

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.

FAM Committee

T. Smith, Chair
L. Dick, Vice Chair
D. Alvarez
J. Armstrong
G. Bryant
D. De Jesus
B. Dennstedt
L. Fong-Sakai
M. Gold
J. McMillan
C. Miller
M. Petersen
B. Pressman
T. Quinn
K. Seckel

Finance and Asset Management Committee - Final - Revised 1

Meeting with Board of Directors *

October 8, 2024

10:30 a.m.

Agendas, live streaming, meeting schedules, and other board materials are available here:

**<https://mwdh2o.legistar.com/Calendar.aspx>. Written public comments received by 5:00 p.m. the business days before the meeting is scheduled will be posted under the Submitted Items and Responses tab available here:
<https://mwdh2o.legistar.com/Legislation.aspx>.**

If you have technical difficulties with the live streaming page, a listen-only phone line is available at 1-877-853-5257; enter meeting ID: 862 4397 5848.

Members of the public may present their comments to the Board on matters within their jurisdiction as listed on the agenda via in-person or teleconference. To participate via teleconference 1-833-548-0276 and enter meeting ID: 815 2066 4276 or to join by computer [click here](#).

**Tuesday, October 8, 2024
Meeting Schedule**

**08:30 a.m. EOP
10:30 a.m. FAM
12:30 p.m. Break
01:00 p.m. BOD**

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

Teleconference Locations:

Marriott Center City • 124 St. Charles Avenue • New Orleans, LA 70130

525 Via La Selva • Redondo Beach, CA 90277

Sheraton New Orleans Hotel • 500 Canal Street • New Orleans LA 70130

1545 Victory Boulevard 2nd Floor • Glendale CA 91201

Boulevard Green • 1412 Lower Green Circle • Columbus OH 43212

3008 W. 82nd Place • Inglewood, CA 90305

* 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 Asset Management Committee Meeting for August 20, 2024 (Copies have been submitted to each Director, any additions, corrections, or omissions) [21-3752](#)

Attachments: [10082024 FAM 2A \(08202024\) Minutes](#)

3. CONSENT CALENDAR ITEMS - ACTION

- 7-9 Adopt resolution authorizing the reimbursement of capital expenditures from bond proceeds for fiscal years 2024/25 and 2025/26; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [21-3868](#)

Attachments: [10082024 FAM 7-9 B-L](#)
[10082024 FAM 7-9 Presentation](#)

**** END OF CONSENT CALENDAR ITEMS ****

4. OTHER BOARD ITEMS - ACTION

- 8-3 Authorize the General Manager to acquire a 0.33-acre property located in Los Angeles County in the city of La Verne from Charles J. Arballo and Margaret R. Arballo, as Trustees of The Arballo Family Trust, dated December 9, 1991, as amended, for a purchase price to be discussed confidentially with the Board of Directors; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [Conference with real property negotiator; property identified as Los Angeles County Assessor's Parcel No. 8381 005-002; agency negotiator: Seyou Oh; negotiating parties: Patrick Arballo and Mark Arballo; under negotiation: price and terms; to be heard in closed session pursuant to Gov. Code Section 54956.8].[UPDATED SUBJECT 10/2/2024] [21-3869](#)

Attachments: [10082024 FAM 8-3 Presentation-Open Session](#)

5. BOARD INFORMATION ITEMS

- 9-2 Compliance with Fund Requirements and Bond Indenture Provisions [21-3870](#)

Attachments: [10082024 FAM 9-2 B-L](#)

6. COMMITTEE ITEMS

NONE

7. MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS

- a. Finance and Asset Management activities [21-3753](#)

Attachments: [10082024 FAM 7a Finance and Asset Management Activities \(July and August 2024\)](#)
[10082024 FAM 7a Finance and Asset Management Activities \(August and September 2024\)](#)

8. SUBCOMMITTEE REPORTS AND DISCUSSION

- a. Report from Subcommittee on Long-Term Regional Planning Processes and Business Modeling [21-3757](#)
- b. Discuss and provide direction to Subcommittee on Long-Term Regional Planning Processes and Business Modeling [21-3758](#)

9. FOLLOW-UP ITEMS

NONE

10. FUTURE AGENDA ITEMS

11. 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. Committee agendas may be obtained on Metropolitan's Web site <https://mwdh2o.legistar.com/Calendar.aspx>. 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 <https://mwdh2o.legistar.com/Calendar.aspx>.

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 ASSETT MANAGEMENT COMMITTEE

August 20, 2024

Chair Smith called the meeting to order at 8:31 a.m.

Members present: Directors Alvarez, Armstrong, Bryant, De Jesus, Dennstedt, Dick, Fong-Sakai, McMillan, Miller, Pressman (entered after rollcall), Quinn (entered after rollcall), Seckel, and Smith.

Members absent: Director Petersen.

Other Members present: Ackerman, Erdman, Faessel, Goldberg, Goldberg, Kurtz, Lefevre, Morris, and Ortega.

Committee Staff present: Beatty, Benson, Crosson, Chapman, Kasaine, Ros, Upadhyay, and Wheeler.

- 1. OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO ADDRESS THE COMMITTEE ON MATTERS WITHIN THE COMMITTEE'S JURISDICTION**
Justin Breck, Los Angeles Waterkeepers commented on item 8-3.

CONSENT CALENDAR ITEMS — ACTION

- 2. CONSENT CALENDAR OTHER ITEMS-ACTION**

- A. Subject: Approval of the Minutes of the Finance, Audit, Insurance, and Real Property Committee Meeting for July 9, 2024

3. CONSENT CALENDAR ITEMS – ACTION

- 7-7 Subject: Approve and authorize the distribution of Appendix A for use in the issuance and remarketing of Metropolitan’s Bonds; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA
- Motion: a. Approve the draft of Appendix A (Attachment 1) attached to this board letter.
- b. Authorize the General Manager or other designee of the Ad Hoc Committee to finalize, with changes approved by the General Manager and General Counsel, Appendix A.
- c. Authorize distribution of Appendix A, finalized by the General Manager or other designee of the Ad Hoc Committee, in connection with the sale and/or remarketing of bonds.

No Presentation was given.

- 7-8 Subject: Review and consider the Lead Agency’s adopted Mitigated Negative Declaration and take related CEQA actions, and adopt resolution for 115th Fringe Area Annexation to Eastern Municipal Water District and Metropolitan
- Motion: Review and consider the Lead Agency’s adopted Mitigation Negative Declaration and take related CEQA actions; and adopt resolution for the 115th Fringe Area Annexation to Eastern Municipal Water District and Metropolitan.

No Presentation was given.

The following Director provided comments or asked questions:

1. Miller

Staff responded to the Director’s comments and questions.

Director Dennstedt made a motion, seconded by Director Bryant, to approve the consent calendar consisting of items 2A, 7-7, and 7-8.

The vote was:

- Ayes: Directors Alvarez, Armstrong, Bryant, De Jesus, Dennstedt, Dick, Fong-Sakai, McMillan, Miller, Seckel, and Smith.
- Noes: None
- Abstentions: None
- Absent: Directors Petersen, Pressman, and Quinn.

The motion for items 2A, 7-7, 7-8 passed by a vote of 11 ayes, 0 noes, 0 abstain, and 3 absent.

END OF CONSENT CALENDAR ITEMS

5. OTHER CONSENT ITEMS – ACTION

- 8-2 Subject: Adopt the Twenty-Sixth Supplemental Resolution to the Master Bond Resolution authorizing the issuance of up to \$425 million of Water Revenue and Refunding Bonds, 2024 Series; providing the terms and conditions for the sale and issuance of the Bonds; and approve expenditures to fund the costs of issuance of the Bonds; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA
- Motion: a. Adopt the Twenty-Sixth Supplemental Resolution to the Master Bond Resolution authorizing the issuance of up to \$425 million of Water Revenue and Refunding Bonds, 2024 Series, and providing the terms and conditions for the sale and issuance of the Bonds; and
b. Approve approximately \$1.2 million for the payment of the costs of issuance of the Water Revenue Bonds to be paid from bond proceeds or Metropolitan funds.
- Presented by: Sam Smalls, Manager of Treasury and Debt Management

Ms. Kasaine introduced the item and Mr. Smalls presented the committee with an overview of the tax rate adoption process and the proposed tax rate. His presentation also included ad valorem tax background and historical property tax rate.

The following Directors provided comments or asked questions:

1. Smith
2. Miller
3. Fong-Sakai
4. Pressman
5. Armstrong
6. Seckel
7. Erdman
8. Ortega

Staff responded to the Directors' comments and questions.

After completion of the presentation, Director Armstrong made a motion, seconded by Director Bryant, to approve item 8-3.

The vote was:

Ayes: Directors Alvarez, Armstrong, Bryant, De Jesus, Dennstedt, Dick, Fong-Sakai, McMillan, Miller, Pressman, Quinn, Seckel, and Smith.
Noes: None
Abstentions: None
Absent: Director Petersen.

The motion for item 8-3 passed by a vote of 13 ayes, 0 noes, 0 abstain, and 1 absent.

5. BOARD INFORMATION ITEMS

5H Subject: Report on list of certified assessed valuations for fiscal year 2024/25 and tabulation of assessed valuations, percentage participation, and vote entitlement of member agencies as of August 20, 2024

No presentation was given.

6. COMMITTEE ITEMS

a. Subject: Financing Overview for Bond Issuance (SB 450)

Presented by: Sam Smalls, Manager of Treasury and Debt Management

Ms. Kasaine introduced the item and Mr. Smalls presented the committee with an overview of SB 450 reporting mandate, SB 450 requirements, and the Water Revenue Refunding bonds, 2024 series C.

The following Director provided comments or asked questions:

1. Dick

Staff responded to the Directors' comments and questions.

b. Subject: Quarterly Financial Report

Presented by: Arnout Van den Berg, Section Manager-Revenue & Budget

Ms. Kasaine introduced the item and Mr. Van den Berg presented the committee with Metropolitan's preliminary year-end financial review for the period ending June 30, 2024. The report included the financial performance for Fiscal Year 2023/24, cumulative water transactions, comparison of the budget to the full-year Fiscal Year 2023/24, and preliminary unrestricted reserves for fiscal year 2023/24.

The following Directors provided comments or asked questions:

1. De Jesus
2. Seckel
3. Pressman

Staff responded to the Directors' comments and questions.

7. MANAGEMENT ANNOUNCEMENTS AND HIGHLIGHTS

a. Subject: Financial and Asset Management Activities

Mr. Benson provided an overview of the updates made to the Treasurer's monthly report and finance activities report.

The following Director provided comments or asked questions:

1. Armstrong

Staff responded to the Director's comments and questions.

8. SUBCOMMITTEE REPORTS AND DISCUSSION

- a. Subject: Report from Subcommittee on Long-Term Regional Planning
Processes and Business Modeling

Director Seckel updated the committee on the items discussed at the July 24, 2024, Joint Task Force meeting.

- b. Subject: Discuss and provide direction to Subcommittee on Long Term
Regional Planning Processes and Business Modeling

No direction was given.

9. FOLLOW-UP ITEMS

Director Erdman requested a policy discussion on fixed and variable revenues.

10. FUTURE AGENDA ITEMS

None

11. ADJOURNMENT

The meeting adjourned at 10:12 a.m.

