



# State Water Resources Development System

An Enterprise Fund of the State of California

Annual Comprehensive Financial Report  
For the fiscal year ended June 30, 2023  
(with comparative amounts for fiscal year ending June 30, 2022)



# TABLE OF CONTENTS

---

## INTRODUCTORY SECTION

Letter of Transmittal .....	5
-----------------------------	---

## FINANCIAL SECTION

Independent Auditor's Report .....	29
------------------------------------	----

Management's Discussion and Analysis .....	34
--	----

### Financial Statements

Statement of Net Position .....	47
---------------------------------	----

Statement of Revenues, Expenses, and Changes in Net Position .....	49
--	----

Statement of Cash Flows .....	50
-------------------------------	----

Notes to Financial Statements.....	53
------------------------------------	----

### Required Supplementary Information

Schedule of the System's Proportionate Share of the Net Pension Liability.....	105
--	-----

Schedule of the System's Pension Contributions .....	106
--	-----

Schedule of the System's Proportionate Share of the Net OPEB.....	107
---	-----

Schedule of the System's OPEB Contributions .....	108
---	-----

### Supplementary Information

Calculation of Adequacy of Debt Service Coverage (FOR THE CENTRAL VALLEY PROJECT REVENUE BONDS).....	111
---	-----

## STATISTICAL SECTION

Schedule of Changes in Net Position .....	115
---	-----

Schedule of Net Position by Component.....	117
--	-----

Schedule of Significant Revenues by Source .....	118
--	-----

Summary of Schedule of Water and Power Sales Rates.....	119
---	-----

Largest Distribution Water Revenue Accounts.....	120
--	-----

Largest Distribution Power Sales Revenue Accounts.....	121
--	-----

Schedule of Ratios of Outstanding Debt by Type.....	122
---	-----

Schedule of Debt Service Coverage.....	123
--	-----

Schedule of Demographic and Economic Indicators .....	124
---	-----

Schedule of California Number of Employees by Industry .....	125
--	-----

Schedule of Full-Time Equivalent Employees by Function.....	126
---	-----

Operating and Capital Indicators.....	127
---------------------------------------	-----

Capital Assets, Net .....	128
---------------------------	-----



# **INTRODUCTORY SECTION**





July 30, 2024

To the Citizens of the State of California:

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of the State Water Resources Development System (the System) for the fiscal year ended June 30, 2023, with comparative amounts for fiscal year ended June 30, 2022, along with the Independent Auditor's Report. The ACFR has been prepared by the California Department of Water Resources (the Department) in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Department management. We believe that the data, as presented, is accurate in all material respects; that its presentation fairly shows the financial position and the results of the System's operations as measured by the financial activity of its various funds; and that the included disclosures will provide the reader with an understanding of the System's financial affairs.

This ACFR was prepared using the financial reporting requirements as prescribed by GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34), as amended. This GASB Statement requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

## THE REPORTING ENTITY AND ITS SERVICES

### **Reporting Entity**

The System operates as an Enterprise fund of the State of California administered by the California Department of Water Resources (the Department)<sup>1</sup>. The Department operates within the Natural Resources Agency of the State of California, and is responsible for the planning, construction, and operation of the System. The System includes the State Water Project (SWP), the Davis-Grunsky Act Program, and the San Joaquin Drainage Implementation Program.

The Department was established in 1956 by an act of the State Legislature that combined the functions of the Water Project Authority and certain responsibilities of the Department of Public Works' former Division of Water Resources. At present, the Department employs approximately 3,422 full-time staff throughout the State, of which approximately 2,068 are allocated to the System. The Director of the Department oversees the Department's activities, with the assistance of two Lead Deputy Directors and 11 Deputy Directors. The Director, Lead Deputy Directors, Deputy Director for the State Water Project, and General Counsel are each appointed by the Governor.

The Department's operations, with respect to the SWP, are accounted for and conducted under Segments<sup>2</sup> consisting of special funds established by the California Water Code. These Segments are (a) the State Water Resources Development Bond Fund (Bond Fund), which was formed when the voters of the State of California passed the Burns-Porter Act in 1960; and (b) the Central Valley Project Construction Fund (Construction Fund) and the Central Valley Project Revenue Fund (Revenue Fund), which were enabled under California's Central Valley Project Act of 1933.

The Department's operations, with respect to the System, are separate and apart from the Department's operations that are primarily funded by State General Fund appropriations and from the Department's Power Supply Program and the Department's Wildfire Fund.

### **Services**

The System encompasses dams, reservoirs, pumping plants, power plants, aqueducts, and pipelines owned<sup>3</sup> and operated by the State of California. The System was developed in order to deliver water to areas of need, throughout the State, for domestic, industrial, and agricultural purposes, as well as to provide flood control, recreation, fish and wildlife enhancement, hydroelectric power, and other benefits. The Department is responsible for the planning, construction, operation, and maintenance of the System. All 647 miles of the initially planned aqueduct system have been completed. The 443-mile main stem of the California Aqueduct runs from a point near Stockton southward to a terminus in Riverside County. The dependable annual water supply available for delivery by the existing System varies yearly depending on hydrologic conditions and regulatory mandates.

---

<sup>1</sup> See the accompanying MD&A for more on Enterprise Funds

<sup>2</sup> See the accompanying MD&A for more on the System's Segments

<sup>3</sup> Certain assets are owned jointly by the State and the United States Bureau of Reclamation. See *Joint-Use Facilities*



### ***Joint-Use Facilities***

Portions of the System consist of facilities developed and used jointly with the Federal Central Valley Water Project (FCVP) operated by the U.S. Bureau of Reclamation (USBR). In addition, both projects have primary sources of water north of the Sacramento-San Joaquin Delta (Delta), transport water across the Delta and draw water from the southern edge of the Delta. The FCVP, like the System, provides water for irrigation in the Central Valley, urban water supply, water quality, flood control, power, recreation, and fish and wildlife enhancement. Capital costs, for the jointly developed facilities, are shared approximately 55 percent State and 45 percent Federal.

In 1986, the System and USBR entered into a Coordinated Operation Agreement (COA) under which the System and the FCVP coordinate operations, including releases from upstream reservoirs and pumping from the Delta. The COA permits increase operational efficiency of both projects, ensures that each project receives an equitable share of available surplus water and provides for sharing of responsibilities in meeting certain Delta water quality standards.

On December 12, 2018, the System and USBR executed an amendment to the COA that, among other things, revised the sharing responsibilities related to Delta water quality standards. Under the amended COA, in certain water year types the System's share of responsibility for meeting water quality standards for the Delta could be larger in dry years and smaller in wet years.

### ***The Water Supply Contracts***

The Department has entered into Water Supply Contracts with 29 local public agencies (SWP Contractors), which provide for the Department to recover substantially all System costs. The SWP Contractors are principally located in the San Francisco Bay Area, the Central Coast, the Central Valley, and Southern California, and their service areas encompass approximately 25 percent of the State's land area and approximately 70 percent of its population.

Payments by the SWP Contractors under the Water Supply Contracts provide for the operation, maintenance, planning, and capital costs, including interest, of the SWP. The SWP Contractors may request up to a maximum annual aggregate amount totaling 4,172,786 acre-feet of water from the System. This maximum does not assure delivery of that amount of water, but rather provides the basis for proportional allocation of available supplies and certain costs among the SWP Contractors.

Generally, the existing Water Supply Contracts are to remain in effect with varying termination dates ranging between 2035 and 2042 (depending upon when an individual contract was first signed) or until all bonds issued to finance construction costs of SWP facilities have been repaid (currently fiscal year 2036), whichever period is longer. Under its Water Supply Contract, each SWP Contractor may request water deliveries from the SWP up to a maximum specified annual amount and agrees to pay its allocated share of the costs of gathering, storing, conveying, and delivering water. Generally, the Department's costs of providing the facilities of the SWP, including interest, are payable by the SWP Contractors whether or not water is delivered. If a SWP Contractor defaults under their Water Supply Contract, the Department may, upon six months' notice, suspend water deliveries to that SWP Contractor. During such period, the SWP Contractor remains obligated to make all payments required by the Water Supply Contract. If a SWP Contractor fails or is unable to raise sufficient funds, by other means, to make contract

payments, the SWP Contractor is required, by the contract, to levy a tax or assessment sufficient for such purpose.

The Department and the affected SWP Contractors have entered into an Off-Aqueduct Power Facilities Amendment, East Branch Enlargement Amendment, Water System Revenue Bond Amendment, Coastal Branch Extension Amendment, East Branch Extension Amendment, and a South Bay Aqueduct Enlargement Amendment to the Water Supply Contracts for the purpose of financing certain Water System Projects. These Amendments established procedures to provide for the payment of construction costs financed with Revenue Bonds by establishing separate subcategories of charges to produce the revenues required to pay all of the annual financing costs, including coverage, of the Bonds allocable to such Amendment Projects. If any SWP Contractor defaults on payment under any of these Amendments, other than the Coastal Branch Extension Amendment, East Branch Extension Amendment, and the South Bay Aqueduct Enlargement Amendment, the shortfall may be collected from non-defaulting affected SWP Contractors, subject to certain limitations.

In December 1994, representatives of the Department and certain SWP Contractors adopted a set of principles pursuant to which additional amendments to the Water Supply Contracts have since been negotiated. These amendments are collectively known as the “Monterey Amendment.” The Monterey Amendment includes provisions relating to the allocation of water, the transfer of the land and related assets of the Kern Fan Element, the operation of certain SWP reservoirs, transfers of the annual Table A amounts, other water transfers, the creation of and limitations on a Department reserve for operation, maintenance and replacement costs, and the description of facilities that may be financed with revenue bonds. In addition, the Monterey Amendment provides for the reduction of annual Water Supply Contract charges.

## **ECONOMIC OVERVIEW**

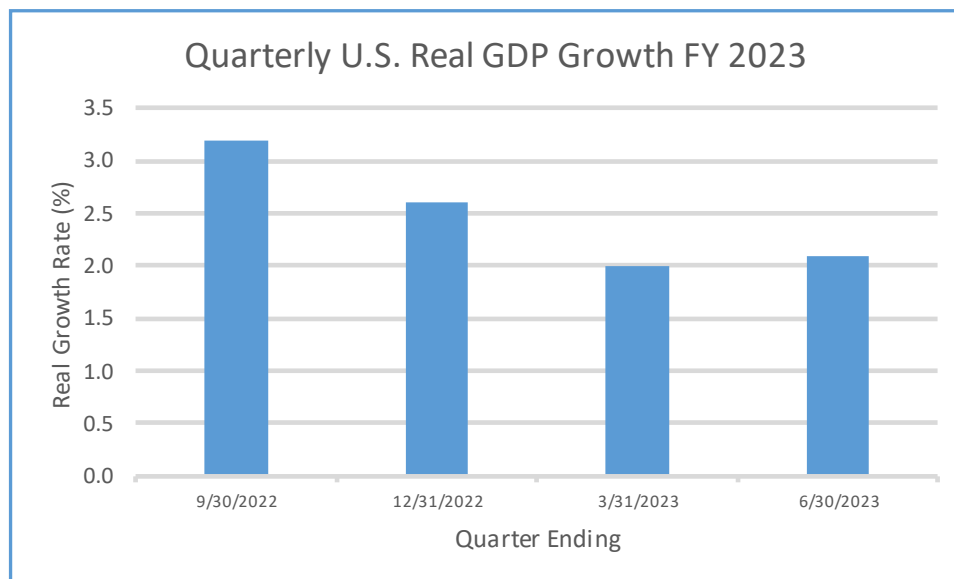
### ***A Macroeconomic View***

Under normal circumstances, the Department’s day-to-day operations are not materially impacted by fluctuations in global or national economic conditions. Generally, macroeconomic trends can affect market interest rates and energy costs, which in turn can impact investment income earned on financial assets, borrowing costs, and water transportation costs. Significant changes in economic conditions also can affect the availability and cost of bank credit products and other sources of capital relied on by the Department from time to time. The following economic overview primarily focuses on economic metrics during the period covered by the ACFR (fiscal year ended June 30, 2023) but also includes commentary regarding factors impacting the U.S. economy throughout 2023 and through the second calendar quarter of 2024.

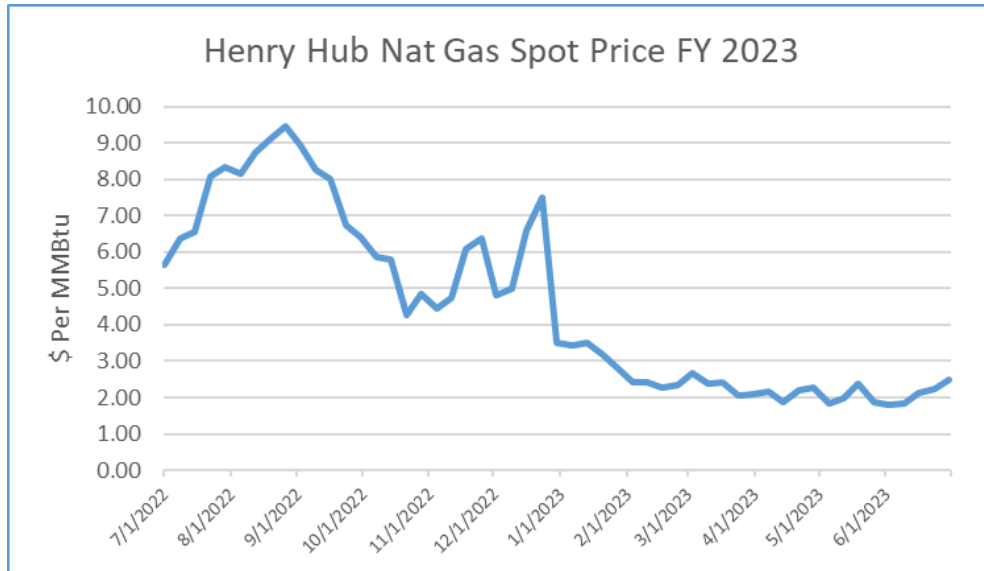
The Federal Reserve Bank (the Fed) began hiking the Fed Funds Target Rate in March 2022 to combat inflation (which reached a 40-year high of 9.1% in June 2022) and continued to increase rates through July 2023, increasing the effective Fed Funds rate from 1.58% in July 2022 to 5.08% at the end of June 2023. Despite these rate increases, the S&P 500 Index began a sustained rally in March 2023 and by June 30, 2023 had risen to 4,450, 16% higher than where it was at the start of the fiscal year on July 1, 2022. Over the course of the fiscal year, the 10-year U.S. Treasury yield rose 0.96%, from 1.88% on July 1, 2022 to 3.84% on June 30, 2023. Medium- and long-

term interest rates continued to rise and stocks fluctuated until November 2023. At that point, market participants became more confident in the prospect of the Fed bringing inflation down to its long-term target range without tipping the economy into a recession, and the 10-year U.S. Treasury yield fell more than 1.00%, from a peak of 4.99% in late October to 3.88% at the end of December. Stocks also rallied sharply, with the S&P 500 Index rising 16%, from 4,117 at the end of October to 4,770 at the end of December. However, economic data in the first and second calendar quarters of 2024 indicated that the economy continued to grow strongly, inflation was not declining rapidly, and labor market conditions remained tight. This caused interest rates to rise from their January lows and supported continued strength in the stock market. As of July 1, 2024, the 10-year U.S. Treasury yield was 4.46% and the S&P 500 Index had climbed to 5,475.

U.S. real Gross Domestic Product (GDP) growth was 2.5% in calendar year 2023, stronger than the 1.9% growth recorded in 2022. In the second half of calendar year 2023, the U.S. economic growth picked up, with quarterly real GDP growth of 4.9% and 3.4% reported for the quarters ending September 30, 2023 and December 31, 2023. However, quarterly real GDP growth declined to 1.4% for the quarter ending March 31, 2024. As of July 1, 2024, the Bloomberg economist survey showed a 30% of chance of recession, down from 65% at the end of fiscal year 2023.



In energy markets, the Henry Hub natural gas spot price averaged \$4.52 per million British thermal units (MMBtu) during fiscal year 2023, substantially lower beginning in calendar 2023, with the spot price averaging only \$2.35 per MMBtu in the second half of fiscal year 2023. Natural gas prices remained low through the remainder of calendar year 2023 and the first half of 2024, and on July 1, 2024, the spot price was \$2.21 per MMBtu.



**California Economy**

The Governor’s May Revision to the 2024-25 Proposed Budget forecasts California’s nonfarm job growth to slow from late 2024 into the second half of 2025, a one-quarter lag from the GDP growth projected for the U.S. economy. This moderation is due to higher interest rates and labor markets now in the post-pandemic recovery period. As economic activity rebounds with anticipated looser monetary policy, California’s nonfarm employment is projected to return to a steady-state average growth rate of 0.7 percent in 2026 and 2027.

As tight financial conditions soften the labor market, the forecast projects California’s unemployment rate to increase from 4.7% in 2023 to a peak of 5.3% in 2025 before moderating to 4.9% by 2027. California’s growth in personal income averaged an estimated 4.2% in 2023, relatively strong growth compared to a 0.2% contraction in 2022. Personal income is projected to increase by 4.6% in 2024 and 5.0% in 2025. As interest rates begin to ease in 2025, the majority of the personal income components are projected to revert to their historical growth trends by the end of the forecast window in 2027.

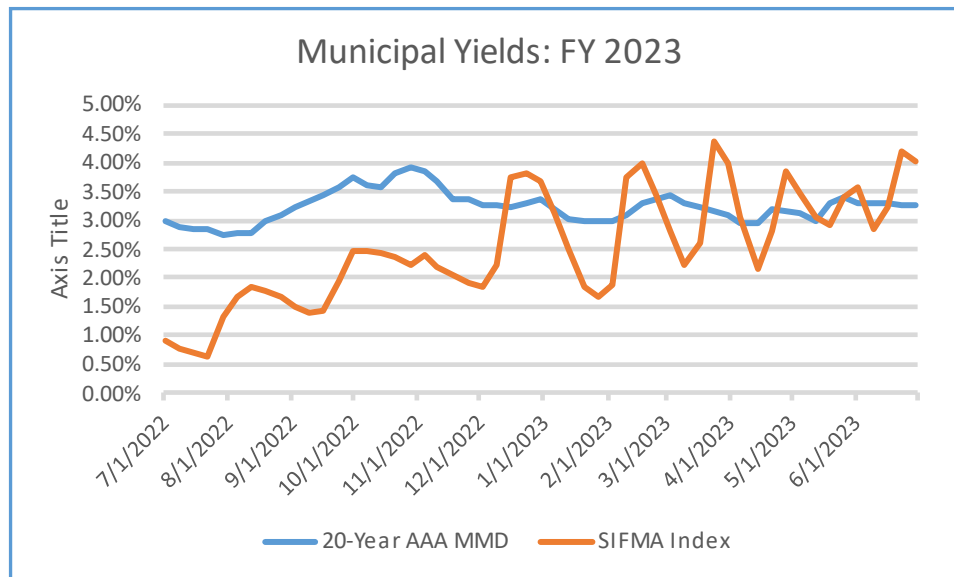
Inflation slowed sharply from its peak of 9.1 percent for the U.S. and 8.3 percent for California in June 2022 but has since hovered above 3 percent for both, more than a full percentage point higher than the Federal Reserve’s target rate of 2 percent. Shelter inflation, the largest component of services, generally lags other components and has declined more slowly than projected. The slower decline in shelter prices has kept overall inflation for the U.S. and California elevated. California’s CPI inflation rate for 2023 was 3.9%; a CPI inflation rate of 3.3% is forecast for 2024, with a CPI inflation rate of 2.7% forecast for 2025 through 2027.

According to the California Department of Finance, housing activity in California declined in 2023 due to higher interest rates. California permitted 110,000 housing units (SAAR) in 2023, down 2.9% from 2022, but permit activity increased in the last six months of the year. Permits consisted of 56,000 single-family units, down 6% from 2022, and 54,000 multi-family units, up 0.6% percent from 2022. Single-family units are projected to rebound in 2024, but multi-family units are estimated to contract by 5.5%, the largest annual decline since 2020. Permits are projected to

begin growing at a faster pace in the second half of 2024 through 2027 as the Federal Reserve decreases interest rates, making construction materials more affordable and boosting production.

### Interest Rates

Long-term tax-exempt interest rates as represented by the 20-Year MMD “AAA” tax-exempt fixed rate bond yield fluctuated between about 3.00% and 4.00% during fiscal year 2023, and finished the fiscal year at 3.27%. After rising as high as 4.33% at the end of October 2023, the 20-year MMD “AAA” yield declined to 3.08% at year end. In the first half of 2024, 20-year MMD ranged between 3.13% and 3.68% and was 3.47% as of July 1, 2024. Variable rate tax-exempt rates as represented by the 7-day SIFMA Index also rose significantly amidst significant volatility during fiscal year 2023, rising from a low of 0.65 % in July 2022 to over 4.00% as of June 30, 2023. The SIFMA Index generally traded in a range between 3.00% and 4.50% in the second half of calendar year 2023. SIFMA averaged 3.46% during the first half of 2024 and was 3.88% as of July 1, 2024.



In September 2022, the Department issued its tax-exempt \$248,260,000 Central Valley Project Water System Revenue Bonds, Series BF with a final maturity of 2035, a weighted average life of 9.6 years and an average borrowing cost of 2.91%. The Department has not sold any long-term bonds since Series BF.

## STATE WATER PROJECT

### *State Water Project Capital Projects*

Since the State Water Project began construction in 1960, its original scope has been modified and expanded to address the needs of the growing population as well as commercial, industrial and agricultural demands for water in California. The following table shows the projects that have been undertaken as part of the State Water Project and the amounts that have been spent, as of October 2023, for each project and each's project's estimated future capital expenditures.

**ESTIMATED CAPITAL FINANCING FROM  
WATER SYSTEM REVENUE BONDS FOR EXISTING WATER SYSTEM PROJECTS**  
(in Millions)

Water System Project	Capital Expenditures Series A through BF	Estimated Future Capital Expenditures <sup>(1)</sup>	Total Capital Expenditures <sup>(5)</sup>
Power plants:			
Small Hydro Project	\$46.6	\$0.0	\$46.6
Pyramid Hydroelectric Project	74.4	0.0	74.4
Alamo Project	30.4	0.0	30.4
Bottle Rock Facilities <sup>(2)</sup>	80.2	0.0	80.2
South Geysers Project <sup>(3)</sup>	40.9	0.0	40.9
Reid Gardner Project <sup>(4)</sup>	176.2	0.0	176.2
East Branch Enlargement – Phase I	453.0	0.0	453.0
Additional East Branch Improvements	124.1	0.0	124.1
East Branch Enlargement – Phase II	7.9	0.0	7.9
Delta Pumping Plant Completion	73.6	0.0	73.6
Suisun Marsh Environmental Facilities	37.2	0.0	37.2
San Bernardino Tunnel Intake Structure	29.3	0.0	29.3
San Luis Rock Quarry	4.5	0.0	4.5
Castle Rock–Lakeville Transmission Line	6.9	0.0	6.9
Midway-Wheeler Ridge Transmission Line	10.1	0.0	10.1
Kern Water Bank	37.0	0.0	37.0
Vista del Lago Visitor Center	9.0	0.0	9.0
North Bay Aqueduct–Phase II	87.1	0.0	87.1
North Bay Aqueduct Improvements – Terminal Tanks <sup>(7)</sup>	7.4	0.0 <sup>(6)</sup>	7.4
Project Monitor and Control System	71.5	0.0	71.5
SWP Communications System Replacement <sup>(5) (7)</sup>	38.4	2.7	41.1
Arroyo Pasajero Program	5.1	0.4	5.5
Hyatt Pump-Turbine Refurbishment <sup>(7)</sup>	17.9	24.4 <sup>(6)</sup>	42.3
Edmonston Pump Replacement <sup>(5) (7)</sup>	24.2	39.3 <sup>(6)</sup>	63.5
Delta Facilities Program	448.6	106.4	555.0
Tehachapi East Afterbay <sup>(5)</sup>	70.7	0.0	70.7
Perris Dam Remediation <sup>(5)</sup>	135.1	115.0	250.1
Thermalito Powerplant Cleanup and Reconstruction <sup>(7)</sup>	266.1	0.0	266.1
Oroville Dam Spillway Response, Recovery and Restoration <sup>(7)</sup>	550.9	53.1	604.0
Oroville Dam Safety Comprehensive Needs Assessment <sup>(7)</sup>	1.9	2.9	4.8
FERC Relicensing <sup>(7)</sup>	42.6	34.8	77.4
Facilities Reconstruction and Improvement Project	1,023.6	1,752.0	2,775.6
Project Planning and Study Costs	112.8	0.0	112.8
Coastal Branch – Phase II	491.3	0.0	491.3
East Branch Extension – Phase I	126.0	0.0	126.0
East Branch Extension – Phase I Improvements <sup>(5)</sup>	38.6	0.0 <sup>(6)</sup>	28.6
East Branch Extension – Phase II <sup>(5)</sup>	270.5	0.0	270.5
South Bay Aqueduct Enlargement and Improvement <sup>(5)</sup>	273.0	0.0	273.0
<b>Total Water System Projects <sup>(8)</sup></b>	<b>\$5,344.6</b>	<b>\$2,131.1</b>	<b>\$7,475.7</b>

(1) The projections contained in this table have been prepared by the Department's management for management purposes on the basis of certain assumptions, and consistent with certain requirements of the Water Supply Contracts. The projections are the responsibility of the Department.

(2) Sold by the Department in 2001.

(3) Sold by the Department in 2004.

(4) The Department's ownership interest terminated in 2013.

(5) The original Bond Anticipation Bonds ("BABs") for East Branch Extension – Phase I Improvements and East Branch Extension – Phase II exceeded the projected expenditures. \$44.5 million of the proceeds of the Series AE refunding of the BABs was redistributed from East Branch Extension – Phase I Improvements and East Branch Extension – Phase II to Communications System Replacement, Edmonston Pump Replacement, Tehachapi East Afterbay, Perris Dam Remediation, and South Bay Aqueduct Enlargement

(6) Projects are completed. Amounts are treated as "Estimated Future Capital Expenditures" pending reallocation.

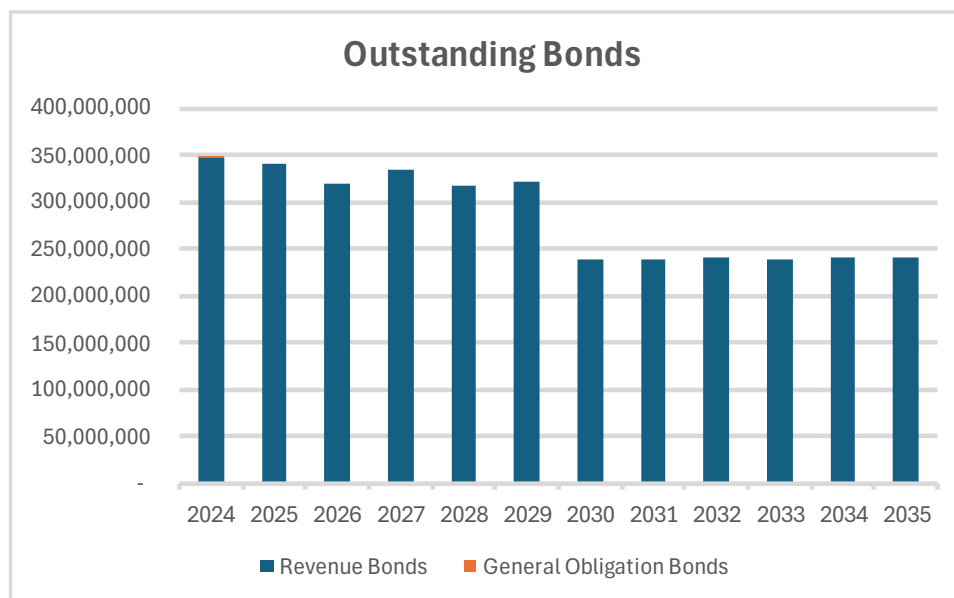
(7) These projects are each a project authorized under the Resolution as part of the Facilities Reconstruction and Improvement Project, the Department has decided to show these projects individually due to the estimated aggregate principal amount.

(8) Totals may not sum due to rounding.

(9) In addition to the estimated costs identified in the table above related to existing projects under the "Central Valley Project Water System Revenue Bonds, General Bond Resolution and Supplemental Resolutions", the Department is analyzing approaches to finalize additional capital costs related to California aqueduct subsidence, State Water Project dam safety program, Clean Energy requirements for SWP, as well as substantial costs related to environmental compliance, currently estimated at between \$2.5 to \$3.5 billion that could, depending on the ultimate source of financing and related repayment mechanism(s), be financed in whole or in part from water system revenue bonds issued by the Department and payable by the SWP Contractors.

### State Water Project Debt Profile

The System currently has \$3.7 billion of total debt outstanding. These amounts include revenue bonds, general obligation bonds, commercial paper, and SB84 loan. The debt has a final maturity of December 1, 2035. The Department has generally structured each new money issuance of bonds with level annual debt service payments. However, from 2023 to the final maturity of the System's bonds in 2035, annual debt service payments on existing long-term debt will peak in 2024 at approximately \$347 million and gradually decline to approximately \$239 million.



### State Water Project Credit Ratings

The Department's Water System Revenue Bond credit is rated AAA (highest possible rating) by Standard & Poor's and Aa1 (second to highest possible rating) by Moody's Investor's Service. The Water System Revenue Bond credit rating is not tied to or impacted by the State of California's general obligation bond ratings.



### ***Oroville Dam Spillway Emergency Repairs***

A steady barrage of storms in early 2017 led to the wettest January and February in 110 years of Feather River hydrologic records. While releases from the Oroville Dam were being made to accommodate these extraordinary conditions, a section of the main spillway chute was damaged. When the emergency spillway was activated, erosion occurred on the slope downstream of the emergency spillway crest structure. California Governor Edmund G. Brown issued four Proclamations of a State of Emergency between January 23, 2017 and March 7, 2017 addressing areas of flooding and potential flooding, throughout the State.

On February 12, 2017, concern regarding the potential risk to the emergency spillway crest structure prompted the Butte County Sheriff to issue an evacuation order for approximately 188,000 people living in Oroville and other downstream communities. The Department successfully dropped the water level of the lake while crews worked 24 hours a day to repair erosion areas, place large rocks and concrete, remove eroded debris, construct or improve access roads, and begin the design for reconstruction efforts. The evacuation order was lifted on February 14, 2017.

