Finance, Affordability, Asset Management, and Efficiency Committee

Overview of Metropolitan's Finances

Item 6b

July 14, 2026

Presented by: Arnout Van den Berg and Sam Smalls

Item 6b

Overview of Metropolitan's Finances

Subject

Overview of Metropolitan's Finances

Purpose

Provides an informational overview of Metropolitan’s financial framework and the major financial tools used to support reliable water service, rate stability, and long-term financial sustainability

Agenda

- Budget Overview
- Rate Structure and Property Taxes
- Funds
- Reserve Policy
- Debt & Investments

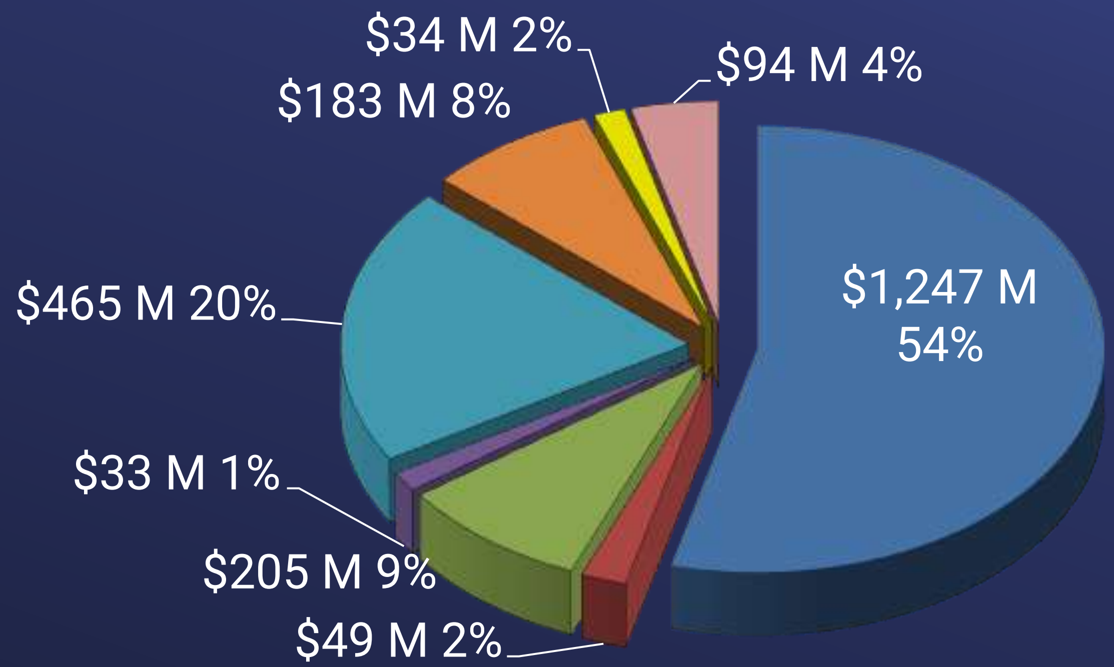
Budget Overview

Revenues

■ Water Revenues* ■ Capacity Charge ■ RTS Charge
■ Treatment Fixed Charges ■ Property Taxes ■ SDCWA Exchange Payments
■ Interest Income ■ Other Rev**

Approved Budget FY 2026/27 - $2.3 B

40% Fixed Revenues***



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

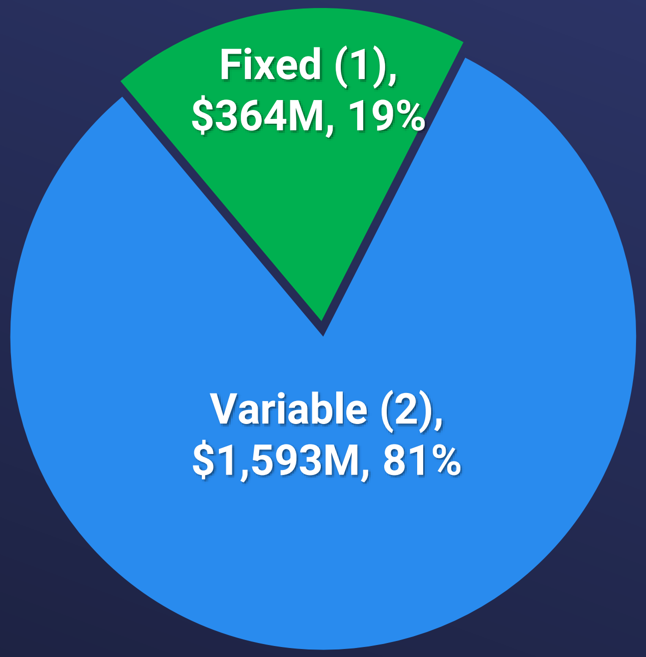
** Other revenues includes revenues from power sales and miscellaneous revenues

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

Recent Progress to Increase Fixed Revenues

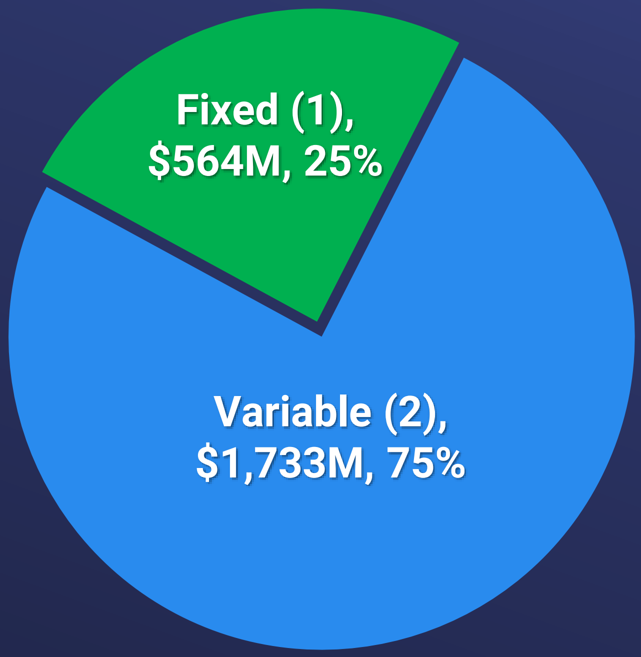
Resulting from Board Directives on Increasing Fixed Revenues as part of Business Model Review

2023/24 Budget

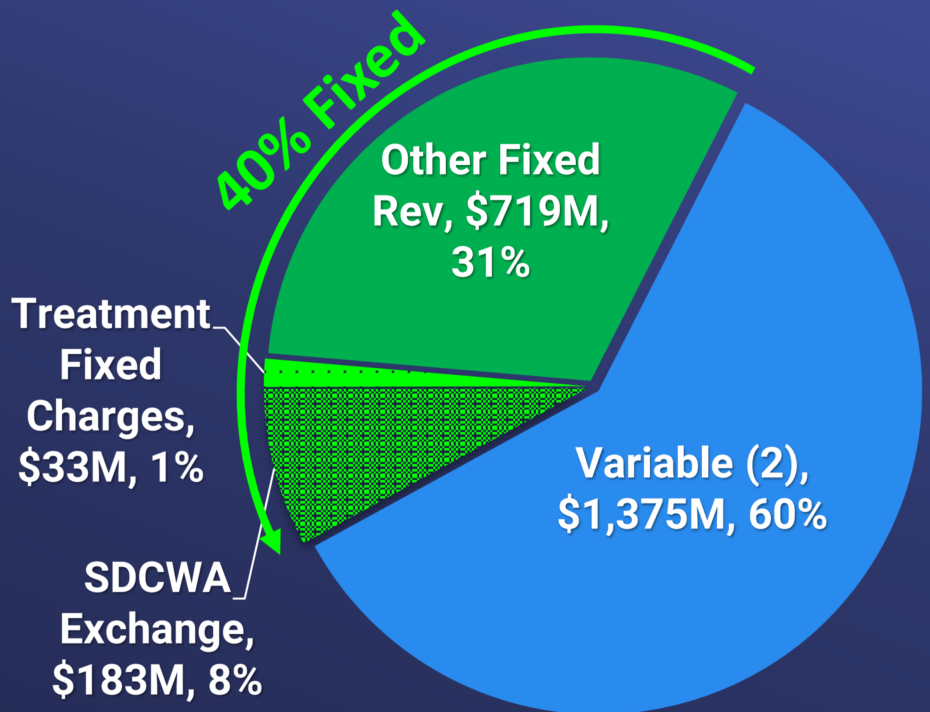


2025/26 Budget

Increase Property Taxes to 0.007% starting FY 2024/25



Approved 2026/27 Budget



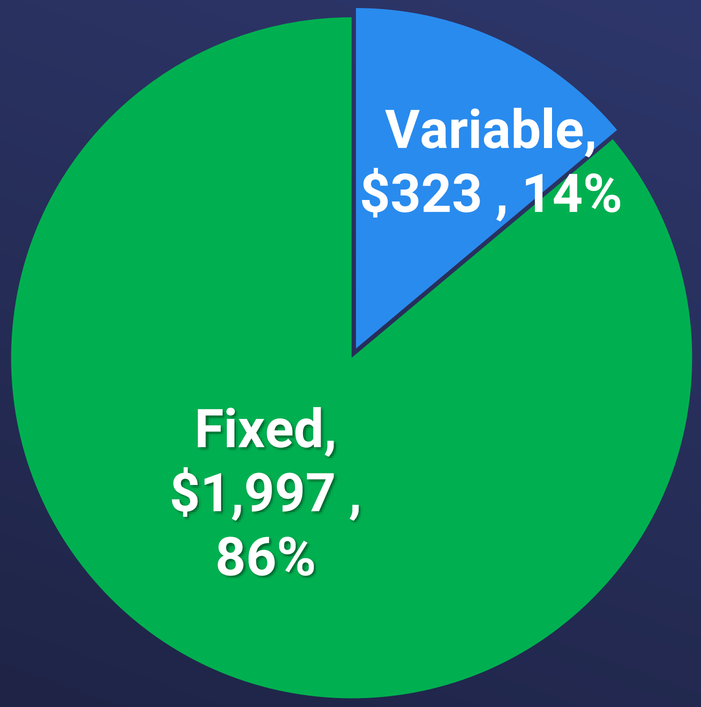
(1) *For purposes of this presentation, fixed revenues represent the revenues that do not fluctuate with the volumes of goods sold, including Readiness-to-Serve Charge, Capacity Charge, and property taxes*

