

## Finance, Affordability, Asset Management, and Efficiency Committee



Proposed biennial budget, which includes the Capital Investment Plan and revenue requirements for fiscal years 2026/27 and 2027/28; proposed water rates and charges for calendar years 2027 and 2028 to meet revenue requirements for fiscal years 2026/27 and 2027/28; ten-year financial forecast; and Cost of Service Report (Workshop I)

Item 9-1

February 10, 2026

Presented by: Adam Benson, Arnout Van Den Berg, and Mai Hattar

Item 9-1  
Proposed biennial  
budget

## Subject

Proposed biennial budget, which includes the Capital Investment 21-5367 Plan and revenue requirements for fiscal years 2026/27 and 2027/28; proposed water rates and charges for calendar years 2027 and 2028 to meet revenue requirements for fiscal years 2026/27 and 2027/28; ten-year financial forecast; and Cost of Service Report (Workshop 1)

## Purpose

Provide information to enable April Board action on Proposed Biennial Budget for Fiscal Years 2026/27 and 2027/28, Proposed Water Rates and Charges for Calendar Years 2027 and 2028, and Ten-Year Financial Forecast

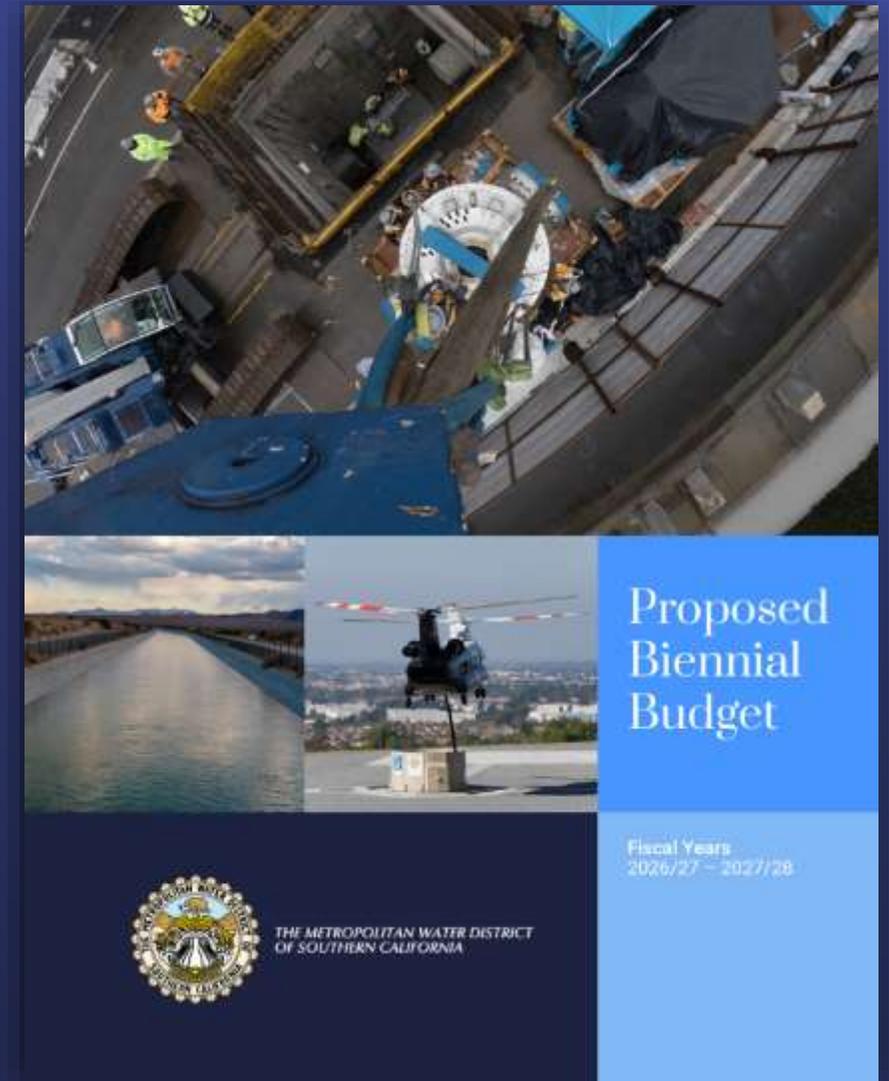
## Next Steps

FAAME Committee Workshop #2 February 24, 2026

# Proposed Biennial Budget Workshop #1

## Agenda

Strategic Planning Efforts  
Budget Highlights & Key Budget Drivers  
Proposed Biennial Budget  
Capital Investment Plan  
Next Steps  
Q&A and Discussion



# Bringing Strategic Planning Efforts Together: The Proposed Biennial Budget

## Business Model Review

May 2024 to July 2025

- Adoption of new treated fixed charges, conservative water sales assumptions and refinements to reserve policy

## Asset Mgmt., CIP/R&R, PWSC

- Capital R&R needs discussions EOT (Mar, June, Aug, and Oct 2025)
- Approved additional \$30 M PAYGO for FY 2026 CIP (Oct 2025)
- PWSC cost update Board workshop (Sep 2025)
- Asset Mgmt updated plan (Feb 2026)

## Staffing Needs Analysis

- Special Board Workshop Sep 2025

## OE / ZEV Funding

- Operating Equipment (OE) Needs EOT (Aug 2024)
- Approved additional \$35M funding in FY 2026 financed by credit facility (Dec 2024)

## Resource Development Planning

Impacts of funding major capital resource planning projects (PWSC, DCP, Sites, Storage, etc.)

- May/June 2025 FAAME Overview of potential drivers of next biennium budget
- CAMP4W Assessments

Oct 2025 FAAME

Integrated Overview of Near-Term Budget Drivers and Long-Term Resource Planning

Proposed Biennial Budget and Ten-Year Financial Forecast

# Budget **focused** on **reducing risk** and increasing the **reliability** and **resiliency** of our system

**Capital Infrastructure:** Aging assets and rising regulatory requirements are driving greater urgency for Replacement and Refurbishment (R&R) projects. Current R&R spending levels have resulted in a growing backlog of projects and increased infrastructure vulnerability and risk exposure.

**Staffing:** Most new position requests since 2020 were unfunded, resulting in overburdened staff and declining morale. Deferred maintenance has led to more frequent shutdowns, increased corrective maintenance, and higher emergency replacement costs, shifting operations from a proactive to a reactive culture.

**Operating Equipment and Fleet:** Over 50% of vehicles are in poor or very poor condition, leading to frequent repairs, delays to high-priority work, and elevated operational risk.

**Metropolitan's Infrastructure**

**\$31B** Rep. Cost (Est.)  
Adjusted for inflation only

**\$46B** Ref. Cost (Est.)  
Adjusted for cost & inflation costs

**System Reliability and Operations**

**Refurbishment & Replacement**

**Equipment Rehabilitations**

**Emergency Repairs**

**High Voltage Maintenance**

**Underwater Maintenance**

**DWR Radial Gate**

**Desert Coachella**

**33-year-old dump truck with 103,000 miles used by Metropolitan Forces**

**5-year-old Line-truck with 186,000 miles operating in remote desert conditions**

# Budget Highlights and Key Budget Drivers

# FY 26/27 & FY 27/28 Baseline Budget

Rate Impacts without New Requests (excludes increases in Staffing, CIP & OE, and PWSC)

- Updated Baseline budget is 7.5% / 7.5% (consistent with Oct 2025 Forecast)
  - Key Drivers:
    - End of federal funding under IRA Bucket 1 supply program (~\$47 M)
    - Lower budgeted assumption of stored water sales to non-member agencies from \$60 M to \$25 M
    - Increased departmental O&M (personnel costs, materials, utilities, security contracts, etc.)
    - Other expenditures: DCP planning costs, debt service (CIP, supply, conservation, OE), offset by lower power costs and higher property tax revenues

Calendar Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Baseline Budget	15% 7.5%	7.5%	6.5%	6.5%	5.0%	5.0%	4.5%	4.5%	4.0%	4.0%

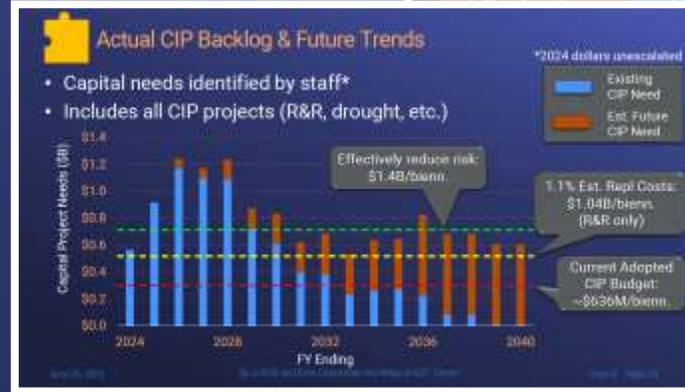
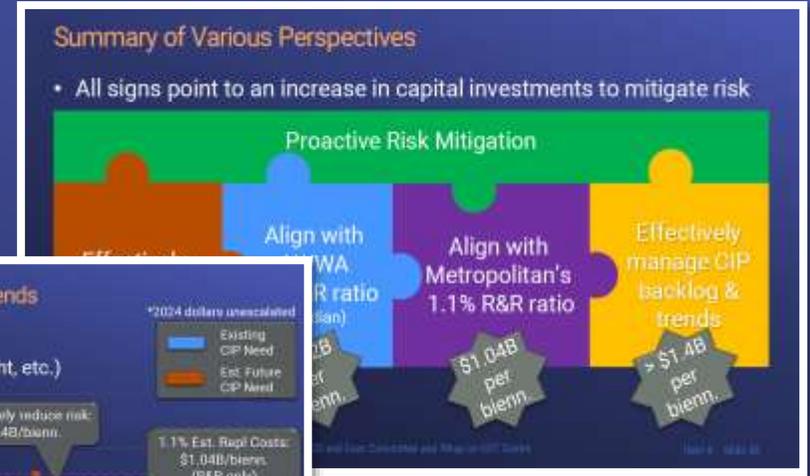
# Incremental Drivers

## 1. Increased Base CIP

- Address backlog of R&R projects:
 

Prior Budget CIP Budget:	\$666 M
Proposed 2-Year CIP:	<u>\$950 M</u>
<b>Increase =&gt;</b>	<b>\$284 M</b>
- Proposed CIP budget funds approved contracts in the next 2 years and starts to align with industry benchmarks → **reducing the likelihood of costly failures while avoiding sharp near-term rate impacts**

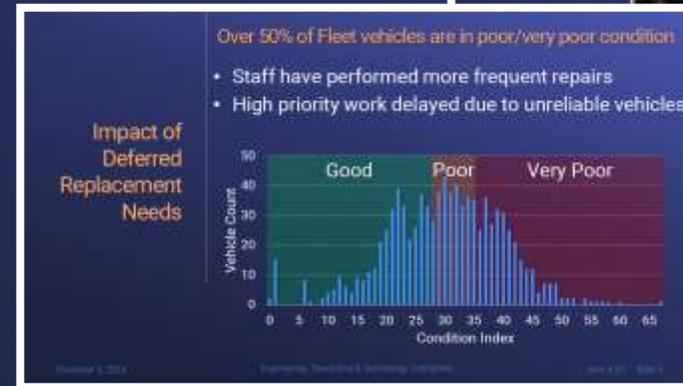
**CIP for R&R**  
Special Joint Board  
Workshop in June 2025



## 2. Replace critical Operating Equipment

- To partially mitigate high operational risks for **aged and high criticality operating fleet**, the Proposed Budget includes funding of \$17 M for FY 2026/27 & \$18 M for FY 2027/28 for Operating Equipment

**Operating Equip**  
EOT in December 2024



# Incremental Drivers (Cont.)

Excerpt from Staffing Needs Analysis  
Special Board Workshop in September 2025

## 3. Additional staffing needed to support operations, maintenance and CIP

- Balance the need for staffing positions while limiting the rate impacts to ~1% per biennium for the next 3 budgets
  - FY 2026/27: \$10 M and FY 2027/28: \$21 M
- **Focus on adding positions in operations** including C&D, Water Treatment, IOPSS, and Engineering
- Even with these reduced requests, risks and trade-offs remain

## 4. Fund 45-MGD PWSC (Stage 1) Project

- Full 45-MGD Stage 1 is included in the Forecast
  - \$2.9 B in 2025\$, \$3.6 B in nominal dollars
- \$150 M over the biennium primarily related to final design, permitting, and pre-construction services for the 45-MGD Stage 1
  - Capital costs funded by \$91.8 M from SWRCB State Fund and LSWRP grant for the biennium and remaining financed with PAYGO and fixed rate debt (4.75% 30-yrs).

