



Finance and Insurance Committee

Budget expenditure trend for fiscal year 2022/23 and status of new revenues and grants

Item 6a

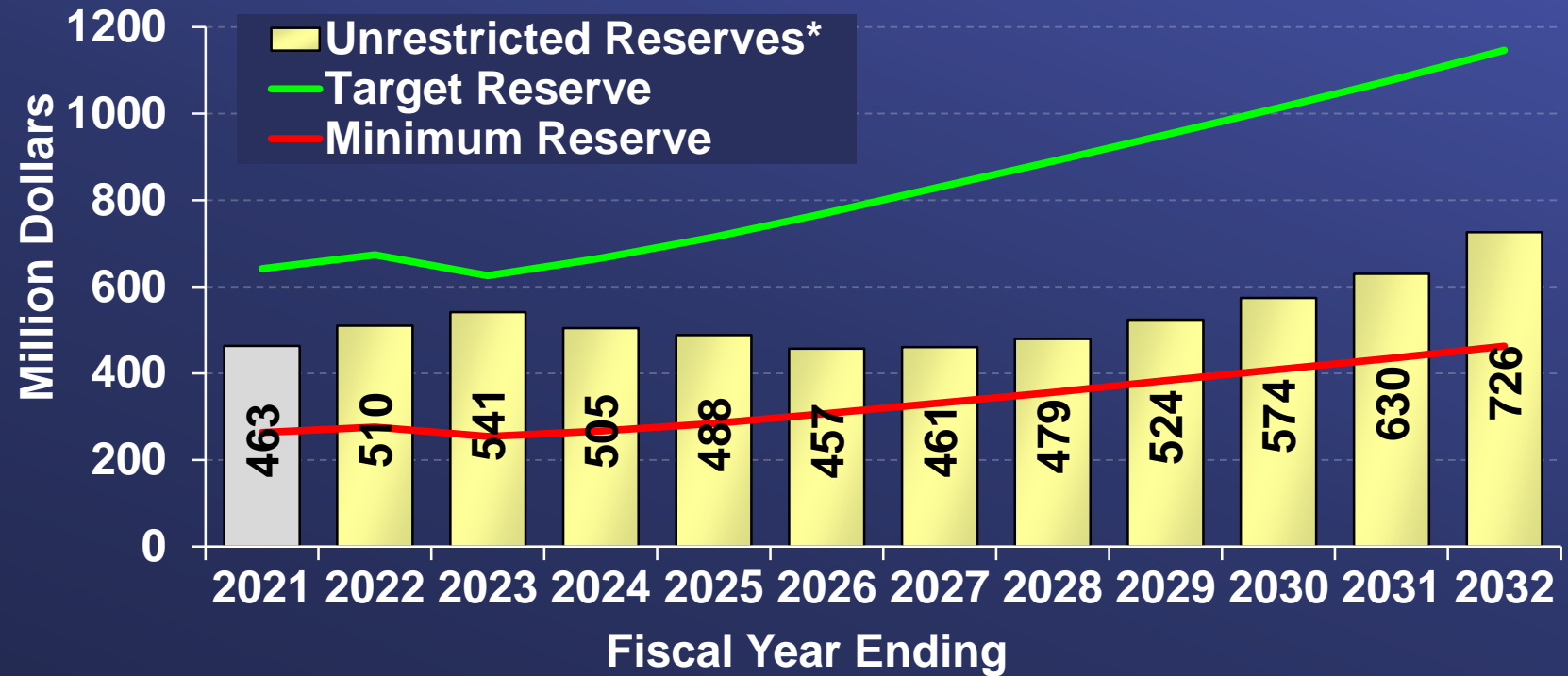
December 12, 2022

Budget Review

Agenda

- Review of Biennial Budget approved in April
- Departmental Budget Controls
- Departmental O&M Spending Trend
- New Revenue Sources
- Grant Funding
- Actuals vs Budget and WSF
- Challenges for FY2022/23 and beyond

