

Proposed Biennial Budget, Revenue Requirements, and Water Rates and Charges Fiscal Years 2014/15 and 2015/16

**Board Workshop #2
February 25, 2014**



Proposed Biennial Budget Workshop #2

Presentation Overview

- Rate Scenarios
- Response to Questions from Workshop #1
- Operating Budget
- Next Steps

Rate Scenarios

- Scenario A: Updated Proposal: 1.5% / 1.5%
 - Smoothed supply program expenditures
 - Lowered OPEB annual required contribution by \$10 million based on updated actuarial report
- Scenario B: 0% / 1.5%
 - Lowered revenue-funded capital (PAYGO)
 - \$7 million in FY 2014/15 to \$238 M
 - \$21 million in FY 2015/16 to \$200 M
 - Increased draw on R&R Fund by same amount

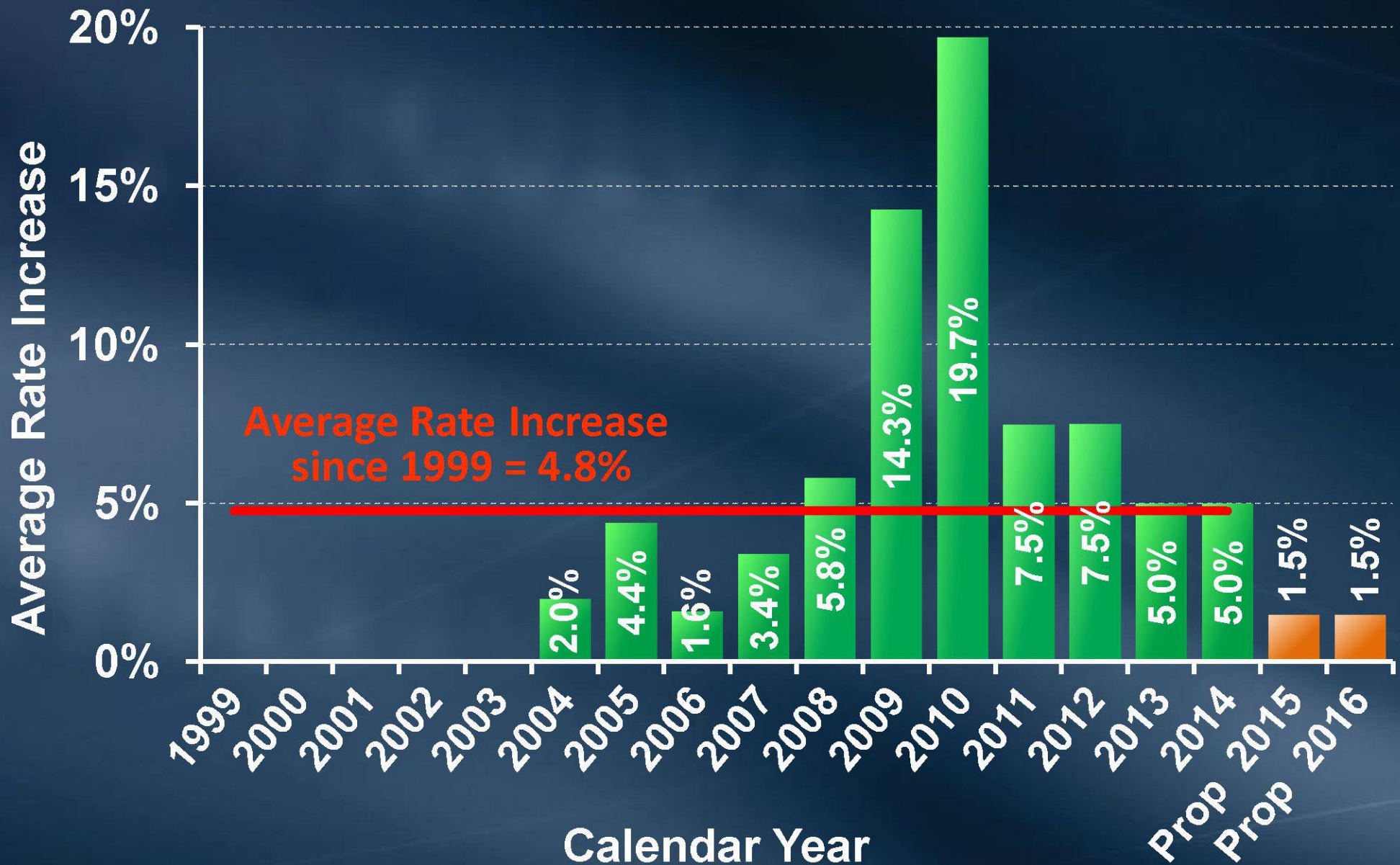
Rate Scenarios (cont'd)

- Scenario C: Ad valorem tax rate not maintained
 - Decreases AV tax revenue by \$30 million in FY 2014/15 and \$35 million in FY 2015/16 due to decline in tax-funded debt service
 - Water rates have to be increased or costs reduced by a like amount to meet cost of service
 - By FY 2023/24, AV tax revenues will decline to \$3 million and water rates will be 5% to 6% higher

Rate Scenarios (cont'd)

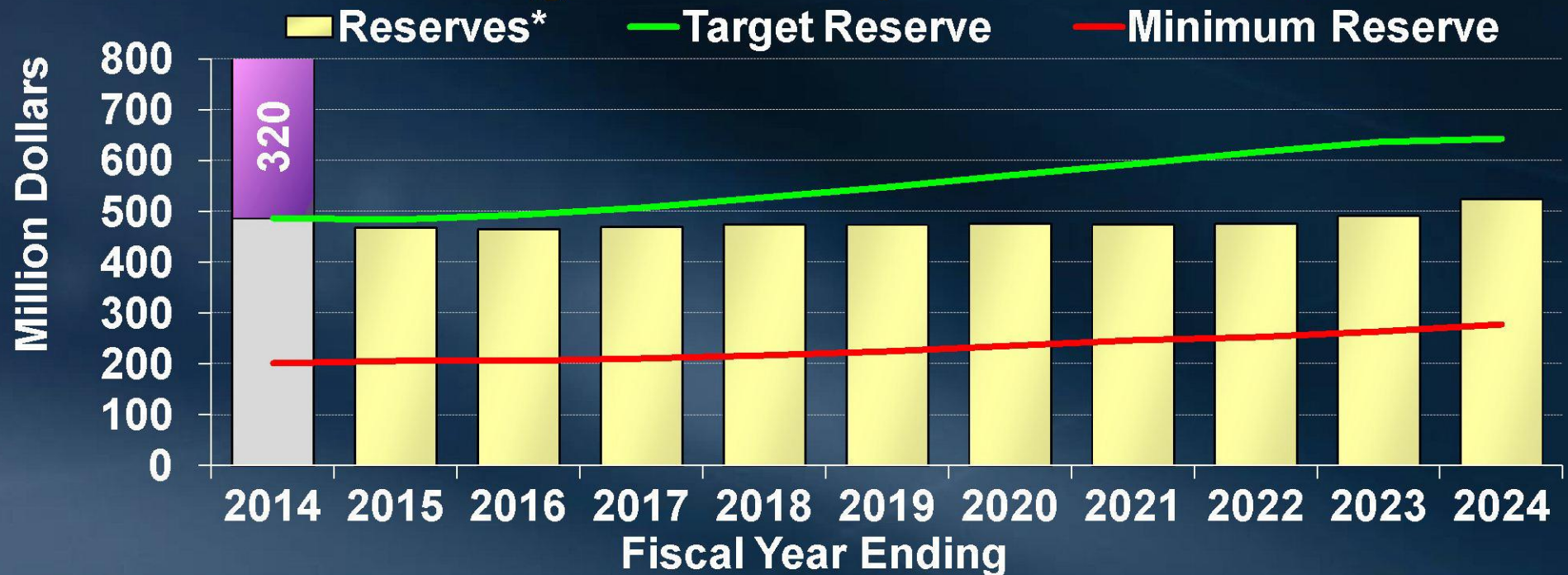
- Scenario D: Ad valorem tax rate not maintained, rate increase capped at 1.5% in FY 2014/15 and FY 2015/16
 - Decreases AV tax revenue by \$30 million in FY 2014/15 and \$35 million in FY 2015/16 due to decline in tax-funded debt service
 - By FY 2023/24, AV tax revenues will decline to \$3 million
 - Lowered revenue-funded capital (PAYGO) to meet cost of service; must issue bonds for the CIP beginning in FY 2016/17
 - Higher projected rate increases through the remaining 8 years of the 10-year forecast

Overall Rate Increases Since 1999



Scenario A: 1.5% / 1.5%

Scenario A: Original Proposal 1.5%/1.5%



Ave Rate Inc.	5%	1.5%	1.5%	3%	3%	4%	5%	5%	5%	5%	5%
Sales, MAF	1.97	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
CIP, \$M	200	245	268	275	281	284	293	304	312	317	313
PAYGO, \$M	125	245	221	200	204	201	176	182	187	190	188
Rev. Bond Cvg	2.7	2.0	2.0	2.0	2.0	2.0	2.2	2.4	2.6	2.7	2.9
Fixed Chg Cvg	2.0	1.6	1.6	1.6	1.5	1.6	1.5	1.5	1.5	1.4	1.4
Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
AV Taxes, \$M	81	90	92	94	96	99	101	103	105	108	110
BDCP, \$M				15	24	46	91	148	204	259	302

* Revenue Remainder & WRSF

Scenario A: Updated Proposal 1.5%/1.5%

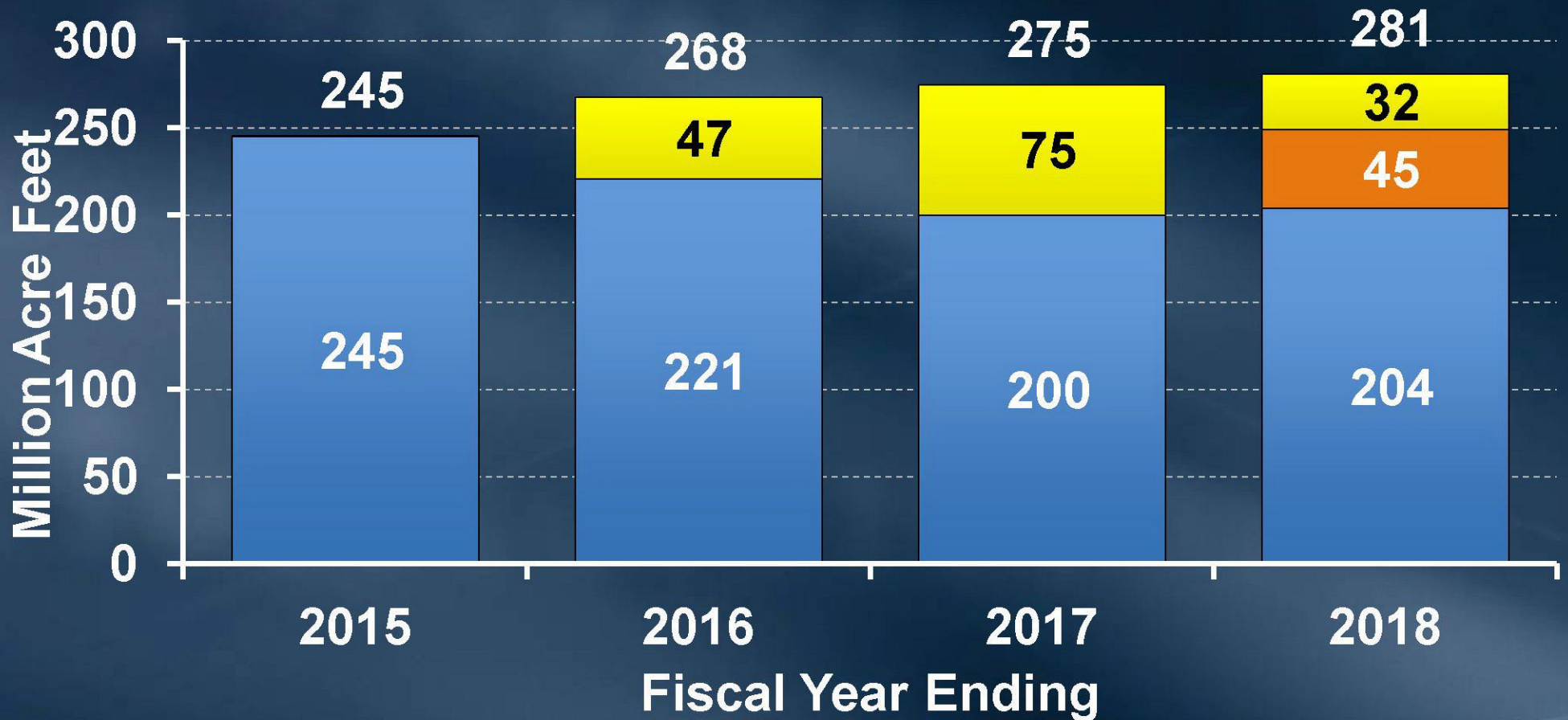


Ave Rate Inc.	5%	1.5%	1.5%	3%	3%	3.5%	5%	5%	5%	5%	5%
Sales, MAF	1.97	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
CIP, \$M	200	245	268	275	281	284	293	304	312	317	313
PAYGO, \$M	125	245	221	200	204	201	176	182	187	190	188
Rev. Bond Cvg	2.7	2.0	2.0	2.0	2.0	2.1	2.2	2.4	2.6	2.7	2.9
Fixed Chg Cvg	2.0	1.6	1.6	1.6	1.6	1.6	1.5	1.5	1.5	1.4	1.4
Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
AV Taxes, \$M	81	90	92	94	96	99	101	103	105	108	110
BDCP, \$M				15	24	46	91	148	204	259	302

* Revenue Remainder & WRSF

Scenario A: Capital Investment Plan Funding

■ R&R Fund ■ Bonds ■ PAYGO

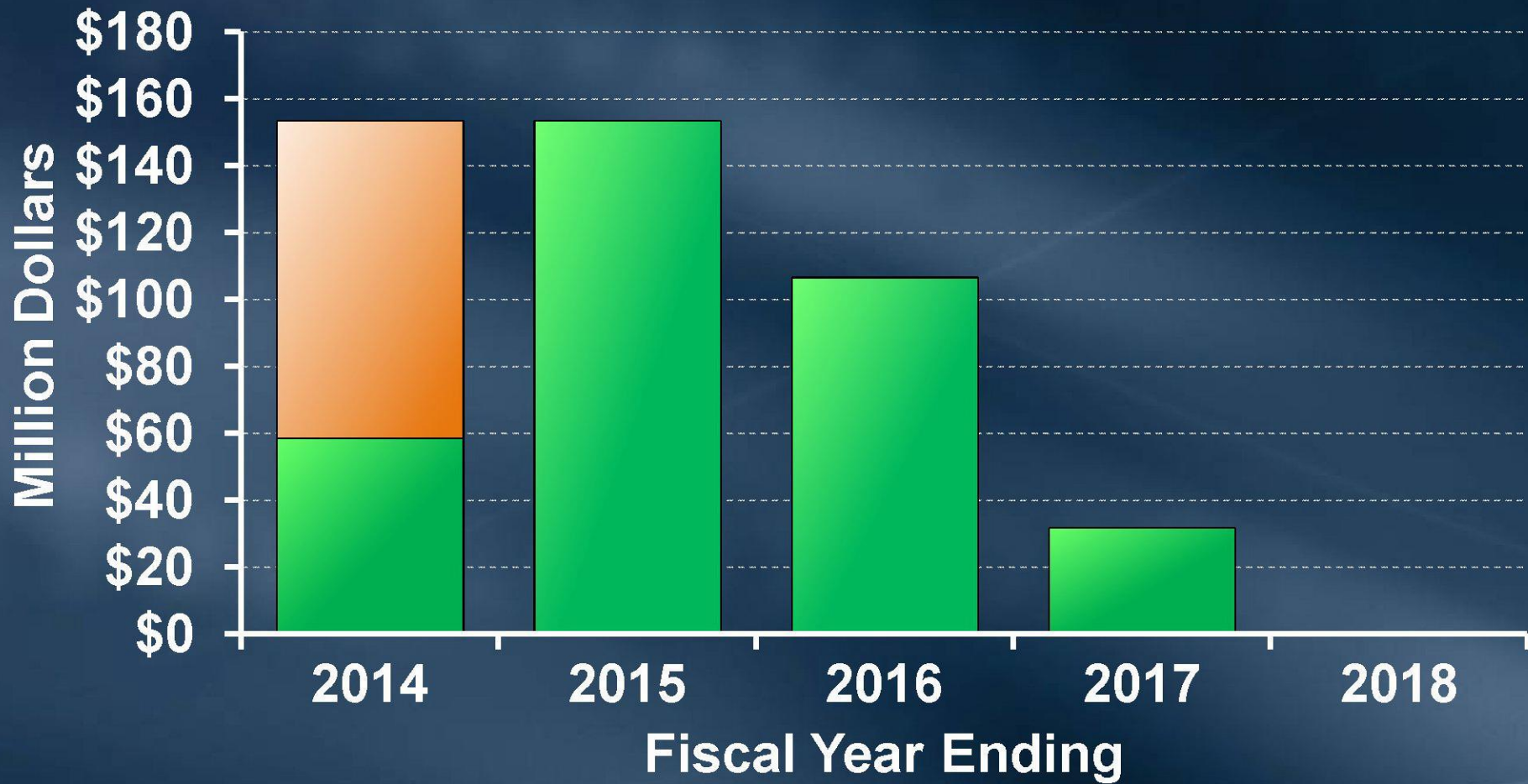


Scenario A:

Replacement and Refurbishment (R&R) Fund

■ R&R Deposit

■ R&R Fund Balance



Scenario A: Updated Proposed Rate Elements

Rates and Charges Effective January 1			
	2014	2015	2016
	Approved	Proposed	Proposed
Tier 1 Supply Rate (\$/AF)	\$148	\$158	\$156
Tier 2 Supply Rate (\$/AF)	\$290	\$290	\$290
System Access Rate (\$/AF)	\$243	\$257	\$259
Water Stewardship Rate (\$/AF)	\$41	\$41	\$41
System Power Rate (\$/AF)	\$161	\$126	\$138
Treatment Surcharge (\$/AF)	\$297	\$341	\$348
Readiness-to-Serve Charge (\$M)	\$166	\$158	\$153
Capacity Charge (\$M)	\$31	\$44	\$43

Scenario A: Full Service, E

Proposed Charges

Rate Type	2014 Approved	2016 Proposed	% Increase (Decrease)		
Full Service Untreated Volumetric					
Tier 1	\$593	\$594	2.1%		
Tier 2	\$735	\$728	2.0%		
Full Service Treated Volumetric C					
Tier 1	\$890	\$942	2.1%		
Tier 2	\$1,032	\$1,076	2.0%		
Full Service Untreated Exchange Cost (\$/AF)	\$445	\$424	-4.7%	\$438	3.3%
RTS Charge (\$M)	\$166	\$158	-4.8%	\$153	-3.2%
Capacity Charge (\$/cfs)	\$8,600	\$11,100	29.1%	\$10,900	-1.8%

