- **Board of Directors**
  Budget, Finance, Investment and Insurance Committee

June 13, 2006 Board Meeting

8-3

Subject

Approve Fiscal Year 2006/07 Annual Budget

Description

Water sales in fiscal year 2005/06 were significantly higher than anticipated – over 2.1 million acre-feet compared to a budget of just over 1.8 million acre-feet. This resulted in higher revenues and higher costs to deliver water on the State Water Project. Metropolitan met all demands, including replenishment and agricultural water needs. Metropolitan also met all water quality standards and continues to improve the delivery and treatment system. The Capital Investment Plan (CIP) continued, with the completion and start-up of the Ozone Retrofit at the Jensen treatment plant at the beginning of the year and work initiated at Skinner and Diemer. Scheduled shutdowns and deliveries of higher blends of State Water Project water were challenging, but successfully completed on time. Some of the other highlights for the 2005/06 fiscal year include:

- Increased dry-year supplies in storage to over 2.5 million acre-feet;
- Operated the treatment and distribution system and coordinated with member agencies to meet demands during scheduled and unplanned outages;
- Maintained 100 percent compliance with all drinking water regulations at Metropolitan's five water treatment plants and within the distribution system;
- Continued CIP construction work on the Water Treatment Plant Improvement, CRA Reliability, and Conveyance and Distribution System Reliability Programs on schedule and within budget;
- Completed the annual 2004/05 external audit and received a clean audit opinion with no material changes to financial statements;
- Received generally satisfactory or better findings in 19 of 22 internal audits of Metropolitan's administrative and operating activities;
- Maintained AA+ revenue bond rating from Standard & Poor's, AA+ rating from Fitch and Aa2 from Moody's;
- Limited the overall increase in water rates and charges to 3.4 percent;
- Continued to make progress through partnerships and working relationships to further improve the region's water supply reliability as demonstrated by progress toward executing a demonstration Lake Mead storage program and the establishment of supplement storage agreements with local groundwater basin management agencies; and
- Updated the Business Continuity Plan and conducted emergency preparedness exercises.

In the coming year and beyond, our focus will be to continue to develop a diverse water supply portfolio, including storage, conservation, local resources, seawater desalination, and transfers for operational flexibility. Further, water quality improvements, including the addition of ozone and the expansion of system and distribution treatment capacity and replacement and refurbishment of existing facilities, will be necessary to meet Metropolitan's and our member agencies' reliability and quality objectives. Metropolitan's challenge will be to meet our member agencies' and the region's water reliability and quality needs in a manner that is fiscally responsible, while limiting annual water rate increases to between 3 to 5 percent as outlined in the Long Range Finance Plan.

Abundant rainfall and snow in Northern California resulted in a 100 percent allocation of water from the State Water Project. As a result, sufficient SWP supplies are available to meet demands in 2005/06 and 2006/07. Yet, it is important that Metropolitan continue to invest in long-term reliability by making effective water supply and system improvements to meet the region's needs into the future. Although the winter of 2006 has seen less than average precipitation in Southern California, the near record rainfall from 2005 has largely alleviated the impact of the previous dry winters on the local groundwater basin levels. In addition, groundwater basin managers continued to purchase available imported supplies to replenish the basins. Continued replenishment sales partly contributed to system demands remaining surprisingly high following the near record wet conditions of 2005. Metropolitan will have supplied about 2.2 million acre-feet of water in fiscal year 2005/06.

The region continues to experience strong economic growth, adding an estimated 200,000 people to the service area population in 2005. Building permits are a good indicator of the robust economic growth in Southern California. During 2005, about 104,000 total housing unit building permits were issued in the six-county area served by Metropolitan.

To help ensure a reliable water supply funded through predictable and stable water rates, Metropolitan must continue to work creatively with its member agencies to manage the challenges of the rising cost of energy, implementing and financing the CIP, and operating and maintaining new infrastructure. To this end, capital projects were prioritized and scheduled for 2006/07 with resources applied toward critical projects. With up to 60 construction contracts and 346 active projects in 74 programs, the 2006/07 CIP expenditures are forecast to be about $561 million. The 2006/07 departmental budget is $33.8 million or 11.6 percent higher than the 2005/06 budget. This compares to an increase of 2.6 percent in 2005/06 and a flat budget in 2004/05. Thus, even with one-time increases included in this budget, the O&M budget has increased by an annual average of 4.6 percent per year. This increase is discussed more fully later in this letter and the budget summary.

PLANNING AND PERFORMANCE MEASUREMENT

The 2006/07 budget supports the General Manager's Business Plan. The GM's Business Plan focuses on four strategies that support Metropolitan's mission: (1) Partnerships and Working Relationships; (2) Water Supply and System Reliability; (3) Workforce and Asset Management; and (4) Financial Management. Each strategy is structured to support board priorities. Finally, specific initiatives are identified to advance the board priorities. A diagram summarizing the strategies and priorities is shown in Figure 1.

Performance measures are one means to monitor success in implementing the GM's Business Plan. As in past years, the 2006/07 budget includes performance measures for Metropolitan overall, as well as measures specific to each of the groups.

Figure 1. General Manager's Business Plan Structure

STRATEGIES			
PARTNERSHIPS & WORKING RELATIONSHIPS	WATER SUPPLY & SYSTEM RELIABILITY	WORKFORCE & ASSET MANAGEMENT	FINANCIAL MANAGEMENT
Board of Directors	Water Supply	Competent & Effective Workforce	Financial Clarity & Integrity
Member Agencies	System Reliability	Asset Management	Capital Market
Legislative Affairs	Capital Investment Plan	Business Processes	Deliver Water at Affordable Rates
Business Partners	Water Quality		

STRATEGIES, PRIORITIES, AND MAJOR INITIATIVES

As seen in Figure 1, Metropolitan will focus on four major strategies to meet its mission in the coming years. Significant initiatives undertaken to succeed in each of the priorities within each strategy are listed below:

1. **Partnerships and Working Relationships**

   Board of Directors: Support the business of the Board of Directors, provide technical support, conduct inspection trips, and conduct special events to foster and promote awareness and understanding.

   Member Agencies: Continue to coordinate with member agencies on key issues, including water quality, reliability, storage, operational flexibility, brackish and saline water desalination, CALFED, the Colorado River, and rates and charges; produce the annual shutdown schedule in partnership with the member agencies to mitigate impacts to customers; continue to improve communication with the member agencies and the public through effective response mechanisms and timely information; and work with member agencies on local supply issues including groundwater contamination, watershed management, conservation and emergency preparedness and planning.

   Legislative Affairs: Effectively manage local, state, and federal legislative programs and relationships, and promote state and federal water policy and legislative actions consistent with board-adopted policies.

Business Partners: Develop media strategies to manage public information programs to emphasize Metropolitan's effectiveness in long-term resource planning, water quality protection, conservation, and other water policy issues. Continue to manage and promote the Community Partnering Program, Business and Employment Outreach Programs, the conservation and California Friendly campaigns, and the Water Education Network.

2. Water Supply and System Reliability

Water Supply**:** Acquire sufficient water supply and demand management resources to satisfy dry-year demands through 2025, or as otherwise established by Integrated Resources Plan (IRP) updates. Important initiatives include planning, developing, and recommending new projects and programs consistent with the 2004 IRP Update such as water recycling, conservation, in-basin conjunctive use, and water transfers. Manage the State Water Contract (SWC) to protect contract rights, attain needed supply, be cost-effective, and provide high-quality water. Efforts will continue on the Colorado River to monitor and manage Colorado River apportionment and programs to maximize deliveries to Metropolitan. Continue to seek funding at the federal and state level to support CALFED, consistent with board-approved policy principles. Work with our member agencies on seawater desalination to acquire federal funding and initiate research to develop cost-effective supplies, and finally, develop energy management strategies, working with the member agencies.

System Reliability**:** Operate the distribution system to meet water delivery schedules; implement control system enhancements to increase automation efficiency and improve system monitoring and management; implement maintenance management improvements and maintenance plans; and be prepared for emergencies.

Capital Investment Plan: Implement the board-approved CIP including projects to mitigate the risk of infrastructure failure in an emergency; continue to work with the member agencies to identify future system improvements through the Integrated Area Studies.

