



F&I Committee

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

Finance and Insurance Committee

Meeting with Board of Directors *

May 9, 2022

9:30 a.m.

Teleconference meetings will continue until further notice. Live streaming is available for all board and committee meetings on mwdh2o.com ([Click Here](#))

A listen only phone line is also available at 1-800-603-9516; enter code: 2176868#. Members of the public may present their comments to the Board on matters within their jurisdiction as listed on the agenda via teleconference only. To participate call (404) 400-0335 and enter Code: 9601962.

**Monday, May 9, 2022
Meeting Schedule**

09:30 am - F&I
11:00 am - OP&T
12:00 pm - Break
12:30 pm - RP&AM
01:30 pm - C&L
02:30 pm - WP&S

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

* The Metropolitan Water District's meeting of this Committee is noticed as a joint committee meeting with the Board of Directors for the purpose of compliance with the Brown Act. Members of the Board who are not assigned to this Committee may participate as members of the Board, whether or not a quorum of the Board is present. In order to preserve the function of the committee as advisory to the Board, members of the Board who are not assigned to this Committee will not vote on matters before this Committee.

1. Opportunity for members of the public to address the committee on matters within the committee's jurisdiction (As required by Gov. Code Section 54954.3(a))

**** CONSENT CALENDAR ITEMS -- ACTION ****

2. CONSENT CALENDAR OTHER ITEMS - ACTION

- A. Approval of the Minutes of the Finance and Insurance Committee [21-1117](#)
held April 11, 2022

Attachments: [05102022 FI 2A Minutes](#)

3. CONSENT CALENDAR ITEMS - ACTION

- 7-1 Adopt Resolution to continue Metropolitan's Water Standby Charge for fiscal year 2022/23; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA [21-1103](#)

Attachments: [05102022 FI 7-1 B-L](#)
[05092022 FI 7-1 Presentation](#)

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

4. OTHER BOARD ITEMS - ACTION

NONE

5. BOARD INFORMATION ITEMS

- 9-2 Renewal Status of Metropolitan's Property and Casualty Insurance Program [21-1102](#)

Attachments: [05102022 FI 9-2 B-L](#)
[05092022 FI 9-2 Presentation](#)

6. COMMITTEE ITEMS

- a. Quarterly Financial Report [21-1118](#)

Attachments: [05092022 FI 6a Presentation](#)

- b. Quarterly Investment Activities Report [21-1151](#)

Attachments: [05092022 FI 6b Presentation](#)

- c. Bond Disclosure: Appendix A Training [21-1119](#)

Attachments: [05092022 FI 6c Presentation](#)

7. MANAGEMENT REPORTS

- a. Chief Financial Officer's Report [21-1120](#)

8. FOLLOW-UP ITEMS

NONE

9. FUTURE AGENDA ITEMS

10. ADJOURNMENT

NOTE: This committee reviews items and makes a recommendation for final action to the full Board of Directors. Final action will be taken by the Board of Directors. Agendas for the meeting of the Board of Directors may be obtained from the Board Executive Secretary. This committee will not take any final action that is binding on the Board, even when a quorum of the Board is present.

Writings relating to open session agenda items distributed to Directors less than 72 hours prior to a regular meeting are available for public inspection at Metropolitan's Headquarters Building and on Metropolitan's Web site <http://www.mwdh2o.com>.

Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Board Executive Secretary in advance of the meeting to ensure availability of the requested service or accommodation.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MINUTES

FINANCE AND INSURANCE COMMITTEE

April 11, 2022

Vice Chair Record called the teleconference meeting to order at 2:42 p.m.

Members present: Vice Chair Record, Directors Blois, Dennstedt, Dick, Faessel, Hawkins, Jung, Ortega, Quinn, Ramos, Smith, and Tamaribuchi.

Members absent: Director Goldberg.

Other Board Members present: Chairwoman Gray, Directors Abdo, Ackerman, Atwater, Camacho, Cordero, De Jesus, Erdman, Fellow, Fong-Sakai, Lefevre, McCoy, Miller, Morris, Peterson, Pressman, Sutley, and Williams.

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

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

None

CONSENT CALENDAR ITEMS — ACTION

2. CONSENT CALENDAR OTHER ITEMS – ACTION

- A. Subject: Approval of the Minutes of the Finance and Insurance Committee held March 7, 2022; and the Special Finance and Insurance Committee meetings held February 22, 2022 and March 22, 2022

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

The vote was:

Ayes: Directors Blois, Dennstedt, Dick, Faessel, Hawkins, Jung, Ortega, Quinn, Ramos, Record, Smith and Tamaribuchi

Noes: None

Abstentions: Director Dennstedt, Ortega, and Quinn abstain from March 7, 2022 minutes

Absent: Director Goldberg

Item 2A passed by a vote of 12 ayes, 0 noes, 3 abstain, and 1 absent.

The General Manager, Adel Hagekhalil, addressed the Committee with an overview of the proposed budget and strategies taken for the options.

3. CONSENT CALENDAR ITEMS – ACTION

7-2 Subject: Adopt the resolution finding that the ad valorem property tax rate limitation of Metropolitan Water District Act Section 124.5 is not applicable because it is essential to Metropolitan's fiscal integrity to collect ad valorem property taxes in excess of the limitation for fiscal years 2022/23 through 2025/26 or 2022/23 through 2023/24; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA.

Motion: Option 1:
Adopt the resolution finding that for fiscal years 2022/23 through 2025/26, the ad valorem property tax rate limitation of Metropolitan Water District Act Section 124.5 is not applicable because it is essential to Metropolitan's fiscal integrity to collect ad valorem property taxes in excess of the limitation (**Attachment 2**)

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

Ms. Kasaine introduced the item and Mr. Smalls presented the committee with an overview of Metropolitan Water District (MWD) Act Section 124.5 ad valorem property tax for fiscal years 2022/23 and 2025/26. He presented a summary of the process, legal effect, property taxes, revenue sources, outstanding debt service, and State Water Contract costs. Next, he provided an overview of the financial policies and fiscal integrity.

The following Directors provided comments or asked questions:

1. Smith
2. Sutley
3. Ortega
4. Morris
5. Quinn
6. Pressman
7. Dennstedt
8. Peterson
9. Blois
10. Tamaribuchi
11. Ortega
12. Fong-Sakai

Director Smith noted that on February 3, 2022, the San Diego County Water Authority submitted a letter commenting on Item 7-2 and requested that the letter be made part of the record.

After completion of the presentation, Director Dick made a motion, seconded by Director Blois, to approve the consent calendar consisting of item 7-2.

The vote was:

Ayes: Directors Blois, Dennstedt, Dick, Faessel, Hawkins, Jung, Ortega, Ramos, Record, and Tamaribuchi
Noes: Director Quinn
Abstentions: Director Smith
Absent: Director Goldberg

The motion for item 7-2 passed by a vote of 10 ayes, 1 no, 1 abstain, and 1 absent.

- 7-3 Subject: Approve the proposed biennial budget for fiscal years 2022/23 and 2023/24, which includes the Capital Investment Plan and revenue requirements for fiscal years 2022/23 and 2023/24, and ten year forecast; adopt resolutions fixing and adopting the water rates and charges for calendar years 2023 and 2024; the General Manager has determined that the proposed action are exempt or otherwise not subject to CEQA.
- Motion:
 1. Direct staff to reduce O&M expenditures by \$55 million per year in order to hold the rate increases to 5% per year; and
 2. Direct that the specific actions to be taken may be at staff discretion, starting with the recommendations contained in Options 2 and 3, except that there shall be:
 - a. No assumed elimination or limitation on demand management programs;
 - b. No cuts impacting desert housing as previously directed by board;
 - c. No increased use of reserves over Option 1.
- Substitute Motion: Option 2:
 - a. Approve the FY 2022/23 and FY 2023/24 Proposed Biennial Budget with overall rate increases of 6.5 percent in FY 2022/23 and 6.5 percent in FY 2023/24, which includes:
 - (i) Appropriation of \$3,101.4M for Metropolitan O&M and operating equipment, power costs on the Colorado River Aqueduct, SWC operations, maintenance, power and replacement costs and SWC capital charges, demand management programs including the local resources and Conservation Credits Program, and costs associated with supply programs, for FYs 2022/23 and 2023/24;
 - (ii) a continuing appropriation of \$589.0M for FY 2022/23 and FY 2023/24 for debt service on Metropolitan general obligation and revenue bonds;

- (iii) bond financing \$84.4M for the AVEK High Desert Program over the biennium, and
- (iv) bond financing \$36.0M of the budgeted Conservation Program over the biennium;
- b. Authorize the use of \$270M in operating revenues to fund the Capital Investment Plan for FYs 2022/23 and 2023/24;
- c. Determine that the revenue requirements to be paid from rates and charges are \$1,696.3M in FY 2022/23 and \$1,781.8M in FY 2023/24;
- d. Approve the Ten-Year Financial Forecast, as shown in the Proposed Biennial Budget FY 2022/23 and FY 2023/24;
- e. Approve water rates effective January 1, 2023, and January 1, 2024, as shown in Table 3 above;
- f. Adopt the Resolution Fixing and Adopting Water Rates To Be Effective January 1, 2023, and 2024, in the form of Attachment 5, as will be updated to reflect the calculations and resulting rates pursuant to Option 2;
- g. Adopt the Resolution Fixing and Adopting A Readiness-To-Serve Charge Effective January 1, 2023, in the form of Attachment 6, as will be updated to reflect the calculations and resulting RTS Charge pursuant to Option 2;
- h. Adopt the Resolution Fixing and Adopting A Capacity Charge Effective January 1, 2023, in the form of Attachment 7, as will be updated to reflect the calculations and resulting Capacity Charge pursuant to Option 2; and
- i. Authorize a change in the method of installing, keeping, and rendering all accounts from a modified-accrual basis method of accounting to a cash-basis method of accounting for the purpose of budgeting.

Substitute
Motion #2

Option 3:

- a. Approve the FY 2022/23 and FY 2023/24 Proposed Biennial Budget with overall rate increases of 5.5 percent in FY 2022/23 and 5.5 percent in FY 2023/24, which includes:
 - (i) Appropriation of \$3,091.1M for Metropolitan O&M and operating equipment, power costs on the Colorado River Aqueduct, SWC operations, maintenance, power and replacement costs and SWC capital charges, demand management programs including the local resources and Conservation Credits Program, and costs associated with supply programs, for FYs 2022/23 and 2023/24;
 - (ii) a continuing appropriation of \$589.0M for FY 2022/23 and FY 2023/24 for debt service on Metropolitan general obligation and revenue bonds;
 - (iii) bond financing \$84.4M for the AVEK High Desert Program over the biennium, and
 - (iv) bond financing \$36.0M of the budgeted Conservation Program over the biennium;

- b. Authorize the use of \$270M in operating revenues to fund the Capital Investment Plan for FYs 2022/23 and 2023/24;
- c. Determine that the revenue requirements to be paid from rates and charges are \$1,677.6M in FY 2022/23 and \$1,769.7M in FY 2023/24;
- d. Approve the Ten-Year Financial Forecast, as shown in the Proposed Biennial Budget FY 2022/23 and FY 2023/24;
- e. Approve water rates effective January 1, 2023, and January 1, 2024, as shown in Table 5 above;
- f. Adopt the Resolution Fixing and Adopting Water Rates To Be Effective January 1, 2023, and 2024, in the form of Attachment 5, as will be updated to reflect the calculations and resulting rates pursuant to Option 3;
- g. Adopt the Resolution Fixing and Adopting A Readiness-To-Serve Charge Effective January 1, 2023, in the form of Attachment 6, as will be updated to reflect the calculations and resulting RTS Charge pursuant to Option 3;
- h. Adopt the Resolution Fixing and Adopting A Capacity Charge Effective January 1, 2023, in the form of Attachment 7, as will be updated to reflect the calculations and resulting Capacity Charge pursuant to Option 3; and
- i. Authorize a change in the method of installing, keeping, and rendering all accounts from a modified-accrual basis method of accounting to a cash-basis method of accounting for the purpose of budgeting.

