

APPENDIX A

The Metropolitan Water District of Southern California



INTRODUCTION

This Appendix A provides general information regarding The Metropolitan Water District of Southern California (“Metropolitan”), including information regarding Metropolitan’s operations and finances. Certain statements included or incorporated by reference in this Appendix A constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “project,” “expect,” “estimate,” “budget” or other similar words. Such statements are based on facts and assumptions set forth in Metropolitan’s current planning documents including, without limitation, its most recent biennial budget. The achievement of results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual results may differ from Metropolitan’s forecasts. Metropolitan is not obligated to issue any updates or revisions to the forward-looking statements in any event.

Metropolitan maintains a website that may include information on programs or projects described in this Appendix A; however, none of the information on Metropolitan’s website is incorporated by reference or intended to assist investors in making an investment decision or to provide any additional information with respect to the information included in this Appendix A. The information presented on Metropolitan’s website is not part of the Official Statement and should not be relied upon in making investment decisions.

Formation and Purpose

Metropolitan is a metropolitan water district created in 1928 under authority of the Metropolitan Water District Act (California Statutes 1927, Chapter 429, as reenacted in 1969 as Chapter 209, as amended (herein referred to as the “Act”). The Act authorizes Metropolitan to: levy property taxes within its service area; establish water rates; impose charges for water standby and service availability; incur general obligation bonded indebtedness and issue revenue bonds, notes and short-term revenue certificates; execute contracts; and exercise the power of eminent domain for the purpose of acquiring property. In addition, Metropolitan’s Board of Directors (the “Board”) is authorized to establish terms and conditions under which additional areas may be annexed to Metropolitan’s service area.

Metropolitan’s primary purpose is to provide a supplemental supply of water for domestic and municipal uses at wholesale rates to its member public agencies. If additional water is available, such water may be sold for other beneficial uses. Metropolitan serves its member agencies as a water wholesaler and has no retail customers.

The mission of Metropolitan, as promulgated by the Board, 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.

Metropolitan’s charges for water transactions and availability are fixed by its Board and are not subject to regulation or approval by the California Public Utilities Commission or any other state or federal agency. Metropolitan imports water from two principal sources: northern California via the Edmund G. Brown California Aqueduct (the “California Aqueduct”) of the State Water Project owned by the State of California (the “State” or “California”) and the Colorado River via the Colorado River Aqueduct (“CRA”) owned by Metropolitan.

Member Agencies

Metropolitan is comprised of 26-member public agencies, including 14 cities, 11 municipal water districts, and one county water authority, which collectively serve the residents and businesses of more than 300 cities and numerous unincorporated communities. Member agencies request water from Metropolitan at various delivery points within Metropolitan’s system and pay for such water at uniform rates established by

Current Water Conditions

As of December 30, 2019, the northern Sierra precipitation was 70 percent of the 50-year average for the time of year, and northern Sierra snowpack measured at 29 percent of the April 1st peak average. On January 24, 2020, the California Department of Water Resources (“DWR”) notified State Water Contractors (defined below) that its calendar year 2020 allocation estimate of State Water Project water was increased to 15 percent of contracted amounts, or 286,725 acre-feet for Metropolitan. (An acre-foot is the amount of water that will cover one acre to a depth of one foot and equals approximately 325,851 gallons, which represents the needs of three average families in and around the home for one year within Metropolitan’s service area.) Changes to the 2020 allocation may occur and are dependent on the developing hydrologic conditions. See “–State Water Project.”

As of December 30, 2019, the Upper Colorado River Basin snowpack accumulation measured 119 percent of the 30-year average as of this date and the total system storage in the Colorado River Basin was 52 percent of capacity, an increase of seven percent or 4 million acre-feet at the same time the prior year. Because of the storage increase, no shortage will be declared in Colorado River water supply availability conditions for calendar year 2020, resulting in projected available supply of Colorado River water in calendar year 2020 of 983,000 acre-feet for Metropolitan. See “–Colorado River Aqueduct.”

See also “–Storage Capacity and Water in Storage.”

