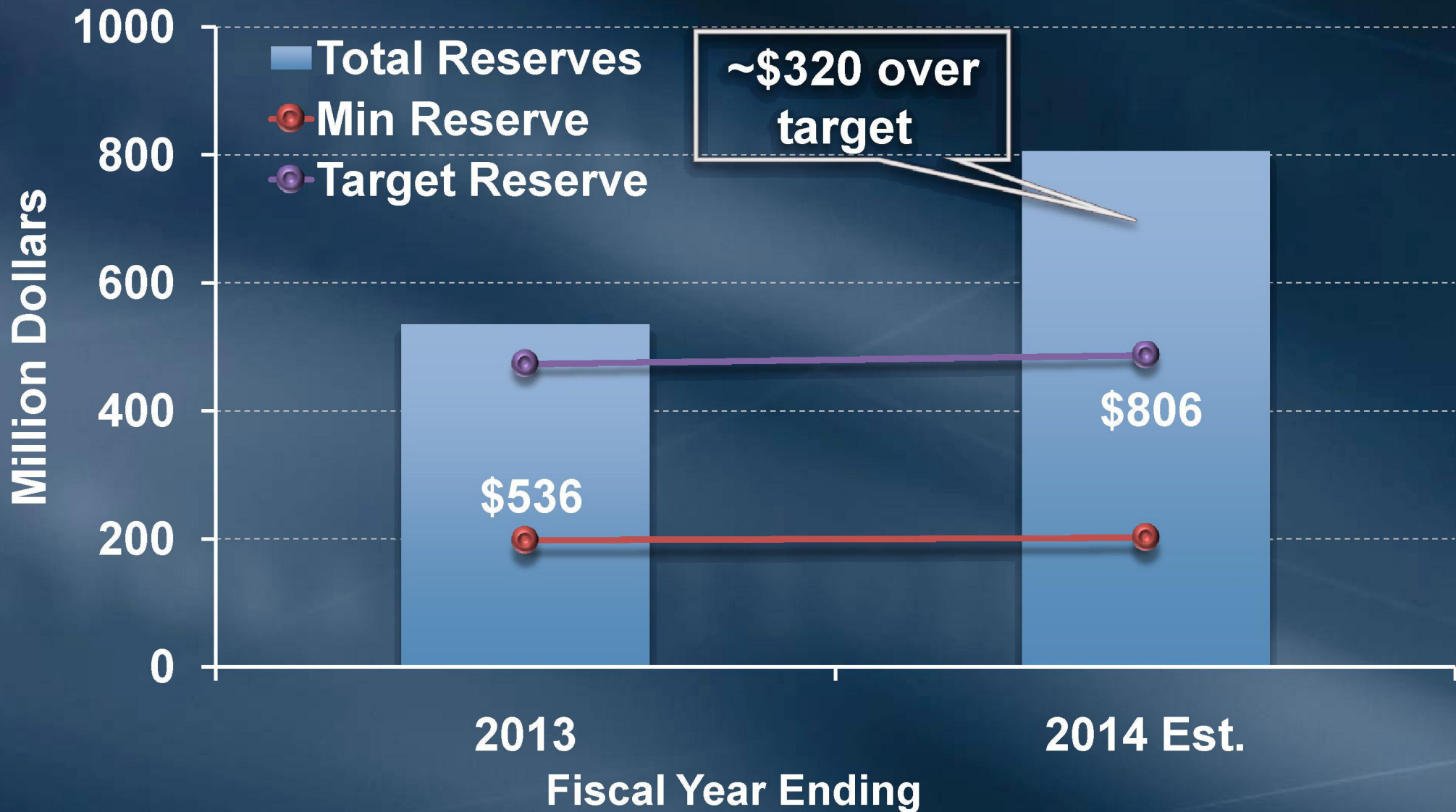


Proposed Biennial Budget, Revenue Requirements, and Water Rates and Charges Fiscal Years 2014/15 and 2015/16

Member Agency Managers Meeting
March 14, 2014



Reserve Fund Balance



Use of Reserves over Target

- Proposed use of estimated \$320M over the target
 - \$100M deposit to Replacement and Refurbishment (R&R) Fund to fund a portion of CIP over the next three years
 - \$100M deposit to OPEB Trust to lower annual contribution by \$6.5M per year
 - Approximately \$120M to Water Management Fund
 - Replenishment of storage
 - Transfers
 - Drought response programs