Biennial Budget approved in April



Overall Rate Inc.	3.0%	4.0%	5.0%	5.0%	7.0%	6.0%	6.0%	6.0%	6.0%	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	1.6	1.5	1.4	1.6	1.6	1.7	1.7	1.8	1.8	1.8	1.8
Fixed Chg Cvg	2.0	1.6	1.5	1.4	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7
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

Biennial Budget Summary

in millions of dollars

Fiscal Year Ending	Budget 2022	Current 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	586.1	599.3	19.4	3%
State Water Contract OMP&R & Capital	417.0	440.1	468.2	51.2	12%
Supply Programs (cash funded portion)	61.2	66.7	64.1	2.9	5%
Delta Conveyance Planning (net of CWF refund)	25.0	30.0	34.5	9.5	38%
Demand Management (cash funded portion)	52.5	50.8	49.1	(3.4)	-6%
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	\$1,914.2	\$1,995.4	\$147.9	8%
CIP	\$ 250.0	\$ 300.0	\$ 300.0		
Bond Funded AVEK Supply Program		38.4	46.0		
Bond Funded Conservation		18.0	18.0		
New miscellaneous revenues		\$ 3.0	\$ 3.0		
Grant funding to offset O&M Expenditures	-	10.0	10.0		

Budget Review

Departmental Budget Controls

- Position controls have been put in place to help ensure recruitment requests of full-time positions are within budget.
- Staffing levels and expenditures are monitored by Group and in total to help ensure the district departmental budget is not exceeded.

