



Subcommittee on Long-Term Regional Planning
Processes and Business Modeling

Business Model Discussions

Item 3b
May 30, 2024

Approved Budget: Water Rates and Charges

1.34 MAF / 0.0070% Ptax Rate / O&M Cut / New Rev

Rates & Charges Effective January 1st	Current 2024	Proposed 2025	% Increase (Decrease)	Proposed 2026	% Increase (Decrease)
Supply Rate (\$/AF)	\$332*	\$290	-13%	\$313	8%
System Access Rate (\$/AF)	\$389	\$463	19%	\$492	6%
System Power Rate (\$/AF)	\$182	\$159	-13%	\$179	13%
Treatment Surcharge (\$/AF)	\$353	\$483	37%	\$544	13%
Full Service Untreated (\$/AF)	\$903	\$912	1%	\$984	8%
Full Service Treated (\$/AF)	\$1,256	\$1,395	11%	\$1,528	10%
RTS Charge (\$M)	\$167	\$181	8%	\$188	4%
Capacity Charge (\$/cfs)	\$11,200	\$13,000	16%	\$14,500	12%
Overall Rate Increase			8.5%		8.5%

Full Service Cost means the Full Service Rate, consisting of the following rate components: the applicable Supply Rate, the System Access Rate, the System Power Rate, and if applicable the Treatment Surcharge for treated water service.

* based on Tier 1 for 2024

Treatment Surcharge

- Included in the Board action is direction to consider the treatment surcharge, including but not limited to potentially modifying the way the charge is calculated.

Most Treatment Surcharge Costs are Fixed

2025 Treatment Surcharge Revenue Requirement

	\$M
O&M less variable costs	137
Variable Treatment cost (1)	48
Capital Costs (debt service & PAYGO)	109
Operating Equipment	3
Revenue Offsets (2)	(7)
Admin. & General	28
Treatment Revenue Requirement	317

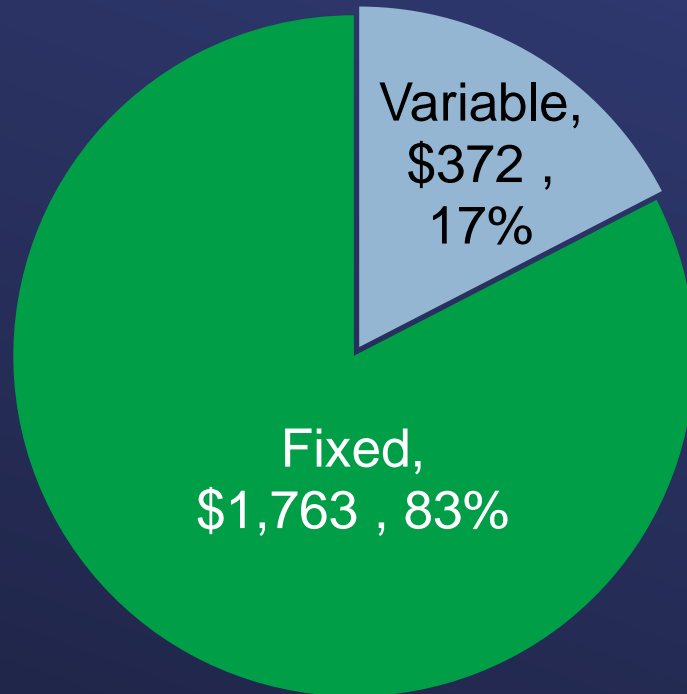
(1) chemical, power & sludge removal
(2) property tax and interest income



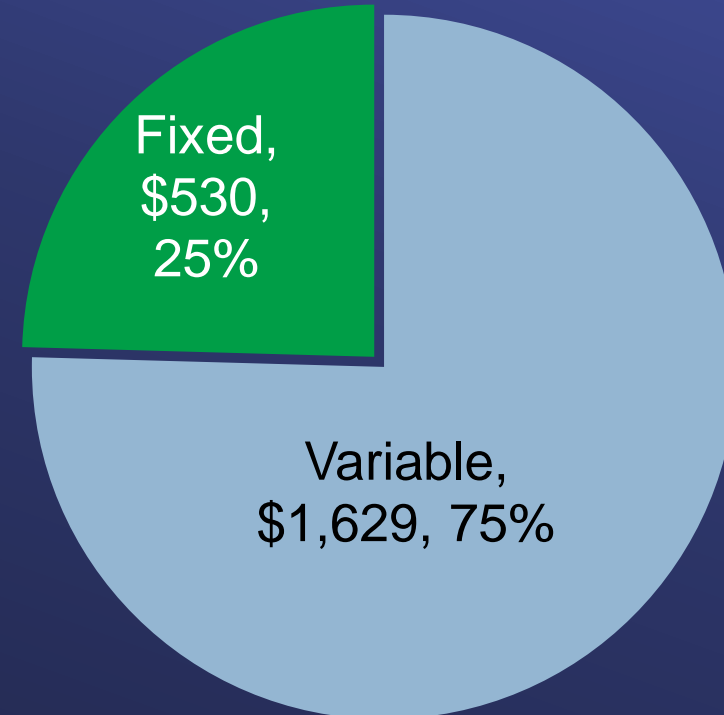
Fixed Costs vs. Variable Revenues

2024/25 Budget (\$ in Millions)

