

# The Metropolitan Water District of Southern California

# Agenda

The mission of the Metropolitan Water District of Southern California is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

## Board of Directors Workshop on Proposed Biennial Budget - Final

**March 26, 2024**

**8:30 AM**

**Tuesday, March 26, 2024  
Meeting Schedule**

**08:30 a.m. BOD WKSP  
12:00 p.m. Break  
12:30 p.m. Sp BOD  
01:30 p.m. Exec  
02:30 p.m. PWSCRC**

Agendas, live streaming, meeting schedules, and other board materials are available here: <https://mwdh2o.legistar.com/Calendar.aspx>. If you have technical difficulties with the live streaming page, a listen-only phone line is available at 1-877-853-5257; enter meeting ID: 891 1613 4145. Members of the public may present their comments to the Board on matters within their jurisdiction as listed on the agenda via in-person or teleconference. To participate via teleconference 1-833-548-0276 and enter meeting ID: 815 2066 4276 or click <https://us06web.zoom.us/j/81520664276pwd=a1RTQWh6V3h3ckFhNmDsUWpKR1c2Zz09>

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MWD Headquarters Building - 700 N. Alameda Street - Los Angeles, CA 90012

Teleconference Locations:

City Hall • 303 W. Commonwealth Ave. • Fullerton, CA 92832

Douglas/Hicks Law • 5120 W. Goldleaf Circle, #140 • Los Angeles, CA 90056

525 Via La Selva • Redondo Beach, CA 90277

3008 W. 82nd Place • Inglewood, CA 90305

Borgo Santi Apostoli, 20 • Florence, Italy

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## 1. Call to Order

a. Pledge of Allegiance: Director John T. Morris, City of San Marino

## 2. Roll Call

## 3. Determination of a Quorum

## 4. Opportunity for members of the public to address the Board limited to the items listed on the agenda. (As required by Gov. Code §54954.3(a))

## 5. WORKSHOP ITEMS

- a. 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 forecast; and Cost of Service Report.(Workshop #4) (FAM) [21-3154](#)

**Attachments:** [03262024 BOD Workshop 5a Presentation](#)

## 6. FOLLOW-UP ITEMS

NONE

## 7. FUTURE AGENDA ITEMS

## 8. ADJOURNMENT

**NOTE:** Each agenda item with a committee designation will be considered and a recommendation may be made by one or more committees prior to consideration and final action by the full Board of Directors. The committee designation appears in parenthesis at the end of the description of the agenda item, e.g. (EOT). Board agendas may be obtained on Metropolitan's Web site <https://mwdh2o.legistar.com/Calendar.aspx>

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Requests for a disability-related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.

## Board of Directors Workshop



# Proposed Biennial Budget for FYs 2024/25 and 2025/26; Proposed Water Rates and Charges for Calendar years 2025 and 2026; Overview of Rates and Charges; Ten-Year Forecast

Workshop #4

Item 5a

March 26, 2024

# Budget Workshop #4

## Item 5a

### Subject

Proposed Biennial Budget for FYs 2024/25 and 2025/26; Proposed Water Rates and Charges for Calendar years 2025 and 2026; Overview of Rates and Charges; Ten-Year Forecast

### Purpose

Provide information to enable April Board action on Proposed Biennial Budget for FYs 2024/25 and 2025/26, Proposed Water Rates and Charges for Calendar years 2025 and 2026, and Ten-Year Forecast

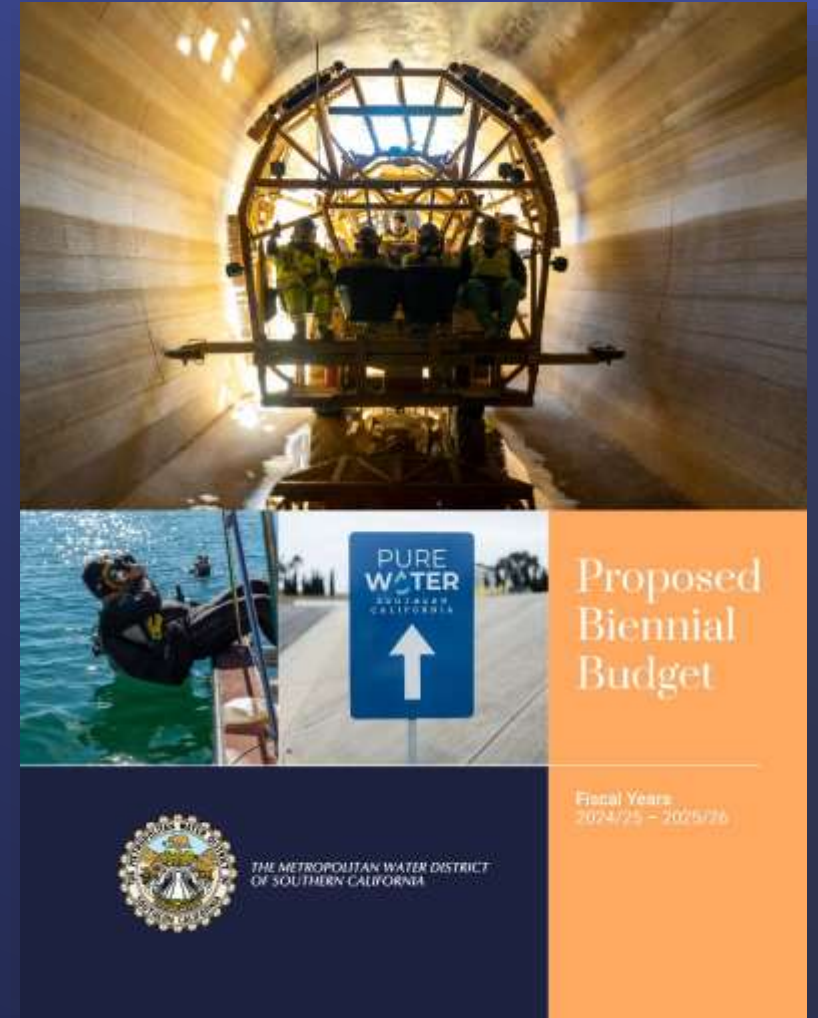
### Next Steps

- FAM Committee, Recommend Biennial Budget and Calendar Year rates and charges on April 8, 2024
- Board **action** regarding biennial budget and Calendar Year rates and charges on April 9, 2024

# Proposed Biennial Budget Workshop #4

## Agenda

- **Questions & Answers**
  - MWD Act – Declaring Public Agencies
  - Ad Valorem Property Tax
  - Additional Debt Coverage Information
- **Discussion of Rate Options for April**
- **Rate Alternatives Details**
- **Impact of O&M Cuts**
- **Next Steps – April 9<sup>th</sup> Budget Adoption**



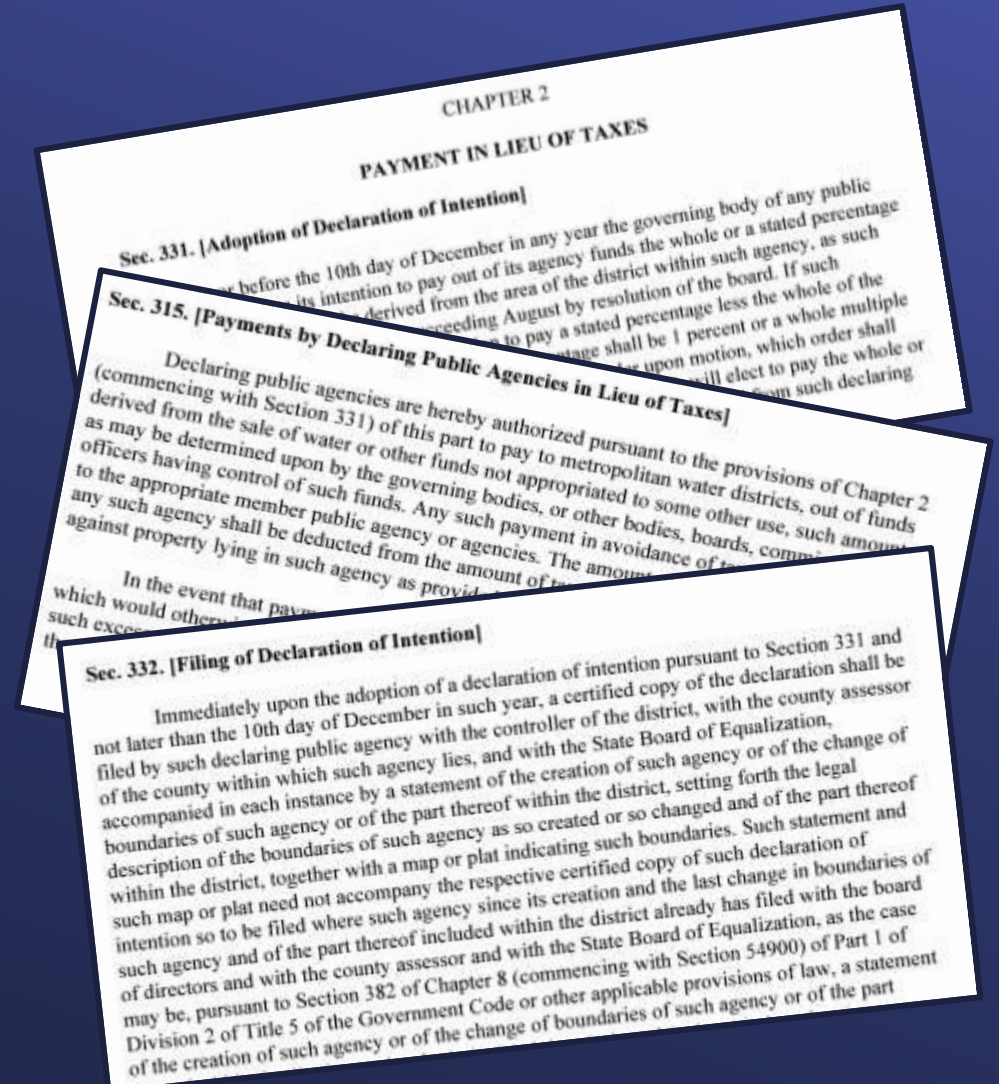
# Questions & Answers



# Question: What are the impacts of Section 315 of the MWD Act which allows Declaring Public Agencies to make in-lieu property tax payments?

## Answer:

- Importantly, multiple Sections of the MWD Act (not just Section 315) describe the procedures for Declaring Public Agencies to initiate a property tax in-lieu payment
- “Declaring Public Agency” – The MWD Act provides a process for an agency to pay Metropolitan property taxes on behalf of its service area (i.e., “in-lieu”) out of its agency funds, in whole or as a stated percentage of the Metropolitan ad valorem property taxes (§§ 300, 315, 316, 331)



# Question: What are the impacts of Section 315 of the MWD Act which allows Declaring Public Agencies to make in-lieu property tax payments? (continued)

## Answer:

- Allows Declaring Public Agencies – at their discretion – to decide if all or a portion of their Metropolitan property tax obligation should be paid by property owners in their service area **OR** through agency funds, including rates and charges, volumetric or fixed, or other agency funds, including reserves
  - The in-lieu payment reduces the real properties' AV tax obligation to Metropolitan; it does not reduce or affect rates and charges for services provided to all member agencies
- The in-lieu process is intended to allow agencies to recover their in-lieu costs through their own water bills or other “agency funds”, through their own legally available processes



# Section 315 Example

## Scenario:

MWD increases the existing Ad-Valorem Property Tax rate from 0.0035% to 0.0070%

## Member Agency A:

- Ptax @ 0.0035% = \$10M
- Ptax @ 0.0070% = \$20M
- Member Agency A can elect not to increase the Ptax rate in their area and instead pay MWD the \$10M directly
- Agency A can fund the \$10M with increases on their volumetric rates or charges or draw from available funds

**Question:** What are the impacts of increasing Metropolitan's ad valorem taxes generally and on disadvantaged communities?

