Proposed Biennial Budget for FYs 2020/21 and 2021/22; Proposed Water Rates and Charges for Calendar Years 2021 and 2022; Overview of Rates & Charges; Ten-Year Financial Forecast

Workshop #1

Finance & Insurance Committee
Item 9-2
February 10, 2020
Overview
- Policies
- Strategic Priorities
- Process
- Key Assumptions
- Budget Highlights

Proposed Biennial Budget
Overview of Rates & Charges
Ten-Year Financial Forecast
Q&A & Discussion
Next Steps
Overview
**Financial Policies & Goals**

**Achieve/Maintain coverage ratios**

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<tbody>
<tr>
<td>Revenue Bond*</td>
<td>2.0</td>
<td>1.5</td>
<td>1.5</td>
<td>1.6</td>
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<td>Fixed Charge</td>
<td>1.2</td>
<td>1.4</td>
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<td>1.6</td>
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</table>

*Target of 2.0 met by FY 2024/25

**PAYGO funding**

- Anticipate 60 percent of CIP funded from current revenues over biennial period
  - Integral to maintaining coverage targets and supporting high credit ratings
  - Provides financial flexibility
Maintain high credit ratings
- S&P - AAA
- Fitch - AA+
- Moody’s - Aa1

Reduce debt service costs
- Decreases by $24M from FY 2019/20 budget to FY 2021/22 budget due to favorable refundings
GM’s Strategic Priorities

Resiliency

- Emergency preparedness & business continuity:
  - Succession planning
  - Capital expenditures to build infrastructure reliability & redundancy

Sustainability

- Charting long-term course addressing challenges:
  - 2020 Integrated Water Resources Plan Update
  - Delta Conveyance
  - Regional Recycled Water Program

Innovation

- Creatively solving difficult challenges:
  - Employee training and engagement
Biennial Budget and Rates Process Has Several Objectives

- Support General Manager’s Strategic Priorities
- Adopt a two-year budget, which includes CIP, covering fiscal years 2020/21 and 2021/22
- Adopt rates and charges for calendar years 2021 and 2022
- Consider applicability of Section 124.5 limits on tax rates
- Update a ten-year forecast (Ten-Year Financial Forecast), including the biennial period
## Important Underlying Assumptions

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<tr>
<th>Fiscal Year Ending</th>
<th>2021</th>
<th>2022</th>
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</thead>
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<tr>
<td>Overall increase January 2021 &amp; 2022</td>
<td>5.0%</td>
<td>5.0%</td>
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<tr>
<td>Water Transactions*</td>
<td>1.60 MAF</td>
<td>1.60 MAF</td>
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<tr>
<td>State Water Project Allocation</td>
<td>50%</td>
<td>50%</td>
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<tr>
<td>Colorado River Aqueduct Diversions</td>
<td>0.75 MAF</td>
<td>0.73 MAF</td>
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<td>CIP</td>
<td>$250 M</td>
<td>$250 M</td>
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<tr>
<td>PAYGO</td>
<td>$135 M</td>
<td>$135 M</td>
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* Includes water sales, exchanges and wheeling.
Overall Rate Increases Since 2013

Average Rate Increase

- 20%
- 15%
- 10%
- 5%
- 0%

Calendar Year

- 2013: 5.0%
- 2014: 5.0%
- 2015: 1.5%
- 2016: 1.5%
- 2017: 4.0%
- 2018: 4.0%
- 2019: 3.0%
- 2020: 3.0%
- 2021: 5.0%
- 2022: 5.0%

Finance & Insurance Committee  Item 9-2  Slide 9  February 10, 2020
Biennial Budget Highlights

O&M expenditures

- Maintenance budget
  - Full-time regular positions remain at 1,907
  - Negotiated labor increases, allowable merit adjustments, and benefit increases incorporated
  - Key non-labor increases – chemicals, software licensing & support, security including Cybersecurity, and environmental and regulatory compliance & monitoring

- Funds for succession planning

Regional Recycled Water Program

- Funding for planning costs at $30M over biennium

Delta Conveyance

- Metropolitan’s planned contribution for planning costs of $50M over the biennium
Biennial Budget Highlights

Continued support for demand management programs
- Conservation Program appropriated at $43M per year
- Local Resources Program expected to be lower
- No Water Stewardship Rate
- Demand management funded from Water Stewardship Fund balance

