



Mid-cycle Biennial Budget Review

Finance & Insurance Committee

Item 9-5

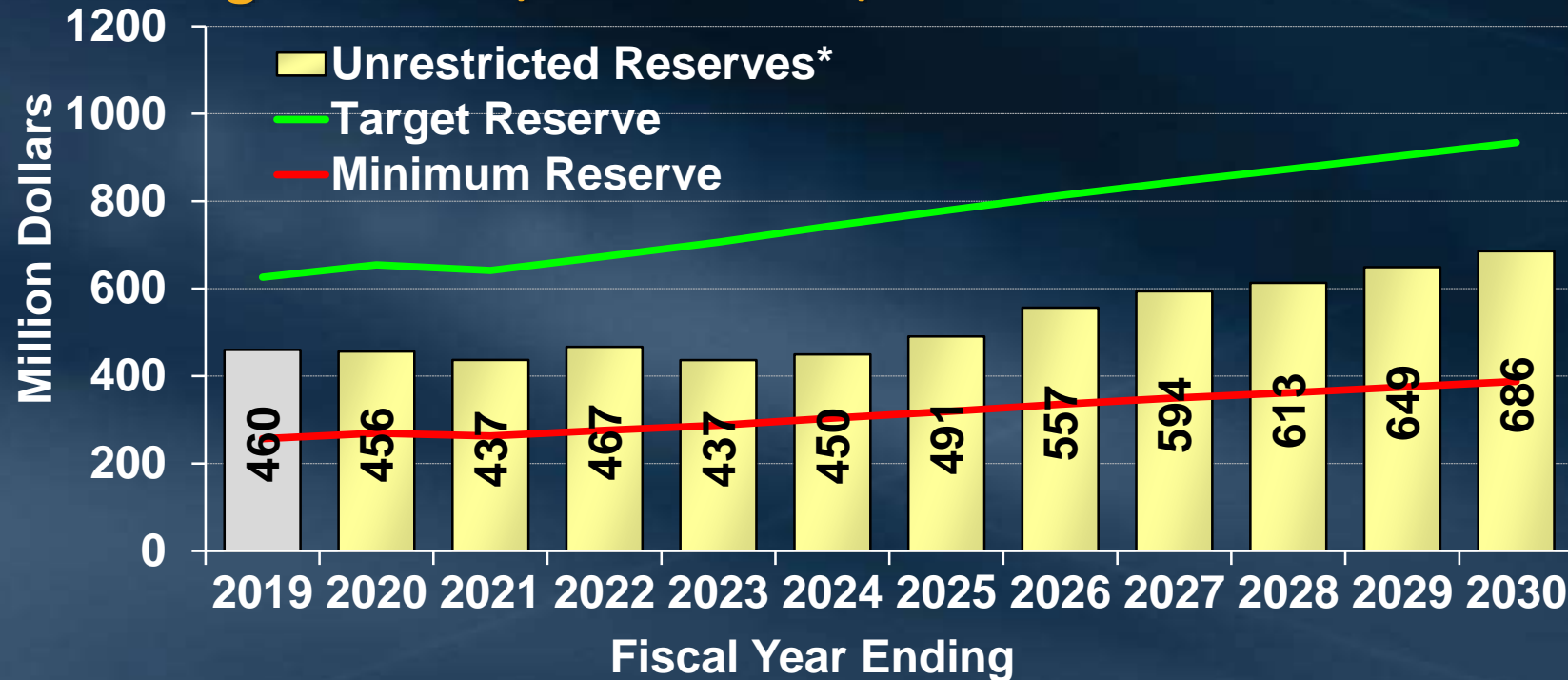
September 13, 2021

Key Biennial Budget Goals and Underlying Assumptions FY 2020/21

- Fund key priorities while keeping water rates low
- Fund capital expenditures with emphasis on replacement and refurbishment
 - \$500M appropriation for the biennium
- Financial targets
 - Revenue bond coverage = 2.0x (budget est. was 1.5x)
 - Fixed charge coverage = 1.2x (budget est. was 1.5x)
 - Ratings AAA/AA+/Aa1 for Senior Lien
- Budgeted transactions of 1.60 MAF
 - 50% SWP allocation; 745 TAF from CRA