**Answer:**

Metropolitan's Long-Range Finance Plan Needs Assessment (LRFP-NA) introduced the concept of using property taxes in August 2023:

- ✓ Identified an opportunity to fund a higher share of SWP costs to address the impacts of hydrologic volatility on Metropolitan's water transaction revenues and unrestricted reserves
- ✓ Reflected a concept discussed by the Board as a tool in Metropolitan's financial toolkit to build resiliency, improve financial stability, and reinvest in Metropolitan's infrastructure



# Question: What would the Property Tax impact be for each member agency's service area?

## Answer:

Note: Based on a sampling of median home values for cities located in each Member Agency service area (Source: American Community Survey, 5-Year Estimates, 2022)

Member Agency	Median Home Value (\$ thousands)	Current Annual MWD Property Tax (@ 0.0035%)	Proposed (higher) MWD Property Tax (@ 0.007%)
Cities (Owner-Occupied)			
1 Anaheim	\$714	\$25	\$50
2 Beverly Hills	\$2,000	\$70	\$140
3 Burbank	\$960	\$34	\$67
4 Compton	\$489	\$17	\$34
5 Fullerton	\$791	\$28	\$55
6 Glendale	\$992	\$35	\$69
7 Long Beach	\$710	\$25	\$50
8 Los Angeles	\$823	\$29	\$58
9 Pasadena	\$982	\$34	\$69
10 San Fernando	\$604	\$21	\$42
11 San Marino	\$2,000	\$70	\$140
12 Santa Ana	\$624	\$22	\$44
13 Santa Monica	\$1,655	\$58	\$116
14 Torrance	\$962	\$34	\$67

Member Agency	Median Home Value (\$ thousands)	Current Annual MWD Property Tax (@ 0.0035%)	Proposed (higher) MWD Property Tax (@ 0.007%)
Municipal Water Districts & Water Authority (Owner-Occupied)			
15 Calleguas MWD	\$704 - \$901	\$25 - \$32	\$49 - \$63
16 Central Basin MWD	\$472 - \$679	\$17 - \$24	\$33 - \$48
17 Eastern MWD	\$277 - \$568	\$10 - \$20	\$19 - \$40
18 Foothill MWD	\$991 - \$1,983	\$35 - \$69	\$69 - \$139
Inland Empire			
19 Utilities Agency	\$507 - \$776	\$18 - \$27	\$35 - \$54
20 Las Virgenes MWD	\$972 - \$2,000	\$34 - \$70	\$68 - \$140
21 MWDOC	\$863	\$30	\$60
22 Three Valleys MWD	\$525 - \$735	\$18 - \$26	\$37 - \$51
San Diego County			
23 Water Authority	\$725	\$25	\$51
Upper San Gabriel			
24 Valley MWD	\$553 - \$1,307	\$19 - \$46	\$39 - \$91
25 West Basin MWD	\$616 - \$2,000	\$22 - \$70	\$43 - \$140
26 Western MWD	\$384 - \$486	\$13 - \$17	\$27 - \$34

# Question: What are the impacts of increasing Metropolitan’s ad valorem taxes generally and on disadvantaged communities? (continued)

## Answer:

*Impacts on Multi-Family Units (2-4 Units) based on Secured Assessed Valuation for Multi-Family Units and the Number of Parcels by County (Board of Equalization Dataset)*

- The average annual property tax increase ranges from **\$3.68 per year** to **\$9.85 per year** per unit for multi-family units (2-4 units) when the property tax levy is increased from the current 0.0035% to 0.007%

Multi-Family Units (2-4 units) – Average <u>Annual</u> Property Tax Increase							
	MWD Tax Rate	Los Angeles County	Orange County	Riverside County	San Bernardino County	San Diego County	Ventura County
Average Tax Per Unit (Midpoint, 3 Units)	0.0035%	\$6.63	\$9.85	\$4.81	\$3.68	\$6.84	\$6.15
Average Tax Per Unit (Midpoint, 3 Units)	0.0070%	\$13.27	\$19.70	\$9.62	\$7.36	\$13.69	\$12.29
<b>Annual Average Property Tax Increase Per Unit</b>	<b>0.0035%</b>	<b>\$6.64</b>	<b>\$9.85</b>	<b>\$4.81</b>	<b>\$3.68</b>	<b>\$6.85</b>	<b>\$6.14</b>

# Question: What are the impacts of increasing Metropolitan’s ad valorem taxes generally and on disadvantaged communities? (continued)

## Answer:

*Impacts on Multi-Family Units (5-20 Units) based on Secured Assessed Valuation for Multi-Family Units and the Number of Parcels by County (Board of Equalization Dataset)*

MINIMUM - Multi-Family Units (5-20 units) – Average <u>Annual</u> Property Tax Increase							
	MWD Tax Rate	Los Angeles County	Orange County	Riverside County	San Bernardino County	San Diego County	Ventura County
Average Tax Per Unit (20 Units)	0.0035%	\$4.59	\$9.19	\$6.86	\$4.89	\$8.64	\$5.11
Average Tax Per Unit (20 Units)	0.0070%	\$9.18	\$18.38	\$13.72	\$9.77	\$17.28	\$10.21
<b>Annual Average Property Tax Increase Per Unit</b>	<b>0.0035%</b>	<b>\$4.59</b>	<b>\$9.19</b>	<b>\$6.86</b>	<b>\$4.88</b>	<b>\$8.64</b>	<b>\$5.10</b>

MAXIMUM - Multi-Family Units (5-20 units) – Average <u>Annual</u> Property Tax Increase							
	MWD Tax Rate	Los Angeles County	Orange County	Riverside County	San Bernardino County	San Diego County	Ventura County
Average Tax Per Unit (5 Units)	0.0035%	\$18.37	\$36.77	\$27.44	\$19.55	\$34.56	\$20.42
Average Tax Per Unit (5 Units)	0.0070%	\$36.73	\$73.53	\$54.87	\$39.10	\$69.12	\$40.85
<b>Annual Average Property Tax Increase Per Unit</b>	<b>0.0035%</b>	<b>\$18.36</b>	<b>\$36.76</b>	<b>\$27.43</b>	<b>\$19.55</b>	<b>\$34.56</b>	<b>\$20.43</b>



# Question: What bond covenants is Metropolitan required to meet for existing bond investors?

## Answer:

- The MWD Act and bond covenants requires the Board to set, revise, and collect rates and charges sufficient to pay O&M, principal and interest on all outstanding bonds (senior lien or subordinate lien), and all other obligations which are chargeable or payable from net operating revenues

### **Sec. 134. [Adequacy of Water Rates; Uniformity of Rates]**

The Board, so far as practicable, shall fix such rate or rates for water as will result in revenue which, together with revenue from any water stand-by or availability service charge or assessment, will pay the operating expenses of the district, provide for repairs and maintenance, provide for payment of the purchase price or other charges for property or services or other rights acquired by the district, and provide for the payment of the interest and principal of the bonded debt subject to the applicable provisions of this act authorizing the issuance and retirement of the bonds. Those rates, subject to the provisions of this chapter, shall be uniform for like classes of service throughout the district.

Amended by Stats. 1984, ch. 271

# Question: What bond covenants is Metropolitan required to meet for existing bond investors? (Continued)

## Answer:

- Metropolitan must also comply with the Additional Bonds Test, which prohibits the issuance of new debt unless certain coverage requirements are met:
  - 1.20x Debt Service Coverage on Senior Lien
  - 1.00x Debt Service Coverage of Combined Senior and Subordinate obligations
- Two months of operating expenses in the O&M fund
- Bond funds hold 1/6 of interest due in coming six months and 1/12 of principal payments due in the coming year

# Discussion of Rate Options for April

# Rate Alternatives

	Water Transactions	Property Tax Rate	Reduce Conservation (1)	New Revenue (2)	Reduce Departmental O&M (3)	Overall Rate Increase
Proposed Budget	1.44 MAF	0.0035%	No			13% / 8%
<b>Alt 1a Inc Ptax, 9/9 -- NEW</b>	1.44 MAF	<b>0.0055%</b>	No			9% / 9%
Alt 1b Inc Ptax, 7/6	1.44 MAF	<b>0.0070%</b>	No			7% / 6%
<b>Alt 2a Low Sales, 9/9 &amp; inc Ptax -- NEW</b>	<b>1.34 MAF</b>	<b>0.0086%</b>	No			9% / 9%
Alt 2b Low Sales, 7/6 & inc Ptax	<b>1.34 MAF</b>	<b>0.0099%</b>	No			7% / 6%
Alt 3 Low Sales, 5/5 & inc Ptax	<b>1.34 MAF</b>	<b>0.0104%</b>	No			5% / 5%
Alt 4 Low Sales, 5/5, cut Cons & inc Ptax	<b>1.34 MAF</b>	<b>0.0100%</b>	<b>Yes (1)</b>			5% / 5%
<b>Alt 5a Inc Ptax, New Rev &amp; Cut O&amp;M -- NEW</b>	1.44 MAF	<b>0.0055%</b>	No	\$60M/yr	\$7M/yr	7% / 7%
Alt 5b New Revenue & Cut O&M	1.44 MAF	0.0035%	No	\$60M/yr	\$18M/yr	8.5%/8.5%
Alt 6 Low Sales, New Rev., & Cut O&M	<b>1.34 MAF</b>	0.0035%	No	\$60M/yr	\$18M/yr	13% / 13%

(1) Reduce conservation program to \$17M for FY 2024/25 and \$5M/yr for FY 2025/26 and FY 2026/27 then back to \$30.5M/yr. This would eliminate the need to issue an additional \$48M of debt during the biennium.

Metropolitan has been awarded over \$40M in recent grants and is continuing to pursue other grant opportunities. Most of these grants require 50% matching funds. As such, reductions to the conservation budget will disqualify MWD from most of the grant awards.

(2) New Revenue: Assume \$60 million in new one-time revenue each year of the biennial

(3) Department O&M: Reduce Departmental O&M for FY 2024/25 and FY 2025/26

# Overall Rate Increase

Overall Rate Increase	Water Transactions	Ptax Rate	Budget		Projected		2-yr rate inc	4-yr rate inc
			2025	2026	2027	2028		
Proposed	1.44 MAF	0.0035%	13.0%	8.0%	12.0%	8.0%	21%	41%
Alt 1a - 9/9 & Inc Ptax	1.44 MAF	<b>0.0055%</b>	9.0%	9.0%	9.0%	9.0%	18%	36%
Alt 1b - 7/6 & Inc Ptax	1.44 MAF	<b>0.0070%</b>	7.0%	6.0%	10.0%	10.0%	13%	33%
Alt 2a - Low sales, 9/9 & Inc Ptax	<b>1.34 MAF</b>	<b>0.0086%</b>	9.0%	9.0%	9.0%	9.0%	18%	36%
Alt 2b - Low Sales, 7/6 & Inc Ptax	<b>1.34 MAF</b>	<b>0.0099%</b>	7.0%	6.0%	10.0%	10.0%	13%	33%
Alt 3 - Low Sales, 5/5 & Inc Ptax	<b>1.34 MAF</b>	<b>0.0104%</b>	5.0%	5.0%	12.0%	11.0%	10%	33%
Alt 4 - Low Sales, cut Cons, 5/5 & Inc Ptax	<b>1.34 MAF</b>	<b>0.0100%</b>	5.0%	5.0%	12.0%	11.0%	10%	33%
Alt 5a - Inc Ptax, New Revenue & Cut O&M	1.44 MAF	<b>0.0055%</b>	7.0%	7.0%	13.0%	9.0%	14%	36%
Alt 5b - New Revenue & Cut O&M	1.44 MAF	0.0035%	8.5%	8.5%	16.0%	8.0%	17%	41%
Alt 6 - Low Sales, New Rev. & Cut O&M	<b>1.34 MAF</b>	0.0035%	13.0%	13.0%	14.0%	8.0%	26%	48%



# Untreated Full-Service Rate (\$/AF)

Rates Effective January 1st	2024*	2025	2026	% Increase 2025	% Increase 2026
Proposed	\$903	\$1,006	\$1,069	11%	6%
Alt 1a - 9/9 & Inc Ptax	\$903	\$944	\$1,025	5%	9%
Alt 1b - 7/6 & Inc Ptax	\$903	\$916	\$965	1%	5%
Alt 2a - Low sales, 9/9 & Inc Ptax	\$903	\$933	\$1,009	3%	8%
Alt 2b - Low Sales, 7/6 & Inc Ptax	\$903	\$904	\$950	0%	5%
Alt 3 - Low Sales, 5/5 & Inc Ptax	\$903	\$883	\$918	(2%)	4%
Alt 4 - Low Sales, cut Cons, 5/5 & Inc Ptax	\$903	\$883	\$911	(2%)	3%
Alt 5a - Inc Ptax, New Revenue & Cut O&M	\$903	\$904	\$963	0%	7%
Alt 5b - New Revenue & Cut O&M	\$903	\$944	\$1,007	5%	7%
Alt 6 - Low Sales, New Rev. & Cut O&M	\$903	\$993	\$1,103	10%	11%

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.

\* based on Tier 1 for 2024

# Treated Full-Service Rate (\$/AF)

<b>Rates Effective January 1st</b>	<b>2024*</b>	<b>2025</b>	<b>2026</b>	<b>% Increase 2025</b>	<b>% Increase 2026</b>
Proposed	\$1,256	\$1,465	\$1,587	17%	8%
Alt 1a - 9/9 & Inc Ptax	\$1,256	\$1,411	\$1,551	12%	10%
Alt 1b - 7/6 & Inc Ptax	\$1,256	\$1,391	\$1,486	11%	7%
Alt 2a - Low sales, 9/9 & Inc Ptax	\$1,256	\$1,417	\$1,560	13%	10%
Alt 2b - Low Sales, 7/6 & Inc Ptax	\$1,256	\$1,395	\$1,492	11%	7%
Alt 3 - Low Sales, 5/5 & Inc Ptax	\$1,256	\$1,370	\$1,451	9%	6%
Alt 4 - Low Sales, cut Cons, 5/5 & Inc Ptax	\$1,256	\$1,369	\$1,448	9%	6%
Alt 5a - Inc Ptax, New Revenue & Cut O&M	\$1,256	\$1,379	\$1,489	10%	8%
Alt 5b - New Revenue & Cut O&M	\$1,256	\$1,399	\$1,522	11%	9%
Alt 6 - Low Sales, New Rev. & Cut O&M	\$1,256	\$1,454	\$1,647	16%	13%

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.

