



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 February 2024 and March 2024

Purpose

Informational

Attachments

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

Finance Group and Administrative Services Section

Activities Report for February 2024 and March 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 loss exposure.

The Risk Management Unit completed 66 incident reports communicating instances of Metropolitan property damage, liability, workplace injuries, regulatory visits, and spills.

Risk Management completed 51 risk assessments on contracts, including professional service agreements, construction contracts, entry permits, special events, and film permits.

In February, staff presented the 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 financial forecast; and Cost of Service Report. Budget Workshops #1 and #2, which discussed the Proposed Biennial Budget in more detail and addressed numerous board member questions and requests, were held at the Finance and Asset Management Committee on February 12, 2024, and at a Board of Directors Workshop on February 27, 2024.

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.

- Drafted a memo for employee distribution from the Office of the General Manager regarding emergency communications and the need for employees to add their mobile numbers to MyHR.
- Processed a 3-year renewal for the business continuity management software, Fusion Risk Management.
- In conjunction with Information Technology, continued 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.

Financial Management

Manage Metropolitan's finances ethically and transparently 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 February 2024 (for water delivered in December 2023) totaled 146.0 thousand acre-feet (TAF), which was 23.2 TAF higher than the budget of 122.8 TAF and translates to \$139.4 million in receipts for February 2024, which was \$24.0 million higher than the budget of \$115.4 million. A .5 TAF adjustment was made to the January 2024 water transaction for cyclic delivery that was incorrectly reported as sales.
- Year-to-date water transactions through February 2024 (for water delivered in May 2023 through December 2023) were 887.2 TAF, which was 234.9 TAF lower than the budget of 1,122.1 TAF. Year-to-date water receipts through February 2024 were \$891.3 million, which was \$229.9 million lower than the budget of \$1,121.2 million.
- In February 2024, Accounts Payable processed approximately 3,300 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 is working to finalize documentation for 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 bonds are expected to be marketed in early June 2024. Members of the financing teams for the two financings are assisting Metropolitan in completing the documentation for the two bond sales.

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

As of February 29, 2024, Metropolitan's investment portfolio balance was \$1.08 billion; the total February earnings were \$3.58 million, and the effective rate of return was 4.46 percent.

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

In February 2024, Metropolitan's portfolio manager executed 30 buy and six sale trades. Treasury staff completed the following transactions:

- 52 Dreyfus Cash Management Fund transactions
- 23 CAMP Investment Pool transactions
- \$4.45 million in Metropolitan's bond and SWAP payments
- 1,096 disbursements by check, 24 by Automated Clearing House (ACH), and 141 by wire transfer
- 82 receipts by check, 27 by ACH, and 57 by incoming wires and bank transfers
- 5 unauthorized ACH transactions stopped

The Treasury staff also processed for DCA the following transactions:

- Received and deposited four checks totaling \$0.27 million
- Issued 4 checks and 11 wires totaling approximately \$0.62 million

In addition, Treasury staff processed 13 professional services invoice payment requests totaling approximately \$0.61 million.

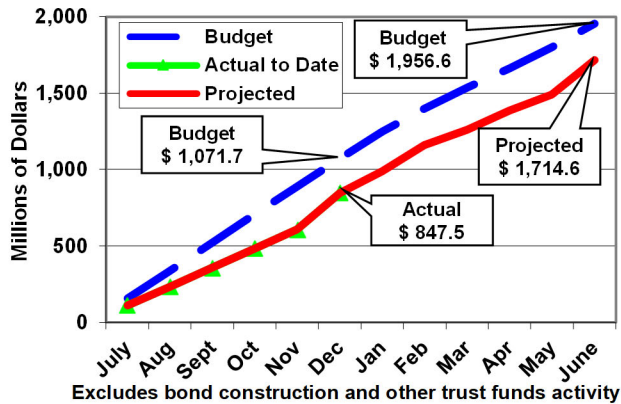
Furthermore, 9,943 P-One Card transactions, totaling \$1.34 million, recorded in the February bank statement were monitored by the P-One Card Administrator.