Expenditures

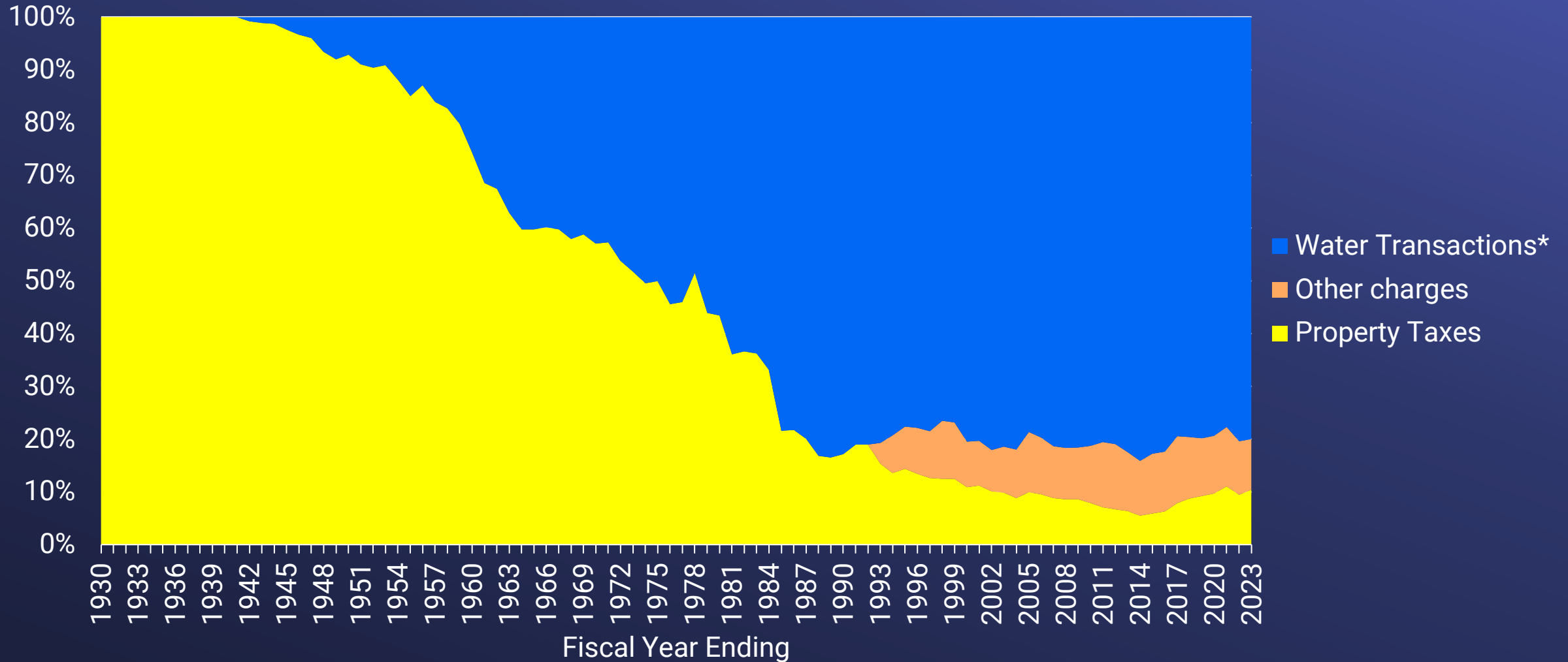


Revenues *



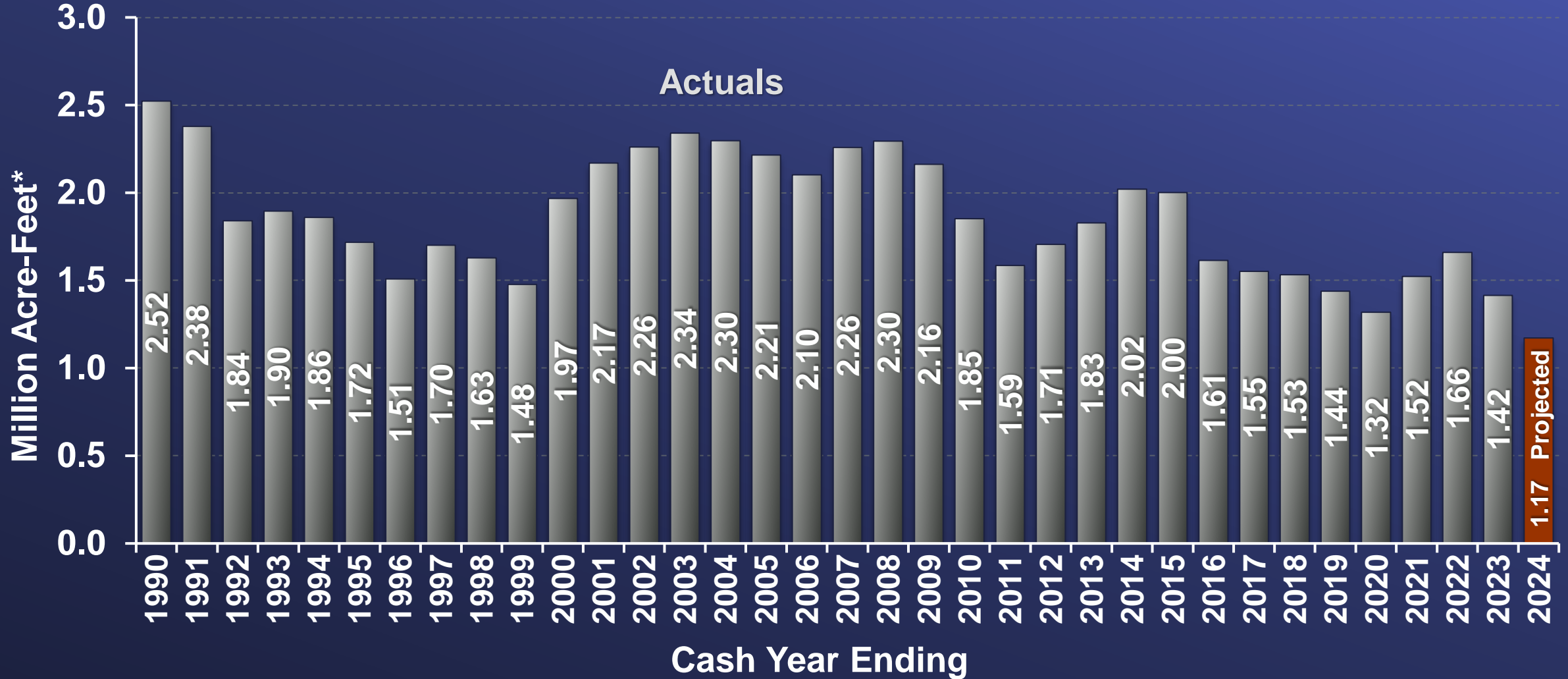
* For purposes of this presentation, variable revenues include all revenues that are dependent upon volumetric transactions over a one-year period (Sales, Wheeling