

Finance, Affordability, Asset Management, and Efficiency Committee



Approve the Proposed Biennial Budget for Fiscal Years 2026/27 and 2027/28, which Includes the Capital Investment Plan and Revenue Requirements for Fiscal Years 2026/27 and 2027/28 and the Ten-Year Forecast; Adopt Resolutions Fixing and Adopting the Water Rates and Charges for Calendar Years 2027 and 2028

Item 8-1

April 14, 2026

Presented by: Adam Benson and Arnout Van den Berg

Item 8-1
Approve
Biennial
Budget

Subject

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Purpose

Approve the Proposed Biennial Budget for Fiscal Years 2026/27 and 2027/28, which Includes the Capital Investment Plan and Revenue Requirements for Fiscal Years 2026/27 and 2027/28 and the Ten-Year Forecast; Adopt Resolutions Fixing and Adopting the Water Rates and Charges for Calendar Years 2027 and 2028

Next Step

Board **action** regarding Biennial Budget and Calendar Year rates and charges on April 14, 2026

Agenda

Budget Options

Staff Recommendation

Other Information Requests

Next Steps

Option 1: Joint Proposal w/Grant-Supported PWSC

Consolidated Proposal from MWDOC & SDCWA (March 27, 2026)

1. Adjust Ad Valorem rate from 0.007% to 0.0085%
2. Staff Request: Cap the new staff request at 79 positions between Operations and Maintenance and CIP
3. LRP and Conservation Funding: Keep conservation at a level that funds the current programs and fund existing LRP agreements
 - Add directive to evaluate the conservation and LRP programs within the next year to prioritize the cost-effective programs that meet the needs of Metropolitan and the member agencies
4. PWSC: Funding for PWSC in the proposed budget shall be limited to grant-supported activities only. The project will undergo the CAMP4W evaluation process by year-end to assist the Board in its implementation decision

Option 2: Joint Proposal Including \$150M PWSC

Match Assumptions in Joint Proposal; Except \$150M PWSC Funding in the Biennium

1. Adjust Ad Valorem rate from 0.007% to 0.0085%
2. Staff Request: Cap the new staff request at 79 positions between Operations and Maintenance and CIP
3. LRP and Conservation Funding: Keep conservation at a level that funds the current programs and fund existing LRP agreements
 - Add directive to evaluate the conservation and LRP programs within the next year to prioritize the cost-effective programs that meet the needs of Metropolitan and the member agencies
4. PWSC: \$150M funding for the biennium. The project will undergo the CAMP4W evaluation process by year-end to assist the Board in its implementation decision

Overall Rate Increase & Key Assumptions

- Both **Option 1** and **Option 2** include the following key assumptions:
 - ✓ 0.0085% ad valorem tax rate to fund larger share of SWC costs
 - ✓ \$875M CIP over the biennium
 - ✓ \$30.5M conservation funding per year
 - ✓ Appropriations for authorized LRP agreements
 - ✓ 79 new staff positions (includes \$1M OT reduction over the biennium)