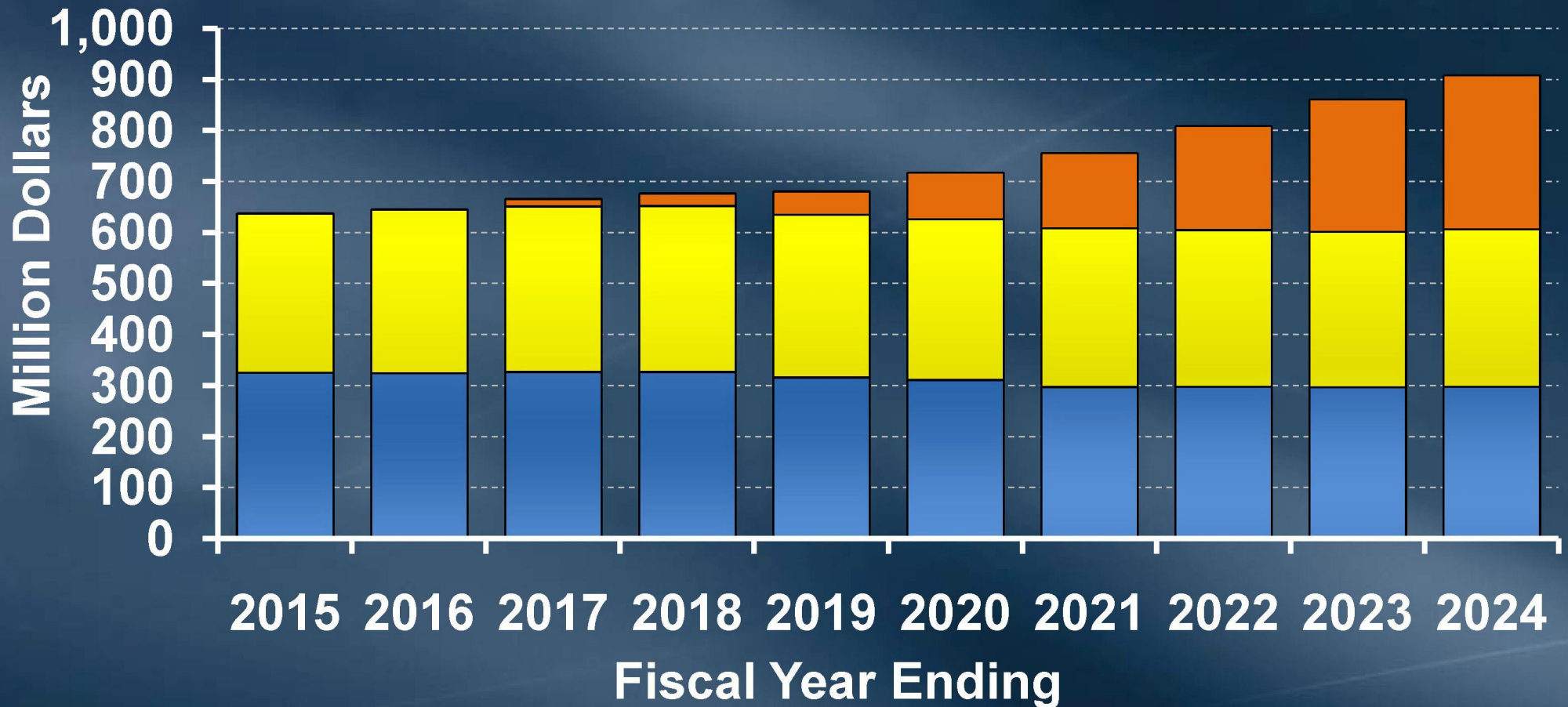
Revenue Funded CIP

- Proposed budget reduces future debt service by:
 - Setting aside \$100M in R&R Fund to fund CIP
 - Increasing use of revenues to fund CIP
- Lower debt service will offset growing fixed charges for BDCP
- Increase R&R fund limit from \$95M to \$160M
- Ten-year forecast assumes 60% of CIP is funded from revenues

Fixed Costs will Increase with the BDCP

Scenario A: 1.5% / 1.5%

BDCP **Other SWP Fixed** **Debt Service**



Ad Valorem Tax Limit

- ~65 percent of SWC obligations are fixed, yet ad valorem taxes on Burns-Porter bonds are only 7 percent of the SWC costs
- If rate is maintained, in FY 2014/15 ad valorem taxes will provide an additional ~\$30M , or 6 percent, to cover SWC costs
- In FY 2015/16, ad valorem taxes will provide an additional ~\$35M, or 7 percent, to cover SWC costs
- Public Hearing on March 11
- Resolution presented in April
- Ad valorem tax rate is set in August