and Exchanges), power sales, interest income and miscellaneous. Fixed revenues includes Readiness-to-Serve Charge, Capacity Charge, and property taxes.

Historical Revenue Sources



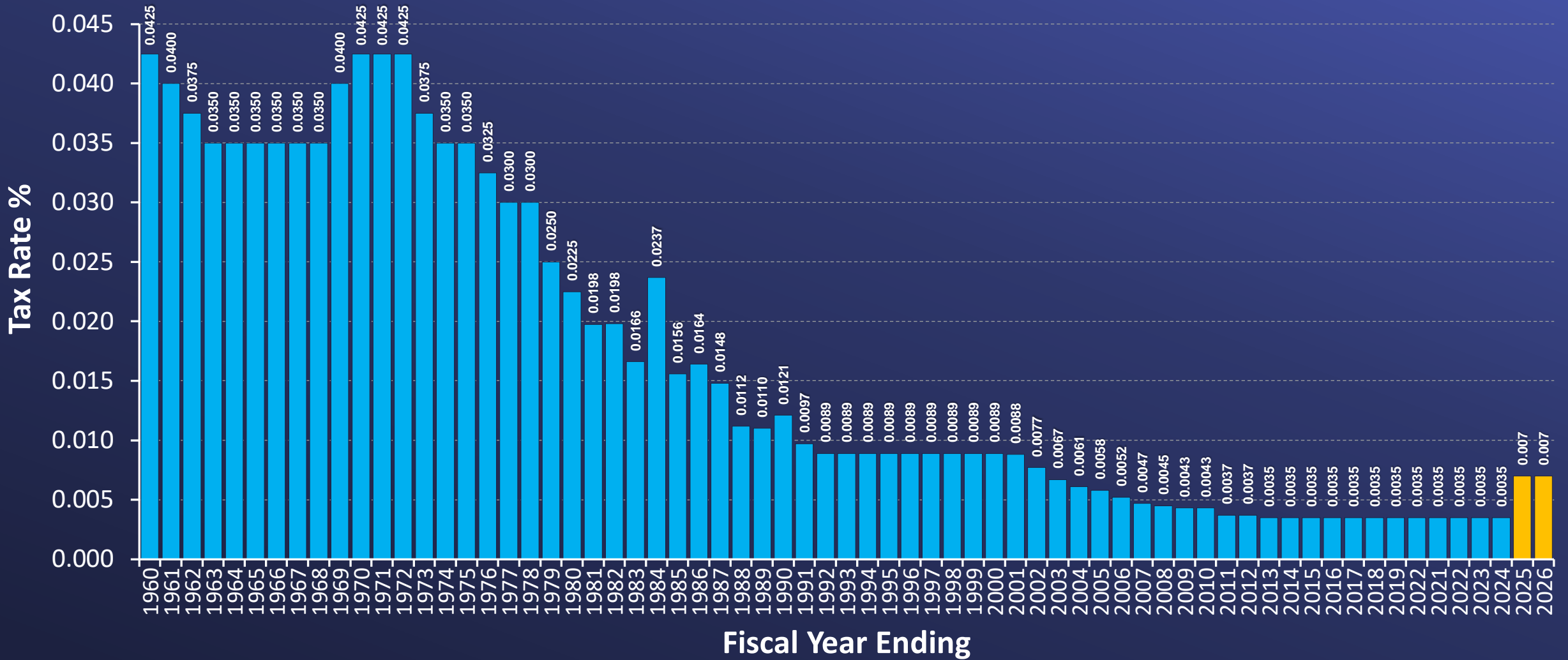
* Includes water sales, exchanges and wheeling