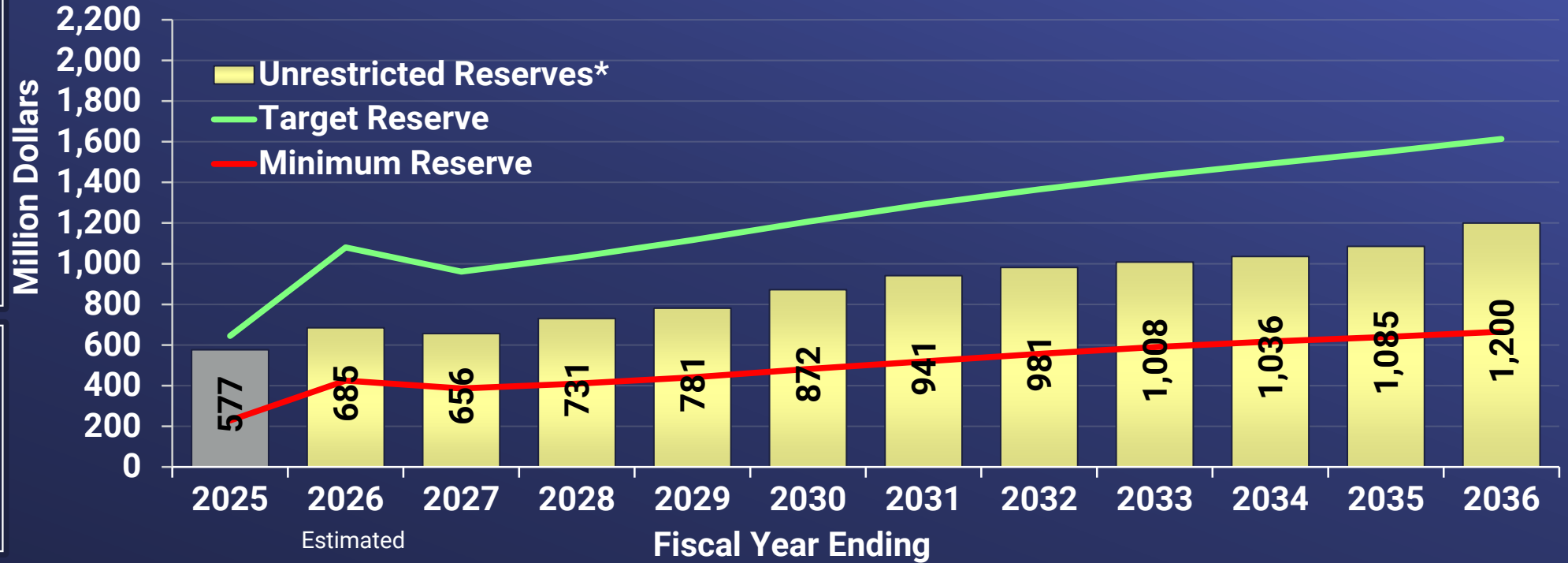
	PWSC <i>45MGD Stage 1 Biennium only</i>	Est. Overall Rate Inc. for 2027 & 2028
Option 1: Joint Proposal w/Grant-Supported PWSC	\$75.9M <small>Grant-supported only</small>	6.2% / 6.2% (12.4%)
Option 2: Joint Proposal Including \$150M PWSC	\$150M	6.7% / 6.7% (13.4%)

Option I - Joint Proposal w/ Grant-Supported PWSC

Projected Rate Increases and Financial Metrics

NOTE: The rates in 2029 and beyond **do not** include additional PWSC funding or funding for any other projects that are being evaluated through CAMP4W and require future Board implementation decisions.

Refer to Oct 2025 "Integrated Overview of Near-term Budget Drivers and Long-term Resource Planning" (FAAME Item 9-2) for projected rate impacts



Overall Rate Inc.	8.5%	8.5%	6.2%	6.2%	7.0%	7.0%	6.5%	6.5%	6.5%	6.5%	5.0%	5.0%
Water Transaction (MAF)	1.34	1.23	1.21	1.28	1.28	1.28	1.29	1.28	1.29	1.30	1.30	1.32
Rev. Bond Cvg	2.5	2.1	1.7	1.9	1.8	1.9	2.0	2.0	2.1	2.1	2.0	2.2
CIP, \$M	312	354	467	483	520	541	562	585	608	633	658	684
PAYGO, \$M	175	205	185	200	210	240	250	300	325	338	351	365
Prop Tax Rate (%)	0.007	0.007	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085

* Revenue Remainder and Water Rate Stabilization Fund

April 14, 2026

Finance, Affordability, Asset Management, and Efficiency Committee

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Option 1 w/Grant-Supported PWSC – Water Rates and Charges

Rates & Charges Effective January 1st	Current 2026	Option 1 2027	% Increase (Decrease)	Option 1 2028	% Increase (Decrease)
Supply Rate (\$/AF)	\$313	\$413	31.9%	\$440	6.5%
System Access Rate (\$/AF)	\$492	\$472	(4.1%)	\$525	11.2%
System Power Rate (\$/AF)	\$179	\$145	(19.0%)	\$141	(2.8%)
Treatment Surcharge (\$/AF)	\$544	\$390	(28.3%)	\$408	4.6%
Full Service Untreated Volumetric Cost (\$/AF)	\$984	\$1,030	4.7%	\$1,106	7.4%
Full Service Treated Volumetric Cost (\$/AF)	\$1,528	\$1,420	(7.1%)	\$1,514	6.6%
Treatment Peaking Capacity Charge (TPCC) (\$/CFS)		\$33,700	-	\$21,600	(35.9%)
Total TPCC for CY (\$M)		\$34	-	\$38	11.3%
Treatment Used Standby Capacity Charge (TUSCC) (\$/AF)		\$15	-	\$120	700.0%*
Total TUSCC for CY (\$M)		\$11	-	\$11	(4.2%)
Treatment Remaining Capacity Charge (TRCC) (\$/AF)		\$72	-	\$64	(11.1%)
Total TRCC for CY (\$M)		\$53	-	\$50	(4.2%)
RTS Charge (\$M)	\$188	\$239	27.1%	\$248	3.8%
Capacity Charge (\$/CFS)	\$14,500	\$17,500	20.7%	\$19,600	12.0%
Total Capacity Charge for CY (\$M)	\$48	\$50	2.5%	\$56	12.0%
Overall Rate Increase			6.2%		6.2%

