

**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**



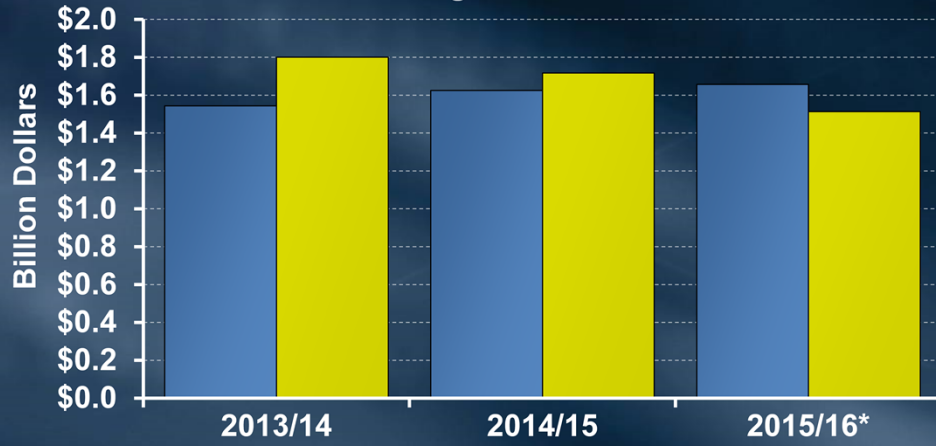
Proposed Biennial Budget Workshop Presentation Overview

