

**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**

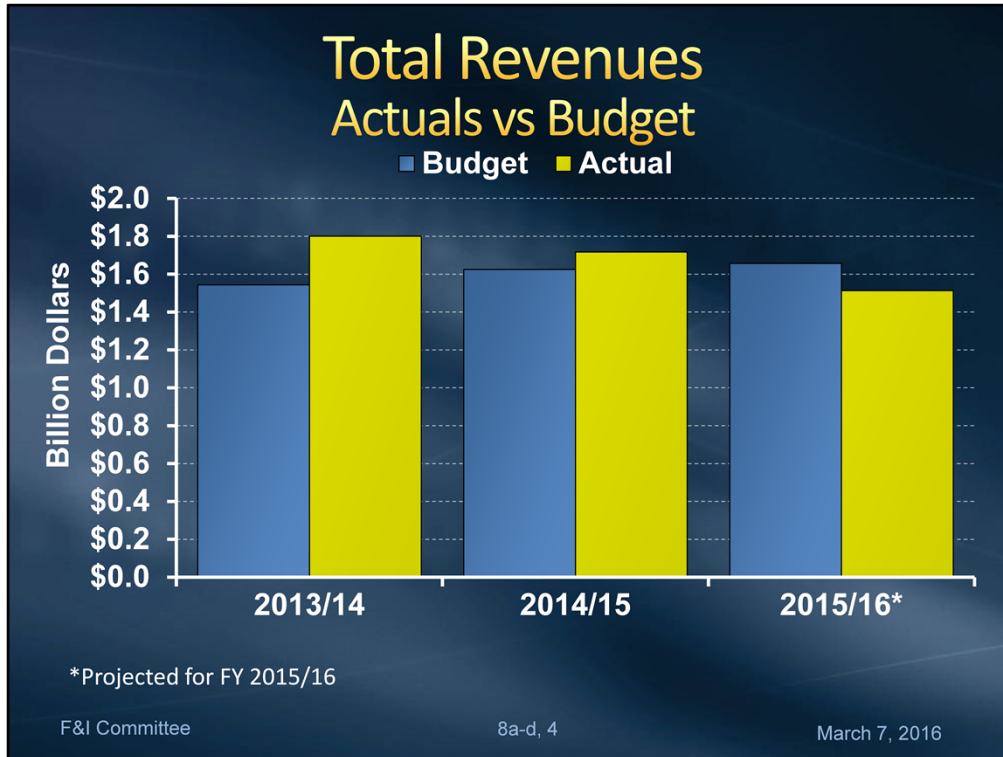
**Finance & Insurance Committee
March 7, 2016**