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.

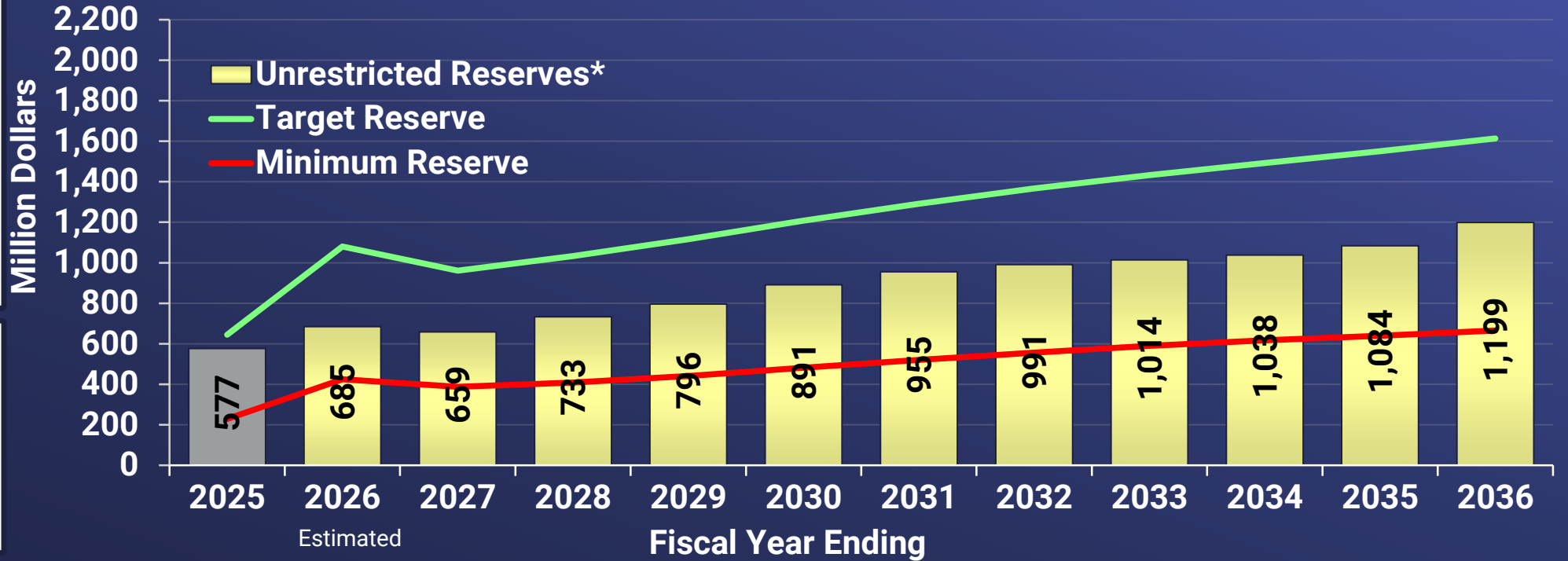
**The percentage increase reflects changes in billing determinants associated with the phased implementation of new fixed charges, with the first year based on average demand and the second year transitioning to estimated standby usage.*

Option 2 – Joint Proposal Including \$150M PWSC

Projected Rate Increases and Financial Metrics

NOTE: The rates in 2029 and beyond **do not** include additional PWSC funding or funding for any other projects that are being evaluated through CAMP4W and require future Board implementation decisions.

