

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.

F&I Committee

B. Pressman, Chair
R. Record, Vice Chair
S. Blois
B. Dennstedt
L. Dick
S. Faessel
S. Goldberg
F. Jung
A. Ortega
T. Quinn
M. Ramos
T. Smith
S. Tamaribuchi

Finance and Insurance Committee

Meeting with Board of Directors *

December 12, 2022

10:00 a.m.

Live streaming is available for all board and committee meetings on mwdh2o.com ([Click Here](#))

A listen only phone line is also available at 1-877-853-5257; enter meeting ID: 831 5177 2466. Members of the public may present their comments to the Committee on matters within the committee's jurisdiction as listed on the agenda via in-person or teleconference. To participate via teleconference (833) 548-0276 and enter meeting ID: 815 2066 4276.

Monday, December 12, 2022 Meeting Schedule

09:00 a.m. Sp BOD
10:00 a.m. F&I
11:00 a.m. OP&T
12:00 p.m. A&E
12:30 p.m. E&O
02:00 p.m. IW
03:00 p.m. WP&S

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

* 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 ITEMS -- ACTION ****

2. CONSENT CALENDAR OTHER ITEMS - ACTION

- A. Approval of the Minutes of the Finance and Insurance Committee Meeting for November 7, 2022 (Copies have been submitted to each Director, Any additions, corrections, or omissions)

[21-1722](#)

Attachments: [12122022 FI 2A Minutes](#)

3. CONSENT CALENDAR ITEMS - ACTION

NONE

Zoom Online and Boardroom

**** END OF CONSENT CALENDAR ITEMS ******4. OTHER BOARD ITEMS - ACTION**

NONE

5. BOARD INFORMATION ITEMS

NONE

6. COMMITTEE ITEMS

- a. Budget expenditure trend for fiscal year 2022/23 and status of new revenues and grants [21-1723](#)

Attachments: [12122022 FI 6a Presentation](#)

7. MANAGEMENT REPORTS

- a. Chief Financial Officer's Report [21-1724](#)

8. FOLLOW-UP ITEMS

NONE

9. FUTURE AGENDA ITEMS**10. 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. Agendas for the meeting of the Board of Directors may be obtained from the Board Executive Secretary. 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 <http://www.mwdh2o.com>.

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 AND INSURANCE COMMITTEE

November 07, 2022

Chair Pressman called the teleconference meeting to order at 9:30 a.m.

Members present: Chair Pressman, Vice Chair Record, Directors Blois, Dennstedt, Dick, Faessel, Goldberg, Jung, Quinn, Smith and Tamaribuchi.

Members absent: Directors Ortega and Ramos.

Other Board Members present: Chairwoman Gray, Directors Abdo, Ackerman, Atwater, Cordero, Erdman, Fong-Sakai, Kurtz, Lefevre, Miller, Morris, and Peterson.

Committee Staff present: Beatty, Hagekhalil, Kasaine, Ros, Scully, Upadhyay.

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

None

CONSENT CALENDAR ITEMS — ACTION

2. CONSENT CALENDAR OTHER ITEMS – ACTION

- A. Subject: Approval of the Minutes of the Finance and Insurance Committee Meeting for October 10, 2022

3. CONSENT CALENDAR ITEMS – ACTION

No presentation was given, Director Dick made a motion, seconded by Director Dennstedt, to approve the consent calendar consisting of item 2A.

The vote was:

Ayes: Directors Blois, Dennstedt, Dick, Faessel, Goldberg, Jung, Pressman, Record, Smith and Tamaribuchi.

Noes: None

Abstentions: None

Absent: Directors Ortega, Quinn, and Ramos.

The motion for items 2A passed by a vote of 10 ayes, 0 noes, 0 abstain, and 3 absent.

END OF CONSENT CALENDAR ITEMS

4. OTHER BOARD ITEMS – ACTION

None

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

Ms. Kasaine announced to the committee that the order of committee items was changed and item 6b would be heard first.

