



Finance and Asset Management Committee

Update on Financial Conditions and Metrics

Item 6a
July 9, 2024

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Update on Financial Conditions and Metrics

Subject

Update on Financial Conditions and Metrics as of 3rd Quarter

Purpose

Provide an Overview of Metropolitan's Financial Condition, Key Financial Metrics and Debt Program

Agenda

- Investment Portfolio
- Metropolitan's Debt Program
- FY 24/25 & FY 25/26 Adopted Budget

Investment Portfolio

Investment Portfolio Balance and Performance by Fund

- As of May 31, 2024, Metropolitan had a cash portfolio of \$1.03 billion, which includes both restricted and unrestricted cash reserves

	Market Value (\$ in 000s)	Monthly Return			Fiscal YTD Return			Annualized Total Return Inception-to-Date	
		Interest Return	Total Return	Benchmark	Interest Return	Total Return	Benchmark	MWD	Benchmark
Liquidity	\$ 388,071	0.41%	0.46%	0.48%	4.04%	5.09%	4.97%	1.98%	1.53%
Core	600,515	0.25%	0.75%	0.82%	2.56%	4.20%	4.01%	2.97%	2.50%
Endowment	<u>41,780</u>	0.37%	0.77%		4.11%	3.56%		3.78%	
Total	<u>\$ 1,030,366</u>								

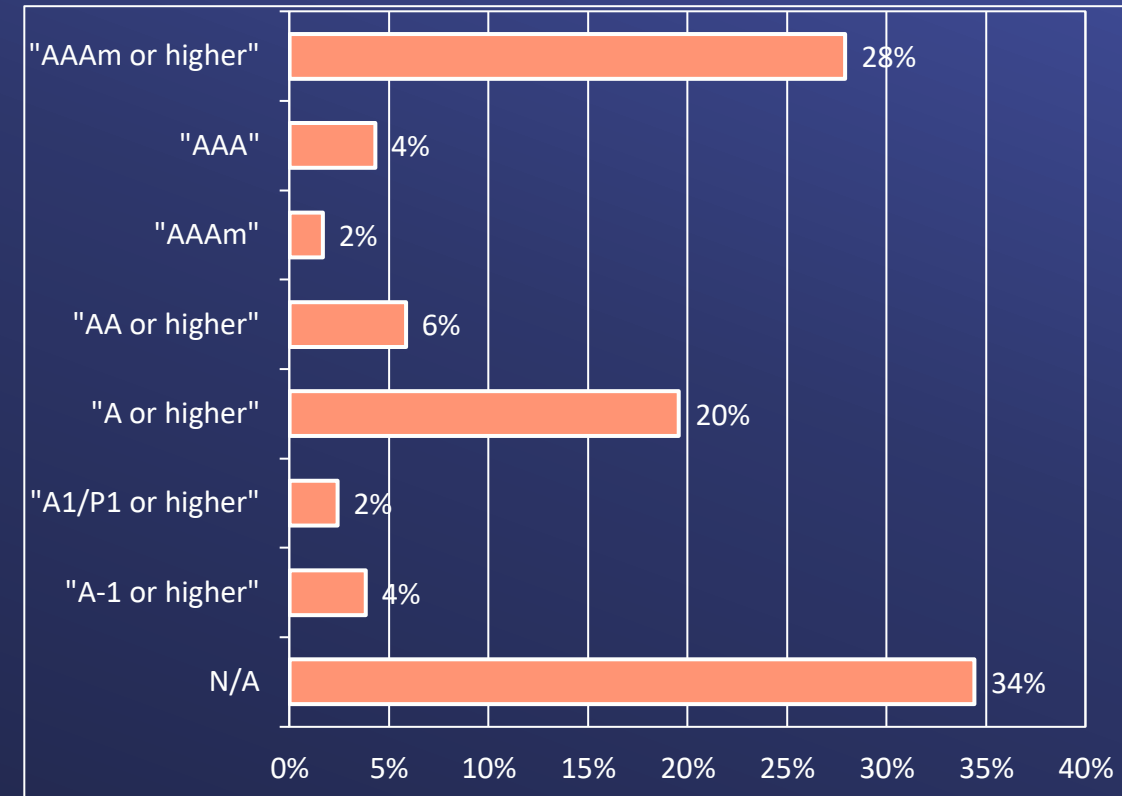
Investment Portfolio Duration by Fund

	<u>MWD</u> <u>Duration</u>	<u>Benchmark</u>
Liquidity	0.11	0.24
Core	1.87	2.16
Endowment	1.86	