Presented by: Katano Kasaine, Assistant General Manager/Chief Financial Officer
Arnout Van den Berg, Section Manager-Revenue & Budget

Ms. Kasaine introduced the item and Mr. Van den Berg presented the committee with the proposed biennial budget. His presentation included an overview of the options, ten-year financial projections, and the additional risks and impact of cuts.

The following Directors provided comments or asked questions:

1. Jung
2. Dick
3. Atwater
4. Lefevre
5. Peterson
6. Tamaribuchi
7. Record
8. Miller
9. Camacho
10. Ramos
11. Quinn
12. Abdo
13. Blois
14. Ortega
15. Fong-Sakai
16. Dennstedt
17. Fellow
18. Pressman
19. Smith
20. Sutley

Staff responded to the Directors' questions and comments.

Katano Kasaine noted the following correspondence were received commenting on Item 7-3 and will be made part of the record. Director Atwater's email, dated April 11, 2022; Director Quinn's email, dated April 11, 2022; City of Manhattan Beach letter, dated April 11, 2022; San Diego County Water Authority letter, dated February 19, 2022 and Metropolitan Water District's letter dated March 4, 2022 in response to San Diego County Water Authority letter; City of Pasadena letter, dated March 21, 2022.

After completion of the presentation, Director Quinn made a motion, seconded by Director Ortega, to approve the consent calendar consisting of item 7-3.

The vote was:

Ayes: Directors Blois, Jung, Ortega, Quinn, and Smith
Noes: Directors Dennstedt, Ramos, and Record
Abstentions: Directors Dick, Faessel, Hawkins, and Tamaribuchi
Absent: Director Goldberg

The motion for item 7-3 failed by a vote of 5 ayes, 3 noes, 4 abstain, and 1 absent.

Director Ramos made a substitute motion, seconded by Director Dennstedt, to approve the consent calendar consisting of item 7-3.

The vote was:

Ayes: Directors Dennstedt, Faessel, Ramos, and Record

Noes: Directors Blois, Dick, Hawkins, Jung, Ortega, Quinn, Smith and Tamaribuchi

Abstentions: None

Absent: Director Goldberg

The substitute motion for item 7-3 failed by a vote of 4 ayes, 8 noes, 0 abstain, and 1 absent.

Director Dick made a substitute motion #2, seconded by Director Blois, to approve the consent calendar consisting of item 7-3.

The vote was:

Ayes: Directors Blois, Dick, Faessel, Hawkins, Jung, Tamaribuchi

Noes: Directors Dennstedt, Ramos, Record

Abstentions: Directors Ortega, Quinn, and Smith

Absent: Director Goldberg

The substitute motion for item 7-3 failed by a vote of 6 ayes, 3 noes, 3 abstain, and 1 absent.

END OF CONSENT CALENDAR ITEMS

4. OTHER BOARD ITEMS – ACTION

None

5. BOARD INFORMATION ITEMS

None

6. COMMITTEE ITEMS

None

7. MANAGEMENT REPORT

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

8. FOLLOW-UP ITEMS

Director Peterson requested to look at an opportunity to use the White Water land as a revenue source.

Director Tamaribuchi requested information on the State Water Contract that includes what the total cost is that we are paying charges on, how much is being invested in the coming years and does it include the Oroville spillway repair.

9. FUTURE AGENDA ITEM

None

10. ADJOURNMENT

Next meeting will be held on May 9, 2022.

Meeting adjourned at 6:08 p.m.

Randy Record

Vice Chair



- Board of Directors
Finance and Insurance Committee

5/10/2022 Board Meeting

7-1

Subject

Adopt resolution to continue Metropolitan's Water Standby Charge for fiscal year 2022/23; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

This action continues the Standby Charge at a rate ranging from \$2.49 to \$14.20 per year for each acre or parcel (if less than an acre) of nonexempt real property within the service area of member agencies that have elected since fiscal year (FY) 1993/94 to pay all or a portion of their Readiness-to-Serve (RTS) Charge obligation through the Standby Charge. The Standby Charge has been collected for those agencies at rates that do not exceed the rates set in FY 1993/94. Continuance of the Standby Charge generates funds that are applied against the participating member agencies' RTS Charge obligation.

Details

Background

On April 13, 2021, Metropolitan's Board of Directors adopted Resolution 9277, fixing and adopting the RTS Charge for the calendar year (CY) 2022. On April 12, 2022, the Board adopted Resolution 9303, fixing and adopting the RTS Charge for CY 2023. The proposed resolution (**Attachment 1**) provides participating member agencies the ability to continue having a portion of their RTS Charge collected by the Standby Charge within their respective service areas for FY 2022/23, which covers a portion of each of the calendar years 2022 and 2023.

Attachment 1 is a form of resolution that, if adopted by the Board, will continue the Standby Charge for FY 2022/23 and includes the Engineer's Report supporting the continuation of the Standby Charge.

The amount of the Standby Charge, per acre or per parcel (if less than an acre), within each of the participating member agencies, has not exceeded the rates set in FY 1993/94 and has been collected within the service areas of 22 of Metropolitan's 26 member agencies that have elected to pay all or a portion of their respective RTS Charge through the Standby Charge since then. Metropolitan proposes to continue the Standby Charge for the coming fiscal year at rates not exceeding the rates set in FY 1993/94. Therefore, no additional statutory procedures are required for approval.

The resolution also authorizes the General Manager to act upon applications for exemption of certain lands from the collection of the Standby Charge in accordance with the terms and conditions for exemption specified in the resolution. In addition, the resolution provides for an appeal process to review and make recommendations to the Board on appeals by property owners who have been denied the exemption, with final determinations to be made by the Board. The exemption criteria are the same as those adopted for prior years and will be subject to specific guidelines set by the General Manager.

Funds collected from the proposed continuation of the Standby Charge will be segregated to ensure that they are used only for the purposes for which the Standby Charge was collected. **Attachment 2** is the Notice to Member Agencies of Proposed Adoption of Readiness-to-Serve Charge and Capacity Charge for Calendar Year 2023 and Continuation of Standby Charge for Fiscal Year 2022/23, sent to member agencies via email on February 11, 2022.

Policy

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

Metropolitan Water District Act Section 133: Fixing of Water Rates

Metropolitan Water District Act Section 134: Adequacy of Water Rates; Uniformity of Rates

Metropolitan Water District Act Section 134.5: Water Standby or Availability of Service Charge

Metropolitan Water District Administrative Code Section 4301(a): Cost of Service and Revenue Requirement

Metropolitan Water District Administrative Code Section 4304: Apportionment of Revenues and Setting of Water Rates

Metropolitan Water District Administrative Code Section 4305: Setting of Charges to Raise Fixed Revenue

Metropolitan Water District Administrative Code Section 4507: Billing and Payment for Water Deliveries

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

By Minute Item 52790, dated April 12, 2022, the Board approved the biennial budget for fiscal years 2022/23 and 2023/24 and adopted the resolution fixing and adopting a Readiness-to-Serve Charge for CY 2023.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves 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. (Section 15378(b)(4) of the State of CEQA Guidelines). Finally, where it can be seen with certainty that there is no possibility that the proposed actions may have a significant impact on the environment, those actions are not subject to CEQA pursuant to Section 15061(b)(3) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the resolution to continue the Standby Charge for fiscal year 2022/23.

Fiscal Impact: Collect \$44.0 million (approximately) through the continuation of the Standby Charge in fiscal year 2022/23 that would be applied towards the RTS Charge obligation of the participating member agencies.

Business Analysis: This option involves the collection of charges that result in fixed revenues of \$44.0 million (approximately) to pay all or a portion of the RTS Charge of participating member agencies, which is done at the option of the participating member agencies.

Option #2


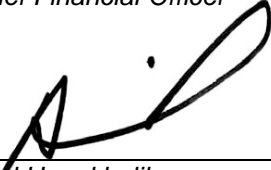
Do not adopt the resolution to continue the Standby Charge for fiscal year 2022/23, which would require the participating member agencies to pay the full RTS Charge directly to Metropolitan, rather than having a portion collected through the Standby Charge.

Fiscal Impact: Metropolitan member agencies would pay the full RTS Charge directly to Metropolitan, including the \$44.0 million (approximately) that would have been collected in FY 2022/23 through the continuation of the Standby Charge.

Business Analysis: This option would require the collection of \$44.0 million (approximately) not approved to be collected through the Standby Charge to be collected through the full RTS Charge.

Staff Recommendation

Option #1

	5/2/2022
Katano Kasaine	Date
Assistant General Manager/ Chief Financial Officer	
	5/3/2022
Adel Hagekhalil	Date
General Manager	

Attachment 1 – Resolution of The Board of Directors of The Metropolitan Water District of Southern California Continuing the Water Standby Charge for Fiscal Year 2022/23

Attachment 2 – Notice to Member Agencies of Public Hearing for Proposed Rates for Calendar Years 2023 and 2024, and Charges for Calendar Year 2023, to Meet the Revenue Requirements for Fiscal Years 2022/23 and 2023/24

Ref# cfo12689078

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

RESOLUTION XXXX

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA CONTINUING THE
WATER STANDBY CHARGE FOR FISCAL YEAR
2022/23**

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

1. At its meeting on April 13, 2021, the Board adopted Resolution 9277, "Resolution of the Board of Directors of The Metropolitan Water District of Southern California Fixing and Adopting a Readiness-to-Serve Charge Effective January 1, 2022;"
2. At its meeting on April 12, 2022, the Board adopted Resolution 9303, "Resolution of the Board of Directors of The Metropolitan Water District of Southern California Fixing and Adopting a Readiness- to-Serve- Charge Effective January 1, 2023;"
3. Certain member public agencies ("member agencies") of Metropolitan have elected to pay all or a portion of their Readiness-to-Serve ("RTS") Charge obligation through the continuance of the Metropolitan water standby charge ("Standby Charge") collected from parcels within those member agencies;
4. Metropolitan is willing to comply with the requests of member agencies opting to have Metropolitan continue to collect the Standby Charge within their respective territories, on the terms and subject to the conditions contained herein;
5. Section 134.5 of the Metropolitan Water District Act authorizes the Board to collect a service charge from member agencies or, as an alternative, to collect a service charge as a standby charge against individual parcels within the district;
6. Metropolitan first established the Standby Charge in 1992, pursuant to the procedures authorized by Section 134.5 of the Metropolitan Water District Act and the Uniform Standby Charge Procedures Act ("USCPA"), Sections 54984-54984.9, inclusive, of the Government Code;
7. The Standby Charge has not exceeded the rates set in fiscal year 1993/94, and in fiscal year 1995/96 was reduced to \$0.00 for the member agencies electing not to have any portion of their RTS Charge obligation collected through the Standby Charge;
8. The Standby Charge is not subject to the procedures set forth in Article XIII D, Section 4 of the California Constitution effective July 1, 1997 (Proposition 218), as the Standby Charge has not exceeded the rates set in fiscal year 1993/94, has not exceeded the amount of the Standby Charge existing in fiscal year 1996/97 when Proposition 218 became effective, and the proceeds of the Standby Charge are used for purposes specified in Section 5 of Article XIII D; and
9. The particular charge, per acre or per parcel, applicable to land within each member agency, the method of its calculation, and the specific data used in its determination are as specified in the Engineer's Report dated April 2022, supporting the RTS Charge and Standby Charge option (the "Engineer's Report"), which is attached hereto and on file with the Board Executive Secretary of Metropolitan; and
10. Written notice of the intention of Metropolitan's Board to consider and take action at its regular meeting of May 10, 2022, to continue the Standby Charge for fiscal year 2022/23 was given to each of Metropolitan's member agencies.