T1 Supply SAR \$158/AF

T1 Supply SAR \$257/AF

T1 Supply SAR \$158/AF

SAR \$257/AF

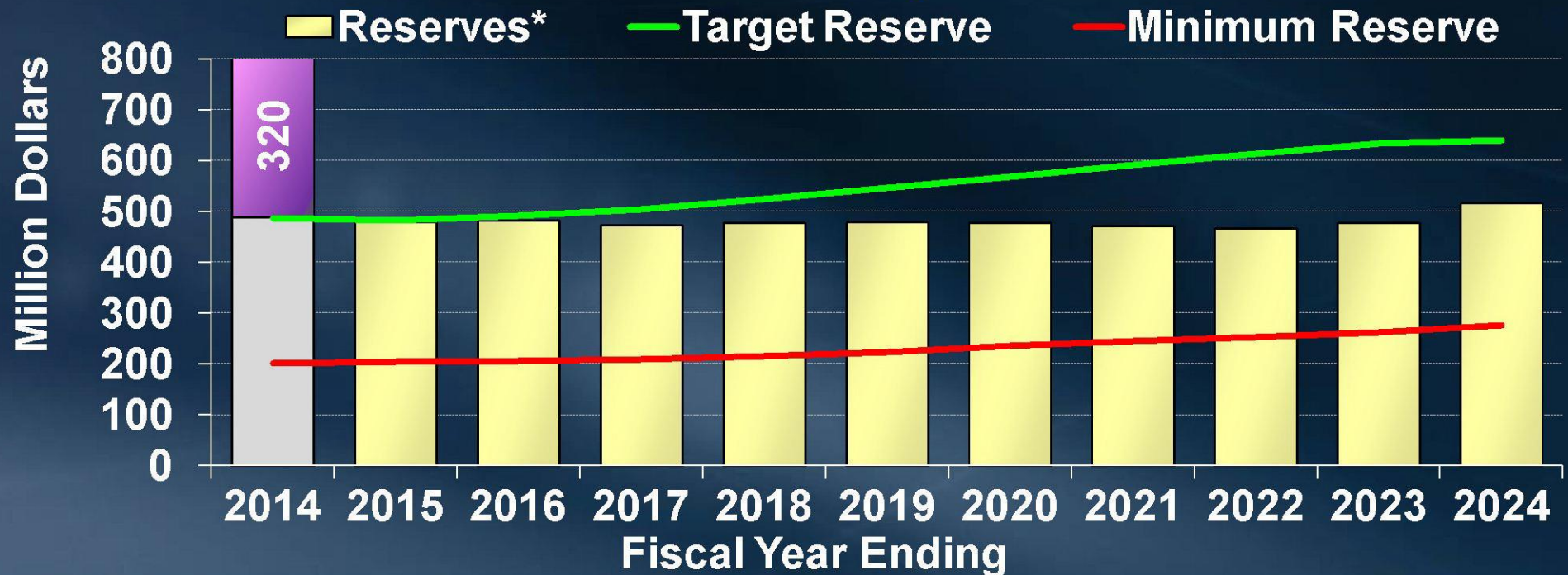
WSR \$41/AF

WSR \$41/AF

SPR \$126/AF

Scenario B: 0% / 1.5%

Scenario B: 0%/1.5%

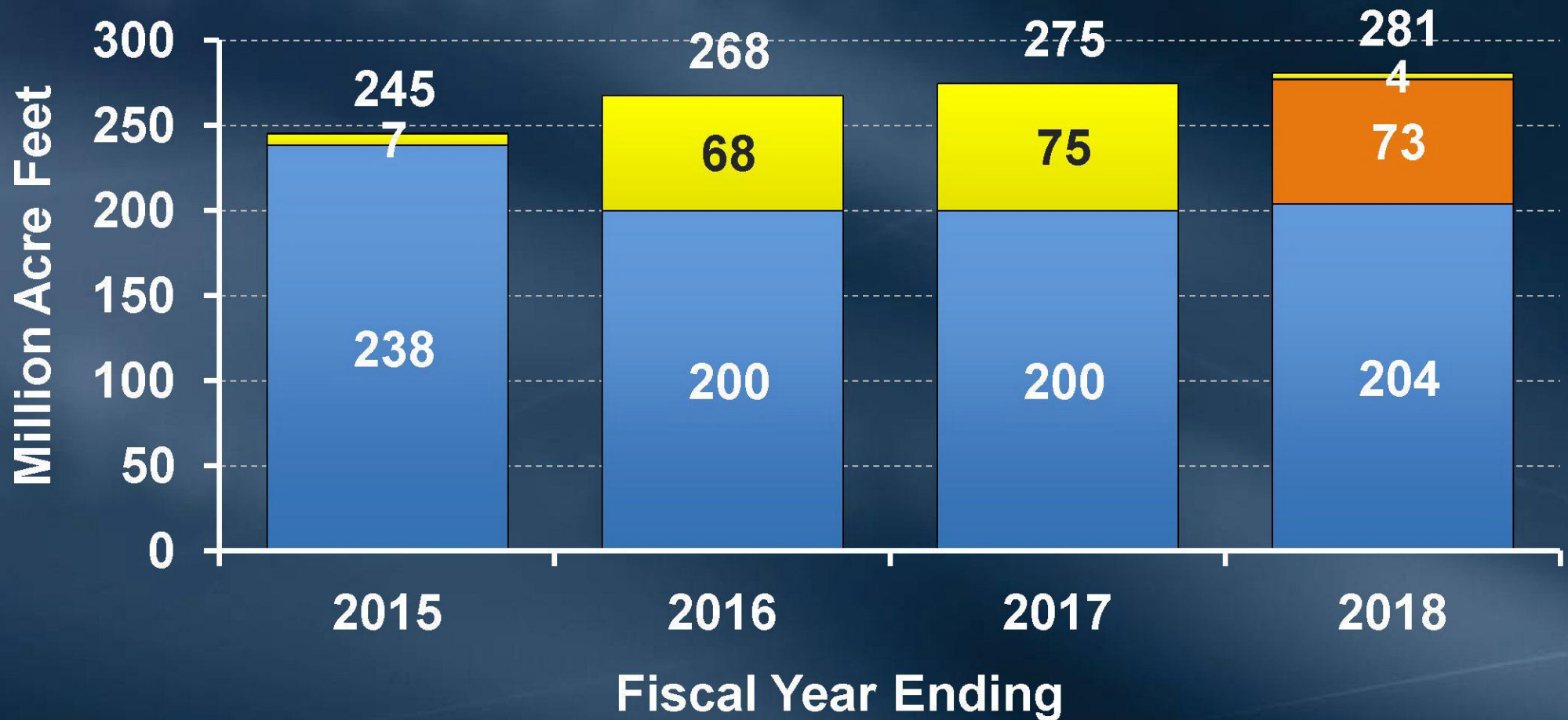


Ave Rate Inc.	5%	0%	1.5%	3.5%	3.5%	4%	5%	5%	5%	5%	5%
Sales, MAF	1.97	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
CIP, \$M	200	245	268	275	281	284	293	304	312	317	313
PAYGO, \$M	125	238	200	200	204	201	176	182	187	190	188
Rev. Bond Cvg	2.7	2.0	2.0	1.9	2.0	2.0	2.2	2.4	2.6	2.7	2.9
Fixed Chg Cvg	2.0	1.6	1.6	1.5	1.5	1.6	1.5	1.5	1.5	1.4	1.4
Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
AV Taxes, \$M	81	90	92	94	96	99	101	103	105	108	110
BDCP, \$M				15	24	46	91	148	204	259	302

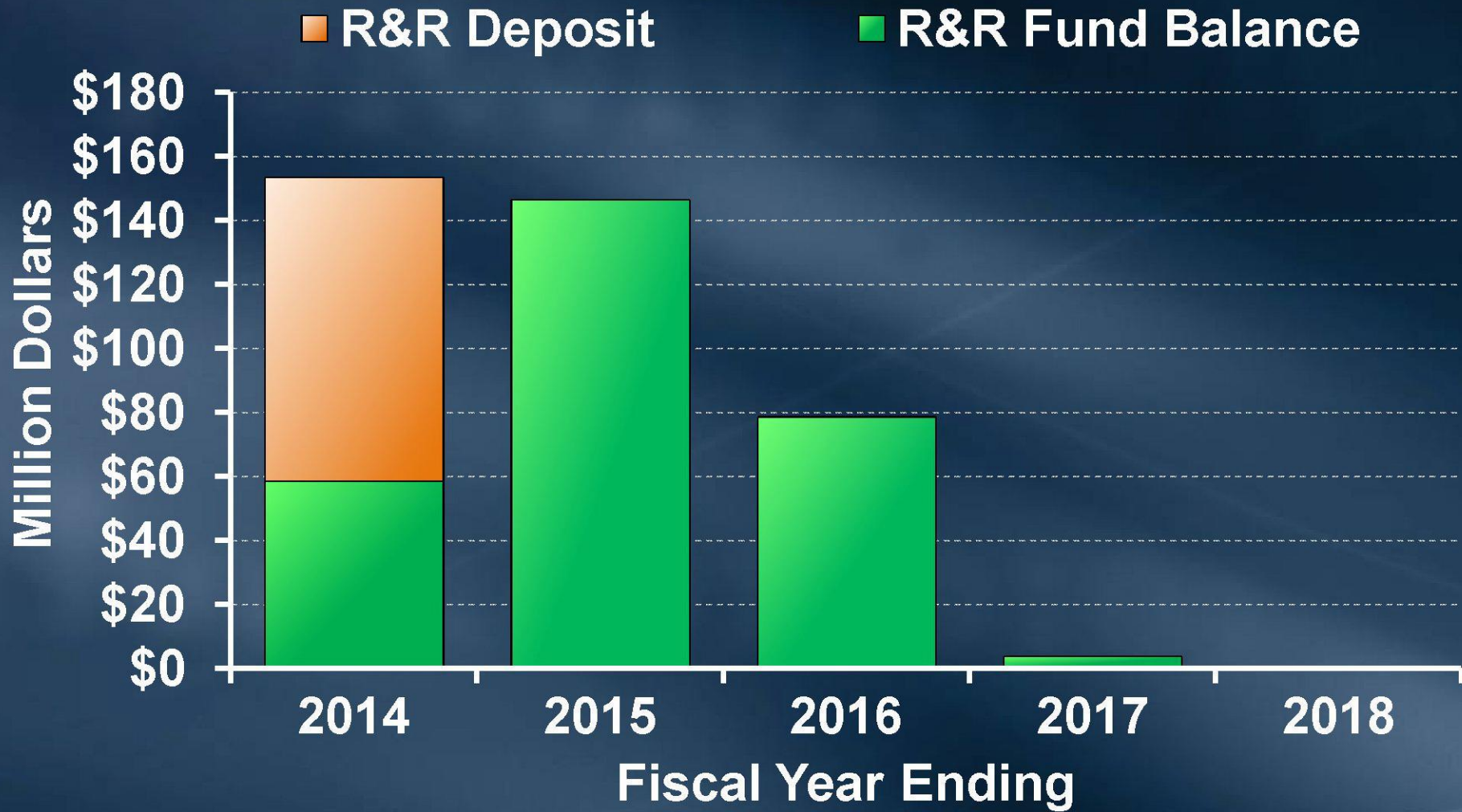
* Revenue Remainder & WRSF

Scenario B: Capital Investment Plan Funding

■ R&R Fund ■ Bonds ■ PAYGO



Scenario B: Replacement & Refurbishment (R&R) Fund



Scenario B: Proposed Rate Elements

Rates and Charges Effective January 1			
	2014 Approved	2015 Proposed	2016 Proposed
Tier 1 Supply Rate (\$/AF)	\$148	\$155	\$154
Tier 2 Supply Rate (\$/AF)	\$290	\$290	\$290
System Access Rate (\$/AF)	\$243	\$253	\$257
Water Stewardship Rate (\$/AF)	\$41	\$41	\$41
System Power Rate (\$/AF)	\$161	\$125	\$137
Treatment Surcharge (\$/AF)	\$297	\$335	\$339
Readiness-to-Serve Charge (\$M)	\$166	\$155	\$148
Capacity Charge (\$M)	\$31	\$43	\$41

Scenario B: Proposed Full Service, Exchange and Charges

Rate Type	2014 Approved	2015 Proposed	% Increase (Decrease)	2016 Proposed	% Increase (Decrease)
Full Service Untreated Volumetric Cost (\$/AF)					
Tier 1	\$593	\$574	-3.2%	\$589	2.6%
Tier 2	\$735	\$709	-3.5%	\$725	2.3%
Full Service Treated Volumetric Cost (\$/AF)					
Tier 1	\$890	\$909	2.1%	\$928	2.1%
Tier 2	\$1,032	\$1,044	1.2%	\$1,064	1.9%
Full Service Untreated Exchange Cost (\$/AF)	\$445	\$419	-5.8%	\$435	3.8%
RTS Charge (\$M)	\$166	\$155	-6.6%	\$148	-4.5%
Capacity Charge (\$/cfs)	\$8,600	\$10,900	26.7%	\$10,500	-3.7%

Scenario C: AV Tax Rate Not Maintained

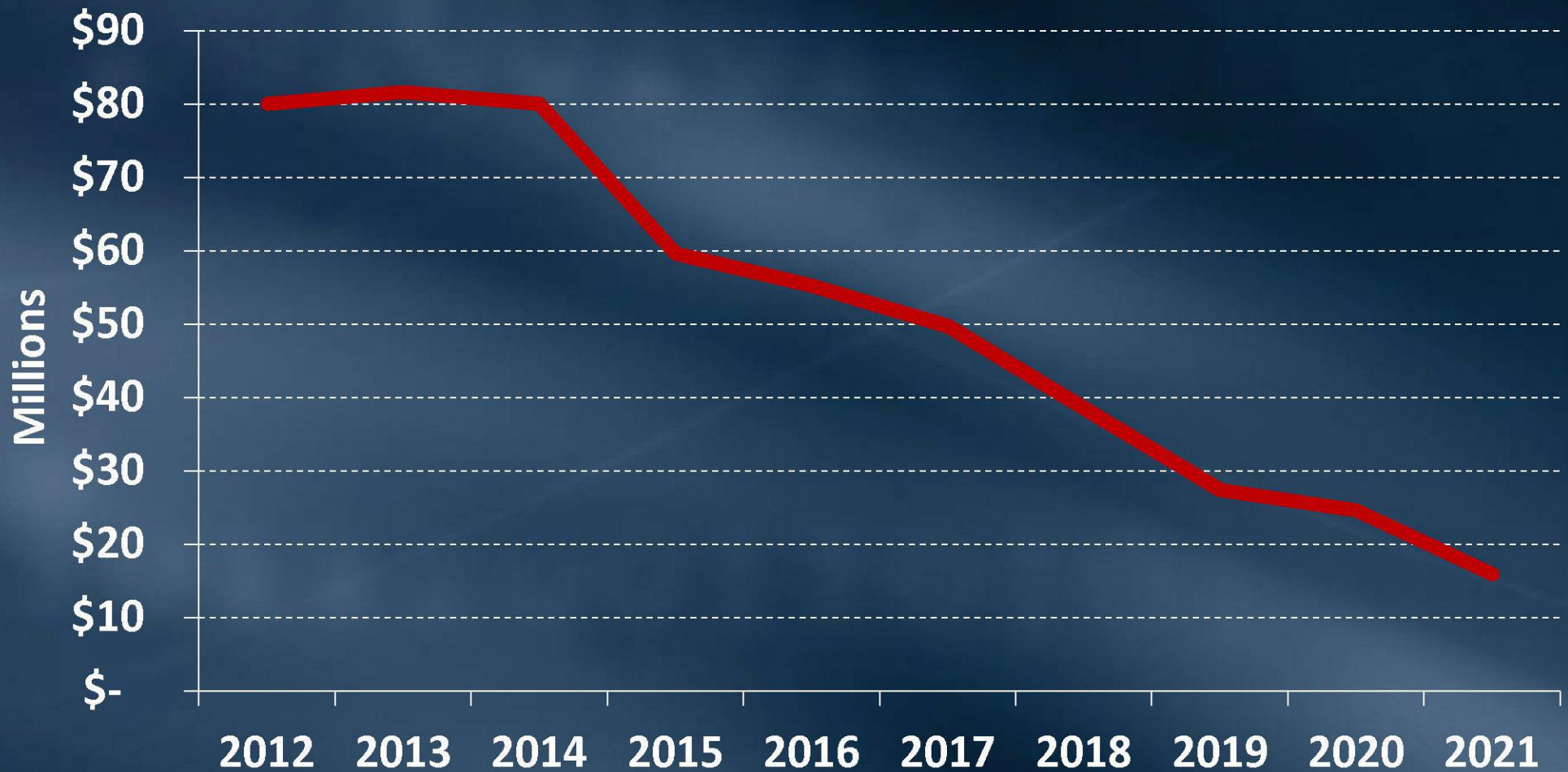
Ad Valorem Tax Background

- MWD Act authorizes property taxes
- By Proposition 13, voters set limits for ad valorem property taxes
- Proposition 13 included an exception to allow agencies to repay certain indebtedness
- Metropolitan's share of SWP costs are within the exception for indebtedness
- Metropolitan's general obligation bonds are within the exception for indebtedness

Provisions of Metropolitan Water District Act Section 124.5

- Restricts ad valorem taxes to the amount necessary to cover debt service for Metropolitan's General Obligation bonds and the Burns-Porter bonds
- Authorizes suspension of rate restriction if the Board finds that doing so is "essential to the fiscal integrity of the district"
 - Must hold a public hearing
 - Must notify the Speaker of the Assembly and the President pro Tempore of the Senate at least 10 days prior to the date of the hearing

Ad Valorem Tax Rate Projection



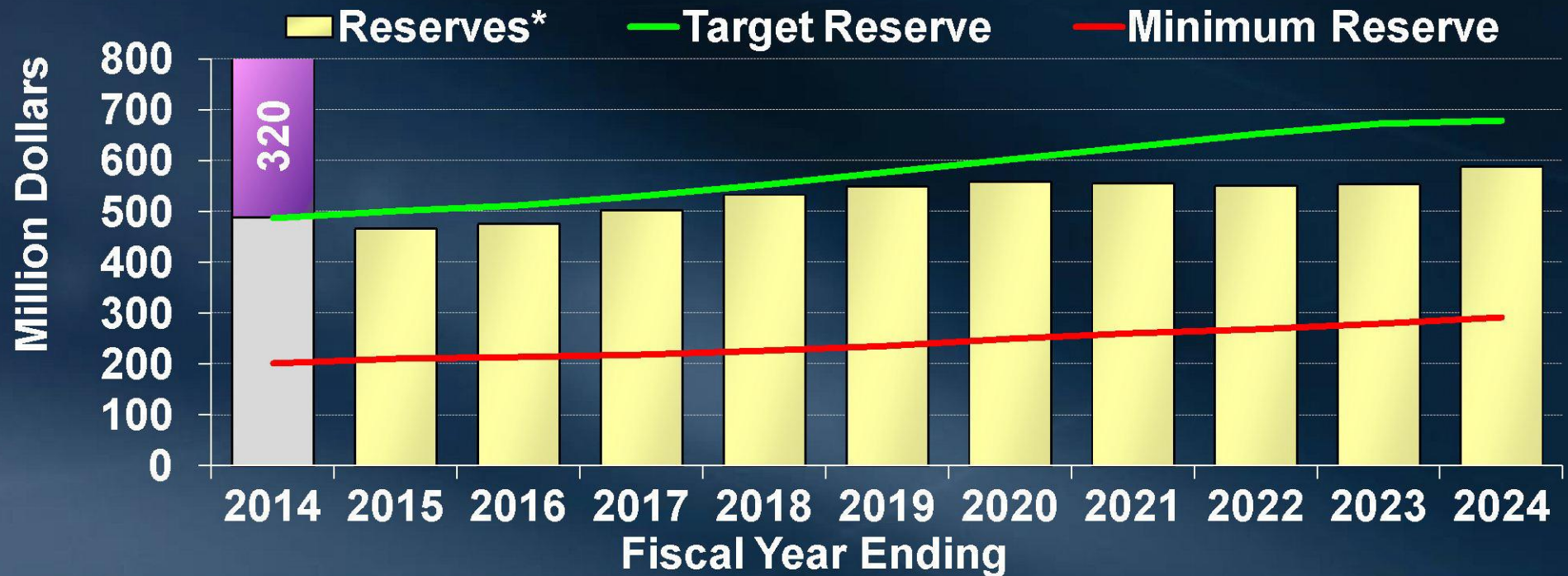
Current Ad Valorem Tax Rate

- .0035% of assessed valuations
- Averaged assessed value of a single-family residence in Los Angeles County is \$300,000
 - Results in AV tax assessment of \$10.50 per year
- Proposal to maintain the rate at the current level

Benefits of Maintaining the Ad Valorem Tax Rate

- Metropolitan ensures a reliable supplemental water supply to a broad service area; the region and its economy benefit from the availability of water
- Ad valorem taxes are a unique tool to ensure that the cost of Metropolitan's services are shared by all residences and businesses

Scenario C: AV Tax Rate not Maintained



Ave Rate Inc.	5%	3.5%	3.5%	3.5%	3.5%	3.5%	5%	5%	5%	5%	5%
Sales, MAF	1.97	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
CIP, \$M	200	245	268	275	281	284	293	304	312	317	313
PAYGO, \$M	125	245	221	200	204	201	176	182	187	190	188
Rev. Bond Cvg	2.7	2.0	2.2	2.2	2.2	2.3	2.5	2.7	2.9	3.0	3.2
Fixed Chg Cvg	2.0	1.6	1.6	1.6	1.5	1.5	1.5	1.4	1.4	1.4	1.4
Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
AV Taxes, \$M	81	60	55	50	39	27	25	16	12	3	3
BDCP, \$M				15	24	46	91	148	204	259	302