Duration of a portfolio is the weighted average maturity of all the cash flows in the portfolio

Investment Portfolio Credit Overview

<u>Securities</u>	<u>Credit Quality</u>	<u>Market Value</u>
Asset-Backed Securities	"AA or higher"	\$ 52,536
California Asset Management Program	"AAAm or higher"	287,660
California Local Agency Investment Fund	N/A	25,000
Commercial Paper	"A1/P1 or higher"	24,950
Federal Agencies	N/A	62,508
Medium Term Notes	"A or higher"	199,448
Money Market Funds	"AAAm"	17,265
Mortgage-Backed Securities	"AAA"	44,368
Municipals	"A or higher"	2,163
Negotiable Certificates of Deposit	"A-1 or higher"	39,521
Supranationals	"AA or higher"	7,752
United States Treasuries	N/A	<u>267,195</u>
Total Portfolio		<u>\$ 1,030,366</u>



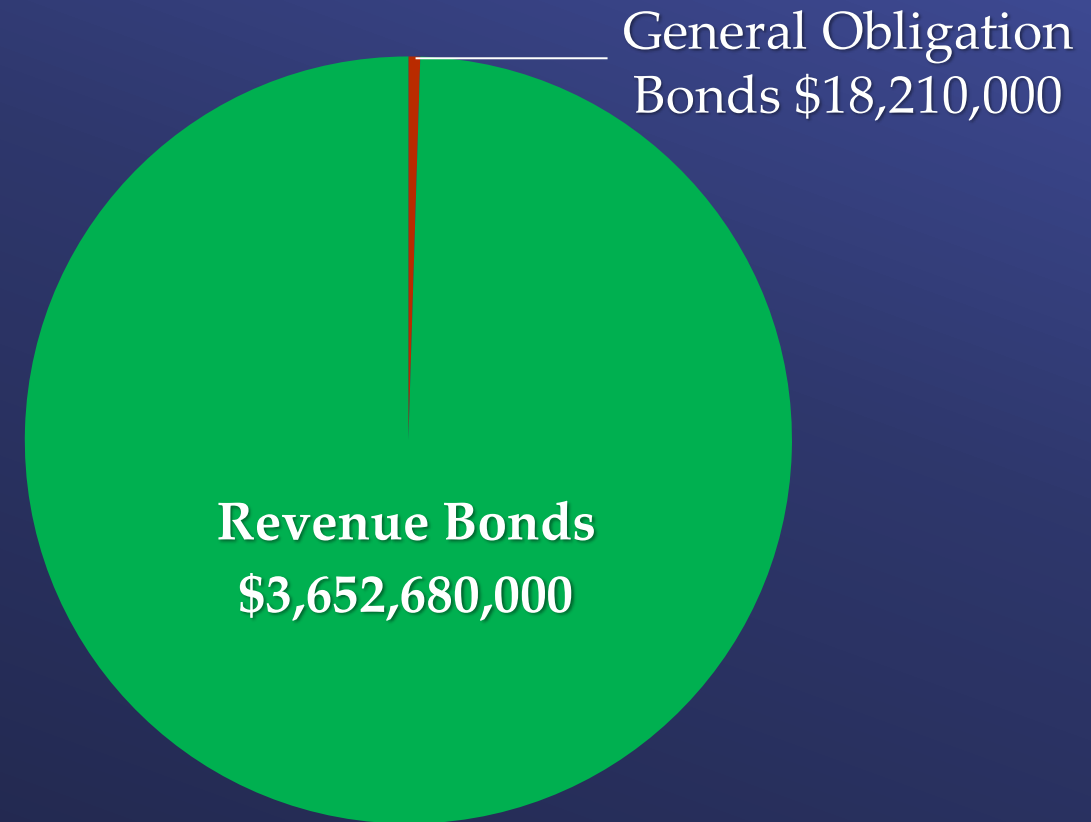
Metropolitan's Debt Program

Outstanding Debt by Type

- Metropolitan issues debt to fund a portion of its capital infrastructure investments
- Metropolitan has a total of \$3.7 billion of total debt outstanding
- Utilizing debt helps spread the cost of capital investment over time so beneficiaries of the investment pay their fair share of the cost (generational equity)
- Metropolitan manages the amount of debt leveraged on its balance sheet through pay-as-you-go or “PAYGO” expenditures, which are funded out of operating revenues (not debt)

