




**First Draft of MWDOC's
Budget FY 2014/15**

**MWDOC Administrative & Finance
March 12, 2014**



Agenda

- **Proposed Rates & Charges**
- **Member Agencies suggestions for the Budget**
- **Budget Principles**
- **Initiatives for FY 2014/15**
- **Proposed Budget FY 2014/15**
 - **Core & Choice Budget**
- **Summary of MWDOC Reserves**
- **Budget Schedule**



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Proposed MWDOC Rates & Charges FY 2014/15

- Continue the transition from variable to fixed
 - 94% fixed and 6% variable
- Scheduled to reach 100% Fixed by FY 2015/16
- MWDOC incremental rate decreases
 - From \$3.25/AF to \$0.60/AF
- MWDOC Retail Meter Connection Charges increases
 - From \$8.40/meter to \$10.20/meter



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MWDOC Rate History & Projections

Fiscal Year	Water Increment (per acre-feet)	Retail Meter Charge (per meter)
2006-07	\$6.50	\$5.50
2007-08	\$6.50	\$5.50
2008-09	\$6.50	\$5.50
2009-10	\$6.50	\$5.50
2010-11	\$6.75	\$5.75
2011-12	\$4.25	\$6.25
2012-13	\$3.75	\$7.25
2013-14	\$3.25	\$8.40
Proposed 2014-15	\$0.60	\$10.20



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MET Proposed Budget Revenue Requirement for FY 2014/15 & FY 2015/16

Millions of Dollars	2013/14 Adopted	2014/15 Proposed Budget	2015/16 Proposed Budget
O&M	\$ 390.2	\$ 422.8	\$ 427.2
State Water Contract	564.3	495.7	515.0
Supply Programs	37.0	69.3	64.6
Colorado River Power	24.9	29.2	36.5
Debt Service	343.4	325.8	324.7
Demand Management	53.6	62.2	61.7
PAYGO	125.0	245.4	221.0
Incr. in Req. Reserves	26.1	11.2	18.2
Sub-total expenditures	1,564.5	1,661.5	1,668.9
Revenue Offsets	121.2	135.7	149.6
Total Revenue Requirement	1,443.2	1,525.8	1,519.3

*Totals may not foot due to rounding

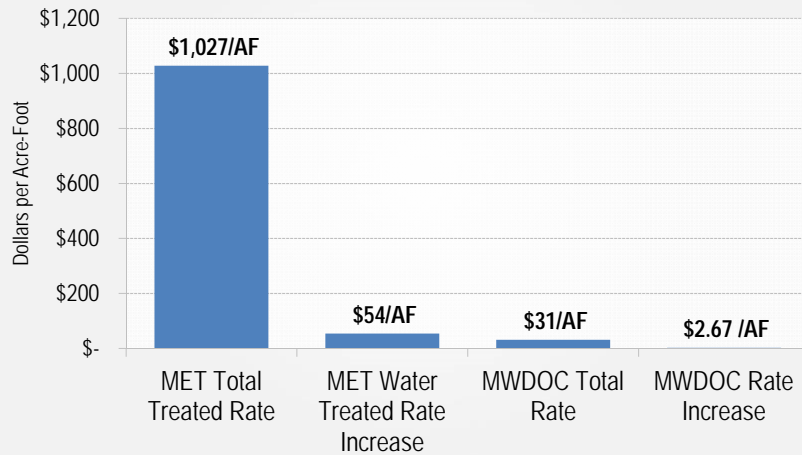


Metropolitan's Staff Proposed Full Service Rates

Rate Type	2014 Approved	2015 Proposed	2016 Proposed
Full Service Untreated Volumetric Cost (\$/AF)			
Tier 1	\$593	\$582	\$594
Tier 2	\$735	\$714	\$728
Full Service Treated Volumetric Cost (\$/AF)			
Tier 1	\$890	\$923	\$942
Tier 2	\$1,032	\$1,055	\$1,076
Full Service Untreated Exchange Cost (\$/AF)	\$445	\$424	\$438
RTS Charge (\$M)	\$166	\$158	\$153
Capacity Charge (\$/cfs)	\$8,600	\$11,100	\$10,900