* Revenue Remainder & WRSF

Scenario C: Proposed Rate Elements

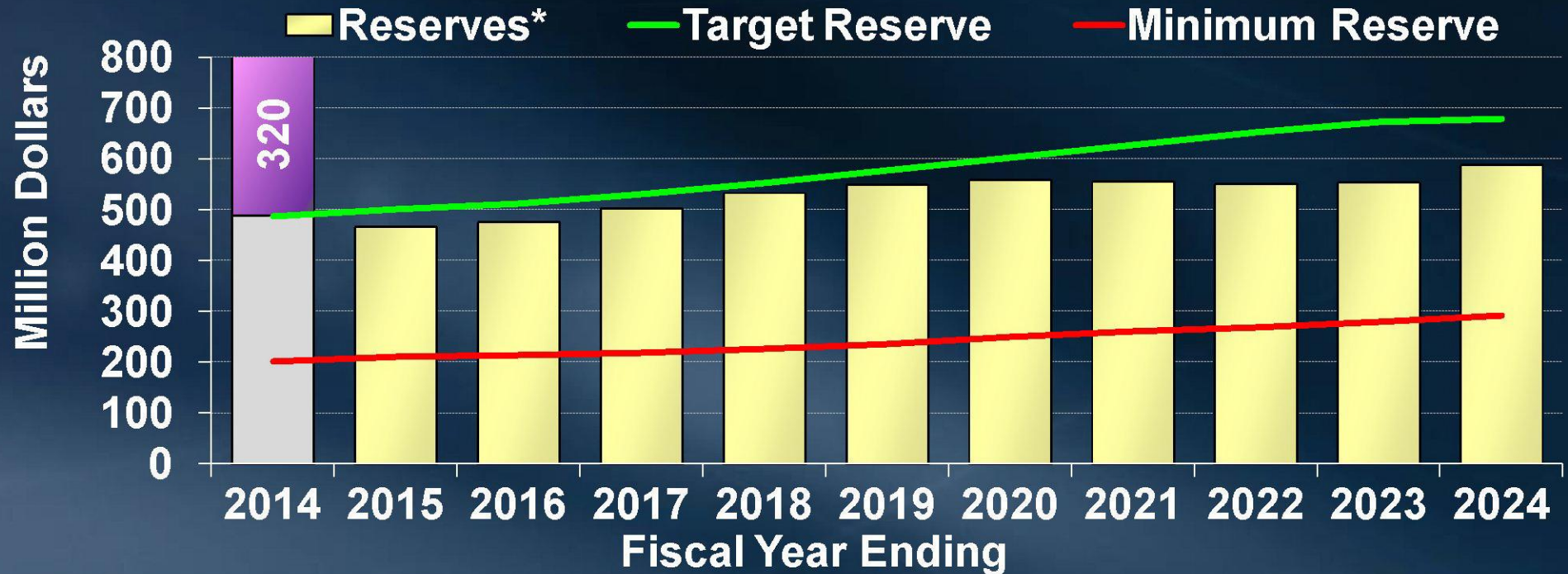
Rates and Charges Effective January 1			
	2014 Approved	Scenario A Proposed	Scenario C Proposed
		Scenario A	\$158/AF
Tier 1 Supply Rate (\$/AF)	\$14		
Tier 2 Supply Rate (\$/AF)	\$29	Scenario A	\$257/AF
System Access Rate (\$/AF)	\$243	\$264	\$274
Water Stewardship Rate (\$/AF)	\$41	\$41	\$41
System Power Rate (\$/AF)	\$16		
Treatment Surcharge (\$/AF)	\$29	Scenario A	\$158M
Readiness-to-Serve Charge (\$M)	\$166	\$171	\$170
Capacity Charge (\$/cfs)	\$31	\$44	\$44

Scenario C: Proposed Full Service, Exchange and Charges

Rate Type	2014 Approved	2015 Proposed	% Increase (Decrease)	2016 Proposed	% Increase (Decrease)
Full Service Untreated Volumetric Cost (\$/AF)					
Tier 1	\$593	\$592	-0.2%	\$617	4.2%
Tier 2	\$735	\$721	-1.9%	\$745	3.3%
Full Service Treated Volumetric Cost (\$/AF)					
Tier 1	\$890	\$932	4.7%	\$969	4.0%
Tier 2	\$1,032	\$1,061	2.8%	\$1,097	3.4%
Full Service Untreated Exchange Cost (\$/AF)	\$445	\$431	-3.1%	\$455	5.6%
RTS Charge (\$M)	\$166	\$171	3.0%	\$170	-0.6%
Capacity Charge (\$/cfs)	\$8,600	\$11,200	30.2%	\$11,100	-0.9%

Scenario D: AV Tax Rate Not Maintained, 1.5%/1.5%

Scenario D: AV Tax Rate not Maintained



Ave Rate Inc.	5%	1.5%	1.5%	5%	5%	5%	5%	5%	5%	5%	5%
Sales, MAF	1.97	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
CIP, \$M	200	245	268	275	281	284	293	304	312	317	313
PAYGO, \$M	125	210	185	175	204	201	176	182	187	190	188
Rev. Bond Cvg	2.7	2.0	2.0	2.0	2.1	2.3	2.5	2.7	2.9	3.0	3.2
Fixed Chg Cvg	2.0	1.5	1.5	1.4	1.5	1.5	1.5	1.4	1.4	1.4	1.4
Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
AV Taxes, \$M	81	60	55	50	39	27	25	16	12	3	3
BDCP, \$M	-	-	-	15	24	46	91	148	204	259	302

* Revenue Remainder & WRSF

Scenario D: Proposed Rate Elements

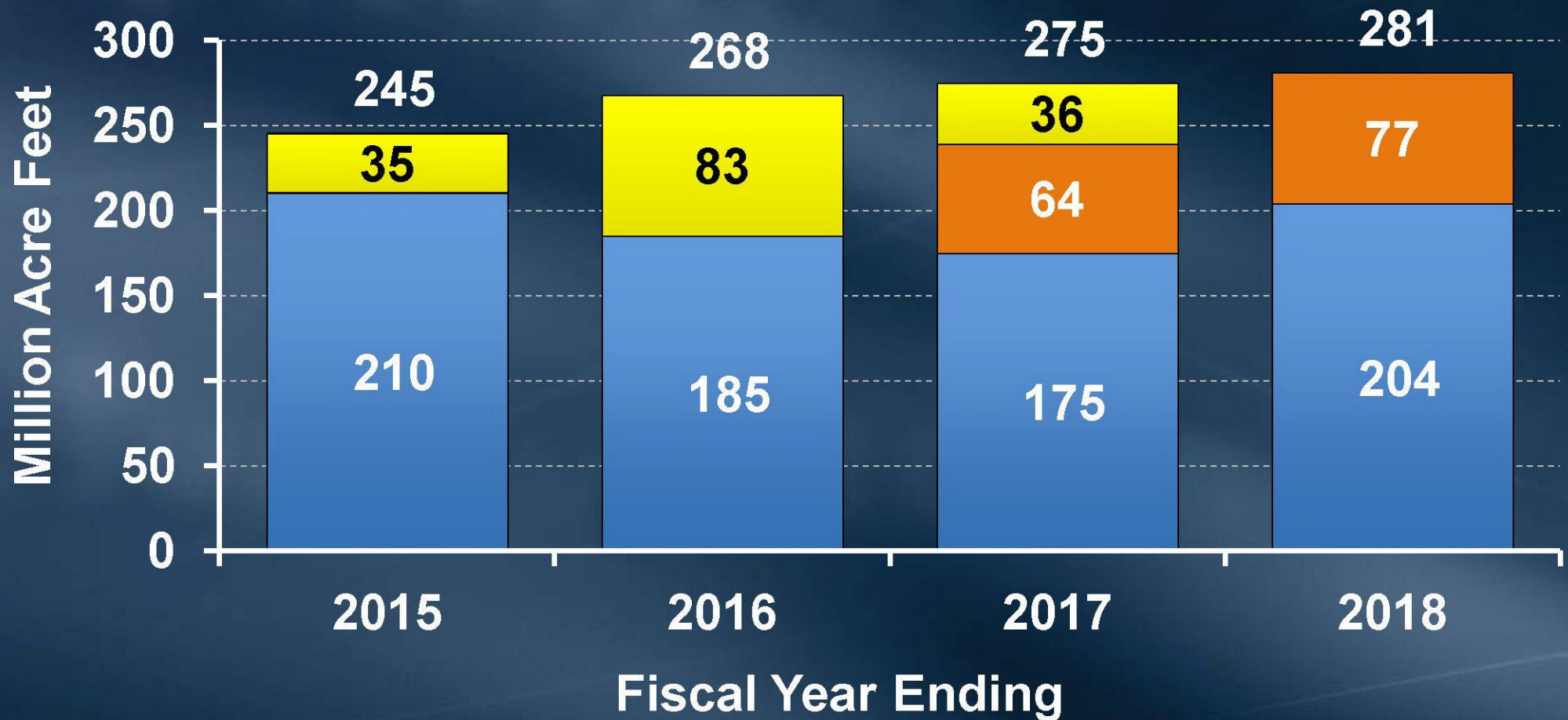
Rates and Charges Effective January 1			
	2014	2015	2016
	Approved	Proposed	Proposed
Tier 1 Supply Rate (\$/AF)	\$148	\$159	\$157
Tier 2 Supply Rate (\$/AF)	\$290	\$290	\$290
System Access Rate (\$/AF)	\$243	\$261	\$265
Water Stewardship Rate (\$/AF)	\$41	\$41	\$41
System Power Rate (\$/AF)	\$161	\$126	\$137
Treatment Surcharge (\$/AF)	\$297	\$329	\$333
Readiness-to-Serve Charge (\$M)	\$166	\$162	\$159
Capacity Charge (\$/cfs)	\$8,600	\$10,500	\$10,200

Scenario D: Proposed Full Service, Exchange and Charges

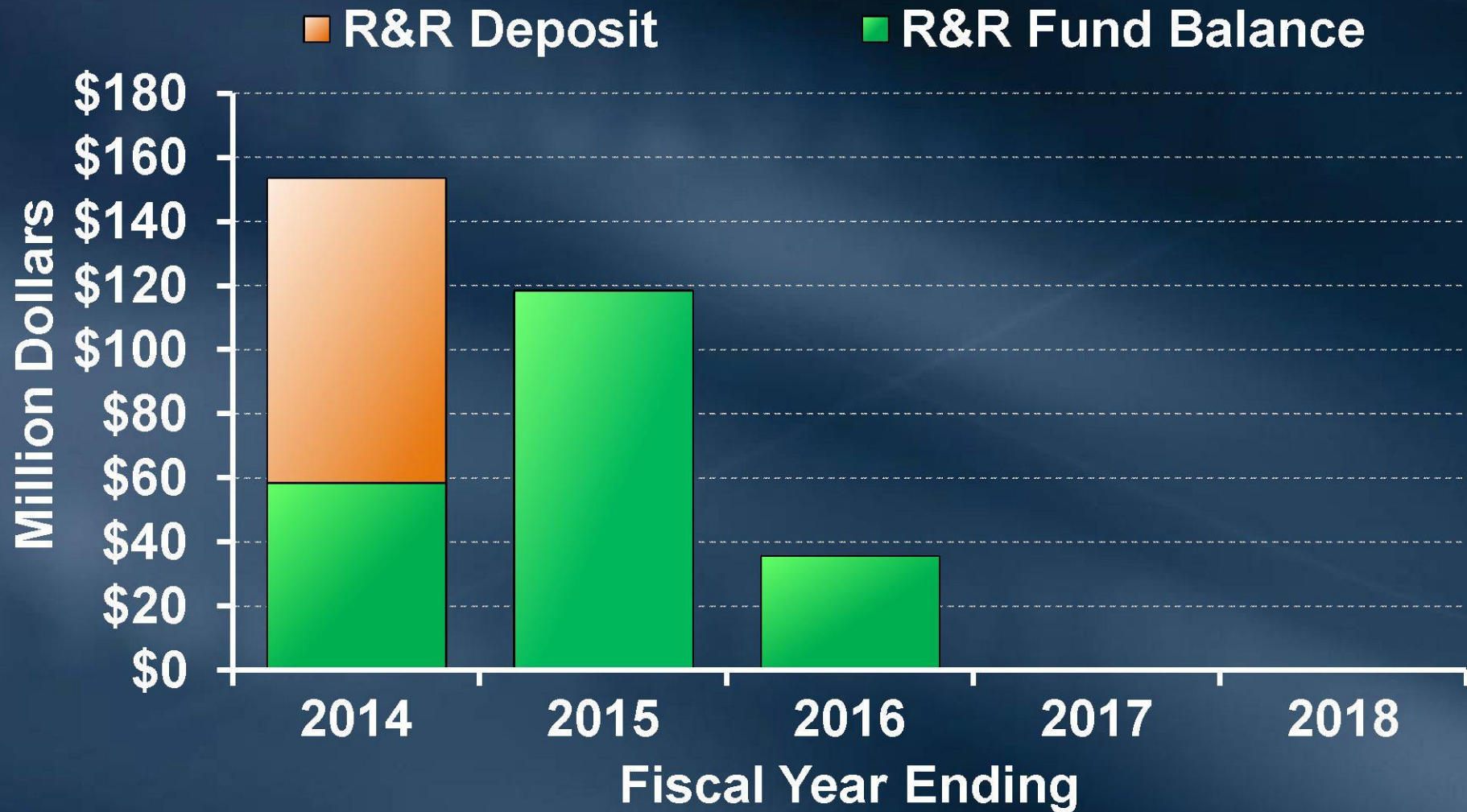
Rate Type	2014 Approved	2015 Proposed	% Increase (Decrease)	2016 Proposed	% Increase (Decrease)
Full Service Untreated Volumetric Cost (\$/AF)					
Tier 1	\$593	\$587	-1.0%	\$600	2.2%
Tier 2	\$735	\$718	-2.3%	\$733	2.1%
Full Service Treated Volumetric Cost (\$/AF)					
Tier 1	\$890	\$916	2.9%	\$933	1.9%
Tier 2	\$1,032	\$1,047	1.5%	\$1,066	1.8%
Full Service Untreated Exchange Cost (\$/AF)	\$445	\$428	-3.8%	\$443	3.5%
RTS Charge (\$M)	\$166	\$162	-2.4%	\$159	-1.9%
Capacity Charge (\$/cfs)	\$8,600	\$10,500	22.1%	\$10,200	-2.9%

Scenario D: Capital Investment Plan Funding

■ R&R Fund ■ Bonds ■ PAYGO



Scenario D: Replacement & Refurbishment (R&R) Fund



Response to Questions from Workshop #1

Impact of Supply Conditions on Power Costs

Assumptions

Calendar Year Ending	2014	2015
CRA pump load	8 pumps	7 pumps
CRA deliveries	1.185 MAF	.940 MAF
State Water Project Allocation	5%	25%

Results of Lower SWP Allocation

- Greater use of CRA to move water into the service area
- Continued use of Storage Programs in CY 2015
- In FY 2014/15 and FY 2015/16, SWP power costs are lower but CRA power cost are higher
 - FY 2014/15 reduction of approximately \$39M
 - FY 2015/16 reduction of approximately \$20M
- Costs to refill storage will be significant
- Costs less than budget could be set aside in the Water Management Fund to offset future storage refill costs

Comparison of Use of Reserves over Target to reduce Debt vs. OPEB Costs

Use of Reserves to Reduce Debt vs. OPEB Liability

- Deposit of \$100 million to R&R Fund reduces future annual debt costs by \$4 to \$6 million
 - Range reflects use of variable vs. fixed rate debt at a rate of 1% to 4.5% and 30 year amortization
 - Decreases future percentage of capital budget funded with debt
- Deposit of \$100 million to OPEB Trust reduces future annual contributions by \$6.5 million
 - Improves funded percentage from 13% to 43%
 - Pays down liability for benefits earned in prior years
 - Increases future percentage of capital budget funded with debt

Revenue Funded Capital (PayGo)

Policy for Revenue-Funded Capital

- Background:
 - Historical actual revenue-funded capital has approximated 22% of capital expenditures
 - The Administrative Code specifies \$95 million (~40%) in revenue-funded capital
 - The current year budget specifies \$125 million in revenue-funded capital, or approximately 60% of CIP
- Fitch Rating Agency 2014 Medians
 - Overall median for revenue funded CIP is 68%
 - For AA rated entities median is 60% of CIP
- Large CA water utilities use 10% to 60%

Revenue-Funded Capital

● Pros

- Maintains debt capacity/financial flexibility
- Lowers borrowing costs
- Lowers long-term water rates
- Current users pay for majority of use of existing facilities (depreciation)

● Cons

- Higher water rates in the near term
- Intergenerational equity concerns

Biennial Budget and Rates vs. Annual Budget and Rates Considerations

Biennial Budget Process

● Pro

- Allows Board to address planning and rates over a longer time horizon and average conditions
- Many member agencies and retail water agencies find it helpful for their planning and rate setting
- Board retains ability to adjust budget and rates annually if desired

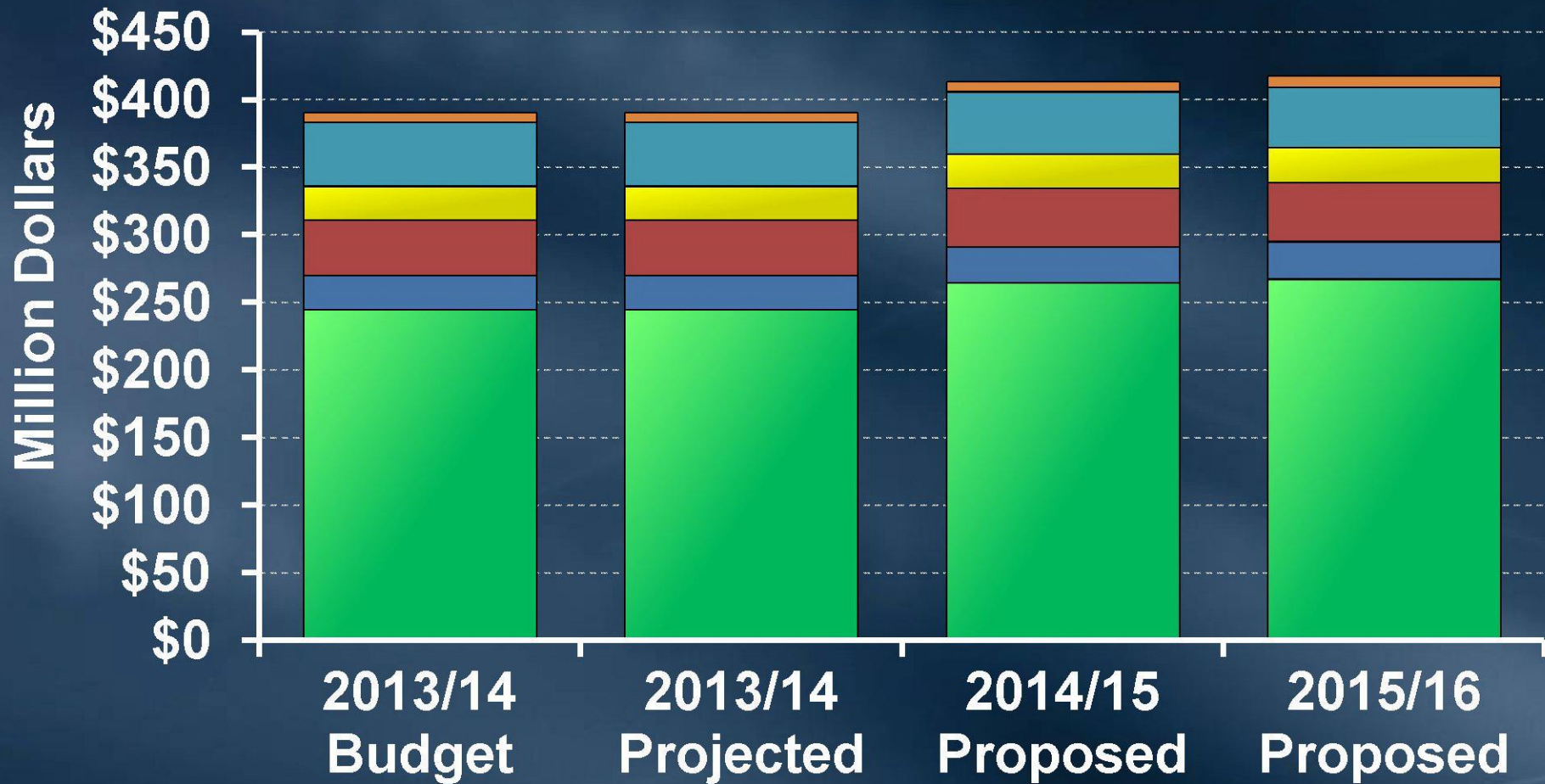
● Con

- Possible delay in reacting to conditions that vary from those assumed in the adopted biennial budget and rates

