



Comprehensive Annual Financial Report

For the Year Ended June 30, 2019

Administration Committee
November 13, 2019



CAFR Purpose



Inform 3 Groups

- Citizenry
- Legislative & Oversight Bodies
- Investors & Creditors

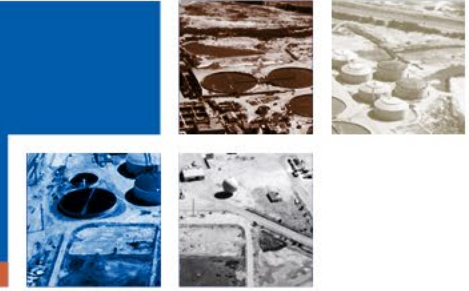
Independent Auditor - Macias Gini & O'Connell, LLP

Meet criteria for GFOA Award

- 24 Consecutive Awards

Present OCSD's Financial Information

Overview



3 Areas of Review

- Financial Position
- Available Resources
- Financial Performance

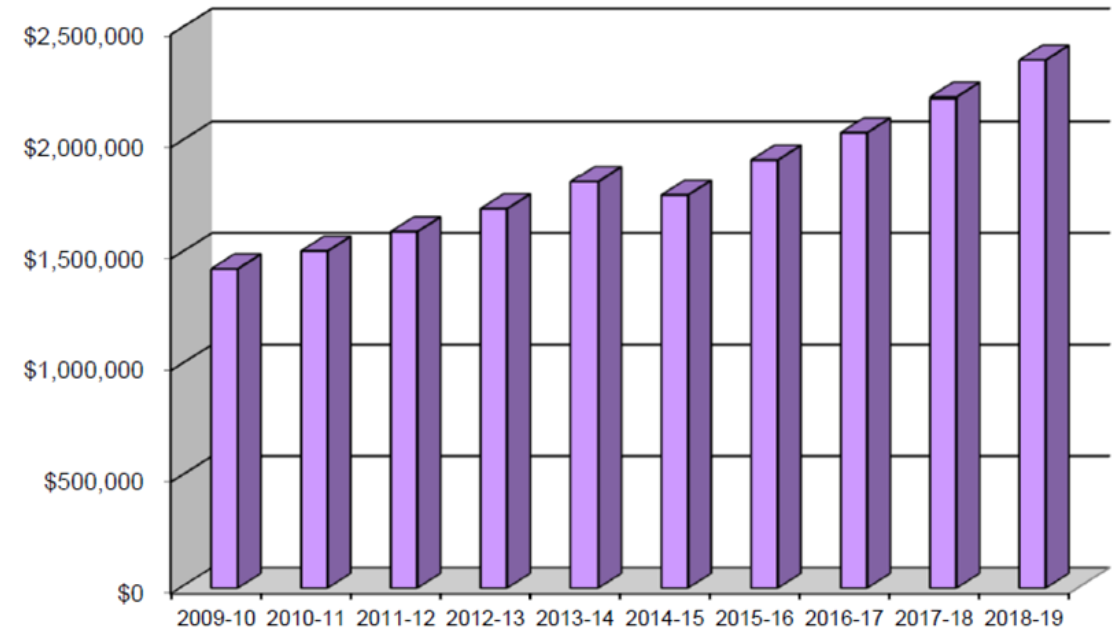
Financial Position



- Net Position - \$2.4 billion
 - Change in Net Position - \$165.7 million

(Dollars in thousands)

	June 30, 2019	June 30, 2018	Increase (Decrease)	% Increase (Decrease)
Total Revenues	477,088	422,528	54,560	12.9%
Total Expenses	332,407	279,449	52,958	19.0%
Income before capital contributions	144,681	143,079	1,602	1.1%
Capital facilities capacity charges	21,032	18,077	2,955	16.3%
Increase in net position	165,713	161,156	4,557	2.8%
Beginning net position	2,194,789	2,033,633	161,156	7.9%
Ending net position	\$ 2,360,502	\$ 2,194,789	\$ 165,713	7.6%



Ending Net Position by Fiscal Year

Capital Assets



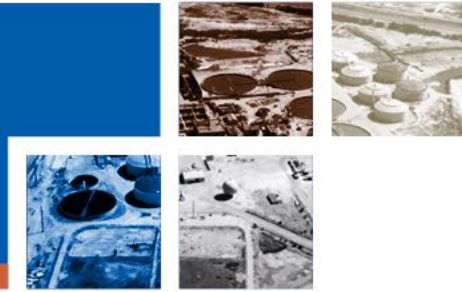
Major capital asset additions for the current fiscal year included the following:

- \$27.2 million Newhope-Placentia Trunk Replacement
- \$22.3 million Headquarters Complex at Plant No. 1 (includes land addition of \$18.4 million)
- \$16.5 million Sludge Dewatering and Odor control at Plant 1
- \$13.4 million Ocean Outfall System Rehabilitation
- \$13.3 million Consolidated Demolition & Utility Improvements at Plant No. 2
- \$11.9 million Sludge Dewatering and Odor Control at Plant 2
- \$ 7.0 million Headworks Rehabilitation at Plant No. 1
- \$ 6.8 million Primary Clarifiers Replacement at Plant No. 2
- \$ 3.3 million Digester Gas Facilities Rehabilitation

(Dollars in thousands)

	June 30, 2019	June 30, 2018	Increase (Decrease)	Percentage Increase (Decrease)
Land	\$ 41,967	\$ 29,741	\$ 12,226	41.1%
Construction in progress	521,832	427,996	93,836	21.9%
Sewage collection facilities	508,164	494,171	13,993	2.8%
Sewage treatment facilities	1,485,491	1,557,473	(71,982)	-4.6%
Effluent disposal facilities	31,696	33,178	(1,482)	-4.5%
Solids disposal facilities	278	288	(10)	-3.5%
General and administrative facilities	79,881	83,168	(3,287)	-4.0%
Capital assets, net	\$ 2,669,309	\$ 2,626,015	\$ 43,294	1.6%

