



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

PROPOSED BUDGET AND RATE INCREASES

Fiscal Years 2012/13 and 2013/14

Key Points

METROPOLITAN'S BUDGET

- The Metropolitan Water District of Southern California is dedicated to providing the 19 million residents of Southern California it serves through its 26 member agencies with a reliable and secure water supply in the face of changing weather and water supply conditions.
- Metropolitan operates under a two-year budget. The District's Board of Directors is currently considering the proposed 2012-2014 budget and rate increases.
- The proposed two-year budget recommends increases in rates and charges averaging 7.5 percent in 2012-13 and 5 percent in 2013-14.
- This proposed budget allows Metropolitan to meet key priorities while keeping proposed rates as low as possible.
- The board is considering other options that include both lower and higher rate increases. A final decision by the board is anticipated in Spring 2012.

PRIORITIES

- The \$1.78 billion budget for fiscal year 2012-13 and the \$1.89 billion in 2013-14 include:
 - investments to replace and refurbish aging infrastructure and enhance water quality totaling more than \$550 million over the next two years;
 - continuing to build storage accounts to improve reliability;
 - continuing to fund conservation programs at \$20 million a year; and
 - continuing to fund at \$33 million a year, the Local Resources Program that provides incentives for recycling projects by local water agencies.
- Metropolitan's 2012-13 budget reduces overall expenditures even as it provides for meeting increased costs caused by aging infrastructure, water treatment requirements and higher costs for State Water Project supplies from Northern California.

REPLACE & REFURBISH

- Replacement and refurbishment of aging infrastructure is essential to ensure continued reliability and efficiency.
- Metropolitan's overall distribution system and the Colorado River Aqueduct system, which is more than 70 years old, require ongoing replacement and refurbishment to maintain reliable service. Over the next two years, Metropolitan has budgeted over \$280 million for this purpose.
- Water treatment upgrades, necessary to meet increasingly stringent water quality regulations, will require at least \$150 million over the next two years.

MAJOR PROJECTS

- From 1995 to 2005, Metropolitan spent over \$5 billion on significant projects.
- For example, Metropolitan added Diamond Valley Lake Reservoir at a cost of over \$2 billion which doubled Southern California's water storage.
- Metropolitan also built the Inland Feeder pipeline at \$1 billion which refills Diamond Valley Lake.
- Together, these two projects have greatly increased water reliability for the region in times of drought.
- Also, to respond to more stringent water quality standards, Metropolitan spent \$1 billion to add ozone disinfection to its treatment plants.

INCREASING REGIONAL RELIABILITY

- Higher costs also include planning and environmental measures to secure a long-term "fix" for the Sacramento-San Joaquin Delta to ensure reliable water supplies for almost 25 million Californians while enhancing and restoring the reliability and ecological functions of the Delta.
- Metropolitan and other water districts are spending nearly \$250 million to develop the Bay Delta Conservation Plan, the plan for the long-term Delta "fix."

SIGNIFICANT COST REDUCTIONS

- To address increasing costs and limit rate increases, Metropolitan has aggressively cut its budget.
- For example, Metropolitan has decreased its capital program by \$165 million or 23% by deferring growth-related projects, while maintaining its infrastructure and delivering water supplies.
- Also, Metropolitan has reduced its staff by more than 160 positions in the last 3 years, reducing its cost of labor over that period.

WATER SUPPLY RELIABILITY

- Metropolitan has increased the region's amount of water in reserve...in case of drought and emergencies ... to the highest level in its 84-year history.
- These water reserves will enable Metropolitan to continue to deliver a reliable water supply to Southern California, even as the snowpack in California is currently significantly below average.
- Infrastructure upgrades and seismic strengthening of facilities help maintain a robust and efficient water system for future generations.

The Metropolitan Water District of Southern California is a cooperative of 26 cities and water agencies serving 19 million people in six counties. The district imports water from the Colorado River and Northern California to supplement local supplies, and helps its members to develop increased water conservation, recycling, storage and other resource management.