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

General follow up from Workshop #2

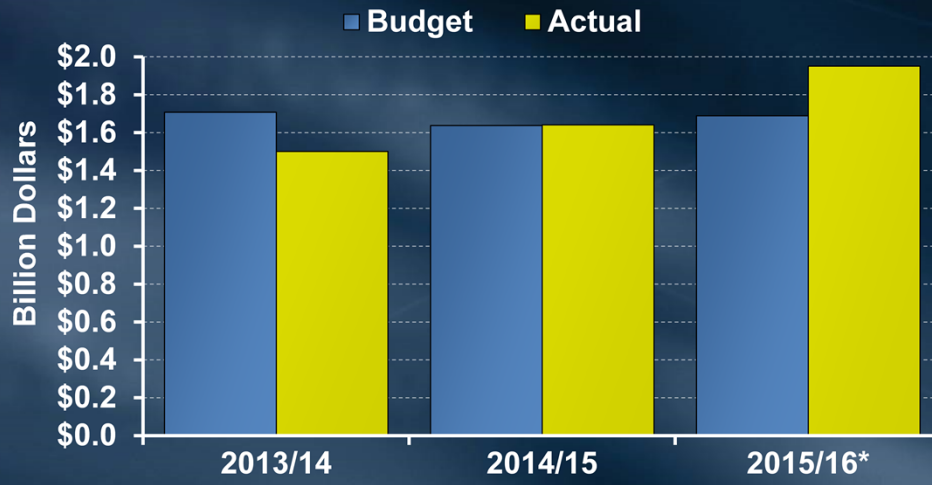
Total Revenues Actuals vs Budget

■ Budget ■ Actual



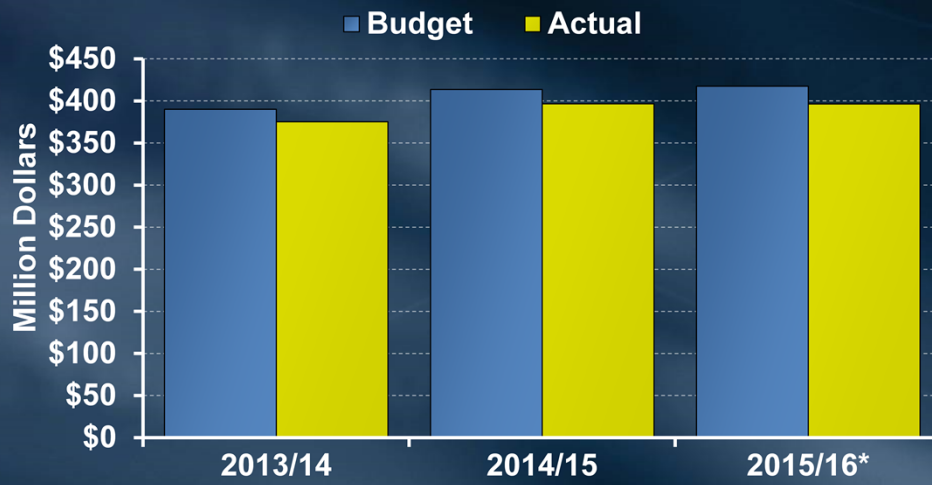
*Projected for FY 2015/16

Total Expenditures Actuals vs Budget



*Projected for FY 2015/16