Outstanding Debt by Type

(as of July 1, 2024)

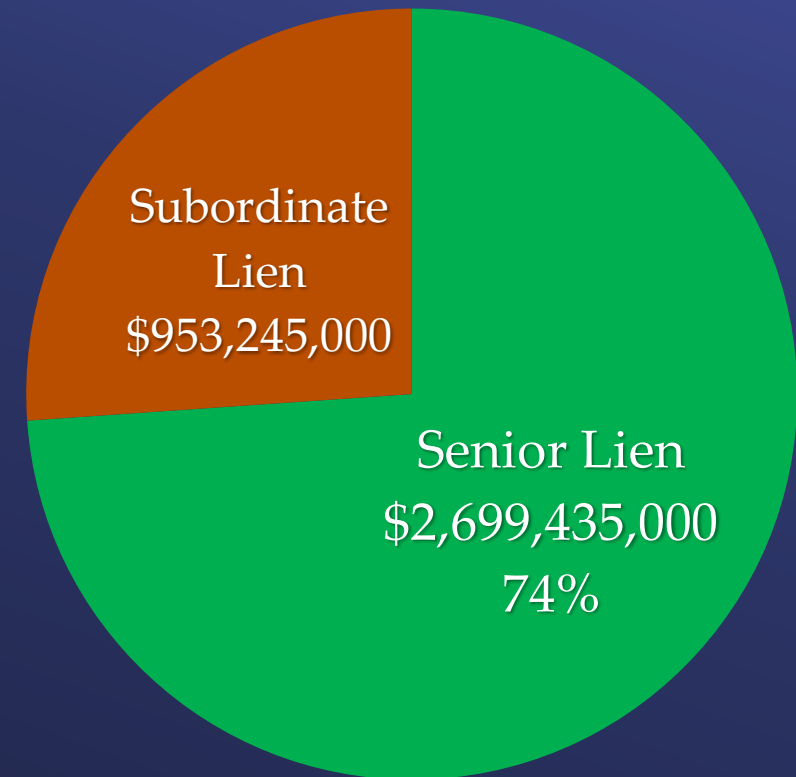


Revenue Bonds by Lien

- Metropolitan maintains a Master Senior Resolution 8329 and a Master Subordinate Resolution 9199 that provides for the issuance of revenue bond debt at distinct security liens for investor repayment
- The subordinate lien allows for more flexible terms for types of debt products that can be issued
- The pricing differential between Metropolitan's senior and subordinate liens is only approximately 3 to 5bps

Revenue Bonds by Lien

(as of July 1, 2024)