### Staffing Needs Analysis Background

- Over the last three budget cycles, a majority of new position requests were not funded due to Metropolitan's financial conditions. Importantly, a significant portion of the unfunded positions were requested to keep pace with existing service level demands and to meet emerging challenges due to climate change and other factors

Position Build	FY20 Budget	FY21 Budget	FY22 Budget	FY23 Budget	FY24 Budget	FY25 Budget	FY26 Budget
Beginning Positions (FY20 Budget)	1,907						
New Positions Added		0	0	22	22	19	19
Pure Water Positions Added		0	0	0	17	0	0
<b>Total Positions</b>	<b>1,907</b>	<b>1,907</b>	<b>1,907</b>	<b>1,929</b>	<b>1,946</b>	<b>1,965</b>	<b>1,965</b>
Unfunded Position Requests		35	35	81	81	104	104

- The 2024 Workplace Assessment further underscored these challenges. The survey results highlight the impact that staffing shortages are having on Metropolitan's employees – including morale problems, safety concerns, and other employee relations challenges – in part due to Metropolitan's growing response to climate change, addressing aging infrastructure, and regulatory changes
  - When asked to evaluate their current workload, 54% of respondents reported feeling **steady (but just barely)** (28%), **struggling** (16%), or **completely overwhelmed** (10%)

September 23, 2025

Board of Directors Workshop on PAYGO

Item 9-1 Slide 7

### Summary

- Acute workforce pressures exist in the water industry overall. These impacts are not unique to Metropolitan
- Pent-up demand for additional position requests are driven by several factors, including: 1) historical unfunded position requests; 2) relatively flat overall FTE counts over the last several decades; and, 3) growing responsibilities in response to climate change, legal and regulatory changes, and aging infrastructure
- To meet Metropolitan's mission, Staff initially identified a need to add 391 positions (~21%) over the next three budget cycles to address critical areas in the organization
- Recognition that Metropolitan must balance the need to add positions with our fiscal realities. To address this, Staff presented a revised (lower) position request reflecting an approximate 1% rate increase per cycle with a focus on adding positions in critical operational areas of the organization, including C&D, Water Treatment, IOPSS, and Engineering
- Even with these reduced requests, risks and trade-offs remain

September 23, 2025

Board of Directors Workshop on PAYGO

Item 9-1 Slide 8

# Estimated Overall Rate Increase

## FY 2026/27 & FY 2027/28 Proposed Budget

Calendar Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
<b>Baseline Budget</b>	<b>15%</b> 7.5%	7.5%	6.5%	6.5%	5.0%	5.0%	4.5%	4.5%	4.0%	4.0%
Incremental Drivers										
Proposed Increase Base CIP	0.5%	1.0%	0.5%	0.5%	1.0%	1.0%	0.5%	0.5%	1.0%	1.0%
Proposed Operating Equipment	0.4%									
Proposed Staffing	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%				
<b>Baseline + Incremental Drivers</b>	<b>9.0%</b>	<b>9.0%</b>	<b>7.5%</b>	<b>7.5%</b>	<b>6.5%</b>	<b>6.5%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>
Proposed 45-MGD PWSC (Stage 1)	0.5%	0.5%	1.5%	1.5%	2.5%	2.5%	4.0%	4.0%	4.0%	4.0%
<b>Proposed Budget</b> (Baseline + Incremental Drivers + PWSC)	<b>19%</b> 9.5%	9.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%

### 45-MGD PWSC (Stage 1) Assumptions:

- \$2.9 B in 2025\$, \$3.6 B in nominal dollars for the full Stage 1 in the ten-year forecast
- Capital costs funded by \$91.8 M from SWRCB State Fund and LSWRP grant for the biennium, up to \$155 M/yr PAYGO and remaining by debt 4.75% 30-yrs in the ten-year forecast
- Operations start in FY 2036 with \$136.7 M (nominal \$)

# Financial Policies & Goals

## Coverage ratios

- Revenue bond coverage is below the 2.0x target in the biennium but improves and reaches the 2.0x target within the ten-year forecast period

	Target	Projected FY 2025/26	Proposed FY 2026/27	Proposed FY 2027/28
Revenue Bond	2.0	2.1	1.7	1.9
Fixed Charge	1.2	2.1	1.7	1.8

## Maintain high credit ratings

- S&P – AAA
- Fitch – AA+
- Moody’s – Aa1
- High ratings reduce debt service costs

# Proposed Biennial Budget

# Biennial Budget Highlights

## Water Transactions (Includes SDCWA Exchange)

- Current Year – FY 2025/26
  - Budgeted – 1.34 MAF
  - Projected – 1.23 MAF
- Proposed Biennial Budget:
  - FY 2026/27 – 1.21 MAF
  - FY 2027/28 – 1.29 MAF

## CRA Diversion

- Current Year – FY 2025/26
  - Budgeted – 760 TAF
  - Projected – 835 TAF
- Proposed Biennial Budget:
  - FY 2026/27 – 654 TAF
  - FY 2027/28 – 558 TAF

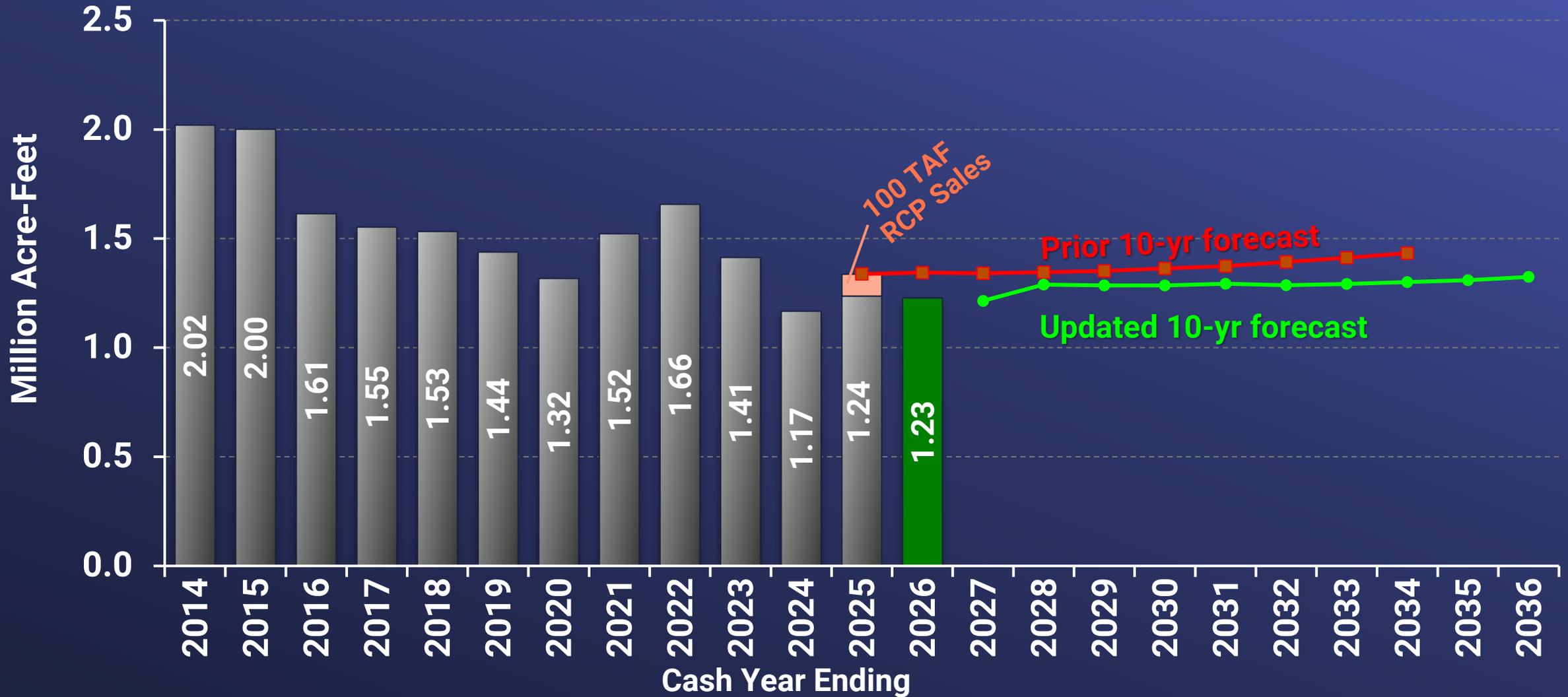
## SWP Allocation

49% in CY 2026

48% in CY 2027

47% in CY 2028 ... decreasing to 39% by CY 2036

# Historical Water Transactions & Forecast<sup>(1)</sup>



(1) Includes non-member agency transactions and SDCWA Exchanges and Wheeling from member agencies  
 For FY 2026 & FY 2027, water transactions are adjusted for RCP treated water deliveries, which were prepaid in Dec 2024

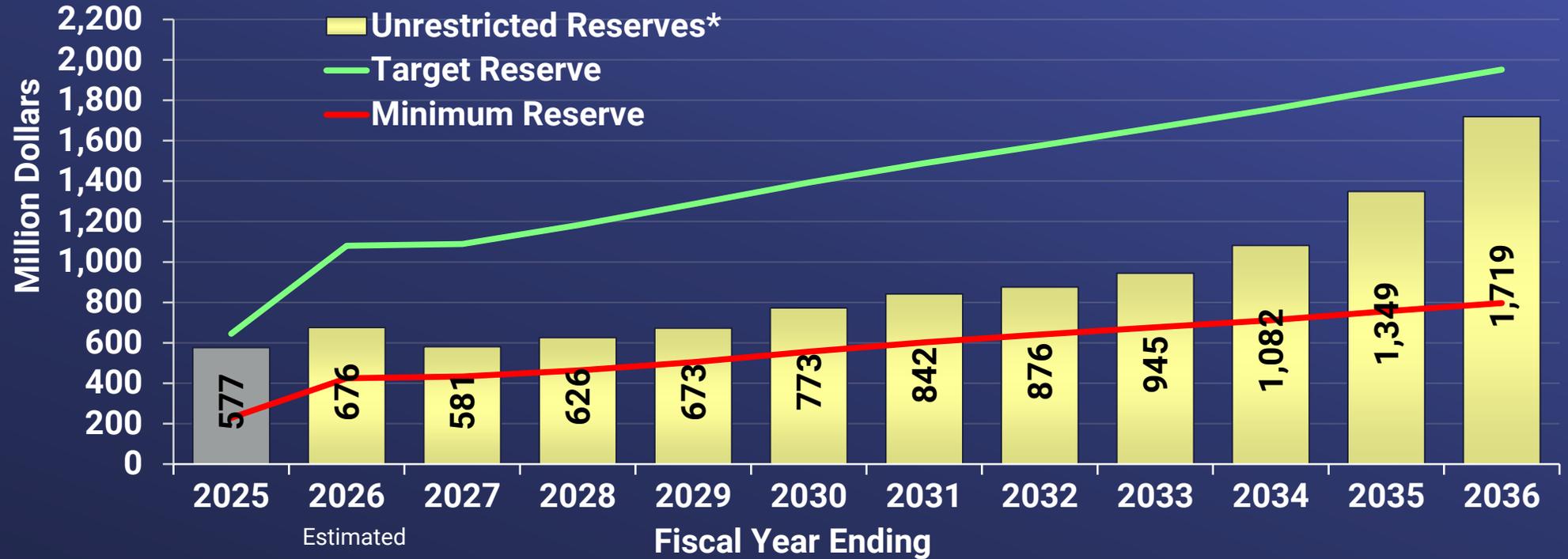
# Historic and Projected Overall Rate Increases

## Proposed Budget



# Proposed Budget (includes incremental drivers and 45-MGD PWSC Stage I)

## Projected Rate Increases and Financial Metrics



	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
<b>Overall Rate Inc.</b>	8.5%	8.5%	9.5%	9.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
<b>Water Transaction (MAF)</b>	1.34	1.23	1.21	1.29	1.29	1.29	1.29	1.29	1.29	1.30	1.31	1.32
<b>Rev. Bond Cvg</b>	2.5	2.1	1.7	1.9	1.9	2.1	2.2	2.1	2.3	2.3	2.4	2.5
<b>CIP, \$M</b>	312	354	492	608	768	900	1,226	1,503	1,303	933	816	684
<b>PAYGO, \$M</b>	175	205	185	210	245	300	360	455	480	493	506	520
<b>Prop Tax Rate (%)</b>	0.007	0.007	0.007	0.007	0.007	0.007	0.007	0.007	0.007	0.007	0.007	0.007