(2) *For purposes of this presentation, Variable Revenues includes volumetric water sales, contracted transactions like wheeling and Exchanges with Coachella, USBR etc. and other income including one-time revenues, grants, interest income, power sales and miscellaneous*

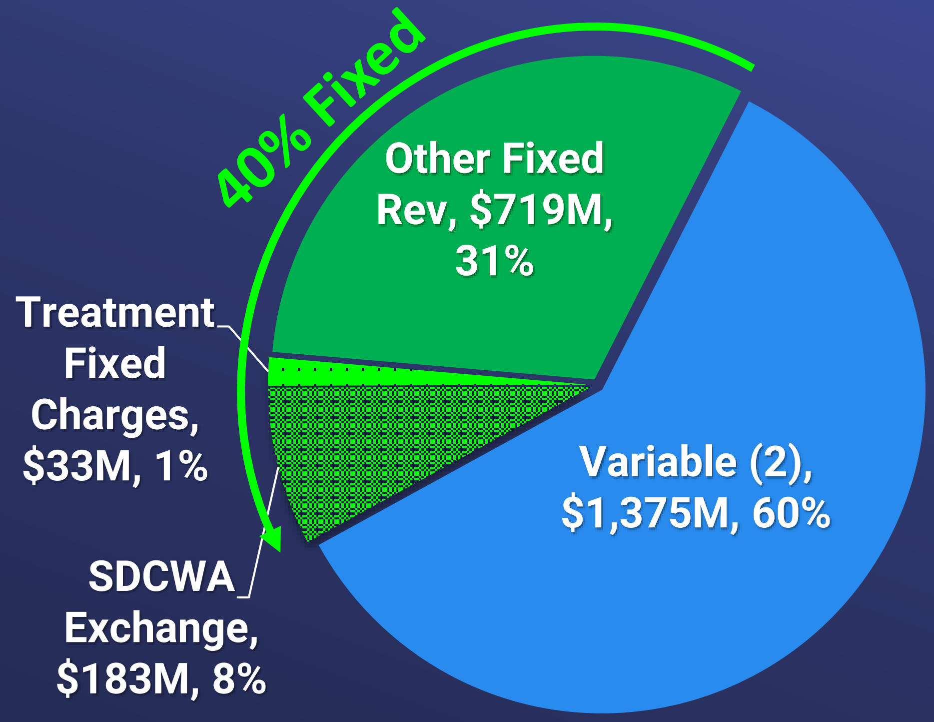
Fixed Costs vs. Variable Revenues

2026/27 Budget ($ in Millions)

Expenditures



Revenues

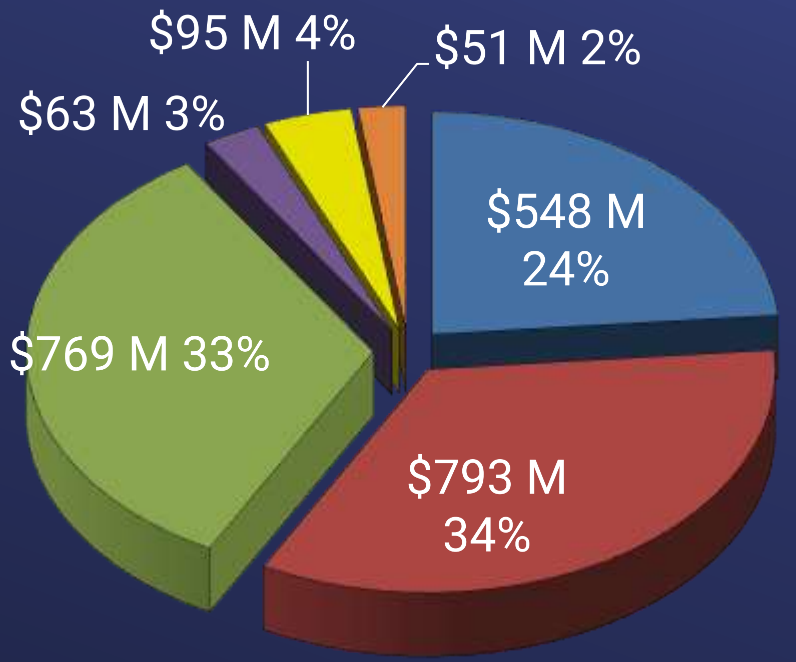


* For purposes of this presentation, fixed revenues represent the revenues that do not fluctuate with the volumes of goods sold, including Readiness-to-Serve Charge, Capacity Charge, Treatment Fixed Charges, SDCWA Exchange, and property taxes. Variable revenues include all revenues that are dependent upon volumetric transactions over a one-year period (Volumetric Sales, Contracted Sales such as Wheeling and Exchanges with Coachella, USBR etc.), and other revenues such as power sales, interest income and miscellaneous.

Expenditures

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

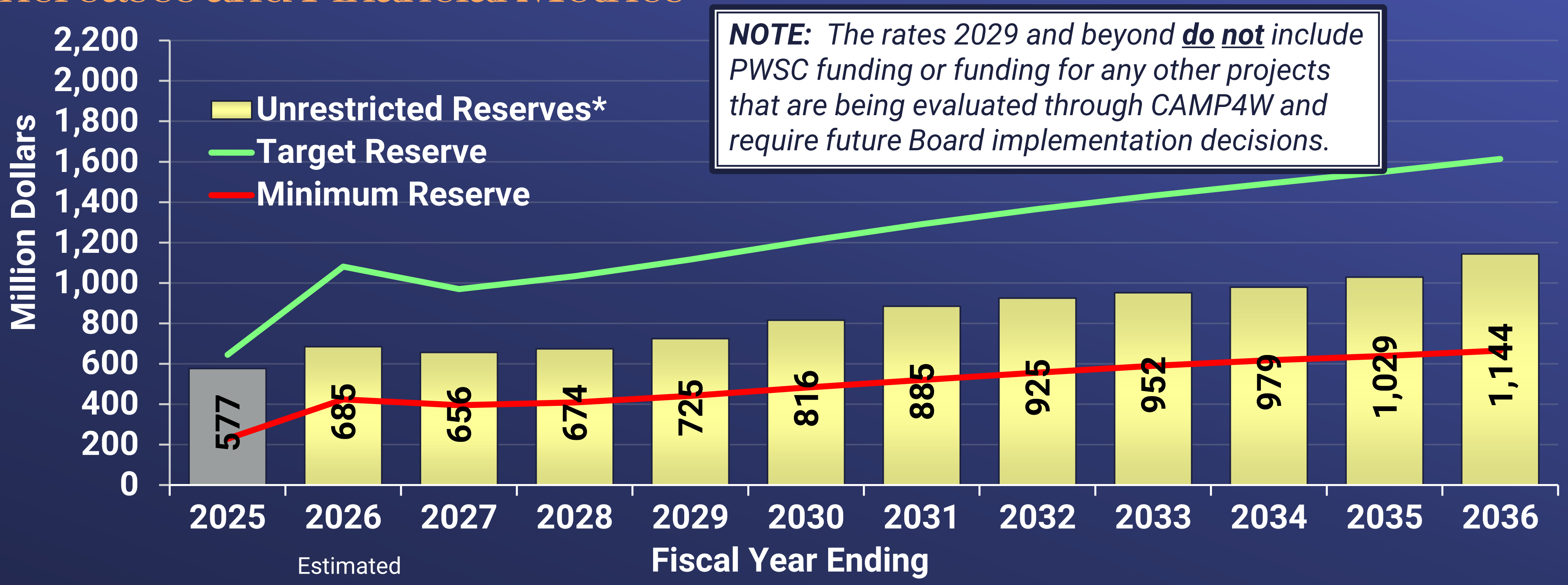
Approved Budget FY 2026/27 - $2.4 B



(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, and future grants*

Adopted Budget FY 2026/27 & 2027/28

Projected Rate Increases and Financial Metrics



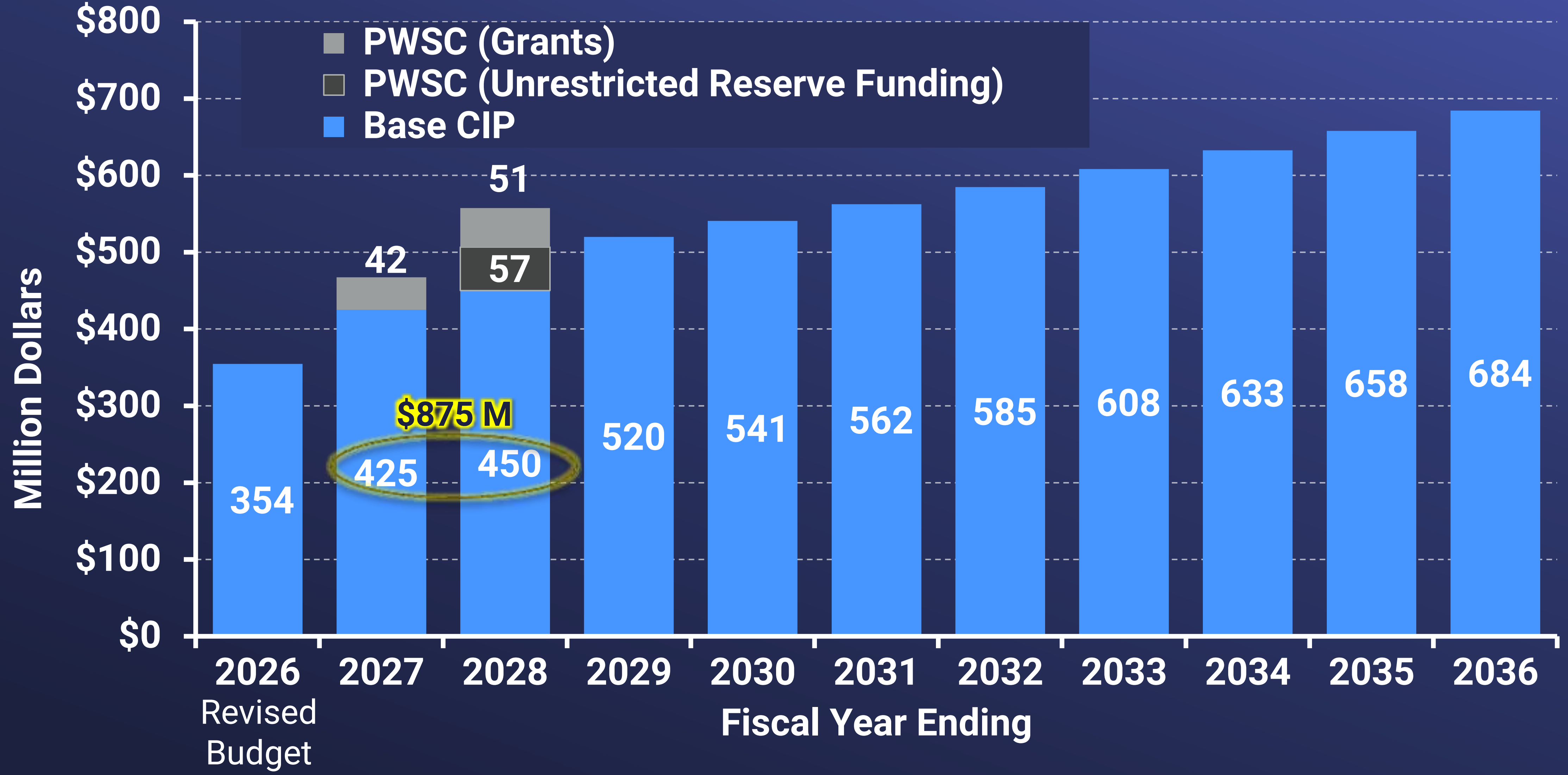
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Overall Rate Inc.	8.5%	8.5%	6.2%	6.2%	7.0%	7.0%	6.5%	6.5%	6.5%	6.5%	5.0%	5.0%
Water Transaction (MAF)	1.34	1.23	1.21	1.28	1.28	1.28	1.29	1.28	1.29	1.30	1.30	1.32
Rev. Bond Cvg	2.5	2.1	1.7	1.9	1.8	1.9	2.0	2.0	2.1	2.1	2.0	2.2
CIP, $M (Includes $150M PWSC)	312	354	467	558	520	541	562	585	608	633	658	684
PAYGO, $M**	175	205	185	257	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