\* based on Tier 1 for 2024

# Rate Options for April Board Action

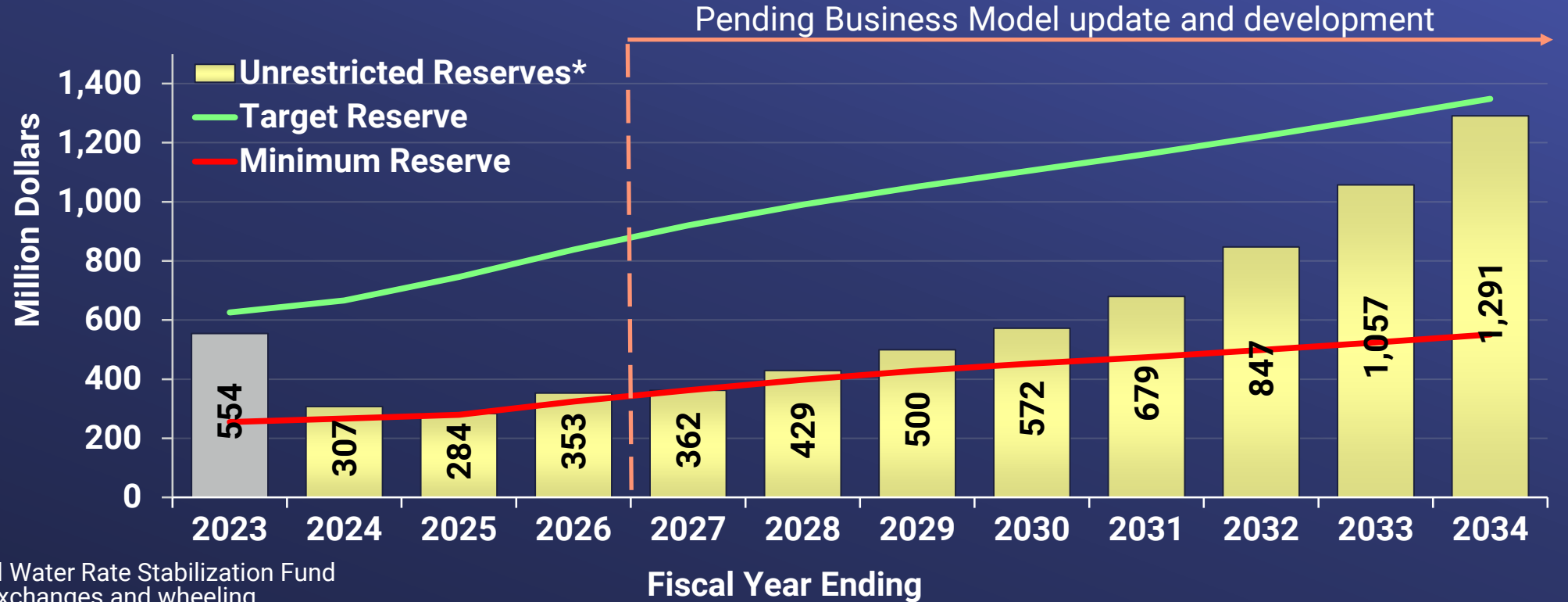
## Key Objective of Workshop #4

Reduce alternatives to three (3) options (or less) for Board consideration and adoption in April. Each alternative will include a full Cost-of-Service report for each year

# Rate Alternatives Details

# Proposed FY 2024/25 & FY 2025/26 Budget

## Projected Rate Increases and Financial Metrics



\* Revenue Remainder and Water Rate Stabilization Fund

\*\* Includes water sales, exchanges and wheeling

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>Overall Rate Inc.</b>	5%	5%	<b>13.0%</b>	<b>8.0%</b>	12.0%	8.0%	5.0%	5.0%	4.0%	4.0%	4.0%	4.0%
<b>Water Transactions (MAF)**</b>	1.42	1.17	1.44	1.44	1.44	1.45	1.45	1.46	1.47	1.49	1.51	1.53
<b>Rev. Bond Cvg</b>	1.5	1.1	1.4	1.8	1.7	1.9	1.9	1.8	1.8	1.7	1.7	1.7
<b>CIP, \$M</b>	247	353	312	324	1,390	1,684	2,171	1,966	1,544	1,091	655	502
<b>PAYGO, \$M</b>	135	35	125	175	175	250	275	275	250	225	200	200



# Proposed Rates and Charges

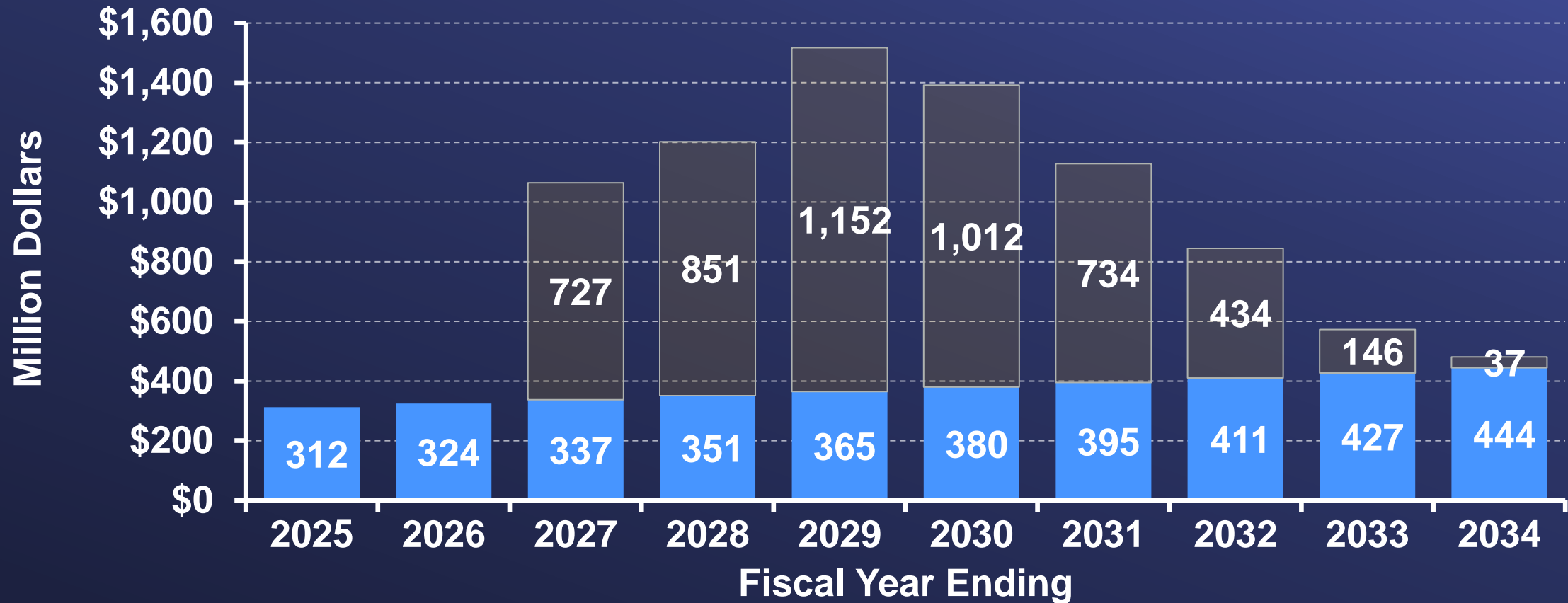
Rates & Charges Effective January 1st	Current 2024	Proposed 2025	% Increase (Decrease)	Proposed 2026	% Increase (Decrease)
Supply Rate (\$/AF)	\$332*	\$353	6%	\$375	6%
System Access Rate (\$/AF)	\$389	\$463	19%	\$491	6%
System Power Rate (\$/AF)	\$182	\$190	4%	\$203	7%
Treatment Surcharge (\$/AF)	\$353	\$459	30%	\$518	13%
<b>Full Service Untreated Volumetric Cost (\$/AF)</b>	<b>\$903</b>	<b>\$1,006</b>	<b>11%</b>	<b>\$1,069</b>	<b>6%</b>
<b>Full Service Treated Volumetric Cost (\$/AF)</b>	<b>\$1,256</b>	<b>\$1,465</b>	<b>17%</b>	<b>\$1,587</b>	<b>8%</b>
RTS Charge (\$M)	\$167	\$167	0%	\$185	11%
Capacity Charge (\$/cfs)	\$11,200	\$10,800	(4%)	\$12,800	19%
<b>Overall Rate Increase</b>			<b>13.0%</b>		<b>8.0%</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.

\* based on Tier 1 for 2024

# 10-Year Forecast without PWSC Project

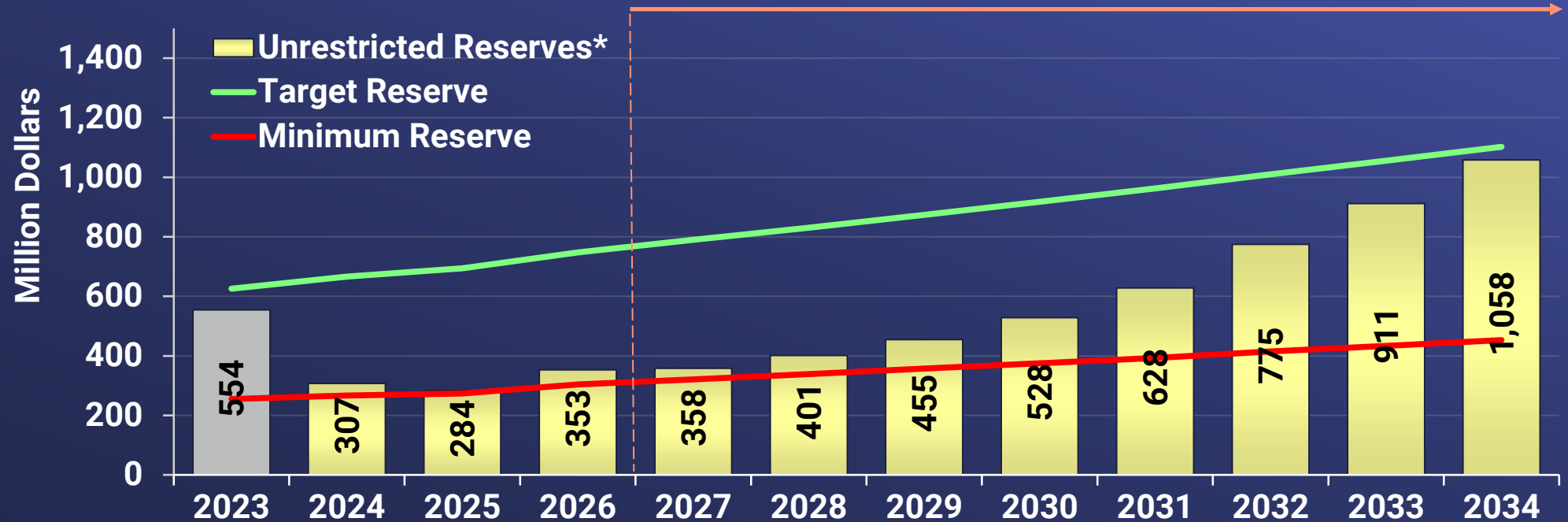
- PWSC (net of contributions)
- Base CIP



# FY 2024/25 & FY 2025/26 Budget without PWSC Project

## Projected Rate Increases and Financial Metrics

Pending Business Model update and development



\* Revenue Remainder and Water Rate Stabilization Fund

\*\* Includes water sales, exchanges and wheeling

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>Overall Rate Inc.</b>	5%	5%	<b>13.0%</b>	<b>8.0%</b>	6.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
<b>Water Transactions (MAF)**</b>	1.42	1.17	1.44	1.44	1.44	1.45	1.46	1.46	1.47	1.49	1.51	1.53
<b>Rev. Bond Cvg</b>	1.5	1.1	1.4	1.8	1.7	1.7	1.7	1.8	1.9	2.0	2.2	2.1
<b>CIP, \$M</b>	247	353	312	324	337	351	365	380	395	411	427	444
<b>PAYGO, \$M</b>	135	35	125	175	175	182	189	197	205	213	222	231

# 2020 IRP Needs Assessment

## Scenario Descriptions

### Scenario A – Low Demand/Stable Imports:

Gradual climate change impacts, low regulatory impacts, and slow economic growth.

### Scenario B – High Demand/Stable Imports:

Gradual climate change impacts, low regulatory impacts, high economic growth.