Operating Budget

Proposed O&M Expenditure Budget

- Operating Equipment
- Materials & Supplies
- Chemicals, Solids, and Power
- Other
- Outside Services
- Salaries & Benefits

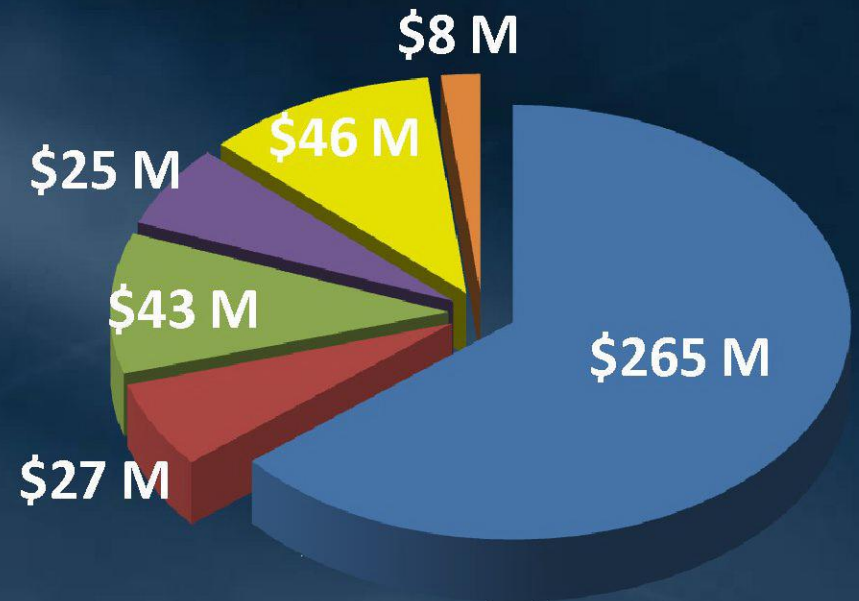


O&M Budget Trend

FY 2013/14 - \$390 M



FY 2014/15 - \$414 M



■ Salary & Benefits
■ Materials & Supplies

■ Variable Treatment
■ Other

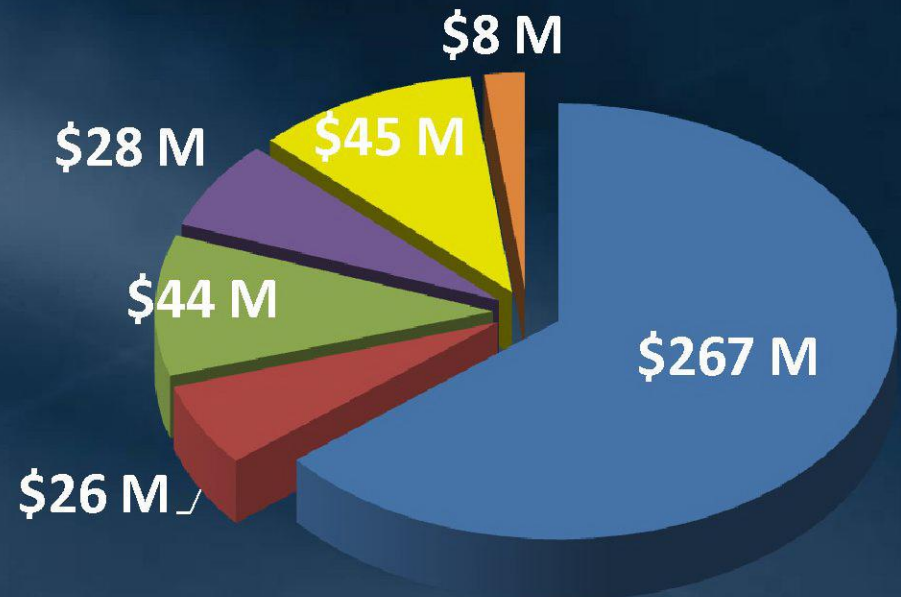
■ Outside Services
■ Operating Equipment

O&M Budget Trend

FY 2014/15 - \$414 M



FY 2015/16 - \$418 M



Salary & Benefits

Variable Treatment

Outside Services

Materials & Supplies

Other

Operating Equipment

Reasons for O&M Cost Increases

FY 2013/14 to FY 2014/15

● Salaries: Merit, MOUs, Succession	\$6.7 M
● OPEB	\$4.2 M
● PERS retirement	\$5.9 M
● Other benefits	\$0.5 M
● Overtime for shutdown support	\$0.8 M
● Maintenance outside services	\$2.2 M
● Treatment Chemicals & Power	\$1.1 M
● Other	<u>\$1.8 M</u>
Total	\$23.2 M

Reasons for O&M Cost Increases

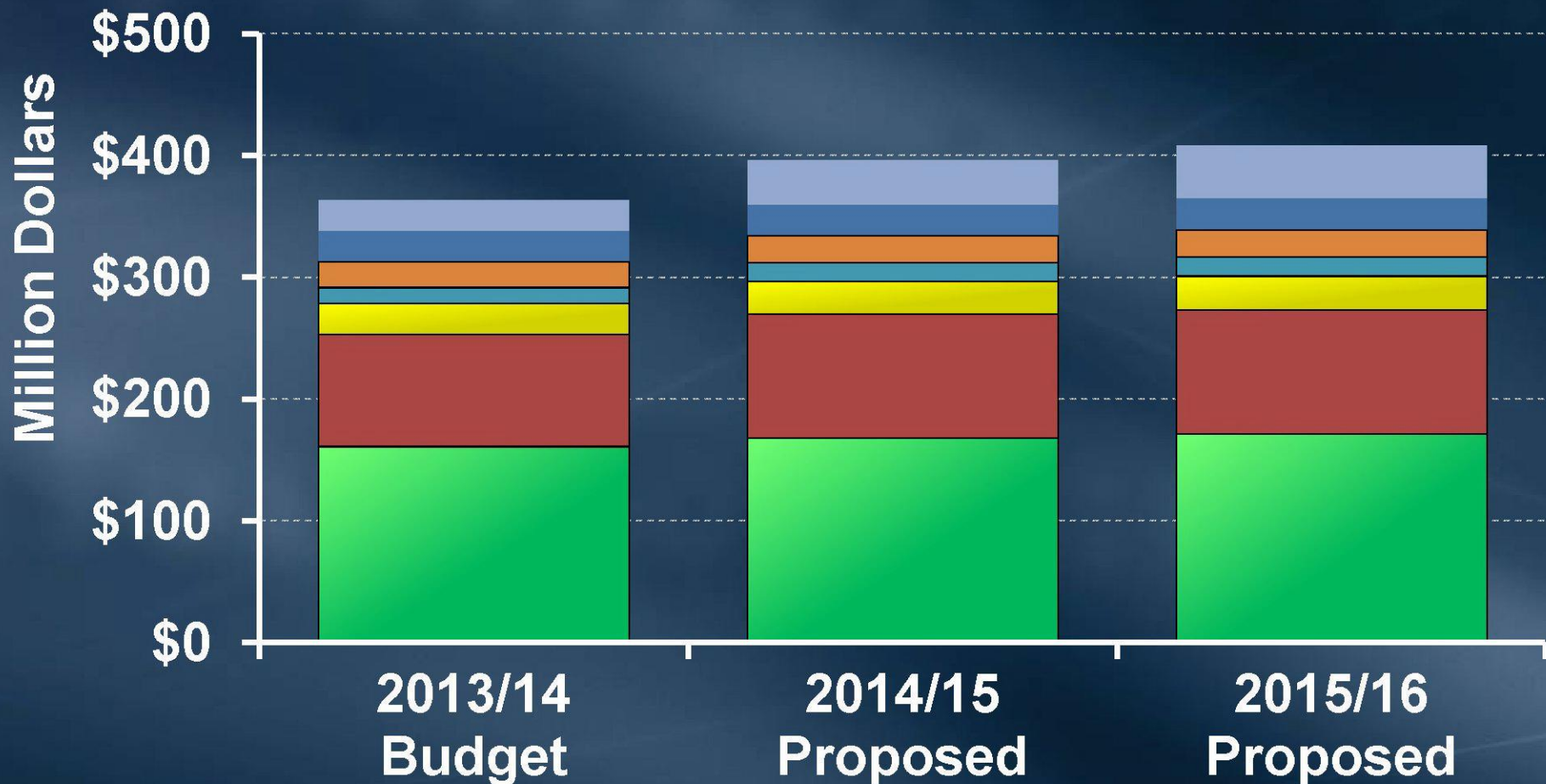
FY 2014/15 to FY 2015/16

● Salaries: Merits & COLA	\$3.7 M
● PERS retirement	\$4.5 M
● Medical insurance	\$2.4 M
● OPEB	(\$7.5 M)
● Other Benefits	\$0.3 M
● Treatment Chemicals & Power	\$1.1 M
● Other	<u>(\$0.6 M)</u>
Total	\$3.9 M

GM Department

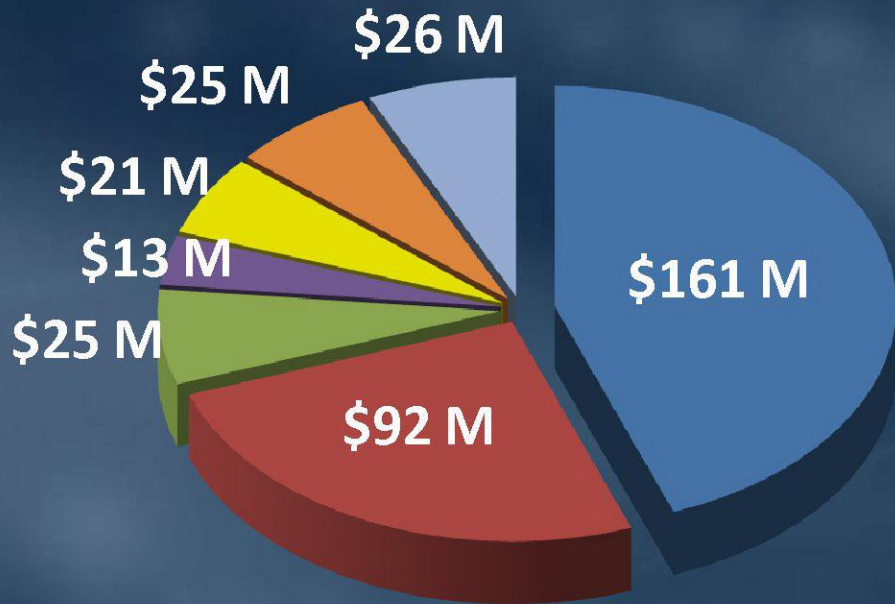
GM Department O&M Budget

- Salaries
- Chemicals, Solids, and Power
- Non Professional Services/Security
- Other
- Benefits
- Professional Services
- Materials & Supplies



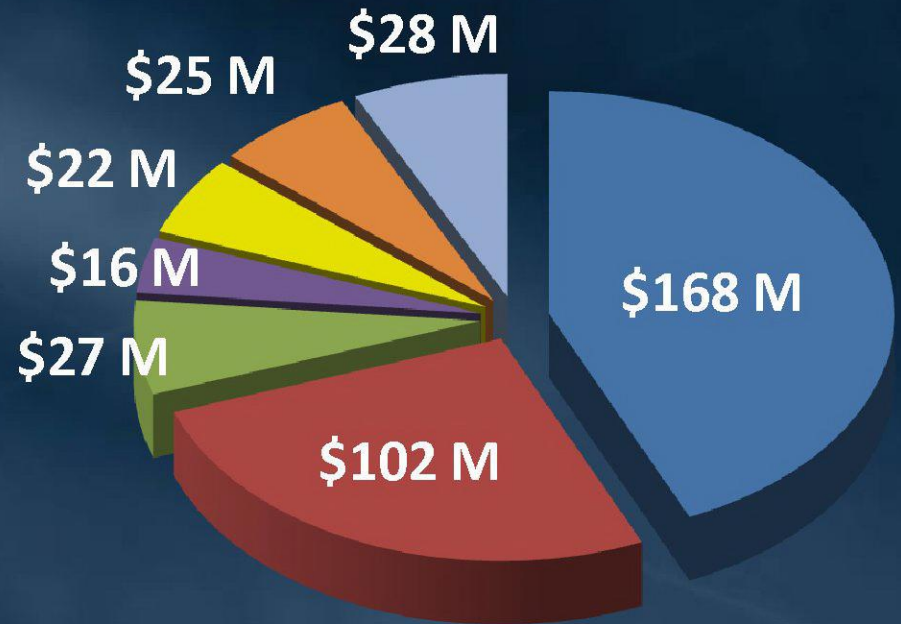
GM Department O&M Budget Trend

FY 2013/14 - \$363 M



1,733 FTEs

FY 2014/15 - \$388 M



1,776 FTEs

- Salaries
- Chemicals, Solids, and Power
- Non Professional Services/Security
- Other

- Benefits
- Professional Services
- Materials & Supplies

GM Department O&M Budget Trend

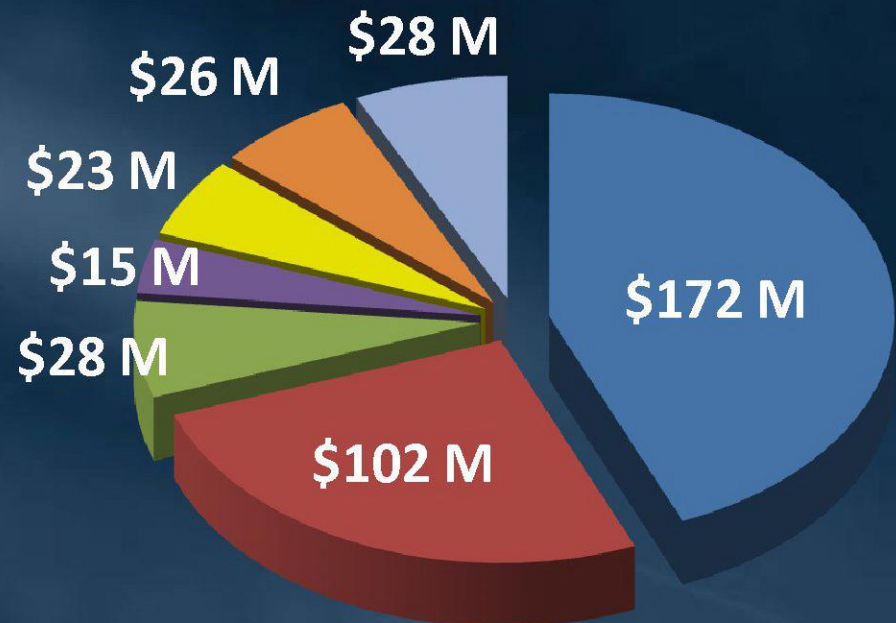
FY 2014/15 - \$388 M



1,776 FTEs

- Salaries
- Chemicals, Solids, and Power
- Non Professional Services/Security
- Other

