

The background of the slide is a photograph of a waterfall cascading over rocks, surrounded by lush greenery. On the left side, there is a large, stylized graphic overlay consisting of several concentric, curved bands in shades of teal, blue, and gold, with black line patterns. The text is centered over the waterfall.

Year-to-Date - 3rd Quarter 2022 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 2022 financial and budget performance through the third 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 graphs to the right, revenues through the third quarter were below budget by \$81 million. Water Operations & Maintenance (O&M) Charges, Capital Charges, and Interest Income were lower than budget. Central Arizona Groundwater Replenishment District (CAGR) and Basin Development Fund (BDF) revenues exceeded budget.

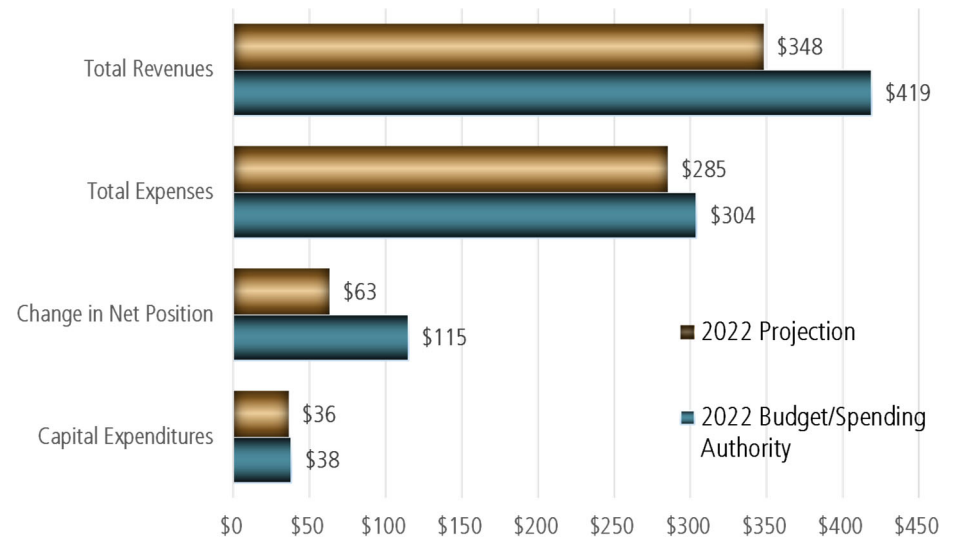
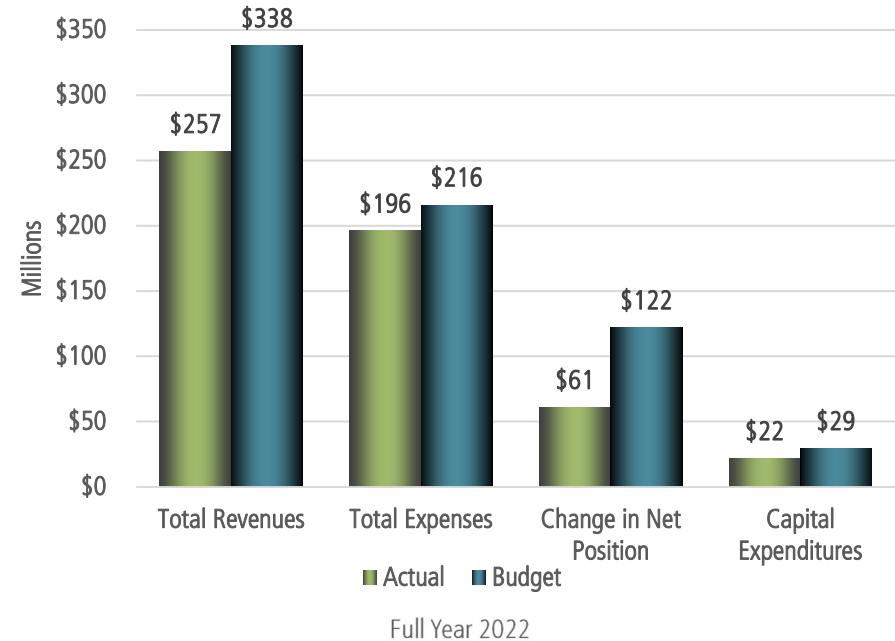
Full year revenues for 2022 are projected to be \$71 million lower than budget. Water O&M Charges are expected to be \$30 million lower than budget primarily due to reductions in deliveries related to the drought mitigation, Tribal Intentionally Created Surplus (ICS) and conservation programs. Interest income and fair value adjustments are projected to be \$45 million lower than budget as a result of unfavorable market conditions. CAGR Revenues are projected to be \$3 million higher than budget due to higher activation revenues, increased obligations and higher rates. BDF revenues, Capital Charges, Captive Revenue, and Property Taxes are expected to be close to budget.

TOTAL EXPENSES: Expenses through the third quarter were \$20 million below budget and are projected to remain \$19 million below budget for the full year. Full year projections for energy, salaries, depreciation, outside services, and disbursement to AWBA are all expected to be below budget; they are slightly offset by higher transmission, other expenses, water for underground storage, and materials and supplies costs.

See Total Revenues and Total Expenses sections on pages 6-7 for further explanation.

CAPITAL: The Project Steering Committee (PSC) oversees the capital budget. Capital spending through the third quarter is under budget, and is projected to stay below budget for the full year. Capital spending is further detailed in the Capital section starting on page 55. The PSC will continue to review capital projects for the year, to evaluate the ongoing impacts of the pandemic and potential mitigating opportunities.

3rd Quarter 2022 - YTD Actual vs Budget



Statements of Net Position

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Total assets and deferred outflows at the end of 2022 are projected to be equal to the 2021 year-end balances.

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 \$6 million in 2022.

Cash and cash equivalents are projected to increase by \$50 million. Total receivables are expected to increase by \$18 million, with the majority of this increase attributable to receivables from water customers, which are a result of higher 2023 water delivery rates and end of year reconciliations due to CAWCD for 2022. Funds held by the federal government, which represents accounts receivable for the Basin Development Fund, and other assets are expected to remain relatively flat.

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 currently approximately \$23 million per year. For 2022, the net PSR will decrease from \$1.02 billion to \$1.00 billion. Net capital operating assets, which grow as a result of ongoing capital projects, are projected to increase by \$10 million.

Investments and restricted assets are expected to decrease by \$58 million due to concerns about inflation and a rising interest rate environment negatively affecting the fair value of investments.

Through the 2007 Arizona Water Settlements Act (AWSA), 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>	2022	2021	Change	
Current Assets				
Cash and cash equivalents	\$ 151	\$ 101	\$ 50	49.5%
Funds held by federal gov't	8	9	(1)	(11.1%)
Water inventory	227	221	6	2.7%
Other current assets	83	63	20	31.2%
	<u>469</u>	<u>394</u>	<u>75</u>	<u>19.0%</u>
Noncurrent Assets				
Investments and restricted assets	598	656	(58)	(8.8%)
Agricultural water rights	48	48	-	0.0%
Capital assets - operating, net	334	324	10	3.1%
Capital assets - PSR, net	997	1,020	(23)	(2.3%)
Other assets	10	13	(3)	(23.1%)
	<u>1,987</u>	<u>2,061</u>	<u>(74)</u>	<u>(3.6%)</u>
Deferred Outflows of Resources				
Pension & OPEB valuation and Upfront Payments	17	18	(1)	(5.6%)
	<u></u>	<u></u>	<u></u>	<u></u>
Total Assets & Deferred Outflows	\$ 2,473	\$ 2,473	\$ (0)	(0.0%)

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 in 2022 by \$27 million, due to a \$16 million decrease in accounts payable, a decrease of \$13 million in the current portion of asset retirement obligations, and accrued expenses of \$1 million. Offsetting these decreases is a combined increase of \$3 million in unearned revenue.

NONCURRENT LIABILITIES: Overall, noncurrent liabilities will decrease by a total of \$35 million, with the largest component of this change being the federal repayment obligation, which decreases by \$41 million. Additionally, contract revenue bonds are expected to decrease by \$6 million. To offset these amounts, the long term portion of the asset retirement obligation is projected to increase by \$7 million, due to the delay in the NGS decommissioning activities being pushed out into the future. Other liabilities are expected to increase by \$5 million in 2022, mainly due to an adjustment between the long and short term NGS decommissioning liabilities as a result due to some delays.

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 \$1 million in 2022 through the use of rate stabilization funds in 2022 offset by additional Tribal ICS prepayments.

NET POSITION: Net Position, the difference between Assets and Deferred Outflows, and Liabilities and Deferred Inflows is expected to increase \$63 million from the 2021 ending balance.

<i>(Dollars in millions)</i>	2022	2021	Change	
Current Liabilities	\$ 145	\$ 172	(27)	(15.7%)
Noncurrent Liabilities				
Repayment obligation, net	\$ 897	\$ 938	\$ (41)	(4.4%)
Contract revenue bonds	45	51	(6)	(11.8%)
Ag water right debt	89	89	-	0.0%
Asset retirement obligation	31	24	7	29.2%
Other	78	73	5	6.8%
Noncurrent Liabilities	1,140	1,175	(35)	(3.0%)
Total Liabilities	\$ 1,285	\$ 1,347	\$ (62)	(4.6%)
Deferred Inflows of Resources				
Customer Deposits and Upfront Payments	56	57	(1)	(1.8%)
Deferred Inflow OPEB	21	21	-	
Pension valuation	17	17	-	0.0%
Total Deferred Inflows of Resources	\$ 94	\$ 95	\$ (1)	(1.1%)
Net Position				
Investments in Capital Assets	\$ 342	\$ 309	33	10.7%
Restricted, net	95	93	2	2.2%
Unrestricted, net	657	629	28	4.5%
Net Position	\$ 1,094	\$ 1,031	63	6.1%
Total Liabilities, Deferred Inflow of Resources and Net Position	\$ 2,473	\$ 2,473	-	0.0%

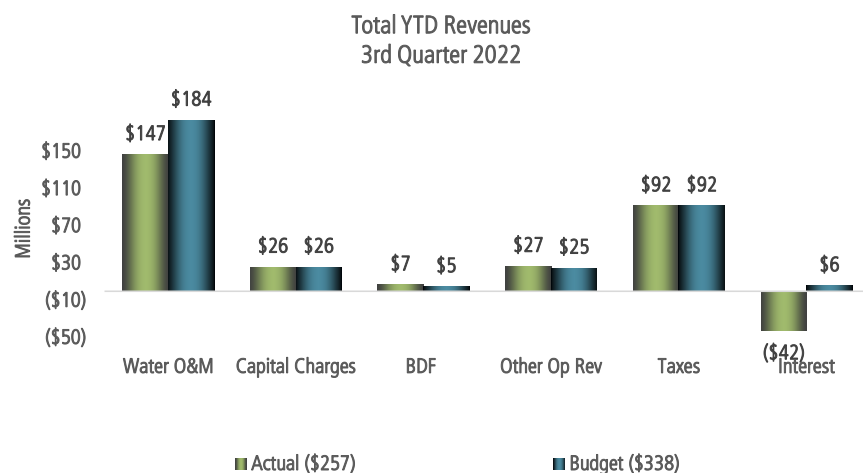
Statements of Revenues, Expenses & Changes in Net Position

Net position increased by \$61 million compared to a budgeted increase of \$122 million through Q3, and is projected to increase by \$63 million for the year. The factors influencing the full-year net position changes are discussed in the sections that follow.

TOTAL REVENUES

3RD QUARTER 2022 BUDGET PERFORMANCE: Revenues were \$257 million compared to a budget of \$338 million. The negative variance of \$81 million was the result of the following key factors:

- Water O&M revenues were \$37 million lower due to lower deliveries related to mitigation efforts
- Basin Development Fund (BDF) revenues were \$2 million over budget
- Other operating revenues were \$2 million higher than budget due to higher CAGR enrollment and activations
- Interest was \$48 million lower than budget due to fair value adjustments on investments



FULL YEAR 2022 BUDGET PERFORMANCE:

By year-end, total revenues are anticipated to be \$71 million under budget.

Operating Revenues are projected to be \$26 million lower than budget.

- Water O&M charges are projected to be \$30 million lower due to a lower volume of water deliveries as a result of the conservation programs
- Capital charges are expected to be a close to budget
- BDF revenues are projected to be close to budget
- Other revenues are expected to be \$4 million higher mostly related to CAGR activation fees and activation volumes being projected to be higher than budget

Non-Operating Revenues are expected to be \$45 million lower than budget.

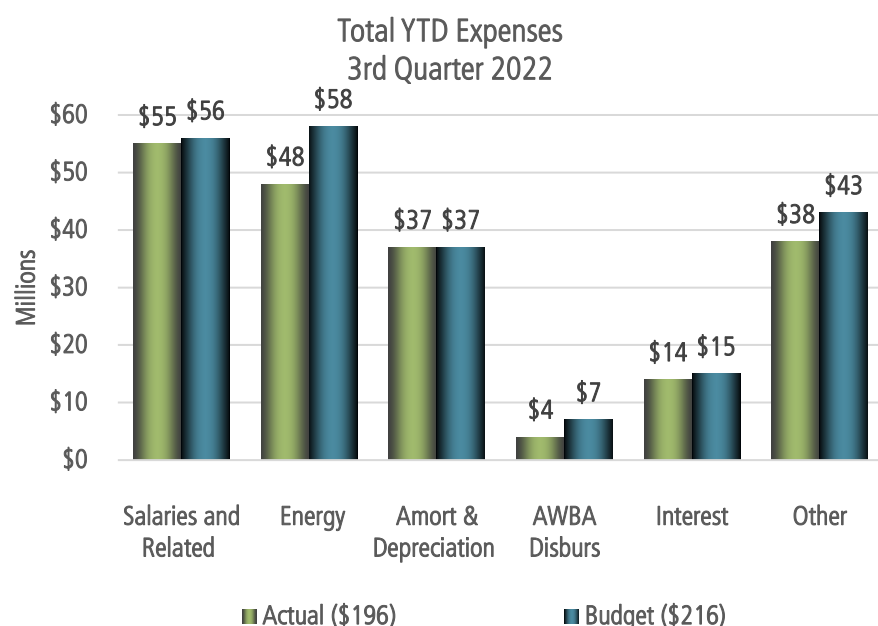
- Property taxes are forecasted to be on budget
- Interest income & other revenues are anticipated to be \$45 million lower than budget as a result of negative fair value adjustments on investments

Full Year 2022					
(Dollars in millions)	Projected		Budget		Change
Operating Revenues					
Water O&M charges	\$	190	\$	220	\$ (30) (13.6%)
Water service capital charges		34		35	(1) (2.9%)
BDF revenues		9		8	1 12.5%
Other revenues		60		56	4 7.1%
	\$	293	\$	319	\$ (26) (8.2%)
Non-operating Revenues					
Property taxes	\$	92	\$	92	\$ - 0.0%
Interest income & other		(37)		8	(45) (562.5%)
	\$	55	\$	100	\$ (45) (45.0%)
Total Revenues	\$	348	\$	419	\$ (71) (16.9%)

TOTAL EXPENSES

3RD QUARTER 2022 BUDGET PERFORMANCE: Through September 2022, total expenses were \$20 million below budget. The key factors were:

- Salaries and Related Costs were \$1 million below budget
- Energy Charges were \$10 million lower than budget as a result of lower energy costs
- AWBA Disbursements were \$3 million below budget due to less than expected requests from the Water Bank
- Interest Expense was \$1 million below budget
- Other Operating Expenses were \$5 million under budget, primarily due to lower than expected outside services, which were partially offset by over budget transmission expenses



FULL YEAR 2022 BUDGET PERFORMANCE: Total expenses are anticipated to be \$285 million which is \$19 million below budget. The key factors include:

Operating Expenses are projected to be \$16 million below budget.

- Salaries and Related Costs are expected to end the year on budget
- Energy Charges are projected to end the year \$10 million under budget as a combined result 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
- Amortization and Depreciation should remain \$1 million under budget for 2022
- Other Expenses are projected to be \$5 million below budget as a \$13 million decrease in outside services (mostly related to lower compensated mitigation), offset by higher than expected expenses for materials and supplies, water for underground storage, and transmission

Non-Operating Expenses are expected to be \$3 million lower than budget.