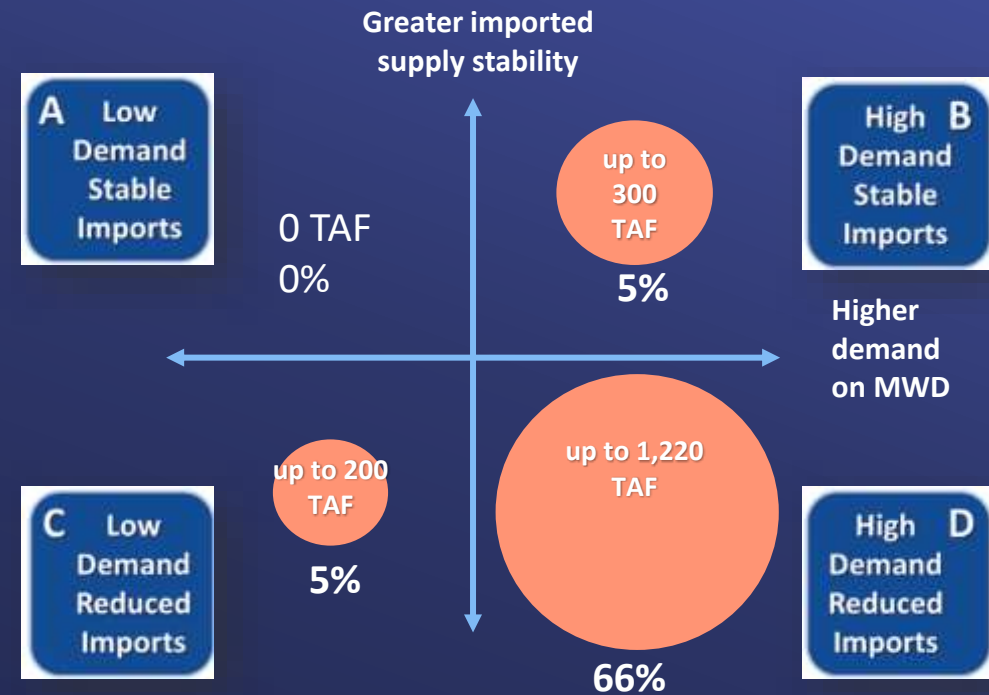
### Scenario C – Low Demand/Reduced Imports:

Severe climate change impacts, high regulatory impacts, slow economic growth.

### Scenario D – High Demand/Reduced Imports:

Severe climate change impacts, high regulatory impacts, and high economic growth.

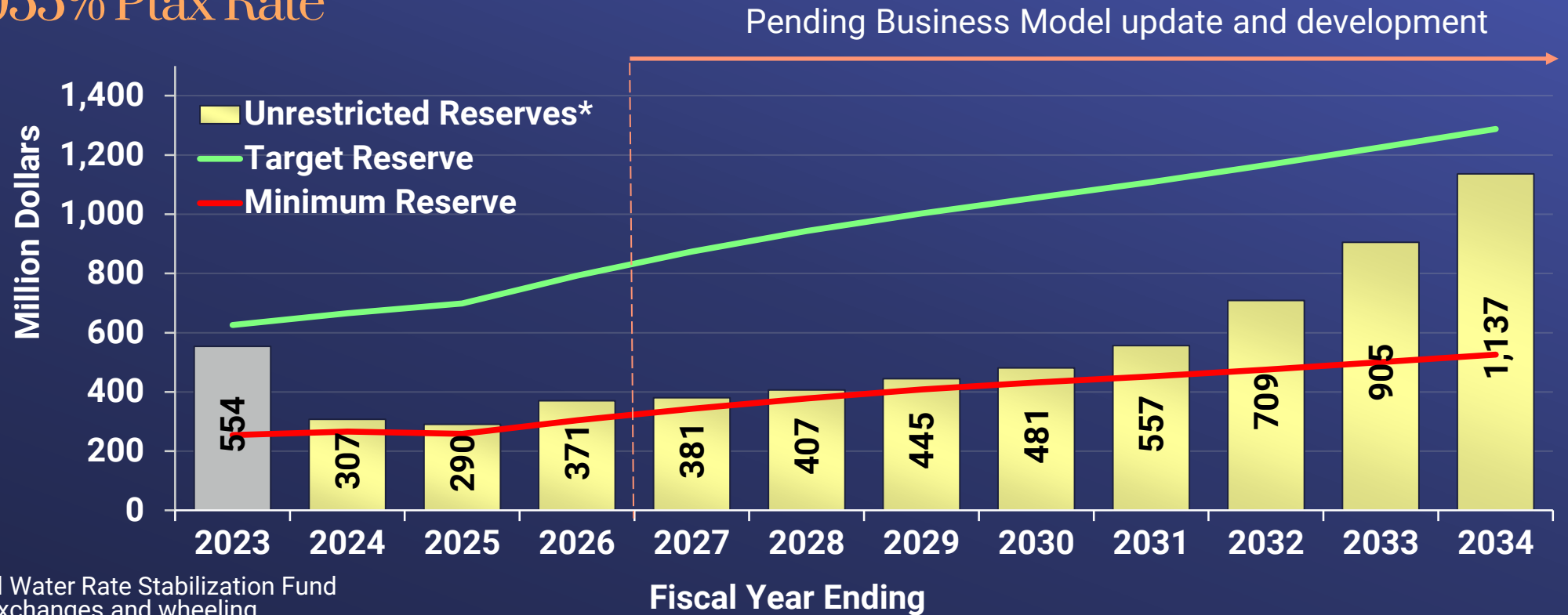
## Summary Matrix of IRP Scenario Results\*



*\*Max Magnitude of Supply Gap (TAF) and Frequency (%) of a Net Shortage in 2045*

# Alt Ia: 9/9 & Inc Ptax

1.44 MAF / 0.0055% Ptax Rate



\* Revenue Remainder and Water Rate Stabilization Fund

\*\* Includes water sales, exchanges and wheeling

<b>Overall Rate Inc.</b>	5%	5%	9.0%	9.0%	9.0%	9.0%	5.0%	5.0%	5.0%	4.0%	4.0%	4.0%
<b>Ptax Rate</b>	.0035%	.0035%	.0055%	.0055%	.0055%	.0055%	.0055%	.0055%	.0055%	.0055%	.0055%	.0055%
<b>Water Transactions (MAF)**</b>	1.42	1.17	1.44	1.44	1.44	1.45	1.45	1.46	1.47	1.49	1.51	1.53
<b>Rev. Bond Cvg</b>	1.5	1.1	1.6	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.7
<b>CIP, \$M</b>	247	353	312	324	1,390	1,684	2,171	1,966	1,544	1,091	655	502
<b>PAYGO, \$M</b>	135	\$35	\$175	\$175	\$175	\$250	\$275	\$275	\$250	\$225	\$200	\$200



# Alt 1a: 9/9 & Inc Ptax

1.44 MAF / 0.0055% Ptax Rate

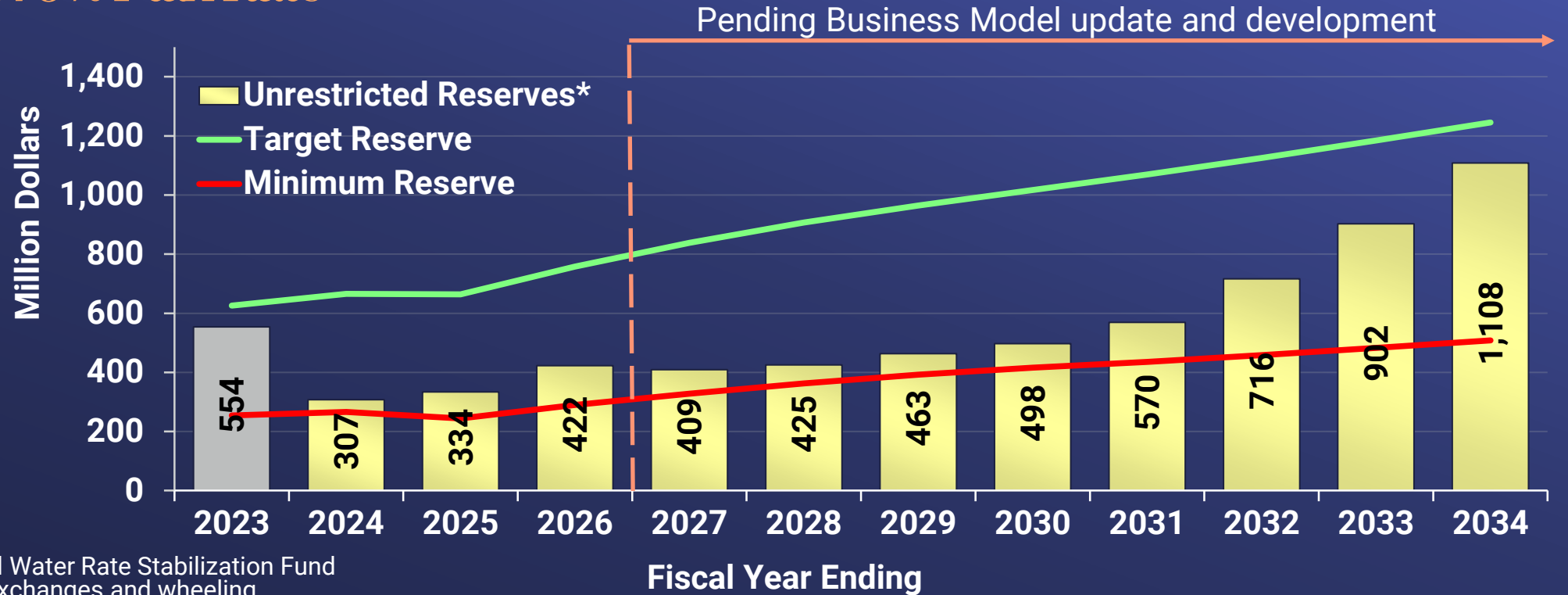
Rates & Charges Effective January 1st	Current 2024	Proposed 2025	Proposed 2026	Alt 1a 2025	Alt 1a 2026	Alt 1a	Alt 1a
						2025 vs Proposed 2025	2026 vs Proposed 2026
Supply Rate (\$/AF)	\$332*	\$353	\$375	\$334	\$362	(\$19)	(\$13)
System Access Rate (\$/AF)	\$389	\$463	\$491	\$443	\$477	(\$20)	(\$14)
System Power Rate (\$/AF)	\$182	\$190	\$203	\$167	\$186	(\$23)	(\$17)
Treatment Surcharge (\$/AF)	\$353	\$459	\$518	\$467	\$526	\$8	\$8
<b>Full Service Untreated (\$/AF)</b>	<b>\$903</b>	<b>\$1,006</b>	<b>\$1,069</b>	<b>\$944</b>	<b>\$1,025</b>	<b>(\$62)</b>	<b>(\$44)</b>
<b>Full Service Treated (\$/AF)</b>	<b>\$1,256</b>	<b>\$1,465</b>	<b>\$1,587</b>	<b>\$1,411</b>	<b>\$1,551</b>	<b>(\$54)</b>	<b>(\$36)</b>
RTS Charge (\$M)	\$167	\$167	\$185	\$176	\$184	\$9	(\$1)
Capacity Charge (\$/cfs)	\$11,200	\$10,800	\$12,800	\$11,700	\$13,000	\$900	\$200
<b>Overall Rate Increase</b>		<b>13.0%</b>	<b>8.0%</b>	<b>9.0%</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.

\* based on Tier 1 for 2024

# Alt Ib: 7/6 & Inc Ptax

1.44 MAF / 0.0070% Ptax Rate



\* Revenue Remainder and Water Rate Stabilization Fund

\*\* Includes water sales, exchanges and wheeling

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>Overall Rate Inc.</b>	5%	5%	7.0%	6.0%	10.0%	10.0%	5.0%	5.0%	5.0%	4.0%	4.0%	4.0%
<b>Ptax Rate</b>	.0035%	.0035%	.007%	.007%	.007%	.007%	.007%	.007%	.007%	.007%	.007%	.007%
<b>Water Transactions (MAF)**</b>	1.42	1.17	1.44	1.44	1.44	1.45	1.45	1.46	1.47	1.49	1.51	1.53
<b>Rev. Bond Cvg</b>	1.5	1.1	1.7	1.9	1.7	1.8	1.8	1.7	1.7	1.7	1.7	1.7
<b>CIP, \$M</b>	247	353	312	324	1,390	1,684	2,171	1,966	1,544	1,091	655	502
<b>PAYGO, \$M</b>	135	\$35	\$175	\$175	\$175	\$250	\$275	\$275	\$250	\$225	\$200	\$200

