NEW ISSUE – (FULL BOOK-ENTRY) **See "RATINGS" herein.**

In the opinion of Co-Bond Counsel, under existing law, interest on the 2022C Bonds is exempt from personal income taxes imposed by the State of California. Co-Bond Counsel express no opinion with respect to the exclusion from gross income for federal income tax purposes of the interest on the 2022C Bonds. Such interest is not intended to be excluded from gross income for federal income tax purposes. See "TAX MATTERS" herein.

$282,275,000
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
Special Variable Rate Water Revenue Refunding Bonds, 2022 Series C
(Federally Taxable)

$147,650,000 2022 Series C-1	$134,625,000 2022 Series C-2

Dated, Priced and Due as set forth on the inside cover hereof

The Metropolitan Water District of Southern California ("Metropolitan") is issuing its $282,275,000 Special Variable Rate Water Revenue Refunding Bonds, 2022 Series C (Federally Taxable) (the "2022C Bonds"), consisting of $147,650,000 principal amount of 2022 Series C-1 Bonds (the "2022C-1 Bonds") and $134,625,000 principal amount of 2022 Series C-2 Bonds (the "2022C-2 Bonds") to provide moneys, together with other available moneys, to refund a portion of Metropolitan's outstanding Parity Bonds and to pay costs of issuance of the 2022C Bonds. See "PLAN OF REFUNDING." *Capitalized terms used on this cover page not otherwise defined will have the meanings set forth herein.*

The 2022C Bonds will be dated their date of delivery and will mature as shown on the inside cover hereof. Each Series of 2022C Bonds will initially bear interest in the Weekly Mode and will initially be designated as Liquidity Supported Bonds under the applicable Paying Agent Agreement. Each Series of 2022C Bonds will be issued as fully registered bonds, in denominations of $100,000 or any integral multiples of $5,000 in excess thereof while accruing interest in the Weekly Mode. Interest on each Series of the 2022C Bonds, while in the Weekly Mode, will be payable on the first Business Day of each calendar month, commencing on September 1, 2022. See "DESCRIPTION OF THE 2022C BONDS."

Metropolitan may change the Interest Mode of the 2022C Bonds of each Series; provided, however, that all of the 2022C Bonds of the same Series must accrue interest in the same Interest Mode or at a Fixed Interest Rate. **This Official Statement describes the terms of the 2022C Bonds only while they bear interest in the Weekly Mode and while they are Liquidity Supported Bonds. Prospective investors in a Series of 2022C Bonds must not rely on this Official Statement while such Series of 2022C Bonds bears interest in any other Interest Mode or if they become Self-Liquidity Bonds.**

The 2022C Bonds will be subject to optional and mandatory sinking fund redemption prior to maturity. The 2022C Bonds are also subject to optional and mandatory tender for purchase. See "DESCRIPTION OF THE 2022C BONDS – Redemption of 2022C Bonds" and "– Tender and Purchase of 2022C Bonds."

While the 2022C Bonds are Liquidity Supported Bonds, payment of the purchase price of tendered 2022C-1 Bonds and tendered 2022C-2 Bonds will be payable from the proceeds of remarketing of the 2022C-1 Bonds and the 2022C-2 Bonds, respectively, and, to the extent remarketing proceeds are insufficient, initially from amounts made available (i) with respect to the 2022C-1 Bonds, under a Standby Bond Purchase Agreement, dated as of July 1, 2022 (the "2022C-1 Liquidity Facility"), by and between Metropolitan and TD Bank, N.A. (the "2022C-1 Liquidity Provider") and (ii) with respect to the 2022C-2 Bonds, a Standby Bond Purchase Agreement, dated as of July 1, 2022 (the "2022C-2 Liquidity Facility" and, together with the 2022C-1 Liquidity Facility, the "Liquidity Facilities"), by and between Metropolitan and PNC Bank, National Association (the "2022C-2 Liquidity Provider" and, together with the "2022C-1 Liquidity Provider, the "Liquidity Providers"), subject to the respective terms and conditions set forth therein, and thereafter from such Alternate Liquidity Facility as may be obtained by Metropolitan to provide for payment of the purchase price of the respective Series. Each of the initial Liquidity Facilities terminates on January 26, 2026, unless extended or terminated sooner in accordance with its terms. See "THE LIQUIDITY FACILITIES."

The obligation of each Liquidity Provider to purchase 2022C Bonds of the applicable Series tendered by the Owners thereof or subject to mandatory purchase may be terminated or suspended without notice. In such event, sufficient funds may not be available to purchase the 2022C Bonds tendered by the Owners thereof or subject to mandatory purchase. The Liquidity Facilities will not guarantee the payment of principal of or interest on any of the 2022C Bonds in the event of non-payment of such principal or interest by Metropolitan. See "THE LIQUIDITY FACILITIES."

The 2022C Bonds are special limited obligations of Metropolitan payable as to principal and interest solely from and secured solely by a pledge of and a lien and charge upon the Net Operating Revenues on parity with Metropolitan's outstanding Parity Bonds and other Parity Obligations as described herein. As of July 7, 2022, Metropolitan had outstanding $2.48 billion aggregate principal amount of Parity Bonds (including the Parity Bonds to be refunded by the 2022C Bonds), as well as certain other Parity Obligations payable from Net Operating Revenues. Metropolitan has also issued or incurred, and may in the future issue or incur, bonds and other obligations payable from and secured by a lien upon Net Operating Revenues subordinate to the lien thereon of the 2022C Bonds and all Parity Bonds and Parity Obligations. As of July 7, 2022, Metropolitan had outstanding $1.21 billion aggregate principal amount of Subordinate Bonds, as well as certain other Subordinate Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2022C BONDS." See also "INTRODUCTION – Other Transactions Being Undertaken by Metropolitan" and "PLAN OF REFUNDING."

The 2022C Bonds do not constitute general obligation indebtedness of Metropolitan. Neither the general credit nor the taxing power of Metropolitan is pledged for the payment of the 2022C Bonds or the interest thereon. The obligation to pay the principal of and interest on the 2022C Bonds does not constitute a pledge, charge, lien or encumbrance upon any of Metropolitan's property or its income, receipts or revenues except Net Operating Revenues as described in this Official Statement.

The 2022C Bonds are offered when, as and if issued and received by the Underwriters, subject to approval of legality by Norton Rose Fulbright US LLP and Amira Jackmon, Attorney at Law, Co-Bond Counsel. Certain legal matters will be passed upon for Metropolitan by its General Counsel, for the Underwriters by their counsel, ArentFox Schiff LLP, and for the Liquidity Providers by their counsel, Chapman and Cutler LLP. Stradling Yocca Carlson & Rauth, a Professional Corporation, is acting as Disclosure Counsel to Metropolitan in connection with the issuance of the 2022C Bonds. PFM Financial Advisors LLC is serving as Municipal Advisor to Metropolitan in connection with the issuance of the 2022C Bonds. Metropolitan anticipates that the 2022C Bonds will be available for delivery through the facilities of The Depository Trust Company by Fast Automated Securities Transfer (FAST) on or about July 27, 2022.

2022C-1 Bonds Underwriters	2022C-2 Bonds Underwriters
TD Securities **(Remarketing Agent for the 2022C-1 Bonds)**	**Goldman Sachs & Co. LLC** **(Remarketing Agent for the 2022C-2 Bonds)**
Loop Capital Markets	**Loop Capital Markets**

July 20, 2022

SUMMARY OF THE OFFERING

$282,275,000
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
Special Variable Rate Water Revenue Refunding Bonds, 2022 Series C
(Federally Taxable)

consisting of:

2022 Series C-1

Principal Amount:	$147,650,000
Dated:	Date of Delivery
Due:	July 1, 2037
Initial Interest Mode:	Weekly Mode
Initial Interest Payment Date:	September 1, 2022
Price:	100%
CUSIP†:	59266TUT6
Remarketing Agent:	TD Securities (USA) LLC
Liquidity Provider:	TD Bank, N.A.

2022 Series C-2

Principal Amount:	$134,625,000
Dated:	Date of Delivery
Due:	July 1, 2046
Initial Interest Mode:	Weekly Mode
Initial Interest Payment Date:	September 1, 2022
Price:	100%
CUSIP†:	59266TUV1
Remarketing Agent:	Goldman Sachs & Co. LLC
Liquidity Provider:	PNC Bank, National Association

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with Metropolitan, its Municipal Advisor or the Underwriters and are included solely for the convenience of the holders of the 2022C Bonds. None of Metropolitan, its Municipal Advisor or the Underwriters is responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the 2022C Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2022C Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the 2022C Bonds.

MAJOR WATER CONVEYANCE FACILITIES
TO SOUTHERN CALIFORNIA

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THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Management

ADEL HAGEKHALIL
General Manager

MARCIA SCULLY
General Counsel

JOHN TONSICK
Interim General Auditor

ABEL SALINAS
Ethics Officer

DEVEN UPADHYAY
Executive Officer &
Assistant General Manager,
Water Resources

SHANE CHAPMAN
Assistant General Manager,
Operations

KATANO KASAINE
Assistant General Manager,
Finance & Administration

DEE ZINKE
Assistant General Manager, External Affairs

ROSA A. CASTRO
Board Executive Secretary

Special Services

Co-Bond Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Amira Jackmon,
Attorney at Law
Berkeley, California

Disclosure Counsel

Stradling Yocca Carlson & Rauth,
a Professional Corporation
San Diego, California

Municipal Advisor

PFM Financial Advisors LLC
Los Angeles, California

Fiscal Agent

Katano Kasaine
Metropolitan Treasurer

Paying Agent and Escrow Agent

Computershare Trust Company,
National Association
Los Angeles, California

Verification Agent

Causey, Demgen & Moore, P.C.
Denver, Colorado

This Official Statement does not constitute an offer to sell the 2022C Bonds in any state to any person to whom it is unlawful to make such an offer in such state. This Official Statement is not to be construed as a contract with the purchasers of the 2022C Bonds. Metropolitan has not authorized any dealer, broker, salesperson or any other person to give any information or to make any representations other than those contained herein in connection with the offering of the 2022C Bonds, and if given or made, investors must not rely on such information or representations.

The information set forth herein has been obtained from Metropolitan and other sources that are believed to be reliable. Prospective investors should not interpret estimates and opinions in this Official Statement as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, imply that there has been no change in the affairs of Metropolitan since the date hereof.

The Underwriters have provided the following two paragraphs for inclusion in this Official Statement:

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

In connection with this offering, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the 2022C Bonds at a level above that which might otherwise prevail on the open market. Such stabilizing, if commenced, may be discontinued at any time.

CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association, and are set forth herein for convenience of reference only. These data are not intended to create a database and do not serve in any way as a substitute for CUSIP Global Services. None of Metropolitan, its Municipal Advisor or the Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein.

Certain statements included or incorporated by reference in the following information constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “project,” “expect,” “estimate,” “budget” or other similar words. The achievement of results or other expectations contained in forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual results may not meet Metropolitan’s forecasts. Metropolitan is not obligated to issue any updates or revisions to the forward-looking statements in any event.

The Liquidity Providers have no responsibility for the form and content of this Official Statement, other than solely with respect to the information describing such Liquidity Provider under the applicable subheading under the heading “THE LIQUIDITY PROVIDERS,” and each Liquidity Provider has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein or omitted herefrom, other than solely with respect to the information describing itself under the applicable subheading under the heading “THE LIQUIDITY PROVIDERS.” Additionally, Chapman and Cutler LLP has not passed upon the adequacy, accuracy or completeness of this Official Statement.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access (EMMA) system.

Metropolitan maintains a website and certain social media accounts. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the 2022C Bonds.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12 adopted by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

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APPENDICES:

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information contained or incorporated in this Official Statement and should not be considered to be a complete statement of the facts material to making an investment decision. All terms used in this Summary Statement and not otherwise defined have the meanings given such terms elsewhere in this Official Statement, in APPENDIX C– "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS AND THE PAYING AGENT AGREEMENTS" or in the Resolutions. Investors must read the entire Official Statement, including the Appendices hereto, to obtain information essential to making an informed investment decision.

The Metropolitan Water District of Southern California

The Metropolitan Water District of Southern California ("Metropolitan") is a metropolitan water district created in 1928 by a vote of the electorates of several southern California cities. Metropolitan's primary purpose was and is to provide a supplemental supply of water for domestic and municipal uses and purposes at wholesale rates to its member agencies. There are 26 member agencies of Metropolitan, all of which are public entities, consisting of 14 cities, 11 municipal water districts, and one county water authority. Metropolitan is governed by a 38-member Board of Directors (the "Board"), with each member agency having at least one representative on the Board. Representation and voting rights are based upon the assessed valuation of real property within the jurisdictional boundary of each member agency. Metropolitan imports water from two principal sources, the State Water Project in Northern California, via the California Aqueduct, and the Colorado River, via the Colorado River Aqueduct.

The mission of Metropolitan, as promulgated by the Board, is to provide its service area with adequate and reliable supplies of high quality water to meet present and future needs in an environmentally and economically responsible way.

For general information regarding Metropolitan, including information regarding Metropolitan's operations and finances, see APPENDIX A– "THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA" and APPENDIX B– "THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA INDEPENDENT AUDITORS' REPORT AND BASIC FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020 AND BASIC FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2022 AND 2021 (UNAUDITED)." For selected demographic and economic information on Metropolitan's service area, see APPENDIX E– "SELECTED DEMOGRAPHIC AND ECONOMIC INFORMATION FOR METROPOLITAN'S SERVICE AREA."

Economy of Metropolitan's Service Area

Metropolitan's service area comprises approximately 5,200 square miles and includes all or portions of the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura. For selected demographic and economic information on Metropolitan's service area, see Appendix E.

Authorization for the 2022C Bonds

Metropolitan is issuing its $282,275,000 Special Variable Rate Water Revenue Refunding Bonds, 2022 Series C (Federally Taxable) (the "2022C Bonds"), consisting of $147,650,000 principal amount of 2022 Series C-1 Bonds (the "2022C-1 Bonds") and $134,625,000 principal amount of 2022 Series C-2 Bonds (the "2022C-2 Bonds") pursuant to the Metropolitan Water District Act, California Statutes 1969, Chapter 209, as amended and supplemented, including by applicable provisions of the Government Code of the State of California, including by Article 11 of Chapter 3 (commencing with Section 53580) and Chapter 6 (commencing with Section 54300) of Part 1 of Division 2 of Title 5 (the "Act"), and Resolution 8329 adopted by the Board of Directors of Metropolitan (the "Board") on July 9, 1991, as amended and supplemented (the "Master Resolution"), including as amended and supplemented by Resolution 9104 adopted by the Board on December 8, 2009 (the "Nineteenth Supplemental Resolution" and, together with the Master Resolution, the "Resolutions"). The 2022C-1 Bonds and 2022C-2 Bonds are further described in separate Paying Agent Agreements, each dated as of July 1, 2022 (the "Paying Agent Agreements"), by and between Metropolitan and Computershare Trust Company, National Association (the "Paying Agent"), relating to the 2022C Bonds. The voters in Metropolitan's service area approved Metropolitan's issuance of revenue bonds at a special election held on June 4, 1974, as required by the Act. Revenue bonds issued by Metropolitan pursuant to the Resolutions are referred to in this Official Statement as the "Bonds." The 2022C Bonds when issued will be payable as to principal thereof and interest thereon on a parity with Metropolitan's outstanding Bonds and any additional Bonds hereafter issued by Metropolitan payable on a parity therewith ("Parity Bonds") and with other outstanding and future obligations of Metropolitan payable on a parity with the Bonds ("Parity Obligations").

Purpose of the 2022C Bonds

Metropolitan is issuing the 2022C Bonds for the purpose of providing moneys, together with other available moneys, to refund a portion of Metropolitan's outstanding Parity Bonds and to pay costs of issuance of the 2022C Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS." The delivery of the 2022C Bonds is contingent upon the concurrent issuance and delivery of Metropolitan's Water Revenue Refunding Bonds, 2022 Series B (the "2022B Bonds"). See "–Additional Indebtedness" below and "INTRODUCTION–Other Transactions Being Undertaken by Metropolitan."

General Terms of the 2022C Bonds

The 2022C Bonds of each Series will be dated their date of delivery. The 2022C-1 Bonds will mature on July 1, 2037, and the 2022C-2 Bonds will mature on July 1, 2046. Each Series of 2022C Bonds will initially bear interest in the Weekly Mode and will be initially designated as Liquidity Supported Bonds under the applicable Paying Agent Agreement. Each Series of 2022C Bonds will be issued as fully registered bonds, in denominations of $100,000 or any integral multiples of $5,000 in excess thereof while accruing interest in the Weekly Mode. Interest on each Series of the 2022C Bonds, while in the Weekly Mode, will be payable on the first Business Day of each calendar month, commencing on September 1, 2022. See "DESCRIPTION OF THE 2022C BONDS."

Metropolitan may change the Interest Mode of the 2022C Bonds of each Series; provided, however, that all of the 2022C Bonds of the same Series must accrue interest in the same Interest Mode or at a Fixed Interest Rate. **This Official Statement describes the terms of the 2022C Bonds only while they bear interest in the Weekly Mode and while they are Liquidity Supported Bonds. Prospective investors in a Series of 2022C Bonds must not rely on this Official Statement while such Series of 2022C Bonds bears interest in any other Interest Mode or if they become Self-Liquidity Bonds.**

Book-Entry Only

Metropolitan will issue the 2022C Bonds as fully registered bonds and will register the 2022C Bonds in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2022C Bonds. Upon receipt of payments of principal or interest, DTC is obligated to remit those payments to DTC's Direct Participants (as defined in APPENDIX D– "BOOK–ENTRY ONLY SYSTEM") for subsequent disbursement to each actual purchaser of an ownership interest in the 20202C Bonds. See APPENDIX D– "BOOK–ENTRY ONLY SYSTEM."

Redemption, Tender and Purchase of 2022C Bonds

The 2022C Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See "DESCRIPTION OF THE 2022C BONDS – Redemption of 2022C Bonds." In addition, the Owners of 2022C Bonds of a Series bearing interest at a Weekly Rate may elect to have their respective 2022C Bonds purchased on any Business Day, upon notice of tender to the Paying Agent and the Remarketing Agent at least seven (7) days prior to the applicable purchase date of an irrevocable tender notice in the form described herein, at a price equal to the principal amount thereof plus accrued interest, if any, provided that a Suspension Event or Immediate Termination Event (as defined in the related Liquidity Facility) shall not have occurred under such Liquidity Facility. See "DESCRIPTION OF THE 2022C BONDS – Tender and Purchase of 2022C Bonds – Optional Tender for Purchase" and "– Special Provisions for Liquidity Supported Bonds."

The 2022C Bonds of each Series are subject to mandatory tender for purchase at a Purchase Price equal to the principal amount thereof, plus accrued and unpaid interest to the purchase date (unless the purchase date is otherwise an Interest Payment Date, in which case the Purchase Price shall not include accrued interest, which shall be paid in the normal course), (i) in connection with the termination, expiration or replacement of the Liquidity Facility for such Series of 2022C Bonds or a change in the designation of the 2022C Bonds of such Series from Liquidity Supported Bonds to Self-Liquidity Bonds, subject to conditions set forth in the applicable Paying Agent Agreement, (ii) except in connection with a change from the Weekly Mode to the Daily Mode, on the effective date of a change in the Interest Mode of the 2022C Bonds of such Series (or, in connection with a change in Interest Mode to a Long Mode, on the day which would have been the effective date of a new Interest Mode had there not been a failure to deliver certain items pursuant to the applicable Paying Agent Agreement which resulted in the Interest Mode of the 2022C Bonds of such Series not being changed), (iii) upon a conversion of the 2022C Bonds of such Series to a Fixed Interest Rate, and (iv) at Metropolitan's election. See "DESCRIPTION OF THE 2022C BONDS – Tender and Purchase of 2022C Bonds." See also "– The Liquidity Facilities for the 2022C Bonds" and "THE LIQUIDITY FACILITIES" for a description of the extent of each Liquidity Provider's respective obligations to purchase the 2022C Bonds tendered but not remarketed. So long as the 2022C Bonds of a Series are Liquidity Supported Bonds, Metropolitan will have no obligation to purchase tendered 2022C Bonds of such Series from any of its assets other than amounts received from proceeds of remarketings and moneys furnished by or at the direction of the Paying Agent and received from the applicable Liquidity Provider pursuant to the related Liquidity Facility then in effect for such Series of 2022C Bonds.

Security for the 2022C Bonds

The 2022C Bonds are special limited obligations of Metropolitan and will be payable as to principal, redemption premium, if any, and interest thereon solely from and secured solely by a pledge of and a lien and charge upon the Net Operating Revenues. Net Operating Revenues are revenues received by Metropolitan from charges for the sale or availability of water after payment of Operation and Maintenance Expenditures as described in this Official Statement. The 2022C Bonds when issued will be payable on a parity with Metropolitan's other Parity Bonds. As of July 7, 2022, Metropolitan had outstanding $2.48 billion aggregate principal amount of Parity Bonds (including the Bonds to be refunded by the 2022C Bonds). Metropolitan will also pay the principal of and redemption premium, if any, and interest on the 2022C Bonds on a parity with its Parity Bonds and Parity Obligations at any time outstanding. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2022C BONDS." See also "INTRODUCTION – Other Transactions Being Undertaken by Metropolitan."

The 2022C Bonds do not constitute general obligation indebtedness of Metropolitan. Neither the general credit nor the taxing power of Metropolitan is pledged for the payment of the 2022C Bonds or the redemption premium, if any, or the interest thereon. The obligation to pay the principal of and redemption premium, if any, and interest on the 2022C Bonds does not constitute a pledge, charge, lien

or encumbrance upon any of Metropolitan's property or its income, receipts or revenues except Net Operating Revenues.

Metropolitan has established in the past reserve funds for some Series of the Outstanding Bonds, and may in the future establish reserve funds for some Series of additional Bonds, in each case at the time of their initial issuance. Metropolitan will not fund a reserve fund for the 2022C Bonds. Amounts held or to be held in a reserve fund or account established for any other Series of Bonds or any Reserve Fund Credit Policy for any other Series of Bonds will not be used or drawn upon to pay principal of, redemption premium, if any, or interest on the 2022C Bonds or the Purchase Price thereof. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2022C BONDS – No Reserve Fund."

Rate Covenant

Metropolitan covenants under the Master Resolution that it will prescribe, revise and collect rates and charges for the services, facilities, availability and water of the Water System (defined in the Resolutions as the properties, works and facilities of Metropolitan necessary for the supply, availability, development, storage, transportation, treatment or sale of water) which, after making allowances for contingencies and error in the estimates, will provide Operating Revenues, together with any Additional Revenues, at least sufficient to pay, in the following order of priority: (1) Operation and Maintenance Expenditures; (2) the interest on and Bond Obligation (including Mandatory Sinking Account Payments) of the Outstanding Bonds and Parity Obligations as they become due and payable; (3) all other payments required for compliance with the Master Resolution or any Supplemental Resolution; and (4) all other payments required to meet any other obligations of Metropolitan which are charges, liens or encumbrances upon or payable from the Net Operating Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2022C BONDS – Rate Covenant."

Additional Indebtedness

Metropolitan covenants in the Master Resolution that no additional bonds, notes or other evidences of indebtedness payable out of Operating Revenues will be issued having any priority in payment of principal, redemption premium, if any, or interest over the 2022C Bonds, the Parity Bonds or the Parity Obligations.

As provided in the Resolutions, Metropolitan may issue or incur additional Parity Bonds and Parity Obligations payable from Net Operating Revenues and secured on a parity with the 2022C Bonds, and existing Parity Bonds and Parity Obligations to finance, or in connection with the financing of, the costs of improvements to the Water System and other lawful purposes or to refund any bond or other indebtedness of Metropolitan, subject to the limitations, terms and conditions of the Master Resolution.

On July 7, 2022, Metropolitan issued its $279,570,000 aggregate principal amount of Water Revenue Refunding Bonds, 2022 Series A (the "2022A Bonds"). The 2022A Bonds were issued for the purpose of refunding $280,940,000 principal amount of Metropolitan's outstanding Parity Bonds and $35,645,000 principal amount of certain Parity Obligations (consisting of short-term notes evidencing a draw made by Metropolitan on June 29, 2022 under its Wells Fargo Revolving Credit Facility (described herein) to provide temporary financing for the partial refunding of an equivalent principal amount of certain of Metropolitan's outstanding Subordinate Bonds (as described below) which were refunded on July 1, 2022. The references in this Official Statement to Metropolitan's outstanding bonds and other obligations as of July 7, 2022 reflect the issuance of the 2022A Bonds and the refunding of the Parity Bonds and Parity Obligations effected thereby on such date.

Concurrently with the issuance and delivery of the 2022C Bonds, Metropolitan also expects to issue and deliver its 2022B Bonds for the purpose of refunding all or a portion of various series of Metropolitan's outstanding variable rate Parity Bonds. On July 20, 2022, Metropolitan entered into a binding purchase contract for the sale of the 2022B Bonds. The delivery of the 2022C Bonds is contingent upon the concurrent issuance and delivery of the 2022B Bonds. Metropolitan also anticipates issuing additional water revenue bonds in fiscal year 2022-23 to finance certain capital expenditures of Metropolitan. See "INTRODUCTION – Other Transactions Being Undertaken by Metropolitan."

Metropolitan has also issued or incurred, and may in the future issue or incur, bonds and other obligations payable from and secured by a lien upon Net Operating Revenues subordinate to the lien thereon of the 2022C Bonds and all Parity Bonds and Parity Obligations. As of July 7, 2022, Metropolitan had outstanding $1.21 billion aggregate principal amount of Subordinate Bonds, as well as certain other Subordinate Obligations. See also "SECURITY AND SOURCES OF PAYMENT FOR THE 2022C BONDS – Additional Indebtedness" and "– Subordinate Obligations."

Metropolitan has obligations under outstanding interest rate swap agreements, which obligations (other than with respect to termination payments under some of such swap agreements) are payable on parity with Metropolitan's obligation to pay principal of and interest on the 2022C Bonds and the Parity Bonds and other Parity Obligations. See Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations – Variable Rate and Swap Obligations."

See "PLAN OF REFUNDING" and "OPERATING REVENUES, DEBT SERVICE AND INVESTMENT PORTFOLIO – Anticipated Financings" for a discussion of potential additional Parity Bonds and/or Parity Obligations and subordinate bonds and/or other subordinate obligations that Metropolitan currently expects to issue or incur.

The Liquidity Facilities for the 2022C Bonds

For so long as a Series of 2022C Bonds bear interest at a Weekly Rate and the applicable Liquidity Facility remains in effect, the Purchase Price of a 2022C Bond of such Series will be payable from the proceeds of remarketing of such 2022C Bond. If remarketing proceeds are insufficient, the Purchase Price will be payable initially from amounts available (i), with respect to the 2022C-1 Bonds, under a Standby Bond Purchase Agreement, dated as of July 1, 2022 (the "2022C-1 Liquidity Facility"), by and between Metropolitan and TD Bank, N.A. (the "2022C-1 Liquidity Provider") and (ii), with respect to the 2022C-2 Bonds, a Standby Bond Purchase Agreement, dated as of July 1, 2022 (the "2022C-1 Liquidity Facility" and, together with the 2022C-1 Liquidity Facility, the "Liquidity Facilities" and each a "Liquidity Facility"), by and between Metropolitan and PNC Bank, National Association (the "2022C-2 Liquidity Provider" and, together with the 2022C-1 Liquidity Provider, the "Liquidity Providers" and each a "Liquidity Provider"), subject to the terms and conditions set forth therein, and thereafter from such Alternate Liquidity Facility as may be obtained by Metropolitan to provide for payment of the Purchase Price of such Series of 2022C Bonds. The initial Liquidity Facilities each terminate on January 26, 2026, unless extended or terminated sooner in accordance with their respective terms. The 2022C-1 Liquidity Facility supports only the payment of the Purchase Price of the 2022C-1 Bonds pursuant to the terms of the 2022C-1 Liquidity Facility and does not support, secure or guarantee the payment of the Purchase Price or the principal of, interest on or redemption price of the 2022C-2 Bonds. The 2022C-2 Liquidity Facility supports only the payment of the Purchase Price of the 2022C-2 Bonds pursuant to the terms of the 2022C-2 Liquidity Facility and does not support, secure or guarantee the payment of the Purchase Price or the principal of, interest on or redemption price of the 2022C-1 Bonds. See "THE LIQUIDITY FACILITIES."

The obligation of the applicable Liquidity Provider to purchase tendered but not remarketed 2022C Bonds of the applicable Series is subject to immediate suspension or termination without notice upon the occurrence of certain events under the respective Liquidity Facility. See "THE LIQUIDITY FACILITIES."

Under each of the Paying Agent Agreements, an Alternate Liquidity Facility or Facilities may be obtained by Metropolitan to provide for payment of the Purchase Price of the related Series of 2022C Bonds. See APPENDIX C– "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS AND THE PAYING AGENT AGREEMENTS – THE PAYING AGENT AGREEMENTS – Liquidity Facilities and Alternate Liquidity Facilities."

The obligation of the applicable Liquidity Provider to purchase 2022C Bonds of the applicable Series tendered by the Owners thereof or subject to mandatory purchase may be immediately suspended or terminated without notice. In such event, sufficient funds may not be available to purchase such 2022C Bonds tendered by the Owners thereof or subject to mandatory purchase. The Liquidity Facilities do not guarantee the payment of principal of or interest or redemption premium, if any, on the related Series of 2022C Bonds in the event of non-payment of such interest, principal or redemption premium, if any, by Metropolitan. In addition, the Liquidity Provider has no obligation to pay any interest due on the related Series of 2022C Bonds unless such interest has accrued but is not yet payable in connection with an optional purchase or mandatory purchase of the 2022C Bonds of such Series as described herein. See "THE LIQUIDITY FACILITIES."

Remarketing Agents

Metropolitan has initially appointed TD Securities (USA) LLC as the remarketing agent (the "2022C-1 Remarketing Agent") for the 2022C-1 Bonds under the terms of a Remarketing Agreement, dated as of July 1, 2022 (the "2022C-1 Remarketing Agreement"), by and between Metropolitan and the 2022C-1 Remarketing Agent. Metropolitan has initially appointed Goldman Sachs & Co. LLC as the remarketing agent (the "2022C-2 Remarketing Agent" and, together with the 2022C-1 Remarketing Agent, the "Remarketing Agents" and each a "Remarketing Agent") for the 2022C-2 Bonds under the terms of a Remarketing Agreement, dated as of July 1, 2022 (the "2022C-2 Remarketing Agreement" and, together with the 2022C-1 Remarketing Agreement, the "Remarketing Agreements" and each a "Remarketing Agreement"), by and between Metropolitan and the 2022C-2 Remarketing Agent. Each Remarketing Agent may resign as remarketing agent or Metropolitan may remove such Remarketing Agent as remarketing agent for a Series of 2022C Bonds in accordance with the terms of the applicable Remarketing Agreement. See "DESCRIPTION OF THE 2022C BONDS – Remarketing Agents."

Continuing Disclosure

Metropolitan has agreed, in connection with the issuance of the 2022C Bonds, to provide or to cause to be provided to the Municipal Securities Rulemaking Board, through the Electronic Municipal Market Access System, certain annual financial information and operating data relating to Metropolitan and, in a timely manner, notice of certain enumerated events with respect to the 2022C Bonds. These covenants have been made in order to assist the Underwriters named on the cover page hereof in complying with Rule 15c2-12 adopted by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. See "CONTINUING DISCLOSURE" and APPENDIX G– "FORM OF CONTINUING DISCLOSURE UNDERTAKING."

Miscellaneous

The summaries of and references to the Act, the Resolutions, the Paying Agent Agreements and all resolutions, documents, statutes, reports and other information referred to herein do not purport to be complete, comprehensive or definitive and each such summary or reference is qualified in its entirety by reference to the Act and such resolutions, documents, statutes, reports and other information. Copies of such information may be obtained from the Assistant General Manager, Finance & Administration of The Metropolitan Water District of Southern California at 700 North Alameda Street, Los Angeles, California 90012; telephone (213) 217-7121.

OFFICIAL STATEMENT

$282,275,000
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
Special Variable Rate Water Revenue Refunding Bonds, 2022 Series C
(Federally Taxable)

$147,650,000	**$134,625,000**
2022 Series C-1	**2022 Series C-2**

INTRODUCTION

General; Purpose

This Official Statement (which includes the cover page and inside cover page hereof, the Summary Statement and appendices hereto) provides information concerning The Metropolitan Water District of Southern California ("Metropolitan") in connection with the sale by Metropolitan of its $282,275,000 Special Variable Rate Water Revenue Refunding Bonds, 2022 Series C (Federally Taxable) (the "2022C Bonds"), consisting of $147,650,000 principal amount of 2022 Series C-1 Bonds (the "2022C-1 Bonds") and $134,625,000 principal amount of 2022 Series C-2 Bonds (the "2022C-2 Bonds").

Metropolitan is issuing its 2022C Bonds pursuant to the Metropolitan Water District Act, California Statutes 1969, Chapter 209, as amended and supplemented, including by applicable provisions of the Government Code of the State of California, including by Article 11 of Chapter 3 (commencing with Section 53580,) and Chapter 6 (commencing with Section 54300) of Part 1 of Division 2 of Title 5 (the "Act"), and Resolution 8329 adopted by the Board of Directors of Metropolitan (the "Board") on July 9, 1991, as amended and supplemented (the "Master Resolution"), including as amended and supplemented by Resolution 9104 adopted by the Board on December 8, 2009 (the "Nineteenth Supplemental Resolution" and, together with the Master Resolution, the "Resolutions"). The 2022C-1 Bonds and 2022C-2 Bonds are further described in separate Paying Agent Agreements, each dated as of July 1, 2022 (the "Paying Agent Agreements"), each by and between Metropolitan and Computershare Trust Company, National Association (the "Paying Agent"), relating to the 2022C Bonds. The voters in Metropolitan's service area approved Metropolitan's issuance of revenue bonds at a special election held on June 4, 1974, as required by the Act. Revenue bonds issued by Metropolitan pursuant to the Resolutions are referred to in this Official Statement as the "Bonds." The term "Bonds" as used in this Official Statement does not include Metropolitan's Subordinate Bonds (hereinafter described), which are issued under a separate Master Subordinate Resolution (as herein defined) and resolutions supplemental thereto. As described herein, the 2022C Bonds when issued will be payable as to principal thereof and interest thereon on a parity with Metropolitan's outstanding Bonds and any additional Bonds hereafter issued by Metropolitan payable on a parity therewith ("Parity Bonds") and with other outstanding and future obligations of Metropolitan payable on a parity with the Bonds (the "Parity Obligations").

Metropolitan is issuing the 2022C Bonds for the purpose of providing moneys, together with other available moneys, to refund a portion of Metropolitan's outstanding Bonds and Parity Obligations and to pay costs of issuance of the 2022C Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS." See also "–Other Transactions Being Undertaken by Metropolitan" below.

Security for the 2022C Bonds

The 2022C Bonds are special limited obligations of Metropolitan and will be payable as to principal, redemption premium, if any, and interest thereon solely from and secured solely by a pledge of and a lien and charge upon the Net Operating Revenues. Net Operating Revenues are revenues received by Metropolitan from charges for the sale or availability of water after payment of Operation and Maintenance Expenditures as described in this Official Statement. The 2022C Bonds when issued will be payable on a parity with Metropolitan's other Parity Bonds. Metropolitan will also pay the principal of and redemption premium, if any, and interest on the 2022C Bonds on a parity with its Parity Obligations at any time outstanding. As of July 7, 2022, Metropolitan had outstanding $2.48 billion aggregate principal amount of Parity Bonds (including the Parity Bonds to be refunded by the 2022C Bonds), as well as certain other Parity Obligations. Metropolitan's outstanding Parity Bonds and Parity Obligations as of July 7, 2022 are described in Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations." See also "– Other Transactions Being Undertaken by Metropolitan" below and "SECURITY AND SOURCES OF PAYMENT FOR THE 2022C BONDS."

The 2022C Bonds do not constitute general obligation indebtedness of Metropolitan. Neither the general credit nor the taxing power of Metropolitan is pledged for the payment of the 2022C Bonds or the redemption premium, if any, or the interest thereon. The obligation to pay the principal of and redemption premium, if any, and interest on the 2022C Bonds does not constitute a pledge, charge, lien or encumbrance upon any of Metropolitan's property or its income, receipts or revenues except Net Operating Revenues.

Metropolitan has established in the past reserve funds for some Series of the Outstanding Bonds, and may in the future establish reserve funds for some Series of additional Bonds, in each case at the time of their initial issuance. Metropolitan will not fund a reserve fund for the 2022C Bonds. Amounts held or to be held in a reserve fund or account established for any other Series of Bonds or any Reserve Fund Credit Policy for any other Series of Bonds will not be used or drawn upon to pay principal of, redemption premium, if any, or interest on the 2022C Bonds. "SECURITY AND SOURCES OF PAYMENT FOR THE 2022C BONDS – No Reserve Fund."

Additional Parity Bonds and Other Parity and Subordinate Obligations

As described herein, the 2022C Bonds when issued will be payable from Net Operating Revenues on a parity with Metropolitan's outstanding Parity Bonds and Parity Obligations. As provided in the Resolutions, Metropolitan may issue additional Parity Bonds and may incur other Parity Obligations payable and secured on a parity with the 2022C Bonds and the existing Parity Bonds and Parity Obligations to finance, or in connection with the financing of, the costs of improvements to the Water System and other lawful purposes or to refund any bond or other indebtedness of Metropolitan, subject to the limitations, terms and conditions of the Master Resolution. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2022C BONDS – Parity Bonds and Parity Obligations" and "– Additional Indebtedness." On July 7, 2022, Metropolitan issued an additional Series of Parity Bonds for the purpose of refunding portions of its outstanding Parity Bonds and certain Parity Obligations (which Parity Obligations were issued on June 29, 2022 to provide temporary financing for the partial refunding of certain of Metropolitan's outstanding Subordinate Bonds which were refunded on July 1, 2022). The references in this Official Statement to Metropolitan's outstanding bonds and other obligations as of July 7, 2022 reflect the issuance of the 2022A Bonds and the refunding of the Parity Bonds and Parity Obligations effected thereby on such date.

Concurrently with the issuance of the 2022C Bonds, Metropolitan expects to issue additional Parity Bonds for the purpose of refunding all or portions of various Series of Metropolitan's outstanding variable rate Parity Bonds. Metropolitan also anticipates issuing additional water revenue bonds in fiscal year 2022-23 to finance certain capital expenditures of Metropolitan. See "–Other Transactions Being Undertaken by Metropolitan" below.

Metropolitan has also issued and incurred, and may in the future issue or incur, bonds and other obligations payable from and secured by a lien upon Net Operating Revenues subordinate to the lien thereon of the 2022C Bonds and all Parity Bonds and Parity Obligations. As of July 7, 2022, Metropolitan had outstanding $1.21 billion aggregate principal amount of Subordinate Bonds, as well as certain other Subordinate Obligations (defined below). See "SECURITY AND SOURCES OF PAYMENT FOR THE 2022C BONDS – Subordinate Bonds and Subordinate Obligations" and "– Additional Indebtedness." Metropolitan's outstanding Subordinate Bonds and Subordinate Obligations as of July 7, 2022 are described in Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Subordinate Revenue Bonds and Subordinate Parity Obligations."

Metropolitan has obligations under interest rate swap agreements, which obligations (other than with respect to termination payments under some of such swap agreements) are payable on parity with Metropolitan's obligation to pay principal of and interest on the 2022C Bonds and the Parity Bonds. See Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations – Variable Rate and Swap Obligations."

See also "OPERATING REVENUES, DEBT SERVICE AND INVESTMENT PORTFOLIO – Anticipated Financings" for a discussion of potential additional Parity Bonds and/or Parity Obligations and Subordinate Bonds and/or other Subordinate Obligations that Metropolitan currently expects to issue or incur.

Metropolitan covenants in the Master Resolution that no additional bonds, notes or other evidences of indebtedness payable out of Operating Revenues will be issued having any priority in payment of principal, redemption premium, if any, or interest over the 2022C Bonds, the Parity Bonds or the Parity Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2022C BONDS – Additional Indebtedness."

Other Transactions Being Undertaken by Metropolitan

Concurrently with the issuance of the 2022C Bonds, Metropolitan expects to issue and deliver its $253,365,000 aggregate principal amount of Water Revenue Refunding Bonds, 2022 Series B (the "2022B Bonds") for the purpose of refunding $282,275,000 aggregate principal amount of Metropolitan's variable rate Parity Bonds, consisting of all or portions (as noted) of the following Series of: variable rate Parity Bonds: (i) all of Metropolitan's Water Revenue Bonds, 2000 Authorization, Series B-3 (the "2000B-3 Bonds"), (ii) all of Metropolitan's Special Variable Rate Water Revenue Refunding Bonds, 2016 Series B-1 (the "2016B-1 Bonds"), (iii) a portion of Metropolitan's Special Variable Rate Water Revenue Refunding Bonds, 2016 Series B-2 (the "2016B-2 Bonds"), (iv) a portion of Metropolitan's Water Revenue Bonds, 2017 Authorization Series A (the "2017A Bonds") and (v) all of Metropolitan's Special Variable Rate Water Revenue Refunding Bonds, 2018 Series A-1 and 2018 Series A-2 (the "2018A Bonds"). On July 20, 2022, Metropolitan entered into a binding purchase contract for the sale of the 2022B Bonds. The delivery of the 2022B Bonds will be contingent upon the concurrent issuance and delivery of the 2022C Bonds. The delivery of the 2022C Bonds is contingent upon the concurrent issuance and delivery of the 2022B Bonds. See "PLAN OF REFUNDING."

Metropolitan also anticipates issuing an additional approximately $133.9 million of water revenue bonds in fiscal year 2022-23 to finance certain capital expenditures of Metropolitan relating to conservation and supply programs. Such water revenue bonds may be issued either as Parity Bonds or Subordinate Bonds.

See Appendix A under the caption “METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations.” See also “OPERATING REVENUES, DEBT SERVICE AND INVESTMENT PORTFOLIO – Anticipated Financings.

Certain Terms of the 2022C Bonds; Liquidity Facilities for the 2022C Bonds

As described herein, the 2022C Bonds of each Series are being initially delivered bearing interest at an Adjustable Interest Rate. The 2022C Bonds of each Series will initially be issued in the Weekly Mode during which the 2022C Bonds of such Series will bear interest at a Weekly Rate. The 2022C Bonds of each Series will be initially designated as Liquidity Supported Bonds under the applicable Paying Agent Agreement relating thereto. **This Official Statement describes the terms of the 2022C Bonds only while they bear interest in the Weekly Mode and while they are Liquidity Supported Bonds. Prospective investors in a Series of 2022C Bonds must not rely on this Official Statement while such Series of 2022C Bonds bears interest in any other Interest Mode or if they become Self-Liquidity Bonds.**

While bearing interest in the Weekly Mode, the 2022C Bonds of each Series are subject to optional and mandatory tender for purchase on the terms as described herein. So long as the 2022C Bonds of a Series are in the Weekly Mode and are Liquidity Supported Bonds, payment of the Purchase Price of tendered 2022C Bonds of such Series will be payable from the proceeds of remarketing of such 2022C Bonds. If remarketing proceeds are insufficient, the Purchase Price will be payable initially from amounts available (i),with respect to the 2022C-1 Bonds, under a Standby Bond Purchase Agreement, dated as of July 1, 2022 (the “2022C-1 Liquidity Facility”), by and between Metropolitan and TD Bank, N.A. (the “2022C-1 Liquidity Provider”) and (ii), with respect to the 2022C-2 Bonds, a Standby Bond Purchase Agreement, dated as of July 1, 2022 (the “2022C-1 Liquidity Facility” and, together with the 2022C-1 Liquidity Facility, the “Liquidity Facilities” and each a “Liquidity Facility”), by and between Metropolitan and PNC Bank, National Association (the “2022C-2 Liquidity Provider” and, together with the 2022C-1 Liquidity Provider, the “Liquidity Providers” and each a “Liquidity Provider”), subject to the terms and conditions set forth therein, and thereafter from such Alternate Liquidity Facility as may be obtained by Metropolitan to provide for payment of the Purchase Price of such Series of 2022C Bonds. The initial Liquidity Facilities each terminate on January 26, 2026, unless extended or terminated sooner in accordance with their respective terms. The 2022C-1 Liquidity Facility supports only the payment of the Purchase Price of the 2022C-1 Bonds pursuant to the terms of the 2022C-1 Liquidity Facility and does not support, secure or guarantee the payment of the Purchase Price or the principal of, interest on or redemption price of the 2022C-2 Bonds. The 2022C-2 Liquidity Facility supports only the payment of the Purchase Price of the 2022C-2 Bonds pursuant to the terms of the 2022C-2 Liquidity Facility and does not support, secure or guarantee the payment of the Purchase Price or the principal of, interest on or redemption price of the 2022C-1 Bonds. See “THE LIQUIDITY FACILITIES.”

The obligation of the applicable Liquidity Provider to purchase tendered but not remarketed 2022C Bonds of the applicable Series is subject to immediate suspension or termination without notice upon the occurrence of certain events under the respective Liquidity Facility. In such event, sufficient funds may not be available to purchase such 2022C Bonds tendered by the Owners thereof or subject to mandatory purchase. The Liquidity Facilities do not guarantee the payment of principal of or interest or redemption premium, if any, on the related Series of 2022C Bonds in the event of non-payment of such interest, principal or redemption premium, if any, by Metropolitan. In addition, each Liquidity Provider has no obligation to pay any interest due on the related Series of 2022C Bonds unless such interest has accrued but is not yet payable in connection with an optional purchase or mandatory purchase of the 2022C Bonds of such Series as described herein. See “THE LIQUIDITY FACILITIES.”

Remarketing Agents

TD Securities (USA) LLC has initially been appointed remarketing agent (the "2022C-1 Remarketing Agent") for the 2022C-1 Bonds under the terms of a Remarketing Agreement, dated as of July 1, 2022 (the "2022C-1 Remarketing Agreement"), by and between Metropolitan and the 2022C-1 Remarketing Agent. TD Securities (USA) LLC is a broker-dealer registered with the Securities and Exchange Commission (the "SEC"), a member of the Financial Industry Regulatory Authority ("FINRA"), a member of the Municipal Securities Rulemaking Board ("MSRB") and the Securities Investors Protection Corporation ("SIPC"). FINRA has responsibility for SEC, MSRB and self-regulatory organizations related requirements and examines TD Securities' activities on an annual basis. The principal office of the 2022C-1 Remarketing Agent is 31 West 52nd Street, New York, New York 10019, Attention: Municipal Securities Department, Short-Term Desk.

Goldman Sachs & Co. LLC has initially been appointed remarketing agent (the "2022C-2 Remarketing Agent" and, together with the 2022C-1 Remarketing Agent, the "Remarketing Agents" and each a "Remarketing Agent") for the 2022C-2 Bonds under the terms of a Remarketing Agreement, dated as of July 1, 2022 (the "2022C-2 Remarketing Agreement" and, together with the 2022C-1 Remarketing Agreement, the "Remarketing Agreements" and each a "Remarketing Agreement'), by and between Metropolitan and the 2022C-2 Remarketing Agent. Goldman Sachs & Co. LLC is a broker-dealer registered with the SEC, a member of FINRA, a member of MSRB and SIPC. FINRA has responsibility for SEC, MSRB and self-regulatory organizations related requirements and examines Goldman's activities on an annual basis. The principal office of the 2022C-2 Remarketing Agent is 200 West Street, 5th Floor, New York, NY 10282-2198, Attention: Municipal Money Market Sales and Trading.

Miscellaneous; Summaries Not Definitive

This Introduction is not a summary of this Official Statement. This Introduction is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents described herein. All statements contained in this Introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California, including the Act, and any resolutions and documents referred to in this Official Statement do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions thereof. The source of information herein is Metropolitan unless otherwise stated. Capitalized terms used herein and not otherwise defined will have the meanings ascribed thereto in the Resolutions. A summary of certain provisions of the Resolutions and a list of selected defined terms are set forth in APPENDIX C– "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS AND THE PAYING AGENT AGREEMENTS."

PLAN OF REFUNDING

General

The proceeds of the 2022C Bonds will be applied, together with certain other available funds, to refund portions of the following outstanding Series of Parity Bonds: (i) Metropolitan's Water Revenue Bonds, 2015 Authorization Series A (the "2015A Bonds"), and (ii) Metropolitan's Water Revenue Refunding Bonds, 2016 Series A (the "2016A Bonds"). The maturities of the 2015A Bonds and 2016A Bonds to be refunded are referred to as the "Refunded 2015A Bonds" and the "Refunded 2016A Bonds," respectively, and together as the "Refunded Bonds."

The 2022C Bonds are expected to be issued concurrently with Metropolitan's 2022B Bonds, with the delivery of the 2022C Bonds being contingent upon the issuance and delivery of the 2022B Bonds, and the delivery of the 2022C Bonds being contingent upon the issuance and delivery of the 2022B Bonds. On July 20, 2022, Metropolitan entered into a binding purchase contract for the sale of the 2022B Bonds. See "INTRODUCTION – Other Transactions Being Undertaken by Metropolitan" above for a discussion of the 2022B Bonds and the Parity Bonds expected to be refunded with the proceeds of the 2022B Bonds.

Following the issuance and delivery of the 2022C Bonds and 2022B Bonds and the refunding of the Parity Bonds refunded thereby, as of the date of delivery of the 2022C and 2022B Bonds, Metropolitan is expected to have approximately $2.47 billion aggregate principal amount of Parity Bonds outstanding.

Refunded Bonds

The following table details the Series, maturity dates and principal amounts of the Refunded Bonds.

Refunded Bonds

Series	Issue Date	CUSIP (Base No. 59266T)	Maturity Date	Interest Rate	Outstanding Principal Amount to be Redeemed	Date of Redemption
Water Revenue Refunding Bonds, 2015 Authorization, Series A	12/17/2015	LW9	July 1, 2026	5.00%	$ 14,855,000	07/01/2025
		LX7	July 1, 2027	5.00	15,745,000	07/01/2025
		LY5	July 1, 2028	5.00	61,060,000	07/01/2025
		LZ2	July 1, 2040	5.00	48,720,000	07/01/2025
					$140,380,000	
Water Revenue Refunding Bonds, 2016 Series A	06/30/2016	MC2	July 1, 2028	5.00	12,685,000	01/01/2026
		MD0	July 1, 2029	5.00	13,335,000	01/01/2026
		ME8	July 1, 2030	5.00	16,545,000	01/01/2026
		MF5	July 1, 2031	5.00	17,390,000	01/01/2026
		MG3	July 1, 2032	5.00	18,275,000	01/01/2026
		MH1	July 1, 2033	5.00	10,390,000	01/01/2026
		MM0	July 1, 2034	5.00	10,110,000	01/01/2026
		MK4	July 1, 2035	5.00	9,855,000	01/01/2026
		MJ7	July 1, 2036	5.00	18,455,000	01/01/2026
					$127,040,000	
	TOTAL				$267,420,000	

Pursuant to the terms of the Resolutions, the refunding of the Refunded Bonds will be effected by depositing a portion of the proceeds of the 2022C Bonds, together with other available monies, into respective escrow funds (the "Escrow Funds") created and established under the respective Escrow Instructions, each dated as of July 1, 2022, each from Metropolitan to Computershare Trust Company, National Association, as escrow agent for the applicable Series of Refunded Bonds. The proceeds and other monies deposited by Metropolitan into each Escrow Fund will be held as cash or invested in certain Federal Securities. The amounts deposited into the respective Escrow Funds will be in amounts sufficient, together with investment earnings to be earned thereon, to pay interest coming due on the applicable Refunded Bonds prior to the date of redemption thereof and to pay the redemption price of such Refunded Bonds (*i.e.*, 100% of the principal amount thereof) on the Redemption Date therefor, plus any interest accrued and unpaid thereon. See "ESTIMATED SOURCES AND USES OF FUNDS" and "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Upon such deposit into the respective Escrow Funds and compliance with or provision for compliance with certain notice requirements set forth in the Resolutions, the liability of Metropolitan with respect to the related Refunded Bonds will cease and such Refunded Bonds will no longer be Outstanding under the Master Resolution except that the Owners of such Refunded Bonds will be entitled to payment thereof solely from the amounts on deposit in the related Escrow Fund and held by the escrow agent therefor.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of proceeds of the 2022C Bonds, and other available moneys, rounded to the nearest dollar, are shown below:

Estimated Sources of Funds:	
Principal Amount of 2022C Bonds	$282,275,000
Metropolitan Contribution[(1)]	1,114,250
Total	$283,389,250
Estimated Uses of Funds:	
Deposit to Escrow Funds for the Refunded Bonds	$282,491,972
Underwriters' Discount	400,847
Costs of Issuance[(2)]	496,431
Total	$283,389,250

(1) Includes amounts transferred from funds on deposit in the Bond Service Fund for the Refunded Bonds.

(2) Includes rating agency fees, Municipal Advisory fees, Verification Agent fees, legal fees, printing costs and other costs of issuance.

DESCRIPTION OF THE 2022C BONDS

General

The 2022C Bonds of each Series will be dated their date of delivery. The 2022C-1 Bonds will mature on July 1, 2037, and the 2022C-2 Bonds will mature on July 1, 2046. Each Series of 2022C Bonds are being initially delivered bearing interest at an Adjustable Interest Rate and, as further described below, will initially be issued in the Weekly Mode bearing interest at a Weekly Rate, and will initially be designated as Liquidity Supported Bonds under the respective Paying Agent Agreements. The 2022C Bonds of each Series are being issued as fully registered bonds, and while in the Weekly Mode, will be issued in denominations of $100,000 or any integral multiples of $5,000 in excess thereof.

The principal of, and premium, if any, on the 2022C Bonds will be payable in lawful money of the United States of America upon presentment and surrender of such 2022C Bond at the Corporate Trust Office of the Paying Agent. Interest on each Series of the 2022C Bonds is payable on each Interest Payment Date (as defined below) by the Paying Agent, by check mailed by first-class mail, postage prepaid, on the date on which such interest is due to the Owners of the 2022C Bonds of such Series as of the close of business on the Record Date in respect of such Interest Payment Date at the registered addresses of such Owners they appear on the Bond Register maintained by the Paying Agent. In the case of any Owner of 2022C Bonds of a Series in an aggregate principal amount in excess of $1,000,000 as shown on the registration books kept by the Paying Agent who, prior to the Record Date next preceding any Interest Payment Date, has provided or caused to be provided to, the Paying Agent wire transfer instructions, interest payable on such 2022C Bonds will be paid in accordance with the wire transfer instructions provided by the Owner of such 2022C Bonds (or by the Remarketing Agent on behalf of such Owner). "Record Date" means with respect to 2022C Bonds of a Series bearing interest in the Weekly Mode, the Business Day immediately preceding each Interest Payment Date. Notwithstanding the foregoing, so long as records of ownership of the 2022C Bonds are maintained through DTC's book-entry system described under "– Book-Entry Only System" below, all payments to the actual purchasers of an ownership interest in the 2022C Bonds ("Beneficial Owners") will be made in accordance with the procedures described in Appendix D.

While the 2022C Bonds of a Series bear interest in any Interest Mode, the respective Paying Agent Agreements require Metropolitan to designate the 2022C Bonds of such Series either as Liquidity Supported Bonds or Self-Liquidity Bonds. The designation of the 2022C Bonds of a Series as Liquidity Supported Bonds or Self-Liquidity Bonds will determine whether the applicable Liquidity Provider or Metropolitan is responsible for the payment of the Purchase Price of tendered 2022C Bonds of such Series to the extent that remarketing proceeds are insufficient. As described above, Metropolitan has initially designated the 2022C Bonds of each Series as Liquidity Supported Bonds. While the 2022C Bonds of a Series are Liquidity Supported Bonds, a Liquidity Provider will bear the obligation to provide funds to pay the Purchase Price of tendered 2022C Bonds of such Series to the extent that remarketing proceeds are insufficient in accordance with the terms of the related Liquidity Facility. See "THE LIQUIDITY FACILITIES." Metropolitan may elect to change the 2022C Bonds of a Series from Liquidity Supported Bonds to Self-Liquidity Bonds pursuant to the provisions of the respective Paying Agent Agreements. See "– Liquidity Supported Bonds and Self-Liquidity Bonds" below.

There are a number of provisions in the Paying Agent Agreements relating to the terms of Bank Bonds (i.e., 2022C Bonds purchased by the respective Liquidity Providers pursuant to the related Liquidity Facility) which are not described in this Official Statement. All references to the terms of the 2022C Bonds in this Official Statement describe only 2022C Bonds which are not owned by a Liquidity Provider unless expressly indicated herein.

Interest Rate Provisions

General. The 2022C Bonds will be issued in two Series, each Series initially to be issued in the Weekly Mode during which the 2022C Bonds of a Series will bear interest at a Weekly Rate until such time as Metropolitan designates a new Interest Mode for such 2022C Bonds or converts the 2022C Bonds to a Fixed Interest Rate as described below. Interest on a Series of the 2022C Bonds, while in the Weekly Mode, will be calculated on the basis of a 365 or 366-day year, as appropriate, for the actual number of days elapsed and will be payable on the first Business Day of each calendar month, commencing on September 1, 2022. "Business Day" means a day (a) other than a Saturday or Sunday; (b) other than a day on which banking institutions are authorized or required by law or executive order to be closed for commercial banking purposes in the cities and states in which the principal corporate trust office of the Paying Agent or the applicable Liquidity Provider or the funding office of the applicable Liquidity Provider are located, and (c) on which the New York Stock Exchange is open for business. Interest on the 2022C Bonds of a Series will also be payable on (i) the effective date of a change in Interest Mode for the 2022C Bonds of such Series (or the day that would have been the effective date of a change in Interest Mode had one of the events specified in the Paying Agent Agreement as preventing such change in Interest Mode not occurred), (ii) the date of conversion of the 2022C Bonds of such Series to a Fixed Interest Rate, and (iii) the date of final maturity of the 2022C Bonds of such Series. Each such date on which interest on the 2022C Bonds is payable is referred to herein as an "Interest Payment Date."

Metropolitan may, at any time, upon notice as described herein, change the Interest Mode on the 2022C Bonds of a Series to a different Interest Mode during which the 2022C Bonds of such Series may bear interest at an Adjustable Interest Rate (which pursuant to the applicable Paying Agent Agreement may include a Daily Rate, a Weekly Rate, an Index Tender Rate, Bond Interest Term Rates or a Long Rate) or may convert the 2022C Bonds of a Series to a Fixed Interest Rate, upon the terms and conditions set forth in the applicable Paying Agent Agreement. However, pursuant to the Paying Agent Agreements, at any given time, all 2022C Bonds of a Series must accrue interest in the same Interest Mode (which pursuant to the Paying Agent Agreements may be the Daily Mode, the Weekly Mode, the Flexible Index Mode, the Index Mode, the Short-Term Mode or the Long Mode) or at a Fixed Interest Rate. See APPENDIX C– "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS AND THE PAYING AGENT AGREEMENTS" for definitions of certain terms relating to the various available Interest Modes for the 2022C Bonds.

This Official Statement describes the terms of the 2022C Bonds only while they bear interest in the Weekly Mode and while they are Liquidity Supported Bonds. Prospective investors must not rely on this Official Statement while the 2022C Bonds of a Series bears interest in any other Interest Mode or if they become Self-Liquidity Bonds.

Determination of Weekly Rate. While a Series of 2022C Bonds are in the Weekly Mode, such 2022C Bonds will bear interest at a Weekly Rate. The initial Weekly Interest Rate for each Series of the 2022C Bonds as determined by the applicable Remarketing Agent prior to the delivery of the 2022C Bonds will be set forth in the applicable Paying Agent Agreement, which Weekly Rate for such Series will apply to the period commencing on the date of delivery of the 2022C Bonds and ending on the next succeeding Wednesday or, if such date of delivery of the 2022C Bonds is a Wednesday, ending on such Wednesday. Thereafter, the interest rate payable with respect to such 2022C Bonds (other than Bank Bonds and District Bonds (defined below)) in a Weekly Mode will be determined by the applicable Remarketing Agent by no later than 5:00 p.m. (New York City time) on Wednesday of each week during such Weekly Rate Period, or if such day is not a Business Day, then on the next preceding Business Day.

Each Weekly Rate will apply to the period commencing on Thursday and ending on the next succeeding Wednesday, unless such Weekly Rate Period will be in effect as of the stated maturity date, in which event the Weekly Rate for such Weekly Rate Period will apply to the period commencing on the Thursday preceding the last day of such Weekly Rate Period and end on the day prior to the stated maturity date; and provided that the Weekly Rate determined for any Weekly Rate Period commencing on the effective date of a change in Interest Mode for a Series of 2022C Bonds from another Mode to the Weekly Mode will be determined by the applicable Remarketing Agent on or prior to the first day of such Weekly Rate Period and will apply to the period commencing on the first day of such Weekly Rate Period and ending on the next succeeding Wednesday.

The Weekly Rate will be the rate of interest per annum determined by the applicable Remarketing Agent (in the reasonable judgment of such Remarketing Agent based upon then-prevailing market conditions) to be the minimum interest rate which, if borne by such 2022C Bonds would enable the applicable Remarketing Agent to sell such 2022C Bonds on such date of determination at a price (without regard to accrued interest) equal to the principal amount thereof. If a Remarketing Agent fails to establish a Weekly Rate for any week, then (i) the Weekly Rate for such week will be the same as the Weekly Rate for the immediately preceding week if the Weekly Rate for such preceding week was determined by such Remarketing Agent, or (ii) if no Weekly Rate for the immediately preceding week was determined by such Remarketing Agent, or in the event that the Weekly Rate determined by the applicable Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such week will be equal to the lesser of (a) 100% of the interest rate applicable to 13-week U.S. Treasury Bills (or then comparable Treasury obligations) determined on the basis of the average per annum discount rate at which such 13-week U.S. Treasury Bills (or then comparable Treasury obligations) have been sold at the most recent Treasury auction (or the comparable United States Treasury marketing transaction) as of the date of determination, plus 0.30%, or (b) the most recently available Secured Overnight Financing Rate ("SOFR") as of the date of determination, plus 0.35%.

Any determination by a Remarketing Agent in accordance with the applicable Paying Agent Agreement of the Weekly Rate payable with respect to a Series of 2022C Bonds will be conclusive and binding on Metropolitan, the Fiscal Agent, the Paying Agent, and the applicable Liquidity Provider (together with the applicable Remarketing Agent, the "Notice Parties") and the Owners of such 2022C Bonds.

Maximum Interest Rate Limitation. Pursuant to the Paying Agent Agreements, in no event will the interest rate payable with respect to any 2022C Bond exceed the Maximum Interest Rate. "Maximum Interest Rate" means (a) with respect to 2022C Bonds (other than Bank Bonds and District Bonds) the lesser of (i) twelve percent (12%) per annum, or (ii) the maximum interest rate permitted by federal law and the laws of the State of California, (b) with respect to Bank Bonds, the maximum interest rate permitted under federal law and the laws of the State of California with respect to any obligation incurred by Metropolitan under the related Liquidity Facility; provided, however, that in no event will the "Maximum Interest Rate" exceed eighteen percent (18%); and (c) with respect to District Bonds, the maximum interest rate permitted by federal law and the laws of the State of California. "Bank Bond" or "Bank Bonds" means any 2022C Bond or 2022C Bonds purchased with moneys provided under the related Liquidity Facility and any 2022C Bonds issued in exchange for or in replacement or substitution thereof. "District Bonds" means 2022C Bonds designated by Metropolitan to be Self-Liquidity Bonds or beneficial interests therein that Metropolitan purchases pursuant to the applicable Paying Agent Agreement and the 2022C Bonds issued in exchange for and in replacement or substitution thereof; provided, however, that "District Bonds" does not include any 2022C Bonds that are Liquidity Supported Bonds that Metropolitan owns or any Self-Liquidity Bonds that Metropolitan purchases for its own account outside of and other than the purchase through the applicable Payment Agent Agreement of 2022C Bonds tendered pursuant to thereto as described under "– Tender and Purchase of 2022C Bonds" below.

Certain Circumstances in Which Maximum Interest Rate will Apply. If, while a Series of 2022C Bonds bears interest in the Weekly Mode, the Remarketing Agent for such Series of 2022C Bonds resigns and no successor has been appointed as of the effective date of such resignation, then such 2022C Bonds (other than Bank Bonds and District Bonds) will bear interest at the Maximum Interest Rate until Metropolitan appoints a successor Remarketing Agent. Solely with respect to the 2022C Bonds of a Series while such 2022C Bonds are Liquidity Supported Bonds, if, while the 2022C Bonds of such Series bear interest in the Weekly Mode, the obligation of the applicable Liquidity Provider under the related Liquidity Facility then in effect to purchase tendered Liquidity Supported Bonds has been terminated or suspended or there is otherwise no Liquidity Facility then in effect with respect to such Liquidity Supported Bonds, then such 2022C Bonds (other than Bank Bonds) will bear interest at the Maximum Interest Rate until a Liquidity Facility is in effect with respect to the Liquidity Supported Bonds or Metropolitan changes the designation of such Series of 2022C Bonds from Liquidity Supported Bonds to Self-Liquidity Bonds pursuant to the applicable Paying Agent Agreement.

Change in Interest Mode or Conversion to Fixed Interest Rate

Change in Interest Mode. Each of the Paying Agent Agreements permits Metropolitan to change the Interest Mode of the related Series of 2022C Bonds from the Weekly Mode to the Daily Mode, the Flexible Index Mode, the Index Mode, the Short-Term Mode or the Long Mode. If Metropolitan elects to change the Interest Mode of a Series of 2022C Bonds, then Metropolitan will furnish written direction of such election to the Fiscal Agent, the applicable Remarketing Agent, the Liquidity Provider and the Paying Agent by registered or certified mail or by Electronic Notice not less than eight (8) days prior to the effective date of the change in Interest Mode of such Series of 2022C Bonds. Any such direction of Metropolitan shall specify the Interest Mode to which the 2022C Bonds of such Series are to be changed and, if applicable, shall be accompanied by the form of the notice required to be given by the Paying Agent as described under "– Tender and Purchase of 2022C Bonds – Notice of Mandatory Tender – *Notice of Mandatory Tender Upon Change in Interest Mode*" below.

Notwithstanding anything in the Paying Agent Agreements to the contrary, in connection with any change in the Interest Mode of a Series of 2022C Bonds from the Weekly Rate to a Long Rate, Metropolitan will deliver to the other Notice Parties a Favorable Opinion of Bond Counsel on the effective date of such change. If bond counsel fails to deliver a Favorable Opinion of Bond Counsel on any such date, then the Interest Mode for such Series of 2022C Bonds will not be changed, and the 2022C Bonds of such Series will continue to bear interest in the Weekly Mode as in effect immediately prior to such proposed change in the Interest Mode (and, will continue as Liquidity Supported Bonds or Self-Liquidity Bonds as in effect prior to such proposed change in Interest Mode). In such event, if notice of such change in Interest Mode has been given to the Owners of such Series of 2022C Bonds as provided in the related Paying Agent Agreement and Metropolitan fails to deliver a Favorable Opinion of Bond Counsel on the effective date as herein described, such Series of 2022C Bonds will continue to be subject to mandatory purchase on the date which would have been the effective date of such change as provided in the Paying Agent Agreement; provided, however, that, notwithstanding anything in the Paying Agent Agreement to the contrary, unless such Series of 2022C Bonds are Self-Liquidity Bonds prior to such proposed change, Metropolitan will have no liability or obligation to pay the Purchase Price of such 2022C Bonds so tendered.

Conversion to Fixed Interest Rate. Each of the Paying Agent Agreements also permits Metropolitan to convert the interest rate on the related Series of 2022C Bonds to a Fixed Interest Rate. Metropolitan may exercise its option to convert the 2022C Bonds of a Series to the Fixed Interest Rate, by giving, not less than ten (10) days prior to the Fixed Rate Date, notice to the Fiscal Agent, the Remarketing Agent, the Liquidity Provider and the Paying Agent of its election to convert the interest payable with respect to a Series of 2022C Bonds to a Fixed Interest Rate. Such notice shall specify the Fixed Rate Date, which may be any Business Day for which Owners may be given timely notice of conversion as described under "–Tender and Purchase of 2022C Bonds – Notice of Mandatory Tender – *Notice of Mandatory Tender Upon Conversion to Fixed Interest Rate*." Such notice shall be accompanied by a Favorable Opinion of Bond Counsel. Notwithstanding anything in the Paying Agent Agreements to the contrary, following the conversion of a Series of 2022C Bonds to a Fixed Interest Rate, Metropolitan may not elect to adjust the interest rate on the 2022C Bonds of such Series from a Fixed Interest Rate to any other Interest Mode.

Redemption of 2022C Bonds

Optional Redemption. While in the Weekly Mode, the 2022C Bonds of each Series are subject to optional redemption by Metropolitan in whole or in part, in Authorized Denominations, on any date, at a redemption price equal to 100% of the principal being redeemed plus accrued interest, if any, to such Redemption Date, without premium.

Mandatory Sinking Fund Redemption. The 2022C-1 Bonds are subject to mandatory sinking fund redemption prior to maturity, commencing on July 1, 2030 and on each July 1 set forth below, at a redemption price equal to 100% of the principal being redeemed plus accrued interest, if any, to the Redemption Date, from Mandatory Sinking Account Payments which have been deposited in the Bond Service Fund, in the principal amounts set forth as follows:

2022C-1 Bonds

Redemption Date (July 1)	Principal Amount	Redemption Date (July 1)	Principal Amount
2030	$6,800,000	2034	$ 7,750,000
2031	7,070,000	2035	12,890,000
2032	7,320,000	2036	46,130,000
2033	7,490,000	2037†	52,200,000

†Final Maturity

Mandatory Sinking Account Payments for the 2022C-1 Bonds will be reduced to the extent Metropolitan has purchased such 2022C-1 Bonds and surrendered such 2022C-1 Bonds to the Fiscal Agent for cancellation. If such 2022C-1 Bonds have been so purchased and cancelled or if 2022C-1 Bonds have been otherwise redeemed as provided in the related Paying Agent Agreement, then the amount of the 2022C-1 Bonds so purchased and cancelled or redeemed will be credited to such future Mandatory Sinking Account Payments as may be specified by Metropolitan. A reduction of Mandatory Sinking Account Payments in any twelve-month period ending July 1 will reduce the principal amount of 2022C-1 Bonds subject to mandatory sinking fund redemption on that July 1.

The 2022C-2 Bonds are subject to mandatory sinking fund redemption prior to maturity, commencing on July 1, 2030 and on each July 1 set forth below, at a redemption price equal to 100% of the principal being redeemed plus accrued interest, if any, to the Redemption Date, from Mandatory Sinking Account Payments which have been deposited in the Bond Service Fund, in the principal amounts set forth as follows:

2022C-2 Bonds

Redemption Date (July 1)	Principal Amount	Redemption Date (July 1)	Principal Amount
2030	$12,000,000	2041	$ 9,500,000
2031	12,500,000	2042	9,675,000
2032	12,900,000	2043	9,850,000
2033	13,400,000	2044	10,030,000
2034	13,800,000	2045	10,215,000
2035	14,300,000	2046†	6,455,000

†Final Maturity

Mandatory Sinking Account Payments for the 2022C-2 Bonds will be reduced to the extent Metropolitan has purchased such 2022C-2 Bonds and surrendered such 2022C-2 Bonds to the Fiscal Agent for cancellation. If such 2022C-2 Bonds have been so purchased and cancelled or if 2022C-2 Bonds have been otherwise redeemed as provided in the related Paying Agent Agreement, then the amount of the 2022C-2 Bonds so purchased and cancelled or redeemed will be credited to such future Mandatory Sinking Account Payments as may be specified by Metropolitan. A reduction of Mandatory Sinking Account Payments in any twelve-month period ending July 1 will reduce the principal amount of 2022C-2 Bonds subject to mandatory sinking fund redemption on that July 1.

Redemption on any Purchase Date. On any date on which 2022C Bonds of a Series are tendered for purchase pursuant to the related Paying Agent Agreement, Metropolitan may, at its sole discretion (and without compliance with the notice provisions of the Paying Agent Agreement), redeem all or any portion of such 2022C Bonds tendered for purchase at a redemption price equal to the Purchase Price thereof. Any 2022C Bonds so redeemed will be cancelled as provided in the related Paying Agent Agreement and will not be reissued or remarketed.

Selection of 2022C Bonds for Redemption. In the case of redemption of 2022C Bonds of a Series in part, the Paying Agent will select 2022C Bonds of such Series for redemption in the following order: *first*, the Paying Agent will select Bank Bonds for redemption before selecting any other 2022C Bonds of such Series for redemption; and *second*, the Paying Agent will select for redemption by lot all 2022C Bonds of such Series remaining Outstanding (other than District Bonds, if any) before selecting any District Bonds for redemption.

Notice of Redemption. Notice of redemption will be given by the Paying Agent by Mail or by Electronic Notice not less than twenty (20) nor more than forty-five (45) days prior to the Redemption Date to (i) the respective Owners of any 2022C Bonds of a Series designated for redemption at their addresses appearing on the register maintained pursuant to the related Paying Agent Agreement (or, so long as such 2022C Bonds are Book-Entry Bonds, to DTC), (ii) the applicable Remarketing Agent, (iii) the applicable Liquidity Provider, (iv) the Fiscal Agent and (v) one or more Information Services (which currently, unless otherwise designated by Metropolitan, shall be the MSRB through the Electronic Municipal Market Access (“EMMA”) System). Each notice of redemption will state the date of such notice, the distinguishing designation of the 2022C Bonds of such Series to be redeemed, the date of issue of such 2022C Bonds, the Redemption Date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses of the Paying Agent), the CUSIP number, if any, of the maturity or maturities and, in the case of 2022C Bonds to be redeemed in part only, the respective portion of the principal amount thereof to be redeemed. Each such notice will also state that on such date there will become due and payable with respect to each of such 2022C Bonds to be redeemed the redemption price thereof or of such specified portion of the principal amount thereof in the case of a 2022C Bond to be redeemed in part only, and that from and after such Redemption Date, the related interest due thereon will cease to accrue, and will require that such 2022C Bonds be then surrendered at the address or addresses of the Paying Agent specified in the redemption notice. Notice of any redemption will either (i) state that the proposed redemption is conditioned on there being on deposit in the applicable fund or account on the Redemption Date sufficient money to pay the full redemption price of the 2022C Bonds (or portion thereof) to be redeemed, or (ii) be sent only if sufficient money to pay the full redemption price of the 2022C Bonds (or portion thereof) to be redeemed is on deposit in the applicable fund or account. All such amounts deposited for the redemption of 2022C Bonds will be held uninvested or will be invested in Federal Securities (as defined in the Resolutions) which mature on or prior to such Redemption Date.

The notice will further state, if so determined by Metropolitan, that such notice may be rescinded at any time prior to the Redemption Date. If applicable, any such redemption notice given under the related Paying Agent Agreement may be rescinded at any time prior to the Redemption Date by written notice given to the Paying Agent by Metropolitan, and the Paying Agent will provide notice of such rescission as soon thereafter as practicable in the same manner, and to the same recipients, as notice of such redemption was given under such Paying Agent Agreement.

Failure by the Paying Agent to give notice as described herein to any one or more of the Remarketing Agent, the Fiscal Agent, any Liquidity Provider or the Information Services or the failure of any Owner of 2022C Bonds designated for redemption to receive notice of redemption or any defect in such notice will not affect the sufficiency and validity of the proceedings for redemption.

Effect of Redemption. If notice of redemption has been duly given to the Owners as provided in the related Paying Agent Agreement and funds for the payment of the redemption price of the 2022C Bonds of a Series to be redeemed are held by the Paying Agent on the designated Redemption Date, then, on the Redemption Date designated in such notice, the redemption price of the 2022C Bonds of such Series so called for redemption will become due and payable as specified in such notice. From and after the date so designated interest due with respect to the 2022C Bonds of such Series or portions thereof so called for redemption will cease to accrue, such 2022C Bonds will cease to be entitled to any benefit, protection or security under the related Paying Agent Agreement and the Owners of such 2022C Bonds will have no rights in respect thereof except to receive payment of the redemption price. The Paying Agent will, upon surrender for payment of any of the 2022C Bonds of a Series to be redeemed on their respective Redemption Dates, pay such 2022C Bonds at the redemption price. If such moneys will not be available on the Redemption Date, such 2022C Bonds will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption. Notwithstanding the foregoing, any Bank Bonds shall remain Outstanding until any Liquidity Provider is paid all amounts due under such Bank Bonds or portions thereof to be redeemed on their respective Redemption Dates. All 2022C Bonds redeemed in whole or in part pursuant to the provisions of the related Paying Agent Agreement will be cancelled by the Fiscal Agent and will not be reissued.

Tender and Purchase of 2022C Bonds

General

The 2022C Bonds of each Series are subject to purchase upon tender by the Owners thereof and are subject to mandatory purchase under certain circumstances pursuant to the terms of the related Paying Agent Agreement. The Purchase Price of the 2022C Bonds of a Series is payable from the proceeds of a remarketing of such Series of 2022C Bonds and, so long as the 2022C Bonds of such Series are Liquidity Supported Bonds, to the extent remarketing proceeds attributable to such 2022C Bonds of such Series in a Weekly Mode are insufficient or not available therefor, initially from amounts available under the applicable Liquidity Facility, subject to the terms and conditions set forth therein, and thereafter from such Alternate Liquidity Facility as may be obtained by Metropolitan to provide for payment of the Purchase Price of such Series of 2022C Bonds. The initial Liquidity Facilities each terminate on January 26, 2026, unless extended or terminated sooner in accordance with their respective terms. Under the circumstances described herein, the obligation of the applicable initial Liquidity Provider to purchase the 2022C Bonds of the applicable Series tendered by the Owners thereof or subject to mandatory purchase may be terminated or suspended without notice. See "THE LIQUIDITY FACILITIES." In such event, sufficient funds may not be available to purchase the 2022C Bonds of such Series tendered by the registered owners thereof or subject to mandatory purchase. See also "– Purchase and Remarketing of 2022C Bonds – *Sources of Funds for Purchase of Tendered* 2022C *Bonds*" below.

Optional Tender for Purchase

Optional Tender During Weekly Mode. While a Series of 2022C Bonds bears interest in the Weekly Mode, any Owner of a 2022C Bond of such Series (other than a Bank Bond or a District Bond) will have the right to tender its 2022C Bond of such Series (or a portion thereof in an amount equal to an Authorized Denomination) to Metropolitan for purchase on any Business Day at a purchase price equal to the principal amount of such 2022C Bonds of such Series, plus accrued and unpaid interest to the purchase date (unless the purchase date is otherwise an Interest Payment Date, in which case the purchase price shall not include accrued interest, which shall be paid in the normal course) (the "Purchase Price"), payable in immediately available funds, upon delivery to the Remarketing Agent and to the Paying Agent at its Corporate Trust Office, by no later than 4:00 p.m. (New York City time), on a Business Day at least seven (7) days prior to the date such Series 2022C Bond is to be purchased, of a written notice which states (i) the principal amount of such 2022C Bond of such Series to be purchased, (ii) the date of purchase, which date will be a Business Day not prior to the seventh (7th) day next succeeding the date of the delivery of such notice to the applicable Paying Agent, (iii) applicable payment instructions with respect to the 2022C Bond of such Series tendered for purchase, and (iv) an irrevocable demand for such purchase. Any notice delivered to the Paying Agent after 4:00 p.m. (New York City time), will be deemed to have been received on the next succeeding Business Day.

Mandatory Tender for Purchase

Mandatory Tender of Liquidity Supported Bonds upon Termination, Expiration or Replacement of the Liquidity Facility or Change in Designation to Self-Liquidity Bonds. Subject to the provisions described under "– Special Provisions for Liquidity Supported Bonds" below and to the exception described in the next succeeding paragraph, so long as a Series of 2022C Bonds are in the Weekly Mode and are designated by Metropolitan as Liquidity Supported Bonds, the 2022C Bonds of such Series will be subject to mandatory tender for purchase: (A) on the effective date of an Alternate Liquidity Facility that Metropolitan delivers to the Paying Agent pursuant to and subject to the conditions set forth in the related Paying Agent Agreement; or (B) on the effective date of the election by Metropolitan pursuant to the related Paying Agent Agreement to change the 2022C Bonds of such Series from Liquidity Supported Bonds to Self-Liquidity Bonds; or (C) on the first (1st) Business Day which is at least five (5) calendar days immediately preceding the expiration date of the Liquidity Facility then in effect with respect to such Series of 2022C Bonds; or (D) on a Business Day which is no later than five (5) calendar days following receipt by the Paying Agent of a written notice from the Liquidity Provider providing that an event of default or event of termination has occurred and is continuing under the Liquidity Facility then in effect with respect to such Series of 2022C Bonds and requesting the Paying Agent to cause the mandatory tender of such Series of 2022C Bonds for purchase, in each case, at the Purchase Price, payable in immediately available funds. Upon termination, expiration or replacement of a Liquidity Facility or change in designation of a Series of 2022C Bonds to Self-Liquidity Bonds, the Purchase Price of any Liquidity Supported Bonds that are 2022C Bonds of such Series tendered on the effective date, at or prior to 12:00 noon (or 11:00 a.m. in the case of any 2022C Bonds of such Series in a Daily Rate Period) (New York City time), on the purchase date, to the Paying Agent, shall be paid by the related Liquidity Facility then in effect at such time.

Notwithstanding anything to the contrary in the related Paying Agent Agreement with respect to the tender and purchase of the 2022C Bonds of a Series, if Metropolitan delivers to the Fiscal Agent, the Paying Agent and the Remarketing Agent, prior to the date that notice is given to Owners of 2022C Bonds of a Series of a mandatory tender in connection with the termination, expiration or replacement of a Liquidity Facility or the change in designation of the 2022C Bonds of such Series from Liquidity Supported Bonds to Self-Liquidity Bonds, written evidence from each Rating Agency to the effect that (i) the expiration or other termination of the Liquidity Facility for such Series of 2022C Bonds then in effect, or (ii) the replacement of such Liquidity Facility with an Alternate Liquidity Facility pursuant to the related Paying Agent Agreement, or (iii) the change in designation of such Series of 2022C Bonds from Liquidity Supported Bonds to Self-Liquidity Bonds, as the case may be, in and of itself, will not result in the withdrawal or reduction of the rating category of the short-term rating(s) then applicable to the 2022C Bonds of such Series, then such Series of 2022C Bonds will not be subject to mandatory tender for purchase as described in the preceding paragraph solely as a result of such expiration, termination or replacement of the Liquidity Facility or change in designation of such Series of 2022C Bonds from Liquidity Supported Bonds to Self-Liquidity Bonds. If no mandatory tender for purchase of such Series of 2022C Bonds will be required as described herein, then the Paying Agent will give notice by Mail to the Owners of the applicable Series of 2022C Bonds (or, so long as the 2022C Bonds of such Series are then Book-Entry Bonds, then to DTC by Mail or by Electronic Notice) not less than seven (7) days before the date of expiration, termination or replacement of the Liquidity Facility or change in designation of such Series of 2022C Bonds to Self-Liquidity Bonds. Such notice will be substantially similar to the form of the notice that would be required to be delivered by the Paying Agent if the 2022C Bonds of such Series were subject to a mandatory tender for purchase as a result of such expiration, termination or replacement of the Liquidity Facility or change in designation of the 2022C Bonds of such Series to Self-Liquidity Bonds absent the application of the exception described in this paragraph.

Mandatory Tender Upon Change in Interest Mode. Except in connection with a change in the Interest Mode of the 2022C Bonds of a Series from the Weekly Mode to a Daily Mode (or from a Daily Mode to a Weekly Mode) and subject to the provisions described under "– Rescission of Certain Mandatory Tender Events" below, the 2022C Bonds of a Series are subject to mandatory tender for purchase on the effective date of a change in the Interest Mode of the 2022C Bonds of such Series (or, in accordance with the terms of the related Paying Agent Agreement, on the day which would have been the effective date of a new Interest Mode had there not been a failure to deliver a Favorable Opinion of Bond Counsel on such date when required under the related Paying Agent Agreement which resulted in the Interest Mode of such 2022C Bonds of such Series not being changed), at the Purchase Price, payable in immediately available funds. See also "– Change in Interest Mode or Conversion to Fixed Interest Rate – *Change in Interest Mode*" above.

Mandatory Tender Upon Conversion to Fixed Interest Rate. Subject to the provisions described under "– Rescission of Certain Mandatory Tender Events" below, the 2022C Bonds of a Series are subject to mandatory tender for purchase on the Fixed Rate Date for such Series at the Purchase Price, payable in immediately available funds. See also "– Change in Interest Mode or Conversion to Fixed Interest Rate – *Conversion to Fixed Interest Rate*" above.

Mandatory Tender at Metropolitan's Election. Subject to the provisions described under "– Rescission of Certain Mandatory Tender Events" below, while bearing interest in the Weekly Mode, the 2022C Bonds of a Series are also subject to mandatory tender for purchase (in whole), at the Purchase Price, payable in immediately available funds, on any Business Day on which Metropolitan elects to provide for a mandatory tender for purchase of such 2022C Bonds of such Series and which Metropolitan specifies in writing to the Paying Agent no later than twenty (20) days before such Business Day.

Rescission of Certain Mandatory Tender Events. With respect to any mandatory tender for purchase on the effective date of a change in Interest Mode, upon conversion to a Fixed Interest Rate, or at Metropolitan's election for a Series of 2022C Bonds, Metropolitan may rescind such mandatory tender for purchase by delivery of a written notice to that effect to the Paying Agent at its Corporate Trust Office and the Remarketing Agent, on or prior to 5:00 p.m. (New York City time) on the Business Day immediately preceding the Mandatory Purchase Date. If Metropolitan rescinds any such mandatory tender for purchase, then no purchase will occur and the Owners will continue to own the 2022C Bonds of such Series as if no notice of mandatory tender for purchase were delivered.

Special Provisions for Liquidity Supported Bonds

Notwithstanding anything to the contrary described under this heading "Tender and Purchase of 2022C Bonds," (A) no Liquidity Supported Bonds will be subject to (i) optional tender for purchase in the Weekly Mode as described under "– Optional Tender for Purchase" above or (ii) mandatory tender for purchase as described under "– Mandatory Tender for Purchase" above, upon the occurrence of any "Suspension Event" or "Immediate Termination Event" (or words of similar import) under the related Liquidity Facility which results in immediate suspension or termination of the Liquidity Provider's obligation under any such Liquidity Facility to purchase such Liquidity Supported Bonds; (B) no Owner of any Liquidity Supported Bonds that constitute Bank Bonds may optionally tender such Liquidity Supported Bonds while any such 2022C Bonds are in a Weekly Mode; and (C) Metropolitan will have no liability to purchase Liquidity Supported Bonds from any of its assets other than amounts received from proceeds of remarketings and moneys furnished by or at the direction of the Paying Agent and received from the Liquidity Provider pursuant to the Liquidity Facility then in effect. See "—Purchase and Remarketing of 2022C Bonds – *Sources of Funds for Purchase of Tendered 2022C Bonds*" below.

Notice of Mandatory Tender

Notice of mandatory tender for purchase of the 2022C Bonds will be given as follows:

Notice of Mandatory Tender upon Effective Date of Alternate Liquidity Facility. If Liquidity Supported Bonds are subject to mandatory tender for purchase in connection with the delivery of an Alternate Liquidity Facility for the 2022C Bonds of a Series, then the Paying Agent will give notice by Mail to the Owners of the 2022C Bonds of the affected Series (or, so long as the 2022C Bonds of such Series are then Book-Entry Bonds, then to DTC by Mail or by Electronic Notice) not later than seven (7) days before the Mandatory Purchase Date. The notice will (A) state the expected effective date of such Alternate Liquidity Facility, (B) state that such 2022C Bonds of such Series will be subject to mandatory tender for purchase, (C) state the Mandatory Purchase Date, and (D) specify the short-term and long-term ratings, if any, to be applicable to the 2022C Bonds of such Series after the effective date of the Alternate Liquidity Facility.

Notice of Mandatory Tender for Purchase upon Expiration of a Liquidity Facility. If Liquidity Supported Bonds are subject to mandatory tender for purchase in connection with the expiration of the Liquidity Facility then in effect for the 2022C Bonds of a Series, then the Paying Agent will give notice by Mail to the Owners of the 2022C Bonds of the affected Series (or, so long as the 2022C Bonds of such Series are then Book-Entry Bonds, to DTC by Mail or by Electronic Notice), not later than seven (7) days before the Mandatory Purchase Date. The notice will state (A) that the Liquidity Facility then in effect with respect to such Series of 2022C Bonds has not been renewed, (B) that a copy of a commitment to issue an Alternate Liquidity Facility has not been delivered to the Paying Agent, (C) that the 2022C Bonds of such Series are subject to mandatory tender for purchase, and (D) the Mandatory Purchase Date.

Notice of Mandatory Tender upon Termination of a Liquidity Facility. If Liquidity Supported Bonds are subject to mandatory tender for purchase in connection with the occurrence and continuance of an event of default or event of termination under a Liquidity Facility then in effect for the 2022C Bonds of a Series, then the Paying Agent will give notice by Mail to the Owners of the affected Series of 2022C Bonds (or, so long as the 2022C Bonds of such Series are then Book-Entry Bonds, then to DTC by Mail or by Electronic Notice), not later than two (2) Business Days following receipt of the written notice from the applicable Liquidity Provider of the occurrence and continuance of an event of default or event of termination under the applicable Liquidity Facility and requesting the Paying Agent to cause the mandatory tender of the 2022C Bonds of such Series. The notice by the Paying Agent will state (A) that the Paying Agent has received the referenced notice from the Liquidity Provider and describe such notice, (B) that the affected Series of 2022C Bonds are subject to mandatory tender for purchase, (C) the Mandatory Purchase Date, and (D) if applicable, whether, under the Liquidity Facility then in effect, the Liquidity Provider will be obligated to purchase the 2022C Bonds of such Series upon such mandatory tender for purchase.

Notice of Mandatory Tender Upon Change in Designation to Self-Liquidity Bonds. If the 2022C Bonds of a Series are subject to mandatory tender for purchase in connection with Metropolitan's election to change the designation of the 2022C Bonds of such Series from Liquidity Supported Bonds to Self-Liquidity Bonds, then the Paying Agent will give notice by Mail to the Owners of the affected Series of 2022C Bonds (or, so long as the 2022C Bonds of such Series are then Book-Entry Bonds, then to DTC by Mail or by Electronic Notice) not later than the seven (7) days before the Mandatory Purchase Date. The notice will state (A) the effective date of the change of the 2022C Bonds of such Series from Liquidity Supported Bonds to Self-Liquidity Bonds, and (B) if applicable, that the 2022C Bonds of such Series are subject to mandatory tender for purchase on such effective date and setting forth the applicable Purchase Price.

Notice of Mandatory Tender for Purchase upon Change in Interest Mode. In connection with any mandatory tender for purchase of 2022C Bonds of a Series (if required) upon a change in Interest Mode of the 2022C Bonds of such Series, the Paying Agent will give notice of a mandatory tender for purchase as a part of the notice given pursuant to the related Paying Agent Agreement in connection with the election by Metropolitan of a new Interest Mode for such Series of 2022C Bonds. Such notice will be given by Mail to the Owners of the affected Series of 2022C Bonds (or, so long as the 2022C Bonds of such Series are then Book-Entry Bonds, then to DTC by Mail or by Electronic Notice) not less than seven (7) days prior to the date on which the 2022C Bonds of such Series will be purchased. The notice will state, among other things (A) that Metropolitan has elected to change the Interest Mode of the 2022C Bonds of such Series from the Weekly Mode and the Interest Mode to which the 2022C Bonds of such Series will be changed (unless, in connection with a change to a Long Mode, Metropolitan fails to deliver to the Notice Parties a Favorable Opinion of Bond Counsel as to such change), (B) the effective date of the change, (B) in connection with a change to the Daily Mode, the Short-Term Mode or a Long Mode, whether, upon the change to such Interest Mode, the 2022C Bonds of such Series will be Liquidity Supported Bonds or Self-Liquidity Bonds, (D) if the 2022C Bonds of such Series will be Liquidity Supported Bonds following the change to the Interest Mode, the name of the Liquidity Provider, and (E) if applicable, that the 2022C Bonds of such Series are subject to mandatory tender for purchase on such effective date and setting forth the applicable Purchase Price.

Notice of Mandatory Tender for Purchase upon Conversion to Fixed Interest Rate. In connection with any mandatory tender for purchase of 2022C Bonds of a Series (if required) upon conversion to a Fixed Interest Rate, the Paying Agent will give notice by Mail to the Owners of the 2022C Bonds of such Series (or, if the 2022C Bonds of such Series are then Book-Entry Bonds, then to DTC by Mail or by Electronic Notice) not later than seven (7) days before the Mandatory Purchase Date. The notice will state (A) that the interest rate with respect to the 2022C Bonds of such Series will be converted to the Fixed Interest Rate; (B) the Fixed Rate Date; (C) the date the Fixed Interest Rate is to be established; (D) that interest on the 2022C Bonds of such Series will be payable on each January 1 and July 1 after the Fixed Rate Date; (E) that subsequent to the Fixed Rate Date, the Owners of such Series of 2022C Bonds will no longer have the right to deliver their 2022C Bonds of such Series to the Paying Agent for purchase; (F) that all Outstanding 2022C Bonds of such Series will be purchased on the Fixed Rate Date, setting forth the applicable Purchase Price; and (G) that on and after the Fixed Rate Date, the Owners of the 2022C Bonds of such Series immediately preceding the Fixed Rate Date will be deemed to have tendered their 2022C Bonds of such Series as of the Fixed Rate Date to the Paying Agent. From and after the Fixed Rate Date, such Owners will not be entitled to any payment (including any interest to accrue from and after the Fixed Rate Date) other than the Purchase Price for such 2022C Bonds of such Series which will be an amount equal to the principal amount thereof plus accrued interest, if any, with respect thereto, calculated as of the Fixed Rate Date.

Notice of Mandatory Tender at Metropolitan's Election. If the 2022C Bonds of a Series are subject to mandatory tender for purchase at Metropolitan's election, then the Paying Agent will give notice by Mail to the Owners of the 2022C Bonds of the affected Series (or, so long as the 2022C Bonds of such Series are then Book-Entry Bonds, then to DTC by Mail or by Electronic Notice) not later than seven (7) days before the Mandatory Purchase Date. The notice will state (A) that Metropolitan has elected to provide for a mandatory tender for purchase of such Series of 2022C Bonds and (B) the Mandatory Purchase Date.

Additional Information to be Included in any Notice of Mandatory Tender in the Event the 2022C Bonds are Not Book-Entry Bonds. If at any time the 2022C Bonds of a Series are no long Book-Entry Bonds, then, any notice of mandatory tender will, in addition to the information required to be stated therein as provided in the related Paying Agent Agreement, will also state (A) that the Purchase Price of any 2022C Bond of such Series so subject to mandatory purchase will be payable only upon surrender of such 2022C Bond to the Paying Agent at its Corporate Trust Office for delivery of 2022C Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to the Paying Agent, executed in blank by the Owner thereof or the Owner's duly authorized attorney-in-fact, with such signature guaranteed by an eligible guarantor institution; and (B) that, if any Owner of a 2022C Bond of such Series does not surrender such 2022C Bond to the Paying Agent for purchase on such Mandatory Purchase Date, and moneys sufficient to pay the Purchase Price thereof are on deposit with the Paying Agent, then such 2022C Bond will be deemed to be an "Undelivered Bond" and to have been purchased on the Mandatory Purchase Date, and that no interest will accrue thereon on and after such Mandatory Purchase Date and that the Owner thereof will have no rights hereunder or under the Resolutions other than to receive payment of the Purchase Price thereof.

Delivery of 2022C Bonds to be Purchased and Payment of the Purchase Price

Payment of Purchase Price Upon Delivery of 2022C Bonds. For payment of the Purchase Price of any 2022C Bond of a Series to be purchased as described under "– Optional Tender for Purchase" or "– Mandatory Tender for Purchase," on the specified purchase date therefor, such 2022C Bond must be delivered, in the case of 2022C Bonds of a Series in the Weekly Mode, at or prior to 12:00 noon (New York City time), on the purchase date, to the Paying Agent at its Corporate Trust Office for delivery of 2022C Bonds accompanied, when the 2022C Bonds of such Series are not Book-Entry Bonds, by an instrument of transfer thereof, in form satisfactory to the Paying Agent, executed in blank by the Owner thereof or his duly authorized attorney-in-fact, with such signature guaranteed by an eligible guarantor institution. If any such 2022C Bond is delivered after 12:00 noon (New York City time) in the case of the 2022C Bonds of a Series while in the Weekly Mode, on the purchase date therefor, payment of the Purchase Price of such 2022C Bond need not be made until the Business Day following the date of delivery of such 2022C Bond but such 2022C Bond will nonetheless be deemed to have been purchased on the date specified in such notice and no interest will accrue thereon from and after such date.

Undelivered 2022C Bonds. The Paying Agent may refuse to accept delivery of any 2022C Bond for which a proper instrument of transfer has not been provided; such refusal, however, will not affect the validity of the purchase of such 2022C Bond as herein described. If any Owner of a 2022C Bond bearing interest in the Weekly Mode gives notice of its optional tender for purchase of 2022C Bonds or any Owner of a 2022C Bond subject to mandatory tender for purchase in connection with the termination, expiration or replacement of the applicable Liquidity Facility, a change in designation of the 2022C Bonds to Self-Liquidity Bonds, a change in the Interest Mode, a conversion to a Fixed Interest Rate, or at Metropolitan's election fails to deliver such 2022C Bond to the Paying Agent at the place and on the applicable date and at the time specified, or fails to deliver such 2022C Bond properly endorsed, and moneys sufficient to pay the Purchase Price thereof are on deposit with the Paying Agent for such purpose, such 2022C Bond will constitute an "Undelivered Bond." If funds in the amount of the Purchase Price of the Undelivered Bonds are available for payment to the Owner thereof on the date and at the time specified, from and after the date and time of that required delivery, (1) each Undelivered Bond will be deemed to be purchased; (2) interest will no longer accrue thereon and the Owner thereof will have no rights under the Resolutions other than to receive payment of the Purchase Price thereof calculated as of the applicable purchase date; and (3) funds in the amount of the Purchase Price of each such Undelivered Bond will be held by the Paying Agent for the benefit of the Owner thereof (provided that the Owner will have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of such Undelivered Bond to the Paying Agent at its Corporate Trust Office for delivery of 2022C Bonds. Any funds held by the Paying Agent as described in clause (3) of the preceding sentence will be held uninvested and not commingled.

The Paying Agent will determine timely and proper delivery of 2022C Bonds pursuant to the related Paying Agent Agreement and the proper endorsement of such 2022C Bonds. Such determination will be binding on the Owners of such 2022C Bonds, Metropolitan, the Remarketing Agent, the Liquidity Provider and the Fiscal Agent, absent manifest error.

Notice of Owner's Election to Tender Bond Deemed to be Irrevocable. The giving of notice by an Owner of a 2022C Bond of optional tender while such 2022C Bond bears interest in the Weekly Mode as described under "– Optional Tender for Purchase – *Optional Tender During Weekly Mode*" above will constitute the irrevocable tender for purchase of each such 2022C Bond with respect to which such notice will have been given, regardless of whether such 2022C Bond is delivered to the Paying Agent for purchase on the relevant purchase date.

Payment of Purchase Price. Subject to the provisions of the related Paying Agent Agreement for the payment of the Purchase Price of Book-Entry Bonds, the Paying Agent will pay the Purchase Price of any 2022C Bonds of a Series purchased or deemed purchased as described under "– Optional Tender for Purchase" or "– Mandatory Tender for Purchase" above, by check mailed by Mail to the Owners of the 2022C Bonds of such Series as of the close of business on the purchase date at the registered addresses of Owners they appear on the Bond Register maintained by the Paying Agent. In the case of any Owner of 2022C Bonds of a Series in an aggregate principal amount in excess of $1,000,000 as shown on the registration books kept by the Paying Agent who, prior to the purchase date, has provided, or caused to be provided to, the Paying Agent wire transfer instructions, the Paying Agent will pay the Purchase Price on such 2022C Bonds in accordance with the wire transfer instructions provided by the Owner of such 2022C Bonds (or by the Remarketing Agent on behalf of such Owner).

Tenders of Book-Entry Bonds. Notwithstanding any provision to the contrary contained in the related Paying Agent Agreement, all tenders for purchase during any period in which the 2022C Bonds of a Series are registered in the name of Cede & Co. (or the nominee of any successor Securities Depository) are subject to the terms and conditions set forth in the Representation Letter and any rules and regulations promulgated by DTC (or any successor Securities Depository). Subject thereto, the 2022C Bonds of such Series may be tendered by means of a book-entry credit of such 2022C Bonds of such Series to the account of the Remarketing Agent; provided, however, that under circumstances permitted by such rules and regulations notice of tender will be given by a purchaser of 2022C Bonds of such Series on behalf of the beneficial owner of such 2022C Bonds; and provided further that, if the Remarketing Agent notifies the Paying Agent that 2022C Bonds of such Series have been remarketed, such 2022C Bonds of such Series may be treated as being tendered upon a book-entry transfer of such 2022C Bonds of such Series from the account of the tendering party to the credit of the account of the purchaser of such 2022C Bonds of such Series.

