

**Proposed Biennial Budget and
Proposed Revenue Requirements,
Fiscal Years 2016/17 and 2017/18,
and Water Rates and Charges,
Calendar Years 2017 and 2018:
Workshop #3**

**Finance & Insurance Committee
March 7, 2016**



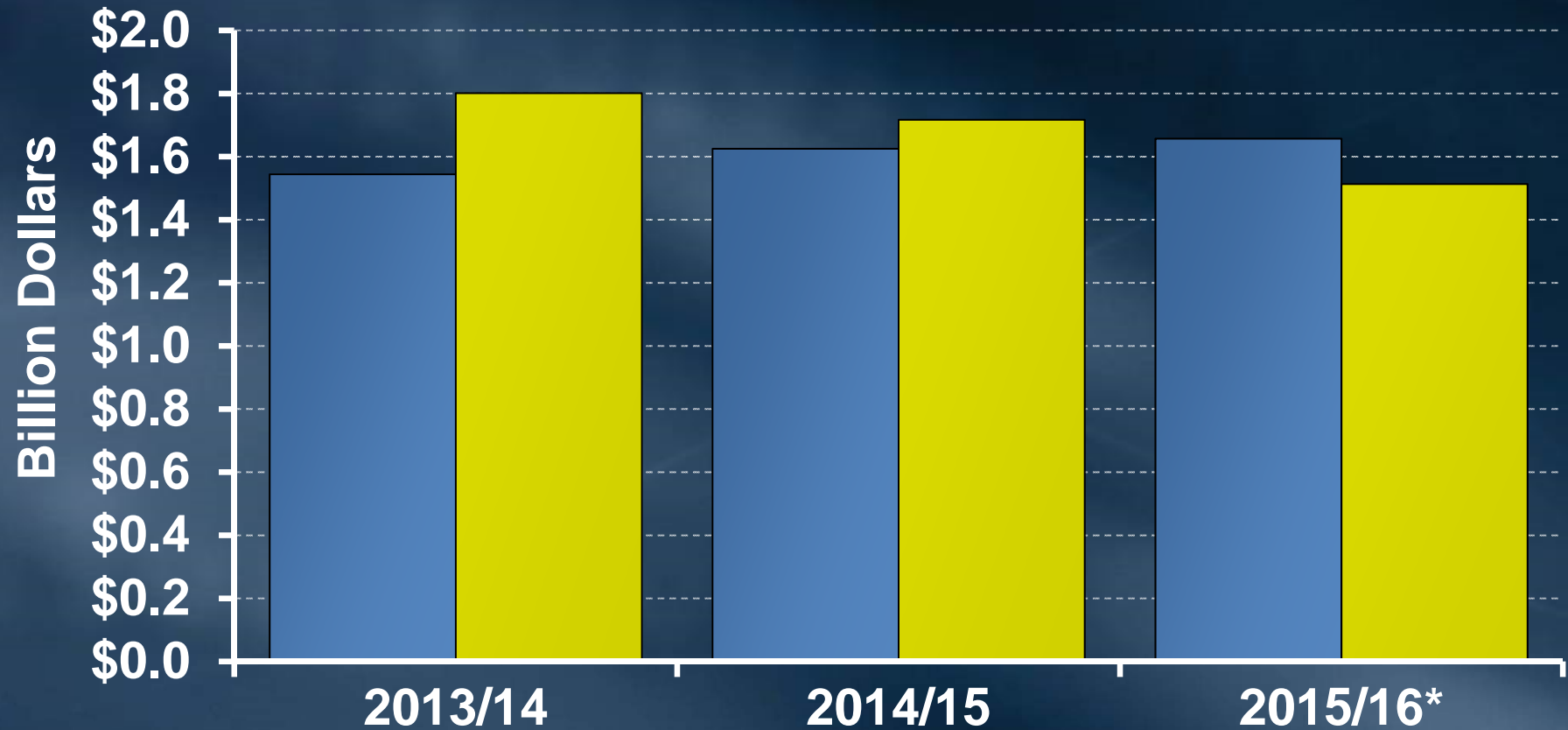
Proposed Biennial Budget Workshop Presentation Overview

- General follow up from Workshop #2
- Follow up on Treatment cost recovery proposal
- Capital Investment Plan
- Next Steps