# Alt 1b: 7/6 & Inc Ptax

1.44 MAF / 0.0070% Ptax Rate

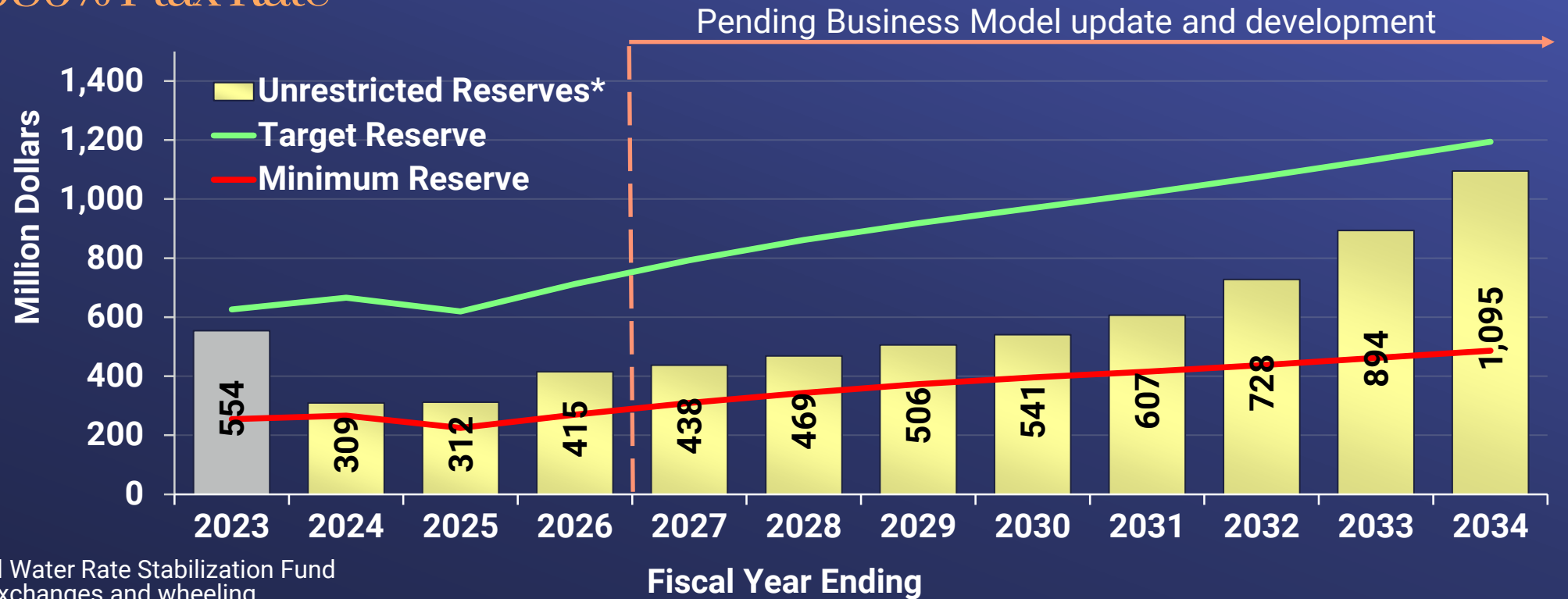
Rates & Charges Effective January 1st	Current 2024	Proposed 2025	Proposed 2026	Alt 1b		Alt 1b 2025 vs Proposed 2025	Alt 1b 2026 vs Proposed 2026
				2025	2026		
Supply Rate (\$/AF)	\$332*	\$353	\$375	\$327	\$342	(\$26)	(\$33)
System Access Rate (\$/AF)	\$389	\$463	\$491	\$434	\$454	(\$29)	(\$37)
System Power Rate (\$/AF)	\$182	\$190	\$203	\$155	\$169	(\$35)	(\$34)
Treatment Surcharge (\$/AF)	\$353	\$459	\$518	\$475	\$521	\$16	\$3
<b>Full Service Untreated (\$/AF)</b>	<b>\$903</b>	<b>\$1,006</b>	<b>\$1,069</b>	<b>\$916</b>	<b>\$965</b>	<b>(\$90)</b>	<b>(\$104)</b>
<b>Full Service Treated (\$/AF)</b>	<b>\$1,256</b>	<b>\$1,465</b>	<b>\$1,587</b>	<b>\$1,391</b>	<b>\$1,486</b>	<b>(\$74)</b>	<b>(\$101)</b>
RTS Charge (\$M)	\$167	\$167	\$185	\$175	\$179	\$8	(\$6)
Capacity Charge (\$/cfs)	\$11,200	\$10,800	\$12,800	\$11,700	\$12,900	\$900	\$100
<b>Overall Rate Increase</b>		<b>13.0%</b>	<b>8.0%</b>	<b>7.0%</b>	<b>6.0%</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.

\* based on Tier 1 for 2024

# Alt 2a: Low Sales, 9/9 & Inc Ptax

1.34 MAF / 0.0086% Ptax Rate



\* Revenue Remainder and Water Rate Stabilization Fund

\*\* Includes water sales, exchanges and wheeling

<b>Overall Rate Inc.</b>	5%	5%	9.0%	9.0%	9.0%	9.0%	5.0%	5.0%	4.0%	4.0%	4.0%	4.0%
<b>Ptax Rate</b>	.0035%	.0035%	.0086%	.0086%	.0086%	.0086%	.0086%	.0086%	.0086%	.0086%	.0086%	.0086%
<b>Water Transactions (MAF)**</b>	1.42	1.17	1.34	1.34	1.34	1.35	1.35	1.36	1.37	1.39	1.41	1.43
<b>Rev. Bond Cvg</b>	1.5	1.1	1.6	1.9	1.8	1.9	1.8	1.7	1.7	1.6	1.7	1.7
<b>CIP, \$M</b>	247	353	312	324	1,390	1,684	2,171	1,966	1,544	1,091	655	502
<b>PAYGO, \$M</b>	135	\$35	\$175	\$175	\$175	\$250	\$275	\$275	\$250	\$225	\$200	\$200

# Alt 2a: Low Sales, 9/9 & Inc Ptax

1.34 MAF / 0.0086% Ptax Rate

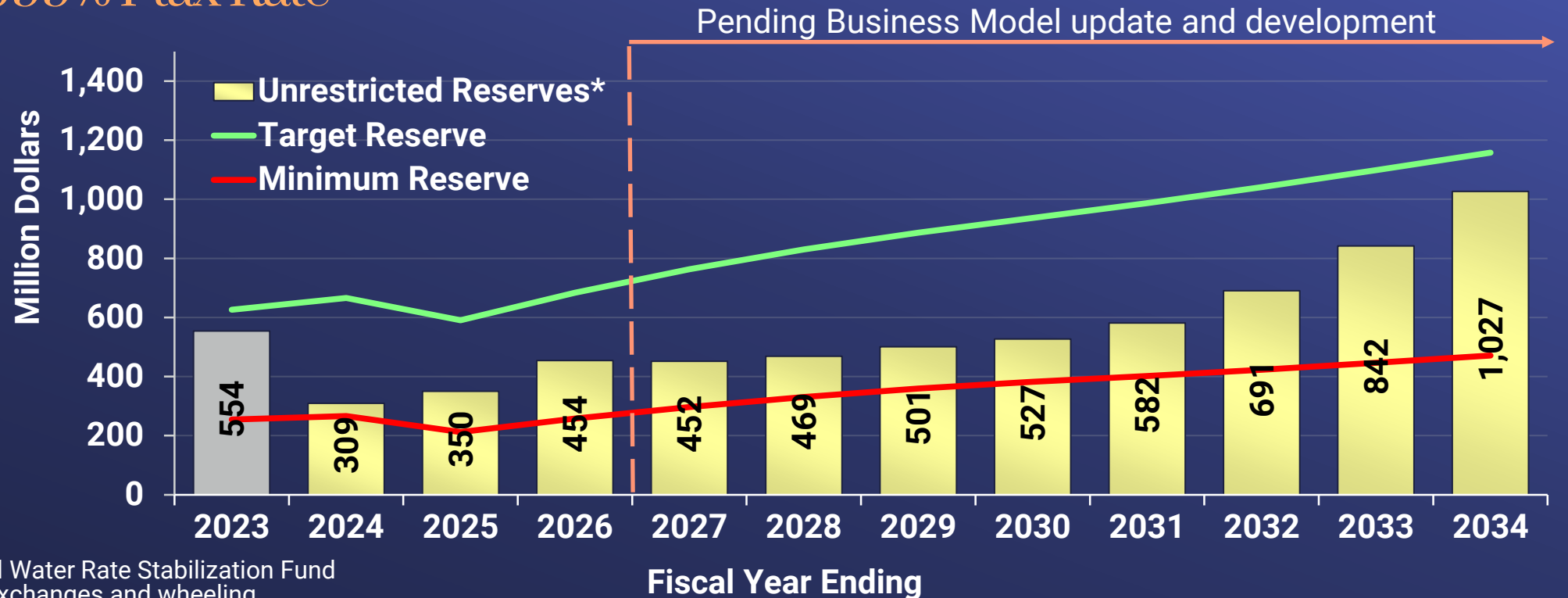
Rates & Charges Effective January 1st	Current 2024	Proposed 2025	Proposed 2026	Alt 2a 2025	Alt 2a 2026	Alt 2a	Alt 2a
						2025 vs Proposed 2025	2026 vs Proposed 2026
Supply Rate (\$/AF)	\$332*	\$353	\$375	\$345	\$370	(\$8)	(\$5)
System Access Rate (\$/AF)	\$389	\$463	\$491	\$446	\$477	(\$17)	(\$14)
System Power Rate (\$/AF)	\$182	\$190	\$203	\$142	\$162	(\$48)	(\$41)
Treatment Surcharge (\$/AF)	\$353	\$459	\$518	\$484	\$551	\$25	\$33
<b>Full Service Untreated (\$/AF)</b>	<b>\$903</b>	<b>\$1,006</b>	<b>\$1,069</b>	<b>\$933</b>	<b>\$1,009</b>	<b>(\$73)</b>	<b>(\$60)</b>
<b>Full Service Treated (\$/AF)</b>	<b>\$1,256</b>	<b>\$1,465</b>	<b>\$1,587</b>	<b>\$1,417</b>	<b>\$1,560</b>	<b>(\$48)</b>	<b>(\$27)</b>
RTS Charge (\$M)	\$167	\$167	\$185	\$177	\$185	\$10	\$0
Capacity Charge (\$/cfs)	\$11,200	\$10,800	\$12,800	\$12,800	\$14,400	\$2,000	\$1,600
<b>Overall Rate Increase</b>		<b>13.0%</b>	<b>8.0%</b>	<b>9.0%</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.

\* based on Tier 1 for 2024

# Alt 2b: Low Sales, 7/6 & Inc Ptax

1.34 MAF / 0.0099% Ptax Rate



\* Revenue Remainder and Water Rate Stabilization Fund

\*\* Includes water sales, exchanges and wheeling

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>Overall Rate Inc.</b>	5%	5%	7.0%	6.0%	10.0%	10.0%	5.0%	5.0%	4.0%	4.0%	4.0%	4.0%
<b>Ptax Rate</b>	.0035%	.0035%	.0099%	.0099%	.0099%	.0099%	.0099%	.0099%	.0099%	.0099%	.0099%	.0099%
<b>Water Transactions (MAF)**</b>	1.42	1.17	1.34	1.34	1.34	1.35	1.35	1.36	1.37	1.39	1.41	1.43
<b>Rev. Bond Cvg</b>	1.5	1.1	1.8	1.9	1.7	1.8	1.8	1.7	1.7	1.6	1.7	1.6
<b>CIP, \$M</b>	247	353	312	324	1,390	1,684	2,171	1,966	1,544	1,091	655	502
<b>PAYGO, \$M</b>	135	\$35	\$175	\$175	\$175	\$250	\$275	\$275	\$250	\$225	\$200	\$200



# Alt 2b: Low Sales, 7/6 & Inc Ptax

1.34 MAF / 0.0099% Ptax Rate

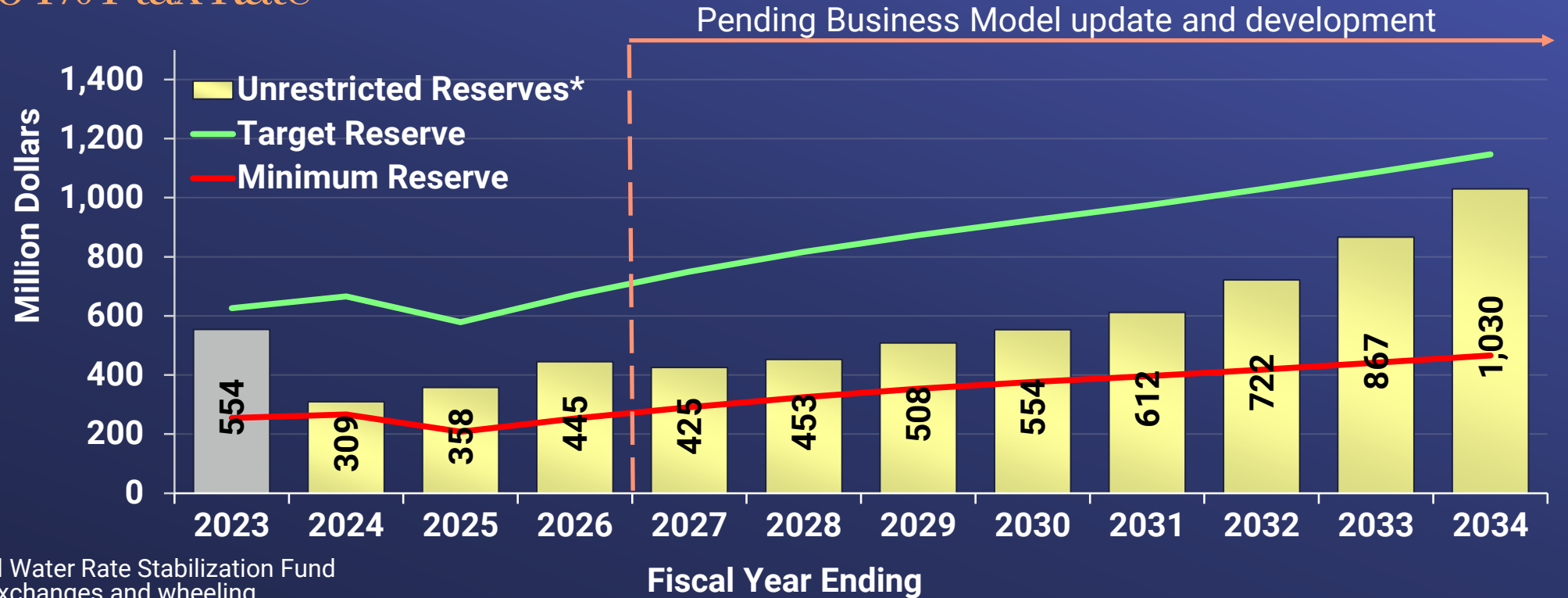
Rates & Charges Effective January 1st	Current 2024	Proposed 2025	Proposed 2026	Alt 2b 2025	Alt 2b 2026	Alt 2b 2025 vs Proposed 2025	Alt 2b 2026 vs Proposed 2026
Supply Rate (\$/AF)	\$332*	\$353	\$375	\$336	\$350	(\$17)	(\$25)
System Access Rate (\$/AF)	\$389	\$463	\$491	\$438	\$454	(\$25)	(\$37)
System Power Rate (\$/AF)	\$182	\$190	\$203	\$130	\$146	(\$60)	(\$57)
Treatment Surcharge (\$/AF)	\$353	\$459	\$518	\$491	\$542	\$32	\$24
<b>Full Service Untreated (\$/AF)</b>	<b>\$903</b>	<b>\$1,006</b>	<b>\$1,069</b>	<b>\$904</b>	<b>\$950</b>	<b>(\$102)</b>	<b>(\$119)</b>
<b>Full Service Treated (\$/AF)</b>	<b>\$1,256</b>	<b>\$1,465</b>	<b>\$1,587</b>	<b>\$1,395</b>	<b>\$1,492</b>	<b>(\$70)</b>	<b>(\$95)</b>
RTS Charge (\$M)	\$167	\$167	\$185	\$177	\$180	\$10	(\$5)
Capacity Charge (\$/cfs)	\$11,200	\$10,800	\$12,800	\$12,900	\$14,100	\$2,100	\$1,300
<b>Overall Rate Increase</b>		<b>13.0%</b>	<b>8.0%</b>	<b>7.0%</b>	<b>6.0%</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.