Water Quality**:** Operate the treatment plants to comply with primary drinking water quality regulations; pursue Proposition 50 funding opportunities to support treatment technology projects; maintain Colorado River Basin salinity criteria and accelerate implementation of salinity control projects; continue Perchlorate Action Plan, including leadership and supporting the Member Agency Perchlorate Task Force to mitigate groundwater contamination; continue implementation of the Oxidation Retrofit Program; and implement the Treated Water Cross Connection Prevention Program.

3. Workforce and Asset Management

Competent and Effective Workforce: An important focus of 2006/07 activities will be addressing human resources needs, including recruitment processes and addressing employee relations' issues. The 2006/07 fiscal year will mark the full build-out of the apprenticeship program, additional recruitment fairs, and conducting a classification and compensation study. Continue to promote diversity and equal employment opportunities; implement effective employee communication programs; provide ongoing effective feedback and complete performance evaluations in a timely manner; and continue to implement skills development training and training on safe work practices to promote safety at all Metropolitan sites.

Asset Management: Implement the Diamond Valley Lake (DVL) Recreation Master Plan in a cost-effective manner, consistent with board-approved objectives; review real property assets for appropriate use; manage the Emergency Management Program; and efficiently manage liability and property claims program and risk assessment process.

Business Processes: Improve the efficiency and streamline the processes for delivery of Human Resources services and the administration of policies; implement business process improvements to increase organizational efficiency; and continue to implement the highest priority projects in the Information Technology Strategic Plan.

4. Financial Management

Financial Clarity and Integrity: Accurately record and report the financial activities of Metropolitan in a timely and transparent manner; effectively communicate and manage Metropolitan's budget to meet the Board's priorities, policies, and objectives; ensure adequate financial controls are utilized; and manage and refine budget and reporting processes to improve visibility of costs and improve cost control.

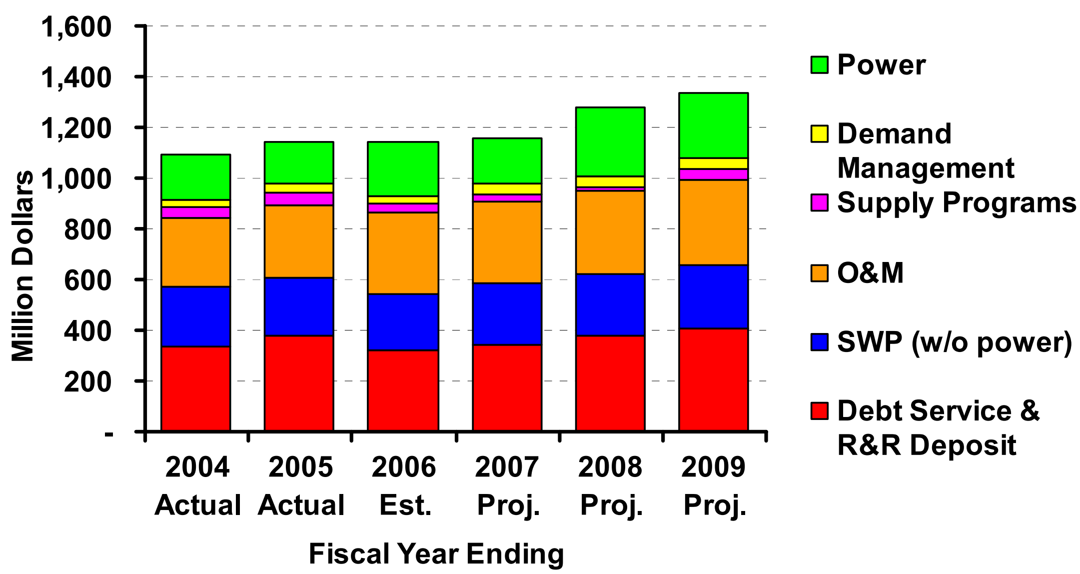
Capital Market**:** Continue to fund asset replacements and refurbishments through revenues; use asset/liability management to reduce interest rate risk and capital costs consistent with board policy; and update capital financing plans and work with rating agencies and investors to communicate financial needs and capabilities to ensure cost-effective access to capital markets.

Deliver Water at Affordable Rates**:** Manage and effectively administer rates and charges to recover costs consistent with board policy; complete the cost-of-service and rate analysis for 2007 rates; provide ad hoc financial and economic analyses in support of Metropolitan's policy and planning decisions; manage operating expenditures within the board-approved budget; and maintain the Business Outreach Program for regional and small businesses to ensure broad participation and competitive costs.

BUDGET TREND

To provide a longer-term picture of Metropolitan's costs, Figure 2 shows the major expenditure categories over the past three years, as well as the forecast for the following three years. As shown in Figure 2, from 2003/04 through 2005/06, expenditures are expected to increase by about $49.8 million, an average annual increase of about 2.2 percent (not including construction funded with bond proceeds). However, from 2005/06 through 2008/09, expenditures are forecasted to increase by about $188.8 million, or about 5.2 percent annually. The primary cost drivers from 2005/06 through 2008/09 are the need to fund the CIP, leading to additional debt service of $87.3 million, a $39.5 million increase in the cost of power on the State Water Project, and a $24.9 million increase in replacement and operating costs for the State Water Project. Other cost increases include a $16.2 million increase in O&M due to inflation and negotiated salary and benefit increases, $14.9 million for ongoing investment in local projects through the Local Resources Program and Conservation Credits Program, and a $6.1 million increase in supply program costs.

Figure 2. Six-year Expenditure Trend



2005/06 BUDGET

This letter also requests additional budget authority of $53.6 million for the current fiscal year to address budget variances due to higher SWP power costs ($28.6 million), payment of up-front costs for the PVID land fallowing program from the Water Transfer Fund originally scheduled for 2004/05 ($17 million), higher chemical costs for water treatment ($6.0 million), and settlement of labor negotiations with AFSCME Local 1902 ($2 million). Additional budget authority of $19.6 million was granted earlier in the year for the Cargill settlement ($17 million), out of budget replacement of 83 fleet vehicles ($1.6 million), and the settlement of labor negotiations with MAPA ($1 million). With this action the total appropriation for Metropolitan O&M and operating equipment, Colorado River Aqueduct power costs, SWP operations, maintenance, power, and replacement costs and SWP capital charges, demand management programs including the local resources and conservation credits program, and costs associated with supply programs will total $888.1 million, an increase of $73.2 million over the appropriation of $814.9 million adopted in June 2005. In addition, revenues are estimated to be $133.9 million higher than budgeted due to higher sales volumes and higher power and miscellaneous revenues.

USES OF FUNDS

As shown in Table 1, the total FY 2006/07 uses of funds are budgeted at $1.79 billion, an increase of $99.4 million (6 percent) from the 2005/06 budget. Total cash outlays for SWC payments, supply programs, Colorado River Aqueduct (CRA) power, debt service, demand management programs, operations and maintenance, and the CIP are budgeted at $1.64 billion. This is about $95 million (6 percent) greater than the 2005/06 budget and $110.7 million (7 percent) greater than projected. In addition, $95 million of water revenues will be deposited to the Replacement and Refurbishment fund to finance a portion of the replacements and refurbishments in the CIP. This is the same level as for 2005/06 and about 17 percent of total 2006/07 budgeted capital expenditures.

SWC costs are estimated to be about $15.3 million higher than the 2005/06 budget. Power costs on the SWP are estimated to be $159.9 million for the delivery of about 1.62 million acre-feet into the service area. Under the contract, Metropolitan is responsible for payment for 1.43 million acre-feet (Coachella Water District and Desert Water Agency are responsible for the majority of the remaining 200,000 acre-feet under terms of the exchange agreement). The estimated average cost of power is about $112 per acre-foot.

Supply programs are estimated to be $26.9 million lower than the 2005/06 budget. The decrease is due to the last of the sign-up payments for the Palo Verde Land Management, Crop Rotation, and Fallowing Program (PVID Program) occurring in 2005/06.

CRA power costs are expected to decrease $3.2 million from the 2005/06 budget for diversion of about 0.77 million acre-feet. This volume includes several supply programs, such as the PVID Program and the SDCWA/IID transfer, as well as Metropolitan's basic apportionment.

Total demand management costs are budgeted at $37.8 million and include incentive payments made under Metropolitan's Local Resources Program (LRP) of $26.8 million and $11 million for the Conservation Credits Program.