Purchase and Remarketing of 2022C Bonds

Sources of Funds for Purchase of Tendered 2022C Bonds. The Paying Agent Agreements require Metropolitan to purchase 2022C Bonds of a Series bearing interest in a Weekly Mode from the Owners thereof pursuant to the optional and mandatory tender provisions in the related Paying Agent Agreement and described under "–Tender and Purchase of 2022C Bonds – Optional Tender for Purchase" and "– Mandatory Tender for Purchase" above on the applicable purchase date therefor and at the Purchase Price from the following sources in the order of priority indicated:

(i) proceeds of the sale of such 2022C Bonds of such Series remarketed to any person pursuant to the applicable Paying Agent Agreement and furnished to the Paying Agent by the Remarketing Agent for deposit into the related Remarketing Proceeds Account of the Purchase Fund; and

(ii) solely with respect to 2022C Bonds of a Series while designated as Liquidity Supported Bonds, moneys furnished by or at the direction of the Paying Agent for deposit into the related Purchase Account of the Purchase Fund representing moneys received from the Liquidity Provider pursuant to the Liquidity Facility then in effect for such Series.

While the 2022C Bonds of a Series are Liquidity Supported Bonds, Metropolitan will have no obligation to pay the Purchase Price of any Liquidity Supported Bonds of such Series tendered for purchase as described under "–Tender and Purchase of 2022C Bonds – Optional Tender for Purchase" and "– Mandatory Tender for Purchase" above except from the moneys from the sources described in clauses (i) and (ii) above.

If for any reason Metropolitan does not purchase all 2022C Bonds of a Series tendered or deemed tendered and required to be purchased pursuant to the related Paying Agent Agreement on the required purchase date therefor (such an event being referred to herein as a "Failed Tender"), then the Paying Agent will return all tendered 2022C Bonds of such Series to their respective Owners and the 2022C Bonds of such Series will bear interest at the Maximum Interest Rate from the date of the Failed Tender until all 2022C Bonds of such Series tendered on the date of such Failed Tender are purchased. From and after a Failed Tender, the Paying Agent will continue to take all such action available to it to obtain remarketing proceeds from the applicable Remarketing Agent and sufficient other funds from the applicable Liquidity Provider to purchase all 2022C Bonds of such Series tendered on the purchase date therefor on which such Failed Tender occurs. Notwithstanding the foregoing, no Failed Tender will constitute an Event of Default under the related Paying Agent Agreement or an "Event of Default" with respect to payment of principal of and interest on the 2022C Bonds by Metropolitan under the Master Resolution or under any other provision of the Resolutions.

Remarketing of the 2022C Bonds. Upon notice of any optional tender for purchase of 2022C Bonds of a Series by an Owner thereof bearing interest in the Weekly Mode or upon the receipt of a notice of mandatory tender for purchase of 2022C Bonds of a Series upon the termination, expiration or replacement of the applicable Liquidity Facility, change in designation to Self-Liquidity Bonds, a change in Interest Mode, conversion to Fixed Interest Rate of such Series or at Metropolitan's election, the related Paying Agent Agreement requires the Remarketing Agent to offer for sale and use its best efforts to sell in accordance with the related Remarketing Agreement all such 2022C Bonds of such Series, any such sale to be made on the date of such purchase in accordance with the applicable provisions of the related Paying Agent Agreement at the minimum interest rate which, if borne by such 2022C Bonds of such Series, would enable the applicable Remarketing Agent to sell such 2022C Bonds of such Series on the purchase date therefor at a price equal to the Purchase Price (except as provided by the related Paying Agent Agreement in connection with a conversion to a Fixed Interest Rate or in connection with a tender for purchase of 2022C Bonds of such Series as a result of a change of Interest Mode to a Flexible Index Mode or an Index Mode). A Remarketing Agent will not remarket any Liquidity Supported Bonds of a Series unless a Liquidity Facility is then in effect with respect to such 2022C Bonds of such Series or unless such 2022C Bonds of such Series are being remarketed at the Fixed Interest Rate on the Fixed Rate Date. Each Remarketing Agent agrees that it shall not sell to Metropolitan any Liquidity Supported Bonds tendered for purchase as described under "–Tender and Purchase of 2022C Bonds" above.

Demand for Purchase of Liquidity Supported Bonds Under the Liquidity Facility. Pursuant to each Paying Agent Agreement, the Paying Agent is directed to notify the Liquidity Provider on the purchase date in accordance with the terms of the applicable Liquidity Facility then in effect for a Series of 2022C Bonds as to the aggregate Purchase Price of tendered Liquidity Supported Bonds that are not remarketed pursuant to the Paying Agent Agreement and the applicable Liquidity Provider is required to purchase and make a demand for the purchase of such Liquidity Supported Bonds under the Liquidity Facility then in effect in accordance with its terms, such that the Paying Agent will receive amounts sufficient to timely pay the Purchase Price of all tendered Liquidity Supported Bonds on the purchase date therefor. Upon the receipt of amounts under the Liquidity Facility then in effect for a Series of 2022C Bonds, the Paying Agent will deposit an amount equal to the Purchase Price of all tendered Liquidity Supported Bonds in the applicable Purchase Account. In determining the amount of any such Purchase Price then due, the Paying Agent will not take into consideration any Purchase Price due on Liquidity Supported Bonds registered in the name of Metropolitan or any affiliate of Metropolitan to the extent identified to the Paying Agent or in the name of the applicable Liquidity Provider and no demand for purchase under the Liquidity Facility will be made to pay the Purchase Price of any Liquidity Supported Bonds registered in the name of Metropolitan or any affiliate of Metropolitan to the extent identified to the Paying Agent or in the name of such Liquidity Provider. By 3:15 p.m. (New York City time) the Paying Agent will purchase the tendered Liquidity Supported Bonds, and remit to the applicable Liquidity Provider such funds in the Purchase Account which the Paying Agent did not use to purchase tendered Liquidity Supported Bonds.

Remarketing Agents

Metropolitan has initially appointed TD Securities (USA) LLC as the Remarketing Agent for the 2022C-1 Bonds and Goldman Sachs & Co. LLC as the Remarketing Agent for the 2022C-2 Bonds under the terms of separate Remarketing Agreements. Under each of the Remarketing Agreements, each Remarketing Agent may at any time resign as remarketing agent for the related Series of 2022C Bonds and be discharged of the duties and obligations created by the related Paying Agent Agreement thereunder by giving notice to Metropolitan, the Fiscal Agent, the Paying Agent and the applicable Liquidity Provider. Such resignation will take effect on the sixtieth (60th) day after the receipt by Metropolitan of the notice of resignation. Each Remarketing Agent may be removed for any reason by Metropolitan upon thirty (30) days' notice to such Remarketing Agent and the other Notice Parties (as defined in the related Paying Agent Agreement); provided, however, if a Remarketing Agent is in default under a Remarketing Agreement, Metropolitan may immediately remove such Remarketing Agent at any time by written notice given by Metropolitan and delivered to such Remarketing Agent and the other Notice Parties.

Special Considerations Related to Remarketing of 2022C Bonds

Each Remarketing Agent Is Paid by Metropolitan. Each Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing the applicable 2022C Bonds that are optionally or mandatorily tendered by the Owners thereof (subject, in each case, to the terms of the related Remarketing Agreement and related Paying Agent Agreement), as further described in this Official Statement. Each Remarketing Agent is appointed by Metropolitan and is paid by Metropolitan for its services. As a result, the interests of such Remarketing Agent may differ from those of existing holders and potential purchasers of the 2022C Bonds.

Each Remarketing Agent May Purchase the 2022C Bonds for Its Own Account. Each Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, may purchase such obligations for its own account. Each Remarketing Agent is permitted, but not obligated, to purchase tendered 2022C Bonds of a Series for its own account and, in its sole discretion, may routinely acquire such tendered 2022C Bonds in order to achieve a successful remarketing of such 2022C Bonds (*i.e.*, because there otherwise are not enough buyers to purchase such 2022C Bonds) or for other reasons. However, such Remarketing Agent is not obligated to purchase such 2022C Bonds, and may cease doing so at any time without notice. Each Remarketing Agent may also make a market in the 2022C Bonds of a Series by routinely purchasing and selling such 2022C Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agents are not required to make a market in such 2022C Bonds. Each Remarketing Agent may also sell any of the 2022C Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to such 2022C Bonds. The purchase of 2022C Bonds of a Series by the applicable Remarketing Agent may create the appearance that there is greater third party demand for such 2022C Bonds in the market than is actually the case. The practices described above also may result in fewer 2022C Bonds being tendered in a remarketing.

The 2022C Bonds May Be Offered at Different Prices on Any Date Including an Interest Rate Determination Date. Pursuant to each Remarketing Agreement, each Remarketing Agent thereunder is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the 2022C Bonds of the related Series bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the date of determination of such interest rate. The interest rate will reflect, among other factors, the level of market demand for such 2022C Bonds (including whether such Remarketing Agent is willing to purchase such 2022C Bonds for its own account). There may or may not be 2022C Bonds tendered and remarketed on an interest rate determination date, the applicable Remarketing Agent may or may not be able to remarket 2022C Bonds of a Series tendered for purchase on such date at par and such Remarketing Agent may sell such 2022C Bonds at varying prices to different investors on such date or any other date. The Remarketing Agents are not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of such 2022C Bonds at the remarketing price. In the event a Remarketing Agent owns any of the 2022C Bonds of a Series for which it serves as Remarketing Agent for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such 2022C Bonds on any date, including the date of determination of the interest rate on such 2022C Bonds, at a discount to par to some investors.

The Ability to Sell the 2022C Bonds Other Than through Tender Process May Be Limited. The Remarketing Agents may buy and sell the 2022C Bonds of a Series other than through the tender process. However, the Remarketing Agents are not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their 2022C Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the 2022C Bonds of a Series, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2022C Bonds other than by tendering such 2022C Bonds in accordance with the tender process.

Under Certain Circumstances, each Remarketing Agent May be Removed, Resign or Cease Remarketing the 2022C Bonds Without a Successor Being Named. Under certain circumstances each Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the applicable Remarketing Agreement.

Liquidity Supported Bonds and Self-Liquidity Bonds

Designation of 2022C Bonds as Liquidity Supported Bonds. While the 2022C Bonds of a Series bear interest in the Weekly Mode, the related Paying Agent Agreement requires Metropolitan to designate all 2022C Bonds of such Series as either Self-Liquidity Bonds or Liquidity Supported Bonds. Upon the date of delivery of the 2022C Bonds in the Weekly Mode, Metropolitan has initially designated the 2022C Bonds of each Series to be Liquidity Supported Bonds. The 2022C Bonds of each Series will continue to be Liquidity Supported Bonds unless and until (i) Metropolitan changes the 2022C Bonds of a Series to Self-Liquidity Supported Bonds as described below or in connection with a change in the Interest Mode on the 2022C Bonds of a Series to the Daily Mode, Short-Term Mode or Long Mode, or (ii) Metropolitan changes the Interest Mode of the 2022C Bonds of a Series to the Flexible Index Mode or the Index Mode, or (iii) Metropolitan converts the interest rate on the 2022C Bonds of a Series to a Fixed Interest Rate. In connection with any change in the Interest Mode of the 2022C Bonds of a Series to the Daily Mode, Weekly Mode (from a subsequent different Interest Mode), Short-Term Mode or Long Mode, Metropolitan will designate the 2022C Bonds of such Series either as Liquidity Supported Bonds or as Self-Liquidity Bonds.

Whether Metropolitan designates the 2022C Bonds of a Series as Liquidity Supported Bonds or Self-Liquidity Bonds will determine whether a Liquidity Provider or Metropolitan is responsible for the payment of the Purchase Price of tendered 2022C Bonds of such Series to the extent that remarketing proceeds are insufficient. While the 2022C Bonds of a Series are Liquidity Supported Bonds, a Liquidity Provider will bear that obligation in accordance with the terms of a Liquidity Facility and Metropolitan will have no liability to purchase Liquidity Supported Bonds that are tendered for purchase from any of its assets other than amounts from the sources described under "– Purchase and Remarketing of 2022C Bonds – *Sources of Funds for Purchase of Tendered 2022C Bonds*."

Change in the Designation of the 2022C Bonds from Liquidity Supported Bonds to Self-Liquidity Bonds. Metropolitan may elect to change the 2022C Bonds of a Series from Liquidity Supported Bonds to Self-Liquidity Bonds by delivering a written direction to the other Notice Parties not later than ten (10) days before the effective date of the change to Self-Liquidity Bonds. The effective date of the change to Self-Liquidity Bonds will be a Business Day. The written direction of Metropolitan will specify (1) the effective date of the change to Self-Liquidity Bonds, and (2) if applicable, the date of delivery for the 2022C Bonds of such Series to be purchased (if other than the effective date) as described under "– Tender and Purchase of 2022C Bonds – Mandatory Tender for Purchase – *Mandatory Tender for Purchase of Liquidity Supported Bonds upon Termination, Expiration or Replacement of the Liquidity Facility or Change in Designation to Self-Liquidity Bonds*." In addition, together with any such written direction, Metropolitan will include a form of notice that the Paying Agent is required to give to the Owners of such Series of 2022C Bonds in connection with such change in designation of the 2022C Bonds of such Series to Self-Liquidity Bonds. The Paying Agent will give notice by Mail to the Owners of the 2022C Bonds of the affected Series (or, if such 2022C Bonds of such Series are then Book-Entry Bonds, then to DTC by Mail or by Electronic Notice), together with the notice described under "– Tender and Purchase of 2022C Bonds – Notice of Mandatory Tender – *Notice of Mandatory Tender Upon Change in Designation to Liquidity Supported Bonds*," of a change in the designation of the 2022C Bonds of such Series to Self-Liquidity Bonds not less than seven (7) days before the effective date of the change. The notice will state (i) the effective date of the change of such Series of 2022C Bonds from Liquidity Supported Bonds to Self-Liquidity Bonds, and (ii) if applicable, that the 2022C Bonds of such Series are subject to mandatory tender for purchase on such effective date, setting forth the applicable Purchase Price.

Book-Entry Only System

Metropolitan will issue the 2022C Bonds as fully registered bonds in the name of Cede & Co., as nominee of DTC. The 2022C Bonds will be available to Beneficial Owners (as defined in APPENDIX D– "BOOK-ENTRY ONLY SYSTEM") only under the book-entry system maintained by DTC. Beneficial Owners of 2022C Bonds will not receive physical certificates representing their interests in the 2022C Bonds. So long as the 2022C Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners will mean Cede & Co., and will not mean the ultimate purchasers or Beneficial Owners of the 2022C Bonds. Metropolitan will pay principal of and redemption premium, if any, and interest on the 2022C Bonds directly to DTC or Cede & Co. so long as DTC or Cede & Co. is the registered owner of the 2022C Bonds. Payments of Purchase Price for any 2022C Bonds will also be paid directly to DTC or Cede & Co. so long as DTC or Cede & Co. is the registered owner of the 2022C Bonds. Disbursements of such payments to DTC's Direct Participants is the responsibility of DTC and disbursement of such payments to Beneficial Owners is the responsibility of DTC's Direct Participants and Indirect Participants. See APPENDIX D– "BOOK-ENTRY ONLY SYSTEM."

None of Metropolitan, the Fiscal Agent or the Paying Agent will have any responsibility or obligation with respect to: (i) the accuracy of the records of DTC, its nominee or any Direct or Indirect Participant with respect to any beneficial ownership interest in the 2022C Bonds; (ii) the delivery to any Direct or Indirect Participant, Beneficial Owner or other Person, other than DTC, of any notice with respect to the 2022C Bonds; (iii) the payment to any Direct or Indirect Participant, Beneficial Owner or other Person, other than DTC, of any amount with respect to the principal of, premium, if any, or interest on, or Purchase Price for, the 2022C Bonds; (iv) any consent given by DTC or its nominee as Owner; or (v) the selection by DTC or any Direct or Indirect Participant of any Beneficial Owners to receive payment if the 2022C Bonds are redeemed in part. See APPENDIX D– "BOOK-ENTRY ONLY SYSTEM."

SECURITY AND SOURCES OF PAYMENT FOR THE 2022C BONDS

Security for the 2022C Bonds

The 2022C Bonds are special limited obligations of Metropolitan and will be payable as to principal, redemption premium, if any, and interest thereon solely from and secured solely by a pledge of and a lien and charge upon the Net Operating Revenues and the other funds, assets and security described under the Resolutions. See APPENDIX C– "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS AND THE PAYING AGENT AGREEMENTS."

As defined in the Master Resolution, "Net Operating Revenues" are Operating Revenues less Operation and Maintenance Expenditures paid from Operating Revenues. "Operating Revenues" are all revenues received by Metropolitan from charges for the sale and availability of water. "Operation and Maintenance Expenditures" are the necessary expenditures for operating and maintaining the properties, works and facilities of Metropolitan, including expenditures for such charges as may be payable by Metropolitan under the State Water Contract and the Devil Canyon-Castaic Contract, which charges constitute operation, maintenance, power and replacement charges; any necessary contributions to medical, health, retirement or other similar benefits of Metropolitan employees and annuitants; and such other expenditures of Metropolitan generally classified as operating and maintenance expenditures, excluding any charges for depreciation or amortization. The State Water Contract and the Devil Canyon-Castaic Contract are discussed in Appendix A under the caption "METROPOLITAN EXPENSES – State Water Contract Obligations." Payment of capital costs and some other payments under the State Water Contract and the Devil Canyon-Castaic Contract are subordinate to the obligation of Metropolitan for payment of Operation and Maintenance Expenditures and debt service on the 2022C Bonds, the Parity Bonds and the Parity Obligations. Accordingly, the debt service coverage on the 2022C Bonds, the Parity Bonds and the Parity Obligations does not take into account such expenses. See Appendix A under the caption "HISTORICAL AND PROJECTED REVENUES AND EXPENSES."

The 2022C Bonds do not constitute general obligation indebtedness of Metropolitan. Neither the general credit nor the taxing power of Metropolitan is pledged for the payment of the 2022C Bonds, the interest thereon or the redemption price thereof. The obligation to pay the principal of, redemption premium, if any, and interest on the 2022C Bonds does not constitute a pledge, charge, lien or encumbrance upon any of Metropolitan's property or its income, receipts or revenues except Net Operating Revenues.

Rate Covenant

Metropolitan covenants in the Master Resolution that it will prescribe, revise and collect such rates and charges for the services, facilities, availability and water of the Water System (defined in the Resolutions as the properties, works and facilities of Metropolitan necessary for the supply, availability, development, storage, transportation, treatment or sale of water) which, after making allowances for contingencies and error in estimates, will provide Operating Revenues, together with any Additional Revenues (*i.e.*, interest, profits and other income received from the investment of any moneys of Metropolitan and other revenues of Metropolitan (other than Operating Revenues) to the extent available to pay debt service on the 2022C Bonds, the Parity Bonds and the Parity Obligations), at least sufficient to pay the following amounts in the order set forth:

1. Operation and Maintenance Expenditures;

2. Interest on and any Bond Obligation (including Mandatory Sinking Account Payments) of the Outstanding Bonds and Parity Obligations as the same become due and payable;

3. All other payments required for compliance with the Master Resolution or any Supplemental Resolution; and

4. All other payments required to meet any other obligations of Metropolitan that are charges, liens or encumbrances upon or payable from Net Operating Revenues.

Metropolitan is required to take into account in setting its rates and charges the amount of any scheduled payments of principal of and interest on the 2022C Bonds.

Water rates are established by a majority of the voting power of the Board. Metropolitan's water rates are not subject to regulation by the California Public Utilities Commission or by any other state, local or federal agency. Proposition 218, a State constitutional ballot initiative approved by the voters on November 5, 1996, imposes additional limitations on the manner in which local agencies may impose certain taxes, fees, charges and assessments. Some of Metropolitan's Operating Revenues are derived from standby and water availability charges. These revenues may be affected by the application of Proposition 218. Proposition 26, a State ballot initiative aimed at restricting regulatory fees and charges, was approved by the California voters on November 2, 2010. Proposition 26 broadens the definition of "tax" in Article XIIIC of the California Constitution to include levies, charges and exactions imposed by local governments. Metropolitan believes that its water rates and charges are not taxes under Proposition 26. On May 11, 2022, the San Francisco Superior Court ruled that Proposition 26 applies to Metropolitan's rates and charges. The decision is subject to appeal. Metropolitan is assessing whether Proposition 26 may affect future water rates and charges. These revenues may be affected by the application of Proposition 26. See Appendix A under the caption "METROPOLITAN REVENUES – California Ballot Initiatives."

No Reserve Fund

The Nineteenth Supplemental Resolution provides for the establishment of a Reserve Fund for Bonds issued thereunder to be funded in an amount equal to the Bond Reserve Requirement for such Bonds as set forth in the applicable bond purchase contract. Metropolitan has determined that the Bond Reserve Requirement for the 2022C Bonds will be established at $0 pursuant to the Bond Purchase Contracts (herein defined). **Amounts held or to be held in a reserve fund or account established for any other Series of Bonds or any Reserve Fund Credit Policy for any other Series of Bonds will not be available or drawn upon to pay principal of, redemption premium, if any, or interest on the 2022C Bonds**.

Parity Bonds and Parity Obligations

As of July 7, 2022, Metropolitan had outstanding $2.48 billion aggregate principal amount of Parity Bonds outstanding, as well as certain Parity Obligations. As described under "PLAN OF REFUNDING," approximately $267.4 million amount of Metropolitan's outstanding Parity Bonds are to be refunded by the 2022C Bonds. In addition, as discussed under the heading "INTRODUCTION – Other Transactions Being Undertaken by Metropolitan," Metropolitan expects to refund approximately $282.3 million aggregate principal amount of outstanding Parity Bonds with proceeds of its 2022B Bonds, which are expected to be issued concurrently with the 2022C Bonds. Metropolitan's outstanding Parity Bonds include variable rate Liquidity Supported Bonds and direct purchase Long Mode Bonds. In connection with its variable rate Liquidity Supported Bonds, Metropolitan has entered into certain standby bond purchase agreements for such Bonds. Metropolitan has also entered into a bond purchase agreement (the "2020 Direct Purchase Agreement") with Wells Fargo Municipal Capital Strategies, LLC relating to its direct purchase Long Mode Bonds. Metropolitan's outstanding Bonds, and such related standby bond purchase facilities and 2020 Direct Purchase Agreement, are more fully described in Appendix A under the captions "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations – Senior Revenue Bonds," "– Variable Rate and Swap Obligations," "– Direct Purchase Long Mode Bonds."

In June 2022, Metropolitan entered into a note purchase and continuing covenant agreement (the "Wells Fargo Revolving Credit Facility") with Wells Fargo Bank, National Association, under which Metropolitan may borrow, pay down, refund and re-borrow, through the issuance and sale from time to time of short-term variable rate revolving notes, an aggregate amount outstanding at any time of up to $225 million. Metropolitan's obligations to repay short-term notes evidencing borrowings under the Wells Fargo Revolving Credit Facility constitute Parity Obligations, payable from Net Operating Revenues on a parity with the Bonds, including the 2022C Bonds, and the other Parity Obligations. See Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations – Senior Parity Obligations" for a description of the Wells Fargo Revolving Credit Facility.

Metropolitan also has obligations under outstanding interest rate swap agreements, which obligations (other than with respect to termination payments under some of such swap agreements) are payable on a parity with Metropolitan's obligation to pay principal of and interest on the 2022C Bonds, Parity Bonds and other Parity Obligations. The payments by Metropolitan are secured as described in, and the interest rate swap agreements entail risks to Metropolitan as described in, Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations – Variable Rate and Swap Obligations – *Interest Rate Swap Transactions*."

Additional information regarding the terms of certain of Metropolitan's outstanding Parity Bonds and Parity Obligations, including certain circumstances and the terms under which some of Metropolitan's repayment obligations may be accelerated or otherwise become due prior to maturity, is set forth in Appendix A. See also "RISK FACTORS."

As provided in the Resolutions, Metropolitan may issue additional Parity Bonds and has, and may in the future, incur other Parity Obligations, in each case, payable and secured on a parity with the 2022C Bonds and the existing Parity Bonds and Parity Obligations, subject to the limitations, terms and conditions of the Master Resolution. See "– Additional Indebtedness" below and APPENDIX C– "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS AND THE PAYING AGENT AGREEMENTS – THE MASTER RESOLUTION – Covenants – Limits on Additional Debt."

Subordinate Bonds and Subordinate Obligations

Under the Resolutions, Metropolitan may issue bonds and other obligations payable from Net Operating Revenues junior and subordinate to the Bonds, including the 2022C Bonds, and the Parity Obligations, subject to the provisions of the Act. Metropolitan adopted Resolution 9199 on March 8, 2016 (the "Master Subordinate Resolution"), which authorizes Metropolitan to issue bonds ("Subordinate Bonds") and other obligations ("Subordinate Obligations") secured with a pledge of and lien on Net Operating Revenues that is subordinate to the pledge securing the Bonds, including the 2022C Bonds, and the other Parity Obligations. As of July 7, 2022, Metropolitan had $1.21 billion aggregate principal amount of Subordinate Bonds outstanding.

Under some circumstances, the interest rate swap agreements referred to under "–Parity Bonds and Parity Obligations" above are subject to early termination, in which event Metropolitan may be obligated to make a substantial payment to the applicable counterparty. Such termination payments are secured in some cases on a basis on parity with, and in other cases on a basis subordinate in payment priority to, the Bonds, including the 2022C Bonds, and the Parity Obligations. See Appendix A under the captions "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations – Variable Rate and Swap Obligations."

Additional information regarding the terms of certain of Metropolitan's outstanding Subordinate Bonds and Subordinate Obligations, including certain circumstances and the terms under which some of Metropolitan's repayment obligations may be accelerated or otherwise become due prior to maturity, is set forth in Appendix A. See also "RISK FACTORS."

Additional Indebtedness

Metropolitan covenants in the Master Resolution that no additional indebtedness evidenced by bonds, notes or any other evidences of indebtedness payable out of its Operating Revenues will be issued having any priority in payment of principal, redemption premium, if any, or interest over the 2022C Bonds, Parity Bonds or Parity Obligations.

In addition, Metropolitan covenants in the Master Resolution that, except for Refunding Bonds or Parity Obligations to the extent incurred to pay or discharge Outstanding Bonds or Parity Obligations and which do not result in an increase in the average annual debt service on all Bonds or Parity Obligations to be Outstanding after the issuance of such Refunding Bonds or Parity Obligations, no additional Bonds or Parity Obligations will be created or incurred unless:

> FIRST: Metropolitan is not in default under the terms of the Resolutions, including as supplemented, modified or amended by any Supplemental Resolution.
>
> SECOND: Either (1) the Net Operating Revenues as shown by the books and records of Metropolitan for the latest Fiscal Year or for any 12 consecutive month period within the last completed 24-month period ended not more than one month before the issuance of or incurrence of such additional Bonds or Parity Obligations as set forth in a certificate of Metropolitan, or (2) the estimated Net Operating Revenues for the first complete Fiscal Year when improvements to the Water System financed with the proceeds of the additional Bonds or Parity Obligations will be in operation as estimated by and set forth in a certificate of Metropolitan plus, at the option of Metropolitan, any or all of certain other items permitted by the Resolutions, will have amounted to not less than 1.20 times the Maximum Annual Debt Service in any Fiscal Year thereafter on all Bonds and Parity Obligations to be Outstanding immediately subsequent to the incurring of such additional Bonds or Parity Obligations. In making this calculation, Metropolitan may take into consideration any increases in water rates or charges which have become effective prior to the creation of such additional Bonds or Parity Obligations, any increase in Net Operating Revenues which may arise from additions or improvements to the Water System to be made or acquired with the proceeds of such additional Bonds or Parity Obligations or using the proceeds of Bonds previously issued, or from additions recently placed in service, Additional Revenues and other funds specified in the Resolutions.
>
> THIRD: On the date of delivery of and payment for such additional Bonds or Parity Obligations, the amount in any reserve fund or account for any Bonds or Parity Obligations previously established will not be less than an amount required to be maintained in such fund (if any) pursuant to the Supplemental Resolution or other document creating such fund.

Under the Master Resolution, Metropolitan may issue or incur additional Subordinate Bonds, Subordinate Obligations and other obligations which are junior and subordinate to the payment of the principal, premium, interest and reserve fund requirements for the Bonds and all Parity Obligations and which subordinated obligations are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Net Operating Revenues after the prior payment of all amounts then due required to be paid or set aside under the Resolutions from Net Operating Revenues for principal, premium, interest and reserve fund requirements for the Bonds and all Parity Obligations, as the same become due and payable and at the times and in the manner as required in the Resolutions or the instruments creating any Parity Obligations, subject to the provisions of the Act.

See APPENDIX C– "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS AND THE PAYING AGENT AGREEMENTS – THE MASTER RESOLUTION – Covenants – Limits on Additional Debt."

Under the Act, the amount of outstanding bonds and other evidences of indebtedness may not exceed 15% of the assessed value of all taxable property within Metropolitan, as shown by county assessment records. As of July 7, 2022, Metropolitan's outstanding bonds and other evidences of indebtedness, in the aggregate amount of $3.71 billion, constituted approximately 0.11% of the fiscal year 2021-22 taxable assessed valuation of $3,377.3 billion within the geographical boundaries of Metropolitan. The Act also specifies that no revenue bonds may be issued, except for the purpose of refunding, unless the amount of net assets of Metropolitan as shown on its balance sheet as of the end of the last fiscal year prior to the issuance of such bonds, equals at least 100% of the aggregate amount of revenue bonds outstanding following the issuance of such bonds. The latter statutory limitation does not apply to forms of financing available to Metropolitan other than revenue bonds. The net assets of Metropolitan at June 30, 2021 were $7.19 billion. The aggregate amount of revenue bonds outstanding as of July 7, 2022 was $3.69 billion.

See Appendix A under the caption "CAPITAL INVESTMENT PLAN – Capital Investment Plan Financing" for a discussion of certain projected capital costs and additional financings to be undertaken by Metropolitan as of the date of this Official Statement.

Flow of Funds

Metropolitan will allocate all Operating Revenues to the Water Revenue Fund and will effect transfers from the Water Revenue Fund to the following funds or accounts as soon as practicable in each calendar month in the following order of priority, and such amounts will be withdrawn from said funds or accounts only for the following:

> *First*, to the Operation and Maintenance Fund, an amount sufficient, together with any other revenues lawfully available therefor, to provide for the estimated Operation and Maintenance Expenditures during the current calendar month and the next succeeding calendar month.
>
> *Second*, to the Bond Service Fund, an amount equal to (a)(1) with respect to the Outstanding Current Interest Bonds of each Series (except for Bonds constituting Variable Rate Indebtedness or Paired Obligations), such amount as will be sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on the next interest payment date for all such Outstanding Current Interest Bonds of such Series (excluding any interest for which there are moneys deposited in the Bond Service Fund from the proceeds of such Series of Bonds or other source and reserved as capitalized interest to pay such interest until the next interest payment date), until the requisite amount of interest becoming due on the next interest payment date on all such Outstanding Current Interest Bonds of such Series (except for Bonds

constituting Variable Rate Indebtedness or Paired Obligations) is on deposit in such account, (2) 110% of the aggregate amount of interest, estimated by the Treasurer of Metropolitan in his or her reasonable judgment, to accrue during that month on the Outstanding Variable Rate Indebtedness (provided that such amount may be reduced and will be increased under certain circumstances, as set forth in the Resolutions), and (3) with respect to Outstanding Paired Obligations, such amount as will be sufficient on a monthly pro rata basis to pay the aggregate of the collective fixed interest obligation of Metropolitan for such Paired Obligations coming due and payable on the next interest payment date for such Paired Obligations, and (b)(1) one-sixth of the aggregate semi-annual amount of any Bond Obligation becoming due and payable on the Outstanding Bonds of all Series having semi-annual maturity dates or semi-annual Mandatory Sinking Account Payments due within the next six months, plus (2) one-twelfth of the aggregate yearly amount of any Bond Obligation becoming due and payable on the Outstanding Bonds of all Series having annual maturity dates or annual Mandatory Sinking Account Payments due within the next twelve months; provided that if the Board irrevocably determines by resolution that any principal payments on the Bonds of any Series will be refunded on or prior to their respective due dates or paid from amounts on deposit in a reserve account established and maintained for Bonds of that Series, no amounts need be set aside toward such principal to be so refunded or paid. Such amount is subject to adjustment as set forth in the Resolutions, in the event Term Bonds are purchased from the Bond Service Fund, redeemed by Metropolitan or deposited by Metropolitan with the Fiscal Agent. No deposit need be made into the Bond Service Fund if (i) the amount contained therein is at least equal to the interest to become due and payable on the estimated interest payment dates falling within the next six months upon all of the Bonds issued under the Master Resolution and then Outstanding but excluding any moneys on deposit in the Interest Account from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future interest payment dates following such interest payment dates, and (ii) there will be in such fund moneys sufficient to pay the Bond Obligations of all Bonds issued under the Master Resolution and then Outstanding and maturing by their terms or subject to mandatory redemption within the next twelve months. If Metropolitan issues or incurs any Parity Obligations, the payments required to be placed in any debt service fund or sinking fund to pay the principal or Accreted Value of, or mandatory sinking fund payments or interest with respect to, such Parity Obligations will rank and be made on a parity with the payments required to be placed in the Bond Service Fund.

Third, to the extent of any deficiency in any reserve fund or account for Bonds or Parity Obligations, to such reserve fund or account for such other Bonds or Parity Obligations (a) one-sixth of the aggregate amount of each unreplenished prior withdrawal from such reserve fund or account and (b) the full amount of any deficiency due to any required valuations of the investments in such reserve fund or account until the balance in such reserve fund or account is at least equal to the amount required to restore such reserve fund or account to the amount required to be maintained therein. If there is a deficiency of Operating Revenues to make the deposits required by this Third paragraph, such Operating Revenues will be deposited into each reserve fund or account on a pro rata basis based on the amount of each such deficiency.

Fourth, to any such excess earnings or rebate fund or account for Bonds or Parity Obligations, the amount (if any) required in accordance with a Supplemental Resolution or Metropolitan's tax and nonarbitrage certificate delivered in connection with the issuance of the Bonds or Parity Obligations.

Fifth, for any required transfer or deposit for the payment of any obligation of Metropolitan with a lien on, or payable from, Net Operating Revenues junior to the lien thereon of the Bonds and any Parity Obligations, including obligations issued or incurred pursuant to the Master Subordinate Resolution.

Sixth, except as otherwise provided in a Supplemental Resolution, to the Revenue Remainder Fund, any amounts remaining in the Water Revenue Fund after the above transfers. Provided Metropolitan is in compliance with all covenants contained in the Resolutions, the Revenue Remainder Fund may be used for any lawful purpose of Metropolitan.

See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS AND THE PAYING AGENT AGREEMENTS – THE MASTER RESOLUTION – Revenues – Water Revenue Fund."

THE LIQUIDITY FACILITIES

The following summarizes certain provisions of the 2022C-1 Liquidity Facility and the 2022C-2 Liquidity Facility. Reference is made to each such document, in its entirety, for the complete provisions thereof. The provisions of any Alternate Liquidity Facility may be different from those summarized below. Capitalized terms used under this heading "THE LIQUIDITY FACILITIES" and not otherwise defined under this heading "THE LIQUIDITY FACILITIES" shall have the meanings assigned to such terms in the respective Liquidity Facilities. Terms used in this section have the meanings given to these terms in the 2022C-1 Liquidity Facility and the 2022C-2 Liquidity Facility, as applicable, which may not be the same as in other sections of this Official Statement.

General

Subject to the terms and conditions of each Liquidity Facility, each Liquidity Provider agrees from time to time during the Commitment Period to extend credit to Metropolitan by making Liquidity Advances to provide for the payment of the Purchase Price for (a) Eligible Bonds of the related Series tendered or deemed tendered pursuant to optional tenders by Owners in accordance with the terms of the related Paying Agent Agreement, the related Resolutions and the related Series of 2022C Bonds, on a Purchase Date and (b) Eligible Bonds of the related Series required to be purchased on a Mandatory Purchase Date in accordance with the terms of the related Paying Agent Agreement, the Resolutions and the related Series of 2022C Bonds, in each case, to the extent that such Eligible Bonds are not remarketed, and in each case, in accordance with the related Paying Agent Agreement and the related Remarketing Agreement. The aggregate principal amount (or portion thereof) of any Eligible Bond purchased on any Purchase Date shall be an Authorized Denomination, and in any case the aggregate principal amount of all Eligible Bonds purchased on any Purchase Date shall not exceed the Available Principal Commitment of the related Liquidity Facility on such Purchase Date. The portion of the Purchase Price corresponding to accrued interest, if any, on such Eligible Bonds purchased on any Purchase Date shall not in the aggregate exceed the lesser of the (A) actual amount of interest accrued and unpaid on such Eligible Bonds to but excluding such date and (B) related Available Interest Commitment on such Purchase Date. Any Eligible Bond of a Series purchased with the proceeds of a Liquidity Advance shall thereupon constitute a Bank Bond of the related Series and, from the date of such purchase and while it is a Bank Bond, such Liquidity Advance and such Bank Bonds shall bear interest at the "Bank Rate" defined in the related Liquidity Facility, provided, however, that from and after the occurrence and during the continuation of an Event of Default or Suspension Event, or following the occurrence of an Immediate Termination Event, the related Bank Bond shall bear interest at the Default Rate until paid in full. The Bank Bonds shall have other characteristics of Bank Bonds as set forth in the related Liquidity Facility, in the Resolutions, the related Paying Agent Agreement and in the related Series of 2022C Bonds. Amounts drawn under the 2022C-1 Liquidity Facility may only be used to pay the Purchase Price of the 2022C-1 Bonds which are Eligible Bonds under the 2022C-1 Liquidity Facility and may not be used to pay the purchase price on the 2022C-2 Bonds or for any other purpose. Amounts drawn under the 2022C-2

Liquidity Facility may only be used to pay the Purchase Price of the 2022C-2 Bonds which are Eligible Bonds under the 2022C-2 Liquidity Facility and may not be used to pay the purchase price on the 2022C-1 Bonds or for any other purpose. Amounts drawn under any Liquidity Facility that are not used to purchase Eligible Bonds of the related Series and which are returned to applicable Liquidity Provider by no later than 4:00 p.m., New York City time, on the same Business Day, shall not be considered a Liquidity Advance and no intraday interest shall accrue thereon; provided that if such amount is not returned on the same day that such Liquidity Provider makes such advance, such amount shall bear interest at the Bank Rate until such amount is repaid to the applicable Liquidity Provider and such interest shall be paid to such Liquidity Provider upon repayment of such amount; provided further that if such amount is not used to purchase Eligible Bonds of the related Series and not returned to the applicable Liquidity Provider within two (2) Business Days after such Liquidity Provider makes such payment, such amount shall bear interest at the Default Rate, payable by or on behalf of Metropolitan on demand.

UNDER CERTAIN CIRCUMSTANCES, THE OBLIGATION OF A LIQUIDITY PROVIDER TO PURCHASE ELIGIBLE BONDS OF THE APPLICABLE SERIES TENDERED OR DEEMED TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY PURCHASE MAY BE IMMEDIATELY TERMINATED OR SUSPENDED WITHOUT NOTICE. IN SUCH EVENT, SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE ELIGIBLE BONDS OF THE APPLICABLE SERIES TENDERED BY THE OWNERS THEREOF OR SUBJECT TO MANDATORY PURCHASE. NEITHER LIQUIDITY FACILITY GUARANTEES THE PAYMENT OF PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST OR PREMIUM, IF ANY, ON ANY SERIES OF 2022C BONDS IN THE EVENT OF NON-PAYMENT OF SUCH PRINCIPAL, REDEMPTION PRICE, INTEREST OR PREMIUM, IF ANY, BY METROPOLITAN. IN ADDITION, THE LIQUIDITY PROVIDERS HAVE NO OBLIGATION TO PAY ANY INTEREST DUE ON THE APPLICABLE SERIES OF 2022C BONDS UNLESS SUCH INTEREST IS HAS ACCRUED BUT IS NOT YET PAYABLE IN CONNECTION WITH A TENDER OR MANDATORY PURCHASE OF SAID SERIES OF 2022C BONDS. NO SERIES OF BONDS OTHER THAN THE APPLICABLE 2022C BONDS ARE PAYABLE FROM THE APPLICABLE LIQUIDITY FACILITY.

The “Available Commitment” under each Liquidity Facility is, as of any day, the sum of the Available Principal Commitment under such Liquidity Facility and the Available Interest Commitment under such Liquidity Facility, in each case as of such day. The “Available Principal Commitment” under the 2022C-1 Liquidity Facility is initially $147,650,000, representing an amount equal to the initial aggregate principal amount of the 2022C-1 Bonds on the date of delivery of the 2022C-1 Bonds. The “Available Principal Commitment” under the 2022C-2 Liquidity Facility is initially $134,625,000, representing an amount equal to the initial aggregate principal amount of the 2022C-2 Bonds on the date of delivery of the 2022C-2 Bonds. The Available Principal Commitment of each Liquidity Facility shall be adjusted from time to time as follows:

(a) downward by the principal amount of the related Series of 2022C Bonds redeemed, paid or converted to any interest rate mode other than the Daily Mode or the Weekly Mode,

(b) downward by the principal amount of any Eligible Bonds of the related Series purchased by the Liquidity Provider pursuant to such Liquidity Facility, and

(c) upward by the principal amount of any Eligible Bonds of the related Series theretofore purchased by the Liquidity Provider pursuant to such Liquidity Facility which are remarketed by the related Remarketing Agent and for which the Liquidity Provider has received immediately available funds equal to the par amount thereof plus accrued interest;

(d) upon any reduction in the related Available Principal Commitment pursuant to such Liquidity Facility, to the extent such reduction is not included in clause (a) above, downward by the amount of such reduction.

provided, however, that the sum of (i) (A) the Available Principal Commitment under the 2022C-1 Liquidity Facility plus (B) the aggregate principal amount of Bank Bonds related to the 2022C-1 Bonds shall never exceed $147,650,000 and (ii) (A) the Available Principal Commitment under the 2022C-2 Liquidity Facility plus (B) the aggregate principal amount of Bank Bonds related to the 2022C-2 Bonds shall never exceed $134,625,000. Any adjustments to either Available Principal Commitment pursuant to clause (a), (b), (c) or (d) above shall occur simultaneously with the occurrence of the event described in such clause.

The “Available Interest Commitment” means the amount available under each respective Liquidity Facility to pay accrued interest on Eligible Bonds which under the (A) 2022C-1 Liquidity Facility is initially $1,650,444, and (B) 2022C-2 Liquidity Facility is initially $1,504,850, each computed as thirty four (34) days’ interest on the Available Principal Commitment of the related Liquidity Facility at an assumed rate of interest equal to 12% per annum, computed on the basis of a year of 365 days and the actual days elapsed; which amount shall be adjusted from time to time as follows: (i) downward by an amount that bears the same proportion to such amount as the amount of any reduction in the related Available Principal Commitment of the related Liquidity Facility for such Series of 2022C Bonds in accordance with clause (a), (b) or (d) of the related Available Principal Commitment of the related Liquidity Facility, bears to the initial related Available Principal Commitment of the related Liquidity Facility for such Series of 2022C Bonds and (ii) upward by an amount that bears the same proportion to such amount as the amount of any increase in the related Available Principal Commitment of the related Liquidity Facility for such Series of 2022C Bonds in accordance with clause (c) of the related Available Principal Commitment, described above, bears to the initial related Available Principal Commitment of the related Liquidity Facility; provided, however the Available Interest Commitment under the 2022C-1 Liquidity Facility shall never exceed $1,650,444 and the Available Interest Commitment under the 2022C-2 Liquidity Facility shall never exceed $1,504,850. Any adjustments to either Available Interest Commitment shall occur simultaneously with any corresponding adjustments to the related Available Principal Commitment.

The “Commitment Period” for each Liquidity Facility is the period commencing on July 27, 2022 (the “Closing Date”), to and including the close of business on the earliest of (a) initially, 5:00 p.m. (New York time) on January 26, 2026, including any extension of such date pursuant to such Liquidity Facility for such Series of 2022C Bonds; and if any such date is not a Business Day, the next preceding Business Day but not including the date of any early termination of the related Available Commitment and of the applicable Liquidity Provider’s obligation to purchase the related Series of 2022C Bonds pursuant to the related Liquidity Facility (each such date, an “Expiration Date”), (b) the date on which all of the related Series of 2022C Bonds have been redeemed or paid in full, (c) the date on which the related Available Commitment is terminated in its entirety, (d) the date on which the applicable Liquidity Provider ceases to be required to purchase Eligible Bonds of the related Series pursuant to the related Liquidity Facility, (e) the first Business Day next succeeding the date on which the related Series of 2022C Bonds have been converted to bear interest at a rate of interest other than the Weekly Rate or the Daily Rate, and (f) the earlier of (A) the first (1st) Business Day next succeeding the date on which an Alternate Liquidity Facility is substituted for such Liquidity Facility and (B) the date on which an Alternate Liquidity Facility is substituted for such Liquidity Facility, provided, that the applicable Liquidity Provider has honored any purchase of the related Series of 2022C Bonds in connection with such substitution.

Immediate Termination Events

The occurrence of any of the events described in paragraphs (a) through (j) below constitutes an "Immediate Termination Event" under the related Liquidity Facility. Upon the occurrence of an Immediate Termination Event, the Commitment Period and the obligation of the applicable Liquidity Provider to purchase related Series of Eligible Bonds under such Liquidity Facility shall immediately terminate without notice or demand and the applicable Liquidity Provider may exercise the related remedies described under the caption "– Remedies" below.

(a) Metropolitan shall fail to (i) pay when and as required to be paid (whether regularly scheduled, by scheduled maturity, required prepayment, acceleration or otherwise), any amount of principal of or interest or premium, if any, of any of the related Series of 2022C Bonds (including, without limitation, Bank Bonds other than Bank Bonds which are accelerated pursuant to such Liquidity Facility for any reason other than non-payment as set forth in this paragraph (a) under the caption " – Immediate Termination Events") or (ii) repay or cause to be repaid when due (whether regularly scheduled, by scheduled maturity, required prepayment, acceleration or otherwise) any amounts with respect to the principal of or interest, if any, on any Liquidity Advance (other than Liquidity Advances which are accelerated pursuant to the related Liquidity Facility as described under the caption " – Remedies" below for any reason other than non-payment as set forth in this paragraph (a) under the caption "– Immediate Termination Events"), including, without limitation, Metropolitan's failure to pay the Interest Component, if any, together with all interest thereon, pursuant to the related Liquidity Facility); or

(b) there is entered against Metropolitan a final non-appealable judgment or order for the payment of money in an aggregate amount exceeding $10,000,000 or any number of final non-appealable judgments or orders for the payment of money which, in the aggregate, exceed $50,000,000 (net of any amounts paid or fully covered by independent third party insurance as to which the relevant insurance company does not dispute coverage) and such judgment or judgments remain unsatisfied, unstayed or undischarged for a period of at least one hundred eighty (180) days; or

(c) (i) Metropolitan shall fail to pay or cause to be paid when due any amount with respect to the principal of or interest or premium, if any, on any Parity and Senior Debt (including, without limitation, any principal or mandatory sinking fund redemption, any interest, or any premium thereon (whether regularly scheduled, by scheduled maturity, required prepayment, acceleration, demand or otherwise)) beyond any applicable grace period as provided for in the instrument or agreement under which such Parity and Senior Debt was created or incurred (other than non-payment of any Parity and Senior Debt that is owned and accelerated by a credit or liquidity provider, as applicable, pursuant to the provisions of the related credit or liquidity facility, as applicable, for reasons other than the non-payment of such Parity and Senior Debt), or (ii) pursuant to the provisions of any resolution, indenture, contract or instrument pursuant to which any such Parity and Senior Debt has been issued, the maturity of any Parity and Senior Debt shall, or may, as a result of the occurrence of a default on the payment of principal of or interest on such Parity and Senior Debt under such resolution, indenture, contract or instrument, be accelerated or required to be prepaid prior to the stated maturity thereof (other than non-payment of any Parity and Senior Debt that is owned and accelerated by a credit or liquidity provider, as applicable, pursuant to the provisions of the related credit or liquidity facility, as applicable); or

(d) Metropolitan shall commence a voluntary case or other proceeding seeking (i) to adjudicate it bankrupt or insolvent or seeking liquidation, reorganization, moratorium, debt adjustment or other relief for Metropolitan under any bankruptcy, insolvency, or other similar law now or in effect after the Closing Date or (ii) the appointment of a receiver, liquidator, custodian, or other similar official with respect to Metropolitan or any substantial part of its property, or shall consent to or acquiesce in such relief or the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it; or

(e) any Governmental Authority having jurisdiction over Metropolitan or Metropolitan shall impose or declare a debt moratorium, debt restructuring or comparable extraordinary restrictions on repayment when due and payable of the principal of or interest on the related Series of 2022C Bonds (including the related Bank Bonds) or related Liquidity Advances or on all Debt of Metropolitan secured by or payable from Net Operating Revenues in a finding or ruling or through the enactment or adoption of legislation or the issuance of an executive order or of a judgment or decree; or

(f) Metropolitan shall make a general assignment for the benefit of creditors, or publicly declare a moratorium with respect to its debts, or Metropolitan shall admit in writing its inability to pay its debts as they become due or shall become insolvent within the meaning of Section 101(32) of the United States Bankruptcy Code, or shall take any action to authorize any of the foregoing; or

(g) an involuntary case or other proceeding shall be commenced against Metropolitan seeking (i) to adjudicate it bankrupt or insolvent or seeking liquidation, reorganization, or other relief with respect to Metropolitan's debts under any bankruptcy, insolvency, or other similar law now or in effect after the Closing Date, or (ii) the appointment of a custodian, receiver, liquidator, trustee or other similar official for Metropolitan or for any substantial part of Metropolitan's property, and such proceeding or case shall not be dismissed, vacated, stayed or discharged within sixty (60) days after the filing thereof or an order of relief shall be entered against Metropolitan under the federal bankruptcy laws as now or hereafter in effect; or

(h) (i) the General Manager, General Counsel, Chief Financial Officer or any Authorized Representative of Metropolitan shall, in writing to the Paying Agent, the applicable Liquidity Provider or otherwise, (A) claim that any of the provisions of the related Liquidity Facility, the Resolutions, the related Paying Agent Agreement or the related Series 2022C Bonds that provide for (x) the payment of principal or interest on the Water Revenue Bonds (including related Bank Bonds) or Parity Obligations for borrowed money evidenced by notes, bonds or other similar instruments (including the repayment of any related Liquidity Advances) or (y) the pledge of and lien on the Net Operating Revenues securing the related Series of 2022C Bonds, related Bank Bonds and related Liquidity Advances under the related Liquidity Facility are not valid or binding on Metropolitan, and/or (B) repudiate its obligations under any of the provisions of the related Liquidity Facility, the Resolutions, the related Paying Agent Agreement or the related Series of 2022C Bonds that provide for (x) the payment of principal or interest on the Water Revenue Bonds (including related Bank Bonds) or Parity Obligations for borrowed money evidenced by notes, bonds or other similar instruments (including the repayment of any related Liquidity Advances) or (y) the pledge of and lien on the Net Operating Revenues securing the related Series of 2022C Bonds, related Bank Bonds and related Liquidity Advances owed to the applicable Liquidity Provider under the related Liquidity Facility; or (ii) any court of competent jurisdiction or other governmental entity with jurisdiction to rule on the validity of the related Liquidity Facility the Resolutions, the related Paying Agent Agreement or the related Series of 2022C Bonds shall find or rule (in a final, non-appealable finding, judgment or other ruling) that (A) any provision in the related Liquidity Facility, the Resolutions, the related Paying Agent Agreement or the related Series of 2022C Bonds that provides for (x) the payment of principal of or interest on the Water Revenue Bonds (including related Bank Bonds) or Parity Obligations for borrowed money evidenced by notes, bonds or other similar instruments (including the repayment of any related Liquidity Advances) incurred or issued pursuant to the Resolutions or (y) the pledge of and lien on the Net Operating Revenues securing the related Series of 2022C Bonds, related Bank Bonds and related Liquidity Advances thereunder, is null and void, not valid or not binding on Metropolitan or (B) any such provision shall, for any reason, cease to be valid and binding on Metropolitan; or (iii) any court of competent jurisdiction or other governmental entity with jurisdiction shall find or rule that the holders of the related Series of 2022C Bonds and Parity Obligations cease to have an effective pledge created or purported to be created by the Master Resolution; or

(i) each of Fitch, S&P and Moody's (in each case, to the extent any such Rating Agency is then providing such a rating) shall have (i) assigned a District Rating below "BBB–" (or its equivalent), in the case of Fitch or S&P, or "Baa3" (or its equivalent), in the case of Moody's, or (ii) withdrawn or suspended its District Rating for credit related reasons; or

(j) dissolution or termination of the existence of Metropolitan if an appropriate Governmental Authority does not, contemporaneously with the dissolution or termination of the existence of Metropolitan, assume the obligations of Metropolitan under the related Liquidity Facility and the other Related Documents for such Series to which it is a party related to pay principal of or interest on the related Series of 2022C Bonds (including related Bank Bonds), the related Liquidity Advances, the Water Revenue Bonds and Parity Obligations from the pledge of and lien on the Net Operating Revenues.

Events of Default

The occurrence of any of the events described in paragraphs (a) through (m) below constitutes an "Event of Default" under the related Liquidity Facility. Upon the occurrence of an Event of Default, the Liquidity Provider may exercise the applicable remedies described under the caption "– Remedies" below.

(a) an event of default or default shall have occurred and shall be continuing under any of the Related Documents of the related Series to which Metropolitan is a party (other than an Event of Default described hereinafter under this caption "– Events of Default"); or

(b) Metropolitan shall fail to pay or cause to be paid when due (i) any amounts payable under certain specified sections of the related Liquidity Facility (other than as described in paragraph (a) under the caption "– Immediate Termination Events" above), or (ii) any other amount payable pursuant to the related Liquidity Facility or the related Series of 2022C Bonds (including the related Bank Bonds) or the related Fee Agreement with the applicable Liquidity Provider, and ten (10) calendar days shall have passed after the applicable Liquidity Provider gives an Authorized Representative of Metropolitan written notice of such failure; or

(c) Metropolitan shall fail to observe or perform any of the certain specified covenants or agreements set forth in the related Liquidity Facility; or

(d) Metropolitan shall fail to perform or observe any other covenant or agreement (not specified in any other Event of Default described under this caption "– Events of Default") contained in any Related Document of the related Series on its part to be performed or observed and such failure continues for sixty (60) days after the applicable Liquidity Provider giving an Authorized Representative of Metropolitan written notice thereof; provided that so long as Metropolitan, in the reasonable judgment of the applicable Liquidity Provider, shall be proceeding with due diligence to remedy any default in the due performance or observance of such covenants which, if begun and prosecuted with due diligence, cannot be completed within a period of sixty (60) days, but can be cured, then such sixty (60) day period shall be extended to the extent as shall be necessary to enable Metropolitan to begin and complete the remedying of such default through the exercise of due diligence; or

(e) the powers of Metropolitan shall be limited in any way that prevents Metropolitan from fixing, charging or collecting rates and charges for the use and services of the Water System in an amount sufficient to pay the related Series of 2022C Bonds (including related Bank Bonds) and related Liquidity Advances, the Water Revenue Bonds and Parity Obligations as they become due; or

(f) any of Fitch, S&P or Moody's shall have (i) assigned a District Rating below "A–" (or its equivalent), in the case of Fitch or S&P, or "A3" (or its equivalent), in the case of Moody's, or (ii) withdrawn (for reasons other than defeasance or redemption of the related Parity Bonds) or suspended a District Rating; or

(g) there shall be appointed or designated with respect to Metropolitan an entity such as an organization, board, commission, authority, agency or body to monitor or declare a financial emergency or similar state of financial distress with respect to Metropolitan, or there shall be declared by Metropolitan or by any legislative or regulatory body with competent jurisdiction over Metropolitan, the existence of a state of financial emergency or similar state of financial distress in respect of Metropolitan; or

(h) a Change in Law shall occur which could reasonably be expected to result in a material adverse effect on the ability of Metropolitan to pay any Obligation when due, or to fix, charge or collect rates and charges in an amount sufficient to pay Metropolitan's debts as they become due; or

(i) any representation or warranty made by or on behalf of Metropolitan in the related Liquidity Facility, the Resolutions or the related Paying Agent Agreement or in any certificate or statement delivered under the related Liquidity Facility or thereunder shall prove to have been incorrect or untrue in any material respect when made or deemed to have been made; or

(j) Metropolitan shall (A) fail to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Debt (other than Obligations under the related Liquidity Facility and Parity and Senior Debt and Excluded Subordinate Obligations) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than $10,000,000 ("Other Debt") and such failure shall continue for a period of thirty (30) days after the earlier of (x) the applicable Liquidity Provider giving Metropolitan written notice thereof and (y) the date on which such failure shall first become known to an Authorized Representative of Metropolitan; (B) fail to observe or perform any other agreement or condition relating to such Other Debt or contained in any document evidencing, securing or relating to any of the foregoing, or any other default or event occurs, the effect of which default or other event is to cause, or to permit the holder or holders of such Other Debt (or a trustee or agent on behalf of such holder or holders) to cause with the giving of notice if required, such Other Debt to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Other Debt to be made, prior to its stated maturity and such failure or other default or event shall continue for a period of thirty (30) days after the earlier of (x) the applicable Liquidity Provider giving an Authorized Representative of Metropolitan written notice thereof and (y) the date on which such failure shall first become known to an Authorized Representative of Metropolitan; or

(k) Metropolitan shall fail to observe or perform any other agreement or condition relating to any Parity and Senior Debt or contained in any document evidencing, securing or relating to any of the foregoing, or any other default or event occurs, the effect of which default or other event is to cause, or to permit the holder or holders of such Parity and Senior Debt (or a trustee or agent on behalf of such holder or holders) to cause with the giving of notice if required, such Parity and Senior Debt to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Parity and Senior Debt to be made, prior to its stated maturity; or

(l) (i) Metropolitan shall initiate any legal proceedings to seek any adjudication that any of the provisions of the related Liquidity Facility, the Resolutions, the related Paying Agent Agreement or the related Series of 2022C Bonds that provide for (x) the payment of principal or interest on the related

Series of 2022C Bonds, related Bank Bonds or the related Liquidity Advances or (y) the pledge of and lien on the Net Operating Revenues securing the related Series of 2022C Bonds, the related Bank Bonds and the related Liquidity Advances are not valid or binding on Metropolitan; or (ii) any material provision of the related Liquidity Facility or any other Related Document, other than a provision described in paragraph (h) under the caption "– Immediate Termination Events" above, shall at any time for any reason cease to be valid and binding on Metropolitan, including, without limitation, as a result of any legislative or administrative action by a Governmental Authority with competent jurisdiction or shall be declared in a final non-appealable judgment by any court with competent jurisdiction to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be publicly contested by Metropolitan; or

(m) Dissolution or termination of the existence of Metropolitan.

Remedies

(a) Upon the occurrence and continuance of any Event of Default under the applicable Liquidity Facility, the applicable Liquidity Provider may:

(i) give written notice of such Event of Default to the Fiscal Agent, the Paying Agent, Metropolitan and the related Remarketing Agent and request the Paying Agent to cause a mandatory purchase of the related Series of 2022C Bonds in accordance with the related Paying Agent Agreement and the related Series of 2022C Bonds and prohibit the remarketing of the related Series of 2022C Bonds, thereby causing the applicable Liquidity Provider's obligations under the related Liquidity Facility to terminate thirty (30) days after the Paying Agent's receipt of such notice;

(ii) by written notice to Metropolitan, declare the outstanding amount of the Liquidity Advances under the related Liquidity Facility to be immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are expressly waived under the related Liquidity Facility;

(iii) take any other action or remedy permitted by law or in equity to enforce the rights of the applicable Liquidity Provider under the related Liquidity Facility and under the related Series of 2022C Bonds and any Related Document; and/or

(iv) deliver written notice to Metropolitan and the Paying Agent that all Bank Bonds shall be subject to immediate mandatory redemption and upon delivery of such notice, the related Bank Bonds shall be subject to immediate mandatory redemption.

(b) Upon the occurrence of any Immediate Termination Event, (i) the related Commitment Period and the obligation of the applicable Liquidity Provider to purchase Eligible Bonds of the related Series under the related Liquidity Facility shall immediately terminate without notice or demand, and thereafter the Liquidity Provider shall be under no obligation to purchase Eligible Bonds of the related Series; upon such Immediate Termination Event, the applicable Liquidity Provider shall promptly give written notice of the same to the Paying Agent, Metropolitan and the related Remarketing Agent; provided, that the applicable Liquidity Provider shall incur no liability of any kind by reason of its failure to give such notice, and such failure shall in no way affect the termination of the related Available Commitment and the applicable Liquidity Provider's obligation to purchase Eligible Bonds of the related Series pursuant to the related Liquidity Facility; and (ii) the applicable Liquidity Provider may require that all Obligations (other than Bank Bonds but including related Liquidity Advances) under the related Liquidity Facility become due and payable immediately, without demand therefor; provided, however, that (A) if and to the extent any Event of Default thereunder is deemed an "Event of Default" under the Resolutions permitting the acceleration of all Water Revenue Bonds pursuant thereto, then, in such event, the Liquidity Provider may require that all Bank Bonds become due and payable immediately, without demand therefor and/or (B) if an Immediate Termination Event of the type described in paragraph (d), (f), or (g) under the caption "– Immediate Termination Events" above shall occur, all Obligations (other than Bank Bonds but including related Liquidity Advances) under the related Liquidity Facility shall automatically become due and payable without further action.

(c) Upon the occurrence of a Suspension Event resulting from an Event of Default described under clause (i) of paragraph (l) under the caption "– Events of Default" above, the applicable Liquidity Provider's obligations to purchase Eligible Bonds of the related Series shall be immediately suspended without notice or demand and thereafter such Liquidity Provider shall be under no obligation to purchase Eligible Bonds of such Series until the related Available Commitment is reinstated as described in this paragraph (c) under the caption "– Remedies." Promptly upon the applicable Liquidity Provider's obtaining knowledge of any such Suspension Event, the Liquidity Provider shall give written notice of the same to Metropolitan, the Paying Agent and applicable Remarketing Agent of such suspension; provided, however, that the applicable Liquidity Provider shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of the applicable Liquidity Provider's obligations under the related Liquidity Facility. If a court with jurisdiction to rule on the validity of the documents described in clause (i) of paragraph (l) under the caption "– Events of Default" above shall enter a final, non-appealable judgment that any such document is not valid and binding on Metropolitan, then the related Available Commitment, the related Commitment Period and the applicable Liquidity Provider's obligation to purchase Eligible Bonds of the related Series shall immediately terminate. If a court with jurisdiction to rule on the validity of such documents shall enter a final, non-appealable judgment that such documents are valid and binding on Metropolitan, the applicable Liquidity Provider's obligations to purchase Eligible Bonds of the related Series under the related Liquidity Facility shall be automatically reinstated and the terms of the related Liquidity Facility will continue in full force and effect (unless such Liquidity Provider's obligation to purchase Eligible Bonds of the related Series shall otherwise have terminated or been suspended in accordance with the terms of the related Liquidity Facility). Notwithstanding the foregoing, if, upon the earlier of the related Expiration Date or the date which is three (3) years after the effective date of suspension of the applicable Liquidity Provider's obligations as described under this paragraph (c) under the caption "– Remedies," litigation is still pending or a judgment regarding the validity of the obligations described in clause (i) of paragraph (l) under the caption "– Events of Default" above as is the subject of such Suspension Event has not been obtained, then the related Available Commitment, the related Commitment Period and the obligation of the applicable Liquidity Provider to purchase Eligible Bonds of the related Series shall at such time immediately terminate, and thereafter the applicable Liquidity Provider shall be under no obligation to purchase Eligible Bonds of the related Series.

Failure to take action in regard to one or more Events of Default shall not constitute a waiver of, or the right to take action in the future in regard to, such or subsequent Events of Default.

Upon the occurrence of any Event of Default, Suspension Event or Immediate Termination Event under a Liquidity Facility, all Obligations due and payable under such Liquidity Facility shall bear interest at the Default Rate.

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THE LIQUIDITY PROVIDERS

The information under this caption "THE LIQUIDITY PROVIDERS" has been supplied by the initial 2022C-1 Liquidity Provider, TD Bank, N.A., and the initial 2022C-2 Liquidity Provider, PNC Bank, National Association, as applicable. Neither Metropolitan nor the Underwriters have verified the accuracy or adequacy of the information provided herein. Neither Metropolitan nor the Underwriters have made any attempt to determine whether, and no assurance can be given that, each Liquidity Provider is or will be capable of fulfilling its obligations under each Liquidity Facility.

2022C-1 Liquidity Provider

TD Bank, N.A. (the "TD Bank") is a national banking association organized under the laws of the United States, with its main office located in Wilmington, Delaware. TD Bank is an indirect, wholly-owned subsidiary of The Toronto-Dominion Bank ("TD") and offers a full range of banking services and products to individuals, businesses and governments throughout its market areas, including commercial, consumer and trust services and indirect automobile dealer financing. TD Bank operates banking offices in Connecticut, Delaware, the District of Columbia, Florida, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, North Carolina, New York, Pennsylvania, Rhode Island, South Carolina, Vermont and Virginia. As of March 31, 2022, TD Bank had consolidated assets of $417.3 billion, consolidated deposits of $366.8 billion and stockholder's equity of $44.5 billion, based on regulatory accounting principles.

Additional information regarding the foregoing, and TD Bank and TD, is available from the filings made by TD with the U.S. Securities and Exchange Commission (the "SEC"), which filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. In addition, the SEC maintains a website at http://www.sec.gov, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning TD and TD Bank contained herein is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced herein.

The 2022C-1 Liquidity Facility has been issued by the Bank and is the obligation of TD Bank and not TD.

TD Bank will provide copies of the publicly available portions of the most recent quarterly Call Report of TD Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

TD Bank, N.A.
1701 Route 70 East
Cherry Hill, New Jersey 08034
Attn: Corporate and Public Affairs

Information regarding the financial condition and results of operations of TD Bank is contained in the quarterly Call Reports of TD Bank delivered to the Comptroller of the Currency and available online at https://cdr.ffiec.gov/public. General information regarding the Bank may be found in periodic filings made by TD with the SEC. TD is a foreign issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare certain filings with the SEC in accordance with the disclosure requirements of Canada, its home country. Canadian disclosure requirements are different from those of the United States. TD's financial statements are prepared in accordance with International Financial Reporting Standards, and may be subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies prepared in accordance with United States generally accepted accounting principles.

The delivery hereof shall not create any implication that there has been no change in the affairs of TD or TD Bank since the date hereof, or that the information contained or referred to in this section is correct as of any time subsequent to its date.

NEITHER TD NOR ANY OTHER SUBSIDIARY OF TD OTHER THAN TD BANK IS OBLIGATED TO MAKE PAYMENTS UNDER THE 2022C-1 LIQUIDITY FACILITY.

TD Bank is responsible only for the information contained in this section of this Official Statement and did not participate in the preparation of, or in any way verify the information contained in, any other part of this Official Statement. Accordingly, TD Bank assumes no responsibility for and makes no representation or warranty as to the accuracy or completeness of information contained in any other part of this Official Statement.

2022C-2 Liquidity Provider

THE 2022 C-2 LIQUIDITY FACILITY IS SOLELY AN OBLIGATION OF PNC BANK, NATIONAL ASSOCIATION AND IS NEITHER AN OBLIGATION OF NOR GUARANTEED BY THE PNC FINANCIAL SERVICES GROUP, INC. OR ANY OF ITS OTHER AFFILIATES. THE 2022 C-2 BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

PNC Bank, National Association ("PNC Bank") is a national banking association with its headquarters in Pittsburgh, Pennsylvania and its main office in Wilmington, Delaware. PNC Bank is a wholly-owned indirect subsidiary of The PNC Financial Services Group, Inc. ("PNC Financial") and is PNC Financial's principal bank subsidiary. PNC Bank offers a wide range of commercial banking, retail banking, including residential mortgage banking, and trust and wealth management services to its customers. PNC Bank's business is subject to examination and regulation by federal banking authorities. Its primary federal bank regulator is the Office of the Comptroller of the Currency ("OCC") and its deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"). At March 31, 2022, PNC Bank reported total assets of $534.9 billion, total deposits of $454.5 billion and total bank equity of $46.7 billion. These figures are extracted from PNC Bank's unaudited Consolidated Reports of Condition and Income (the "Call Report") as of March 31, 2022, prepared in accordance with the regulatory instructions that do not in all cases follow U.S. generally accepted accounting principles. The Call Report including any update to the above quarterly figures is filed with the FDIC and can be found at www.fdic.gov.

PNC Financial is one of the largest diversified financial services companies in the United States and is headquartered in Pittsburgh, Pennsylvania. PNC Financial has businesses engaged in corporate and institutional banking, asset management, and retail banking, including residential mortgage banking. PNC Financial provides many of its products and services nationally, as well as other products and services in PNC Financial's primary geographic markets located across the Mid-Atlantic, Midwest and Southeast. PNC Financial also provides certain products and services internationally. Additional information, including the most recent annual report on Form 10-K and any additional quarterly and current reports filed with or furnished to the SEC by PNC Financial may be obtained at the SEC's website at www.sec.gov.

The publicly available portions of any of the documents referenced herein (other than exhibits to such documents unless such exhibits are specifically incorporated by reference into such documents) are available upon request by holders of the Series 2022C-2 Bonds or by prospective investors in the Series 2022C-2 Bonds without charge: (1) in the case of PNC Bank documents, by written request addressed to Myra Melanson, Regulatory Reporting, at The PNC Financial Services Group, Inc., One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2707; or (2) in the case of PNC Financial documents, (a) for copies without exhibits, by contacting Shareholder Services at 800-982-7652 or via the online contact form at www.computershare.com/contactus, and (b) for exhibits, by contacting Shareholder Relations via e-mail at investor.relations@pnc.com. The interactive data file ("XBRL") exhibit is only available electronically.

The information contained in this section, including financial information, relates to and has been obtained from PNC Bank and is furnished solely to provide limited introductory information regarding PNC Bank and PNC Financial and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents referenced herein.

The delivery hereof shall not create any implication that there has been no change in the affairs of PNC Financial or PNC Bank since the date hereof, or that the information contained or referred to in this section is correct as of any time subsequent to its date.

Except for the contents of this section, PNC Financial and PNC Bank assume no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Official Statement.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Metropolitan is a metropolitan water district created in 1928 by a vote of the electorates of eleven southern California cities under authority of the Act to provide a supplemental supply of water for domestic and municipal uses at wholesale rates to its member agencies. The members of Metropolitan are not required to purchase water from Metropolitan. Metropolitan's service area comprises approximately 5,200 square miles and includes all or portions of the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura. For a listing of the members and general information on Metropolitan's service area, see APPENDIX A– "THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA." For a discussion of selected demographic and economic information with respect to Metropolitan's service area, see APPENDIX E– "SELECTED DEMOGRAPHIC AND ECONOMIC INFORMATION FOR METROPOLITAN'S SERVICE AREA." For information on the finances and operations of Metropolitan, see Appendix A and Appendix B.

OPERATING REVENUES, DEBT SERVICE AND INVESTMENT PORTFOLIO

Operating Revenues

Water transactions with member agencies (which includes water sales, wheeling and exchanges) comprise Metropolitan's principal source of revenues. Water revenues include revenues from water sales, wheeling and exchanges received by Metropolitan from charges for water transactions. Other significant revenue sources include charges for the availability of water, including, without limitation, Metropolitan's readiness-to-serve charge, standby charge, and capacity charge. See Appendix A under the captions "METROPOLITAN REVENUES – Water Revenues," "– Rate Structure" and "– Other Charges." In meeting the requirements of the Resolutions related to rates and additional obligations, Metropolitan may include in its calculations, to the extent available, revenues which include, among other things, investment income and income from the sale of energy from Metropolitan's hydroelectric power recovery plants and Interest Subsidy Payments that may be received by Metropolitan in connection with any Build America Bonds. As of July 7, 2022, Metropolitan had no Build America Bonds remaining Outstanding. See

"SECURITY AND SOURCES OF PAYMENT FOR THE 2022C BONDS – Rate Covenant." *Ad valorem* taxes do not constitute a part of Operating Revenues and are not available to make payments with respect to the revenue bonds issued by Metropolitan, including the 2022C Bonds. For a description of "Operating Revenues" and the effect of Operation and Maintenance Expenditures on the amount of revenues available for payment of the 2022C Bonds, see "SECURITY AND SOURCES OF PAYMENT FOR THE 2022C BONDS." See also APPENDIX C– "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS AND THE PAYING AGENT AGREEMENTS." For information on Metropolitan's revenues and expenses, including historical and projected revenues and expenses, see Appendix A under the captions "METROPOLITAN REVENUES," "METROPOLITAN EXPENSES," and "HISTORICAL AND PROJECTED REVENUES AND EXPENSES." See also Metropolitan's financial statements contained in Appendix B.

Existing Bonds and Obligations Payable from Net Operating Revenues

Metropolitan covenants in the Master Resolution that no additional bonds, notes or other evidences of indebtedness payable out of Operating Revenues will be issued having any priority in payment of principal, redemption premium, if any, or interest over the 2022C Bonds, the Parity Bonds or the Parity Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2022C BONDS – Additional Indebtedness."

Metropolitan has issued Parity Bonds pursuant to the applicable supplements to the Master Resolution, which Parity Bonds were outstanding as of July 7, 2022 in the amounts listed in Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations – Senior Revenue Bonds," and has incurred certain Parity Obligations which are described in Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations." Principal of and interest on the 2022C Bonds will be payable from Net Operating Revenues on parity with the Parity Bonds and the Parity Obligations.

Metropolitan has issued Subordinate Bonds pursuant to the Master Subordinate Resolution, which were outstanding as of July 7, 2022 in the amounts listed in Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Subordinate Revenue Bonds and Subordinate Parity Obligations," and has incurred certain other obligations payable from Net Operating Revenues on a basis junior and subordinate to the 2022C Bonds and other Parity Bonds and Parity Obligations, which are described in Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Subordinate Revenue Bonds and Subordinate Parity Obligations."

Anticipated Financings

In the near term, Metropolitan expects to issue additional Parity Bonds to refund a portion of various Series of outstanding Bonds. See "INTRODUCTION – Other Transactions Being Undertaken by Metropolitan."

Metropolitan anticipates that it will issue revenue bonds, notes or other evidences of indebtedness under the Master Resolution in addition to the 2022C Bonds and the outstanding Parity Bonds and Parity Obligations to finance improvements to its Water System and for other lawful purposes. Depending on market conditions and other factors, Metropolitan may also refund or refinance outstanding revenue bonds or other obligations from time to time. Metropolitan also anticipates it will issue or incur future Subordinate Bonds and other obligations junior and subordinate to the 2022C Bonds, Parity Bonds and Parity Obligations, subject to the limitations in the Act. Metropolitan's current Capital Investment Plan is described in Appendix A under the caption "CAPITAL INVESTMENT PLAN." Financial projections for fiscal years 2022-23 through 2026-27 assume the issuance of approximately $1.04 billion in additional water revenue bonds over such period to finance the Capital Investment Plan. Such financial projections also assume the issuance of an additional approximately $133.9 million of water revenue bonds in fiscal year 2022-23 to finance other capital expenditures of Metropolitan relating to conservation and supply programs. Such water revenue bonds may be issued either as Parity Bonds or Subordinate Bonds.

The Master Resolution permits subsequent authorizations of additional Bonds as described herein. The Resolutions establish limitations on the issuance of additional obligations payable from Net Operating Revenues on parity with the Outstanding Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2022C BONDS – Additional Indebtedness."

On September 15, 2020, Metropolitan's Board adopted Ordinance 151 determining that the interests of Metropolitan required the use of up to an aggregate principal amount of $500,000,000 of revenue bonds to fund a portion of its capital expenditures. As of July 7, 2022, Metropolitan has issued $103,890,000 principal amount of revenue bonds utilizing a portion of the authorization under Ordinance 151. The issuance of the remaining balance of the $500,000,000 aggregate principal amount of revenue bonds under Ordinance 151, or $396,110,000, is subject to Board approval in future supplemental bond authorizations. The Board may from time to time in the future adopt other ordinances supporting the authorization of the issuance of additional revenue bonds, including Parity Bonds and/or Subordinate Bonds.

From time to time Metropolitan may enter into interest rate swaps, pursuant to which, for example, fixed rate obligations are synthetically converted to variable rate obligations or vice versa. See Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations – Variable Rate and Swap Obligations."

Debt Service Requirements

The following table shows the estimated annual debt service requirements for Metropolitan's outstanding Parity Bonds, the 2022B Bonds, the 2022C Bonds, and Subordinate Bonds as of the date of delivery of the 2022C Bonds.

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The Metropolitan Water District of Southern California
Estimated Debt Service Requirements for Water Revenue Bonds

Fiscal Year Ending June 30	Outstanding Parity Bonds Debt Service (1)(2)(6)	2022B Bonds(3)		2022C Bonds		Total Parity Bonds Debt Service (1)(2)(3)(6)	Outstanding Subordinate Bonds Debt Service (4)(5)(6)	Total (7)
		Principal	Interest	Principal	Interest			
2023	$ 155,288,476	$ --	$ 4,255,384	$ --	$ 5,363,225	$ 164,907,085	$ 116,909,550	$ 281,816,635
2024	152,213,972	--	9,947,650	--	6,351,188	168,512,810	116,714,758	285,227,568
2025	138,241,459	--	9,947,650	--	6,351,188	154,540,297	125,341,294	279,881,591
2026	120,568,582	--	9,947,650	--	6,351,188	136,867,420	144,038,813	280,906,233
2027	121,268,946	16,225,000	9,704,275	--	6,351,188	153,549,409	129,096,375	282,645,784
2028	119,303,289	16,860,000	9,208,000	--	6,351,188	151,722,476	133,297,175	285,019,651
2029	138,499,849	74,580,000	7,836,400	--	6,351,188	227,267,437	57,698,107	284,965,544
2030	139,788,231	12,720,000	6,526,900	--	6,351,188	165,386,319	104,279,633	269,665,952
2031	178,070,059	15,645,000	6,101,425	18,800,000	5,963,438	224,579,922	25,746,125	250,326,047
2032	187,583,979	16,130,000	5,463,500	19,570,000	5,524,556	234,272,036	25,270,892	259,542,928
2033	159,885,827	16,950,000	4,636,500	20,220,000	5,070,825	206,763,152	25,734,543	232,497,695
2034	167,035,372	9,000,000	3,987,750	20,890,000	4,602,056	205,515,178	48,472,534	253,987,713
2035	177,024,241	8,650,000	3,546,500	21,550,000	4,118,419	214,889,159	50,739,656	265,628,816
2036	175,633,595	8,325,000	3,122,125	27,190,000	3,517,219	217,787,939	47,843,700	265,631,639
2037	105,958,155	16,845,000	2,492,875	46,130,000	2,514,806	173,940,836	90,196,734	264,137,571
2038	108,229,181	8,635,000	1,855,875	52,200,000	1,351,688	172,271,743	71,369,709	243,641,453
2039	131,361,263	9,760,000	1,396,000	--	1,253,813	143,771,075	41,924,678	185,695,753
2040	131,072,263	10,485,000	889,875	--	1,253,813	143,700,950	41,989,813	185,690,763
2041	129,507,638	12,555,000	313,875	--	1,253,813	143,630,325	42,059,294	185,689,619
2042	35,205,338	--	--	9,500,000	1,057,875	45,763,213	42,137,513	87,900,725
2043	35,203,538	--	--	9,675,000	840,516	45,719,053	42,209,047	87,928,100
2044	35,201,013	--	--	9,850,000	619,219	45,670,231	5,556,828	51,227,059
2045	35,204,838	--	--	10,030,000	393,881	45,628,719	5,649,597	51,278,316
2046	35,202,063	--	--	10,215,000	164,391	45,581,453	31,403,100	76,984,553
2047	39,045,681	--	--	6,455,000	12,103	45,512,784	31,373,659	76,886,444
2048	45,446,822	--	--	--	--	45,446,822	31,349,125	76,795,947
2049	29,911,875	--	--	--	--	29,911,875	4,268,878	34,180,753
2050	29,914,500	--	--	--	--	29,914,500	--	29,914,500
2051	13,512,750	--	--	--	--	13,512,750	--	13,512,750
2052	13,514,625	--	--	--	--	13,514,625	--	13,514,625
Total (7)	$ 3,083,897,419	$ 253,365,000	$ 101,180,209	$ 282,275,000	$ 89,333,967	$ 3,810,051,594	$ 1,632,671,132	$ 5,442,722,726

Source: Metropolitan

(*Footnotes to table on the following page*)

(Footnotes to table on prior page)

(1) Does not include any debt service for the Wells Fargo Revolving Credit Facility. See Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations – Senior Parity Obligations – *Short-Term Revolving Credit Facility*."

(2) Excludes the Refunded Bonds. Assumes the refunding of all or portions of the various Series of Metropolitan's Parity Bonds to be effected by the issuance of Metropolitan's 2022B Bonds. See "INTRODUCTION – Other Transactions Being Undertaken by Metropolitan."

(3) Assumes the expected issuance and delivery of Metropolitan's 2022B Bonds concurrently with the issuance of the 2022C Bonds. See "INTRODUCTION – Other Transactions Being Undertaken by Metropolitan."

(4) Assumes that the 2028 maturity of Metropolitan's Subordinate Water Revenue Bonds, 2018 Series B is largely refunded with variable rate bonds prior to its maturity date, with the refunding bonds amortizing in the years 2033-2049 and interest thereon at an assumed 2.25% per annum. Assumes Metropolitan's Subordinate Water Revenue Refunding Bonds, 2017 Series B are refunded with fixed rate bonds at their respective July 1 optional redemption dates, with the refunding bonds amortizing on July 1 in the fiscal years 2029-2034 and interest thereon at an assumed 4.00% per annum. Actual amortization of refunding bonds and rates may differ from those set forth in this footnote.

(5) Interest on the Subordinate Bonds that are Index Tender Bonds is calculated at an assumed interest rate of 2.25% per annum.

(6) Of Metropolitan's $825.3 million principal amount of outstanding variable rate bonds reflected in this table ($331.9 million of Parity Bonds and $493.4 million of Subordinate Bonds), interest on $372.7 million aggregate amount of such variable rate bonds is hedged by interest rate swap agreements. Debt service is calculated taking into account the assumed fixed payor rates of interest to be paid under the respective interest rate swap agreements. For the remaining variable rate bonds, interest is calculated at an assumed interest rate of 2.25% per annum.

(7) Totals are rounded. Actual debt service may differ from assumptions utilized in preparing this table.

Summary of Net Operating Revenues

For a description of actual and projected Net Operating Revenues available for debt service on the outstanding Parity Bonds and Parity Obligations of Metropolitan, including the 2022C Bonds and additional bonds that Metropolitan projects it will issue, see the table included under the caption "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in Appendix A. See also Appendix A under the caption "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES – Water Revenues."

Debt Service Coverage

For a summary of actual and projected debt service coverage on the outstanding Parity Bonds and Subordinate Bonds, see the table included under the caption "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in Appendix A.

Financial Reserve Policy

For a summary of Metropolitan's financial reserve policy and its unrestricted reserves and other related matters, see Appendix A under the caption "METROPOLITAN REVENUES – Financial Reserve Policy."

Metropolitan's Investment Portfolio

Metropolitan's investment portfolio consists of the total cash and investments from all of its funds, which are derived from various sources, including Net Operating Revenues, property tax collections, hydroelectric power sales, investment earnings and invested construction funds. See Appendix A under the caption "METROPOLITAN REVENUES – Summary of Revenues by Source." Metropolitan's investment portfolio also includes amounts held as collateral, from time to time, by Metropolitan's swap counterparties. See Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations – Variable Rate and Swap Obligations."

See also Appendix A under the captions "METROPOLITAN REVENUES – Investment of Moneys in Funds and Accounts" and "– Financial Reserve Policy" and Appendix B.

ACCOUNTING AND BUDGET MATTERS

Accounting Policies

Metropolitan operates as a utility enterprise and is accounted for as an enterprise fund. A summary of Metropolitan's significant accounting policies is contained in Note 1 to Metropolitan's full accrual basis financial statements for the Fiscal Years ended June 30, 2021 and June 30, 2020. See Appendix B.

Change in Budgetary Accounting Method

Metropolitan's accounting method for budgeting and budgetary-based financial reporting beginning with the budget for fiscal year 2022-23 will change from a modified accrual basis of accounting to a cash basis of accounting. Cash basis accounting recognizes revenues when received and expenses when paid. Thus, water sales revenues are recorded when received (two months after billed) and expenses when paid (approximately one month after invoiced). Under the modified accrual basis of accounting previously used by Metropolitan for budgetary purposes, water revenues were recognized in the month the water transaction occurs and expenses were recognized when goods have been received and services have been rendered. See Appendix A under the captions "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" and "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES."

The change to cash basis accounting for budgeting and budgetary-based financial reporting will not affect Metropolitan's audited financial statements, which as noted above, are prepared on a full accrual basis. Under full accrual accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. In addition, Metropolitan's change to cash basis accounting for budgetary purposes will not affect Metropolitan's compliance with its rate covenants, limitations on additional bonds and other financial covenants in the Resolutions. Metropolitan will continue to calculate compliance with such rate covenants, limitations on additional bonds and other financial covenants in the Resolutions in accordance with their terms.

Financial Statements

The Basic Financial Statements of Metropolitan for the Fiscal Years ended June 30, 2021 and June 30, 2020 and Basic Financial Statements for the Nine Months Ended March 31, 2022 and 2021 (Unaudited) are included in Appendix B. Metropolitan routinely prepares unaudited quarterly financial statements, and although Metropolitan is not obligated to do so, such unaudited quarterly financial statements are generally filed by Metropolitan voluntarily with the MSRB's EMMA System, when available (typically approximately two months after the end of the relevant fiscal quarterly period). Such filing of Metropolitan's unaudited quarterly financial statements is not required pursuant to any continuing disclosure undertaking by Metropolitan relating to its outstanding bonds, and Metropolitan, does not have and has not incurred any obligation to continue to provide any such ongoing filing of its quarterly unaudited financial statements.

The Financial Statements for the Fiscal Years ended June 30, 2021 and June 30, 2020 have been audited by KPMG LLP, Metropolitan's independent auditor (the "Independent Auditor"), as stated in its Independent Auditors' Report, dated October 18, 2021, which is included in Appendix B. Metropolitan has not requested the consent of the Independent Auditor, nor has the Independent Auditor consented, to the inclusion of the Financial Statements or the Independent Auditors' Report in Appendix B. The Independent Auditor has not been engaged to perform and has not performed, since the date of its Independent Auditors' Report included herein, any procedures on the financial statements addressed in that report. The Independent Auditor also has not performed any procedures relating to this Official Statement.

The financial and statistical information contained elsewhere in this Official Statement is included herein for informational purposes only and a complete review of the audited Financial Statements and the Notes to such Financial Statements set forth in Appendix B is integral to an understanding of such information. No independent auditor has audited the financial tables or other financial information or data included in this Official Statement, other than the audited Financial Statements for the Fiscal Years ended June 30, 2021 and June 30, 2020 included in Appendix B.

Budget System

Metropolitan's budget system incorporates features of program budgeting, management by objectives, and performance reporting which provides for funding, analysis, review and control. Operating budgets are prepared by each department and division annually. Each program and its required resources are reviewed by management and, upon acceptance, are incorporated into the overall budget for approval by the Board. Costs are maintained by project and activity, and expenditures are controlled by Board-approved appropriations. Each month, variances between budget estimates and actual receipts and expenditures are identified and evaluated. This review is performed as one of several control measures to assure progress in meeting Metropolitan's goals and program objectives.

RISK FACTORS

The ability of Metropolitan to pay principal of and interest on the 2022C Bonds depends primarily upon Metropolitan's receipt of Net Operating Revenues. Some of the factors and/or events which could prevent Metropolitan from receiving a sufficient amount of Net Operating Revenues to enable it to pay the principal of and interest on the 2022C Bonds are summarized below. The following description of risks is not an exhaustive list of the risks associated with the purchase of the 2022C Bonds and the order in which the information below is presented does not necessarily reflect the relative importance of the various risks or the probability of their occurrence. Other factors and events, including those described elsewhere in this Official Statement, could adversely affect Metropolitan's operations or financial condition. Investors must read the entire Official Statement, including the appendices hereto, to obtain information essential to making an informed investment decision.

Limited Obligations

The 2022C Bonds are special limited obligations of Metropolitan payable as to principal, redemption premium, if any, and interest solely from and secured solely by a pledge of and a lien and charge upon the Net Operating Revenues. The 2022C Bonds do not constitute general obligation indebtedness of Metropolitan. Neither the general credit nor the taxing power of Metropolitan is pledged for the payment of the 2022C Bonds, redemption premium, if any, or the interest thereon. The obligation to pay the principal of, redemption premium, if any, and interest on the 2022C Bonds does not constitute a pledge, charge, lien or encumbrance upon any of Metropolitan's property or its income, receipts or revenues, except Net Operating Revenues.

Net Operating Revenues may not be realized by Metropolitan in amounts sufficient to pay principal of, redemption premium, if any, and interest on the 2022C Bonds and all other Outstanding Bonds and reimburse the Liquidity Providers pursuant to the Liquidity Facilities. Among other matters, water supply and demand, general and southern California economic conditions, increases in the cost of water or other expenses (such as wages and salaries, pension and other benefits, and/or power costs), and changes in law and government regulations could adversely affect the amount of Net Operating Revenues that Metropolitan receives. Further, the amount of future Net Operating Revenues that Metropolitan receives is subject to, among other things, its ability to provide water to its member agencies and to establish, maintain and collect rates and charges sufficient to pay for Operation and Maintenance Expenditures and debt service.

A Portion of Parity Obligations and Subordinate Obligations May Be Subject to Acceleration

Metropolitan has entered into revolving credit facilities, short-term credit facilities, standby bond purchase facilities and direct purchase arrangements which provide, upon the occurrence of events of default, that the providers thereof may declare any outstanding Parity Obligations thereunder to be immediately due and payable. In addition, the terms of the Master Subordinate Resolution permit any Bank Obligation (as defined therein) to be subject to acceleration. Interest rate swaps to which Metropolitan is a party are, under some circumstances, subject to early termination, upon which a substantial termination payment may become immediately due to the applicable counterparty. If any Parity Obligations or Bank Obligations are accelerated or substantial swap termination payments become due, it may reduce the amount of Net Operating Revenues available to pay debt service on the 2022C Bonds and other Parity Bonds and Parity Obligations.

Risks Relating to Water Transactions

Metropolitan's primary purpose is to provide a supplemental supply of imported water to its member agencies. Metropolitan's water supply is described in more detail in Appendix A under the caption "METROPOLITAN'S WATER SUPPLY." The demand for supplemental supplies is dependent on water use at the retail consumer level and the amount of locally supplied and conserved water. Consumer demand and locally supplied water vary from year to year, resulting in variability in the volume of Metropolitan's water transactions. Future reliance on Metropolitan supplies will depend in part on the level of development of local supply projects by Metropolitan's member agencies. See Appendix A under the caption "REGIONAL WATER RESOURCES – Local Water Supplies." Over the last several years supplies and demands have been affected by weather conditions (including, periods of drought or wet weather), water use restrictions, economic conditions, and environmental laws, regulations and judicial decisions, as described below. Future water transactions will be subject to variability due to these and other factors.

Weather Conditions. Metropolitan provides a supplemental supply of water to its member agencies, most of which have other sources of water. Regional water supplies are described in Appendix A under the caption "REGIONAL WATER RESOURCES." Climatic conditions in Metropolitan's service area and availability of local supplies affect demands for imported water purchased by member agencies from Metropolitan. Historically, in years in which above-normal precipitation occurs in the region, retail level water use declines while available regional water supplies increase, resulting in lower demand for imported water purchased from Metropolitan. Metropolitan uses its financial reserves and budgetary tools to manage reductions in revenues due to reduced sales. Metropolitan's reserve policy currently provides for a minimum unrestricted reserve balance at June 30 of each year that is based on probability studies of the wet periods that affect Metropolitan's water transactions. See Appendix A under the caption "METROPOLITAN REVENUES – Financial Reserve Policy."

Water Supply Shortages. Metropolitan's principal sources of water are the State Water Project and the Colorado River, both of which have been subject to drought conditions during extended periods in recent years that have contributed to lower overall water deliveries to Metropolitan. See also Appendix A under the caption "METROPOLITAN'S WATER SUPPLY – Current Water Conditions and Drought Response Actions." While Metropolitan plans and manages its supplies to account for normal occurrences of drought conditions, drought conditions and court-ordered restrictions in connection with the State Water Project, including but not limited to restrictions under the Federal and California Endangered Species Acts (the "ESAs"), have placed additional limitations on Metropolitan's ability to obtain and deliver water supplies to its member agencies. See Appendix A under the caption "METROPOLITAN'S WATER SUPPLY – Endangered Species Act and Other Environmental Considerations." Multi-party drought contingency plans have been developed for the Colorado River which impose additional restrictions on Metropolitan's access to its Colorado River supplies. See Appendix A under the caption "METROPOLITAN'S WATER SUPPLY – Colorado River Aqueduct – Colorado River Operations: Surplus and Shortage Guidelines." For additional information regarding the impact of drought conditions on Metropolitan's water supply, see Appendix A under the caption "METROPOLITAN'S WATER SUPPLY." Metropolitan may obtain supplies to meet demands during water supply shortages by, among other things, drawing on its stored water supplies and pursuing additional water transfers. See Appendix A under the captions "METROPOLITAN'S WATER SUPPLY – Water Transfer, Storage and Exchange Programs" and "– Storage Capacity and Water in Storage." If Metropolitan anticipates that supplies will be insufficient to meet demands, Metropolitan may allocate available supplies among its member agencies pursuant to its Water Supply Allocation Plan or may adopt other emergency conservation measures. See Appendix A under the caption "CONSERVATION AND WATER SHORTAGE MEASURES–Emergency Water Conservation Program for the State Water Project Dependent Area."

Economic Conditions. Water use by customers of retail service providers (which includes some Metropolitan member agencies and agencies that purchase water from them) is affected by economic conditions. Economic recession and its associated impacts, such as job losses, income losses, and housing foreclosures or vacancies, may reduce aggregate levels of water use and Metropolitan's water transactions. See APPENDIX E– "SELECTED DEMOGRAPHIC AND ECONOMIC INFORMATION FOR METROPOLITAN'S SERVICE AREA."

Environmental Considerations. Current and proposed environmental laws, regulations and judicial decisions, including court ordered restrictions and Federal and State administrative determinations relating to species on the "endangered" or "threatened" lists under the Federal or California ESAs, have materially affected the operations of the State Water Project and the water deliveries therefrom. Metropolitan cannot predict when and how additional laws, regulations, judicial decisions and other determinations (including listings of additional species under the Federal or California ESAs) will affect State Water Project and Colorado River operations, the water deliveries therefrom and Metropolitan's operations in the future by requiring, among other things, additional export reductions, releases of additional water from storage or other operational changes impacting water supply operations. Any of these laws, regulations and judicial decisions and other official determinations relating to Metropolitan's water supply could have a materially adverse impact on the operation of the State Water Project and Colorado River operations and Metropolitan's water reserves. See Appendix A under the caption "METROPOLITAN'S WATER SUPPLY – Endangered Species Act and Other Environmental Considerations."

Actions to Manage Risks Relating to Water Transactions. Drought, weather conditions, and regional economic and environmental considerations referred to above in recent years have contributed to lower water deliveries at a higher cost to Metropolitan. To address supply shortages due to periods of prolonged drought conditions and/or environmental restrictions, Metropolitan may pursue additional water transfers and investments in capital projects. However, these actions and expenditures may not result in reliable alternate supplies of water at costs that, together with other available supplies and storage, will generate sufficient Net Operating Revenues, which may require Metropolitan to increase its rates and charges. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2022C BONDS – Rate Covenant." See also Appendix A under the captions "METROPOLITAN'S WATER SUPPLY" and "CAPITAL INVESTMENT PLAN." Wet weather and economic conditions in the region can also impact retail water use and reduce demand for imported water purchased from Metropolitan. A reduction in water deliveries to Metropolitan's member agencies might adversely affect its Net Operating Revenues and Metropolitan may be required to further increase its rates and charges. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2022C BONDS – Rate Covenant."

COVID-19 Considerations; Infectious Disease Outbreak

The late 2019 outbreak of COVID-19, a respiratory disease caused by a new highly transmissible strain of coronavirus, was declared as a pandemic by the World Health Organization. The pandemic has had significant negative impacts throughout the world, including the United States and the State of California. Commerce, travel, asset values and financial markets experienced disruptions worldwide, and it is not known with any level of certainty when a full economic recovery will occur. It is widely expected that the negative effects of the COVID–19 pandemic and its aftermath on global, national and local economies will continue at least for some period of time. As discussed in Appendix A under the caption "GOVERNANCE AND MANAGEMENT–COVID-19 Pandemic," Metropolitan continues to monitor and respond to the COVID–19 pandemic and ongoing developments surrounding it.

Reduced economic activity and its associated impacts, including as a result of the outbreak of infectious disease, such as job losses, income losses, business closures and housing foreclosures or vacancies, and any prolonged recession that may occur, could have a variety of adverse effects on Metropolitan and in the region. Declines in assessed valuations in Metropolitan's service area and/or increases in property tax delinquencies or non-payment resulting from the economic disruption may negatively affect property tax collections and reduce tax levy receipts. Economic conditions affect aggregate levels of retail water use and may reduce demands in the region and Metropolitan's water transactions and revenues. A protracted disruption in the manufacturing or construction industry may affect supply chains or delay construction schedules for, or the implementation of, Metropolitan's capital improvement programs and projects, and may increase the costs of such projects or program or Metropolitan's operations. A sustained deterioration in global stock market values may impact the market value of assets held to fund Metropolitan's pension and other post-employment benefit plans, which could result in future increases in required plan contributions.

With widespread vaccination currently underway in the United States and many countries worldwide, the governmental-imposed stay-at-home orders and restrictions on operations of schools and businesses implemented to respond to and control the COVID-19 outbreak have generally been lifted; however, new variants of the disease continue to emerge and the State and local governments located within the State have from time-to-time implemented temporary measures and restrictions meant to suppress increases in the number of COVID-19 cases. No assurance can be given that governmental authorities will not reinstate the prior, more restrictive measures in the event that the COVID-19 outbreak worsens or if there is an outbreak of another infectious disease. In addition, the pace of the resumption of normal economic conditions and the economic recovery are uncertain and no assurance can be given that Metropolitan's operations or finances will not be negatively affected in the future. See Appendix A under the caption "GOVERNANCE AND MANAGEMENT–COVID-19 Pandemic." For additional information regarding the impacts of the COVID-19 outbreak on the regional economies, see also Appendix E–"SELECTED DEMOGRAPHIC AND ECONOMIC INFORMATION FOR METROPOLITAN'S SERVICE AREA."

Earthquakes, Floods, Wildfires and Other Disasters

Southern California is subject to geotechnical and extreme weather conditions which represent potential safety hazards, including expansive soils, wildfires, floods, high winds and areas of potential liquefaction and landslide. Earthquakes, wildfires, floods, high winds and other natural or man-made disasters or accidents, could cause failure of Water System infrastructure or otherwise interrupt operation of the Water System and thereby impair the ability of Metropolitan to generate sufficient Net Operating Revenues and may require Metropolitan to increase its rates and charges. The severity and/or frequency of natural disaster occurrences may be exacerbated by the impacts of climate change. The occurrence of such events and calamities could also result in liability claims against Metropolitan. Metropolitan's risk management program includes both self-insured and insured coverages; however, the program does not provide coverage for every conceivable risk of loss. See also Appendix A under the captions "GOVERNANCE AND MANAGEMENT – Risk Management" and "METROPOLITAN'S WATER DELIVERY SYSTEM – Seismic Considerations and Emergency Response Measures."

Climate Change

Climate change has become an important factor in water resources planning. There is scientific consensus that increasing concentrations of greenhouse gases have caused and will continue to cause a rise in temperatures around the world, which will result in a wide range of changes in climate patterns. Studies performed in the scientific community cite evidence that a warming trend occurred during the latter part of the 20th century and will likely continue through the 21st century. Based on these studies, climate change is likely to result in various types of impacts on water resources and assets in the State of California. Rising temperatures are anticipated to result in earlier runoff and cause California's rivers to carry a heavier flow of water. This may trigger floods which would place pressure on California levees. Such conditions, particularly in the Bay-Delta region, may lead to failure of levees and consequently the disruption of water flow through California's various water systems. Earlier runoff may also impact water supply development as less water is available after satisfying environmental obligations to support Bay-Delta exports. Rising temperatures are also anticipated to cause a reduction in the Sierra Nevada snowmelt, a major source of water in California, and result in reduced water deliveries. Metropolitan's Colorado River supplies are also likely to be impacted by rising temperatures, which are expected to result in lower annual runoff volumes in the Colorado River. It is anticipated that reduced spring snowpack and earlier runoff will increase evapotranspiration losses, resulting in less flow into Lake Powell and Lake Mead. Rising temperatures are also generally expected to result in changes in the timing, intensity and annual variability of precipitation levels that could amplify the effects of drought conditions on water supply. Other potential impacts of climate change include increased incidences of wildfires that could degrade water quality; sea level rise and an increase in saltwater intrusion; increased water temperatures with accompanying adverse effects on some fisheries and water quality; and changes in urban and agricultural water demand. Metropolitan has been integrating climate change science into its long-term water supply planning efforts for a number of years. Metropolitan is a member of the Water Utility Climate Alliance, a group of 12 large water utilities that is focused on collaboratively advancing water utility climate change adaptation. See Appendix A under the caption "METROPOLITAN'S WATER SUPPLY – Climate Action Planning and Other Environmental, Social and Governance Initiatives." However, projections of the effects of climate change are complex and the scientific understanding of climate change continues to evolve. While the effects of climate change may be mitigated by Metropolitan's past and future investment in adaptation strategies, Metropolitan is unable to predict with any certainty how climate change will ultimately affect Metropolitan or State water supplies or whether Metropolitan will be required to take additional mitigation measures. The financial and operational impacts of climate change effects and any additional adaptive measures that may be required are not yet known and cannot be quantified reliably at this time.