General follow up from Workshop #2

Total Revenues Actuals vs Budget

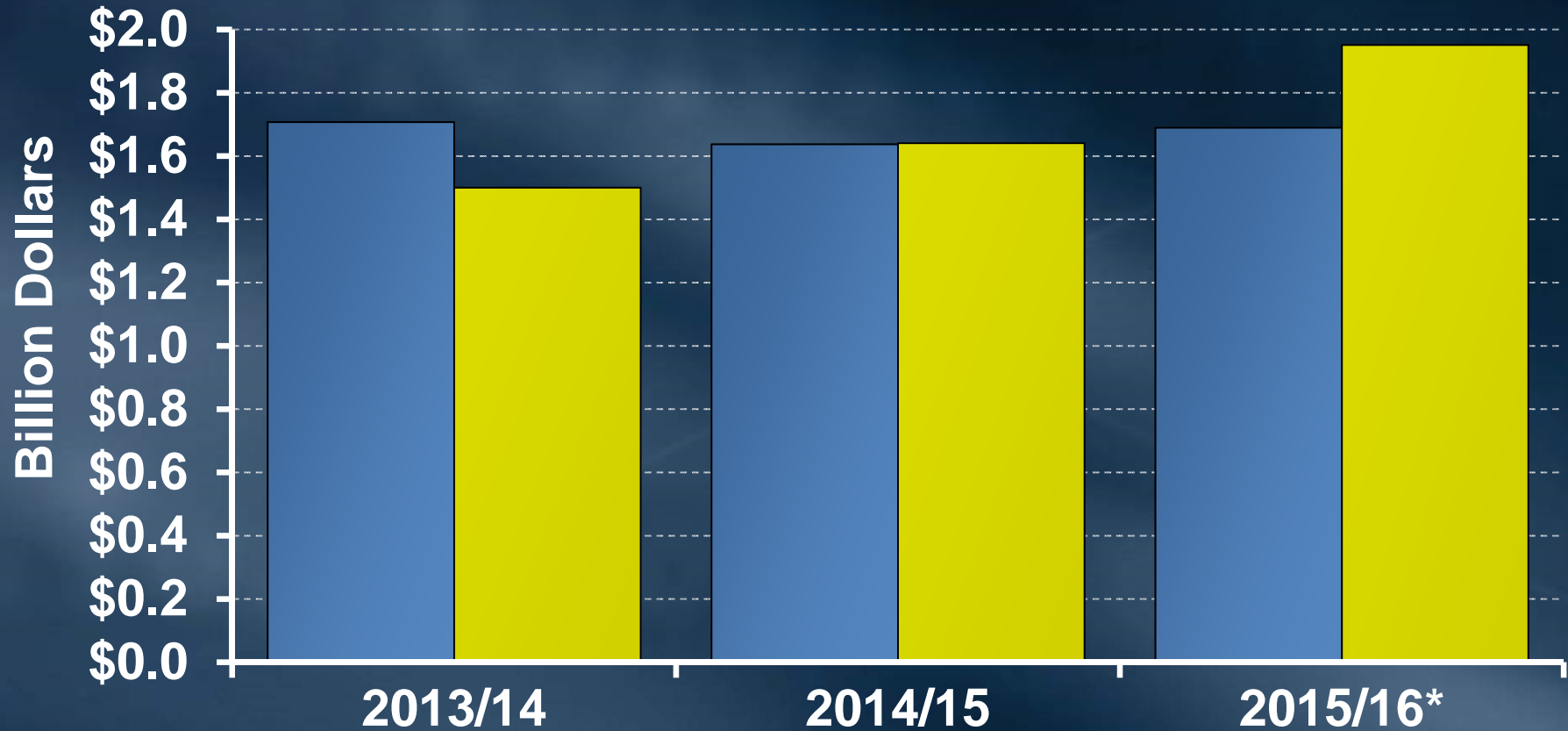
■ Budget ■ Actual



*Projected for FY 2015/16

Total Expenditures Actuals vs Budget

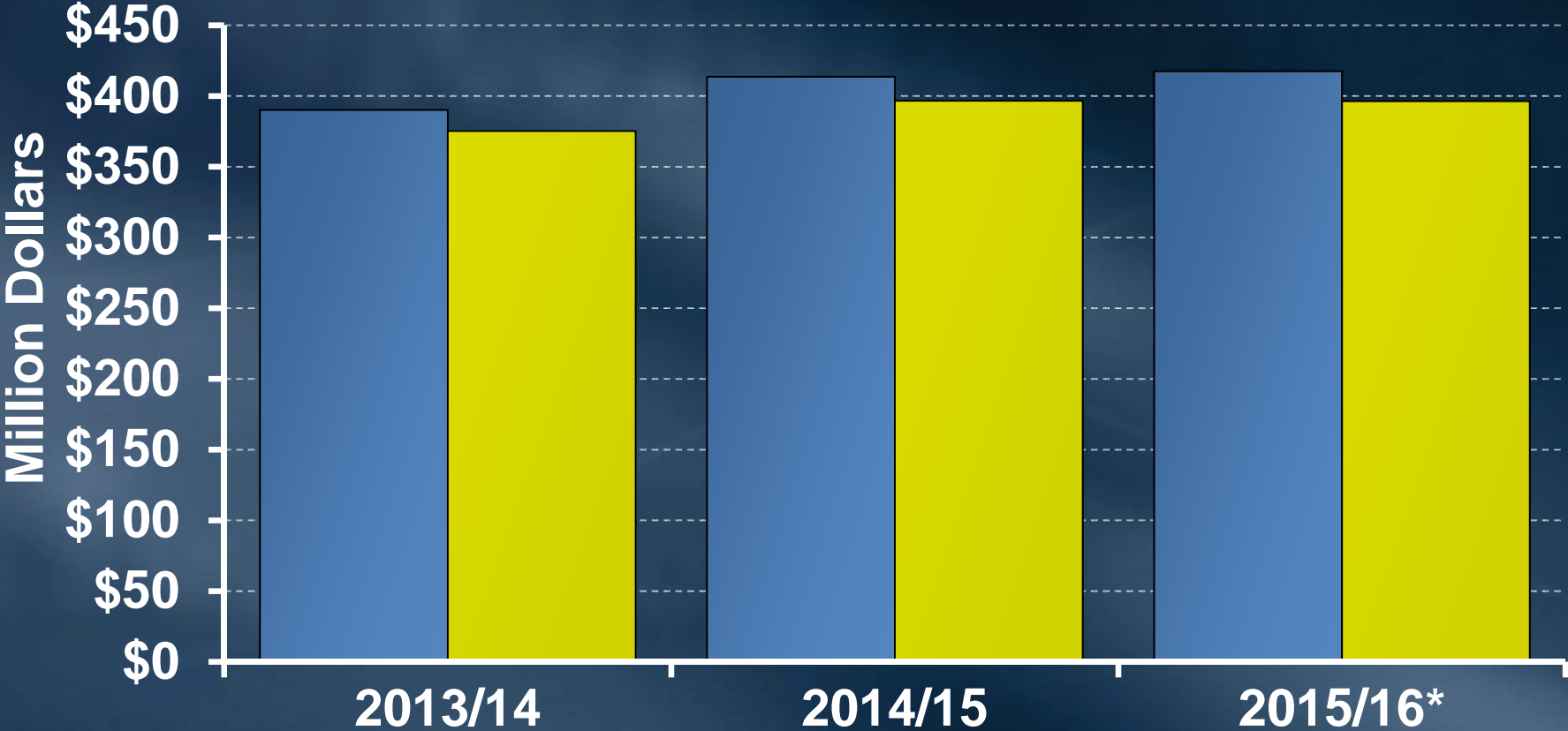
■ Budget ■ Actual



*Projected for FY 2015/16

O&M Expenses Actuals vs Budget

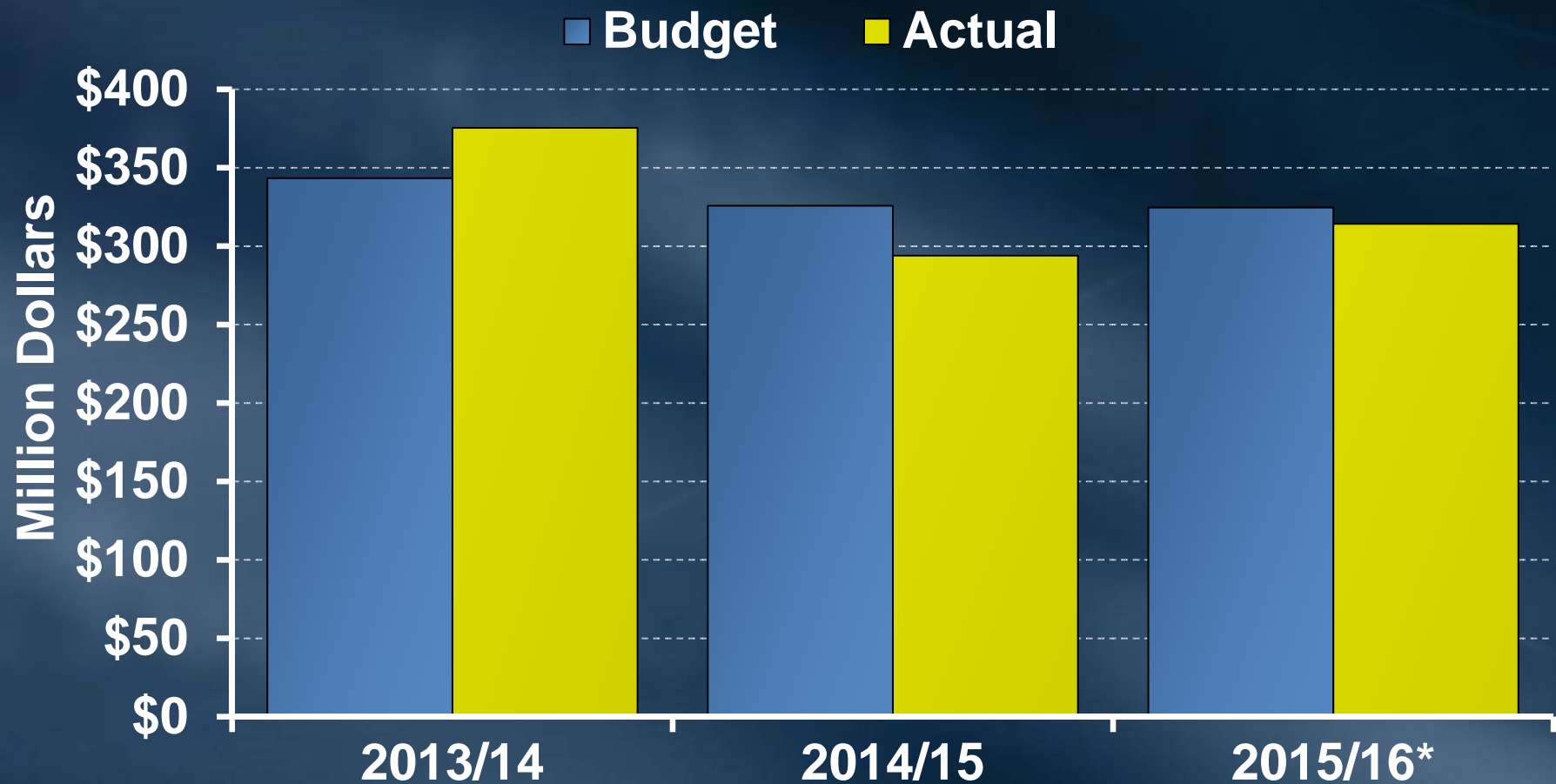
■ Budget ■ Actual



*Projected for FY 2015/16

Debt Service Expenses*

Actuals vs Budget

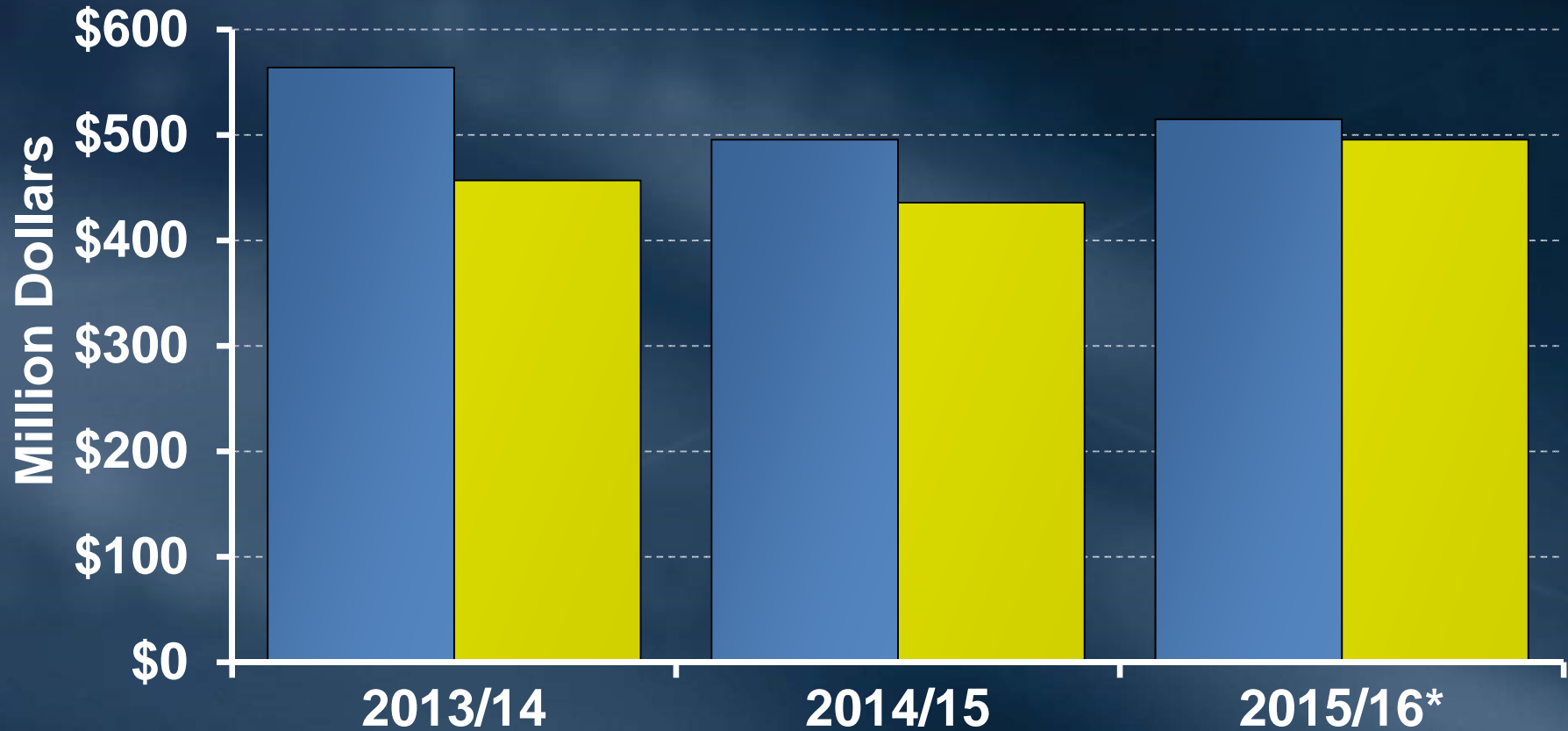


*Projected for FY 2015/16