O&M costs for 2006/07 are expected to increase by about $33.8 million (11.6 percent) from the 2005/06 budget. Assuming a settlement of the ongoing labor discussions with AFSCME Local 1902 consistent with the tentative agreement, rising labor costs for the current workforce account for $9.7 million (3.3 percent) of the total increase in O&M compared to the 2005/06 budget. The remainder of the increase is due to a one-time increase for computer replacements of $8.4 million (2.9 percent), an increase in chemicals, solids, and power costs for higher treated water deliveries of $4.9 million (1.7 percent), and an increase of $3.4 million (1.2 percent) for outside services. An increase in professional services of about $1.6 million is included in the $3.4 million increase in outside services. Additional professional services are needed to support CALFED regulatory compliance and Bay-Delta emergency planning, administration of the PVID Program, and support for investments in conservation. The addition of 34 regular full-time positions in O&M, 31 of which are required for maintenance of new infrastructure, will add about $2 million (0.7 percent). Operating equipment will increase by $1.8 million (0.6 percent) to augment emergency response capability through the purchase of additional heavy equipment.

The total personnel complement for 2006/07 is 2,070 positions, increasing 44 positions from the 2005/06 budget. The change in total personnel primarily reflects an increase of 25 full-time regular positions to aid in the delivery of capital projects on schedule and on budget and the addition of 31 maintenance craft positions to meet the increasing maintenance workload of new facilities, partially offset by a reduction of 15 temporary positions. The 25 regular full-time positions in the capital program will reduce professional service contracts by about $5.5 million in 2006/07.

The 2006/07 CIP is $561.3 million, or $55 million higher than the 2005/06 budget. The CIP includes 346 active projects in 74 programs and 60 major construction contracts. Major expenditures include: treatment plant improvements ($235.9 million) including the Oxidation Retrofit Program ($133.9 million), the Skinner Treatment Plant Expansion Project ($19.3 million) and other treatment plant improvement programs ($82.7 million); Perris Valley Pipeline ($51.5 million), replacement and refurbishment projects ($167.9 million); the Inland Feeder Project ($51.8 million); DVL recreation ($13.4 million); and the North Reach of San Diego Pipeline No. 6 ($9.2 million).

SOURCES OF FUNDS

As shown in Table 1, 2006/07 sources of funds will total $1.79 billion. This includes receipts of $1.5 billion, with water sales receipts of $848.2 million accounting for 56 percent of receipts. These receipts are based on projected water sales of 2.16 million acre-feet and include the board-approved increase in rates and charges of about 3.4 percent, effective January 1, 2007. Other revenues include readiness-to-serve charge revenues of $80 million, revenues from the capacity charge of $32.6 million, and tax and annexation revenues of about $95.8 million. Although interest rates have risen recently, interest earnings are expected to be about $4.6 million lower than the 2005/06 budget due to a reduction in fund balances in the Water Rate Stabilization Fund, Water Transfer Fund and Refurbishment and Replacement Fund. Power and other miscellaneous receipts are expected to generate about $29.3 million.

Capital projects will be funded from a combination of bond proceeds and revenues. Fund withdrawals from the Refurbishment and Replacement and General Fund will provide $165.1 million. In addition, bond proceeds will provide about $381.8 million toward the CIP. Consistent with the prior year plans to gradually draw down the Water Transfer Fund, $20 million in supply program costs will be funded from the WTF. In addition, about $79.1 million will be drawn from the Water Rate Stabilization Fund to offset the need for greater rate increases.

The revenue bond debt service coverage ratio is forecasted to be 1.8 times in 2006/07. This is lower than the target of 2 times revenue bond debt service. The fixed charge coverage is expected to be at the 1.2 target.

Table 1. 2005/06 Annual Budget Uses and Sources of Funds – Cash Basis (Dollars in Millions)

				2006/07 Budget vs.	
	2005/06 Budget	2005/06 Projected	2006/07 Budget	2005/06 Budget	2005/06 Projected
USES OF FUNDS					
Expenditures					
State Water Contract	380.6	406.4	395.9	15.3	(10.5)
Supply Programs	79.8	97.0	52.9	(26.9)	(44.2)
Colorado River Power	25.1	26.7	21.9	(3.2)	(4.8)
Debt Service	228.6	228.1	251.3	22.8	23.2
Demand Management	39.4	31.7	37.8	(1.6)	6.1
Departmental O&M (1)	246.5	255.7	264.3	17.8	8.6
Treatment Chemicals, Solids & Power	31.5	38.8	36.4	4.9	(2.4)
Other O&M	12.0	27.5	23.0	11.0	(4.5)
Sub-total Expenditures	**1,043.4**	**1,112.0**	**1,083.4**	**40.0**	**(28.6)**
Capital Investment Plan	**506.3**	**422.0**	**561.3**	**55.0**	**139.3**
Fund Deposits					
R&R and General Fund	95.0	95.0	95.0	-	-
Revenue Bond Construction	-	-	-	-	-
Water Stewardship Fund	-	14.5	2.1	2.1	(12.4)
Interest for Construction & Trust Funds	8.2	9.1	3.8	(4.4)	(5.3)
Increase in Required Reserves	41.3	19.3	48.0	6.8	28.8
Increase in Rate Stabilization Fund	-	-	-	-	-
Sub-total Fund Deposits	**144.5**	**137.9**	**148.9**	**4.4**	**11.0**
TOTAL USES OF FUNDS	**1,694.2**	**1,671.9**	**1,793.6**	**99.4**	**121.8**
SOURCES OF FUNDS					
Receipts					
Taxes	94.7	99.7	94.3	(0.4)	(5.4)
Annexations	1.5	1.5	1.5	-	-
Interest Income	40.2	39.7	35.6	(4.6)	(4.1)
Hydro Power	15.7	29.4	23.0	7.3	(6.4)
Fixed Charges (RTS & Capacity Charge)	112.4	110.9	112.6	0.2	1.7
Water Sales Revenue	734.0	833.2	848.2	114.3	15.0
Miscellaneous Revenue	6.1	24.1	6.2	0.1	(17.9)
Bond Proceeds	117.7	11.2	381.8	264.2	370.6
Sub-total Receipts	**1,122.3**	**1,149.7**	**1,503.3**	**381.0**	**353.6**
Fund Withdrawals					
Water Transfer Fund	63.5	62.2	20.0	(43.5)	(42.2)
R&R and General Fund	95.0	120.0	165.1	70.1	45.1
Bond Funds for Construction	296.0	302.0	26.1	(269.9)	(275.9)
Water Stewardship Fund	4.1	-	-	(4.1)	-
Decrease in Required Reserves	-	-	-	-	-
Decrease in Rate Stabilization Fund	113.3	38.0	79.1	(34.2)	41.2
Sub-total Fund Withdrawals	**571.9**	**522.1**	**290.3**	**(281.6)**	**(231.8)**
TOTAL SOURCES OF FUNDS	**1,694.2**	**1,671.9**	**1,793.6**	**99.4**	**121.8**

Totals may not foot due to rounding.

(1) By separate actions on March 14, 2006 and April 11, 2006, the Board amended the 2005/06 budget to authorize expenditures of $0.96 million for the MAPA Memorandum of Understanding and $16.9 million for the O&M budget as part of the settlement of the Cargill litigation. These amounts are reflected in the projected expenditures but not in the 2005/06 budget.

RESERVES

The maximum reserve level target for the Water Rate Stabilization and Revenue Remainder funds on June 30, 2007 is estimated to be about $411.1 million. Based on projected receipts and expenditures, it is estimated that the total balance in the Water Rate Stabilization and Revenue Remainder funds will be about $232.5 million on June 30, 2007, about $68 million over the minimum reserve level of $164.5 million. Total reserves are estimated to be $883 million on June 30, 2007.

GASB 45 FUNDING

Government Accounting Standards Board Statement No. 45 (GASB 45), "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions" changes the current practice of accounting for other post-employment benefits (OPEB) from a pay-as-you-go cash basis to an accrual basis. As such, the cost of OPEB, like the costs of pension benefits, will be recorded in the periods they are earned, rather than in the periods when they are paid. Since Metropolitan does not provide other post-employment benefits such as vision, hearing, dental, life insurance or disability benefits, OPEB for Metropolitan consists only of medical benefits for retirees.

