

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.

FAAME Committee

C. Miller, Chair
D. Alvarez, VC Budget
G. Bryant
R. Crane
B. Dennstedt
L. Fong-Sakai
J. McMillan
P. Paule
M. Petersen
B. Pressman
T. Quinn
K. Seckel

Finance, Affordability, Asset Management, and Efficiency Committee

Meeting with Board of Directors *

March 10, 2026

8:30 a.m.

**Tuesday, March 10, 2026
Meeting Schedule**

**08:30 a.m. FAAME
11:30 a.m. BREAK
12:00 p.m. LEGAL
02:00 p.m. BOD**

Written public comments received by 3:00 p.m. the business day before the meeting is scheduled will be posted under the Submitted Items and Responses tab available here:
<https://mwdh2o.legistar.com/Legislation.aspx>.

The listen-only phone line is available at 1-877-853-5257; enter meeting ID: 873 4767 0235.

Members of the public may present their comments to the Board on matters within their jurisdiction as listed on the agenda teleconference and in-person. To provide public comment by teleconference dial 1-833-548-0276 and enter meeting ID: 876 9484 9772 or to join by computer [click here](#).

Disclaimer: Written and oral public comments are received in compliance with the Ralph M. Brown Act. Please note that Metropolitan does not endorse or ensure the accuracy or reliability of the information provided as public comment or by third parties.

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

Teleconference Locations:

3008 W. 82nd Place • Inglewood, CA 90305

11973 Fuerte Drive • El Cajon, CA 92020

Scripps Institution of Oceanography • MESOM 208 • 8885 Biological Grade • La Jolla, CA 92037

* The Metropolitan Water District's meeting of this Committee is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to this Committee may participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the committee as advisory to the Board, members of the Board who are not assigned to this Committee will not vote on matters before this Committee.

1. Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))

**** CONSENT CALENDAR ****

2. COMMITTEE ACTION (ONLY)

- A. Approval of the Minutes of the Finance, Affordability, Asset Management, and Efficiency Committee Meeting of February 10, 2026 [21-5477](#)

Attachments: [03102026 FAAME 2A \(02102026\) Minutes](#)

3. COMMITTEE ITEMS (FOR BOARD CONSIDERATION)

NONE

**** END OF CONSENT CALENDAR ****

4. COMMITTEE ITEMS (ACTION FOR BOARD CONSIDERATION)

NONE

5. COMMITTEE ITEMS (INFORMATIONAL FOR BOARD CONSIDERATION)

NONE

6. COMMITTEE ITEMS (INFORMATIONAL)

- a. Quarterly Financial Report [21-5478](#)

Attachments: [03102026 FAAME 6a CL](#)

7. MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS

- a. Finance, Affordability, Asset Management, and Efficiency activities [21-5516](#)

8. BOARD WORKSHOP ITEMS

- a. 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 3) [21-5503](#)

9. FOLLOW-UP ITEMS

NONE

10. FUTURE AGENDA ITEMS

11. ADJOURNMENT

NOTE: This committee reviews items and makes a recommendation for final action to the full Board of Directors. Final action will be taken by the Board of Directors. Committee agendas may be obtained on Metropolitan's Web site <https://mwdh2o.legistar.com/Calendar.aspx>. This committee will not take any final action that is binding on the Board, even when a quorum of the Board is present.

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site <https://mwdh2o.legistar.com/Calendar.aspx>.

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.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

**FINANCE, AFFORDABILITY, ASSET MANAGEMENT, AND EFFICIENCY
COMMITTEE**

February 10, 2026

Chair Miller called the meeting to order at 8:30 a.m.

Members present: Directors Alvarez, Bryant, Crane, Dennstedt, Fong-Sakai, McMillan (entered after rollcall), Miller, Paule, Pressman (entered after rollcall), Quinn (entered after rollcall) and Seckel.

Members absent: Director Petersen.

Other Members present: Ackerman, Camacho, De Jesus, Denham, Erdman, Faessel, Fellow, Garza, Gray, Jay, Kurtz, Lewitt, Shepherd Romey, and Sutley.

Committee Staff present: Beatty, Benson, Crosson, Deshmukh, Hudson, Kasaine, Ros, and Rubin.

