



● **Board of Directors**
Finance and Insurance Committee

1/11/2011 Board Meeting

9-1

Subject

Proposed Biennial Budget for Fiscal Years 2011/12 and 2012/13

Description

Over the last two years, Metropolitan has implemented actions to manage ongoing expenditures, provide longer term financial planning certainty to our member agencies, and mitigate the impacts of rate increases required to recover the full cost of service and preserve our ability to fund water and operating costs. The results have been that Metropolitan's expenditure budget, including capital, was \$154 million lower in fiscal year 2009/10 and \$224 million lower in fiscal year 2010/11 as compared to fiscal year 2008/09. In April, the Board adopted the revenue requirement and water rates and charges that reflected an overall increase of 7.5 percent in 2011 and 7.5 percent in 2012. In August, the Board took another step toward providing financial planning certainty and fiscal restraint by approving the second year of a two-year budget, consistent with the revenue requirement supporting the adopted rates and charges and ensuring Metropolitan's ability to meet its full cost of service obligation, thus helping to ensure a stable supply of water for Southern California.

The Proposed Biennial Budget, which includes the previously approved 2011/12 budget, marks initiation of a formal two-year budget cycle and provides the Board with the means to address budgetary planning over a longer time horizon than the traditional annual budget process. The process also permits the Board to focus on longer term issues, assumptions, and policy considerations for 2012/13 while challenging staff to manage any near term financial uncertainties within the appropriation of the adopted 2011/12 budget.

EXPENDITURE BUDGET SUMMARY

As summarized in Table 1, the proposed 2012/13 expenditure budget, including CIP, totals \$1.9 billion. This is \$123 million more than the 2011/12 budget, but is within the forecast for 2012/13 included in the budget adopted by the Board in August 2010. The factors driving the 2012/13 proposed budget include:

- a. **Water Sales** – The proposed 2012/13 budget assumes water sales of 2.0 million acre-feet. Treated water sales are expected to be 0.11 million acre-feet lower in the 2011/12 and 2012/13 budget than in 2010/11, with higher raw water sales. The lower treated water sales reduce chemical, sludge disposal, and electricity costs at the water treatment plants by \$4.6 million. The net effect of reduced treated water sales, stable overall water sales, and implementation of Board approved rates and charges is a \$33.8 million increase in overall water sales revenues.
- b. **Capital Investment Plan Expenditures** – The CIP is estimated to be about \$316 million and \$387 million for 2011/12 and 2012/13, respectively. The 2011/12 CIP expenditure estimate reflects a reduction of approximately \$25 million from the August estimate for the same fiscal year. Over the five year period from fiscal year 2011/12 through 2015/16, capital expenditure projections have been reduced by \$95 million. Driving this reduction are the rescheduling of a number of growth driven projects including the Hayfield Groundwater and Regional Water Purification programs and facility expansions including the Mills Capacity Upgrade projects, San Diego Pipeline No. 6, the Central Pool Augmentation Program, and the final tunnel connection on the Perris Valley Pipeline South Reach. Additionally, the construction

schedules for the Weymouth Oxidation Retrofit Program and the Jensen Solids Handling Facilities have been staged to reflect updated demand projections.

- c. **Debt Service** - As Metropolitan continues to fund its ongoing CIP, debt service will continue to rise. It is projected that debt service in 2011/12 and 2012/13 will be \$336.4 million and \$363.5 million, respectively. Although debt service costs increase by \$4.6 million in the 2011/12 budget, that increase is \$15.5 million lower than anticipated in the adopted 2011/12 budget due to reductions in CIP expenditures. Debt service increases by \$27.1 million in 2012/13 reflecting the issuance of \$250 million of debt in 2011/12 to continue to fund the CIP.
- d. **State Water Project Costs** - State Water Project costs continue to rise, reflecting increasing SWC capital and OMP&R costs as well as anticipated increases in water allocations. Deliveries on the State Water Project are expected to total 1.16 million acre-feet for 2011/12, of which 91 thousand acre-feet are received via exchange, and about 953 TAF for 2012/13, of which 80 thousand acre-feet are received via exchange. The State Water Contract is a "take-or-pay" contract, and Metropolitan is obligated to pay the capital and operating costs, even if no water is delivered. Metropolitan's State Water Contract costs are estimated to be \$567.7 million and \$546.5 million in 2011/12 and 2012/13, respectively. The primary drivers of the \$79.2 million increase in 2011/12 as compared to 2010/11 are a \$50.9 million increase in SWC power costs due to higher SWP deliveries and a \$24.6 million increase in SWC capital costs. In 2012/13, State Water Contract costs are expected to decrease by \$21.2 million reflecting a \$43.1 million decrease in SWC power costs based on lower projected SWP deliveries, partially offset by increases of \$11.3 million in SWC capital costs and \$10.6 million in SWC OMP&R costs.
- e. **Water Supply Programs** - The cost of water supply programs is expected to be \$67.4 million in 2011/12, about \$34 million lower than the 2010/11 budget due to lower transfer purchases, and \$92.5 million in 2012/13, about \$25.1 million higher than in the 2011/12 budget. These programs include Colorado River programs, the PVID Land Management Program, SWP transfer programs, and the IID/MWD conservation agreement. These programs are expected to generate 318 TAF of supply deliveries in 2011/12 and 381 thousand acre-feet of supply deliveries in 2012/13 on the Colorado River Aqueduct and State Water Project.
- f. **Operations and Maintenance Costs** – O&M costs total \$373.9 million in 2011/12, equal to that approved by the Board in August 2010, \$37.6 million more than the 2010/11 budget. The primary drivers for this increase are \$10 million to begin funding other post-employment benefits (OPEB), \$6.6 million to fund increases in medical and retirement costs and merit increases for eligible employees, and \$4.9 million for operating equipment. The proposed 2012/13 O&M budget is \$391.2 million, an increase of \$17.3 million, which is primarily to fund a \$5 million increase for OPEB, a \$1.9 million increase to complete the PC Replacement Program, and a \$3.1 million increase in the cost of employee benefits, particularly related to increases in PERS employee and retiree medical insurance premiums. The 2012/13 proposed budget does not include a base salary increase (COLA).

Table 1. Budget Summary – Total Expenditures (Dollars in Millions)

	2009/10 Actual	2010/11 Budget	2011/12 Proposed Budget	2012/13 Proposed Budget	2011/12 Proposed vs. 2010/11 Budget	2012/13 Proposed vs. 2011/12 Proposed
Expenditures						
State Water Contract	\$ 438.2	\$ 488.5	\$ 567.7	\$ 546.5	\$ 79.2	\$ (21.2)
Supply Programs	121.9	101.4	67.4	92.5	(34.0)	25.1
Colorado River Power	42.4	59.6	53.4	57.1	(6.2)	3.8
Debt Service	293.7	331.7	336.4	363.5	4.6	27.1
Demand Management	62.4	58.2	59.1	60.7	0.9	1.6
Departmental O&M	293.8	294.8	310.1	316.1	15.3	6.0
Treatment Chemicals, Solids & Power	23.1	26.5	24.8	25.6	(1.7)	0.9
Other O&M	18.5	15.4	39.0	49.5	23.6	10.4
Sub-total Expenditures	1,294.0	1,376.3	1,458.0	1,511.6	81.7	53.6
Capital Investment Plan	316.4	259.9	316.4	386.7	56.4	70.4
TOTAL Expenditures	\$1,610.3	\$1,636.2	\$ 1,774.4	\$ 1,898.3	\$ 138.1	\$ 123.9

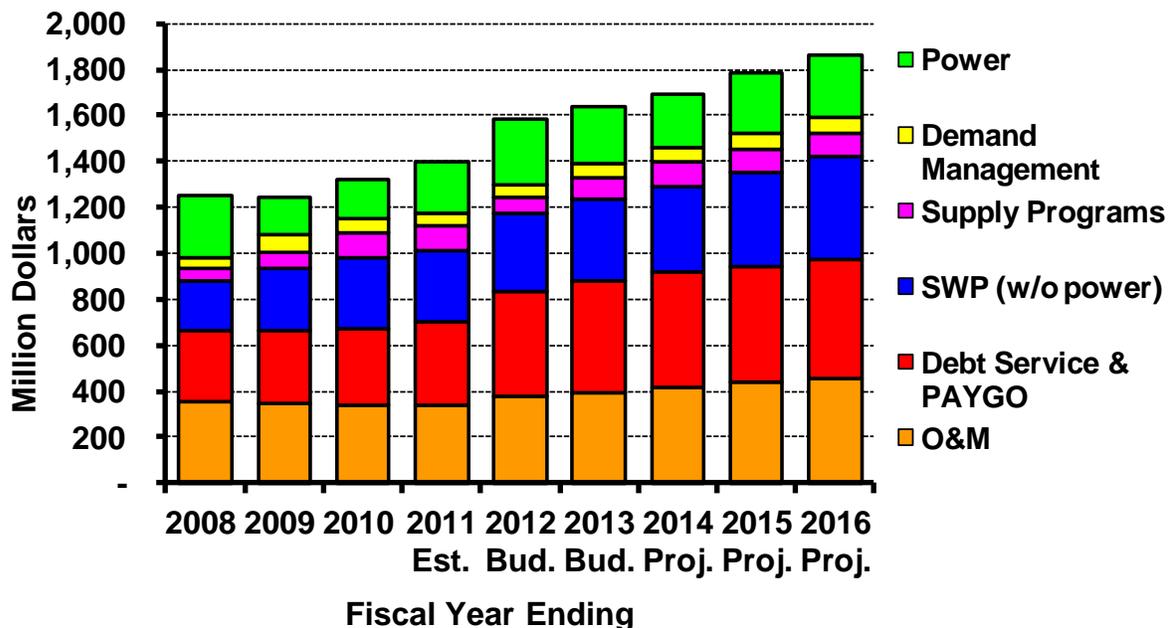
Totals may not foot due to rounding.

