



Proposed Biennial Budget for FYs 2022/23 and 2023/24;
Proposed Water Rates and Charges for Calendar years 2023
and 2024; Overview of Rates and Charges; Ten-Year Forecast

Workshop #4

Finance & Insurance Committee

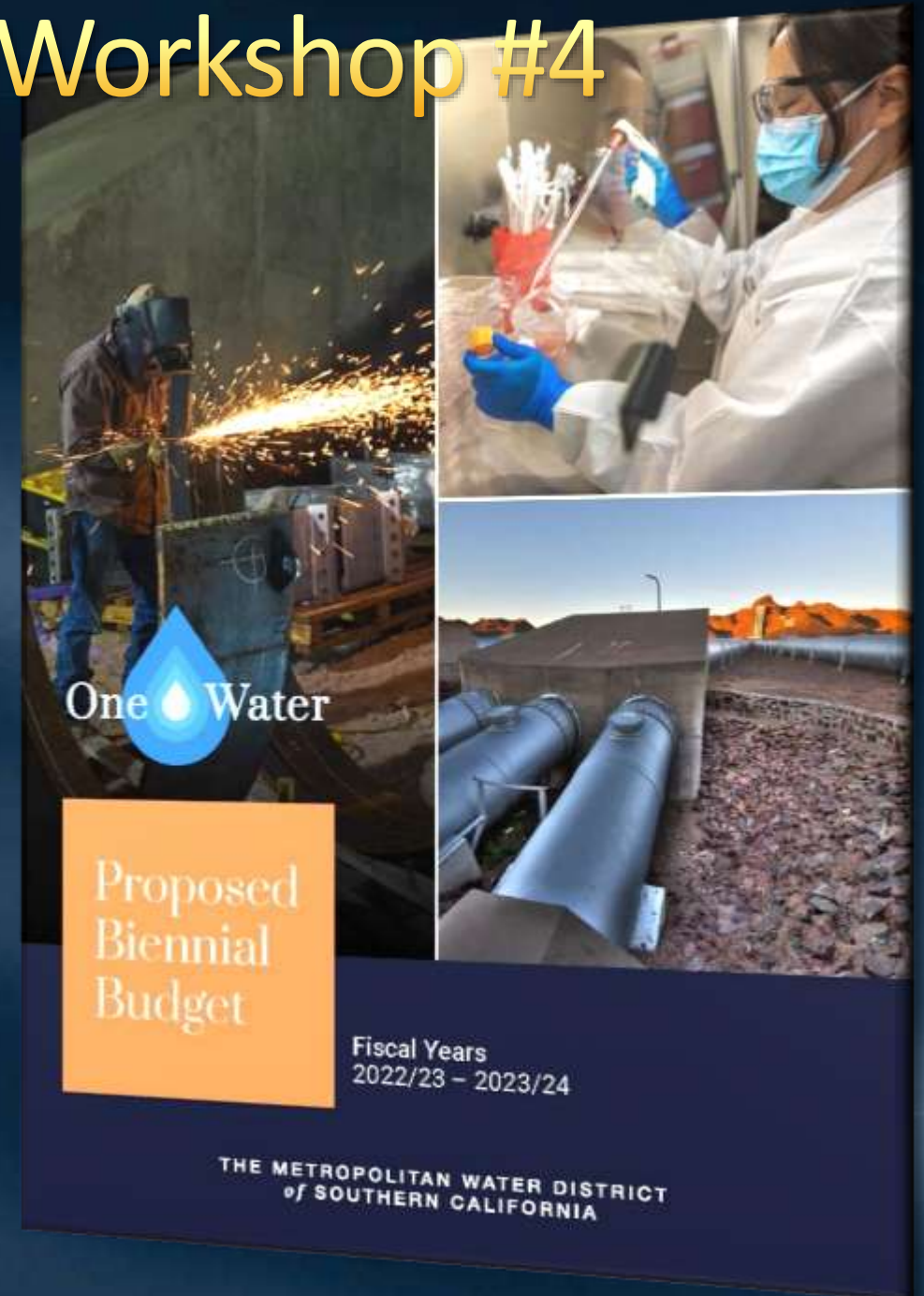
Item 2a

March 22, 2022

Proposed Biennial Budget - Workshop #4

Overview

- Updated Proposed Biennial Budget
- Lower water demands Scenario
- Other rate options
- Misc. follow-up from Workshop #3
- Next Steps
- Q&A



Updated Proposed Biennial Budget

Updated FY 2021/22 Revenues & Expenditures Estimate

	FY 2021/22 Budget	Estimate used in Feb	Current Estimate	Change from Feb
Water Transactions	1,475.9	1,475.9	1,475.9	-
RTS Charge	135.0	135.0	135.0	-
Capacity Charge	40.5	40.5	40.5	-
Taxes	140.1	140.1	158.1	18.0
Interest Income	18.1	18.1	4.5	(13.6)
Power Sales	21.9	21.9	7.7	(14.2)
Other	20.5	20.5	38.7	18.2
Total Revenues	1,851.9	1,851.9	1,860.3	8.4
State Water Contract (1)	654.4	654.4	564.1	(90.3)
Departmental O&M (2)	579.9	579.9	579.9	-
CRA Power	57.6	57.6	83.2	25.7
Supply Programs	61.2	61.2	114.8	53.6
Demand Management	52.5	52.5	47.0	(5.5)
Debt Service	307.0	307.0	287.0	(19.9)
PAYGO	135.0	135.0	135.0	-
SDCWA Litigation Payments (3)	-	-	24.0	24.0
Total Expenditures	1,847.5	1,847.5	1,835.0	(12.5)
Net Revenue	4.5	4.5	25.3	16.4
Increase in Required Reserves (4)	(49.9)	(56.8)	(52.6)	4.2
Withdraw from WSF	75.5	75.5	68.7	(6.8)
Change in Unrestricted Reserves	30.1	23.2	41.5	18.3