Metropolitan's Water Transactions

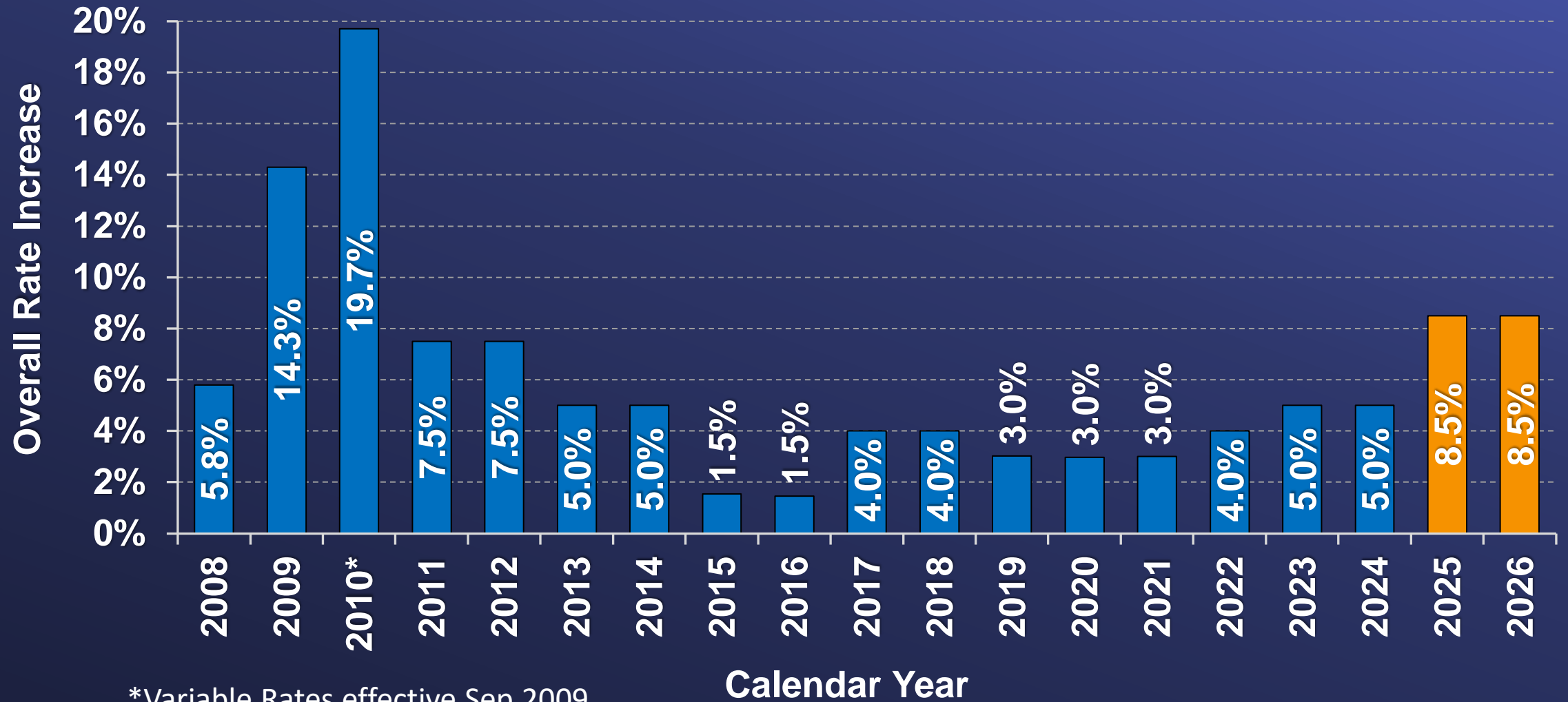


*Water Transactions for member agencies only
cash year May through April generates revenues for the fiscal year July through June