Tim Smith
Chair



- **Board of Directors**
Finance and Asset Management Committee

10/8/2024 Board Meeting

7-9

Subject

Adopt resolution authorizing the reimbursement of capital expenditures from bond proceeds for fiscal years 2024/25 and 2025/26; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

The Resolution of Reimbursement of capital expenditures from bond proceeds in **Attachment 1** (Resolution of Reimbursement) evidences the intention to use tax-exempt bond proceeds or other forms of indebtedness to finance capital expenditures for projects and to use some or all available bond proceeds to reimburse Metropolitan for costs paid for such projects. The Resolution of Reimbursement would satisfy the Internal Revenue Service (IRS) regulatory requirement to declare an “official intent” to reimburse a capital expenditure. If adopted, Metropolitan would be authorized to use tax-exempt bond proceeds to reimburse capital expenditures initially paid or to be paid by operating revenues or other available resources. Adoption of the Resolution of Reimbursement provides Metropolitan with financial flexibility during the current and next fiscal year, if needed, to issue tax-exempt bonds when deemed most appropriate. The Resolution of Reimbursement does not change the amount or method of funding capital expenditures approved by Metropolitan’s Board in the Adopted Biennial Budget for fiscal year (FYs) 2024/25 and 2025/26. The Resolution of Reimbursement will give Metropolitan the option and flexibility of reimbursing itself for capital project expenditures made prior to the issuance of tax-exempt bonds.

Proposed Action(s)/Recommendation(s) and Options

Staff Recommendation: Option #1

Option #1

Adopt the resolution authorizing the reimbursement of capital expenditures from bond proceeds for FY 2024/25 and FY 2025/26 as contained in **Attachment 1**.

Fiscal Impact: The Resolution of Reimbursement would allow Metropolitan to continue to fund approved capital projects and use tax-exempt bond proceeds to reimburse Capital Investment Plan (CIP) and other capital expenditures in FY 2024/25 and FY 2025/26 initially funded with operating revenues or reserves.

Business Analysis: Option #1 would provide Metropolitan the ability to reimburse operating revenue or reserve-funded capital expenditures with tax-exempt debt proceeds. Such reimbursed funds would replenish funds that then may be used for any lawful purpose.

Option #2

Do not adopt the Resolution of Reimbursement as contained in **Attachment 1**.

Fiscal Impact: Approval of Option #2 would result in a reduction in Metropolitan’s financial flexibility during FY 2024/25 and FY 2025/26. Without this reimbursement resolution, Metropolitan may be required to

pay certain capital expenditures out of operating revenues instead of bond proceeds as intended under the Adopted Biennial Budget. Further, by not adopting this Resolution of Reimbursement, Metropolitan will not be able to reimburse itself from tax-exempt bond proceeds for capital expenditures funded from operating revenues, which would lower reserves and potentially have negative implications for certain financial metrics, such as debt service coverage and fixed charge coverage, impacted by costs related to the supply and demand management programs intended to be bond financed.

Business Analysis: Option #2 would limit Metropolitan’s financial flexibility in FY 2024/25 and FY 2025/26, as Metropolitan could not reimburse operating revenue or reserve-funded capital expenditures with tax-exempt bond proceeds. Therefore, Metropolitan’s operating revenues may not be sufficient to pay for approved capital expenditures in accordance with the Board’s Adopted Biennial Budget for FYs 2024/25 and 2025/26.

Alternatives Considered

Not applicable

Applicable Policy

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

Metropolitan Water District Administrative Code Section 5108(d): Appropriations

Metropolitan Water District Administrative Code Section 5109: Capital Financing

Metropolitan Water District Administrative Code Section 5200(a) and (b): Funds Established

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

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

Not applicable

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. (State CEQA Guidelines Section 15378(b)(4)).

CEQA determination for Option #2:

None required

Details and Background

Background

The Biennial Budget for FYs 2024/25 and 2025/26, adopted by Metropolitan’s Board on April 9, 2024 (“Biennial Budget”), included funding capital expenditures from a combination of bonds and operating revenues. A total of \$630 million of planned CIP spending is presented in the CIP section of the Biennial Budget. The estimated CIP expenditures are planned to be funded with \$280 million of bond proceeds and \$350 million of operating revenues for the term of the Biennial Budget. In addition, the Board approved as part of the Biennial Budget bond financing for additional capital expenditures not in the CIP—the Antelope Valley East Kern High Desert Groundwater Storage Program (“AVEK”) in the amount of \$177.9 million and the conservation program in the amount of \$48.2 million.

The portion of CIP and conservation program expenditures anticipated to be bond financed during the current biennium will be paid from: (a) note proceeds of short-term notes issued as interim financing under a Revolving Credit Agreement with Bank of America, N.A, and (b) bond proceeds from the recently completed Water

Revenue and Refunding Bonds, 2024 Series C and Variable Rate Subordinate Water Revenue Refunding Bonds, 2024 Series D transactions. Long-term bond financing for AVEK, however, has not yet occurred.

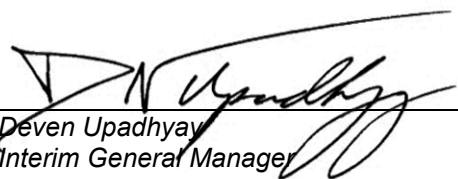
Adoption of the attached Resolution of Reimbursement will allow Metropolitan to fund AVEK capital expenditures and additional CIP expenditures, if necessary, out of available resources, including financial reserves, until tax-exempt new money bonds are issued when market conditions are favorable. This approach is a conventional procedure used by many public issuers as part of their strategy to access the capital markets. The ability to use tax-exempt bond proceeds to reimburse Metropolitan for capital expenditures paid or to be paid by operating revenues or reserves will provide the Board with financial flexibility to meet its approved budget priorities and expenditure plan. The not-to-exceed bond par amount of \$225 million in the Resolution of Reimbursement is conservatively estimated by staff to generate the required bond proceeds, taking into consideration potential premiums and/or discounts under varying market conditions at the time of sale.

By adopting the Resolution of Reimbursement, Metropolitan indicates its expectation to issue tax-exempt debt and use the proceeds to reimburse certain capital expenditures, initially funded with operating revenues, with such tax-exempt bond proceeds. In accordance with IRS regulations, Metropolitan is required to declare its “official intent” to reimburse a capital expenditure no later than 60 days after the payment of the original expenditure to be reimbursed. This Resolution of Reimbursement will meet the “official intent” requirement under IRS regulations. The Resolution of Reimbursement does not change the amount or method of funding capital expenditures approved by Metropolitan’s Board in the Biennial Budget for FYs 2024/25 and 2025/26.

The Board previously adopted resolutions of reimbursement in 2015, 2016, 2019, 2020, and 2022.



Katano Kasaine 10/3/2024
Assistant General Manager/Chief Financial Officer Date



Deven Upadhyay 10/3/2024
Interim General Manager Date

Attachment 1 – Resolution of The Board Of Directors of The Metropolitan Water District of Southern California Pertaining to the Reimbursement of Capital Expenditures From Bond Proceeds

Ref# cfo12697878

THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA

RESOLUTION _____

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
PERTAINING TO THE REIMBURSEMENT OF CAPITAL EXPENDITURES FROM BOND
PROCEEDS

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

1. The Metropolitan Water District of Southern California (“Metropolitan”) desires and expects to debt finance certain construction costs relating to its Capital Investment Plan as approved in its Biennial Budget for Fiscal Years 2024/25 and 2025/26, and other capital expenditures relating to Metropolitan’s water delivery system (“Projects”);

2. Metropolitan expects to issue up to \$225 million in additional debt during fiscal years 2024/25 and 2025/26 to finance the Projects, or portions of the Projects, with obligations, the interest upon which is excluded from gross income for federal income tax purposes (the “Debt”);

3. Metropolitan expects to expend (or to have expended) moneys (other than moneys derived from the issuance of bonds) on expenditures relating to the costs of the Projects prior to the issuance of the Debt, which expenditures will be properly chargeable to a capital account under general federal income tax principles;

4. Metropolitan reasonably expects to reimburse certain of such capital expenditures with the proceeds of the Debt;

5. Metropolitan expects that the maximum principal amount of Debt that will be issued to pay for the costs of the Projects (and related issuance costs) will not exceed \$225 million;

6. At the time of the reimbursement for the Projects, Metropolitan will evidence such reimbursement in writing which identifies the allocation of the proceeds of the Debt to Metropolitan for the purpose of reimbursing Metropolitan for the capital expenditures prior to the issuance of the Debt;

7. Metropolitan expects to make each of the reimbursement allocations no later than eighteen (18) months after the latter of (i) the date on which the earliest original expenditure for the relevant Project is paid or (ii) the date on which such Projects are placed in service (or abandoned), but in no event later than three (3) years after the date on which the earliest original expenditure for the relevant Project or other capital expenditure is paid;

8. Metropolitan will not, within one (1) year of any reimbursement allocation, use the proceeds of the Debt received in the reimbursement allocation in a manner that will result in the creation of replacement proceeds of the Debt or another issue (e.g., Metropolitan will not pledge or

use the proceeds received for the payment of debt service on the Debt or another issue, except that the proceeds of the Debt can be deposited in a bona fide debt service fund); and

9. This Resolution is intended to be a “declaration of official intent” in accordance with Section 1.150-2 of the U.S. Treasury Regulations.

NOW, THEREFORE, the Board hereby finds, resolves, determines and orders as follows:

Section 1. That in accordance with Section 1.150-2 of the U.S. Treasury Regulations, Metropolitan hereby declares its intention to issue Debt in a principal amount not to exceed \$225 million in fiscal years 2024/25 and 2025/26, the proceeds of which will be used to pay for the costs of the Projects and other capital expenditures (and related issuance costs), including the reimbursement to Metropolitan for certain capital expenditures relating to the Projects made prior to the issuance of the Debt.

Section 2. This declaration of intent does not bind Metropolitan to make any expenditure, nor incur any indebtedness, or proceed with the issuance of any Debt, or proceed with the Projects.

I HEREBY CERTIFY, that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Directors of The Metropolitan Water District of Southern California, at its meeting held on October 8, 2024.

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



Finance and Asset Management Committee

Resolution Authorizing the Reimbursement of Capital Expenditures from Bond Proceeds for FY 2024/25 and 2025/26

Item 7-9

October 8, 2024

Reimbursement Resolution

Item 7-9

Subject

Adopt a Resolution Authorizing the Reimbursement of Capital Expenditures from Bond Proceeds for FY2024/25 and 2025/26

Purpose

To inform the Board of the background for the Reimbursement Resolution and its application to the current biennium budget period

Next Steps

Implement the relevant bond financing(s) and report results back to the Board

What is the purpose of a Reimbursement Resolution?

- Comply with IRS Regulations if tax-exempt bond proceeds are intended to pay for prior expenditures
- A Reimbursement Resolution evidences the intent to use tax-exempt bond proceeds or other forms of indebtedness to finance capital expenditures
- Some capital expenditures may be paid from available resources prior to the sale of tax-exempt bonds
- The Reimbursement Resolution gives Metropolitan the flexibility to reimburse itself from tax-exempt bond proceeds for prior capital expenditures

Internal Revenue Service (IRS) Regulations Regarding Reimbursement

- By adopting the Reimbursement Resolution, Metropolitan indicates its expectation to issue tax-exempt debt and use the proceeds to reimburse capital expenditures originally funded from operating revenues or reserves
- In accordance with IRS regulations, Metropolitan is required to declare its “official intent” to reimburse a capital expenditure
- Adoption of the proposed Reimbursement Resolution will meet the IRS “official intent” requirement

Why does Metropolitan Need a Resolution of Reimbursement?

The not-to-exceed bond par amount of \$225 million in the Reimbursement Resolution is conservatively estimated to provide the required bond proceeds for capital expenditures over the biennium.