- AWBA Disbursements are projected to be \$2 million lower than budget as it is anticipated the AWBA will not utilize the full amount of the transfer approved by the board
- Interest expense is forecasted to be slightly lower than budget

Full Year 2022					
	Projected		Spending Authority		Change
<i>(Dollars in millions)</i>					
Operating Expenses					
Salaries & related costs	\$	76	\$	76	- 0.0%
Energy		55		65	10 15.4%
Amortization & depreciation		49		50	1 2.0%
Other		81		86	5 5.8%
	\$	261	\$	277	\$ 16 5.8%
Non-operating Expenses					
AWBA Disbursements	\$	5	\$	7	2 28.6%
Interest Expense		19		20	1 5.0%
		24		27	3 11.1%
Total Expenses	\$	285	\$	304	\$ 19 6.3%

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

(Dollars in Millions)

	3rd Quarter 2022			Full Year 2022		
	Actual	Budget	Variance	Projection	Spending Authority	Variance
Operating Revenues/Expenses						
Revenues	\$ 206.8	\$ 240.8	\$ (34.0)	\$ 292.6	\$ 319.7	\$ (27.1)
Expenses	(178.1)	(194.7)	16.6	(260.9)	(277.7)	16.8
Operating Income/Loss	\$ 28.7	\$ 46.1	\$ (17.4)	\$ 31.7	\$ 42.0	\$ (10.3)
Non-operating Revenues/Expenses						
Revenues	50.5	98.4	(47.9)	54.8	100.5	(45.7)
Expenses	(18.6)	(22.2)	3.6	(23.6)	(27.3)	3.7
Non-operating Income/(Loss)	\$ 31.9	\$ 76.2	\$ (44.3)	\$ 31.2	\$ 73.2	(42.0)
Change in Net Position	<u>\$ 60.6</u>	<u>\$ 122.3</u>	<u>\$ (61.7)</u>	<u>\$ 62.9</u>	<u>\$ 115.2</u>	<u>\$ (52.3)</u>
Variance Analysis:						
General Fund	37.3	100.9	(63.6)	25.2	76.7	(51.5)
CAGR	21.9	20.9	1.0	38.1	37.7	0.4
Other	1.4	0.5	0.9	(0.4)	0.8	(1.2)
	<u>\$ 60.6</u>	<u>\$ 122.3</u>	<u>\$ (61.7)</u>	<u>\$ 62.9</u>	<u>\$ 115.2</u>	<u>\$ (52.3)</u>

General Fund

(Dollars in Millions)

	3rd Quarter 2022			Full Year 2022		
	Actual	Budget	Variance	Projection	Spending Authority	Variance
Water Deliveries (000 AF)	823	1,039	(216)	1,007	1,223	(216)
Revenues	\$ 242.2	\$ 326.7	\$ (84.5)	\$ 307.8	\$ 381.2	\$ (73.4)
Expenses	(204.9)	(225.8)	20.9	(282.6)	(304.5)	21.9
Change in Net Position	<u>\$ 37.3</u>	<u>\$ 100.9</u>	<u>\$ (63.6)</u>	<u>\$ 25.2</u>	<u>\$ 76.7</u>	<u>\$ (51.5)</u>
Variance Analysis:						
Water O&M Charges	\$ 155.2	\$ 194.4	\$ (39.2)	\$ 205.2	\$ 234.5	\$ (29.3)
Capital Charges	26.7	27.5	(0.8)	36.4	36.7	(0.3)
Basin Development Fund Revenues	6.8	5.1	1.7	8.1	8.0	0.1
Property Taxes	92.1	92.1	-	92.1	92.1	-
Interest and Other Income	(38.6)	7.5	(46.1)	(33.9)	10.0	(43.9)
Energy	(48.3)	(58.5)	10.2	(54.8)	(65.0)	10.2
Amortization/Depreciation	(36.1)	(37.2)	1.1	(48.6)	(49.6)	1.0
Disbursements to AWBA	(4.3)	(7.4)	3.1	(4.5)	(7.5)	3.0
Interest expense and other	(14.1)	(14.1)	-	(18.8)	(18.8)	-
Other	(102.1)	(108.5)	6.4	(156.0)	(163.7)	7.7
	<u>\$ 37.3</u>	<u>\$ 100.9</u>	<u>\$ (63.6)</u>	<u>\$ 25.2</u>	<u>\$ 76.7</u>	<u>\$ (51.5)</u>

Central Arizona Groundwater Replenishment District (CAGRD) Account

(Dollars in Millions)

	3rd Quarter 2022			Full Year 2022		
	Actual	Budget	Variance	Projection	Spending Authority	Variance
Revenues	\$ 25.1	\$ 24.3	\$ 0.8	\$ 57.7	\$ 55.4	\$ 2.3
Expenses	(3.2)	(3.4)	0.2	(19.6)	(17.7)	(1.9)
Change in Net Position	<u>\$ 21.9</u>	<u>\$ 20.9</u>	<u>\$ 1.0</u>	<u>\$ 38.1</u>	<u>\$ 37.7</u>	<u>\$ 0.4</u>

Variance Analysis:

Revenue-Rates	8.9	7.9	1.0	26.8	26.0	0.8
Revenue-Fees	15.0	14.2	0.8	19.8	18.7	1.1
Revenue-Dues	2.1	2.0	0.1	11.5	10.4	1.1
Interest Income	(0.9)	0.2	(1.1)	(0.4)	0.3	(0.7)
Expense -Water For Recharge	(0.7)	-	(0.7)	(15.6)	(13.2)	(2.4)
Expense - All Other	(2.5)	(3.4)	0.9	(4.0)	(4.5)	0.5
	<u>\$ 21.9</u>	<u>\$ 20.9</u>	<u>\$ 1.0</u>	<u>\$ 38.1</u>	<u>\$ 37.7</u>	<u>\$ 0.4</u>

Statement of Revenues, Expenses and Change in Net Position

All Funds/Accounts

(Dollars in Thousands)

	3rd Quarter 2022				Full Year 2022					
	Actual	Budget	Variance		Projection	Budget	Additional Spending Authority	Total Spending Authority	Variance	
			(\$)	(%)					(\$)	(%)
Operating Revenues										
Water O&M charges	\$ 146,826	\$ 184,320	\$ (37,494)	(20.3%)	\$ 190,478	\$ 220,056	\$ -	\$ 220,056	\$ (29,578)	(13.4%)
Water service capital charges	25,796	26,427	(631)	(2.4%)	34,411	35,361	-	35,361	(950)	(2.7%)
Basin Development Fund Revenues	6,836	5,082	1,754	34.5%	8,062	8,040	-	8,040	22	0.3%
Other revenues	27,303	25,013	2,290	9.2%	59,692	56,234	-	56,234	3,458	6.1%
Total Operating Revenues	\$ 206,761	\$ 240,842	\$ (34,081)	(14.2%)	\$ 292,643	\$ 319,691	\$ -	\$ 319,691	\$ (27,048)	(8.5%)
Operating Expenses										
Salaries and related costs	\$ (54,751)	\$ (56,103)	\$ 1,352	2.4%	\$ (75,343)	\$ (75,652)	\$ -	\$ (75,652)	\$ 309	0.4%
Energy	(48,252)	(58,496)	10,244	17.5%	(54,832)	(64,957)	-	(64,957)	10,125	15.6%
Transmission	(14,850)	(12,003)	(2,847)	(23.7%)	(21,109)	(16,037)	-	(16,037)	(5,072)	(31.6%)
Amortization	(17,250)	(17,251)	1	0.0%	(23,001)	(23,002)	-	(23,002)	1	0.0%
Depreciation	(18,883)	(20,005)	1,122	5.6%	(25,649)	(26,673)	-	(26,673)	1,024	3.8%
Other Operating Costs:										
Outside services	(22,999)	(31,420)	8,421	26.8%	(46,942)	(51,289)	(8,500)	(59,789)	12,847	21.5%
Materials and supplies	(7,633)	(6,759)	(874)	(12.9%)	(9,826)	(8,912)	-	(8,912)	(914)	(10.3%)
Water for underground storage	7,797	11,305	(3,508)	(31.0%)	1,321	2,742	-	2,742	(1,421)	(51.8%)
Overhead	3,843	3,314	529	16.0%	4,867	4,352	-	4,352	515	11.8%
Other expenses	(5,169)	(7,290)	2,121	29.1%	(10,420)	(9,742)	-	(9,742)	(678)	(7.0%)
Subtotal other costs	(24,161)	(30,850)	6,689	21.7%	(61,000)	(62,849)	(8,500)	(71,349)	10,349	14.5%
Total Operating Expenses	(178,147)	(194,708)	16,561	8.5%	(260,934)	(269,170)	(8,500)	(277,670)	16,736	6.0%
Operating Income/(Loss)	\$ 28,614	\$ 46,134	\$ (17,520)	(38.0%)	\$ 31,709	\$ 50,521	\$ (8,500)	\$ 42,021	\$ (10,312)	(24.5%)
Non-operating Revenues/(Expenses)										
Property taxes	\$ 92,095	\$ 92,079	\$ 16	0.0%	\$ 92,095	\$ 92,080	\$ -	\$ 92,080	\$ 15	0.0%
Interest income and other	(41,640)	6,334	(47,974)	(757.4%)	(37,275)	8,439	-	8,439	(45,714)	(541.7%)
Disbursements to AWBA	(4,301)	(7,409)	3,108	41.9%	(4,484)	(7,545)	-	(7,545)	3,061	40.6%
Interest expense and other	(14,341)	(14,833)	492	3.3%	(19,121)	(19,756)	-	(19,756)	635	3.2%
Total Non-operating Revenues/(Expenses)	31,813	76,171	(44,358)	(58.2%)	31,215	73,218	-	73,218	(42,003)	(57.4%)
Change in Net Position	60,427	122,305	(61,878)	(50.6%)	62,924	123,739	(8,500)	115,239	(52,315)	(45.4%)
Net position at beginning of period	1,031,073	1,024,771	6,302	0.6%	1,031,073	1,024,771	-	1,024,771	6,302	0.6%
Net position at end of period	\$ 1,091,500	\$ 1,147,076	\$ (55,576)	(4.8%)	\$ 1,093,997	\$ 1,148,510	\$ (8,500)	\$ 1,140,010	\$ (46,013)	(4.0%)

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

(Dollars in Thousands)

	3rd Quarter 2022	Elimination	General Fund	Supplemental Water	CAGR Account	Captive Insurance Fund
Operating Revenues						
Water O&M charges	\$ 146,826	\$ (8,338)	\$ 155,164	\$ -	\$ -	\$ -
Water service capital charges	25,796	(923)	26,719	-	-	-
Basin Development Fund Revenues	6,836	-	6,836	-	-	-
Other revenues	27,303	(8,920)	1,416	-	26,040	8,767
Total Operating Revenues	\$ 206,761	\$ (18,181)	\$ 190,135	\$ -	\$ 26,040	\$ 8,767
Operating Expenses						
Salaries and related costs	\$ (54,751)	\$ -	\$ (53,809)	\$ -	\$ (942)	\$ -
Energy	(48,252)	-	(48,252)	-	-	-
Transmission	(14,850)	-	(14,850)	-	-	-
Amortization	(17,250)	-	(17,250)	-	-	-
Depreciation	(18,883)	-	(18,837)	-	(46)	-
Other operating costs:						
Outside services	(22,999)	-	(22,564)	-	(270)	(165)
Materials and supplies	(7,633)	-	(7,633)	-	-	-
Water for recharge	7,797	8,491	-	-	(694)	-
Overhead	3,843	-	4,870	-	(1,027)	-
Other expenses	(5,169)	9,690	(8,164)	-	(22)	(6,673)
Subtotal other costs	(24,161)	18,181	(33,491)	-	(2,013)	(6,838)
Total Operating Expenses	(178,147)	18,181	(186,489)	-	(3,001)	(6,838)
Operating Income/(Loss)	\$ 28,614	\$ -	\$ 3,646	\$ -	\$ 23,039	\$ 1,929
Non-operating Revenues/(Expenses)						
Property taxes	\$ 92,095	\$ -	\$ 92,095	\$ -	\$ -	\$ -
Interest income and other	(41,640)	-	(40,028)	(668)	(947)	3
Disbursements to AWBA	(4,301)	-	(4,301)	-	-	-
Interest expense and other	(14,341)	-	(14,132)	-	(209)	-
Total Non-operating Revenues/(Expenses)	31,813	-	33,634	(668)	(1,156)	3
Change in Net Position	60,427	-	37,280	(668)	21,883	1,932
Net position at beginning of period	1,031,073	(2,350)	756,936	9,163	259,391	7,933
Net position at end of period	\$ 1,091,500	\$ (2,350)	\$ 794,216	\$ 8,495	\$ 281,274	\$ 9,865

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

(Dollars in Thousands)

	Full Year 2022	Elimination	General Fund	Supplemental Water	CAGR Account	Captive Insurance Fund
Operating Revenues						
Water O&M charges	\$ 190,478	\$ (14,760)	\$ 205,238	\$ -	\$ -	\$ -
Water service capital charges	34,411	(1,975)	36,386	-	-	-
Basin Development Fund Revenues	8,062	-	8,062	-	-	-
Other revenues	59,692	(11,634)	1,714	-	58,131	11,481
Total Operating Revenues	\$ 292,643	\$ (28,369)	\$ 251,400	\$ -	\$ 58,131	\$ 11,481
Operating Expenses						
Salaries and related costs	\$ (75,343)	\$ -	\$ (74,050)	\$ -	\$ (1,293)	\$ -
Energy	(54,832)	-	(54,832)	-	-	-
Transmission	(21,109)	-	(21,109)	-	-	-
Amortization	(23,001)	-	(23,001)	-	-	-
Depreciation	(25,649)	-	(25,588)	-	(61)	-
Other operating costs:						
Outside services	(46,942)	-	(46,324)	-	(398)	(220)
Materials and supplies	(9,826)	-	(9,825)	-	(1)	-
Water for recharge	1,321	16,888	-	-	(15,567)	-
Overhead	4,867	-	6,276	-	(1,409)	-
Other expenses	(10,420)	11,481	(10,843)	-	(34)	(11,024)
Subtotal other costs	(61,000)	28,369	(60,716)	-	(17,409)	(11,244)
Total Operating Expenses	(260,934)	28,369	(259,296)	-	(18,763)	(11,244)
Operating Income/(Loss)	\$ 31,709	\$ -	\$ (7,896)	\$ -	\$ 39,368	\$ 237
Non-operating Revenues/(Expenses)						
Property taxes	\$ 92,095	\$ -	\$ 92,095	\$ -	\$ -	\$ -
Interest income and other	(37,275)	(592)	(35,647)	(628)	(412)	4
Disbursements to AWBA	(4,484)	-	(4,484)	-	-	-
Interest expense and other	(19,121)	592	(18,843)	-	(870)	-
Total Non-operating Revenues/(Expenses)	31,215	-	33,121	(628)	(1,282)	4
Change in Net Position	62,924	-	25,225	(628)	38,086	241
Net position at beginning of period	1,031,073	(2,350)	756,936	9,163	259,391	7,933
Net position at end of period	\$ 1,093,997	\$ (2,350)	\$ 782,161	\$ 8,535	\$ 297,477	\$ 8,174

Statement of Net Position

(Dollars in Thousands)

	2021	As of 09/30/2022	As of 12/31/2022
ASSETS			
Current Assets			
Cash	\$ 13,207	\$ 21,004	\$ 13,924
Cash Equivalents	87,832	102,295	137,323
Total cash and cash equivalents	101,039	123,299	151,247
Receivables			
Due from water customers	273	14,100	13,572
Due from property taxes, less allowance for doubtful accounts	42,072	92,305	44,517
Other Receivables	18,161	9,195	20,692
Water inventory	220,945	223,760	227,179
Funds held by federal government	8,878	6,925	8,231
Other assets	3,026	21,315	3,479
Total Current Assets	394,394	490,899	468,917
Non-current Assets			
Investments	542,690	466,680	484,436
Restricted assets	113,669	105,869	113,846
Agriculture water rights	47,692	47,692	47,692
Capital assets, less accumulated depreciation	323,621	325,102	333,929
Permanent service right, less accumulated amortization	1,019,835	1,002,584	996,834
Other assets	13,697	13,699	9,794
Total Non-current Assets	2,061,204	1,961,626	1,986,531
Total Assets	\$ 2,455,598	\$ 2,452,525	\$ 2,455,448
DEFERRED OUTFLOWS OF RESOURCES			
Pension & OPEB Valuation and Upfront Payments	\$ 17,521	\$ 17,548	\$ 17,548
Total Deferred Outflows of Resources	17,521	17,548	17,548
Total Assets and Deferred Outflows of Resources	\$ 2,473,119	\$ 2,470,073	\$ 2,472,996

Statement of Net Position

(Dollars in Thousands)