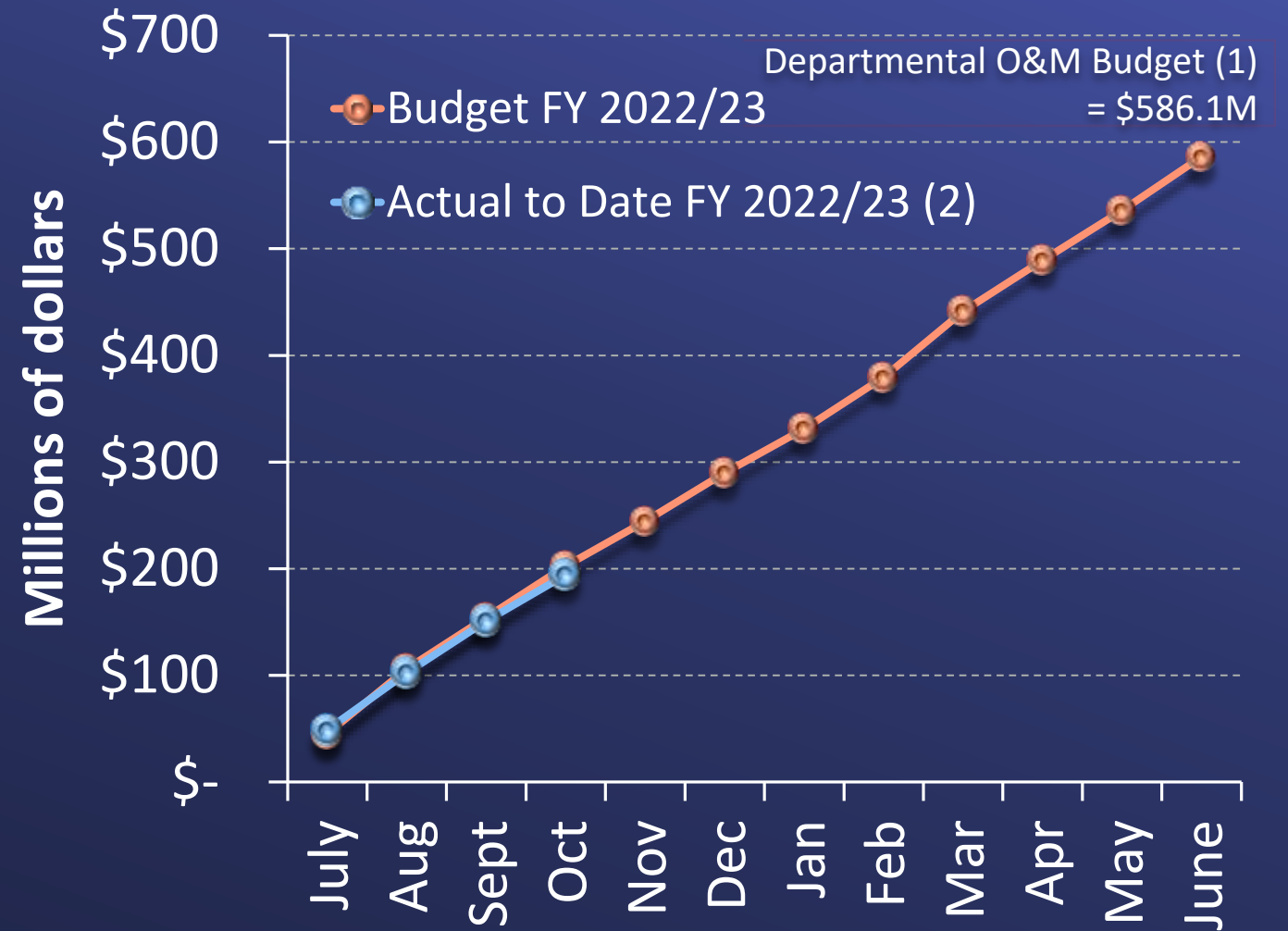
Departmental O&M Spending Trend

Budget Assumption

- Limit department cost increases to 1% for FY 2022/23 and 2% for FY 2023/24.

Progress to-date

- October to-date actuals are tracking about 4% under budget



(1) Includes operating equipment

(2) Excludes July prepayment for OPEB and PERS which is distributed through the fiscal year

New Revenue Sources

Budget Assumption

- Assumed MWD obtains \$3 million per year in miscellaneous revenues

Progress to-date

- Received \$10 million from sale of surplus property (Sunset Garage).
 - Budget had anticipated \$5 million
- Reverse Cyclic Program
 - Entering into agreements with Calleguas and Upper San Gabriel Valley MWD.
 - Received interest from Three Valleys Municipal Water District
 - Helps to preserve SWP supplies and maintain current year revenues
- Potential license fee revenue from direct carbon capture in the Delta Islands
 - Continuing to research opportunity but do not expect to generate revenues within current biennium budget

Grant Funding

Budget Assumption

- Assumed MWD obtains \$10 million per year in grant funding to offset O&M expenditures

Progress to-date

State Funding

- Awarded \$80 million to accelerate Pure Water Southern California planning & design
- Awarded \$50 million for drought emergency mitigation projects
- Awarded \$4.5 million from 2021 Urban Drought Relief Program
- Awarded \$1.1 million from CA Department of Fish & Wildlife for Delta Islands collaborative landscape planning
- Preparing applications for 2022 DWR Urban Drought Relief Program
- Exploring state and federal opportunities for zero emission vehicles and charging infrastructure