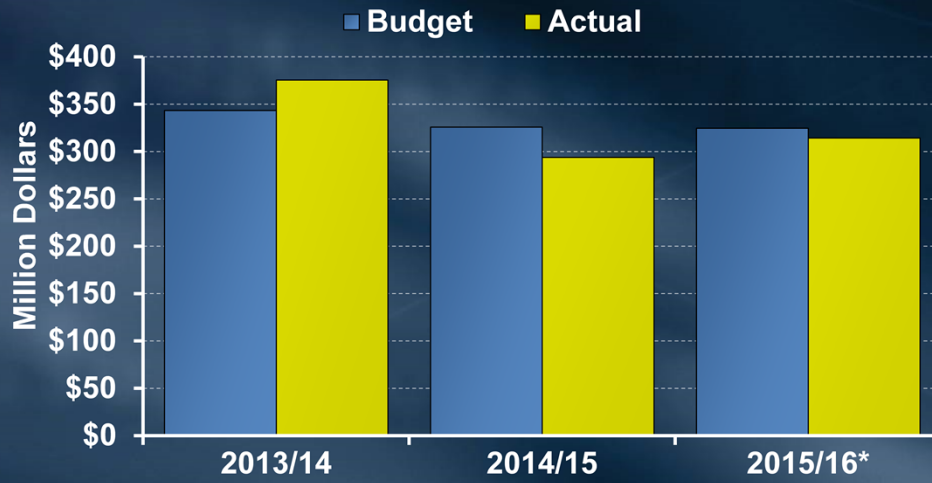
O&M Expenses Actuals vs Budget



*Projected for FY 2015/16

Debt Service Expenses*

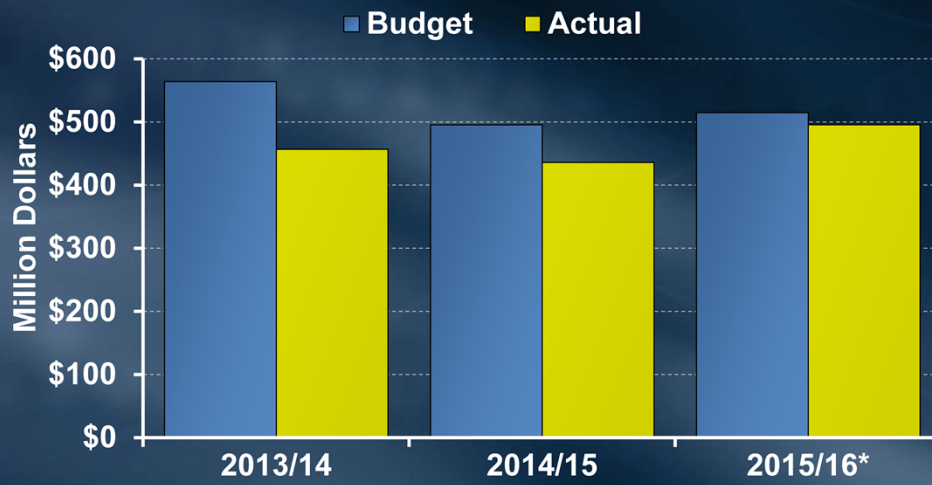
Actuals vs Budget



*Projected for FY 2015/16

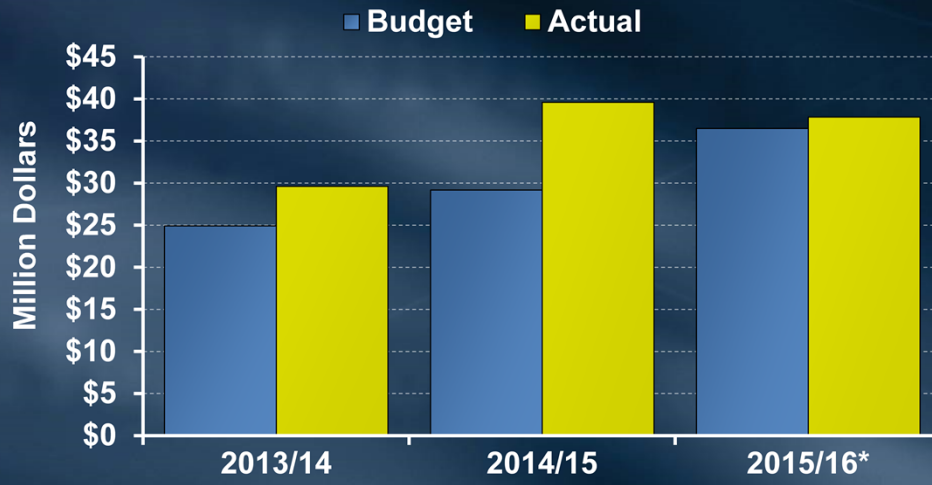
\$34M shifted from FY2015 to FY2014; early payment as part of refunding

