

Proposed Biennial Budget , and Water Rates and Charges Fiscal Years 2012/13 and 2013/14

**Finance and Insurance Committee
Item 8-4 A & B
March 12, 2012**



Budget and Rates Process

- January 9, 2012 F&I Committee
 - Presentation on proposed biennial budget, revenue requirements and water rates and charges for FY 2012/13 and FY 2013/14
 - January 13, 2012 Member Agency Managers meeting
- January 28, 2012 Board Workshop #1
 - Budget & Rates Overview
 - Water Supply & Demand Forecast
 - Key Strategic Priorities
 - Proposed Water Rates & Charges
- Additional January 2012 meetings
 - West Basin, Southern Coalition, Northern Group, and LADWP/MWD Directors caucus meetings
 - Southern California Water Utilities Association

Budget and Rates Process (cont'd)

- February 13, 2012 Board Workshop #2
 - Follow up on questions from Workshop #1
 - Rate Alternatives
 - February 17, 2012 Member Agency Managers meeting
- February 28, 2012 Update to Executive Committee
 - Rate Alternatives incorporating additional cost reductions
- Additional February 2012 meetings
 - West Basin, Joint Southern Coalition and Orange County, and Northern Group caucus meetings
- Additional March 2012 meetings
 - Orange County, West Basin, and Northern Group caucus meetings
- March 12, 2012 Public Hearing

Proposed Budget Expenditures 2012/13 and 2013/14

Millions of Dollars	2012/13 Proposed	2012/13 Proposed vs. 2011/12 Revised	2013/14 Proposed	2013/14 Proposed vs. 2012/13 Proposed
State Water Contract	\$593.4	6.5%	\$563.8	(5.0%)
Supply Programs	45.1	(5.0%)	44.9	(0.4%)
Colorado Power	36.2	(2.0%)	24.9	(31.2%)
Demand Management	53.2	(10.0%)	53.6	0.7%
O&M	371.3	4.2%	393.8	6.1%
Expenditure Subtotal	\$1,099.3	3.2%	\$1,081.0	(1.7%)
Debt Service	342.0	2.8%	344.8	0.8%
PAYG	55.0	22.2%	125.0	127.3%
Appropriation Total	\$1,496.3	3.7%	\$1,550.8	3.6%

Totals may not foot due to rounding.

Rate Options, January 1, 2013 and January 1, 2014

- Option 1: 7.5% / 5.0%
- Option 2: 5.0% / 5.0%
- Option 3: 6.5% / 5.0%
- All options substantially meet financial policies by FY 2013/14
- Options 1 and 3 provide higher reserve levels and lower rate increases in later years

Biennial Budget Recommendation

- **Option #1** - Adopt the CEQA determination and
 - Appropriate \$1,099.3 million for Metropolitan expenditures for FY 2012/13;
 - Appropriate \$342.0 million for debt service on Metropolitan general obligation and revenue bonds for FY 2012/13;
 - Authorize \$55.0 million in operating revenues to fund Replacement and Refurbishment for FY 2012/13;
 - Appropriate \$1,081.0 million for Metropolitan expenditures for FY 2013/14;
 - Appropriate \$344.8 million for debt service on Metropolitan general obligation and revenue bonds for FY 2013/14; and
 - Authorize \$125.0 million in operating revenues to fund Replacement and Refurbishment for FY 2013/14.

Water Rates and Charges Recommendation

- Option #1: Adopt CEQA determination and
 - Determine FY 2012/13 revenue requirement is \$1,378.0 million
 - Determine FY 2013/14 revenue requirement is \$1,452.2 million
 - Approve water rates effective January 1, 2013 and January 1, 2014
 - Adopt resolution fixing and adopting water rates effective January 1, 2013 and January 1, 2014
 - Adopt resolution fixing and adopting the RTS
 - Adopt resolution fixing and adopting the Capacity Charge