

Proposed Biennial Budget for FYs 2018/19 and 2019/20; Ten-Year Financial Forecast

Workshop #1 (Budget, Rates and Charges)

Finance & Insurance Committee
Item 8
February 12, 2018



Proposed Biennial Budget Workshop #1

Presentation Overview

- Overview
- Proposed Biennial Budget
- Operating Budget
- Ten-Year Financial Forecast
- Next Steps

Overview

Biennial Budget and Rates Process Has Several Objectives

- Support General Manager's Strategic Priorities
- Adopt a two-year budget, covering fiscal years 2018/19 and 2019/20
- Adopt rates and charges for calendar years 2019 and 2020
- Update ten-year forecast (Ten-Year Financial Forecast), including the biennial period

Summary of Financial Policies

- Maintain AAA/AA+/Aa1 ratings
- Achieve/Maintain coverage ratios
 - Debt service coverage = 2.0
 - Fixed charge coverage = 1.2
- PAYGO funding
 - 60 percent per year
 - Integral to maintaining coverage targets
 - Provides financial flexibility

Overall Rate Increases Since 2011



Important Underlying Assumptions

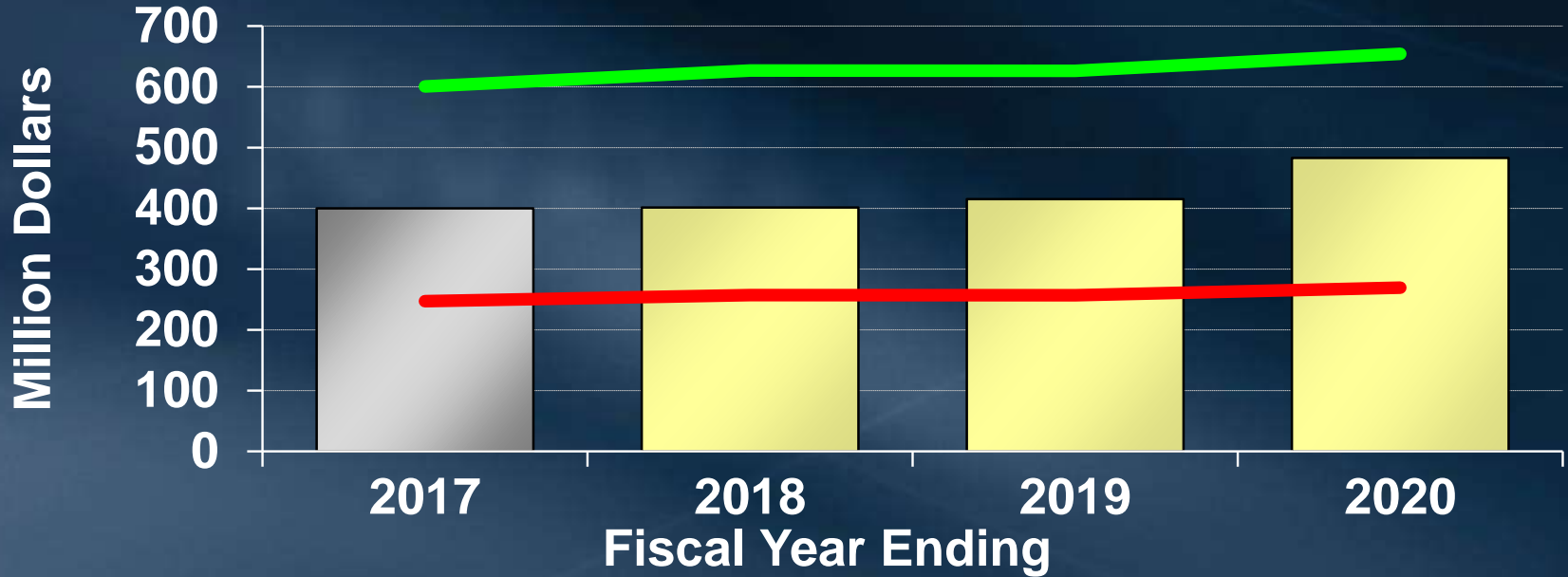
Fiscal Year Ending	2019	2020
Overall increase January 2019 & 2020	3.0%	3.0%
Water Transactions*	1.65 MAF	1.75 MAF
State Water Project Allocation	50%	50%
Colorado River Aqueduct Diversions	0.84 MAF	0.92 MAF
CIP Expenditures	\$200 M	\$200 M
PAYGO	\$120 M	\$120 M

* Includes water sales, exchanges and wheeling.

Proposed Biennial Budget

Projected Rate Increases & Financial Metrics

■ Unrestricted Reserve* — Target Reserve — Minimum Reserve



Overall Rate Inc.	4.0%	4.0%	3.0%	3.0%
Water Transactions (MAF)**	1.54	1.55	1.65	1.75
Rev. Bond Cvg	1.6	1.5	1.6	1.9
Fixed Chg Cvg	1.4	1.4	1.5	1.7
PAYGO, \$M	132	108	120	120

* Revenue Remainder and Water Rate Stabilization Fund

** Includes water sales, exchanges and wheeling.

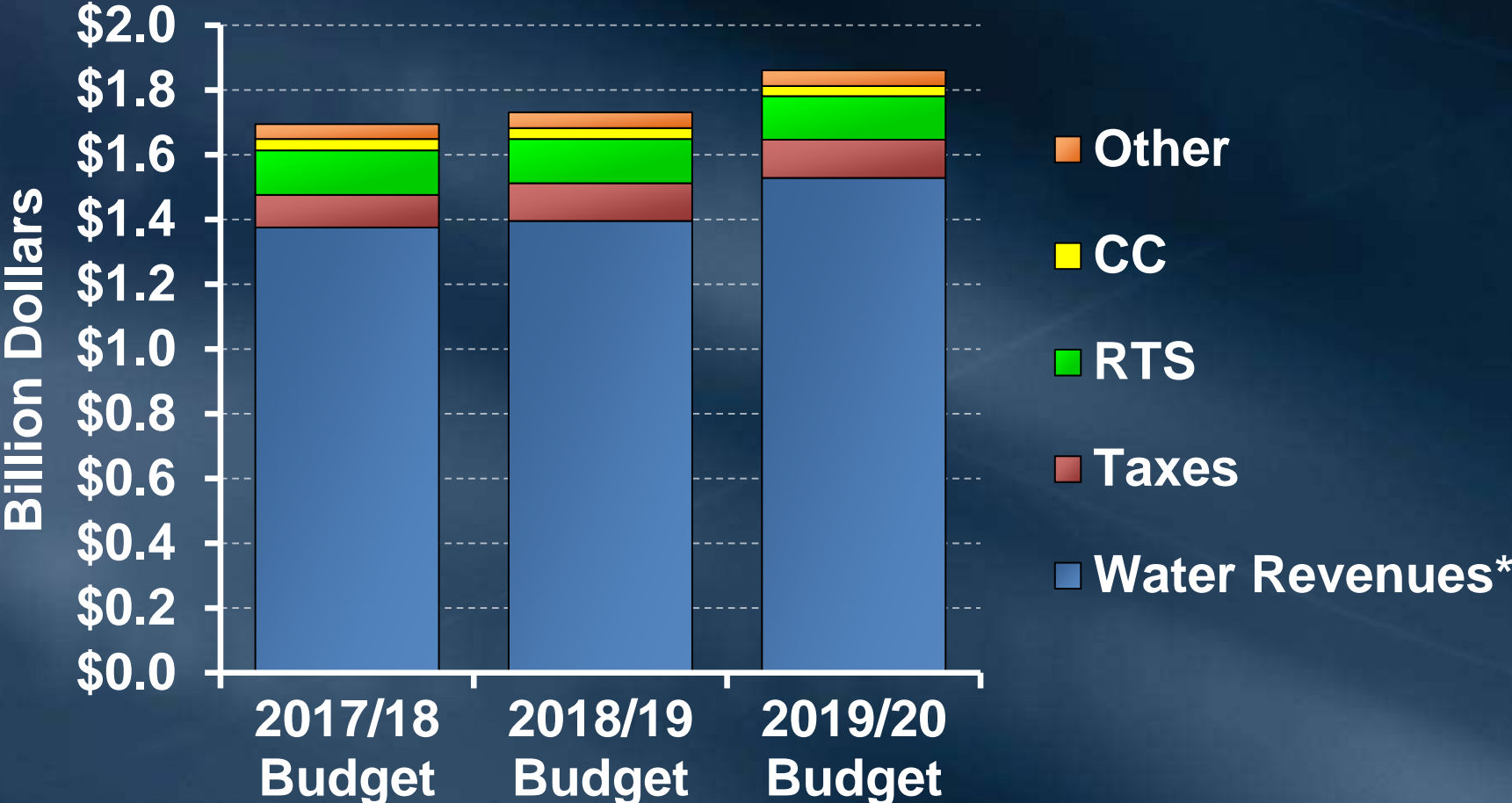
Proposed Full Service Costs and Charges

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

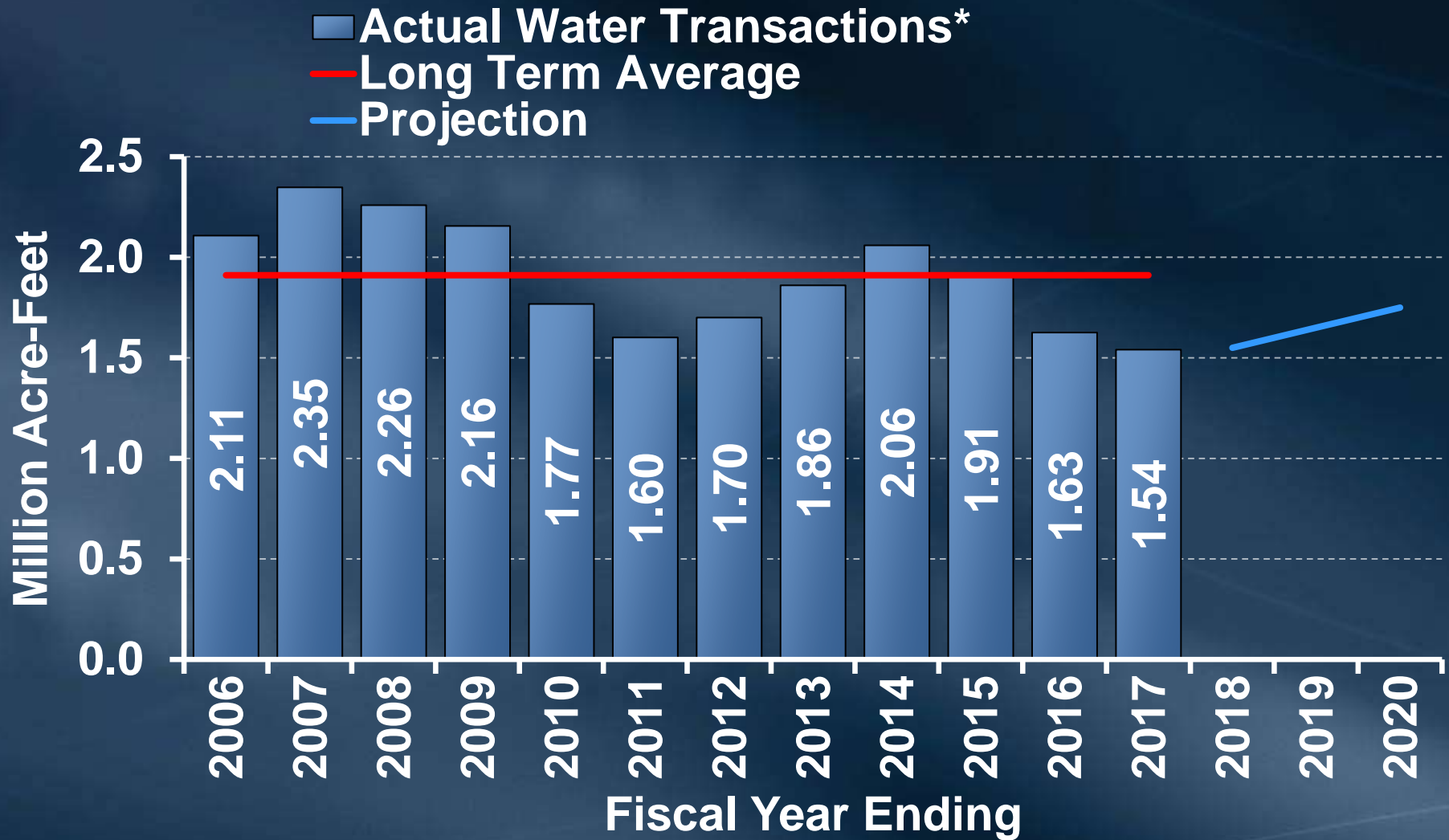
Full Service Cost means the Full Service Rate, consisting of the following rate components: the applicable Supply Rate, the System Access Rate, the System Power Rate, the Water Stewardship Rate, and if applicable the Treatment Surcharge for treated water service.

Revenue Trend



* Includes water sales, exchanges and wheeling

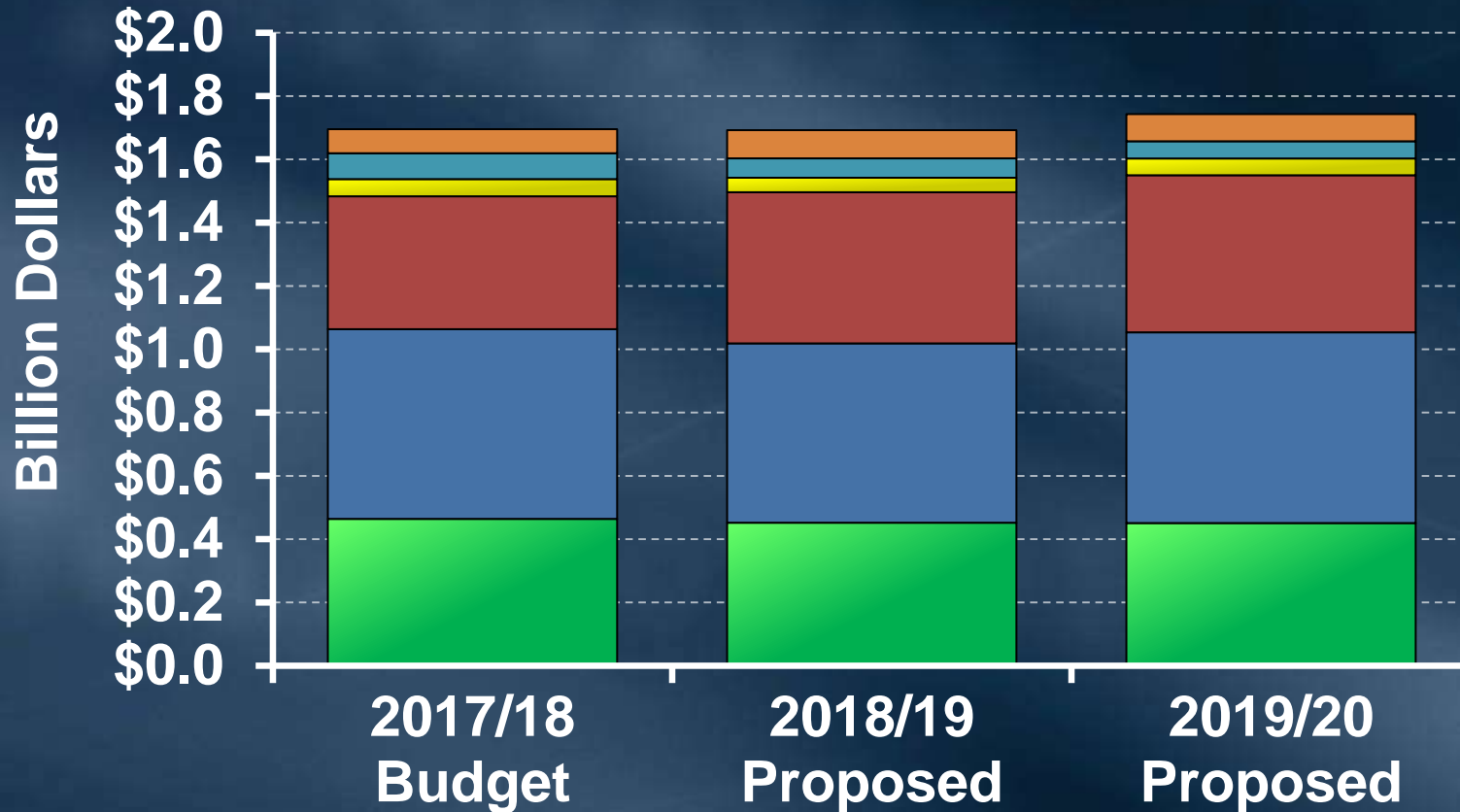
Water Transactions



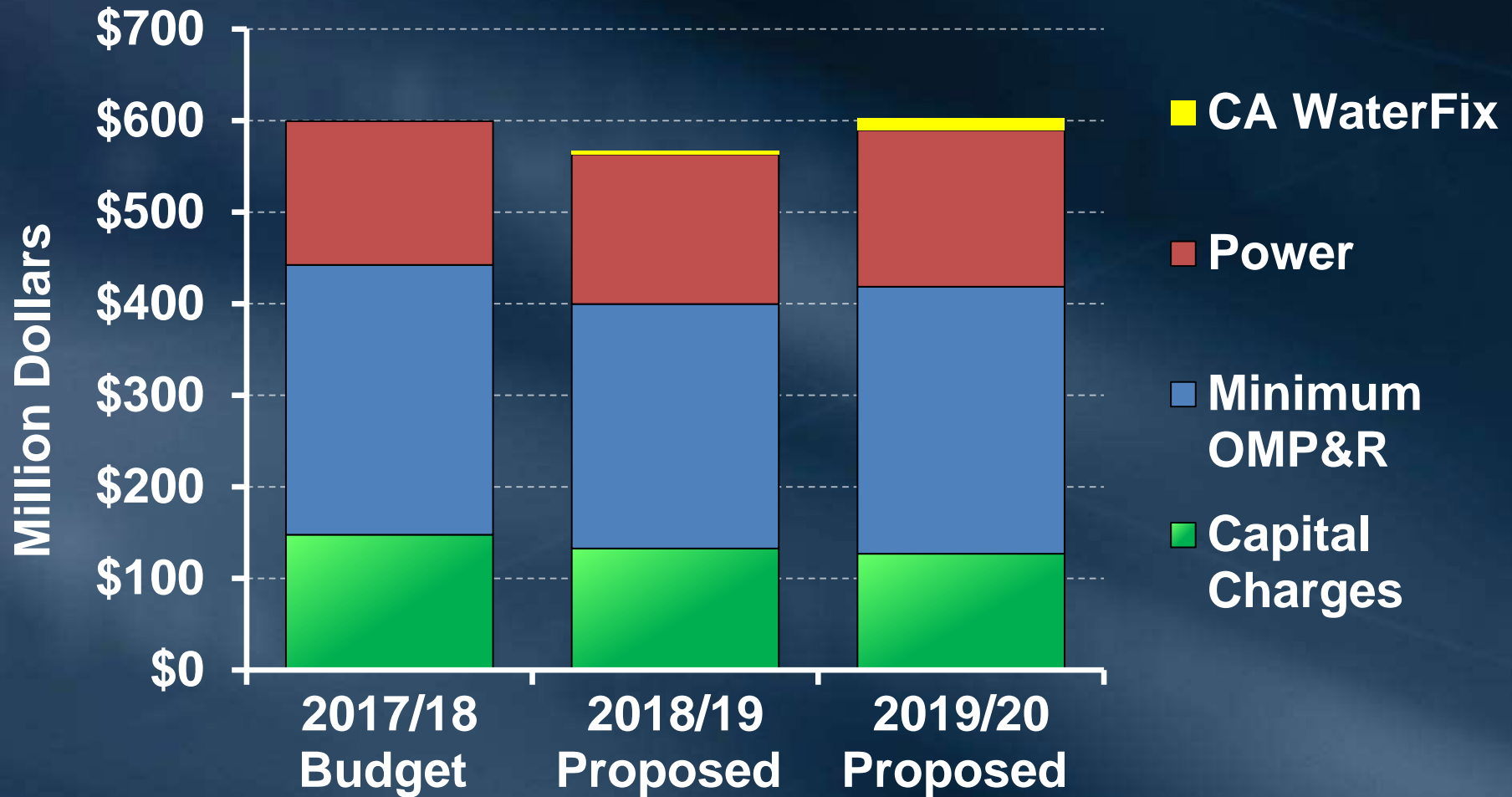
* Includes water sales, exchanges and wheeling