Due to the magnitude of the project, repair of the main and emergency spillways was completed over multiple phases. To ensure public safety, the Department set and achieved a goal of November 1, 2017, to reconstruct the main spillway to handle flows of 100,000 cubic feet per second. In March 2018, the Department completed construction of a cut-off wall 750 feet downhill of the emergency spillway, which will prevent uphill erosion beyond the wall if the emergency spillway is ever used again. In spring of 2018, work on the main spillway ramped back up and the spillway was returned to operational status at its original design capacity in December 2018. At the emergency spillway, the Department constructed a splash pad that was completed in November 2018 and a buttress that was completed in March 2019. These two features are designed to bolster the integrity of the emergency spillway and the hillside downstream. In April 2019, the main spillway was successfully operated for the first time since its reconstruction. Major civil construction activities were completed in early 2020, and site rehabilitation and revegetation activities will continue through at least 2025.

Members of the U.S. Army Corps of Engineers, Federal Energy Regulatory Commission, the Division of Safety of Dams, as well as dam experts on a board of consultants were actively engaged with the Department throughout the major civil construction and design portion (through mid-2020) of this project.

On April 1, 2017, former President Trump issued a Federal Major Disaster Declaration for areas in California affected by the severe storms and flooding, which will continue to provide for a federal contribution to the costs of the Department's emergency response activities and to the repair and replacement work at Oroville Dam. It was envisioned that costs associated with the recovery and restoration efforts at the Oroville Dam spillways would be approximately \$1.1 billion, with up to 75% expected to be reimbursed by the Federal Government. In March 2019, the Federal Emergency Management Agency (FEMA) informed the Department that it did not consider the following costs to be eligible for reimbursement through its public assistance program: (i)

approximately \$214 million in recovery costs (with a \$161 million federal cost share) for the upper portion of the main spillway and (ii) approximately \$290 million in costs (with a \$218 million federal cost share) for the recovery of the emergency spillway. The Department appealed FEMA's determination and provided additional information to support the Department's assertion that these costs should be eligible for reimbursement. FEMA responded to the Department's appeal in February 2020, finding that the costs associated with the upper portion of the main spillway are eligible for reimbursement, whereas the costs associated with the emergency spillway remain ineligible for reimbursement. In May 2020, the California Office of Emergency Services filed with FEMA, on behalf of the Department, an application for hazard mitigation grant program funding for these costs associated with the emergency spillway that are not being reimbursed through FEMA's public assistance program. However, this effort to obtain separate grant funding for the emergency spillway was ultimately unsuccessful. As a result, the Department will recover these remaining costs from its customer agencies per the terms of the long-term water supply contracts.

In March 2024, the Department updated its cost estimate for work associated with the recovery and restoration efforts at the Oroville Dam spillways to \$1.168 billion. Through ongoing discussions with FEMA, it has been determined that \$361 million of this total will not be eligible for a FEMA cost share. As of March 2024, the Department had received \$551 million in federal reimbursement. Based on the Department's discussions with FEMA, the Department expects FEMA to provide an additional \$53 million through its Public Assistance program. These amounts are based on preliminary estimates and may be materially revised through the project close-out period.

The following table summarizes the current, approximate amounts and status of the costs and FEMA reimbursements for the Oroville Dam spillways restoration efforts described above. The table also shows the approximate portion of costs of such repair and replacement that is currently expected to be financed long-term with Bonds (assuming all FEMA reimbursements (other than funding under the federal Hazard Mitigation Grant Program) described above and in the following chart are received) and paid by the SWP Contractors under the Water Supply Contracts.

Costs incurred through December 31, 2023	\$1.138 billion
Costs expected from January 1, 2024 through 2030 .....	<u>\$ 30 million</u>
Total costs expected through 2030.....	\$1.168 billion
FEMA reimbursements to date .....	\$ 551 million
Expected future FEMA reimbursements .....	\$ 53 million
Amount expected to be financed with Funds for Recreation.....	\$ 16 million
Amount expected to be financed with Water System Revenue	<u>\$ 548 million</u>
Bonds.....	
Total sources (preliminary) expected through 2030	<u>\$1.168 billion</u>

The costs for the repair and replacement work at Oroville Dam were and are being financed with the proceeds of Notes, such costs that are not reimbursed by FEMA are expected to be financed long-term with Bonds. The Department does not believe the costs arising from this project will materially impact the Department's operations or ability to pay debt service on Bonds.

## STATE WATER PROJECT CONTRACTORS

### *Contractor Share of Payments*

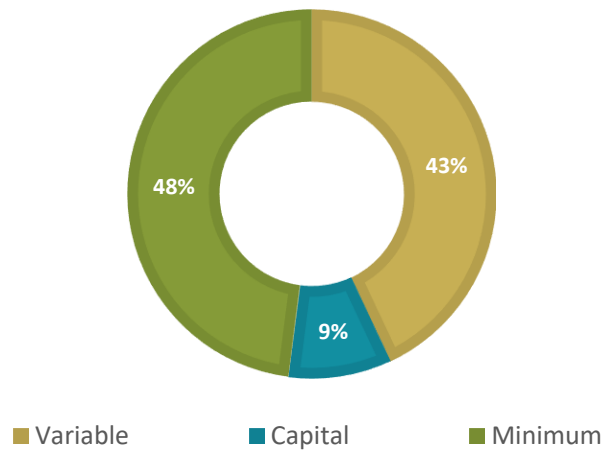
The State Water Project Contractors are billed each July for projected operating and capital costs for the upcoming calendar year including true-up of all prior year costs. These Annual Statements of Charges include three types of charges:

- Capital (Repay Construction, Major Replacement/Refurbishment Costs)
- Minimum (Repay O&M and Non-Capital Replacement Costs)
- Variable (Repay Power Costs)

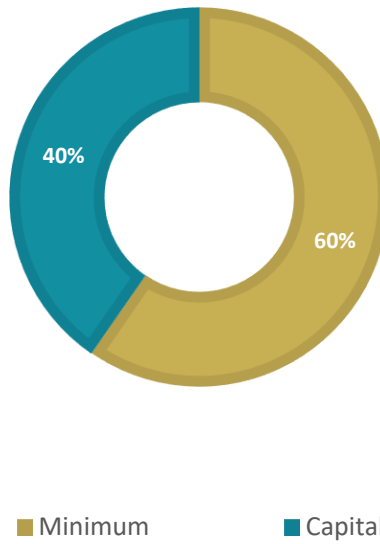
The capital, minimum and variable charges are applied in the following five main areas:

- Transportation - Capital, Minimum, Variable
- Conservation - Capital & Minimum
- Off-Aqueduct Power Facilities
- Water System Revenue Bond Surcharge
- Separate Bond Charges (East Branch Enlargement, East Branch Extension, Coastal Branch Extension, and South Bay Aqueduct Enlargement)

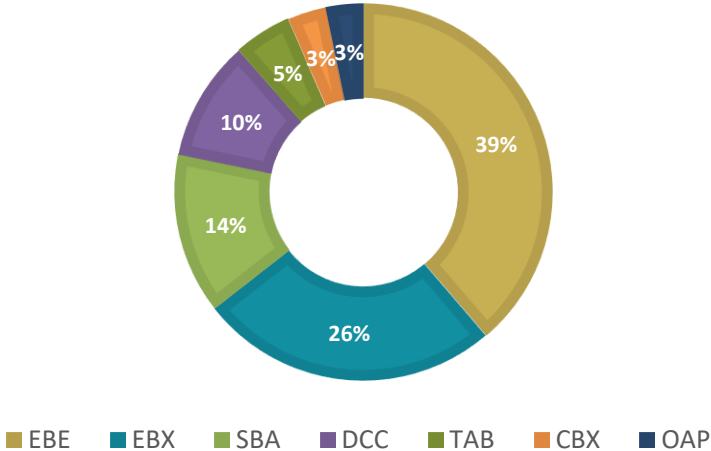
## TRANSPORTATION CHARGES



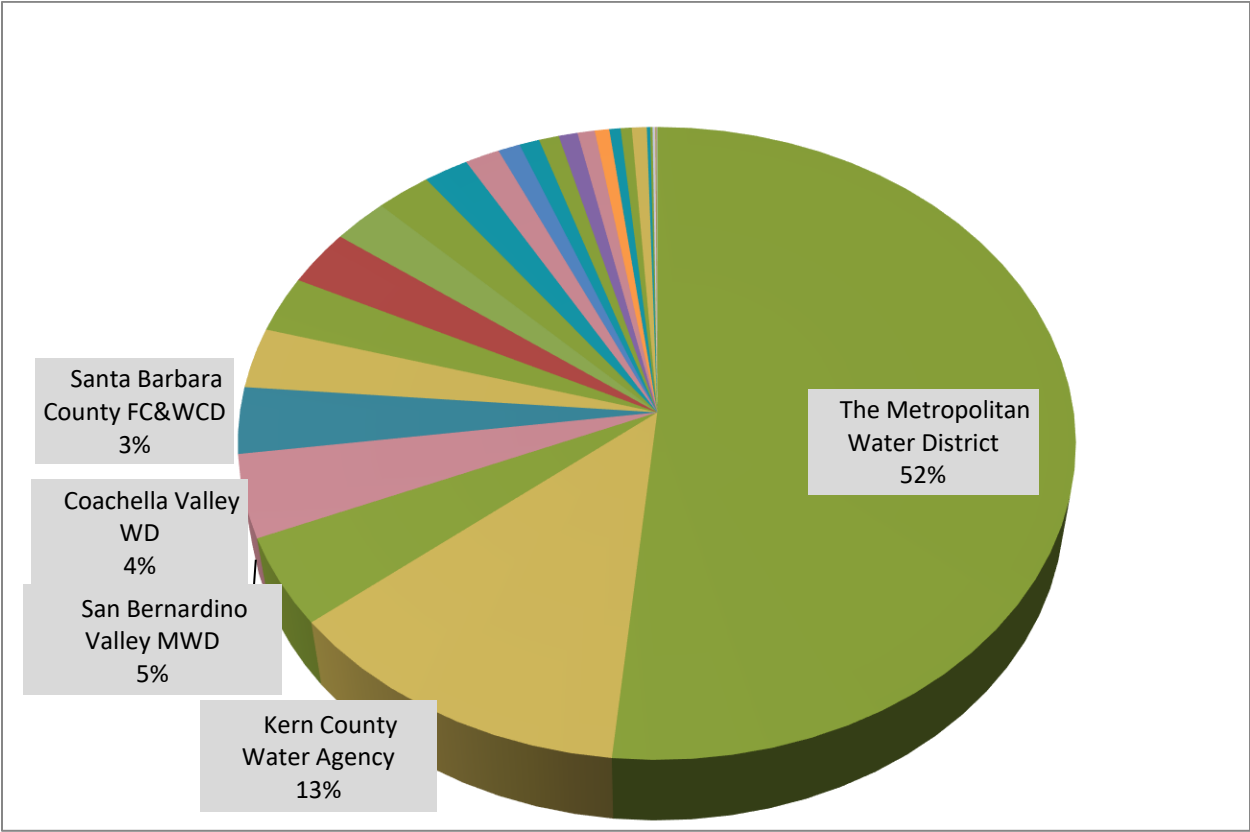
## CONSERVATION CHARGES



### OTHER CHARGES



The 29 State Water Project Contractors pay for the costs of the State Water Project through a combination of monthly and semi-annual charges. In 2023, five of the SWP Contractors have accounted for more than 77 percent of water system revenues.



The percentage of total revenue collected by the Department from each SWP Contractor varies significantly from the percentage of water the SWP Contractor may be eligible to receive based on what is referred to as Table A. Table A is contained in the Water Supply Contracts executed by the Department with each of the 29 SWP Contractors and details the maximum amount of water that each SWP Contractor is entitled to request from the Department. The SWP Contractors make their requests by October 1 for water to be delivered in the upcoming calendar year. Below are the Table A shares of water each Water Agency may request. Municipal and Industrial Contractors represent 76% of the SWP Contractors' share of the Table A water supply, while Agricultural Contractors represent 24%.

**Maximum Table A Amounts  
(in acre-feet)**

<b>Upper Feather River</b>	
County of Butte	27,500
Plumas County Flood Control & Water Conservation District	2,700
City of Yuba	9,600
<b>Subtotal</b>	<b>39,800</b>
<b>North Bay Area</b>	
Napa County Flood Control & Water Conservation District	29,025
Solano County Water Agency	47,756
<b>Subtotal</b>	<b>76,781</b>
<b>South Bay Area</b>	
Alameda County Flood Control & Water Conservation District, Zone 7	80,619
Alameda County Water District	42,000
Santa Clara Valley Water District	100,000
<b>Subtotal</b>	<b>222,619</b>
<b>San Joaquin Valley</b>	
Oak Flat Water District	5,700
County of Kings	9,305
Dudley Ridge Water District	41,350
Empire West Side Irrigation District	3,000
Kern County Water Agency	982,730
Tulare Lake Basin Water Storage District	87,471
<b>Subtotal</b>	<b>1,129,556</b>
<b>Central Coast</b>	
San Luis Obispo County Flood Control & Water Conservation District	25,000
Santa Barbara County Flood Control & Water Conservation District	45,486
<b>Subtotal</b>	<b>70,486</b>
<b>Southern California</b>	
Antelope Valley-East Kern Water Agency	144,844
Castaic Lake Water Agency	95,200
Coachella Valley Water District	138,350
Crestline-Lake Arrowhead Water Agency	5,800
Desert Water Agency	55,750
Littlerock Creek Irrigation District	2,300
The Metropolitan Water District of Southern California	1,911,500
Mojave Water Agency	89,800
Palmdale Water District	21,300
San Bernardino Valley Municipal Water District	102,600
San Gabriel Valley Municipal Water District	28,800
San Geronio Pass Water Agency	17,300
Ventura County Watershed Protection District	20,000
<b>Subtotal</b>	<b>2,633,544</b>
<b>Total State Water Project (in acre-feet)</b>	<b>4,172,786</b>

## MAJOR INITIATIVES AND ACHIEVEMENTS

### *Water Supply Contract Extension*

In May 2013, DWR and the SWP Contractors began negotiations in a public forum to develop contract amendments to extend the term and change certain financial provisions of the Water Supply Contracts. In June 2014, the negotiators for DWR and the SWP Contractors reached a general agreement on principles for such an amendment. DWR and 25 of the 29 Contractors signed the Agreement in Principle (AIP).

Under the original term of the Water Supply Contracts, subject to individual elections for continued service by each SWP Contractor, the Water Supply Contracts were to remain in effect for the longest of 75 years, December 31, 2035, or until all bonds issued to finance construction costs of SWP facilities have been repaid, whichever period is longest. No Water System Revenue Bonds have been sold with a maturity date later than December 1, 2035. The 75-year term provision currently results in the Water Supply Contracts having varying termination dates that range between December 31, 2035 and 2042, subject to the aforementioned election.

A contract extension amendment was prepared based on the AIP. Under the amendment, the term of the Water Supply Contract for each SWP Contractor that signs the amendment would be extended until December 31, 2085. Also under the amendment, certain provisions that provide for charges to the SWP Contractors for capital costs and certain other costs, currently made on an amortized basis, would be amended to provide for charges to the SWP Contractors on an annual “pay-as-you-go” basis to provide the revenues needed by DWR to make payments each year. The current provisions authorizing DWR to charge the SWP Contractors annually for the full amount of the required annual debt service and coverage on the Bonds will continue. Other provisions addressed in the amendment would provide for, among other things, an increase in DWR’s operating reserves; a mechanism for financing capital projects, using System funds, and recovering those costs with interest from the SWP Contractors; establishment of an account to pay for certain System expenses not chargeable to the SWP Contractors; and the establishment of a Finance Committee consisting of DWR and SWP Contractor representatives to serve as a forum for discussions and to provide a channel for recommendations to the Director of DWR concerning financial policies of the System.

As required by statute, on September 11, 2018, DWR presented the terms of the proposed contract extension amendment in an informational hearing to the Legislature’s Joint Legislative Budget Committee. With regard to the required environmental review pursuant to the California Environmental Quality Act (CEQA), in August 2016, DWR released, for public comment, a draft Environmental Impact Report (EIR) for the proposed contract extension amendment. The Director of DWR certified and released the final EIR in November 2018.



On December 11, 2018, the Director of DWR approved the contract extension amendment project under CEQA and executed the amendment with Metropolitan. As of July 22, 2024, twenty-seven SWP Contractors have executed the extension amendment with the Department. The County of Butte and Plumas County Flood Control and Water Conservation District have not signed the extension amendment. Under the terms of the extension amendment, the amendment will only take effect as to all signing SWP Contractors when (1) 24 SWP Contractors, with an aggregate maximum Table A amount exceeding 3,950,000-acre feet, have executed the amendment and (2) all pending litigation addressing the amendment has been resolved, unless either of these conditions is waived by the Department and the SWP Contractors that have signed the amendment. On January 1, 2023, the extension amendment took effect after the Department and the SWP Contractors waived the pending litigation condition.

Note 12 discusses three lawsuits that arose from the Department's approval of the amendment. The Department prevailed on all three lawsuits.

### ***Renewable Energy***

Due to new legislation from Senate Bill 1020 (Laird 2022), the SWP's Renewable Energy Procurement Plan' 100% renewable and zero-carbon energy goal was revised from 2045 to 2035 as the Department continues to economically pursue renewable energy contracts for such power as noted below.

- A 20-year contract with RE Camelot, LLC for the purchase of 45 megawatts (MWs) of solar photovoltaic energy and associated capacity bundled with Renewable Energy Credits from their facility located in southeastern Kern County. This facility is expected to deliver 124,000 megawatt-hours (MWhs) of annual generation.
- A 20-year contract for 85 MWs from Solverde 1, LLC whose facility, built near Lancaster in northern Los Angeles County, is expected to deliver 230,000 MWhs of annual generation.
- A 20-year contract for 9.5 MWs with Solar Star California XLIV, LLC for a facility built at the Pearblossom Pumping Plant. This facility includes an additional 10-year option to extend and is expected to deliver 27,400 MWhs of annual generation.
- A 20-year contract for 36 MWs with EdSan 1B Group Sanborn, LLC whose facility, located in Kern County came online in January 2023 and is expected to deliver 105,000 MWhs of annual generation. This facility includes an additional 10-year option to extend.
- A 20-year contract for 100 MWs with Pastoria Solar Energy Company, LLC whose facility, will be located in Kern County near the A. D. Edmonston Pumping Plant, is scheduled to come online in October 2025 and is expected to deliver 280,000 MWhs of annual generation. This facility includes an additional 10-year option to extend.
- In 2017, the Department, the U.S. Department of Energy, the Western Area Power Administration (Desert South West Region), and the Bureau of Reclamation executed a 50-year agreement under which the Department receives up to 6,500 MWhs of zero-emission energy annually from the Boulder Canyon Project (Hoover Dam), located near Boulder City, Nevada.

## OTHER FINANCIAL INFORMATION

### *Internal Controls*

In developing and evaluating the System's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. We believe that the System's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### *Financial Management Enhancements Program*

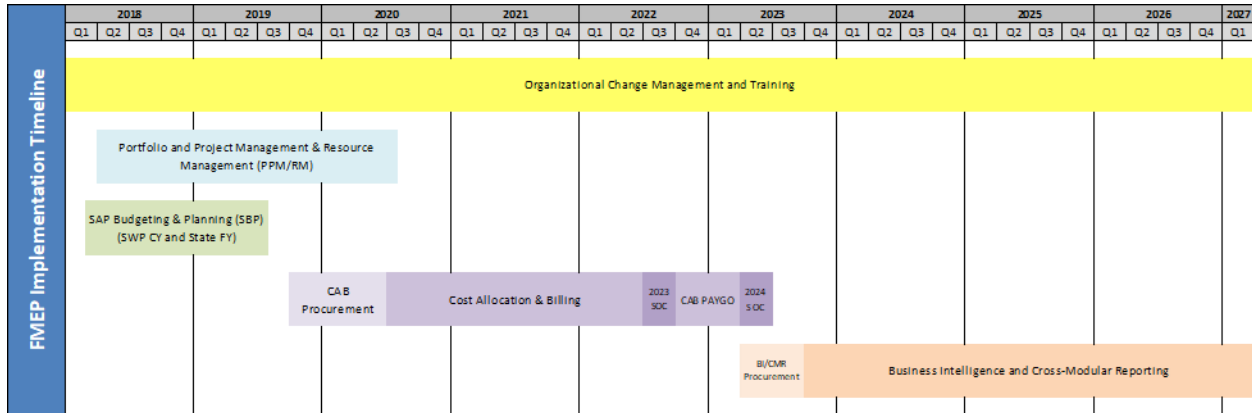
The Department initiated the Financial Management Enhancements Program (FMEP) to analyze and assess its State Water Project organizational, budgeting, billing, and financial processes and reporting needs. The Department used a staged approach to implement the end-to-end business solution. Stage 1 produced high-level solution alternatives to meet the goals for SWP financial management, and in Stage 2, the Department selected the solution. The Department is currently in Stage 3, which implements the end-to-end business solution (solution). The solution includes three technology tools, Portfolio and Project Management/Resource Management (PPM/RM), SAP Budgeting and Planning (SBP), and Cost Allocation and Billing (CAB). The fourth implementation project, Business Intelligence and Cross-Modular Reporting will leverage existing systems' reporting capabilities and may include new technology based on business needs.

CAB enhances the existing billing processes, replaced certain components of the existing Utility Cost Accounting and Billing System (UCABS) and Cost Allocation and Repayment Analysis (CARA) system, and added new billing methodologies by automating the manual processes for integrating B-132 Cost Projection data and Debt Service and incorporating the requirements for the new Pay-As-You-Go calculation method into the billing process.

The BI/CMR implementation will be done in phases with the first phase starting by the end of 2023 for Portfolio and Project Management related dashboards and analytics. The second phase for SWP billing is planned for Quarter 3 of 2025. The target completion for the BI/CMR implementation is Quarter 1 of 2027.

The end-to-end business solution described above also includes an overarching Organizational Change Management (OCM) and Training effort that spans the technology implementation. The OCM/Training team continues to coordinate the sustained training efforts for the three systems that have gone into production, PPM/RM, SBP, and CAB. PPM/RM sustained training is offered bi-annually, SBP sustained training is offered yearly before the State budget planning cycle starts, and CAB is offered on an as-needed basis. The CAB implementation started on July 1, 2020, and the system reached Full System Acceptance (FSA) at the end of September 2022 after validations against the 2023 Statements of Charges (SOC) were successful. The Pay-As-You-Go functionality was implemented and went live on March 20, 2023, which enabled the 2024 Statements of Charges to be produced by the new system in July 2023.

The following graphic shows the overall technology implementation plan for FMEP:



## INDEPENDENT AUDIT

The System requires an annual audit of its financial records. These records, represented in the ACFR, have been audited with an unmodified opinion by a certified public accounting firm, Eide Bailly, LLP. The Independent Auditor’s Report on our current financial statements is presented in the Financial Section.

## ACKNOWLEDGMENTS

We would like to express our appreciation to the entire staff of the Fiscal Services Division and the State Water Project Analysis Office, whose professionalism, dedication, and efficiency are responsible for the preparation of this report. We would also like to thank Eide Bailly, LLP for their invaluable professional support in the preparation of the ACFR.

Respectfully submitted,

*John Yarbrough*

John Yarbrough  
Deputy Director,  
State Water Project

*Duard MacFarland*

Duard MacFarland  
Acting Manager,  
Division of Fiscal Services

*Lori Lay*

Lori Lay  
Manager, Financial Reporting  
and Compliance Branch



# **FINANCIAL SECTION**





## Independent Auditor's Report

To the Director of the State of California  
Department of Water Resources  
Sacramento, California

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the State Water Resources Development System (System), an enterprise fund of the State of California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the System, as of June 30, 2023, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Emphasis of Matter*

##### Individual Fund Financial Statements

As disclosed in Note 1 to the financial statements, the financial statements present only the System and do not purport to, and do not, present fairly the financial position of the State of California as of June 30, 2023, and the changes in its financial positions and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the System has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, for the year ended June 30, 2023. Accordingly, a restatement has been as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

## **Report on Summarized Comparative Information**

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the System's 2022 financial statements, and we expressed an unmodified opinion on the respective financial statements in our report dated August 31, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, schedule of the System’s proportionate share of the net pension liability, schedule of the System’s pension contributions, schedule of the System’s proportionate share of the net other-post employment benefits (OPEB) liability, and schedule of the System’s OPEB contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System’s basic financial statements. The calculation of the adequacy of debt service coverage for the Central Valley Project revenue bonds is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the calculation of the adequacy of debt service coverage for the Central Valley Project revenue bonds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2024, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sacramento, California  
July 30, 2024



# MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

---

## Management's Discussion and Analysis *(Required Supplementary Information)*

This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities for the fiscal year ended June 30, 2023, and to identify any significant changes in the financial position of the State Water Resources Development System (System), which is administered by the California Department of Water Resources (the Department). Readers are encouraged to consider the information presented in conjunction with the financial statements as a whole, which follow Management's Discussion and Analysis. This discussion and analysis and the financial statements do not relate to the Department's other governmental and proprietary funds. The System includes the State Water Project (SWP), the Davis-Grunsky Act Program, and the San Joaquin Drainage Implementation Program.

### Financial Highlights

- During fiscal year 2023, the System recorded an increase in total assets of \$316.7 million on total operating revenues of \$1,503.7 million.
- Deferred inflows of resources for capital costs increased by \$283.3 million to an ending balance of \$1,872.5 million in fiscal year 2023. The increase is primarily due to net revenues collected for principal payments of previous costs incurred to construct Utility Plant in Service (UPIS) assets.
- During fiscal year 2023, the System received \$30.4 million Federal Emergency Management Agency (FEMA) disaster grant, included in other revenues, to reimburse the System for costs primarily associated with the Oroville Dam Spillway Recovery and Restoration Project.
- During the fiscal year ended June 30, 2023, the System implemented GASB Statement No. 96 (GASB 96), *Subscription-Based Information Technology Arrangements (SBITAs)*, which requires the System to recognize a subscription asset and liability for contracts which provide the System a right-to-use vendor-provided information technology. The financial statement items in connection with GASB 96 are presented in this fiscal year.
- On September 22, 2022, the System issued tax-exempt, fixed-rate Central Valley Project (CVP) Water System Revenue Bonds Series BF, with a par amount of \$248.3 million and a premium of \$43.1 million. The proceeds from the Series BF were used to refund CVP Water System Revenue Bonds, Series AT, refund a portion of the System's outstanding commercial paper notes, fund interest on a portion of the Series BF Bonds, fund a deposit to the Debt Service Reserve Account, and pay costs of issuing the Series BF Bonds.

### Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's basic financial statements. The System's basic financial statements are comprised of three components: 1) Financial Statements, 2) Notes to the Financial Statements, and 3) Other Information.

## **Financial Statements**

The System is accounted for as an enterprise fund. Enterprise funds account for the acquisition, operation and maintenance of governmental facilities and services that are entirely or predominantly self-supported by user charges. These financial statements report information using accounting methods similar (although not identical) to those used by private sector companies. The Statements of Net Position includes all the assets, liabilities, deferred outflows and inflows of resources, and net position. The Statements of Revenues, Expenses and Changes in Net Position report all of the revenues and expenses incurred during the fiscal year presented. The Statements of Cash Flows reports the cash inflows and outflows classified by operating, investing, noncapital financing, and capital and related financing activities during the reporting period presented.

The Financial Statements can be found on pages 46 - 51 of this report.

## **Notes to the Financial Statements**

The notes to the financial statements communicate certain information required by Generally Accepted Accounting Principles (GAAP). The notes to the financial statements can be found on pages 53 - 103 of this report.

## **Required Supplementary Information (RSI) and Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information related to the pension and other postemployment benefits plans and certain supplementary information concerning the System's adequacy of debt service coverage. RSI and Supplementary information can be found on pages 104 - 111 of this report.

## **Financial Analysis**

The Department determines the charges to be paid by each SWP Contractor in a fiscal year in accordance with the terms of the respective Water Supply Contracts. In the aggregate, payments pursuant to such charges, i.e., the Department's revenues, will allow the Department to recover substantially all of the operating and capital costs of the SWP. If revenues intended to cover some costs are provided before costs are incurred, those revenues are reported as deferred inflows of resources and recognized as revenue when the associated costs are incurred. If regulation and Water Supply Contracts provide assurance that incurred costs will be recovered in the future, those costs are capitalized as receivables and recovered through future billings.

## Condensed Statements of Net Position

	June 30,			% Change 2023-2022	% Change 2022-2021
	2023	2022	2021		
	(amounts in thousands)				
Assets					
Other assets	\$ 2,464,783	\$ 2,386,867	\$ 2,998,656	3.3%	-20.4%
Total utility plant	6,475,598	6,236,780	6,015,153	3.8%	3.7%
Total assets	<u>8,940,381</u>	<u>8,623,647</u>	<u>9,013,809</u>	<u>3.7%</u>	<u>-4.3%</u>
Total deferred outflows of resources	414,932	281,114	288,339	47.6%	-2.5%
Total assets and deferred outflows of resources	<u>\$ 9,355,313</u>	<u>\$ 8,904,761</u>	<u>\$ 9,302,148</u>	<u>5.1%</u>	<u>-4.3%</u>
Liabilities					
Other liabilities	\$ 918,734	\$ 817,358	\$ 818,583	12.4%	-0.1%
Noncurrent liabilities	4,804,583	4,818,554	5,459,445	-0.3%	-11.7%
Total liabilities	<u>5,723,317</u>	<u>5,635,912</u>	<u>6,278,028</u>	<u>1.6%</u>	<u>-10.2%</u>
Total deferred inflows of resources	2,393,647	2,101,646	1,919,551	13.9%	9.5%
Net position					
Net investment in capital assets	1,150,237	1,139,038	661,031	1.0%	72.3%
Restricted	231,242	229,555	443,538	0.7%	-48.2%
Unrestricted	(143,130)	(201,390)	-	-28.9%	-100.0%
Total net position	<u>1,238,349</u>	<u>1,167,203</u>	<u>1,104,569</u>	<u>6.1%</u>	<u>5.7%</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 9,355,313</u>	<u>\$ 8,904,761</u>	<u>\$ 9,302,148</u>	<u>5.1%</u>	<u>-4.3%</u>

\* Certain amounts have been reclassified from amounts previously reported to conform with the current year presentation.

The largest portion of the System's current fiscal year net position is investments in capital assets, including but not limited to land, improvements, construction work in progress, buildings, machinery, equipment, right to use assets, and subscription assets. Investments in capital assets are reflected net of accumulated depreciation and amortization less any outstanding related debt used to construct or acquire those assets. The main use of these capital assets is to provide water delivery and storage, flood control, recreation, fish and wildlife enhancement, and hydroelectric power. There was an increase in capital assets of \$238.8 million primarily due to the construction of the Facilities Reconstruction and Improvement Project and the Delta Facilities Program. This increase was offset by an increase of \$227.6 million primarily in capital costs relating to the timing difference between capital revenue recovered and the depreciation expense recognition. This resulted in an overall increase in net investment in capital assets of \$11.2 million. Although the System's investments in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, mainly contractual billings to the SWP Contractors, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of the System's current fiscal year net position represents restricted net position, which are resources subject to external restrictions on how they may be used, and unrestricted net position.