SWC Expenses Actuals vs Budget



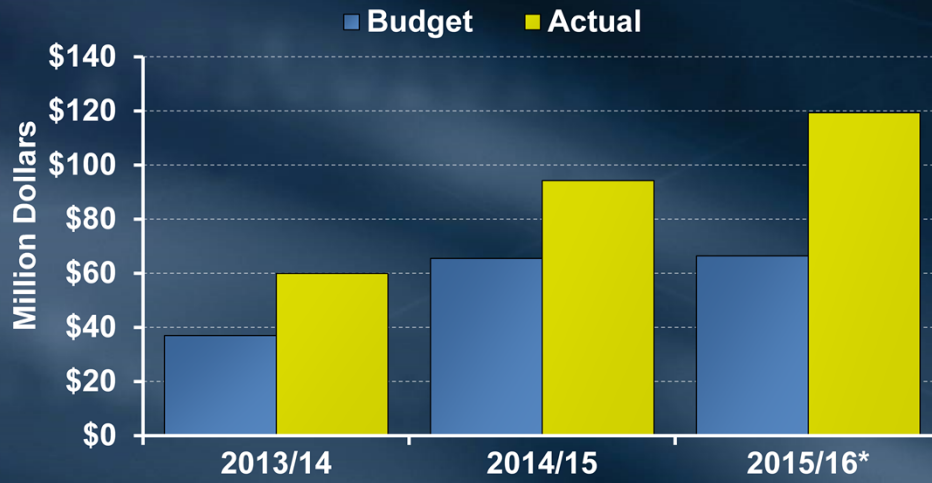
*Projected for FY 2015/16

CRA Power Expenses Actuals vs Budget



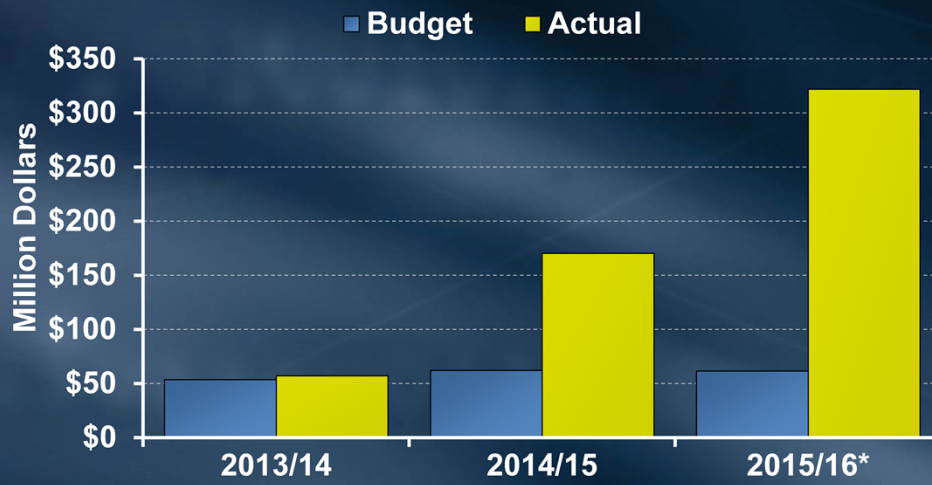
*Projected for FY 2015/16

Supply Programs Expenses Actuals vs Budget



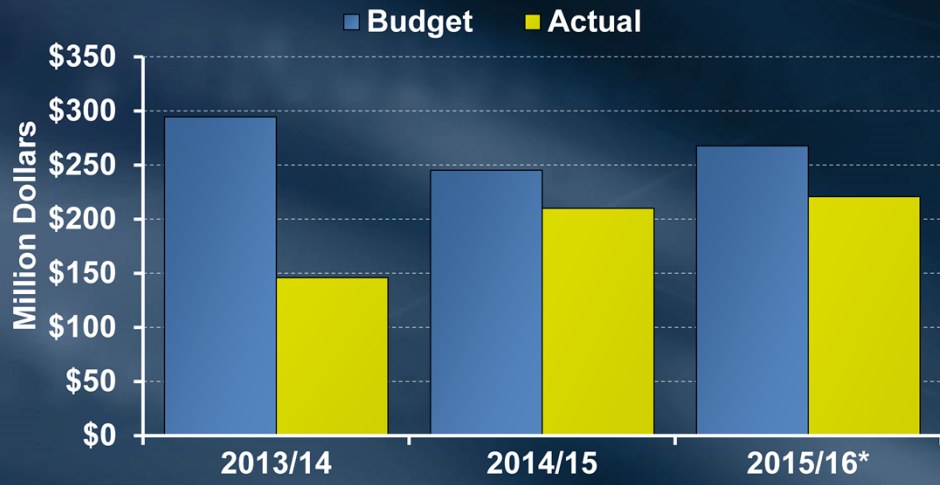
*Projected for FY 2015/16

Demand Management Expenses Actuals vs Budget



*Projected for FY 2015/16

CIP Expenses Actuals vs Budget



*Projected for 2015/16

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

Capital Investment Plan

F&I Committee

8a-d, 14

March 7, 2016

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

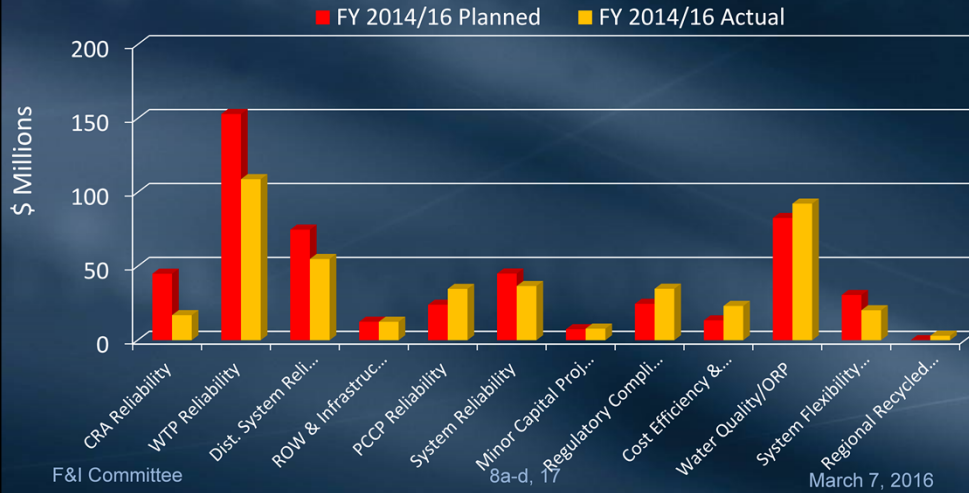
- Total 2-Year project plan - \$486 million
 - Anticipated expenditures - \$400 million
- Over 80% proposed for Infrastructure Reliability work
 - Aging infrastructure - \$270 M
 - PCCP rehabilitation - \$37 M
 - Seismic upgrades - \$42 M
 - Other infrastructure improvements - \$64 M
- Prioritized to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