Capital Investment Plan
- Planned spending of $500M over biennium to be appropriated
- Estimated expenditures of $450M - 90% of planned spending
Proposed Biennial Budget
Revenue Trend

Billion Dollars

2019/20 Budget

2020/21 Proposed

2021/22 Proposed

Other
Capacity Charge
Readiness-to-Serve
Property Taxes
Water Revenues*

* Includes water sales, exchanges and wheeling
Property Tax Revenue

- **Property Tax to fund SWC costs**
- **Property Tax for GO and Burns Porter bonds**

### 2019/2020 Budget
- **$118 M**
  - $25 M for Property Tax to fund SWC costs
  - $93 M for Property Tax for GO and Burns Porter bonds

### 2020/2021 Proposed
- **$140 M**
  - $15 M for Property Tax to fund SWC costs
  - $125 M for Property Tax for GO and Burns Porter bonds

### 2021/2022 Proposed
- **$140 M**
  - $11 M for Property Tax to fund SWC costs
  - $129 M for Property Tax for GO and Burns Porter bonds
Expenditure Trend

2019/20 Budget  
- Regional Recycled Water*  $0.4 B
- Demand Management  $0.5 B
- Supply Programs  $0.6 B
- Colorado River Power  $0.3 B
- State Water Contract  $0.4 B
- Capital Financing  $0.4 B
- O&M  $0.4 B

2020/21 Proposed  
- Regional Recycled Water*  $0.4 B
- Demand Management  $0.6 B
- Supply Programs  $0.7 B
- Colorado River Power  $0.3 B
- State Water Contract  $0.4 B
- Capital Financing  $0.5 B
- O&M  $0.4 B

2021/22 Proposed  
- Regional Recycled Water*  $0.4 B
- Demand Management  $0.6 B
- Supply Programs  $0.7 B
- Colorado River Power  $0.3 B
- State Water Contract  $0.4 B
- Capital Financing  $0.5 B
- O&M  $0.4 B

*Includes only planning costs
State Water Contract

- **2019/20 Budget**
  - $603 M
  - CA Waterfix/ Delta Conveyance Project*: $127 M
  - Minimum OMP&R: $292 M
  - Capital Charges: $10

- **2020/21 Proposed**
  - $641 M
  - CA Waterfix/ Delta Conveyance Project*: $136 M
  - Minimum OMP&R: $272 M
  - Capital Charges: $26

- **2021/22 Proposed**
  - $654 M
  - CA Waterfix/ Delta Conveyance Project*: $142 M
  - Minimum OMP&R: $275 M
  - Capital Charges: $27

*Includes only planning costs
Colorado River Aqueduct Power

Million Dollars

2019/20 Budget: $53
2020/21 Proposed: $52
2021/22 Proposed: $58
*For FY2021 and FY2022 conservation expenditures are estimated to be $25M per year and are appropriated at $43M per year.
Capital Investment Plan
Expenditures

Million Dollars

<table>
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<tr>
<th>Year</th>
<th>Budget</th>
<th>Proposed</th>
<th>Proposed</th>
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<tbody>
<tr>
<td>2019/20</td>
<td>120</td>
<td>80</td>
<td>80</td>
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<tr>
<td>2020/21</td>
<td>135</td>
<td>90</td>
<td>90</td>
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<tr>
<td>2021/22</td>
<td>135</td>
<td>90</td>
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Bonds
PAYGO
O&M Expenditure Budget
O&M Expenditure Budget

<table>
<thead>
<tr>
<th>Category</th>
<th>2019/20 Budget</th>
<th>2020/21 Proposed</th>
<th>2021/22 Proposed</th>
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<td>Benefits</td>
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<td>156</td>
<td>168</td>
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<tr>
<td>Salaries</td>
<td>183</td>
<td>198</td>
<td>206</td>
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<tr>
<td>Materials &amp; Supplies</td>
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</tr>
<tr>
<td>Treatment (Chemicals, Solids, Power)</td>
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<tr>
<td>Other O&amp;M</td>
<td></td>
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<tr>
<td>Operating Equipment</td>
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</table>

