

MAINTAINING A STABLE FINANCIAL FUTURE

METROPOLITAN'S BIENNIAL BUDGET FOR FY 2020/21 AND FY 2021/22

REVISED APRIL 2020



As the largest wholesale water service provider in the nation, the Metropolitan Water District of Southern California operates a vast system of aqueducts, pipelines, treatment facilities, storage and hydropower plants to deliver water into and throughout its six-county service area. To keep this extensive system in good operating condition and to plan and invest to meet the region's future water needs, Metropolitan is proposing annual expenditures of about \$1.8 billion for Fiscal Year 2020/21 and FY 2021/22.

The proposed biennial budget includes overall rate increases of 3 percent for FY 2020/21 and 4 percent for FY 2021/22 to fund investments in system maintenance and upgrades to ensure the reliability of local and imported supplies and water quality and safety. The proposed budget, rates, and charges reflect a careful balance between generating sufficient revenues to invest in the region's water future and managing rates through steady, necessary increases that reflect the cost of service.

Ensuring a Reliable Water Supply for Southern California

The FYs 2020/21 and 2021/22 budget seeks to maintain Metropolitan's vast infrastructure and services while planning for the future, based on these strategic priorities:



RESILIENCY

Metropolitan's systems, infrastructure and staff must be ready to provide water to the region not just on a day-to-day basis, but in the event of a disruption like an earthquake or drought. This requires investments in infrastructure reliability, succession planning and leadership development.



SUSTAINABILITY

To prepare for a future of climate change, aging infrastructure, and other challenges, Metropolitan invests in both long-term planning, through its Integrated Resources Plan, and specific project planning in efforts to sustain local and imported supplies.



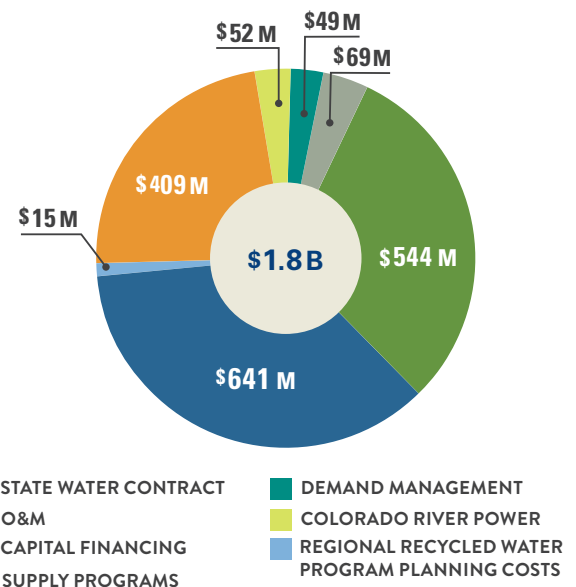
INNOVATION

Metropolitan has a long tradition of finding new, creative solutions to the challenge of delivering water to Southern California. This culture of innovation requires investing in new ideas and fostering creative thinking among a diverse, skilled and dedicated staff.

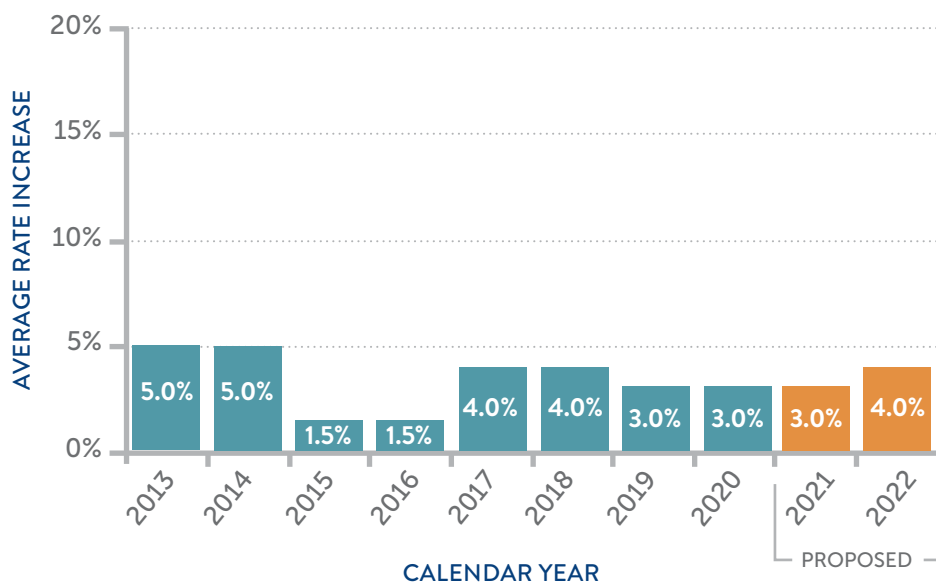
Budget Highlights

- ◆ **Infrastructure upgrades and rehabilitation:** Reinvests in nearly 400 capital projects to ensure seismic reliability and restore aging infrastructure.
- ◆ **Succession planning:** Adds funding for advance recruitment, apprenticeship and internship programs to ensure experienced workforce.
- ◆ **Limits spending increases:** Maintains current staffing levels.
- ◆ **Promotes conservation:** Continues funding for water-saving programs.
- ◆ **Cuts debt costs:** Debt service costs reduced as a result of favorable refundings.

FY 2020/21 EXPENDITURE BUDGET



Historic and Proposed Overall Rate Increases



Metropolitan’s proposed rates are based on the cost of providing service and investing in the reliability of its infrastructure. By focusing on maintaining current levels of service, with reasonable planning investments, this biennial budget keeps rate increases to 3 percent for FY 2020/21 and 4 percent for FY 2021/22. The rate increase has been driven by:

- Lower water sales
- Higher operating and maintenance costs
- Higher State Water Contract charges

Changed Circumstances

Metropolitan staff revised its recommended budget in April 2020 due to the potential economic effects to the region of COVID-19, potential delays in capital improvement project schedules, and changed demand projections for treated water due to per- and polyfluoroalkyl substances (PFAS).

Metropolitan’s investments in a diverse portfolio of water supplies and storage have helped ensure the region has a reliable water supply amid California’s highly variable annual precipitation rates.

Spotlight

RELIABILITY

Meets the demands of Southern California and its expanding \$1.3 trillion-plus economy



PROJECTED WATER TRANSACTIONS

1.6 million acre-feet
FY 2020/21

1.6 million acre-feet
FY 2021/22



10-YEAR FINANCIAL FORECAST

The current 10-year forecast anticipates rate increases of 3-5% annually, to recover anticipated costs and finance essential investments



CAPITAL PROJECTS

55-60% of CIP projects are funded from operating revenues, rather than debt financed



CREDIT RATING

Metropolitan maintains some of the nation’s highest credit ratings among government agencies

S&P: AAA

Fitch: AA+

Moody’s: Aa1



OUR MISSION

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.

ABOUT METROPOLITAN

The Metropolitan Water District of Southern California is a state-established cooperative of 26 member agencies – cities and public water agencies – that serve 19 million people in six counties. Metropolitan imports water from the Colorado River and Northern California to supplement local supplies and helps its members develop increased water conservation, recycling, storage and other resource management programs.

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