Integrated Water Resources Plan

Overview. The Integrated Water Resources Plan (hereafter, “IRP”) is Metropolitan’s principal water resources planning document. Metropolitan, its member agencies, subagencies and groundwater basin managers developed their first IRP as a long-term planning guideline for resources and capital investments. The purpose of the IRP was the development of a portfolio of preferred resources to meet the water supply reliability and water quality needs for the region in a cost-effective and environmentally sound manner. The first IRP was adopted by the Board in January 1996 and has been subsequently updated in 2004, 2010 and 2015. Metropolitan is preparing to undertake its next IRP update in 2020.

The most recent IRP update (the “2015 IRP Update”) was adopted by Metropolitan’s Board on January 12, 2016, as a strategy to set goals and a framework for water resources development. This strategy enables Metropolitan and its member agencies to manage future challenges and changes in California’s water conditions and to balance investments with water reliability benefits. The 2015 IRP Update provides an adaptive management approach to address future uncertainty, including uncertainty from climate change. It was formulated with input from member agencies, retail water agencies, and other stakeholders including water and wastewater managers, environmental and business interests and the community.

The 2015 IRP Update seeks to provide regional reliability through 2040 by stabilizing Metropolitan’s traditional imported water supplies and continuing to develop additional conservation programs and local resources, with an increased emphasis on regional collaboration. It also advances long-term planning for potential future contingency resources, such as storm water capture and seawater desalination.

Specific projects developed by Metropolitan in connection with the implementation of the 2015 IRP Update are subject to Board consideration and approval, as well as environmental and regulatory documentation and compliance. The 2015 IRP Update and associated materials are available on Metropolitan’s website at: <http://www.mwdh2o.com/AboutYourWater/Planning/Planning-Documents/Pages/default.aspx>. The information set forth on Metropolitan’s website is not incorporated by reference.

An Adaptive Management Strategy. Adaptive water management, as opposed to a rigid set of planned actions over the coming decades, is the most nimble and cost-effective manner for Metropolitan and local water districts throughout Southern California to effectively prepare for the future. An adaptive management approach began to evolve with Metropolitan’s first IRP in 1996, after drought-related shortages in 1991

prompted a rethinking of Southern California’s long-term water strategy. Reliance on imported supplies to meet future water needs has decreased steadily over time, replaced by plans for local actions to meet new demands. The 2015 IRP Update continues to build a robust portfolio approach to water management.

The following paragraphs describe the goals, approaches and targets for each of the resource areas that are needed to ensure reliability under planned conditions.

State Water Project. The State Water Project is one of Metropolitan’s two major sources of water. The goal for State Water Project supplies is to adaptively manage flow and export regulations in the near term and to achieve a long-term Bay-Delta solution that addresses ecosystem and water supply reliability challenges. In furtherance of this goal, Metropolitan continues to participate and seek successful outcomes for a potential Bay-Delta conveyance project and the California EcoRestore efforts. See “–State Water Project” and “REGIONAL WATER RESOURCES–Local Water Supplies” in this Appendix A. The stated goal of the IRP is to manage State Water Project supplies in compliance with regulatory restrictions in the near-term for an average of 980,000 acre-feet of annual supplies, and to pursue an outcome for a potential Bay-Delta conveyance project and California EcoRestore efforts aimed towards achieving long-term average supplies of approximately 1.2 million acre-feet annually from this resource. See “–State Water Project –Bay-Delta Proceedings Affecting State Water Project.”

Colorado River Aqueduct. The CRA delivers water from the Colorado River, Metropolitan’s original source of supply. Metropolitan has helped to fund and implement agricultural conservation programs, improvements to river operation facilities, land management programs and water transfers and exchanges through agreements with agricultural water districts in Southern California, entities in Arizona and Nevada that use Colorado River water, and the Bureau of Reclamation. See “–Colorado River Aqueduct” and “–Water Transfer, Storage and Exchange Programs – Colorado River Aqueduct Agreements and Programs.” The stated goal of the IRP for the CRA supplies is to maintain current levels of water supplies from existing programs, while also developing flexibility through dry-year programs and storage to ensure that a minimum of 900,000 acre-feet of CRA deliveries are available when needed, with a target of 1.2 million acre-feet in dry years.