Expenditure Trend

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

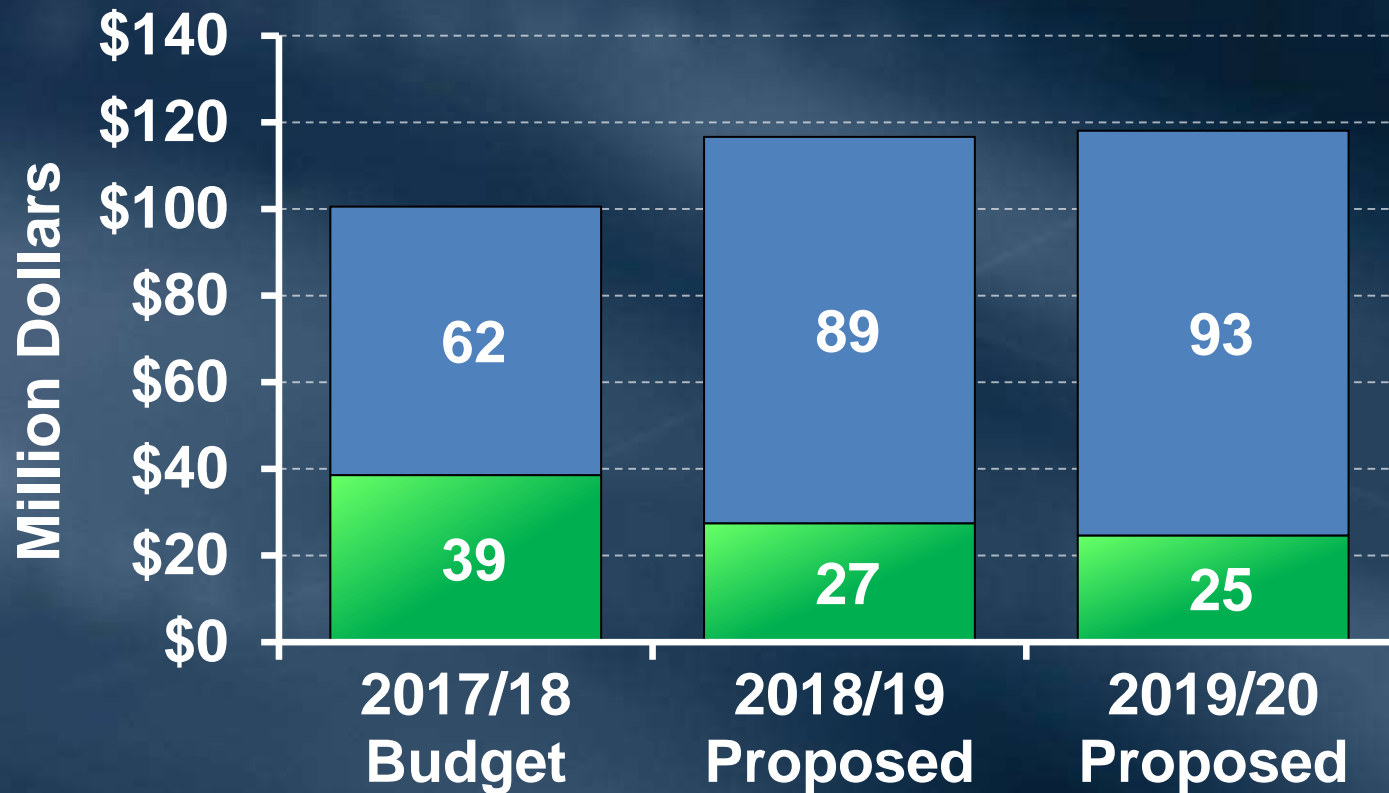


State Water Contract

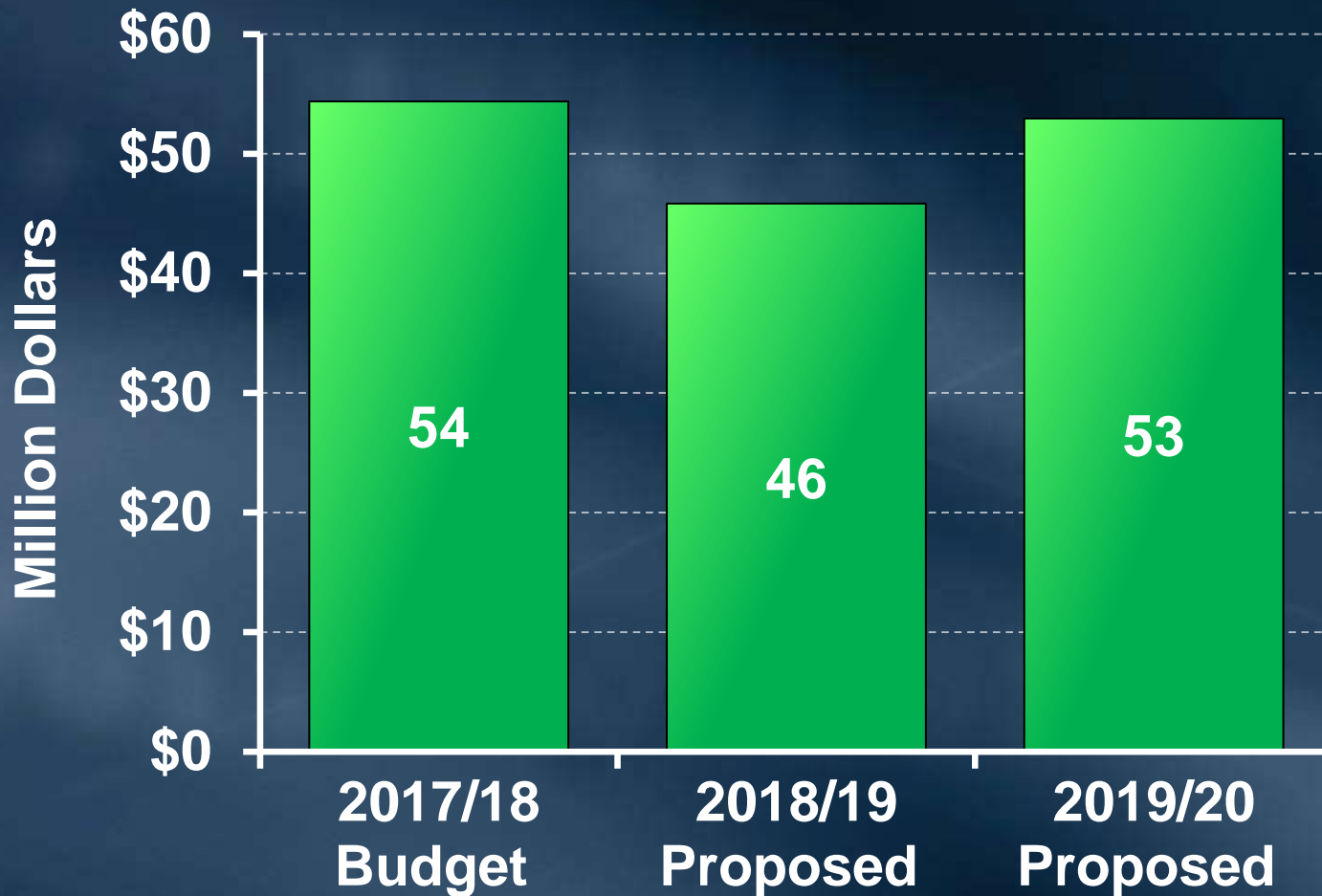


Tax Collected

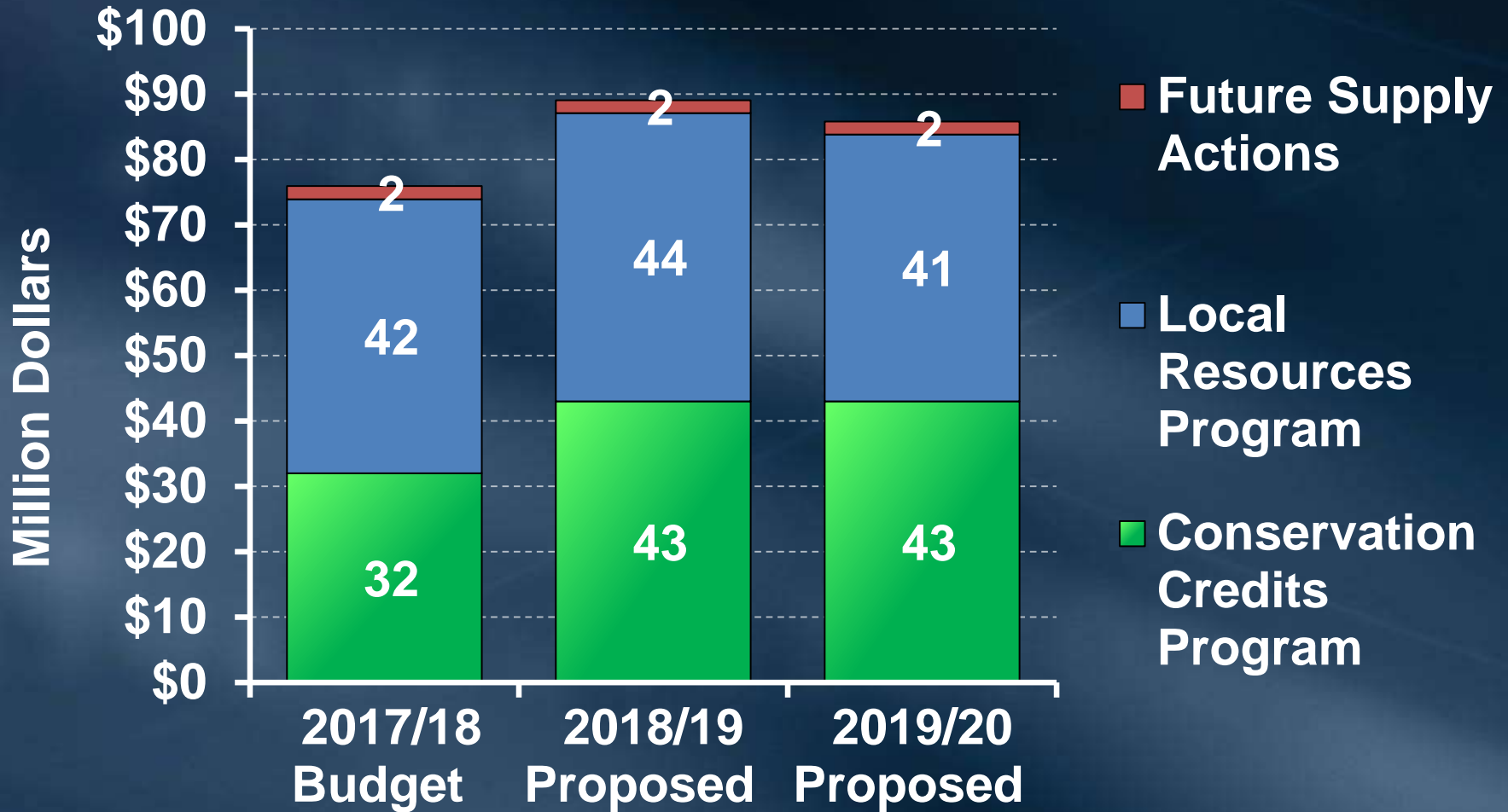
- Tax collected to fund SWC costs
- Tax collected for GO and Burns Porter bonds



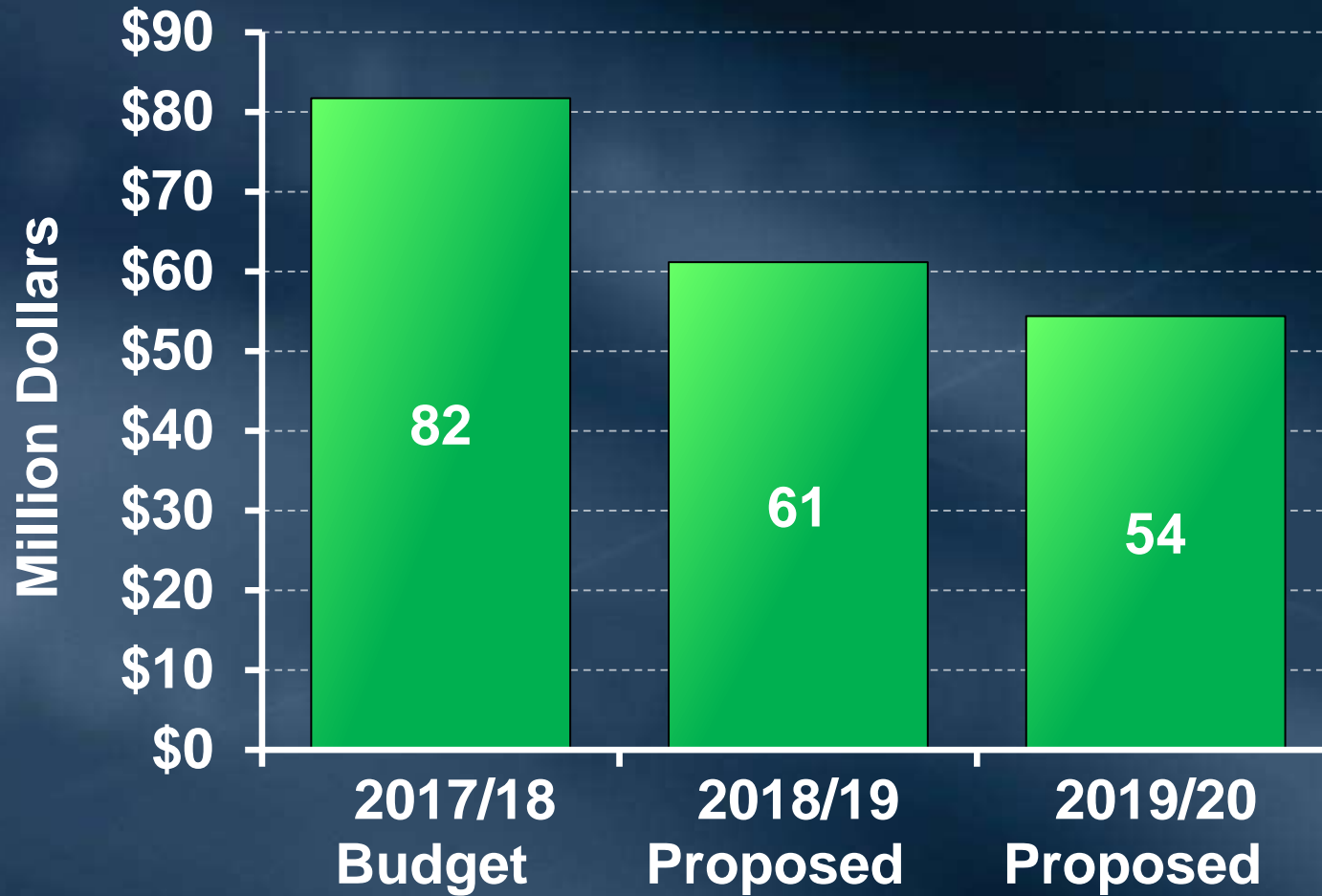
Colorado River Aqueduct Power



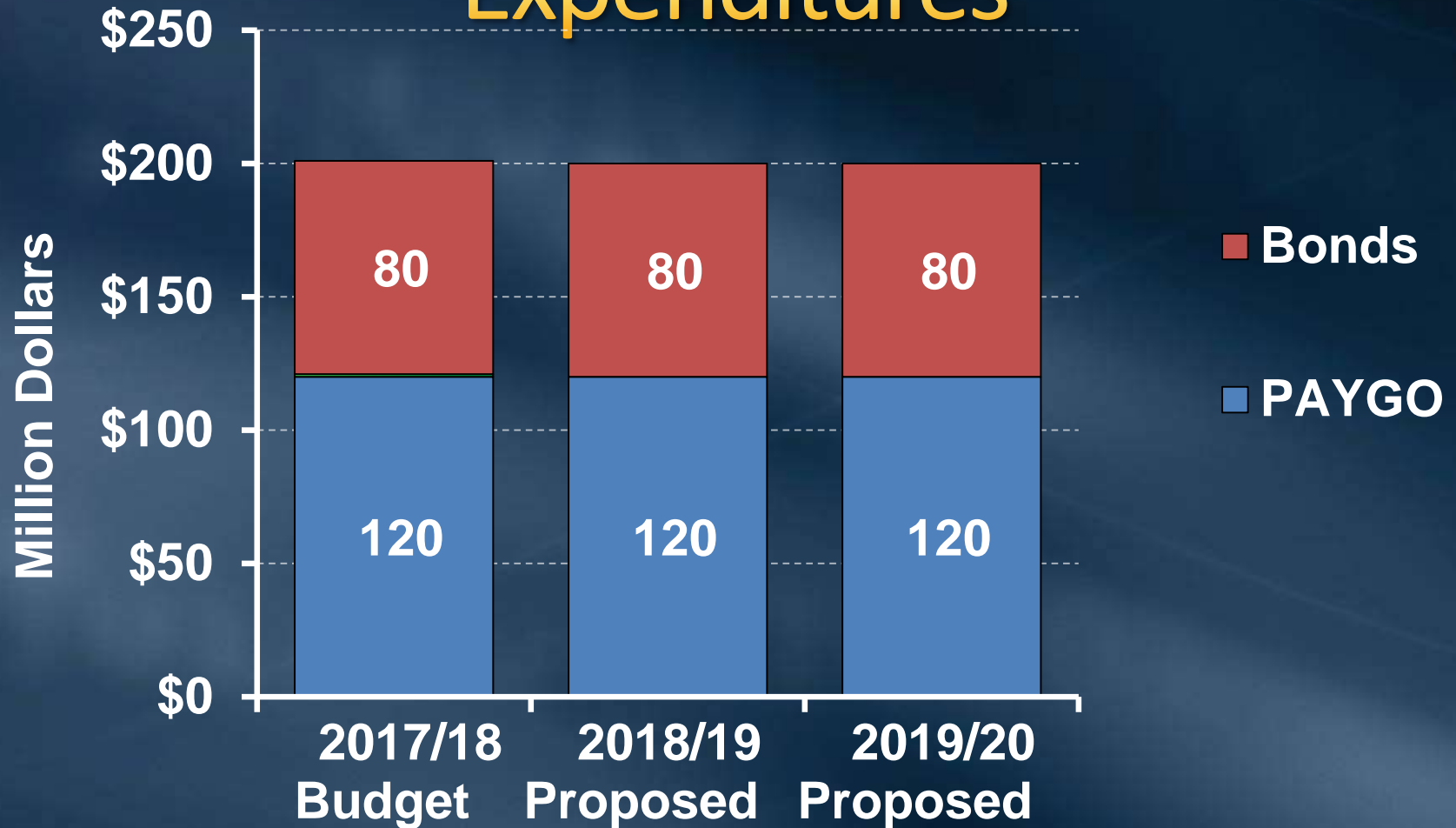
Demand Management Programs



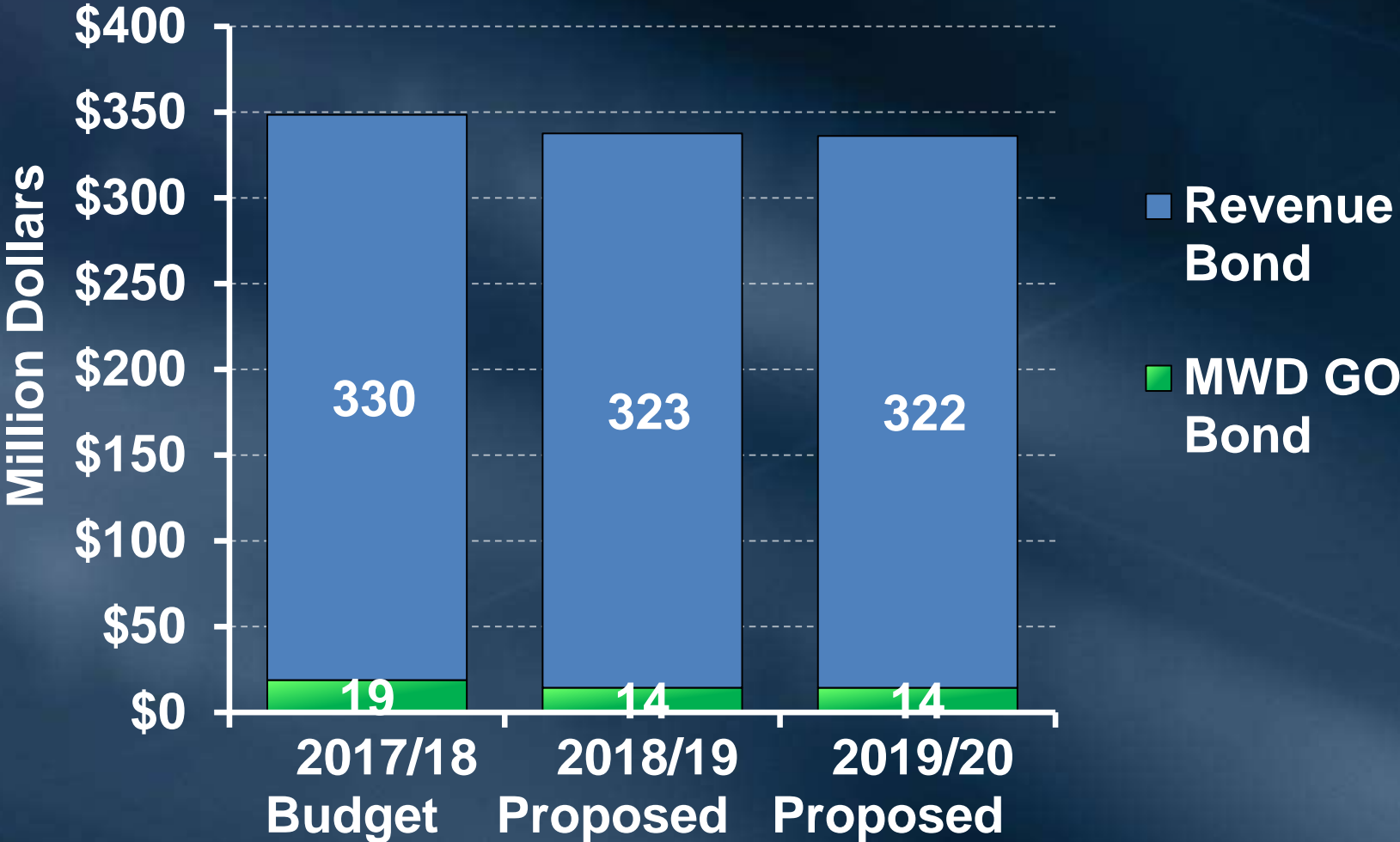
Supply Programs



Capital Investment Plan Expenditures



Debt Service



Operating Budget

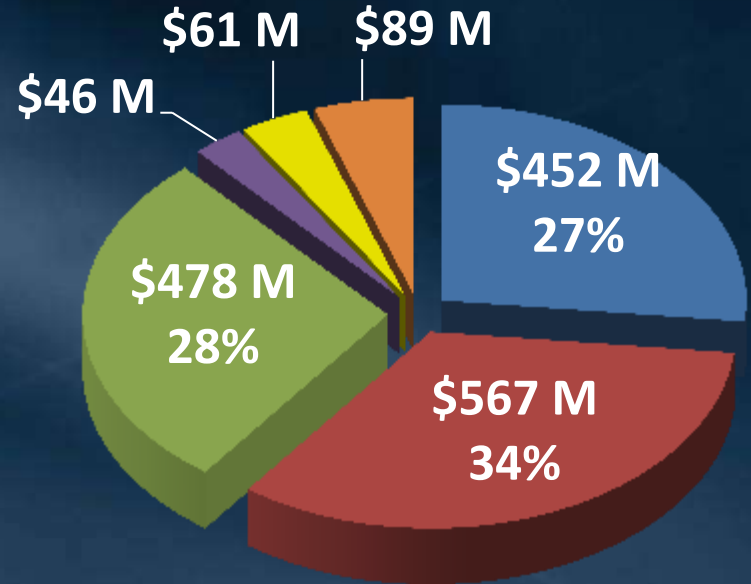
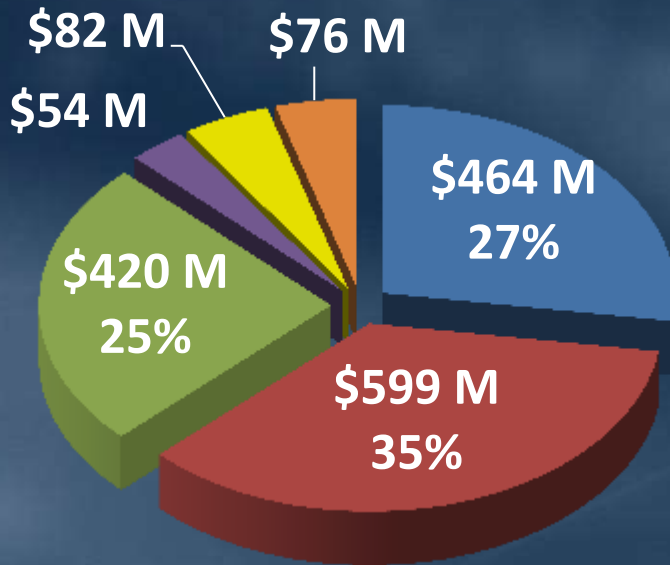
GM's Strategic Priorities