- **Flexibility:** Adoption of the Reimbursement Resolution allows Metropolitan to fund approved capital expenditures out of operating revenues or reserves until new money bonds may be issued when market conditions are favorable
- **Budget Consistency:** The Reimbursement Resolution does not change the amount or method of funding capital expenditures approved by the Board in the Biennial Budget for FYs 2024/25 and 2025/26

Planned Capital Expenditures for FY 2024/25 and 2025/26

- In the FY 2024/25 and 2025/26 Biennial Budget, the Board approved \$630 million of CIP expenditures of which \$280 million is allocated to be bond funded
- In addition, the Board approved bond funding of \$177.9 million for the AVEK High Desert Water Program and \$48.2 million for the Conservation Program

Board Options

- Option #1
Adopt a resolution authorizing the reimbursement of capital expenditures from bond proceeds for FYs 2024/25 and 2025/26.
- Option #2
Do not adopt a Reimbursement Resolution.

Staff Recommendation

- Option #1





Finance & Asset Management Committee

Authorization to Purchase Property Adjacent to the F. E. Weymouth Water Treatment Plant

Item 8-3

October 8, 2024

Item 8-3

Authorization to Purchase Property Adjacent to the F. E. Weymouth Water Treatment Plant

Subject

Authorize the General Manager to acquire a 0.33-acre property located in Los Angeles County in the city of La Verne from Charles J. Arballo and Margaret R. Arballo, as Trustees of The Arballo Family Trust, dated December 9, 1991, as amended, for a purchase price to be discussed confidentially with the Board of Directors

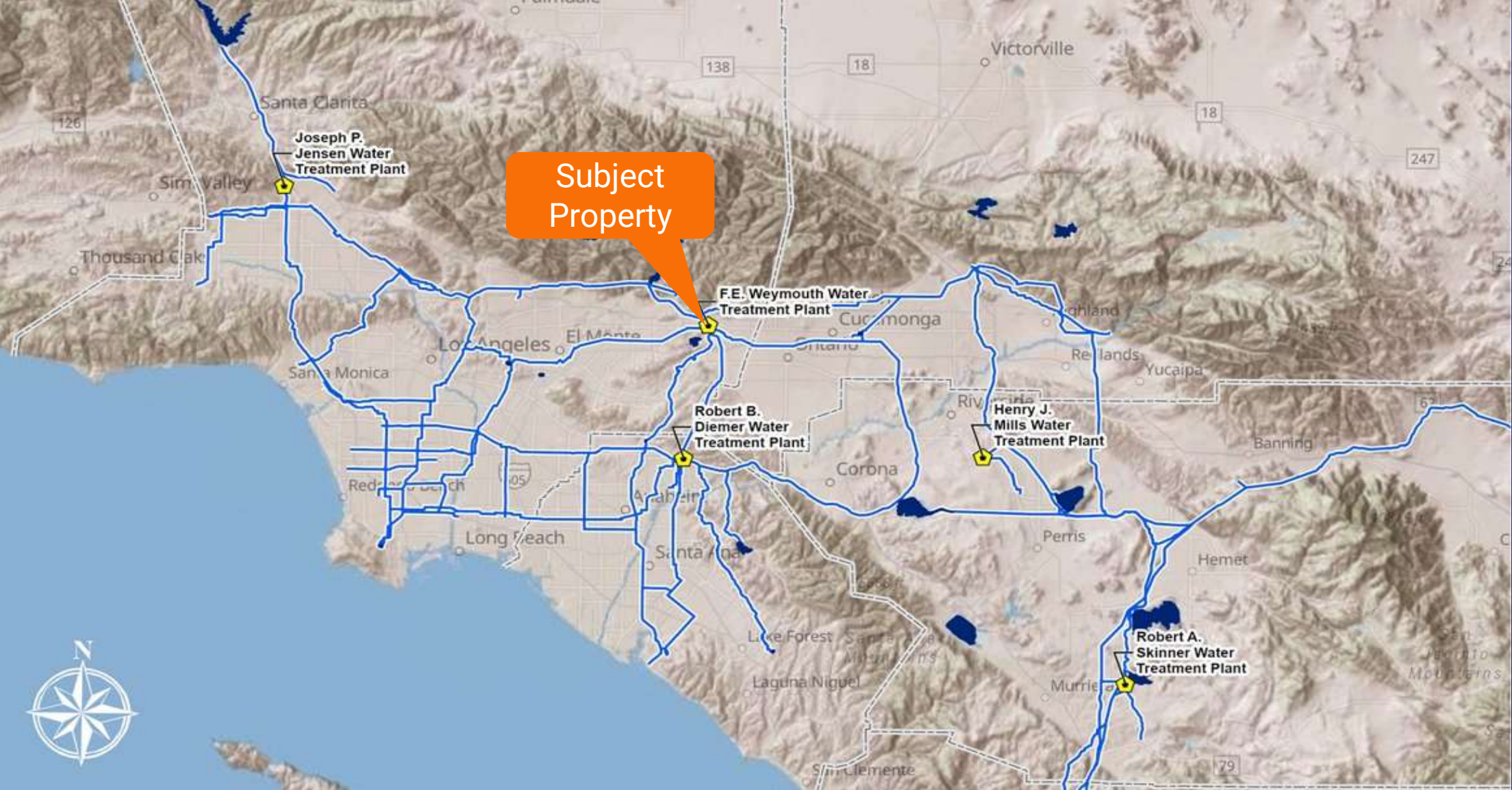
Purpose

Improved security and various potential land uses and benefits

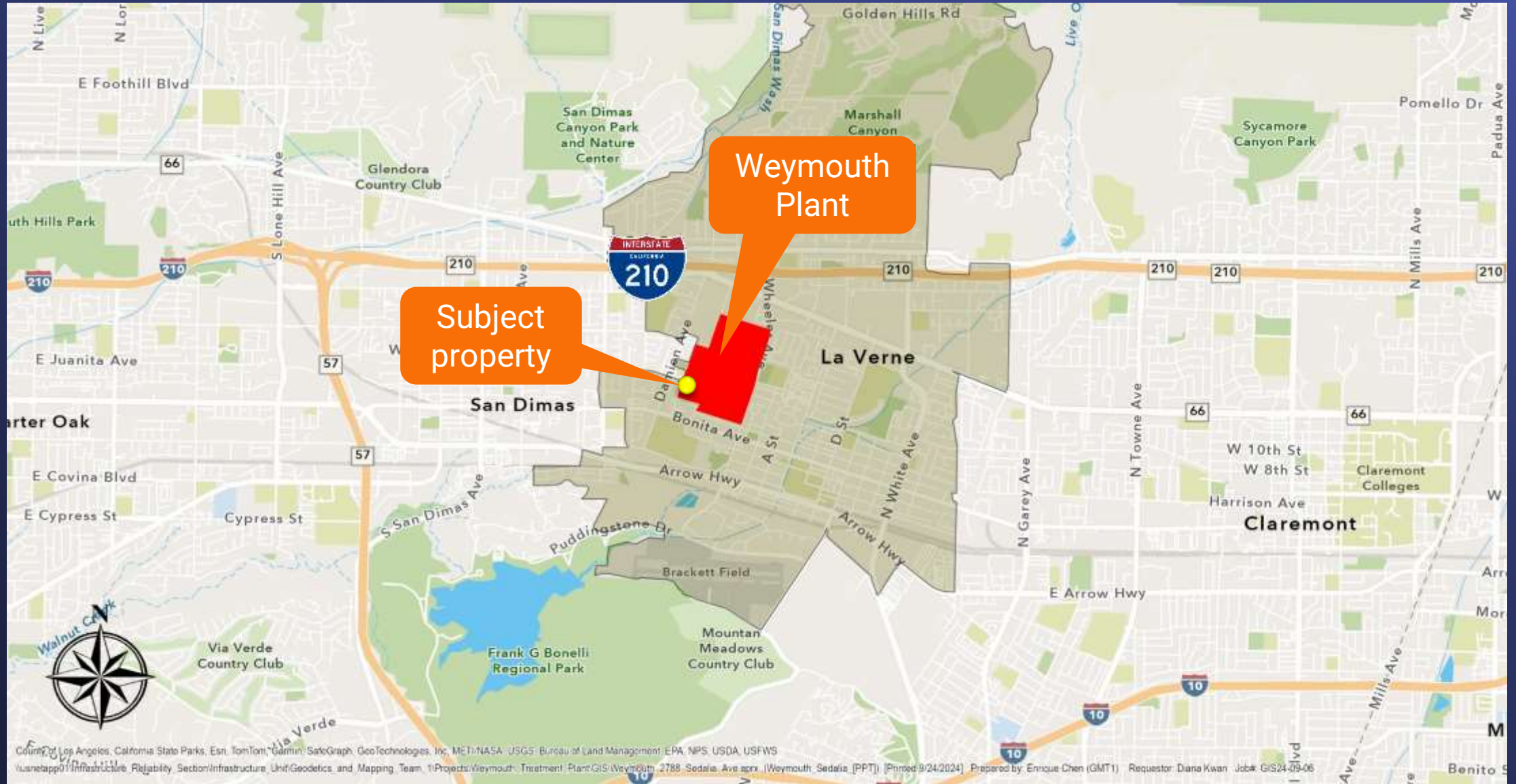
Recommendation and Fiscal Impact

Authorize the General Manager to acquire real property
Fiscal Impact – To be discussed in Closed Session

Distribution System Map



Location Map



Weymouth Property

Subject Property & Background

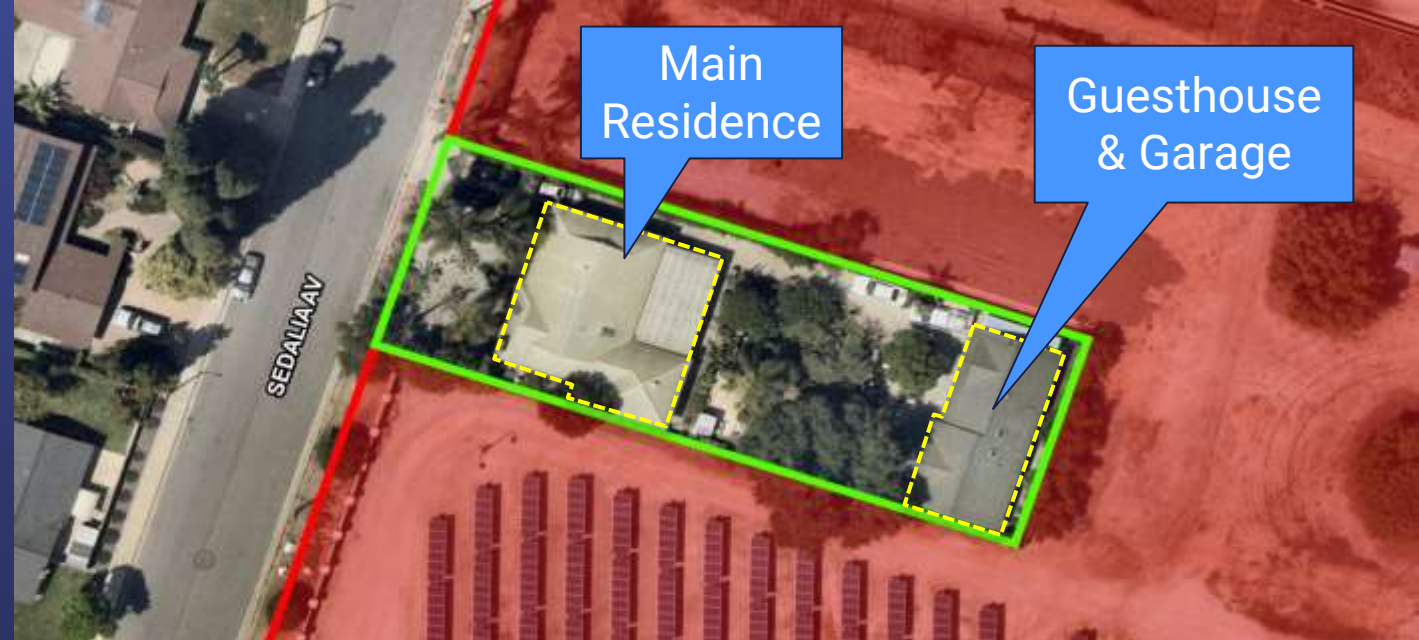


Weymouth Plant



Property Snapshot

- 2788 Sedalia Avenue
La Verne, CA 91750
- Main Residence (2,033 SF)
 - 4 Bed/2 Ba
- Guesthouse (675 SF)
 - 1 Bed/.75 Ba
- Total Size: 2,708 SF
- Lot Size: 0.33 AC/14,350 SF
- 2-car garage



