

# Proposed Biennial Budget, Revenue Requirements, and Water Rates and Charges Fiscal Years 2014/15 and 2015/16

MWDOC Board Workshop  
February 5, 2014



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## Proposed Biennial Budget Workshop Presentation Overview

- Current Year Update
  - Drought impacts and water supplies
  - Proposed water supply alert and water conservation budget increase
  - Financial update
- Proposed Biennial Budget and Rates
- Ten-Year Financial Forecast
- Next Steps

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## Current Year Update

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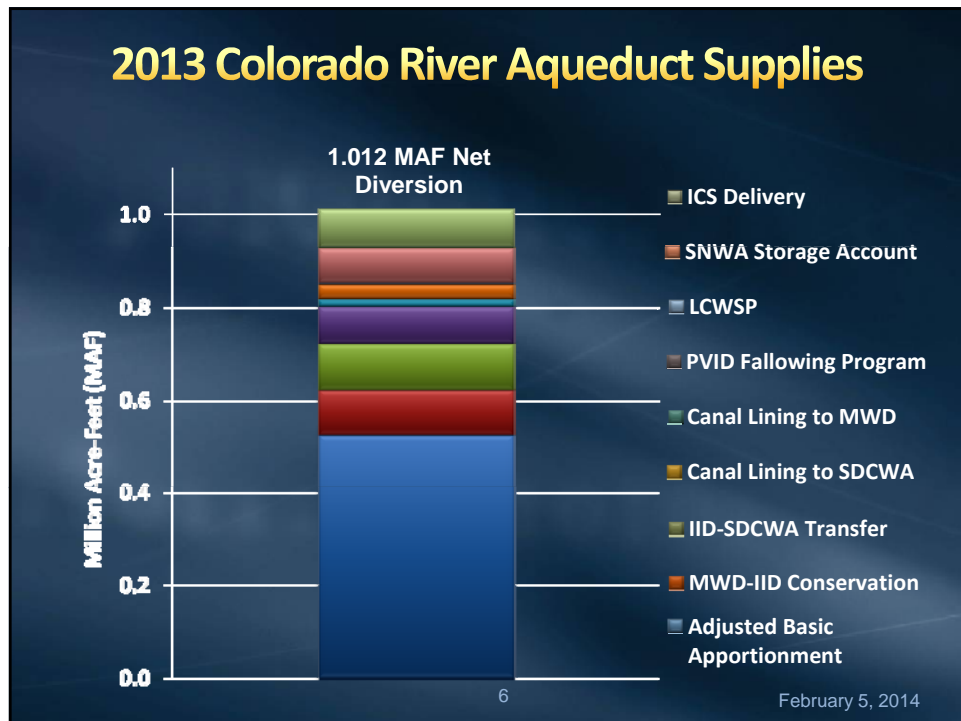
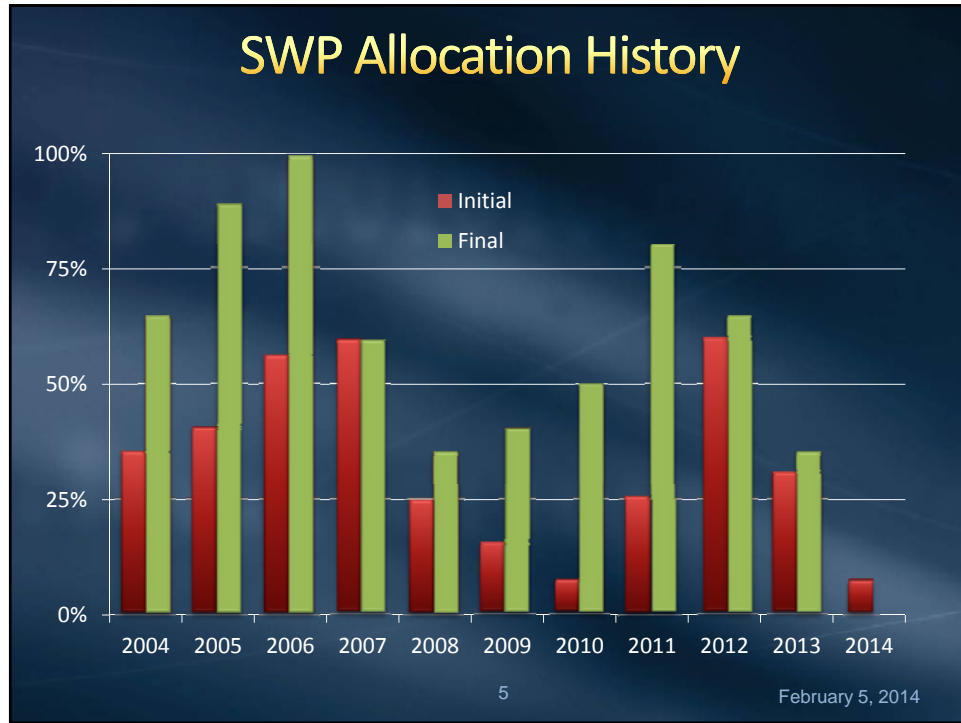
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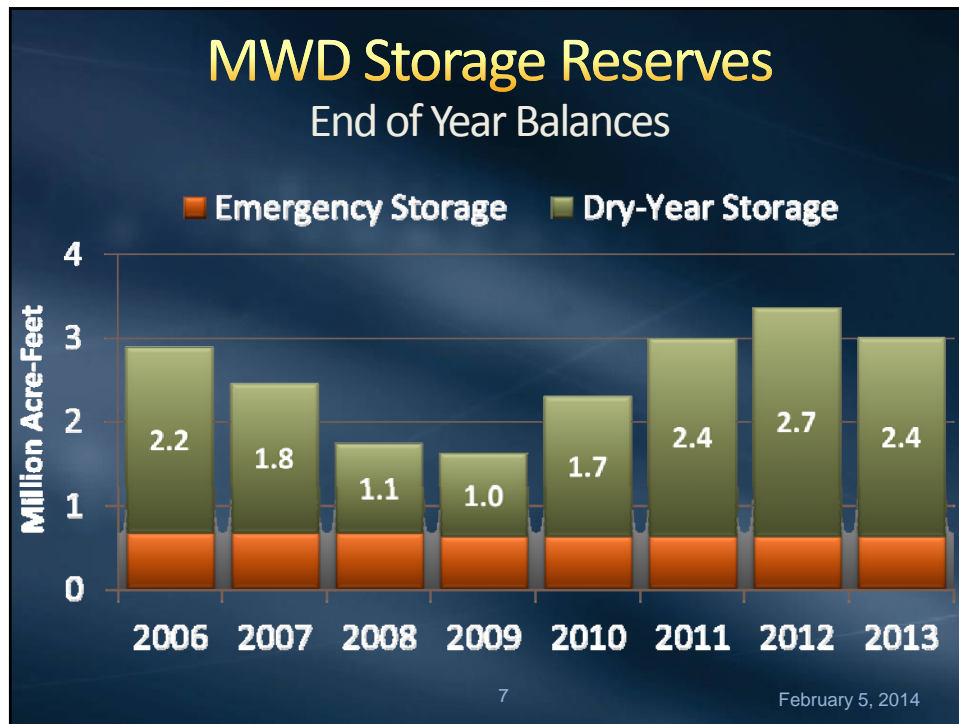
## Metropolitan Current Operations