	2021	As of 09/30/2022	As of 12/31/2022
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 44,213	\$ 24,063	\$ 28,200
Accrued payroll, payroll taxes and other accrued expenses	9,578	7,892	10,339
Water operations, capital charges, and unearned revenue	34,623	60,081	37,340
Asset retirement obligation due within one year	18,060	18,060	4,889
Current liabilities payable from restricted assets, advances to federal government, and other Non-current assets:			
Accrued interest payable	20,136	13,780	18,716
Repayment obligation, due within one year	40,456	40,456	40,456
Contract revenue bonds, due within one year	5,365	5,540	5,540
Total Current Liabilities	172,431	169,872	145,480
Non-current Liabilities:			
Repayment obligation, due after one year	937,536	897,079	897,080
Contract revenue bonds, due after one year, net	51,484	45,478	45,323
Non-Indian agricultural 9(d) debt	88,719	88,719	88,719
Asset retirement obligation due after one year	24,448	20,006	30,446
Other non-current liabilities	72,845	72,846	78,003
Subtotal Non-current Liabilities	1,175,032	1,124,128	1,139,571
Total Liabilities	1,347,463	1,294,000	1,285,051
DEFERRED INFLOWS OF RESOURCES			
Customer Deposits	56,686	46,675	56,051
Deferred Inflow OPEB	20,636	20,636	20,636
Pension Valuation	17,261	17,262	17,261
Total Deferred Inflows of Resources	94,583	84,573	93,948
NET POSITION			
Net investment in capital assets	308,615	339,133	342,365
Restricted	93,533	92,089	95,130
Unrestricted	628,925	660,278	656,502
Total Net Position	1,031,073	1,091,500	1,093,997
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 2,473,119	\$ 2,470,073	\$ 2,472,996

Statement of Net Position by Fund

(Dollars in Thousands)

	As of 12/31/2022	Elimination	General Fund	Supplemental Water	CAGR Account	Captive Insurance
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 151,247	\$ -	\$ 110,138	\$ -	\$ 31,318	\$ 9,791
Receivables	78,781	(6,986)	71,348	-	14,419	-
Water inventory	227,179	-	19,627	-	207,552	-
Funds held by / advanced to federal government	8,231	-	8,231	-	-	-
Other assets	3,479	-	2,748	-	721	10
Total Current Assets	468,917	(6,986)	212,092	-	254,010	9,801
Non-current Assets						
Investments and restricted assets	598,282	(2,350)	526,536	8,535	63,311	2,250
Agriculture water rights	47,692	-	47,692	-	-	-
Capital assets, less accumulated depreciation	333,929	-	308,476	-	25,453	-
Permanent service right, less accumulated amortization	996,834	-	996,834	-	-	-
Other assets, less accumulated amortization	9,794	(14,476)	24,270	-	-	-
Bond issuance costs, net of accumulated amortization	-	-	-	-	-	-
Total Non-current Assets	1,986,531	(16,826)	1,903,808	8,535	88,764	2,250
Total Assets	2,455,448	(23,812)	2,115,900	8,535	342,774	12,051
Deferred Outflows of Resources						
	17,548	-	17,548	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 2,472,996	(23,812)	2,133,448	8,535	342,774	12,051

Statement of Net Position by Fund

(Dollars in Thousands)

	As of 12/31/2022	Elimination	General Fund	Supplemental Water	CAGRD Account	Captive Insurance
Current Liabilities						
Accounts payable / accrued payroll	\$ 38,539	\$ (6,986)	\$ 22,321	\$ -	\$ 19,327	\$ 3,877
Water operations, capital charges, and unearned revenue	37,340	-	37,340	-	-	-
Asset retirement obligation due within one year	4,889		4,889			
Other current liabilities	64,712	-	60,878	-	3,834	-
Total Current Liabilities	145,480	(6,986)	125,428	-	23,161	3,877
Non-current Liabilities						
Asset retirement obligation due after one year	30,446		30,446			
Repayment obligation, due after one year	897,080	-	897,080	-	-	-
Contract revenue bonds, due after one year, net	45,323	-	37,663	-	7,660	-
Non-Indian agricultural 9(d) debt	88,719	-	88,719	-	-	-
Other non-current liabilities	78,003	(14,476)	78,003	-	14,476	-
Total Non-current Liabilities	1,139,571	(14,476)	1,131,911	-	22,136	-
Total Liabilities	1,285,051	(21,462)	1,257,339	-	45,297	3,877
DEFERRED INFLOWS OF RESOURCES						
Customer Deposits and Upfront Payments	56,051	-	56,051	-	-	-
Deferred Inflow OPEB	20,636		20,636			
Pension Valuation	17,261	-	17,261	-	-	-
Total Deferred inflows of Resources	93,948	-	93,948	-	-	-
NET POSITION						
Net Investment in capital assets	342,365	-	328,267	-	14,098	-
Restricted	95,130	-	55,503	8,535	28,842	2,250
Unrestricted	656,502	(2,350)	398,391	-	254,537	5,924
Total Net Position	1,093,997	(2,350)	782,161	8,535	297,477	8,174
Total Liabilities, Deferred Inflows and Net Position	\$ 2,472,996	(23,812)	2,133,448	8,535	342,774	12,051

Spending Authority Full Year 2022

	General Fund Operating *	General Fund Non Operating	CAGRD Account Operating **	CAGRD Account Non Operating	Captive Insurance Fund	Capital Budget
Board Approved Budget	\$ 188,660	\$ 26,388	\$ 3,566	\$ 913	\$ 11,034	\$ 38,117
Additional Board Authorized Spending:						
500 Plus Plan						
CAPTIVE 's Increased Underwriting Expenses						
Contract for the Repair of Pool 34-Phase 2	8,500				-	
Accounting Changes & Adjustments:						
Adjusted Spending Authority	\$197,160	\$ 26,388	\$ 3,566	\$ 913	\$ 11,034	\$ 38,117
Projected	\$183,355	\$ 23,327	\$ 3,196	\$ 870	\$ 11,244	\$ 36,240
Variance (\$) Fav/(Unfav)	\$ 13,805	\$ 3,061	\$ 370	\$ 43	\$ (210)	\$ 1,877
Variance (%)	7.0%	11.6%	10.4%	4.7%	(1.9%)	4.9%

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:

* Energy and transmission are excluded because of market volatility and are administered by an Energy Risk Oversight Committee

** CAGRD water for recharge to meet obligations is excluded

Annual Repayment Obligation

Master Repayment Contract (Accrual Basis)

(Dollars in Thousands)

	2021 Actual	2022 Projection	Budget	Variance (\$)	Notes
Sources of Funds					
Net line rental revenue	3,044	2,547	2,160	387	A
Hoover 4.5 mil surcharge	3,232	3,186	3,150	36	
Parker-Davis	2,816	2,964	2,900	64	
Net CAP transmission revenues including line losses	(1,050)	(1,459)	(1,000)	(459)	B
Land-related revenues:	-	-	-	-	
Land use (net)	714	824	830	(6)	
Land sales (net)	-	-	-	-	
Interest on deposits	122	170	260	(90)	C
Total Credits Toward Repayment	\$ 8,878	\$ 8,231	\$ 8,300	\$ (69)	
Uses of Funds					
Principal	\$ 40,456	\$ 40,456	\$ 40,456	\$ -	
Interest	19,021	17,689	17,689	-	
Gross Payment <i>(Due Jan. 20th following year-end)</i>	\$ 59,477	\$ 58,145	\$ 58,145	\$ -	
(Net Due) / Excess Funds for Repayment	\$ (50,599)	\$ (49,914)	\$ (49,845)	\$ (69)	
CAP NGS Energy & Navajo Transmission Reconciliation	\$ -	\$ -	\$ -	\$ -	
Net funds (due to)/from Federal Government	\$ (50,599)	\$ (49,914)	\$ (49,845)	\$ (69)	

Notes:

- A Miscellaneous revenue, which consists primarily of transmission line rental revenue, will continue to exceed budget for the year
- B Western transmission losses for 2022 expected to hit in December; 2021 losses were recorded in June of this year
- C Interest will be slightly under budget due to timing of balances earning interest in the BDF

Staffing - Average Full Time Equivalent (FTE)

	2021	3rd Quarter 2022	2022		Variance	
			Projection	Budget	FTEs	% (*)
Management Council	11.7	12.0	12.0	12.0	-	0.0%
AGM - Finance & Admin Group						
Finance and Administration						
Analytics & Info Management	5.2	7.1	7.4	4.0	(3.4)	(85.3%)
Finance & Accounting	19.2	20.0	20.1	21.0	0.9	4.4%
Information Technology	31.3	27.0	27.2	36.0	8.8	24.5%
Supply Chain & Facilities	26.4	26.9	27.1	27.0	(0.1)	(0.5%)
Total Finance and Administration	82.1	81.0	81.8	88.0	6.2	7.0%
Employee Services						
Cent Learning & Development	5.5	5.7	5.5	6.0	0.5	8.3%
Environment, Health & Safety	9.4	10.4	10.6	11.0	0.4	4.1%
Human Resources	6.0	7.7	7.3	7.5	0.2	2.0%
Enterprise Security	9.0	10.4	10.7	9.0	(1.7)	(18.4%)
Total Employee Services	29.9	34.1	34.1	33.5	(0.6)	(1.7%)
AGM - Water Policy Group						
Water Policy						
CAGRD	9.0	9.0	9.2	9.0	(0.2)	(2.4%)
Water Policy	7.7	7.9	7.9	8.0	0.1	0.9%
Total Water Policy	16.7	16.9	17.1	17.0	(0.1)	(0.3%)
General Counsel	5.0	5.0	5.0	5.0	-	0.0%
Public Affairs	16.3	16.4	16.3	17.0	0.7	4.1%
AGM - Ops & Engineering Group						
Centralized Maint & Reliability						
Centralized Maintenance	66.8	68.3	69.0	72.0	3.0	4.2%
Maintenance Control	37.2	36.9	37.6	42.0	4.4	10.5%
Total Centralized Maint & Reliability	104.0	105.2	106.6	114.0	7.4	6.5%
Field Maintenance						
Operational Technology	35.6	35.8	35.8	38.0	2.2	5.7%
South Area Maintenance	44.5	42.2	42.8	46.0	3.2	7.0%
West Area Maintenance	43.4	45.0	45.2	45.0	(0.2)	(0.4%)
Total Field Maintenance	123.5	123.0	123.8	129.0	5.2	4.1%
Operations and Engineering						
Engineering	61.2	61.8	62.5	63.0	0.5	0.8%
Power Program Admin	2.5	2.0	2.2	2.0	(0.2)	(8.5%)
Water Operations	22.3	23.1	23.3	24.0	0.7	2.9%
Total Operations and Engineering	86.0	86.9	88.0	89.0	1.0	1.1%
Vacancy/Salary Savings Equivalent	-		(2.3)	(15.0)	(12.7)	84.8%
Total FTE	475.2	480.5	482.4	489.5	7.1	1.4%

General Fund

The General Fund ended the third quarter of 2022 with a net position increase of \$37 million compared to a budgeted net position increase of \$101 million. It is anticipated that the General Fund will end the year with a net gain of \$25 million.

The following discussion summarizes the General Fund's 2022 budget performance through the third quarter and for the full year projection.

GENERAL FUND Budget Performance - 3rd Quarter 2022 YTD

<i>(Dollars in thousands)</i>	Actuals	Budget	Change	
Revenues	\$ 242,202	\$ 326,672	\$ (84,470)	(25.9%)
Expenses	(204,922)	(225,813)	20,891	9.3%
Change in Net Position	\$ 37,280	\$ 100,859	\$ (63,579)	
Beginning Net Position	756,936	745,496	11,440	
Ending Net Position	\$ 794,216	\$ 846,355	\$ (52,139)	

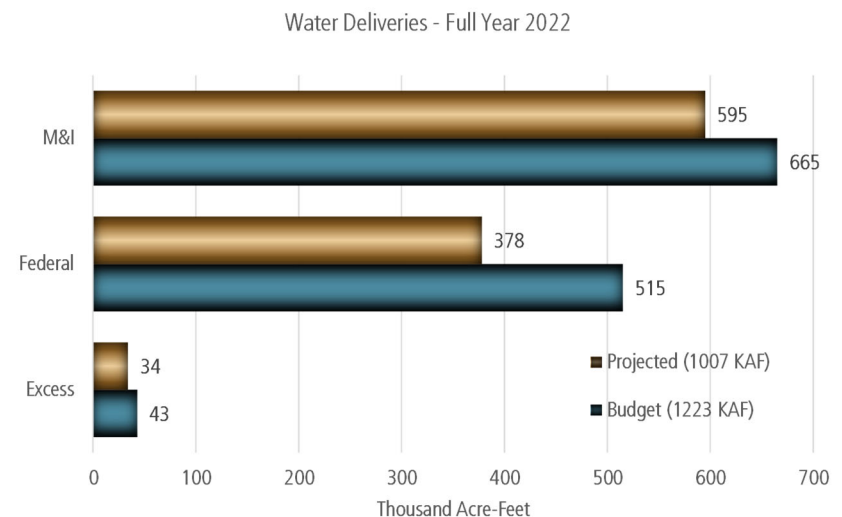
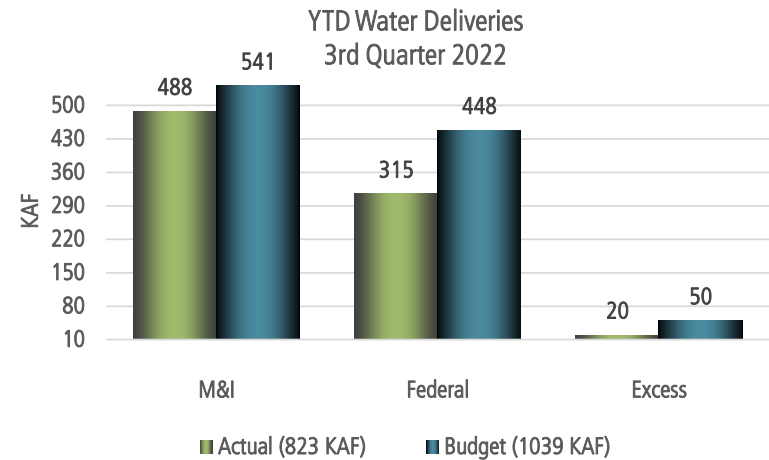
GENERAL FUND Budget Performance - Full Year 2022

<i>(Dollars in thousands)</i>	Projected	Spending Authority	Change	
Revenues	\$ 307,848	\$ 381,219	\$ (73,371)	(19.2%)
Expenses	(282,623)	(304,542)	21,919	7.2%
Change in Net Position	\$ 25,225	\$ 76,677	\$ (51,452)	
Beginning Net Position	756,936	745,496	11,440	
Ending Net Position	\$ 782,161	\$ 822,173	\$ (40,012)	

Water Deliveries

Through September 2022, water deliveries were 216 KAF lower than budget due to lower federal and M&I deliveries.

Full year deliveries are projected to remain 216 KAF lower than budget. M&I is expected to be 70 KAF lower than budget due to new delivery and diversion targets. Federal deliveries are expected to be 137 KAF lower due to additional conservation. See page 28 for additional detail.