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

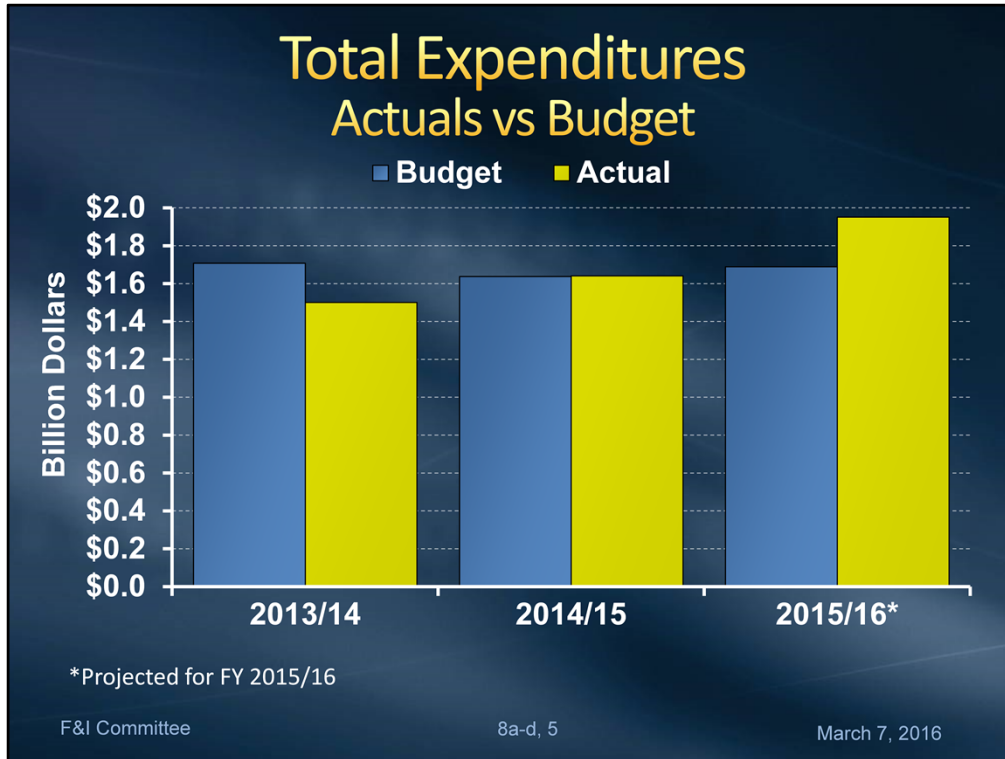


Budget for 3 years : \$4.8B

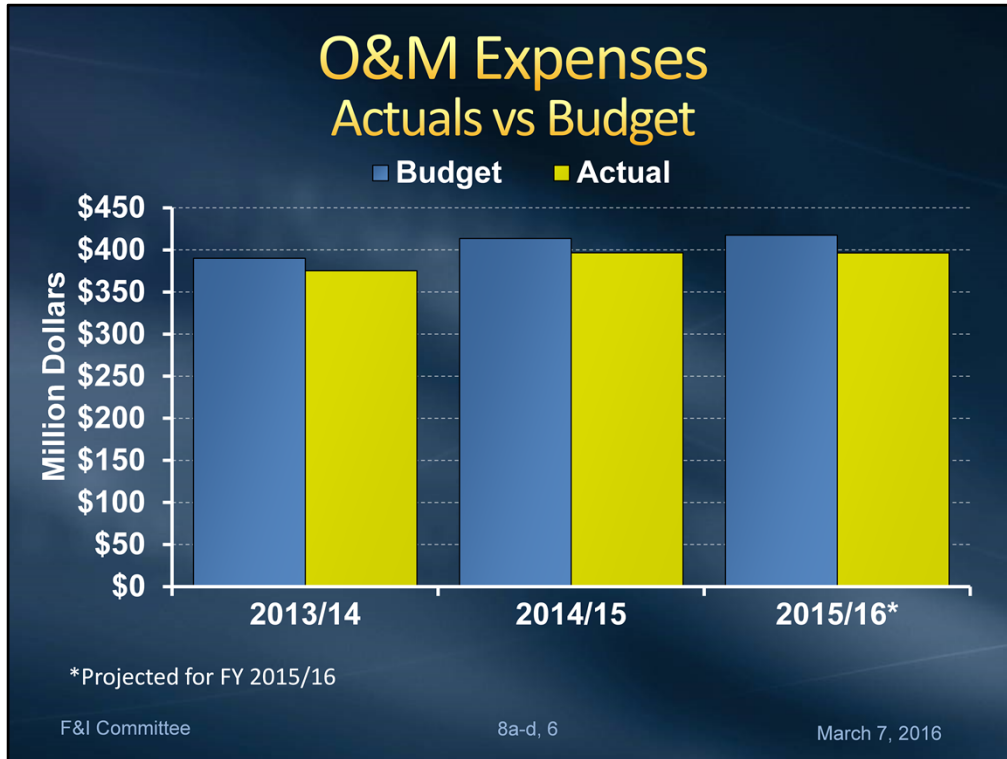
Actual/projected for 3 years: \$5.0B

4 % over budget for 3 years; \$0.2B

5.2 MAF sales budgeted versus 5.6 MAF actual/projected
7% higher; greater mix of untreated sales that budgeted



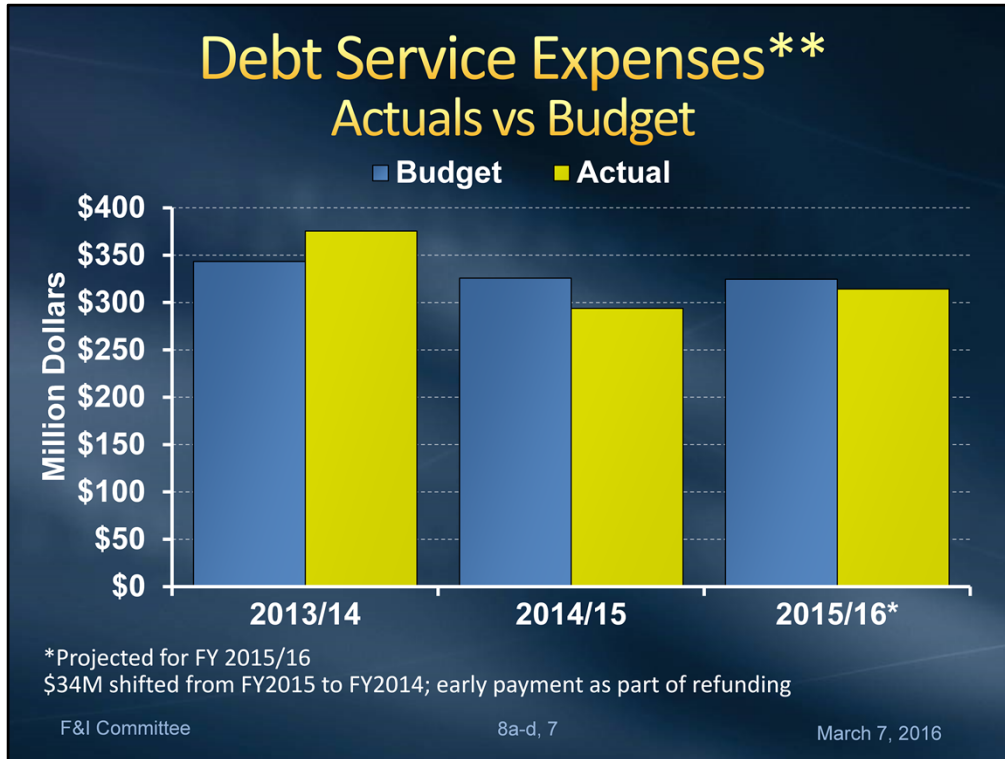
Budget for 3 years: \$5.0B
Actual/Projected for 3 years: \$5.1B
2 % over budget; \$0.1B



