

Proposed Biennial Budget for
FYs 2018/19 and 2019/20, Water Rates
and Charges for CYs 2019 and 2020,
Ten-Year Forecast, and Continued
Suspension of §124.5 AV Tax Limit for
FYs 2018/19 and 2019/20

Finance & Insurance Committee
Item 8-1
April 9, 2018

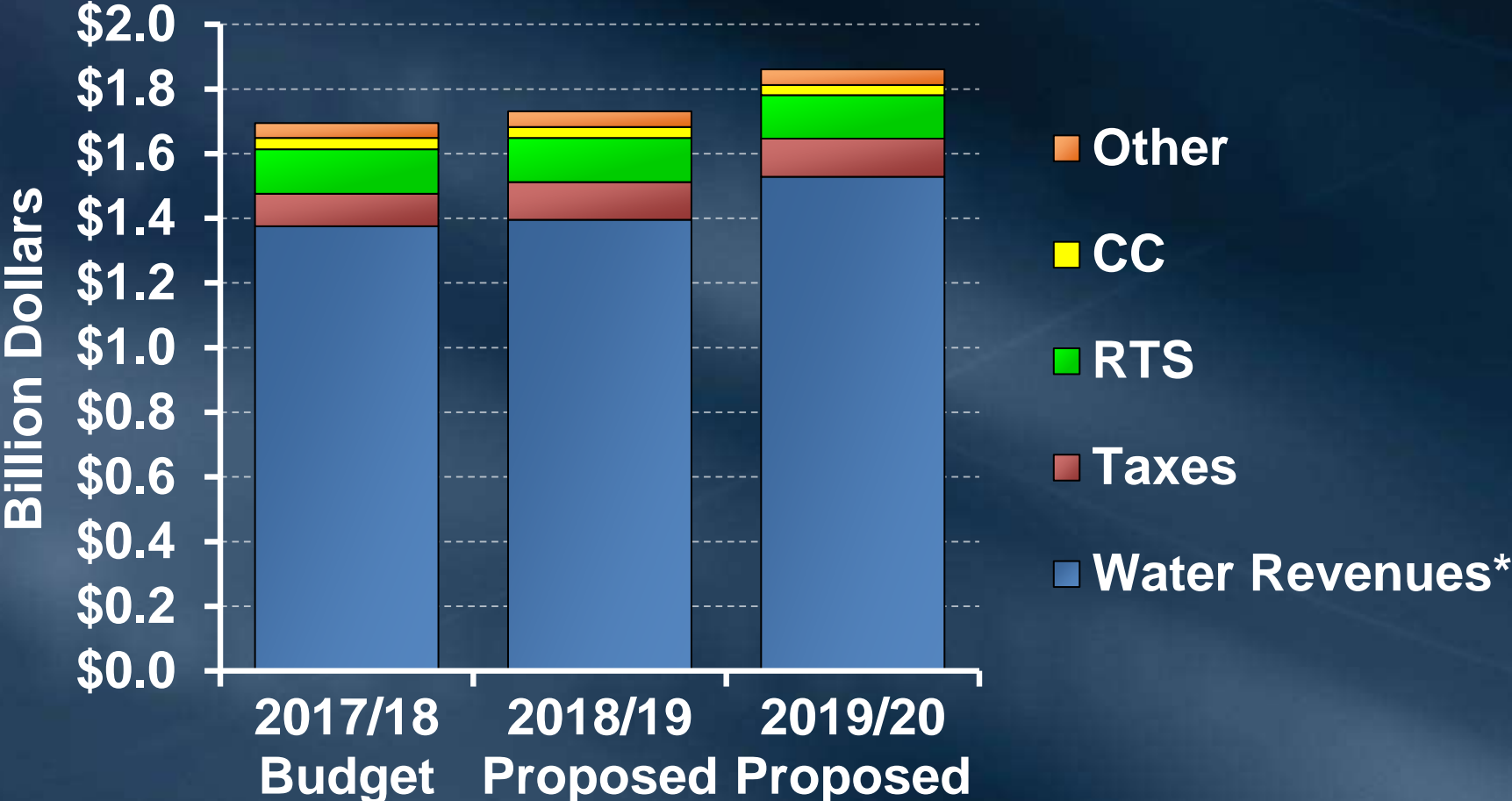


Review of Budget and Rates Process

- Documents distributed
 - February 1, 2018: board letters 8-1, 9-2; Set Public Hearings, Biennial Budget, ten-year forecast, Cost of Service Report
 - March 7, 2018: CIP
 - April 2, 2018: board letter for April action
- Board Presentations, Workshops and Discussions
 - December 11, 2017; February 12, February 27, March 12, and March 27, 2018
- Public Hearings
 - March 13, 2018
- Approve Biennial Budget, Ten-Year Forecast, Revenue Requirements, Water Rates and Charges, and Continuation of suspension of §124.5 limitation on Ad Valorem tax rate
 - April 9, 2018: F&I Committee
 - April 10, 2018: Board

Proposed Biennial Budget for
FYs 2018/19 and 2019/20, Water
Rates and Charges for
CYs 2019 and 2020, and
Continued Suspension of §124.5
AV Tax Limit for FYs 2018/19 and
2019/20