The following table reflects how the System recognized revenues and expenses during the year:

**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

	Fiscal Year Ended June 30,			% Change 2023-2022	% Change 2022-2021
	2023	2022	2021		
	(amounts in thousands)				
Operating revenues:					
Water supply	\$ 1,305,767	\$ 1,131,793	\$ 992,787	15.4%	14.0%
Power sales	129,898	82,196	76,929	58.0%	6.8%
Federal and State reimbursements	67,999	76,168	47,303	-10.7%	61.0%
Total operating revenues	<u>1,503,664</u>	<u>1,290,157</u>	<u>1,117,019</u>	<u>16.5%</u>	<u>15.5%</u>
Operating expenses:					
Operations and maintenance	552,881	492,560	577,709	12.2%	-14.7%
Purchased power	355,582	167,977	164,734	111.7%	2.0%
Depreciation and amortization	151,939	140,220	113,568	8.4%	23.5%
Operating expenses recovered, net	16,091	186,323	85,560	-91.4%	117.8%
Total operating expenses	<u>1,076,493</u>	<u>987,080</u>	<u>941,571</u>	<u>9.1%</u>	<u>4.8%</u>
Income from operations	427,171	303,077	175,448	40.9%	72.7%
Nonoperating revenues/expenses:					
Capital revenues recovered (deferred), net	(346,967)	(159,725)	(413,417)	117.2%	-61.4%
Interest expense	(88,668)	(88,217)	(87,931)	0.5%	0.3%
Investment income (loss), net	27,531	5,513	7,983	399.4%	-30.9%
Other revenues (expenses), net	52,079	1,986	285,594	2521.7%	-99.3%
Total nonoperating revenues/expenses	<u>(356,025)</u>	<u>(240,443)</u>	<u>(207,771)</u>	<u>48.1%</u>	<u>15.7%</u>
Change in net position	71,146	62,634	(32,323)	13.6%	-293.8%
Net position, beginning of year	<u>1,167,203</u>	<u>1,104,569</u>	<u>1,136,892</u>	<u>5.7%</u>	<u>-2.8%</u>
Net position, end of year	<u>\$ 1,238,349</u>	<u>\$ 1,167,203</u>	<u>\$ 1,104,569</u>	<u>6.1%</u>	<u>5.7%</u>

\* Certain amounts have been reclassified from amounts previously reported to conform with the current year presentation.

The System recognized an increase in net position in fiscal year 2023 of \$71.1 million compared to an increase of \$62.6 million in fiscal year 2022. The components of the increases are shown in the table below:

Net Position		
	2023	2022
	(amounts in thousands)	
Capital cost in excess of revenue	\$ 51,735	\$ 89,023
Suspended costs	(28,203)	(31,645)
Recreation minimum	(18,097)	(18,661)
Recreation depreciation	(5,080)	(4,551)
Bad debt	3,819	10,719
Interest and other miscellaneous	66,972	17,749
Change in net position	\$ 71,146	\$ 62,634

## Revenues

### Operating Revenues

The increase of \$213.5 million in operating revenues for fiscal year 2023 is attributable to an increase of \$174 million in water supply revenue mainly due to increases in water deliveries and an increase of \$47.7 million in power sales. This increase was offset by a decrease of \$8.2 million in federal and state reimbursements.

The increase of \$173.1 million in operating revenues for fiscal year 2022 was attributable to an increase of \$139 million in water supply revenues mainly due to under collections of minimum and variable from prior year and increases in Delta Water Charge collections due to increased cost projections, an increase of \$28.9 million in federal and state reimbursements primarily due to the reimbursements from General Fund in support of the California Aqueduct Subsidence Project and increased construction costs in the San Luis joint-use facilities, and an increase of \$5.2 million in power sales.

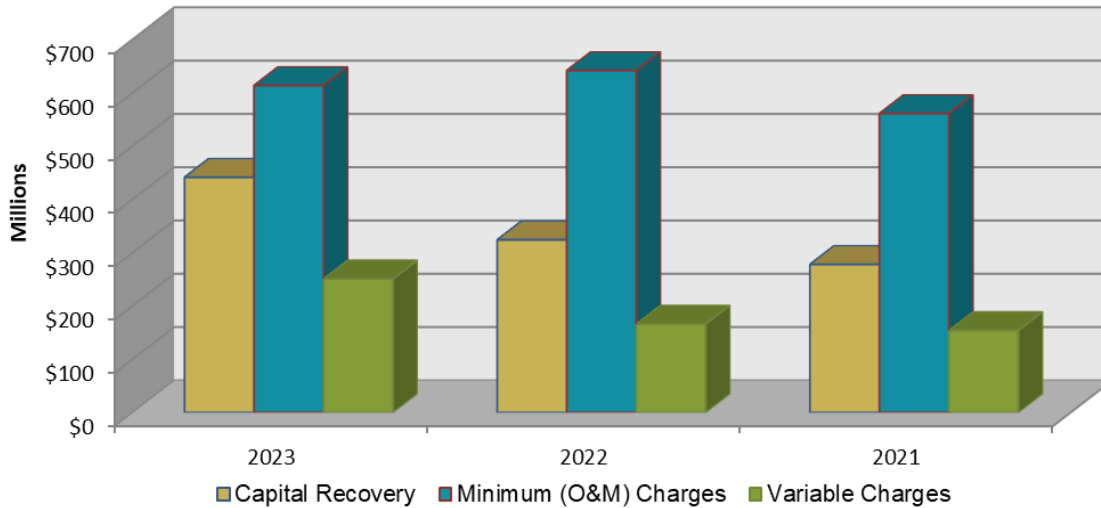
### Water Supply Revenue

The largest portion of revenues, approximately 86.84%, comes from Water Supply Revenue. In fiscal year 2023, the System generated \$1,305.8 million in water supply revenue, compared to \$1,131.8 million in fiscal year 2022, and \$992.8 million in fiscal year 2021.

The following table shows a comparative breakdown of the components of water supply revenue for fiscal years 2023, 2022, and 2021:



## Water Supply Revenue



### Expenses

#### Operating Expenses

Total operating expenses increased by \$89.4 million for fiscal year 2023 to a total of \$1,076.5 million. The increase was primarily due to increases in power purchases as a result of increased water deliveries and an incremental increase in depreciation expenses. The increase was offset by the timing difference between recovery and recognition of operating costs.

Total operating expenses increased by \$45.5 million for fiscal year 2022 to a total of \$987.1 million. The increase was primarily due to the timing difference between recovery and recognition of operating costs and increased depreciation expense as the Oroville Dam Spillway Recovery and Restoration Project began depreciation in fiscal year 2022.

#### Operations and Maintenance Expenses

The total operations and maintenance expenses increase of \$60.3 million in fiscal year 2023 was primarily attributed to the following factors: \$35.5 million increase in employment costs due to increased pension expense; \$31.2 million increase in consultant and professional services; \$7.8 million increase in pro rata cost; \$6.5 million increase in bond issuance cost as the System issued Central Valley Project Water System Revenue Bonds Series BF; and offset by \$20.7 million decrease in waste removal and hazardous costs.

The total operations and maintenance expenses decrease of \$85.1 million in fiscal year 2022 was primarily attributed to the following factors: \$51.2 million decrease in bond issuance cost as the System did not issue any Central Valley Project Water System Revenue Bonds in fiscal year 2022; \$36.9 million decrease in employment costs due to decreases in pension expense; \$24.5 million decrease in consultant and professional services; \$19.1 million decrease in bad debt expense; offset by \$43.3 million increase in waste removal and hazardous costs due to the purchase of mitigation credit for the B.F. Sisk Dam Safety of Dams Modification Project; and \$3.3 million increase in pro rata cost.

### **Purchased Power**

In fiscal year 2023, purchase power increased by \$187.6 million to a total of \$355.6 million. This was mainly due to water deliveries increasing from 1.4 million acre-feet in fiscal year 2022 to 1.9 million acre-feet in fiscal year 2023, an increase of 0.5 million acre-feet or 27.4%. Increases in water deliveries resulted in increased pumping demand.

In fiscal year 2022, purchased power increased by \$3.2 million to a total of \$168 million. This slight increase was due to a minimal increase in the water contractor entitlement allocation of 15% in January 2022 from 10% during the fiscal year 2022.

### **Operating and Maintenance Expense Recovered (Deferred)**

Operating and maintenance expense recovered (deferred) represents an adjustment for the timing difference between operations and maintenance (O&M) costs recovered as per the Water Supply Contracts and the incurrence of such O&M costs. Operating and maintenance expense recovered (deferred) decreased by \$170.2 million in fiscal year 2023. This was due to increased power purchases and increased employment costs.

Operating and maintenance expense recovered increased by \$100.8 million in fiscal year 2022. This was due to decreased employment costs and increases in water supply revenues as a result from under collections of minimum and variable from prior year and increases in Delta Water Charge collections.

### **Capital Revenues Deferred**

Capital revenues deferred represents an adjustment for the timing difference between capital revenue recovered as per the Water Supply Contracts and the depreciation expense recognition of such capital assets and their associated financing costs. Capital revenues deferred increased by \$187.2 million in fiscal year 2023. The increase was primarily due to the normal-course timing difference as described, increases in water supply revenues, and an increase in FEMA disaster grant to reimburse the System for costs associated with the Oroville Dam Spillway Recovery and Restoration Project.

Capital revenues deferred decreased by \$253.7 million in fiscal year 2022. This was due primarily to the normal-course timing difference as described and a decrease of \$238 million in FEMA disaster grant to reimburse the System for costs associated with the Oroville Dam Spillway Recovery and Restoration Project and increased imputed interest costs.

### **Interest Expense**

Interest expense for fiscal year 2023 increased by \$451 thousand from \$88.2 million in fiscal year 2022 to \$88.7 million in fiscal year 2023. The increase was attributable to the new issuance of Revenue Bonds Series BF as well as an increase in interest rates from commercial paper borrowings. The increase was offset by a one-time adjustment from the AB 84 supplemental pension payment which occurred in fiscal year 2022.

Interest expense for fiscal year 2022 increased by \$286 thousand from \$87.9 million in fiscal year 2021 to \$88.2 million in fiscal year 2022. The \$286 thousand increase was attributable to an AB 84 supplemental pension payment offset by decreased interest payments as a result of the refunding occurred in Revenue Bonds Series BB, BC, and BE, as well as a declined in Commercial Paper borrowings.

### **Other Revenues (Expenses)**

Other revenues for fiscal year 2023 increased by \$50.1 million to a total of \$52.1 million in fiscal year 2023. The increase was mainly attributable to an increase in FEMA disaster grant to

reimburse the System for costs associated with the Oroville Dam Spillway Recovery and Restoration Project.

Other revenues for fiscal year 2022 decreased by \$283.6 million to a total of \$2 million in fiscal year 2022. This was primarily due to a reduction in FEMA disaster grant to reimburse the System for costs associated with the Oroville Dam Spillway Recovery and Restoration Project.

## Capital Assets and Debt Administration

### Capital Assets

Investments in capital assets include utility plant and equipment, land, construction work in progress (CWIP), land use rights, computer software, other intangible assets, general, lease assets, and SBITA assets. The increase in the System's investment in capital assets for fiscal year 2023 was \$238.8 million (including \$11.9 million of capitalized interest) and for fiscal year 2022 was \$221.6 million (including \$504 thousand of capitalized interest), an increase of 3.83% and 3.68%, respectively. Additional details of capital assets are contained in Note 4.

The System's investment in capital assets is presented below:

	Balance (in thousands)		
	2023	2022	2021
Nondepreciable Utility Plant	\$ 1,723,345	\$ 1,519,513	\$ 1,441,696
Depreciable Utility Plant	7,522,333	7,336,712	7,055,198
Total Utility Plant	9,245,678	8,856,225	8,496,894
Less Accumulated depreciation / amortization	(2,770,080)	(2,619,445)	(2,481,741)
Utility Plant, Net	\$ 6,475,598	\$ 6,236,780	\$ 6,015,153

### Long-Term Debt

The System's total debt decreased \$96.3 million or 2.6% during fiscal year 2023. This decrease was comprised of the issuance of approximately \$342.8 million in new debt, net of refundings, including premiums, offset by \$158.5 million in commercial paper notes paid, and principal payments and amortization of premiums and discounts of \$280.6 million. The change in debt included the issuance of Revenue Bond Series BF with a par of \$248.3 million and a premium of \$43.1 million, and the issuance of \$200.7 million of commercial paper notes, which were partially offset by \$149.2 million in refunded bonds by Series BF, \$128.5 million in refunded of commercial paper notes by Series BF, \$29.7 million of FEMA disaster grant to reimburse the System for costs associated with the Oroville Dam Spillway Recovery and Restoration Project, \$0.4 million of FEMA reimbursements for non-Oroville projects, bond principal payments and amortization of premium and discount of \$270.3 million, and the SB 84 loan principal payment of \$10.3 million.

During fiscal year 2022, the System's total debt decreased by \$385.4 million. This was comprised of new debt of \$102.2 million, net of refundings, and principal payments and amortization of premiums and discounts of \$ 487.6 million.

The System's long-term debt is presented below:

	Balance (in thousands)		
	2023	2022	2021
Revenue Bonds	\$ 3,392,570	\$ 3,520,598	\$ 3,763,125
General Obligation Bonds	120	205	2,090
Commercial Paper	250,093	207,943	337,953
SB 84 Loan	14,511	24,813	35,766
Total	3,657,294	3,753,559	4,138,934
Less current portion	(234,470)	(233,571)	(204,591)
Long-term portion	<u>\$ 3,422,824</u>	<u>\$ 3,519,988</u>	<u>\$ 3,934,343</u>

Additional information on the System's long-term debt can be found in Notes 6 and 7 of this report.

## Economic Factors

The Department of Water Resources (the Department) continues operations to maintain critical functions while modifying the way we work in the face of emergencies, like novel coronavirus and fires statewide, to protect our employees and the public. The Department continues providing California its core services of water delivery, flood protection, dam safety, and infrastructure maintenance.

The SWP must enter the power market to facilitate the operation of the SWP. Operations continue 24 hours a day, seven days a week, with constant coordination with other utilities, SWP Contractors, the California Independent System Operator (CAISO), and SWP pumping and generating plants. The power market, controlled by CAISO, can have a material impact on the power sales revenues and power purchase expenses of the SWP.

Economics, climate changes, and new legislation have required the System to explore and include more renewable energy sources. In 2005, Executive Order S-3-05 was signed into law and in 2006 Assembly Bill (AB-32) was passed, requiring California to reduce its Green House Gas (GHG) emissions to 1990 levels by 2020. By 2050, GHG emission levels must be below 80% of 1990 levels. On September 10, 2018, Senate Bill 100, signed by Governor Edmund G. Brown, had the potential effect of increasing the Department's costs for compliance by up to \$15 million per year until 2045 to meet the 100 percent renewable or zero-carbon standard. On September 16, 2022, Senate Bill 1020, signed by Governor Gavin Newsom, requires the System to revise its Renewable Energy Procurement Plan 100% renewable and zero-carbon energy goal from 2045 to 2035 to meet the 100 percent renewable or zero-carbon standard.

As a result of these new laws, California will require a higher percentage of the System's pumping load to be served by renewable energy sources. In fiscal year 2015, the System began purchasing renewable energy under a purchase contract with RE Camelot, LLC, a 45 (megawatt) MW solar plant. The System is also under contract for solar energy purchases with Solverde 1 and Solar Star California XLIV, which came online near the end of calendar year 2016 and added an additional 95 MW of renewable power. In fiscal year 2021, the System entered into a renewable energy contract with EdSan 1B Group Sanborn, LLC, which came online in January 2023 and added an additional 36 MW of renewable power. In fiscal year 2022, the System entered into a renewable energy contract with Pastoria Solar Energy Company, LLC which is scheduled to come online in October 2025 and will add an additional 100 MW of renewable power.

Every year, the SWP is confronted with factors that affect how the operation of the System is conducted. Some factors include plant or unit outages, environmental concerns, weather, fluctuations in natural gas prices, transmission line outages, and wildfires.

Increases or decreases in water allocations depend on water availability. Water allocations also depend heavily on reservoir storage and snowpack water content. In fiscal year 2023, water deliveries increased from 1.4 million acre-feet in fiscal year 2022 to 1.9 million acre-feet, an increase of 0.5 million acre-feet or 27.4%. Water allocation began at 5% in July 2022, increased to 30% in January 2023, and then continued increasing to 100% in April 2023. This significant increase in water allocation was primarily due to consistent storms occurred in late February and March resulted in built up in the Sierra snowpack and doubled the amount of snowpack that the State typically sees during this time of year.

Climate change is impacting how precipitation falls in California. The State is learning to adapt to this new reality. The State Water Project's sustainable water supply will become even more critical to the State's economy in the face of climate change impacts.

## Requests for Information

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Manager, Financial Reporting and Compliance Branch, 715 P Street 6<sup>th</sup> Floor, Sacramento, CA 95814.



# **FINANCIAL STATEMENTS**



**Statement of Net Position**
*(amounts in thousands)*

(with comparative amounts for June 30, 2022)

	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 792,486	\$ 760,918
Receivables:		
Interest on investments	7,765	1,731
Water supply and power billings, net	185,005	92,059
Due from federal and state governments, net	121,566	93,497
Due from other receivables	-	804
Inventories	4,945	5,140
Total current assets	<u>1,111,767</u>	<u>954,149</u>
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents restricted for plant replacements	32,376	28,054
Cash and investments restricted for debt service	173,288	167,278
Cash and cash equivalents on deposit with revenue bond trustee	25,578	34,223
Total restricted assets	<u>231,242</u>	<u>229,555</u>
Amounts recoverable through future billings under long-term water supply contracts:		
Operations and maintenance expense	676,131	735,359
Unamortized project costs	147,426	159,612
Unbilled interest incurred on capital costs	108,131	117,142
Total amounts recoverable through future billings	<u>931,688</u>	<u>1,012,113</u>
Loans receivable from local water agencies	6,917	7,711
Advances to other state funds	183,169	183,339
Utility plant:		
Nondepreciable utility plant	335,821	323,190
Depreciable utility plant	7,522,333	7,336,712
Less accumulated depreciation/amortization	<u>(2,770,080)</u>	<u>(2,619,445)</u>
Net utility plant in service	5,088,074	5,040,457
Construction work in progress	1,387,524	1,196,323
Total utility plant	<u>6,475,598</u>	<u>6,236,780</u>
Total noncurrent assets	<u>7,828,614</u>	<u>7,669,498</u>
<b>Total assets</b>	<u>8,940,381</u>	<u>8,623,647</u>
<b>Deferred outflows of resources</b>		
Deferral of loss on refunding	93,857	106,504
Deferral of resources related to pensions	224,063	94,473
Deferral of resources related to OPEB	97,012	80,137
<b>Total deferred outflows of resources</b>	<u>414,932</u>	<u>281,114</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 9,355,313</u>	<u>\$ 8,904,761</u>

The accompanying notes are an integral part of these financial statements.

## Statement of Net Position (continued)

(amounts in thousands)

(with comparative amounts for June 30, 2022)

	June 30,	
	2023	2022
<b>Liabilities</b>		
Current liabilities:		
Current maturities of bonds	\$ 224,260	\$ 223,270
Accounts payable	150,961	130,426
Accrued compensated absences	18,180	17,200
Pollution remediation	1,793	5,496
SB 84 Loan	10,210	10,301
Accrued interest on long-term debt	9,759	9,862
Claims liability	7,268	22,570
Leases liability	5,995	6,255
SBITA liability	2,445	-
Due to other state funds	133,313	60,208
Proceeds due to water contractors	354,550	331,770
Total current liabilities	918,734	817,358
Noncurrent liabilities:		
General obligation bonds, net of current portion	35	120
Revenue bonds, net of current portion	3,168,395	3,297,413
Commercial paper	250,093	207,943
Net pension liability	625,680	356,813
Net OPEB liability	585,339	787,182
SB 84 Loan	4,301	14,512
Claims liability	3,448	6,220
Leases liability	27,551	24,951
SBITA liability	1,253	-
Accrued compensated absences, net of current portion	32,368	37,221
Pollution remediation, net of current portion	58,431	40,485
Unearned revenue - State and Federal capital recovery	14,097	14,689
Advances for plant replacements	33,592	31,005
Total noncurrent liabilities	4,804,583	4,818,554
<b>Total liabilities</b>	5,723,317	5,635,912
<b>Deferred inflows of resources</b>		
Operations and maintenance expense	48,159	30,149
Capital costs	1,872,521	1,589,216
Power sales credit	51,609	70,372
Deferral of resources related to pensions	35,119	184,902
Deferral of resources related to OPEB	386,239	227,007
Total deferred inflows of resources	2,393,647	2,101,646
<b>Total liabilities and deferred inflows of resources</b>	8,116,964	7,737,558
Net position:		
Net investment in capital assets	1,150,237	1,139,038
Restricted for:		
Debt service and plant replacements	231,242	229,555
Unrestricted	(143,130)	(201,390)
Total net position	1,238,349	1,167,203
<b>Total liabilities, deferred inflows of resources, and net position</b>	\$ 9,355,313	\$ 8,904,761

The accompanying notes are an integral part of these financial statements.

**Statement of Revenues, Expenses, and Changes in Net Position***(amounts in thousands)*

(with comparative amounts for June 30, 2022)

	<b>Fiscal Year Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
Operating revenues:		
Water supply	\$ 1,305,767	\$ 1,131,793
Power sales	129,898	82,196
Federal and State reimbursements	67,999	76,168
Total operating revenues	<u>1,503,664</u>	<u>1,290,157</u>
Operating expenses:		
Operations and maintenance	552,881	492,560
Purchased power	355,582	167,977
Depreciation and amortization	151,939	140,220
Operating expenses recovered, net	16,091	186,323
Total operating expenses	<u>1,076,493</u>	<u>987,080</u>
Income from operations	<u>427,171</u>	<u>303,077</u>
Nonoperating revenue (expenses):		
Capital revenues recovered (deferred), net	(346,967)	(159,725)
Interest expense	(88,668)	(88,217)
Investment income	27,531	5,513
Other revenues (expenses), net	52,079	1,986
Total nonoperating revenues (expenses)	<u>(356,025)</u>	<u>(240,443)</u>
Change in net position	71,146	62,634
Net position, beginning of year	<u>1,167,203</u>	<u>1,104,569</u>
Net position, end of year	<u>\$ 1,238,349</u>	<u>\$ 1,167,203</u>

The accompanying notes are an integral part of these financial statements.

**Statement of Cash Flows**
*(amounts in thousands)*

(with comparative amounts for June 30, 2022)

	<b>Fiscal Year Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 1,408,224	\$ 1,239,371
Payments to employees for services	(494,647)	(464,559)
Payments to suppliers	(407,807)	(387,509)
Other payments	(9,921)	(3,009)
Net cash provided by operating activities	<u>495,849</u>	<u>384,294</u>
<b>Cash flows from capital and related financing activities:</b>		
Proceeds from issuance of revenue obligation bonds including premium	99,015	-
Principal payments on long-term debt, lease, and SBITA	(217,232)	(162,185)
Commercial paper notes issued	200,664	102,242
Principal payments on commercial paper notes	(158,514)	(232,252)
Interest payments on long-term debt	(80,061)	(127,204)
Additions to utility plant and construction work in progress	(390,757)	(361,846)
Capital grants received	62,000	4,996
Net cash used by capital and related financing activities	<u>(484,885)</u>	<u>(776,249)</u>
<b>Cash flows from investing activities:</b>		
Cash received from investment earnings	20,174	5,102
Proceeds of investments matured	101,987	153,369
Purchases of investments	(100,870)	(153,337)
Loan payments from local water agencies	794	790
Net cash provided by investing activities	<u>22,085</u>	<u>5,924</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	33,049	(386,031)
<b>Cash and cash equivalents, beginning of year</b>	939,970	1,326,001
<b>Cash and cash equivalents, end of year</b>	<u>\$ 973,019</u>	<u>\$ 939,970</u>
<b>Noncash capital and related financing activities:</b>		
Amortization of bond premium/discount	\$ 46,996	\$ 51,022
Amortization of deferred loss on refunding	12,648	16,744
Principal retirements of long-term debt on proceeds received from issuance of Series BF Water System Revenue Bonds for 2023	149,245	-
Lease and SBITA liability for the acquisition of a right-to-use asset	9,387	-
<b>Noncash capital and related financing activities:</b>	<u>\$ 218,276</u>	<u>\$ 67,766</u>

The accompanying notes are an integral part of these financial statements.

**Statement of Cash Flows (continued)**
*(amounts in thousands)*

(with comparative amounts for June 30, 2022)

	<b>Fiscal Year Ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Reconciliation to the statement of net position:</b>		
Cash and cash equivalents	\$ 792,486	\$ 760,918
Restricted assets:		
Cash and cash equivalents restricted for plant replacements	32,376	28,054
Cash and cash equivalents restricted for debt service (net of \$50,709 and \$50,503 of U.S. Agency securities for 2023 and 2022, respectively)	122,579	116,775
Cash and cash equivalents on deposit with revenue bond trustee	25,578	34,223
<b>Cash and cash equivalents</b>	<b>\$ 973,019</b>	<b>\$ 939,970</b>
	<b>2023</b>	<b>2022</b>
<b>Reconciliation of income from operations to net cash provided by operating activities:</b>		
Income from operations	\$ 427,171	\$ 303,077
Adjustment to reconcile income from operations to net cash provided by operating activities		
Depreciation and amortization expense	151,939	140,220
Other expenses (credits)	(9,921)	(3,009)
Decrease in other non current liabilities	(10,301)	(10,954)
(Increase) decrease in deferred charges and credits, net	(118,933)	336,880
Changes in assets and liabilities:		
Increase in receivables	(129,504)	(71,200)
(Increase) decrease in inventories	195	(365)
(Increase) decrease in due from federal government	9,293	(1,395)
Increase (decrease) in accounts payable, accrued vacation, and pollution remediation	13,001	(93,087)
Increase (decrease) in pension & OPEB	67,024	(227,643)
Increase (decrease) in due to other state funds	73,105	(9,636)
Increase in proceeds due to Water Contractors	22,780	21,406
Total adjustments	68,678	81,217
<b>Net cash provided by operating activities</b>	<b>\$ 495,849</b>	<b>\$ 384,294</b>

The accompanying notes are an integral part of these financial statements.



# **NOTES TO FINANCIAL STATEMENTS**

## 1. Reporting Entity

The State Water Resources Development System (System), administered by the Department of Water Resources (the Department), includes the State Water Project (SWP), the Davis-Grunsky Act Program, and the San Joaquin Drainage Implementation Program. It was constructed as the result of initial legislation in 1951 and subsequent legislation in the 1960s providing various financing mechanisms. The funds of the System are a part of the primary government of the State of California and are reported as a proprietary fund and business-type activity (non-governmental cost funds) within the State of California's financial statements. The SWP is a system of dams, water storage facilities, aqueducts, pumping stations and electric generation facilities, which have been constructed for purposes of developing firm water supply and conveying water to areas of need within the State and providing flood control, recreation, fish and wildlife enhancement, and hydroelectric power. The System has entered into Water Supply Contracts with 29 customers (SWP Contractors) in order to recover substantially all System costs. The 29 SWP Contractors are principally located in the San Francisco Bay Area, the Central Coast, the Central Valley and Southern California and their service areas encompass approximately 25% of the State's land area and, approximately 70% of its population and 8% of the United States' entire population.

The operations of the System are separate and distinct from other operations of the State of California. The accompanying financial statements only reflect the activity of the System and do not purport to, and do not, present fairly, the financial position of the State of California and the changes in its financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. The System is accounted for as an enterprise fund comprised of two segments, the Burns-Porter Act and the Central Valley Project Act, and is financed and operated in a manner similar to that of a private business enterprise. The System uses the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

## 2. Summary of Significant Accounting Policies

The Department is a department within the California Natural Resources Agency of the State, and is responsible for the planning, construction, operation, and maintenance of the System's SWP. The System's operating revenues include water supply, power sales, and Federal and State Reimbursements. Under the Water Supply Contracts, the SWP Contractors are required to pay to the System amounts calculated and billed as operating revenues, thus returning to the System substantially all annual operating costs. These operating expenses are comprised of the costs of sales and services, depreciation and amortization of capital assets, power and transmission costs, and administrative expenses.

Revenues from the SWP Contractors pledged to the payment of debt, and net investment income are related to capital and financing activities and are defined as non-operating revenues and expenses.

### Utility Plant

Utility plant is recorded at historical cost. Historical cost includes labor, materials, and indirect items such as engineering, supervision, transportation, and interest on borrowed funds incurred during construction. Repairs, maintenance, and minor purchases of equipment are expensed as incurred.



Right-to-use lease assets are recognized at the lease commencement date and represent the System's right-to-use an underlying asset for the lease term. Right-to-use lease assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to placing the lease asset into service.

Right-to-use subscription-based information technology arrangements (SBITAs) assets are recognized at the subscription commencement date and represent the System's right-to-use the underlying SBITA asset for the subscription term. Right-to-use SBITA assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service.

### Depreciation

Depreciation is provided on a straight-line basis over the estimated useful lives of the various classes of utility plant, as follows:

Various Classes of Utility Plant	Estimated Useful Lives
Aqueducts	80 - 100 years
Dams and reservoirs	85 years
Environmental preservation and mitigation	50 years
Power plants	30 - 50 years
Pumping plants	30 - 40 years
Fish protection	35 - 36 years
Facilities	20 - 30 years
Equipment, computers, and vehicles	3 - 5 years
Right-to-use lease assets	2 - 15 years
Subscription-based information technology arrangements (SBITA)	2 - 4 years
General	1 - 20 years

The System's intangible assets, consisting of software, land use and legal rights, costs associated with the Federal Energy Regulatory Commission (FERC) licenses, compliance instruments are included in Utility Plant in Service (UPIS), and right-to-use lease assets and SBITA assets. Software costs are amortized on a straight-line basis over a five to ten-year useful life. Easements are land use rights and considered as either permanent or temporary. Permanent easements have an indefinite useful life and are non-depreciable while temporary easements are being amortized over a five-year useful life, unless otherwise specified in the purchase agreement. Right-to-use lease assets and SBITA assets are amortized over the shorter of the lease/SBITA term or useful life of the underlying asset using the straight-line basis varies from two to 15 years.

A central element of California's Global Warming Solutions Act (AB 32) requires the System to obtain and surrender emission credits and allowances. Currently, these compliance instruments consist of Green House Gas (GHG) emission allowances for the System's share of compliance cost for the Lodi Energy Center (LEC). Since the economic benefit is not diminished until the credits are consumed, they will not be amortized. The credits will be included in UPIS and charged to expense as they are surrendered.