11. NOW THEREFORE, the Board of Directors of The Metropolitan Water District of Southern California does hereby resolve, determine and order as follows:

Section 1. That the Board of Directors of Metropolitan, pursuant to the Engineer's Report, finds that lands within Metropolitan are benefited as described in such report and on that basis, hereby continues its Standby Charge for fiscal year 2022/23 on lands within requesting member agencies of Metropolitan to which water is made available for any purpose, whether water is actually used or not, as specified in the Engineer's Report.

Section 2. That the rates of such Standby Charge, per acre of land, or per parcel of land less than an acre, as shown in the Engineer's Report, may vary by member agency, and shall not exceed the amount of the fiscal year 1996/97 Standby Charge for the member agency. The Standby Charge applicable to each electing member agency, the method of its calculation, and the specific data used in its determination are as specified in the Engineer's Report which was prepared by a registered professional engineer certified by the state of California, which methodology is in accordance with Section 134.5 of the Metropolitan Water District Act and reflects the range of costs provided in Metropolitan's Fiscal Years 2022/23 and 2023/24 Cost of Service Report for Proposed Rates and Charges.

Section 3. That the Standby Charge, per acre of land, or per parcel of land less than an acre, applicable to land within each electing member agency as allocated in the Engineer's Report shall be as follows for fiscal year 2022/23:

2022/23 Water Standby Charge

<u>Member Agency</u>	<u>Amount</u>
Anaheim	\$8.55
Beverly Hills	—
Burbank	14.20
Calleguas MWD	9.58
Central Basin MWD	10.44
Inland Empire Utilities Agency	7.59
Coastal MWD*	11.60
Compton	2.49
Eastern MWD	6.94
Foothill MWD	10.28
Fullerton	10.71
Glendale	12.23
Las Virgenes MWD	8.03
Long Beach	12.16
Los Angeles	—
MWD of Orange Co.**	10.09
Pasadena	11.73
San Diego CWA	11.51
San Fernando	0.00
San Marino	8.24
Santa Ana	7.88
Santa Monica	—
Three Valleys MWD	12.21
Torrance	12.23
Upper San Gabriel Valley MWD	9.27
West Basin MWD	—
Western MWD of Riverside Co.	9.23

* Applicable to parcels included within territory of former Coastal MWD.

** Exclusive of parcels included within territory of former Coastal MWD.

Section 4. That the Standby Charge shall continue to be collected on the tax rolls, together with the *ad valorem* property taxes that are levied by Metropolitan for the payment of pre-1978 voter-approved indebtedness. The amounts of the Standby Charge are continued at amounts that are not estimated to exceed a member agency's RTS Charge obligation. However, any amounts collected shall be applied as a credit against the applicable member agency's RTS Charge obligation. After such member agency's RTS Charge allocation is fully satisfied, any additional collections shall be credited to other outstanding obligations of such member agency to Metropolitan that funds the capital costs or maintenance and operation expenses for Metropolitan's water system, or future RTS Charge obligations of such agency. Any member agency requesting to have all or a portion of its RTS Charge obligation collected through the Standby Charge levies within its territory as provided herein shall pay any portion not collected through net Standby Charge collections to Metropolitan within fifty (50) days after Metropolitan issues an invoice for the remaining RTS Charge obligations for such member agency, as provided in Administrative Code Section 4507.

Section 5. That the following exemption procedures apply:

(a) It is the intent of the Board that the following lands shall be exempt from the Standby Charge:

(1) lands owned by the Government of the United States, the state of California, or by any political subdivision thereof or any entity of local government; (2) lands permanently committed to open space and maintained in their natural state that are not now and will not in the future be supplied water; (3) lands not included in (1) or (2) above, which the General Manager, in his discretion, finds do not now and cannot reasonably be expected to derive a benefit from the projects to which the proceeds of the Standby Charge will be applied; and (4) lands within any member public agency, subagency, or city if the governing body of such public entity elects and commits to pay out of funds available for that purpose, in installments at the time and in the amounts established by Metropolitan, the entire amount of the Standby Charge which would otherwise be collected from lands within those public entities. However, no exemption from the Standby Charge shall reduce the applicable member agency's RTS Charge obligation. The General Manager may develop and implement additional criteria and guidelines for exemptions in order to effectuate the intent expressed herein.

(b) The General Manager shall establish and make available to interested applicants procedures for filing and consideration of applications for exemption from the Standby Charge pursuant to subsections (2) and (3) of Section 5(a) above. All applications for such exemption and documents supporting such claims must be received by Metropolitan in writing on or before December 31, 2022. The General Manager is further directed to review any such applications for exemption submitted in a timely manner to determine whether the lands to which they pertain are eligible for such exemption and to allow or disallow such applications based upon those guidelines. The General Manager shall also establish reasonable procedures for the filing and timing of the appeals from his determination. The procedures will be on file and available for review by interested parties at Metropolitan's headquarters.

(c) The Finance and Insurance Committee of Metropolitan's Board of Directors shall hear appeals from determinations by the General Manager to deny or qualify an application for exemption from the Standby Charge. The Finance and Insurance Committee shall consider such appeals and make recommendations to the Board to affirm or reverse the General Manager's determinations. The Board shall act upon such recommendations, and its decision as to such appeals shall be final.

Section 6. That no exemption from the Standby Charge shall reduce the applicable member agency's RTS Charge obligation, nor shall any failure to collect, or any delay in collecting, any Standby Charge excuse or delay payment of any portion of the RTS Charge when due.

Section 7. That the RTS Charge is collected by Metropolitan as a rate, fee or charge from its member agencies, and is not a fee or charge imposed upon real property or upon persons as incidents of property ownership, and the Standby Charge is collected within the respective territories of electing member agencies as a mechanism for collection of the RTS Charge. In the event that the Standby Charge, any portion thereof, or the collection of the Standby Charge, is determined to be an unauthorized or invalid fee, charge, or assessment by a final judgment in any proceeding at law or in equity, which judgment is not subject to appeal, or if the collection of the Standby Charge shall be permanently enjoined and appeals of such injunction have been declined or exhausted, or if Metropolitan shall determine to rescind or revoke the Standby Charge, then no further Standby Charge shall be

collected within any member agency and each member agency which has requested the continuation of the Metropolitan Standby Charge as a means of collecting its RTS Charge obligation shall pay such RTS Charge obligation in full, as if such Standby Charge had never been sought.

Section 8. That the General Manager is hereby authorized and directed to take all necessary action to secure the collection of the Standby Charge by the appropriate county officials, including payment of the reasonable cost of collection.

Section 9. That the General Manager and the General Counsel are hereby authorized to do all things necessary and desirable to accomplish the purposes of this Resolution, including, without limitation, the commencement or defense of litigation.

Section 10. That if any provision of this Resolution or the application to any member agency, property or person whatsoever is held invalid, that invalidity shall not affect other provisions or applications of this Resolution which can be given effect without the invalid portion or application, and to that end the provisions of this Resolution are severable.

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 May 10, 2022.

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

**NOTICE TO MEMBER AGENCIES OF PUBLIC HEARING FOR PROPOSED
RATES FOR CALENDAR YEARS 2023 AND 2024, AND CHARGES FOR
CALENDAR YEAR 2023, TO MEET THE REVENUE REQUIREMENTS FOR
FISCAL YEARS 2022/23 AND
2023/24**

Notice is hereby given to each member public agency of The Metropolitan Water District of Southern California ("Metropolitan") that at its regular meeting to be held March 8, 2022 (or such other date as the Board shall hold its regular meeting in such month), Metropolitan's Finance & Insurance ("F&I") Committee will hold a public hearing at 12:00 p.m., broadcast on the Internet through Metropolitan's website, www.mwdh2o.com, before Metropolitan's Board of Directors at which interested parties may present their views regarding the proposed rates for Calendar Years ("CY") 2023 and 2024, and charges for CY 2023, to meet the revenue requirements for Fiscal Years ("FY") 2022/23 and 2023/24. The Board authorized that the public hearing also be combined to address the review of the applicability of the MWD Act Section 124.5 ad valorem property tax limitation for FYs 2022/23 through 2025/26.

Notice is hereby given to each member public agency of Metropolitan that at its regular meeting to be held April 12, 2022 (or such other date as the Board shall hold its regular meeting in such month), Metropolitan's Board of Directors will consider whether to adopt the proposed Biennial Budget for FY 2022/23 and FY 2023/24, water rates for CYs 2023 and 2024, and charges for CY 2023, including the readiness-to-serve charge and capacity charge, to meet the revenue requirements for FYs 2022/23 and 2023/24, and the recommendation regarding the applicability of MWD Act Section 124.5 ad valorem tax limitation for fiscal years 2022/23 through 2025/26.

The schedule for presentation of these proposals is as follows:

F&I Committee: present Biennial Budget, water rates, and charges; Workshop #1	February 7, 2022
F&I Committee: Workshop #2	February 22, 2022
F&I Committee: Workshop #3	March 7, 2022
Board: Public Hearing on proposed water rates and charges and applicability of the tax rate limit pursuant to Section 124.5 of the MWD Act	March 8, 2022
F&I Committee: Workshop #4, if needed	March 22, 2023
F&I Committee: Workshop #5, if needed	April 11, 2022
Board <u>Action</u> regarding Biennial Budget, rates and charges, and applicability of Section 124.5 ad valorem tax limit	April 12, 2022

The Board reserves the right to make changes to the proposed Biennial Budget, proposed rates and charges, or Section 124.5 recommendation as a result of comments received at the public hearing.

Notice is also hereby given to each member public agency of Metropolitan that at its regular meeting to be held May 10, 2022 (or such other date as the Board shall hold its regular meeting in such month), the Board will consider whether to adopt the General Manager's recommendation to continue Metropolitan's water standby charge for FY 2022/23 on land within the service area of participating member agencies at the same rates, per acre of land, or per parcel of land less than an acre, as presently in effect.

Any such water standby charge will be continued as a means of paying for the readiness-to-serve charge obligation of member agencies that previously elected to collect the standby charge.

Information about the proposed FYs 2022/23 and 2023/24 Biennial Budget, proposed rates and charges effective January 1, 2023 and January 1, 2024 to meet the revenue requirements for FYs 2022/23 and 2023/24, and the review of the applicability of Section 124.5 for FYs 2022/23 through 2025/26 is available at www.mwdh2o.com and may also be requested from the Board Executive Secretary at (213) 217- 6291.

Dated: February 11, 2022



Katano Kasaine
Assistant General Manager/Chief Financial Officer

PROOF OF SERVICE

[illegible]

I am employed in the County of Los Angeles, State of California. I am over the age of 18 years and am employed by The Metropolitan Water District of Southern California; my business address is 700 North Alameda Street, Los Angeles, California 90012.

On February 11, 2022, I served the foregoing document described as:

NOTICE TO MEMBER AGENCIES OF PUBLIC HEARING FOR PROPOSED RATES FOR
CALENDAR YEARS 2023 AND 2024, AND CHARGES FOR CALENDAR YEAR 2023, TO
MEET THE REVENUE REQUIRMENTS FOR FISCAL YEARS 2022/23 AND 2023/24

on the Metropolitan member public agencies via electronic mail (email) to the following email addresses:

alexr@centralbasin.org; tgoff@calleguas.com; chris.garner@lbwater.org;
martin.adams@ladwp.com; dnguyen@comptoncity.org; cbilezerian@torranceca.gov;
cmiller@wmwd.com; dpedersen@lvnwd.com; edwardc@westbasin.org;
garry.hofer@amwater.com; Jkightlinger@cityofpasadena.net; mouawadj@emwd.org;
jhess@burbankca.gov; mmarlowe@cityofsanmarino.org; MBaumgardner@sfcity.org;
mlitchfield@tvmwd.com; mmcwade@cityoffullerton.com; MDeGhetto@GlendaleCA.GOV;
mrmoore@anaheim.net; mjouhari@anaheim.net; nsaba@santa-ana.org; nina.jaz@fmwd.com;
rhunter@mwdoc.com; ddenham@sdewa.org; skerl@sdewa.org; sepstein@beverlyhills.org;
sdeshmukh@ieua.org; sunny.wang@smgov.net; tom@usgvmwd.org

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed on February 11, 2022, at Los Angeles, California.