\$34M shifted from FY2015 to FY2014; early payment as part of refunding

SWC Expenses Actuals vs Budget

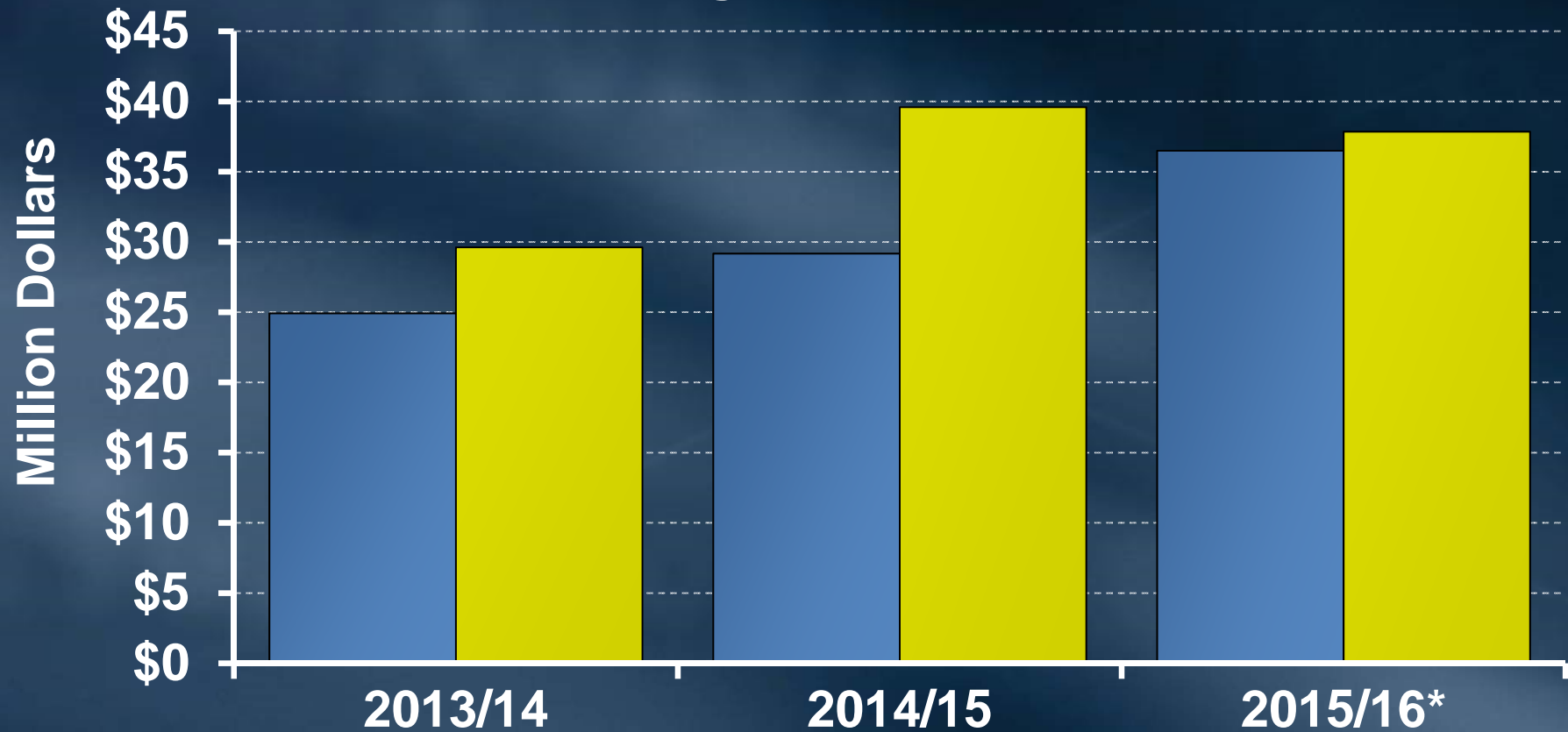
■ Budget ■ Actual



*Projected for FY 2015/16

CRA Power Expenses Actuals vs Budget

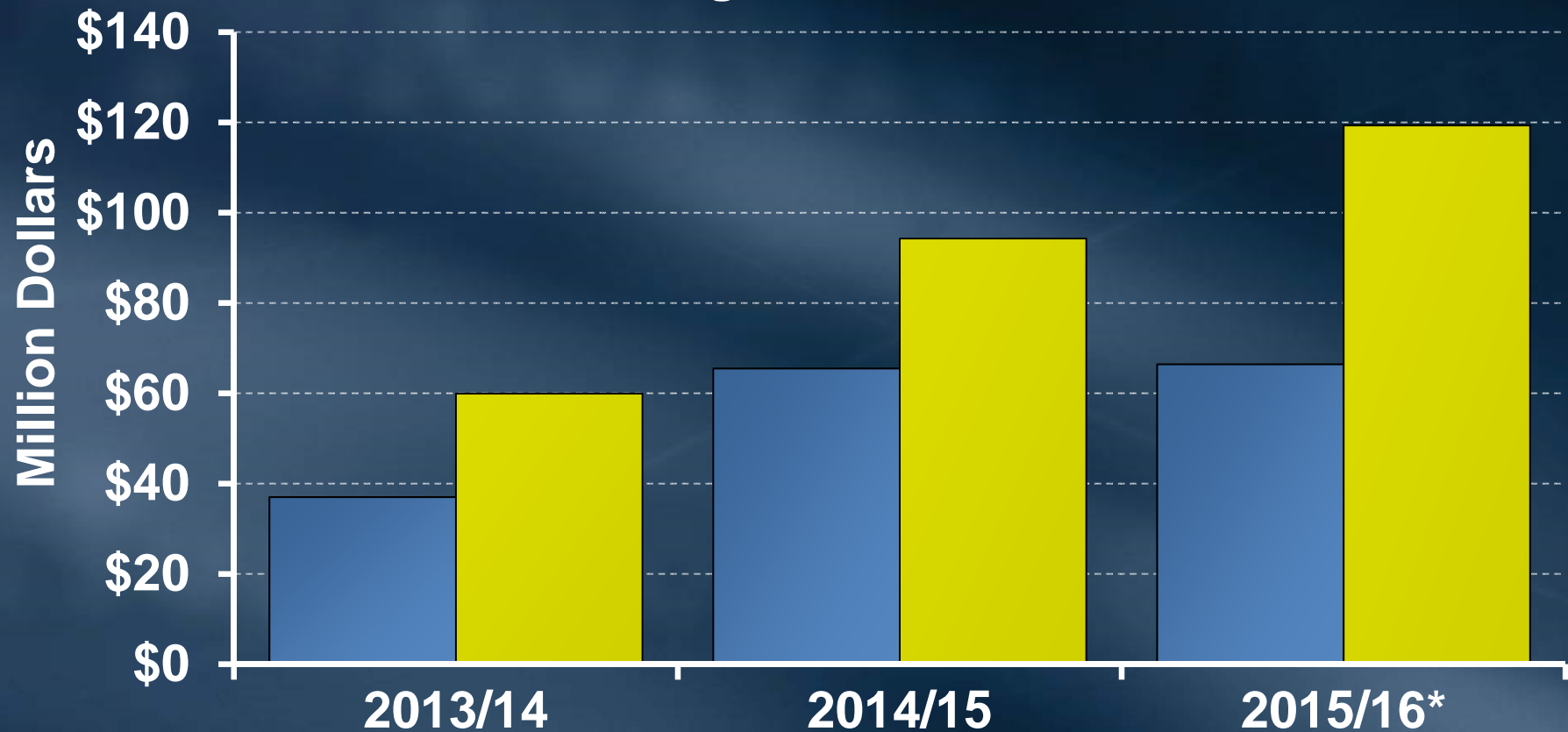
■ Budget ■ Actual



*Projected for FY 2015/16

Supply Programs Expenses Actuals vs Budget

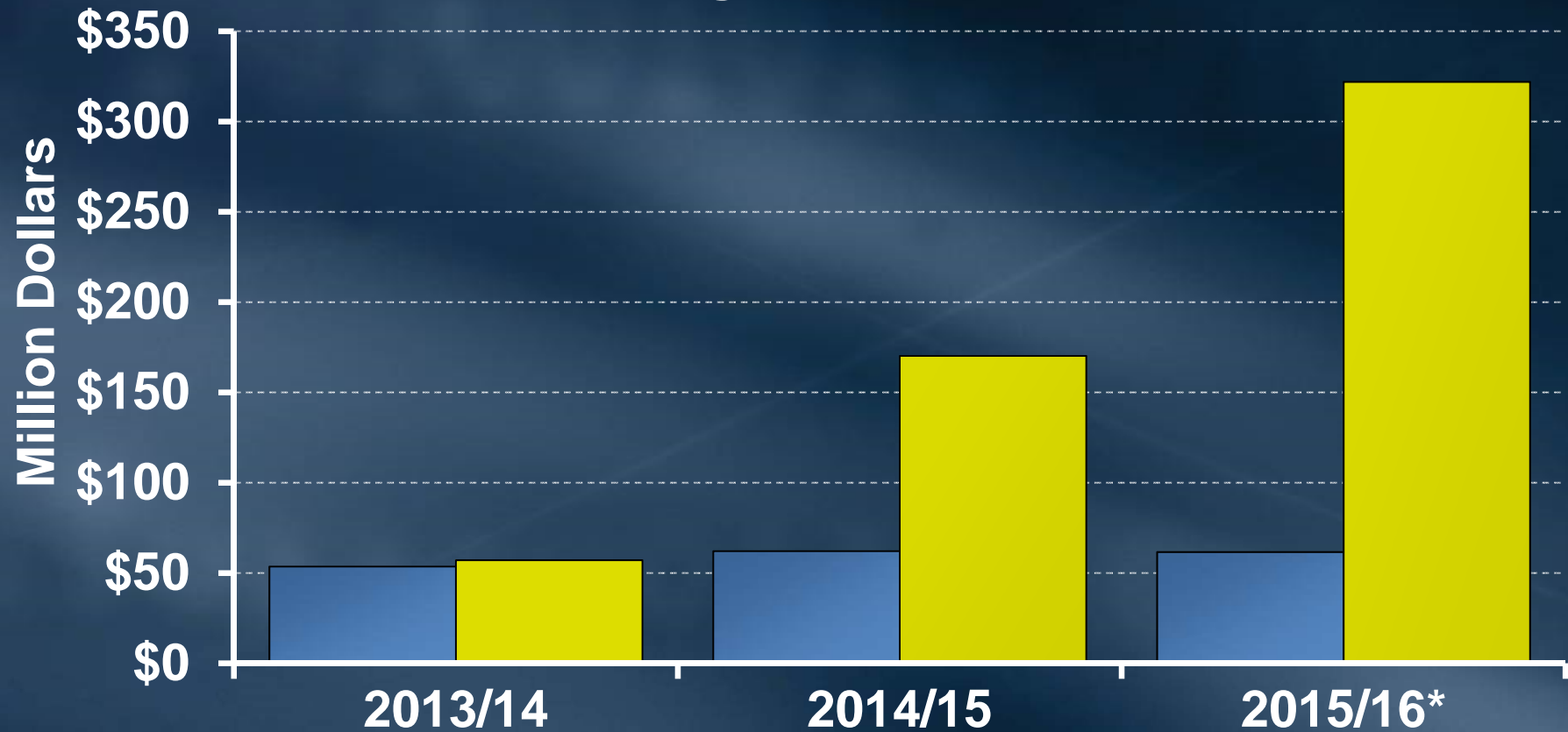
■ Budget ■ Actual



*Projected for FY 2015/16

Demand Management Expenses Actuals vs Budget