Metropolitan’s budget is more fully described in the Proposed Budget Summary (**Attachment 1**). Additional details will be provided in the FY 2011/12 and FY 2012/13 Proposed Biennial Budget Book to be issued in late January.

BUDGET TREND

To provide a longer-term picture of Metropolitan’s costs, Figure 1 shows the major expenditure categories over the past two years, the estimate for the current fiscal year, as well as the projection for the following four years. From 2008/09 through 2015/16, expenditures are forecast to increase by about \$619 million, or about 6 percent annually. The primary cost drivers from 2008/09 to 2015/16 are expected to be a \$201 million increase in debt service and PAYGO expenditures, a \$182 million increase in fixed State Water Project Costs, a \$107 million increase in departmental O&M, and a \$106 million increase in power costs.

Figure 1. ExpenditureTrend



OPERATIONS AND MAINTENANCE BUDGET SUMMARY

In response to the need to meet the Board's priorities, the proposed 2012/13 departmental operations and maintenance (O&M) budget is \$17.3 million higher than the \$374.0 million 2011/12 budget. Significant factors that are reflected in the proposed O&M budget, including:

- a. **Other Post-Employment Benefits (OPEB)** – Fiscal year 2011/12 included \$10.0 million to begin to fund Metropolitan's OPEB obligation to its current and future retirees. The 2012/13 proposed budget increases that commitment by \$5.0 million to a total of \$15 million. It is anticipated that ongoing OPEB obligations would be funded at \$20 million per year in subsequent years.
- b. **Zero increase in base salaries** - The proposed budget assumes no across-the-board salary increases, subject to labor negotiations. The Operations and Maintenance (O&M) budget does, however, reflect a \$3.1 million increase in the cost of employee benefits driven primarily by employee and retiree medical insurance. In addition, the O&M budget also reflects a \$2.2 million increase for merit increases for eligible employees and a \$0.3 million increase for two additional positions in Water Resources Management for SWP finance and contract management.
- c. **PC Replacement Program** – Consistent with Metropolitan's IT Strategic Plan, the 2012/13 proposed budget includes \$3.3 million to complete PC Replacement Program to replace outdated desktop workstations at the end of their anticipated useful life. This represents a \$1.9 million increase as compared to the 2011/12 budget of \$1.4 million to initiate the work. These replacements were deferred one year beyond the planned four year refresh cycle to mitigate budget increases, but now need to be replaced as many will be over five years old by the time of replacement.
- d. **Budget Contingency** - The 2012/13 proposed budget includes a \$3.2 million increase in budget contingency to a total of \$7.3 million, or about 2% of the total O&M budget. This is consistent with past practice and mitigates the risk of cost increases associated with resolution of outstanding bargaining unit agreements, benefit cost increases, changes in treated water sales, and changes in treatment chemical unit costs especially over a longer planning horizon.
- e. **Water Treatment Costs** – The cost of chemicals, power, and sludge disposal incurred in the water treatment process is anticipated to increase by \$0.9 million driven by higher unit costs.
- f. **Other O&M** - The 2012/13 proposed budget for association dues is \$0.4 million higher than 2011/12 primarily due to State Water Project Contractor Association DHCCP costs. An increase in insurance costs of about \$0.3 million is also included, consistent with the anticipated rate of inflation.

A summary of the operating and maintenance budget is provided in Table 2.

Table 2. Budget Summary – Operations and Maintenance

	2009/10 Actual	2010/11 Budget	2011/12 Budget	2012/13 Proposed	2011/12 Budget vs. 2010/11 Budget	2012/13 Proposed vs. 2011/12 Budget
Salaries & Benefits *	212,319,770	212,803,200	225,389,100	229,643,300	12,585,900	4,254,200
Chemicals, Solids, and Power **	23,128,078	26,493,300	24,778,300	25,641,000	(1,715,000)	862,700
Outside Services	40,175,825	35,645,800	40,791,000	40,725,400	5,145,200	(65,600)
Materials & Supplies ***	21,073,662	22,547,771	22,218,761	23,334,809	(329,010)	1,116,048
Cargill Settlement / OPEB	600,727	500,000	500,000	500,000	-	-
Other	32,551,457	36,683,129	52,795,539	64,024,191	16,112,410	11,228,652
Operating Equipment	5,520,268	2,091,500	7,489,400	7,344,700	5,397,900	(144,700)
Total	335,369,787	336,764,700	373,962,100	391,213,400	37,197,400	17,251,300
Total Budgeted Positions	2,019	1,924	1,921	1,927	(3)	6

* Includes Overhead Credit for Construction.

** Costs associated with treatment plants only.

*** Without chemicals associated with treatment plants.

USES OF FUNDS

Total

As shown in Table 1, the total FY 2012/13 cash outlays for State Water Contract (SWC) payments, supply programs, Colorado River Aqueduct (CRA) power, debt service, demand management programs, O&M, and the CIP are budgeted at \$1.90 billion. This is \$124 million (7.0 percent) more than the 2011/12 budget and \$262 million greater than the 2010/11 budget. Under this financing package, \$125 million of water revenues will be used to fund Replacement and Refurbishment capital projects in both 2011/12 and 2012/13. This is \$30 million more than budgeted for 2010/11.

State Water Project

Fiscal year 2012/13 SWC costs are estimated to be \$21.2 million lower than the 2011/12 budget, but \$58.0 million higher than the 2010/11 budget. SWC power costs are expected to be \$232.1 million for 2011/12 and \$188.9 million for 2012/13, which includes the cost of pumping 1.07 million acre-feet and 0.87 million acre-feet respectively. The estimated average cost of power in fiscal year 2012/13 is about \$216 per acre-foot, about \$2 per acre-foot less than during fiscal year 2011/12.

Supply Programs

Supply programs in the 2012/13 budget are estimated to be \$92.5 million, \$25.1 million higher than the 2011/12 budget and \$8.9 million lower than the 2010/11 budget. These programs are expected to generate 318 thousand acre-feet of transfer deliveries in 2011/12 and 381 thousand acre-feet in 2012/13 on the Colorado River Aqueduct and State Water Project.

CRA Power

CRA power costs are expected to be \$57.1 million, an increase of \$3.8 million from the 2011/12 budget and a decrease of \$2.5 million from the 2010/11 budget. The decrease reflects the higher pumping volumes in the 2010/11 budget of 1.18 million acre-feet. Diversions in 2011/12 and 2012/13 are expected to be 1.10 million acre-feet and 1.09 million acre-feet, respectively.

Conservation and Recycled Water

Total demand management costs are budgeted at \$60.7 million, \$1.6 million higher than the 2011/12 budget and \$2.5 million higher than the 2010/11 budget. Included in the budget are incentive payments made under Metropolitan's Local Resources Program (LRP) of \$40.3 million and \$20.5 million for the Conservation Credits Program. External Affairs will also continue its conservation messaging and advertising in 2011/12 and 2012/13 at the \$1.2 million level included in the 2010/11 budget.

Operations and Maintenance

O&M costs for 2012/13 are expected to be \$16.8 million (4.5 percent) higher than the 2011/12 budget. Labor costs are estimated to increase by \$4.3 million as compared to the 2011/12 budget reflecting primarily an increase in the cost of employee benefits and merit increases for eligible employees partially offset by an increase in the construction overhead credit. No base salary increase was included in the 2012/13 budget pending the outcome of bargaining unit negotiations. Additional significant increases include \$5.0 million to fund OPEB obligations, \$3.2 million in the budget contingency, \$1.9 million for the PC Replacement Program, and \$0.9 million for water treatment costs.

The total personnel complement for 2012/13 is 1,927 positions, including 27 agency and district temporary full-time equivalents (FTEs), an increase of 6 positions from the 2011/12 budget. Total regular employee positions are still 100 positions below the 2009/10 budget. Additional changes in personnel will depend on long-range staffing plan inputs related primarily to CIP impacts and a continued emphasis on maintenance management best practices. The proposed 2012/13 budget assumes a vacancy rate of approximately 3.2 percent across the organization, which is about the same rate as assumed for the 2011/12 budget and slightly above the 2.6% rate assumed for 2010/11.

Capital Investment Plan

The CIP budget for 2011/12 and 2012/13 is estimated to be about \$316 million and \$387 million, respectively, and is funded by a combination of debt and current operating revenues. Overall, the capital expenditure estimates for 2011/12 and 2012/13 have been reduced by approximately \$25 million from last year's estimates. Continuing to meet the financing requirements of the ongoing CIP will nonetheless result in an increase in debt service costs of \$4.6 million in 2011/12 and \$27.1 million 2012/13 as compared to previous year's budgets.

The primary factor driving the projected decrease in CIP expenditures is the rescheduling of a number of growth driven projects, categorized in the CIP as Supply Reliability projects. These projects include all major facility expansions as well as new supply projects such as the Hayfield Groundwater and Regional Water Purification programs. The rescheduled facility expansions include the Mills Capacity Upgrade projects, San Diego Pipeline No. 6, the Central Pool Augmentation program, and the final tunnel connection on the Perris Valley Pipeline South Reach. Additionally, the construction schedules for the Weymouth Oxidation Retrofit Program and the Jensen Solids Handling Facilities have been staged in consideration of updated demand projections.