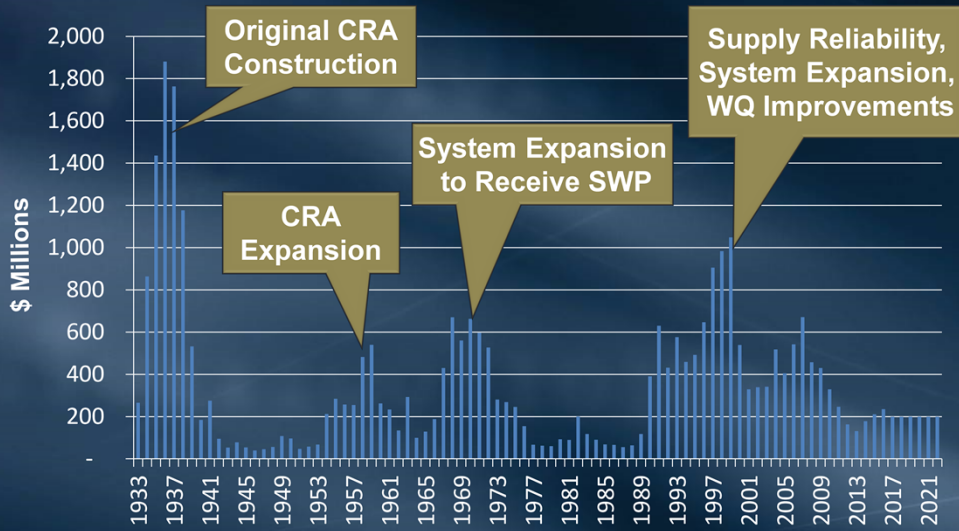
F&I Committee

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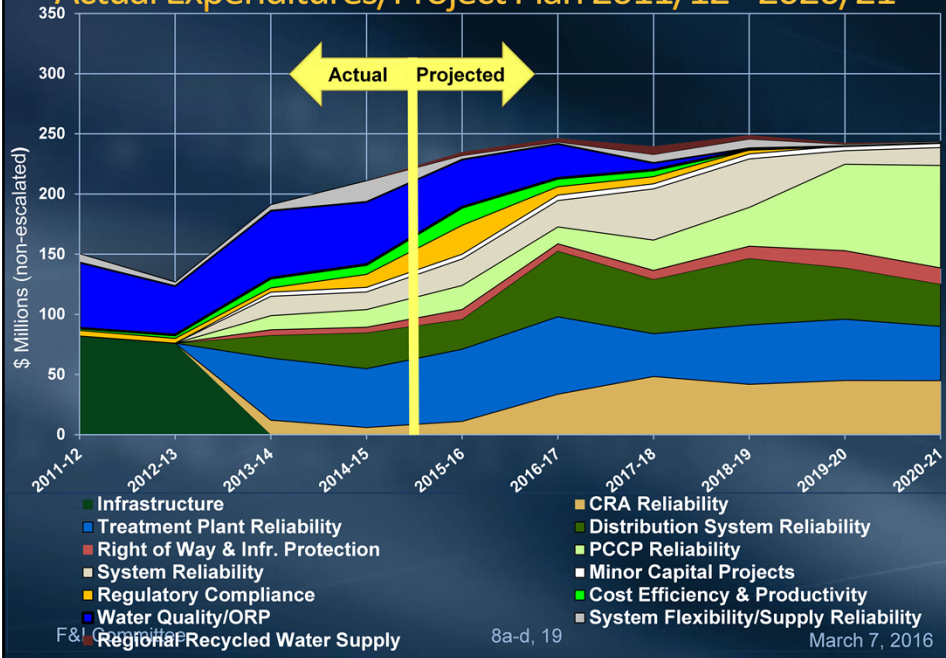
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Metropolitan's Annual Capital Expenditures

(Adjusted to Current Value)



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



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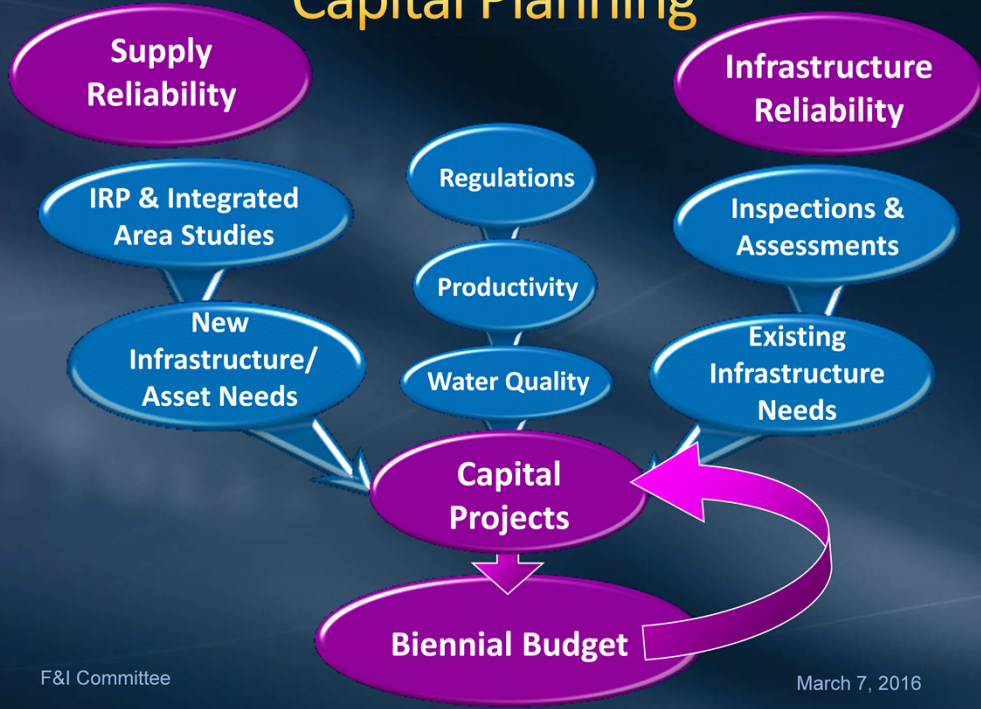
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CIP Budget Development Schedule