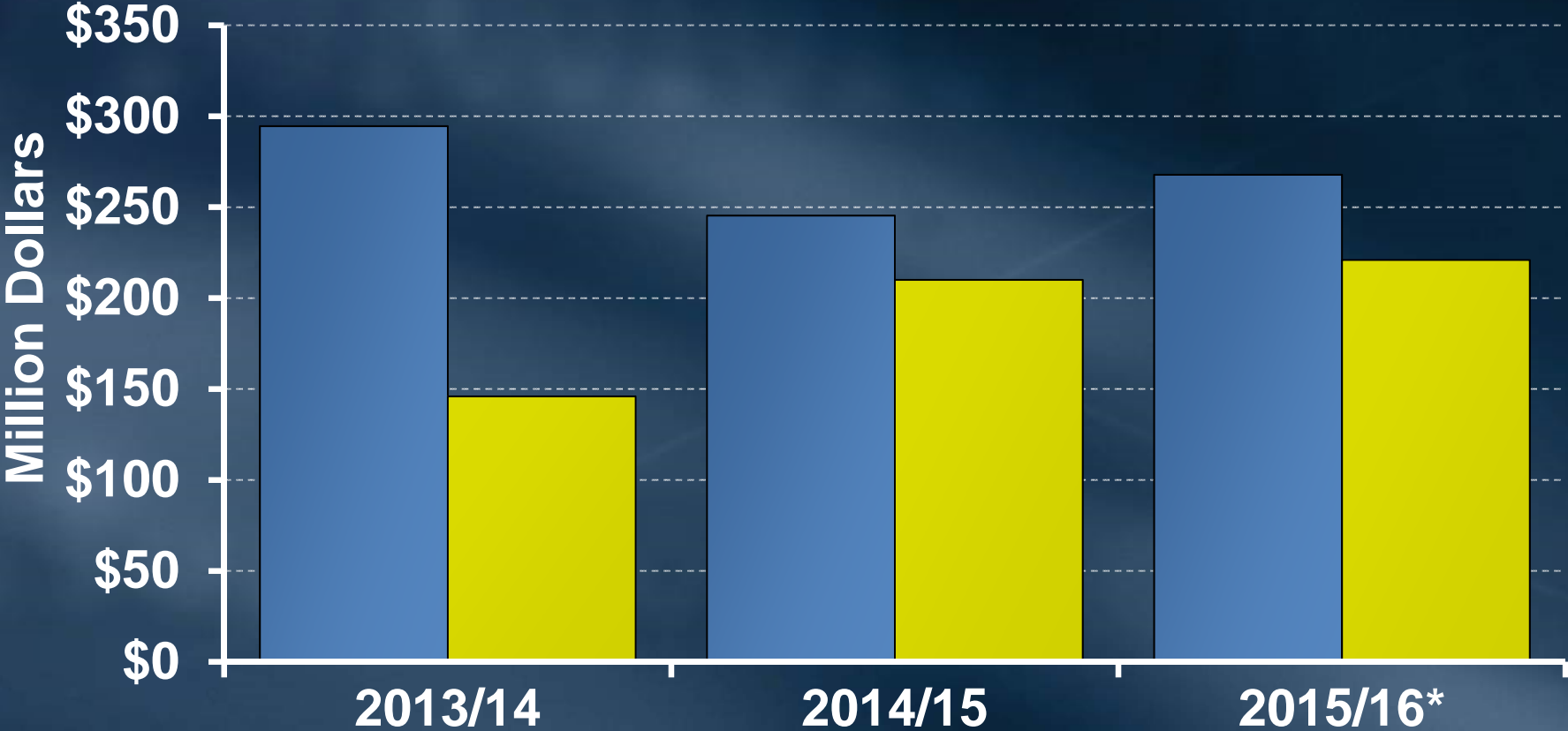
■ Budget ■ Actual



*Projected for FY 2015/16

CIP Expenses Actuals vs Budget

■ Budget ■ Actual



*Projected for 2015/16

Follow up on Treatment Cost Recovery
Proposal from Workshop #2:
Presentation by Raftelis Financial
Consultants
(provided separately)

Capital Investment Plan

FY 2016/17 - 2017/18 Capital Investment Plan Highlights

- Total 2-Year project plan - \$486 million
 - Anticipated expenditures - \$400 million
- Over 80% proposed for Infrastructure Reliability work