\* based on Tier 1 for 2024

# Alt 3: Low Sales, 5/5 & Inc Ptax

1.34 MAF / 0.0104% Ptax Rate



\* Revenue Remainder and Water Rate Stabilization Fund

\*\* Includes water sales, exchanges and wheeling

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>Overall Rate Inc.</b>	5%	5%	5.0%	5.0%	12.0%	11.0%	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%
<b>Ptax Rate</b>	.0035%	.0035%	.0104%	.0104%	.0104%	.0104%	.0104%	.0104%	.0104%	.0104%	.0104%	.0104%
<b>Water Transactions (MAF)**</b>	1.42	1.17	1.34	1.34	1.34	1.35	1.35	1.36	1.37	1.39	1.41	1.43
<b>Rev. Bond Cvg</b>	1.5	1.1	1.8	1.9	1.7	1.8	1.9	1.7	1.7	1.6	1.7	1.6
<b>CIP, \$M</b>	247	353	312	324	1,390	1,684	2,171	1,966	1,544	1,091	655	502
<b>PAYGO, \$M</b>	135	\$35	\$175	\$175	\$175	\$250	\$275	\$275	\$250	\$225	\$200	\$200

# Alt 3: Low Sales, 5/5 & Inc Ptax

1.34 MAF / 0.0104% Ptax Rate

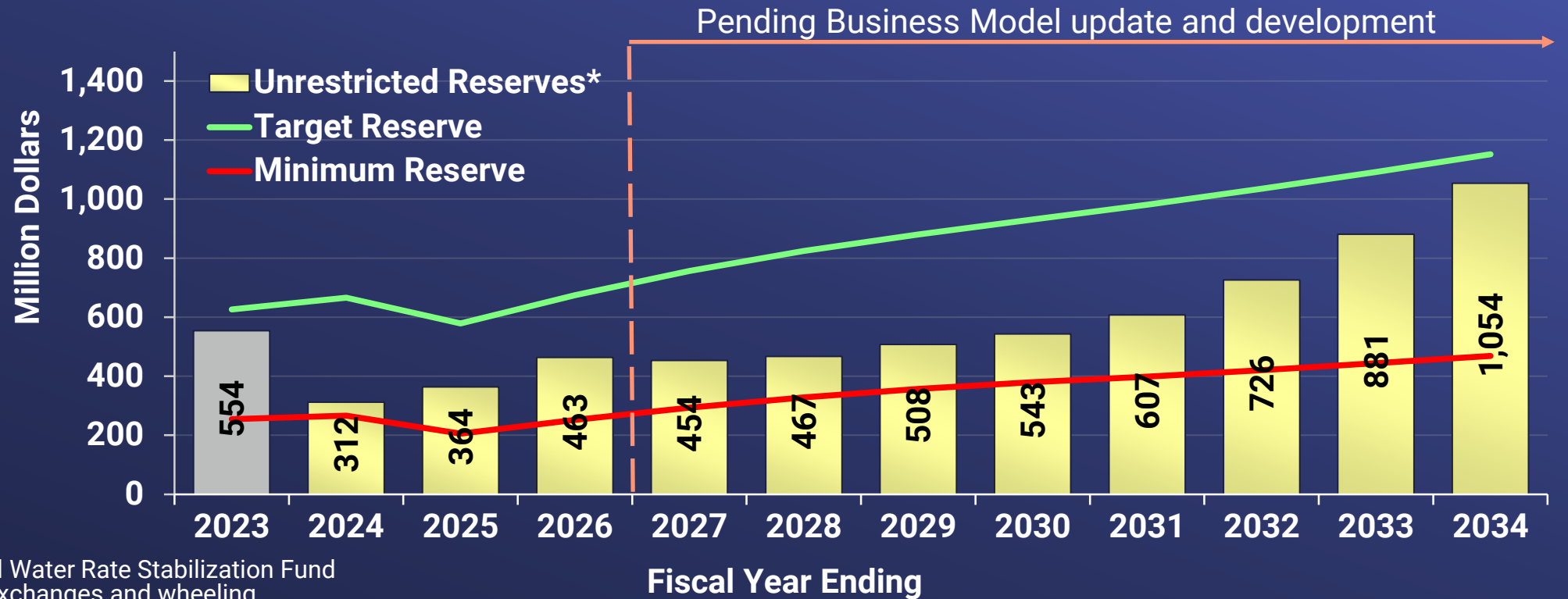
Rates & Charges Effective January 1st	Current 2024	Proposed 2025	Proposed 2026	Alt 3 2025	Alt 3 2026	Alt 3 2025	Alt 3 2026
						vs Proposed 2025	vs Proposed 2026
Supply Rate (\$/AF)	\$332*	\$353	\$375	\$330	\$339	(\$23)	(\$36)
System Access Rate (\$/AF)	\$389	\$463	\$491	\$429	\$441	(\$34)	(\$50)
System Power Rate (\$/AF)	\$182	\$190	\$203	\$124	\$138	(\$66)	(\$65)
Treatment Surcharge (\$/AF)	\$353	\$459	\$518	\$487	\$533	\$28	\$15
<b>Full Service Untreated (\$/AF)</b>	<b>\$903</b>	<b>\$1,006</b>	<b>\$1,069</b>	<b>\$883</b>	<b>\$918</b>	<b>(\$123)</b>	<b>(\$151)</b>
<b>Full Service Treated (\$/AF)</b>	<b>\$1,256</b>	<b>\$1,465</b>	<b>\$1,587</b>	<b>\$1,370</b>	<b>\$1,451</b>	<b>(\$95)</b>	<b>(\$136)</b>
RTS Charge (\$M)	\$167	\$167	\$185	\$174	\$176	\$7	(\$9)
Capacity Charge (\$/cfs)	\$11,200	\$10,800	\$12,800	\$12,800	\$13,900	\$2,000	\$1,100
<b>Overall Rate Increase</b>		<b>13.0%</b>	<b>8.0%</b>	<b>5.0%</b>	<b>5.0%</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.

\* based on Tier 1 for 2024

# Alt 4: Low Sales, cut Cons, 5/5 & Inc Ptax

1.34 MAF / 0.0100% Ptax Rate / Conservation \$17M/\$5M/\$5M



\* Revenue Remainder and Water Rate Stabilization Fund

\*\* Includes water sales, exchanges and wheeling

<b>Overall Rate Inc.</b>	5%	5%	5.0%	5.0%	12.0%	11.0%	6.0%	5.0%	4.0%	4.0%	4.0%	4.0%
<b>Ptax Rate</b>	.0035%	.0035%	.0100%	.0100%	.0100%	.0100%	.0100%	.0100%	.0100%	.0100%	.0100%	.0100%
<b>Water Transactions (MAF)**</b>	1.42	1.17	1.34	1.34	1.34	1.35	1.35	1.36	1.37	1.39	1.41	1.43
<b>Rev. Bond Cvg</b>	1.5	1.1	1.8	1.9	1.7	1.8	1.8	1.7	1.7	1.6	1.7	1.7
<b>CIP, \$M</b>	247	353	312	324	1,390	1,684	2,171	1,966	1,544	1,091	655	502
<b>PAYGO, \$M</b>	135	\$35	\$175	\$175	\$175	\$250	\$275	\$275	\$250	\$225	\$200	\$200

# Alt 4: Low Sales, cut Cons, 5/5 & Inc Ptax

1.34 MAF / 0.0100% Ptax Rate / Conservation \$17M/\$5M/\$5M

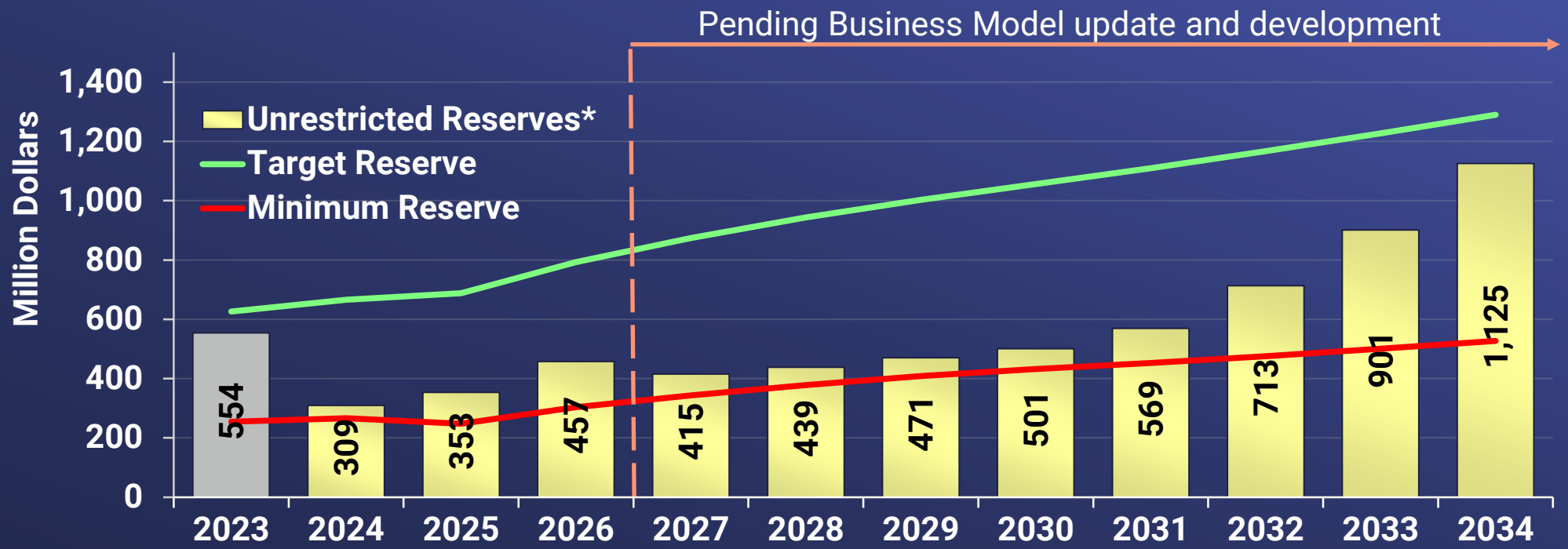
Rates & Charges Effective January 1st	Current 2024	Proposed 2025	Proposed 2026	Alt 4 2025	Alt 4 2026	Alt 4 2025	Alt 4 2026
						vs Proposed 2025	vs Proposed 2026
Supply Rate (\$/AF)	\$332*	\$353	\$375	\$322	\$318	(\$31)	(\$57)
System Access Rate (\$/AF)	\$389	\$463	\$491	\$433	\$450	(\$30)	(\$41)
System Power Rate (\$/AF)	\$182	\$190	\$203	\$128	\$143	(\$62)	(\$60)
Treatment Surcharge (\$/AF)	\$353	\$459	\$518	\$486	\$537	\$27	\$19
<b>Full Service Untreated (\$/AF)</b>	<b>\$903</b>	<b>\$1,006</b>	<b>\$1,069</b>	<b>\$883</b>	<b>\$911</b>	<b>(\$123)</b>	<b>(\$158)</b>
<b>Full Service Treated (\$/AF)</b>	<b>\$1,256</b>	<b>\$1,465</b>	<b>\$1,587</b>	<b>\$1,369</b>	<b>\$1,448</b>	<b>(\$96)</b>	<b>(\$139)</b>
RTS Charge (\$M)	\$167	\$167	\$185	\$173	\$177	\$6	(\$8)
Capacity Charge (\$/cfs)	\$11,200	\$10,800	\$12,800	\$12,700	\$13,900	\$1,900	\$1,100
<b>Overall Rate Increase</b>		<b>13.0%</b>	<b>8.0%</b>	<b>5.0%</b>	<b>5.0%</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.