Cash basis, may not foot due to rounding

(1) includes Delta Planning Costs

(2) includes Regional Recycled Planning Costs

(3) portion drawn from unrestricted reserves, total SDCWA Litigation payments for FY2021/22 = \$50.5M

(4) includes deposit to Treatment Surcharge Stabilization Fund

Updated Budget Expenditures

\$37M lower SWP Power resulting from 15% SWP allocation for CY2022

Fiscal Year Ending	Budget 2022	Updated Proposed Biennial Budget		Increase from 2022 to 2024	
		2023	2024	\$M	%
State Water Contract Power	\$ 212.4	\$ 211.6	\$ 258.6	\$ 46.2	22%
Colorado River Aqueduct Power	57.6	105.9	85.6	28.0	49%
Departmental O&M	579.9	608.9	616.7	36.8	6%
State Water Contract OMP&R & Capital	417.0	440.1	468.2	51.2	12%
Supply Programs (1)	61.2	66.7	64.1	2.9	5%
Delta Conveyance Planning (2)	25.0	30.0	34.5	9.5	38%
Demand Management (1)	52.5	50.8	54.9	2.4	5%
PAYGO	135.0	135.0	135.0	-	0%
Debt Service	307.0	288.0	301.0	(6.0)	-2%
Sub-total Expenditures	\$1,847.5	\$1,937.0	\$2,018.6	\$171.1	9%