Cybersecurity; Other Safety and Security Risks

Metropolitan, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "Systems Technology"). Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to Metropolitan's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. Cybersecurity breaches could damage Metropolitan's information and security systems and cause material disruption to its operations. The occurrence of military conflicts and terrorist activities, including cyber terrorism, could also adversely impact the operations of the Water System or the finances of Metropolitan. Cyberattacks are becoming more sophisticated and certain cyber incidents, such as surveillance, may remain undetected for an extended period. United States government agencies have in the past issued warnings indicating that critical infrastructure sectors such as water systems may be specific targets of cybersecurity threats. Attacks directed at critical water sector operations could damage distribution and storage assets, cause operational malfunctions and outages, and result in costly recovery and remediation efforts. Metropolitan has a variety of security measures and safeguards in place. See Appendix A under the captions "GOVERNANCE AND MANAGEMENT – Cybersecurity" and "METROPOLITAN'S WATER DELIVERY SYSTEM – Security Measures." However, no assurances can be given that any existing or additional safety and security measures will prove adequate in the event that cyberattacks or military conflicts or terrorist activities, including cyber terrorism, are directed against Metropolitan's Systems Technology or the assets of the Water System. The costs of security measures or of remedying damage from such security breaches will depend on the type and magnitude of the breach and could be significant.

Limitations on Remedies

Upon the occurrence and continuance of an Event of Default under the Resolutions, the Owners of the Bonds (including the 2022C Bonds) have limited remedies and, except for limited circumstances, the Owners of the Bonds do not have the right to accelerate the payment of principal of or interest on the Bonds (including the 2022C Bonds). The remedies available to the Owners of the 2022C Bonds are in many respects dependent upon judicial actions which are themselves often subject to discretion and delay and could prove both expensive and time consuming to obtain. See APPENDIX C– "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS AND THE PAYING AGENT AGREEMENTS – THE MASTER RESOLUTION – Defaults and Remedies."

In addition, the enforceability of the rights of the Owners of the 2022C Bonds and the obligations of Metropolitan under the Resolutions, the Paying Agent Agreements and the 2022C Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws relating to or affecting creditors' rights generally, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against public entities in the State of California, including a limitation on enforcement of obligations against funds needed to serve the public welfare and interest.

LITIGATION

No litigation is pending, or, to the best knowledge of Metropolitan, threatened, questioning (a) the existence of Metropolitan, or the title of the officers of Metropolitan to their respective offices, (b) the validity of the 2022C Bonds or the power and authority of Metropolitan to issue the 2022C Bonds, or

(c) the authority of Metropolitan to fix, charge and collect rates for the sale of water by Metropolitan as provided in the Resolutions.

For a discussion of litigation challenging certain water rates adopted by Metropolitan's Board, see APPENDIX A– "THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA," including information under the caption "METROPOLITAN REVENUES – Litigation Challenging Rate Structure." For a discussion of litigation affecting the water supply of Metropolitan that could adversely affect Operating Revenues, see APPENDIX A– "THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA," including information under the captions "METROPOLITAN'S WATER SUPPLY – State Water Project," "– Colorado River Aqueduct," and "– Endangered Species Act and Other Environmental Considerations," and "METROPOLITAN EXPENSES – Power Sources and Costs; Related Long-Term Commitments."

Metropolitan is a party to various other legal proceedings affecting the Water System and is regularly involved in litigation regarding the condemnation of property in accordance with its authorization under the Act to exercise the powers of eminent domain. Metropolitan is also subject to contractor claims arising from disputes with contractors in connection with its ongoing capital investment plan activities which, from time-to-time, result in litigation. Metropolitan does not believe that an adverse ruling in any of these other proceedings could have a material adverse effect upon Operating Revenues of Metropolitan.

TAX MATTERS

General

The issuance and delivery of the 2022C Bonds is subject to the delivery of an opinion of Co-Bond Counsel that under existing State of California law, interest on the 2022C Bonds is exempt from personal income taxes imposed by the State of California.

The following is a general summary of the United States federal income tax consequences of the purchase and ownership of the 2022C Bonds. The discussion is based upon laws, Treasury Regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly with retroactive effect) or possibly differing interpretations. No assurance can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the 2022C Bonds in light of the investor's particular personal investment circumstances or to certain types of investors subject to special treatment under United States federal income tax laws (including insurance companies, tax-exempt organizations, financial institutions, broker-dealers and persons who have hedged the risk of owning the 2022C Bonds). This summary is therefore limited to certain issues relating to initial investors who will hold the 2022C Bonds as "capital assets" within the meaning of Section 1221 of the Code, and who acquire such Bonds for investment and not as a dealer or for resale. Except as specifically discussed below, the discussion below addresses the United States federal income tax consequences applicable only to beneficial owners of the 2022C Bonds who are "United States persons" within the meaning of Section 7701(a)(30) of the Code ("United States persons") and does not address any consequence to persons other than United States persons. Prospective investors should note that no rulings have been or will be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed herein, and no assurance can be given that the IRS will not take contrary positions. Forms of Co-Bond Counsel's anticipated opinions are included as Appendix F.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE 2022C BONDS.

Payments of Stated Interest on the 2022C Bonds

The stated interest paid on the 2022C Bonds will be included in the gross income, as defined in Section 61 of the Code, of the beneficial owners thereof, and will be subject to U.S. federal income taxation when received or accrued, depending on the tax accounting method used by the beneficial owners thereof.

Medicare Contribution Tax

Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business and certain other listed items of gross income), or (ii) the excess of "modified adjusted gross income" of the individual over $200,000 for unmarried individuals ($250,000 for married couples filing a joint return and a surviving spouse). Holders of the 2022C Bonds should consult with their tax advisors concerning this additional tax, as it may apply to interest earned with respect to the 2022C Bonds as well as gain on the sale of a Bond.

Legal Defeasance

If Metropolitan elects to defease the 2022C Bonds by depositing in escrow sufficient cash and/or obligations to pay when due outstanding 2022C Bonds (a "legal defeasance"), under current tax law, a beneficial owner of 2022C Bonds may be deemed to have sold or exchanged its 2022C Bonds. In the event of such a legal defeasance, a beneficial owner of 2022C Bonds generally would recognize gain or loss in the manner described above. Ownership of the 2022C Bonds after a deemed sale or exchange as a result of a legal defeasance may have tax consequences different from those described above, and each beneficial owner should consult its own tax advisor regarding the consequences to such beneficial owner of a legal defeasance of the 2022C Bonds.

Backup Withholding

Under Section 3406 of the Code, a beneficial owner of the 2022C Bonds who is a United States person may, under certain circumstances, be subject to "backup withholding" on payments of current or accrued interest on the 2022C Bonds or with respect to proceeds received from the disposition of the 2022C Bonds. This withholding applies if such beneficial owner of 2022C Bonds: (i) fails to furnish to the payor such beneficial owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to properly report interest, dividends or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such beneficial owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain beneficial owners of the 2022C Bonds. Beneficial owners of the 2022C Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations

Under Sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the rate of 30% on periodic income items arising from sources within the United States, provided that such income is not "effectively connected" with the conduct of a United States trade or business, within the meaning of Section 864 of the Code. Assuming the interest received by the beneficial owners of the 2022C Bonds is not treated as effectively connected income, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as "portfolio interest" within the meaning of Sections 871 and 881 of the Code. Interest will be treated as portfolio interest under such sections if: (i) the beneficial owner provides a statement to the payor certifying, under penalties of perjury, that such beneficial owner is not a United States person and providing the name and address of such beneficial owner; (ii) such interest is treated as not effectively connected with the beneficial owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country that the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the 2022C Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such beneficial owner is not a controlled foreign corporation, within the meaning of Section 957 of the Code; and (vi) such beneficial owner is not a bank receiving interest with respect to the 2022C Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments with respect to the 2022C Bonds are treated as portfolio interest within the meaning of Sections 871 and 881 of the Code, then no backup withholding under Section 1441 and 1442 of the Code and no backup withholding under Section 3406 of the Code are required with respect to beneficial owners or intermediaries who have furnished Form W-8BEN, Form W-8BEN-E, Form W-8EXP or Form W-8IMY, as applicable, provided the payor does not have actual knowledge or reason to know that such person is a United States person.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to a foreign financial institution, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain United States persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, the Foreign Account Tax Compliance Act ("FATCA") imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial United States owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the 2022C Bonds and sales proceeds of 2022C Bonds held by or through a foreign entity. In general, withholding under FATCA currently applies to payments of U.S. source interest and will apply to "foreign passthru payments" but no earlier than two years after the date of publication of final regulations defining the term "foreign passthru payment." Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

Reporting of Interest Payments

Subject to certain exceptions, interest payments made to beneficial owners of the 2022C Bonds will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099-INT (or other appropriate reporting form), which will reflect the name, address and TIN of the beneficial owner.

A copy of Form 1099 will be sent to each beneficial owner of a 2022C Bond for U.S. federal income tax purposes.

Proposed Forms of Opinions

The proposed forms of opinions of Co-Bond Counsel regarding the 2022C Bonds are attached in APPENDIX F.

The preceding discussion of certain United States federal income tax consequences is for general information only and is not tax advice. Accordingly, each investor should consult with its own tax advisor as to particular tax consequences to it of purchasing, owning, and disposing of the 2022C Bonds, including the applicability and effect of any state, local or foreign tax law, and of any proposed change in applicable law.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey, Demgen & Moore, P.C. (the "Verification Agent"), will deliver a report stating that the firm has verified the accuracy of mathematical computations concerning the adequacy of the cash and Federal Securities deposited into each Escrow Fund to pay the interest due with respect to the related Refunded Bonds and to pay on the redemption dates(s) the redemption price(s) thereof.

UNDERWRITING

The 2022C-1 Bonds are being purchased by TD Securities (USA) LLC , as representative of itself and Loop Capital Markets LLC (collectively, the "2022C-1 Underwriters"), pursuant to and subject to the conditions to be set forth in the Bond Purchase Contract between Metropolitan and the 2022C-1 Underwriters (the "2022C-1 Bond Purchase Contract"). Subject to the terms of the 2022C-1 Bond Purchase Contract, the 2022C-1 Underwriters will purchase the 2022C-1 Bonds at an aggregate purchase price of $147,441,918.50 (being the $147,650,000.00 principal amount of the 2022C-1 Bonds, less an Underwriters' discount of $208,081.50).

The 2022C-2 Bonds are being purchased by Goldman Sachs & Co. LLC, as representative of itself and Loop Capital Markets LLC (collectively, the "2022C-2 Underwriters" and, together with the 2022C-1 Underwriters, the "Underwriters"), pursuant to and subject to the conditions to be set forth in the Bond Purchase Contract between Metropolitan and the 2022C-2 Underwriters (the "2022C-2 Bond Purchase Contract" and, together with the 2022C-1 Bond Purchase Contract, the "Bond Purchase Contracts"). Subject to the terms of the 2022C-2 Bond Purchase Contract, the 2022C-2 Underwriters will purchase the 2022C-2 Bonds at an aggregate purchase price of $134,432,234.19 (being the $134,625,000.00 principal amount of the 2022C-2 Bonds, less an Underwriters' discount of $192,765.81).

The 2022C-1 Underwriters are obligated to purchase all of the 2022C-1 Bonds if they purchase any 2022C-1 Bonds, and the 2022C-2 Underwriters are obligated to purchase all of the 2022C-2 Bonds if they purchase any 2022C-2 Bonds. Each of Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the applicable Series of 2022C Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

TD Securities (USA) LLC ("TD Securities") has provided the following paragraph for inclusion in this Official Statement:

TD Securities, as one of the Underwriters of the 2022C-1 Bonds, has entered into a negotiated dealer agreement (the "TD Dealer Agreement") with TD Ameritrade for the retail distribution of certain securities offerings, including the 2022C-1 Bonds at the original issue price. Pursuant to the TD Dealer Agreement, TD Ameritrade may purchase 2022C-1 Bonds from TD Securities at the original issue prices less a negotiated portion of the selling concession applicable to any of the 2022C-1 Bonds TD Ameritrade sells.

CERTAIN RELATIONSHIPS

The Underwriters have provided the following paragraphs for inclusion in this Official Statement:

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for Metropolitan, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of Metropolitan.

TD Securities (USA) LLC, an Underwriter of the 2022C-1 Bonds, is serving as remarketing agent for the 2022C-1 Bonds and Goldman Sachs & Co. LLC, an Underwriter of the 2022C-2 Bonds, is serving as remarketing agent for the 2022C-2 Bonds. See "DESCRIPTION OF THE 2022C BONDS – Remarketing Agents." In addition, an affiliate of the TD Securities (USA) LLC is the 2022C-1 Liquidity Provider for the 2022C-1 Bonds. See "THE LIQUIDITY PROVIDERS."

MUNICIPAL ADVISOR

Metropolitan has retained PFM Financial Advisors LLC as municipal advisor (the "Municipal Advisor") in connection with the issuance of the 2022C Bonds. The Municipal Advisor has not been engaged, nor has it undertaken, to audit, authenticate or otherwise verify the information set forth in this Official Statement, or any other related information available to Metropolitan, with respect to accuracy and completeness of disclosure of such information. The Municipal Advisor has reviewed this Official Statement but makes no guaranty, warranty or other representation respecting accuracy and completeness of the information contained in this Official Statement. Certain fees of the Municipal Advisor are contingent upon the issuance and delivery of the 2022C Bonds.

LEGAL MATTERS

Norton Rose Fulbright US LLP and Amira Jackmon, Attorney at Law, Co-Bond Counsel to Metropolitan, will render their opinions with respect to the 2022C Bonds, substantially in the form set forth in APPENDIX F – "FORM OF OPINIONS OF CO-BOND COUNSEL." Co-Bond Counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for Metropolitan by its General Counsel, for the Underwriters by their counsel, ArentFox Schiff LLP, San Francisco, California, and for the Liquidity Providers by their counsel, Chapman and Cutler LLP. Stradling Yocca Carlson & Rauth, a Professional Corporation is acting as Disclosure Counsel to Metropolitan in connection with the issuance of the 2022C Bonds. Co-Bond Counsel, Disclosure Counsel and Underwriters' Counsel will receive compensation that is contingent upon the issuance and delivery of the 2022C Bonds.

RATINGS

S&P Global Ratings ("S&P") and Fitch Ratings ("Fitch") have assigned each Series of the 2022C Bonds their long-term ratings of "AAA" and "AA+," respectively. S&P and Fitch have assigned their short-term ratings of "A-1+" and "F1+," respectively, to the 2022C-1 Bonds based in part on the issuance by the 2022C-1 Liquidity Provider of the 2022C-1 Liquidity Facility for the 2022C-1 Bonds. S&P and Fitch have assigned their short-term ratings of "A-1" and "F1," respectively, to the 2022C-2 Bonds based in part on the issuance by the 2022C-2 Liquidity Provider of the 2022C-2 Liquidity Facility for the 2022C-2 Bonds. Each of S&P's and Fitch's rating outlook with respect to the each Series of 2022C Bonds is "stable."

Such credit ratings reflect only the views of the applicable organizations and any desired explanation of the significance of any such credit rating should be obtained from the rating agency furnishing the same, at the following addresses: S&P Global Ratings, 55 Water Street, New York, New York 10041; and Fitch Ratings, 33 Whitehall Street, New York, New York 10004. Generally, a rating agency bases its credit rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. Any such credit rating may not continue for any given period and may be revised downward or withdrawn entirely by the rating agency furnishing the same, if in the judgment of such rating agency, circumstances so warrant. Any downward revision or withdrawal of any such credit rating could have an adverse effect on the market price of the 2022C Bonds.

CONTINUING DISCLOSURE

Metropolitan has agreed to execute a continuing disclosure undertaking (the "Continuing Disclosure Undertaking"), which provides for disclosure obligations on the part of Metropolitan for so long as the 2022C Bonds remain Outstanding. Under the Continuing Disclosure Undertaking, Metropolitan will covenant for the benefit of Owners and Beneficial Owners of the 2022C Bonds to provide certain financial information and operating data relating to Metropolitan by not later than 180 days after the end of the prior fiscal year (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events (the "Notice Events") in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event. The Annual Reports and the notices of Notice Events will be filed with the EMMA System. These covenants will be made to assist the Underwriters in complying with Rule 15c2-12 adopted by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"). See APPENDIX G– "FORM OF CONTINUING DISCLOSURE UNDERTAKING."

In the previous five years, Metropolitan has not failed to comply in any material respect with any previous undertaking to provide annual reports or notices of certain events in accordance with the Rule, except that the notice of incurrence of a financial obligation filed with the EMMA System in connection with Metropolitan's Wells Fargo Revolving Credit Facility entered into on June 3, 2022 (described herein) was filed two business days after the required filing deadline.

MISCELLANEOUS

The terms of the 2022C Bonds are set forth in the Resolutions and the respective Paying Agent Agreements. Copies of such documents may be obtained from the office of the Assistant General Manager, Finance & Administration of Metropolitan, 700 North Alameda Street, Los Angeles, California 90012, telephone (213) 217-7121. Metropolitan reserves the right to charge the requesting party for the cost of copying such documents. Questions pertaining to this Official Statement may be directed to the Assistant General Manager, Finance & Administration.

The attached appendices are integral parts of this Official Statement and should be read in their entirety. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Board of Directors of Metropolitan has duly authorized the delivery of this Official Statement.

THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA

By: /s/ Adel Hagekhalil
General Manager

APPENDIX A

The Metropolitan Water District of Southern California

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INTRODUCTION

This Appendix A provides general information regarding The Metropolitan Water District of Southern California ("Metropolitan"), including information regarding Metropolitan's operations and finances. Certain statements included or incorporated by reference in this Appendix A constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "project," "expect," "estimate," "budget" or other similar words. Such statements are based on facts and assumptions set forth in Metropolitan's current planning documents including, without limitation, its most recent biennial budget. The achievement of results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual results may differ from Metropolitan's forecasts. Metropolitan is not obligated to issue any updates or revisions to the forward-looking statements in any event.

Metropolitan maintains a website that may include information on programs or projects described in this Appendix A; however, none of the information on Metropolitan's website is incorporated by reference or intended to assist investors in making an investment decision or to provide any additional information with respect to the information included in this Appendix A. The information presented on Metropolitan's website is not part of the Official Statement and should not be relied upon in making investment decisions.

Formation and Purpose

Metropolitan is a metropolitan water district created in 1928 under the authority of the Metropolitan Water District Act (California Statutes 1927, Chapter 429, as reenacted in 1969 as Chapter 209, as amended (herein referred to as the "Act")). The Act authorizes Metropolitan to: levy property taxes within its service area; establish water rates; impose charges for water standby and service availability; incur general obligation bonded indebtedness and issue revenue bonds, notes and short-term revenue certificates; execute contracts; and exercise the power of eminent domain for the purpose of acquiring property. In addition, Metropolitan's Board of Directors (the "Board") is authorized to establish terms and conditions under which additional areas may be annexed to Metropolitan's service area.

Metropolitan's primary purpose is to provide a supplemental supply of water for domestic and municipal uses at wholesale rates to its member agencies. If additional water is available, such water may be sold for other beneficial uses. As a water wholesaler, Metropolitan has no retail customers.

The mission of Metropolitan, as promulgated by the Board, is to provide its service area with adequate and reliable supplies of high-quality water to meet present and future needs in an environmentally and economically responsible way.

Metropolitan's rates and charges for water transactions and availability are set by its Board and are not subject to regulation or approval by the California Public Utilities Commission or any other state or federal agency. Metropolitan imports water from two principal sources: northern California via the Edmund G. Brown California Aqueduct (the "California Aqueduct") of the State Water Project owned by the State of California (the "State" or "California") and the Colorado River via the Colorado River Aqueduct ("CRA") owned by Metropolitan.

Member Agencies

Metropolitan is comprised of 26 member agencies, all of which are public entities, including 14 cities, 11 municipal water districts, and one county water authority, which collectively serve the residents and businesses of more than 300 cities and numerous unincorporated communities. Member agencies request water from Metropolitan at various delivery points within Metropolitan's system and pay for such water at uniform rates established by the Board for each class of water service. Metropolitan's water is a supplemental supply for its member agencies, most of whom have local supplies and other sources of water. See "METROPOLITAN REVENUES–Principal Customers" in this Appendix A for a listing of the ten member agencies representing the highest level of water transactions and revenues of Metropolitan during the fiscal year ended June 30, 2021. No member is required to purchase water from Metropolitan, but all member agencies are required to pay readiness-to-serve charges whether or not they purchase water from Metropolitan. See "METROPOLITAN REVENUES–Rate Structure," "–Member Agency Purchase Orders" and "–Other Charges" in this Appendix A. Local supplies include water produced by local agencies from various sources including but not limited to groundwater, surface water, locally-owned imported supplies, recycled water, and seawater desalination (see "REGIONAL WATER RESOURCES" in this Appendix A). Metropolitan's member agencies may develop additional sources of water and Metropolitan provides support for several programs to develop these local resources. See also "REGIONAL WATER RESOURCES–Local Water Supplies" in this Appendix A.

The following table lists the 26 member agencies of Metropolitan.

Municipal Water Districts		**Cities**		**County Water Authority**
Calleguas	Las Virgenes	Anaheim	Los Angeles	San Diego[(1)]
Central Basin	Orange County	Beverly Hills	Pasadena	
Eastern	Three Valleys	Burbank	San Fernando	
Foothill	West Basin	Compton	San Marino	
Inland Empire Utilities Agency		Fullerton	Santa Ana	
Upper San Gabriel Valley		Glendale	Santa Monica	
Western of Riverside County		Long Beach	Torrance	

(1) The San Diego County Water Authority, currently Metropolitan's largest customer based on water transactions, is a plaintiff in litigation challenging certain rates adopted by the Board and asserting other claims. See "METROPOLITAN REVENUES–Litigation Challenging Rate Structure" in this Appendix A.

Service Area

Metropolitan's service area comprises approximately 5,200 square miles and includes all or portions of the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura. When Metropolitan began delivering water in 1941, its service area consisted of approximately 625 square miles. Its service area has increased by 4,575 square miles since that time. The expansion was primarily the result of annexation of the service areas of additional member agencies.

Metropolitan estimates that approximately 18.7 million people lived in Metropolitan's service area (as of July 2021), based on official estimates from the California Department of Finance and on population distribution estimates from the Southern California Association of Governments ("SCAG") and the San Diego Association of Governments ("SANDAG"). Recent population projections prepared by SCAG in 2020 and by SANDAG in 2019, which are being used as base data for Metropolitan's 2020 Integrated Water Resources Plan, show expected population growth of approximately 17 percent in Metropolitan's service area between 2010 and 2035, which is slightly lower than the approximately 18 percent population growth rate projected by SCAG in 2012 and SANDAG in 2013 (which projections were used as base data for Metropolitan's prior 2015 Integrated Water Resources Plan update). The economy of Metropolitan's service area is exceptionally diverse. In 2021, the economy of the six counties which contain Metropolitan's service area had a gross domestic product larger than all but eleven nations of the world. Metropolitan has historically provided between 40 and 60 percent of the water used annually within its service area. For additional economic and demographic information concerning the six county area containing Metropolitan's service area, see Appendix E–"SELECTED DEMOGRAPHIC AND ECONOMIC INFORMATION FOR METROPOLITAN'S SERVICE AREA."

The climate in Metropolitan's service area ranges from moderate temperatures throughout the year in the coastal areas to hot and dry summers in the inland areas. Since 2000, annual rainfall has ranged from approximately 4 to 21 inches along the coastal area, 6 to 38 inches in foothill areas, and 5 to 22 inches in inland areas.

GOVERNANCE AND MANAGEMENT

Board of Directors

Metropolitan is governed by a 38-member Board of Directors, made up of representatives from all of Metropolitan's 26 member agencies. Each member agency is entitled to have at least one representative on the Board, plus an additional representative for each full five percent of the total assessed valuation of property in Metropolitan's service area that is within the member agency. Changes in relative assessed valuation do not terminate any director's term. In 2019, California Assembly Bill 1220 (Garcia) amended the Act to provide that "A member public agency shall not have fewer than the number of representatives the member public agency had as of January 1, 2019." Accordingly, the Board may, from time to time, have more than 38 directors.

The Board includes business, professional and civic leaders. Directors are appointed by member agencies in accordance with those agencies' processes and the Act. They serve on the Board without compensation from Metropolitan. Voting is based on assessed valuation, with each member agency being entitled to cast one vote for each $10 million or major fractional part of $10 million of assessed valuation of property within the member agency, as shown by the assessment records of the county in which the member agency is located. The Board administers its policies through the Metropolitan Water District Administrative Code (the "Administrative Code"), which was adopted by the Board in 1977. The Administrative Code is periodically amended to reflect new policies or changes to existing policies that occur from time to time.

Management

Metropolitan's day-to-day management is under the direction of its General Manager, who serves at the pleasure of the Board, as do Metropolitan's General Counsel, General Auditor and Ethics Officer. Following is a biographical summary of Metropolitan's principal executive officers.

Adel Hagekhalil, General Manager – Mr. Hagekhalil was appointed as General Manager in June 2021. Before joining Metropolitan, Mr. Hagekhalil was appointed in 2018 by Los Angeles Mayor Eric Garcetti to serve as the executive director and general manager of the City of Los Angeles' Bureau of Street Services. His responsibilities included oversight of the management, maintenance and improvement of the city's network of streets, sidewalks, trees and bikeways. Mr. Hagekhalil also focused on climate change adaptation and multi-benefit integrated active transportation corridors. Previously, he served nearly 10 years as assistant general manager of the Los Angeles' Bureau of Sanitation, overseeing the city's wastewater collection system, stormwater and watershed protection program, water quality compliance, advance planning and facilities. He also helped develop the city's 2040 One Water LA Plan, a regional watershed approach to integrate water supply, reuse, conservation, stormwater management and wastewater facilities planning. Mr. Hagekhalil is a member of the American Public Works Association as well as the Water Environment Federation, which recognized him in 2019 as a WEF Fellow for his contribution to enhancing and forwarding the water industry. He also served for more than a decade as a board member of the National Association of Clean Water Agencies, including a term as president. Mr. Hagekhalil is a registered civil engineer and national board-certified environmental engineer. He earned his bachelor's and master's degrees in civil engineering from the University of Houston, Texas.

Marcia Scully, General Counsel – Ms. Scully was appointed as Metropolitan's General Counsel in March 2012. She previously served as Metropolitan's Interim General Counsel from March 2011 to March 2012. Ms. Scully joined Metropolitan in 1995, after a decade of private law practice, providing legal representation to Metropolitan on construction, employment, Colorado River and significant litigation matters. From 1981 to 1985 she was assistant city attorney for the City of Inglewood. Ms. Scully served as president of the University of Michigan's Alumnae Club of Los Angeles and is a recipient of the 1996 State Bar of California, District 7 President's Pro Bono Service Award and the Southern California Association of Non-Profit Housing Advocate of the Year Award. She is also a member of the League of Women Voters for Whittier and was appointed for two terms on the City of Whittier's Planning Commission, three years of which were served as chair. Ms. Scully earned a bachelor's degree in liberal arts from the University of Michigan, a master's degree in urban planning from Wayne State University and her law degree from Loyola Law School.

John L. Tonsick, Interim General Auditor – Mr. Tonsick was appointed as Interim General Auditor for Metropolitan in May 2022. Mr. Tonsick assumed the position of Interim General Auditor on June 1, 2022. As Interim General Auditor, his responsibilities include providing independent, objective assurance and consulting services to improve risk management, control and governance for Metropolitan. Mr. Tonsick was previously Metropolitan's Assistant General Auditor. Prior to joining Metropolitan in December 2015, he was the Forensic Audit Director at Broadcom, a Principal in the Financial Advisory Practice at PricewaterhouseCoopers, and served in various senior management roles at ARCO. Mr. Tonsick also provided forensic consulting services through Fraud Solutions, which he founded. Mr. Tonsick holds a Bachelor of Science degree in Business Administration from Robert Morris University in Pittsburgh, PA. He is a Certified Public Accountant and a Certified Fraud Examiner.

Abel Salinas, Ethics Officer – Mr. Salinas was appointed as Metropolitan's Ethics Officer in July 2019. He is responsible for making recommendations regarding rules and policies related to lobbying, conflicts of interest, contracts, campaign contributions and internal disclosures, while providing education and advice about these rules. Prior to joining Metropolitan, Mr. Salinas worked as the Special Agent in Charge in the U.S. Department of Labor's Office of Inspector General. Before joining that agency, he served for three years in the U.S. Office of Personnel Management. Mr. Salinas holds a bachelor's degree in criminal justice from University of Texas – Pan American and a master's degree in policy management from Georgetown University.

Deven Upadhyay, Executive Officer & Assistant General Manager, Water Resources – Mr. Upadhyay focuses primarily on key Metropolitan strategies and innovative planning efforts for the Colorado River and the State Water Project. He is responsible for managing the engineering services and water resource management groups, and the Colorado River and Bay Delta programs. Mr. Upadhyay was formerly Chief Operating Officer from November 2017. He has over 25 years of experience in the water industry. He joined Metropolitan in 1995, beginning as a Resource Specialist and then left Metropolitan in 2005 to work at the Municipal Water District of Orange County. In 2008, he returned to Metropolitan as a Budget and Financial Planning Section Manager and became a Water Resource Management Group Manager in 2010. Mr. Upadhyay has a Bachelor of Arts degree in economics from the California State University, Fullerton and a master's degree in public administration from the University of La Verne.

Katano Kasaine, Assistant General Manager, Finance & Administration – Ms. Kasaine is responsible for directing Metropolitan's financial activities, including accounting and financial reporting, debt issuance and management, financial planning and strategy, managing Metropolitan's investment portfolio, budget administration, financial analysis, financial systems management, and developing rates and charges. In addition, she is responsible for human resources, administrative services, Board Administration, risk management, and business continuity activities. Before joining Metropolitan in August 2019, Ms. Kasaine worked at the City of Oakland for 25 years, holding various leadership positions, notably as the city's Finance Director/Treasurer. She holds a bachelor's degree in business administration from Dominican University in San Rafael, California and a master's degree in public health from Loma Linda University.

Shane Chapman, Assistant General Manager, Operations – Mr. Chapman is responsible for the strategic direction and management of Metropolitan's operations. His primary responsibilities include managing water system operations, information technology, cybersecurity, real property, and security. Mr. Chapman previously was Chief Administrative Officer from January 2018. He joined Metropolitan as a Resource Specialist in 1991, progressing to the level of Program Manager in 2001. He became the Revenue, Rates and Budget Manager in 2003 and Assistant Group Manager in Water System Operations in 2006. Mr. Chapman previously served as General Manager of the Upper San Gabriel Valley Municipal Water District for seven years. Mr. Chapman has a Bachelor of Arts degree in economics from Claremont McKenna College and a master's degree in public administration from the University of Southern California.

Dee Zinke, Assistant General Manager, External Affairs – Ms. Zinke has been responsible for Metropolitan's communications, public outreach, education, member services, and legislative matters since January 2016. She joined Metropolitan in 2009 as Manager of the Legislative Services Section. Before coming to Metropolitan, Ms. Zinke was the Manager of Governmental and Legislative Affairs at the Calleguas Municipal Water District. Prior to her public service, she worked in the private sector as the Executive Officer and Senior Legislative Advocate for the Building Industry Association of Greater Los Angeles and Ventura Counties and as Director of Communications for E-Systems, a defense contractor specializing in communication, surveillance and navigation systems in Washington, D.C. Ms. Zinke holds a Bachelor of Arts degree in communication and psychology from Virginia Polytechnic Institute and State University.

Employee Relations

General. The total number of budgeted regular full-time Metropolitan employees for fiscal year 2022-23 is 1,929. As of April 2022, Metropolitan had 1,742 positions filled, 165 positions under recruitment or vacant, and 22 new positions to become effective on July 1, 2022 for recruitment. Of the filled positions, 1,192 were represented by AFSCME Local 1902, 92 by the Supervisors Association, 300 by the Management and Professional Employees Association and 120 by the Association of Confidential Employees. The remaining 38 employees are unrepresented. The four bargaining units represent 98 percent of Metropolitan's current employees. The Memorandum of Understanding ("MOU") with AFSCME Local 1902 extends through December 31, 2024. The MOUs with the Management and Professional Employees Association and the Association of Confidential Employees extend through December 31, 2022. The MOU with the Supervisors Association is currently being negotiated. Until a successor contract is executed, the term of the expired MOU will continue to govern.

State Audit of Workplace Concerns. The acting California State Auditor ("State Auditor") conducted an audit of Metropolitan's personnel and hiring practices after Metropolitan was the subject of allegations of discrimination and harassment in the workplace. The State Auditor reviewed Metropolitan's handling of equal employment opportunity ("EEO") complaints from 2004 to 2021, as well as hiring practices, the independence and authority of Metropolitan's Ethics office, safety program, and maintenance of workforce housing at Metropolitan's desert facilities.

The State Auditor issued its audit report on April 21, 2022. The audit report identified a number of deficiencies in Metropolitan's personnel and hiring practices. The findings of the audit report included that: (i) Metropolitan's EEO policy and procedures did not align with best practices in certain key areas and did not ensure timely investigation of and response to EEO complaints; (ii) Metropolitan's hiring processes did not include appropriate safeguards to consistently ensure or demonstrate that its hiring decisions were equitable and reasonable and sufficiently protected applicants from potential discrimination; (iii) Metropolitan had not taken adequate actions to ensure its Ethics office is able to independently conduct its duties; and (iv) Metropolitan had not instituted adequate procedures to timely respond to employee workforce housing maintenance issues, and Metropolitan's implementation of a comprehensive, long-term solution to address employee workforce housing has been slow.

The State audit report included several recommendations to address its key findings. In addition to recommendations made to Metropolitan, the audit report recommends that the State Legislature enact legislation requiring Metropolitan to formally adopt procedures for hiring and promoting employees and establishing certain additional requirements to support the independence and autonomy of Metropolitan's Ethics office. Metropolitan accepted all the State audit's recommendations and has begun to implement them to address the deficiencies identified in the State audit. In addition, Metropolitan is implementing certain policies and procedures recommended by a Workplace Climate Assessment that Metropolitan commissioned from an outside law firm and received in 2021. Among other things, Metropolitan hired its first Chief Equal Employment Opportunity Officer in March 2022 to help implement a suite of changes that will be designed to build and reaffirm a workplace culture of inclusion, respect, safety and accountability, and has created a Diversity, Equity, and Inclusion Office, which will establish programs to support its workforce. Metropolitan hired its first Chief Diversity, Equity and Inclusion Officer in May 2022.

Risk Management

Metropolitan is exposed to various risks of loss related to, among other things, the design and construction of facilities, and the treatment and delivery of water. With the assistance of third-party claims administrators, Metropolitan is self-insured for property losses, liability, and workers' compensation. Metropolitan self-insures the first $25 million per liability occurrence, with commercial general liability coverage of $75 million in excess of the self-insured retention. The $25 million self-insured retention is maintained as a separate restricted reserve. Metropolitan is also self-insured for loss or damage to its property, with the $25 million self-insured retention also being accessible for emergency repairs and Metropolitan property losses. In addition, Metropolitan obtains other excess and specialty insurance coverages such as directors' and officers' liability, fiduciary liability and aircraft hull and liability coverage.

Metropolitan self-insures the first $5 million for workers' compensation with statutory excess coverage. The self-insurance retentions and reserve levels currently maintained by Metropolitan may be modified by the Board at its sole discretion.

Cybersecurity

Metropolitan has adopted and maintains an active Cybersecurity Program ("CSP") that includes policies reviewed by Metropolitan's Office of Enterprise Cybersecurity, Audit department and independent third-party auditors and consultants. Metropolitan has appointed an Information Security Officer who is responsible for overseeing the annual review of the CSP and its alignment with Metropolitan's Strategic Plan. Metropolitan's policies and procedures on information governance, risk management, and compliance are consistent with best practices outlined by the Cybersecurity and Infrastructure Security Agency (CISA) Shields Up initiative and are consistent with the requirements prescribed by the America's Water Infrastructure Act (AWIA) for risk assessment and emergency response. Metropolitan's Cybersecurity Team is responsible for identifying cybersecurity risks to Metropolitan, preventing, investigating, and responding to any cybersecurity incidents, and providing guidance and education on the implementation of new technologies at Metropolitan. All persons or entities authorized to use Metropolitan's computer resources are required to participate in Metropolitan's Cybersecurity Awareness Training, which is conducted annually.

Business Continuity

Metropolitan maintains a Business Continuity Program to ensure that plans are in place across the District to mitigate, respond to and recover from disruptive events that may impact normal operations. The plans ensure that strategies are in place to continue critical operations in the event of impacts to information technology systems, facilities, staffing levels, key vendors and resources. Using a continuous improvement model, Business Continuity Plans are reviewed, updated and exercised on a regular basis.

COVID-19 Pandemic

The late 2019 outbreak of the novel highly transmissible strain of coronavirus (and variants thereof) and the disease it causes (known as COVID-19), has had significant negative impacts throughout the world, including in California. The World Health Organization (the "WHO") declared the outbreak of COVID-19 to be a pandemic in 2020, and states of emergency were declared in the United States (the "U.S."), the State, and numerous counties throughout the State, including in the six counties all or portions of which comprise the service area of Metropolitan. The purpose behind these declarations was to coordinate and formalize emergency actions across federal, state, and local governmental agencies.

The Governor of California lifted most statewide COVID-19 restrictions on June 15, 2021. Restrictions, however, may be re-imposed in various jurisdictions from time to time as local conditions warrant. The negative effects of the COVID-19 pandemic and its aftermath on global, national and local economies are expected to continue at least for the foreseeable future.

Metropolitan continues to respond to the COVID-19 pandemic and ongoing developments surrounding it. Metropolitan has taken a number of steps to maintain continuity of its critical and essential business functions and avoid widespread impacts to its workforce from the COVID-19 outbreak. Metropolitan has transitioned to a formal hybrid working environment with employees reporting to work facilities for a minimum of two days a week. Metropolitan will be working with its labor and management association representatives to adopt a formal teleworking operating policy and to develop other specifics of return to work protocols.

COVID-19 is not believed to present a threat to the safety of Metropolitan's treated water supplies. During the pandemic, Metropolitan's ability to treat and deliver water has not been interrupted or impaired. While Metropolitan initially paused certain construction work on non-essential capital projects at the onset of the COVID-19 outbreak, such activity has generally resumed. Metropolitan continues to advance a variety of infrastructure and system reliability projects, although some projects continue to be delayed due to supply chain issues and other geopolitical conditions. As of the date of this Official Statement, Metropolitan has not experienced a material adverse impact to its finances or operations as a result of COVID-19.

Metropolitan also proactively responded to the anticipated effects of the ongoing COVID-19 pandemic likely to be experienced by its member agencies. Following the onset of the pandemic and response actions, many water service providers serving residential, commercial and industrial end-use customers (referred to herein as "retail water service providers"), which includes some Metropolitan member agencies, implemented measures to assist their customers facing financial hardship as a result of the COVID-19 outbreak. In December 2020, Metropolitan's Board adopted and made available to its member agencies a COVID-19 Member Agency Payment Deferment Program for water transactions occurring from January 1, 2021 to June 30, 2021. No member agency utilized the COVID-19 Member Agency Payment Deferment Program.

Metropolitan cannot predict whether any reinstatement of stay-at-home orders and travel restrictions or other measures meant to suppress increases in COVID-19 cases from time-to-time will occur or the pace at which a full economic recovery will be achieved. Given the remaining uncertainties surrounding the COVID-19 pandemic and its aftermath, there can be no assurances that COVID-19 will not materially adversely impact the financial condition of Metropolitan in the future. There are many variables that will continue to contribute to the economic impact of the COVID-19 pandemic and the recovery therefrom, including the extent to which and length of time social distancing measures are in place, the effectiveness of State and federal government relief programs, the emergence of new variants of the coronavirus, and the ultimate effectiveness of vaccinations efforts.

To date, Metropolitan does not believe the impacts of the COVID-19 pandemic will have a material adverse impact on its ability to pay debt service on its bonds or other debt obligations.

METROPOLITAN'S WATER SUPPLY

General Overview

Metropolitan's principal sources of water supplies are the State Water Project and the Colorado River. Metropolitan receives water delivered from the State Water Project under provisions of a State water supply contract, including contracted supplies, use of carryover storage in San Luis Reservoir, and surplus supplies. Metropolitan holds rights to a basic apportionment of Colorado River water and has priority rights to an additional amount depending on the availability of surplus supplies. Water management programs supplement these Colorado River supplies. To secure additional supplies, Metropolitan also has groundwater banking partnerships and water transfer and storage arrangements within and outside its service area.

Metropolitan's State Water Contract provides for up to 1,911,500 acre-feet contracted amount of State Water Project supplies annually. The amount of State Water Project water available for allocation under the State Water Contract each year is determined by the California Department of Water Resources ("DWR") based on existing supplies in storage, forecasted hydrology, and other factors, including human health and safety needs, water quality and environmental flow obligations and other operational considerations. Over the ten-year period 2012 through 2021, Metropolitan's State Water Project allocation averaged approximately 40 percent, which is equal to roughly 770,000 acre-feet annually. (An acre-foot is the amount of water that will cover one acre to a depth of one foot and equals approximately 325,851 gallons, which represents the needs of three average families in and around the home for one year within Metropolitan's service area.) Over the ten-year period 2012 through 2021, the amount of water received by Metropolitan from the State Water Project, including transfer, groundwater banking, and exchange programs delivered through the California Aqueduct varied from a low of 588,000 acre-feet in calendar year 2020 to a high of 1,473,000 acre-feet in calendar year 2017.

Metropolitan's rights to Colorado River water include a fourth priority right to 550,000 acre-feet of Colorado River water annually (its basic apportionment) and a fifth priority right to an additional 662,000 acre-feet annually (when surplus is available, which availability has been limited since 2003). Metropolitan has additional available Colorado River supplies, totaling up to 526,000 acre-feet per year, under water supply programs, transfer, exchanges, and certain conservation and storage agreements. Over the ten-year period 2012 through 2021, Metropolitan's total available Colorado River supplies have averaged approximately 958,924 acre-feet annually, with annual volumes dependent primarily on programs to augment supplies, including transfers of conserved water from agriculture.

Metropolitan's principal water supply sources, and other supply arrangements and water management programs are more fully described herein. See also "–Current Water Conditions and Drought Response Actions" in this Appendix A.

The water supply for Metropolitan's service area is provided in part by Metropolitan and in part by non-Metropolitan sources available to members. The demand for supplemental water supplies provided by Metropolitan is dependent on water use at the retail consumer level and the amount of locally supplied and conserved water. Over the ten-year period 2012 through 2021, Metropolitan's water transactions (including water sales, exchanges and wheeling) with member agencies have averaged approximately 1.65 million acre-feet annually.

Metropolitan's water supplies in calendar year 2022 comprise a combination of available State Water Project supplies allocated to it based upon its proportional contracted entitlement amount as set forth in "Table A" of its State water supply contract ("Table A State Water Project water" as further described herein), as well as additional State Water Project supplies requested by Metropolitan for human health and safety (described below), CRA deliveries, storage reserves, and supplemental water transfers and purchases. See "–Current Water Conditions and Drought Response Actions."

Metropolitan faces a variety of long-term challenges in providing adequate, reliable and high-quality supplemental water supplies for Southern California. These include, among others: (1) population growth within the service area; (2) increased competition for low-cost water supplies; (3) variable weather conditions, including extended drought periods; (4) increased environmental regulations; and (5) climate change. Metropolitan's resources and strategies for meeting these long-term challenges are set forth in its Integrated Water Resources Plan, as updated from time to time. See "–Integrated Water Resources Plan." In addition, Metropolitan manages water supplies in response to the prevailing hydrologic conditions by implementing its Water Surplus and Drought Management ("WSDM") Plan, and in times of prolonged or severe shortages, the Water Supply Allocation Plan (the "Water Supply Allocation Plan"). See "CONSERVATION AND WATER SHORTAGE MEASURES–Water Surplus and Drought Management Plan" and "–Water Supply Allocation Plan" in this Appendix A. The Water Supply Allocation Plan provides for the equitable distribution of available limited water supplies regionwide in case of extreme water shortages within Metropolitan's service area. Implementation of the Water Supply Allocation Plan for fiscal year 2022-23 is not expected. In April 2022, in response to minimal supplies of State Water Project water being available in 2022 to meet normal demands in parts of Metropolitan's service area that cannot be supplied with Colorado River water, Metropolitan's Board approved the framework of an Emergency Water Conservation Program to be implemented to reduce demands for State Water Project water in those areas. See "CONSERVATION AND WATER SHORTAGE MEASURES– Emergency Water Conservation Program for the State Water Project Dependent Area" in this Appendix A.

Hydrologic conditions can have a significant impact on Metropolitan's imported water supply sources. For Metropolitan's State Water Project supplies, precipitation in California's northern Sierra Nevada during the fall and winter helps replenish storage levels in Lake Oroville, a key State Water Project facility. The subsequent runoff from the spring snowmelt helps satisfy regulatory requirements in the San Francisco Bay/Sacramento-San Joaquin River Delta ("Bay-Delta") bolstering water supply reliability in the same year. See "–State Water Project – Bay-Delta Proceedings Affecting State Water Project." The source of Metropolitan's Colorado River supplies is primarily the watersheds of the Upper Colorado River Basin in the states of Colorado, Utah, and Wyoming. See "–Colorado River Aqueduct." Although precipitation is primarily observed in the winter and spring, summer storms are common and can affect water supply conditions. See also "–Current Water Conditions and Drought Response Actions" in this Appendix A.

Uncertainties from potential future temperature and precipitation changes in a climate driven by increased concentrations of atmospheric carbon dioxide and other greenhouse gases ("GHGs") also present challenges. Areas of concern to California water planners identified by researchers include: reduction in Sierra Nevada and Colorado Basin snowpack; increased intensity and frequency of extreme weather events; shifting runoff patterns to earlier in the year when reservoir storage is more constrained due to flood protection; and rising sea levels resulting in increased risk of damage from storms, high-tide events, and the erosion of levees and potential cutbacks of deliveries of imported water. While potential impacts from climate change remain subject to study and debate, climate change is among the uncertainties that Metropolitan seeks to address through its planning processes. See "–Integrated Water Resources Plan" and "–Climate Action Planning and Other Environmental, Social and Governance Initiatives."

Current Water Conditions and Drought Response Actions

The water years 2020 and 2021 combined ranked as the two driest years in California's statewide precipitation record. (A water year begins on October 1 and ends on the following September 30.) Beginning in April 2021, Governor Newsom issued a series of drought emergency proclamations affecting various counties throughout the State, culminating in an October 19, 2021 proclamation declaring a drought state of emergency to be in effect statewide and directing local water suppliers to implement water shortage contingency plans at a level appropriate to local conditions. On March 28, 2022, Governor Newsom issued an executive order directing the State Water Resources Control Board (the "SWRCB") to consider adopting regulations by May 25, 2022 that require urban water suppliers with water shortage contingency plans to implement, at a minimum, shortage response actions for a shortage level of up to 20 percent (a "Level 2" shortage). On May 24, 2022, in response to the executive order, the SWRCB adopted a new emergency water conservation regulation. The new regulation bans irrigating turf at commercial, industrial, and institutional properties, such as grass in front of or next to large industrial or commercial buildings. The ban does not include watering turf that is used for recreation or other community purposes, water used at residences or water to maintain trees. The regulation also requires all urban water suppliers to implement conservation actions under Level 2 of their water shortage contingency plans.

As of July 6, 2022, northern Sierra precipitation was 78 percent of the 30-year average for the time of year, while the snowpack reached its peak on January 17, 2022, at 61 percent of the 30-year April 1st peak average. As of June 7, 2022, the water year runoff forecast for the Sacramento River was 10.7 million acre-feet or 60 percent of the 30-year average for the time of year. Although the end of 2021 was hydrologically above average, the State experienced the driest January through March on record in the northern Sierra to begin 2022. On March 18, 2022, following the previously mentioned record dry conditions, DWR decreased the State Water Project allocation estimate for 2022 from 15 percent to 5 percent of contracted amounts (95,575 acre-feet for Metropolitan), with additional supplies available to meet the human health and safety water needs of contractors. This follows a final allocation of 5 percent of contracted amounts in 2021.

In light of these conditions, DWR has exercised a never-before-invoked provision of the water supply contract (Article 18a) that allows State Water Project water to be allocated on some other basis than Table A to meet minimum demands for domestic supply, fire protection, or sanitation. The human health and safety water allocation is 55 gallons per person per day offset by the available local supplies. At the request of DWR, Metropolitan submitted a letter to DWR in October 2021 requesting delivery of certain human health and safety supplies to the State Water Project-dependent portion of Metropolitan's service area (the "SWP Dependent Area"), which request can be revised as needed. DWR expects contractors receiving these supplies to mandate substantial reductions in water use consistent with these emergency drought circumstances. Further, DWR will require any water taken in 2022 for human health and safety purposes to be returned within five calendar years following the calendar year of delivery, with mandatory returns to be made in years when State Water Project allocations are 40 percent of contracted amounts or greater, thus creating a water supply debt that effectively reduces future Table A allocations and slows storage recovery once the drought eases. See "–State Water Project."

The Colorado River Basin is also experiencing an extended drought. As of July 7, 2022, the Upper Colorado River Basin precipitation was 96 percent of the 30-year median. However, due to dry soil conditions and warmer than normal temperatures, as of July 5, 2022, the water year runoff forecast into Lake Powell was only 60 percent of average, again extending drought conditions in the Colorado River Basin. On July 5, 2022, the total system storage in the Colorado River Basin was 36 percent of capacity, which is a decrease of 5 percent, or 4.2 million acre-feet, from the same time last year. On August 16, 2021, the United States Bureau of Reclamation (the "Bureau of Reclamation") declared a shortage condition for the Colorado River Basin, as the storage level of Lake Mead behind Hoover Dam fell below an elevation of 1,075 feet. This shortage condition results in reduced deliveries to Arizona, Nevada, and Mexico. Because of its higher priority, California, including Metropolitan, is not affected by this shortage declaration and will be able to take ICS (defined below) out of Lake Mead, if needed, to augment Metropolitan's Colorado River supplies to meet demands in its service area. As of June 27, 2022, the projected supply of Colorado River water available to Metropolitan in calendar year 2022 was estimated to be 911,000 acre-feet, which will be augmented with water stored in Lake Mead to meet local water demands.

Lake Powell has declined to the second lowest elevation since it was filled nearly sixty years ago. On May 4, 2022, the Department of Interior announced that it will reduce releases of water from Glen Canyon Dam from the planned amount of 7.48 million acre-feet to 7.0 million acre-feet during the 2022 water year in order to reduce or delay Lake Powell declining below critically low elevations. Operation of Glen Canyon Dam below certain elevations may threaten dam infrastructure, would interrupt hydropower generation and would interrupt water supplies for two communities near Glen Canyon Dam. This action is being taken to avoid these outcomes. The Bureau of Reclamation will address the future release of these 480,000 acre-feet with input from the Colorado River Basin States. The Bureau of Reclamation and the States of the Upper Division of the Colorado River Basin announced the 2022 Drought Response Operations Agreement plan to release 500,000 acre-feet of water from Flaming Gorge. This action is also intended to support the elevation of Lake Powell.

The elevations of Lake Mead and Lake Powell have continued to decline. On June 14, 2022, in testimony before the United States Senate, the Commissioner of the Bureau of Reclamation announced that the Bureau of Reclamation estimates that between two and four million acre-feet of additional conservation is needed in the Colorado River system in 2023 in order to prevent further declines in Lake Mead and Lake Powell below critical levels. The Commissioner called upon the Colorado River Basin States (hereinafter defined) to develop a plan for the needed conservation measures within 60 days. The Commissioner further indicated that the Bureau of Reclamation was prepared to use its emergency authority to mandate measures if agreement among the states could not be reached. See "–Colorado River Aqueduct."

Metropolitan has planned and prepared for dry conditions by investing in vital infrastructure to increase its storage capacity and enhance operational flexibility. Metropolitan met the water demands in its service area in calendar year 2021 using a combination of CRA deliveries, storage reserves and supplemental water transfers and purchases. On April 13, 2021, the Board authorized the General Manager to secure up to 65,000 acre-feet of additional water pursuant to one-year water transfers from water districts located north of the Sacramento-San Joaquin River, at a maximum cost of up to $44 million. Approximately 40,000 acre-feet were secured. The authorized water transfers allowed Metropolitan to preserve some water stored in surface water reservoirs on the State Water Project system for 2022.

Metropolitan's storage as of January 1, 2022 is estimated to be 3.38 million acre-feet. See "–Storage Capacity and Water in Storage" in this Appendix A. As of June 27, 2022, Metropolitan's projected supply/demand gap estimate for the calendar year 2022 is approximately 629,000 acre-feet based upon its demand estimate of 1.80 million acre-feet, the State Water Project allocation estimate of 5 percent of contracted amounts, and its Colorado River Aqueduct supply estimate of 911,000 acre-feet. Metropolitan is prepared to fill the supply/demand gap and meet water demands in its service area in the calendar year 2022 using a combination of available State Water Project Table A supplies as well as additional State Water Project supplies requested by Metropolitan for human health and safety, CRA deliveries, storage reserves, supplemental water transfers and purchases, and conservation. Metropolitan has initiated the process to withdraw from its dry-year storage reserves in the State Water Project banking programs and flexible storage accounts. In December 2021, Metropolitan's Board approved the purchase of 4,200 acre-feet and a lease of 5,000 acre-feet of return capacity from San Diego County Water Authority's Semitropic Program for 2022. See "–Water Transfer, Storage and Exchange Programs –State Water Project Agreements and Programs – *San Diego County Water Authority Semitropic Program.*" Also, in December 2021, Metropolitan's Board authorized the General Manager to enter into agreements with San Bernardino Valley Municipal Water District ("SBVMWD") and DWR to improve the management of State Water Project supplies, including the framework for exchange of water. Pursuant to such authority, effective as of April 1, 2022, Metropolitan and SBVMWD entered into a 2022 exchange agreement that provides for the exchange of both local and State Water Project supplies in 2022. Under this agreement, during calendar year 2022, Metropolitan may request up to 3,000 acre-feet of carryover water stored in San Luis Reservoir and up to 1,000 acre-feet/month of groundwater. This additional supply will help member agencies within the SWP Dependent Area. See also "–Water Transfer, Storage and Exchange Programs –State Water Project Agreements and Programs – *San Bernardino Valley Municipal Water District Exchange Program*" in this Appendix A. On April 12, 2022, the Board authorized the General Manager to secure up to 75,000 acre-feet of additional water pursuant to one-year water transfers from water districts located north of the Sacramento-San Joaquin River Delta, at a maximum cost of up to $60 million. As of May 31, 2022, Metropolitan estimates it has in place arrangements for approximately 19,000 acre-feet of transfers pursuant to this authority.

Since early 2021, in response to persistent dry conditions, Metropolitan has implemented certain operational measures and programs to minimize State Water Project deliveries and preserve State Water

Project supplies, expand the delivery of Colorado River water, and store supplies further in the distribution system. These measures were made possible by Metropolitan's continued investment in facility upgrades and improvements. Metropolitan also coordinated with several member agencies to shift from service connections that utilize State Water Project supplies to service connections that use Colorado River water to conserve State Water Project supplies. See "–Water Transfer, Storage and Exchange Programs –State Water Project and Colorado River Aqueduct Arrangements – *Operational Shift Cost Offset Program.*"

Metropolitan continues to encourage responsible and efficient water use to lower demands. Following the Governor's October 2021 proclamation of a statewide drought emergency, on November 9, 2021, Metropolitan's Board of Directors declared a drought emergency and called on its member agencies dependent on State Water Project water to use increased conservation measures or other means to reduce their use of those supplies. To assist in these conservation efforts, Metropolitan's board also approved a series of measures to expand various rebate and water-efficiency programs. On April 26, 2022 Metropolitan's board approved the framework of an Emergency Water Conservation Program to further reduce demand on State Water Project supplies. See "CONSERVATION AND WATER SHORTAGE MEASURES–Emergency Water Conservation Program for the State Water Project Dependent Area" in this Appendix A.

Metropolitan's Upper Feeder pipeline, which delivers untreated water from Lake Mathews to the F.E. Weymouth Water Treatment Plant, and treated water from the Weymouth plant to the Eagle Rock control facility in the City of Los Angeles, is expected to be taken out of service for an estimated 15-day emergency shutdown to complete certain needed repairs, beginning in late August or early September 2022. To conserve limited supplies during the shutdown, Metropolitan, in coordination with all member agencies downstream of the Upper Feeder and the Weymouth and Diemer treatment plants, will be seeking additional significant, voluntary conservation efforts by customers of these member agencies during the period of the shutdown. Affected agencies include most of the member agencies in the central Los Angeles and Orange County areas. The shutdown is not expected to change the conservation requirements for the SWP Dependent Area.

Metropolitan's financial reserve policy provides funds to manage through periods of reduced sales. See "METROPOLITAN REVENUES–Financial Reserve Policy" in this Appendix A. In years when actual sales are less than projections, Metropolitan uses various tools to manage reductions in revenues, such as reducing expenditures below budgeted levels, reducing funding of capital projects from revenues, and drawing on reserves. See also "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

Integrated Water Resources Plan

Overview and Background. The Integrated Water Resources Plan (the "IRP") is Metropolitan's principal water resources planning document. Metropolitan, its member agencies, subagencies and groundwater basin managers developed Metropolitan's first IRP as a long-term planning guideline for resources and capital investments over a 25-year planning cycle. The purpose of the IRP was the development of a portfolio of preferred resources to meet the water supply reliability and water quality needs for the region in a cost-effective and environmentally sound manner. The first IRP was adopted by the Board in January 1996 and has been subsequently updated approximately every five years (*i.e.*, in 2004, 2010 and 2015). Work on Metropolitan's 2020 IRP commenced in February 2020 and is ongoing as described under "*–2020 IRP*" below.

Metropolitan's last IRP update (the "2015 IRP Update") was adopted by the Board on January 12, 2016 as a strategy to set goals and a framework for water resources development. The strategy reflected in the 2015 IRP Update was aimed at providing regional reliability through 2040 by stabilizing Metropolitan's traditional imported water supplies and continuing to develop additional conservation programs and local resources, with an increased emphasis on regional collaboration. It also advances long-term planning for potential future contingency resources, such as storm water capture and seawater desalination.

Specifically, the 2015 IRP Update identifies the goals, approaches and regional targets for water resource development that are needed to ensure reliability under planned conditions through the year 2040, focusing on the following primary resource areas: (i) State Water Project, (ii) Colorado River Aqueduct, (iii) water transfers and exchanges; (iv) water conservation, and (v) local water supplies. It provides an adaptive management approach to address future uncertainty, including uncertainty from climate change. Adaptive water management, as opposed to a rigid set of planned actions over future decades, is designed to be a systematic process for improving management policies and practices by learning from the outcomes of implemented management strategies. An adaptive management approach began to evolve with Metropolitan's first IRP in 1996, after drought-related shortages in 1991 prompted a rethinking of Southern California's long-term water strategy. Reliance on imported supplies to meet future water needs has decreased steadily over time, replaced by plans for local actions to meet new demands. The 2015 IRP Update continues a diversified portfolio approach to water management.

2020 IRP. In February 2020, Metropolitan initiated a new process for the development of the 2020 IRP. The year 2020 marked the conclusion of the 25-year planning cycle envisioned by the original 1996 IRP. The 2020 IRP, development of which is ongoing, builds upon Metropolitan's adaptive management strategy by utilizing a scenario planning approach. The 2020 IRP anticipates ranges for how much water Southern California can expect from its imported and local supplies, as well as regional water demands, across four plausible scenarios through 2045.

Development of the 2020 IRP is being undertaken in two phases (i) Phase 1: Regional Needs Assessment, and (ii) Phase 2: One Water Implementation. As the first phase of the 2020 IRP's development, the Regional Needs Assessment analyzed potential gaps between the expected supplies and the forecasted demands across the four IRP scenarios. The Regional Needs Assessment presents key technical findings and examines the effectiveness of generalized portfolio categories. The Regional Needs Assessment also frames and guides the establishment of more specific targets to maintain reliability over the planning period and informs Metropolitan's Board on resource investment decisions as well as the establishment of a plan to fund them. In light of the future uncertainties inherent in long-term resource planning, including uncertainties about climate change and regulatory requirements, as well as Southern California's population and economy, the 2020 IRP's scenario planning approach better prepares the region for a wider range of potential outcomes by identifying solutions and policies across a variety of possible future conditions. This strategy is designed to enable Metropolitan and its member agencies to manage future challenges and changes in California's water conditions and to balance investments with water reliability benefits.

The Board adopted the 2020 IRP Regional Needs Assessment Report in April 2022, thus completing the IRP Regional Needs Assessment phase. The 2020 IRP Regional Needs Assessment outcomes can be summarized through a set of findings grounded in the scenario reliability analysis. The findings fall within five key focus areas: SWP Dependent Areas, Storage, Retail Demand/Demand Management, Metropolitan Imported Supplies, and Local Supply. Adopting the Regional Needs Assessment allows the analysis and findings to serve as both a foundation and as guardrails for the One Water Implementation phase.

The One Water Implementation phase will take the results and findings of Phase 1 into a collaborative process to identify integrated regional solutions. Using a One Water approach, the implementation phase will translate the high-level portfolio analysis from Phase 1 into specific policies, programs, and projects to address the findings and mitigate the potential shortages. Comprehensive, adaptive management strategy and evaluation criteria will be developed to guide these specific actions. The adaptive management strategy will also establish a process for monitoring key reliability indicators to support decision-making.

Information and materials relating to Metropolitan's ongoing development of its 2020 IRP are available at: https://www.mwdh2o.com/how-we-plan/integrated-resource-plan/. The materials and other information set forth on Metropolitan's website are not incorporated into this Appendix A and should not be construed to be a part of this Appendix A by virtue of the foregoing reference to such materials and website.

Specific projects identified by Metropolitan in connection with the implementation of its IRP are subject to Board consideration and approval, as well as environmental and regulatory documentation and compliance.

Climate Action Planning and Other Environmental, Social and Governance Initiatives

General; Background. Metropolitan has long supported sustainability efforts, dating back to its founding in 1928, when planners and engineers designed the CRA to deliver water primarily by gravity across 242 miles of California desert to the State's south coastal plain. Metropolitan recognized the need for a reliable supply of power by investing in the construction of Hoover Dam and Parker Dam. Together, these dams produce clean, carbon-free energy that supply more than half of the energy needed to power the CRA pumps.

In the decades that followed, Metropolitan has continued to make investments in clean energy and energy-efficient design to reduce GHG emissions, as well as climate adaptation investments to bolster water supply availability, particularly during times of drought. In addition, Metropolitan has partnered with the scientific community, including academic research institutions and the private sector, to test and ultimately implement advanced technologies that monitor and enhance Metropolitan's water supplies. Metropolitan's efforts to date in this area have focused not only on the goal of achieving broad environmental sustainability and efficiency objectives but also environmental risk mitigation.

Metropolitan has adopted or is in the process of adopting several planning documents that address the core issues of environmental sustainability, improving climate resiliency of operations, and advancing the goal of carbon neutrality. These documents include the Climate Action Plan, the Energy Sustainability Plan, the 2020 IRP and Metropolitan's Capital Improvement Plan. Metropolitan will be coordinating its ongoing sustainability efforts through its Chief Sustainability, Resiliency and Innovation Officer ("SRI Officer"). Metropolitan hired its first SRI Officer in March 2022. The SRI Officer is a newly created executive position that reports directly to the General Manager. Metropolitan's SRI Officer will play a central role in refining and implementing Metropolitan's existing climate action goals, as well as developing new goals to help Metropolitan meet its objectives across the organization.

Climate Change and Climate Action Plan. Climate change is expected to increase average temperatures across the western United States. In the Colorado River Basin, that is expected to result in decreased runoff and lower flows as less snow is coupled with increased evapotranspiration from trees and plants. In the Sierra Nevada, precipitation is anticipated to increasingly fall as rain in a few large storms, rather than as snow. Sierra snowpack, a critical storage tool in California's water management as it holds water high in the mountains until peak summer demand, has been projected to decrease by up to 65 percent by the end of the century. In the local Southern California region, climate change threatens groundwater basins with saltwater intrusion and less natural replenishment. These factors are expected to reduce the reliability of Metropolitan's imported water supply for Southern California.

Metropolitan has long recognized the threat to its water supply posed by these long-term impacts and has been addressing climate change for more than two decades through its IRP. Pursuant to its IRP (originally adopted in January 1996 and subsequently updated in 2004, 2010 and 2015), Metropolitan has invested in local supplies, developed new storage, and increased the flexibility of its water system facilities to be able to take delivery of water from diverse sources when available. Below are a few examples:

- Metropolitan has increased the water storage capacity of its dams and reservoirs by more than 13-fold since 1990 and has built the Inland Feeder, a large conveyance pipeline that allows for the movement of water into that storage. See "METROPOLITAN'S WATER DELIVERY SYSTEM" in this Appendix A. With snowpack dwindling, these investments provide a valuable opportunity to capture water in wet years and save it for dry ones.

- Metropolitan has increased the operational flexibility of its water delivery system through infrastructure improvements, such as the Inland Feeder, which provides the ability to capture and store high allocations of State Water Project supplies when available, and agreements to deliver Colorado River water supplies when State supplies are in drought, and vice versa. See "–Water Transfer, Storage and Exchange Programs."

- Metropolitan has invested approximately $840 million in conservation programs, which have helped decrease per capita water consumption over time in Metropolitan's service area from 207 gallons per person per day in 1990 to 127 gallons per person per day in 2017 – a 39 percent reduction. Metropolitan plans to continue to expand these efforts into the future. See "CONSERVATION AND WATER STORAGE MEASURES" in this Appendix A.

- Metropolitan's Local Resources Program accelerates the development of local water supply reliability projects by incentivizing agencies within Metropolitan's service area to construct recycled water, groundwater recovery and seawater desalination projects. Since 1982, Metropolitan has invested approximately $528 million in recycled water projects, a resilient supply source not impacted by climate change. See "REGIONAL WATER RESOURCES–Local Water Supplies" in this Appendix A.

- Metropolitan has partnered with other utilities and organizations across the nation to understand both the effects of climate change and potential opportunities to build resilience. These collaborators include the Water Utility Climate Alliance, a collaboration of large water providers working on climate issues affecting the country's water agencies, and the California Resilience Challenge, a collaboration of businesses, utilities, and non-profit organizations developing climate adaptation planning projects.

In May 2022, Metropolitan adopted a Climate Action Plan, a comprehensive planning document that outlines Metropolitan's strategy for reducing GHG emissions associated with future construction, operation, and maintenance activities. The Climate Action Plan includes an analysis of Metropolitan's historical GHG emissions, a forecast of future GHG emissions, sets a GHG reduction target for reducing emissions consistent with applicable state policies, and identifies a suite of specific GHG reduction actions that Metropolitan can implement to achieve its adopted targets. The Climate Action Plan establishes a GHG emissions reduction goal of 40 percent by 2030 and carbon neutrality by 2045. Metropolitan's Climate Action Plan includes nine strategies that target the reduction of direct emissions from natural gas and fuel combustion by supporting the transition to a zero emissions vehicle fleet and reduction of natural gas combustion; reducing indirect emissions associated with electricity consumption through improved energy efficiency and utilizing low-carbon and carbon-free electricity; and implementing GHG reduction measures that incentivize sustainable employee commutes, increase waste diversion, increase water conservation and local water supply, and investigating and implementing carbon capture and carbon sequestration opportunities on Metropolitan-owned lands.

Metropolitan's Climate Action Plan includes an implementation strategy, annual GHG inventories, a public-facing tracking and monitoring tool to ensure progress towards meeting its goal, and five-year updates to capture new and emerging technologies for GHG emissions reductions. The strategies included in the Climate Action Plan provide the co-benefits of improved infrastructure reliability, greater energy resiliency, and expected reduced costs associated with energy procurement and maintenance.

Energy Sustainability. Metropolitan meets its energy demands through its investments in hydroelectric and solar power and the purchase of more than 2,000 GWh of electricity annually from the regional power grid. In November 2020, Metropolitan developed an Energy Sustainability Plan. The Energy Sustainability Plan includes a framework of sustainable actions focused on energy cost containment, reliability, affordability, conservation and adaptation, including reconfiguring certain existing power plants and variable-speed pump drives at pumping stations, and assessing the integration of islanded operations for microgrid purposes. Metropolitan invests in renewable energy resources, including buying and generating hydroelectric power to help meet much of its electricity needs. Currently, over three-quarters of Metropolitan's pumping and water treatment energy needs are met through renewable/sustainable energy resources. In addition to using power generated at Parker and Hoover Dams, Metropolitan has built 15 in-stream hydroelectric plants throughout its distribution system with a total capacity of about 130 megawatts. Metropolitan has also installed 5.5 megawatts of photovoltaic solar power at its facilities and is implementing a project to add battery energy storage to store green energy when power rates are low and discharge that energy when rates are higher.

Diversity, Equity and Inclusion and Governance. In its dedication to improving workplace culture for all employees, Metropolitan's Board has adopted a statement pledging its support of diversity, equity and inclusion initiatives. The Statement of Commitment is the result of a collaborative discussion among the 38-member board and provides guidance so that staff can develop, implement and maintain policies and practices to support diversity, equity and inclusion. In May 2022, Metropolitan hired its first Chief Diversity, Equity and Inclusion officer to help plan, develop, and implement strategies and initiatives designed to ensure that Metropolitan is a diverse and inclusive organization. See "GOVERNANCE AND MANAGEMENT–Management" and "–Employee Relations" in this Appendix A.

State Water Project

Background and Current Supply

One of Metropolitan's two major sources of water is the State Water Project, which is owned by the State, and managed and operated by DWR. The State Water Project is the largest state-built, multipurpose, user-financed water project in the country. It was designed and built primarily to deliver water, but also provides flood control, generates power for pumping, is used for recreation, and enhances habitat for fish and wildlife. The State Water Project provides irrigation water to 750,000 acres of farmland, mostly in the San Joaquin Valley, and provides municipal and industrial water to approximately 27 million of California's estimated 39.4 million residents, including the population within the service area of Metropolitan.

The State Water Project's watershed encompasses the mountains and waterways around the Feather River, the principal tributary of the Sacramento River, in the Sacramento Valley of Northern California. Through the State Water Project, Feather River water stored in and released from Oroville Dam (located about 70 miles north of Sacramento, east of the city of Oroville, California) and unregulated flows diverted directly from the Bay-Delta are transported south through the Central Valley of California, over the Tehachapi Mountains and into Southern California, via the California Aqueduct, to four delivery points near the northern and eastern boundaries of Metropolitan's service area. The total length of the California Aqueduct is approximately 444 miles. See "METROPOLITAN'S WATER DELIVERY SYSTEM–Primary Facilities and Method of Delivery –*State Water Project*" in this Appendix A.

From calendar year 2012 through 2021, the amount of water received by Metropolitan from the State Water Project, including water from water transfer, groundwater banking and exchange programs delivered through the California Aqueduct (described under "–Water Transfer, Storage and Exchange Programs" below), varied from a low of 588,000 acre-feet in the calendar year 2020 to a high of 1,473,000 acre-feet in 2017. In the calendar year 2020, DWR's allocation to State Water Contractors (defined below) was 20 percent of contracted amounts, or 382,300 acre-feet, for Metropolitan. In the calendar year 2021, DWR's allocation to State Water Contractors was 5 percent of contracted amounts, or 95,575 acre-feet, for Metropolitan.

On December 1, 2021, DWR announced an initial calendar year 2022 allocation of 0 percent. In light of the unprecedented drought conditions, DWR stated that the initial allocation for 2022 would focus on the health and safety needs of the 29 State Water Contractors. On January 20, 2022, DWR increased the allocation estimate to 15 percent of contracted amounts, or 286,725 acre-feet for Metropolitan, based on increased precipitation and estimates of future runoff under very dry conditions. On March 18, 2022, due to extremely dry conditions, DWR decreased the allocation to 5 percent of contracted amounts, with additional supplies available to meet the health and safety water needs of State Water Contractors. Further changes to the 2022 allocation are unlikely as the rainy season has passed and the record dry conditions are ongoing. See also "–Current Water Conditions and Drought Response Actions."

State Water Contract

General Terms of the Contract. In 1960, Metropolitan signed a water supply contract (as amended, the "State Water Contract") with DWR to receive water from the State Water Project. Metropolitan is one of 29 agencies and districts that have long-term contracts for water service from DWR (known collectively as the "State Water Contractors" and sometimes referred to herein as "Contractors"). Metropolitan is the largest of the State Water Contractors in terms of the number of people it serves (approximately 19 million), the share of State Water Project water that it has contracted to receive (approximately 46 percent), and the percentage of total annual payments made to DWR by agencies with State water supply contracts (approximately 51 percent for calendar year 2022). Metropolitan received its first delivery of State Water Project water in 1972.

Pursuant to the terms of the State water supply contracts, all water-supply related expenditures for capital and operations, maintenance, power, and replacement costs associated with the State Water Project facilities are paid for by the State Water Contractors as components of their annual payment obligations to DWR. In exchange, Contractors have the right to participate in the system, with an entitlement to water service from the State Water Project and the right to use the portion of the State Water Project conveyance system necessary to deliver water to them. Each year DWR estimates the total State Water Project water available for delivery to the State Water Contractors and allocates the available project water among the State Water Contractors in accordance with the State water supply contracts. Late each year, DWR announces an initial allocation estimate for the upcoming year, but periodically provides subsequent estimates throughout the year if warranted by developing precipitation and water supply conditions. Based upon the updated rainfall and snowpack values, DWR's total water supply availability projections are refined during each calendar year and allocations to the State Water Contractors are adjusted accordingly.

Under its State Water Contract, Metropolitan has a contractual right to its proportionate share of the State Water Project water that DWR determines annually is available for allocation to the Contractors. This determination is made by DWR each year based on existing supplies in storage, forecasted hydrology, and other factors, including water quality and environmental flow obligations and other operational considerations. Available State Water Project water is then allocated to the Contractors in proportion to the amounts set forth in "Table A" of their respective State water supply contract (sometimes referred to herein as "Table A State Water Project water"); provided, that in accordance with the terms of the State water supply contracts, the State may allocate on some other basis if such action is required to meet minimum demands of contractors for domestic supply, fire protection, or sanitation during the year. Pursuant to Table A of its State Water Contract, Metropolitan is entitled to approximately 46 percent of the total annual allocation made available to State Water Contractors each year. Metropolitan's State Water Contract, under a 100 percent allocation, provides Metropolitan 1,911,500 acre-feet of water. The 100 percent allocation is referred to as the contracted amount. See also "–Current Water Conditions and Drought Response Actions" for information regarding Metropolitan's allocation of State Water Project water for 2022.

The term of Metropolitan's State Water Contract currently extends to December 31, 2035, or until all DWR bonds issued to finance construction of project facilities are repaid, whichever is longer. Upon expiration of the State Water Contract term, Metropolitan has the option to continue service under substantially the same terms and conditions. See also "*–Amendment of Contract Term*."

Monterey Amendment. Amendments, approved by Metropolitan's Board in 1995, and since executed by DWR and 27 of the State Water Contractors (collectively known as the "Monterey Amendment"), among other things, made explicit that the Contractors' rights to use the portion of the State Water Project conveyance system necessary to deliver water to them also includes the right to convey non-State Water Project water at no additional cost as long as capacity exists. These amendments also expanded the ability of the State Water Contractors to carry over State Water Project water in State Water Project storage facilities, allowed participating Contractors to borrow water from terminal reservoirs, and allowed Contractors to store water in groundwater storage facilities outside a Contractor's service area for later use. These amendments provided the means for individual Contractors to increase supply reliability through water transfers and storage outside their service area. Metropolitan has subsequently developed and actively manages a portfolio of water supplies to convey through the California Aqueduct pursuant to these contractual rights. See "–Water Transfer, Storage and Exchange Programs."

The adequacy of the Environmental Impact Report ("EIR") for the Monterey Amendment was challenged in litigation. After revising the EIR and completing remedial CEQA review, in September 2021, the Court of Appeal upheld the adequacy of the EIR, the validity of the Monterey Amendment and the agreement relating to the Kern Water Bank (a portion of the Monterey Amendment that does not directly affect Metropolitan), and the trial court's denial of attorney fees for one of the plaintiffs.

On January 5, 2022, the California Supreme Court denied petitions seeking review of the Court of Appeal's decision. The Court of Appeal's decision upholding the Monterey Amendment is therefore final.

Project Improvement Amendments. Metropolitan's State Water Contract has been amended a number of times since its original execution and delivery. Several of the amendments, entered into by DWR and various subsets of State Water Contractors, relate to the financing and construction of a variety of State Water Project facilities and improvements and impose certain cost responsibility therefor on the affected Contractors, including Metropolitan. For a description of Metropolitan's financial obligations under its State Water Contract, including with respect to such amendments, see "METROPOLITAN EXPENSES–State Water Contract Obligations" in this Appendix A.

Water Management Amendments. Metropolitan and other State Water Contractors have undertaken negotiations with DWR to amend their State water supply contracts to clarify the criteria applicable to certain water management tools including single and multi-year water transfers and exchanges. The water management provisions amendment allows for greater flexibility for transfers and exchanges among the State Water Contractors. Specifically, the amendment confirms existing practices for exchanges, allows more flexibility for non-permanent water transfers, and allows for the transfer and exchange of certain portions of Article 56 carryover water (see "–Water Transfer, Storage and Exchange Programs –State Water Project Agreements and Programs – *Metropolitan Article 56 Carryover*"). DWR certified a final EIR for the water management amendments in August 2020. In September 2020, North Coast Rivers Alliance, California Water Impact Network and others separately filed two lawsuits challenging DWR's final EIR and approval of the State water supply contract water management provisions amendment under CEQA. North Coast Rivers Alliance also alleges violations of the Delta Reform Act, and public trust doctrine, and seeks declaratory and injunctive relief. The cases were deemed related and assigned to the same judge. DWR is in the process of compiling the administrative record. Any adverse impact of this litigation and rulings on Metropolitan's State Water Project supplies cannot be determined at this time. Despite the pending litigation, enough of the State Water Contractors approved and executed the amendments as required by DWR for it to be deemed fully executed. The amendments went into effect on February 28, 2021. The State Water Contractors association has intervened in the two related cases to protect the interests of the Contractors.

Amendment of Contract Term. DWR and the State Water Contractors reached an Agreement in Principle (the "Agreement in Principle") on an amendment to their State water supply contracts to extend the contracts beyond December 31, 2035 and to make certain changes related to financial management of the State Water Project (which, following the execution of the amendment, are expected to be implemented beginning on January 1, 2024). DWR and 25 of the State Water Contractors, including Metropolitan, have signed the Agreement in Principle. Under the Agreement in Principle, the term of the State water supply contract for each Contractor that signs an amendment would be extended until December 31, 2085. The Agreement in Principle served as the "proposed project" for purposes of environmental review under CEQA. Three separate lawsuits were filed relating to the contract extension: one, a validation action, by DWR seeking to validate the contract extension, and two others, separate petitions for writ of mandate and a complaint for declaratory and injunctive relief challenging DWR's final EIR and approval of the State water supply contract extension amendment under CEQA, the Delta Reform Act, and public trust doctrine. The validation and CEQA cases were deemed related by the court and assigned to a single judge. After a three-day trial in January 2022, the court issued a final statement of decision on March 9, 2022 ruling that the amendments are valid and denying the petitions for writs of mandate challenging the final EIR and rejecting the Delta Reform Act and public trust causes of action. In late April, final judgments were entered in all three cases and served on the parties. On May 20, 2022, one group of petitioners filed a notice of appeal in the validation action. On May 24, 2022, a different group of petitioners filed a notice of appeal in one of the writ actions. Any potential adverse impact of appeals on Metropolitan's State Water Project supplies cannot be determined at this time. As of May 2022, 22 of the 29 State Water Contractors, including Metropolitan, have executed the amendment, exceeding the DWR established threshold needed for it to be implemented. Considering the favorable outcome at trial, DWR is considering moving forward with implementation of the amendments with individual State Water Contractors. Unless the contract extension amendment is implemented, the amortization period for any future DWR bonds issued for the State Water Project will end in 2035.

Amendments for Allocation of Conveyance Costs. Metropolitan and other State Water Contractors embarked on a third public process to further negotiate proposed amendments to their State water supply contracts related to cost allocation for a potential Delta Conveyance Project. Pursuant to the terms of the Monterey settlement (referenced above), negotiations for this State Water Project contract amendment were completed in public. In March 2021, DWR and the State Water Contractors concluded public negotiations and reached an Agreement in Principle (the "Delta Conveyance AIP") that will be the basis for amendment of the State water supply contracts. The future contract amendment contemplated by the Delta Conveyance AIP would provide a mechanism that would allow for the costs related to any Delta Conveyance Project to be allocated and collected by DWR. The Delta Conveyance AIP also provides for the allocation of benefits for any Delta Conveyance Project in proportion to each State Water Contractor's participation. DWR will maintain a table reflecting decisions made by public agency boards regarding that agency's participation. Contract language for the proposed amendments is under development. Consideration of the amendments for approval by DWR and the State Water Contractors would not occur until after DWR's completion of the Delta Conveyance Project environmental review, which is not expected before 2024. See "*–Bay-Delta Planning Activities*" and "*–Delta Conveyance*" under "Bay-Delta Proceedings Affecting State Water Project" below.

Coordinated Operations with Central Valley Project

DWR operates the State Water Project in coordination with the federal Central Valley Project, which is operated by the Bureau of Reclamation. Since 1986, the coordinated operations have been undertaken pursuant to a Coordinated Operations Agreement for the Central Valley Project and State Water Project (the "COA"). The COA defines how the State and federal water projects share water quality and environmental flow obligations imposed by regulatory agencies. The agreement calls for periodic review to determine whether updates are needed in light of changed conditions. After completing a joint review process, DWR and the Bureau of Reclamation agreed to amend the COA to reflect water quality regulations, biological opinions and hydrology updated since the 1986 agreement was signed. On December 13, 2018, DWR and the Bureau of Reclamation executed an Addendum to the COA (the "COA Addendum"). The COA Addendum provides for DWR's adjustment of current State Water Project operations to modify pumping operations, as well as project storage withdrawals to meet in-basin uses, pursuant to revised calculations based on water year types. The COA Addendum will shift responsibilities for meeting obligations between the Central Valley Project and the State Water Project, resulting in a shift of approximately 120,000 acre-feet in long-term average annual exports from the State Water Project to the Central Valley Project.

In executing the COA Addendum, DWR found the agreement to be exempt from environmental review under CEQA as an ongoing project and that the adjustments in operations are within the original scope of the project. On January 16, 2019, commercial fishing groups and an American Indian tribe ("petitioners") filed a lawsuit against DWR alleging that entering the COA Addendum violated CEQA, the Delta Reform Act, and the public trust doctrine. On April 11, 2019, Westlands Water District ("Westlands") filed a motion to intervene, which was not opposed by any party. The court granted Westlands' motion on June 7, 2019. On October 7, 2019, the North Delta Water Agency filed a motion to intervene. On November 19, 2019, the court granted North Delta Water Agency's motion. The petitioners are still in the process of preparing the administrative record. A hearing on the merits has been set for July 22, 2022. The effect of this lawsuit on the COA Addendum and State Water Project operations cannot be determined at this time.

2017 Oroville Dam Spillway Incident

Oroville Dam, the earthfill embankment dam on the Feather River which impounds Lake Oroville, is operated by DWR as a facility of the State Water Project. On February 7, 2017, the main flood control spillway at Oroville Dam, a gated and concrete lined facility, experienced significant damage as DWR released water to manage higher inflows driven by continued precipitation in the Feather River basin. The damaged main spillway impaired DWR's ability to manage lake levels causing water to flow over the emergency spillway structure, an ungated, 1,730-foot-long concrete barrier located adjacent to the main flood control spillway structure. Use of the emergency spillway structure resulted in erosion that threatened the stability of the emergency spillway structure. This concern prompted the Butte County Sheriff to issue an evacuation order for approximately 200,000 people living in Oroville and the surrounding communities.

On November 1, 2018, DWR completed reconstruction of the main spillway to its original design capacity of approximately 270,000 cubic feet per second ("cfs"), a capacity almost twice its highest historical outflow. Work on the emergency spillway was substantially completed in April 2019. Mitigation measures such as slope revegetation were completed in 2021. DWR has estimated the total costs of the recovery and restoration project prior to any federal or other reimbursement to be approximately $1.2 billion. As of March 2022, DWR has received or expects to receive reimbursement of a total of approximately $617 million of these costs under the Public Assistance Program of the Federal Emergency Management Agency ("FEMA"). Unrecovered costs of about $602 million were charged to the State Water Contractors under the State Water Contracts, of which Metropolitan's share totaled about $275 million. DWR financed these unrecovered costs with DWR bonds.

Various lawsuits have been filed against DWR asserting claims for property damage, economic losses, environmental impacts and civil penalties related to this incident. Neither Metropolitan nor any other State Water Contractor was named as a defendant in any of these lawsuits. These cases, which have been coordinated in Sacramento Superior Court (Case No. JCCP 4974), include a lawsuit filed by the Butte County District Attorney ("DA") that seeks up to $51 billion in civil penalties. This lawsuit asserts a single claim under California Fish and Game Code section 5650, *et seq.*, which makes it unlawful to deposit or place certain substances into the waters of the State, including lime, slag and "any substance or material deleterious to fish, plant life, mammals, or bird life." Among other things, the statute provides for the assessment of civil penalties of up to $25,000 a day and $10 per pound of material deposited in violation of its strictures.

DWR filed a motion for summary judgment in the Butte County DA case on September 3, 2020. On December 18, 2020, the Sacramento Superior Court issued a ruling granting DWR's motion. In its ruling, the court determined that, as a matter of law, DWR is not a person subject to the penalty provisions of the California Fish and Game Code section at issue, and therefore the Butte County DA's complaint failed to state a cause of action. As a result of the granting of the motion, the matter was dismissed by the trial court. The judgment was entered on January 11, 2021. The Butte County DA filed a notice of appeal on February 9, 2021. On March 30, 2021, the Third District Court of Appeal ordered this case to mediation, but no settlement was reached. As a result, the court terminated the mediation on January 6, 2022. The record on appeal has been designated, but no briefing schedule has been set. At this time, Metropolitan cannot predict the outcome of this litigation or the amount of civil penalties that might be assessed in the event the Butte County DA prevails on an appeal of the decision.

The State water supply contracts provide that Metropolitan and the other State Water Contractors are not liable for any claim of damage of any nature arising out of or connected to the control, carriage, handling, use, disposal or distribution of State Water Project water prior to the point where it reaches their turnouts. However, DWR has asserted that regardless of legal liability all costs of the State Water Project system must be borne by State Water Contractors. Thus, DWR has indicated that it intends to bill the State Water Contractors for any expenditures related to litigation (cost of litigation, settlements, damages awards/verdicts) arising from the Oroville Dam spillway incident and costs incurred by DWR to date have been reflected in DWR charges. Metropolitan has established that all charges related to this litigation are being paid under protest, and it has an existing tolling agreement with DWR to preserve its legal right to seek recovery of these charges and/or dispute any future charges that DWR may seek to assess related to such litigation.

Bay-Delta Proceedings Affecting State Water Project

General. In addition to being a source of water for diversion into the State Water Project, the Bay-Delta is the source of water for local agricultural, municipal, and industrial needs. The Bay-Delta also supports significant resident and anadromous fish and wildlife resources, as well as recreational uses of water. Both the State Water Project's upstream reservoir operations and its Bay-Delta diversions can at times affect these other uses of Bay-Delta water directly, or indirectly, through impacts on Bay-Delta water quality. A variety of proceedings and other activities are ongoing with the participation of various State and federal agencies, as well as California's environmental, urban and agricultural communities, in an effort to develop long-term, collectively negotiated solutions to the environmental and water management issues concerning the Bay-Delta. Metropolitan actively participates in these proceedings. Metropolitan cannot predict the outcome of any of the litigation or regulatory processes described below but believes that a materially adverse impact on the operation of State Water Project pumps, could negatively impact Metropolitan's State Water Project deliveries and/or Metropolitan's water reserves.

SWRCB Regulatory Activities and Decisions. The SWRCB is the agency responsible for setting water quality standards and administering water rights throughout California. The SWRCB exercises its regulatory authority over the Bay-Delta by means of public proceedings leading to regulations and decisions that can affect the availability of water to Metropolitan and other users of State Water Project water. These include the Water Quality Control Plan ("WQCP") for the San Francisco Bay/Sacramento-San Joaquin Delta Estuary, which establishes the water quality objectives and proposed flow regime of the estuary, and water rights decisions, which assign responsibility for implementing the objectives of the WQCP to users throughout the system by adjusting their respective water rights permits.

Since 2000, SWRCB's Water Rights Decision 1641 ("D-1641") has governed the State Water Project's ability to export water from the Bay-Delta for delivery to Metropolitan and other agencies receiving water from the State Water Project. D-1641 allocated responsibility for meeting flow requirements and salinity and other water quality objectives established earlier by the WQCP.

The WQCP gets reviewed periodically and new standards and allocations of responsibility can be imposed on the State Water Project as a result. The SWRCB's current review and update of the WQCP is being undertaken in phased proceedings. In December 2018, the SWRCB completed Phase 1 of the WQCP proceedings, adopting the plan amendments and environmental documents to support new flow standards for the Lower San Joaquin River tributaries and revised southern Delta salinity objectives. Various stakeholders filed suit against the SWRCB challenging these amendments. As part of Phase 2 proceedings, a framework document for the second plan amendment process, focused on the Sacramento River and its tributaries, Delta eastside tributaries, Delta outflows, and interior Delta flows, was released in July 2018. The framework describes changes that will likely be proposed by the SWRCB through formally proposed amendments and supporting environmental documents unless it approves an alternative. The proposed changes include certain unimpaired flow requirements for the Sacramento River and its salmon-bearing tributaries. The SWRCB has also encouraged all stakeholders to work together to reach one or more voluntary agreements for consideration by the SWRCB that could implement the proposed amendments to the WQCP through a variety of tools, including non-flow habitat restoration for sensitive salmon and smelt species, while seeking to protect water supply reliability. Metropolitan is participating in the Phase 2 proceedings and voluntary agreement negotiations. On March 29, 2022, Metropolitan's General Manager signed a Memorandum of Understanding Advancing a Term Sheet for the Voluntary Agreements to Update and Implement the Bay-Delta Water Quality Control Plan, and Other Related Actions (the "VA MOU"). Other parties include the California Natural Resources Agency ("Natural Resources"), the California Environmental Protection Agency, the California Department of Fish and Wildlife ("CDFW"), the Bureau of Reclamation, the State Water Contractors association and nine other water users. Under the VA MOU, the parties "seek to take a comprehensive approach to integrate flow and non-flow measures, including habitat restoration, subject to ongoing adaptive management based on a science program" as described in an attached term sheet. The proposed approach provides for implementation over eight years with a potential extension to up to fifteen years.

Bay-Delta Planning Activities. In 2000, several State and federal agencies released the CALFED Bay-Delta Programmatic Record of Decision and Environmental Impact Report/Environmental Impact Statement ("EIR/EIS") that outlined and disclosed the environmental impacts of a 30-year plan to improve the Bay-Delta's ecosystem, water supply reliability, water quality, and levee stability. CALFED is the consortium of State and federal agencies with management and regulatory responsibilities in the San Francisco Bay/ Sacramento-San Joaquin Delta Estuary. The CALFED Record of Decision remains in effect and many of the State, federal, and local projects begun under CALFED continue.

In 2006 multiple State and federal resource agencies, water agencies, and other stakeholder groups entered into a planning agreement for the Bay-Delta Conservation Plan ("BDCP"). The BDCP was originally conceived as a comprehensive conservation strategy for the Bay-Delta designed to restore and protect ecosystem health, water supply, and water quality within a stable regulatory framework to be implemented over a 50-year time frame with corresponding long-term permit authorizations from fish and wildlife regulatory agencies. The BDCP includes both alternatives for new water conveyance infrastructure and extensive habitat restoration in the Bay-Delta.

The existing State Water Project Delta water conveyance system needs to be improved and modernized to address operational constraints on pumping in the south Delta as well as risks to water supplies and water quality from climate change, earthquakes, and flooding. Operational constraints are largely due to biological opinions and incidental take permits to which the State Water Project is subject that substantially limit the way DWR operates the State Water Project.

In 2015, the State and federal lead agencies proposed an alternative implementation strategy and new alternatives to the BDCP to provide for the protection of water supplies conveyed through the Bay-Delta and the restoration of the ecosystem of the Bay-Delta, termed "California WaterFix" and "California EcoRestore," respectively. Planned water conveyance improvements, California WaterFix, would be implemented by DWR and the Bureau of Reclamation as a stand-alone project with the required habitat restoration limited to that directly related to construction mitigation. Ecosystem improvements and habitat restoration more generally, California EcoRestore, would be undertaken under a more phased approach.

California EcoRestore. As part of California EcoRestore, which was initiated in 2015, the State is pursuing more than 30,000 acres of Delta habitat restoration. Work on several California EcoRestore projects is ongoing. The overall estimated cost to complete the current list of California EcoRestore projects is $750-$950 million, with approximately half expected to be paid from the State Water Project by State Water Contractors and half from other funding sources. Over the first five years (which was 2015-2020), California EcoRestore represents an investment of approximately $500 million for implementation and planning costs. This includes certain amounts being paid by the State Water Contractors, including Metropolitan, for the costs of habitat restoration required to mitigate State and federal water project impacts pursuant to the biological opinions. See also "–Endangered Species Act and Other Environmental Considerations Relating to Water Supply – Endangered Species Act Considerations – State Water Project."

Delta Conveyance. On April 29, 2019, Governor Newsom issued an executive order directing identified State agencies to develop a comprehensive statewide strategy to build a climate-resilient water system, directing the State agencies to inventory and assess the current planning for modernizing conveyance through the Bay-Delta with a new single tunnel project (rather than the previously contemplated two-tunnel California WaterFix). Consistent with the Governor's direction, in January 2020, DWR commenced a formal environmental review process under CEQA for a proposed single tunnel Delta Conveyance Project. The new conveyance facilities being reviewed would include intake structures on the Sacramento River, with a total capacity of 6,000 cfs, and a single tunnel to convey water to the existing pumping plants in the south Delta. Planning, environmental review and conceptual design work by DWR are expected to be completed in the 2023-2024 timeframe.

On August 20, 2020, the U.S. Army Corps of Engineers, the lead agency for the Delta Conveyance Project under the National Environmental Policy Act ("NEPA"), issued a notice of intent of the development of the environmental impact statement for the Delta Conveyance Project. The draft environmental impact statement is currently anticipated to be available for public review and comment in mid-2022.

Metropolitan's Board has previously authorized Metropolitan's participation in two joint powers agencies relating to a Bay-Delta conveyance project (originally formed in connection with California WaterFix): the Delta Conveyance Design and Construction Authority (the "DCA"), formed by the participating water agencies to actively participate with DWR in the design and construction of the conveyance project in coordination with DWR and under the control and supervision of DWR; and the Delta Conveyance Finance Authority (the "Financing JPA"), formed by the participating water agencies to facilitate financing for the conveyance project. The DCA is providing engineering and design activities to support the DWR's planning and environmental analysis for the potential new Delta Conveyance Project.

In August 2020, the DCA released preliminary cost information for the proposed Delta Conveyance Project based on an early cost assessment prepared by the DCA. The DCA's early assessment is based on preliminary engineering, not a full conceptual engineering report, and includes project costs for construction, management, oversight, mitigation, planning, soft costs, and contingencies. Based on these assumptions, the DCA's early assessment estimated a project cost of approximately $15.9 billion in 2020 non-discounted dollars, which includes a 44 percent overall contingency applied to the preliminary construction costs.

Approximately $340.7 million of investment is estimated to be needed over four years (2021 through 2024) to fund planning and pre-construction costs for the proposed Delta Conveyance Project. At its December 8, 2020 Board meeting, Metropolitan's Board authorized the General Manager to execute a funding agreement with DWR and commit funding for a Metropolitan participation level of 47.2 percent of such costs of preliminary design, environmental planning and other pre-construction activities to assist in the environmental process for the proposed Delta Conveyance Project. Metropolitan's 47.2 percent share amounts to an estimated funding commitment of $160.8 million over the four years 2021 through 2024. Eighteen other State Water Contractors also have approved funding a share of the planning and pre-construction costs. Like prior agreements for BDCP and California WaterFix, the funding agreement provides that funds would be reimbursed to Metropolitan if the project is approved and when the first bonds, if any, for the project are issued. In connection with approving the funding agreement, at its December 2020 Board meeting, the Board also authorized the General Manager to execute an amendment to the DCA joint exercise of powers agreement. The amendment was developed to address changes in the anticipated participation structure for the proposed Delta Conveyance Project from that contemplated for California WaterFix.

Metropolitan's December 8, 2020 action to approve fund planning and pre-construction costs does not commit Metropolitan to participate in the Delta Conveyance Project. Any final decision to commit to the project and incur final design and construction costs would require Board approval following completion of the environmental review for the proposed Delta Conveyance Project, which is not expected to occur until 2024 or later.

On August 6, 2020, DWR adopted certain resolutions to authorize the issuance of bonds to finance costs of the Delta Conveyance Project environmental review, planning, design and, if and when such a project is approved, the costs of acquisition and construction thereof. The same day, it filed a complaint in Sacramento County Superior Court seeking to validate its authority to issue the bonds. Fourteen answers have been filed in the validation action, and one related case was filed in the same court alleging that DWR violated CEQA by adopting the bond resolutions before completing environmental review of the Delta Conveyance Project. DWR and several project opponents filed cross-motions for summary judgment on the CEQA affirmative defenses and related CEQA lawsuit, and in December 2021, the trial court granted DWR's motions and denied opponents' motions, eliminating the CEQA affirmative defenses. Because the trial court judge was elevated to the Court of Appeal, the parties have requested reassignment to a new trial court judge to move the validation case forward to trial. Additional lawsuits could be filed in the future with respect to any new Bay-Delta conveyance project and may impact the anticipated timing and costs of any proposed new single tunnel Delta Conveyance Project.

Colorado River Aqueduct

Background

The Colorado River was Metropolitan's original source of water after Metropolitan's establishment in 1928. Metropolitan has a legal entitlement to receive water from the Colorado River under a permanent service contract with the Secretary of the Interior. Water from the Colorado River and its tributaries is also available to other users in California, as well as users in the states of Arizona, Colorado, Nevada, New Mexico, Utah, and Wyoming (collectively, the "Colorado River Basin States"), resulting in both competition and the need for cooperation among these holders of Colorado River entitlements. In addition, under a 1944 treaty, Mexico has the right to delivery of 1.5 million acre-feet of Colorado River water annually except as provided under shortage conditions described in Treaty Minute 323. The United States and Mexico agreed to conditions for reduced deliveries of Colorado River water to Mexico in Treaty Minute 323, adopted in 2017. Treaty Minute 323 established the rules under which Mexico agreed to take shortages and create reservoir storage in Lake Mead. Those conditions are in parity with the requirements placed on the Lower Basin States (defined below) in the Lower Basin Drought Contingency Plan (described under "– Colorado River Operations: Surplus and Storage Guidelines – *Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead*"). Mexico can also schedule delivery of an additional 200,000 acre-feet of Colorado River water per year if water is available in excess of the requirements in the United States and the 1.5 million acre-feet allotted to Mexico.

Construction of the CRA, which is owned and operated by Metropolitan, was undertaken by Metropolitan to provide for the transportation of its Colorado River water entitlement to its service area. The CRA originates at Lake Havasu on the Colorado River and extends approximately 242 miles through a series of pump stations and reservoirs to its terminus at Lake Mathews in Riverside County. Up to 1.25 million acre-feet of water per year may be conveyed through the CRA to Metropolitan's member agencies, subject to the availability of Colorado River water for delivery to Metropolitan as described below. Metropolitan first delivered CRA water to its member agencies in 1941.