- 2014 SWP initial allocation of 5% lowed to 0%
- The CRA is currently at a 7 pump flow
- December 2013 demands of 140 TAF were 50 TAF higher than December 2012
- Dry-year storage reserves ended 2013 at approximately 2.4 MAF

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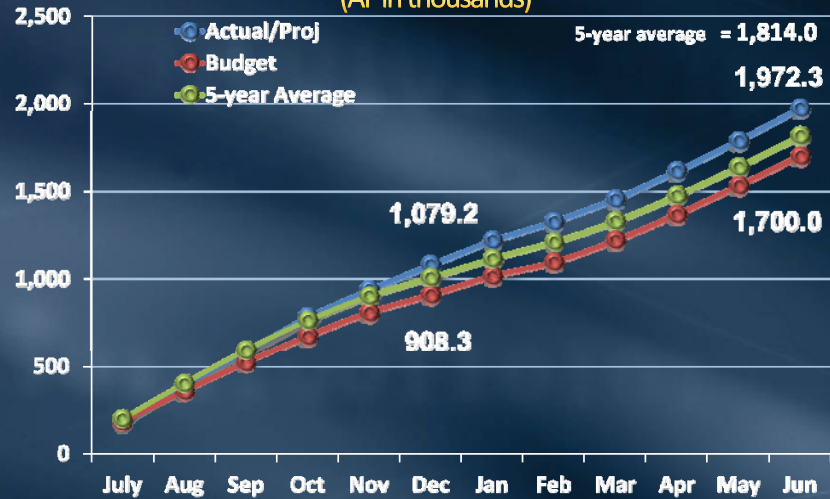
## Proposed Drought Response Actions

- Adopt a Water Supply Alert Resolution
  - Protect supplies if drought persists
  - Consistent with state-wide call for conservation
  - Urges adoption of drought ordinances
  - Provides examples of ways to conserve water
- Increase water conservation budget by \$20 million
- Help other CA water agencies if possible

## FY2013/14 Water Sales/Exchange Volumes

December 31, 2013

(AF in thousands)



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## FY 2013/14 Revenues

December 31, 2013

(\$ in millions)

	YTD Actual	FY Projected	FY Budget	Variance Fav (Unfav)
Water	\$ 784.8	\$ 1,437.5	\$ 1,240.7	\$ 196.8
RTS	71.0	154.0	154.0	-
Capacity Charge	12.8	28.1	28.1	-
Power	9.7	17.0	20.9	(3.9)
Taxes, net	46.2	81.1	81.1	-
Interest	1.0	7.5	13.1	(5.6)
Other	3.2	6.1	6.1	-
<b>Total Revenues</b>	<b>\$ 928.7</b>	<b>\$ 1,731.3</b>	<b>\$ 1,544.0</b>	<b>\$ 187.3</b>

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## FY 2013/14 Expenses

December 31, 2013

(\$ in millions)

	YTD Actual	FY Projected	FY Budget*	Variance (Fav) Unfav
State Water Contract	\$ 227.6	\$ 426.0	\$ 564.1	\$ (138.1)
Supply Programs	39.1	76.5	62.0	14.5
CRA Power Costs	9.7	24.9	24.9	-
Debt Service	213.6	343.5	343.5	-
Demand Management	24.4	53.6	53.6	-
Departmental O&M	184.4	390.4	390.4	-
Hoover Bond Prepayment	-	25.6	-	25.6
R&R/General Fund	49.1	150.0	150.0	-
<b>Total Expenses</b>	<b>\$ 747.9</b>	<b>\$ 1,490.5</b>	<b>\$ 1,588.5</b>	<b>\$ (98.0)</b>

\* Includes \$25M Board-approved increases for Supply Programs and the R&R fund.