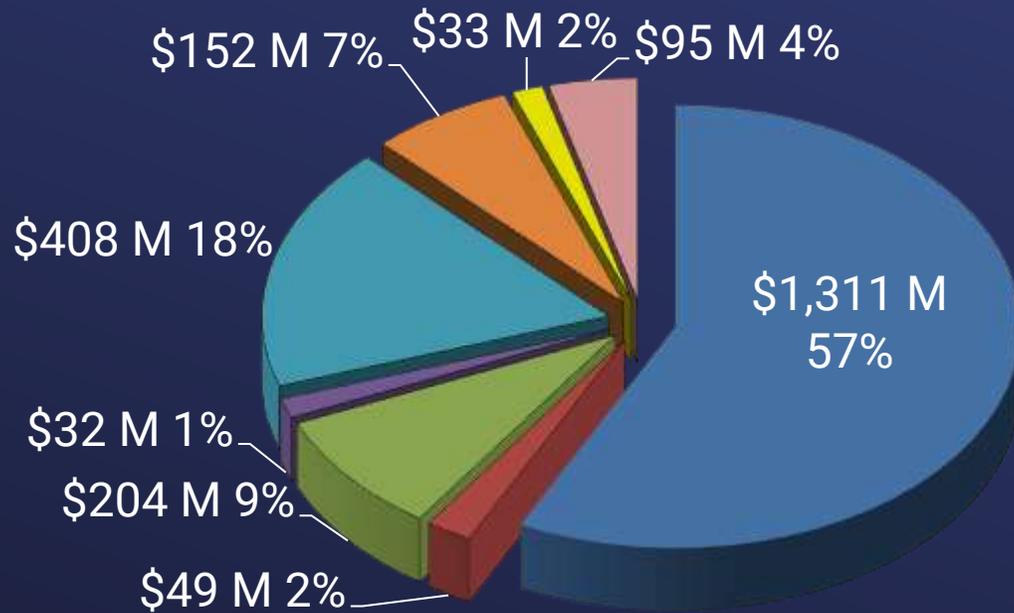
\* Revenue Remainder and Water Rate Stabilization Fund

# Revenues



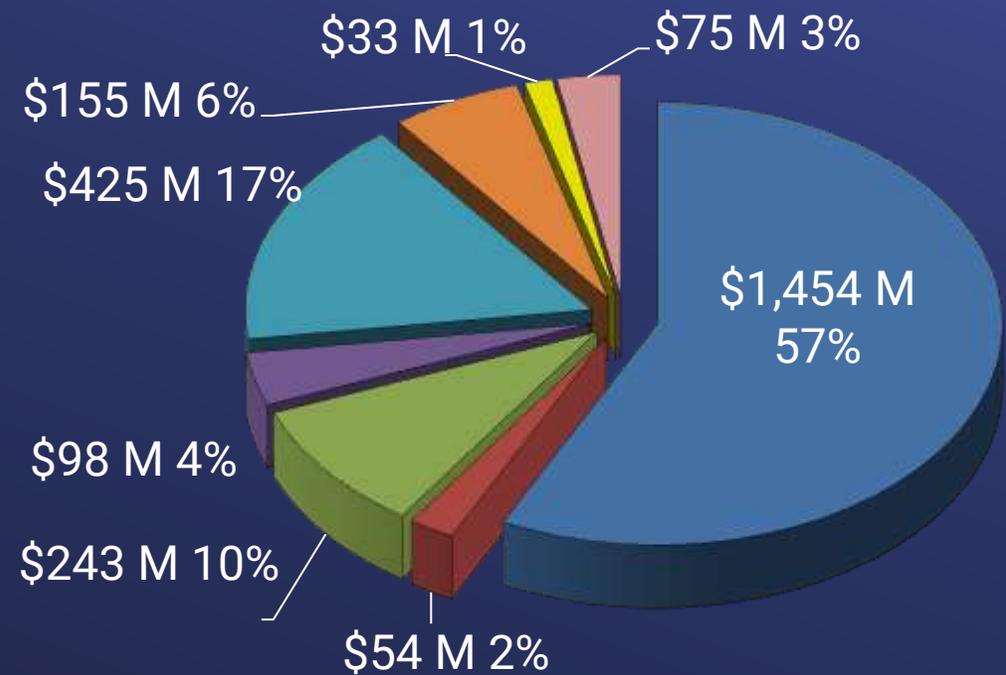
## FY 2026/27 - \$2.3 B

37% Fixed Revenues\*\*\*



## FY 2027/28 - \$2.5 B

38% Fixed Revenues\*\*\*

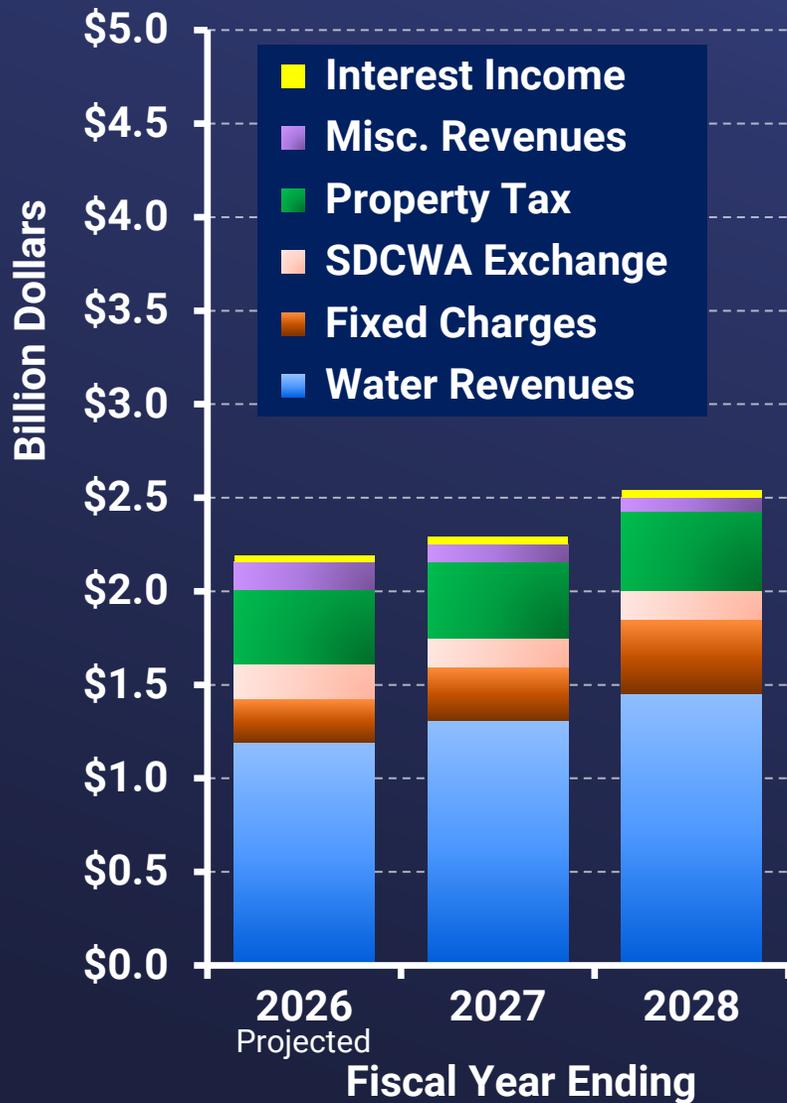


\* Water revenues from treated and untreated water sales with Proposed Rates and Charges

\*\* Other revenues includes revenues from power sales and miscellaneous revenues

\*\*\* Fixed revenues include Property Taxes, RTS, Capacity Charge, Treatment Fixed Charges and SDCWA Exchange Payments

# Revenues



**Water Revenues** from Full-Service Water Sales (~ 1 MAF Treated and Untreated Sales)

**Fixed Charges** include Readiness-to-Serve, Capacity Charge and starting in CY 2027, include Treatment Peaking Capacity, Treatment Used and Treatment Remaining Standby Capacity Charges

**SDCWA Exchange** 227 TAF baseline fixed-price payment

**Property Tax Revenues** assumed at 0.007% rate

**Miscellaneous Revenues** include revenues from power sales, IRA Bucket 1 (for FY 2026 only), other contractual revenues (i.e. Coachella Valley WD, SLR, Chiriaco, etc.) and stored water sales revenues to non-member agencies (Westside Districts, Semitropic, San Gabriel Valley MWD)

**Interest Income** from investments

# Metropolitan Water Service

## Full-Service Untreated Water Service

Unbundled rates and charges apply

Rate Elements	Charges
Supply Rate	RTS Charge (Standby Charge offset)
System Access Rate	Capacity Charge
System Power Rate	

## Full-Service Treated Water Service

Unbundled rates and charges apply

Rate Elements	Charges
Supply Rate	RTS Charge (Standby Charge offset)
System Access Rate	Capacity Charge
System Power Rate	Treatment Peaking Capacity Charge
Treatment Surcharge	Treatment Used and Remaining Standby Capacity Charges

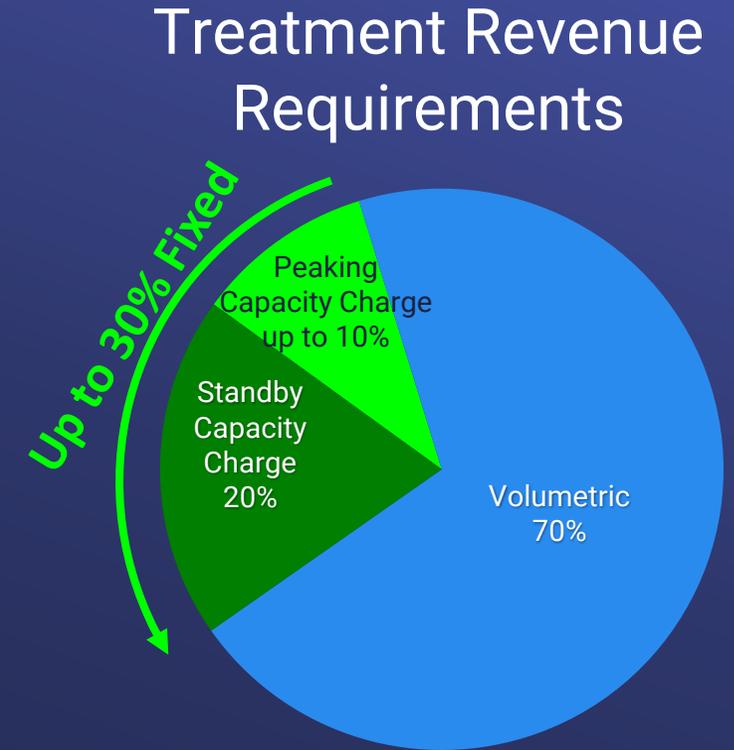
## Wheeling and Exchanges

Set by agreement

# Treatment Fixed Capacity Charge & Surcharge (Eff. 1/1/2027)

Shifts ~30% of treatment cost recovery to fixed charges; ~70% remains volumetric

<b>Peaking Capacity Charge</b>	A fixed charge would be collected based on a 3-year trailing <b>maximum annual peak day</b> demand in CFS
	Treatment peaking capacity costs <u>~10%</u> of total treatment costs based on allocated revenue requirements
<b>Standby Capacity Charge</b>	<p><b>Used Standby Capacity Charge:</b> A fixed charge for used standby capacity would be collected based on a 10-year trailing annual standby use, i.e. 10-year maximum annual use minus average use in AF</p> <p><b>Remaining Standby Capacity Charge:</b> A fixed charge for remaining standby capacity would be collected based on 5-yr trailing maximum annual use in AF</p> <p>This charge inclusive of the Peaking and Used Standby Charge would add up to 30% of the Treatment Revenue Requirements, unless the allocated combined costs are less than 30%.</p>
<b>Volumetric</b>	Remaining (~70%) of treatment costs