Non-Contiguous Fence Line



Weymouth Property

Potential
Benefits

- Improvements to exterior physical security
- Additional separation between Weymouth facilities & residential neighborhood
- Flexible planning for ongoing operations
- Expanded footprint for future projects
- Minimize potential liability & risk





THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Board Information

- **Board of Directors**
Finance and Asset Management Committee

10/8/2024 Board Meeting

9-2

Subject

Compliance with Fund Requirements and Bond Indenture Provisions

Executive Summary

Pursuant to the annual reporting requirement contained in Section 5204 of the Metropolitan Water District Administrative Code, entitled “Compliance with Fund Requirements and Bond Indenture Provisions,” the Chief Executive Officer has determined that during Fiscal Year 2023/24, Metropolitan was in compliance with the minimum fund requirements outlined in Division V, Chapter 2, Sections 5201 and 5202 of the Administrative Code, and the provisions of the articles and covenants contained in resolutions for all outstanding Metropolitan bonds. Based upon information furnished by the General Manager and the Auditor’s Department, the General Counsel concurs with this determination. A checklist certifying compliance with all applicable provisions is included in **Attachment 1**.

Fiscal Impact

Required Administrative Code Requirement

Applicable Policy

Section 5204 of the Metropolitan Water District Administrative Code, entitled “Compliance with Fund Requirements and Bond Indenture Provisions”


Kátano Kasaine 9/30/2024
Assistant General Manager/ Date
Chief Financial Officer


Deven Upadhyay 10/1/2024
Interim General Manager Date

Attachment 1 – Checklist for Compliance with Bonded Debt and Commercial Paper Requirements

Ref# cfo12696168

**CHECKLIST FOR COMPLIANCE WITH
BONDED DEBT AND COMMERCIAL PAPER REQUIREMENTS**

Fiscal Year 2023/2024

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MWD ACT

Item	Action	Responsible	Completion Date	Initials
MWD Act				
PART 4 – POWERS AND PURPOSES				
Chapter 1 – Powers Generally				
Aggregate indebtedness (Pt. 4, Chap. 1, Sec. 123)	Aggregate indebtedness shall not exceed 15% of assessed valuation of all taxable property within Metropolitan.	Controller	<u>06/30/2024</u>	<u>BAK</u>
PART 5 – BONDS AND OTHER EVIDENCES OF INDEBTEDNESS				
Chapter 1 – Bonds Requiring Approval of Voters				
Use of Bond Proceeds and Interest as Construction Cost (Pt. 5, Chap. 1, Art. 3, Sec. 228)	The proceeds of the bonds, except for premium and accrued interest, shall be placed in the Treasury of Metropolitan.	Treasury and Debt Manager	<u>06/30/2024</u>	<u>SS</u>
	These proceeds shall be exclusively applied to the purposes and objects mentioned in the bond ordinance, except as otherwise provided in this section. Premium and accrued interest shall be applied to bond interest payments and bond retirement.	Controller	<u>06/30/2024</u>	<u>BAK</u>

MWD ACT

Item	Action	Responsible	Completion Date	Initials
Chapter 1.6 – Revenue Bonds				
Revenues to Pay Certain Costs (Pt. 5, Chap. 1.6, Sec. 238)	<p>The board shall fix the rate or rates at which water shall be sold pursuant to Chapter 2 (commencing with Section 130) of Part 4 which, with reasonable allowances for contingencies and error in the estimates, shall be at least sufficient, together with any other revenues not derived from the levy of taxes, to provide revenues to pay the following amounts in the order set forth:</p> <ol style="list-style-type: none"> 1. The necessary expenditures for operating and maintaining the properties, works, and facilities of Metropolitan, and also for such charges as may be payable by Metropolitan under a contract with this state for water which are classified as operation, maintenance, power, and replacement charges. 2. The principal and interest of the revenue bonds as the same become due and payable, including any sinking fund payments for term bonds, if any. 3. The deposits into any reserve funds that may be established to secure the revenue bonds. 4. Any other obligations which are liens or encumbrances upon the water revenues. 	Revenue and Budget Manager	<u>06/30/2024</u>	<u>A u</u>

MWD ACT

Item	Action	Responsible	Completion Date	Initials
PART 6 – TAXES				
Chapter 1 – General Procedure				
Tax Levies - Determination of Rates (Pt. 6, Chap. 1, Art. 2, Sec. 307)	On or before the 20th day of August*, the board shall, by resolution, determine the amount of money necessary to be raised by taxation during the fiscal year beginning the first day of July next preceding for all Metropolitan purposes and shall fix rates of taxation designating the number of cents, upon each one hundred dollars (\$100) assessed valuation of property taxable by Metropolitan in each county and shall levy a tax accordingly.	Treasury and Debt Manager	<u>06/30/2024</u>	SS
Tax Levies – Bond Service (Pt. 6, Chap. 1, Art. 2, Sec. 308)	If Metropolitan income will be inadequate to pay interest and principal (including any sinking fund) of any G.O. bonds, the Board shall at the time of fixing the tax levy, levy a tax sufficient to pay annual interest and such principal that becomes due before money from the next general tax levy becomes available. These taxes shall be used to pay only this principal and interest, except that it may be used to pay principal and interest on any voter-authorized bonds then outstanding or yet to be issued if the tax was originally levied to pay for authorized but unsold bonds which then remain unsold. Taxes shall also be levied to meet the requirement of any resolution adopted according to Section 287, Tax Levy for Notes. (See above.)	Treasury and Debt Manager	<u>06/30/2024</u>	SS

MWD ACT




Item	Action	Responsible	Completion Date	Initials
Statement of Tax Rates (Pt. 6, Chap. 1, Art. 2, Sec. 310)	Before the first day of September* the Controller of Metropolitan shall prepare and transmit to the auditor of each county in which property taxable by Metropolitan lies, a statement showing the tax rates to be applied to property taxable by Metropolitan. Such rates shall be the rates fixed by resolution of the board modified to the extent necessary to produce from each declaring public agency only the amount apportioned to it in such resolution, less any amount paid or undertaken to be paid by such agency, or credited thereto as provided in Chapter 2 (commencing with Section 331) of this part.	Treasury and Debt Manager	<u>06/30/2024</u>	<u>SS</u>

*FN- Dates are directory only, and any failure to perform specified acts by the time specified shall not impair the authority conferred in the Act. (Pt. 6, Chap. 1, Art. 1, Sec. 320).

ADMINISTRATIVE CODE

Item	Action	Responsible	Completion Date	Initials
Administrative Code				
Division IV – Water Service Policies				
Chapter 3 – Water Sales Revenues				
Cost of Service and Revenue Requirement (§ 4301)(a)	The District shall fix rates for water such that anticipated water sales, revenues, together with anticipated revenues from any water standby or availability of service charge (such as the readiness-to-serve charge or capacity charge) or assessment, ad valorem tax revenues and other revenues pay the expenses of the District, provide for repairs and maintenance, provide for payment of the purchase price or other charges for property or services or other rights acquired by the District, and provide for the payment of the interest and principal of the District's outstanding bonded debt. Subject to the foregoing, such rates and charges shall reflect the costs of the district's major service functions, including water supply, conveyance, power, storage, distribution and treatment, to the greatest degree practicable.	Revenue and Budget Manager	<u>06/30/2024</u>	<u>Au</u>
Formula for Allocation of Water Revenues (§ 4301)(b)	Notwithstanding the provisions in subsection (a) above, amounts raised by ad valorem property taxation complied with the limitations established by section 124.5 of the Act.	Office of the CFO	<u>06/30/2024</u>	<u>KK</u>

ADMINISTRATIVE CODE

Item	Action	Responsible	Completion Date	Initials
Division V – Financial Matters Chapter 1 – Administrative Matters				
Investment of Surplus Funds (§ 5101)	The Board shall delegate to the Treasurer annually the authority to invest or to reinvest Funds of Metropolitan.	Treasury and Debt Manager	<u>06/30/2024</u>	SS
Reporting Requirements of the Treasurer (§ 5114)	The Treasurer shall not later than the June Board meeting submit Statement of Investment Policy to the Board for the following year.	Legal	<u>06/30/2024</u>	PR
		Legal	<u>06/30/2024</u>	PR
Chapter 2 – Financial Policies				
<u>Funds Established (§ 5201)</u>				
General Obligation Bond Interest and Principal Funds and the Waterworks General Obligation Refunding Bonds Interest and Principal Funds (§ 5201(a))	Cash and securities in each fund as of June 30 shall equal debt service for the next 18 months, less anticipated revenue from tax levy specifically for this debt service.	Controller	<u>06/30/2024</u>	
Water Revenue Bonds Interest and Principal Funds, the Water Revenue Bonds Reserve Funds, the Water Revenue Refunding Bonds Interest and Principal Funds and the Water Revenue Refunding Reserve Bonds (§ 5201(b))	Cash and securities shall at least equal the minimums required by the respective resolutions of issuance for these bonds.	Controller	<u>06/30/2024</u>	
For the Subordinate Bonds Interest and Principal Funds, the Subordinate Water Revenue Bonds Reserve Funds, the Subordinate Water Revenue Refunding	Cash and securities shall at least equal the minimums required by the respective resolutions of issuance for these bonds.	Controller	<u>06/30/2024</u>	

ADMINISTRATIVE CODE

Item	Action	Responsible	Completion Date	Initials
Bonds Interest and Principal Funds and the Subordinate Water Revenue Refunding Reserve Funds (§ 5201 (c))				
Bond Construction Funds (§ 5201 (d))	No minimum requirement; provided that any cash and securities in such funds shall be restricted to use for the purposes such finances were required.	Controller	<u>06/30/2024</u>	<u><i>Pat</i></u>
State Contract Fund (§ 5201 (e))	Cash and securities on hand June 30 and December 31 shall equal the capital payments to the DWR that are due on July 1, of the same year and January 1 of the following year.	Controller	<u>06/30/2024</u>	<u><i>Pat</i></u>
Special Tax Fund (§ 5201 (f))	No minimum requirement.	Controller	<u>06/30/2024</u>	<u><i>Pat</i></u>
Operation and Maintenance Fund (§ 5201 (g))	Cash and securities shall at least equal the minimum required by the respective resolutions of issuance for revenue bonds (i.e., amount sufficient to pay estimated O&M Expenditures during current and next succeeding calendar month).	Controller	<u>06/30/2024</u>	<u><i>Pat</i></u>
Revolving Construction Fund (§ 5201 (h))	No minimum requirement. However, cash and securities in this fund shall be available for transfer to the Water Rate Stabilization Fund and the Water Treatment Surcharge Stabilization Fund at the discretion of the Board.	Controller	<u>06/30/2024</u>	<u><i>Pat</i></u>
Commercial Paper Series A and B, Note Payment Funds (§ 5201 (i))	Deposits to these funds shall be in an amount sufficient to pay principal of and interest on the Commercial Paper Notes in an amount at least	Controller	<u>06/30/2024</u>	<u><i>Pat</i></u>