Colorado River Water Apportionment and Seven-Party Agreement

Pursuant to the federal Boulder Canyon Project Act of 1928, California is apportioned the use of 4.4 million acre-feet of water from the Colorado River each year plus one-half of any surplus that may be available for use collectively in Arizona, California and Nevada (the "Lower Basin States"). Under an agreement entered into in 1931 among the California entities that expected to receive a portion of California's apportionment of Colorado River water (the "Seven-Party Agreement") and which has formed the basis for the distribution of Colorado River water made available to California, Metropolitan holds the fourth priority right to 550,000 acre-feet per year. This is the last priority within California's basic apportionment. In addition, Metropolitan holds the fifth priority right to 662,000 acre-feet of water, which is in excess of California's basic apportionment. Until 2003, Metropolitan had been able to take full advantage of its fifth priority right as a result of the availability of surplus water and water apportioned to Arizona and Nevada that was not needed by those states. However, during the 1990s Arizona and Nevada increased their use of water from the Colorado River, and by 2002 no unused apportionment was available for California. As a result, California has limited its annual use to 4.4 million acre-feet since 2003, not including supplies made available under water supply programs such as Intentionally Created Surplus ("ICS") and certain conservation and storage agreements. In addition, a severe drought in the Colorado River Basin from 2000-2004 reduced storage in system reservoirs, ending the availability of surplus deliveries to Metropolitan. Prior to 2003, Metropolitan could divert over 1.25 million acre-feet in any year. Since 2003, Metropolitan's net diversions of Colorado River water have ranged from a low of 537,607 acre-feet in 2019 to a high of approximately 1,179,000 acre-feet in 2015. Preliminary average annual net diversions for 2012 through 2021 were 909,585 acre-feet, with annual volumes dependent primarily on programs to augment supplies, including transfers of conserved water from agriculture. See "– Quantification Settlement Agreement" and "– Colorado River Operations: Surplus and Shortage Guidelines." See also "–Current Water Conditions and Drought Response Actions" and "–Water Transfer, Storage and Exchange Programs – Colorado River Aqueduct Agreements and Programs." In 2021, Metropolitan's preliminary total available Colorado River supply was just over one million acre-feet. A portion of the available supply was supply from Metropolitan's Lake Mead ICS supplies. See also "–Storage Capacity and Water in Storage."

The following table sets forth the existing priorities of the California users of Colorado River water established under the 1931 Seven-Party Agreement.

PRIORITIES UNDER THE 1931 CALIFORNIA SEVEN-PARTY AGREEMENT[(1)]

Priority	Description	Acre-Feet Annually
1	Palo Verde Irrigation District gross area of 104,500 acres of land in the Palo Verde Valley	3,850,000
2	Yuma Project in California not exceeding a gross area of 25,000 acres in California	
3(a)	Imperial Irrigation District and other lands in Imperial and Coachella Valleys[(2)] to be served by All-American Canal	
3(b)	Palo Verde Irrigation District - 16,000 acres of land on the Lower Palo Verde Mesa	
4	Metropolitan Water District of Southern California for use on the coastal plain	550,000
	SUBTOTAL	4,400,000
5(a)	Metropolitan Water District of Southern California for use on the coastal plain	550,000
5(b)	Metropolitan Water District of Southern California for use on the coastal plain[(3)]	112,000
6(a)	Imperial Irrigation District and other lands in Imperial and Coachella Valleys to be served by the All-American Canal	300,000
6(b)	Palo Verde Irrigation District - 16,000 acres of land on the Lower Palo Verde Mesa	
	TOTAL	5,362,000
7	Agricultural use in the Colorado River Basin in California	Remaining surplus

Source: Metropolitan.

(1) Agreement dated August 18, 1931, among Palo Verde Irrigation District, Imperial Irrigation District, Coachella Valley County Water District, Metropolitan, the City of Los Angeles, the City of San Diego and the County of San Diego. These priorities were memorialized in the agencies' respective water delivery contracts with the Secretary of the Interior.

(2) The Coachella Valley Water District serves Coachella Valley.

(3) In 1946, the City of San Diego, the San Diego County Water Authority, Metropolitan and the Secretary of the Interior entered into a contract that merged and added the City and County of San Diego's rights to storage and delivery of Colorado River water to the rights of Metropolitan.

Quantification Settlement Agreement

The Quantification Settlement Agreement ("QSA"), executed by the Coachella Valley Water District ("CVWD"), Imperial Irrigation District ("IID"), Metropolitan, and others in October 2003, establishes Colorado River water use limits for IID and CVWD, and provides for specific acquisitions of conserved water and water supply arrangements. The QSA and related agreements provide a framework for Metropolitan to enter into other cooperative Colorado River supply programs and set aside several disputes among California's Colorado River water agencies.

Specific programs under the QSA and related agreements include lining portions of the All-American and Coachella Canals, which were completed in 2009 and conserve over 98,000 acre-feet annually. Metropolitan receives this water and delivers over 77,000 acre-feet of exchange water annually to the San Diego County Water Authority ("SDCWA"), and provides 16,000 acre-feet of water annually by exchange to the United States for use by the La Jolla, Pala, Pauma, Rincon and San Pasqual Bands of Mission Indians, the San Luis Rey River Indian Water Authority, the City of Escondido, and the Vista Irrigation District. Water became available for exchange with the United States following a May 17, 2017 notice from the Federal Energy Regulatory Commission ("FERC") satisfying the last requirement of Section 104 of the San Luis Rey Indian Water Rights Settlement Act (Title I of Public Law 100-675, as amended). The QSA and related agreements also authorized the transfer of conserved water annually by IID to SDCWA (up to a maximum amount in 2021 of 205,000 acre-feet, then stabilizing to 200,000 acre-feet per year). Metropolitan also receives this water and delivers an equal amount of exchange water annually to SDCWA. See description under "–Metropolitan and San Diego County Water Authority Exchange Agreement" below; see also "METROPOLITAN REVENUES–Principal Customers" in this Appendix A. Also included under the QSA related agreements is a delivery and exchange agreement between Metropolitan and CVWD that provides for Metropolitan, when requested, to deliver annually up to 35,000 acre-feet of Metropolitan's State Water Project contractual water to CVWD by exchange with Metropolitan's available Colorado River supplies.

Metropolitan and San Diego County Water Authority Exchange Agreement

No facilities exist to deliver conserved water acquired by SDCWA from IID and water allocated to SDCWA that has been conserved as a result of the lining of the All-American and Coachella Canals. See "–Quantification Settlement Agreement." Accordingly, in 2003, Metropolitan and SDCWA entered into an exchange agreement (the "Exchange Agreement"), pursuant to which SDCWA makes available to Metropolitan at its intake at Lake Havasu on the Colorado River the conserved Colorado River water SDCWA receives under the QSA related agreements. Metropolitan delivers an equal volume of water from its own sources of supply through its delivery system to SDCWA. The Exchange Agreement limits the amount of water that Metropolitan delivers to 277,700 acre-feet per year, except that an additional 5,000 acre-feet was exchanged in 2021 and an additional 2,500 acre-feet will be exchanged in 2022. In consideration for the exchange of the conserved water made available to Metropolitan by SDCWA with the exchange water delivered by Metropolitan, SDCWA pays the agreement price. The price payable by SDCWA is calculated using the charges set by Metropolitan's Board from time to time to be paid by its member agencies for the conveyance of water through Metropolitan's facilities. See "METROPOLITAN REVENUES–Litigation Challenging Rate Structure" in this Appendix A for a description of Metropolitan's charges for the conveyance of water through Metropolitan's facilities and litigation in which SDCWA is challenging such charges. The term of the Exchange Agreement, as it relates to conserved water transferred by IID to SDCWA, extends through 2047, and as it relates to water allocated to SDCWA that has been conserved as a result of the lining of the All-American and Coachella Canals, extends through 2112; subject, in each case, to the right of SDCWA, upon a minimum of five years' advance written notice to Metropolitan, to permanently reduce the aggregate quantity of conserved water made available to Metropolitan under the Exchange Agreement to the extent SDCWA decides continually and regularly to transport such conserved water to SDCWA through alternative facilities (which do not presently exist). In 2021, preliminary estimates of water delivered to Metropolitan by SDCWA for exchange was approximately 282,700 acre-feet, consisting of 205,000 acre-feet of IID conservation plus 77,700 acre-feet of conserved water from the Coachella Canal and All-American Canal lining projects.

Colorado River Operations: Surplus and Shortage Guidelines

General. The Secretary of the Interior is vested with the responsibility of managing the mainstream waters of the lower Colorado River pursuant to federal law. Each year, the Secretary of the Interior is required to declare the Colorado River water supply availability conditions for the Lower Basin States in terms of "normal," "surplus" or "shortage" and has adopted operations criteria in the form of guidelines to determine the availability of surplus or potential shortage allocations among the Lower Basin States and reservoir operations for such conditions.

Interim Surplus Guidelines. In January 2001, the Secretary of the Interior adopted guidelines (the "Interim Surplus Guidelines"), initially for use through 2016, in determining the availability and quantity of surplus Colorado River water available for use in California, Arizona and Nevada. The Interim Surplus Guidelines were amended in 2007 and now extend through 2026. The purpose of the Interim Surplus Guidelines was to provide mainstream users of Colorado River water, particularly those in California and Nevada who had been utilizing surplus flows, a greater degree of predictability with respect to the availability and quantity of surplus water. Under the Interim Surplus Guidelines, Metropolitan initially expected to divert up to 1.25 million acre-feet of Colorado River water annually under foreseeable runoff and reservoir storage scenarios from 2004 through 2016. However, as described above, an extended drought in the Colorado River Basin reduced these initial expectations, and Metropolitan has not received any surplus water since 2002 and does not expect to receive any surplus water in the foreseeable future.

Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead. In May 2005, the Secretary of the Interior directed the Bureau of Reclamation to develop additional strategies for improving coordinated management of the reservoirs of the Colorado River system. In November 2007, the Bureau of Reclamation issued a Final EIS regarding new federal guidelines concerning the operation of the Colorado River system reservoirs, particularly during drought and low reservoir conditions. These guidelines provide water release criteria from Lake Powell and water storage and water release criteria from Lake Mead during shortage and surplus conditions in the Lower Basin, provide a mechanism for the storage and delivery of conserved system and non-system water in Lake Mead, and extend the Interim Surplus Guidelines through 2026 (as noted above). The Secretary of the Interior issued the final guidelines through a Record of Decision signed in December 2007. The Record of Decision and accompanying agreement among the Colorado River Basin States protect reservoir levels by reducing deliveries during low inflow periods, encouraging agencies to develop conservation programs and allowing the Colorado River Basin States to develop and store new water supplies. The Colorado River Basin Project Act of 1968 insulates California from shortages in all but the most extreme hydrologic conditions. Consistent with these legal protections, under the guidelines, Arizona and Nevada are first subject to the initial annual shortages identified by the Secretary in a shared amount of up to 500,000 acre-feet.

The guidelines also created the ICS program, which allows water contractors in the Lower Basin States to store conserved water in Lake Mead. Under this program, ICS water (water that has been conserved through an extraordinary conservation measure, such as land fallowing) is eligible for storage in Lake Mead by Metropolitan. ICS can be created through 2026 and delivered through 2036. See the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage." Under the guidelines and the subsequent Colorado River Drought Contingency Plan Authorization Act, California can create and deliver up to 400,000 acre-feet of extraordinary conservation ICS ("EC ICS") annually and accumulate up to 1.5 million acre-feet of EC ICS in Lake Mead. In December 2007, California contractors for Colorado River water executed the California Agreement for the Creation and Delivery of Extraordinary Conservation Intentionally Created Surplus (the "California ICS Agreement"), which established terms and conditions for the creation, accumulation, and delivery of EC ICS by California contractors receiving Colorado River water. Under the California ICS Agreement, the State's EC ICS creation, accumulation, and delivery limits provided to California under the 2007 Interim Shortage Guidelines are apportioned between IID and Metropolitan. No other California contractors were permitted to create or accumulate ICS. Under the terms of the agreement, IID is allowed to store up to 25,000 acre-feet per year of EC ICS in Lake Mead with a cumulative limit of 50,000 acre-feet, in addition to any acquired Binational ICS water (water that has been conserved through conservation projects in Mexico). Metropolitan is permitted to use the remaining available ICS creation, delivery, and accumulation limits provided to California.

The Secretary of the Interior delivers the stored ICS water to Metropolitan in accordance with the terms of December 13, 2007, January 6, 2010, and November 20, 2012 Delivery Agreements between the United States and Metropolitan. As of January 1, 2022, Metropolitan had an estimated 1,243,000 acre-feet in its ICS accounts. These ICS accounts include water conserved by fallowing in the Palo Verde Valley, projects implemented with IID in its service area, groundwater desalination, the Warren H. Brock Reservoir Project, and international agreements that converted water conserved by Mexico to the United States.

Colorado River Drought Contingency Plans. Since the 2007 Lower Basin shortage guidelines were issued for the coordinated operations of Lake Powell and Lake Mead, the Colorado River has continued to experience drought conditions. The seven Colorado River Basin States, the U.S. Department of Interior through the Bureau of Reclamation, and water users in the Colorado River Basin, including Metropolitan, began developing Drought Contingency Plans ("DCPs") to reduce the risk of Lake Powell and Lake Mead declining below critical elevations through 2026.

In April 2019, the President of the United States signed the Colorado River Drought Contingency Plan Authorization Act (referenced above), directing the Secretary of the Interior to sign and implement four DCP agreements related to the Upper and Lower Basin DCPs without delay. The agreements were executed and the Upper and Lower Basin DCPs became effective on May 20, 2019. The Lower Basin Drought Contingency Plan Agreement requires California, Arizona and Nevada to store defined volumes of water in Lake Mead at specified lake levels. California would begin making contributions if Lake Mead's elevation is projected to be 1,045 feet above sea level or below on January 1. Lake Mead elevation in January 2022 was 1,066 feet. Depending on the lake's elevation, California's contributions would range from 200,000 to 350,000 acre-feet a year ("DCP Contributions"). Pursuant to intrastate implementation agreements and a settlement agreement with IID, Metropolitan will be responsible for 90 percent of California's DCP Contributions under the Lower Basin DCP. CVWD will be responsible for 7 percent of California's required DCP Contributions. While IID is not a party to the DCP, if Metropolitan is required to make a DCP contribution, IID will assist Metropolitan in making DCP contributions by contributing the lesser of either: (a) three percent of California's DCP contribution or (b) the amount of water IID has stored with Metropolitan. The terms of the settlement agreement with IID referenced above and the mechanism by which IID will contribute to California's DCP Contributions is described in more detail under "–Water Transfer, Storage and Exchange Programs –Colorado River Aqueduct Agreements and Programs – *California ICS Agreement Intrastate Storage Provisions"* in this Appendix A.

Implementation of the Lower Basin DCP enhances Metropolitan's ability to store water in Lake Mead and ensures that water in storage can be delivered later. The Lower Basin DCP increases the total volume of water that California may store in Lake Mead by 200,000 acre-feet, for a total of 1.7 million acre-feet, which Metropolitan will have the right to use. Both EC ICS and Binational ICS count towards the total volume of water that California may store in Lake Mead. Water stored as ICS will be available for delivery as long as Lake Mead's elevation remains above 1,025 feet. Previously, that water would likely have become inaccessible below a Lake Mead elevation of 1,075 feet. DCP Contributions may be made through conversion of existing ICS. These types of DCP Contributions become DCP ICS. DCP Contributions may also be made by leaving water in Lake Mead that there was a legal right to have delivered. This type of DCP Contribution becomes system water and may not be recovered. Rules are set for delivery of DCP ICS through 2026 and between 2027-2057.

The Lower Basin DCP will be effective through 2026. Before the DCP and 2007 Lower Basin shortage guidelines terminate in 2026, the U.S. Department of Interior through the Bureau of Reclamation, the seven Colorado River Basin States, and water users in the Colorado River Basin, including Metropolitan, are expected to develop new shortage guidelines for the management and operation of the Colorado River. The Bureau of Reclamation plans to announce in the Federal Register the official beginning of work on environmental documents for the new guidelines in January 2023.

Lake Mead 500+ Plan. In December 2021, Metropolitan, the U.S. Department of Interior, the Arizona Department of Water Resources, the Central Arizona Project, and the Southern Nevada Water Authority ("SNWA") executed a memorandum of understanding for an agreement to invest up to $200 million in projects over the next two years to keep Lake Mead from dropping to critically low levels. The agreement, known as the "500+ Plan," aims to add 500,000 acre-feet of additional water to Lake Mead in both 2022 and 2023 by facilitating actions to conserve water across the Lower Colorado River Basin. The additional water, enough water to serve about 1.5 million households per year, would add about 16 feet total to the reservoir's level. Under the memorandum of understanding, the Arizona Department of Water Resources commits to provide up to $40 million to the initiative over two years, with Metropolitan, the Central Arizona Project and SNWA each agreeing to contribute up to $20 million. The federal government plans to match those commitments, providing an additional $100 million. Some of the specific conservation actions and programs that will be implemented through the 500+ Plan have already begun, while others are still being identified. The memorandum of understanding includes conservation efforts in both urban and agricultural communities, such as funding crop fallowing on farms to save water, including the recent approval of a short-term agricultural land fallowing program in California, or urban conservation to reduce diversions from Lake Mead.

Related Litigation–Navajo Nation Suit. The Navajo Nation filed litigation against the Department of the Interior, specifically the Bureau of Reclamation and the Bureau of Indian Affairs, in 2003, alleging that the Bureau of Reclamation has failed to determine the extent and quantity of the water rights of the Navajo Nation in the Colorado River and that the Bureau of Indian Affairs has failed to otherwise protect the interests of the Navajo Nation. The complaint challenges the adequacy of the environmental review for the Interim Surplus Guidelines (described under " –Colorado River Operations: Surplus and Shortage Guidelines – *Interim Surplus Guidelines*") and seeks to prohibit the Department of the Interior from allocating any "surplus" water until such time as a determination of the rights of the Navajo Nation is completed. Metropolitan and other California water agencies filed motions to intervene in this action. In October 2004 the court granted the motions to intervene and stayed the litigation to allow negotiations among the Navajo Nation, federal defendants, Central Arizona Water Conservation District ("CAWCD"), State of Arizona and Arizona Department of Water Resources. After years of negotiations, a tentative settlement was proposed in 2012 that would provide the Navajo Nation with specified rights to water from the Little Colorado River and groundwater basins under the reservation, along with federal funding for the development of water supply systems on the tribe's reservation. The proposed agreement was rejected by tribal councils for both the Navajo and the Hopi, who were seeking to intervene. In June 2013, the Navajo Nation amended its complaint and added a legal challenge to the Lower Basin Shortage Guidelines adopted by the Secretary of the Interior in 2007 that allow Metropolitan and other Colorado River water users to store water in Lake Mead (described under "– Colorado River Operations: Surplus and Shortage Guidelines – *Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead*"). Metropolitan has used these new guidelines to store over 1,000,000 acre-feet of water in Lake Mead, a portion of which has been delivered, and the remainder of which may be delivered at Metropolitan's request in future years.

Following years of procedural challenges and appeals, in April 2021, the Ninth Circuit held that the Navajo Nation's claim for breach of trust against the United States was not barred and its legal challenges could continue. Appeals to the U.S. Supreme Court were due May 18, 2022. Certain intervenors, including Metropolitan, filed an appeal on May 17, 2022. The Department of the Interior requested an extension to July 25, 2022 to file any appeal. Metropolitan is unable to assess at this time the likely outcome of this litigation or any future claims, or their potential effect on Colorado River water supplies.

Endangered Species Act and Other Environmental Considerations Relating to Water Supply

<u>Endangered Species Act Considerations - State Water Project</u>

General. DWR has altered the operations of the State Water Project to accommodate species of fish listed as threatened or endangered under the federal Endangered Species Act ("ESA") and/or California ESA.

The federal ESA requires that before any federal agency authorizes, funds, or carries out an action that may affect a listed species or designated critical habitat, it must consult with the appropriate federal fishery agency (either the National Marine Fisheries Service ("NMFS") or the U.S. Fish and Wildlife Service ("USFWS") depending on the species) to determine whether the action would jeopardize the continued existence of any threatened or endangered species, or adversely modify habitat critical to the species' needs. The result of the consultation is known as a "biological opinion." In a biological opinion, a federal fishery agency determines whether the action would cause jeopardy to a threatened or endangered species or adverse modification to critical habitat; and if jeopardy or adverse modification is found, recommends reasonable and prudent alternatives that would allow the action to proceed without causing jeopardy or adverse modification. If no jeopardy or adverse modification is found, the fish agency issues a "no jeopardy opinion." The biological opinion also includes an "incidental take statement." The incidental take statement allows the action to go forward even though it will result in some level of "take," including harming or killing some members of the species, incidental to the agency action, provided that the agency action does not jeopardize the continued existence of any threatened or endangered species and complies with reasonable mitigation and minimization measures recommended by the federal fishery agency or as incorporated into the project description.

The California ESA generally requires an incidental take permit or consistency determination for any action that may cause take of a State-listed species of fish or wildlife. To issue an incidental take permit or consistency determination, CDFW must determine that the impacts of the authorized take will be minimized and fully mitigated and will not cause jeopardy.

Federal ESA--Biological Opinions. On August 2, 2016, DWR and the Bureau of Reclamation requested that USFWS and NMFS reinitiate federal ESA consultation on the coordinated operations of the State Water Project and the federal Central Valley Project to update them with the latest best available science and lessons learned operating under the prior 2008 and 2009 biological opinions. In January 2019, the Bureau of Reclamation submitted the initial biological assessment to USFWS and NMFS. The biological assessment contains a description of the Bureau of Reclamation's and DWR's proposed long-term coordinated operations plan (the "2019 Long-Term Operations Plan"). On October 22, 2019, USFWS and NMFS issued new federal biological opinions (the "2019 biological opinions") that provide incidental take coverage for the 2019 Long-Term Operations Plan. On February 18, 2020, the Bureau of Reclamation signed a Record of Decision, pursuant to NEPA, completing its environmental review and adopting the 2019 Long-Term Operations Plan.

The 2019 Long-Term Operations Plan incorporates and updates many of the requirements contained in the previous 2008 and 2009 biological opinions. It also includes over $1 billion over a ten-year period in costs for conservation, monitoring and new science, some of which is in the form of commitments carried forward from the previous biological opinions. Those costs are shared by the State Water Project and the federal Central Valley Project. The prior 2008 and 2009 biological opinions resulted in an estimated reduction in State Water Project deliveries of 0.3 million acre-feet during critically dry years to 1.3 million acre-feet in above normal water years as compared to the previous baseline. The 2019 Long-Term Operations Plan and 2019 biological opinions are expected to increase State Water Project deliveries by an annual average of 200,000 acre-feet as compared to the previous biological opinions.

On January 20, 2021, President Biden issued an Executive Order on Protecting Public Health and the Environment and Restoring Science to Tackle the Climate Crisis (the "President's Executive Order on Public Health and the Environment") directing all executive departments and agencies to immediately review, and, as appropriate and consistent with applicable law, take action to address the promulgation of federal regulations and other actions during the last four years for consistency with the new administration's policies. Among numerous actions identified for review, the U.S. Department of Commerce and U.S. Department of Interior heads were directed to review the 2019 biological opinions. On September 30, 2021, Bureau of Reclamation Regional Director Ernest Conant sent a letter to the USFWS and NMFS re-initiating consultation on the long-term operations of the state and federal water projects. The consultation process requires the Bureau of Reclamation and DWR to develop a biological assessment describing the proposed operating criteria that would be analyzed under the biological permitting process and perform an effects analysis. The NMFS and USFWS would then review the assessment and determine what the operating requirements might be under a biological opinion if the 2019 biological opinion is modified in any way. On February 28, 2022, the Notice of Intent was published in the Federal Register officially starting the federal ESA and NEPA process. At this point, it is unclear what changes to the 2019 biological opinions will be made and their possible effect on Metropolitan.

Federal ESA–Litigation. On December 2, 2019, a group of non-governmental organizations, including commercial fishing groups and the Natural Resources Defense Council (the "NGOs"), sued USFWS and NMFS, alleging the 2019 biological opinions were arbitrary and capricious, later amending the lawsuit to include claims under the federal ESA and NEPA related to decisions made by the Bureau of Reclamation. On February 20, 2020, Natural Resources, the California Environmental Protection Agency, and the California Attorney General (collectively, the "State Petitioners") sued the federal agencies, making similar allegations. The State Water Contractors intervened in both cases to defend the 2019 biological opinions. The NGOs and the State Petitioners filed a preliminary injunction seeking a court order imposing interim operations consistent with the prior 2008 and 2009 biological opinions pending rulings on the merits of plaintiffs' challenges to the two 2019 biological opinions. On May 11, 2020, the court granted, in part, the motions for preliminary injunction, thereby requiring the Central Valley Project to operate to one of the reasonable and prudent alternatives (referred to as the "inflow-to-export ratio") in the 2009 biological opinion through May 31, 2020. As noted above, on September 30, 2021, the federal defendants formally re-initiated consultation on the challenged biological opinions. In October 2021, the federal defendants and state plaintiffs issued a draft Interim Operations Plan ("IOP") that would govern Central Valley Project-State Water Project coordinated operations through the 2021-2022 water year ending on September 30, 2022. In November 2021, the federal defendants moved for a remand of the biological opinions without vacating them, requested a stay through September 30, 2022, and requested that the court impose the IOP as equitable relief. The State Petitioners moved to have the IOP imposed as a preliminary injunction, while the NGOs moved for a preliminary injunction seeking an order imposing greater operational restrictions than under the IOP. On March 11, 2022, the court denied the State Petitioners' and NGO plaintiffs' motions for preliminary injunctive relief and granted the federal defendants' request for a remand without vacating the biological opinions, equitable relief imposing the IOP and a stay of the litigation through September 30, 2022. USFWS and NMFS have produced their respective administrative records. Once the administrative records are finalized, the parties anticipate stipulating to a briefing schedule to resolve the merits of the cases. However, considering the re-initiation of consultation and stay, the cases may be further stayed to allow completion of the reinitiated consultation and issuance of new or amended biological opinions without reaching the merits of the claims. Metropolitan is unable to predict the outcome of any litigation relating to the federal 2019 biological opinions or any potential effect on Metropolitan's State Water Project water supplies.

California ESA–DWR Permit Litigation. As described above, operations of the State Water Project require both federal ESA and California ESA authorizations. DWR described and analyzed its proposed State Water Project long-term operations plan for purposes of obtaining a new California ESA permit in its November 2019 Draft EIR under CEQA. Its 2019 Draft EIR proposed essentially the same operations plan as for the federal 2019 biological opinions, with the addition of operations for the State-only listed species, Longfin smelt. In December 2019, DWR submitted its application for an incidental take permit under the California ESA to CDFW, with a modified State operation plan that added new outflow and environmental commitments. On March 27, 2020, DWR released its final EIR and Notice of Determination, describing and adopting a State operation plan with additional operational restrictions and additional conservation commitments. On March 31, 2020, CDFW issued an incidental take permit for the State Water Project that included further operational restrictions and outflow. As issued, the incidental take permit reduces State Water Project deliveries by more than 200,000 acre-feet on average annually and adds another $218 million over a ten-year period in environmental commitments for the State Water Project.

On April 28, 2020, Metropolitan and Mojave Water Agency ("Mojave") jointly sued CDFW, DWR and Natural Resources, alleging that the new California ESA permit and final EIR violate CEQA and the California ESA. Metropolitan and Mojave also allege that DWR breached the State Water Contract and the implied covenant of good faith and fair dealing by, among other things, accepting an incidental take permit containing mitigation requirements in excess of that required by law. Subsequently, two State Water Contractors and a Metropolitan member agency joined with Metropolitan and Mojave in a first amended complaint. Various other water agencies also filed CEQA and CESA actions, or subsequently joined in a first amended complaint in which the individual water contractors allege causes of action for breach of contract and the implied covenant of good faith and fair dealing. In addition, another State Water Contractor, the SBVMWD, filed a complaint alleging violations of CEQA and CESA, as well as breach of contract and the implied covenant of good faith and fair dealing, unconstitutional takings, and anticipatory repudiation of contract. Several federal Central Valley Project water contractors also filed a CEQA challenge. Four other lawsuits have been filed by certain commercial fishing groups and an American Indian tribe, several environmental groups, and two in-Delta water agencies challenging the final EIR as inadequate under CEQA and alleging violations of the Delta Reform Act, public trust doctrine and, in one of the cases, certain water right statutes.

All eight cases have been coordinated in Sacramento County Superior Court. On May 7, 2021 the coordination trial judge ordered the CEQA and CESA causes of action as well as certain other administrative record-based claims alleged by petitioners in several other cases bifurcated from the State Water Contractors' respective contractual and unconstitutional takings causes of action, with the CEQA and CESA causes of action to be tried first. The court also ordered that a discovery stay remain in place pending final resolution of the CEQA, CESA and other administrative record claims. Metropolitan is unable to assess at this time the likely outcome of litigation relating to the California ESA permit, including any future litigation or any future claims that may be filed, or any potential effect on Metropolitan's State Water Project water supplies.

Endangered Species Act Considerations - Colorado River

Federal and state environmental laws protecting fish species and other wildlife species have the potential to affect Colorado River operations. A number of species that are on either "endangered" or "threatened" lists under the ESAs are present in the area of the Lower Colorado River, including among others, the bonytail chub, razorback sucker, southwestern willow flycatcher and Yuma clapper rail. To address this issue, a broad-based state/federal/tribal/private regional partnership that includes water, hydroelectric power and wildlife management agencies in Arizona, California and Nevada have developed a multi-species conservation program for the main stem of the Lower Colorado River (the Lower Colorado River Multi-Species Conservation Program or "MSCP"). The MSCP allows Metropolitan to obtain federal and state permits for any incidental take of protected species resulting from current and future water and power operations of its Colorado River facilities and to minimize any uncertainty from additional listings of endangered species. The MSCP also covers operations of federal dams and power plants on the river that deliver water and hydroelectric power for use by Metropolitan and other agencies. The MSCP covers 27 species and habitat in the Lower Colorado River from Lake Mead to the Mexican border for a term of 50 years (commencing in 2005). Over the 50-year term of the program, the total cost to Metropolitan is estimated to be about $88.5 million (in 2003 dollars), with annual costs ranging between $0.8 million and $4.7 million (in 2003 dollars).

Invasive Species - Mussel Control Programs

Zebra and quagga mussels are established in many regions of the United States. Mussels can reproduce quickly and, if left unmanaged, can reduce flows by clogging intakes and raw water conveyance systems, alter or destroy fish habitats, and affect lakes and beaches. Mussel management activities may require changes in water delivery protocols to reduce risks of spreading mussel populations and increase operation and maintenance costs.

In January 2007, quagga mussels were discovered in Lake Mead. All pipelines and facilities that transport raw Colorado River water are considered to be infested with quagga mussels. Metropolitan has a quagga mussel control plan, approved by the CDFW to address the presence of mussels in the CRA system and limit further spread of mussels. Year-round monitoring for mussel larvae is conducted at various locations in the CRA system and at select non-infested areas of Metropolitan's system and some locations in the State Water Project. Shutdown inspections have demonstrated that control activities effectively limit mussel infestation in the CRA and prevent the further spread of mussels to other bodies of water and water systems. Metropolitan's costs for controlling quagga mussels in the CRA system have been approximately $5 million per year.

Established mussel populations are located within ten miles of the State Water Project. A limited number of mussels have also been detected in State Water Project supplies in 2016 and 2021 but there is currently no evidence of established mussel populations, nor have they impacted Metropolitan's State Water Project deliveries. To prevent the introduction and further spread of mussels into the State Water Project, the Bay-Delta, and other uninfested bodies of water and water systems, DWR has also developed quagga mussel control plans.

Water Transfer, Storage and Exchange Programs

General

To supplement its State Water Project and Colorado River water supplies, Metropolitan has developed and actively manages a portfolio of water supply programs, including water transfer, storage and exchange agreements, the supplies created by which are conveyed through the California Aqueduct of the State Water Project, utilizing Metropolitan's rights under its State Water Contract to use the portion of the State Water Project conveyance system necessary to deliver water to it, or through available CRA capacity. Consistent with its long-term planning efforts, Metropolitan will continue to pursue voluntary water transfer and exchange programs with State, federal, public and private water districts, and individuals to help mitigate supply/demand imbalances and provide additional dry-year supply sources. A summary description of certain of Metropolitan's supply programs is set forth below. In addition to the arrangements described below, Metropolitan is entitled to storage and access to stored water in connection with various other storage programs and facilities. See "–Colorado River Aqueduct" above, as well as the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below.

State Water Project Agreements and Programs

In addition to the basic State Water Project contract provisions, Metropolitan has other contract rights that accrue to the overall value of the State Water Project. Because each Contractor is paying for physical facilities, they also have the right to use the facilities to move water supplies associated with agreements, water transfers and water exchanges. Metropolitan has entered into agreements and exchanges that provide additional water supplies.

Existing and potential water transfers and exchanges are an important element for improving the water supply reliability within Metropolitan's service area and accomplishing the reliability goal set by Metropolitan's Board. Under voluntary water transfers and exchanges with agricultural users, agricultural communities may periodically sell or conserve a portion of their agricultural water supply to make it available to support the State's urban areas. The portfolio of supplemental supplies that Metropolitan has developed to be conveyed through the California Aqueduct extend from north of the Bay-Delta to Southern California. Certain of these arrangements are described below.

Castaic Lake and Lake Perris. Metropolitan has contractual rights to withdraw up to 65,000 acre-feet of water in Lake Perris (East Branch terminal reservoir) and 153,940 acre-feet of water in Castaic Lake (West Branch terminal reservoir). This storage provides Metropolitan with additional options for managing State Water Project deliveries to maximize yield from the project. Any water used must be returned to the State Water Project within five years or it is deducted from allocated amounts in the sixth year.

Metropolitan Article 56 Carryover. Metropolitan has the right to store its allocated contract amount for delivery in subsequent years. Metropolitan can store between 100,000 and 200,000 acre-feet, depending on the final water supply allocation percentage.

Yuba River Accord. Metropolitan entered into an agreement with DWR in December 2007 to purchase a portion of the water released by the Yuba County Water Agency ("YCWA"). YCWA was involved in a SWRCB proceeding in which it was required to increase Yuba River fishery flows. Within the framework of agreements known as the Yuba River Accord, DWR entered into an agreement for the long-term purchase of water from YCWA. The agreement permits YCWA to transfer additional supplies at its discretion. Metropolitan, other State Water Contractors, and the San Luis & Delta-Mendota Water Authority entered into separate agreements with DWR for the purchase of portions of the water made available. Metropolitan's agreement allows Metropolitan to purchase, in dry years through 2025, available water supplies which have ranged from approximately 6,555 acre-feet to 67,068 acre-feet per year.

Metropolitan has also developed other groundwater storage and exchange programs, certain of which are described below. See "METROPOLITAN'S WATER DELIVERY SYSTEM–Water Quality and Treatment" in this Appendix A for information regarding certain water quality regulations and developments that impact or may impact some of Metropolitan's groundwater storage programs.

Arvin-Edison/Metropolitan Water Management Program. In December 1997, Metropolitan entered into an agreement with the Arvin-Edison Water Storage District ("Arvin-Edison"), an irrigation agency located southeast of Bakersfield, California. Under the program, Arvin-Edison stores water on behalf of Metropolitan. In January 2008, Metropolitan and Arvin-Edison amended the agreement to enhance the program's capabilities and to increase the delivery of water to the California Aqueduct. To facilitate the program, new wells, spreading basins and a return conveyance facility connecting Arvin-Edison's existing facilities to the California Aqueduct have been constructed. The agreement also provides Metropolitan priority use of Arvin-Edison's facilities to convey high-quality water available on the east side of the San Joaquin Valley to the California Aqueduct. Up to 350,000 acre-feet of Metropolitan's water may be stored and Arvin-Edison is obligated to return up to 75,000 acre-feet of stored water in any year to Metropolitan, upon request. The agreement will terminate in 2035 unless extended. Metropolitan's estimated storage account balance under the Arvin-Edison/Metropolitan Water Management Program as of January 1, 2022 is shown in the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below. As a result of detecting 1,2,3-trichloropropane ("TCP") in Arvin-Edison wells, Metropolitan has suspended the return of groundwater from the program until the water quality concerns can be further evaluated and managed. Instead, Metropolitan has requested that Arvin-Edison provide only surface water that can satisfy DWR's standards for direct pump-back into the California Aqueduct, or alternative methods satisfactory to Metropolitan, in order to meet both the DWR pump-in requirements and Metropolitan's request for the return of water in 2022. In 2021, Metropolitan recovered 5,679 acre-feet by exchanges with surface water. The amount of surface water that may be available for recovery by Metropolitan from Arvin-Edison in 2022 is not yet known.

Semitropic/Metropolitan Groundwater Storage and Exchange Program. In 1994, Metropolitan entered into an agreement with the Semitropic Water Storage District ("Semitropic"), located adjacent to the California Aqueduct north of Bakersfield, to store water in the groundwater basin underlying land within Semitropic. The minimum annual yield available to Metropolitan from the program is 38,200 acre-feet of water and the maximum annual yield is 239,200 acre-feet of water depending on the available unused capacity and the State Water Project allocation. The agreement extends to November 2035. Metropolitan's estimated storage account balance under the Semitropic program as of January 1, 2022 is shown in the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below.

Kern Delta Storage Program. Metropolitan entered into an agreement with Kern Delta Water District ("Kern Delta") in May 2003, for a groundwater banking and exchange transfer program to allow Metropolitan to store up to 250,000 acre-feet of State Water Contract water in wet years and to permit Metropolitan, at Metropolitan's option, a return of up to 50,000 acre-feet of water annually during hydrologic and regulatory droughts. The agreement extends through 2028. Metropolitan's estimated storage account balance under this program as of January 1, 2022 is shown in the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below.

Mojave Storage Program. Metropolitan entered into a groundwater banking and exchange transfer agreement with Mojave in October 2003. The agreement allows for Metropolitan to store water in an exchange account for later return. The agreement allows Metropolitan to annually withdraw Mojave State Water Project contractual amounts, after accounting for local needs. Under a 100 percent allocation, the State Water Contract provides Mojave 82,800 acre-feet of water. This agreement was amended in 2011 to allow for the cumulative storage of up to 390,000 acre-feet. The term of this agreement extends through 2035. Metropolitan's estimated storage account balance under this program as of January 1, 2022 is shown in the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below.

Antelope Valley-East Kern Storage and Exchange Program. In 2016, Metropolitan entered into an agreement with the Antelope Valley-East Kern Water Agency ("AVEK"), the third largest State Water Contractor, to both exchange supplies and store water in the Antelope Valley groundwater basin. Under the exchange, AVEK would provide at least 30,000 acre-feet over ten years of its unused Table A State Water Project water to Metropolitan. For every two acre-feet provided to Metropolitan as part of the exchange, AVEK would receive back one acre-foot in the future. For the one acre-foot that is retained by Metropolitan, Metropolitan would pay AVEK under a set price schedule based on the State Water Project allocation at the time. Under this agreement, AVEK also provides Metropolitan up to 30,000 acre-feet of storage. Metropolitan's estimated storage account balance under this program as of January 1, 2022 is shown in the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below.

Antelope Valley-East Kern High Desert Water Bank Program. In 2019, Metropolitan entered into an agreement with AVEK for a groundwater banking program referred to as the High Desert Water Bank Program. The estimated cost of construction of the facilities to implement the program is $131 million. Following completion of construction, which is expected by mid-2025, Metropolitan would have the right to store up to 70,000 acre-feet per year of its unused Table A State Water Project water or other supplies in the Antelope Valley groundwater basin for later return. The maximum storage capacity for Metropolitan supplies would be 280,000 acre-feet. At Metropolitan's direction, up to 70,000 acre-feet of stored water annually would be available for return by direct pump back into the East Branch of the California Aqueduct. Upon completion, this program would provide additional flexibility to store and recover water for emergency or water supply needs through 2057.

San Gabriel Valley Municipal Water District and Other Exchange Programs. In 2013, Metropolitan entered into an agreement with the San Gabriel Valley Municipal Water District ("SGVMWD"). Under this agreement, Metropolitan delivers treated water to a SGVMWD subagency in exchange for twice as much untreated water in the groundwater basin. Metropolitan's member agencies can then use the groundwater supplies to meet their needs. Metropolitan can exchange and purchase at least 5,000 acre-feet per year. This program has the potential to increase Metropolitan's reliability by providing 115,000 acre-feet through 2035.

Irvine Ranch Water District Strand Ranch Banking Program. In 2011, Metropolitan entered into an agreement with the Municipal Water District of Orange County ("MWDOC") and the Irvine Ranch Water District ("IRWD") to authorize the delivery of State Water Project supplies from Strand Ranch into Metropolitan's service area. IRWD facilitates Metropolitan entering into unbalanced exchanges with other State Water Contractors. A portion of the water is returned to the partnering State Water Contractor with the remaining balance delivered to Metropolitan's service area. MWDOC/IRWD takes delivery of the water through Metropolitan's distribution system and pays the Metropolitan full-service water rate. Metropolitan can call on stored supplies; in return, Metropolitan is obliged to return an equal amount of water to MWDOC in future years for IRWD's benefit. This agreement extends to November 2035 and enhances regional reliability by providing Metropolitan with access to additional supplies.

San Bernardino Valley Municipal Water District Exchange Program. In 2020, Metropolitan signed a coordinated operating and surplus water agreement with SBVMWD. In 2021, in accordance with the terms of such agreement, Metropolitan's Board authorized an agreement with SBVMWD that provides a framework which allows for the exchange of both local and State Water Project supplies. The exchanges are equal if they occur within the same calendar year and up to two-to-one if water is returned in a subsequent calendar year. The agreement, which extends through 2031, provides for improved coordination to respond to outages and emergencies of either party.

San Diego County Water Authority Semitropic Program. In 2021, Metropolitan's Board approved an agreement with SDCWA for the purchase by Metropolitan of 4,200 acre-feet and a lease of 5,000 acre-feet of return capacity from SDCWA's Semitropic Program for 2022. The agreement provides for improved regional reliability and also allows for the exchange of previously stored water with Metropolitan in the future.

Other Ongoing Activities. Metropolitan has been negotiating, and will continue to pursue, water purchase, storage and exchange programs with other agencies in the Sacramento and San Joaquin Valleys. These programs involve the storage of both State Water Project supplies and water purchased from other sources to enhance Metropolitan's dry-year supplies and the exchange of normal year supplies to enhance Metropolitan's water reliability and water quality, in view of dry conditions and potential impacts from the ESA considerations discussed above under the heading "–Endangered Species Act and Other Environmental Considerations Relating to Water Supply– Endangered Species Act Considerations – State Water Project." In April 2021, in light of the persistent dry hydrological conditions, the Board authorized the General Manager to secure up to 65,000 acre-feet of additional water supplies pursuant to one-year water transfers from water districts located north of the Sacramento-San Joaquin River Delta, at a maximum cost of up to $44 million. As a result, approximately 40,000 acre-feet were secured that allowed Metropolitan to preserve water stored in surface water reservoirs on the State Water Project system for 2022. In April 2022, in light of the persistent dry hydrological conditions, the Board authorized the General Manager to secure up to 75,000 acre-feet of additional water supplies pursuant to one-year water transfers from water districts located north of the Sacramento-San Joaquin River Delta, at a maximum cost of up to $60 million. As part of the Board authorization, the General Manager was granted final decision-making authority to determine whether or not to move forward with such water transfers following completion of any environmental reviews that may be required under CEQA. Metropolitan has in place arrangements for approximately 30,000 to 35,000 acre-feet of transfers pursuant to this authority.

The Sites Reservoir is a proposed reservoir project of approximately 1.3 to 1.5 million acre-feet, being analyzed by the Sites Reservoir Authority, to be located in Colusa County. The water stored in the proposed project would be diverted from the Sacramento River. As currently proposed, the Sites Reservoir project would have dedicated water storage and yield that would be used for fishery enhancement, water quality, and other environmental purposes. The proposed project could also provide an additional water supply that could be used for dry-year benefits. Metropolitan is a member of the Sites Reservoir Committee, a group of 30 agencies that are participating in certain planning activities in connection with the proposed development of the project, including the development of environmental planning documents, a federal feasibility report and project permitting. In April 2022, Metropolitan's Board approved $20 million in funding for Metropolitan's continued participation in such planning activities through the end of 2024. Metropolitan's agreement to participate in the funding of this phase of project development activities does not commit Metropolitan to participate in any actual reservoir project that may be undertaken in the future.

Colorado River Aqueduct Agreements and Programs

Metropolitan has taken steps to augment its share of Colorado River water through agreements with other agencies that have rights to use such water, including through cooperative programs with other water agencies to conserve and develop supplies and through programs to exchange water with other agencies. These supplies are conveyed through the CRA. Metropolitan determines the delivery schedule of these supplies throughout the year based on changes in the availability of State Water Project and Colorado River water. Under certain of these programs, water may be delivered to Metropolitan's service area in the year made available or in a subsequent year as ICS water from Lake Mead storage. See "–Colorado River Aqueduct – Colorado River Operations: Surplus and Shortage Guidelines – *Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead*."

IID/Metropolitan Conservation Agreement. Under a 1988 water conservation agreement, as amended in 2003 and 2007 (the "1988 Conservation Agreement") between Metropolitan and IID, Metropolitan provided funding for IID to construct and operate a number of conservation projects that have conserved up to 109,460 acre-feet of water per year that has been provided to Metropolitan. As amended, the agreement's initial term has been extended to at least 2041 or 270 days after the termination of the QSA. In 2019, 105,000 acre-feet of conserved water was made available by IID to Metropolitan. Under the QSA and related agreements, Metropolitan, at the request of CVWD, forgoes up to 20,000 acre-feet of this water each year for diversion by CVWD from the Coachella Canal. In each of 2018 and 2019, CVWD's requests were for 0 acre-feet, leaving 105,000 acre-feet in 2018 and 2019 for Metropolitan. In December 2019, Metropolitan signed a revised agreement with CVWD in which CVWD will limit its annual request of water from this program to 15,000 acre-feet through 2026. See "–Colorado River Aqueduct –Quantification Settlement Agreement."

Palo Verde Land Management, Crop Rotation and Water Supply Program. In August 2004, Metropolitan and Palo Verde Irrigation District ("PVID") signed the program agreement for a Land Management, Crop Rotation and Water Supply Program. Under this program, participating landowners in the PVID service area are compensated for reducing water use by not irrigating a portion of their land. This program provides up to 133,000 acre-feet of water to be available to Metropolitan in certain years. The term of the program is 35 years. Fallowing began on January 1, 2005. The following table shows annual volumes of water saved and made available to Metropolitan during the 10 calendar years 2012 through 2021 under the Land Management, Crop Rotation and Water Supply Program with PVID:

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WATER AVAILABLE FROM PVID LAND MANAGEMENT, CROP ROTATION AND WATER SUPPLY PROGRAM

Calendar Year	Volume (acre-feet)
2012	73,700
2013	32,800
2014	43,000
2015	94,500
2016	125,400
2017	111,800
2018	95,800
2019	44,500
2020	43,900
2021	42,305

Source: Metropolitan.

Bard Water District Seasonal Fallowing Program. In 2019, Metropolitan entered into agreements with Bard Water District ("Bard") and farmers within Bard Unit, to provide incentives for land fallowing under the Bard Seasonal Fallowing Program. The program reduces water consumption in Bard and that helps augment Metropolitan's Colorado River supplies. It incentivizes farmers to fallow their land for four months at $452 per irrigable acre, escalated annually. Metropolitan estimates water savings of approximately 2.2 acre-feet per fallowed acre. Bard diverts Colorado River water for crop irrigation grown year-round in the warm dry climate. Farmers typically grow high-value crops in the winter (vegetable crops) followed by a lower-value, water-intensive, field crop (such as Bermuda and Sudan grass, small grains, field grains, or cotton) in the spring and summer. Participating farmers will reduce their water consumption through land fallowing of up to 3,000 acres annually between April and July.

Quechan Tribe of the Fort Yuma Indian Reservation Seasonal Fallowing Pilot Program. In 2021, Metropolitan entered into an agreement with the Quechan Tribe of the Fort Yuma Indian Reservation to launch the voluntary Quechan Seasonal Fallowing Pilot Program. Under the pilot program, Metropolitan provides incentives to farmers on Quechan tribal land for land fallowing that reduces water consumption to help augment Metropolitan's Colorado River supplies. Desert agriculture realizes a market advantage in the winter for high-value vegetables such as lettuce and broccoli. In the hot summer, farmers typically grow lower-value, water-intensive commodities such as grains and grasses. Farmers participating in the pilot program agree to decrease their water consumption through land fallowing of up to 1,600 acres annually during April through July in 2022 and 2023. In calendar year 2022, Metropolitan will provide an incentive of $472.40 per irrigable acre fallowed, escalated annually. Metropolitan estimates water savings between 1.5 and 2.0 acre-feet per irrigable acre fallowed, with actual savings to be determined throughout the pilot program.

Lake Mead Storage Program. As described under "–Colorado River Aqueduct –Colorado River Operations: Surplus and Shortage Guidelines – *Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead*," Metropolitan has entered into agreements to set forth the guidelines under which ICS water is developed and stored in and delivered from Lake Mead. The amount of water stored in Lake Mead must be created through extraordinary conservation, system efficiency, tributary, imported, or binational conservation methods. Metropolitan has participated in projects to create ICS as described below:

Drop 2 (Warren H. Brock) Reservoir. In 2008, Metropolitan, CAWCD and SNWA provided funding for the Bureau of Reclamation's construction of an 8,000 acre-foot off-stream regulating reservoir near Drop 2 of the All-American Canal in Imperial County (officially named the Warren H. Brock Reservoir). Construction was completed in October 2010. The Warren H. Brock Reservoir conserves about 70,000 acre-feet of water per year by capturing and storing water that would otherwise be lost from the system. In return for its funding, Metropolitan received 100,000 acre-feet of water that was stored in Lake Mead for its future use and has the ability to receive up to 25,000 acre-feet of water in any single year. Besides the additional water supply, the addition of the Warren H. Brock reservoir adds to the flexibility of Colorado River operations by storing underutilized Colorado River water orders caused by unexpected canal outages, changes in weather conditions, and high tributary runoff into the Colorado River. As of January 1, 2022, Metropolitan had taken delivery of 35,000 acre-feet of this water and had 65,000 acre-feet remaining in storage.

International Water Treaty Minutes 319 and 323. In November 2012, as part of the implementation of Treaty Minute 319, Metropolitan executed agreements in support of a program to augment Metropolitan's Colorado River supply between 2013 through 2017 through an international pilot project in Mexico. Metropolitan's total share of costs was $5 million for 47,500 acre-feet of project supplies. In December 2013, Metropolitan and IID executed an agreement under which IID has paid half of Metropolitan's program costs, or $2.5 million, in return for half of the project supplies, or 23,750 acre-feet. As such, 23,750 acre-feet of Intentionally Created Mexican Allocation was converted to Binational ICS and credited to Metropolitan's binational ICS water account in 2017. See "–Colorado River Aqueduct –Colorado River Operations: Surplus and Shortage Guidelines – *Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead*." In September 2017, as part of the implementation of Treaty Minute 323, Metropolitan agreed to fund additional water conservation projects in Mexico that will yield approximately 27,275 acre-feet of additional supply for Metropolitan by 2026 at a cost of approximately $3.75 million. In 2020, Metropolitan made the first payment related to Treaty Minute 323 of $1.25 million, and 9,092 acre-feet of Intentionally Created Mexican Allocation was converted to Binational ICS and credited to Metropolitan's binational ICS water account. The next payment is expected in 2023.

Storage and Interstate Release Agreement with Nevada. In May 2002, SNWA and Metropolitan entered into an Agreement Relating to Implementation of Interim Colorado River Surplus Guidelines, in which SNWA and Metropolitan agreed to the allocation of unused apportionment as provided in the Interim Surplus Guidelines and on the priority of SNWA for interstate banking of water in Arizona. SNWA and Metropolitan entered into a storage and interstate release agreement on October 21, 2004. Under this agreement, SNWA can request that Metropolitan store unused Nevada apportionment in California. The amount of water stored through 2014 under this agreement was approximately 205,000 acre-feet. In October 2015, SNWA and Metropolitan executed an additional amendment to the agreement under which Metropolitan paid SNWA approximately $44.4 million and SNWA stored an additional 150,000 acre-feet with Metropolitan during 2015. Of that amount, 125,000 acre-feet have been added to SNWA's storage account with Metropolitan, increasing the total amount of water stored to approximately 330,000 acre-feet. In subsequent years, SNWA may request recovery of the stored water. When SNWA requests the return of any of the stored 125,000 acre-feet, SNWA will reimburse Metropolitan for an equivalent proportion of the $44.4 million plus inflation based on the amount of water returned. SNWA has not yet requested the return of any of the water stored with Metropolitan and it is not expected that SNWA will request a return of any of the stored water before 2023.

California ICS Agreement Intrastate Storage Provisions. As described under "–Colorado River Aqueduct –Colorado River Operations: Surplus and Shortage Guidelines – *Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead*," in 2007, IID, Metropolitan and other Colorado River contractors in California executed the California ICS Agreement, which divided California's ICS storage space in Lake Mead between Metropolitan and IID. It also allowed IID to store up to 50,000 acre-feet of conserved water in Metropolitan's system. In 2015, the California ICS Agreement was amended to allow IID to store additional amounts of water in Metropolitan's system during 2015 through 2017. Under the 2015 amendment, IID was permitted to store up to 100,000 acre-feet per year of conserved water within Metropolitan's system with a cumulative limit of 200,000 acre-feet, for the three-year term. When requested by IID, Metropolitan has agreed to return to IID the lesser of either 50,000 acre-feet per year, or in a year in which Metropolitan's member agencies are under a shortage allocation, 50 percent of the cumulative amount of water IID has stored with Metropolitan under the 2015 amendment. IID currently has 161,000 acre-feet of water stored with Metropolitan pursuant to the terms of the California ICS Agreement and its amendment.

In 2018, IID had reached the limit on the amount of water it was able to store in Metropolitan's system under the California ICS Agreement, and entered into discussions with Metropolitan to further amend the agreement, but no such agreement was reached. On December 4, 2020, IID filed a complaint against Metropolitan alleging that Metropolitan breached the California ICS Agreement, breached the implied covenant of good faith and fair dealing, and that Metropolitan converted IID's intentionally created surplus for its own use. IID's complaint sought the imposition of a constructive trust over 87,594 acre-feet of water in Lake Mead that was received by Metropolitan in 2018.

In October 2021, Metropolitan and IID agreed to settle the dispute. Under the terms of the settlement agreement, Metropolitan will, after applying storage losses, retain approximately 40 percent of the disputed 87,594 acre-feet that Metropolitan received in 2018 and will have stored the remaining approximately 60 percent for IID to be returned to IID in 2026. If Metropolitan does not have sufficient ICS to make a DCP contribution in 2026, Metropolitan may use the remaining stored water to do so. From 2021 through 2026, IID may store up to an additional 25,000 acre-feet per year (with an accumulation limit of an additional 50,000 acre-feet) of conserved water in Metropolitan's Lake Mead ICS account. While IID will still not be a party to the DCP, if Metropolitan is required to make a DCP contribution, IID will assist Metropolitan in making DCP contributions by contributing the lesser of either: (a) three percent of California's DCP contribution; or (b) the amount of water IID has stored with Metropolitan. On December 6, 2021, the lawsuit was dismissed with prejudice.

<u>**State Water Project and Colorado River Aqueduct Arrangements**</u>

Metropolitan/CVWD/Desert Water Agency Amended and Restated Agreement for the Exchange and Advance Delivery of Water. Metropolitan has agreements with CVWD and the Desert Water Agency ("DWA") under which Metropolitan exchanges its Colorado River water for the agencies' State Water Project contractual water and other State Water Project water acquisitions on an annual basis. Because CVWD and DWA do not have a physical connection to the State Water Project, Metropolitan takes delivery of CVWD's and DWA's State Water Project supplies and delivers a like amount of Colorado River water to the agencies. In accordance with these agreements, Metropolitan may deliver Colorado River water in advance of receiving State Water Project supplies to these agencies for storage in the Upper Coachella Valley groundwater basin. In years when it is necessary to augment available supplies to meet local demands, Metropolitan may meet the exchange delivery obligation through drawdowns of the advance delivery account, in lieu of delivering Colorado River water in that year. Metropolitan's estimated storage account under the CVWD/DWA program as of January 1, 2022 is shown in the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "–Storage Capacity and Water in Storage" below. In addition to the storage benefits of the CVWD/DWA program, Metropolitan receives water quality benefits with increased deliveries of lower salinity water from the State Water Project in lieu of delivering higher saline Colorado River water. In December 2019, the exchange agreements were amended to provide more flexibility and operational certainty for the parties involved. Additionally, under the amended agreements, CVWD and DWA pay a portion of Metropolitan's water storage management costs in wet years, up to a combined total of $4 million per year.

Operational Shift Cost Offset Program. In 2021, Metropolitan's Board approved the Operational Shift Cost Offset Program to help Metropolitan maximize resources available from Colorado River and State Water Project storage. Metropolitan has and continues to work with member agencies that have service connections to both State Water Project supplies and Colorado River water to shift their points of delivery to meet demands wherever possible to preserve State Water Project storage. Although member agencies can make some shifts in delivery locations, these shifts may result in additional operational costs. Under the Operational Shift Cost Offset Program, Metropolitan offsets costs member agencies may accrue due to shifting deliveries at Metropolitan's request in calendar years 2021 and 2022. This allows Metropolitan to fully utilize its diverse portfolio and increases reliability for the entire region by improving the availability of State Water Project storage reserves to supplement supplies during dry years.

Storage Capacity and Water in Storage

Metropolitan's storage capacity, which includes reservoirs, conjunctive use and other groundwater storage programs within Metropolitan's service area and groundwater and surface storage accounts delivered through the State Water Project or CRA, is approximately 6.0 million acre-feet. In 2021, approximately 750,000 acre-feet of total stored water in Metropolitan's reservoirs and other storage resources was emergency storage. Metropolitan's emergency storage is a regional planning objective established periodically to prevent severe water shortages for the region in the event of supply interruptions from catastrophic earthquakes or similar events (see "METROPOLITAN'S WATER DELIVERY SYSTEM–Seismic Considerations and Emergency Response Measures" in this Appendix A). The current emergency storage target of 750,000 acre-feet is based on an outage duration of 6 to 12 months, retail water demand reduction of 25 to 35 percent based on achievable conservation actions, and aggregated loss of 10 to 20 percent of local production. Retail demand calculations for purposes of the emergency storage target were based on a 2015 IRP forecast of demand for the year 2018 under average conditions. Metropolitan replenishes its storage accounts when available imported supplies exceed demands. Metropolitan's ability to replenish water storage, both in the local groundwater basins and in surface storage and banking programs, has been limited by Bay-Delta pumping restrictions under the biological opinions issued for listed species. See "–Endangered Species Act and Other Environmental Considerations Relating to Water Supply –Endangered Species Act Considerations – State Water Project – *Federal ESA-Biological Opinions*." Effective storage management is dependent on having sufficient years of excess supplies to store water so that it can be used during times of shortage. See "CONSERVATION AND WATER SHORTAGE MEASURES–Water Supply Allocation Plan" in this Appendix A. Metropolitan's storage as of January 1, 2022 is estimated to be 3.38 million acre-feet. The following table shows three years of Metropolitan's water in storage as of January 1, including emergency storage.

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METROPOLITAN'S WATER STORAGE CAPACITY AND WATER IN STORAGE[1]
(in Acre-Feet)

Water Storage Resource	Storage Capacity	Water in Storage January 1, 2022	Water in Storage January 1, 2021	Water in Storage January 1, 2020
Colorado River Aqueduct				
DWA / CVWD Advance Delivery Account	800,000	293,000	313,000	296,000
Lake Mead ICS	1,657,000	1,274,000	1,294,000	980,000
Subtotal	**2,457,000**	**1,567,000**	**1,607,000**	**1,276,000**
State Water Project				
Arvin-Edison Storage Program[2]	350,000	136,000	142,000	143,000
Semitropic Storage Program	350,000	218,000	261,000	265,000
Kern Delta Storage Program	250,000	149,000	183,000	194,000
Mojave Storage Program	330,000[5]	19,000[5]	19,000[5]	19,000[5]
AVEK Storage Program	30,000	27,000	27,000	27,000
Castaic Lake and Lake Perris[3]	219,000	49,000	219,000	219,000
State Water Project Carryover[4]	350,000[6]	38,000	207,000	331,000
Emergency Storage	381,000	381,000	381,000	381,000
Subtotal	**2,260,000**	**1,017,000**	**1,433,000**	**1,574,000**
Within Metropolitan's Service Area				
Diamond Valley Lake	810,000	600,000	704,000	796,000
Lake Mathews	182,000	140,000	86,000	152,000
Lake Skinner	44,000	39,000	41,000	38,000
Subtotal[7]	**1,036,000**	**779,000**	**831,000**	**986,000**
Member Agency Storage Programs				
Conjunctive Use[8]	210,000	16,000	41,000	59,000
Total	**5,963,000**	**3,379,000**	**3,912,000**[9]	**3,895,000**

Source: Metropolitan

(1) Water storage capacity and water in storage are measured based on engineering estimates and are subject to change.

(2) Metropolitan has suspended the return of groundwater from the Arvin-Edison storage program. Stored supplies can still be recovered via surface water exchange. See "–Water Transfer, Storage and Exchange Programs –State Water Project Agreements and Programs – *Arvin-Edison/Metropolitan Water Management Program.*" See also "METROPOLITAN'S WATER DELIVERY SYSTEM–Water Quality and Treatment" in this Appendix A.

(3) Flexible storage allocated to Metropolitan under its State Water Contract. Withdrawals must be returned within five years.

(4) Includes Article 56 Carryover of Metropolitan, Coachella Valley Water District, and Desert Water Agency, prior-year carryover, non-project carryover, and carryover of curtailed deliveries pursuant to Article 14(b) and Article 12(e) of Metropolitan's State Water Contract. See "–Water Transfer, Storage and Exchange Programs – State Water Project Agreements and Programs – *Metropolitan Article 56 Carryover.*"

(5) The Mojave storage agreement was amended in 2011 to allow for cumulative storage of up to 390,000 acre-feet. Since January 1, 2011, Metropolitan has stored 60,000 acre-feet, resulting in a remaining balance of storage capacity of 330,000 acre-feet. 41,000 acre-feet of the 60,000 acre-feet stored have been returned, leaving a remaining balance in storage of 19,000 acre-feet. See "–Water Transfer, Storage and Exchange Programs – State Water Project Agreements and Programs – *Mojave Storage Program.*"

(6) A capacity of 350,000 acre-feet is estimated to be the practical operational limit for carryover storage considering Metropolitan's capacity to take delivery of carryover supplies before San Luis Reservoir fills.

(7) Includes 369,000 acre-feet of emergency storage in Metropolitan's reservoirs in 2020, 2021 and 2022.

(8) Cyclic storage water was removed from this line item and is now categorized as a pre-delivery.

(9) Represents Metropolitan's historical highest level of water in storage.

CONSERVATION AND WATER SHORTAGE MEASURES

General

The central objective of Metropolitan's water conservation program is to help ensure adequate, reliable and affordable water supplies for Southern California by actively promoting efficient water use. The importance of conservation to the region has increased in recent years because of drought conditions in the State Water Project watershed and court-ordered restrictions on Bay-Delta pumping, as described under "METROPOLITAN'S WATER SUPPLY–State Water Project –Bay-Delta Proceedings Affecting State Water Project" and "–Endangered Species Act and Other Environmental Considerations Relating to Water Supply – Endangered Species Act Considerations-State Water Project – *Federal ESA-Biological Opinions*" in this Appendix A. Ongoing drought conditions in the Colorado River have further emphasized the need for additional conservation efforts. See "METROPOLITAN'S WATER SUPPLY–Colorado River Aqueduct – Colorado River Operations: Surplus and Shortage Guidelines – *Lower Basin Shortage Guidelines and Coordinated Management Strategies for Lake Powell and Lake Mead*" and "–Current Water Conditions and Drought Response Actions" in this Appendix A. Conservation reduces the need to import water to deliver to member agencies through Metropolitan's system. Water conservation is an integral component of Metropolitan's IRP, WSDM Plan, and Water Supply Allocation Plan.

Metropolitan's conservation program has largely been developed to assist its member agencies in meeting the conservation goals established by the 2015 IRP Update. See "METROPOLITAN'S WATER SUPPLY–Integrated Water Resources Plan" in this Appendix A. All users of Metropolitan's system benefit from the reduced infrastructure costs and system capacity made available by investments in demand management programs like the Conservation Credits Program. Under the terms of Metropolitan's Conservation Credits Program, Metropolitan administers regional conservation programs and co-funds member agency conservation programs designed to achieve greater water use efficiency in residential, commercial, industrial, institutional and landscape uses. Direct spending by Metropolitan on active conservation incentives, including rebates for water-saving plumbing fixtures, appliances and equipment totaled about $16.9 million in fiscal year 2020-21. Conservation efforts undertaken pursuant to the 2015 IRP Update are estimated to have resulted in approximately 131,876 acre-feet of water being conserved annually in Southern California over the period 2016 through 2021.

Metropolitan has worked proactively with its member agencies to conserve water supplies in its service area, and significantly expanded its water conservation and outreach programs and increased funding for conservation incentive programs. Historically, revenues collected by Metropolitan's Water Stewardship Rate and available grant funds have funded conservation incentives, local resource development incentives, and other water demand management programs. The Water Stewardship Rate was charged on every acre-foot of water conveyed by Metropolitan, except on water delivered to SDCWA pursuant to the Exchange Agreement (see "METROPOLITAN REVENUES–Water Rates" and "–Litigation Challenging Rate Structure" in this Appendix A) in calendar years 2018, 2019, and 2020. The Water Stewardship Rate was not incorporated into Metropolitan's rates and charges for 2021 and 2022 or 2023 and 2024. See "METROPOLITAN REVENUES–Rate Structure – *Water Stewardship Rate*" in this Appendix A.

In addition to ongoing conservation, Metropolitan has developed a WSDM Plan, which splits resource actions into two major categories: Surplus Actions and Shortage Actions. See "–Water Surplus and Drought Management Plan." Conservation and water efficiency programs are part of Metropolitan's resource management strategy which makes up these surplus and shortage actions.

The Water Supply Allocation Plan allocates Metropolitan's water supplies among its member agencies, based on the principles contained in the WSDM Plan, to reduce water use and drawdowns from water storage reserves. See "–Water Supply Allocation Plan." Metropolitan's member agencies and retail water suppliers in Metropolitan's service area also can implement water conservation and allocation programs, and some of the retail suppliers in Metropolitan's service area have initiated conservation measures. The success of conservation measures in conjunction with the implementation of the Water Supply Allocation Plan in fiscal years 2009-10, 2010-11, 2011-12 and 2015-16 is evidenced as a contributing factor in the lower than budgeted water transactions during such drought periods.

Legislation approved in November 2009 set a statewide conservation target for urban per capita potable water use of 20 percent reductions (from a baseline per capita use determined utilizing one of four State-approved methodologies) by 2020 (with credits for existing conservation) at the retail level, providing an additional catalyst for conservation by member agencies and retail suppliers. Metropolitan's water transactions projections incorporate an estimate of conservation savings that will reduce retail demands. Current projections include an estimate of additional water use efficiency savings resulting from Metropolitan's 2015 IRP Update goals that included the reduction of overall regional per capita water use by 20 percent by 2020 from a baseline of average per capita water use from 1996-2005 in Metropolitan's service area. As of calendar year 2020, per capita water use in Metropolitan's service area had reached the 20 percent reduction by 2020 target.

Water Surplus and Drought Management Plan

In addition to the long-term planning guidelines and strategy provided by its IRP, Metropolitan has developed its WSDM Plan for the on-going management of its resources and water supplies in response to hydrologic conditions. The WSDM Plan, which was adopted by Metropolitan's Board in April 1999, evolved from Metropolitan's experiences during the droughts of 1976-77 and 1987-92. The WSDM Plan is a planning document that Metropolitan uses to guide inter-year and intra-year storage operations, and splits resource actions into two major categories: surplus actions and shortage actions. The surplus actions emphasize storage of surplus water inside the region, followed by storage of surplus water outside the region. The shortage actions emphasize critical storage programs and facilities and conservation programs that make up part of Metropolitan's response to shortages. Implementation of the plan is directed by a WSDM team, made up of Metropolitan staff, that meets regularly throughout the year and more frequently between November and April as hydrologic conditions develop. The WSDM team develops and recommends storage actions to senior management on a regular basis and provides updates to the Board on hydrological conditions, storage levels and planned storage actions through detailed reports.

Water Supply Allocation Plan

In times of prolonged or severe water shortages, Metropolitan manages its water supplies through the implementation of its Water Supply Allocation Plan. The Water Supply Allocation Plan was originally approved by Metropolitan's Board in February 2008, and has been implemented three times since its adoption, including most recently in April 2015. The Water Supply Allocation Plan provides a formula for equitable distribution of available water supplies in case of extreme water shortages within Metropolitan's service area and if needed is typically approved in April with implementation beginning in July. In December 2014, the Board approved certain adjustments to the formula for calculating member agency supply allocations during subsequent periods of implementation of the Water Supply Allocation Plan. Although the Act gives each of Metropolitan's member agencies a preferential entitlement to purchase a portion of the water served by Metropolitan (see "METROPOLITAN REVENUES–Preferential Rights" in this Appendix A), historically, these rights have not been used in allocating Metropolitan's water. Metropolitan's member agencies and retail water suppliers in Metropolitan's service area also may implement water conservation and allocation programs within their respective service territories in times of shortage. See also "METROPOLITAN'S WATER SUPPLY-Current Water Conditions and Drought Response Actions" in this Appendix A. Based upon Metropolitan's existing storage balances, implementation of the Water Supply Allocation Plan for fiscal year 2022-23 is not expected. However, in response to minimal supplies of State Water Project water in 2022 to meet normal demands in areas that cannot be supplied with Colorado River water, in April 2022, Metropolitan's Board approved the framework of an Emergency Water Conservation Program (described below) to reduce demands for State Water Project water.

Emergency Water Conservation Program for the State Water Project Dependent Area

As a result of record drought in California and extremely limited State Water Project allocations, Metropolitan anticipates insufficient supplies in 2022 to meet normal demands in the SWP Dependent Area. The SWP Dependent Area is defined as the current portion of the service area that can only receive Metropolitan's supplies through the State Water Project system. These supplies include the annual State Water Project allocation, north of Delta water transfers and previously stored State Water Project supplies such as groundwater banking, carryover, and flexible supplies in Castaic Lake and Lake Perris. The boundaries of the SWP Dependent Area are not static. Metropolitan's drought mitigation actions since 2021 have reduced the SWP Dependent Area by increasing the ability to move more Colorado River supplies to greater portions of the service area. However, with critical State Water Project supply conditions in 2022 and the persistent drought that has depleted supplies accessible to the SWP Dependent Area, Metropolitan has determined that it is imperative to further reduce demands in the SWP Dependent Area.

Metropolitan's existing Water Supply Allocation Plan was designed to be used when a regionwide shortage exists. Staff determined that the Water Supply Allocation Plan, with its regional focus, would not effectively or efficiently alleviate the circumstances of this current drought emergency. Instead, an Emergency Water Conservation Program was developed in coordination with affected member agencies to preserve remaining supplies available to the SWP Dependent Area in a more expedient manner.

On April 26, 2022, Metropolitan's Board declared a Water Shortage Emergency Condition exists for the SWP Dependent Area and unanimously adopted the framework of an Emergency Water Conservation Program. Metropolitan's Board also authorized the General Manager to finalize the program within 30 days consistent within the adopted framework. The purpose of the Emergency Water Conservation Program is to adaptively preserve supplies by reducing non-essential uses of water delivered through the State Water Project system. When Metropolitan's Board adopted this program in April 2022, the emergency was estimated to affect approximately 6.6 million (or 35%) of the 18.7 million people in Metropolitan's service area. Metropolitan continues to work with its member agencies to further reduce the extent of the SWP Dependent Area, and for those that remain within the SWP Dependent Area, the Emergency Water Conservation Program is expected to reduce their use of State Water Project water to stay within available State Water Project supplies.

The Emergency Water Conservation Program includes two paths for affected member agencies to reduce use of Metropolitan's supplies delivered from the State Water Project system. Beginning on June 1, 2022, affected member agencies may either comply with one-day-per-week watering restrictions, which no earlier than September 1 may be further restricted to zero-day-per-week watering in the event the General Manager determines that such a ban is necessary to preserve State Water Project supplies, or achieve compliance with volumetric limits on State Water Project supply based on their equivalent share of human health and safety water available from DWR plus any additional water Metropolitan is able to provide from the State Water Project system shared out to each agency based on proportionate population. Under the volumetric limits-based compliance path, beginning in June 2022, member agencies that take delivery of State Water Project water above their limit are subject to a volumetric penalty surcharge on the excess water, to be accrued and billed on a monthly basis. No earlier than December 1, at the General Manager's discretion, Metropolitan may implement volumetric limits with associated penalties on all SWP Dependent Area member agencies, including agencies that had previously chosen the outdoor watering restriction compliance path. The Emergency Water Conservation Program is intended as a short-term policy until a more permanent alternative can be provided through ongoing operational, physical, and supply actions to remedy the supply constraints in the portion of Metropolitan's service area identified as the SWP Dependent Area. The physical actions being considered to modify the existing infrastructure include interconnections between distribution systems, new pumping or conveyance components to deliver alternative sources of supply, expansion of surface and groundwater storage, improvements in groundwater treatment, and desalination.

REGIONAL WATER RESOURCES

The water supply for Metropolitan's service area is provided in part by Metropolitan and in part by non-Metropolitan sources available to members. Non-Metropolitan sources include water imported by the City of Los Angeles (the "City") from the Owens Valley/Mono Basin east of the Sierra Nevada through the City's Los Angeles Aqueduct to serve customers of the City. See "– Los Angeles Aqueduct." The balance of water within the region is produced locally, from sources that include groundwater and surface water production, recycled water and recovery of contaminated or degraded groundwater, and seawater desalination. Programs to develop these local resources include projects funded by Metropolitan's Local Resources Program (the "LRP"), as well as local agency funded programs. See "–Local Water Supplies.

Based on a ten-year average from 2011 through 2020, non-Metropolitan sources met about 54 percent of the region's water needs. These non-Metropolitan sources of supply fluctuate in response to variations in rainfall. During prolonged periods of below normal rainfall, local water supplies decrease. Conversely, prolonged periods of above-normal rainfall increase local supplies. Sources of groundwater basin replenishment include local precipitation, runoff from the coastal ranges, and artificial recharge with imported water supplies. In addition to runoff, recycled water provides an increasingly important source of replenishment water for the region.

Metropolitan's member agencies are not required to purchase or use any of the water available from Metropolitan. Some agencies depend on Metropolitan to supply nearly all of their water needs, regardless of the weather. Other agencies, with local surface reservoirs or aqueducts that capture rain or snowfall, rely on Metropolitan more in dry years than in years with heavy rainfall, while others, with ample groundwater supplies, purchase Metropolitan water only to supplement local supplies and to recharge groundwater basins. Consumer demand and locally supplied water vary from year to year, resulting in variability in the volume of Metropolitan's water transactions.

In recent years, supplies and demands have been affected by drought, water use restrictions, economic conditions, weather conditions and environmental laws, regulations and judicial decisions, as described in this Appendix A under "METROPOLITAN'S WATER SUPPLY." The demand for supplemental supplies provided by Metropolitan is dependent on water use at the retail consumer level and the amount of locally supplied and conserved water. See "CONSERVATION AND WATER SHORTAGE MEASURES" in this Appendix A and "–Local Water Supplies" below.

Future reliance on Metropolitan supplies will depend on, among other things, current and future local projects that may be developed and the amount of water that may be derived from sources other than Metropolitan. For information on Metropolitan's water revenues, see "METROPOLITAN REVENUES" and "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

The following graph shows a summary of the regional sources of water supply for the years 1976 to 2020. In the graph below, LAA refers to the Los Angeles Aqueduct. See "–Los Angeles Aqueduct." The graph below includes updated local supply numbers that include Santa Ana River baseflow below Prado Dam, which was previously not included from 1980 through 2009. Additional local supply updates from 2010 through 2018 include changes due to reconciliation from 2020 local supply survey. These values reflect the 2020 Urban Water Management Plan.

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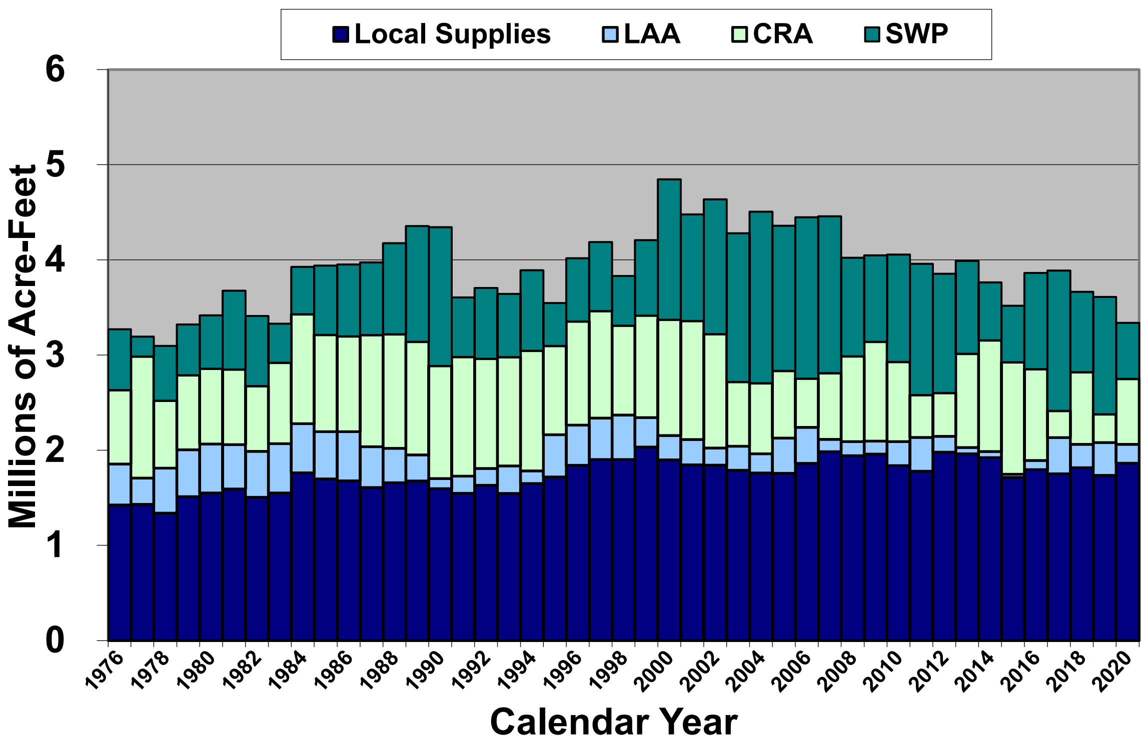
Sources of Water Supply in the Metropolitan Service Area (1976-2020)



Source: Metropolitan.

The major sources of water available to some or all of Metropolitan's member agencies in addition to supplies provided by Metropolitan are described below.

Los Angeles Aqueduct

The City of Los Angeles (the "City"), through its Department of Water and Power ("LADWP"), operates its Los Angeles Aqueduct system to import water from the Owens Valley and the Mono Basin on the eastern slopes of the Sierra Nevada in eastern California. Water imported by the City on the Los Angeles Aqueduct system comes primarily from surface water rights of the City in eastern Sierra Nevada watersheds along various streams, creeks and rivers in the Mono Basin, Long Valley and Owens Valley, and groundwater resources in the Owens Valley from the City's ownership of approximately 330,000 acres of land and associated water rights. This water supply of the City, which serves LADWP's customers, currently meets about 5 percent of the region's water needs based on a ten-year average from 2011 through 2020.

Surface runoff (snowmelt) is subject to substantial annual variability, which influences the amount of water delivered by the Los Angeles Aqueduct. In addition, the City is subject to several environmental commitments in the Mono Basin and Owens Valley which impact the availability of water to the City for import on the Los Angeles Aqueduct. These include: (i) the SWRCB's Mono Lake Basin Water Rights Decision 1631, which limits the City's water exports from the Mono Basin based on Mono Lake's surface elevation; and (ii) the City's legal obligations under a long-term groundwater management plan relating to the City's groundwater resources in the Owens Valley.

Los Angeles Aqueduct water deliveries to the City vary from one year to the next. Since 2010, Los Angeles Aqueduct water deliveries to the City have varied from as little as 58,000 acre-feet in fiscal year 2014-15 to as much as 313,000 acre-feet of water in fiscal year 2018-19. Average water deliveries to the City from the Los Angeles Aqueduct were approximately 253,000 acre-feet per fiscal year between fiscal years 2016-17 and 2020-21 (approximately 50 percent of the City's annual water supply). However, during fiscal year 2020-21, water deliveries to the City from the Los Angeles Aqueduct were 139,000 acre-feet (approximately 27 percent of the City's water supply for fiscal year 2020-21). Consequently, the amount of water purchased by the City from Metropolitan also varies with the fluctuations of Los Angeles Aqueduct supply. During the past five fiscal years 2016-17 through 2020-21, the City's water purchases from Metropolitan (billed water transactions) ranged from a low of 143,000 in fiscal year 2018-19 to a high of 317,000 in fiscal year 2020-21.

Local Water Supplies

Local water supplies are made up of groundwater, groundwater recovery, surface runoff, recycled water, and seawater desalination. Metropolitan supports local resources development through its LRP, which provides financial incentives of up to $340 per acre-foot of water production (based on actual project unit costs that exceed Metropolitan's water rates) from local water recycling, groundwater recovery, and seawater desalination projects. LRP agreement terms are for 25 years and terminate automatically if construction does not commence within two full fiscal years of agreement execution or if water deliveries are not realized within four full fiscal years of agreement execution. Metropolitan utilizes conjunctive use of groundwater to encourage storage in groundwater basins. Member agencies and other local agencies have also independently funded and developed additional local supplies, including groundwater clean-up, recycled water and desalination of brackish or high salt content water. See also "METROPOLITAN'S WATER DELIVERY SYSTEM–Water Quality and Treatment" in this Appendix A for information regarding certain water quality regulations and developments that impact or may impact certain local groundwater supplies.

Metropolitan's water transaction projections are based in part on projections of locally-supplied water. Projections of future local supplies are based on estimated yields of projects that are currently producing water or are under construction at the time a water transaction projection is made. Estimated yields of projects currently producing water are calculated based on the projects' previous four-year production average. Estimated yields of projects that are under construction at the time a water transaction projection is made are based on data provided by the member agencies. See "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES–Water Transactions Projections" and "METROPOLITAN'S WATER SUPPLY–Integrated Water Resources Plan" in this Appendix A.

Groundwater. Demands for about 1.1 million acre-feet per year, about one-third of the annual water demands for approximately 19 million residents of Metropolitan's service area, are met from groundwater production. Local groundwater supplies are supported by recycled water, which is blended with imported water and recharged into groundwater basins, and also used for creating seawater barriers that protect coastal aquifers from seawater intrusion.

Member Agency Storage Programs. Metropolitan has developed a number of local programs to work with its member agencies to increase storage in groundwater basins. Metropolitan has encouraged storage through its cyclic and conjunctive use storage programs. These programs allow Metropolitan to deliver water into a groundwater basin in advance of agency demands. Metropolitan has drawn on dry-year supply from nine contractual conjunctive use storage programs to address shortages from the State Water Project and the CRA.

Cyclic storage agreements allow pre-delivery of imported water for recharge into groundwater basins in excess of an agency's planned and budgeted deliveries making best use of available capacity in conveyance pipelines, use of storm channels for delivery to spreading basins, and use of spreading basins. This water is then purchased at a later time when the agency has a need for groundwater replenishment deliveries.

Conjunctive use agreements provide for storage of imported water that can be called for use by Metropolitan during dry, drought, or emergency conditions. During a dry period, Metropolitan has the option to call water stored in the groundwater basins pursuant to its contractual conjunctive use agreements. At the time of the call, the member agency pays Metropolitan the prevailing rate for that water. Nine conjunctive use projects provide about 210,000 acre-feet of groundwater storage and have a combined extraction capacity of about 70,000 acre-feet per year. See the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "METROPOLITAN'S WATER SUPPLY–Storage Capacity and Water in Storage" in this Appendix A.

Reverse Cyclic Program. In 2022, Metropolitan's Board authorized the General Manager to enter into reverse-cyclic agreements with participating member agencies to preserve the availability of Metropolitan's State Water Project supplies. Metropolitan's General Manager initiates deferrals under the Reverse-Cyclic Program when the General Manager determines that the supply conditions warrant deferring the use of State Water Project supplies due to the risk of shortage of these supplies. Under these agreements and at Metropolitan's request, participating member agencies agree to defer Metropolitan deliveries of water purchased in calendar year 2022 to allow Metropolitan to preserve its State Water Project supplies. Metropolitan would bill participating member agencies the 2022 full-service rate and applicable treatment charge. In doing so, the participating member agencies avoid paying the projected higher service rate that would be in place when Metropolitan makes the deferred delivery. Metropolitan will deliver water to the participating member agencies no later than five full calendar years from the date of purchase. Metropolitan is currently drafting agreements with member agencies, with the first agreement expected to be executed in the near future.

Recovered Groundwater. Contamination of groundwater supplies is a growing threat to local groundwater production. Metropolitan has been supporting increased groundwater production and improved regional supply reliability by offering financial incentives to agencies for the production and treatment of degraded groundwater since 1991 through the LRP. Metropolitan has executed LRP agreements with local agencies to provide financial incentives to 29 projects that recover contaminated groundwater with total contract yields of about 127,000 acre-feet per year. Total groundwater recovery use under executed agreements with Metropolitan is estimated to be approximately 60,000 acre-feet in fiscal year 2020-21. Additionally, 65,000 acre-feet of recovered groundwater were produced by local agencies through other independently funded and developed sources.

Surface Runoff. Local surface water resources consist of runoff captured in storage reservoirs and diversions from streams. Since 1980, agencies have used an average of 110,000 acre-feet per calendar year of local surface water. Local surface water supplies are heavily influenced by year to year local weather conditions, varying from a high of 188,000 acre-feet in calendar year 1998 to a low of 37,000 acre-feet in calendar year 2016.

Stormwater is another local water supply and is surface runoff that is captured and contained on-site as opposed to captured in storage reservoirs or diverted from streams. In 2020, Metropolitan launched two pilot programs to better understand the costs and benefits of stormwater capture, yield, and use. One program examines opportunities to capture stormwater for direct use and the other explores stormwater capture for groundwater recharge. The programs accepted applications through December 31, 2021. Together, Metropolitan committed up to $12.5 million for these programs. These programs are in either the construction or monitoring phase. The pilot programs are expected to last at least five years, including the construction and monitoring phases. The data collected during the pilot programs will assist Metropolitan in evaluating the water supply benefits of stormwater capture and provide guidance for future funding strategies.

Recycled Water-Local Agency Projects. Metropolitan has supported recycled water use to offset water demands and improve regional supply reliability by offering financial incentives to agencies for production and sales of recycled water since 1982 through the LRP. Since the inception of the LRP, Metropolitan has executed agreements with local agencies to provide financial incentives to 88 recycled water projects with total expected contract yields of about 360,000 acre-feet per year. During fiscal year 2020-21, Metropolitan provided incentives for approximately 57,900 acre-feet of recycled water under these agreements. Total recycled water use under executed agreements with Metropolitan currently in place is estimated to be approximately 118,000 acre-feet annually in fiscal year 2020-21. Additionally, 403,000 acre-feet of recycled water (including wastewater discharged to the Santa Ana River that percolates into downstream groundwater basins) was produced by local agencies through other independently funded and developed sources.

Metropolitan also supports recycled water conversions for property owners through the On-Site Retrofit Program. The On-Site Retrofit Program provides a financial incentive of $195 per acre-foot of offset water for five years to property owners who convert an imported water demand to a recycled water system. In January 2022, Metropolitan's Board authorized staff to increase the incentive term from five to ten years ($195/acre-foot for 10 years) in recognition of the long lifespan of recycled water infrastructure. To date, the On-Site Retrofit Program has provided $11.05 million to 445 projects that offset approximately 12,800 acre-feet per year of imported water supplies.

Recycled Water-Metropolitan Regional Recycled Water Program. Since 2010, Metropolitan has been evaluating the potential and feasibility of implementing a regional recycled water program (the "RRWP"). Chronic drought conditions have resulted in significant reductions in local surface supplies and groundwater production and have increased the need for recharge supplies to groundwater and surface water reservoirs to improve their sustainable yields and operating integrity. In 2015, Metropolitan executed an agreement with the Sanitation Districts of Los Angeles County ("LACSD") to implement a demonstration project and to establish a framework of terms and conditions of the RRWP. The objectives of the RRWP are to enable the potential reuse of up to 150 million gallons per day ("mgd") of treated effluent from LACSD's Joint Water Pollution Control Plant ("JWPCP"). Purified water from a new advanced treatment facility could be delivered through pipelines to the region's groundwater basins, industrial facilities, and two of Metropolitan's treatment plants. Construction of a 0.5-mgd advanced water treatment demonstration plant was approved in 2017 and was completed in September 2019. Testing and operation of the plant began in October 2019 to confirm treatment costs and provide the basis for regulatory approval of the proposed treatment process. The first testing phase was completed in 2021 with future testing phases planned that will form the basis for the design, operation, and optimization of, and will inform Metropolitan's Board decision whether to move forward with, a full-scale advanced water treatment facility. Finally, the RRWP, if constructed, will have the flexibility to be expanded in the future to implement Direct Potable Reuse ("DPR") through raw water augmentation at two of Metropolitan's treatment plants. The SWRCB Division of Drinking Water ("DDW") is in the process of developing regulations for DPR in California, with the current anticipated date for promulgation by the end of 2023. On November 10, 2020, Metropolitan's Board voted to begin environmental planning work on the RRWP. In December 2020, Metropolitan and SNWA executed a funding agreement under which SNWA will contribute up to $6 million for the environmental planning costs for the RRWP. In the event either SNWA or Metropolitan decides not to proceed or participate in the RRWP in the future, SNWA's financial contribution to the RRWP's environmental planning would be returned by Metropolitan. In 2021, Metropolitan signed an agreement with the Arizona Parties (Central Arizona Project and Arizona DWR) for a $6 million financial contribution similar to the SNWA agreement. Metropolitan also has a contribution agreement with LACSD for approximately $4.6 million. Environmental planning phase work for the RRWP began in fiscal year 2020-21 and is expected to continue through fiscal year 2023-24. The fiscal year 2022-23 and 2023-24 biennial budget includes $20 million for planning costs of the RRWP as part of the operations and maintenance budget. Metropolitan's financial projections for the fiscal years ending June 30, 2023 through 2027 include approximately $273 million in fiscal years 2025 through 2027 for estimated future capital costs associated with a potential full-scale RRWP. If approved, design and construction would be expected to take approximately eight years, with total construction costs estimated at approximately $3.7 billion.

Seawater Desalination. Metropolitan supports seawater desalination as a part of the region's supply portfolio as well as a mechanism to increase regional supply resiliency under different climate change and population growth scenarios.

In 2007, the Board approved Metropolitan's role as a regional facilitator for seawater desalination. This includes supporting local projects during permitting and providing technical assistance when requested. Metropolitan's regional facilitation includes active participation in organizations advocating for desalination and salinity management, including CalDesal within California and the Multi-State Salinity Coalition nationally. Metropolitan also participates in the National Alliance for Water Innovation ("NAWI"). NAWI is a Department of Energy-led, $100 million research effort focused on accelerating the commercialization of early-stage desalination technologies. New technologies developed by NAWI could reduce cost and environmental barriers to seawater desalination in California.

In October 2014, seawater desalination projects became eligible for funding under Metropolitan's LRP. There are currently two local seawater desalination projects in the permitting stages that could receive LRP incentives. These include South Coast Water District's proposed 2,000 to 15,000 acre-feet per year Doheny Ocean Desalination project in south Orange County and Orange County Water District's proposed 56,000 acre-feet per year Huntington Beach Seawater Desalination project in north Orange County. LRP applications for potential projects would be considered by Metropolitan's Board after they are permitted, free of litigation, and authorized to proceed by their developing agencies.

In 2015, Poseidon Resources LLC ("Poseidon") began operating the 56,000 acre-foot per year Carlsbad Desalination Project and associated pipeline. SDCWA has a purchase agreement with Poseidon for a minimum of 48,000 acre-feet per year with an option to purchase an additional 8,000 acre-feet per year.

METROPOLITAN'S WATER DELIVERY SYSTEM

Primary Facilities and Method of Delivery

Metropolitan's water delivery system is made up of three basic components: the Colorado River Aqueduct (CRA), the California Aqueduct of the State Water Project and Metropolitan's water distribution system. Metropolitan's delivery system is integrated and designed to meet the differing needs of its member agencies. Metropolitan seeks redundancy in its delivery system to assure reliability in the event of an outage. Improvements are designed to increase the flexibility of the system. Since local sources of water are generally used to their maximum each year, growth in the demand for water is partially met by Metropolitan. The operation of Metropolitan's water system is being made more reliable through the rehabilitation of key facilities as needed, improved preventive maintenance programs and the upgrading of Metropolitan's operational control systems. See "CAPITAL INVESTMENT PLAN" in this Appendix A.

The graphic on the following page depicts Metropolitan's water delivery system, which is further described below.

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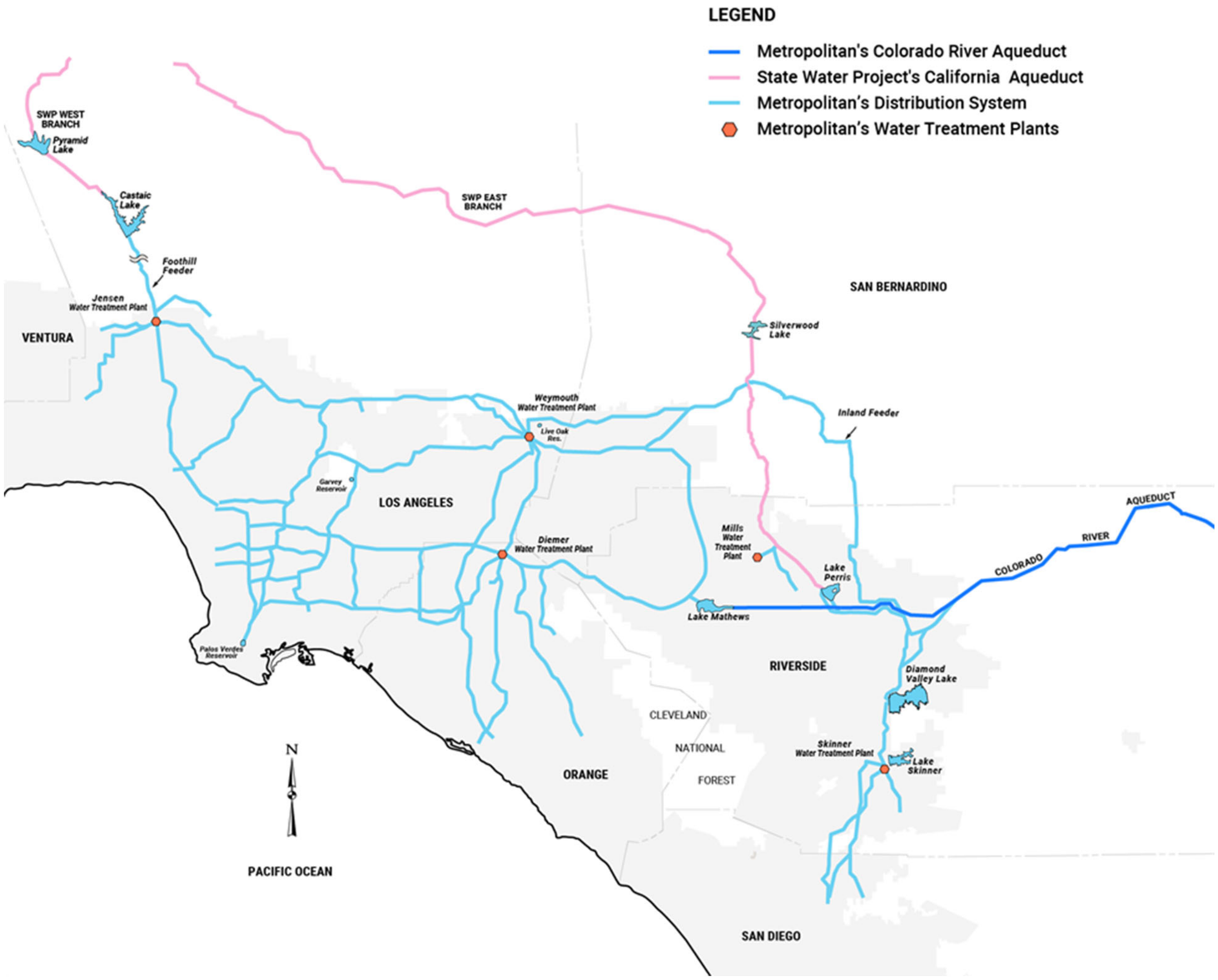
METROPOLITAN'S WATER DELIVERY SYSTEM



Colorado River Aqueduct. Work on the CRA commenced in 1933 and water deliveries started in 1941. Additional facilities were completed by 1961 to meet additional requirements of Metropolitan's member agencies. The CRA is 242 miles long, starting at the Lake Havasu intake and ending at the Lake Mathews terminal reservoir. Metropolitan owns all the components of the CRA, which include five pumping plants, 64 miles of canal, 92 miles of tunnels, 55 miles of concrete conduits, four reservoirs, and 144 underground siphons totaling 29 miles in length. The pumping plants lift the water approximately 1,617 feet over several mountain ranges to Metropolitan's service area. See "METROPOLITAN'S WATER SUPPLY–Colorado River Aqueduct" in this Appendix A.

State Water Project. The initial portions of the State Water Project serving Metropolitan were completed in 1973. The State Water Project, managed and operated by DWR, is one of the largest water supply projects undertaken in the history of water development. The State Water Project facilities dedicated to water delivery consist of a complex system of dams, reservoirs, power plants, pumping plants, canals and aqueducts to deliver water. Water from rainfall and snowmelt runoff is captured and stored in State Water Project conservation facilities and then delivered through State Water Project transportation facilities to water agencies and districts located throughout the Upper Feather River, Bay Area, Central Valley, Central Coast, and Southern California. Metropolitan receives water from the State Water Project through the main stem of the aqueduct system, the California Aqueduct, which is 444 miles long and includes 381 miles of canals and siphons, 49 miles of pipelines or tunnels and 13 miles of channels and reservoirs.

As described herein, Metropolitan is the largest (in terms of number of people it serves, share of State Water Project water it has contracted to receive, and percentage of total annual payments made to DWR therefor) of 29 agencies and districts that have entered into contracts with DWR to receive water from the State Water Project. Contractors pay all costs of the facilities in exchange for participation rights in the system. Thus, Contractors also have the right to use the portion of the State Water Project conveyance system necessary to deliver water to them at no additional cost as long as capacity exists. See "METROPOLITAN'S WATER SUPPLY–State Water Project" in this Appendix A.

Distribution System. Metropolitan's distribution system is a complex network of facilities which routes water from the CRA and State Water Project to Metropolitan's member agencies. The water distribution system includes components that were built beginning in the 1930s and through the present. Metropolitan owns all of these components, including nine reservoirs, five regional treatment plants, over 800 miles of transmission pipelines, feeders and canals, and 15 hydroelectric plants with an aggregate capacity of 130 megawatts.

Diamond Valley Lake. Diamond Valley Lake, a man-made reservoir, built, owned and operated by Metropolitan, is located southwest of the city of Hemet, California. It covers approximately 4,410 acres and has capacity to hold approximately 810,000 acre-feet or 265 billion gallons of water. Imported water is delivered to Diamond Valley Lake during surplus periods. The reservoir provides more reliable delivery of imported water from the State Water Project during summer months, droughts and emergencies. In addition, Diamond Valley Lake can provide more than one-third of Southern California's water needs from storage for approximately six months after a major emergency (assuming that there has been no impairment of Metropolitan's internal distribution network). See the table entitled "Metropolitan's Water Storage Capacity and Water in Storage" under "METROPOLITAN'S WATER SUPPLY–Storage Capacity and Water in Storage" in this Appendix A for the amount of water in storage at Diamond Valley Lake. Excavation at the project site began in May 1995. Diamond Valley Lake was completed in March 2000, at a total cost of $2 billion, and was in full operation in December 2001.

Inland Feeder. Metropolitan's Inland Feeder is a 44-mile-long conveyance system that connects the State Water Project to Diamond Valley Lake and the CRA. The Inland Feeder provides greater flexibility in managing Metropolitan's major water supplies and allows greater amounts of State Water Project water to be accepted during wet seasons for storage in Diamond Valley Lake. In addition, the Inland Feeder increases the conveyance capacity from the East Branch of the State Water Project by 1,000 cfs, allowing the East Branch to operate up to its full capacity. Construction of the Inland Feeder was completed in September 2009 at a total cost of $1.14 billion.

Operations Control Center. Metropolitan's water conveyance and distribution system operations are coordinated from the Operations Control Center (the "OCC") centrally located in Los Angeles County. The OCC plans, balances and schedules daily water and power operations to meet member agencies' demands, taking into consideration the operational limits of the entire system.

Water Quality and Treatment

General. Metropolitan filters and disinfects water at five water treatment plants: the F.E. Weymouth Treatment Plant, the Joseph Jensen Treatment Plant, the Henry J. Mills Treatment Plant, the Robert B. Diemer Treatment Plant, and the Robert A. Skinner Treatment Plant. In recent years, the plants typically treat between 0.8 billion and 1.0 billion gallons of water per day and have a maximum capacity of approximately 2.4 billion gallons per day. Approximately 50 percent of Metropolitan's water deliveries are treated water.

