



● **Board of Directors**

***Finance, Audit, Insurance, and Real Property Committee***

6/13/2023 Board Meeting

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9-2

**Subject**

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Introduction of Ordinance No. 152: Determining that the Interests of Metropolitan Require the Use of Revenue Bonds in the Aggregate Principal Amount of \$500 Million to Finance a Portion of Capital Expenditures

**Executive Summary**

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Introduction of Ordinance No. 152 - Determining That The Interests Of The District Require The Use of Revenue Bonds In the Aggregate Principal Amount of \$500,000,000 To Finance A Portion Of Capital Expenditures (Ordinance) will allow the Board to consider the adoption of the Ordinance at the Board's July meeting.

**Details**

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**Background**

In 1974, the voters in Metropolitan's service area approved the use of long-term revenue bonds as an alternative to pay-as-you-go financing. Revenue bonds include bonds, notes, loans, or other evidences of indebtedness.

Pursuant to the approval of the voters and the Metropolitan Water District Act (MWD Act), the Board may authorize issuance of revenue bonds upon the adoption of an ordinance finding the interests of the District require their use for the purposes set forth in Section 237 of the MWD Act. These purposes include financing a portion of capital expenditures, should their costs be too great to be paid out of the operating revenues, in order to preserve the financial flexibility of the District.

The adoption of the Ordinance is the first step to subsequent and separate authorization of revenue bonds in an aggregate principal amount of up to \$500 million. Adoption of the Ordinance will not authorize any specific bond issuance. Separate board approval would be required for any bond issuance under this Ordinance.

Staff anticipates returning to the Board in July 2023 for consideration and adoption of the attached Ordinance. The MWD Act requires ordinances to be introduced on a day prior to the time of the Board's adoption of the ordinance. The MWD Act does not specify the method of introduction of ordinances. By introducing the Ordinance in June and seeking board approval in July, we are satisfying the requirements of the MWD Act. The analysis supporting that proposal will be presented to the Board at that time.

Sequence of Board actions:

- 1 Introduce the Ordinance by a reading of the title only of the Ordinance. (June – Board only.)
2. Vote whether the interests of the District require use of revenue bonds in the amount not to exceed \$500 million to finance a portion of capital expenditures and waive the full reading of the Ordinance. (Scheduled for July – Finance, Audit, Insurance, and Real Property Committee and Board.)
3. Adopt separate bond resolutions, as needed, up to an aggregate principal amount of \$500 million to authorize future bond issuance. Follows adoption of Ordinance.

**Attachment 1** provides the Board with the full text of the proposed Ordinance.

**Policy**

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Metropolitan Water District Act Section 61: Ordinances, Resolutions and Orders

Metropolitan Water District Act Section 63: Roll Call on Ordinances

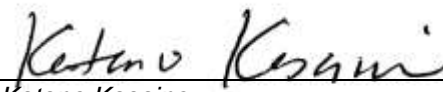
Metropolitan Water District Act Section 64: Ordinances; Introduction; Adoption

Metropolitan Water District Act Section 237: Revenue Bond Purposes

**Fiscal Impact**

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None.

  
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Katano Kasaine  
Assistant General Manager/  
Chief Financial Officer

6/1/2023  
Date

  
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Adel Hagekhalil  
General Manager

6/2/2023  
Date

**Attachment 1 – Ordinance of the Board of Directors of The Metropolitan Water District of Southern California Determining that the Interests of the District Require the Use of Revenue Bonds in the Aggregate Principal Amount of \$500,000,000 to Finance a Portion of Capital Expenditures**

Ref# cfo12693278

THE METROPOLITAN WATER DISTRICT OF  
SOUTHERN CALIFORNIA

ORDINANCE 152

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ORDINANCE OF THE BOARD OF DIRECTORS  
OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
DETERMINING THAT THE INTERESTS OF THE DISTRICT REQUIRE THE USE OF  
REVENUE BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF \$500,000,000 TO  
FINANCE A PORTION OF CAPITAL EXPENDITURES

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The Board of Directors of The Metropolitan Water District of Southern California (the “Board”) hereby finds that:

1. Pursuant to Chapter 1.6 of Part 5 of the Metropolitan Water District Act (California Statutes 1969, Chapter 209, as amended, hereinafter sometimes referred to as the “Act”), the Board of The Metropolitan Water District of Southern California (the “District”), on March 12, 1974, adopted Ordinance No. 126, calling a special election to be held within the District on June 4, 1974, for the purpose of submitting to the qualified voters of said District the following proposition:

To permit use of long-term bonds backed by water revenues as an alternative to pay-as-you-go financing, shall the Board of Directors of the Metropolitan Water District of Southern California be authorized to issue and sell revenue bonds under Chapter 1.6, Part 5, Metropolitan Water District Act?