(1) cash funded portion

(2) net of CWF refund

Smoothed out application of \$34.5M CWF Refund

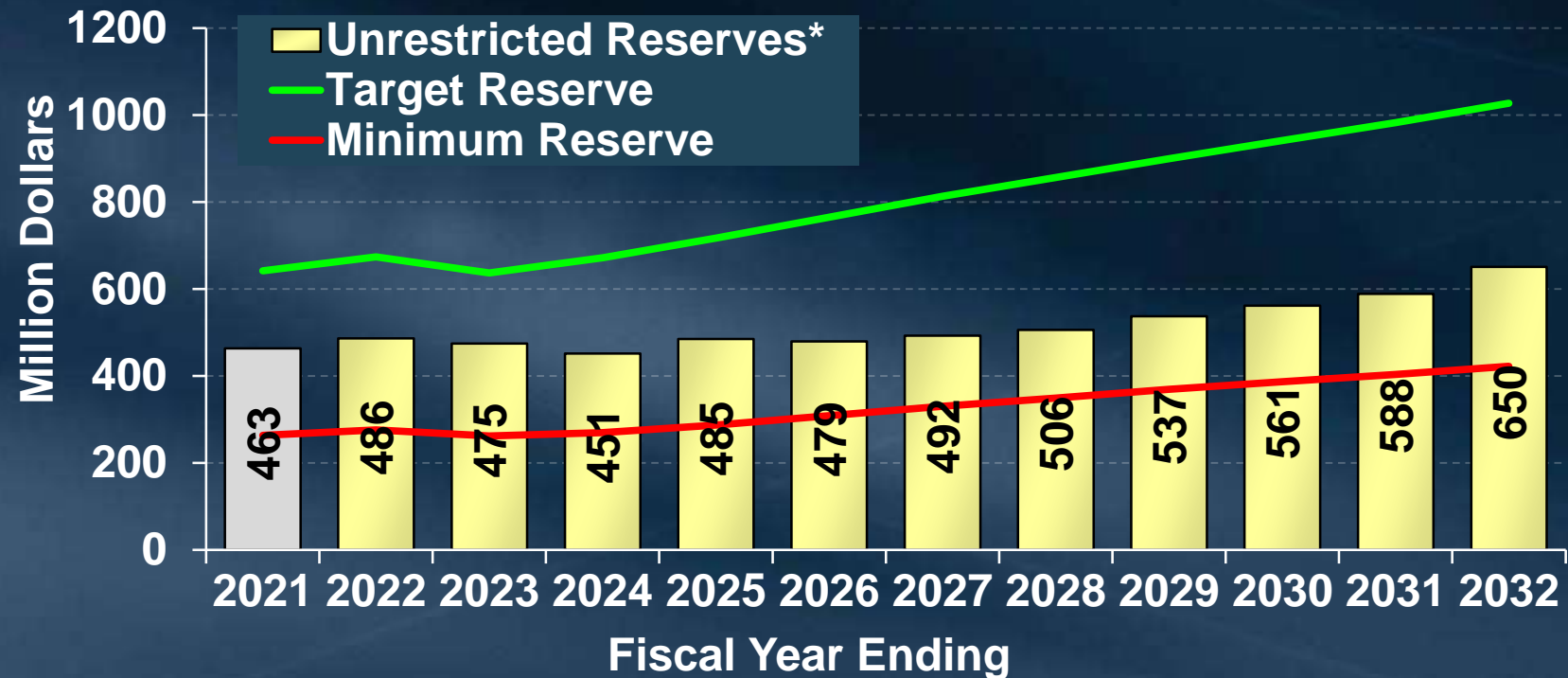
Water Rates and Charges

Option 1: Updated Proposed Biennial Budget

Rates & Charges Effective January 1st	2022	2023	% Increase (Decrease)	2024	% Increase (Decrease)
Tier 1 Supply Rate (\$/AF)	\$243	\$329	35%	\$355	8%
Tier 2 Supply Rate (\$/AF)	\$285	\$532	87%	\$540	2%
System Access Rate (\$/AF)	\$389	\$381	(2%)	\$412	8%
System Power Rate (\$/AF)	\$167	\$169	1%	\$190	12%
Treatment Surcharge (\$/AF)	\$344	\$367	7%	\$373	2%
Full Service Untreated Volumetric Cost (\$/AF)					
Tier 1	\$799	\$879	10%	\$957	9%
Tier 2	\$841	\$1,082	29%	\$1,142	6%
Full Service Treated Volumetric Cost (\$/AF)					
Tier 1	\$1,143	\$1,246	9%	\$1,330	7%
Tier 2	\$1,185	\$1,449	22%	\$1,515	5%
RTS Charge (\$M)	\$140	\$157	12%	\$175	11%
Capacity Charge (\$/cfs)	\$12,200	\$10,800	(11%)	\$11,800	9%
Overall Rate Increase			8.0%		8.0%

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.

Proposed Biennial Budget (from February)

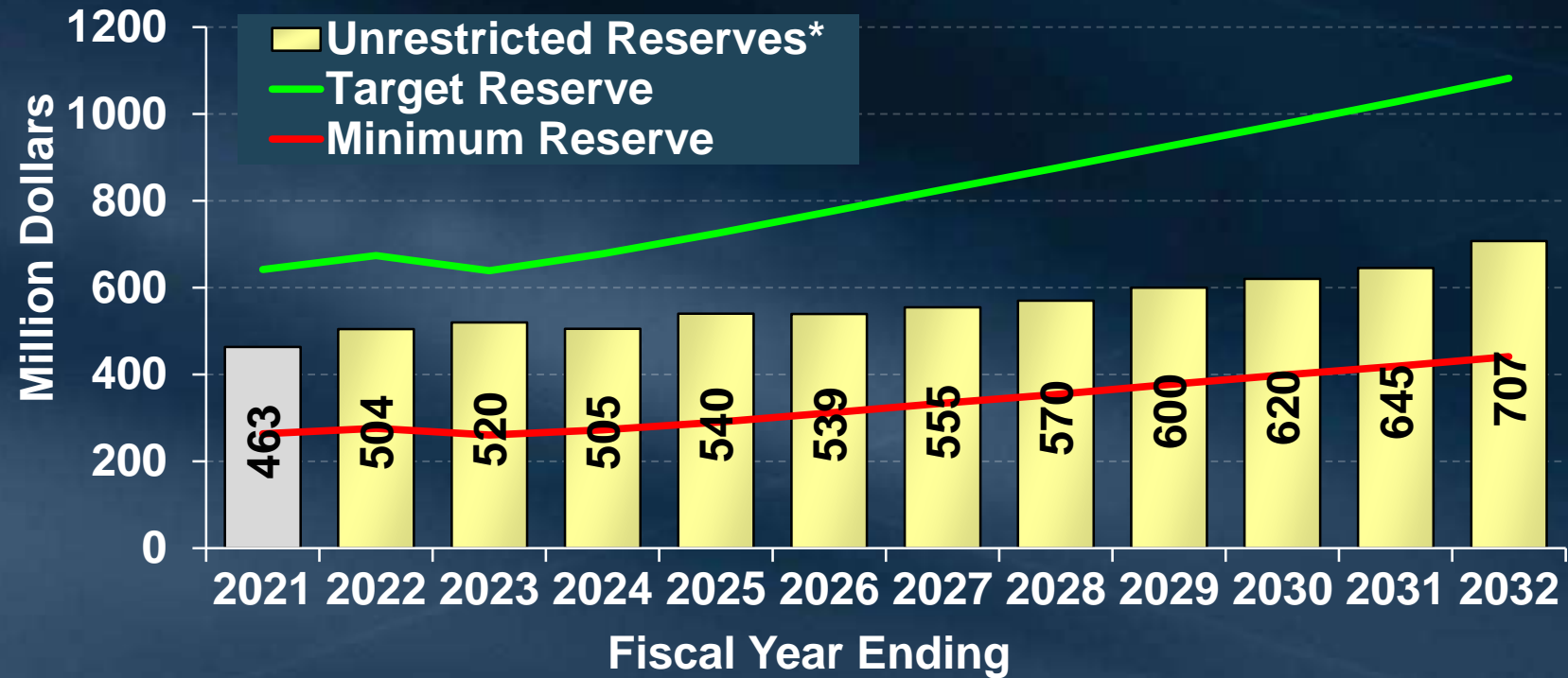


Overall Rate Inc.	3.0%	4.0%	8.0%	8.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Water Transactions (MAF)**	1.52	1.60	1.59	1.54	1.54	1.51	1.53	1.53	1.54	1.55	1.55	1.57
Rev. Bond Cvg	2.0	1.5	1.4	1.4	1.8	1.7	1.8	1.7	1.7	1.7	1.8	1.7
Fixed Chg Cvg	2.0	1.5	1.4	1.4	1.8	1.7	1.8	1.7	1.7	1.7	1.7	1.6
PAYGO, \$M	110	135	135	135	175	175	175	175	200	200	200	200