Projected Rate Increases & Financial Metrics

Biennial Budget FY 2020/21 and 2021/22 and Ten-Year Forecast



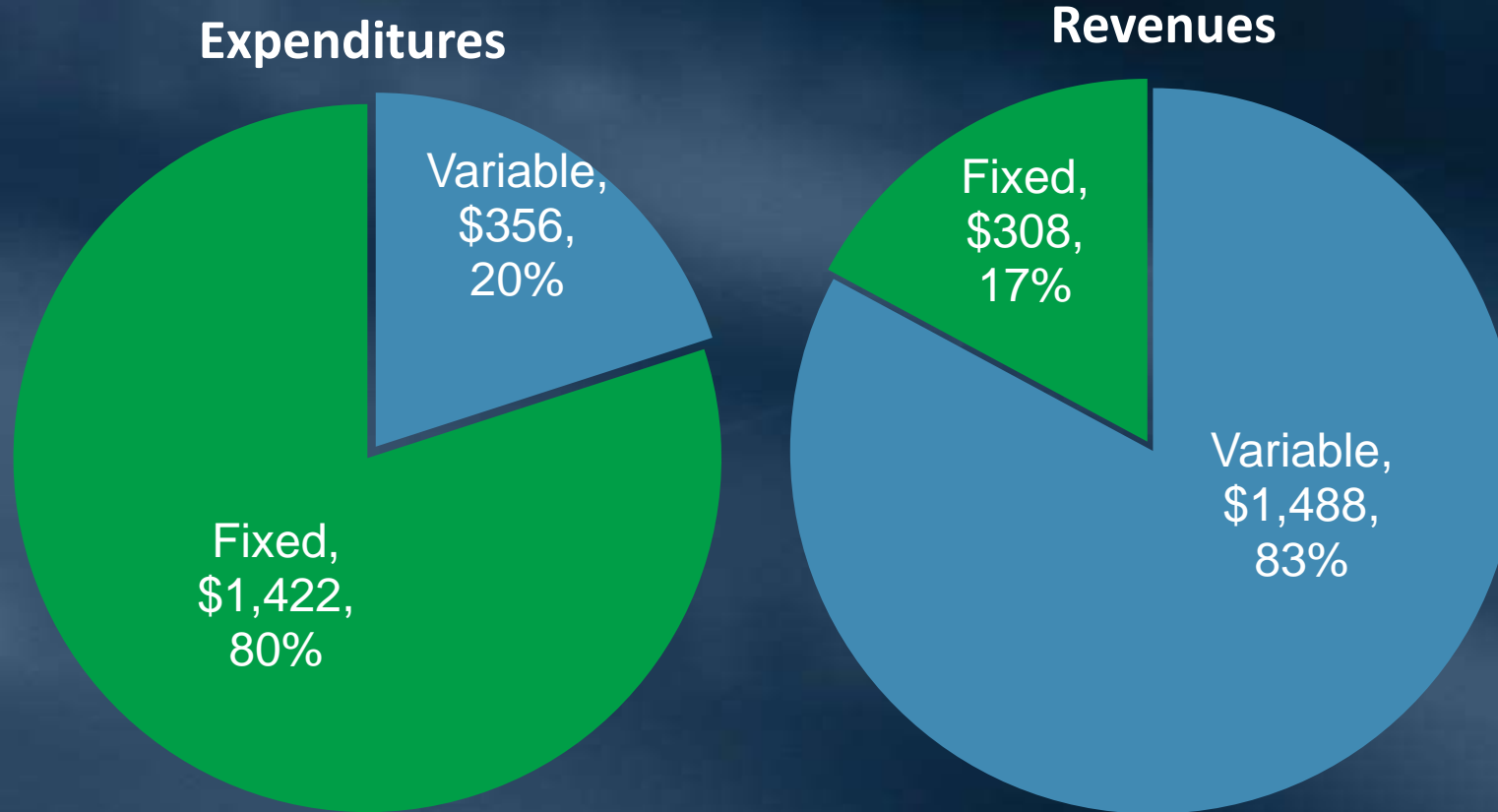
Overall Rate Inc.	3.0%	3.0%	3.0%	4.0%	5.0%	5.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Water Transactions (MAF)**	1.42	1.55	1.60	1.60	1.60	1.64	1.69	1.74	1.74	1.74	1.75	1.75
Rev. Bond Cvg	1.4	1.5	1.5	1.5	1.5	1.7	2.0	2.1	2.1	2.1	2.2	2.3
Fixed Chg Cvg	1.4	1.4	1.5	1.5	1.5	1.7	1.9	1.9	1.8	1.6	1.7	1.7
PAYGO, \$M	126	30	110	135	180	180	210	210	210	210	210	210

