



Elected Officials Forum

April 10, 2024

Harvey De La Torre
General Manager



Agenda



Water Supply Conditions



MWD OC FY24-25 Draft Budget & Rates



Metropolitan FY24-25 & FY25-26
Adopted Budget & Rates





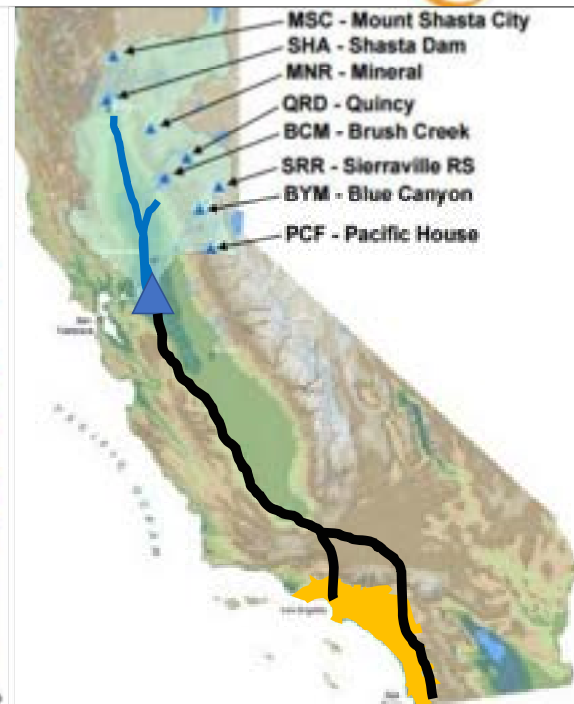
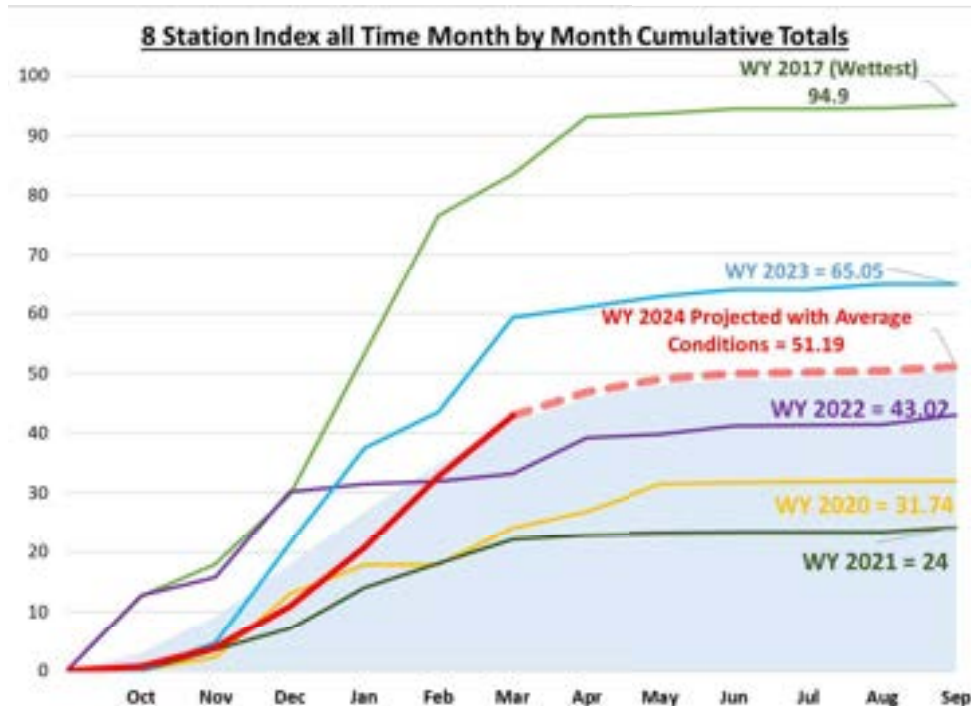
STATUS OF WATER SUPPLY CONDITIONS



