

Proposed Biennial Budget and Revenue Requirements, Fiscal Years 2016/17 and 2017/18; and Ten-Year Forecast

Member Agency Managers Meeting
February 12, 2016



Proposed Biennial Budget

Biennial Budget and Rates Process Has Several Objectives

- Adopt a two-year budget, covering fiscal years 2016/17 and 2017/18
- Adopt rates and charges for calendar years 2017 and 2018
- Update ten-year forecast, including the biennial period
 - Water Sales
 - Expenditures
 - Revenues

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

Rated by three agencies:

AAA by Standard & Poors

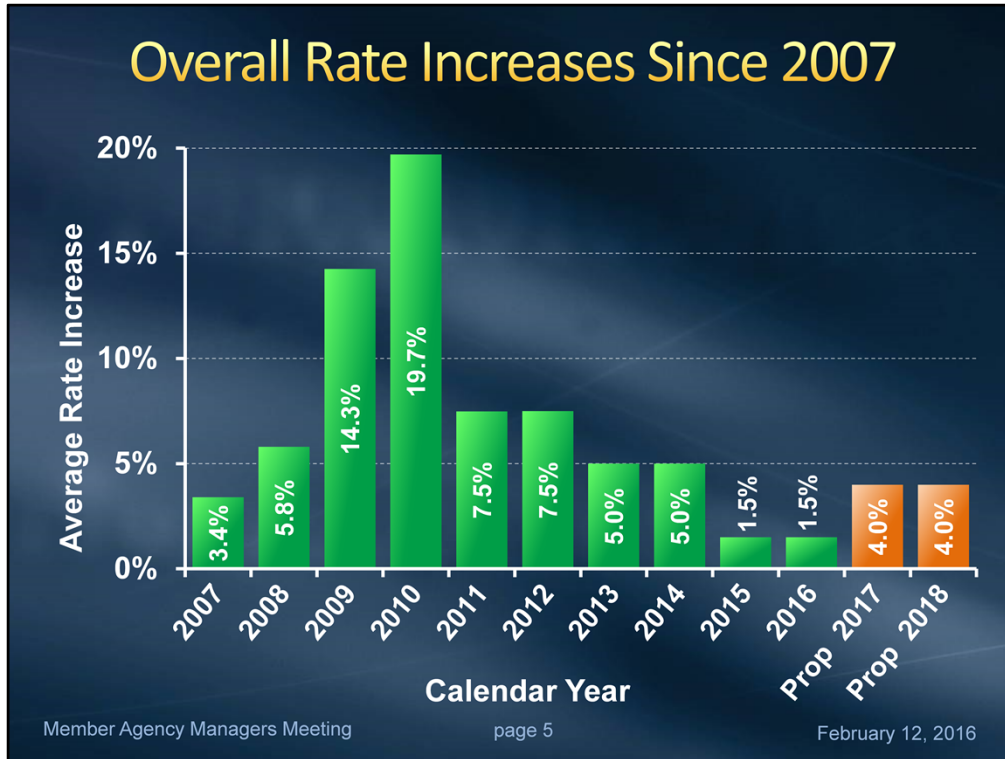
AA+ by Fitch

Aa1 by Moodys

Debt service coverage: net operating revenues divided by current year's debt service. Ensures Metropolitan has sufficient annual operating revenues to pay its operating expenses and meet debt service obligations on revenue bonds and other senior debt.

Fixed Charge Coverage: includes all fixed obligations after payment of operating expenditures. Accounts for the capital costs of the SWC. Demonstrates ability to pay all recurring costs.

PAYGo consistent with later years of the last 10-year forecast.



The proposed budget would result in overall increases to Metropolitan’s rates and charges of 4 % in each fiscal year.

Proposed rate increases are squarely within the 3 to 5 % forecast of the last biennial budget and 10-year forecast.

Important Underlying Assumptions

Fiscal Year Ending	2017	2018
Overall increase January 2017 & 2018	4.0%	4.0%
Total Water Sales and Exchanges	1.70 MAF	1.70 MAF
State Water Project Allocation	50%	50%
Colorado River Aqueduct Diversions	1.01 MAF	1.04 MAF
Capital Investment Plan	\$200 M	\$200 M
PAYGO	\$120M	\$120M

Member Agency Managers Meeting

page 6

February 12, 2016

Sales and Exchanges based on 2015 IRP Update, assumes average hydrology locally

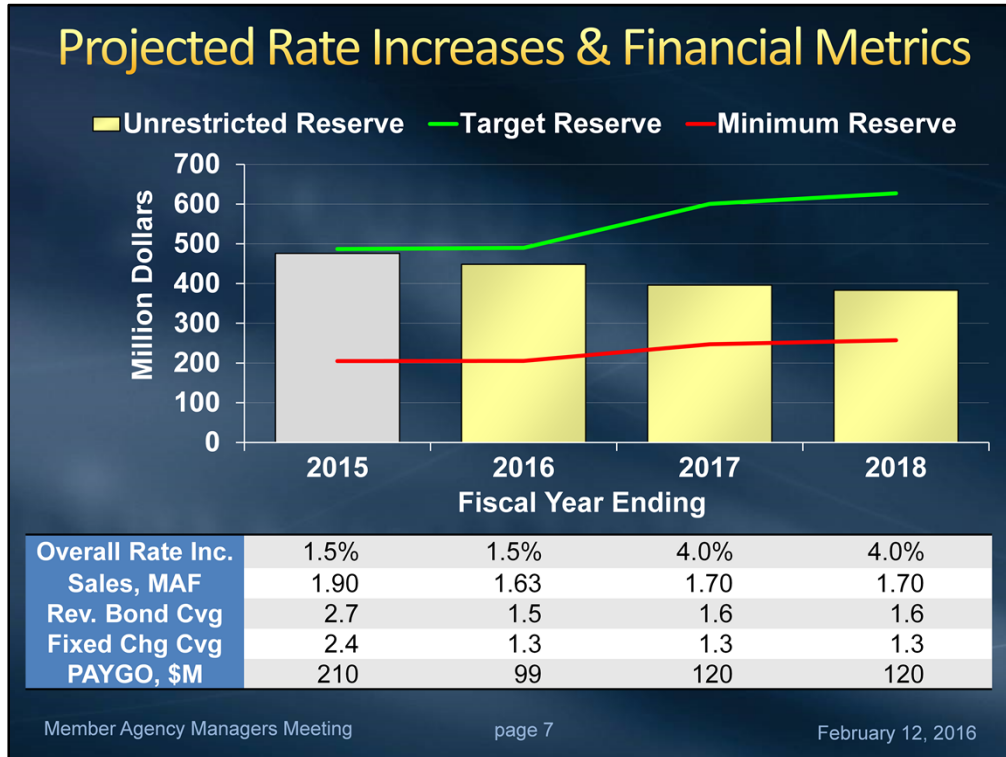
Average hydrology in both our watersheds; provides for a more stable budget and rate setting process

CIP: using \$200M for financial planning purposes

Focusing on projects that are critical to maintaining water quality, reliability and safety

PAYGo at 60 %; important to meeting coverage targets; provides financial flexibility in years when revenues may be lower; lessens the pressure on water rates in future years from debt service and provides financial

Lower CIP and PAYGo provides cost relief when other costs increase



Summary of key financial policies

Sales of 1.7 MAF; below 1.75 MAF forecasted for this period in the last biennial budget

Revenue bond coverage not meeting target of 2.0 times, but supports our current ratings

Fixed charge coverage target is met

Draw on unrestricted reserves in both fiscal years

Estimated Full Service Costs and Charges

Rate Type	2016 Approved	2017 Estimated	% Increase (Decrease)	2018 Estimated	% Increase (Decrease)
Full Service Untreated Volumetric Cost (\$/AF)					
Tier 1	\$594	\$666	12.1%	\$695	4.4%
Tier 2	\$728	\$760	4.4%	\$781	2.8%
Treatment Surcharge*	\$348	\$313	(10.1%)	\$320	2.2%
Full Service Treated Volumetric Cost (\$/AF)*					
Tier 1	\$942	\$979	3.9%	\$1,015	3.7%
Tier 2	\$1,076	\$1,073	(0.3%)	\$1,101	2.6%
RTS Charge (\$M)	\$153	\$135	(11.8%)	\$140	3.7%
Capacity Charge (\$M)	\$43	\$34	(21.5%)	\$37	8.8%

*A proposal will be presented to the Board for consideration to address fixed cost recovery of Treatment costs which are currently only recovered through a volumetric rate.

Discuss estimated rates to support revenue requirement in Workshop #2; discuss treatment cost recovery in Workshop #2 as well.

Overall increase in Metropolitan's revenues from rates and charges of 4%
Decrease in RTS and Capacity Charge amounts partially offsets increase in raw water rate

Tier 1 Untreated, 12.1%: \$72/AF - \$12/AF RTS - \$5/AF CC = 9%

Tier 2 Treated, 3.9%: \$37/AF - \$17/AF = 2%

Higher costs on untreated water combined with lower sales is resulting in the changes shown.
RTS and CC recover only capital costs; highly sensitive to the amount of PAYGo in costs

Treatment: reviewed how costs were functionalized.