### **Cash and Cash Equivalents**

Cash and cash equivalents, for purposes of the statement of cash flows, includes cash on hand, restricted cash for plant replacements, restricted cash for debt service, and restricted cash on deposit with revenue bond trustee. Such amounts include deposits in the State of California Pooled Money Investment Account (PMIA), Surplus Money Investment Fund (SMIF), and instruments with original maturities of three months or less. Cash and cash equivalents do not include U.S. Government and Agency securities with original maturities of more than three months.

### **Restricted Cash and Investments**

Cash and cash equivalents on deposit with revenue bond trustee consists of amounts held for Reid Gardner Unit 4 contingencies under the termination agreement.

Cash and cash equivalents with the State Treasurer for plant replacements and debt service are restricted as required by the provisions of the Water Supply Contracts and bond resolutions. Restricted funds consist of investments of the same type as those described below.

### **Cash and Investments**

Cash not required for current use, including restricted cash, is invested in SMIF, which is stated at fair value. The weighted average to maturity of PMIA investments was 260 days as of June 30, 2023 and 311 days as of June 30, 2022. The State's total amount of deposits in SMIF was \$67.2 billion as of June 30, 2023 and \$67.3 billion as of June 30, 2022. The Pooled Money Investment Board (PMIB) has oversight responsibility for SMIF. The Board consists of three members as designated by state statute which shall consist of the State Controller, State Treasurer and Director of Finance. The value of the pool shares in SMIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the System's portion of the pool. PMIA funds are on deposit with the State's Centralized Treasury System and are not SEC-registered, but are managed in compliance with the California Government Code and State policy.

The State's Investment Policy for the PMIA, which is managed by the State Treasurer's Office, sets forth the permitted investment vehicles, liquidity parameters and maximum maturity of investments. These investments consist of U.S. government securities, securities of federally-sponsored agencies, U.S. corporate bonds, interest bearing time deposits in California banks, prime-rated commercial paper, bankers' acceptances, negotiable certificates of deposit, repurchase and reverse repurchase agreements. The PMIA policy limits the use of reverse repurchase agreements subject to limits of no more than 10% of PMIA. The PMIA does not invest in leveraged products or inverse floating rate securities.

The System is authorized by statute to invest in the same types of investment vehicles permitted by the State's Centralized Treasury System. U.S. Treasury and agency debt securities are carried at fair value. Because investing is not a core part of the System's mission, the Systems determines that the disclosure related to these investments only need to be disaggregated by major type. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, and it is determined from published data (quoted prices) provided by the exchanges, computerized pricing sources, the National Association of Securities Dealers' National Market System, securities custodians and other authoritative sources. Investments made by the System during the year ended June 30, 2023 are of a similar nature as those held at June 30, 2022.

### Advances to Other State Funds

Advances to Other State Funds represent the System's advances to the Department's internal service fund that functions as a revolving working capital account for the System. The other Advances to Other State Funds represent the System's advances to the Department of General Services to fund the Rio Vista Science Center, a joint venture between the Department and the United States Fish and Wildlife Services, and to fund the Joint Operations Center.

### Receivables

Receivables include amounts due from SWP Contractors, organizations that purchase power from the System, Federal and State governments, accrued interest from financial institutions, and other miscellaneous customers.

### Inventories

The System carries two types of inventories, operating supplies and fuel. The method of accounting used for operating supplies is first-in, first-out inventory valuation. Fuel station tanks are located throughout the System, and fuel inventory is accounted for using the moving average cost method. Components of inventories at June 30, 2023 and 2022 were as follows:

Inventories		
	2023	2022
Operating supplies	\$ 4,535	\$ 4,618
Fuel	410	522
Total	<u>\$ 4,945</u>	<u>\$ 5,140</u>

### Amounts Recoverable Through Future Billings

The System records unbilled costs as assets recoverable through future billings under the Water Supply Contracts. These costs include operations and maintenance costs and capital costs.

Unamortized project costs represent abandoned utility plant costs and certain research and development expenses that are recoverable through future billings to the SWP Contractors under the terms of the Water Supply Contracts.

Unbilled interest incurred on unrecovered capital costs are classified as other long-term assets until billed under the terms of the Water Supply Contracts. Unbilled interest incurred represents the System's unrecovered interest since inception, recalculated annually at the System's cumulative weighted average cost of borrowing (Project Interest Rate). The System's Project Interest Rate was 4.58% for the year ended June 30, 2023 and 4.61% for the year ended June 30, 2022.

### Regulated Operations

The System has the authority to determine the charges to be paid by each SWP Contractor in a fiscal year in accordance with the terms of the respective Water Supply Contracts to recover generally all System costs, including debt service. As a regulated entity, the System's financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB). The System is considered to be a Regulated Operation pursuant to GASB Statement No. 62, which requires that the effects of

the rate-making process are recorded in the financial statements. Accordingly, certain expenses and credits, normally reflected in the change in net position, as incurred, are recognized when included in rates and recovered from or refunded to customers, the state, and the federal government. The System records various regulatory assets and credits to reflect rate-making actions of management.

### **Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an expense/expenditure until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as revenue until that time.

#### Deferred Outflows of Resources

Deferral of loss on refunding represents the difference between the reacquisition price and the net carrying amount of the refunded debt. The unamortized balance of deferred loss on refunding was \$93.9 million as of June 30, 2023 and \$106.5 million as of June 30, 2022. The \$12.6 million decrease is due to the scheduled annual amortization expense.

The System's allocated share of the deferred outflows of resources related to pensions was \$224.1 million and \$94.5 million as of June 30, 2023 and 2022, respectively. See Note 10 for additional information.

The System's allocated share of the deferred outflows of resources related to OPEB was \$97 million and \$80.1 million as of June 30, 2023 and 2022, respectively. See Note 11 for additional information.

#### Deferred Inflows of Resources

Deferred operations and maintenance expenses represent operations and maintenance revenues collected in excess of operations and maintenance expenses incurred resulting from specific terms of the Water Supply Contracts and timing differences. The System had an ending balance of \$48.2 million and \$30.1 million in deferred inflows of operations and maintenance expenses as of June 30, 2023 and 2022, respectively.

Since the capital component of revenue allows for the recovery of capital costs plus interest related to the construction of the System's facilities, these revenues are presented as deferred inflows of resources. As these facilities are depreciated over time, the deferred capital costs are recovered. The System had an ending balance of \$1,872.5 million and \$1,589.2 million in deferred inflows of capital costs as of June 30, 2023 and 2022, respectively.

The power sales credit arises from revenue collected for the power generated by the Hyatt-Thermalito Power Plant (HTPP). The power sales credit is amortized over time by a credit integrated into the Delta Water Charge. The power sales credit decreased by \$18.8 million to an ending balance of \$51.6 million in fiscal year 2023 compared to \$70.4 million in fiscal year 2022.

The System's allocated share of the deferred inflows of resources related to pensions was \$35.1 million and \$184.9 million as of June 30, 2023 and 2022, respectively. See Note 10 for additional information.

The System's allocated share of the deferred inflows of resources related to OPEB was \$386.2 million and \$227 million as of June 30, 2023 and 2022. See Note 11 for additional information.

### **Unearned Revenue – State and Federal Capital Recovery**

Unearned revenue represents reimbursement payments made by the State and Federal governments for their share of the System's capital costs in excess of the related depreciation expense recognized in the statements of revenues, expenses, and changes in net position.

### **Advances for Plant Replacements**

Advances for plant replacements represent billings under the terms of the Water Supply Contracts for future replacement of certain System assets. Receipts from such billings are restricted. Costs of plant replacements are charged to this reserve, as incurred.

### **Bond Issuance Discounts and Premiums**

Bond issuance discounts and premiums are reflected as a reduction/increase to the carrying value of the bonds outstanding and are amortized over the lives of the related debt instruments.

### **Net Position**

The System classifies its net position into three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets includes utility plant in service, net of accumulated depreciation, construction work in progress, unamortized project costs, less debt related to capital assets, unearned revenue, and other assets and liabilities related to the recovery of utility plant. Net investment in capital assets were \$1,150.2 million and \$1,139.0 million at June 30, 2023 and 2022, respectively.

The restricted component of net position is for debt service and plant replacements. Net position restricted for debt service represents reserves held by the System as required by its bond resolutions. Net position restricted for plant replacements represents reserves held by the System for future replacement of certain System's Assets. Restricted net position totaled \$231.2 million and \$229.6 million at June 30, 2023 and 2022, respectively.

The unrestricted component of net position is neither restricted nor invested in capital assets. Unrestricted net position totaled (\$143.1) million and (\$201.4) million at June 30, 2023 and 2022, respectively.

### **Revenues**

The cost of providing services from the System is required to be recovered through user charges and other reimbursements. Under the terms of the Water Supply Contracts, the System granted the SWP Contractors rate management reductions of approximately \$40.5 million for the years ended June 30, 2023 and 2022. Rate management reductions are reductions in capital related billings to the SWP Contractors.

Revenues under the Water Supply Contracts are recognized when billings are due and payable. The billings cover debt service requirements, an additional 25% of revenue bond

debt service to satisfy certain bond covenants, current operations and maintenance costs, and under collections. The Water Supply Contracts provide that the 25% portion of the billings collected for the purpose of satisfying certain bond covenants be refunded in the subsequent year. These billings, which totaled \$79.5 million and \$72.3 million for the years ended June 30, 2023 and 2022, respectively, are included as Proceeds Due to SWP Contractors. The SWP Contractors received bond cover refunds of \$72.3 million and \$69.7 million in the fiscal years 2023 and 2022, respectively.

Revenues from the sale of surplus power are recognized as the power is delivered.

The Federal government reimburses the System for certain operating and capital costs incurred by the System for flood control purposes. In addition, the Federal government reimburses the System for the Federal government's 37.67% share of the operating costs and 45% share of the capital costs of the San Luis joint use facilities and other water facilities. The State of California also reimburses the System for certain operating and capital costs incurred by the System for facilities located within the SWP. Revenue from the State and Federal government in excess of their share of the related depreciation expense is deferred until the related depreciation expense is recognized.

### **Compensated Absences**

Compensated absences represent employees' vested unpaid vacation, annual leave, and other similar paid leave programs which are eligible for payment upon separation from state service. Unused sick-leave balances are not included in the compensated absences as they do not vest to employees.

### **Leases**

Lease Liabilities represent the System's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments is discounted based on a borrowing rate determined by the System.

### **Subscription-Based Information Technology Arrangements**

Subscription Liabilities represent the System's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments is discounted based on a borrowing rate determined by the System.

### **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System's portion of the California Public Employees' Retirement System (CalPERS) pension plan and additions to or deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **Other Postemployment Benefit (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the System's portion of the CalPERS OPEB plan and additions to or deductions

from the plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### Segments

The System has two segments, which are defined under governmental accounting standards, as an identifiable activity for which one or more revenue bonds or other revenue-backed debt instruments are outstanding:

1) Activities Allowed Under the Burns-Porter Act – This segment accounts for the costs to build, operate, and maintain the facilities financed by General Obligation (GO) bonds as authorized by the Burns-Porter Act. Transportation and conservation revenues from the SWP Contractors are recorded in this segment as well as power sales and reimbursements from Federal and State governments and interest on investments. Expenses are limited to operations and maintenance of the SWP constructed with GO bond proceeds, power purchases, replacements, and debt service on the GO bonds.

2) Activities Allowed Under the Central Valley Project Act – This segment accounts for the costs to build, operate, and maintain the facilities financed by the Central Valley Project Water System revenue bonds. Capital and operating revenues from the SWP Contractors for projects financed by revenue bond proceeds are recorded in this segment, as well as commercial paper sales, reimbursements from Federal and State governments for the San Luis Dam and Reservoir, Suisun Marsh, recreation costs, and interest on investments. Expenses are limited to the construction and operation of SWP facilities constructed with revenue bond proceeds and power facilities and debt service payments on the revenue bonds.

### Comparative Data and Reclassifications

Comparative data for prior years have been presented for certain section of the accompanying financial statements in order to provide an understanding of changes in the System's financial position and operations. Certain amounts presented in the prior years may have been reclassified in order to conform to the current year's presentation.

### Compliance and Accountability

Per the System's continuing disclosure certificates and continuing disclosure agreement, the System has an obligation to meet specific continuing disclosures. The System's annual report and notices of material events must be filed by the System with the Municipal Securities Rulemaking Board (the MSRB) within 270 days after the System's fiscal year end. The System had filed the annual report for fiscal year 2023, but the annual report did not include financial statements as required per the continuing disclosure certificates and continuing disclosure agreement. The System will file its 2023 financial statements promptly on the MSRB website upon its completion.

### Implementation of GASB Statement No. 96

As of July 1, 2022, the System adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use SBITA asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 16 and the additional disclosures required by this standard are included in Note 9.

### 3. Interests in Jointly Owned Facilities

At June 30, 2023 and 2022, the System owned the following undivided interests in jointly-owned facilities:

Interests in Joint-Use Facilities			System's Portion Based on % Owned			
	Joint Party	% Owned by System	Utility Plant/Construction		Accum Depreciation	
			Work in Progress			
			<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
San Luis Joint-Use Facilities	USBR	55%	\$ 498,648	\$ 433,949	\$ 107,731	\$ 95,032
SWP Hydropower Facilities License	LADWP	50%	\$ 6,509	\$ 6,419	\$ -	\$ -

The amounts above include the System's share of direct costs related to constructing the facilities. Each participant provides its own financing for the jointly-owned facility.

The Department is the operator of the San Luis Joint-Use Facilities. All of the operating expenses related to these facilities are included as operating expenses in the statements of revenues, expenses, and changes in net position. The Federal government is billed for its share of the operating expenses and these billings are included as operating revenues in the statements of revenues, expenses, and changes in net position.



#### 4. Utility Plant

The summarized activity of the System's utility plant during 2023 is presented below:

Utility Plant June 30, 2023				
	Beginning Balance (Restated)	Transfers and Additions	Transfers and Deletions	Ending Balance
<b>Nondepreciable Utility Plant:</b>				
Land	\$ 209,046	\$ 1,723	\$ -	\$ 210,769
Construction work in progress (CWIP)	1,196,323	356,080	(164,879)	1,387,524
Land use rights	12,465	414	-	12,879
Other intangible assets	101,679	11,359	(865)	112,173
Total nondepreciable utility plant	<u>1,519,513</u>	<u>369,576</u>	<u>(165,744)</u>	<u>1,723,345</u>
<b>Depreciable Utility Plant:</b>				
Aqueducts	2,212,275	10,487	-	2,222,762
Dams & reservoirs	1,936,280	67,578	-	2,003,858
Power plants	920,023	31,842	-	951,865
Pumping plants	1,015,676	5,418	-	1,021,094
Environmental preservation and mitigation	67,797	-	-	67,797
Fish protection	115,055	13,855	-	128,910
Facilities	550,028	7,155	-	557,183
Equipment and other depreciable assets	87,327	2,376	(1,102)	88,601
Computer software	29,375	-	-	29,375
Land use rights and other intangible assets	12,207	3,526	(202)	15,531
Right-to-use lease buildings	37,380	9,387	-	46,767
Right-to-use SBITAs	6,757	-	-	6,757
General	353,289	28,544	-	381,833
Total depreciable utility plant	<u>7,343,469</u>	<u>180,168</u>	<u>(1,304)</u>	<u>7,522,333</u>
<b>Less: accumulated depreciation and amortization</b>				
Aqueducts	(739,136)	(25,414)	-	(764,550)
Dams & reservoirs	(445,965)	(23,331)	-	(469,296)
Power plants	(371,887)	(18,948)	-	(390,835)
Pumping plants	(673,462)	(15,291)	-	(688,753)
Environmental preservation and mitigation	(43,210)	(1,366)	-	(44,576)
Fish protection	(36,002)	(1,681)	-	(37,683)
Facilities	(91,364)	(15,936)	-	(107,300)
Equipment and other depreciable assets	(72,450)	(6,584)	1,102	(77,931)
Computer software	(28,009)	(446)	-	(28,455)
Land use rights and other intangible assets	(11,007)	(1,420)	202	(12,225)
Right-to-use lease buildings	(6,669)	(7,530)	-	(14,199)
Right-to-use SBITAs	-	(2,413)	-	(2,413)
General	(100,284)	(31,579)	-	(131,863)
Total accumulated depreciation and amortization	<u>(2,619,445)</u>	<u>(151,939)</u>	<u>1,304</u>	<u>(2,770,080)</u>
Net depreciable plant	<u>4,724,024</u>	<u>28,229</u>	<u>-</u>	<u>4,752,253</u>
Total Utility Plant - net	<u>\$ 6,243,537</u>	<u>\$ 397,805</u>	<u>\$ (165,744)</u>	<u>\$ 6,475,598</u>

The summarized activity of the System's utility plant during 2022 is presented below:

#### Utility Plant June 30, 2022

	Beginning Balance (Restated)	Transfers and Additions	Transfers and Deletions	Ending Balance
<b>Nondepreciable Utility Plant:</b>				
Land	\$ 209,123	\$ -	\$ (77)	\$ 209,046
Construction work in progress (CWIP)	1,120,155	319,941	(243,773)	1,196,323
Land use rights	12,465	-	-	12,465
Other intangible assets	99,952	5,620	(3,893)	101,679
Total nondepreciable utility plant	<u>1,441,695</u>	<u>325,561</u>	<u>(247,743)</u>	<u>1,519,513</u>
<b>Depreciable Utility Plant:</b>				
Aqueducts	2,209,474	2,801	-	2,212,275
Dams & reservoirs	1,919,449	16,831	-	1,936,280
Power plants	764,625	155,398	-	920,023
Pumping plants	1,056,235	6,784	(47,343)	1,015,676
Environmental preservation and mitigation	67,797	-	-	67,797
Fish protection	90,696	24,359	-	115,055
Facilities	529,119	20,909	-	550,028
Equipment and other depreciable assets	86,897	2,880	(2,450)	87,327
Computer software	29,375	-	-	29,375
Land use rights and other intangible assets	12,277	-	(70)	12,207
Right-to-use lease buildings	37,380	-	-	37,380
General	289,255	16,691	47,343	353,289
Total depreciable utility plant	<u>7,092,579</u>	<u>246,653</u>	<u>(2,520)</u>	<u>7,336,712</u>
<b>Less: accumulated depreciation and amortization</b>				
Aqueducts	(714,003)	(25,133)	-	(739,136)
Dams & reservoirs	(422,701)	(23,264)	-	(445,965)
Power plants	(355,637)	(16,250)	-	(371,887)
Pumping plants	(658,374)	(15,088)	-	(673,462)
Environmental preservation and mitigation	(41,844)	(1,366)	-	(43,210)
Fish protection	(33,671)	(2,331)	-	(36,002)
Facilities	(75,831)	(15,533)	-	(91,364)
Equipment and other depreciable assets	(67,579)	(7,316)	2,445	(72,450)
Computer software	(27,297)	(712)	-	(28,009)
Land use rights and other intangible assets	(9,878)	(1,199)	70	(11,007)
Right-to-use lease buildings	-	(6,669)	-	(6,669)
General	(74,926)	(25,358)	-	(100,284)
Total accumulated depreciation and amortization	<u>(2,481,741)</u>	<u>(140,219)</u>	<u>2,515</u>	<u>(2,619,445)</u>
Net depreciable plant	<u>4,610,838</u>	<u>106,434</u>	<u>(5)</u>	<u>4,717,267</u>
Total Utility Plant - net	<u>\$ 6,052,533</u>	<u>\$ 431,995</u>	<u>\$ (247,748)</u>	<u>\$ 6,236,780</u>

## 5. Investments

The System maintains cash deposits with the State's Surplus Money Investment Fund (SMIF), which is part of the Pooled Money Investment Account (PMIA). The State Treasurer manages the PMIA in accordance with various provisions of the California Water Code and the State's investment policies. The State Treasurer also acts as trustee for the System's revenue bonds, and manages the System's investments. Investment of the System's funds is administered in accordance with California Government Code, State's policies, and applicable provisions of the Central Valley Project Act bond resolutions.

The System follows GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement requires the disclosure of five types of risks: interest, credit, custodial, concentration, and foreign currency. Additional disclosures required by GASB No. 40 for cash deposits and investments within the State's centralized treasury system can be found in the State of California's Annual Comprehensive Financial Report.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles (GAAP) and in accordance with GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Deposits and withdrawals are made on the basis of \$1 and not fair value. Accordingly, the System's proportionate share of investments in the State Treasury at June 30, 2023 and 2022 of \$947.4 million and \$905.7 million, respectively, is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

The following is a summary of the System's cash and investments by percentage of total, their related credit ratings and by fair value measurement as of June 30, 2023:

Cash and Investments at June 30, 2023							
			Maturities				Fair Value Measurement
			Under 30	31-180	181-365		Using Quoted Prices in Active Markets for Identical Assets (Level1)
	% of Total	Credit Rating (S&P)	Days	Days	Days	6/30/2023	
<b>Investments by fair value level:</b>							
U.S. Treasury Securities T-Bills	5%	AA+	\$ -	\$ 50,709	\$ -	\$ 50,709	\$ 50,709
Total Investments by fair value level			\$ -	\$ 50,709	\$ -	\$ 50,709	\$ 50,709
<b>Investments not subject to fair value level:</b>							
Surplus Money Investment Fund	93%	Not rated	-	-	947,441	947,441	
Cash and Investments held outside State Treasury:							
Money Market Funds	2%	AAA	25,578	-	-	25,578	
<b>Total cash and investments</b>			<u>\$ 25,578</u>	<u>\$ 50,709</u>	<u>\$ 947,441</u>	<u>\$ 1,023,728</u>	

The following is a summary of the System's cash and investments by percentage of total, their related credit ratings and by fair value measurement as of June 30, 2022:

Cash and Investments at June 30, 2022							Fair Value Measurement
			Maturities				Using Quoted Prices in Active Markets for Identical Assets (Level1)
	Credit Rating (S&P)	Under 30 Days	31-180 Days	181-365 Days	6/30/2022		
<b>Investments by fair value level:</b>							
U.S. Treasury Securities T-Bills	5%	AA+	\$ -	\$ 50,503	\$ -	\$ 50,503	\$ 50,503
Total Investments by fair value level			\$ -	\$ 50,503	\$ -	\$ 50,503	\$ 50,503
<b>Investments not subject to fair value level:</b>							
Surplus Money Investment Fund	91%	Not rated	-	-	905,747	905,747	
Cash and Investments held outside State Treasury:							
Money Market Funds	4%	AAA	34,223	-	-	34,223	
<b>Total cash and investments</b>			<b>\$ 34,223</b>	<b>\$ 50,503</b>	<b>\$ 905,747</b>	<b>\$ 990,473</b>	

**Interest Rate Risk:** Interest rate risk is the risk that the value of fixed income securities will decline because of rising interest rates. The prices of fixed income securities with a longer time to maturity, measured by weighted average to maturity, tend to be more sensitive to changes in interest rates than those with a shorter duration. As of June 30, 2023 and 2022, the weighted average maturity of the investments contained in SMIF is approximately 260 days and 311 days, respectively.

**Custodial Credit Risk:** For deposits, custodial credit risk is that in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

**Credit Risk:** Credit risk is the risk that a debt issuer will fail to fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. PMIA funds are on deposit with the State's Centralized Treasury System and are managed in compliance with the California Government Code, according to a statement of investment policy discussed in Note 2. The PMIA is not rated.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of an investor's holdings in a single issuer. The investment policy of the State Treasurer's Office contains no limitations on the amount that can be invested in any one issuer beyond those limitations stipulated in the California Government Code.

Interest on deposits in PMIA varies with the rate of return of the underlying portfolio and averaged 2.170%, and 0.371% for the years ended June 30, 2023 and 2022, respectively. For the years ended June 30, 2023 and 2022, interest earned on the deposits with PMIA approximated \$23.1 million and \$2.9 million, respectively. Interest earned is included in the investment income line item on the statement of revenues, expenses, and changes in net position.

The U.S. Treasury Securities T-Bills of \$50.7 million and \$50.5 million at June 30, 2023 and 2022, respectively, are valued using quoted market prices (Level 1 input).

Income is comprised of interest, dividends, realized gains and losses, and unrealized gains and losses due to changes in the fair value of investments held at year-end.

## 6. Long-Term Debt

The following is a summary of changes in long-term debt for the years ended June 30, 2023 and 2022:

	Revenue Bonds				General	Commercial	SB 84 Loan	Total Long Term Debt
					Obligation Bonds	Paper		
	Par Amount	Unamortized Discount	Unamortized Premium	Total Revenue Bonds	Par Amount	Par Amount		
Balance at June 30, 2021	\$ 3,261,565	\$ (3)	\$ 501,563	\$ 3,763,125	\$ 2,090	\$ 337,953	\$ 35,766	\$ 4,138,934
Additions	-	-	-	-	-	102,242	-	102,242
Retirements	-	-	-	-	-	(232,252)	-	(232,252)
Amortization	-	1	(51,023)	(51,022)	-	-	-	(51,022)
Payments	(191,505)	-	-	(191,505)	(1,885)	-	(10,953)	(204,343)
Balance at June 30, 2022	3,070,060	(2)	450,540	3,520,598	205	207,943	24,813	3,753,559
Additions	248,260	-	43,138	291,398	-	200,664	-	492,062
Retirements	(149,245)	-	-	(149,245)	-	(158,514)	-	(307,759)
Amortization	-	1	(46,997)	(46,996)	-	-	-	(46,996)
Payments	(223,185)	-	-	(223,185)	(85)	-	(10,302)	(233,572)
Balance at June 30, 2023	2,945,890	(1)	446,681	3,392,570	120	250,093	14,511	3,657,294
Less current portion	(224,175)	-	-	(224,175)	(85)	-	(10,210)	(234,470)
Total Long-term Debt	\$ 2,721,715	\$ (1)	\$ 446,681	\$ 3,168,395	\$ 35	\$ 250,093	\$ 4,301	\$ 3,422,824

**General Obligation Bonds**

The Burns-Porter Act authorized the issuance of State Water Resources Development System (SWRDS) General Obligations (GO) Bonds in the amount of \$1,750 million for construction of the System. This amount included \$130 million to be set aside for financial assistance to local water agencies as provided in the Davis-Grunsky Act. The Burns-Porter Act also made a continuing appropriation of the California Water Fund, a fund unrelated to the System, to supplement the bond authorization. To the extent California Water Fund money was used for construction of the State water facilities in lieu of bond proceeds, an equal amount of bond authorization was set aside to be used only for the construction of additional facilities of the System that met certain requirements set forth in the Burns-Porter Act.

Under the Burns-Porter Act, revenues of the System, other than revenues attributable to facilities financed with Water System Revenue Bonds, are deposited in the California Water Resources Development Bond Fund and are to be used annually only for the following purposes and in the following order of priority:

- 1) To pay the maintenance, operation and replacement costs of the System,
- 2) To pay, or reimburse the General Fund of the State for, the principal of and interest on the SWRDS GO Bonds issued for the System as it becomes due,
- 3) To reimburse the California Water Fund for funds utilized from said fund for construction of the System (complete reimbursement has been made), and
- 4) To pay additional costs of the acquisition and construction of the System.

All such revenues are pledged for these uses and purposes for the benefit of the owners of the SWRDS GO Bonds.

As of June 30, 2023, the amount of the revenues pledged to repay the Burns-Porter Act SWRDS GO Bonds debt service is \$126 thousand with payments through 2025. Principal and interest paid for the current year was \$95 thousand and Burns-Porter Act water supply operating revenues were \$952.2 million. As of June 30, 2022, the amount of the revenues pledged to repay the Burns-Porter Act SWRDS GO Bonds debt service was \$221 thousand with payments through 2025. Principal and interest paid for 2022 was \$2 million and Burns-Porter Act SWRDS water supply operating revenues were \$803.4 million.

SWRDS GO Bonds of \$168 million are authorized but un-issued as of June 30, 2023 and 2022, and may only be used for additional facilities, meeting certain requirements of the Burns-Porter Act.

Outstanding SWRDS GO Bonds Series X and Y do not have early redemption provisions.

SWRDS GO Bonds consist of the following at June 30, 2023 and 2022:

### General Obligation Bonds

Fiscal Year of Issue	Series	Original Par Amount	Fixed Rates	Fiscal Year of Final Maturity	Amounts Outstanding	
					2023	2022
1994	X	2,000	4.8%	2024	50	100
1995	Y	1,400	7.1%	2025	70	105
Total General Obligation bond debt outstanding at par					120	205
Less current portion					(85)	(85)
Total Long-term General Obligation bond debt outstanding					<u>\$ 35</u>	<u>\$ 120</u>

### Revenue Bonds

The Water System Revenue Bonds have been issued for the acquisition or construction of projects to provide water and power for the SWP. Under the statute pursuant to which Water System Revenue Bonds are issued, principal and interest on the bonds are secured by and payable solely from revenues attributable to the facilities financed by the bonds. These are primarily payments under the Water Supply Contracts between the System and SWP Contractors.

As of June 30, 2023, the amount of the revenues pledged to repay the Water System Revenue Bonds debt service is \$3,701.3 million with payments through fiscal year 2036. Principal and interest paid for the current year was \$342 million and CVP water supply operating revenues were \$347.6 million. As of June 30, 2022, the amount of the revenues pledged to repay the Water System Revenue Bonds debt service was \$3,874.5 million with payments through 2036. Principal and interest paid for the previous year was \$311.2 million and CVP water supply operating revenues were \$328.4 million.

The System's outstanding Water System Revenue Bonds contain a provision that in an event of default, and if after given a period of 60 days written notice by the Trustee, and the event of default continues, then the Trustee or the bondholders with at least 25 percent in the principal amount of outstanding Bonds are entitled to declare the outstanding amounts due immediately.

On September 22, 2022, the System issued tax-exempt, fixed-rate CVP Water System Revenue Bonds Series BF with a par amount of \$248.3 million and a premium of \$43.1 million. The proceeds from the Series BF were used to (1) pay off \$128.5 million outstanding Water Revenue Commercial Paper Notes Series 4, and (2) refund Water System Revenue Bonds, Series AT with a par value of \$149.2 million. Bond proceeds were also used to pay the costs of issuance and fund both capitalized interest and the reserve account. The System achieved an economic gain of \$1.3 million, representing 0.5% savings of the refunded bonds. The final maturity of the Series BF bonds is 2035.

The System is subject to certain bond covenants, the most restrictive of which requires that the revenues in each year shall be at least equal to 1.25 times the debt service payable from revenues on all bonds outstanding in such year, plus operating costs, and the required funding of the debt service reserve account. The bonds are limited special obligations of the System; neither the principal nor any interest thereon constitutes a debt of the State. Certain bonds are redeemable prior to maturity at a redemption price of 100%.