In April 2006, the Board was provided a presentation showing Metropolitan's estimated unfunded OPEB liability at $310 million as of January 1, 2005. Staff further reported that it would work with the Budget, Finance, Investment, and Insurance Committee to evaluate various funding options for the Board's consideration. Under GASB 45, funding the OPEB obligation may continue on a pay-as-you-go basis and is reflected as such in this budget.

Attachment 1, Fiscal Year 2006/07 Budget Summary, discusses the sources of funds including receipts and fund withdrawals and uses of funds including expenditures and fund deposits.

Policy

Metropolitan Water District Administrative Code Section 5107: Annual Budget

California Environmental Quality Act (CEQA)

CEQA determination for Options #1 and #2:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves other government fiscal activities, which do not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is not subject to CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and

a. Approve the Fiscal Year 2006/07 Annual Budget;
b. Appropriate $832.2 million for the projected annual cash outlays for Metropolitan O&M and operating equipment, power costs on the Colorado River Aqueduct, SWP operations, maintenance, power and replacement costs and SWP capital charges; demand management programs including the local resources and conservation credits program; and costs associated with supply programs paid from the Water Transfer Fund;
c. Appropriate as continuing appropriations, $251.3 million for 2006/07 debt service on Metropolitan general obligation and revenue bonds;
d. Authorize the use of $95 million in operating revenues to fund Replacement and Refurbishment and General Fund construction; and

e. Appropriate $53.6 million for increases in fiscal year 2005/06 expenditures for Metropolitan O&M, SWP power costs, and costs associated with supply programs.

Fiscal Impact: $1.23 billion

Option #2

Adopt the CEQA determination and approve the Fiscal Year 2006/07 Annual Budget with changes as recommended by the Board.

Fiscal Impact: Impact depends on adopted changes.

Staff Recommendation

Option #1

Brian G. Thomas 5/30/2006

Brian G. Thomas *Date*
Chief Financial Officer

Jeffrey Kightlinger 5/30/2005

Jeffrey Kightlinger *Date*
General Manager

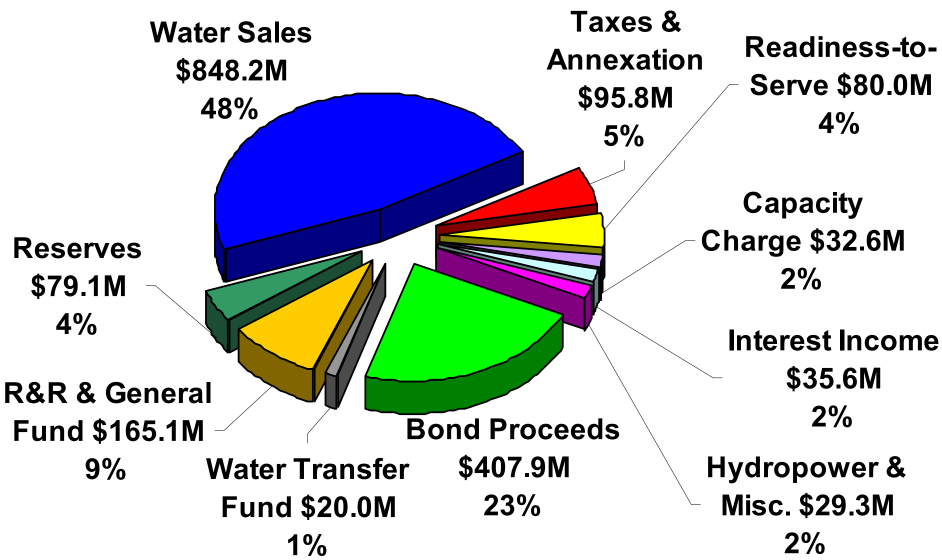
Attachment 1 – Fiscal Year 2006/07 Budget Summary

BLA #4099

Fiscal Year 2006/07 Budget Summary

The annual budget includes a discussion of cash basis sources and uses of funds. The budget is developed and monitored on a cash basis. This means that revenues and expenses are recognized when cash is received and cash is paid. Accrual basis accounting records recognize revenues and expenses in the period they are earned and incurred regardless of whether cash has been received or disbursed. A pro forma statement of operations is prepared on an accrual basis and included as Appendix 1 for reference.

Figure 3. 2006/07 Sources of Funds



SOURCES OF FUNDS

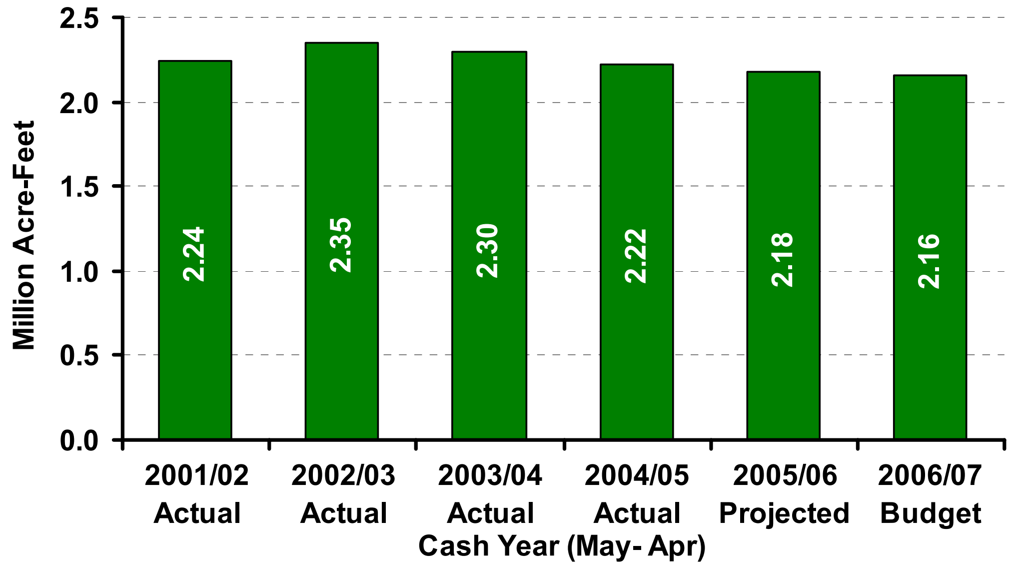
Estimated receipts from water sales, readiness-to-serve charge, capacity charge, taxes, annexation fees, interest, power recoveries, and other miscellaneous income are projected to be $1.12 billion for fiscal year 2006/07 and constitute the major revenue sources for Metropolitan. This is $116.8 million more than the 2005/06 budget and about $17 million less than projected for 2005/06. The increase in revenues is due to higher expected water sales in addition to the 2007 water rate increase. Figure 3 graphically depicts the major sources of funds. Summaries of sources and uses of funds are shown in Tables 7 and 8. A description of each revenue source is included in the Glossary of Terms.

Water Sales

Water sales receipts are budgeted at $848.2 million and are based on rates and charges adopted by the Board for calendar years 2006 and 2007, as shown in Table 2.

The 2007 rates shown in Table 2 reflect a $25 per AF increase in the treatment surcharge. These rates reflect Metropolitan's cost of service. The overall effect of these changes is an average rate increase of approximately 3.4 percent.

Figure 4. Five-Year Trend of Water Sales



Water sales for 2006/07 are estimated to be 2.16 MAF during the May through April period (cash year). Sales estimates are developed from member agency input.

The 2006/07 cash year water sales include 1.73 MAF of firm sales, 0.26 MAF of replenishment sales, 0.12 MAF of agricultural sales, and 0.05 MAF of exchanges under the San Diego County Water Authority (SDCWA) Exchange Agreement for the SDCWA/Imperial Irrigation District (IID) transfer. Treated sales are estimated to be 1.38 MAF or 64 percent of total sales. Figure 4 shows the five-year trend of water sales.

Taxes and Annexation Fees

Revenues from taxes and annexation fees, which will be used to pay voter-approved debt service on general obligation bonds and a portion of the capital costs of the SWC, are estimated to be $94.3 million.

Capacity and Readiness-to-Serve Charges

The Capacity Charge and Readiness-to-Serve Charge for 2006/07 is estimated to generate $112.6 million or substantially the same amount as the 2005/06 budget.

Other Revenue

Interest earnings are estimated to total $35.6 million, including trust accounts and construction funds. Receipts from hydroelectric and CRA power sales are estimated to be $23 million, higher by $7.3 million due to projected higher water demands.