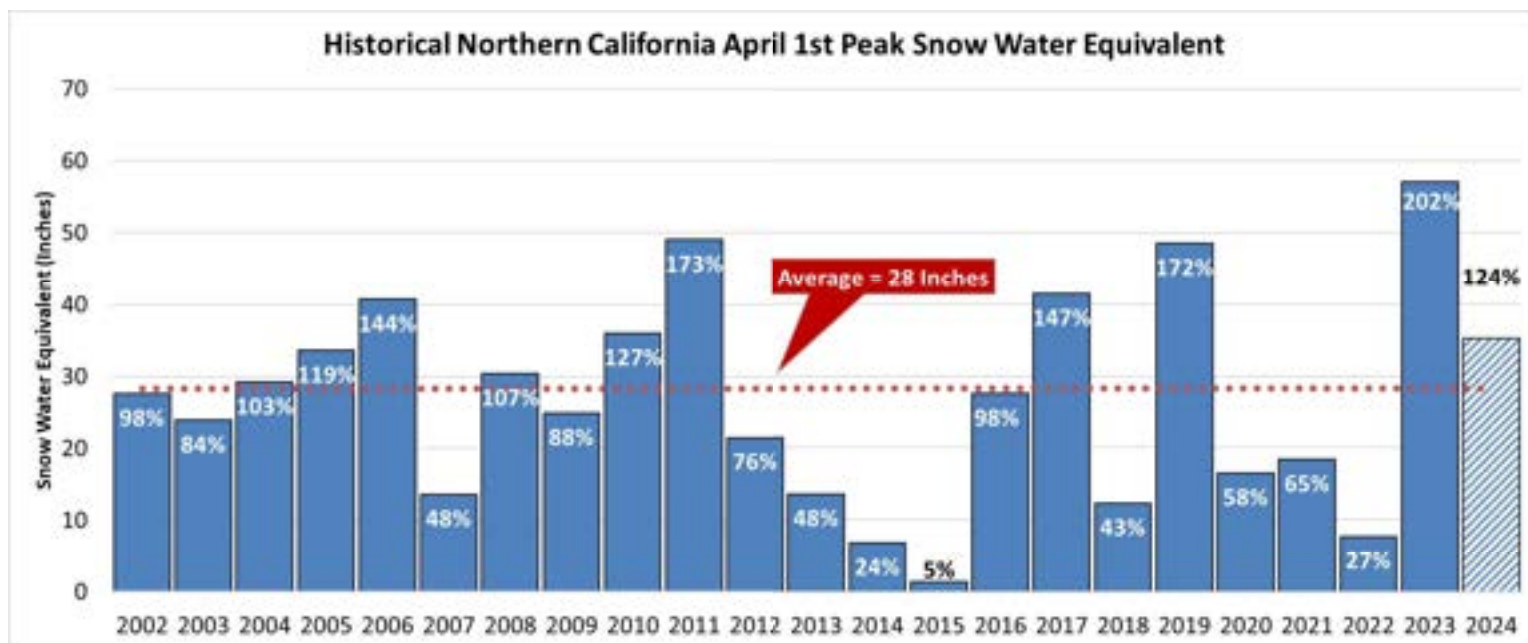
A Review of Regional Water Supply Conditions

Oroville Spillway 5.12.2023

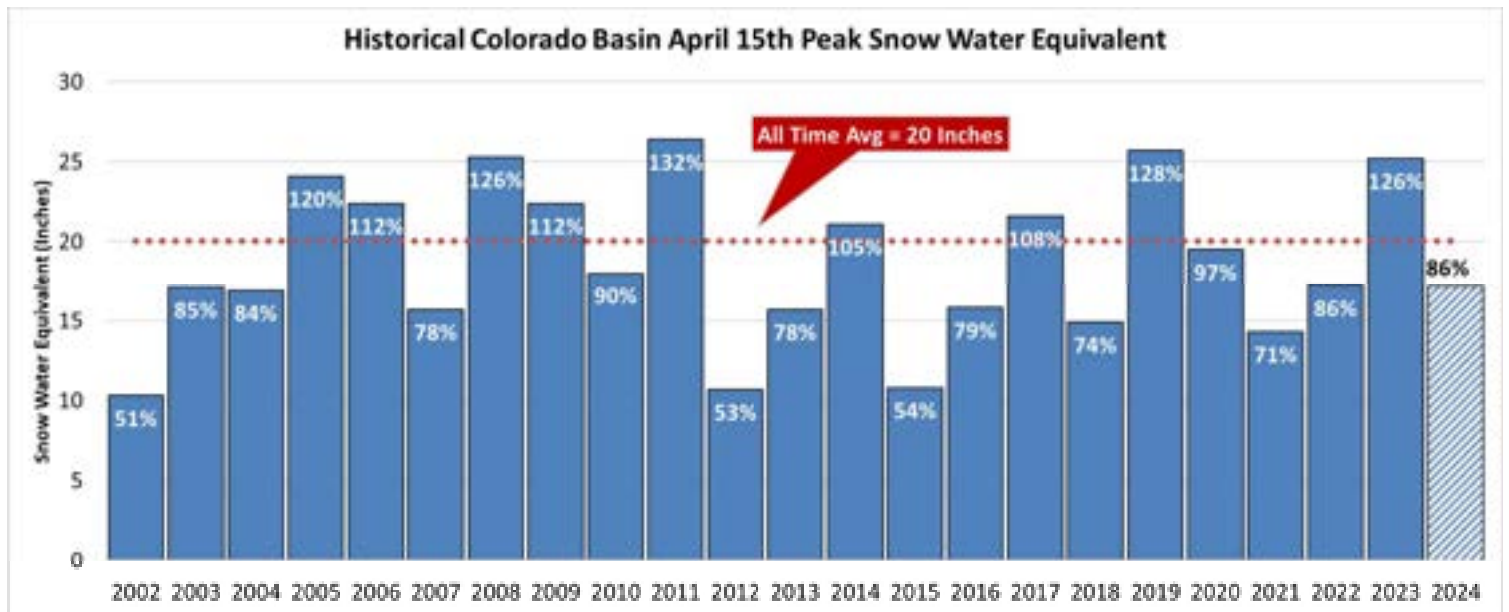
Northern California Accumulated Precipitation WY 2024



