

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

FINANCE AND ASSETT MANAGEMENT COMMITTEE

April 9, 2024

Chair Smith called the meeting to order at 10:31 a.m.

Members present: Directors Alvarez, Armstrong, De Jesus, Dennstedt, Dick, Gualtieri, McMillan, Miller, Petersen (entered after rollcall) Pressman, Quinn (entered after rollcall), Seckel, and Smith.

Members absent: Director Fong-Sakai.

Other Members present: Abdo, Ackerman, Bryant, Camacho, Cordero (AB 2449 “just cause”), Douglas, Erdman, Fellow, Garza, Lefevre (teleconference posted location), McCoy (teleconference posted location), Morris, Ortega, Peterson, and Sutley.

Director Cordero indicated she is participating under AB 2449 “just cause” for an illness that prevents her from attending in person. Director Cordero appeared by audio and on camera.

Director Cordero announced during roll call that no one was in the room with them 18 years of age or older.

Committee Staff present: Benson, Crosson, Chapman, Hagekhalil, Kasaine, Mortada, Quilizapa, Ros, and Wheeler.

1. OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO ADDRESS THE COMMITTEE ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION

Mark Gold, Water Scarcity Solutions, NRDC commented on item 9-2.

JD Harkey, Rancho California Water District commented on item 9-2.

Bruce Reznik, LA Waterkeeper commented on item 9-2.

Caty Wagner, Sierra Club California commented on item 9-2.

Greg Thomas, Elsinore Valley Municipal Water District commented on item 9-2.

Jack Humphreyville, City Los Angeles Resident commented on item 9-2

Bert Perello, Council Member of Oxnard commented on item 9-2

CONSENT CALENDAR ITEMS — ACTION

2. CONSENT CALENDAR OTHER ITEMS-ACTION

- A. Subject: Approval of the Minutes of the Finance, Audit, Insurance, and Real Property Committee Meeting for March12, 2024 (Copies have been submitted to each Director, Any additions, corrections, or omissions)

3. CONSENT CALENDAR ITEMS – ACTION

- 7-5 Subject: Adopt resolution for the 113th Fringe Area Annexation to Eastern Municipal Water District and Metropolitan; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA
- Motion: Adopt resolution for the 113th Fringe Area Annexation to Eastern Municipal Water District and Metropolitan

Director Quinn entered the meeting.

No presentation was given, Director Seckel made a motion, seconded by Director De Jesus, to approve items 2A and 7-5.

The vote was:

Ayes: Directors Alvarez, Armstrong, De Jesus, Dennstedt, Dick, Gualtieri, McMillan, Miller, Pressman, Quinn, Seckel, and Smith.

Noes: None

Abstentions: None

Absent: Directors Fong-Sakai and Petersen

The motion for items 2A and 7-5 passed by a vote of 12 ayes, 0 noes, 0 abstain, and 2 absent.

END OF CONSENT CALENDAR ITEMS

4. OTHER CONSENT ITEMS – ACTION

- 8-2 Subject: Approve and authorize the distribution of Appendix A for use in the issuance and remarketing of Metropolitan's Bonds; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA
- Motion: a. Approve the draft of Appendix A attached to this board letter (Attachment 1.)
 b. Authorize the General Manager, or other designee of the Ad Hoc Committee, to finalize, with changes approved by the General Manager and General Counsel, Appendix A
 c. Authorize distribution of Appendix A, finalized by the General Manager or other designee of the Ad Hoc Committee, in connection with the sale and/or remarketing of bonds.
- Presented by: Sam Smalls, Manager of Treasury and Debt Management

Ms. Kasaine introduced the item and Mr. Smalls provided an oral overview of Appendix A.

The following Directors provided comments or asked questions:

1. Miller
2. Smith

Staff responded to the Directors' comments and questions.

Director Quinn left the meeting.

After completion of the presentation, Director Pressman made a motion, seconded by Director Dick to approve item 8-2.

The vote was:

Ayes: Directors Alvarez, Armstrong, De Jesus, Dennstedt, Dick, Gualtieri, McMillan, Miller, Pressman, Seckel, and Smith.

Noes: None

Abstentions: None

Absent: Directors Fong Sakai, Petersen, and Quinn.

The motion for item 8-2 passed by a vote of 11 ayes, 0 noes, 0 abstain, and 3 absent.