Million Dollars

- $496 M
- $542 M
- $563 M
## O&M by Expenditure Type

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<tr>
<td>Salaries &amp; Benefits</td>
<td>322.6</td>
<td>354.2</td>
<td>373.8</td>
<td>31.5</td>
<td>9.8%</td>
<td>19.7</td>
<td>5.6%</td>
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<tr>
<td>Chemicals, Solids and Power</td>
<td>27.7</td>
<td>31.6</td>
<td>32.8</td>
<td>3.9</td>
<td>14.2%</td>
<td>1.1</td>
<td>3.6%</td>
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<tr>
<td>Professional Services</td>
<td>22.8</td>
<td>25.3</td>
<td>25.8</td>
<td>2.5</td>
<td>10.8%</td>
<td>0.5</td>
<td>1.9%</td>
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<tr>
<td>Non-Professional Services/Security &amp; R&amp;M</td>
<td>29.8</td>
<td>31.3</td>
<td>30.7</td>
<td>1.4</td>
<td>4.8%</td>
<td>(0.6)</td>
<td>-1.9%</td>
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<tr>
<td>Software Licensing &amp; Support</td>
<td>6.7</td>
<td>9.2</td>
<td>10.0</td>
<td>2.5</td>
<td>36.7%</td>
<td>0.8</td>
<td>8.4%</td>
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<tr>
<td>Other Materials &amp; Supplies</td>
<td>20.8</td>
<td>22.5</td>
<td>23.1</td>
<td>1.7</td>
<td>8.3%</td>
<td>0.6</td>
<td>2.5%</td>
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<td>Communications</td>
<td>4.1</td>
<td>4.3</td>
<td>4.4</td>
<td>0.3</td>
<td>6.4%</td>
<td>0.1</td>
<td>3.0%</td>
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<td>Travel &amp; Training</td>
<td>5.8</td>
<td>6.3</td>
<td>6.3</td>
<td>0.5</td>
<td>9.3%</td>
<td>-</td>
<td>-0.6%</td>
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<td>Utilities</td>
<td>8.4</td>
<td>8.5</td>
<td>8.7</td>
<td>0.1</td>
<td>1.6%</td>
<td>0.2</td>
<td>2.1%</td>
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<td>Insurance/Premiums</td>
<td>12.8</td>
<td>13.2</td>
<td>13.4</td>
<td>0.3</td>
<td>2.6%</td>
<td>0.2</td>
<td>1.8%</td>
</tr>
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<td>Taxes &amp; Permits</td>
<td>7.7</td>
<td>8.5</td>
<td>8.8</td>
<td>0.8</td>
<td>10.9%</td>
<td>0.3</td>
<td>3.3%</td>
</tr>
<tr>
<td>Rents &amp; Leases</td>
<td>2.5</td>
<td>2.8</td>
<td>2.9</td>
<td>0.3</td>
<td>13.3%</td>
<td>-</td>
<td>1.1%</td>
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<tr>
<td>Memberships &amp; Subscriptions</td>
<td>8.2</td>
<td>7.4</td>
<td>7.5</td>
<td>(0.8)</td>
<td>-9.3%</td>
<td>0.1</td>
<td>0.7%</td>
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<tr>
<td>Other</td>
<td>9.5</td>
<td>9.2</td>
<td>7.6</td>
<td>(0.4)</td>
<td>-3.8%</td>
<td>(1.5)</td>
<td>-16.8%</td>
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<tr>
<td>Operating Equipment</td>
<td>7.0</td>
<td>7.9</td>
<td>7.2</td>
<td>0.9</td>
<td>13.3%</td>
<td>(0.7)</td>
<td>-9.2%</td>
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<tr>
<td><strong>Total O&amp;M</strong></td>
<td><strong>$496.4</strong></td>
<td><strong>$542.2</strong></td>
<td><strong>$562.8</strong></td>
<td><strong>$45.8</strong></td>
<td><strong>9.2%</strong></td>
<td><strong>$20.6</strong></td>
<td><strong>3.8%</strong></td>
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</table>
FY 2020/21 O&M Labor Increase

$31.5 M increase from FY 2019/20

- COLA related salary & benefits: $14.1 M (45%)
- Benefits cost increase: $7.0 M (22%)
- Succession Planning Labor Pool: $5.4 M (17%)
- Temporary Labor: $2.2 M (7%)
- Other: $2.9 M (9%)

$31.5 M increase from FY 2019/20
FY 2021/22 O&M Labor Increase

$19.7 M increase from FY 2020/21

- $1.3 M
- 6%

$5.5 M
28%

$15.5 M
79%

- COLA related salary & benefits
- Benefits cost increase
- Other

Finance & Insurance Committee
Item 9-2 Slide 26
February 10, 2020
## Budgeted Positions