Tax Collected

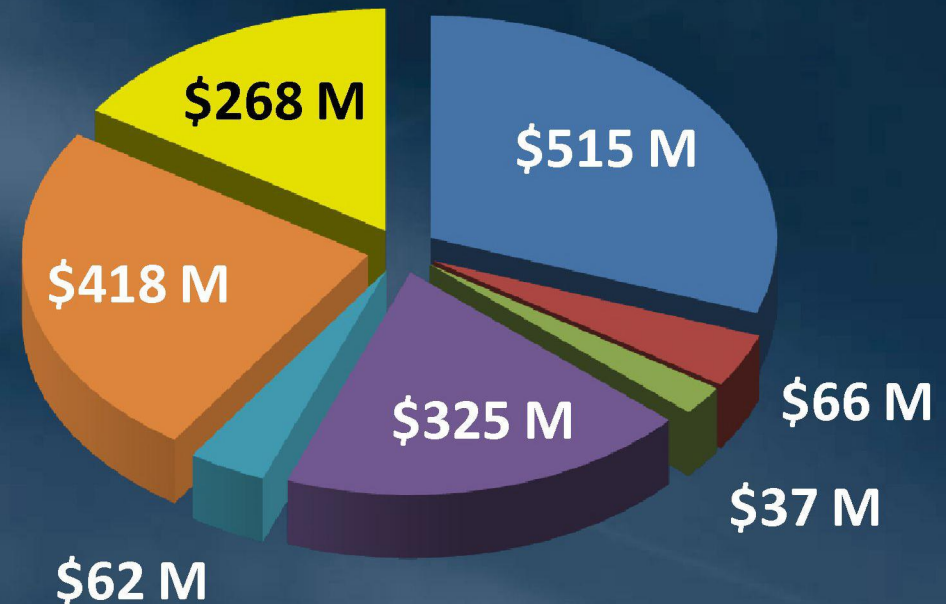
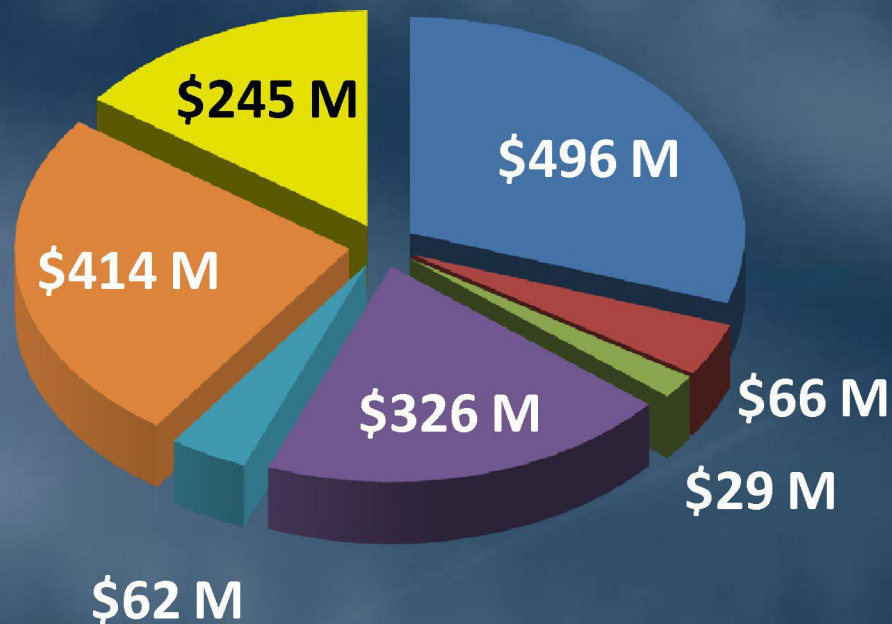
- Additional Tax Collected with fixing tax rate
- Tax Collected 124.5 Limit



Proposed Biennial Budget Expenditures

FY 2014/15 - \$1.64 B

FY 2015/16 - \$1.69 B



- State Water Contract
- Colorado River Power
- Demand Management
- CIP

- Supply Programs
- Debt Service
- O&M

Rate Options

January 1, 2015 and January 1, 2016

- Staff Proposal: 1.5% / 1.5%
- Alternative A: 0.0% / 1.5%
- Alternative B: 0.75% / 1.25%
- All options substantially meet financial policies

Staff Recommendation: Full Service, Exchange and Charges

Rate Type	2014 Approved	2016 Proposed Staff Rec	2016 Alternate A	2016 Alternate B (estimated)
Full Service Untreated Volumetric Cost (\$/AF)				
Tier 1	\$593	\$594	\$589	\$591*
Full Service Treated Volumetric Cost (\$/AF)				
Tier 1	\$890	\$942	\$928	\$933*
Full Service Untreated Exchange Cost (\$/AF)	\$445	\$438	\$435	\$436*
RTS Charge (\$M)	\$166	\$153	\$148	\$150*
Capacity Charge (\$/cfs)	\$8,600	\$10,900	\$10,500	\$10,650*

* To be provided

Next Steps

February 10, 2014	F&I Committee, Board workshop
February 11, 2014	Board Action, set public hearings
February 20, 2014	Notice to Legislature
February 25, 2014	Board Workshop #2
March 10, 2014	F&I Committee, budget and rates workshop #3
March 11, 2014	Public Hearings
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



Staff Recommendation: 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

Staff Recommendation: 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	\$582	-1.9%	\$594	2.1%
Tier 2	\$735	\$714	-2.9%	\$728	2.0%
Full Service Treated Volumetric Cost (\$/AF)					
Tier 1	\$890	\$923	3.7%	\$942	2.1%
Tier 2	\$1,032	\$1,055	2.2%	\$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%

Alternative A: 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

Alternative A: 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%