There are over 340 projects included in the 2011/12 and 2012/13 CIP. Major expenditures on CIP projects that will be in design and/or construction during the next two years include Oxidation Retrofit Program (ORP) projects at the Diemer and Weymouth treatment plants (\$150 million), Infrastructure Reliability projects at Metropolitan's five treatment plants, not including the ORP (\$165 million), and Infrastructure Reliability projects throughout Metropolitan's Colorado River Aqueduct, conveyance, and distribution systems (\$140 million). These projects account for 65 percent of the total CIP expenditures for fiscal years 2011/12 And 2012/13.

SOURCES OF FUNDS

As shown in Table 3, 2012/13 sources of funds are expected to total \$2.09 billion. This includes receipts of \$1.70 billion, net of bond proceeds. Water sales receipts of \$1.37 billion account for 81 percent of receipts. These receipts are based on projected water sales of 2.0 million acre-feet and include an increase in base rates and charges of 7.5 percent, effective January 1, 2012. In addition, a 5% rate increase would be required on January 1, 2013.

Other revenues include readiness-to-serve charge revenues of \$150.5 million, revenues from the capacity charge of \$35.2 million, and tax and annexation revenues of about \$82.6 million. Interest earnings are expected to be \$19.6 million, about \$0.9 million higher than the 2011/12 budget, reflecting slightly higher estimated fund balances. Power and other miscellaneous revenues are expected to generate about \$21.2 million and \$19.6 million, respectively.

To meet the on-going funding requirements of the CIP, Metropolitan plans to issue \$250 million of fixed rate bonds in 2011/12 and \$80 million of fixed rate bonds in 2012/13. Any remaining CIP funding requirements will be met from current operating funds (i.e., PAYGO from the R&R and General Fund).

The revenue bond debt service coverage ratio is forecast to be just above the Board's adopted target of 2 times revenue bond debt service. Given a 7.5 percent increase in rates and charges and water sales of 2 million acre-feet, the debt service coverage ratio is expected to be about 2.1 times coverage in 2012/13. Metropolitan's fixed charge coverage is expected to be about 1.4 times, which also meets the board-adopted objective of 1.2 times coverage.

RESERVES

Based on projected receipts and expenditures, it is estimated that the total balance in the Water Rate Stabilization, Revenue Remainder, the Treatment Surcharge Stabilization Fund, and Water Stewardship funds will be about \$270.7 million, about \$40.4 million over the minimum target. Total restricted and unrestricted reserves are estimated to be \$1,070.3 million on June 30, 2013.

IMPACT OF LOWER WATER SALES

Water Sales for the 2010/11 fiscal year are trending around 1.7 million acre-feet. The 2011/12 and 2012/13 budgets are based on water sales of about 2 million acre-feet. If sales remain low, revenues would be reduced. As such, an analysis of the impact of sales of 1.8 million acre-feet was presented to the Business and Finance Committee at the November 2010 meeting. This analysis showed that revenues in 2011/12 would total \$1.15 billion, about \$140 million less than sales of 2.0 million acre-feet. Similarly, water sales of 1.8 million acre-feet in 2012/13 would lead to water sales revenues of \$1.23 billion, compared to the budget of \$1.37 billion (including a 5% increase in overall rates and charges, effective on January 1, 2013). This is a reduction of about \$150 million in water sales revenues. In order to mitigate the impact of these lower sales, while maintaining the approved rate increase of 7.5% in 2012 and the estimated rate increase of 5% in 2013, expenditures funded from revenues would have to be reduced. The following table outlines several actions that the Board could consider taking to manage within the lower revenues:

Action	Impact on Budget	
	2011/12	2012/13
Eliminate OPEB Funding	\$10.0 million	\$15.0 million
Reduced pumping costs	\$7.4 million	\$13.5 million
Reduced treatment costs	\$2.5 million	\$1.9 million
Reduce O&M budget	\$4.0 million	\$4.0 million
Lower transfer costs	\$18.2 million	\$34.4 million
Lower conservation cost	\$10.0 million	\$10.0 million
Reduce PAYG	\$80.0 million	\$70.0 million
Reduce CIP / Defer debt	\$10.0 million	---
Total	\$132.1 million	\$148.8 million

While these actions address the expenditures side of the budget, other actions, including raising rates, obtaining grant funding, and increasing other revenues such as leases, will also help mitigate the impact of sales that are lower than anticipated in the budget.

BUDGET REVIEW SCHEDULE

In an effort to allow sufficient review of Metropolitan's proposed biennial budget, the following schedule has been developed:

January 10, 2011	Finance and Insurance Committee review of draft budget summary
January 25, 2011	Board Budget Workshop
February 7 & 8, 2011	Review of each departmental budget with the respective home committees (e.g., Office of the CFO budget to be reviewed in the Finance and Insurance Committee, Water System Operations Group budget to be reviewed by Engineering and Operations Committee, etc.)
March 22, 2011	Second Board Budget Workshop
April 11 & 12, 2011	Finance and Insurance Committee review and recommendation, Board consideration of proposed 2010/11 budget

Table 3. 2010/11 Annual Budget Uses and Sources of Funds – Cash Basis (Dollars in Millions)

	2009/10 Actual	2010/11 Budget	2011/12 Budget	2012/13 Proposed Budget	2011/12 Budget vs. 2010/11 Budget	2012/13 Proposed Budget vs. 2011/12 Budget
USES OF FUNDS						
Expenditures						
State Water Contract	\$ 438.2	\$ 488.5	\$ 567.7	\$ 546.5	\$ 79.2	\$ (21.2)
Supply Programs	121.9	101.4	67.4	92.5	(34.0)	25.1
Colorado River Power	42.4	59.6	53.4	57.1	(6.2)	3.8
Debt Service	293.7	331.7	336.4	363.5	4.6	27.1
Demand Management	62.4	58.2	59.1	60.7	0.9	1.6
Departmental O&M	293.8	294.8	310.1	316.1	15.3	6.0
Treatment Chemicals, Solids & Power	23.1	26.5	24.8	25.6	(1.7)	0.9
Other O&M	18.5	15.4	39.0	49.5	23.6	10.4
Sub-total Expenditures	1,294.0	1,376.3	1,458.0	1,511.6	81.7	53.6
Capital Investment Plan	316.4	259.9	316.4	386.7	56.4	70.4
Fund Deposits						
R&R and General Fund	36.7	95.0	125.0	125.0	30.0	-
Revenue Bond Construction	44.9	199.1	38.5	-	(160.6)	(38.5)
Water Stewardship Fund	0.0	4.2	5.3	6.5	1.2	1.2
Interest for Construction & Trust Funds	5.4	7.6	3.6	2.6	(4.0)	(1.0)
Increase in Required Reserves	27.6	68.5	32.9	27.6	(35.7)	(5.3)
Increase in Rate Stabilization Fund	-	-	-	28.5	-	28.5
Other Fund Activity	11.8	-	-	-	-	-
Sub-total Fund Deposits	126.4	374.4	205.2	190.2	(169.2)	(15.0)
TOTAL USES OF FUNDS	\$ 1,736.7	\$ 2,010.6	\$ 1,979.6	\$ 2,088.5	\$ (31.0)	\$ 108.9
SOURCES OF FUNDS						
Receipts						
Taxes	\$ 96.6	\$ 80.8	\$ 80.0	\$ 81.6	\$ (0.7)	\$ 1.6
Annexations	0.7	1.0	1.0	1.0	-	-
Interest Income	23.9	38.6	18.7	19.6	(19.9)	0.9
Hydro Power	18.8	22.4	22.1	21.2	(0.3)	(0.9)
Fixed Charges (RTS & Capacity Charge)	135.3	154.4	170.2	185.7	15.9	15.5
Water Sales Revenue	1,011.1	1,199.9	1,294.9	1,369.9	95.0	75.0
Miscellaneous Revenue	31.6	8.8	18.3	19.6	9.5	1.3
Bond Proceeds and Reimbursements	342.5	384.0	240.0	76.8	(144.0)	(163.2)
Sub-total Receipts	1,660.3	1,889.8	1,845.3	1,775.3	(44.6)	(69.9)
Fund Withdrawals						
Water Transfer Fund	11.9	-	-	-	-	-
R&R and General Fund	36.7	95.0	125.0	125.0	30.0	-
Bond Funds for Construction	-	-	-	188.2	-	188.2
Water Stewardship Fund	-	-	-	-	-	-
Decrease in Required Reserves	-	-	3.2	-	3.2	(3.2)
Decrease in Rate Stabilization Fund	27.8	25.8	6.2	-	(19.6)	(6.2)
Sub-total Fund Withdrawals	76.4	120.8	134.3	313.2	13.6	178.8
TOTAL SOURCES OF FUNDS	\$ 1,736.7	\$ 2,010.6	\$ 1,979.6	\$ 2,088.5	\$ (31.0)	\$ 108.9

Totals may not foot due to rounding.

Attachment 1, FYE 2012 & 2013 Proposed Biennial Budget Summary, discusses the sources of funds, including receipts and fund withdrawals, and uses of funds including expenditures and fund deposits in more detail.