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## Projected Reserve Fund Balance

FY 2013/14

(\$ in millions)



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## Proposed Biennial Budget and Rates

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## Biennial Budget and Rates Goals

- Fund key priorities while keeping water rates low
- Propose use of FY 2013/14 projected reserves over target to:
  - Lower need for future water rate increases
  - Reduce liabilities
  - Establish a Water Management Fund
- Comprehensive capital investment program (CIP) with emphasis on refurbishment and replacement
- Minimize future reliance on debt to fund CIP
- Present ten-year financial forecast
- Meet financial targets

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## Important Underlying Factors

Fiscal Year Ending	2015	2016
Overall rate increase January 2015 & 2016	1.5%	1.5%
Full Service Treated	3.9%	2.3%
Total Water Sales and Exchanges	1.75 MAF	1.75 MAF
State Water Project Allocation	50%	50%
Colorado River Aqueduct Deliveries	0.88 MAF	0.88 MAF
Interest Income Rate	1.15%	2.0%
Ad Valorem Tax Revenues	\$90.2 M	\$92.2 M
Capital Investment Plan Funding	100% PAYGO	100% PAYGO & R&R Fund

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## Use of Reserves over Target

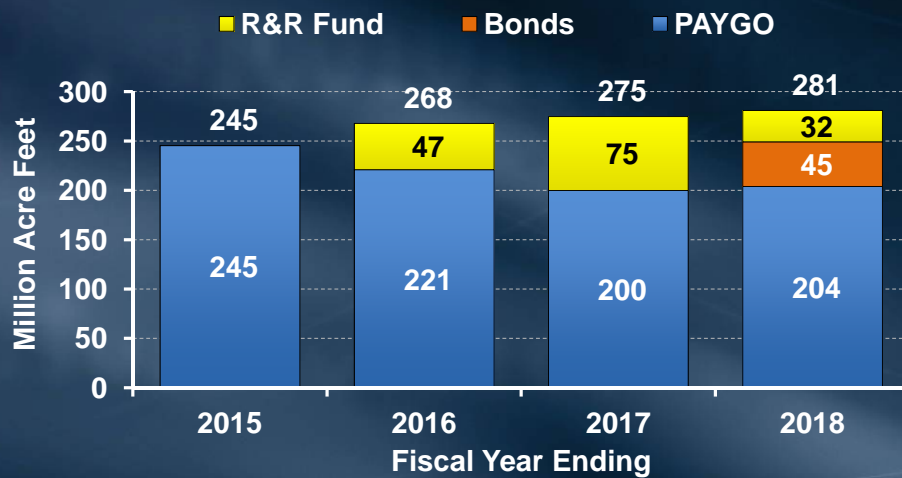
- Proposed use of \$320M over the target
  - \$100M deposit to Refurbishment and Replacement (R&R) Fund
  - \$100M deposit to OBEB Trust
  - \$120M to a newly established Water Management Fund

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## Capital Investment Plan Funding

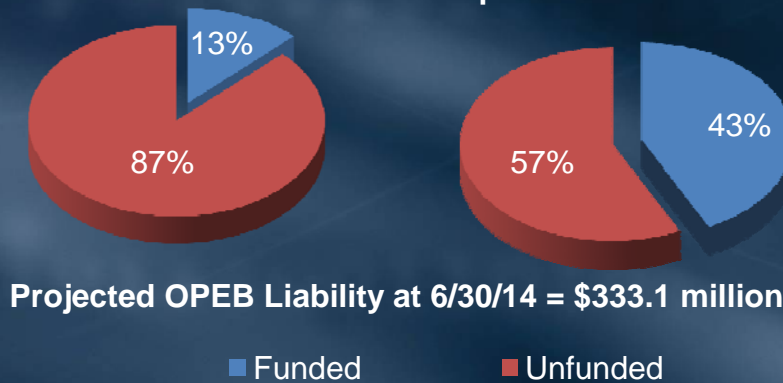


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## Retiree Medical Premiums (OPEB) Funding

After \$100 million deposit to OPEB Trust



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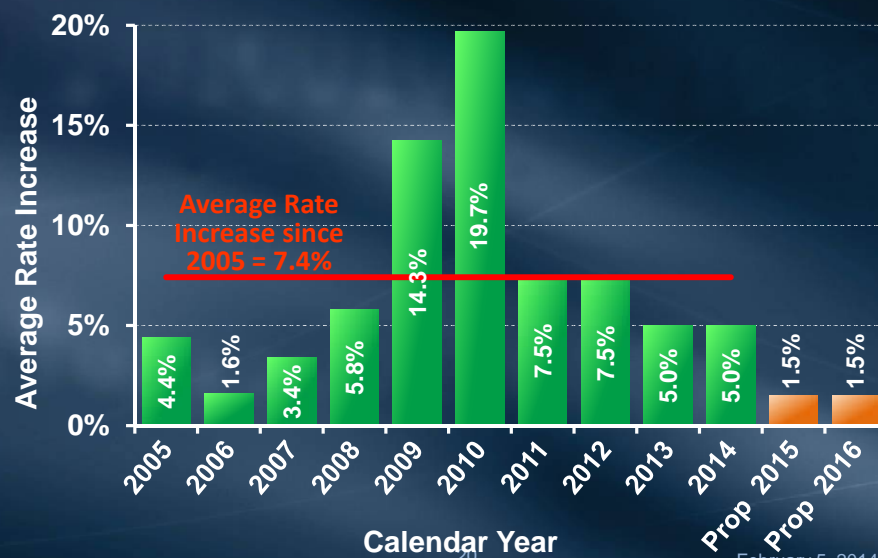
## Water Management Fund

