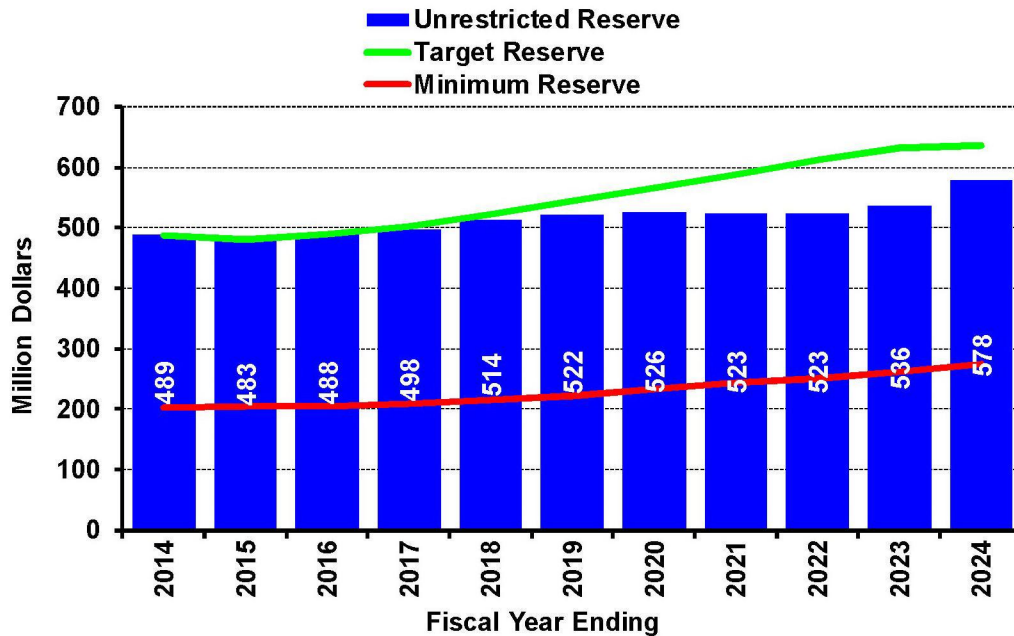


## Ten-Year Financial Forecast

The ability to ensure a reliable supply of high quality water for Metropolitan’s 26 member agencies depends on the Metropolitan’s ongoing ability to fund operations and maintenance, maintain and augment local and imported water supplies, fund replacements and refurbishment of existing infrastructure, and invest in system improvements. This ten-year plan supports long range resource, capital investment and operational planning. As such, it includes a forecast of future costs and the revenues

necessary to support operations and investments in infrastructure and resources that are derived from the 2010 Update to the Integrated Resources Plan (2010 IRP Update) and other planning processes while conforming to Metropolitan's financial policies. These financial policies, which address reserve levels, financial indicators, and capital funding strategies, ensure sound financial management and fiscal stability for Metropolitan.

**Figure 7. Projected Rate Increases, Reserves and Financial Indicators**



<b>Ave Rate Increase</b>	<b>5%</b>	<b>1.5%</b>	<b>1.5%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.5%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>
<b>Sales, MAF</b>	<b>1.97</b>	<b>1.75</b>	<b>1.75</b>	<b>1.75</b>	<b>1.75</b>	<b>1.75</b>	<b>1.75</b>	<b>1.75</b>	<b>1.75</b>	<b>1.75</b>	<b>1.75</b>
<b>CIP, \$M</b>	<b>200</b>	<b>245</b>	<b>268</b>	<b>275</b>	<b>281</b>	<b>284</b>	<b>293</b>	<b>304</b>	<b>312</b>	<b>317</b>	<b>313</b>
<b>PAYGO, \$M</b>	<b>125</b>	<b>245</b>	<b>221</b>	<b>200</b>	<b>204</b>	<b>201</b>	<b>176</b>	<b>182</b>	<b>187</b>	<b>190</b>	<b>188</b>
<b>Rev. Bond Cvg</b>	<b>2.7</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.1</b>	<b>2.2</b>	<b>2.4</b>	<b>2.6</b>	<b>2.7</b>	<b>2.9</b>
<b>Fixed Chg Cvg</b>	<b>2.0</b>	<b>1.6</b>	<b>1.6</b>	<b>1.6</b>	<b>1.6</b>	<b>1.6</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.4</b>	<b>1.4</b>
<b>Inflation</b>	<b>2.5%</b>	<b>2.5%</b>	<b>2.5%</b>	<b>2.5%</b>	<b>2.5%</b>	<b>2.5%</b>	<b>2.5%</b>	<b>2.5%</b>	<b>2.5%</b>	<b>2.5%</b>	<b>2.5%</b>
<b>AV Taxes, \$M</b>	<b>81</b>	<b>90</b>	<b>92</b>	<b>94</b>	<b>96</b>	<b>99</b>	<b>101</b>	<b>103</b>	<b>105</b>	<b>108</b>	<b>110</b>
<b>BDCP, \$M</b>				<b>15</b>	<b>24</b>	<b>46</b>	<b>91</b>	<b>148</b>	<b>204</b>	<b>259</b>	<b>302</b>

Figure 7 summarizes the financial metrics of the ten-year financial forecast. The ten-year forecast includes a rate forecast, based on Metropolitan's existing cost-of-service and rate

structure. The forecast shows that the overall increase in water rates and charges will vary from 1.5 percent to 5 percent over the next ten years.

Table 9 shows the projected unbundled water rates and charges. Components of the rate structure may increase at different rates depending on the costs recovered. The full-service treated Tier 1 water rate is estimated to

be approximately \$1,233 per acre-foot by January 1, 2024, compared to \$890 per acre-foot on January 1, 2014, an average increase of 3.3 percent per year over the ten-year period.