* Revenue Remainder and Water Rate Stabilization Fund

** Includes water sales, exchanges and wheeling

Option 1: Updated Proposed Biennial Budget

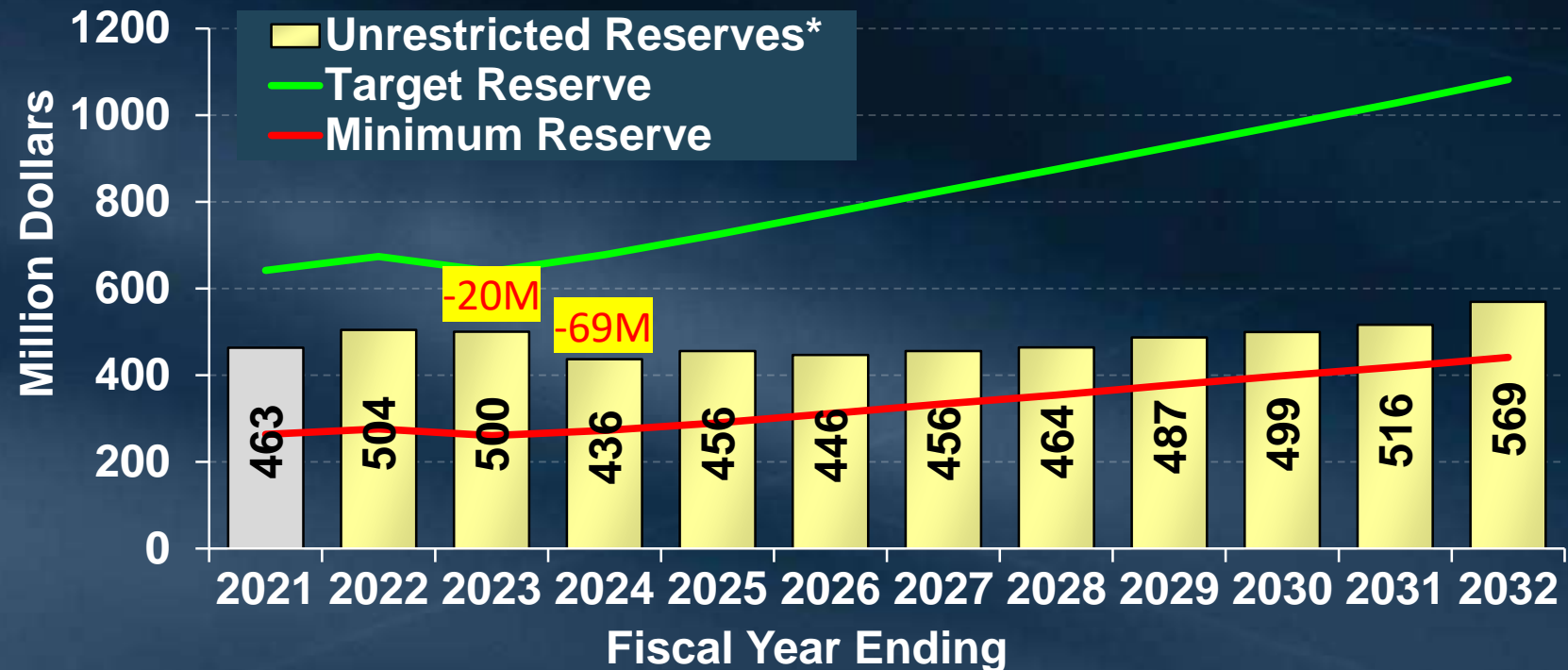


Overall Rate Inc.	3.0%	4.0%	8.0%	8.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
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Fixed Chg Cvg	2.0	1.6	1.5	1.5	1.8	1.7	1.8	1.7	1.7	1.7	1.7	1.6
PAYGO, \$M	110	135	135	135	175	175	175	175	200	200	200	200

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** Includes water sales, exchanges and wheeling

Scenario: Draw down an additional \$20M in FY2023



Overall Rate Inc.	3.0%	4.0%	3.0%	13%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
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Fixed Chg Cvg	2.0	1.6	1.4	1.2	1.8	1.6	1.7	1.7	1.7	1.6	1.7	1.6
PAYGO, \$M	110	135	135	135	175	175	175	175	200	200	200	200

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What costs are discretionary?