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<tr>
<td><strong>Regular</strong></td>
<td>1,886</td>
<td>1,900</td>
<td>1,907</td>
<td>1,907</td>
<td>1,907</td>
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<tr>
<td><strong>District</strong></td>
<td>20</td>
<td>22</td>
<td>23</td>
<td>43</td>
<td>37</td>
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<tr>
<td><strong>Temporary</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Authorized</strong></td>
<td>1,906</td>
<td>1,922</td>
<td>1,930</td>
<td>1,950</td>
<td>1,944</td>
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<td><strong>Positions</strong></td>
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Departmental Budgets

- GM Department
- Legal
- Audit
- Ethics
GM Departmental O&M Budget

FY 2020/21 - $497 M

- Water System Operations: 47%
- Water Resource Mgmt.: 5%
- Bay Delta Initiatives: 3%
- Office of GM: 1%
- External Affairs: 6%
- Office of CFO: 6%
- Real Property: 6%
- Office of CAO: 8%
- Engineering Svcs.: 8%
- IT: 10%
- HR: 2%

1,852 FTEs
(Authorized Positions)
GM Departmental O&M Budget

FY 2021/22 - $516 M

- Water System Operations: 47%
- Office of GM: 10%
- Bay Delta Initiatives: 3%
- Office of CAO: 6%
- Real Property: 6%
- Engineering Svcs.: 8%
- IT: 10%
- Office of CFO: 5%
- HR: 6%
- Water Resource Mgmt.: 7%
- External Affairs: 6%

1,852 FTEs (Authorized Positions)
GM Department O&M Budget

- **2019/20 Budget**:
  - Salaries: $196 M
  - Benefits: $133 M
  - Materials & Supplies: $208 M
  - Non Professional Services/Security: $157 M
  - Professional Services: $516 M
  - Other: $464 M

- **2020/21 Proposed**:
  - Salaries: $208 M
  - Benefits: $145 M
  - Materials & Supplies: $215 M
  - Non Professional Services/Security: $157 M
  - Professional Services: $516 M
  - Other: $497 M

- **2021/22 Proposed**:
  - Salaries: $215 M
  - Benefits: $157 M
  - Materials & Supplies: $215 M
  - Non Professional Services/Security: $157 M
  - Professional Services: $516 M
  - Other: $516 M
Legal Department O&M Budget

<table>
<thead>
<tr>
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<th>2019/20 Budget</th>
<th>2020/21 Proposed</th>
<th>2021/22 Proposed</th>
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<tbody>
<tr>
<td>Salaries</td>
<td>$15.2 M</td>
<td>$16.0 M</td>
<td>$17.8 M</td>
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<tr>
<td>Benefits</td>
<td>$3.5</td>
<td>$3.4</td>
<td>$4.4</td>
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<tr>
<td>Prof. Serv.</td>
<td>$6.7</td>
<td>$7.0</td>
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<td>Other</td>
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<tr>
<td>FTEs</td>
<td>37</td>
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Million Dollars

$0  $3  $6  $9  $12  $15  $18  $21

37 FTEs all years
Audit Department O&M Budget

- **Salaries**
  - 2019/20: $3.9 M
  - 2020/21: $1.9 M
  - 2021/22: $2.4 M
- **Benefits**
  - 2019/20: $0.5 M
  - 2020/21: $2.3 M
  - 2021/22: $1.8 M
- **Professional Services**
  - 2019/20: $0.5 M
  - 2020/21: $0.5 M
  - 2021/22: $0.5 M
- **Other**
  - 2019/20: $0.5 M
  - 2020/21: $0.5 M
  - 2021/22: $0.5 M

Total FTEs: 13 FTEs all years

- **2019/20 Budget**
- **2020/21 Proposed**
- **2021/22 Proposed**
Ethics Department O&M Budget

- **Salaries**: $1.4 M
- **Benefits**: $1.6 M
- **Professional Services**: $0.1 M for all years
- **Other**: $0.1 M for all years

Budget breakdown:

- **2019/20 Budget**
  - Salaries: $0.8 M
  - Benefits: $0.5 M
  - Professional Services: $0.1 M
  - Other: $0.1 M

- **2020/21 Proposed**
  - Salaries: $0.8 M
  - Benefits: $0.6 M
  - Professional Services: $0.1 M
  - Other: $0.1 M