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.

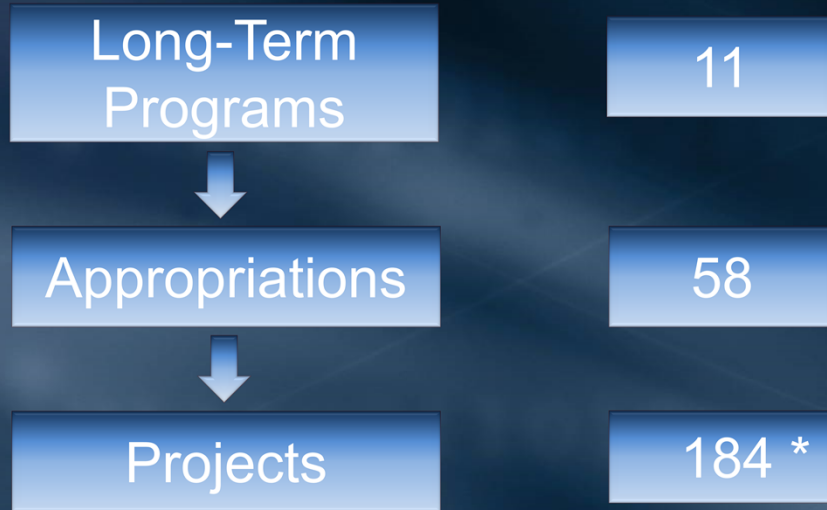
Scoring/Prioritization Criteria

- 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

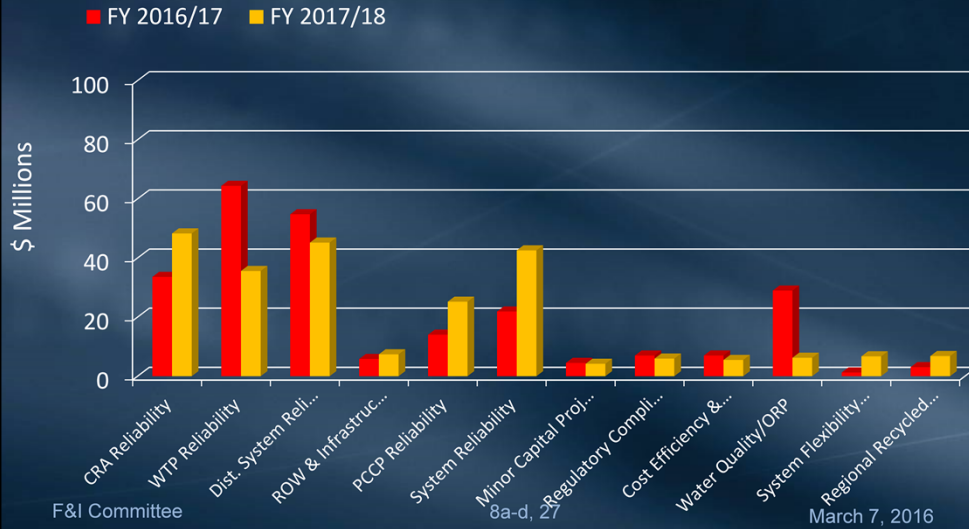


* Excluding Minor Capital Projects

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



CIP Project Highlights



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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