- b. Subject: Year-End Financial Report
Presenter: Bernadette Robertson, Controller

Ms. Kasaine introduced the item and Ms. Robertson presented the committee with the fiscal year 2021/22 year-end financial review of Metropolitan's budget versus actuals for revenues and expenses. She also presented an overview of balance sheet trends.

The following Directors provided comments or asked questions:

1. Smith
2. Erdman

Staff responded to Directors' comments and questions.

- a. Subject: Quarterly Financial Report
Presenter: Bernadette Robertson, Controller

Ms. Kasaine introduced the item and Ms. Robertson presented the committee with Metropolitan's quarterly financial report for the period ending September 30, 2022. The report included cumulative water transactions in acre-feet, revenues, and expenses for fiscal year 2022/23. Ms. Robertson also reported on reimbursable costs and Operations & Maintenance costs for the Delta Conveyance Project through September 2022.

The following Directors provided comments or asked questions:

1. Miller
2. Smith

Staff responded to Directors' comments and questions.

7. MANAGEMENT REPORTS

- a. Subject: Chief Financial Officer's report
No report was given.

8. FOLLOW-UP ITEMS

None

9. FUTURE AGENDA ITEMS

None

10. ADJOURNMENT

The next meeting will be held on December 12, 2022.

Meeting adjourned at 10:00 a.m.