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Supply Programs (1)	61.2	66.7	64.1	2.9	5%
Delta Conveyance Planning (2)	25.0	30.0	34.5	9.5	38%
Demand Management (1)	52.5	50.8	54.9	2.4	5%
PAYGO	135.0	135.0	135.0	-	0%
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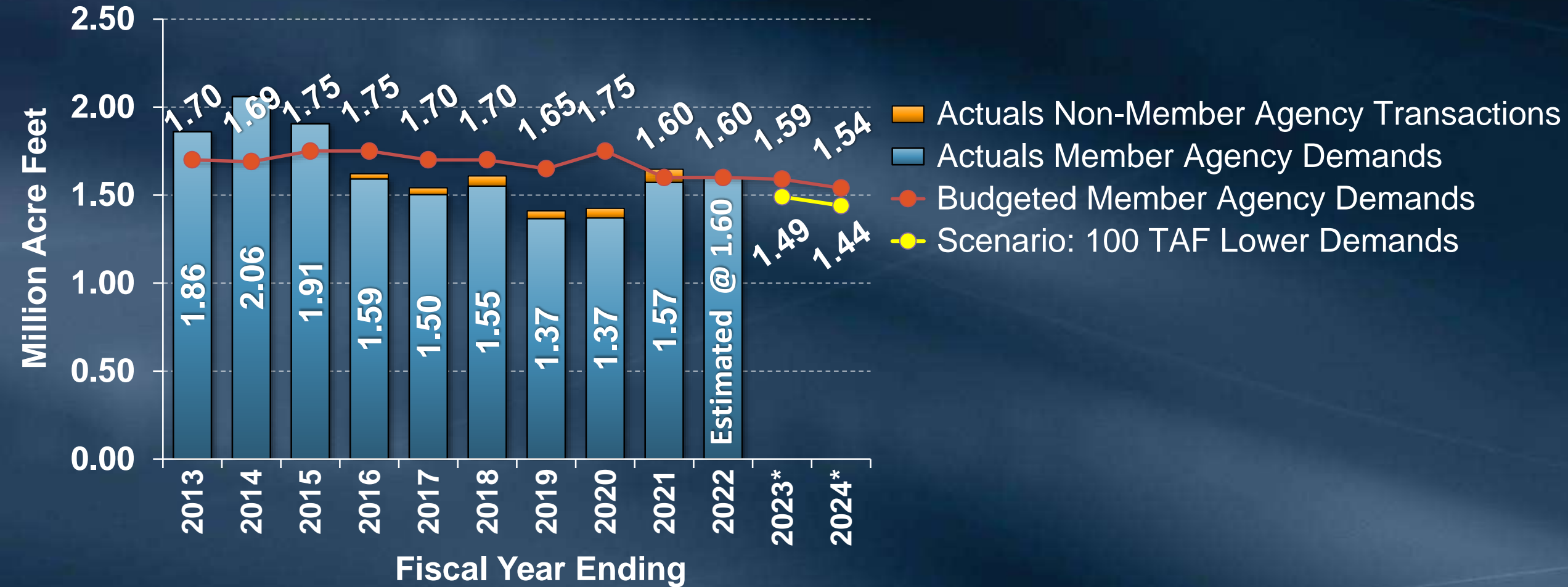
Review Proposed Budget Actions

Proposed Reductions	FY 2022/23	FY 2023/24
Reduced Departmental O&M Requested from Groups	\$ 33.9	\$ 36.6
Bond AVEK High Desert Program*	38.4	46.0
Use CA WaterFix Refund for Delta Planning Costs	24.5	10.0
Reduce PAYGO	45.0	45.0
Bond finance ramped-up Conservation Program*	18.0	18.0
Total Proposed Reductions	\$159.8	\$155.6