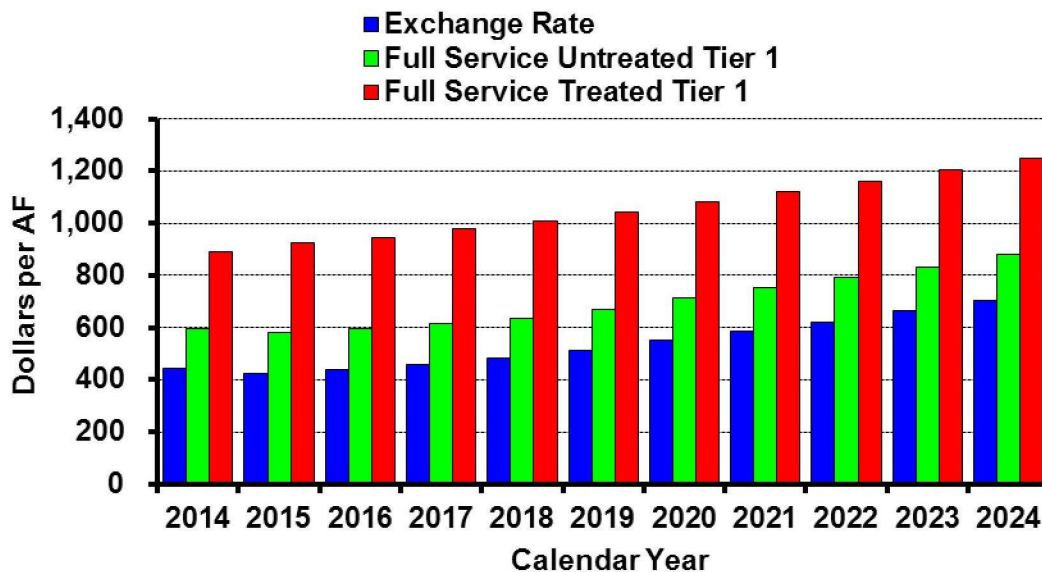
**Table 9. Projected Water Rates and Charges**

Rates and Charges Effective January 1st	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Tier 1 Supply Rate (\$/AF)	\$148	\$158	\$156	\$156	\$156	\$156	\$160	\$164	\$168	\$171	\$176
Tier 2 Supply Rate (\$/AF)	\$290	\$290	\$290	\$290	\$290	\$290	\$290	\$290	\$290	\$290	\$290
System Access Rate (\$/AF)	\$243	\$257	\$259	\$268	\$278	\$291	\$308	\$328	\$351	\$373	\$398
Water Stewardship Rate (\$/AF)	\$41	\$41	\$41	\$41	\$41	\$41	\$41	\$41	\$41	\$41	\$41
System Power Rate (\$/AF)	\$161	\$126	\$138	\$150	\$164	\$179	\$200	\$215	\$226	\$243	\$258
Full Service Untreated Volumetric Cost (\$/AF)											
Tier 1	\$593	\$582	\$594	\$615	\$639	\$667	\$709	\$748	\$786	\$828	\$873
Tier 2	\$735	\$714	\$728	\$749	\$773	\$801	\$839	\$874	\$908	\$947	\$987
Exchange	\$445	\$424	\$438	\$459	\$483	\$511	\$549	\$584	\$618	\$657	\$697
Treatment Surcharge (\$/AF)	\$297	\$341	\$348	\$358	\$360	\$360	\$360	\$360	\$360	\$360	\$360
Full Service Treated Volumetric Cost (\$/AF)											
Tier 1	\$890	\$923	\$942	\$973	\$999	\$1,027	\$1,069	\$1,108	\$1,146	\$1,188	\$1,233
Tier 2	\$1,032	\$1,055	\$1,076	\$1,107	\$1,133	\$1,161	\$1,199	\$1,234	\$1,268	\$1,307	\$1,347
Readiness-to-Serve Charge (\$M)	\$166	\$158	\$153	\$153	\$154	\$158	\$169	\$189	\$214	\$236	\$260
Capacity Charge (\$/cfs)	\$8,600	\$11,100	\$10,900	\$10,900	\$11,500	\$12,100	\$12,100	\$12,100	\$12,200	\$12,400	\$12,500

Figure 8 shows the volumetric cost per acre-foot for Tier 1 Full Service untreated water, Tier 1 Full Service treated water, and untreated

Exchange Water delivered pursuant to the 2003 Amended and Restated Exchange Agreement between Metropolitan and SDCWA.

**Figure 8. Projected volumetric Rates**

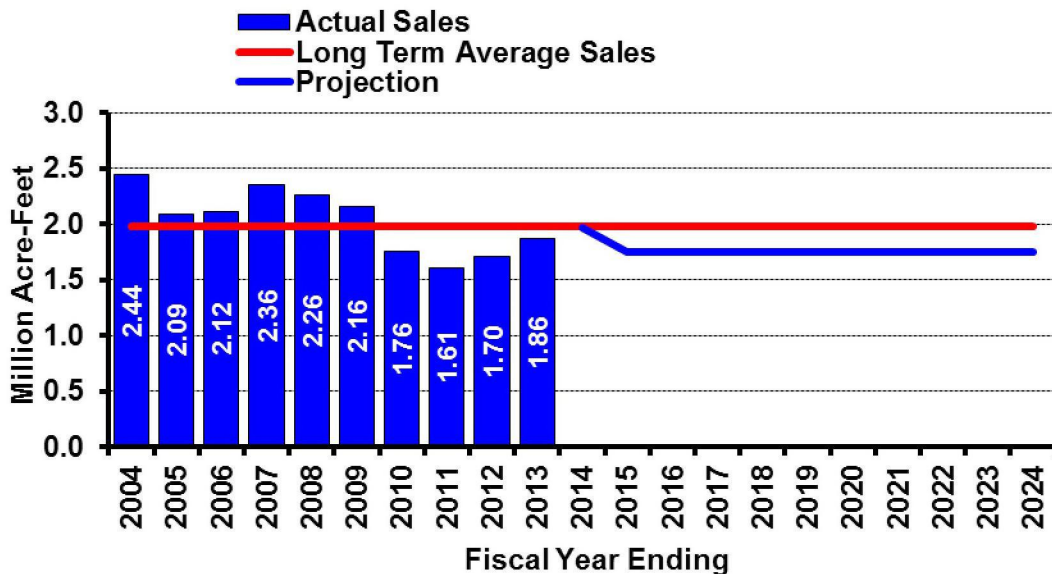


These estimated rate increases result from increasing investments for the SWP and the BDCP, investments in reliability through conservation and local resources, system improvements to water treatment, investments to maintain the conveyance and distribution system, and increasing operating and maintenance costs. Annual expenditures, excluding funding of the Capital Investment Plan (CIP), are expected to increase from \$1.4 billion in FY 2014/15 to \$2.0 billion by FY 2023/24, or an annual average increase of about 4 percent. Metropolitan's share of the costs for the Bay Delta Conservation Plan (BDCP) is expected to increase to about \$300 million by FY 2023/24. During this same period, capital investments are expected to be about \$2.9 billion. To finance these capital

investments, the ten-year forecast anticipates funding 100 percent of the CIP from PAYGo and Replacement and Refurbishment (R&R) funds for the first three fiscal years, then transitioning to funding 60% of the CIP from water sales revenues, or PAYGo. The balance of the CIP, or \$0.7 billion, would be financed by issuing revenue bond debt.