## Water System Revenue Bonds consist of the following at June 30, 2023 and 2022:

CVP Revenue Bonds							Amounts Outstanding	
Fiscal Year of Issue	Series	Original Par Amount	Fixed Rates	Fiscal Year of Final Maturity	Fiscal Year of First Call Date	2023	2022	
Devil Canyon-Castaic Facilities:								
1973	A&B	\$ 139,165	5.3%	2023	1983	\$ -	\$ 8,725	
CVP Water System:								
1999	V	20,580	6.3%	2025	None	18,050	18,050	
2013	AL	105,875	5.0%	2023	None	-	9,680	
2013	AM	183,960	5.0%	2023	None	-	19,880	
2013	AN	49,525	5.0%	2024	2023	70	1,775	
2013	AP	45,340	3.0%	2023	None	-	1,775	
2013	AQ	120,205	5.0%	2023	None	-	2,020	
2014	AR	161,445	5.0%	2024	None	7,500	14,625	
2015	AS	645,795	5.0%	2026	2025	167,430	204,775	
2015	AT	149,245	Variable	2036	2022	-	149,245	
2016	AV	106,530	4.0-5.0%	2036	2026	85,290	89,965	
2017	AW	428,130	4.0-5.0%	2036	2027	288,780	303,605	
2018	AX	350,670	5.0%	2033	2028	205,230	231,975	
2018	AY	140,825	2.6-3.1%	2030	2018	26,175	29,570	
2019	AZ	215,295	5.0%	2035	2029	160,540	174,070	
2019	BA	299,590	5.0%	2035	2029	233,330	247,300	
2021	BB	544,210	5.0%	2036	2031	517,450	544,210	
2021	BC	515,150	0.4-1.8%	2036	None	468,355	489,950	
2021	BD	217,640	4.0-5.0%	2036	2031	217,640	217,640	
2021	BE	316,160	0.3-2.2%	2036	None	301,790	311,225	
2023	BF	248,260	5.0%	2036	2033	248,260	-	
Total CVP Water System Revenue Bonds						2,945,890	3,061,335	
<b>Total revenue bond debt outstanding at par</b>						2,945,890	3,070,060	
Unamortized bond issuance premiums						446,681	450,540	
Unamortized bond issuance discounts						(1)	(2)	
Less current portion						(224,175)	(223,185)	
<b>Total long-term bond debt outstanding</b>						<b>\$ 3,168,395</b>	<b>\$ 3,297,413</b>	



### Future Debt Service Requirements

Future principal and interest payment requirements on the bonds are as follows at June 30, 2023:

Future Debt Service Requirements							
Year	Revenue Bonds			General Obligation Bonds			All Bonds
	Principal	Interest	Total	Principal	Interest	Total	Total
2024	\$ 224,175	\$ 112,747	\$ 336,922	\$ 85	\$ 5	\$ 90	\$ 337,012
2025	238,175	103,520	341,695	35	1	36	341,731
2026	242,310	93,588	335,898	-	-	-	335,898
2027	231,785	84,506	316,291	-	-	-	316,291
2028	253,125	76,009	329,134	-	-	-	329,134
2029-2033	1,087,705	245,425	1,333,130	-	-	-	1,333,130
2034-2036	668,615	39,655	708,270	-	-	-	708,270
	<u>\$ 2,945,890</u>	<u>\$ 755,450</u>	<u>\$ 3,701,340</u>	<u>\$ 120</u>	<u>\$ 6</u>	<u>\$ 126</u>	<u>\$ 3,701,466</u>

### SB 84 Loan

On July 10, 2017, the California Senate Bill 84 was enacted, an act to amend Sections 16475 and 16480.6 of, and to add Section 20825 to, the Government Code, relating to state employees' retirement. This bill would require the State Controller's Office (SCO) to transfer up to \$6 billion from the Surplus Money Investment Fund and other funds in the Pooled Money Investment Account to the General Fund as a cash loan, the proceeds of which would supplement the state's employer contributions for the fiscal year 2018-2019. This bill would also require that repayment of the loan principal and the payment of interest be made from the General Fund and other funds and accounts that are required by law to fund the state's employer contribution to the Public Employees' Retirement Fund. The loan is to be fully repaid by June 30, 2030. The amount allocated to the System was \$60.9 million and payments of \$10.3 million and \$10.9 million were made in fiscal year 2023 and fiscal year 2022, respectively. Future principal and interest payment requirements on the loan are as follows as of June 30, 2023:

Future Debt Service Requirements			
Year	SB 84 Loan		
	Principal	Interest	Total
2024	\$ 10,210	\$ 1,059	\$ 11,269
2025	4,301	4,679	8,980
	<u>\$ 14,511</u>	<u>\$ 5,738</u>	<u>\$ 20,249</u>

### Commercial Paper Notes

In March 1993, the System launched its commercial paper (CP) program to pay for Water System Capital costs relating to State Water System Projects. Pursuant to the original Resolution No. DWR-CP-1, adopted as of March 1, 1993, the Department authorized the issuance of CP Notes Series 1 in an aggregate amount not to exceed \$150 million, limited to \$139.7 million in principal and \$10.3 million of accrued interest. To provide liquidity for the program, the Department entered into two separate credit agreements with two commercial banks on May 3, 2017. Pursuant to Resolution No. DWR-CP-5, adopted on May 1, 2017, the Department authorized the increase of the issuance of CP Notes Series 1 (Series 1) in an amount not to exceed \$300 million in principal and \$22.2 million in accrued interest. On the same date, pursuant to Resolution DWR-CP-Series 2-1, the Department authorized the issuance of new CP Notes Series 2 (Series 2), with a limit not to exceed \$500 million in principal and \$37 million in accrued interest. On February 1, 2018, pursuant to Resolution No. DWR-CP-Series 2-2, the Department authorized an additional increase of the issuance of Series 2 in an amount not to exceed \$800 million in principal and \$59.2 million in accrued interest. On October 18, 2018, pursuant to Resolution No. DWR-CP-6, the Department authorized an additional increase of the issuance of Series 1 in an amount not to exceed \$600 million in principal and \$44.4 million in accrued interest, to expand its total CP capacity to \$1.4 billion in principal and \$103.6 million in accrued interest. On February 1, 2021, the System restructured its Series 2 Notes and authorized the issuance of CP Notes 3 and 4 in an aggregate amount not to exceed \$800 million in principal and \$59.2 million in accrued interest. Proceeds of the Series 1 Notes are expected to be used to provide funds for the construction of certain Water System Projects, including a portion of the costs of the Oroville Dam Spillway Recovery and Restoration Projects. The Series 2 Notes was established to pay for cost relating to the Oroville Dam Spillway Recovery and Restoration Project. The Series 3 Notes was established to fund principal and/or interest on the Series 1 Notes, the Series 2 Notes, the Series 3 and the Series 4 Notes. Proceeds of the Series 3 Notes may be used from time to time to fund for the costs of certain Projects and related Water System Capital projects. The Series 4 Notes was established to provide funds for the construction costs of certain Water System Projects.

The Department has two revolving credit agreements with two commercial banks supporting its \$1.4 billion CP program. The Series 1 is supported by Bank of America, N.A. (Bank of America) and the Series 2, 3, and 4 by JP Morgan Chase Bank, National Association (JPM). The Series 1 expires on July 19, 2024 and Series 2, 3 and 4 on February 9, 2024, but all can be extended upon written request and approval of the banks. The two agreements require quarterly commitment fee payments on the first business day of each July, October, January and April. As of June 30, 2023, there were no borrowings with the banks under the current revolving credit agreements.

The Series 1 Notes, which were originally supported by a \$150 million credit agreement with Bank of Montreal, was scheduled to expire on October 24, 2017, but was terminated early on May 4, 2017. Under the prior credit agreement, Bank of Montreal was obligated to provide \$150 million, with principal limited to \$139.7 million and \$10.3 million of accrued interest. There were no borrowings with Bank of Montreal under this revolving credit agreement before it was terminated. Under the current credit agreement with Bank of America, which became effective on October 18, 2018, Bank of America is obligated to provide up to \$600 million in principal at any one time and \$44.4 million of accrued interest. For sizing purposes, accrued interest is calculated at 10% per annum for 270 days on a maximum principal commitment of \$600 million.

The Series 2 Notes, which were originally supported by a credit agreement with Wells Fargo, was scheduled to expire on February 25, 2021, but was terminated on February 11, 2021. Under the original agreement dated May 4, 2017, Wells Fargo was obligated to provide up to \$500 million in principal at any one time and up to \$37 million of accrued interest. Under an amended agreement dated February 26, 2018, Wells Fargo was obligated to provide up to \$800 million of principal at any one time and \$59.2 million of accrued interest. There were no borrowings with Wells Fargo under this revolving credit agreement before it was terminated.

The System entered into a Revolving Credit Agreement with JPM dated as of February 1, 2021, but effective on February 11, 2021. JPM is obligated to provide up to \$800 million in aggregate principal for the Series 2, 3 and 4 Notes at any one time and \$59.2 million of accrued interest. For sizing purposes, accrued interest is calculated at 10% per annum for 270 days on a maximum principal commitment of \$800 million.

The System's outstanding CP Series 1, Series 2, Series 3, and Series 4 contain certain provisions that under certain events of default, the credit agreements supported by Bank of America and JPM, will terminate and amounts outstanding under the credit agreements become immediately due and payable.

As of June 30, 2023, the amount of CP notes outstanding was \$75.3 million for the Series 1 Notes, \$5.6 million for the Series 3 Notes, and \$169.2 million for the Series 4 Notes. As of June 30, 2022, the amount of CP notes outstanding was \$104.4 million for the Series 1 Notes, \$2.3 million for the Series 3 Notes, and \$101.2 million for the Series 4 Notes. The weighted average rate for interest expense for the Series 1 Notes approximated 2.31% for the year ended June 30, 2023 and 0.29% for the year ended June 30, 2022. The weighted average rate for interest expense for the Series 3 Notes approximated 4.29% for the year ended June 30, 2023 and 0.48% for the year ended June 30, 2022. The weighted average rate for interest expense for the Series 4 Notes approximated 2.40% for the year ended June 30, 2023 and 0.79% for the year ended June 30, 2022. The Department received approximately \$30.4 million in federal reimbursements in fiscal year 2023 and \$3.3 million in fiscal year 2022, which paid off a portion of the outstanding Series 1 Notes related to the Oroville Dam Spillway Recovery and Restoration Project and the outstanding Series 4 Notes related to other Water Systems Projects. Any CP outstanding remaining after all reimbursements have been received will be refunded with Revenue Bonds.

Proceeds from the sale of CP notes are used to finance Water System Projects prior to permanent financing from the sale of Water System Revenue Bonds. Proceeds from the Series 2 Notes are restricted to be used to provide funds for costs related to the Oroville Dam Spillway Recovery and Restoration Project (Oroville) and proceeds from the Series 1 Notes are restricted to be used to provide funds for costs related to all Water System projects, including Oroville. Proceeds from the Series 3 Notes are restricted to be used to fund principal and/or interest on the Series 2 Notes and the Series 3 Notes. Proceeds from the Series 4 Notes are restricted to be used to provide funds for the construction costs of certain Water System Projects. The liability has been classified as long-term as it is the System's policy to redeem the Commercial Paper outstanding with the issuance of Water System Revenue Bonds. The System's obligation to make debt service payments on Commercial Paper Notes is subordinate to its payment obligations with respect to the Water System Revenue Bonds and SWRDS GO Bonds.

The Water Supply Contracts, in their original form, provide for two charges to the SWP Contractors: (a) a Delta Water Charge and (b) a Transportation Charge. These charges are computed to return to the State the costs of the facilities necessary to deliver water to the

SWP Contractors, including capital costs (with interest) and operation and maintenance costs, and expressly including in the case of the facilities to be financed with commercial paper and the related Water System Revenue Bonds, debt service and 1.25 debt service coverage requirements to be satisfied from revenues.

## 7. Bond Refundings and Defeasances

During the current fiscal year, the System issued CVP Water System Revenue Bonds Series BF to refund all of Series AT. In fiscal year 2022, the System did not issue any CVP Water System Revenue Bonds to refund all or portions of previous issuances. In prior years, the System has defeased various bond issuances by depositing bonds proceeds in escrows and creating irrevocable trusts. The net proceeds from these refundings were used to purchase U.S. Treasury Securities, such as State and Local Government Series (SLGS) to meet the requirements of the refunded debt. Those securities were deposited in irrevocable escrow trust accounts with the State Treasurer acting as escrow agent to provide for all future debt service on the bonds being refunded. As a result, those bonds are considered defeased, and the related liabilities have been excluded from the System's basic financial statements. At June 30, 2023 and 2022, outstanding Water System Revenue Bonds held in escrow trust accounts of \$594.2 million and \$845.4 million, respectively, are considered defeased.

In accordance with GASB Statement No. 86, the System is required to disclose any remaining balance of previously defeased bonds that were defeased using its own existing resources. As of June 30, 2023, and 2022, the outstanding balance of bonds that were defeased using the System's own existing resources was \$4.8 million and \$10 million, respectively. The cash deposited to the escrow was invested in U.S. Treasury Securities – State and Local Government Series (SLGS) to comply with yield restrictions and arbitrage rebate provisions of the Internal Revenue Code. SLGS are direct obligations of the U.S. Government and are considered essentially risk-free.

On September 22, 2022, the System issued tax-exempt, fixed rate CVP Water System Revenue Bonds Series BF. The Series BF refunding was undertaken to take advantage of lower interest rates. This transaction resulted in cash flow savings of \$4.1 million and economic gains (difference between the present values of the debt service payments on the old debt and new debt) of \$1.3 million, or 0.5% of the refunded bonds. The refunding resulted in a difference between the book value of the old debt and the amount required to retire the debt.

Amortization of all deferred refunding costs was approximately \$12.6 million in fiscal year 2023 and \$16.7 million in fiscal year 2022.

## 8. Leases

### Lessee Activities

As of June 30, 2023, the System had seventeen active lease arrangements in which the System is the lessee with a maximum possible term of more than twelve months at commencement and an individual value of \$100 thousand or more. The seventeen active leases are all for the use of buildings in which the System is leasing office space. These leases expire at various dates through 2035 and provide renewal options that are reasonably certain to be exercised. The System records lease assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The lease agreements have interest rates between 0.20% to 3.22%. The interest rates were based on

the State Controller's Office's incremental borrowing rate.

A summary of the lease asset activity during the fiscal years ended June 30, 2023 and 2022 are as follows:

Lease Asset Activity									
	July 1, 2021	Additions	Remeasure	Deductions	June 30, 2022	Additions	Remeasure	Deductions	June 30, 2023
Right-to-use lease assets:									
Buildings	\$ 37,380	\$ -	\$ -	\$ -	\$ 37,380	\$ 9,253	\$ 134	\$ -	\$ 46,767
Total right-to-use lease assets	<u>37,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,380</u>	<u>9,253</u>	<u>134</u>	<u>-</u>	<u>46,767</u>
Accumulated amortization on right-to-use lease assets:									
Buildings	\$ -	\$ (6,669)	\$ -	\$ -	\$ (6,669)	\$ (7,437)	\$ (93)	\$ -	\$ (14,199)
Total accumulated amortization on right-to-use lease assets	<u>-</u>	<u>(6,669)</u>	<u>-</u>	<u>-</u>	<u>(6,669)</u>	<u>(7,437)</u>	<u>(93)</u>	<u>-</u>	<u>(14,199)</u>
Right-to-use lease assets, net	<u>\$ 37,380</u>	<u>\$ (6,669)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,711</u>	<u>\$ 1,816</u>	<u>\$ 41</u>	<u>\$ -</u>	<u>\$ 32,568</u>

Future annual lease payments are as follows:

Lease Payments		
Year Ended June 30,	Principal	Interest
2024	\$ 5,995	\$ 501
2025	5,869	433
2026	5,640	362
2027	4,252	292
2028	2,202	242
2029-2033	7,353	634
2034-2035	2,235	36
Total	<u>\$33,546</u>	<u>\$2,500</u>

## 9. Subscription-Based Information Technology Arrangements

The System has several software-based information technology agreements encompassing a range of services. These include enterprise software licensing and subscription agreements, cloud data storage, various technology and maintenance support services, and capital asset management software. These agreements expire at various dates through 2025 and provide renewal options that are reasonably certain to be exercised for some and others having no renewal options. The System is required to make principal and interest payments through June 2025. These agreements have an interest rate of 2.40 percent. The interest rate was based on the State Controller's Office's incremental borrowing rate.

A summary of the subscription assets activity during the year ended June 30, 2023 is as follows:

#### SBITA Assets Activity

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Remeasure</u>	<u>Deductions</u>	<u>June 30, 2023</u>
Right-to-use SBITA assets	\$ 6,757	\$ -	\$ -	\$ -	\$ 6,757
Accumulated amortization on right-to-use SBITA assets	-	(2,413)	-	-	(2,413)
Right-to-use SBITA assets, net	<u>\$ 6,757</u>	<u>\$ (2,413)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,344</u>

Future principal and interest payments are as follows:

#### SBITA Payments

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 2,445	\$ 65
2025	1,253	22
Total	<u>\$ 3,698</u>	<u>\$ 87</u>

## 10. Retirement Plan

The State is a member of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan. As an enterprise fund, the System is required under GASB 68 to report results pertaining to liability and asset information as of specific dates and within certain time frames. For this report, the following time frames apply:

- Valuation Date June 30, 2021
- Measurement Date June 30, 2022
- Measurement Period July 1, 2021 to June 30, 2022

#### Plan Description

As a participant in the State of California's defined benefit pension plan, the System reports an allocated share of the total net pension liability reported by the State. Departments and agencies within the State of California, including the System, are in a cost-sharing arrangement in which all risks and costs are shared proportionately by participating State agencies. The System, for the most part has all its employees enrolled in the State Miscellaneous Plan. CalPERS functions as a common investment and administrative agent for participating public agencies within the State of California using the accrual basis of accounting. All state agencies are considered collectively to be a single employer, and the actuarial present value of vested and non-vested accumulated plan benefits attributable to the System's employees is determined as the System's percentage of the State as a single employer. Fiduciary net position available for benefits of the System's employees are also determined as the System's percentage of the State.

CalPERS issues a publicly available Annual Comprehensive Financial Report that includes financial statements and required supplementary information for CalPERS. CalPERS also issues the GASB 68 Accounting Valuation Report. Copies of these reports may be obtained by logging onto the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

### Benefits Provided and Employees Covered

CalPERS provides retirement benefits, survivor benefits, and death and disability benefits based upon employee's years of credited service, age, and final compensation. Vesting occurs after five years of credited service except for second tier benefits, which require ten years of credited service. Most employees who retire at or after age 50 with five or more years of service are entitled to a retirement benefit. New members with service credit beginning on or after January 1, 2013 must be at least age 52. Benefits are payable monthly for the remainder of their lives. Health care and dental benefits, described in Note 9, may be provided to members depending on the date hired and the years of credited service of a member. Several survivor benefit options that reduce a retiree's unmodified benefit are available. Benefit provisions and all other requirements are established by State statute.

### Contributions

The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of the plan members or employees. These rates reflect PERL Section 20683.2, which mandates that certain employees contribute more as of July 1, 2013. Furthermore, any reduction in employer contributions due to the increase in the employee contributions must be paid by the employer toward the unfunded liability. The System's total employer contributions were \$81.8 million and \$71.6 million for the fiscal years ended June 30, 2023 and 2022, respectively.

The following table shows the average active employee and the employer contribution rates for the State Miscellaneous and State Industrial plans applicable to the System as a percentage of annual pay for the measurement period ended June 30, 2022 and 2021:

	Contribution Rates			
	Measurement Dates			
	June 30, 2022		June 30, 2021	
	State Miscellaneous	State Industrial	State Miscellaneous	State Industrial
Average active employee rate	7.170%	8.190%	7.120%	8.160%
Employer rate of annual payroll	29.200%	17.340%	29.370%	18.190%
Total	36.370%	25.530%	36.490%	26.350%

### Actuarial Methods and Assumptions

The net pension liability at June 30, 2023 and 2022 was measured as of June 30, 2022 and 2021, respectively, by rolling forward the total pension liability using an annual actuarial valuation as of June 30, 2021 and 2020, respectively.

The total pension liabilities for the measurement dates of June 30, 2022 and 2021 were based on the following actuarial methods and assumptions:

#### Actuarial Methods and Assumptions

Actuarial Cost Method: Entry Age Normal in accordance with the requirements of GASB Statement No. 68

Actuarial Assumptions:

Discount Rate	6.90% in 2022 and 7.15% in 2021
Inflation	2.30% in 2022 and 2.50% in 2021
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return:	6.90% in 2022 and 7.15% in 2021, net of pension plan investment expense, but without reduction for administrative expenses; includes inflation
Mortality Rate Table	Derived using CalPers' Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% and 2.50% in 2022 and 2021, respectively, until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% and 2.50% thereafter in 2022 and 2021, respectively

The mortality table used was developed based on CalPERS specific data. The table includes 19 years of mortality improvements using the Society of Actuaries 80% of Scale MP 2020 for the June 30, 2022 measurement date and 15 years of mortality improvement using the Society of Actuaries 90% of Scale MP 2016 for the June 30, 2021 measurement date. For more details on this table, please refer to the 2021 and 2017 CalPERS Experience Study and Review of Actuarial Assumptions reports (Experience Study).

All other actuarial assumptions used in the June 30, 2021 and 2020 valuations were based on the results of an actuarial experience study for the period from 2000 to 2019 and from 1997 to 2015, respectively, including updates to salary increase, mortality, and retirement rates. The Experience Study reports are available at [www.CalPERS.ca.gov](http://www.CalPERS.ca.gov).

### Discount Rate

The discount rate used to measure the total pension liability at June 30, 2022 and 2021 measurement dates was 6.90% and 7.15%, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected discount rate of 6.90% and 7.15% at June 30, 2022 and 2021 measurement dates, respectively, was applied to all periods of projected benefit payments to determine the total pension liability. CalPERS' approach for the cash flow projections is presented in the GASB 67 and 68 Crossover Testing Report, which may be obtained from the CalPERS' website.



The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term rate of return for the measurement date of June 30, 2022, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the fund's asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

The following table reflects expected real rate of return by asset class for the measurement date of June 30, 2022:

#### Long-Term Expected Rate of Return by Asset Class

Asset Class	Current Target Allocation	Real Return Years <sup>1, 2</sup>
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	100.00%	

<sup>1</sup>An expected inflation rate of 2.30% used for this period

<sup>2</sup>Figures are based on the 2021 Asset Liability Management study.

In determining the long-term rate of return, CalPERS took into account both short-term and long-term market return expectations, as well as the expected pension fund cash flows. Using historical returns of all the fund's asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The following table reflects expected real rate of return by asset class for the measurement date of June 30, 2021:

#### Long-Term Expected Rate of Return by Asset Class

Asset Class	Current Asset Allocation	Real Return Year 1-10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	-	-0.92%
	<u>100.0%</u>		

<sup>1</sup>An expected inflation rate of 2.00% used for this period

<sup>2</sup>An expected inflation rate of 2.92% used for this period

#### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the System's proportionate share of the Plan as of the June 30, 2022 and 2021 measurement dates, calculated using the discount rate of 6.90% and 7.15%, respectively, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

#### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	Measurement Dates	
	2022	2021
Discount Rate -1%	5.90%	6.15%
Net Pension Liability	\$ 900,324	\$ 601,275
Current Discount Rate	6.90%	7.15%
Net Pension Liability	\$ 625,680	\$ 356,813
Discount Rate +1%	7.90%	8.15%
Net Pension Liability	\$ 396,394	\$ 151,877

### Pension Plans Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and the State of California financial report.

### Pension Liabilities, Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of June 30, 2023, and 2022, the System reported a net pension liability of \$625.7 million and \$356.8 million, respectively, for its proportionate share.

The net pension liability at June 30, 2023 and 2022 was measured as of June 30, 2022 and 2021, respectively, by rolling forward the total pension liability using an annual actuarial valuation as of June 30, 2021 and 2020, respectively. The System's proportion of the net pension liability was based on the System's pensionable compensation relative to the pensionable compensation of the State Miscellaneous plan members, as calculated by the State Controller's Office (SCO). The System's proportionate share of the net pension liability as of June 30, 2022 and 2021 was 1.6548% and 1.6007%, respectively.

For the year ended June 30, 2023 and 2022, the System recognized pension expense of \$71.3 million and \$18.7 million, respectively. At June 30, 2023 and 2022, the System has deferred outflows and deferred inflows of resources related to pensions as follows:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
System contribution subsequent to the measurement date	\$ 81,828	\$ -	\$ 71,570	\$ -
Changes in proportion	3,440	(20,948)	54	(33,634)
Changes of assumptions	47,362	-	-	(538)
Differences between expected and actual experience	9,893	(14,171)	22,849	-
Net differences between projected and actual earnings on pension plan investments	81,540	-	-	(150,730)
Total	<u>\$ 224,063</u>	<u>\$ (35,119)</u>	<u>\$ 94,473</u>	<u>\$ (184,902)</u>

The System reported \$81.8 million and \$71.6 million as deferred outflows of resources related to contributions subsequent to the measurement date of June 30, 2022 and 2021, respectively, will be/was recognized as a reduction of the net pension liability in the fiscal years ended June 30, 2024 and 2023, respectively. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

Amortization of Deferred Outflows/(Inflows)	
Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2024	\$ 21,634
2025	18,023
2026	13,799
2027	53,423
2028	237
Total	<u>\$ 107,116</u>

## 11. Postemployment Benefits Other Than Pensions

### Plan Description and Benefits Provided

As a participant in the State of California's defined benefit other postemployment benefits plan, the System reports an allocated share of the total net OPEB liability reported by the State. Departments and agencies within the State, including the System, are in a cost-sharing arrangement in which all risks and costs are shared proportionately by participating State agencies. The State of California provides medical and prescription drug benefits to retired state employees and dependents through the California Public Employees' Retirement System (CalPERS) under the Public Employees' Medical and Hospital Care Act, and dental benefits under the State Employees' Dental Care Act. The State, and certain bargaining units and judicial employees, and the Exempt, Excluded, and Executive employees (valuation groups), have begun prefunding retiree healthcare and dental benefits. Assets are held in separate accounts by valuation group within the California Employers' Retiree Benefit Trust Fund (CERBTF), an agent multiple-employer defined benefit other postemployment benefits plan administered by CalPERS. Assets within each valuation group benefit retirees and dependents associated with that valuation group. CalPERS issues a publicly available annual comprehensive financial report that includes financial statements for its CERBT. Copies of these reports may be obtained by visiting the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov).

To be eligible for these benefits, employees must retire after attaining certain age and length of service requirements. In accordance with the California Government Code, the State generally pays 100% of the health insurance premium cost for retirees, plus 90% of the additional premium required for dependents. The State generally pays all or a portion of the dental insurance premium cost for retirees, depending upon the completed years of credited state service at retirement and the coverage selected by the retiree.

As a participant in the State of California's defined benefit other postemployment plan, the System reports an allocated share of the total net OPEB liability reported by the State.

### Contributions

The contribution requirements of plan members and the State are established and may be amended by the Legislature, and can be subject to collective bargaining. The State funds the cost of providing health and dental insurance to retirees primarily on a "pay-as-you-go" basis, with a modest amount of prefunding for members of certain bargaining units, and other funded plans. The System's allocated share of the contribution was \$32.9 million and \$31.6 million for fiscal years ended June 30, 2023 and 2022, respectively.

### Actuarial Methods and Assumptions

The net OPEB liability at June 30, 2023 and 2022 was measured as of June 30, 2022 and 2021, respectively, using an actuarial valuation as of June 30, 2022 and 2021, respectively.

The total OPEB liability for the measurement dates of June 30, 2022 and 2021 were based on the following actuarial methods and assumptions:

#### Actuarial Methods and Assumptions

Actuarial Cost Method: Entry age normal in accordance with the requirements of GASB Statement No. 75

Actuarial Assumptions:

Discount Rate	Blended rate for each valuation group, consisting of 6.00% in 2022 and 2021, when assets are available to pay benefits, otherwise 20-year Municipal G.O. Bond AA Index rate of 3.69% in 2022 and 1.92% in 2021	
Inflation	2.30% in 2022 and 2021	
Salary Increases	Varies by entry age and service	
Investment Rate of Return	6.0% in 2022 and 2021, net of OPEB plan investment expenses but without reduction for OPEB plan administrative expenses	
Healthcare Cost Trend Rates	<u>2022 valuation:</u> Pre-Medicare coverage: Actual rates for 2023, increasing to 7.00% in 2024, then decreasing to 4.50% for 2029 through 2037, then to 4.25% for 2038 and later years Post-Medicare coverage: Actual rates for 2023, increasing to rates ranging from 7.00% to 8.06% in 2024, then decreasing to 4.50% from 2031 to 2037, then to 4.25% for 2038 and later years Dental coverage: 0.03% in 2023, 2.00% for 2024, 3.00% for 2025, 4.00% for 2026, then 4.25% for 2027 and later years	<u>2021 valuation:</u> Pre-Medicare coverage: Actual rates for 2022, increasing to 7.50% in 2023, then decreasing to 4.50% for 2029 through 2037, then to 4.25% for 2038 and later years Post-Medicare coverage: Actual rates for 2022, increasing to rates ranging from 7.50% to 8.42% in 2023, then decreasing to 4.50% from 2031 to 2037, then to 4.25% for 2038 and later years Dental coverage: 0.00% in 2022, 2.00% for 2023, 3.00% for 2024, 4.00% for 2025, then 4.25% for 2026 and later years
Mortality Rate Table	Derived using CalPERS' membership data for all members	

The mortality table used was developed based on CalPERS' specific data. The table includes generational mortality improvement using the Society of Actuaries 80% Scale MP 2020 in the 2022 and 2021 valuations. For more details on this table, refer to the CalPERS Experience Study and Review of Actuarial Assumptions report (Experience Study) dated 2021 for the June 30, 2022 and June 30, 2021 valuations. Other demographic assumptions used in the June 30, 2022 and 2021 valuations were also based on the results of the Experience Study, including updates to termination, disability, and retirement rates. The Experience Study report can be obtained from CalPERS' website, at [www.calpers.ca.gov](http://www.calpers.ca.gov).

Healthcare related assumptions such as plan participation, aging factors, adjustments for disabled members, and adjustments for children of current retirees and survivors are based on the State of California Retiree Health Benefits Program 2018 Experience Review performed by Gabriel, Roeder, Smith and Company (GRS) for the period from 2014 to 2018. Other healthcare assumptions such as member healthcare plan selection, coverage and continuance, select and ultimate healthcare cost trend rates, and per capita claim costs and expenses, are based on the most current information available. The GRS 2018 Experience Review is available at [www.sco.ca.gov](http://www.sco.ca.gov).

