



Finance, Audit, Insurance and Real Property
Committee Meeting

Approve and Authorize the Distribution
of Appendix A for Use in the Issuance
and Remarketing of Metropolitan Bonds

Item # 7-8
April 11, 2023

Appendix A is a key component of Metropolitan's Bond Disclosure

Finance staff anticipates up to \$740 million in debt issuance in 2023

- Last year, on May 9, 2022, the Board was provided training on disclosure responsibilities related to Appendix A
- Three Potential Bond Issuances Anticipated in 2023
 - The first financing is a combination of new money and refunding bonds
 - Preliminary OS distributed in early May 2023, for pricing in mid May 2023
- Provides Investors with Material Information
- Enables Active Pre-Marketing Period to obtain broad investor interest

Appendix A describes a 360-degree view of Metropolitan

Appendix A provides a comprehensive description of Metropolitan

- Service Area
- Governance and Management
- Sources of Water Supply and Current Conditions
- Capital Projects and Expenditures
- Revenues, Expenses and Long-term Obligations
- Litigation and Legislation

Appendix A Update Process Involves a Broad Constituency

Our process follows regulatory guidance and industry best practice, MWD engages both in-house and external expertise to meet our disclosure obligations

- Disclosure Working Group
 - Treasury Debt Management staff
 - Legal
 - Disclosure Counsel
- Broader Metropolitan Staff Review
- Executive Management Review
- Board Review and Approval

Board Review and Approval Process

The Board is routinely provided updates (or reports) on various topics addressed in Appendix A

- Receive Periodic Management Reports
- Receive Board Training
- Review Draft Appendix A
- Proper Disclosure - May NOT
 - Contain an untrue statement of a material fact
 - Omit material facts

Appendix A Update Highlights

The entire
Appendix A was
reviewed and
updated

- Significant Updates Since May 2022 include:
 - Water Supply Conditions
 - Conservation and Water Shortage Measures
 - Litigation
 - Metropolitan's Water Delivery System
 - Metropolitan's Finances

Future Updates to Appendix A

- Biannual Updates
 - Unless there are no financial transactions
- Interim Updates
 - Material changes will be provided to the Board for review and comment

Appendix A is not a static document, and requires constant review to ensure we meet our disclosure obligations

Modifications to Appendix A

In response to an inquiry by San Diego County Water Authority, staff recommends two modifications to language in the draft Appendix A distributed to the Board

- On page A-10:

As of March 6, 2023, the Bureau of Reclamation is projecting a supply of Colorado River water in calendar year 2023 of 909,000 acre-feet, which includes approximately 277,700 acre feet pursuant to the Exchange Agreement, to be available to Metropolitan. Additional Colorado River supply tends to be available from higher priority water users as the year progresses. Based on recent higher priority water use, Metropolitan expects final Colorado River supplies to be approximately 991,000 acre-feet. In the event that actual supply is less than Metropolitan's projection, Metropolitan expects to augment such supply with water stored in Lake Mead to meet local water demands.

- On page A-24:

Prior to 2003, Metropolitan could divert over 1.25 million acre-feet in any year. Since 2003, Metropolitan's net diversions of Colorado River water have ranged from a low of 537,607 acre-feet in 2019 to a high of approximately 1,179,000 acre-feet in 2015. Average annual net diversions for 2013 through 2022 (based on preliminary estimates) were 948,682 acre-feet, with annual volumes dependent primarily on programs to augment supplies, including transfers of conserved water from agriculture and water made available to and owned by Metropolitan pursuant to the Exchange Agreement, in exchange for which Metropolitan delivers a like amount to SDCWA from any Metropolitan supply.

Board Options for Consideration

- Option #1
 - Approve the draft Appendix A (Attachment I) attached to the board letter;
 - Authorize the General Manager, or other designee of the Ad Hoc Committee, to finalize, with changes approved by the General Manager and General Counsel, Appendix A; and
 - Authorize distribution of Appendix A, finalized by the General Manager or other designee of the Ad Hoc Committee, in connection with the sale or remarketing of bonds.

Appendix A is required to execute the bond financings anticipated in CY 2023

Board Options for Consideration

Metropolitan will not be able to issue bonds to fund board approved projects or refund outstanding bonds if Appendix A is not approved

- Option #2
 - Do not approve the Option #1



Questions