Refer to Oct 2025 "Integrated Overview of Near-term Budget Drivers and Long-term Resource Planning" (FAAME Item 9-2) for projected rate impacts



	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Overall Rate Inc.	8.5%	8.5%	6.7%	6.7%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	5.2%	5.2%
Water Transaction (MAF)	1.34	1.23	1.21	1.28	1.28	1.28	1.29	1.28	1.29	1.30	1.30	1.32
Rev. Bond Cvg	2.5	2.1	1.7	1.9	1.8	1.9	2.0	1.9	2.1	2.1	2.0	2.2
CIP, \$M	312	354	467	558	520	541	562	585	608	633	658	684
PAYGO, \$M	175	205	185	210	210	240	250	300	325	338	351	365
Prop Tax Rate (%)	0.007	0.007	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085	0.0085

* Revenue Remainder and Water Rate Stabilization Fund

Option 2 – Water Rates and Charges

Rates & Charges Effective January 1st	Current 2026	Option 2 2027	% Increase (Decrease)	Option 2 2028	% Increase (Decrease)
Supply Rate (\$/AF)	\$313	\$416	32.9%	\$447	7.5%
System Access Rate (\$/AF)	\$492	\$475	(3.5%)	\$528	11.2%
System Power Rate (\$/AF)	\$179	\$145	(19.0%)	\$141	(2.8%)
Treatment Surcharge (\$/AF)	\$544	\$390	(28.3%)	\$408	4.6%
Full Service Untreated Volumetric Cost (\$/AF)	\$984	\$1,036	5.3%	\$1,116	7.7%
Full Service Treated Volumetric Cost (\$/AF)	\$1,528	\$1,426	(6.7%)	\$1,524	6.9%
Treatment Peaking Capacity Charge (TPCC) (\$/CFS)		\$33,700	-	\$21,600	(35.9%)
Total TPCC for CY (\$M)		\$34	-	\$38	11.3%
Treatment Used Standby Capacity Charge (TUSCC) (\$/AF)		\$15	-	\$120	700.0%*
Total TUSCC for CY (\$M)		\$11	-	\$11	(4.2%)
Treatment Remaining Capacity Charge (TRCC) (\$/AF)		\$72	-	\$64	(11.1%)
Total TRCC for CY (\$M)		\$53	-	\$50	(4.2%)
RTS Charge (\$M)	\$188	\$241	28.2%	\$252	4.6%
Capacity Charge (\$/CFS)	\$14,500	\$17,600	21.4%	\$20,600	17.0%
Total Capacity Charge for CY (\$M)	\$48	\$50	2.5%	\$58	17.0%
Overall Rate Increase			6.7%		6.7%

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.

**The percentage increase reflects changes in billing determinants associated with the phased implementation of new fixed charges, with the first year based on average demand and the second year transitioning to estimated standby usage.*

Option 1 Actions

(Budget with Grant-Supported PWSC Funding)

- a. Approve the FY 2026/27 and FY 2027/28 Biennial Budget, which includes:
 - i. Appropriation of \$3,619.9 million for Metropolitan operations and maintenance and operating equipment, power costs on the CRA, SWC operations, maintenance, power and replacement costs and SWC capital charges, demand management programs including the LRP agreements and conservation programs, and costs associated with supply programs for FYs 2026/27 and 2027/28;
 - ii. a continuing appropriation of \$740.9 million for FYs 2026/27 and 2027/28 for debt service on Metropolitan general obligation and revenue bonds;
 - iii. continued appropriation of \$98.4 million for AVEK participation rights for FYs 2026/27 and 2027/28 via debt issued in 2025 by AVEFA on behalf of Metropolitan as obligator;
 - iv. appropriation of \$875 million funding for CIP for FYs 2026/27 and 2027/28; and,
 - v. appropriation of \$75.9 million funding for 45-MGD Stage 1 PWSC planning and final design costs for FYs 2026/27 & 2027/28;
- b. Authorize the use of approximately \$75.9 million of available SWRCB fund, received Large Scale Water Recycling Plant (LSWRP) Grants reimbursements and future reimbursements to fund the PWSC planning and design costs;
- c. Authorize the use of \$385.0 million in operating revenues to fund the Capital Investment Plan for FYs 2026/27 and 2027/28;

Option 1 Actions (cont.)