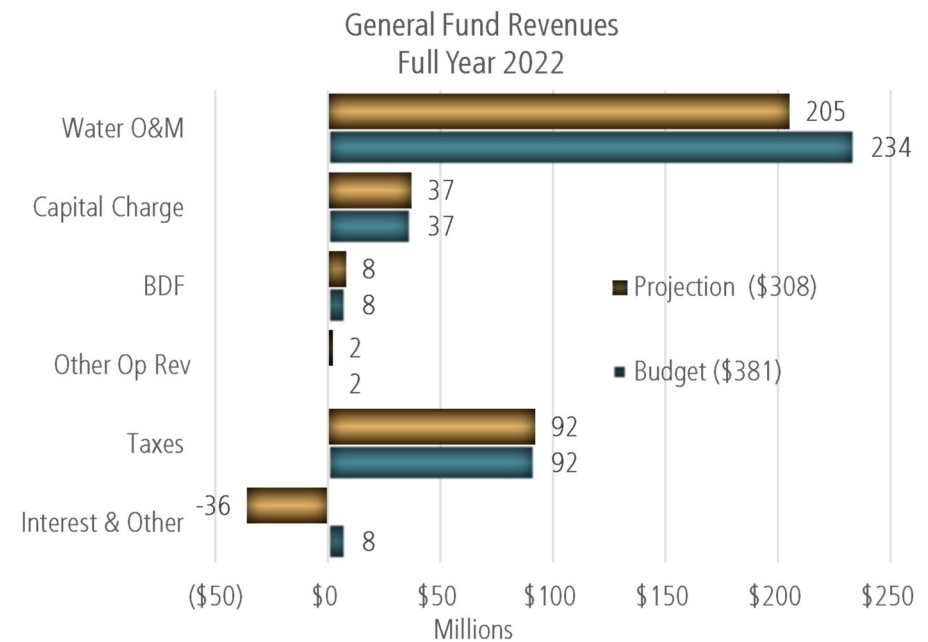
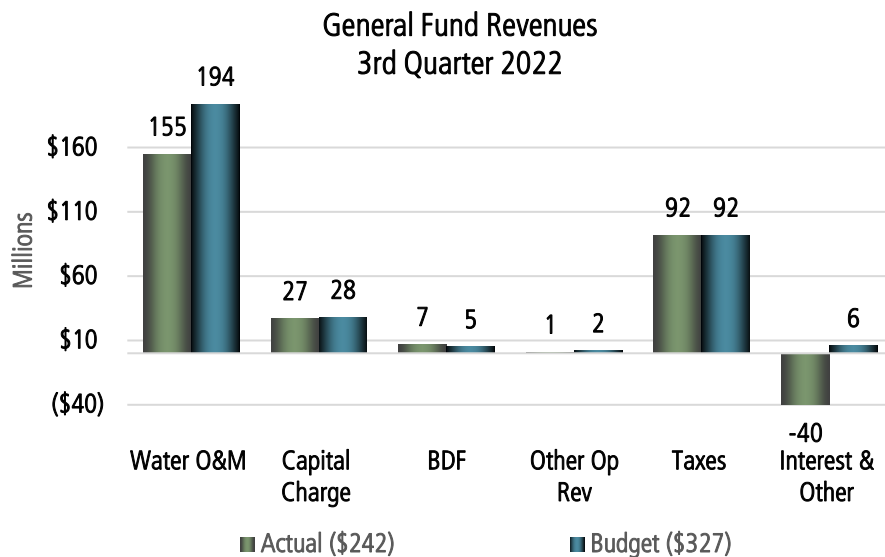
Total Revenues

3RD QUARTER 2022 BUDGET PERFORMANCE: Through September 2022, total General Fund revenues were \$242 million compared to a budget of \$327 million. Key impacts were:

- Water O&M charges were lower than budget by \$39 million due to lower deliveries related to conservation efforts
- Capital charges were on budget
- BDF revenues were \$2 million over budget
- Interest and other non-operating revenue was below budget by \$46 million due to fair value decreases

FULL YEAR 2022 BUDGET PERFORMANCE: The full year is projected to be \$308 million compared to a budget of \$381 million, which is a negative variance of \$73 million. The major items influencing the variance are:

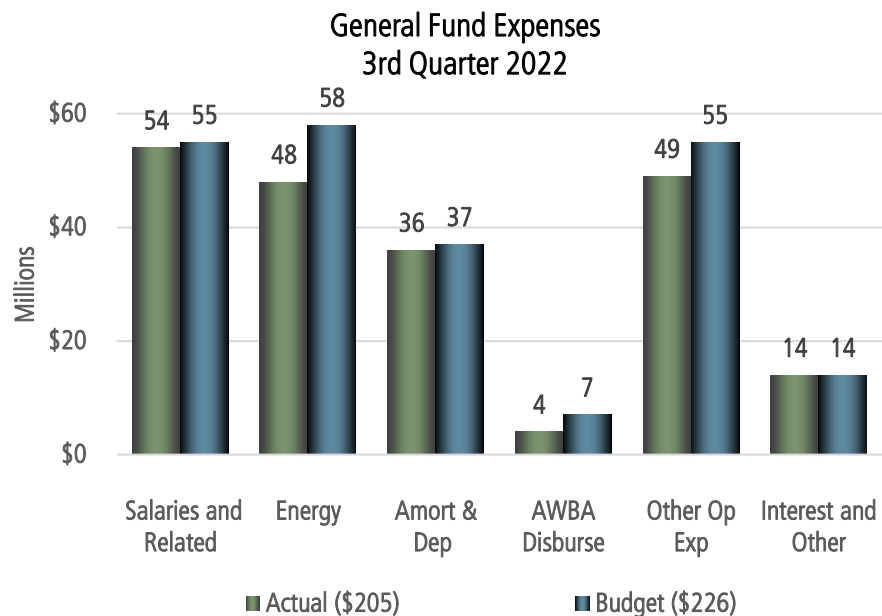
- Water O&M charges are projected to be \$29 million lower than budget due to shortage mitigation efforts resulting in projected deliveries being well below the budgeted level
- Capital charges are projected to be on budget
- BDF revenues are expected to be on budget
- Other Revenue are expected to be on budget
- Property taxes are projected to be in line with budgeted amount
- Interest income is expected to be \$44 million under budget due to decreases in the fair value, as a rising interest rate environment is negatively affecting fair value on Pool 12 bond investments



Total Expenses

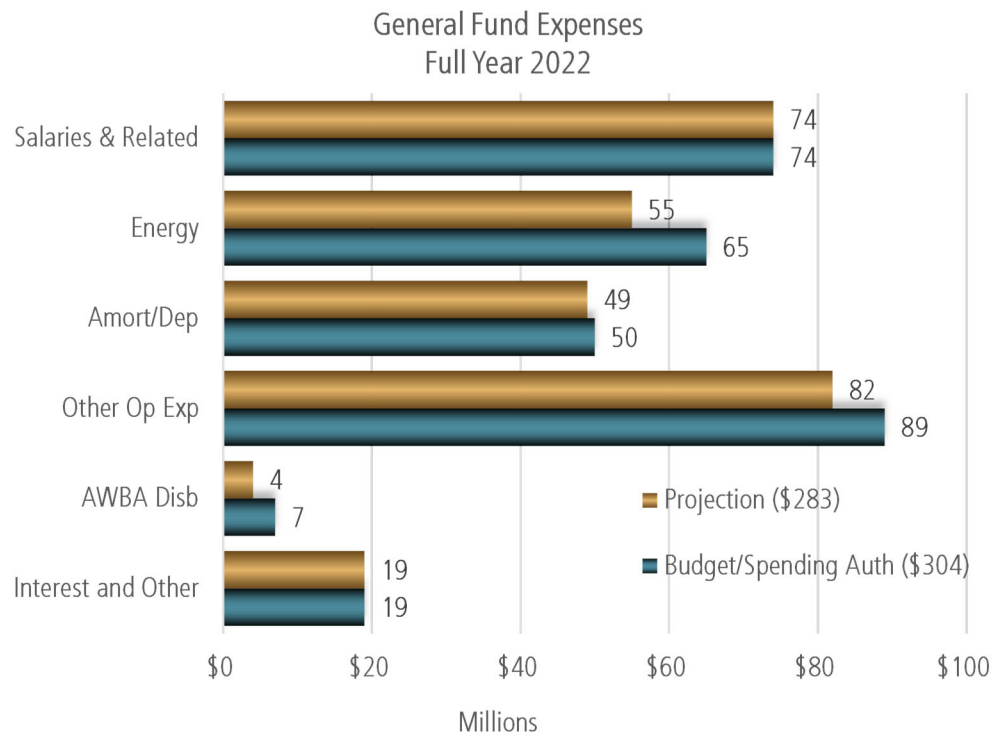
3RD QUARTER BUDGET PERFORMANCE: Total General Fund expenses through September 2022 were \$21 million lower than budget. This variance was due to:

- Salaries and related costs were under budget by \$1 million
- Energy costs were \$10 million under budget
- Amortization and depreciation expenses were \$1 million under budget
- Other operating costs were \$6 million under budget mainly due to several outside services expenses shifting until later in the year
- Interest and Other costs were on budget



FULL YEAR 2022 BUDGET PERFORMANCE: Total expenses for 2022 are anticipated to be \$283 million compared to a budget of \$304 million.

- Salaries and related expenses are projected to be on budget
- Energy expenses are anticipated to end the year \$10 million under budget as a result of the conservation efforts; this creates the opportunity for greater shaping, as all six Mark Wilmer pumping plant units will be available
- Amortization and depreciation costs are projected to be close to budget
- Other operating expenses are projected to be \$7 million under budget primarily due to outside services (mostly related to compensated conservation costs)
- AWBA is expected to be \$3 million lower than spending authority as AWBA does not anticipate utilizing the full amount authorized by the board
- Interest and Other costs should end the year on 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 \$171 million; through Q3, \$51 million from this reserve was allocated for Board approved purposes, leaving an unallocated amount of \$120 million.

Board Established Targets

(Dollars in Millions)

Strategic Reserves

Capital Reserve	\$73
Operating Reserve	\$80
Contingency Reserve	\$8
Total Strategic Reserves Target	\$161

Total Extraordinary Cost Reserves Target	\$281
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Total Working Capital Target	\$89
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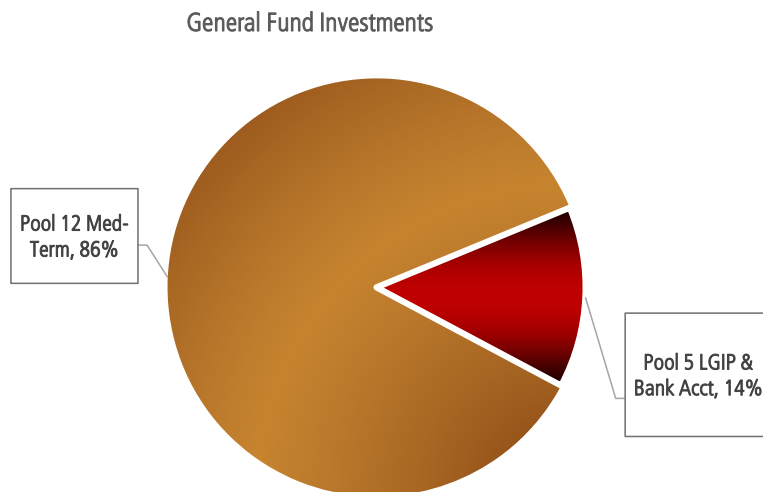
General Fund Cash and Investments

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 September 2022 was 2.09% for pool 12 and 2.13% 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	
<i>(Dollars in millions)</i>	9/30/22	12/31/21
Strategic Reserves		
Restricted Reserves		
Major Repair & Replacement Reserve	2	7
Assigned Reserves		
Capital Reserve	59	64
Operating Reserve	70	76
Contingency Reserve	7	8
Total Strategic Reserves	138	155
Working Capital	\$ 66	\$ 175
Extraordinary Cost Reserves	\$ 199	\$ 106
Other Reserves		
Navajo Decommissioning	\$ 32	\$ 37
Repayment Reserve	37	41
Emergency OM&R Reserve	6	7
System Use Reserve	4	4
Tribal ICS Reserve	23	24
Rate Stabilization	20	30
Voluntary Rate Stabilization	7	7
Bond Reserve	5	6
9(d) Debt Reserve	14	15
Recovery Reserve	6	11
Recharge O & M	8	8
Water Storage Tax for AWBA	34	35
Total Other Reserves	196	225
Total Reserves	\$ 599	\$ 661

Statement of Revenues, Expenses and Change in Net Position

General Fund

(Dollars in Thousands)

	3rd Quarter 2022				Full Year 2022					
	Actual	Budget	Variance		Projection	Budget	Additional Spending	Total Spending Authority	Variance	
			(\$)	(%)					(\$)	(%)
Water Deliveries (acre-feet in thousands)	823	1,039	(216)	(20.8%)	1,007	1,223	-	1,223	(216)	(17.7%)
Operating Revenues										
Water O&M charges	\$ 155,164	\$ 194,399	(39,235)	(20.2%)	\$ 205,238	\$ 234,504	\$ -	\$ 234,504	\$ (29,266)	(12.5%) A
Water service capital charges	26,719	27,523	(804)	(2.9%)	36,386	36,698	-	36,698	(312)	(0.9%) B
Basin Development Fund Revenues	6,836	5,082	1,754	34.5%	8,062	8,040	-	8,040	22	0.3% C
Other revenues	1,416	1,572	(156)	(9.9%)	1,714	1,881	-	1,881	(167)	(8.9%) D
Total Operating Revenues	\$ 190,135	\$ 228,576	\$ (38,441)	(16.8%)	\$ 251,400	\$ 281,123	-	\$ 281,123	\$ (29,723)	(10.6%)
Operating Expenses										
Salaries and related costs	\$ (53,809)	\$ (55,089)	\$ 1,280	2.3%	\$ (74,050)	\$ (74,325)	\$ -	\$ (74,325)	\$ 275	0.4% E
Energy	(48,252)	(58,496)	10,244	17.5%	(54,832)	(64,957)	-	(64,957)	10,125	15.6% F
Transmission	(14,850)	(12,003)	(2,847)	(23.7%)	(21,109)	(16,037)	-	(16,037)	(5,072)	(31.6%) G
Amortization of Permanent Service Right	(17,250)	(17,250)	-	0.0%	(23,001)	(23,001)	-	(23,001)	-	0.0%
Depreciation and Amortization	(18,837)	(19,959)	1,122	5.6%	(25,588)	(26,612)	-	(26,612)	1,024	3.8% H
Other operating costs:										
Outside services	(22,564)	(30,718)	8,154	26.5%	(46,324)	(50,377)	(8,500)	(58,877)	12,553	21.3% I
Materials and supplies	(7,633)	(6,759)	(874)	(12.9%)	(9,825)	(8,912)	-	(8,912)	(913)	(10.2%) J
Overhead	4,870	4,415	455	10.3%	6,276	5,792	-	5,792	484	8.4%
Other expenses	(8,164)	(8,413)	249	3.0%	(10,843)	(11,225)	-	(11,225)	382	3.4% K
Subtotal	(33,491)	(41,475)	7,984	19.3%	(60,716)	(64,722)	(8,500)	(73,222)	12,506	17.1%
Total Operating Expenses	(186,489)	(204,272)	17,783	8.7%	(259,296)	(269,654)	(8,500)	(278,154)	18,858	6.8%
Operating Income/(Loss)	\$ 3,646	\$ 24,304	\$ (20,658)	(85.0%)	\$ (7,896)	\$ 11,469	\$ (8,500)	\$ 2,969	\$ (10,865)	(365.9%)
Non-Operating Revenues/(Expenses)										
Property taxes	\$ 92,095	\$ 92,079	\$ 16	0.0%	\$ 92,095	\$ 92,080		92,080	15	0.0% L
Interest income and other	(40,028)	6,017	(46,045)	(765.2%)	(35,647)	8,016	-	8,016	(43,663)	(544.7%) M
Disbursements to AWBA	(4,301)	(7,409)	3,108	41.9%	(4,484)	(7,545)	-	(7,545)	3,061	40.6% N
Interest expense and other	(14,132)	(14,132)	-	0.0%	(18,843)	(18,843)	-	(18,843)	-	0.0% O
Net Non-operating Income/(Loss)	33,634	76,555	(42,921)	(56.1%)	33,121	73,708	-	73,708	(40,587)	(55.1%)
Change in Net Position	37,280	100,859	(63,579)	(63.0%)	25,225	85,177	(8,500)	76,677	(51,452)	(67.1%)
Net Position at beginning of period	756,936	745,496	11,440	1.5%	756,936	745,496	-	745,496	11,440	1.5%
Net Position at end of period	\$ 794,216	\$ 846,355	\$ (52,139)	(6.2%)	\$ 782,161	\$ 830,673	\$ (8,500)	\$ 822,173	\$ (40,012)	(4.9%)