During 2021, due to the ongoing COVID-19 pandemic, Metropolitan received force majeure notices from certain of its chemical vendors regarding their inability to fulfill orders as a result of competing demand and supply chain issues. Metropolitan's chemical supplies, however, were not impacted. In addition, the COVID-19 pandemic caused labor shortages, resulting in periodic delays in chemical deliveries. This issue has continued in 2022. Metropolitan monitors its chemical inventories closely and did not experience interruptions in its supplies. However, limited supplies and inflationary pressures have resulted in cost increases.

Metropolitan is operating in compliance with current State and federal drinking water regulations and permit requirements.

Federal and state regulatory agencies routinely identify potential contaminants and establish new water quality standards. Metropolitan continually monitors new water quality laws and regulations and frequently comments on new legislative proposals and regulatory rules. New water quality standards could affect the availability of water and impose significant compliance costs on Metropolitan. The federal Safe Drinking Water Act ("SDWA") establishes drinking water quality standards, monitoring, and public notification and enforcement requirements for public water systems. To achieve these objectives, the U.S. Environmental Protection Agency (the "USEPA"), as the lead regulatory authority, promulgates national drinking water regulations and develops the mechanism for individual states to assume primary enforcement responsibilities. The SWRCB DDW, formerly the Drinking Water Program under the California Department of Public Health, has primary responsibility for the regulation of public water systems in the State. Drinking water delivered to customers must comply with statutory and regulatory water quality standards designed to protect public health and safety. Metropolitan operates its five water treatment plants under a domestic water supply permit issued by DDW, which is amended, as necessary, such as when significant facility modifications occur. Metropolitan operates and maintains water storage, treatment and conveyance facilities, implements watershed management and protection activities, performs inspections, monitors drinking water quality, and submits monthly and annual compliance reports. In addition, public water system discharges to state and federal waters are regulated under general National Pollutant Discharge Elimination System ("NPDES") permits. These NPDES permits, which the SWRCB issued to Metropolitan, contain numerical effluent limitations, monitoring, reporting, and notification requirements for water discharges from the facilities and pipelines of Metropolitan's water supply and distribution system.

Groundwater. As described herein, Metropolitan has established five groundwater storage programs with other water agencies that allow Metropolitan to store available supplies in the Central Valley for return later. These programs help manage supplies by putting into storage surplus water in years when it is available and converting that to dry year supplies to be returned when needed. These programs can also provide emergency supplies. See "METROPOLITAN'S WATER SUPPLY–Water Transfer, Storage and Exchange Programs –State Water Project Agreements and Programs" and "–Storage Capacity and Water in Storage" in this Appendix A. Generally, water returned to Metropolitan under these groundwater storage programs ("return water") may be made available in one of two ways: by direct pump back from a groundwater well to the California Aqueduct or, when available, by an exchange with a supply already in the aqueduct. Water quality issues can arise in water returned by direct pumping as a result of the presence of a water quality contaminant in the groundwater storage basin and due to the imposition of stricter water quality standards by federal or State regulation.

In 2017, the SWRCB adopted a regulation setting a Maximum Contaminant Level ("MCL") for TCP of 5 parts per trillion ("ppt") based upon a running annual average. TCP is a manufactured chemical used as a cleaning and degreasing solvent and has been found at industrial and hazardous waste sites. It is also associated with pesticide products used in agricultural practices. In January 2018, the new regulation went into effect. Under the new regulation, drinking water agencies are required to perform quarterly monitoring of TCP. There have been no detections of this chemical in Metropolitan's system. However, TCP has been detected above the MCL in groundwater wells of three of Metropolitan's groundwater storage program partners through monitoring performed by these agencies. Levels detected in groundwater wells of the Arvin-Edison Water Storage District are the highest and impact Metropolitan's ability to put water into storage and take return water under that program. As noted under "METROPOLITAN'S WATER SUPPLY–Water Transfer, Storage and Exchange Programs –State Water Project Agreements and Programs – *Arvin-Edison/Metropolitan Water Management Program*" in this Appendix A, Metropolitan has suspended the return of groundwater from the program until the water quality concerns can be further evaluated and managed. The levels of TCP detected at Metropolitan's other groundwater storage programs are much lower and impact fewer groundwater wells. Metropolitan is evaluating the effects of TCP on the return capability of those programs.

Possible remediation measures include, for example, return water with other surface water supplies, removal of wells from service, return water by exchange, or treatment. Additional capital and/or operation and maintenance costs could be incurred by Metropolitan in connection with remediation options, but the magnitude of such costs is not known at this time. To the extent return water under one or more groundwater storage programs could not be utilized due to groundwater quality, the available supply of stored water during extended drought or emergency periods would be reduced.

Perchlorate. Perchlorate is both a naturally occurring and man-made chemical used in the production of rocket fuel, missiles, fireworks, flares and explosives. It is also sometimes present in bleach and in some fertilizers. Groundwater in the Henderson, Nevada area has been contaminated with perchlorate as a result of two former chemical manufacturing facilities, and there are ongoing remediation programs to mitigate its release into the Las Vegas Wash and the downstream Colorado River. On July 21, 2020, the USEPA withdrew its 2011 determination to regulate perchlorate under the SDWA and issued a new determination that perchlorate does not meet the statutory criteria for regulation. Thus, there is currently no federal drinking water standard for perchlorate, which could potentially affect remediation efforts in the Henderson area. Whether the USEPA should issue a national drinking water standard for perchlorate is the subject of ongoing litigation by the Natural Resources Defense Council, Inc. The case was on hold while the USEPA was reviewing its prior decision not to set a federal MCL for perchlorate. On March 31, 2022, the USEPA concluded that its prior determination not to regulate perchlorate in drinking water is supported by the best available peer reviewed science. The agency will continue to consider: (1) new information on the health effects and occurrence of perchlorate; and (2) if perchlorate should be added to future Contaminant Candidate Lists for possible regulation under the Safe Drinking Water Act. Now that the USEPA has concluded its review, the Natural Resources Defense Council, Inc. is proceeding with its appeal.

California is reviewing its MCL for perchlorate considering a revised Public Health Goal ("PHG") of 1 μg/L adopted in February 2015. PHGs are established by the California Office of Environmental Health Hazard Assessment ("OEHHA") and used as the basis for the development of a State regulation setting an

MCL. The SWRCB is required to set an MCL for a chemical as close to the PHG as is technologically and economically feasible, placing primary emphasis on the protection of public health. DDW is conducting an in-depth risk management analysis to determine whether to revise the perchlorate MCL of 6 μg/L. The detection limit for purposes of reporting (DLR) for perchlorate was lowered to 2 μg/L in July 2021, and it will further be reduced to 1 μg/L in January 2024. If California's MCL for perchlorate is revised to a level less than 6 μg/L, it will be important for the oversight agencies, USEPA and the Nevada Division of Environmental Protection, to ensure that the perchlorate contamination originating at the two former chemical manufacturing facilities in Henderson, Nevada is remediated to a level that minimizes impacts to the Colorado River and that perchlorate concentrations at Metropolitan's Whitsett Intake at Lake Havasu stay at levels below California's MCL. Metropolitan will continue to participate in federal and state rulemaking proceedings.

PFAS. Per- and poly-fluoroalkyl substances ("PFAS") are substances widely used in consumer and industrial products such as fabrics, carpets, firefighting foams, food packaging, and nonstick cookware and are known for their nonstick, waterproof, and heat and stain resistant properties. Perfluorooctane sulfonate ("PFOS") and perfluorooctanoic acid ("PFOA") are the two most common synthetic organic chemicals in the group of compounds referred to as PFAS. In August 2019, DDW lowered the notification levels ("NLs") for PFOS from 13 ppt to 6.5 ppt and for PFOA from 14 ppt to 5.1 ppt. NLs are non-regulatory, precautionary health-based measures for concentrations of chemicals in drinking water that warrant notification and further monitoring and assessment. If a chemical concentration is greater than its NL in drinking water that is provided to consumers, DDW recommends that the utility inform its customers and consumers about the presence of the chemical, and about health concerns associated with exposure to it. In February 2020, DDW lowered the response levels ("RLs") for PFOA and PFOS from 70 ppt for individual or combined concentrations to 10 ppt for PFOA and 40 ppt for PFOS. An RL is set higher than an NL and represents a chemical concentration level at which DDW recommends a water system consider taking a water source out of service or providing treatment if that option is available to them. Legislation which took effect on January 1, 2020 (California Assembly Bill 756) requires that water systems that receive a monitoring order from the SWRCB and detect levels of PFAS that exceed their respective RL must either take a drinking water source out of use or provide specified public notification if they continue to supply water above the RL. In March 2021, DDW issued an NL of 0.5 parts per billion ("ppb") and an RL of 5 ppb for perfluorobutane sulfonic acid ("PFBS"), another PFAS chemical.

In July 2021, OEHHA proposed PHGs for PFOA at 0.007 ppt and PFOS at 1 ppt, the next step in the process of establishing MCLs in drinking water. There are currently no federal regulations on the level of PFAS allowed in treated drinking water. The USEPA established non-enforceable and non-regulatory health advisories in 2016 for PFOA and PFOS at single or combined concentrations of 70 ppt in treated drinking water. On January 19, 2021, the USEPA announced that it is considering whether to designate PFOA and PFOS as hazardous substances under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA") and/or hazardous waste under the Resource Conservation and Recovery Act ("RCRA"). On February 22, 2021, the USEPA announced its proposed revisions to the Fifth Unregulated Contaminant Monitoring Rule ("UCMR 5") for public water systems which includes monitoring for 29 PFAS in drinking water. The proposal would require pre-sampling preparations in 2022, sample collection from 2023-2025, and reporting of final results through 2026. On March 3, 2021, the USEPA published its final regulatory determination to regulate PFOA and PFOS in drinking water. The USEPA has 24 months to propose maximum contaminant level goals ("MCLGs") and MCLs for PFOA and PFOS. Following that deadline, the USEPA has 18 months to publish final MCLGs and MCLs for PFOA and PFOS. On October 18, 2021, the USEPA published a "PFAS Strategic Roadmap: EPA's Commitments to Action, 2021-2024" (PFAS Roadmap). The document outlines four main drinking water actions that the USEPA intends to complete from 2021 to 2024: (1) conduct nationwide monitoring for PFAS in drinking water as part of the UCMR 5 process; (2) establish national primary drinking water regulations for PFOA and PFOS by Fall 2023; (3) publish health advisories for GenX chemicals (hexafluoropropylene oxide dimer acid and its ammonium salt) ("GenX") and PFBS by Spring 2022; and (4) publish updates to PFAS analytical methods to monitor drinking water by Fall 2024. On December 27, 2021, the USEPA published the final UCMR 5. On January 10, 2022, the USEPA submitted a proposed rule for review to the White House Office of Management and Budget to designate PFOA and PFOS as hazardous substances under CERCLA. On June 15, 2022, the USEPA established new interim, updated health advisories for PFOA and PFOS to replace the health advisories established in 2016 until the national primary drinking water regulations for PFOA and PFOS are developed and implemented. The non-enforceable and non-regulatory interim, updated lifetime health advisories for PFOA and PFOS in drinking water are established at concentrations of 0.004 ppt and 0.02 ppt, respectively. In its announcement, the USEPA noted that such concentrations are below the ability to detect under current detection methods. On June 15, 2022, the USEPA also established final health advisories for GenX and PFBs. Metropolitan will continue to monitor and participate in federal and state rulemaking proceedings.

PFOA and PFBS have not been detected in Metropolitan's imported or treated water supplies. In 2019, 2020, and 2021, Metropolitan detected in its supplies low levels of PFHxA, which is not acutely toxic or carcinogenic and is not currently regulated in California or at the federal level. In 2021, Metropolitan detected for the first time in its supplies low levels of perfluorobutanoic acid ("PFBA"), perfluoropentanoic acid ("PFPeA"), and PFOS. The concentrations detected to date are below the State's reporting values, which means they are considered "not-detected."

Metropolitan has not identified any specific sources of these PFAS in its supplies, but PFHxA is a common PFAS believed to be an impurity that is inadvertently produced during the manufacture of other PFAS. It is also a breakdown product from lubricants, coatings on food packaging, and household products. PFOS is widely used in surface treatments of carpets, textiles, leather, paper, and cardboard, as a surfactant in extinguishing foams, as a mist suppressant in chrome plating, and as a surfactant in the mining and oil industries. PFBA is a breakdown product of other PFAS that are used in stain-resistant fabrics, paper food packaging, and carpets; it is also used for manufacturing photographic film. It has been used as a substitute for longer chain perfluoroalkyl carboxylic acids in consumer products. PFPeA is a breakdown product of stain- and grease-proof coatings on food packaging, couches, and carpets. Metropolitan has not identified any specific sources of PFAS that have reached its water supplies and the concentrations detected to date are well below the State's required reporting values. PFOA and PFOS have also been detected in groundwater wells in the region, including those of certain member agencies. Metropolitan may experience increased demands for its imported water to help offset the potential loss of any affected local supplies.

Seismic Considerations and Emergency Response Measures

General. Metropolitan's system overlays a region of high seismicity. The conveyance and distribution systems traverse numerous faults capable of generating large magnitude earthquakes and some of Metropolitan's treatment plants, pressure control facilities, and other structures have the potential of experiencing high levels of earthquake-induced shaking. To mitigate this risk, Metropolitan routinely assesses the seismic hazards and potential risks to its facilities. It makes strategic investments through projects to limit overall system damage, improve post-earthquake recovery time, and reduce the impacts felt by the population and businesses. Metropolitan's strategy utilizes a defense-in-depth approach to prepare for and respond to the event adequately. Metropolitan's defense-in-depth approach includes the following priorities: (1) provide a diversified water supply portfolio, increase system flexibility, and maintain adequate levels of emergency storage to be able to withstand the potential disruption of imported supplies (2) prevent damage to water delivery infrastructure in probable seismic events and limit damage in extreme events through the systematic review and upgrade of facilities for which deficiencies are identified and (3) minimize the duration of water delivery interruptions through a dedicated emergency response and recovery organization, including in-house design, construction, and fabrication capability.

As part of its goal to increase the diversification of the local water portfolio, Metropolitan has provided monetary assistance to member agencies to develop new local water supplies. Increased and improved diversification of local supplies also improves the region's reliability in the event of a significant seismic event. In addition, Metropolitan is evaluating the feasibility of implementing a RRWP. See "REGIONAL WATER RESOURCES–Local Water Supplies –*Recycled Water-Metropolitan Regional Recycled Water Program*" in this Appendix A. If completed, it is expected that the RRWP would provide up to 150 million gallons per day of advanced treated recycled water for groundwater replenishment. The program, if completed, could provide an additional reliable water source within Metropolitan's service area in the event of an interruption of imported supplies.

In 2000, Metropolitan completed Diamond Valley Lake, an 810,000-acre-foot capacity reservoir located on the coastal side of the San Andreas Fault. With the completion of Diamond Valley Lake, Metropolitan nearly doubled its available in-region surface storage and improved its ability to capture water from Northern California in wet years. Water from Diamond Valley Lake can supply four of Metropolitan's five water treatment plants. Diamond Valley Lake, along with the other in-region reservoirs, are used to maintain a six-month emergency storage reserve outside of the operational storage in case of disruption of the imported water supplies. See "–Primary Facilities and Method of Delivery *–Diamond Valley Lake*."

Metropolitan has developed a Seismic Upgrade Program to systematically evaluate its above-ground facilities for seismic risk and prioritize its upgrade effort. Structures undergo an initial rapid evaluation and, if a potential deficiency is identified, will then undergo a detailed structural evaluation to assess the required upgrades. Deficient facilities are upgraded to meet current seismic standards based on criticality to the water delivery system. Previous projects include seismic upgrades to the pump plant buildings for the CRA and upgrades to various facilities at Metropolitan's treatment plants, such as wash water tanks, filter basins, and administration buildings. For existing pipelines, seismic resilience will be incorporated as a component of pipeline rehabilitation projects. Metropolitan will evaluate each upgrade individually to balance risk, performance, and cost. Metropolitan is currently implementing a 20-year program to replace or reline its prestressed concrete cylinder pipe with a welded steel pipe. Providing a steel liner insert will improve the seismic performance of these pipelines. In addition, Metropolitan is currently installing earthquake-resistant ductile iron pipe at a location where the CRA crosses the Casa Loma Fault.

Metropolitan has an ongoing surveillance program that monitors the safety and structural performance of its dams and reservoirs permitted by DWR's Division of Safety of Dams. Operating personnel perform regular inspections that include monitoring and analyzing seepage flows and pressures. Engineers responsible for dam safety review the inspection data and monitor each dam's horizontal and vertical movements. Major on-site inspections are performed at least twice each year. Instruments that transmit seismic acceleration time histories for analysis are installed at critical sites when a dam is subjected to strong motion during an earthquake.

Metropolitan has developed an emergency plan that calls for specific response levels appropriate to an earthquake's magnitude and location. Included in this plan are various communication tools, as well as a structured plan of management that varies with the severity of the event. Pre-designated personnel follow detailed steps for field facility inspection and distribution system patrol. Approximately 200 employees are designated to respond immediately if seismic events exceed a certain magnitude. An Emergency Operations Center ("EOC") is maintained at the OCC. The OCC/EOC, specifically designed to be earthquake resistant, contains communication equipment, including a radio transmitter, microwave capability, and a response line linking Metropolitan with its member agencies, and DWR. The OCC/EOC also has the capability of communicating with other utilities, County EOCs, and the State's Office of Emergency Services. Metropolitan also maintains in-house capability to address two major pipeline breaks simultaneously as part of its emergency response plan to restore operation shortly after a significant seismic event.

In conjunction with DWR and LADWP, Metropolitan has formed the Seismic Resilience Water Supply Task Force to collaborate on studies and mitigation measures aimed at improving the reliability of imported water supplies to Southern California. Specific task force goals include revisiting historical assumptions regarding potential aqueduct outages after a seismic event; establishing a common understanding about individual agency aqueduct vulnerability assessments, projected damage scenarios, and planning assumptions; and discussing ideas for improving the resiliency of Southern California's imported water supplies through multi-agency cooperation. The task force has established multi-year goals and will continue to meet on these issues and develop firm plans for mitigating seismic vulnerabilities.

Metropolitan's resiliency efforts include manufacturing, pipe fabrication, and coating capabilities in La Verne, California. Over $47 million has been invested and an additional $25 million is planned over the next two years to enhance and expand Metropolitan's capacity to provide fabrication, manufacturing, and coating services for rehabilitation work, maintenance activities, and capital projects. Metropolitan can also provide manufacturing, coating, and fabrication services upon request through reimbursable agreements to member agencies and DWR. These agreements have enhanced timely and cost-effective emergency response capabilities. Materials to fabricate pipe and other appurtenant fittings are kept on site. In the event of earthquake damage, Metropolitan has taken measures to provide the capacity to design and fabricate pipe and manufacture fittings. Metropolitan is also staffed to perform emergency repairs.

The Department of Water Resources has in place a seismic assessment program that evaluates the State Water Project's vulnerability to seismic events and makes recommendations for improvements. An example of a recently completed project under this program is the Perris Dam Retrofit. The assessment is important because the California Aqueduct crosses many major faults. The State Water Project delivers water supplies from Northern California that must traverse the Bay-Delta through hundreds of miles of varying levels of engineered levees that are potentially susceptible to significant damage due to flood and seismic risk. In the event of a failure of the Bay-Delta levees, the quality of the Bay-Delta's water could be severely compromised as saltwater comes in from the San Francisco Bay. Metropolitan's supply of State Water Project water would be adversely impacted if pumps that move Bay-Delta water southward to the Central Valley and Southern California are shut down to contain the saltwater intrusion. Metropolitan estimates that stored water supplies, CRA supplies and local water resources that would be available in case of a levee breach or other interruption in State Water Project supplies would meet demands in Metropolitan's service area for approximately six months. See "METROPOLITAN'S WATER SUPPLY–Storage Capacity and Water in Storage" in this Appendix A.

Metropolitan, in cooperation with the other State Water Contractors, developed recommendations to DWR for emergency preparedness measures to maintain continuity in export water supplies and water quality during seismic and other emergency events. These measures include improvements to emergency construction materials stockpiles in the Bay-Delta, improved emergency contracting capabilities, strategic levee improvements and other structural measures of importance to Bay-Delta water export interests, including development of an emergency freshwater pathway to export facilities in a severe earthquake.

Wildfires Risk Management Response

Wildfires are an ever-present reality in Southern California. Metropolitan continues to actively prepare for wildfires by collaborating with partner agencies such as the California Department of Forestry and Fire Protection (Cal Fire), DWR, and counties to implement preparedness measures to protect watersheds. Examples of these efforts include removing brush from fire prone areas, as well as removing by-products of large fires such as ash, fire retardant, and other debris that could negatively affect water quality. Metropolitan also collaborates frequently with its member agencies and first-responders from other public agencies. This collaboration includes coordination with local fire departments during and after nearby wildfire events, as well as participating in joint training and exercises throughout the year. Additionally, Metropolitan has a five-year exercise plan that provides member agencies the opportunity to exercise together before a disaster happens. Metropolitan tests its emergency communications processes through regular tests of emergency radio networks, satellite phones, mass-communication alerting systems, and online information sharing systems.

Metropolitan has also implemented measures to protect employees from the impacts of wildfires such as upgrading HVAC systems in control centers to improve the filtration of smoke and other pollutants; and sending emergency notifications to employees to warn them of unhealthy air quality due to nearby fires.

Security Measures

Metropolitan's water and energy facilities are federally-determined critical infrastructure. Metropolitan deploys multiple layers of physical security and collaborates with federal and state partners to mitigate malevolent threats. It manages a physical security system consisting of electronic access controls, a surveillance and intrusion warning system, and a round-the-clock security watch center. It maintains professional, in-house security specialists and retains a 200+ contract security guard force. It directs a capital improvement program to harden physical infrastructure. It collaborates with key federal and state security partners, which entails on-site consultations, inter-agency mock exercises, real-time monitoring, and first response coordination. It follows the chain-of-custody protocols of the FERC and the North American Electric Reliability Corporation. Finally, it complies with the Bioterrorism Response Act of 2002, the DHS Chemical Facility Anti-Terrorism Standards, and the America's Water Infrastructure Act of 2018.

CAPITAL INVESTMENT PLAN

General Description

Metropolitan's current Capital Investment Plan (the "Capital Investment Plan" or "CIP") describes Metropolitan's infrastructure and system reliability projects, either as upgrades to existing capital assets or replacements and refurbishments of existing facilities. The CIP is Metropolitan's planning document to ensure asset reliability, enhance operational efficiency and flexibility, and ensure compliance with water quality regulations.

Metropolitan's CIP is regularly reviewed and updated. Metropolitan's biennial budget process includes a review of the projected long-term capital needs and the development of a capital expenditure forecast for the ten-year financial forecast, as well as the identification of the capital priorities of Metropolitan over the biennial budget term. The award of major contracts and professional services agreements are subject to approval by Metropolitan's Board. Pursuant to the Administrative Code, following the adoption of the biennial budget, a Board action is presented to (1) appropriate the total amount of approved biennial CIP expenditures and (2) authorize the General Manager to initiate or proceed with work on capital projects identified in the CIP for such biennial period. The amount and timing of borrowings to fund capital expenditures will depend upon the status of construction activity and water demands within Metropolitan's service area, among other factors. From time to time, projects that have been undertaken are delayed, redesigned, or deferred by Metropolitan for various reasons, and no assurance can be given that a project in the CIP will be completed in accordance with its original schedule or that any project will be completed as currently planned. In addition, from time to time, when circumstances warrant, Metropolitan's Board may approve capital expenditures other than or in addition to those contemplated by the CIP at the time of the then current biennial budget.

Projection of Capital Investment Plan Expenditures

The table below sets forth the projected CIP expenditures by project type for the fiscal years ending June 30, 2022 through 2027, as currently projected for fiscal year 2021-22, and as reflected in the biennial budget for fiscal years 2022-23 and 2023-24 for fiscal years 2022-23 through 2026-27. The projection for the current biennium, which covers fiscal years 2020-21 and 2021-22, is updated every month to reflect the most current changes to planned expenditures. The biennial budget is updated every two years as a result of the periodic review and adoption of the capital budget by Metropolitan's Board. See "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

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CAPITAL INVESTMENT PLAN
PROJECTION OF EXPENDITURES(1)
(Fiscal Years Ended June 30 - Dollars in Thousands)

	2022	2023	2024	2025	2026	2027	Total
Infrastructure R&R	$ 97,004	$ 86,978	$ 69,899	$ 93,869	$ 90,736	$ 82,979	$ 521,465
Infrastructure Upgrade	78,557	161,080	162,713	158,939	166,068	181,000	908,357
Regulatory Compliance	481	561	0	0	0	0	1,042
Stewardship	3,753	11,907	6,830	8,568	12,514	21,230	64,802
Supply Reliability	0	4,967	2,697	68,945	63,402	147,995	288,006
System Flexibility	19,444	30,531	41,582	40,566	48,262	42,131	222,516
Water Quality	2,261	3,976	16,279	935	110	0	23,561
Total	$201,500(2)	$300,000	$300,000	$371,822	$381,092	$475,335	$2,029,749

Source: Metropolitan.

(1) Fiscal year 2021-22 is based on current projections. Fiscal years 2022-23 through 2026-27 are based on the ten-year financial forecast provided in the biennial budget for fiscal years 2022-23 and 2023-24.

(2) Planned capital expenditures of $250 million per year were appropriated for fiscal years 2020-21 and 2021-22. Projected capital expenditures for fiscal year 2021-22 in the table above reflect current projections as to the timing of expenditure of the appropriated funds.

In developing the CIP, projects are reviewed, scored, and prioritized towards the objectives of ensuring the sustainable delivery of reliable, high-quality water, while meeting all regulatory requirements and maintaining affordability. Additional capital costs may arise in the future as a result of, among other things, federal and State water quality regulations, project changes and mitigation measures necessary to satisfy environmental and regulatory requirements, and additional facilities' needs. See "METROPOLITAN'S WATER DELIVERY SYSTEM–Water Quality and Treatment" in this Appendix A.

Construction projects included in the CIP are subject to ordinary construction risks and delays, including but not limited to: inclement weather or natural hazards affecting work and timeliness of completion; contractor claims or nonperformance; work stoppages or slowdowns; unanticipated project site conditions encountered during construction; errors or omissions in contract documents requiring change orders; and/or higher than anticipated construction bids or costs (including as a result of steeper inflationary increases), any of which could affect the costs and availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors, and result in increased CIP costs. The construction schedules for certain Metropolitan projects were initially delayed as a result of the COVID-19 outbreak and some projects continue to be delayed due to supply chain issues and other geopolitical conditions. Although not currently anticipated, additional delays in the future are possible. See "GOVERNANCE AND MANAGEMENT–COVID-19 Pandemic" in this Appendix A.

Capital Investment Plan Financing

The CIP requires debt financing (see "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A) as well as pay-as-you-go funding. In connection with the biennial budget process and the development of the ten-year financial forecast provided therein, an internal funding objective is established for the funding of capital program expenditures from current revenues. An internal funding objective to fund 45 percent of capital program expenditures from current revenues was established in connection with the adoption of the biennial budget for fiscal years 2022-23 and 2023-24. This objective is updated every two years as a result of the periodic review and adoption of the capital budget by Metropolitan's Board. The remainder of capital program expenditures are expected to be funded through the issuance from time to time of water revenue bonds, which are payable from Net Operating Revenues. However, as in prior years, pay-as-you-go funding or debt financing may be reduced or increased by the Board at any time.

Projections for fiscal years 2022-23 through 2026-27 assume the issuance of approximately $1,040 million of additional water revenue bonds over such period to finance the CIP. These revenue bonds may be issued either as Senior Revenue Bonds under the Senior Debt Resolutions or as Subordinate Revenue Bonds under the Subordinate Debt Resolutions (each as defined under "METROPOLITAN EXPENSES–Limitations on Additional Revenue Bonds" in this Appendix A). The cost of these projected bond issues is reflected in the financial projections under "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

Major Projects of Metropolitan's Capital Investment Plan

Colorado River Aqueduct Facilities. As previously noted, deliveries through the CRA began in 1941. Through annual inspections and maintenance activities, the performance and reliability of the various components of the CRA are regularly evaluated. Projects under the CRA facilities program are designed to replace or refurbish facilities and components on the CRA system in order to reliably convey water from the Colorado River to Southern California. The current projected cost estimate for all prior and planned refurbishment or replacement projects under the CRA facilities program from fiscal year 1998-99 through fiscal year 2031-32 is $807.2 million. Costs through February 2022 were $406.8 million. Budgeted aggregate capital expenditures for improvements on the CRA for fiscal years 2022-23 and 2023-24 are $76.2 million.

Distribution System – Prestressed Concrete Cylinder Pipe. Metropolitan's distribution system is comprised of approximately 830 miles of pipelines ranging in diameter from 30 inches to over 200 inches. (See "METROPOLITAN'S WATER DELIVERY SYSTEM" in this Appendix A.) There are 163 miles of the distribution system that is made up of prestressed concrete cylinder pipe ("PCCP"). In response to PCCP failures experienced by several water agencies, Metropolitan initiated the PCCP Assessment Program in December 1996 to evaluate the condition of Metropolitan's PCCP lines and investigate inspection and refurbishment methods. As part of this program, Metropolitan made improvements to several sections of PCCP. Rather than continue to make spot repairs to the pipe segments, Metropolitan initiated a long-term capital program to rehabilitate approximately 100 miles of PCCP in five pipelines by relining with a welded steel liner. Significant projects over the next several years include relining of portions of Second Lower and Sepulveda Feeders. The estimated cost to reline all 100 miles of PCCP is approximately $4.3 billion. Through February 2022, approximately 11.5 miles have been re-lined and it is expected to take approximately 30 years to complete the remainder of the pipelines. Costs through February 2022 for all PCCP work (including the prior repairs) were $301.0 million. Budgeted aggregate capital expenditures for PCCP rehabilitation for fiscal years 2022-23 and 2023-24 are $104.4 million.

Distribution System – Refurbishments and Improvements. In addition to the long-term program to rehabilitate Metropolitan's PCCP lines, several other components of the distribution system, including dams and reservoirs, are being refurbished and/or improved. Significant projects over the next several years include retrofitting of the distribution system to improve resiliency against earthquake; rehabilitation of reservoirs, relining of pipelines; and refurbishment of pump stations, pressure control structures, hydroelectric plants, and service connections. The projected cost estimate for refurbishment or replacement projects, other than the PCCP relining, from fiscal year 2004-05 through fiscal year 2031-32 is $1.0 billion. Costs through February 2022 totaled approximately $452.7 million. For fiscal years 2022-23 and 2023-24, budgeted aggregate capital expenditures for refurbishing and improvements on the distribution system, other than PCCP rehabilitation, are $114.0 million.

Drought Response and System Flexibility. In response to the ongoing historic statewide drought, several drought response projects that address decreasing water supplies both in specific parts of Metropolitan's service area and across the entire District have been added to the CIP. This is in addition to the ongoing projects to increase the system flexibility of Metropolitan's water supply and delivery infrastructure to meet service demands. Metropolitan continues investigating capital improvements that mitigate drought impacts and more projects are expected to be developed in the coming years. Some of the projects commenced in fiscal year 2021-22. Significant projects in this category include Inland Feeder-Rialto Pipeline Intertie, Wadsworth Pump Discharge to Eastside Pipeline Bypass, West Area Water Supply Reliability Improvements, and Perris Valley Pipeline Tunnels. The current projected cost estimate for the prior and planned drought response and system flexibility projects from fiscal year 2004-05 through fiscal year 2031-32 is $631.3 million, with $197.6 million spent through February 2022 for improving system flexibility. Budgeted aggregate capital expenditures for drought response and system flexibility projects for fiscal years 2022-23 and 2023-24 are $75.0 million.

System Reliability. System Reliability projects are implemented at facilities throughout Metropolitan's system to utilize new processes or technologies, to improve safety, or to increase overall reliability. Significant projects in this category include seismic strengthening of Metropolitan's headquarters building, construction or improvement of operations support facilities, security system enhancements, control system upgrades, and information technology infrastructure projects. The total estimated cost for all prior and projected system reliability improvements under this program from fiscal year 2004-05 to fiscal year 2031-32 is approximately $771.0 million, with $295.2 million spent through February 2022. Budgeted aggregate capital expenditures for improvements on system reliability projects for fiscal years 2022-23 and 2023-24 are $86.2 million.

Water Treatment Plant Improvements. The F. E. Weymouth Water Treatment Plant, which was placed into service in 1941, is Metropolitan's oldest water treatment facility. Four more water treatment plants were constructed throughout Metropolitan's service area with the Henry J. Mills Water Treatment Plant being the newest water treatment facility, which was placed into service in 1978. These plants treat water from the Colorado River Aqueduct and/or the State Water Project. These plants have been subsequently expanded since their original construction. Metropolitan has completed numerous upgrades and refurbishment/replacement projects to maintain the plants' reliability and improve efficiency. Significant projects over the next several years include refurbishment of settling basins and strengthening of inlet channels at the Weymouth plant, rehabilitation of filtration system at the Robert B. Diemer Water Treatment Plant, second stage of electrical upgrades at the Mills plant, ozonation system upgrade at the Joseph Jensen Water Treatment Plant, and chemical system rehabilitation at the Robert A. Skinner Plant. The cost estimate for all prior and projected improvements at all five plants, not including the ozone facilities and water treatment capacity expansions, from fiscal year 2004-05 through fiscal year 2031-32 is approximately $1.3 billion, with $1.1 billion spent through February 2022. Budgeted aggregate capital expenditures for improvements at all five plants for fiscal years 2022-23 and 2023-24 are $42.1 million.

METROPOLITAN REVENUES

General

Until water deliveries began in 1941, Metropolitan's activities were, by necessity, supported entirely through the collection of *ad valorem* property taxes. Since the mid-1980s, water revenues, which includes revenues from water sales, wheeling and exchanges, have provided approximately 80 percent of total revenues annually. Over that period, *ad valorem* property taxes have accounted for about 9 percent of total revenues, and in the fiscal year 2020-21, *ad valorem* property taxes accounted for approximately 9 percent of total revenues. See "–Revenue Allocation Policy and Tax Revenues." The remaining revenues have been derived principally from the sale of hydroelectric power, interest on investments, and additional revenue sources (water standby charges and availability of service charges) beginning in 1992. *Ad valorem* taxes do not constitute a part of Operating Revenues and are not available to make payments with respect to the water revenue bonds issued by Metropolitan.

The basic rate for untreated water service for domestic and municipal uses is $799 per acre-foot at the Tier 1 level, which became effective January 1, 2022. See "–Rate Structure" and "–Water Rates." The *ad valorem* tax rate for Metropolitan purposes has gradually been reduced from a peak equivalent rate of 0.1250 percent of full assessed valuation in fiscal year 1945-46 to 0.0035 percent of full assessed valuation for fiscal year 2021-22. The rates charged by Metropolitan represent the cost of Metropolitan's wholesale water service to its member agencies, and not the cost of water to the ultimate consumer. Metropolitan does not exercise control over the rates charged by its member agencies or their subagencies to their customers.

Summary of Revenues by Source

The following table sets forth Metropolitan's sources of revenues for the five fiscal years ended June 30, 2021, on a modified accrual basis. All information is unaudited. Audited financial statements for the fiscal years ended June 30, 2021, and June 30, 2020, are included in APPENDIX B–"THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA INDEPENDENT AUDITORS' REPORT AND BASIC FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020 AND BASIC FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2022 AND 2021 (UNAUDITED)."

SUMMARY OF REVENUES BY SOURCE[(1)]
Fiscal Years Ended June 30
(Dollars in Millions)

	2017	2018	2019	2020	2021
Water Revenues[(2)]	$1,151	$1,285	$1,149	$1,188	$1,405
Taxes, Net[(3)]	116	131	145	147	161
Additional Revenue Sources[(4)]	184	172	170	165	165
Interest on Investments	4	8	34	20	10
Hydroelectric Power Sales	21	24	18	16	19
Other Revenues[(5)]	51	28	22	14	14
Total Revenues	$1,527	$1,648	$1,538	$1,550	$1,774

Source: Metropolitan.

(1) Does not include any proceeds from the sale of bonded indebtedness.
(2) Water revenues include revenues from water sales, exchanges, and wheeling.
(3) *Ad valorem* taxes levied by Metropolitan are applied solely to the payment of outstanding general obligation bonds of Metropolitan and to State Water Contract obligations.
(4) Includes revenues derived from water standby charges, readiness-to-serve, and capacity charges.
(5) Includes miscellaneous revenues and Build America Bonds (BABs) subsidy payments of $9.8 million, $15.0 million, $12.5 million, $2.9 million and $2.9 million in fiscal years 2016-17 through 2020-21, respectively. All of Metropolitan's BABs were retired as of July 1, 2020. Fiscal years 2016-17 and 2017-18 include $33 million, and $1 million, respectively, of water conservation and supply program expenses, funded from a like amount of funds transferred from the Water Management Fund.

Revenue Allocation Policy and Tax Revenues

The Board determines the water revenue requirement for each fiscal year after first projecting the *ad valorem* tax levy for that year. The tax levy for any year is subject to limits imposed by the State Constitution, the Act and Board policy and to the requirement under the State Water Contract that in the event that Metropolitan fails or is unable to raise sufficient funds by other means, Metropolitan must levy upon all property within its boundaries not exempt from taxation a tax or assessment sufficient to provide for all payments under the State Water Contract. See "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A. Beginning with fiscal year 1990-91, the Act limits Metropolitan's tax levy to the amount needed to pay debt service on Metropolitan's general obligation bonds and to satisfy a portion of Metropolitan's State Water Contract obligation. However, Metropolitan has the authority to impose a greater tax levy if, following a public hearing, the Board finds that such revenue is essential to Metropolitan's fiscal integrity. For each fiscal year since 2013-14, the Board has exercised that authority and voted to suspend the tax limit clause in the Act, maintaining the fiscal year 2012-13 *ad valorem* tax rate to pay for a greater portion of Metropolitan's State Water Contract obligations. Any deficiency between tax levy receipts and Metropolitan's State Water Contract obligations is expected to be paid from Operating Revenues, as defined in the Senior Debt Resolutions (defined in this Appendix A under "METROPOLITAN EXPENSES–Limitations on Additional Revenue Bonds").

Water Revenues

General; Authority. Water rates are established by the Board and are not subject to regulation or approval by the California Public Utilities Commission or by any other local, State, or federal agency. In accordance with the Act, water rates must be uniform for like classes of service. Metropolitan, a wholesaler, provides two types of services: full-service water service (treated or untreated) and wheeling service. See "–Classes of Water Service."

No member agency of Metropolitan is obligated to purchase water from Metropolitan. However, 21 of Metropolitan's 26 member agencies have entered into 10-year voluntary water supply purchase orders ("Purchase Orders") effective through December 31, 2024. See "–Member Agency Purchase Orders." Consumer demand and locally supplied water vary from year to year, resulting in variability in water revenues. See "REGIONAL WATER RESOURCES" in this Appendix A. Metropolitan uses its financial reserves and budgetary tools to manage the financial impact of the variability in revenues due to fluctuations in annual water transactions. See "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

Payment Procedure. Water is delivered to the member agencies on demand and is metered at the point of delivery. Member agencies are billed monthly and a late charge of one percent of the delinquent payment is assessed for a payment that is delinquent for no more than five business days. A late charge of two percent of the amount of the delinquent payment is charged for a payment that is delinquent for more than five business days for each month or portion of a month that the payment remains delinquent. Metropolitan has the authority to suspend service to any member agency delinquent for more than 30 days. Delinquencies have been rare; in such instances late charges have been collected. No service has been suspended because of delinquencies.

Water Revenues. The following table sets forth water transactions (which includes water sales, exchanges, and wheeling) in acre-feet and water revenues (which includes revenues from water sales, exchanges, and wheeling) for the five fiscal years ended June 30, 2021, on a modified accrual basis. As reflected in the table below, water revenues for the fiscal year ended June 30, 2021, aggregated $1,404.7 million, of which $1,237.7 million was generated from water sales and $167.0 million was generated from exchanges and wheeling. Water revenues of Metropolitan for the fiscal years ended June 30, 2021, and June 30, 2020, on an accrual basis, are shown in Metropolitan's audited financial statements included in Appendix B.

SUMMARY OF WATER TRANSACTIONS AND REVENUES
Fiscal Years Ended June 30

Fiscal Year	Water Transactions in Acre-Feet(1)	Water Revenues(2) (in millions)	Dollars Per Acre-Foot	Average Dollars Per 1,000 Gallons
2017	1,540,915	$1,150.5	$747	$2.29
2018	1,610,969	1,285.2	798	2.45
2019	1,418,324	1,148.7	810	2.49
2020	1,419,156	1,188.0	837	2.57
2021	1,573,965	1,404.7	892	2.74

Source: Metropolitan.

(1) Water Transactions include water sales, exchanges, and wheeling with member agencies and third parties. Starting in fiscal year ended June 30, 2021, Water Transactions do not include third parties.

(2) Water Revenues include revenues from water sales, exchanges, and wheeling. Water Revenues from wheeling and exchange transactions were $87.4 million, $96.1 million, $102.2 million, $140.1 million, and $167.0 million in the fiscal years ended June 30, 2017 through 2021, respectively.

Principal Customers

Total water transactions accrued for the fiscal year ended June 30, 2021, were 1.57 million acre-feet, generating $1.40 billion in water revenues for such period. Metropolitan's ten largest water customers for the year ended June 30, 2021 are shown in the following table, on an accrual basis. SDCWA has filed litigation challenging Metropolitan's rates. See "–Litigation Challenging Rate Structure."

TEN LARGEST WATER CUSTOMERS
Year Ended June 30, 2021
Accrual Basis

Agency	Water Revenues [1] (in Millions)	Percent of Total	Water Transactions in Acre Feet[2]	Percent of Total
City of Los Angeles [3]	$ 268.2	19.1%	316,537	20.1%
San Diego CWA	201.3	14.3	335,760	21.3
MWD of Orange County	142.7	10.2	140,558	8.9
West Basin MWD	118.1	8.4	108,250	6.9
Calleguas MWD	104.0	7.4	95,365	6.1
Eastern MWD	90.9	6.5	91,462	5.8
Western MWD of Riverside County	72.4	5.2	74,783	4.8
Three Valleys MWD	62.5	4.4	66,540	4.2
Inland Empire Utilities Agency	54.5	3.9	71,347	4.5
Upper San Gabriel Valley MWD	47.1	3.4	60,036	3.8
Total	$ 1,161.7	82.7%	1,360,638	86.4%
Total Water Revenues [1]	$1,404.7	**Total Acre-Feet [2]**	1,573,965	

Source: Metropolitan.

(1) Water Revenues include revenues from water sales, exchanges, and wheeling.
(2) Water Transactions include water sales, exchanges, and wheeling with member agencies.
(3) Water sales to the City of Los Angeles from Metropolitan can vary substantially from year-to-year. See "REGIONAL WATER RESOURCES – Los Angeles Aqueduct" in this Appendix A.

Rate Structure

The following rates and charges are elements of Metropolitan's unbundled rate structure. See also "–Water Rates."

Tier 1 and Tier 2 Water Supply Rates. The rate structure recovers supply costs through a two-tiered price structure. The Tier 1 Supply Rate supports a regional approach through the uniform, postage stamp rate. The Tier 1 Supply Rate is calculated as the amount of the total supply revenue requirement that is not covered by the Tier 2 Supply Rate divided by the estimated amount of Tier 1 water sales. The Tier 2 Supply Rate is a volumetric rate that reflects Metropolitan's cost of purchasing water transfers north of the Delta. The Tier 2 Supply Rate encourages the member agencies and their customers to maintain existing local supplies and develop cost-effective local supply resources and conservation. Pursuant to Board direction in November 2021, all demand management costs comprise a portion of the costs of supply and are collected on the Tier 1 and Tier 2 supply rates. Member agencies are charged the Tier 1 or Tier 2 Water Supply Rate for water purchases, as described under "–Member Agency Purchase Orders" below.

System Access Rate. The System Access Rate recovers the cost of the conveyance, distribution, and storage of water on an average annual basis through a uniform, volumetric rate. The System Access Rate is charged for each acre-foot of water transported by Metropolitan, regardless of the ownership of the water being transported. All users (including member agencies and third-party wheelers) using Metropolitan's water system to transport water pay the same System Access Rate for the use of the system conveyance and distribution capacity to meet average annual demands.

Water Stewardship Rate. The Water Stewardship Rate was designed to provide a dedicated source of funding for conservation and local resources development through a uniform, volumetric rate. The Water Stewardship Rate was charged on each acre-foot of water delivered by Metropolitan through December 31, 2020, except on SDCWA Exchange Agreement deliveries as explained below, and allocated to Metropolitan's transportation rates. All users (including member agencies and third-party wheelers) benefitted from avoided system infrastructure costs through conservation and local resources development, and from the system capacity made available by investments in demand management programs like Metropolitan's Conservation Credits Program and LRP. Therefore, all users paid the Water Stewardship Rate, except on water delivered to SDCWA pursuant to the Exchange Agreement (see "–Water Rates" and "–Litigation Challenging Rate Structure" below) in calendar years 2018, 2019, and 2020. The Water Stewardship Rate was not incorporated into Metropolitan's rates and charges for calendar years 2021 and 2022 and therefore has not been collected on any water transactions after December 31, 2020. In November 2021, the Board directed staff to allocate all demand management costs as an element of Metropolitan's supply costs. See also "CONSERVATION AND WATER SHORTAGE MEASURES–General" in this Appendix A.

In 2017, in *San Diego County Water Authority v. Metropolitan Water District of Southern California, et al.* (see "–Litigation Challenging Rate Structure" below), the Court of Appeal held that the administrative record before it for the rates in calendar years 2011 through 2014 did not support Metropolitan's Water Stewardship Rate full allocation to transportation rates, but the court did not address the allocation in subsequent years based on a different record. On April 10, 2018, the Board suspended the billing and collection of the Water Stewardship Rate on Exchange Agreement deliveries to SDCWA in calendar years 2018, 2019, and 2020, pending Metropolitan's completion of a cost allocation study of its demand management costs recovered through the Water Stewardship Rate. For calendar year 2018, the suspension was retroactive to January 1, 2018.

Having completed a demand management cost allocation process, on December 10, 2019, Metropolitan's Board directed staff to incorporate the use of the 2019-20 fiscal year-end balance of the Water Stewardship Fund to fund demand management costs in the proposed biennial budget for fiscal years 2020-21 and 2021-22 and to not incorporate the Water Stewardship Rate (or any other rates or charges to recover demand management costs), with the proposed rates and charges for calendar years 2021 and 2022, to allow the Board to consider demand management funding in relation to the 2020 IRP and to undergo a rate structure refinement process.

In 2021, in *San Diego County Water Authority v. Metropolitan Water District of Southern California*, *et al.*, the Court of Appeal clarified that its Water Stewardship Rate ruling applied to years after 2014 as well. In November 2021, the Board voted to allocate demand management costs to supply rate elements in 2023 forward. The balance of the Water Stewardship Fund is projected to be $56 million as of June 30, 2022, which will be used to partially offset demand management expenditures in the fiscal year 2022-23 and 2023-24 budget.

System Power Rate. The System Power Rate recovers the cost of energy required to pump water to Southern California through the State Water Project and CRA. The cost of power is recovered through a uniform, volumetric rate. The System Power Rate is applied to all deliveries of Metropolitan water to member agencies. All wheeling transactions are pursuant to individual contracts, which may typically provide for wheeling parties to pay for the actual cost (not system average) of power needed to move the water. For example, a party wheeling water through the California Aqueduct would pay the variable power cost associated with using the State Water Project transportation facilities.

Treatment Surcharge. The Treatment Surcharge recovers all of the costs of providing treatment capacity and operations through a uniform, volumetric rate per acre-foot of treated water transactions. The Treatment Surcharge is charged for all treated water transactions.

The amount of each of these rates since January 1, 2018, is shown in the table entitled "SUMMARY OF WATER RATES" under "–Water Rates" below.

Member Agency Purchase Orders

The current rate structure allows member agencies to choose to purchase water from Metropolitan by means of a Purchase Order. Purchase Orders are voluntary agreements that determine the amount of water that a member agency can purchase at the Tier 1 Supply Rate. Under the Purchase Orders, member agencies have the option to purchase a greater amount of water (based on past purchase levels) over the term of the Purchase Order. Such agreements allow member agencies to manage costs and provide Metropolitan with a measure of secure revenue.

In November 2014, the Metropolitan Board approved new Purchase Orders effective January 1, 2015 through December 31, 2024 (the "Purchase Order Term"). Twenty-one of Metropolitan's 26 member agencies have Purchase Orders, which commit the member agencies to purchase a minimum amount of supply from Metropolitan (the "Purchase Order Commitment").

The key terms of the Purchase Orders include:

- A ten-year term, effective January 1, 2015 through December 31, 2024;
- A higher Tier 1 limit based on the Base Period Demand, determined by the member agency's choice between (1) the Revised Base Firm Demand, which is the highest fiscal year purchases during the 13-year period of fiscal year 1989-90 through fiscal year 2001-02, or (2) the highest year purchases in the most recent 12-year period of fiscal year 2002-03 through 2013-14. The demand base is unique for each member agency, reflecting the use of Metropolitan's system water over time;
- An overall purchase commitment by the member agency based on the Demand Base period chosen, times ten to reflect the ten-year Purchase Order term. Those agencies choosing the more recent 12-year period may have a higher Tier 1 Maximum and commitment. The commitment is also unique for each member agency;
- The opportunity to reset the Base Period Demand using a five-year rolling average;
- Any obligation to pay the Tier 2 Supply Rate will be calculated over the ten-year period, consistent with the calculation of any Purchase Order commitment obligation; and
- An appeal process for agencies with unmet purchase commitments that will allow each acre-foot of unmet commitment to be reduced by the amount of production from a local resource project that commences operation on or after January 1, 2014.

Member agencies that do not have Purchase Orders in effect are subject to Tier 2 Supply Rates for amounts exceeding 60 percent of their base amount (equal to the member agency's highest fiscal year demand between 1989-90 and 2001-02) annually.

Other Charges

The following paragraphs summarize the additional charges for the use of Metropolitan's distribution system:

Readiness-to-Serve Charge. The Readiness-to-Serve Charge ("RTS") recovers the cost of the portion of the system that is available to provide emergency service and available capacity during outages and hydrologic variability. The RTS is a fixed charge that is allocated among the member agencies based on a ten-fiscal year rolling average of firm demands. Water transfers and exchanges, except SDCWA Exchange Agreement transactions, are included for purposes of calculating the ten-fiscal year rolling average. The Standby Charge, described below, will continue to be collected at the request of a member agency and applied as a direct offset to the member agency's RTS obligation. The RTS (including RTS charge amounts collected through the Standby Charge described below) generated $136.5 million in fiscal year 2018-19, $134.5 million in fiscal year 2019-20, and $133.0 million in fiscal year 2020-21. Based on the adopted rates and charges, the RTS (including RTS charge amounts expected to be collected through the Standby Charge described below) is projected to generate $135.0 million in fiscal year 2021-22.

Water Standby Charges. The Standby Charge is authorized by the State Legislature and has been levied by Metropolitan since fiscal year 1992-93. Metropolitan will continue to levy the Standby Charge only within the service areas of the member agencies that request that the Standby Charge be utilized to help fund a member agency's RTS obligation. See "– Readiness-to-Serve Charge" above. The Standby Charge for each acre or parcel of less than an acre will vary from member agency to member agency, reflecting current rates, which have not exceeded the rates set in fiscal year 1993-94, and range from $5 to $15 for each acre or parcel less than an acre within Metropolitan's service area, subject to specified exempt categories. Standby charges are assessments under the terms of Proposition 218, a State constitutional ballot initiative approved by the voters on November 5, 1996, but Metropolitan's current standby charges are exempt from Proposition 218's procedural requirements. See "–California Ballot Initiatives."

Twenty-two of Metropolitan's member agencies collect their RTS charges through Standby Charges. RTS charges collected by means of such Standby Charges were $41.7 million in fiscal year 2018-19, $41.7 million in fiscal year 2019-20, and $41.9 million in fiscal year 2020-21.

Capacity Charge. The Capacity Charge recovers costs incurred to provide peak capacity within Metropolitan's distribution system. The Capacity Charge provides a price signal to encourage agencies to reduce peak demands on the distribution system and to shift demands that occur during the May 1 through September 30 period into the October 1 through April 30 period. This results in more efficient utilization of Metropolitan's existing infrastructure and deferring capacity expansion costs. Each member agency will pay the Capacity Charge per cfs based on a three-year trailing peak (maximum) day demand, measured in cfs. Each member agency's peak day is likely to occur on different days; therefore, this measure approximates peak week demands on Metropolitan. The Capacity Charge was $8,800 per cfs effective as of January 1, 2020 and was $10,700 per cfs effective as of January 1, 2021. The Capacity Charge was $12,200 per cfs effective as of January 1, 2022. The Capacity Charge will be $10,600 per cfs effective as of January 1, 2023. The Capacity Charge generated $33.0 million in fiscal year 2018-19, $30.5 million in fiscal year 2019-20, and $31.7 million in fiscal year 2020-21. Based on the adopted rates and charges, the Capacity Charge is projected to generate $40.5 million in fiscal year 2021-22.

Classes of Water Service

Metropolitan, a wholesaler, provides two types of services: full-service water service (treated or untreated) and wheeling service. Metropolitan has one class of customers: its member agencies. The level of rate unbundling in Metropolitan's rate structure provides transparency to show that rates and charges recover only those functions involved in the applicable service, and that no cross-subsidy of costs exists. Metropolitan's cost of service process and resulting unbundled rate structure ensures that its wholesale customers pay for only those services they elect to receive.

The applicable rate components and fixed charges for each class of water service are shown in the chart below.

Current Services and Rate Components

	Rates & Charges That Apply						
Service	**System Access**	**Water Stewardship**[(1)]	**System Power**	**Tier 1/ Tier 2**	**Readiness to Serve**	**Capacity Charge**	**Treatment Surcharge**
Full Service Untreated	Yes	No	Yes	Yes	Yes	Yes	No
Full Service Treated	Yes	No	Yes	Yes	Yes	Yes	Yes
Wheeling Service[(2)]	No[(2)]	No[(2)]	No[(2)(3)]	No[(2)]	No[(2)]	No[(2)]	No[(2)]

(1) As described under "–Rate Structure –Water Stewardship Rate," the Water Stewardship Rate has not been incorporated into Metropolitan's rates and charges for calendar years 2021 and 2022 and therefore has not been collected on water transactions after December 31, 2020. In November 2021, the Board directed staff to allocate all demand management costs as an element of Metropolitan's supply costs.

(2) In August 2020, the Board terminated the pre-set wheeling rate for transactions for a period of up to one year with member agencies, pursuant to Sections 4119 and 4405 of the Metropolitan Administrative Code. This change became effective on January 1, 2021. The price for wheeling to member agencies for transactions of up to one year will be established by contract on a case-by-case basis, as is currently the case for wheeling to member agencies for more than one year and wheeling to third parties.

(3) Under Metropolitan's prior pre-set wheeling rate for wheeling service under Sections 4119 and 4405 of the Metropolitan Administrative Code, wheeling parties were required to pay for their own cost for power (if such power could be scheduled by Metropolitan) or were required to pay Metropolitan for the actual cost (not system average) of power service utilized for delivery of the wheeled water. In addition, wheeling parties were assessed an administration fee of not less than $5,000 per transaction.

Metropolitan offers three programs that encourage the member agencies to increase groundwater and emergency storage and for which certain Metropolitan charges are inapplicable.

(1) Conjunctive Use Program. The Conjunctive Use Program is operated through individual agreements with member and retail agencies for groundwater storage within Metropolitan's service area. Wet year imported supplies are stored to enhance reliability during dry, drought, and emergency conditions. Metropolitan has the option to call water stored in the groundwater basins for the participating member agency pursuant to its contractual conjunctive use agreement. At the time of the call, the member agency pays the prevailing rate for that water, but the deliveries are excluded from the calculation of the Capacity Charge because Conjunctive Use Program deliveries are made at Metropolitan's discretion. Conjunctive use programs may also contain cost-sharing terms related to operational costs. See "REGIONAL WATER RESOURCES–Local Water Supplies" in this Appendix A.

(2) Cyclic Storage Program. The Cyclic Storage Program refers collectively to the existing Cyclic Storage Program agreements and the Pre-Deliveries Program approved in 2019. The Program is operated through individual agreements with member agencies for groundwater or surface water storage or pre-deliveries within Metropolitan's service area. Wet-year imported supplies are stored to enhance reliability during dry, drought, and emergency conditions. Deliveries to the cyclic storage accounts are at Metropolitan's discretion while member agencies have discretion on whether they want to accept the water. At the time the water is delivered from the cyclic storage account, the prevailing full-service rate applies, but deliveries are excluded from the calculation of the Capacity Charge because Cyclic Storage Program deliveries are made at Metropolitan's discretion. Cyclic agreements may also contain a credit payable to the member agencies under terms approved by the Board in April 2019. See "REGIONAL WATER RESOURCES–Local Water Supplies" in this Appendix A.

(3) Emergency Storage Program. The Emergency Storage Program is used for delivering water for emergency storage in surface water reservoirs and storage tanks. Emergency Storage Program purposes include initially filling a newly constructed reservoir or storage tank and replacing water used during an emergency. Because Metropolitan could interrupt delivery of this water, Emergency Storage Program Deliveries are excluded from the calculation of the RTS Charge, the Capacity Charge, and the Tier 1 maximum.

The applicable rate components and fixed charges applicable for each such program are shown in the following chart.

Current Programs and Rate Components

	Rates & Charges That Apply						
Program	**Supply**	**System Access**	**Water Stewardship**[1]	**System Power**	**Readiness to Serve**	**Capacity Charge**	**Tier 1 Maximum**
Full Service	Yes	Yes	No	Yes	Yes	Yes	Yes
Conjunctive Use	Yes	Yes	No	Yes	Yes	No	Yes
Cyclic	Yes	Yes	No	Yes	Yes	No	Yes
Emergency Storage	Yes	Yes	No	Yes	No	No	No[2]

(1) As described under "–Rate Structure –Water Stewardship Rate," the Water Stewardship Rate has not been incorporated into Metropolitan's rates and charges for calendar years 2021 and 2022 and therefore has not been collected on water transactions after December 31, 2020.

(2) Emergency Storage Program pays the Tier 1 Supply Rate; purchases under Emergency Storage program do not count towards a member agency's Tier 1 Maximum.

Water Rates

The following table sets forth Metropolitan's water rates by category beginning January 1, 2018. See also "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES–Water Revenues" in this Appendix A. In addition to the base rates for untreated water sold in the different classes of service, the columns labeled "Treated" include the surcharge that Metropolitan charges for water treated at its water treatment plants. See "–Rate Structure" and "–Classes of Water Service" for descriptions of current rates. See also "–Litigation Challenging Rate Structure" for a description of litigation challenging Metropolitan's water rates.

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SUMMARY OF WATER RATES
(Dollars Per Acre-Foot)

	SUPPLY RATE		SYSTEM ACCESS RATE	WATER STEWARDSHIP RATE[1]	SYSTEM POWER RATE	TREATMENT SURCHARGE
	Tier 1	Tier 2				
January 1, 2018	$209	$295	$299	$55	$132	$320
January 1, 2019	$209	$295	$326	$69	$127	$319
January 1, 2020	$208	$295	$346	$65	$136	$323
January 1, 2021	$243	$285	$373	$--	$161	$327
January 1, 2022	$243	$285	$389	$--	$167	$344
January 1, 2023*	$321	$530	$368	$--	$166	$354
January 1, 2024*	$332	$531	$389	$--	$182	$353

	FULL SERVICE TREATED[2]		FULL SERVICE UNTREATED[3]	
	Tier 1	Tier 2	Tier 1	Tier 2
January 1, 2018	$1,015	$1,101	$695	$781
January 1, 2019	$1,050	$1,136	$731	$817
January 1, 2020	$1,078	$1,165	$755	$842
January 1, 2021	$1,104	$1,146	$777	$819
January 1, 2022	$1,143	$1,185	$799	$841
January 1, 2023*	$1,209	$1,418	$855	$1,064
January 1, 2024*	$1,256	$1,455	$903	$1,102

Source: Metropolitan.

* Rates effective January 1, 2023 and January 1, 2024 were adopted by Metropolitan's Board on April 12, 2022.

(1) As described under "–Rate Structure –*Water Stewardship Rate*," the Water Stewardship Rate has not been incorporated into Metropolitan's rates and charges for calendar years 2021 and 2022 and therefore has not been collected on water transactions after December 31, 2020. In November 2021, the Board directed staff to allocate all demand management costs to Metropolitan's supply elements.

(2) Full service treated water rates are the sum of the applicable Supply Rate, System Access Rate, Water Stewardship Rate, System Power Rate and Treatment Surcharge.

(3) Full service untreated water rates are the sum of the applicable Supply Rate, System Access Rate, Water Stewardship Rate and System Power Rate.

Financial Reserve Policy

Metropolitan's reserve policy provides for a minimum reserve requirement and target amount of unrestricted reserves at June 30 of each year. The minimum reserve requirement at June 30 of each year is equal to the portion of fixed costs estimated to be recovered by water revenues for the 18 months beginning with the immediately succeeding July. Funds representing the minimum reserve requirement are held in the Revenue Remainder Fund. Any funds in excess of the minimum reserve requirement are held in the Water Rate Stabilization Fund. The target amount of unrestricted reserves is equal to the portion of the fixed costs estimated to be recovered by water revenues during the two years immediately following the 18-month period used to calculate the minimum reserve requirement. Funds in excess of the target amount are to be utilized for capital expenditures in lieu of the issuance of additional debt, or for the redemption, defeasance or purchase of outstanding bonds or commercial paper as determined by the Board. Provided that the fixed charge coverage ratio is at or above 1.2, amounts in the Water Rate Stabilization Fund may be expended for any lawful purpose of Metropolitan, as determined by the Board. See "CAPITAL INVESTMENT PLAN–Capital Investment Plan Financing" in this Appendix A.

At June 30, 2021, unrestricted reserves, which consist of the Water Rate Stabilization Fund and the Revenue Remainder Fund, totaled $589.6 million on a modified accrual basis or $463.0 on a cash basis. As of June 30, 2021, the minimum reserve requirement was $263.1 million, and the target reserve level was $641.7 million.

Due to SDCWA's litigation challenging Metropolitan's rates and pursuant to the Exchange Agreement between Metropolitan and SDCWA, Metropolitan is required to set aside funds based on the quantities of exchange water that Metropolitan provides to SDCWA and the amount of charges disputed by SDCWA. In April 2016, Metropolitan transferred these funds from unrestricted financial reserves to a new designated fund, the Exchange Agreement Set-Aside Fund. In 2021, Metropolitan paid to SDCWA the final judgment contract damages amount in the 2010 and 2012 SDCWA v. Metropolitan cases for Water Stewardship Rate payments under the Exchange Agreement in 2011 through 2014, plus interest. Following the 2021 Court of Appeal opinion clarifying its Water Stewardship Rate ruling applies to later years, Metropolitan paid to SDCWA Water Stewardship Rate payments from 2015 to 2017, plus pre-judgment interest. These payments include all amounts sought related to breach of the Exchange Agreement resulting from the inclusion of the Water Stewardship Rate in the contract price for Exchange Agreement transactions occurring from 2010 until the Water Stewardship Rate was no longer charged in the contract price for Exchange Agreement transactions, beginning in 2018. Accordingly, there are no amounts held in the Exchange Agreement Set-Aside fund. See "–Litigation Challenging Rate Structure."

Metropolitan projects that its unrestricted reserves as of June 30, 2022 will be approximately $701 million on a modified accrual basis or $597 million on a cash basis. This projection is based on the assumptions set forth in the table entitled "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" under "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A. In addition, this projection assumes that Metropolitan's Board will not authorize the use of any additional amounts in the unrestricted reserves.

California Ballot Initiatives

Proposition 218, a State ballot initiative known as the "Right to Vote on Taxes Act," was approved by the voters on November 5, 1996 adding Articles XIIIC and XIIID to the California Constitution. Article XIIID provides substantive and procedural requirements on the imposition, extension or increase of any "fee" or "charge" levied by a local government upon a parcel of real property or upon a person as an incident of property ownership. As a wholesaler, Metropolitan serves water to its member agencies, not to persons or properties as an incident of property ownership. Thus, water rates charged by Metropolitan to its member agencies are not property related fees and charges and therefore are exempt from the requirements of Article XIIID. Fees for retail water service by Metropolitan's member agencies or their agencies are subject to the requirements of Article XIIID.

Article XIIID also imposes certain procedures with respect to assessments. Under Article XIIID, "standby charges" are considered "assessments" and must follow the procedures required for "assessments," unless they were in existence on the effective date of Article XIIID. Metropolitan has imposed its water standby charges since 1992 and therefore its current standby charges are exempt from the Article XIIID procedures. Changes to Metropolitan's current standby charges could require notice to property owners and approval by a majority of such owners returning mail-in ballots approving or rejecting any imposition or increase of such standby charge. Twenty-two of Metropolitan's member agencies have elected to collect all or a portion of their readiness-to-serve charges through standby charges. See "–Other Charges – *Readiness-to-Serve Charge*" and "– *Water Standby Charges*" above. Even if Article XIIID is construed to limit the ability of Metropolitan and its member agencies to impose or collect standby charges, the member agencies will continue to be obligated to pay the readiness-to-serve charges.

Article XIIIC makes all taxes either general or special taxes and imposes voting requirements for each kind of tax. It also extends the people's initiative power to reduce or repeal previously authorized local taxes, assessments, fees and charges. This extension of the initiative power is not limited by the terms of Article XIIIC to fees imposed after November 6, 1996 or to property-related fees and charges and absent other authority could result in retroactive reduction in existing taxes, assessments or fees and charges.

Proposition 26, a State ballot initiative aimed at restricting regulatory fees and charges, was approved by a majority of California voters on November 2, 2010. Proposition 26 broadens the definition of "tax" in Article XIIIC of the California Constitution to include: levies, charges and exactions imposed by local governments, except for charges imposed for benefits or privileges or for services or products granted to the payor (and not provided to those not charged) that do not exceed their reasonable cost; regulatory fees that do not exceed the cost of regulation and are allocated in a fair or reasonable manner; fees for the use of local governmental property; fines and penalties imposed for violations of law; real property development fees; and assessments and property-related fees imposed under Article XIIID of the California Constitution. Special taxes imposed by local governments including special districts are subject to approval by two-thirds of the electorate. Proposition 26 applies to charges imposed or increased by local governments after the date of its approval. Metropolitan believes its water rates and charges are not taxes under Proposition 26. SDCWA's lawsuit challenging the rates adopted by Metropolitan in April 2012 (part of which became effective January 1, 2013 and part of which became effective January 1, 2014) alleged that such rates violate Proposition 26. On June 21, 2017, the California Court of Appeal ruled that whether or not Proposition 26 applies to Metropolitan's rates, the System Access Rate and System Power Rate challenged by SDCWA in such lawsuit comply with Proposition 26. SDCWA's lawsuits challenging the rates adopted by Metropolitan in April 2014, April 2016, and April 2018 also alleged that such rates violate Proposition 26. On May 11, 2022, the San Francisco Superior Court ruled that Proposition 26 applies to Metropolitan's rates and charges. See "–Litigation Challenging Rate Structure." The trial court decision is subject to appeal. Under Proposition 26, the agency holds the burden of proof in a rate or charge challenge. Otherwise, due to the uncertainties of evolving case law and potential future judicial interpretations of Proposition 26, Metropolitan is unable to predict at this time the extent to which Proposition 26, if ultimately determined to apply to Metropolitan's rates and charges, would impose stricter standards on Metropolitan's setting of rates and charges.

Propositions 218 and 26 were adopted as measures that qualified for the ballot pursuant to the State's initiative process. Other initiative measures have been proposed from time to time, or could be proposed in the future, which if qualified for the ballot, could be adopted, or legislative measures could be approved by the Legislature, which may place limitations on the ability of Metropolitan or its member agencies to increase revenues or to increase appropriations. Such measures may further affect Metropolitan's ability to collect taxes, assessments or fees and charges, which could have an adverse effect on Metropolitan's revenues.

Preferential Rights

Section 135 of the Act gives each of Metropolitan's member agencies a preferential right to purchase for domestic and municipal uses within the agency a portion of the water served by Metropolitan, based upon a ratio of all payments on tax assessments and otherwise, except purchases of water, made to Metropolitan by the member agency compared to total payments made by all member agencies on tax assessments and otherwise since Metropolitan was formed, except purchases of water. Historically, these rights have not been used in allocating Metropolitan's water. In 2004, the California Court of Appeal upheld Metropolitan's methodology for calculation of the respective member agencies' preferential rights under Section 135 of the Act. SDCWA's litigation challenging Metropolitan's rate structure also challenged Metropolitan's exclusion of payments for Exchange Agreement deliveries from the calculation of SDCWA's preferential right. On June 21, 2017, the California Court of Appeal held that SDCWA's payments under the Exchange Agreement must be included in the preferential rights calculation. See "–Litigation Challenging Rate Structure."

Litigation Challenging Rate Structure

Through several lawsuits filed by SDCWA since 2010, SDCWA has challenged the rates adopted by Metropolitan's Board in 2010, 2012, 2014, 2016 and 2018. Each of these lawsuits and the status thereof are briefly described below.

The 2010 and 2012 Cases. SDCWA filed *San Diego County Water Authority v. Metropolitan Water District of Southern California, et al.* on June 11, 2010 challenging the rates adopted by the Board on April 13, 2010, which became effective January 1, 2011 and January 1, 2012 (the "2010 Case"). The complaint requested a court order invalidating the rates adopted April 13, 2010, and that Metropolitan be mandated to allocate certain costs associated with the State Water Contract and the Water Stewardship Rate to water supply rates and not to transportation rates.

As described under "METROPOLITAN'S WATER SUPPLY–Colorado River Aqueduct – Metropolitan and San Diego County Water Authority Exchange Agreement" in this Appendix A, the contract price payable by SDCWA under the Exchange Agreement between Metropolitan and SDCWA is Metropolitan's transportation rates. Therefore, SDCWA also alleged that Metropolitan breached the Exchange Agreement by allocating certain costs related to the State Water Contract and the Water Stewardship Rate to its transportation rates because it resulted in an overcharge to SDCWA for water delivered pursuant to the Exchange Agreement.

On June 8, 2012, SDCWA filed a new lawsuit challenging the rates adopted by Metropolitan on April 10, 2012 and effective on January 1, 2013 and January 1, 2014 (the "2012 Case") based on similar claims, and further alleging that Metropolitan's rates adopted in 2012 violated Proposition 26.

Following a trial of both lawsuits in two phases and subsequent trial court ruling, the parties appealed. On June 21, 2017, the California Court of Appeal ruled that Metropolitan may lawfully include its State Water Project transportation costs in the System Access Rate and System Power Rate that are part of the Exchange Agreement's price term, and that Metropolitan may also lawfully include the System Access Rate in its wheeling rate, reversing the trial court decision on this issue. The court held Metropolitan's allocation of the State Water Project transportation costs as its own transportation costs is proper and does not violate the wheeling statutes (Water Code, §1810, *et seq.*), Proposition 26 (Cal. Const., Article XIIIC, §1, subd. (e)), whether or not that Proposition applies to Metropolitan's rates, California Government Code section 54999.7, the common law, or the terms of the parties' Exchange Agreement.

The Court of Appeal also ruled that the record did not support Metropolitan's inclusion of its Water Stewardship Rate as a transportation cost in the Exchange Agreement price or the wheeling rate, under the common law and the wheeling statutes. The court noted that its holding does not preclude Metropolitan from including the Water Stewardship Rate in Metropolitan's full-service rate. See also "–Rate Structure – *Water Stewardship Rate*" above.

The Court of Appeal held that because the Water Stewardship Rate was included in the Exchange Agreement price, there was a breach by Metropolitan of the Exchange Agreement in 2011 through 2014 and remanded the case to the trial court for a redetermination of damages in light of its ruling concerning the Water Stewardship Rate. The Court of Appeal also found that the Exchange Agreement may entitle the prevailing party to attorneys' fees for both phases of the case, and directed the trial court on remand to make a new determination of the prevailing party, if any.

On September 27, 2017, the California Supreme Court denied SDCWA's petition for review, declining to consider the Court of Appeal's decision. The Court of Appeal's decision is therefore final.

After tendering payment in 2019 which SDCWA rejected, in February 2021 Metropolitan paid to SDCWA the same amount previously tendered of $44.4 million for contract damages for SDCWA's Water

Stewardship Rate payments from 2011 to 2014 and pre-judgment and post-judgment interest. In September 2021, following a 2021 Court of Appeal opinion clarifying that its Water Stewardship Rate ruling applies to later years, Metropolitan paid to SDCWA the amount of $35.9 million for SDCWA's Water Stewardship Rate payments from 2015 to 2017 and pre-judgment interest. These payments include all amounts sought related to breach of the Exchange Agreement resulting from the inclusion of the Water Stewardship Rate in the contract price for Exchange Agreement transactions occurring from 2010 until the Water Stewardship Rate was no longer charged in the contract price for Exchange Agreement transactions, beginning in 2018 (See "–Rate Structure" above). The payment included $58.1 million withdrawn from the Exchange Agreement Set-Aside Fund (See "–Financial Reserve Policy" above) and $22.1 million withdrawn from reserves (the remainder of the statutory interest).

The Superior Court also issued an order finding SDCWA is the prevailing party on the contract in the 2010 and 2012 cases and is therefore entitled to its attorneys' fees and costs under the contract, and to statutory costs. On February 25, 2021, Metropolitan appealed both prevailing party determinations. The parties stipulated to $13,397,575.66 as the amount of SDCWA's attorneys' fees that may be awarded under the Exchange Agreement, in the event Metropolitan's appeal is unsuccessful. On March 17, 2022, the Court of Appeal held that SDCWA is the prevailing party in the 2010 and 2012 cases and is therefore entitled to attorney's fees under the parties' Exchange Agreement and litigation costs. On March 21, 2022, Metropolitan paid to SDCWA $14,296,864.99 ($13,397,575.66 fees award, plus statutory interest) and $352,247.79 for costs ($326,918.34 costs award, plus statutory interest).

The 2014, 2016 and 2018 Cases. SDCWA has also filed lawsuits challenging the rates adopted in 2014, 2016 and 2018 and asserting breach of the Exchange Agreement. Metropolitan filed cross-complaints in the three cases, asserting claims relating to rates and the Exchange Agreement, including reformation.

The operative Petitions for Writ of Mandate and Complaints allege the same Water Stewardship Rate claim and breach of the Exchange Agreement as in the 2010 and 2012 cases, but because Metropolitan paid the amounts sought to SDCWA, and the writ in the 2010 and 2012 cases encompasses these claims, these claims and cross-claims are moot. They also claim Metropolitan's wheeling rate fails to provide wheelers a reasonable credit for "offsetting benefits" pursuant to Water Code Section 1810, *et seq.*, and that Metropolitan has breached the Exchange Agreement by failing to reduce the price for an "offsetting benefits" credit. The cases also alleged that in 2020 and 2021, Metropolitan misallocated its California WaterFix costs as transportation costs and breached the Exchange Agreement by including those costs in the transportation rates charged. In April 2022, the parties requested the court's dismissal with prejudice of the claims and cross-claims relating to California WaterFix. The cases also request a judicial declaration that Proposition 26 applies to Metropolitan's rates and charges, and a judicial declaration that SDCWA is not required to pay any portion of a judgment in the litigation. Metropolitan filed cross-complaints in each of these cases, asserting claims against relating to rates and the Exchange Agreement.

The cases were stayed pending resolution of the 2010 and 2012 cases, but the stays have been lifted and the cases have been consolidated in the San Francisco Superior Court.

Metropolitan and SDCWA each filed motions for summary adjudication of certain issues in the 2014, 2016 and 2018 cases with the court. Summary adjudication is a procedure by which a court may determine the merits of a particular claim or affirmative defense, a claim for damages, and/or an issue of duty before trial.

On May 4, 2022, the San Francisco Superior Court issued an order granting Metropolitan's motion for summary adjudication on its cross-claim for declaratory relief that the conveyance facility owner, Metropolitan, determines fair compensation, including any offsetting benefits; and denying its motion on certain other cross-claims and an affirmative defense.

On May 11, 2022, the San Francisco Superior Court issued an order granting SDCWA's motion for summary adjudication on: Metropolitan's cross-claim in the 2018 case for a declaration with respect to the lawfulness of the Water Stewardship Rate's inclusion in the wheeling rate and transportation rates in 2019 and 2020; certain Metropolitan cross-claims and affirmative defenses on the ground that Metropolitan has a duty to charge no more than fair compensation, which includes reasonable credit for any offsetting benefits pursuant to Water Code section 1811(c), with the court also stating that whether that duty arose and whether Metropolitan breached that duty are issues to be resolved at trial; Metropolitan's affirmative defenses that SDCWA's claims are untimely and SDCWA has not satisfied claims presentation requirements; Metropolitan's affirmative defense in the 2018 case that SDCWA has not satisfied dispute resolution requirements under the Exchange Agreement; SDCWA's claim, Metropolitan's cross-claims, and Metropolitan's affirmative defenses regarding the applicability of Proposition 26, finding that Proposition 26 applies to Metropolitan's rates and charges, with the court also stating that whether Metropolitan violated Proposition 26 is a separate issue; and Metropolitan's cross-claims and affirmative defenses regarding the applicability of Government Code section 54999.7, finding that section 54999.7 applies to Metropolitan's rates. The court denied SDCWA's motion on certain other Metropolitan cross-claims and affirmative defenses.

Damages sought by SDCWA in connection with its claims for offsetting benefits credit under the Exchange Agreement exceed $334 million for the six years (2015 through 2020) at issue in these cases. In the event that SDCWA were to prevail in a final adjudication of this issue, a determination of offsetting benefits credit due to SDCWA, if any, could impact the Exchange Agreement price in future years.

Trial of the 2014, 2016 and 2018 cases occurred May 16 to June 3, 2022. The court has set a filing deadline of August 19, 2022 for post-trial briefing in the cases. Closing arguments are scheduled to be heard on September 27, 2022.

Metropolitan is unable to assess at this time the likelihood of success of the pending cases, any possible appeals, settlements or any future claims.

Other Revenue Sources

Hydroelectric Power Recovery Revenues. Metropolitan has constructed 15 small hydroelectric plants on its distribution system. The combined generating capacity of these plants is approximately 130 megawatts, and is dependent on available water sources. The plants are located in Los Angeles, Orange, Riverside, and San Diego Counties at existing pressure control structures and other locations. Since 2000, annual energy generation sales revenues have ranged between $7.3 million and nearly $29.6 million, fluctuating with available water supplies. Hydroelectric power sales revenues from the hydroelectric power plants were $7.3 million in fiscal year 2020-21.

CRA Power Sale Revenues. The power requirements for the CRA are offset, in part, by Metropolitan's hydroelectric power generation entitlements from Hoover and Parker dams. A net revenue stream, referred to as CRA power sales, results when the CRA power needs are less than Metropolitan's Hoover and Parker power entitlements, and in which the excess energy is imported and sold into the California Independent System Operator ("CAISO") market. The total Hoover and Parker dam excess energy sales revenues were $6.0 million in fiscal year 2019-20 and $11.4 million in fiscal year 2020-21.

Investment Income. In fiscal years, 2018-19, 2019-20 and 2020-21, Metropolitan's earnings on investments, including adjustments for gains and losses and premiums and discounts, including construction account and trust fund earnings, excluding gains and losses on swap terminations, on a cash basis (unaudited) were $31.3 million, $18.1 million, and $12.7 million, respectively.

Investment of Moneys in Funds and Accounts

The Board has delegated to the Treasurer the authority to invest funds. All moneys in any of the funds and accounts established pursuant to Metropolitan's water revenue or general obligation bond resolutions are managed by the Treasurer in accordance with Metropolitan's Statement of Investment Policy. All Metropolitan funds available for investment are currently invested in United States Treasury and agency securities, supranationals, commercial paper, negotiable certificates of deposit, banker's acceptances, corporate notes, municipal bonds, government-sponsored enterprise, money market funds, California Asset Management Program ("CAMP") and the California Local Agency Investment Fund ("LAIF"). CAMP is a program created through a joint powers agency as a pooled short-term portfolio and cash management vehicle for California public agencies. CAMP is a permitted investment for all local agencies under California Government Code Section 53601(p). LAIF is a voluntary program created by statute as an investment alternative for California's local governments and special districts. LAIF permits such local agencies to participate in an investment portfolio, which invests billions of dollars, managed by the State Treasurer's Office.

The Statement of Investment Policy provides that in managing Metropolitan's investments, the primary objective shall be to safeguard the principal of the invested funds. The secondary objective shall be to meet all liquidity requirements and the third objective shall be to achieve a return on the invested funds. Although the Statement of Investment Policy permits investments in some government-sponsored enterprise, the portfolio does not include any of the special investment vehicles related to sub-prime mortgages. Metropolitan's current investments comply with the Statement of Investment Policy.

As of June 30, 2022, the total market value (cash-basis) of all Metropolitan invested funds was $1.5 billion, including a bond reserve of $1.6 million for Metropolitan's 2000 Authorization, Series B-3 Bonds (which is expected to be released in connection with the refunding of such bonds by Metropolitan's Water Revenue Refunding Bonds, 2022 Series B). The market value of Metropolitan's investment portfolio is subject to market fluctuation and volatility and general economic conditions. Over the three years ended June 30, 2022, the market value of the month-end balance of Metropolitan's investment portfolio (excluding bond reserve funds) averaged approximately $1.2 billion. The minimum month-end balance of Metropolitan's investment portfolio (excluding bond reserve funds) during such period was approximately $831.9 million on July 31, 2019. See Note 3 to Metropolitan's audited financial statements in Appendix B for additional information on the investment portfolio.

Metropolitan's Administrative Code requires that (1) the Treasurer provide an annual Statement of Investment Policy for approval by Metropolitan's Board, (2) the Treasurer provide a monthly investment report to the Board and the General Manager showing by fund the description, maturity date, yield, par, cost and current market value of each security, and (3) the General Counsel review as to eligibility the securities invested in by the Treasurer for that month and report his or her determinations to the Board. The Board approved the Statement of Investment Policy for fiscal year 2022-23 on June 14, 2022.

Subject to the provisions of Metropolitan's water revenue or general obligation bond resolutions, obligations purchased by the investment of bond proceeds in the various funds and accounts established pursuant to a bond resolution are deemed at all times to be a part of such funds and accounts and any income realized from investment of amounts on deposit in any fund or account therein will be credited to such fund or account. The Treasurer is required to sell or present for redemption any investments whenever it may be necessary to do so in order to provide moneys to meet required payments or transfers from such funds and accounts. For the purpose of determining at any given time the balance in any such funds, any such investments constituting a part of such funds and accounts will be valued at the then estimated or appraised market value of such investments.

All investments, including those authorized by law from time to time for investments by public agencies, contain certain risks. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under

Metropolitan's water revenue or general obligation revenue bond resolutions, or other amounts held by Metropolitan, could have a material adverse effect on Metropolitan's finances. These risks may be mitigated, but are not eliminated, by limitations imposed on the portfolio management process by Metropolitan's Statement of Investment Policy.

The Statement of Investment Policy requires that investments have a minimum credit rating of "A-1/P-1/F1" for short-term securities and "A" for longer-term securities, without regard to modifiers, at the time of purchase. If a security is downgraded below the minimum rating criteria specified in the Statement of Investment Policy, the Treasurer shall determine a course of action to be taken on a case-by-case basis considering such factors as the reason for the downgrade, prognosis for recovery, or further rating downgrades, and the market price of the security. The Treasurer is required to note in the Treasurer's monthly report any securities which have been downgraded below Policy requirements and the recommended course of action.

The Statement of Investment Policy also limits the amount of securities that can be purchased by category, as well as by issuer, and prohibits investments that can result in zero interest income. Metropolitan's securities are settled on a delivery versus payment basis and are held by an independent third-party custodian. See Metropolitan's financial statements included in APPENDIX B–"THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA INDEPENDENT AUDITORS' REPORT AND BASIC FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020 AND BASIC FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2022 AND 2021 (UNAUDITED)" for a description of Metropolitan's investments at June 30, 2021, and March 31, 2022.

From July 2018 through January 2021, Metropolitan retained two outside investment firms to manage its core portfolio, a portion of the liquidity portfolio, and the Lake Matthews trust fund. Since February 2021, Metropolitan retains only one outside investment firm. This firm manages approximately $1.1 billion in total investments on behalf of Metropolitan as of June 30, 2022. All outside managers are required to adhere to Metropolitan's Statement of Investment Policy.

Metropolitan's Statement of Investment Policy may be changed at any time by the Board (subject to State law provisions relating to authorized investments). There can be no assurance that the State law and/or the Statement of Investment Policy will not be amended in the future to allow for investments that are currently not permitted under State law or the Statement of Investment Policy, or that the objectives of Metropolitan with respect to investments or its investment holdings at any point in time will not change.

METROPOLITAN EXPENSES

General

The following table sets forth a summary of Metropolitan's expenses, by major function, for the five years ended June 30, 2021, on a modified accrual basis. All information is unaudited. Expenses of Metropolitan for the fiscal years ended June 30, 2021 and June 30, 2020, on an accrual basis, are shown in Metropolitan's audited financial statements included in Appendix B.

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SUMMARY OF EXPENSES
Fiscal Years Ended June 30
(Dollars in Millions)

	2017	2018	2019	2020	2021
Operation and Maintenance Costs[1]	$ 559	$ 568	$ 569	$ 641	$ 636
Total State Water Project[2]	506	527	482	519	547
Total Debt Service	330	360	347	285	286
Construction Expenses from Revenues[3]	132	98	128	39	110
Other[4]	4	5	6	6	6
Total Expenses (net of reimbursements)	$1,531	$1,558	$1,532	$1,490	$1,585

Source: Metropolitan.

(1) Includes operation and maintenance, debt administration, conservation and local resource programs, CRA power, and water supply expenses. Fiscal years 2016-17 and 2017-18 include $33 million and $1 million, respectively, of conservation and supply program expenses funded from transfers from the Water Management Fund.

(2) Includes operating and capital expense portions and Delta Conveyance.

(3) At the discretion of the Board, in any given year, Metropolitan may increase or decrease funding available for construction disbursements to be paid from revenues. Does not include expenditures of bond proceeds.

(4) Includes operating equipment.

Revenue Bond Indebtedness and Other Obligations

As of July 7, 2022, Metropolitan had total outstanding indebtedness secured by a lien on Net Operating Revenues of $3.69 billion. This indebtedness was comprised of (a) $2.48 billion of Senior Revenue Bonds issued under the Senior Debt Resolutions (each as defined below), which includes $2.15 billion of fixed rate Senior Revenue Bonds, and $331.9 million of variable rate Senior Revenue Bonds; and (b) $1.21 billion of Subordinate Revenue Bonds issued under the Subordinate Debt Resolutions (each as defined below), which includes $712.8 million of fixed rate Subordinate Revenue Bonds, and $493.4 million of variable rate Subordinate Revenue Bonds. In addition, Metropolitan has $372.7 million of fixed-payor interest rate swaps which provides a fixed interest rate hedge to an equivalent amount of variable rate debt. Metropolitan's revenue bonds and other revenue obligations are more fully described below.

REVENUE BOND INDEBTEDNESS AND OTHER OBLIGATIONS

	Variable Rate	Fixed Rate	Total
Senior Lien Revenue Bonds	$ 331,875,000	$2,149,825,000	$2,481,700,000
Subordinate Lien Revenue Bonds	493,415,000	712,770,000	1,206,185,000
Total	**$ 825,290,000**	**$2,862,595,000**	**$3,687,885,000**
Fixed-Payor Interest Rate Swaps	(372,690,000)	372,690,000	--
Net Amount (after giving effect to Swaps)	**$ 452,600,000**	**$3,235,285,000**	**$3,687,885,000**

Source: Metropolitan.

As described under "–Outstanding Senior Revenue Bonds and Senior Parity Obligations –Senior Parity Obligations," in June 2022, Metropolitan entered into a revolving credit facility pursuant to which Metropolitan may issue senior lien short-term notes from time-to-time, bearing interest at a variable rate, and payable on parity with Metropolitan's Senior Revenue Bonds.

Limitations on Additional Revenue Bonds

Resolution 8329, adopted by Metropolitan's Board on July 9, 1991, as amended and supplemented (the "Master Senior Resolution," and collectively with all such supplemental resolutions, the "Senior Debt Resolutions"), provides for the issuance of Metropolitan's senior lien water revenue bonds. The Senior Debt Resolutions establish limitations on the issuance of additional obligations payable from Net Operating

Revenues. Under the Senior Debt Resolutions, no additional bonds, notes or other evidences of indebtedness payable out of Operating Revenues may be issued having any priority in payment of principal, redemption premium, if any, or interest over any water revenue bonds authorized by the Senior Debt Resolutions ("Senior Revenue Bonds") or other obligations of Metropolitan having a lien and charge upon, or being payable from, the Net Operating Revenues on parity with such Senior Revenue Bonds ("Senior Parity Obligations"). No additional Senior Revenue Bonds or Senior Parity Obligations may be issued or incurred unless the conditions of the Senior Debt Resolutions have been satisfied.

Resolution 9199, adopted by Metropolitan's Board on March 8, 2016, as amended and supplemented (the "Master Subordinate Resolution," and collectively with all such supplemental resolutions, the "Subordinate Debt Resolutions," and together with the Senior Debt Resolutions, the "Revenue Bond Resolutions"), provides for the issuance of Metropolitan's subordinate lien water revenue bonds and other obligations secured by a pledge of Net Operating Revenues that is subordinate to the pledge securing Senior Revenue Bonds and Senior Parity Obligations. The Subordinate Debt Resolutions establish limitations on the issuance of additional obligations payable from Net Operating Revenues. Under the Subordinate Debt Resolutions, with the exception of Senior Revenue Bonds and Senior Parity Obligations, no additional bonds, notes or other evidences of indebtedness payable out of Operating Revenues may be issued having any priority in payment of principal, redemption premium, if any, or interest over any subordinate water revenue bonds authorized by the Subordinate Debt Resolutions ("Subordinate Revenue Bonds" and, together with Senior Revenue Bonds, "Revenue Bonds") or other obligations of Metropolitan having a lien and charge upon, or being payable from, the Net Operating Revenues on parity with the Subordinate Revenue Bonds ("Subordinate Parity Obligations"). No additional Subordinate Revenue Bonds or Subordinate Parity Obligations may be issued or incurred unless the conditions of the Subordinate Debt Resolutions have been satisfied.

The laws governing Metropolitan's ability to issue water revenue bonds currently provide two additional limitations on indebtedness that may be incurred by Metropolitan. The Act provides for a limit on general obligation bonds, water revenue bonds and other evidences of indebtedness of 15 percent of the assessed value of all taxable property within Metropolitan's service area. As of July 7, 2022, outstanding general obligation bonds, water revenue bonds and other evidences of indebtedness in the amount of $3.71 billion represented approximately 0.11 percent of the fiscal year 2021-22 taxable assessed valuation of $3,377.3 billion. The second limitation under the Act specifies that no revenue bonds may be issued, except for the purpose of refunding, unless the amount of net assets of Metropolitan as shown on its balance sheet as of the end of the last fiscal year prior to the issuance of such bonds, equals at least 100 percent of the aggregate amount of revenue bonds outstanding following the issuance of such bonds. The net assets of Metropolitan at June 30, 2021 were $7.19 billion. The aggregate amount of revenue bonds outstanding as of July 7, 2022 was $3.69 billion. The limitation does not apply to other forms of financing available to Metropolitan. Audited financial statements including the net assets of Metropolitan as of June 30, 2021 and June 30, 2020 are shown in Metropolitan's audited financial statements included in APPENDIX B–"THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA INDEPENDENT AUDITORS' REPORT AND BASIC FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020 AND BASIC FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2022 AND 2021 (UNAUDITED)."

Metropolitan provides no assurance that the Act's limitations on indebtedness will not be revised or removed by future legislation. Limitations under the Revenue Bond Resolutions respecting the issuance of additional obligations payable from Net Operating Revenues on parity with the Senior Revenue Bonds and Subordinate Revenue Bonds of Metropolitan will remain in effect so long as any Senior Revenue Bonds and Subordinate Revenue Bonds authorized pursuant to the applicable Revenue Bond Resolutions are outstanding, provided however, that the Revenue Bond Resolutions are subject to amendment and supplement in accordance with their terms.

Variable Rate Exposure Policy

As of July 7, 2022, Metropolitan had outstanding $331.9 million of variable rate obligations issued as Senior Revenue Bonds under the Senior Debt Resolutions (described under "–Outstanding Senior Revenue Bonds and Senior Parity Obligations –Variable Rate and Swap Obligations" below). In addition, as of July 7, 2022, $493.4 million of Metropolitan's $1.21 billion of outstanding Subordinate Revenue Bonds issued under the Subordinate Debt Resolutions and other Subordinate Parity Obligations were variable rate obligations (described under "–Outstanding Subordinate Revenue Bonds and Subordinate Parity Obligations" below).

As of July 7, 2022, of Metropolitan's $825.3 million of variable rate obligations, $372.7 million of such variable rate demand obligations are treated by Metropolitan as fixed rate debt, by virtue of interest rate swap agreements (described under "–Outstanding Senior Revenue Bonds and Senior Parity Obligations – Variable Rate and Swap Obligations – *Interest Rate Swap Transactions*" below), for the purpose of calculating debt service requirements. The remaining $452.6 million of variable rate obligations represent approximately 12.3 percent of total outstanding water revenue secured indebtedness (including Senior Revenue Bonds and Senior Parity Obligations and Subordinate Revenue Bonds and Subordinate Parity Obligations), as of July 7, 2022.

Metropolitan's variable rate exposure policy requires that variable rate debt be managed to limit net interest cost increases within a fiscal year as a result of interest rate changes to no more than $5 million. In addition, the maximum amount of variable interest rate exposure (excluding variable rate bonds associated with interest rate swap agreements) is limited to 40 percent of total outstanding water revenue bond debt. Variable rate debt capacity will be reevaluated as interest rates change and managed within these parameters.

The periodic payments due to Metropolitan from counterparties under its outstanding interest rate swap agreements are calculated by reference to the London interbank offering rate ("LIBOR"). On July 27, 2017, the Financial Conduct Authority (the "FCA"), the U.K. regulatory body responsible for the regulation and supervision of LIBOR, announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR rates after 2021 (the "FCA Announcement"). Following a consultation announced in November 2020 by the Intercontinental Exchange Benchmark Administration ("IBA"), the administrator of LIBOR authorized and regulated by the FCA, with the support of the Federal Reserve Board and the FCA, made a formal announcement on March 5, 2021 that the date for the cessation of the publication of various tenors of USD LIBOR (or date on which any published USD LIBOR rate for such tenors would cease to be representative) would be: (1) December 31, 2021, for the one-week and two-month USD LIBOR, and (2) June 30, 2023, for all other tenors of USD LIBOR, including the one-month LIBOR and three-month LIBOR, the most widely used tenors of USD LIBOR and which are used to determine the periodic payments due to Metropolitan from swap counterparties. Metropolitan staff is monitoring alternate benchmark rates. As a result of the prospective phasing out of LIBOR as a reference rate and transition to an alternate benchmark rate, increased volatility in the reported LIBOR rates may occur. The level of Metropolitan's LIBOR-based swap payments may also be affected by the transition to an alternate benchmark rate when it occurs.

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Outstanding Senior Revenue Bonds and Senior Parity Obligations

Senior Revenue Bonds

The water revenue bonds issued under the Senior Debt Resolutions outstanding as of July 7, 2022 are set forth below:

Outstanding Senior Revenue Bonds

Name of Issue	Principal Outstanding
Water Revenue Bonds, 2000 Authorization, Series B-3[(1)(3)]	$ 78,900,000
Water Revenue Refunding Bonds, 2011 Series C	29,315,000
Water Revenue Refunding Bonds, 2014 Series E	33,910,000
Water Revenue Bonds, 2015 Authorization, Series A[(5)]	195,260,000
Water Revenue Refunding Bonds, 2016 Series A[(5)]	239,455,000
Special Variable Rate Water Revenue Refunding Bonds, 2016 Series B-1 and B-2[(1) (4)]	82,905,000
Water Revenue Bonds, 2017 Authorization, Series A[(1) (4)]	80,000,000
Special Variable Water Revenue Refunding Bonds, 2018 Series A-1 and A-2[(1) (3)]	90,070,000
Water Revenue Refunding Bonds, 2018 Series B	124,525,000
Water Revenue Refunding Bonds, 2019 Series A	218,090,000
Water Revenue Bonds, 2020 Series A	207,355,000
Special Variable Rate Water Revenue Refunding Bonds, 2020 Series B[(2)]	271,815,000
Water Revenue Refunding Bonds, 2020 Series C	263,230,000
Water Revenue Bonds, 2021 Series A	188,890,000
Water Revenue Refunding Bonds, 2021 Series B	98,410,000
Water Revenue Refunding Bonds, 2022 Series A	279,570,000
Total	**$2,481,700,000**

Source: Metropolitan.

(1) Outstanding variable rate obligation.

(2) Currently in a long mode at a fixed interest rate to April 2, 2024.

(3) All of the outstanding Senior Revenue Bonds of this Series are being refunded by Metropolitan's Water Revenue Refunding Bonds, 2022 Series B. The delivery of the 2022 Series B Bonds is contingent upon the issuance and delivery of Metropolitan's 2022 Series C Bonds referred to in footnote (5).

(4) A portion of the outstanding Senior Revenue Bonds of this Series is being refunded by Metropolitan's Water Revenue Refunding Bonds, 2022 Series B. The delivery of the 2022 Series B Bonds is contingent upon the issuance and delivery of Metropolitan's 2022 Series C Bonds referred to in footnote (5).

(5) A portion of the outstanding Senior Revenue Bonds of this Series is being refunded by Metropolitan's Special Variable Rate Water Revenue Refunding Bonds, 2022 Series C (Federally Taxable), which are expected to be issued and delivered concurrently with the 2022 Series B Bonds referred to in footnotes (3) and (4). The delivery of the 2022 Series C Bonds will be contingent upon the issuance and delivery of Metropolitan's 2022 Series B Bonds.

Variable Rate and Swap Obligations

As of July 7, 2022, Metropolitan had outstanding $331.9 million of senior lien variable rate obligations. The outstanding variable rate obligations consist of Senior Revenue Bonds issued under the Senior Debt Resolutions (described under this caption "–Variable Rate and Swap Obligations") as variable rate demand obligations in a daily mode supported by standby bond purchase agreements between Metropolitan and various liquidity providers (the "Liquidity Supported Bonds").

Liquidity Supported Senior Revenue Bonds. The interest rates for Metropolitan's variable rate demand obligations issued under the Senior Debt Resolutions, totaling $331.9 million as of July 7, 2022, are currently reset on a daily basis. While bearing interest at a daily rate, such variable rate demand obligations are subject to optional tender on any business day with same day notice by the owners thereof and mandatory tender upon specified events. Such variable rate demand obligations are supported by standby bond purchase agreements between Metropolitan and liquidity providers that provide for purchase of variable rate bonds by the applicable liquidity provider upon tender of such variable rate bonds and a failed remarketing. Metropolitan has secured its obligation to repay principal and interest advanced under the standby bond purchase agreements as Senior Parity Obligations. A decline in the creditworthiness of a liquidity provider will likely result in an increase in the interest rate of the applicable variable rate bonds, as well as an increase in the risk of a failed remarketing of such tendered variable rate bonds. Variable rate bonds purchased by a liquidity provider ("bank bonds") would initially bear interest at a per annum interest rate equal to, depending on the liquidity facility, either: (a) the highest of (i) the Prime Rate, (ii) the Federal Funds Rate plus one-half of a percent, or (iii) seven and one-half percent (with the spread or rate increasing in the case of each of (i), (ii) and (iii) of this clause (a) by one percent after 60 days); or (b) the highest of (i) the Prime Rate plus one percent, (ii) Federal Funds Rate plus two percent, and (iii) seven percent (with the spread or rate increasing in the case of each of (i), (ii) and (iii) of this clause (b) by one percent after 90 days). To the extent such bank bonds have not been remarketed or otherwise retired as of the earlier of the 60th day following the date such bonds were purchased by the liquidity provider or the stated expiration date of the related liquidity facility, Metropolitan's obligation to reimburse the liquidity provider may convert the term of the variable rate bonds purchased by the liquidity provider into a term loan payable under the terms of the current liquidity facilities in semi-annual installments over a period ending on either the third anniversary or fifth anniversary, depending on the applicable liquidity facility, of the date on which the variable rate bonds were purchased by the liquidity provider. In addition, upon an event of default under any such liquidity facility, including a failure by Metropolitan to perform or observe its covenants under the applicable standby bond purchase agreement, a default in other specified indebtedness of Metropolitan, or other specified events of default (including a reduction in the credit rating assigned to Senior Revenue Bonds issued under the Senior Debt Resolutions by any of Fitch, S&P or Moody's below "A–" or "A3"), the liquidity provider could require all bank bonds to be subject to immediate mandatory redemption by Metropolitan.

The following table lists the current liquidity providers, the current expiration date of each facility, and the principal amount of outstanding variable rate demand obligations covered under each facility as of July 7, 2022.

