

The Metropolitan Water District of Southern California

Agenda

The mission of the Metropolitan Water District of Southern California is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

FAM Committee

T. Smith, Chair
L. Dick, Vice Chair
D. Alvarez
J. Armstrong
D. De Jesus
B. Dennstedt
L. Fong-Sakai
M. Gualtieri
J. McMillan
C. Miller
M. Petersen
B. Pressman
T. Quinn
K. Seckel

Finance and Asset Management Committee - Final - Revised 1

Meeting with Board of Directors *

March 12, 2024

10:00 a.m.

Agendas, live streaming, meeting schedules, and other board materials are available here: <https://mwdh2o.legistar.com/Calendar.aspx>. If you have technical difficulties with the live streaming page, a listen-only phone line is available at 1-877-853-5257; enter meeting ID: 891 1613 4145. Members of the public may present their comments to the Board on matters within their jurisdiction as listed on the agenda via in-person or teleconference. To participate via teleconference 1-833-548-0276 and enter meeting ID: 815 2066 4276 or click <https://us06web.zoom.us/j/81520664276pwd=a1RTQWh6V3h3ckFhNmduUWpKR1c2Zz09>

**Tuesday, March 12, 2024
Meeting Schedule**

**08:30 a.m. LC
10:00 a.m. FAM
01:00 p.m. Break
01:30 p.m. BOD**

MWD Headquarters Building • 700 N. Alameda Street • Los Angeles, CA 90012

Teleconference Locations:

Princess Cruise / Emerald Princess • 3721 S.W. 30th Avenue, Fort Lauderdale, FL 33312

3008 W. 82nd Place • Inglewood, CA 90305

525 Via La Selva • Redondo Beach, CA 90277

Cedars Sinai Medical Center • 8700 Beverly Blvd • Los Angeles, CA 90048

934 16th Street • Denver, CO 80202

* The Metropolitan Water District's meeting of this Committee is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to this Committee may participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the committee as advisory to the Board, members of the Board who are not assigned to this Committee will not vote on matters before this Committee.

- 1. Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))**

**** CONSENT CALENDAR ITEMS -- ACTION ****

- 2. CONSENT CALENDAR OTHER ITEMS - ACTION**

- A. Approval of the Minutes of the Finance, Audit, Insurance, and Real Property Committee Meeting for February 12, 2024 (Copies have been submitted to each Director, any additions, corrections, or omissions) [21-3119](#)

Attachments: [03122024 FAM 2A \(02122024\) Minutes](#)

3. CONSENT CALENDAR ITEMS - ACTION

NONE

**** END OF CONSENT CALENDAR ITEMS ****

4. OTHER BOARD ITEMS - ACTION

- 8-1 Authorize a new agricultural lease agreement with Lemhi Land & Cattle LLC, thereby allowing this existing lessee to continue farming on Metropolitan's fee-owned property in the Sacramento-San Joaquin Delta; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [Conference with real property negotiators; properties totaling approximately 3,007 gross acres in the area commonly known as Holland Tract, also identified as Contra Costa County Assessor Parcel Nos. 023040027; 023040026; 023050001; 023050002; 023070011; 023070012; 023090004; 023090003; 023080010; 023080011; 023100007; 023100008; 023090001; 023100002; 023100004; 023100001; agency negotiators: Anna Olvera, Kevin Webb, and Kieran Callanan; negotiating parties: Gino Torlai dba Lemhi Land & Cattle, LLC; under negotiation: price and terms; to be heard in closed session pursuant to Government Code Section 54956.8]. [REVISED SUBJECT 3/6/24] [21-3117](#)

Attachments: [03122024 FAM 8-1 Presentation \(revised\)](#)

5. WORKSHOP ITEM

- 9-2 Proposed biennial budget, which includes the Capital Investment Plan and revenue requirements for fiscal years 2024/25 and 2025/26; proposed water rates and charges for calendar years 2025 and 2026 to meet revenue requirements for fiscal years 2024/25 and 2025/26; ten-year forecast; and Cost of Service Report (Workshop #3) [21-3118](#)

Attachments: [03122024 FAM 9-2 Presentation \(REVISED\)](#)

6. COMMITTEE ITEMS

- a. Pure Water Southern California Cost Recovery Alternatives Update [21-3123](#)

Attachments: [03122024 FAM 6a.1 Presentation](#)
[03122024 FAM 6a.2 Presentation](#)

- b. Quarterly Financial Report [21-3124](#)

Attachments: [03122024 FAM 6b Presentation](#)

- c. Historical Revenue and Expense Analysis [21-3125](#)

Attachments: [03122024 FAM 6c Presentation](#)

7. MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS

- a. Finance and Asset Management activities [21-3120](#)

Attachments: [03122024 FAM 7a Monthly Activities Report](#)

8. SUBCOMMITTEE REPORTS AND DISCUSSION

- a. Report from Subcommittee on Long-Term Regional Planning Processes and Business Modeling [21-3121](#)

- b. Discuss and provide direction to Subcommittee on Long-Term Regional Planning Processes and Business Modeling [21-3122](#)

9. FOLLOW-UP ITEMS

NONE

10. FUTURE AGENDA ITEMS

11. ADJOURNMENT

NOTE: This committee reviews items and makes a recommendation for final action to the full Board of Directors. Final action will be taken by the Board of Directors. Committee agendas may be obtained on Metropolitan's Web site <https://mwdh2o.legistar.com/Calendar.aspx>. This committee will not take any final action that is binding on the Board, even when a quorum of the Board is present.

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site <https://mwdh2o.legistar.com/Calendar.aspx>.

Requests for a disability-related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

FINANCE, AUDIT, INSURANCE, AND REAL PROPERTY COMMITTEE

February 12, 2023

Chair Smith called the meeting to order at 3:00 p.m.

Members present: Directors Alvarez, Armstrong, De Jesus (AB 2449 “just cause”), Dennstedt, Dick, Fong-Sakai, McMillan, Miller, Petersen (entered after roll call, AB 2449 “emergency circumstances”), Pressman (entered after roll call, teleconference posted location), Seckel, and Smith.

Members absent: Director Quinn.

Other Members present: Abdo, Ackerman, Bryant, Erdman, Faessel, Fellow, Garza, Goldberg, Gualtieri, Kurtz, Lefevre, McCoy, Ortega, and Peterson.

Director De Jesus indicated he is participating under AB 2449 “just cause” for an illness that prevents him from attending in person. Director De Jesus appeared by audio and on camera.

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

Committee Staff present: Beatty, Benson, Chapman, Hagekhalil, Kasaine, Ros, Suzuki, and Upadhyay.

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

None

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 January 9, 2023 (Copies have been submitted to each Director, Any additions, corrections, or omissions)

3. CONSENT CALENDAR ITEMS – ACTION

7-12 Subject: Review and consider the State of California, Department of Transportation’s mitigated negative declaration; and authorize the General Manager to grant a permanent easement to the State of California, Department of Transportation for water pipeline purposes on Metropolitan fee owned property in the County of Riverside, and identified as Assessor Parcel Numbers 713 021 024 and 713 021 02

Motion: Review and consider the State of California, Department of Transportation’s mitigated negative declaration and authorize the General Manager to grant a permanent easement to the State of California, Department of Transportation for water pipeline purposes on Metropolitan fee-owned property in the County of Riverside, and identified as Assessor Parcel Numbers 713-021-024 and 713-021-02

Presented by: No presentation was given.

7-13 Subject: Set a public hearing on March 12, 2024, regarding the proposed water rates and charges for calendar years 2025 and 2026 necessary to meet the revenue requirements for fiscal years 2024/25 and 2025/26; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Motion: Set a public hearing on March 12, 2024, regarding the proposed water rates and charges for calendar years 2025 and 2026 necessary to meet the revenue requirements for fiscal years 2024/25 and 2025/26

Presented by: No presentation was given.

Director Seckel made a motion, seconded by Director Dick, to approve AB 2449 Emergency Circumstance participation for Director Petersen.

The vote was:

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

Noes: None

Abstentions: None

Absent: Director Quinn.

The motion for Director Petersen to participate under AB 2449 Emergency Circumstance passed by a vote of 11 ayes, 0 noes, 0 abstain, and 1 absent.

Director Petersen announced that no one was in the room with him 18 years of age or older.

4. OTHER CONSENT ITEMS – ACTION

None

Director Petersen announced that no one was in the room with him 18 years of age or older.

Director Seckel made a motion, seconded by Director Dick, to approve items 2A, 7-12, and 7-13.

The vote was:

Ayes: Directors Alvarez, Armstrong, De Jesus, Dennstedt, Dick, Fong-Sakai, McMillan, Miller, Petersen, Pressman, Seckel, and Smith.

Noes: None

Abstentions: None

Not Voting: None

Absent: Director Quinn

The motion for item 2A, 7-12, and 7-13 passed by a vote of 12 ayes, 0 noes, 0 abstain, and 1 absent.

END OF CONSENT CALENDAR ITEMS

5. BOARD INFORMATION ITEMS

- a. Subject: Proposed Biennial Budget, Which Includes The Capital Investment Plan And Revenue Requirements For Fiscal Years 2024/25 And 2025/26; Proposed Water Rates And Charges For Calendar Years 2025 And 2026 To Meet Revenue Requirements For Fiscal Years 2024/25 And 2025/26; Ten Year Forecast; And Cost Of Service Report
- Presented by: Katano Kasaine, Assistant General Manager/Chief Financial Officer
Adam Benson, Group Manager-Finance
Arnout Van den Berg, Section Manager-Revenue & Budget
Jang Bae, Unit Manager-Budget

General Manager, Adel Hadgekhalil addressed the committee and provided an overview of the proposed budget. His comments included impacts, challenges, and measures taken by Metropolitan.

Ms. Kasaine introduced the item and presented the committee with an overview of the agenda,

cost reductions, proposed strategic priorities, budget highlights, and challenges.

Mr. Benson presented the committee with key budget drivers, biennial budget highlights, financial policies and goals, and cost containment actions.

Mr. Van den Berg presented the committee with an overview of the budget development. He presented the proposed expenditures, proposed revenue requirements, proposed rates and charges, and water treatment surcharge. Next, he provided an overview of the proposed biennial budget, which included revenues and expenditures.

Mr. Bae presented the Operations and Maintenance (O&M) expenditure budget.

Mr. Van den Berg continued the presentation with an overview of the ten-year financial forecast, which included projected rate increases and financial metrics, projected water rates and charges, and revenue and expenditure trends. Next, he provided forecasts for O&M, State Water Contract, Colorado River Aqueduct power, demand management, supply program funding, capital investment plan funding, debt service, and outstanding debt.

Lastly, Mr. Benson provided an overview of alternative rate options and next steps.

Mr. Mortada facilitated the discussion.

The following Directors provided comments or asked questions:

1. Armstrong
2. Smith
3. Petersen
4. Pressman
5. Fong-Sakai
6. Seckel
7. Dennstedt
8. De Jesus
9. Dick
10. Peterson
11. Kurtz
12. Alvarez
13. Garza
14. Ortega

Staff responded to the Directors' comments and questions.

6. COMMITTEE ITEMS

- a. Subject: Pure Water Southern California Cost Recovery Alternatives Update
Presented by: No presentation was given.

Item was deferred.

- b. Subject: Quarterly Investment Activities Report
Presented by: No presentation was given.

- c. Subject: Historical Revenue and Expense Analysis
Presented by: Arnout Van den Berg, Section Manager-Revenue & Budget

Mr. Van den Berg presented the committee with an analysis of revenue and expenses. His presentation included actuals versus budgets, cost of service process, and water transactions.

7. MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS

- a. Subject: General Auditor's Report on Monthly Activities

Mr. Suzuki announced the management response was received from the General Manager and the final report is in progress.

- b. Subject: Financial, Insurance, and Real Property Activities
No report was given.

8. SUBCOMMITTEE REPORTS AND DISCUSSION

- a. Subject: Report from Subcommittee on Audits

No report was given.

- b. Subject: Discuss And Provide Direction to Subcommittee on Audits

No direction was given.

- c. Subject: Report From Subcommittee on Long Term Regional Planning

Processes and Business Modeling

Director Seckel updated the committee on the items discussed at the January 18, 2024, Joint Task Force meeting.

- d. 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

None

11. ADJOURNMENT

The next meeting will be held on March 12, 2024.

The meeting adjourned at 5:53 p.m.

Timothy Smith
Chair



Finance and Asset Management Committee

Authorize a New Lease on Holland Tract

Item 8-1

March 12, 2024

8-1 Overview of New Lease

Subject

- Authorize a new, long-term agricultural lease agreement with Lemhi Land & Cattle, LLC.

Purpose

- A long-term lease to enhance revenues, increase the market value of the subject property, and convert corn to rice to reduce subsidence and climate impacts.

General Location



Bay-Delta Land Use Strategy

Timeline

- 2016 Short-term leasing for land use flexibility
- 2022 Board adopts Bay-Delta Policies
- 2023 DWR approves Delta Conveyance Project preferred alignment
- 2024 Staff presented Delta Strategic, Financial, and Risk Analysis

Bay-Delta Land Use Strategy

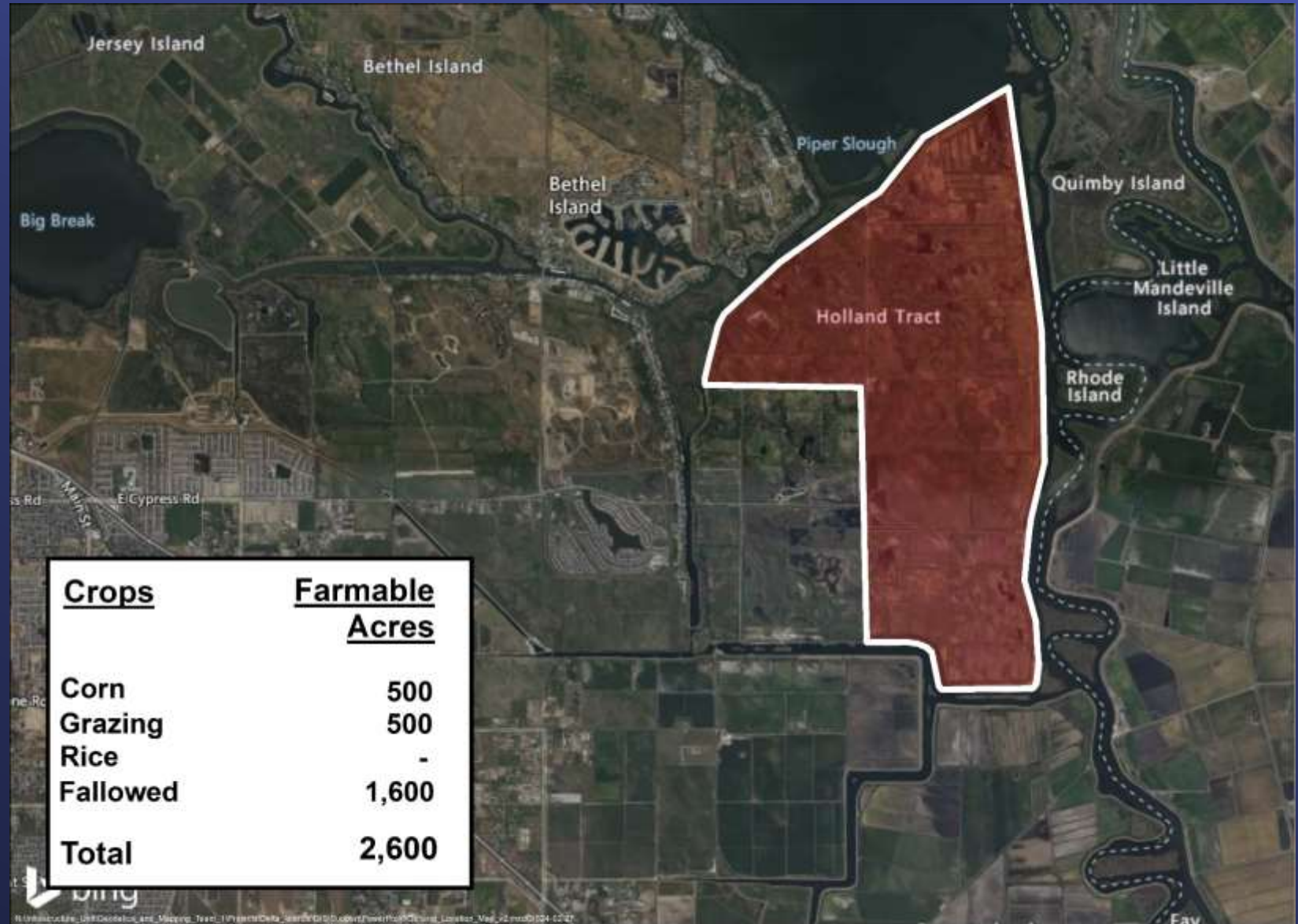
Long-Term Agricultural Leasing

- Revenue Growth
- Future Property Value

Corn-to-Rice Conversion

- Subsidence Reduction
- Carbon Sequestration Opportunities
- Delta Ecosystem Restoration

Site Map





Finance and Asset Management Committee



Proposed Biennial Budget for FYs 2024/25 and 2025/26; Proposed Water Rates and Charges for Calendar years 2025 and 2026; Overview of Rates and Charges; Ten-Year Forecast

Workshop #3

Item 9-2

March 12, 2024

Budget Workshop #3

Item 9-2

Subject

Proposed Biennial Budget for FYs 2024/25 and 2025/26; Proposed Water Rates and Charges for Calendar years 2025 and 2026; Overview of Rates and Charges; Ten-Year Forecast

Purpose

Provide information to enable April Board action on Proposed Biennial Budget for FYs 2024/25 and 2025/26, Proposed Water Rates and Charges for Calendar years 2025 and 2026, and Ten-Year Forecast

Next Steps

- FAIRP Committee, Workshop #4, if needed on Mar 26, 2024
- FAIRP Committee, Recommend Biennial Budget and Calendar Year rates and charges on April 8, 2024
- Board **action** regarding biennial budget and Calendar Year rates and charges on April 9, 2024

Member Agency Manager Feedback

FY 2024/25 & FY 2025/26 Budget Alternatives

- Staff met with Member Agency Managers on **February 28** and **March 7** to get feedback on the Proposed Budget and Alternatives. A summary of the key themes and recurring comments are provided below and on the next few slides:
 - General recognition of Metropolitan's financial circumstances underscored by declining water transactions, drawdown on unrestricted reserves, and acute cost pressures
 - Member Agencies expressed concerns that O&M reductions alone would not be material in solving the financial challenges Metropolitan faces over the biennium
 - Preference for predictable and stable rate increases. This was particularly important for Member Agencies and their customers that set rates over a multi-year period

Member Agency Manager Feedback (Continued)

FY 2024/25 & FY 2025/26 Budget Alternatives

- Member Agency Managers rejected alternatives that relied on one-time solutions (revenues & expense reductions) to keep rates low in the biennium at the expense of higher rate increases in year 3 and 4 of the forecast
 - There's mixed support for keeping conservation funding at levels reflected in the Proposed Budget; however, there are concerns about debt financing conservation
- Member Agencies generally expressed a preference for budgeting to lower water transactions (1.34MAF) in recognition of current hydrologic conditions and Metropolitan's projected reserve levels
- There's general support, with some exceptions, for Alternatives that increase the property tax levy to recover an additional portion of State Water Contract costs
 - General recognition that Metropolitan's mix of fixed costs and volumetric revenues poses some unique challenges that must be addressed in the future

Member Agency Manager Feedback (Continued)

Water Treatment Surcharge

- Several Member Agencies expressed concerns about the significant rate increases in the Water Treatment Surcharge
- They expressed a desire to include both near- and long-term solutions as part of Metropolitan's business model discussion, including revisiting the 2017 discussions around the Treated Capacity Charge (not approved by the Board)

Most Treatment Surcharge Costs are Fixed 2025 Treatment Surcharge Revenue Requirement

	\$M
O&M less variable costs	137
Variable Treatment cost (1)	48
Capital Costs (debt service & PAYGO)	109
Operating Equipment	3
Revenue Offsets (2)	(7)
Admin. & General	28
Treatment Revenue Requirement	317

(1) chemical, power & sludge removal
(2) property tax and interest income



Question: What proportion of treatment is recovered by fixed revenues?

