



The Metropolitan Water District of Southern California

NEWS RELEASE

P. O. Box 54153, Los Angeles, California 90054-0153 • (213) 217-6485 • www.mwdh2o.com

Contact: Bob Muir, (213) 217-6930; (213) 324-5213, mobile

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**LOWEST WATER RATE INCREASES IN DECADE APPROVED,
AS METROPOLITAN BOARD ADOPTS TWO-YEAR BUDGET
Board also moves to replenish water reserves, fund drought response
programs, reduce long-term liabilities, fund capital projects**

Looking to strategically invest revenues to enhance long-term financial stability and water reliability, Metropolitan Water District's Board of Directors today approved a two-year spending plan that calls for its smallest water rate increases in more than a decade—increases of 1.5 percent over the next two years.

The board adopted a \$1.64 billion budget for fiscal year 2014-15 and a \$1.69 billion budget for fiscal year 2015-16, with associated 1.5 percent average increases in Metropolitan's wholesale water rates in calendar years 2015 and 2016.

As part of the action, Metropolitan's governing body also approved a strategy that capitalizes on the additional revenue generated primarily by local agencies needing to buy more MWD supplies during the severe statewide drought. The board elected to use this additional revenue to replenish Metropolitan's water reserves drawn down by the drought, fund drought response programs, pay down long-term liabilities, and finance previously scheduled capital investments.

Metropolitan General Manager Jeffrey Kightlinger said replacing the district's water reserves will enable the agency to continue meeting regional water needs. Paying down debt and financing capital investments will reduce Metropolitan's long-term costs, he said.

"Today's prudent steps help ensure that Metropolitan will be able to supply water to nearly 19 million Southern Californians even during severe droughts and reduces pressure on future rate increases by cutting the district's overall costs," Kightlinger said.

"It is a real testament to Metropolitan's sound long-term planning that we can meet all demands during this current drought, keep rate increases below the cost of inflation and provide funding for drought response and conservation efforts that will benefit all Southern Californians," he added.

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In addition to being the largest provider of treated drinking water in the nation, Metropolitan also is one of the nation's highest rated utilities, garnering a AAA rating from Standard & Poor's, Kightlinger noted.

"The ratings agencies have long recognized Metropolitan's sound financial management practices," he said. "Throughout this biennial budget and rate-setting process, the board devoted many hours in public workshops and hearings discussing these short- and long-term financing issues as part of the agency's transparent, democratic decision-making process."

Metropolitan's biennial budget and rates anticipate water sales of 1.75 million acre-feet each of the fiscal years. The established rates and charges will become effective Jan. 1 in 2015 and 2016 for all elements of the district's tiered rate structure. That structure breaks down Metropolitan's rates into separate charges that reflect wholesale costs to treat, deliver and develop supplies. (An acre-foot of water is nearly 326,000 gallons, about the amount used by two typical households in a year.)

Under the board action today, effective Jan. 1, 2015, raw water purchased and delivered under Metropolitan's full-service, tier one rate will be \$582 per acre-foot, while drinking water treated at the district's regional filtration plants will cost \$923 per acre-foot.

For more information on Metropolitan, visit the district's website at www.mwdh2o.com.

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The Metropolitan Water District of Southern California is a cooperative of 26 cities and water agencies serving nearly 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 programs.