Mya Ros
Mya Ros



Finance & Insurance Committee

Water Standby Charge for Fiscal Year 2022/23

Item 7-1

May 9, 2022

Standby Charge Program

- Collected within service area of 22 member agencies participating in the program since FY 1993/94
- Produces annual revenue of about \$44.0 million
 - Applied towards participating agencies' Readiness-to-Serve (RTS) Charge obligation
- Standby Charge has been collected at rates that do not exceed the rates set in 1993/94
 - Charge per acre or parcel if less than an acre ranges from \$2.49 to \$14.20

Board Action – RTS and Standby Charges

- April 2021: Board adopted the Readiness-to-Serve Charge for CY 2022 at \$140 million
 - May 2021: Board adopted resolution to continue Water Standby Charge for FY 2021/22
- April 2022: Board adopted the Readiness to Serve Charge for CY 2023 at \$154 million
 - May 2022: Board to consider Resolution to continue Water Standby Charge for FY 2022/23

Board Options

- Option #1 – Adopt the resolution to continue the Standby Charge for FY 2022/23
- Option #2 – Do not adopt the resolution to continue the Standby Charge for FY 2022/23, which would require the participating member agencies to pay the full RTS Charge directly to Metropolitan, rather than having a portion collected through the Standby Charge

Recommendation

- Option #1 – Adopt the resolution to continue the Standby Charge for FY 2022/23





- Board of Directors
Finance and Insurance Committee

5/10/2022 Board Meeting

9-2

Subject

Renewal Status of Metropolitan's Property and Casualty Insurance Program

Executive Summary

Pursuant to Metropolitan's Administrative Code, this letter reviews the current status of Metropolitan's insurance coverages and anticipated charges for fiscal year (FY) 2022/23. The premium estimates that follow are expected costs, but not actual quotes, at this writing. These expected costs are derived from Metropolitan's broker's experience with our current insurance carriers, other insurers that may be willing to quote our program, and the condition of the current marketplace overall. At this writing, we have reasonable confidence that the estimates or "indications" provided by the insurance carriers will not exceed the aggregate total estimated. Our broker will provide actual binding quotes once the insurance carriers have completed their review of Metropolitan's underwriting and risk profile information. In June, staff will present a board letter to request authority to purchase insurance based on those actual quoted premiums for the various lines of coverage.

Details

The following list includes the Casualty and Property Insurance Program lines of insurance, with coverage amounts, which expire June 30, 2022.

- \$25 million aircraft liability coverage; \$10 million liability for Unmanned Aerial Vehicles, and aircraft hull coverage up to the planes' assessed values.
- \$5 million Crime coverage for exposures such as fraud, theft, faithful performance and employee dishonesty in excess of a \$150,000 deductible.
- \$75 million General Liability coverage in excess of a \$25 million self-insured retention.
- \$60 million Fiduciary and Employee Benefits Liability coverage in excess of a \$25 million self-insured retention.
- \$65 million Public Officials, Directors and Officers Liability (D&O) coverage in excess of a \$25 million self-insured retention.
- Statutory Workers' Compensation, and \$1 million Employers Liability coverage, in excess of a \$5 million self-insured retention; statutory coverage for Washington, D.C. employees.
- Stated property value up to \$25 million Property Damage coverage limit.
- \$250,000 Travel Accident.
- \$5 million Specialty Crime.

Metropolitan's property and casualty excess and specialty insurance renewal cost is expected to increase by up to nearly 22 percent over FY 2021/22. The cost increase is due to significant global trends and factors affecting the insurance market. These include the economic fallout caused by the global pandemic, increased frequency climate change-induced mega-catastrophic weather events such as extreme storms and historic wildfires, and a continuation of significant social and political unrest. More recently, a historic spike in

inflation caused by COVID-19-related supply chain issues, and later exacerbated by the war in Ukraine, is causing additional havoc in the insurance market. These events and conditions in addition to pre-existing pricing pressure trends, such as low investment yields and the expectation of rising medical costs, are causing both higher pricing and more restrictive policy terms and conditions. Metropolitan is somewhat well positioned by being significantly self-insured; consequently, the effect of price increases and policy restrictions is expected to be somewhat muted, but nonetheless will be more noticeable than during the pre-pandemic era. The cost increases for the coming year are expected to be less dramatic than experienced for the FY 2021/22 renewal despite a continuation of the same pressures affecting the markets last year and the addition of a couple of new ones. Lastly, the three-year duration Specialty Crime and Travel Accident Policies, last purchased in 2019, are now up for renewal requiring additional premium costs that were not necessary for FY 2022/23.

Attachment 1 compares the current coverages and premiums to those projected for FY 2022/23.

These projections are pegged to the upper end of the expected price range. Premiums for the two layers of excess General Liability make up the largest portion of Metropolitan's casualty insurance budget. We expect up to a 25 percent premium increase from an aggregate amount of \$929,106 for FY 2021/22 to an estimated \$1,161,383 for the coming year due to the factors discussed above, and additional costs due to an anticipated wildfire surcharge for risks in California. The excess fiduciary policy premiums are anticipated to rise by about 15 percent, from \$90,847 to an anticipated \$104,474. The excess D&O policies are projected to cost \$340,280, up 12 percent from \$303,821 in FY 2021/22. Premiums for excess workers' compensation, and the first dollar coverage policy for Washington, D.C. employees, are expected to rise more mildly by about 10 percent from a combined \$123,721 in the current fiscal year to an estimated \$136,093 for FY 2022/23. To add context for this price trend, from FYs 2002/03 to 2005/06, the self-insured retention for workers' compensation coverage was incrementally raised from \$1 million to \$5 million in response to terror-risk-related premium spikes in that line of coverage. The rationale to increase the self-insured retention was that the premiums saved over a ten-year period would offset the financial risk of a "once in a decade" claim that would exceed the self-insurance coverage in that particular year. That analysis was based on calculations derived from the annual actuarial study. Metropolitan's risk exposure has remained stable since that review.

Because premiums for this line of coverage stabilized and then later decreased, Metropolitan maintained the self-insured retention of \$5 million, but raised the coverage limit from \$25 million to \$50 million in FY 2010/11. In FY 2015/16, Metropolitan was able to obtain excess workers' compensation coverage with statutory limits over the \$5 million retention without a price increase. As premiums are expected to be moderately higher than last year, at this time staff anticipates maintaining the same self-insured retention and coverage limit. Over the last five years, excess workers' compensation premiums have remained fairly stable with increases due mostly to increasing medical industry costs. Beginning in FY 2010/11, Metropolitan purchased a separate "first dollar" policy for the Washington, D.C. employees. That first dollar policy cost \$1,358 last year and is included in Metropolitan's total premium figure for workers' compensation coverage.

For all coverages staff continues to explore the cost-benefit of various options to maximize coverage without significantly increasing premium costs, and other options to reduce premium costs without increasing Metropolitan's risk exposure. Staff also reviews and analyzes the suitability of the retention levels and coverage limits along with input from actuaries and comparisons to other organizations. As long as premium costs and Metropolitan's risk exposures remain stable, the actuarial recommendations for retention and excess coverage levels remain in place. Staff continues to review and evaluate the viability of obtaining other lines of coverage such as fire, flood, cyber liability, and earthquake coverage as risks and needs change. In past years, Metropolitan has not purchased these coverages because it has not been financially favorable, compared with the risk exposure, and because Metropolitan can raise funds if repairs are required.

Premium costs for other excess and specialty policies will vary by line of coverage but are expected to have mild or moderate increases due mostly to unusually weak insurance industry investment performance, increased claims payments in some lines of coverage, and inflation. The Aircraft Liability and Hull Policy premium is expected to increase from \$81,219 paid in FY 2021/22 to a projected \$89,341. Metropolitan's Crime policy premium is anticipated to rise by approximately ten percent from \$10,816 to \$11,898.

Metropolitan also maintains a property damage policy due to fire damage that occurred near the Diemer Facility in the fall of 2009. This policy was originally purchased in order to obtain reimbursement of over \$500,000 from the Federal Emergency Management Agency for damage repair. Last year, the premium was \$4,256; and due to the continued wildfire-related losses occurring in the western United States weighing on the insurance market, it is expected to rise again by up to 20 percent to \$5,106 for FY 2022/23.

Metropolitan also carries Travel Accident and Special Contingency three-year duration policies, last purchased in July of 2019, which are now up for renewal. In 2019, the premiums were \$23,310 and \$4,263 respectively. It is anticipated that those premiums will increase to \$26,807 and 4,263, a 15 percent increase.

To complete the insurance renewal for FY 2022/23, with similar limits and retentions, staff anticipates renewal premium costs of about \$1.880 million compared with approximately \$1.544 million for FY 2021/22.



Policy

Metropolitan Water District Administrative Code Section 6413: Insurance Program

Metropolitan Water District Administrative Code Section 9101: Risk Retention and Procurements of Insurance

Fiscal Impact

The total premium costs are anticipated to increase from \$1.544 million for FY 2021/22 to approximately \$1.880 million for FY 2022/23.

	4/28/2022
Katano Kasaine	Date
Assistant General Manager/ Chief Financial Officer	
	4/28/2022
Adel Hagekhalil	Date
General Manager	

Attachment 1 – Metropolitan’s Casualty and Property Insurance Program Insurance Premium Comparison in Dollars

Ref# cfo12681808

**Metropolitan's Casualty and Property Insurance Program
Insurance Premium Comparison
In Dollars**

Insurance Policy Type	Self-Insured Retention (SIR)	Coverage Limits	2021/22 Insurance Premiums	2022/23 Projected Premium Cost	2022/23 Projected Insurance Premium Cost Change	2022/23 Projected Insurance Premium % Change
Excess General Liability [■]	\$25 million	\$75 million	929,106	1,161,383	232,277	25
Fiduciary and Employee Benefits Liability [■]	\$25 million	\$60 million	90,847	104,474	13,627	15
Public Officials Directors and Officers Liability [■]	\$25 million	\$65 million	303,821	340,280	36,459	12
Crime	\$150,000	\$5 million	10,816	11,898	1,082	10
Aircraft Liability and Hull	\$1,000	\$25 million	81,219	89,341	8,122	10
Excess Workers' Compensation, CA	\$5 million	Statutory	122,530	134,783	12,253	10
Excess Workers' Compensation, D.C.	\$0	Statutory	1,191	1,310	119	10
Property	\$0	Asset value	4,256	5,106	850	20
Special Contingency [*]	\$0	\$5 million	0	4,902	4,902	100
Travel Accident [*]	\$0	\$250,000	0	26,807	26,807	100
Total Premiums	NA	NA	1,543,786	1,880,284	336,498	21.7

■ Premium costs for two layers of General Liability, Fiduciary and Employee Benefits Liability, and Public Officials Directors and Officers Liability coverage.

* Three-year policies last purchased July 2019. Premium costs were \$4,263 for Special Contingency and \$23,310 for Travel Accident.