Water Transfers and Exchanges. Under voluntary water transfer or exchange agreements, agricultural communities using irrigation water may periodically sell or conserve some of their water allotments for use in urban areas. The water may be delivered through existing State Water Project or CRA facilities or may be exchanged for water that is delivered through such facilities. Metropolitan’s policy toward potential transfers states that the transfers will be designed to protect and, where feasible, enhance environmental resources and avoid the mining of local groundwater supplies. See “–Water Transfer, Storage and Exchange Programs.” The stated goal of the IRP is to pursue transfers and exchanges to hedge against shorter-term water demand and supply imbalances while long-term water supply solutions are developed and implemented.

Water Conservation. Conservation and other water use efficiencies are integral components of Metropolitan’s IRP. Metropolitan has invested in conservation programs since the 1980s. Historically, most of the investments have been in water efficient fixtures in the residential sector. With outdoor water use comprising at least 50 percent of residential water demand, Metropolitan has increased its conservation efforts to target outdoor water use reduction in its service area. See “CONSERVATION AND WATER SHORTAGE MEASURES” in this Appendix A. The stated goal of the IRP is to pursue further water conservation savings of 485,000 acre-feet annually by 2040 through continued increased emphasis on outdoor water-use efficiency using incentives, outreach/education and other programs. The conservation program is regularly reviewed and revised in order to meet the IRP goal. During the 2018 review, a disadvantaged communities initiative was identified as a way to increase conservation and a pilot program has been implemented.

Local Water Supplies. Local supplies are a significant and growing component of the region’s diverse water portfolio. While the extent to which each member agency’s water supply is provided by imported water purchased from Metropolitan varies, in the aggregate, local supplies can provide over half of the region’s water in a given year, and the maintenance of these supplies remain an integral part of the IRP. Similar to water

conservation, local supplies serve the important function of reducing demands for imported water supplies and thereby making regional water system capacity and storage available and accessible to meet the needs of the region. Local water supply projects may include, among other things, recycled water, groundwater recovery, conjunctive use, stormwater, and seawater desalination. Metropolitan offers financial incentives to member agencies to help fund the development of a number of these types of local supply projects. The stated goal of the IRP is to seek to develop 227,000 acre-feet of additional local supplies produced by existing and future projects, with the region reaching a target of 2.4 million acre-feet of total dependable local supplies by 2040. Additionally, in 2018, an interim Local Resources Program target was adopted to spur development of additional local supplies to meet the IRP goal. See “REGIONAL WATER RESOURCES–Local Water Supplies” in this Appendix A.

State Water Project

Background

One of Metropolitan’s two major sources of water is the State Water Project, which is owned by the State, and managed and operated by DWR. The State Water Project is the largest state-built, multipurpose, user-financed water project in the country. It was designed and built primarily to deliver water, but also provides flood control, generates power for pumping, is used for recreation, and enhances habitat for fish and wildlife. The State Water Project provides irrigation water to 750,000 acres of farmland, mostly in the San Joaquin Valley, and provides municipal and industrial water to approximately 27 million of California’s estimated 39.9 million residents, including the population within the service area of Metropolitan.

The State Water Project’s watershed encompasses the mountains and waterways around the Feather River, the principal tributary of the Sacramento River, in the Sacramento Valley of Northern California. Through the State Water Project, Feather River water stored in and released from Oroville Dam (located about 70 miles north of Sacramento, east of the city of Oroville, California) and unregulated flows diverted directly from the Bay-Delta are transported south through the Central Valley of California, over the Tehachapi Mountains and into Southern California, via the California Aqueduct, to four delivery points near the northern and eastern boundaries of Metropolitan’s service area. The total length of the California Aqueduct is approximately 444 miles. See “METROPOLITAN’S WATER DELIVERY SYSTEM–Primary Facilities and Method of Delivery –State Water Project” in this Appendix A.