 - Aging infrastructure - \$270 M
 - PCCP rehabilitation - \$37 M
 - Seismic upgrades - \$42 M
 - Other infrastructure improvements - \$64 M
- Prioritized to maintain reliability & comply with regulations

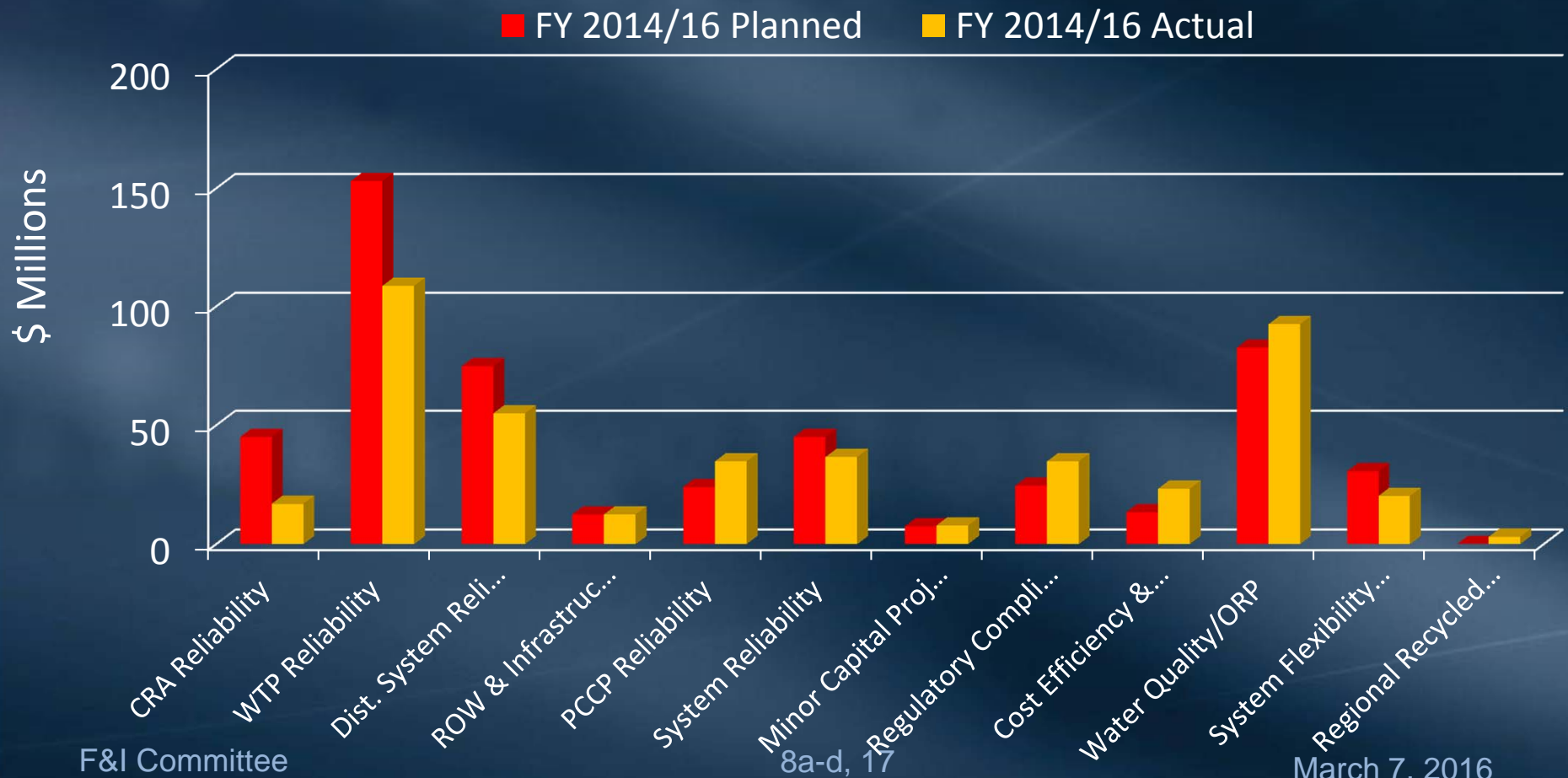
FY 2016/17 - 2017/18 Capital Investment Plan

- CIP Background
 - Expenditure history/projections
- Process
 - Budgeting activities
 - Project drivers & identification
 - Project evaluation/prioritization
 - Budget development
- Major Projects