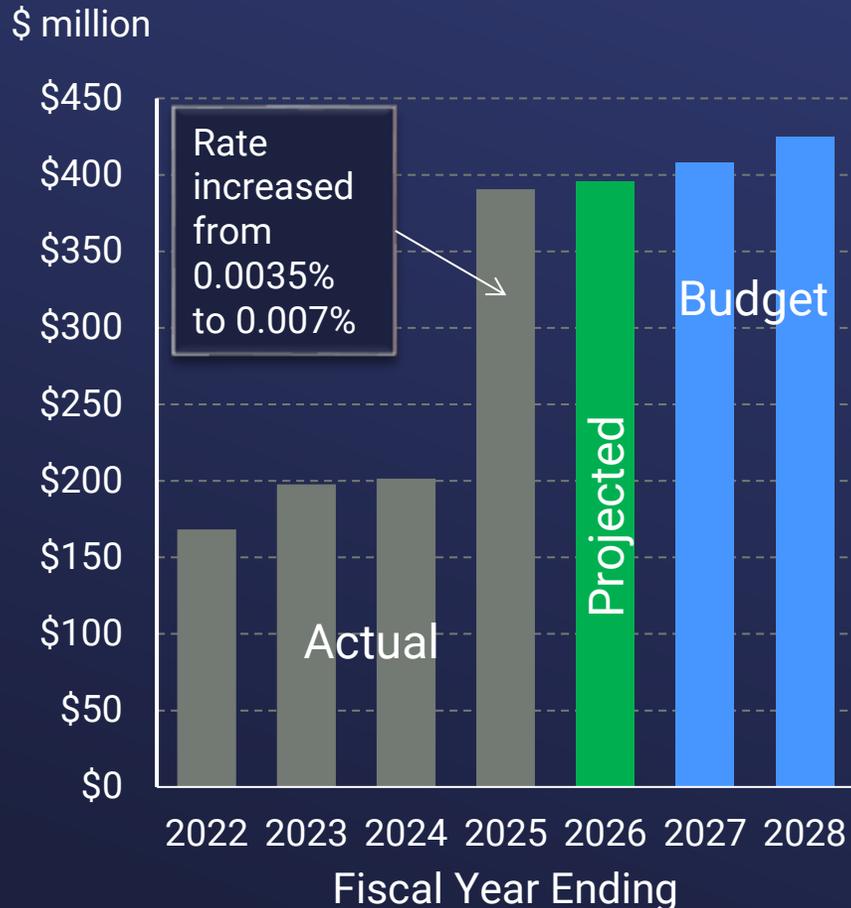
### Transitional determinants

- CY 2027: Peaking Capacity Charge allocated using FY 2025 avg daily treated demand (cfs); Standby Capacity Charge allocated using FY 2025 treated firm demands (AF)
- CY 2028: transitions to rolling determinants (first year)

# Property Tax

Currently @ 0.007%

## Property Tax Revenues



## Property Tax Background

### Special Property Tax

Voters approved the SWP indebtedness before Proposition 13  
 Not part of 1% shared AV property tax limited by Prop 13

### Scope of Voter-Approved Indebtedness

Original bonds and ongoing costs of maintaining, operating, and replacing the system

### Limit of MWD's SWP AV Property Tax Rate

Limited by Metropolitan's SWP costs that go to "maintaining, operating, and replacing" the SWP

## Assumption in Proposed Budget

Property Tax Rate = 0.007% → ~\$424 M in FY 2027/28

- Assessed Values are assumed to escalate @4% per year

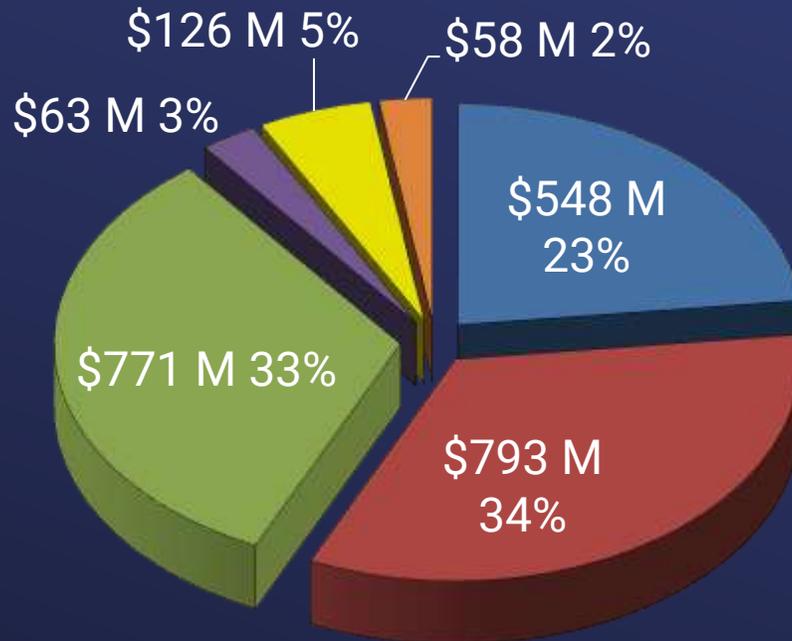
### Property Tax Rate and Rate Impact

- Every 0.0005% increase (\$5 per year per \$1 M assessed value) generates approximately \$20 M additional revenues for the biennium → ~1% rate reduction over the biennium

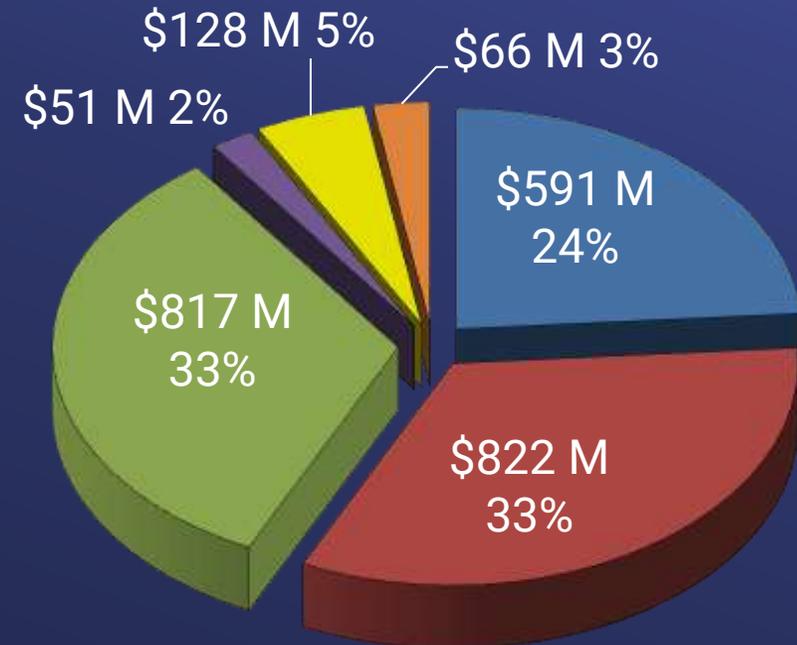
# Expenditures

- Capital Financing (4)
- State Water Project (1)
- O&M (3)
- Colorado River Power
- Supply Programs (2)
- Demand Management (2)

**FY 2026/27 - \$2.4 B**



**FY 2027/28 - \$2.5 B**



- (1) With Board-approved Delta Conveyance Project planning costs
- (2) Cash funded portion
- (3) Net of portion funded from \$80 M SWRCB Fund for PWSC
- (4) Net of PWSC capital costs funded by SWRCB State Fund and received LSWRP Grants

# Proposed Biennial Budget Expenditures

Fiscal Year Ending	Revised Budget	Proposed Biennial Budget		
	2026	2027	2028	
SWP Fixed Costs	\$ 465.5	\$ 506.1	\$ 569.0	SWP: Higher capital charges for Delta capital and subsidence
SWP Variable Power Costs	238.4	212.3	211.8	SWP & CRA: Lower power cost due to updated energy price forecast & reduced CRA diversions
CRA Net Power Costs	83.5	62.7	51.2	
Departmental O&M & Operating Equipment (OE)*	682.8	771.0	816.8	Approved MOUs + additional staffing + higher OE (ZEV transition)+ approved security contract
Supply Programs (cash funded portion)	90.9	125.6	127.8	Assumed purchase of 50.7 TAF of SD Exchange
DCP Planning Costs	25.7	74.7	41.3	Board approved DCP planning costs
Conservation Program (cash funded portion)	25.0	30.5	30.5	
Local Resources Program (w/ Future Supply Action)	36.1	27.7	35.1	
PAYGO	205.0	185.0	210.0	PAYGO & Debt Service increases are due to higher CIP
Debt Service	353.5	363.2	380.7	
<b>Sub-total Expenditures (\$ M)</b>	<b>\$ 2,206.4</b>	<b>\$ 2,358.9</b>	<b>\$ 2,474.1</b>	

\* Net of portion funded from \$80 M SWRCB Fund for PWSC

\* Revised Budget for FY 2026 reflects \$18 M expense reduction, cash funded OE for ZEV plus approved \$500 K Quagga Mussel Program and 1 FTE

# Expenditure Increases

## Revised FY2026 to FY2027

Fiscal Year Ending	Adopted Budget	Revised Budget	Proposed Biennial Budget		Increase from Revised 2026 to 2027	
	2026	2026	2027	2028	\$M	%
SWP Fixed Costs	\$ 465.5	\$ 465.5	\$ 506.1	\$ 569.0	\$ 40.6	9%
SWP Variable Power Costs	238.4	238.4	212.3	211.8	(26.1)	-11%
CRA Net Power Costs	83.5	83.5	62.7	51.2	(20.8)	-25%
Departmental O&M & OE*	681.8	682.8	771.0	816.8	88.2	13%
Supply Programs (cash funded portion)	90.9	90.9	125.6	127.8	34.7	38%
Delta Conveyance Planning Costs	-	25.7	74.7	41.3	49.0	191%
Conservation Program (cash funded portion)	25.0	25.0	30.5	30.5	5.5	22%
Local Resources Program (w/ Future Supply Action)	36.1	36.1	27.7	35.1	(8.4)	-23%
PAYGO	175.0	205.0	185.0	210.0	(20.0)	-10%
Debt Service	353.5	353.5	363.2	380.7	9.6	3%
<b>Sub-total Expenditures (\$ M)</b>	<b>\$ 2,149.7</b>	<b>\$ 2,206.4</b>	<b>\$ 2,358.9</b>	<b>\$ 2,474.1</b>	<b>\$ 152.5</b>	<b>7%</b>

\* Net of portion funded from \$80 M SWRCB Fund for PWSC

\* Revised Budget for FY 2026 reflects \$18 M expense reduction, cash funded OE for ZEV plus approved \$500 K Quagga Mussel Program and 1 FTE for Office of General Counsel in Oct 2025

# Expenditure Increases

## FY2027 to FY2028

Fiscal Year Ending	Adopted Budget	Revised Budget	Proposed Biennial Budget		Increase from 2027 to 2028	
	2026	2026	2027	2028	\$M	%
SWP Fixed Costs	\$ 465.5	\$ 465.5	\$ 506.1	\$ 569.0	\$ 62.9	12%
SWP Variable Power Costs	238.4	238.4	212.3	211.8	(0.5)	~0%
CRA Net Power Costs	83.5	83.5	62.7	51.2	(11.6)	-18%
Departmental O&M & OE*	681.8	682.8	771.0	816.8	45.8	6%
Supply Programs (cash funded portion)	90.9	90.9	125.6	127.8	2.2	1%
Delta Conveyance Planning Costs	-	25.7	74.7	41.3	(33.4)	-45%
Conservation Program (cash funded portion)	25.0	25.0	30.5	30.5	0	0%
Local Resources Program (w/ Future Supply Action)	36.1	36.1	27.7	35.1	7.3	26%
PAYGO	175.0	205.0	185.0	210.0	25.0	14%
Debt Service	353.5	353.5	363.2	380.7	17.5	5%
<b>Sub-total Expenditures (\$ M)</b>	<b>\$ 2,149.7</b>	<b>\$ 2,206.4</b>	<b>\$ 2,358.9</b>	<b>\$ 2,474.1</b>	<b>\$ 115.2</b>	<b>5%</b>

\* Net of portion funded from \$80 M SWRCB Fund for PWSC

\* Revised Budget for FY 2026 reflects \$18 M expense reduction, cash funded OE for ZEV plus approved \$500 K Quagga Mussel Program and 1 FTE for Office of General Counsel in Oct 2025

# Demand Management

## Conservation

- Biennial Budget: \$30.5 M per year
- In addition, Metropolitan has been awarded more than \$50 M in state and federal grants and more than \$100 M from IRA Bucket 2 funding for turf replacement and water efficiency programs
  - These grants often require matching funds (e.g., 50%), which are included in the proposed budget for conservation

## Local Resources Program (LRP) & On-Site Retrofit Program

- Biennial Budget: FY 2027: \$24.2 M & FY 2028: \$31.6 M
- Budget LRP expenditures result from updated project yields of existing agreements plus ~\$8 M funding to meet the 2018 Board-approved LRP target with new projects. Staff will seek Board approval as projects come.
- Budget also includes \$3 M on-site retrofit program