Budget for 3 years: \$1.22B

Actual/Projected for 3 years: \$1.17B

4 % under budget; \$50M

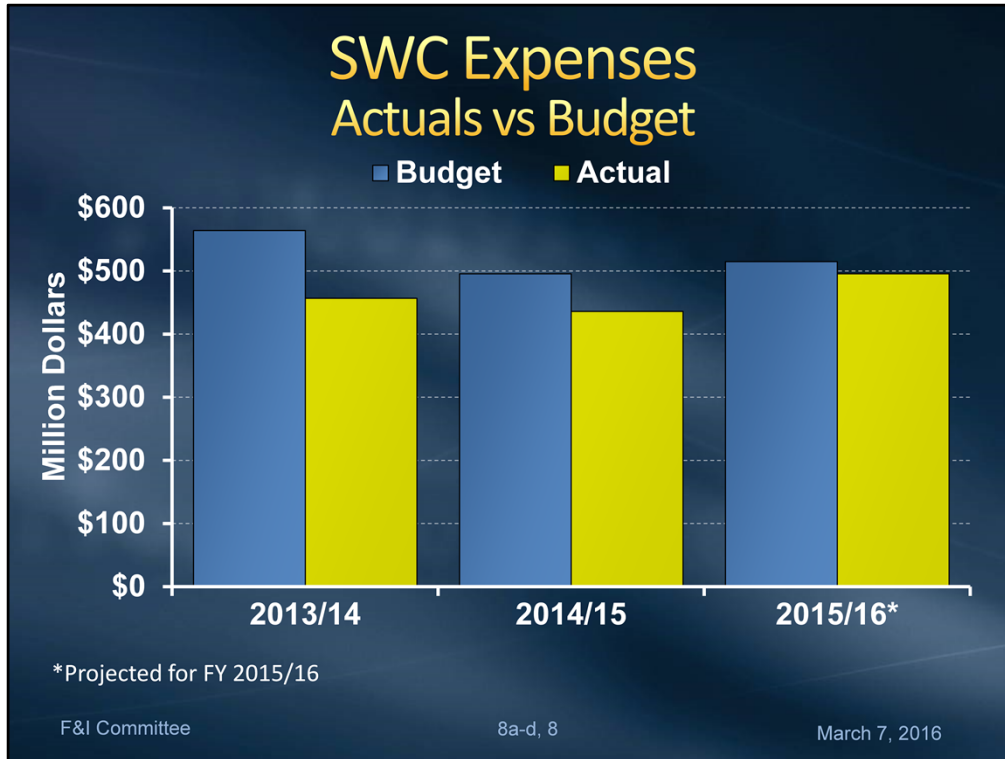


Budget for 3 years: \$994M

Actual/Projected for 3 years: \$983M

1 % under budget;

Lower short term interest rates and timing

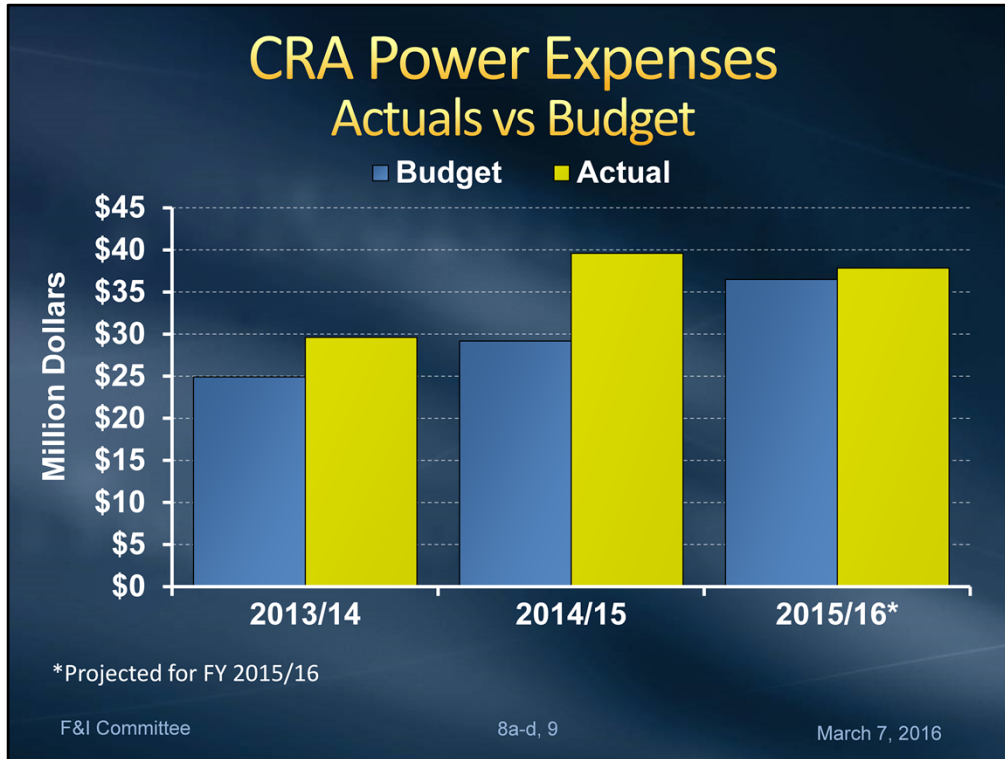


Budget for 3 years: \$1.58B
Actual/Projected for 3 years: \$1.39B
12 % under budget