Administrative Services

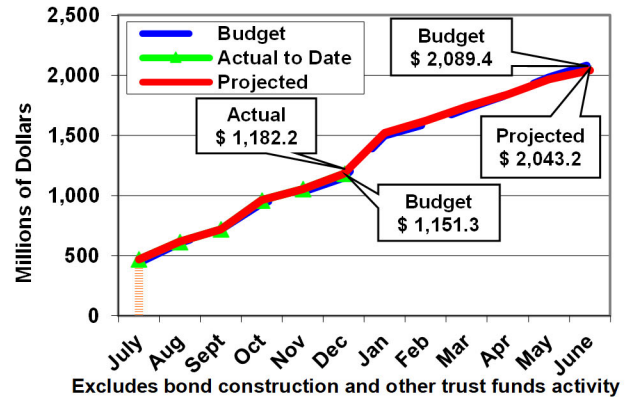
Contract Awarded for Cloud-Compatible Backup Infrastructure

The Contracting Services Unit awarded a contract to Nth Generation Computing, Inc. to provide Metropolitan's Information Technology Group with a cloud-compatible infrastructure to support and safeguard the backup of all applications. The new backup infrastructure will replace the existing 15-year-old antiquated system, providing a new, robust solution to reduce the risk of backup failure and improve the restoration of critical IT systems in case of a major outage and business data loss. The project was estimated to be \$1.2M, and the awarded contract was negotiated at \$771,534.77, which yielded an approximate savings of \$428k. Project Number: RFP-RB-408231. Requisition Total: \$1,200,000.00. Contract Number: 216476

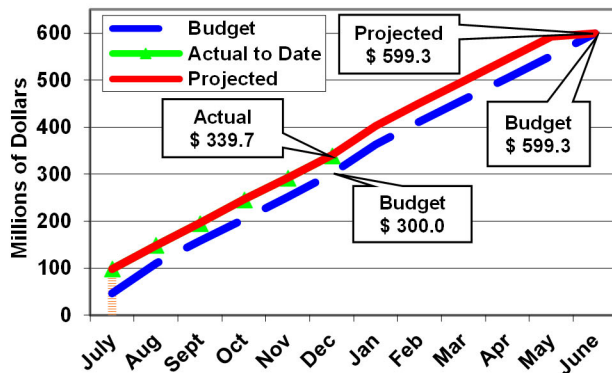
Revenues are expected to be \$242M below budget at year end, primarily due to \$317M lower water revenues partially offset by \$41M, \$22M, and \$18M higher other receipts, interest income, and taxes, respectively.



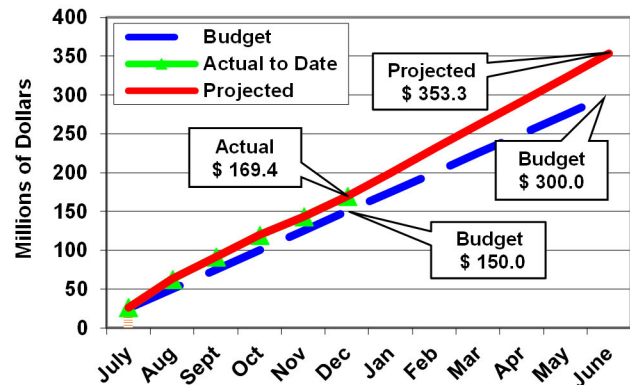
Expenses are expected to be \$46M below budget at year end, which includes \$100M and \$39M lower than budgeted PayGo and CRA Power costs, respectively, partially offset by higher State Water Contract, Debt Service, and Supply Program costs of \$47M, \$26M, and \$25M, respectively.



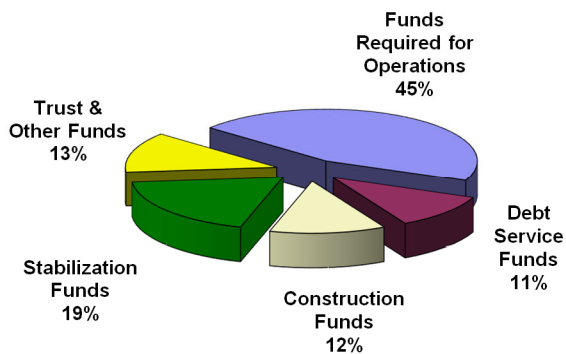
O&M expenses are expected to be on budget at year end. Projections will be updated after the third quarter of the fiscal year.



Capital Program expenses are expected to be \$53M above budget at year end due to the initiation of unplanned projects as well as the acceleration of certain programs.



Cash and Investments at Fair Value \$ 1,239.2 million



Summary Financial Statistics

| | | Target | Year-End Projected |
|----------------------------------|--------|--------|-----------------------|
| Fixed Charge Coverage | \geq | 1.20 x | 1.14 |
| Revenue Bond Coverage | $>$ | 2.00 x | 1.14 |
| Revenue Bond Debt / Equity Ratio | $<$ | 100.0% | 52.1% |

Senior Lien Revenue Bond Credit Ratings

| | Target | Current |
|-----------------------------|--------|---------|
| - Moody's Investors Service | Aa2 | Aa1 |
| - Fitch Ratings | AA | AA+ |
| - Standard & Poor's | AA | AAA |