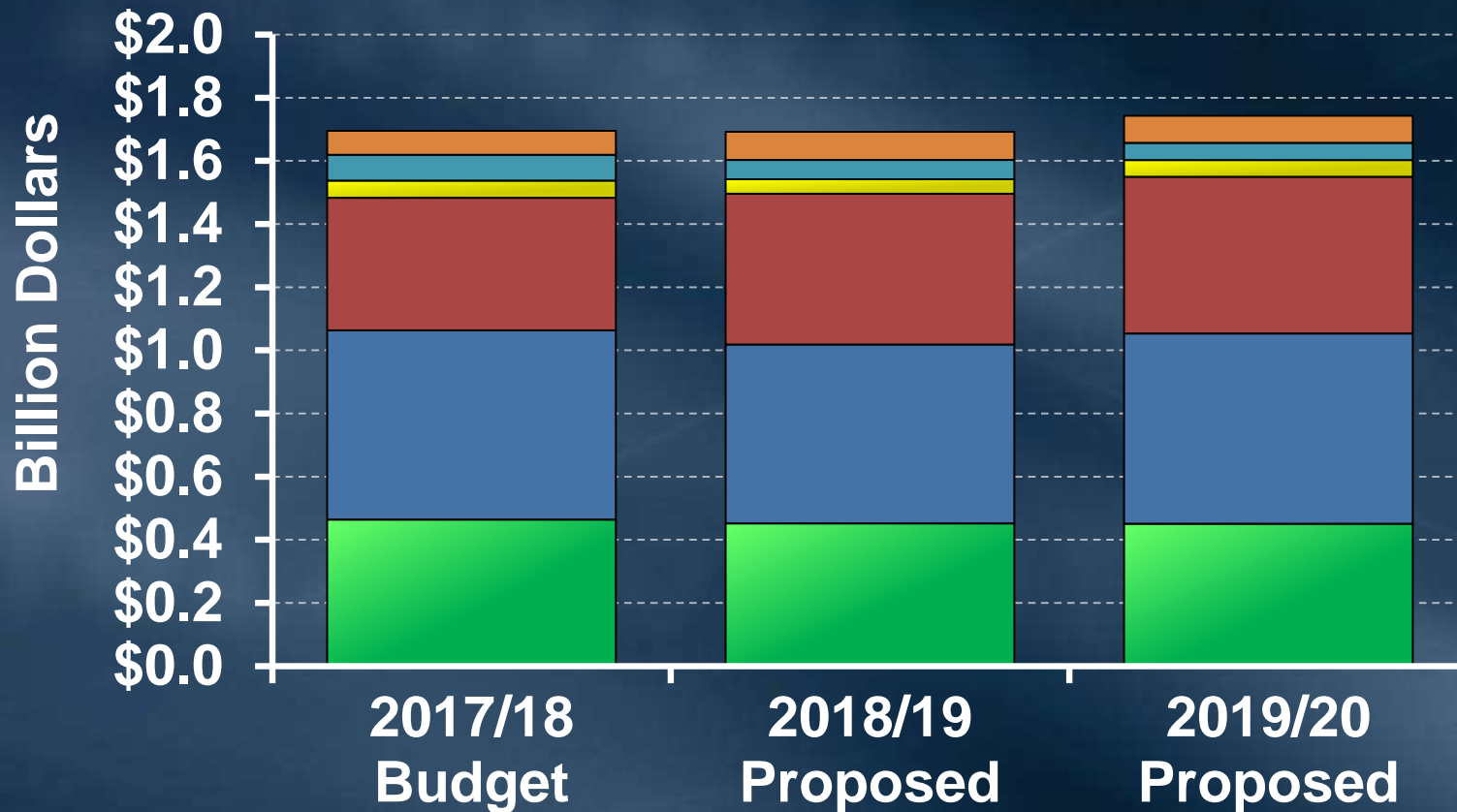
Revenue Trend



* Includes water sales, exchanges and wheeling

Expenditure Trend

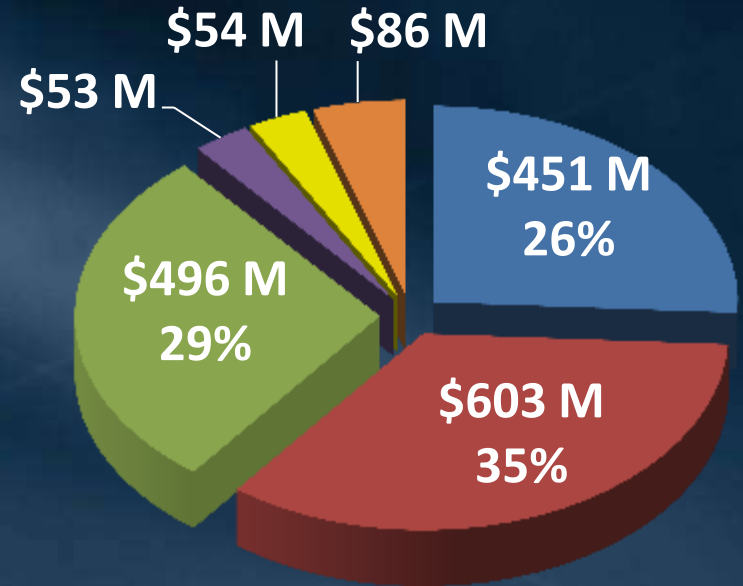
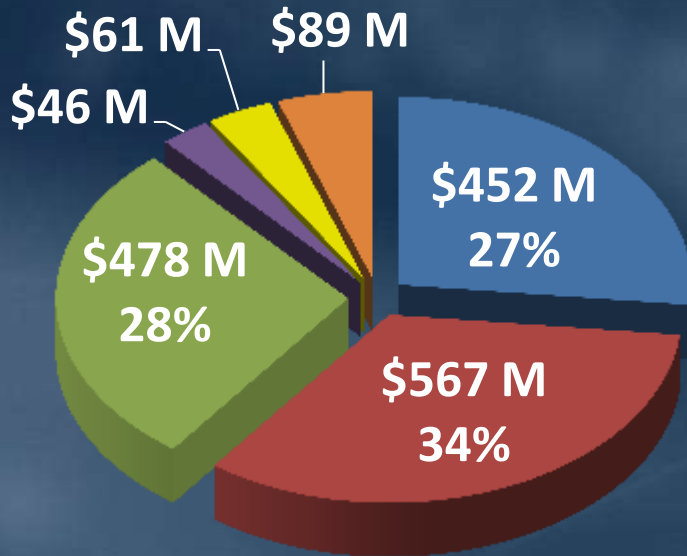
- Demand Management
- Colorado River Power
- State Water Contract
- Supply Programs
- O&M
- Capital Financing