ADMINISTRATIVE CODE

Item	Action	Responsible	Completion Date	Initials
Water Standby Charge Fund (§ 5201 (j))	equal to one-half of the projected interest payments due on such notes in the subsequent fiscal year. There shall be no minimum requirement; provided that any cash and securities in such fund shall be restricted to use for the purposes such monies were authorized.	Controller	<u>06/30/2024</u>	<u><i>Pat</i></u>
Excess Earnings Funds (§ 5201 (k))	The minimum requirement for all Excess Earnings Funds shall be the amounts deposited into the funds in accordance with the provisions of the Tax and Nonarbitrage Certificates and Resolutions for the Bonds.	Controller	<u>06/30/2024</u>	<u><i>Pat</i></u>
Iron Mountain Landfill Closure/Postclosure Maintenance Fund (§ 5201 (m))	Cash and securities as of June 30, shall be at least equal to the CEO's latest estimates of closure and postclosure maintenance costs.	Controller	<u>06/30/2024</u>	<u><i>Pat</i></u>
Redemption Plan Trust Fund (SMARA) (§ 5201 (r))	Cash and securities as of June 30, shall be at least equal to the CEO's latest estimate of closure and post-closure maintenance costs.	Controller	<u>06/30/2024</u>	<u><i>Pat</i></u>
Optional Redemption Funds (§ 5201 (n))	The minimum requirement shall be the amount necessary to redeem such untendered, refunded bonds which have been called for redemption.	Controller	<u>06/30/2024</u>	<u><i>Pat</i></u>
Water Transfer Fund (§ 5201 (o))	All amounts budgeted or pledged for purchase of water through transfers or similar arrangements and for the costs of filling the Diamond Valley Lake Project, shall be set aside in such fund and used solely for such purpose.	Controller	<u>06/30/2024</u>	<u><i>Pat</i></u>

ADMINISTRATIVE CODE

Item	Action	Responsible	Completion Date	Initials
<u>Fund Parameters (§ 5202)</u>				
Revenue Remainder Fund (§ 5202(a))	The minimum cash and securities held in the Water Revenue Remainder Fund as of June 30 shall be equal to a portion of fixed costs estimated to be recovered by water sales revenues for the eighteen months beginning with the immediately succeeding July.	Revenue and Budget Manager	<u>06/30/2024</u>	<u>AW</u>
Replacement and Refurbishment Fund (§ 5202(b))	The end-of-year fund balance may not exceed \$160 million. Available monies in excess of \$160 million at June 30 shall be transferred to the Water Rate Stabilization Fund, unless otherwise determined by the Board. (Amounts increased from \$95 million pursuant to Board adoption of Board Letter 8-1, on April 8, 2014)	Controller	<u>06/30/2024</u>	<u>PAK</u>
Water Rate Stabilization Fund (§ 5202(c and e))	Remaining amounts in the Revenue Remainder Fund and the Replacement and Refurbishment Fund, collectively, on June 30, after meeting requirements in Sections 5202(a) and (b), shall be transferred to the Water Rate Stabilization Fund, and to the extent required under Section 5202(d), to the Water Treatment Surcharge Stabilization Fund.	Controller	<u>06/30/2024</u>	<u>PAK</u>

ADMINISTRATIVE CODE

Item	Action	Responsible	Completion Date	Initials
Water Treatment Surcharge Stabilization Fund (§ 5202(d))	<p>The amount held shall be targeted to be equal to the portion of fixed costs estimated to be recovered by water sales during the two years immediately following the eighteen month period in Section 5202(a). Funds in excess of targeted amount shall be utilized for capital expenditures in lieu of the issuance of additional debt, or for the redemption, defeasance or purchase of outstanding bonds or commercial paper, as determined by the Board. Provided that the fixed charge coverage ratio is at or above 1.2, amounts ratio in the Water Rate Stabilization Fund may be used for any lawful purpose as determined by the Board.</p> <p>After transferring funds as specified in Section 5202(c), that portion of those funds, if any, attributable to collection of treatment surcharge revenue in excess of treatment costs shall be transferred to the Water Treatment Surcharge Stabilization Fund. If a deficiency in treatment surcharge revenue exists, a transfer of funds will be made from this fund to reimburse funds used for the deficiency.</p>	Revenue and Budget Manager	<u>06/30/2024</u>	<u>AV</u>
Indirect Credit of Metropolitan (§ 5203)	<p>The GM may negotiate with DWR on the basis of using the indirect credit of Metropolitan to finance State Revenue Bonds so long as Metropolitan's obligation does not exceed its required obligation under the State contract.</p>	GM (by Office of the CFO)	<u>06/30/2024</u>	<u>KK</u>

ADMINISTRATIVE CODE

Item	Action	Responsible	Completion Date	Initials
Compliance with Fund Requirements and Bond Indenture Provisions (§ 5204)	As of June 30 of each year, the GM shall make a review to determine whether the minimum fund requirements outlined in Chapter 2 have been met and whether Metropolitan has complied with the provisions of the articles and covenants contained in the resolutions of issuance for all outstanding Metropolitan bond issues during the preceding fiscal year. The GM, after consulting with the General Counsel, shall report the results of his review, in writing, to the Board of Directors annually.	GM (by Office of the CFO)	<u>06/30/2024</u>	<u>KK</u>

FUND REQUIREMENTS

Item	Action	Responsible	Completion Date	Initials
FUND REQUIREMENTS				
Construction Funds	Metropolitan shall maintain certain funds and such funds shall be restricted to use for the purposes such finances were required..	Controller	<u>06/30/2024</u>	<u><i>Patx</i></u>
Water Revenue Fund	Monies in these funds shall be used solely for the purposes authorized in Chapter 1.6 of Part 5 of the Metropolitan Water District Act.	Controller	<u>06/30/2024</u>	<u><i>Patx</i></u>
	All operating revenues shall be allocated to this fund and all transfers from it shall be as specified in Article V of Board Resolution 8329.	Controller	<u>06/30/2024</u>	<u><i>Patx</i></u>
Operation and Maintenance Fund	Transfer amounts sufficient for O&M Expenditures in current calendar month and succeeding calendar month from the Revenue Fund to the O&M Fund on or before first business day of each calendar month.	Controller	<u>06/30/2024</u>	<u><i>Patx</i></u>
Interest & Principal Funds	Transfer appropriate amounts from the Revenue Fund to the Interest & Principal Funds on or before first business day of each calendar month.	Controller	<u>06/30/2024</u>	<u><i>Patx</i></u>
	If the above transfer(s) are not sufficient, then the deficiency shall be transferred from the Reserve Fund.	Controller	<u>06/30/2024</u>	<u><i>Patx</i></u>
Water Rate Stabilization Fund	Excess monies on or before the first business day of any calendar month shall be transferred to the Revenue Remainder Fund.	Controller	<u>06/30/2024</u>	<u><i>Patx</i></u>

FUND REQUIREMENTS

Item	Action	Responsible	Completion Date	Initials
	<p>The amount held shall be targeted to be equal to the portion of fixed costs estimated to be recovered by water sales during the two years immediately following the eighteen month period in Section 5202(a). Funds in excess of targeted amount shall be utilized for capital expenditures in lieu of the issuance of additional debt, or for the redemption, defeasance or purchase of outstanding bonds or commercial paper, as determined by the Board. Provided that the fixed charge coverage ratio is at or above 1.2, amounts ratio Water Rate Stabilization Fund may be used for any lawful purpose as determined by the Board.</p>			
Revolving Construction Fund	<p>There is no minimum amount required for this fund. Construction expenditures made from this fund may be reimbursed with proceeds from security sales.</p>	Controller	<u>06/30/2024</u>	<u><i>JKC</i></u>
Commercial Paper Note Payment Fund	<p>For the Commercial Paper Note Payment Fund, Metropolitan shall deposit amounts sufficient to pay principal of, and interest on, the Commercial Paper Notes and repayment of any Advances as the same become due.</p>	Controller	<u>06/30/2024</u>	<u><i>JKC</i></u>
Bond Service Fund ,	<p>Cash and securities are restricted to use solely for the purposes authorized in Chapter 1.6 of Part 5 of the MWD Act. And must be at least equal to the</p>	Treasury and Debt Manager	<u>06/30/2024</u>	SS
		Controller	<u>06/30/2024</u>	<u><i>JKC</i></u>

FUND REQUIREMENTS

Item	Action	Responsible	Completion Date	Initials
	minimum required by Resolution #8329, Section 5.06 for payment of interest and principal.			
Water Revenue Bond Reserve Funds	Transfer from the Bond Proceeds or operating revenues the "minimum reserve requirement" as defined in the Supplemental Resolution established for each series of Revenue Bonds.	Treasury and Debt Manager	<u>06/30/2024</u>	<u>SS</u>
		Controller	<u>06/30/2024</u>	<u><i>Pat</i></u>
Investment of Proceeds,	Monies in any fund other than the Escrow Fund may be invested in any legally available obligation which matures or can be liquidated on or before the date on which monies are needed.	Treasury and Debt Manager	<u>06/30/2024</u>	<u>SS</u>
		Treasury and Debt Manager	<u>06/30/2024</u>	<u>SS</u>
	Investments purchased with money from any fund shall be part of that fund as well as gains and losses related to those investments. For transferred funds, gains and losses shall be prorated for time spent in each respective fund.	Treasury and Debt Manager	<u>06/30/2024</u>	<u>SS</u>
		Cash and investments shall be available to meet payment or transfer from this fund as required by the Resolution of Issuance.	Controller	<u>06/30/2024</u>
An investment shall be valued at its cost for the purpose of determining the balance in any fund. Investments shall also be valued at market value. The Treasurer and each Fiscal Agent shall keep proper books of record and accounts for each transaction.	Treasury and Debt Manager		<u>06/30/2024</u>	<u>SS</u>
	Warranty			

FUND REQUIREMENTS

Item	Action	Responsible	Completion Date	Initials
	Metropolitan shall preserve the security of the bonds and defend the rights of bondholders against all claims.	Legal	<u>06/30/2024</u>	<u>PR</u>

USE OF PROCEEDS AND TAX LEVY

Item	Action	Responsible	Completion Date	Initials
USE OF PROCEEDS AND TAX LEVY				
Tax Levy / Interest and Principal Fund G.O. Bonds	If revenues of Metropolitan are inadequate to pay principal/interest on the bonds, the Board shall, at the time of fixing the tax levy, levy a tax sufficient to pay all principal and interest due until sufficient funds shall be available from the next general tax levy. These monies shall be put in the Interest and Principal Fund and used solely to pay principal and interest on these bonds.	Controller	<u>06/30/2024</u>	<u>PR</u>
		Treasury and Debt Manager	<u>06/30/2024</u>	<u>SS</u>
Payment of Serial and Term Bonds	If the defeasance method is used, (see Item "Escrow Fund"), principal shall be paid by transferring monies from the Interest & Principal Fund to the Retirement Fund. If the crossover method is used (see Item "Escrow Fund"), principal, if any, and interest shall be paid from the Escrow Fund until the refunding date. Afterward, the bonds shall be paid as in the first sentence of this item.	Treasury and Debt Manager	<u>06/30/2024</u>	<u>SS</u>
Tax Covenant	Metropolitan will comply with applicable requirements of the Internal Revenue Code of 1986, Sections 103, and 141 through 150.	Legal	<u>06/30/2024</u>	<u>PR</u>
		Controller	<u>06/30/2024</u>	<u>PR</u>
Additional Tax Covenant	Bond proceeds shall not be invested so as to become an "arbitrage bond" under Section 103 and 148 of the Internal Revenue Code of 1986 and the regulations of the Treasury Department and or which would cause the Bonds to lose exemption from federal income taxation of interest	Legal	<u>06/30/2024</u>	<u>PR</u>
		Controller	<u>06/30/2024</u>	<u>PR</u>
		Treasury and Debt Manager	<u>06/30/2024</u>	<u>SS</u>