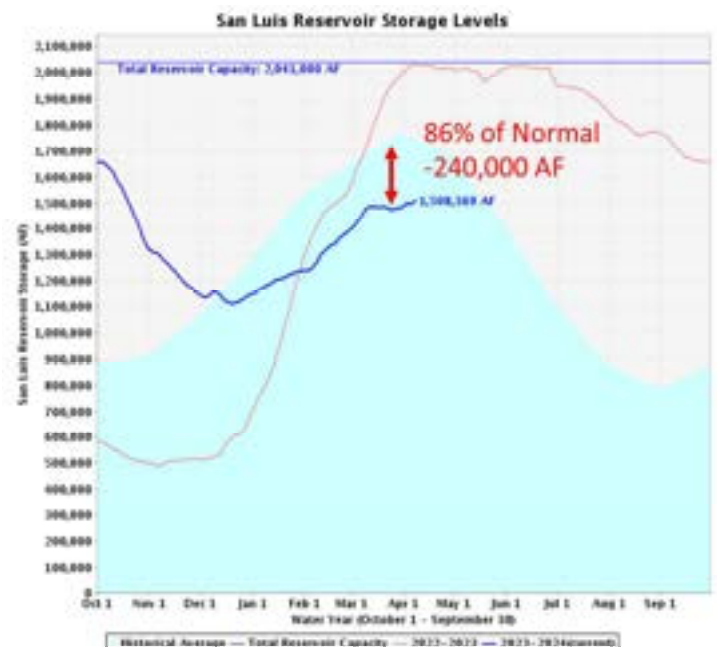
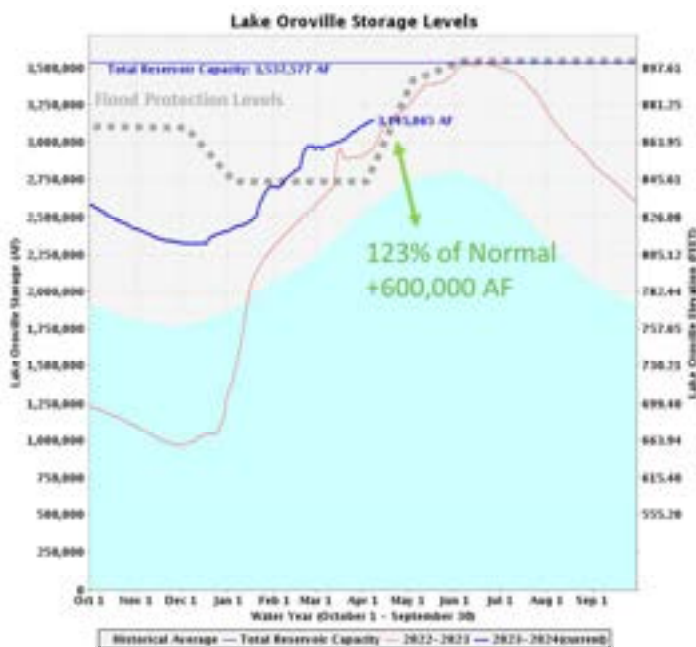
Northern California Snow Water Equivalent