State Water Contract

Terms of the Contract. In 1960, Metropolitan signed a water supply contract (as amended, the “State Water Contract”) with DWR to receive water from the State Water Project. Metropolitan is one of 29 agencies and districts that have long-term contracts for water service from DWR (known collectively as the “State Water Contractors” and sometimes referred to herein as “Contractors”). Metropolitan is the largest of the State Water Contractors in terms of the number of people it serves (approximately 19 million), the share of State Water Project water that it has contracted to receive (approximately 46 percent), and the percentage of total annual payments made to DWR by agencies with State water supply contracts (approximately 49 percent for fiscal year 2018-19). Metropolitan received its first delivery of State Water Project water in 1972.

Pursuant to the terms of the State water supply contracts, all water-supply related expenditures for capital and operations, maintenance, power, and replacement costs associated with the State Water Project facilities are paid for by the State Water Contractors as components of their annual payment obligations to DWR. In exchange, Contractors have the right to participate in the system, with an entitlement to water service from the State Water Project and the right to use the portion of the State Water Project conveyance system necessary to deliver water to them. Each year DWR estimates the total State Water Project water available for delivery to the State Water Contractors and allocates the available project water among the State Water Contractors in accordance with the State water supply contracts. Late each year, DWR announces an initial allocation estimate for the upcoming year, but periodically provides subsequent estimates throughout the year if warranted by developing precipitation and water supply conditions. Based upon the updated rainfall and

For Metropolitan’s fiscal year ended June 30, 2019 financial statements, the Net OPEB Liability reported was \$228.3 million (a decrease of \$12.2 million over the prior year), representing a Total OPEB Liability as of such date of \$468.2 million (an increase of \$20.1 million over the prior year) less the Plan Fiduciary Net Position as of such date of \$239.9 million (an increase of \$32.3 million over the prior year). For fiscal year 2018-19, the Net OPEB Liability as a percentage of covered-employee payroll was 11.58 percent and the Plan Net Position as a percentage of the Total OPEB Liability was 51.23 percent. The Net OPEB Liability for the year ended June 30, 2019 was measured as of June 30, 2018, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an annual actuarial valuation as of June 30, 2017.

For Metropolitan’s fiscal year ended June 30, 2018 financial statements, the Net OPEB Liability reported for the Miscellaneous Plan was \$240.6 million (a decrease of \$15.4 million over the prior year), representing a Total OPEB Liability as of such date of \$448.1 million (an increase of \$19.4 million over the prior year) less the Plan Fiduciary Net Position as of such date of \$207.5 million (an increase of \$34.8 million over the prior year). For fiscal year 2018, the Net OPEB Liability as a percentage of covered-employee payroll was 120.78 percent and the Plan Net Position as a percentage of the Total OPEB Liability was 46.31 percent. The Net OPEB Liability for Metropolitan’s Miscellaneous Plan for the year ended June 30, 2018 was measured as of June 30, 2017, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an annual actuarial valuation as of June 30, 2017.

HISTORICAL AND PROJECTED REVENUES AND EXPENSES

The “Historical and Projected Revenues and Expenses” table below provides a summary of revenues and expenses of Metropolitan prepared on a modified accrual basis. This is consistent with the preliminary biennial budget for fiscal years 2020-21 and 2021-22, which includes a ten-year financial forecast. The table does not reflect the accrual basis of accounting, which is used to prepare Metropolitan’s annual audited financial statements. The modified accrual basis of accounting varies from the accrual basis of accounting in the following respects: depreciation and amortization are not recorded and payments for debt service and pay-as-you-go construction are recorded when paid. Under the modified accrual basis of accounting, revenues are recognized in the fiscal year in which they are earned, and expenses are recognized when incurred. Thus water revenues are recognized in the month the water transaction occurs and expenses are recognized when goods have been received and services have been rendered. The change to modified accrual accounting is for budgeting purposes and Metropolitan will continue to calculate compliance with its rate covenant, limitations on additional bonds and other financial covenants in the Revenue Bond Resolutions in accordance with their terms.

The projections are based on assumptions concerning future events and circumstances that may impact revenues and expenses and represent management’s best estimates of results at this time. See the footnotes to the table below entitled “HISTORICAL AND PROJECTED REVENUES AND EXPENSES” and “MANAGEMENT’S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES” for relevant assumptions, including projected water transactions and the average annual increase in the effective water rate, and “MANAGEMENT’S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES” for a discussion of potential impacts. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the projection period will vary from the projections and the variations may be material.