FY 2015/16 - \$393 M



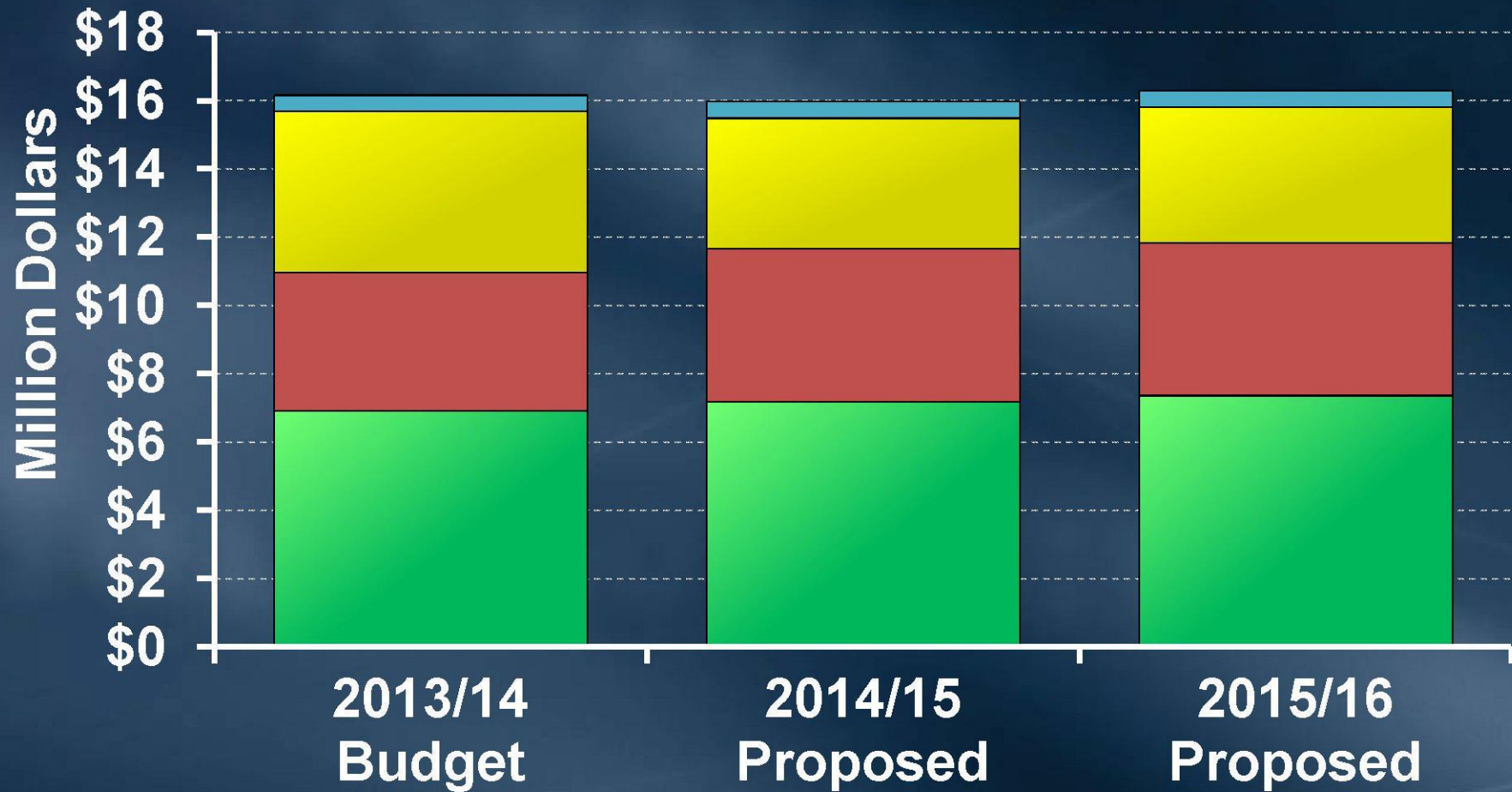
1,775 FTEs

- Benefits
- Professional Services
- Materials & Supplies

Legal Department

Legal Department O&M Budget

■ Salaries ■ Benefits ■ Professional Services ■ Other



Legal Department O&M Budget Trend

FY 2013/14 - \$16.2 M

FY 2014/15 - \$16.0 M



35 FTEs



36 FTEs

■ Salaries ■ Benefits ■ Professional Services ■ Other

Legal Department O&M Budget Trend

FY 2014/15 - \$16.0 M

FY 2015/16 - \$16.3 M



36 FTEs



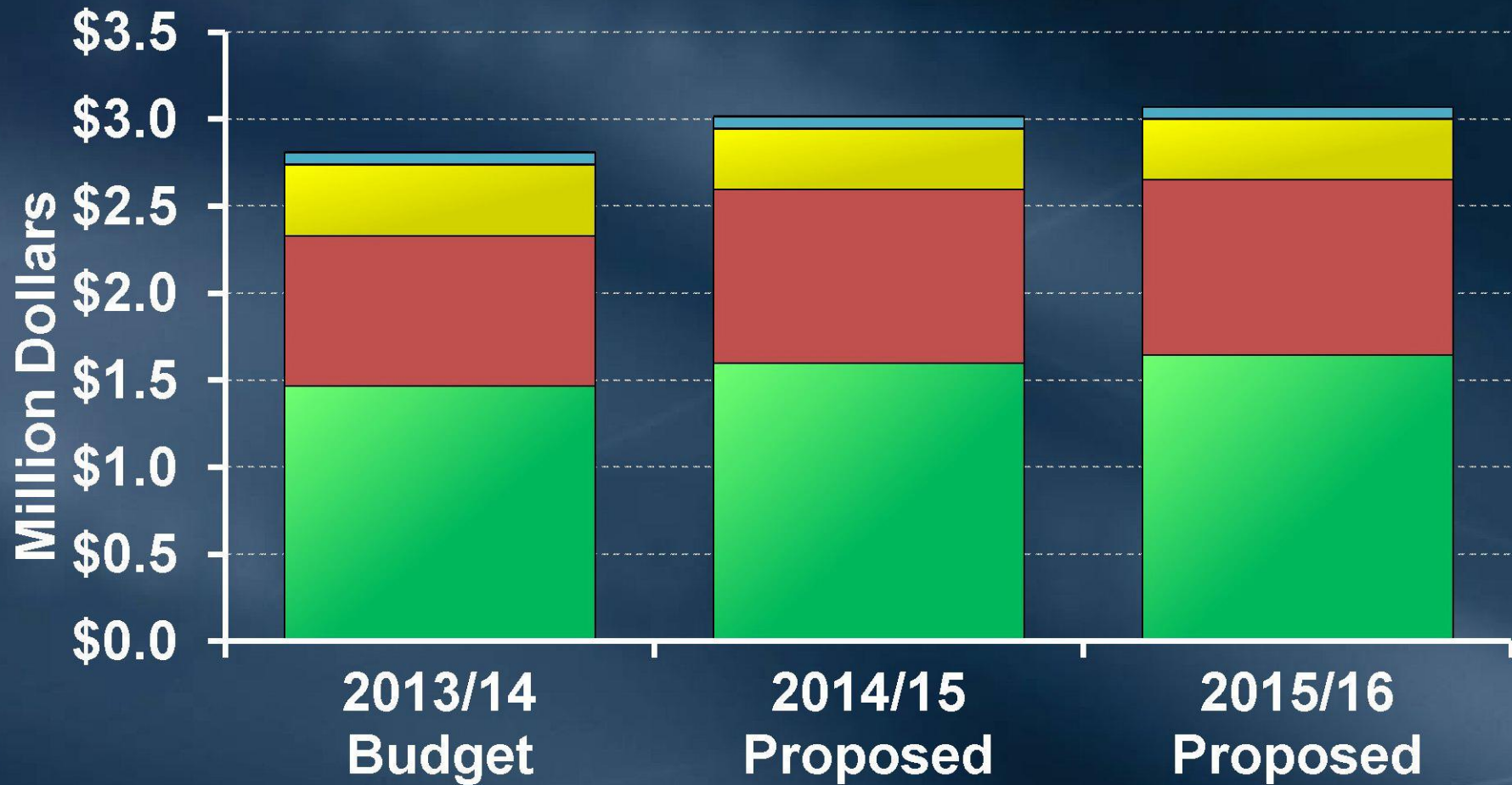
36 FTEs

■ Salaries ■ Benefits ■ Professional Services ■ Other

Audit Department

Audit Department O&M Budget

■ Salaries ■ Benefits ■ Professional Services ■ Other



Audit Department O&M Budget Trend

FY 2013/14 - \$2.8 M



12 FTEs

FY 2014/15 - \$3.0 M

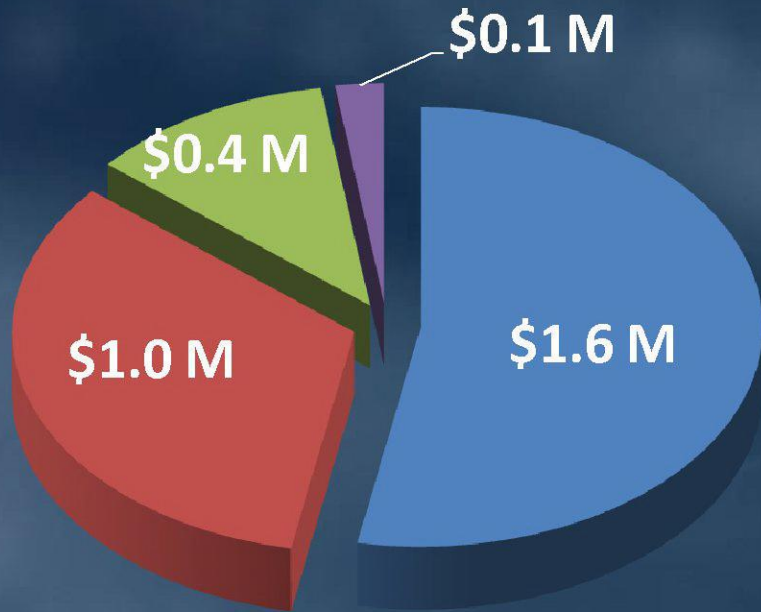


12 FTEs

■ Salaries ■ Benefits ■ Professional Services ■ Other

Audit Department O&M Budget Trend

FY 2014/15 - \$3.0 M



12 FTEs

FY 2015/16 - \$3.1 M

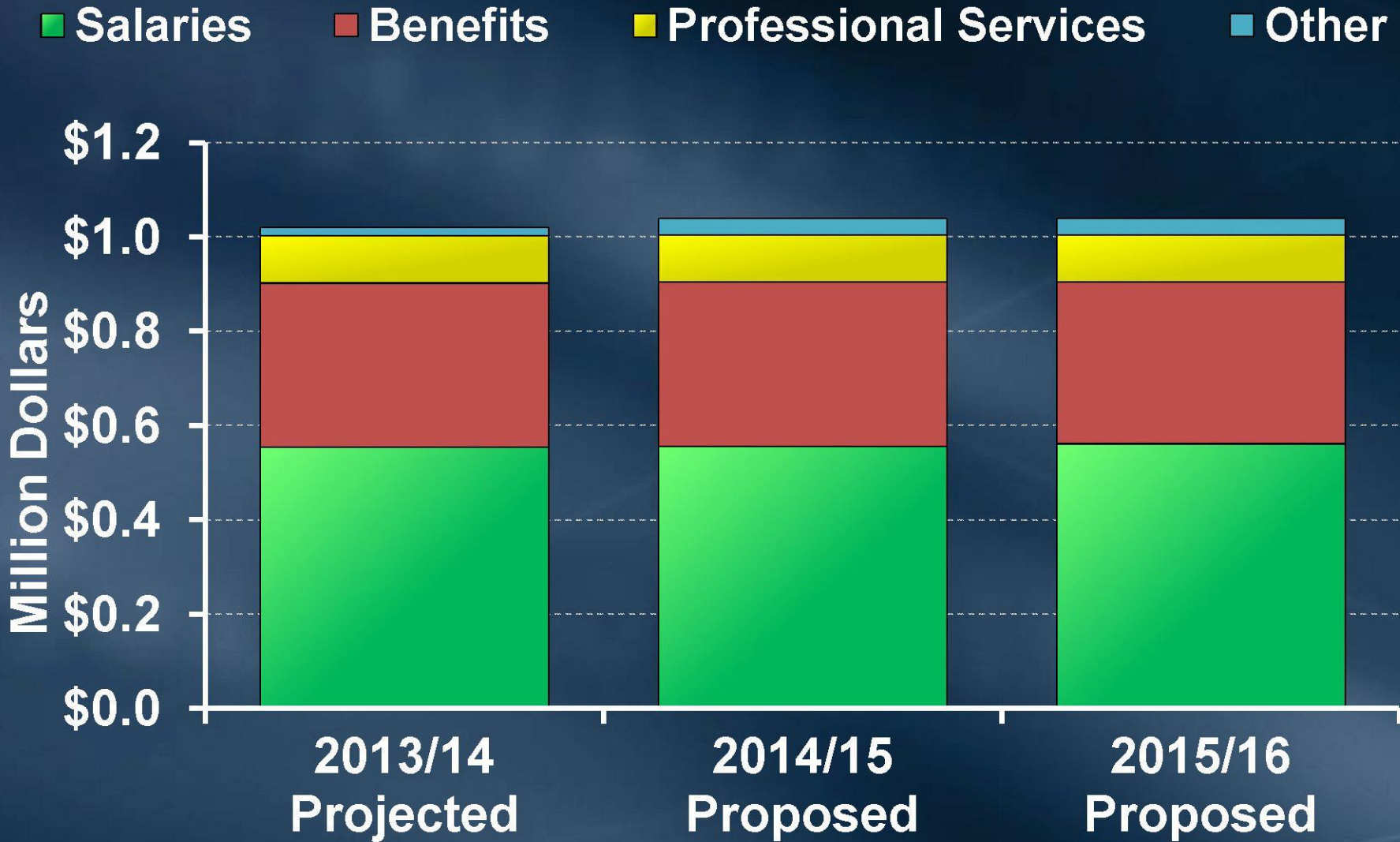


12 FTEs

- Salaries
- Benefits
- Professional Services
- Other

Ethics Department

Ethics Department O&M Budget



Ethics Department O&M Budget Trend

FY 2013/14* - \$1.0M



4 FTES

FY 2014/15 - \$1.0M



4 FTES

■ Salaries ■ Benefits ■ Professional Services ■ Other

Projected

Ethics Department O&M Budget Trend

FY 2014/15 - \$1.0M



4 FTES

FY 2015/16 - \$1.0M



4 FTES

■ Salaries ■ Benefits ■ Professional Services ■ Other

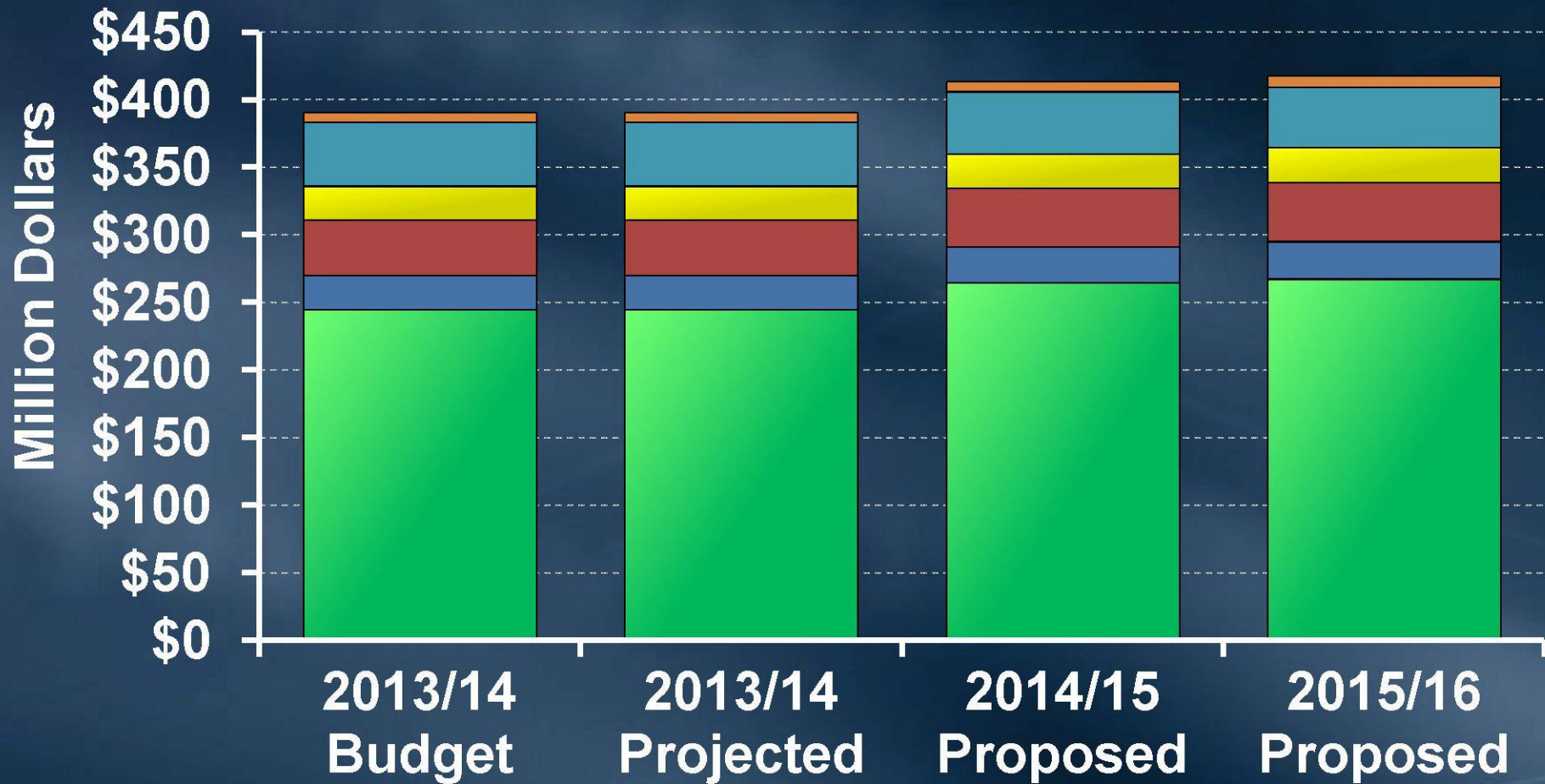
Next Steps

February 10, 2014	F&I Committee, presentation
February 11, 2014	Board Action, set public hearings
February 20, 2014	Notice to Legislature
February 25, 2014	Workshop #2
March 10, 2014	Additional Workshop, if needed
March 11, 2014	Public Hearings
March 25, 2014	Additional Workshop, if needed
April 7, 2014	F&I Committee, Approve Biennial Budget and Water Rates and Charges
April 8, 2014	Board, Approve Biennial Budget and Water Rates and Charges

Total O&M

Proposed O&M Expenditure Budget

- Operating Equipment
- Materials & Supplies
- Chemicals, Solids, and Power
- Other
- Outside Services
- Salaries & Benefits

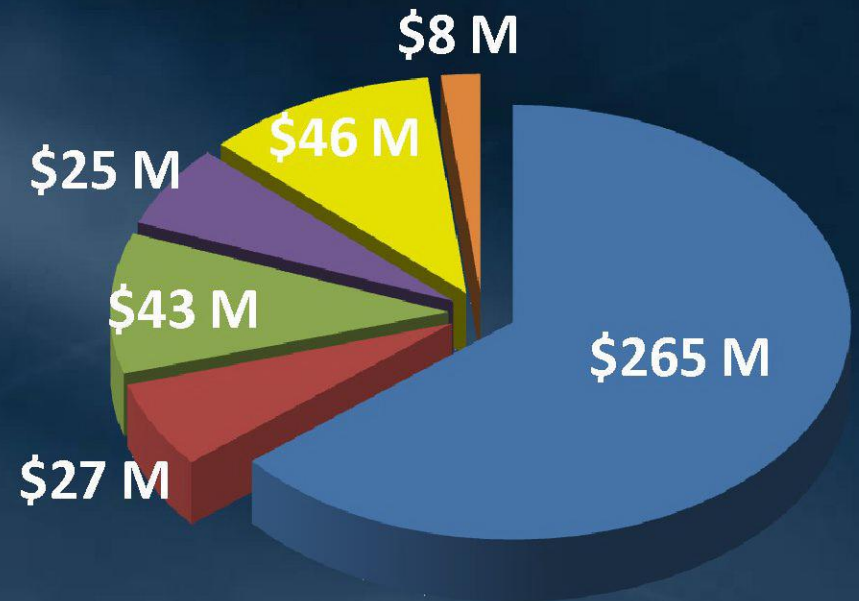


O&M Budget Trend

FY 2013/14 - \$390 M



FY 2014/15 - \$414 M



■ Salary & Benefits
■ Materials & Supplies

■ Variable Treatment
■ Other

■ Outside Services
■ Operating Equipment

O&M Budget Trend

FY 2014/15 - \$414 M



FY 2015/16 - \$418 M



■ Salary & Benefits
■ Materials & Supplies

■ Variable Treatment
■ Other

■ Outside Services
■ Operating Equipment

Reasons for O&M Cost Increases

FY 2013/14 to FY 2014/15

● Salaries: Merit, MOUs, Succession	\$6.7 M
● OPEB	\$4.2 M
● PERS retirement	\$5.9 M
● Other benefits	\$0.5 M
● Overtime for shutdown support	\$0.8 M
● Maintenance outside services	\$2.2 M
● Treatment Chemicals & Power	\$1.1 M
● Other	<u>\$1.8 M</u>
Total	\$23.2 M

Reasons for O&M Cost Increases

FY 2014/15 to FY 2015/16

● Salaries: Merits & COLA	\$3.7 M
● PERS retirement	\$4.5 M
● Medical insurance	\$2.4 M
● OPEB	(\$7.5 M)
● Other Benefits	\$0.3 M
● Treatment Chemicals & Power	\$1.1 M
● Other	<u>(\$0.6 M)</u>
Total	\$3.9 M

Budgeted Regular Positions

2013/14 budgeted regular positions	1,784
Capital Positions to be Filled	28
Succession Planning	11
Bay Delta Conservation Plan (BDCP)	2
WSO Engineers	<u>3</u>
Total position increase	<u>44</u>
2014/15 budgeted regular positions	1,828
Eliminated positions	<u>(1)</u>
2015/16 budgeted regular positions	1,827

O&M Bay Delta Initiatives Program

Actuals (in millions)	2010	2011	2012	2013	YTD 2014
Labor	\$0.4	3.0	5.4	6.9	3.5
Other*		1.5	3.4	3.0	1.3
Total	\$0.4	\$4.5	\$8.8	\$ 9.8	\$4.8
Costs to date					\$28.3
FTEs	2	13	23	28	28

* *Professional Services, travel, inspection trips, other*

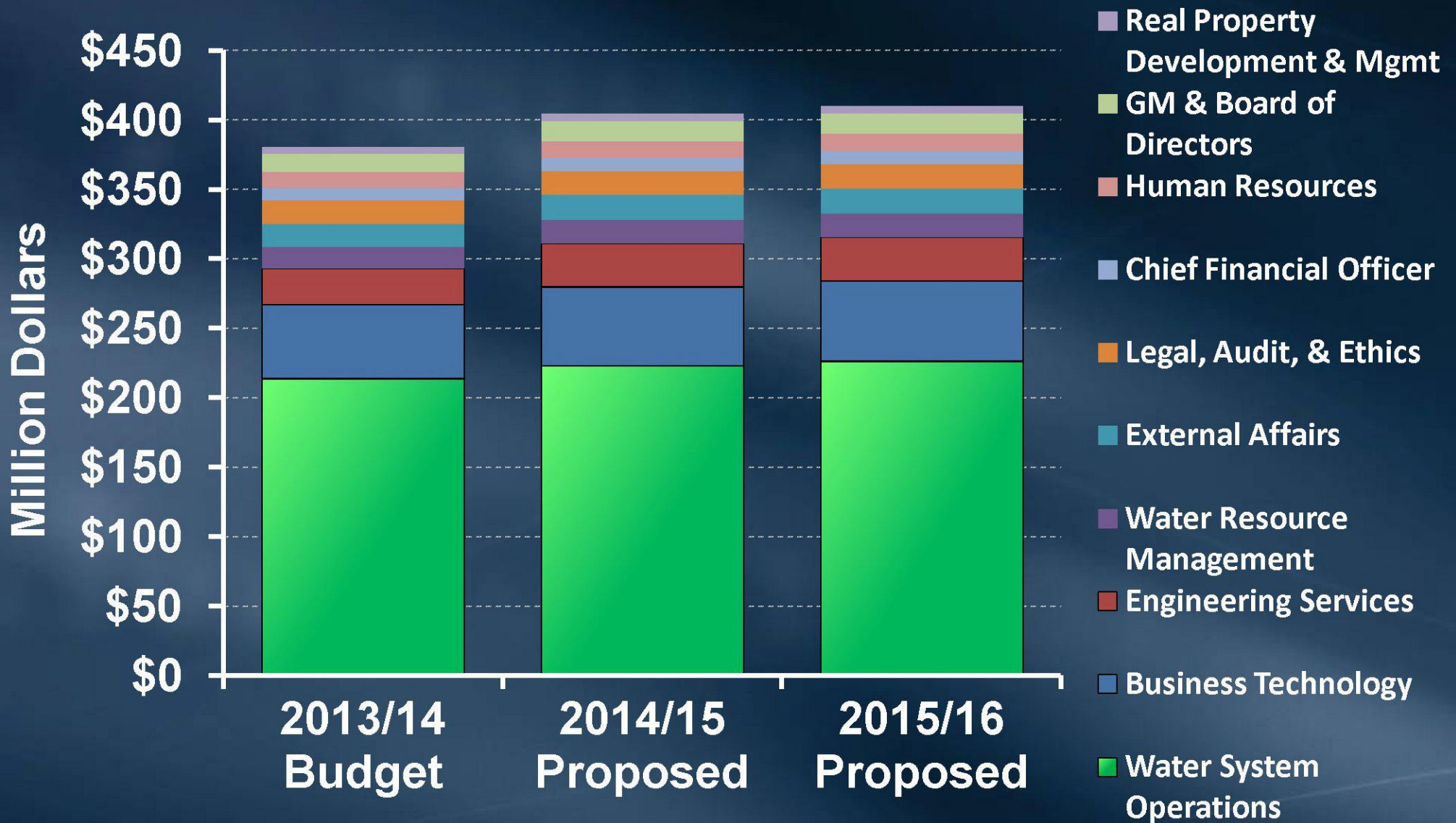
O&M Bay Delta Initiatives Program

Budget (in millions)	2014	2015	2016
Labor	\$ 6.2	\$ 8.6	\$ 8.9
Other*	3.2	3.5	3.6
Total	<u>\$ 9.4</u>	<u>\$ 12.1</u>	<u>\$ 12.5</u>
Net increase		\$ 2.7	\$ 0.4
FTEs	28	35	35