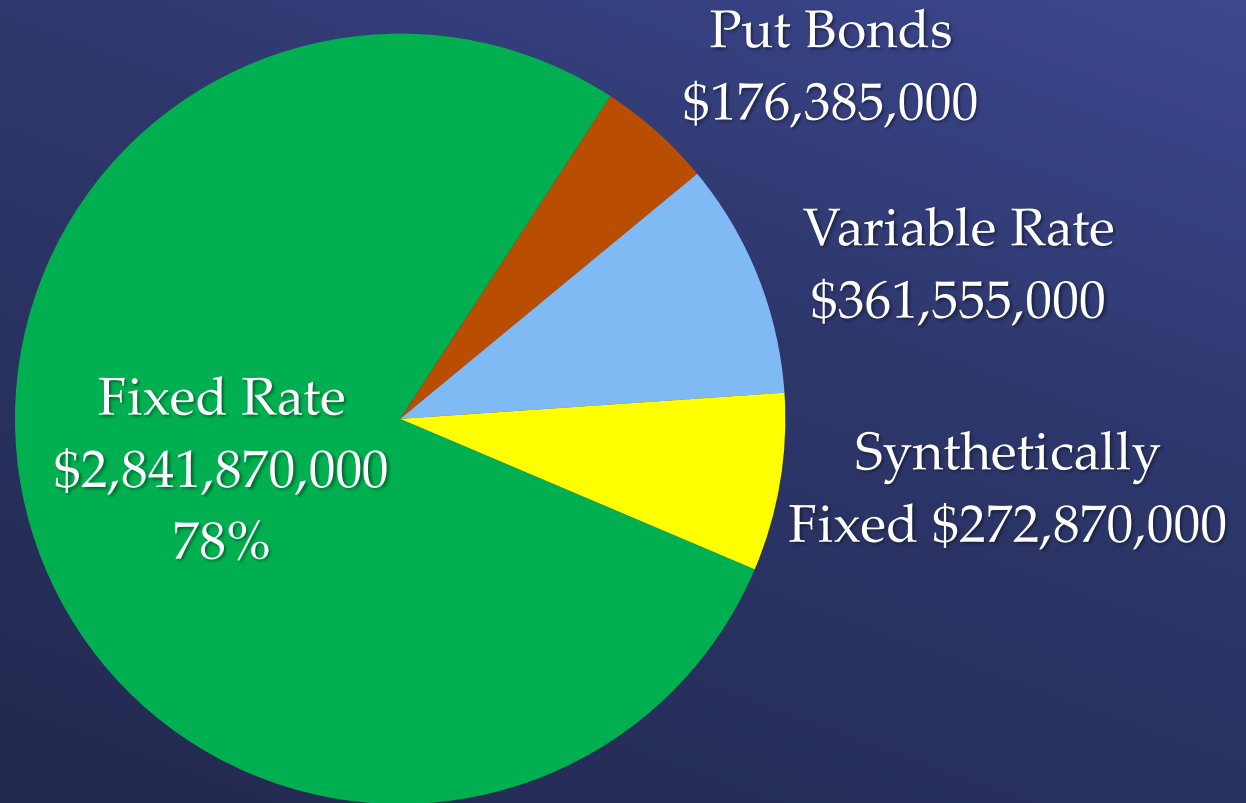


Revenue Bonds by Mode

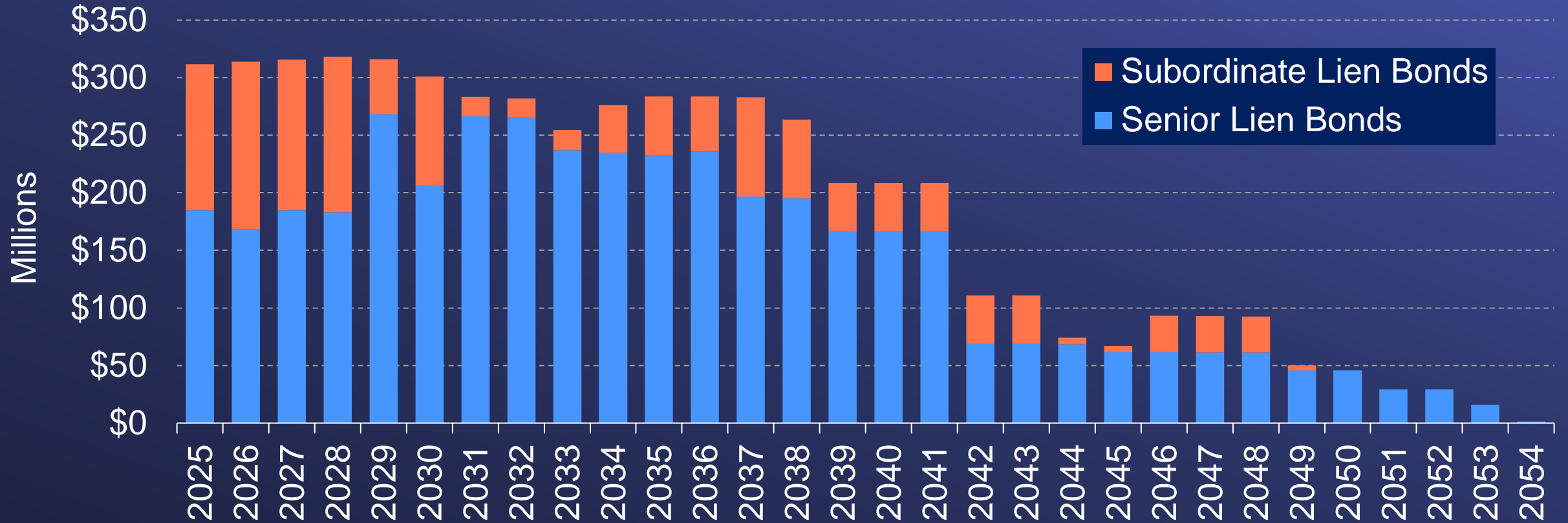
- Metropolitan mostly issues traditional, fixed-rate debt that typically extends out to 30 years at maximum
- While this comprises almost 80% of our debt portfolio, sometimes alternative debt structures like variable rate debt (daily or weekly resets), synthetically-fixed debt (hedged by our swap portfolio), and Put Bonds (multi-modal) bonds can change its structure over the life of the transaction through remarketings for longer term durations (3yr, 5yr, 7r, e.g.)