- **2021/22 Proposed**
  - Salaries: $0.9 M
  - Benefits: $0.7 M
  - Professional Services: $0.1 M
  - Other: $0.1 M

5 FTEs all years
Overview of Rates and Charges
The Cost of Service Process

1. Develop Budget
2. Develop Revenue Requirement
3. Functionalize Costs
4. Allocate Costs
5. Distribute Costs to Rate Elements
## 2020/21 Estimated Revenue Requirements ($M)

<table>
<thead>
<tr>
<th>Item</th>
<th>2019/20 Adopted</th>
<th>2020/21 Proposed Budget</th>
<th>Change</th>
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<tr>
<td>Total O&amp;M</td>
<td>$496</td>
<td>$542</td>
<td>$46</td>
</tr>
<tr>
<td>State Water Contract</td>
<td>603</td>
<td>641</td>
<td>38</td>
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<tr>
<td>Colorado River Power</td>
<td>53</td>
<td>52</td>
<td>(1)</td>
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<tr>
<td>Supply Programs</td>
<td>54</td>
<td>69</td>
<td>14</td>
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<tr>
<td>Regional Recycled Water Pgm.</td>
<td>-</td>
<td>15</td>
<td>15</td>
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<tr>
<td>Demand Management</td>
<td>86</td>
<td>49</td>
<td>(37)</td>
</tr>
<tr>
<td>Debt Service</td>
<td>331</td>
<td>299</td>
<td>(32)</td>
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<tr>
<td>PAYGO</td>
<td>120</td>
<td>135</td>
<td>15</td>
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<tr>
<td>Incr. in Required Reserves</td>
<td>41</td>
<td>41</td>
<td>-</td>
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<tr>
<td><strong>Sub-total expenditures</strong></td>
<td><strong>$1,784</strong></td>
<td><strong>$1,842</strong></td>
<td><strong>$58</strong></td>
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<tr>
<td>Revenue Offsets</td>
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<td>198</td>
<td>32</td>
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<tr>
<td><strong>Total Revenue Requirement</strong></td>
<td><strong>$1,618</strong></td>
<td><strong>$1,644</strong></td>
<td><strong>$26</strong></td>
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Totals may not foot due to rounding.
## 2021/22 Estimated Revenue Requirements ($M)

<table>
<thead>
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<th>2020/21 Proposed Budget</th>
<th>2021/22 Proposed Budget</th>
<th>Change</th>
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<tr>
<td>Total O&amp;M</td>
<td>$ 542</td>
<td>$ 563</td>
<td>$ 21</td>
</tr>
<tr>
<td>State Water Contract</td>
<td>641</td>
<td>654</td>
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</tr>
<tr>
<td>Colorado River Power</td>
<td>52</td>
<td>58</td>
<td>5</td>
</tr>
<tr>
<td>Supply Programs</td>
<td>69</td>
<td>61</td>
<td>(7)</td>
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<tr>
<td>Regional Recycled Water Pgm.</td>
<td>15</td>
<td>15</td>
<td>-</td>
</tr>
<tr>
<td>Demand Management</td>
<td>49</td>
<td>52</td>
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<tr>
<td>Debt Service</td>
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<td>307</td>
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<tr>
<td>PAYGO</td>
<td>135</td>
<td>135</td>
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<tr>
<td>Incr. in Required Reserves</td>
<td>41</td>
<td>63</td>
<td>21</td>
</tr>
<tr>
<td><strong>Sub-total expenditures</strong></td>
<td><strong>$1,842</strong></td>
<td><strong>$1,908</strong></td>
<td><strong>$ 66</strong></td>
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<td>Revenue Offsets</td>
<td>198</td>
<td>200</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total Revenue Requirement</strong></td>
<td><strong>$1,644</strong></td>
<td><strong>$1,708</strong></td>
<td><strong>$ 64</strong></td>
</tr>
</tbody>
</table>

