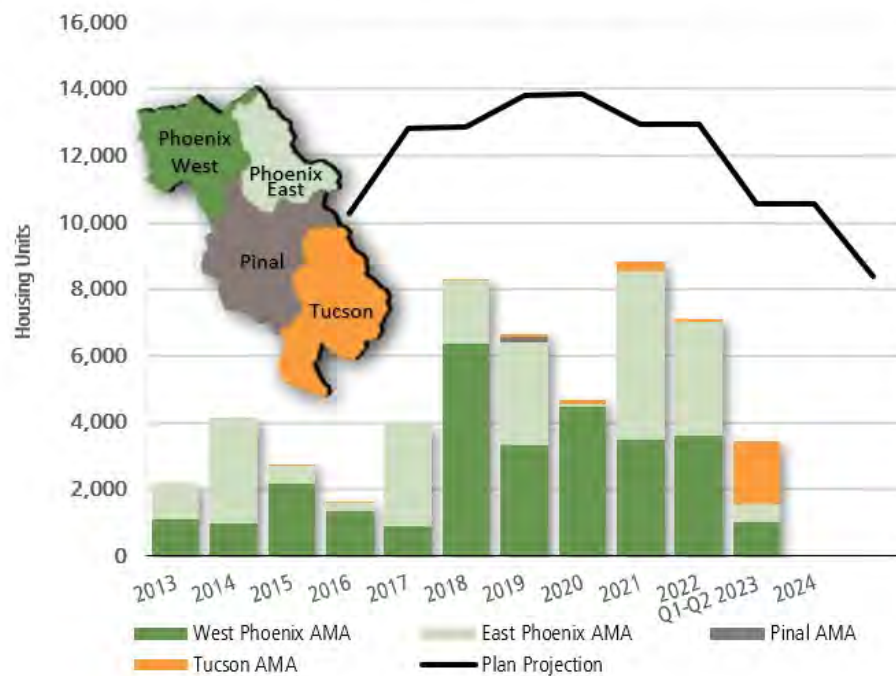


Table 1: Enrollment Units Q1-Q2 2023

AMA	ML Lots	Projected Demand (AF/year)
West Phoenix	1,024	697
East Phoenix	556	440
Pinal	0	0
Tucson	1,865	1,059
<b>TOTAL</b>	<b>3,445</b>	<b>2,196</b>

Figure 2: Activation Units

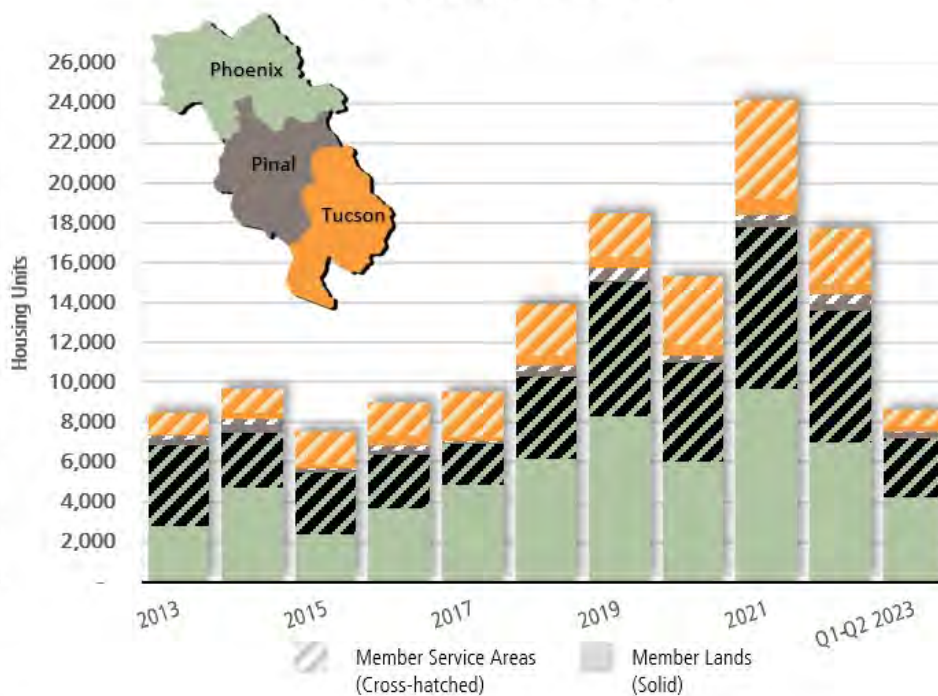


Table 2: Activation Units Q1-Q2 2023

AMA	ML Lots	MSA Lots	Total Lots
Phoenix	4,249	2,973	7,222
Pinal	220	81	301
Tucson	300	817	1,117
<b>TOTAL</b>	<b>4,769</b>	<b>3,871</b>	<b>8,640</b>

# CAGRD Enrollment and Activation Summary

## Enrollment in 2023

An individual subdivision enrolls as a Member Land (ML) of CAGRD when: (1) its owner executes and records an irrevocable declaration of covenants, conditions and restrictions ("ML Declaration") running with the land that includes the land in CAGRD and subjects it to the replenishment assessment; and (2) the owner and the municipal provider that will supply water to the subdivision execute and record an agreement ("ML Agreement") under which the water provider agrees to submit the water delivery information necessary to calculate the replenishment assessment for each parcel of land annually to CAGRD. Individual parcels within a CAGRD ML are categorized as Category 1 MLs or Category 2 MLs. Category 2 MLs are those parcels that are part of a golf course and that choose not to participate in CAGRD's replenishment reserve program. Category 1 MLs are all ML parcels that do not qualify as Category 2 MLs.