Adjust for 1 time credits of \$60M

6% under budget

Lower allocations than budgeted resulted in lower power costs

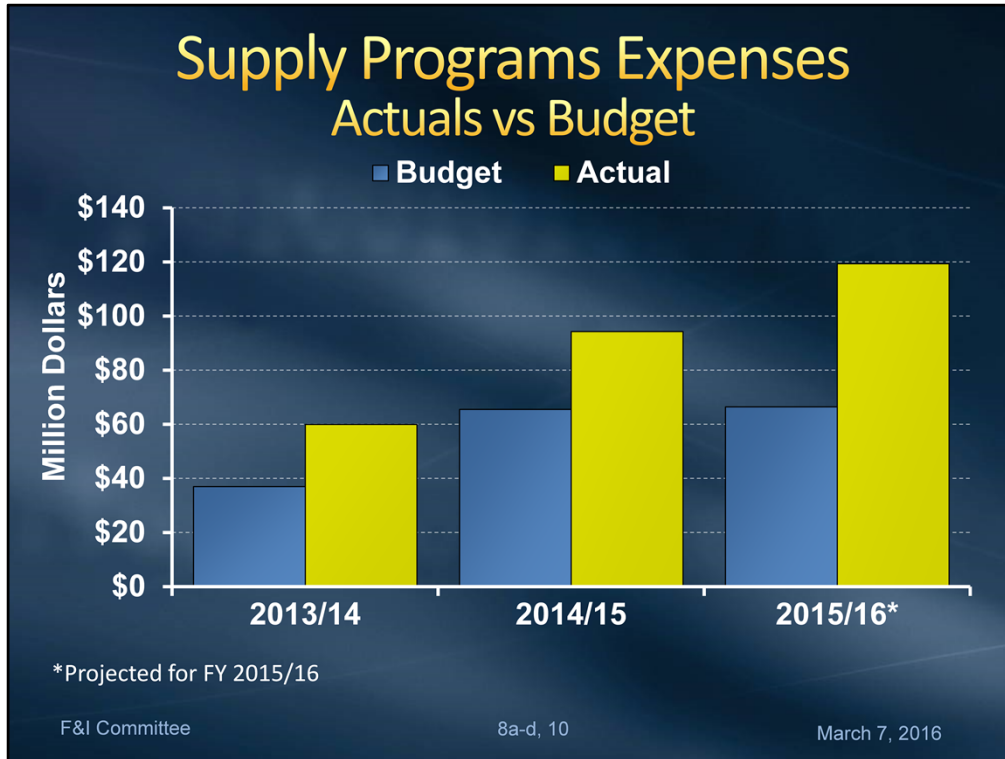


Budget for 3 years: \$90.6M

Actual/Projected for 3 years: \$107.5M

19 % over budget

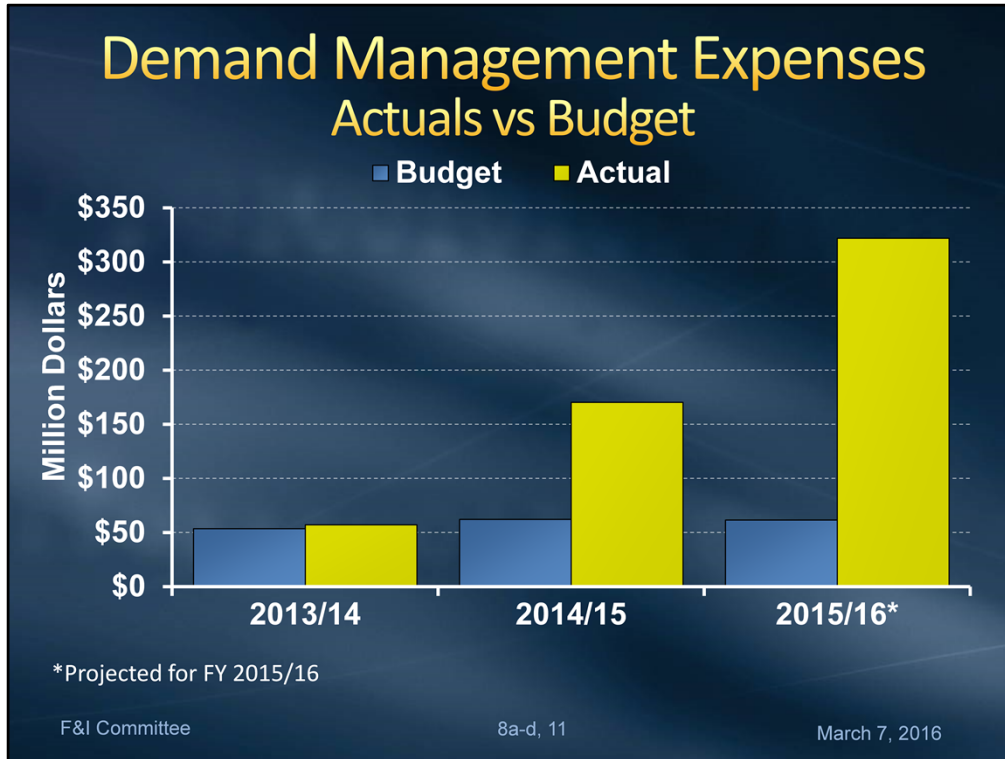
Low allocation on SWP resulted in higher diversions on the CRA of about 1.0 MAF per FY and need to buy market power