CIP – Budget vs. Act./Projected

By Accounting Group

Dec 2015

Group	15/16 Budget	15/16 Projection	16/17 Estimate
Labor, Additives, Overhead	\$ 77 M	\$ 68 M	\$ 70 M
Prof. Services	\$ 15 M	\$ 25 M	\$ 28 M
Contracts	\$ 160 M	\$ 128 M	\$ 140 M
Other (R/W, Mat'ls Incidentals, Op. Eq.)	\$ 16 M	\$ 14 M	\$ 8 M
TOTAL	\$ 268 M	\$ 235 M	\$246 M


Prioritized Capital Projects

Rank	Project	Biennial Estimate	Driver	Location
1				
2				
3				
4				
5				



Prioritized Capital Projects

FY 2016/17 – 2017/18

Rank	Project	Biennial Estimate	Driver	Location
1	Palos Verdes Reservoir Improvements	\$ 29 M	Infr. Reliability	Distr. West
2	CRA Sand Traps	\$ 8.6 M	Infr. Reliability	CRA
	Etiwanda Pipeline Rehab.	\$ 12 M	Infr. Reliability	Distr. East
3	Weymouth Filter Rehab.	\$ 14 M	Water Quality	Weymouth
4	Diemer Basin Rehab.	\$ 19 M	Infr. Reliability	Diemer
5	Jensen Electrical Upgrades	\$ 21 M	Infr. Reliability	Jensen
				

CRA Switch House Seismic Upgrade

2- Year Estimate	Planned Phase
\$10 million	Design/Construction

Sand Traps

2- Year Estimate	Planned Phase
\$9 million	Construction

Main Pump Power Cables

2- Year Estimate	Planned Phase
\$7 million	Design/Construction

Diemer Filter Building Improvements

2- Year Estimate	Planned Phase
\$12 million	Design/Construction



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Diemer Basin Rehabilitation

2- Year Estimate

Planned Phase

\$19 million

Construction



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Palos Verdes Reservoir Cover & Liner

2- Year Estimate	Planned Phase
\$29 million	Construction



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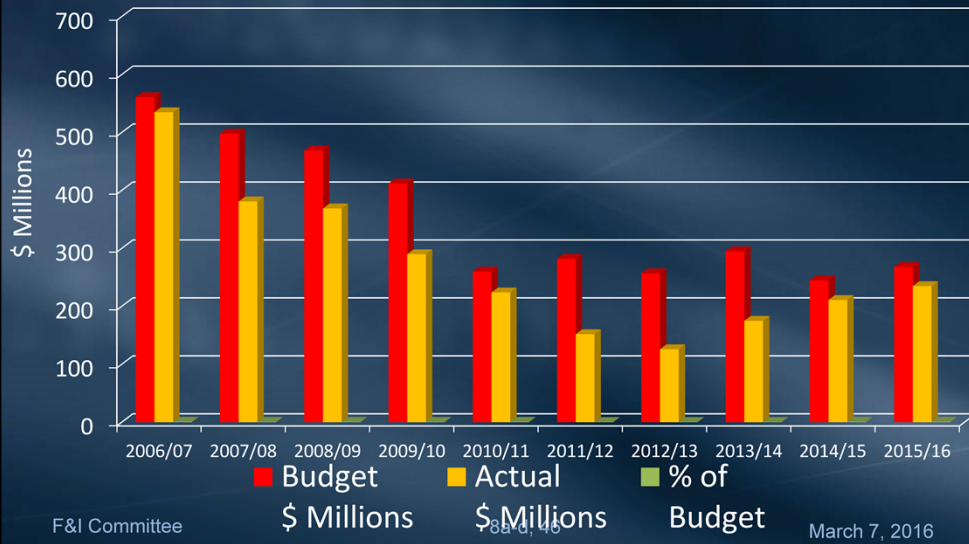
Etiwanda Pipeline Rehabilitation

2- Year Estimate	Planned Phase
\$12 million	Construction

- Lakeview Pipeline was constructed in 1973.
- It is 11.5 miles long , 133.5-inch diameter, welded steel pipe with rubber gasketed joints