Statement of Revenues, Expenses and Change in Net Position

General Fund

Notes

- A **Water O&M Charges:** 2022 water deliveries are projected to be 216 thousand acre-feet under budget due to mitigation efforts. Water O&M revenues for 2022 are projected to be \$29 million under budget, due mostly to Tribal ICS creation and lower deliveries. This variance is partially offset by a higher projected year end reconciled rate when compared to the published rate.
- B **Water Service Capital Charges:** 2022 capital charges and facility use charges are projected to be on budget.
- C **Basin Development Fund Revenues:** Full year revenues are projected to be on budget
- D **Other Revenues:** 2022 FY Other Income negative variance is \$167 thousand due to \$611 thousand less than budget in recharge lease revenues as a result of decreased recharge deliveries to CAWCD recharge sites, as well as reduced miscellaneous income and asset disposal revenues. This variance is offset by \$446 thousand additional revenue from land use and Flight Hanger revenues.
- E **Salaries and Related Costs:** Salaries and related costs are on budget
- F **Energy:** Due to the shortage and 500+ reductions, this will result in lower diversions and lower water deliveries than planned, creating the opportunity for greater shaping, as all six Mark Wilmer Pumping Plant units are available.
- G **Transmission:** There was a substantial unanticipated rate increase of approximately 600%, or \$3 million, in the El Paso Electric transmission capacity contract. Additionally, transmission losses are projected to be over budget by \$1.8 million.
- H **Depreciation and Amortization:** Full year positive variance is primarily due to ongoing impacts and delays in the supply chain.
- I **Outside Services:** 2022 projected positive variance of \$12 million is due to \$8 million from NIA Mitigation, reduced spending on system conservation (500+) initiatives (does not include additional \$5 million provided by Board), and savings from consultations on climate studies. These positive variances are offset by \$6.5 million in unbudgeted storm repairs for Pool 34, which was paid for out of the extraordinary cost reserve.
- J **Materials and Supplies:** Full year negative variance of \$913 thousand is attributed in part to \$609 thousand increase in costs related to material supplies/licenses/fees, \$364 thousand in higher than anticipated fuel costs and \$103 thousand due to inventory obsolescence.
- K **Other Expenses:** Full year positive variance of \$382 thousand is due in part to \$269K reduced expenses in Property & Casualty, \$142K in Licenses/Fees/Permits, \$132K in MSCP shortfall payments and \$564K in reduced training & travel expenses. This is offset by a \$756 thousand trash rake impairment not budgeted that was charged off as an operating expense.
- L **Property Taxes:** Forecast is in alignment with budget
- M **Interest Income and Other:** Full year negative variance due to lower Fair Value adjustment (\$46.9 million), partially offset by higher Interest income \$3.3 million. Concerns about inflation and rising interest rate environment are negatively affecting Fair Value in Pool 12 bond investments, which carry a lower interest rate return than current market rates.
- N **Disbursements to AWBA:** The AWBA will not utilize the full Board approved 2022 transfer amounts; approved amounts are \$4 million for the Phoenix AMA and \$3 million for the Tucson AMA
- O **Interest Expense and Other:** Full year expense should be equal to budgeted amount

Water Volumes

(in Acre-Feet)

	3rd Quarter 2022				Full Year 2022				Notes
	Actual	Budget	Variance		Projection	Budget	Variance		
			(A/F)	(%)			(A/F)	(%)	
Municipal & Industrial Water Subcontract	488,588	541,339	(52,751)	(9.7%)	595,072	665,360	(70,288)	(10.6%)	A
Federal Contract									
On & Off-reservation	314,806	448,622	(133,816)	(29.8%)	378,513	515,268	(136,755)	(26.5%)	
Total Federal Contract	314,806	448,622	(133,816)	(29.8%)	378,513	515,268	(136,755)	(26.5%)	B
Excess									
Ag Settlement Pool (includes Ag Forbearance)	19,676	48,596	(28,920)	(59.5%)	33,565	42,000	(8,435)	(20.1%)	C
CAGRD Obligation	-	-	-	-	-	-	-	-	
CAGRD Obligation @ Scottsdale IWDS	-	-	-	-	-	-	-	-	D
AWBA	-	-	-	-	-	-	-	-	E
AWBA Interstate Banking Water	-	-	-	-	-	-	-	-	
USBR Firming	-	-	-	-	-	-	-	-	F
CAGRD Replenishment Reserve	-	-	-	-	-	-	-	-	G
Temporary water use permits	-	479	(479)	(100.0%)	-	625	(625)	(100.0%)	
Full Cost Excess (Unscheduled overruns)	-	-	-	-	-	-	-	-	
Subtotal Excess	19,676	49,075	(29,399)	(59.9%)	33,565	42,625	(9,060)	(21.3%)	
Total Water Deliveries	823,070	1,039,036	(215,966)	(20.8%)	1,007,150	1,223,253	(216,103)	(17.7%)	
Transfer of credits to CAGRD	-	-	-	-	14,883	15,262	(379)	(2.5%)	
Take or Pay/Adjustment		-	-	-	-	6,000	(6,000)	(100.0%)	
Billed Fixed OM&R Water Volumes	823,070	1,039,036	(215,966)	(20.8%)	1,022,033	1,244,515	(222,482)	(17.9%)	

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:** 2022 deliveries are projected to be 70 thousand acre feet less than budget due to the 500+ compensated conservation program.
- B **Federal Customers:** 2022 deliveries are projected to be 137 thousand acre feet less than budget due to the 500+ compensated conservation program and tribal ICS.
- C **Ag Settlement Pool:** 2022 deliveries are projected to be 8 thousand acre feet less than budget due to the DCP program.
- D **CAGRD Obligation @ Scottsdale IWDS:** There are no planned deliveries in 2022
- E **AWBA:** There are no planned deliveries in 2022
- F **USBR FIRMING:** There are no planned deliveries in 2022
- G **CAGRD Replenishment Reserve:** There are no planned deliveries in 2022
- H **Capital and Facility Use Charges (M&I Subcontractors):** Full year charges are projected to be on budget
- I **Capital and Facility Use Charges (M&I Non-Subcontractors):** Full year charges are projected to be within budget limits.
- J **Underground Storage Facility Use Charges:** The negative full year variance is because 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)

	3rd Quarter 2022					Full Year 2022				Notes
	Actual	Budget	Variance		Projection	Budget	Variance			
			(\$)	(%)			(\$)	(%)		
WATER REVENUES										
Municipal & Industrial Water Subcontract	\$ 93,809	\$ 104,652	(10,843)	-10%	\$ 122,549	128,627	(6,078)	-5%	A	
Federal Contract										
On & Off-reservation	\$ 60,443	\$ 86,728	\$ (26,285)	(30.3%)	\$ 77,951	99,612	(21,661)	(21.7%)		
Subtotal Federal Contract	\$ 60,443	\$ 86,728	(26,285)	(30.3%)	77,951	99,612	(21,661)	(21.7%)	B	
Excess										
Ag Settlement Pool (includes Ag Forbearance)	1,102	2,721	(1,619)	(59.5%)	1,880	2,352	(472)	(20.1%)	C	
CAGR D Obligation	-	-	-	-	-	-	-	-		
CAGR D Obligation @ Scottsdale IWDS	-	-	-	-	-	-	-	-	D	
AWBA	-	-	-	-	-	-	-	-	E	
AWBA Interstate Banking Water	-	-	-	-	-	-	-	-		
USBR FIRMING	-	-	-	-	-	-	-	-	F	
CAGR D Replenishment Reserve	-	-	-	-	-	-	-	-	G	
Water Revenues Contra WSTA	-	-	-	-	-	-	-	-	H	
Temporary water use permits	(190)	298	(488)	(2)	-	389	(389)	(100.0%)		
Full Cost Excess (Unscheduled overruns)	-	-	-	-	-	-	-	-		
Subtotal Excess	912	3,019	(2,107)	(1)	1,880	2,741	(861)	(31.4%)		
Total Water Deliveries	155,164	194,399	(39,235)	(0)	202,380	230,980	(28,600)	(12.4%)		
Misc. Adjustments	-	-	-	-	-	-	-	-		
Transfer of credits to CAGR D	-	-	-	-	2,858	2,930	(72)	(2.5%)		
Take/Pay Adj.	-	-	-	-	-	594	(594)	(100.0%)		
Total Water O&M Charges	\$ 155,164	\$ 194,399	\$ (39,235)	(20.2%)	\$ 205,238	234,504	\$ (29,266)	(12.5%)		
CAPITAL & FACILITY USE CHARGES										
M&I subcontractors	\$ 26,719	\$ 26,799	\$ (80)	(0.3%)	\$ 35,624	35,732	\$ (108)	(0.3%)	H	
M&I non-subcontract	-	572	(572)	(100.0%)	744	763	(19)	(2.5%)	I	
Capital Charges - Pima (Interstate)	-	-	-	-	18	-	18	-		
Underground storage facilities	-	152	(152)	-100%	0	203	(203)	(100.0%)	J	
Total Capital & Facility Use Charges	\$ 26,719	\$ 27,523	\$ (804)	(2.9%)	\$ 36,386	36,698	\$ (312)	(0.9%)		

Notes explaining the variances are shown on page 29.

Energy & Transmission Adjustment

	3rd Quarter 2022				Full Year 2022				Notes
	Actual	Budget	Variance		Projection	Budget	Variance		
			(\$)	(%)			(Amount)	(%)	
ENERGY (MWH)									
Waddell	32,377	34,295	1,918	5.6%	32,377	34,295	1,918	5.6%	
Hoover	100,886	105,772	4,886	4.6%	129,870	134,756	4,886	3.6%	
Long-term contracts	239,764	302,005	62,241	20.6%	333,772	396,013	62,241	15.7%	
Market Purchases	1,035,593	1,203,562	167,969	14.0%	1,263,036	1,619,878	356,842	22.0%	
Total MWH	1,408,620	1,645,634	237,014	14.4%	1,759,055	2,184,942	425,887	19.5%	
ENERGY RATE (\$/MWH)									
Waddell	\$ -	\$ -	\$ -	n/a	\$ -	\$ -	\$ -	n/a	
Hoover	40.26	41.10	0.83	2.0%	41.99	43.32	1.33	3.1%	
Long-term contracts	64.42	38.37	(26.05)	(67.9%)	66.68	38.58	(28.10)	(72.8%)	A
Market Purchases	21.32	25.28	3.96	15.7%	17.00	25.11	8.11	32.3%	
Grand Weighted Average \$/MWH	\$ 30.22	\$ 28.77	\$ (1.45)	(5.0%)	\$ 28.48	\$ 28.73	\$ 0.25	0.9%	
ENERGY COSTS (\$000)									
Waddell	\$ -	\$ -	\$ -	n/a	\$ -	\$ -	\$ -	n/a	
Hoover	4,062	4,347	285	6.6%	5,453	5,837	384	6.6%	
Long-term contracts	15,445	11,587	(3,858)	(33.3%)	22,255	15,279	(6,976)	(45.7%)	A
Market Purchases	22,078	30,421	8,343	27.4%	21,471	40,672	19,201	47.2%	B
Gross Energy Costs (\$000)	\$ 41,585	\$ 46,354	\$ 4,769	10.3%	\$ 49,179	\$ 61,788	\$ 12,609	20.4%	
Energy Scheduling Services	\$ 797	\$ 829	\$ 32	3.9%	\$ 1,161	\$ 1,106	\$ (55)	(5.0%)	
Energy Balancing Services	-	-	-	n/a	-	-	-	n/a	
Shaping & Displacement Adjustment	-	-	-	n/a	-	-	-	n/a	
MWD Agreement Expense	73	85	12	(14.1%)	73	85	12	14.1%	
Lake Pleasant Adjustment	5,307	10,821	5,514	(51.0%)	3,604	1,572	(2,032)	(129.3%)	C
Lake Roosevelt Adjustment	489	406	(83)	20.4%	815	406	(409)	(100.7%)	C
Total Energy (\$000)	\$ 48,251	\$ 58,495	\$ 10,244	17.5%	\$ 54,832	\$ 64,957	\$ 10,125	15.6%	
TRANSMISSION ADJUSTMENT									
Elec Trans-Losses	\$ 2,963	\$ 2,216	\$ (747)	(33.7%)	\$ 4,760	\$ 2,955	\$ (1,805)	(61.1%)	D
Elec Trans-SRP SALT GILA	234	315	81	25.7%	329	420	91	21.7%	D
Elec Trans-Brady/Pichacho/RR	338	292	(46)	-15.8%	518	389	(129)	(33.2%)	D
Elec Trans-WECC Trans	174	156	(18)	(11.5%)	201	246	45	18.3%	D
Total Energy & Transmission Adjustment (\$000)	\$ 51,960	\$ 61,474	\$ 9,514	15.5%	\$ 60,640	\$ 68,967	\$ 8,327	12.1%	

Notes explaining the variances are shown on page 33.

Energy & Transmission Adjustment

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 500+ reductions, this will result in lower diversions and lower water deliveries than planned, creating the opportunity for greater shaping, as all six Mark Wilmer Pumping Plant units are available. There have been additional 500+ compensated conservation efforts forecasted in Q4, thus reducing the cost of energy.
- 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 500+ reductions, a larger volume of Lake Pleasant water will be released to fulfill water delivery orders. Additionally, Lake Roosevelt (SRP/CAP exchange agreement) is forecasted to contribute 15KAF 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.

Underground Storage Operations and Maintenance

(Dollars in Thousands)

	3rd Quarter 2022				Full Year 2022				Notes
	Actual	Budget	Variance (\$)	Variance (%)	Projection	Budget	Variance (\$)	Variance (%)	
Water Deliveries (000 acre-feet)	52	83	(31)	(37.3%)	58	96	(38)	(39.6%)	
Revenues									
Other revenues	749	1,176	(427)	(36.3%)	824	1,354	(530)	(39.1%)	
Total Revenues	\$ 749	\$ 1,176	\$ (427)	(36.3%)	\$ 824	\$ 1,354	\$ (530)	(39.1%)	
Expenses									
Salaries and related costs	\$ (102)	\$ (187)	\$ 85	45.5%	\$ (128)	\$ (253)	\$ 125	49.4%	
Other operating costs:									
Outside services	(46)	(162)	116	71.6%	(164)	(216)	52	24.0%	
Materials and supplies	(64)	(75)	11	14.7%	(65)	(102)	37	36.0%	
Other expenses	(385)	(563)	178	31.6%	(425)	(748)	323	43.2%	
Subtotal	(495)	(800)	305	38.1%	(654)	(1,066)	412	38.6%	
Total Expenses	\$ (597)	\$ (987)	\$ 390	39.5%	\$ (782)	\$ (1,319)	\$ 537	40.7%	
Change in Net Position	152	189	(37)	(19.6%)	42	35	7	(18.6%)	
Net position at beginning of period	\$ 7,777	4,485	3,292	73.4%	7,777	4,485	3,292	73.4%	
Net position at end of period	\$ 7,929	\$ 4,674	\$ 3,255	69.6%	\$ 7,819	\$ 4,520	\$ 3,299	73.0%	
Expense Summary									
Aqua Fria	\$ (25)	\$ (78)	\$ 53	67.9%	\$ (37)	\$ (105)	\$ 68	64.8%	A
Hieroglyphic Mountains	(160)	(129)	(31)	(24.0%)	(210)	(172)	(38)	(22.1%)	B
Lower Santa Cruz	(190)	(355)	165	46.5%	(202)	(473)	271	57.3%	C
Pima Mine Road	(29)	(156)	127	81.4%	(123)	(209)	86	41.1%	D
Superstition Mountain	(104)	(172)	68	39.5%	(121)	(230)	109	47.4%	E
Tonopah Desert	(89)	(97)	8	8.2%	(89)	(130)	41	31.5%	F
Total	\$ (597)	\$ (987)	\$ 390	39.5%	\$ (782)	\$ (1,319)	\$ 537	40.7%	

Notes explaining the variances are shown on the next page.

Underground Storage Operations and Maintenance

Notes

- A **Agua Fria:** 2022 deliveries are projected to be 9 thousand acre feet less than budget, resulting in \$118 thousand less in revenues when compared to budget. Total project cost is projected to be \$67 thousand less than budget due in part to \$25 thousand expenses in salaries/wages and \$40 thousand in overhead charged to this recharge Site.
- B **Hieroglyphic Mountains:** 2022 deliveries are projected to be 3 thousand acre feet more than budget, resulting in \$44 thousand more in revenues than budget. Total project cost is projected to be \$38 thousand more than budget due in part to an increase in energy expenses charged and other commercial services planned for this year.
- C **Lower Santa Cruz:** YTD deliveries are 7 thousand lower than budget while full year forecast is 14 thousand lower than budget. FY Revenues decreased by \$209 thousand by year end when compared to budget. Total cost is projected to decrease by \$272 thousand due in part to a decrease in wheeling fees resulting from decrease in deliveries this year and postponed scheduled maintenance.
- D **Pima Mine Rd:** 2022 deliveries are forecasted to be 4 thousand acre feet lower than budget due in part to diversions. Total expenses are projected to decrease by \$86 thousand due in part to a reduction to overhead and salaries/wages charged to this project in 2022.
- E **Superstition Mountain:** Full year deliveries are projected to be 15 thousand acre feet lower than budget. FY total cost is projected to be \$109 thousand less than budget due in part to \$96 thousand in energy related costs due to fewer deliveries to this site.
- F **Tonopah Desert:** There were no planned deliveries to Tonopah this year and regularly planned maintenance will still be done this year. Total cost is projected to be \$40 thousand more than budget due mostly to an increase in material supplies for planned regular maintenance to be done this year.