Ad-Valorem Property Tax

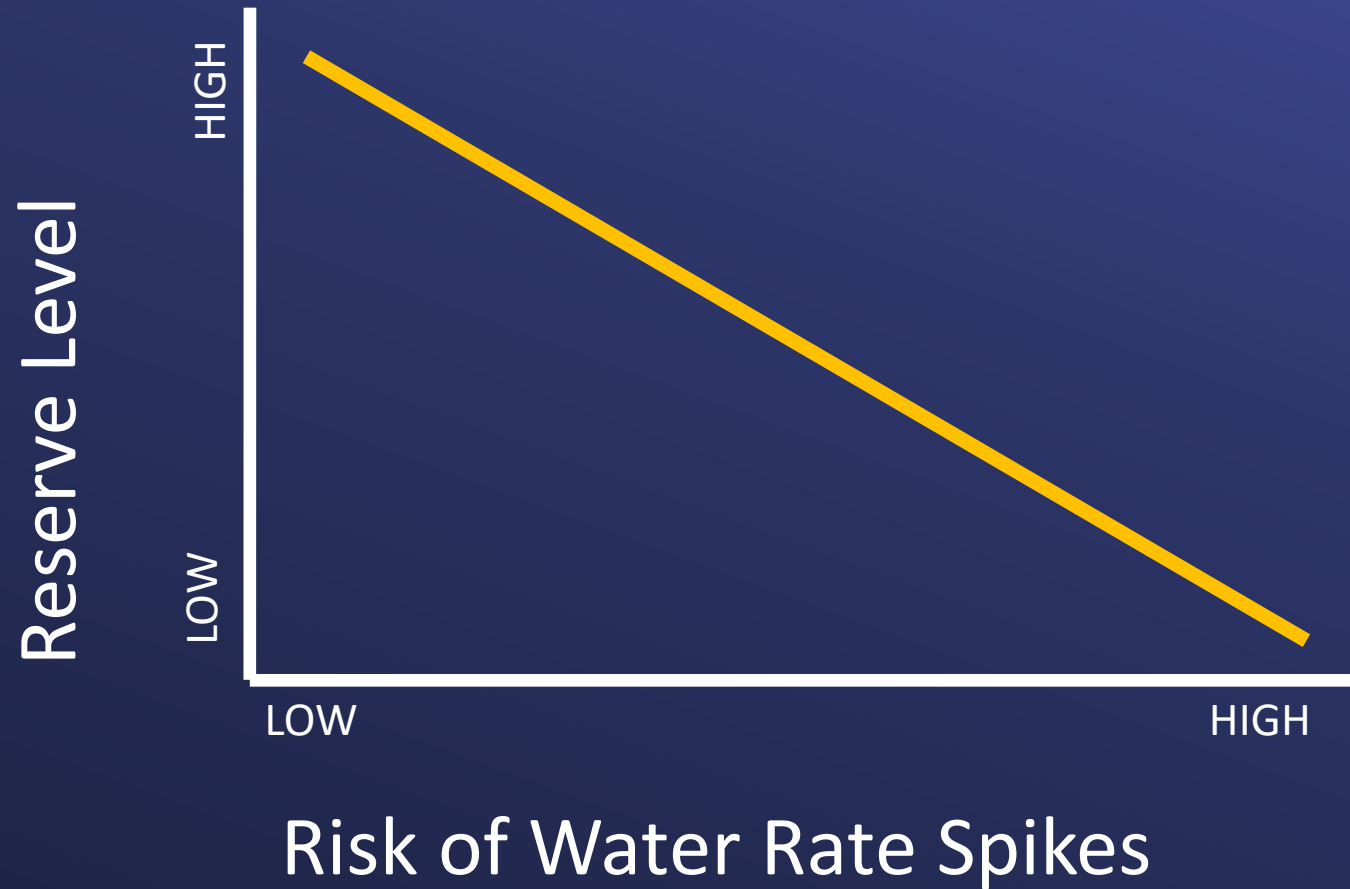


Historic Overall Rate Increases