**GENERAL OBLIGATION BONDS
DISTRICT SECURITIES INVESTIGATION LAW OF 1965**

Item	Action	Responsible	Completion Date	Initials
General Obligation Bond Optional Redemption Fund	Sufficient amounts shall be maintained in the Optional Redemption Fund to retire untendered Bonds which were refunded.	Controller	<u>06/30/2024</u>	<u><i>RAK</i></u>
		Treasury and Debt Manager	<u>06/30/2024</u>	<u>SS</u>

U.S. TREASURY REGULATIONS

Item	Action	Responsible	Completion Date	Initials
U.S. TREASURY REGULATIONS				
Arbitrage Restrictions (Treasury Regulations, Section 1.148)	Arbitrage rebate calculations have been made for all outstanding Bond issues which are subject to rebate.	Controller Legal	<u>06/30/2024</u> <u>06/30/2024</u>	<u><i>PR</i></u> <u>PR</u>

WATER REVENUE BONDS

Item	Action	Responsible	Completion Date	Initials
WATER REVENUE BONDS				
Punctual Payment	Metropolitan must punctually pay the principal or redemption price and interest due in respect of all Bonds in strict conformity with the terms of such Bonds and their respective Resolutions.	Treasury and Debt Manager	<u>06/30/2024</u>	SS
		Controller	<u>06/30/2024</u>	<u><i>Pat</i></u>
Discharge Claims	Metropolitan covenants to fully preserve and protect the priority and security of the Bonds of Metropolitan by paying all lawful claims for labor, materials and supplies in connection with the Water System which, if unpaid, may become a lien or charge upon the Operating Revenues prior or superior to the lien of the Bonds and impair the security of the Bonds. Metropolitan shall also pay all taxes and assessments or other governmental charges lawfully levied or assessed on the Water System or any part of the Operating Revenues.	Controller	<u>06/30/2024</u>	<u><i>Pat</i></u>
Against Sale, Eminent Domain	Metropolitan covenants that the Water System shall not be mortgaged or otherwise encumbered, sold, leased, pledged, any charge placed thereon, or disposed of as a whole or substantially as a whole unless such sale or other disposition be so arranged as to provide for a continuance of payments into the Water Revenue Fund sufficient in amount to permit payment therefrom of the principal and Accreted Value of and interest on and the premiums, if any, due upon the call and redemption thereof, of the Bonds and any Parity Obligations, and also to provide for such	Controller	<u>06/30/2024</u>	<u><i>Pat</i></u>

WATER REVENUE BONDS

Item	Action	Responsible	Completion Date	Initials
Against Sale, Eminent Domain (continued)	<p>payments into any reserve fund or account as are required under the terms of the Resolution or any Supplemental Resolutions or any Parity Obligations documents.</p> <p>The Operating Revenues shall not be mortgaged, encumbered, sold, leased, pledged, any charge placed thereon, or disposed of or used, nor shall any charge be placed thereon, except as authorized by the terms of the Resolution or any Supplemental Resolutions. Metropolitan further covenants that it will not enter into any agreement which impairs the operation of the Water System or any part of it necessary to secure adequate Net Operating Revenues to pay the principal and Accreted Value of and interest on the Bonds or any Parity Obligations or which otherwise would impair the rights of the Owners with respect to the Operating Revenues or the operation of the Water System. If any part of the Water System is sold and such sale shall adversely affect the adequacy of Net Operating Revenues to pay principal and Accreted Value of and interest on the Bonds or any Parity Obligations, the payment therefor shall, at the option of the Board, either be used for the acquisition, construction and financing of additions to and extension and improvements of the Water System or shall be used to pay or call and redeem Outstanding Bonds in the manner provided in the Resolution or any Supplemental Resolutions.</p>			

WATER REVENUE BONDS

Item	Action	Responsible	Completion Date	Initials
Against Sale, Eminent Domain (continued)	Metropolitan covenants that any amounts received as awards as a result of the taking of all or any part of the Water System by the lawful exercise of eminent domain or sale under threat thereof which shall adversely affect the adequacy of Net Operating Revenues to pay principal and Accreted Value of and interest on the Bonds or any Parity Obligations shall either be used for the acquisition and/or construction of improvements and extensions of the Water System or shall be placed in the Bond Service Fund or the Redemption Fund and shall be used to pay or call and redeem Outstanding Bonds in the manner provided in the Resolution.			
Insurance	Metropolitan covenants that it shall at all times maintain with responsible insurers, or through a program of self-insurance (or a combination thereof) all such insurance on the Water System as is customarily maintained with respect to works and properties against accident to, loss of or damage to such works or properties. If any useful part of the Water System shall be damaged or destroyed, such part shall be restored to use. The money collected from insurance against damage to or destruction of the Water System shall be used for repairing or rebuilding the damaged or destroyed Water System, and to the extent not so applied, shall be applied to the retirement of any Outstanding Bonds.	Risk Manager	<u>06/30/2024</u>	<u>DSB</u>

WATER REVENUE BONDS

Item	Action	Responsible	Completion Date	Initials
Records and Accounts	<p>Metropolitan shall also (by self-insuring or by maintenance with responsible insurers, or by a combination thereof) provide for workers' compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect Metropolitan and the Owners.</p>	Controller	<u>06/30/2024</u>	<u><i>JK</i></u>
	<p>Metropolitan shall keep proper books of records and accounts of the Water System separate from all other records and accounts in which complete and correct entries shall be made of all transactions relating to the Water System. Such books shall at all times be subject to the inspection of the Owners of not less than 10 percent of the Outstanding Bonds and any Parity Obligations, or their representatives authorized in writing.</p>			
	<p>Metropolitan shall cause the books and accounts of the Water System to be audited annually by an independent certified public accountant or firm of certified public accountants, and will make available for inspection by the Owners at the principal office of Metropolitan, and at the office of each Fiscal Agent, a copy of the report of such accountant or accountants.</p>	Auditor	<u>06/30/2024</u>	<u>SS</u>
Operating in an Efficient and Economical Manner	<p>Metropolitan covenants and agrees to conduct the operations of the Water System in an efficient and economical manner and to maintain and preserve</p>	Operations	<u>06/30/2024</u>	<u>MC</u>

WATER REVENUE BONDS

Item	Action	Responsible	Completion Date	Initials
Rate Covenants	the Water System in good repair and working order.	Controller	<u>06/30/2024</u>	<u><i>Pat</i></u>
	<p>Metropolitan covenants in the Master Resolution that it will prescribe, revise, and collect rates and charges for the services, facilities, availability and water of the Water System which, after making allowances for contingencies and error in the estimates, will provide Operating Revenues, together with any Additional Revenues (defined in the Master Resolution to include interest, profits and other income received from the investment of any monies of Metropolitan and other revenues of Metropolitan (other than Operating Revenues) to the extent available to pay debt service on the Bonds), at least sufficient to pay the following amounts in the order set forth:</p> <ol style="list-style-type: none"> 1. Operation and Maintenance Expenditures; 2. Principal of, premium, if any, and interest on the Prior Lien Bonds and any required deposits into any reserve funds or accounts for the Prior Lien Bonds; 3. Interest on and Bond Obligation (that is, the principal amount of any Current Interest Bond and the Accreted Value of any Capital Appreciation Bond, including Mandatory Sinking Account Payment) of the Outstanding Bonds and any Parity 	Revenue and Budget Manager	<u>06/30/2024</u>	<u><i>A u</i></u>

WATER REVENUE BONDS

Item	Action	Responsible	Completion Date	Initials
Rate Covenants (continued)	<p>Obligations as the same become due and payable;</p> <p>4. All other payments required for compliance with the Master Resolution or any Supplemental Resolutions (including any required deposit to any reserve fund or account for any Series of Bonds); and</p> <p>5. All other payments required to meet any other obligations of Metropolitan which are charges, liens or encumbrances upon or payable from Net Operating Revenues.</p>			
Additional Indebtedness	<p>Metropolitan covenants in the Master Resolution that no additional indebtedness evidenced by revenue bonds, revenue notes or any other evidences of indebtedness payable out of its Operating Revenues shall be issued pursuant to the Act or any other law of the State of California having any priority in payment of principal, premium (if any) or interest over the Bonds.</p> <p>Metropolitan covenants in the Master Resolution that, except for refunding bonds or Parity Obligations to pay or discharge outstanding Prior Lien Bonds, Bonds or Parity Obligations, and which do not result in any increase in the average annual debt service on all Prior Lien Bonds, Bonds or Parity Obligations to be Outstanding, no additional Bonds or Parity Obligations shall be created or incurred unless:</p>	Legal	<u>06/30/2024</u>	<u>PR</u>

WATER REVENUE BONDS

Item	Action	Responsible	Completion Date	Initials
Additional Indebtedness (continued)	FIRST: Metropolitan is not in default under the terms of the Master Resolution.	Treasury and Debt Manager	<u>06/30/2024</u>	SS
	SECOND: Either (1) the Net Operating Revenues of Metropolitan for the latest fiscal year or for any 12 consecutive months within the last completed 24 month period ended not more than one month before the issuance of additional Bonds or Parity Obligations, or (2) the estimated Net Operating Revenues for the first completed fiscal year when improvements to the Water System financed by the proceeds of the additional Bonds or Parity Obligations would be in operation, shall have amounted to not less than the sum of (i) 120 percent of the Maximum Annual Debt Service in any Fiscal Year thereafter on all Bonds and Parity Obligations to be Outstanding immediately subsequent to the issuing or incurring of such additional Bonds or Parity Obligations plus (ii) 100 percent of the maximum annual debt service in any Fiscal Year thereafter on all Prior Lien Bonds to be Outstanding immediately subsequent to the issuing or incurring of such additional Bonds or Parity Obligations, as certified by the Board or a Metropolitan officer authorized by the Board to so certify. In making this calculation, Metropolitan may take into consideration any changes in water rates or charges which shall have been approved by the Board prior to the			
		Treasury and Debt Manager	<u>06/30/2024</u>	SS

WATER REVENUE BONDS

Item	Action	Responsible	Completion Date	Initials
Additional Indebtedness (continued)	creation of such additional Bonds or Parity Obligations, any increase in Net Operating Revenues which may arise from additions or improvements to the Water System to be made or acquired with the proceeds of such additional Bonds or Parity Obligations or using the proceeds of bonds previously issued, Additional Revenues and certain other funds specified in the Master Resolution.			<u>PR</u>
	THIRD: The amount in any reserve fund or account established for any Bonds or Parity Obligations will not be less than an amount required on the date of delivery of and payment of such additional Bonds or Parity Obligations by supplemental resolution or other documents creating such fund.	Controller	<u>06/30/2024</u>	<u>PR</u>
Reserve Funds	Pursuant to a Supplemental Resolution, Metropolitan may establish a reserve fund or account for a series of Bonds to be maintained in such amount as may be set forth in such Supplemental Resolution.	Legal	<u>06/30/2024</u>	<u>PR</u>
Flow of Funds	Metropolitan shall allocate all Operating Revenues to the Water Revenue Fund and shall effect transfers from the Water Revenue Fund to the following special funds or accounts as soon as practicable in each month in the following order	Controller	<u>06/30/2024</u>	<u>PR</u>