Barry Pressman
Chair



Finance and Insurance Committee

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

Item 6a

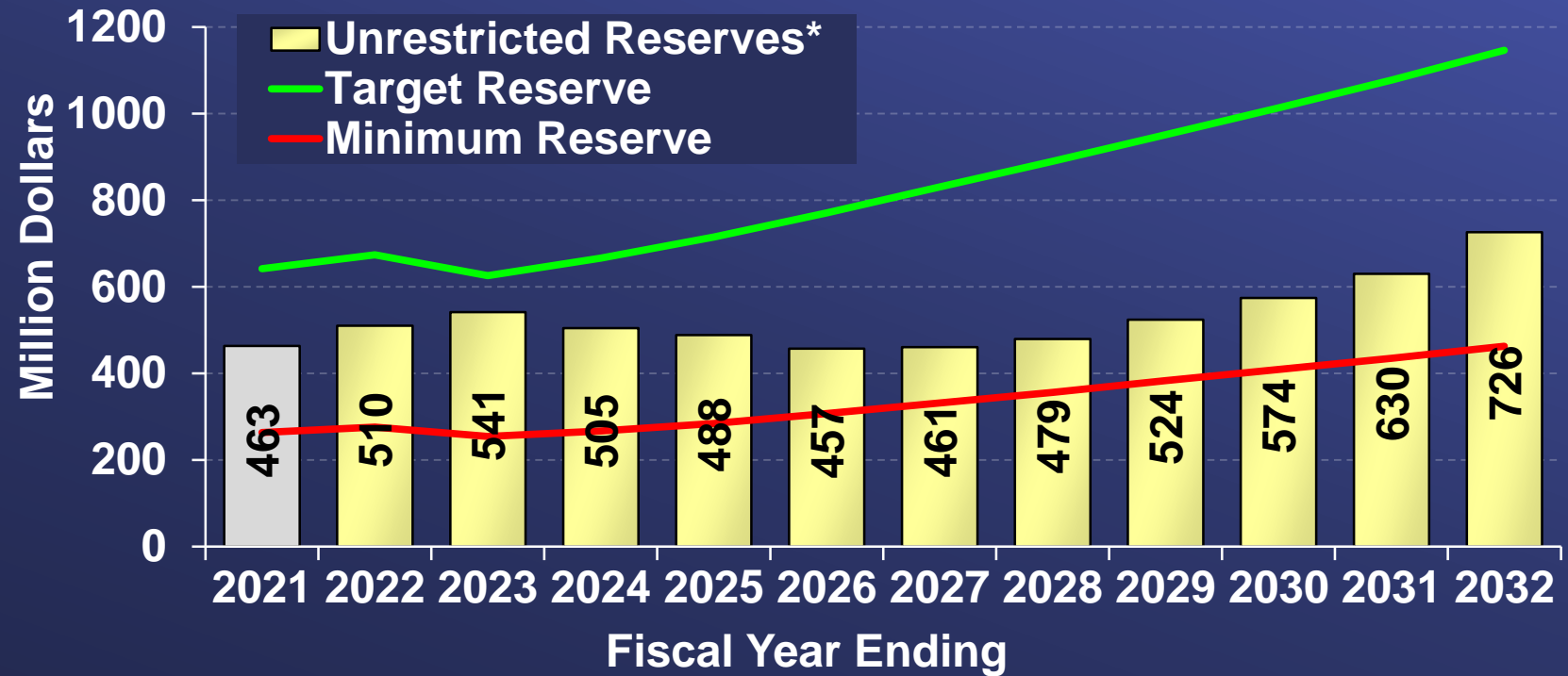
December 12, 2022

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.