*Variable Rates effective Sep 2009

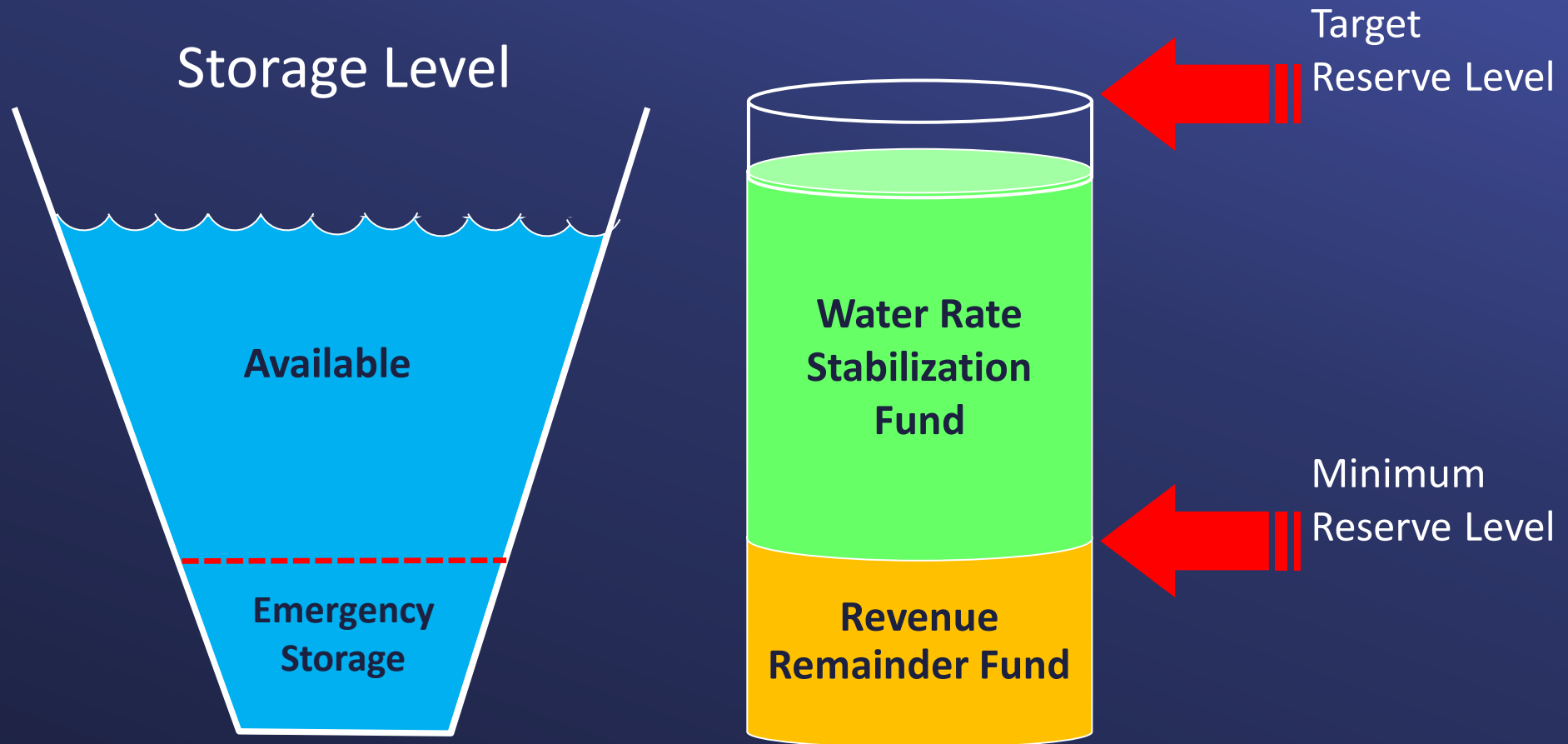
Unrestricted Reserve Level vs. Rate Spikes