### Discount Rate

The discount rate used to measure the total OPEB liability was based on a blended rate for each valuation group. The blended rate used to measure the June 30, 2022 and 2021 total OPEB liability consists of the 20-year Municipal G.O. Bond AA Index rate of 3.69% as of June 30, 2022 and 1.92% as of June 30, 2021, as reported by Fidelity, when prefunding assets are

not available to pay benefits, and 6.0% at June 30, 2022 and 2021 measurement dates, when prefunding assets are available to pay benefits. The cash flow projections used to calculate the blended discount rates were developed assuming that prefunding agreements in which actuarially determined normal costs are shared between employees and the State will continue and that the required contributions will be made on time and as scheduled in future years. The actuarial valuation as of June 30, 2022 and 2021 includes the impact of the temporary suspensions of employee contributions under the Personal Leave Program that was in effect during the fiscal years ended June 30, 2021 and 2022. The prefunding agreements are subject to collective bargaining and legislative approval. Detailed information on the blended discount rates by valuation group is available in the State of California Retiree Health Benefits Program GASB Nos. 74 and 75 Actuarial Valuation Report as of June 30, 2022 and 2021, on the State Controller's Office website, at [www.SCO.ca.gov](http://www.SCO.ca.gov).

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. Expected compound (geometric) real returns were calculated over a closed period. Based on separate expected real returns for the short-term (first 5 years) at June 30, 2022 and 2021 measurement dates, and the long-term (6-20 years) at June 30, 2022 and 2021 measurement dates, and an average inflation assumption of 2.30% at June 30, 2022 and 2021 measurement dates, a single expected nominal return rate of 6.0% at June 30, 2022 and 2021 measurement dates, was calculated for the combined short-term and long-term periods. If applied to expected cash flows during that period, the resulting present value of benefits is expected to be consistent with the present value of benefits that would be determined by applying the short and long-term expected rates to the same cash flows.

The following table reflects the long-term expected real rate of return by asset class as of June 30, 2023 and 2022:

<b>Long-Term Expected Rate of Return by Asset Class</b>			
<u>Asset Class</u>	<u>Current Target</u>	<u>Real Return Years 1-5</u>	<u>Real Return Years 6-20</u>
Global Equity	49.00%	4.40%	4.50%
Fixed Income	23.00%	-1.00%	2.20%
Treasury Inflation-Protected Securities	5.00%	-1.80%	1.30%
Real Estate Investment Trusts	20.00%	3.00%	3.90%
Commodities	3.00%	0.80%	1.20%
	<u>100.00%</u>		

### **Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the System's proportionate share of the Plan as of the June 30, 2022 and 2021 measurement date, calculated using a blended discount rate that is one percentage point lower or one percentage point higher than the current rate:

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

Net OPEB Liability	Measurement Dates	
	2022	2021
Blended Discount Rate -1%	\$ 683,059	\$ 928,973
Current Blended Discount Rate	\$ 585,339	\$ 787,182
Blended Discount Rate +1%	\$ 505,823	\$ 671,996

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the System's proportionate share of the Plan if it were calculated using a healthcare trend rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2022 and 2021:

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

Net OPEB Liability	Measurement Dates	
	2022	2021
Healthcare Cost Trend Rates -1%	\$ 499,076	\$ 661,206
Current Healthcare Cost Trend Rates	\$ 585,339	\$ 787,182
Healthcare Cost Trend Rates +1%	\$ 694,610	\$ 949,532

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued California Employer's Retiree Benefit Trust Fund (CERBTf) financial reports.

**OPEB Liabilities, OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB**

As of June 30, 2023 and 2022, the System reported a net OPEB liability of \$585.3 million and \$787.2 million, respectively, for its proportionate share.

For the measurement period ended June 30, 2022 and 2021, the net OPEB liability was measured using an actuarial valuation as of June 30, 2022 and 2021, respectively. The System's proportion of the net OPEB liability was based on the System's pay-as-you-go relative to the pay-as-you-go of all the valuation groups plan members, as calculated by the State Controller's Office. The System's proportionate share of the net OPEB liability as of June 30, 2022 and 2021 measurement date was 0.7102% and 0.8242%, respectively.

For the year ended June 30, 2023, the System recognized OPEB reduction expense of \$26.6 million. For the year ended June 30, 2022, the System recognized OPEB expense of \$6.9 million. At June 30, 2023 and 2022, the System has deferred outflows and deferred inflows of resources related to OPEB as follows:

#### Deferred Outflows of Resources and Deferred Inflows of Resources

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
System contribution subsequent to the measurement date	\$ 32,904	\$ -	\$ 31,550	\$ -
Net differences between actual and expected contributions	27	(402)	69	(804)
Changes in proportion	-	(200,551)	-	(96,436)
Changes of assumptions	32,376	(122,966)	48,135	(29,019)
Differences between expected and actual experience	27,780	(62,320)	383	(97,492)
Net differences between projected and actual earnings on OPEB plan investments	3,925	-	-	(3,256)
Total	<u>\$ 97,012</u>	<u>\$ (386,239)</u>	<u>\$ 80,137</u>	<u>\$ (227,007)</u>

The System reported \$32.9 million and \$31.6 million as deferred outflows of resources related to contributions subsequent to the measurement date of June 30, 2022 and 2021, respectively, will be/was recognized as a reduction of the net OPEB liability in the fiscal years ended June 30, 2024 and 2023, respectively. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as expense as follows:

#### Amortization of Deferred Outflows/(Inflows)

Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2024	\$ (57,987)
2025	(59,781)
2026	(51,120)
2027	(43,567)
2028	(34,165)
Thereafter	(75,513)
Total	<u>\$ (322,131)</u>

## 12. Commitments and Contingencies

### Commitments

#### Construction

The System has entered into long-term construction contract commitments for the State Water Project facilities. The remaining value of contracts in process as of June 30, 2023 and 2022, were approximately \$27.7 million and \$25.9 million, respectively.



### Power Transmission and Purchases

The System enters into contracts to purchase power as well as transmission service contracts to transmit power. Additionally, the System has expanded the power purchase portfolio to include solar energy and is exploring other potential renewable energies.

The System has long-term transmission service contracts with anticipated future payments of approximately \$78.1 million over periods ranging from one to 19 years. Payments made under these contracts approximated \$6.7 million and \$5.2 million for the years ended June 30, 2023 and 2022, respectively.

The System has long-term power purchase contracts with anticipated future payments of approximately \$792.8 million, which includes operation and maintenance expense, over periods ranging from eleven to 44 years. The remaining amounts of fixed obligations under the long-term power contracts as of June 30, 2023, are as follows:

Fixed Obligations			
Year	Transmission	Power	Total
2024	\$ 5,688	\$ 48,896	\$ 54,584
2025	5,489	48,896	54,385
2026	5,489	48,896	54,385
2027	5,489	48,896	54,385
2028	5,489	48,896	54,385
2029 - 2067	<u>50,486</u>	<u>548,307</u>	<u>598,793</u>
Total	<u>\$ 78,130</u>	<u>\$ 792,787</u>	<u>\$ 870,917</u>

The System has a contract with the Kings River Conservation District (the District) which provides the System all power generated by the Pine Flat Power Plant Project (the Project). Under the contract, which expires in 2037, the System is obligated to pay fixed amounts each year to cover the debt service on bonds issued by the District to build the Project, operations and maintenance expenses, and a charge for power supplied. Debt service payments are to be made until all of the bonds issued by the District to finance the Project have been retired. As of June 30, 2019, all bonds have been fully redeemed. Payments to the District totaled approximately \$8.2 million and \$6.7 million during the years ended June 30, 2023 and 2022, respectively.

The Department entered into a Power Agreement with the Northern California Power Agency (NCPA) and other project participants in fiscal year 2014 to participate in the Lodi Energy Center Project (LEC Project). The terms of the agreement provide that the Department pays for 33.5% of the construction and operating costs in exchange for receiving 33.5% of the power output of the LEC Project on a long-term basis. Participation in the LEC Project assists the Department in meeting SWP energy requirements, including the replacement of a portion of the energy previously provided by the Reid Gardner Project. NCPA issued revenue bonds for the Department's share of the costs to construct the power plant in Lodi, California in fiscal year 2011. The Lodi Energy Center is one of the most efficient thermal-generating units in California, and will be economically dispatched before other older gas-fired units, resulting in power revenues that are sufficient to cover the operational costs and a portion of the Department's debt service on the bonds.

The amounts of the System's fixed obligations related to future principal and interest payments of the LEC Project's bonds as of June 30, 2023 are as follows:

LEC Bonds Fixed Obligations	
Year	Total
2024	\$ 9,211
2025	9,210
2026	9,206
2027	9,208
2028	9,207
2029-2033	46,038
2034-2035	18,417
	\$ 110,497

Market value information for certain power purchases, sales, and exchange contracts are disclosed at June 30, 2023 using forward market prices discounted at the prevailing risk-free interest rate. The long-term energy purchase contracts involving energy delivered from Hoover Dam will expire in fiscal year 2068; Pastoria will expire in fiscal year 2045; Terra Generation Sanborn Solar will expire in fiscal year 2043; the Pine Flat Power Plants, Solar Star California XLIV, and Solverde Solar energy purchase contracts will expire in fiscal year 2037; Dominion Solar Holdings purchase contract will expire in fiscal year 2035; and a purchase contract with the Water Contractor, Metropolitan Water District of Southern California (Metropolitan), expired in fiscal year 2023. An exchange agreement with the NCPA, operator of the Lodi Energy Center Project, commits the Department to purchase power on a long-term basis subject to the agreement, but has no explicit termination date.

Power purchase commitments extending beyond June 30, 2023 are as follows:

Energy Commitments 2023			
	Number of Contracts	Total Capacity (MWh)	Value at June 30, 2023
Energy Purchase	4	175	\$ (19,378)
Long-term energy purchases	8	542	(141,798)
Total			\$ (161,176)

Power purchase commitments extending beyond June 30, 2022 are as follows:

<b>Energy Commitments 2022</b>			
	Number of Contracts	Total Capacity (MWh)	Value at June 30, 2022
Long-term energy purchases	9	571	\$ 106,474
Total			<u>\$ 106,474</u>

## Contingencies

### Litigation and Claims

#### *Monterey Amendment*

In 1994, the System and certain SWP Contractors adopted a set of principles pursuant to which additional amendments to the long-term water supply contracts have since been negotiated (Monterey Amendment). The Monterey Amendment includes provisions related to the transfer of land and related assets, known as the Kern Water Bank, to the Kern County Water Agency (KCWA) (one of the SWP Contractors), the operation of certain System reservoirs, transfers of water allocations between SWP Contractors, establishment of certain operating reserves, and the revision of calculating certain SWP Contractor billings. The Monterey Amendment has been executed by the System and all Contractors. Certain parties have disputed the Monterey Amendment by challenging the validity of the related Environmental Impact Report (EIR). While the courts have allowed the System to proceed with the implementation of the Monterey Amendment, the System was required to prepare a new EIR. The System completed the new Final EIR in February 2010 and filed its Notice of Determination in May 2010.

In June 2010, two Delta water agencies and several environmental organizations and individuals filed a lawsuit in Sacramento Superior Court challenging the System's California Environmental Quality Act (CEQA) compliance and the validity of the Monterey Amendment, including the Department's transfer of the Kern Fan Element to the KCWA. In July 2010, the same plaintiffs in the Sacramento Superior Court case filed a lawsuit in Kern County Superior Court challenging the transfer of the Kern Fan Element from KCWA to the Kern Water Bank Authority, a local joint powers agency which now has responsibility for the management of the Kern Fan Element and Kern Water Bank. In addition, in June 2010, two water districts in Kern County filed a separate lawsuit in Kern County Superior Court, primarily challenging the System's CEQA compliance with respect to the Kern Fan Element transfer from the System to KCWA. The two lawsuits filed in Kern County Superior Court were transferred to the Sacramento Superior Court. In December 2012, the System prevailed on its challenge to the plaintiffs' validation causes of action (including the validity of the Kern Fan Element transfer) on the grounds that they were not filed timely. This left only the plaintiffs' CEQA compliance challenge. After holding a hearing on the CEQA challenges in the remaining two cases, the trial court ruled that most of the EIR was adequate under CEQA, but that the EIR's discussion of impacts on continued use and operation of the Kern Water Bank was deficient.

In October 2014, the Court ordered the System, as the remedy for the deficiency, to provide additional environmental analysis on the impacts of the continued use and operation of the Kern Water Bank in a revised EIR and upon completion of the revised EIR, to determine whether to continue the use and operation of the Kern Water Bank by the Kern Water Bank Authority. The court limited its decision to the Kern Water Bank by ruling that only those portions of the revised EIR that are new or changed shall be subject to challenge under CEQA. In December 2014, one set of plaintiffs filed an appeal with the Court of Appeal regarding the trial court's final CEQA and validation decisions. In September 2016, the System issued the revised EIR in compliance with the trial court's decision. Shortly thereafter, one set of plaintiffs, as well as a new party, filed a new action challenging the revised EIR. The new action challenges the System's certification of the revised EIR and approval of the "Kern Water Bank Development and Continued Use and Operation" project. In October 2017, the trial court ruled in favor of the Department. In December 2017, the plaintiffs appealed that ruling. The Court of Appeal upheld the lower court's ruling finding in favor of the System. The conclusion of the litigation triggered payments to the petitioners and plaintiffs on the original Monterey Amendment litigation as agreed to under the previous settlement agreement between the parties and the System.

*Other Claims by SWP Contractors, Including Claims Concerning Charges for Recreation and Fish and Wildlife Enhancement*

In accordance with the long-term water supply contracts, in December 2005, 27 SWP Contractors and entities representing SWP Contractors filed "Notices of Contest" with the System challenging the accuracy of various charges in the System's billings. One SWP Contractor also filed a claim based on its Notice of Contest with the Victim Compensation and Government Claims Board. The System has been reviewing these Notices of Contest and investigating the items raised.

One item that has been determined to have merit, contested the System's practice of charging the SWP Contractors for certain financing costs of the recreation and fish and wildlife enhancement portion of facilities financed with Water System Revenue Bonds. The System rectified the situation by restating past bills to provide appropriate credits back to the SWP Contractors for the contested charges and taking other actions to pay for the costs of the recreation and fish and wildlife enhancement portion of System facilities with sources other than charges to the SWP Contractors. Such actions included the Department entering into Tolling and Waiver Agreements in 2007 and 2008 with the 28 SWP Contractors, which included certain waivers allowing the Department to resume issuing revenue bonds in May 2008. The SWP Contractors that have signed the Tolling and Waiver Agreements have more than 99 per cent of the Table A amounts and make more than 99 percent of the annual Water Supply Contract payments.

In addition to waivers included in the 2007 and 2008 Tolling and Waiver Agreements, which helped to facilitate the resumption of the sale of System Revenue Bonds, the Tolling and Waiver Agreements, as amended, also tolls (i.e. suspends) until June 1, 2026, the running of the time period and statute of limitations for filing by the SWP Contractors of (1) protests regarding the System's bills to the SWP Contractors for the years 2007 through 2026, (2) claims arising from the System's revisions to prior year invoices that were made to adjust for improper charges to the SWP Contractors for recreation and fish and wildlife enhancement costs, and (3) certain other specified claims. The Tolling and Waiver Agreements also tolled the running of the time period for bringing an action on the Victim Compensation and Government Claims Board claim regarding the 2006 invoice that was filed by one of the SWP Contractors. In the meantime, the System and SWP Contractors are continuing their efforts

to resolve issues that are covered by the Tolling and Waiver Agreements. One such issue was raised in an October 2019 letter the System received from the Metropolitan Water District of Southern California which asserted, among other items, that a provision in the Water Supply Contracts precludes the System from seeking reimbursement from the SWP Contractors for their allocated share of claims and damages related to the control, carriage, handling, use, disposal or distribution of System water prior to the delivery of water to the SWP Contractors. In the opinions of management and the System's legal counsel such allocated amounts have been properly included in past bills to the SWP Contractors and will continue to be recoverable from the SWP Contractors in the future under the long-term water supply contracts. However, no assurance can be given that the SWP Contractors will not file additional Notices of Contest, claims and/or lawsuits with respect to the issues under discussion, or that the System's positions on the issues will prevail, once the Tolling and Waiver Agreements expire.

#### *Federal Energy Regulatory Commission Proceedings*

There are a number of proceedings pending before the Federal Energy Regulatory Commission (FERC) that may impact the cost of System operations. Some of these proceedings address requests from the California Independent System Operator (CAISO), investor-owned utilities, and others to increase or adjust rates or allocate responsibility for costs for transmission and other services provided to the System and other entities in California. The System is participating in these proceedings, since the outcome of these proceedings has the potential to increase the System's annual power costs. However, the System does not believe that any increased charges arising from these proceedings will materially impact the System's financial position or changes in financial position. Any increased charges will be passed through to the SWP Contractors under the long-term water supply contracts in the form of higher operations charges.

#### *Castle Rock Litigation*

On March 23, 2023, Plaintiffs City of Santa Clara dba Silicon Valley Power ("SVP") and Northern California Power Agency ("NCPA") (collectively, the "Plaintiffs") filed a Complaint for Declaratory Relief in the Superior Court, County of Sacramento against the Department. Plaintiffs seek a declaration that the Department's termination of participation in a Co-Tenancy Agreement with Pacific Gas & Electric ("PG&E), NCPA, and SVP does not terminate its participation in a separate "Layoff Agreement" with NCPA and SVP; and that the Department has ongoing obligations with respect to the Layoff Agreement, including the duty to provide Plaintiffs with certain amounts of firm transmission rights on the Castlerock-Lakeville 230kV transmission line. The case is set for trial in November 2025 and the parties are currently engaged in pre-trial discovery.

#### *2017 Oroville Dam Spillway Emergency and Feather River Flooding*

Historical amounts of rainfall occurred in January and February 2017 causing widespread flooding throughout California, including in the Oroville and Feather River area. During the storms and rainfall, significant damage occurred to both the control spillway and emergency spillway at Oroville Dam. As a result, the Department operated the control spillway and Dam facilities to address this situation. In addition, because of a concern about the potential failure of the emergency spillway, the Butte County Sheriff issued an evacuation order for Oroville and the surrounding communities on February 12, 2017. The evacuation order was lifted on February 14, 2017. A number of claims and lawsuits have been filed as a result of these events.

Approximately 400 claims were filed with the Government Claims Program in the Department of General Services. This program was formerly a program within the Victims Compensation and Government Claims Board. Most of the claims were filed by individuals and businesses claiming damages resulting from their compliance with the February 12, 2017, Butte County Sheriff's evacuation order. The Government Claims Program rejected these claims, which required the claimants to file a lawsuit within six months of the rejection to pursue their claims in court.

Two separate class action lawsuits have been filed. The first is a class action on behalf of approximately 188,000 potential class members residing in areas along the Feather River, including Oroville, Marysville, and Yuba City. This suit alleges, among other things, that property values have decreased due to the proximity to the Oroville Dam and that other costs were incurred in complying with the emergency evacuation order. The other class action identifies three classes of plaintiffs: 1) the "Diminution Class," i.e., plaintiffs who allege diminution in property value; 2) the "Property Loss Class," i.e., plaintiffs who allege property loss; and 3) the "Business Loss Class," i.e., plaintiffs who allege lost business income. The coordination trial judge granted the Department's Motion to Defeat Class Certification. The plaintiffs in the first lawsuit filed an appeal. That appeal was denied. Plaintiffs in the class action lawsuits are now proceeding individually. The Department has settled these lawsuits.

The City of Oroville and the County of Butte have each filed separate lawsuits seeking damages to reimburse each such public entity for costs and losses they claim they suffered as a result of the response and evacuation at Oroville. The Department has settled both lawsuits.

Other inverse condemnation lawsuits have been filed by agricultural landowners and other landowners whose property adjacent to the Feather River was flooded. These lawsuits allege, among other things, that the Department's operation of the Oroville Dam facilities caused damages to their property and agricultural crops. Trial was held in 2021 and the Department prevailed on all counts. A separate lawsuit filed by South Feather Water & Power Agency has been settled.

In addition, Pacific Gas and Electric Company filed a lawsuit seeking reimbursement and damages for costs it incurred to relocate electric facilities and to engineer and construct temporary electric facilities in the vicinity of Oroville Dam during the emergency. The Department has settled this lawsuit.

The County of Butte District Attorney also filed a lawsuit seeking civil penalties of up to \$51 billion for an alleged violation of the Fish and Game Code arising from the release of sediment into the Feather River during the emergency, which is being vigorously contested by the Department. In September 2020, the Department filed a motion for summary judgment. The court granted the Department's motion, finding that the District Attorney's complaint failed to state a claim. The final order was entered on January 5, 2021. The District Attorney has appealed. Court ordered mediation following the appeal was not successful. On October 5, 2023, the Third District Court of Appeal upheld the trial court's ruling in favor of the Department. The California Supreme Court did not grant review of the Third District Court of Appeal's opinion; thus, rendering the court of appeals decision final.

The Department has prevailed on or settled all outstanding lawsuits related to the 2017 Oroville Spillway Emergency.

### *Water Supply Contract Extension Litigation*

As discussed in the transmittal letter, the Director of the Department approved the contract extension amendment project under CEQA and executed the amendment with Metropolitan on December 11, 2018, and as of April 10, 2024, twenty-seven SWP Contractors have executed the extension amendment with the Department.

On the same date that the Director executed the first contract extension amendment, December 11, 2018, the Department filed an action in Sacramento County Superior Court seeking to validate the contract extension amendment. In February 2019, four groups filed answers in the validation action in opposition to the Department's request to validate the amendment. One answer was filed by several environmental organizations; the second answer was filed by several other environmental organizations and an Indian Tribe; the third answer was filed by a number of counties and public water agencies, including the County of Butte and the Plumas County Flood Control and Water Conservation District, both of which are SWP Contractors; and the fourth answer was filed by the South Delta Water Agency. Six SWP Contractors have filed answers in support of the extension amendment. In January 2019, two groups of petitioners filed actions in Sacramento County Superior Court challenging the Department's approval of the contract extension amendment project on the basis of alleged non-compliance with CEQA and certain other environmental laws.

All three cases – the validation action and the two environmental lawsuits – have been determined to be related and assigned to a single judge in the Sacramento Superior Court for all purposes. The Court held a single hearing on all three cases on January 5-7, 2022. On April 22, 2022, the Court issued judgments in the Department's favor in all three actions. Certain parties opposed to the Department appealed. On January 5, 2024, the Third District Court of Appeal upheld the trial court's judgments in favor of the Department. Appellants filed a petition for review with the California Supreme Court. On April 17, 2024, the California Supreme Court upheld the Third District Court of Appeal's opinion and denied Appellants petitions for review; thus, rendering the Court of Appeal's decision final.

### *General*

The System, during the ordinary course of its operations, has been named in a number of additional suits and claims, several of which are still pending. In the opinions of management and the System's legal counsel, such legal actions will not have a material effect on the System's financial position or changes in financial position.

### *Water Supply Reliability, Delta Conservation and Infrastructure*

In 2006, the Department, the Bureau, DFW, federal and state fish and wildlife agencies and the agencies that purchase water from the Department and the Bureau began a planning process to promote and improve the overall ecological health of the Delta and the species that inhabit the Delta and ensure water supply reliability for the SWP Contractors.

This resulted in the proposed Bay Delta Conservation Plan (BDCP). In 2015, a change in permitting approach resulted in the BDCP transitioning to the California WaterFix, a proposed two-tunnel water conveyance facility authorized under different provisions of the ESA and CESA, not as part of a Habitat Conservation Plan or Natural Community Conservation Plan under federal and State law. A component of the large-scale environmental restoration in the Delta originally proposed in the BDCP would be implemented through a separate program designated as California EcoRestore (described in part below). In 2017, the Department

approved California WaterFix, filed a validation action and worked towards obtaining relevant permits and authorizations necessary for construction and implementation. Several lawsuits ensued as a result of the California WaterFix approval and validation action and were consolidated in the Sacramento Superior Court.

In his first State of the State Address, delivered on February 12, 2019, Governor Gavin Newsom announced that he did not support California WaterFix and laid out a new direction for Delta conveyance and expressed his support for a revised project consisting of a single tunnel. On April 29, 2019, Governor Newsom issued Executive Order N-10-19, which detailed his new policy direction regarding water issues in the state, including Delta conveyance. The Department assessed the nature and extent of the actions necessary as a result of the Governor's Executive Orders and, beginning on May 2, 2019, took several actions in response.

The Department's actions included rescinding all project approvals for California WaterFix, including those under the California Environmental Quality Act, and withdrawing its Petition for Change in Points of Diversion and Rediversion and Application for Section 401 Certification of the Clean Water Act. This withdrawal ended the water rights hearing before the SWRCB. In July 2019, the Department and all plaintiffs filed requests for dismissal in the numerous lawsuits that had been filed regarding the California Waterfix following its approval. Plaintiffs and petitioners in these actions moved for fees and costs totaling over \$13 million, which the trial court denied. Plaintiffs and petitioners have appealed, and oral argument in front of the Third District Court of Appeal occurred on March 21, 2022, and a decision was issued on May 11, 2022. The Court concluded that that the Trial Court had failed to apply the correct legal standard and remanded the case back to the Trial Court for further proceedings. On December 26, 2023, the Trial Court denied the plaintiffs' request for attorney fees. Plaintiffs filed notices of appeal with the Third District Court of Appeal. The Department anticipates Plaintiffs/Appellants will file their opening briefs in late August or September, subject to potential extensions. The Department has 30 days to file its Respondent's brief thereafter.

The Department has begun the environmental review, planning, design and engineering of a proposed single tunnel, smaller capacity project, consistent with Governor Newsom's direction. The Department issued a NOP of an EIR for the proposed project on January 15, 2020. On July 27, 2022, the Department published the draft EIR and received comments until the comment period ended on December 16, 2022. As described in the NOP, the proposed Delta conveyance project includes constructing and operating new facilities in the Delta that would add to the existing State Water Project infrastructure. The new facilities would include intake structures on the Sacramento River and a tunnel to convey water to the existing pumping plants in the south Delta. The proposed Delta conveyance project would be operated in coordination with the existing south Delta pumping facilities, resulting in a system known as "dual conveyance" because there would be two complementary methods to divert and convey water.

On December 8, 2023, the Department released the final EIR for the Delta conveyance project. Between January 18-22, 2024, nine lawsuits were filed challenging the Department's approval of the Delta Conveyance Project (DCP) and certification of the final EIR for the project. Eight of the lawsuits were filed in Sacramento County and one was filed in San Joaquin County. On March 11, 2024, the San Joaquin County Superior Court entered an order transferring the San Joaquin County lawsuit to the Sacramento County Superior Court. On May 13, 2024, a tenth lawsuit was filed by the North Delta Water Agency with the Sacramento County Superior Court and was found to be related to the other nine lawsuits. All ten lawsuits are assigned to Judge Stephen Aquisto. On May 20, 2024, certain Petitioners filed a Motion



for Preliminary Injunction to enjoin planning and design geotechnical activities described in the project description of the DCP EIR until the Department files a certification of consistency for DCP with the Delta Stewardship Council and the Delta Stewardship Council denies the anticipated administrative appeals. On June 20, 2024, Judge Aquisto granted Petitioners' motion for preliminary injunction. The deadline for the Department to appeal the injunction is August 19, 2024. The deadline for the Department to certify the administrative record is September 30, 2024. A case management conference is scheduled for October 18, 2024.

On July 24, 2019, the Department and the SWP Contractors began a public negotiation with the goal of reaching an agreement in principle with the SWP Contractors on a conceptual approach to cost allocation and the related financial and water management matters related to this Delta conveyance facility. The negotiations concluded on April 30, 2020, with the announcement of such an agreement in principle that, if approved by the Department and the SWP Contractors, would be the basis for amendment of the Water Supply Contracts. As of the date hereof, 18 SWP Contractors have approved the agreement in principle.

Whether and/or the extent to which a conveyance system will be implemented, the final form of any implementation, the process and cost of any implementation, who would pay such costs and the scope and specifics of any conveyance system are all still under discussion with relevant stakeholders. On August 6, 2020, the Department filed a validation action to affirm its authority to finance a conveyance project. From May 15 through May 18, 2023, the Sacramento County Superior Court held trial. On January 16, 2024, the trial court held that the Department exceeded its delegated authority when it adopted the delta conveyance Bond Resolutions. On February 16, 2024, the Department filed a notice of appeal to the Third District Court of Appeal.

### **Pollution Remediation**

Pollution remediation obligations are recorded by the System when an obligating event occurs, as defined in GASB Statement No. 49, and if a reasonable estimate of the remediation costs can be made. These liabilities are measured using either actual contract costs, where no change in cost is expected, or the estimated remediation costs, offset by estimated recoveries from other responsible parties and expenditures incurred to date. Estimated remediation costs are subject to change over time. Estimated costs are revised for updated technology, changes in potential responsible parties, results of environmental studies, changes in statutes or regulations, price fluctuations and other factors.

Six different locations require pollution remediation, including previously-owned Reid Gardner Unit 4 in Nevada, Methyl Mercury Control programs in the Delta, and landfill sites at Banks Pumping Plant, Pearblossom O&M Center, Oroville Wildlife Area southwest of Oroville, and Del Valle Pumping Plant. In addition, the liability for pollution remediation includes the GHG emissions credits to be surrendered to California Air Resources Board (CARB).

The following table presents the pollution remediation liability for the years ended June 30, 2023 and 2022:

### Pollution Remediation Liabilities

	2023	2022
Reid Gardner Power Plant	\$ 27,180	\$ 24,224
Delta Mercury Control Program	-	665
Green House Gas Emissions Credits	27,258	15,956
Banks Pumping Plant	300	2,239
Pearblossom O&M Center	2,634	1,291
Oroville Wildlife Area	2,585	1,431
Del Valle Pumping Plant	267	175
Total Liabilities	60,224	45,981
Less current portion	(1,793)	(5,496)
Total Long-term liabilities	\$ 58,431	\$ 40,485

#### *Reid Gardner Power Plant*

The Reid Gardner Power Plant (“RG”), located near Moapa, Nevada, was operated by Nevada Energy (“NVE”) and consisted of four coal-powered generators—Units 1 through 4. The Department’s ownership interest in Unit 4 of the Reid Gardner coal plant terminated in 2013, but the plant continued to generate electricity until early 2017. The remediation costs described below are being shared under an Environmental Agreement in proportion to the Department’s ownership interest, executed along with the Termination Agreement between NVE and the Department, in 2013.

In February 2008, NVE entered into an Administrative Order on Consent (“AOC”) with the Nevada Division of Environmental Protection (“NDEP”). Pursuant to the AOC, NVE agreed to undertake investigatory activities into various potential areas of contamination at RG and also to ultimately remediate groundwater, soils and other contamination at the RG facility, as needed, or mitigate adverse impacts. Groundwater and soils have been affected by certain constituents of concern associated with flue gas desulfurization effluent settlement in evaporation ponds. Since some of this contamination can be associated with the Unit No. 4 generation related facilities (such as the Unit 4 evaporation ponds) the Department has agreed to share the cost of NVE’s investigatory activities, which may ultimately lead to the remediation measures prescribed by NDEP to NVE. These activities are projected to continue through at least 2034.