## Future Supply Actions (FSA) and Storm Water Pilot

- Biennial Budget: FY 2027: \$3.5 M & FY 2028: \$3.4 M

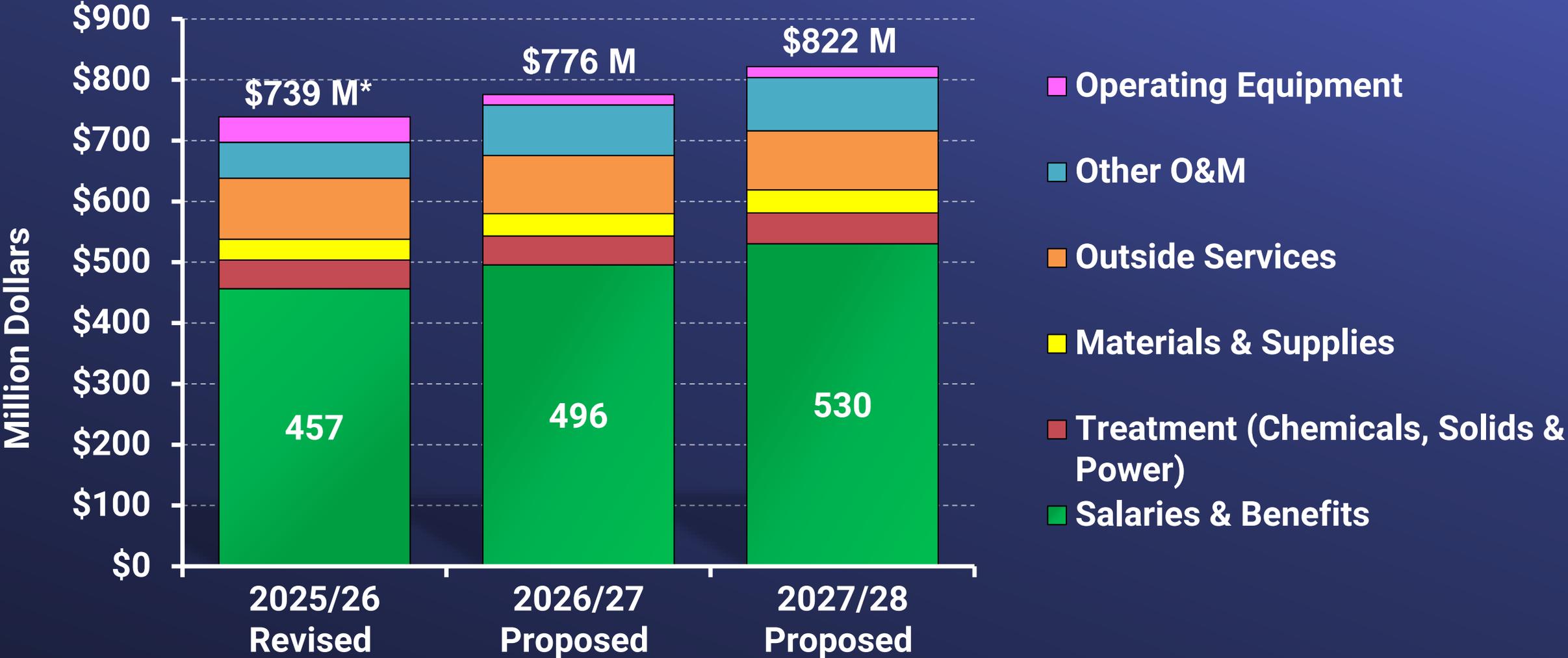


On-site Retrofit Program



Future Supply Action

# O&M Budget



\* Operating Equipment – The FY 2025/26 Budget includes the bond financing of \$35M for the Zero Emission Vehicle Transportation initiative approved by the Board in December 2024 and \$500K for the Quagga Mussel program, which was approved by the Board in October 2025.

# New Requested Positions for FY 2026/27 and FY 2027/28 Proposed Budget

Group/Department	O&M	CIP	PWSC	Total
Integrated Operations Planning and Support Services	25	3	2	30
Conveyance and Distribution	25			25
Treatment and Water Quality	15		2	17
Engineering Services	4	7	4	15
Office of Safety Security and Protection	5			5
Human Resources	4			4
Finance and Administration	3			3
Information Technology	3			3
Board of Directors	2			2
Water Resource Management	1			1
<b>Total</b>	<b>87</b>	<b>10</b>	<b>8</b>	<b>105</b>

# Multi-Budget Cycle Staffing Plan

Group/Department	FYE 27 & 28	FYE 29 & 30	FYE 31 & 32	Total	% of Total
Integrated Operations Planning and Support Services	30	25	24	79	27.4%
Conveyance and Distribution	25	25	25	75	26.0%
Treatment and Water Quality	17	25	19	61	21.2%
Engineering Services	15	21	17	53	18.4%
Office of Safety Security and Protection	5	0	0	5	1.7%
Human Resources	4	1	0	5	1.7%
Finance and Administration	3	0	0	3	1.0%
Information Technology	3	0	0	3	1.0%
Board of Directors	2	0	0	2	0.7%
Water Resource Management	1	0	0	1	0.3%
Sustainability, Resilience, Innovation	0	1	0	1	0.3%
<b>Total</b>	<b>105</b>	<b>98</b>	<b>85</b>	<b>288</b>	<b>100.0%</b>

Position Type	FYE 27 & 28	FYE 29 & 30	FYE 31 & 32	Total	% of Total
O&M Positions	87	68	61	216	75.0%
CIP R&R Positions	10	9	7	26	9.0%
Pure Water Southern California Positions	8	21	17	46	16.0%
<b>Total</b>	<b>105</b>	<b>98</b>	<b>85</b>	<b>288</b>	<b>100.0%</b>

- New Positions Requested total 288 over the next 3 budgets
- Rate impact targeted to be ~1% per biennium budget
- 93.1% of 288 new positions are in Operations and Engineering
- CIP R&R and Pure Water Southern California new position requests pending Board Approval
- Anticipated union allocation of new positions for AFSCME is ~85%

# O&M Budget by Account

Account Categories (\$ in Millions)	2025/26 Revised Budget	2026/27 Proposed	2027/28 Proposed	2026/27 Proposed vs 2025/26 Budget		2027/28 Proposed vs 2026/27 Proposed	
				\$M	%	\$M	%
Salaries & Benefits	\$ 456.5	\$ 495.7	\$ 530.5	\$ 39.1	8.6%	\$ 34.8	7.0%
Professional Services	58.6	46.3	45.0	(12.3)	-21.0%	(1.3)	-2.8%
Treatment (Chemicals, Solids & Power)	47.1	47.5	50.7	0.4	0.9%	3.2	6.7%
Non-Prof Services / Repairs & Maint	41.6	49.3	52.2	7.7	18.5%	2.8	5.7%
Materials & Supplies	34.3	36.7	37.9	2.5	7.2%	1.1	3.1%
Insurance	10.3	9.7	10.4	(0.6)	-6.1%	0.7	7.2%
Software Licensing & Support	13.9	15.0	16.7	1.1	7.9%	1.8	11.7%
Taxes & Permits	9.7	10.2	10.7	0.6	6.0%	0.4	4.1%
Utilities	10.4	12.6	13.1	2.2	21.2%	0.5	4.2%
Memberships & Subscriptions	9.0	8.9	9.2	(0.1)	-1.7%	0.4	4.1%
Travel & Training	5.9	6.5	6.6	0.5	9.1%	0.1	1.4%
Communications	5.8	6.3	6.2	0.5	8.3%	(0.1)	-1.4%
Subsidies & Incentives	3.6	5.1	5.2	1.5	41.5%	0.1	1.3%
Rents & Leases	3.5	3.8	4.1	0.3	9.0%	0.3	8.4%
Advertising & Community Outreach	1.8	1.1	1.2	(0.7)	-36.7%	0.1	7.2%
Other	(14.7)	4.1	4.1	18.8	-127.5%	0.0	1.0%
Operating Equipment*	41.9	17.1	18.1	(24.8)	-59.2%	1.0	5.8%
<b>Total O&amp;M **</b>	<b>\$ 739.1</b>	<b>\$ 775.8</b>	<b>\$ 821.7</b>	<b>\$ 36.7</b>	<b>5.0%</b>	<b>\$ 45.9</b>	<b>5.9%</b>

\* 2025/26 Revised Budget includes the bond financing of \$35M for the Zero Emission Vehicle Transportation initiative and \$500K for the Quagga Mussel program

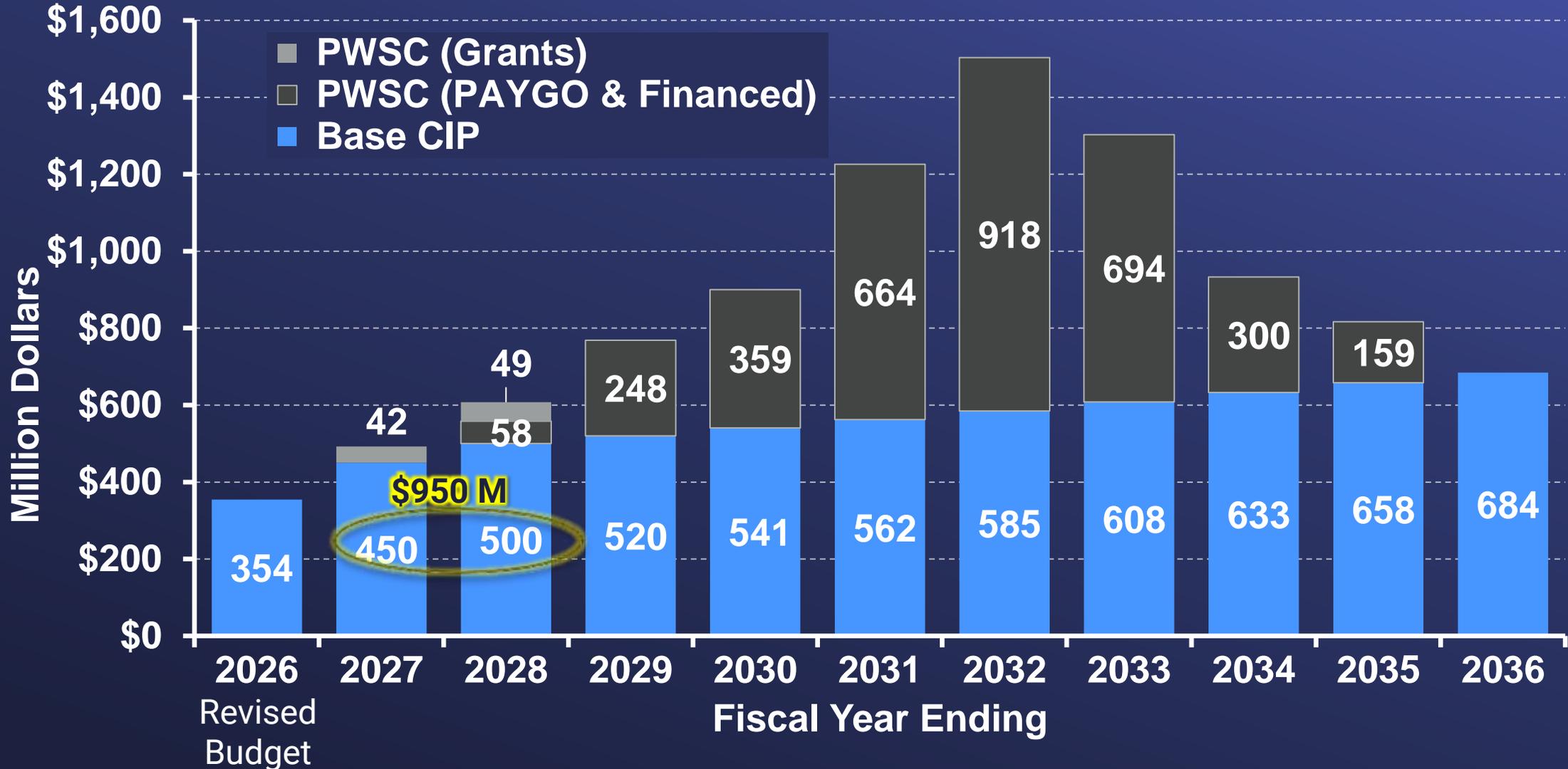
\*\* Pure Water Southern California \$80M SWRCB State Funded O&M expenses are included in this schedule

# Pure Water Southern California Project

- Proposed Biennial Budget includes funding for 45-MGD Stage 1 PWSC Project
  - Biennium spending limited to design, permitting and other preconstruction activities
- PWSC expenditures over Biennium total \$150 M
  - FY 2026/27: Grant Funded (\$42.4 M from SWRCB State Fund and LSWRP received grants)
  - FY 2027/28: Grant Funded (\$19.4 M from current received LSWRP, \$30M future LSWRP reimbursement), PAYGO & Debt (\$58.2 M)
  - Total spending of \$3.5 B from FY2026/27 to FY2035/36
- PWSC program is anticipated to return to the Board to consider start of implementation
- If PWSC is approved, it would initiate a multi-year capital and operating cost profile and is expected to materially increase longer-term revenue requirements