Expenditure Trend

FY 2018/19 - \$1.692 B

FY 2019/20 - \$1.743 B



■ Capital Financing

■ State Water Contract

■ O&M

■ Colorado River Power

■ Supply Programs

■ Demand Management

Ad Valorem Property Taxes

- Board to set tax rate in August when tax rolls are received from the County Assessors
- Maintaining the tax rate at the current level of .0035 percent of assessed valuation requires suspension of the tax rate limitation in §124.5 of the MWD Act
- If the tax rate limitation is not suspended, revenue from ad valorem taxes will be \$183 million lower over the biennial budget period
 - Would require rate increase in the first fiscal year that is 6 percent higher than proposed

Overall Rate Increase



Proposed Full Service Costs and Charges

Rate Type	2018 Approved	2019 Proposed	% Increase (Decrease)	2020 Proposed	% Increase (Decrease)
Full Service Untreated Volumetric Cost (\$/AF)					
Tier 1	\$695	\$731	5.2%	\$755	3.3%
Tier 2	\$781	\$817	4.6%	\$842	3.1%
Full Service Treated Volumetric Cost (\$/AF)					
Tier 1	\$1,015	\$1,050	3.4%	\$1,078	2.7%
Tier 2	\$1,101	\$1,136	3.2%	\$1,165	2.6%
RTS Charge (\$M)	\$140	\$133	(5.0%)	\$136	2.3%
Capacity Charge (\$M)	\$37	\$31	(15.7%)	\$32	2.3%