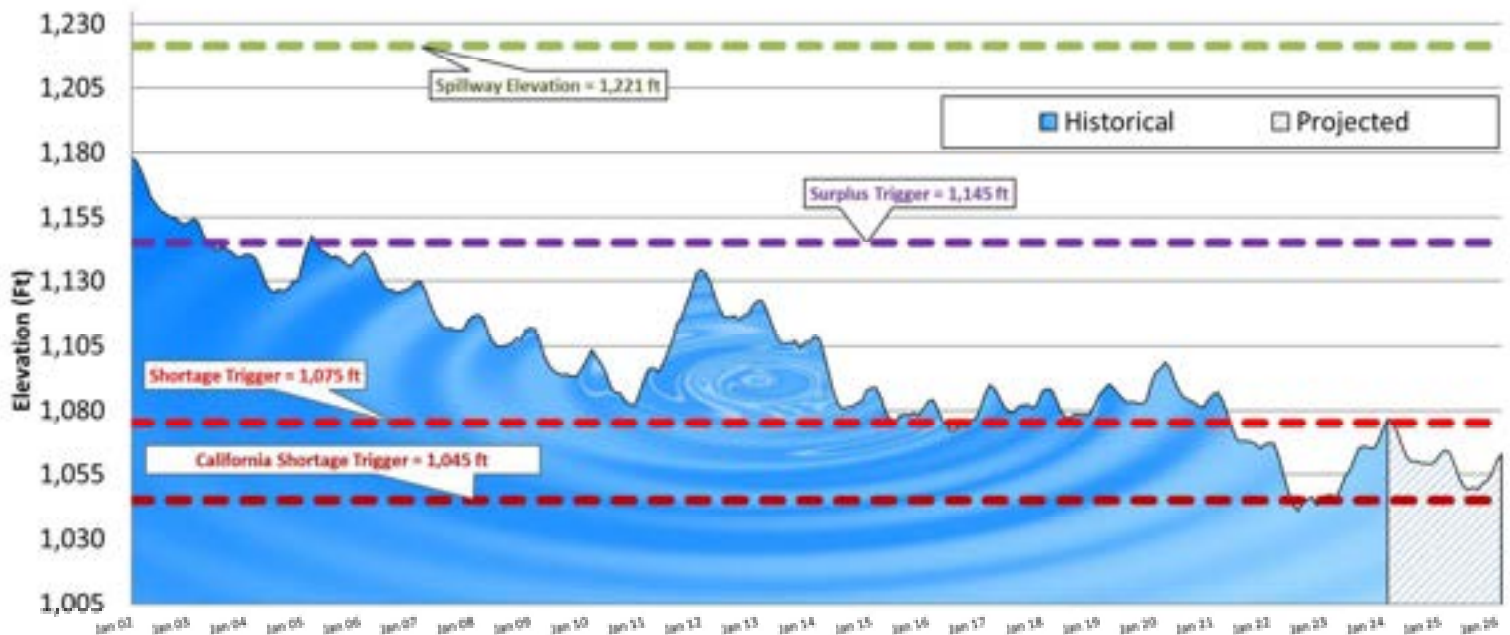
Colorado River Basin Snow Water Equivalent



Lake Oroville & San Luis Storage Levels



Colorado River Lake Mead Storage Levels



Water Supply Conclusions



Water Supply conditions are above average for the second straight year.

Key State Water Project reservoirs are at above average levels (except for San Luis Reservoir).

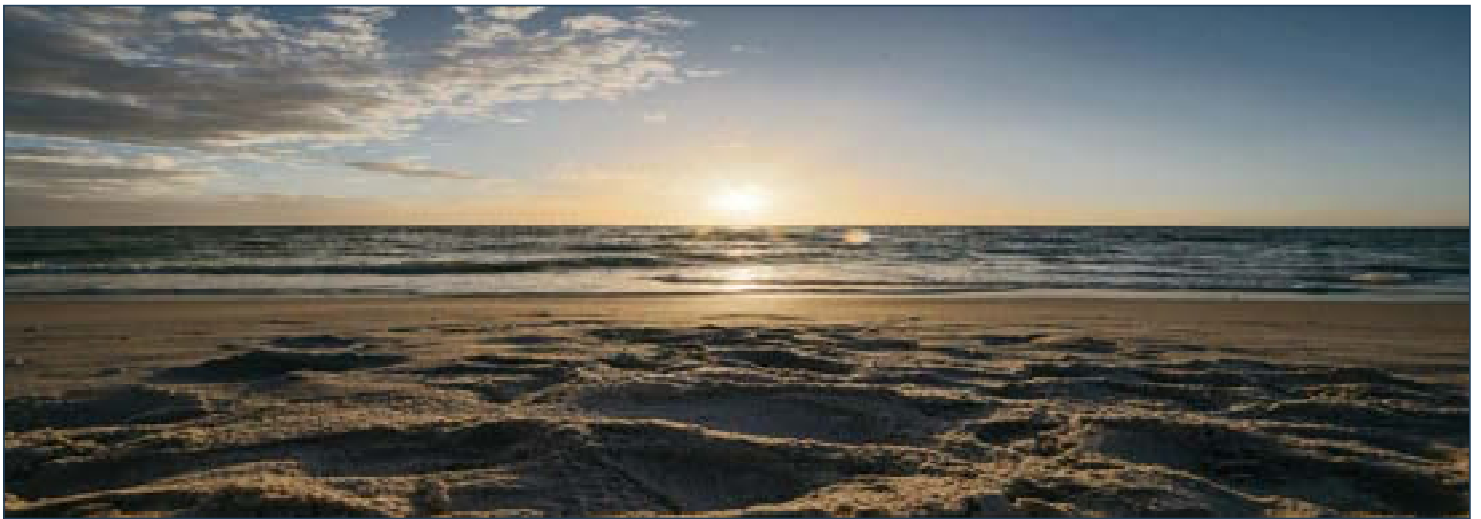
State Water Project Allocation currently sits at 30%