**Figure 1** illustrates the recent history of CAGRD member land enrollment from 2013 through Q2 2023. **Table 1** provides a breakdown by AMA of member land enrollment activity through the end of Q2 2023. ML enrollment occurred in the Phoenix AMA and was comprised of 6 new subdivisions with 1,580 lots and with a total projected demand of 1,137 AF/yr. The East Valley had 3 subdivisions enrolled with a total of 556 lots with a projected annual demand of 440 AF/yr. The West Valley had 3 enrollments with 1,024 lots and with a projected demand of 697 AF/yr. The Tucson AMA had 2 enrollment with 1,865 lots and with a projected demand of 1,059 AF/yr. No new subdivisions enrolled within the Pinal AMA through Q2 2023.

No new Member Service Areas (MSAs) enrolled through Q2 2023 and there were no de-enrollments.

## Activation in 2023

The Arizona Department of Real Estate issues a public report allowing the sale of lots within subdivisions. Prior to this report being issued for subdivisions within CAGRD MLs and MSAs, an Activation Fee must be paid to CAGRD per residential unit offered for sale. **Figure 2** shows the recent history of activation lots in Member Lands and Member Service Areas by AMA. MSA lots are represented with crosshatching while ML lots are solid colors by AMA. The number of lots activated through Q2 2023 totaled 8,640 (Member Land lots = 4,769; Member Service Area lots = 3,871). **Table 2** provides a breakdown by AMA of previously enrolled lots that were activated through Q2 2023. By comparison, there were 11,634 units activated through Q1-Q2 2022.



# Statement of Revenues, Expenses and Change in Net Position Captive Insurance Fund

(Dollars in Thousands)

	2nd Quarter 2023				Full Year 2023							
	Actual	Budget	Variance		Projection	Budget	Additional	Total	Variance		Notes	
			(\$)	(%)			Spending	Spending	Authority	(\$)	(%)	
Operating Revenues												
Other revenues	\$ 6,093	\$ 6,351	\$ (258)	(4.1%)	\$ 12,619	\$ 12,702		\$ 12,702	\$ (83)	(0.7%)	A	
Total Operating Revenues	\$ 6,093	\$ 6,351	\$ (258)	(4.1%)	\$ 12,619	\$ 12,702	\$ -	\$ 12,702	\$ (83)	(0.7%)		
Operating Expenses												
Other Operating costs:					-							
Outside services	\$ (132)	\$ (134)	\$ 2	1.5%	\$ (244)	\$ (268)		\$ (268)	\$ 24	9.0%	B	
Other expenses	(4,814)	(5,739)	925	16.1%	(10,700)	(11,478)	-	(11,478)	778	6.8%	C	
Total Operating Expenses	(4,946)	(5,873)	927	15.8%	(10,944)	(11,746)	-	(11,746)	802	6.8%		
Net Operating Income/(Loss)	\$ 1,147	\$ 672	\$ 669	99.6%	\$ 1,675	\$ 956	\$ -	\$ 956	\$ 719	(75%)		
Non-operating Revenues/(Expenses)												
Interest income and other	\$ 1	\$ 17	\$ (16)	(94.1%)	\$ 4	\$ 34		\$ 34	\$ (30)	(88.2%)		
Net Non-operating Income/(Loss)	1	17	(16)	(94.1%)	4	34	-	34	(30)	(88.2%)		
Change in Net Position	1,148	689	653	(94.8%)	1,679	990	-	990	689	(69.6%)		
Net position at beginning of period	11,140	7,246	3,894	53.7%	11,140	7,246		7,246	3,894	53.7%		
Net position at end of period	\$ 12,288	\$ 7,935	\$ 4,547	57.3%	\$ 12,819	\$ 8,236	\$ -	\$ 8,236	\$ 4,583	55.6%		

## Notes:

- A **Reimbursements and other revenues:** 2023 full year projection is expected to be slightly lower than budget due to lower than expected enrollment in CAWCD medical program
- B **Outside Services:** 2023 projected positive variance of \$24 thousand is due in part to lower than anticipated actuarial, letter of credit, and bank fees
- C **Other Expenses:** 2023 underwriting expenses are projected to be lower than budget as medical claims are coming in lower than estimated.