*** FY 2027/28 PAYGO funding of $257 million is inclusive of the PWSC planning and design costs funded from the Board-approved unrestricted reserves draw of up to $58 million*

10-Year Forecast Capital Expenditure

With $150M PWSC Planning & Design funding over the biennium

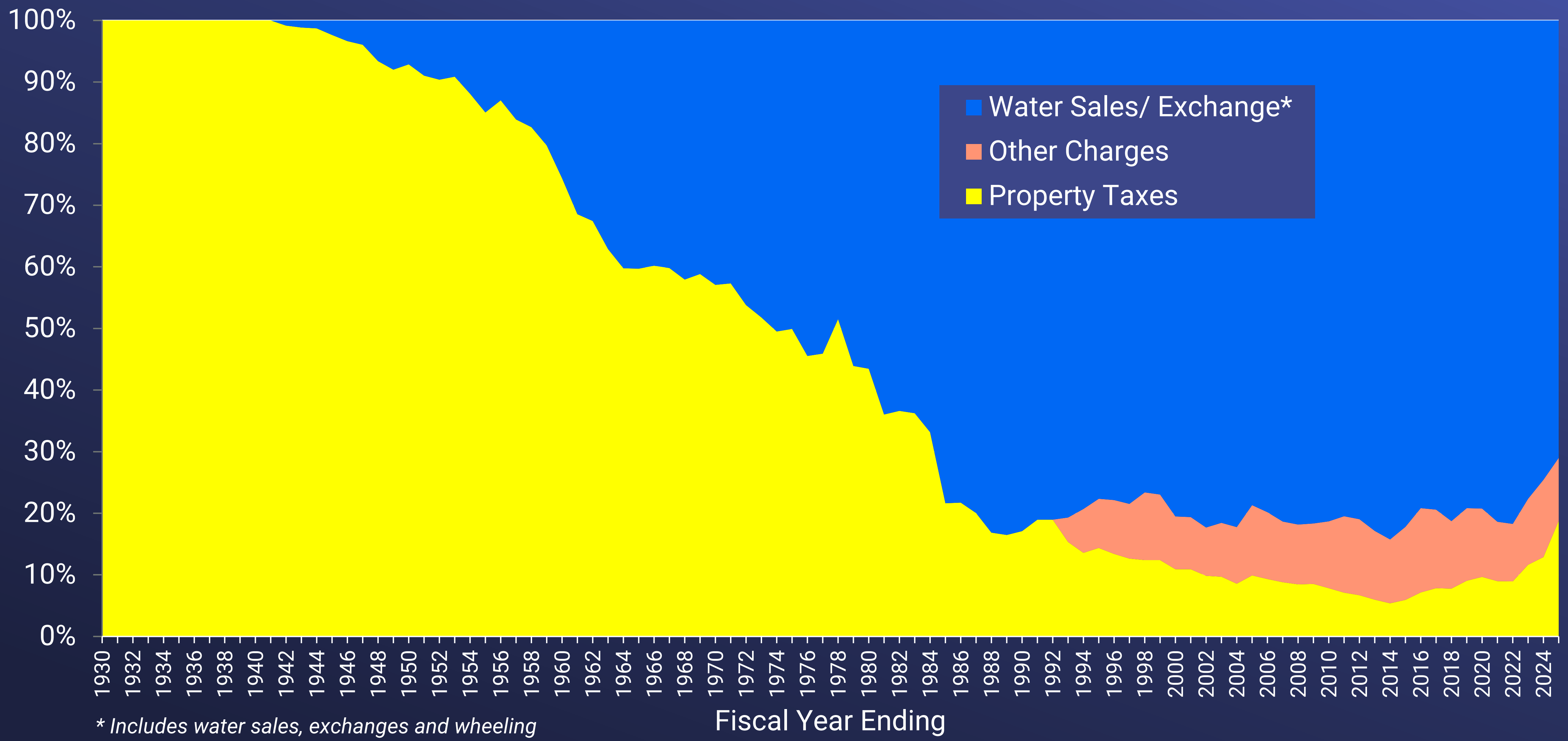


Rate Structure and Property Taxes

History of Revenue Sources

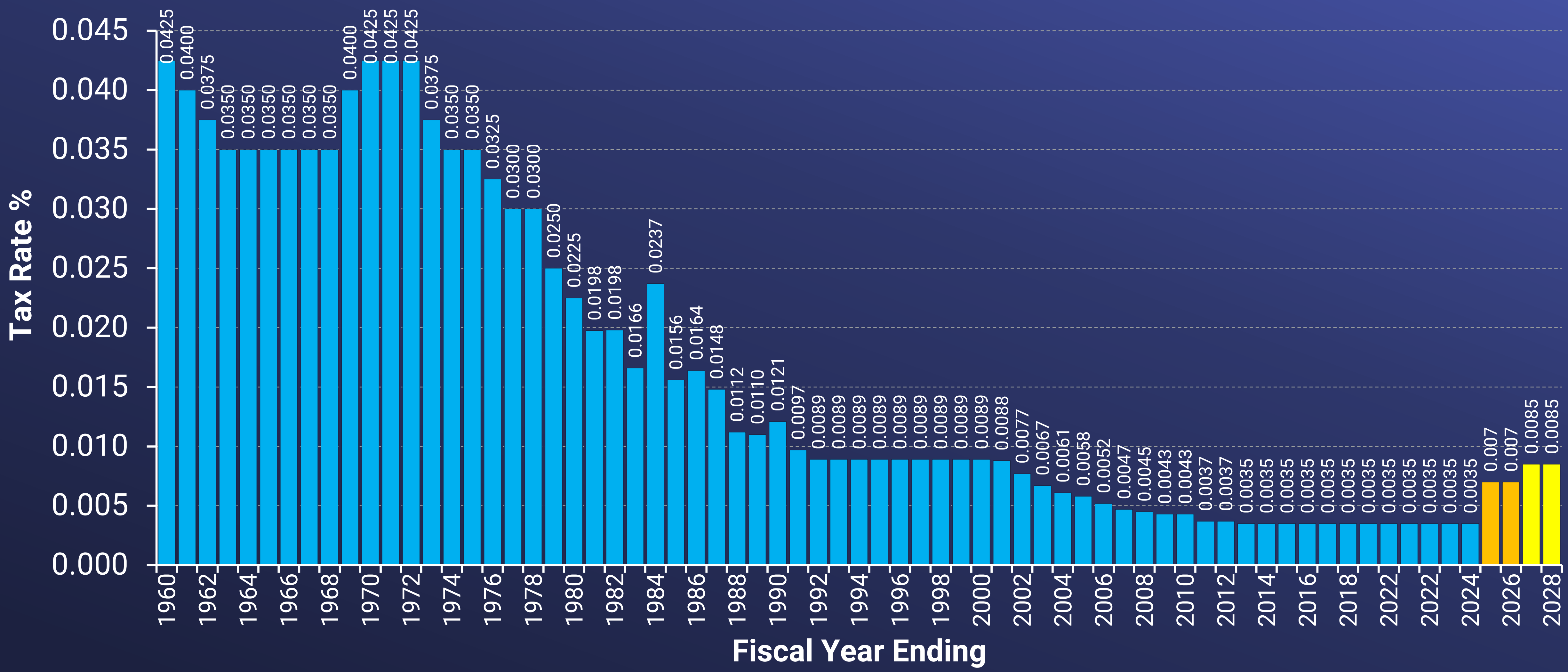
- **1928** Metropolitan formed; CRA bonds later sold and funded with property taxes
- **1941** Water deliveries begin
- **1974** 50% of revenues derived from property taxes
- **1984** Section 124.5 added to the MWD Act
- **1992** Water Standby Charges and Availability of Service Charges
- **1998** Strategic Planning Process starts
- **2001** Board adopts current unbundled rate structure
- **2003** New Rate Structure Implemented
- **2027** New Treatment Fixed Charges begin

Historical Revenue Sources



** Includes water sales, exchanges and wheeling*

Ad-Valorem Property Tax



Metropolitan Water Service

Full-Service Untreated Water Service

Unbundled rate elements 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 rate elements 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

Rate Elements and Charges Overview

Supply Rate – recovers the cost of developing and maintaining a reliable water supply.

System Access Rate (SAR)– recovers costs associated with the interconnected regional delivery network necessary to deliver water to meet member agencies' average annual demands. Included are the costs of conveyance and distribution facilities.

System Power Rate (SPR) – recovers Metropolitan's power costs for pumping supplies to Southern California.

Treatment Surcharge (TS) – recovers the costs of treating imported water.

Rate Elements and Charges Overview (cont'd)

Readiness-to-Serve Charge (RTS) – a fixed charge that recovers the capital costs of providing emergency service and available capacity to meet outages, emergencies and hydrologic variability. The Standby Charge collection for 22 participating member agencies offsets their RTS Charge obligation.