2022 Rate Reconciliation

(Dollars in Thousands)

	Projection	Published	Budget
General Fund Operating Expenses	\$ 259,296	\$ 244,386	\$ 269,654
Adjustments for O&M Expenses			
Depreciation & Amortization	(48,589)	(52,136)	(49,613)
Energy	(54,832)	(60,705)	(64,956)
Transmission Adjustment	(5,808)	(1,229)	(4,010)
Underground storage site O&M	(782)	(1,735)	(1,319)
Extraordinary Maintenance (when part of "Big R")	(3,188)	(10,860)	(4,204)
Other income	(890)	(669)	(524)
Capital Losses	(935)	-	-
Conservation Initiative - PVID Following (Extraordinary Cost Reserve)	(1,832)	-	-
Conservation Programs Funded by Extraordinary Cost Reserve (Ndrip)	(1,223)	-	(2,460)
Compensated Mitigation Funded by 'Big R'	(3,778)	-	(3,748)
Regional Recycled with MWD Funded by Water Storage Reserve	(1,022)	-	(1,000)
Wheeling Costs Funded by System Use Reserve	(208)	(800)	(95)
DCP Mitigation Cost Adjustment - prior year (Metro)	732	(444)	732
Recovery Expenses Funded by Recovery Reserve	(2,008)	(1,500)	(3,230)
500+ Plan Funded by Extraordinary Cost Reserve	(1,308)	-	(5,000)
500+ Plan "Stranded O&M" Funded at 50% by Water Storage Reserve	(5,000)	-	-
Compensated Conservation Funded at 50% by ECR (59,003 A/F)	(4,337)	-	-
Storm Damage Repair Pool 34 Funded from Extraordinary Cost Reserve	(8,173)	-	-
Total Adjustments	(143,181)	(130,078)	(139,427)
Fixed O&M Expenses	\$ 116,115	\$ 114,308	\$ 130,227
Energy & Transmission Adjustment			
Energy	\$ 54,832	\$ 60,705	\$ 64,956
Transmission Adjustment	5,808	1,229	4,010
Total Energy & Transmission Adjustment	\$ 60,640	\$ 61,934	\$ 68,966

2022 Rate Reconciliation

(Dollars in Thousands)

Calculation of Reconciled Water Rates							
	Projection	Tier 1 Published	Tier 1 Budget	Variance Publ vs Proj	Variance Bdgt vs Proj		
Water Delivery Costs (Thousands)							
Fixed O&M Expenses	\$ 116,115	\$ 114,308	\$ 130,227	\$ (1,807)	\$ 14,112		
Total Energy & Transmission Adjustment Expenses	\$ 60,640	\$ 61,934	\$ 68,966	\$ 1,294	\$ 8,326		
Water Delivery (Acre-Feet)							
Total water deliveries with credits	1,022,033	1,105,050	1,238,515	83,017	216,482		
Take or Pay adjustment	-	6,000	6,000	6,000	6,000		
Billed Fixed OM&R Water Volume	1,022,033	1,111,050	1,244,515	89,017	222,482		
Pumping Energy Rate 1 Water Volume	1,022,033	1,105,050	1,238,515	83,017	216,482		
Water Delivery Rate (\$/AF)							
Calculated Fixed O&M Rate	\$ 113.61	\$ 103.00	\$ 104.64	\$ (10.61)	\$ (8.97)		
Capital Replacement Component ("Big R")	33.00	33.00	33.00	-	-		
Total Fixed OM&R	146.61	136.00	137.64	(10.61)	(8.97)		
Calculated Pumping Energy Rate	59.33	56.00	55.68	(3.33)	(3.65)		
Total Pumping Energy Rate 1	59.33	56.00	55.68	(3.33)	(3.65)		
Total Delivery Rate	\$ 205.94	\$ 192.00	\$ 193.32	\$ (13.94)	\$ (12.62)		
Full Rate Stabilization	\$ (13.00)	\$ (13.00)	\$ (13.00)	\$ -	\$ -		
Net Delivery Rate	\$ 192.94	\$ 179.00	\$ 180.32	\$ (13.94)	\$ (12.62)		

Long Term Contract reconciliation-Fixed OM&R (\$000)- (refund)/bill	\$ 10,330
Long Term Contract reconciliation-Energy (\$000)- (refund)/bill	\$ 3,242
Total Long Term Contract reconciliation (\$000)- (refund)/bill	\$ 13,572

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
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
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

ICS & System Conservation/Augmentation Programs - continued

Program - System Conservation/Augmentation	Project Activity Years	Involved Parties (Contracted)	Description	CAWCD Financial Impact	Acre Feet
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
CAWCD Subcontractor Conservation	2022	5 CAWCD Subcontractors and United States (BOR)	Conserve 59,003 AF	Utilize extraordinary cost reserves to offset 50% of Fixed OM&R rate impact. Total impact was estimated at \$8.7M.	59,003
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 9,592 AF	CAWCD contribution of \$426,575, with total project cost of \$2,509,267.	9,592
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 8,544 AF.	CAWCD contribution of \$223,511, with total project cost of \$2,235,110.	8,544
California Regional Recycled Water Program	2022-2023	Arizona Department of Water Resources 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)	
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
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	2022	GRIC and BOR	Conserve 50,937 AF	Fixed O&M increase of \$2.25/af	50,937
GRIC System Conservation	2021	GRIC and BOR	Conserve 40,000 AF	Fixed O&M increase of \$2.25/af	40,000
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	60,000

Extraordinary Maintenance Projects

(Dollars in Thousands)

Expenses

Salaries and related costs

Other operating costs:

Outside services

Materials and supplies

Other expenses/overhead

Subtotal

Total Expenses

3rd Quarter 2022					Full Year 2022					
Actual	Budget	Variance			Projection	Budget	Additional Spending	Total Spending Authority	Variance	
		(\$)	(%)						(\$)	(%)
\$ (489)	\$ (467)	\$ (22)	(4.7%)		\$ (618)	\$ (490)	\$ -	\$ (490)	\$ (128)	(26.1%)
(3,082)	(2,878)	(204)	(7.1%)		(9,983)	(3,098)	(8,500)	(11,598)	1,615	13.9%
(33)	(23)	(10)	(43.5%)		(35)	(23)	-	(23)	(12)	(52.2%)
(577)	(569)	(8)	(1.4%)		(725)	(593)	-	(593)	(132)	(22.3%)
(3,692)	(3,470)	(222)	(6.4%)		(10,743)	(3,714)	(8,500)	(12,214)	1,471	12.0%
\$ (4,181)	\$ (3,937)	\$ (244)	(6.2%)		\$ (11,361)	\$ (4,204)	\$ (8,500)	\$ (12,704)	\$ 1,343	10.6%

EM-Storm Damage Repairs Pool 34

EM-MWP Suction Tubes & BSH Right Manifold Reline

Total

Total Project Costs									
Through 2021	2022 Projection	Balance Remaining	Projected	Budget	Additional Spending	Total Spending Authority	Variance		Notes
							(\$)	(%)	
(3,547)	\$ (8,173)	\$ (679)	\$ (12,399)	\$ -	\$ (13,000)	\$ (13,000)	\$ 601	4.6%	A
(86)	(3,188)	(1,890)	(5,164)	(6,776)	-	(6,776)	1,612	23.8%	B
(3,633)	(11,361)	(2,569)	\$ (17,563)	\$ (6,776)	\$ (13,000)	\$ (19,776)	\$ 2,213	11.2%	

Notes:

A Funded through Extraordinary Cost Reserves and not part of Fixed O&M Rate. On September 2, 2021, the Board approved additional spending authority in the amount of \$4.5 million for 2021 & on August 4, 2022, the Board approved additional spending authority in the amount of \$8.5 million for 2022 expenses related to the repair of Pool 34.

B Funded through "Big R"

Central Arizona Groundwater Replenishment District (CAGRD) Account

BUDGET PERFORMANCE - Full Year 2022

<i>(Dollars in Thousands)</i>	Projection	Spending Authority	Change	
Revenues	\$ 57,719	\$ 55,384	\$ 2,335	4%
Expenses	(19,633)	(17,658)	(1,975)	(11%)
Change in Net Position	38,086	37,726	360	1%
Beginning Net Position	259,391	265,973	(6,582)	
Ending Net Position	\$ 297,477	\$ 303,699	\$ (6,222)	

Total Revenues

Total revenues are projected to be \$57.7 million in 2022, which is \$2.3 million higher than budget. Operating revenue is projected to exceed budget by \$3.0 million: revenues from rates are expected to be \$0.9 million higher than budget due to higher obligation estimates; revenues from dues are projected to be \$1.1 million higher than budget due to higher rates; and, revenues from fees are projected to be \$1.0 million higher than budget due to continued increased volumes of activations. Non-operating income is projected to be \$0.7 million under budget due to the significant changes in the stock market, which impact fair values.

Total Expenses

Expenses are projected to be \$1.9 million higher than budget. This is primarily due to \$2.4 million in higher water expenses. The expense for water represents an estimate of 2022 pumping and any 2022 long term storage credit purchases from CAP. The reason for the variance is primarily related to the increase in the CAWCD delivery cost. Non-operating expenses are projected to be slightly under 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)

	3rd Quarter 2022				Full Year 2022					
	Variance				Variance					
	Actual	Budget	(\$)	(%)	Projection	Budget	Total Spending Authority	(\$)	(%)	Notes
Operating Other Revenues										
Revenue-Rates	\$ 8,941	\$ 7,852	\$ 1,089	13.9%	\$ 26,838	\$ 25,977	\$ 25,977	\$ 861	3.3%	
Revenue-Fees	14,984	14,192	792	5.6%	19,778	18,737	18,737	1,041	5.6%	
Revenue-Dues	2,115	2,020	95	4.7%	11,515	10,411	10,411	\$ 1,104	10.6%	
Total Operating Other Revenues	\$ 26,040	\$ 24,064	\$ 1,976	\$ 0	\$ 58,131	\$ 55,125	\$ 55,125	\$ 3,006	5.5%	A
Operating Expenses										
Salaries and related costs	\$ (942)	\$ (1,014)	\$ 72	7.1%	\$ (1,293)	\$ (1,327)	\$ (1,327)	\$ 34	2.6%	
Depreciation	(46)	(46)	-	0.0%	(61)	(61)	(61)	-	0.0%	
Other operating costs:										
Outside services	(270)	(530)	260	49.1%	(398)	(683)	(683)	285	41.7%	
Water for underground storage	(694)	-	(694)		(15,567)	(13,179)	(13,179)	(2,388)	(18.1%)	B
Materials and supplies	-	(1)	1	100.0%	(1)	(1)	(1)	-	0.0%	
Overhead	(1,027)	(1,101)	74	6.7%	(1,409)	(1,440)	(1,440)	31	2.2%	
Other expenses	(22)	(45)	23	51.1%	(34)	(54)	(54)	20	37.0%	
Subtotal	(2,013)	(1,677)	(336)	(20.0%)	(17,409)	(15,357)	(15,357)	(2,052)	(13.4%)	
Total Operating Expenses	\$ (3,001)	\$ (2,737)	\$ (264)	\$ (0)	\$ (18,763)	\$ (16,745)	\$ (16,745)	\$ (2,018)	(12.1%)	
Net Operating Income/(loss)	\$ 23,039	\$ 21,327	\$ 1,712	8.0%	\$ 39,368	38,380	\$ 38,380	\$ 988	2.6%	
Non-operating Revenues/(Expenses)										
Interest income and other	\$ (947)	\$ 194	\$ (1,141)	(588.1%)	\$ (412)	\$ 259	\$ 259	\$ (671)	(259.1%)	C
Interest expense and other	(209)	(701)	492	70.2%	(870)	(913)	(913)	\$ 43	4.7%	
Net Non-operating Income/(Loss)	\$ (1,156)	\$ (507)	(649)	(128.0%)	\$ (1,282)	\$ (654)	\$ (654)	\$ (628)	(96.0%)	
Change in Net assets	\$ 21,883	\$ 20,820	\$ 1,063	5.1%	\$ 38,086	\$ 37,726	\$ 37,726	\$ 360	1.0%	

NOTES:

A Other Operating Revenues: YTD revenue exceeded budget by \$2.0 million due to higher activation, enrollment, and upfront fees. Full year revenue for 2022 is projected to exceed budget by \$3.0 million. Revenues from rates are expected to be \$0.9 million higher than budget due to higher obligation estimates. Revenues from dues are projected to be \$1.1 million higher than budget due to higher rates and revenues from fees are projected to be \$1.0 million higher than budget due to continued increased volumes of activations.

B Water for Underground Storage: The expense for water represents an estimate of 2022 pumping and any 2022 long term storage credit purchases from CAP. The reason for the variance is an increase in the CAWCD delivery cost and slightly higher estimates for obligation incurred from members pumping.

C Interest Income and Other: YTD and full year estimates are lower than budget due to the significant changes in the stock market impacting fair values.

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
2022				
Outstanding Obligation - Year Ending	33,749	1,228	2,216	37,193
Prior year Obligations adjustment (prev est less CDAR)	(1,701)	(635)	(10)	(2,346)
Obligation Estimate for current year	36,656	1,242	2,872	40,770
Less CAWCD Deliveries to meet Obligation (CDA)	(32,096)	-	(2,194)	(34,290)
Less CAWCD LTSC purchased to meet Obligation	-	(593)	-	(593)
Less I&WR LTSC purchased to meet Obligation	-	-	(551)	(551)
Outstanding Obligations at end of 2022	36,608	1,242	2,333	40,183

CAGRD Fund Balances

(Dollars in Thousands)

	2021 Actual	3rd Qtr 2022 Actual	2022 Projection
Administrative:			
Beginning Fund Balance	\$ 1,404	\$ 1,765	\$ 1,765
Administrative Component Revenue	1,863	502	1,662
Transfer from Phoenix Infrastructure	23	-	315
Total Cash Collected	1,886	502	1,977
Administrative (Operating) Expenses	(1,526)	(1,346)	(1,750)
Interest Income / Expense	1	2	2
Ending Fund Balance	\$ 1,765	\$ 923	\$ 1,994
Conservation:			
Beginning Fund Balance	\$ 781	\$ 849	\$ 849
Administrative Component Revenue	\$ 67	\$ 7	\$ 88
Administrative (Operating) Expenses	-	(14)	(46)
Interest Income / Expense	1	-	-
Ending Fund Balance	\$ 849	\$ 842	\$ 891

CAGR Fund Balances

(Dollars in Thousands)

	Full Year Projection 2022			
	Phoenix AMA	Pinal AMA	Tucson AMA	Total
Water and Replenishment:				
Beginning Fund Balance	\$ 6,370	\$ 148	\$ 442	\$ 6,960
Revenue	8,116	174	802	9,092
Water Purchased	(1,555)	-	(531)	(2,086)
CAWCD Credits Purchased	-	(144)	-	(144)
I&WR Credits Purchased	(6,212)	-	(134)	(6,346)
Interest Income (Expense)	-	-	-	-
Ending Balance	<u>\$ 6,719</u>	<u>\$ 178</u>	<u>\$ 579</u>	<u>\$ 7,477</u>
Replenishment Reserve:				
Beginning Fund Balance	\$ 1,398	\$ 11	\$ 84	\$ 1,493
Replenishment Reserve Revenue	4,064	99	339	4,502
Water Purchased	-	-	-	-
CAP Credits	(3,351)	(107)	-	(3,458)
I&WR Credits Purchased	-	-	(253)	(253)
Interest Income / Expense	2	-	-	2
Ending Balance	<u>\$ 2,113</u>	<u>\$ 3</u>	<u>\$ 170</u>	<u>\$ 2,286</u>

CAGR Fund Balances

(Dollars in Thousands)

	2021 Actual	3rd Qtr 2022 Actual	2022 Projection
Infrastructure and Water Rights:			
Beginning Fund Balance	\$ 38,891	\$ 60,110	\$ 60,110
Revenue	43,341	17,871	41,991
Proceeds from LTSC internal transfers	3,445	-	6,599
Proceeds from M&I Allocation transfer	-	1,205	1,205
NIA Reallocation and 9(d) Debt	(7,134)	-	(7,134)
GRIC and other Lease Considerations	(4,985)	(4,287)	(5,235)
Water Costs for LTSC	(986)	(2,741)	(4,553)
LTSC purchases	(7,882)	(9,160)	(9,824)
Technical Studies & Other Operating Expenses	(1,000)	(489)	(1,400)
Debt Service payments	(3,973)	(1,986)	(3,972)
Interest Income / Expense	393	180	200
Ending Fund Balance	\$ 60,110	\$ 60,703	\$ 77,986