* Professional Services, travel, inspection trips, other

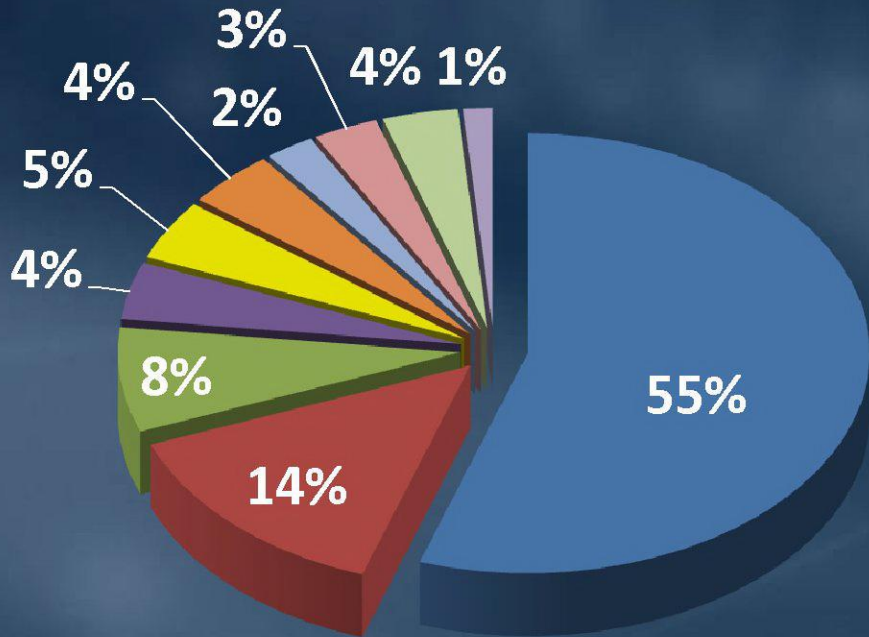
Departmental O&M

Departmental O&M Budget

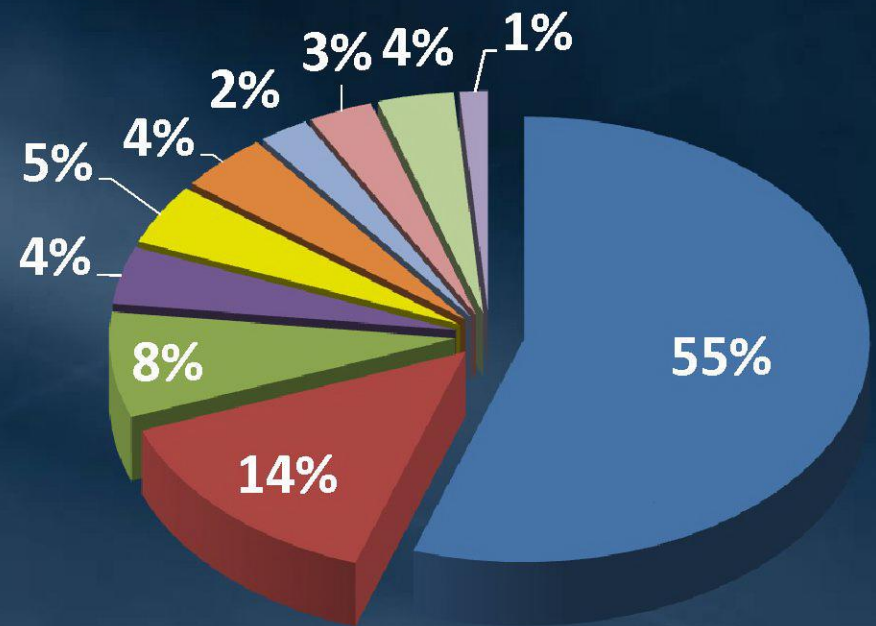


Departmental Budget Trend

FY 2014/15 - \$405 M



FY 2015/16 - \$411 M

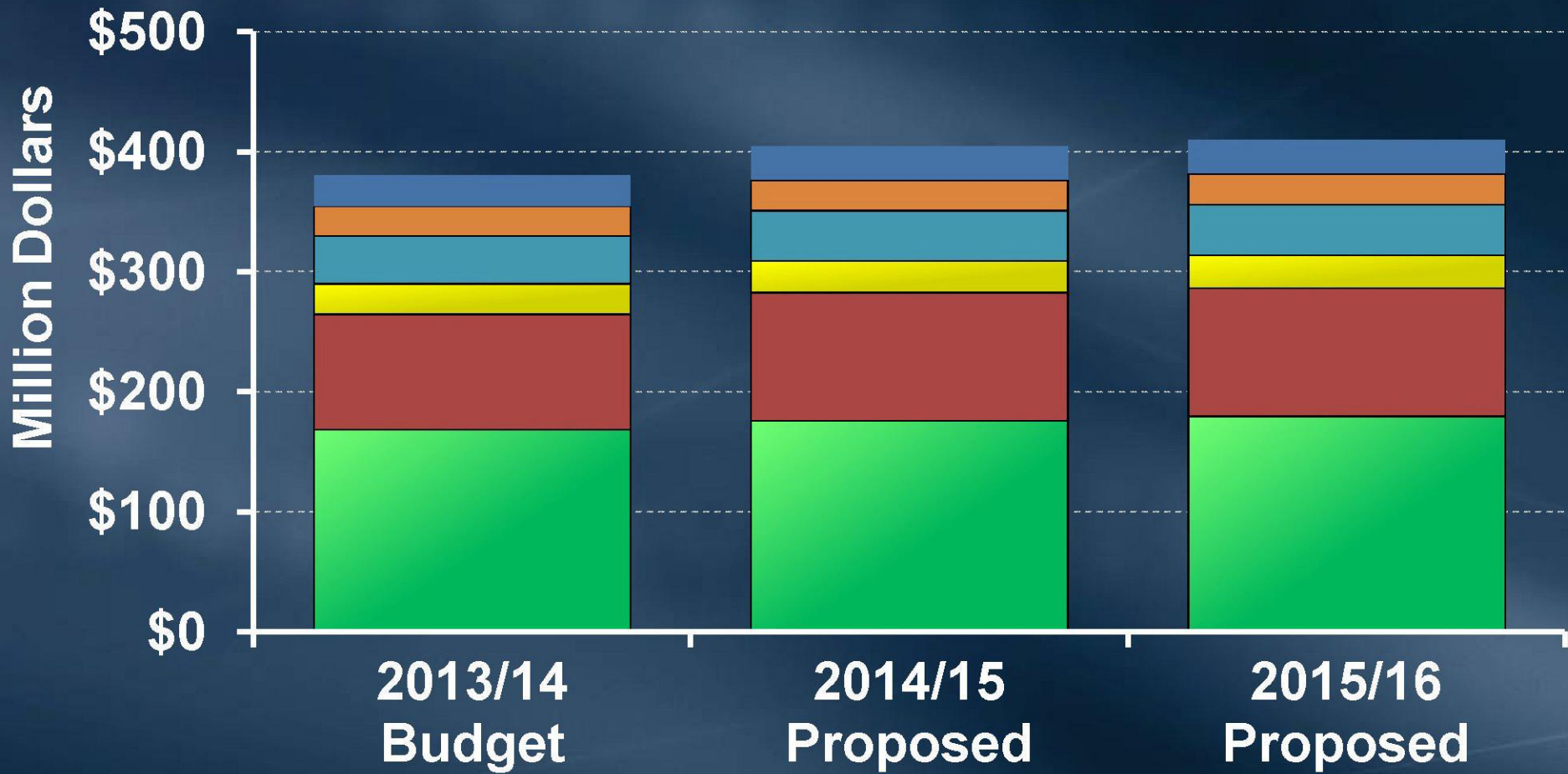


- Water System Operations
- Engineering Services
- External Affairs
- Chief Financial Officer

- Business Technology
- Water Resource Management
- Legal, Audit, & Ethics
- Human Resources

Departmental O&M Expenditure Budget

- Salaries
- Benefits
- Chemicals, Solids, and Power
- Outside Services
- Materials & Supplies
- Other

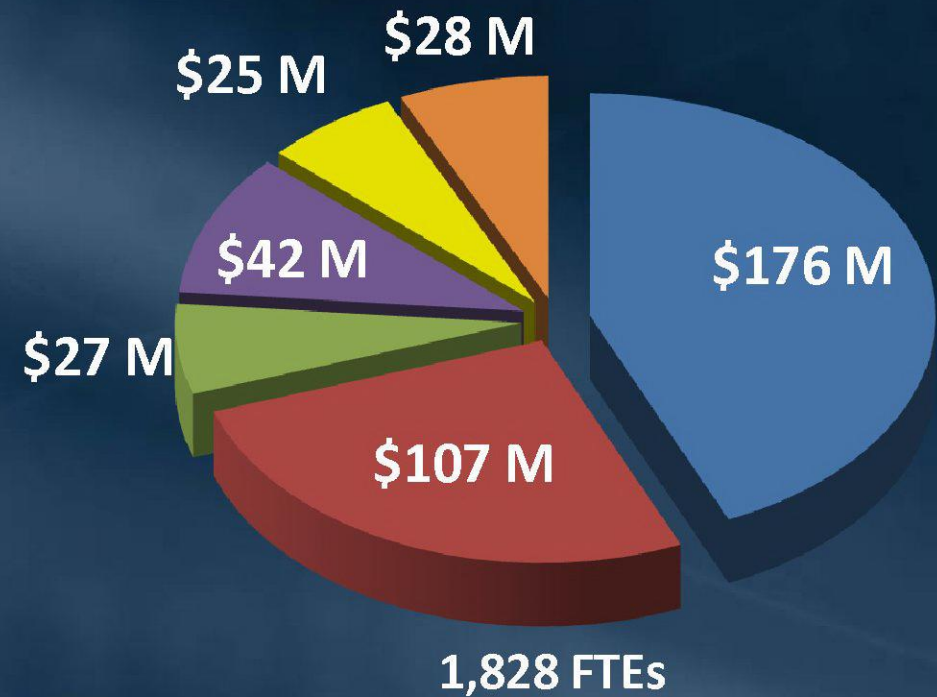


Departmental O&M Budget Trend

FY 2013/14 - \$381 M



FY 2014/15 - \$405 M



- Salaries
- Benefits
- Chemicals, Solids, and Power
- Outside Services
- Materials & Supplies
- Other

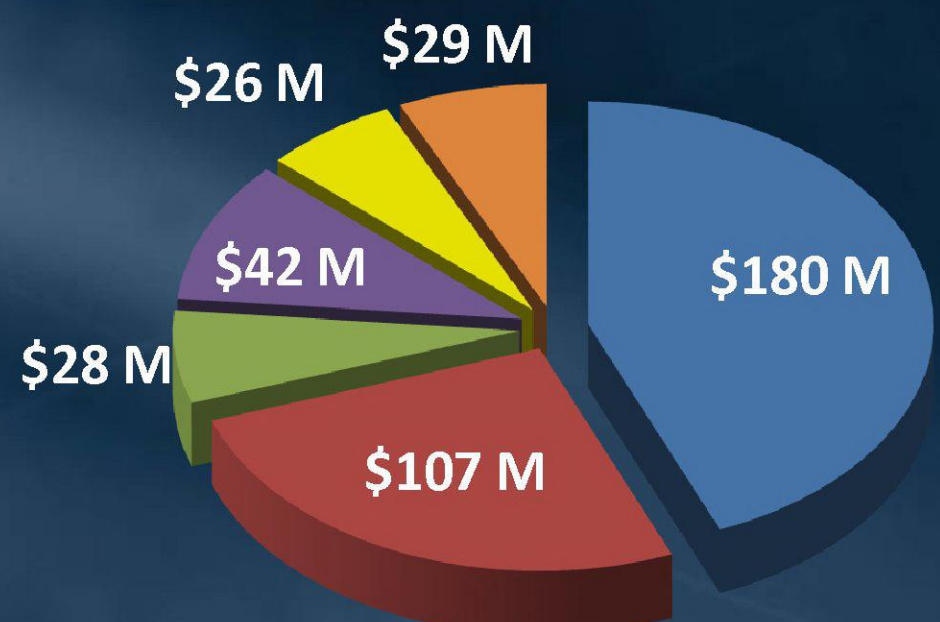
Departmental O&M Budget Trend

FY 2014/15 - \$405 M

FY 2015/16 - \$411 M



1,828 FTEs

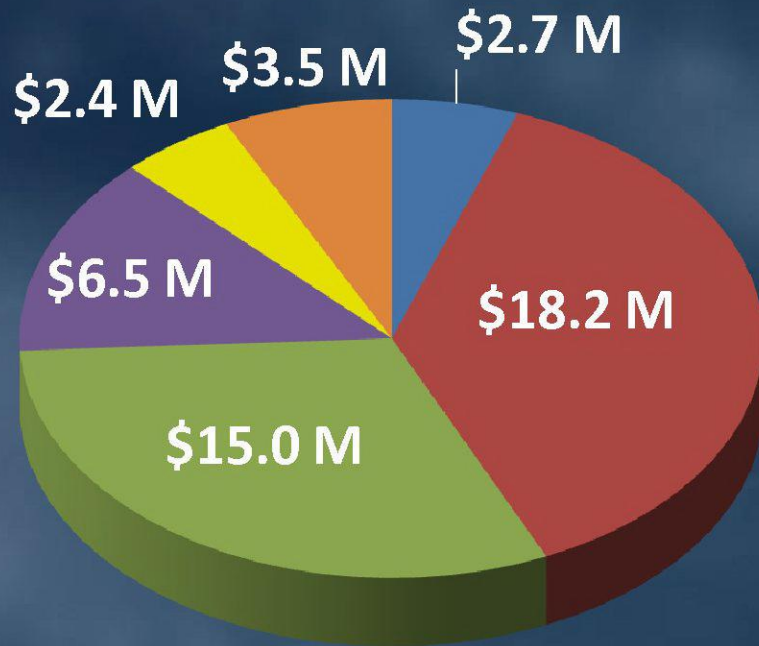


1,827 FTEs

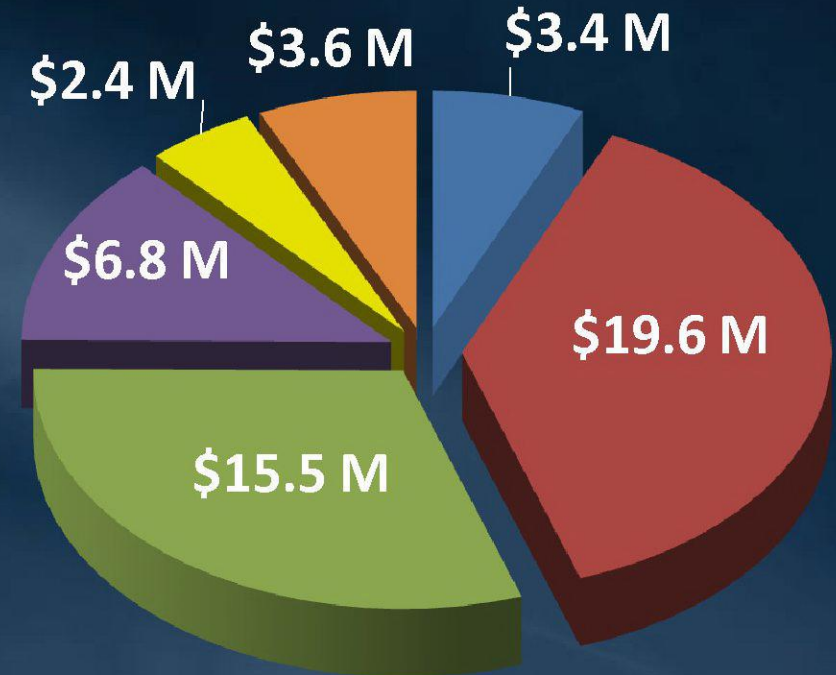
- Salaries
- Benefits
- Chemicals, Solids, and Power
- Outside Services
- Materials & Supplies
- Other