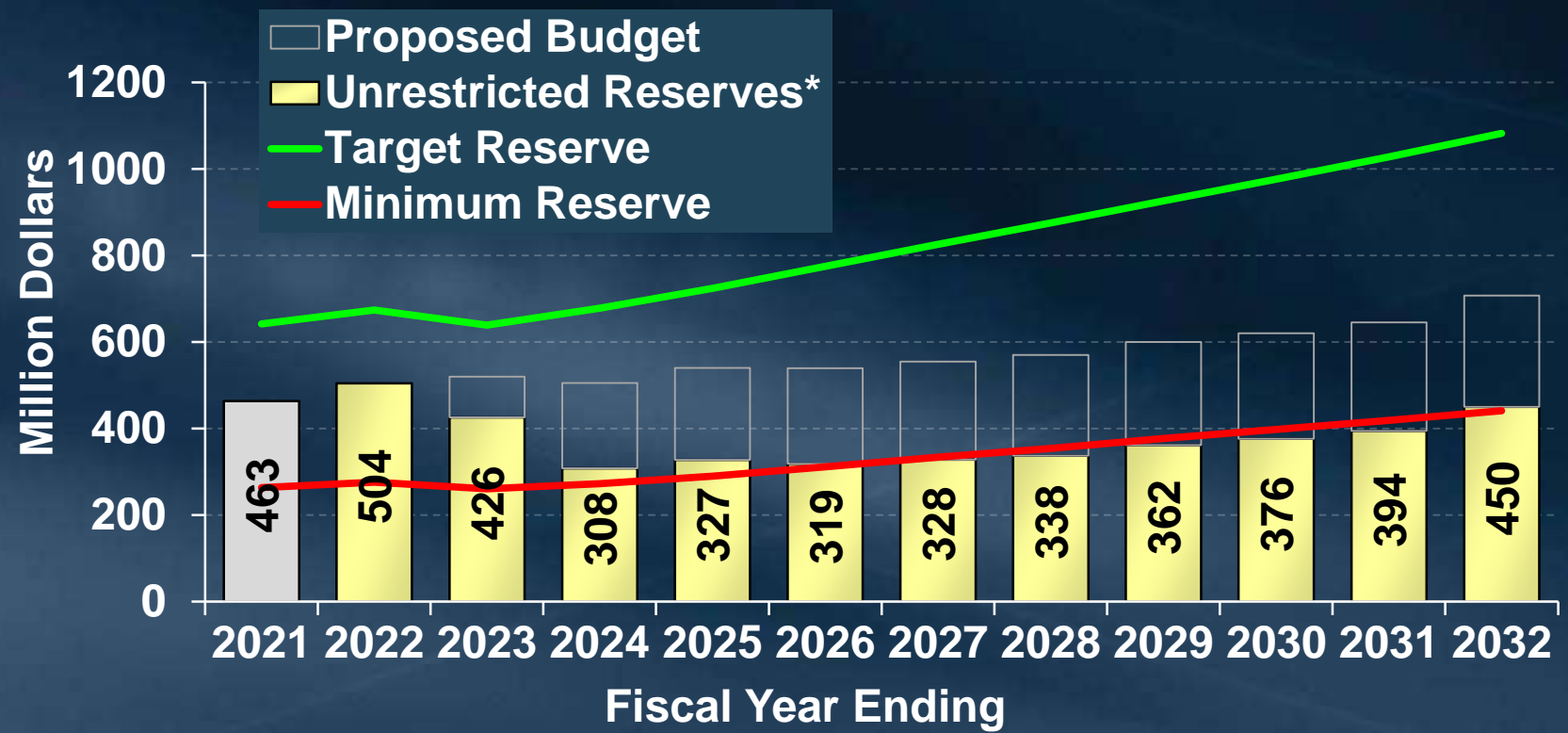
* Increases debt service costs

Lower water demands Scenario

Historic Water Transactions Projected vs. Actual



Scenario: 8%/8% with water demands 100TAF lower for 2 years



Overall Rate Inc.	3.0%	4.0%	8.0%	8.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Water Transactions (MAF)**	1.52	1.60	1.49	1.44	1.54	1.51	1.53	1.53	1.54	1.55	1.55	1.57
Rev. Bond Cvg	2.0	1.6	1.1	1.1	1.8	1.6	1.7	1.7	1.7	1.7	1.7	1.7
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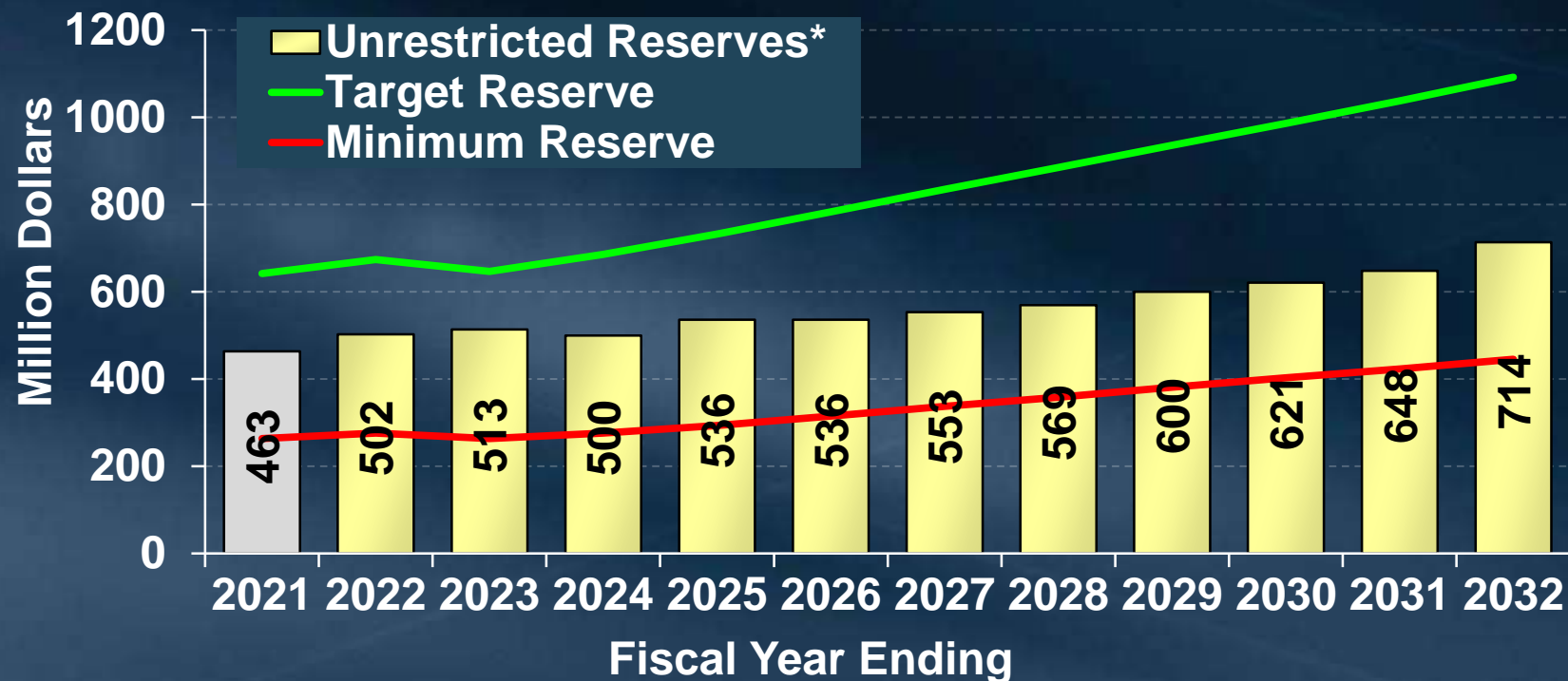
Other Rate Options