WATER REVENUE BONDS

Item	Action	Responsible	Completion Date	Initials
Flow of Funds (continued)	<p>of priority and amounts shall be withdrawn from said special accounts only for the following purposes:</p> <p><i>First</i>, to the Operation and Maintenance Fund, amounts sufficient for the payment of the estimated Operation and Maintenance Expenditures during the current calendar month and the succeeding calendar month.</p> <p><i>Second</i>, Metropolitan shall make any required transfers for payment of the Prior Lien Bonds and the maintenance of any required reserve funds or accounts therefor.</p> <p><i>Third</i>, for deposit in the Bond Service Fund, at least (A) (i) an amount sufficient on a monthly pro rata basis to pay the aggregate amount of the interest which will become due and payable on the Bonds with a fixed rate of interest on the next interest payment date and (ii) 110 percent of the interest which the Treasurer estimates in his or her reasonable judgment will accrue during that month on the Bonds with a variable rate of interest,</p> <p><i>Fourth</i>, in the event that monies are withdrawn from the Reserve Fund (or any reserve account for other Bonds or Parity Obligations), to the Reserve Fund (or any reserve account for other Bonds or Parity Obligations), (i) one-sixth of any unreplenished prior withdrawal and (ii) the full amount of any deficiency due to a valuation of</p>			

WATER REVENUE BONDS

Item	Action	Responsible	Completion Date	Initials
Flow of Funds (continued)	<p>the Reserve Fund (or any reserve account for other Bonds or Parity Obligations) investments until the balance is at least equal to the amount required to restore the Reserve Fund unless the Interest Account contains at least the amount equal to the interest to become due and payable within the next six months and (B) (i) one-sixth of the semi-annual Bond Obligation becoming due and payable on the Outstanding Bonds within the next ensuing six months and (ii) one-twelfth of the yearly Bond Obligation becoming due and payable on the Outstanding serial Bonds or of the amount becoming due on term Bonds within the next twelve months, provided that if Metropolitan irrevocably determines by resolution that any principal payments on the Bonds of any series shall be refunded on or prior to their due dates or paid from amounts on deposit in a reserve fund maintained for Bonds of that series, no amounts need to be set aside toward such principal.</p> <p><i>Fifth</i>, to the Excess Earnings Fund (or any such fund or account for other Bonds or Parity Obligations), the amount, if any, required in accordance with Metropolitan's tax and nonarbitrage certificate delivered in connection with the issuance of the Bonds (or any other Bonds or Parity Obligations).</p> <p><i>Sixth</i>, for transfer for any required transfer or deposit for the payment of any obligation of</p>			

WATER REVENUE BONDS

Item	Action	Responsible	Completion Date	Initials
Investments of Monies in Funds and Accounts	Metropolitan with a lien on, or payable from, Net Operating Revenues junior to the Bonds.	Treasury and Debt Manager	<u>06/30/2024</u>	<u>SS</u>
	All monies in any of the funds and accounts established pursuant to the Resolutions shall be invested solely in investments in which Metropolitan may legally invest sums subject to its control. Subject to the provisions of the First Supplemental Resolution, obligations purchased by the investment of monies in the various funds and accounts established pursuant to the Resolutions shall be deemed at all times to be a part of such funds and accounts and any income realized from investment of amounts on deposit in any fund or account therein shall be credited to such fund or account. The Treasurer shall sell or present for redemption any investments whenever it may be necessary to do so in order to provide monies to meet required payments or transfers from such funds and accounts. For the purpose of determining at any given time the balance in any such funds, any such investments constituting a part of such funds and accounts shall be valued at the then estimated or appraised market value of such investments. Amounts in the Construction Fund may be temporarily invested and the proceeds thereof and interest thereon shall be applied exclusively to the purposes set forth in the Resolutions. Investments credited to the 1991 Reserve Fund shall be valued as of			


WATER REVENUE BONDS

Item	Action	Responsible	Completion Date	Initials
INVESTMENTS OR MONIES IN Funds and Accounts (Continued)	June 30 of each year (or the next preceding or succeeding business day, as determined by Metropolitan, if June 30 is not a business day) at their fair market value.			
Information	Metropolitan will deliver, or make available, to the Bank under each Standby Bond Purchase Agreement copies of its annual report, audited annual financial statements, quarterly unaudited financial report, quarterly no-default certificate (if applicable) and other documents as described in section 6.1 of the Standby Bond Purchase Agreement.	Controller	<u>06/30/2024</u>	<u>PR</u>
Amendments	The District will not amend, supplement, modify or waive any provisions of bond resolutions, the Paying Agent Agreement or any of the Related Documents, or consent to any of the foregoing, without the prior written consent of the Bank under the Standby Bond Purchase Agreement (if any); <i>provided, however</i> , the consent of the Bank will not be required for any amendment, supplement, modification or waiver of any of the foregoing documents which does not require the consent of the Owners unless such amendment, supplement, modification or waiver (a) affects the Bank's rights under such document or (b) affects any covenant of the District contained in Article VI of the Master Resolution. The District	Legal	<u>06/30/2024</u>	<u>PR</u>

WATER REVENUE BONDS

Item	Action	Responsible	Completion Date	Initials
Amendments (continued)	will give the Bank notice as promptly as practicable (but in no event less than ten (10) Business Days) of any proposed amendment, supplement, modification or waiver of any provision of the applicable bond resolution and of any meeting of the Board at which any of the foregoing will be discussed or considered.			
Taxes and Liabilities	The District will pay all the indebtedness and obligations of the Water System promptly and in accordance with its terms and pay and discharge, or cause to be paid and discharged, promptly all taxes, assessments and governmental charges or levies imposed upon it or upon its income, or upon any of its property, real, personal, or mixed, or upon any part thereof, before the same shall become in default, except for those matters which are being contested in good faith by appropriate action or proceedings or for which the District has established adequate reserves in accordance with accounting principles of the Government Accounting Standards Board applied on a consistent basis.	Controller	<u>06/30/2024</u>	<u><i>JK</i></u>
		Treasury and Debt Manager	<u>06/30/2024</u>	<u>SS</u>

WATER REVENUE BONDS

Item	Action	Responsible	Completion Date	Initials
Paying Agent; Remarketing Agent	The District shall not substitute or replace the Paying Agent or the Remarketing Agent unless the District shall have received the prior written approval of the applicable Bank with respect to a successor or replacement for such Person, which approval shall not be unreasonably withheld.	Treasury and Debt Manager	<u>06/30/2024</u>	<u>SS</u>
Sale or Encumbrance of System	The District will not sell, dispose of or, except as permitted under the applicable Standby Bond Purchase Agreement, under the applicable Paying Agent Agreement or under the Resolutions, create any lien, security interest or other encumbrance on the Water System or on any of its Operating Revenues; <i>provided, however,</i> that this provision shall not prevent the District from disposing of any portion of the Water System which is being replaced or is deemed by the District to be obsolete, worn out, surplus or no longer needed for the proper operation of the System. Net proceeds from any such disposition shall be used only for such purposes provided in the Resolutions. Any agreement pursuant to which the District contracts with a person, corporation, municipal corporation or political subdivision to operate the Water System or to lease and/or operate all or part of the Water System shall not be considered as an encumbrance of the Water System.	Controller	<u>06/30/2024</u>	<u></u>
		Legal	<u>06/30/2024</u>	<u>PR</u>

COMMERCIAL PAPER

Item	Action	Responsible	Completion Date	Initials
COMMERCIAL PAPER				
Punctual Payment	Metropolitan will duly and punctually pay principal and interest on every Note, and payments into and transfers to the Commercial Paper Note Payment Fund will be made in strict conformity with the terms of the Notes and the commercial paper resolution.	Treasury and Debt Manager	<u>NA</u>	<u>SS</u>
		Controller	<u>NA</u>	<u><i>Pat</i></u>
Records and Accounts	Metropolitan shall keep proper books of record and account, and cause its books and accounts to be audited annually by an independent CPA.	Controller	<u>NA</u>	<u><i>Pat</i></u>
		Auditor	<u>NA</u>	<u>SS</u>
Rates	Metropolitan will prescribe, revise and collect such rates and charges for the services, facilities, availability and water of the Water System which shall provide Operating Revenues at least sufficient to pay:	Revenue and Budget Manager	<u>NA</u>	<u>Au</u>
	<ol style="list-style-type: none"> 1. Operation and Maintenance Expenses; 2. Principal, accreted value, interest and required deposits into reserve funds or accounts for the Prior Lien Obligations (including Prior Lien Bonds and Water Revenue Bonds); 3. Principal of and interest on the Notes and amounts due to a Bank under the Liquidity Facility, when due; 4. Any other obligations payable from Net Operating Revenues, expressly including amounts under the State Water Contract which 			

COMMERCIAL PAPER

Item	Action	Responsible	Completion Date	Initials
No Maturity to Exceed Term of Liquidity Facility	do not constitute Operation and Maintenance Expenses. Metropolitan shall not issue any Commercial Paper Note with a maturity date after the scheduled expiration date of a Liquidity Facility, without prior confirmation from the Rating Agencies that such action shall not adversely affect the rating on the Notes.	Treasury and Debt Manager	<u>NA</u>	<u>SS</u>
Tax Exemption	Metropolitan will comply with applicable requirements of Section 103 and Sections 141 through 150 of the IRC and covenants in the Tax and Nonarbitrage Certificate.	Legal	<u>NA</u>	<u>PR</u>
Information	Metropolitan will deliver to the Bank copies of its annual report, audited annual financial statements, quarterly unaudited financial reports, quarterly Certificate of an Authorized Representative and other documents described in §5.01 of the Revolving Credit Agreement.	Treasury and Debt Manager	<u>NA</u>	<u>SS</u>
No Amendments	Metropolitan will not amend the Commercial Paper Resolution or Related Documents without the prior written consent of the Bank.	Legal	<u>NA</u>	<u>PR</u>
Proceeds of Loans	Metropolitan will use the proceeds of Revolving Loans only to pay Series B Notes and the proceeds of Term Loans only to refinance Revolving Loans. Metropolitan will not use the proceeds of any Loan to pay any Series A Note or for any other unauthorized purpose.	Treasury and Debt Manager	<u>NA</u>	<u>SS</u>
		Controller	<u>NA</u>	<u>PR</u>

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COMMERCIAL PAPER

Item	Action	Responsible	Completion Date	Initials
Investments	Metropolitan shall not borrow money solely for the purpose of investment in an amount at any time greater than 20% of its unleveraged investment portfolio; maintain any of its portfolio in a pool of investments managed by another person whose investment practices would result in indirect violation of the above covenant; or invest in any derivative or investment with a derivative embedded in it, except to the extent all such investments do not exceed 20% of its unleveraged investment portfolio.	Treasury and Debt Manager	<u>NA</u>	<u>SS</u>
Issuing and Paying Agent and Dealers	Metropolitan shall not substitute or replace the Issuing and Paying Agent or any Dealer without the prior written approval of the Bank as to the successor or replacement.	Legal	<u>NA</u>	<u>PR</u>

SHORT-TERM CERTIFICATES

Item	Action	Responsible	Completion Date	Initials
SHORT-TERM CERTIFICATES				
Establishment and Application of Funds and Accounts	The District shall establish, and the Treasurer of the District shall maintain, such funds and/or accounts with respect to the Certificates, Credit Facilities and Trust Agreements as may be required pursuant to the terms of such Certificates, Credit Facilities and Trust Agreements	Treasury and Debt Manager	<u>06/30/2024</u>	<u>SS</u>
		Controller	<u>06/30/2024</u>	<u><i>[Signature]</i></u>



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Board Report

Finance and Administration Group

- **Finance and Administration Group Activities Report**

Summary

This report provides a summary of the Finance and Administration group activities for July 2024 and August 2024.

Purpose

Informational

Attachments

Attachment 1–Finance and Administration group activities for July 2024 and August 2024.

Finance and Administration Group Activities Report for July 2024 and August 2024

Maintain Strong Financial Position

Provide timely and discerning financial analyses, planning, and management to ensure that forecasted revenues are sufficient to meet planned expenses and provide a prudent level of reserves consistent with board policy.