**1. OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO ADDRESS THE
COMMITTEE ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION**

None

CONSENT CALENDAR ITEMS – ACTION

2. COMMITTEE ACTION (ONLY)

- A. Subject: Approval of the Minutes of the Finance and Asset Management Committee Meeting for December 9, 2025

3. COMMITTEE ITEMS (FOR BOARD CONSIDERATION)

7-2 Subject: Review and consider the Mitigated Negative Declaration adopted by the Lead Agency for the project, and authorize the General Manager to grant a non-exclusive permanent easement to West Valley Water District for access purposes on Metropolitan fee-owned property in the city of Fontana and identified as County of San Bernardino Assessor Parcel Number 1107-262-16

 Motion: Review and consider the Mitigated Negative Declaration adopted by the Lead Agency for the project, and authorize the General Manager to grant a non-exclusive permanent easement to West Valley Water District for access purposes on Metropolitan fee-owned property in the city of Fontana and identified as County of San Bernardino Assessor Parcel Number 1107-262-16.

No Presentation was requested.

7-3 Subject: Set a public hearing on March 10, 2026, regarding the proposed water rates and charges for calendar years 2027 and 2028 necessary to meet the revenue requirements for fiscal years 2026/27 and 2027/28; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

 Motion: Set a public hearing on March 10, 2026, regarding the proposed water rates and charges for calendar years 2027 and 2028 necessary to meet the revenue requirements for fiscal years 2026/27 and 2027/28.

No Presentation was requested.

The following Director provided comments or asked questions:

1. Fong-Sakai

Director Fong-Sakai requested that Option 1 be amended to reflect the August 18, 2026, date for the future Board action regarding fixing the ad valorem property tax for FY 2026/27.

Staff responded to the Director's comments and questions.

Director Seckel made a motion, seconded by Director Fong-Sakai, to approve the consent calendar consisting of items 2A, 7-2, and 7-3 as amended.

The vote was

Ayes: Directors Alvarez, Bryant, Crane, Dennstedt, Fong-Sakai, Miller, Paule, and Seckel.

Noes: None

Abstentions: None

Absent: Directors McMillan, Petersen, Pressman, and Quinn

The motion for items 2A,7-2, and 7-3 as amended passed by a vote of 8 ayes, 0 noes, 0 abstentions, and 4 absent.

Director Pressman entered the meeting.

END OF CONSENT CALENDAR ITEMS

4. COMMITTEE ITEMS (ACTION FOR BOARD CONSIDERATION)

None

5. COMMITTEE ITEMS (INFORMATION FOR BOARD CONSIDERATION)

a. Subject: Quarterly Investment Activities Report

Presented by: Christopher Harris, CFA, CAIA, Head of Portfolio Strategies - PFM Asset Management
Riddhima Hinduja, CFA, Senior Client Strategist- PFM Asset Management

Mr. Benson introduced the item and Ms. Hinduja provided a summary of key market and investment activities that impacted portfolio performance over the period ending December 31, 2025.

Director Quinn entered the meeting.

6. MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS

a. Subject: Finance, Affordability, Asset Management, and Efficiency activities

No report was given.

7. BOARD WORKSHOP ITEM

9-1 Subject: 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 1)

Presented by: Adam Benson, Group Manager-Finance & Administration
Arnout Van den Berg, Section Manager-Revenue & Budget
Mai Hattar, Group Manager-Engineering Services

General Manager Shivaji Deshmukh addressed the committee and provided an overview of the proposed budget. His comments included how the two-year budget relates to the CAMP4W process. He noted that further discussion and analysis with the Board will be required to address staffing, property tax revenues, infrastructure investment, and initial funding associated with the Pure Water Southern California project.

Ms. Kasaine introduced the item and presented the committee with an overview of the agenda and a summary of the strategic planning efforts.

Mr. Benson presented the committee with budget highlights and key budget drivers. His presentation included the baseline budget, incremental drivers, estimated overall rate increases, and financial policies and goals.

Mr. Van den Berg continued the presentation with an overview of the biennial budget highlights, including water demands and supplies. He presented the historical water transactions and forecast, historic and projected overall rate increases, proposed expenditures, revenue requirements, rates and charges, and treatment surcharge. Next, he provided a summary of property tax rates, expenditures, demand management, O&M budget, staffing, and the Pure Water Southern California project. Lastly, he provided an overview of the Ten-Year financial forecast, including projected rate increases and financial metrics, revenue trends, expenditure trends, and water rates and charges.

Ms. Hattar presented the committee with an overview of the capital investment plan (CIP), and proposed CIP budget. Her presentation included the complexity of Metropolitan's CIP, infrastructure, and the proposed repair and rehabilitation budget. Next, she provided an overview of the basis for the proposed CIP budget, major contracts underway and upcoming, and the focus of the ten-year CIP on reducing risk.