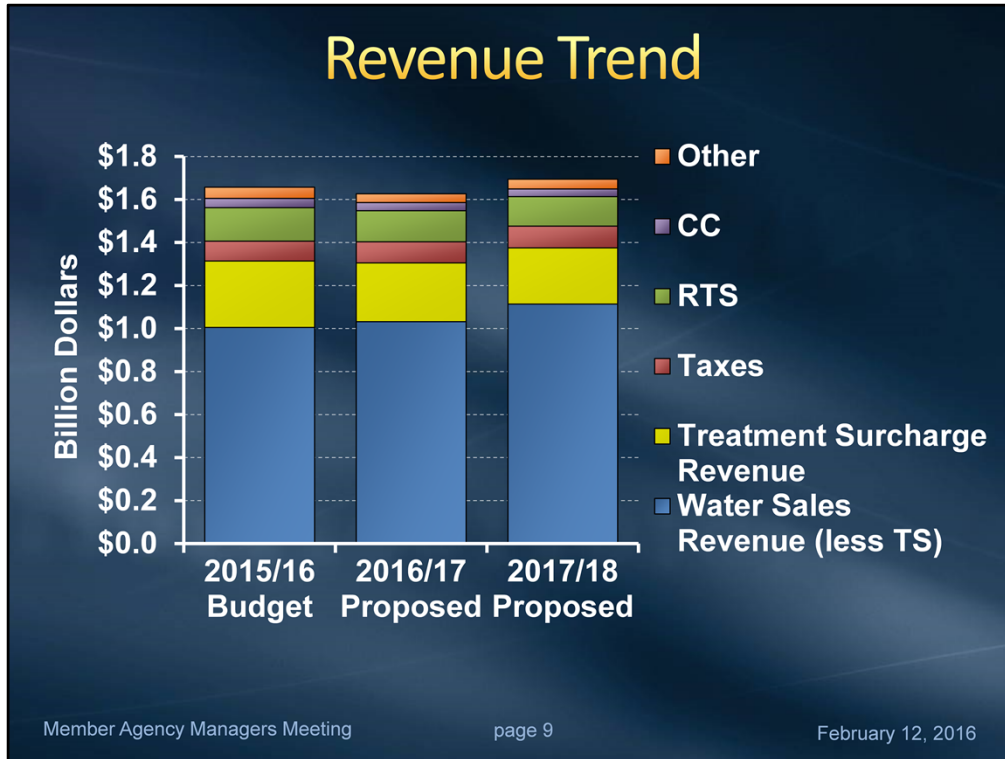
- O&M to distribution

- Reviewed how we categorize assets for functionalizing

- Treatment capital projects closely scrutinized

- PAYGo level also impacts

Untreated	Tier 1	594	666	72	695	29
				9%		5%
Treated	Tier 1	942	979	37	1015	36
				2%		4%
	RTS	153	135	\$ (12)	140	\$ 3
	CC	43	34	\$ (5)	37	\$ 2



Revenue trend from overall increase of 4 percent
 Untreated revenues are up, treatment revenues down due to lower
 Treatment Surcharge and lower expected treated sales

Revenues are \$1.6B and \$1.7B

Due to decreasing RTS and CC, fixed revenues are about 17% in FY 2016/17 and 15% in FY 2017/18

millions of dollars	Est.	Budget	Budget
Fiscal Year Ending	2016	2017	2018
Items the INCREASE Reserves			
Water Sales & Wheeling	1,182.1	1,305.2	1,375.5
Capacity Charge	43.5	38.3	35.2
RTS Charge	156.7	144.0	137.5
Taxes & Annexation	102.3	98.3	100.5
Small Hydro & DVL Power Sales	7.1	15.3	18.5
CRA Power Sales	-	-	3.1
Interest Income(1)	8.8	13.2	12.1
Misc. allocated to supply (PVID Lease, CVWD Revenue)	8.9	8.9	9.0
Misc. allocated to A&G (Lease, Late Fees, etc.)	3.8	3.1	3.1
Total	1,513.3	1,626.4	1,694.5



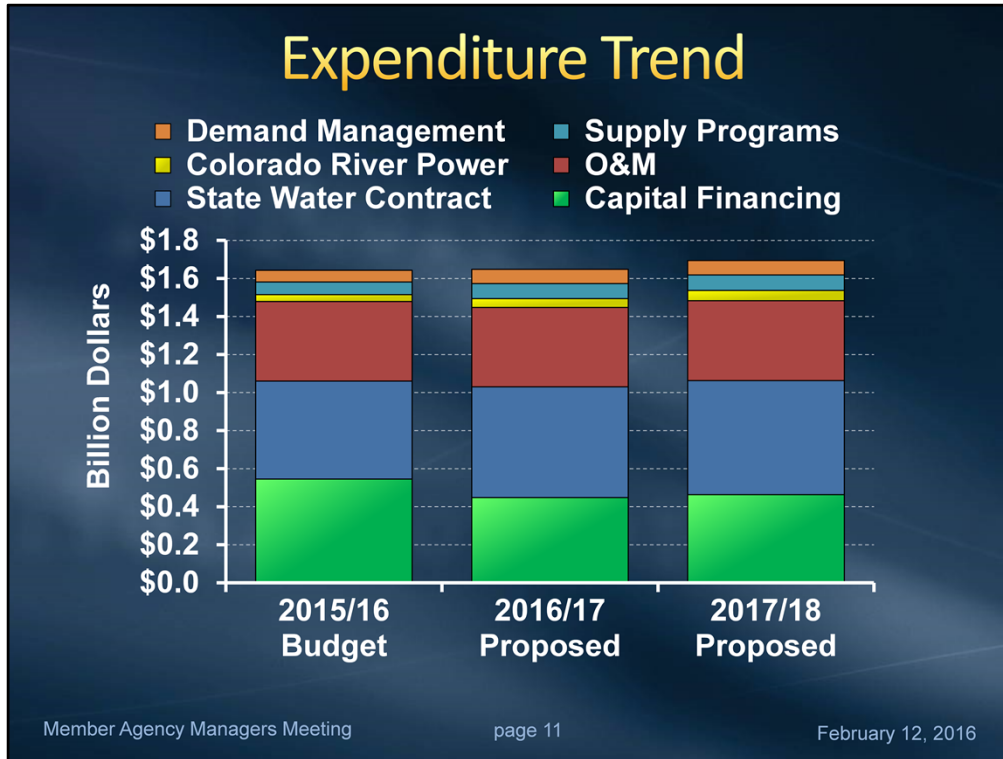
Based on 2015 IRP update, average hydrology

Lower than 1.75 MAF previously projected for this two-year period

considers the dampening of demands due to the Governor's executive order to reduce statewide water use by 25%; WSAP in FY 2015/16; incorporates implementation of local resource projects

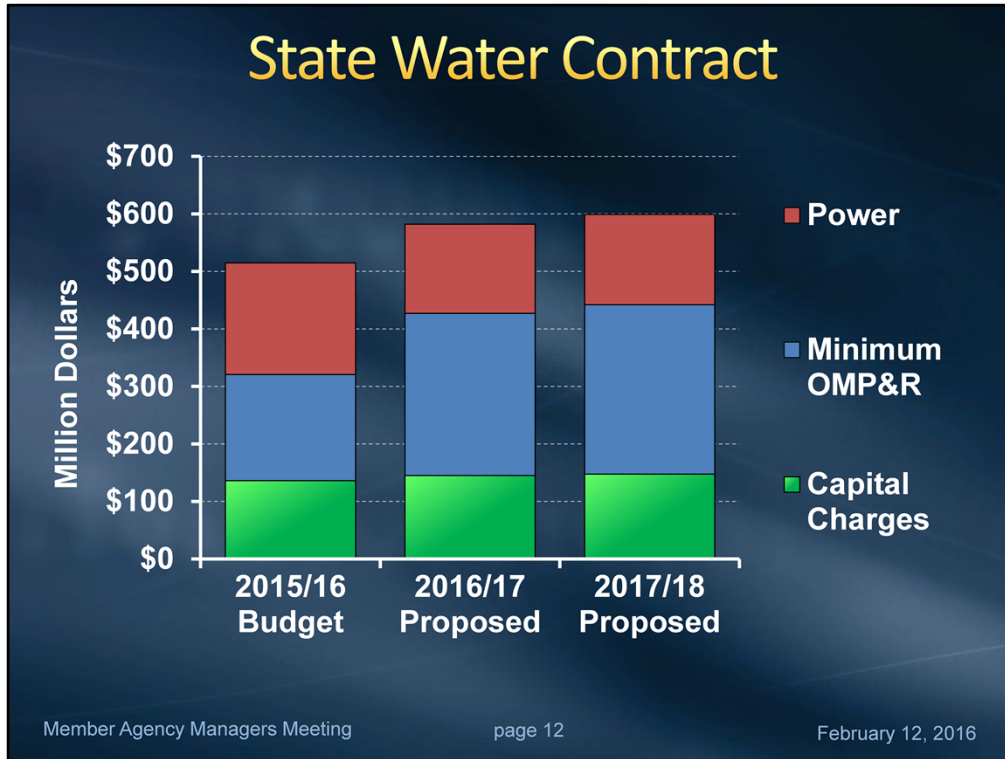
- Poseidon desalination plant

- Orange County Groundwater Replenishment system



Total Expenditures of \$1.7B in each year; largest share is SWP, followed by DS and O&M

Fiscal Year Ending	2016	2017	2018
Items the DECREASE Reserves			
SWP - Capital	168.9	181.7	184.2
SWP - Min. OMP&R	274.3	282.1	294.7
SWP - On-Aqueduct Power	98.3	147.5	152.6
SWP - Off-Aqueduct Power	15.0	9.6	5.8
SWP - Credits	(60.9)	(38.6)	(37.9)
SWP Subtotal	495.6	582.3	599.4
O&M Subtotal	396.4	417.7	419.8
Debt Service Subtotal	314.3	328.5	344.1
Supply Programs paid from current operating revenue	119.4	78.7	81.7
CRA Power Costs	37.9	46.6	54.4
Conservation Credits Program	9.9	27.0	32.0
Local Resources Program	41.4	43.7	41.9
Foundational Actions	-	4.4	2.0
Increase in Required Reserves w/o min.	35.2	23.3	15.3
PAYGO	99.0	120.0	120.0
Deposit to TSSF	(8.0)	6.7	(3.2)
Deposit to WSF	-	-	-
TOTAL	1,540.9	1,678.7	1,707.4
Change in reserves	(27.7)	(52.4)	(12.9)
check	-	-	-