Capacity Charge (CC)– the Capacity Charge recovers the capital cost of providing peaking capacity within the distribution system which Metropolitan owns or has the right to use.

Rate Elements and Charges Overview (cont'd)

Treatment Peaking Capacity Charge (TPCC) – a fixed charge that recovers the capacity related costs of the treatment system to meet peak treated water demand.

Treatment Used Standby Capacity Charge (TUSCC)– A fixed charge for used standby capacity of the treatment system would be collected based on a 10-year trailing annual standby use, i.e. 10-year maximum annual use minus average use in AF

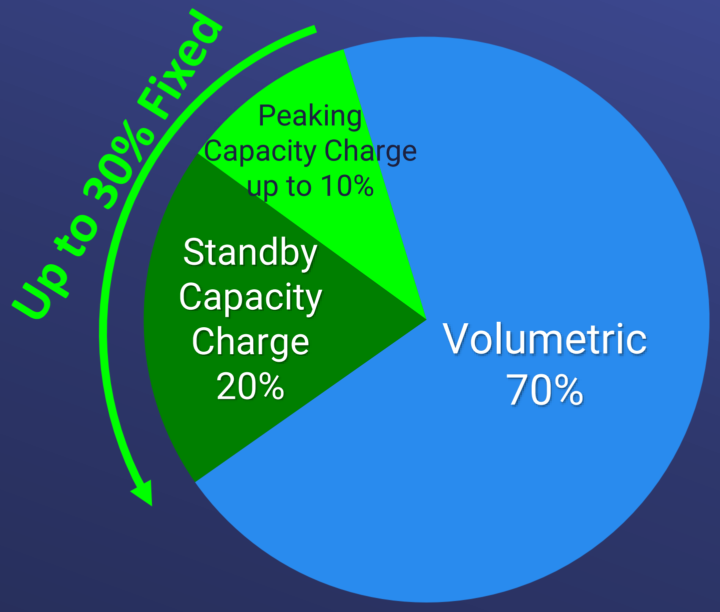
Treatment Remaining Standby Capacity Charge (TRSCC) – A fixed charge for remaining standby capacity would be collected based on 5-yr trailing maximum annual use in AF

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

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

Peaking Capacity Charge	A fixed charge would be collected based on a 3-year trailing **maximum annual peak day** demand in CFS
	Treatment peaking capacity costs **~10%** of total treatment costs based on allocated revenue requirements
Standby Capacity Charge	**Used Standby Capacity Charge**: 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 **Remaining Standby Capacity Charge**: A fixed charge for remaining standby capacity would be collected based on 5-yr trailing maximum annual use in AF 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%.
Volumetric	Remaining (~70%) of treatment costs

Treatment Revenue Requirements



Transitional billing 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)

Approved Water Rates and Charges

Rates & Charges Effective January 1st	Current 2026	Approved 2027	% Increase (Decrease)	Approved 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.*

Funds

What are Met's Funds?

June 30, 2025 - $1.61 B

Unrestricted Reserves

Set up pursuant to Board policy to help provide stable & predictable water rates.

- **Revenue Remainder Fund**
- **Water Rate Stabilization Fund**

What are Met's Funds?

June 30, 2025 - $1.61 B

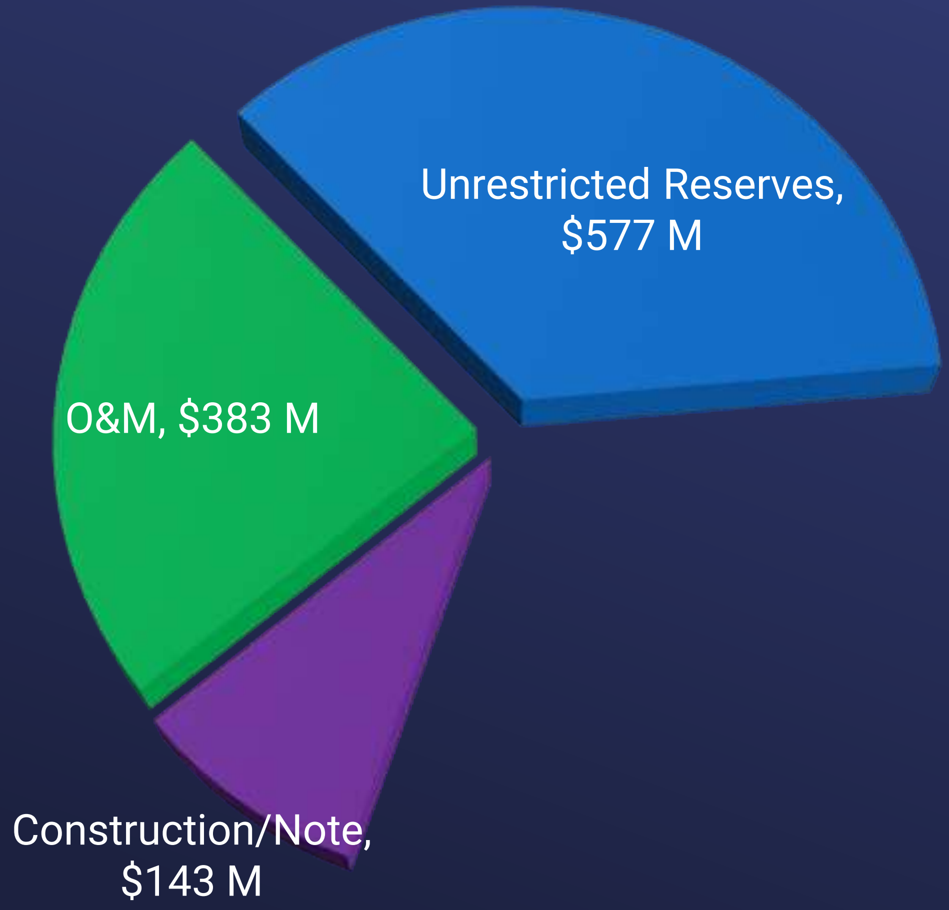
O&M Fund:

Set up pursuant to Master Senior Revenue Bond Resolution.

Required to maintain two months of Operation and Maintenance expenditures.

What are Met's Funds?

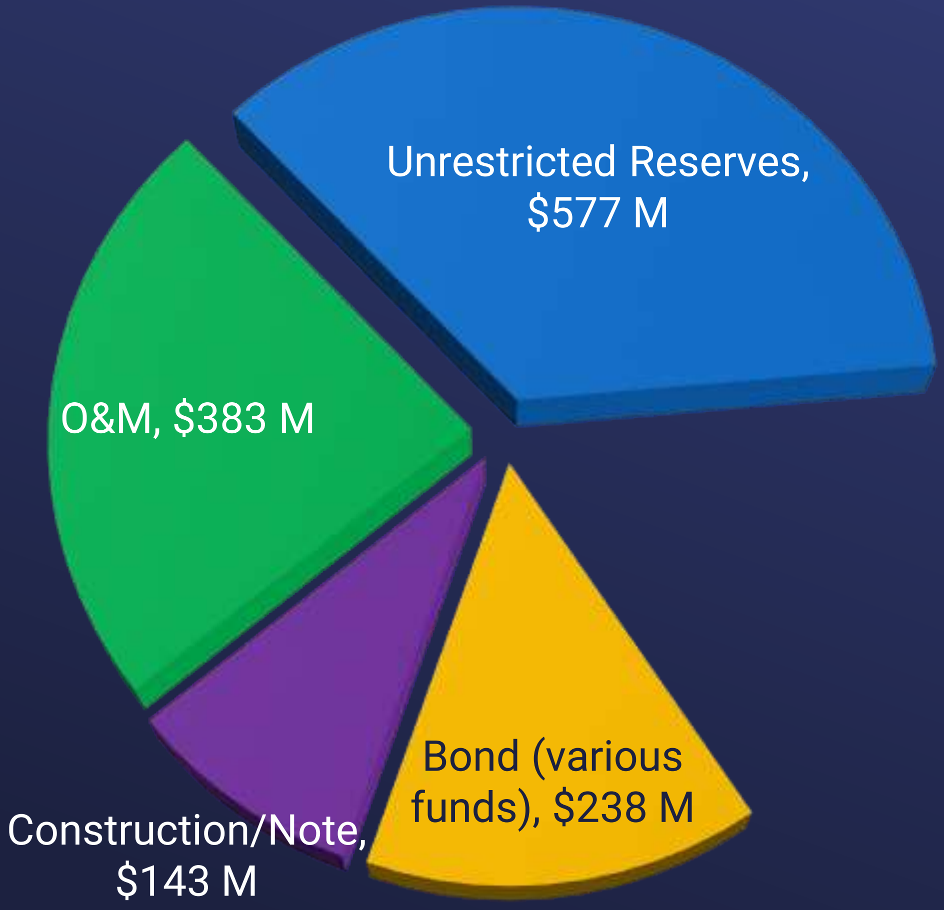
June 30, 2025 - $1.61 B



Construction Funds:
Holds bond proceeds available for capital expenditures.

What are Met's Funds?