# Statement of Revenues, Expenses and Change in Net Position

## Supplemental Water Account

(Dollars in Thousands)

	2nd Quarter 2023				Full Year 2023				Notes
	Actual	Budget	Variance		Projection	Total Spending Authority	Variance		
			(\$)	(%)			(\$)	(%)	
Operating Expenses									
Outside services	\$ -	\$ -	\$ -	N/A	\$ -	\$ -	\$ -	N/A	
Total Operating Expenses	-	-	-	N/A	-	-	-	N/A	
Non-operating Revenues/(Expenses)									
Interest income / FV Adj	132	67	65	97.0%	295	\$ 133	162	121.8%	A
Interest expenses and other	0	0	0	N/A	0	-	-	N/A	
Total Non-operating Revenues/(Expenses)	132	67	65	97.0%	295	133	162	121.8%	
Change in Net Position	132	67	65	97.0%	295	133	162	121.8%	
Net position at beginning of period	8,592	9,242	(650)	-7.0%	8,592	9,242	(650)	(7.0%)	
Net position at end of period	8,724	9,309	(585)	-6.3%	8,887	\$ 9,375	\$ (488)	(5.2%)	

### Notes:

A. YTD and full year favorable variances in Fair Value adjustment and higher interest income



# Capital

The Project Steering Committee (PSC) oversees the individual projects ensuring total capital spending does not exceed the annual approval amount and if necessary may request approval from the Board for additional spending.

The Project Management Office and Engineering with the support of the PSC reviewed the current projects and Asset Modifications. Change in scope, scheduling and timing are the main causes for project cost variances. The projects experiencing the most significant variances during 2023 are listed in the following table.



Electromechanical Relay Replacements Phase 2



Isolation Valves at Black Mountain & Snyder Hill

## 2023 CAWCD CAPITAL SPENDING

	2023 Projection	2023 Total Spending Authority	Variance
(Dollars in Thousands)			
<b>Capital Equipment</b>	\$ 5,234	\$ 5,073	\$ (161)
Capital Projects (by Absolute Variance)			
HVAC Replacement Headquarters Building 2	47	4,853	4,806
Fire Protection at San Xavier, Twin Peaks, Sandario, Brawley, Tucson Field Office	164	4,514	4,350
Fire Protection System Upgrade Mark Wilmer Pumping Plant	5,956	2,692	(3,264)
SCADA Replacement Control Center	2,174	4,609	2,435
Motor Exciters & Control Unit Replacements at West Plants	2,871	670	(2,201)
Transformer McCullough	-	2,000	2,000
Backup Power Systems Replacement at Checks Turnouts & Microwave Sites	726	2,234	1,508
Electromechanical Relay Replacement Phase 2	2,684	1,588	(1,096)
Sump Pump Water Level Controls at Pumping Plants	1,016	140	(876)
All Other Capital Projects	20,366	13,570	(6,796)
Subtotal - Capital Projects	\$ 36,004	\$ 36,870	\$ 866
<b>Total CAWCD Capital Spending</b>	<b>\$ 41,238</b>	<b>\$ 41,943</b>	<b>\$ 705</b>

## TOTAL CAWCD CAPITAL PROJECTS

Many of the projects cover multiple years. Consequently, projects may be completed early and increase costs in the current year or may be delayed and push costs into later years. For this reason, the PSC monitors the project's total cost performance, in addition to annual spending. The following table lists significant projects and their total projected variances.

(Dollars in Thousands)	Projection	Budget	Variance
<b>Capital Projects - Ten Largest</b>			
Electromechanical Relay Replacement Phase 2	\$ 19,215	\$ 14,544	\$ (4,671)
Motor Exciters & Control Unit Replacements at West Plants	16,506	14,760	(1,746)
Backup Power Systems Replacement at Checks Turnouts & Microwave Sites	13,109	12,286	(823)
Condition-Based Monitoring	12,004	11,312	(692)
Fire Protection System Upgrade Mark Wilmer Pumping Plant	11,250	7,962	(3,288)
Fire Protection at San Xavier, Twin Peaks, Sandario, Brawley, Tucson Field Office	9,997	11,321	1,324
SCADA Replacement Control Center	9,443	19,215	9,772
Elevator System Replacement (Phase 2)	9,118	8,476	(642)
Transformer McCullough	7,869	9,184	1,315
Programmable Logic Controller (PLC) Replacement Waddell	6,360	5,403	(957)



# 2023 Capital Spending Variance Summary

(Dollars in Thousands)

## SUMMARY

### Capital & Cost-Shared Spending

	2nd Quarter 2023				Full Year 2023			
	Actual	Budget	Variance (\$)	Variance (%)	Projection	Total Spending Authority	Variance (\$)	Variance (%)
Salaries and related costs	\$ 2,439	\$ 1,939	\$ (500)	(25.8%)	4,578	\$ 3,472	\$ (1,106)	(31.9%)
Equipment and structures	12,714	11,833	(880)	(7.4%)	30,295	32,361	2,066	6.4%
Other expenses:	-							
Outside services	(213)	146	359	245.4%	859	2,151	1,292	60.1%
Materials and supplies & other expenses	451	77	(374)	(485.9%)	542	192	(350)	(182.4%)
Overhead expenses	2,643	2,104	(539)	(25.6%)	4,964	3,767	(1,197)	(31.8%)
Subtotal Other Expenses	2,881	2,327	(554)	(23.8%)	6,365	6,110	(255)	(4.2%)
Total Capital	\$ 18,034	\$ 16,099	\$ (1,934)	(12.0%)	41,238	\$ 41,943	\$ 705	1.7%



# 2023 CAWCD Capital Spending Variance Detail

(Dollars in Thousands)