Finance & Insurance Committee

Renewal Status of Metropolitan's Property and Casualty Insurance Program

Item 9-2

May 9, 2022

Objectives

Metropolitan's Property and Casualty Insurance Program

Review the Current Program

Provide Cost Estimates for
this year's Insurance Renewal

Review

Metropolitan's Property and Casualty Insurance Program

Self-Insured Retentions

Claims Programs to Manage Self-Insured
Retentions

Liability / Property

Workers' Compensation

Excess and Specialty Insurance Coverages

Metropolitan's Property and Casualty Insurance Program

Self-Insured Retention

General Liability \$25 million

Workers' Compensation \$ 5 million

Property Damage * Self-Insured

* Excluding Stand Alone Property Insurance Coverage

Metropolitan's Property and Casualty Insurance Program

Claims Programs

Liability & Property

Risk Management Unit

Third Party Claims Administrator

MWD General Counsel

Workers' Compensation

Workers' Compensation / Medical Unit

Third Party Claims Administrator

MWD General Counsel

Excess Insurance

Metropolitan's Property and Casualty Insurance Program

General Liability	\$75 million
Workers' Compensation	Statutory
Public Officials, Directors & Officers Liability	\$65 million
Fiduciary & Employee Benefit Liability	\$60 million

Metropolitan's Excess General Liability Coverage Layers and Limits

In Million Dollars

Excess Coverage	SIR	AEGIS 1 st Layer	EIM 2 nd Layer	Coverage Limits
General Liability	25	35	40	100
Fiduciary Liability	25	35	25	85
Directors & Officers Liability	25	35	40	90

Associated Electric & Gas (AEGIS)
Energy Insurance Mutual (EIM)
Self-Insured Retention (SIR)

Periodic Review

Periodic review of self-insured retention and excess coverage limits to ensure appropriate levels

Metropolitan's Property and Casualty Insurance Program

- Actuarial Study, Insurance Broker and Staff Reviews
- Metropolitan's operations and risks remain stable
- Embedded safety programs in operations
- Environmental, Health & Safety training and monitoring
- Claims Management Programs
- Access to Capital

Specialty Insurance

Metropolitan's Property and Casualty Insurance Program

Aircraft Liability	\$25 million
Aircraft Hull	Assessed Value
Property Damage	Assessed Value up to \$25 million
Crime	\$5 million
Special Risk *	\$5 million
Travel Accident *	\$250,000

* 3-year coverages last purchased 2018/19 and up for renewal

Metropolitan's Property and Casualty Insurance Program 2022/23 Outlook

21.7% Overall Cost Increase

Factors Causing Expected Cost Increase

- **Economic fallout caused by the global pandemic, supply chain issues, inflation causing market fluctuations and uncertainty**
- **Political and social unrest**
- **Climate change induced mega-catastrophic weather events such as extreme storms and historic wildfires**

Total Policy Renewal is estimated to increase from

\$1.54 million

to

\$1.88 million

Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2021/22 Actual	2022/23 Projection	2022/23 % Change
General Liability	929,106	1,161,383	25%
Fiduciary and Employee Benefit Liability	90,847	104,474	15%
Public Officials Directors & Officers Liability	303,821	340,280	12%
Workers' Compensation	123,721	136,093	10%

Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2021/22 Actual	2022/23 Projection	2022/23 % Change
Aircraft Hull & Liability	81,219	89,341	10%
Crime	10,816	11,898	10%
❖ Property	4,256	5,106	20%

❖ Stand alone coverage will continue for OC-71, SD-7 & SD-11

Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2018/19 Actual	2022/23 Projection	2022/23 % Change
❖ Special Contingency	23,310	26,807	15%
❖ Travel Accident	4,273	4,902	15%

❖ **3-year policies purchased in 2018/19, and up for renewal**

Metropolitan's Property and Casualty Insurance Program

Excess Insurance Premiums (in dollars)

Coverage Type	2021/22 Actual	2022/23 Projection	2022/23 % Change
Total Premiums Renew Existing Coverage	1,543,786	1,848,575	19.7%
Total Premiums Renew Existing and 3-Year Coverages	1,543,786	1,880,284	21.7%

Metropolitan's Property and Casualty Insurance Program

Premium Comparison by Fiscal Year

Actual 2017/18	Actual 2018/19	Actual 2019/20	Actual 2020/21	Actual 2021/22
\$ 1,120,335	\$ 1,118,668*	\$ 1,181,848	\$ 1,308,608	\$1,543,786
		Projection 2022/2023	\$1,880,284*	

*** Includes renewal cost of 3-year duration policies for Travel Accident and Special Contingency policies**





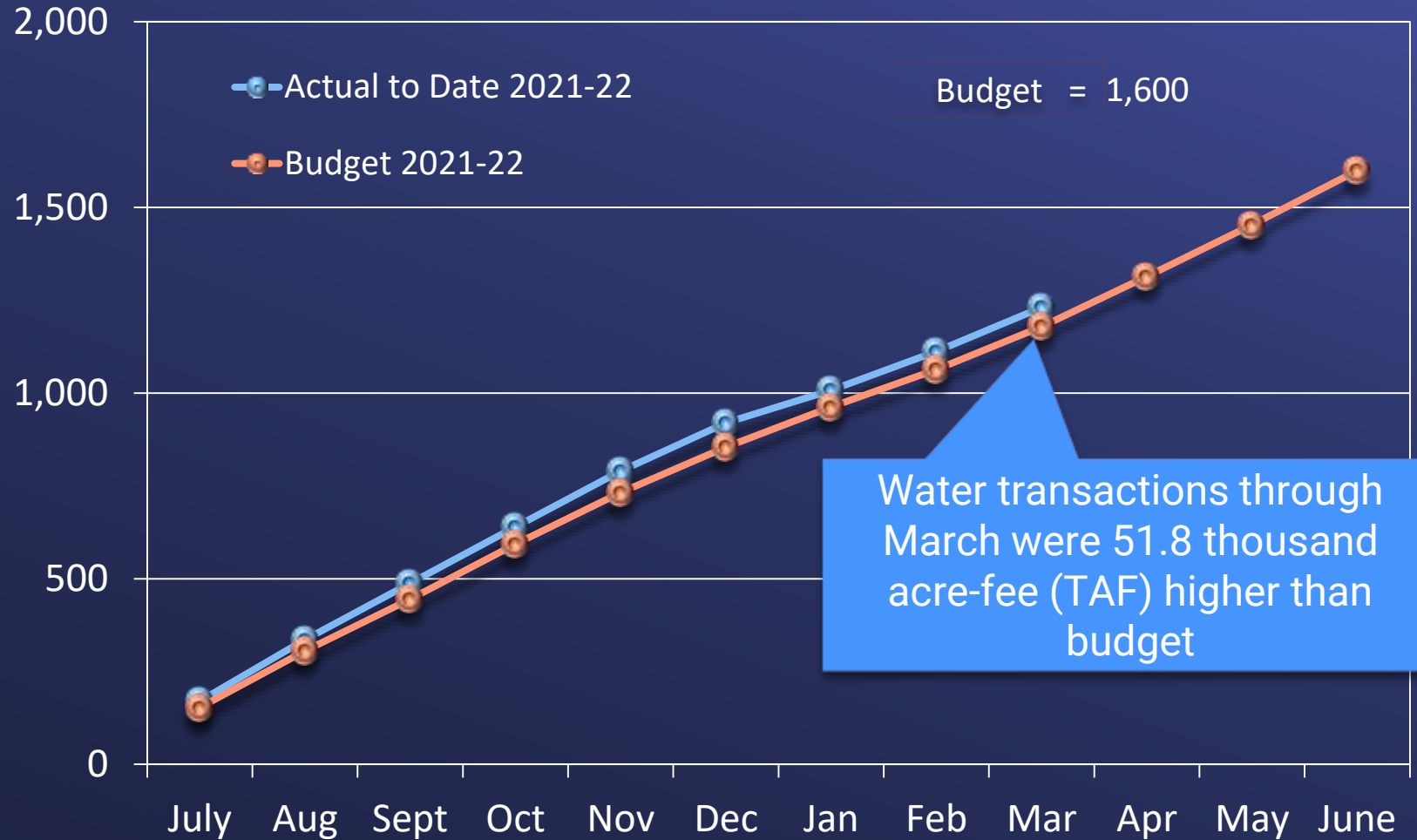
Finance & Insurance Committee

Quarterly Financial Review – March 31, 2022

Item 6a

May 9, 2022

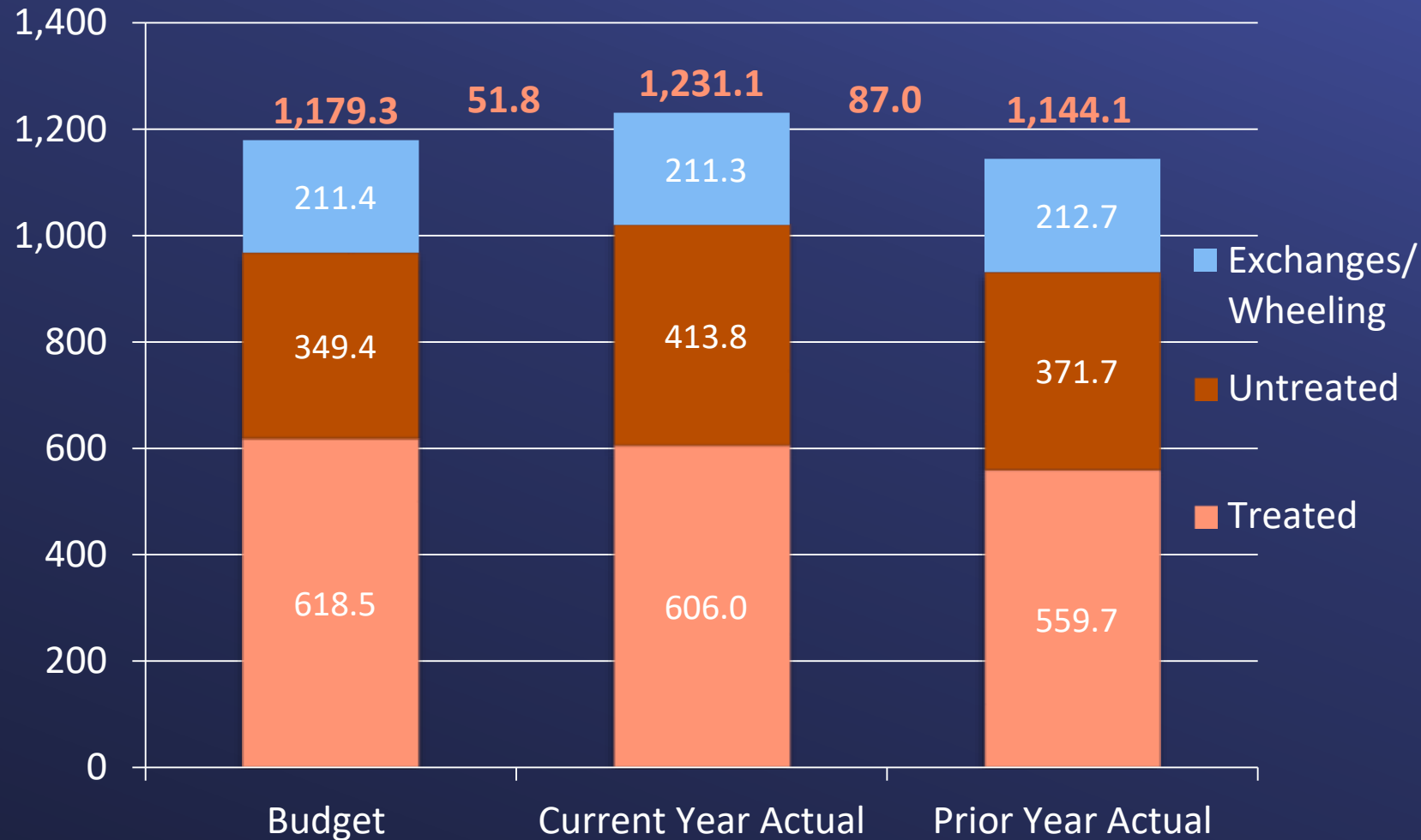
Cumulative Water Transactions⁽¹⁾ (AF in thousands)



⁽¹⁾ Includes Water Sales, Exchanges, and Wheeling from member agencies. Non-member agency transactions are excluded.