Revenue Bonds by Mode

(as of July 1, 2024)

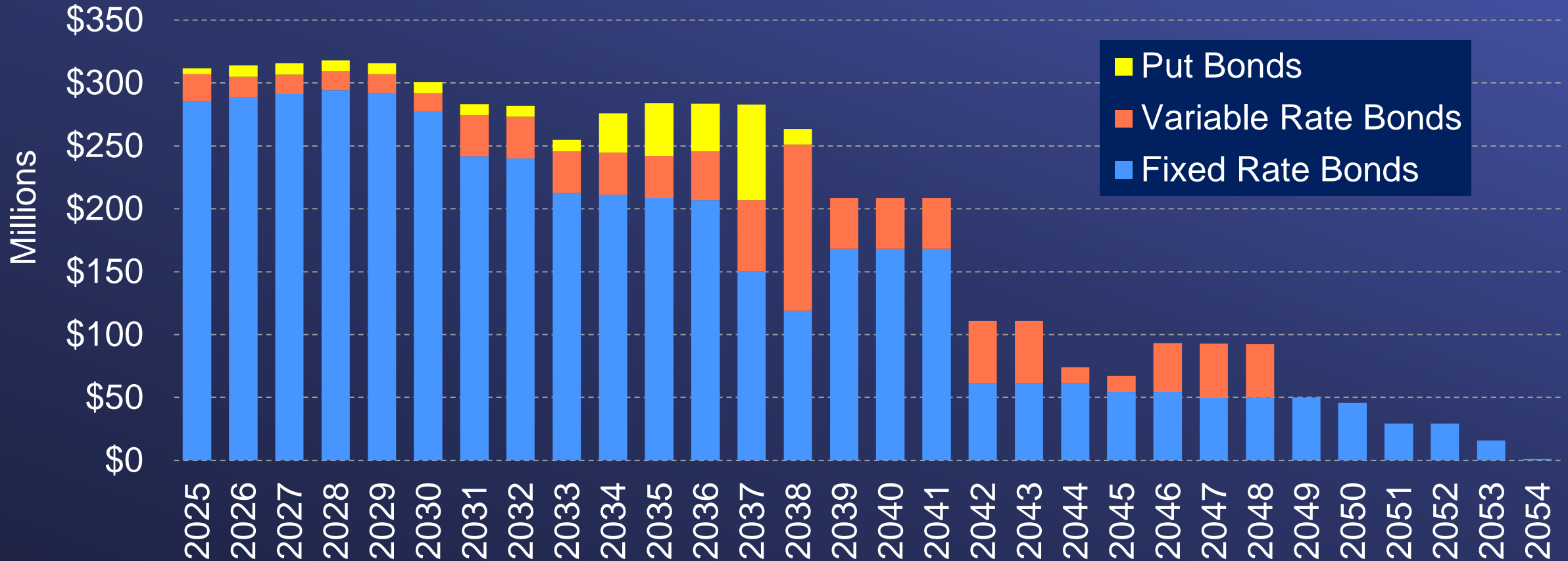


Revenue Bonds Debt Service by Lien



1. Does not include any debt service for the Short-Term Revolving Credit Facility.
2. Assumes that the 2028 maturity of the Subordinate Water Revenue Bonds, 2018 Series B is largely refunded with variable rate bonds prior to its maturity date, with the refunding bonds amortizing in the years 2033-2049 and interest thereon at an assumed rate of 2.25% per annum. Actual amortization of refunding bonds and rates may differ from those set forth in this footnote.
3. Of Metropolitan's \$634.4 million principal amount of outstanding variable rate bonds reflected in this table (\$331.9 million of Senior Bonds and \$302.6 million of Subordinate Bonds), interest on \$338.1 million aggregate amount of such variable rate