Budget for 3 years: \$169M
 Actual/Projected for 3 years: \$273.7M
 62 % over budget; \$104.7M

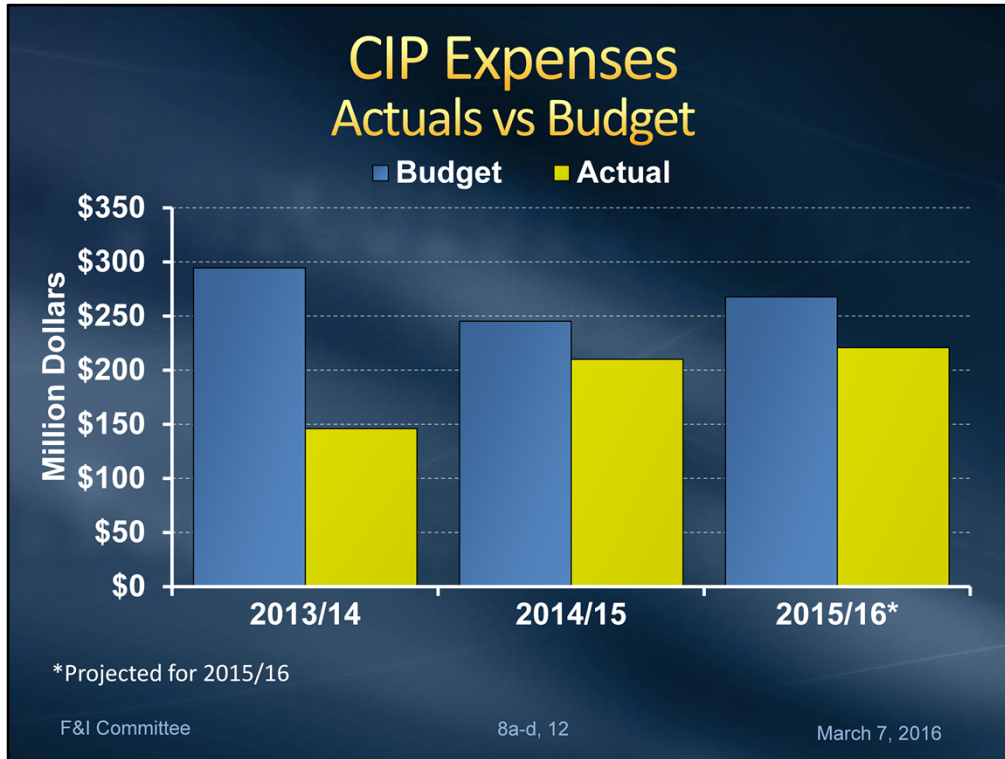
Low SWP allocation

SWP + CRA power + Supply Programs difference between Budget and Actual/Projected is a \$4M difference



Budget for 3 years: \$177.5M
 Actual/Projected for 3 years: \$549.5M
 over budget; \$372M

Extraordinary actions by the Board in response to Governor's Executive Order to reduce consumer water use by 25 percent



Budget for 3 years: \$807M
 Actual/Projected for 3 years: \$577M
 29 % under budget; \$230M