# 10-Year Forecast Capital Expenditure

With 45-MGD PWSC (Stage I)



# Proposed Rates and Charges

<b>Rates &amp; Charges Effective January 1st</b>	<b>Current 2026</b>	<b>Proposed 2027</b>	<b>% Increase (Decrease)</b>	<b>Proposed 2028</b>	<b>% Increase (Decrease)</b>
Supply Rate (\$/AF)	\$313	\$440	40.6%	\$488	10.9%
System Access Rate (\$/AF)	\$492	\$493	0.2%	\$560	13.6%
System Power Rate (\$/AF)	\$179	\$155	(13.4%)	\$154	(0.6%)
Treatment Surcharge (\$/AF)	\$544	\$382	(29.8%)	\$411	7.6%
<b>Full Service Untreated Volumetric Cost (\$/AF)</b>	<b>\$984</b>	<b>\$1,088</b>	<b>10.6%</b>	<b>\$1,202</b>	<b>10.5%</b>
<b>Full Service Treated Volumetric Cost (\$/AF)</b>	<b>\$1,528</b>	<b>\$1,470</b>	<b>(3.8%)</b>	<b>\$1,613</b>	<b>9.7%</b>
Treatment Peaking Capacity Charge (TPCC) (\$/CFS)		\$33,100	-	\$21,800	(34.1%)
Total TPCC for CY (\$M)		\$33	-	\$38	14.8%
Treatment Used Standby Capacity Charge (TUSCC) (\$/AF)		\$16	-	\$148	825.0%*
Total TUSCC for CY (\$M)		\$11.1	-	\$10.6	(4.8%)
Treatment Remaining Capacity Charge (TRCC) (\$/AF)		\$75	-	\$68	(9.3%)
Total TRCC for CY (\$M)		\$52	-	\$51	(1.7%)
RTS Charge (\$M)	\$188	\$237	26.1%	\$254	7.2%
Capacity Charge (\$/CFS)	\$14,500	\$17,900	23.4%	\$21,400	19.6%
Total Capacity Charge for CY (\$M)	\$48	\$51	4.9%	\$61	19.6%
<b>Overall Rate Increase</b>			<b>9.5%</b>		<b>9.5%</b>

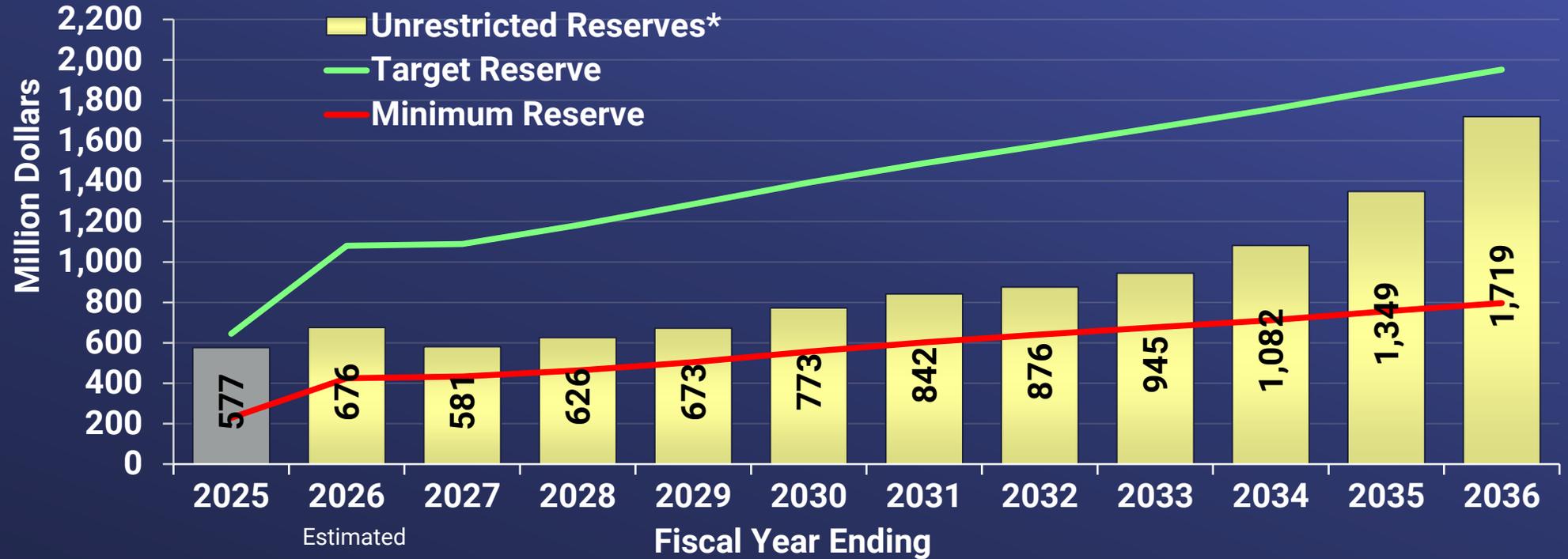
*Full Service Cost means the Full Service Rate, consisting of the following rate components: the applicable Supply Rate, the System Access Rate, the System Power Rate, and if applicable the Treatment Surcharge for treated water service.*

*\*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.*

# Ten-Year Financial Forecast

# Proposed Budget (includes incremental drivers and 45-MGD PWSC Stage I)

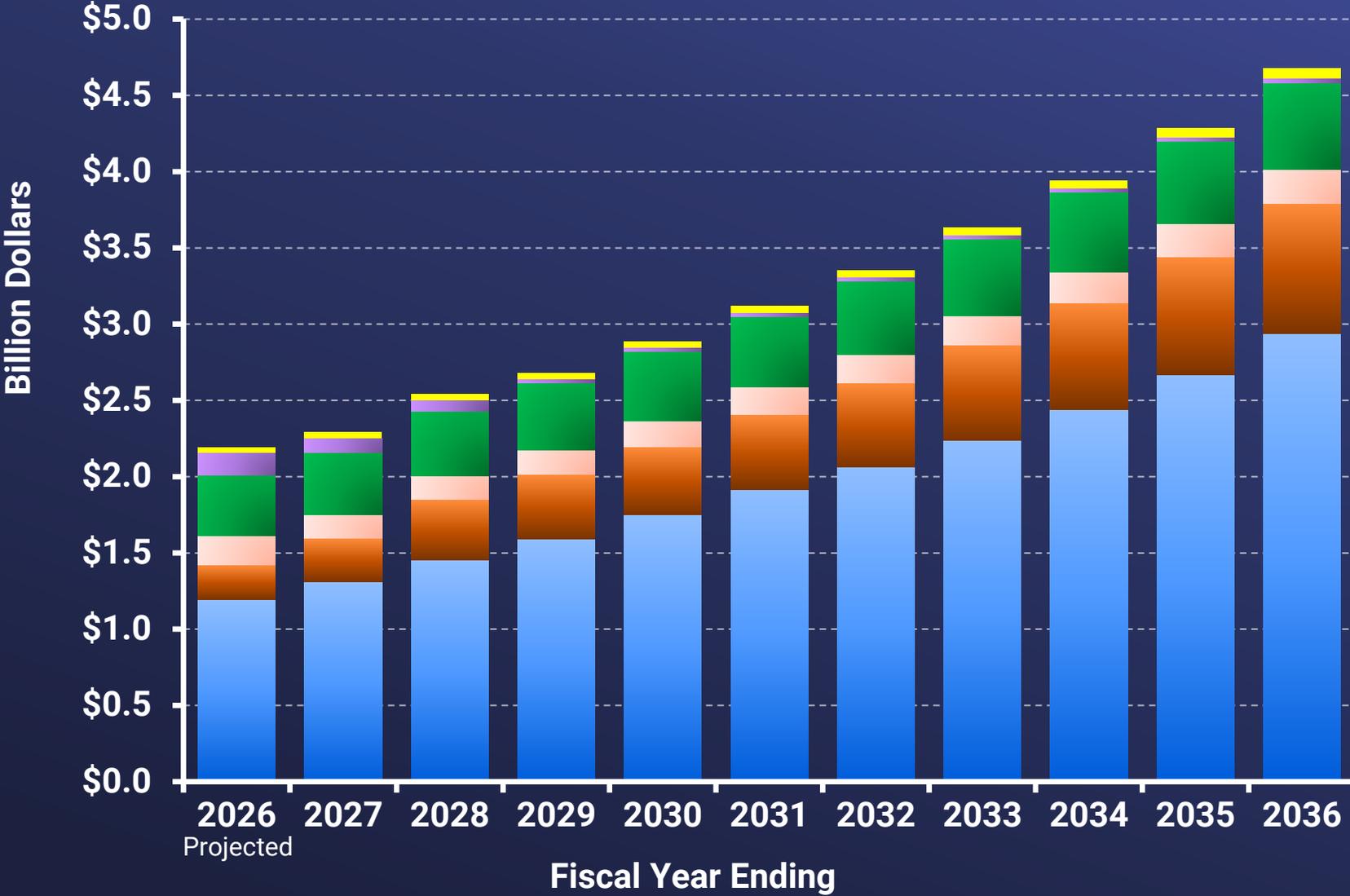
## Projected Rate Increases and Financial Metrics



	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
<b>Overall Rate Inc.</b>	8.5%	8.5%	9.5%	9.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
<b>Water Transaction (MAF)</b>	1.34	1.23	1.21	1.29	1.29	1.29	1.29	1.29	1.29	1.30	1.31	1.32
<b>Rev. Bond Cvg</b>	2.5	2.1	1.7	1.9	1.9	2.1	2.2	2.1	2.3	2.3	2.4	2.5
<b>CIP, \$M</b>	312	354	492	608	768	900	1,226	1,503	1,303	933	816	684
<b>PAYGO, \$M</b>	175	205	185	210	245	300	360	455	480	493	506	520
<b>Prop Tax Rate (%)</b>	0.007	0.007	0.007	0.007	0.007	0.007	0.007	0.007	0.007	0.007	0.007	0.007

\* Revenue Remainder and Water Rate Stabilization Fund

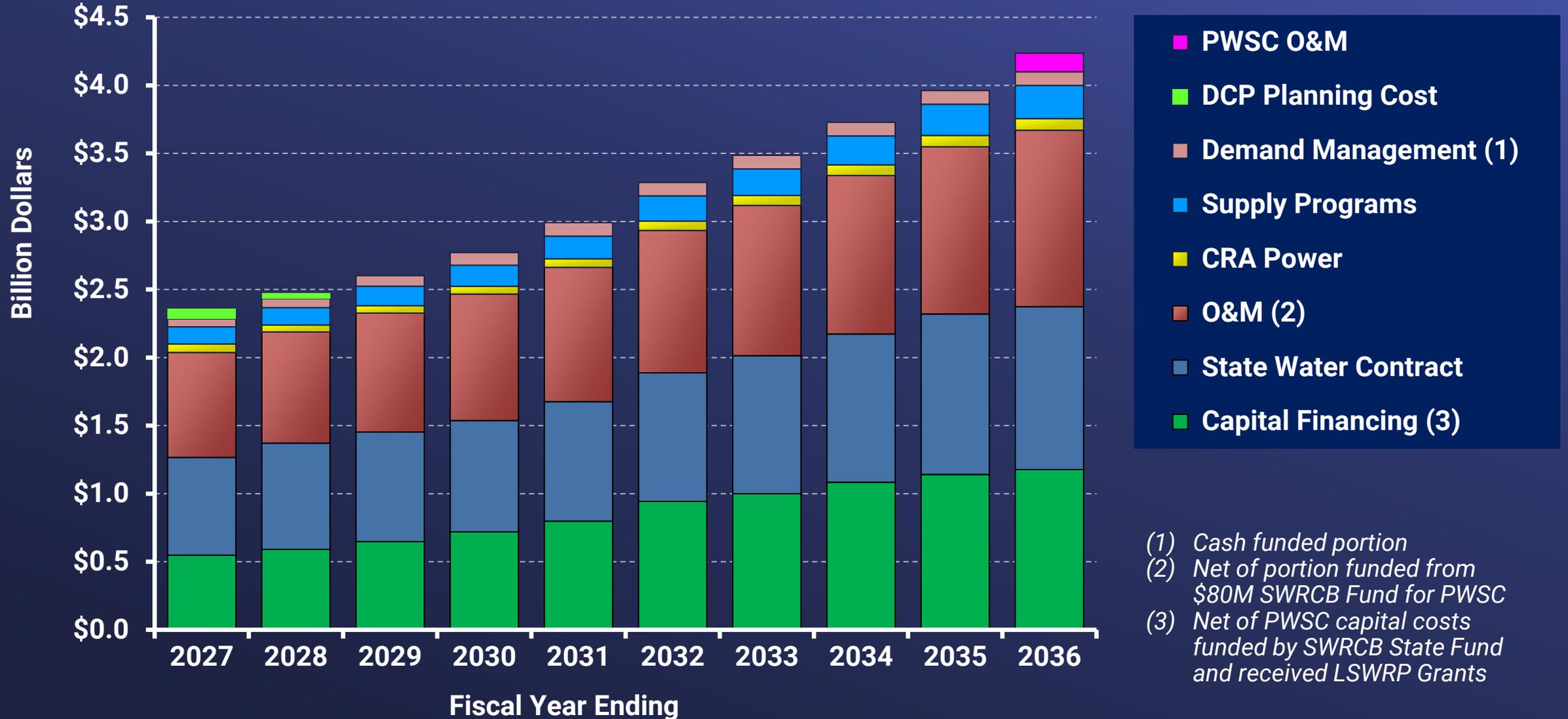
# Revenue Trend



- Interest Income
- Misc. Revenues (5)
- Taxes (4)
- SDCWA Exchange (3)
- Fixed Charges (2)
- Water Revenues (1)