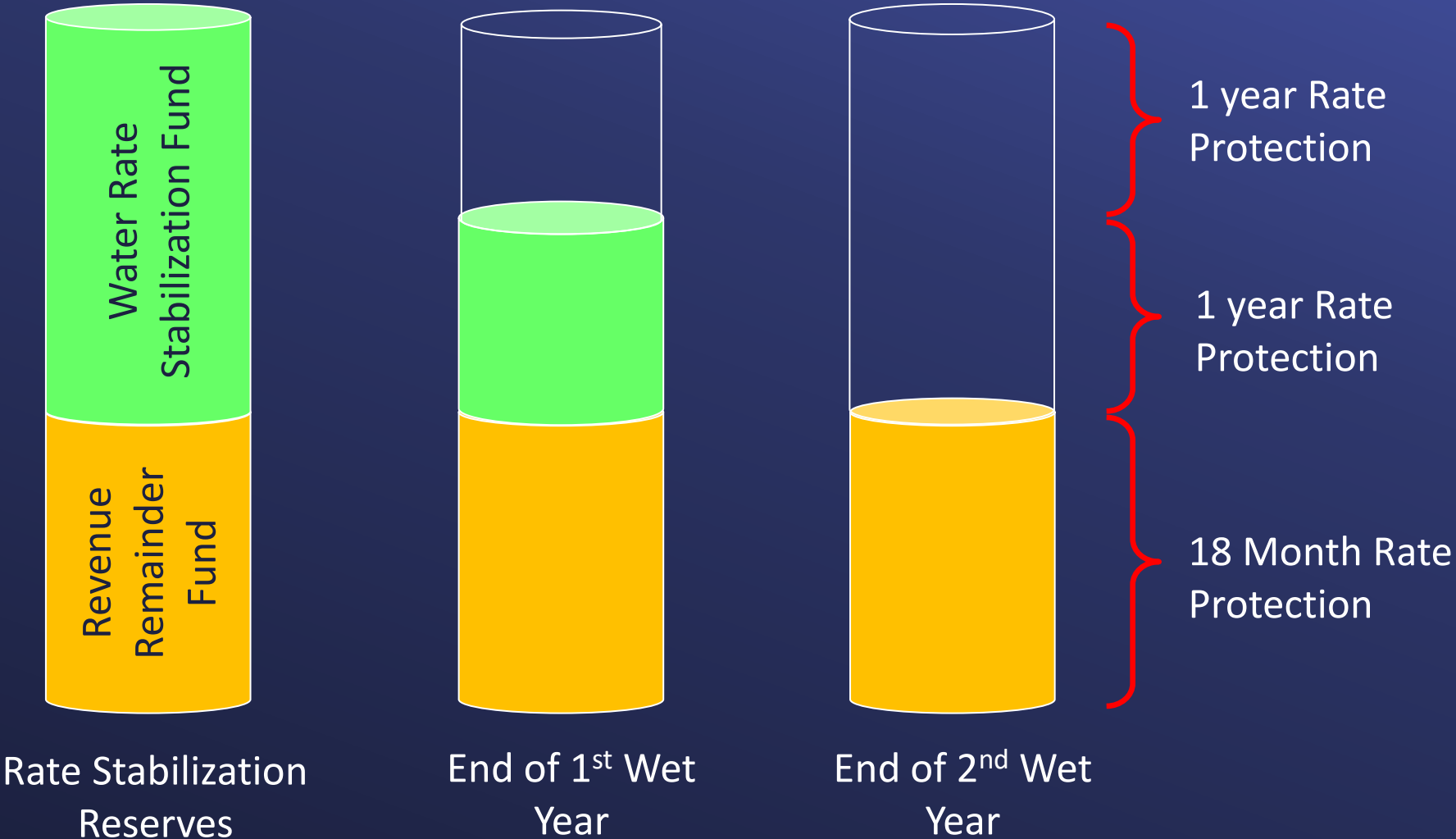
Unrestricted Reserve Fund Principles

- Current method was adopted with the 1999 Long Range Finance Plan
- MWD Administrative Code § 5202
 - Established to smooth out and/or mitigate water rate increases
 - Provides funds to cover revenue shortfall resulting from 20% reduction in water sales
 - Minimum fund level provides 18 months of rate protection
 - Target fund level provides additional 2 years of rate protection for a total of 3.5 years
 - Provide stable & predictable water rates
 - Provide stable rates for local water resource investment planning
 - MWD rate used as a benchmark