1. Enhance Infrastructure Safety, Security and Resiliency
2. Prepare for More Extreme Hydrology
3. Ensure Imported Supply Reliability
4. Maximize Local Resources
5. Promote Environmental Stewardship and Sustainability
6. Foster Leadership and Strengthen Workforce Capabilities
7. Maintain Sound Business Practices and Fiscal Integrity

Expenditures Trend

FY 2017/18 - \$1.695 B

FY 2018/19 - \$1.692 B



■ Capital Financing

■ State Water Contract

■ O&M

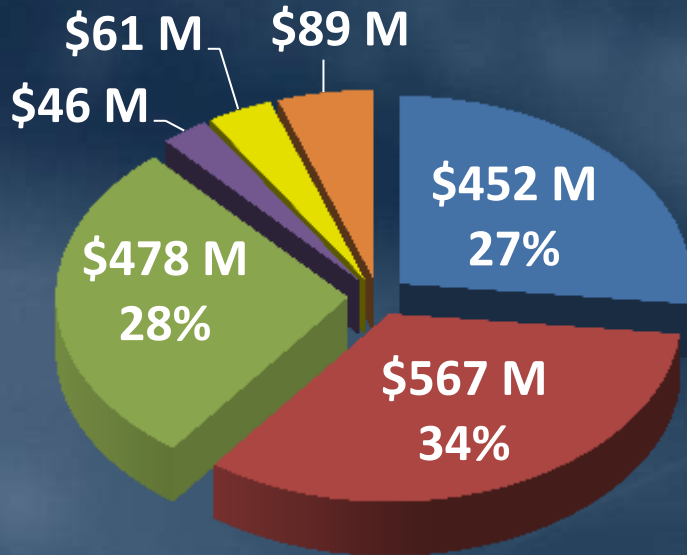
■ Colorado River Power

■ Supply Programs

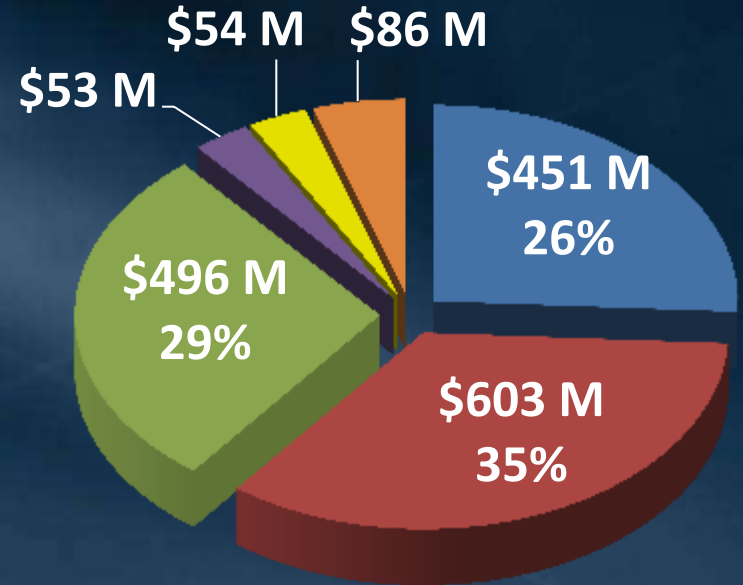
■ Demand Management

Expenditures Trend

FY 2018/19 - \$1.692 B



FY 2019/20 - \$1.743 B



■ Capital Financing

■ State Water Contract

■ O&M

■ Colorado River Power

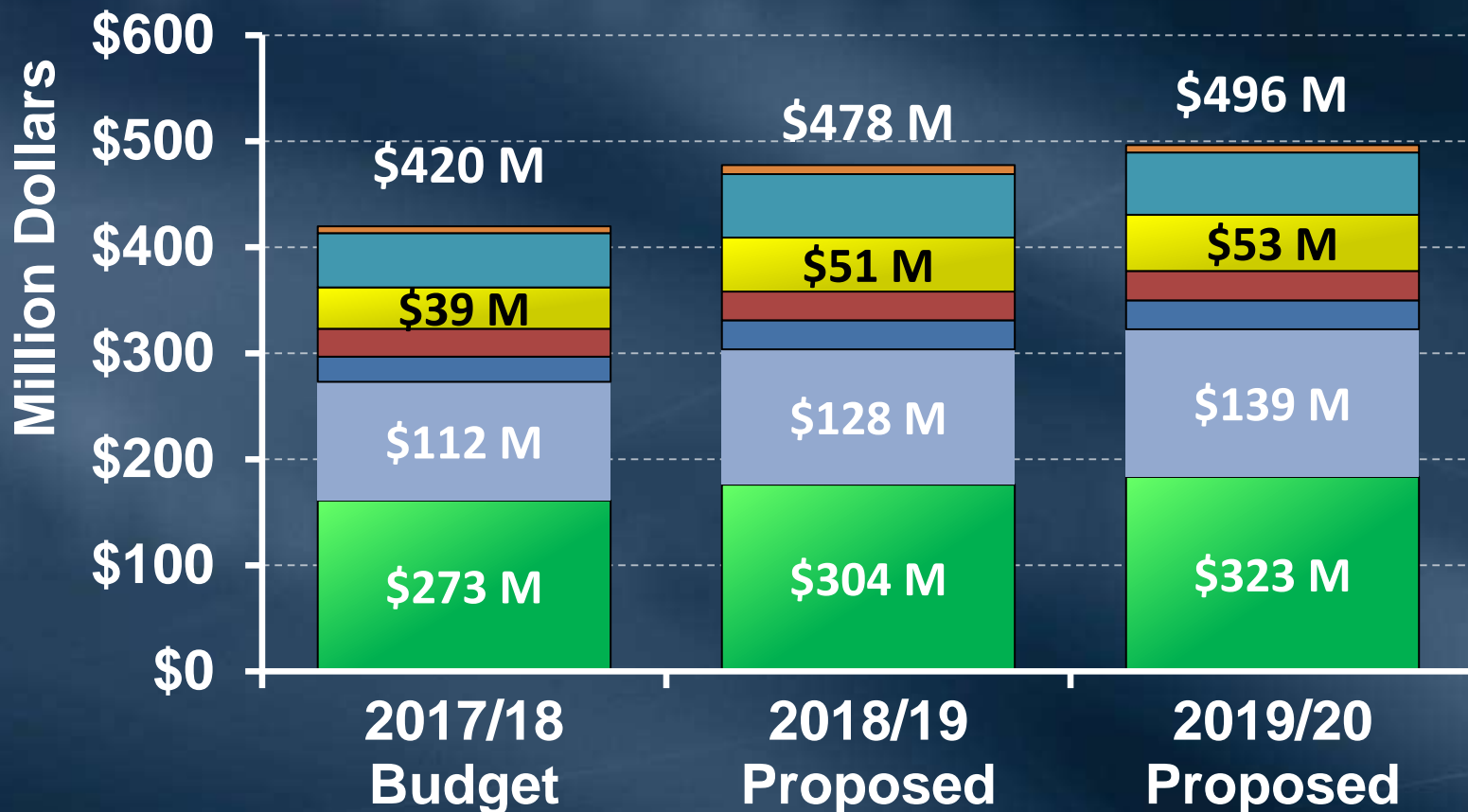
■ Supply Programs

■ Demand Management

O&M Expenditure Budget

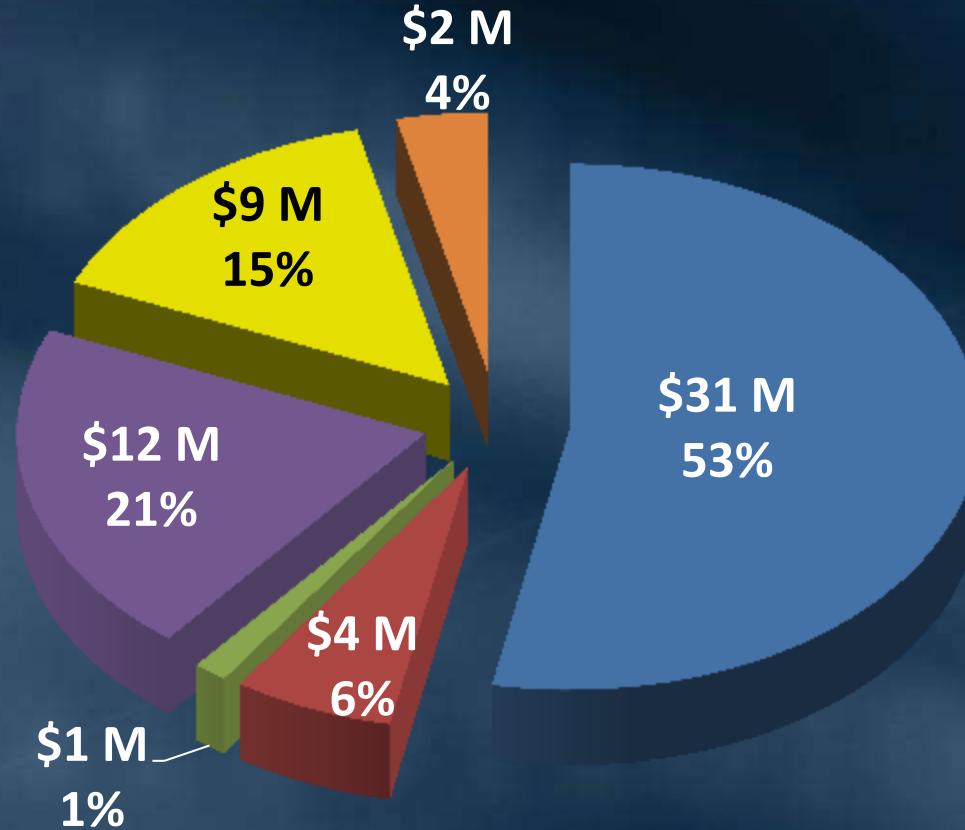
Proposed O&M Expenditure Budget

- Operating Equipment
- Outside Services
- Materials & Supplies
- Salaries
- Other O&M
- Treatment (Chemicals, Solids, Power)
- Benefits



O&M Budget Increase from FY 2017/18

% of total increase of \$58 M



■ Salaries & Benefits

■ Treatment (Chemicals, Solids, Power)

■ Other O&M

■ Materials & Supplies

■ Outside Services

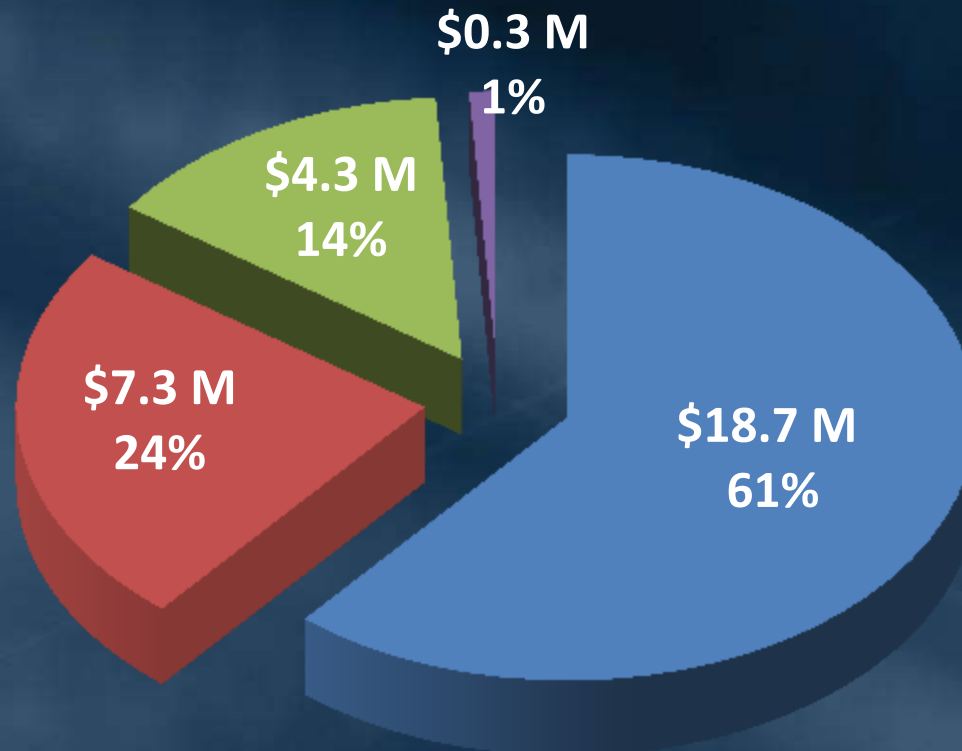
■ Operating Equipment

O&M by Expenditure Type

Millions of Dollars	2017/18 Budget	2018/19 Proposed	2019/20 Proposed	2018/19 Proposed vs 2017/18 Budget	% change	2019/20 Proposed vs 2018/19 Proposed	% change
Salaries & Benefits	273.1	303.7	322.6	30.6	11.2%	18.9	6.2%
Chemicals, Solids and Power	26.3	27.1	27.7	0.8	3.0%	0.6	2.3%
Professional Services	17.0	23.2	23.1	6.2	36.8%	(0.1)	(0.3%)
Non Professional Services /Security & R&M	22.0	27.7	29.9	5.7	25.7%	2.2	7.9%
Materials & Supplies	23.7	27.4	27.3	3.7	15.5%	(0.1)	(0.5%)
Insurance/Premiums	12.8	12.8	12.8	(0.0)	(0.2%)	0.0	0.1%
Utilities	7.5	8.3	8.4	0.8	11.3%	0.1	0.7%
Memberships & Subscriptions	7.3	8.0	8.2	0.7	9.6%	0.1	1.6%
Taxes & Permits	6.5	9.4	7.7	2.9	45.4%	(1.7)	(18.5%)
Travel & Training	5.1	5.8	5.7	0.7	13.5%	(0.1)	(1.1%)
Communications	3.5	4.1	4.1	0.6	15.8%	0.0	0.0%
Other	8.5	11.5	11.9	2.9	34.4%	0.5	4.2%
Operating equipment	6.4	8.5	7.0	2.1	32.6%	(1.6)	(18.4%)
Total O&M	\$419.8	\$477.5	\$496.4	\$57.7	13.8%	\$18.9	3.9%