- (1) Include Water Revenues from Water Rates (Treated and Untreated)
- (2) Include RTS, CC and Treatment Fixed Charges
- (3) Includes 227 TAF Baseline fixed payments for SDCWA exchange in CY 2027 and beyond
- (4) Property Tax at 0.007%
- (5) Include revenues from power sales, IRA Bucket 1 (for FY 2026 only), misc. and stored water sales revenues (for 2027 & 2028 only)

# Expenditure Trend



# Ten-Year Forecast Water Rates and Charges

<b>Rates &amp; Charges Effective January 1st</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>	<b>2033</b>	<b>2034</b>	<b>2035</b>	<b>2036</b>
Supply Rate (\$/AF)	\$313	\$440	\$488	\$582	\$655	\$723	\$795	\$864	\$943	\$1,028	\$1,062
System Access Rate (\$/AF)	\$492	\$493	\$560	\$598	\$646	\$701	\$755	\$834	\$911	\$1,004	\$1,168
System Power Rate (\$/AF)	\$179	\$155	\$154	\$157	\$157	\$170	\$177	\$182	\$183	\$183	\$183
Treatment Surcharge (\$/AF)	\$544	\$382	\$411	\$436	\$469	\$488	\$508	\$541	\$580	\$621	\$685
<b>Full Service Untreated Volumetric Cost (\$/AF)</b>	<b>\$984</b>	<b>\$1,088</b>	<b>\$1,202</b>	<b>\$1,337</b>	<b>\$1,458</b>	<b>\$1,594</b>	<b>\$1,727</b>	<b>\$1,880</b>	<b>\$2,037</b>	<b>\$2,215</b>	<b>\$2,413</b>
<b>Full Service Treated Volumetric Cost (\$/AF)</b>	<b>\$1,528</b>	<b>\$1,470</b>	<b>\$1,613</b>	<b>\$1,773</b>	<b>\$1,927</b>	<b>\$2,082</b>	<b>\$2,235</b>	<b>\$2,421</b>	<b>\$2,617</b>	<b>\$2,836</b>	<b>\$3,098</b>
Treatment Peaking CC (\$/cfs)	N/A	\$33,100	\$21,800	\$23,000	\$24,700	\$25,600	\$26,600	\$28,400	\$30,700	\$33,000	\$37,200
Treatment Used Standby CC (\$/AF)	N/A	\$16	\$148	\$131	\$132	\$130	\$132	\$131	\$141	\$143	\$166
Treatment Remaining CC (\$/AF)	N/A	\$75	\$68	\$69	\$73	\$73	\$84	\$87	\$94	\$98	\$117
Readiness-to-Serve Charge (\$M)	\$188	\$237	\$254	\$254	\$274	\$307	\$353	\$398	\$452	\$513	\$560
Capacity Charge (\$/cfs)	\$14,500	\$17,900	\$21,400	\$25,800	\$31,000	\$37,700	\$46,200	\$51,700	\$57,300	\$61,700	\$61,700
<b>Overall Rate Increase</b>	<b>8.5%</b>	<b>9.5%</b>	<b>9.5%</b>	<b>9.0%</b>							

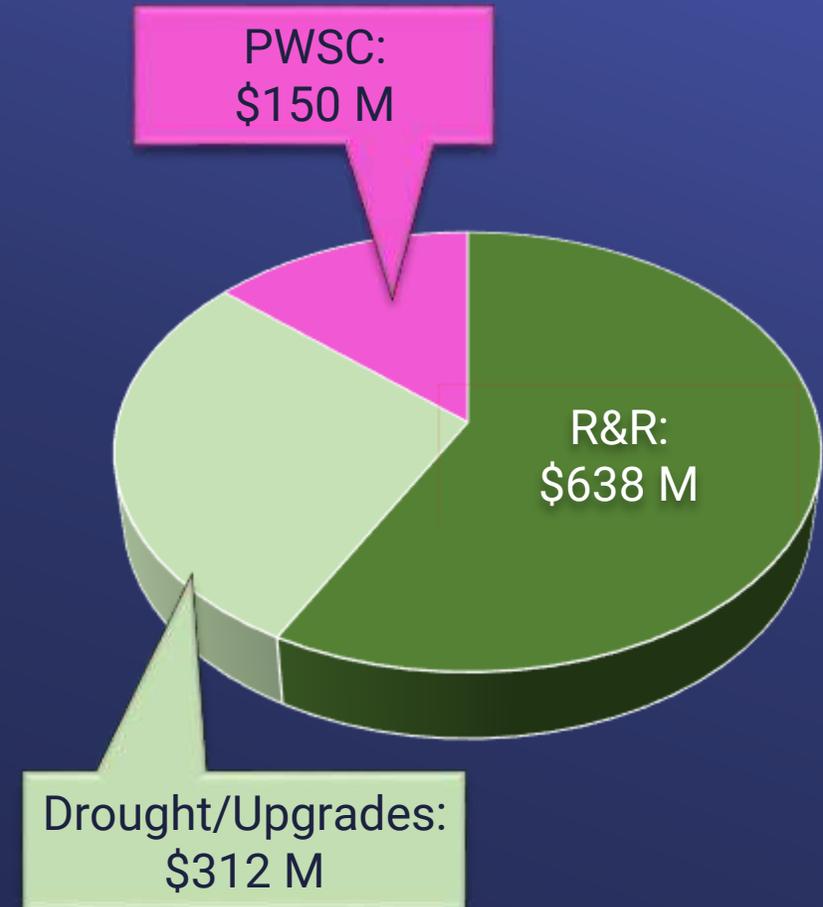
Full Service Cost means the Full Service Rate, consisting of the following rate components: the applicable Supply Rate, the System Access Rate, the System Power Rate, and if applicable the Treatment Surcharge for treated water service.

# Capital Investment Plan

# Proposed CIP Budget for FY 2026/27 & FY 2027/28 - \$1.1 B

Metropolitan's CIP is an investment in water supply reliability

- R&R projects addresses rehabilitation of aging infrastructure
- Upgrades primarily address drought resiliency
- Pure Water Southern California would provide a drought-proof water supply
  - Grants & partner contribution ~ 8.5%
  - PAYGO & debt ~ 5.5%



# Metropolitan's Complex CIP

Driven by R&R,  
Constantly  
Changing, with  
Large Projects

- Running CIP – Includes all identified capital work without a sunset date
- Two types of investment:
  - R&R/Regulatory
    - Non-discretionary
  - Upgrades
    - Drought
    - Sustainability
    - Stewardship



## Capital Investment Plan Appendix

Fiscal Years  
2026/27 and 2027/28



Uniquely Metropolitan:  
Maintaining Regional Reliability

# Metropolitan's Infrastructure



5 Water Treatment Plants



15 Hydroelectric Facilities



830 mi. of Distribution Pipelines



79 mi. of Canals



218 mi. of Tunnels, Siphons, Conduits



8 Pumping Plants



24 Dams & Reservoirs



450 Chemical/Auxiliary Storage Tanks



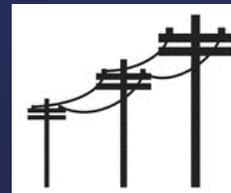
11,500 Water Regulating Valves (2 in. to 21 ft dia)



5,000 Motors & Pumps



G.F. Napolitano Pure Water Demo Plant



308 mi. of Power Transmission Lines + 1,200 High Voltage Towers



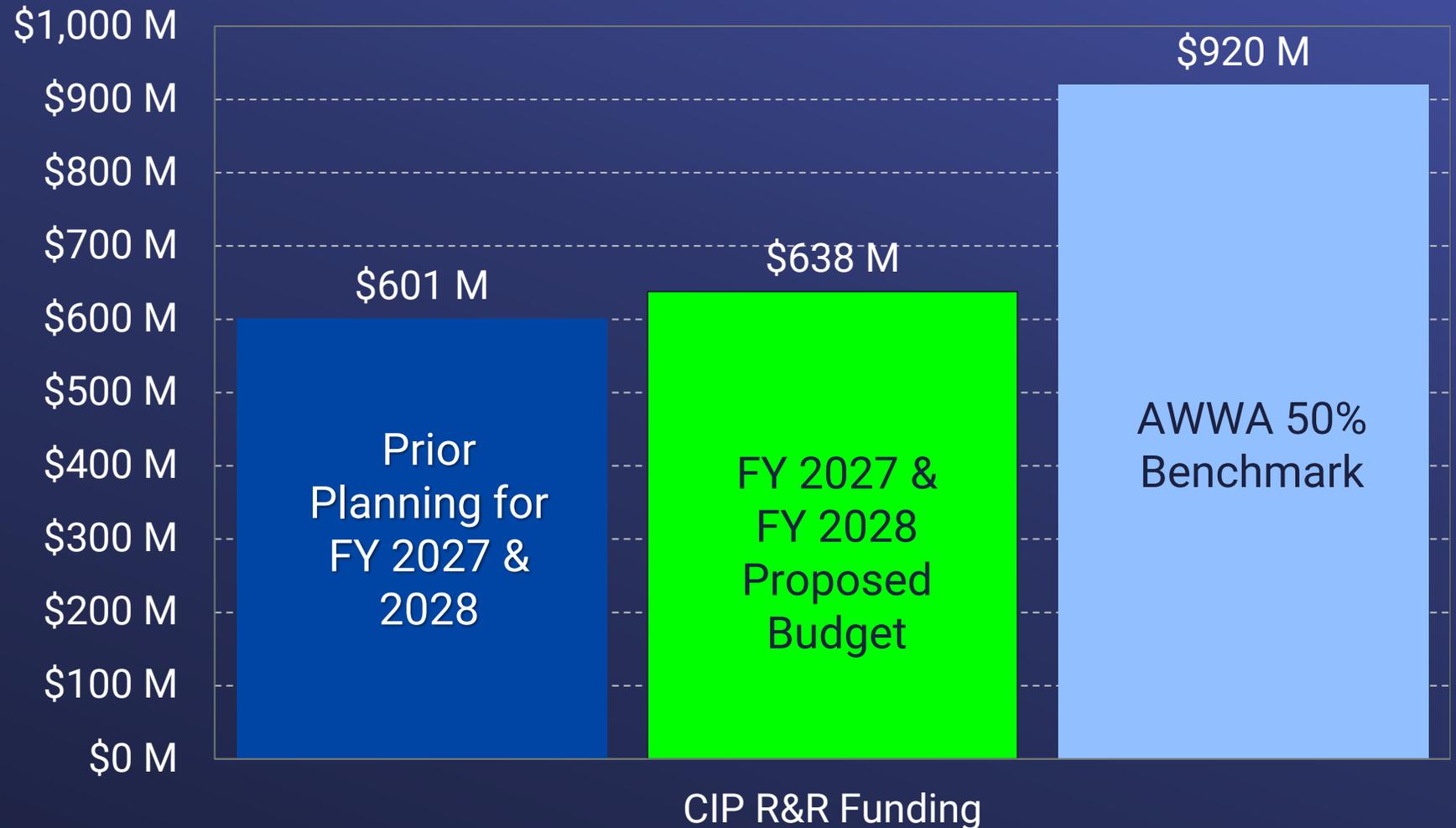
500 Buildings, Shops, & Other Structures



1,000 mi. of Unpaved Road

# Proposed R&R Funding Less Than Industry Benchmarks

Right-sizing  
R&R Budget  
Maintaining  
Infrastructure  
Reliability



# Basis for Proposed CIP Budget

- Board direction
- CIP evaluation process including asset management R&R analysis
- **Approx. \$800 M already committed for projects currently in construction or out to bid**
- Long bench of projects either ready or almost ready to put out for bid
  - Continuous review of project priorities
- Discussions with Finance & Management to right-size CIP based on reasonable rate increases
- Long-term plan - consistent with building towards R&R spending target data



