THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Board Information

- **Board of Directors**
  Finance, Affordability, Asset Management, and Efficiency Committee

9/15/2026 Board Meeting

9-1

Subject

Introduction of Ordinance No. 153 - Determining that the Interests of Metropolitan Require the Use of Revenue Bonds in the Aggregate Principal Amount of $500 million to Finance a Portion of Capital Expenditures

Executive Summary

At the regularly scheduled October 2026 board meeting, the Board will consider the adoption of Ordinance No. 153. As required by the Metropolitan Water District (MWD) Act Section 237, this item introduces the Ordinance prior to the Board's consideration for adoption. The proposed Ordinance is attached for the Board's review.

Fiscal Impact

None

Applicable Policy

Metropolitan Water District Act Section 61: Ordinances, Resolutions and Orders

Metropolitan Water District Act Section 63: Roll Call on Ordinances

Metropolitan Water District Act Section 64: Ordinances; Introduction; Adoption

Metropolitan Water District Act Section 237: Revenue Bond Purposes

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

Staff will seek board authorization to waive the full reading of, and approve, Ordinance 153 in October 2026.

Details and Background

Background

In 1974, the voters in Metropolitan's service area approved the use of long-term revenue bonds as an alternative to pay-as-you-go financing. Revenue bonds include bonds, notes, loans, or other evidences of indebtedness.

Pursuant to the approval of the voters and the MWD Act, the Board may authorize issuance of revenue bonds upon the adoption of an ordinance finding the interests of the District require use of revenue bonds for the purposes set forth in Section 237 of the MWD Act, which include financing a portion of capital expenditures, the cost of which will be too great to be paid out of the ordinary annual revenues of the District.

In October, the Board will consider adopting the attached Ordinance. The adoption of the Ordinance is a preliminary step to subsequent and separate board authorization of revenue bonds in an aggregate principal amount of up to $500 million, which would allow Metropolitan to finance a portion of capital expenditures and preserve financial flexibility.

The MWD Act requires ordinances to be introduced on a day prior to the time of the Board's adoption of the Ordinance. The MWD Act does not specify the method of introduction of ordinances. General law cities typically require introduction by a reading of the full text, unless the full reading is waived, which allows introduction by title only. Following a process that is similar to a general law city, the proposed Ordinance will be introduced by title only. After the introduction of the Ordinance, staff will present the proposed Ordinance for the Board's consideration and adoption, and waiver of the full reading of same, at the Board's regular October meeting. The analysis supporting that proposal will be presented to the Board at that time. Adoption of the Ordinance will not authorize any specific bond issuance. Separate board approval would be required for any bond issuance under this Ordinance.

Sequence of board actions:

1. Introduce the Ordinance by a reading of the title only of the Ordinance. (September)
2. Vote whether the interests of the District require use of revenue bonds in the amount not to exceed $500 million to finance a portion of capital expenditures and waive the full reading of the Ordinance. (Scheduled for October – Finance, Affordability, Asset Management, and Efficiency Committee and Board)
3. Adopt separate bond resolutions, as needed, up to an aggregate principal amount of $500 million, to authorize future bond issuance. Follows the adoption of the Ordinance.

Attachment 1 provides the Board with the full text of the proposed Ordinance.

Katano Kasaine 9/8/2026
Katano Kasaine *Date*
Assistant General Manager/
Chief Financial Officer

Shivaji Deshmukh 9/8/2026
Shivaji Deshmukh *Date*
General Manager

Attachment 1 – Ordinance 153

Ref# cfo12713686

THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA

ORDINANCE 153

ORDINANCE OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
DETERMINING THAT THE INTERESTS OF THE DISTRICT REQUIRE THE USE OF
REVENUE BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF $500,000,000 TO
FINANCE A PORTION OF CAPITAL EXPENDITURES

The Board of Directors of the Metropolitan Water District of Southern California (the "Board") hereby finds that:

1. Pursuant to Chapter 1.6 of Part 5 of the Metropolitan Water District Act (California Statutes 1969, Chapter 209, as amended, hereinafter sometimes referred to as the "Act"), the Board of The Metropolitan Water District of Southern California (the "District"), on March 12, 1974, adopted Ordinance No. 126, calling a special election to be held within the District on June 4, 1974, for the purpose of submitting to the qualified voters of said District the following proposition:

> To permit use of long-term bonds backed by water revenues as an alternative to pay-as-you-go financing, shall the Board of Directors of the Metropolitan Water District of Southern California be authorized to issue and sell revenue bonds under Chapter 1.6, Part 5, Metropolitan Water District Act?