FY 2018/19 O&M Labor Increase

% of total increase of \$30.6 M from FY 2017/18



■ COLA related salary & benefits

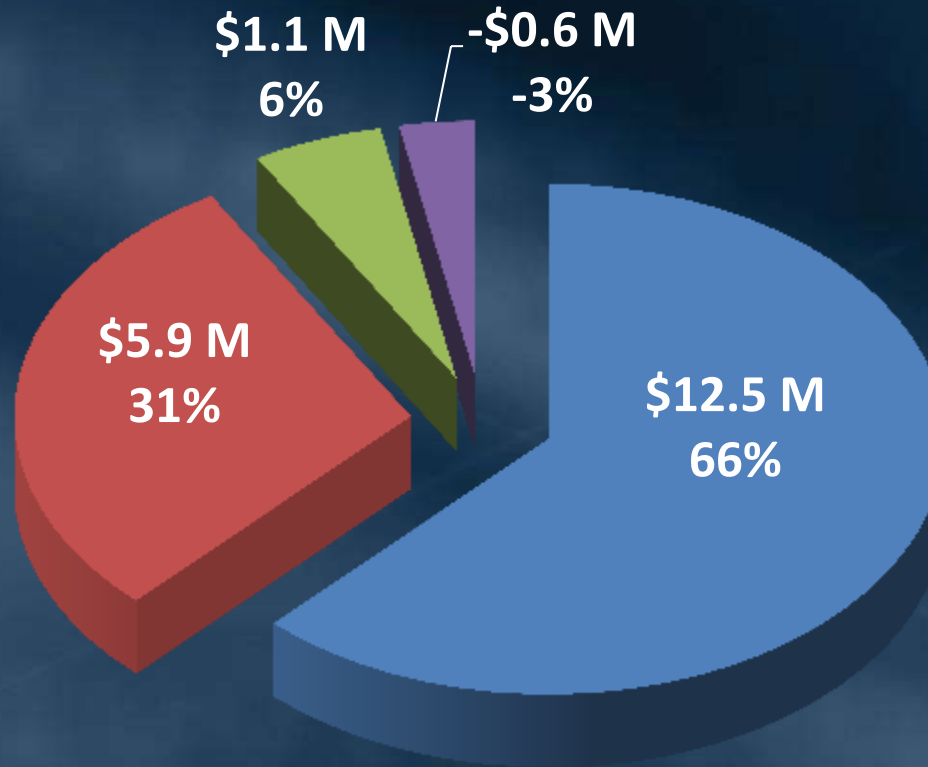
■ Benefits cost increase

■ New & refunded positions

■ Other

FY 2019/20 O&M Labor Increase

% of total increase of \$18.9 M from FY 2018/19



■ COLA related salary & benefits

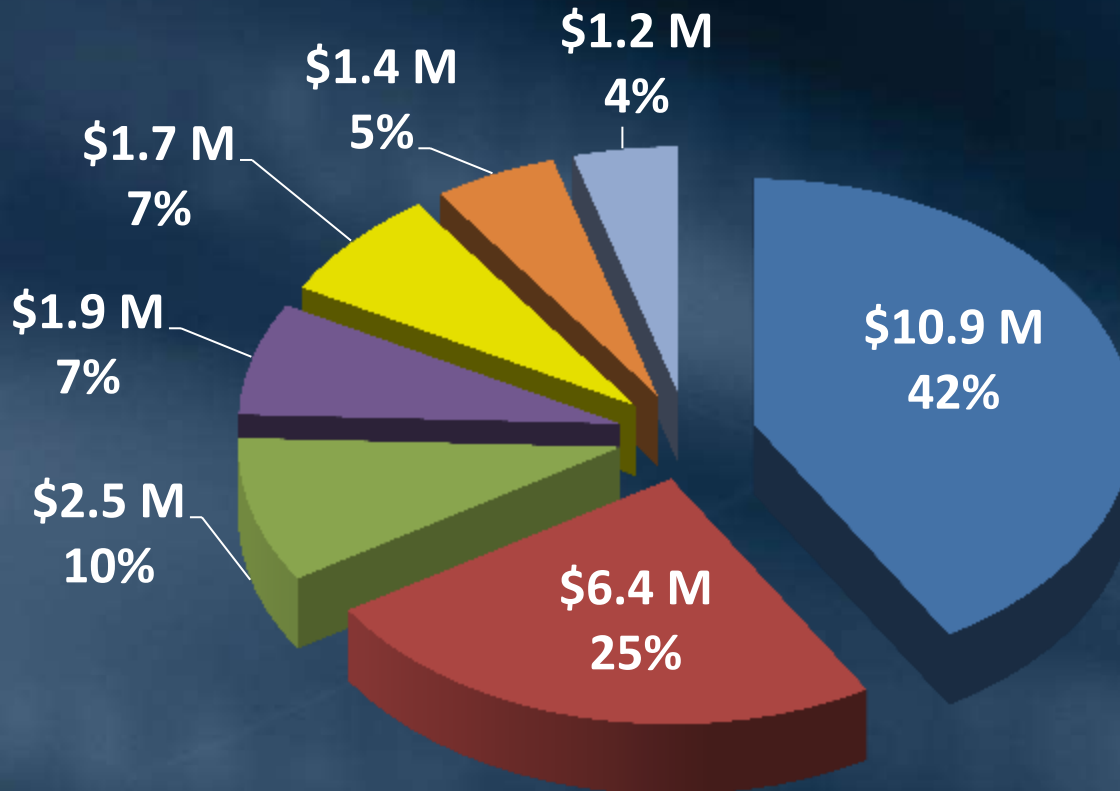
■ Benefits cost increase

■ New & refunded positions

■ Other

Increases over the Biennium by Major Program

\$26.0 M or 34% of total increase of \$77 M



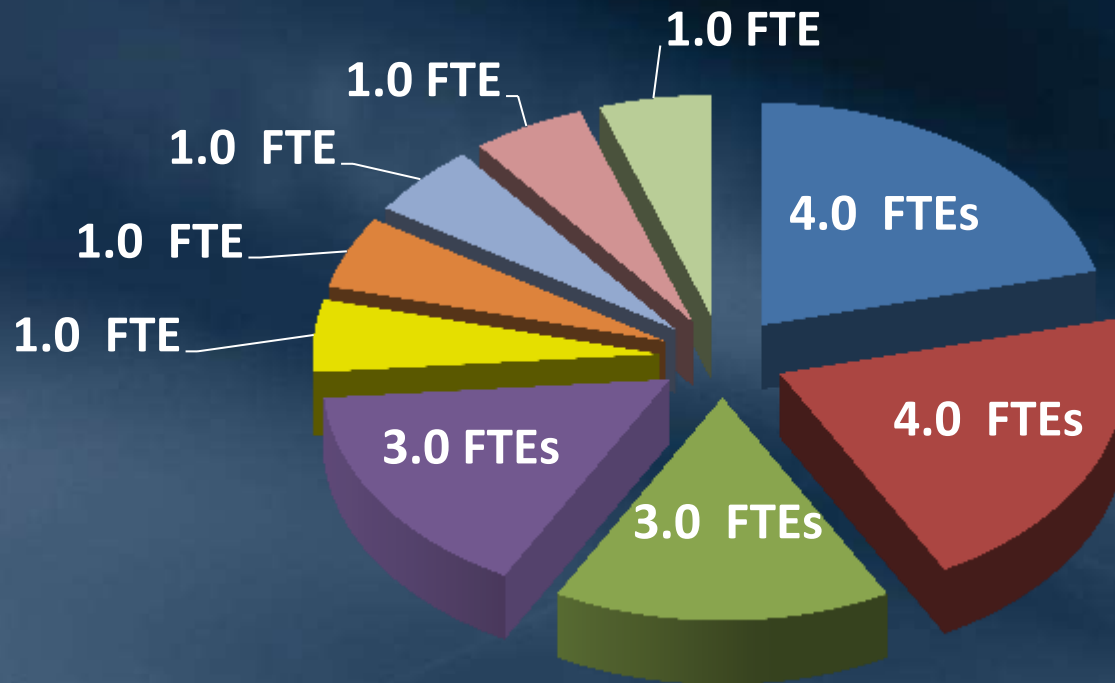
- Infrastructure Reliability & Seismic Resilience
- Bay Delta
- Regional Recycled Water Program
- Environmental Planning & Remediation
- Enhanced Security & Land Management Efforts
- Employee Development / Succession Planning
- California WaterFix

Budgeted Positions

	2015/16	2016/17	2017/18	2018/19	2019/20
Regular	1,885	1,886	1,886	1,900	1,905
Temporary	20	26	24	27	27
Authorized Positions	1,905	1,912	1,910	1,927	1,932
Vacancy rate	(56)	(72)	(69)	(65)	(64)
Total Funded Positions	1,849	1,840	1,841	1,862	1,868

FTE increase over Biennium by Major Area

Increase of 19 regular FTEs from FY 2017/18 Budget



- Increased Recruitment & Succession planning efforts
- Business Technology support
- Enhanced Security & Land Management efforts
- Environmental Planning
- Board support
- SWP and CRA programs support
- Bay Delta Initiatives support
- HQ seismic & DVL maintenance efforts
- Outreach efforts

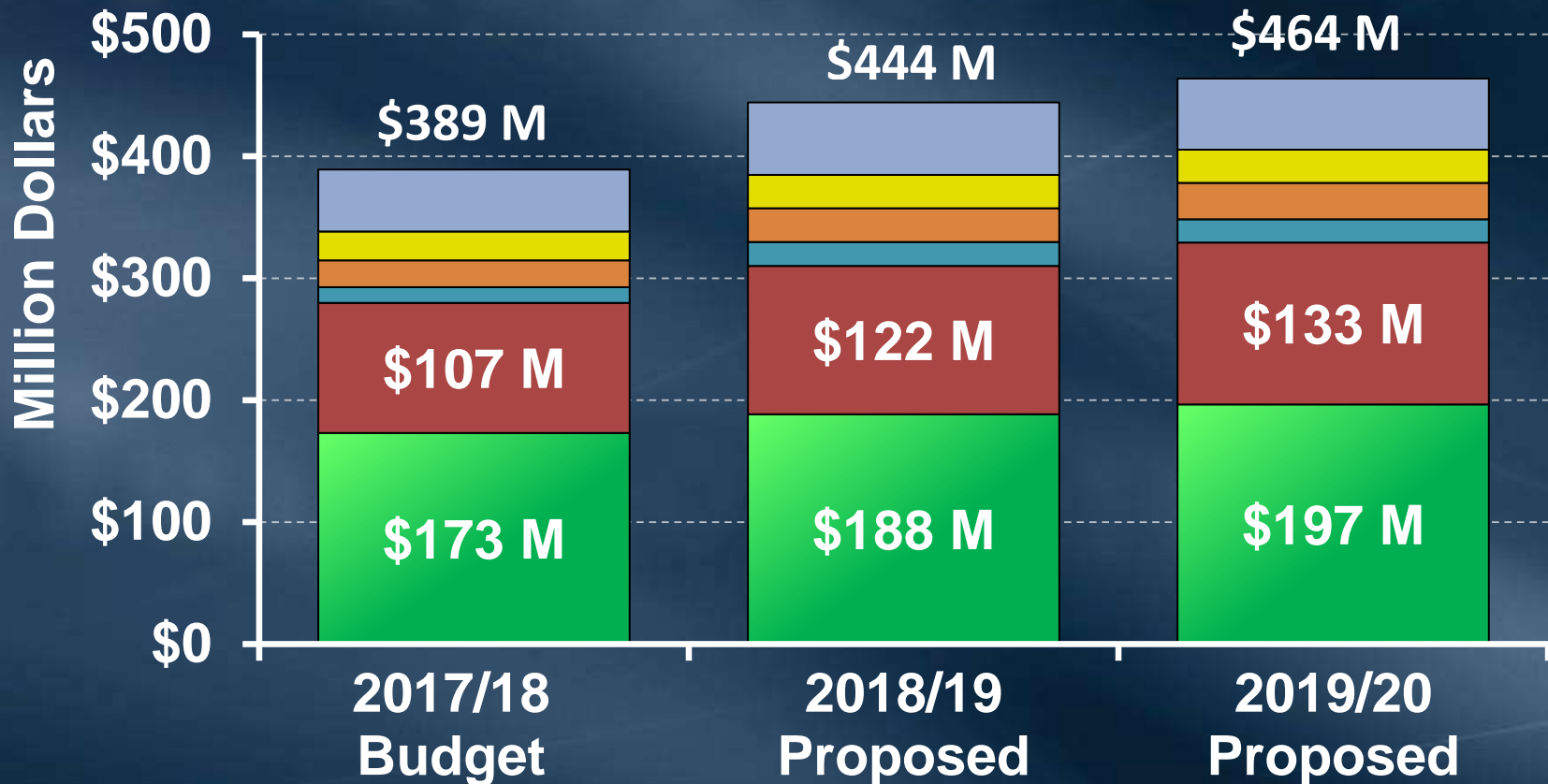
Departmental Budgets

- General Manager
- Legal
- Audit
- Ethics

GM Department

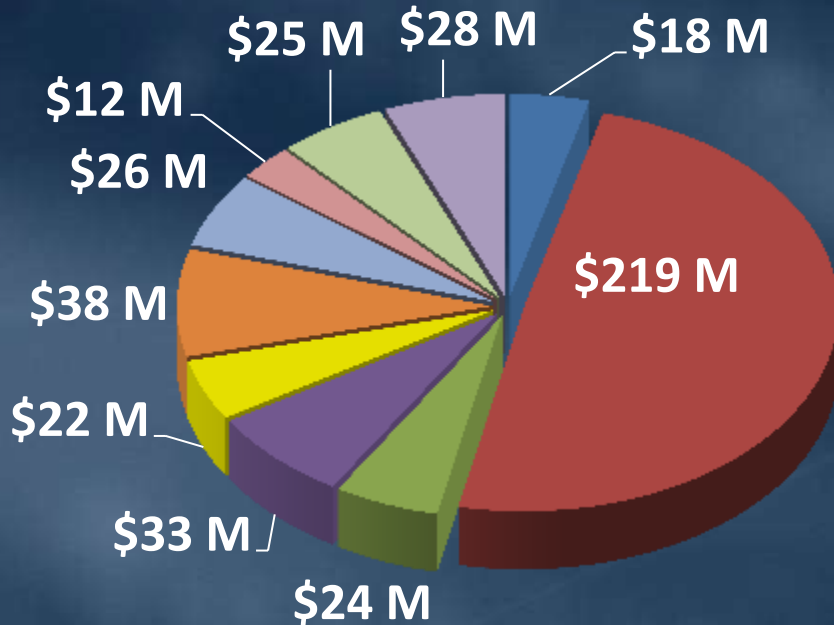
GM Department O&M Budget

- Other
- Materials & Supplies
- Non Professional Services/Security
- Professional Services
- Benefits
- Salaries

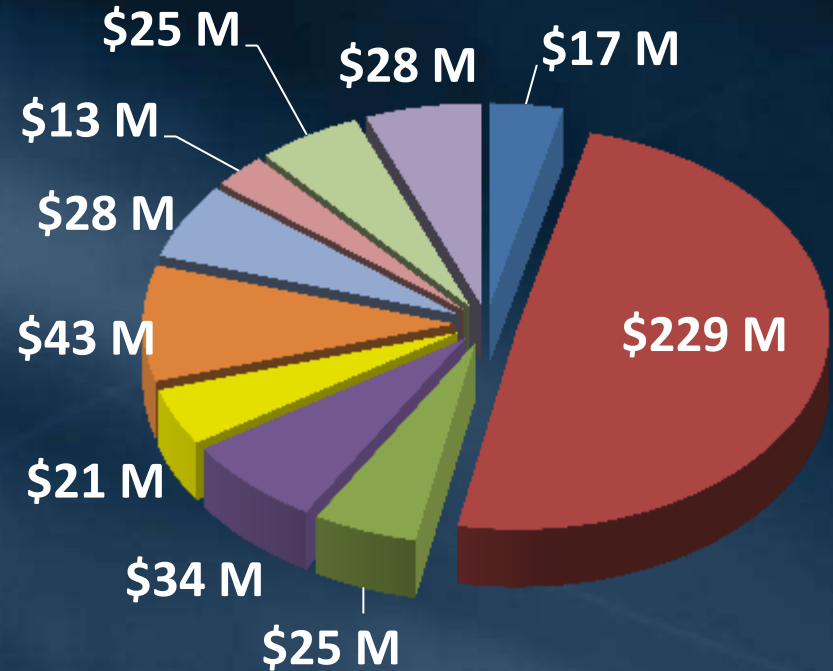


GM Department O&M Budget

FY 2018/19 - \$444 M



FY 2019/20 - \$464 M



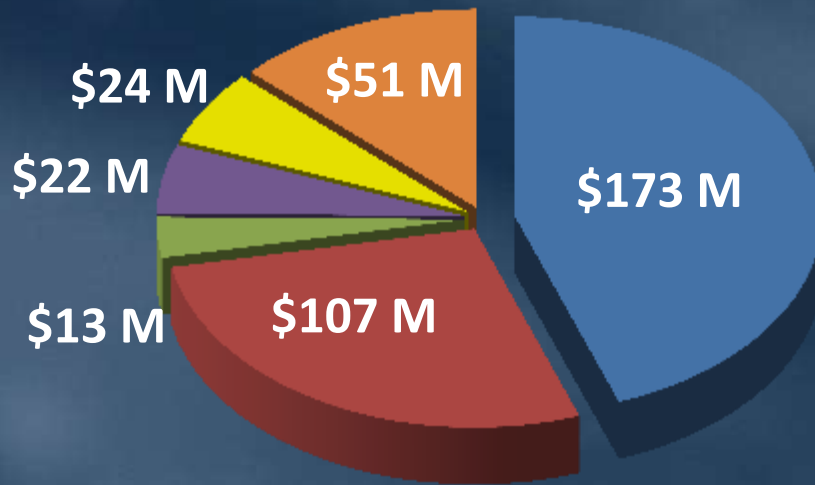
- Office of the General Manager
- Water Resource Management
- Office of Chief Administrative Officer
- Real Property
- Office of the Chief Financial Officer

- Water System Operations
- Engineering Services
- Information Technology
- Human Resources
- External Affairs

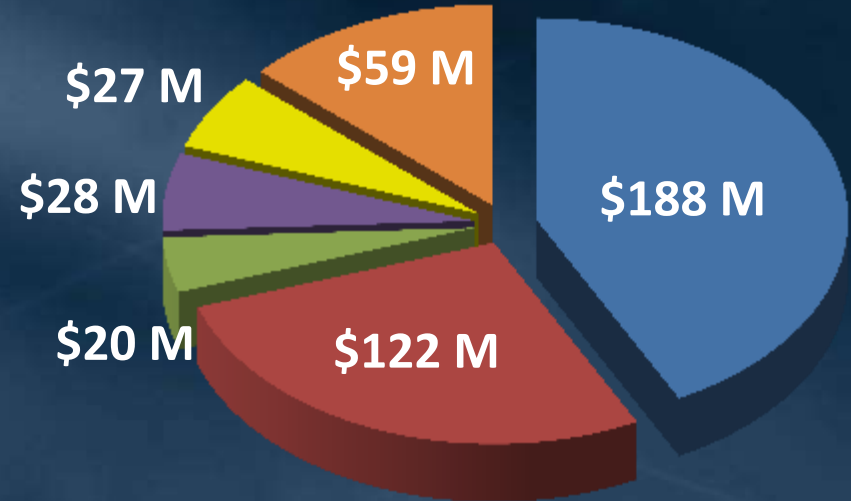
GM Department O&M Budget Trend

FY 2017/18 - \$389 M

FY 2018/19 - \$444 M



1,855 FTEs *



1,872 FTEs *

■ Salaries

■ Professional Services

■ Materials & Supplies

■ Benefits

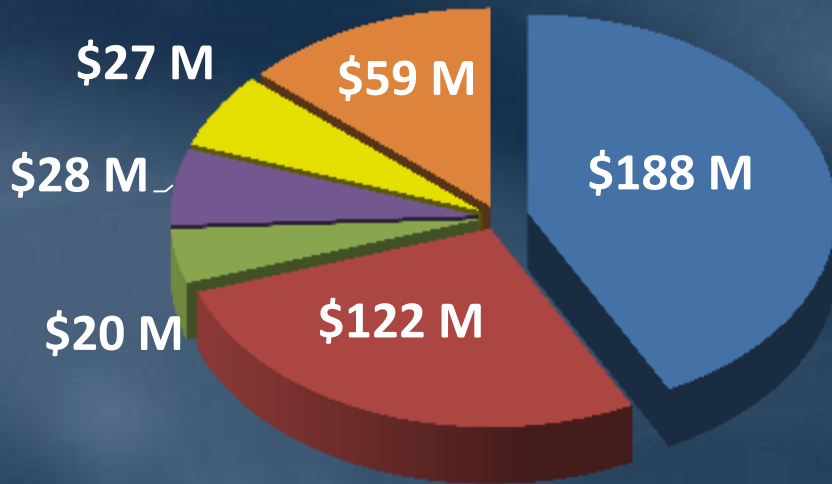
■ Non Professional Services/Security

■ Other

* Authorized Positions

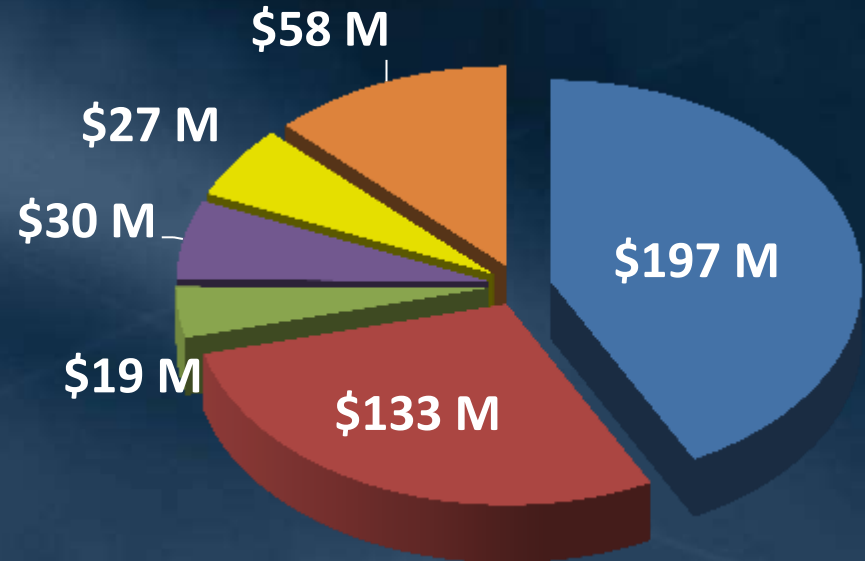
GM Department O&M Budget Trend

FY 2018/19 - \$444 M



1,872 FTEs *

FY 2019/20 - \$464 M



1,877 FTEs *

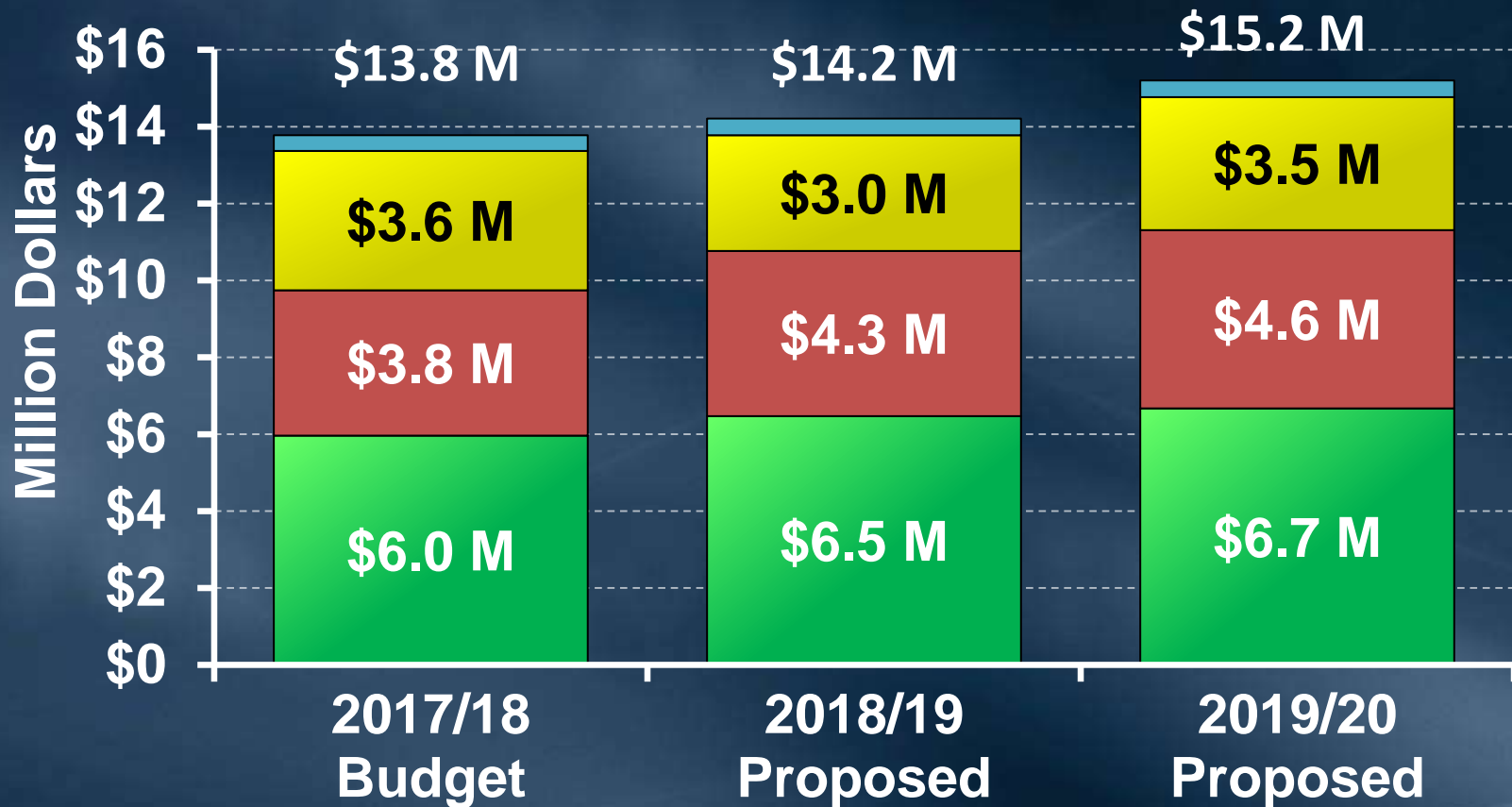
- Salaries
- Benefits
- Professional Services
- Non Professional Services/Security
- Materials & Supplies
- Other