\* based on Tier 1 for 2024

# Alt 5a: New Revenue & Cut O&M

1.44 MAF / 0.0055% Ptax Rate / \$60M New Rev / \$7M O&M Cut



\* Revenue Remainder and Water Rate Stabilization Fund  
 \*\* Includes water sales, exchanges and wheeling

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>Overall Rate Inc.</b>	5%	5%	7.0%	7.0%	13.0%	9.0%	5.0%	5.0%	5.0%	4.0%	4.0%	4.0%
<b>Ptax Rate</b>	.0035%	.0035%	.0055%	.0055%	.0055%	.0055%	.0055%	.0055%	.0055%	.0055%	.0055%	.0055%
<b>Water Transactions (MAF)**</b>	1.42	1.17	1.44	1.44	1.44	1.45	1.45	1.46	1.47	1.49	1.51	1.53
<b>Rev. Bond Cvg</b>	1.5	1.1	1.8	1.9	1.6	1.8	1.8	1.7	1.7	1.7	1.7	1.7
<b>CIP, \$M</b>	247	353	312	324	1,390	1,684	2,171	1,966	1,544	1,091	655	502
<b>PAYGO, \$M</b>	135	\$35	\$175	\$175	\$175	\$250	\$275	\$275	\$250	\$225	\$200	\$200



# Alt 5a: New Revenue & Cut O&M

1.44 MAF / 0.0055% Ptax Rate / \$60M New Rev / \$7M O&M Cut

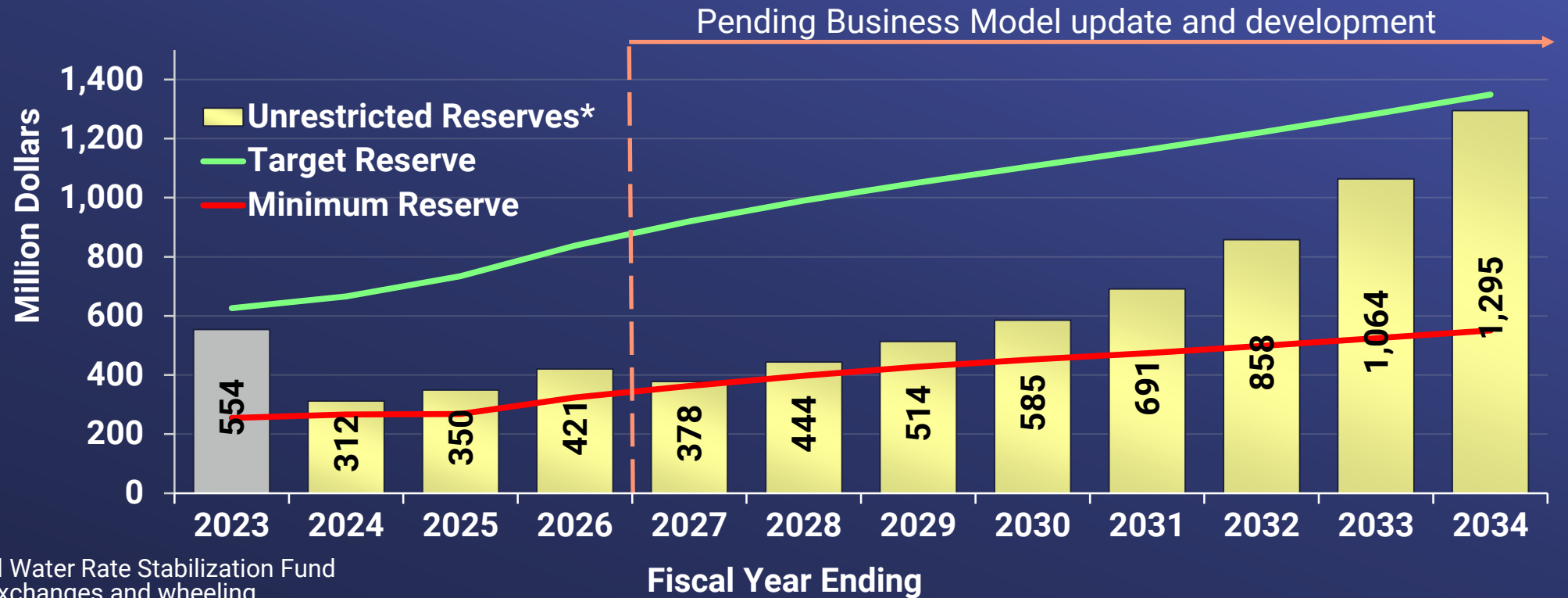
Rates & Charges Effective January 1st	Current 2024	Proposed 2025	Proposed 2026	Alt 5a		Alt 5a 2025 vs Proposed 2025	Alt 5a 2026 vs Proposed 2026
				2025	2026		
Supply Rate (\$/AF)	\$332*	\$353	\$375	\$280	\$298	(\$73)	(\$77)
System Access Rate (\$/AF)	\$389	\$463	\$491	\$453	\$477	(\$10)	(\$14)
System Power Rate (\$/AF)	\$182	\$190	\$203	\$171	\$188	(\$19)	(\$15)
Treatment Surcharge (\$/AF)	\$353	\$459	\$518	\$475	\$526	\$16	\$8
<b>Full Service Untreated (\$/AF)</b>	<b>\$903</b>	<b>\$1,006</b>	<b>\$1,069</b>	<b>\$904</b>	<b>\$963</b>	<b>(\$102)</b>	<b>(\$106)</b>
<b>Full Service Treated (\$/AF)</b>	<b>\$1,256</b>	<b>\$1,465</b>	<b>\$1,587</b>	<b>\$1,379</b>	<b>\$1,489</b>	<b>(\$86)</b>	<b>(\$98)</b>
RTS Charge (\$M)	\$167	\$167	\$185	\$179	\$184	\$12	(\$1)
Capacity Charge (\$/cfs)	\$11,200	\$10,800	\$12,800	\$11,900	\$13,100	\$1,100	\$300
<b>Overall Rate Increase</b>		<b>13.0%</b>	<b>8.0%</b>	<b>7.0%</b>	<b>7.0%</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.

\* based on Tier 1 for 2024

# Alt 5b: New Revenue & Cut O&M

1.44 MAF / 0.0035% Ptax Rate / \$60M New Rev / \$18M O&M Cut



\* Revenue Remainder and Water Rate Stabilization Fund

\*\* Includes water sales, exchanges and wheeling

<b>Overall Rate Inc.</b>	5%	5%	8.5%	8.5%	16.0%	8.0%	5.0%	5.0%	4.0%	4.0%	4.0%	4.0%
<b>Ptax Rate</b>	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%
<b>Water Transactions (MAF)**</b>	1.42	1.17	1.44	1.44	1.44	1.45	1.45	1.46	1.47	1.49	1.51	1.53
<b>Rev. Bond Cvg</b>	1.5	1.1	1.6	1.8	1.6	1.9	1.9	1.8	1.8	1.7	1.7	1.7
<b>CIP, \$M</b>	247	353	312	324	1,390	1,684	2,171	1,966	1,544	1,091	655	502
<b>PAYGO, \$M</b>	135	\$35	\$125	\$175	\$175	\$250	\$275	\$275	\$250	\$225	\$200	\$200

# Alt 5b: New Revenue & Cut O&M

1.44 MAF / 0.0035% Ptax Rate / \$60M New Rev / \$18M O&M Cut

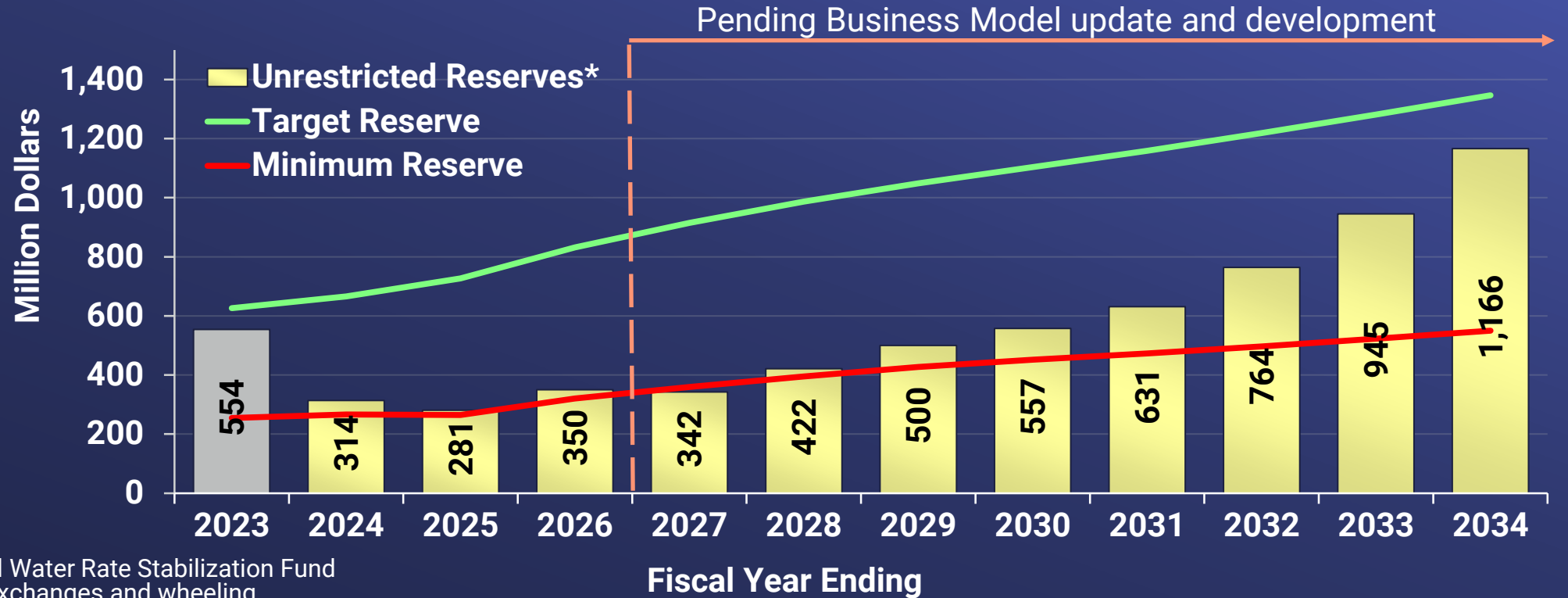
Rates & Charges Effective January 1st	Current 2024	Proposed 2025	Proposed 2026	Alt 5b 2025	Alt 5b 2026	Alt 5b 2025 vs Proposed 2025	Alt 5b 2026 vs Proposed 2026
Supply Rate (\$/AF)	\$332*	\$353	\$375	\$291	\$312	(\$62)	(\$63)
System Access Rate (\$/AF)	\$389	\$463	\$491	\$462	\$490	(\$1)	(\$1)
System Power Rate (\$/AF)	\$182	\$190	\$203	\$191	\$205	\$1	\$2
Treatment Surcharge (\$/AF)	\$353	\$459	\$518	\$455	\$515	(\$4)	(\$3)
<b>Full Service Untreated (\$/AF)</b>	<b>\$903</b>	<b>\$1,006</b>	<b>\$1,069</b>	<b>\$944</b>	<b>\$1,007</b>	<b>(\$62)</b>	<b>(\$62)</b>
<b>Full Service Treated (\$/AF)</b>	<b>\$1,256</b>	<b>\$1,465</b>	<b>\$1,587</b>	<b>\$1,399</b>	<b>\$1,522</b>	<b>(\$66)</b>	<b>(\$65)</b>
RTS Charge (\$M)	\$167	\$167	\$185	\$168	\$186	\$1	\$1
Capacity Charge (\$/cfs)	\$11,200	\$10,800	\$12,800	\$10,800	\$13,000	\$0	\$200
<b>Overall Rate Increase</b>		<b>13.0%</b>	<b>8.0%</b>	<b>8.5%</b>	<b>8.5%</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.