Colorado River Basin snowpack is above average, but Lake Mead and Lake Powell continue to be near shortage levels

The wet weather over the last two years has driven down water usage to historically low levels.

Orange County's dependence on Imported water is at a all time low.

The Orange County Groundwater Basin is at a healthy storage level.



MWDOC FY24-25 Budget

Final Draft Budget

MWDOC FY 2024-25 Budget - Schedule

January 2024

- Year-End Projections & Conceptual Budget Review @ A&F Committee (1-10)
- Member Agency preliminary participation in Choice

February 2024

- First Draft Budget @ A&F Committee (2-14)
- Member Agency Managers Meeting (2-16)
- Initial Member Agency Choice Participation Confirmation (2-20)

March 2024

- Second Draft Budget @ A&F Committee (3-13)
- CHOICE Program Discussions (staff-level)
- Member Agency Managers Meeting (3-21)
- Member Agencies invited to submit formal Comments on Budget (3-29)

April 2024

- Final Draft Budget & Member Agency comments presented @ A&F Committee Meeting (4-10)
- Elected Officials Meeting (4-10)
- Board Approval of Final Budget & Rates (4-17)

June 2024

- Member Agencies Confirm Final Choice participation (6-14)

August 2024

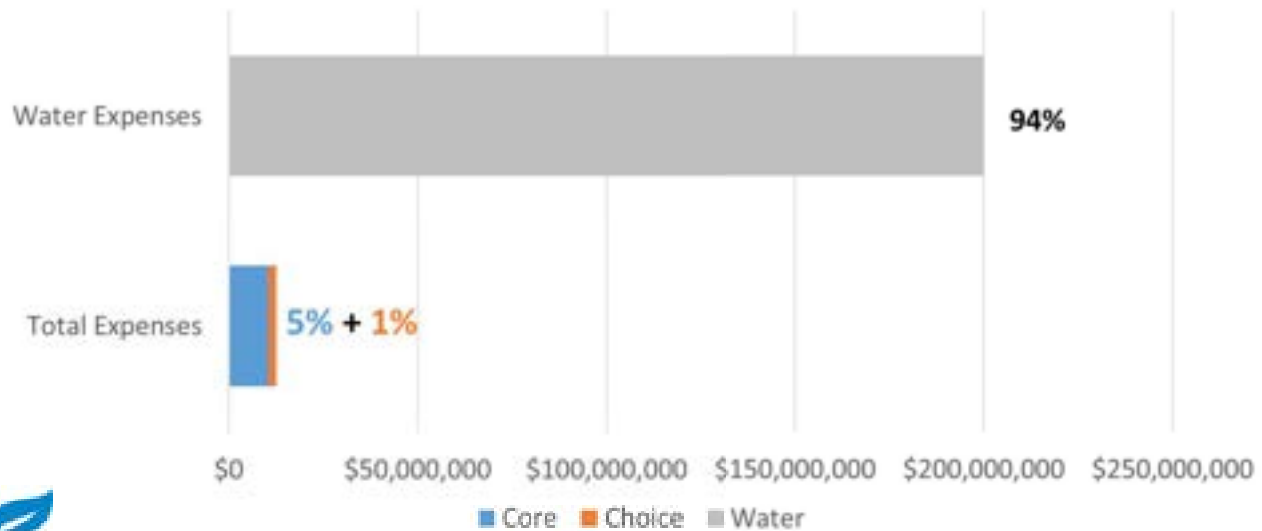
- Reconciliation of FY 2023-24 WUE & Choice Programs