Answer: None, as it's 100% volumetric. Creating a fixed charge to recover a portion of MWD's treatment costs has been discussed on many occasions. The last time was in 2017 when The Treatment Charge Workgroup brought a Treatment Capacity Charge to the Board. It was not adopted. (F&I 8-1 on 4/10/17)

February 27, 2024

Board of Directors Workshop #2

Item 9a.2 Slide 37

Member Agency Manager Feedback (Continued)

Alternatives Not Recommended by Member Agencies

- Staff reviewed additional Alternatives with Member Agency Managers that would:
 - Add **\$60M per year** from the sale of stored water
 - Reduce departmental O&M by **\$18M per year** (service impacts not yet identified)
- These one-time revenue and expense actions would provide temporary rate relief over the biennium and would allow for further discussion and resolution on the long-term business model; however, these temporary actions will result in higher rate increases in Year 3 and beyond relative to the Proposed Budget and other Alternatives
 - A majority of the member agencies recommended that any additional revenues/expense reductions be used to stabilize future rate increases, expedite reserve replenishment, improve coverage, and provide additional financial flexibility in the near-term

Rate Alternatives for Budget Workshop #3

	Water Transactions	Property Tax Rate	Reduce Conservation (1)	New Revenue (2)	Reduce Departmental O&M (3)	Overall Rate Increase
Proposed Budget	1.44 MAF	0.0035%	No			13% / 8%
Alt 1 Increase Ptax	1.44 MAF	0.0070%	No			7% / 6%
Alt 2 Low Sales, 7/6 & inc Ptax	1.34 MAF	0.0099%	No			7% / 6%
Alt 3 Low Sales, 5/5 & inc Ptax	1.34 MAF	0.0104%	No			5% / 5%
Alt 4 Low Sales, 5/5, cut Cons & inc Ptax	1.34 MAF	0.0100%	Yes (1)			5% / 5%
Alt 5 New Revenue & Cut O&M	1.44 MAF	0.0035%	No	\$60M/yr	\$18M/yr	8.5%/8.5%
Alt 6 Low Sales, New Rev., & Cut O&M	1.34 MAF	0.0035%	No	\$60M/yr	\$18M/yr	13% /13%

(1) Reduce conservation program to \$17M for FY 2024/25 and \$5M/yr for FY 2025/26 and FY 2026/27 then back to \$30.5M/yr. This would eliminate the need to issue an additional \$48M of debt during the biennium.

Metropolitan has been awarded over \$40M in recent grants and is continuing to pursue other grant opportunities. Most of these grants require 50% matching funds. As such, reductions to the conservation budget will disqualify MWD from most of the grant awards.

(2) New Revenue: Assume 100 TAF/yr sale of supplies to 3rd party at \$600/AF for FY 2024/25 and FY 2025/26 = \$60M/yr in new revenues

(3) Department O&M: Reduce Departmental O&M \$18M/yr for FY 2024/25 and FY 2025/26 **service impact yet to be identified**

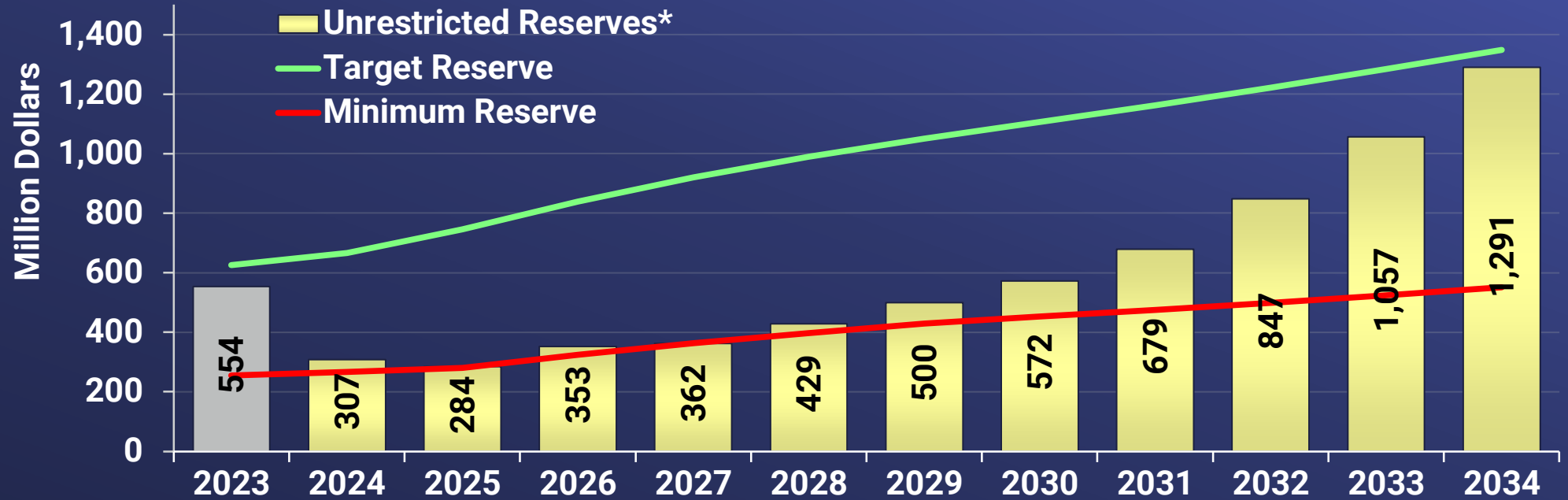
Budgeted Water Transactions



*Water Transactions for member agencies only

Proposed FY 2024/25 & FY 2025/26 Budget

Projected Rate Increases and Financial Metrics



* 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%	13.0%	8.0%	12.0%	8.0%	5.0%	5.0%	4.0%	4.0%	4.0%	4.0%
Water Transactions (MAF)**	1.42	1.17	1.44	1.44	1.44	1.45	1.45	1.46	1.47	1.49	1.51	1.53
Rev. Bond Cvg	1.5	1.1	1.4	1.8	1.7	1.9	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	125	175	175	250	275	275	250	225	200	200

Proposed Rates and Charges

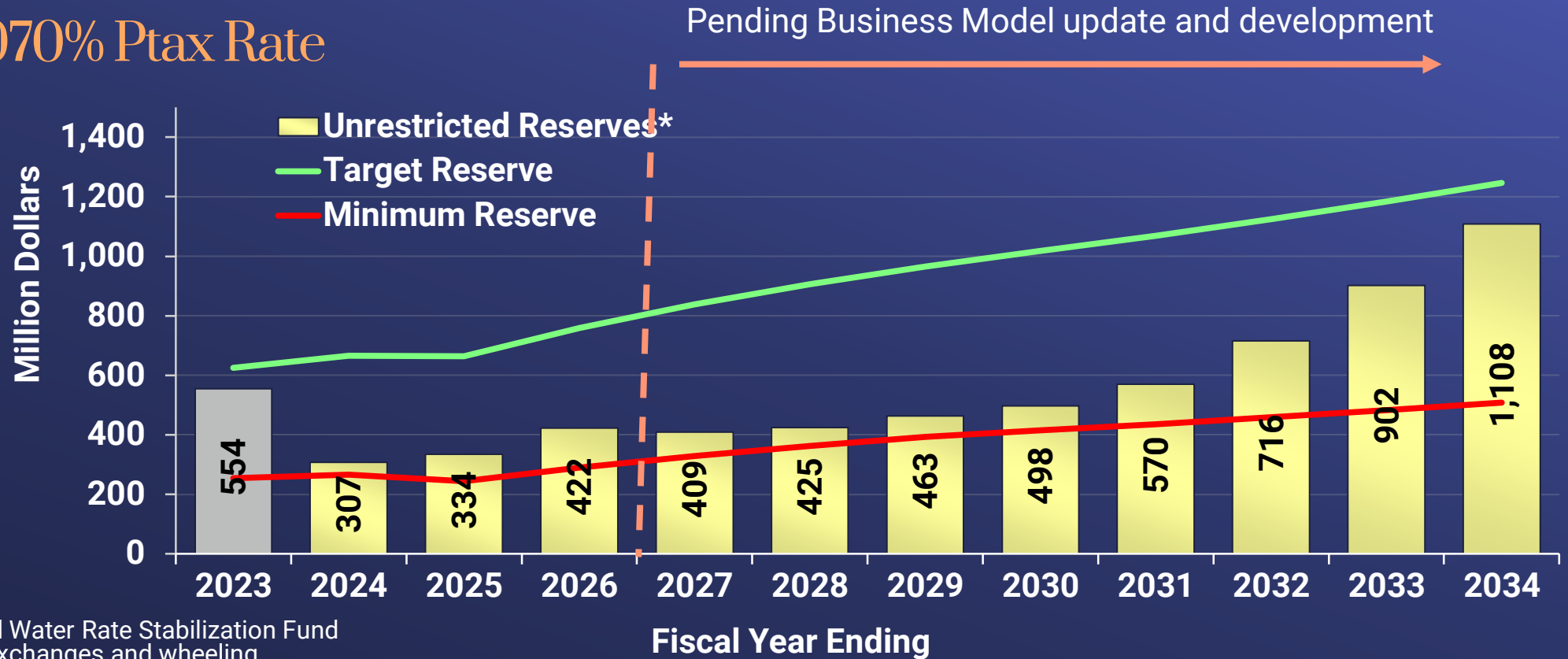
Rates & Charges Effective January 1st	Current 2024	Proposed 2025	% Increase (Decrease)	Proposed 2026	% Increase (Decrease)
Supply Rate (\$/AF)	\$332*	\$353	6%	\$375	6%
System Access Rate (\$/AF)	\$389	\$463	19%	\$491	6%
System Power Rate (\$/AF)	\$182	\$190	4%	\$203	7%
Treatment Surcharge (\$/AF)	\$353	\$459	30%	\$518	13%
Full Service Untreated Volumetric Cost (\$/AF)	\$903	\$1,006	11%	\$1,069	6%
Full Service Treated Volumetric Cost (\$/AF)	\$1,256	\$1,465	17%	\$1,587	8%
RTS Charge (\$M)	\$167	\$167	0%	\$185	11%
Capacity Charge (\$/cfs)	\$11,200	\$10,800	(4%)	\$12,800	19%
Overall Rate Increase			13.0%		8.0%

Full Service Cost means the Full Service Rate, consisting of the following rate components: the applicable Supply Rate, the System Access Rate, the System Power Rate, and if applicable the Treatment Surcharge for treated water service.

* based on Tier 1 for 2024

Alt I: Increase Ptax

1.44 MAF / 0.0070% Ptax Rate



* 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%	7.0%	6.0%	10.0%	10.0%	5.0%	5.0%	5.0%	4.0%	4.0%	4.0%
Ptax Rate	.0035%	.0035%	.007%	.007%	.007%	.007%	.007%	.007%	.007%	.007%	.007%	.007%
Water Transactions (MAF)**	1.42	1.17	1.44	1.44	1.44	1.45	1.45	1.46	1.47	1.49	1.51	1.53
Rev. Bond Cvg	1.5	1.1	1.7	1.9	1.7	1.8	1.8	1.7	1.7	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	\$200	\$200

Alt 1: Increase Ptax

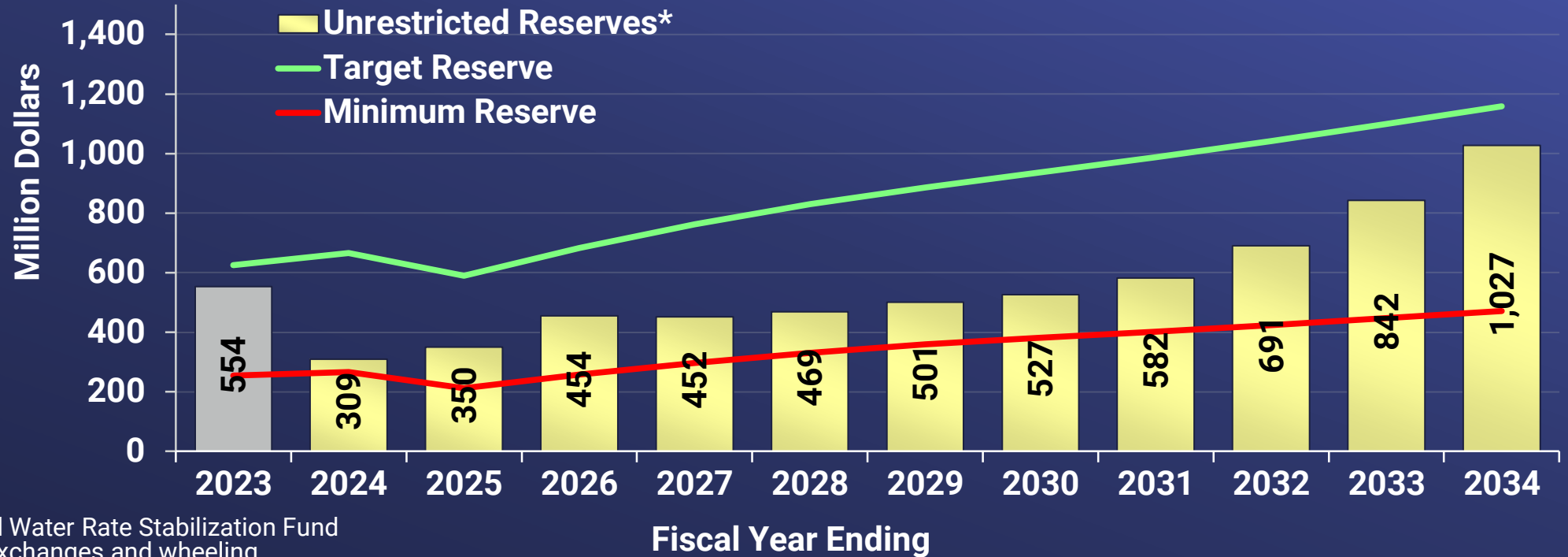
Rates & Charges Effective January 1st	Current 2024	Proposed 2025	Proposal 2026	Alt 1 2025	Alt 1 2026	Alt 1 2025	Alt 1 2026
						vs Proposed 2025	vs Proposed 2026
Supply Rate (\$/AF)	\$332*	\$353	\$375	\$327	\$342	(\$26)	(\$33)
System Access Rate (\$/AF)	\$389	\$463	\$491	\$434	\$454	(\$29)	(\$37)
System Power Rate (\$/AF)	\$182	\$190	\$203	\$155	\$169	(\$35)	(\$34)
Treatment Surcharge (\$/AF)	\$353	\$459	\$518	\$475	\$521	\$16	\$3
Full Service Untreated (\$/AF)	\$903	\$1,006	\$1,069	\$916	\$965	(\$90)	(\$104)
Full Service Treated (\$/AF)	\$1,256	\$1,465	\$1,587	\$1,391	\$1,486	(\$74)	(\$101)
RTS Charge (\$M)	\$167	\$167	\$185	\$175	\$179	\$8	(\$6)
Capacity Charge (\$/cfs)	\$11,200	\$10,800	\$12,800	\$11,700	\$12,900	\$900	\$100
Overall Rate Increase		13.0%	8.0%	7.0%	6.0%		

Full Service Cost means the Full Service Rate, consisting of the following rate components: the applicable Supply Rate, the System Access Rate, the System Power Rate, and if applicable the Treatment Surcharge for treated water service.

* based on Tier 1 for 2024

Alt 2: Low Sales, 7/6 & inc Ptax

1.34 MAF / 0.0099% Ptax Rate



* 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%	7.0%	6.0%	10.0%	10.0%	5.0%	5.0%	4.0%	4.0%	4.0%	4.0%
Ptax Rate	.0035%	.0035%	.0099%	.0099%	.0099%	.0099%	.0099%	.0099%	.0099%	.0099%	.0099%	.0099%
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	1.8	1.9	1.7	1.8	1.8	1.7	1.7	1.6	1.7	1.6
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	\$200	\$200

Alt 2: Low Sales, 7/6 & inc Ptax

Rates & Charges Effective January 1st	Current 2024	Proposed 2025	Proposal 2026	Alt 2 2025	Alt 2 2026	Alt 2 2025	Alt 2 2026
						vs Proposed 2025	vs Proposed 2026
Supply Rate (\$/AF)	\$332*	\$353	\$375	\$336	\$350	(\$17)	(\$25)
System Access Rate (\$/AF)	\$389	\$463	\$491	\$438	\$454	(\$25)	(\$37)
System Power Rate (\$/AF)	\$182	\$190	\$203	\$130	\$146	(\$60)	(\$57)
Treatment Surcharge (\$/AF)	\$353	\$459	\$518	\$491	\$542	\$32	\$24
Full Service Untreated (\$/AF)	\$903	\$1,006	\$1,069	\$904	\$950	(\$102)	(\$119)
Full Service Treated (\$/AF)	\$1,256	\$1,465	\$1,587	\$1,395	\$1,492	(\$70)	(\$95)
RTS Charge (\$M)	\$167	\$167	\$185	\$177	\$180	\$10	(\$5)
Capacity Charge (\$/cfs)	\$11,200	\$10,800	\$12,800	\$12,900	\$14,100	\$2,100	\$1,300
Overall Rate Increase		13.0%	8.0%	7.0%	6.0%		

Full Service Cost means the Full Service Rate, consisting of the following rate components: the applicable Supply Rate, the System Access Rate, the System Power Rate, and if applicable the Treatment Surcharge for treated water service.