Totals may not foot due to rounding.
## Proposed Rate Elements & Charges

### Rates and Charges Effective January 1

<table>
<thead>
<tr>
<th>Rate Element</th>
<th>2020 Approved</th>
<th>2021 Proposed</th>
<th>2022 Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1 Supply Rate ($/AF)</td>
<td>$208</td>
<td>$246</td>
<td>$247</td>
</tr>
<tr>
<td>Tier 2 Supply Rate ($/AF)</td>
<td>$295</td>
<td>$285</td>
<td>$285</td>
</tr>
<tr>
<td>System Access Rate ($/AF)</td>
<td>$346</td>
<td>$374</td>
<td>$397</td>
</tr>
<tr>
<td>Water Stewardship Rate ($/AF)</td>
<td>$65</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>System Power Rate ($/AF)</td>
<td>$136</td>
<td>$160</td>
<td>$170</td>
</tr>
<tr>
<td>Treatment Surcharge ($/AF)</td>
<td>$323</td>
<td>$351</td>
<td>$369</td>
</tr>
<tr>
<td>Readiness-to-Serve Charge ($M)</td>
<td>$136</td>
<td>$136</td>
<td>$144</td>
</tr>
<tr>
<td>Capacity Charge ($M revenues)</td>
<td>$32</td>
<td>$40</td>
<td>$44</td>
</tr>
</tbody>
</table>
Tier 1 Supply Rate

Recovers the costs of maintaining and developing supplies to meet member agency demands

Includes the costs of water facilities and programs on the SWP, the CRA, in-basin programs, and drought storage

Increasing by $38/AF in 2021 due to lower projected sales, higher supply programs costs, and higher SWC Delta capital charges; increase slight in 2022 by $1/AF
Reflects the cost of purchasing water transfers north of the Delta

Decreasing by $10/AF in calendar years 2021 and 2022 reflecting the costs of the Yuba Accord agreement

There are no Tier 2 sales or revenues in the budget
System Access Rate

- Recovers the costs of conveyance, distribution, and portions of regulatory & emergency storage, including capital costs associated with average demands and O&M
  - Includes costs of the applicable facilities on the CRA and SWP, distribution, and portions of storage
- Increasing by $28/AF in 2021 because of lower projected water transactions and higher departmental O&M
- Increasing by $23/AF in 2022 due to increasing departmental O&M
Per the Board’s December 2019 direction

There is no Water Stewardship Rate for 2021 and 2022

The Water Stewardship Fund balance will fund all demand management costs in the biennium
System Power Rate

- Recovers the costs of power to pump water on the CRA and the SWP
  - Includes CRA Power and Dept. O&M, SWC Variable Power and Off-Aqueduct Power Facilities

- Increasing by $24/AF in 2021 due to increasing SWC variable power costs reflecting higher diversions and higher power rates

- Increasing by $10/AF in 2022 due to increasing SWC variable power costs, and increasing CRA supplemental power for new greenhouse gas charge
**Treatment Surcharge**

- Recovers capital and O&M costs of the five water treatment plants
  - **Purchasers of treated water pay the TS**
- Increasing by $28/AF in 2021 due to:
  - Lower projected treated sales
  - Higher departmental O&M and higher chemicals prices, which outweigh decreasing capital financing costs assigned to treatment
- Increasing by $18/AF in 2022 due to higher O&M costs
Readiness-to-Serve Charge

- Recovers the capital costs of providing emergency storage and available capacity on the conveyance and distribution systems
- Remains unchanged in 2021
- The total RTS Charge increased by $8M in 2022 due to increasing capital financing costs and increasing SWC Transportation capital costs
- Each Member Agency pays a share of the total RTS Charge based on a ten-year rolling average of firm sales
Recovers the capital costs of the system necessary to meet peak demands on Metropolitan’s distribution system.

The total charge increasing by $8M in 2021 due to higher capital costs allocated to maximum day system use, reflecting recent member agency peak demands.

The total charge increasing by $4M in 2022 due to increasing capital financing costs associated with distribution.

The capacity charge per CFS is $11,200 for 2021 and $12,500 in 2022.
## Proposed Full Service Rates and Charges

<table>
<thead>
<tr>
<th>Rate Type</th>
<th>2020 Approved</th>
<th>2021 Proposed</th>
<th>% Increase (Decrease)</th>
<th>2022 Proposed</th>
<th>% Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Full Service Untreated Volumetric Cost ($/AF)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 1</td>
<td>$755</td>
<td>$780</td>
<td>3%</td>
<td>$814</td>
<td>4%</td>
</tr>
<tr>
<td>Tier 2</td>
<td>$842</td>
<td>$819</td>
<td>(3%)</td>
<td>$852</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Full Service Treated Volumetric Cost ($/AF)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 1</td>
<td>$1,078</td>
<td>$1,131</td>
<td>5%</td>
<td>$1,183</td>
<td>5%</td>
</tr>
<tr>
<td>Tier 2</td>
<td>$1,165</td>
<td>$1,170</td>
<td>0%</td>
<td>$1,221</td>
<td>4%</td>
</tr>
<tr>
<td><strong>RTS Charge ($M)</strong></td>
<td>$136</td>
<td>$136</td>
<td>0%</td>
<td>$144</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Capacity Charge ($/cfs)</strong></td>
<td>$8,800</td>
<td>$11,200</td>
<td>27%</td>
<td>$12,500</td>
<td>12%</td>
</tr>
</tbody>
</table>