8-7 Subject: Approve and authorize the distribution of Appendix A for the use in the issuance and remarketing of Metropolitan's Bonds; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

 Motion: Amended Option 1 with the addition of a statement that the Board adopts Option 1 based on an assumption of property taxes in an amount estimated to be collected pursuant to a rate of 0.007%.

- a. Approve the FY 2024/25 and FY 2025/26 Biennial Budget with overall rate increases of 8.5 percent in CY 2025 and 8.5 percent in CY 2026, which includes:
 - (i) Appropriation of \$3,453.2 million for Metropolitan O&M and operating equipment, power costs on the Colorado River Aqueduct (CRA), SWC operations, maintenance, power and replacement costs and SWC capital charges, including Delta Conveyance Planning costs, demand management programs including the local resources and Conservation Program, and costs associated with supply programs, for FYs 2024/25 and 2025/26;
 - (ii) a continuing appropriation of \$693.9 million for FY 2024/25 and FY 2025/26 for debt service on Metropolitan general

- obligation and revenue bonds;
 - (iii) bond financing \$48.2 million of the budgeted Conservation Program over the biennium; and,
 - (iv) bond financing \$129.6 million of the budgeted Supply Program over the biennium.
- b. Authorize the use of \$350 million in operating revenues to fund the Capital Investment Plan for FYs 2024/25 and 2025/26;
 - c. Determine that the revenue requirements to be paid from rates and charges are \$1,549.5 million in FY 2024/25 and \$1,692.6 million in FY 2025/26;
 - d. Approve the Ten-Year Financial Forecast, as summarized in Figure 2;
 - e. Approve water rates and charges effective January 1, 2025, and January 1, 2026, as shown in Table 5;
 - f. Adopt the Resolution Fixing and Adopting Water Rates To Be Effective January 1, 2025, and 2026, in the form of **Attachment 5**;
 - g. Adopt the Resolution Fixing and Adopting A Readiness-To-Serve Charge Effective January 1, 2025, in the form of **Attachment 6**; and,
 - h. Adopt the Resolution Fixing and Adopting A Capacity Charge Effective January 1, 2025, in the form of **Attachment 7**;
 - i. Metropolitan will work with member agency staff and the CAMP4Water Task Force to understand and analyze the treatment surcharge and specifically address issues that arise from that analysis including but not limited to modifying the way the charge is calculated. A final method will be prioritized as part of the new business model discussion and recommended for adoption as soon as possible thereafter but no later than approval of the new business model.

Substitute Motion: Amended Option 2 with the addition of a statement that the Board adopts Option 2 based on an assumption of property taxes in an amount estimated to be collected pursuant to a rate of 0.0099%.

- a. Approve the FY 2024/25 and FY 2025/26 Biennial Budget with overall rate increases of 8.5 percent in CY 2025 and 8.5 percent in CY 2026, which includes:
 - (i) Appropriation of \$3,453.2 million for Metropolitan O&M and operating equipment, power costs on the

- Colorado River Aqueduct (CRA), SWC operations, maintenance, power and replacement costs and SWC capital charges, including Delta Conveyance Planning costs¹, demand management programs including the local resources and Conservation Program, and costs associated with supply programs, for FYs 2024/25 and 2025/26;
- (ii) a continuing appropriation of \$693.9 million for FY 2024/25 and FY 2025/26 for debt service on Metropolitan general obligation and revenue bonds;
 - (iii) bond financing \$48.2 million of the budgeted Conservation Program over the biennium; and, (iv) bond financing \$129.6 million of the budgeted Supply Program over the biennium.
- b. Authorize the use of \$350 million in operating revenues to fund the Capital Investment Plan for FYs 2024/25 and 2025/26;
 - c. Determine that the revenue requirements to be paid from rates and charges are \$1,549.5 million in FY 2024/25 and \$1,692.6 million in FY 2025/26;
 - d. Approve the Ten-Year Financial Forecast, as summarized in Figure 2;
 - e. Approve water rates and charges effective January 1, 2025, and January 1, 2026, as shown in Table 5;
 - f. Adopt the Resolution Fixing and Adopting Water Rates To Be Effective January 1, 2025, and 2026, in the form of Attachment 5;
 - g. Adopt the Resolution Fixing and Adopting A Readiness-To-Serve Charge Effective January 1, 2025, in the form of Attachment 6; and,
 - h. Adopt the Resolution Fixing and Adopting A Capacity Charge Effective January 1, 2025, in the form of Attachment 7;
 - i. Metropolitan will work with member agency staff and the CAMP4Water Task Force to understand and analyze the treatment surcharge and specifically address issues that arise from that analysis including but not limited to modifying the way the charge is calculated. A final method will be prioritized as part of the new business model discussion and recommended for adoption as soon as possible thereafter but no later than approval of the new business model.

