



CONTRACT EXTENSION PROJECT

Water Supply Contract Extension Negotiation Meeting # 6

AUGUST 7, 2013

10:00 AM – 3:00 PM

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828 I STREET

SACRAMENTO, CA 95814



DWR Authorities, SWP Reporting, and Financial Management

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Purposes

- Review State Water Project reporting requirements
- Review DWRs financial management track record
- Review ways DWR provides information to the State Water Project Contractors



DWR Authorities and Responsibilities



DWR Authorities and Responsibility over the State Water Resources Development System

Central Valley Project Act - Water Code §11451

The Department of Water Resources shall have full charge and control of the construction, operation, and maintenance of the (Central Valley) project and the collection of all rates, charges, and revenues from it.



DWR Authorities and Responsibility over the State Water Resources Development System

Burns-Porter Act - Water Code §12931

Facilities authorized as part of the Central Valley Project or facilities acquired or constructed as part of the State Water Resources Development System shall be acquired, operated and maintained pursuant to the provisions of the Central Valley Project Act.



SWP Reporting



Formal Reporting

- Legislative Reports
 - **Water Code §147** – Annual State Water Resources Development System budget report to the Senate and Assembly fiscal committees of the Legislature
 - **Water Code §11913 1(f)** – The Department shall provide details of the balance and expenditures of the Davis – Dolwig Account as part of the annual Governor’s budget process.



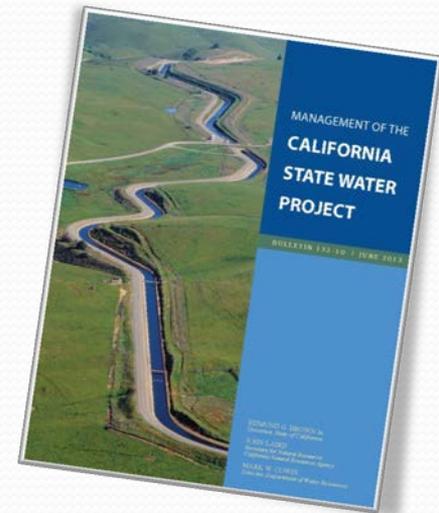
Formal Reporting

- Legislative Reports
 - **Water Code §142** – Annual report must be sent to the Legislature and Governor on implementation of WC §142 (greenhouse gas emission reduction related to water and energy usage).
 - **Government Code §12892** – Annual Green House Gas Emissions Reduction report to the Secretary for Environmental Protection



Formal Reporting

- Bulletin 132: Management of the California State Water Project
- Bond Sale Disclosure
- Continuing Bond Sale Disclosure
- Legal Basis Financial Statements (for State government)
- Generally Accepted Accounting Principal Basis Financial Statements





Independent SWP Audits

- State Water Project Contractor Audits
- Annual financial audits required for bond sales
- DWR Internal Audits
- IRS audits concerning revenue bonds

- State Audits –
 - Bureau of State Audits
 - Department of Finance
 - State Controllers Office



DWR's Financial Management Track Record



SWP Financial Management – Bonds

- Annual financial audits have all been “unqualified”
- Highest Bond Rating – S&P AAA prime and Moody’s Aa1
- DWR always pays debt service payments on time and in full
– has never defaulted
- Highly efficient debt portfolio management, resulting in millions of dollars in interest savings to the SWP Contractors



SWP Financial Management – Annual Statements of Charges

- SOC's are distributed annually by July 1 (6 months in advance of 1st payment due date), as contractually mandated
- Substantial (150+ pages) SOC's support is provided annually (Appendix B of Bulletin 132)
- When necessary, DWR prepares revised SOC's



SWP Financial Management – Program Control

- Implemented WREM 65 process
- Re-instituted Program Component Statements and Budget Conferences
- Recently initiated global SWP Program Control effort



Reporting and Other Information to State Water Contractors



State Water Contractors Committees and Meetings

Business

- SWC Board Meeting
- SWC Pre-Board Meeting
Workshops
- Director's Advisory
Committee
- SWP Business Committee
- Legal Committee



State Water Contractors Committees and Meetings

Finance: Audit Finance Committee

- Bond Fund Systems Revenue Cash Flow reports
- Suspended Cost Report
- Davis-Dolwig Account Summary
- Capital Facilities Account Summary
- Summary of Bond Sales
- Program Component Statement Review
- Cap and Trade Auction Updates
- Springing Amendment Review
- Statement of Charges Preparation Schedule
- Off Aqueduct May Allocation Report
- Rate Management Report
- May Estimates Assumptions
- Statement of Charges Assumptions
- Transportation-Minimum 3-Year Average Report
- Statement of Charges Comparison
- Invoice Rate report
- Variable Rate Process review
- Alpha Allocation Updates
- Re-Bill Updates



State Water Contractors Committees and Meetings

Technical

- O&M Committee
- Engineering Committee
- Energy Committee
- Risk Oversight Committee
- Power Planning Workshop

Coordination

- *Bay-Delta* Workgroup
- Water Operations Committee
- Water Transfers Committee



State Water Contractors Committees and Meetings

Licensing

- Lake Oroville Relicensing Team
- California Aqueduct Relicensing Team

Contractor Specific

- SBA Contractor General Managers Meeting
- EBX Contractors Meeting
- MWD Perris Dam Team Meeting



Conclusion

DWR provides:

- An extensive and transparent reporting process
- Open communication
- A significant amount of information

DWR is also:

- Implementing cost control improvements
- Open to ideas for other improvement