Liquidity Facilities and Expiration Dates

Liquidity Provider	Bond Issue	Principal Outstanding	Facility Expiration
TD Bank, N.A.	2018 Series A-1 and Series A-2(1)	$ 90,070,000	June 2024
TD Bank, N.A.	2016 Series B-1(1) and Series B-2(2)	$ 82,905,000	June 2024
PNC Bank, N.A.	2017 Authorization Series A(2)	$ 80,000,000	March 2023
PNC Bank, N.A.	2000 Authorization Series B-3(1)	$ 78,900,000	March 2023
Total		**$331,875,000**	

(1) As described herein, these bonds are being refunded in full by Metropolitan's Water Revenue Refunding Bonds, 2022 Series B.
(2) As described herein, these bonds are being refunded in part by Metropolitan's Water Revenue Refunding Bonds, 2022 Series B.
Source: Metropolitan.

Interest Rate Swap Transactions. By resolution adopted on September 11, 2001, Metropolitan's Board authorized the execution of interest rate swap transactions and related agreements in accordance with a master swap policy, which was subsequently amended by resolutions adopted on July 14, 2009 and May 11, 2010. Metropolitan may execute interest rate swaps if the transaction can be expected to reduce exposure to changes in interest rates on a particular financial transaction or in the management of interest rate risk derived from Metropolitan's overall asset/liability balance, result in a lower net cost of borrowing or achieve a higher net rate of return on investments made in connection with or incidental to the issuance, incurring or carrying of Metropolitan's obligations or investments, or manage variable interest rate exposure consistent with prudent debt practices and Board-approved guidelines. The Assistant General Manager, Finance & Administration reports to the Finance and Insurance Committee of Metropolitan's Board each quarter on outstanding swap transactions, including notional amounts outstanding, counterparty exposures and termination values based on then-existing market conditions.

Metropolitan currently has one type of interest rate swap, referred to in the table below as "Fixed Payor Swaps." Under this type of swap, Metropolitan receives payments that are calculated by reference to a floating interest rate and makes payments that are calculated by reference to a fixed interest rate.

Metropolitan's obligations to make regularly scheduled net payments under the terms of the interest rate swap agreements are payable on a parity with the Senior Parity Obligations. Termination payments under the 2002A and 2002B interest rate swap agreements would be payable on a parity with the Senior Parity Obligations. Termination payments under all other interest rate swap agreements would be on parity with the Subordinate Parity Obligations.

The following swap transactions were outstanding as of July 7, 2022:

FIXED PAYOR SWAPS:

Designation	Notional Amount Outstanding	Swap Counterparty	Fixed Payor Rate	Metropolitan Receives	Maturity Date
2002 A	$ 34,553,750	Morgan Stanley Capital Services, Inc.	3.300%	57.74% of one-month LIBOR	7/1/2025
2002 B	12,926,250	JPMorgan Chase Bank	3.300	57.74% of one-month LIBOR	7/1/2025
2003	131,912,500	Wells Fargo Bank	3.257	61.20% of one-month LIBOR	7/1/2030
2003	131,912,500	JPMorgan Chase Bank	3.257	61.20% of one-month LIBOR	7/1/2030
2004 C	4,672,250	Morgan Stanley Capital Services, Inc.	2.980	61.55% of one-month LIBOR	10/1/2029
2004 C	3,822,750	Citigroup Financial Products, Inc.	2.980	61.55% of one-month LIBOR	10/1/2029
2005	26,445,000	JPMorgan Chase Bank	3.360	70% of 3-month LIBOR	7/1/2030
2005	26,445,000	Citigroup Financial Products, Inc.	3.360	70% of 3-month LIBOR	7/1/2030
Total	**$372,690,000**				

Source: Metropolitan.

These interest rate swap agreements entail risk to Metropolitan. One or more counterparties may fail or be unable to perform, interest rates may vary from assumptions, Metropolitan may be required to post collateral in favor of its counterparties and Metropolitan may be required to make significant payments in the event of an early termination of an interest rate swap. Metropolitan seeks to manage counterparty risk by diversifying its swap counterparties, limiting exposure to any one counterparty, requiring collateralization or other credit enhancement to secure swap payment obligations, and by requiring minimum credit rating levels. Initially, swap counterparties must be rated at least "Aa3" or "AA-", or equivalent by any two of the nationally recognized credit rating agencies; or use a "AAA" subsidiary as rated by at least one nationally recognized credit rating agency. Should the credit rating of an existing swap counterparty drop below the required levels, Metropolitan may enter into additional swaps if those swaps are "offsetting" and risk-reducing swaps. Each counterparty is initially required to have minimum capitalization of at least $150 million. See Note 5(e) in Metropolitan's audited financial statements in Appendix B.

Early termination of an interest rate swap agreement could occur due to a default by either party or the occurrence of a termination event (including defaults under other specified swaps and indebtedness, certain acts of insolvency, if a party may not legally perform its swap obligations, or, with respect to Metropolitan, if its credit rating is reduced below "BBB–" by Moody's or "Baa3" by S&P (under most of the interest rate swap agreements) or below "BBB" by Moody's or "Baa2" by S&P (under one of the interest rate swap agreements)). As of June 30, 2022, Metropolitan would have been required to pay to some of its counterparties termination payments if its swaps were terminated on that date. Metropolitan's net exposure to its counterparties for all such termination payments on that date was approximately $21.0 million. Metropolitan does not presently anticipate early termination of any of its interest rate swap agreements due to default by either party or the occurrence of a termination event. However, Metropolitan has previously exercised, and may in the future exercise, from time to time, optional early termination provisions to terminate all or a portion of certain interest rate swap agreements.

Metropolitan is required to post collateral in favor of a counterparty to the extent that Metropolitan's total exposure for termination payments to that counterparty exceeds the threshold specified in the applicable swap agreement. Conversely, the counterparties are required to release collateral to Metropolitan or post collateral for the benefit of Metropolitan as market conditions become favorable to Metropolitan. As of June 30, 2022, Metropolitan had no collateral posted with any counterparty. The highest, month-end, amount of collateral posted was $36.8 million, on June 30, 2012, which was based on an outstanding swap notional amount of $1.4 billion at that time. The amount of required collateral varies from time to time due primarily to interest rate movements and can change significantly over a short period of time. See "METROPOLITAN REVENUES–Financial Reserve Policy" in this Appendix A. In the future, Metropolitan may be required to post additional collateral, or may be entitled to a reduction or return of the required collateral amount. Collateral deposited by Metropolitan is held by the counterparties; a bankruptcy of any counterparty holding collateral posted by Metropolitan could adversely affect the return of the collateral to Metropolitan. Moreover, posting collateral limits Metropolitan's liquidity. If collateral requirements increase significantly, Metropolitan's liquidity may be materially adversely affected. See "METROPOLITAN REVENUES–Financial Reserve Policy" in this Appendix A.

<u>Direct Purchase Long Mode Bonds</u>

In April 2020, Metropolitan entered into a Bond Purchase Agreement, dated as of April 1, 2020 (the "2020 Direct Purchase Agreement") with Wells Fargo Municipal Capital Strategies, LLC ("WFMCS"), for the purchase by WFMCS and sale by Metropolitan of Metropolitan's $271.8 million Special Variable Rate Water Revenue Refunding Bonds 2020 Series B (the "2020B Senior Revenue Bonds"). The 2020B Senior Revenue Bonds were issued for the purpose of refunding all of Metropolitan's then outstanding variable rate Senior Revenue Bonds that were designated as self-liquidity bonds as part of Metropolitan's self-liquidity program ("Self-Liquidity Bonds").

The 2020B Senior Revenue Bonds were issued under the Senior Debt Resolutions and are further described in a related paying agent agreement, dated as of April 1, 2020, as amended by the Paying Agent Agreement Amendment No. 1, dated as of April 1, 2021 (together, the "2020B Paying Agent Agreement"), by and between Metropolitan and Wells Fargo Bank, National Association, as paying agent. Pursuant to the 2020B Paying Agent Agreement, the 2020B Senior Revenue Bonds may bear interest from time to time in any one of several interest rate modes at the election of Metropolitan. The 2020B Senior Revenue Bonds currently bear interest in a Long Mode under the 2020B Paying Agent Agreement at a Long Rate equal to 0.46 percent per annum for the Long Period ending on April 2, 2024. If not earlier prepaid or redeemed pursuant to the terms of the 2020 Direct Purchase Agreement and the 2020B Paying Agent Agreement, the 2020B Senior Revenue Bonds are subject to mandatory tender for purchase on April 2, 2024 (the "Mandatory Tender Date"), the last day of the new Long Period. The 2020B Senior Revenue Bonds were initially designated as Self-Liquidity Bonds pursuant to the 2020B Paying Agent Agreement and no standby bond purchase agreement or other liquidity facility is in effect for the purchase of such bonds.

On or before the date 120 days prior to the end of the Long Period, Metropolitan may request WFMCS to purchase the 2020B Senior Revenue Bonds for another Long Period, or Metropolitan may seek to remarket the 2020B Senior Revenue Bonds to another bank or in the public debt markets in a new interest rate mode or at a fixed interest rate. In the event the 2020B Bonds are not purchased by WFMCS for a subsequent Long Period, Metropolitan is obligated under the 2020 Direct Purchase Agreement to cause 2020B Senior Revenue Bonds that have not been converted to another interest rate mode or remarketed to a purchaser or purchasers other than WFMCS ("Unremarketed 2020B Bonds") to be redeemed on the Mandatory Tender Date; provided, that if no default or event of default under the 2020 Direct Purchase Agreement shall have occurred and be continuing and the representations and warranties of Metropolitan shall be true and correct on the Mandatory Tender Date, then the principal amount of the Unremarketed 2020B Senior Revenue Bonds shall be due and payable on the date that is 30 days following the Mandatory Tender Date and shall accrue interest at the Purchaser Rate, a fluctuating interest per annum equal to, the greatest of the (i) the Prime Rate, (ii) Federal Funds Rate plus one-half of one percent, and (iii) five percent, as specified in the 2020 Direct Purchase Agreement. If no default or event of default under the 2020 Direct Purchase Agreement shall have occurred and be continuing and the representations and warranties of Metropolitan shall be true and correct at the end of such 30-day period, the Unremarketed 2020B Senior Revenue Bonds will continue to bear interest at the Purchaser Rate plus, after 180 days from the Mandatory Tender Date, a spread of one percent, and the principal amount of such Unremarketed 2020B Senior Revenue Bonds may, at Metropolitan's request, instead be subject to mandatory redemption in substantially equal installments payable every six months over an amortization period commencing six months after the Mandatory Tender Date and ending on the third anniversary of the Mandatory Tender Date.

Under the 2020 Direct Purchase Agreement, upon a failure by Metropolitan to pay principal or interest of any 2020B Senior Revenue Bonds, a failure by Metropolitan to perform or observe its covenants, a default in other specified indebtedness of Metropolitan, certain acts of bankruptcy or insolvency, or other specified events of default (including if S&P shall have assigned a credit rating below "BBB–," or if any of Fitch, S&P or Moody's shall have assigned a credit rating below "A–" or "A3," to Senior Revenue Bonds issued under the Senior Debt Resolutions), WFMCS has the right to cause a mandatory tender of the 2020B Senior Revenue Bonds and accelerate (depending on the event, seven days after the occurrence, or for certain events, only after 180 days' notice) Metropolitan's obligation to repay the 2020B Senior Revenue Bonds.

In connection with the execution of the 2020 Direct Purchase Agreement, Metropolitan designated the principal payable on the 2020B Senior Revenue Bonds on the Mandatory Tender Date as Excluded Principal Payments under the Senior Debt Resolutions and thus, for purposes of calculating Maximum Annual Debt Service, included the amount of principal and interest due and payable in connection therewith on a schedule of Assumed Debt Service. This schedule of Assumed Debt Service assumes that Metropolitan will pay the principal of the 2020B Senior Revenue Bonds over a period of 30 years at a fixed interest rate of approximately 5.00 percent.

Metropolitan has previously, and may in the future, enter into one or more self-liquidity revolving credit agreements which may be drawn upon for the purpose of paying the purchase price of any Self-Liquidity Bonds issued by Metropolitan, the repayment obligations of Metropolitan under which may be secured as either Senior Parity Obligations or Subordinate Parity Obligations.

Senior Parity Obligations

Wells Fargo Revolving Credit Facility. In June 2022, Metropolitan entered into a note purchase and continuing covenant agreement with Wells Fargo Bank, National Association ("Wells Fargo"), for the purchase by Wells Fargo and sale by Metropolitan from time-to-time of short-term flexible rate revolving notes (the "Wells Fargo Revolving Credit Facility"). Pursuant to the Wells Fargo Revolving Credit Facility, Metropolitan may borrow, pay down and re-borrow amounts, through the issuance and sale from time to time of short-term notes (with maturity dates not exceeding one year from their delivery date), in an aggregate principal amount not to exceed $225 million (including, subject to certain terms and conditions, notes to refund maturing notes) to be purchased by Wells Fargo during the term of Wells Fargo's commitment to purchase notes thereunder, which commitment currently extends to May 31, 2024. Metropolitan made a draw on the Wells Fargo Revolving Credit Facility on June 29, 2022 and issued $35,645,000 principal amount of short-term notes thereunder to provide temporary financing for the refunding of a portion of its outstanding Subordinate Water Revenue Refunding Bonds, 2017 Series B. A portion of the proceeds of Metropolitan's Water Revenue Refunding Bonds, 2022 Series A was applied on the date of delivery of such bonds to repay and redeem all of the then outstanding notes under the Wells Fargo Revolving Credit Facility. As of July 7, 2022, Metropolitan had outstanding $0 of short-term notes under the Wells Fargo Revolving Credit Facility.

Notes under the Wells Fargo Revolving Credit Facility bear interest at a fluctuating rate of interest per annum equal to: (a) for taxable borrowings, the secured overnight financing rate as administered by the Federal Reserve Bank of New York (or a successor administrator) ("SOFR") as determined in accordance with the Wells Fargo Revolving Credit Facility for each day ("Daily Simple SOFR") plus a spread of 0.28 percent (so long as the current credit ratings on Metropolitan's Senior Revenue Bonds issued under the Senior Debt Resolutions are maintained); and (b) for tax-exempt borrowings, 80 percent of Daily Simple SOFR plus a spread of 0.26 percent (so long as the current credit ratings on Metropolitan's Senior Revenue Bonds issued under the Senior Debt Resolutions are maintained), subject, in each case to an applicable maximum interest rate, which shall not, in any case, exceed 18 percent. Subject to the satisfaction of certain terms and conditions, any future unpaid principal borrowed under the Wells Fargo Revolving Credit Facility remaining outstanding at the May 31, 2024 stated commitment expiration date of the Wells Fargo Revolving Credit Facility may be refunded by and exchanged for term notes payable by Metropolitan in approximately equal semi-annual principal installments over a period of approximately three years. Any such term notes will bear interest at a fluctuating rate of interest per annum equal to, for each day, the highest of: (i) the Prime Rate in effect at such time plus one percent; (ii) the Federal Funds Rate in effect at such time plus two percent; or (iii) in the case of taxable term notes, ten percent, and in the case of tax-exempt term notes, seven percent; plus, for each of (i), (ii) or (iii), a spread of two percent.

Under the Wells Fargo Revolving Credit Facility, upon a failure by Metropolitan to pay principal or interest of any note thereunder, a failure by Metropolitan to perform or observe its covenants, a default in other specified indebtedness of Metropolitan, certain acts of bankruptcy or insolvency, or other specified events of default (including if any of Fitch, S&P or Moody's shall have assigned a credit rating below "A–" or "A3," or if each of Fitch, S&P and Moody's shall have assigned a credit rating below "BBB–" or "Baa3," to Senior Revenue Bonds issued under the Senior Debt Resolutions), Wells Fargo has the right to terminate its commitments and may accelerate (depending on the event, seven days after the occurrence, or for certain events, only after 180 days' notice, or, in connection with certain acts of bankruptcy or insolvency or in the event of an acceleration of Metropolitan debt by another lender, credit enhancer or swap counterparty, immediately) Metropolitan's obligation to repay its borrowings.

Metropolitan has secured its obligation to pay principal and interest on notes evidencing borrowings under the Wells Fargo Revolving Credit Facility as Senior Parity Obligations.

In connection with the execution of the Wells Fargo Revolving Credit Facility, Metropolitan designated the principal and interest payable on the notes thereunder as Excluded Principal Payments under the Senior Debt Resolutions and thus, for purposes of calculating Maximum Annual Debt Service, included the amount of principal and interest due and payable under the Wells Fargo Revolving Credit Facility on a schedule of Assumed Debt Service for any outstanding draws.

Metropolitan has previously, and may in the future, enter into one or more other or alternative short-term revolving credit facilities, the repayment obligations of Metropolitan under which may be secured as either Senior Parity Obligations or Subordinate Parity Obligations.

Outstanding Subordinate Revenue Bonds and Subordinate Parity Obligations

Subordinate Revenue Bonds

The water revenue bonds issued under the Subordinate Debt Resolutions outstanding as of July 7, 2022, are set forth below:

Outstanding Subordinate Revenue Bonds

Name of Issue	Principal Outstanding
Subordinate Water Revenue Refunding Bonds, 2017 Series A	$ 204,760,000
Subordinate Water Revenue Refunding Bonds, 2017 Series B	71,285,000
Subordinate Water Revenue Bonds, 2017 Series C[(1)]	80,000,000
Subordinate Water Revenue Refunding Bonds, 2017 Series D[(1)]	95,630,000
Subordinate Water Revenue Refunding Bonds, 2017 Series E[(1)]	95,625,000
Subordinate Water Revenue Refunding Bonds, 2018 Series A	10,865,000
Subordinate Water Revenue Bonds, 2018 Series B	64,345,000
Subordinate Water Revenue Refunding Bonds, 2019 Series A	209,060,000
Subordinate Water Revenue Refunding Bonds, 2020 Series A	152,455,000
Subordinate Water Revenue Refunding Bonds, 2021 Series A[(1)]	222,160,000
Total	**$1,206,185,000**

Source: Metropolitan.

(1) Outstanding variable rate obligation.

Variable Rate Bonds

As of July 7, 2022, of the $1.21 billion outstanding Subordinate Revenue Bonds, $493.4 million were variable rate obligations. The outstanding variable rate obligations include Subordinate Revenue Bonds that are variable rate demand obligations supported by a standby bond purchase agreement between Metropolitan and a liquidity provider ("Liquidity Supported Subordinate Revenue Bonds") and Subordinate Revenue Bonds that are bonds bearing interest in a SIFMA Index Mode and subject to mandatory tender for purchase by Metropolitan under certain circumstances, including on certain scheduled mandatory tender dates (unless earlier remarketed or otherwise retired) ("Index Tender Bonds").

Liquidity Supported Subordinate Revenue Bonds. As of July 7, 2022, Metropolitan had $222.16 million of outstanding Liquidity Supported Subordinate Revenue Bonds issued under the Subordinate Debt Resolutions, consisting of Metropolitan's Variable Rate Subordinate Water Revenue Refunding Bonds, 2021 Series A (Federally Taxable) (the "Subordinate 2021A Bonds").

The interest rate on Metropolitan's variable rate Subordinate 2021A Bonds is reset on a weekly basis. While bearing interest at a weekly rate, such variable rate demand obligations are subject to optional tender on any business day upon seven days' notice by the owners thereof and mandatory tender upon specified events. Such variable rate demand obligations are supported by a standby bond purchase agreement by and between Metropolitan and Bank of America, N.A., as liquidity provider, that provide for the purchase of the variable rate Subordinate 2021A Bonds by the liquidity provider upon tender of such variable rate Subordinate 2021A Bonds and a failed remarketing. Metropolitan has secured its obligation to repay principal and interest advanced under the standby bond purchase agreement as a Subordinate Parity Obligation. A decline in the creditworthiness of the liquidity provider will likely result in an increase in the interest rate of the variable rate Subordinate 2021A Bonds, as well as an increase in the risk of a failed remarketing of such tendered variable rate Subordinate 2021A Bonds. Variable rate Subordinate 2021A Bonds purchased by the liquidity provider ("bank bonds") would initially bear interest at a per annum interest rate equal to, the highest of (i) the Prime Rate plus one percent, (ii) Federal Funds Rate plus two percent, and (iii) seven percent (with the spread or rate increasing in the case of each of (i), (ii) and (iii) of this clause (b) by one percent after 90 days). To the extent such bank bonds have not been remarketed or otherwise retired as of the earlier of the 90th day following the date such bonds were purchased by the liquidity provider or the stated expiration date of the related liquidity facility, Metropolitan's obligation to reimburse the liquidity provider may convert the term of the variable rate bonds purchased by the liquidity provider into a term loan payable under the terms of the liquidity facility in ten equal semi-annual installments over a period ending on the fifth anniversary of the date on which the variable rate Subordinate 2021A Bonds were purchased by the liquidity provider. In addition, upon an event of default under any such liquidity facility, including a failure by Metropolitan to pay principal or interest due to the liquidity provider, failure by Metropolitan to perform or observe its covenants under the standby bond purchase agreement, a default in other specified indebtedness of Metropolitan, or other specified events of default (including a reduction in the credit rating assigned to Senior Revenue Bonds issued under the Senior Debt Resolutions by any of Fitch, S&P or Moody's below "A–" or "A3," as applicable), the liquidity provider could require all bank bonds to be subject to immediate mandatory redemption by Metropolitan.

SIFMA Mode Index Tender Bonds. Metropolitan's Subordinate Water Revenue Bonds, 2017 Series C, Subordinate Water Revenue Refunding Bonds, 2017 Series D and Subordinate Water Revenue Refunding Bonds, 2017 Series E (collectively, the "Subordinate 2017 Series C, D and E Bonds") bear interest at a rate that fluctuates weekly based on the SIFMA Municipal Swap Index plus a spread. The Subordinate 2017 Series C, D and E Bonds are Index Tender Bonds and are subject to mandatory tender under certain circumstances, including on certain scheduled mandatory tender dates (unless earlier remarketed or otherwise retired). Metropolitan anticipates that it will pay the purchase price of tendered Subordinate 2017 Series C, D and E Bonds from the proceeds of remarketing such Index Tender Bonds or from other available funds. Metropolitan's obligation to pay the purchase price of any such tendered Subordinate 2017 Series C, D and E Bonds is a special limited obligation of Metropolitan payable solely from Net Operating Revenues subordinate to the Senior Revenue Bonds and Senior Parity Obligations and on parity with the other outstanding Subordinate Revenue Bonds and Subordinate Parity Obligations. Metropolitan has not secured any liquidity facility or letter of credit to support the payment of the purchase price of Subordinate 2017 Series C, D and E Bonds in connection with a scheduled mandatory tender. Failure to pay the purchase price of any Subordinate 2017 Series C, D and E Bonds on a scheduled mandatory tender date for such Index Tender Bonds for a period of five business days following written notice by any Owner of such Subordinate 2017 Series C, D and E Bonds will constitute an event of default under the Subordinate Debt Resolutions, upon the occurrence and continuance of which the owners of 25 percent in aggregate principal amount of the Subordinate Revenue Bonds then outstanding may elect a bondholders' committee to exercise rights and powers of such owners under the Subordinate Debt Resolutions, including the right to declare the entire unpaid principal of the Subordinate Revenue Bonds then outstanding to be immediately due and payable.

The current mandatory tender dates and related tender periods for the Index Tender Bonds outstanding as of July 7, 2022, are summarized in the following table:

Index Tender Bonds

Series	Date of Issuance	Original Principal Amount Issued	Next Scheduled Mandatory Tender Date	Maturity Date
Subordinate 2017 Series C	July 3, 2017	$ 80,000,000	May 21, 2024	July 1, 2047
Subordinate 2017 Refunding Series D	July 3, 2017	95,630,000	May 21, 2024	July 1, 2037
Subordinate 2017 Refunding Series E	July 3, 2017	95,625,000	May 21, 2024	July 1, 2037
Total		**$271,255,000**		

Source: Metropolitan.

Other Junior Obligations

Metropolitan currently is authorized to issue up to $400,000,000 of Commercial Paper Notes payable from Net Operating Revenues on a basis subordinate to both the Senior Revenue Bonds and Senior Parity Obligations and to the Subordinate Revenue Bonds and Subordinate Parity Obligations. Although no Commercial Paper Notes are currently outstanding, the authorization remains in full force and effect and Metropolitan may issue Commercial Paper Notes from time to time.

General Obligation Bonds

As of July 7, 2022, $20,175,000 aggregate principal amount of general obligation bonds payable from *ad valorem* property taxes were outstanding. See "METROPOLITAN REVENUES–General" and "–Revenue Allocation Policy and Tax Revenues" in this Appendix A. Metropolitan's revenue bonds are not payable from the levy of *ad valorem* property taxes.

General Obligation Bonds	Amount Issued[(1)]	Principal Outstanding
Waterworks General Obligation Refunding Bonds, 2019 Series A	$16,755,000	$ 6,510,000
Waterworks General Obligation Refunding Bonds, 2020 Series A	13,665,000	13,665,000
Total	**$30,420,000**	**$20,175,000**

Source: Metropolitan.

(1) Voters authorized Metropolitan to issue $850,000,000 of Waterworks General Obligation Bonds, Election 1966, in multiple series, in a special election held on June 7, 1966. This authorization has been fully utilized. This table lists bonds that refunded such Waterworks General Obligation Bonds, Election 1966.

State Water Contract Obligations

General. As described herein, in 1960, Metropolitan entered into its State Water Contract with DWR to receive water from the State Water Project. All expenditures for capital and operations, maintenance, power and replacement costs associated with the State Water Project facilities used for water delivery are paid for by the 29 Contractors that have executed State water supply contracts with DWR, including Metropolitan. Contractors are obligated to pay allocable portions of the cost of construction of the system and ongoing operating and maintenance costs through at least 2035, regardless of quantities of water available from the project. Other payments are based on deliveries requested and actual deliveries received, costs of power required for actual deliveries of water, and offsets for credits received. In exchange, Contractors have the right to participate in the system, with an entitlement to water service from the State Water Project and the right to use the portion of the State Water Project conveyance system necessary to deliver water to them at no additional cost as long as capacity exists. Metropolitan's State Water Contract accounts for nearly one-half of the total entitlement for State Water Project water contracted for by all Contractors.

DWR and other State Water Contractors, including Metropolitan, have reached an Agreement in Principle to extend their State water supply contracts to 2085 and to make certain changes related to the financial management of the State Water Project in the future. See "METROPOLITAN'S WATER SUPPLY–State Water Project" in this Appendix A.

Metropolitan's payment obligation for the State Water Project for the fiscal year ended June 30, 2021 was $521.8 million, which amount reflects prior year's credits of $52.4 million. For the fiscal year ended June 30, 2021, Metropolitan's payment obligations under the State Water Contract were approximately 33 percent of Metropolitan's total annual expenses. A portion of Metropolitan's annual property tax levy is for payment of State Water Contract obligations, as described above under "METROPOLITAN REVENUES–Revenue Allocation Policy and Tax Revenues" in this Appendix A. Any deficiency between tax levy receipts and Metropolitan's State Water Contract obligations is expected to be paid from Operating Revenues, as defined in the Senior Debt Resolutions. See Note 9(a) to Metropolitan's audited financial statements in Appendix B for an estimate of Metropolitan's payment obligations under the State Water Contract. See also "–Power Sources and Costs; Related Long-Term Commitments" for a description of current and future costs for electric power required to operate State Water Project pumping systems and a description of litigation involving the federal relicensing of the Hyatt-Thermalito hydroelectric generating facilities at Lake Oroville.

Metropolitan capitalizes its share of the State Water Project capital costs as participation rights in State Water Project facilities as such costs are billed by DWR. Unamortized participation rights essentially represent a prepayment for future water deliveries through the State Water Project system. Metropolitan's share of system operating and maintenance costs are annually expensed.

DWR and various subsets of the State Water Contractors have entered into amendments to the State water supply contracts related to the financing of certain State Water Project facilities. The amendments establish procedures to provide for the payment of construction costs financed by DWR bonds by establishing separate subcategories of charges to produce the revenues required to pay all of the annual financing costs (including coverage on the allocable bonds) relating to the financed project. If any affected Contractor defaults on payment under certain of such amendments, the shortfall may be collected from the non-defaulting affected Contractors, subject to certain limitations.

These amendments represent additional long-term obligations of Metropolitan, as described below.

Devil Canyon-Castaic Contract. On June 23, 1972, Metropolitan and five other Southern California public agencies entered into a contract (the "Devil Canyon-Castaic Contract") with DWR for the financing and construction of the Devil Canyon and Castaic power recovery facilities, located on the aqueduct system of the State Water Project. Under this contract, DWR agreed to build the Devil Canyon and Castaic facilities, using the proceeds of revenue bonds issued by DWR under the State Central Valley Project Act. DWR also agreed to use and apply the power made available by the construction and operation of such facilities to deliver water to Metropolitan and the other contracting agencies. Metropolitan, in turn, agreed to pay to DWR 88 percent of the debt service on the revenue bonds issued by DWR. For calendar year 2021, this represented a payment of $7.8 million, and Metropolitan is expected to pay $7.97 million in calendar year 2022. In addition, Metropolitan agreed to pay 78.5 percent of the operation and maintenance expenses of the Devil Canyon facilities and 96 percent of the operation and maintenance expenses of the Castaic facilities. Metropolitan's obligations for debt service under the Devil Canyon-Castaic Contract continue until the bonds are fully retired in 2022 even if DWR is unable to operate the facilities or deliver power from these facilities. Metropolitan will continue to be obligated to pay for operation and maintenance expenses following retirement of the bonds.

Off-Aqueduct Power Facilities. In addition to system "on-aqueduct" power facilities costs, DWR has, either on its own or by joint venture, financed certain off-aqueduct power facilities. The power generated is utilized by the system for water transportation and other State Water Project purposes. Power generated in excess of system needs is marketed to various utilities and the CAISO. Metropolitan is entitled to a proportionate share of the revenues resulting from sales of excess power. By virtue of a 1982 amendment to the State Water Contract and the other water supply contracts, Metropolitan and the other water Contractors are responsible for paying the capital and operating costs of the off-aqueduct power facilities regardless of the amount of power generated.

East Branch Enlargement Amendment. In 1986, Metropolitan's State Water Contract and the water supply contracts of certain other State Water Contractors were amended for the purpose, among others, of financing the enlargement of the East Branch of the California Aqueduct. Under the amendment, enlargement of the East Branch can be initiated either at Metropolitan's request or by DWR finding that enlargement is needed to meet demands. In March 2022, DWR prepared a draft report for East Branch Enlargement cost reallocation methods. The report describes the methods used to determine the East Branch Enlargement cost allocation with the distinction between enlargement and improvement categories and the associated cost recovery methodology.

The amendment establishes a separate subcategory of the Transportation Charge under the State Water Contract for the East Branch Enlargement and provides for the payment of costs associated with financing and operating the East Branch Enlargement. Under the amendment, the annual financing costs for such facilities financed by bonds issued by DWR are allocated among the participating Contractors based upon the delivery capacity increase allocable to each participating Contractor. Such costs include, but are not limited to, debt service, including coverage requirements, deposits to reserves, and certain operation and maintenance expenses, less any credits, interest earnings or other moneys received by DWR in connection with this facility.

If any participating Contractor defaults on payment of its allocable charges under the amendment, among other things, the non-defaulting participating Contractors may assume responsibility for such charges and receive delivery capability that would otherwise be available to the defaulting participating Contractor in proportion to the non-defaulting Contractor's participation in the East Branch Enlargement. If participating Contractors fail to cure the default, Metropolitan will, in exchange for the delivery capability that would otherwise be available to the defaulting participating Contractor, assume responsibility for the capital charges of the defaulting participating Contractor.

Water System Revenue Bond Amendment. In 1987, the State Water Contract and other water supply contracts were amended for the purpose of financing State Water Project facilities through revenue bonds. This amendment establishes a separate subcategory of the Delta Water Charge and the Transportation Charge under the State water supply contracts for projects financed with DWR water system revenue bonds. This subcategory of charge provides the revenues required to pay the annual financing costs of the bonds and consists of two elements. The first element is an annual charge for repayment of capital costs of certain revenue bond financed water system facilities under the existing water supply contract procedures. The second element is a water system revenue bond surcharge to pay the difference between the total annual charges under the first element and the annual financing costs, including coverage and reserves, of DWR's water system revenue bonds.

If any Contractor defaults on payment of its allocable charges under this amendment, DWR is required to allocate a portion of the default to each of the non-defaulting Contractors, subject to certain limitations, including a provision that no non-defaulting Contractor may be charged more than 125 percent of the amount of its annual payment in the absence of any such default. Under certain circumstances, the non-defaulting Contractors would be entitled to receive an allocation of the water supply of the defaulting Contractor.

The following table sets forth Metropolitan's projected costs of State Water Project water based upon DWR's Appendix B to Bulletin 132-20 (an annual report produced by DWR setting forth data and computations used by the State in determining State Water Contractors' Statements of Charges), Metropolitan's share of the forecasted costs associated with the planning of a single tunnel Bay-Delta conveyance project (see "METROPOLITAN'S WATER SUPPLY–State Water Project –Bay-Delta Proceedings Affecting State Water Project – *Bay-Delta Planning Activities"* and " – *Delta Conveyance*"), and power costs forecasted by Metropolitan.

The projections for fiscal year 2021-22 are revised from the projections adopted in the fiscal year 2020-21 and 2021-22 biennial budget and based on results through March 2022 on a modified accrual basis. The projections for fiscal years 2022-23 through 2026-27 reflect Metropolitan's biennial budget for fiscal years 2022-23 and 2023-24, which includes a ten-year financial forecast, and are on a cash basis. See also "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A. The projections reflect certain assumptions concerning future events and circumstances which may not occur or materialize. Actual costs may vary from these projections if such events and circumstances do not occur as expected or materialize, and such variances may be material.

PROJECTED COSTS OF METROPOLITAN
FOR STATE WATER CONTRACT AND DELTA CONVEYANCE
(Dollars in Millions)

Year Ending June 30	Capital Costs(1)	Minimum OMP&R(1)	Power Costs(2)	Refunds & Credits(1)	Delta Conveyance(3)	Total(4)
2022	$193.9	$288.4	$120.7	$(65.5)	$25.0	$567.5
2023	203.7	304.2	211.6	(67.8)	30.0	681.7
2024	218.8	305.7	258.6	(56.3)	34.5	761.2
2025	184.6	322.1	289.1	(59.5)	11.6	747.9
2026	191.9	336.7	295.7	(51.2)	--	773.1
2027	201.1	352.0	298.8	(48.5)	--	803.4

Source: Metropolitan.

(1) Capital Costs, Minimum Operations, Maintenance, Power and Replacement ("OMP&R") and Refunds and Credits projections are based on DWR's Appendix B to Bulletin 132-20.

(2) Power costs are forecasted by Metropolitan based on a 15 percent State Water Project allocation in calendar year 2022, 40 percent State Water Project allocation in calendar 2023, and a 50 percent State Water Project allocation thereafter. Availability of State Water Project supplies vary, and deliveries may include transfers and storage. All deliveries are based upon availability, as determined by hydrology, water quality and wildlife conditions. See "METROPOLITAN'S WATER SUPPLY–State Water Project" and "–Endangered Species Act and Other Environmental Considerations Relating to Water Supply" in this Appendix A.

(3) Based on Metropolitan's share of the forecasted planning costs for a single tunnel project. Does not include any capital costs associated with any future proposed Bay-Delta conveyance project.

(4) Totals may not add due to rounding.

Power Sources and Costs; Related Long-Term Commitments

Current and future costs for electric power required for operating the pumping systems of the CRA and the State Water Project are a substantial part of Metropolitan's overall expenses. Metropolitan's power costs include various ongoing fixed annual obligations under its contracts with the U.S. Department of Energy Western Area Power Administration and the Bureau of Reclamation for power from the Hoover Power Plant and Parker Power Plant, respectively. Expenses for electric power for the CRA for the fiscal years 2019-20 and 2020-21 were approximately $39.6 million and $50.5 million, respectively. Expenses for electric power and transmission service for the State Water Project for fiscal years 2019-20 and 2020-21 were approximately $134.0 million and $118.3 million, respectively. Electricity markets are subject to volatility and Metropolitan is unable to give any assurance with respect to the magnitude of future power costs.

Colorado River Aqueduct. Approximately 50 percent of the annual power requirements for pumping at full capacity (1.25 million acre-feet of Colorado River water) in Metropolitan's CRA are secured through long-term contracts for energy generated from federal facilities located on the Colorado River (Hoover Power Plant and Parker Power Plant). Payments made under the Hoover Power Plant and Parker Power Plant contracts are operation and maintenance expenses. These contracts provide Metropolitan with reliable and economical power resources to pump Colorado River water to Metropolitan's service area.

As provided for under the Hoover Power Allocation Act of 2011 (H.R. 470), Metropolitan has executed a 50-year agreement with the Western Area Power Administration for the continued purchase of electric energy generated at the Hoover Power Plant through September 2067, succeeding Metropolitan's prior Hoover contract that expired on September 30, 2017.

Depending on pumping conditions, Metropolitan can require additional energy in excess of the base resources available to Metropolitan from the Hoover Power Plant and Parker Power Plant. The remaining up to approximately 50 percent of annual pumping power requirements for full capacity pumping on the CRA is obtained through energy purchases from municipal and investor-owned utilities, third party suppliers, or the CAISO markets. Metropolitan is a member of the Western Systems Power Pool ("WSPP") and utilizes its industry standard form contract to make wholesale power purchases at market cost. The current drought conditions have reduced the water level of Lake Mead and led to declining generation output from Hoover Dam, a condition that is expected to remain for the next several years. This, combined with continued high pumping demand on the CRA, will likely lead to increased reliance on supplemental energy purchases from the WSPP or CAISO markets and continued higher than normal energy costs for the CRA.

Gross diversions of water from Lake Havasu for fiscal years 2019-20 and 2020-21 were approximately 552,000 acre-feet and 1,026,000 acre-feet, respectively, including Metropolitan's basic apportionment of Colorado River water and supplies from water transfer and storage programs. In fiscal years 2019-20 and 2020-21, Metropolitan sold approximately 54,000 megawatt-hours and purchased approximately 800,000 megawatt-hours, respectively, of additional energy.

Metropolitan has agreements with the Arizona Electric Power Cooperative ("AEPCO") to provide transmission and energy purchasing services to support CRA power operations. The term of these agreements extends to December 31, 2035. AEPCO's subsidiary, ACES, provides energy scheduling services for Metropolitan's share of Hoover and Parker generation and CRA pumping load.

State Water Project. The State Water Project's power requirements are met from a diverse mix of resources, including State-owned hydroelectric generating facilities. DWR has short-term contracts with Metropolitan (hydropower), Kern River Conservation District (hydropower), Northern California Power Agency (natural gas generation), Solar Star California XLIV, LLC (Solar), Dominion Solar Holdings (Solar), and Solverde I, LLC (Solar). The remainder of the State Water Project power needs is met by purchases from the CAISO.

DWR is seeking renewal of the license issued by FERC for the State Water Project's Hyatt-Thermalito hydroelectric generating facilities at Lake Oroville. A Settlement Agreement containing recommended conditions for the new license was submitted to FERC in March 2006. That agreement was signed by over 50 stakeholders, including Metropolitan and other State Water Contractors. With only a few minor modifications, FERC staff recommended that the Settlement Agreement be adopted as the condition for the new license. DWR issued a final EIR for the relicensing project on July 22, 2008.

Butte County and Plumas County filed separate lawsuits against DWR challenging the adequacy of the final EIR. This lawsuit also named all of the signatories to the Settlement Agreement, including Metropolitan, as "real parties in interest," since they could be adversely affected by this litigation. On September 5, 2019, the Court of Appeal ruled that review pursuant to CEQA is preempted in certain respects by the Federal Power Act. The case is now before the California Supreme Court. The case has been fully briefed and oral argument was completed. If the decision is affirmed, the case will be dismissed. If the California Supreme Court finds in favor of the plaintiffs, the case will be remanded to the California Court of Appeal for a determination of sufficiency regarding the merits of the CEQA petition.

Regulatory permits and authorizations are also required before the new license can take effect. In December 2016, NMFS issued a biological opinion setting forth the terms and conditions under which the relicensing project must operate in order to avoid adverse impacts to threatened and endangered species. This was the last major regulatory requirement prior to FERC issuing a new license. Following the 2017 Oroville Dam spillway incident, Butte County, the City of Oroville, and others requested that FERC not issue a new license until an Independent Forensic Team ("IFT") delivered their final report to FERC and FERC has had adequate time to review the report. The Final IFT report was delivered on January 5, 2018. DWR submitted a plan to address the findings of the report to FERC on March 12, 2018. See "METROPOLITAN'S WATER SUPPLY–State Water Project –2017 Oroville Dam Spillway Incident." Metropolitan anticipates that FERC will issue the new license; however, the timeframe for FERC approval is not currently known. However, FERC has issued one-year renewals of the existing license since its initial expiration date on January 31, 2007 and is expected to issue successive one-year renewals until a new license is obtained.

DWR operational studies for 2022 indicate that the Hyatt Power Plant may have reduced generation in the Fall as water levels in Lake Oroville are projected to go below the operational elevation for the turbines. Generation would resume once lake levels recover. In the event that lake levels remain below the turbine generating elevation, DWR would need to purchase supplemental energy to make up for lost generation which would result in higher energy costs to the State Water Project, and consequentially, higher costs for Metropolitan.

DWR receives transmission service from the CAISO. The transmission service providers participating in the CAISO may seek increased transmission rates, subject to the approval of FERC. DWR has the right to contest any such proposed increase. DWR may also be subject to increases in the cost of transmission service as new electric grid facilities are constructed.

On September 10, 2018, Governor Brown signed SB 100 into law, which took effect on January 1, 2019. SB 100 establishes a goal of providing 100 percent carbon-free electricity by 2045 and increases the 2030 Renewables Portfolio Standard ("RPS") requirement for retail electric utilities from 50 percent to 60 percent. Simultaneously, the Governor announced Executive Order B-55-18 directing state agencies to develop a framework to achieve and maintain carbon neutrality by 2045. Metropolitan and DWR are not subject to the RPS requirements. However, as a state agency, DWR is subject to the Executive Order. DWR has an existing climate action plan in order to achieve carbon neutrality by 2045. Legislation has been proposed in the State Senate that would accelerate the date by which 100 percent of electricity procured to serve state agencies, including DWR, is to be from eligible renewable energy resources and zero-carbon resources from December 31, 2045 to December 31, 2030, and would mandate certain criteria and process requirements that would apply to DWR in connection with its procurement of renewable and zero-carbon resources for the State Water Project. If enacted in its present form, the requirements of such legislation may result in higher energy costs to the State Water Project, and consequentially, higher costs for Metropolitan.

On October 9, 2019, Governor Newsom signed SB 49 into law. SB 49 requires Natural Resources, in collaboration with the Energy Commission and the Department of Water Resources to assess by January 1, 2022 the opportunities and constraints for potential operational and structural upgrades to the State Water Project to aid California in achieving its climate and energy goals, and to provide associated recommendations consistent with California's energy goals. DWR submitted its draft SB 49 report to the Governor's office for review in April 2022.

Defined Benefit Pension Plan and Other Post-Employment Benefits

Metropolitan is a member of the California Public Employees' Retirement System ("PERS"), a multiple-employer pension system that provides a contributory defined-benefit pension for substantially all Metropolitan employees. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. A menu of benefit provisions is established by State statutes within the Public Employees' Retirement Law. Metropolitan selects optional benefit provisions from the benefit menu by contract with PERS.

Metropolitan makes contributions to PERS based on actuarially determined employer contribution rates. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration ("PERS Board"). Employees hired prior to January 1, 2013 are required to contribute 7.00 percent of their earnings (excluding overtime pay) to PERS. Pursuant to the current memoranda of understanding, Metropolitan contributes the requisite 7.00 percent contribution for all employees represented by the Management and Professional Employees Association, the Association of Confidential Employees, Supervisors and Professional Personnel Association and AFSCME Local 1902 and who were hired prior to January 1, 2012. Employees in all four bargaining units who were hired on or after January 1, 2012 but before January 1, 2013, pay the full 7.00 percent contribution to PERS for the first five years of employment. After the employee completes five years of employment, Metropolitan contributes the requisite 7.00 percent contribution. Metropolitan also contributes the entire 7.00 percent on behalf of unrepresented employees. Employees hired on or after January 1, 2013 and who are "new" PERS members as defined by Public Employees' Pension Reform Act of 2013 pay a member contribution of 6.00 percent in fiscal year 2019-20 and 7.25 percent in fiscal years 2020-21 through 2022-23. In addition, Metropolitan is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members.

The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by PERS. The fiscal year contributions were/are based on the following actuarial reports and discount rates:

Fiscal Year	Actuarial Valuation	Discount Rate
2019-20	June 30, 2017	7.25%
2020-21	June 30, 2018	7.00%
2021-22	June 30, 2019	7.00%
2022-23	June 30, 2020	7.00%

The most recent actuarial valuation reports of PERS, as well as other information concerning benefits and other matters, are available on the PERS website at https://www.calpers.ca.gov/page/employers/actuarial-resources/public-agency-actuarial-valuation-reports. Such information is not incorporated by reference herein. Metropolitan cannot guarantee the accuracy of such information. Actuarial valuations are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial valuations will change with the future experience of the pension plans.

In July 2021, PERS' Funding Risk Mitigation Policy triggered an automatic discount rate reduction from 7.0% to 6.8% due to the double-digit investment return for fiscal year 2021. In November 2021, PERS Board voted to retain the 6.8% discount rate, which will increase Metropolitan's contribution levels beginning fiscal year 2023-24.

Metropolitan was required to contribute 29.97 percent and 32.43 percent of annual projected payroll for fiscal years 2019-20 and 2020-21, respectively. Metropolitan's actual contribution for fiscal years 2019-20 and 2020-21 were $77.6 million or 34.38 percent of annual covered payroll and $85.7 million or 36.42 percent of annual covered payroll, respectively. The fiscal years 2019-20 and 2020-21 actual contribution included $11.5 million or 5.10 percent and $11.4 million or 4.85 percent of annual covered payroll, respectively, for Metropolitan's pick-up of the employees' 7.00 percent share. For fiscal years 2021-22 and 2022-23, Metropolitan is required to contribute 34.39 percent and 35.74 percent, respectively, of annual projected payroll, in addition to member contributions paid by Metropolitan.

Metropolitan's required contributions to PERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations. The PERS Board has adjusted and may in the future further adjust certain assumptions used in the PERS actuarial valuations, which may increase Metropolitan's required contributions to PERS in future years. Accordingly, Metropolitan cannot provide any assurances that its required contributions to PERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions.

On December 21, 2016, the PERS Board approved lowering the discount rate to 7.00 percent over a three-year period. PERS has estimated that with a reduction in the rate of return to 7.00 percent, most employers could expect a rate increase of 1.00 percent to 3.00 percent of normal cost as a percent of payroll for miscellaneous plans and an increase in payments toward unfunded accrued liabilities of between 30 to 40 percent. As a result, required contributions of employers, including Metropolitan, are expected to increase. The change in discount rate is a change in actuarial assumption which is amortized over a 20-year period with a five-year ramp-up period. The first year of the five-year ramp-up would have been the rates for fiscal year 2019 (the 2016 valuation) and the last year of the five-year ramp-up would be fiscal year 2023.

Beginning with fiscal year 2017-18 PERS began collecting employer contributions towards the plan's unfunded liability as dollar amounts instead of the prior method of contribution rate. This change addresses potential funding issues that could arise from a declining payroll or reduction in the number of active members in the plan.

On December 19, 2017, the PERS Board adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases and inflation assumption for public agencies. These new assumptions were incorporated in the June 30, 2017 actuarial valuation and reflected in the required contribution for fiscal year 2019-20. In addition, the Board adopted a new asset portfolio as part of its Asset Liability Management. The new asset mix supports a 7.00 percent discount rate. The reduction of the inflation assumption will be implemented in two steps in conjunction with the decreases in the discount rate. For the June 30, 2017 valuation an inflation rate of 2.625 percent was used and for the June 30, 2018 and subsequent valuations, an inflation rate of 2.50 percent was/will be used.

The PERS Board has adopted a new amortization policy effective with the June 30, 2019 actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the five-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumption changes and non-investment gains/losses. The new policy removes the five-year ramp-down on investment gains/losses. These changes apply only to new unfunded accrued liability bases established on or after June 30, 2019.

The impact of COVID-19 on retirement plans is not yet known and PERS actuaries will continue to monitor the effects and, where necessary, make future adjustments to actuarial assumptions.

The following table shows the funding progress of Metropolitan's pension plan.

Valuation Date	**Accrued Liability ($ in billions)**	**Market Value of Assets ($ in billions)**	**Unfunded Accrued Liability ($ in billions)**	**Funded Ratio**
6/30/20[(1)]	$2.625	$1.848	$(0.777)	70.4%
6/30/19	$2.534	$1.810	$(0.724)	71.4%
6/30/18	$2.433	$1.744	$(0.689)	71.7%
6/30/17	$2.269	$1.651	$(0.618)	72.7%
6/30/16	$2.166	$1.524	$(0.642)	70.3%
6/30/15	$2.060	$1.556	$(0.504)	75.5%
6/30/14	$1.983	$1.560	$(0.423)	78.7%
6/30/13	$1.805	$1.356	($0.449)	75.1%

(1) Most recent actuarial valuation available.

Source: California Public Employees' Retirement System.

The market value of assets reflected above is based upon the most recent actuarial valuation as of June 30, 2020. The actuarial valuation as of June 30, 2021 is not expected to be available before summer 2022. The June 30, 2021 valuation report will be used to establish the contribution requirements for fiscal year 2023-24. Increased volatility has been experienced in the financial markets in recent years. Significant losses in market value or failure to achieve projected investment returns could substantially increase unfunded pension liabilities and future pension costs. However, as noted above, under the amortization policy adopted by PERS, changes in the unfunded accrued liability due to actuarial gains or losses are amortized over a fixed 20-year period with a five-year ramp-up at the beginning and a five-year ramp-down at the end of the amortization period, and as a result the immediate fiscal impact of any one year's negative return on Metropolitan's contribution rates is reduced.

The following tables show the changes in Net Pension Liability and related ratios of Metropolitan's pension plan for fiscal years 2020-21 and 2019-20, and for fiscal years 2019-20 and 2018-19.

(Dollars in thousands)	06/30/21	6/30/20	Increase/ (Decrease)
Total Pension Liability	$2,578,818	$2,479,307	$99,511
Plan Fiduciary Net Position	1,854,231	1,810,312	43,919
Plan Net Pension Liability	$ 724,587	$ 668,995	$ 55,592
Plan fiduciary net position as a % of the total pension liability	71.90%	73.02%	
Covered payroll	$ 225,707	$ 212,558	
Plan net pension liability as a % of covered payroll	321.03%	314.74%	

(Dollars in thousands)	06/30/20	6/30/19	Increase/ (Decrease)
Total Pension Liability	$2,479,307	$2,376,778	$102,529
Plan Fiduciary Net Position	1,810,312	1,742,741	67,571
Plan Net Pension Liability	$ 668,995	$ 634,037	$34,958
Plan fiduciary net positions as a % of the total pension liability	73.02%	73.32%	
Covered payroll	$ 212,558	$ 204,635	
Plan net pension liability as a % of covered payroll	314,74%	309.84%	

The Net Pension Liability for Metropolitan's Miscellaneous Plan for the fiscal years ended June 30, 2020 and 2021 were measured as of June 30, 2019 and June 30, 2020, respectively, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of June 30, 2018 and June 30, 2019, respectively.

For more information on the plan, see APPENDIX B–"THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA INDEPENDENT AUDITORS' REPORT AND BASIC FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020 AND BASIC

FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2022 AND 2021 (UNAUDITED)."

Metropolitan currently provides post-employment medical insurance to retirees and pays the post-employment medical insurance premiums to PERS. On January 1, 2012, Metropolitan implemented a longer vesting schedule for retiree medical benefits, which applies to all new employees hired on or after January 1, 2012. Payments for this benefit were $28.3 million in fiscal year 2019-20 and $23.2 million in fiscal year 2020-21. Under Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Metropolitan is required to account for and report the outstanding obligations and commitments related to such benefits, commonly referred to as other post-employment benefits ("OPEB"), on an accrual basis.

The actuarial valuations dated June 30, 2017 and June 30, 2019, were released in March 2018 and June 2020, respectively. The 2017 valuation indicated that the Actuarially Determined Contribution ("ADC" formerly referred to as the Annual Required Contribution) in fiscal year 2019-20 was $28.1 million and the 2019 valuation indicated that the ADC was/will be $23.2 million and $23.6 million in fiscal years 2020-21 and 2021-22, respectively. The ADC was based on the entry-age normal actuarial cost method with contributions determined as a level percent of pay.

	June 30, 2019 Valuation	**June 30, 2017 Valuation**
Investment Rate of Return	6.75%	6.75%
Inflation	2.75%	2.75%
Salary Increases	3.00%	3.00%
Health Care Cost Trends	Medicare – starting at 6.3%, grading down to 4.0% over fifty-five years. Non-Medicare – starting at 7.25%, grading down to 4.0% over fifty-five years	Medicare – starting at 6.5%, grading down to 4.0% over fifty-seven years. Non-Medicare – starting at 7.5%, grading down to 4.0% over fifty-seven years.
Mortality, Termination, Disability	CalPERS 1997-2015 Experience Study Mortality projected fully generational with Scale MP-2019	CalPERS 1997-2011 Experience Study Mortality projected fully generational with Scale MP-2017
Affordable Care Act (ACA) Excise Tax	Not included. Repealed in December 2019.	2% load on retiree medical premium subsidy

As of June 30, 2019, the date of the most recent OPEB actuarial report, the unfunded actuarial accrued liability was estimated to be $164.3 million and projected to be $156.7 million at June 30, 2020. The amortization period for the unfunded actuarial accrued liability is 23 years closed with 17 years remaining as of fiscal year end 2020 and the amortization period of actuarial gains and losses is 15 years closed. Adjustments to the ADC include amortization of the unfunded actuarial accrued liability and actuarial gains and losses.

In September 2013, Metropolitan's Board established an irrevocable OPEB trust fund with the California Employers' Retiree Benefit Trust Fund. The market value of assets in the trust as of June 30, 2021 was $377.3 million. As part of its biennial budget process, the Board approved the full funding of the ADC for fiscal years 2022-23 and 2023-24.

As noted above, the COVID-19 pandemic and related economic consequences have contributed to increased volatility in the financial markets. Declines in the market value of the OPEB trust fund or failure to achieve projected investment returns could negatively affect the funding status of the trust fund and increase ADCs in the future. See also "GOVERNANCE AND MANAGEMENT–COVID-19 Pandemic" in this Appendix A.

The following tables show the changes in Net OPEB Liability and related ratios of Metropolitan's OPEB plan for fiscal years 2020-21 and 2019-20, and for fiscal years 2019-20 and 2018-19.

(Dollars in thousands)	06/30/21	6/30/20	Increase/ (Decrease)
Total OPEB Liability	$452,293	$434,759	$17,534
Plan Fiduciary Net Position	287,562	266,773	20,789
Plan Net OPEB Liability	$164,731	$167,986	$(3,255)
Plan fiduciary net positions as a % of the total OPEB liability	63.58%	61.36%	
Covered payroll	$225,707	$212,558	
Plan net OPEB liability as a % of covered payroll	72.98%	79.03%	

(Dollars in thousands)	06/30/20	6/30/19	Increase/ (Decrease)
Total OPEB Liability	$434,759	$468,185	$ (33,426)
Plan Fiduciary Net Position	266,773	239,851	26,922
Plan Net OPEB Liability	$167,986	$228,334	$(60,348)
Plan fiduciary net positions as a % of the total OPEB liability	61.36%	51.23%	
Covered payroll	$212,558	$204,635	
Plan net OPEB liability as a % of covered payroll	79.03%	111.58%	

The Net OPEB Liability for the years ended June 30, 2020 and 2021 were measured as of June 30, 2018 and June 30, 2019, respectively, and the Total OPEB Liability used to calculate the Net OPEB Liability as of such dates were determined by an annual actuarial valuation as of June 30, 2017 and June 30, 2019, respectively.

For more information on the OPEB plan, see APPENDIX B–"THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA INDEPENDENT AUDITORS' REPORT AND BASIC FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020 AND BASIC FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2022 AND 2021 (UNAUDITED)."

HISTORICAL AND PROJECTED REVENUES AND EXPENSES

The "Historical and Projected Revenues and Expenses" table below for fiscal years 2018-19 through 2020-21, provides a summary of revenues and expenses of Metropolitan prepared on a modified accrual basis. This is consistent with Metropolitan's budgetary reporting for such fiscal years, including the biennial budget for fiscal years 2020-21 and 2021-22. Under the modified accrual basis of accounting, revenues are recognized in the fiscal year in which they are earned, and expenses are recognized when incurred. Thus, water revenues are recognized in the month the water transaction occurs and expenses are recognized when goods have been received and services have been rendered.

Metropolitan's accounting method for budgetary purposes will change from modified accrual basis to cash basis beginning with fiscal year 2022-23. Metropolitan's biennial budget for fiscal years 2022-23 and 2023-24, which includes a ten-year financial forecast, has been prepared on a cash basis, and financial projections for fiscal years 2022-23 through 2026-27 prepared from the ten-year financial forecast on a cash basis are set forth in the table below. Under cash basis accounting, water sales revenues are recorded when received (two months after billed) and expenses when paid (approximately one month after invoiced). For comparative purposes only, Metropolitan has provided in the table below its fiscal year 2021-22 financial projections on both a modified accrual basis and a cash basis. The financial projection for fiscal year 2021-22 reflects revised projections based on results through March 2022. As reflected in the table below, the effect of utilizing a cash basis budgetary accounting method results, for presentation purposes, in lower projected Water Revenues (by $16.0 million) for the period (which are recorded when received approximately two months later on a cash basis) and lower projected Operation and Maintenance Expenses (by $39.0 million) for the period (which are recorded when paid on a cash basis). As noted, these differences are a function of timing differences for the recognition of revenues and expenses under the two methods when comparing the one fiscal year period to illustrate the change in budgetary accounting basis as a matter of presentation. Metropolitan's actual financial results will be unaffected. The table does not reflect the accrual basis of accounting, which is used to prepare Metropolitan's annual audited financial statements. Under accrual accounting, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of the timing of related cash flows. The change to cash basis accounting is for budgetary purposes. Metropolitan will continue to calculate compliance with its rate covenants, limitations on additional bonds and other financial covenants in the Resolutions in accordance with their terms.

The projections are based on assumptions concerning future events and circumstances that may impact revenues and expenses and represent management's best estimates of results at this time. See the footnotes to the table below entitled "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" and "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" for relevant assumptions, including projected water transactions and the average annual increase in the effective water rate, and "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" for a discussion of potential impacts. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the projection period will vary from the projections and the variations may be material. The budget and projection information, and all other forward-looking statements in this Appendix A, are based on current expectations and are not intended as representations of facts or guarantees of future results.

The COVID-19 pandemic is still a significant ongoing event with the potential to adversely affect global, national, State, and local economic activity and prospects. Possible future COVID–19 outbreaks may affect actual results achieved. See "GOVERNANCE AND MANAGEMENT–COVID-19 Pandemic" in this Appendix A.

As noted herein, the financial projection for fiscal year 2021-22 reflects revised projections based on results through March 2022. For comparative purposes in connection with Metropolitan's change in accounting method for budgetary purposes, financial projections for fiscal year 2021-22 are provided on both a modified accrual basis and a cash basis. The financial projections for fiscal years 2022-23 through 2026-27 in the table below reflect the biennial budget for fiscal years 2022-23 and 2023-24 as well as a ten-year financial forecast provided therein on a cash basis. The financial projections include Metropolitan's share of the forecasted costs associated with the planning of a single tunnel Bay-Delta conveyance project and certain costs associated with the RRWP. See "METROPOLITAN'S WATER SUPPLY–State Water Project –Bay-Delta Proceedings Affecting State Water Project – *Bay-Delta Planning Activities"* and "*– Delta Conveyance*" and "REGIONAL WATER RESOURCES–Local Water Supplies – *Recycled Water-Metropolitan Regional Recycled Water Program*" in this Appendix A.

Metropolitan's resource planning projections are developed using a comprehensive analytical process that incorporates demographic growth projections from recognized regional planning entities, historical and projected data acquired through coordination with local agencies, and the use of generally accepted empirical and analytical methodologies. Due to the unpredictability of future hydrologic conditions, Metropolitan's projected supplemental wholesale water transactions may vary considerably. Metropolitan's Water Resource Management provided the projections of the volume of annual water transactions for the fiscal years 2022-23 and 2023-24 biennial budget and ten-year financial forecast provided therein. The water transactions projections used to determine water rates and charges assume a transition from dry conditions to average year hydrology. Actual water transactions are likely to vary from projections. As shown in the chart entitled "Historical Water Transactions" below, water transactions can vary significantly from average and demonstrates the degree to which Metropolitan's commitments to meet supplemental demands can impact water transactions. In years when actual transactions exceed projections, the revenues from water transactions during the fiscal year will exceed budget, potentially resulting in an increase in financial reserves. In years when actual transactions are less than projections, Metropolitan uses various tools to manage reductions in revenues, such as reducing expenses below budgeted levels, reducing funding of capital projects from revenues, and drawing on reserves. See "METROPOLITAN REVENUES–Financial Reserve Policy" in this Appendix A. Metropolitan considers actual transactions, revenues and expenses, and financial reserve balances in setting rates for future fiscal years.

Projections in the following table reflect revised projections for fiscal year 2021-22 based on results through March 2022. For comparative purposes, fiscal year 2021-22 results are presented on both a modified accrual basis and a cash basis. Financial projections for fiscal years 2022-23 through 2026-27 reflect the biennial budget for fiscal year 2022-23 and 2023-24 and ten-year financial forecast provided therein on a cash basis. This includes the issuance of $1,040 million of bonds for fiscal years 2022-23 through 2026-27 to finance the CIP. The projections also assume the issuance of an additional $133.9 million of bonds in fiscal year 2022-23 to finance other capital expenditures of Metropolitan relating to conservation and supply programs. See "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" and "CAPITAL INVESTMENT PLAN–Capital Investment Plan Financing" in this Appendix A.

Water transactions with member agencies were 1.57 million acre-feet in fiscal year 2020-21. Water transactions with member agencies are projected to be 1.65 million acre-feet for fiscal year 2021-22, 1.59 million acre-feet for fiscal year 2022-23, 1.54 million acre-feet for fiscal years 2023-24 and 2024-25, 1.51 million acre-feet for fiscal year 2025-26, and 1.53 million acre-feet for fiscal year 2026-27. Rates and charges increased by 4.0 percent on January 1, 2022. Rates and charges are projected to increase 5.0 percent for each of calendar years 2023 and 2024, 7.0 percent for calendar year 2025, 6.0 percent for each of calendar years 2026 and 2027. Actual rates and charges to be effective in 2025 and thereafter are subject to adoption by Metropolitan's Board.

The projections were prepared by Metropolitan and have not been reviewed by independent certified public accountants or any entity other than Metropolitan. Dollar amounts are rounded.

HISTORICAL AND PROJECTED REVENUES AND EXPENSES[(a)]
Fiscal Years Ended June 30
(Dollars in Millions)

	Actual			Projected						
	Modified Accrual				Cash Basis					
	2019	2020	2021	2022	2022	2023	2024	2025	2026	2027
Water Revenues[(b)]	$1,149	$1,188	$1,405	$1,531	$1,515	$1,485	$1,522	$1,606	$1,677	$1,804
Additional Revenue Sources[(c)]	170	165	165	172	170	186	196	206	210	213
Total Operating Revenues	1,319	1,353	1,570	1,703	1,685	1,671	1,718	1,812	1,887	2,017
O&M, CRA Power and Water Transfer Costs[(d)]	(569)	(642)	(636)	(820)	(824)	(803)	(792)	(818)	(863)	(903)
Total SWC OMP&R and Power Costs[(e)]	(347)	(384)	(393)	(417)	(374)	(521)	(595)	(575)	(597)	(620)
Total Operation and Maintenance	(916)	(1,026)	(1,029)	(1,237)	(1,198)	(1,323)	(1,387)	(1,393)	(1,460)	(1,523)
Net Operating Revenues	$ 403	$ 327	$ 541	$ 466	$ 487	$ 347	$ 331	$ 419	$ 427	$ 494
Miscellaneous Revenue[(f)]	22	14	14	17	25	62	47	41	42	44
Transfer from Reserve Funds	--	--	--	--	--	--	--	--	--	--
Sales of Hydroelectric Power[(g)]	18	16	19	10	10	17	14	16	16	16
Interest on Investments[(h)]	34	20	10	7	6	6	10	13	16	19
Adjusted Net Operating Revenues[(i)]	477	377	584	500	528	433	401	489	501	574
Senior and Subordinate Obligations[(j)]	(333)	(272)	(279)	(275)	(275)	(283)	(296)	(300)	(319)	(333)
Funds Available from Operations	$ 144	$ 105	$ 305	$ 224	$ 253	$ 149	$ 105	$ 189	$ 182	$ 240
Debt Service Coverage on all Senior and Subordinate Bonds[(k)]	1.43	1.39	2.09	1.81	1.92	1.53	1.35	1.63	1.57	1.72
Funds Available from Operations	$ 144	$ 105	$ 305	$ 224	$ 253	$ 149	$ 105	$ 189	$ 182	$ 240
Other Revenues (Expenses)	(6)	(6)	(6)	(7)	(8)	(9)	(9)	(9)	(9)	(10)
Pay-As-You Go Construction	(128)	(39)	(110)	(135)	(135)	(135)	(135)	(175)	(175)	(175)
Pay-As-You Go Funded from Replacement & Refurbishment Fund Reserves	--	1	--	--	--	--	--	--	--	--
Total SWC Capital Costs Paid from Current Year Operations	(4)	(1)	--	--	--	--	--	--	--	--
Remaining Funds Available from Operations	6	60	189	82	110	5	(39)	5	(2)	55
Fixed Charge Coverage[(l)]	1.42	1.38	2.09	1.81	1.92	1.53	1.35	1.63	1.57	1.72
Property Taxes	145	147	161	158	158	138	164	127	143	155
General Obligation Bonds Debt Service	(14)	(13)	(7)	(8)	(8)	(2)	(2)	(2)	(2)	(2)
SWC Capital Costs Paid from Taxes	(131)	(134)	(154)	(141)	(141)	(136)	(162)	(125)	(141)	(153)
Net Funds Available from Current Year	$ 6	$ 60	$ 189	$ 82	$ 110	$ 5	$ (39)	$ 5	$ (2)	$ 55

Source: Metropolitan.

(Footnotes on next page)

(Footnotes to table on prior page)

(a) Unaudited. Prepared on a modified accrual basis through fiscal year 2021-22 and projected on a cash basis fiscal year 2022-23 forward. Projected revenues and expenses in fiscal year 2021-22 are based on results through March 2022 and revised from the projections provided in the adopted biennial budget for fiscal years 2020-21 and 2021-22. Projections for fiscal year 2022-23 through fiscal year 2026-27 are based on assumptions and estimates used in the biennial budget for fiscal years 2022-23 and 2023-24 and ten-year financial forecast provided therein and reflect the projected issuance of additional bonds. See "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

(b) Water Revenues include revenues from water sales, exchanges, and wheeling. During the fiscal years ended June 30, 2018 through June 30, 2021, annual water transactions with member agencies (in acre-feet) were 1.55 million, 1.37 million, 1.37 million, and 1.57 million, respectively. See the table entitled "Summary of Water Transactions and Revenues" under "METROPOLITAN REVENUES–Water Revenues" in this Appendix A. The water transactions projections (in acre-feet) are 1.65 million acre-feet for fiscal year 2021-22, 1.59 million acre-feet for fiscal year 2022-23, 1.54 million acre-feet for fiscal years 2023-24 and 2024-25, 1.51 million acre-feet for fiscal year 2025-26, and 1.53 million acre-feet for fiscal year 2026-27. Projections reflect adopted overall rate and charge increase of 4.0 percent effective on January 1, 2022 and 5.0 percent for each of the calendar years 2023 and 2024. Rates and charges are projected to increase 7.0 percent for calendar year 2025, and 6.0 percent for each of the calendar years 2026 and 2027, subject to adoption by Metropolitan's Board. See "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

(c) Includes revenues from water standby, readiness-to-serve, and capacity charges. The term Operating Revenues excludes *ad valorem* taxes. See "METROPOLITAN REVENUES–Other Charges" in this Appendix A.

(d) Water Transfer Costs and RRWP planning costs (described under "REGIONAL WATER RESOURCES–Local Water Supplies – *Recycled Water-Metropolitan Regional Recycled Water Program*" in this Appendix A) are included in operation and maintenance expenses for purposes of calculating the debt service coverage on all Obligations. For fiscal year 2021-22, operation and maintenance expenses also include $24.0 million in payments to SDCWA in connection with the litigation challenging Metropolitan's rates (of the total $50.5 million paid, with the balance paid from the Exchange Agreement Set-aside Fund). See METROPOLITAN REVENUES–Litigation Challenging Rate Structure" in this Appendix A.

(e) Includes on- and off-aqueduct power and operation, maintenance, power and replacement costs payable under the State Water Contract and Delta Conveyance planning costs. See "METROPOLITAN EXPENSES–State Water Contract Obligations" in this Appendix A. See also "METROPOLITAN'S WATER SUPPLY–State Water Project –Bay-Delta Proceedings Affecting State Water Project – *Bay-Delta Planning Activities"* and "– *Delta Conveyance*" in this Appendix A.

(f) May include lease and rental net proceeds, net proceeds from sale of surplus property, reimbursements, and historically, federal interest subsidy payments for Build America Bonds.

(g) Includes CRA power sales.

(h) Does not include interest applicable to Bond Construction Funds, the Excess Earnings Funds, other trust funds and the Deferred Compensation Trust Fund. Includes net gain or loss on investments.

(i) Adjusted Net Operating Revenues is the sum of all available revenues that the revenue bond resolutions specify may be considered by Metropolitan in setting rates and issuing additional Senior Revenue Bonds and Senior Parity Obligations and Subordinate Revenue Bonds and Subordinate Parity Obligations.

(j) Includes debt service on outstanding Senior Revenue Bonds, Senior Parity Obligations, Subordinate Revenue Bonds, Subordinate Parity Obligations, and additional Revenue Bonds (projected). Assumes issuance of approximately $303.9 million in additional Revenue Bonds in fiscal year 2022-23, approximately $160 million in fiscal year 2023-24, approximately $200 million in fiscal year 2024-25, approximately $210 million in fiscal year 2025-26 and approximately $300 million in fiscal year 2026-27. Fiscal year 2018-19 debt service is reduced by $15.3 million for debt service prepaid through bond refunding transactions in June 2018, rather than on July 1, 2018. Fiscal year 2018-19 debt service increased by $28.5 million for debt service prepaid in June 2019, rather than on July 1, 2019 and fiscal year 2019-20 debt service is therefore reduced by $28.5 million. See "CAPITAL INVESTMENT PLAN–Capital Investment Plan Financing" in this Appendix A.

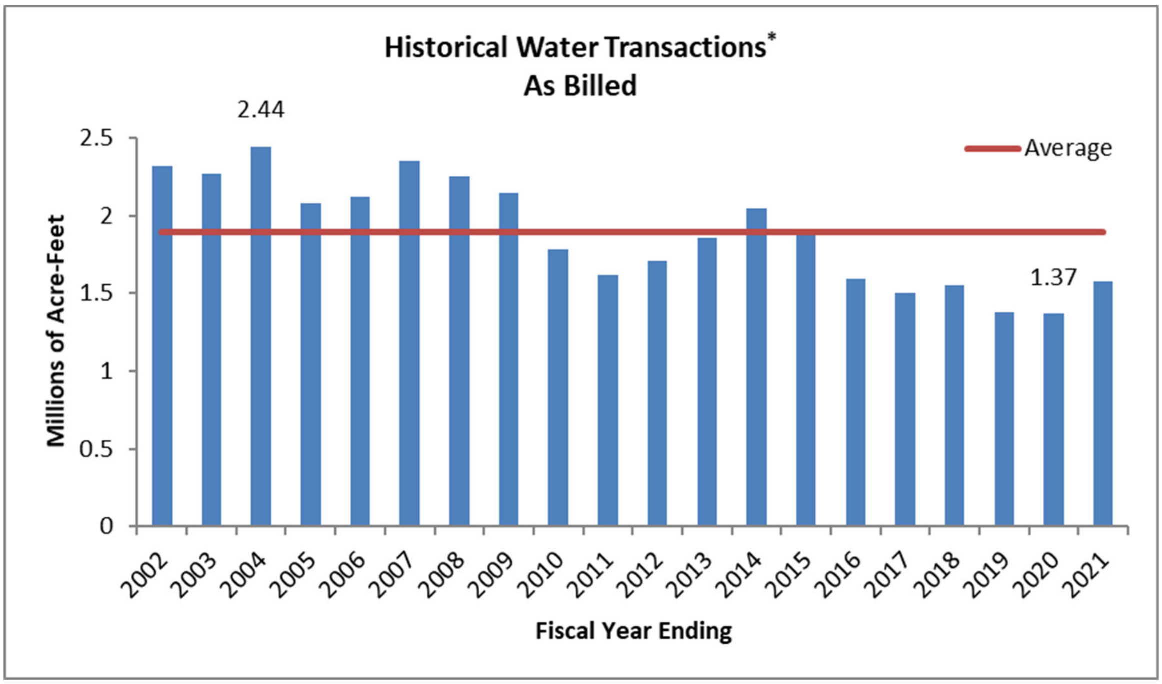
(k) Adjusted Net Operating Revenues, divided by the sum of debt service on outstanding Senior Revenue Bonds, Senior Parity Obligations, Subordinate Revenue Bonds and Subordinate Parity Obligations and additional Revenue Bonds (projected). See "METROPOLITAN EXPENSES–Outstanding Senior Revenue Bonds and Senior Parity Obligations" and "–Outstanding Subordinate Revenue Bonds and Subordinate Parity Obligations" in this Appendix A.

(l) Adjusted Net Operating Revenues, divided by the sum of State Water Contract capital costs paid from current year operations and debt service on outstanding Senior Revenue Bonds, Senior Parity Obligations, Subordinate Revenue Bonds and Subordinate Parity Obligations, and additional Revenue Bonds (projected).

MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES

Water Transactions Projections

The water transactions with member agencies in the table above for fiscal year 2020-21 were 1.57 million acre-feet. The water transactions forecast for fiscal year 2021-22 is 1.65 million acre-feet (reflecting the revised projections based on results through March 2022), and 1.59 million acre-feet for fiscal year 2022-23, 1.54 million acre-feet for fiscal years 2023-24 and 2024-25, 1.51 million acre-feet for fiscal year 2025-26, and 1.53 million acre-feet for fiscal year 2026-27, consistent with the biennial budget and ten-year financial forecast. For purposes of comparison, Metropolitan's highest level of water transactions during the past 20 fiscal years was approximately 2.44 million acre-feet in fiscal year 2003-04 and the lowest was 1.37 million acre-feet in fiscal year 2019-20. The chart below shows the volume of water transactions with member agencies over the last 20 fiscal years.



*Water transactions include sales, exchanges, and wheeling with member agencies.

Water Revenues

Metropolitan relies on revenues from water transactions for about 80 percent of its total revenues. In adopting the budget and rates and charges for each fiscal year, Metropolitan's Board reviews the anticipated revenue requirements and projected water transactions to determine the rates necessary to produce the required revenues to be derived from water transactions during the fiscal year. Metropolitan sets rates and charges estimated to provide operating revenues sufficient, with other sources of funds, to provide for payment of its expenses. See "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in this Appendix A.

Metropolitan's Board has adopted annual increases in water rates each year beginning with the rates effective January 1, 2004. See "METROPOLITAN REVENUES–Rate Structure" and "–Classes of Water Service" in this Appendix A. On April 14, 2020, the Board adopted average increases in rate and charges of 3.0 percent, to become effective on January 1, 2021, and 4.0 percent, to become effective on January 1, 2022. On April 12, 2022, the Board adopted average increases in rates and charges of 5.0 percent, to become effective on January 1, 2023 and January 1, 2024. Rates and charges are projected to increase 7.0 percent for calendar year 2025, and 6.0 percent for each of calendar years 2026 and 2027. Actual rates and charges to be effective in 2025 and thereafter are subject to adoption by Metropolitan's Board.

Projected Fiscal Year 2021-22 Financial Results

Projections for fiscal year 2021-22, in the table above (on a modified accrual basis), are revised from the projections adopted in the fiscal year 2020-21 and 2021-22 biennial budget and based on results through March 2022. Operation and maintenance expenses in fiscal year 2021-22 are projected to be $1,237 million, which represents approximately 68.3 percent of total costs. These expenses include the costs of labor, electrical power, materials and supplies of both Metropolitan and its contractual share of the State Water Project. For fiscal year 2021-22, operation and maintenance expenses also include $24.0 million in payments to SDCWA in connection with the litigation challenging Metropolitan's rates (of the total $50.5 million paid, with the balance paid from the Exchange Agreement Set-aside Fund). See METROPOLITAN REVENUES–Litigation Challenging Rate Structure" in this Appendix A. Metropolitan's operation and maintenance expenses are projected to be $25 million under budget in fiscal year 2021-22. Comparatively, operations and maintenance expenditures in fiscal year 2020-21 were $1,029 million, which represents approximately 65.1 percent of total costs. Overall, projected expenses for the twelve months ending June 30, 2022 are $1.8 billion, which is $35 million, or 1.9 percent, less than budgeted expenses.

Fiscal year 2021-22 revenue bond debt service coverage (on a modified accrual basis) is projected to be 1.81x and fixed charge coverage to be 1.81x. Fiscal year 2021-22 capital expenditures, currently estimated at $201.5 million, will be partially funded by the proceeds of bonds issued for Fiscal Year 2021-22 for such purpose and the remainder from pay-as-you-go funding. Metropolitan's unrestricted reserves are projected to be approximately $701 million on a modified accrual basis at June 30, 2022. See "METROPOLITAN REVENUES–Financial Reserve Policy" in this Appendix A. This amount does not include funds held in the Exchange Agreement Set-Aside Fund.

Financial projections for fiscal years 2022-23 through 2026-27 are reflected in the fiscal year 2022-23 and 2023-24 biennial budget and ten-year financial forecast provided therein. The fiscal year 2022-23 and 2023-24 biennial budget and rates set the stage for predictable and reasonable rate increases over the ten-year planning period, with Board adopted overall rate increases of 5.0 percent for each of calendar years 2023 and 2024. The fiscal year 2022-23 and 2023-24 biennial budget and ten-year financial forecast includes rate increases of 7.0 percent for calendar year 2025, and 6.0 percent for calendar years 2026 and 2027. Actual rates and charges to be effective in 2025 and thereafter are subject to adoption by Metropolitan's Board as part of the biennial budget process, at which point the ten-year forecast will be updated as well. Increases in rates and charges reflect the impact of reduced water transactions projections, increasing operations and maintenance costs, and increasing State Water Project costs, when compared to prior fiscal years.

Metropolitan's financial results during the fiscal years 2021-22 through 2026-27 may be impacted by current and subsequent developments relating to the COVID-19 pandemic, the effects of the ongoing drought, as well as other unforeseen events.

See also the "Management's Discussion and Analysis" contained in APPENDIX B–"THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA INDEPENDENT AUDITORS' REPORT AND BASIC FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020 AND BASIC FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2022 AND 2021 (UNAUDITED)."

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APPENDIX B

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
INDEPENDENT AUDITORS' REPORT AND BASIC FINANCIAL STATEMENTS
FOR FISCAL YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020 AND
BASIC FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED
MARCH 31, 2022 AND 2021 (UNAUDITED)

The Basic Financial Statements for the nine months ended March 31, 2022 and 2021 (Unaudited) included in this Appendix B remain subject to amendment and revision. The source for the information herein is Metropolitan unless otherwise stated.

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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Financial Statements and Supplemental Schedules

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

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KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

The Board of Directors
Metropolitan Water District of Southern California:

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the Metropolitan Water District of Southern California (Metropolitan), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Metropolitan's basic financial statements for the years then ended as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type and fiduciary activities of Metropolitan as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3–20 and the pension and other postemployment benefits supplementary information on pages 104-108 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Los Angeles, California
October 18, 2021

The following discussion and analysis of The Metropolitan Water District of Southern California's (Metropolitan) financial performance provides an overview of the financial activities for the fiscal years ended June 30, 2021 and 2020. This discussion and analysis should be read in conjunction with the basic financial statements and accompanying notes, which follow this section.

DESCRIPTION OF BASIC FINANCIAL STATEMENTS

Metropolitan operates as a utility enterprise and maintains its accounting records in accordance with United States generally accepted accounting principles (U.S. GAAP) for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The basic financial statements include statements of net position, statements of revenues, expenses and changes in net position, statements of cash flows, statements of fiduciary net position and statements of changes in fiduciary net position. The statements of net position include all of Metropolitan's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position, some of which is restricted in accordance with bond covenants or other commitments. The statements of revenues, expenses and changes in net position report all of Metropolitan's revenues and expenses during the periods indicated. The statements of cash flows show the amount of cash received and paid out for operating activities, as well as cash received from taxes and investment income, and cash used for construction projects, State Water Project (SWP) costs and principal and interest payments on borrowed money. Certain amounts reported in fiscal year 2020 have been reclassified to conform to the fiscal year 2021 presentation. Such reclassification had no effect on the previously reported change in net position.

During the fiscal year ended June 30, 2021, Metropolitan implemented GASB Statement No. 84 (GASB 84), *Fiduciary Activities*, which resulted in the addition of five fiduciary funds that are reported separately from Metropolitan's proprietary balances in the statements of fiduciary net position and statements of changes in fiduciary net position. Fiscal year 2020 balances for restricted current and non-current cash, interest receivable, accounts payable and accrued expenses, and current and non-current customer deposits and trust funds were adjusted as detailed in Note 1(s) of the basic financial statements. Fiscal year 2019 balances within this Management's Discussion and Analysis were not adjusted for the implementation of this GASB statement.

CONDENSED FINANCIAL INFORMATION

Condensed Schedule of Net Position

(Dollars in millions)	June 30, 2021	2020 As Adjusted Note 1s	2019
Assets and deferred outflows of resources			
Capital assets, net	**$ 10,537.3**	$ 10,508.4	$ 10,393.5
Other assets	**2,309.0**	1,986.5	1,845.0
Total assets	**12,846.3**	12,494.9	12,238.5
Deferred outflows of resources	**167.3**	169.1	182.1
Total assets and deferred outflows of resources	**13,013.6**	12,664.0	12,420.6
Liabilities and deferred inflows of resources			
Long-term liabilities, net of current portion	**5,284.1**	4,366.9	4,865.4
Other liabilities	**492.6**	1,289.0	686.9
Total liabilities	**5,776.7**	5,655.9	5,552.3
Deferred inflows of resources	**42.5**	68.6	32.1
Total liabilities and deferred inflows of resources	**5,819.2**	5,724.5	5,584.4
Net position			
Net investment in capital assets, including State Water Project costs	**6,141.5**	6,121.6	6,131.6
Restricted	**532.7**	509.0	418.6
Unrestricted	**520.2**	308.9	286.0
Total net position	**$ 7,194.4**	$ 6,939.5	$ 6,836.2

Capital Assets, Net

Net capital assets include plant, participation rights, and construction work in progress, net of accumulated depreciation and amortization.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, net capital assets totaled $10.5 billion, or 81.0 percent of total assets and deferred outflows of resources, and were $28.9 million higher than the prior year. The increase included Metropolitan's continued expenditures on the capital investment plan of $277.5 million (including $7.3 million of capitalized interest) and a net increase of $141.8 million in participation rights in SWP, offset by depreciation and amortization of $353.3 million and $37.1 million retirements of capital assets and write-off of construction in progress upon determination that no operating assets would result from the cost incurred. See the capital assets section on pages 15-16 for additional information.

Fiscal Year 2020 Compared to 2019. At June 30, 2020, net capital assets totaled $10.5 billion, or 83.0 percent of total assets and deferred outflows of resources, and were $114.9 million higher than the prior year. The increase included Metropolitan's continued expenditures on the capital investment plan of $339.3 million (including $9.8 million of capitalized interest) and a net increase of $144.4 million in participation rights in SWP, offset by depreciation and amortization of $349.1 million and $19.7 million retirements of capital assets and write-off of construction in progress upon determination that no operating assets would result from the cost incurred. See the capital assets section on pages 15-16 for additional information.

Other Assets

Other assets include accounts receivable, inventories, prepaid costs, and cash and investments.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, other assets totaled $2.3 billion and were $322.5 million higher than the prior year. Cash and investments were $229.9 million higher primarily due to $188.9 million proceeds from the Water Revenue Bonds 2021 Series A. Deposits, prepaid costs, and other was $47.1 million higher than prior year which included $25.0 million funding for the Delta Conveyance Project planning and pre-construction costs and and $16.8 million more costs for the High Desert Bank Program, which was operational for twelve months in fiscal year 2021 compared to three months in fiscal year 2020. Receivables also increased $44.3 million of which, $50.2 million related to higher water revenues receivable as fiscal year 2021 May and June water transactions were 56.9 thousand acre feet (TAF) more than the prior year's comparable months.

Fiscal Year 2020 Compared to 2019. At June 30, 2020, other assets totaled $2.0 billion and were $141.5 million higher than the prior year. Cash and investments were $60.2 million higher due to a $35.6 million draw on the Royal Bank of Canada Short-Term Credit Facility (RBC note) for the purpose of refunding a portion of the outstanding principal on the Subordinate Water Revenue Refunding Bonds 2017 Series B in July 2020 and a $34.0 million refund of the California WaterFix (CWF) advance funding from the California Department of Water Resources (DWR). Receivables also increased $60.1 million of which, $53.1 million related to higher water revenues receivable as fiscal year 2020 May and June water transactions were 50.7 TAF more than the prior year's comparable months. Deposits, prepaid costs, and other was $25.8 million higher than prior year. The increase included $38.4 million more prepaid water costs due to $17.4 million or 151.3 TAF more in various storage programs and $13.3 million for the High Desert Bank Program that started in fiscal year 2020. In addition, prepaid expenses were $13.2 million higher. These were partially offset by the $34.0 million refund from DWR for the CWF advance funding.

Deferred Outflows of Resources

Deferred outflows of resources include deferred outflows related to loss on bond refundings and swap terminations, deferred outflows related to the net pension liability and net OPEB liability, and deferred outflows for effective interest rate swaps.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, deferred outflows totaled $167.3 million and were $1.8 million lower than the prior year. The decrease included $11.7 million lower deferred outflows on effective swaps due to higher interest rates, $6.3 million lower deferred loss on bond refundings and $1.1 million lower deferred loss on swap terminations, both of which were due to amortization. These decreases were offset by $18.0 million higher deferred outflows related to pension, which included $13.1 million higher deferred outflows related to the net difference between projected and actual earnings on pension plan investments, $8.2 million higher deferred outflows related to pension contributions subsequent to the measurement date, and $4.5 million higher difference between actual and expected experience, partially offset by $7.8 million lower deferred outflows due to changes of actuarial assumption.

Fiscal Year 2020 Compared to 2019. At June 30, 2020, deferred outflows totaled $169.1 million and were $13.0 million lower than the prior year. The decrease was primarily due to $21.7 million lower deferred outflows related to pension, which included $39.3 million lower deferred outflows due to changes of actuarial assumption and $3.3 million lower deferred outflows related to the net difference between projected and actual earnings on pension plan investments, offset by $11.3 million higher difference between actual and expected experience and $9.6 million higher deferred outflows related to pension contributions subsequent to the measurement date. In addition, deferred loss on bond refundings was $5.0 million lower due to scheduled amortization. These decreases were offset by $11.7 million higher deferred outflows on effective swaps due to lower interest rates.

Long-term Liabilities, Net of Current Portion

Long-term liabilities, net of current portion includes long-term debt, long-term revolving notes, customer deposits and trust funds, net pension liability, net OPEB liability, accrued compensated absences, workers' compensation and third party claims, fair value of interest rate swaps, and other long-term obligations.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, long-term liabilities, net of current portion totaled $5.3 billion and were $917.2 million higher than the prior year primarily due to an increase of $929.3 million in long-term debt, net of current portion. The increase included $816.4 million lower current portion of long-term debt as compared to prior year, $188.9 million in new revenue bonds and $97.9 million increase in premiums and discounts, offset by $133.8 million principal payments, $35.6 million of principal paid by the short-term RBC note issued in June 2020, and $4.5 million of bond refundings, as the new debt issued was less than the amount of debt refunded. See other liabilities section on page 7 and long-term debt section on page 17 for additional information. In addition, net pension liability was $55.6 million higher due to $175.0 million interest on the total pension liability and $37.2 million in service costs, offset by $90.1 million of pension plan investment earnings and $66.1 million employer contributions to the pension plan. These increases in long-term liabilities, net of current portion were offset by $46.8 million lower long-term revolving notes as the Bank of America, N.A. notes (BANA notes) issued for the CWF advance were repaid and $19.6 million decrease in fair value of interest rate swaps due to higher interest rates as compared to prior year.

Fiscal Year 2020 Compared to 2019. At June 30, 2020, long-term liabilities, net of current portion, totaled $4.4 billion and were $498.5 million lower than the prior year primarily due to a decrease of $487.2 million in long-term debt, net of current portion. The decrease included $571.0 million higher current portion of long-term debt as compared to prior year, $141.5 million principal payments and $41.0 million of bond refundings, as the new debt issued was less than the amount of debt refunded, offset by $207.3 million in new revenue bonds and $59.0 million increase in premiums and discounts. See other liabilities section on page 7 and long-term debt section on page 17 for additional information. In addition, net OPEB liability was $60.3 million lower primarily due to $50.1 million difference between expected and actual experience, $32.1 million of employer contributions to the OPEB plan and $16.2 million of OPEB plan investment earnings, offset by $31.6 million of interest on the total OPEB liability and $10.6 million of service costs. These decreases in long-term liabilities, net of current portion were offset by $35.0 million higher net pension liability primarily due to $168.1 million interest on the total pension liability and $35.7 million in service costs, offset by $114.2 million of pension plan investment earnings and $56.5 million employer contributions to the pension plan. Furthermore, fair value of interest rate swaps increased $12.3 million due to lower interest rates as compared to prior year.

Other Liabilities

Other liabilities represent current liabilities that are due within one year. Current liabilities include accounts payable, accrued liabilities, short-term revolving notes, and the current portion of long-term liabilities.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, other liabilities totaled $492.6 million and were $796.4 million lower than the prior year. Current portion of long-term debt decreased by $816.4 million due to the extension of mandatory tender dates to fiscal year 2024 for the $271.8 million Special Variable Rate Water Revenue Refunding Bonds (SVRWRRB), 2020 Series B, $191.2 million Subordinate Water Revenue Refunding Bonds, 2017 Series D and E and $80.0 million Subordinate Water Revenue Bonds, 2017 Series C. Also contributing to the decrease in current portion of long-term debt was the refunding of $175.0 million Subordinate Water Revenue Bonds, 2016 Series A which had a mandatory tender date of December 2020, and an extension of the Standby Bond Purchase Agreement (SBPA) from June 2021 to June 2024 for $90.1 million SVRWRRB, 2018 Series A-1 and A-2. The decrease in the current portion of long-term debt was offset by $27.4 million higher accounts payable and accrued expenses primarily due to the withdrawal of 116.8 TAF from DWR's Flexible Storage Program in fiscal year 2021.

Fiscal Year 2020 Compared to 2019. At June 30, 2020, other liabilities totaled $1.3 billion, and were $602.1 million higher than the prior year. Current portion of long-term debt increased by $571.0 million due to the addition of $271.8 million SVRWRRB, 2020 Series B with a mandatory tender date of April 2021, $191.2 million Subordinate Water Revenue Refunding Bonds, 2017 Series D and E with a mandatory tender date of June 2021, $175.0 million Subordinate Water Revenue Bonds, 2016 Series A with a mandatory tender date of December 2020, $90.1 million SVRWRRB, 2018 Series A-1 and A-2 with a SBPA expiring in June 2021 and $80.0 million Subordinate Water Revenue Bonds, 2017 Series C with a mandatory tender date of June 2021. The increase in current portion of long-term debt was offset by the classification of $158.9 million back to long-term debt due to the extension of the SBPA that supports the Water Revenue Bonds, 2017 Series A and 2000 Series B-3 to March 2023. In addition, Metropolitan took a $35.6 million draw from the RBC note for the purpose of refunding subordinate lien debt in July 2020. These increases in other liabilities were offset by $22.9 million lower accounts payable and accrued expenses as the SWP variable costs were $24.0 million less due to lower allocation.

Deferred Inflows of Resources

Deferred inflows of resources represent deferred inflows related to the net pension liability, net OPEB liability and deferred inflows for effective interest rate swaps.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, deferred inflows of resources totaled $42.5 million and were $26.1 million lower than the prior year primarily due to $19.7 million lower deferred inflows related to pension, which included $10.8 million lower net difference between projected and actual earnings on pension plan investments, $4.8 million lower changes of assumptions, and $4.1 million lower difference between expected and actual experience. Additionally, deferred inflows related to OPEB decreased $14.3 million, which included $9.8 million lower differences between expected and actual experience and $3.7 million net difference between projected and actual earnings on OPEB plan investments. These decreases in deferred outflows of resources were partially offset by $7.9 million higher deferred inflows on effective swaps due to higher interest rates.

Fiscal Year 2020 Compared to 2019. At June 30, 2020, deferred inflows of resources totaled $68.6 million and were $36.5 million higher than the prior year primarily due to a $40.0 million increase in deferred inflows related to OPEB which included $40.3 million higher differences between expected and actual experience. This increase was partially offset by $2.9 million lower deferred inflows related to pension which included $8.9 million lower difference between expected and actual experience and $4.8 million lower changes of assumptions offset by $10.8 million higher net difference between projected and actual earnings on pension plan investments.

Net Investment in Capital Assets, including State Water Project Costs

Net investment in capital assets, including State Water Project costs, include amounts expended for capital improvements and SWP, offset by accumulated depreciation and outstanding debt issued for these purposes.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, net investment in capital assets, including State Water Project costs totaled $6.1 billion and was $19.9 million higher than the prior year. This increase included $28.9 million net increase in capital assets offset by $9.0 million increase in outstanding debt and related deferred outflows of resources. See discussions of these items in the capital assets and long-term debt sections on pages 15-16 and 17, respectively.

Fiscal Year 2020 Compared to 2019. At June 30, 2020, net investment in capital assets, including State Water Project costs totaled $6.1 billion and was $10.0 million lower than the prior year. This decrease included $124.9 million increase in outstanding debt and related deferred outflows of resources, offset by $114.9 million net increase in capital assets. See discussions of these items in the capital assets and long-term debt sections on pages 15-16 and 17, respectively.

Restricted Net Position

Restricted net position includes amounts restricted for debt service payments and operating expenses, both of which are required by bond covenants.

Fiscal Year 2021 Compared to 2020. At June 30, 2021, restricted net position totaled $532.7 million which was $23.7 million higher than fiscal year 2020 due to $34.9 million increase in restricted for operating expenses primarily due to higher pension and OPEB contribution requirements for fiscal year 2022 partially offset by $10.8 million of lower restricted for debt service due to savings from refunding transactions.

Fiscal Year 2020 Compared to 2019. At June 30, 2020, restricted net position totaled $509.0 million which was $90.4 million higher than fiscal year 2019 primarily due to $51.7 million of higher restricted for debt service resulting from higher principal and interest payment requirements and $38.4 million increase in restricted for operating expenses as the SWP operations, maintenance, power and replacement (OMP&R) costs are estimated to be higher in fiscal year 2021.

Unrestricted Net Position

Unrestricted net position consists of net position items that do not meet the definition of "restricted" or "net investment in capital assets, including State Water Project costs." Certain unrestricted net position items have been designated for purposes authorized Metropolitan's Board of Directors (Board).

Fiscal Year 2021 Compared to 2020. Unrestricted net position of $520.2 million increased $211.3 million from the prior year, which included fiscal year 2021 changes in net position of $254.9 million offset by $23.7 million higher restricted for debt service and operating expenses and $19.9 million higher net investment in capital assets, including State Water Project costs.

Fiscal Year 2020 Compared to 2019. Unrestricted net position of $308.9 million increased $22.9 million from the prior year, which included fiscal year 2020 changes in net position of $103.3 million and $10.0 million of lower net investment in capital assets, including State Water Project costs, offset by $90.4 million higher restricted for debt service and operating expenses.

CHANGES IN NET POSITION

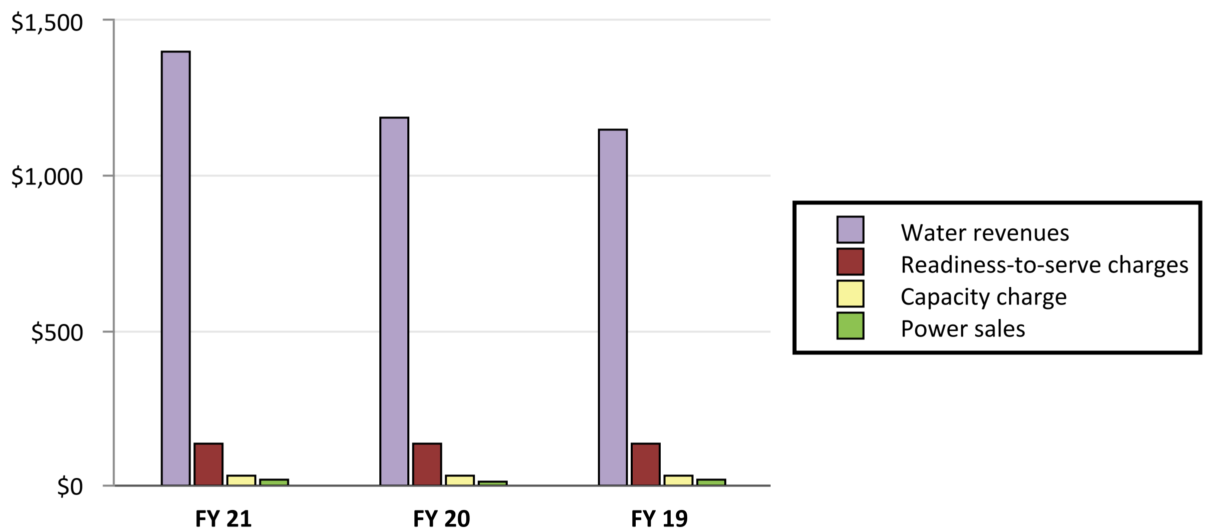
Condensed Schedule of Revenues, Expenses, and Changes in Net Position

	Fiscal Year Ended June 30,		
(Dollars in millions)	**2021**	2020	2019
Water revenues	**$ 1,404.7**	$ 1,188.0	$ 1,148.7
Readiness-to-serve charges	**133.0**	134.5	136.5
Capacity charge	**31.7**	30.5	33.0
Power sales	**19.0**	15.9	18.3
Operating revenues	**1,588.4**	1,368.9	1,336.5
Taxes, net	**160.6**	146.9	142.7
Investment income, net	**4.1**	28.9	36.0
Other	**10.4**	24.5	10.4
Nonoperating revenues	**175.1**	200.3	189.1
Total revenues	**1,763.5**	1,569.2	1,525.6
Power and water costs	**(480.9)**	(438.7)	(375.8)
Operations and maintenance	**(509.8)**	(557.4)	(493.9)
Litigation payments	**(44.4)**	—	—
Depreciation and amortization	**(362.8)**	(353.0)	(361.1)
Operating expenses	**(1,397.9)**	(1,349.1)	(1,230.8)
Bond interest, net of amount capitalized	**(91.6)**	(100.7)	(126.9)
Loss on disposal of plant assets	**(13.2)**	(10.2)	(13.7)
Other	**(6.2)**	(5.9)	(5.3)
Nonoperating expenses	**(111.0)**	(116.8)	(145.9)
Total expenses	**(1,508.9)**	(1,465.9)	(1,376.7)
Changes in net position before contributions	**254.6**	103.3	148.9
Capital contributions	**0.3**	—	0.8
Changes in net position	**254.9**	103.3	149.7
Net position, beginning of year	**6,939.5**	6,836.2	6,686.5
Net position, end of year	**$ 7,194.4**	$ 6,939.5	$ 6,836.2

Operating Revenues

Metropolitan's principal source of revenue is derived from the sale and availability of water, including water rates and other exchange and wheeling transactions, which typically account for approximately 85 percent of operating revenues. Metropolitan's primary sources of water supply are the Colorado River and the SWP.