- Replacement for Water Transfer Fund
- Deposit approximately \$120 M
- Covers cost associated with:
  - Replenishment storage
  - Transfers
  - Conservation programs and outreach

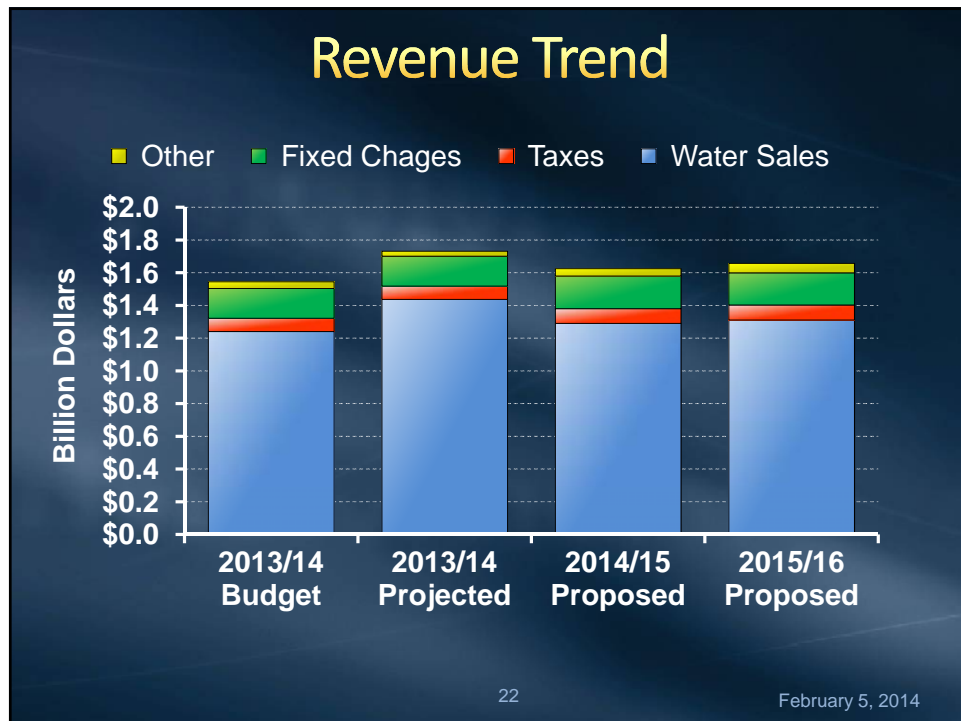
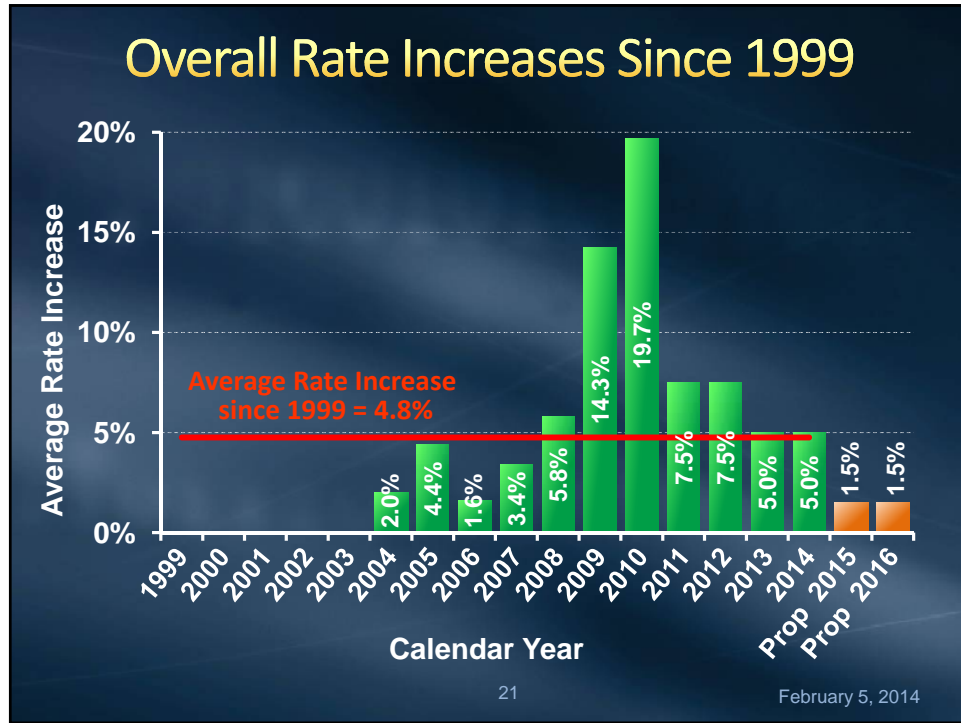
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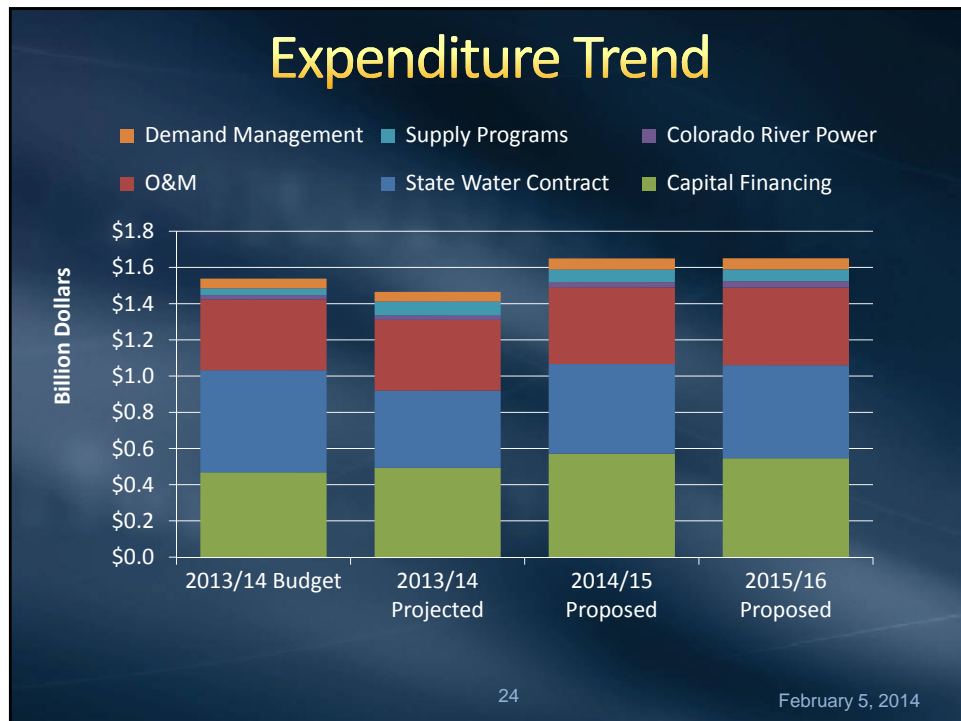
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## Overall Rate Increases Since 2005