CIP Budget vs. Actual FY 2006/07 to FY 2015/16

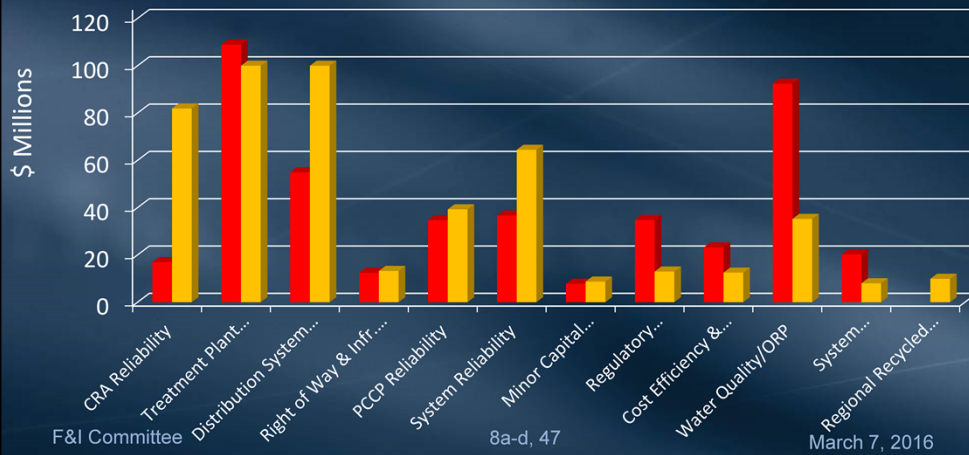
Average Variance: 25%



Capital Investment Plan Biennial Comparison by Program

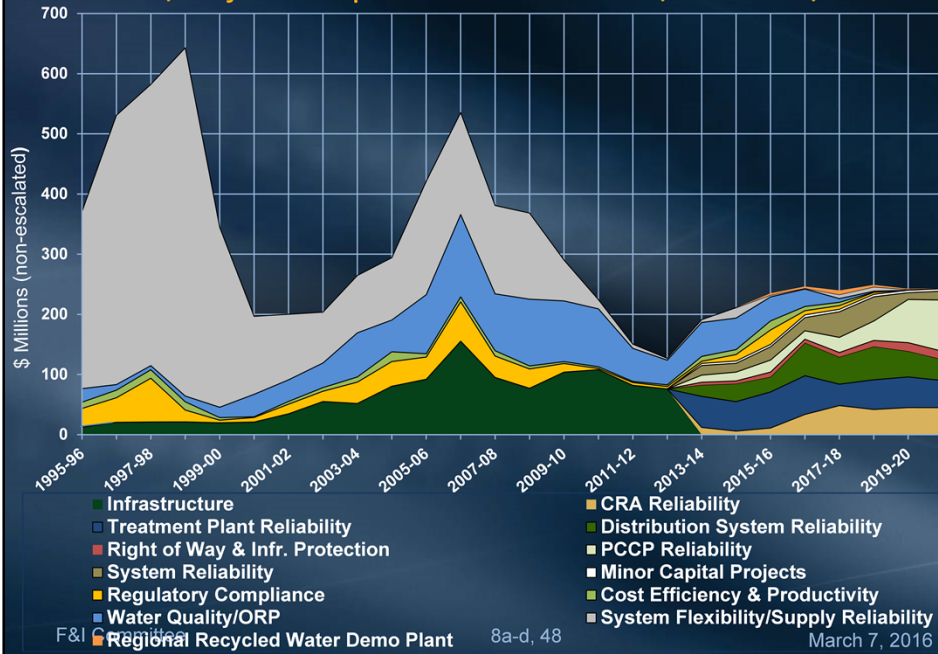
■ FY 14/16 Actual
■ FY 16/18 Estimate

14/16 Estimate - \$513 Million
 14/16 Actual - \$446 Million
 16/18 Estimate - \$486 Million



Original biennial estimate = \$513 M

Capital Investment Plan Actual/Projected Expenditure Profile 1995/96 – 2020/21



Scoring/Prioritization Criteria

● Justification - Primary Goals

- Delivery Reliability
- Regulatory Compliance
 - Water Quality, Health & Safety, Environmental
- Supply Reliability
- Business Operations

● Justification - Secondary Goals

- Cost Savings
- Revenue Generation
- Energy Savings
- Environmental Benefits

Scoring/Prioritization Criteria

● Project Directives

- Regulatory/code requirement
- Environmental permit/mitigation
- Authorized study/report
- Previous Board action
- Contract award

Scoring/Prioritization Criteria

- **Disruption of service**
 - Business operations
 - Water system operations
- **Cost efficiency/productivity**
 - Cost/benefit analysis
 - Looking for payback under 10 years
 - No points for reduced maintenance
 - Increased productivity
 - Sustainability – water, energy, waste
 - Customer Service