Rates and Charges Effective January 1st

Full Service Cost means the Full Service Rate, consisting of the following rate components: the applicable Supply Rate, the System Access Rate, the Water Stewardship Rate (not applicable for 2021 and 2022), the System Power Rate, and if applicable the Treatment Surcharge for treated water service.
Ten-Year Financial Forecast
Water Transactions

*Includes water sales, exchanges and wheeling
Projected Rate Increases & Financial Metrics

<table>
<thead>
<tr>
<th>Fiscal Year Ending</th>
<th>Overall Rate Inc.</th>
<th>Water Transactions (MAF)**</th>
<th>Rev. Bond Cvg</th>
<th>Fixed Chg Cvg</th>
<th>PAYGO, $M</th>
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</thead>
<tbody>
<tr>
<td>2019</td>
<td>3.0%</td>
<td>1.42</td>
<td>1.4</td>
<td>126</td>
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<tr>
<td>2020</td>
<td>3.0%</td>
<td>1.55</td>
<td>1.5</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>5.0%</td>
<td>1.60</td>
<td>1.5</td>
<td>135</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>5.0%</td>
<td>1.60</td>
<td>1.6</td>
<td>135</td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td>5.0%</td>
<td>1.60</td>
<td>1.6</td>
<td>180</td>
<td></td>
</tr>
<tr>
<td>2024</td>
<td>3.0%</td>
<td>1.64</td>
<td>1.8</td>
<td>210</td>
<td></td>
</tr>
<tr>
<td>2025</td>
<td>3.0%</td>
<td>1.69</td>
<td>2.0</td>
<td>210</td>
<td></td>
</tr>
<tr>
<td>2026</td>
<td>3.0%</td>
<td>1.74</td>
<td>2.2</td>
<td>210</td>
<td></td>
</tr>
<tr>
<td>2027</td>
<td>3.0%</td>
<td>1.74</td>
<td>2.1</td>
<td>210</td>
<td></td>
</tr>
<tr>
<td>2028</td>
<td>3.0%</td>
<td>1.74</td>
<td>2.1</td>
<td>210</td>
<td></td>
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<tr>
<td>2029</td>
<td>3.0%</td>
<td>1.75</td>
<td>2.2</td>
<td>210</td>
<td></td>
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<tr>
<td>2030</td>
<td>3.0%</td>
<td>1.75</td>
<td>2.3</td>
<td>210</td>
<td></td>
</tr>
</tbody>
</table>

* Revenue Remainder and Water Rate Stabilization Fund
** Includes water sales, exchanges and wheeling
# Projected Water Rates and Charges

<table>
<thead>
<tr>
<th>Rates &amp; Charges</th>
<th>Effective January 1st</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
<th>2028</th>
<th>2029</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1 Supply Rate ($/AF)</td>
<td>$208</td>
<td>$246</td>
<td>$247</td>
<td>$247</td>
<td>$247</td>
<td>$247</td>
<td>$247</td>
<td>$247</td>
<td>$250</td>
<td>$260</td>
<td>$269</td>
<td>$278</td>
</tr>
<tr>
<td>System Access Rate ($/AF)</td>
<td>$346</td>
<td>$374</td>
<td>$397</td>
<td>$397</td>
<td>$403</td>
<td>$421</td>
<td>$441</td>
<td>$459</td>
<td>$478</td>
<td>$499</td>
<td>$518</td>
<td>$518</td>
</tr>
<tr>
<td>Water Stewardship Rate ($/AF)*</td>
<td>$65</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$54</td>
<td>$63</td>
<td>$69</td>
<td>$73</td>
<td>$79</td>
<td>$82</td>
<td>$84</td>
<td>$89</td>
</tr>
<tr>
<td>System Power Rate ($/AF)</td>
<td>$136</td>
<td>$160</td>
<td>$170</td>
<td>$170</td>
<td>$175</td>
<td>$179</td>
<td>$185</td>
<td>$192</td>
<td>$193</td>
<td>$200</td>
<td>$211</td>
<td>$211</td>
</tr>
</tbody>
</table>