* based on Tier 1 for 2024

Alt 3: Low Sales, 5/5 & inc Ptax

1.34 MAF / 0.0104% Ptax Rate



* 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%	5.0%	5.0%	12.0%	11.0%	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Ptax Rate	.0035%	.0035%	.0104%	.0104%	.0104%	.0104%	.0104%	.0104%	.0104%	.0104%	.0104%	.0104%
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	1.8	1.9	1.7	1.8	1.9	1.7	1.7	1.6	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	\$200	\$200

Alt 3: Low Sales, 5/5 & inc Ptax

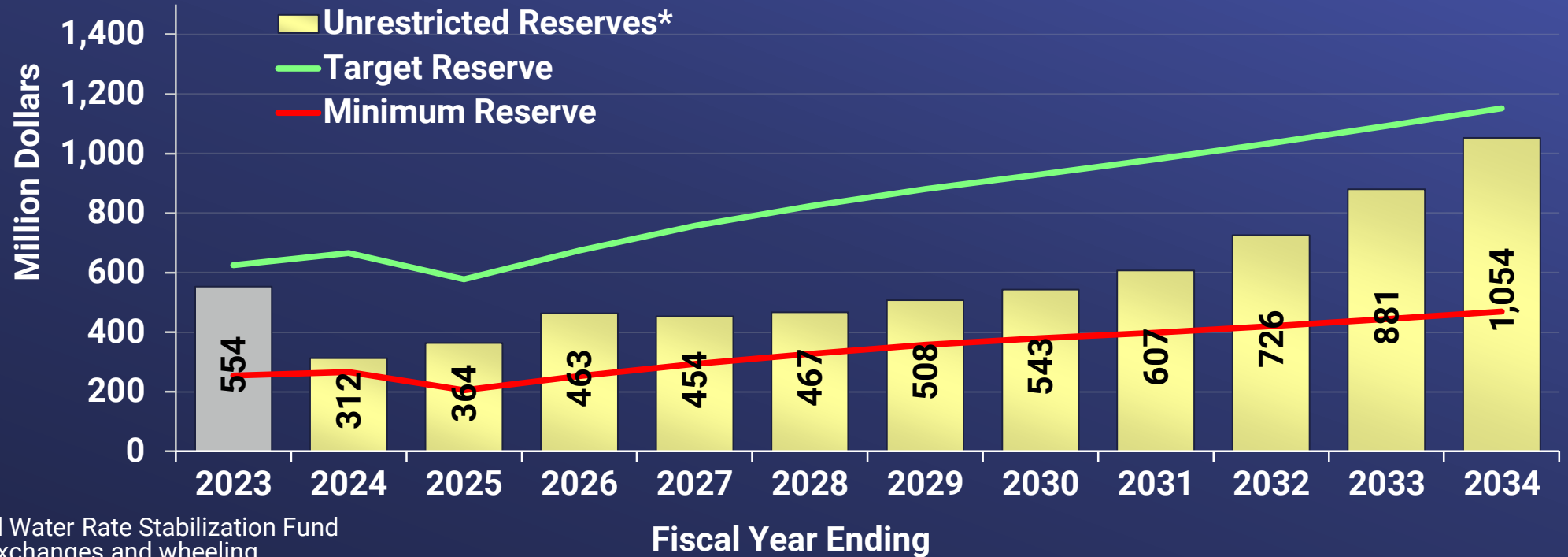
Rates & Charges Effective January 1st	Current 2024	Proposed 2025	Proposal 2026	Alt 3		Alt 3 2025	Alt 3 2026
				2025	2026	vs Proposed 2025	vs Proposed 2026
Supply Rate (\$/AF)	\$332*	\$353	\$375	\$330	\$339	(\$23)	(\$36)
System Access Rate (\$/AF)	\$389	\$463	\$491	\$429	\$441	(\$34)	(\$50)
System Power Rate (\$/AF)	\$182	\$190	\$203	\$124	\$138	(\$66)	(\$65)
Treatment Surcharge (\$/AF)	\$353	\$459	\$518	\$487	\$533	\$28	\$15
Full Service Untreated (\$/AF)	\$903	\$1,006	\$1,069	\$883	\$918	(\$123)	(\$151)
Full Service Treated (\$/AF)	\$1,256	\$1,465	\$1,587	\$1,370	\$1,451	(\$95)	(\$136)
RTS Charge (\$M)	\$167	\$167	\$185	\$174	\$176	\$7	(\$9)
Capacity Charge (\$/cfs)	\$11,200	\$10,800	\$12,800	\$12,800	\$13,900	\$2,000	\$1,100
Overall Rate Increase		13.0%	8.0%	5.0%	5.0%		

Full Service Cost means the Full Service Rate, consisting of the following rate components: the applicable Supply Rate, the System Access Rate, the System Power Rate, and if applicable the Treatment Surcharge for treated water service.

* based on Tier 1 for 2024

Alt 4: Low Sales, 5/5, cut Cons & inc Ptax

1.34 MAF / 0.0100% Ptax Rate / Conservation \$17M/\$5M/\$5M



* 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%	5.0%	5.0%	12.0%	11.0%	6.0%	5.0%	4.0%	4.0%	4.0%	4.0%
Ptax Rate	.0035%	.0035%	.0100%	.0100%	.0100%	.0100%	.0100%	.0100%	.0100%	.0100%	.0100%	.0100%
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	1.8	1.9	1.7	1.8	1.8	1.7	1.7	1.6	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	\$200	\$200

Alt 4: Low Sales, 5/5, cut Cons & inc Ptax

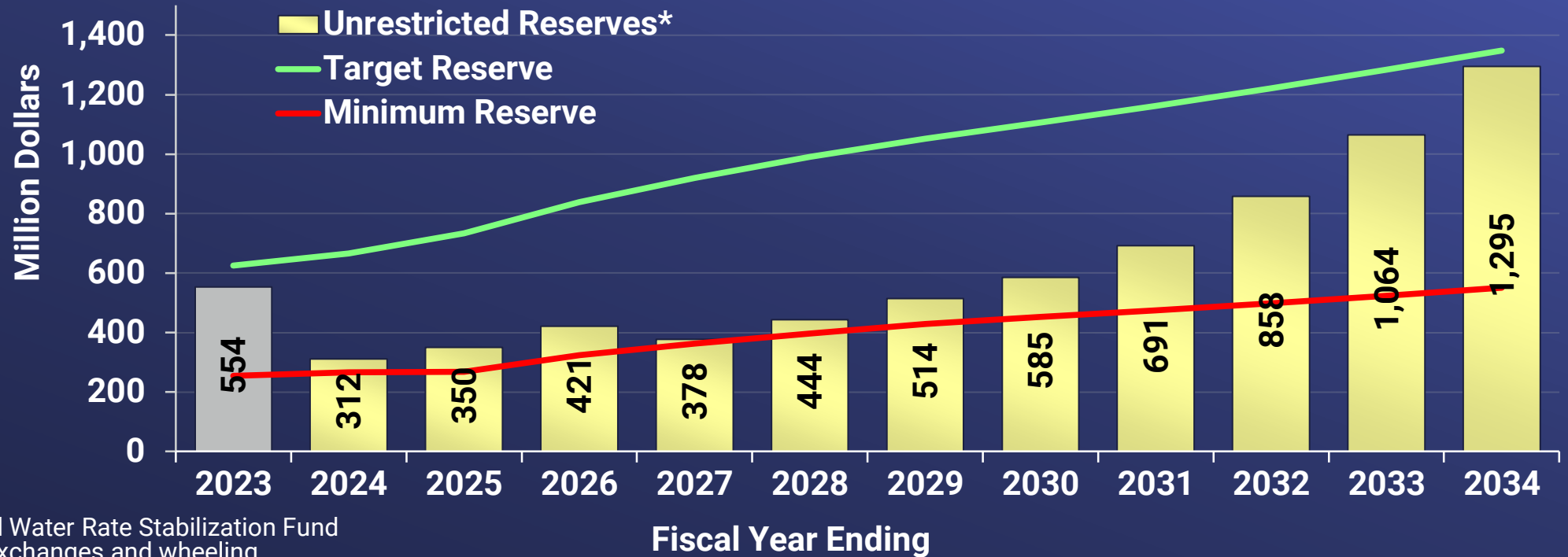
Rates & Charges Effective January 1st	Current 2024	Proposed 2025	Proposal 2026	Alt 4 2025	Alt 4 2026	Alt 4 2025	Alt 4 2026
						vs Proposed 2025	vs Proposed 2026
Supply Rate (\$/AF)	\$332*	\$353	\$375	\$322	\$318	(\$31)	(\$57)
System Access Rate (\$/AF)	\$389	\$463	\$491	\$433	\$450	(\$30)	(\$41)
System Power Rate (\$/AF)	\$182	\$190	\$203	\$128	\$143	(\$62)	(\$60)
Treatment Surcharge (\$/AF)	\$353	\$459	\$518	\$486	\$537	\$27	\$19
Full Service Untreated (\$/AF)	\$903	\$1,006	\$1,069	\$883	\$911	(\$123)	(\$158)
Full Service Treated (\$/AF)	\$1,256	\$1,465	\$1,587	\$1,369	\$1,448	(\$96)	(\$139)
RTS Charge (\$M)	\$167	\$167	\$185	\$173	\$177	\$6	(\$8)
Capacity Charge (\$/cfs)	\$11,200	\$10,800	\$12,800	\$12,700	\$13,900	\$1,900	\$1,100
Overall Rate Increase		13.0%	8.0%	5.0%	5.0%		

Full Service Cost means the Full Service Rate, consisting of the following rate components: the applicable Supply Rate, the System Access Rate, the System Power Rate, and if applicable the Treatment Surcharge for treated water service.

* based on Tier 1 for 2024

Alt 5: New Revenue & Cut O&M

1.44 MAF / 0.0035% Ptax Rate / \$60M New Rev / \$18M O&M Cut



* 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%	16.0%	8.0%	5.0%	5.0%	4.0%	4.0%	4.0%	4.0%
Ptax Rate	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%
Water Transactions (MAF)**	1.42	1.17	1.44	1.44	1.44	1.45	1.45	1.46	1.47	1.49	1.51	1.53
Rev. Bond Cvg	1.5	1.1	1.6	1.8	1.6	1.9	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	\$125	\$175	\$175	\$250	\$275	\$275	\$250	\$225	\$200	\$200

Alt 5: New Revenue & Cut O&M

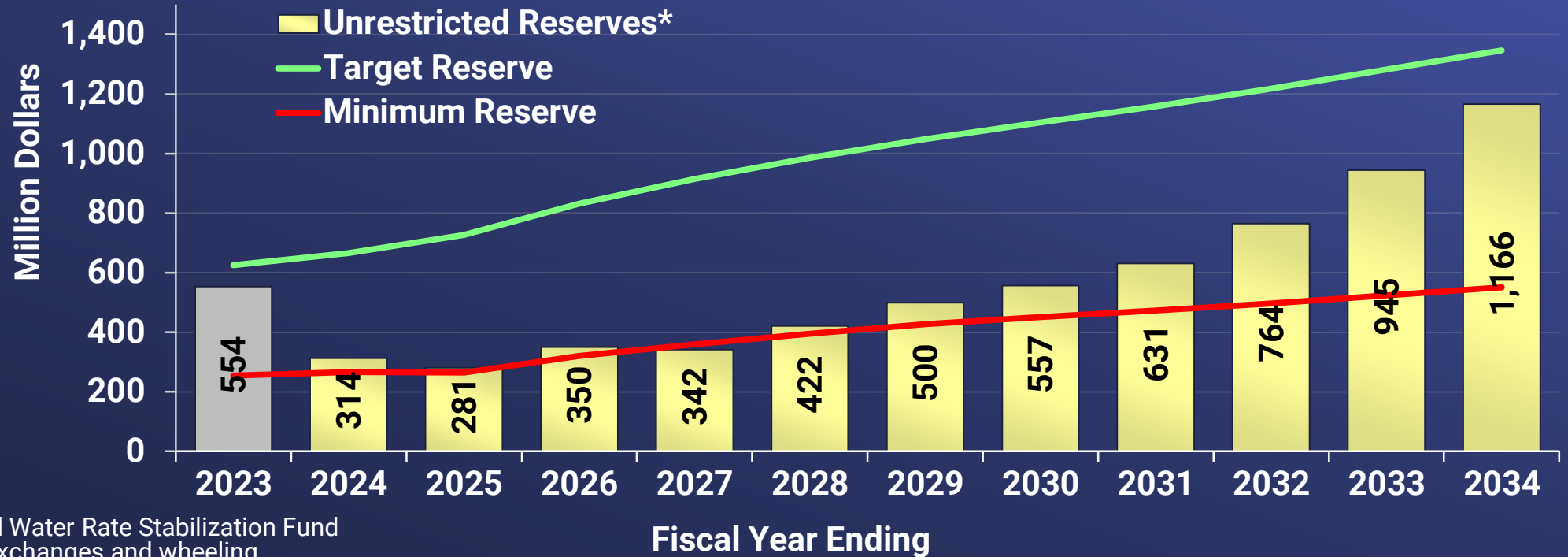
Rates & Charges Effective January 1st	Current 2024	Proposed 2025	Proposal 2026	Alt 5		Alt 5 2025	Alt 5 2026
				2025	2026	vs Proposed 2025	vs Proposed 2026
Supply Rate (\$/AF)	\$332*	\$353	\$375	\$291	\$312	(\$62)	(\$63)
System Access Rate (\$/AF)	\$389	\$463	\$491	\$462	\$490	(\$1)	(\$1)
System Power Rate (\$/AF)	\$182	\$190	\$203	\$191	\$205	\$1	\$2
Treatment Surcharge (\$/AF)	\$353	\$459	\$518	\$455	\$515	(\$4)	(\$3)
Full Service Untreated (\$/AF)	\$903	\$1,006	\$1,069	\$944	\$1,007	(\$62)	(\$62)
Full Service Treated (\$/AF)	\$1,256	\$1,465	\$1,587	\$1,399	\$1,522	(\$66)	(\$65)
RTS Charge (\$M)	\$167	\$167	\$185	\$168	\$186	\$1	\$1
Capacity Charge (\$/cfs)	\$11,200	\$10,800	\$12,800	\$10,800	\$13,000	\$0	\$200
Overall Rate Increase		13.0%	8.0%	8.5%	8.5%		

Full Service Cost means the Full Service Rate, consisting of the following rate components: the applicable Supply Rate, the System Access Rate, the System Power Rate, and if applicable the Treatment Surcharge for treated water service.

* based on Tier 1 for 2024

Alt 6: Low Sales, New Rev. & Cut O&M

1.34 MAF / 0.035% Ptax Rate / \$60M New Rev / \$18M O&M Cut



* 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%	13.0%	13.0%	14.0%	8.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Ptax Rate	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%
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	1.4	1.8	1.7	2.0	1.9	1.8	1.7	1.6	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	\$125	\$175	\$175	\$250	\$275	\$275	\$250	\$225	\$200	\$200

Alt 6: Low Sales, New Rev. & Cut O&M

Rates & Charges Effective January 1st	Current 2024	Proposed 2025	Proposal 2026	Alt 6		Alt 6 2025	Alt 6 2026
				2025	2026	vs Proposed 2025	vs Proposed 2026
Supply Rate (\$/AF)	\$332*	\$353	\$375	\$314	\$352	(\$39)	(\$23)
System Access Rate (\$/AF)	\$389	\$463	\$491	\$486	\$535	\$23	\$44
System Power Rate (\$/AF)	\$182	\$190	\$203	\$191	\$216	\$3	\$13
Treatment Surcharge (\$/AF)	\$353	\$459	\$518	\$461	\$544	\$2	\$26
Full Service Untreated (\$/AF)	\$903	\$1,006	\$1,069	\$993	\$1,103	(\$13)	\$34
Full Service Treated (\$/AF)	\$1,256	\$1,465	\$1,587	\$1,454	\$1,647	(\$11)	\$60
RTS Charge (\$M)	\$167	\$167	\$185	\$170	\$196	\$3	\$11
Capacity Charge (\$/cfs)	\$11,200	\$10,800	\$12,800	\$11,700	\$14,500	\$900	\$1,700
Overall Rate Increase		13.0%	8.0%	13.0%	13.0%		

Full Service Cost means the Full Service Rate, consisting of the following rate components: the applicable Supply Rate, the System Access Rate, the System Power Rate, and if applicable the Treatment Surcharge for treated water service.

* based on Tier 1 for 2024

Overall Rate Increase

Overall Rate Increase	Ptax Rate	Budget		Projected		2-yr rate inc	4-yr rate inc
		2025	2026	2027	2028		
Proposed	0.0035%	13%	8%	12%	8%	21%	41%
Alt 1 - Increase Ptax	0.0070%	7%	6%	10%	10%	13%	33%
Alt 2 - Low Sales, 7/6 & inc Ptax	0.0099%	7%	6%	10%	10%	13%	33%
Alt 3 - Low Sales, 5/5 & inc Ptax	0.0104%	5%	5%	12%	11%	10%	33%
Alt 4 - Low Sales, 5/5, cut Cons & inc Ptax	0.0100%	5%	5%	12%	11%	10%	33%
Alt 5 - New Revenue & Cut O&M	0.0035%	8.5%	8.5%	16%	8%	17%	41%
Alt 6 - Low Sales, New Rev. & Cut O&M	0.0035%	13%	13%	14%	8%	26%	48%

Untreated Full-Service Rate (\$/AF)

Rates Effective January 1st	2024*	2025	2026	% Increase 2025	% Increase 2026
Proposed	\$903	\$1,006	\$1,069	11%	6%
Alt 1 - Increase Ptax	\$903	\$916	\$965	1%	5%
Alt 2 - Low Sales, 7/6 & inc Ptax	\$903	\$904	\$950	0%	5%
Alt 3 - Low Sales, 5/5 & inc Ptax	\$903	\$883	\$918	(2%)	4%
Alt 4 - Low Sales, 5/5, cut Cons & inc Ptax	\$903	\$883	\$911	(2%)	3%
Alt 5 - New Revenue & Cut O&M	\$903	\$944	\$1,007	5%	7%
Alt 6 - Low Sales, New Rev. & Cut O&M	\$903	\$993	\$1,103	10%	11%

Treated Full-Service Rate (\$/AF)

Rates Effective January 1st	2024*	2025	2026	% Increase 2025	% Increase 2026
Proposed	\$1,256	\$1,465	\$1,587	17%	8%
Alt 1 - Increase Ptax	\$1,256	\$1,391	\$1,486	11%	7%
Alt 2 - Low Sales, 7/6 & inc Ptax	\$1,256	\$1,395	\$1,492	11%	7%
Alt 3 - Low Sales, 5/5 & inc Ptax	\$1,256	\$1,370	\$1,451	9%	6%
Alt 4 - Low Sales, 5/5, cut Cons & inc Ptax	\$1,256	\$1,369	\$1,448	9%	6%
Alt 5 - New Revenue & Cut O&M	\$1,256	\$1,399	\$1,522	11%	9%
Alt 6 - Low Sales, New Rev. & Cut O&M	\$1,256	\$1,454	\$1,647	16%	13%

Full Service Cost means the Full Service Rate, consisting of the following rate components: the applicable Supply Rate, the System Access Rate, the System Power Rate, and if applicable the Treatment Surcharge for treated water service.

* based on Tier 1 for 2024

Questions & Answers

Question: What would the Property Tax impact be for each member agency's service area?

Answer:

Note: Based on a sampling of median home values for cities located in each Member Agency service area (Source: American Community Survey, 5-Year Estimates, 2022)

Member Agency	Median Home Value (\$ thousands)	Current Annual MWD Property Tax (@ 0.0035%)	Double MWD Property Tax (@ 0.007%)
Cities (Owner-Occupied)			
1 Anaheim	\$714	\$25	\$50
2 Beverly Hills	\$2,000	\$70	\$140
3 Burbank	\$960	\$34	\$67
4 Compton	\$489	\$17	\$34
5 Fullerton	\$791	\$28	\$55
6 Glendale	\$992	\$35	\$69
7 Long Beach	\$710	\$25	\$50
8 Los Angeles	\$823	\$29	\$58
9 Pasadena	\$982	\$34	\$69
10 San Fernando	\$604	\$21	\$42
11 San Marino	\$2,000	\$70	\$140
12 Santa Ana	\$624	\$22	\$44
13 Santa Monica	\$1,655	\$58	\$116
14 Torrance	\$962	\$34	\$67

Member Agency	Median Home Value (\$ thousands)	Current Annual MWD Property Tax (@ 0.0035%)	Double MWD Property Tax (@ 0.007%)
Municipal Water Districts & Water Authority (Owner-Occupied)			
15 Calleguas MWD	\$704 - \$901	\$25 - \$32	\$49 - \$63
16 Central Basin MWD	\$472 - \$679	\$17 - \$24	\$33 - \$48
17 Eastern MWD	\$277 - \$568	\$10 - \$20	\$19 - \$40
18 Foothill MWD	\$991 - \$1,983	\$35 - \$69	\$69 - \$139
Inland Empire			
19 Utilities Agency	\$507 - \$776	\$18 - \$27	\$35 - \$54
20 Las Virgenes MWD	\$972 - \$2,000	\$34 - \$70	\$68 - \$140
21 MWDOC	\$863	\$30	\$60
22 Three Valleys MWD	\$525 - \$735	\$18 - \$26	\$37 - \$51
San Diego County			
23 Water Authority	\$725	\$25	\$51
Upper San Gabriel			
24 Valley MWD	\$553 - \$1,307	\$19 - \$46	\$39 - \$91
25 West Basin MWD	\$616 - \$2,000	\$22 - \$70	\$43 - \$140
26 Western MWD	\$384 - \$486	\$13 - \$17	\$27 - \$34

Question: What rates collect revenue to allocate to reserves (\$41.7M in 2025 and \$73M in 2026)?