Consistent with the 2010 IRP Update, future growth in retail demands is expected to be met either by the development of local supply resources or by conservation efforts necessary to meet the state mandate to reduce per capita retail water use by 20 percent by 2020. These impacts result in flat projected annual water sales over the ten-year period of 1.75 MAF, as shown in Figure 9.

**Figure 9. Water Sales**



**SOURCES OF FUNDS**

**Revenues**

Volumetric water revenues are expected to increase from \$1.3 billion in FY 2014/15 to \$1.8 billion in FY 2023/24. This increase is due to anticipated rate increases.

Fixed water charges (Readiness-to-Serve and Capacity Charge) are expected to increase from about \$199.5 million in FY 2014/15 to \$297.0 million in FY 2023/24.

Property tax revenue is expected to increase from \$90.2 million in FY 2014/15 to \$110.2 million in FY 2023/24. This projection assumes the Board maintains the ad valorem tax rate at .0035 percent of assessed valuations. By FY 2023/24 almost all of the revenues are used to pay SWP costs, which would include Metropolitan's share of BDCP costs.



Power sales from Metropolitan’s hydroelectric power recovery plants and excess CRA power are projected to average about \$20.9 million per year over this period.

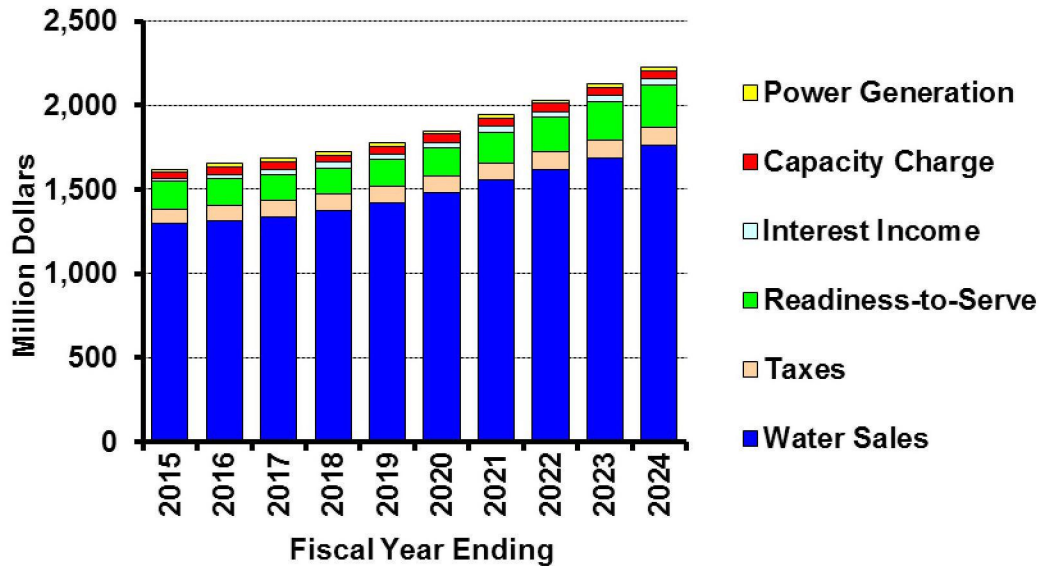
Interest income is projected to increase from \$16.2 million in FY 2014/15 to \$36.8 million in FY 2023/24 as a result of increased balances and higher average returns of

1.2 percent to 2.5 percent from FY 2014/15 to FY 2023/24.

Overall, volumetric water revenues continue to approximate 80% of total revenues throughout the period.

Forecasted revenues by major category are shown in Figure 10.

**Figure 10. Revenue Forecast**



**Other Funding Sources**

Other sources of funds include withdrawals from bond construction funds, Refurbishment and Replacement (R&R) Fund, General Fund, Water Stewardship Fund (WSF), Treatment Surcharge Stabilization Fund (TSSF), Water Rate Stabilization Fund (WRSF), and Revenue Remainder Fund.

**USES OF FUNDS**

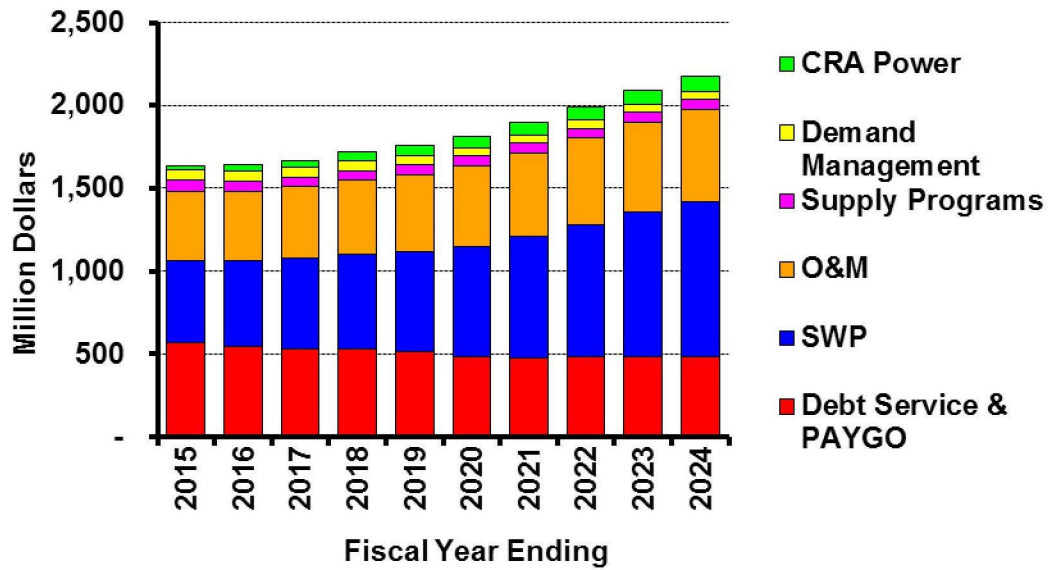
Over the next ten years, total uses of funds are projected to range from \$1.9 billion to \$2.6 billion.