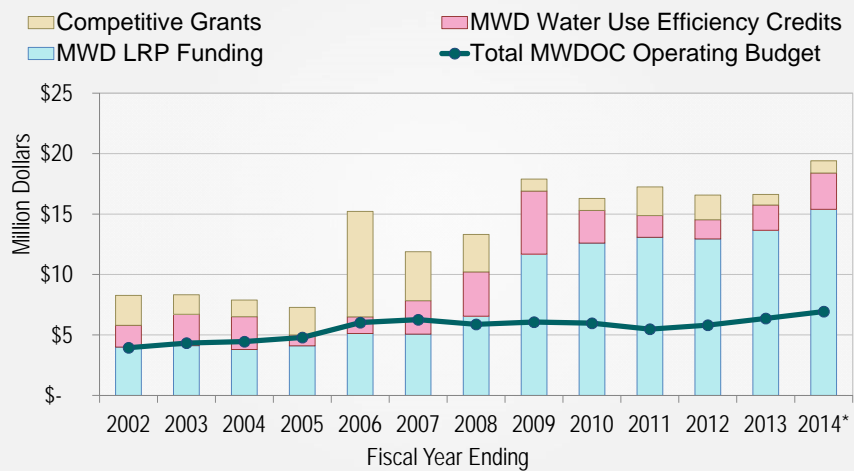


MET and MWDOC Total Cost per AF in 2015



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MWDOC Outside Funding Received



* Staff estimate is approximate for the remainder of Fiscal Year 2013-14

Member Agency Suggestions

- Continue to represent the interest of the member agencies at MET
- Protect MWDOC and local agencies by continuing to monitor the SDCWA/MET lawsuit
- Continue its efforts in the development and implementation of WUE programs
- Consider how climate variability could affect water supplies and demands in the County
- Conduct a series of discussions on Reliability and planning
- Increase the presence of WEROC and emergency planning
- Support to member agency in public messaging



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MWDOC Budget Principles

- Principle #1 – Budget Alignment with Priorities
- Principle #2 – County-wide Perspective
- Principle #3 – Program Efficiency
- Principle #4 – Full Cost Recovery
- Principle #5 – Compliance
- Principle #6 – Transparency & Communication



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Key MWDOC Initiatives for FY 2014/15

- **Continue to work on the following MET Issues:**
 - Bay-Delta issue, including implementation of BDCP
 - Support MET or State Contractors efforts to operate and Maintain the State Water Project System
 - Close scrutiny MET's Budget and Rates
 - Water Supply conditions, including shortage allocation actions
- **Continue to Protect MWDOC and local agency interest in the MET/SDCWA lawsuit**
- **Regional Water Reliability issues**
 - Conjunctive Use
 - Desalination Doheny & Poseidon
- **Development of updating MWDOC's 2015 UWMP**



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Key MWDOC Initiatives for FY 2014/15 (Cont'd)

- **Water Use Efficiency (WUE)**
 - Implement WUE Master Plan
 - Achieve compliance with the 20% by 2020 per capita target
 - Begin to integrate Recycled water into WUE program i.e. Recycled Retrofit Pilot Program
- **Drought Response Assistance**
- **Implement the next phase of the Communication Plan**
- **Renew efforts in Water Emergency Response – WEROC**
 - Additional training for MWDOC staff
 - To further pursue and secure additional grant funds, upgrade the 30-hour part-time employee to full-time



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Key MWDOC Initiatives for FY 2014/15 (Cont'd)

- Assistance in local project decision-making on a regional basis
 - Identify the water supply uncertainty to determine the need to further develop additional local resources
 - Determine the techniques to properly measure the resiliency and cost-effectiveness of local resource projects through scenario planning and adaptive management
- Maintain the total number of full time MWDOC and WEROC employees at 28



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Proposed MWDOC Budget for FY 2014/15