Policy

Metropolitan Water District Administrative Code Section 5107: Annual Budget

Fiscal Impact

None



Brian G. Thomas
Chief Financial Officer

1/5/2011
Date



Jeffrey Kightlinger
General Manager

1/5/2011
Date

Attachment 1 – FY 2011/12 & 2012/13 Biennial Budget Summary

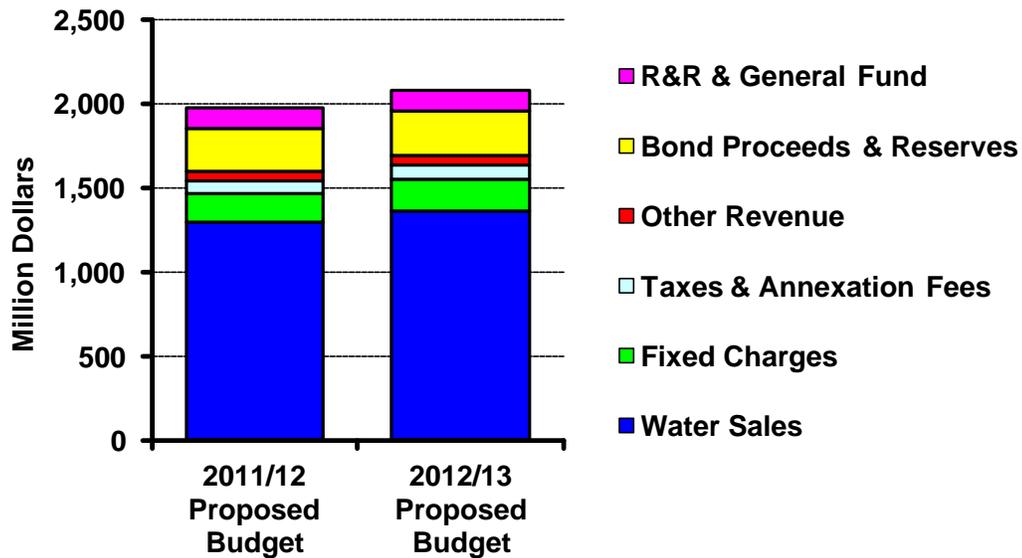
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**Biennial Budget Summary
FY 2011/12 & 2012/13**

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

when cash is disbursed. Accrual basis accounting records, by contrast, recognize revenues and expenses in the period they are earned and incurred regardless of whether cash has been received or disbursed.

Figure 1. Sources of Funds



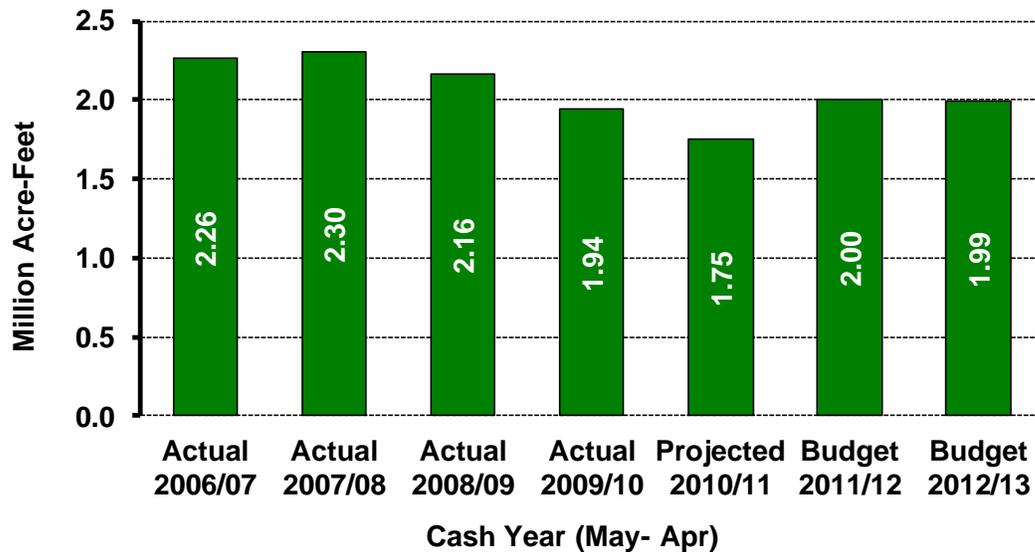
SOURCES OF FUNDS

Estimated receipts from water sales, fixed charges (readiness-to-serve charge and capacity charge), taxes and annexation fees, and other miscellaneous income (interest income, power recovery, etc) are projected to be \$1.60 billion for fiscal year 2011/12 and \$1.70 billion for fiscal year 2012/13. For 2011/12 this is \$99.4 million more than the 2010/11 Budget and for 2012/13 this is \$36.9 million more than the 2011/12 Proposed Budget. The increase in revenues is primarily due to increases in water rates in 2011, 2012 and 2013. Figure 1 shows the major sources of funds. Summaries of sources and uses of funds are shown in Tables 6, 7 and 8 at the end of this section. A description of each revenue source is included in the Glossary of Terms.

Water Sales

Receipts from water sales are budgeted at \$1,294.9 million in 2011/12 and \$1,369.9 million in 2012/13 and are based on rates and charges adopted by the Board for January 1, 2011 and January 1, 2012. In addition, a 5 percent rate increase was estimated for January 1, 2013.

Water sales for both 2011/12 and 2012/13 are estimated to be 2.00 million acre-feet (MAF) during the May through April period (cash year). Water sold during the cash year results in revenue collections in the July-to-June fiscal year.

Figure 2. Five-Year Trend of Water Sales

The 2011/12 cash year water sales include 1.76 MAF of firm sales, zero replenishment sales, 62 thousand acre-feet (TAF) of agricultural sales, and 180 TAF in wheeled / exchanged sales. Treated sales are estimated to be 1.14 MAF or 57 percent of total sales in 2011/12. The 2012/13 cash year water sales include 1.75 MAF of firm sales, zero replenishment sales, 52 thousand acre-feet (TAF) of agricultural sales, and 190 TAF in wheeled / exchanged sales. Treated sales are estimated to be 1.13 MAF or 57 percent of total sales in 2012/13. Figure 2 shows the 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 State Water Contract (SWC) are estimated to be \$81.0 million in 2011/12 and \$82.6 million in 2012/13.

Fixed Charges

The fixed charges are comprised of the Capacity Charge and Readiness-to-Serve Charge. In 2011/12 these charges are estimated to generate \$34.7 million and

\$135.5 million, respectively. In 2012/13 these charges are estimated to generate \$35.2 million and \$150.5 million, respectively. In total this represents a \$15.9 million increase from the 2010/11 to the 2011/12 Budget and a \$15.5 million increase from the 2011/12 to the 2012/13 Budget.

Other Revenue

Interest earnings are estimated to total \$18.7 million and \$19.6 million for 2011/12 and 2012/13 respectively (including trust accounts and construction funds). 2011/12 is \$19.9 million lower than the 2010/11 Budget estimate due primarily to lower estimated fund balances and lower estimated interest rates.

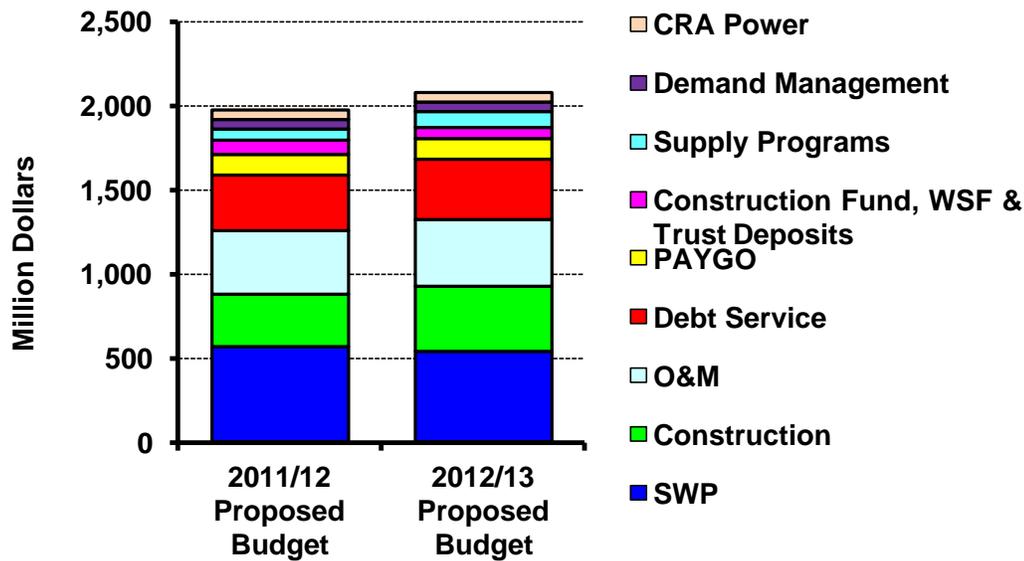
Receipts from hydroelectric and Colorado River Aqueduct (CRA) power sales are estimated to be \$22.1 million for 2011/12, about \$0.3 million lower than the 2010/11 budget, and \$21.2 million for 2012/13, about \$0.9 million lower than the 2011/12 budget.

Other Sources

To meet the on-going funding requirements of the CIP, Metropolitan plans to issue \$250 million of fixed rate bonds in 2011/12 and \$80 million of fixed rate bonds in 2012/13. These bonds are expected to generate \$303.4 million in bond proceeds, after about \$13 million to cover the cost of

issuance and \$13 million to fund reserves. The remaining CIP funding requirements will be met from current operating funds (i.e., PAYGO from the R&R and General Fund). In 2011/12, a total of \$1.98 billion will be available for expenditures and other obligations and in 2012/13 this figure will increase to \$2.09 billion.

Figure 3. Uses of Funds



USES OF FUNDS

Total uses of funds are \$1.98 billion for 2011/12 and \$2.09 billion for 2012/13. Figure 3 shows the breakdown of expenditures and other obligations that make up the Uses of Funds for 2011/12 and 2012/13.

Colorado River Aqueduct Power

CRA power costs are projected to be \$53.4 million and \$57.1 million based on pumping 1.10 MAF and 1.09 MAF at Whitsett Intake Pumping Plant respectively in 2011/12 and 2012/13. For 2011/12 this is \$6.2 million less than the 2010/11 budget, which included higher pumping volumes at 1.18 MAF. CRA power costs are expected to increase \$3.8 million from 2011/12 to 2012/13 due to higher purchased power prices.