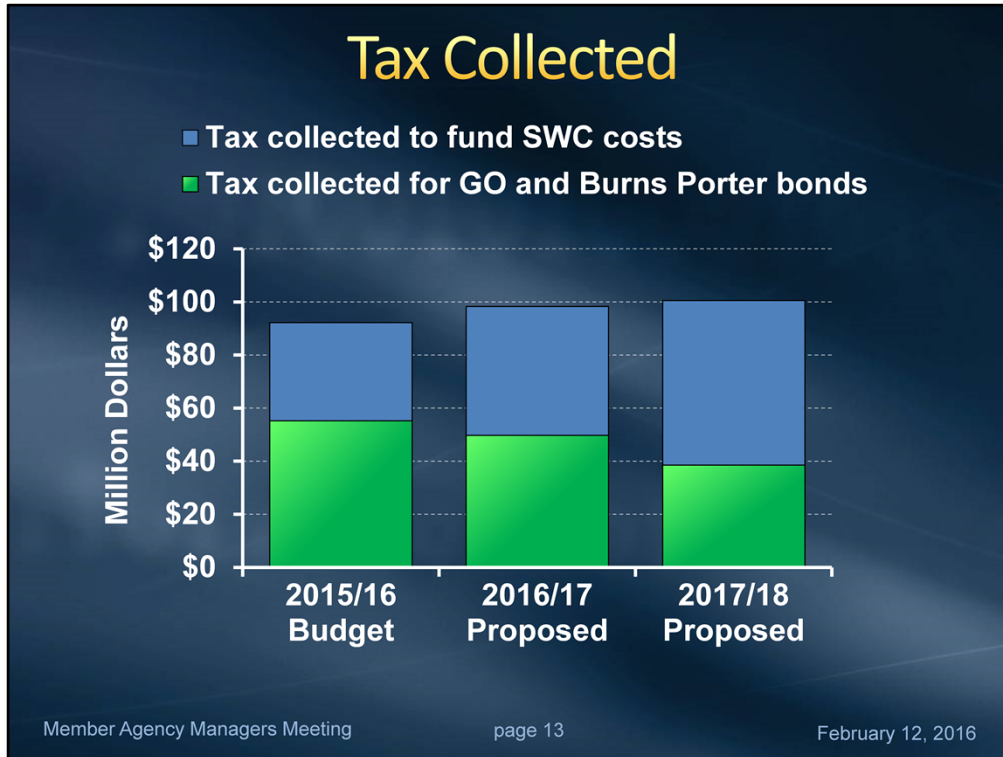
Based on 2016 SOC from DWR

SWP costs are increasing due to higher costs for salaries and benefits, rehabilitation and replacement expenditures, maintenance of aging infrastructure, and fish restoration agreement costs.

Metropolitan prepares a forecast of power costs are projected to be lower due to lower market costs for natural gas, wholesale power, and cap-and-trade emissions allowances and a recent favorable environment for negotiating renewable power contracts.

Also, the cost of using the CAISO grid has increased more slowly than what was included in the prior forecast.

Fiscal Year Ending	2016	2017	2018
Items that DECREASE Reserves			
SWP - Capital	168.9	181.7	184.2
SWP - Min. OMP&R	274.3	282.1	294.7
SWP - On-Aqueduct Power	98.3	147.5	152.6
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SWP - Credits	(60.9)	(38.6)	(37.9)
SWP Subtotal	495.6	582.3	599.4



The proposed biennial budget proposes to maintain the ad valorem tax rate at the current level of .0035 percent of assessed value for both fiscal years.

\$98.3 million in FY 2016/17

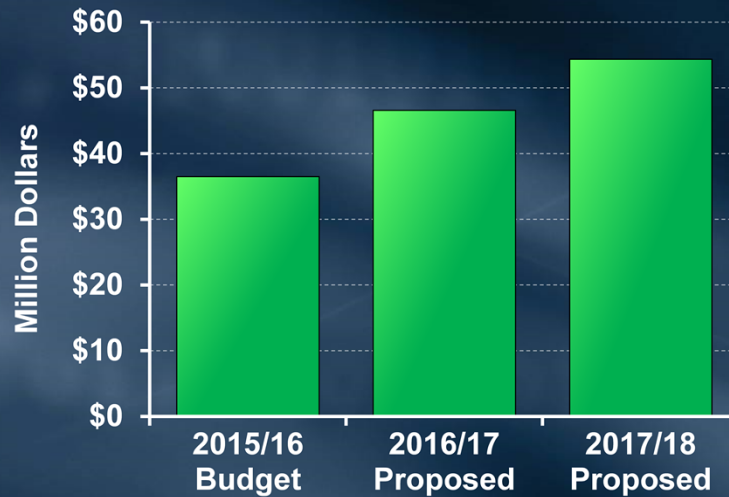
\$100.5 million in FY 2017/18

Plenty of SWC costs to offset.

Essential to the fiscal integrity of the District as it :

- balances the mechanisms for funding the immediate and anticipated obligations of the SWC; helps pay for growing state water contract costs
- Helps to maintain a balance between fixed and variable revenues by providing a diverse, fixed revenue source
- provides the Board with flexibility as it funds Metropolitan's SWC obligations and other obligations
- helps to maintain Metropolitan's creditworthiness
- important to fiscal health because the AV tax helps Metropolitan equitably distribute the costs of Metropolitan's services; All property owners within Metropolitan's service area benefit from the water system that allows water to be sold and delivered in Southern California. Ad valorem taxes ensure that residences and businesses pay a share of costs of the system

Colorado River Aqueduct Power



Member Agency Managers Meeting

page 14

February 12, 2016

2015/16: \$36.5M, 876 TAF delivered

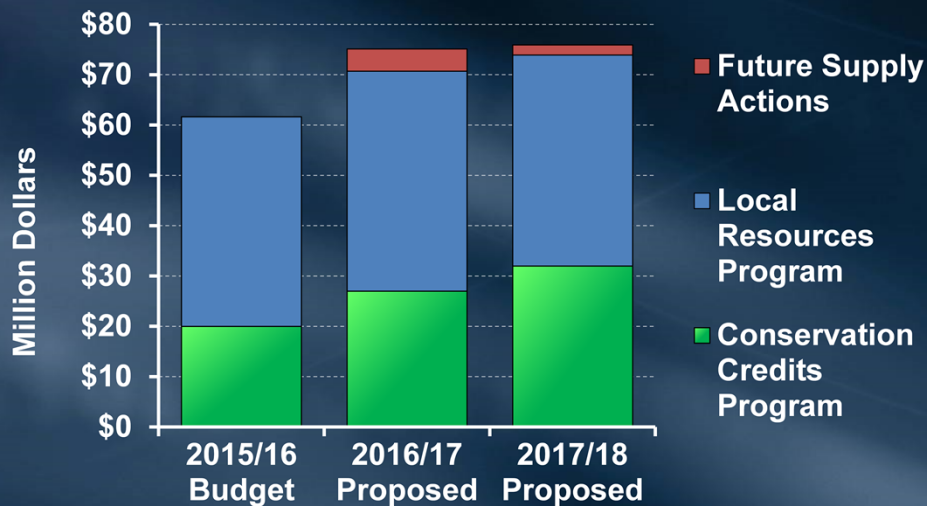
2016/17: \$46.6M, 857 TAF delivered

2017/18: \$54.4 M, 882 TAF delivered

Increase due to changes in the resource portfolio that is available to meet energy requirements; purchasing more market power to operate pumps

	2016	2017	2018
HVR	\$ 21.0	\$ 18.1	\$ 17.0
PKR	\$ 3.1	\$ 3.1	\$ 3.2
Supplemental	\$ 11.5	\$ 25.0	\$ 33.0
	\$ 35.6	\$ 46.2	\$ 53.2
BE	310,000	277,000	107,000

Demand Management Programs



Member Agency Managers Meeting

page 15

February 12, 2016

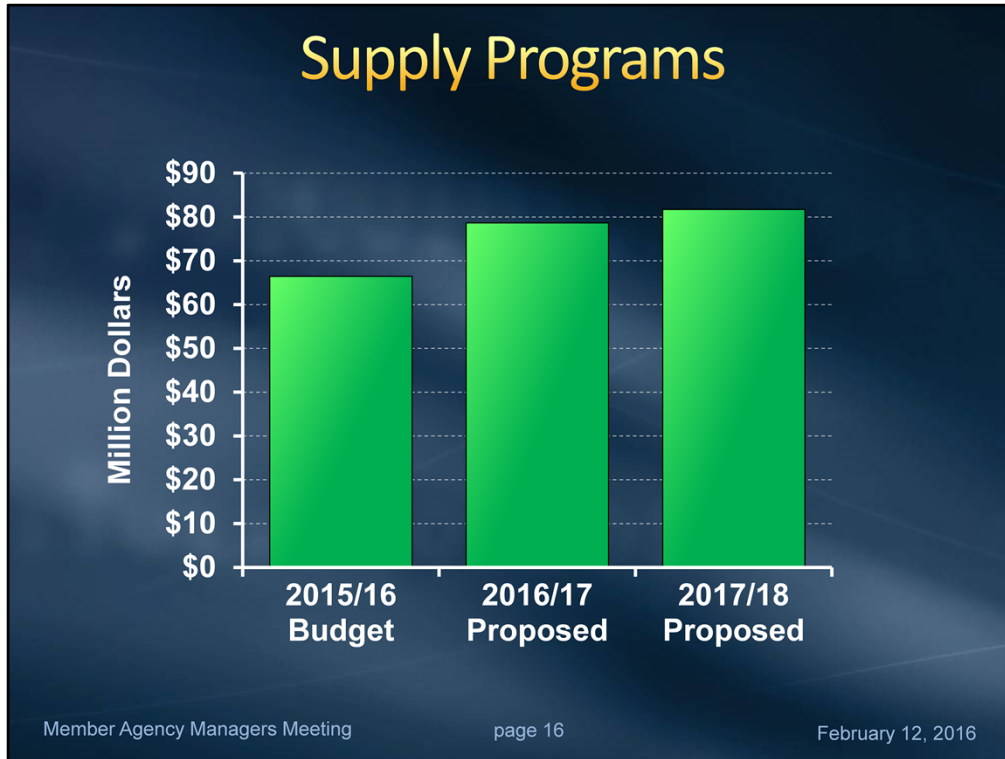
CCP: incentives to residents and businesses for water efficient products and qualified water-saving activities