Projects	2nd Quarter 2023				Full Year 2023				Notes
	Actual	Budget	Variance (\$)	Variance (%)	Projection	Total Spending Authority	Variance (\$)	Variance (%)	
<b>CAPITAL EQUIPMENT</b>									
Buildings & Structures	-	-	-	-	126	-	(126)	-	
Computer Equipment	\$ -	\$ 376	\$ 376	100.0%	\$ -	\$ 752	\$ 752	100.0%	
Furniture & Office Equipment	-	-	-	-	-	-	-	-	
Vehicles	906	\$ 114	(792)	(694.9%)	1,770	891	(879)	(98.7%)	
Field & Other Equipment	2,287	\$ 180	(2,107)	(1170.8%)	3,139	3,345	206	6.2%	
Communication Equipment	154	85	(69)	(80.8%)	199	85	(114)	(134.1%)	
<b>Capital Equipment Total</b>	<b>\$ 3,347</b>	<b>\$ 755</b>	<b>\$ (2,592)</b>	<b>(343.3%)</b>	<b>\$ 5,234</b>	<b>\$ 5,073</b>	<b>\$ (161)</b>	<b>(3.2%)</b>	
<b>2022-2023 Budgeted Projects</b>									
Air Compressors BRD/PIC/RED	\$ 35	\$ 62	\$ 27	43.1%	\$ 452	\$ 451	\$ (1)	(0.3%)	
Backup Power Systems Replacement at Checks Turnouts & Microwave Sites	682	1,405	723	51.4%	726	2,234	1,508	67.5%	A
Condition-Based Monitoring	76	551	475	86.2%	865	1,021	156	15.3%	
Discharge Valves at Bouse Hills, Little Harquahala & Hassayampa Pumping Plants	731	365	(366)	(100.3%)	871	824	(47)	(5.7%)	
Electromechanical Relay Replacement Phase 2	896	895	(1)	(0.2%)	2,686	1,588	(1,098)	(69.1%)	B
Elevator System Replacement (Phase 2)	2,027	1,407	(620)	(44.1%)	3,634	2,820	(814)	(28.9%)	
Elevator System Replacement (Phase 3)	-	377	377	100.0%	-	765	765	100.0%	C
Fire Hydrant Feeder Valves at Headquarters	255	126	(129)	(102.8%)	1,614	1,011	(603)	(59.6%)	D
Fire Protection at San Xavier, Twin Peaks, Sandario, Brawley, Tucson Field Office	137	1,823	1,686	92.5%	164	4,514	4,350	96.4%	E
Fire Protection System Upgrade Mark Wilmer Pumping Plant	3,319	2,077	(1,242)	(59.8%)	5,956	2,692	(3,264)	(121.2%)	F
HVAC Replacement Headquarters Building 2	47	981	934	95.2%	47	4,853	4,806	99.0%	G
HVAC Replacement Mark Wilmer Pumping Plant	-	19	19	100.0%	-	19	19	100.0%	
Isolation Valves at Black Mountain & Snyder Hill (Pilot)	255	55	(200)	(366.9%)	1,747	1,728	(19)	(1.1%)	
Motor Exciters & Control Unit Replacements at West Plants	1,251	670	(581)	(86.6%)	2,871	670	(2,201)	(328.5%)	H
Motor Exciters at Twin Peaks, Sandario, Snyder Hill & Black Mountain	422	145	(277)	(191.0%)	1,007	735	(272)	(37.0%)	
Network Refresh 2023	499	200	(299)	(149.5%)	659	200	(459)	(229.6%)	I
Potable Water Skid Replacement	1,608	1,119	(489)	(43.7%)	1,791	1,119	(672)	(60.1%)	J
Potable Water at Pinal Field Office	88	285	197	69.1%	131	285	154	53.9%	
Programmable Logic Controller (PLC) Replacement Waddell	498	682	184	27.0%	1,719	1,642	(77)	(4.7%)	
Roof Replacement BLK/SNY	21	44	23	52.5%	68	132	64	48.6%	
SCADA Replacement Control Center	1,057	1,419	362	25.5%	2,250	4,609	2,359	51.2%	K
Sump Pump Water Level Controls at Pumping Plants	136	140	4	2.8%	136	140	4	2.7%	
Swchyd Scurity Hardning Delaney	141	296	155	52.4%	376	618	242	39.2%	
Transformer McCullough	-	-	-	-	-	2,000	2,000	100.0%	L
Windows Server Refresh 2023	72	200	128	64.0%	118	200	82	40.8%	
<b>Totals - 2022-2023 Budgeted Projects</b>	<b>\$ 14,255</b>	<b>\$ 15,344</b>	<b>\$ 1,090</b>	<b>7.1%</b>	<b>\$ 29,890</b>	<b>\$ 36,870</b>	<b>\$ 6,979</b>	<b>18.9%</b>	

# 2023 CAWCD Capital Spending Variance Detail (cont.)

(Dollars in Thousands)