\* based on Tier 1 for 2024

# Alt 6: Low Sales, New Rev. & Cut O&M

1.34 MAF / 0.035% Ptax Rate / \$60M New Rev / \$18M O&M Cut



\* Revenue Remainder and Water Rate Stabilization Fund

\*\* Includes water sales, exchanges and wheeling

<b>Overall Rate Inc.</b>	5%	5%	13.0%	13.0%	14.0%	8.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
<b>Ptax Rate</b>	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%	.0035%
<b>Water Transactions (MAF)**</b>	1.42	1.17	1.34	1.34	1.34	1.35	1.35	1.36	1.37	1.39	1.41	1.43
<b>Rev. Bond Cvg</b>	1.5	1.1	1.4	1.8	1.7	2.0	1.9	1.8	1.7	1.6	1.7	1.7
<b>CIP, \$M</b>	247	353	312	324	1,390	1,684	2,171	1,966	1,544	1,091	655	502
<b>PAYGO, \$M</b>	135	\$35	\$125	\$175	\$175	\$250	\$275	\$275	\$250	\$225	\$200	\$200

# Alt 6: Low Sales, New Rev. & Cut O&M

1.34 MAF / 0.035% Ptax Rate / \$60M New Rev / \$18M O&M Cut

Rates & Charges Effective January 1st	Current 2024	Proposed 2025	Proposed 2026	Alt 6		Alt 6 2025	Alt 6 2026
				2025	2026	vs Proposed 2025	vs Proposed 2026
Supply Rate (\$/AF)	\$332*	\$353	\$375	\$314	\$352	(\$39)	(\$23)
System Access Rate (\$/AF)	\$389	\$463	\$491	\$486	\$535	\$23	\$44
System Power Rate (\$/AF)	\$182	\$190	\$203	\$193	\$216	\$3	\$13
Treatment Surcharge (\$/AF)	\$353	\$459	\$518	\$461	\$544	\$2	\$26
<b>Full Service Untreated (\$/AF)</b>	<b>\$903</b>	<b>\$1,006</b>	<b>\$1,069</b>	<b>\$993</b>	<b>\$1,103</b>	<b>(\$13)</b>	<b>\$34</b>
<b>Full Service Treated (\$/AF)</b>	<b>\$1,256</b>	<b>\$1,465</b>	<b>\$1,587</b>	<b>\$1,454</b>	<b>\$1,647</b>	<b>(\$11)</b>	<b>\$60</b>
RTS Charge (\$M)	\$167	\$167	\$185	\$170	\$196	\$3	\$11
Capacity Charge (\$/cfs)	\$11,200	\$10,800	\$12,800	\$11,700	\$14,500	\$900	\$1,700
<b>Overall Rate Increase</b>		<b>13.0%</b>	<b>8.0%</b>	<b>13.0%</b>	<b>13.0%</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.

\* based on Tier 1 for 2024

# Impacts of O&M reductions



# Departmental O&M \$18M Reduction

## Budget Reduction Summary – By Account Category

Account Category	FY25	FY26
Labor (OT, Temp)	\$ (3,868,797)	\$ (3,558,981)
Professional Services	(4,880,616)	(5,316,802)
Non-Professional Services	(1,187,890)	(1,221,220)
Subsidies & Incentives	(309,600)	(319,720)
Materials and Supplies	(3,568,849)	(3,537,039)
Repairs and Maintenance	(753,610)	(751,957)
Utilities	(865,163)	(925,432)
Travel	(446,599)	(373,490)
Communications	(15,000)	(15,000)
Rent & Leases	(112,680)	(103,569)
Memberships and Subscriptions	(447,092)	(443,092)
Community Outreach	(304,166)	(310,242)
Sponsorships	(210,000)	(210,000)
Training	(175,755)	(108,755)
Conferences and non-specific training	(21,100)	(20,100)
Taxes & Permits	(363,600)	(334,800)
Other Expenses	(6,220)	(6,348)
Operating Equipment	(19,000)	(19,000)
<b>Total</b>	<b>\$ (17,555,737)</b>	<b>\$ (17,575,547)</b>

- Staff worked on identifying lowest operational impact budget reductions
- \$17.6M identified as potential reductions for both FY25 and FY26
- Highest areas of reductions are:
  - Professional Services
  - Labor (OT, Temp)
  - Materials and Supplies
  - Non-Professional Services
  - Repairs and Maintenance

# Departmental O&M \$18M Reduction

## Budget Reduction Summary – By Group

Account Category	FY25	FY26
General Manager's Office	\$ (37,202)	\$ (35,762)
External Affairs	(688,472)	(690,788)
Finance and Administration	(1,224,916)	(1,232,448)
Engineering Services	(1,470,700)	(1,437,300)
Information Technology	(1,647,280)	(1,678,827)
Water Resource Management	(746,965)	(743,165)
Human Resources	(497,840)	(510,258)
Bay Delta Initiatives	(372,177)	(363,995)
Office of Sustainability Resilience & Innovation	(675,873)	(691,611)
Equal Employment Opportunity Office	(93,442)	(98,280)
Office of Diversity Equity & Inclusion	(122,666)	(125,482)
Office of Safety Security and Protection	(814,920)	(805,420)
Conveyance and Distribution	(2,350,510)	(2,364,436)
Treatment and Water Quality	(3,238,352)	(3,248,352)
Integrated Operations Planning and Support Services	(3,502,422)	(3,477,422)
Board of Directors	(72,000)	(72,000)
<b>Total</b>	<b>\$ (17,555,737)</b>	<b>\$ (17,575,547)</b>

- \$17.6M identified as potential reductions for both FY25 and FY26
- Groups with highest reductions:
  - Integrated Operations Planning and Support Services
  - Treatment and Water Quality
  - Conveyance and Distribution
  - Information Technology
  - Engineering Services
  - Finance and Administration
  - Office of Safety Security and Protection

# Departmental O&M \$18M Reduction - Impacts

## Operations: Conveyance & Distribution, Treatment and Water Quality, and Integrated Operations Planning and Support Services

- Professional Services:
  - Reduced professional services for asset management, NERC compliance audit, and key study of impacts of connecting new renewable energy projects to Metropolitan's system
  - Reduced complement of water quality co-op students impacting non-compliance lab analyses, reduced consulting and contract lab services for PWSC and potential delays for program
- Materials and Supplies:
  - Reduced water treatment chemical usage to minimum required
  - Increased risk of adverse water quality, and potential for variance if chemical vendor costs go up or severe water quality events occur
  - Reduced chemical usage for CRA elevation control; reduced inventory of spare parts, materials and supplies
  - Reduced inventory of materials and supplies to support prompt hydro generation plant and system repairs/maintenance

# Departmental O&M \$18M Reduction - Impacts

## Operations: Conveyance & Distribution, Treatment and Water Quality, and Integrated Operations Planning and Support Services (cont.)

- Labor (OT and Temp):
  - Reduced Desert District Temp labor which will impact maintenance and guest services provided by this supplemental labor; changes based on assumed reduction in director inspection trips
  - Reduced temporary labor and overtime used for critical maintenance as well as machine shop work for Metropolitan, DWR and member agencies
  - Reduction in overtime for desert staff leading to reduction of maintenance to facilities/equipment
- Non-Professional Services: Discontinue CalFire contracts by mutual agreement due to lack of available crews. Deferred water quality analytical equipment maintenance and repairs, potentially impacting all laboratory analyses
- Repairs and Maintenance: Reductions would lead to longer response times for system or facility repair needs, reduced maintenance intervals of water treatment plant equipment and systems
- Apprenticeship Program: Assuming a 6-month delay for 2 classes in both years of biennium which could impact the timing of succession planning

# Departmental O&M \$18M Reduction - Impacts

## Information Technology

- Professional Services:
  - Planned increases in cybersecurity services for the Cybersecurity Operations Center would be deferred including active monitoring on weekends and holidays, as well as increased capabilities for threat intelligence, policy enforcement, network security, and incident coordination
- Labor (OT and Temp): Some key IT tasks and initiatives may not have staff to support them and may have to be deferred

## Engineering Services Group

- Professional Services:
  - Deferral of Facility Planning efforts will delay technical support to the CAMP4W process, Climate Action Plan, and Metropolitan's Asset Management program
  - Deferral of the Center for Smart Infrastructure effort will delay innovation and hold us back from utilizing alternative technologies that may be more cost-effective and provide more efficiency for Metropolitan's future business model



# Departmental O&M \$18M Reduction - Impacts

## Finance and Administration

- Professional Services:
  - Would reduce use of third-party industry experts for potential support for rate structure refinements resulting from the CAMP4W and business model review
  - Reduction of the Municipal Advisory Services budget would limit support for certain financial planning tasks
  - Will affect the administration of the MOU bargained for District-wide Rideshare program by eliminating the development of a new database
- Labor (OT and Temp):
  - Reduction in Controller's District Temp position would delay processing of vendor invoices and employee/board expense reimbursements. Delay in vendor payments could cause withholding of services/materials by vendor
  - Reduction of temporary position would reduce efforts in budgeting and reporting activities
  - Warehouse and Inventory Teams without sufficient staff levels to maintain operations, and risks loss to inventory, internal controls and unreliable cycle count data



# Departmental O&M \$18M Reduction - Impacts

## Office of Safety, Security and Protection

- Non-Professional Services:
  - Reducing ability to dispatch/backfill MWD security posts due to no-shows, emergency maintenance/shutdowns, lose additional security patrols Inland Empire area WSO unattended sites during non-dedicated time slots
  - Lose dedicated once/day routine security check of 13 unattended remote sites. Lose once/day security check of Weymouth WTP, Skinner WTP, Mills WTP, Diemer WTP
  - Reduced ability to rapidly respond 24/7 to unique emergency situations that could interrupt operations (rapid body recovery & decontamination in pipelines during shutdown, industrial fatalities, human waste/blood cleanup in/around occupied facilities, mass shooter cleanup, etc.
- Utilities:
  - Reduce hazardous waste vendor budget which will result in reduced support for day-to-day hazardous waste functions, and specifically for tank cleanouts, secondary containment cleaning, CRA housing disposal costs

# Departmental O&M \$18M Reduction - Impacts

## Water Resource Management

- Professional Services:
  - Reduction of desert studies related to innovative ag efficiency, support of the CR Plan, and the expansion of soil moisture studies which results in fewer audits of the LRP
  - Reducing funding for economic studies (AN Tech), P2P studies (Arcadis, ISLE, WaterStart), and resource/integration studies. This reduces staff capacities to support local supply development and CAMP4W while impeding the development of innovation that can help resource development
- Membership and Subscriptions: Reduced spending on Delta Conveyance Project
- Sponsorships: Reduction in sponsorship to: Alliance for Water Use Efficiency (AWE) and California Water Efficiency Partnership (CALWEP). Removed sponsorship for the California Resilience Challenge (CRC)

## Equal Employee Opportunity Office

- Professional Services: This reduction cuts into our external investigations and external legal counsel ability to continue the ongoing investigations and pick up new cases in FY25 and FY26

# Departmental O&M \$18M Reduction - Impacts

## External Affairs

- Professional Services:
  - Reduce funding for most legislative/policy consultants managed by this section (w/no impact to lobbyist contracts in Sacramento or Washington, DC)
  - Will only maintain sufficient funding to complete current legislative/policy contracts within the local/regional arm of the section into FY2024/25
- Travel: This reduction would allow for 7 strategic trips per year for the Chair or General Manager. There would be no Director inspection trips of the CRA and SWP, but this budget would allow for one local trip per Director each year
- Community Outreach: This reduction will allow for a reassessment of strategic sponsorships to identify those organizations and initiatives that are currently most aligned with Metropolitan's mission

## Human Resources

- Professional Services: Reduction would eliminate Employee Appreciation Events in 2025 and 2026
- Non-Professional Services: HR will not be able to host Management Forum

# Departmental O&M \$18M Reduction - Impacts

## Bay Delta Initiatives

- Professional Services:
  - Reducing scientific and technical studies in the upcoming budget years would be detrimental as we rely on highly technical and specialized interests to help inform our knowledge and make improvements to the Bay Delta region
- Labor (OT and Temp): Reducing temporary labor would impact processing times for Bay-Delta administrative processes such as contracts administration, supporting legislative bill reviews, travel requests and processing of reimbursements to employees

## Office of Diversity Equity & Inclusion

- Professional Services: Reductions will result in breaching our contractual obligations with vendors and backtracking on commitments we made to the Board in advancing our DEI strategic plan. We will be unable to provide behavioral based training to 1,800 employees at Met
- Community Outreach: Reductions to this line item will limit our workforce development efforts and will impact our ability to secure grants needed to advance this work

# Next Steps

- Feb 12, 2024 FAIRP Committee, Proposed 2024/25 and 2025/26 biennial budget; CIP; proposed water rates and charges for calendar years 2025 and 2026; ten-year forecast; and Cost of Service Report (Workshop #1)
- Feb 27, 2024 Board of Directors Workshop #2
- Mar 12, 2024 FAM Committee, Workshop #3
- Mar 12, 2024 Public hearing on proposed rates and charges
- Mar 26, 2024 Board of Directors Workshop #4
- April 9, 2024 FAM Committee, Recommend Biennial Budget and Calendar Year rates and charges
- April 9, 2024 Board **action** regarding biennial budget and Calendar Year rates and charges
- May 13, 2024 Board **action** regarding continuation of Standby Charge for FY 2024/25
- August 20, 2024 Board **action** regarding fixing ad valorem property taxes for FY 2024/25

# Questions?

Questions and comments on the FY 2024/25 & FY 2025/26 Proposed Budget can be e-mailed to the Finance & Administration Group at:

[MWDBudget@mwdh2o.com](mailto:MWDBudget@mwdh2o.com)