The System expended approximately \$2.5 million in fiscal year 2023 and \$3.3 million in fiscal year 2022. The System expects to pay \$1.3 million of the total estimated financial liability during fiscal year 2024.

#### *Delta Mercury Control Program*

In June 2011, the State Water Resources Control Board (“SWRCB”) adopted an amendment to the Sacramento-San Joaquin Delta Basin Plan regarding the control of methyl mercury in the Delta. The amendment, among other provisions, assigns certain responsibilities jointly to the Department (with regard to both the System and the Department’s flood management programs), the Central Valley Flood Protection Board and the State Lands Commission to reduce methyl mercury in the open waters of the Delta. In addition, the Department and others are assigned certain responsibilities regarding the discharge of methyl mercury from wetland

and other aquatic restoration and enhancement projects. Phase I of the Delta Mercury Control Program ended in August 2020 and the Department's regulated role in Phase II continues to be unknown at this time. The System expended approximately \$753 thousand in fiscal year 2023 and \$137 thousand in fiscal year 2022.

The State Water Resources Control Board ("SWRCB") is currently developing a statewide mercury regulation applicable to inland waters, including reservoirs. Once finalized, the Department will be responsible for meeting fish tissue and or water quality objectives statewide in the Department's reservoirs identified by the regulation. Currently, nine reservoirs have been identified by the SWRCB for regulation. However, there is insufficient information currently available to enable the Department to estimate the timing and magnitude or the System's share of potential compliance costs, if any, at this time.

#### *Green House Gas Emissions Credits*

The System is required to report and recognize the liability related to certain vintage years of the LEC Project under AB32. Each year the GHG allowances held in UPIS as an Intangible Asset, are evaluated and reported by the Power and Risk Analysis Office to CARB to be charged as pollution remediation expenses and a liability is recognized. The System's market analysis value of total compliance instruments to be surrendered is \$27 million. The System surrendered \$865 thousand and \$3.9 million of compliance instruments under this program during fiscal years 2023 and 2022, respectively.

#### *Other Construction Sites*

During the construction of the System, the Department created at least three landfill sites for construction debris and waste, including the Harvey O. Banks Pumping Plant and Intake Channel, Pearblossom Pumping Plant Enlargement, and Oroville Wildlife Area. The landfill sites are closed and monitored by the Department. Two of the sites are routinely inspected by county officials.

Evidence of burrowing has been detected at the Harvey O. Banks Pumping Plant. The Department is addressing the burrowing issue by constructing a new burrowing resistant. This project is in the construction phase at this time. It should be noted that no hazardous substances or hazardous wastes are known to be part of the waste; at this time the landfill waste is believed to consist only of construction debris. The System expended approximately \$360 thousand and \$2.4 million during fiscal years 2023 and 2022, respectively.

Remediation activities have not formally commenced at the other two sites, however, the Department expects such activities to occur in the future. The Department will continue to refine estimated remediation liabilities associated with these three sites.

During the 1990s, the Department noted waste and debris at a fourth site, the Del Valle Pumping Plant, to be eroding from the bank of Arroyo Valle Creek and into the channel. Initial clean-up of surface debris was conducted in the spring of 1996 followed by slope stability, waste removal, and erosion control construction in July 1996. The site is listed as a closed landfill subject to periodic inspection by the Alameda County Department of Public Health, and the Department was identified as the responsible party for maintenance. Recent communication between Alameda County and Delta Field Division indicates potential regulatory action could occur soon. The Department will continue to refine the estimated remediation liability associated with this site.

### 13. Self-Insurance

The System is self-insured for all completed facilities of the SWP. The System is also self-insured for workers' compensation, general liability and other risks. All workers' compensation claims and other losses are on a pay-as-you-go basis. The Water Supply Contracts provide for recovery of such losses from the SWP Contractors. Additionally, the CVP act and the related bond resolutions authorize the issuance of additional bonds, payable from available revenues or federal reimbursements under the National Disaster Act, for the purpose of providing funds for emergency repairs to power projects or water system projects necessitated by natural disasters, provided that certain conditions are met.

The Department has purchased automobile insurance for its fleet of vehicles through the California Department of General Services, Office of Risk & Insurance Management, and certain amounts are assessed to the System while some amounts may be directly charged for those vehicles owned specifically by the System.

Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported. Claims liabilities are calculated considering the effect of recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. The following table presents the claim liabilities for the year ended June 30, 2023 and 2022:

Unpaid Claims Liabilities		
	2023	2022
Unpaid claims, beginning	\$ 28,790	\$ 55,211
Incurred claims	6,268	21,570
Claims payments and adjustments	<u>(24,342)</u>	<u>(47,991)</u>
Unpaid claims, ending	10,716	28,790
Less current portion	<u>(7,268)</u>	<u>(22,570)</u>
Total long-term claims liabilities	<u>\$ 3,448</u>	<u>\$ 6,220</u>

## 14. Economic Dependency

The System's water supply revenue is generally derived from the 29 SWP Contractors. The highest percentage of water supply revenues came from the Metropolitan Water District of Southern California. The following table shows total water supply revenues billed to SWP Contractors including cover, refunds, and adjustments which exceeded 5% of the total water supply revenues recognized by the System.

Water Supply Revenues				
	2023	% Total	2022	% Total
The Metropolitan Water District	\$ 704,098	53.92%	\$ 587,763	49.54%
Kern County Water Agency	172,046	13.17%	150,608	12.69%
San Bernardino Valley MWD	61,531	4.71%	59,493	5.01%

The System sold power to 10 and 7 power entities during the years ended June 30, 2023 and 2022, respectively. The highest percentage of power revenues came from the California Independent System Operator (CAISO). The following table shows power sales to entities which exceeded 5% of the total power sold by the System:

Power Sales				
	2023	% Total	2022	% Total
California Independent System Operator	\$ 56,601	43.57%	\$ 47,953	58.34%
Northern California Power Agency	55,840	42.99%	29,391	35.76%
Solverde 1 LLC	7,439	5.73%	1,481	1.81%

Similarly, the System purchased power from 14 power entities during the years ended June 30, 2023 and 2022. The highest percentage of power provided to the System came from the CAISO. The following table shows power purchases from entities which exceeded 5% of the total power purchased by the System:

Power Purchases				
	2023	% Total	2022	% Total
California Independent System Operator	\$ 252,776	71.09%	\$ 104,518	62.22%
Northern California Power Agency	63,611	17.89%	35,004	20.84%

## 15. Segment Information

The table below presents the condensed statement of net position, the statement of revenues, expenses and changes in net position and the statement of cash flows for the System's two segments, as of and for the years ended June 30, 2023 and 2022.

Segment	2023			2022		
	Activities Allowed Under			Activities Allowed Under		
	Burns-Porter Act	Central Valley Project Act	Total	Burns-Porter Act	Central Valley Project Act	Total
<b>Condensed Statement of Net Position:</b>						
<b>Assets</b>						
Current assets	\$ 702,110	\$ 409,657	\$ 1,111,767	\$ 536,547	\$ 417,602	\$ 954,149
Other assets	1,092,444	260,572	1,353,016	1,167,946	264,772	1,432,718
Capital assets	1,210,113	5,265,485	6,475,598	1,169,102	5,067,678	6,236,780
Total assets	3,004,667	5,935,714	8,940,381	2,873,595	5,750,052	8,623,647
Deferred outflows of resources	321,075	93,857	414,932	174,610	106,504	281,114
Total assets and deferred outflows of resources	\$ 3,325,742	\$ 6,029,571	\$ 9,355,313	\$ 3,048,205	\$ 5,856,556	\$ 8,904,761
<b>Liabilities</b>						
Current liabilities	\$ 230,461	\$ 688,273	\$ 918,734	\$ 173,517	\$ 643,841	\$ 817,358
Noncurrent liabilities	1,346,118	3,458,465	4,804,583	1,278,383	3,540,171	4,818,554
Total liabilities	1,576,579	4,146,738	5,723,317	1,451,900	4,184,012	5,635,912
Deferred inflows of resources	1,322,435	1,071,212	2,393,647	1,173,199	928,447	2,101,646
Total liabilities and deferred inflows of resources	2,899,014	5,217,950	8,116,964	2,625,099	5,112,459	7,737,558
<b>Net position</b>						
Net investment in capital assets	453,369	696,868	1,150,237	587,564	551,474	1,139,038
Restricted	32,376	198,866	231,242	28,054	201,501	229,555
Unrestricted	(59,017)	(84,113)	(143,130)	(192,512)	(8,878)	(201,390)
Total net position	426,728	811,621	1,238,349	423,106	744,097	1,167,203
Total liabilities, deferred inflows of resources, and net position	\$ 3,325,742	\$ 6,029,571	\$ 9,355,313	\$ 3,048,205	\$ 5,856,556	\$ 8,904,761
<b>Condensed Statement of Revenues, Expenses and Changes in Net Position:</b>						
<b>Operating revenues</b>						
Water supply	\$ 1,004,021	\$ 301,746	\$ 1,305,767	\$ 859,757	\$ 272,036	\$ 1,131,793
Power sales	129,898	-	129,898	82,196	-	82,196
Federal and State reimbursements	29,884	38,115	67,999	34,767	41,401	76,168
Total operating revenues	1,163,803	339,861	1,503,664	976,720	313,437	1,290,157
Depreciation and amortization	33,137	118,802	151,939	30,643	109,577	140,220
Other operating expenses	881,526	43,028	924,554	802,451	44,409	846,860
Income from operations	249,140	178,031	427,171	143,626	159,451	303,077
<b>Nonoperating revenues (expenses)</b>						
Capital revenues recovered (deferred), net	(220,451)	(126,516)	(346,967)	(121,827)	(37,898)	(159,725)
Interest expense	(976)	(87,692)	(88,668)	(400)	(87,817)	(88,217)
Transfers In/(Out)	(36,358)	36,358	-	(86,678)	86,678	-
Investment income, net	12,156	15,375	27,531	1,259	4,254	5,513
Other revenues (expenses), net	111	51,968	52,079	1,862	124	1,986
Total nonoperating revenues (expenses)	(245,518)	(110,507)	(356,025)	(205,784)	(34,659)	(240,443)
Increase (decrease) in net position	3,622	67,524	71,146	(62,158)	124,792	62,634
Net position, beginning of year	423,106	744,097	1,167,203	485,264	619,305	1,104,569
Net position, end of year	\$ 426,728	\$ 811,621	\$ 1,238,349	\$ 423,106	\$ 744,097	\$ 1,167,203
<b>Condensed Statement of Cash Flows:</b>						
<b>Net cash provided by (used in)</b>						
Operating activities	\$ 160,386	\$ 335,463	\$ 495,849	\$ 147,405	\$ 236,889	\$ 384,294
Capital and related financing activities	(105,496)	(379,389)	(484,885)	(143,641)	(632,608)	(776,249)
Investing activities	9,959	12,126	22,085	1,592	4,332	5,924
Net (decrease) increase in cash and cash equivalents	64,849	(31,800)	33,049	5,356	(391,387)	(386,031)
Cash and equivalents, beginning of year	469,513	470,457	939,970	464,157	861,844	1,326,001
Cash and equivalents, end of year	\$ 534,362	\$ 438,657	\$ 973,019	\$ 469,513	\$ 470,457	\$ 939,970

## 16. Adoption of New Standard

As of July 1, 2022, the System adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right to use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 96 as follows:

### GASB Implementation

#### Statement of Net Position

	Balance before GASB 96 adjustment at July 1, 2022	GASB 96 adjustment	July 1, 2022 adjusted beginning balance
<b>Noncurrent Assets:</b>			
Right-to-use SBITAs	\$ -	\$ 6,757	\$ 6,757
<b>Noncurrent Liabilities:</b>			
SBITAs liability	-	(6,757)	(6,757)
<b>Net position:</b>			
Net investment in capital assets	1,139,038	-	1,139,038
Restricted	229,555	-	229,555
Unrestricted	(201,390)	-	(201,390)
<b>Total net position</b>	<b>\$ 1,167,203</b>	<b>\$ -</b>	<b>\$ 1,167,203</b>

## 17. New and Future Accounting Pronouncements

### GASB Statement No. 91

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of GASB No. 91 are effective for fiscal year 2023 and thereafter. It has been determined that GASB No. 91 did not impact the System.

### GASB Statement No. 94

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The requirements of GASB No. 94 are effective for fiscal year 2023 and thereafter. It has been determined that GASB No. 94 did not significantly impact the System.

GASB Statement No. 99

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of GASB No. 99 are effective for fiscal year 2023 and thereafter. It has been determined that some components effective in fiscal year 2023 did not impact the System. The System is currently evaluating the impact this Statement will have on its financial statements for others effective for fiscal year 2024.

GASB Statement No. 100

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections, an amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of GASB No. 100 are effective for fiscal year 2024 and thereafter. The System is currently evaluating the impact this Statement will have on its financial statements.

GASB Statement No. 101

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of GASB No. 101 are effective for fiscal year 2025 and thereafter. The System is currently evaluating the impact this Statement will have on its financial statements.

GASB Statement No. 102

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of GASB No. 102 are effective for fiscal year 2025 and thereafter. The System is currently evaluating the impact this Statement will have on its financial statements.

GASB Statement No. 103

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of GASB No. 103 are effective for fiscal year 2026 and thereafter. The System is currently evaluating the impact this Statement will have on its financial statements.



## 18. Subsequent Events

On November 30, 2023, the System restructured its Commercial Paper (CP) Program for Series 2, Series 3, and Series 4 to authorize the issuance of a new Tax-Exempt Series 5 Notes. Proceeds of the Series 5 Notes are expected to be used to provide funds for the construction of certain Water System Projects, reimburse the Department for funds expended for the construction costs of certain Water System Projects, fund principal and interest on the Series 4 Notes, and pay costs of issuance of the Series 4 Notes.

The System entered into a credit agreement with JPMorgan Chase Bank, National Association (JPM). The credit agreement is scheduled to expire on February 9, 2027, subject to extension or termination. Pursuant to the credit agreement, JPM has agreed to provide a revolving line of credit up to \$859,178,083, which consists of \$800 million in principal and \$59.2 million in accrued interest.

On July 11, 2024, the System decreased its commitment for the Series 1 Notes to \$300 million and extended its Stated Expiration Date to July 9, 2027. Proceeds of the Series 1 Notes are expected to be used to provide funds for the construction of certain Water System projects including the Oroville Dam Spillway Recovery and Restoration Project. The System entered into a credit agreement with Bank of America, N.A. (Bank of America). Pursuant to the credit agreement, Bank of America has agreed to provide a revolving line of credit up to \$322,191,781, which consists of \$300 million in principal and \$22.2 million in accrued interest.

# **REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of the System's Proportionate Share of the Net Pension Liability**

**Last 10 Years\* (in thousands)**

Fiscal Year	2023	2022	2021	2020	2019	2018	2017	2016	2015
The System's proportion of the net pension liability	1.6548%	1.6007%	1.6512%	1.6611%	1.6766%	1.7268%	1.6813%	1.7191%	1.6927%
The System's proportionate share of the net pension liability	\$ 625,680	\$ 356,813	\$ 573,990	\$ 558,713	\$ 527,333	\$ 630,912	\$ 556,748	\$ 485,502	\$ 426,935
The System's covered payroll	\$ 212,364	\$ 230,396	\$ 220,400	\$ 211,364	\$ 206,175	\$ 194,340	\$ 188,680	\$ 181,151	\$ 164,571
The System's proportionate share of the net pension liability as a percentage of their covered payroll	294.63%	154.87%	260.43%	264.34%	255.77%	324.64%	295.08%	268.01%	259.42%
Plan fiduciary net position as a percentage of the total pension liability	71.63%	82.39%	71.51%	71.34%	71.83%	66.42%	66.81%	70.68%	73.05%
Measurement date:	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

\* - Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

**Schedule of the System's Pension Contributions**

**Last 10 Years\* (in thousands)**

Fiscal Year	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 81,828	\$ 71,570	\$ 61,443	\$ 69,557	\$ 63,075	\$ 58,265	\$ 51,594	\$ 47,978	\$ 44,393
Contributions in relation to the contractually required contribution	81,828	71,570	61,443	69,557	63,075	119,175	51,594	47,978	44,393
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (60,910)	\$ -	\$ -	\$ -
System's covered payroll	\$ 250,581	\$ 212,364	\$ 230,396	\$ 220,400	\$ 211,364	\$ 206,175	\$ 194,340	\$ 188,680	\$ 181,151
Contributions as a percentage of covered payroll	32.66%	33.70%	26.67%	31.56%	29.84%	57.80%	26.55%	25.43%	24.51%

\* - Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

**Schedule of the System's Proportionate Share of the Net OPEB Liability**

**Last 10 Years\* (in thousands)**

Fiscal Year	2023	2022	2021	2020	2019	2018
The System's proportion of the net OPEB liability	0.7102%	0.8242%	0.8379%	0.8763%	0.9011%	1.0031%
The System's proportionate share of the OPEB liability	\$ 585,339	\$ 787,182	\$ 797,648	\$ 805,535	\$ 771,286	\$ 912,912
The System's covered payroll	\$ 212,364	\$ 230,396	\$ 220,400	\$ 211,364	\$ 206,175	\$ 194,340
The System's proportionate share of the OPEB liability as a percentage of their covered payroll	275.63%	341.66%	361.91%	381.11%	374.09%	469.75%
Plan fiduciary net position as a percentage of the total OPEB liability	5.861%	4.037%	2.748%	1.693%	1.011%	0.546%
Measurement date:	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

\* - Fiscal year 2018 was the 1st year of implementation, therefore only six years are shown.

Schedule of the System's OPEB Contributions

Last 10 Years\* (in thousands)

Fiscal Year	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 28,987	\$ 39,661	\$ 37,015	\$ 38,491	\$ 40,950	\$ 44,788
Contributions in relation to the actuarially determined contribution	32,904	31,550	29,195	27,272	23,948	21,016
Contribution deficiency (excess)	\$ (3,917)	\$ 8,111	\$ 7,820	\$ 11,219	\$ 17,002	\$ 23,772
System's covered payroll	\$ 250,581	\$ 212,364	\$ 230,396	\$ 220,400	\$ 211,364	\$ 206,175
Contributions as a percentage of covered payroll	13.13%	14.86%	12.67%	12.37%	11.33%	10.19%

\* - Fiscal year 2018 was the 1st year of implementation, therefore only six years are shown.



# **SUPPLEMENTARY INFORMATION**



## Calculation of Adequacy of Debt Service Coverage for the Central Valley Project Revenue Bonds

Debt Service Coverage	<i>(amounts in thousands)</i>	
	2023	2022
Water supply revenues, Central Valley Project Act	\$ 301,746	\$ 272,036
Add: Cover Collected as Proceeds Due To Water Contractors	79,461	72,311
Transfers In from Burns-Porter Act	45,833	56,325
Less: Devil Canyon Castaic Revenues	(12,554)	(24,503)
Revenues not available for Debt Service	(4,571)	(13,047)
Net CVP revenues available for debt service	<u>409,915</u>	<u>363,122</u>
Principal and interest for revenue bonds	<u>\$ 323,556</u>	<u>\$ 279,924</u>
Debt service coverage	<u>126.7%</u>	<u>129.7%</u>

Note: Section 805 of the general bond resolution for the Central Valley Project (CVP) Water System Revenue Bonds states, "The total amount of Revenues receivable under all Water Supply Contracts in any Year shall be the sum of (A) 1.25 times the Annual Debt Service for such Year to be paid from the Revenue Fund, plus (B) the amount estimated by the Department, pursuant to Section 605, to be required from the Revenue Fund in such Year to provide for Water System Operating Expenses..."

The Supplementary Information, Calculation of Adequacy of Debt Service Coverage, for the Central Valley Project (CVP) Revenue Bonds is based on \$302 million in fiscal year 2023 and \$272 million in fiscal year 2022, respectively, in Water Supply Revenues of the System's CVP segment.

In fiscal year 2023, the revenues include: an increase of \$79.5 million in refundable proceeds, an increase of \$45.8 million in transfers in from revenues collected under the Burns-Porter Act, a decrease of \$12.6 million for principal and interest payments for the Devil Canyon Castaic Facilities Bonds (DCC) since the DCC General Bond resolution does not require cover to be collected for these bonds, and a decrease of \$4.6 million in miscellaneous revenue not available for debt service.

In fiscal year 2022, the revenues include: an increase of \$72.3 million in refundable proceeds, an increase of \$56.3 million in transfers in from revenues collected under the Burns-Porter Act, a decrease of \$24.5 million for principal and interest payments for the Devil Canyon Castaic Facilities Bonds (DCC) since the DCC General Bond resolution does not require cover to be collected for these bonds, and a decrease of \$13 million in miscellaneous revenue not available for debt service.

# **STATISTICAL SECTION**



## STATISTICAL SECTION

This part of the System's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures say about the government's overall financial health.

### Contents

### Page

#### **Financial Trends**

*These schedules contain trend information to help the reader understand how the System's financial performance and well-being have changed over time.*

Schedule of Changes in Net Position.....	115
Schedule of Net Position by Component.....	117

#### **Revenue Capacity**

*These schedules contain information to help the reader access the System's two most significant local revenue sources, water supply and power sales.*

Schedule of Significant Revenues by Source.....	118
Summary of Schedule of Water and Power Sales Rates.....	119
Largest Distribution Water Revenue Accounts.....	120
Largest Distribution Power Sales Revenue Accounts.....	121

#### **Debt Capacity**

*These schedules present information to help the reader access the affordability of the System's current levels of outstanding debt and the System's ability to issue additional debt in the future.*

Schedule of Ratios of Outstanding Debt by Type.....	122
Schedule of Debt Schedule Coverage .....	123

#### **Demographic and Economic Information**

*These schedules offer demographic and economic indicators to help the reader understand the environment within which the System's financial activities take place.*

Schedule of Demographic and Economic Indicators.....	124
Schedule of California Number of Employees by Industry.....	125

#### **Operating Information**

*These schedules contain service and infrastructure data to help the reader understand how the information in the System's financial report relates to the services the System provides and the activities it performs.*

Schedule of Full-Time Equivalent Employees by Function.....	126
Operating and Capital Indicators.....	127
Capital Assets, Net.....	128

## Schedule of Changes in Net Position (Unaudited)

### Last Ten Fiscal Years (in thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>OPERATING REVENUES:</b>				
Water supply	\$ 789,370	\$ 883,538	\$ 948,105	\$ 1,082,587
Power sales	131,952	91,780	71,236	85,089
Federal and State reimbursements	52,186	44,060	67,309	55,664
Total operating revenues	<u>973,508</u>	<u>1,019,378</u>	<u>1,086,650</u>	<u>1,223,340</u>
<b>OPERATING EXPENSES:</b>				
Operations and maintenance	557,209	404,627	511,926	544,925
Purchased power	241,444	202,780	219,661	339,993
Depreciation and amortization expense	68,896	81,495	77,170	77,265
Operating expenses recovered (deferred), net	-	-	65,004	57,066
Total operating expense	<u>867,549</u>	<u>688,902</u>	<u>873,761</u>	<u>1,019,249</u>
<b>NET OPERATING INCOME</b>	<u>105,959</u>	<u>330,476</u>	<u>212,889</u>	<u>204,091</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Capital revenues recovered (deferred), net	(42,934)	(243,945)	(118,510)	(130,147)
Interest expense	(115,499)	(96,082)	(106,978)	(105,768)
Investment income	4,910	6,185	6,234	9,012
Other revenues (expenses), net	47,564	3,366	6,365	22,812
Total nonoperating revenues (expenses)	<u>(105,959)</u>	<u>(330,476)</u>	<u>(212,889)</u>	<u>(204,091)</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Source: State Water Resources Development System

## Schedule of Changes in Net Position (Unaudited)

### Last Ten Fiscal Years (in thousands)

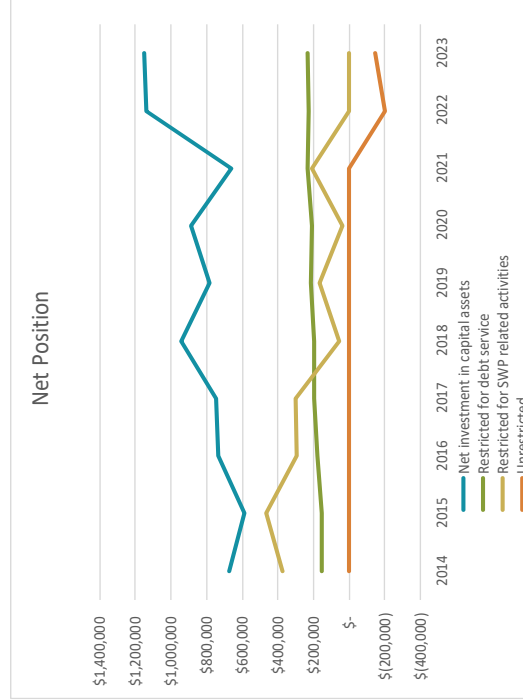
<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 1,076,238	\$ 1,010,751	\$ 1,040,036	\$ 992,787	\$ 1,131,793	\$ 1,305,767
88,148	96,308	49,435	76,929	82,196	129,898
42,127	42,593	45,719	47,303	76,168	67,999
<b><u>1,206,513</u></b>	<b><u>1,149,652</u></b>	<b><u>1,135,190</u></b>	<b><u>1,117,019</u></b>	<b><u>1,290,157</u></b>	<b><u>1,503,664</u></b>
555,163	645,191	617,236	577,709	492,560	552,881
342,115	290,908	243,120	164,734	167,977	355,582
80,101	94,191	105,345	113,568	140,220	151,939
(64,454)	(151,926)	(139,779)	85,560	186,323	16,091
<b><u>912,925</u></b>	<b><u>878,364</u></b>	<b><u>825,922</u></b>	<b><u>941,571</u></b>	<b><u>987,080</u></b>	<b><u>1,076,493</u></b>
<b><u>293,588</u></b>	<b><u>271,288</u></b>	<b><u>309,268</u></b>	<b><u>175,448</u></b>	<b><u>303,077</u></b>	<b><u>427,171</u></b>
(294,864)	(334,870)	(221,600)	(413,417)	(159,725)	(346,967)
(105,429)	(116,481)	(110,158)	(87,931)	(88,217)	(88,668)
15,353	22,482	19,811	7,983	5,513	27,531
42,493	129,892	(26,778)	285,594	1,986	52,079
<b><u>(342,447)</u></b>	<b><u>(298,977)</u></b>	<b><u>(338,725)</u></b>	<b><u>(207,771)</u></b>	<b><u>(240,443)</u></b>	<b><u>(356,025)</u></b>
<b><u>\$ (48,859)</u></b>	<b><u>\$ (27,689)</u></b>	<b><u>\$ (29,457)</u></b>	<b><u>\$ (32,323)</u></b>	<b><u>\$ 62,634</u></b>	<b><u>\$ 71,146</u></b>

Source: State Water Resources Development System

Schedule of Net Position by Component (Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Last Ten Fiscal Years (in thousands)</b>										
<b>NET POSITION</b>										
Net investment in capital assets	\$ 674,336	\$ 585,309	\$ 736,203	\$ 748,439	\$ 942,618	\$ 783,286	\$ 890,438	\$ 661,031	\$ 1,139,038	\$ 1,150,237
Restricted for:										
Debt service and plant replacements	155,116	155,857	177,330	193,889	197,363	214,513	210,859	234,188	229,555	231,242
SWP related activities	375,976	464,262	291,895	300,569	54,057	168,550	35,595	209,350	-	-
Unrestricted	-	-	-	-	-	-	-	-	(201,390)	(143,130)
<b>TOTAL NET POSITION</b>	<b>\$ 1,205,428</b>	<b>\$ 1,205,428</b>	<b>\$ 1,205,428</b>	<b>\$ 1,242,897</b>	<b>\$ 1,194,038</b>	<b>\$ 1,166,349</b>	<b>\$ 1,136,892</b>	<b>\$ 1,104,569</b>	<b>\$ 1,167,203</b>	<b>\$ 1,238,349</b>

Source: State Water Resources Development System



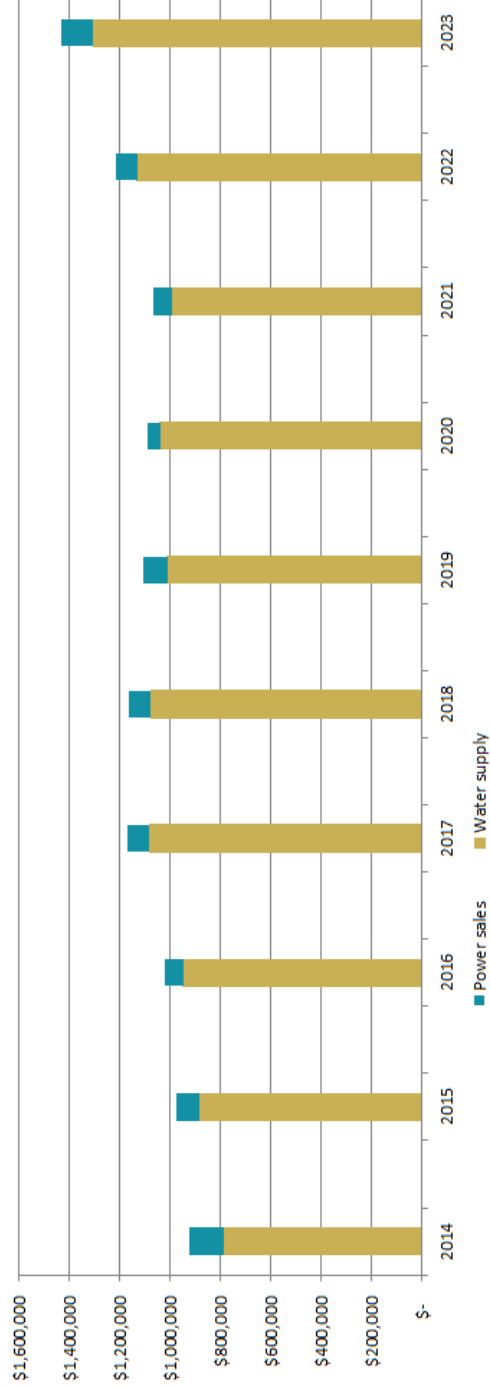
**Schedule of Significant Revenues By Source (Unaudited)**

**Last Ten Fiscal Years (in thousands)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Operating Revenues by Source</b>										
Water supply	\$ 789,370	\$ 883,538	\$ 948,105	\$ 1,082,587	\$ 1,076,238	\$ 1,010,751	\$ 1,040,036	\$ 992,787	\$ 1,131,793	\$ 1,305,767
Power sales	131,952	91,780	71,236	85,089	88,148	96,308	49,435	76,929	82,196	129,898
<b>TOTAL</b>	<b>\$ 921,322</b>	<b>\$ 975,318</b>	<b>\$ 1,019,341</b>	<b>\$ 1,167,676</b>	<b>\$ 1,164,386</b>	<b>\$ 1,107,059</b>	<b>\$ 1,089,471</b>	<b>\$ 1,069,716</b>	<b>\$ 1,213,989</b>	<b>\$ 1,435,665</b>