2. Said election was duly and regularly held and said proposition received the affirmative vote and assent of a majority of all of the qualified voters of the District voting on said proposition, and therefore the Board is authorized to issue and sell revenue bonds under Chapter 1.6 of Part 5 of the Act.

3. Revenue bonds mean bonds, notes, loans or other obligations or evidences of indebtedness, as provided for in the Act and California Government Code.

4. The ability to ensure a reliable supply of high-quality water for the District's 26 member agencies depends upon the District's ongoing ability to fund operations and maintenance, maintain and augment local and imported water supplies, fund replacements and refurbish existing infrastructure, and invest in system improvements.

5. Ordinance 152 was adopted by the Board on July 11, 2023, finding that the interests of the District require the use of revenue bonds in the aggregate principal amount of $500,000,000 to fund a portion of the District's capital investment plan expenditures, the cost of which is too great to be paid out of the ordinary annual income and revenue of the District.

Of the $500,000,000 aggregate principal amount of revenue bonds authorized under Ordinance 152, $302.3 million have been issued to date to finance a portion of the District's capital expenditures.

6. On April 14, 2026, the Board approved a biennial budget for FY 2026/27 and FY 2027/28 containing estimated capital expenditures of approximately $467 million and $558 million, respectively. Approximately 51 percent of the FY 2026/27 capital expenditures and 45 percent of the FY 2027/28 capital expenditures, or approximately 48 percent of the capital expenditures over the combined biennium, are anticipated to be funded with debt proceeds.

7. On April 14, 2026, the Board approved a ten-year financial forecast for FY 2026/27 through FY 2035/36 (the "Ten-Year Financial Forecast"). The Ten-Year Financial Forecast projects capital expenditures of approximately $467 million in FY 2026/27 and $558 million in FY 2027/28, for a combined total of approximately $1.025 billion during the two-year period. Thereafter, projected annual capital expenditures generally increase from approximately $525 million in FY 2028/29 to approximately $684 million in FY 2035/36. A portion of the base capital expenditures in each fiscal year is anticipated to be funded with debt proceeds. The Ten-Year Financial Forecast provides estimates of future capital investment plan expenditures.

8. On April 14, 2026, the Board approved the use of approximately $385 million in operating revenues to partially fund the capital investment plan for FY 2026/27 and FY 2027/28. The capital investment plan identifies the capital priorities of the District for the fiscal years of the adopted budget.

9. In order to fully fund the capital investment plan adopted by the Board on April 14, 2026, $490 million in revenue bonds would be required in FY 2026/27 and FY 2027/28. Only $197.7 million of authority remains available under Ordinance 152. Accordingly, approximately $292.3 million of additional authority would be needed to complete the anticipated biennial bond issuances. This Ordinance 153 would provide that additional authority and approximately $207.7 million of remaining capacity for debt issued to finance capital expenditures in future fiscal years.

10. Annual capital expenditures reflected in the Ten-Year Financial Forecast range from approximately $467 million to $684 million during FY 2026/27 through FY 2035/36, a portion of which is anticipated to be funded with debt proceeds.

11. The Board may, from time to time, approve capital expenditures other than or in addition to those contemplated by the capital investment plan at the time of the then current biennial budget.

12. From time to time, capital projects that have been undertaken are delayed, redesigned or deferred by the District for various reasons.

13. This Ordinance would support future Board actions over several years to issue debt to finance capital expenditures approved by the Board in the then-current biennial budget, Capital Investment Plan, or otherwise approved by the Board; provided, however, that the aggregate principal amount of revenue bonds issued pursuant to this Ordinance shall not exceed $500,000,000.

14. Using debt to finance a portion of capital expenditures will provide the District with additional financial flexibility to fund capital expenditures necessary or convenient to carry out the purposes of the District while mitigating increases in water rates and charges.

15. This Ordinance was introduced at the regular meeting of the Board held on September 15, 2026.

NOW, THEREFORE, the Board of Directors of the District, DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

The Board hereby determines that the interests of The Metropolitan Water District of Southern California require the use of revenue bonds in an aggregate principal amount not to exceed $500,000,000 to finance a portion of the District's capital expenditures, the cost of which is too great to be paid out of the ordinary annual income and revenue of the District.

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of an Ordinance adopted by a two-thirds (2/3) vote of the total vote of the Board of Directors of The Metropolitan Water District of Southern California at its meeting held on October 13, 2026.

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Secretary of the Board of Directors
of the Metropolitan Water District
of Southern California