FY 2014/15 - 2015/16 Capital Investment Plan

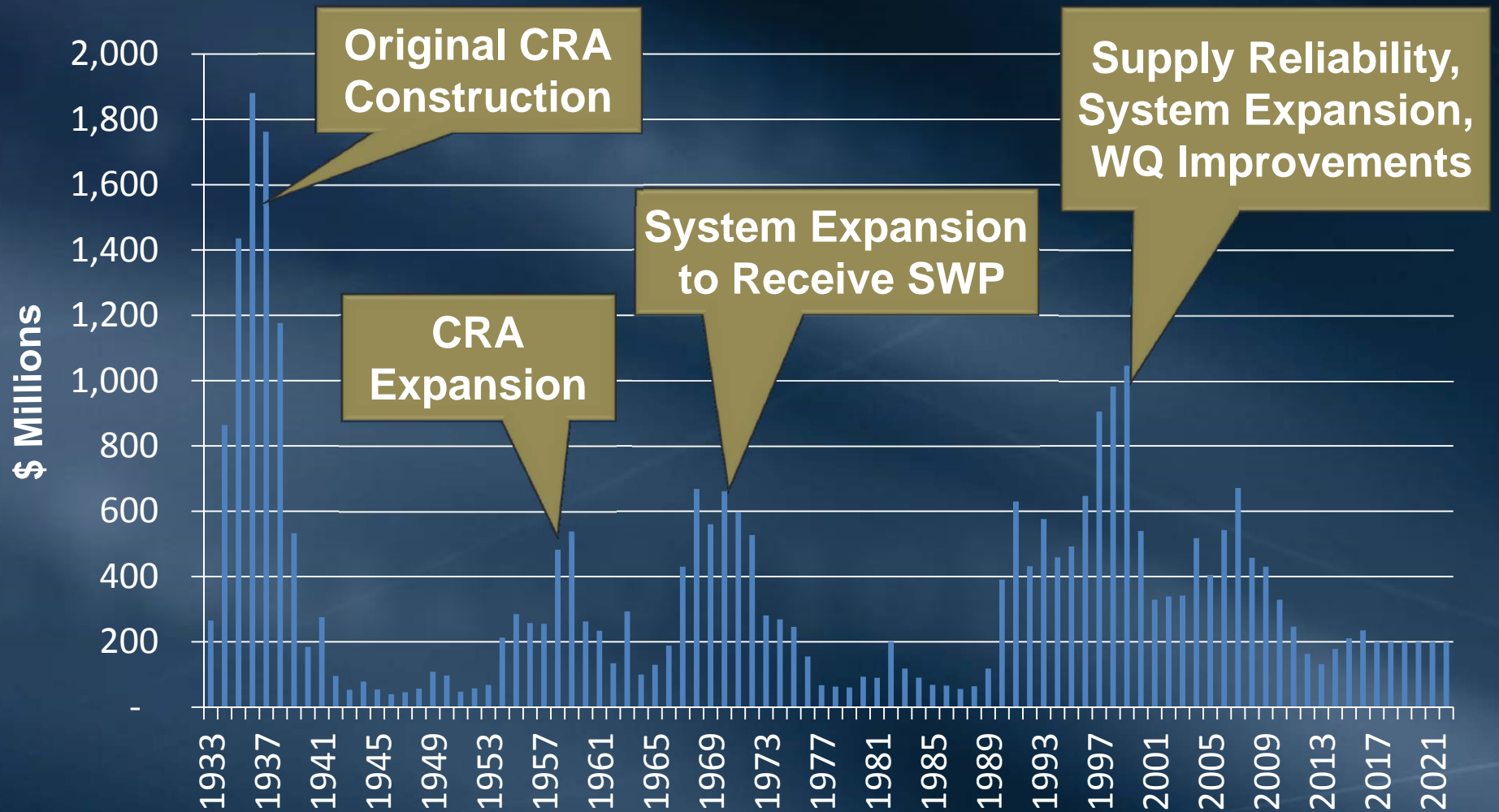
Budget vs. Actual by Program

2014/16 Planned	\$ 513 Million
2014/16 Actual	\$ 446 Million



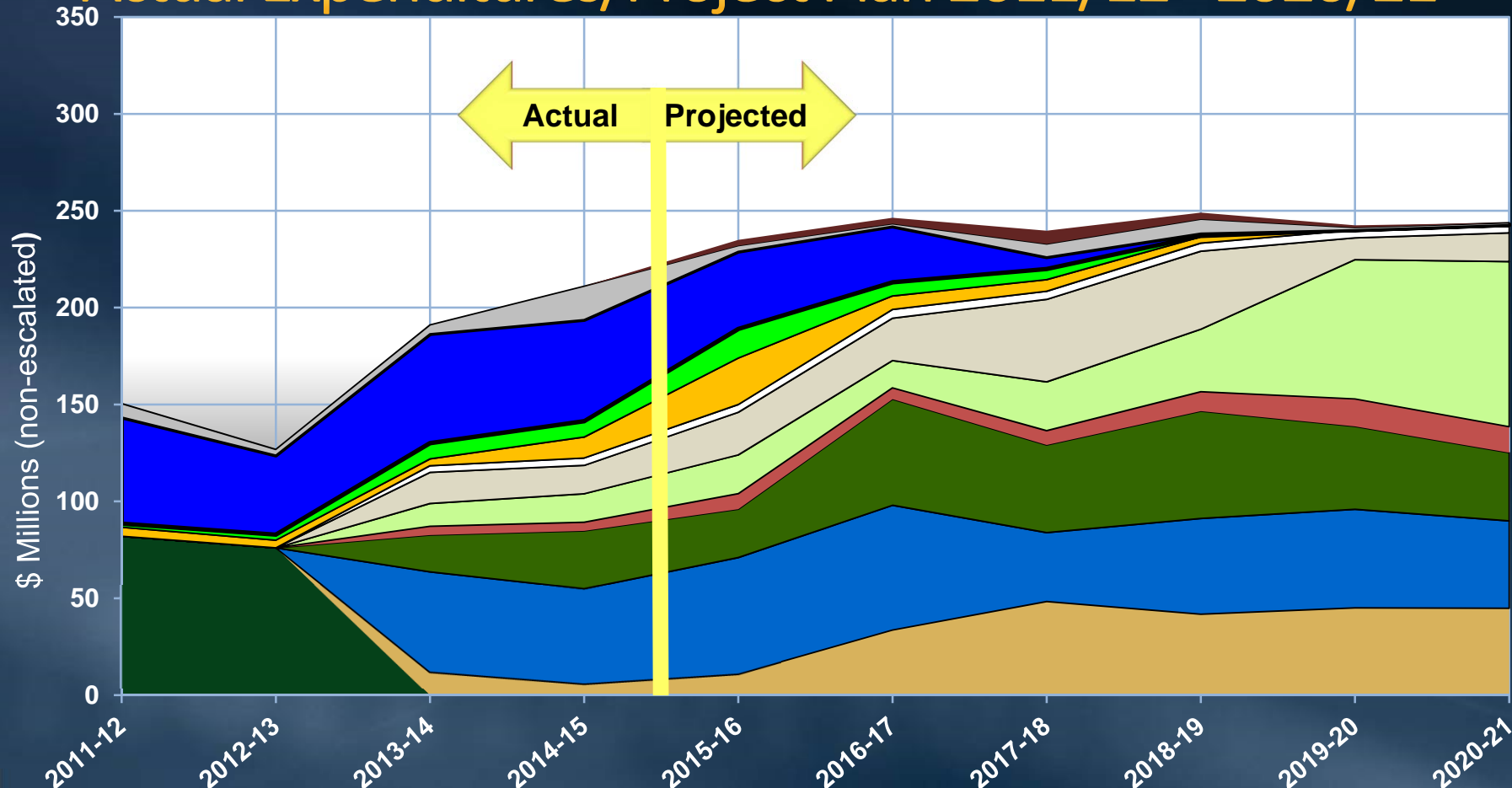
Metropolitan's Annual Capital Expenditures