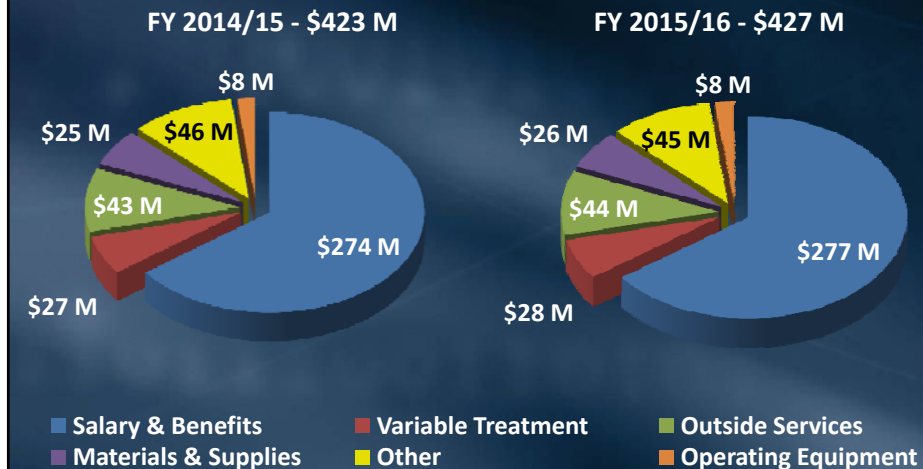


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## Proposed O&M Budget



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## Full Service and Exchange Rates and Charges

Rate Type	2014 Approved	2015 Proposed	% Increase (Decrease)	2016 Proposed	% Increase (Decrease)
<b>Full Service Untreated Volumetric Cost (\$/AF)</b>					
Tier 1	\$593	\$582	(1.9%)	\$594	2.1%
Tier 2	\$735	\$712	(3.1%)	\$729	2.4%
<b>Full Service Treated Volumetric Cost (\$/AF)</b>					
Tier 1	\$890	\$925	3.9%	\$946	2.3%
Tier 2	\$1,032	\$1,055	2.2%	\$1,081	2.5%
Untreated Exchange Rate (\$/AF)	\$445	\$422	(5.2%)	\$439	4.0%
RTS Charge (\$M)	\$166	\$158	(4.8%)	\$152	(3.8%)
Capacity Charge (\$/cfs)	\$8,600	\$10,700	24.4%	\$10,300	(3.7%)

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## Proposed Rate Elements

Rates and Charges Effective January 1			
	2014	2015	2016
Tier 1 Supply Rate (\$/AF)	\$148	\$160	\$155
Tier 2 Supply Rate (\$/AF)	\$290	\$290	\$290
System Access Rate (\$/AF)	\$243	\$256	\$261
Water Stewardship Rate (\$/AF)	\$41	\$41	\$41
System Power Rate (\$/AF)	\$161	\$125	\$137
Treatment Surcharge (\$/AF)	\$297	\$343	\$352
Readiness-to-Serve Charge (\$M)	\$166	\$158	\$152
Capacity Charge (\$/cfs)	\$8,600	\$10,700	\$10,300