## Projects Without a Budget in 2023

Canal-Wide CP System Upgrade	\$ 1	\$ -	\$ (1)	-	\$ 1	\$ -	\$ (1)	-
Fire Pump Replacement Waddell	2	-	(2)	-	2	-	(2)	-
Machine Shop Overhead Crane Improvements	200	-	(200)	-	225	-	(225)	-
Monitor Well AguaFria Rechrq	14	-	(14)	-	14	-	(14)	-
Noise Reduction Project Phase 2 MWP	77	-	(77)	-	1,116	-	(1,116)	-
TDRP Recovery Wells	493	-	(493)	-	3,114	-	(3,114)	-
Potable Water System Upgrade at Sandario Pumping Plant	74	-	(74)	-	85	-	(85)	-
Transmission Line APS	(685)	-	685	-	(685)	-	685	-
Water Education Center	-	-	-	-	282	-	(282)	-
West Entrance Gate HDQ	247	-	(247)	-	1,949	-	(1,949)	-
Windows Server Refresh 2022	9	-	(9)	-	9	-	(9)	-
<b>Totals - Projects Without a Budget in 2023</b>	<b>\$ 432</b>	<b>\$ -</b>	<b>\$ (432)</b>	<b>\$ -</b>	<b>\$ 6,113</b>	<b>\$ -</b>	<b>\$ (6,113)</b>	<b>\$ -</b>
<b>NET CAPITAL</b>	<b>\$ 18,034</b>	<b>\$ 16,099</b>	<b>\$ (1,934)</b>	<b>(12.0%)</b>	<b>\$ 41,238</b>	<b>\$ 41,943</b>	<b>\$ 705</b>	<b>1.7%</b>

- A **Backup Power Systems Replacement at Checks Turnouts & Microwave Sites:** Work delayed to 2024 due to supply chain issues with delivery of final 10 Generators. Work on 13 IPSS continues in 2023, with 27 remaining to be received.
- B **Electromechanical Relay Replacement Phase 2:** 2022 billing delayed into 2023, as well as automation scope being implemented requiring additional internal staff resources. Budgeted contractor prices being monitored carefully.
- C **Elevator System Replacement (Phase 3):** Project remains underway and forecasts will adjust as phase two closes out and scope of work reflects phase three.
- D **Fire Hydrant Feeder Valves at Headquarters:** Additional hydrants added to project scope, resulting in additional cost.
- E **Fire Protection at San Xavier, Twin Peaks, Sandario, Brawley, Tucson Field Office:** Construction and design paused while internal resources are realigned. Current forecast reflects design completion for 1 of 4 sites, assumes resuming in 2024.
- F **Fire Protection System Upgrade Mark Wilmer Pumping Plant:** In addition to increasing inflationary pressure, work delays resulting from Covid-19 protocols delayed 20/21 work into current budget cycle. Additional spending projected in 22/23 compared to budget, but reflects original project scope.
- G **HVAC Replacement Headquarters Building 2:** Construction and design paused while internal resources are realigned. Current forecast reflects project cost anticipated until resuming at a later date.
- H **Motor Exciters & Control Unit Replacements at West Plants:** LHQ remaining 8 units construction pushed to Q3 of 2023 due to operational needs and outages.
- I **Network Refresh 2023:** Budgeted capital computer equipment purchases will not be moving forward, which expanded the scope of this year's network refresh project, as approved by the Project Steering Committee.
- J **Potable Water Skid Replacement:** Longer than anticipated equipment procurement of potable water skids has caused project delays and increased cost estimate.
- K **SCADA Replacement Control Center:** Internal Labor was over estimated for 2022 and the SCADA Standards Contract has become more complex than originally anticipated.
- L **Transformer McCullough:** Project estimates were revised, making the 2023 advanced payment (\$2M) unnecessary. Project lead agency will solidify projected costs when procurement process begins.

# Total CAWCD Capital Projects Variance Detail

(Dollars in Thousands)