Unfunded Priorities

Group/Department	2021/22 Budget	Original Request New Positions	New Positions Added*	Unfunded Priorities
Water System Operations	940	62	(1)	43
Water Resource Management	68	1	-	-
Sustainability, Resilience & Innovation	20	3	5	-
Real Property	53	12	2	2
Operations Administration	11	-	-	-
Information Technology	130	7	1	1
Human Resources	44	6	-	2
Office of the General Manager	13	-	4	-
Finance	51	6	2	2
External Affairs	62	4	1	1
Equal Employment Opportunity	-	2	6	1
Engineering Services	355	23	-	23
Diversity, Equity & Inclusion	7	3	2	1
Bay Delta Initiatives	17	-	(1)	-
Administration	81	8	(1)	1
Subtotal - GM's Department	1,852	137	20	77
Office of the General Auditor	13	-	-	-
Office of Ethics	5	4	-	4
General Counsel	37	-	-	-
Total Regular Employees	1,907	141	20	81

* Reflects intergroup transfers

Option 2: 9%/8% Fund Priorities



Overall Rate Inc.	3.0%	4.0%	9.0%	8.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
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Water Rates and Charges

Option 2: 9%/8% Fund Priorities

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Tier 2 Supply Rate (\$/AF)	\$285	\$532	87%	\$540	2%
System Access Rate (\$/AF)	\$389	\$386	(1%)	\$418	8%
System Power Rate (\$/AF)	\$167	\$169	1%	\$190	12%
Treatment Surcharge (\$/AF)	\$344	\$371	8%	\$377	2%
Full Service Untreated Volumetric Cost (\$/AF)					
Tier 1	\$799	\$887	11%	\$966	9%
Tier 2	\$841	\$1,087	29%	\$1,148	6%
Full Service Treated Volumetric Cost (\$/AF)					
Tier 1	\$1,143	\$1,258	10%	\$1,343	7%
Tier 2	\$1,185	\$1,458	23%	\$1,525	5%
RTS Charge (\$M)	\$140	\$157	12%	\$175	11%
Capacity Charge (\$/cfs)	\$12,200	\$10,800	(11%)	\$11,800	9%
Overall Rate Increase			9.0%		8.0%

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.