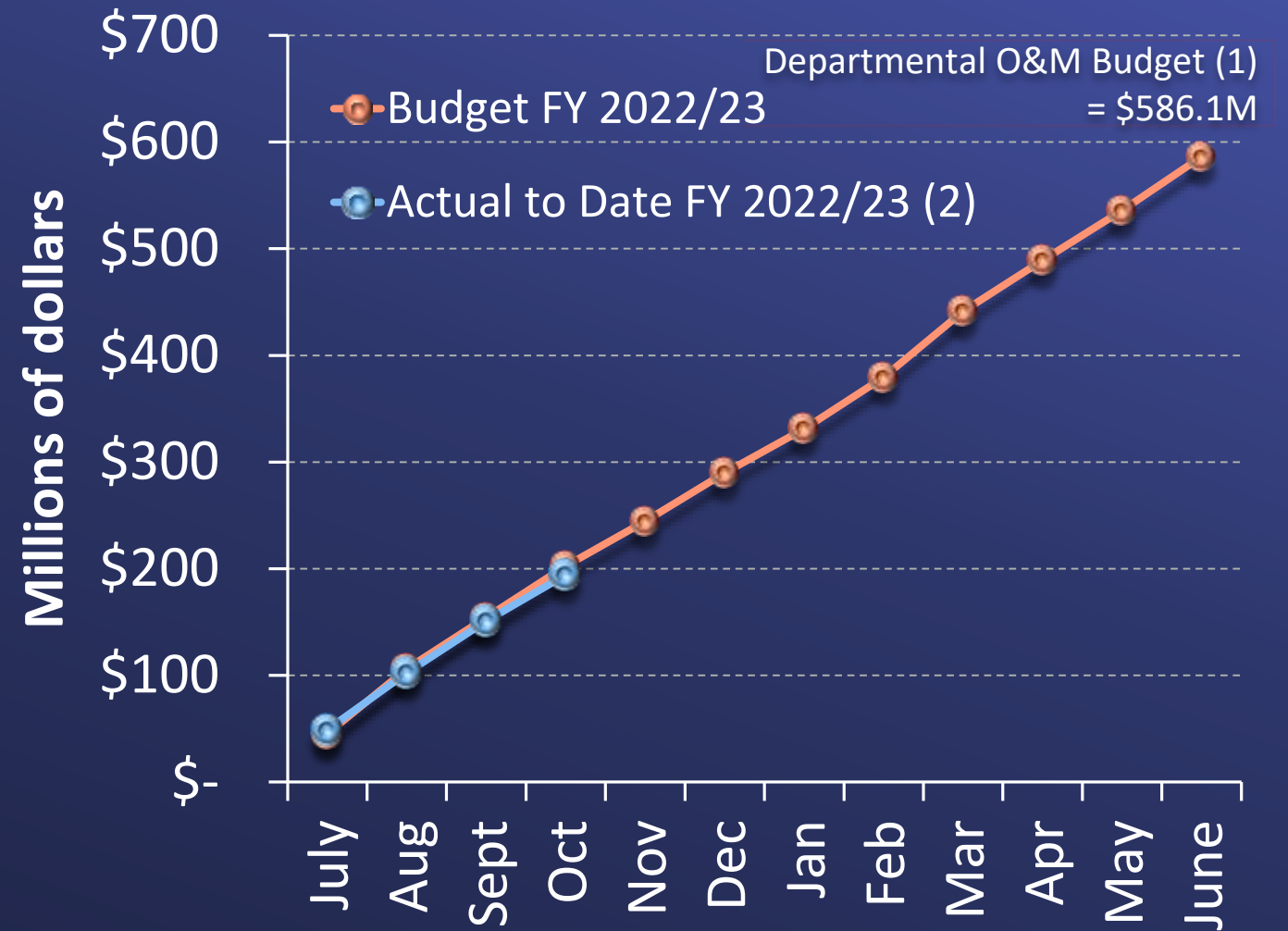
Departmental O&M Spending Trend

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

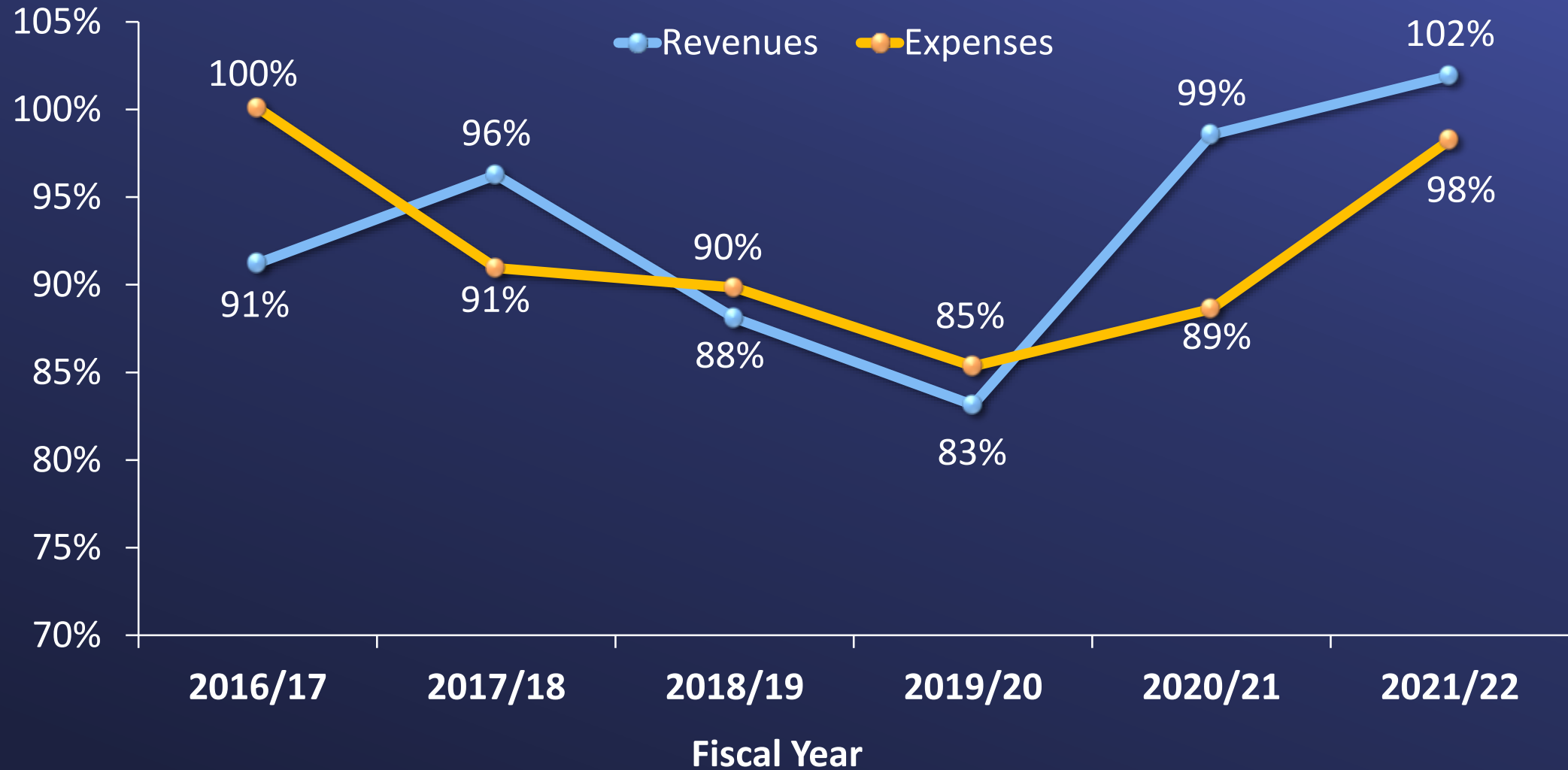
Grant Funding continued...