- d. Approve total revenue requirements to be paid from rates and charges of \$1,542.8 million in FY 2026/27 and \$1,672.7 million in FY 2027/28;
- e. Approve the Ten-Year Financial Forecast;
- f. Approve water rates and charges effective January 1, 2027, and January 1, 2028, as shown in Table 5, which result in an overall increase of 6.2 percent in CY 2027 and 6.2 percent in CY 2028 from CY 2026 rates and charges;
- g. Adopt the Resolution Fixing and Adopting Water Rates To Be Effective January 1, 2027, and 2028, in the form of Attachment 5;
- h. Adopt the Resolution Fixing and Adopting a Readiness-To-Serve Charge Effective January 1, 2027, in the form of Attachment 6;
- i. Adopt the Resolution Fixing and Adopting a Capacity Charge Effective January 1, 2027, in the form of Attachment 7;
- j. Adopt the Resolution Fixing and Adopting the Treatment Fixed Charges Effective January 1, 2027, in the form of Attachment 8; and,
- k. Direct staff to evaluate the Conservation Program and the Local Resources Program within the next year to prioritize programs that are cost-effective and that meet the needs of Metropolitan and its member agencies.

Option 2 Actions

(Budget with \$150M PWSC Funding)

- a. Approve the FY 2026/27 and FY 2027/28 Biennial Budget, which includes:
 - i. Appropriation of \$3,619.9 million for Metropolitan operations and maintenance and operating equipment, power costs on the CRA, SWC operations, maintenance, power and replacement costs and SWC capital charges, demand management programs including the LRP agreements and conservation programs, and costs associated with supply programs for FYs 2026/27 and 2027/28;
 - ii. a continuing appropriation of \$741.5 million for FYs 2026/27 and 2027/28 for debt service on Metropolitan general obligation and revenue bonds;
 - iii. continued appropriation of \$98.4 million for AVEK participation rights for FYs 2026/27 and 2027/28 via debt issued in 2025 by AVEFA on behalf of Metropolitan as obligator;
 - iv. appropriation of \$875 million funding for CIP for FYs 2026/27 and 2027/28; and,
 - v. appropriation of \$150 million funding for 45-MGD Stage 1 PWSC planning and final design costs for FYs 2026/27 & 2027/28;
- b. Authorize the use of approximately \$61.8 million of available SWRCB fund, received Large Scale Water Recycling Plant (LSWRP) Grants reimbursements and \$30 million future reimbursements to fund the \$150 million PWSC planning and design costs;
- c. Authorize the use of \$395.0 million in operating revenues to fund the Capital Investment Plan for FYs 2026/27 and 2027/28;

Option 2 Actions (cont.)