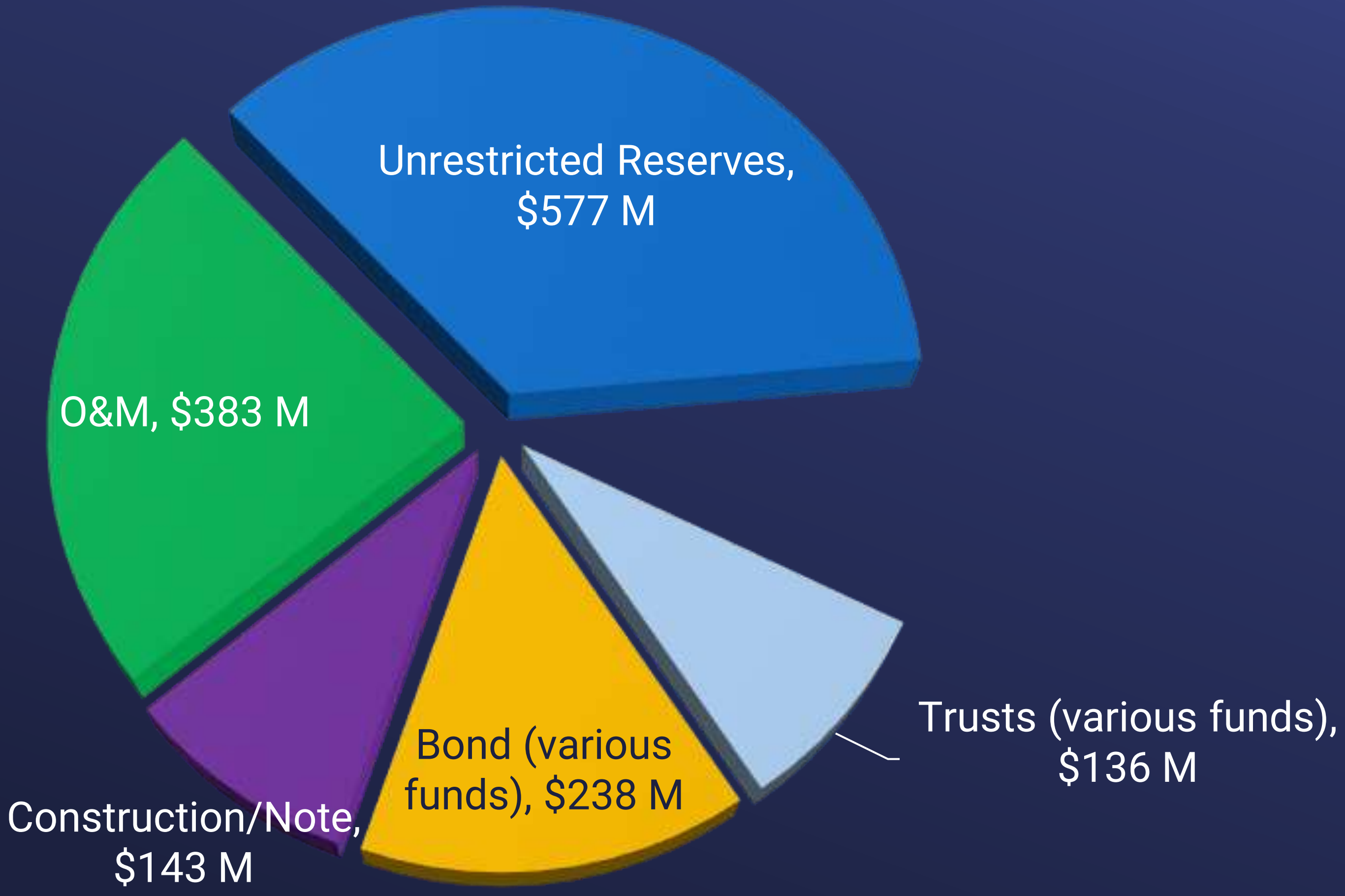
June 30, 2025 - $1.61 B



Bond Funds:
Set up pursuant to a bond or other legal obligation.

What are Met's Funds?

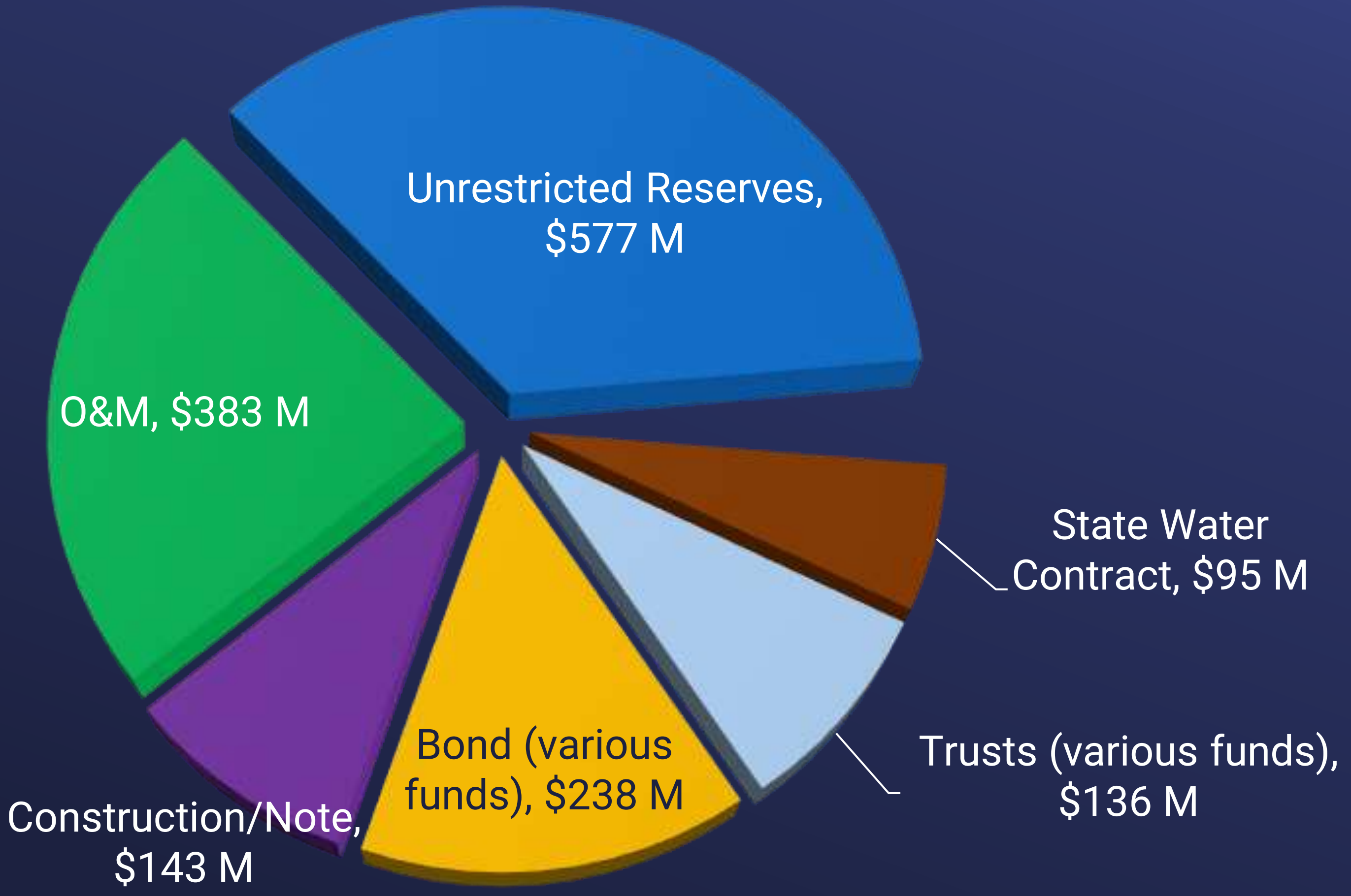
June 30, 2025 - $1.61 B



Trust Funds
Trust funds are monies held by Metropolitan in a trustee or custodial capacity pursuant to legal obligations.

What are Met's Funds?

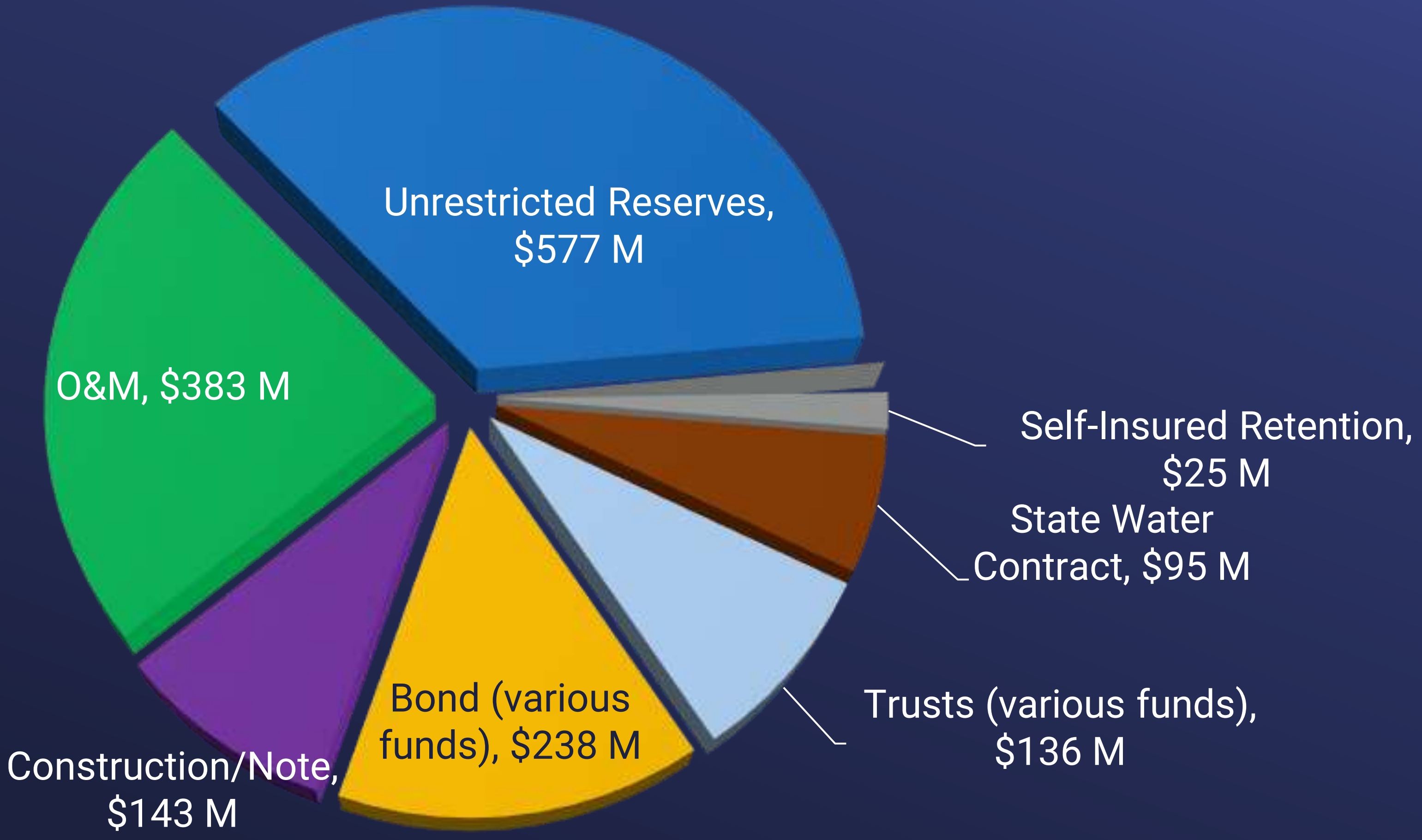
June 30, 2025 - $1.61 B



State Water Contract Fund:
Set up pursuant to Board policy to ensure adequate funds are available to make the July 1st and Jan 1st SWC capital payments.