Projects	Through 2022	2023 Projection	Remaining Balance	Total Projected	Total Spending Authority	Variance (\$)	(%)	Notes
<b><u>2022 - 2023 Budgeted Projects</u></b>								
Air Compressors BRD/PIC/RED	\$ -	\$ 452	\$ 748	\$ 1,200	\$ 1,177	\$ (23)	(1.9%)	
Backup Power Systems Replacement at Checks Turnouts & Microwave Sites	9,480	726	2,903	13,109	12,286	(823)	(6.7%)	
Condition-Based Monitoring	8,761	865	2,378	12,004	11,312	(692)	(6.1%)	
Discharge Valves at Bouse Hills, Little Harquahala & Hassayampa Pumping Plants	1,151	871	699	2,721	2,718	(3)	(0.1%)	
Electromechanical Relay Replacement Phase 2	5,872	2,686	12,701	21,259	14,544	(6,715)	(46.2%)	A
Elevator System Replacement (Phase 2)	4,862	3,634	622	9,118	8,476	(642)	(7.6%)	
Elevator System Replacement (Phase 3)	-	-	-	-	4,000	4,000	100.0%	B
Fire Hydrant Feeder Valves at Headquarters	263	1,614	0	1,877	1,272	(605)	(47.6%)	C
Fire Protection at San Xavier, Twin Peaks, Sandario, Brawley, Tucson Field Office	457	164	9,376	9,997	11,321	1,324	11.7%	D
Fire Protection System Upgrade Mark Wilmer Pumping Plant	4,716	5,956	578	11,250	7,962	(3,288)	(41.3%)	E
Flowmeter Replacement at Turnouts	1,709	-	-	1,709	1,690	(19)	(1.1%)	
HVAC Replacement Headquarters Building 2	397	47	319	763	6,530	5,767	88.3%	F
HVAC Replacement Mark Wilmer Pumping Plant	5,882	-	-	5,882	5,117	(765)	(15.0%)	
Isolation Valves at Black Mountain & Snyder Hill (Pilot)	290	1,747	1,469	3,506	2,066	(1,440)	(69.7%)	G
Machine Shop Overhead Crane Improvements	188	225	(0)	413	294	(119)	(40.5%)	
Motor Exciters & Control Unit Replacements at West Plants	13,635	2,871	(0)	16,506	14,760	(1,746)	(11.8%)	H
Motor Exciters at Twin Peaks, Sandario, Snyder Hill & Black Mountain	210	1,007	560	1,777	1,421	(356)	(25.1%)	
Network Refresh 2023	-	659	(0)	659	200	(459)	(229.5%)	
Potable Water Skid Replacement	1,262	1,791	(0)	3,053	1,956	(1,097)	(56.1%)	I
Potable Water at Pinal Field Office	219	131	576	926	461	(465)	(100.9%)	
Potable Water System Upgrade at Sandario Pumping Plant	963	85	(0)	1,048	775	(273)	(35.2%)	
Programmable Logic Controller (PLC) Replacement Waddell	3,142	1,719	1,499	6,360	5,403	(957)	(17.7%)	
Roof Replacement BLK/SNY	19	68	903	990	1,034	44	4.3%	
SCADA Replacement Control Center	1,882	2,250	5,388	9,520	19,215	9,695	50.5%	J
Sump Pump Water Level Controls at Pumping Plants	1,036	136	4,832	6,004	2,030	(3,974)	(195.7%)	K
Swchyd Scurity Hardning Delaney	110	376	(0)	486	618	132	21.4%	
Transformer McCullough	7,839	-	30	7,869	9,184	1,315	14.3%	L
Windows Server Refresh 2022	123	9	0	132	150	18	12.0%	
Windows Server Refresh 2023	-	118	(0)	118	200	82	41.0%	
<b>Totals - 2022-2023 Budgeted Projects</b>	<b>\$ 74,468</b>	<b>\$ 30,210</b>	<b>\$ 45,578</b>	<b>\$ 150,256</b>	<b>\$ 148,172</b>	<b>\$ (2,084)</b>	<b>(1.4%)</b>	

# Total CAWCD Capital Projects Variance Detail (cont.)

(Dollars in Thousands)

## Projects Without a Budget in 2023

Canal-Wide CP System Upgrade	\$ 539	\$ 1	\$ 39	\$ 579	\$ -	\$ (579)	-
Conf Rms Network Refrsh	212	-	(212)	-	-	-	-
Fire Pump Replacement Waddell	-	2	(0)	2	-	(2)	-
Monitor Well AguaFria Rechrq	53	14	0	67	-	(67)	-
Noise Reduction Project Phase 2 MWP	6	1,116	299	1,421	-	(1,421)	-
TDRP Recovery Wells	-	3,114	351	3,465	-	(3,465)	-
Sand Filter Sys Repl HSY	1,371	-	(1,371)	-	-	-	-
Sewage System Repl MWP	-	-	31,301	31,301	-	(31,301)	-
Substn Hardening Sunvalley	2,410	-	-	2,410	-	(2,410)	-
Transmission Line APS	29,227	(685)	(18,916)	9,626	-	(9,626)	-
Water Education Center	-	282	14,942	15,224	-	(15,224)	-
West Entrance Gate HDQ	178	1,949	17	2,144	-	(2,144)	-
<b>Totals - Projects Without a Budget in 2023</b>	<b>\$ 33,996</b>	<b>\$ 5,794</b>	<b>\$ 26,449</b>	<b>\$ 66,239</b>	<b>\$ -</b>	<b>\$ (66,239)</b>	<b>-</b>
<b>Totals - Budgeted &amp; Unbudgeted</b>	<b>\$ 108,464</b>	<b>\$ 36,004</b>	<b>\$ 72,027</b>	<b>\$ 216,495</b>	<b>\$ 148,172</b>	<b>\$ (68,323)</b>	<b>(46.1%)</b>