(Adjusted to Current Value)



Capital Investment Plan

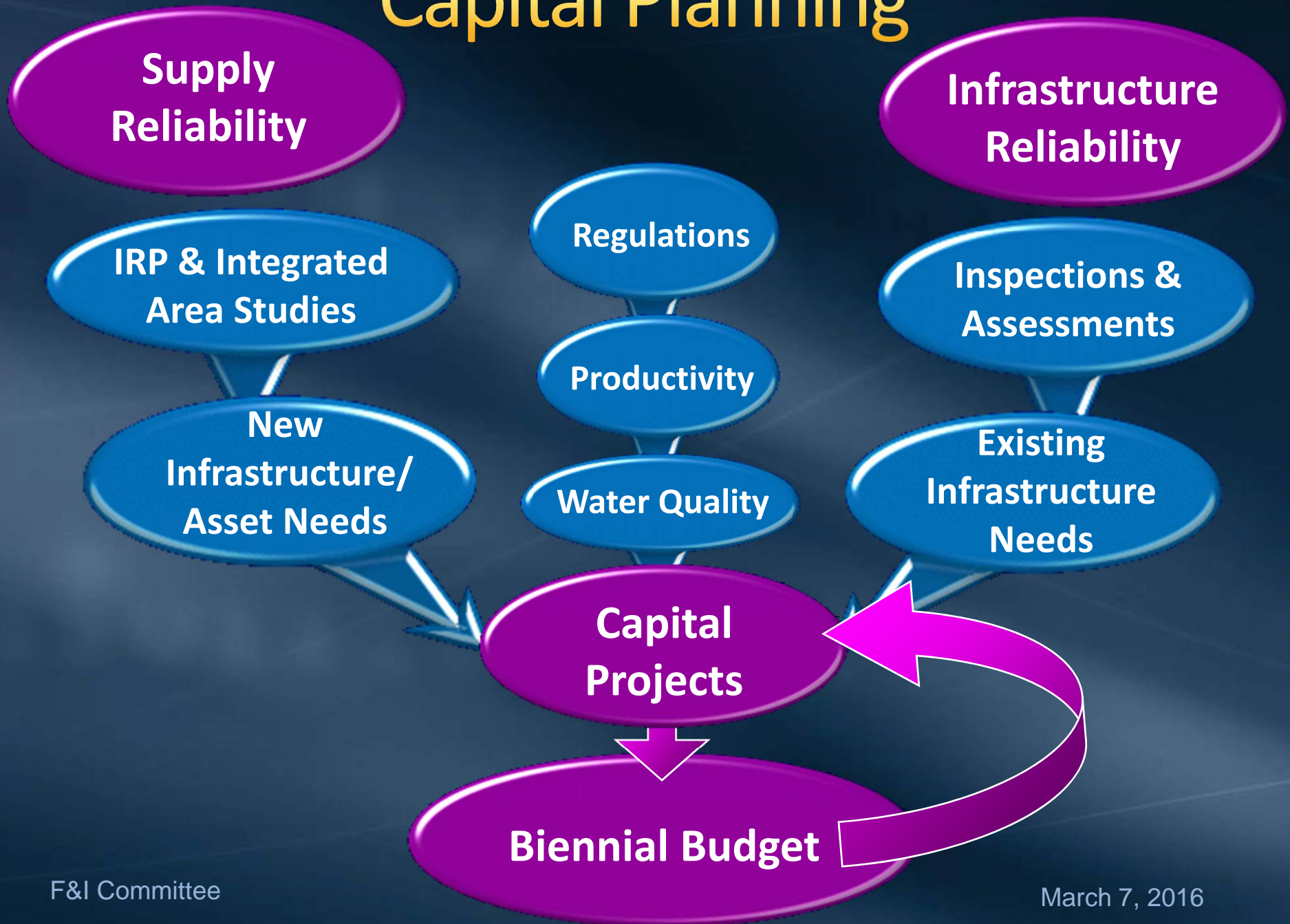
Actual Expenditures/Project Plan 2011/12 - 2020/21



CIP Budget Development Schedule

Month	Activity
June	Update/revise evaluation criteria
July - August	Site visits - Treatment plants, CRA, distribution system
August - December	Submit project proposals
September - December	Conduct evaluations
	Update schedules/forecasts
November	Review by PM's
November - December	Review by ES/WSO/BT Groups
	Update CIP Steering Committee
January	Finalize project prioritization
February	Finalize proposed CIP Appendix

Capital Planning



CIP Prioritization

- CIP Evaluation Team evaluates/scores projects
- Scoring criteria:
 - Projects prioritized to ensure service demands are met
 - Code requirements
 - Safety
- Scores provide first cut at prioritization
- Add'l reviews by Group Mgrs., Steering Comm., & Exec. Mgmt.

Scoring/Prioritization Criteria

- Justification

- Delivery reliability
- Regulatory compliance
 - Water quality, health & safety, environmental
- Supply reliability
- Business operations

- Project directives

- Compliance notices
- Board actions

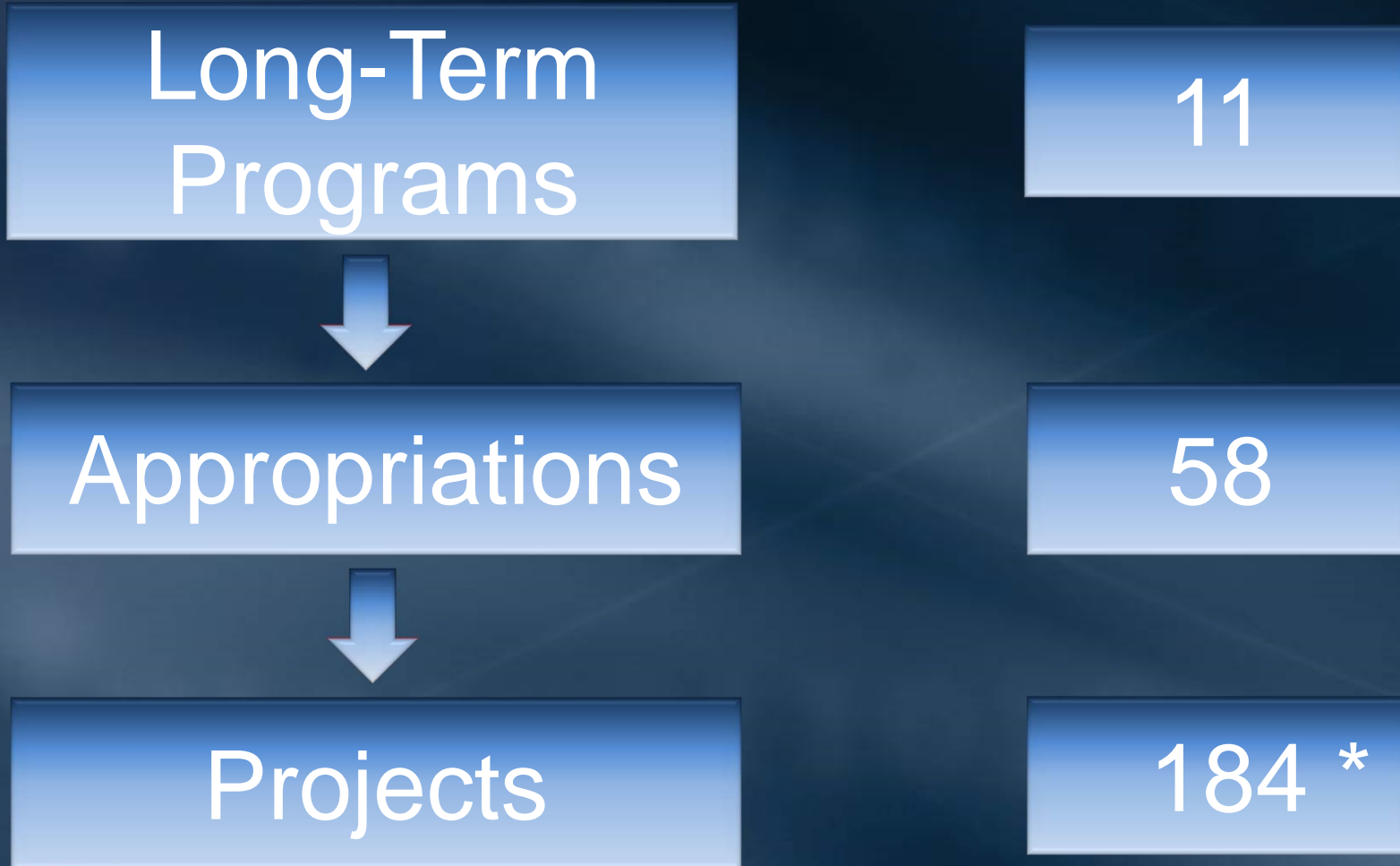
- Potential service disruption

- Cost efficiency/productivity

Scoring/Prioritization Criteria

- Risk Multiplier
 - Likelihood of facility/component failure
 - Likelihood of water quality, health & safety, or environmental impact
 - Likelihood of missed opportunity
 - Likelihood of not meeting service demands