* Authorized Positions

Legal Department

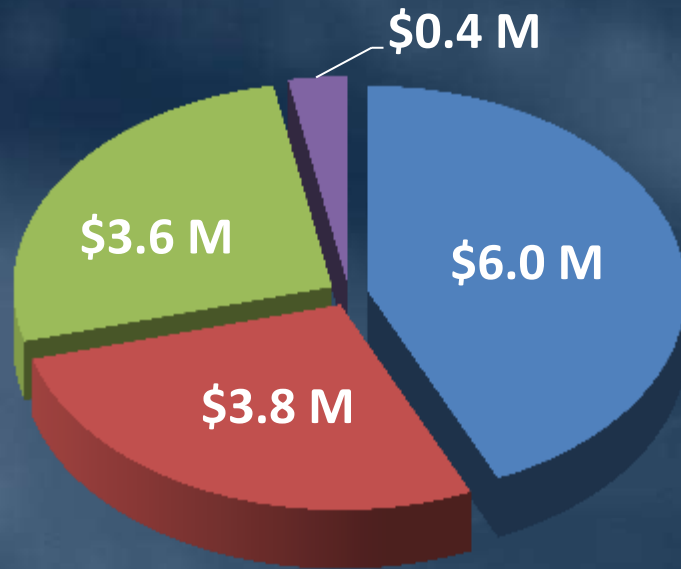
Legal Department O&M Budget

■ Salaries ■ Benefits ■ Professional Services ■ Other



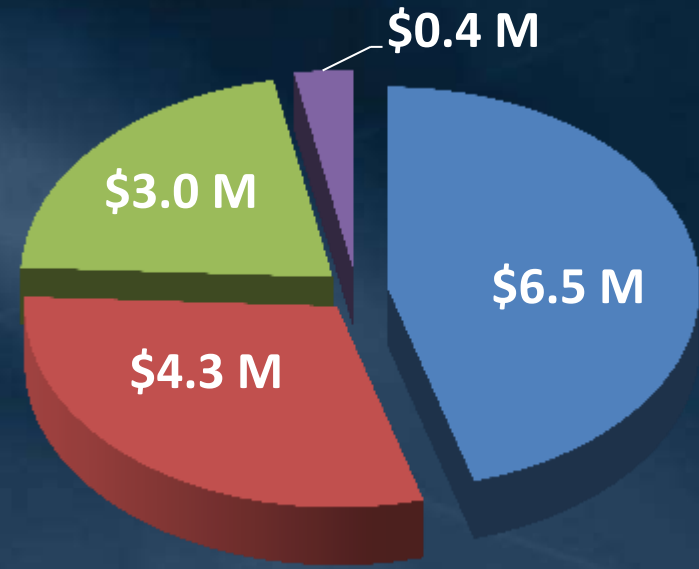
Legal Department O&M Budget Trend

FY 2017/18 - \$13.8 M



38 FTEs *

FY 2018/19 - \$14.2 M



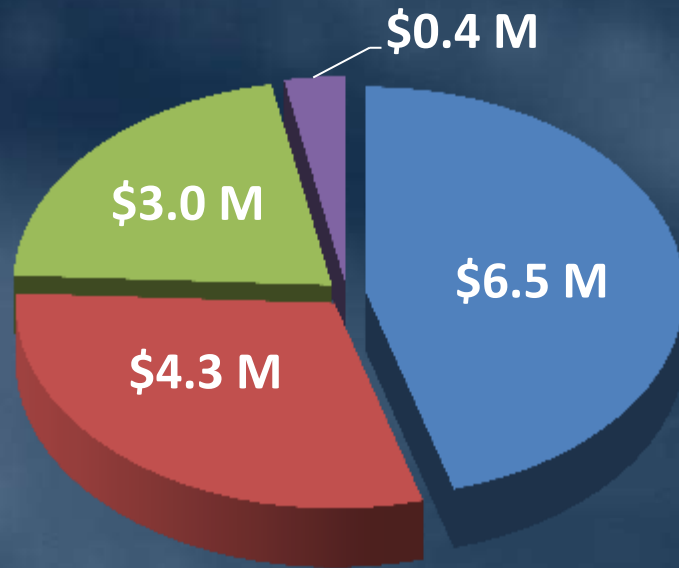
38 FTEs *

■ Salaries ■ Benefits ■ Professional Services ■ Other

* Authorized Positions

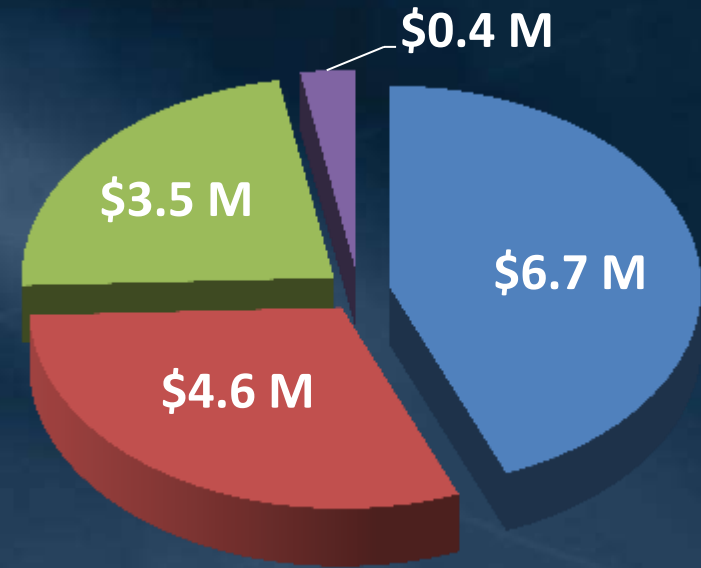
Legal Department O&M Budget Trend

FY 2018/19 - \$14.2 M



38 FTEs *

FY 2017/18 - \$15.2 M



38 FTEs *

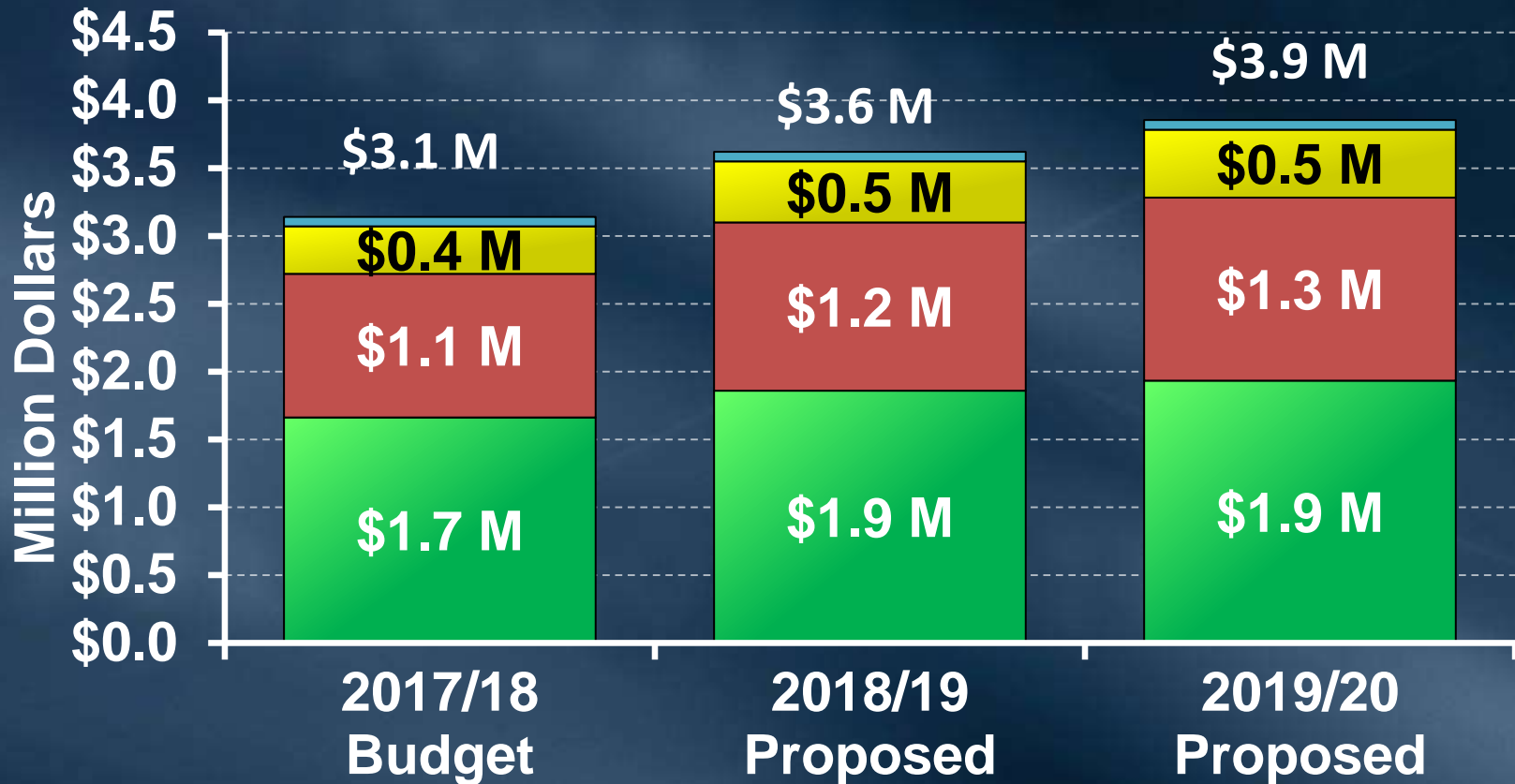
■ Salaries ■ Benefits ■ Professional Services ■ Other

* Authorized Positions

Audit Department

Audit Department O&M Budget

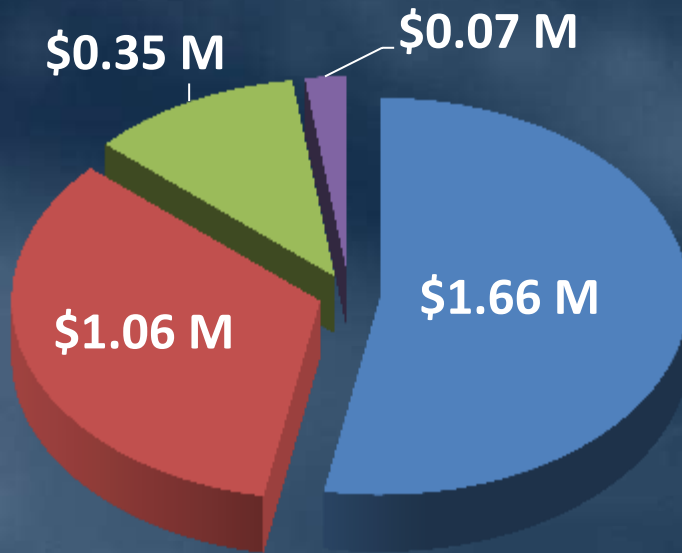
■ Salaries ■ Benefits ■ Professional Services ■ Other



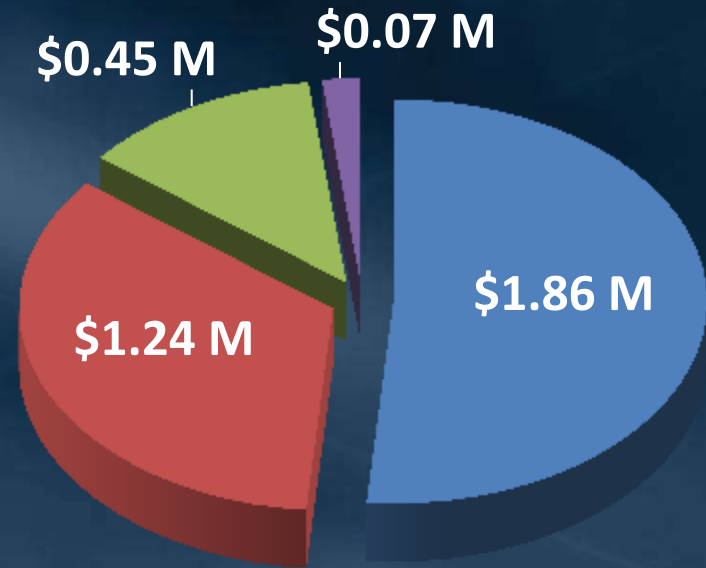
Audit Department O&M Budget Trend

FY 2017/18- \$3.1 M

FY 2018/19 - \$3.6 M



12 FTES *



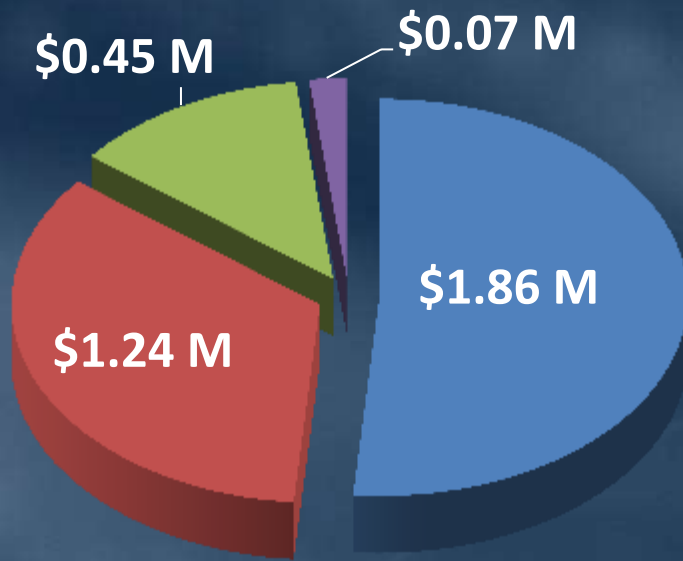
12 FTES *

■ Salaries ■ Benefits ■ Professional Services ■ Other

* Authorized Positions

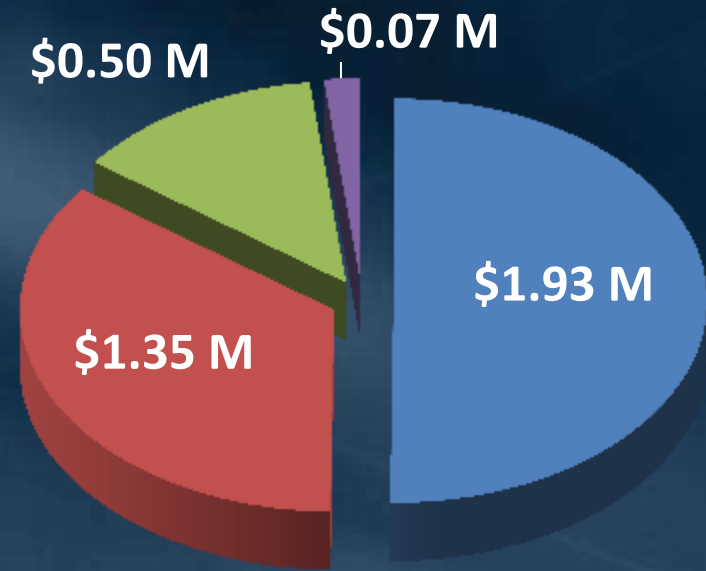
Audit Department O&M Budget Trend

FY 2018/19- \$3.6 M



12 FTES *

FY 2018/19 - \$3.9M



12 FTES *

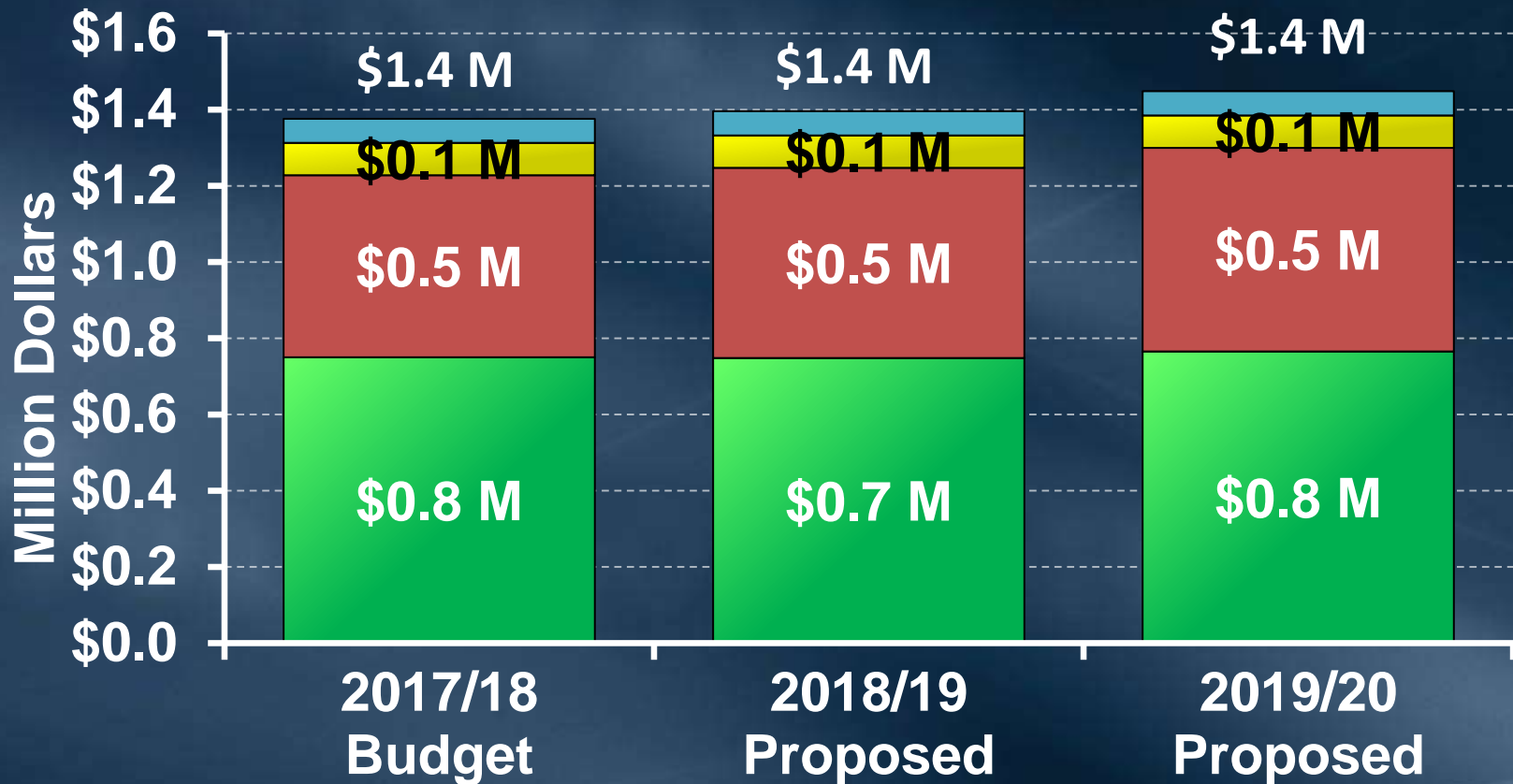
■ Salaries ■ Benefits ■ Professional Services ■ Other