State Water Contract

State Water Contract (SWC) expenditures are budgeted at \$567.7 million for 2011/12 and \$546.5 million in 2012/13. This is based on total deliveries of 1.16 MAF for 2011/12, of which 91 TAF are received via exchange, and 953 TAF for 2012/13, of which 80 TAF are received via exchange.

SWC power costs are expected to be \$232.1 million for 2011/12 and \$188.9 million for 2012/13 and include the cost of pumping 1.07 MAF and 0.87 MAF respectively.

For 2011/12 the average total unit cost of SWC power is expected to be about \$218 per acre-foot, which includes \$81 per acre-foot for fixed power costs and \$137 per acre-foot for variable pumping costs. For 2012/13 the average total unit cost of SWC power is expected to be about \$216 per acre-foot,

which includes \$75 per acre-foot for fixed power costs and \$141 per acre-foot for variable pumping costs.

SWC minimum operations, maintenance, power, and replacement charges are estimated to increase from \$184.0 million in 2011/12 to \$194.6 million in 2012/13. Capital charges are expected to increase from \$151.7 million in 2011/12 to \$163.0 million in 2012/13.

Demand Management Costs

Metropolitan provides financial assistance to its member agencies for the development of local water recycling and groundwater recovery projects through the Local Resource Program (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. Sixty of these projects are in operation and the remaining five projects are under design or construction. Recycling projects that receive Metropolitan contributions are expected to produce 177 TAF of recycled water, principally for landscape irrigation, groundwater recharge, and industrial uses in 2011/12 and 181 TAF in 2012/13. Metropolitan is expected to spend \$28.9 million in 2011/12 and \$29.1 million on these efforts in 2012/13.

Metropolitan has also entered into agreements to provide financial assistance to 22 projects to recover contaminated groundwater. All of these groundwater recovery projects are in operation and are expected to produce about 45 TAF in 2011/12 at a cost to Metropolitan of \$8.3 million. In 2012/13 twenty-two groundwater recovery projects are expected to produce about 51 TAF at a cost to Metropolitan of \$8.9 million.

The CCP provides financial assistance to customers in Metropolitan's service area for water conservation programs. The budget for CCP provides rebate funding for residential, commercial, industrial, and landscape conservation activities. The 2011/12 and 2012/13 funding for CCP has been budgeted at \$19.8 million and \$20.5 million respectively.

OPERATIONS AND MAINTENANCE

The 2012/13 O&M Budget, including operating equipment purchases, is estimated to be \$391.2 million. This is \$17.3 million more than the 2011/12 budget of \$374.0 million and \$54.4 million more than the current year budget of \$336.8 million. The O&M budget is the result of continuing management efforts to increase efficiency and reduce costs while meeting the Board's priorities. Table 1 presents a summary of the O&M budget by expenditure type.

Table 1. 2012/13 Operations & Maintenance Annual Budget (dollars) by Expenditure Type

	2009/10 Actual	2010/11 Budget	2011/12 Budget	2012/13 Proposed	2011/12 Budget vs. 2010/11 Budget	2012/13 Proposed vs. 2011/12 Budget
Salaries & Benefits *	212,319,770	212,803,200	225,389,100	229,643,300	12,585,900	4,254,200
Chemicals, Solids, and Power **	23,128,078	26,493,300	24,778,300	25,641,000	(1,715,000)	862,700
Outside Services	40,175,825	35,645,800	40,791,000	40,725,400	5,145,200	(65,600)
Materials & Supplies ***	21,073,662	22,547,771	22,218,761	23,334,809	(329,010)	1,116,048
Cargill Settlement / OPEB	600,727	500,000	500,000	500,000	-	-
Other	32,551,457	36,683,129	52,795,539	64,024,191	16,112,410	11,228,652
Operating Equipment	5,520,268	2,091,500	7,489,400	7,344,700	5,397,900	(144,700)
Total	335,369,787	336,764,700	373,962,100	391,213,400	37,197,400	17,251,300
Total Budgeted Positions	2,019	1,924	1,921	1,927	(3)	6

* Includes Overhead Credit for Construction.

** Costs associated with treatment plants only.

*** Without chemicals associated with treatment plants.

Labor costs, not including those charged to construction, are \$229.6 million. Although the budget assumes no cost-of-living adjustments in salaries for the workforce during fiscal year 2012/13, this is \$4.3 million, or 1.9 percent, higher than the 2011/12 Budget of \$225.4 million. This increase is the net result of primarily three factors including:

- Increases in the cost of employee benefits, particularly related to employee and retiree medical insurance, of \$3.1 million;
- Merit increases for eligible employees of \$2.2 million; and
- An increase of two additional positions in Water Resources Management for SWP finance and contract management of \$0.3 million.

These increases are partially offset by a \$1.2 million increase in the construction overhead, which is applied as a credit reducing O&M labor.

Non-labor O&M costs in the 2012/13 budget are responsible for the remaining \$13.0 million increase as compared to the 2011/12 budget. The 2012/13 proposed budget increases Metropolitan's commitment to fund its OPEB obligation by \$5.0 million to a total of \$15 million. Fiscal year 2011/12 included \$10.0 million to begin to fund this obligation to its current and future retiree's. It is anticipated that ongoing OPEB obligations would be funded at \$20 million per year in subsequent years.

The 2012/13 proposed budget also includes \$3.3 million for the PC Replacement Program, a \$1.9 million increase as compared to 2011/12, to complete the replacement of outdated desktop workstations at the end of their anticipated useful life

The 2012/13 budget also includes a \$0.9 million increase in the cost of chemicals, electricity, and sludge disposal incurred in the water treatment process driven by higher unit costs, a \$0.4 million increase for association dues primarily due to State Water Project Contractor Association DHCCP costs, and a \$0.3 million increase in the cost of insurance claims consistent with the projected rate of inflation.

Consistent with past practice, the 2012/13 proposed budget includes a \$7.3 million budget contingency equal to about 2 percent of the total O&M budget. This is a \$3.2 million increase as compared with the 2011/12 budget, which at the time of its approval also contained a \$7.3 million contingency. The budget contingency helps mitigate the risk of cost increases associated with water supply uncertainty, changes in water sales, resolution of outstanding bargaining unit agreements, employee benefit cost changes, and changes in treatment chemical unit costs over a two-year budget planning horizon.

Figure 4. Departmental Budget by Expenditure Type

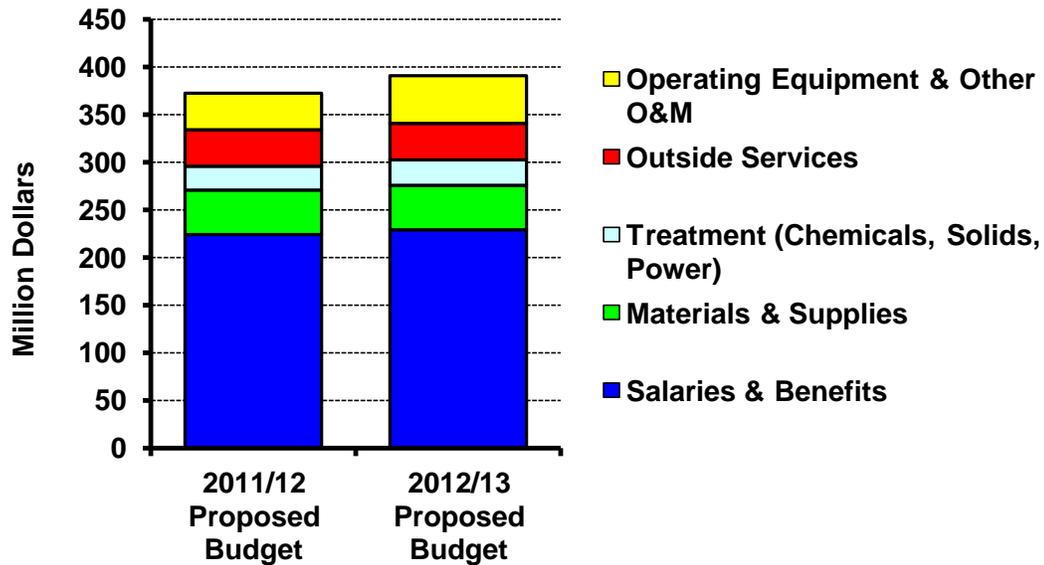


Figure 4 summarizes the total departmental O&M budget by expenditure type, of which 59 percent is for salaries and benefits.

Figure 5 depicts the distribution of the departmental O&M by organization without other O&M, the overhead credit, and operating equipment. Including treatment

costs, the Water System Operations (WSO) Group accounts for 58 percent of the total departmental budget for both 2011/12 and 2012/13.

A summary of the O&M Budget by organization is shown in Table 2.