What are Met's Funds?

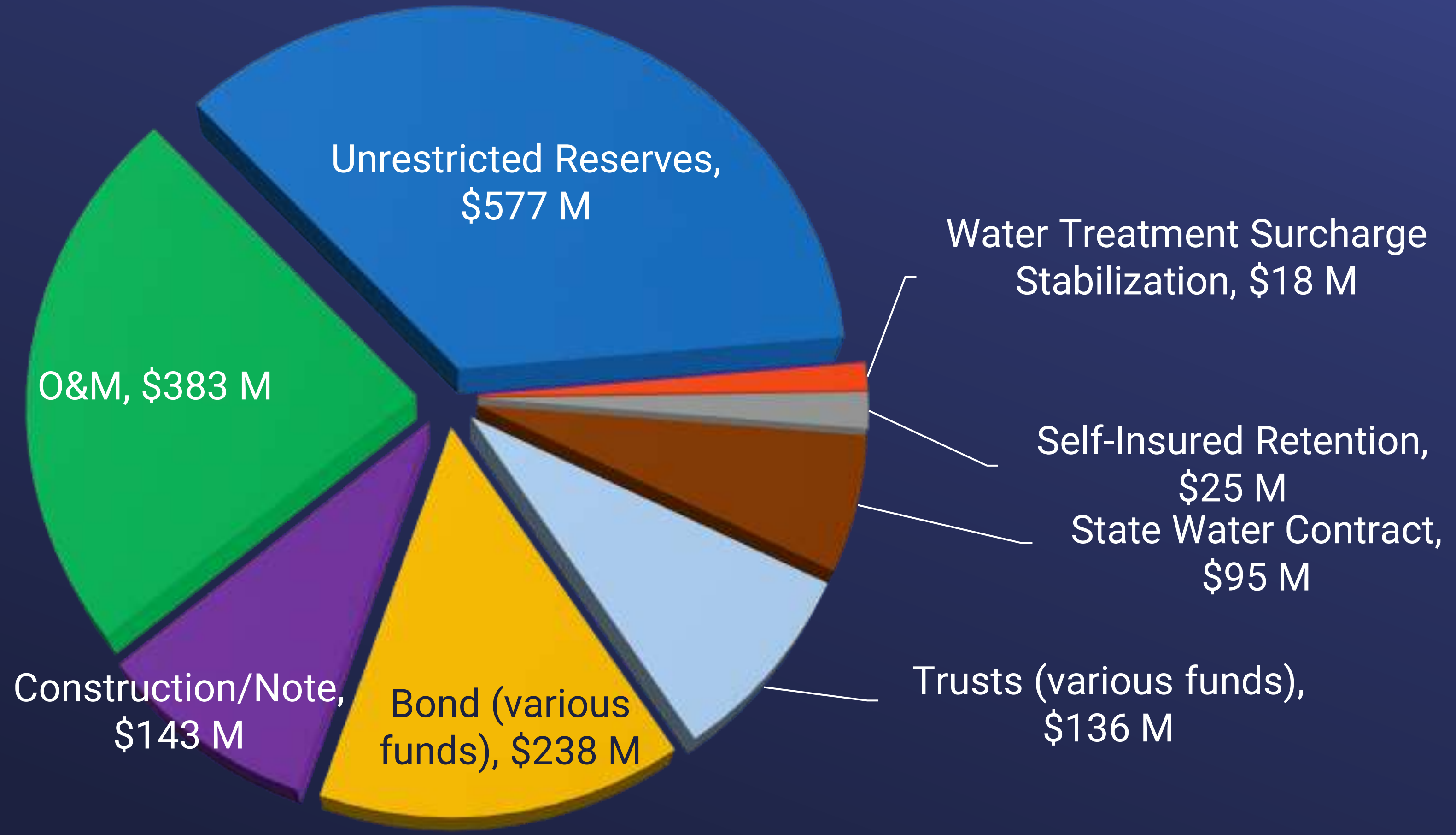
June 30, 2025 - $1.61 B



Self-Insured Retention Fund: $25 million set aside for emergency repairs and claims against the District.

What are Met's Funds?

June 30, 2025 - $1.61 B



<u>Water Treatment Surcharge Stabilization Fund:</u>

Holds treatment surcharge revenues in excess of water treatment costs.

Available for the principal purpose of mitigating required increases in the treatment surcharge.

Reserve Policy

Unrestricted Reserves

General Benefits of Unrestricted Reserves

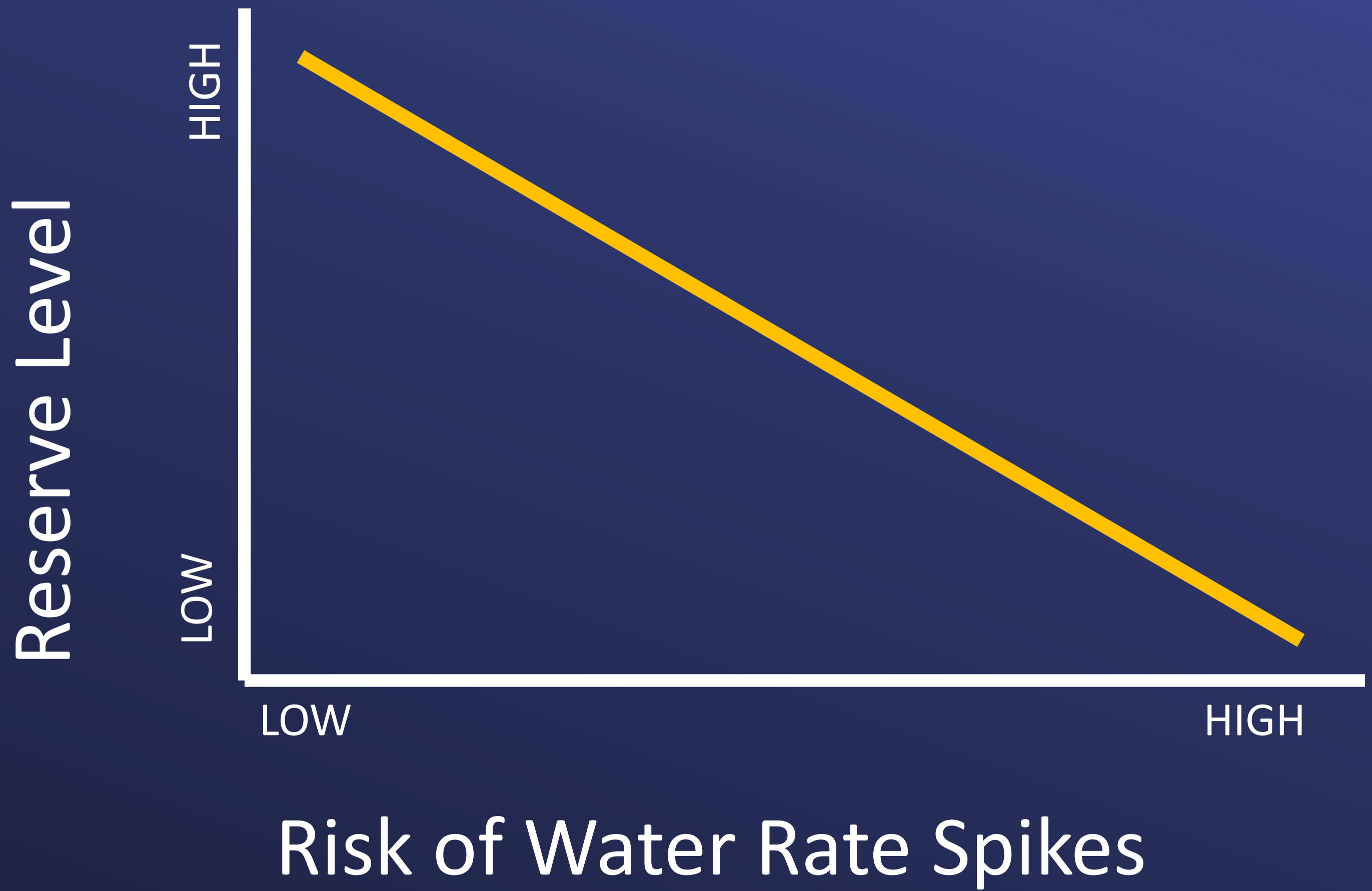
- Reserves are a tool to maintain financial stability
  - Avoid large unexpected rate increases
  - Protect service continuity – especially during emergencies – and ensure financial sustainability during periods of unexpected revenue declines or to cover unanticipated expenditures
- Healthy reserves save ratepayers money over time
  - Credit rating agencies like Moody’s, S&P, and Fitch look at reserve levels (i.e., days cash on hand) when setting bond ratings
    - Stronger reserves =>
      - Higher credit rating
      - Lower borrowing costs
      - Lower interest paid on infrastructure investments
      - Lower lifetime cost to ratepayers
- Reserves are a risk management tool that protects service continuity, stabilizes financial performance, and safeguards ratepayer resources

Unrestricted Reserve Policy

In place since 1999 - updated in 2025

- The Unrestricted Reserves policy helps ensure stable and predictable water rates by providing a financial buffer to cover operating expenses during periods of lower-than-expected water demand. Without this reserve, these costs would need to be recovered through emergency rate increases to maintain operations.
- On July 8, 2025, the Board approved revisions to the Unrestricted Reserves policy and incorporated a mechanism that decreased the required reserves when the Board adopted a more conservative water sales projection
- The more conservative (lower) the water demand projection
  => the more likely MWD will have sufficient revenues to cover its expenditures
  => the lower the reserve target
    - Water demand: 80% exceedance → reserve 15% of Net Water Rate Revenue Requirements
    - Water demand: 70% exceedance → reserve 19% of Net Water Rate Revenue Requirements
    - Water demand: 50% exceedance → reserve 25% of Net Water Rate Revenue Requirements
- Minimum fund level provides 18 months of rate protection
- Target fund level provides additional 2 years of rate protection for a total of 3.5 years