CAGRD Enrollment and Activation Summary

Figure 1: Member Land Enrollment

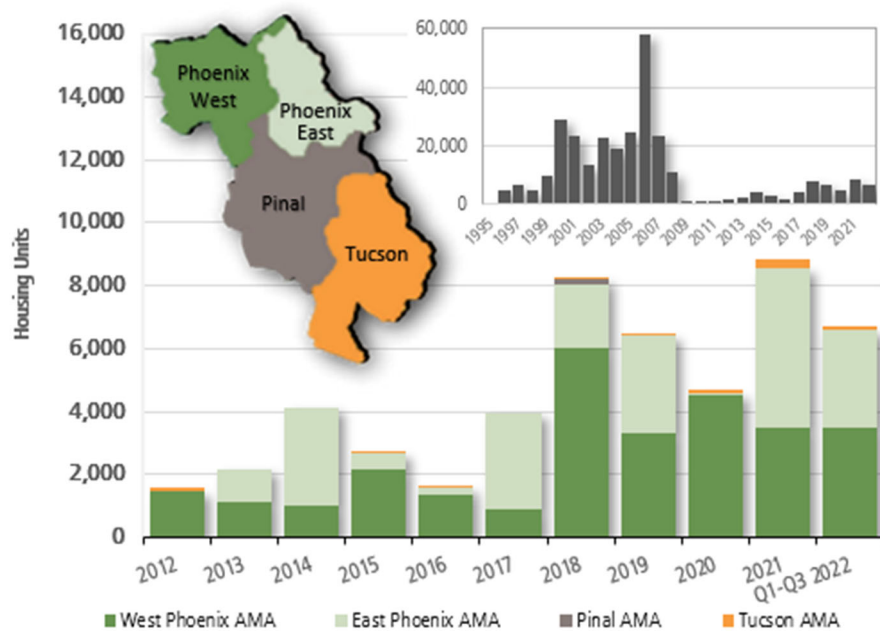


Table 1: Enrollment Units Q1-Q3 2022

AMA	ML Lots	Projected Demand (AF/year)
West Phoenix	3,479	1,819
East Phoenix	3,111	1,756
Pinal	0	0
Tucson	95	33
TOTAL	6,685	3,608

Figure 2: Activation Units

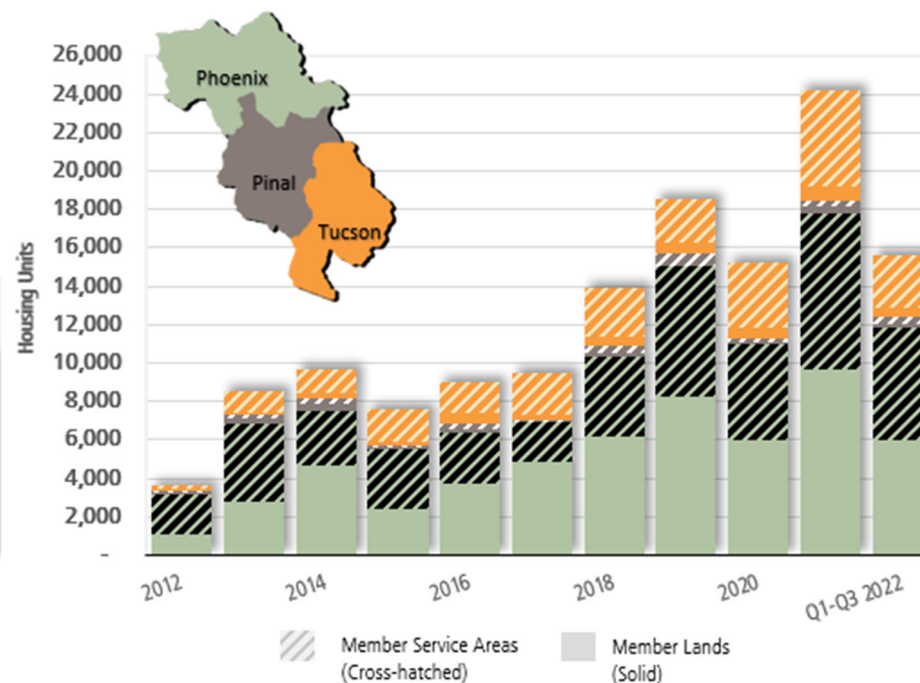


Table 2: Activation Units Q1-Q3 2022

AMA	ML Lots	MSA Lots	Total Lots
Phoenix	5,967	5,910	11,877
Pinal	137	404	541
Tucson	438	2,748	3,186
TOTAL	6,542	9,062	15,604

CAGRD Enrollment and Activation Summary

Enrollment Q1-Q3 2022

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 2012 through Q3 2022. **Table 1** provides a breakdown by AMA of member land enrollment activity through Q3 2022. ML enrollment occurred in the Phoenix AMA and was comprised of 27 new subdivisions with 6,590 lots and with a total projected demand of 3,575 AF/yr. The East Valley had 11 subdivisions enrolled with a total of 3,111 lots with a projected annual demand of 1,756 AF/yr. The West Valley had 16 enrollments with 3,479 lots and with a projected demand of 1,819 AF/yr. The Tucson AMA had 1 enrollment with 95 lots and with a projected demand of 33 AF/yr. No new subdivisions enrolled within the Pinal AMA in Q3 2022.

No new Member Service Areas (MSAs) enrolled in Q3 2022 and there were no de-enrollments.

Activation in Q1-Q3 2022

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 Q3 2022 totaled 15,604 (Member Land lots = 6,542; Member Service Area lots = 9,062). **Table 2** provides a breakdown by AMA of previously enrolled lots that were activated through Q3 2022. By comparison, there were 19,517 units activated in Q1-Q3 2021.



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

(Dollars in Thousands)

	3rd Quarter 2022				Full Year 2022						Notes
	Actual	Budget	Variance (\$)	Variance (%)	Projection	Budget	Additional Spending	Total Spending Authority	Variance (\$)	Variance (%)	
Operating Revenues											
Other revenues	\$ 8,767	\$ 8,779	\$ (12)	(0.1%)	\$ 11,481	\$ 11,706		\$ 11,706	\$ (225)	(1.9%)	A
Total Operating Revenues	\$ 8,767	\$ 8,779	\$ (12)	(0.1%)	\$ 11,481	\$ 11,706	\$ -	\$ 11,706	\$ (225)	(1.9%)	
Operating Expenses											
Other Operating costs:					-						
Outside services	\$ (165)	\$ (172)	\$ 7	4.1%	\$ (220)	\$ (229)		\$ (229)	\$ 9	3.9%	B
Other expenses	(6,673)	(8,104)	1,431	17.7%	(11,024)	(10,805)	-	(10,805)	(219)	(2.0%)	C
Total Operating Expenses	(6,838)	(8,276)	1,438	17.4%	(11,244)	(11,034)	-	(11,034)	(210)	(1.9%)	
Net Operating Income/(Loss)	\$ 1,929	\$ 503	\$ 1,426	283.5%	\$ 237	\$ 672	\$ -	\$ 672	\$ (435)	65%	
Non-operating Revenues/(Expenses)											
Interest income and other	\$ 3	\$ 24	\$ (21)	(87.5%)	\$ 4	\$ 32		\$ 32	\$ (28)	(87.5%)	
Net Non-operating Income/(Loss)	3	24	(21)	(87.5%)	4	32	-	32	(28)	(87.5%)	
Change in Net Position	1,932	527	1,405	(266.6%)	241	704	-	704	(463)	65.8%	
Net position at beginning of period	7,933	6,542	1,391	21.3%	7,933	6,542		6,542	1,391	21.3%	
Net position at end of period	\$ 9,865	\$ 7,069	\$ 2,796	39.6%	\$ 8,174	\$ 7,246	\$ -	\$ 7,246	\$ 928	12.8%	

Notes:

- A **Reimbursements and other revenues:** 2022 full year projection is expected to be slightly lower than budget due to lower than expected enrollment on CAWCD medical program.
- B **Outside Services:** 2022 projected positive variance of \$9 thousand is due in part to a lower than anticipated Actuarial and letters of Credit/Bank fees.
- C **Other Expenses:** 2022 underwriting expenses are projected to be \$219K over budget due in part to anticipated property claims by year end.



Statement of Revenues, Expenses and Change in Net Position Supplemental Water Account

(Dollars in Thousands)

	3rd Quarter 2022				Full Year 2022				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	(668)	99	(767)	-774.7%	(628)	\$ 132	(760)	-575.8%	A
Interest expenses and other	0	0	0	N/A	0	-	-	N/A	
Total Non-operating Revenues/(Expenses)	(668)	99	(767)	-774.7%	(628)	132	(760)	-575.8%	
Change in Net Position	(668)	99	(767)	-774.7%	(628)	132	(760)	-575.8%	
Net position at beginning of period	9,163	9,110	53	0.6%	9,163	9,110	53	0.6%	
Net position at end of period	8,495	9,209	(714)	-7.8%	8,535	\$ 9,242	\$ (707)	(7.6%)	

Notes:

A. YTD and full year unfavorable variance in Fair Value adjustment.



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 2022 are listed in the following table.

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 each project's total cost performance, in addition to annual spending. The following table lists significant projects and their total projected variances.

2022 CAWCD CAPITAL SPENDING

(Dollars in Thousands)	2022 Projection	2022 Spending Authority	Variance
Capital Equipment	\$ 5,155	\$ 5,216	\$ 61
Capital Projects (by absolute variance)			
Coffer Dam Design & Fabricate	-	1,304	1,304
Elevator System Replacement (Phase 2)	2,320	3,216	896
SCADA Replacement Control Center	1,273	2,142	869
Sump Pump Water Level Controls at Pumping Plants	279	1,118	839
Motor Exciters & Control Unit Replacements at West Plants	3,600	4,363	763
HVAC Replacement Mark Wilmer Pumping Plant	2,431	1,685	(746)
Fire Protection System Upgrade Mark Wilmer Pumping Plant	3,691	4,314	623
Potable Water Skid Replacement	1,343	824	(519)
Backup Power Systems Replacement at Checks Turnouts & Microwave Sites	3,804	3,300	(504)
All Other Capital Projects	12,344	10,635	(1,709)
Subtotal - Capital Projects	\$ 31,085	\$ 32,901	\$ 1,816
Total CAWCD Capital Spending	\$ 36,240	\$ 38,117	\$ 1,877

(Dollars in Thousands)

Capital Projects - Ten Largest

	Projection	Budget	Variance
Motor Exciters & Control Unit Replacements at West Plants	\$ 15,947	\$ 14,760	\$ (1,187)
Backup Power Systems Replacement at Checks Turnouts & Microwave Sites	14,053	12,286	(1,767)
SCADA Replacement Control Center	13,112	19,215	6,103
Electromechanical Relay Replacement Phase 2	12,034	14,544	2,510
Condition-Based Monitoring	11,308	11,312	4
Fire Protection System Upgrade Mark Wilmer Pumping Plant	9,994	7,962	(2,032)
Transformer McCullough	9,839	9,184	(655)
Fire Protection at San Xavier, Twin Peaks, Sandario, Brawley, Tucson Field Offi	9,835	11,321	1,486
HVAC Replacement Headquarters Building 2	8,742	6,530	(2,212)
Elevator System Replacement (Phase 2)	8,453	8,476	23



2022 Capital Spending Variance Summary

(Dollars in Thousands)

SUMMARY

Capital & Cost-Shared Expenditures

	3rd Quarter 2022				Full Year 2022			
	Actual	Budget	Variance (\$)	Variance (%)	Projection	Total Spending Authority	Variance (\$)	Variance (%)
Salaries and related costs	\$ 3,547	\$ 3,055	\$ (492)	(16.1%)	4,491	\$ 4,012	\$ (479)	(11.9%)
Equipment and structures	13,366	20,363	6,997	34.4%	23,890	26,782	2,892	10.8%
Other expenses:								
Outside services	750	2,555	1,805	70.6%	2,651	2,792	141	5.1%
Materials and supplies & other expenses	315	147	(168)	(114.3%)	341	179	(162)	(90.5%)
Overhead expenses	3,843	3,314	(529)	(16.0%)	4,867	4,352	(515)	(11.8%)
Subtotal Other Expenses	4,908	6,016	1,108	18.4%	7,859	7,323	(536)	(7.3%)
Total Capital	\$ 21,821	\$ 29,434	\$ 7,613	25.9%	\$ 36,240	\$ 38,117	\$ 1,877	4.9%

2022 CAWCD Capital Spending Variance Detail

(Dollars in Thousands)

Projects	3rd Quarter 2022					Full Year 2022				
			Variance		Projection	Total Spending Authority	Variance		Notes	
	Actual	Budget	(\$)	(%)			(\$)	(%)		
CAPITAL EQUIPMENT										
Land	\$ 222	\$ -	\$ (222)	-	\$ 222	\$ -	\$ (222)	-		
Buildings & Structures	-	-	-	-	50	50	-	0.0%		
Computer Equipment	1,947	1,350	(597)	(44.2%)	1,947	1,800	(147)	(8.2%)		
Vehicles	735	829	94	11.4%	1,214	829	(385)	(46.5%)		
Field & Other Equipment	523	1,190	667	56.1%	1,514	2,240	726	32.4%		
Communication Equipment	36	297	261	87.8%	208	297	89	30.0%		
Capital Equipment Total	\$ 3,462	\$ 3,666	\$ 204	5.6%	\$ 5,155	\$ 5,216	\$ 61	1.2%		
2022-2023 Budgeted Projects										
Backup Power Systems Replacement at Checks Turnouts & Microwave Sites	\$ 2,903	\$ 2,807	\$ (96)	(3.4%)	\$ 3,804	\$ 3,300	\$ (504)	(15.3%)		
Coffer Dam Design & Fabricate	-	\$ 1,262	1,262	100.0%	-	1,304	1,304	100.0%	A	
Condition-Based Monitoring	97	\$ 128	31	24.2%	224	308	84	27.3%		
Discharge Valves at Bouse Hills, Little Harquahala & Hassayampa Pumping Plants	1,136	\$ 923	(213)	(23.1%)	1,149	979	(170)	(17.4%)		
Electromechanical Relay Replacement Phase 2	1,239	\$ 1,566	327	20.9%	2,761	2,617	(144)	(5.5%)		
Elevator System Replacement (Phase 2)	907	\$ 2,518	1,611	64.0%	2,320	3,216	896	27.9%		
Fire Hydrant Feeder Valves at Headquarters	141	\$ 144	3	2.1%	161	180	19	10.6%		
Fire Protection CO2 Modifications at Waddell Pumping and Generation Plant	78	\$ 19	(59)	(310.5%)	78	19	(59)	(310.5%)		
Fire Protection at San Xavier, Twin Peaks, Sandario, Brawley, Tucson Field Office	228	\$ 652	424	65.0%	513	930	417	44.8%		
Fire Protection System Upgrade Mark Wilmer Pumping Plant	2,110	\$ 2,933	823	28.1%	3,891	4,314	423	9.8%		
Flowmeter Replacement at Turnouts	66	\$ 104	38	36.5%	66	104	38	36.5%		
HVAC Replacement Headquarters Building 2	259	\$ 474	215	45.4%	292	644	352	54.7%		
HVAC Replacement Mark Wilmer Pumping Plant	2,184	\$ 1,642	(542)	(33.0%)	2,431	1,685	(746)	(44.3%)	B	
Isolation Valves at Black Mountain & Snyder Hill (Pilot)	49	\$ 69	20	29.0%	81	101	20	19.8%		
Machine Shop Overhead Crane Improvements	34	\$ 29	(5)	(17.2%)	234	29	(205)	(706.9%)		
Motor Exciters & Control Unit Replacements at West Plants	3,195	\$ 3,460	265	7.7%	3,600	4,363	763	17.5%		
Motor Exciters at Twin Peaks, Sandario, Snyder Hill & Black Mountain	124	\$ 531	407	76.6%	999	569	(430)	(75.6%)		
Network Refresh 2022	145	\$ 125	(20)	(16.0%)	170	125	(45)	(36.0%)		
Potable Water Skid Replacement	201	\$ 415	214	51.6%	1,343	824	(519)	(63.0%)	C	
Potable Water at Pinal Field Office	86	\$ 144	58	40.3%	196	176	(20)	(11.4%)		
Potable Water System Upgrade at Sandario Pumping Plant	103	\$ 317	214	67.5%	488	317	(171)	(53.9%)		
Programmable Logic Controller (PLC) Replacement Waddell	1,323	\$ 1,351	28	2.1%	2,009	1,836	(173)	(9.4%)		
SCADA Replacement Control Center	738	\$ 1,578	840	53.2%	1,273	2,142	869	40.6%	D	
Sump Pump Water Level Controls at Pumping Plants	199	\$ 876	677	77.3%	279	1,118	839	75.0%	E	
Switchyard Bus Duct Replacement Waddell Pumping Plant	23	\$ 51	28	54.9%	23	51	28	54.9%		
Transformer McCullough	-	\$ 1,500	1,500	100.0%	1,373	1,500	127	8.5%		
Windows Server Refresh 2022	107	\$ 150	43	28.7%	142	150	8	5.3%		
Totals - 2022-2023 Budgeted Projects	\$ 17,675	\$ 25,768	\$ 8,093	31.4%	\$ 29,900	\$ 32,901	\$ 3,001	9.1%		