Figure 5. Departmental Budget by Organization (without Other O&M, operating equipment, and overhead credit)

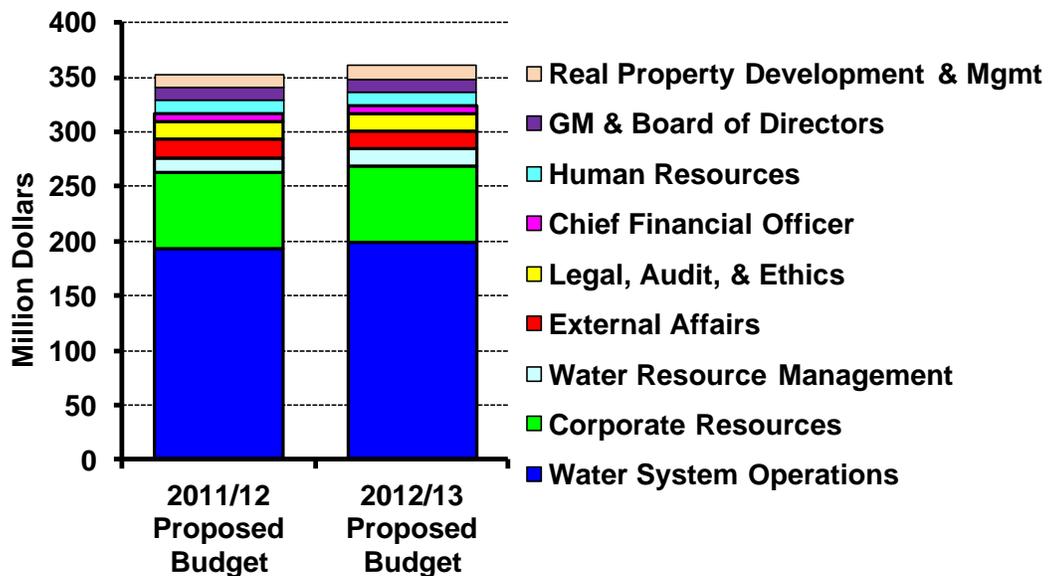


Table 2. Operations & Maintenance Budget by Organization

Departmental Units	2010/11 Budget	2011/12 Proposed Budget	2012/13 Proposed Budget	Change			
				2011/12 to 2010/11	%	2012/13 to 2011/12	%
Office of the General Manager	\$ 11,401,400	\$ 11,877,400	\$ 12,034,000	\$ 476,000	4.2%	\$ 156,600	1.3%
Water System Operations w/o Variable Treatment	163,782,200	169,369,800	173,597,700	5,587,600	3.4%	4,227,900	2.5%
Water Resource Management	15,374,100	14,470,700	15,444,900	(903,400)	(5.9%)	974,200	6.7%
Corporate Resources	64,526,600	68,527,300	70,097,500	4,000,700	6.2%	1,570,200	2.3%
Real Property Development & Mgmt	11,930,200	12,433,600	12,139,600	503,400	4.2%	(294,000)	(2.4%)
Human Resources	11,046,800	11,477,400	11,672,800	430,600	3.9%	195,400	1.7%
Office of the Chief Financial Officer	7,788,000	8,262,300	8,385,200	474,300	6.1%	122,900	1.5%
External Affairs	15,275,100	16,030,800	16,191,500	755,700	4.9%	160,700	1.0%
Subtotal - General Manager's Dep.	301,124,400	312,449,300	319,563,200	11,324,900	3.8%	7,113,900	2.3%
General Counsel	10,376,000	12,552,600	12,535,900	2,176,600	21.0%	(16,700)	(0.1%)
General Auditor	2,682,100	2,780,700	2,821,400	98,600	3.7%	40,700	1.5%
Ethics Office	624,200	677,100	685,900	52,900	8.5%	8,800	1.3%
Overhead Credit from Construction	(20,249,000)	(18,318,500)	(19,512,100)	1,930,500	(9.5%)	(1,193,600)	6.5%
Total Departmental Budget	294,557,700	310,141,200	316,094,300	15,583,500	5.3%	5,953,100	1.9%
Other O&M							
Cargill Settlement	500,000	500,000	500,000	-	NA	-	NA
PC Replacement	-	1,400,000	3,300,000	1,400,000	NA	1,900,000	135.7%
CCP Vendor Administration	2,006,200	1,839,100	1,589,100	(167,100)	(8.3%)	(250,000)	(13.6%)
Performance Programs	650,000	673,000	673,000	23,000	3.5%	-	NA
Association Dues	2,200,000	4,432,500	4,849,700	2,232,500	101.5%	417,200	9.4%
OPEB Funding	-	10,000,000	15,000,000	10,000,000	NA	5,000,000	50.0%
Contingency	-	4,070,600	7,300,000	4,070,600	NA	3,229,400	79.3%
Insurance	7,250,000	7,504,000	7,766,600	254,000	3.5%	262,600	3.5%
Leases	475,000	572,000	580,000	97,000	20.4%	8,000	1.4%
Taxes	541,000	562,000	575,000	21,000	3.9%	13,000	2.3%
Subtotal - Other	13,622,200	31,553,200	42,133,400	17,931,000	131.6%	10,580,200	33.5%
TOTAL OPERATIONS & MAINTENANCE	308,179,900	341,694,400	358,227,700	33,514,500	10.9%	16,533,300	4.8%
Operating Equipment	2,091,500	7,489,400	7,344,700	5,397,900	258.1%	(144,700)	(1.9%)
Variable Treatment	26,493,300	24,778,300	25,641,000	(1,715,000)	(6.5%)	862,700	3.5%
GRAND TOTAL	\$ 336,764,700	\$ 373,962,100	\$ 391,213,400	\$ 37,197,400	11.0%	\$ 17,251,300	4.6%

Totals may not foot due to rounding

LABOR

The total personnel complement (including temporary workers) for 2012/13 is 1,927 positions, an increase of two regular and four district temporary full time equivalent positions from 2011/12. The two regular positions are proposed for the Water Resources Management Group for work on State Water Project finance and contract management. The four district temporary equivalent positions are seasonal recurrent positions in the Water System Operations Desert Region.

Total O&M personnel are up by 8 positions to 1,627. Positions dedicated to capital work are down by 2. The proposed 2012/13 budget assumes a vacancy rate of approximately 3.2 percent across the organization, which is about the same rate as assumed for the 2011/12 budget and slightly above the 2.6 percent rate assumed for 2010/11.

The personnel complement is broken down on Tables 3 and 4.

Table 3. Regular and Temporary Positions

	2009/10 Budget	2010/11 Budget	2011/12 Proposed Budget	2012/13 Proposed Budget	Change from 2011/12
Regular Full Time Positions	2,000	1,899	1,898	1,900	2
District Temporary Positions	16	22	18	22	4
Agency Temporary Positions	3	3	5	5	0
Total	2,019	1,924	1,921	1,927	6

Totals may not foot due to rounding.

Table 4. O&M and Capital Staffing Levels

	2010/11 Budget	2011/12 Proposed Budget	2012/13 Proposed Budget
O&M Positions			
Regular Full Time Positions	1,610	1,600	1,604
District & Agency Temporary Positions	24	19	23
Total O&M	1,634	1,619	1,627
Capital Positions			
Regular Full Time Positions	289	298	296
District & Agency Temporary Positions	1	4	4
Total Capital	290	302	300
GRAND TOTAL	1,924	1,921	1,927

Totals may not foot due to rounding.

Supply Programs

Major supply program expenditures for 2011/12 and 2012/13 are estimated to be \$67.4 million and \$92.5 million respectively and include (may not foot due to rounding):

- \$26.9 million in 2011/12 and \$31.1 million in 2012/13 for Colorado Programs;
- \$15.2 million in 2011/12 and \$15.7 million in 2012/13 for the Palo Verde Irrigation District (PVID) Land Management Program;
- \$8.2 million in 2011/12 and \$28.5 million in 2012/13 State Water Project (SWP) Transfer Programs;
- \$11.7 million in 2011/12 and \$12.3 million in 2012/13 for operating and maintaining the IID/MWD conservation agreement;
- \$1.7 million in 2011/12 and \$2.7 million in 2012/13 for the Arvin-Edison Storage Program;
- \$0.4 million in 2011/12 and \$1.7 million in 2012/13 for the Semitropic groundwater Storage and Exchange Program; and
- \$3.4 million in 2011/12 and \$0.5 million in 2012/13 for In-Basin Projects.

These storage programs are expected to generate 318 TAF of supply deliveries on the CRA and SWP in 2011/12 and 381 TAF in 2012/13.

ANNUAL CAPITAL INVESTMENT PLAN

The CIP budget for 2011/12 and 2012/13 is estimated to be \$316.4 million and \$386.7 million in 2012/13 and is funded by a combination of debt and current operating revenues (R&R and General Fund). The 2011/12 capital budget is \$56.4 million higher than the 2010/11 Budget and the 2012/13 capital budget is \$70.4 million higher than the 2011/12 Budget.

The two largest areas of expenditures in the 2011/12 and 2012/13 CIP are Infrastructure Reliability and Water Quality. It is currently anticipated that infrastructure expenditures will continue to grow as more facilities reach the end of their service life.

Cash Funded Capital

The CIP includes R&R and other projects that are funded from the General Fund and are commonly referred to as Pay-As-You-Go (PAYGO) funding. The combined cash financing from operating revenues for the R&R and General Fund will total \$125 million per year for both 2011/12 and 2012/13.

Debt Service

The portion of the CIP that is not funded from cash will be funded from bond proceeds. In 2011/12, \$191.4 million of capital will be funded with bond proceeds. In 2012/13, \$261.7 million of capital will be funded with bond proceeds. Metropolitan plans to issue \$250 million in new debt in 2011/12 and an additional \$80 million in 2012/13. This will result in construction proceeds of \$303.4 million, after allowing for about \$13 million to cover the cost of issuance and \$13 million to fund reserves.

Debt service payments in 2011/12 are budgeted to be \$336.4 million and include \$38.3 million in G.O. bond debt service, \$284.1 million in revenue bond debt service, \$11.4 million in variable rate debt administration costs (liquidity, remarketing fees, and broker-dealer fees), and \$2.6 million for State Revolving Fund Loan payments. Total debt service costs in 2011/12 are expected to be \$4.6 million more than the 2010/11 Budget.