* Authorized Positions

Ethics Department

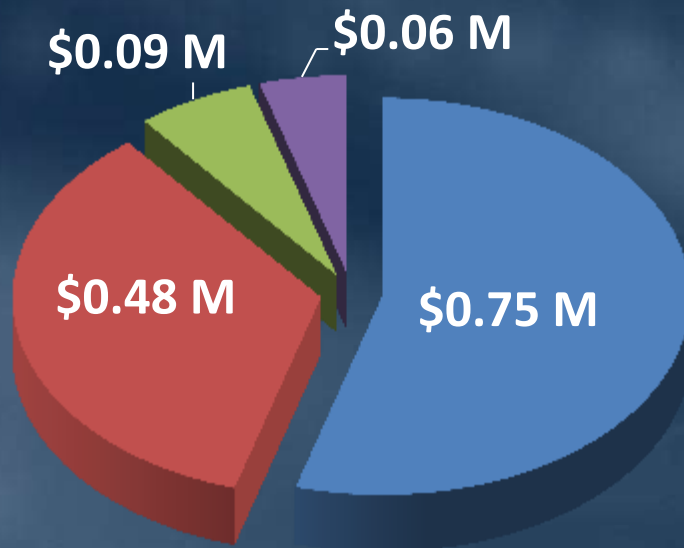
Ethics Department O&M Budget

■ Salaries ■ Benefits ■ Professional Services ■ Other



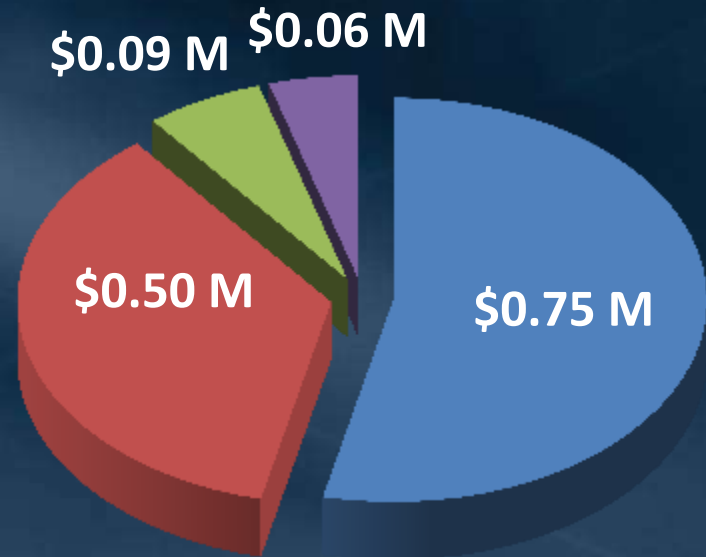
Ethics Department O&M Budget Trend

FY 2017/18- \$1.4M



5 FTES *

FY 2018/19 - \$1.4M



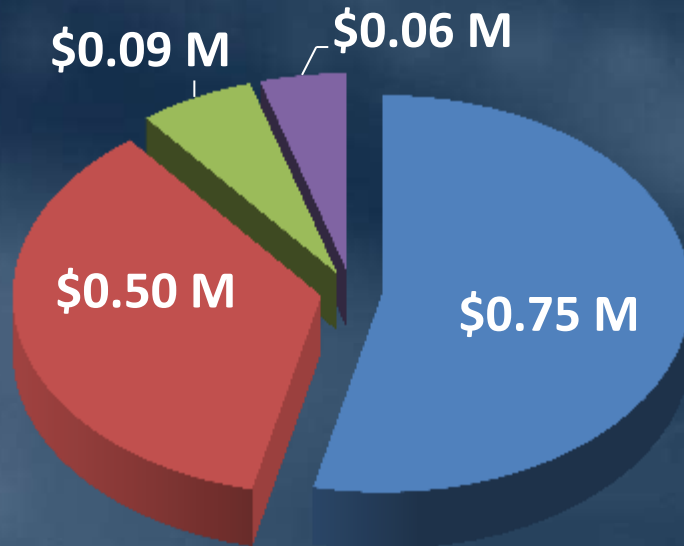
5 FTES *

■ Salaries ■ Benefits ■ Professional Services ■ Other

* Authorized Positions

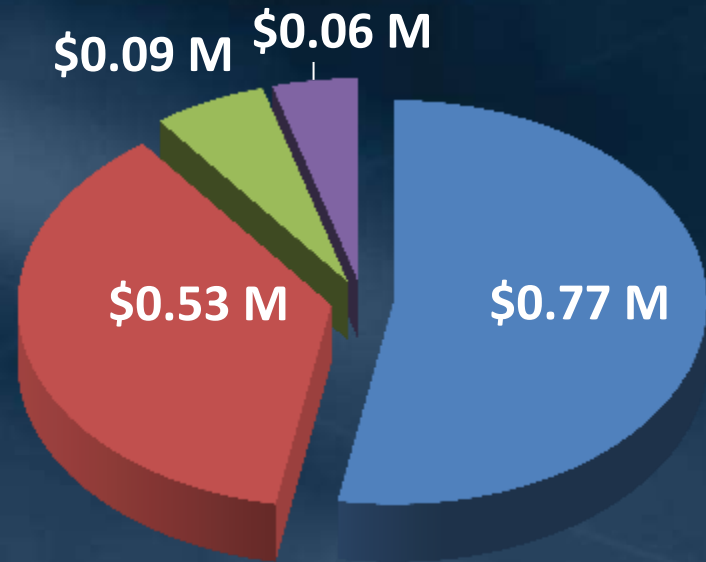
Ethics Department O&M Budget Trend

FY 2018/19 - \$1.4M



5 FTES *

FY 2019/20 - \$1.4M



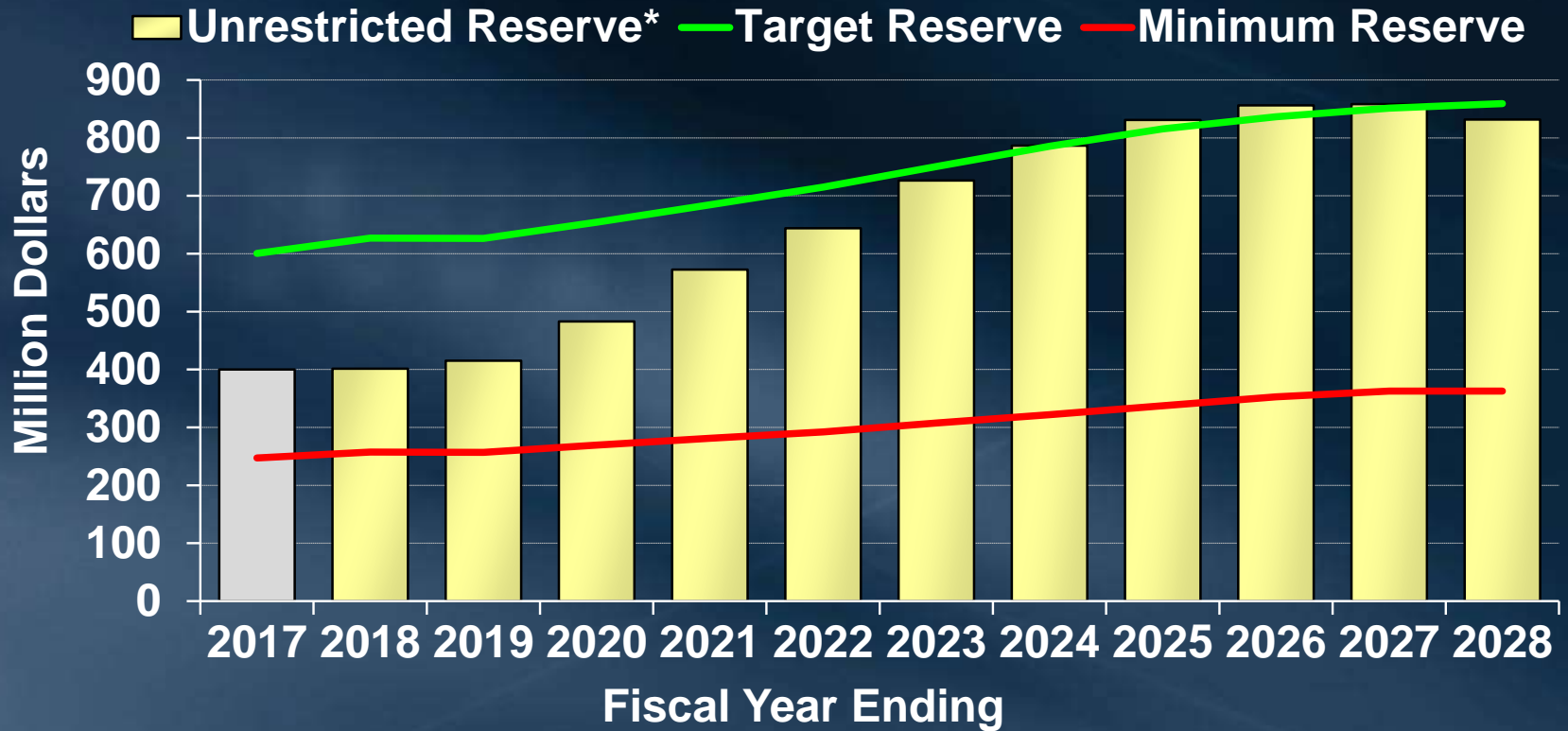
5 FTES *

■ Salaries ■ Benefits ■ Professional Services ■ Other

* Authorized Positions

Ten-Year Financial Forecast

Projected Rate Increases & Financial Metrics

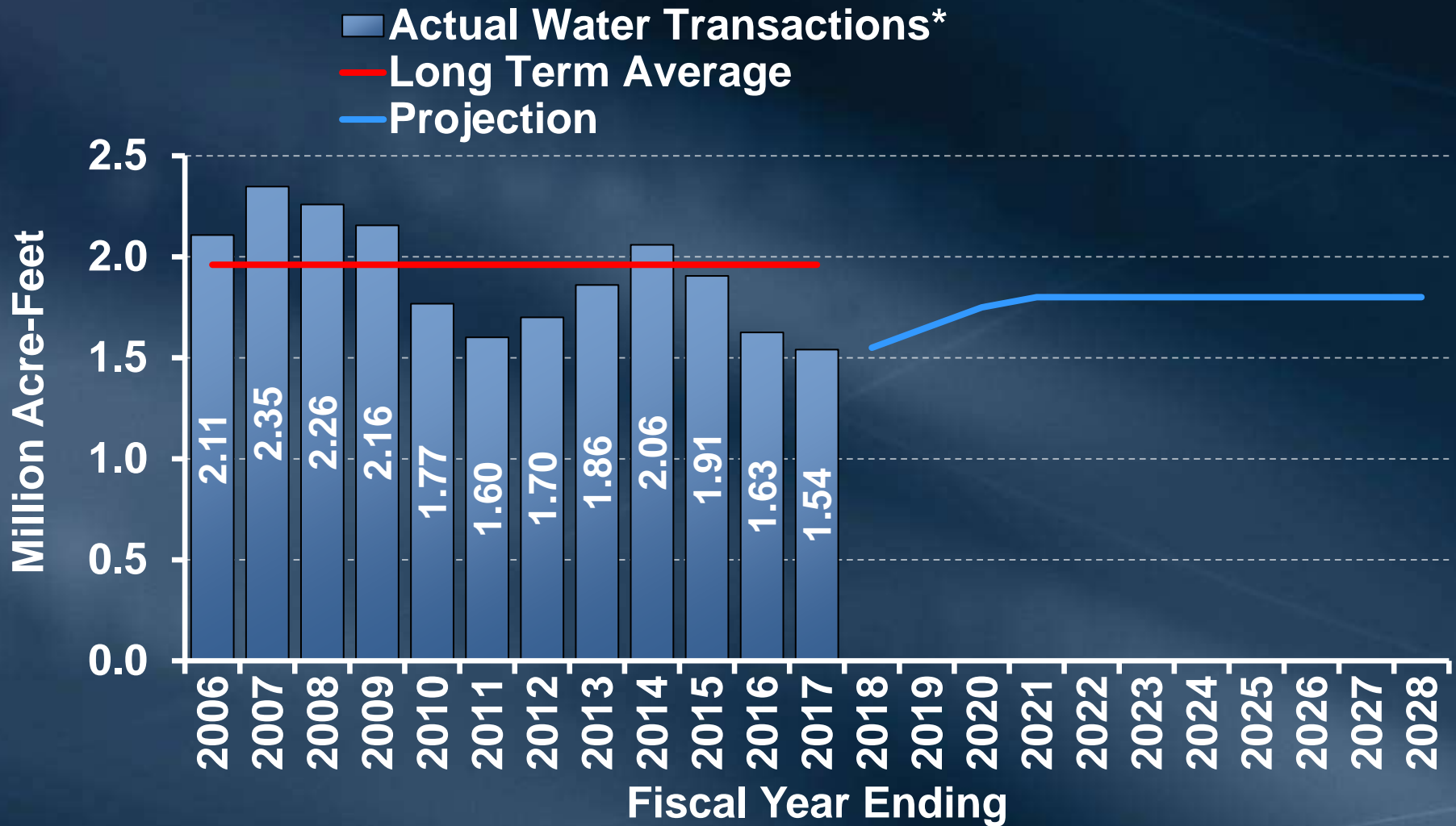


Overall Rate Inc.	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Water Transactions (MAF)**	1.54	1.55	1.65	1.75	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Rev. Bond Cvg	1.6	1.5	1.6	1.9	2.1	2.1	2.1	2.1	2.2	2.1	2.2	2.2
Fixed Chg Cvg	1.4	1.4	1.5	1.7	1.9	1.8	1.7	1.6	1.6	1.5	1.4	1.3
PAYGO, \$M	132	108	120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

* Revenue Remainder and Water Rate Stabilization Fund

** Includes water sales, exchanges and wheeling

Water Transactions*



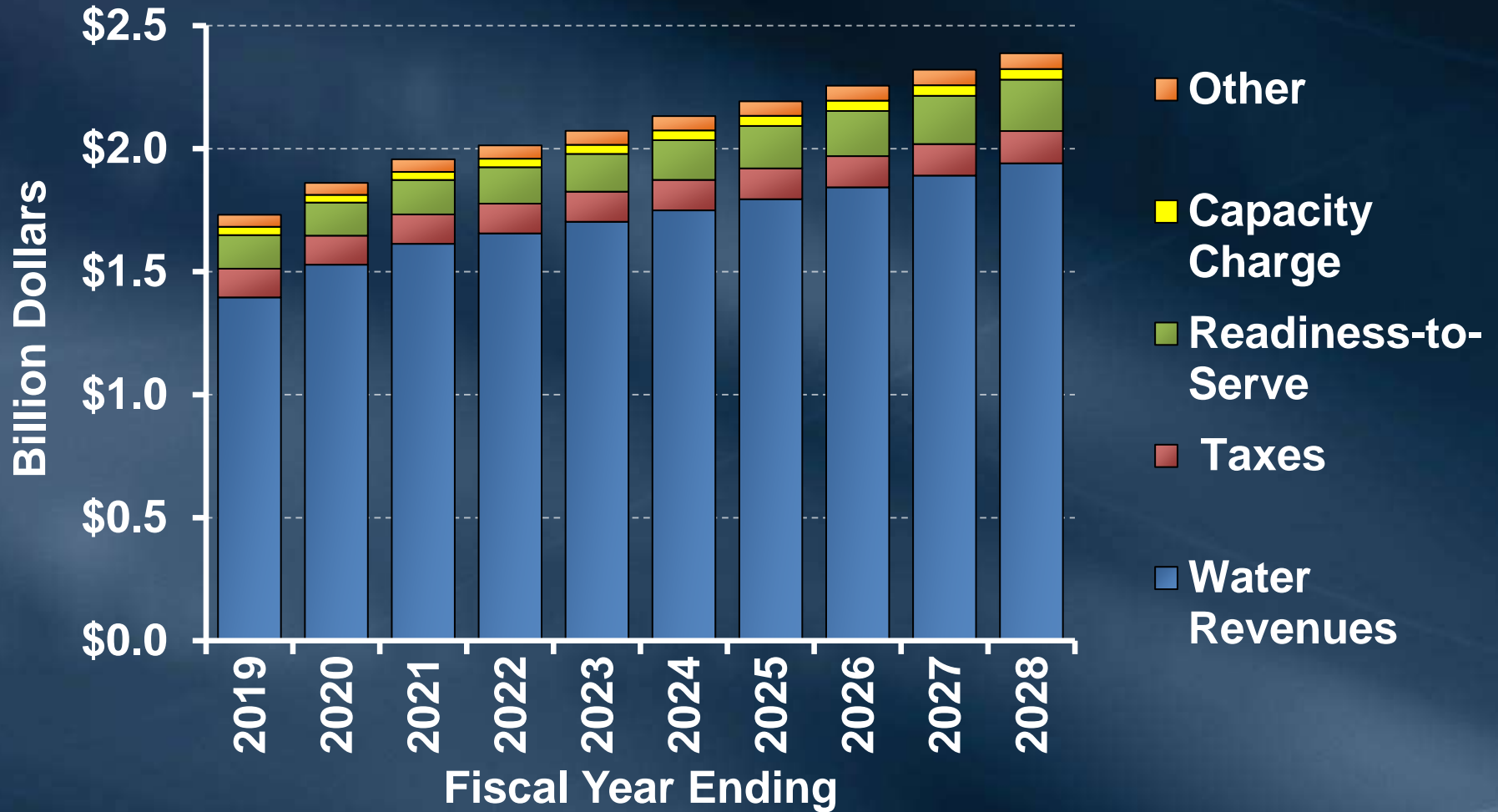
* Includes water sales, exchanges and wheeling

Projected Volumetric Rates

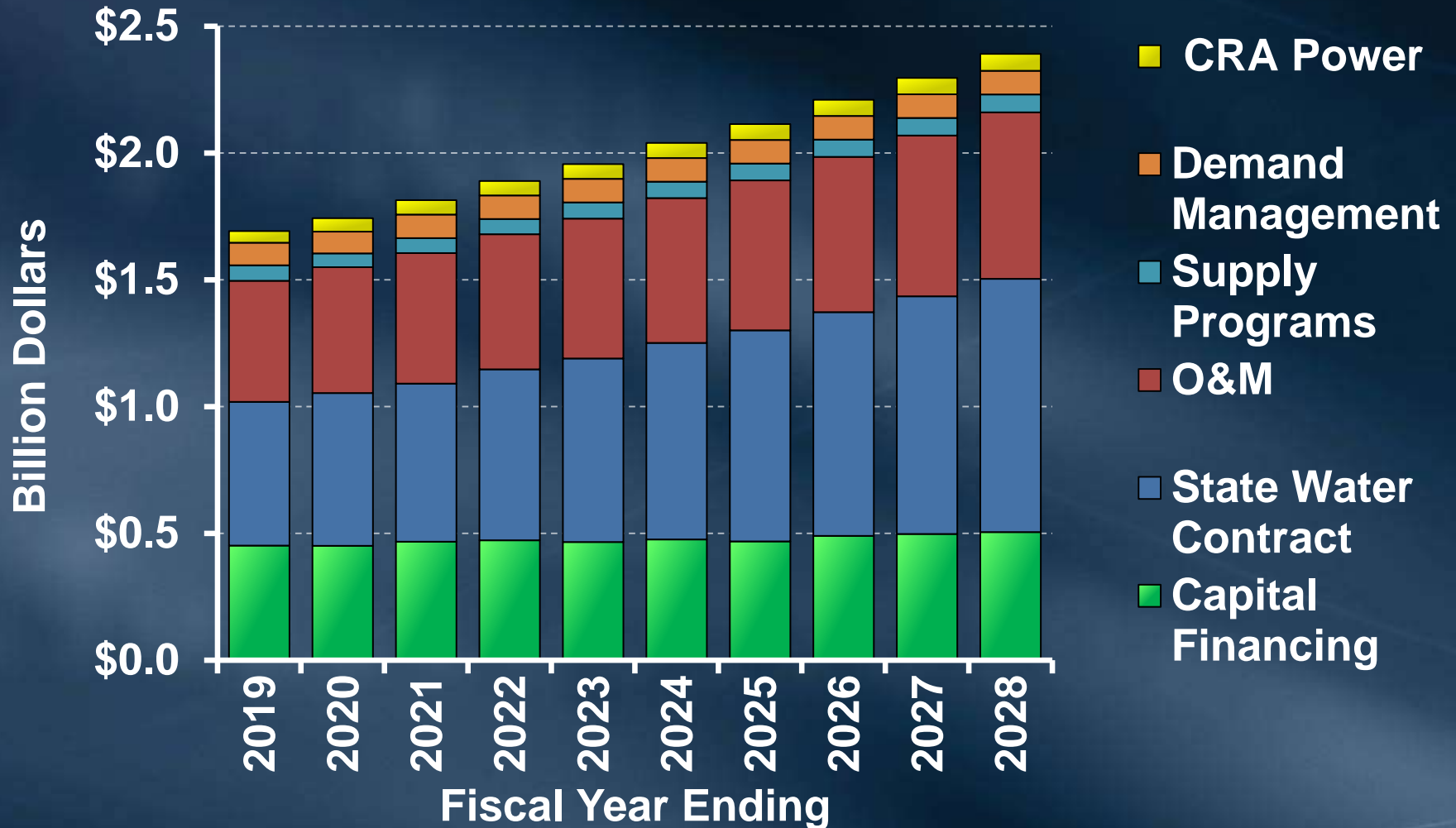
- Treatment Surcharge
- Full Service Untreated Tier 1