**Expenses**

Expenses are grouped into six major categories: SWP, O&M, demand management programs, CRA power costs, supply programs, and debt service & PAYGo funding. Figure 11 illustrates the general trends in expenses over the ten-year period from FY 2014/15 to FY 2023/24. Figure 12 shows the comparison of FY 2014/15 to FY 2023/24 in terms of the contribution of expenses to the total.



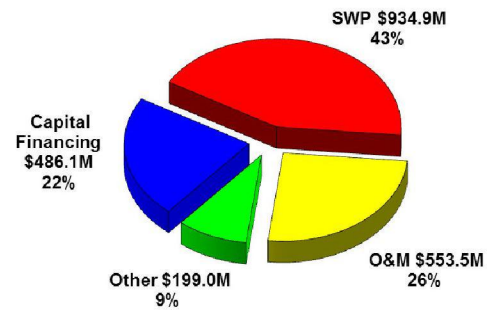
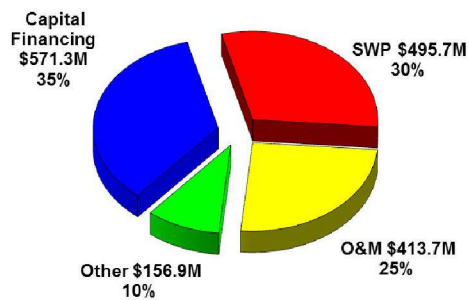
**Figure 11. Expenditure Forecast**



**Figure 12. Expenditure Forecast, Contribution by Major Area**

FY 2014/15: \$1.64B

FY 2023/24: \$2.17B



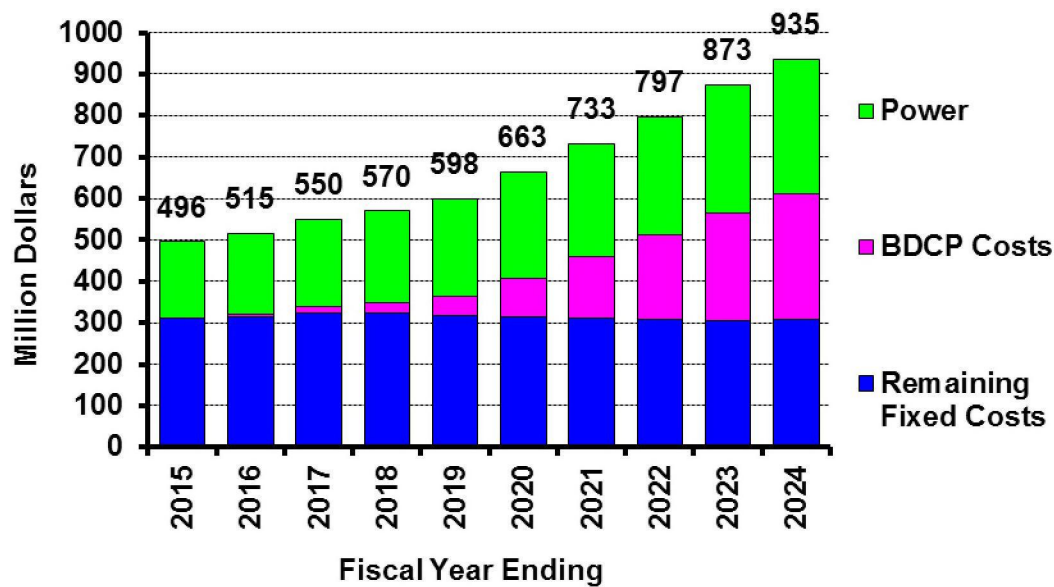
**State Water Project**

SWP expenditures are projected to increase from \$496 million in FY 2014/15 to \$935 million in FY 2023/24. The projection assumes the BDCP moves forward. These costs account for \$302.0 million in FY 2023/24. The remainder of the fixed costs is based upon information provided by the DWR, and is associated with Transportation Capital and Minimum Operations & Maintenance, and the Delta Water Supply Capital and Minimum Operations & Maintenance. After adjusting downward in FY 2013/14, variable SWP power costs are projected to increase steadily beginning in FY 2014/15.

Power costs will vary depending on the price of electricity, total system deliveries, storage operations, and the amount of water pumped on the SWP. Increasing costs affecting the SWP include the cost of emissions allowance purchases directly and indirectly, the cost of adding renewable energy to the SWP power portfolio, and the cost of using the California Independent System Operator grid to transmit power from generation sources to the SWP load locations. Net flows through the SWP that incur power are expected to average 923 TAF per year.

The total SWP costs are shown in Figure 13.

**Figure 13. SWP Forecast**

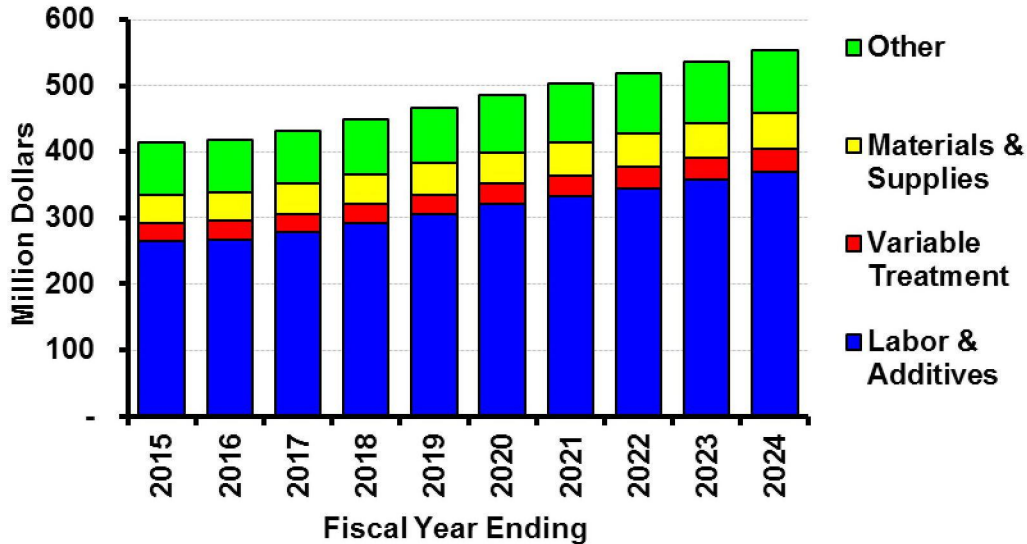


**Operations and Maintenance**

O&M costs in FY 2023/24 are projected to be \$553.5 million. This represents an average annual increase of 3.3 percent from FY 2014/15 as a result of increasing labor, benefits, and treatment costs. During this time frame, inflation is assumed to be 2.5 percent. Items that are driving overall O&M costs up more rapidly than the rate of inflation include

rising benefit costs for pensions and medical costs for active and retired employees. In addition, the ten-year forecast assumes Metropolitan fully funds the annual required contribution to meet future retiree medical costs (OPEB) much like promised retirement benefits, rather than paying for retiree medical costs on a pay-as-you-go basis.