* Revenue Remainder and Water Rate Stabilization Fund

** Includes water sales, exchanges and wheeling

Fixed Costs vs. Variable Revenues

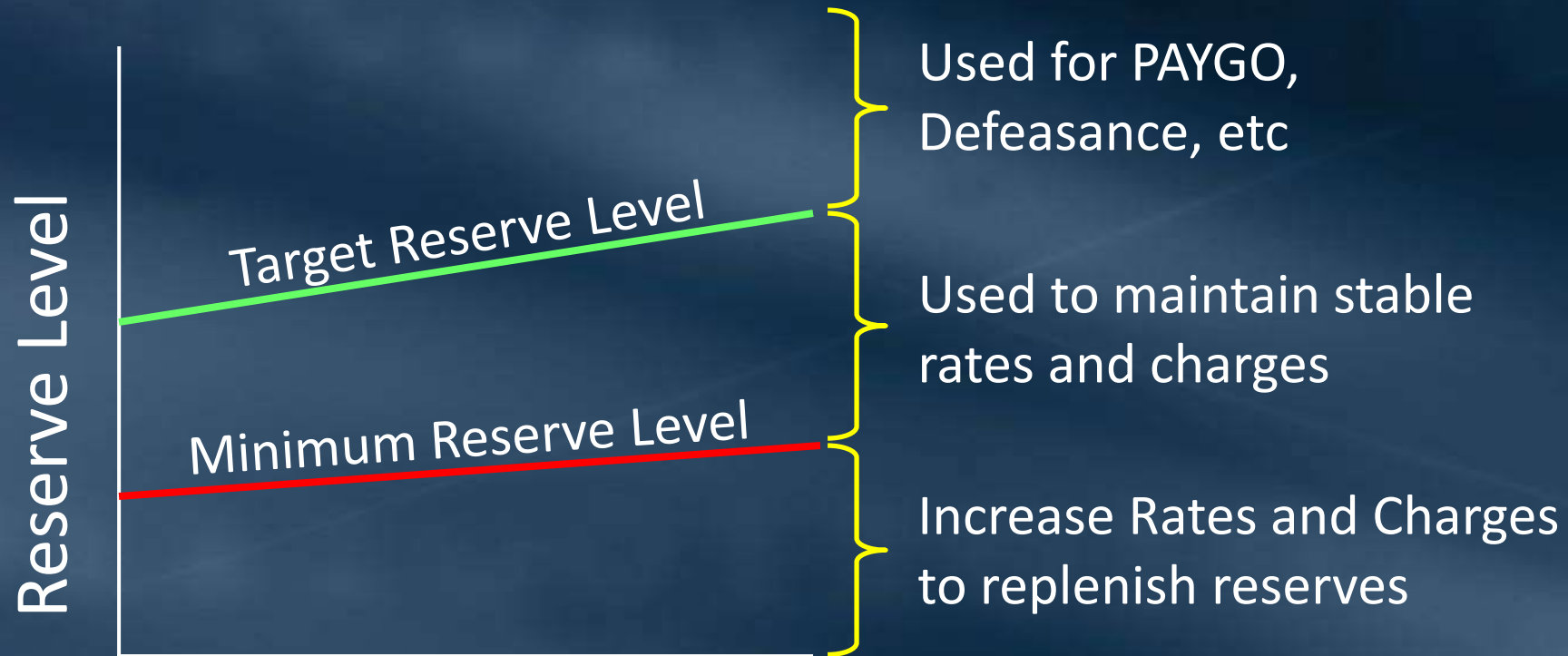
FY 2020/21 Budget



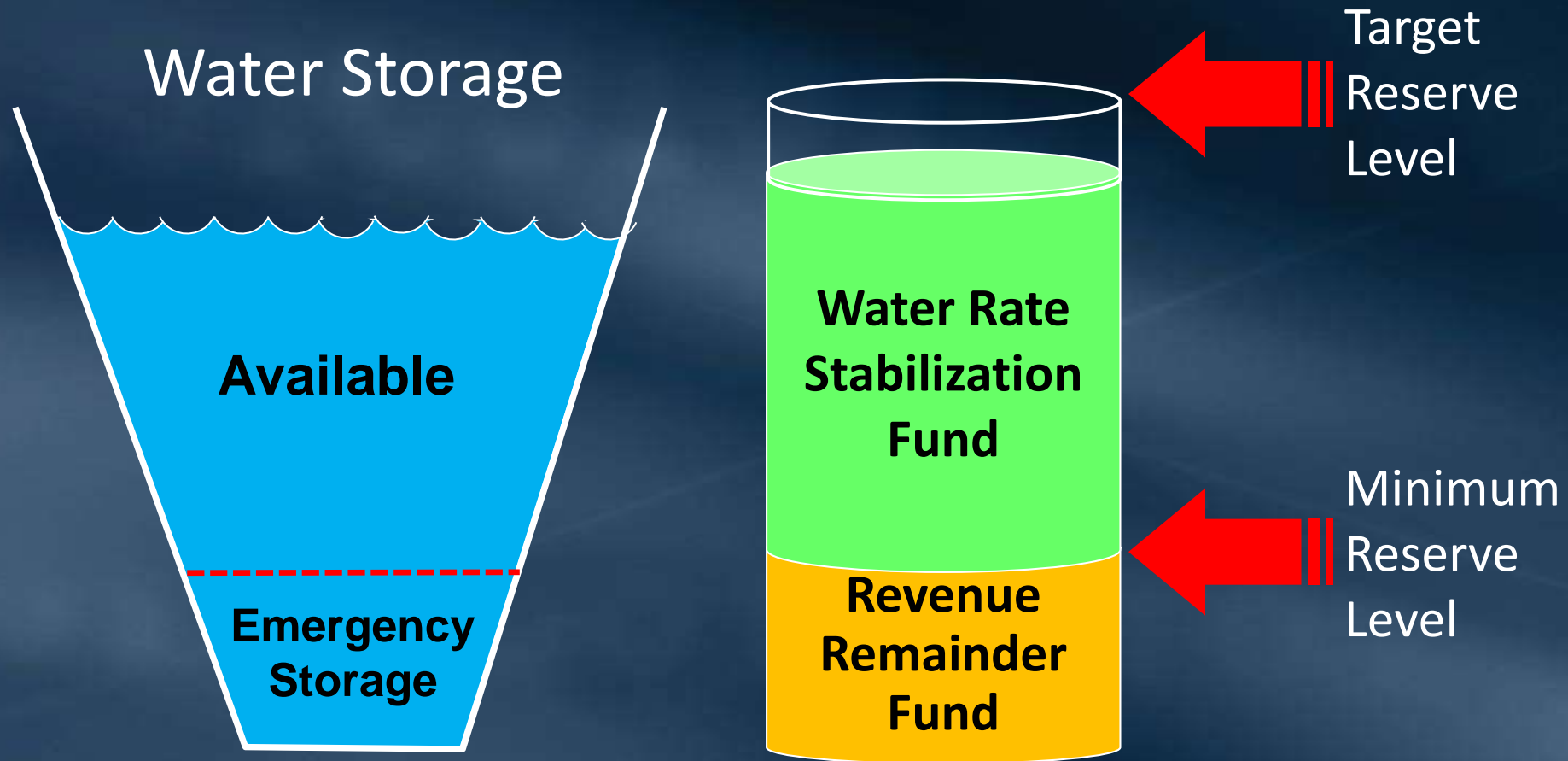
Unrestricted Reserve Policy

Reserve Fund Principle:

Provide stable & predictable water rates



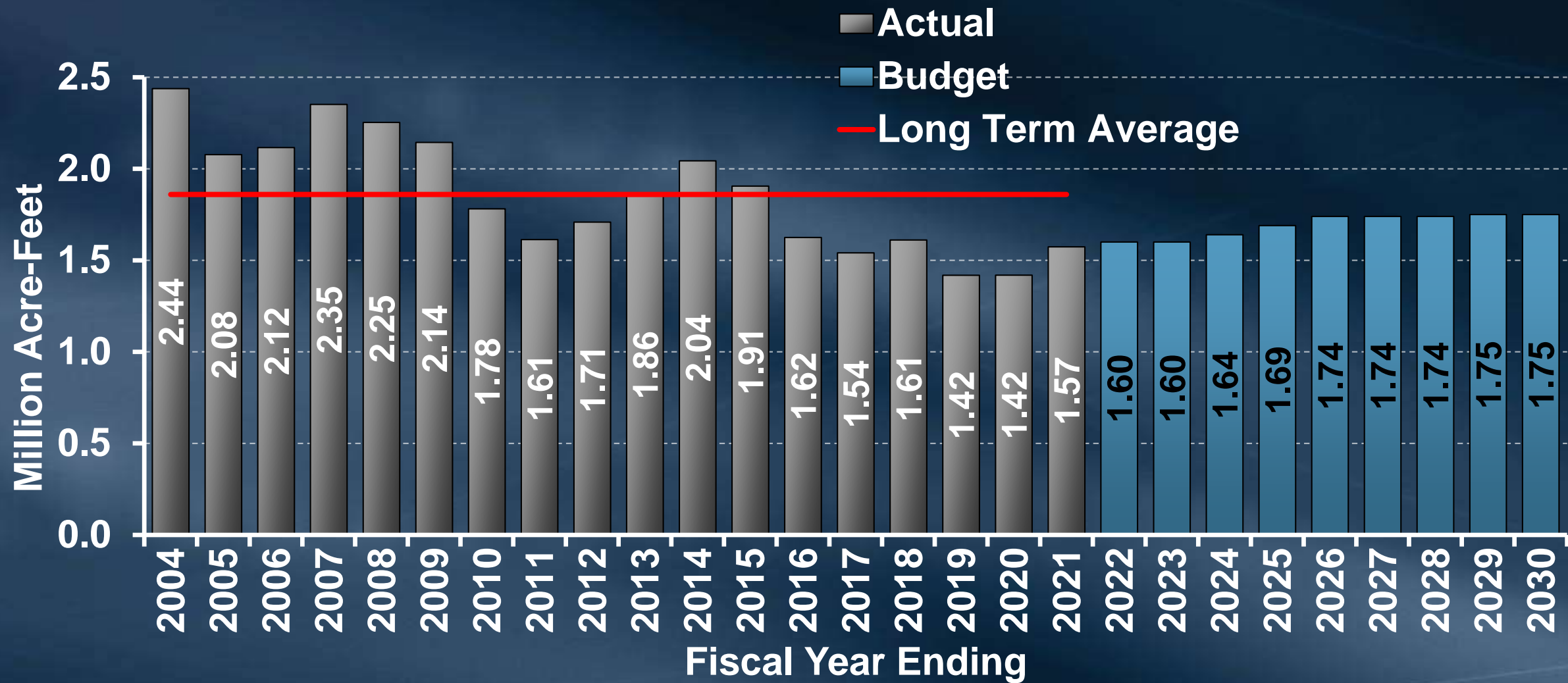
Reserve Fund



September 2020 Budget Board Action

- Track COVID-19 impacts and payment deferral program
 - There were no delinquencies related to COVID, and no member agencies utilized the deferment program.
- Monitor water demands, sales and expenditures, and prepare additional cost-containment measures; maintain adopted rates
- New revenue generation options include a groundwater replenishment program
 - For discussion in rate refinement workgroup
- Moratorium on non-emergency, unbudgeted proposals
 - Shaw Law Group, battery energy storage systems, dry-year transfers