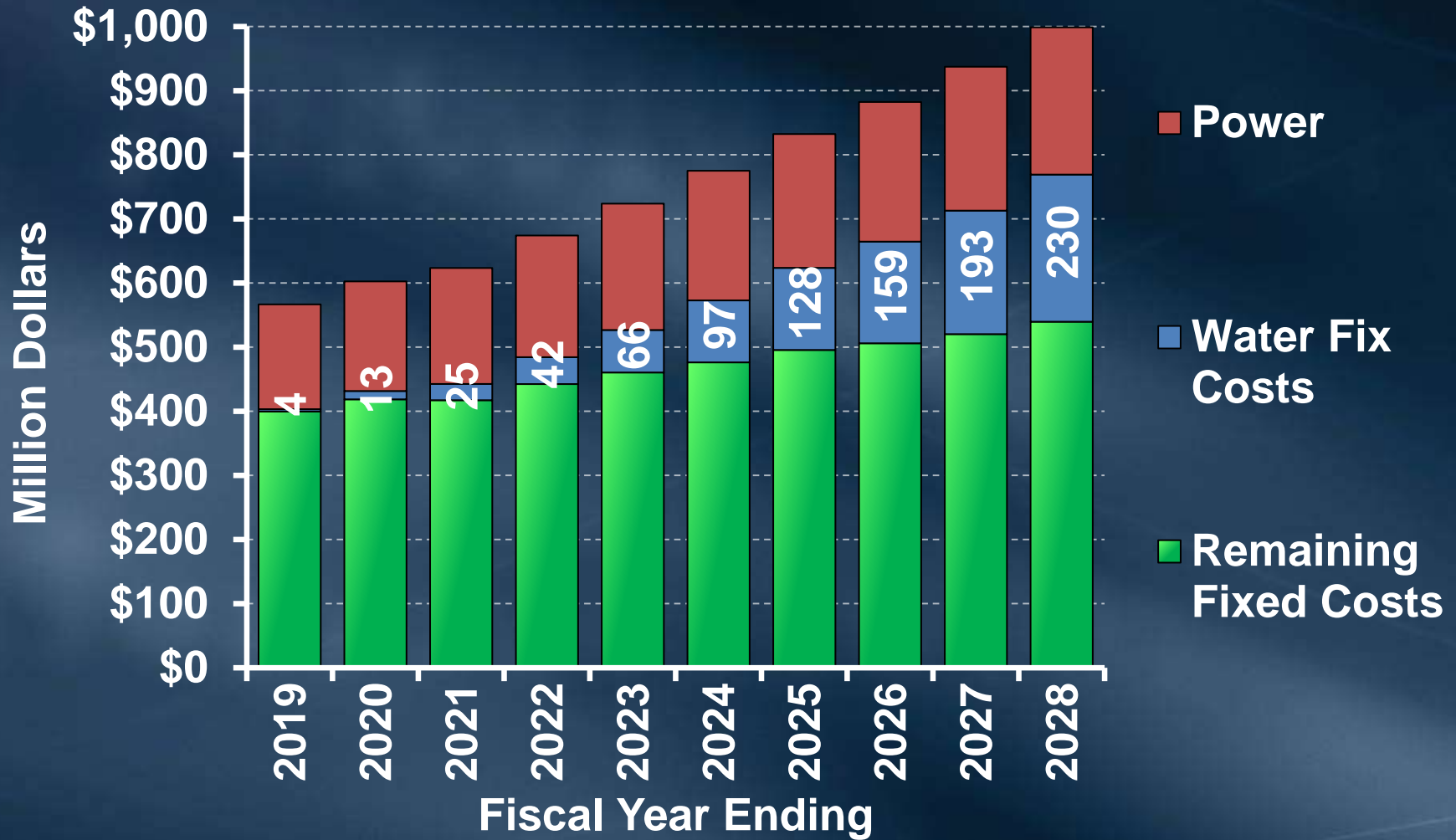
Revenue Forecast



Expenditure Forecast



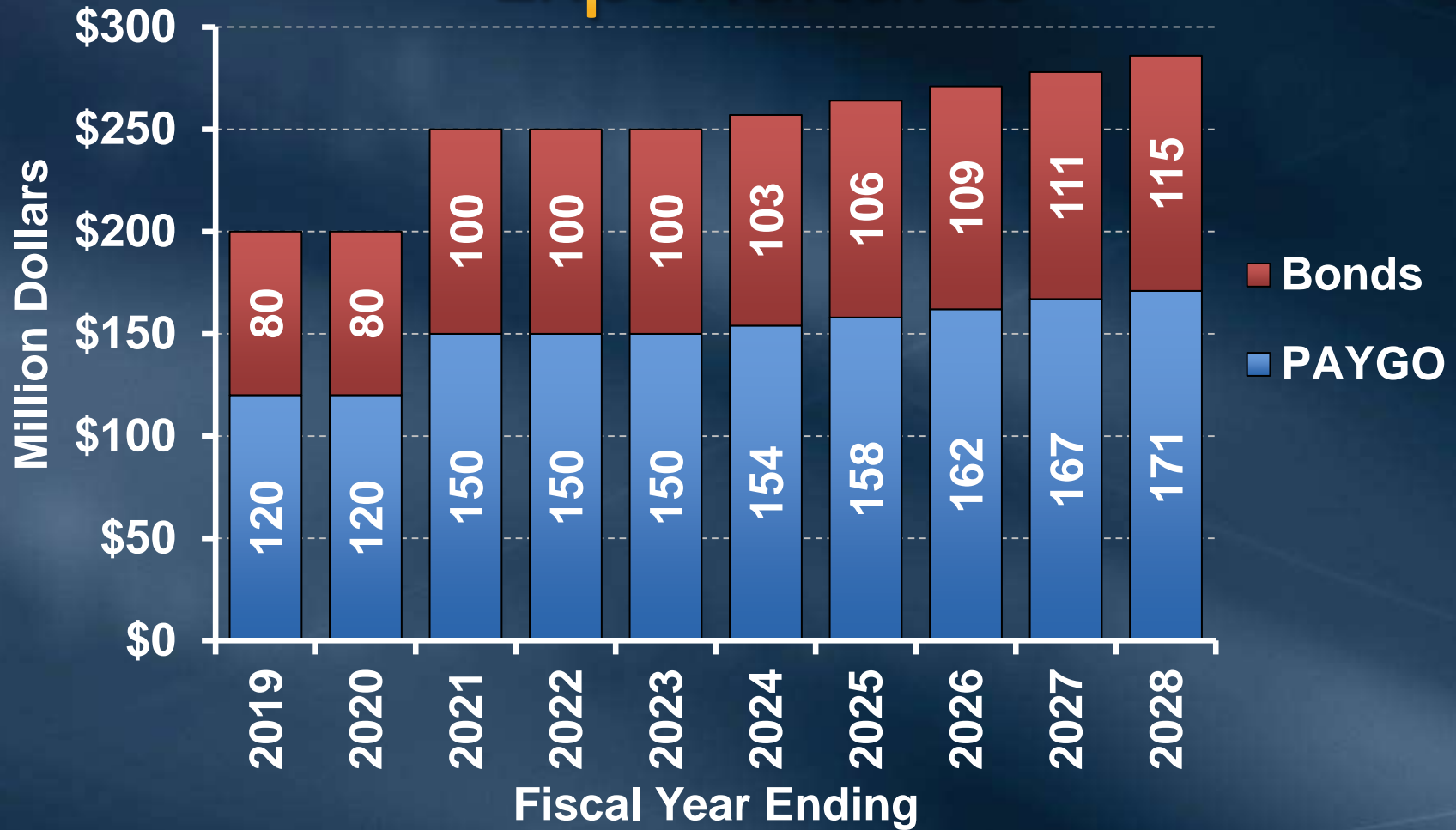
SWC Forecast



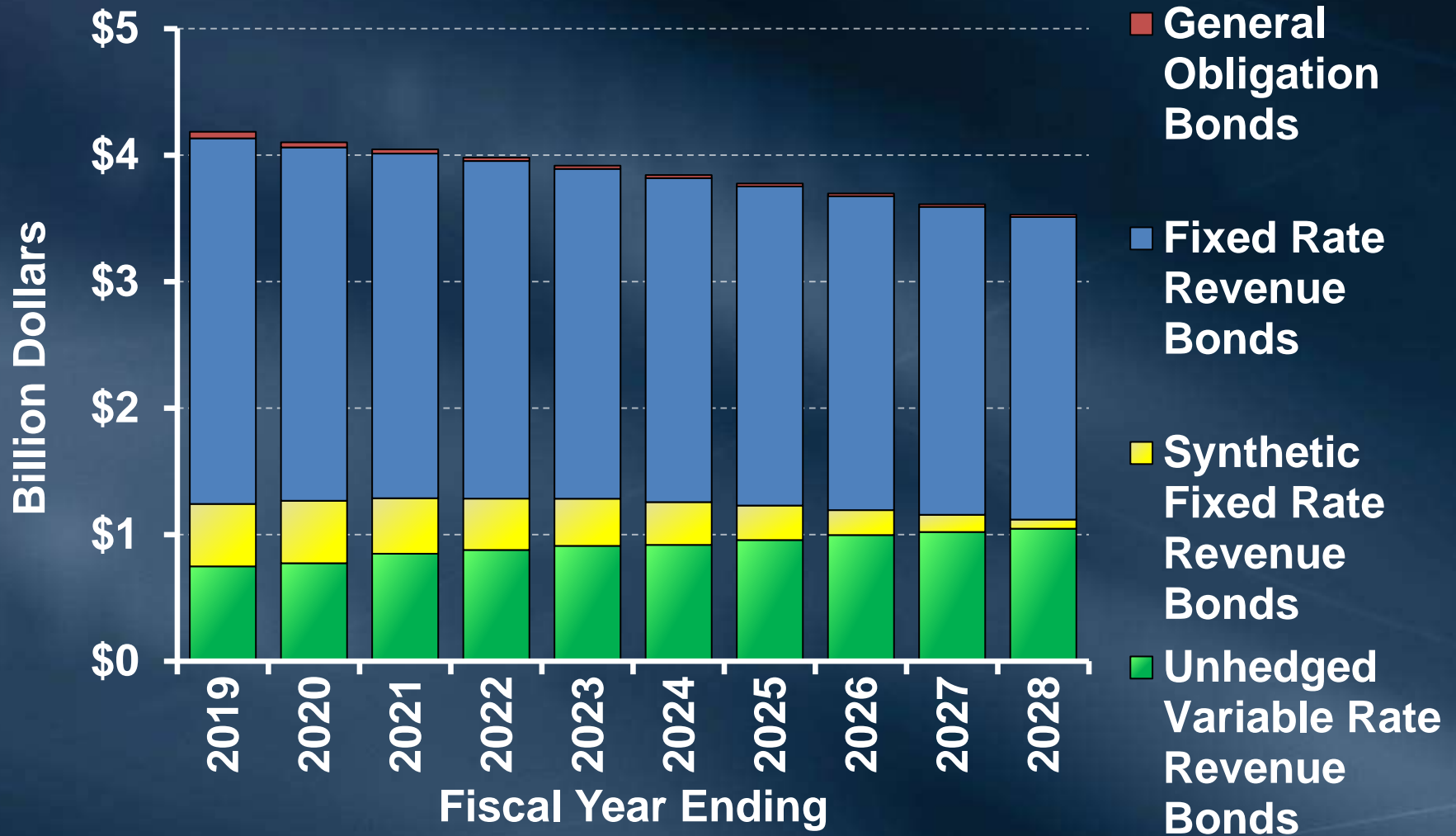
Demand Management



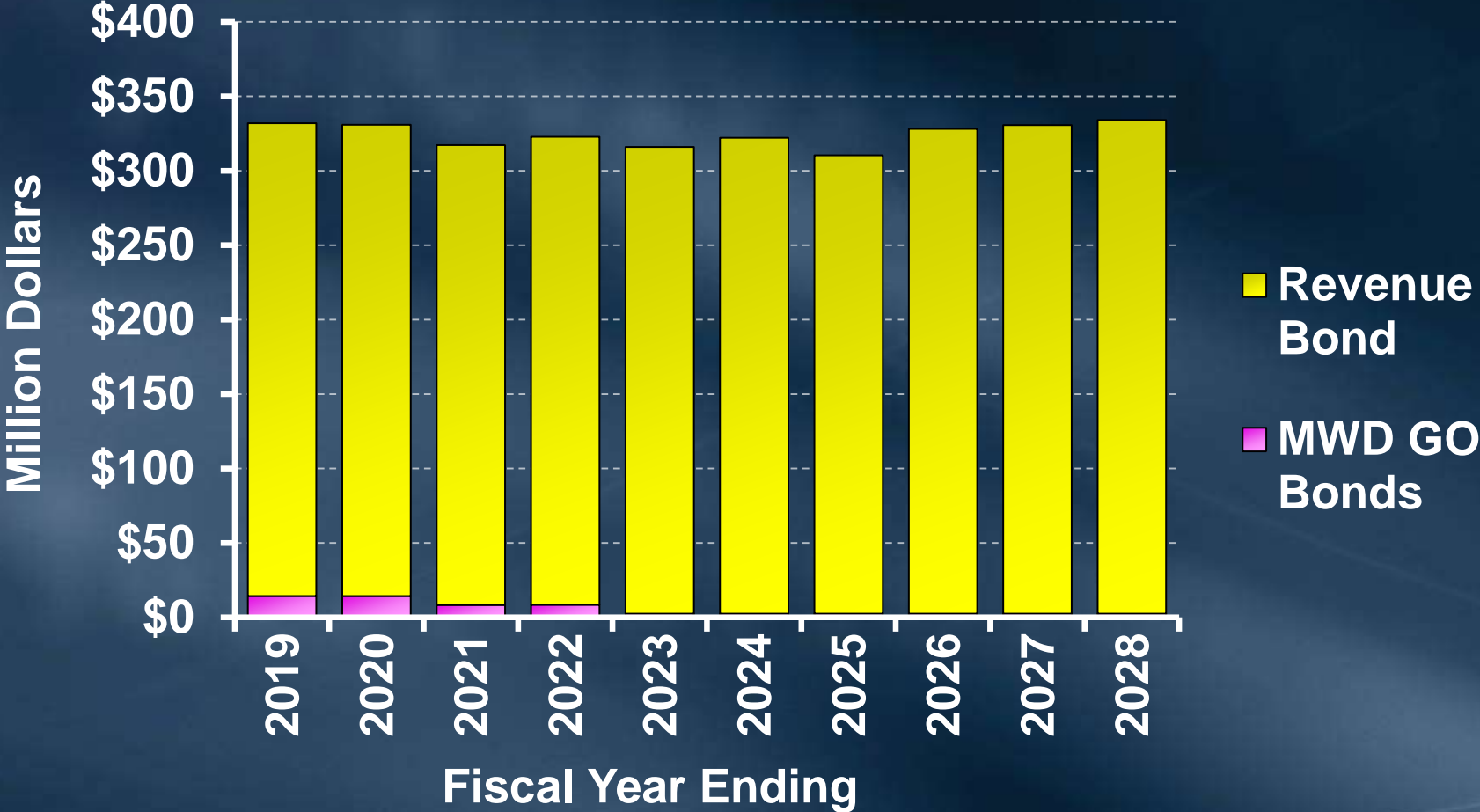
Capital Investment Plan Expenditures



Outstanding Debt

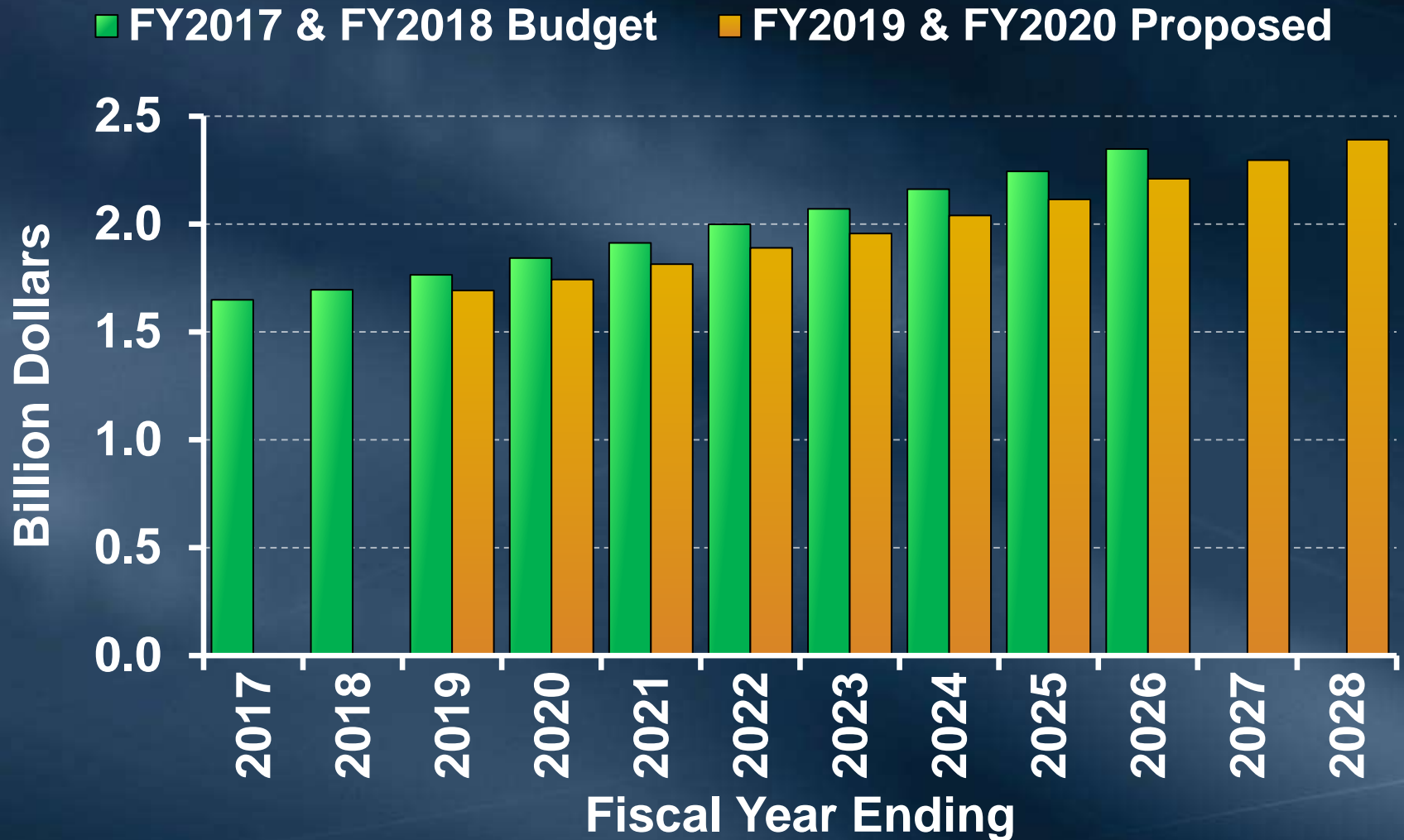


Debt Service



Changes from previous Ten-Year Financial Forecast

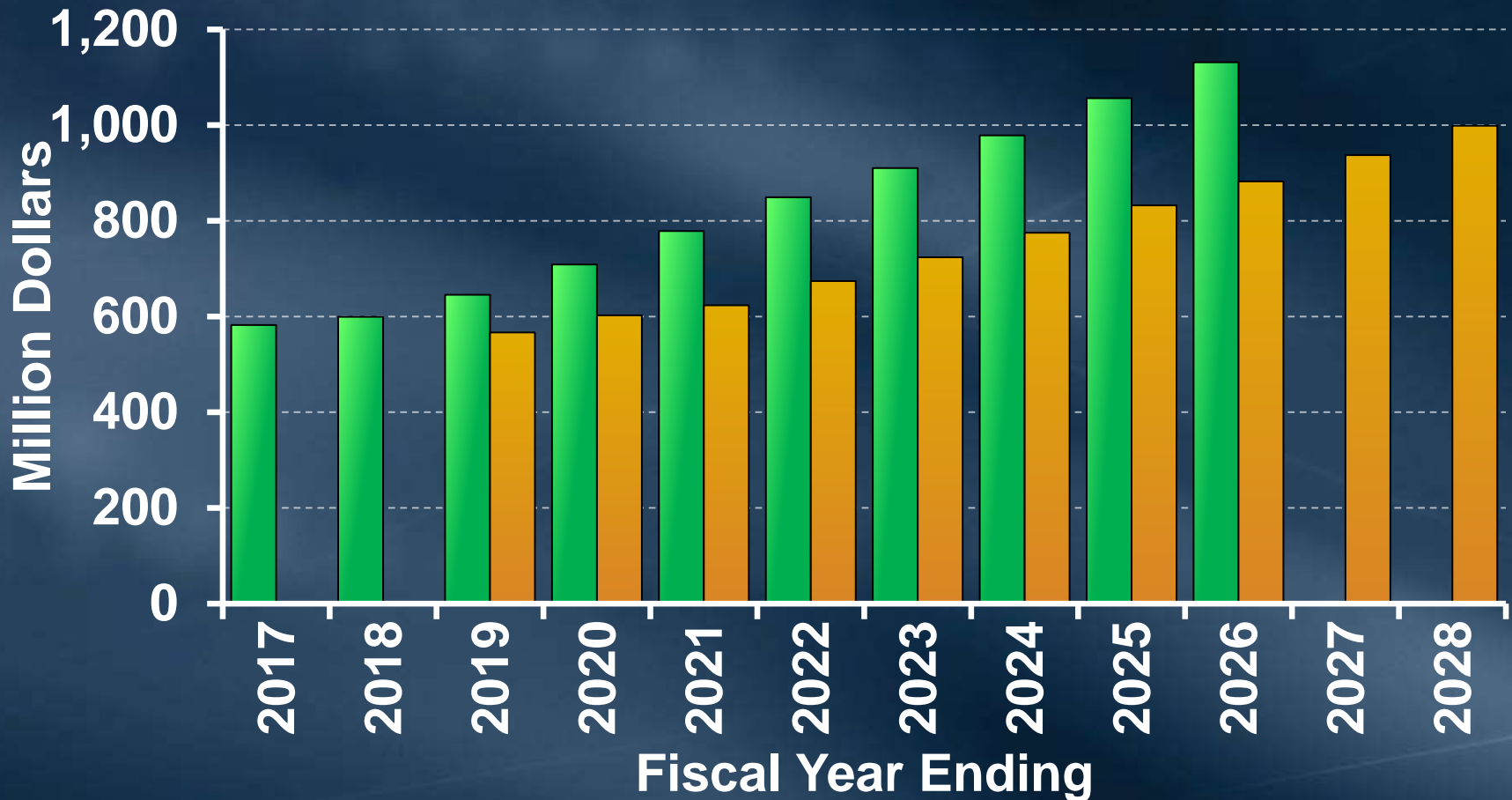
Ten-Year Financial Forecast Expenditures