Over last 5 years, actual expenditures about 20 percent below budget

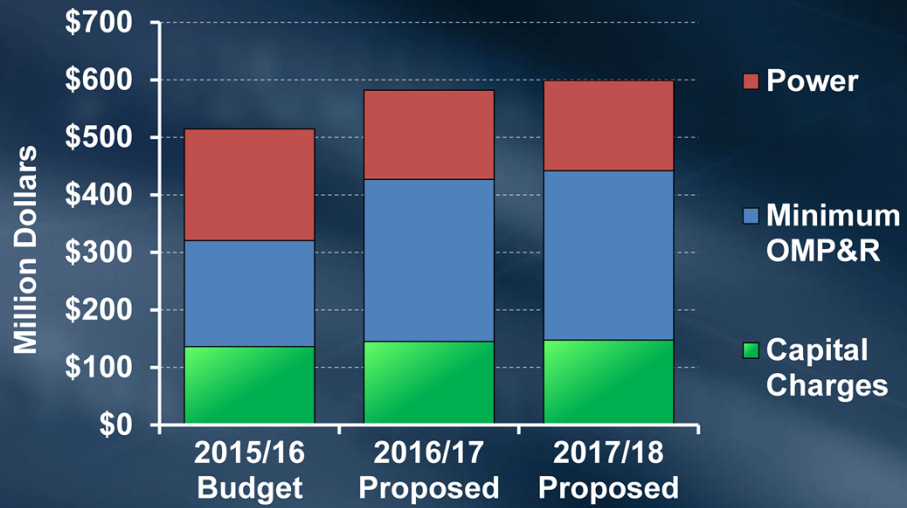
State Water Project

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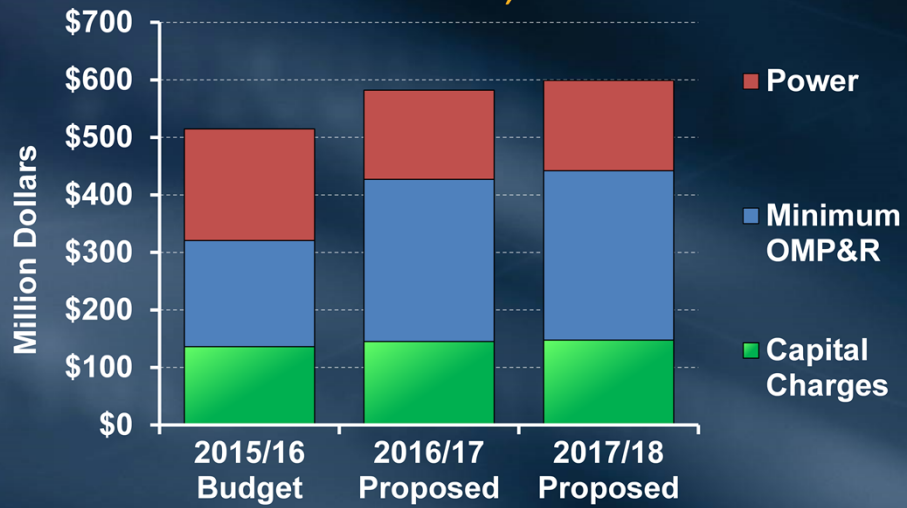
State Water Contract 50% Allocation



NEED TO UPDATE

State Water Contract

30% Allocation 2016, 50% 2017-2018



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

Capital Investment Plan

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FY 2016/17 – 17/18 Capital Investment Plan

Highlights

- Total 2-Year expenditure plan = \$486 million
- Over \$400 M proposed for Infrastructure Reliability projects:
 - Aging infrastructure - \$270 M
 - PCCP - \$37 M
 - Seismic improvements - \$42 M
 - Other infrastructure improvements - \$64 M
- Prioritized to maintain reliability and regulatory compliance
- Rates and Charges based on \$400 M over 2 years

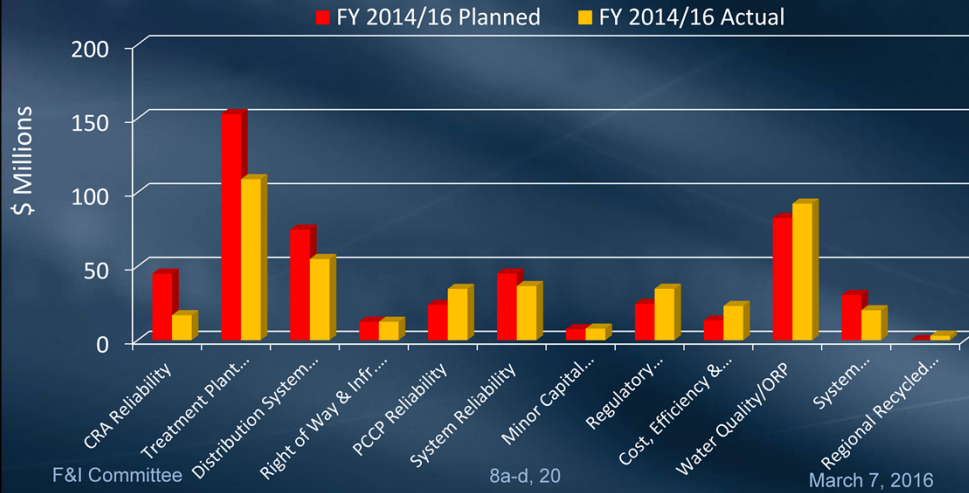
Capital Investment Plan for FY 2016/17 & 2017/18

- CIP Background
 - Expenditure History/Projections
- Process
 - Budgeting activities
 - Project Drivers & Identification
 - Project Evaluation/Prioritization
 - Budget Development
- Major Projects