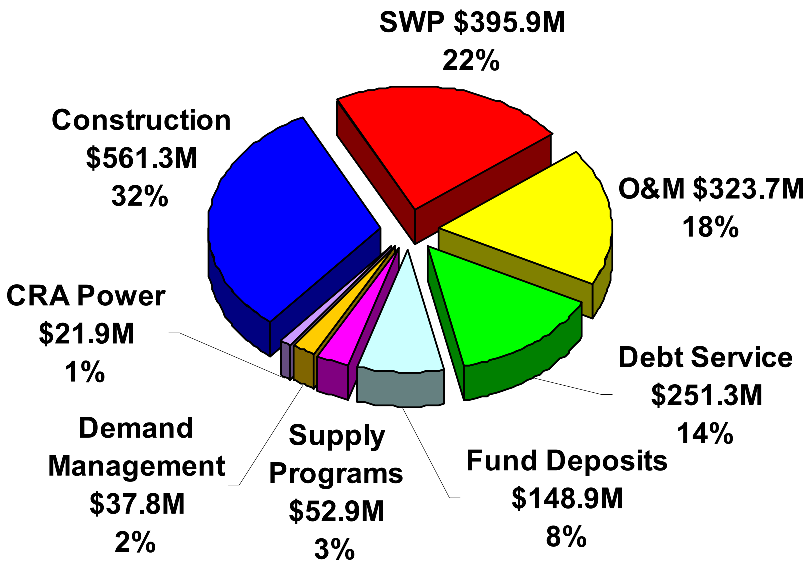
Other Sources

Bond proceeds are estimated to yield $381.8 million, of which $11.7 million will be used to increase the Revenue Reserve Fund, and $370.1 million will be used to fund the CIP. The remaining CIP funding requirements will be met from existing bond funds ($26.1 million), R&R fund balance ($70.1 million) and current operating funds ($95 million from R&R and General Fund). In 2006/07, a total of $1.79 billion will be available for expenditures and other obligations.

Table 2. 2006/07 Water Rates and Charges

	Effective January 1, 2006	Effective January 1, 2007
Tier 1 Supply Rate ($/AF)	$73	$73
Tier 2 Supply Rate ($/AF)	$169	$169
System Access Rate ($/AF)	$152	$143
Water Stewardship Rate ($/AF)	$25	$25
System Power Rate ($/AF)	$81	$90
Full Service Untreated Volumetric Cost ($/AF)		
Tier 1	$331	$331
Tier 2	$427	$427
Replenishment Water Rate Untreated ($/AF)	$238	$238
Interim Agricultural Water Program Untreated ($/AF)	$241	$241
Treatment Surcharge ($/AF)	$122	$147
Full Service Treated Volumetric Cost ($/AF)		
Tier 1	$453	$478
Tier 2	$549	$574
Treated Replenishment Water Rate ($/AF)	$335	$360
Treated Interim Agricultural Water Program ($/AF)	$339	$364
Readiness-to-Serve Charge ($M)	$80	$80
Capacity Charge ($/cfs)	$6,800	$6,800

Figure 5. 2006/07 Uses of Funds



USES OF FUNDS

Total uses of funds are $1.79 billion. Figure 5 shows the breakdown of expenditures and other obligations that make up the Uses of Funds for 2006/07.

Colorado River Aqueduct Power

CRA power costs are projected to be $21.9 million based on pumping 767 thousand acre-feet (TAF) at Whitsett Intake Pumping Plant. This is $3.2 million less than the 2005/06 budget and $4.8 million less than the 2005/06 projection, which includes the diversion of 943 TAF.

State Water Contract

SWC expenditures of $395.9 million are budgeted to be $15.3 million more than the current year's budget and $10.2 million less than 2005/06 projected.

SWC power costs are expected to be about $159.9 million or $27.8 million more than the projected 2005/06 power costs and include the cost for pumping about 1.62 million acre-feet. About 191,000 acre-feet are for the DWCV exchange, DWCV transfer, and San Bernardino Transfer. The average unit cost of SWC power is expected to be about $112 per acre-foot.

Minimum operations, maintenance, power, and replacement charges are $5.7 million higher than projected in 2005/06. Capital charges are expected to be $11.6 million more than the 2005/06 projection.

Demand Management Costs

Metropolitan provides financial assistance to its member agencies for the development of local water recycling and groundwater recovery projects through the LRP. Metropolitan also provides financial assistance for the development of conservation programs through the Conservation Credits Program (CCP).

As part of the LRP, Metropolitan has entered into agreements to provide financial assistance to 62 water-recycling projects. Forty-six of these projects are in operation and the remaining 12 projects are under design or construction. Recycling projects that receive Metropolitan contributions are expected to produce 94,000 acre-feet of recycled water, principally for landscape irrigation, groundwater recharge, and industrial uses. In 2006/07, Metropolitan is expected to spend $16.9 million on these efforts.

Metropolitan also has also entered into agreements to provide financial assistance to 24 projects to recover contaminated groundwater. Eighteen of these groundwater recovery projects are in operation and are expected to produce about 53,000 acre-feet in 2006/07 at a cost to Metropolitan of $9.9 million.

The CCP provides financial assistance to local agencies for conservation programs. The 2006/07 Budget contains $11 million for the CCP to provide funding for commercial, industrial, and landscape conservation. In addition, Metropolitan has a public outreach campaign that shifts the focus of water conservation from inside the home to outdoor water use, which accounts for the majority of residential water use.

Operations and Maintenance

The 2006/07 O&M budget, including operating equipment purchases, is estimated to be $323.6 million. This is $33.8 million more than the current year budget of $289.9 million or an increase of 11.6 percent. This is considerably higher than the rolling average of regional inflation of 3.2 percent for the five years ending July 31, 2005; however, a significant amount of the increase is due to one-time increase in activity and effort as discussed earlier.

Since 2003/04, the O&M budget has increased by $41 million, or an annual average increase of 4.6 percent.

Labor costs, not including those charged to construction, are $204.5 million, which is $14.1 million, or 7.4 percent higher than the 2005/06 budget of $190.3 million. Pending the outcome of ongoing labor agreement discussions, this budget includes funds for an increase in base salaries for all bargaining units.

A summary of the 2006/07 O&M budget is shown in Table 3, which shows that the total departmental budget increased 11.6 percent compared with the 2005/06 budget.

A detailed departmental budget for each group is included in the 2006/07 Departmental Budget book. Figure 6 provides the distribution of departmental O&M by organization. The Water System Operations Group (WSO) accounts for 55 percent of the total departmental budget. Figure 7 summarizes the total departmental budget by expenditure type, of which 62 percent is for salaries and benefits.

Table 3. 2006/07 Operations & Maintenance Annual budget (dollars)

Departmental Units	2005/06 Budget	2005/06 Projected	2006/07 Budget	Change: 2006/07 to 2005/06 Budget	%	2006/07 to 2005/06 Projected	%
Office of the General Manager	$ 5,577,900	$ 5,864,100	$ 6,544,300	$ 966,400	17.3%	$ 680,200	11.6%
Water System Operations	162,781,500	175,008,800	173,552,900	10,771,400	6.6%	(1,455,900)	(0.8%)
Water Resource Management	15,977,200	17,469,100	18,317,800	2,340,600	14.6%	848,700	4.9%
Corporate Resources	61,100,600	63,666,400	65,179,000	4,078,400	6.7%	1,512,600	2.4%
External Affairs	15,823,000	16,189,000	17,026,000	1,203,000	7.6%	837,000	5.2%
Office of the Chief Financial Officer	8,736,600	9,196,700	9,403,400	666,800	7.6%	206,700	2.2%
Human Resources	8,407,500	9,278,500	10,250,100	1,842,600	21.9%	971,600	10.5%
Real Property Development & Mgmt	4,795,500	3,699,700	5,167,300	371,800	7.8%	1,467,600	39.7%
Subtotal - General Manager's Dep.	**283,199,800**	**300,372,300**	**305,440,800**	**22,241,000**	**7.9%**	**5,068,500**	**1.7%**
General Counsel	9,582,600	9,507,700	9,966,100	383,500	4.0%	458,400	4.8%
Audit	2,629,700	2,328,100	2,768,100	138,400	5.3%	440,000	18.9%
Ethics Office	497,700	516,000	617,900	120,200	24.2%	101,900	19.7%
Overhead Credit from Construction	(17,919,900)	(18,289,500)	(18,134,600)	(214,700)	1.2%	154,900	(0.8%)
Total Departmental Budget	**277,989,900**	**294,434,600**	**300,658,300**	**22,668,400**	**8.2%**	**6,223,700**	**2.1%**
Other O&M							
Cargill Settlement	-	16,956,000	-	-	NA	(16,956,000)	(100.0%)
PC Replacement	-	-	8,400,000	8,400,000	NA	8,400,000	NA
Association Dues	1,650,000	1,993,400	2,190,900	540,900	32.8%	197,500	9.9%
Contingency	2,945,000	-	3,237,000	292,000	9.9%	3,237,000	NA
Leases	422,000	449,700	421,000	(1,000)	(0.2%)	(28,700)	(6.4%)
Property Tax	505,000	477,000	480,000	(25,000)	(5.0%)	3,000	0.6%
Subtotal - Other	**5,522,000**	**19,876,100**	**14,728,900**	**9,206,900**	**166.7%**	**(5,147,200)**	**(25.9%)**
TOTAL OPERATIONS & MAINTENANCE	**283,511,900**	**314,310,700**	**315,387,200**	**31,875,300**	**11.2%**	**1,076,500**	**0.3%**
Operating Equipment	6,437,200	7,667,900	8,275,200	1,838,000	28.6%	607,300	7.9%
GRAND TOTAL	**$ 289,949,100**	**$ 321,978,600**	**$ 323,662,400**	**$ 33,713,300**	**11.6%**	**$ 1,683,800**	**0.5%**