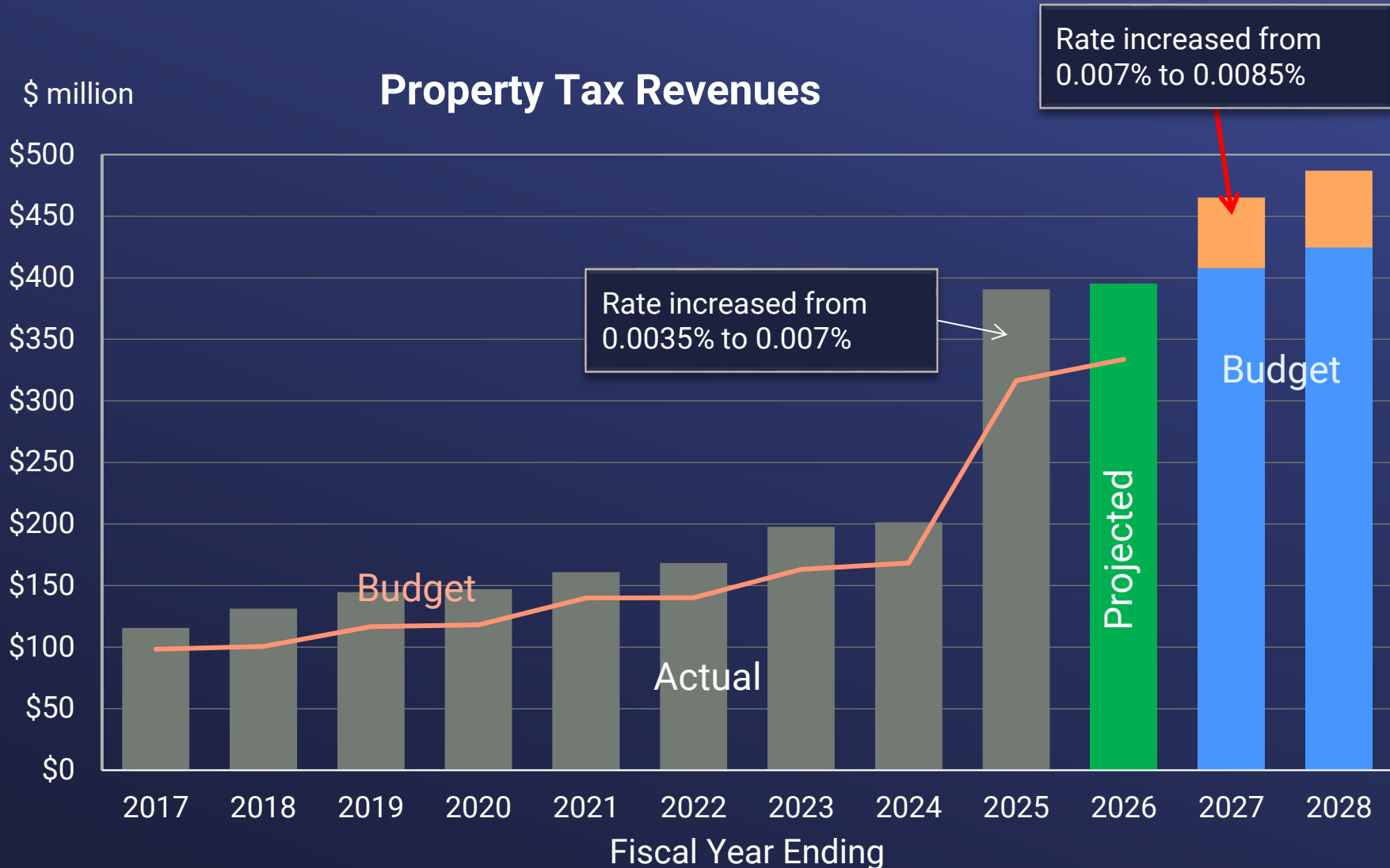
- d. Approve total revenue requirements to be paid from rates and charges of \$1,543.3 million in FY 2026/27 and \$1,681.7 million in FY 2027/28;
- e. Approve the Ten-Year Financial Forecast;
- f. Approve water rates and charges effective January 1, 2027, and January 1, 2028, as shown in Table 5, which result in an overall increase of 6.7 percent in CY 2027 and 6.7 percent in CY 2028 from CY 2026 rates and charges;
- g. Adopt the Resolution Fixing and Adopting Water Rates To Be Effective January 1, 2027, and 2028, in the form of Attachment 5;
- h. Adopt the Resolution Fixing and Adopting a Readiness-To-Serve Charge Effective January 1, 2027, in the form of Attachment 6;
- i. Adopt the Resolution Fixing and Adopting a Capacity Charge Effective January 1, 2027, in the form of Attachment 7;
- j. Adopt the Resolution Fixing and Adopting the Treatment Fixed Charges Effective January 1, 2027, in the form of Attachment 8; and,
- k. Direct staff to evaluate the Conservation Program and the Local Resources Program within the next year to prioritize programs that are cost-effective and that meet the needs of Metropolitan and its member agencies.