- A **Electro Mech Relay Phase 2:** The MWP plant phase has been moved up to accommodate the outage schedule. Project is expanding to include relay management software development & deployment to centrally manage the new equipment. Construction is slated to begin Q1 2023.
- B **Elevator System Replacement (Phase 3):** Project design was to begin in 2023 with construction in 2024, but was pushed to the next budget cycle (2026-2027)
- C **Fire Hydrant Feeder Valves at Headquarters:** Additional hydrants added to project scope, resulting in additional cost.
- D **Fire Protection at San Xavier, Twin Peaks, Sandario, Brawley, Tucson Field Office:** Engineering chose to pause construction and design in 2023 due to lack of internal staffing resources. The current
- E **Fire Protection System Upgrade Mark Wilmer Pumping Plant:** Board approved increased spending due to added cost for inflation within the project budget.
- F **HVAC Replacement Headquarters Building 2:** The project was delayed due to a shortage of internal resources and will resume design and construction once fully staffed. Construction estimates are coming in higher than expected.
- G **Isolation Valves at Black Mountain & Snyder Hill (Pilot):** Material costs have increased significantly from original project plans.
- H **Motor Exciters & Control Unit Replacements at West Plants:** Little Harquahala construction price and in-house design hours increased.
- I **Potable Water Skid Replacement:** Longer than anticipated equipment procurement of potable water skids has caused project delays and increased cost estimate.
- J **SCADA Replacement Control Center:** Internal Labor was overestimated for 2022 and the SCADA Standards Contract has become more complex than originally anticipated. The original design was slated to be completed in 2022; however, the design will not be completed until 2023.
- K **Sump Pump Water Level Controls at Pumping Plants:** Project timeline has been adjusted to match the revised plan; also, estimated construction costs have been increased to account for post-pandemic price increases.
- L **Transformer McCullough:** Project estimates were revised, making the 2023 advanced payment (\$2M) unnecessary. Project lead agency will solidify projected costs when procurement process begins.



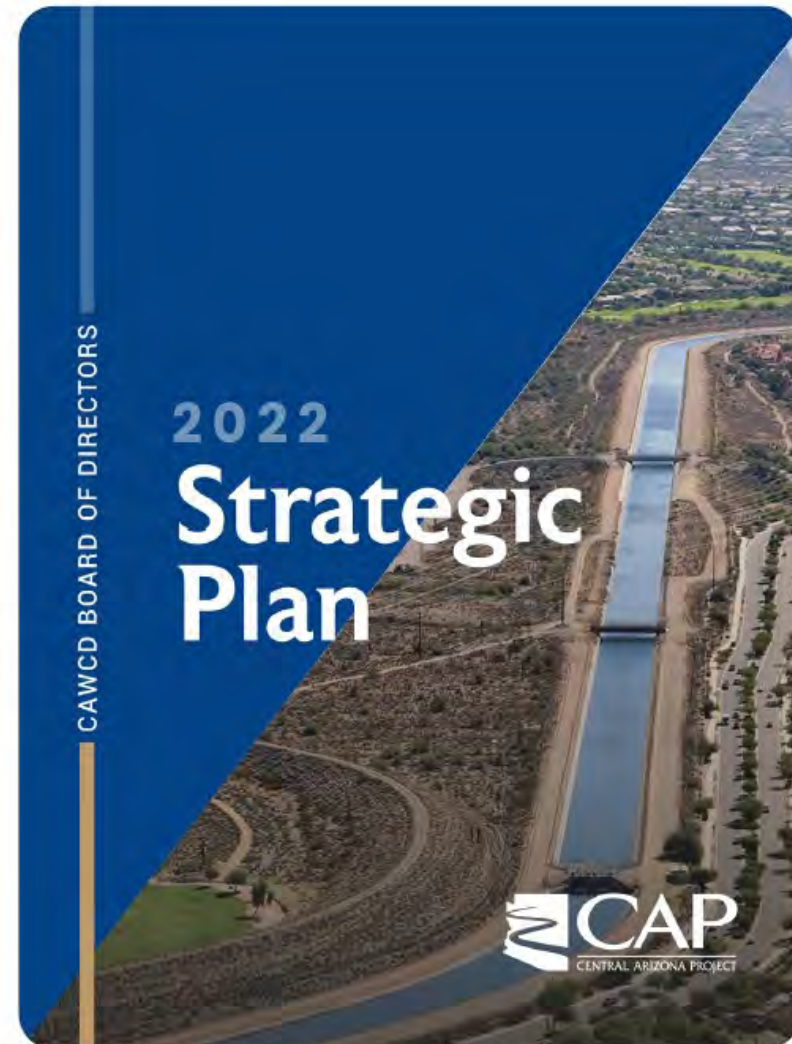


# Strategic Plan Update

Q2 2023

## BACKGROUND

In 2020, the Board adopted the [2022 Board Strategic Plan](#). Facilitated by an external consultant, the 18-month process included several Board retreats, input from employees, and two rounds of stakeholder forums. Implementation of the new plan began with the 2022-23 budget cycle. The Plan provides high-level strategic guidance to the organization and defines CAP's Vision, Mission, and Values. It also defines eight Key Result Areas (KRAs) and identifies 3-5 Strategic Issues for each KRA. This hierarchy of issues serves as the context for many other planning activities at CAP, including the biennial budget, the "Big 5" organization-wide objectives, Board reports and employee performance goals. As part of CAP's two-year budget process, staff links the Board Strategic Plan to the biennial Business Plans to ensure that organizational goals are consistent with the strategic direction provided by the Board. The Public Affairs Department coordinates strategic planning activities for the organization.