Available Resources

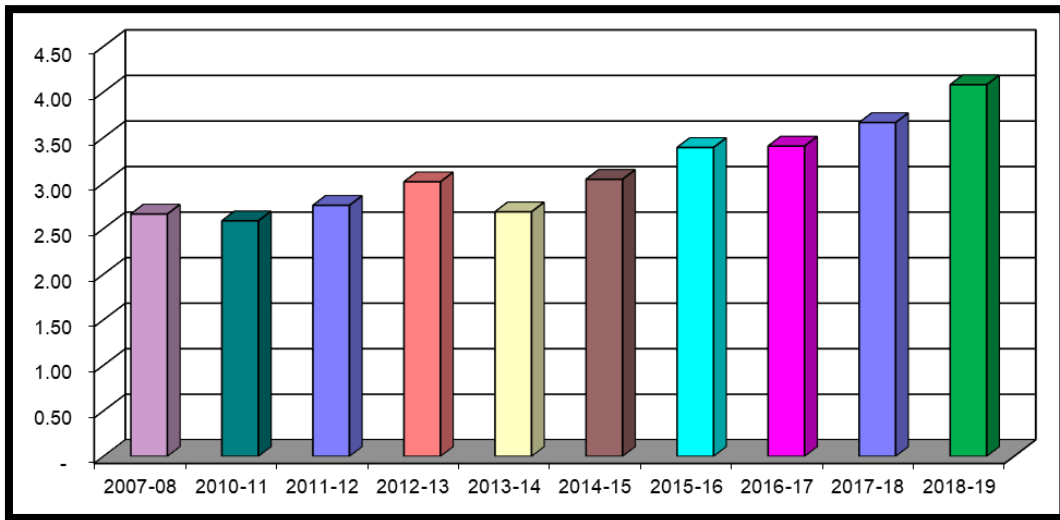


- Cash & Investments - \$760.5 million
 - Increase of \$80.1 million

Cash and investments consist of the following as of June 30, 2019:

Cash on hand	\$ 3,000
Deposits with financial institutions	2,343,869
Managed portfolio - cash and investments	758,121,468
Subtotal - unrestricted cash and investments	<u>760,468,337</u>
Monies held by trustees:	
Cash and cash equivalents	<u>28,766</u>
Grand total cash and investments	<u><u>\$ 760,497,103</u></u>

Financial Performance – Debt Service



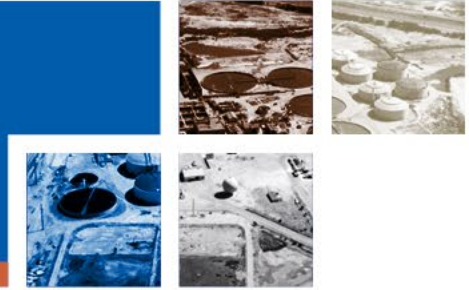
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	Fiscal Year Ending June 30,									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total Revenues	316.6	330.6	352.5	383.7	395.5	397.1	423.7	432	422.6	477.1
Operating Expenses (1)	<u>138.1</u>	<u>143.4</u>	<u>172.3</u>	<u>149.8</u>	<u>146.4</u>	<u>149.2</u>	<u>153.5</u>	<u>150.3</u>	<u>145.6</u>	<u>166.6</u>
Net Revenues	<u>178.5</u>	<u>187.2</u>	<u>180.2</u>	<u>233.9</u>	<u>249.1</u>	<u>247.9</u>	<u>270.2</u>	<u>281.7</u>	<u>277</u>	<u>310.5</u>
Debt Service Requirements										
Principal Payments	24	25.9	14.4	24	39.6	27.9	29.4	35.6	32.1	31.7
Interest Payments	<u>43.1</u>	<u>46.5</u>	<u>51</u>	<u>53.6</u>	<u>53.2</u>	<u>53.6</u>	<u>50.3</u>	<u>47.1</u>	<u>43.5</u>	<u>44.4</u>
Total Debt Service Requirements	<u>67.1</u>	<u>72.4</u>	<u>65.4</u>	<u>77.6</u>	<u>92.8</u>	<u>81.5</u>	<u>79.7</u>	<u>82.7</u>	<u>75.6</u>	<u>76.1</u>
Coverage Ratios	2.66	2.59	2.76	3.01	2.68	3.04	3.39	3.41	3.66	4.08

Notes

(1) - Operating expenses exclude depreciation and amortization expenses.

Financial Performance – Operations



<u>Category</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>Change</u>	<u>%</u>
Salaries and benefits	\$ 85.5 M	\$ 67.4 M	\$ 18.1 M	26.9%
Utilities	7.7 M	7.3 M	0.4 M	5.5%
Supplies, repairs and maintenance	31.8 M	28.3 M	3.5 M	12.4%
Contractual services	26.1 M	29.5 M	(3.4 M)	-11.5%
Feasibility studies	5.9 M	6.1 M	(0.2 M)	-3.3%
Other	<u>9.6 M</u>	<u>7.0 M</u>	<u>2.6 M</u>	<u>37.1%</u>
	<u>\$ 166.6 M</u>	<u>\$ 145.6 M</u>	<u>\$ 21.0 M</u>	<u>14.4%</u>

- \$18.1 million increase in salaries and benefits due to \$14.3 million increase in retirement expenses as a result of the change in projected and actual earnings on pension plan investments and changes of assumptions.