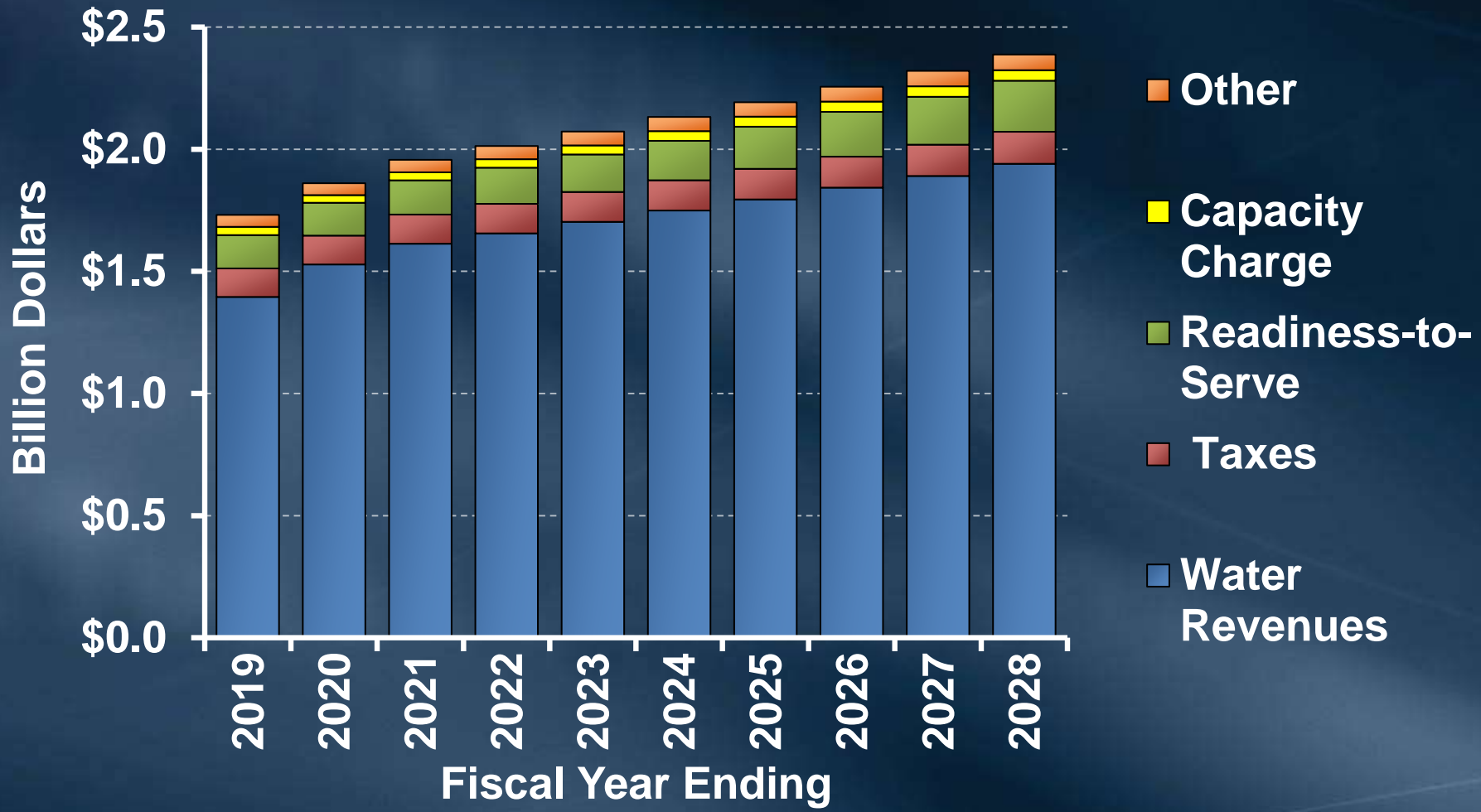
Rates and Charges Effective January 1st

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

Ten-Year Financial Forecast

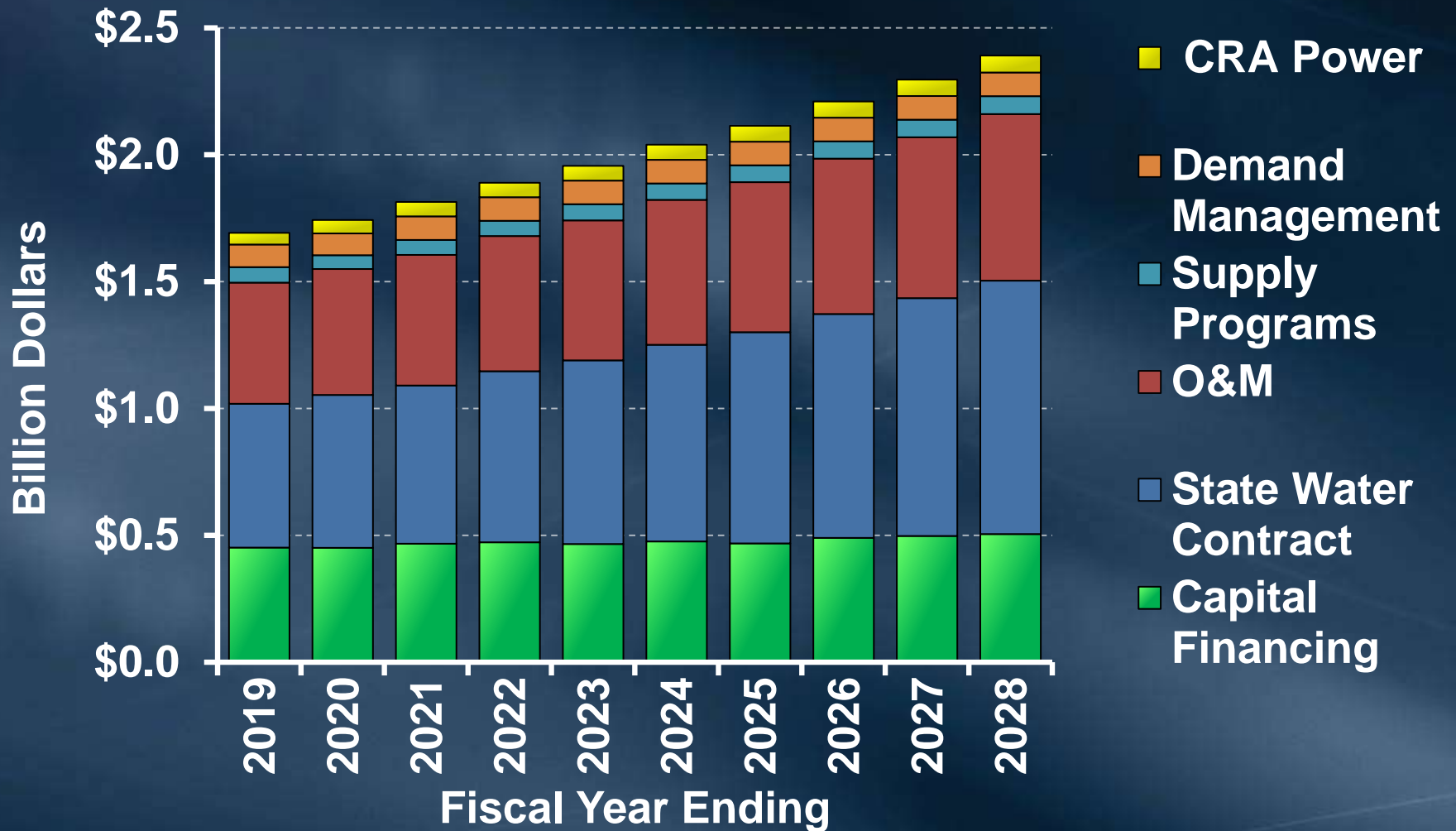
Revenue Forecast

Ten-Year Financial Forecast

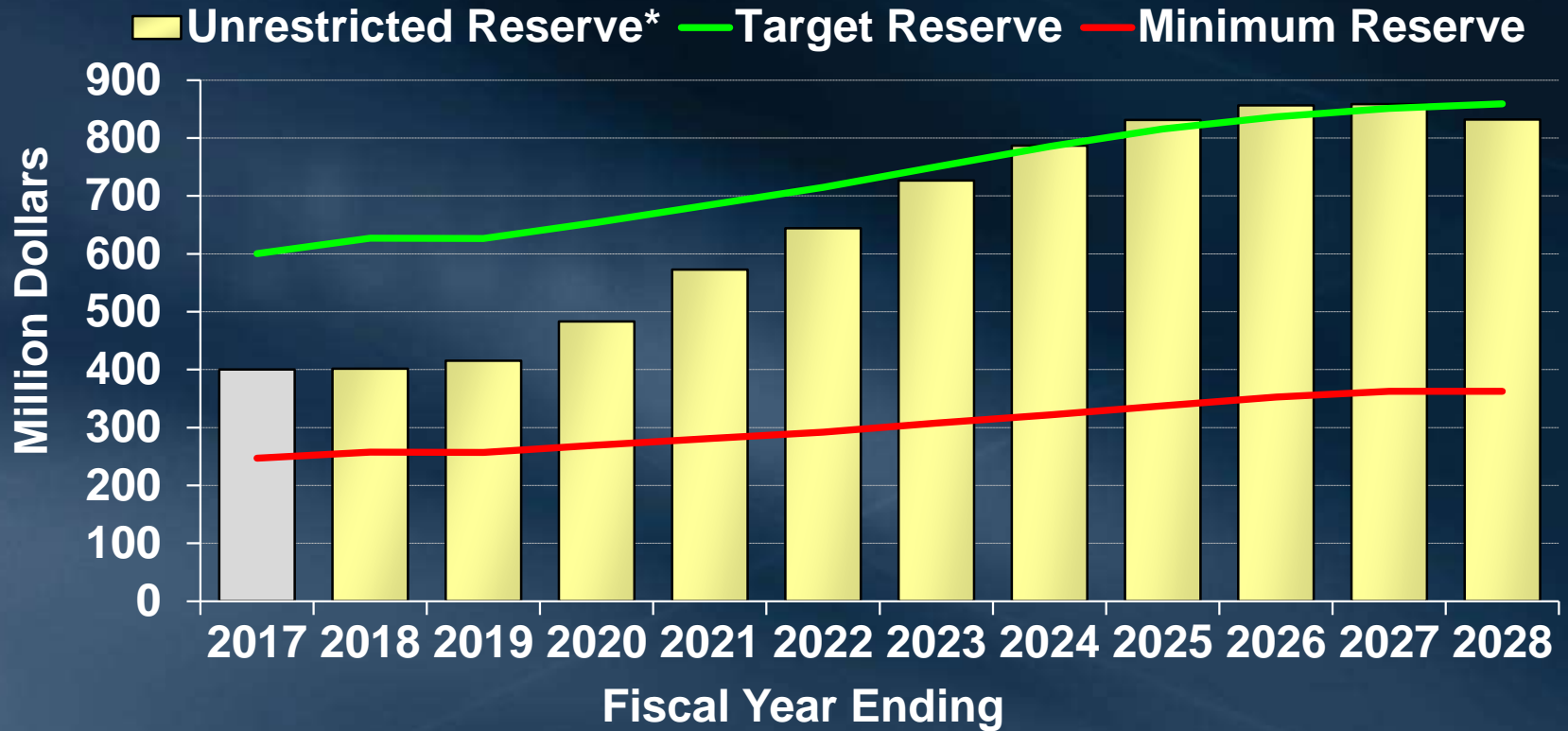


Expenditure Forecast

Ten-Year Financial Forecast



Projected Rate Increases & Financial Metrics



Overall Rate Inc.	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Water Transactions (MAF)**	1.54	1.55	1.65	1.75	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Rev. Bond Cvg	1.6	1.5	1.6	1.9	2.1	2.1	2.1	2.1	2.2	2.1	2.2	2.2
Fixed Chg Cvg	1.4	1.4	1.5	1.7	1.9	1.8	1.7	1.6	1.6	1.5	1.4	1.3
PAYGO, \$M	132	108	120	120	150	150	150	154	158	162	167	171

* Revenue Remainder and Water Rate Stabilization Fund