As noted below, the financial projection for fiscal year 2019-20 reflects revised projections based on results through October 2019, and the financial projections for fiscal years 2020-21 through 2023-24 reflect the preliminary biennial budget for fiscal years 2020-21 and 2021-22 and ten-year financial forecast provided therein. The financial projections include Metropolitan’s share of the forecasted costs associated with the planning of a single tunnel Bay-Delta conveyance project. See “METROPOLITAN’S WATER SUPPLY–State Water Project –Bay-Delta Proceedings Affecting State Water Project – Bay-Delta Planning Activities; Delta Conveyance” in this Appendix A.

Metropolitan’s resource planning projections are developed using a comprehensive analytical process that incorporates demographic growth projections from recognized regional planning entities, historical and projected data acquired through coordination with local agencies, and the use of generally accepted empirical and analytical methodologies. See “METROPOLITAN’S WATER SUPPLY–Integrated Water Resources Plan” in this Appendix A. Metropolitan has conservatively set the water transactions projections in the following table. Due to the variability of supplemental wholesale water transactions and unpredictability of future hydrologic conditions, projections of the volume of annual water transactions are based on long-term average forecasts consistent with Metropolitan’s latest Board adopted Integrated Resources Plan, the 2015 IRP Update.

Nevertheless, Metropolitan’s assumptions have been questioned by directors representing SDCWA on Metropolitan’s Board. Metropolitan has reviewed SDCWA’s concerns and, while recognizing that assumptions may vary, believes that the estimates and assumptions that support Metropolitan’s projections are reasonable based upon history, experience and other factors as described herein.

Metropolitan’s projections of the level of water transactions are the result of a comprehensive retail demand, conservation, and local supply estimation process, including supply projections from member agencies and other water providers within Metropolitan’s service area. Retail demands for water are estimated with a model driven by projections of relevant demographics provided by SCAG and SANDAG. Retail demands are adjusted downward for conservation savings and local supplies, with the remainder being the estimated demand for Metropolitan supplies. Conservation savings estimates include all conservation programs in place to date as well as estimates of future conservation program goals outlined in the 2015 IRP Update. See “CONSERVATION AND WATER SHORTAGE MEASURES” in this Appendix A. Local supplies include water produced by local agencies from various sources including but not limited to groundwater, surface water, locally-owned imported supplies, recycled water, and seawater desalination (see “REGIONAL WATER RESOURCES” in this Appendix A). For example, water transactions projections for fiscal year 2019-20 assumed that local projects such as groundwater recovery and desalination projects (see “REGIONAL WATER RESOURCES–Local Water Supplies” in this Appendix A) would become operational and produce local supplies in 2019. For additional description of Metropolitan’s water transactions projections, see “MANAGEMENT’S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES” in this Appendix A.

The water transactions projections used to determine water rates and charges assume an average year hydrology. Actual water transactions are likely to vary from projections. As shown in the chart entitled “Historical Water Transactions” below, transactions can vary significantly from average and demonstrates the degree to which Metropolitan’s commitments to meet supplemental demands can impact transactions. In years when actual transactions exceed projections, the revenues from water transactions during the fiscal year will exceed budget, potentially resulting in an increase in financial reserves. In years when actual transactions are less than projections, Metropolitan uses various tools to manage reductions in revenues, such as reducing expenses below budgeted levels, reducing funding of capital from revenues, and drawing on reserves. See “METROPOLITAN REVENUES–Financial Reserve Policy” in this Appendix A. Metropolitan considers actual transactions, revenues and expenses, and financial reserve balances in setting rates for future fiscal years.

Projections in the following table reflect revised projections for fiscal year 2019-20 based on results through October 2019. Financial projections for fiscal years 2020-21 through 2023-24 reflect the preliminary biennial budget for fiscal year 2020-21 and 2021-22 and ten-year financial forecast provided therein. This includes the issuance of \$390 million of bonds for fiscal years 2020-21 through 2023-24 to finance the CIP. See “MANAGEMENT’S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES” and “CAPITAL INVESTMENT PLAN–Capital Investment Plan Financing” in this Appendix A. The proposed biennial budget for fiscal years 2020-21 and 2021-22 and ten-year financial forecast is scheduled to be presented to the Board in February 2020, and is expected to be considered for adoption by the Board in April 2020. No assurance can be given that the preliminary biennial budget for fiscal years 2021-21 and 2021-22 and ten-year financial forecast will be adopted in its current form.