	2015/16	2016/17	2017/18
CCP	\$20.	\$27.0	\$32.0
includes Administrative contract costs			
LRP	\$41.7M	\$43.7M	\$41.9M
Future SA		\$4.4 M	\$2.0 M

LRP provides incentives for recycled water and recovered groundwater. The proposed budget provides adequate funding for projects that qualify for incentives based on project cost.

Future Supply Actions identified in the 2015 IRP Update; provides funding to explore the feasibility of new local supply options, new water-saving technologies and ways to reduce impediments to supply development.

Activities help ensure member agencies and retail agencies meet the per capital water consumption reductions to achieve 20% by 2020

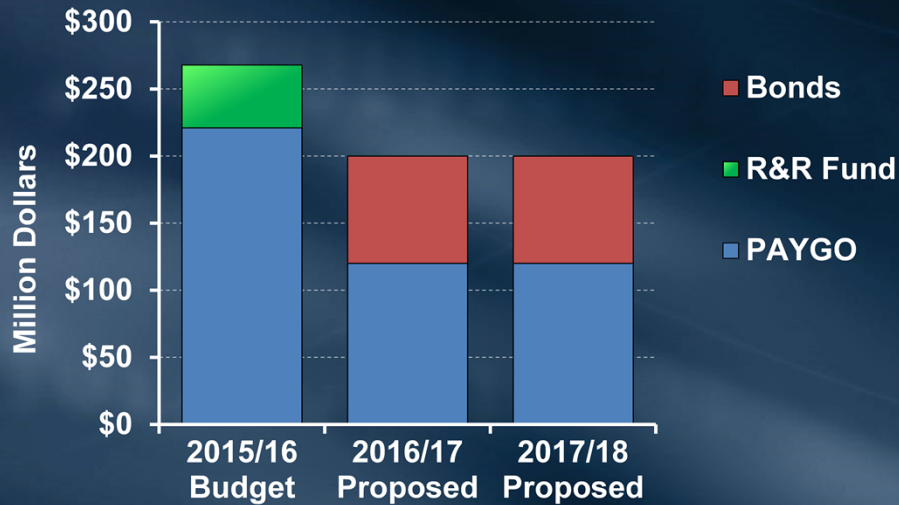


Provides funding for supply and storage programs Metropolitan has developed in Metropolitan's service area, the State Water Project system, and the Colorado River system

Using average hydrologies of 50% SWP allocation and approximately 1.0 MAF of diversions on the CRA and demands of 1.7 MAF, approximately 225-240 TAF of water available to store each year

PVID:	\$17.4 M	\$18.0 M
IID:	\$10.8 M	\$11.0 M
Other CRA:	\$24.3 M	\$23.6 M
In Basin:	\$1.6 M	\$1.6 M
SWP:	\$24.6 M	\$27.5 M

Capital Investment Plan Funding



Member Agency Managers Meeting

page 17

February 12, 2016

CIP \$200 M

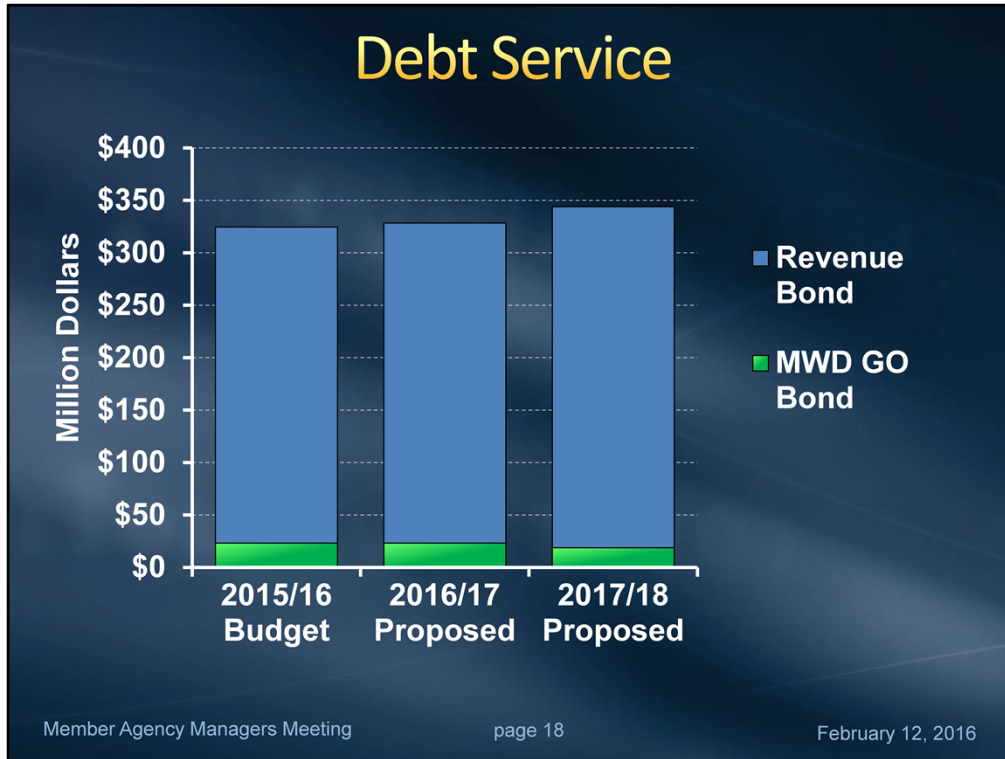
PAYGo \$120 M, 60%

Bond funds, \$80 M

CIP is \$156M lower for the biennial period compared to the same period in the last 10-year forecast

PAYGo is \$164M lower

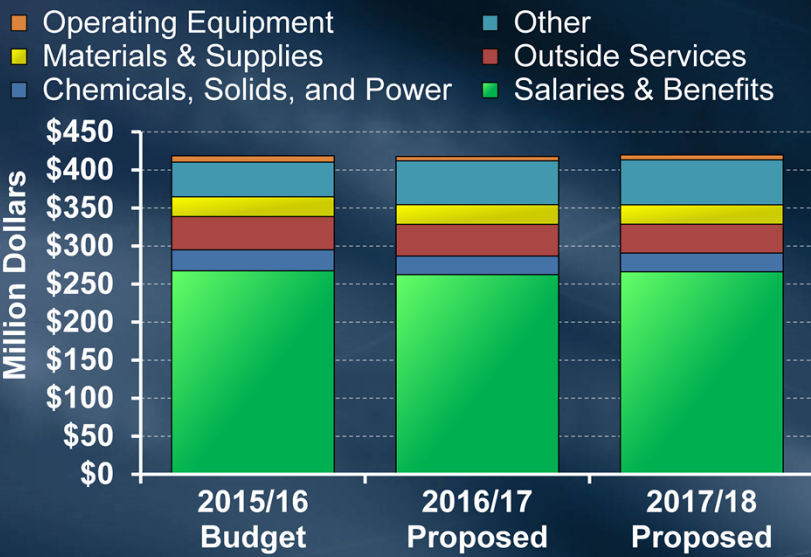
Lower CIP and PAYGo provides some cost relief both now and into the future when other costs increase



Bonds issued in CY 2015
 In near term, Debt Service increases

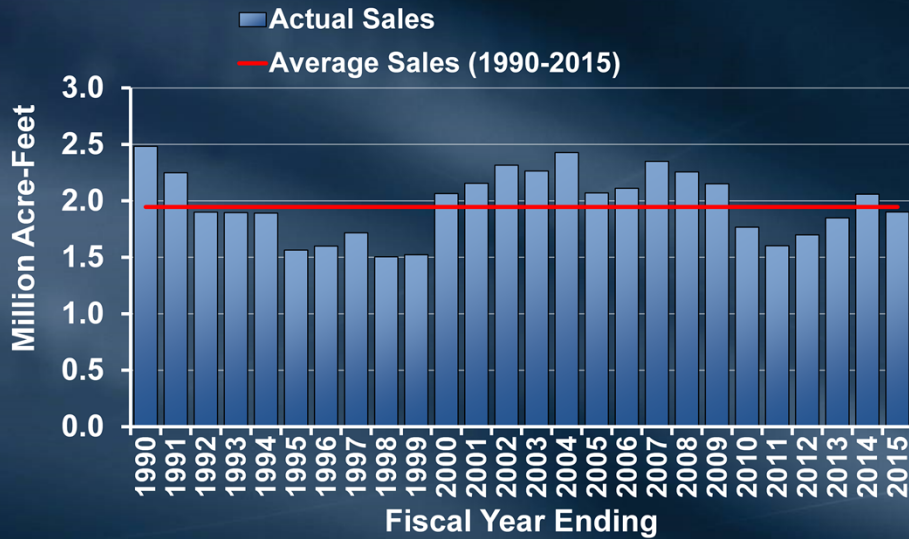
Fiscal Year Ending	2016	2017	2018
Items the DECREASE Reserves			
Debt Service - MWD Bonds	324.0	333.4	348.5
Revenue Reserve used for Revenue Bonds - I&P	-	-	-
BABs Interest Subsidy Payment	(12.4)	(11.5)	(11.5)
Debt Administration Costs	1.5	5.2	5.9
General Fund Debt Service	1.3	1.3	1.3
Debt Service Subtotal	314.3	328.5	344.1

Proposed O&M Expenditure Budget



Unrestricted Reserve Policy Overview

Metropolitan's Historic Water Sales are Variable



Member Agency Managers Meeting

page 21

February 12, 2016

Metropolitan Water Sales are Volatile.