Capital Program Structure



* Excluding Minor Capital Projects

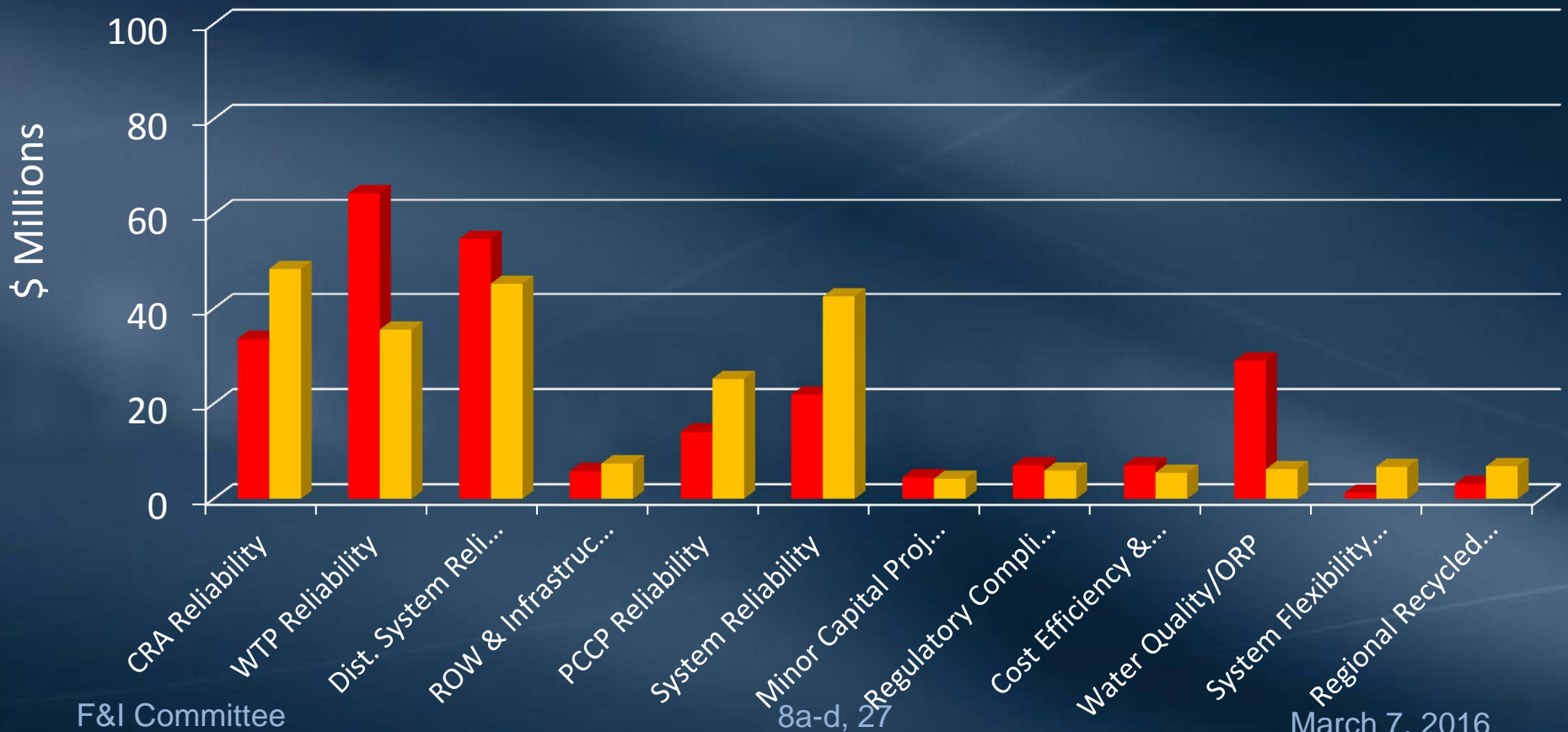
Capital Programs – FY 2016/17 & 2017/18	2-Year Project Plan
Colorado River Aqueduct Reliability	\$ 82 M
Distribution System Reliability	\$ 100 M
Treatment Plant Reliability (5 Plants)	\$ 100 M
System Reliability	\$ 64 M
ROW & Infrastructure Protection	\$ 13 M
PCCP Reliability	\$ 39 M
Water Quality/Oxidation Retrofit	\$ 35 M
System Flexibility/Supply Reliability	\$ 8 M
Regulatory Compliance	\$ 13 M
Minor Capital Projects	\$ 9 M
Cost Efficiency & Productivity	\$ 13 M
Regional Recycled Water Supply	\$ 10 M
TOTAL	\$ 486 M

FY 2016/17 - 2017/18 Capital Investment Plan

Budget by Program

2016/17 Project Plan - \$246.4 Million
2017/18 Project Plan - \$239.7 Million

■ FY 2016/17 ■ FY 2017/18



CIP Project Highlights



CRA Reliability - Major Projects

Project Description	2 - Year Project Plan	Total Project Estimate (non-escalated)
Switch House Seismic Upgrades	\$ 10 million	\$ 12 million
Pumping Plant Sump System Rehab.	\$ 9 million	\$ 22 million
Sand Trap Upgrades	\$ 9 million	\$ 13 million
Main Pump Power Cables	\$ 7 million	\$ 12 million
Pumping Plant Crane Replacement	\$ 6 million	\$ 7 million

Treatment Plant Reliability - Major Projects

Project Description	2 - Year Project Plan	Total Project Estimate (non-escalated)
Jensen Electrical Upgrades	\$21 million	\$69 million
Diemer Basin Rehabilitation	\$19 million	\$58 million
Weymouth Filter Rehabilitation	\$14 million	\$41 million
Diemer Filter Seismic Upgrades	\$12 million	\$42 million

Distribution System Reliability - Major Projects

Project Description	2 - Year Project Plan	Total Project Estimate (non-escalated)
Palos Verdes Reservoir Cover & Liner Replacement	\$29 million	\$35 million
Etiwanda Pipeline Lining Repairs	\$12 million	\$46 million
Orange County Feeder Relining	\$ 3 million	\$34 million
Sepulveda Canyon Control Facility Improvements	\$ 7 million	\$48 million

System Reliability - Major Projects

Project Description	2 - Year Project Plan	Total Project Estimate (non-escalated)
Union Station HQ Bldg Seismic Upgrades	\$15 million	\$42 million
Wadsworth Pumping Plant Controls & Electrical Protection	\$13 million	\$26 million

FY 2016/17 - 2017/18 CIP Summary

- Thorough & rigorous review of all projects
- Prioritized to maintain reliability & regulatory compliance
- Continued focus on Infrastructure Reliability
- Capital project priorities & needs reviewed annually

Next Steps

March 8, 2016

Public Hearing

March 22, 2016

F&I Committee, Workshop #4

April 11, 2016

F&I Committee, Recommend
Biennial Budget and calendar year
rates and charges
Workshop #5, if needed

April 12, 2016

Board Action, Approve Biennial
Budget and Water Rates and Charges