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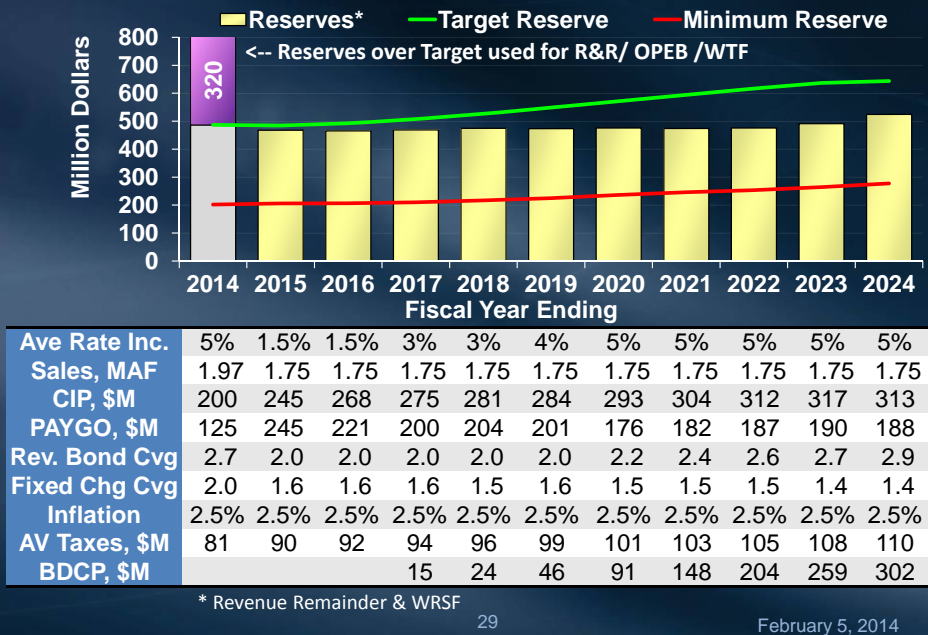
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## Ten-Year Financial Forecast

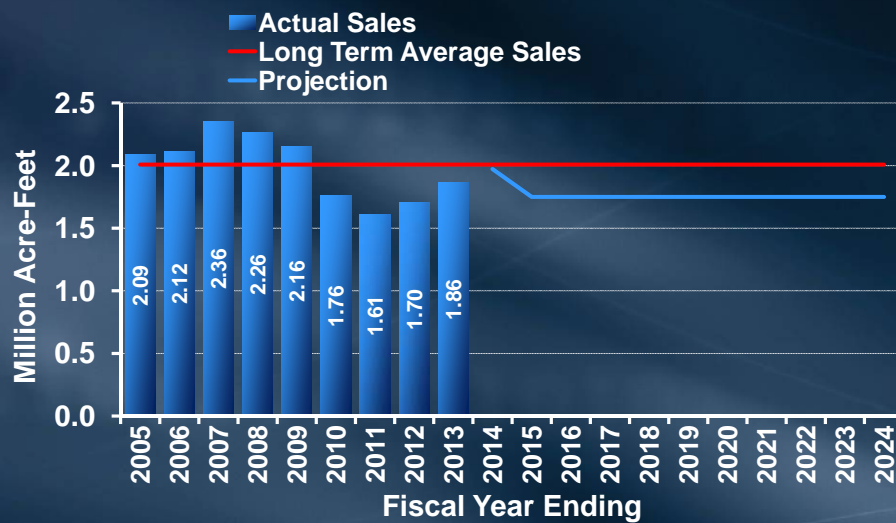
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## Projected Rate Increases & Financial Metrics