Source: State Water Resources Development System

**Operating Revenues by Source**





**Summary of Schedule of Water and Power Sales Rates (Unaudited)**

**Last Ten Years**

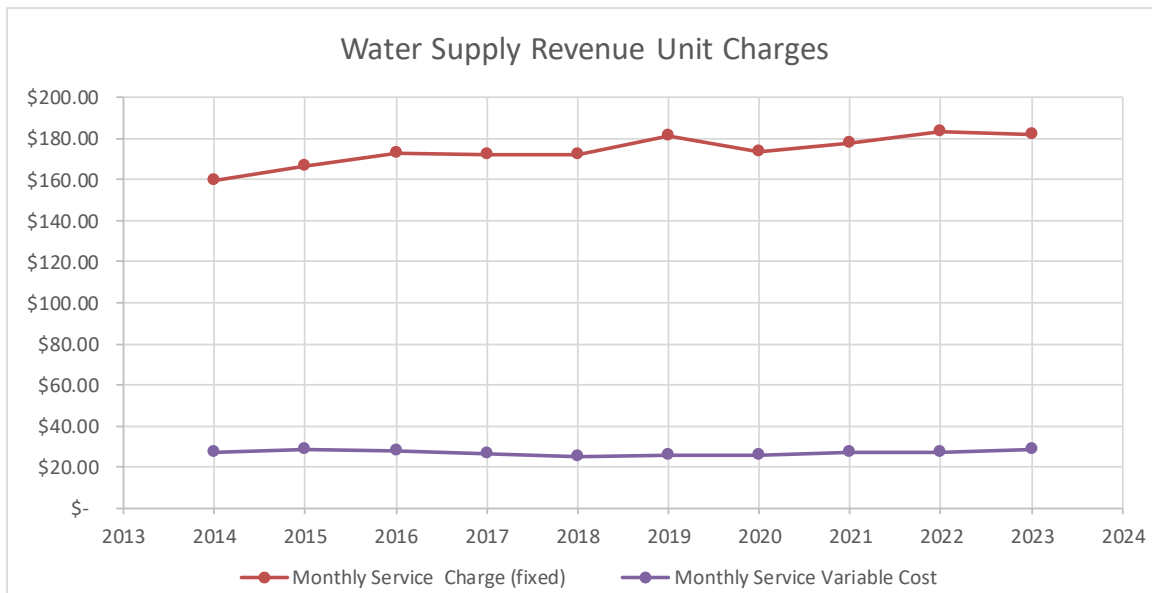
**Water Supply<sup>a</sup>**

<b>Year<sup>b</sup></b>	<b>Monthly Service Charge (fixed)</b>	<b>Variable Cost</b>
2014	\$ 159.89	\$ 26.79
2015	166.37	28.21
2016	172.81	27.52
2017	171.99	26.34
2018	172.07	25.33
2019	181.06	25.78
2020	173.24	25.98
2021	177.80	26.85
2022	183.57	26.89
2023	181.80	28.65

Source: State Water Project Analysis Office Bulletin 132-xx Table B-24

a) Hypothetical charges, which, if assessed on all Table A of Bulletin 132 water delivered to date, all surplus water delivered prior to May 1, 1973, and all Table A water estimated to be delivered during the remainder of the project repayment period (Table B-5B of Bulletin 132), would provide a sum at the end of the period financially equivalent to all Transportation Charge and Delta Water Charge payments required under a water supply contract, considering interest at the Project Interest Rate, 4.610 percent per annum.

b) Numbers reflect amounts on a Calendar Year basis



Largest Distribution Water Revenue Accounts (Unaudited)

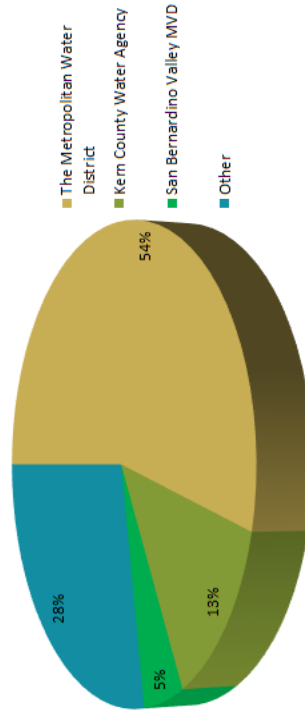
Current Year and Nine Years Prior

Customer	FY 2023			FY 2014		
	Annual Water Sales	Rank	Percentage of Total <sup>a</sup>	Annual Water Sales	Rank	Percentage of Total <sup>a</sup>
The Metropolitan Water District	\$ 704,097,525	1	54%	\$ 425,478,705	1	54%
Kern County Water Agency	172,045,747	2	13%	88,361,335	2	11%
San Bernardino Valley MVD	61,531,400	3	5%			
Subtotal	<u>\$ 937,674,672</u>		<u>72%</u>	<u>\$ 513,840,040</u>		<u>65%</u>
Total Water Sales	<u>\$ 1,305,766,574</u>			<u>\$ 789,370,282</u>		

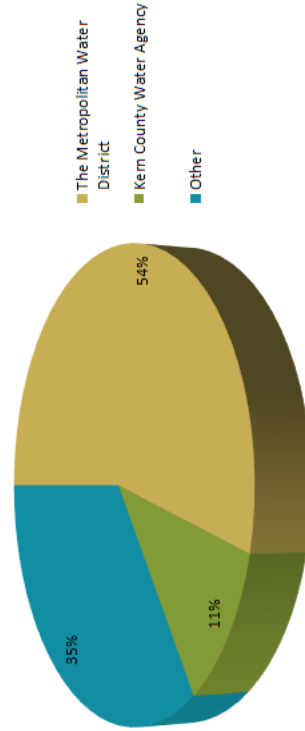
Source: State Water Resources Development System

a) Percentage of total is based on total revenues billed under the water supply contracts

FY 2023



FY 2014



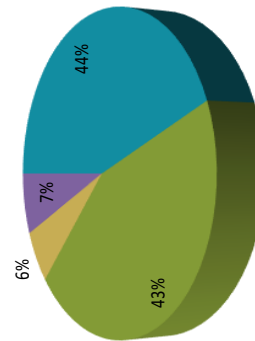
Largest Distribution Power Sales Revenue Accounts (Unaudited)

Current Year and Nine Years Prior

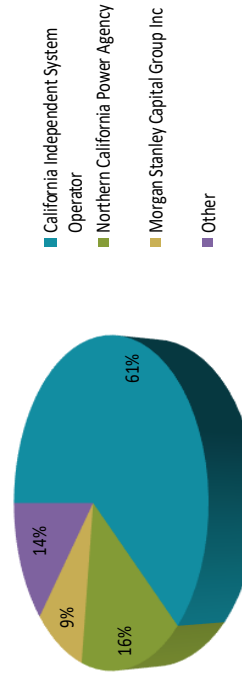
Customer	FY 2023			FY 2014		
	Annual Revenues	Rank	Percentage of Total	Annual Revenues	Rank	Percentage of Total
California Independent System Operator	\$ 56,601,096	1	44%	\$ 81,083,332	1	61%
Northern California Power Agency	55,839,867	2	43%	21,721,458	2	16%
Solverde 1 LLC	7,439,295	3	6%	11,776,674	3	9%
Subtotal	<u>\$ 119,880,258</u>		<u>93%</u>	<u>\$ 114,581,464</u>		<u>86%</u>
Total Power Sales	<u>\$ 129,898,168</u>			<u>\$ 131,951,339</u>		

Source: State Water Resources Development System

FY 2023



FY 2014



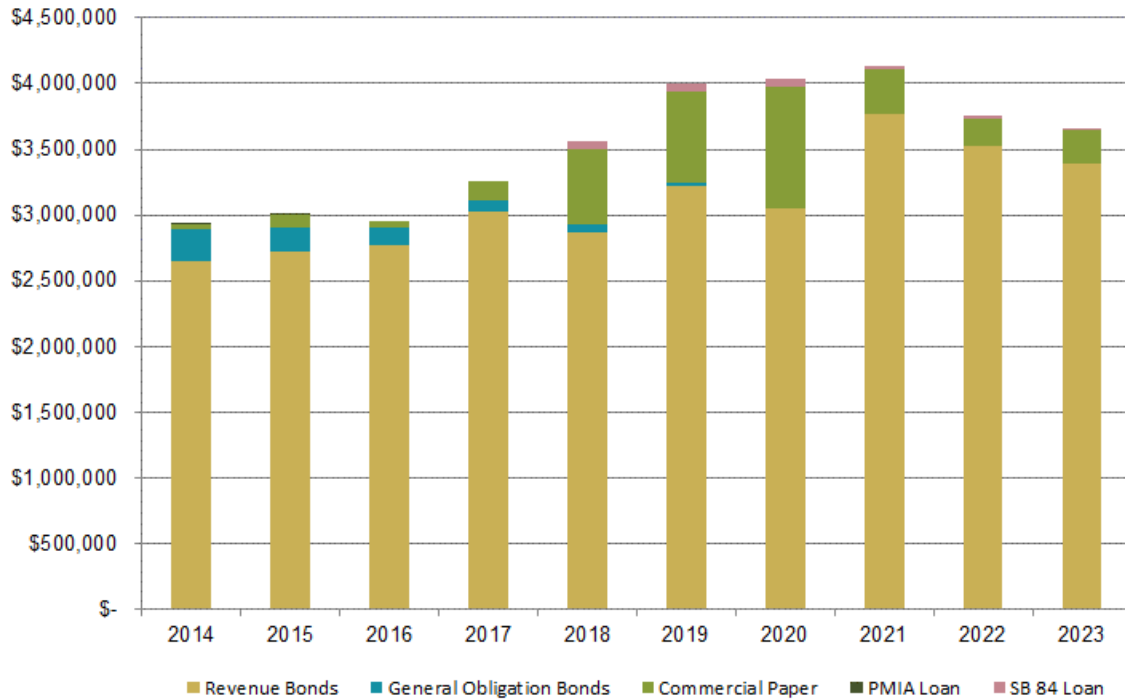
**Schedule of Ratios of Outstanding Debt by Type (Unaudited)**

**Last Ten Fiscal Years (in thousands)**

<b>Fiscal Year</b>	<b>Revenue Bonds</b>	<b>General Obligation Bonds</b>	<b>Commercial Paper</b>	<b>PMIA Loan</b>	<b>SB 84 Loan</b>	<b>Total</b>
2014	\$ 2,647,814	\$ 241,835	\$ 36,136	\$ 11,579	\$ -	\$ 2,937,364
2015	2,724,008	184,960	87,900	8,094	-	3,004,962
2016	2,770,888	135,045	42,776	-	-	2,948,709
2017	3,026,368	88,300	147,165	-	-	3,261,833
2018	2,869,007	54,065	580,672	-	60,910	3,564,654
2019	3,222,577	28,090	689,984	-	60,910	4,001,561
2020	3,045,468	10,685	920,107	-	57,471	4,033,731
2021	3,763,125	2,090	337,953	-	35,766	4,138,934
2022	3,520,598	205	207,943	-	24,813	3,753,559
2023	3,392,570	120	250,093	-	14,511	3,657,294

Source: State Water Resources Development System

**Outstanding Debt Portfolio**



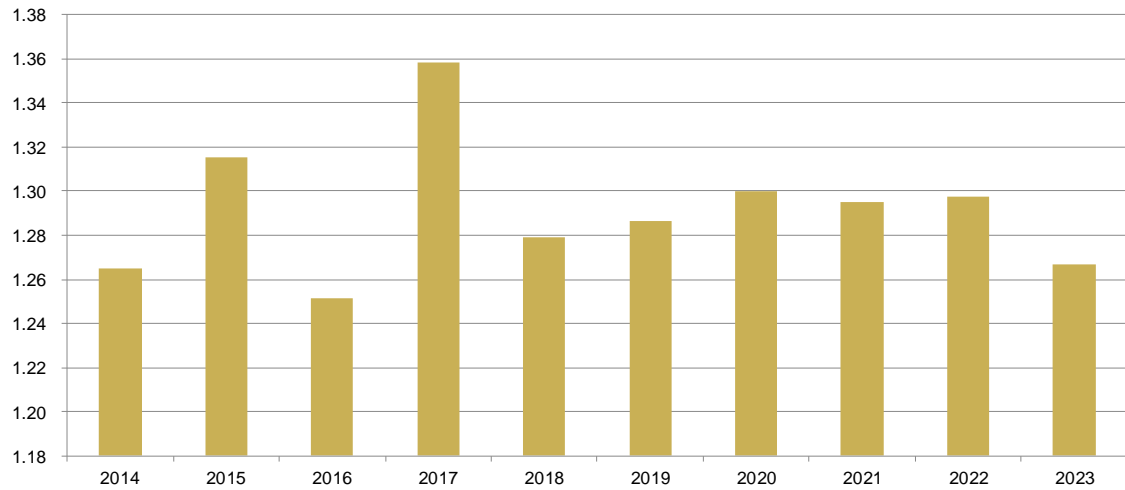
Schedule of Debt Service Coverage (Unaudited)

Last Ten Fiscal Years (in thousands)

Fiscal Year	Water Supply Revenues	Cover Collected for Debt Service	Transfer in from Burns-Porter Act	Revenues Not Available for Debt Service	Net Revenue Available for Debt Service	Debt Service Requirements			
						Principal	Interest	Total	Coverage
2014	\$ 281,461	\$ 51,786	\$ -	\$ 72,829	\$ 260,418	\$ 109,610	\$ 96,313	\$ 205,923	1.26
2015	225,899	54,316	-	26,405	253,810	110,105	82,819	192,924	1.32
2016	255,106	57,779	-	28,325	284,560	130,095	97,255	227,350	1.25
2017	241,117	56,321	-	26,248	271,190	128,035	71,584	199,619	1.36
2018	235,540	56,305	-	26,681	265,164	132,050	75,291	207,341	1.28
2019	246,338	58,967	-	33,133	272,172	122,490	89,068	211,558	1.29
2020	276,795	63,224	-	27,152	312,867	139,710	101,004	240,714	1.30
2021	248,777	69,670	52,087	36,747	333,787	165,050	92,674	257,724	1.30
2022	272,036	72,311	56,325	37,550	363,122	183,275	96,649	279,924	1.30
2023	301,746	79,461	45,833	17,125	409,915	214,460	109,096	323,556	1.27

Source: State Water Resources Development System

Debt Coverage Ratio



**Schedule of Demographic and Economic Indicators (Unaudited)**

**Last Ten Years**

<b>Year</b>	<b>Population (in thousands)</b>	<b>Personal Income (in millions)</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>
2014	38,737	\$ 1,939,528	\$ 49,976	7.5%
2015	39,093	2,061,149	52,644	6.2%
2016	39,250	2,197,492	55,987	5.4%
2017	39,537	2,303,870	58,272	4.8%
2018	39,557	2,475,727	62,586	4.4%
2019	39,512	2,633,926	66,661	4.2%
2020	39,368	2,814,011	71,480	14.1%
2021	39,238	2,997,206	76,386	8.2%
2022	39,029	3,018,471	77,339	4.1%
2023	38,965	3,133,679	80,423	4.9%

1 - Source: Economic Research Unit, California Department of Finance

Schedule of California Number of Employees By Industry (Unaudited)

Last Ten Years

	2014	2015	2016	2017	2018
Agriculture, Forestry, Fishing, Hunting	467,923	471,566	474,766	473,554	475,503
Mining	29,142	25,668	21,218	20,130	20,545
Utilities	57,829	57,577	58,008	57,766	56,571
Construction	691,811	748,872	789,841	830,446	880,556
Manufacturing	1,283,779	1,303,651	1,304,915	1,318,709	1,337,213
Wholesale Trade	713,642	719,576	718,853	723,984	701,831
Retail Trade	1,615,557	1,645,332	1,654,247	1,670,450	1,673,554
Transportation and Warehousing	455,070	488,428	517,790	553,571	592,578
Information	459,781	486,838	517,275	526,390	542,792
Finance and Insurance	514,826	523,933	540,844	544,423	541,035
Real Estate and Rental and Leasing	265,335	271,617	278,001	285,957	296,584
Services	7,056,066	7,247,138	7,442,898	7,630,490	7,888,061
Nonclassifiable Establishments	63,478	102,851	119,680	82,201	12,948
Federal, State and Local Government	2,317,813	2,388,336	2,434,565	2,346,343	2,366,731
<b>Total for all Industries</b>	<b>15,992,052</b>	<b>16,481,383</b>	<b>16,872,901</b>	<b>17,064,414</b>	<b>17,388,520</b>

	2019	2020	2021	2022	2023
Agriculture, Forestry, Fishing, Hunting	478,758	450,194	455,365	476,651	477,799
Mining	20,133	16,690	16,589	17,370	17,134
Utilities	56,499	59,009	59,730	61,909	65,028
Construction	908,159	861,502	893,912	929,391	932,718
Manufacturing	1,333,653	1,259,018	1,291,926	1,356,368	1,337,824
Wholesale Trade	694,166	634,092	650,470	672,784	667,952
Retail Trade	1,643,399	1,503,656	1,593,778	1,610,862	1,597,706
Transportation and Warehousing	635,648	652,616	710,611	770,862	745,276
Information	562,689	513,216	570,381	612,143	538,655
Finance and Insurance	540,286	532,862	538,001	534,946	507,658
Real Estate and Rental and Leasing	305,824	273,053	291,721	307,739	305,399
Services	8,077,285	6,909,280	7,715,639	8,248,995	8,364,745
Nonclassifiable Establishments	1,543	1,364	1,796	2,419	8,347
Federal, State and Local Government	2,390,055	2,276,430	2,376,158	2,387,808	2,461,209
<b>Total for all Industries</b>	<b>17,648,097</b>	<b>15,942,982</b>	<b>17,166,077</b>	<b>17,990,247</b>	<b>18,027,450</b>

(1) Source: California Employment Development Department

(2) The industry data provided are intended to provide similar alternative information regarding the concentration of employment in various sectors of the California Economy. Due to confidentiality issues, the names of the top individual employers are not available.

(3) Businesses are designated as "Nonclassifiable Establishments" when there is insufficient information to determine the appropriate industry classification. Definitions of Terms and Source Notes: [www.labormarketinfo.edd.ca.gov](http://www.labormarketinfo.edd.ca.gov)

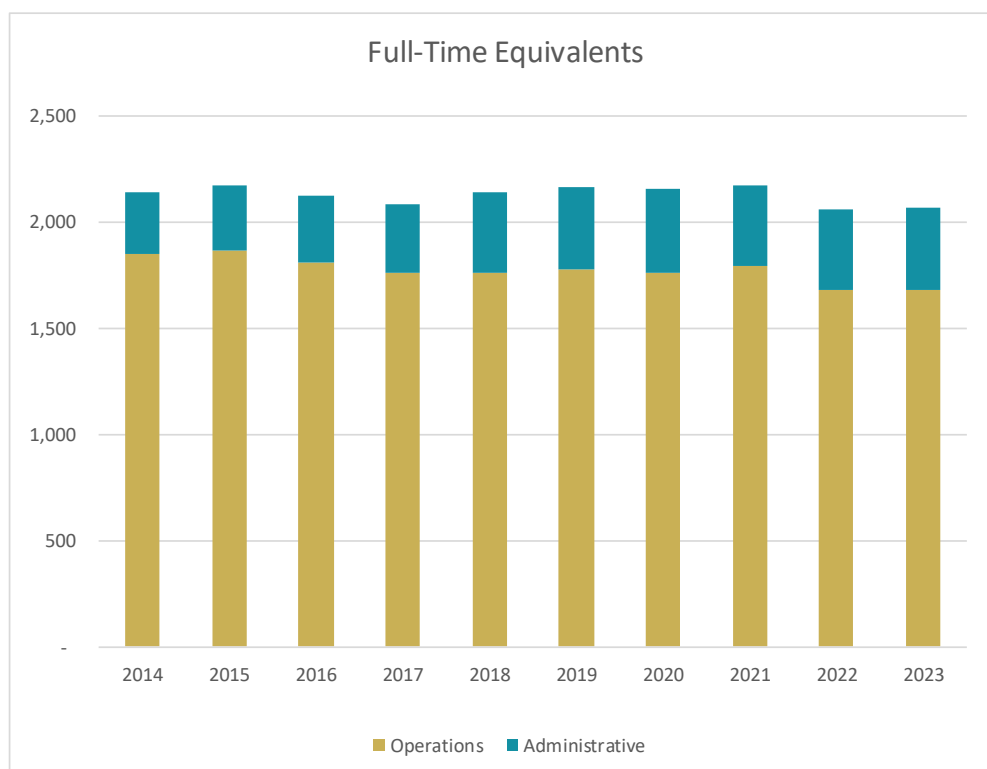
## Schedule of Full-Time Equivalent Employees by Function (Unaudited)

### Last Ten Fiscal Years

Function	Full-Time Equivalents by Function as of June 30, <sup>1</sup>									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Field Operations	920	934	899	904	910	886	870	864	885	899
Engineering	330	324	280	283	286	294	287	297	314	289
Operations and Maintenance	348	355	388	381	390	413	408	408	244	253
Environmental Services	135	132	129	127	126	127	140	169	177	182
Flood Management	65	67	60	10	10	8	9	7	7	7
Safety of Dams	2	2	2	2	-	-	-	-	-	-
Power Management	47	52	53	53	35	48	49	50	50	48
<b>Operations Total</b>	<b>1,847</b>	<b>1,866</b>	<b>1,811</b>	<b>1,760</b>	<b>1,757</b>	<b>1,776</b>	<b>1,763</b>	<b>1,795</b>	<b>1,677</b>	<b>1,677</b>
Executive	63	71	77	78	90	99	104	100	109	109
Finance and Accounting	69	75	69	70	74	72	72	71	70	73
Technology Services	104	105	107	110	110	111	110	101	95	97
Communications	24	27	27	29	26	27	29	29	29	28
Legal	30	31	31	33	33	33	33	36	34	37
Human Resources	-	-	-	-	46	44	44	42	45	47
<b>Administrative Total</b>	<b>290</b>	<b>309</b>	<b>311</b>	<b>320</b>	<b>379</b>	<b>386</b>	<b>392</b>	<b>379</b>	<b>382</b>	<b>390</b>
<b>Grand Total</b>	<b>2,137</b>	<b>2,175</b>	<b>2,122</b>	<b>2,080</b>	<b>2,136</b>	<b>2,162</b>	<b>2,155</b>	<b>2,174</b>	<b>2,059</b>	<b>2,068</b>

1 - Excludes Retired Annuitants; FTEs calculated using the most recently available allocation factors

Source: California Department of Water Resources





Operating and Capital Indicators (Unaudited)

Last Ten Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Water</b>										
Water Deliveries (AF)	3,405,691	2,017,124	2,108,876	3,344,756	4,783,208	3,157,728	4,169,976	2,679,984	1,855,520	1,804,527
Percentage of Requested Water Delivered	35%	5%	20%	60%	85%	35%	75%	20%	5%	5%
Gross Area Served (Acres)	23,847,530	23,527,540	23,514,148	23,514,148	23,514,604	23,513,897	23,513,897	23,512,997	23,512,959	23,539,197
Estimated Population Served <sup>3</sup>	26,267,499	26,520,624	26,876,859	26,926,556	27,214,361	27,209,404	27,336,310	27,329,680	27,078,862	26,935,180
Statewide Precipitation (% of Avg) <sup>1</sup>	79%	57%	75%	105%	164%	73%	131%	71%	49%	73%
Statewide Snowpack (% of Apr 1 Avg)	47%	33%	5%	86%	163%	54%	161%	54%	59%	37%
Statewide River Runoff (% of Avg) <sup>1</sup>	60%	35%	46%	97%	217%	68%	137%	47%	33%	56%
Total Storage (% of Average) <sup>2</sup>	79%	57%	54%	82%	120%	99%	124%	93%	60%	69%
Total Storage (% of Capacity) <sup>2</sup>	46%	33%	31%	47%	68%	56%	71%	53%	34%	38%
Total Miles of Aqueducts	705	705	705	705	705	705	705	705	705	705
Number of Storage Facilities	20	20	20	20	20	22	22	22	22	22
Gross Storage Capacity (AF)	6,761,600	6,761,600	6,761,600	6,761,700	6,761,700	6,762,567	6,762,567	6,762,567	6,762,567	6,762,567
Number of Pumping Plants	23	23	23	23	23	24	24	24	24	24
Number of Pumps	162	162	162	162	162	177	177	177	177	177
<b>Power</b>										
Energy Generated (Mwh)	3,068,539	1,132,659	1,274,706	3,075,218	4,519,141	2,551,901	4,470,674	2,083,370	1,016,429	1,533,104
Energy Purchased (Mwh)	3,604,135	1,691,424	2,780,643	4,108,601	5,378,979	3,646,253	3,643,139	2,033,726	2,341,767	1,182,473
Energy Sold (Mwh)	936,975	33,000	566,891	579,934	243,590	471,188	398,420	236,543	577,997	281,502
Net Power Consumption (Mwh)	5,735,699	2,791,083	3,488,458	6,603,883	9,654,529	5,726,966	7,715,393	3,880,563	2,780,199	2,434,075
Number of Power Plants	10	9	9	9	9	9	9	9	9	9
Number of Power Generating Units	37	36	36	36	36	36	36	36	36	36

Note: Unless otherwise noted, amounts are reported on a calendar year basis

Source: State Water Project Analysis Office Annual Bulletin 132

1 - Measured in Water Years, which run from October of the prior year to September of the reported year

2 - Measured at the end of the Water Year

3 - Contains duplicate values. Some areas that are in two or more Contractor areas are included in each Contractor's total.

4 - Based on snow sensor network on April 1

5 - 2023 information is not available and therefore not presented

Legend

AF- Acre Feet

Mwh- Megawatt Hours

**Capital Assets, Net (in thousands) (Unaudited)**

	Last Ten Fiscal Years				
	2014	2015	2016	2017	2018
<b>Nondepreciable Utility Plant</b>					
Land	\$ 137,033	\$ 141,874	\$ 147,681	\$ 156,934	\$ 162,457
Construction work in progress	438,244	611,900	769,871	1,340,586	1,653,005
Land use rights	11,583	11,630	11,760	11,767	12,458
Other intangible assets	103,740	103,445	100,123	99,240	98,981
<b>Total Nondepreciable Utility Plant</b>	<b>690,600</b>	<b>868,849</b>	<b>1,029,435</b>	<b>1,608,527</b>	<b>1,926,901</b>
<b>Depreciable Utility Plant</b>					
Aqueducts	2,167,237	2,169,352	2,171,981	2,126,713	2,183,839
Dams & reservoirs	781,408	708,303	708,303	729,521	817,041
Power plants	466,358	441,202	470,818	477,044	523,529
Pumping plants	836,814	826,704	838,880	850,475	1,018,627
Environmental preservation and mitigation	67,797	67,797	67,797	67,797	67,797
Fish protection	33,934	33,934	35,544	35,544	35,544
Facilities	246,397	254,741	271,965	298,295	301,157
Equipment and other depreciable assets	75,705	77,384	79,229	82,526	75,214
Computer software	24,529	24,531	24,717	27,108	27,206
Land use rights and other intangible assets	12,267	12,277	12,277	12,277	12,277
Right-to-use lease buildings	-	-	-	-	-
*Right-to-use SBITAs	-	-	-	-	-
General	61,310	62,262	73,053	119,562	162,619
<b>Total Depreciable Utility Plant</b>	<b>4,773,756</b>	<b>4,678,487</b>	<b>4,754,564</b>	<b>4,826,862</b>	<b>5,224,850</b>
<b>Less Accumulated Depreciation/Amortization</b>	<b>(1,994,695)</b>	<b>(2,014,654)</b>	<b>(2,084,676)</b>	<b>(2,117,138)</b>	<b>(2,185,494)</b>
<b>Total Utility Plant, Net</b>	<b>\$ 3,469,661</b>	<b>\$ 3,532,682</b>	<b>\$ 3,699,323</b>	<b>\$ 4,318,251</b>	<b>\$ 4,966,257</b>

Source: State Water Resources Development System

\*Implementation of GASB 96 SBITA

**Capital Assets, Net (in thousands) (Unaudited)**

	Last Ten Fiscal Years				
	2019	2020	2021	2022	2023
<b>Nondepreciable Utility Plant</b>					
Land	\$ 188,965	\$ 209,165	\$ 209,123	\$ 209,046	\$ 210,769
Construction work in progress	2,078,333	1,931,664	1,120,155	1,196,323	1,387,524
Land use rights	12,460	12,465	12,465	12,465	12,879
Other intangible assets	99,440	100,463	99,952	101,679	112,173
<b>Total Nondepreciable Utility Plant</b>	<b>2,379,198</b>	<b>2,253,757</b>	<b>1,441,695</b>	<b>1,519,513</b>	<b>1,723,345</b>
<b>Depreciable Utility Plant</b>					
Aqueducts	2,182,663	2,195,260	2,209,474	2,212,275	2,222,762
Dams & reservoirs	818,899	997,443	1,919,449	1,936,280	2,003,858
Power plants	650,730	749,245	764,625	920,023	951,866
Pumping plants	1,025,608	999,004	1,056,235	1,015,676	1,021,094
Environmental preservation and mitigation	67,797	67,797	67,797	67,797	67,797
Fish protection	35,544	40,239	90,696	115,055	128,910
Facilities	304,796	490,326	529,119	550,028	557,183
Equipment and other depreciable assets	82,698	90,738	86,897	87,327	88,601
Computer software	27,349	27,383	29,375	29,375	29,375
Land use rights and other intangible assets	12,277	12,277	12,277	12,207	15,531
Right-to-use lease buildings	-	-	-	37,380	46,767
*Right-to-use SBITAs	-	-	-	-	6,757
General	209,913	269,244	289,255	353,289	381,833
<b>Total Depreciable Utility Plant</b>	<b>5,418,274</b>	<b>5,938,956</b>	<b>7,055,199</b>	<b>7,336,712</b>	<b>7,522,333</b>
<b>Less Accumulated Depreciation/Amortization</b>	<b>(2,276,510)</b>	<b>(2,379,296)</b>	<b>(2,481,741)</b>	<b>(2,619,445)</b>	<b>(2,770,080)</b>
<b>Total Utility Plant, Net</b>	<b>\$ 5,520,962</b>	<b>\$ 5,813,417</b>	<b>\$ 6,015,153</b>	<b>\$ 6,236,780</b>	<b>\$ 6,475,598</b>

Source: State Water Resources Development System  
 \*Implementation of GASB 96 SBITA