Background info:

- The \$41.7M and \$73.0M are the required increases in reserves for FY2024/25 and FY2025/26, respectively. These are for various funds as required by Board policy (Admin Code), revenue bond requirements or other legal obligations and includes changes in minimum fund requirements for the: O&M fund, bond fund, State Water Contract fund, and minimum unrestricted reserves
 - For more details see FAIRP Committee meeting July 11, 2023 Item 7a

Answer:

- Increases in required reserve requirements are recovered by all rates and charges

Question: Why is IRA Bucket I included as revenue applied to Supply that suppresses the required Supply Rate increase rather than simply putting the IRA Bucket I revenue to reserves?

Answer:

- IRA Bucket 1 Revenues are federal funding under Reclamation's Lower Colorado Conservation Programs
- The funding is directly linked to the expenditures for the Palo Verde Irrigation District (PVID) land fallowing program and the Imperial Irrigation District/Metropolitan Conservation Program; and these expenditures are recovered by the supply rate.

Question: It appears about \$5 billion in Pure Water's implementation costs are assumed in years 3 through 10. What is assumed regarding receipt of Pure Water grant or "partnership" funding?

Answer:

- The cost of the full-scale PWSC project is not included in the biennium budget
- An estimate of the full-scale PWSC projects is included in FY 2026/27 to FY 2033/34 of the 10-year forecast.
 - The cost of the full-scale PWSC projects is based on the latest engineering estimate that was presented to the Board on November 28, 2023 PWSC Phase 1 project cost estimate presented to the Subcommittee on PWSC and Regional Conveyance
- Assuming the receipts of middle level for grants and contributions of \$2.3B (in 2023 \$)
 - Low – \$1.8B
 - High - \$2.8B

Question: Staff has applied for a \$125 million Pure Water federal grant that is expected to be announced shortly after the budget is adopted which requires \$375 million in matching funds. How has the budget anticipated or planned for this funding to be available should a grant be offered, and the board should decide to accept it?

Answer:

- All planning costs for the PWSC project are funded from the \$80 million SWRCB grant in the proposed budget.
- The exact timing and amount of any grant, if awarded, is unclear. Accordingly, Metropolitan has not included a budget for the matching funds in the biennium
- If MWD is awarded a grant under the program, staff will bring a discussion to the Board concerning the additional matching funds that would be required

Question: CARB regulatory requirements will require vehicles and capital facilities and you mentioned this is NOT included in the 2-year budget. Please confirm and include financial information regarding vehicles (and charging stations) that is included in the proposed CIP/O&M 2-year budget (for instance are we not including budget for vehicles because 50% need to be electric and we haven't developed the plan for this yet?)

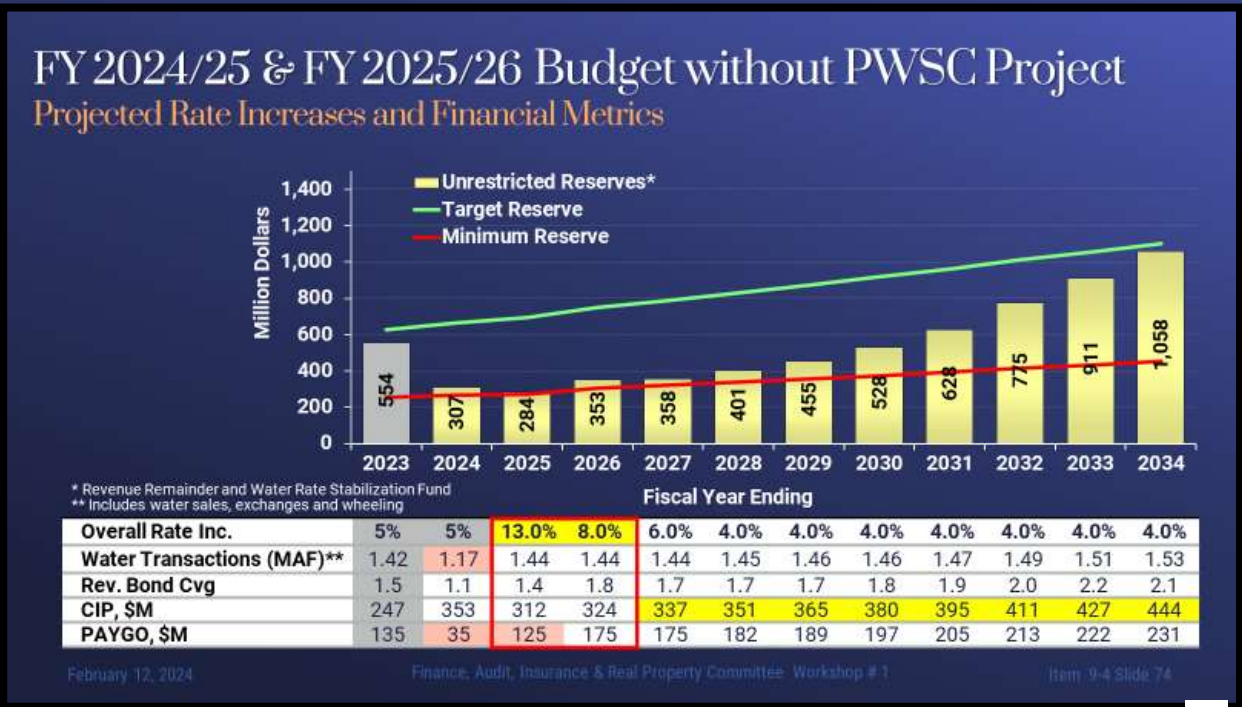
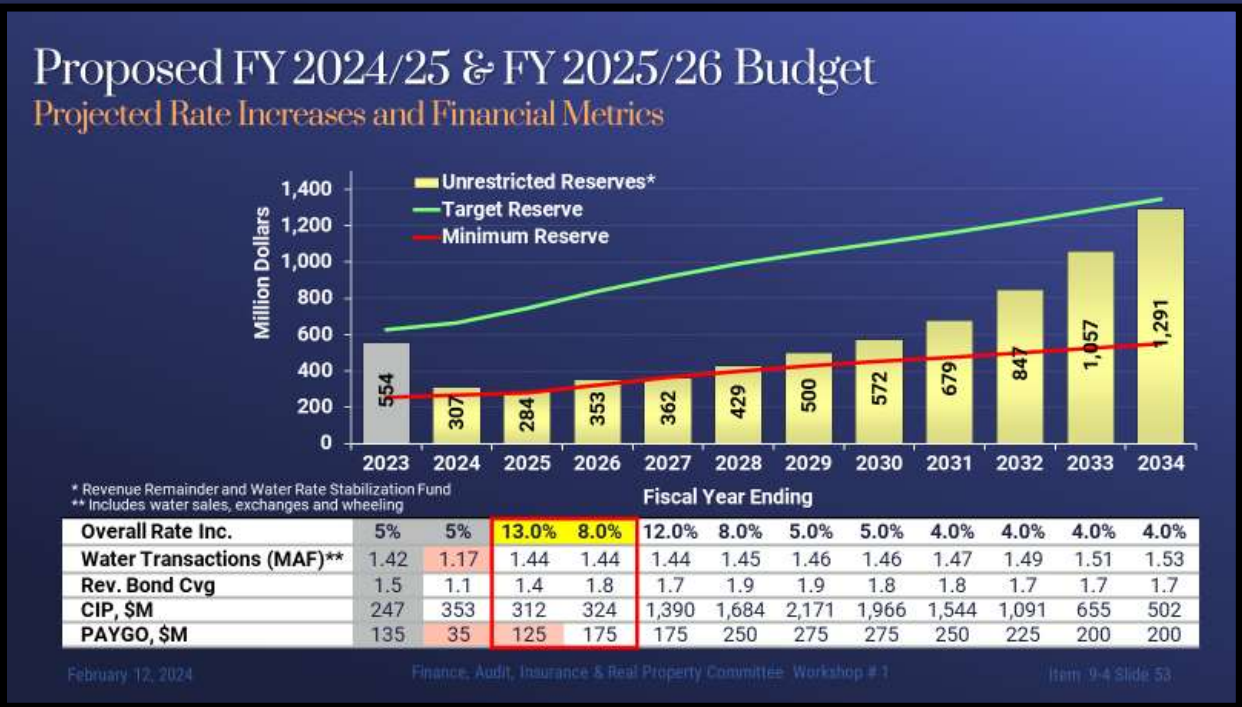
Answer:

- Charging Stations: The zero-emissions fleet infrastructure project is included in the current and the next biennial CIP. The objective for the next biennium is to complete the construction of zero-emission fleet pilot infrastructure and continue the design of the district-wide infrastructure
- Vehicle budget in FY 2024/25 and FY 2025/26 is \$7.6M and \$9.5M respectively (includes vehicles, trucks heavy equipment, and other non-fleet operating equipment)
- MWD is currently evaluating a Zero Emission Vehicle (ZEV) purchasing plan, including financing options to comply with the CARB regulations
 - Upon completion and approval of the ZEV purchasing plan by the Board, the FY 2024/25 and FY 2025/26 budget could be amended if additional appropriations are needed

Question: What factors account for the increase in the 10-year forecast from the current to the proposed CIP for PURE, SWPDA other CIP big ticket items (7%/6% to 12%/8%)?

Answer:

- The 10-yr forecast includes PWSC construction starting in FY 2027
 - No other CIP big ticket items are included in the 10-year forecast



Question: Property Tax - do we have a written legal opinion on our authority to raise taxes without a public vote? We have simply heard from staff that we have the ability to do it - I believe it is important for our legal staff to prepare a written legal opinion to refer to.

Answer:

- Legal has prepared and distributed a written opinion on Metropolitan's property tax levy

Question: In the 10-year Budget, I noticed some of the rates are flat in 2027-2031 such as the Power Rate and Treatment Surcharge. Why don't these include at least inflation?

Answer:

- The projected Power Rates in the 10-year forecast (FY2027-2031) are flat because the projected increases in CRA Power costs are offset by the projected decreases in SWP Power costs due to trending down the SWP allocation from 51% to 38% by 2034
- Projected Treatment Surcharges in the 10-year forecast (FY2027-2031) are flat because the projected increases in treatment costs are offset by projected increases in treated water sales

Question: What is the basis for staff's State Water Project allocation assumptions (51% in CY 2024, 49% in CY 2025, and 48% in CY 2026), you mentioned due to the use of RCP-8.5, but in the past we have made assumptions of 40% in our last biannual budget?

Answer:

- On September 12, 2023, the Board approved the use of climate information and modeling under Representative Concentration Pathway (RCP) 8.5 as a basis for planning purposes in CAMP4W
 - This action further recognizes the need to adaptively plan towards generally accepted outcomes of a more severe climate change future → expected lower allocation long-term
- SWP allocation assumptions in the current biennial budget:
 - 2023 – 40%
 - 2024 and beyond – 50%

Question: The proposed rates are intentionally set to collect 7% more than needed to cover projected revenue requirements, apparently to fill the depleted reserves. The reserves began to rapidly increase starting year 6 and reaching almost at maximum level in year 10. Is there a way for us to smoothen the earlier rate increases? Or refill the reserves in a slower pace?

Answer:

- The Cost-of-Service Report shows that the proposed rates are set to collect ~7% more than the revenue requirements because the calendar year rates are only in affect for part of the fiscal year revenue requirement. This mismatch would not occur if Metropolitan had fiscal year rate increases (July 1) or calendar year revenue requirements (January 1)
- The Proposed Budget sets rates to maintain the minimum reserve level pursuant to Board policy
- The magnitude of the current use of reserves (~\$250M) underscores the importance of maintaining sufficient and flexible reserve levels. It is not recommended that rates intentionally be set lower as it poses a risk to Metropolitan's long-term financial stability

Question: Explain 1) how SWP costs are paid if the allocation is higher than projected; and 2) what happens to revenue collected to pay SWP expenses if allocation is lower than projected.

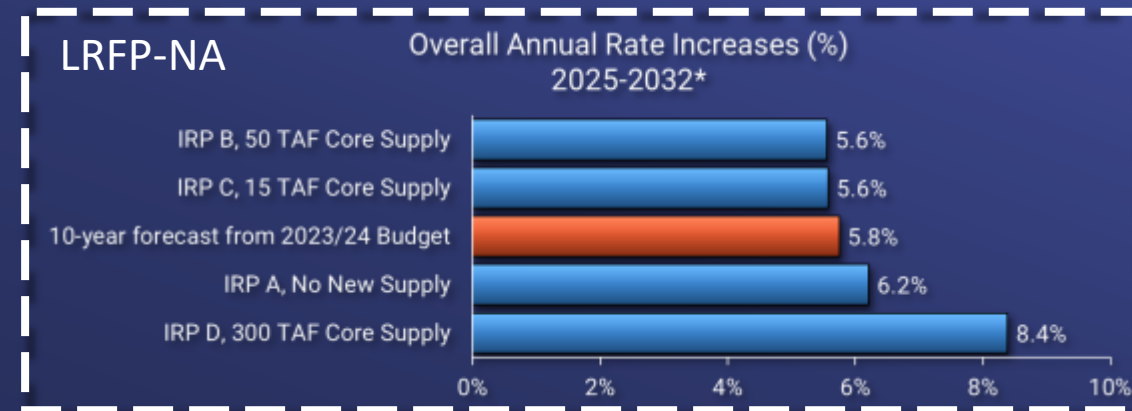
Answer:

- If the SWP allocation is higher than projected, the SWP power costs will be higher. The higher power costs will be funded from operating revenues or from unrestricted reserves, as needed.
- If the SWP allocation is lower than projected, the SWP power costs will decrease. If operating revenue exceed expenditures, any excess funds will go to unrestricted reserves.
- The flow of funds and use of the unrestricted reserves is consistent with the Board-adopted rate structure and administrative policy.

Question: This budget described as “status quo” proposes a 13% rate increase followed by an 8% increase; these rate increases do not include any investments in the billions of dollars in supply reliability and climate resilience projects to be discussed in the CAMP process. How do these rate increases square with those forecasted in the LRF-NA that making \$5.5 billion to \$6 billion in reliability investments through 2032 would result in rate increases of about 6.7% per year, which is much less than currently being proposed?

Answer:

- The LRF-NA was based on the assumptions in the current approved 10-year financial forecast and IRP. The proposed budget reflects an updated financial projection based on the most recent cost and inflation data available
- Despite those fundamental differences, the current forecast is in the bounds of the LRF-NA. The water demands in the proposed budget are in the range of the IRP
- The amount of resources development in the proposed budget includes the 118 TAF PWSC project and is also in the range of the IRP, somewhere between IRP B (50 TAF) and IRP D (300 TAF). The (simple) average annual rate increase in the proposed budget and 10-yr forecast is **6.7% per year** and is in the range average annual rate increases presented in the LRF-NA (ranging from 5.6% to 8.4%)



Question: For the next year, we could be delivering 10 - 20% out of reservoirs that's operational water not drought or emergency water. What would that do to the power costs and power rates?

Answer:

If we planned to draw 200 TAF (14% of water demands) out of DVL for FY 2024/25 it could reduce SWC power costs by \$52M. This could allow the 2025 rates to be ~3% lower. However,

1. Higher rates for 2026
 - This rate decrease would have to be made up in the following year so the 2026 rates would be ~3% higher
2. Risk future rate spikes
 - Rates and charges are normally set on average hydrologic conditions so that on average costs are recovered, and any over/under collections are managed with MWD's unrestricted reserve policy.
 - However, if rates are set lower based on selling water out of storage, then there will be a higher chance of a revenue deficit and a higher chance of having an emergency rate increase if reserve drop below the minimum
3. Increase risk of future shortage
 - MWD system is normally operated to minimize system shortage.
 - This means storing as much water as possible when there is surplus water in preparation for the next drought. Drawing water out of in-region storage – our most reliable source of water – when there are available supplies will reduce system reliability

Questions?

Questions and comments on the FY 2024/25 & FY 2025/26 Proposed Budget can be e-mailed to the Finance & Administration Group at:

MWDBudget@mwdh2o.com





Finance and Asset Management Committee

Pure Water Southern California – Updated Cost-of-Service Allocations and Projected Rate Impacts

Item 6a.1
March 12, 2024

Item 6a.1
PWSC Cost
Recovery
Alternatives

Subject

- Pure Water Southern California – Update on Cost-of-Service Allocations and Projected Rate Impacts

Purpose

- Based on the November 28, 2023 PWSC Phase 1 project cost estimate presented to the Subcommittee on PWSC and Regional Conveyance
 - (1) provide an update on the functional allocations for each of the cost recovery alternatives, and
 - (2) provide a projection of overall rate impact

PWSC Cost Recovery Allocations

Summary of Alternatives

Raftelis' Proposed Cost Recovery Alternatives

- | | | |
|---|---------------------------------------|--|
| 1 | Existing Rates and Charges | Capital and O&M costs are recovered on existing rate elements (Tier 1 Supply, SAR, RTS, CC) |
| 2 | Functionalized Fixed Charge | Capital costs are recovered on a new fixed charge.
O&M costs are recovered on T1 Supply and SAR |
| 3 | Members Subscribe as Direct Investors | Direct Investment → Participating MA
Indirect portion → MET rates & charges for all MA |

Additional Cost Recovery Alternatives

- | | | |
|---|-------------------------------------|---|
| 4 | PWSC Surcharges | PWSC costs are recovered on new, separate volumetric surcharges for supply and transportation |
| 5 | New GO Bond Ad-Valorem Property Tax | New GO Bond AV Tax for capital costs
O&M costs are recovered on T1 Supply and SAR |
| 6 | DPR and Recycled Surcharges | Recycled and DPR water costs that exceed revenue from such water are charged to surcharges that are allocated 100% to supply. |

Alternative 1: Existing Rates and Charges

Cost	Component	Previous Allocation % ⁽¹⁾	Updated Allocation % ⁽²⁾	Rate or Charge	Billing Basis
Capital Financing	Supply (Advanced Water Treatment (AWT))	52%	47%	T1 Supply (\$/AF)	Water Sales
	Transportation (Conveyance)	19%	20%	SAR (\$/AF)	All Transactions
		13%	19%	RTS	Existing RTS
		16%	14%	CC (\$/CFS)	Existing CC
O&M	Supply (AWT Power, Labor, Overhead)	67%	82%	T1 Supply (\$/AF)	Water Sales
	Transportation (Pumping Power, Labor, Overhead)	33%	18%	SAR (\$/AF)	All Transactions

(1) The allocation percentages when the project is completed and fully operational were estimated using the full program cost from the 2020 Regional Recycled Water Program White Paper No. 2.