FY 2014/16 Capital Investment Plan

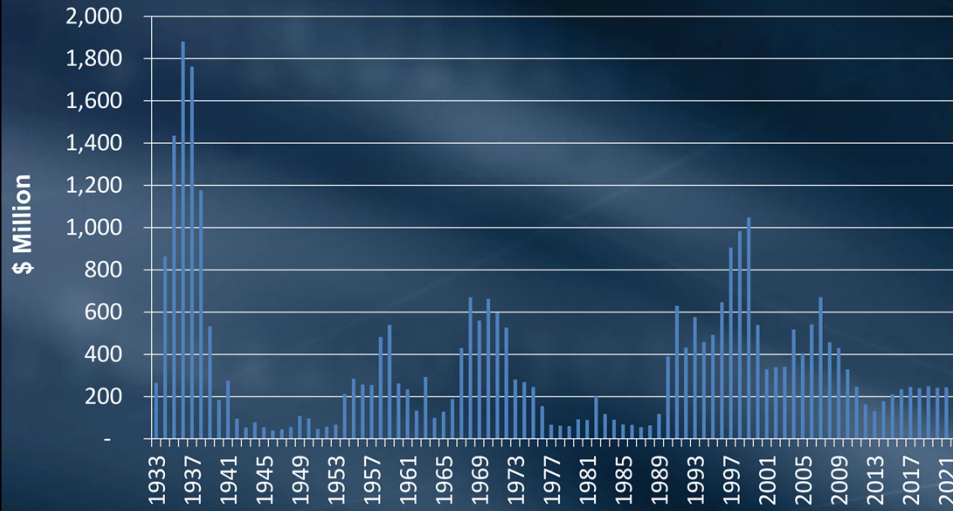
Budget vs. Actual by Program

14/16 Planned - \$ 513 Million
 14/16 Actual - \$ 446 Million

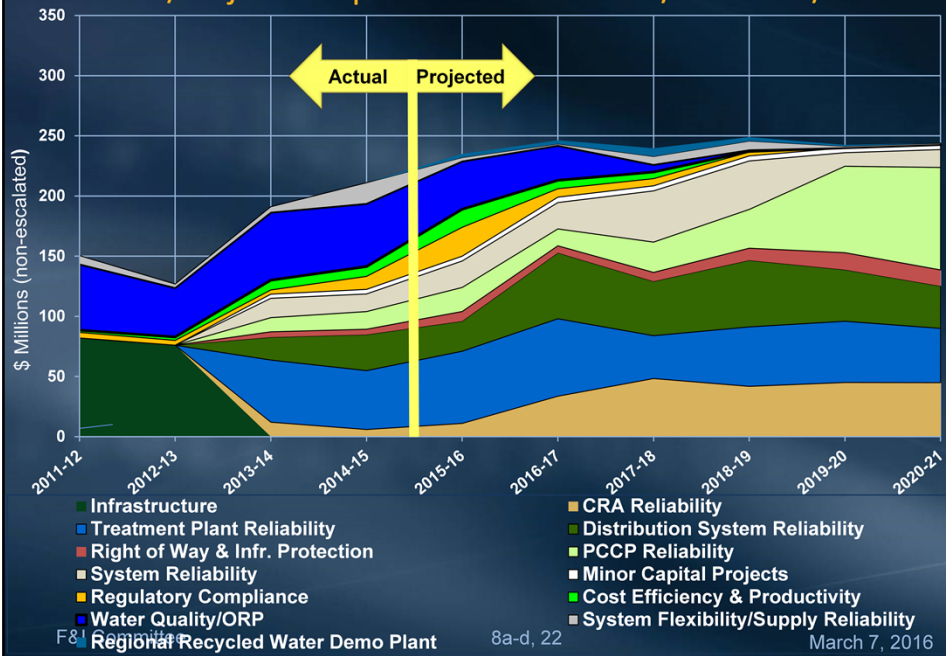


Metropolitan Water District of Southern California Annual Capital Expenditures

(adjusted to current value)



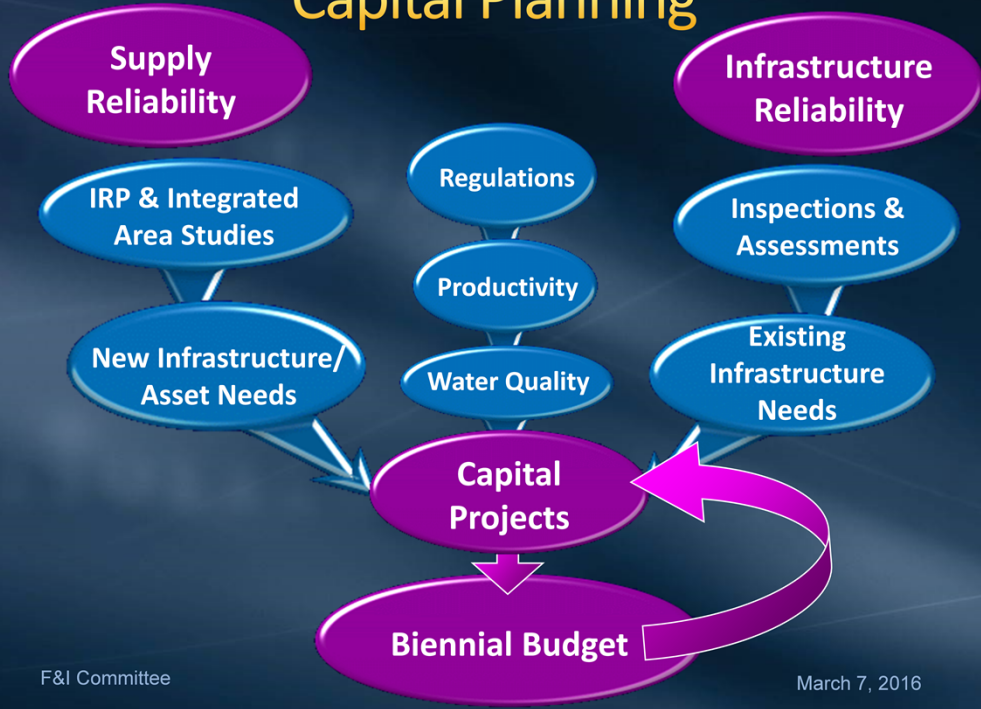
Capital Investment Plan Actual/Projected Expenditure Profile 2011/12 – 2020/21