Figure 6. 2006/07 Departmental Budget by Organization (without overhead credit)

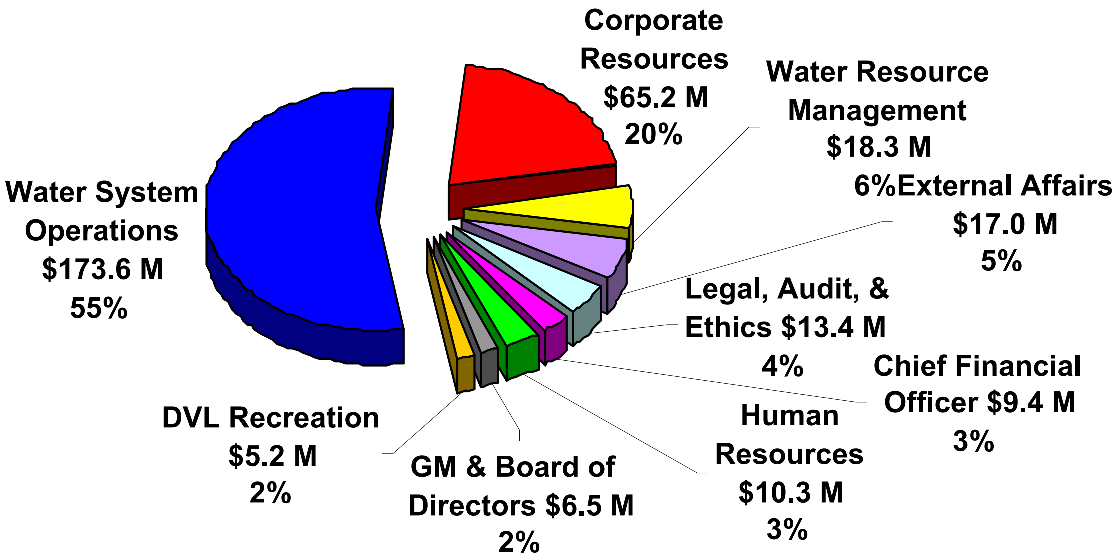
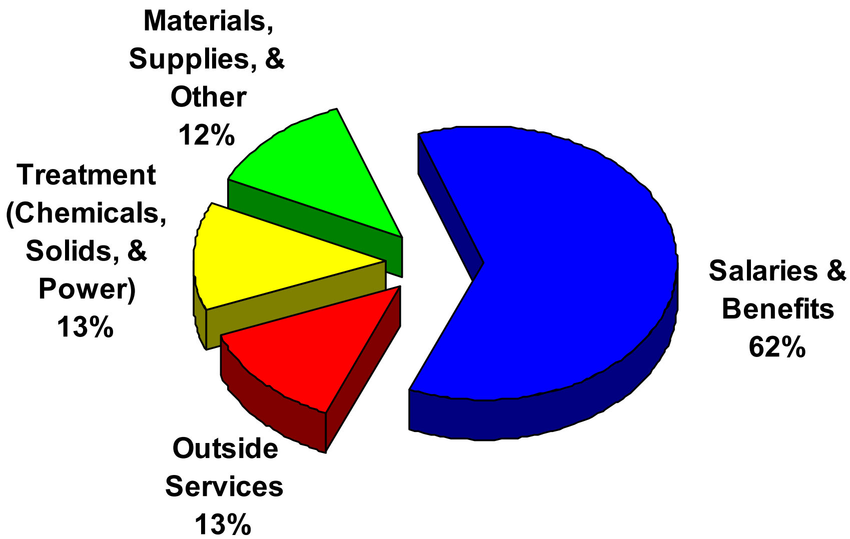


Figure 7. 2006/07 Departmental Budget by Expenditure Type



Labor

The total personnel complement for 2006/07 is 2,070 positions, up 44 positions from 2005/06. O&M personnel are up by 39 full-time-equivalent (FTE) positions to 1,679. Positions dedicated to capital work are up by a net amount of 5 with 25 full time positions being partially offset by a reduction of 20 temporary positions. The personnel complement is broken down on Tables 4 and 5.

Table 4. Regular and Temporary Positions

	2003/04 Budget	2004/05 Budget	2005/06 Budget	2006/07 Budget	Change from 2005/06
Regular Full Time Positions	1,946	1,946	1,965	2,024	59
District Temporary Positions	36	27	33	31	(2)
Agency Temporary Positions	39	45	28	15	(13)
Total	**2,021**	**2,018**	**2,026**	**2,070**	**44**

Table 5. O&M and Capital Staffing Levels

	2005/06			2006/07		
	O&M	Capital	Total	O&M	Capital	Total
Regular Full Time Positions	1,616	349	1,965	1,650	374	2,024
District and Agency Temporary Positions	24	37	61	29	17	46
Total	**1,640**	**386**	**2,026**	**1,679**	**391**	**2,070**

Supply Programs

Major supply program expenditures for 2006/07 include:

- $17.7 million for the Kern Delta Program;
- $12.5 million for the Palo Verde Land Management Program;
- $8.7 million for operation and maintenance of the IID/MWD conservation agreement;
- $4.3 million for the San Bernardino Valley Municipal Water District agreement;
- $3.4 million for the Semitropic Groundwater Storage and Exchange Program;
- $2.2 million for the Arvin-Edison Storage Program;
- $2 million for the Multi Species Habitat Conservation Plan;
- $1.3 million for Sacramento Valley Water Transfer Options; and
- $0.7 million for the O&M costs of groundwater storage programs in Metropolitan's service area.

Of the total $52.9 million supply program cost, $32.9 million will be funded from current operating revenues while $20 million will be funded from the WTF. Storage in these programs is expected to increase by 61 TAF and generate 185 TAF of transfer water.

Deposits to the WTF ended in 2003/04. The estimated ending balance on June 30, 2006 is $42 million. By June 30, 2007, the expected balance will be $22 million.

Annual Capital Investment Plan

The CIP for 2006/07 is $561.3 million. The CIP is funded by a combination of debt and current operating revenues (R&R and General Fund). The detail of each project within the CIP is discussed in the 2006/07 Capital Investment Plan Budget book.

The 2006/07 CIP is $139.3 million higher than projected expenditures for 2005/06. Major CIP projects in design and/or construction include:

- $235.9 million for improvements on Metropolitan's five treatment plants, including the Oxidation Retrofit Program (ORP) and the Skinner Expansion Project;
- $167.9 million for 191 replacement and refurbishment (R&R) projects;
- $51.8 million for the Inland Feeder project;
- $51.5 million for the Perris Valley Pipeline project;
- $13.4 million for DVL Recreation; and
- $9.2 million for San Diego Pipeline No. 6.

The projects listed above account for 94 percent of the total 2006/07 CIP expenditures. Figure 8 shows the major project categories in the 2006/07 CIP.