(2) The updated allocation percentages when the project is completed and fully operational were estimated using the Phase 1 program cost presented at the November 28, 2023 Subcommittee on Pure Water Southern California and Regional Conveyance. The percentages are based on an average of the high and low contribution scenarios. The actual percentages will vary from year to year and be based on the actual project costs including grant awards and contractual contributions.

Alternative 2: Functionalized Fixed Charge

Cost	Component	Previous Allocation % ⁽¹⁾	Updated Allocation % ⁽²⁾	Rate or Charge	Billing Basis
Capital Financing	Supply Portion (Advanced Water Treatment (AWT))	52%	47%	New Fixed Charge	10-Yr Avg Sales
	Transportation Portion (Conveyance)	48%	53%		10-Yr Avg Transactions
O&M	Supply (AWT Power, Labor, Overhead)	67%	82%	T1 Supply (\$/AF)	Water Sales
	Conveyance (Pumping Power, Labor, Overhead)	33%	18%	SAR (\$/AF)	All Transactions

(1) The allocation percentages when the project is completed and fully operational were estimated using the full program cost from the 2020 Regional Recycled Water Program White Paper No. 2.

(2) The updated allocation percentages when the project is completed and fully operational were estimated using the Phase 1 program cost presented at the November 28, 2023 Subcommittee on Pure Water Southern California and Regional Conveyance. The percentages are based on an average of the high and low contribution scenarios. The actual percentages will vary from year to year and be based on the actual project costs including grant awards and contractual contributions.

Alternative 3: Members Subscribe as Direct Investors

Cost	Component	Cost Recover Mechanism
Direct Investment Portion	Portion of project subscribed by direct investors.	Fixed cost recovery in proportion to each investor's share of the project. Take-or-Pay contract.
Remaining Portion	Remaining project costs allocated to Member Agencies after subtracting the Direct Investment Portion.	Alternative 1 = Existing Rate Elements Alternative 2 = New Fixed Charge

- Updated allocations do not change the Direct Investment Portion of the project costs. Direct investors would pay in proportion to their share of the project.
- The Remaining Portion would be recovered either through Alternative 1 or Alternative 2. The update allocations were presented in two previous slides.

Alternative 4: PWSC Surcharges

Cost	Component	Previous Allocation % ⁽¹⁾	Updated Allocation % ⁽²⁾	Rate or Charge	Billing Basis
Capital Financing and O&M Costs	Supply – Advanced Water Treatment (AWT) and AWT Power, Labor, and Overhead	52%	47%	PWSC Supply Surcharge (\$/AF)	Water Sales
	Transportation – Distribution, Pumping System Power, Labor, and Overhead	48%	53%	PWSC Transportation Surcharge (\$/AF)	All Transactions

(1) The allocation percentages when the project is completed and fully operational were estimated using the full program cost from the 2020 Regional Recycled Water Program White Paper No. 2.

(2) The updated allocation percentages when the project is completed and fully operational were estimated using the Phase 1 program cost presented at the November 28, 2023 Subcommittee on Pure Water Southern California and Regional Conveyance. The percentages are based on an average of the high and low contribution scenarios. The actual percentages will vary from year to year and be based on the actual project costs including grant awards and contractual contributions.

Alternative 5: New GO Bond Ad-Valorem Property Tax

Cost	Component	Previous Allocation %(1)	Updated Allocation %(2)	Rate or Charge	Billing Basis
Capital Financing	Supply and Transportation	100%	100%	New GO AV Tax	AV Tax on properties within service area
O&M	AWT Power, Labor, Overhead	67%	82%	T1 Supply (\$/AF)	Water Sales
	Pumping System Power, Labor, Overhead	33%	18%	SAR (\$/AF)	All Transactions

(1) The allocation percentages when the project is completed and fully operational were estimated using the full program cost from the 2020 Regional Recycled Water Program White Paper No. 2.

(2) The updated allocation percentages when the project is completed and fully operational were estimated using the Phase 1 program cost presented at the November 28, 2023 Subcommittee on Pure Water Southern California and Regional Conveyance. The percentages are based on an average of the high and low contribution scenarios. The actual percentages will vary from year to year and be based on the actual project costs including grant awards and contractual contributions.

Alternative Scenario 6

(Proposed by the FAIRP Committee Chair)

Cost	Component	Approx %	Rate or Charge	Billing Basis
Capital Financing and O&M Costs	Advanced Treated Recycled Water (100% to Supply)	78% (90mgd, Phase 1)	PWSC Recycled + PWSC Recycled Surcharge	PWSC Recycled Sales + New PWSC Recycled Surcharge
	Direct Potable Reuse Water (100% to Supply)	22% (25mgd; Phase 1)	PWSC DPR + PWSC DPR Surcharge	PWSC DPR Sales + New PWSC DPR Surcharge

- Updated allocation percentages for the cost-of-service functions do not change the surcharge allocations under Director Smith’s proposal, as they are allocated 100% to supply under all conditions.

PWSC Unit Cost Projections

Project and Financial Assumptions

Project Assumptions

Project Start	2023
First Year Project Operational	2033 (10 years)
Design Capacity	115 MGD
Production Average Yield (assumed 92%)	118 TAF/yr
Engineering Fees & PM Fees	25% + 5%
Contingency - Capital	35%
Contingency – O&M	15%

Financial Assumptions

Escalation Rate	4%
Discount Rate	4%
% PAYGO	0%
Debt Issuance	
Fixed Interest Rate	4.5%
Term	30 years
Cost of Issuance	0.5%
Bond Reserve	0%

PWSC Project Costs – Nov 2023 Update

PWSC – Phase 1	Low Contribution	Mid Contribution	High Contribution	units
Yield				
Design Capacity	115	115	115	mgd
Average Yield (92%)	118	118	118	TAF
Construction Duration	10	10	10	Years
Capital Cost				
Total Construction Costs	3,380	3,380	3,380	2023 \$M
Engineering (25%) and Program Mgmt Fees (5%)	1,014	1,014	1,014	2023 \$M
Total Capital Costs	4,394	4,394	4,394	2023 \$M
Contingency (35%)	1,538	1,538	1,538	2023 \$M
Community Benefit	457	457	457	2023 \$M
Less State / Federal Grants	(136)	(237)	(339)	2023 \$M
Less Partner Carried Costs	(1,662)	(2,074)	(2,487)	2023 \$M
Net MWD Capital Costs	4,590	4,077	3,563	2023 \$M
Annual Operations and Maintenance Cost⁽¹⁾				
Annual O&M⁽¹⁾	228	228	228	2023 \$M/YR
Less Partner Carried Costs	(37)	(58)	(79)	2023 \$M/YR
Net Annual O&M Cost	191	170	149	2023 \$M/YR
Capital Financing				
Financing Term	30	30	30	Years
Interest Rate	4.50%	4.50%	4.50%	
Financing Cost	238	212	185	2023 \$M/YR
Annual Cost				
Financing Costs	238	212	185	2023 \$M/YR
O&M Costs	191	170	149	2023 \$M/YR
Total Annual Cost⁽¹⁾	429	382	334	2023 \$M/YR

(1) When project fully operational, including 15% contingency Finance and Asset Management Committee

PWSC Project Unit Costs and Overall Rate Impact

Nov 2023 Update

PWSC – Phase 1	Low Contribution	Mid Contribution	High Contribution	units
Unit Cost				
Capital Costs	2,012	1,787	1,562	2023 \$/AF
O&M Cost	1,612	1,435	1,258	2023 \$/AF
Total Unit Cost	3,624	3,222	2,820	2023 \$/AF
Adv. Treatment Facilities (Supply)	2,338	2,005	1,672	2023 \$/AF
Conveyance & Recharges Facilities	1,285	1,216	1,148	2023 \$/AF
Total Unit Cost	3,624	3,222	2,820	2023 \$/AF
Cost Impact				
MWD Overall Cost Increase ^(1,2)	24%	22%	19%	
Annual cost increase ^(1,2,3)	2.7%	2.4%	2.1%	
Average Cost Increase per AF ^(1,4)	279	248	217	2023 \$/AF

(1) When project fully operational

(2) based on Metropolitan's 2023/24 Revenue Requirement of \$1,764 M

(3) based on construction duration less one year

(4) based on Metropolitan's 2023/24 Budget of 1.54 MAF





PUREWATER
SOUTHERN CALIFORNIA

Review of Cost Recovery Alternative 6 (Proposed by the FAIRP Committee Chair)

March 12, 2024

Item 6a.2



PWSC Summary of Alternatives Evaluated

Raftelis Proposed Cost Recovery Alternatives

	Alternative	Component
1.	Existing Rates and Charges	Capital and O&M costs are recovered on existing rate elements (Tier 1 Supply, SAR, RTS, CC)
2.	Functionalized Fixed Charge	Capital costs are recovered on a new fixed charge. O&M costs are recovered on T1 Supply and SAR
3.	Members Subscribe as Direct Investors	Direct Investment → Participating member agencies Indirect Portion → MET rates & charges for all member agencies

Additional Cost Recovery Alternatives

	Alternative	Component
4.	PWSC Surcharges	PWSC costs are recovered on new, separate volumetric surcharges for supply and transportation
5.	New GO Bond Ad Valorem Property Tax	New GO Bond AV Tax for capital costs O&M costs are recovered on T1 Supply and SAR

Review of Alternative 6

(Proposed by the FAIRP Committee Chair)

Cost	Component	Approx %	Rate or Charge	Billing Basis
Capital financing and O&M Costs	Advanced Treated Recycled Water	78% (90 mgd, Phase 1)	PWSC Recycled + PWSC Recycled Surcharge	PWSC Recycled Sales + New PSWC Recycled Surcharge
	Direct Potable Reuse Water	22% (25 mgd, Phase 1)	PWSC DPR + PWSC DPR Surcharge	PWSC DPR Sales + New PWSC DPR Surcharge

$$\text{PWSC Recycled Surcharge (Allocated 100\% to Supply)} = \frac{\text{PWSC Recycled Cost} - \text{PWSC Recycled Sales}}{\text{MWD Water Sales}}$$

PWSC Recycled Sales = Recycled Volume x PWSC Recycled Rate

PWSC Recycled Rate = Use current full service untreated volumetric cost (Tier 1)

$$\text{PWSC DPR Surcharge (Allocated 100\% to Supply)} = \frac{\text{PWSC DPR Cost} - \text{PWSC DPR Sales}}{\text{MWD Water Sales}}$$

PWSC DPR Sales = DPR Volume x PWSC DPR Rate

PWSC DPR Rate = Use negotiated contracted amounts (at cost or negotiated at market or direct investment, or full service untreated volumetric cost (Tier 1))

Alternative 6 – Assumptions

(Proposed by the FAIRP Committee Chair)

1. Capital financing and O&M costs are allocated to recycled water charges and DPR charges based on the proportional share of production from PWSC. Therefore, Alt 6 assumes that two different water supplies are produced by PWSC with different benefits and costs. The unit costs of these new supplies exceed Metropolitan's current full-service untreated rate.
2. The member agencies that are direct recipients of the recycled water, and which are necessary for the successful operation of PWSC, should not be solely responsible for paying the recycled water costs. The recipients of DPR water should pay an appropriate rate that offloads all or some of the DPR cost burden from Metropolitan's member agencies.
3. Recycled water charges are divided into a Recycled Rate, which is set equal to the untreated water rate, and a Recycled Surcharge. By setting the Recycled Rate equal to the untreated rate, the direct recipients of recycled water will not have to bear the full costs allocated to recycled water, given that the recycled unit cost is assumed to be higher than the untreated rate. The remainder of the recycled water costs are recovered through water sales via a \$/AF surcharge allocated 100% to supply.
4. DPR water charges are divided into a DPR Rate and a DPR Surcharge. The DPR Rate would be a negotiated rate, market rate, or potentially set to Metropolitan's untreated water rate. Depending on the volume of DPR water under contract and the rate at which it is sold, it is possible that the DPR surcharge is equal to zero. However, if DPR allocated costs exceed the amount recovered through DPR sales (DPR contract volume multiplied by DPR Rate), the excess DPR costs are recovered through water sales via a \$/AF surcharge allocated 100% to supply.

Alternative 6 – Assumptions

(Proposed by the FAIRP Committee Chair)

5. Recipients or IPR (or Recycled) water will be charged Metropolitan’s untreated water rate, which is first calculated by excluding PWSC costs and excluding any effects from existing water sales being replaced by PWSC sales
 - › The PWSC recycled water surcharge will be paid by all member agencies based on their water sales (including IPR and regular MWD water)
6. Phase 1 of PWSC will deliver DPR water to the headworks of Weymouth Treatment Plant and not be delivered directly to member agencies. Therefore:
 - › The DPR Rate, which is a contract-based rate, may vary depending on the negotiated rate, and the DPR Surcharge exhibits variability with DPR contract terms
 - › PWSC DPR surcharge (net costs after the DPR sale revenues) will be paid by all member agencies receiving MWD water
 - › If there are no interested parties in the DPR water, then the PWSC DPR Surcharge will represent the full cost of DPR water
 - › The costs for both recycled water and DPR surcharges are allocated 100% to Supply
7. During initial construction, when there are no recycled or DPR water sales, the new surcharges will reflect the annual project costs. For example, in year 5 of construction, there will be capital financing costs for the debt issued to date, yet no recycled or DPR water sales because the plant is not operating. At this point, the capital financing costs will be recovered through water sales via the new surcharges.

Review of Alternative 6

(Proposed by the FAIRP Committee Chair)

- Raftelis reviewed Alternative 6 (proposed by the FAIRP Committee Chair) in the same way as other alternatives were reviewed.
- We considered whether the cost recovery alternative:
 - › Reflects the benefits of PWSC on Metropolitan's system and services and is consistent with cost recovery principles
 - › Is simple, relatively easy to understand
 - › Provides ease of implementation and administration
 - › Is consistent with common industry practices for recovery of water resiliency projects
 - › Helps MET align fixed costs with fixed cost recovery
 - › Provides Member Agencies with an option for project direct investment

The Cost Recovery Alternatives were evaluated for conformance with Cost Recovery Principles

Full cost recovery in proportion to the benefits received and the cost to serve

(See next slide for discussion)



May consider other objectives that result in a reasonable fit for the utility.



Metropolitan's Rate Structure Framework

Stability of revenue and coverage of cost

Fairness

Certainty and predictability

No significant economic disadvantage

Reasonably simple and easy to understand

Dry-year allocation should be based on need

The Regional Benefits of PWSC were reviewed to assess whether cost recovery under Alternative 6 reflects the benefits of PWSC

Since PWSC provides integrated system benefits to both the supply and transportation and Alt 6 allocates costs 100% to supply (and not transportation), Alt 6 is inconsistent with cost recovery principles that should reflect cost recovery in proportion to the benefits received.

The Regional Benefits of PWSC (from Whitepaper 2) include:

- Reduced risk of net water shortages including the benefit of reduced reliance on SWP deliveries, allowing SWP deliveries to be used in other areas and supply exchanges with other contractors on the SWP system.
- Improved resiliency of water supply to climate change
- Enhanced reliability and flexibility of the water supply including helping to free up transportation capacity and reduce the use of, and burden on, MET's transportation system used to meet peak day demands, and also providing seismic resilience of transportation infrastructure.

Review of Alternative 6

(Proposed by the FAIRP Committee Chair)

Considerations

1. This alternative is more complex than the other alternatives analyzed. The COS analysis requires a multi-step modeling process, compared to one now. As the recycled water sales are replacing existing sales, excluding recycled water sale revenues from existing system will change the COS and rate calculations. Any change to the underlying COS analysis would require changes to the downstream models because of the interconnected components.
2. Costs are proposed to be allocated 100% to supply, but there is also a transportation function. There are benefits to both Metropolitan's supply and an integrated, regional transportation system, so those using the transportation system may rightly be expected to share in the costs.
3. The PWSC project would add a significant amount of fixed costs, but the proposed cost recovery would be 100% variable and based on the amount of water sales, potentially adding revenue volatility in future years.
4. The surcharge amounts could vary considerably during the construction period and be higher because there would be no DPR and recycled water sales. Once the system is operational, DPR and recycled sales will offset the surcharges and be lower.

Examples of Cost Recovery of Other Water Resiliency Projects

Several Cost Recovery approaches for other water resiliency projects were examined to help assess whether Alt 6 is consistent with Common Industry Practices

Examples include:

- San Diego County Water Authority, CA - Carlsbad Desalination Project
- El Paso, TX - Water Desalination Project
- Orange County, CA - Groundwater Replenishment System
- Water Replenishment District of Southern California, CA

Examples of Cost Recovery Approaches from Other Water Agencies

Water Agency	Water Supply	Cost Recovery Approach
San Diego County Water Authority	Desalination Water	Costs of the desal project are allocated to supply, treatment, and transportation functions. The dedicated desal pipeline is charged to transportation. Desalination costs are blended with other water supply and transportation costs and recovered through SDCWA's existing rates and charges
El Paso TX	Desalination Water	Costs are allocated to supply, treatment, and transportation functions. Desalination costs are blended with other water costs and recovered through El Paso's existing rates and charges.
Orange County, CA – Groundwater Replenishment System	Recycled Water	Costs are combined with other water sources and charged to customers as a uniform rate per acre-ft of groundwater production.
Water Replenishment District of Southern California, CA	Recycled Water	Costs are combined with other water sources and charged to water producers as replenishment assessment. Assessment is a single blended uniform rate per AF on all water pumped regardless of which water source is used to replenish the groundwater basins.

Attributes of Cost Recovery Alternative 6

(Proposed by the FAIRP Committee Chair)

	Alternative 6 Recycled & DPR Surcharges
Consistent with Cost Recovery Principles	
Simple – Relatively Easy to Understand	
Ease of Implementation and Administration	?
Consistent with Common Industry Practices	✓*
Aligns Fixed Costs with Fixed Revenue Recovery	
Provides Member Agencies w/ Direct Investment Option	

* Assessing a surcharge is a common industry practice. However, identifying the surcharge as marginal rate above an average rate is not common and is more of a novel / innovative approach.

- Note that some of the other alternatives evaluated align with these attributes better than Alternative 6.



Thank you!

Contact: John Mastracchio
518 391 8944/ jmastracchio@raftelis.com

SDCWA Carlsbad Desalination Project

Cost Allocation Example

- **SDCWA allocates the costs of the desal project to supply, treatment, and transportation functions:**
 - A portion of the cost of production of water from desal system is allocated to supply and the remaining portion is allocated to treatment. SDCWA justifies this allocation because the project provides a new water source and produces water that meets drinking water regulations.
 - **SDCWA allocates the cost of the desalination delivery pipeline to the transportation function.**
- This is a relevant cost recovery example because it involves a project creating a supplemental water source treated to potable drinking water standards, like the PWSC DPR project component.
- However, PWSC's DPR component is not anticipated to produce water meeting potable drinking water standards in Phase 1, and unlike PWSC, there is no untreated water service provided by this project.

The San Diego County Water Authority (SDCWA) receives treated water from the Carlsbad Desalination project through a water purchase agreement that supplements SDCWA's other water supply sources.