Water transactions were 1.42 million acre-feet in fiscal year 2018-19. Water transactions are projected to be 1.55 million acre-feet for fiscal year 2019-20, 1.60 million acre-feet for fiscal years 2020-21 through 2022-23, and 1.64 million acre-feet for fiscal year 2023-24. Rates and charges increased by 3.0 percent on January 1, 2019 and January 1, 2020. Rates and charges are projected to increase an average of 5.0 percent for calendar years 2021 through 2023, and 3.0 percent annually thereafter. Actual rates and charges to be effective in 2021 and thereafter are subject to adoption by Metropolitan's Board.

The projections were prepared by Metropolitan and have not been reviewed by independent certified public accountants or any entity other than Metropolitan. Dollar amounts are rounded.

HISTORICAL AND PROJECTED REVENUES AND EXPENSES^(a)
Fiscal Years Ended June 30
(Dollars in Millions)

	Actual				Projected				
	2016	2017	2018	2019	2020	2021	2022	2023	2024
Water Revenues ^(b)	\$1,166	\$1,151	\$1,285	\$1,149	\$1,314	\$1,424	\$1,491	\$1,569	\$1,678
Additional Revenue Sources ^(c)	200	184	172	170	166	172	182	188	195
Total Operating Revenues	<u>1,366</u>	<u>1,335</u>	<u>1,457</u>	<u>1,319</u>	<u>1,480</u>	<u>1,596</u>	<u>1,673</u>	<u>1,757</u>	<u>1,873</u>
O&M, CRA Power and Water Transfer Costs ^(d)	(799)	(559)	(568)	(569)	(653)	(724)	(748)	(794)	(845)
Total SWC OMP&R and Power Costs ^(e)	<u>(402)</u>	<u>(368)</u>	<u>(395)</u>	<u>(347)</u>	<u>(482)</u>	<u>(504)</u>	<u>(513)</u>	<u>(546)</u>	<u>(507)</u>
Total Operation and Maintenance	<u>(1,201)</u>	<u>(927)</u>	<u>(963)</u>	<u>(916)</u>	<u>(1,135)</u>	<u>(1,228)</u>	<u>(1,261)</u>	<u>(1,340)</u>	<u>(1,352)</u>
Net Operating Revenues	\$ 165	\$ 408	\$ 494	\$ 403	\$ 345	\$ 368	\$ 412	\$ 417	\$ 521
Miscellaneous Revenue ^(f)	24	18	27	22	17	25	26	27	27
Transfer from Reserve Funds ^(g)	222	33	1	--	--	--	--	--	--
Sales of Hydroelectric Power ^(h)	7	21	24	18	23	21	22	23	14
Interest on Investments ⁽ⁱ⁾	17	4	8	34	18	18	18	18	18
Adjusted Net Operating Revenues ^(j)	<u>435</u>	<u>484</u>	<u>554</u>	<u>477</u>	<u>403</u>	<u>432</u>	<u>478</u>	<u>485</u>	<u>580</u>
Senior and Subordinate Obligations ^(k)	<u>(310)</u>	<u>(308)</u>	<u>(340)</u>	<u>(333)</u>	<u>(278)</u>	<u>(291)</u>	<u>(298)</u>	<u>(306)</u>	<u>(323)</u>
Funds Available from Operations	\$ 125	\$ 176	\$ 214	\$ 144	\$ 125	\$ 141	\$ 180	\$ 179	\$ 257
Debt Service Coverage on all Senior and Subordinate Bonds ^(l)	1.40	1.57	1.63	1.43	1.45	1.48	1.60	1.58	1.80
Funds Available from Operations	\$ 125	\$ 176	\$ 214	\$ 144	\$ 125	\$ 141	\$ 180	\$ 179	\$ 257
Other Revenues (Expenses)	(6)	(4)	(5)	(6)	(7)	(8)	(7)	(7)	(8)
Pay-As-You Go Construction ^(m)	(273)	(132)	(98)	(128)	(30)	(135)	(135)	(180)	(210)
Pay-As-You Go Funded from Replacement & Refurbishment Fund Reserves ^(m)	160	1	1	--	--	--	--	--	--
Total SWC Capital Costs Paid from Current Year Operations ⁽ⁿ⁾	<u>(24)</u>	<u>(45)</u>	<u>(21)</u>	<u>(4)</u>	<u>(17)</u>	<u>(4)</u>	<u>(10)</u>	<u>12</u>	<u>(8)</u>
Remaining Funds Available from Operations	<u>(18)</u>	<u>(4)</u>	<u>91</u>	<u>6</u>	<u>71</u>	<u>(6)</u>	<u>28</u>	<u>4</u>	<u>31</u>
Fixed Charge Coverage ^(o)	1.30	1.37	1.53	1.42	1.37	1.46	1.55	1.65	1.75
Property Taxes	108	116	131	145	130	140	140	140	140
General Obligation Bonds Debt Service	(22)	(22)	(20)	(14)	(13)	(7)	(8)	(2)	(2)
SWC Capital Costs Paid from Taxes	<u>(86)</u>	<u>(94)</u>	<u>(111)</u>	<u>(131)</u>	<u>(117)</u>	<u>(133)</u>	<u>(132)</u>	<u>(138)</u>	<u>(138)</u>
Net Funds Available from Current Year ^(m)	\$ (18)	\$ (4)	\$ 91	\$ 6	\$ 71	\$ (6)	\$ 28	\$ 4	\$ 31