**Figure 14. O&M Forecast**



**Demand Management**

Demand management costs include funding for the local resource programs (LRP) and Conservation Credit Program (CCP) are projected to decrease from \$62.2 million in FY 2014/15 to \$45.9 million in FY 2023/24. The LRP costs are projected to decrease from \$42.2 million in FY 2014/15 to \$25.9 million in FY 2023/24. The yield from the LRP is expected to decrease from 275 TAF in FY 2014/15 to 184 TAF in FY 2016/17 as more projects become cost effective when compared to Metropolitan’s water rates. The CCP costs are projected to remain at \$20.0 million throughout the ten-year period and provide continued funding of residential, commercial, and outdoor conservation programs. These programs reduce the need to transport water into the Metropolitan service area or within Metropolitan’s distribution system.

**CRA Power Costs**

CRA Power costs are projected to increase from \$29 million in FY 2014/15 to \$90 million in FY 2023/24. Power costs will

vary depending on the price of electricity, total system deliveries, storage operations, and the amount of water pumped on the CRA.

Colorado River diversions are expected to average 909 TAF from FY 2016/17 to FY 2023/24.

**Water Transfers and Supply Programs**

Supply programs vary slightly throughout the ten-year period from \$65.5 million in FY 2014/15 to \$63.2 million in FY 2023/24. The estimates represent expenditures for expected conditions. If extreme weather conditions are experienced, these cost estimates could be much higher or lower. If higher than normal demand is coupled with lower than normal supply, supply program costs could be more than four times higher. The proposed deposit of approximately \$150 million of projected reserves over the target into a water transfer and management fund in FY 2013/14 will help ensure sufficient funds are available for these programs in the near term.



### Capital Investment Plan

Metropolitan will be investing in infrastructure necessary to treat, store, and deliver water. Many of these investments will be required to repair and replace aging facilities, or Rehabilitation & Replacements (R&R). The ten-year projected CIP through FY 2023/24 is estimated at \$2.9 billion. The major elements of the ten-year projected capital program are shown in Table 10. This table shows the CIP

by major service function, driver and funding source. The CIP continues to reflect the deferral of facility expansion. The CIP focuses on projects that enhance reliability or provide an adequate return on investment while focusing on necessary refurbishment and replacement of aging infrastructure.

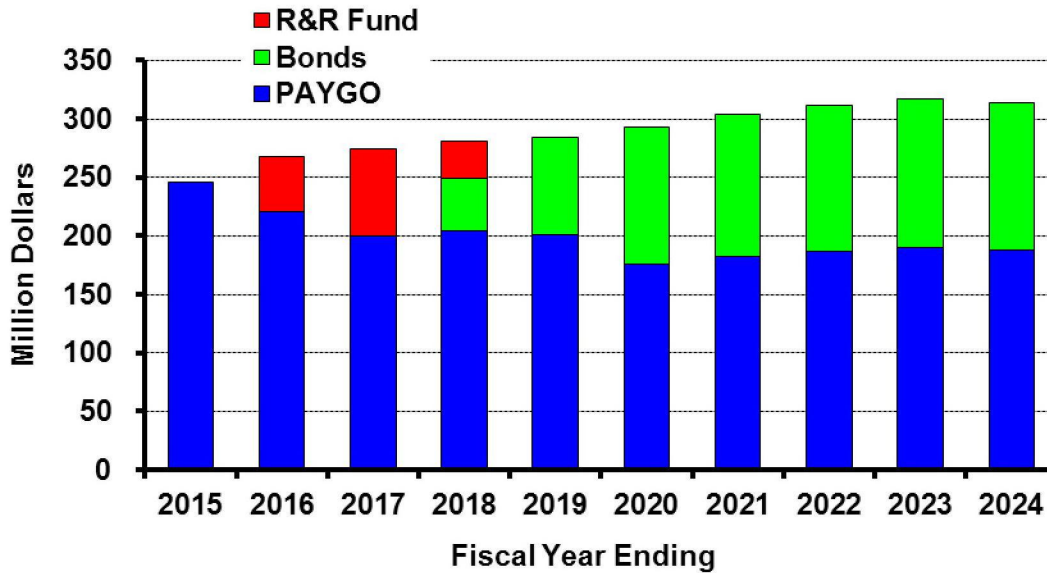
Figure 15 shows the funding source for the ten-year CIP.