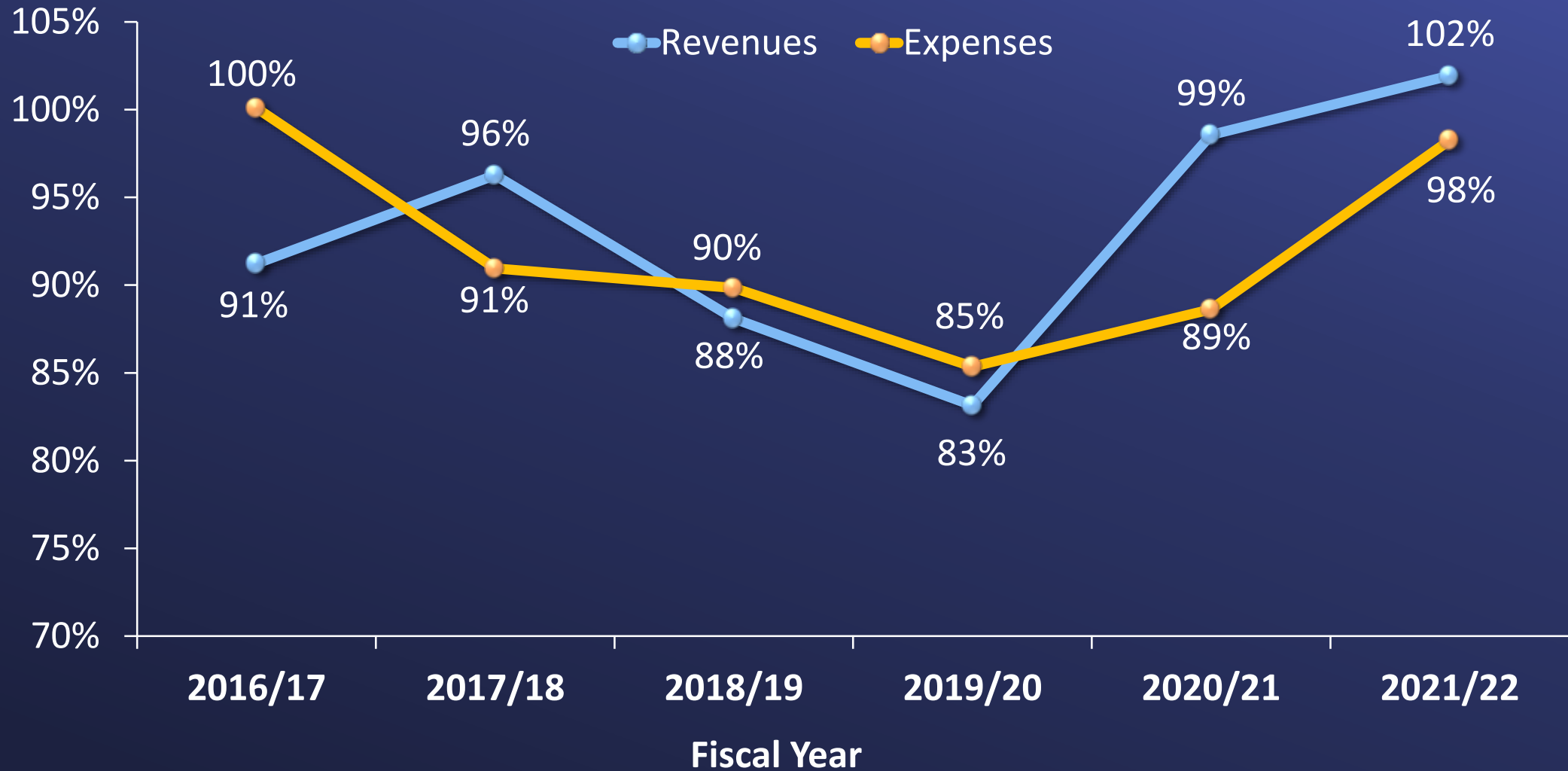
Grant Funding continued...