Unrestricted Reserve Level vs. Rate Spikes



Unrestricted Reserve Policy Calculation for FY 2026/27

Approved Biennial Budget

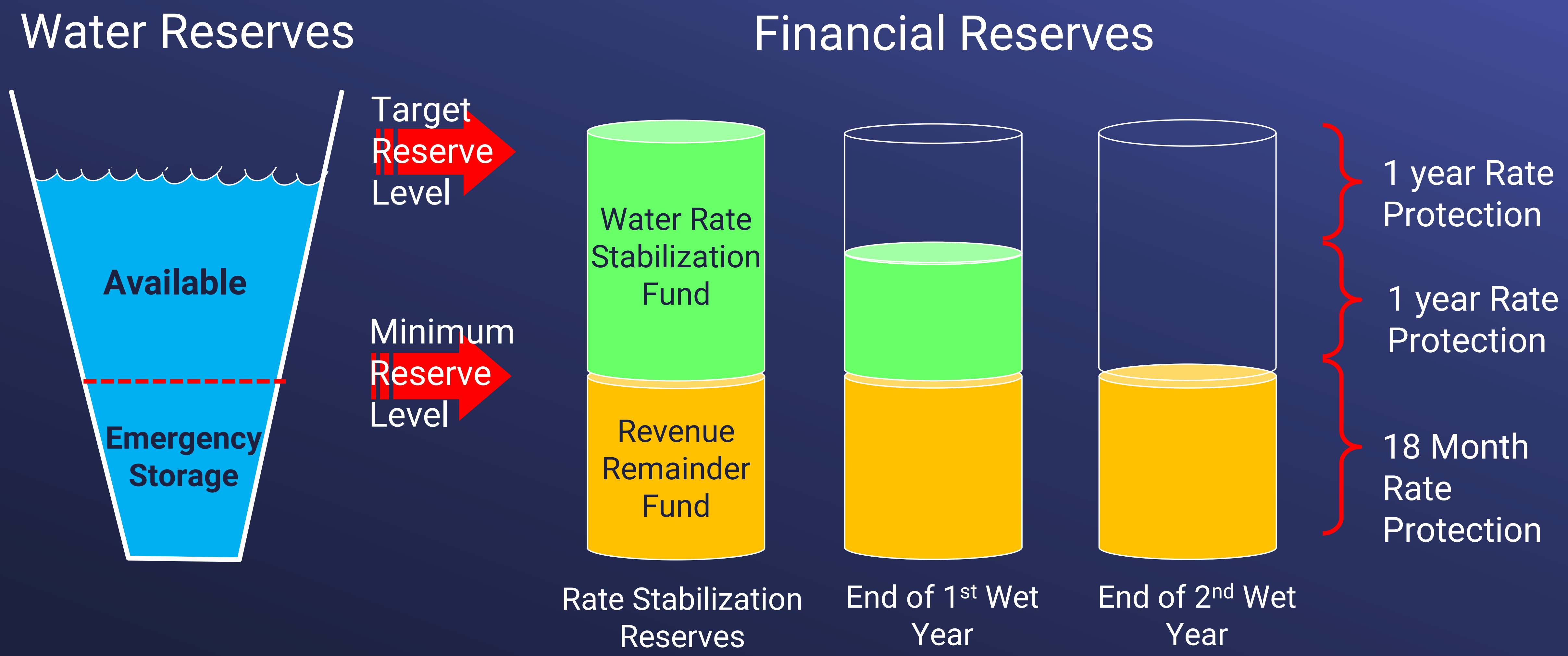
		2026/27 Proposed	2027/28 Proposed	2028/29 Forecast	2029/30 Forecast	2030/31 Forecast
1	**Gross Revenue Requirement**	**$ 2,375**	**$ 2,528**	**$ 2,568**	**$ 2,694**	**$ 2,881**
2	Less Property Tax	465	487	502	517	527
3	Less Interest Income, Power Sales & Misc. Rev*	103	85	61	64	67
4	Less SDCWA Exchange (Baseline Exchange)	183	186	195	204	214
5	Less Fixed Charges					
6	RTS Charge	205	242	248	248	253
7	Capacity Charge	49	52	57	61	64
8	Treatment Capacity Charges	33	98	99	104	109
9	**Net Water Rate Revenue Requirements** *[(1]-sum([2]:[8]))*	**$1,338**	**$1,379**	**$1,406**	**$1,496**	**$1,647**
10	Percent Reserved	19%	19%	19%	19%	19%
11	**Annual Amount Reserved** *([9] x [10])*	**$254**	**$262**	**$267**	**$284**	**$313**

Minimum Reserve Level = $262 + $267 / 2 = $396 million ← *18 months*

Target Reserve Level = $262 + $267 + $284 + $313/2 = $970 million ← *42 months*

** Misc. Revenues – Lease, Non-MA Sales, $80M State Fund Use and Awarded Grants, excluding one-time revenues*

Use of Unrestricted Reserve

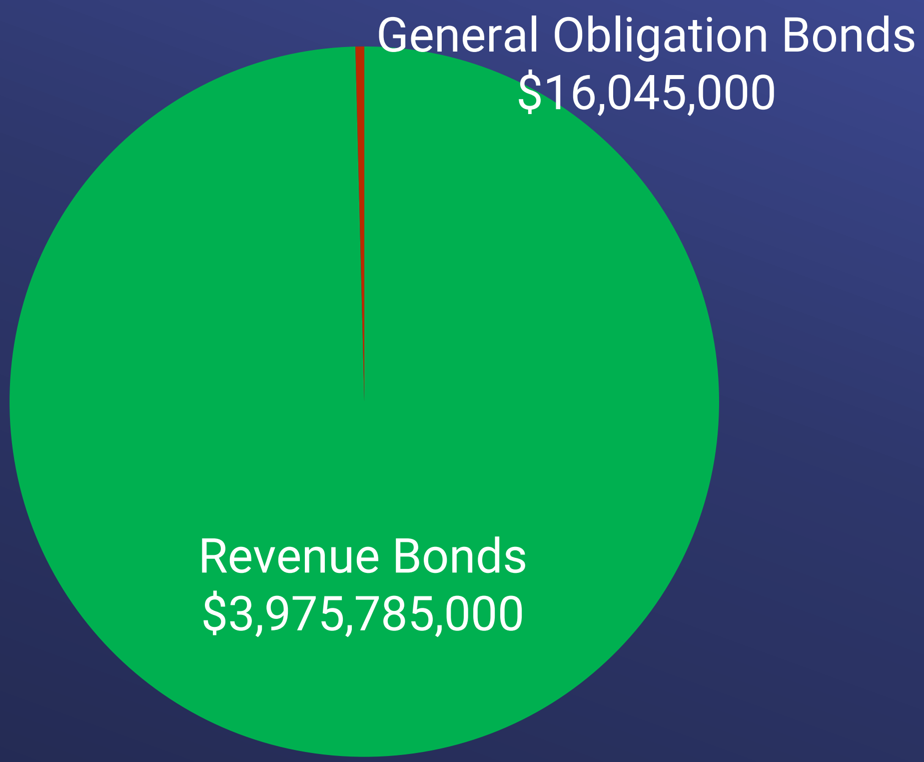


Debt & Investments

Total Outstanding Debt by Type

- Metropolitan issues debt to fund a portion of its capital infrastructure investments
- Metropolitan has a total of $4.0 billion of total debt outstanding
- Utilizing debt helps spread the cost of capital investment over time so beneficiaries of the investment pay their fair share of the cost (generational equity)
- Metropolitan manages the amount of debt leveraged on its balance sheet through pay-as-you-go or “PAYGO” expenditures, which are funded out of operating revenues (not debt)

Outstanding Debt by Type
(as of March 31, 2026)



Metropolitan Debt Portfolio Overview

Credit Ratings:

GO Bonds:
AAA – S&P
Aaa – Moody's
AAA – Fitch

Senior Revenue Bonds:
AAA – S&P
Aa1 – Moody's
AA+ – Fitch

Revenue Bond Portfolio by Lien and Type

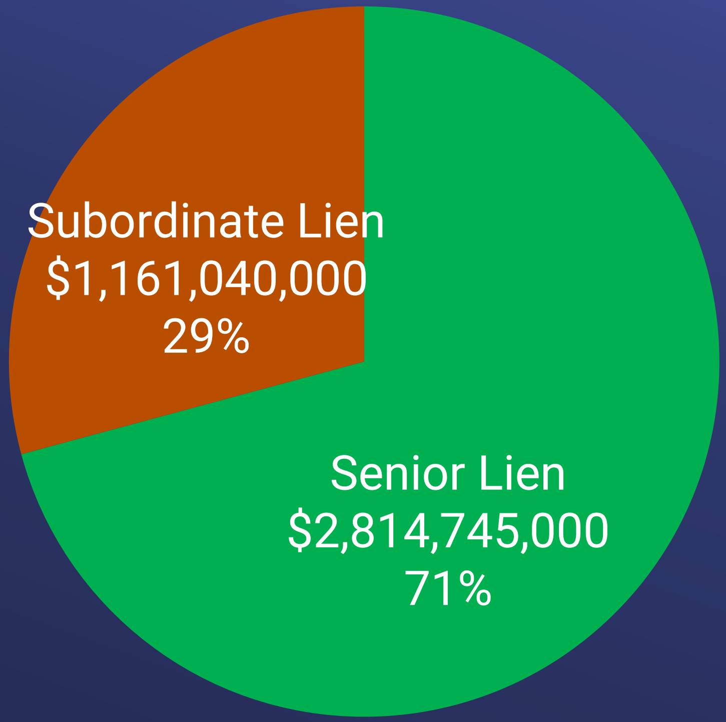
- As of March 31, 2026, MWD has approximately $4.0 billion in bonds outstanding
- MWD also has approximately $197.1 million in fixed payor interest rate swaps outstanding

	Variable Rate	Fixed Rate	Total
Senior Lien Revenue Bonds	$184,225,000	$2,630,520,000	$2,814,745,000
Subordinate Lien Revenue Bonds	452,550,000	538,455,000	991,005,000
Subordinate Parity Obligations	--	170,045,000	170,045,000
Fixed-Payor Interest Rate Swaps	(197,100,000)	197,100,000	--
Total	**$439,675,000**	**$3,536,120,000**	**$3,975,795,000**

Revenue Bonds Par Outstanding by Lien

- Metropolitan maintains a Master Senior Resolution 8329 and a Master Subordinate Resolution 9199 that provides for the issuance of revenue bond debt at distinct security liens for investor repayment
- The subordinate lien allows for more flexible terms for types of debt products that can be issued
- The pricing differential between Metropolitan's senior and subordinate liens is only approximately 3 to 5bps