** Includes water sales, exchanges and wheeling

Projected Volumetric Rates

- Treatment Surcharge
- Full Service Untreated Tier 1



Board Options

Biennial Budget Recommendation

- Option #1 - Adopt the CEQA determination, and
 - a) Approve the FY 2018/19 and FY 2019/20 Proposed Biennial Budget;
 - b) Appropriate \$2,532.4 million 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 2018/19 and 2019/20;
 - c) Appropriate as a continuing appropriation, \$662.9 million for FY 2018/19 and FY 2019/20 debt service on Metropolitan general obligation and revenue bonds;
 - d) Authorize the use of \$240 million in operating revenues to fund the Capital Investment Plan for FYs 2018/19 and 2019/20;
 - e) Determine that the revenue requirements to be paid from rates and charges are \$1,558.5 million in FY 2018/19 and \$1,617.8 million in FY 2019/20;
 - f) Approve the Ten-Year Financial Forecast, as shown in the Proposed Biennial Budget FY 2018/19 and FY 2019/20 in Attachment 1;
 - g) Transfer the remaining balance in the Water Management Fund at the end of FY 2017/18 to the Water Stewardship Fund to provide additional support for the Conservation Credits Program;

Biennial Budget Recommendation

(continued)

- Option #1 - Adopt the CEQA determination, and
 - h) Approve water rates effective January 1, 2019, and January 1, 2020, as shown in Table 3 above;
 - i) Adopt the Resolution Fixing and Adopting Water Rates To Be Effective January 1, 2019 and 2020, in the form of Attachment 4;
 - j) Adopt the Resolution Fixing and Adopting A Readiness-To-Serve Charge Effective January 1, 2019, in the form of Attachment 5;
 - k) Adopt the Resolution Fixing and Adopting A Capacity Charge Effective January 1, 2019, in the form of Attachment 6;
 - l) Adopt the Resolution Finding that Continuing an Ad Valorem Property Tax Rate at the Rate Levied for FY 2017/18 is Essential to the Fiscal Integrity of the District and Suspending the Ad Valorem Tax Rate Restriction for FY 2018/19 and FY 2019/20, in the form of Attachment 7.

Biennial Budget Recommendation

- Option #2:
 - Do not adopt the CEQA determination;
 - Do not approve the Proposed Biennial Budget, the revenue requirements, rates, charges, or suspension of the Ad Valorem tax limitation in Section 124.5 of the MWD Act; and
 - Waive the requirement of Administrative Code Section 4304 to adopt rates by April, and provide staff direction to propose budget, rates and charges in May or June of 2018.

Staff Recommendation

- Option #1