Source: Metropolitan.

(Footnotes on next page)

(Footnotes to table on prior page)

- (a) Unaudited. Prepared on a modified accrual basis. Projected revenues and expenses in fiscal year 2019-20 are based on results through October 2019 and revised from the projections provided in the adopted biennial budget for fiscal years 2018-19 and 2019-20. Projections for fiscal year 2020-21 through fiscal year 2023-24 are based on assumptions and estimates used in the preliminary biennial budget for fiscal years 2020-21 and 2021-22 and ten-year financial forecast provided therein, and reflect the projected issuance of additional bonds. See “MANAGEMENT’S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES” in this Appendix A.
- (b) Water Revenues include revenues from water sales, exchanges, and wheeling. During the fiscal years ended June 30, 2016 through June 30, 2019, annual water transactions (in acre-feet) were 1.62 million, 1.54 million, 1.61 million, and 1.42 million, respectively. See the table entitled “Summary of Water Transactions and Revenues” under “METROPOLITAN REVENUES–Water Revenues” in this Appendix A. The water transactions projections (in acre-feet) are 1.55 million acre-feet for fiscal year 2019-20, 1.60 million acre-feet for fiscal years 2020-21 through 2022-23, and 1.64 million acre-feet for fiscal year 2023-24. Projections reflect adopted rate and charge increases of 3.0 percent, effective on January 1, 2019 and January 1, 2020. Rates and charges are projected to increase an average of 5.0 percent per calendar year for 2021 through 2023, and 3.0 percent per calendar year thereafter, subject to adoption by Metropolitan’s Board. See “MANAGEMENT’S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES” in this Appendix A.
- (c) Includes revenues from water standby, readiness-to-serve, and capacity charges. The term Operating Revenues excludes *ad valorem* taxes. See “METROPOLITAN REVENUES–Other Charges” in this Appendix A.
- (d) Water Transfer Costs and Regional Recycled Water Program planning costs are included in operation and maintenance expenses for purposes of calculating the debt service coverage on all Obligations.
- (e) Includes on- and off-aqueduct power and operation, maintenance, power and replacement costs payable under the State Water Contract and Bay-Delta conveyance planning costs. See “METROPOLITAN EXPENSES–State Water Contract Obligations” in this Appendix A.
- (f) May include lease and rental net proceeds, net proceeds from sale of surplus property, reimbursements, and federal interest subsidy payments for Build America Bonds.
- (g) Reflects transfers from the Water Management Fund, the Water Stewardship Fund, and the Water Rate Stabilization Fund, of \$222 million in fiscal year 2015-16, \$33 million in fiscal year 2016-17, and \$1 million in fiscal year 2017-18 to fund a like amount of costs for conservation and supply programs. See “MANAGEMENT’S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES” in this Appendix A.
- (h) Includes CRA power sales.
- (i) Does not include interest applicable to Bond Construction Funds, the Excess Earnings Funds, other trust funds and the Deferred Compensation Trust Fund.
- (j) Adjusted Net Operating Revenues is the sum of all available revenues that the revenue bond resolutions specify may be considered by Metropolitan in setting rates and issuing additional Senior Revenue Bonds and Senior Parity Obligations and Subordinate Revenue Bonds and Subordinate Parity Obligations.