Desalination costs are blended with other water supply and transportation costs and recovered through SDCWA's existing rates and charges:

- › Volumetric Rates – Supply, transportation, and treatment rates charged per unit of metered water delivery.
- › Service Charges – Customer service, storage, and supply reliability charges apportioned based on three- or five-year rolling average water purchases. The supply reliability charge is set at the difference between the cost of local sources and the MWD Tier 1 rate multiplied by 25 percent.

El Paso, Texas Water Desalination Project

Cost Allocation Example

- **El Paso's Desalination project costs are allocated to supply, treatment, and transportation functions**
 - The wells that supply the desalination plant with water are allocated to supply. The desal plant O&M and capital costs are allocated to treatment, and the water produced is conveyed through T&D mains. The T&D mains are allocated to transportation.
- This is a relevant cost recovery example because it involves a project creating a supplemental water source treated to potable drinking water standards, like the PWSC DPR project component.
- However, PWSC's DPR component is not anticipated to produce water meeting potable drinking water standards in Phase 1, and unlike PWSC, there is no untreated water service provided by this project.

The City of El Paso, TX operates the Kay Bailey Hutchinson Desalination Plant that produces 27.5 MGD of desalination water and supplements El Paso's other water supply sources.

The desalination costs are blended with other costs and recovered through El Paso's existing rates and charges:

- › Volumetric Rates – Supply, treatment, and distribution costs recovered from block usage charges per ccf based on metered customer consumption.
- › Fixed Charges – El Paso has a fixed charge called a Water Supply Replacement Charge used to help fund future water supply projects.

Orange County Groundwater Replenishment System (GWRS)

Cost Allocation Example

- OCWD combines the annual cost of each of its water supply sources into a **replenishment assessment that is charged to customer agencies as a uniform rate per acre-ft** of groundwater production.
- This cost recovery approach is similar to PWSC Cost Recovery Alt 1 as there is no separate rate and charge structure for recovery of the cost of the GWRS.
- This is a relevant cost recovery example because it involves a supplemental reclaimed water source treated to non-potable standards, like a portion of the PWSC project.
- However, unlike PWSC, there is no DPR component of GWRS and no exchange transactions that require identification of transportation costs.

The Orange County Water District (OCWD) regulates and protects the Orange County Groundwater Basin, and one of its functions is to facilitate the recharge the basin. It does this with percolation facilities and injection wells using diverted surface water from the Santa Ana River, GWRS, and water purchases from MET.

The GWRS is comprised of an advanced water purification facility, pump station, dedicated pipeline, and injection wells that produce, convey, and primarily injects 100 – 130 MGD of purified recycled water back into the aquifer for groundwater recharge.

The OCWD levies an assessment to 19 water producers within the County for their withdrawal of groundwater from the basin.

Water Replenishment District of Southern California (WRD)

Cost Allocation Example

- **WRD charges water producers a replenishment assessment that is a single blended uniform rate** in \$ / AF on all water pumped from the Central Basin and West Coast Basin regardless of which water source is used by WRD to replenish the groundwater basins
- Rationale is that WRD replenishment activities benefit all groundwater producers on a direct and indirect basis.
- This is a relevant cost recovery example because it involves multiple sources of water supply used for groundwater replenishment, like a portion of the PWSC project.
- However, unlike PWSC, there is no direct potable reuse of WRD's water sources and no exchange transactions that require identification of transportation costs.

The WRD is the largest groundwater management agency in California that manages the Central Basin and the West Coast Basin in Southern California.

WRD purchases recycled water from LADWP, the Sanitation Districts of LA County, and from the West Basin MWD. It also purchases water from the Central Basin MWD, the Long Beach Water Department and the West Basin MWD for groundwater basin replenishment.

It charges rates to water producers for groundwater basin replenishment.



Finance and Asset Management Committee

Quarterly Financial Review December 31, 2023 (Cash Basis)

Item 6b

March 12, 2024

Item 6b Overview of the Quarterly Financial Review

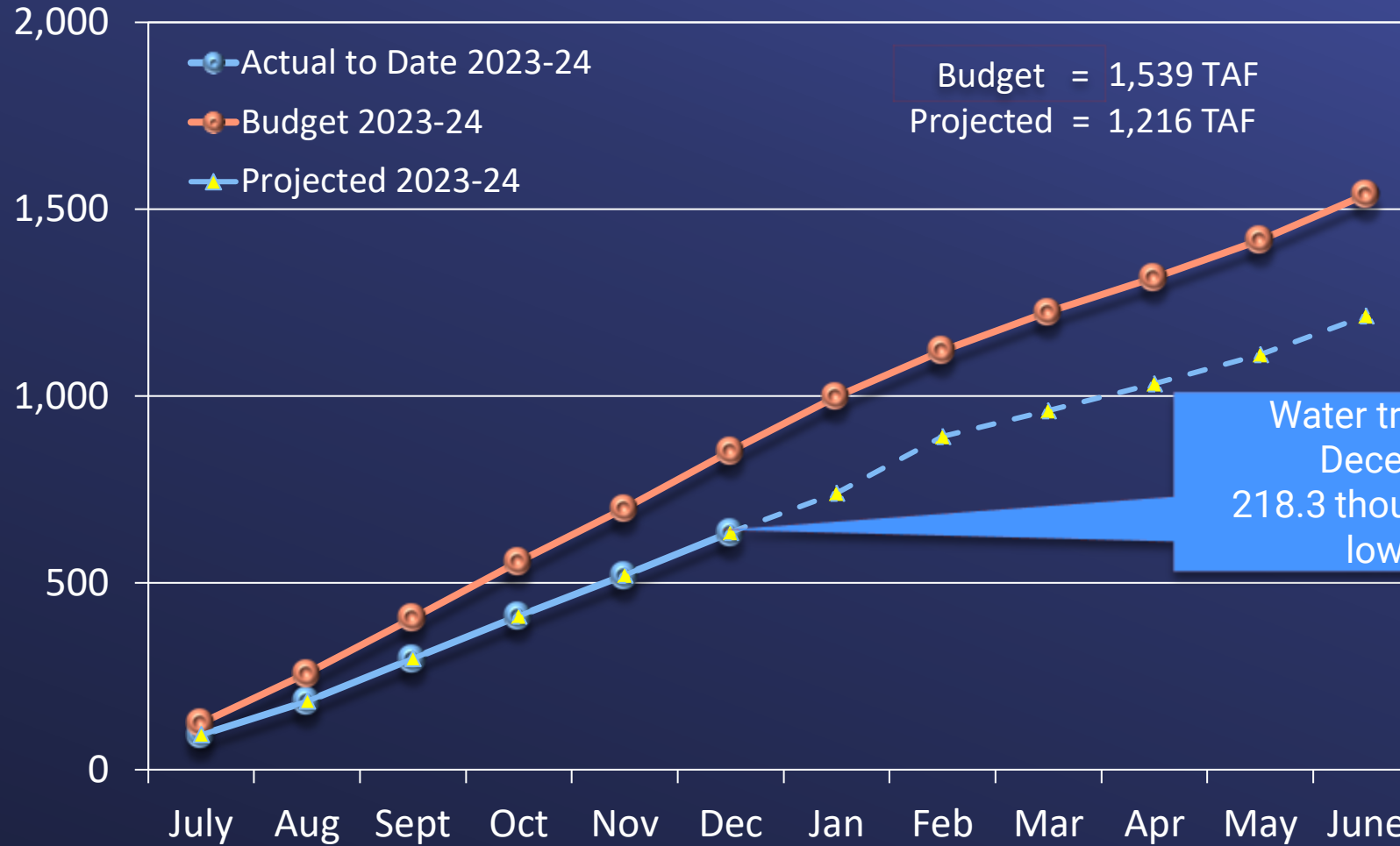
Subject

- The District's Financial Report for the quarter ended December 31, 2023 and projections through June 30, 2024

Purpose

- Present the financial performance for the second quarter (cash basis, actuals)
- Present the cumulative water transactions and its components
- Assess revenues, expenses, and insights into cash flow
- Compare full-year Fiscal Year 23/24 projections with the budget
- Present projected Fiscal Year 23/24 unrestricted reserve ending balance

Cumulative Water Transactions⁽¹⁾ (AF in thousands)



Water transactions through December 2023 were 218.3 thousand acre-feet (TAF) lower than budget

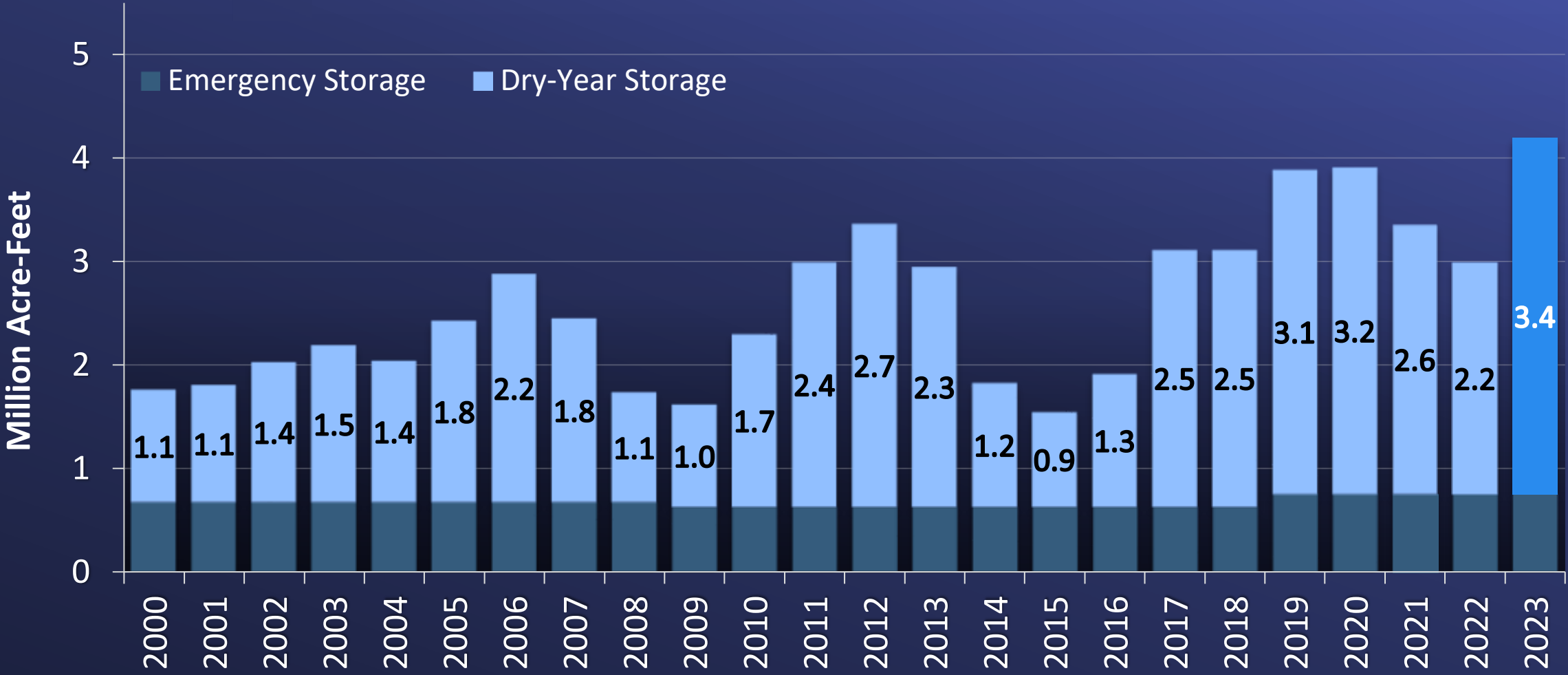
⁽¹⁾ Includes Water Sales, Exchanges, and Wheeling from member agencies. Non-member agency transactions are excluded.

Metropolitan's Water Transactions⁽¹⁾



⁽¹⁾ Includes Water Sales, Exchanges, and Wheeling from member agencies. Non-member agency transactions are excluded.

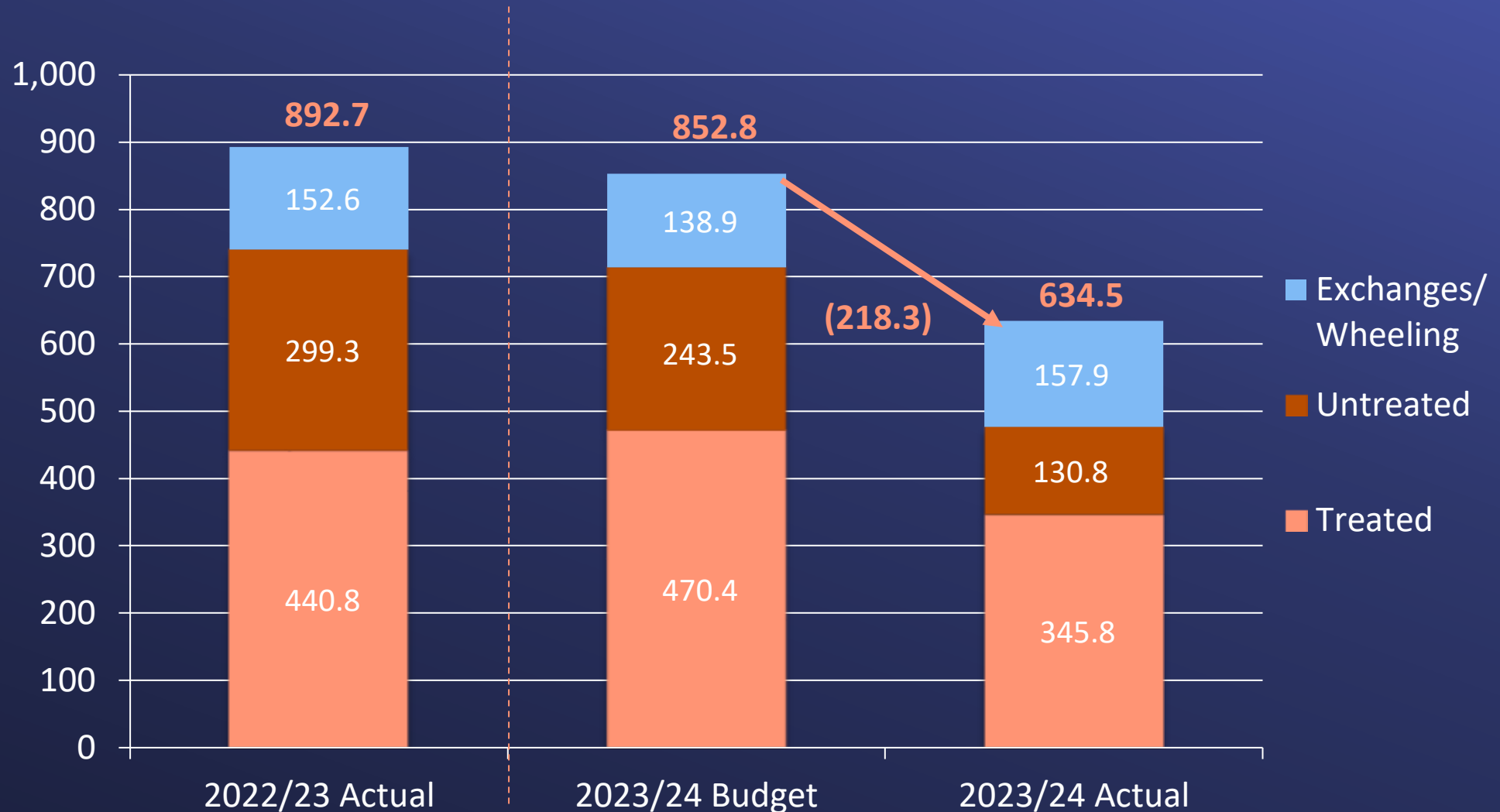
Record-High Storage Projection for Metropolitan End-of-Year Balances



Note:
2023 end-of-year balance is preliminary as it is subject to USBR final accounting.

Water Transactions through December 2023⁽¹⁾

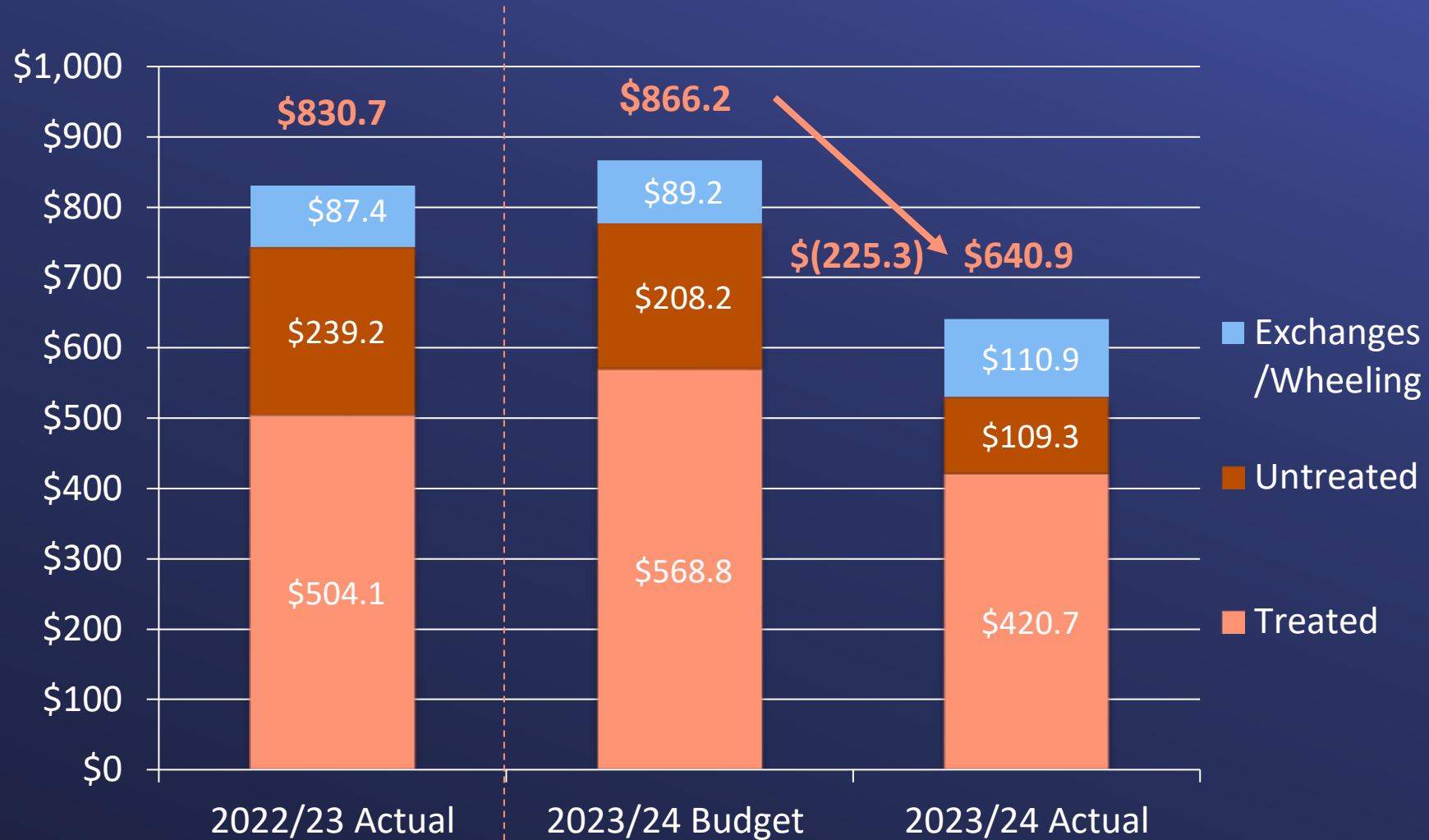
(AF in thousands)



⁽¹⁾ Includes Water Sales, Exchanges, and Wheeling from member agencies. Non-member agency transactions are excluded.