Presented by:

Arnout Van den Berg, Section Manager

Mr. Hagekhalil provided opening remarks to the committee. Next, the Assistant General Manager's, Mr. Upadhyay, Mr. Chapman, Ms. Zinke, and Ms. Kasaine and Chief of Staff, Mr. Mortada provided their remarks.

Ms. Kasaine introduced the item and Mr. Van den Berg presented the committee with the budget process timeline, summary of the three options, estimated property tax revenue, revenue opportunities, additional expenditure reductions, and treatment surcharge considerations.

Director Quinn entered the meeting.

The following Directors provided comments or asked questions:

1. Smith
2. Armstrong
3. Pressman
4. Ortega
5. Peterson
6. Lefevre
7. Gualtieri
8. Miller
9. De Jesus
10. Seckel
11. Dennstedt
12. Dick
13. Quinn
14. McMillan
15. Abdo

Staff responded to the Directors' comments and questions.

After completion of the presentation, Director Armstrong made a motion for amended Option 1, seconded by Director Alvarez, to approve item 8-7. Before voting on Amended Option 1, Director McMillan made a substitute motion for amended option 2, seconded by Director Dennstedt, to approve item 8-7.

The vote on the substitute motion was:

Ayes: Directors De Jesus, Dennstedt, Dick, Gualtieri, McMillan, and Pressman.

Noes: Directors Alvarez, Armstrong, Miller, Quinn, Seckel, and Smith.

Abstentions: None

Absent: Directors Fong Sakai and Petersen.

The substitute motion for amended Option 2 for item 8-7 failed by a vote of 6 ayes, 6 noes, 0 abstain, and 2 absent.

Director Armstrong's original motion for amended Option 1 was called for a vote.

The vote was:

Ayes: Directors Alvarez, Armstrong, De Jesus, Dennstedt, Dick, Gualtieri, McMillan, Miller, Pressman, Seckel, and Smith.

Noes: None

Abstentions: Director Quinn.

Absent: Directors Fong Sakai and Petersen.

The motion for amended Option 1 for item 8-7 passed by a vote of 11 ayes, 0 noes, 1 abstain, and 2 absent.

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

- a. Subject: Climate Adaptation Master Plan for Water: Draft Year One report
Presented by: Liz Crosson, Chief Sustainability, Resilience, and Innovation Officer

Ms. Crosson presented the committee with a summary of the draft report. Her presentation included values and priorities, climate decision making framework, projects assessed in CAMP4W, and future task force activities and discussions.

The following Directors provided comments or asked questions:

1. Ortega
2. Smith
3. Sutley
4. Petersen
5. Seckel

Staff responded to the Directors' comments and questions.

- b. Subject: Financing Overview for Bond Issuance (SB 450)
Presented by: Sam Smalls, Manager of Treasury and Debt Management

Ms. Kasaine introduced the item and Mr. Smalls presented the committee with an overview of SB 450 reporting mandate, SB 450 requirements, and the Water Revenue Refunding bonds, 2024 series A.

The following Directors provided comments or asked questions:

1. Dick
2. Seckel

Staff responded to the Directors' comments and questions.

7. MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS

- a. Subject: Financial and Asset Management Activities
No report was given.

8. SUBCOMMITTEE REPORTS AND DISCUSSION

- a. Subject: Discuss and provide direction to Subcommittee on Long Term
Regional Planning Processes and Business Modeling
No direction was given.

9. FOLLOW-UP ITEMS

None

10. FUTURE AGENDA ITEMS

Director Smith requested the fixed meter charge for capacity for new meters be included in the business model discussion.

11. ADJOURNMENT

The next meeting will be held on May 14, 2024.

The meeting adjourned at 1:28 p.m.

Timothy Smith
Chair