Debt service payments in 2012/13 are budgeted to be \$363.5 million and include \$40.4 million in G.O. bond debt service, \$307.3 million in revenue bond debt service, \$13.2 million in variable rate debt administration costs (liquidity, remarketing fees, and broker-dealer fees), and \$2.6 million for State Revolving Fund Loan payments. Total debt service costs in 2012/13 are expected to be \$27.1 million more than the 2011/12 Budget.

Metropolitan currently has \$5.0 billion in outstanding debt. Of this amount, \$4.7 billion is revenue bond debt, of which 12 percent is in a variable rate mode.

Reserve Transfers

The 2011/12 budget forecasts a \$12.2 million decrease in reserves by June 30, 2012. The Water Rate Stabilization Fund (WRSF) and the Treatment Surcharge Stabilization Fund (TSSF) are expected to be drawn down to zero with a \$6.2 million draw. The Revenue Remainder Fund is expected to decrease by \$11.4 million and the Water Stewardship Fund (WSF) is expected to increase to \$5.3 million from zero.

The 2012/13 budget forecasts a \$41.3 million increase in reserves by June 30, 2013. The Water Rate Stabilization Fund (WRSF) and the Treatment Surcharge Stabilization Fund (TSSF) are expected to increase by \$28.5 million. The Revenue Remainder Fund is expected to increase by \$6.3 million and the Water Stewardship Fund (WSF) is expected to add \$6.5 million.

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 5. Figure 6 shows the distribution of these funds by type.

Fund balances are budgeted to be \$1,193.3 million at June 30, 2012. Of that total, \$935.5 million is restricted by bond covenants, contracts, or board policy, and \$257.8 million is unrestricted. In addition, fund balances are budgeted to be \$1,070.3 million at June 30, 2013. Of that total, \$777.7 million is restricted by bond covenants, contracts, or board policy, and \$292.6 million is unrestricted.

On June 30, 2012 the minimum and maximum reserve fund targets are estimated to be \$227.2 million and \$542.0 million, respectively. Based on projected receipts and expenditures, it is estimated that the balance in the WRSF, TSSF, Revenue Remainder Fund, and WSF will total about \$229.4 million, about \$2.2 million over the minimum target.

On June 30, 2013 the minimum and maximum reserve fund targets are estimated to be \$230.3 million and \$557.6 million, respectively. Based on projected receipts and expenditures, it is estimated that the balance in the WRSF, TSSF, Revenue Remainder Fund, and WSF will total about \$270.7 million, about \$40.4 million over the minimum target.

Table 5. Projected Fund Balances (dollars in millions)

	Restricted		Unrestricted	Total
	Contractual	Board		
2011/12 Proposed Budget				
Operating Funds	235.0	122.0		357.1
Debt Service Funds	336.2			336.2
Construction Funds	241.1		33.8	274.9
Rate Stabilization Funds*			224.0	224.0
Trust and Other Funds	1.0			1.0
Total June 30, 2012	813.4	122.0	257.8	1,193.3
2012/13 Proposed Budget				
Operating Funds	241.8	133.8		375.7
Debt Service Funds	345.5			345.5
Construction Funds	55.5		33.8	89.3
Rate Stabilization Funds*			258.8	258.8
Trust and Other Funds	1.1			1.1
Total June 30, 2013	643.9	133.8	292.6	1,070.3

* includes Water Rate Stabilization Fund, Water Treatment Surcharge Stabilization Fund and the Revenue Remainder Fund

Totals may not foot due to rounding.

Figure 6. Fund Distribution by Type

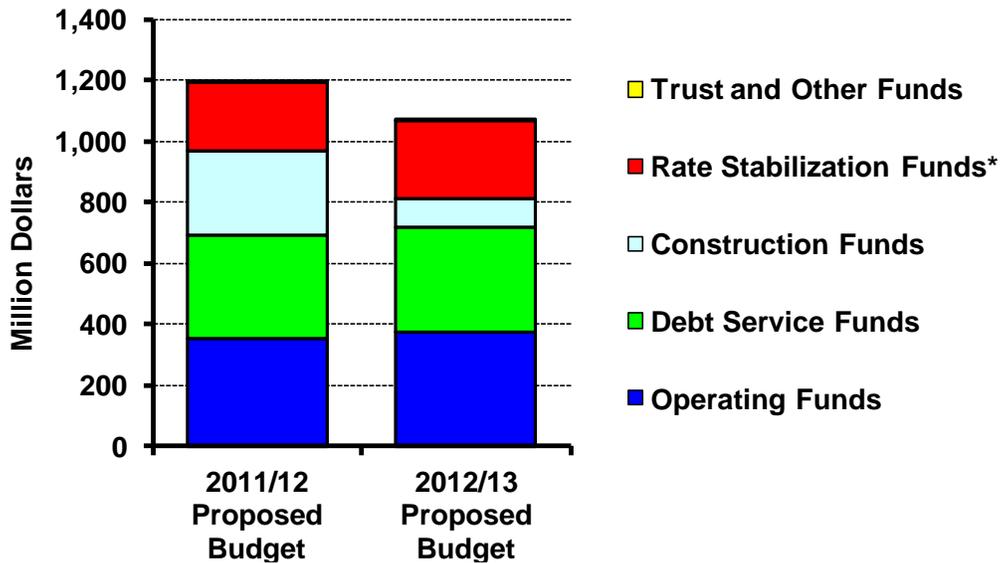


Table 6. Sources and Uses of Funds (dollars in millions)

	2009/10 Actual	2010/11 Budget	2010/11 Projected	2011/12 Proposed Budget	2012/13 Proposed Budget	2011/12 Proposed	2012/13 Proposed
						Budget Compared to	Budget Compared to
						2010/11 Budget	2011/12 Proposed Budget
USES OF FUNDS							
Expenditures							
State Water Contract	\$ 438.2	\$ 488.5	\$ 479.7	\$ 567.7	\$ 546.5	\$ 79.2	\$ (21.2)
Supply Programs	121.9	101.4	106.4	67.4	92.5	(34.0)	25.1
Colorado River Power	42.4	59.6	52.0	53.4	57.1	(6.2)	3.8
Debt Service	293.7	331.7	321.5	336.4	363.5	4.6	27.1
Demand Management	62.4	58.2	55.5	59.1	60.7	0.9	1.6
Departmental O&M	293.8	294.8	295.4	310.1	316.1	15.3	6.0
Treatment Chemicals, Solids & Power	23.1	26.5	26.5	24.8	25.6	(1.7)	0.9
Other O&M	18.5	15.4	14.9	39.0	49.5	23.6	10.4
Sub-total Expenditures	1,294.0	1,376.3	1,351.9	1,458.0	1,511.6	81.7	53.6
Capital Investment Plan	316.4	259.9	235.0	316.4	386.7	56.4	70.4
Fund Deposits							
R&R and General Fund	36.7	95.0	45.0	125.0	125.0	30.0	-
Revenue Bond Construction	44.9	199.1	58.0	38.5	-	(160.6)	(38.5)
Water Stewardship Fund	0.0	4.2	-	5.3	6.5	1.2	1.2
Interest for Construction & Trust Funds	5.4	7.6	4.4	3.6	2.6	(4.0)	(1.0)
Increase in Required Reserves	27.6	68.5	46.0	32.9	27.6	(35.7)	(5.3)
Increase in Rate Stabilization Fund	-	-	-	-	28.5	-	28.5
Other Fund Activity	11.8	-	-	-	-	-	-
Sub-total Fund Deposits	126.4	374.4	153.4	205.2	190.2	(169.2)	(15.0)
TOTAL USES OF FUNDS	\$ 1,736.7	\$ 2,010.6	\$ 1,740.3	\$ 1,979.6	\$ 2,088.5	\$ (31.0)	\$ 108.9
SOURCES OF FUNDS							
Receipts							
Taxes	\$ 96.6	\$ 80.8	\$ 80.8	\$ 80.0	\$ 81.6	\$ (0.7)	\$ 1.6
Annexations	0.7	1.0	1.0	1.0	1.0	-	-
Interest Income	23.9	38.6	29.1	18.7	19.6	(19.9)	0.9
Hydro Power	18.8	22.4	24.1	22.1	21.2	(0.3)	(0.9)
Fixed Charges (RTS & Capacity Charge)	135.3	154.4	154.4	170.2	185.7	15.9	15.5
Water Sales Revenue	1,011.1	1,199.9	1,066.3	1,294.9	1,369.9	95.0	75.0
Miscellaneous Revenue	31.6	8.8	16.2	18.3	19.6	9.5	1.3
Bond Proceeds and Reimbursements	342.5	384.0	248.0	240.0	76.8	(144.0)	(163.2)
Sub-total Receipts	1,660.3	1,889.8	1,619.9	1,845.3	1,775.3	(44.6)	(69.9)
Fund Withdrawals							
Water Transfer Fund	11.9	-	-	-	-	-	-
R&R and General Fund	36.7	95.0	45.0	125.0	125.0	30.0	-
Bond Funds for Construction	-	-	-	-	188.2	-	188.2
Water Stewardship Fund	-	-	-	-	-	-	-
Decrease in Required Reserves	-	-	-	3.2	-	3.2	(3.2)
Decrease in Rate Stabilization Fund	27.8	25.8	75.4	6.2	-	(19.6)	(6.2)
Sub-total Fund Withdrawals	76.4	120.8	120.4	134.3	313.2	13.6	178.8
TOTAL SOURCES OF FUNDS	\$ 1,736.7	\$ 2,010.6	\$ 1,740.3	\$ 1,979.6	\$ 2,088.5	\$ (31.0)	\$ 108.9

Totals may not foot due to rounding.