These projects are also categorized by the service functions that are the foundation of Metropolitan's cost-of-service water rates including source of supply, conveyance, storage, treatment, distribution, and general. The 2006/07 expenditure plan by major service function is shown graphically on Figure 9.

Figure 8. 2006/07 Capital Investment Plan by Major Project Category

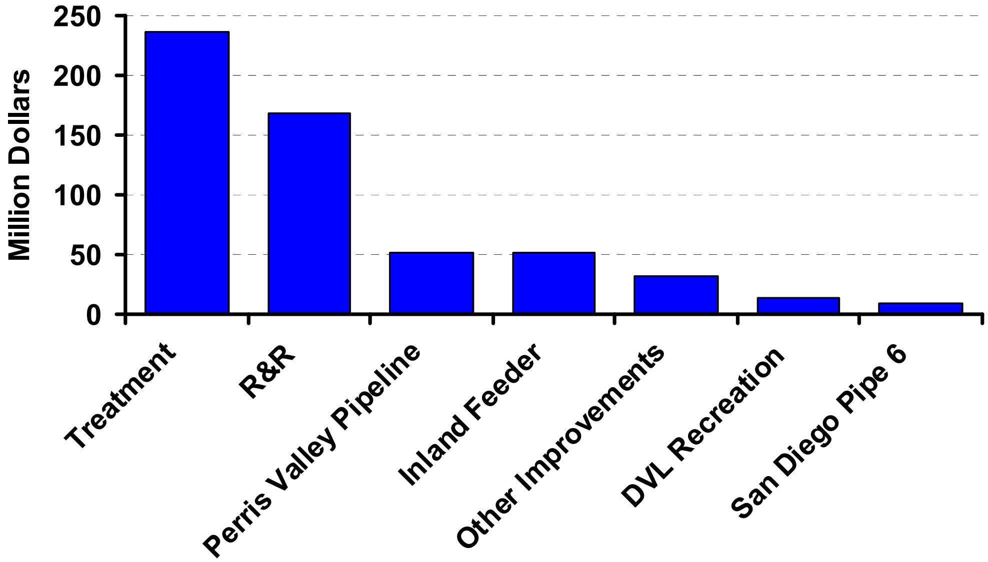
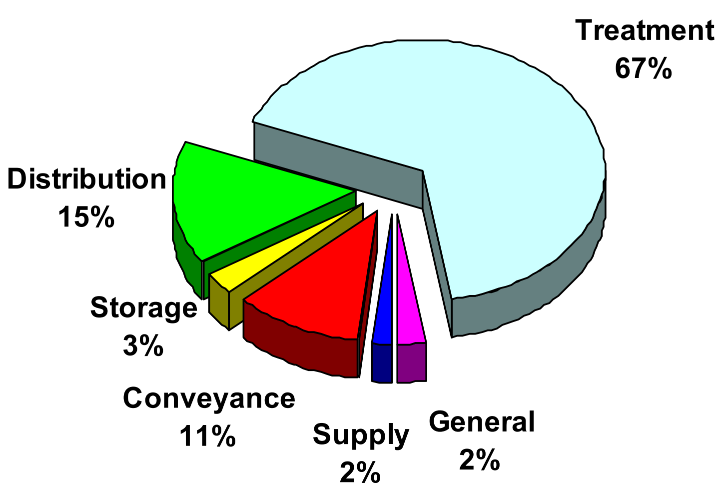


Figure 9. 2006/07 Capital Investment Plan by Service Function



Cash Funded Capital

The 2006/07 CIP includes estimated R&R programs totaling $167.9 million and an additional $33.3 million to be paid from the General Fund. The combined cash financing from current operating funds for the R&R and General Fund will total $95 million. After paying for General Fund expenditures, $61.7 million of operating funds are available for R&R expenditures. An additional $70.1 million of R&R will be funded from the available R&R fund balance and the remaining $36.1 million will be funded from bond proceeds.

Debt Service

The portion of the CIP that is not cash funded will be funded from bond proceeds. In 2006/07, $393.4 million of capital will be funded with bond proceeds. Debt service payments are budgeted to be $251.3 million and include $49 million in G.O. Bond debt service, $195 million in revenue bond debt service, $4.7 million in variable rate debt administration cost (liquidity and remarketing fees), and $2.6 million for State Revolving Fund Loan payments. Total debt service costs are $22.8 million more than the 2005/06 budget.

Metropolitan currently has $3.93 billion in outstanding debt. Of this amount, $3.54 billion is revenue bond debt, of which 24 percent is in a variable rate mode (either directly or through interest rate swaps). Bond sales of about $390 million are planned for 2006/07.

Over the next five years, it is expected that an additional $1.68 billion in debt will be issued to fund the CIP. The cost of debt is assumed to be 3.10 percent and 5 percent for variable and fixed rate debt respectively in 2006/07.

Reserve Transfers

During the 2006/07 budget year, $79.1 million will be withdrawn from the Rate Stabilization Funds (RSF).

Fund Balances and Reserve Levels

Metropolitan operates as a single enterprise fund for financial statements and budgeting purposes. Through its Administrative Code, Metropolitan identifies a number of accounts, which are referred to as funds, to separately track uses of monies for specific purposes as summarized in Table 8. Fund balances are budgeted to be $882.9 million at June 30, 2007. Of that total, $650.4 million is restricted by bond covenants, contracts, or board policy, and $232.5 million is unrestricted. Table 6 shows a breakdown of reserves by fund type. Figure 10 shows the distribution of funds by type.

The minimum and maximum Water Rate Stabilization Fund reserve levels are estimated to be $164.5 million and $411.1 million, respectively, at June 30, 2007. Based on projected receipts and expenditures, it is estimated that the balance in the Water Rate Stabilization and Revenue Remainder Funds will total about $232.5 million, about $68 million over the minimum reserve level.

Table 6. Projected Fund Balances at June 30, 2007 (dollars in millions)

	Restricted		Unrestricted	
	Contractual	Board		Total
Operating Funds	183.9	123.0	164.5	471.4
Debt Service Funds	229.7			229.7
Construction Funds	90.5		-	90.5
Reserve Funds			68.0	68.0
Water Transfer Fund		22.0		22.0
Trust and Other Funds	1.2			1.2
Total	**505.3**	**145.1**	**232.5**	**882.9**

Totals may not foot due to rounding.

Figure 10. Fund Distribution by Type at June 30, 2007

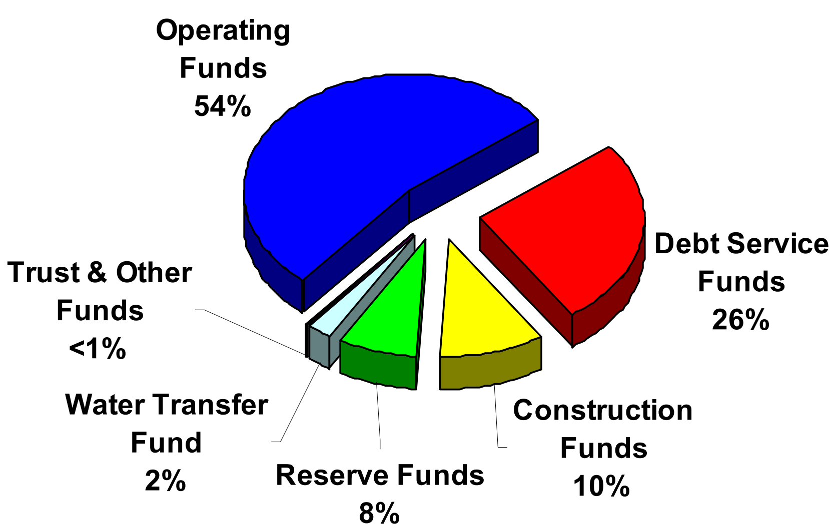


Table 7. 2006/07 Budget Sources and Uses of Funds (dollars in millions)