**Table 10. CIP Ten-Year Forecast and Funding Sources (dollars in millions)**

Fiscal Year Ending	2015 Proposed	2016 Proposed	2017 Forecast	2018 Forecast	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast	Total
<b>Major Service Functions</b>											
Supply	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Conveyance & Aqueduct	27.2	22.3	27.2	46.3	46.1	44.6	44.2	63.0	58.0	59.6	438.4
Storage	12.2	12.6	2.0	-	-	-	-	-	-	-	26.8
Distribution	43.5	51.6	69.8	112.7	135.7	157.6	191.6	178.8	199.4	204.1	1,344.8
Treatment	126.1	148.7	121.4	95.1	79.3	73.8	57.3	58.8	48.4	49.7	858.5
Administrative & General	28.1	30.4	50.4	26.5	23.2	16.7	11.0	11.4	11.7	-	209.4
Hydroelectric	8.2	2.3	4.1	0.5	0.1	0.7	0.1	-	-	-	15.9
<b>Total</b>	<b>245.4</b>	<b>267.9</b>	<b>274.8</b>	<b>281.1</b>	<b>284.4</b>	<b>293.4</b>	<b>304.1</b>	<b>312.0</b>	<b>317.4</b>	<b>313.4</b>	<b>2,893.8</b>
<b>By Driver</b>											
Efficiency	-	0.2	0.8	4.0	1.7	0.0	-	-	-	-	6.7
Infrastructure	193.5	212.3	240.4	269.3	279.2	292.0	304.1	312.0	317.4	313.4	2,733.6
Regulatory	7.4	10.1	12.3	1.5	-	-	-	-	-	-	31.3
Supply	1.1	-	-	-	-	-	-	-	-	-	1.1
Water Quality	43.5	45.3	21.2	6.2	3.5	1.4	0.0	-	-	-	121.1
<b>Total</b>	<b>245.4</b>	<b>267.9</b>	<b>274.8</b>	<b>281.1</b>	<b>284.4</b>	<b>293.4</b>	<b>304.1</b>	<b>312.0</b>	<b>317.4</b>	<b>313.4</b>	<b>2,893.8</b>
<b>By System Improvements and R&amp;R</b>											
System Improvements	106.8	105.7	116.2	58.2	34.8	26.6	12.8	13.2	12.3	-	486.5
Rehabilitation and Replacements	138.6	162.1	158.6	222.9	249.6	266.8	291.3	298.8	305.1	313.4	2,407.3
<b>Total</b>	<b>245.4</b>	<b>267.9</b>	<b>274.8</b>	<b>281.1</b>	<b>284.4</b>	<b>293.4</b>	<b>304.1</b>	<b>312.0</b>	<b>317.4</b>	<b>313.4</b>	<b>2,893.8</b>
<b>Funding Sources</b>											
Bonds	-	-	-	45.2	83.4	117.4	122.1	125.0	127.4	125.4	745.8
R&R Fund	-	46.9	74.8	31.9	-	-	-	-	-	-	153.5
PAYGO	245.4	221.0	200.0	204.0	201.0	176.0	182.0	187.0	190.0	188.0	1,994.4
<b>Total</b>	<b>\$ 245.4</b>	<b>\$ 267.9</b>	<b>\$ 274.8</b>	<b>\$ 281.1</b>	<b>\$ 284.4</b>	<b>\$ 293.4</b>	<b>\$ 304.1</b>	<b>\$ 312.0</b>	<b>\$ 317.4</b>	<b>\$ 313.4</b>	<b>\$ 2,893.8</b>

Totals may not foot due to rounding.

**Figure 15. CIP Ten-Year Forecast and Funding Sources (dollars in millions)**



The CIP will be funded from a combination of bond proceeds and operating revenues. In order to mitigate future increases in water rates, provide financial flexibility, and support Metropolitan's high credit ratings including maintaining revenue bond debt service and fixed charge coverage ratios, it is proposed that 60 percent of the CIP be funded from current revenues. This level of CIP funding is appropriate given that the 80 percent of the ten-year CIP is identified as R&R projects. Bond funded expenditures will include a combination of variable and fixed rate debt. Debt has been structured to mitigate near-term rate impacts and smooth out long-term debt service. Variable rate debt is used to mitigate interest cost over the long term, while mitigating interest rate exposure.

**Debt Financing**

As shown in Table 10, it is anticipated that there will be about \$2.9 billion of capital expenditures over this period. Of this, \$745.8 million, or 26 percent of future capital expenditures, are anticipated to be funded by

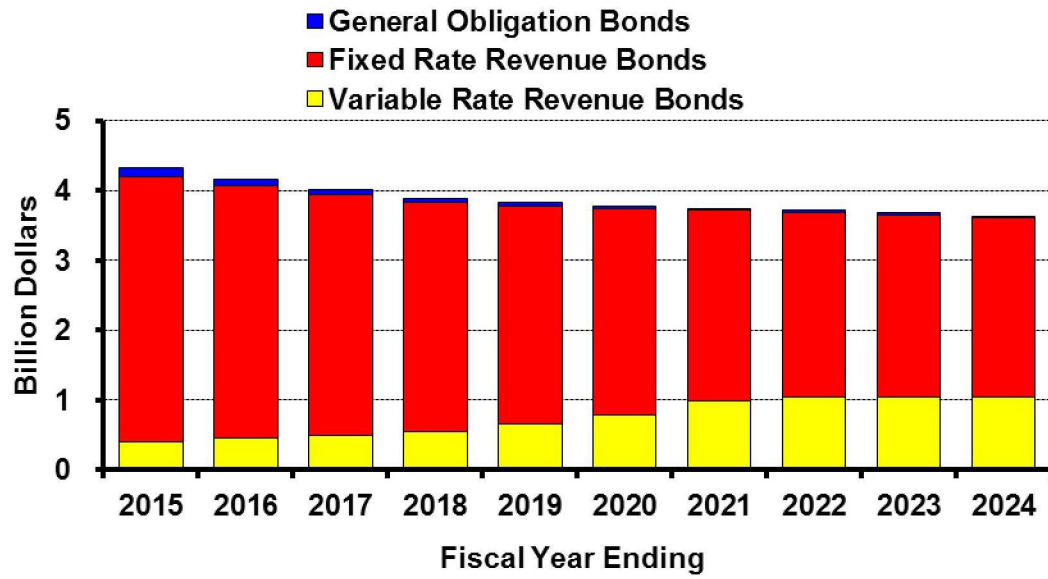
debt proceeds. Outstanding revenue bond debt currently represents \$4.5 billion, or 63 percent of Metropolitan's \$6.8 billion equity as of June 30, 2013. Metropolitan may not have outstanding revenue bond debt in amounts greater than 100 percent of its equity.

Total outstanding debt is illustrated in Figure 16. Total outstanding debt is estimated to decrease to \$3.7 billion by FY 2023/24.

Metropolitan's variable rate debt as a percentage of total revenue bond debt is projected to increase to 29 percent over this time period as fixed rate debt is retired and new variable rate debt is issued. The appropriate amount of variable rate debt will continue to be monitored and adjusted depending on market rates, financing needs, available short-term investments, and fund levels in the investment portfolio with which variable rate interest exposure can be hedged.

General Obligation (GO) bond debt service will decrease from \$23.2 million to \$2.5 million per year as voter approved indebtedness matures.