- (k) Includes debt service on outstanding Senior Revenue Bonds, Senior Parity Obligations, Subordinate Revenue Bonds, Subordinate Parity Obligations, and additional Revenue Bonds (projected). Includes refinancing of \$100 million Senior Lien Note and assumes issuance of \$170 million in additional revenue bonds for fiscal year 2019-20, and assumes issuances of approximately \$100 million annually as projected for fiscal years 2020-21 through 2023-24 as provided in budget assumptions for the preliminary biennial budget for fiscal years 2020-21 and 2021-22 and ten-year financial forecast provided therein. Fiscal year 2015-16 debt service increased \$7.0 million for debt service paid on June 30, 2016, rather than July 1, 2017 and fiscal year 2016-17 debt service was therefore reduced by \$7.0 million. Fiscal year 2017-18 debt service increased by \$15.3 million for debt service prepaid through bond refunding transactions in June 2018, rather than on July 1, 2018 and fiscal year 2018-19 debt service is therefore reduced by \$15.3 million. Fiscal year 2018-19 debt service increased by \$28.5 million for debt service prepaid in June 2019, rather than on July 1, 2019 and fiscal year 2019-20 debt service is therefore reduced by \$28.5 million. See “CAPITAL INVESTMENT PLAN–Capital Investment Plan Financing” in this Appendix A.
- (l) Adjusted Net Operating Revenues, divided by the sum of debt service on outstanding Senior Revenue Bonds, Senior Parity Obligations, Subordinate Revenue Bonds and Subordinate Parity Obligations, including the subordinate lien California Safe Drinking Water Revolving Fund Loan (prior to its discharge in 2017) and projected Revenue Bonds. See “METROPOLITAN EXPENSES–Outstanding Senior Revenue Bonds and Senior Parity Obligations” and “–Outstanding Subordinate Revenue Bonds and Subordinate Parity Obligations” in this Appendix A.
- (m) For fiscal year 2015-16, Metropolitan used \$264 million for acquiring properties in Riverside and Imperial Counties, funded by \$160 million from the Replacement and Refurbishment Fund Reserves and the balance from unrestricted reserves. This land purchase is reflected as a pay-as-you-go expenditure for fiscal year 2015-16.
- (n) As discussed herein, on May 2, 2019, DWR withdrew its approval of the two tunnel California WaterFix project and announced plans to pursue a new planning and environmental review process for a single tunnel Bay-Delta conveyance project. See “METROPOLITAN EXPENSES–State Water Contract Obligations.” See also “METROPOLITAN’S WATER SUPPLY–State Water Project –Bay-Delta Proceedings Affecting State Water Project – Bay-Delta Planning Activities; Delta Conveyance” in this Appendix A.
- (o) Adjusted Net Operating Revenues, divided by the sum of State Water Contract capital costs paid from current year operations and debt service on outstanding Senior Revenue Bonds, Senior Parity Obligations, Subordinate Revenue Bonds and Subordinate Parity Obligations, including the subordinate lien California Safe Drinking Water Revolving Fund Loan (prior to its discharge in 2017) and additional Revenue Bonds (projected).

MANAGEMENT’S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES

Water Transactions Projections

The water transactions in the table above for fiscal year 2018-19 were 1.42 million acre-feet. The water transactions forecast is 1.55 million acre-feet for fiscal years 2019-20, 1.60 million acre-feet for fiscal years