2022 CAWCD Capital Spending Variance Detail (cont.)

(Dollars in Thousands)

	3rd Quarter 2022				Full Year 2022				
			Variance			Total	Variance		
	Actual	Budget	(\$)	(%)	Projection	Spending Authority	(\$)	(%)	Notes
Projects - continued									
<u>Projects Without a Budget in 2022</u>									
Canal-Wide CP System Upgrade	222	-	(222)	-	599	-	(599)	-	
Conf Rms Network Refrsh	194	-	(194)	-	199	-	(199)	-	
Floor Lift Addition TFO	2	-	(2)	-	2	-	(2)	-	
Microwave System Replacement	41	-	(41)	-	41	-	(41)	-	
Monitor Well Aguafria Rechrng	17	-	(17)	-	43	-	(43)	-	
Motor Exciters & Ctrl Repl BDY,PIC,RR	4	-	(4)	-	4	-	(4)	-	
Roof Replacement BLK/SNY	3	-	(3)	-	56	-	(56)	-	
Sand Filter Sys Repl HSY	47	-	(47)	-	47	-	(47)	-	
Siphon Stop Logs Cunningham/Gila/Santa Cruz	3	-	(3)	-	3	-	(3)	-	
Substn Hardening Sunvalley	46	-	(46)	-	(73)	-	73	-	
Swchyd Scurity Hardning Delaney	-	-	-	-	85	-	(85)	-	
West Entrance Gate HDQ	105	-	(105)	-	179	-	(179)	-	
Totals - Projects Without a Budget in 2022	\$ 684	\$ -	\$ (684)	-	\$ 1,185	\$ -	\$ (1,185)	-	
NET CAPITAL	\$ 21,821	\$ 29,434	\$ 7,613	25.9%	\$ 36,240	\$ 38,117	\$ 1,877	4.9%	

2022 CAWCD Capital Spending Variance Detail

(Dollars in Thousands)

Notes: If there is a positive/negative variance > \$1.0 million, or b): there is a positive/negative variance > 30% and > than \$500K.

- A **Coffer Dam Design & Fabricate:** This project was canceled after it was determined to be cost prohibitive.
- B **HVAC Replacement Mark Wilmer Pumping Plant:** Project Steering Committee approved additional equipment as part of the installation; however, the total construction amount will be under the contract amount approved by the Board.
- C **Potable Water Skid Replacement:** Project Steering Committee approved earlier than budgeted procurement of potable water equipment.
- D **SCADA Replacement Control Center:** Internal Labor was overestimated for 2022, and the SCADA Standards Contract has become more complex than originally anticipated.
- E **Sump Pump Water Level Controls at Pumping Plants:** The project was adjusted to accommodate the design and installation of the new safety platforms, which pushed construction into 2023.

Total CAWCD Capital Projects Variance Detail

(Dollars in Thousands)

Projects	Through 2021	2022 Projection	Remaining Balance	Total Projected	Total Spending Authority	<u>Variance</u> (\$)	(%)	Notes
2022 - 2023 Budgeted Projects								
Backup Power Systems Replacement at Checks Turnouts & Microwave Sites	\$ 5,727	\$ 3,804	\$ 4,522	\$ 14,053	\$ 12,286	(1,767)	(14.4%)	A
Coffer Dam Design & Fabricate	-	-	-	-	2,241	2,241	100.0%	B
Condition-Based Monitoring	8,609	224	2,547	11,380	11,312	(68)	(0.6%)	
Discharge Valves at Bouse Hills, Little Harquahala & Hassayampa Pumping Plants	1	1,149	1,680	2,830	2,718	(112)	(4.1%)	
Electromechanical Relay Replacement Phase 2	3,032	2,761	6,241	12,034	14,544	2,510	17.3%	C
Elevator System Replacement (Phase 2)	2,143	2,320	3,990	8,453	8,476	23	0.3%	
Fire Hydrant Feeder Valves at Headquarters	105	161	1,350	1,616	1,272	(344)	(27.0%)	
Fire Protection CO2 Modifications at Waddell Pumping and Generation Plant	1,734	78	1	1,813	1,856	43	2.3%	
Fire Protection at San Xavier, Twin Peaks, Sandario, Brawley, Tucson Field Office	-	513	9,322	9,835	11,321	1,486	13.1%	D
Fire Protection System Upgrade Mark Wilmer Pumping Plant	908	3,891	5,195	9,994	7,962	(2,032)	(25.5%)	E
Flowmeter Replacement at Turnouts	1,644	66	(1)	1,709	1,690	(19)	(1.1%)	
HVAC Replacement Headquarters Building 2	-	292	8,450	8,742	6,530	(2,212)	(33.9%)	F
HVAC Replacement Mark Wilmer Pumping Plant	3,378	2,431	-	5,809	5,117	(692)	(13.5%)	
Isolation Valves at Black Mountain & Snyder Hill (Pilot)	224	81	1,849	2,154	2,066	(88)	(4.3%)	
Machine Shop Overhead Crane Improvements	34	234	61	329	294	(35)	(11.9%)	
Motor Exciters & Control Unit Replacements at West Plants	9,798	3,600	2,549	15,947	14,760	(1,187)	(8.0%)	G
Motor Exciters at Twin Peaks, Sandario, Snyder Hill & Black Mountain	-	999	582	1,581	1,421	(160)	(11.3%)	
Network Refresh 2022	-	170	-	170	125	(45)	(36.0%)	
Potable Water Skid Replacement	21	1,343	1,305	2,669	1,956	(713)	(36.5%)	H
Potable Water at Pinal Field Office	-	196	452	648	461	(187)	(40.6%)	
Potable Water System Upgrade at Sandario Pumping Plant	410	488	-	898	775	(123)	(15.9%)	
Programmable Logic Controller (PLC) Replacement Waddell	1,350	2,009	2,931	6,290	5,403	(887)	(16.4%)	
SCADA Replacement Control Center	711	1,273	11,128	13,112	19,215	6,103	31.8%	I
Sump Pump Water Level Controls at Pumping Plants	795	279	2,661	3,735	2,030	(1,705)	(84.0%)	J
Switchyard Bus Duct Replacement Waddell Pumping Plant	1,682	23	-	1,705	1,913	208	10.9%	
Transformer McCullough	6,466	1,373	2,000	9,839	9,184	(655)	(7.1%)	
Windows Server Refresh 2022	-	142	-	142	150	8	5.3%	
Totals - 2022-2023 Budgeted Projects	\$ 48,772	\$ 29,900	\$ 68,815	\$ 147,487	\$ 147,078	\$ (409)	(0.3%)	

Total CAWCD Capital Projects Variance Detail (cont.)

(Dollars in Thousands)

Projects - continued	Through 2021	2022 Projection	Remaining Balance	Total Projected	Total Spending Authority	Variance (\$)	(%)	Notes
<u>Projects Without a Budget in 2022</u>								
Canal-Wide CP System Upgrade	\$ -	\$ 599	\$ 16	\$ 615	\$ -	\$ (615)	-	
Conf Rms Network Refrsh	-	199	-	199	-	(199)	-	
Floor Lift Addition TFO	223	2	-	225	-	(225)	-	
Microwave System Replacement	2,012	41	(1)	2,052	-	(2,052)	-	
Monitor Well Aguafría Rechr	28	43	65	136	-	(136)	-	
Motor Exciters & Ctrl Repl BDY,PIC,RR	5,423	4	-	5,427	-	(5,427)	-	
Roof Replacement BLK/SNY	-	56	951	1,007	1,034	27	2.6%	
Sand Filter Sys Repl HSY	1,324	47	-	1,371	-	(1,371)	-	
Siphon Stop Logs Cunningham/Gila/Santa Cruz	2,678	3	-	2,681	-	(2,681)	-	
Substn Hardening Sunvalley	2,440	(73)	-	2,367	-	(2,367)	-	
Swchyd Scurity Hardning Delaney	-	85	270	355	618	263	42.6%	
West Entrance Gate HDQ	-	179	1,286	1,465	-	(1,465)	-	
Totals - Projects Without a Budget in 2022	\$ 14,128	\$ 1,185	\$ 2,587	\$ 17,900	\$ 1,652	\$ (16,248)	(983.5%)	
Totals - Budgeted & Unbudgeted	\$ 62,900	\$ 31,085	\$ 71,402	\$ 165,387	\$ 148,730	\$ (16,657)	(11.2%)	

Notes: If there is a positive/negative variance > \$1.0 million, or b): there is a positive/negative variance > 30% and > than \$500K.

- A **Backup Power Sys Replacement-Checks & TOs:** Work delayed in 2020 due to COVID-19 and pushing into 2023 due to Engineering resource constraints. Overall project costs have gone up due to the extended time for work from 2014 now extending into 2023, with the cost of materials, labor and equipment rising.
- B **Coffer Dam Design & Fabricate:** The project was canceled after it was determined that it was cost prohibitive.
- C **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.
- 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 forecast will finish design of 1 of 4 sites in early 2023, then resume design in 2024 and construction in 2025.
- 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 **Motor Exciters & Control Unit Replacements at West Plants:** LHQ construction price and in-house design hours increased.
- H **Potable Water Skid Replacement:** Longer than anticipated equipment procurement of potable water skids has caused project delays and increased cost estimate.
- I **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.
- J **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.

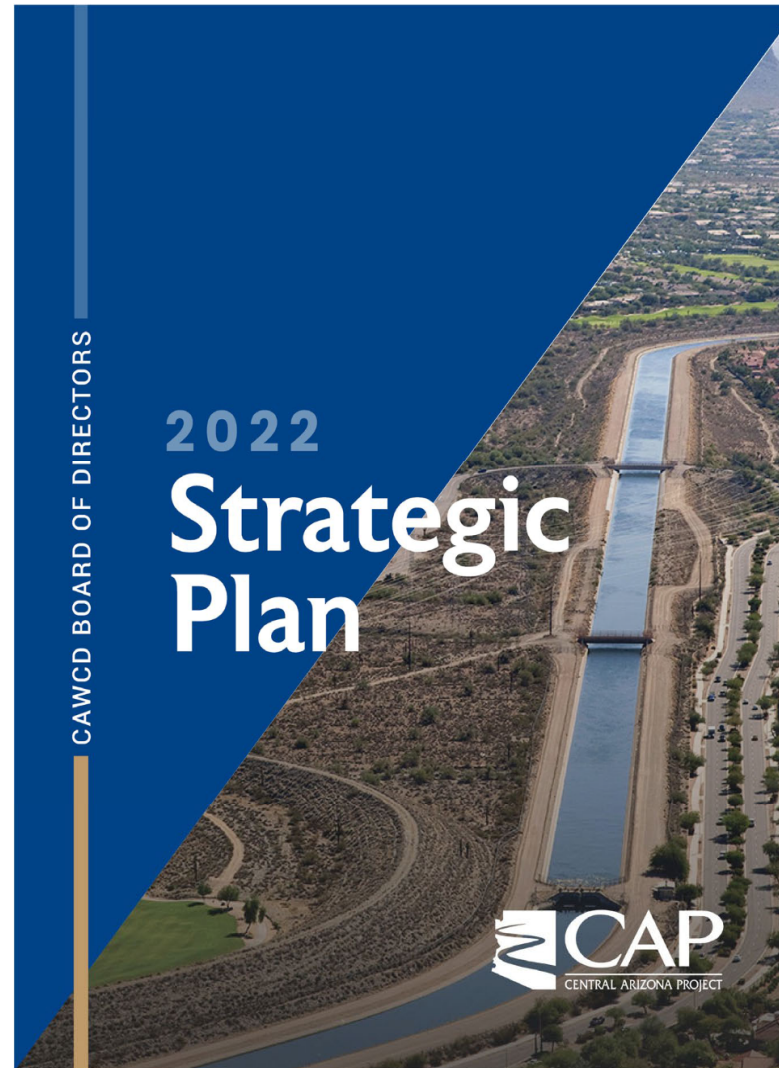


Strategic Plan Update

Q3 2022

BACKGROUND

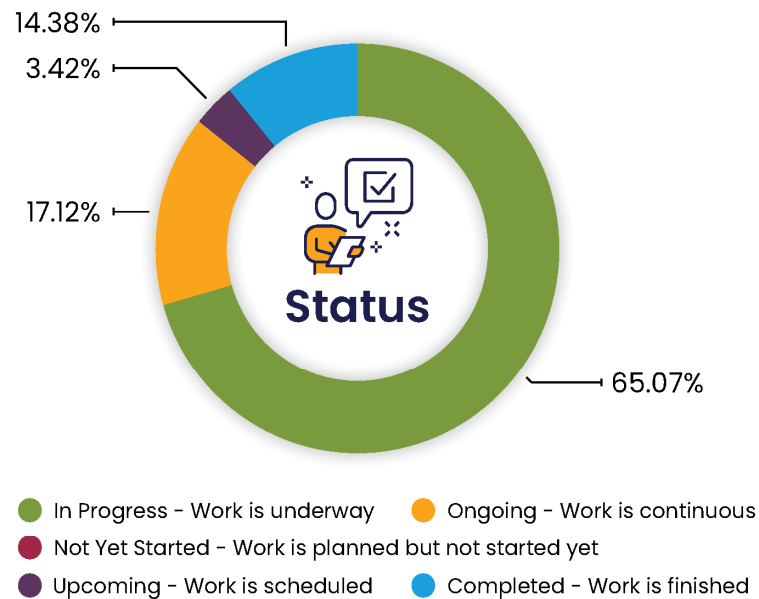
In 2020, the Board adopted the [2022 Board Strategic Plan](#). Facilitated by an external consultant, the process included several Board retreats, input from employees, and two rounds of stakeholder forums. Implementation of the new plan began with the 2022-23 budget cycle. The Plan provides high-level 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 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.



JANUARY - SEPTEMBER 2022

Q3 2022 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.



Q3 DEPARTMENT HIGHLIGHT: FINANCE AND ADMINISTRATION

Mission: The Finance and Administration Group is responsible for managing financial and administrative activities of the District, including finance and accounting, enterprise risk, records and resiliencies, supply chain, facilities services and information technologies. Ensures the accuracy and integrity of financial reporting, including planning, rates, budget, and reserves as well as compliance with records management standards, purchasing policy and oversight of the Captive insurance operations.

ACTION PLAN:

Ensure budget either meets expectation for currently established rates, or variances can be adequately explained.

Quarterly reviews are conducted to assess the expenditure deviations from budget. In 2022, reduced water volumes, planned conservation, and the El Paso Electric FERC Case all contributed to rate variances. This work is ongoing and will continue through 2023.

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



ACTION PLAN:

Evaluate strategic reserve and working capital reserve targets based on current environment and present findings to the Board.

Reserve targets reviewed and new targets approved by Board in June 2022. This approval included the formal establishment of procedures relating to the Extraordinary Cost Reserve and how reserve funds flow through these various "buckets."

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



ACTION PLAN:

Enhance individual awareness regarding cybersecurity threats by providing appropriate training and education to employees.

IT continues to work with the Enterprise Security Team to provide training opportunities and articles pertaining to the high security posture CAP maintains. All Finance and Administration staff, most of whom work primarily at a computer, are required complete quarterly security training and IT leadership encourages other business units to do so as well.

(Public Trust, Partnerships and Leadership: Seek feedback and identify opportunities to collaborate and improve customer service^)



ACTION PLAN:

Maintain preparedness and disaster recovery for potential pandemics. Review existing plans based on COVID-19 experience and update on actual experience.

Business Disaster Recovery for 2022 continues as part of developing Enterprise-wide security planning with internal partners and external support agencies. A table top exercise is planned for 2023 to simulate a real disaster response for CAP leadership.

(Project Reliability: Advance focused plans to support business continuity^)