Lastly, Ms. Kasaine provided the next steps.

Director McMillan entered the meeting.

The following Directors provided comments or asked questions:

1. Quinn
2. Seckel
3. Crane
4. Miller
5. Sutley
6. Pressman
7. Paule
8. Kurtz
9. De Jesus
10. Dennstedt
11. Garza
12. Fong-Sakai
13. Erdman
14. Alvarez
15. Shepperd Romey

Staff responded to the Directors' comments and questions.

8. FOLLOW-UP ITEMS

Director Sutley requested additional information on bond coverage, reserve levels, property tax, and fixed revenues.

Director Miller requested additional information about water costs with and without the Pure Water project for the ten-year period.

Director Dennstedt requested more information on staffing.

Director Garza requested staff take a deeper dive on the subsidence line item during a future finance committee and would like staff to include what others are contributing to the subsidence issue.

Director Crane requested information on the fixed costs.

Director Alvarez requested staff take a deeper dive on our base budget and costs and what the 7.5% base rate increase will include.

9. FUTURE AGENDA ITEMS

None

10. ADJOURNMENT

The meeting adjourned at 11:36 a.m.

Marty Miller
Chair



Finance, Affordability, Asset Management, and Efficiency Committee

3/10/2026 Committee Meeting

6a

Subject

Quarterly Financial Report

Executive Summary

The quarterly financial report presents Metropolitan’s unaudited, cash-basis financial performance for the second quarter of fiscal year 2025/26 (July through December) and provides a projection of the year-end position, comparing key metrics against budgeted values.

Fiscal Impact

There are no fiscal impacts associated with this item.

Applicable Policy

Metropolitan Water District Administrative Code Section 5107: Biennial Budget Process

Related Board Action(s)/Future Action(s)

The Quarterly Financial Report will be provided in May 2026 for the third quarter of fiscal year 2025/26 (July through March).

Details and Background

Background

The quarterly financial report presents Metropolitan’s unaudited, cash-basis financial performance for the second quarter of fiscal year 2025/26 (July through December) and provides a projection of the year-end position, comparing key metrics against budgeted values. The report covers the following key areas:

- **Water Transactions:** Reports Metropolitan’s water sales, exchanges, and wheeling activities with member agencies (in thousand-acre feet) that are invoiced through December 2025 and the projected quantity for the remaining of the fiscal year. Water transactions fluctuate based on demand, weather conditions, and local supply availability. Revenues from water transactions represent the primary source of Metropolitan’s operating revenues.
- **Second Quarter Financial Results:** The financial results summarize year-end projections with the budget across major revenues and expenditure categories in the current fiscal year. The financial projections combine cash-basis actuals for billings collected and expenditures paid from July through December with forecasted revenues and expenditures for the balance of the fiscal year. Major revenue categories include revenues from water sales and exchanges, Readiness-to-Serve (RTS) and Capacity Charges, property tax revenues, investment income and other revenues. Major expenditure categories encompass State Water Contract (SWC) and Delta Conveyance costs, departmental operations and maintenance, the Colorado River Aqueduct (CRA) power costs, supply and demand management

programs costs, debt service, and PAYGO funding. In addition, the FY 2024/25 and FY 2025/26 Biennial Budget was adopted with an unidentified \$60 million per year in new revenues (\$120 million over the biennium). The quarter updates summarize what have been identified as possible revenue-generating items for the biennium, with actual for FY 2024/25 and estimated for FY 2025/26. The potential that these items may not materialize further underscores the importance of preserving Metropolitan's financial flexibility and unrestricted reserves.

- **Unrestricted Reserves:** Reserves provide flexibility to manage cash flows, support operations, and maintain compliance with Board financial policy requirements. The fiscal year began with an unrestricted reserves balance of approximately \$577 million (including \$126 million from Reverse Cyclic Program sales). The Quarterly Financial Report presents updated projections of year-end balances for the current fiscal year 2025/26, informed by second-quarter financial performance.

The Annual Comprehensive Financial Report for Fiscal Year 2024/25 is available on Metropolitan's website at <https://www.mwdh2o.com/budget-finance/financial-reports-documents/>

The Third Quarter Financial Review and Forecast for FY 2025/26 will be provided to the FAAME Committee in May 2026 (covering July 2025 through March 2026).


 _____ 2/19/2026
 Katano Kasaine Date
 Assistant General Manager/
 Chief Financial Officer


 _____ 2/19/2026
 Shivaji Deshmukh Date
 General Manager

Ref# cfo12704669