September 2024

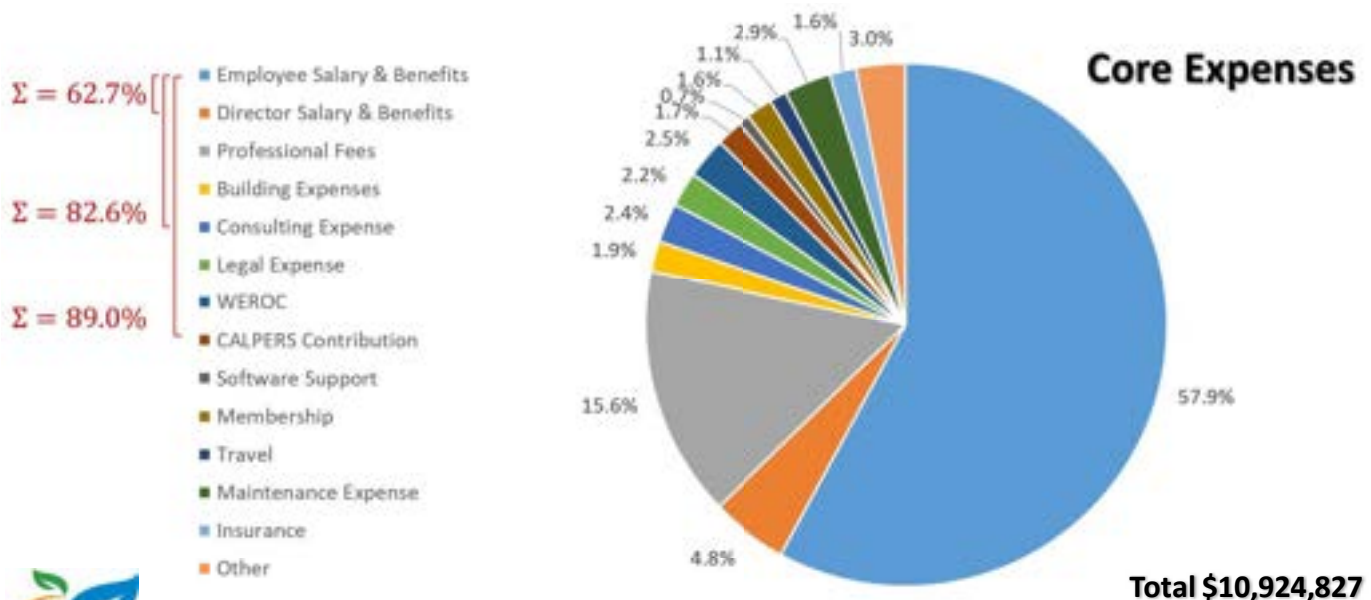
- Revised Final Choice Budget @ A&F Committee (9-11)
- Board Approval of Revised Final FY 2024-25 Choice Budget (9-28)

MWDOC Total Budget Summary

MWDOC FY 2024-25 BUDGET EXPENSES



MWDOC FY 2024-25 Core Expense by Line Item



FY 2024-25 Department Priorities



Reliability & Engineering

- Lead & Copper Rule
- Supplemental Reliability Analysis of Water Supplies
- MET Shutdown Planning



Communications / Public Affairs

- Pilot MWDOC "Ambassador Program"
- 'Ricky Turns 50'



MET Issues & Policy

- MET Business Model and Long-Term Financial Plan
- CAMP4W



Governmental Affairs

- Legislation & Regulatory Leadership
- Grant tracking



Water Use Efficiency

- WUE & Water Loss Program Implementation
- Assist MA's in meeting their State Conservation Requirements



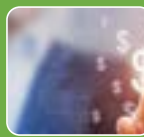
Administration & HR

- Education Initiatives
- Staff Development



WEROC

- Response Readiness
- Training, and Plan Development



Finance & IT

- IT Audit Implementation
- Software Upgrades

MWDOC FY 2024-25 Budget Overview

RATES

- Fixed Meter Charge @ \$14.75 – YTY Increase of 3.5% or \$0.50
- OCWD Contribution @ \$405,463 – YTY Increase of 5.67% or \$21,766

REVENUES

- Core Revenues @ \$10,808,241 – YTY Increase of 9.0% or \$895,879
(Interest Revenue \$738,960 – YTY Increase of \$419,550)

