



Finance, Audit, Insurance, and Real Property Committee

# CFO Report

Item # 8a

March 13, 2023

# Questions

1. What is the estimated annual expenditure amount equal to a 1% rate increase?

For FYE 2023, a 1% rate increase would generate about \$17M/yr and for FYE 2024 it's approximately \$18M/yr.

2. What is the estimated one-time (upfront) expenditure amount equal to a 1% rate increase?

One-time unforeseen expenditures don't necessarily result in rate increases. This would depend on the amount of the expenditure, available reserve funds and if the expenditure is financed. However, if assumed financed with 30-year fixed rate debt @ 4%, a rate increase of 1% would generate approximately \$300M (\$17M/yr).

# Questions

## 3. Information on grant funds received and how this affects CIP expenditures, scope and financing.

As of Friday March 10<sup>th</sup>, neither of the two state grants for Pure Water or Drought Mitigation projects have been received. The \$80M for Pure Water is expected to be a direct, up-front payment for out-of-budget expenditures. The \$50M grant for Drought Mitigation projects, however, are anticipated to be administered as a reimbursement grant, which (a) requires Metropolitan to first make the expenditure out of budgeted funds; (b) may not reduce the CIP in the same fiscal year as the reimbursed expenditure; and (c) may be used for future CIP expenditures, depending on the timing of grant receipts.

Office of the CFO

# FY2023 Awarded Grants YTD

Grantor	Purpose	Award Amount (\$ in millions)	Status	Direct Payment or Reimbursement	Offsetting Expenditures (O&M or CIP) in the FY23/FY24 Adopted Budget
California State Water Resources Control Board (SWRCB)	Pure Water Southern CA planning & design	\$80	Awarded	Direct	No; For Out of Budget Costs
California Department of Water Resources (DWR)	Drought Emergency Mitigation Projects	\$50	Awarded	Reimbursement	Yes; CIP offset, however, timing of grant receipts may occur in future budget year
DWR	Urban Drought Relief Program (conservation rebates)	\$4.5	Awarded	Reimbursement	No; Increased rebate incentive to customer
CA Department of Fish & Wildlife (CDFW)	Delta Islands Collaborative Landscape Planning	\$1.1	Awarded	Reimbursement	No; For Out of Budget Costs
US Bureau of Reclamation (USBR)	WaterSMART grant for Public Agency Turf Replacement	\$2	Awarded	Reimbursement	No; Increased rebate incentive to customer
Total		\$137.6			