### Full Service Untreated Volumetric Cost ($/AF)

| Tier 1   | $755 | $780 | $814 | $868 | $888 | $916 | $946 | $980 | $1,013 | $1,052 | $1,096 |
| Tier 2   | $842 | $819 | $852 | $906 | $926 | $954 | $984 | $1,015 | $1,038 | $1,068 | $1,103 |
| Treatment Surcharge ($/AF) | $323 | $351 | $369 | $369 | $382 | $390 | $390 | $390 | $390 | $390 | $390 |

### Full Service Treated Volumetric Cost ($/AF)

| Tier 1   | $1,078 | $1,131 | $1,183 | $1,237 | $1,270 | $1,306 | $1,336 | $1,370 | $1,403 | $1,442 | $1,486 |
| Tier 2   | $1,165 | $1,170 | $1,221 | $1,275 | $1,308 | $1,344 | $1,374 | $1,405 | $1,428 | $1,458 | $1,493 |
| RTS Charge ($M) | $136 | $136 | $144 | $144 | $148 | $153 | $163 | $166 | $177 | $179 | $179 |
| Capacity Charge ($/cfs) | $8,800 | $11,200 | $12,500 | $12,500 | $15,000 | $15,100 | $15,300 | $16,000 | $16,000 | $16,000 | $16,000 |
| Overall Rate Increase | **3.0%** | **5.0%** | **5.0%** | **5.0%** | **3.0%** | **3.0%** | **3.0%** | **3.0%** | **3.0%** | **3.0%** | **3.0%** |

Full Service Cost means the Full Service Rate, consisting of the following rate components: the applicable Supply Rate, the System Access Rate, the System Power Rate, the Water Stewardship Rate, and if applicable the Treatment Surcharge for treated water service.

* The volumetric rates shown for CYs 2023-2030 represent only a placeholder until the Board approves a method to recover demand management costs.
* The volumetric rates shown for CYs 2023-2030 represent only a placeholder until the Board approves a method to recover demand management costs.
Expenditure Trend

*Includes only planning costs
State Water Contract Forecast

* Includes only planning costs

Finance & Insurance Committee
February 10, 2020
*For FY2021 and FY2022 conservation expenditures are estimated to be $25M per year and are appropriated at $43M per year.
Capital Investment Plan Expenditures

<table>
<thead>
<tr>
<th>Fiscal Year Ending</th>
<th>Million Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>$135</td>
</tr>
<tr>
<td>2022</td>
<td>$135</td>
</tr>
<tr>
<td>2023</td>
<td>$180 $90</td>
</tr>
<tr>
<td>2024</td>
<td>$210</td>
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<tr>
<td>2025</td>
<td>$210</td>
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<tr>
<td>2026</td>
<td>$210</td>
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<tr>
<td>2027</td>
<td>$210</td>
</tr>
<tr>
<td>2028</td>
<td>$210</td>
</tr>
<tr>
<td>2029</td>
<td>$210</td>
</tr>
<tr>
<td>2030</td>
<td>$210</td>
</tr>
</tbody>
</table>

- **Bonds**
- **PAYGO**
Outstanding Debt

Billion Dollars

Fiscal Year Ending

2021 2022 2023 2024 2025 2026 2027 2028 2029 2030

$0 $1 $2 $3 $4 $5

- General Obligation Bonds
- Synthetic Fixed Rate Revenue Bonds
- Unhedged Variable Rate Revenue Bonds
- Fixed Rate Revenue Bonds
Next Steps

February 25, 2020  F&I Committee, Workshop #2: CIP, follow up

March 9, 2020    F&I Committee, Workshop #3: follow up

March 10, 2020   Public Hearings on proposed water rates and charges and applicability of the tax rate limit pursuant to Section 124.5 of the MWD Act

March 24, 2020   F&I Committee, Workshop #4: if needed

April 13, 2020   F&I Committee: Recommend Biennial Budget and Calendar Year rates and charges; Workshop #5, if needed

April 14, 2020   Board Actions regarding Biennial Budget, Calendar Year rates and charges