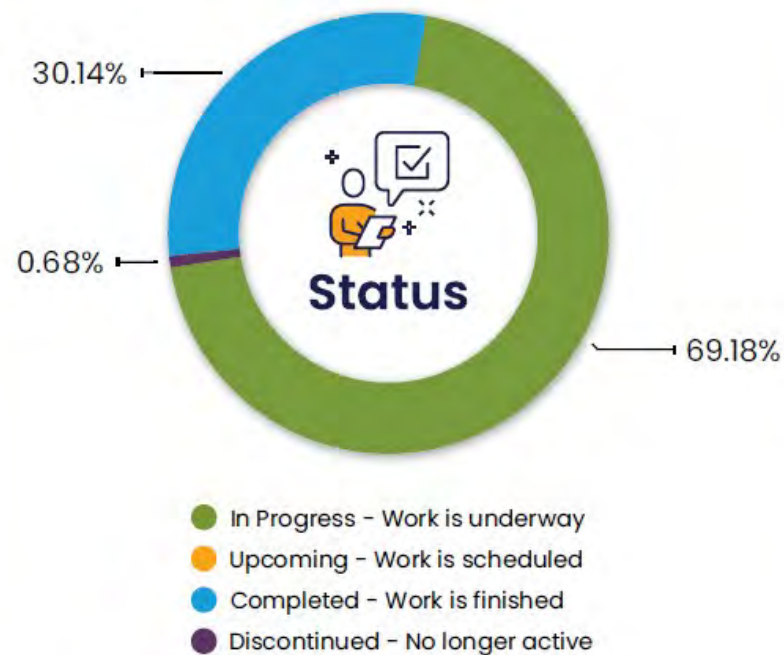






## Q2 2023 PROGRESS UPDATE

For 2022-23, staff developed 146 action plans to implement the Board Strategic Plan. That work began on January 1, 2022.



Each quarter, Public Affairs staff will provide a progress snapshot and highlights from one of the seven CAP departments.



### DEPARTMENT HIGHLIGHT: FIELD MAINTENANCE

**Mission:** The Maintenance Group protects and preserves the integrity and capacity of CAP's water delivery system and related infrastructure through proactive, reliability-based maintenance practices and a continuous improvement management philosophy while valuing employee input and placing the highest priority on employee safety, health, and welfare.



## ACTION PLAN:

Manage and coordinate budgetary resources within and across each Field Maintenance division.

The Pumping Plant, Aqueduct, and Operational Technology teams continue to coordinate maintenance expenditures, balancing needs across their teams. Through the second quarter teams have worked to control costs within acceptable levels. Unplanned repair needs on a few critical systems (west plant rotor cracks, crane rail repairs, and south plant exciter support) have been challenging and we are prioritizing work across the teams as needed to reduce the full-year impact on the budget. Early purchases of materials and supplies have helped avoid supply chain delays and will minimize the full-year variance in that account, with fuel costs being a large impact.

*(Finance: Manage capital and operations and maintenance budgets, debt, revenues, tax rates, water rates, and reserves effectively and transparently^)*



## ACTION PLAN:

Review and update Hazardous Energy Control Program and Electrical Safety Program as per policy review frequency. Ensure proper arc flash labeling is completed within study areas completed by Engineering. Publish a personal protective grounding manual.

The Electrical Safety Committee was formed earlier this year, one of their primary responsibilities will be to review the Hazardous Energy Control Program (HECP) and Electrical Safety Program in accordance with industry standards. A change log has been created that captures program changes for communicating updates to the field and assisting with audits. The Committee is also developing a technical training event for October that will highlight CAP's Arc-rated clothing program, electrical safety tool maintenance, arc-flash labeling, and protective grounding fundamentals. The Committee has really taken ownership of the programs.

*(Workforce: Review and update policies and procedures to protect CAP employees^)*



## ACTION PLAN:

Create compliance for the scheduled completion of asset classes for major frequency PMs that leads to an equipment condition assessment.

This action plan involves coordination between Operations, Power, Engineering, and Maintenance (OPEM), and AIM teams. Data collected from these maintenance tasks (photos, oil samples, inspections, and testing results) are all puzzle pieces critical in creating comprehensive health pictures (Condition Assessment) of CAP's major assets. Condition Assessments are used to prioritize long-range work identification and capital replacement plans that minimize operational risk. At the end of the second quarter, we are at 31% compliance overall. With many maintenance activities scheduled during the West Summer and South Fall Outages, we are on track to meet the compliance goal of 90% completion of preventive maintenance activities that provide input to equipment condition assessments.

- 45% Pump 5-year compliance
- 43% Motor 5-year compliance
- 36% Motor Doble compliance
- 11% Transformer Testing Compliance
- 7% Discharge Valve 5-year compliance
- 27% Station Service Battery annual compliance
- 13% IPSS/ UPS back-up power systems annual compliance

*(Project Reliability: Implement and improve CAP's strategic asset management program to ensure long-term infrastructure viability^)*



## ACTION PLAN:

Ensure that needed work execution deliverables are consistently received as part of capital and replacement in kind activities turnover processes.

Many of our capital improvement projects involve replacing obsolete technology within our protection and control systems. Turnover of these projects has been challenging with current staffing. We continue to recruit Protection and Control Engineers in both Reliability and Project Engineering that will support the turnover of these projects. We continue to monitor project turnover processes to ensure reliability and maintenance needs are met. Several engineers participated in the Certified Reliability Leader training program that highlights the components of the turnover process.

*(Project Reliability: Implement and improve CAP's strategic asset management program to ensure long-term infrastructure viability^)*