Water Transactions*



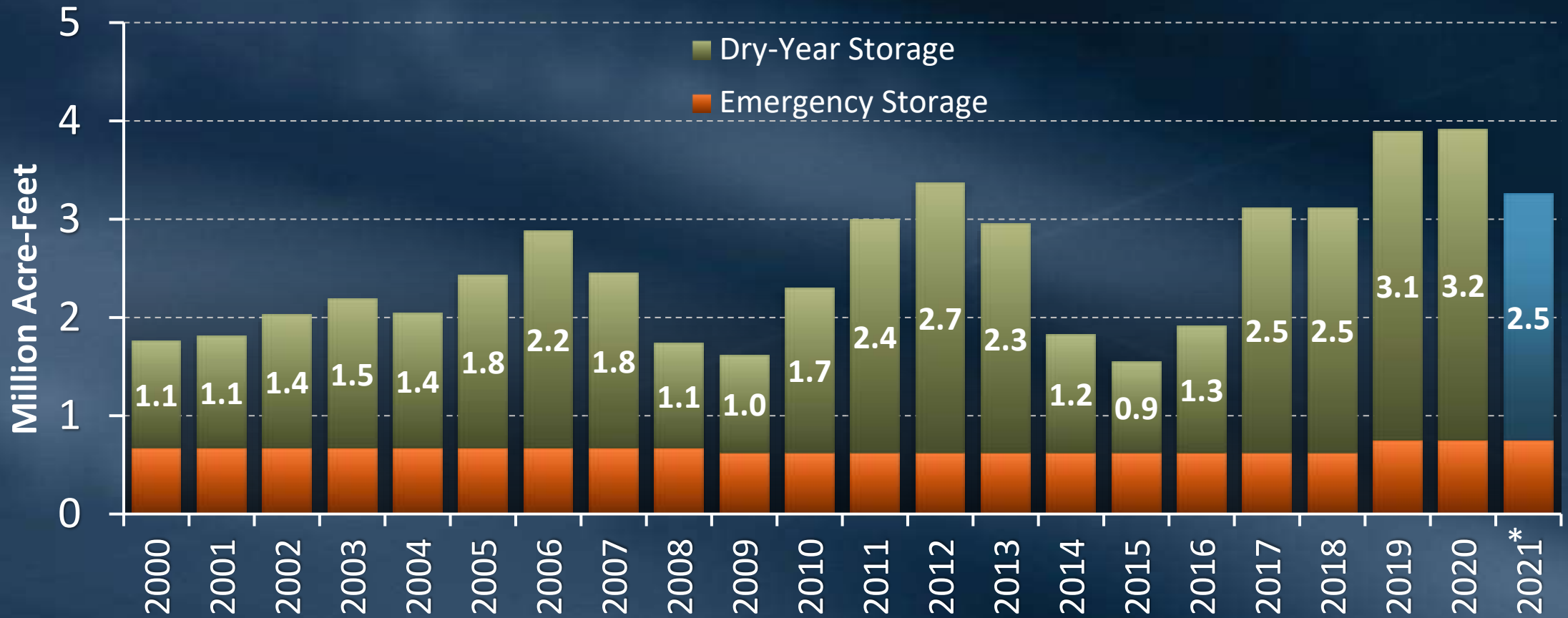
* Includes water sales, exchanges and wheeling

FY2020/21 Actual vs Budget

	Preliminary Actuals	FY2020/21 Budget	Variance
Water Transactions	1,404.7	1,444.5	(39.7)
RTS Charge	133.0	133.0	-
Capacity Charge	31.7	34.7	(3.1)
Taxes	160.8	139.9	20.9
Interest Income	9.8	17.9	(8.2)
Power Sales	19.0	20.8	(1.8)
Other	10.6	4.6	6.0
Total Revenues	1,769.5	1,795.5	(26.0)
State Water Contract	521.8	615.8	(94.0)
Departmental O&M	479.2	544.1	(64.9)
CRA Power	50.5	52.2	(1.7)
Supply Programs	66.2	68.7	(2.4)
Demand Management	34.7	48.5	(13.8)
Debt Service	287.1	298.7	(11.6)
PAYGO	110.0	110.0	-
Delta Conveyance Planning Costs	25.0	25.0	-
Regional Recycled Planning Costs	1.2	15.0	(13.8)
Total Expenses	1,575.8	1,778.0	(202.2)
Net Revenue	193.7	17.5	176.3
Increase in Required Reserves	(46.8)	(36.5)	(10.3)
Change in Unrestricted Reserves	146.9	(19.0)	165.9

Metropolitan Storage Balances

End of Year Balances



* Estimate – May change based on supply/demand conditions

Outlook for FY 2021/22

- Some continued departmental O&M savings
- Uncertain level of water transactions
 - Budget is based on 1.6MAF
- Power costs
 - Lower SWP Allocation --> lower SWC power
 - Higher CRA power costs due to high CRA flows with high market power prices
- Supply Programs
 - Expect higher unbudgeted expenses for dry year transfers
- Demand Management Costs
 - MWD is ramping up the conservation program in response to the drought.

Biennial FY 2023 and FY 2024 Budget Outlook

- Water Transactions
 - Review 10-year forecast for water transactions
- Drought
 - Potential additional supply and power costs
- Demand Management Cost Recovery
 - New demand management rate, charge, or other revenue collection mechanism needed no later than CY 2023
- Cost of Resiliency Projects
 - Regional Recycled Water Program
 - Delta Conveyance

Next Steps

- December F&I Committee: Review Proposed FY 2022/23 & FY 2023/24 Biennial Budget and Rates Process
- January 2022: Mailing of Budget, Revenue Requirements and Water Rates & Charges Board Letter
- February through March 2022 F&I Committee: Workshops on Biennial Budget & Rates and Charges
- April 2022 Board Meeting: Consider action on FY 2022/23 & FY 2023/24 Budget, 2023 and 2024 rates and 2023 charges