Ten-Year Financial Forecast

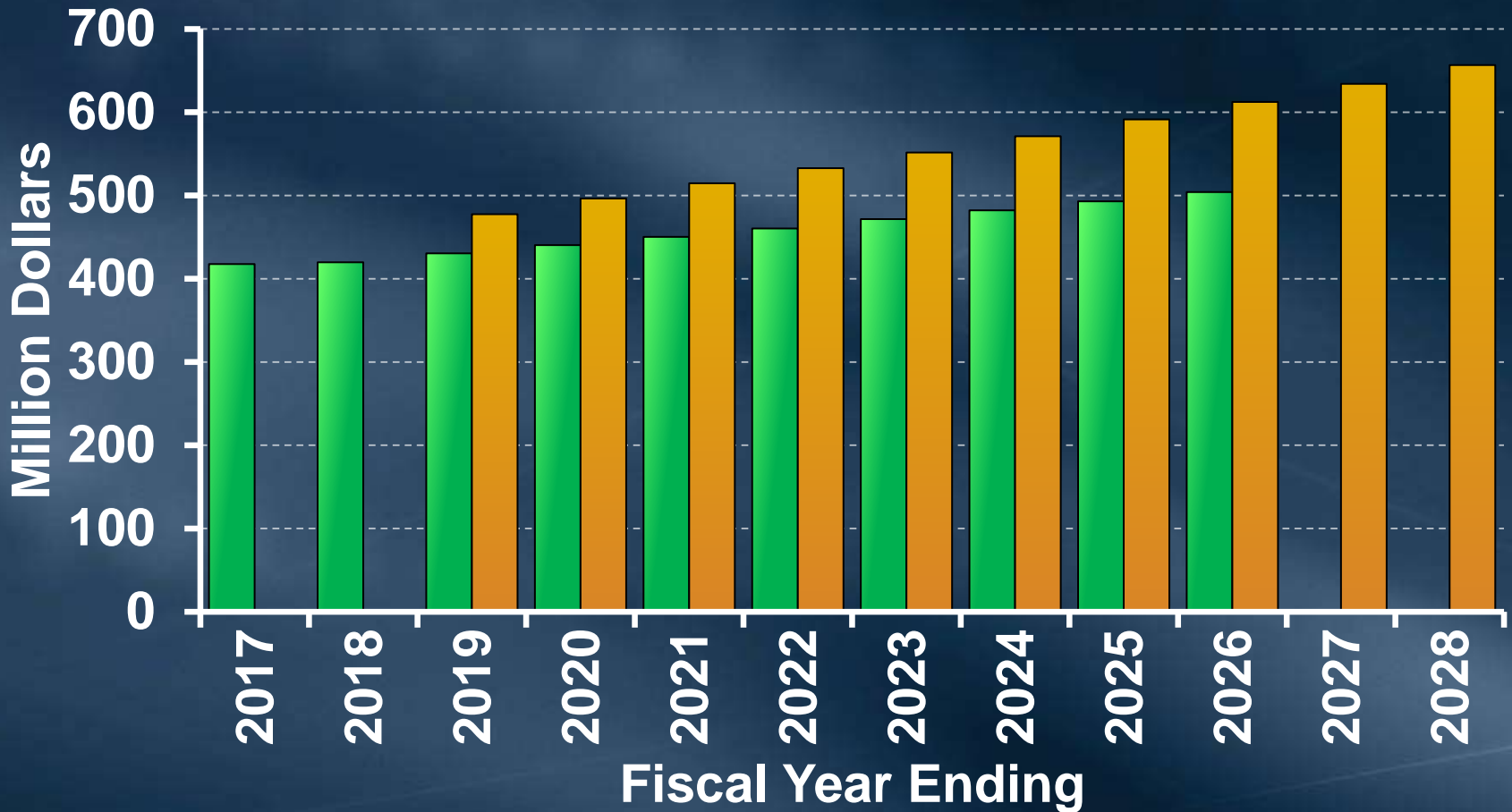
State Water Contract

■ FY2017 & FY2018 Budget ■ FY2019 & FY2020 Proposed



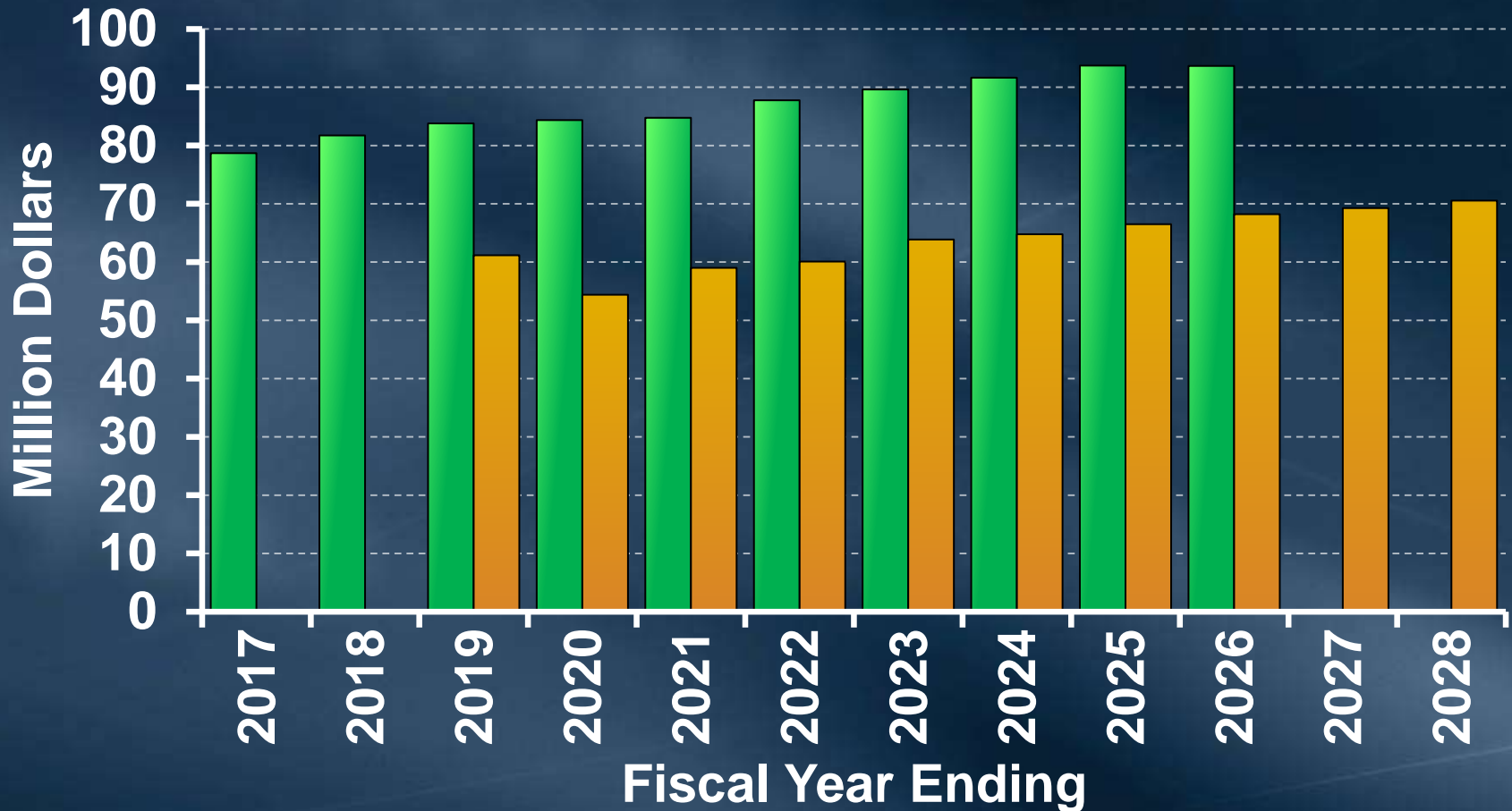
Ten-Year Financial Forecast O&M

■ FY2017 & FY2018 Budget ■ FY2019 & FY2020 Proposed



Ten-Year Financial Forecast Supply Programs

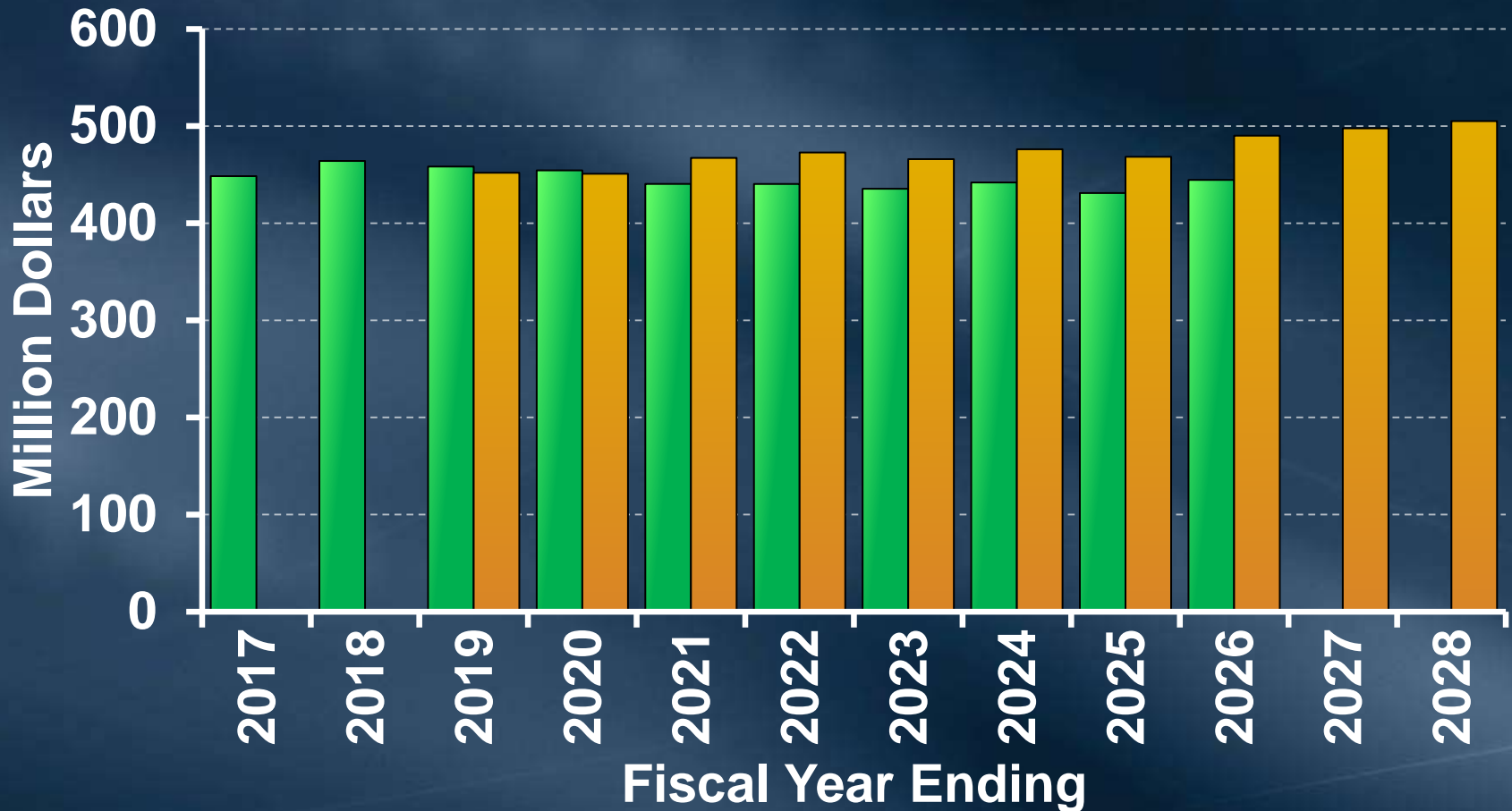
■ FY2017 & FY2018 Budget ■ FY2019 & FY2020 Proposed



Ten-Year Financial Forecast

Capital Financing

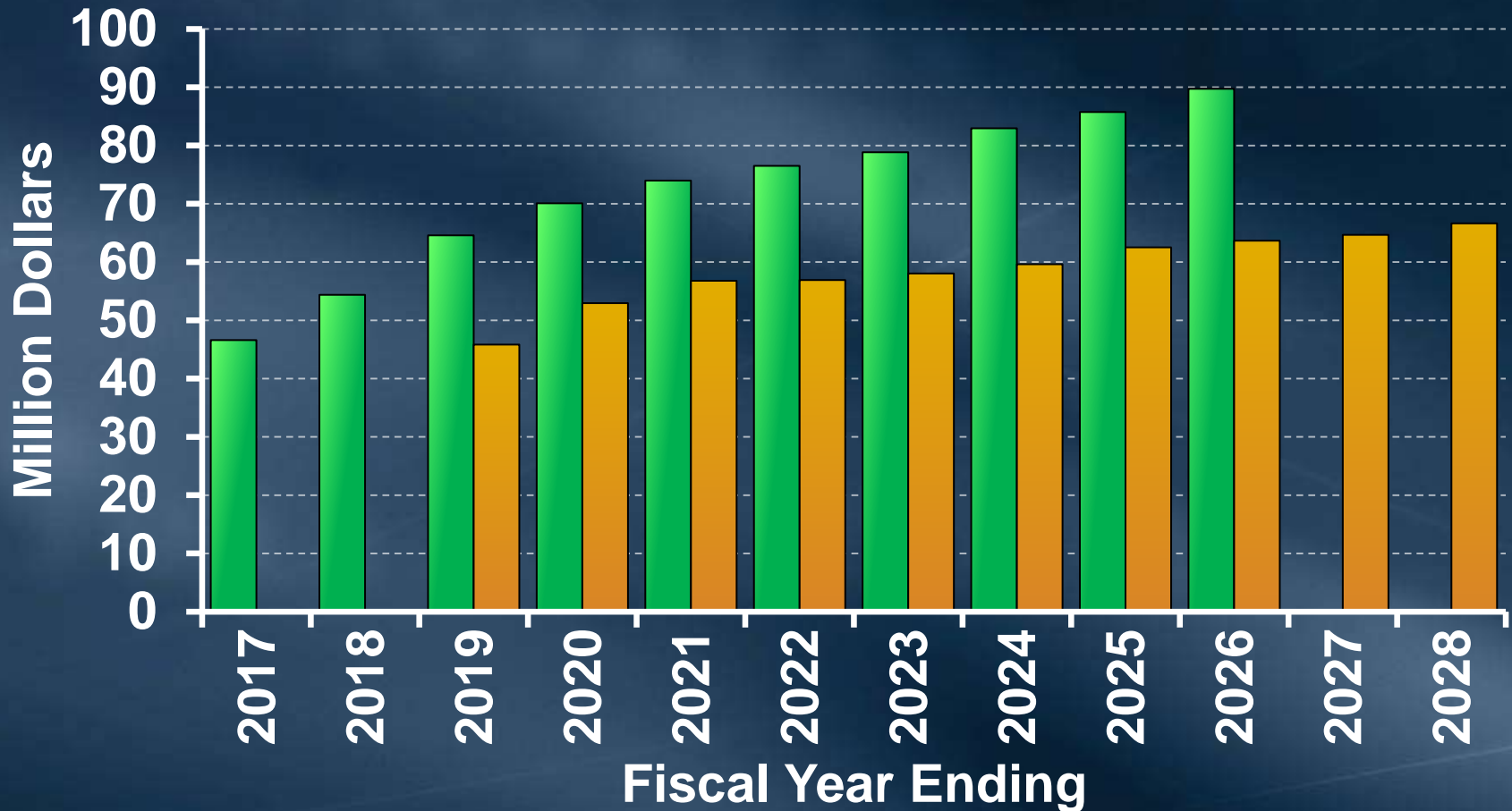
■ FY2017 & FY2018 Budget ■ FY2019 & FY2020 Proposed



Ten-Year Financial Forecast

CRA Power

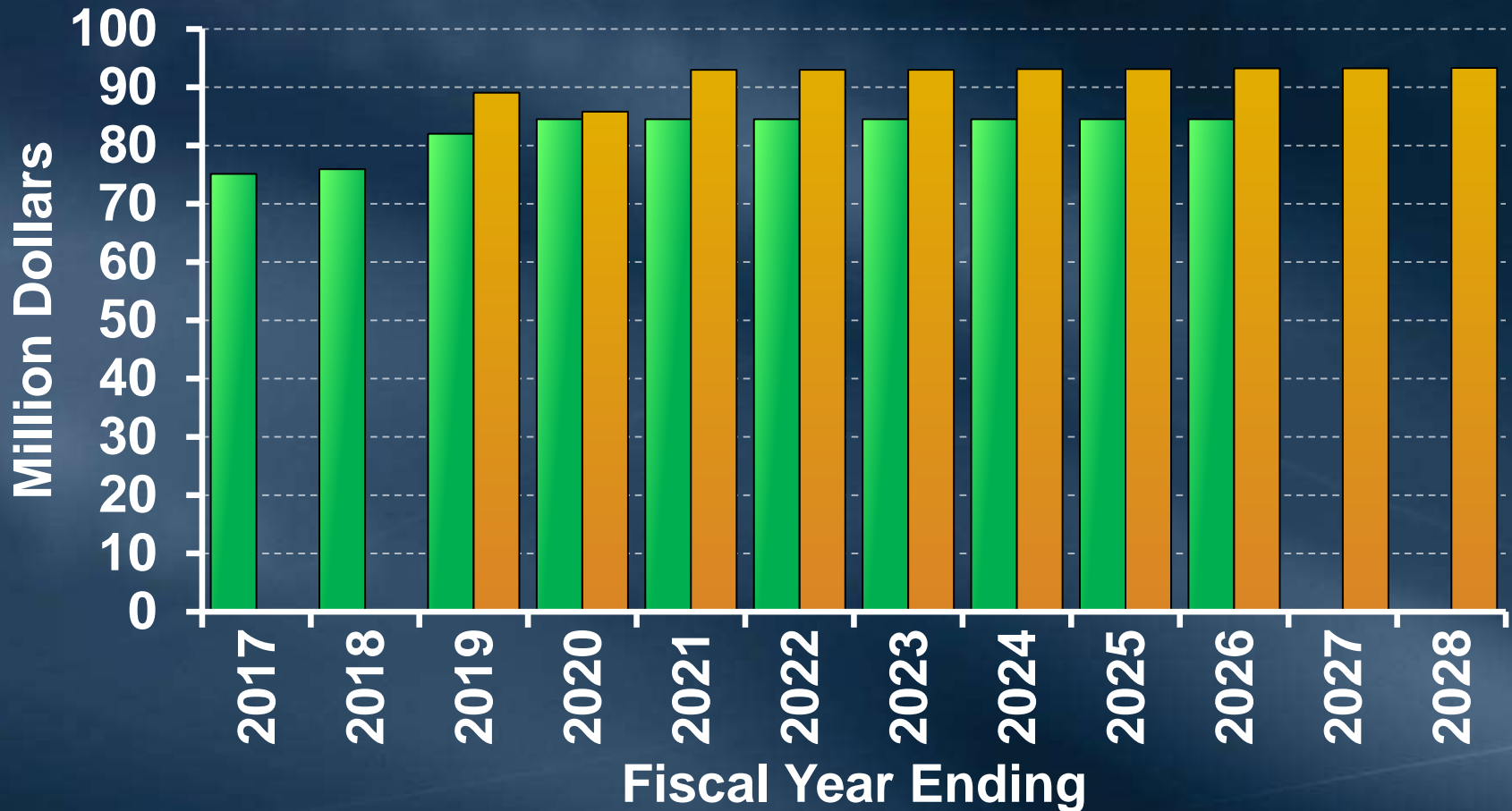
■ FY2017 & FY2018 Budget ■ FY2019 & FY2020 Proposed



Ten-Year Financial Forecast

Demand Management

FY2017 & FY2018 Budget **FY2019 & FY2020 Proposed**



Next Steps

- February 27, 2018 F&I Committee, Workshop #2: Cost of Service, proposed rates and charges, follow up
- March 12, 2018 F&I Committee, Workshop #3: CIP, Financial Policies, follow up
- March 13, 2018 Public Hearings on proposed water rates and charges and continuing suspension of the AV tax limitation
- March 27, 2018 F&I Committee, Workshop #4: if needed
- April 9, 2018 F&I Committee: Recommend Biennial Budget, Calendar Year rates and charges, and Ten-Year Financial Forecast; Workshop #5, if needed
- April 10, 2018 Board Actions regarding Biennial Budget, Calendar Year rates and charges, and Ten-Year Financial Forecast