In July an information report was provided to the Finance and Asset Management Committee on Metropolitan's Financial Condition, Key Financial Metrics and Debt Program.

Manage risk to protect Metropolitan's assets against exposure to loss.

The Risk Management Unit completed 42 incident reports communicating instances of Metropolitan property damage, liability, workplace injuries, regulatory visits, and spills.

Risk Management completed 48 risk assessments on contracts, including professional service agreements, construction contracts, entry permits, special events, and film permits.

Business Continuity

Facilitate district-wide planning and training to prepare employees and managers to effectively carry out critical roles and recover mission essential functions thus ensuring continuity of operations and resiliency in the event of a disaster.

Manage the Business Continuity Management Program in accordance with Operating Policy A-06.

- In conjunction with Information Technology, continued planning for employee videos focused on creating awareness about alternate ways of accessing systems.
- Continued working across the District on Business Continuity Plan updates and approvals.
- Conducted training on the MetAlert emergency notification system for the Health and Safety team.
- In conjunction with the core planning team, continued working on the district-wide Local Hazard Mitigation Plan.
- Renewed the vendor contract for the MetAlert emergency notification system for another year.

Financial Management

Manage Metropolitan's finances in an ethical and transparent manner and provide consistent, clear, and timely financial reporting. Update Metropolitan's capital financing plans and work with rating agencies and investors to communicate Metropolitan's financial needs, strategies, and capabilities, thus ensuring that Metropolitan has cost effective access to capital markets and the ability to finance ongoing future needs. In addition, actively manage Metropolitan's short-term investment portfolio to meet ongoing liquidity needs and changing economic environments

Record and report the financial activities of Metropolitan in a timely, accurate, and transparent manner to the Board, executive management, member agencies, and the financial community.

FY24-25 Cash Water Transactions and Revenues Budget vs Actual (Preliminary, subject to change)

Month		Acre-Feet (AF) ²		Variance		Revenue (\$)¹		Variance	
Delivered/ Billed In	To be Collected in	Budget	Actual	AF	%	Budget	Actual	\$	%
May	July	111,381	93,988	(17,393)	-16%	115,411,844	111,844,425	(3,567,419)	-3%
June	August	119,830	101,259	(18,570)	-15%	142,766,424	100,440,378	(42,326,046)	-30%
July	September	133,150	113,842	(19,308)	-15%	141,775,001	121,855,439	(19,919,562)	-14%
YTD Total		364,360	309,090	(55,271)	-15%	399,953,269	334,140,242	(65,813,026)	-16%
August	October	136,454	-	-	0%	145,410,622	-	-	0%
September	November	127,137	-	-	0%	133,836,426	-	-	0%
October	December	123,989	-	-	0%	128,665,932	-	-	0%
November	January	124,881	-	-	0%	125,782,252	-	-	0%
December	February	104,337	-	-	0%	103,324,010	-	-	0%
January	March	88,988	-	-	0%	95,074,177	-	-	0%
February	April	77,291	-	-	0%	81,911,825	-	-	0%
March	May	82,757	-	-	0%	88,153,603	-	-	0%
April	June	107,565	-	-	0%	116,431,176	-	-	0%
FY Total		1,337,760	-	-	0%	1,418,543,293	-	-	0%

¹ Reflects amount billed, not collected.

² AF reflected does not include non-member agency transactions.

Update capital financing plans and work with rating agencies and investors to communicate financial needs and capabilities, ensure cost-effective access to capital markets, and maintain long-term bond ratings of AA or better.

For July 2024, Metropolitan staff worked on preparing documentation and requesting credit ratings for the upcoming, approximate, \$212,600,000, Water Revenue and Refunding Bonds, 2024 Series C, and the approximate, \$150,000,000, Variable Rate Subordinate Water Revenue Refunding Bonds, 2024 Series D bonds. The Series D bonds will be supported by a Standby Bond Purchase Agreement from BARCLAYS, PLC. The bonds are expected to be priced in early September 2024.

Prudently manage the investment of Metropolitan's funds in accordance with policy guidelines and liquidity considerations.

As of July 31, 2024, Metropolitan's investment portfolio balance was \$1.03 billion; the total July earnings were \$4.44 million, and the effective rate of return was 4.48 percent.

Treasury staff managed daily cash flow to cover Metropolitan's operational expenditures and invest excess funds. The Treasury staff updated the Monthly Treasurer's Report to include a chart of projected cashflows relative to projected expenditures over a six-month period.

In July 2024, Metropolitan's portfolio manager executed seventeen buys and three sales trades.

Treasury staff completed the following transactions:

- 39 Dreyfus Cash Management Fund transactions
- 26 CAMP Investment Pool transactions
- \$153.85 million in Metropolitan's bond and SWAP payments
- 1,132 disbursements by check, 22 by Automated Clearing House (ACH), and 190 by wire transfer
- 90 receipts by check, 38 by ACH, and 68 by incoming wires and bank transfers
- Prevented four unauthorized ACH transactions

The Treasury staff also processed for DCA the following transactions:

- Received and deposited 20 checks totaling \$5.25 million
- Issued seven checks and 21 wires totaling approximately \$5.46 million

In addition, Treasury staff processed fourteen professional services invoice payment requests totaling approximately \$0.29 million.

Furthermore, 9,209 P-One Card transactions, totaling \$1.35 million, recorded in the June bank statement were monitored by the P-One Card Administrator.

Administrative Services

Accomplishments

Contracting Services Unit was named as a recipient of the Achievement of Excellence in Procurement award by the National Procurement Institute. The Achievement of Excellence in Procurement® recognizes organizational excellence in public and non-profit procurement nationwide. The Contracting Services Unit was evaluated based on operations across all its functional areas of Procurement, Inventory Management and Warehousing. The evaluation also included an assessment of the education and experience of staff. The award criteria are designed to measure innovation, professionalism, e-procurement, productivity, and leadership attributes of the procurement function.



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OF SOUTHERN CALIFORNIA

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Finance Group Activities Report for August 2024 and September 2024

Maintain Strong Financial Position

Provide timely and discerning financial analyses, planning, and management to ensure that forecasted revenues are sufficient to meet planned expenses and provide a prudent level of reserves consistent with board policy.

In August an information report was provided to the Finance and Asset Management Committee on the District's financial condition for the fiscal year ended June 30, 2024.

Manage risk to protect Metropolitan's assets against exposure to loss.

The Risk Management Unit completed 45 incident reports communicating instances of Metropolitan property damage, liability, workplace injuries, regulatory visits, and spills.

Risk Management completed 49 risk assessments on contracts, including professional service agreements, construction contracts, entry permits, special events, and film permits.

Business Continuity

Facilitate district-wide planning and training to prepare employees and managers to effectively carry out critical roles and recover mission essential functions thus ensuring continuity of operations and resiliency in the event of a disaster.

Manage the Business Continuity Management Program in accordance with Operating Policy A-06.

- Participated in an 8-hour Emergency Operations Center management training in accordance with California Office of Emergency Services (Cal EOS) credentialing requirements.
- Kicked off Business Continuity Plan (BCP) updates for the Office of Safety, Security and Protection. (OSSP).
- Finalized BCP updates for Fleet Services.
- Updated the Fusion software with the latest functionality and updated employee information.
- Participated in the kickoff meeting to update the America's Water Infrastructure Act (AWIA) documentation in accordance with regulatory requirements.
- In collaboration with Emergency Management and Safety sent four MetAlert emergency notifications to employees regarding air quality, wildfires, and heat-related safety precautions.

Financial Management

Manage Metropolitan's finances in an ethical and transparent manner and provide consistent, clear, and timely financial reporting. Update Metropolitan's capital financing plans and work with rating agencies and investors to communicate Metropolitan's financial needs, strategies, and capabilities, thus ensuring that Metropolitan has cost effective access to capital markets and the ability to finance ongoing future needs. In addition, actively manage Metropolitan's short-term investment portfolio to meet ongoing liquidity needs and changing economic environments

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July	September	133,150	113,842	(19,308)	-15%	141,775,001	121,855,439	(19,919,562)	-14%
August	October	136,454	118,724	(17,730)	-13%	145,410,622	136,227,231	(9,183,391)	-6%
YTD Total		500,814	427,813	(73,001)	-15%	545,363,891	470,367,473	(74,996,417)	-14%
September	November	127,137	-	-	0%	133,836,426	-	-	0%
October	December	123,989	-	-	0%	128,665,932	-	-	0%
November	January	124,881	-	-	0%	125,782,252	-	-	0%
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January	March	88,988	-	-	0%	95,074,177	-	-	0%
February	April	77,291	-	-	0%	81,911,825	-	-	0%
March	May	82,757	-	-	0%	88,153,603	-	-	0%
April	June	107,565	-	-	0%	116,431,176	-	-	0%
FY Total		1,337,760	-	-	0%	1,418,543,293	-	-	0%

¹ Includes Water Sales, Exchanges, and Wheeling for member agency and non-member agency.

² AF reflected does not include non-member agency transactions.

Update capital financing plans and work with rating agencies and investors to communicate financial needs and capabilities, ensure cost-effective access to capital markets, and maintain long-term bond ratings of AA or better.

In August 2024, Metropolitan staff prepared the analysis, reports and resolutions related to Metropolitan's property tax program (ad valorem) for board approval. The setting of the ad valorem tax rate for administrative processing on the County tax rolls is critical to obtaining an important revenue stream for the District. This increase in property taxes provided an important acknowledgment from the credit rating agencies in spite of a year where our financial metrics were challenged by low water sales. In addition, Treasury staff working with Legal and external consultants, developed key documentation (Appendix A, et. al.) for two bond sales expected to be issued in September 2024; the Water Revenue Refunding Bonds, 2024 Series C, and the Variable Rate Subordinate Water Revenue Bonds, 2024 Series D.

In September 2024, Metropolitan priced the \$214,335,000, Water Revenue Refunding Bonds, 2024 Series C. The 2024 Series C bonds were priced at a True Interest Cost of 3.71% (to maturity) and 1.76% (to call date of 4/1/34), and received a strong reception from investors, who placed over \$1.3 billion in orders. On September 18, 2024, Metropolitan priced the \$150,000,000, Variable Rate Subordinate Water Revenue Bonds, 2024 Series D, with an initial weekly variable rate of 2.60%. Barclays was the senior underwriter for both the 2024 C bonds and the variable rate subordinate 2024D bonds. The 2024C bonds and the variable rate subordinate 2024D bonds closed on September 19, 2024.

Prudently manage the investment of Metropolitan's funds in accordance with policy guidelines and liquidity considerations.

As of August 31, 2024, Metropolitan's investment portfolio balance was \$1.01 billion; the total August earnings were \$3.51 million, and the effective rate of return was 4.23 percent.

Treasury staff managed daily cash flow to cover Metropolitan's operational expenditures and invest excess funds.

In August 2024, Metropolitan's portfolio manager executed sixteen buy trades and one sale trade.

Treasury staff completed the following transactions:

- 46 Dreyfus Cash Management Fund transactions
- 21 CAMP Investment Pool transactions

- \$4.31 million in Metropolitan's bond and SWAP payments
- 1,015 disbursements by check, 23 by Automated Clearing House (ACH), and 135 by wire transfer
- 41 receipts by check, 34 by ACH, and 61 by incoming wires and bank transfers
- Prevented five unauthorized ACH transactions.

The Treasury staff also processed for DCA the following transactions:

- Received and deposited 10 checks totaling \$3.07 million
- Issued 10 checks and 9 wires totaling approximately \$0.94 million

In addition, Treasury staff processed fourteen professional services invoice payment requests totaling approximately \$0.44 million.

Furthermore, 8,985 P-One Card transactions, totaling \$1.27 million, recorded in the August bank statement were monitored by the P-One Card Administrator.