**Figure 16. Outstanding Debt**



**Other Obligations**

The forecast accounts for required transfers to and from operating funds to meet revenue bond covenants and board policies. Over the next ten years, as costs continue to increase (most notably the reserve requirements for

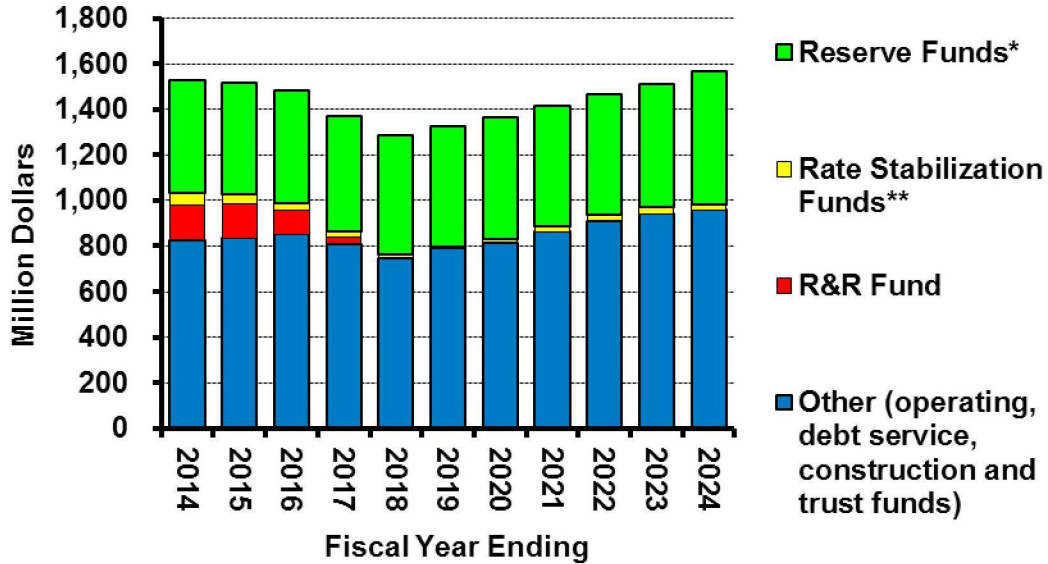
O&M Fund and State Water Contract Fund), the annual required transfer is estimated to average about \$32.0 million per year.



**FUND BALANCES AND RESERVES**

As shown in Figure 16, over the next ten years, total fund balances are projected to increase to \$1.63 billion in FY 2023/24.

**Figure 16. End of Year Fund Balances**



\* includes Water Rate Stabilization Fund and Revenue Remainder Fund.

\*\* includes Water Stewardship Fund and Treatment Surcharge Stabilization Fund.

**FINANCIAL RATIOS**

Metropolitan’s financial objective is to maintain a minimum revenue bond coverage ratio of 2.0 times. The revenue bond coverage ratio is projected to be 2.0 times in FY 2014/15 and increase to 2.9 times in FY 2023/24. Revenue bond debt service coverage is the primary indicator of credit quality and is equal to the ratio of net operating revenues to revenue bond debt service.

Fixed charge coverage measures the amount by which net-operating revenues “cover” all recurring fixed costs including SWC capital obligations. This is a broader ratio than the revenue bond coverage ratio and is one measure used to gauge Metropolitan’s overall financial strength. Metropolitan’s financial policy goal is to maintain a minimum fixed charge coverage ratio of 1.2 times. For FY 2014/15 through FY 2023/24, the fixed charge coverage is projected to decrease from 1.6 times to 1.4 times. Table 11 summarizes uses and sources of funds over the ten-year period.

**Table 11. Ten-Year Financial Forecast, Sources and Uses of Funds (dollars in millions)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Fiscal Year Ending	Projected	Proposed	Proposed	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>USES OF FUNDS</b>											
<b>Expenses</b>											
State Water Contract	\$ 426.0	\$ 495.7	\$ 515.0	\$ 549.6	\$ 569.8	\$ 598.4	\$ 663.0	\$ 733.0	\$ 797.1	\$ 873.2	\$ 934.9
Supply Programs	76.5	65.5	66.5	59.6	54.9	56.5	57.9	58.9	60.2	61.7	63.2
Colorado River Power	24.9	29.2	36.5	39.3	52.2	59.4	68.9	76.0	81.3	86.3	89.8
Debt Service	369.0	325.8	324.7	327.2	327.0	316.5	311.4	297.7	298.2	297.2	298.1
Demand Management	53.6	62.2	61.7	59.8	59.3	58.5	48.7	48.2	48.4	45.8	45.9
Departmental O&M	336.1	359.7	363.3	377.0	392.7	409.2	426.3	440.6	455.5	471.0	486.9
Treatment Chemicals, Solids & Power	26.4	26.6	27.6	27.7	28.4	29.4	30.7	32.1	32.8	33.5	34.2
Other O&M	128.0	27.5	26.6	27.3	28.0	28.7	29.4	30.1	30.9	31.7	32.5
<b>Sub-total Expenses</b>	<b>1,440.6</b>	<b>1,392.1</b>	<b>1,421.9</b>	<b>1,467.5</b>	<b>1,512.3</b>	<b>1,556.5</b>	<b>1,636.2</b>	<b>1,716.8</b>	<b>1,804.5</b>	<b>1,900.4</b>	<b>1,985.5</b>
Capital Investment Plan	200.0	245.4	267.9	274.8	281.1	284.4	293.4	304.1	312.0	317.4	313.4
<b>Fund Deposits</b>											
Water Transfer Fund	95.0	-	-	-	-	-	-	-	-	-	-
R&R and General Fund	225.0	245.4	221.0	200.0	204.0	201.0	176.0	182.0	187.0	190.0	188.0
Revenue Bond Construction	-	-	-	-	-	16.3	-	7.5	0.3	-	-
Water Stewardship Fund	14.1	-	-	-	-	-	2.1	2.0	1.4	4.3	3.8
Treatment Surcharge Stabilization Fund	-	-	0.4	0.9	0.8	-	5.3	6.9	1.0	-	-
Interest for Construction & Trust Funds	0.2	0.1	0.4	0.7	0.9	1.0	1.2	1.2	1.3	1.4	1.5
Increase in Required Reserves	8.6	9.9	18.2	19.2	10.2	33.1	41.8	49.9	53.5	43.9	39.9
Increase in Water Rate Stabilization Fund	-	-	4.3	6.9	9.2	0.6	-	-	-	2.5	28.5
<b>Sub-total Fund Deposits</b>	<b>342.9</b>	<b>255.5</b>	<b>244.3</b>	<b>227.7</b>	<b>225.1</b>	<b>252.0</b>	<b>226.4</b>	<b>249.6</b>	<b>244.6</b>	<b>242.1</b>	<b>261.7</b>
<b>TOTAL USES OF FUNDS</b>	<b>\$ 1,983.5</b>	<b>\$ 1,893.0</b>	<b>\$ 1,934.1</b>	<b>\$ 1,970.0</b>	<b>\$ 2,018.4</b>	<b>\$ 2,092.9</b>	<b>\$ 2,155.9</b>	<b>\$ 2,270.5</b>	<b>\$ 2,361.1</b>	<b>\$ 2,460.0</b>	<b>\$ 2,560.6</b>
<b>SOURCES OF FUNDS</b>											
<b>Revenues</b>											
Taxes	\$ 81.1	\$ 90.2	\$ 92.2	\$ 94.3	\$ 96.4	\$ 98.6	\$ 100.8	\$ 103.1	\$ 105.4	\$ 107.8	\$ 110.2
Annexations	-	-	-	-	-	-	-	-	-	-	-
Interest Income	7.7	16.2	27.9	33.8	32.7	32.7	33.4	34.1	35.1	35.9	36.8
Hydro Power	17.0	19.3	18.9	20.0	20.5	20.7	21.6	21.0	21.7	22.2	22.7
Fixed Charges (RTS & Capacity Charge)	182.1	199.5	198.8	195.9	197.6	202.5	211.1	226.6	249.3	273.4	297.0
Water Sales Revenue	1,437.5	1,290.0	1,308.4	1,331.8	1,370.5	1,414.8	1,473.8	1,547.9	1,611.7	1,678.6	1,751.4
Miscellaneous Revenue	6.1	10.2	11.3	12.0	12.3	12.7	13.4	14.2	14.6	15.1	16.0
Bond Proceeds	-	-	-	-	39.9	99.7	109.7	129.6	129.1	129.0	119.0
<b>Sub-total Revenues</b>	<b>1,731.7</b>	<b>1,625.4</b>	<b>1,657.5</b>	<b>1,687.8</b>	<b>1,769.9</b>	<b>1,881.7</b>	<b>1,963.8</b>	<b>2,076.6</b>	<b>2,166.9</b>	<b>2,262.0</b>	<b>2,353.1</b>
<b>Fund Withdrawals</b>											
R&R and General Fund	130.0	245.4	267.9	274.8	235.9	201.0	176.0	182.0	187.0	190.0	188.0
Bond Funds for Construction	70.0	-	-	-	5.3	-	7.7	-	-	3.5	10.9
Water Stewardship Fund	-	9.5	8.8	7.4	7.3	8.1	-	-	-	-	-
Treatment Surcharge Stabilization Fund	0.5	4.4	-	-	-	2.2	-	-	-	4.5	8.6
Decrease in Required Reserves	-	-	-	-	-	-	-	-	-	-	-
Decrease in Rate Stabilization Fund	51.3	8.4	-	-	-	-	8.4	11.9	7.2	-	-
<b>Sub-total Fund Withdrawals</b>	<b>251.8</b>	<b>267.6</b>	<b>276.6</b>	<b>282.2</b>	<b>248.5</b>	<b>211.3</b>	<b>192.1</b>	<b>193.9</b>	<b>194.2</b>	<b>197.9</b>	<b>207.5</b>
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$ 1,983.5</b>	<b>\$ 1,893.0</b>	<b>\$ 1,934.1</b>	<b>\$ 1,970.0</b>	<b>\$ 2,018.4</b>	<b>\$ 2,092.9</b>	<b>\$ 2,155.9</b>	<b>\$ 2,270.5</b>	<b>\$ 2,361.1</b>	<b>\$ 2,460.0</b>	<b>\$ 2,560.6</b>
<b>Fiscal Year Sales &amp; Exchange (MAF)</b>	<b>1.97</b>	<b>1.75</b>	<b>1.75</b>	<b>1.75</b>	<b>1.75</b>	<b>1.75</b>	<b>1.75</b>	<b>1.75</b>	<b>1.75</b>	<b>1.75</b>	<b>1.75</b>