OPERATING REVENUES
(Dollars in millions)



Analytical Review of Operating Revenues

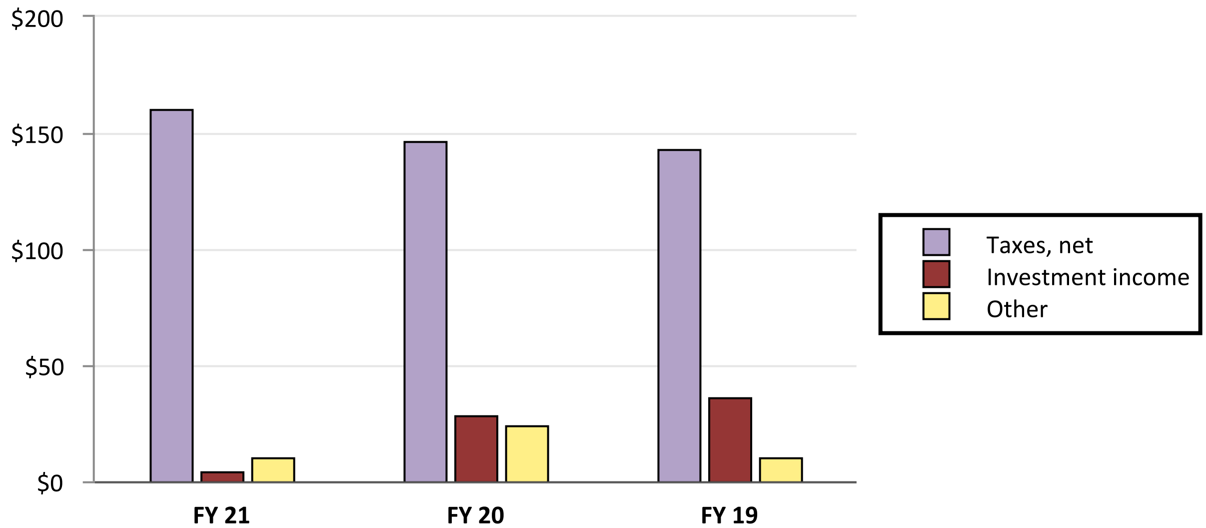
Fiscal Year 2021 Compared to 2020. Fiscal year 2021 operating revenues were $1.6 billion or $219.5 million more than the prior year. The increase was primarily due to $216.7 million of higher water revenues, which included $179.0 million or 206.1 TAF of higher volumes sold and $37.7 million of higher price.

Fiscal Year 2020 Compared to 2019. Fiscal year 2020 operating revenues were $1.4 billion or $32.4 million more than the prior year. The increase was primarily due to $39.3 million of higher water revenues, which included $44.9 million of higher price, offset by $5.6 million or 6.7 TAF of lower volumes sold.

Nonoperating Revenues

The primary source of nonoperating revenues is property taxes.

NONOPERATING REVENUES
(Dollars in millions)



Analytical Review of Nonoperating Revenues

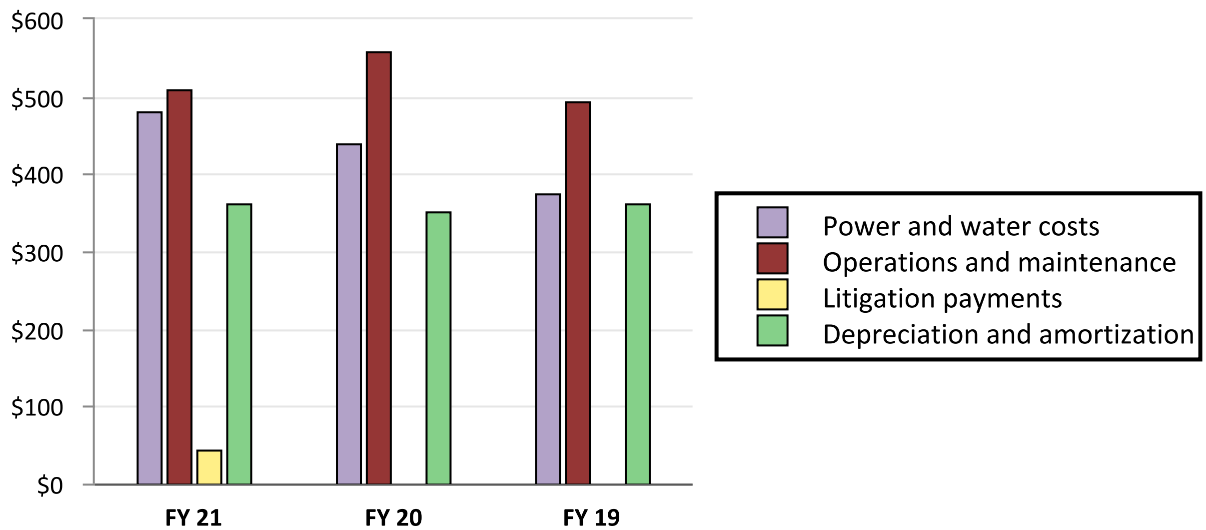
Fiscal Year 2021 Compared to 2020. Nonoperating revenues for fiscal year 2021 totaled $175.1 million and were $25.2 million lower than the prior year. The decrease was primarily due to $24.8 million less of investment income which included $14.5 million unfavorable change in fair value of investments and $10.8 million lower rate of return. In addition, other revenues were $14.1 million lower as there were no adjustment for depreciation overstatement in fiscal year 2021. These decreases were offset by $13.7 million higher property tax revenues due to higher assessed property values and the collection of prior year uncollectible amounts.

Fiscal Year 2020 Compared to 2019. Nonoperating revenues for fiscal year 2020 totaled $200.3 million and were $11.2 million higher than the prior year. The increase was primarily due to $14.1 million higher other revenues which included a $13.4 million adjustment due to an overstatement of depreciation expense in a prior year. In addition, property tax revenue was $4.2 million higher due to lower delinquencies and higher assessed property values. These increases were offset by $7.1 million less of investment income primarily due to $5.1 million lower rate of return.

Operating Expenses

Operating expenses fall into three primary cost areas: power and water, operations and maintenance (O&M), and depreciation and amortization.

OPERATING EXPENSES
(Dollars in millions)



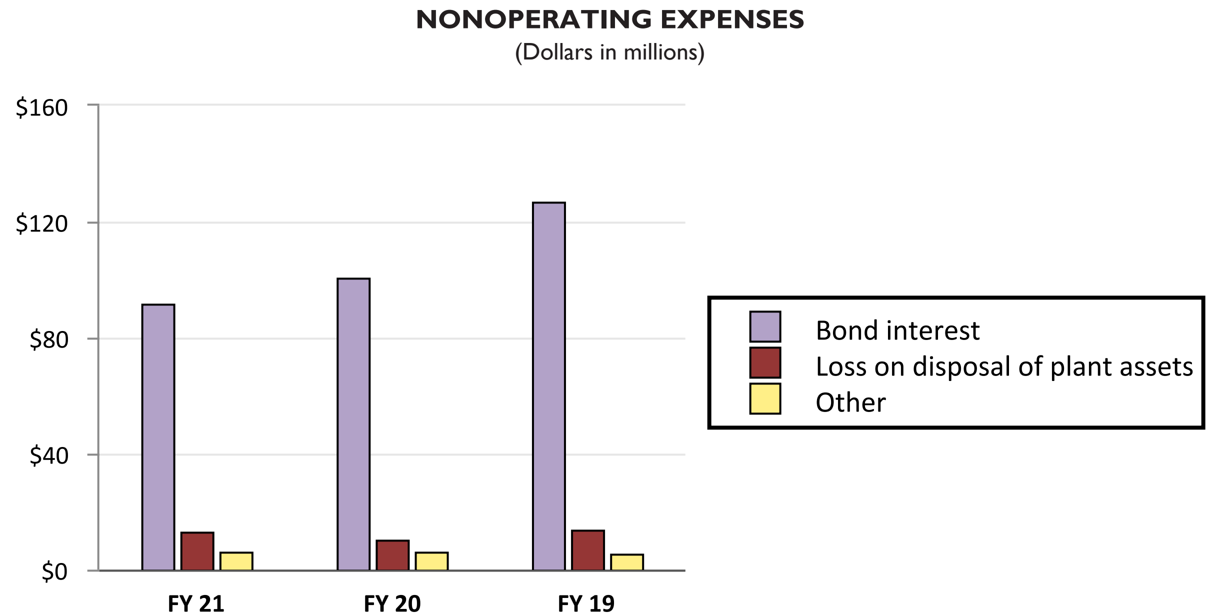
Analytical Review of Operating Expenses

Fiscal Year 2021 Compared to 2020. Fiscal year 2021 operating expenses of $1.4 billion were $48.8 million higher than the prior year. The increase included $44.4 million litigation payment to the San Diego County Water Authority, see Note 9(g) for additional information, and $42.2 million higher power and water expenses primarily due to 206.1 TAF higher water transactions. Additionally, depreciation and amortization expense increased $9.8 million due to a net increase in capital assets of $28.9 million. These increases were offset by $47.6 million lower O&M costs, which included $24.3 million lower pension expense resulting from lower recognized changes of assumptions in fiscal year 2021 and $13.3 million lower demand management costs primarily due to lower conservation credits resulting from the COVID-19 pandemic and Board approved costs containment measures to address COVID-19 financial impacts.

Fiscal Year 2020 Compared to 2019. Fiscal year 2020 operating expenses of $1.3 billion were $118.3 million higher than the prior year. The increase included $63.5 million higher O&M costs primarily due to $32.6 million higher labor and benefit costs resulting from negotiations with bargaining units and $32.5 million higher pension expense primarily due to the differences between projected and actual earnings on pension plan investments were higher than prior year. In addition, power and water costs were $62.9 million higher due to an increase in the unit cost of water from prior year. These increases were offset by $8.1 million of lower depreciation and amortization due to the recalculation of depreciation expense related to capitalized interest.

Nonoperating Expenses

The primary sources of nonoperating expenses are interest expense on bonds, loss on disposal of plant assets and other, net.



Analytical Review of Nonoperating Expenses

Fiscal Year 2021 Compared to 2020. Fiscal year 2021 nonoperating expenses of $111.0 million were $5.8 million lower than the prior year primarily due to $9.1 million lower bond interest, net of amount capitalized, as a result of bond refunding transactions to take advantage of lower interest rates offset by $3.0 million higher loss on disposal of plant assets due to write-off of previously capitalized interest on construction.

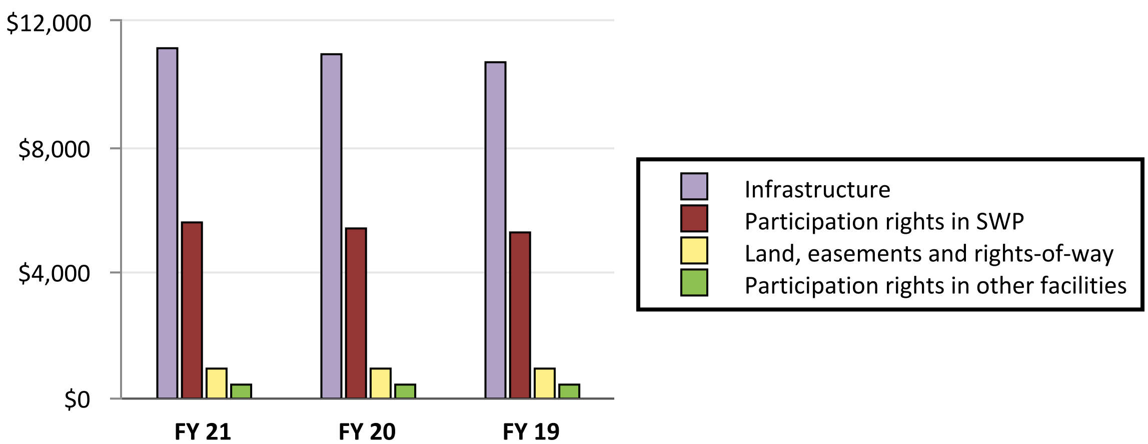
Fiscal Year 2020 Compared to 2019. Fiscal year 2020 nonoperating expenses of $116.8 million were $29.1 million lower than the prior year primarily due to $26.2 million lower bond interest, net of amount capitalized, as a result of bond refunding transactions to take advantage of lower interest rates.

CAPITAL ASSETS

Capital assets include Metropolitan's water infrastructure, land and buildings, as well as participation rights in SWP and various other water programs. More detailed information on capital assets and commitments for construction contracts are presented in Note 2 and Note 9(f) to the basic financial statements, respectively.

Metropolitan's fiscal year 2022 capital investment plan includes $250.0 million principally for the Colorado River Aqueduct reliability programs, systems and information technology improvements, distribution system rehabilitation projects, water treatment plants reliability program, system flexibility and supply reliability projects, and the pre-stressed concrete cylinder pipe reliability (PCCP) rehabilitation program.

GROSS CAPITAL ASSETS
(Dollars in millions)



Schedule of Capital Assets (Dollars in millions)	June 30, 2021	2020	2019
Land, easements and rights of way	**$ 986.7**	$ 984.8	$ 984.8
Construction in progress	**811.9**	636.2	545.8
Parker power plant and dam	**13.0**	13.0	13.0
Power recovery plants	**220.7**	220.2	210.6
Other dams and reservoirs	**1,615.4**	1,613.5	1,568.3
Water transportation facilities	**4,003.1**	3,993.4	3,892.6
Pumping plants and facilities	**360.2**	357.6	303.0
Treatment plants and facilities	**3,139.5**	3,126.3	3,185.8
Buildings	**179.1**	178.5	187.4
Other plant assets	**802.1**	795.8	750.2
Pre-operating expenses of original aqueduct	**44.6**	44.6	44.6
Participation rights in SWP	**5,587.7**	5,445.8	5,301.4
Participation rights in other facilities	**459.0**	459.0	459.0
Gross capital assets	**18,223.0**	17,868.7	17,446.5
Less accumulated depreciation and amortization	**(7,685.7)**	(7,360.3)	(7,053.0)
Total capital assets, net	**$ 10,537.3**	$ 10,508.4	$ 10,393.5
Net increase (decrease) from prior year	**$ 28.9**	$ 114.9	$ (16.5)
Percent change	**0.3%**	1.1%	(0.2%)

Fiscal Year 2021 Compared to 2020. Net capital assets totaled approximately $10.5 billion and increased $28.9 million over the prior year. The increase included $277.5 million of construction spending and a net increase of $141.8 million in participation rights in SWP, offset by depreciation and amortization of $353.3 million and $37.1 million retirements of capital assets and write-off of construction in progress upon determination that no operating assets would result from the cost incurred.

The major capital asset additions for fiscal year 2021, excluding capitalized interest, included:

- $55.3 million for the improvements in infrastructure reliability at the treatment plants; this program will replace or refurbish facilities and components at Metropolitan's five water treatment plants in order to continue to reliably meet water demands.
- $53.2 million for the distribution system's rehabilitation program; this program will replace or refurbish existing facilities within Metropolitan's distribution system including reservoirs, pressure control structures, hydroelectric power plants, and pipelines in order to reliably meet water demands.
- $46.8 million for the system reliability program, which is designed to improve or modify facilities throughout Metropolitan's service area in order to utilize new processes and/or technologies, and to improve facility safety and overall reliability.
- $45.2 million for the Colorado River Aqueduct (CRA) reliability program; projects under this program will replace or refurbish components on the CRA system to reliably convey water from the Colorado River to Southern California.
- $25.4 million for the PCCP program; this program identifies pipelines whose age, location and condition warrant refurbishment/replacement to ensure long-term reliability of Metropolitan's PCCP lines water delivery.

Fiscal Year 2020 Compared to 2019. Net capital assets totaled approximately $10.5 billion and increased $114.9 million over the prior year. The increase included $339.3 million of construction spending and a net increase of $144.4 million in participation rights in SWP, offset by depreciation and amortization of $349.1 million and $19.7 million retirements of capital assets and write-off of construction in progress upon determination that no operating assets would result from the cost incurred.

The major capital asset additions for fiscal year 2020, excluding capitalized interest, included:

- $85.7 million for the PCCP program.
- $58.7 million for the CRA reliability program.
- $45.2 million for the improvements in infrastructure reliability at the treatment plants.
- $44.1 million for the system reliability program.
- $33.9 million for the distribution system's rehabilitation program.

DEBT ADMINISTRATION – LONG-TERM DEBT

Schedule of Long-term Debt, Including Current Portion

	June 30,		
(Dollars in millions)	**2021**	2020	2019
General obligation bonds[1]	**$ 26.8**	$ 37.3	$ 48.1
Revenue bonds[1]	**3,994.3**	3,968.8	3,933.2
Revolving notes	**—**	46.8	46.8
Other, net[2]	**464.2**	366.3	307.3
	$ 4,485.3	$ 4,419.2	$ 4,335.4
Increase (decrease) from prior year	**$ 66.1**	$ 83.8	$ (171.6)
Percent change	**1.5%**	1.9%	(3.8%)

[1] *Includes refunding bonds.*
[2] *Consists of unamortized bond discounts and premiums.*

Fiscal Year 2021 Compared to 2020. At June 30, 2021, outstanding bonds and other long-term obligations totaled $4.5 billion, a net increase of $66.1 million or 1.5 percent from the prior year. The increase included the issuance of $188.9 million Water Revenue Bonds, 2021 Series A and $97.9 million higher premiums and discounts due to $151.1 million increase related to bond refundings, as the premiums on new debt issued was more than the premiums outstanding on the debt refunded offset by $53.2 million related to scheduled amortization. These increases were offset by $133.8 million of scheduled principal payments, $46.8 million decrease in revolving notes due to repayment of the BANA note, $35.6 million of principal payments funded by the short-term RBC note issued in June 2020 and $4.5 million of bond refundings, as the new debt issued was less than the amount of debt refunded.

Fiscal Year 2020 Compared to 2019. At June 30, 2020, outstanding bonds and other long-term obligations totaled $4.4 billion, a net increase of $83.8 million or 1.9 percent from the prior year. The increase included new revenue bond issuance of $207.3 million and $59.0 million higher premiums and discounts due to $104.6 million increase related to bond refundings, as the premiums on new debt issued was more than the premiums outstanding on the debt refunded offset by $45.6 million related to scheduled amortization. These increases were offset by $141.5 million of scheduled principal payments and $41.0 million of bond refundings, as the new debt issued was less than the amount of debt refunded.

Additional information on Metropolitan's long-term debt can be found in Notes 5 and 6 to the basic financial statements.

CREDIT RATINGS

Metropolitan's credit ratings at June 30, 2021 are shown below.

	Moody's Investors Service	Standard & Poor's Global	Fitch Ratings
General obligation bonds	Aaa	AAA	AA+
Water revenue bonds-fixed rate	Aa1	AAA	AA+
Water revenue bonds-variable rate	VMIG 1	A-1+	F1+
Subordinate water revenue bonds-fixed rate	N/A	AA+	AA+
Subordinate water revenue bonds-variable rate	N/A	A-1+	F1+

COVID-19 PANDEMIC

The late 2019 outbreak of the new highly transmissible strain of coronavirus and the disease it causes (known as COVID-19), has spread across the globe. The World Health Organization (the "WHO") declared the outbreak of COVID-19 to be a pandemic, and states of emergency were declared in the United States (the "U.S."), the State of California, and numerous counties throughout the State, including in the six counties all or portions of which comprise the service area of Metropolitan. Metropolitan's General Manager declared a state of emergency at Metropolitan in March 2020. The COVID-19 pandemic and the governmental actions to respond to and control the outbreak materially altered the behavior of people and disrupted business activity, resulting in a significant contraction of the national, state and local economies. Employment data released since the imposition of governmental restrictions on activities showed a dramatic increase in unemployment rates and, while some recovery of jobs has occurred, unemployment rates remain significantly above pre-pandemic levels. In addition, domestic and international stock markets experienced declines in market value following the onset of the outbreak. Although rebounds in the global financial markets have since occurred, price volatility remains.

With widespread vaccination currently underway worldwide, some of the domestic governmental-imposed "stay at home" orders and restrictions on operations of schools and businesses implemented to respond to and control the outbreak have been eased. The Governor of California has lifted most statewide COVID-19 restrictions on June 15, 2021. Restrictions, however, may be re-imposed in various jurisdictions from time to time as local conditions warrant. It is not known with any level of certainty when a full re-opening of the economy will be achieved and sustained. The negative effects of the COVID-19 pandemic and its aftermath on global, national and local economies is widely expected to continue at least for the foreseeable future.

Metropolitan is monitoring and responding to the COVID-19 pandemic and ongoing developments surrounding it. Metropolitan has taken, and is taking, a number of steps to maintain continuity of its critical and essential business functions and avoid widespread impacts to its workforce from the COVID-19 outbreak. Metropolitan's water system is deemed federally designated critical infrastructure, entitled to exemptions under governmental "stay at home" orders as needed to maintain continuity of operations. Metropolitan personnel necessary to the operation and delivery of water supplies remain on-site, with staffing strategies being utilized to protect the health of its employees and promote "social distancing." Enhanced facility cleaning and disinfection practices have been put in place to promote a safe and healthful workplace for these employees. Telecommuting arrangements or paid administrative leave is being implemented for employees performing other functions, and non-essential business travel has been limited.

COVID-19 is not believed to present a threat to the safety of Metropolitan's treated water supplies. Metropolitan has taken steps to ensure it has the necessary backup equipment, supplies and treatment chemicals in the event of disruptions to the procurement supply chain. To date, Metropolitan's ability to treat and deliver water has not been impaired. Metropolitan has experienced an increase in certain costs, primarily expenses for personal protective equipment, enhanced cleaning procedures, technology costs to accommodate teleworking and other related expenditures. In aggregate, these increased expenses have been modest and are generally offset by reductions in travel and other office expenses. While Metropolitan initially paused certain construction work on non-essential capital projects at the onset of the COVID-19 outbreak, such activity has resumed and Metropolitan continues to advance a variety of infrastructure and system reliability projects.

Metropolitan also proactively responded to the anticipated effects of the ongoing COVID-19 pandemic likely to be experienced by its member agencies. Following the onset of the pandemic and response actions, many water service providers serving residential, commercial and industrial end-use customers (referred to herein as "retail water service providers"), which includes some Metropolitan member agencies and agencies that purchase water from them, implemented measures to assist their customers facing financial hardship as a result of the COVID-19 outbreak. In addition, as a measure to assure access to water service for citizens likely to be adversely impacted financially due to the economic effects of the ongoing COVID–19 pandemic, on April 2, 2020, Governor Newsom issued an executive order which, among other things, ordered the restoration of water service to residential customers in occupied residences whose service was discontinued for nonpayment during the state of emergency, and suspended the authority of retail water service providers to discontinue water service to residential and qualifying small business customers for non-payment for the duration of the state of emergency. These measures were expected to result in more late or non-payment of utility bills than normal and forecasted for retail water service providers generally, with the potential to create financial stress on retail water service providers, including some Metropolitan member agencies.

In recognition of the changed circumstances and the uncertainties created by the ongoing COVID-19 outbreak, in the weeks following the declaration of a pandemic by the WHO in March 2020, Metropolitan reviewed its preliminary biennial budget initially presented to the Board in February 2020, and modified certain assumptions previously made in the proposed budget. The biennial budget for fiscal years 2020-21 and 2021-22, and water rates and charges for calendar years 2021 and 2022 adopted by the Board on April 14, 2020, reflected these adjustments, which included (i) a reduction in the overall rate increases for calendar years 2021 and 2022 from those previously proposed; (ii) a reduction in capital expenditures for fiscal year 2020-21 in recognition of likely delays in scheduling of construction work as a result of COVID-19; (iii) a reduction in the internal funding objective for the funding of capital program expenditures from current revenues for fiscal year 2020-21; and (iv) to review the adopted budget and rates no later than September 2020 to consider further impacts resulting from the COVID-19 crisis.

As contemplated by the Board's April 14, 2020 action, Metropolitan reviewed the impacts of the COVID-19 pandemic on Metropolitan's biennial budget for fiscal years 2020-21 and 2021-22, and water rates and charges for calendar years 2021 and 2022 at its September 15, 2020 Board meeting. The Board determined to maintain the previously adopted rates and charges for calendar years 2021 and 2022 and approved certain cost containment measures, estimated to reduce Metropolitan expenditures by approximately $10.7 million in fiscal year 2020-21, and by approximately $1.0 million in fiscal year 2021-22. The Board also directed staff to develop a payment deferral program for member agencies that record and report significant customer payment delinquencies and likewise grant deferrals to their customers; evaluate potential new revenue-generating programs; and place a moratorium on non-emergency unbudgeted spending.

At its December 8, 2020 meeting, Metropolitan's Board adopted the COVID-19 Member Agency Payment Deferment Program. Under the approved program, Metropolitan will provide up to a six-month deferral of a portion of a requesting member agency's payment obligations owed to Metropolitan for water transactions equal to the percentage of the member agency's own customers' delinquency rates, but not to exceed 10 percent of each monthly obligation. Additionally, under the program, late payments, penalties, and interest will be waived to the deferred amount over a period of up to 12 months. The program is available to all member agencies that meet Board approved eligibility criteria and will apply to invoices for water transactions occurring only from January 1, 2021 to

June 30, 2021. All amounts deferred under the program will be due and payable no later than December 29, 2021. To the extent that member agencies participate in the program, the COVID-19 Member Agency Payment Deferment Program is expected to result in a shift of some revenue collections from fiscal year 2020-21 to fiscal year 2021-22. As of June 30, 2021, no member agencies have applied for the COVID-19 Member Agency Payment Deferment Program.

On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021 (the "ARP Act"), a $1.9 trillion economic stimulus package designed to help the United States' economy recover from the adverse impacts of the COVID-19 pandemic. The ARP Act includes approximately $350.0 billion in aid to state and local governments, consisting of both direct funding from the United States Department of Treasury and program moneys that will flow from other federal agencies. Half of the aid to state and local governments will be distributed in spring 2021, with the other half following in 2022. Although Metropolitan may seek ARP Act funds from the State, it is unclear at this time how the State will allocate such funds. Metropolitan has applied for a refund of employee tax credits for paid sick and family medical leaves provided due to the COVID-19 pandemic in the second quarter of calendar year 2021.

The COVID-19 outbreak is ongoing and developments will continue. The ultimate degree of impact to Metropolitan's finances and operations is difficult to predict due to the evolving nature of the COVID-19 pandemic, including uncertainties relating thereto. The extent of the fiscal impacts on Metropolitan will depend on, among other things, (i) the duration of the stay-at-home orders and the extent to which the disruption to or decline in the local and global economies and financial markets persists; (ii) the effectiveness of and ability to reach wide spread distribution of vaccines and the period of time therefor; (iii) the degree to which business closures, continued increased unemployment, housing foreclosures and/or other economic consequences occur that could reduce water demands in the region and, in turn, Metropolitan's water transactions, or that could negatively affect future property values in Metropolitan's service area and/or Metropolitan's property tax levy receipts which singularly or collectively could reduce Metropolitan's projected revenues; (iv) the ramifications of future actions that may be taken or required by governmental authorities to respond to the effects of the pandemic, including additional stimulus efforts by the federal government; (v) the pace at which the economy can re-open; and (vi) the speed of the ensuing economic recovery. If the COVID-19 pandemic and/or the economic recovery is prolonged, the likelihood or magnitude of potential adverse impacts to Metropolitan's finances or operations from the factors discussed herein or from other factors, could be increased. To date, Metropolitan does not believe the impacts of the COVID-19 pandemic will have a material adverse impact on its ability to pay debt service on its bonds or other debt obligations.

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STATEMENTS OF NET POSITION

(Dollars in thousands)		June 30, 2021		2020 As Adjusted Note 1s
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current Assets:				
Cash and investments, at fair value (Notes 1d and 3):				
Unrestricted (cost: $412,422 and $430,819 for 2021 and 2020, respectively)	**$**	**413,073**	$	434,297
Restricted (cost: $644,895 and $512,296 for 2021 and 2020, respectively)		**645,913**		517,440
Total cash and investments		**1,058,986**		951,737
Receivables:				
Water revenues		**273,417**		223,221
Interest on investments		**2,106**		3,546
Other, net (Note 1f)		**33,422**		37,914
Total receivables		**308,945**		264,681
Inventories (Note 1g)		**119,664**		118,465
Deposits, prepaid costs, and other (Note 11)		**49,550**		2,782
Total current assets		**1,537,145**		1,337,665
Noncurrent Assets:				
Cash and investments, at fair value (Notes 1d and 3):				
Unrestricted (cost: $371,140 and $249,902 for 2021 and 2020, respectively)		**371,727**		251,920
Restricted (cost: $45,267 and $42,096 for 2021 and 2020, respectively)		**45,483**		42,611
Total cash and investments		**417,210**		294,531
Capital assets (Note 2):				
Plant and equipment - non depreciable (Notes 1h and 9f)		**1,798,582**		1,620,950
Plant and equipment - depreciable (Notes 1h and 9f)		**10,377,748**		10,342,849
Participation rights in State Water Project (Notes 1i and 10)		**5,587,676**		5,445,832
Participation rights in other facilities (Notes 1i and 4)		**459,049**		459,049
Total capital assets		**18,223,055**		17,868,680
Less accumulated depreciation and amortization		**(7,685,720)**		(7,360,295)
Total capital assets, net		**10,537,335**		10,508,385
Other assets, net of current portion:				
Deposits, prepaid costs, and other (Note 11)		**354,619**		354,328
Total other assets		**354,619**		354,328
Total noncurrent assets		**11,309,164**		11,157,244
Total assets		**12,846,309**		12,494,909
Deferred Outflows of Resources (Note 1n)**:**				
Loss on bond refundings		**13,306**		19,632
Loss on swap terminations		**17,904**		18,987
Pension related (Notes 1l and 7d)		**103,220**		85,243
OPEB related (Notes 1m and 8k)		**32,897**		33,506
Effective swaps		**—**		11,711
Total deferred outflows of resources		**167,327**		169,079
Total Assets and Deferred Outflows of Resources	**$**	**13,013,636**	$	12,663,988

See accompanying notes to basic financial statements.

STATEMENTS OF NET POSITION

(Dollars in thousands)		June 30, 2021		2020 As Adjusted Note 1s
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
Current Liabilities:				
Accounts payable and accrued expenses (Note 1j)	$	**136,472**	$	109,078
Short-term revolving notes (Note 5a)		**35,645**		35,645
Current portion of long-term debt (Notes 5 and 6)		**222,692**		1,039,054
Current portion of accrued compensated absences (Notes 1k and 6)		**25,800**		24,700
Current portion of customer deposits and trust funds (Note 6)		**3,062**		9,036
Current portion of workers' compensation and third party claims (Notes 6 and 14)		**4,792**		4,122
Current portion of other long-term liabilities (Note 6)		**5**		5
Accrued bond interest		**62,432**		65,581
Matured bonds and coupons not presented for payment		**1,665**		1,725
Total current liabilities		**492,565**		1,288,946
Noncurrent Liabilities:				
Long-term debt, net of current portion (Notes 5 and 6)		**4,262,587**		3,333,372
Long-term revolving notes (Notes 5a and 6)		**—**		46,800
Accrued compensated absences, net of current portion (Notes 1k and 6)		**32,117**		27,581
Customer deposits and trust funds, net of current portion (Note 6)		**43,422**		41,873
Net pension liability (Note 7c)		**724,587**		668,995
Net OPEB liability (Note 8f)		**164,731**		167,986
Workers' compensation and third party claims, net of current portion (Notes 6 and 14)		**5,497**		9,480
Fair value of interest rate swaps (Notes 5e and 6)		**48,986**		68,611
Other long-term liabilities, net of current portion (Note 6)		**2,181**		2,204
Total noncurrent liabilities		**5,284,108**		4,366,902
Total liabilities		**5,776,673**		5,655,848
Commitments and Contingencies (Note 9)		**—**		—
Deferred Inflows of Resources (Note 1n)**:**				
Effective swaps		**7,914**		—
Pension related (Notes 1l and 7d)		**1,589**		21,298
OPEB related (Notes 1m and 8k)		**33,025**		47,337
Total deferred inflows of resources		**42,528**		68,635
Total Liabilities and Deferred Inflows of Resources		**5,819,201**		5,724,483
Net Position (Note 13):				
Net investment in capital assets, including State Water Project costs		**6,141,485**		6,121,599
Restricted for:				
Debt service		**221,588**		232,411
Other		**311,166**		276,638
Unrestricted		**520,196**		308,857
Total net position		**7,194,435**		6,939,505
Total Liabilities, Deferred Inflows of Resources, and Net Position	$	**13,013,636**	$	12,663,988

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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(Dollars in thousands)	Fiscal Year Ended June 30, 2021	2020 As Adjusted Note 1s
Operating Revenues (Note 1c):		
Water revenues	**$ 1,404,735**	$ 1,187,998
Readiness-to-serve charges	**133,000**	134,500
Capacity charge	**31,653**	30,490
Power sales	**18,967**	15,922
Total operating revenues	**1,588,355**	1,368,910
Operating Expenses:		
Power and water costs	**480,913**	438,683
Operations and maintenance	**509,755**	557,341
Litigation payments (Note 9g)	**44,374**	—
Total operating expenses	**1,035,042**	996,024
Operating income before depreciation and amortization	**553,313**	372,886
Less depreciation and amortization (Note 2)	**(362,844)**	(353,031)
Operating income	**190,469**	19,855
Nonoperating Revenues (Expenses) (Note 1p):		
Taxes, net (Note 1e)	**160,574**	146,902
Bond interest, net of $7,300 and $9,800 of interest capitalized in fiscal years 2021 and 2020, respectively (Note 1h)	**(91,593)**	(100,726)
Investment income, net	**4,119**	28,868
Loss on disposal of plant assets	**(13,175)**	(10,166)
Other, net	**4,253**	18,573
Total nonoperating revenues, net	**64,178**	83,451
Changes in Net Position Before Contributions	**254,647**	103,306
Capital contributions (Note 1o)	**283**	—
Changes in net position	**254,930**	103,306
Net position, beginning of year	**6,939,505**	6,836,199
Net position, End of Year	**$ 7,194,435**	$ 6,939,505

See accompanying notes to basic financial statements.

STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Fiscal Year Ended June 30, 2021	2020
Cash Flows from Operating Activities:		
Cash received from water sales	**$ 1,180,207**	$ 1,001,256
Cash received from readiness-to-serve charges	**133,361**	134,236
Cash received from capacity charge	**31,785**	30,347
Cash received from power sales	**18,959**	16,745
Cash received from other exchange transactions	**174,201**	133,793
Cash paid for operations and maintenance expenses	**(240,610)**	(267,120)
Cash paid to employees for services	**(262,228)**	(247,652)
Cash paid for power and water costs	**(457,390)**	(495,479)
Cash paid for litigation	**(44,374)**	—
Other cash flows for operating activities	**1,852**	1,575
Net cash provided by operating activities	**535,763**	307,701
Cash Flows from Noncapital Financing Activities:		
Proceeds from other collections	**6,949**	7,487
Net cash provided by noncapital financing activities	**6,949**	7,487
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	**(277,741)**	(335,526)
Payments for State Water Project costs	**(141,844)**	(144,399)
Refunds for California WaterFix Project costs	**—**	34,007
Advance payments for Delta Conveyance Project costs	**(25,000)**	—
Proceeds from short and long-term debt	**255,000**	305,645
Payments for bond issuance costs	**(2,196)**	(4,102)
Principal paid on debt	**(133,825)**	(141,500)
Interest paid on debt	**(148,970)**	(140,483)
Proceeds from tax levy	**161,107**	147,102
Transfer from escrow trust accounts	**(3,791)**	1,510
Net cash used by capital and related financing activities	**(317,260)**	(277,746)
Cash Flows from Investing Activities:		
Purchase of investment securities	**(3,432,688)**	(2,992,894)
Proceeds from sales and maturities of investment securities	**3,199,385**	2,937,477
Investment income	**12,699**	18,114
Net cash used by investing activities	**(220,604)**	(37,303)
Net change in cash	**4,848**	139
Cash at July 1, 2020 and 2019	**161**	22
Cash at June 30, 2021 and 2020 (Notes 1b and 3)	**$ 5,009**	$ 161

See accompanying notes to basic financial statements.

STATEMENTS OF CASH FLOWS

(Dollars in thousands)		Fiscal Year Ended June 30, 2021		2020
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating Income	**$**	**190,469**	$	19,855
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation and amortization expense		**362,844**		353,031
Increase in accounts receivable		**(44,201)**		(56,702)
Decrease in inventories		**29,279**		4,538
Increase in deposits, prepaid costs, and other		**(21,947)**		(55,991)
Decrease in accounts payable, and accrued expenses		**(2,701)**		(20,571)
Increase in pension liabilities		**48,921**		30,763
Decrease in OPEB liabilities		**(2,864)**		(53,106)
(Increase) decrease in deferred outflows related to pension		**(15,819)**		19,089
Decrease in deferred inflows related to pension		**(17,344)**		(2,559)
Increase (decrease) in deferred outflows related to OPEB		**536**		(1,266)
(Decrease) increase in deferred inflows related to OPEB		**(12,595)**		35,243
Increase in other items		**21,185**		35,377
Total Adjustments		**345,294**		287,846
Net cash provided by operating activities	**$**	**535,763**	$	307,701
Significant Noncash Investing, Capital and Financing Activities				
Refunding bonds proceeds received in escrow trust fund	**$**	**592,577**	$	465,703
Debt defeased through escrow trust fund with refunding debt	**$**	**(508,290)**	$	(465,275)
Capital contributions	**$**	**283**	$	—
RECONCILIATION OF CASH AND INVESTMENTS TO CASH				
Unrestricted cash and investments (at June 30, 2021 and 2020 includes $5,009 and $161 of cash, respectively)	**$**	**784,800**	$	686,217
Restricted cash and investments		**691,396**		560,051
Total cash and investments, at fair value (Note 3)		**1,476,196**		1,246,268
Less: carrying value of investments		**(1,471,187)**		(1,246,107)
Total Cash (Notes 1b and 3)	**$**	**5,009**	$	161

STATEMENTS OF FIDUCIARY NET POSITION

	Private Purpose Trust Funds				Custodial Funds			
	June 30,							
(Dollars in thousands)		**2021**		2020		**2021**		2020
Assets								
Restricted pooled cash and investments, at fair value (Notes 1d and 3):	**$**	**3,177**	$	3,301	**$**	**2,535**	$	2,551
Interest receivable		**—**		1		**1**		4
Total assets	**$**	**3,177**	$	3,302	**$**	**2,536**	$	2,555
Liabilities								
Accounts payable and accrued expenses	**$**	**72**	$	37	**$**	**55**	$	120
Due to other governments		**—**		—		**27**		32
Total liabilities		**72**		37		**82**		152
Net Position								
Restricted for organizations and other governments		**3,105**		3,265		**2,454**		2,403
Total Liabilities and Net Position	**$**	**3,177**	$	3,302	**$**	**2,536**	$	2,555

See accompanying notes to basic financial statements.

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

	Private Purpose Trust Funds		Custodial Funds	
	Fiscal Year Ended June 30,			
(Dollars in thousands)	**2021**	2020	**2021**	2020
Additions				
Contributions from participating agencies	**$ 2,307**	$ 2,731	**$ 277**	$ 493
Return of unspent funds	**189**	376	**—**	—
Interest	**7**	12	**29**	52
Total additions	**2,503**	3,119	**306**	545
Deductions				
Support payments to the Colorado River Board	**2,200**	2,150	**—**	—
Expensed equipment	**8**	—	**—**	—
Computer systems and software	**12**	—	**—**	—
Administrative expenses	**2**	1	**—**	—
Travel, training and conferences	—	—	**—**	23
Support payments for Colorado River system augmentation and conservation	**309**	453	**—**	—
Payments to other governments for conservation	**—**	—	**94**	77
Professional services	**132**	234	**161**	314
Total deductions	**2,663**	2,838	**255**	414
Net Increase (Decrease) in Fiduciary Net Position	**(160)**	281	**51**	131
Net position, Beginning of Year	**3,265**	2,984	**2,403**	2,272
Net position, End of Year	**$ 3,105**	$ 3,265	**$ 2,454**	$ 2,403

See accompanying notes to basic financial statements.

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1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Metropolitan Water District of Southern California (Metropolitan), a special district of the State of California, was organized in 1928 by vote of the electorates of several Southern California cities following adoption of the Metropolitan Water District Act (Act) by the California Legislature. Metropolitan's primary purposes under the Act are to develop, store, and distribute water, at wholesale, to its member public agencies for domestic and municipal purposes. Surplus water is sold for other beneficial uses, including agricultural use. Metropolitan's service area comprises approximately 5,200 square miles and includes portions of the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura. There are 26 independent member agencies of Metropolitan, consisting of 14 cities, 11 municipal water districts, and one county water authority. Metropolitan has no financial accountability for its member agencies. Metropolitan is governed by a 38-member Board of Directors (Board) comprised of representatives of the member agencies. Representation and voting rights are based on assessed valuations of property pursuant to Sections 52 and 55 of the Act. Each member agency is entitled to have at least one representative on the Board plus an additional representative for each full five percent of the assessed valuation of real property within the jurisdictional boundary of each member agency. Changes in relative assessed valuation do not terminate any director's term. Accordingly, the Board may, from time to time, have more or fewer than 38 directors. However, effective January 1, 2020, no member agency shall have fewer than the number of representatives the agency had as of January 1, 2019. No single member agency has a voting majority.

The Metropolitan Water District Asset Financing Corporation (MWDAFC) was incorporated on June 19, 1996. The MWDAFC is a California nonprofit public benefit corporation formed to assist Metropolitan by acquiring, constructing, operating and maintaining facilities, equipment, or other property needed by Metropolitan and leasing or selling such property to Metropolitan. The MWDAFC is governed by a board of five directors, each of whom must be a member of Metropolitan's Board. MWDAFC had no financial operations during fiscal years 2021 or 2020. MWDAFC is a component unit of Metropolitan and its activities will be blended with those of Metropolitan for financial reporting purposes should it commence operations.

Fiduciary funds are displayed by fund type in the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position, but are not included in Metropolitan's proprietary financial statements because the assets of these funds are not available to Metropolitan. Metropolitan reports the following fiduciary funds:

- Private-purpose trust funds: These funds are used to account for trust arrangements where the benefits are held for other governments.
- Custodial funds: These funds account for resources held by Metropolitan in a custodial capacity on behalf of other governmental organizations.

(b) Principles of Presentation

Metropolitan operates as an enterprise fund and applies all applicable GASB pronouncements in its accounting and reporting. The accompanying basic financial statements reflect the flow of economic resources measurement focus and the full accrual basis of accounting. Under full accrual accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred regardless of the timing of related cash flows.

For purposes of the statements of cash flows, Metropolitan defines cash as demand account balances and cash on hand.

Fiduciary funds are used to account for assets held in a trustee or custodial capacity and cannot be used to support Metropolitan's own purpose. Fiduciary funds are accounted for using the economic resources measurement focus and accrual basis of accounting.

(c) Revenue Policies

Water revenues, which include funds received from charges for the sale and availability of water, including water rates and other exchange and wheeling transactions, is the principal source of Metropolitan's revenues. Other sources of operating revenue include readiness-to-serve charges, capacity charge, and hydroelectric power sales. Other revenues include ad valorem property taxes and investment income.

Water rates are established by the Board on a biennial basis. Water rates are supported by cost of service studies. Water rates are not subject to regulation by the California Public Utilities Commission or by any other local, state, or federal agency. Water is delivered to the member agencies on demand and revenue is recognized at the time of sale.

Metropolitan's rate structure consists of unbundled rate elements (supply, treatment, conveyance and distribution, power, and demand management) designed to provide transparency regarding the cost of specific functions to member agencies. It is designed to improve regional water resources management and accommodate a water transfer market. The rate structure also includes tiered pricing for supply, a capacity charge, and a readiness-to-serve charge.

(d) Fair Value Measurements

Metropolitan categorizes the fair value measurements for assets and liabilities within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs of assets and liabilities as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date; Level 2 inputs are inputs—other than quoted prices—that are observable for identical assets or liabilities, either directly or indirectly; and Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. Metropolitan reports its investments and liabilities using valuation techniques consistent with market and cost approaches to determine the fair value.

(e) Taxing Authority

Metropolitan is expressly empowered under the Act to levy and collect taxes on all taxable property within its boundaries for the purpose of carrying on its operations and paying its obligations, subject to certain limitations in the Act, the California Revenue and Taxation Code, and the California Constitution. Property taxes are levied annually by the Board effective as of July 1, using a lien date of January 1, and are payable by property owners in two equal installments that are due on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Property taxes levied by Metropolitan are billed and collected by the counties in its service area and are remitted to Metropolitan periodically throughout the year.

Property tax revenue is used to pay Metropolitan's general obligation bond debt service and a portion of its obligations under its contract with the state for a water supply and participation in the SWP (the State Water Contract). In setting the annual levy, Metropolitan takes into account potential delinquencies, tax allocations to the successor agencies of former redevelopment agencies, and supplemental tax collections. Metropolitan recognizes property taxes receivable on July 1 of each fiscal year and recognizes revenue over the following 12-month period beginning July 1 through June 30 (the period for which the tax is levied).

As a result of legislation enacted in 1984, commencing with the fiscal year ended June 30, 1991, tax levies, other than annexation taxes, are limited to the amount needed to pay debt service on Metropolitan's general obligation bonds and Metropolitan's proportionate share of general obligation bond debt service of the state under the State Water Contract. However, under the terms of the 1984 legislation, the Board may suspend this particular restriction upon a finding that doing so is essential to Metropolitan's fiscal integrity. The Board made such a finding for fiscal years ended June 30, 2014 through 2021, and maintained the tax rate for those fiscal years at the rate levied during fiscal year ended June 30, 2013 to pay a portion of State Water Contract costs other than general obligation debt service.

(f) Other Receivables

Other receivables include amounts for taxes, hydroelectric power sales, readiness-to-serve charges, and other billings.

(g) Inventories

Metropolitan's inventories are valued based on a moving-average cost. Expenses are recorded when inventories are used. Components of inventories at June 30, 2021 and 2020 were as follows:

	June 30,	
(Dollars in thousands)	**2021**	2020
Water in storage	**$ 102,935**	$ 103,922
Operating supplies	**16,729**	14,543
Total inventories	**$ 119,664**	$ 118,465

(h) Capital Assets

Metropolitan's capital assets include plant and equipment, which are recorded at cost. Construction costs are capitalized if they exceed $50,000 and the asset has a useful life of at least five years. The cost of constructed assets may include labor, materials, certain general and administrative expenses, and interest incurred during construction periods. Depreciation is calculated using the straight-line method based on the estimated average useful lives of the assets, which are 10 to 80 years for buildings, storage, distribution facilities, and miscellaneous assets and 10 to 50 years for treatment plants and hydroelectric power recovery facilities. Improvements or refurbishments with aggregated costs that meet capitalization thresholds and that extend the useful life of an existing asset by at least five years are capitalized.

Major computer systems software, whether purchased or internally developed, is capitalized if the cost exceeds $250,000 and the useful life is at least three years. Vehicles and operating equipment are capitalized if the cost equals or exceeds $5,000 and the useful life is at least four years. Depreciation is calculated using the straight-line method based on the estimated useful lives and ranges from 3 to 10 years for major computer systems software and 4 to 10 years for vehicles and operating equipment.

(i) Participation Rights

Metropolitan participates in various storage and water management programs entitling it to certain water rights. Projects include the SWP and various storage and water management programs. Metropolitan's participation in these projects is through cash payments. The value of participation rights is equal to the amounts spent for the construction of capital assets, such as pipelines, pumping facilities, and storage facilities, and amortized over the life of the agreements. These assets are not owned by Metropolitan. Certain projects also require payments for ongoing maintenance; those payments are charged to expense as incurred. (See Notes 2, 4, and 10.)

(j) Disaggregation of Payable Balances

Accounts payable and accrued expenses at June 30, 2021 and 2020 were as follows:

	June 30,	
(Dollars in thousands)	**2021**	2020
Department of Water Resources (SWP):		
Capital, operating, maintenance, power, replacement, and variable power	**$ 64,320**	$ 48,943
Vendors	**46,857**	35,479
Accrued power costs	**1,797**	4,860
Accrued salaries	**12,412**	10,946
Readiness-to-serve overcollection	**1,396**	1,436
Conservation credits	**9,690**	7,414
Total accounts payable and accrued expenses	**$ 136,472**	$ 109,078

(k) Compensated Absences

Metropolitan’s employees earn vacation, sick, and compensatory leave in varying amounts depending primarily on length of service. Upon termination from Metropolitan service, employees are entitled to full payment for accrued vacation and compensatory leave at their final pay rates, and are entitled to payment for approximately one-half of their accrued sick leave at such rates. Metropolitan records its obligations for vacation, sick, and compensatory leave earned by eligible employees based on current pay rates. The allocations to the current and long-term portions of these vested obligations were based on experience and projections of turnover.

(l) Pension Accounting

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:
Valuation Date (VD): June 30, 2019
Measurement Date (MD): June 30, 2020
Measurement Period: July 1, 2019 to June 30, 2020

(m) OPEB Accounting

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of Metropolitan's plan (OPEB Plan), the assets of which are held by the California Employer's Retiree Benefit Trust (CERBT), and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:
Valuation Date (VD): June 30, 2019
Measurement Date (MD): June 30, 2020
Measurement Period: July 1, 2019 to June 30, 2020

(n) Deferred Outflows/Inflows of Resources

The net investment in capital assets, including State Water Project costs of $6.1 billion at June 30, 2021 and 2020 includes the effect of deferring the recognition of losses from bond refundings. The deferred outflows from losses on bond refundings at June 30, 2021 and 2020 were $13.3 million and $19.6 million, respectively. This is amortized and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old or the new debt, whichever is shorter.

The unrestricted net position amount of $520.2 million and $308.9 million at June 30, 2021 and 2020, respectively, includes the effect of deferring the recognition of losses from swap terminations resulting in defeasance of debt, the increase or decrease in fair value of Metropolitan's effective interest rate swaps, and deferred amounts related to pension and OPEB.

The deferred outflows from losses on swap terminations resulting in debt defeasance at June 30, 2021 and 2020, respectively, were $17.9 million and $19.0 million. These deferred outflows of resources are amortized and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

The deferred outflows related to pension at June 30, 2021 and 2020 were $103.2 million and $85.2 million, respectively. The deferred inflows related to pension at June 30, 2021 and 2020 were $1.6 million and $21.3 million, respectively. See note 7(d) for additional information.

The deferred outflows related to OPEB at June 30, 2021 and 2020 were $32.9 million and $33.5 million, respectively. The deferred inflows related to OPEB at June 30, 2021 and 2020 were $33.0 million and $47.3 million, respectively. See notes 8(j) and (k) for additional information.

The deferred inflow from the increase in fair value of interest rate swaps of $7.9 million at June 30, 2021 and the deferred outflow from the decrease in fair value of interest rate swaps of $11.7 million at June 30, 2020 would be recognized as an investment gain or loss, respectively, upon the early termination of the swaps. Metropolitan will only terminate its interest rate swap agreements in advance of the contractual termination dates if market conditions permit. The deferred inflow and deferred outflow also would be recognized as an investment gain or loss, respectively, if the swaps were determined no longer to be effective hedges. Finally, if the bond associated with a swap is refunded, the deferred inflow and deferred outflow would be reduced and the deferred gain or loss on refunding, respectively, would be increased by the same amount. The deferred gain or loss would be amortized as a component of interest expense over the life of the old debt or the new debt, whichever is shorter.

(o) Capital Contributions

Capital contributions are comprised of federal, state, and private grants. These grants are typically of a reimbursable nature: Metropolitan first pays for the project and then the granting agency reimburses Metropolitan for its eligible expenses. The portion of the grants restricted for capital purposes are reflected as capital contributions in the statements of revenues, expenses and changes in net position when they are earned, irrespective of the timing of the receipts. Examples of capital projects where grants are received include water treatment plant improvements, such as fluoridation and water storage programs.

(p) Operating and Nonoperating Revenues and Expenses

Metropolitan's primary purpose is to provide a supplemental supply of water for domestic and municipal uses. Accordingly, Metropolitan defines operating revenues as revenues derived from the sale and availability of water, including water rates and other exchange and wheeling transactions. It also includes readiness-to-serve charges, capacity charge, and hydroelectric power sales. Operating expenses include the cost of sales and services, administrative expenses, and depreciation and amortization of capital assets.

Revenues from property taxes and investment income, as well as interest expense on outstanding debt, are related to capital and financing activities and are defined as nonoperating revenues and expenses.

(q) Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is Metropolitan's practice to use restricted resources first, then unrestricted resources as they are needed.

(r) Use of Estimates

The preparation of basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(s) New Accounting Pronouncements

Metropolitan implemented the following GASB Statements in fiscal year 2021:

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities (GASB 84).* This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity that meets the fiduciary criteria of this statement should be reported in a fiduciary fund in the basic financial statements presented in a statement of fiduciary net position and a statement of changes in fiduciary net position. The requirements of this statement are effective for fiscal year 2021 and must be applied retroactively to the earliest year presented. There was no impact to beginning net position for fiscal year 2020. Balances for Metropolitan were adjusted as follows for fiscal year 2020:

(Dollars in thousands)	2020 previously reported	GASB 84 adjustment	2020 adjusted
Current Assets:			
Restricted cash and investments	$ 519,926	$ (2,486)	$ 517,440
Receivable - Interest on investments	3,551	(5)	3,546
Noncurrent Assets:			
Restricted cash and investments	45,977	(3,366)	42,611
Total change in assets		$ (5,857)	
Current Liabilities:			
Accounts payable and accrued expenses	$ 109,083	$ (5)	$ 109,078
Customer deposits and trust funds	11,924	(2,888)	9,036
Noncurrent Liabilities:			
Customer deposits and trust funds	44,837	(2,964)	41,873
Total change in liabilities		$ (5,857)	

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*. This statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization and for reporting component units if a government acquires a 100 percent equity interest in that component unit. The requirements of this statement are effective for fiscal year 2021 but since Metropolitan's only component unit, MWDAFC, had no financial activity, there was no impact on previously reporting balances in the Statements of Net Position or the Statements of Revenues, Expenses and Changes in Net Position and there was no impact on note disclosures for the current year.

Metropolitan is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB Statements that will be implemented in a future fiscal year:

- GASB Statement No. 87, *Leases* (effective for fiscal year 2022).
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (effective for fiscal year 2022).
- GASB Statement No. 92, *Omnibus 2020* (effective for fiscal year 2022).
- GASB Statement No. 93, *Replacement of Interbank Offered Rates* (effective for fiscal year 2022).
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (effective for fiscal year 2023).
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (effective for fiscal year 2023).
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* (effective for fiscal year 2022).

The following pronouncement was issued by GASB but was determined to not be applicable to Metropolitan's financial statements:

- GASB Statement No. 91, *Conduit Debt Obligations.*

2. CAPITAL ASSETS

Capital asset activity for the fiscal years ended June 30, 2021 and 2020 was as follows:

(Dollars in thousands)	June 30, 2019	Additions
Capital assets not being depreciated:		
Land, easements and rights of way	$ 984,825	$ 902
Construction in progress	545,803	326,418
Total capital assets not being depreciated	1,530,628	327,320
Other capital assets:		
Parker power plant and dam	13,009	—
Power recovery plants	210,577	10,422
Other dams and reservoirs	1,568,330	47,935
Water transportation facilities	3,892,568	119,404
Pumping plants and facilities	303,032	55,464
Treatment plants and facilities	3,185,781	22,995
Power lines and communication facilities	32,678	7,544
Computer systems software	114,810	6,935
Buildings	187,405	15,399
Miscellaneous	497,813	33,361
Major equipment	104,819	6,400
Pre-operating expenses of original aqueduct	44,595	—
Participation rights in State Water Project (Note 10)	5,301,433	181,880
Participation rights in other facilities (Note 4)	459,049	—
Total other capital assets at historical cost	15,915,899	507,739
Accumulated depreciation and amortization:		
Parker power plant and dam	(12,463)	(163)
Power recovery plants	(102,518)	(3,454)
Other dams and reservoirs	(422,696)	(10,198)
Water transportation facilities	(1,060,509)	(62,180)
Pumping plants and facilities	(109,195)	(8,026)
Treatment plants and facilities	(826,432)	(76,227)
Power lines and communication facilities	(11,495)	(462)
Computer systems software	(111,352)	(2,167)
Buildings	(37,931)	(4,089)
Miscellaneous	(149,591)	(18,829)
Major equipment	(87,544)	(5,747)
Pre-operating expenses of original aqueduct	(42,524)	(1,035)
Participation rights in State Water Project (Note 10)	(3,860,925)	(142,696)
Participation rights in other facilities (Note 4)	(217,873)	(13,780)
Total accumulated depreciation and amortization	(7,053,048)	(349,053)
Other capital assets, net	8,862,851	158,686
Total capital assets, net	$ 10,393,479	$ 486,006
Depreciation and amortization was charged as follows:		
Depreciation of water related assets		
Amortization of State Water Project participation rights (Note 10)		
Amortization of other participation rights (Note 4)		
Depreciation and amortization expense related to capital assets		
Plus: Net retirements adjusted to expense		
Total depreciation and amortization expense		

Reductions	June 30, 2020	**Additions**	**Reductions**	**June 30, 2021**
$ (931)	$ 984,796	**$ 2,691**	**$ (813)**	**$ 986,674**
(236,067)	636,154	**268,970**	**(93,216)**	**811,908**
(236,998)	1,620,950	**271,661**	**(94,029)**	**1,798,582**
—	13,009	**—**	**—**	**13,009**
(764)	220,235	**457**	**—**	**220,692**
(2,753)	1,613,512	**1,914**	**(49)**	**1,615,377**
(18,539)	3,993,433	**37,156**	**(27,528)**	**4,003,061**
(909)	357,587	**2,813**	**(178)**	**360,222**
(82,456)	3,126,320	**20,812**	**(7,596)**	**3,139,536**
(161)	40,061	**—**	**—**	**40,061**
(3,315)	118,430	**8,262**	**(3,052)**	**123,640**
(24,298)	178,506	**757**	**(179)**	**179,084**
(2,110)	529,064	**3,881**	**(5,760)**	**527,185**
(3,122)	108,097	**5,515**	**(2,326)**	**111,286**
—	44,595	**—**	**—**	**44,595**
(37,481)	5,445,832	**180,446**	**(38,602)**	**5,587,676**
—	459,049	**—**	**—**	**459,049**
(175,908)	16,247,730	**262,013**	**(85,270)**	**16,424,473**
—	(12,626)	**(163)**	**—**	**(12,789)**
764	(105,208)	**(4,906)**	**—**	**(110,114)**
2,645	(430,249)	**(22,545)**	**46**	**(452,748)**
10,550	(1,112,139)	**(57,419)**	**14,660**	**(1,154,898)**
758	(116,463)	**(6,939)**	**178**	**(123,224)**
17,488	(885,171)	**(74,543)**	**4,794**	**(954,920)**
161	(11,796)	**(493)**	**—**	**(12,289)**
1,911	(111,608)	**(2,410)**	**3,052**	**(110,966)**
4,086	(37,934)	**(3,446)**	**169**	**(41,211)**
321	(168,099)	**(11,873)**	**2,650**	**(177,322)**
3,122	(90,169)	**(5,775)**	**2,317**	**(93,627)**
—	(43,559)	**(1,035)**	**—**	**(44,594)**
—	(4,003,621)	**(147,964)**	**—**	**(4,151,585)**
—	(231,653)	**(13,780)**	**—**	**(245,433)**
41,806	(7,360,295)	**(353,291)**	**27,866**	**(7,685,720)**
(134,102)	8,887,435	**(91,278)**	**(57,404)**	**8,738,753**
$ (371,100)	$ 10,508,385	**$ 180,383**	**$ (151,433)**	**$ 10,537,335**
	$ 192,577			**$ 191,547**
	142,696			**147,964**
	13,780			**13,780**
	349,053			**353,291**
	3,978			**9,553**
	$ 353,031			**$ 362,844**

3. CASH AND INVESTMENTS

As a public agency, Metropolitan's investment practices are prescribed by various provisions of the California Government Code and the Act, as well as by administrative policies. Metropolitan's statement of investment policy is approved annually by the Board and describes the Treasurer's investment authority, practices, and limitations. The basic investment policy objectives, in order of importance, are safety of principal, liquidity, and return on investment.

Cash and investments may or may not be restricted as to use, depending on the specific purposes for which such assets are held (see Notes 3d and 13).

Metropolitan's total deposits and investments are reported at fair value in the following funds:

	June 30,			
(Dollars in thousands)		**2021**		2020
Proprietary Funds	**$**	**1,476,196**	$	1,246,268
Fiduciary Funds		**5,712**		5,852
Total deposits and investments	**$**	**1,481,908**	$	1,252,120
Deposits	**$**	**5,009**	$	161
Investments		**1,476,899**		1,251,959
Total deposits and investments	**$**	**1,481,908**	$	1,252,120

A summary of Metropolitan's deposit and investment policies, information on interest and credit risks, and restricted cash and investments is provided below.

(a) Deposits

The California Government Code requires California banks and savings and loan associations to secure a local government agency's deposits by pledging government securities as collateral.

As of June 30, 2021 and 2020, Metropolitan's cash balances with financial institutions were $5,004,000 and $156,000 respectively, and cash on hand was $5,000 at each fiscal year-end.

(b) Investments

Metropolitan is permitted by State law and Board policy to invest in a variety of instruments including U.S. Treasury securities, federal agencies, Supranationals, asset-backed, repurchase agreements, negotiable certificates of deposit, bankers' acceptances, prime commercial paper, Government-sponsored enterprise (GSE), California local agency securities, including securities issued by Metropolitan, medium-term corporate notes, time deposits, investment contracts, money market funds, California Asset Management Program (CAMP), and Local Agency Investment Fund (LAIF).

As of June 30, 2021 and 2020, Metropolitan had the following investments at fair value:

	June 30,	
(Dollars in thousands)	**2021**	2020
Asset-backed securities	**$ 50,465**	$ 42,419
CAMP	**372,184**	210,343
Federal agency securities	**34,707**	41,306
GSE	**32,373**	58,856
LAIF	**75,000**	75,000
Medium-term corporate notes	**180,932**	230,027
Money market funds	**5,139**	167,532
Municipal bonds	**7,317**	3,524
Negotiable certificates of deposit	**266,953**	136,265
Prime commercial paper	**204,626**	74,988
Supranationals	**86,842**	38,535
U.S. Treasury securities	**160,361**	173,164
Total investments	**$ 1,476,899**	$ 1,251,959

Metropolitan categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is the summary of the fair value hierarchy of the fair value of investments of Metropolitan as of June 30, 2021 and 2020:

	Fair Value Measurement Using					
(Dollars in thousands)	**6/30/2021**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	6/30/2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level:						
Asset-backed securities	**$ 50,465**	**$ 50,465**	**$ —**	$ 42,419	$ 42,419	$ —
Federal agency securities	**34,707**	**34,707**	**—**	41,306	41,306	—
GSE	**32,373**	**32,373**	**—**	58,856	58,856	—
Medium-term corporate notes	**180,932**	**180,932**	**—**	230,027	230,027	—
Municipal bonds	**7,317**	**7,317**	**—**	3,524	3,524	—
Negotiable certificates of deposit	**266,953**	**266,953**	**—**	136,265	126,262	10,003
Prime commercial paper	**204,626**	**39,979**	**164,647**	74,988	—	74,988
Supranationals	**86,842**	**86,842**	**—**	38,535	38,535	—
U.S. Treasury securities	**160,361**	**160,361**	**—**	173,164	173,164	—
Total investments by fair value level	**$ 1,024,576**	**$ 859,929**	**$ 164,647**	$ 799,084	$ 714,093	$ 84,991
Investments not subject to fair value level:						
CAMP	**372,184**			210,343		
LAIF	**75,000**			75,000		
Money market funds [(1)]	**5,139**			167,532		
Total investments	**$ 1,476,899**			$ 1,251,959		

[(1)] As of June 30, 2021 and 2020, the balance was invested in Dreyfus Gov't Cash Management and Dreyfus AMT-Free Tax Exempt (DGCXX & DEIXX) and BlackRock Treasury Trust (TTTXX).

Investments classified in Level 1 of the fair value hierarchy, valued at $859.9 million and $714.1 million as of June 30, 2021 and 2020, respectively, are valued using quoted prices in active markets.

Prime commercial paper totaling $164.6 million and $75.0 million as of June 30, 2021 and 2020, respectively, and negotiable certificates of deposit totaling $10.0 million as of June 30, 2020, are classified in Level 2 of the fair value hierarchy were valued using matrix pricing.

Metropolitan owns investments utilizing a stable one dollar per share value. These investment assets are exempt from reporting under the fair value measurement levels. There are no redemption restrictions for the investments reported at a value of one dollar per share.

CAMP and LAIF are carried at fair value, or the value of each participating dollar as provided by CAMP and LAIF, respectively. The fair value of Metropolitan's position in CAMP and LAIF is the same as the value of the pool shares. The pooled funds are not subject to level 1, 2 or 3 of the fair value hierarchy.

Interest rate risk. In accordance with Metropolitan's investment policy, interest rate risk was managed by limiting the duration of the various portfolio segments. Each segment has limitations on the amount of duration exposure (see the following for specific durations).

Liquidity Segment

This segment of the portfolio was managed against the Intercontinental Exchange Bank of America Merrill Lynch (ICE BoAML) 3-Month Treasury Bill Index, approved by the Finance and Insurance Committee. The benchmark duration as of June 30, 2021 and 2020 was 0.23 and the portfolio duration was permitted to vary from the duration by plus or minus 0.50. As of June 30, 2021 and 2020, Metropolitan's investments and portfolio durations for this segment were as follows:

	June 30,			
	2021		2020	
(Dollars in thousands)	**Fair value**	**Duration**	Fair value	Duration
Asset-backed securities	**$ 47,870**	**0.64**	$ 42,419	2.17
CAMP	**372,184**	**—**	210,343	—
Federal agency securities	**32,051**	**1.60**	39,983	1.16
LAIF	**75,000**	**—**	75,000	—
Medium-term corporate notes	**132,226**	**0.76**	146,084	0.60
Money market funds	**1**	**—**	165,428	—
Municipal bonds	**6,091**	**0.42**	2,135	2.17
Negotiable certificates of deposit	**266,953**	**0.56**	136,265	0.36
Prime commercial paper	**204,626**	**0.23**	74,988	0.09
Supranationals	**78,068**	**1.07**	38,535	0.43
U.S. Treasury securities	**60,145**	**1.32**	120,138	0.41
Total portfolio segment	**$ 1,275,215**		$ 1,051,318	
Portfolio duration		**0.43**		0.33

Core Segment

This segment of the portfolio was managed against the ICE BoAML, U.S. Corporate and Government, one to five years, A-Rated and above index approved by the Finance and Insurance Committee. For fiscal years 2021 and 2020, the benchmark durations were 2.69 and 2.66, respectively, and the portfolio duration was permitted to vary from the duration by plus or minus 1.50. As of June 30, 2021 and 2020, Metropolitan's investments and portfolio durations for this segment were as follows:

	June 30,					
	2021			2020		
(Dollars in thousands)		**Fair value**	**Duration**		Fair value	Duration
Asset-backed securities	**$**	**2,595**	**1.88**	$	—	—
GSE		**32,373**	**1.63**		58,856	1.56
Money market funds		**4,662**	**—**		1,756	—
Medium-term corporate notes		**48,706**	**2.72**		83,943	2.10
Supranationals		**8,774**	**2.70**		—	—
U.S. Treasury securities		**99,117**	**2.73**		50,512	3.65
Total portfolio segment	**$**	**196,227**		$	195,067	
Portfolio duration			2.47			2.32

Bond Reserves and Lake Mathews Segment

Investments in the bond reserves were managed based on the requirements of each of the bond issues. The Lake Mathews trust funds were managed in a manner that preserved the principal and provided the necessary liquidity to pay its operating expenses. Per Board authorization, the Treasurer was authorized to invest these monies in excess of five years.

As of June 30, 2021 and 2020, Metropolitan's investments and portfolio durations for this segment were as follows:

	June 30,					
	2021			2020		
(Dollars in thousands)		**Fair value**	**Duration**		Fair value	Duration
Federal agency securities	**$**	**2,656**	**1.28**	$	1,323	1.58
Money market funds		**476**	**—**		348	—
Municipal bonds		**1,226**	**2.68**		1,389	3.22
U.S. Treasury securities		**1,099**	**1.46**		2,514	0.97
Total portfolio segment	**$**	**5,457**		$	5,574	
Weighted average duration			**1.52**			1.61

Credit risk. Credit risk was managed by purchasing investments with the nationally recognized credit ratings specified in Metropolitan's investment policy. Additionally, the policy required monitoring the credit ratings of securities held in the portfolio, and if the securities' credit ratings were downgraded, evaluating for potential sale. For certain securities, additional requirements included consideration of net worth, length of time in business, and specified fair values.

Presented in the following table is the minimum rating required, if applicable, by investment type pursuant to Metropolitan's investment policy and State law:

Investment Type	**Minimum Rating**
U.S. Treasury Federal Agency Obligations GSE	Not applicable.
Bankers' acceptances	A-1 or its equivalent or better by a nationally recognized rating agency (NRSRO).
Prime commercial paper	Highest ranking or highest letter and number rating as provided by a NRSRO.
Negotiable certificates of deposit	A (long-term) or A-1 (short-term) or their equivalent or better by a NRSRO.
Bank deposits	All deposits must be collateralized as required by California Government Code Sections 53630 et seq. The Treasurer may waive collateral for the portion of any deposits that is insured pursuant to federal law.
Asset-backed securities	Rating category of at least 'AA' or equivalent or better by a NRSRO.
Supranationals	Rating category of at least 'AA' or equivalent or better by a NRSRO.
CAMP	Rating category of 'AAAm' or its equivalent or better by a NRSRO.
Repurchase agreements	Limited to primary dealers or financial institutions in a rating category of 'A' or its equivalent or better by a NRSRO.
Medium-term corporate notes	Rating category of 'A' or its equivalent or better by a NRSRO.
LAIF	Not applicable.
Money market funds	Highest ranking by not less than two NRSROs or must retain an investment advisor that meets specified requirements.
Municipal bonds	A (long-term) or A-1 (short-term) or their equivalent or better by a NRSRO.

At June 30, 2021 and 2020, Metropolitan's portfolio was invested in the following securities by rating:

		June 30,	
		2021	2020
(Dollars in thousands)	Rating	**Fair value**	Fair value
Asset-backed securities	AA or higher	**$ 50,465**	$ 42,419
CAMP	AAAm	**372,184**	210,343
Federal agency securities	N/A[1]	**34,707**	41,306
GSE	N/A[1]	**32,373**	58,856
LAIF	N/A[2]	**75,000**	75,000
Medium-term corporate notes	A[3]	**180,932**	230,027
Money market funds	AAA	**5,139**	167,532
Municipal bonds	A[3]	**7,317**	3,524
Negotiable certificates of deposit	F1[3]	**266,953**	136,265
Prime commercial paper	A1/P1[3]	**204,626**	74,988
Supranationals	AA or higher	**86,842**	38,535
U.S. Treasury securities	N/A[1]	**160,361**	173,164
Total portfolio		**$ 1,476,899**	$ 1,251,959

[1]*Credit ratings are not applicable to obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government.*
[2]*LAIF is not rated.*
[3]*A (long-term) or A-1 (short-term) or better e.g. F1+, A1+, AA, or AAA.*

Concentration of credit risk. In accordance with Metropolitan's investment policy, the minimum requirements for limiting concentration of credit risk defined the maximum percent allowable for investment in each security type as well as the percent allowable for investment by issuer per type. Generally, the maximum allowable for investment by security type varied from 20 percent for asset-backed securities and money market funds, to 100 percent for federal agency securities, GSE, and U.S. Treasury securities. The percentages of investments that can be purchased by a single issuer is limited to 5 percent for asset-backed securities, banker's acceptances, medium-term corporate notes, municipal bonds, negotiable certificates of deposit, and prime commercial paper.

The following table identifies Metropolitan's limits and the percent invested by security type based on fair value, as of June 30, 2021 and 2020.

	Investment Policy Limits	Percent of Portfolio	
		2021	2020
Asset-backed securities	20%	**4 %**	4 %
CAMP	30%	**25 %**	17 %
Federal agency securities	100%	**2 %**	3 %
GSE	100%	**2 %**	5 %
LAIF	N/A	**5 %**	6 %
Medium-term corporate notes	30%	**12 %**	18 %
Money market funds	20%	**<1 %**	13 %
Municipal bonds	30%	**1 %**	<1 %
Negotiable certificates of deposit	30%	**18 %**	11 %
Prime commercial paper	25%	**14 %**	6 %
Supranationals	30%	**6 %**	3 %
U.S. Treasury securities	100%	**11 %**	14 %
Total portfolio		**100 %**	100 %

At June 30, 2021 and 2020, Metropolitan had the following investments (obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government not listed) representing five percent or more of its investments:

(Dollars in thousands)	**2021**	
CAMP	**$ 372,184**	**25.20 %**
LAIF	**$ 75,000**	**5.08 %**

(Dollars in thousands)	2020	
CAMP	$ 210,343	16.80 %
Dreyfus Gov't Cash Management[(1)]	$ 165,511	13.22 %
LAIF	$ 75,000	5.99 %

[(1)] *Invested in Money market funds*

Custodial credit risk. At June 30, 2021 and 2020, Metropolitan's investments were insured, registered or held, in Metropolitan's name, in safekeeping at Metropolitan's bank, which was not a counterparty to the investment transactions. The exceptions were $372.2 million and $210.3 million in the CAMP as of June 30, 2021 and 2020, respectively, and $75.0 million in deposits in LAIF as of June 30, 2021 and 2020.

CAMP is a program created through a joint powers agency as a pooled short-term portfolio and cash management vehicle for California public agencies under California Government Code Section 53601(p). CAMP is governed by a seven member Board of Trustees comprised of finance directors and treasurers of California public agencies. The total amount invested by all public agencies in CAMP was $6.5 billion as of June 30, 2021 and 2020. Of the amount invested in CAMP, 33.7 percent and 31.3 percent was invested in medium-term and short-term notes and asset-backed securities at June 30, 2021 and 2020, respectively. The average maturity of CAMP investments was 52 days and 53 days as of such dates.

The LAIF, created by California statute, is part of a pooled money investment account (PMIA). The LAIF has oversight by the Local Investment Advisory Board, which consists of five members designated by statute. The Chairwoman is the State Treasurer, or her designated representative.

The total amount invested by all public agencies in LAIF as of June 30, 2021 and 2020 was $37.1 billion and $32.1 billion, respectively. At June 30, 2021 and 2020, the PMIA had a balance of $193.3 billion and $101.0 billion, respectively, of which, 2.31 percent and 3.37 percent were invested in medium-term and short-term notes and asset-backed securities, respectively. The average maturity of the LAIF investments as of June 30, 2021 and 2020, was 291 days and 191 days, respectively.

(c) Reverse Repurchase Agreements

Metropolitan is permitted, subject to conditions imposed by State law, to sell securities owned under written agreements and to buy back the securities on or before a specified date for a specified amount. No such reverse repurchase agreements were entered into during the fiscal years ended June 30, 2021 and 2020.

(d) Restricted Cash and Investments

Metropolitan has established a number of separate accounts, also referred to as funds, to provide for specific activities in accordance with special regulations, bond covenants, and trust arrangements. The accounts are classified as "restricted." Most restricted accounts have the minimum cash and investment balance requirements and all are nondiscretionary in terms of the use of assets. Among other things, the restricted amounts provide for payments of debt service on Metropolitan's bonds; reserves for principal and interest on outstanding bonds; payments for arbitrage tax rebate; construction of capital assets; payment of Metropolitan's operations and maintenance expenses; and payment of the costs related to the closure and postclosure maintenance of Metropolitan's solid waste landfill facility.

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4. PARTICIPATION RIGHTS

Participation rights activity, excluding participation rights in State Water Project, for the fiscal years ended June 30, 2021 and 2020 was as follows:

(Dollars in thousands)	June 30, 2019	Additions
Participation rights:		
Imperial Irrigation District	$ 112,313	$ —
Palo Verde Irrigation District	82,804	—
Kern Delta Water District	39,007	—
South County Pipeline	72,371	—
Semitropic Water Storage District	34,259	—
Arvin-Edison Water Storage District	47,187	—
Chino Basin	27,500	—
Orange County	23,000	—
Conjunctive Use Programs	20,608	—
Total	459,049	—
Accumulated amortization:		
Imperial Irrigation District	(61,232)	(2,271)
Palo Verde Irrigation District	(33,417)	(2,341)
Kern Delta Water District	(19,459)	(2,172)
South County Pipeline	(24,019)	(913)
Semitropic Water Storage District	(18,869)	(943)
Arvin-Edison Water Storage District	(23,221)	(1,468)
Chino Basin	(14,902)	(1,453)
Orange County	(12,248)	(1,194)
Conjunctive Use Programs	(10,506)	(1,025)
Total	(217,873)	(13,780)
Participations rights, net	$ 241,176	$ (13,780)

Reductions	June 30, 2020	**Additions**	**Reductions**	**June 30, 2021**
$ —	$ 112,313	**$ —**	**$ —**	**$ 112,313**
—	82,804	**—**	**—**	**82,804**
—	39,007	**—**	**—**	**39,007**
—	72,371	**—**	**—**	**72,371**
—	34,259	**—**	**—**	**34,259**
—	47,187	**—**	**—**	**47,187**
—	27,500	**—**	**—**	**27,500**
—	23,000	**—**	**—**	**23,000**
—	20,608	**—**	**—**	**20,608**
—	459,049	**—**	**—**	**459,049**
—	(63,503)	**(2,270)**	**—**	**(65,773)**
—	(35,758)	**(2,343)**	**—**	**(38,101)**
—	(21,631)	**(2,172)**	**—**	**(23,803)**
—	(24,932)	**(913)**	**—**	**(25,845)**
—	(19,812)	**(942)**	**—**	**(20,754)**
—	(24,689)	**(1,468)**	**—**	**(26,157)**
—	(16,355)	**(1,453)**	**—**	**(17,808)**
—	(13,442)	**(1,194)**	**—**	**(14,636)**
—	(11,531)	**(1,025)**	**—**	**(12,556)**
—	(231,653)	**(13,780)**	**—**	**(245,433)**
$ —	$ 227,396	**$ (13,780)**	**$ —**	**$ 213,616**

(a) Imperial Irrigation District

In December 1988, Metropolitan and the Imperial Irrigation District (IID) entered into a water conservation agreement that became effective in December 1989. Under the terms of the conservation agreement, Metropolitan paid for capital costs and continues to pay annual costs for specific conservation projects within IID. From 1998 to 2003, Metropolitan diverted from the Colorado River a quantity of water equal to the amount of water conserved by the conservation projects, which totaled between 104.9 TAF and 109.5 TAF annually. Under the October 2003 amendment to an agreement and at the request of the Coachella Valley Water District (CVWD), up to 20.0 TAF of the total conserved volume was made available to CVWD. Under the May 2007 amendment to the agreement and a December 2014 letter agreement, at least 85.0 TAF and 105.0 TAF will be/was available in calendar years 2021 and 2020, respectively (see Note 9c). The water must be used in the calendar year the water is conserved, unless stored in a Colorado River reservoir pursuant to a separate agreement.

As capital projects were completed, the costs contributed by Metropolitan were capitalized as participation rights in Metropolitan's accounting records. The construction phase of this program was completed as of September 30, 1998, and the operation and maintenance phase commenced on October 1, 1998. The October 2003 amendment to the agreement extended the term through December 31, 2041 or 270 days beyond the termination of the Quantification Settlement Agreement plus any extension applicable over the agreement (see Note 9e).

Participation rights for this project totaled $112.3 million as of June 30, 2021 and 2020, and are amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $2.3 million in fiscal years 2021 and 2020.

(b) Palo Verde Irrigation District

In August 2004, Metropolitan entered into an agreement with PVID to implement a 35-year land management and crop rotation program. This fallowing program commenced in January 2005 and will extend through July 2040 and will make available up to 130.0 TAF of water in certain years for transfer to Metropolitan from PVID.

Under the terms of the agreement, Metropolitan paid for all program start-up costs that have been capitalized as participation rights. These costs included sign-up payments to individual landowners, funding for a community improvement program and program setup costs.

Participation rights for this program totaled $82.8 million as of June 30, 2021 and 2020, and are being amortized using the straight-line method over 35 years. Amortization expense totaled $2.3 million in fiscal years 2021 and 2020.

(c) Kern Delta Water District

Metropolitan entered into an agreement with the Kern Delta Water District for the development of a water management program. The agreement includes a Regulation Program and a Transportation Program. Under the terms of the Regulation Program, Kern Delta will regulate the storage and delivery for Metropolitan of up to 250.0 TAF of water and has 166.9 TAF in the program as of June 30, 2021. The program is intended to provide a minimum recharge and return capability of 50.0 TAF annually. Construction of infrastructure is required in order to meet the program's dry year minimum return. The transportation program provides Metropolitan with priority rights to convey water acquired by Metropolitan from third parties through the Kern-Delta facilities to the

California Aqueduct for ultimate delivery to Metropolitan. This program terminates on December 31, 2029. The facilities became operational in June 2010.

Participation rights for the Kern Delta totaled $39.0 million as of June 30, 2021 and 2020, and are being amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $2.2 million in fiscal years 2021 and 2020.

(d) South County Pipeline

In 1989, Metropolitan entered into an agreement with two member agencies and one of their subagencies to participate in the construction of an upsized version of a 26-mile long pipeline serving the south Orange County portion of its service area. Participation in this project provides Metropolitan capacity to transport its water in the central part of its service area.

Participation rights for this project totaled $72.4 million as of June 30, 2021 and 2020. These participation rights are amortized using the straight-line method over 80 years, which is the life of the agreement. Amortization expense totaled $0.9 million in fiscal years 2021 and 2020.

(e) Semitropic Water Storage District

In December 1994, Metropolitan entered into a water banking and exchange program with Semitropic Water Storage District and its improvement districts that entitles it to storage, withdrawal, and exchange rights for its SWP supplies. The agreement terminates in November 2035.

In 1999, Metropolitan became fully vested for 35 percent of the one million acre-foot banking project. Metropolitan has a storage allocation of 350.0 TAF and currently has 260.6 TAF in the program as of June 30, 2021. Metropolitan is entitled to a minimum of 31.5 TAF per year of pump back capacity. In addition, assuming a 100 percent SWP allocation, Metropolitan is entitled to a minimum of 46.6 TAF per year of entitlement exchange rights. Finally, Metropolitan has the ability to use other banking partners' rights when they are not being used. As a result, the potential maximum return capability for Metropolitan is estimated at 248.4 TAF per year assuming a 100 percent SWP allocation and usage of the other banking partners' rights. In fiscal year 2015, Metropolitan spent $5.8 million to increase the return capacity by 13.2 TAF per year. Since then, the additional return capacity has been reduced to 6.7 TAF per year after Metropolitan received reimbursement of $2.9 million.

Participation rights for this program totaled $34.3 million as of June 30, 2021 and 2020. These participation rights are amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $0.9 million in fiscal years 2021 and 2020.

(f) Arvin-Edison Water Storage District

In December 1997, Metropolitan entered into an agreement for a water management program with Arvin-Edison Water Storage District (Arvin-Edison). The agreement includes a regulation program, a transportation program, and a water quality exchange program. Under the terms of the regulation program, Arvin-Edison will regulate the storage and delivery for Metropolitan of up to 350.0 TAF of water and currently has 142.3 TAF in the program at June 30, 2021. The minimum estimated return capability for the Arvin-Edison program varies from 40.0 TAF per year to 75.0 TAF per year depending on hydrologic/groundwater conditions. Return water will be delivered to Metropolitan upon request through a new intertie pipeline to the California Aqueduct and by exchange of existing Arvin-Edison supplies in the California Aqueduct. In 2008, Metropolitan amended the agreement to construct the south canal improvement project that will improve the operational flexibility of the program as well as increase the ability to return high quality water to the California Aqueduct. The project was completed in early 2009. The agreement terminates on November 4, 2035 with provisions for automatic extension if all stored water has not been returned.

The agreement also provides a transportation program whereby Metropolitan is provided priority rights to convey water acquired by Metropolitan from third parties through the Arvin-Edison facilities to the California Aqueduct for ultimate delivery to Metropolitan.

Participation rights for the Arvin-Edison program totaled $47.2 million as of June 30, 2021 and 2020. These participation rights are amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $1.5 million in fiscal years 2021 and 2020.

(g) Chino Basin

In June 2003, Metropolitan entered into a groundwater storage agreement with Inland Empire Utilities Agency, Three Valleys Municipal Water District, and the Chino Basin Watermaster. Under the terms of the agreement, Metropolitan may store up to 25.0 TAF per year to a maximum of 100.0 TAF and may withdraw up to 33.0 TAF per year for overlying demand during dry, drought, or emergency conditions. The facilities became operational during fiscal year 2009. As of June 30, 2021, Metropolitan had 22.9 TAF water in storage. The agreement terminates on March 1, 2028, unless the parties agree to extend for an additional maximum period of 25 years.

Participation rights in the Chino basin groundwater storage program totaled $27.5 million as of June 30, 2021 and 2020. These participation rights are amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $1.5 million in fiscal years 2021 and 2020.

(h) Orange County

In 2003, Metropolitan entered into a groundwater storage agreement with the Orange County Water District and the Municipal Water District of Orange County to allow Metropolitan to store 66.0 TAF in the Orange County Basin. Metropolitan may store up to 16.5 TAF per year and withdraw up to 22.0 TAF for overlying demand during dry, drought, or emergency conditions. The facilities became operational during fiscal year 2009. At June 30, 2021, Metropolitan had no water in storage. The program included the construction of wells and barrier improvements for protection of groundwater supplies from seawater intrusion. The agreement terminates in June 2028, unless the parties agree to extend for an additional maximum period of 25 years.

Participation rights in the Orange County groundwater storage program totaled $23.0 million as of June 30, 2021 and 2020. These participation rights are amortized using the straight-line method over the remaining life of the agreement. Amortization expense totaled $1.2 million in fiscal years 2021 and 2020.

(i) Conjunctive Use Programs

Conjunctive use is the operation of a groundwater basin in coordination with a surface water system to increase total water supply availability, thus improving the overall reliability of supplies. Metropolitan has entered into seven agreements with its member agencies for conjunctive use programs whereby Metropolitan provides funding for construction of water storage and related facilities in exchange for water storage and withdrawal rights. The conjunctive use programs were funded with State Proposition 13 grant dollars. The seven projects are with Long Beach, Long Beach-Lakewood, Compton, Three Valleys, Three Valleys MWD-La Verne, Foothill MWD, and Western MWD-Elsinore Valley MWD. Collectively, these seven projects allow Metropolitan to store up to 45.9 TAF with storage of 11.5 TAF per year and withdrawal of 15.3 TAF per year for overlying demand during dry, drought, or emergency conditions. As of June 2021, Metropolitan had a total of 11.6 TAF in storage in these seven accounts. The term of each agreement is 25 years, unless the parties agree to extend for an additional maximum period of 25 years. Termination dates range from July 2027 to December 2031. The programs became operational during fiscal year 2009.

Participation rights in these projects totaled $20.6 million at June 30, 2021 and 2020. These participation rights are amortized using the straight-line method over the remaining lives of the agreements. Amortization expense totaled $1.0 million in fiscal years 2021 and 2020.

5. SHORT-TERM AND LONG-TERM DEBT

Metropolitan's enabling Act specifies that its indebtedness shall be limited to 15 percent of the assessed value of all taxable property within Metropolitan's service area. Existing outstanding debt of $4.521 billion and $4.455 billion at June 30, 2021 and 2020, respectively, represents less than one percent of the June 30, 2021 and 2020 total taxable assessed valuation of $3,263 billion and $3,092 billion, respectively.

Metropolitan's long-term debt consists of general obligation and revenue bond issues as well as other obligations. The general obligation bonds are secured by Metropolitan's authority to levy ad valorem property taxes. The revenue bond obligations are special limited obligations of Metropolitan and are secured by a pledge of Metropolitan's net operating revenues. Such obligations contain certain restrictive covenants, with which Metropolitan has complied. Substantially all of the bond issues contain call provisions. Substantially all of the debt proceeds have been, and are expected to continue to be, utilized to fund new facilities, improvements and betterments, and to refund outstanding bonds.

(a) Commercial Paper and Revolving Notes

Metropolitan may issue up to $200.0 million in commercial paper to fund a portion of its capital investment plan, as approved by Metropolitan's Board. There was no commercial paper issued in fiscal years 2021 and 2020 and no commercial paper was outstanding at June 30, 2021 and 2020. Metropolitan may also issue other forms of short-term debt such as variable rate water revenue bonds and revolving notes.

Short-term note issued during the fiscal year ended June 30, 2021 was as a follows:

- On June 30, 2021, Metropolitan issued certain notes evidencing a draw of $35.6 million from the Royal Bank of Canada (RBC) Short Term Credit Facility for the purpose of refunding a portion of Metropolitan's then outstanding subordinate lien bonds. The notes have maturity date of June 29, 2022. See Note 16 for additional information.

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Short-term note issued during the fiscal year ended June 30, 2020 and repaid during the fiscal year ended June 30, 2021 was as follows:

- On June 30, 2020, Metropolitan issued certain notes evidencing a draw of $35.6 million from the RBC Short Term Credit Facility for the purpose of refunding a portion of Metropolitan's then outstanding subordinate lien bonds. On July 1, 2020, the draw was refunded with proceeds of the Water Revenue Refunding Bonds, 2020 Series C. See note 5(d).

A total of $35.6 million short-term revolving notes were outstanding at June 30, 2021 and 2020.

There were no long-term notes issued during the fiscal year ended June 30, 2021. Long-term note repaid during the year then ended was as follows:

- On June 16, 2021 Metropolitan prepaid it's $46.8 million, Short-Term Revenue Refunding Certificates, Series 2019 A from the proceeds of Metropolitan's Variable Rate Water Revenue Refunding Bonds, 2021 A (Federally Taxable), described further in Note 5(d).

Long-term note issued and repaid during the fiscal year ended June 30, 2020 was as follows:

- On October 1, 2019, Metropolitan issued a $100.0 million note under the RBC Short-Term Revolving Credit Facility (2019 RBC Note), at a rate equal to the SIFMA Index plus 33 basis points. On February 11, 2020, the 2019 RBC Note was repaid with proceeds from the issuance of the Water Revenue Refunding Bonds, Series 2020 A.

There were no long-term revolving notes outstanding at June 30, 2021. A total of $46.8 million of long-term revolving notes were outstanding at June 30, 2020.

(b) General Obligation Bonds

In 1966, voters authorized Metropolitan to incur up to $850.0 million of general obligation bond indebtedness to finance a portion of Metropolitan's capital investment plan. The original amounts, issued as Series A through H under the 1966 authorization, totaled $850.0 million. Metropolitan has refunded a portion of these general obligation bond issues through the issuance of refunding bonds. A total of $26.8 million and $37.3 million in general obligation refunding bonds were outstanding at June 30, 2021 and 2020, respectively.

The general obligation refunding bond issues include both serial and term bonds that mature in varying amounts through March 2037 at interest rates ranging from 3.5 percent to 5.0 percent. The term bonds are subject to mandatory redemption prior to maturity. All general obligation bonds maturing on or after the earliest applicable call date are subject to optional redemption prior to maturity, callable on interest payment dates, and subject to early redemption.

General obligation bond issued during the fiscal year ended June 30, 2021 was as follows:

- On September 1, 2020, Metropolitan issued $13.7 million, Waterworks General Obligation Refunding Bonds, 2020 Series A, which refunded $18.7 million of Waterworks General Obligation Refunding Bonds, 2010 Series A and the cost of issuance. This refunding resulted in projected present value savings of $7.6 million. The true interest cost is 1.64% with a final maturity of March 1, 2037. The bonds are subject to optional redemption provisions.

No general obligation bonds were issued during the fiscal year ended June 30, 2020.

(c) Revenue Bonds

Pursuant to a 1974 voter authorization, additional funds, primarily for funding the capital investment plan, are obtained through the sale of water revenue bonds. Revenue bonds may be issued subject to certain conditions, including a requirement that the total of revenue bonds outstanding does not exceed the equity (net position) of Metropolitan as of the fiscal year end prior to such issuance. Metropolitan has refunded some of these revenue bonds through the issuance of refunding bonds. A total of $3.994 billion and $3.969 billion of revenue bonds and revenue refunding bonds were outstanding at June 30, 2021 and 2020, respectively.

Each fixed rate revenue and revenue refunding bond issue consists of either serial or term bonds or both that mature in varying amounts through July 2051 at interest rates ranging from .46 percent to 6.95 percent. The term bonds are subject to mandatory redemption prior to maturity. Substantially all revenue bonds maturing on or after the earliest applicable call date are subject to optional redemption prior to maturity, callable on any interest payment dates, and subject to early redemption.

Revenue bond issued during the fiscal year ended June 30, 2021 was as follows:

- On February 4, 2021, Metropolitan issued $188.9 million of Water Revenue Bonds, Series 2021 A, at a true interest cost of 2.77 percent, to fund a portion of Metropolitan's Capital Investment Plan and costs of issuance. The maturities extend to October 1, 2051 and are subject to mandatory and optional redemption provisions.

Revenue bond issued during the fiscal year ended June 30, 2020 was as follows:

- On February 11, 2020, Metropolitan issued $207.3 million of Water Revenue Bonds, 2020 Series A, at a true interest cost of 3.05 percent, to prepay a $100.0 million note drawn under the RBC Short-Term Credit Facility, and to fund a portion of the capital investment plan and costs of issuance. The maturities extend to October 1, 2049 and are subject to mandatory and optional provisions.

(d) Bond Refundings and Defeasances

Metropolitan has issued Waterworks General Obligation Refunding Bonds, Water Revenue Refunding Bonds, Special Variable Rate Water Revenue Refunding Bonds, and short-term notes to refund various issues of Waterworks General Obligation Bonds, Waterworks General Obligation Refunding Bonds, Water Revenue Bonds, Water Revenue Refunding Bonds, Special Variable Rate Water Revenue Refunding Bonds, and revolving notes previously issued. The net proceeds from these sales were used to redeem the refunded bonds and fund certain swap termination payments or to purchase U.S. Treasury securities that were deposited in irrevocable escrow trust accounts with a bank acting as an independent fiscal agent to provide for all future debt service on the bonds being refunded. As a result, those bonds are considered defeased and the related liabilities have been excluded from Metropolitan's basic financial statements.

Refunding and defeasance transactions during fiscal year 2021 were as follows:

- On July 1, 2020, Metropolitan issued $268.0 million of Water Revenue Refunding Bonds, Series 2020 C, which refunded $250.0 million, Water Revenue Bonds, 2010 Authorization, Series A; $44.3 million, Water Revenue Bonds, 2010 Series B; $14.0 million, Water Revenue Refunding Bonds, 2014 Series C-2; and, $6.2 million, Water Revenue Refunding Bonds, 2014 Series G-5. In addition, a $36.5 million draw on the RBC Short-Term Credit Facility was prepaid from the proceeds. This refunding resulted in projected present value savings of $80.2 million. The true interest cost was 2.70%. The final maturity is July 1, 2040. The bonds are subject to optional redemption provisions.

- On April 2, 2021, Metropolitan extended the terms of the $271.8 million Special Variable Rate Water Revenue Refunding Bonds, 2020 Series B (SVRWRRB 2020 Series B). The SVRWRRB 2020 Series B remain in the Long Mode under the 2020B Paying Agent Agreement and bear interest at a Long Rate equal to .46 percent per annum for the Long Period ending on April 2, 2024. The 2020B Senior Revenue Bonds are subject to mandatory tender for purchase on April 2, 2024 the last day of the Long Period. The SVRWRRB 2020 Series B were designated as Self-Liquidity Bonds pursuant to the 2020B Paying Agent Agreement and no standby bond purchase agreement or other liquidity facility is in effect for the purchase of such bonds.

- On June 16, 2021, Metropolitan issued $222.2 million of Variable Rate Subordinate Water Revenue Refunding Bonds, 2021 Series A (Federally Taxable), which prepaid $46.8 million, Short-Term Revenue Refunding Certificates, Series 2019 A, and refunded $175.0 million, Subordinate Water Revenue Bonds, 2016 Authorization Series A. The 2021 Series A bonds mature on July 1, 2042, and are subject to optional and mandatory redemption provisions.

Refunding and defeasance transactions during fiscal year 2020 were as follows:

- On April 1, 2020, Metropolitan issued $152.5 million of Subordinate Water Revenue Refunding Bonds, 2020 Series A. Proceeds were used to refund $9.9 million of Water Revenue Bonds, 2000 Authorization, Series B-3; $10.0 million of Special Variable Rate Water Revenue Refunding Bonds, 2013 Series D; $17.3 million of Special Variable Rate Water Revenue Refunding Bonds, 2014 Series D; $7.9 million of Special Variable Rate Water Revenue Refunding Bonds, 2015 Series A-1; $7.9 million of Special Variable Rate Water Revenue Refunding Bonds, 2015 Series A-2; $10.4 million of Special Variable Rate Water Revenue Refunding Bonds, 2016 Series B-1; $10.4 million of Special Variable Rate Water Revenue Refunding Bonds, 2016 Series B-2; $59.9 million of Special Variable Rate Water Revenue Refunding Bonds, 2018 Series A-1; $59.9 million of Special Variable Rate Water Revenue Refunding Bonds, 2018 Series A-2; and, to fund issuance costs. The Subordinate Water Revenue Refunding Bonds, 2020 Series A have a true interest cost of 0.8 percent, mature on July 1, 2029, and are not subject to optional or mandatory redemption provisions.

- On April 3, 2020, Metropolitan entered into a Bond Purchase Agreement, dated as of April 1, 2020, with Wells Fargo Municipal Capital Strategies, LLC, for the purchase of Metropolitan's $271.8 million Special Variable Rate Water Revenue Refunding Bonds, 2020 Series B (SVRWRRB 2020 Series B). Proceeds were used to refund $77.5 million of Special Variable Rate Water Revenue Refunding Bonds, 2013 Series D; $21.2 million of Special

Variable Rate Water Revenue Refunding Bonds, 2014 Series D; $86.6 million of Special Variable Rate Water Revenue Refunding Bonds, 2015 Series A-1; and, $86.6 million of Special Variable Rate Water Revenue Refunding Bonds, 2015 Series A-2. The SVRWRRB 2020 Series B were issued in a Long Mode under the 2020B Paying Agent Agreement and bear interest at a Long Rate equal to 1.04 percent per annum for the initial Long Period ending on April 2, 2021. The 2020B Senior Revenue Bonds are subject to mandatory tender for purchase on April 2, 2021 the last day of the Long Period. The SVRWRRB 2020 Series B were designated as Self-Liquidity Bonds pursuant to the 2020B Paying Agent Agreement and no standby bond purchase agreement or other liquidity facility is in effect for the purchase of such bonds.

These refundings and defeasances were accomplished to take advantage of lower interest rates, to realize economic savings or to eliminate or mitigate certain risks associated with managing its variable rate debt. The transactions resulted in cash flow savings of $100.7 million and $9.2 million and economic gains (difference between the present values of the debt service payments on the old debt and new debt) of $87.8 million and $8.6 million for fiscal years 2021 and 2020, respectively. The net carrying amount of the old debt was equal to the reacquisition price in fiscal year 2021 and 2020. Deferred outflows of loss on bond refundings at June 30, 2021 and 2020 were $13.3 million and $19.6 million, respectively, and the deferred outflows on swap terminations for the same periods were $17.9 million and $19.0 million, respectively.

(e) Interest Rate Swaps

Metropolitan has eight outstanding interest rate swap agreements as of June 30, 2021. These agreements require that Metropolitan pay fixed interest rates and receive interest at variable interest rates which are Metropolitan's hedging derivative instruments.

Metropolitan's interest rate swap portfolio as of June 30, 2021, 2020, and 2019 are summarized on the following table.

(Dollars in thousands)

Associated Bond Issue [1]		Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Counterparty Credit Rating[2]
2002 A Payor	$	48,282	09/12/02	3.300 %	57.74% of 1MoLIBOR[4]	Aa3/A+/NR
2002 B Payor		18,063	09/12/02	3.300 %	57.74% of 1MoLIBOR	Aa2/A+/AA
2003 Payor C-1 C-3		150,047	12/18/03	3.257 %	61.20% of 1MoLIBOR	Aa2/A+/AA-
2003 Payor C-1 C-3		150,047	12/18/03	3.257 %	61.20% of 1MoLIBOR	Aa2/A+/AA
2004 C Payor		7,760	11/16/04	2.980 %	61.55% of 1MoLIBOR	Aa3/BBB+/A
2004 C Payor		6,350	11/16/04	2.980 %	61.55% of 1MoLIBOR	A3/BBB+/A
2005 Payor		29,058	07/06/05	3.360 %	70.00% of 1MoLIBOR	Aa2/A+/AA
2005 Payor		29,058	07/06/05	3.360 %	70.00% of 1MoLIBOR	A3/BBB+/A
Total swaps	$	438,665				

[1]*These swaps lock in a fixed rate for an equivalent amount of variable rate debt.*

[2]*Credit Ratings - Moody's Investors Service, Standard & Poor's Global, Fitch Ratings, respectively.*

[3]*Excludes accrued interest.*

[4]*London Interbank Offered Rate.*

	Fair Value as of 6/30(3)			Change in Fair Value in FY	
Swap Termination	**2021**	2020	2019	**2021**	2020
07/01/25	**$ (3,431)**	$ (5,158)	$ (5,317)	**$ 1,727**	$ 159
07/01/25	**(1,284)**	(1,929)	(1,989)	**645**	60
07/01/30	**(17,238)**	(23,890)	(19,448)	**6,652**	(4,442)
07/01/30	**(17,238)**	(23,890)	(19,449)	**6,652**	(4,441)
10/01/29	**(821)**	(1,189)	(897)	**368**	(292)
10/01/29	**(672)**	(973)	(734)	**301**	(239)
07/01/30	**(4,151)**	(5,791)	(4,220)	**1,640**	(1,571)
07/01/30	**(4,151)**	(5,791)	(4,220)	**1,640**	(1,571)
	$ (48,986)	$ (68,611)	$ (56,274)	**$ 19,625**	$ (12,337)

As with its investments, Metropolitan categorizes its liabilities using fair value measurements within the fair value hierarchy established by U.S. GAAP and are discussed in Note 3.