Progress to-date

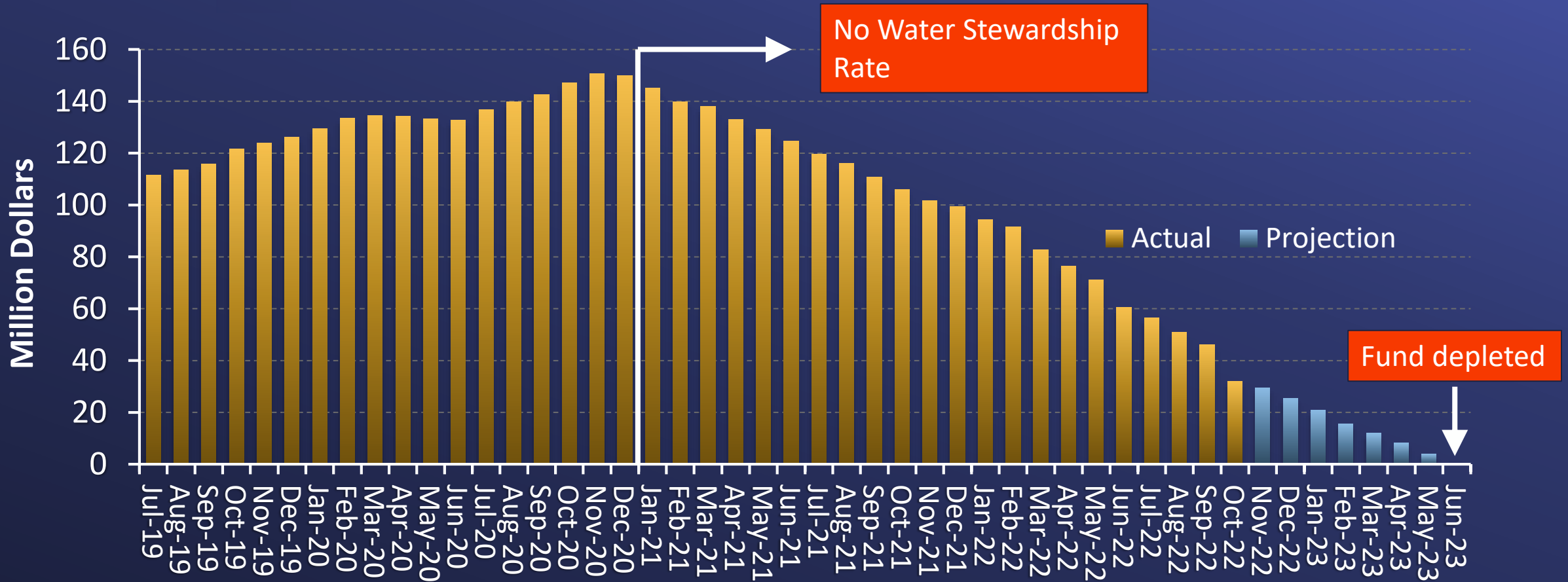
Federal Funding

- 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.