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Proposed CORE Budget for FY 2014/15

	FY 2013/14 Adopted Budget	FY 2014/15 Proposed Budget	Variance
CORE Expenses	\$5,622,776	\$5,813,012	\$190,236
Building Repair & Maintenance	\$315,000	\$168,000	(\$147,000)
Election Expense	\$0	\$444,000	\$444,000
Total CORE Expenses	\$5,937,776	\$6,425,012	\$487,236
Total CORE Revenue	\$5,969,663	\$6,521,794	\$552,130
Total Contributions/(Draw) from Reserves	\$31,888	\$96,782	



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Key CORE Expense Variances

- Election Expense **\$444,000**
- Building Expenses **\$168,000**
- Engineering Expenses **\$185K**
- Legal Expenses **\$24K**
- OPEB Compensation **\$22K**
- Director Compensation & Benefits **\$21K**



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Key CORE Expense Variances (cont'd)

- | | |
|---------------------------------------|---------|
| • MWDOC Contribution to WEROC | \$19K |
| • Travel & Accommodations – Directors | \$16K |
| • Membership & Sponsorship | \$15K |
| • Professional Fees | (\$28K) |
| • Employee Salaries & Benefits | (\$95K) |



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CORE & CHOICE Programs Changes for FY 2014/15

- **CHOICE Programs**
 - School Program
 - Water Use Efficiency (WUE)
 - NEW – Value of Water Communication Program
- **Projects moving to CORE**
 - **Doheny Desalination Project**
 - Activities funded under MET's Foundational Action Program
 - **Poseidon Huntington Beach Ocean Desalination**
 - Activities focus on seeking approval of MET's LRP funding
 - **Second Lower Cross Feeder Project**
 - Change project focus to a Conjunctive Use proposal with the OCWD groundwater basin



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Proposed CHOICE Budget for FY 2014/15

	FY 2013/14 Adopted Budget	FY 2014/15 Proposed Budget	Variance
Total CHOICE Expenses	\$999,035	\$1,247,087	\$269,240
Total CHOICE Revenue	\$977,847	\$1,247,087	



Key "Choice" Expense Variances


- **Professional Fees** **\$190,500**
 - Increase in Discovery Science Center Fees
 - Increase WUE Programs
 - Marketing of WUE Programs
 - Water Smart Landscape
 - California Sprinkler Adjustment Program
 - Landscape Design Assistance Program & Ordinance Plan Review
 - Communication Plan
- **Misc. Expenses** **\$36,750**
 - Advertising, marketing, & Promo items
- **Reproductions** **\$23,000**




MWDOC Reserves Summary

(\$ millions of dollars)

Reserve Fund Description	2014 Target	Increases With	June 30, 2014 Projected Level	June 30, 2015 Projected Level
1. General Fund	\$1.997 M	Inflation	1.986 M	2.028 M
2. Cash Flow Reserves	\$1.00 M	Cost Experience	\$1.00 M	\$1.00 M
3. Building Repair	\$0.35 M	With Needs Assessment	\$0.111 M	\$0.35 M
Total Designated Reserves	\$3.347 M		\$3.097M Short by \$0.25M	\$3.378M
4. Election expense	\$0.60 M	Cost Experience	\$0.228M	\$0.044M
5. OPEB Reserves (Restricted in Irrevocable Trust)	\$2.3M Liability per 2011 Calculation	With annual Payments, Interest earnings	\$0.90M± Estimated	\$1.4M Remaining Liability



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- ### Budget Schedule
- **Publish FIRST FULL DRAFT by March 12**
 - Review and feedback from MWDOC A&F Committee
 - Budget presentation at March 27 MWDOC Manager’s Meeting
 - **April Activities**
 - Member agencies submit comments before April 15
 - CHOICE decisions needed by April 15
 - Final review of Budget & Rates with Member Agencies April at the MWDOC Manager’s Meeting
 - April 4 - Conduct meeting with Elected Officials
 - **May – Board Adopt Final Budget & Rates**
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DISCUSSION