We have seen many periods with demands 20 or 25% above and below average.

Since most of your cost are fixed and most of our revenue is collected on a volumetric basis...

- 87% costs fixed
- 17% collected through fixed charges

The low sales years results in a revenue shortfalls... which often extending for many years.

If MWD had no reserves, we would have to pass on those yearly shortfalls leading to rate swings from year to year as water sales changed.

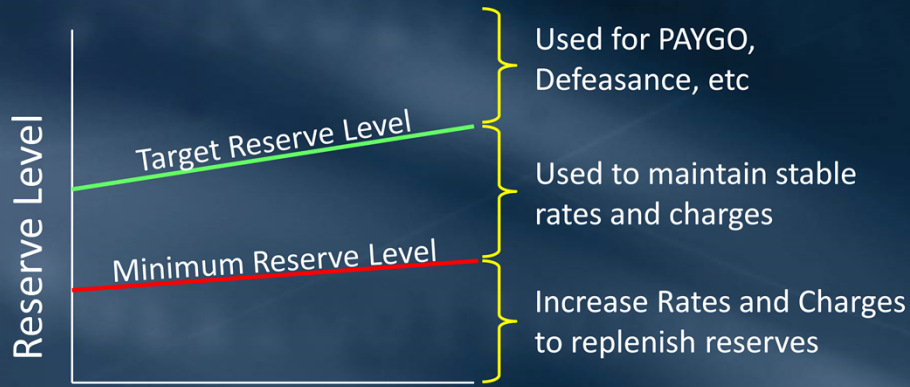
To avoid these rate swing MWD adopted a Reserve Policy to provide a cushion to damper rate changes resulting from these volatile water sales.

The current Reserve Policy was adopted as part of the 1999 LRFP. Its main mission was to Provide stable & predictable water rates

Unrestricted Reserve Policy

Reserve Fund Principle:

Provide stable & predictable water rates



This is a Conceptual view of the Reserve Policy

With the reserve bounded by a minimum and target reserve level.

If reserves drop below the minimum, rates and charges will need to be increased to replenish the reserves

Reserves between the minimum and the target are used to maintain stable rates and charges

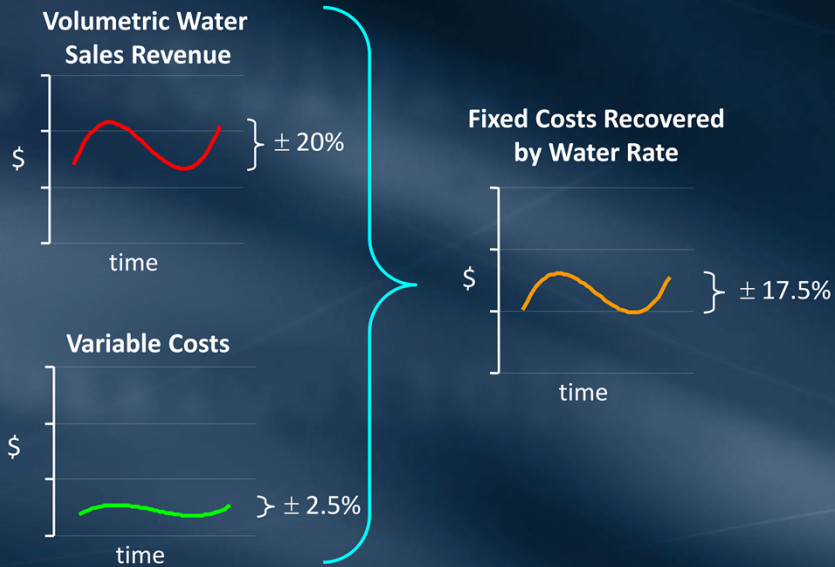
And if reserves go over the Target Reserve Level they can be used for PAYGO, Defeasance, or

Provided that the District's fixed charge coverage ratio is at or above 1.2 X, the Funds may be used for any lawful purpose as determined by the Board of Directors. ... as was done most recently with expenditures for conservation.

... So how are the minimum and target reserve amounts determined?

Unrestricted Reserve Calculation

Hydrologic Risk estimated per 1999 LRF



Member Agency Managers Meeting

page 23

February 12, 2016

So this goes back to the analyses that was done for the 1999 LRF.

We already looked at the Water Sales Volatility

When this was looked at for the 1999 LRF, historically water sales varied $\pm 20\%$.

However, when we sell less water we generally also move less water therefore saving on power costs and variable treatment costs as we ramp down out treatment plants.

So when netting out the effects of lower variable costs, the net change in revenues was determined varied $\pm 17.5\%$ from year to year

So now lets look at the detailed math.

Unrestricted Reserve Calculation

for June 30th, 2017 in millions of dollars

	2017/18 Budget	2018/19 Forecast	2019/20 Forecast	2020/21 Forecast
Revenue Requirement	\$ 1,574	\$ 1,641	\$ 1,716	\$ 1,788
Less RTS Charge	138	142	146	152
Less Capacity Charge	35	37	39	40
Water Rate Revenue Requirements	\$ 1,402	\$ 1,463	\$ 1,532	\$ 1,596
Less Variable Costs				
Treatment Surcharge Rev Req.	265	265	263	260
SWC Variable Power Costs	153	168	189	209
CRA Power Costs	54	65	70	74
Fixed Costs Recovered by Water Rate	930	965	1,010	1,053
Percent Reserved	17.5%	17.5%	17.5%	17.5%
Annual Amount Reserved	\$ 163	\$ 169	\$ 177	\$ 184

Minimum Reserve Level = $163 + 169 / 2$ = **\$247.2 million**

Target Reserve Level = $163 + 169 + 177 + 184 / 2$ = **\$600.6 million**

This is the calculation for June 30th 2017. And it estimate the impact on reserves due to a 20% drop in water sales.

On the top we start with the revenue requirements. The revenue requirements is already net of property taxes, interest income and other miscellaneous revenues.

Next we then subtract out the fixed charges --- RTS and CC. This nets to the Water Rate Revenue Requirements. The portion of MWD costs that is to be collected from our volumetric rates.

We then subtract off Variable Costs-- treatment, SWC variable power, and CRA power costs.

This results to the fixed costs (in millions) recovered by the Water Rate.

Now based on a 20% reduction in water sales, we say on the previous slide that this nets to a 17.5% impact in fixed costs recovered by the water rates.

So we multiply to 17.5% to determine the Annual Amount Reserved for each year.

So this is the estimated reserves impact for each year resulting from a 20% reduction in Water Sales.

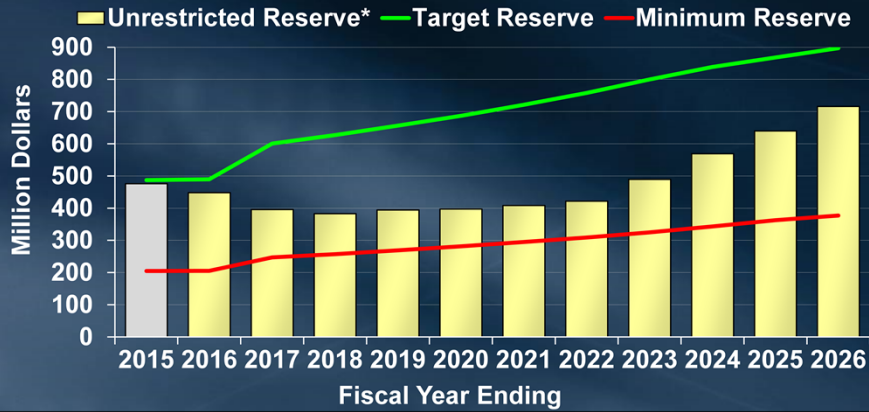
Minimum Reserve Level was defined as providing 18 months of rate protection.

= so for the June 30, 2017 reserve requirements this would include the 12 months estimated for 2017/18 and half of 2018/19 for a total of 18 months.

Target Reserve Level = provides an additional 2 years of rate protection for a total of 3.5 years.

Ten-Year Financial Forecast

Projected Rate Increases & Financial Metrics



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Overall Rate Inc.	1.5%	1.5%	4.0%	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Sales, MAF	1.90	1.63	1.70	1.70	1.75	1.75	1.75	1.75	1.80	1.80	1.80	1.80
Rev. Bond Cvg	2.7	1.5	1.6	1.6	1.7	1.8	1.9	2.0	2.3	2.4	2.6	2.7
Fixed Chg Cvg	2.4	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.5	1.5	1.5	1.5
PAYGO, \$M	210	99	120	120	120	120	120	123	127	130	133	137

* Revenue Remainder & WRSF

Member Agency Managers Meeting

page 26

February 12, 2016

This slide summarized the 10 year forecast
Reserves are projected to decrease slightly over the 2 Budget
But then increase over the 10 year period.