Sepulveda Feeder Pump Stations Groundbreaking Event  
Directors Nancy Sutley, Jacque McMillan,  
Dennis Erdman, Jay Lewitt,  
and General Manager Shivaji Deshmukh

# Major Contracts Underway



Sepulveda Feeder Reach PCCP, Reach 2 - \$61 M



CRA Transformer Procurement - \$131 M



Sepulveda Fdr Pump Stations Venice (Rendering) - \$103 M



Garvey Reservoir Rehabilitation, Stage 1 - \$116 M

# Major Upcoming Contracts Ready for Award



Copper Basin Discharge Valve Replacement



CRA Sump System Rehabilitation

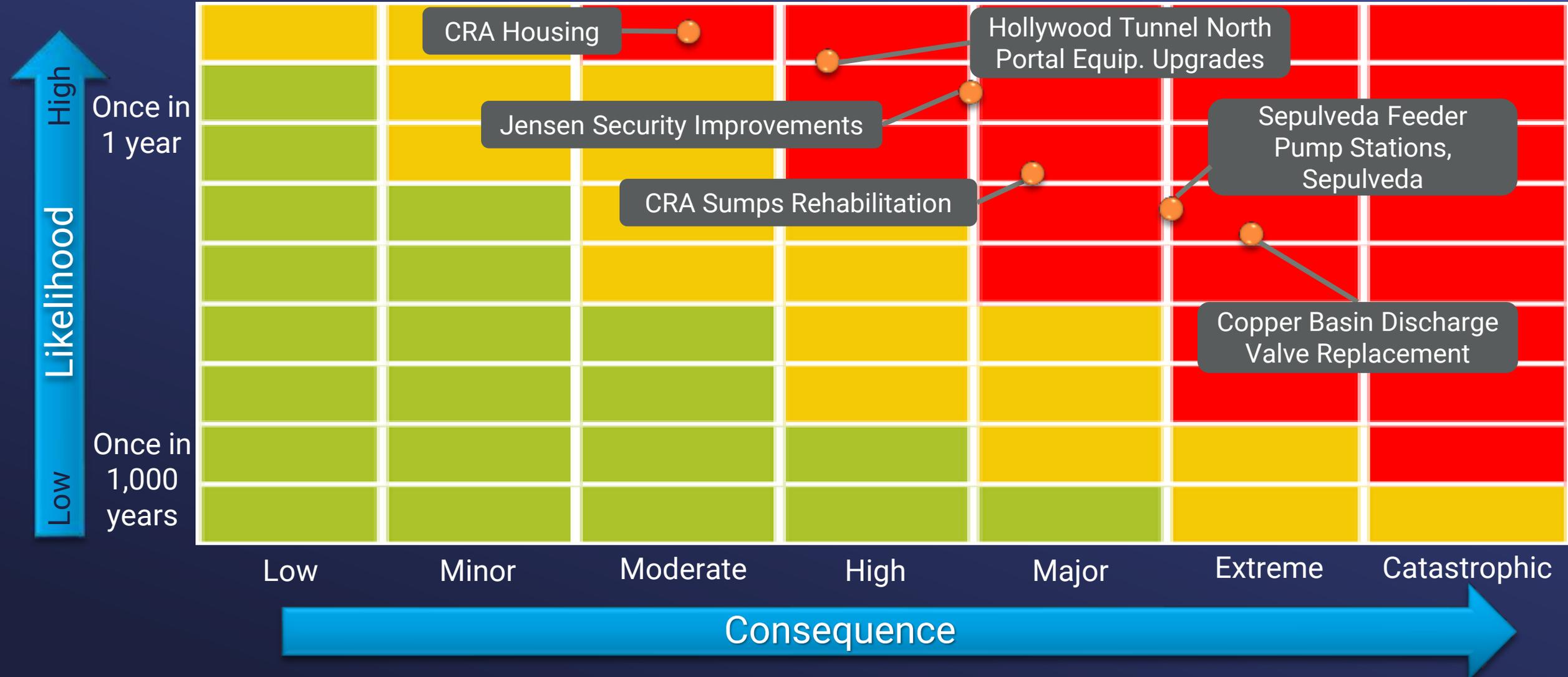


Hollywood Tunnel North Portal Upgrades



CRA Housing

# Risk Heat Map: Major Upcoming Contracts



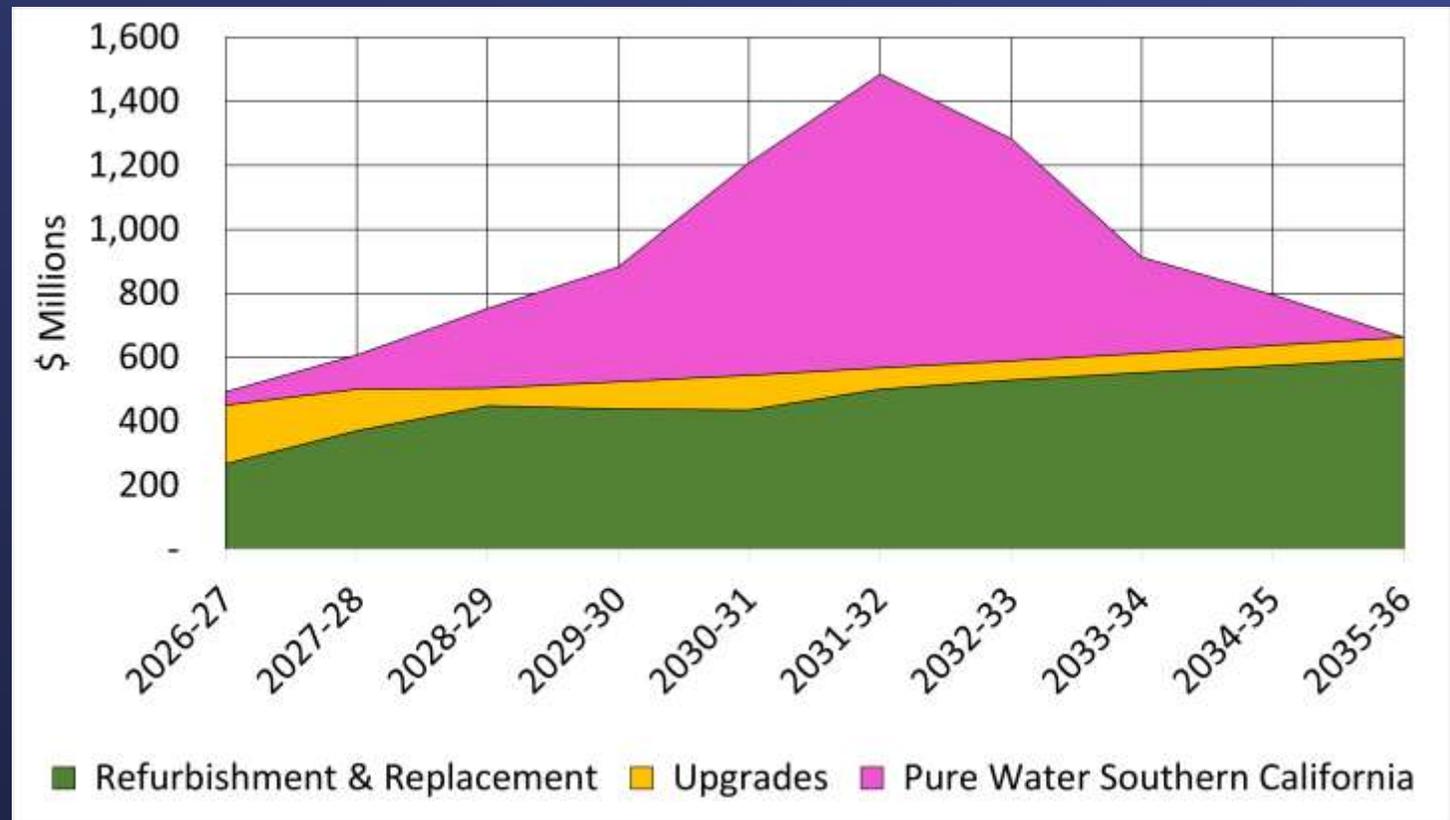
# CIP Budget Real-time Spending Management

## Prioritization Process Used to Determine Best Use of CIP Funds

- Approximately \$150 M remaining for new construction projects
- Ready work exceeds available budget
- Staff continually reviews & prioritizes projects based on:
  - Project status
  - Spending projections & available budget
  - CIP scoring
  - Risk evaluation
  - Sponsor priorities
  - Potential Member Agency impacts

# 10-yr CIP Focused on Reducing Risk

- Base CIP budget primarily keeps up with inflation
  - Likely need more CIP progress to address risk
- Targeting long-term R&R spending at 90% of the base CIP appropriation
- PWSC based on board direction informed by CAMP4W



# Proposed CIP Budget for FY 2026/27 & FY 2027/28

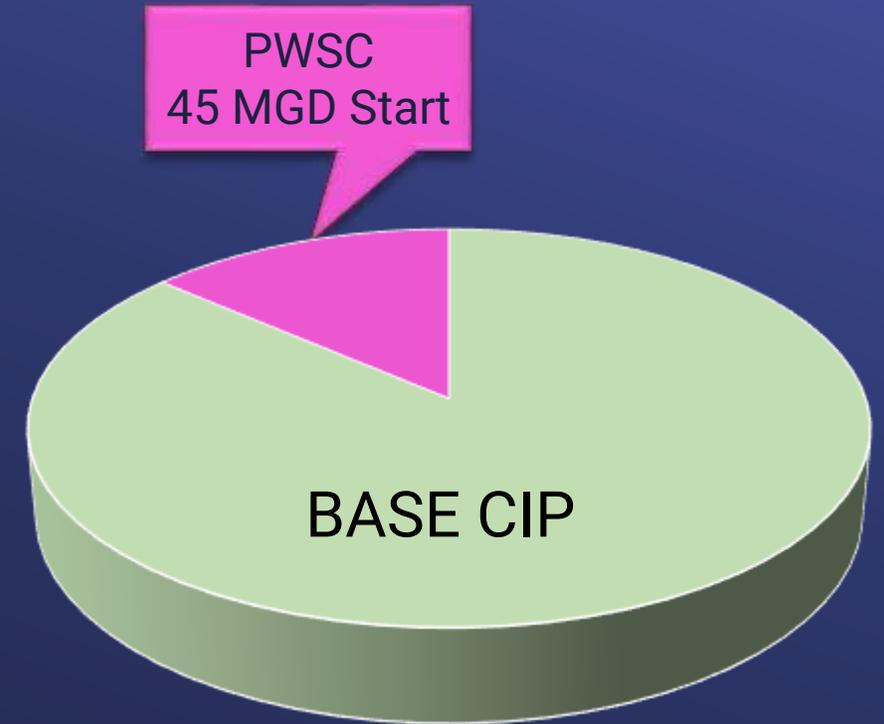
Addresses Backlog of R&R Projects & Positions Metropolitan to Address Water Supply Challenges

Base CIP Budget \$950 M  
(\$638 M R&R, \$312 M Drought & Upgrades)

45-MGD PWSC Phase 1 \$150 M  
(\$91.8 M in Grants, \$58.2 M in PAYGO & Debt)

---

**TOTAL CIP \$1.1 B**



# Next Steps

- Feb 20, 2026 Notice to member agencies regarding public hearing and proposed adoption of fixed charges
- Feb 24, 2026 FAAME Committee, Workshop #2
- Mar 10, 2026 FAAME Committee, Workshop #3
- Mar 10, 2026 Public hearing on proposed rates and charges
- Mar 24, 2026 FAAME Committee, Workshop #4
- Apr 14, 2026 Board **action** regarding Biennial Budget for FYs 2026/27 and 2027/28, rates and charges for CYs 2027 and 2028, and Ten-Year Financial Forecast
- 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



# Property Tax and Biennial Rate Increases

Property Tax Rate	Levy \$ per \$1M AV	Est. FY 2028 Property Tax Revenues	Rate Increases FY 2027 & FY 2028	Rate Increases FY 2029 & FY 2030
0.0070% (Current)	\$70 / yr	\$425 M	9.5% / 9.5%	9.0% / 9.0%
0.0090%	\$90 / yr	\$508 M	7.5% / 7.5%	9.0% / 9.0%
0.0095%	\$95 / yr	\$526 M	6.5% / 6.5%	9.0% / 9.0%
0.0105%	\$105 / yr	\$570 M	5.5% / 5.5%	9.0% / 9.0%

**Approximately equal to  
SWP fixed costs**