CIP Budgeting Schedule

Month	Activity
June	Update/Revise evaluation criteria
July/August	Site Visits – Treat. Plants, CRA, Distribution System
August - December	Submit Project Proposals
September - December	Evaluations conducted Update Schedules/Forecasts
November	Review w/PM's
November/December	Review w/ESG/WSO/BTG Update to CIP Steering Committee
January	Finalize project prioritization
February	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 a first cut at prioritization
- Add'l reviews by Group Mgrs./Steering Committee

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

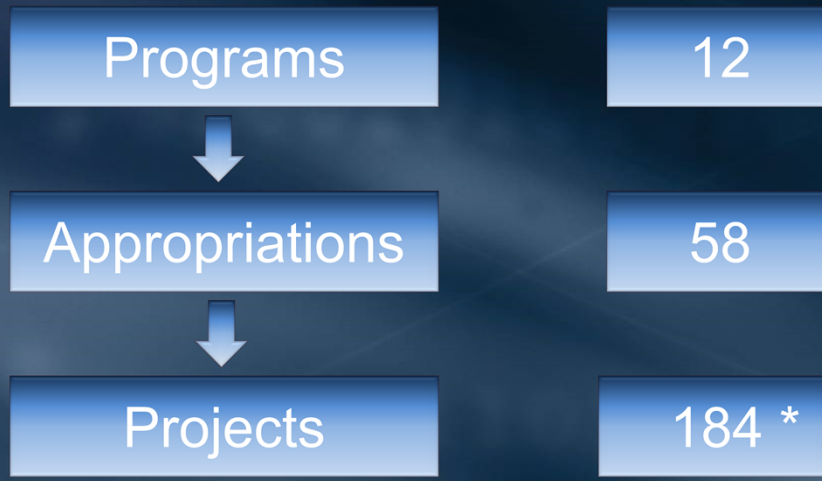
• Cost efficiency/productivity

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



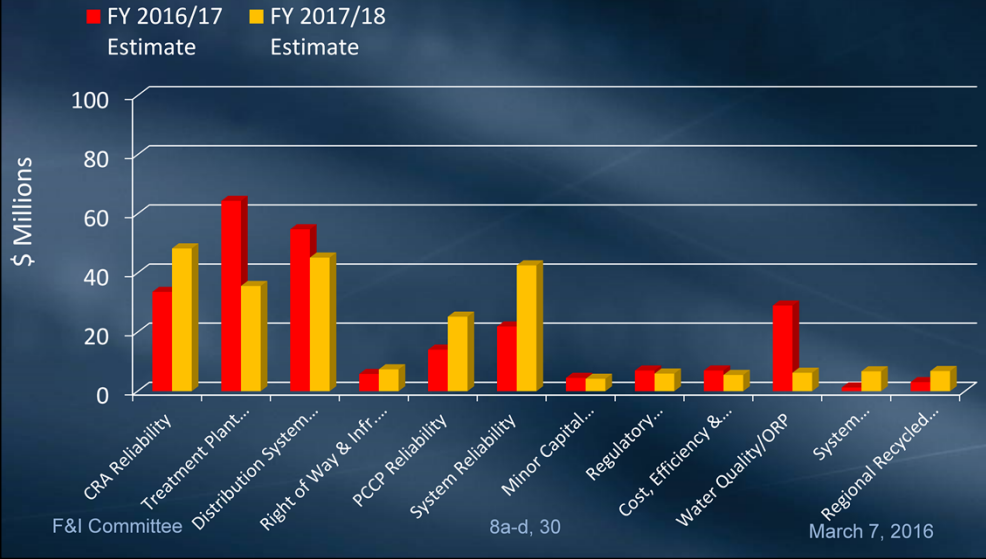
* Excluding Minor Capital Projects

Capital Programs – FY 2016/17 & 2017/18	2 - Year Estimate
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 2016/18 Capital Investment Plan

Budget by Program

16/17 Estimate - \$246.4 Million
 17/18 Estimate - \$239.7 Million



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CIP Program Highlights



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CRA Reliability – Major Projects

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

Treatment Plant Reliability – Major Projects

Project Description	2 - Year Estimate	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 Bldg. Upgrades	\$12 million	\$42 million

Distribution System Reliability – Top Projects

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

System Reliability – Major Projects

Project Description	2 - Year Estimate	Total Project Estimate (non-escalated)
Union Station Headquarters	\$ 15 million	\$ 42 million
Wadsworth Pumping Plant Control and Electrical Protection	\$ 13 million	\$ 26 million

FY 2016/17 – 17/18 CIP Summary

- Thorough and rigorous review of all projects
- Prioritized to maintain reliability and regulatory compliance
- Deferred/Staged 60 projects
- Continuing investments in Infrastructure Reliability
- Major construction efforts:
 - CRA: Sand Traps, Switch Houses, Sumps, Power Cables
 - Palos Verdes Reservoir, O.C. Feeder Lining, Etiwanda Pipeline, Sepulveda Canyon Facility Improvements
 - Weymouth Filter Rehabilitation
 - Diemer Basin Rehabilitation & Filter Bldg. Improvements

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