OPERATING EXPENSES

- Core Expenses @ \$10,924,827 – YTY Increase of 5.9% or \$607,928

TOTAL OUTSIDE FUNDING

- \$ 10,872,042

INITIAL CHOICE Y-T-Y EXPENSES

- \$1,964,480



Metropolitan FY24-25 & FY25-26 Biennial Budget

Adopted MET Key Budget Assumptions

NOTE: Adopted April 9, 2024



Fiscal Year	2024-25	2025-26
Overall increase (effective January 1)	8.5%	8.5%
Total Water Transactions*	1.34 MAF	1.34 MAF
State Water Project Allocation	51% / 49%	49% / 48%
Colorado River Aqueduct Diversions	830 TAF	845 TAF
Capital Investment Plan (CIP)	\$312 M	\$324 M
PAYGO (% of CIP)	56%	54%

* Includes water sales, exchanges, and wheeling



Proposed FY 2024/25 & FY 2025/26 Budget

Summary of Key Drivers

Rate Driver

1. Lower projected water transactions
2. Increased costs/expenditures
3. Carryforward impact of 2024 rates not fully recovering costs
(~\$37M use of reserve) and impact of maintaining minimum reserve levels

Inflation was about 9% for FY 2021/22 and much higher for items such as energy, chemicals, and vehicles, which are now being reflected in the budget. For example, variable treatment costs are up 39% despite lower volumes.

MWD actions such as negotiating federal Sisk Dam cost share agreement, securing IRA funding, and obtaining grant funding, among others, buffered the needed rate increase. Without these actions, rates would have been ~7% higher.

Biennial Budget Key Rate Drivers

Lower Projected Water Transactions

- FY 2023/24 budget: 1.54 MAF
- Due to record precipitation in 2023, projected water transactions for FY 2023/24 are trending toward 1.17 MAF, the lowest Metropolitan has experienced over the last 50 years
- The FY 2024/25 and FY 2025/26 adopted budget is based on 1.34 MAF of water transactions, which is 200,000 acre-feet lower than the FY 2023/24 budget and prior forecasts

The revenue declines require an approximate 7% increase in rates and charges over the two-year budget

Challenges for Metropolitan

Current Challenges for Metropolitan

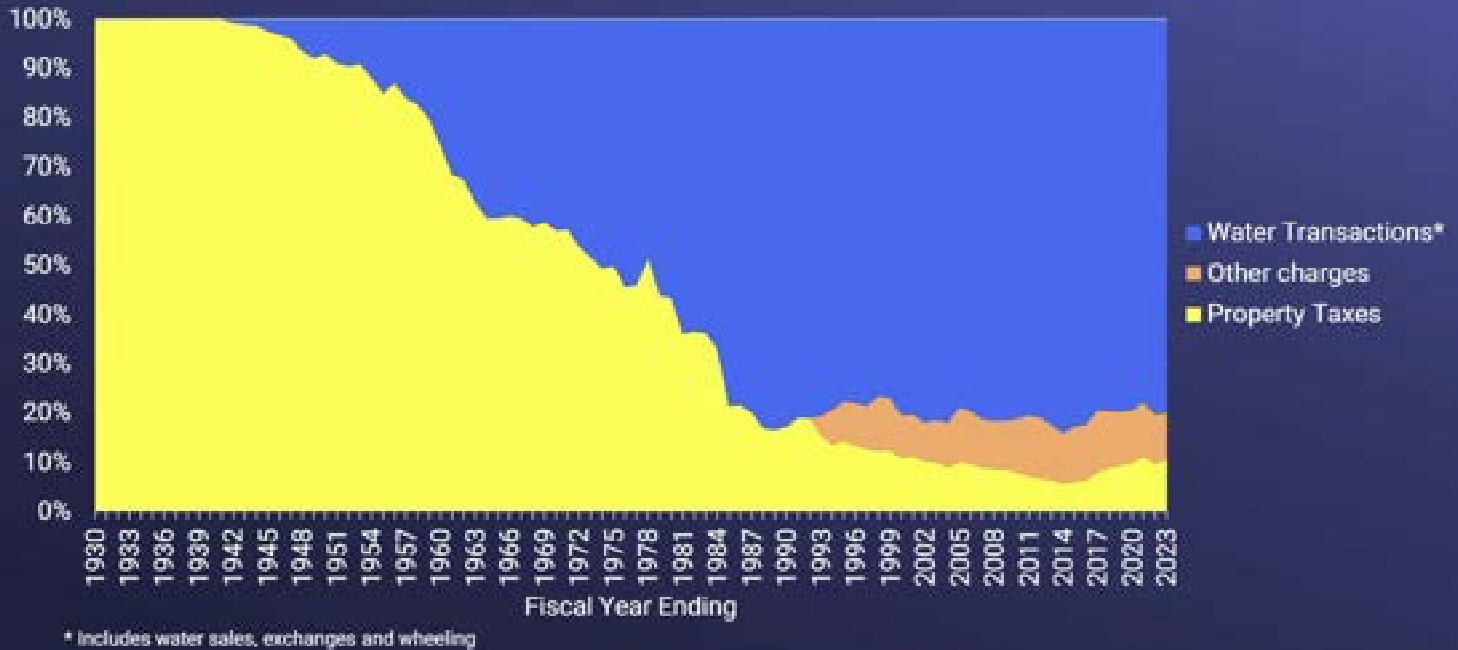
- Facing historic inflation pressures
- Costs of maintaining critical and aging infrastructure for operational integrity
- Impacts of increasingly extreme climate conditions require investments in new infrastructure and projects
- Use of one-time resources (i.e., reserves) is no longer available to support future ongoing needs, both known and unknown