2. Said election was duly and regularly held, and said proposition received the affirmative vote and assent of a majority of all of the qualified voters of the District voting on said proposition, and therefore the Board is authorized to issue and sell revenue bonds under Chapter 1.6 of Part 5 of the Act.

3. Revenue bonds means bonds, notes, loans, or other obligations or evidences of indebtedness, as provided for in the Act and California Government Code.

4. The ability to ensure a reliable supply of high-quality water for the District’s 26 member agencies depends upon the District’s ongoing ability to fund operations and maintenance, maintain and augment local and imported water supplies, fund replacements and refurbish existing infrastructure, and invest in system improvements.

5. Ordinance 151 was adopted by the Board on September 15, 2020, finding that the interests of Metropolitan require the use of revenue bonds in the aggregate principal amount of \$500,000,000 to fund a portion of the District’s capital investment plan expenditures, the cost of which is too great to be paid out of the ordinary annual income and revenue of the District.

6. Of the \$500,000,000 aggregate principal amount of revenue bonds authorized under Ordinance 151, all but \$396.155 million have been issued, and \$260 million is anticipated to be issued in fiscal year (FY) 2022/23 to finance a portion of the District's capital expenditures.

7. On April 12, 2022, the Board approved a biennial budget for FY 2022/23 and FY 2023/24, containing capital expenditures of \$300 and \$300 million, respectively, of which 55 percent is anticipated to be funded by debt proceeds.

8. On April 12, 2022, the Board approved a ten-year financial forecast for FY 2022/23 through FY 2031/32 (the "Ten-Year Financial Forecast"), forecasting annual capital expenditures of \$300 million for FY 2022/23 and FY 2023/24 and increasing from \$372 million up to \$1,202 million in FY 2024/25 through FY 2030/31, of which some portion of each year is anticipated to be funded by debt proceeds. The Ten-Year Financial Forecast provides an estimated forecast of future capital expenditures.

9. On April 12, 2022, the Board approved the use of \$270 million in operating revenues to partially fund the capital investment plan for FY 2022/23 and FY 2023/24. The capital investment plan identifies the capital priorities of the District for the fiscal years of the adopted budget.

10. In order to fully fund the capital investment plan and board-approved bond-financed projects for the Antelope Valley East Kern (AVEK) High Desert Water Banking Program and conservation program adopted by the Board on April 12, 2022, \$463.9 million in revenue bonds would be required in FY 2022/23 and FY 2023/24. To support the issuance of such \$463.9 million in revenue bonds, a capacity of \$396.155 million under Ordinance 151 is available. This Ordinance would provide support for these bond issues and provide capacity for debt issued in future years.

11. Debt financing in future FYs of the Ten-Year Financial Forecast is assumed at amounts ranging from \$165 million to \$1,002 million per fiscal year.

12. The Board may, from time to time, approve capital expenditures other than or in addition to those contemplated by the capital investment plan at the time of the then-current biennial budget.

13. From time to time, capital projects that have been undertaken are delayed, redesigned, or deferred by the District for various reasons.

14. This Ordinance would support future board actions for debt financing over several years for capital expenditures approved by the Board as provided in the then-current biennial budget, capital investment plan, ten-year financial forecast, and as otherwise approved by the Board, which collectively would not exceed \$500,000,000.

15. Using debt to finance a portion of capital expenditures will provide the District with additional financial flexibility to fund capital expenditures that are necessary or convenient to carry out the purposes of the District while mitigating increases in water rates and charges.

16. This Ordinance was introduced at the regular meeting of the Board held on June 13, 2023.

NOW, THEREFORE, the Board of Directors of the District, DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

The interests of The Metropolitan Water District of Southern California require the use of revenue bonds in the aggregate principal amount of \$500,000,000 to finance a portion of the District's capital expenditures, the cost of which is too great to be paid out of the ordinary annual income and revenue of the District.

**I HEREBY CERTIFY** that the foregoing is a full, true and correct copy of an Ordinance adopted by a two-thirds (2/3) vote of the total vote of the Board of Directors of The Metropolitan Water District of Southern California at its meeting held on July 11, 2023.

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Secretary of the Board of Directors  
of the Metropolitan Water District  
of Southern California