In FY2017 bump Target Reserves due to:

- Increase in SWC OMP&R costs (Transportation Minimum, Delta Minimum)
- Lower fixed charges (RTS CC)

Showing first 2 years with the approved 1.5% and 1.5% overall rate increase.
Following the proposed 4.0% for 2017 and 2018 With 4.5% through 2026

Under that we show the estimated Sales in MAF

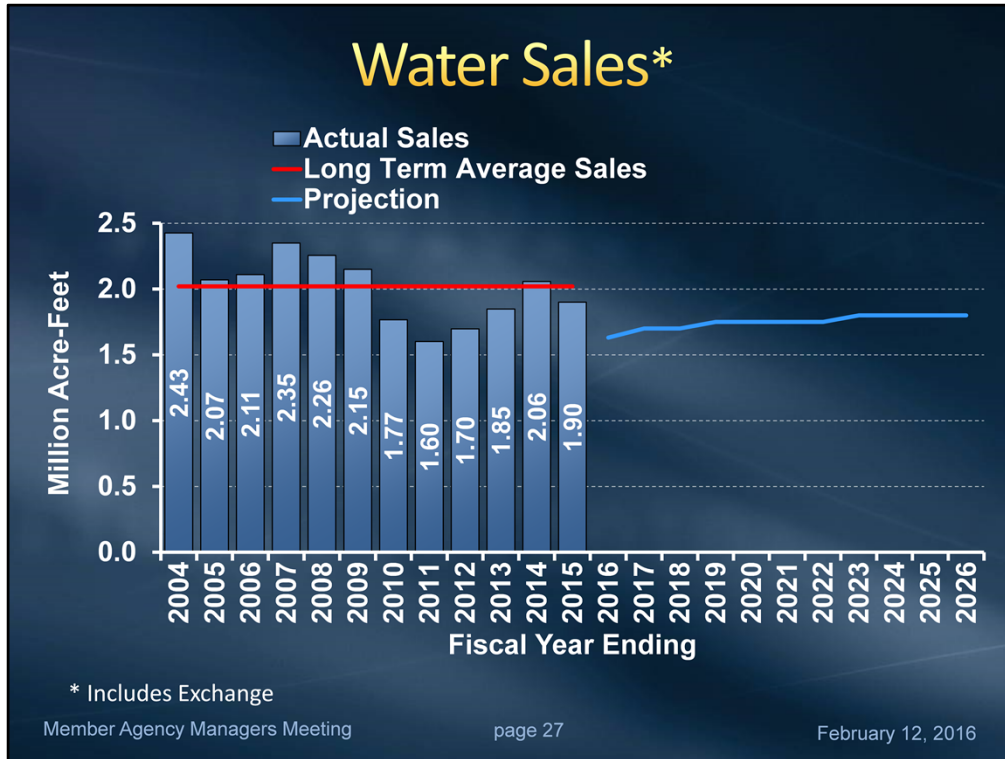
Revenue bond debt service coverage is one primary indicator of credit quality.

Revenue bond debt service coverage measures the amount that net operating revenues exceed or "cover" debt service payments.

MWD's rev. bond coverage is forecasted to increase back to its target of 2.0X by 2022 as a result of the cumulative 4.5%/Yr rate increases

The Fixed Charge coverage includes all fixed obligations after payment of operating expenditures. ... practically this includes the capital costs for the SWC. MWD's target of 1.2X or greater coverage is maintained over the 10 years projection.

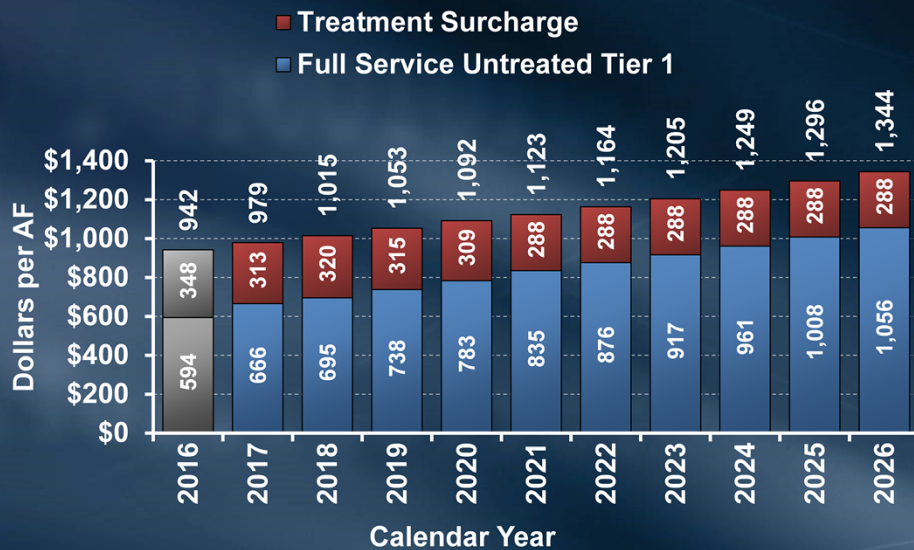
Lastly we should the level of PAYGO maintained at 60% of CIP expenditures



The 2015 IRP Update provides the basis for the water sales forecast over the 10 years. It is expected that demand for Metropolitan supplies will increase slightly over the ten-year period, from 1.70 million acre-feet in 2016/17 to 1.85 million acre-feet by 2025/26.

FY	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
T1- Firm	1.52	1.50	1.52	1.48	1.46	1.45	1.50	1.50	1.50	1.50
Exchnage	0.180	0.195	0.233	0.272	0.295	0.300	0.297	0.296	0.296	0.296
Total	1.70	1.70	1.75	1.75	1.75	1.75	1.80	1.80	1.80	1.80

Projected Volumetric Rates



Member Agency Managers Meeting

page 28

February 12, 2016

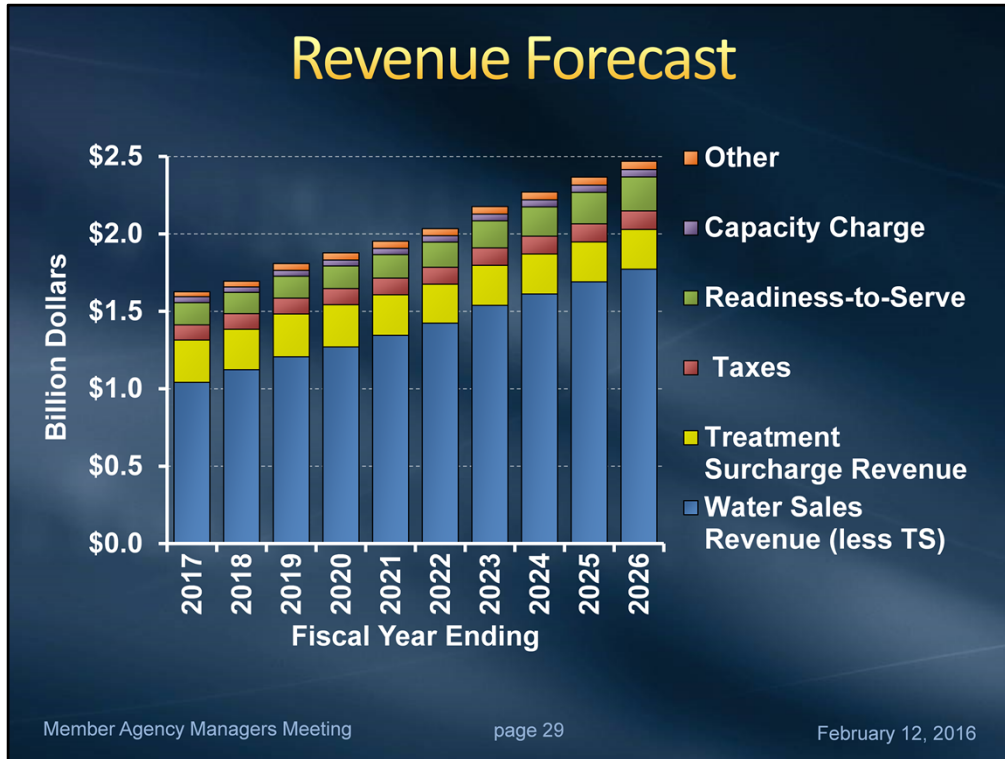
The TS is expected to decrease to \$288/AF and then stays flat over the 10 year period for an average rate decrease of about 1.9% per year.

As bond being paid off this results in lowering capital finance costs attributed to Treatment. The Untreated Tier 1 Full Service rate is expected to increase an average of about 5.9% per year.

Taken together -- The Treated Tier 1 Full Service rate is expected to increase an average of about 3.6% per year.