	2005/06 Budget	2005/06 Projected	2006/07 Budget	2006/07 Budget vs 2005/06 Budget	2006/07 Budget vs 2005/06 Projected
USES OF FUNDS					
Expenditures					
State Water Contract	380.6	406.4	395.9	15.3	(10.5)
Supply Programs	79.8	97.0	52.9	(26.9)	(44.2)
Colorado River Power	25.1	26.7	21.9	(3.2)	(4.8)
Debt Service	228.6	228.1	251.3	22.8	23.2
Demand Management	39.4	31.7	37.8	(1.6)	6.1
Departmental O&M (1)	246.5	255.7	264.3	17.8	8.6
Treatment Chemicals, Solids & Power	31.5	38.8	36.4	4.9	(2.4)
Other O&M	12.0	27.5	23.0	11.0	(4.5)
Sub-total Expenditures	**1,043.4**	**1,112.0**	**1,083.4**	**40.0**	**(28.6)**
Capital Investment Plan	**506.3**	**422.0**	**561.3**	**55.0**	**139.3**
Fund Deposits					
R&R and General Fund	95.0	95.0	95.0	-	-
Revenue Bond Construction	-	-	-	-	-
Water Stewardship Fund	-	14.5	2.1	2.1	(12.4)
Interest for Construction & Trust Funds	8.2	9.1	3.8	(4.4)	(5.3)
Increase in Required Reserves	41.3	19.3	48.0	6.8	28.8
Increase in Rate Stabilization Fund	-	-	-	-	-
Sub-total Fund Deposits	**144.5**	**137.9**	**148.9**	**4.4**	**11.0**
TOTAL USES OF FUNDS	**1,694.2**	**1,671.9**	**1,793.6**	**99.4**	**121.8**
SOURCES OF FUNDS					
Receipts					
Taxes	94.7	99.7	94.3	(0.4)	(5.4)
Annexations	1.5	1.5	1.5	-	-
Interest Income	40.2	39.7	35.6	(4.6)	(4.1)
Hydro Power	15.7	29.4	23.0	7.3	(6.4)
Fixed Charges (RTS & Capacity Charge)	112.4	110.9	112.6	0.2	1.7
Water Sales Revenue	734.0	833.2	848.2	114.3	15.0
Miscellaneous Revenue	6.1	24.1	6.2	0.1	(17.9)
Bond Proceeds	117.7	11.2	381.8	264.2	370.6
Sub-total Receipts	**1,122.3**	**1,149.7**	**1,503.3**	**381.0**	**353.6**
Fund Withdrawals					
Water Transfer Fund	63.5	62.2	20.0	(43.5)	(42.2)
R&R and General Fund	95.0	120.0	165.1	70.1	45.1
Bond Funds for Construction	296.0	302.0	26.1	(269.9)	(275.9)
Water Stewardship Fund	4.1	-	-	(4.1)	-
Decrease in Required Reserves	-	-	-	-	-
Decrease in Rate Stabilization Fund	113.3	38.0	79.1	(34.2)	41.2
Sub-total Fund Withdrawals	**571.9**	**522.1**	**290.3**	**(281.6)**	**(231.8)**
TOTAL SOURCES OF FUNDS	**1,694.2**	**1,671.9**	**1,793.6**	**99.4**	**121.8**

Totals may not foot due to rounding.

(1) By separate actions on March 14, 2006 and April 11, 2006, the board amended the 2005/06 budget to authorize expenditures of $0.96 million for the MAPA Memorandum of Understanding and $16.9 million for the O&M budget as part of the settlement of the Cargill litigation. These amounts are reflected in the projected expenditures but not in the 2005/06 budget.

Table 8 2006/07 Sources and Uses by Fund (dollars in millions)

Fiscal Year Ending June 30th, 2007 ($ in Millions)	All Funds	Operating Funds								Debt Service Funds	Reserve Funds	Construction Funds		Trust & Other Funds
		General	Water Revenue	O&M	Water Standby	Water Transfer	Water Stewardship	Self-Insured Retention	State Contract			R&R	Revenue Bond Construction	
Beginning of Year Balance	**1,024.3**	**47.9**	**-**	**128.5**	**0.5**	**42.0**	**30.0**	**25.2**	**62.7**	**197.4**	**306.0**	**70.1**	**112.8**	**1.2**
USES OF FUNDS														
Expenditures														
State Water Contract	395.9	-	-	256.2	-	-	-	-	139.6	-	-	-	-	-
Supply Programs	52.9	-	-	32.9	-	20.0	-	-	-	-	-	-	-	-
Colorado River Power	21.9	-	-	21.9	-	-	-	-	-	-	-	-	-	-
Debt Service	251.3	2.6	-	4.7	-	-	-	-	-	244.0	-	-	-	-
Demand Management	37.8	-	-	37.8	-	-	-	-	-	-	-	-	-	-
Departmental O&M	264.3	-	-	264.3	-	-	-	-	-	-	-	-	-	-
Treatment Chemicals, Sludge & Power	36.4	-	-	36.4	-	-	-	-	-	-	-	-	-	-
Other O&M	23.0	8.3	-	14.7	-	-	-	-	-	-	-	-	-	-
Sub-total Expenditures	**1,083.4**	**10.9**	**-**	**668.9**	**-**	**20.0**	**-**	**-**	**139.6**	**244.0**	**-**	**-**	**-**	**-**
Capital Investment Plan	**561.3**	**33.3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**131.8**	**396.2**	**-**
Fund Deposits														
R&R and General Fund	95.0	33.3	-	-	-	-	-	-	-	-	-	61.7	-	-
Revenue Bond Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Stewardship Fund	2.1	-	-	-	-	-	2.1	-	-	-	-	-	-	-
Interest for Construction & Trust Funds	3.8	-	-	-	-	-	-	-	-	-	-	-	3.7	0.0
Increase in Required Reserves	48.0	-	-	7.5	-	-	-	-	2.6	32.3	5.6	-	-	-
Increase in Rate Stabilization Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total Fund Deposits	**148.9**	33.3	-	7.5	-	-	2.1	-	2.6	32.3	5.6	61.7	3.7	0.0
TOTAL USES OF FUNDS	**1,793.6**	**77.6**	**-**	**676.4**	**-**	**20.0**	**2.1**	**-**	**142.2**	**276.4**	**5.6**	**193.4**	**400.0**	**0.0**
SOURCES OF FUNDS														
Receipts														
Taxes	94.3	-	-	-	-	-	-	-	45.3	49.0	-	-	-	-
Annexations	1.5	-	-	-	-	-	-	-	1.5	-	-	-	-	-
Interest Income	35.6	1.8	-	5.0	0.0	1.2	1.2	0.9	2.4	8.0	9.9	1.3	3.7	0.0
Hydro Power	23.0	-	20.6	2.4	-	-	-	-	-	-	-	-	-	-
Fixed Charges (RTS & Capacity Charge)	112.6	-	112.6	-	-	-	-	-	-	-	-	-	-	-
Water Sales Revenue	848.2	-	848.2	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Revenue	6.2	6.2	-	-	-	-	-	-	-	-	-	-	-	-
Bond Proceeds	381.8	-	-	-	-	-	-	-	-	11.7	-	-	370.1	-
Sub-total Receipts	**1,503.3**	**8.0**	**981.5**	**7.4**	**0.0**	**1.2**	**1.2**	**0.9**	**49.2**	**68.7**	**9.9**	**1.3**	**373.9**	**0.0**
Fund Withdrawals														
Transfer Fund	20.0	-	-	-	-	20.0	-	-	-	-	-	-	-	-
R&R and General Fund	165.1	33.3	-	-	-	-	-	-	-	-	-	131.8	-	-
Bond Funds for Construction	26.1	-	-	-	-	-	-	-	-	-	-	-	26.1	-
Water Stewardship Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease in Required Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease in Rate Stabilization Fund	79.1	-	-	-	-	-	-	-	-	-	79.1	-	-	-
Sub-total Fund Withdrawals	**290.3**	**33.3**	**-**	**-**	**-**	**20.0**	**-**	**-**	**-**	**-**	**79.1**	**131.8**	**26.1**	**-**
TOTAL SOURCES OF FUNDS	**1,793.6**	**41.4**	**981.5**	**7.4**	**0.0**	**21.2**	**1.2**	**0.9**	**49.2**	**68.7**	**89.1**	**133.1**	**400.0**	**0.0**
Inter-Fund Transfers	**-**	**36.2**	**(981.5)**	**669.0**	**(0.0)**	**(1.2)**	**0.9**	**(0.9)**	**93.0**	**207.7**	**(83.5)**	**60.4**	**-**	**-**
End of Year Balance	**882.9**	**47.9**	**-**	**136.0**	**0.5**	**22.0**	**32.1**	**25.2**	**65.3**	**229.7**	**232.5**	**-**	**90.5**	**1.2**

Totals may not foot due to rounding.