Unrestricted Reserve Fund



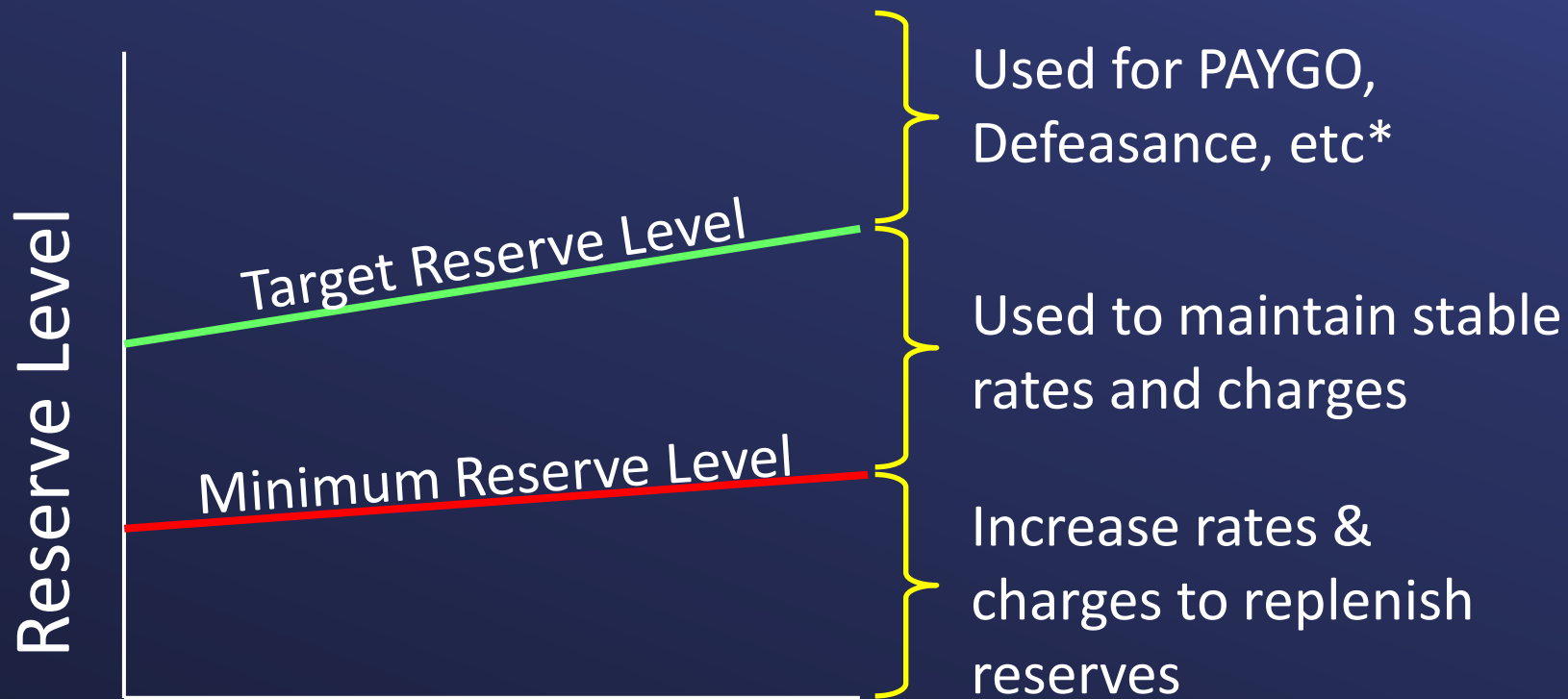
Use of Unrestricted Reserve Fund



Reserve Policy – Admin Code § 5202

Reserve Fund Principle:

Provide stable & predictable water rates



* if fixed charge coverage ratio > 1.2x

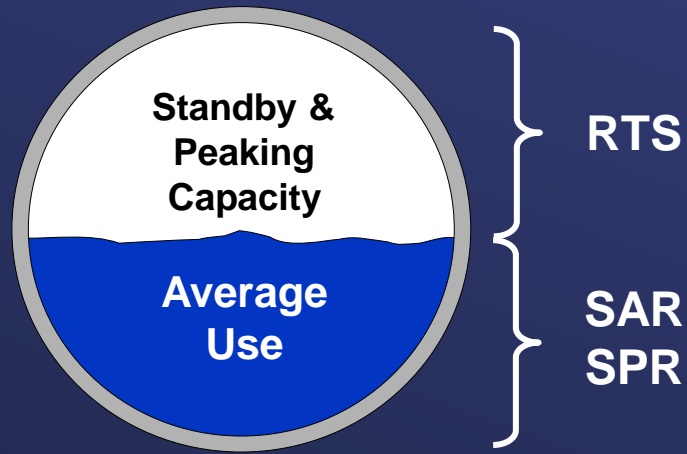
The Reserve Policy was established in 1999 to help provide stable and predictable water rates by providing a cushion to buffer rate impacts from fluctuations in water demands.

The minimum reserve level provides 18 months of rate protection from a 20% reduction in water demands.

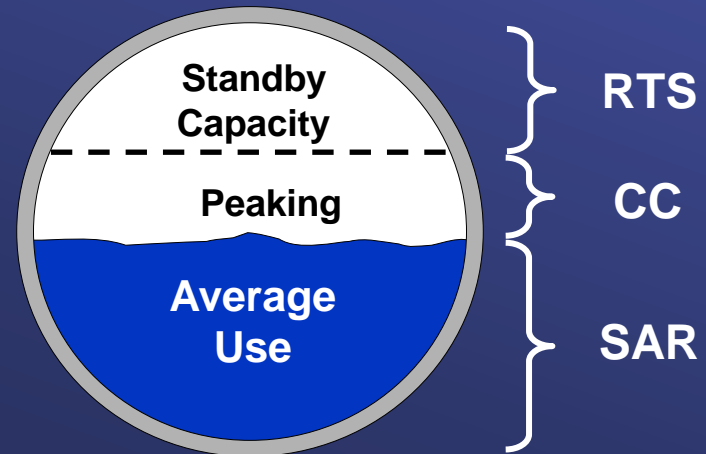
The target reserve level provides an additional 2 years of rate protection.

Metropolitan COS Allocation

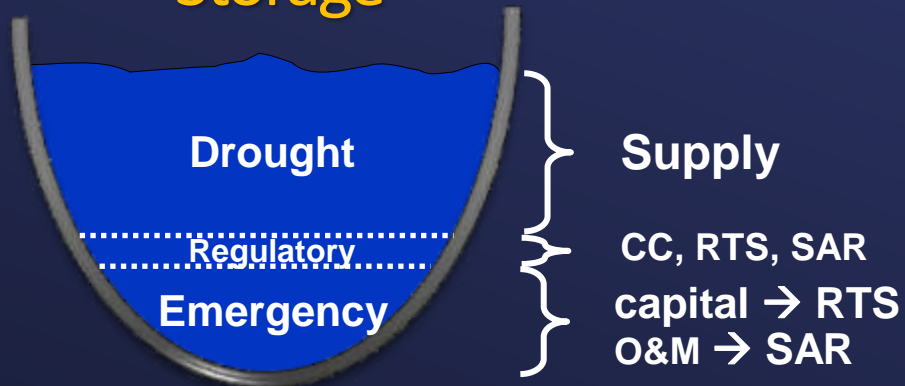
Conveyance & Aqueduct



Distribution System



Storage



Other Functions

Supply → Tier 1 Supply Rate
Treatment → TS
Demand Management → Tier 1 Supply Rate