Staff Recommendation

- Option 2

Other Information Requests

10-year Historical Property Tax Revenues

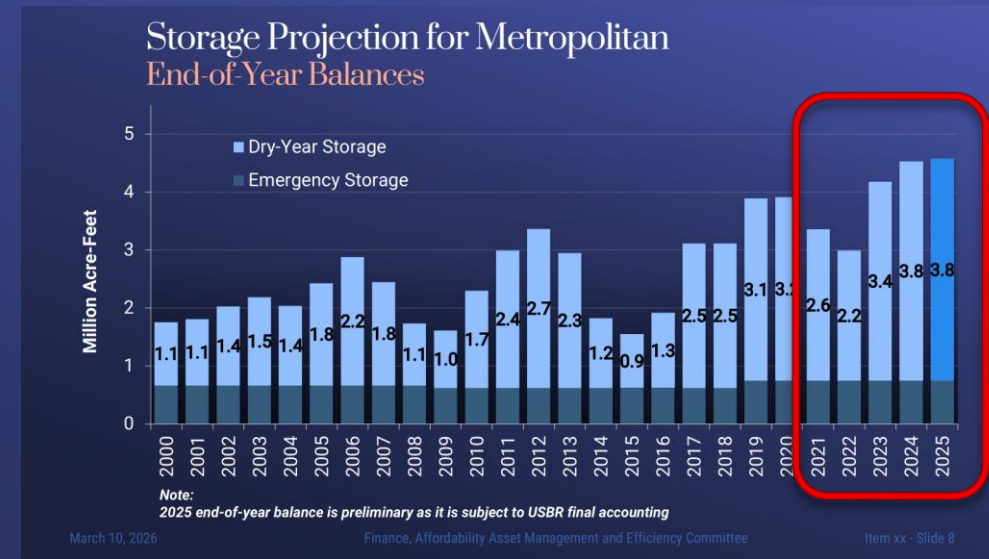


- Market cycles and activity are key drivers of actual property tax revenues generated
- Taxpayer delinquencies are another factor impacting actual property tax receipts, which are difficult to predict
- Staff use a reasonable 4% AV growth assumption district wide
- Importantly, FY 2026/27 is true up to be more in line with FY 2025/26 Projected Actual

5-year Historical SWC Costs

Fixed SWC Costs	Budget	Actual	Variance
FY 2021/22	421	422	2
FY 2022/23	445	481	36
FY 2023/24	473	474	0
FY 2024/25	448	461	13
FY 2025/26	466	408	(58)