Water Transactions Through March 2022⁽¹⁾

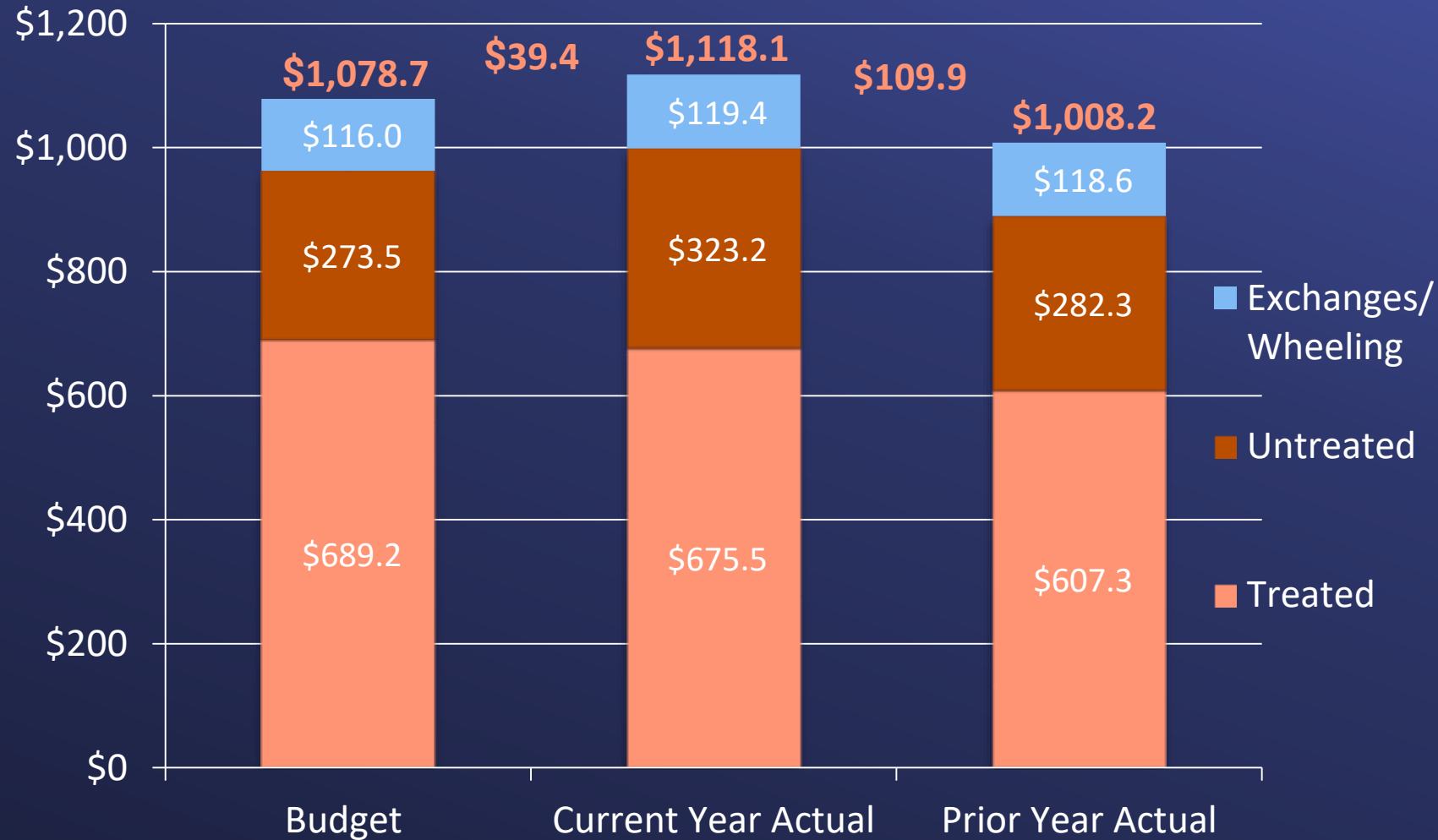
(AF in thousands)



⁽¹⁾ Includes Water Sales, Exchanges, and Wheeling from member agencies. Non-member agency transactions are excluded.

Water Revenues Through March 2022⁽¹⁾

(\$ in millions)



⁽¹⁾ Includes Water Sales, Exchanges, and Wheeling from member and non-member agencies.

March 31, 2022
(\$ in millions)

FY 21/22 Revenues

	YTD Actual	FY Projected	FY Budget	Variance
Water	\$ 1,118.1	\$ 1,531.0	\$ 1,491.6	\$ 39.4
RTS	100.0	135.0	135.0	-
Capacity Charge	27.1	37.1	40.5	(3.4)
Power	6.6	9.8	21.9	(12.1)
Taxes, net	123.4	158.1	140.1	18.0
Interest	4.5	6.8	18.1	(11.3)
Other	16.0	17.2	4.7	12.5
Total Revenues	\$ 1,395.7	\$ 1,895.0	\$ 1,851.9	\$ 43.1

March 31, 2022
(\$ in millions)

FY 21/22 Expenses

	YTD Actual	FY Projected	FY Budget	Variance
State Water Contract	\$ 462.3	\$ 542.5	\$ 629.4	\$ 86.9
Supply Programs	70.1	113.2	61.2	(52.0)
CRA Power Costs	64.6	81.0	57.6	(23.4)
Debt Service	265.0	287.2	307.0	19.8
Demand Management	24.5	50.1	52.5	2.4
Departmental O&M	376.1	549.8	564.8	15.0
R&R/General Fund	88.0	135.0	135.0	-
Delta Conveyance	25.0	25.0	25.0	-
Regional Recycled Water	2.5	5.0	15.0	10.0
Total Expenses	\$ 1,378.1	\$ 1,788.8	\$ 1,847.5	\$ 58.7

(\$ in millions)

FY 21/22 Net Revenues

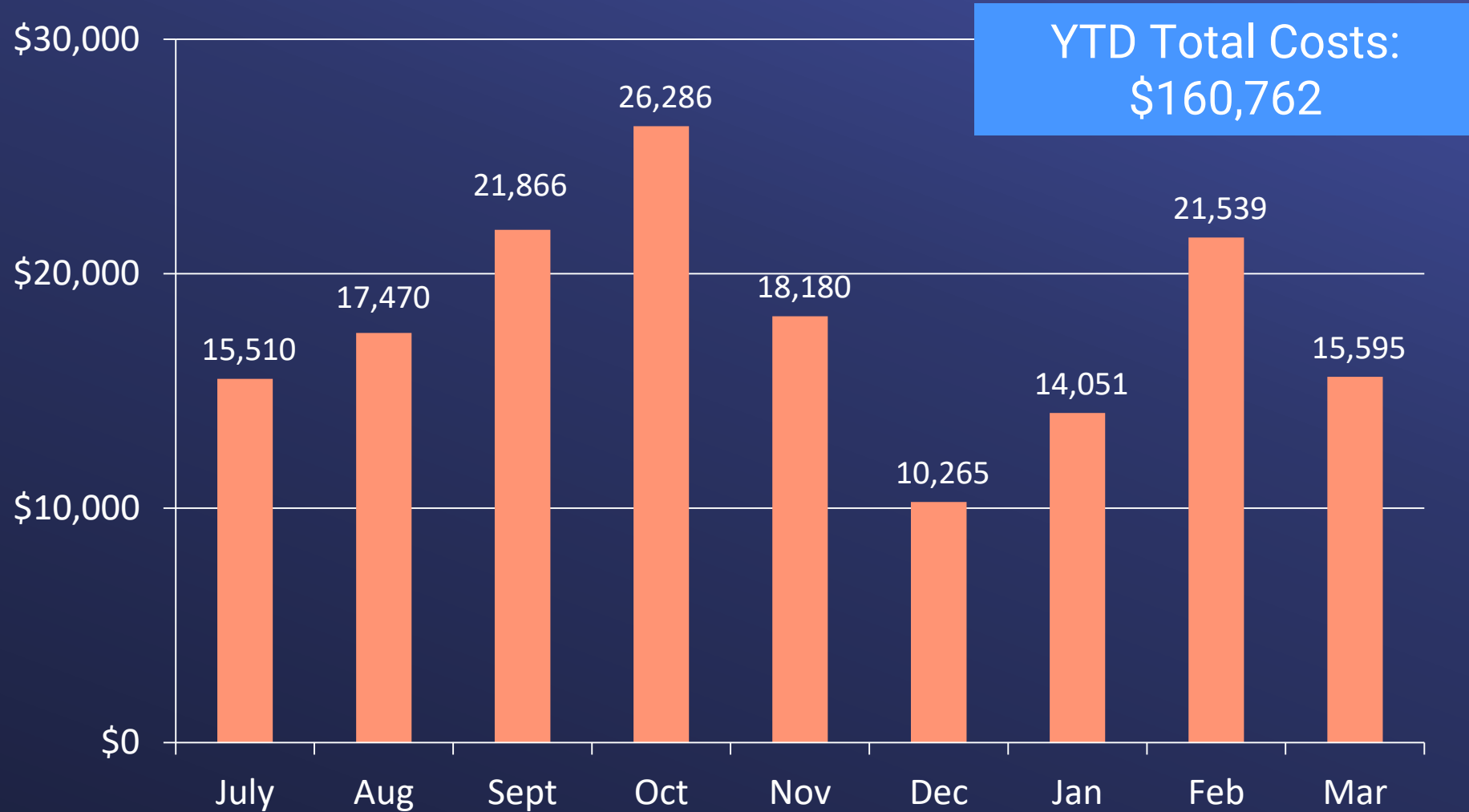
Total Revenues	\$ 1,895.0
Total Expenses	<u>1,788.8</u>
Net Revenues	<u>\$ 106.2</u>