bonds is hedged by interest rate swap agreements. Debt service is calculated taking into account the assumed fixed payor rates of interest to be paid under the respective interest rate swap agreements. For the remaining variable rate bonds, interest is calculated at an assumed rate of 3.25% per annum in fiscal year 2025, and 2.25% per annum thereafter.
4. Interest on the 2024B-2 Bonds is calculated at an assumed rate of 5.00% per annum following the 2024B-2 Bonds' initial term rate mode mandatory purchase date of July 1, 2029. Interest on the 2024B-3 is calculated at an assumed interest rate of 5.00% per annum following the 2024B-3 Bonds' initial term rate mode mandatory purchase date of July 1, 2031.

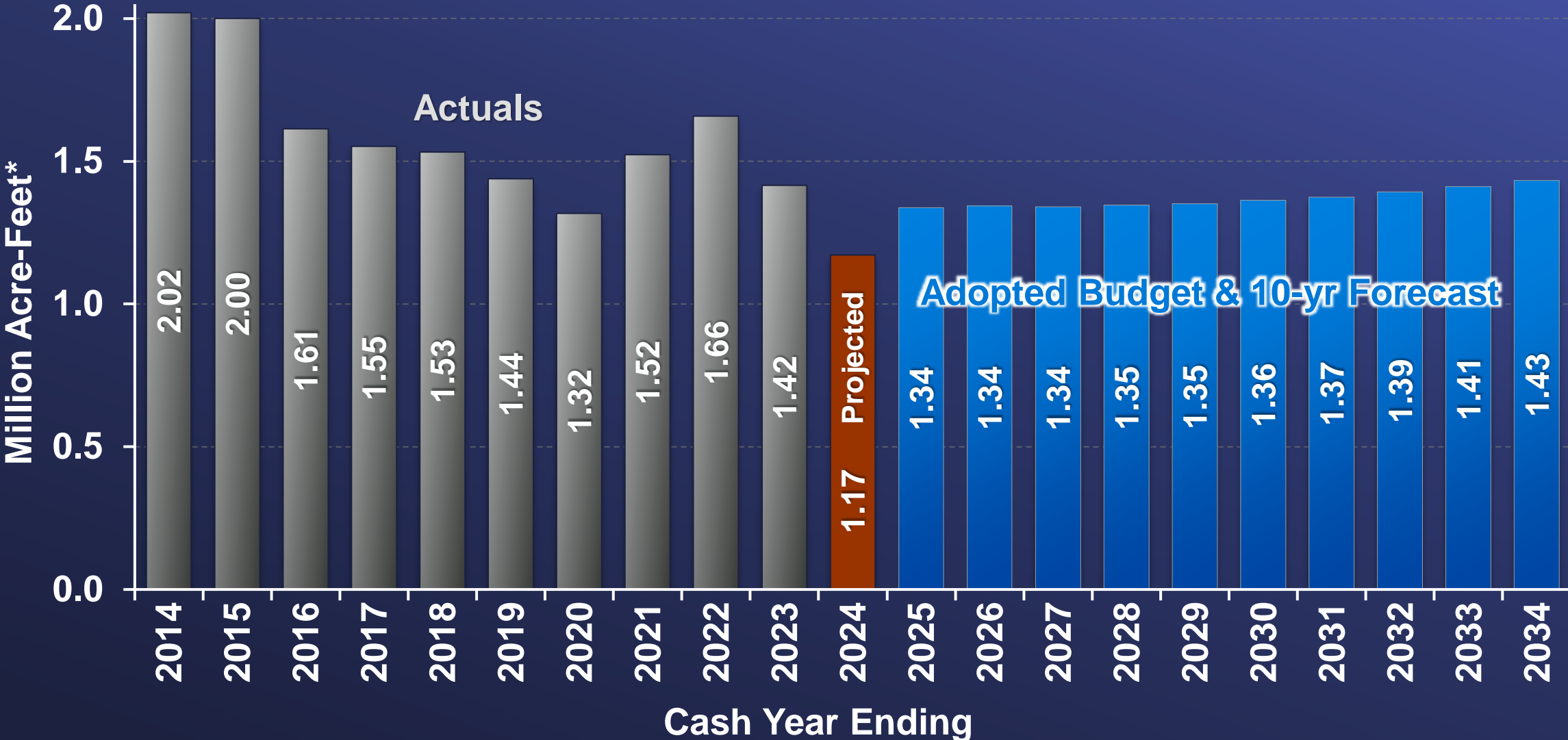
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FY 24/25 & FY 25/26 Adopted Budget