Progress to-date

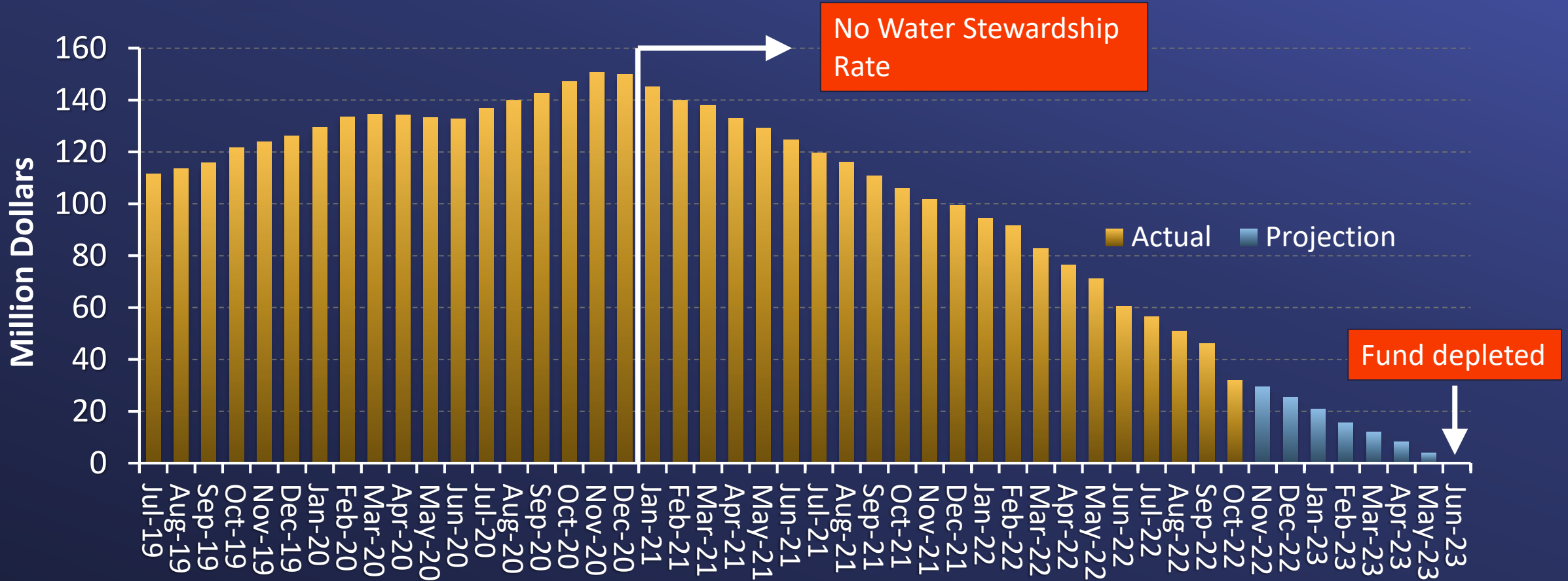
Federal Funding

- Bureau of Reclamation WaterSMART Grant Program
 - 2022 cycle: Awarded \$2 million for public agency turf replacement
 - 2023 cycle: Submitted application for \$5 million for residential and CII turf replacement
- Bureau of Reclamation Large-Scale Recycled Water Grant Program
 - Applications for feasibility studies and planning and design projects expected to open mid-December
 - Applications for construction projects expected to open in the spring of 2023
- Researching funding opportunities through Inflation Reduction Act
 - Fallowing, non-functional turf, efficiency projects, renewable energy, carbon capture
- WIFIA/SRF
 - Engaged Metropolitan's financial advisors to evaluate WIFIA and SRF programs for potential future funding opportunities

Actuals vs Budget (%)



Water Stewardship Fund Balance



Challenges for FY2022/23 and beyond

- Low water demands resulting from the continuation of the emergency restrictions on the SWP Dependent Area and potential regionwide call for voluntary outdoor water use restrictions and Water Supply Allocation Plan in 2023.
- Continued cost pressures resulting from global and national conditions that have impacted energy prices, chemical supply chains, and continuing inflationary trends, which together are expected to result in substantially higher CRA power costs and treatment costs.
 - In the short-term, we expect these cost increases to be offset by lower SWP power costs due to a low SWP allocation - resulting in draws from storage.
- Costs for additional transfers/drought projects
- We are continuing to look for opportunities to reduce costs, obtain grants and generate additional revenues.
- We will continue to monitor and evaluate the impacts of new supply projects including AVEK, PWSC, Delta Conveyance on the Budget and long-term projections.