Water Revenues through December 2023⁽¹⁾

(\$ in millions)



⁽¹⁾ Includes Water Sales, Exchanges, and Wheeling from member and non-member agencies.

(\$ in millions)

FY 23/24 Revenues (Cash Basis)

December 31, 2023

	2023/24 YTD Actuals	2023/24 Projected	2023/24 Budget	Variance
Water	\$ 640.9	\$ 1,221.6	\$ 1,538.3	\$(316.7)
RTS	71.7	160.5	160.5	-
Capacity Charge	17.2	35.2	35.2	-
Power	4.6	8.4	14.2	(5.8)
Taxes, net	79.8	185.9	168.3	17.6
Interest	24.1	31.2	9.6	21.6
Other	9.2	71.8	30.5	41.3
Total Revenues	\$ 847.5	\$ 1,714.6	\$ 1,956.6	\$ (242.0)

(\$ in millions)

FY 23/24 Expenses (Cash Basis)

December 31, 2023

	2023/24 YTD Actuals	2023/24 Projected	2023/24 Budget	Variance
State Water Contract	\$ 453.6	\$ 773.2	\$ 726.7	\$ 46.5
Supply Programs	75.7	135.4	110.1	25.3
CRA Power Costs	21.1	46.4	85.7	(39.3)
Debt Service	227.1	326.7	301.0	25.7
Demand Management	25.7	62.7	67.1	(4.4)
Departmental O&M	339.7	599.3	599.3	-
PayGo	16.3	35.0*	135.0	(100.0)
Delta Conveyance	23.0	64.5	64.5	-
Total Expenses	\$ 1,182.2	\$ 2,043.2	\$ 2,089.4	\$ (46.2)

** Assumes \$100 million of pay-as-you-go CIP expenditures will be bond financed*

(\$ in millions)

FY 23/24 Net Cash Flow

Estimate June 30, 2024

	FY 2023/24 Projected
Total Revenues	\$ 1,714.6
Total Expenses	<u>2,043.2</u>
Net Expenses	<u>\$ (328.6)</u>

The FY 2023/24 operating deficit requires the use of approximately \$227 million from the Water Rate Stabilization Fund

(\$ in millions)

FY 23/24 Cash Basis Unrestricted Reserves

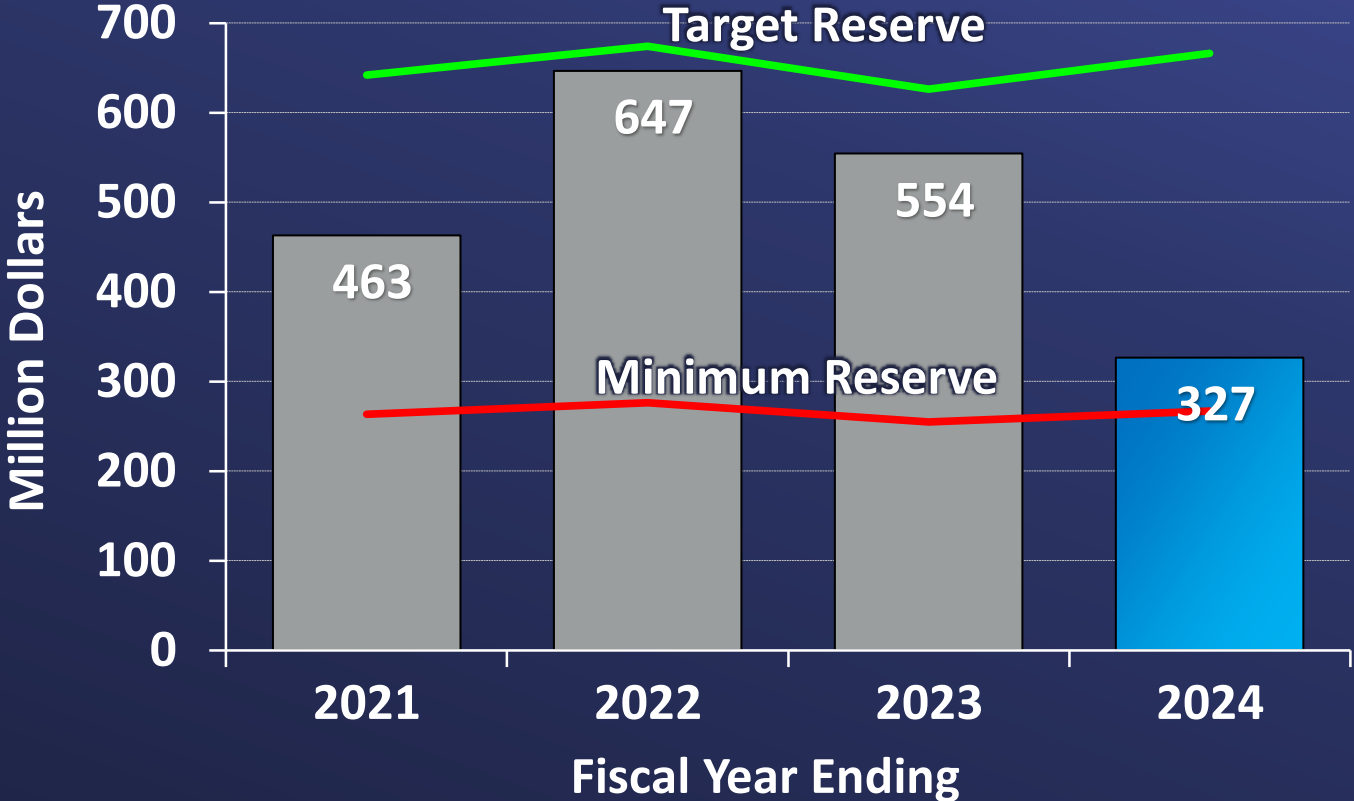
Estimate June 30, 2024

	FY 2023/24 Projected
Beginning Unrestricted Reserves Balance	\$ 554.2
Net Cash Flow	(328.6)
Increase in Required Reserves	(23.8)
Funding from SWRCB for Pure Water SoCal	23.0
Other Funding Sources (e.g., Debt and CWF Refund)	<u>102.0</u>
Ending Unrestricted Reserves Balance	<u>\$ 326.8</u>

The estimated FY 2023/24 ending unrestricted reserve balance is about \$60 million above the minimum policy level

(\$ in millions)
FY 23/24
Cash Basis
Unrestricted
Reserves

Estimate June 30, 2024



Second Quarter Basic Financial Statements Unaudited Actuals through December 31, 2023

- A copy of Metropolitan's Second Quarter Basic Financial Statements (Unaudited) can be accessed here:

https://www.mwdh2o.com/media/cd3c1gxo/dec-23-quarterly-bfs_final.pdf





Finance & Asset Management Committee

Historical Revenue and Expense Analysis

Item 6c

March 12, 2024

Item 6c
Historical
Revenue and
Expense
Analysis

Subject

Historical Revenue and Expense Analysis

Purpose

Follow up informational item from February 2024

Summary of the Requests

- Finance was asked to provide a 10-year historical revenue and expense analysis
 - Staff prepared and delivered this presentation to the FAM Committee at Budget Workshop #1 on February 12, 2024
- As a subsequent follow-up request, Finance was asked to provide a 10-year historical revenue and expense analysis (budget v. actual) by rate element. **The data, as requested, is not available.** Metropolitan's actual revenues and expenditures are recorded in accordance with GAAP standards; they are not recorded by rate element

MWD Water Service Rates & Charges

- Metropolitan, a wholesaler, is structured to provide for full-service **treated** or **untreated** water
 - **A single enterprise**
- Functionalization of costs must be reasonable
- Rate unbundling provides transparency to identify the costs of the operational functions corresponding to the rate elements and charges during development of the budget and the cost-of-service process

Table 1. Water Service Rates and Charges

	Effective January 1st	2023	2024
Tier 1 Supply Rate (\$/AF)		\$321	\$332
Tier 2 Supply Rate (\$/AF)		\$530	\$531
System Access Rate (\$/AF)		\$368	\$389
System Power Rate (\$/AF)		\$166	\$182
Full Service Untreated Volumetric Cost (\$/AF)			
Tier 1		\$855	\$903
Tier 2		\$1,064	\$1,102
Treatment Surcharge (\$/AF)		\$354	\$353
Full Service Treated Volumetric Cost (\$/AF)			
Tier 1		\$1,209	\$1,256
Tier 2		\$1,418	\$1,455
Readiness-to-Serve Charge (\$M)		\$154	\$167
Capacity Charge (\$/cfs)		\$10,600	\$11,200

Unrestricted Reserves

Policy Established Pursuant to the Administrative Code

§ 5202. Fund Parameters.

The minimum cash and securities to be held in the various ledger funds as of June 30 of each year shall be as follows:

(a) For the Revenue Remainder Fund cash and securities on hand of June 30 of each year shall be equal to the portion of fixed costs of the District estimated to be recovered by revenues from water transactions, including, but not limited to, sales, exchanges, and wheeling, for the eighteen months beginning with the immediately succeeding July. Such funds are to be used in the event that revenues are insufficient to pay the costs of the District.

(c) Amounts remaining in the Revenue Remainder on June 30 of each year after meeting the requirements set forth in Section 5202(a) shall be transferred to the Water Rate Stabilization Fund and to the extent required under Section 5202(d), to the Water Treatment Surcharge Stabilization Fund.

(d) After making the transfer of funds as set forth in Section 5202(c), a determination shall be made to substantially identify the portion, if any, of such transferred funds attributable to collections of treatment surcharge revenue in excess of water treatment cost and to collections of water stewardship rate revenue in excess of costs of the Conservation Credits Program, Local Resources Program seawater desalination and similar demand management programs, including the departmental operations and maintenance costs of administering these programs. Such funds shall be transferred to the Water Treatment Surcharge Stabilization Fund and the Water Stewardship Fund, respectively, to be available for the principal purpose of mitigating required increases in the treatment surcharge and water stewardship rates. If such determination indicates a deficiency in treatment surcharge or water stewardship rate revenue occurred during the fiscal year, a transfer of funds shall be made from the Water Treatment Surcharge Stabilization Fund or the Water Stewardship Fund, as needed and appropriate, to reimburse funds used for the deficiency. Notwithstanding the principal purpose of the Water Treatment Surcharge Stabilization Fund and the Water Stewardship Fund, amounts assigned to these fund shall be available for any other lawful purpose of the District.

- The Administrative Code – which was approved by the Board – establishes Metropolitan’s unrestricted reserves:
 - Calculation methodology, amounts, and uses
 - Principal purpose to maintain stable and predictable water rates and charges

(e) Amounts in the Water Rate Stabilization Fund shall be held for the principal purpose of maintaining stable and predictable water rates and charges. The amount to be held in the Water Rate Stabilization fund shall be targeted to be equal to the portion of the fixed costs of the District estimated to be recovered by revenues from water transactions, including, but not limited to, sales, exchanges, and wheeling, during the two years immediately following the eighteen-month period referenced in Section 5202(a). Funds in excess of such targeted amount shall be utilized for capital expenditures of the District in lieu of the issuance of additional debt, or for the redemption, defeasance or purchase of outstanding bonds or commercial paper of the District as determined by the Board. Provided that the District’s fixed charge coverage ratio is at or above 1.2 amounts in the Water Rate Stabilization Fund may be expended for any lawful purpose of the District, as determined by the Board of Directors, provided that any funds distributed to member agencies shall be allocated on the basis of water revenues during the previous fiscal year, such revenues to include sales under the Interim Agricultural Water Program, Replenishment Service Program and all Full Service water sales.

Key Challenges & Risks

Enterprise Fund Accounting

- Metropolitan operates as a **utility enterprise** in accordance with generally accepted accounting principles (GAAP) for proprietary funds as required by Governmental Accounting Standards Board (GASB)
- MWD's **enterprise (purpose)** under the MWD Act is to develop, store, and distribute water, at wholesale, to its member public agencies for domestic and municipal purposes. This is unlike an all-purpose city or county, that engages in various general governmental and enterprise activities and keeps separate funds for each of those activities, including utilities
- MWD's presentation of **unbundled rates does not represent a distinct activity** from an accounting perspective – they are all components of MWD's primary purpose under the MWD Act. All operating revenues and unrestricted reserves – unless restricted by Administrative Code – are available to support MWD's enterprise-wide activities
- It is uncommon to dissect an enterprise fund's unrestricted reserves

Key Challenges & Risks

Special Funds for Tracking Purposes

- This requires the creation of multiple “special funds” to record and track both the revenues and expenditures of unbundled rate elements (i.e., supply, system access, power) - **which reflects a significant structural and system change across the district**
 - Creating and tracking reserves for each unbundled rate element would be inconsistent with Metropolitan’s enterprise structure
 - Structural limitations exist that require additional analysis to evaluate costs (i.e., time-keeping, billing system, and other financial systems)
 - There is no clear methodology to allocate existing unrestricted reserves into the proposed new reserve categories

Key Challenges & Risks

No California water utility uses “special funds” within an enterprise

- There are **no enterprise funds** using this approach
- Metropolitan’s **external auditors could not find** examples of water districts in California, **including MWD’s Member Agencies**, that use multiple funds to account for the activities of their utility enterprise, particularly by unbundled rate element category
- Importantly, cities or other multi-purpose agencies, including multi-enterprise agencies, are not comparable to Metropolitan

Key Challenges & Risks

Reduced Flexibility / Greater Reserve Needs in the Aggregate

- This approach would **limit system-wide flexibility** to cover unanticipated expenditures due to changing hydrologic conditions not contemplated in the adopted biennial budget
- If the flexibility on the use of unrestricted reserves is not maintained (i.e., requiring reserves by rate element/function), it would generally **require an increase in the reserve levels within each rate element/functional category** to account for greater degree of revenue/expense volatility
- **MWD can manage the volatility in its revenues** even with a high-degree of fixed expenses, largely because of the flexibility provided by having unrestricted reserves

Key Challenges & Risks

Access to Capital Markets & Rating Agency Considerations

- Creation of additional reserve funds would reduce Metropolitan's unrestricted reserve balance that is currently available for any lawful district expense, **including for debt service payments**
- Lower unrestricted reserve balances could **require higher rate increases** within biennial budget periods to meet Metropolitan's rate covenants including Metropolitan's debt service coverage ratio
- Likely viewed as a **negative rating action**, which will increase debt service costs and/or reduce Metropolitan's access to capital markets for future bond funded capital projects. This, in turn, could negatively impact the ratings of Metropolitan's Member Agencies

Requires a Year-End Cost-of-Service Study

Translate Actual Expenditures Back Into Rate Elements

(S in millions)

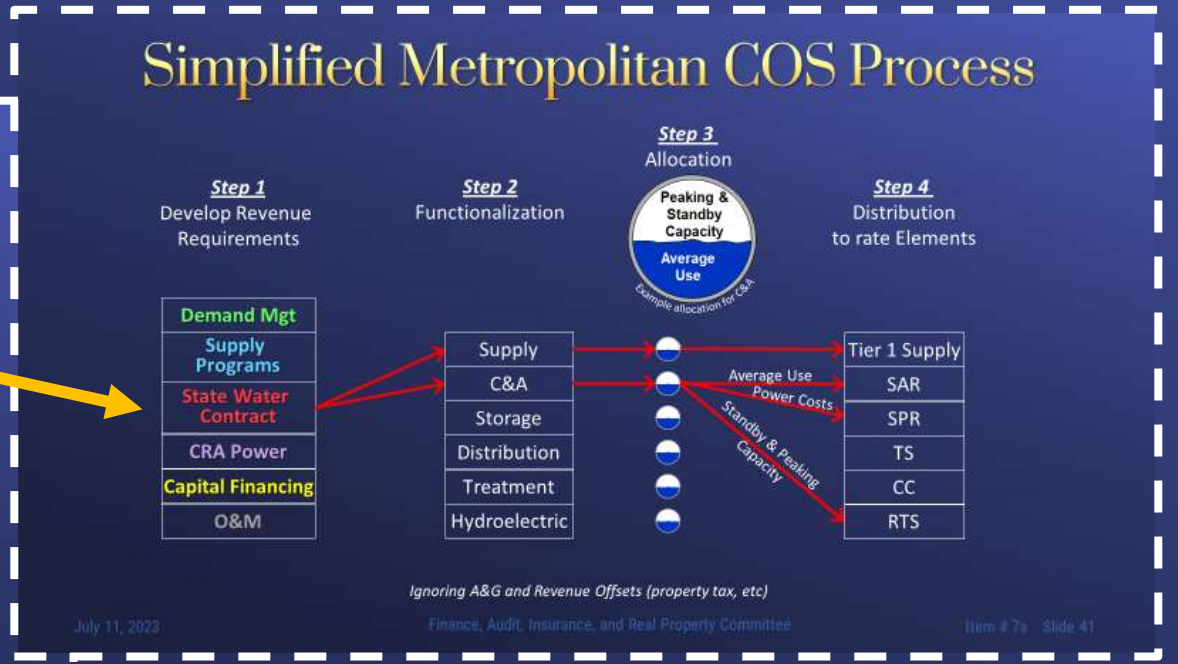
FY 22/23 Expenses (Cash Basis)

June 30, 2023

	2022/23 Actual	2022/23 Budget	Variance
State Water Contract	\$ 577.5	\$ 651.7	\$ (74.2)
Supply Programs	135.6	105.1	(30.5)
CRA Power Costs	161.9	105.9	(56.0)
Debt Service	300.7	288.0	(12.7)
Demand Management	59.8	68.8	9.0
Departmental O&M	556.1	586.1	30.0
PayGo	135.0	135.0	-
Delta Conveyance	34.5	34.5	-
Total Expenses	\$ 1,961.1	\$ 1,975.1	\$ (14.0)

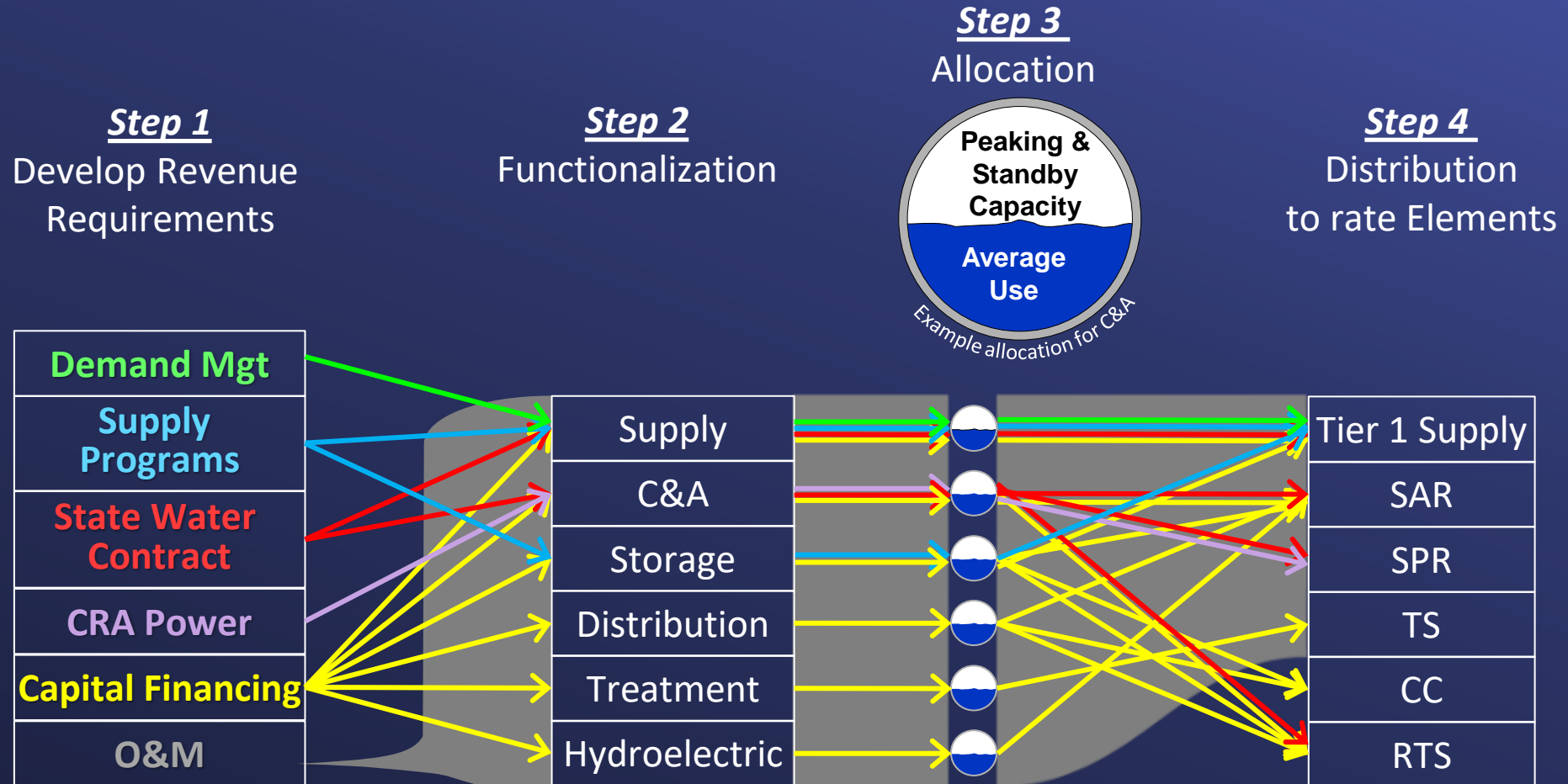
* Budget includes debt financed funding and \$4.5M funding from the CA WaterFix refund.