Delta Conveyance Project



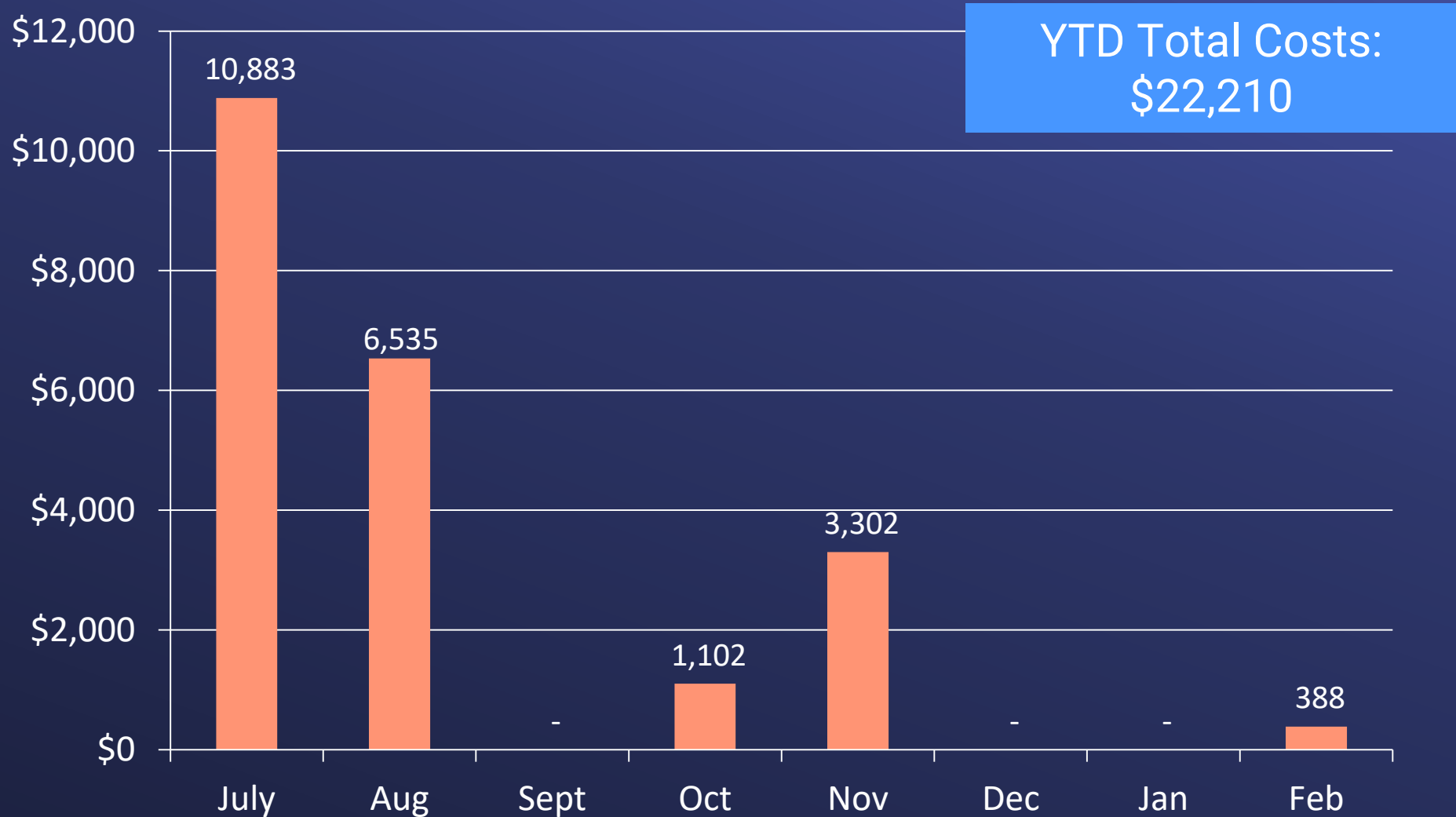
Metropolitan Reimbursable Costs

YTD Through March 2022



Metropolitan O&M Costs for Delta Conveyance

YTD Through March 2022







Finance & Insurance Committee

Quarterly Investment Activities Report

Item 6b

May 9, 2022

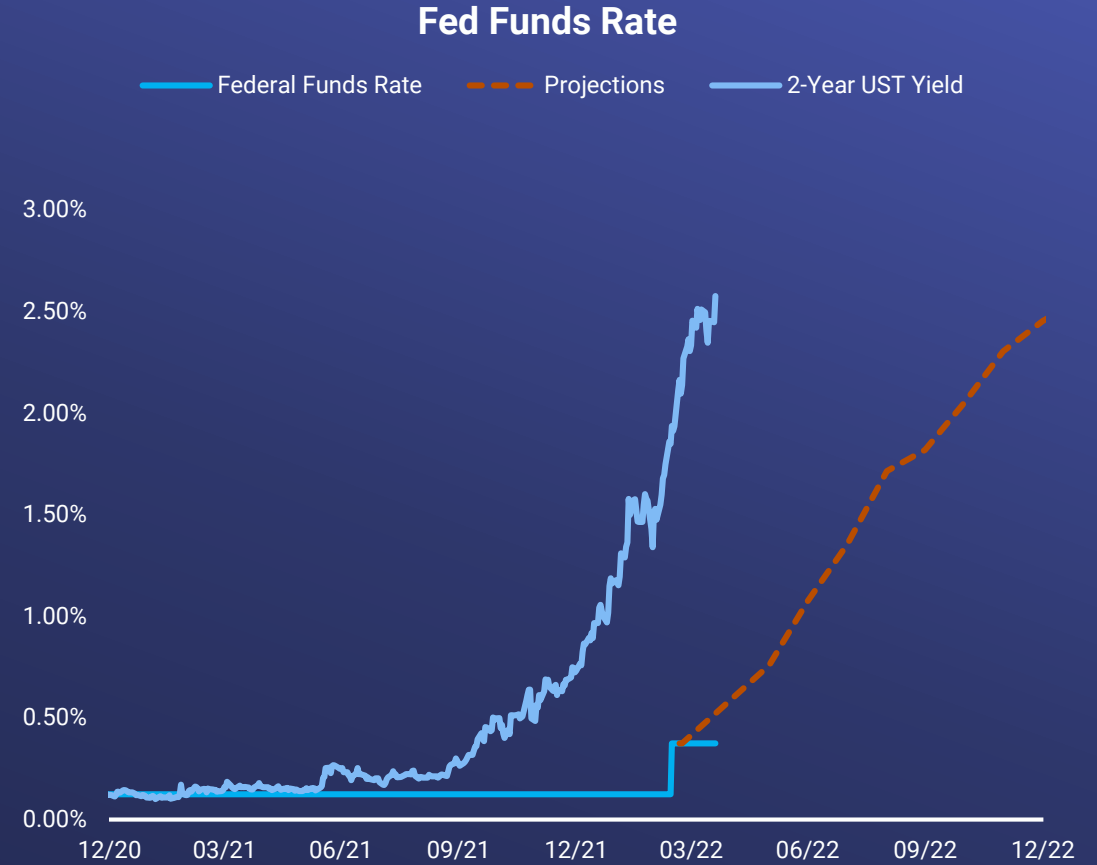
Presented By:

Kyle Jones, Managing Director

PFM Asset Management LLC

Market Environment

- Geopolitical uncertainty caused by Russia's invasion of Ukraine impacting certain commodities
- U.S. economic pros – Continued growth and a strong labor market
- U.S. economic cons – Inflation at 40-year high and depressed consumer confidence
- Tightening monetary policy
 - Federal Reserve initiated first of many rate hikes and likely to begin reducing its balance sheet soon
- Yields have risen quickly in anticipation of additional rate hikes throughout 2022 and possibly 2023
 - Lower market values and negative total returns
 - Increases portfolio yields and future investment income potential

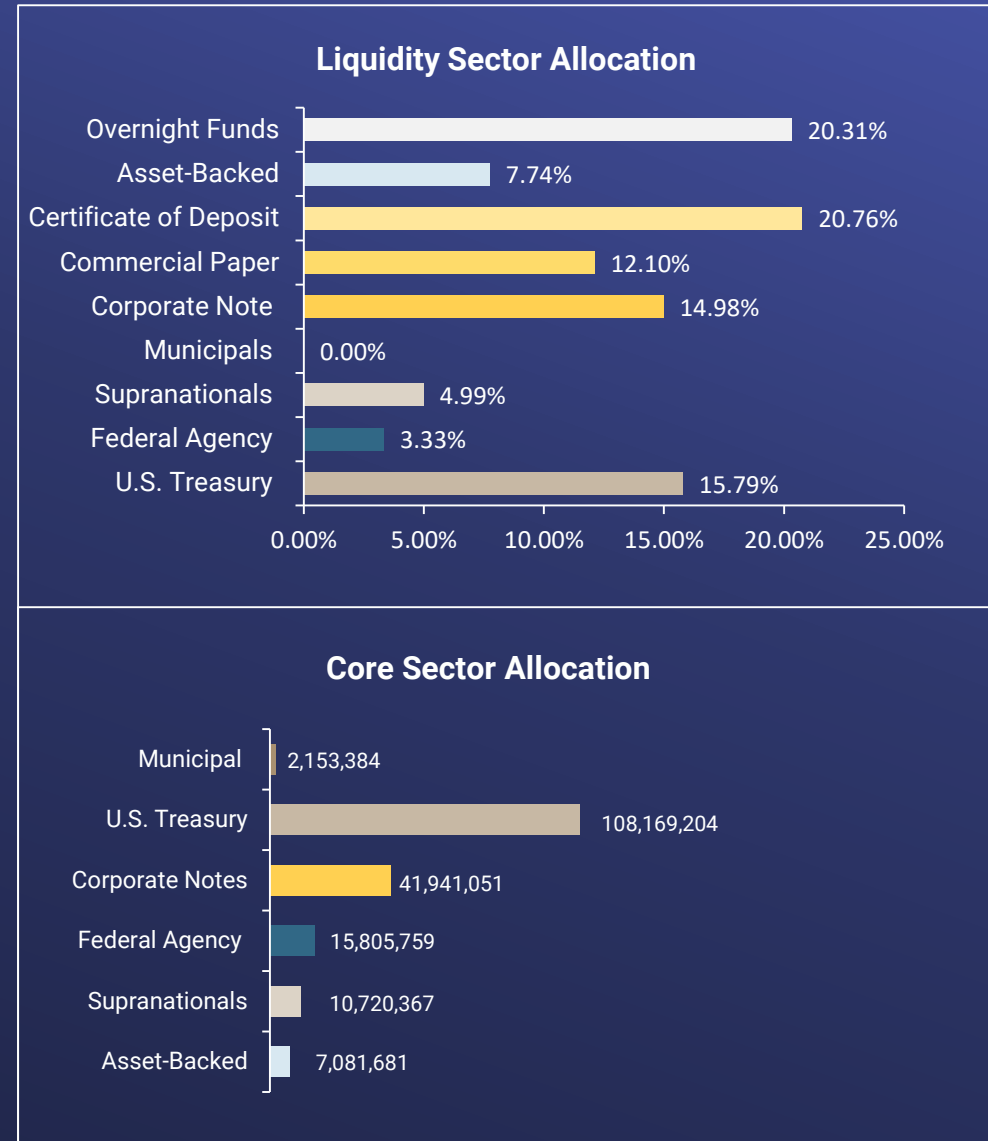


Overview of Portfolio as of March 31, 2022

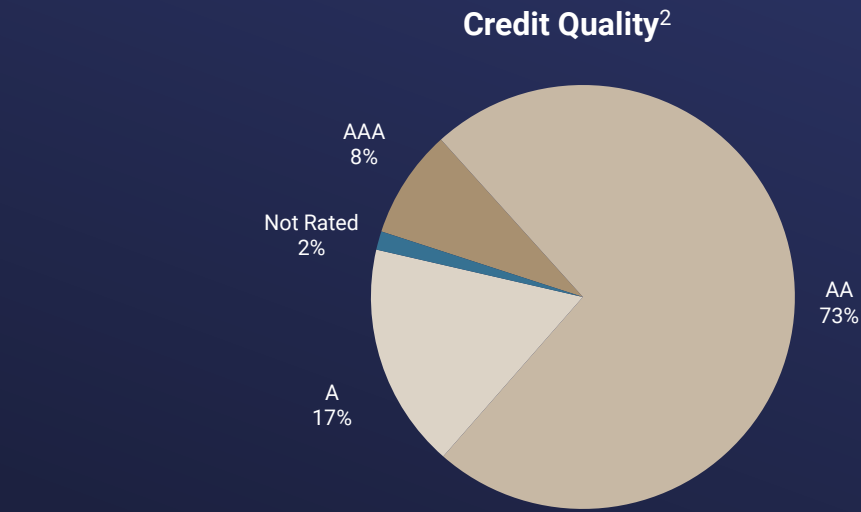
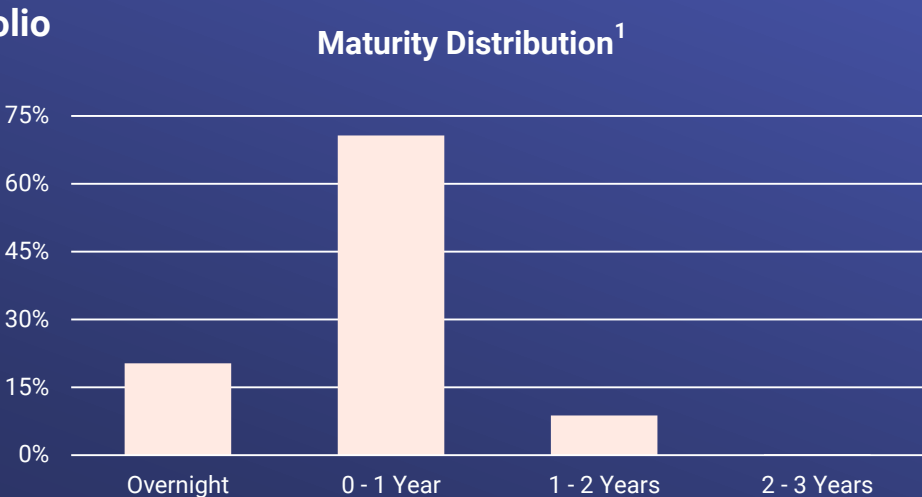
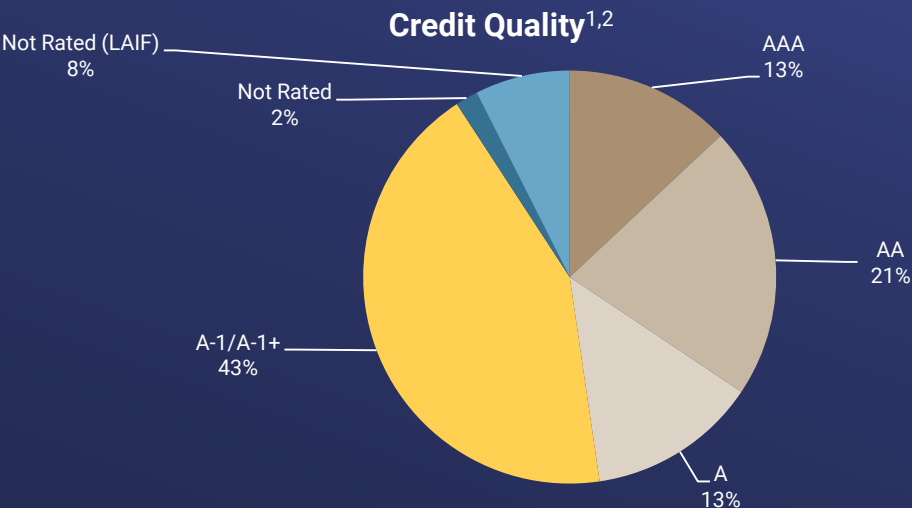
Portfolio Statistics		
Portfolio	Liquidity ^{1,2}	Core
Market Value	\$1,171,528,132	\$185,871,446
Duration	0.41 Years	2.42 Years
Average Yield at Cost	0.39%	0.89%
Average Yield at Market	1.13%	2.44%

1. Includes CAMP, LAIF, and Dreyfus money market fund balances (Overnight Funds). Excludes accrued interest.

2. Yields are a weighted average of the CAMP 7-day yield, LAIF quarterly apportionment rate, and MWDSC's Liquidity portfolio yield for March 2022.