And the fixed charges (RTS and CC) – not on this chart – are expected to increase at an average of about 2.9%

Rates & Charges Effective January 1st	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Tier 1 Supply Rate (\$/AF)	\$156	\$201	\$209	\$214	\$226	\$238	\$245	\$250	\$261	\$273	\$285
Tier 2 Supply Rate (\$/AF)	\$290	\$295	\$295	\$295	\$295	\$295	\$295	\$295	\$295	\$295	\$295
System Access Rate (\$/AF)	\$259	\$289	\$299	\$320	\$335	\$358	\$383	\$412	\$440	\$469	\$499
Water Stewardship Rate (\$/AF)	\$41	\$52	\$55	\$59	\$60	\$61	\$61	\$62	\$62	\$62	\$62
System Power Rate (\$/AF)	\$138	\$124	\$132	\$145	\$162	\$178	\$187	\$193	\$198	\$204	\$210
Full Service Untreated Volumetric Cost (\$/AF)											
Tier 1	\$594	\$666	\$695	\$738	\$783	\$835	\$876	\$917	\$961	\$1,008	\$1,056
Tier 2	\$728	\$760	\$781	\$819	\$852	\$892	\$926	\$962	\$995	\$1,030	\$1,066
Exchange	\$438	\$465	\$486	\$524	\$557	\$597	\$631	\$667	\$700	\$735	\$771
Treatment Surcharge (\$/AF)	\$348	\$313	\$320	\$315	\$309	\$288	\$288	\$288	\$288	\$288	\$288
Full Service Treated Volumetric Cost (\$/AF)											
Tier 1	\$942	\$979	\$1,015	\$1,053	\$1,092	\$1,123	\$1,164	\$1,205	\$1,249	\$1,296	\$1,344
Tier 2	\$1,076	\$1,073	\$1,101	\$1,134	\$1,161	\$1,180	\$1,214	\$1,250	\$1,283	\$1,318	\$1,354
Untreated Exchange Cost (\$/AF)	\$438	\$465	\$486	\$524	\$557	\$597	\$631	\$667	\$700	\$735	\$771
Readiness-to-Serve Charge (\$M)	\$153	\$135	\$140	\$143	\$148	\$156	\$168	\$182	\$196	\$211	\$228
Capacity Charge (\$/cfs)	\$10,900	\$8,000	\$8,700	\$9,000	\$9,300	\$9,700	\$10,000	\$10,500	\$11,100	\$11,100	\$11,300



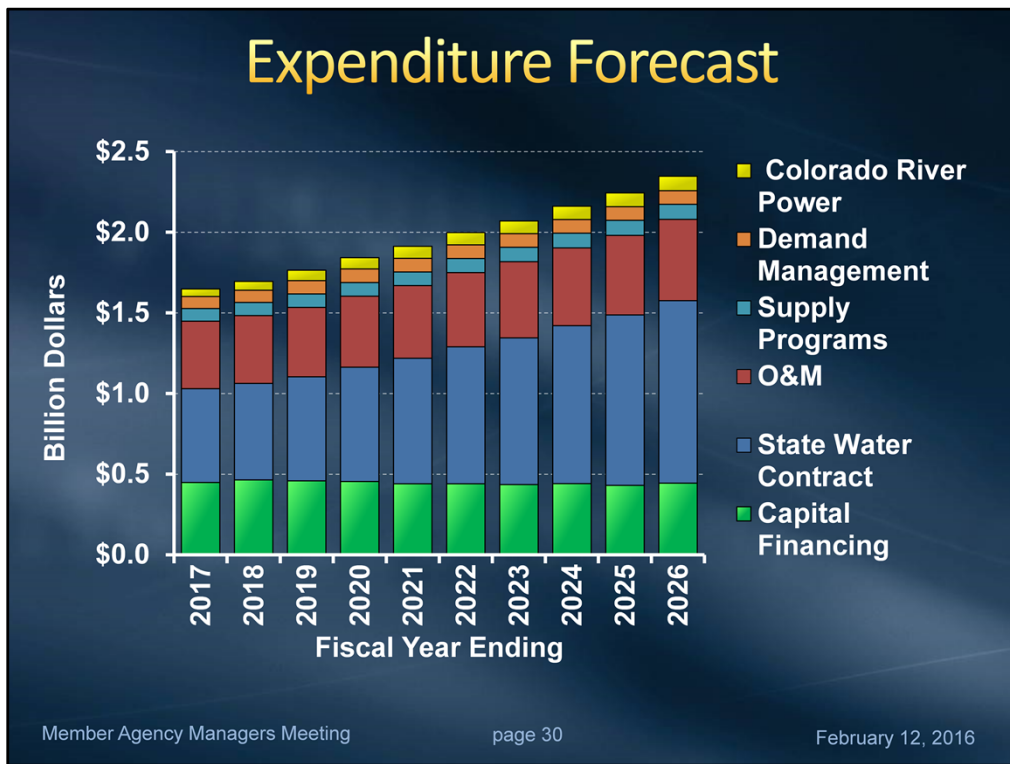
Total revenues are projected to increase from about \$1.6 billion in 2016/17 to \$2.5 billion in 2025/26. This increase is almost entirely attributed to increases in water rates and charges along with slightly higher projected sales of 1.8MAF.

Receipts from rates and charges, which include the RTS, Capacity Charge is expected to account about 92% of total revenues.

In addition, Taxes are expected to account for about 5% of revenues as a results of maintained the ad valorem take rate at the current level of .0035 % of assessed value.
- 2.5% increase in Assessed valuations.

With the remaining 2% of revenues coming from Interest Income, power sales from our generation plants, leases and other misc.

Expenditure Forecast



Expenses are grouped into 6 major categories:

Capital financing (debt service + PAYGO)

- decreasing as bonds are being paid off and only a limited amount of new debt is issued to fund the reduced the CIP.

State Water Contract – increasing at an avg rate of 8% per year primarily due to the California Water Fix costs.
....as can be seen on the next slide

O&M – including Salaries and Benefits, materials and supplies, variable treatment costs, outside services, operating equipment, and things like property taxes, associations dues and insurance.

- Increasing from at an average annual rate of about 2%

Supply Programs – The estimates represent expenditures for average conditions. Extreme weather conditions could drive there costs much higher or lower. This forecast includes an average increase in supply costs of 2%.

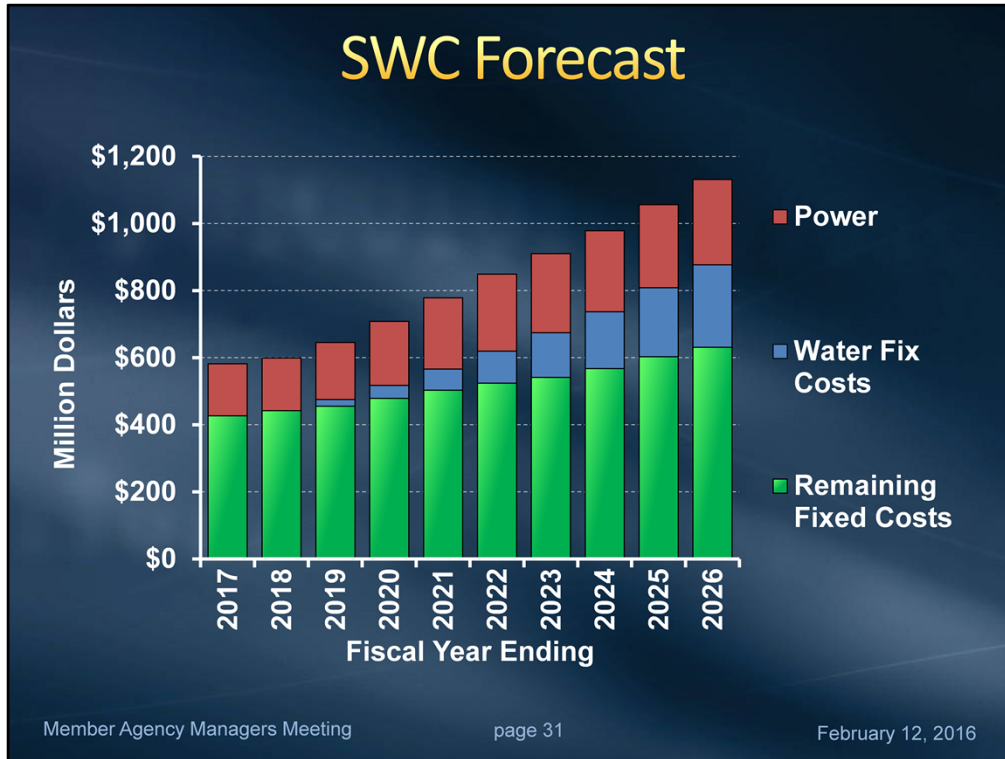
Program Name	2016/17 Budget	2017/18 Budget	2018/19 Forecast	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast	2022/23 Forecast	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast	Total
Central Valley Storage Programs	22.7	25.6	31.7	35.4	35.1	37.2	38.0	38.9	39.9	40.9	345.4
Palo Verde Irrigation District Program	17.4	18.0	18.4	18.8	19.3	19.7	20.1	20.6	21.1	21.6	195.1
Colorado Programs	24.3	23.6	18.7	14.8	14.7	14.9	15.2	15.5	15.8	13.9	171.5
Imperial Irrigation District/MWD Conservation Agreement	10.8	11.0	11.3	11.6	11.9	12.2	12.5	12.8	13.1	13.5	120.7
State Water Project Transfer Programs	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	18.9
In Basin Programs	1.6	1.6	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	18.2
Total Supply Programs	78.7	81.7	83.8	84.4	84.8	87.8	89.6	91.6	93.7	93.7	869.7

Demand management - Conservation, Local Resources Program and Foundational Actions

...will have more detail on a slide to follow

CRA Power costs are projected to increase from \$47M in FY2017 to \$90M FY2026 for an average annual rate of 8%. Power costs will vary depending on the price of electricity and system operations. Colorado River diversions are expected to average about 1.0 MAF.

--Due to the expiration of the SCE Service and Interchange Agreement, Metropolitan will be buying more supplemental power and will have exposure to market prices.



State Water Contract - including power, will increase from \$582 million in FY 2016/17 to \$1,131 million in 2015/26. SWC costs account for 35 percent of Metropolitan's expenditures in FY 2016/17, growing to 47 percent in FY 2025/26, primarily due to the California Water Fix costs.