Budgeted Water Transactions

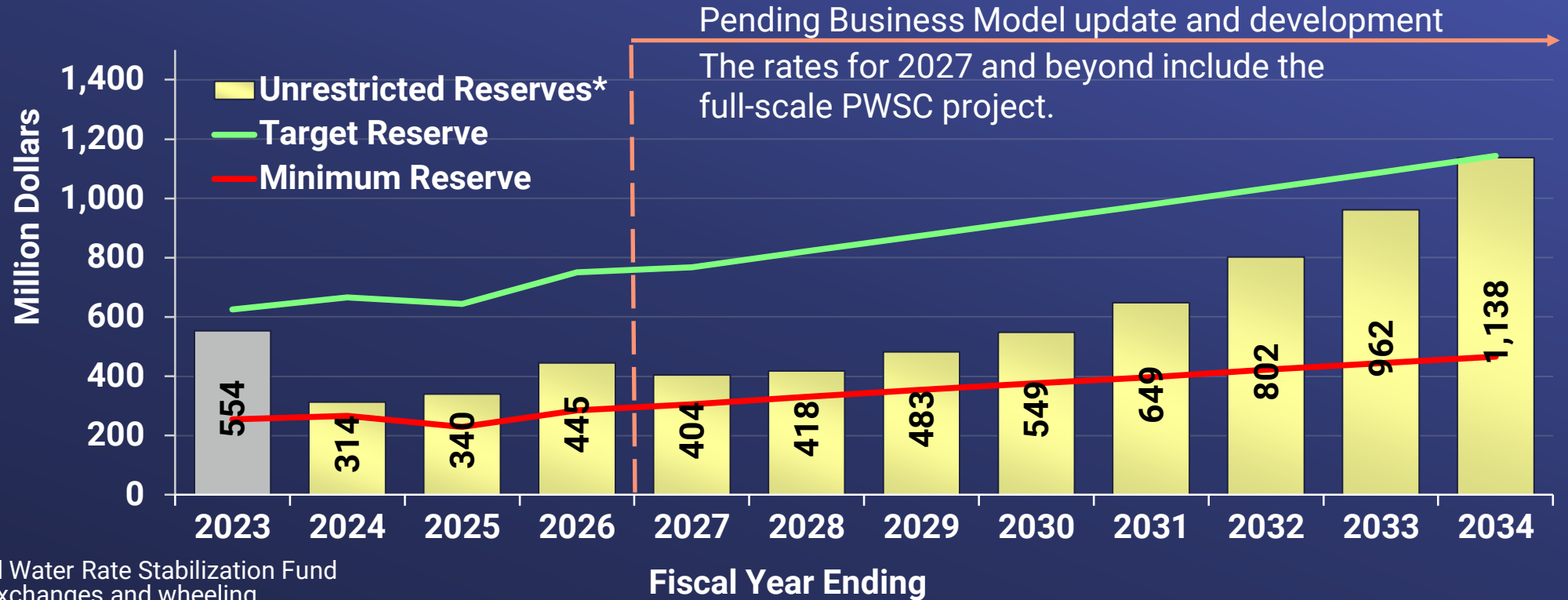


*Water Transactions for member agencies only

Ten-year Financial Projection

Adopted FY 2024/25 and FY 2025/26 Budget

The 10-year Financial Forecasts do not include funding of any other large projects that will be considered in the Climate Adaptation Master Plan for Water process like Sites Reservoir, East-West Conveyance, or the Delta Conveyance Project.