## Water Sales\*

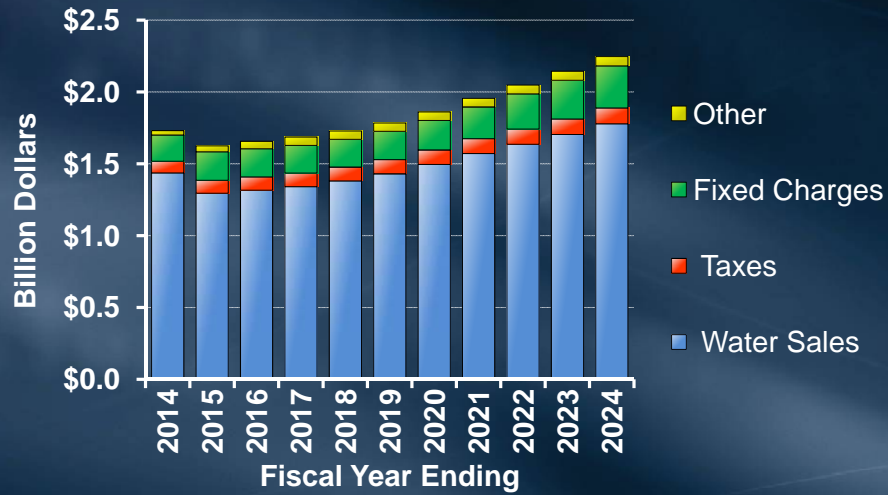


\* Includes Exchange\Wheeling

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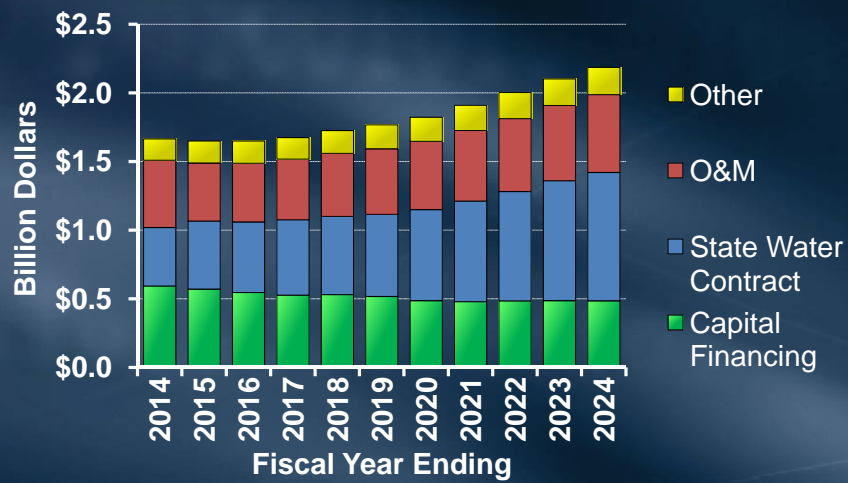
## 10-Year Revenue Trend



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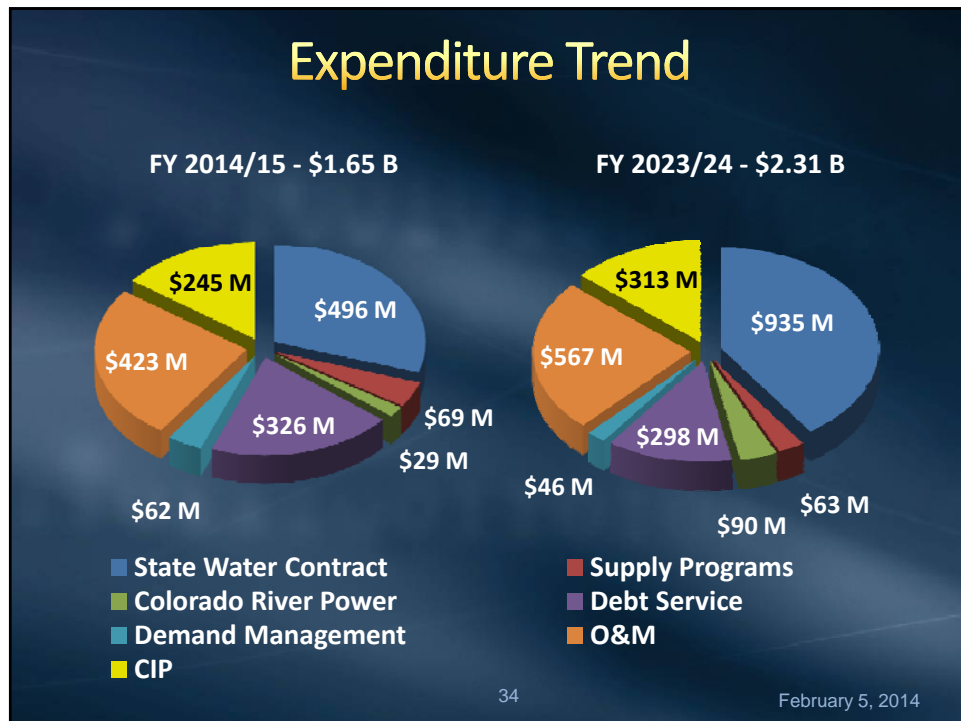
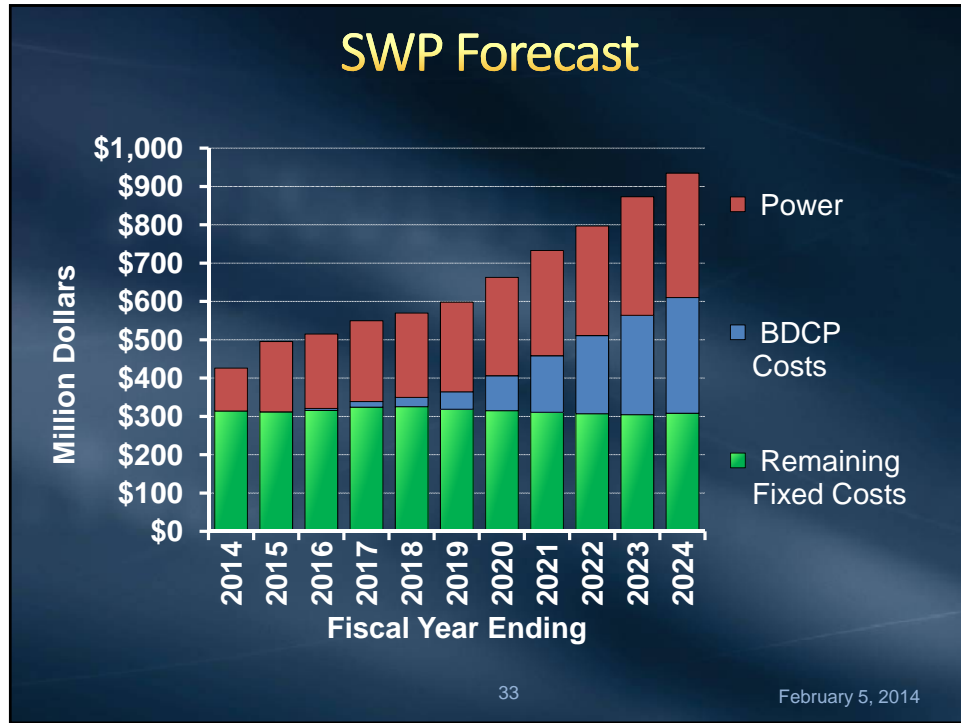
## 10-Year Expenditure Trend