Option 3: 7%/7% Fund Critical Needs

Changes from Proposed Biennial Budget

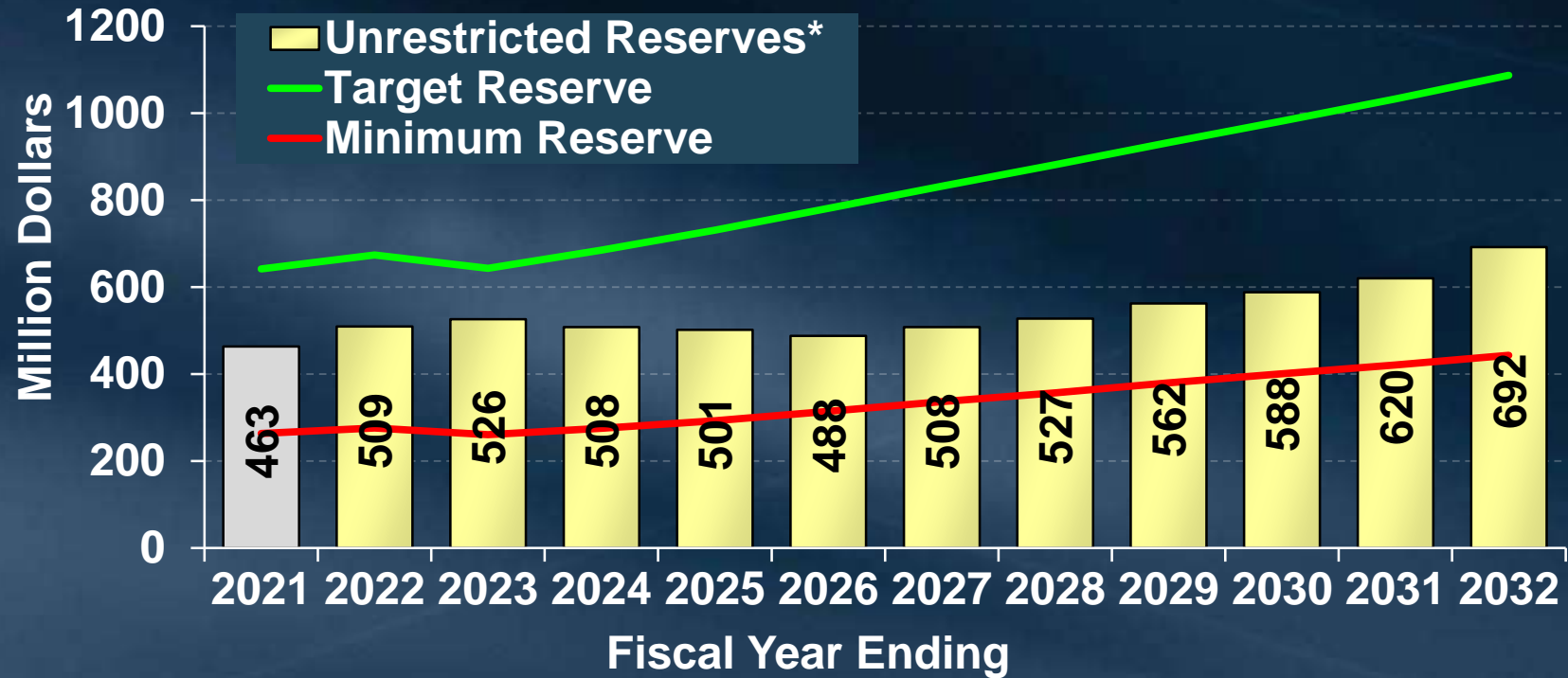
- Assume conservation is 100% bond financed
 - Bond funding will be replaced with grants if attained
- 40 additional positions are added to meet the most critical needs
 - Assume new positions will be filled in 6 months
 - Additional costs:
 - \$3.4M in FY2022/23
 - \$7.3M in FY 2023/24

Unfunded Priorities

Group/Department	2021/22 Budget	Original Request New Positions	New Positions Added*	Unfunded Priorities	Most Critical Needs
Water System Operations	940	62	(1)	43	18
Water Resource Management	68	1	-	-	-
Sustainability, Resilience & Innovation	20	3	5	-	-
Real Property	53	12	2	2	2
Operations Administration	11	-	-	-	-
Information Technology	130	7	1	1	1
Human Resources	44	6	-	2	2
Office of the General Manager	13	-	4	-	-
Finance	51	6	2	2	2
External Affairs	62	4	1	1	1
Equal Employment Opportunity	-	2	6	1	1
Engineering Services	355	23	-	23	9
Diversity, Equity & Inclusion	7	3	2	1	1
Bay Delta Initiatives	17	-	(1)	-	-
Administration	81	8	(1)	1	1
Subtotal - GM's Department	1,852	137	20	77	
Office of the General Auditor	13	-	-	-	-
Office of Ethics	5	4	-	4	2
General Counsel	37	-	-	-	-
Total Regular Employees	1,907	141	20	81	40

* Reflects intergroup transfers

Option 3: 7%/7% Fund Critical Needs



Overall Rate Inc.	3.0%	4.0%	7.0%	7.0%	7.0%	6.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
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Water Rates and Charges

Option 3: 7%/7% Fund Critical Needs

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Full Service Untreated Volumetric Cost (\$/AF)					
Tier 1	\$799	\$862	8%	\$929	8%
Tier 2	\$841	\$1,063	26%	\$1,116	5%
Full Service Treated Volumetric Cost (\$/AF)					
Tier 1	\$1,143	\$1,233	8%	\$1,303	6%
Tier 2	\$1,185	\$1,434	21%	\$1,490	4%
RTS Charge (\$M)	\$140	\$157	12%	\$175	11%
Capacity Charge (\$/cfs)	\$12,200	\$10,800	(11%)	\$11,800	9%
Overall Rate Increase			7.0%		7.0%

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.

Follow-up from Workshop #3

Conservation Program Details

Million of Dollars

Category	FY 2022/23	FY 2023/24
Turf	\$ 14.1	\$ 14.7
Regional Devices	8.3	8.3
Multi Family Property Toilet Replacement	5.5	5.5
Member Agency Administered	5.5	5.5
Advertising	3.7	3.7
Other*	2.5	2.5
Expansion of SoCalGas Programs for Disadvantaged Community	1.5	1.5
Muni Leak Detection & Repair Pilot	1.3	1.3
Flow Monitoring Pilot	0.6	-
Total	\$ 43.0	\$ 43.0

* includes landscape classes, surveys, pilots/studies, Water Savings Incentive Program, Innovative Conservation Program, and inspections except turf replacement inspections

Review draft rate options for April

- Option 1: 8%/8% Updated Proposed Biennial Budget
- Option 2: 9%/8% Fund Priorities
- Option 3: 7%/7% Fund Critical Needs

Next Steps

- April 1, 2022 Member Agency Managers Meeting
- April 11, 2022 F&I Committee, Recommend Biennial Budget and Calendar Year rates and charges
- April 12, 2022 Board action regarding Biennial Budget, Calendar Year rates and charges, and applicability of Section 124.5 limit

Q&A