Table 7. June 30, 2012 Sources and Uses by Fund (dollars in millions)

Fiscal Year Ending June 30th, 2012 (\$ in Millions)	All Funds	Operating Funds							Debt Service Funds	Reserve Funds (1)	Construction Funds		Trust & Other Funds
		General	Water Revenue	O&M	Water Standby	Water Stewardship	Self-Insured Retention	State Contract			R&R	Revenue Bond Construction	
Beginning of Year Balance	1,122.4	59.6	-	171.1	1.2	-	25.2	82.1	307.7	241.6	33.8	199.1	1.0
USES OF FUNDS													
Expenditures													
State Water Contract	567.7	-	-	378.9	-	-	-	188.8	-	-	-	-	-
Supply Programs	67.4	-	-	67.4	-	-	-	-	-	-	-	-	-
Colorado River Power	53.4	-	-	53.4	-	-	-	-	-	-	-	-	-
Debt Service	336.4	2.6	-	11.4	-	-	-	-	322.4	-	-	-	-
Demand Management	59.1	-	-	59.1	-	-	-	-	-	-	-	-	-
Departmental O&M	310.1	-	-	310.1	-	-	-	-	-	-	-	-	-
Treatment Chemicals, Sludge & Power	24.8	-	-	24.8	-	-	-	-	-	-	-	-	-
Other O&M	39.0	7.5	-	31.5	-	-	-	-	-	-	-	-	-
Sub-total Expenditures	1,458.0	10.1	-	936.7	-	-	-	188.8	322.4	-	-	-	-
Capital Investment Plan	316.4	29.6	-	-	-	-	-	-	-	-	95.4	191.4	-
Fund Deposits													
R&R and General Fund	125.0	29.6	-	-	-	-	-	-	-	-	95.4	-	-
Revenue Bond Construction	38.5	-	-	-	-	-	-	-	-	-	-	38.5	-
Water Stewardship Fund	5.3	-	-	-	-	5.3	-	-	-	-	-	-	-
Interest for Construction & Trust Funds	3.6	-	-	-	-	-	-	-	-	-	-	3.5	0.0
Increase in Required Reserves	32.9	-	-	4.3	-	-	-	8.2	28.6	(8.2)	-	-	-
Increase in Rate Stabilization Fund	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total Fund Deposits	205.2	29.6	-	4.3	-	5.3	-	8.2	28.6	(8.2)	95.4	42.0	0.0
TOTAL USES OF FUNDS	1,979.6	69.3	-	941.0	-	5.3	-	197.0	350.9	(8.2)	190.8	233.4	0.0
SOURCES OF FUNDS													
Receipts													
Taxes	80.0	-	-	-	-	-	-	41.8	38.3	-	-	-	-
Annexations	1.0	-	-	-	-	-	-	1.0	-	-	-	-	-
Interest Income	18.7	1.0	-	2.8	0.0	0.0	0.4	1.4	5.2	3.7	0.5	3.5	0.0
Hydro Power	22.1	-	22.1	-	-	-	-	-	-	-	-	-	-
Fixed Charges (RTS & Capacity Charge)	170.2	-	170.2	-	-	-	-	-	-	-	-	-	-
Water Sales Revenue	1,294.9	-	1,294.9	-	-	-	-	-	-	-	-	-	-
Miscellaneous Revenue	18.3	18.3	-	-	-	-	-	-	-	-	-	-	-
Bond Proceeds	240.0	-	-	-	-	-	-	-	10.2	-	-	229.8	-
Sub-total Receipts	1,845.3	19.3	1,487.2	2.8	0.0	0.0	0.4	44.2	53.6	3.7	0.5	233.4	0.0
Fund Withdrawals													
Transfer Fund	-	-	-	-	-	-	-	-	-	-	-	-	-
R&R and General Fund	125.0	29.6	-	-	-	-	-	-	-	-	95.4	-	-
Bond Funds for Construction	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Stewardship Fund	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease in Required Reserves	3.2	-	-	-	-	-	-	-	-	3.2	-	-	-
Decrease in Rate Stabilization Fund	6.2	-	-	-	-	-	-	-	-	6.2	-	-	-
Sub-total Fund Withdrawals	134.3	29.6	-	-	-	-	-	-	-	9.3	95.4	-	-
TOTAL SOURCES OF FUNDS	1,979.6	48.9	1,487.2	2.8	0.0	0.0	0.4	44.2	53.6	13.1	95.9	233.4	0.0
Inter-Fund Transfers	-	30.4	(1,487.2)	928.2	(0.0)	5.3	(0.4)	152.9	297.3	(21.3)	94.8	-	-
End of Year Balance	1,193.3	59.6	-	175.4	1.2	5.3	25.2	90.3	336.2	224.0	33.8	241.1	1.0

(1) includes Water Rate Stabilization Fund, Water Treatment Surcharge Stabilization Fund, and the Revenue Remainder Fund
Totals may not foot due to rounding.

Table 8. June 30, 2013 Sources and Uses by Fund (dollars in millions)

Fiscal Year Ending June 30th, 2013 (\$ in Millions)	All Funds	Operating Funds						Debt Service Funds	Reserve Funds (1)	Construction Funds		Trust & Other Funds	
		General	Water Revenue	O&M	Water Standby	Water Stewardship	Self-Insured Retention			State Contract	R&R		Revenue Bond Construction
Beginning of Year Balance	1,193.3	59.6	-	175.4	1.2	5.3	25.2	90.3	336.2	224.0	33.8	241.1	1.0
USES OF FUNDS													
Expenditures													
State Water Contract	546.5	-	-	354.4	-	-	-	192.1	-	-	-	-	-
Supply Programs	92.5	-	-	92.5	-	-	-	-	-	-	-	-	-
Colorado River Power	57.1	-	-	57.1	-	-	-	-	-	-	-	-	-
Debt Service	363.5	2.6	-	13.2	-	-	-	-	347.7	-	-	-	-
Demand Management	60.7	-	-	60.7	-	-	-	-	-	-	-	-	-
Departmental O&M	316.1	-	-	316.1	-	-	-	-	-	-	-	-	-
Treatment Chemicals, Sludge & Power	25.6	-	-	25.6	-	-	-	-	-	-	-	-	-
Other O&M	49.5	7.3	-	42.1	-	-	-	-	-	-	-	-	-
Sub-total Expenditures	1,511.6	9.9	-	961.9	-	-	-	192.1	347.7	-	-	-	-
Capital Investment Plan	386.7	26.7	-	-	-	-	-	-	-	-	98.3	261.7	-
Fund Deposits													
R&R and General Fund	125.0	26.7	-	-	-	-	-	-	-	-	98.3	-	-
Revenue Bond Construction	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Stewardship Fund	6.5	-	-	-	-	6.5	-	-	-	-	-	-	-
Interest for Construction & Trust Funds	2.6	-	-	-	-	-	-	-	-	-	-	2.6	0.0
Increase in Required Reserves	27.6	-	-	6.8	-	-	-	5.3	9.3	6.3	-	-	-
Increase in Rate Stabilization Fund	28.5	-	-	-	-	-	-	-	-	28.5	-	-	-
Sub-total Fund Deposits	190.2	26.7	-	6.8	-	6.5	-	5.3	9.3	34.8	98.3	2.6	0.0
TOTAL USES OF FUNDS	2,088.5	63.2	-	968.7	-	6.5	-	197.4	356.9	34.8	196.7	264.3	0.0
SOURCES OF FUNDS													
Receipts													
Taxes	81.6	-	-	-	-	-	-	41.3	40.4	-	-	-	-
Annexations	1.0	-	-	-	-	-	-	1.0	-	-	-	-	-
Interest Income	19.6	1.0	-	3.1	0.0	0.1	0.4	1.6	5.9	4.2	0.6	2.6	0.0
Hydro Power	21.2	-	21.2	-	-	-	-	-	-	-	-	-	-
Fixed Charges (RTS & Capacity Charge)	185.7	-	185.7	-	-	-	-	-	-	-	-	-	-
Water Sales Revenue	1,369.9	-	1,369.9	-	-	-	-	-	-	-	-	-	-
Miscellaneous Revenue	19.6	19.6	-	-	-	-	-	-	-	-	-	-	-
Bond Proceeds	76.8	-	-	-	-	-	-	-	3.3	-	-	73.5	-
Sub-total Receipts	1,775.3	20.6	1,576.8	3.1	0.0	0.1	0.4	43.9	49.5	4.2	0.6	76.1	0.0
Fund Withdrawals													
Transfer Fund	-	-	-	-	-	-	-	-	-	-	-	-	-
R&R and General Fund	125.0	26.7	-	-	-	-	-	-	-	-	98.3	-	-
Bond Funds for Construction	188.2	-	-	-	-	-	-	-	-	-	-	188.2	-
Water Stewardship Fund	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease in Required Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease in Rate Stabilization Fund	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total Fund Withdrawals	313.2	26.7	-	-	-	-	-	-	-	-	98.3	188.2	-
TOTAL SOURCES OF FUNDS	2,088.5	47.3	1,576.8	3.1	0.0	0.1	0.4	43.9	49.5	4.2	98.9	264.3	0.0
Inter-Fund Transfers	-	31.0	(1,576.8)	950.6	(0.0)	6.4	(0.4)	153.5	307.4	30.6	97.8	-	-
End of Year Balance	1,070.3	59.6	-	182.2	1.2	11.9	25.2	95.6	345.5	258.8	33.8	55.5	1.1

(1) includes Water Rate Stabilization Fund, Water Treatment Surcharge Stabilization Fund, and the Revenue Remainder Fund
Totals may not foot due to rounding.