August 15, 2023 Finance, Audit, Insurance and Real Property Committee Item # 7a Slide 6



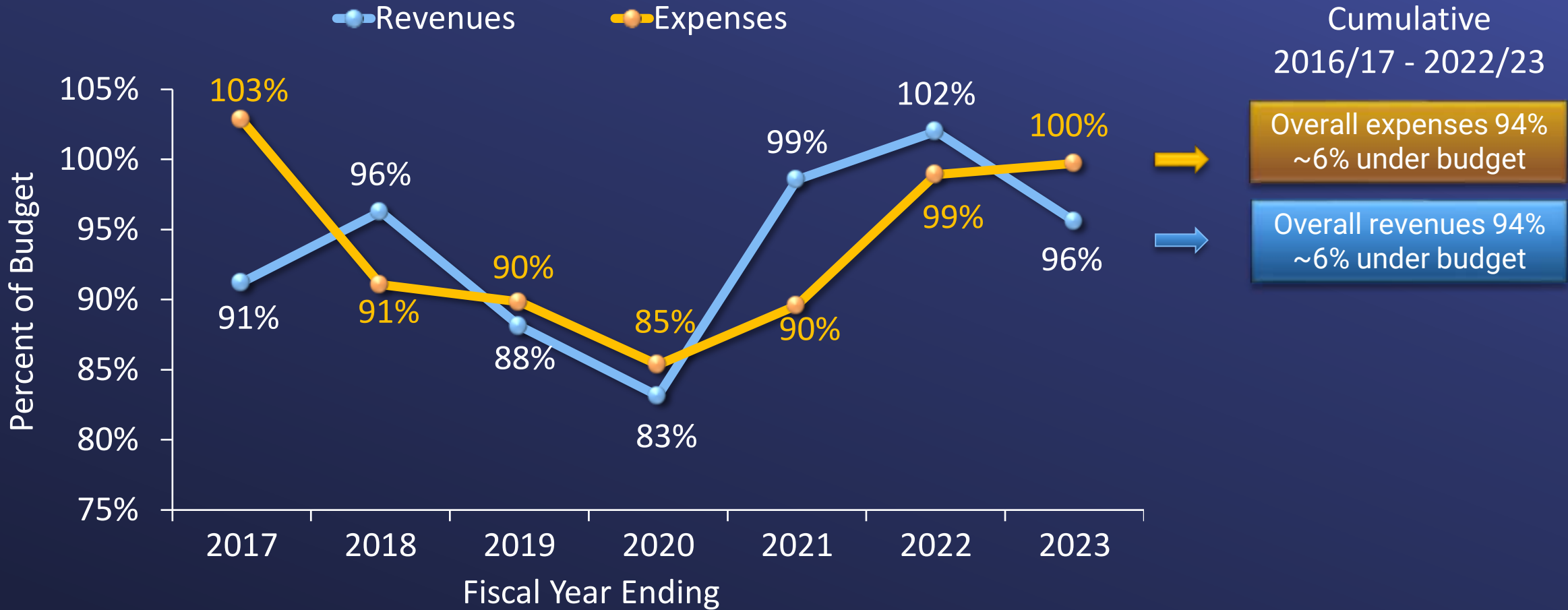
Requires evaluation each year and over a multi-year period to reverse engineer

Simplified Metropolitan COS Process



Ignoring A&G and Revenue Offsets (property tax, etc)

Actuals vs. Budget



FY2023 actuals are unaudited

Actuals vs. Budget

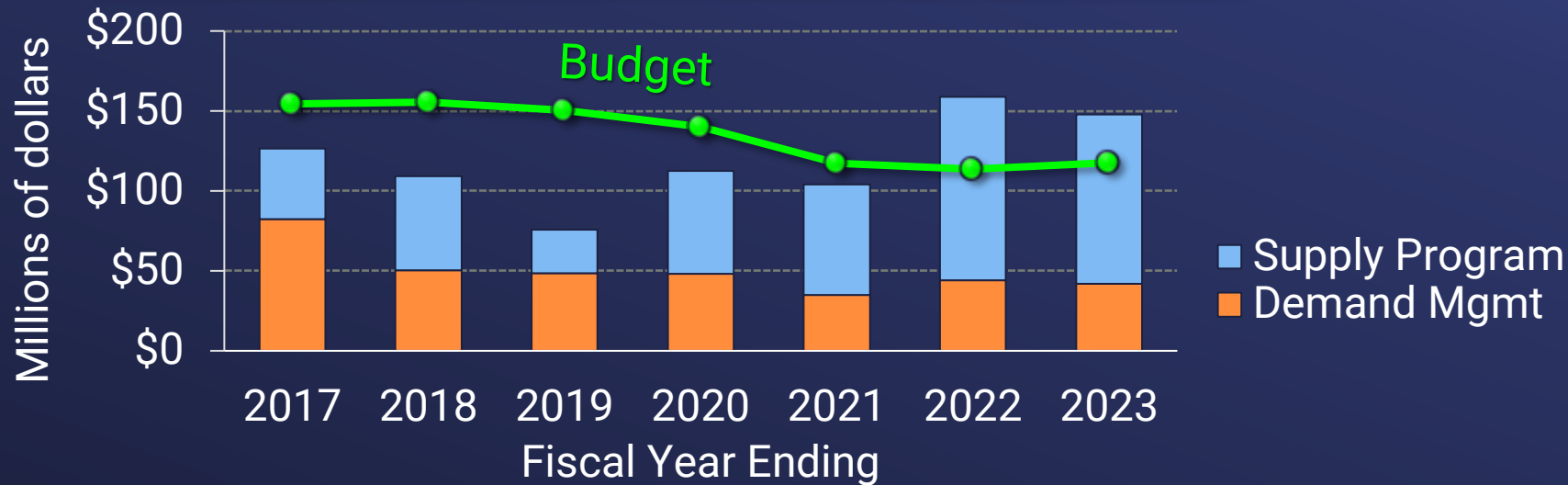
Supply Programs and Demand Management

Supply programs: supplement Metropolitan’s principal sources of supply – SWP and Colorado River. Ex. PVID, AVEK High Desert Water Bank, dry Year transfers, etc.

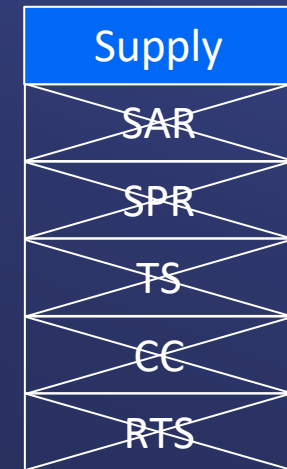
Demand management: Conservation Program, Local Resources Program, Future Supply Actions & Stormwater Pilot

Cumulative actual supply program & DM costs from FY2017 to FY2023 were ~12% under budget.

Overall expenditures were ~6% under budget
Overall revenues were ~6% under budget



Recovered by:



This slide shows some of the costs that are recover by the Tier-1 Supply rate element. Other costs include Sate Water Contract, O&M, capital financing costs.

FY2023 actuals are unaudited

Supply Revenue Requirement

Example from 2022/23 Budget/COS

SWC Delta: State Water Contract Delta
Capital and Delta OMP&R Charges

Supply programs: supplement Metropolitan's
principal sources of supply – SWP and
Colorado River. Ex. PVID, AVEK High Desert
Water Bank, dry Year transfers, etc.

Capital Financing: The portion of capital
financing costs that is attributed to Supply. Ex.
drought storage portion of DVL and PVID land
purchases

Demand management: Conservation
Program, Local Resources Program, Future
Supply Actions & Stormwater Pilot

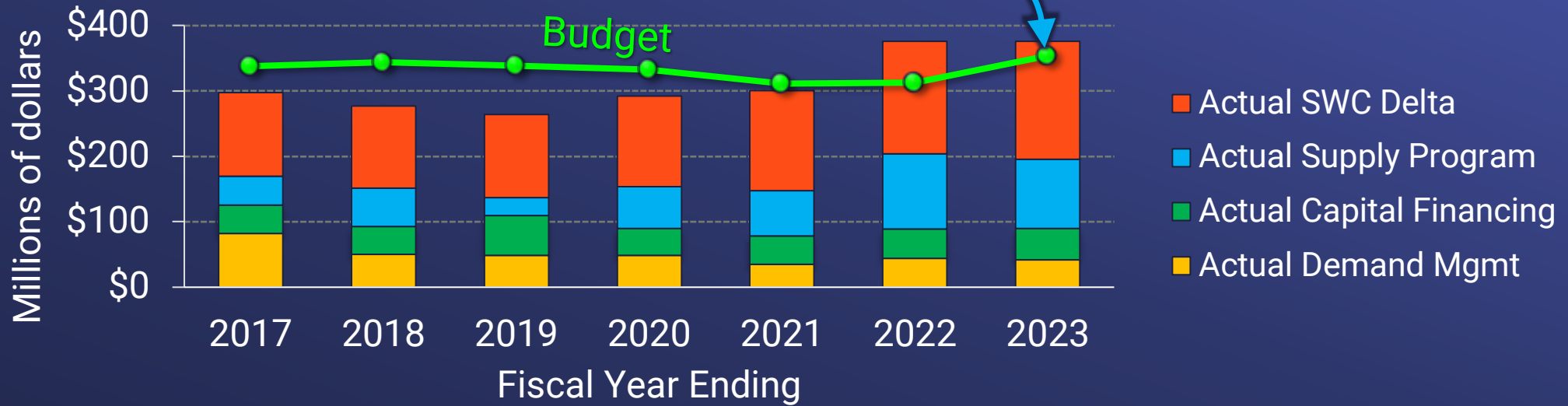
2023 Supply Revenue Requirement
in Million of dollars

SWC Delta	\$191
Supply Programs	67
Capital Financing	46
Demand Management	51
Departmental O&M	108
Total Supply Costs	462
Revenue offsets	(55)
Supply Revenue Requirement	\$407

\$354 Million
77% of the supply
expenditures.

Actuals vs. Budget

Supply Components*



Cumulative actual SWC delta, supply programs, capital financing, and demand mgmt costs from FY2017 to FY2023 were approximately 6% under budget

Overall expenditures were approximately 6% under budget
Overall revenues were approximately 6% under budget

Findings:

- Cost allocated to the supply rate element is in-line with the over/under collection for the overall expenditures and revenues
- The current COS process is reasonable at assigning costs to rate elements

*This slide shows most of the costs that are recover by the Tier-1 Supply rate element. It does not include departmental O&M costs.

FY2023 actuals are unaudited

Metropolitan Water Transactions

- SDCWA-Metropolitan Exchange Agreement contract price is equal to charges “generally applicable to the conveyance of water by Metropolitan on behalf of its member agencies”
- Under current rate structure, this is Metropolitan’s transportation rates

	Full-Service Water Service		SDCWA Exchange - Set by agreement
	Treated	Untreated	
Tier 1 Supply	✓	✓	
SAR	✓	✓	✓
SPR	✓	✓	✓
TS	✓		✓*
CC	✓	✓	✓
RTS	✓	✓	

Wheeling and Exchanges set by agreement

* Only applicable when SDCWA takes treated water





THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Board Report

Finance Group and Administrative Services Section

- **Finance and Administrative Services Activities Report**

Summary

This report provides a summary of the Finance group and Administrative Services section activities for January 2024 and February 2024.

Purpose

Informational

Attachments

Attachment 1–Finance group and Administrative Services section activities for January 2024 and February 2024.

Finance Group and Administrative Services Section

Activities Report for January 2024 and February 2024

Maintain Strong Financial Position

Provide timely and discerning financial analyses, planning, and management to ensure that forecasted revenues are sufficient to meet planned expenses and provide a prudent level of reserves consistent with board policy.

Manage risk to protect Metropolitan's assets against exposure to loss.

The Risk Management Unit completed 35 incident reports communicating instances of Metropolitan property damage, liability, workplace injuries, regulatory visits, and spills.

Risk Management completed 47 risk assessments on contracts, including professional service agreements, construction contracts, entry permits, special events, and film permits.

Business Continuity

Facilitate district-wide planning and training to prepare employees and managers to effectively carry out critical roles and recover mission essential functions thus ensuring continuity of operations and resiliency in the event of a disaster.

Manage the Business Continuity Management Program in accordance with Operating Policy A-06.

- Met with key stakeholders to plan an outreach campaign to encourage employees to enter their mobile numbers into MyHR. This will enable emergency notifications to transmit to mobile and text devices, which are the most effective methods of communication if normal methods are temporarily unavailable.
- In conjunction with Information Technology, conducted planning meetings for an employee webinar focused on alternate ways of accessing systems.
- Continued working with the District on Business Continuity Plan updates and approvals.
- In conjunction with the core planning team, continued working on the district-wide Local Hazard Mitigation Plan.
- Continued working on updates to Operating Policy A-06, Emergency Management and Business Continuity.
- Met with HR to develop templates in the MetAlert emergency notification system to notify employees of possible COVID-19 exposures.
- Participated in an emergency response tabletop exercise for the Information Technology Group and Jensen plant.

Financial Management

Manage Metropolitan's finances in an ethical and transparent manner and provide consistent, clear, and timely financial reporting. Update Metropolitan's capital financing plans and work with rating agencies and investors to communicate Metropolitan's financial needs, strategies, and capabilities, thus ensuring that Metropolitan has cost effective access to capital markets and the ability to finance ongoing future

needs. In addition, actively manage Metropolitan’s short-term investment portfolio to meet ongoing liquidity needs and changing economic environments.

Record and report the financial activities of Metropolitan in a timely, accurate, and transparent manner to the Board, executive management, member agencies, and the financial community.

- Water Transactions for January 2024 (for water delivered in November 2023) totaled 107.2 thousand acre-feet (TAF), which was 39.3 TAF lower than the budget of 146.5 TAF and translates to \$111.0 million in receipts, which was \$28.6 million lower than the budget of \$139.6 million.
- Year-to-date water transactions through January 2024 (for water delivered in May 2023 through November 2023) were 741.7 TAF, which was 257.6 TAF lower than the budget of 999.3 TAF. Year-to-date water receipts through January 2024 were \$751.8 million, which was \$254.0 million lower than the budget of \$1,005.8 million.
- In January 2024, Accounts Payable processed approximately 3,700 vendor invoices for payment.

Update capital financing plans and work with rating agencies and investors to communicate financial needs and capabilities, ensure cost-effective access to capital markets, and maintain long-term bond ratings of AA or better.

Metropolitan staff commenced working on two upcoming bond sales, the approximately \$425 million, Water Revenue Refunding Bonds, 2024 Series A, and the approximately \$270 million, Subordinate Lien Water Revenue Refunding Bonds, 2024 Series B. The 2024 Series A bonds are scheduled to be marketed the week of April 22, 2024, and the Subordinate 2024 Series B are expected to be marketed the week of June 3, 2024. Members of the financing teams for the two refunding projects are assisting Metropolitan in preparing the documentation as well as meetings with the rating agencies for the two upcoming bond sales.

Prudently manage the investment of Metropolitan’s funds in accordance with policy guidelines and liquidity considerations.

As of January 31, 2024, Metropolitan’s investment portfolio balance was \$1.04 billion; the total January earnings were \$4.08 million, and the effective rate of return was 4.38%.

Treasury staff managed daily cash flow to cover Metropolitan’s operational expenditures and to invest excess funds.

In January 2024, Metropolitan’s portfolio manager executed 34 “buy” and 2 “sale” trades. Treasury staff completed the following transactions:

- 44 Dreyfus Cash Management Fund transactions
- 24 CAMP Investment Pool transactions
- \$42.32 million in Metropolitan’s bond and SWAP payments
- 1,215 disbursements by check, 23 by Automated Clearing House (ACH), and 145 by wire transfer
- 91 receipts by check, 38 by ACH, and 61 by incoming wires and bank transfers
- Stopped three unauthorized ACH transactions

The Treasury staff also processed for DCA the following transactions:

- Received and deposited 21 checks totaling \$2.41 million
- Issued 4 checks and 20 wires totaling approximately \$3.09 million

In addition, Treasury staff processed 20 professional services invoice payment requests totaling approximately \$1,645,435.

Furthermore, 8,949 P-One Card transactions, totaling \$1.03 million, recorded in the January bank statement were monitored by the P-One Card Administrator.

Administrative Services

Sustainability-Inventory Control- 2023 E-Waste and Scrap Metal Collection

At Investment Recovery (Salvage), our approach goes beyond generating revenue through public auctions; we also prioritize the collection of E-waste and Scrap Metal. This collection is essential as both materials contain valuable components that can be recycled, reducing the demand for new raw materials and lessening environmental impacts. Our commitment extends to ensuring the safe disposal of these materials and preventing harmful substances from contaminating soil, water, and air. During the calendar year 2023, Investment Recovery collected and disposed of 194,558 lbs. of scrap metal and 19,450 lbs. of E-waste. This achievement underscores our dedication to environmental responsibility and the promotion of sustainable business practices.