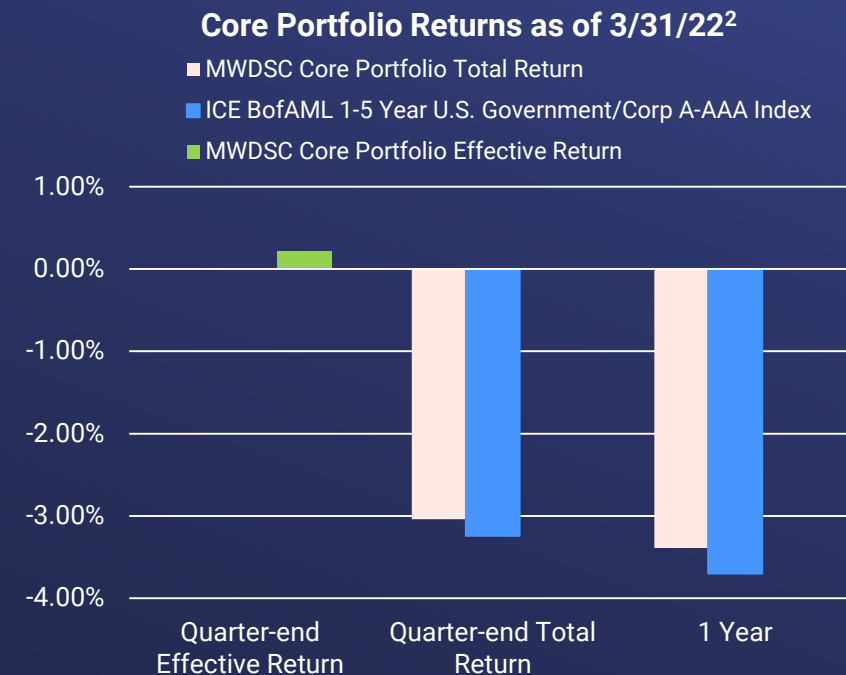
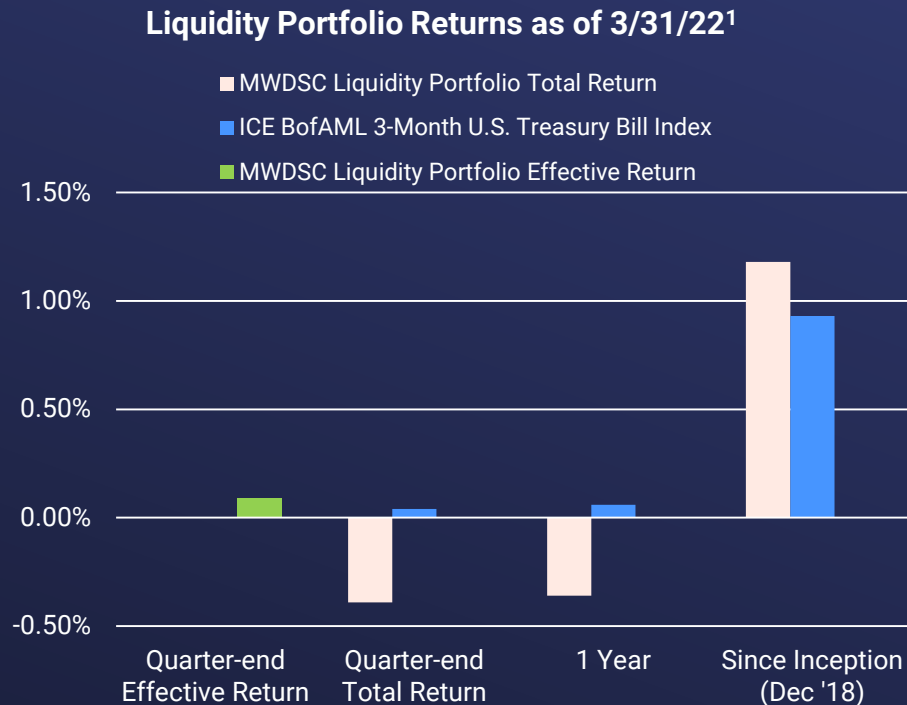
Overview of Portfolios as of March 31, 2022



1. Includes CAMP, LAIF, and money market fund balances (Overnight).
2. Credit Ratings are Standard and Poor's .

Investment Strategy and Returns

- Maintain ample liquidity through continued communication with District
- Manage duration modestly defensive relative to each portfolio's benchmark duration
- Diversify broadly to safely generate incremental earnings
- Seek opportunities to prudently enhance earnings while maintaining safety and liquidity



1. Returns represent only the PFMAM-managed Liquidity Portfolio. Returns are gross of investment advisor fee.

2. Returns represent only the PFMAM-managed Core Portfolio. Returns are gross of investment advisor fee.

Earnings Projection: FY 2021-2022 & FY 2022-2023

	Liquidity Portfolio	Core Portfolio
FY 2021-2022	\$3,538,360	\$2,667,531
FY 2022-2023	\$16,351,272	\$1,837,950

1. Actual accrual earnings (July 2021 – March 2022) include realized gains/losses on an amortized cost basis.
2. Projected earnings are based on the portfolio balance as of March 31, 2022, which assumes maintaining a constant balance over time.
3. Liquidity Portfolio reinvestment rates based on the interpolated 6-Month Treasury Forward Rate Curve as of April 18, 2022.
4. Core Portfolio reinvestment rates based on an interpolated average of the 2-year and 3-year Treasury Forward Rate Curve as of April 18, 2022.
5. Projected earnings assume no sales or realized gains/losses.

Disclosure

This material is based on information obtained from sources generally believed to be reliable and available to the public, however PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some but not all of which are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.



Questions





Metropolitan Water District of Southern California Board of Directors

Disclosure Responsibilities under the Federal Securities Laws

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Introduction

This presentation will cover:

- The standards under the federal securities laws that apply when approving Appendix A in connection with a bond sale or otherwise making public statements;
- The duties and responsibilities of Board members in approving Appendix A in connection with a bond sale;
- SEC enforcement and why disclosure compliance is important; and
- Disclosure controls to mitigate exposure.

Securities Laws - Indirect Regulation by the SEC

- Municipal issuers are **subject to the SEC's antifraud rules** even though they do not have to register securities and are exempt from the SEC's periodic reporting requirements.
- “When a municipal issuer releases information to the public that is reasonably expected to reach investors and the trading markets, such disclosure is subject to the antifraud provisions.” (SEC 2012 Report on Municipal Issuers)
- “The fact that [statements] are not published for purposes of informing the securities markets does not alter the mandate that they not violate antifraud proscriptions.” (March 1994 Statement of the Commission Regarding Disclosure Obligations of Municipal Securities and Others)

Types of Disclosures to which Rules Apply

- Public statements: When a municipality elects to “speak to the market,” it must be accurate and complete.
- Generally, no requirement to speak.
- Examples of public statements:
 - Preliminary official statements and official statements – “Appendix A” is where information about Metropolitan and its finances is contained (primary focus of this presentation);
 - Continuing disclosure filings/financial statements;
 - Other contexts, including speeches and presentations made by officers and officials such as Board members.

Disclosure Standard: Rule 10b-5

- **Rule 10b-5:** It shall be unlawful for any person . . . to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
- Under **Section 10(b)** of the Securities Exchange Act, an intentional or reckless act is required.
- Under **Section 17(a)** of the Securities Act, the SEC can charge securities fraud under a negligence standard (“knew or should have known”).

The Question of Materiality

- The materiality standard remains opaque, guidance comes primarily from court decisions, SEC enforcement cases and SEC staff legal bulletins.
- Materiality is defined as:
 - a **substantial likelihood** that a **reasonable bond investor** or prospective investor **would consider it important** in making an investment decision; or
 - **viewed by a reasonable investor** as having **significantly altered the “total mix”** of available information.
- When information pertains to a possible future event, “materiality will depend at any given time upon a balancing of both the **indicated probability that the event will occur and the anticipated magnitude of the event.**”
- In practice, SEC staff takes a subjective, hindsight view of materiality.

Duties and Responsibilities

Guidance from SEC 1996 Orange County Report –

- “a public official may not authorize disclosure that the official knows to be false;”
- “nor may a public official authorize disclosure while recklessly disregarding facts that indicate that there is a risk that the disclosure may be misleading.”
- Exercise proper care and supervision not to make a material misstatement or omission and to prevent material misstatements and omissions in disclosure prepared by staff

Discharging Responsibilities (cont.)

- Per Orange County report, steps “appropriate to the circumstances” to prevent the dissemination of materially false or misleading information “could have included becoming familiar with the disclosure documents and questioning the issuer’s officials, employees or other agents about the disclosure of those facts.”
 - Importance of Board review – Board members are uniquely positioned to have material information regarding all aspects of the organization and be informed of the significance of developments from a broader perspective
 - If you have questions or concerns, raise the issue with Finance staff and legal office so it may be vetted prior to dissemination of the disclosure document

Reliance on Professional Services

- Issuers and principals are ultimately accountable for the accuracy of statements of fact about the issuer and cannot delegate this responsibility.
- In the event of a misstatement, reliance on advice of professionals will only serve as a defense under limited circumstances.
- *Presence of counsel* does not equate to *advice of counsel* (a defense requiring a privilege waiver): SEC generally requires a direct request for advice on a particular disclosure topic.

SEC Enforcement Actions

- Municipalities Securities and Public Pensions Unit
- SEC applies nearly strict liability for compliance
- Recent cases have sought:
 - Financial penalties;
 - Individual accountability (control person liability);
 - Parallel criminal charges;
 - Admission of wrongdoing;
 - Public statements outside of offering materials or continuing disclosures.

Consequences of Bad Disclosure

- SEC Investigation – fees for lawyers and consultants
- Adverse publicity
- Personal Fines
- Reduced market access
- May have to impose new procedures and oversight to settle SEC actions
- Rating Downgrades (could trigger increased credit/liquidity provider fees, higher borrowing costs)

Disclosure Controls: Best Practices

Mitigate exposure through steps advocated by the SEC:

- Written Disclosure Policies and Procedures
- Regular Disclosure Training
- Establishment of Disclosure Working Group
- Seeking expert advice as warranted
- Regularly updating disclosure practices