Departmental O&M Budget Trend

FY 2013/14



FY 2014/15



Travel

Non Professional Services

Advertising

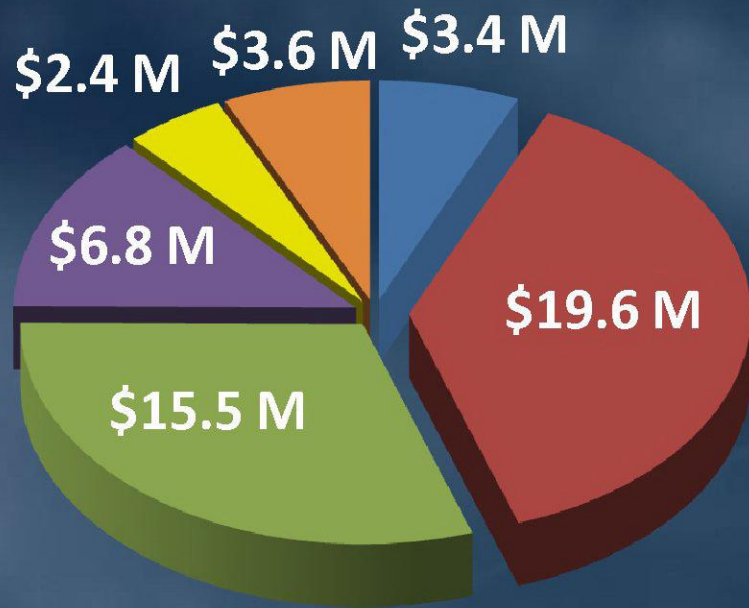
Professional Services

Security

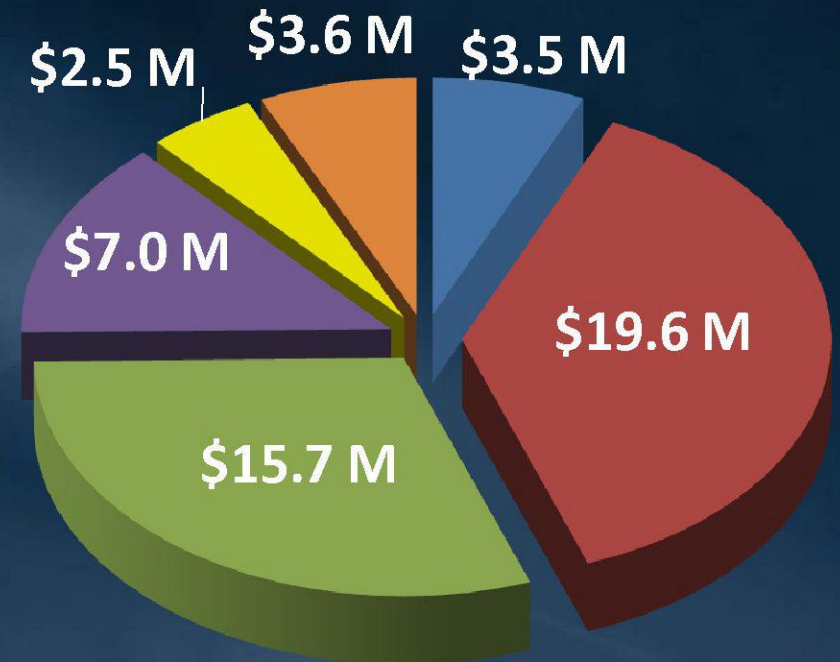
Communication Expenses

Departmental O&M Budget Trend

FY 2014/15



FY 2015/16

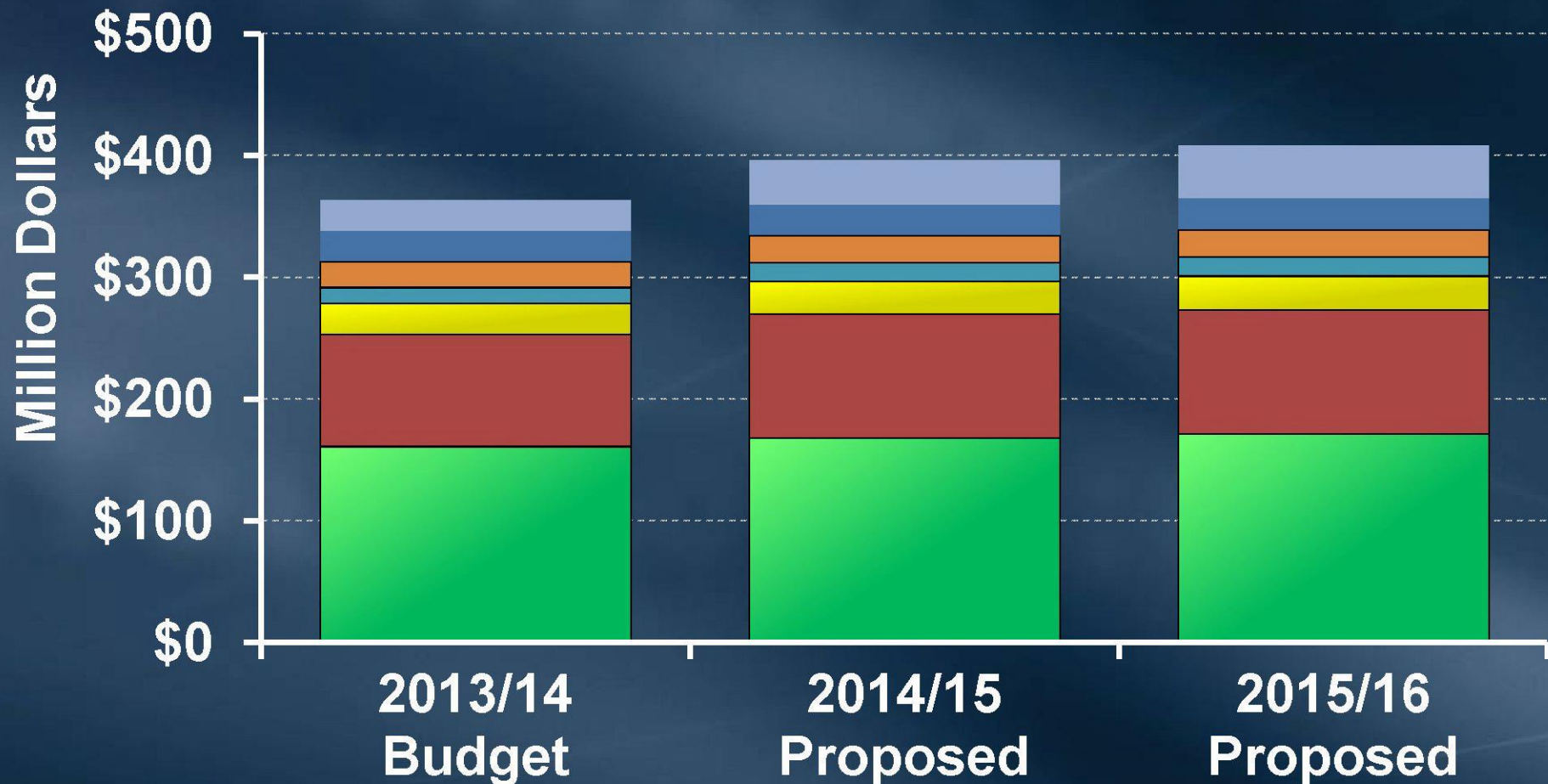


- Travel
- Non Professional Services
- Advertising
- Professional Services
- Security
- Communication Expenses

GM Department

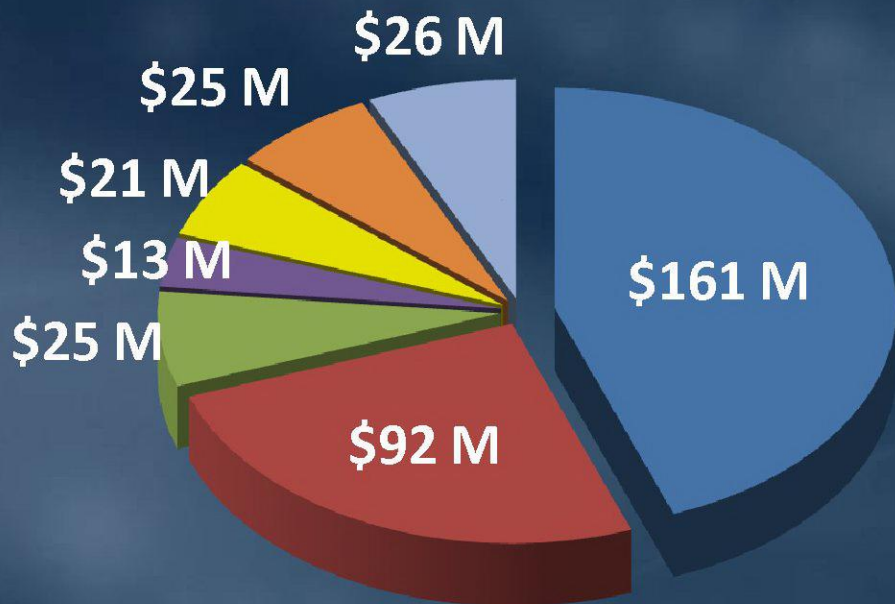
GM Department O&M Budget

- Salaries
- Chemicals, Solids, and Power
- Non Professional Services/Security
- Other
- Benefits
- Professional Services
- Materials & Supplies



GM Department Budget Trend

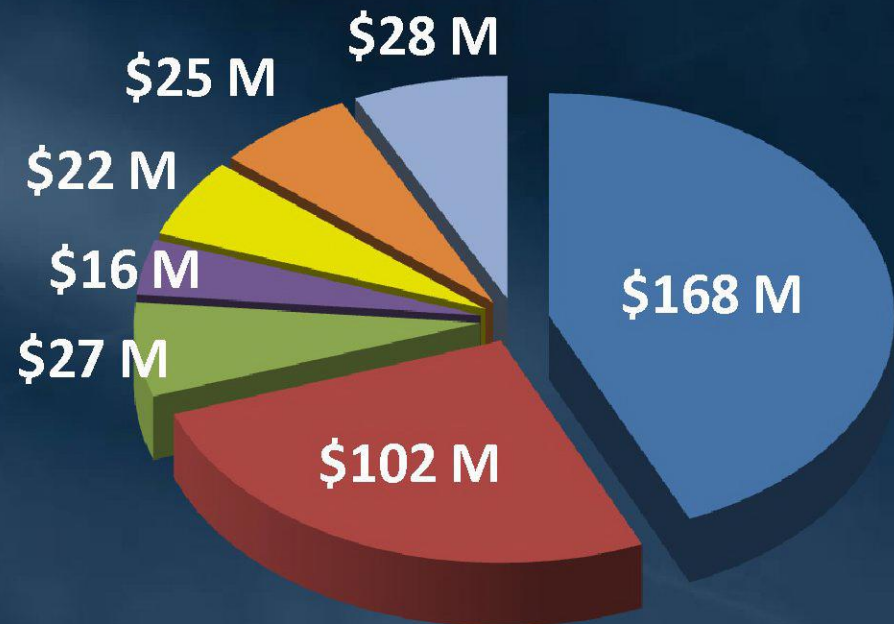
FY 2013/14 - \$363 M



1,733 FTEs

- Salaries
- Chemicals, Solids, and Power
- Non Professional Services/Security
- Other

FY 2014/15 - \$388 M

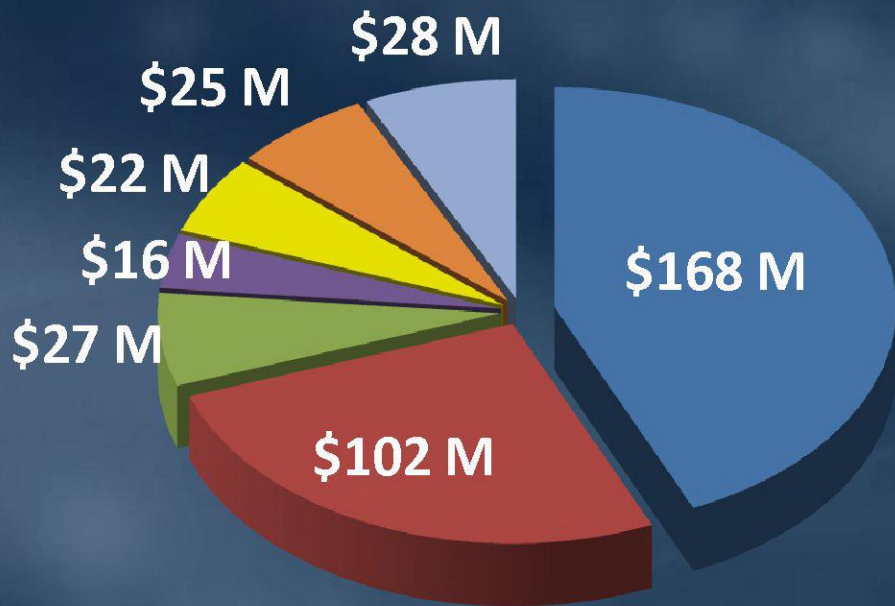


1,776 FTEs

- Benefits
- Professional Services
- Materials & Supplies

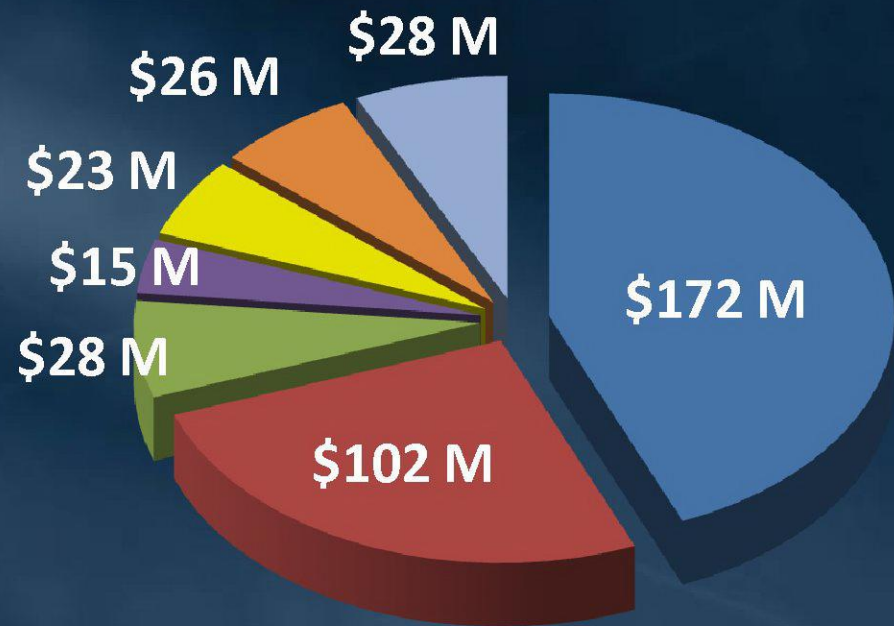
GM Department Budget Trend

FY 2014/15 - \$388 M



1,776 FTEs

FY 2015/16 - \$393 M



1,775 FTEs

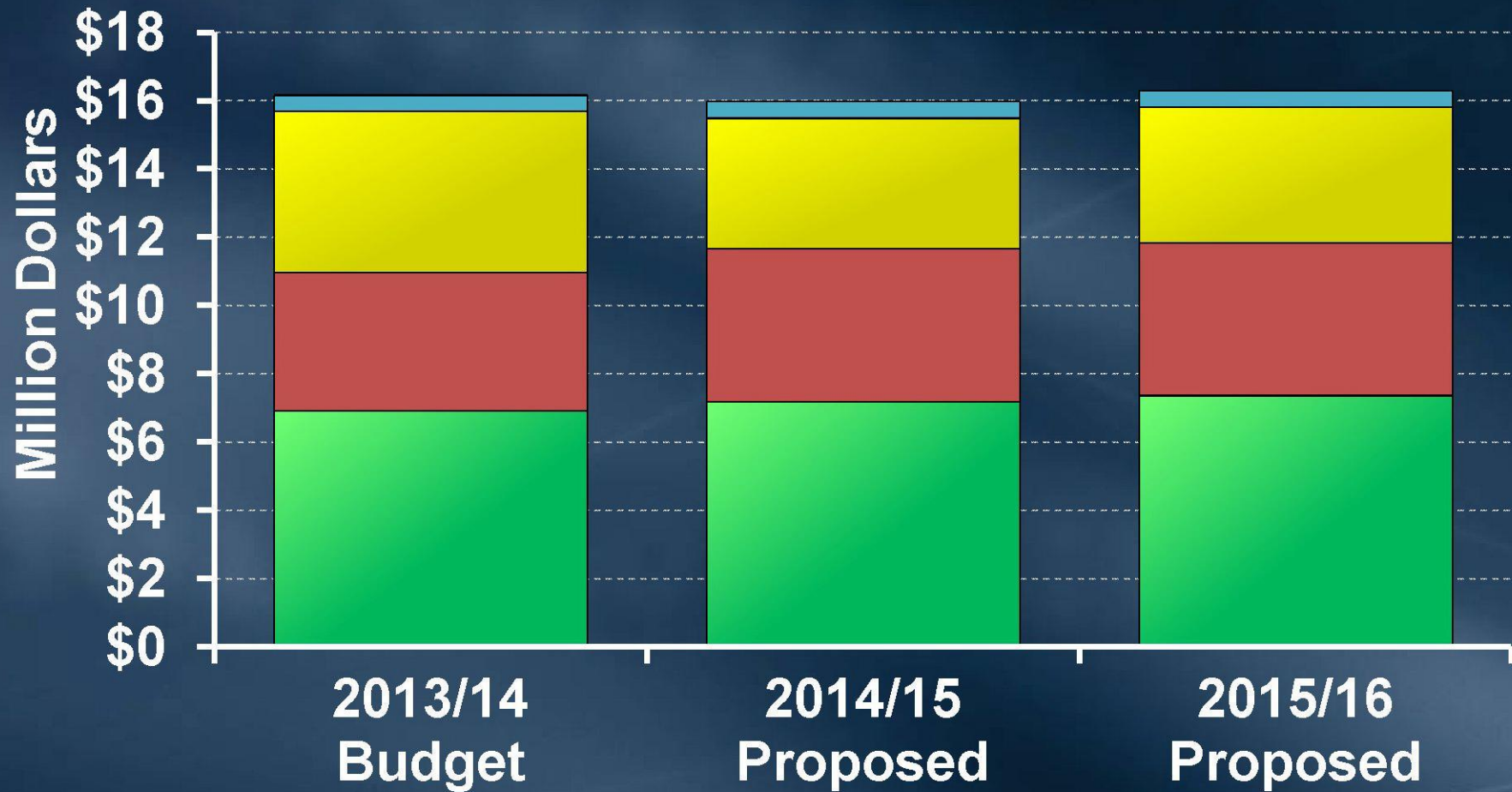
- Salaries
- Chemicals, Solids, and Power
- Non Professional Services/Security
- Other