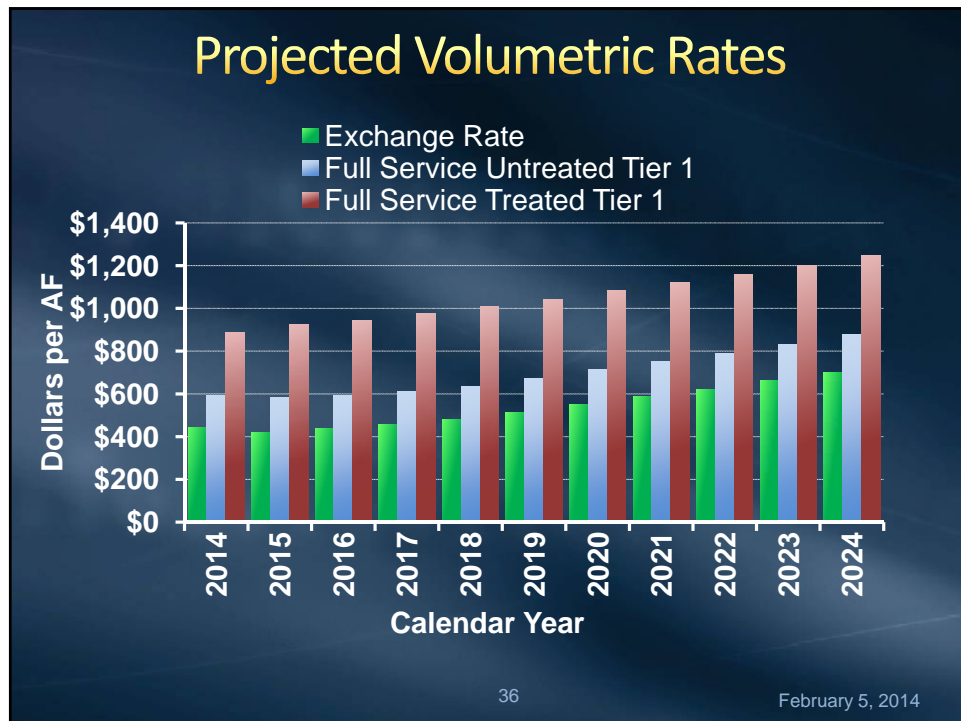
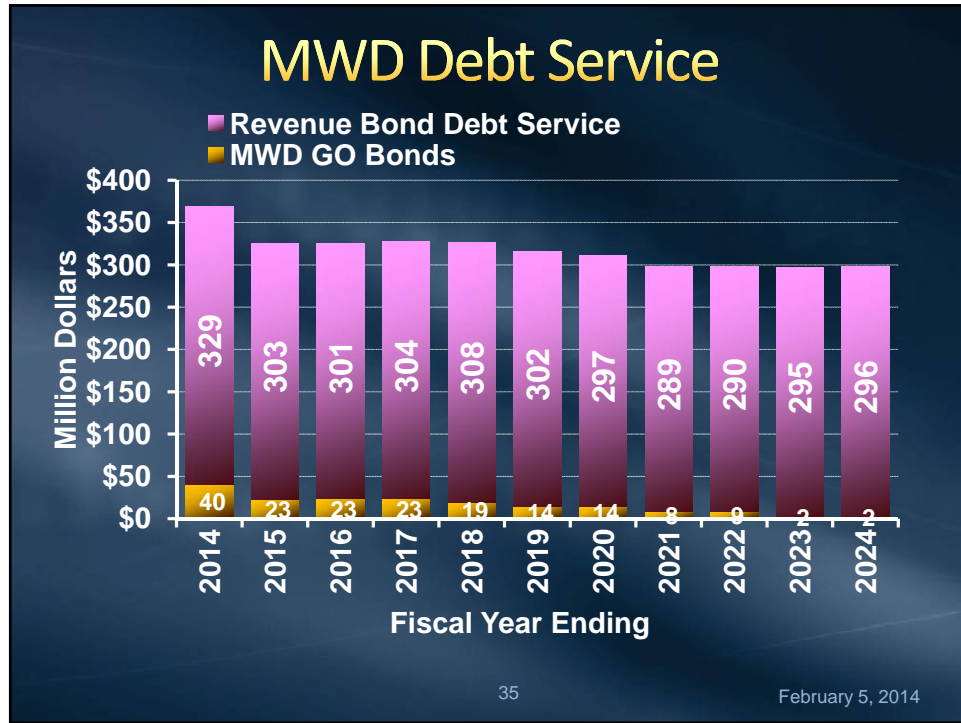


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## Projected Rate Elements



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## Next Steps

February 10, 2014	F&I Committee, presentation
February 11, 2014	Board Action, set public hearings
February 25, 2014	Workshop
February 28, 2014	Notice to Legislature
March 10, 2014	Additional Workshop, if needed
March 11, 2014	Public Hearings
March 25, 2014	Additional Workshop, if needed
April 7, 2014	F&I Committee, Approve Biennial Budget and Water Rates and Charges
April 8, 2014	Board, Approve Biennial Budget and Water Rates and Charges

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