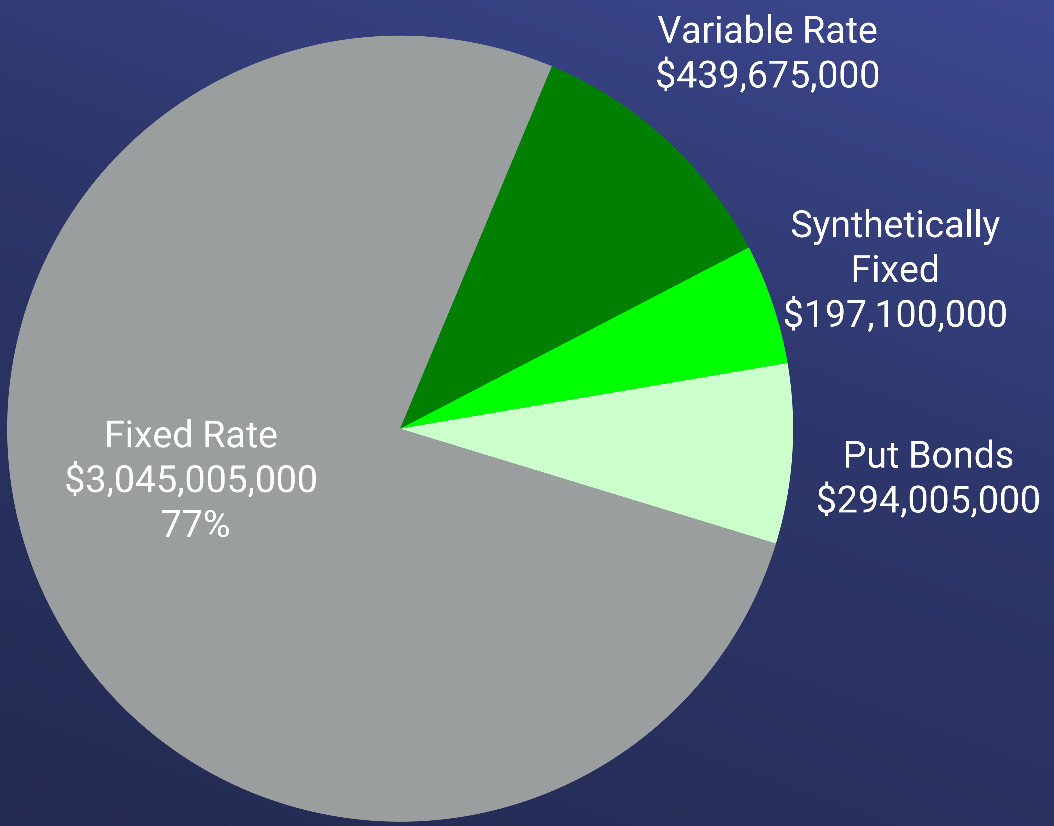
Revenue Bonds by Lien
(as of March 31, 2026)



Revenue Bonds Par Outstanding by Mode

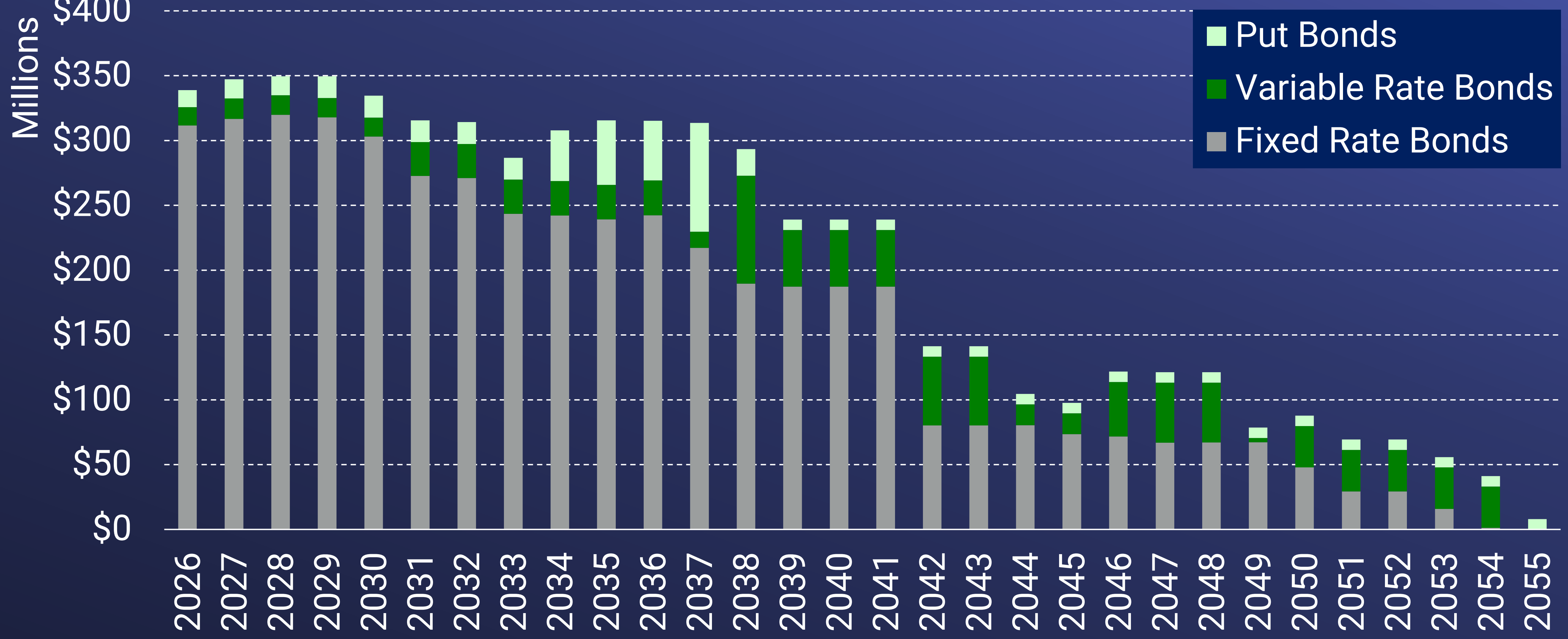
- Metropolitan mostly issues traditional, fixed-rate debt that typically extends out to 30 years at maximum
- While this comprises almost 80% of our debt portfolio, sometimes alternative debt structures like variable rate debt (daily or weekly resets), synthetically-fixed debt (hedged by our swap portfolio), and Put Bonds (multi-modal) bonds can change its structure over the life of the transaction through remarketings for longer term durations (3yr, 5yr, 7yr, e.g.)

Revenue Bonds by Mode
(as of March 31, 2026)



Projected Revenue Bond Debt Service for **Existing Debt**

As of March 31, 2026



* See Appendix A for the Special Variable Rate Water Revenue Refunding Bonds, 2025 Series B for assumptions

Debt Service Savings Since 2019

- Metropolitan has issued debt to lower its overall debt obligations
- Since 2019, Metropolitan has issued $4.4 billion in bonds, of which $1.0 billion were for refunding of existing debt for savings
- Staff estimates that approximately $297 million in gross savings and $258 million in net present value savings were generated by active management of Metropolitan's debt profile

Senior Lien	Original Par	Refunding Par	Refunding?	For Savings	Gross Savings	Net PV
Water Revenue Refunding Bonds, 2019 Series A	218,090,000	209,366,400	Yes	Yes	12,294,287	28,070,888
Water Revenue Bonds, 2020 Series A	207,355,000		No			
Water Revenue Refunding Bonds, 2020 Series B	271,815,000		Yes	No		
Water Revenue Refunding Bonds, 2020 Series C	267,995,000	225,115,800	Yes	Yes	92,516,774	80,207,028
Water Revenue Bonds, 2021 Series A	188,890,000		No			
Water Revenue Refunding Bonds, 2021 Series B	98,410,000	69,470,000	Yes	Yes	13,053,844	12,514,513
Water Revenue Refunding Bonds, 2022 Series A	279,570,000	247,795,000	Yes	Yes	44,834,283	37,318,373
Water Revenue Refunding Bonds, 2022 Series B	253,365,000		Yes	No		
Water Revenue Refunding Bonds, 2022 Series C–1	147,650,000		Yes	No		
Water Revenue Refunding Bonds, 2022 Series C–2	134,625,000		Yes	No		
Water Revenue and Refunding Bonds, 2023 Series A	258,410,000		Yes	No		
Water Revenue Refunding Bonds, 2024 Series A	367,005,000		Yes	No		
Water Revenue Refunding Bonds, 2024 Series C	214,335,000		Yes	No		
Water Revenue Refunding Bonds, 2025 Series A	131,930,000		Yes	No		
Water Revenue Refunding Bonds, 2025 Series B	184,225,000		Yes	No		
	3,223,670,000	*751,747,200*			*162,699,189*	*158,110,802*

Subordinate Lien	Original Par	Refunding Par	Refunding?	For Savings	Gross Savings	Net PV
Water Revenue Refunding Bonds, Series 2019A	241,530,000	231,868,000	Yes	Yes	123,170,161	90,040,198
Water Revenue Bonds, 2020 Series A	152,455,000		No	No		
Water Revenue Refunding Bonds, 2021 Series A	222,160,000		Yes	No		
Water Revenue Refunding Bonds, 2024 Series B-1	80,390,000		Yes	No		
Water Revenue Refunding Bonds, 2024 Series B-2	89,445,000		Yes	No		
Water Revenue Refunding Bonds, 2024 Series B-3	86,940,000		Yes	No		
Water Revenue Refunding Bonds, 2024 Series D	150,000,000		Yes	No		
Water Bank Revenue Bonds, Series 2025A (AVEK)	52,425,000		No			
Water Bank Revenue Bonds, Series 2025B (AVEK)	117,620,000		No			
	1,192,965,000	*231,868,000*			*123,170,161*	*90,040,198*

General Obligation	Original Par	Refunding Par	Refunding?	For Savings	Gross Savings	Net PV
General Obligation Refunding Series 2019	16,755,000	16,755,000	Yes	Yes	2,514,610	2,321,337
General Obligation Refunding Series 2020A	13,665,000	13,665,000	Yes	Yes	8,198,413	7,859,707
	30,420,000	*30,420,000*			*10,713,023*	*10,181,044*

	Original Par	Refunding Par	Gross Savings	Net PV
Total	**4,447,055,000**	**1,014,035,200**	**296,582,373**	**258,332,044**

Cash & Investments

As of March 31, 2026

- High-grade Portfolio Credit Quality (95% investment grade)

- Three portfolios to tailor investment strategy and optimize policy objectives:
  - Liquidity
  - Core
  - Endowment

Total Portfolio Snapshot

- Market Value of the portfolio was **$1.65 billion** as of March 31, 2026

- **4.16%** effective rate of return (liquidity portfolio), exceeding benchmark by 21 basis points

- **$43.62 million** in YTD earnings

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

1928