- Benefits
- Professional Services
- Materials & Supplies

Legal Department

Legal Department O&M Budget

■ Salaries ■ Benefits ■ Professional Services ■ Other



Legal Department Budget Trend

FY 2013/14 - \$16.2 M

FY 2014/15 - \$16.0 M



35 FTEs

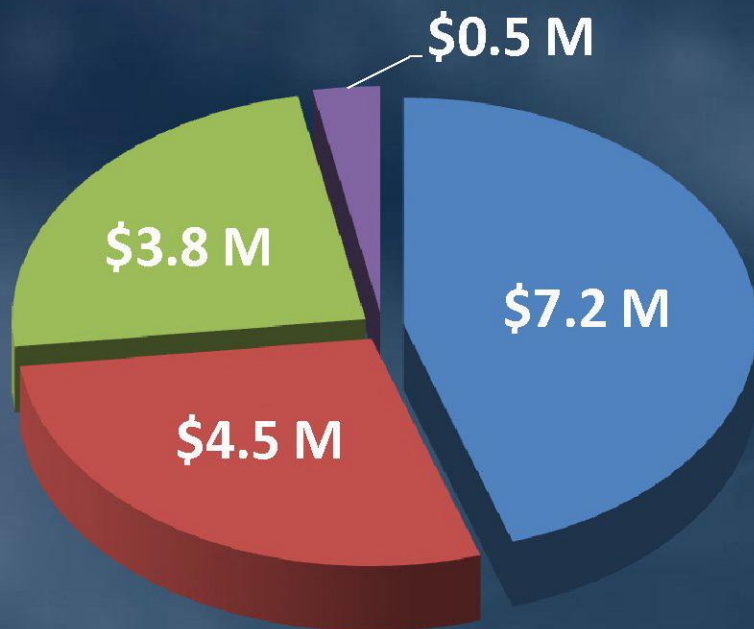


36 FTEs

■ Salaries ■ Benefits ■ Professional Services ■ Other

Legal Department Budget Trend

FY 2014/15 - \$16.0 M



36 FTEs

FY 2015/16 - \$16.3 M



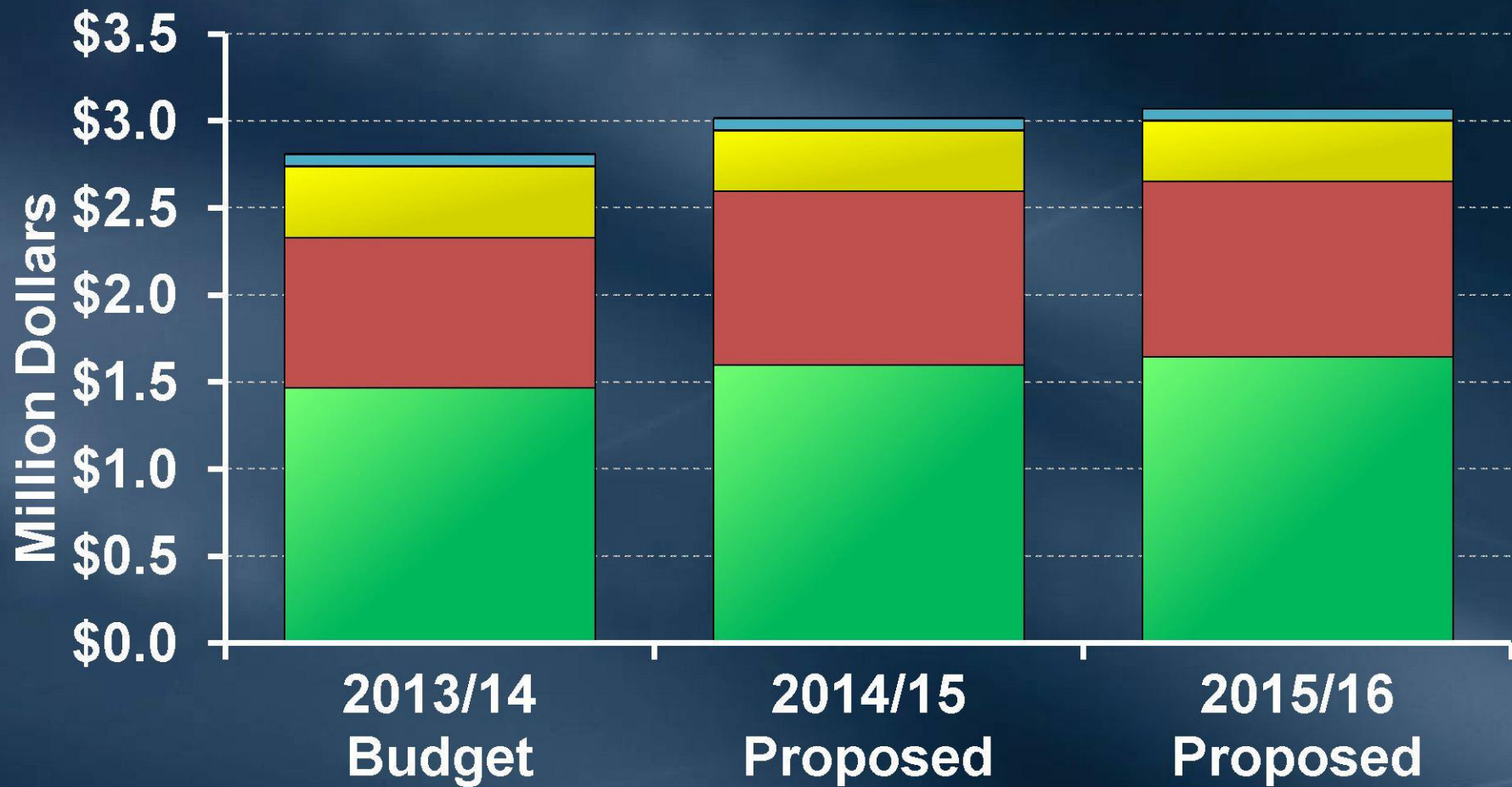
36 FTEs

■ Salaries ■ Benefits ■ Professional Services ■ Other

Audit Department

Audit Department O&M Budget

Salaries Benefits Professional Services Other



Audit Department Budget Trend

FY 2013/14 - \$2.8 M



12 FTEs

FY 2014/15 - \$3.0 M



12 FTEs

■ Salaries ■ Benefits ■ Professional Services ■ Other

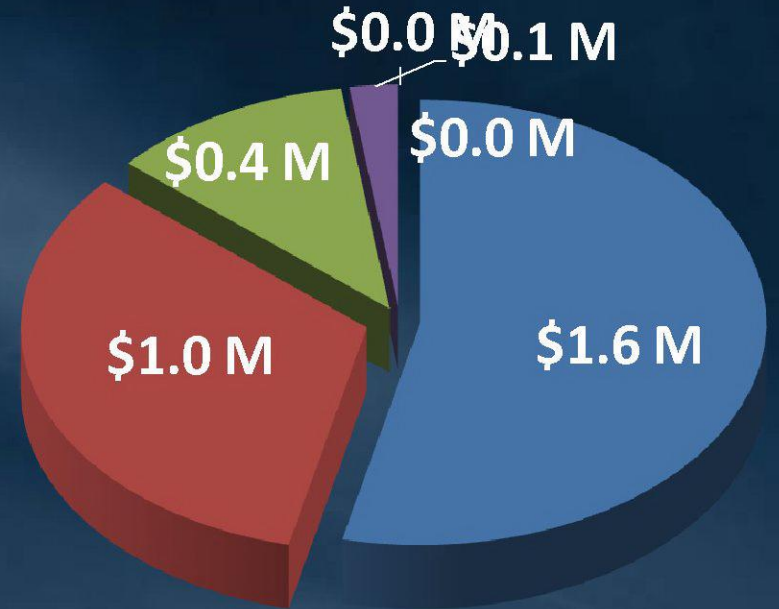
Audit Department Budget Trend

FY 2014/15 - \$3.0 M



12 FTEs

FY 2015/16 - \$3.1 M

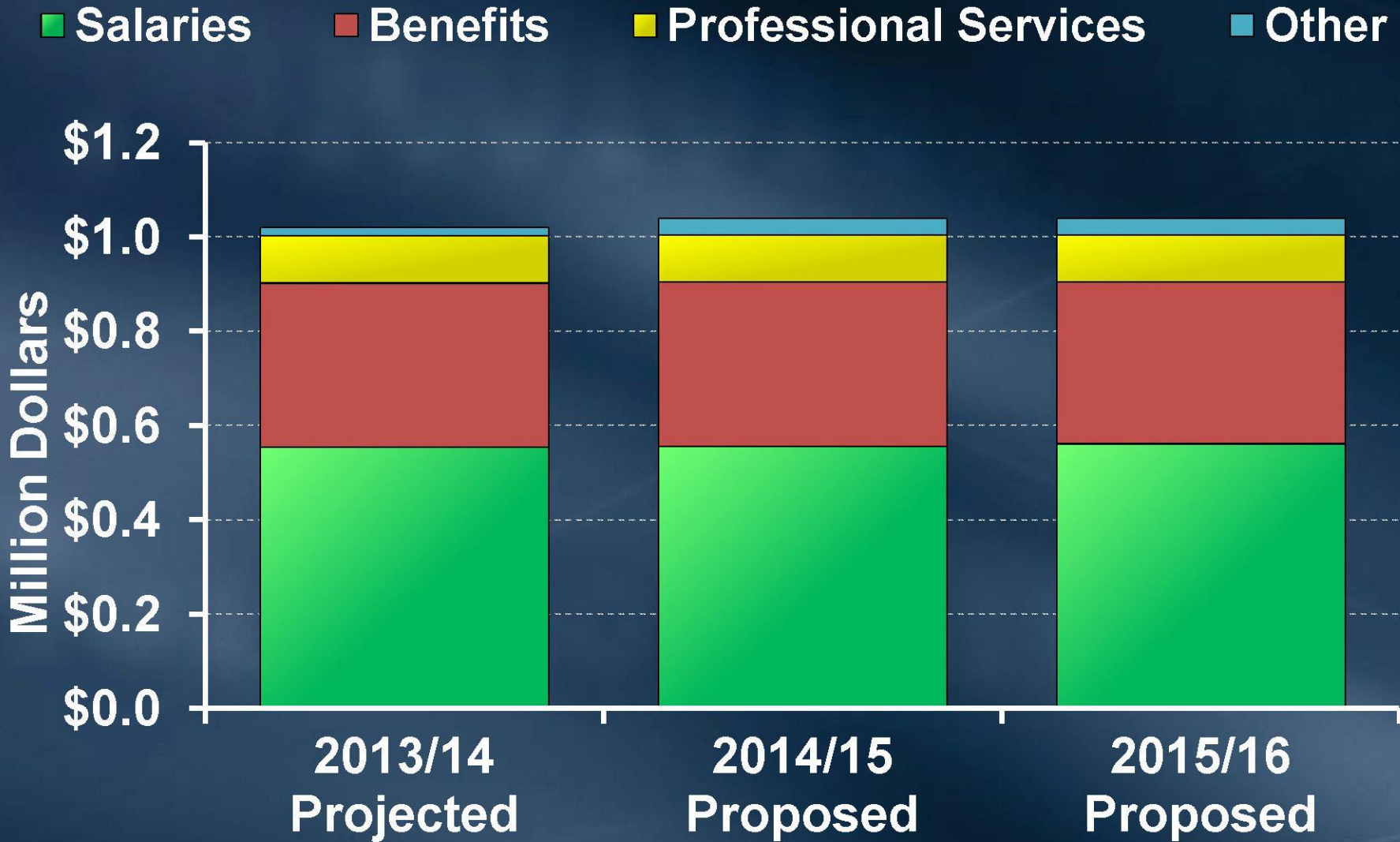


12 FTEs

■ Salaries ■ Benefits ■ Professional Services ■ Other

Ethics Department

Ethics Department O&M Budget



Ethics Department Budget Trend

FY 2013/14* - \$1.0M

FY 2014/15 - \$1.0M



4 FTES



4 FTES

■ Salaries ■ Benefits ■ Professional Services ■ Other

Projected

Ethics Department Budget Trend

FY 2014/15 - \$1.0M



4 FTES

FY 2015/16 - \$1.0M

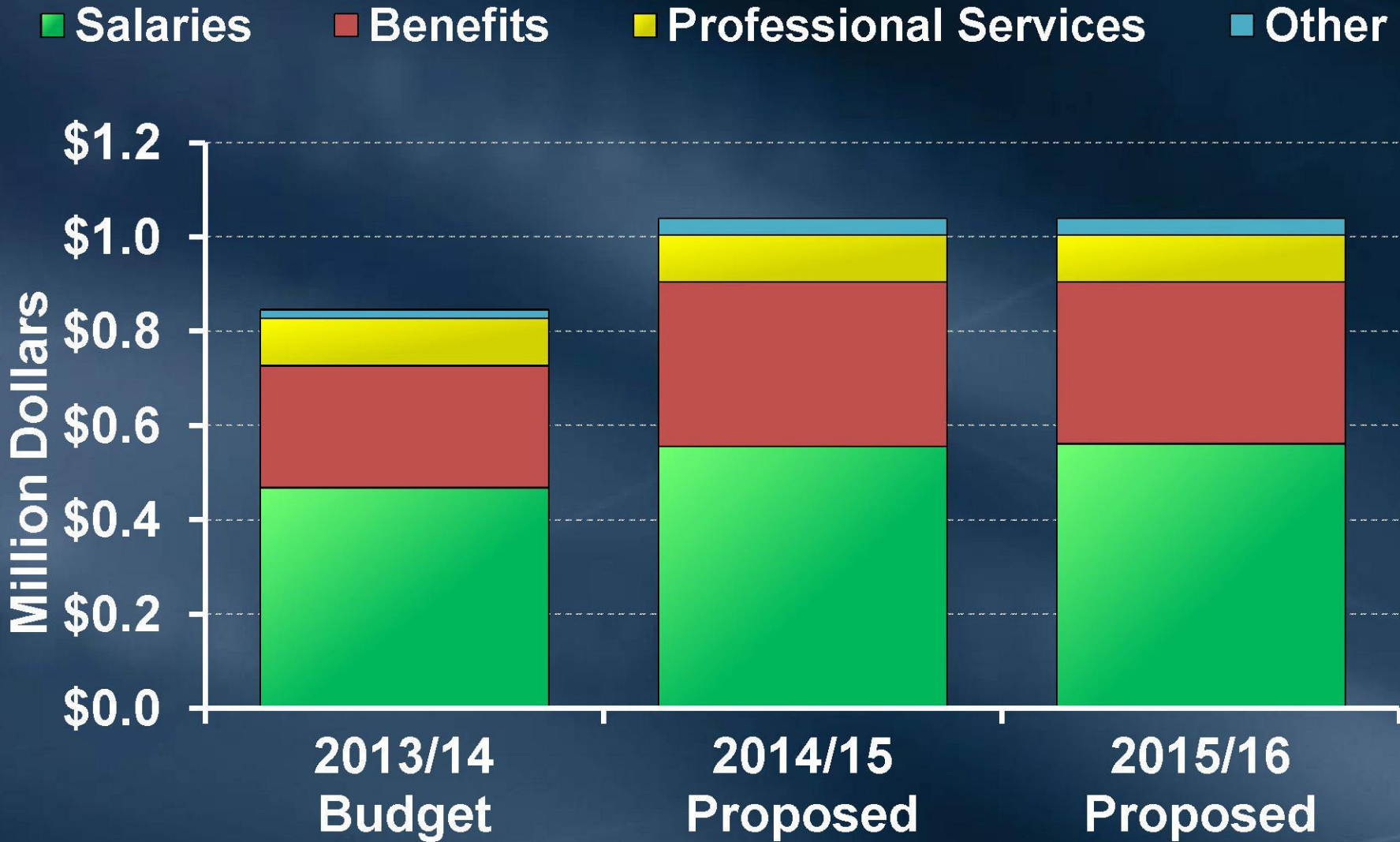


4 FTES

■ Salaries ■ Benefits ■ Professional Services ■ Other

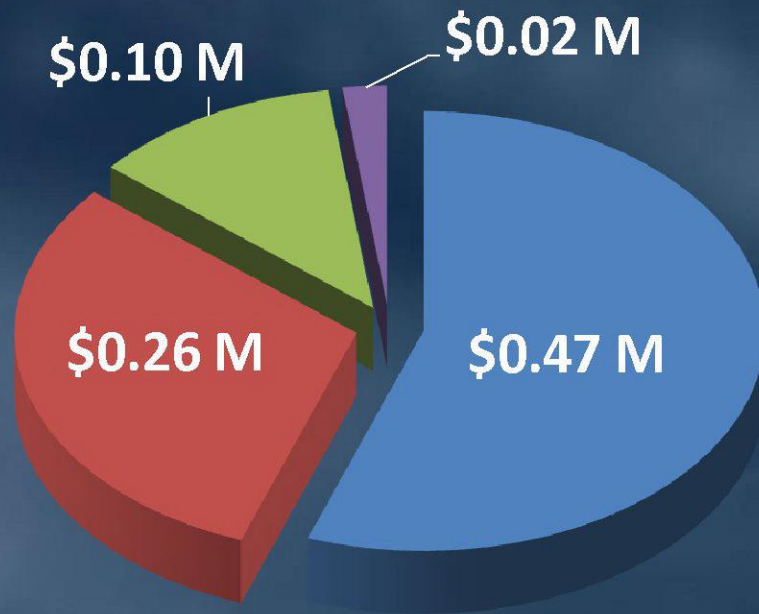
BACKUP SLIDES

Ethics Department O&M Budget



Ethics Department Budget Trend

FY 2013/14- \$0.8M



3 FTES

FY 2014/15 - \$1.0M



4 FTES

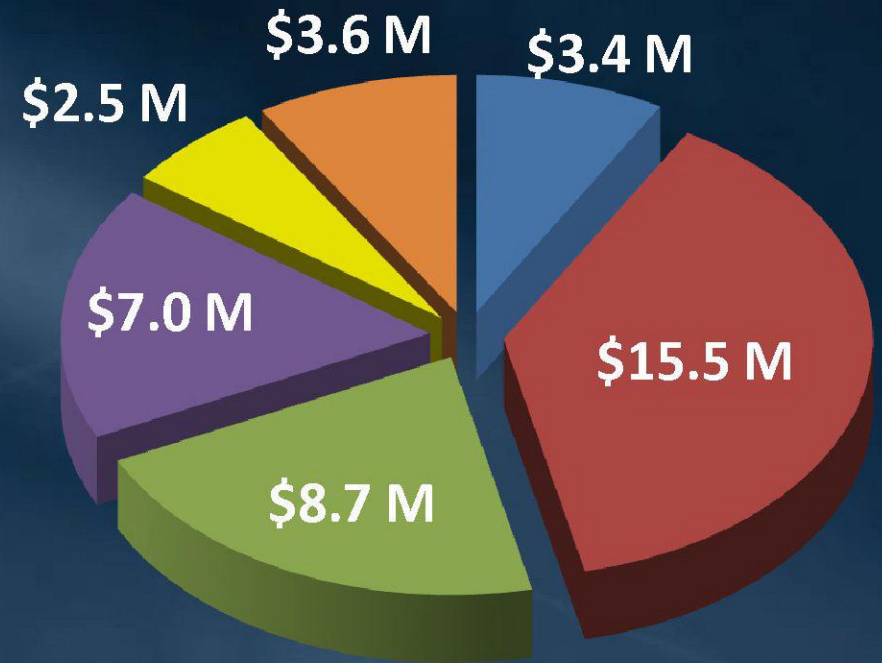
■ Salaries ■ Benefits ■ Professional Services ■ Other

GM Department Budget Trend

FY 2014/15



FY 2015/16



Travel

Non Professional Services

Advertising

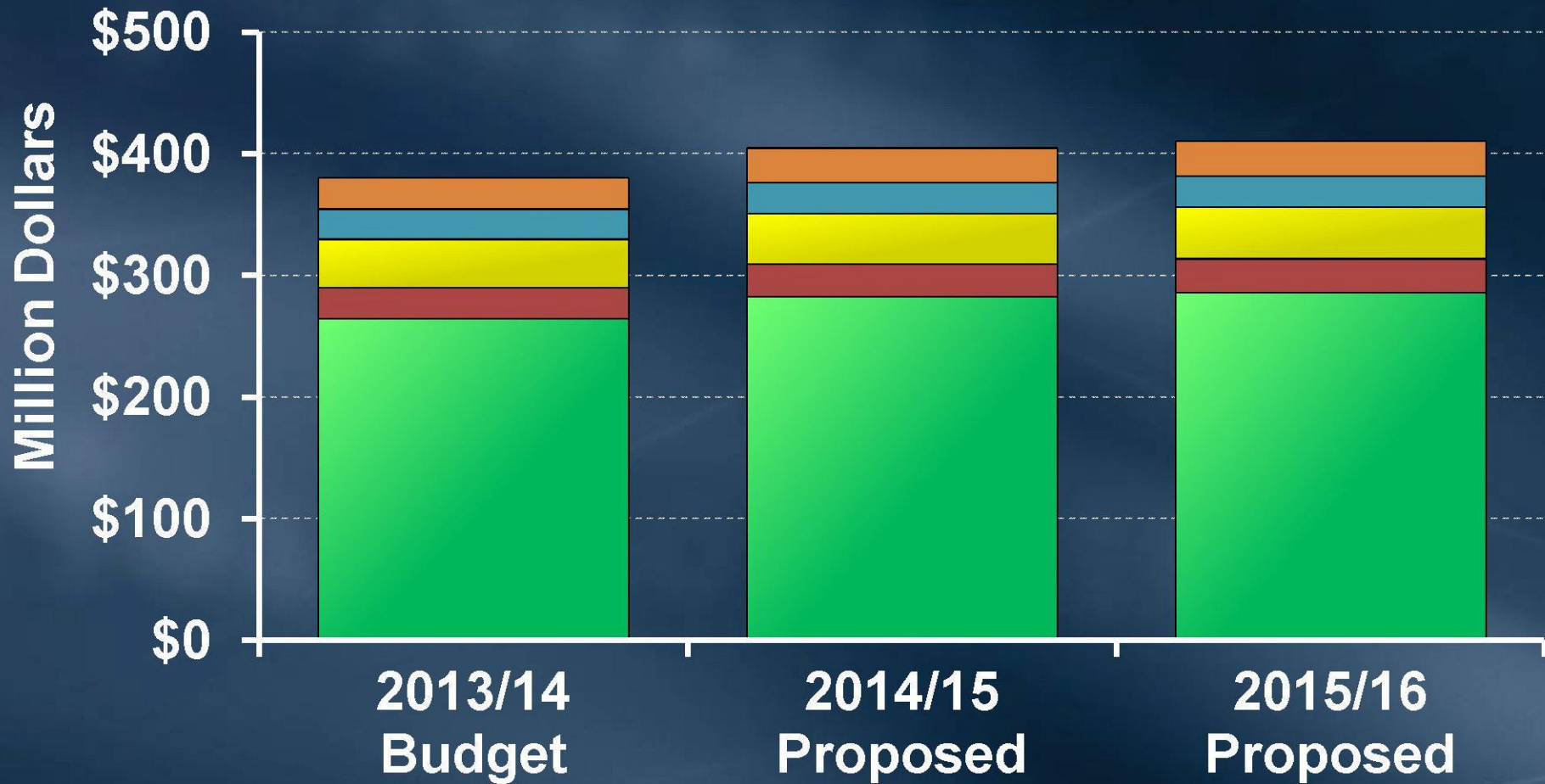
Professional Services

Security

Communication Expenses

Departmental O&M Expenditure Budget

- Salaries & Benefits
- Outside Services
- Other
- Chemicals, Solids, and Power
- Materials & Supplies



GM Department Budget Trend

FY 2014/15 - \$28 M



FY 2015/16



Travel

Advertising

Memberships & Subscriptions

Utilities

Communication Expenses

Misc Other

Reasons for O&M Cost Increases

FY 2013/14 to FY 2014/15

● Salaries: Merit, MOUs, Succession	\$6.7 M
● OPEB planned increase	\$5.0 M
● OPEB full ARC	\$4.9 M
● PERS retirement	\$5.9 M
● Medical insurance	\$3.0 M
● Other benefits	\$0.9 M
● Overtime for shutdown support	\$0.8 M
● Maintenance outside services	\$2.2 M
● Treatment Chemicals & Power	\$1.1 M
● Other	<u>\$1.8 M</u>
Total	\$32.3 M

Reasons for O&M Cost Increases

FY 2014/15 to FY 2015/16

● Salaries: Merits & COLA	\$3.7 M
● PERS retirement	\$4.5 M
● Medical insurance	\$1.5 M
● OPEB credit	(\$6.5 M)
● Treatment Chemicals & Power	\$1.1 M
● Other	\$0.1 M
Total	<u>\$4.4 M</u>

Next Steps

February 10, 2014	F&I Committee, presentation
February 11, 2014	Board Action, set public hearings
February 25, 2014	Workshop
February 28, 2014	Notice to Legislature
March 10, 2014	Additional Workshop, if needed
March 11, 2014	Public Hearings
March 25, 2014	Additional Workshop, if needed
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