* Revenue Remainder and Water Rate Stabilization Fund

** Includes water sales, exchanges and wheeling

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Overall Rate Inc.	5%	5%	8.5%	8.5%	11.5%	11.5%	5.0%	5.0%	4.0%	4.0%	4.0%	4.0%
Ptax Rate	.0035%	.0035%	.0070%	.0070%	.0070%	.0070%	.0070%	.0070%	.0070%	.0070%	.0070%	.0070%
Water Transactions (MAF)**	1.42	1.17	1.34	1.34	1.34	1.35	1.35	1.36	1.37	1.39	1.41	1.43
Rev. Bond Cvg	1.5	1.1	1.7	1.9	1.6	1.8	1.9	1.8	1.8	1.7	1.7	1.7
CIP, \$M	247	353	312	324	1,390	1,684	2,171	1,966	1,544	1,091	655	502
PAYGO, \$M	135	35	175	175	175	250	275	275	250	225	230	240

FY 2023/24 Q3 Projection (based on actuals through Mar 2024)

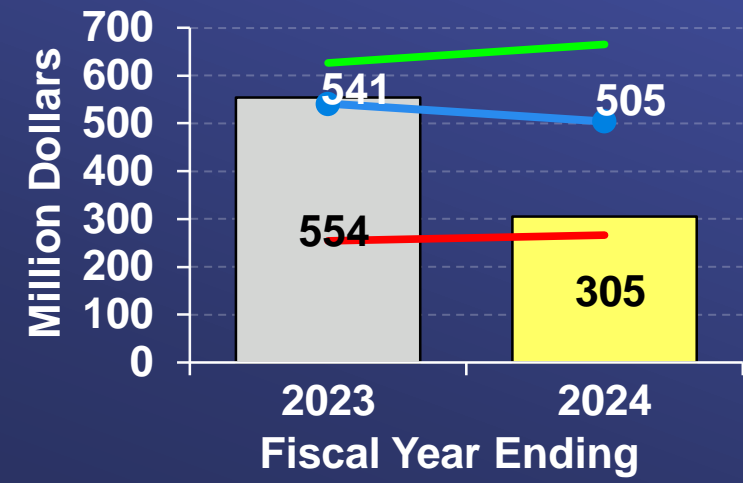
in millions	Budget	Projected	Change
Water Transactions	1,538.3	1,172.6	(365.7)
RTS Charge & Capacity Charge	195.7	195.7	-
Taxes	168.3	185.9	17.6
Interest Income	9.6	42.9	33.3
IRA Bucket 1 Funding	-	-	-
Other	44.7	34.1	(10.6)
Total Revenues	1,956.6	1,631.1	(325.5)
State Water Contract	726.7	707.7	(19.0)
Delta Conveyance ⁽¹⁾	34.5	34.5	-
Departmental O&M & Operating Eq	599.3	614.3	15.0
CRA Power	85.6	42.3	(43.3)
Supply Programs	110.1	131.3	21.2
Demand Management	67.1	63.9	(3.2)
Debt Service	301.0	327.3	26.3
PAYGO	135.0	35.0	(100.0)
Total Expenditures	2,059.4	1,956.4	(103.0)
Increase in Required Reserves	(5.1)	3.5	8.6
Water Treatment SSF	3.1	-	(3.1)
AVEK & Conservation Debt Funded	(64.0)	(64.0)	-
O&M Funded by \$80M State Grant	-	(15.0)	(15.0)
Total Fund Deposits (Withdraws)	(66.0)	(75.5)	(9.5)
Change in Unrestricted Reserves*	(36.8)	(249.7)	(212.9)

A

B

C

= A-B-C



- Water transactions estimated at 1.17 MAF about 370 TAF below the budget of 1.54 MAF
- Net draw on unrestricted reserves estimate at \$250M
- Projected EOY unrestricted reserves at \$305M, 38M above minimum and \$361M below the target reserve

1) Net of \$30M funded from CA WaterFix refund
 * Revenue Remainder and Water Rate Stabilization Fund

Budget Update

- FY 24/25 & FY 25/26 - Too early to forecast results
- \$120M (\$60M per year) in revenue yet to be identified
- \$36M (\$18M per year) in expense reductions yet to be identified
- Quarterly updates will be forthcoming that include projections incorporating progress toward meeting these budget assumptions