Metropolitan has used reserves to keep rate increases as low as possible and maintain operations in the current fiscal year. It is imperative to increase rate revenue to maintain minimum levels of reserve funding

Additional Budget Actions

- Metropolitan is also pursuing \$60 million per year in revenues through management of stored water to help shore up financial reserves
- \$18M reduction in expenditures per fiscal year
- Included in the Board action was the direction for Metropolitan to work with member agency staff and the CAMP4Water Task Force to understand and analyze the treatment surcharge

Historical Revenue Sources



Median Home Value

- The median home value for owner-occupied units in Metropolitan's service area ranges from a low of \$504,400 in San Bernardino County to a high of \$940,900 in Orange County
- The annual property taxes paid under Metropolitan's current property tax rate for the median home ranges from \$17.91 to \$33.40
- Under the alternative analyzed, the property taxes paid on a median valued home would increase to a range of \$35.31 to \$65.86 annually

County	Median Home Value[1]	Property Tax	
		Median Paid (.0035%)	Median Paid (.007%)
Los Angeles County	\$805,600	\$28.60	\$56.39
Orange County	\$940,900	\$33.40	\$65.86
Riverside County	\$555,400	\$19.72	\$38.88
San Bernardino County	\$504,400	\$17.91	\$35.31
San Diego County	\$846,600	\$30.05	\$59.26
Ventura County	\$796,300	\$28.27	\$55.74

[1] US Census Bureau, 2022 American Community Survey, 1-Year Estimates (Owner-Occupied Housing Units)

Option I: Ten-year Financial Projection

1.34 MAF / 0.0070% Ptax Rate / O&M Cut / New Rev



* Revenue Remainder and Water Rate Stabilization Fund
** Includes water sales, exchanges and wheeling

Overall Rate Inc.	5%	5%	8.5%	8.5%	11.5%	11.5%	5.0%	5.0%	4.0%	4.0%	4.0%	4.0%
Ptax Rate	.0035%	.0035%	.0070%	.0070%	.0070%	.0070%	.0070%	.0070%	.0070%	.0070%	.0070%	.0070%
Water Transactions (MAF)**	1.42	1.17	1.34	1.34	1.34	1.35	1.35	1.36	1.37	1.39	1.41	1.43
Rev. Bond Cvg	1.5	1.1	1.7	1.9	1.6	1.8	1.9	1.8	1.7	1.7	1.7	1.7
CIP, \$M	247	353	312	324	1,390	1,684	2,171	1,966	1,544	1,091	655	502
PAYGO, \$M	135	\$35	\$175	\$175	\$175	\$250	\$275	\$275	\$250	\$225	\$200	\$200

Option I: Water Rates and Charges

1.34 MAF / 0.0070% Ptax Rate / O&M Cut / New Rev

Rates & Charges Effective January 1st	Current 2024	Proposed 2025	% Increase (Decrease)	Proposed 2026	% Increase (Decrease)
Supply Rate (\$/AF)	\$332*	\$290	-13%	\$313	8%
System Access Rate (\$/AF)	\$389	\$463	19%	\$492	6%
System Power Rate (\$/AF)	\$182	\$159	-13%	\$179	13%
Treatment Surcharge (\$/AF)	\$353	\$483	37%	\$544	13%
Full Service Untreated (\$/AF)	\$903	\$912	1%	\$984	8%
Full Service Treated (\$/AF)	\$1,256	\$1,395	11%	\$1,528	10%
RTS Charge (\$M)	\$167	\$181	8%	\$188	4%
Capacity Charge (\$/cfs)	\$11,200	\$13,000	16%	\$14,500	12%
Overall Rate Increase			8.5%		8.5%

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, and if applicable the Treatment Surcharge for treated water service.

* based on Tier 1 for 2024

Thank you for your attention.
Please **let us know** if you have questions.



MUNICIPAL WATER DISTRICT OF ORANGE COUNTY