Totals may not foot due to rounding.

**Table 12. Ten-Year Financial Forecast, Coverage Ratios and Fund Balances (dollars in millions)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Fiscal Year Ending	Projected	Proposed	Proposed	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b>RATIOS</b>											
Fixed Charge Coverage	2.0	1.6	1.6	1.6	1.6	1.6	1.5	1.5	1.5	1.4	1.4
Revenue Bond Coverage	2.7	2.0	2.0	2.0	2.0	2.1	2.2	2.4	2.6	2.7	2.9
Var. Rate Debt as % of Rev. Bond Debt	9%	10%	11%	12%	14%	17%	21%	26%	28%	29%	29%
<b>RESTRICTED FUNDS EOY balance</b>											
General Fund	116.1	116.1	116.1	116.1	116.1	116.1	116.1	116.1	116.1	116.1	116.1
Water Transfer Fund	119.9	119.9	119.9	60.0	-	-	-	-	-	-	-
Other	591.0	598.2	616.3	632.7	632.1	674.8	698.4	747.3	795.4	826.7	843.9
<b>Sub-total Restricted Funds</b>	<b>827.0</b>	<b>834.2</b>	<b>852.3</b>	<b>808.8</b>	<b>748.2</b>	<b>790.9</b>	<b>814.5</b>	<b>863.4</b>	<b>911.5</b>	<b>942.8</b>	<b>960.0</b>
<b>UNRESTRICTED FUNDS EOY balance</b>											
Reserve Funds (1)	496.1	490.5	495.3	505.7	521.3	529.5	532.8	530.7	530.6	543.6	585.4
Treatment Surcharge Stabilization Fund	4.4	0.0	0.5	1.4	2.2	0.0	5.3	12.3	13.3	8.8	0.2
Water Stewardship Fund	48.2	38.8	30.0	22.7	15.3	7.2	9.3	11.3	12.8	17.1	20.8
R&R Fund	153.5	153.5	106.7	31.9	-	-	-	-	-	-	-
General Fund	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
<b>Sub-total Unrestricted Funds</b>	<b>703.1</b>	<b>683.8</b>	<b>633.4</b>	<b>562.5</b>	<b>539.7</b>	<b>537.7</b>	<b>548.4</b>	<b>555.2</b>	<b>557.5</b>	<b>570.4</b>	<b>607.4</b>
<b>TOTAL FUNDS</b>	<b>\$ 1,530.1</b>	<b>\$ 1,518.0</b>	<b>\$ 1,485.7</b>	<b>\$ 1,371.3</b>	<b>\$ 1,287.9</b>	<b>\$ 1,328.6</b>	<b>\$ 1,362.9</b>	<b>\$ 1,418.6</b>	<b>\$ 1,469.0</b>	<b>\$ 1,513.2</b>	<b>\$ 1,567.4</b>

Totals may not foot due to rounding.

(1) includes Water Rate Stabilization Fund and Revenue Remainder Fund.