Water supply benefits from the California Water Fix are realized outside the ten-year period of the forecast, as are operations, maintenance and energy costs. The remainder of the fixed costs is based upon information provided by the Department of Water Resources, and is associated with Transportation Capital and Minimum Operations & Maintenance, and the Delta Water Supply Capital and Minimum Operations & Maintenance. Variable SWP power costs are projected to gradually increase over the ten-year period.

Water Fix

- Start calendar 2018
- Complete in ~ 2032
- 15.4B capital in 2015\$, 36% contingency
- 60% SWP Contractors, 50% MWD share = 30% overall MWD share
- 40yr, 6.135%, DWR debt with 25% bond cover
- Based on Internal Draft dated July 2015, ~ same as Nov 2013 BDCP \$+

Demand Management



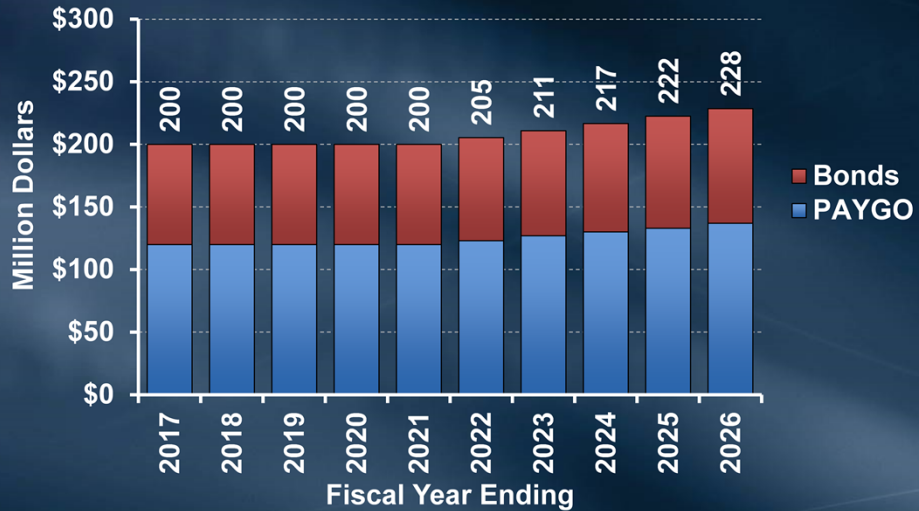
The LRP costs are projected to be fairly flat over the ten-year period at about \$45.0 million per year. As the yield from existing LRP projects receiving incentives decreases, new projects are expected to receive funding.

The CCP costs are budgeted to increase from \$27 million in FY2017 to \$38 million in FY 2019, and remain flat through the remainder of the ten-year period. These figures include vendor administration costs of about \$2M (EGIA). This program provides continued funding of residential, commercial, and outdoor conservation programs.

Foundation Actions

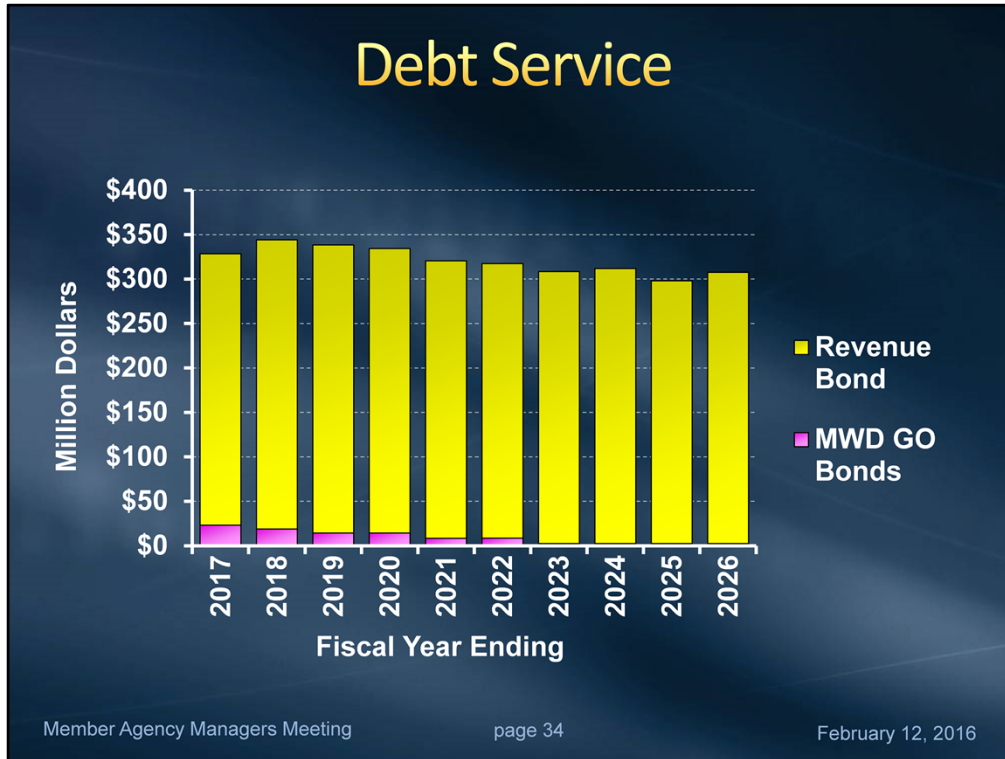
- Provides funding for technical studies and pilot projects the reduce barriers to future production of recycled water, stormwater, seawater desal, and groundwater resources.
 - FY2017 \$4.4
 - FY2018 \$2
 - FY2019 \$1.9
 - FY2020 and beyond \$1.5M

Capital Investment Plan Funding



The 10-yr projected CIP through FY2026 is estimated at \$2.1 billion. The CIP continues to reflect the deferral of facility expansion projects. The CIP focuses on projects that enhance reliability while focusing on necessary refurbishment and replacement projects.

The CIP funding is held at \$200M per year for 5 years.
And assumes PAYGO funding of 60%



Metropolitan’s variable rate debt as a percentage of total revenue bond debt is projected to increase to 31 percent over this time period as fixed rate debt is retired and new variable rate debt is issued.

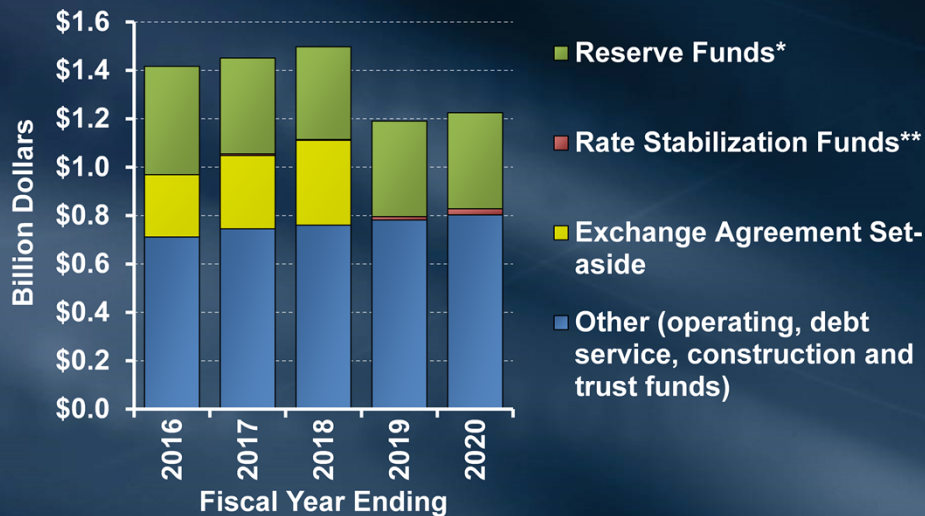
MWD GO bond debt will decrease as voter approved indebtedness matures. Total Debt Service costs are expected to decrease over the 10 yr period as a results of debt maturates outpacing new bond issues.

Total outstanding debt is estimated to decrease from about \$4.3 be \$3.6 billion by FY 2026.

	Fixed (30Yr)	Variable - Regular
2017	4.50%	0.45%
2018	4.50%	0.80%
2019	4.50%	1.20%
2020	4.50%	1.20%
2021	4.50%	1.20%
2022	4.50%	1.20%
2023	4.50%	1.20%
2024	4.50%	1.20%
2025	4.50%	1.20%
2026	4.50%	1.20%

SDCWA Exchange Agreement Set-aside

End of Year Fund Balances



* Includes Water Rate Stabilization Fund and Revenue Remainder Fund

** Includes Water Stewardship Fund and Treatment Surcharge Stabilization Fund

Member Agency Managers Meeting

page 36

February 12, 2016

Working capital borrowings have been used, in part, to replace revenues that have been deposited to the Exchange Agreement Set-aside Designated Fund.

Fiscal Year Ending	2016	2017	2018	2019	2020
Other (operating, debt service, construction and trust funds)	712	745	761	782	803
Exchange Agreement Set-aside	257	303	351	-	-
Rate Stabilization Funds**	-	7	3	14	25
Reserve Funds*	448	396	383	395	397
Total	1,417	1,451	1,498	1,191	1,226

Next Steps

February 9, 2016	Board Action, set public hearings
February 23, 2016	Workshop #2
February 26, 2016	Notice to Legislature
March 7, 2016	F&I Committee, Workshop #3
March 8, 2016	Public Hearings
March 22, 2016	Workshop #4
April 11, 2016	F&I Committee, Approve Biennial Budget and Water Rates and Charges
April 12, 2016	Board, Approve Biennial Budget and Water Rates and Charges