\$75M one-time credit from DWR

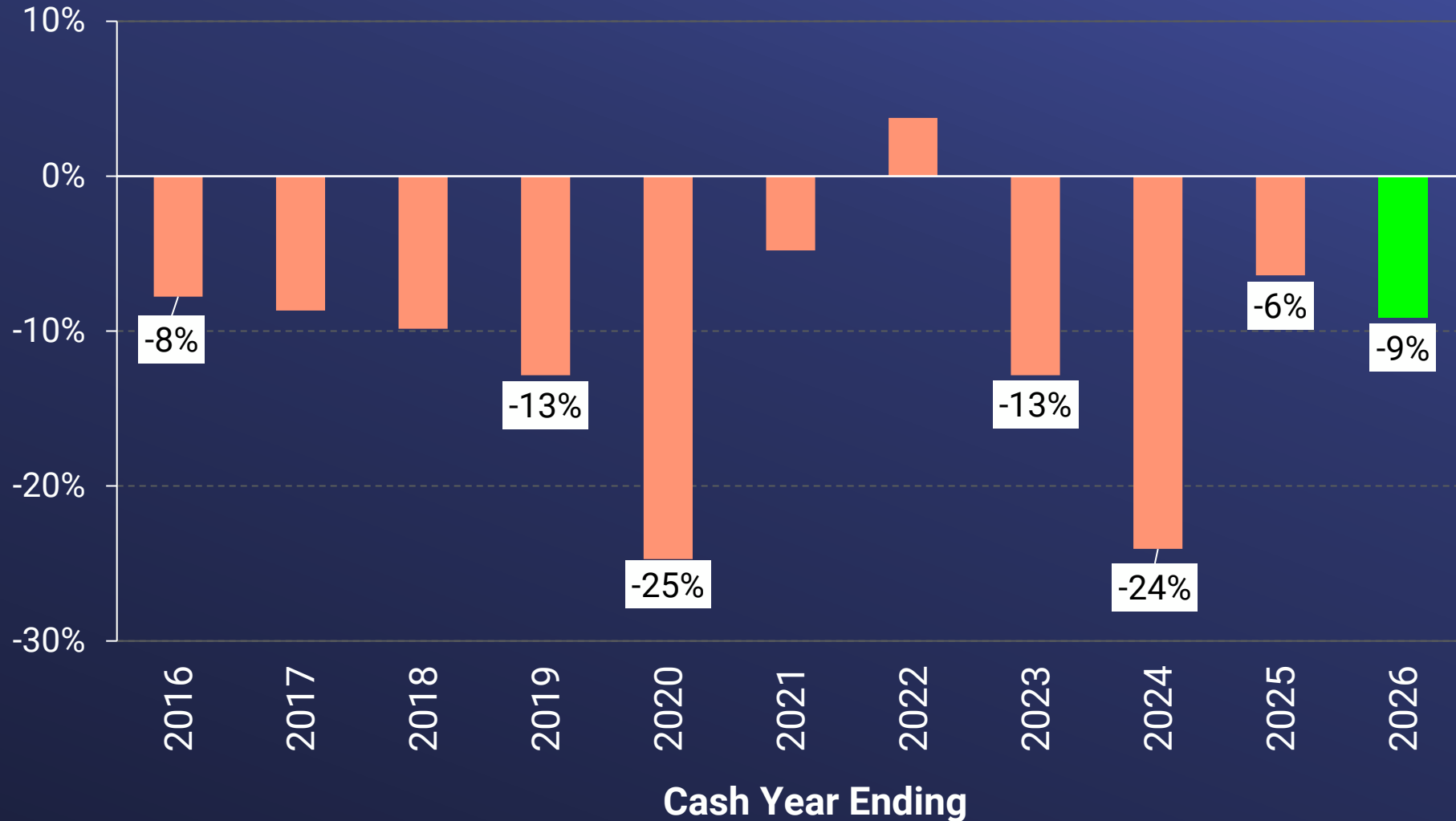


Variable SWC Costs	Allocation*	Budget	Actual	Variance	Key Drivers
FY 2021/22	5% / 5%	209	124	(85)	Mainly due to low allocation
FY 2022/23	5% / 100%	206	96	(110)	Low allocation for more than half year, low demand, energy rate lower than budget
FY 2023/24	100% / 40%	254	234	(19)	Maximizing SWP allocation to bring water to in-region storage
FY 2024/25	40% / 50%	241	116	(125)	Store water in SLR carryover
FY 2025/26	~50%	238	163	(75)	Store water in SLR carryover and sold water to outside service area

* Calendar year SWP allocation

Variability Metropolitan's Historical Water Transactions

Actual as % change from budget



Cost-Saving Measures

In addition to multiple rounds of revisions and cost containment by the Executive team, the proposed budget included the following high-level appropriation reductions:

Account	FY26/27	FY27/28	Cost-Saving Measures Explanations
Outside Services - Professional	(\$16.3M)	(\$0.8M)	Reduced Outside Services – Professional budget in Engineering Services, Information Technology, Bay Delta Initiatives, External Affairs, Office of Sustainability, Resilience, and Innovation and Water Resource Management due to lower professional services for Pure Water Southern California (PWSC) transitioning to the next phase under the Capital Investment Plan (CIP) upon board adoption and approval; lower contract cost for Cybersecurity Operations Center; lower current spending levels within BDI which still allows MWD to maintain the current studies and projects underway including eDNA monitoring, various Delta smelt studies, GIS/mapping data management, water supply and quality modeling, Delta smelt and native species preservation study, regenerative agriculture, floating wetlands research and others; cost control measures where funding is maintained for lobbying, government relations and advocacy, use of social media influencers, social research, and support for Pure Water Southern California; lower level of required consultant support for environmental work associated with large complex programs, including Pure Water Southern California and implementation of new operating guidelines on the Colorado River; and a decrease for the anticipated completion of the Groundwater Study Phase 2.
Repairs & Maintenance	(\$2.7M)		Decrease in costs by utilizing in-house labor to perform services that are typically outsourced to external vendors in Integrated Operations, Planning, and Support Services
Advertising	(\$0.3M)		The cost savings in Advertising is due to use of External Affairs in-house resources for advertising trafficking and other campaign-related activities that are covered by External Affairs budget.
Memberships & Subscriptions	(\$0.1M)		Memberships & Subscriptions decreases driven by lower memberships and subscriptions, sponsorships, and conferences and meetings within Water Resources Management
Total Cost Savings	(\$19.4M)	(\$0.8M)	

Question: What would the program cost be for just treatment, without any conveyance or recharge, assuming a 150 mgd program constructed in three 50-mgd stages

Assets	Costs (\$ M) in 2025 dollars 150 mgd, 3 stages AWT only
Advanced Water Treatment (AWT)	1,685
Conveyance Facilities	-
Recharge Facilities	-
Program Management, Engineering & Indirect Costs	505
Program Contingency	505
Other Allowances	34
Other Shared Program Costs	21
Metropolitan Grand Total:	2,750
LACSD Grand Total:	1,665
Program Grand Total:	4,415

Next Steps

Next Steps

- May 12, 2026 Board **action** regarding continuation of Standby Charge for FY 2026/27
- Aug 18, 2026 Board **action** regarding fixing ad valorem property taxes for FY 2026/27
- April 2027 Board **action** regarding RTS, Capacity Charge, and Treatment Fixed Charges for CY 2028
- May 2027 Board **action** regarding continuation of Standby Charge for FY 2027/28
- Aug 2027 Board **action** regarding fixing ad valorem property taxes for FY 2027/28