Metropolitan has the following recurring fair value measurements as of June 30, 2021 and 2020:

(Dollars in thousands)

		Fair Value Measurements Using		
Associated Bond Issue	**6/30/2021**	**Significant Other Observable Inputs (Level 2)**	6/30/2020	Significant Other Observable Inputs (Level 2)
2002 A Payor	**$ (3,431)**	**$ (3,431)**	$ (5,158)	$ (5,158)
2002 B Payor	**(1,284)**	**(1,284)**	(1,929)	(1,929)
2003 Payor C-1 C-3	**(17,238)**	**(17,238)**	(23,890)	(23,890)
2003 Payor C-1 C-3	**(17,238)**	**(17,238)**	(23,890)	(23,890)
2004 C Payor	**(821)**	**(821)**	(1,189)	(1,189)
2004 C Payor	**(672)**	**(672)**	(973)	(973)
2005 Payor	**(4,151)**	**(4,151)**	(5,791)	(5,791)
2005 Payor	**(4,151)**	**(4,151)**	(5,791)	(5,791)
Total swaps	**$ (48,986)**	**$ (48,986)**	$ (68,611)	$ (68,611)

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using an income approach that considers benchmark interest rates, yield curves, and credit spreads.

Pay-Fixed, Receive-Variable

Objective of the Swaps: In order to take advantage of low interest rates in the marketplace, Metropolitan entered into separate pay-fixed, receive-variable interest rate swaps at costs that were less than what Metropolitan otherwise would have paid to issue fixed rate debt in the tax-exempt municipal bond market. Currently, there are eight pay-fixed, receive-variable interest rate swaps outstanding.

Terms: The notional amounts of the swaps match the principal amounts of the associated debt in total. Metropolitan's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated long-term debt.

Fair Values: At June 30, 2021, all pay-fixed, receive-variable swaps had a negative fair value. Because the coupons on Metropolitan's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value changes. The fair values of the swaps were estimated using the zero-coupon method and exclude accrued interest. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit Risks: As of June 30, 2021, Metropolitan was not exposed to credit risk on the outstanding pay-fixed, receive-variable swaps that had negative fair values. However, should interest rates change and the fair values of the swaps become positive, Metropolitan would be exposed to credit risk to each swap counterparty in the amount of the derivatives' fair value. Should the counterparties to the transactions fail to perform according to the terms of the swap contract, Metropolitan would face a maximum possible loss equal to the fair value of these swaps.

All swap agreements contain specific collateral requirements that are in effect for Metropolitan and the counterparties. The swaps require different collateral levels based on credit ratings and the fair value of the swap. Generally, the fair value threshold levels are also reduced as the credit ratings are reduced. Collateral on all swaps is to be in the form of U.S. government securities that may be held by the party posting the collateral. Metropolitan had no posted collateral as of June 30, 2021.

Each swap contains cross-default provisions that allow the nondefaulting party to accelerate and terminate all outstanding transactions and to net the transactions' fair values into a single sum to be owed by, or owed to, the nondefaulting party.

As of June 30, 2021, Metropolitan has pay-fixed, receive-variable swap transactions with one counterparty in the amount of $197.2 million or 44.9 percent of the notional amount of Metropolitan's outstanding pay-fixed, receive-variable swap transactions. This counterparty is rated Aa2/A+/AA by Moody's, Standard & Poor's Global, and Fitch Ratings, respectively.

Basis Risk: The interest rates on Metropolitan's variable rate bonds are expected to be equivalent, but not necessarily equal to the variable rate payments received from counterparties on pay-fixed, receive-variable interest rate swaps. To the extent these variable payments differ, Metropolitan is exposed to basis risk. When the rates received from the counterparties are less than the rates on variable rate bonds associated with the respective swap transactions there is a basis loss. When the rates received from the counterparties are greater than the rates on variable rate bonds associated with the respective swap transactions there is a basis gain. As of June 30, 2021, the interest rates of the variable rate debt associated with these swap transactions range from .01 percent to .17 percent. Metropolitan's variable rate payments received from the counterparties of these swaps ranged from .06 percent to .10 percent.

Termination Risk: Metropolitan may terminate any of the swaps if the other party fails to perform under the terms of the swap agreements. If any of the swaps are terminated, the associated variable rate bonds would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a negative fair value, Metropolitan would be liable to the counterparty for a payment equal to the swap's fair value.

Tax Risk: As with other forms of variable rate exposure and the relationship between the taxable and tax-exempt markets, Metropolitan is exposed to tax risk should tax-exempt interest rates on variable rate debt issued in conjunction with the swaps rise faster than taxable interest rates received by the swap counterparties, due particularly to reduced federal or state income tax rates, over the term of the swap agreement.

(f) Swap Payments and Associated Debt

Using rates as of June 30, 2021, debt service requirements on Metropolitan's swap-related variable rate debt and net swap payments are as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

	Variable Rate Bonds							
(Dollars in thousands)		Principal		Interest		Interest Rate Swaps, Net		Total
Year ending June 30:								
2022	$	32,715	$	346	$	13,199	$	46,260
2023		33,260		321		12,224		45,805
2024		34,630		292		11,122		46,044
2025		65,190		240		9,122		74,552
2026		75,770		177		6,733		82,680
2027-2031		197,100		262		9,960		207,322
Total	$	438,665	$	1,638	$	62,360	$	502,663

(g) Variable Rate Bonds

The variable rate bonds bear interest at daily and weekly rates ranging from .01 percent to .17 percent as of June 30, 2021 and .07 percent to .48 percent as of June 30, 2020. Metropolitan can elect to change the interest rate period of the bonds with certain limitations.

Metropolitan has entered into standby bond purchase agreements (SBPA) with commercial banks to provide liquidity for seven separate variable rate bond issues listed in the table below. Bondholders have the right to tender such variable rate bonds to the paying agent on any business day with same day notice. In the event that tendered bonds are not remarketed, the paying agent will draw on the SBPA to pay such bondholders. The draw on the SBPA creates a new debt obligation between Metropolitan and the Bank, called a Bank Bond.

The Bank Bonds that would be issued under the SBPA would initially bear interest at a per annum interest rate equal to, depending on the applicable SBPA, a Base Rate of either: (a) the highest of the (i) Prime Rate plus one percent, (ii) Federal Funds Rate plus two percent, and (iii) seven percent; or (b) the highest of the (i) Prime Rate, (ii) Federal Funds Rate plus one half of one percent, and (iii) seven and one half percent (with the Base Rate increasing in the case of each of (i), (ii) and (iii) of this clause (b) after 90 days, by one percent). To the extent such bank bonds have not been remarketed or otherwise retired as of the earlier of the 90th day following the draw on the SBPA or the stated expiration date of the related SBPA, Metropolitan's obligation to repay the principal of the Bank Bonds would be payable in semi-annual installments over a period of approximately three or five years, depending on the applicable SBPA. Metropolitan has secured its obligation to repay principal and interest under the SBPAs as a senior lien obligation.

In addition, such bonds are subject to mandatory tender for purchase under certain circumstances, including upon the expiration of the SBPA. Metropolitan intends to either renew the facility or exercise its right to remarket the debt as a long-term financing. The portion that would be due in the next fiscal year in the event that the outstanding variable rate bonds were tendered and purchased by the commercial banks under the standby agreements was $72.0 million and $34.8 million at June 30, 2021 and 2020, respectively.

Metropolitan has the following seven variable rate bonds that are supported by a SBPA as of June 30, 2021 and 2020:

(Dollars in thousands)

Bond Issue	Amount 6/30/21	Amount 6/30/20	Expiration Date	Interest Rate	Current Amount 2021	Current Amount 2020
Water Revenue Bonds						
2000 Series B-3	**$ 78,900**	$ 78,900	3/20/23	Reset Daily	**$ —**	$ —
2017 Series A	**80,000**	80,000	3/20/23	Reset Daily	**—**	—
Water Revenue Refunding Bonds						
2018 Series A-1, A-2	**90,070**	90,070	6/04/24 (1)	Reset Daily	**—**	90,070
2016 Series B-1, B-2	**82,905**	82,905	6/04/24	Reset Daily	**—**	—
Subordinate Water Revenue Refunding Bonds						
2021 Series A	**222,160**	—	6/13/25	Reset Daily	**—**	—
Total	**$ 554,035**	$ 331,875			**$ —**	$ 90,070

(1) At 6/30/20, the SBPA associated 2018 Series A-1 and A-2 Water Revenue Refunding Bonds expired 6/25/21.

Metropolitan has the following three and four variable rate bonds that are not supported by a SBPA as of June 30, 2021 and 2020, respectively:

(Dollars in thousands)

Bond Issue	6/30/21	6/30/20	Interest Rate
Subordinate Water Revenue Bonds			
2016 Series A	**$ —**	$ 175,000	1M LIBOR plus % spread
2017 Series C	**80,000**	80,000	SIFMA Index plus % spread
Subordinate Water Revenue Refunding Bonds			
2017 Series D	**95,630**	95,630	SIFMA Index plus % spread
2017 Series E	**95,625**	95,625	SIFMA Index plus % spread
Total	**$ 271,255**	$ 446,255	

The current terms of the Subordinate Water Revenue Refunding Bonds, 2017 Series D and Series E (SIFMA Index Mode), and the Subordinate Water Revenue Bonds, 2017 Series C (SIFMA Index Mode), require bondholders to tender their bonds for purchase on the scheduled mandatory tender date of May 21, 2024. A failure by Metropolitan to pay the purchase price from the proceeds of remarketing or other funds, for a period of five business days following written notice by any owner of such bonds, will constitute an event of default under Metropolitan's Subordinate Debt Resolutions. Upon the occurrence and continuance of such events of default, the owners of 25 percent in aggregate principal amount of the Subordinate Revenue Bonds then outstanding may elect a bondholders' committee to exercise rights and powers of such owners under the Subordinate Debt Resolutions, including the right to declare the entire unpaid principal of the Subordinate Revenue Bonds then outstanding to be immediately due and payable.

(h) Long-term Debt Obligation Summary, Net of Long-term Revolving Notes

Interest rates at June 30, 2021 on all outstanding fixed-rate obligations range from .46 percent to 6.95 percent. Interest on the variable rate debt is reset either daily or weekly based upon market conditions. Future principal and interest payments in accordance with the debt agreements as of June 30, 2021 are as follows:

(Dollars in thousands)	Principal	Interest	Total
Year ending June 30:			
2022	$ 171,935	$ 134,909	$ 306,844
2023	175,865	125,474	301,339
2024	457,630	116,875	574,505
2025	185,860	107,792	293,652
2026	158,560	100,410	258,970
2027-2031	830,755	386,056	1,216,811
2032-2036	660,855	242,848	903,703
2037-2041	892,380	135,875	1,028,255
2042-2046	273,195	48,784	321,979
2047-2051	200,875	16,878	217,753
2052	13,185	330	13,515
	$ 4,021,095	$ 1,416,231	$ 5,437,326

Unamortized bond discount and premium, net	464,184
Total debt	4,485,279
Less current portion	(222,692)
Long-term portion of debt	$ 4,262,587

6. LONG-TERM LIABILITIES

Long-term liability activity for the fiscal years ended June 30, 2021 and 2020 is shown on the following table. Payments on the bonds are made from the restricted debt service funds; other long-term debt and the compensated absences liability will be liquidated primarily with water revenues.

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(Dollars in thousands)	Maturity Dates	Range of Interest Rates	June 30, 2019	Additions
Waterworks general obligation refunding bonds (Note 5b):				
2010 Series A	3/1/29-3/1/37	3.50%-5.00%	$ 18,735	$ —
2014 Series A	3/1/20-3/1/21	5.00 %	12,560	—
2019 Series A	3/1/20-3/1/28	5.00 %	16,755	—
2020 Series A	3/1/29-3/1/37	5.00 %	—	—
Total general obligation and general obligation refunding bonds			48,050	—
Water revenue bonds (Note 5c):				
2000 Series B-3	7/1/29-7/1/35	Variable	88,800	—
2010 Series A	7/1/38-7/1/40	6.95 %	250,000	—
2015 Series A	7/1/18-7/1/45	5.00 %	206,265	—
2016 Subordinate Series A	12/21/2020	Variable	175,000	—
2017 Series A	7/1/41-7/1/47	Variable	80,000	—
2017 Subordinate Series C	5/21/2024	Variable	80,000	—
2018 Subordinate Series B	9/1/23-9/1/28	5.00 %	64,345	—
2020 Series A	10/1/30-10/1/49	5.00 %	—	207,355
2021 Series A	10/1/28-10/1/51	5.00 %	—	—
Water revenue refunding bonds (Note 5d):				
1993 Series A	7/1/19-7/1/21	5.75 %	21,840	—
2010 Series B	7/1/19-7/1/28	2.60%-5.00%	63,800	—
2011 Series B	7/1/19-7/1/20	4.00 %	2,640	—
2011 Series C	10/1/19-10/1/36	2.25%-5.00%	128,750	—
2012 Series A	10/1/23-10/1/36	3.25%-5.00%	181,180	—
2012 Series C	7/1/19-7/1/21	3.00%-5.00%	54,795	—
2012 Series F	7/1/19-7/1/28	3.00%-5.00%	59,335	—
2012 Series G	7/1/20-7/1/31	3.00%-5.00%	111,890	—
2013 Series D	7/1/29-7/1/35	Variable	87,445	—
2014 Series A	7/1/19-7/1/21	4.00%-5.00%	83,865	—
2014 Series C-2-C-3	10/1/20-10/1/21	3.00 %	16,830	—
2014 Series D	7/1/21-7/1/32	Variable	38,465	—
2014 Series E	7/1/21-7/1/24	3.50%-5.00%	86,060	—
2014 Series G-5	7/1/37	3.00%	6,205	—
2015 Series A-1, A-2	7/1/35	Variable	188,900	—
2016 Series A	7/1/28-7/1/37	2.00%-5.00%	239,455	—
2016 Series B-1, B-2	7/1/25-7/1/37	Variable	103,670	—
2017 Subordinate Series A	7/1/20-7/1/27	2.00%-2.50%	238,015	—
2017 Subordinate Series B	8/1/20-8/1/24	3.00%-5.00%	178,220	—
2017 Subordinate Series D	5/21/2024	Variable	95,630	—
2017 Subordinate Series E	5/21/2024	Variable	95,625	—
2018 Series A1, A-2	7/1/19-7/1/37	Variable	210,040	—
2018 Subordinate Series A	7/1/19-7/1/23	5.00 %	99,075	—
2018 Series B	7/1/20-1/1/39	5.00 %	137,485	—
2019 Series A	7/1/30-7/1/39	5.00 %	218,090	—
2019 Subordinate Series A	7/1/20-7/1/29	5.00 %	241,530	—
2020 Subordinate Series A	7/1/23-7/1/29	3.00%-5.00%	—	152,455
2020 Series B	4/2/2024	.46%-1.04 %	—	271,815
2020 Series C	7/1/21-7/1/10	5.00 %	—	—
2021 Subordinate Series A	7/1/37-7/1/42	Variable	—	—
Total water revenue and water revenue refunding bonds			3,933,245	631,625
Other long-term debt (Notes 5a and 5h):				
Revolving notes			46,800	100,000
Unamortized bond discount and premiums, net			307,310	104,554
Total long-term debt			4,335,405	836,179
Other long-term liabilities (see table next page)			169,235	62,634
Total long-term liabilities			$ 4,504,640	$ 898,813

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)
June 30, 2021 and 2020

Reductions	June 30, 2020	**Additions**	**Reductions**	**June 30, 2021**	**Amounts Due Within One Year**
$ —	$ 18,735	**$ —**	**$ (18,735)**	**$ —**	**$ —**
(8,020)	4,540	**—**	**(4,540)**	**—**	**—**
(2,730)	14,025	**—**	**(860)**	**13,165**	**6,655**
—	—	**13,665**	**—**	**13,665**	**—**
(10,750)	37,300	**13,665**	**(24,135)**	**26,830**	**6,655**
(9,900)	78,900	**—**	**—**	**78,900**	**—**
—	250,000	**—**	**(250,000)**	**—**	**—**
(2,145)	204,120	**—**	**(2,585)**	**201,535**	**2,535**
—	175,000	**—**	**(175,000)**	**—**	**—**
—	80,000	**—**	**—**	**80,000**	**—**
—	80,000	**—**	**—**	**80,000**	**—**
—	64,345	**—**	**—**	**64,345**	**—**
—	207,355	**—**	**—**	**207,355**	**—**
—	—	**188,890**	**—**	**188,890**	**—**
(9,615)	12,225	**—**	**(10,185)**	**2,040**	**2,040**
(7,795)	56,005	**—**	**(56,005)**	**—**	**—**
(1,295)	1,345	**—**	**(1,345)**	**—**	**—**
(9,950)	118,800	**—**	**(100)**	**118,700**	**10,415**
—	181,180	**—**	**—**	**181,180**	**—**
(34,960)	19,835	**—**	**(14,200)**	**5,635**	**5,635**
(10,450)	48,885	**—**	**(11,150)**	**37,735**	**11,195**
—	111,890	**—**	**(22,070)**	**89,820**	**1,590**
(87,445)	—	**—**	**—**	**—**	**—**
(45,995)	37,870	**—**	**(33,000)**	**4,870**	**4,870**
—	16,830	**—**	**(14,020)**	**2,810**	**2,810**
(38,465)	—	**—**	**—**	**—**	**—**
—	86,060	**—**	**—**	**86,060**	**23,225**
—	6,205	**—**	**(6,205)**	**—**	**—**
(188,900)	—	**—**	**—**	**—**	**—**
—	239,455	**—**	**—**	**239,455**	**—**
(20,765)	82,905	**—**	**—**	**82,905**	**—**
—	238,015	**—**	**(5,300)**	**232,715**	**13,500**
—	178,220	**—**	**(35,645)**	**142,575**	**35,645**
—	95,630	**—**	**—**	**95,630**	**—**
—	95,625	**—**	**—**	**95,625**	**—**
(119,970)	90,070	**—**	**—**	**90,070**	**—**
(4,400)	94,675	**—**	**(4,560)**	**90,115**	**40,125**
(3,975)	133,510	**—**	**(4,385)**	**129,125**	**4,600**
—	218,090	**—**	**—**	**218,090**	**—**
—	241,530	**—**	**(7,870)**	**233,660**	**4,780**
—	152,455	**—**	**—**	**152,455**	**—**
—	271,815	**—**	**—**	**271,815**	**—**
—	—	**267,995**	**—**	**267,995**	**2,315**
—	—	**222,160**	**—**	**222,160**	**—**
(596,025)	3,968,845	**679,045**	**(653,625)**	**3,994,265**	**165,280**
(100,000)	46,800	**—**	**(46,800)**	**—**	**—**
(45,583)	366,281	**151,112**	**(53,209)**	**464,184**	**50,757**
(752,358)	4,419,226	**843,822**	**(777,769)**	**4,485,279**	**222,692**
(44,257)	187,612	**45,028**	**(66,778)**	**165,862**	**33,659**
$ (796,615)	$ 4,606,838	**$ 888,850**	**$ (844,547)**	**$ 4,651,141**	**$ 256,351**

(Dollars in thousands)	June 30, 2019	Additions	Reductions	GASB 84 Adjustment Note 1s	June 30, 2020 As Adjusted Note 1s	**Additions**	**Reductions**	**June 30, 2021**	**Amounts Due Within One Year**
Accrued compensated absences	$ 48,397	$ 27,895	$ (24,011)	$ —	$ 52,281	**$ 30,756**	**$ (25,120)**	**$ 57,917**	**$ 25,800**
Customer deposits and trust funds	49,397	16,857	(9,493)	(5,852)	50,909	**7,166**	**(11,591)**	**46,484**	**3,062**
Workers' Compensation and third party claims (Note 14)	12,958	5,545	(4,901)	—	13,602	**7,106**	**(10,419)**	**10,289**	**4,792**
Fair value of interest rate swaps (Note 5e)	56,274	12,337	—	—	68,611	**—**	**(19,625)**	**48,986**	**—**
Other long-term liabilities	2,209	—	—	—	2,209	**—**	**(23)**	**2,186**	**5**
Total other long-term liabilities	$ 169,235	$ 62,634	$ (38,405)	$ (5,852)	$ 187,612	**$ 45,028**	**$ (66,778)**	**$ 165,862**	**$ 33,659**

7. PENSION PLAN

(a) General Information about the Pension Plan

Plan Description

All full-time Metropolitan employees are required to participate in Metropolitan's Miscellaneous Plan with CalPERS, an agent multiple-employer public employee defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employee's Retirement Law. Metropolitan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. CalPERS issues a separate comprehensive annual report. Copies of CalPERS' annual financial report may be obtained from its Executive Office, 400 Q Street, Sacramento, CA 95811.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Employees hired prior to January 1, 2013 (Classic members) with five years of total service are eligible to retire at age 50 with statutorily reduced benefits; employees hired after January 1, 2013 (PEPRA members) with at least five years of credited service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for improved non-industrial disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit.

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Metropolitan is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Metropolitan's total employer contributions were $74.3 million and $66.1 million for the fiscal years ended June 30, 2021 and 2020, respectively. The employee contribution rate was 7.25 percent and 6.0 percent of annual pay for PEPRA members for the fiscal years ended June 30, 2021 and 2020, respectively, and 7.0 percent of annual pay for Classic members in both years. Metropolitan contributes the full 7.0 percent for Classic members while PEPRA members contribute the full 7.25 percent and 6.0 percent for the respective years. At June 30, 2021 and 2020, Metropolitan's pickup of the employee's 7.0 percent share were $11.4 million and $11.5 million, respectively. Payments made by Metropolitan to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

The Plans' provisions and benefits in effect at June 30, 2021 and 2020 are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years	5 years
Benefit payments	Monthly for life	Monthly for life
Final average compensation period	12 months	36 months
Sick leave credit	Yes	Yes
Retirement age	50-67	52-67
Monthly benefits as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Cost of living adjustment	2.0 %	2.0 %
Required employee contribution rates		
2021	7.0 %	7.25 %
2020	7.0 %	6.0 %
Required employer contribution rates		
2021	32.426 %	32.426 %
2020	29.972 %	29.972 %

At June 30, 2019 and 2018, the valuation dates for fiscal years 2021 and 2020, respectively, the following current and former employees were covered by the benefit terms:

	2021	2020
Valuation date	**6/30/2019**	6/30/2018
Inactive employees (or their beneficiaries) currently receiving benefits	**2,268**	2,203
Inactive employees entitled to but not yet receiving benefits	**905**	925
Active members	**1,818**	1,766
Total	**4,991**	4,894

(b) Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Metropolitan's net pension liability is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability at June 30, 2021 and 2020 was measured as of June 30, 2020 and 2019, respectively, using an annual actuarial valuation as of June 30, 2019 and 2018, respectively. The actuarial valuations as of June 30, 2019 and 2018 were rolled forward to June 30, 2020 and 2019, respectively, using standard update procedures.

The total pension liabilities for the measurement dates of June 30, 2020 and 2019 were based on the following actuarial methods and assumptions:

Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial assumptions	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Mortality rate table[(1)]	Derived using CalPERS' Membership Data for all Funds
Post-retirement benefit increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

[(1)] *The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.*

All other actuarial assumptions used in the June 30, 2019 and 2018 valuations were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments of 7.15 percent was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rates of return by asset class for the measurement dates of June 30, 2020 and 2019.

Asset Class[(1)]	Assumed Asset Allocation	Real Return Years 1-10[(2)]	Real Return Years 11+[(3)]
Global Equity	**50.00 %**	**4.80 %**	**5.98 %**
Fixed Income	**28.00**	**1.00**	**2.62**
Inflation Assets	**—**	**0.77**	**1.81**
Private Equity	**8.00**	**6.30**	**7.23**
Real Estate	**13.00**	**3.75**	**4.93**
Liquidity	**1.00**	**—**	**(0.92)**
Total	**100.00 %**		

[(1)]*In the CalPERS Comprehensive Annual Financial Report, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.*
[(2)]*An expected inflation of 2.00 percent used for this period*
[(3)]*An expected inflation of 2.92 percent used for this period*

Discount Rate

The discount rate used to measure the total pension liability at June 30, 2020 and 2019 measurement dates was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at a statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.15 percent was applied to all periods of projected benefit payments to determine the total pension liability.

(c) Changes in the Net Pension Liability

The following tables show the changes in net pension liability recognized over the measurement periods of June 30, 2020 and 2019:

	Increase (Decrease)		
(Dollars in thousands)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2019 (VD)	**$ 2,479,307**	**$ 1,810,312**	**$ 668,995**
Changes recognized for the measurement period:			
Service cost	37,178	—	37,178
Interest on total pension liability	174,996	—	174,996
Differences between expected and actual experience	13,319	—	13,319
Contribution - Employer	—	66,091	(66,091)
Contribution - Employee	—	16,230	(16,230)
Net investment income	—	90,131	(90,131)
Benefit payments, including refunds of employee contributions	(125,982)	(125,982)	—
Administrative expenses	—	(2,551)	2,551
Net Changes	**$ 99,511**	**$ 43,919**	**$ 55,592**
Balance at June 30, 2020 (MD)	**$ 2,578,818**	**$ 1,854,231**	**$ 724,587**

	Increase (Decrease)		
(Dollars in thousands)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2018 (VD)	**$ 2,376,778**	**$ 1,742,741**	**$ 634,037**
Changes recognized for the measurement period:			
Service cost	35,739	—	35,739
Interest on total pension liability	168,122	—	168,122
Differences between expected and actual experience	16,205	—	16,205
Contribution - Employer	—	56,497	(56,497)
Contribution - Employee	—	15,631	(15,631)
Net investment income	—	114,220	(114,220)
Benefit payments, including refunds of employee contributions	(117,537)	(117,537)	—
Administrative expenses	—	(1,244)	1,244
Other miscellaneous income	—	4	(4)
Net Changes	**$ 102,529**	**$ 67,571**	**$ 34,958**
Balance at June 30, 2019 (MD)	**$ 2,479,307**	**$ 1,810,312**	**$ 668,995**

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plan as of the June 30, 2020 and 2019 measurement dates, calculated using the discount rate of 7.15 percent for both years. The table also shows what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

(Dollars in thousands)	**2021**	2020
Discount Rate -1%	**6.15 %**	6.15 %
Net Pension Liability	**$ 1,039,946**	$ 975,970
Current Discount Rate	**7.15 %**	7.15 %
Net Pension Liability	**$ 724,587**	$ 668,995
Discount Rate +1%	**8.15 %**	8.15 %
Net Pension Liability	**$ 460,599**	$ 412,124

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS GASB 68 Accounting Report for Metropolitan.

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Amortization of Deferred Outflows and Deferred Inflows of Resources

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

The EARSL for the Plan for the period ending June 30, 2020 measurement date is 3.4 years, which was obtained by dividing the total service years of 16,995 (the sum of remaining service lifetimes of the active employees) by 4,991 (the total number of participants: active, inactive, and retired). The EARSL for the Plan for the June 30, 2019 measurement date is 3.3 years, which was calculated by dividing the total service years of 16,107 by the total number of participants of 4,894. Inactive employees and retirees have remaining service lifetimes equal to zero and total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

(d) Pension Expense, Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2021 and 2020, Metropolitan recognized pension expense of $92.2 million and $119.8 million, respectively. At June 30, 2021 and 2020, Metropolitan has deferred outflows and inflows of resources related to pensions as follows:

	Deferred Outflows of Resources Outflows		Deferred Inflows of Resources Inflows	
(Dollars in thousands)	**2021**	2020	**2021**	2020
Pension contributions subsequent to measurement date	**$ 74,339**	$ 66,091	**$ —**	$ —
Differences between expected and actual experience	**15,785**	11,294	**(627)**	(4,752)
Changes of assumptions	**—**	7,858	**(962)**	(5,772)
Net difference between projected and actual earnings on pension plan investments	**13,096**	—	**—**	(10,774)
Total	**$ 103,220**	$ 85,243	**$ (1,589)**	$ (21,298)

The amounts above are net of outflows and inflows recognized in the pension expense for the fiscal years ended June 30, 2021 and 2020. At June 30, 2021 and 2020, the deferred outflows of resources related to contributions subsequent to the measurement date of $74.3 million and $66.1 million, respectively, will be/was recognized as a reduction of the net pension liability in the fiscal years ending/ended June 30, 2022 and 2021, respectively.

The net difference between projected and actual earnings on pension plan investments, differences between expected and actual experience, and changes of assumptions will be recognized in future pension expense as follows:

(Dollars in thousands)	**Deferred Outflows /(Inflows) of Resources**
Fiscal year ending June 30,	
2022	$ (982)
2023	10,023
2024	10,759
2025	7,492
Total	$ 27,292

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

(a) Plan Description and Benefits Provided

Through CalPERS, Metropolitan offers medical insurance to active and retired employees, as well as their qualified dependents under the Public Employees' Medical and Hospital Care Act (PEMHCA). Under PEMHCA, health coverage for the employee continues into retirement. Current plans offered are three PPO plans: PERS Care, PERS Choice, and PERS Select; and nine HMO plans through Anthem Blue Cross, Blue Shield, Health Net, Kaiser, Sharp, SmartCare, United Healthcare and Western Health. Metropolitan participates in the CERBT Fund, which is an agent multiple-employer plan available to employers to pre-fund OPEB benefits. Benefit provisions are established through negotiations between Metropolitan and its various bargaining units, which also apply to retirees. For employees hired on or after January 1, 2012, retirees must have a minimum of 10 years of PERS service and no less than five years of Metropolitan service in order to receive post-employment health benefits in accordance with PERS as per Government Code Section 22893. For employees hired prior to January 1, 2012, retirees are not required to meet the eligibility criteria. This benefit was provided to 1,954 and 1,946 retired Metropolitan employees at June 30, 2021 and 2020, respectively. CalPERS issues a separate comprehensive annual report that includes financial statements for its CERBT Fund. Copies of CalPERS' annual financial report may be obtained from its Executive Office, 400 Q Street, Sacramento, CA 95811.

(b) Funding Policy and Contributions

Contribution requirements are established by Memorandum of Understandings negotiated between Metropolitan and its various bargaining units. During fiscal years 2021 and 2020, Metropolitan contributed up to 100 percent of Anthem HMO Traditional Region 2 basic plan rate for all employees and retirees. During fiscal years 2021 and 2020, Metropolitan contributed the full actuarially determined contribution rate of 10.3 percent or $23.2 million and 13.8 percent or $28.1 million, respectively. Employees are not required to contribute to the plan.

(c) Employees Covered

At June 30, 2020 and 2019, the measurement dates for fiscal years 2021 and 2020, respectively, the following current and former employees were covered by the benefit terms:

	2021	2020
Measurement Date	**6/30/2020**	6/30/2019
Inactives employees (or their beneficiaries) currently receiving benefits	**1,803**	1,759
Inactive employees entitled to but not yet receiving benefits	**143**	139
Active members	**1,867**	1,820
Total	**3,813**	3,718

(d) Actuarial Assumptions Used to Determine Total OPEB Liability

The total OPEB liability used to calculate the net OPEB liability as of June 30, 2021 and 2020 was measured as of June 30, 2020 and 2019, respectively using an actuarial valuation as of June 30, 2019. The actuarial valuation as of June 30, 2019 was rolled forward to the June 30, 2020 measurement date, using standard updated procedures. The June 30, 2019 actuarial valuation was based on the following actuarial methods and assumptions:

Actuarial cost method	Entry age normal cost
Actuarial assumptions	
Funding policy	Metropolitan pre-funds full ADC
Discount rate	6.75%
Long-term expected rate of return on assets	6.75%
General inflation	2.75% per annum
Crossover test assumptions	Employer contributes full ADC
	Administrative expenses = .05% of assets
Salary increases	3.0% per annum
Mortality, disability, termination, retirement[(1)]	Derived using CalPERS Membership Data
Mortality improvement	Mortality projected fully generational with Society of Actuaries mortality improvement Scale MP2019
Healthcare cost trend rate	Pre-Medicare: 7.25% for 2021, decreasing to 4.0% for 2076 and later
	Medicare: 6.3% for 2021, decreasing to 4.0% for 2076 and later
Healthcare participation for future retirees	Currently covered: 100%; Currently waived: 90%

[(1)]*Derived from data collected during 1997 to 2015 CalPERS Experience Study dated December 2015 for the June 30, 2019 actuarial valuation.*

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 and 2020 are summarized in the following table:

Asset class	Target Allocation	Long-term expected real rate of return
Global equity	**59.0 %**	**4.8 %**
Fixed income	**25.0**	**1.5**
TIPS	**5.0**	**1.3**
Commodities	**3.0**	**0.8**
REITs	**8.0**	**3.8**
Total	**100.0 %**	

(e) Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2020 and 2019 measurement dates was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that Metropolitan contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

(f) Changes in the OPEB Liability

The following tables shows the changes in the net OPEB liability recognized over the measurement periods of June 30, 2020 and 2019:

	Increase (Decrease)		
(Dollars in thousands)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2019 (MD)	**$ 434,759**	**$ 266,773**	**$ 167,986**
Changes recognized for the measurement period:			
Service cost	11,061	—	11,061
Interest	29,322	—	29,322
Contribution - employer	—	33,506	(33,506)
Net investment income	—	10,276	(10,276)
Benefit payments	(22,849)	(22,849)	—
Administrative expense	—	(144)	144
Net changes	**$ 17,534**	**$ 20,789**	**$ (3,255)**
Balance at June 30, 2020 (MD)	**$ 452,293**	**$ 287,562**	**$ 164,731**

(Dollars in thousands)	Increase (Decrease) Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2018 (MD)	**$ 468,185**	**$ 239,851**	**$ 228,334**
Changes recognized for the measurement period:			
Service cost	10,635	—	10,635
Interest	31,600	—	31,600
Difference between expected and actual experience	(50,116)	—	(50,116)
Changes of assumptions	(4,217)	—	(4,217)
Contribution - employer	—	32,067	(32,067)
Net investment income	—	16,240	(16,240)
Benefit payments	(21,328)	(21,328)	—
Administrative expense	—	(57)	57
Net changes	**$ (33,426)**	**$ 26,922**	**$ (60,348)**
Balance at June 30, 2019 (MD)	**$ 434,759**	**$ 266,773**	**$ 167,986**

(g) Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the OPEB Plan as of the June 30, 2020 and 2019 measurement dates if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

(Dollars in thousands)	**2021**	2020
Discount Rate -1%	**5.75 %**	5.75 %
Net OPEB Liability	**$ 222,863**	$ 224,217
Current Discount Rate	**6.75 %**	6.75 %
Net OPEB Liability	**$ 164,731**	$ 167,986
Discount Rate +1%	**7.75 %**	7.75 %
Net OPEB Liability	**$ 116,650**	$ 121,510

(h) Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the OPEB Plan if it were calculated using a healthcare trend rate that is one percentage point lower or one percentage point higher than the current rate, for measurement periods ended June 30, 2020 and 2019:

(Dollars in thousands)	**2021**	2020
	6.25%/5.3 %	6.5%/5.5 %
Healthcare Trend Rate -1%	**decreasing to 3.0 %**	decreasing to 3.0 %
Net OPEB Liability	**$ 108,441**	$ 117,114
	7.25%/6.3 %	7.5%/6.5 %
Current Healthcare Trend Rate	**decreasing to 4.0 %**	decreasing to 4.0 %
Net OPEB Liability	**$ 164,731**	$ 167,986
	8.25%/7.3 %	8.5%/7.5 %
Healthcare Trend Rate +1%	**decreasing to 5.0 %**	decreasing to 5.0 %
Net OPEB Liability	**$ 233,820**	$ 230,239

(i) OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERBT Fund financial reports.

(j) Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 year straight-line amortization
All other amounts	Straight-line amortization over the expected average remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period

(k) OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the years ended June 30, 2021 and 2020, Metropolitan recognized OPEB expense of $10.1 million and $11.8 million, respectively. At June 30, 2021 and 2020, Metropolitan has deferred outflows and inflows of resources related to OPEB as follows:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
(Dollars in thousands)	**2021**	2020	**2021**	2020
OPEB contributions subsequent to measurement date	**$ 27,025**	$ 33,506	**$ —**	$ —
Differences between expected and actual experience	**—**	—	**(30,462)**	(40,289)
Changes of assumptions	**—**	—	**(2,563)**	(3,390)
Net difference between projected and actual earnings on OPEB plan investments	**5,872**	—	**—**	(3,658)
Total	**$ 32,897**	$ 33,506	**$ (33,025)**	$ (47,337)

The $27.0 million and $33.5 million reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 and 2019 measurement dates, respectively, will be/was recognized as a reduction of the net OPEB liability during the fiscal years ending/ended June 30, 2022 and 2021, respectively.

The net difference between projected and actual earnings on OPEB plan investments, differences between expected and actual experience, and changes of assumptions will be recognized in future expense as follows:

(Dollars in thousands)	Deferred Inflows of Resources
Fiscal year ending June 30,	
2022	$ (10,660)
2023	(8,928)
2024	(8,406)
2025	841
Total	$ (27,153)

9. COMMITMENTS AND CONTINGENCIES

(a) State Water Contract (see Note 10)

Estimates of Metropolitan's share of the projected fixed costs of the SWP are provided annually by the State. The estimates are subject to future increases or decreases resulting from changes in planned facilities, refinements in cost estimates, and inflation. During the next five years, payments under the State Water Contract, exclusive of variable power costs, are currently estimated by the State to be as follows:

(Dollars in thousands)		State Water Contract Payments
Year ending June 30:		
2022	$	495,194
2023		531,966
2024		522,470
2025		527,034
2026		518,193

According to the State's latest estimates, Metropolitan's long-term commitments under the contract, for capital and minimum operations and maintenance costs, including interest to the year 2035, are as follows:

(Dollars in thousands)		State Water Long Term Commitments
Transportation facilities	$	3,517,260
Conservation facilities		2,716,323
Off-aqueduct power facilities[(1)]		14,345
East Branch enlargement		284,646
Revenue bond surcharge		571,010
Total long-term SWP contract commitments	$	7,103,584

[(1)]These commitments represent operations and maintenance costs. Metropolitan was relieved of its obligation for capital costs in 2018.

Metropolitan intends to exercise its option to extend its agreement with the State through 2085, which will result in annual minimum operations and maintenance costs through 2085. In addition, the amounts shown above do not contain any escalation for inflation, are subject to significant variation over time because the amounts are based on a number of assumptions, and are contingent on future events. None of the estimated long-term commitments are recorded as liabilities in the accompanying basic financial statements.

(b) Bay/Delta Regulatory and Planning Activities

The State Water Resources Control Board (State Board) is the agency responsible for setting water quality standards and administering water rights throughout California. Decisions of the State Board can affect the availability of water to Metropolitan and other water users throughout California. The State Board exercises its regulatory authority over Bay/Delta watershed supplies by means of public proceedings leading to regulations and permit decisions.

The Delta Stewardship Council (Council) is the California State agency tasked with creating and implementing a comprehensive management plan for the Delta. The Council, created by the 2009 Sacramento-San Joaquin Delta Reform Act, serves as an independent voice for science and policy in the Delta to achieve the state mandated coequal goals for the Delta of ecosystem restoration and water supply reliability. To accomplish its mission, the Council adopted and implements the Delta Plan, which is the state's long-term management plan for the Delta to further the coequal goals, including facilitating, coordinating, and integrating the activities of hundreds of local, state, and federal agencies that have responsibilities directly related to water, ecosystems, land use, recreation, flood control and other functions in the legally defined Delta. The Council is conducting updates to its Delta Plan, including a strategic levee investment policy, updates to the Ecosystem chapter and associated policies and recommendations, and a draft climate change adaptation plan for the Delta and Suisun Marsh as part of their Delta Adapts: Creating a Climate Resilient Future initiative. The Delta Adapts plan is intended to help inform and assess specific climate risks and vulnerabilities in the Delta and, in coordination with stakeholders, develop adaptation strategies to address those vulnerabilities.

To avoid endangering State or federally listed species or adversely modifying their critical habitat, the Department of Water Resources (DWR) consults with the California Department of Fish and Wildlife (CDFW) and its federal agency counterparts under the California Endangered Species Act (ESA) and federal ESA regarding the operation of the SWP. If a project may adversely affect a listed species, a formal consultation is held with the state and federal regulatory agencies. The regulatory agency(ies) then issue operating permits under the ESA jurisdiction, a federal biological opinion and a State Incidental Take Permit (ITP). Updated federal biological opinions were approved in February 2020 and CDFW issued a State ITP in March 2020. Both the federal and state permits have been challenged in court by multiple parties including water agencies and non-governmental organization groups. Metropolitan is involved in the federal permit litigation as part of the State Water Contractors, and in the State ITP litigation as Metropolitan, in order to protect its interests that the permits be based on the best available science. The litigation on all eight cases has been ordered to be coordinated in Sacramento County Superior Court.

The Bay Delta Conservation Plan (BDCP) planning process, which began in 2007, was a voluntary collaboration of state, federal, and local water agencies, state and federal fish agencies, environmental organizations, and other interested parties to provide a comprehensive habitat conservation and restoration program for the Delta, including new Delta conveyance infrastructure as one of the conservation measures consisting of multiple new intakes on the Sacramento River connected to existing SWP and Central Valley Project water facilities in the south Delta by two main tunnels. In addition, the BDCP would have provided the basis for long-term permits under federal and state endangered species laws for activities covered by the plan based on the best available science, identified sources of funding, and an adaptive management and monitoring program, and it would have been incorporated into the Delta Plan if it met the requirements of the federal and state ESAs for a Habitat Conservation Plan/Natural Communities Conservation Plan (HCP/NCCP).

On April 30, 2015, the State announced its intent to study three new conveyance-only alternatives that would not be part of an HCP/NCCP, separating the conveyance facilities and habitat restoration measures into two separate efforts namely: California WaterFix (CWF) and California EcoRestore. Under the CWF, the new water conveyance facilities with proposed design changes would be constructed and operated, with federal ESA compliance achieved through section 7 consultation. State and Federal ESA permits were issued in June and July 2017, and the DWR approved CWF on July 21, 2017. Metropolitan and other State Water Contractors approved their respective participation in CWF in 2017 and 2018. On February 12, 2019, Governor Newsom announced that he did not support a two-tunnel Delta Conveyance Project, but supports a single-tunnel project. On April 29, 2019, Governor Newsom issued Executive Order N-10-19, directing several agencies to, among other things, "inventory and assess current planning to modernize conveyance through the Bay Delta with a new single tunnel project." On May 2, 2019, the DWR rescinded its approval of CWF and decertified the Environmental Impact Report (EIR). On January 15, 2020, the DWR issued a Notice of Preparation of an EIR for a single-tunnel project now referred to as the Delta Conveyance Project.

Eighteen SWP contractors have taken action in November and December 2020 and approved their participation in the planning and pre-construction costs for the Delta Conveyance Project and authorized the execution of a funding agreement with the DWR for such purpose. At its December 8, 2020, Board meeting, Metropolitan's Board authorized the General Manager to execute a funding agreement and committed funding for a Metropolitan participation level of 47.2 percent of the costs of preliminary design, environmental planning and other pre-construction activities to assist in the environmental process for the proposed Delta Conveyance Project. At a 47.2 percent participation level for Metropolitan, its forecasted funding agreement costs will be $160.8 million for calendar years 2021 through 2024. The DWR is continuing to develop an EIR under the California Environmental Quality Act. A range of reasonable alternatives to consider and analyze in the EIR has been identified and current efforts are focused on analyzing the alternatives' potential impacts on environmental resources. DWR also conducted interviews with stakeholders in February and early March of 2021 on the concept of incorporating a Community Benefits Program as part of the Delta Conveyance Project to help protect and enhance the cultural, recreational, natural resource and agricultural values of the Delta. The DWR is also conducting a tribal consultation process as part of its environmental planning, consistent with State statutes and policies.

(c) Imperial Irrigation District

As of June 30, 2021, Metropolitan had advanced a total of $358.8 million to IID for construction costs, operations and maintenance costs, and indirect costs of the conservation projects. Metropolitan remains obligated to pay IID for actual operation and maintenance costs for the remainder of this agreement through at least 2041. In return, Metropolitan will receive between 85.0 TAF to 105.0 TAF in 2021 and annually thereafter depending upon the amount used by the CVWD. A total of at least 85.0 TAF and up to 105.0 TAF will be/was available in calendar years 2021 and 2020, respectively, for diversion by Metropolitan (see Note 4a).

(d) Sale of Water by the Imperial Irrigation District to San Diego County Water Authority

In April 1998, the San Diego County Water Authority (SDCWA) and IID executed an agreement (Transfer Agreement) for SDCWA's purchase from IID of Colorado River water that is conserved within IID. SDCWA is a Metropolitan member agency and one of the largest water purchasers from Metropolitan. In October 2003 the Transfer Agreement was revised as part of the Quantification Settlement Agreement (see Note 9e). The amended Transfer Agreement sets the maximum transfer amount at 205.0 TAF in 2021, with the transfer gradually ramping up to that amount over an approximately twenty-year period, stabilizing at 200.0 TAF per year beginning in 2023.

No facilities exist to provide for delivery of water from IID to SDCWA. In 1998, Metropolitan and SDCWA entered into an agreement for the exchange of the IID water to be acquired by SDCWA under the Transfer Agreement, with water to be delivered by Metropolitan. In 2003, the boards of directors of Metropolitan and SDCWA agreed to an increase in the price that SDCWA would pay to Metropolitan for this exchange of water, in return for Metropolitan's assignment to SDCWA of Metropolitan's rights to water conserved as a result of the lining of the All-American and Coachella Canals and $235.0 million, as set forth in an amended exchange agreement (Exchange Agreement) and an Allocation Agreement. Under the Exchange Agreement, SDCWA makes available to Metropolitan at its intake at Lake Havasu on the Colorado River the conserved Colorado River water acquired by SDCWA from IID and the conserved canal lining water allocated to SDCWA. In exchange, Metropolitan delivers an equal volume of water from its own sources of supply through its delivery system to SDCWA. The deliveries to both Metropolitan and SDCWA are deemed to be made in equal monthly increments. SDCWA pays Metropolitan a volumetric price for each delivery by Metropolitan. The price payable by SDCWA is calculated using the charges set by Metropolitan's Board from time to time to be paid by its member agencies for the conveyance of water through Metropolitan's facilities (see Note 1c). SDCWA has challenged the validity of Metropolitan's charges for conveyance of water that became effective January 1, 2011 and January 1, 2012, in San Diego County Water Authority v. Metropolitan Water District of Southern California; et al. On June 8, 2012, SDCWA filed a separate lawsuit challenging the rates adopted by Metropolitan's Board on April 10, 2012 and effective on January 1, 2013 and January 1, 2014. On May 30, 2014, SDCWA filed a separate lawsuit challenging the rates adopted by Metropolitan's Board on April 8, 2014 and effective on January 1, 2015 and January 1, 2016. On April 13, 2016, SDCWA filed a separate lawsuit challenging the rates and charges adopted by Metropolitan's Board on April 12, 2016 and effective on January 1, 2017 and January 1, 2018. On June 8, 2018, SDCWA filed a separate lawsuit challenging the rates and charges adopted by Metropolitan's Board on April 10, 2018 and effective on January 1, 2019 and January 1, 2020. The Exchange Agreement requires Metropolitan to pay the disputed portion of the amount paid by SDCWA under the Exchange Agreement and interest thereon to SDCWA, if SDCWA prevails in a dispute over the price payable by SDCWA under the Exchange Agreement. See Claims and Litigation, Note 9g.

(e) Quantification Settlement Agreement

The Quantification Settlement Agreement (QSA) is part of the California Plan, which is a plan to reduce California's use of Colorado River water to its basic apportionment of 4.4 million acre-feet per year when necessary through water conservation, transfers from higher priority agricultural users to Metropolitan's service area, and storage programs. The QSA was executed in October 2003 and establishes Colorado River water use limits for IID and the CVWD. It also provides for specific acquisitions of conserved water and water supply arrangements and restores the opportunity for Metropolitan to receive any special surplus water.

(f) Construction Programs and Contracts

The estimated cost, excluding contingencies, of Metropolitan's capital program for fiscal years 2021 through 2025 totals approximately $1.4 billion. However, due to various uncertainties such as lower than anticipated construction bids, permitting delays, and facility shutdowns constraints, capital spending was planned at $250.0 million each for fiscal years 2021 and 2022, and $300.0 million per year for fiscal years 2023 through 2025.

Over the next three years, Capital Investment Plan budget totals approximately $855.0 million with over $155.2 million for refurbishment and replacement (R&R) work at Metropolitan's water treatment plants; $146.3 million targeted for R&R projects for the Colorado River Aqueduct; $139.7 million on R&R work at pressure control facilities and pipelines throughout the distribution system; $114.9 million to continue relining of the Prestressed Concrete Cylinder Pipe portions of the Second Lower and Sepulveda feeders; and $92.1 million on a variety of information technology projects such as the Supervisory Control and Data Acquisition system, plus several headquarters building improvements including the ongoing fire alarm and smoke controls and physical security.

Metropolitan had commitments under construction contracts in force as follows:

(Dollars in thousands)	June 30, 2021	2020
Colorado River Aqueduct pumping plants sump rehabilitation	**$ 21,533**	$ 25,766
Furnishing large-diameter conical plug valves	**19,221**	20,637
Colorado River Aqueduct pumping plants overhead cranes replacement	**13,072**	—
MWD headquarters building fire alarm and smoke control improvements	**11,980**	—
Furnishing butterfly valves for the F.E. Weymouth water treatment plant - schedule 1	**4,815**	4,866
Furnishing equipment for the Jensen ozone PSU upgrades	**3,746**	4,100
MWD headquarters building physical security upgrades and improvements	**3,566**	—
Gene wash reservoir discharge valve replacement	**3,016**	5,094
Jensen water treatment plant electrical upgrade - stage 2	**2,604**	12,467
Garvey reservoir sodium hypochlorite feed system	**2,357**	—
Refurbish filter valve actuators for Diemer water treatment plant	**2,086**	2,536
Colorado River Aqueduct mile 12 flow monitoring station upgrades	**2,022**	—
Furnishing membrane filtration systems for the CRA domestic water treatment system	**1,206**	1,206
Furnishing steel pipe for Casa Loma siphon barrel no. 1	**768**	6,134
F.E. Weymouth chlorination system upgrades	**546**	2,002
Garvey reservoir drainage and erosion improvements - areas 6, 7, 8, 10 and 11	**520**	—
Furnishing horizontal axially split centrifugal pumps for the Greg Avenue pump station	**237**	1,013
Furnishing earthquake-resistant ductile iron pipe for the Casa Loma siphon barrel no. 1	**216**	9,238
MWD headquarters building improvements	**207**	15,557
Greg Avenue pressure control structure - pump modifications and new control building	**141**	7,639
F.E. Weymouth water treatment plant water quality instrumentation improvements	**100**	1,845
Diemer west basin and filter building rehabilitation	**60**	10,294
Colorado River Aqueduct - installation of radial gates at seven facilities	**45**	5,647
Furnishing butterfly valves for F.E. Weymouth water treatment plant	**12**	772
Colorado River Aqueduct - discharge line isolation couplings and bulkheads installation	**—**	14,697
Second Lower Feeder PCCP rehabilitation - reach 2	**—**	7,414
Jensen water treatment plant - modules 2 and 3 flocculator rehabilitation	**—**	5,583
Colorado River Aqueduct pumping plants 6.9kV power cables replacement	**—**	5,437
West Valley Feeder No. 1 De Soto Avenue valve structure upgrades	**—**	575
Other	**1,167**	2,455
Total	**$ 95,243**	$ 172,974

These commitments are being financed with operating revenues and debt financing.

(g) Claims and Litigation

SDCWA filed San Diego County Water Authority v. Metropolitan Water District of Southern California, et al. on June 11, 2010. The complaint alleged that the rates adopted by the Board on April 13, 2010, which became effective January 1, 2011 and January 1, 2012, misallocate certain State Water Project (SWP) costs to the System Access Rate and the System Power Rate, and thus affect charges for transportation of water, resulting in an overcharge to SDCWA by at least $24.5 million per year. The complaint alleged that all SWP costs should be allocated instead to Metropolitan's supply rate, even though under the State Water Contract Metropolitan is billed separately for transportation, power and supply costs. It stated additionally that Metropolitan will overcharge SDCWA by another $5.4 million per year by including the Water Stewardship Rate in transportation charges.

The complaint requested a court order invalidating the rates adopted on April 13, 2010, and that Metropolitan be mandated to allocate SWP costs and the Water Stewardship Rate to water supply rates and not to transportation rates. SDCWA filed its First Amended Petition for Writ of Mandate and Complaint on October 27, 2011, adding five new claims to this litigation, two of which were eliminated from the case on January 4, 2012. The three remaining new claims were for breach of the water Exchange Agreement between Metropolitan and SDCWA due to a price based on allegedly illegal rates; improper exclusion of SDCWA's payments under such Exchange Agreement from calculation of SDCWA's preferential rights to purchase Metropolitan supplies; and illegality of the rate structure integrity provision in conservation and local resources incentive agreements between Metropolitan and SDCWA. The rate structure integrity provision permitted the Board to terminate incentives payable under conservation and local resources incentive agreements between Metropolitan and a member agency due to certain actions by the member agency to challenge the rates that are the source of incentive payments. SDCWA filed a Second Amended Petition for Writ of Mandate and Complaint on April 17, 2012, which contained additional allegations but no new causes of action.

On June 8, 2012, SDCWA filed a new lawsuit challenging the rates adopted by Metropolitan on April 10, 2012 and effective on January 1, 2013 and January 1, 2014. The complaint contained allegations similar to those in the Second Amended Petition for Writ of Mandate and Complaint and new allegations asserting that Metropolitan's rates, adopted in April 2012, violate Proposition 26. SDCWA filed a Third Amended Petition for Writ of Mandate and Complaint on January 23, 2013, to add new allegations that Metropolitan's rates adopted in April 2010 did not meet the requirements of Proposition 26. The court granted Metropolitan's motion to strike allegations relating to Proposition 26 on March 29, 2013, expressly ruling that SDCWA may not allege a violation of Proposition 26 in its challenge to the rates adopted in April 2010. This ruling did not affect SDCWA's separate challenge to Metropolitan's rates adopted in April 2012, which also includes Proposition 26 allegations.

Nine member agencies are real party in interest defendants in the 2010 and 2012 cases, in support of Metropolitan. Following trial of both lawsuits in two phases in the San Francisco Superior Court, concluding on January 23, 2014 and April 30, 2015, respectively, the court issued its final judgment and a peremptory writ of mandate in the cases. Metropolitan appealed the Superior Court's decision in each case, and SDCWA filed a cross-appeal of the court's ruling on the rate structure integrity claim and an attorneys' fees order.

On June 21, 2017, the California Court of Appeal issued its decision in the appeals and cross-appeal filed by Metropolitan and SDCWA, respectively. The Court of Appeal ruled that Metropolitan may lawfully include its SWP transportation costs in the System Access Rate and System Power Rate that are part of the Exchange Agreement's price term, and that Metropolitan may also lawfully include the System Access Rate in its wheeling rate, reversing the trial court decision on this issue. The court held Metropolitan's allocation of the SWP transportation costs as its own transportation costs is proper and does not violate the wheeling statutes (Water Code, § 1810, et seq.), Proposition 26 (Cal. Const., Article XIIIC, §1, subd.(e)), whether or not that Proposition applies to Metropolitan's rates, California Government Code section 54999.7, the common law, or the terms of the parties' Exchange Agreement.

The Court of Appeal also ruled that the administrative record before it for the rates in calendar years 2011 through 2014 did not support Metropolitan's inclusion of its Water Stewardship Rate as a transportation cost in the Exchange Agreement price or the wheeling rate, under the common law and wheeling statutes. Having made that determination, the Court of Appeal stated it need not evaluate the issue under any other law. The court did not address the allocation of the Water Stewardship Rate in subsequent years based on a different record. The court noted, and in a subsequent modification confirmed, that its holding does not preclude Metropolitan from including the Water Stewardship Rate in Metropolitan's full service rate.

The Court of Appeal held that because the Water Stewardship Rate was included in the Exchange Agreement price, there was a breach by Metropolitan of the Exchange Agreement in 2011 through 2014. The court remanded the case to the trial court for a redetermination of damages in light of its ruling concerning the Water Stewardship Rate. The Court of Appeal agreed with the trial court that statutory prejudgment interest applies with respect to any damages award, not a lesser contractual interest. The Court of Appeal reversed the trial court by finding that the Exchange Agreement may entitle the prevailing party to attorneys' fees for the second phase of the case concerning breach of contract; but directed the trial court on remand to make a new determination of the prevailing party, if any. The cases were therefore remanded to the trial court for a review of both damages and attorneys' fees, if any.

With respect to other issues considered on appeal, the Court of Appeal upheld the trial court's ruling that Metropolitan improperly excludes SDCWA's payments under the Exchange Agreement in Metropolitan's calculation of SDCWA's preferential rights. The court also ruled that SDCWA had the constitutional right to challenge the rate structure integrity provision in Metropolitan's conservation and local resources incentive agreements and found that the rate structure integrity provision was invalid and unenforceable as an unconstitutional condition on the provision of a public benefit.

On September 27, 2017, the California Supreme Court denied SDCWA's petition for review, declining to consider the Court of Appeal's decision. The Court of Appeal's decision is therefore final.

On July 25, 2018, the Superior Court issued an order regarding the scope of the matters to be reconsidered by the Superior Court on remand pursuant to the Court of Appeal decision. With respect to the court's re-determination of damages in light of the Court of Appeal's ruling that the administrative record for calendar years 2011 through 2014 did not support Metropolitan's inclusion of its demand management costs in the Exchange Agreement price, the court ruled that it will award SDCWA $28,678,190.90 in contract damages for breach of the Exchange Agreement, plus prejudgment interest at 10 percent per annum. The court determined that Metropolitan was not entitled in the remand proceedings to show what it could have lawfully charged SDCWA for demand management costs and to deduct that from SDCWA's damages.

The Superior Court further ruled that SDCWA was not entitled in the remand proceedings to litigate the issue of "offsetting benefits" (described below) under the wheeling statutes for the parties' Exchange Agreement. The court found that such claim was both outside the scope of remand and waived.

The court also ruled that SDCWA was entitled to judgment on its declaratory relief cause of action declaring the rate structure integrity provision in Metropolitan's conservation and local resources incentive agreements invalid and unenforceable, and that SDCWA was entitled to further proceedings to litigate the issue of an entitlement to monetary restitution for 2011 through 2014 and the issue of what prospective relief SDCWA may be entitled to in connection with this cause of action.

Finally, the court confirmed, as the parties agreed, that it would conduct further proceedings for a redetermination of the prevailing party and attorneys' fees in this matter.

On September 14, 2018, Metropolitan filed a Petition for Writ of Mandate with the California Court of Appeal, requesting the court to require the Superior Court to recalculate contract damages for breach of the Exchange Agreement from years 2011 through 2014, to include a set-off for the additional sums SDCWA would have paid had Metropolitan collected the Water Stewardship Rate through its full service sales as SDCWA argued was correct. On November 1, 2018, the Court of Appeal determined that it would not review the issue at that stage of the cases.

On February 14, 2019, Metropolitan tendered to SDCWA payment of $44.4 million for the Superior Court's contract damages award for Water Stewardship Rate payments from 2011 through 2014, plus statutory interest through February 15, 2019, with a reservation of appeal rights, in the 2010 and 2012 cases. This tender was made under compulsion to cease accrual of statutory interest in excess of market rates, but did not affect Metropolitan's rights to appeal. On March 7, 2019, SDCWA rejected the tendered payment and returned the uncashed check for the tendered payment. In the post-remand judgment (discussed below), the Superior Court confirmed that Metropolitan's tender was effective and stopped the accrual of interest in February 2019.

As a result of reorganization of assignments at the San Francisco Superior Court and a motion for peremptory disqualification filed by SDCWA, the 2010 and 2012 cases, as well as the 2016 and 2017 cases described below, were reassigned on September 27, 2019 to Department 304, a different complex department in which the 2014 case was already pending. All cases are now pending before the Honorable Anne-Christine Massullo.

On November 15, 2019, Metropolitan provided a statutory Offer to Compromise to SDCWA to resolve all pending litigation filed by SDCWA. The offer, which was not confidential, was made under California Code of Civil Procedure Section 998 and was deemed withdrawn if not accepted by December 30, 2019. By letter dated December 19, 2019, SDCWA notified Metropolitan that it had determined not to act upon Metropolitan's Section 998 Offer to Compromise. Metropolitan's statutory Offer to Compromise was deemed withdrawn. SDCWA made its own settlement offer, which is public but non-statutory. SDCWA's settlement offer was made subject to acceptance by Metropolitan no later than the close of business on January 31, 2020. The Metropolitan Board reviewed SDCWA's proposal at its January 14, 2020 Board meeting and took no action.

The Superior Court had scheduled an evidentiary hearing for June 16 to June 18, 2020 on SDCWA's requested relief based on its rate structure integrity provision claim. Following action of the SDCWA Board of Directors on

February 27, 2020 (discussed below), SDCWA informed Metropolitan and the court that it was no longer seeking this relief. Accordingly, the evidentiary hearing was canceled.

On August 13, 2020, the Superior Court entered a final judgment in the 2010 and 2012 cases. On August 14, 2020, SDCWA served notice of entry of judgment and notice of the court's peremptory writ of mandate in the cases.

The court entered judgment: (1) on the first three causes of action – for writ of mandate, declaratory relief, and invalidation (the rate challenges) – in SDCWA's favor, because the Court of Appeal found Metropolitan's inclusion of the Water Stewardship Rate as a component of the transportation rates charged under the Exchange Agreement and wheeling rate was unlawful, and ordered issuance of a writ of mandate as described below; (2) on the fourth cause of action – breach of contract – in favor of SDCWA but only with respect to its challenge to Metropolitan's inclusion of the Water Stewardship Rate in the Exchange Agreement price for deliveries in 2011-2014, the court awarded San Diego a total of $44,373,872.29, comprised of: (A) $28,678,190.90 in damages; (B) prejudgment interest at the rate of 10 percent per annum through November 18, 2015 in the amount of $7,484,315.54; and (C) post-judgment interest at the rate of 7 percent per annum from November 19, 2015 until February 15, 2019 (the date of Metropolitan's tender of $44,373,872.29 to SDCWA), in the amount of $8,211,365.85; (3) on the fifth cause of action – declaratory relief regarding the rate structure integrity (RSI) provision – in favor of SDCWA as the RSI provision is invalid and unenforceable; (4) on the sixth cause of action – declaratory relief regarding preferential rights calculation – in favor of SDCWA that Metropolitan's previous methodology for calculating preferential rights violates § 135 of the Metropolitan Water District Act; (5) on the previously-dismissed cause of action for breach of fiduciary duty – in favor of Metropolitan; and (6) on the previously dismissed cause of action for breach of the covenant of good faith and fair dealing – in favor of Metropolitan.

The peremptory writ of mandate commands Metropolitan to "enact only legal wheeling and transportation rates in the future and, specifically, not to do the things that [the Court of Appeal] held were unlawful," and incorporates by reference the Court of Appeal decision; and to "exclude the costs of conservation programs and other demand management programs, enacted in [the 2010 and 2012] cases as the Water Stewardship Rate, from Metropolitan's wheeling rate published in Section 4405 of Metropolitan's Administrative Code and from the transportation rates charged under the [Exchange Agreement]."

Metropolitan filed a notice of appeal of the judgment and the writ on September 11, 2020. Metropolitan's appeal concerns the form of the judgment and the issuance of the writ. The parties have concluded briefing, and oral argument before the California Court of Appeal took place on September 15, 2021. See Note 16, Subsequent events for updates.

After determining it had jurisdiction to determine the prevailing party, if any, after the appeal was filed, on December 16, 2020, the Superior Court heard the parties' cross-motions on the determination of a prevailing party, if any, under the Exchange Agreement's attorneys' fees and costs provision. On January 12, 2021, the court heard the parties' motions to strike or tax each's memorandum of statutory costs, which involves a determination of prevailing party, as to all claims. For both sets of motions, Metropolitan contended that it is the prevailing party entitled to attorneys' fees and costs, or else there is not a prevailing party in these mixed-result cases.

On January 13, 2021, the court issued an order finding SDCWA is the prevailing party on the contract in the 2010 and 2012 cases, entitled to its attorneys' fees and costs under the contract. On February 10, 2021, the court issued an order awarding SDCWA statutory costs, on the basis it is the prevailing party. On February 25, 2021, Metropolitan filed a notice of appeal of the January 13 and February 10 orders regarding prevailing party and costs. On August 5, 2021, Metropolitan filed its opening appellate brief.

On February 11, 2021, Metropolitan received a demand for payment of the final judgment in the 2010 and 2012 cases. Metropolitan tendered payment to SDCWA on February 16, 2021 in the amount of $44,373,872.29, which included the award for damages, prejudgment interest through November 19, 2015, and post-judgment interest through February 15, 2019. The payment included $31.6 million of amounts withdrawn from the Exchange Agreement Set-Aside Fund (the Water Stewardship Rate payments under the Exchange Agreement from 2011 through 2014, and a portion of the statutory interest), and $12.8 million withdrawn from reserves (the remainder of the statutory interest).

On March 31, 2021, the parties stipulated to the amount of SDCWA's attorneys' fees that may be awarded under the Exchange Agreement, without waiver of Metropolitan's pending appeals. On April 6, 2021, the court entered the stipulated order awarding SDCWA $13,397,575.66 in attorneys' fees under the Exchange Agreement.

In May 2014, SDCWA filed a new lawsuit asserting essentially the same rate claims and breach of contract claim in connection with the Board's April 2014 rate adoption. Metropolitan filed its answer on June 30, 2014. On February 9, 2015, pursuant to stipulation by the parties, the San Francisco Superior Court ordered that the case be stayed.

On April 13, 2016, SDCWA filed a new lawsuit that alleged all rates and charges for 2017 and 2018 adopted by Metropolitan's Board on April 12, 2016 violate the California Constitution, statutes, and common law. The Petition for Writ of Mandate and Complaint asserted misallocation of costs as alleged in the previous cases listed above and additional claims of over-collection and misallocation of costs and procedural violations. Following a stipulated order issued by the court on November 10, 2016, SDCWA filed a First Amended Petition for Writ of Mandate and Complaint and the court ordered the case stayed pending final resolution of the 2010 and 2012 cases' appeals. The amended petition/complaint added allegations of the same Exchange Agreement breach as in the previous cases listed above and breach of a provision that requires Metropolitan to set aside disputed amounts, relating to the manner in which Metropolitan has set aside the amounts; requested a judicial declaration that, if a judgment is owed to SDCWA under the Exchange Agreement, SDCWA will not be required to pay any portion of that judgment; and requests a refund to SDCWA of any amount Metropolitan has collected in excess of the reasonable costs of the services provided or, alternatively, a reduction in SDCWA's future fees.

On February 27, 2020, the SDCWA Board of Directors authorized its attorneys to dismiss, without prejudice, claims related to payments of the Water Stewardship Rate on supply purchases only and the unquantified claims in the stayed cases relating to cost-of-service grounds and the rate model.

On August 27, 2020, the court granted SDCWA's motion to lift the stays in the 2014 and 2016 cases and to file a further amended petition/complaint. On August 28, 2020, SDCWA filed the amended petitions/complaints in the 2014 and 2016 cases. The amended petitions/complaints added, removed, and retained certain claims. Retained claims include SDCWA's challenge to Metropolitan's Water Stewardship Rate for calendar years 2015 through 2018 based on its allocation to transportation, with a request for the court to invalidate the transportation rates and the wheeling rate and award damages for breach of the parties' Exchange Agreement as a result. Added claims include a challenge to the wheeling rate and alleged breach of the Exchange Agreement for failure to provide offsetting benefits (only the 2018 case, discussed below, had included an offsetting benefits claim). In its offsetting benefits claim under the Exchange Agreement, SDCWA seeks to reduce the contract price.

On September 28, 2020, Metropolitan filed demurrers to, or in the alternative motions to strike, portions of the amended petitions/complaints in the 2014 and 2016 cases which the court heard on February 10, 2021. The motions sought to remove offsetting benefits claims in both cases as to alleged breach of contract and Metropolitan's wheeling rate, and the declaratory relief claim in the 2016 case as to how Metropolitan may satisfy a judgment. On February 16, 2021, the court denied the demurrers and motions to strike, allowing SDCWA to retain the contested allegations in its petitions/complaints.

On March 22, 2021, Metropolitan filed answers to the amended petitions/complaints in the 2014 and 2016 cases, along with cross-complaints asserting causes of action for declaratory relief with respect to, among other things, that the inclusion of the Water Stewardship Rate in transportation rates is lawful, that the transportation rates as charged under the Exchange Agreement are lawful as to offsetting benefits, and the inapplicability of Proposition 26 to Metropolitan's rates; judicial estoppel with respect to SDCWA's past statements regarding the Exchange Agreement; and for reformation of the Exchange Agreement price in the event the court were to find that the Exchange Agreement is subject to, based on, or incorporates the "offsetting benefits" provisions of the wheeling statutes. On April 23, 2021, SDCWA filed answers to the cross-complaints in the 2014 and 2016 cases.

On June 9, 2017, SDCWA filed a new Petition for Writ of Mandate and Complaint challenging the Readiness-to-Serve Charge and Capacity Charge for 2018 adopted by Metropolitan's Board on April 11, 2017. These two charges are set annually, and SDCWA's 2016 lawsuit included a challenge to these two charges for 2017. The new lawsuit similarly alleged the 2018 Readiness-to-Serve Charge and Capacity Charge violated the California Constitution, statutes, and common law. The petition/complaint asserts misallocation of costs. Metropolitan was served with the petition/complaint on June 20, 2017. On July 18, 2017, SDCWA filed a First Amended Petition for Writ of Mandate and Complaint to add Metropolitan's Board action of July 11, 2017 to make minor corrections to the Readiness-to-Serve Charge. On July 31, 2018, pursuant to stipulation by the parties, the San Francisco Superior Court ordered that the case be stayed. On July 23, 2020, the court entered SDCWA's requested dismissal of the 2017 case. The dismissal is without prejudice, which means SDCWA would not be precluded from re-initiating the case in the future.

On June 8, 2018, SDCWA filed a new lawsuit that alleges all rates and charges for 2019 and 2020 adopted by Metropolitan's Board on April 10, 2018 violate the California Constitution, statutes, and common law. The Petition for Writ of Mandate and Complaint asserted the Water Stewardship Rate is unlawful per se and its collection in transportation charges is also unlawful; failure to provide wheelers a reasonable credit for "offsetting benefits" pursuant to Water Code Section 1810, et seq., which SDCWA contends (and Metropolitan disputes) applies to the parties' Exchange Agreement; over-collection and misallocation of costs, including misallocation of Metropolitan's California WaterFix costs as its transportation costs; and specified procedural violations. SDCWA states in the Petition and Complaint that it intends to amend its complaint to allege additional claims against Metropolitan, including but not limited to a claim for breach of contract. Following a stipulated order issued by the San Francisco Superior Court on January 10, 2019, SDCWA filed a First Amended Petition for Writ of Mandate and Complaint and the court ordered the case stayed pending final resolution of the 2010 and 2012 cases. The amended petition/complaint adds a cause of action for breach of the Exchange Agreement alleging Metropolitan charged an unlawful price that includes the Water Stewardship Rate (despite suspension of this charge), failing to provide credit for offsetting benefits, charging transportation rates that are not based on costs of service, including California WaterFix costs, and not following procedural requirements; and requests a refund to SDCWA of any amount Metropolitan has collected in excess of the reasonable costs of the services provided or, alternatively, a reduction in SDCWA's future fees.

On July 28, 2020, the parties filed a stipulation and application to designate the case complex and related to the 2010-2017 cases. On November 13, 2020, the court ordered the case complex and assigned to Judge Massullo's court.

On April 20, 2021, based on the parties' stipulation, the court ordered the stay in the 2018 case lifted and granted SDCWA leave to file an amended petition/complaint. On April 21, 2021, SDCWA filed its Second Amended Petition for Writ of Mandate and Complaint in the 2018 case. SDCWA removed claims in this amended petition/complaint comparably to those it removed in the 2014 and 2016 cases. The amended petition/complaint retains claims concerning the Water Stewardship Rate's inclusion in the wheeling rate and the Exchange Agreement price (notwithstanding that Metropolitan ceased charging the Water Stewardship Rate under the Exchange Agreement in January 2018), the inclusion of California WaterFix costs in the wheeling rate and the Exchange Agreement price, and offsetting benefits with respect to the wheeling rate and the Exchange Agreement price.

On May 25, 2021, Metropolitan filed a motion to strike portions of the amended petition/complaint in the 2018 case. The motion sought to remove allegations regarding: the pre-set wheeling rate, recovery of suspending Water Stewardship Rate charges, and breach of contract as to the Water Stewardship Rate. See Note 16, Subsequent Events for updates.

Eight member agencies are real party in interest defendants in the 2014, 2016, and 2018 cases, in support of Metropolitan. In a Case Management Conference on April 22, 2021, the court stated the 2014, 2016, and 2018 cases will be consolidated and set a trial date in the cases for May 16 through 27, 2022. On June 11, 2021, Metropolitan lodged the administrative record for the three cases. See Note 16, Subsequent Events for updates.

Due to SDCWA's litigation challenging Metropolitan's rates, and pursuant to the Exchange Agreement between Metropolitan and SDCWA, as of June 30, 2021, Metropolitan held $26.5 million in the Exchange Agreement Set-Aside Fund. This amount includes the disputed Water Stewardship Rate payments for calendar years 2015 through 2017, and interest earned by Metropolitan thereon. The amount held does not include statutory interest, attorneys' fees, costs, or any other amount the court may award.

Metropolitan is unable to assess at this time the likelihood of success of the pending cases, any possible appeals other than those that are pending, or any future claims.

(h) Drinking Water Quality Standards

Under the Safe Drinking Water Act Amendments of 1996, Congress required the United States Environmental Protection Agency to set new drinking water quality standards. New standards to control microbial pathogens and disinfection byproducts (DBPs) became effective in 2002. These rules are known as the Interim Enhanced Surface Water Treatment Rule and the Stage 1 Disinfectants/Disinfection By-Product Rule. These standards became more stringent in a second set of regulations effective 2006. The second set of regulations (the Stage 2 Disinfectants/ Disinfection Byproducts Rule and the Long-Term 2 Enhanced Surface Water Treatment Rule) did not require additional capital investment by Metropolitan.

Metropolitan identified ozone disinfection as the most cost-effective option to minimize the production of DBPs and achieve other water quality objectives. Ozone is now used as the primary disinfectant at the Diemer, Jensen, Mills, and Skinner plants. The estimated cost of implementing ozone treatment at all five plants is approximately $1.1 billion.

(i) Reid Gardner Generating Station

Reid Gardner Generating Station (Plant) is a 557 megawatt coal-fired plant located near Moapa, Nevada. The Plant is owned and operated by Nevada Energy (NE). In 1983, DWR entered into a Participation Agreement to import power from the Plant to serve the SWP energy needs. DWR's interest in the Plant terminated on July 25, 2013. DWR and NE negotiated the terms of the divestiture including DWR's obligations to mitigate any environmental impacts associated with the electricity generated for DWR over the past thirty years. Metropolitan paid approximately 75.0 percent of DWR's costs associated with the generation of electricity at the Plant and will pay this proportion of DWR's assigned mitigation costs.

(j) Landfill Obligation

Federal and State laws and regulations require that Metropolitan perform certain maintenance and monitoring functions at its sole landfill site for 30 years after closure. They further require that a separate funding mechanism be established to ensure that sufficient funds are available for closure and postclosure costs. In October 1995, the landfill was closed and management's estimate of closure and postclosure costs for this site totaled approximately $2.0 million. The required thirty-year postclosure maintenance and monitoring of the landfill officially started in January 1998; after the installation of the landfill's final cover was completed. Approximately $24,000 was expended for post closure maintenance and monitoring activities in fiscal year 2021 while no amounts were expended in fiscal year 2020.

The actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws or regulations. Funding of these costs has been derived from a separate trust account that has been established for closure and postclosure costs. The balance of the trust account is sufficient to cover the landfill liability. At June 30, 2021 and 2020, approximately $800,000, net of interest receipts and disbursements, was available in this account.

10. PARTICIPATION RIGHTS IN STATE WATER PROJECT

Metropolitan is one of 29 water suppliers contracting with the State of California for a system to provide water throughout much of California. Under the terms of the State Water Contract, as amended, Metropolitan is obligated to pay allocable portions of the cost of construction of the system and ongoing operations and maintenance costs through at least the year 2035, regardless of the quantities of water available from the project (see Note 9a). Metropolitan and the other contractors may also be responsible to the State for certain obligations of any contractor who defaults on its payments to the State.

Approximately 33 percent and 35 percent of Metropolitan's total expenditures during fiscal years ended June 30, 2021 and 2020, respectively, pertained to its net payment obligations for the SWP. These payments were primarily based on the contractual water delivery request, the annually requested and actual deliveries received, and the cost of power required for such deliveries, offset by credits received from the project.

The State Water Contract provides Metropolitan rights to water through 2052 but Management's present intention is to exercise Metropolitan's option to extend the contractual period to at least 2085, under similar terms, based on the Agreement in Principle reached in 2014. This corresponds to an estimated 125-year service life for the original facilities. The State is obligated to provide specified quantities of water throughout the life of the contract, subject to certain conditions.

The State has power generation facilities associated with its reservoirs and aqueducts. The power generated is utilized by the system for water transportation purposes. Power generated in excess of system needs is marketed to various utilities and California's power market. The revenues resulting from sales of excess power reduce the costs of pumping. Metropolitan and the other water contractors are responsible for repaying the operating costs of the power facilities regardless of the amount of power generated.

Metropolitan capitalizes its share of system construction costs as participation rights when such costs are billed by the State (see Notes 1i, 2, and 9a). Metropolitan's share of system operations and maintenance costs is charged to expense.

Metropolitan amortizes a portion of capitalized participation rights each month using a formula that considers the total estimated cost of the project, the estimated useful life, and estimated production capacity of the assets based upon maximum annual contracted deliveries provided by the State of California. Amortization expense totaled $148.0 million and $142.7 million in fiscal years 2021 and 2020, respectively.

11. DEPOSITS, PREPAID COSTS, AND OTHER

Balances at June 30, 2021 and 2020 were as follows:

	June 30,	
(Dollars in thousands)	**2021**	2020
Prepaid water costs	**$ 246,801**	$ 234,768
Prepaid costs-Delta Habitat conservation and conveyance	**58,627**	58,627
Prepaid costs-Delta Conveyance Project	**25,000**	—
Prepaid costs-California WaterFix	**7,494**	7,494
Prepaid expenses	**27,418**	23,583
Preliminary design/reimbursable projects	**20,215**	15,693
Other	**18,614**	16,945
Total deposits, prepaid costs, and other	**404,169**	357,110
Less current portion	**(49,550)**	(2,782)
Noncurrent portion	**$ 354,619**	$ 354,328

(a) Prepaid Water Costs

Metropolitan has entered into several water exchange and storage agreements with other agencies. These agreements provide Metropolitan with additional reliable water supplies to supplement deliveries of Colorado River and SWP water. Metropolitan is also actively pursuing other agreements, both within and outside its service area, to provide additional water supplies. The exchange and storage agreements generally provide for advance delivery of water during periods when water is available. At a later time when water is needed, these programs can then return water to improve Metropolitan's reliability. Expenditures associated with these agreements have been recorded as prepaid costs and are charged to cost of water as the water is withdrawn. At June 30, 2021 and 2020, prepaid water costs totaled approximately $246.8 million and $234.8 million, respectively, based on volumes of 1,044.8 TAF and 1,114.0 TAF, as of such dates.

(b) Prepaid Costs—Delta Habitat Conservation and Conveyance

In March 2009, Metropolitan, other SWP contractors, federal Central Valley Project contractors, and the U.S. Department of Interior's Bureau of Reclamation entered into funding agreements with DWR. The agreements are known collectively as the Delta Habitat Conservation and Conveyance Program (DHCCP) Funding Agreement and the Bay Delta Conservation Plan and Delta Habitat Conservation and Conveyance Plan (BDCP - DHCCP) Supplemental Funding Agreement. Metropolitan's three-year DHCCP agreement provides funding of approximately $35.0 million for Metropolitan's share (24 percent). Metropolitan's two-year BDCP-DHCCP agreement provides funding of approximately $25.0 million (25 percent). The funding provided by both agreements supports development of the BDCP which was later on adapted as California WaterFix (see Note 9b) through environmental analysis, planning and design of Delta conservation measures including Delta water conveyance options. The two-tunnel California WaterFix project shifted to a single tunnel project referred to as the Delta Conveyance Project with the announcement of Governor Newsom on February 12, 2019. Total prepaid costs at June 30, 2021 and 2020 were $58.6 million.

The Board approved a 47.2 percent funding commitment for planning and pre-construction costs for the Delta Conveyance Project on December 18, 2020. As a result, Metropolitan remitted $25.0 million to DWR on January 15, 2021. Total prepaid costs for the Delta Conveyance Project as of June 30, 2021 was $25.0 million.

(c) Prepaid Costs—California WaterFix

In fiscal year 2019, Metropolitan disbursed a total of $41.5 million to DWR for preconstruction planning costs of the California WaterFix in accordance with the advance funding agreement entered into in August 2018. The $41.5 million was Metropolitan's share (31 percent) of the funding and DWR intends to refund Metropolitan for funds advanced through this agreement through bond financing actions. However, as a result of the shift to a single tunnel project and DWR's withdrawal of approval of the California WaterFix Project as well as the rescission of other permitting applications (see Note 9b), Metropolitan has requested, on June 27, 2019, that DWR return its contributions that have not been spent as of May 2, 2019. As of June 30, 2021 and 2020, DWR has remitted $34.0 million of unspent funds and $.5 million of interest. Total advanced funds at June 30, 2021 and 2020 were $7.5 million.

(d) Preliminary Design/Reimbursable Projects

Metropolitan engages in preliminary design activities prior to obtaining Board approval of capital projects. The costs of these designs are recorded as prepaid costs. Once Board approval is obtained, these costs are added to the cost of the relevant construction project.

Reimbursable projects include work Metropolitan is contracted to perform for outside, non-related parties, and is subsequently billed for reimbursement.

12. DEFERRED COMPENSATION AND SAVINGS PLANS

For the benefit of its employees, Metropolitan has adopted a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Investment of the funds is managed by a third-party administrator, accordingly, at June 30, 2021 and 2020, neither the plan assets nor the related liability were included in the accompanying basic financial statements.

The third-party administrator coordinates the investment of the deferred amounts in available investment vehicles per the instructions of each participant. Metropolitan's Treasurer serves as Trustee for the deferred compensation plan. Metropolitan is not liable to its employees for any losses that may be incurred in connection with their participation in this plan.

Metropolitan has established another compensation deferral arrangement in accordance with Section 401(k) of the Internal Revenue Code. The 401(k) Consolidated Savings Plan is available to substantially all employees. At June 30, 2021 and 2020, 1,670 and 1,641 employees, respectively, participated in the consolidated 401(k) plan. Amounts deferred by participants, Metropolitan matching contributions, and accumulated earnings thereon are fully vested. Deferred amounts and matching contributions are transferred by Metropolitan each pay period to a third-party administrator who coordinates the investment of such proceeds in a variety of investment vehicles in accordance with the instructions of each participant. The Treasurer serves as Trustee for the savings plan. Metropolitan is not liable to its employees for any losses that may be incurred in connection with their participation in this plan.

Metropolitan has established a matching contribution program on behalf of each participating employee in the savings plan. Metropolitan's contribution is subject to a maximum of 4.5 percent of the employee's total cash compensation.

Contributions to the savings plan were as follows:

	June 30,	
(Dollars in thousands)	**2021**	2020
Employees	**$ 22,892**	$ 21,846
Metropolitan	**10,271**	9,606
	$ 33,163	$ 31,452
Eligible payroll	**$ 256,585**	$ 246,443
Employee contributions as percent of eligible payroll	**8.9 %**	8.9 %

13. NET POSITION

Net position is classified as either restricted, unrestricted, or net investment in capital assets, including State Water Project costs.

Net investment in capital assets, including State Water Project costs consist of capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, notes, or other borrowings attributable to the acquisition or construction of those assets and deferred outflows and inflows of resources related to debt. Metropolitan's capital assets, including SWP costs include plant and equipment (Notes 1h and 2), participation rights in State Water Project (Notes 1i, 2, and 10), and participation rights in other facilities (Notes 1i, 2 and 4). Net investment in capital assets, including State Water Project costs were approximately $6.1 billion at June 30, 2021 and 2020.

The restricted component of net position are those items that have external constraints placed on them by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions of enabling legislation. Restricted net position totaled $532.7 million and $509.0 million at June 30, 2021 and 2020, respectively, of which $221.6 million and $232.4 million, respectively, were set-aside for principal and interest payments on outstanding debt. The remaining $311.1 million and $276.6 million, respectively, relates to estimated operating and maintenance expense for July and August of the subsequent fiscal year. Each of these requirements is related to bond covenants.

The unrestricted component of net position are those items that do not meet the definition of "restricted" or "net investment in capital assets, including State Water Project costs." Unlike the restricted net position, the Board has discretion in determining the use and establishing minimum/maximum balance requirements for the unrestricted cash and investment portion of net position. The Board may at any time change or eliminate amounts established for these purposes. Unrestricted net position totaled $520.2 million and $308.9 million at June 30, 2021 and 2020, respectively.

14. RISK MANAGEMENT

Metropolitan is exposed to various risks of loss related to the design, construction, treatment, and delivery of water resources. Metropolitan self-insures most of its property losses, the first $25.0 million for general liability, fiduciary liability and directors' and officers' liability, and $5.0 million for workers' compensation. Metropolitan supplements its self-insurance program with $75.0 million excess general liability coverage, $60.0 million excess fiduciary liability coverage, $65.0 million excess for directors' and officers' liability coverage, and statutory limits excess workers' compensation coverage. Special insurance policies carried include aircraft hull and liability, a limited property damage policy, crime insurance, specialty crime coverage, and travel accident coverage. Coverage types and limits for fiscal year 2021 were unchanged from fiscal year 2020. Settlement amounts did not exceed the self-insurance or insurance coverage limits in any of the past three years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR). Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. The present value of liabilities for unpaid claims is based on a 1.5 percent annual interest rate over the life of the claims. Changes in the balances of claims liabilities during the past three fiscal years were included in accounts payable as follows:

	June 30,		
(Dollars in thousands)	**2021**	2020	2019
Unpaid claims, beginning of fiscal year	**$ 13,602**	$ 12,958	$ 13,579
Incurred claims (including IBNR)	**7,106**	5,545	5,835
Claim payments and adjustments	**(10,419)**	(4,901)	(6,456)
Unpaid claims, end of fiscal year	**10,289**	13,602	12,958
Less current portion	**(4,792)**	(4,122)	(3,284)
Noncurrent portion	**$ 5,497**	$ 9,480	$ 9,674

15. COVID-19 PANDEMIC

Metropolitan continues to monitor and respond to the COVID-19 pandemic and ongoing developments surrounding it. Due to the COVID-19 pandemic and measures taken by state and local governments to respond to and control the outbreak, the behavior of businesses and people has been altered in a manner that has significantly slowed economic output throughout the United States, the State and the region. Reduced economic activity and its associated impacts, including as a result of the COVID-19 outbreak itself, such as job losses, income losses, business closures and housing foreclosures or vacancies, and any prolonged recession that may occur, could have a variety of adverse effects on Metropolitan and in the region. Declines in assessed valuations in Metropolitan's service area and/or increases in property tax delinquencies or non-payment resulting from the economic disruption may negatively affect property tax collections and reduce tax levy receipts.

Economic conditions affect aggregate levels of retail water use and may reduce demands in the region and Metropolitan's water transactions and revenues. A protracted disruption in the manufacturing or construction industry may affect supply chains or delay construction schedules for, or the implementation of, Metropolitan's capital improvement programs and projects, and may increase the costs of such projects or program or Metropolitan's operations. A sustained deterioration in global stock market values may impact the market value of assets held to fund Metropolitan's pension and other post-employment benefit plans, which could result in future increases in required plan contributions. The extent and period of disruption to or decline in the local and global economies, the effectiveness of and ability to reach wide spread distribution of vaccines and the period of time therefor, the ramifications of future actions that may be taken or required by governmental authorities to contain and respond to the effects of the pandemic, including additional stimulus efforts by the federal government, and the pace at which the economy can re-open and the speed of the economic recovery are uncertain, and no assurances can be given that Metropolitan's operations and finances will not be negatively affected.

16. SUBSEQUENT EVENT

SDCWA v. Metropolitan Cases

On July 14, 2021, the court heard Metropolitan's motion to strike portions of the amended petition/complaint in the 2018 case and on July 19, 2021, the court denied the motion to strike, allowing SDCWA to retain the contested allegations in its petition/complaint.

On July 29, 2021, Metropolitan filed an answer to the amended petition/complaint in the 2018 case, along with a cross-complaint asserting similar causes of action to those in its cross-complaints in the 2014 and 2016 cases. On August 31, 2021, SDCWA filed an answer to the cross-complaint.

On August 25, 2021 the court entered an order consolidating the 2014, 2016, and 2018 cases for all purposes including trial. On August 31, 2021, SDCWA filed a consolidated answer to the cross-complaint in the three cases.

Metropolitan filed a notice of appeal of the judgment and the writ in the 2010 and 2012 cases on September 11, 2020. Metropolitan's appeal concerned the form of the judgment and the issuance of the writ. Following briefing and oral argument, on September 21, 2021, the California Court of Appeal issued an unpublished opinion affirming the post-remand judgment and peremptory writ of mandate issued by the Superior Court in August 2020 in the 2010 and 2012 cases. The Court of Appeal held: (1) its 2017 decision invalidating allocation of Water Stewardship Rate (WSR) costs to transportation in the Exchange Agreement price and the wheeling rate applied not only to 2011 to 2014, but also to 2015 forward; (2) no relief is required to cure the judgment's omission of the court's 2017 decision that allocation of State Water Project costs to transportation is lawful; and (3) the writ is proper and applies to 2015 forward. Accordingly, on September 30, 2021, Metropolitan paid SDCWA for WSR charges under the Exchange Agreement in 2015 to 2017 and pre-judgment statutory interest in the amount of $35,871,153.70. This payment was made from the Exchange Agreement Set-Aside Fund (the WSR charges and a portion of statutory interest) and unrestricted reserves (the remainder of statutory interest). SDCWA's pending claims in the 2014 and 2016 cases with respect to these WSR charges will be dismissed.

On October 12, 2021, the Board authorized a settlement of OHL USA, Inc. v. The Metropolitan Water District of Southern California case. Accordingly, a settlement agreement is being drawn up for approval of each party. The case is anticipated to be settled in the latter part of October 2021.

Short-term and Long-term Debt

On July 8, 2021, Metropolitan issued $98.4 million, Water Revenue Refunding Bonds, 2021 Series B, which refunded $89.4 million, Water Revenue Refunding Bonds, 2011 Series C; $2.8 million, Water Revenue Refunding Bonds, 2014 Series C-3; and pre-paid $35.6 million of a draw on a Short-Term Revolving Credit Facility provided by Royal Bank of Canada. The 2021 Series B bonds have a true interest cost of 0.85%, mature on October 1 , 2036, and are subject to optional redemption provisions.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

(Dollars in thousands)	**2021**	2020
Measurement date: June 30,	**2020**	2019
TOTAL PENSION LIABILITY		
Service cost	**$ 37,178**	$ 35,739
Interest on total pension liability	**174,996**	168,122
Changes of assumptions	**—**	—
Difference between expected and actual experience	**13,319**	16,205
Benefit payments, including refunds of employee contributions	**(125,982)**	(117,537)
Net change in total pension liability	**99,511**	102,529
Total pension liability - beginning	**2,479,307**	2,376,778
Total pension liability - ending (a)	**$ 2,578,818**	$ 2,479,307
PLAN FIDUCIARY NET POSITION		
Contribution - Employer	**$ 66,091**	$ 56,497
Contribution - Employee	**16,230**	15,631
Net investment income[1]	**90,131**	114,220
Benefit payments, including refunds of employee contributions	**(125,982)**	(117,537)
Net plan to plan resource management	**—**	—
Administrative expense	**(2,551)**	(1,244)
Other miscellaneous income/(expense)[2]	**—**	4
Net change in fiduciary net position	**43,919**	67,571
Plan fiduciary net position - beginning[3]	**1,810,312**	1,742,741
Plan fiduciary net position - ending (b)	**$ 1,854,231**	$ 1,810,312
Plan net pension liability - ending (a) - (b)	**$ 724,587**	$ 668,995
Plan fiduciary net position as a percentage of the total pension liability	**71.90 %**	73.02 %
Covered payroll	**$ 225,707**	$ 212,558
Plan net pension liability as a percentage of covered payroll	**321.03 %**	314.74 %

[1] *2015 amount was net of administrative expenses of $1,972.*

[2] *During Fiscal Year 2017-18, as a result of GASB 75, CalPERS reported its proportionate share of activity related to post-employment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75. Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB 68.*

[3] *Includes any beginning of year adjustment.*

[4] *GASB 68 requires ten years of information be presented but only seven years are available at this time. Additional years' information will be displayed as it becomes available.*

See accompanying independent auditors' report

2019	2018	2017	2016	2015[4]
2018	2017	2016	2015	2014
$ 33,583	$ 33,685	$ 29,142	$ 28,890	$ 28,505
161,023	156,661	152,500	146,852	139,190
(15,391)	125,734	—	(35,008)	—
(10,039)	(15,804)	(12,754)	14,665	—
(107,646)	(100,092)	(92,401)	(86,154)	(81,391)
61,530	200,184	76,487	69,245	86,304
2,315,248	2,115,064	2,038,577	1,969,332	1,883,028
$ 2,376,778	$ 2,315,248	$ 2,115,064	$ 2,038,577	$ 1,969,332
$ 48,780	$ 42,819	$ 38,393	$ 34,306	$ 33,853
15,749	14,895	15,034	14,787	15,185
139,003	171,562	8,304	35,301	236,746
(107,646)	(100,092)	(92,401)	(86,154)	(81,391)
(4)	—	—	—	—
(2,577)	(2,255)	(950)	(1,756)	—
(4,895)	—	—	—	—
88,410	126,929	(31,620)	(3,516)	204,393
1,654,331	1,527,402	1,559,022	1,562,538	1,358,145
$ 1,742,741	$ 1,654,331	$ 1,527,402	$ 1,559,022	$ 1,562,538
$ 634,037	$ 660,917	$ 587,662	$ 479,555	$ 406,794
73.32 %	71.45 %	72.22 %	76.48 %	79.34 %
$ 204,635	$ 199,186	$ 195,878	$ 190,423	$ 186,850
309.84 %	331.81 %	300.01 %	251.84 %	217.71 %

NOTES TO SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Benefit Changes: The figures above include any liability impact that may have resulted from voluntary benefit changes that occurred after June 30, 2019 valuation date. However, offers of Two Years Additional Service Credit that occurred after June 30, 2019 valuation date are not included in the figure above, unless the liability impact is deemed to be material by the plan actuary.

Changes of Assumptions: There were no changes of assumptions for the 2016, 2019 or 2020 measurement dates. For the 2018 measurement date, demographic assumptions and inflation rate were changed in accordance with CalPERS experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. For the 2017 measurement date, the discount rate was reduced from 7.65 percent to 7.15 percent. For the 2015 measurement date, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). For the 2014 measurement date, amounts reported were based on the 7.5 percent discount rate.

SCHEDULE OF PENSION CONTRIBUTIONS

(Dollars in thousands)	**2021**	2020	2019	2018	2017	2016	2015[(1)]
Actuarially determined contribution	**$ 74,339**	$ 66,091	$ 56,497	$ 48,780	$ 42,819	$ 38,393	$ 34,306
Contributions in relation to the actuarially determined contribution	**(74,339)**	(66,091)	(56,497)	(48,780)	(42,819)	(38,393)	(34,306)
Contribution deficiency (excess)	**$ —**	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	**$ 235,294**	$ 225,707	$ 212,558	$ 204,635	$ 199,186	$ 195,878	$ 190,423
Contributions as a percentage of covered payroll	**31.6 %**	29.3 %	26.6 %	15.4 %	21.5 %	19.6 %	18.02 %

[(1)]GASB 68 requires ten years of information be presented but only seven years are available at this time. Additional years' information will be displayed as it becomes available.

See accompanying independent auditors' report

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS

Methods and assumptions used to set the actuarially determined contribution rates for fiscal year 2021:

Valuation date: June 30, 2018

Actuarial Cost Method	Entry age, level percentage of payroll
Amortization Method/Period	Level percentage of payroll over 20 year period
Asset Valuation Method	Investment gains/losses amortized over a fixed 30-year period spread directly over 5 years.
Discount rate	7.00%
Inflation	2.50%
Mortality, disability, termination, retirement	CalPERS 1997-2015 Experience Study
Mortality improvement	15 years of mortality projection using 90% of Scale MP 2016 from the Society of Actuaries

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

(Dollars in thousands)	**2021**	2020	2019	2018[1]
Measurement Date: June 30,	**2020**	2019	2018	2017
TOTAL OPEB LIABILITY				
Service cost	**$ 11,061**	$ 10,635	$ 10,325	$ 10,024
Interest	**29,322**	31,600	30,252	28,951
Changes of assumptions	**—**	(4,217)	—	—
Difference between expected and actual experience	**—**	(50,116)	—	—
Benefit payments	**(22,849)**	(21,328)	(20,487)	(19,525)
Net change in total OPEB liability	**17,534**	(33,426)	20,090	19,450
Total OPEB liability - beginning	**434,759**	468,185	448,095	428,645
Total OPEB liability - ending (a)	**$ 452,293**	$ 434,759	$ 468,185	$ 448,095
PLAN FIDUCIARY NET POSITION				
Contribution - employer	**$ 33,506**	$ 32,067	$ 34,674	$ 33,646
Net investment income	**10,276**	16,240	18,538	20,792
Benefit payments	**(22,849)**	(21,328)	(20,487)	(19,525)
Administrative expense	**(144)**	(57)	(400)	(107)
Net change in fiduciary net position	**20,789**	26,922	32,325	34,806
Plan fiduciary net position - beginning	**266,773**	239,851	207,526	172,720
Plan fiduciary net position - ending (b)	**$ 287,562**	$ 266,773	$ 239,851	$ 207,526
Plan net OPEB liability - ending (a) - (b)	**$ 164,731**	$ 167,986	$ 228,334	$ 240,569
Plan fiduciary net position as a percentage of the total OPEB liability	**63.58 %**	61.36 %	51.23 %	46.31 %
Covered payroll	**$ 225,707**	$ 212,558	$ 204,635	$ 199,186
Plan net OPEB liability as a percentage of covered payroll	**72.98 %**	79.03 %	111.58 %	120.78 %

[1] *Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.*

See accompanying independent auditors' report

NOTES TO SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

Benefit Changes: There were no benefit changes for the June 30, 2017 through 2020 measurement dates.

Changes of Assumptions: For the June 30, 2019 measurement date, demographic assumptions were updated to CalPERS 1997-2015 experience study and mortality improvement scale was updated to Scale MP-2019. There were no changes of assumptions for the June 30, 2020, 2018 or 2017 measurement dates.

SCHEDULE OF OPEB CONTRIBUTIONS

(Dollars in thousands)	**2021**	2020	2019	2018[(1)]
Actuarially determined contribution	**$ 23,217**	$ 28,148	$ 27,328	$ 30,086
Contributions in relation to the actuarially determined contribution	**(27,025)**	(33,506)	(32,067)	(34,674)
Contribution deficiency (excess)	**$ (3,808)**	$ (5,358)	$ (4,739)	$ (4,588)
Covered payroll	**$ 235,294**	$ 225,707	$ 212,558	$ 204,635
Contributions as a percentage of covered payroll	**11.49 %**	14.84 %	15.09 %	16.94 %

[(1)]*Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.*

See accompanying independent auditors' report

NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS

Methods and assumptions used to set the actuarially determined contribution rates for fiscal year 2021 were from the June 30, 2019 actuarial valuation:

Actuarial Cost Method	Entry age, level percentage of payroll
Amortization Method/Period	Level percentage of payroll over 23 year closed period (17 years remaining on measurement date 6/30/20).
Asset Valuation Method	Investment gains/losses spread over 5 year rolling period with corridor of 80% and 120% of fair value
Discount rate	6.75%
Inflation	2.75%
Mortality, disability, termination, retirement	CalPERS 1997-2015 Experience Study
Medical trend	Pre-Medicare - 7.25% for 2021, decreasing to 4.0% for 2076 and later Medicare - 6.3% for 2021, decreasing to 4.0% for 2076 and later
Mortality improvement	Mortality projected fully generational with Scale MP-2019.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Basic Financial Statements

Nine Months Ended March 31, 2022 and 2021

(Unaudited)

TABLE OF CONTENTS

UNAUDITED
March 31, 2022 and 2021

The following discussion and analysis of The Metropolitan Water District of Southern California's (Metropolitan) financial performance provides an overview of the financial activities for the nine months ended March 31, 2022 and 2021. This discussion and analysis should be read in conjunction with the basic financial statements and accompanying notes, which follow this section.

DESCRIPTION OF BASIC FINANCIAL STATEMENTS

Metropolitan operates as a utility enterprise and maintains its accounting records in accordance with United States generally accepted accounting principles (U.S. GAAP) for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The basic financial statements include statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows. The statements of net position include all of Metropolitan's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position, some of which is restricted in accordance with bond covenants or other commitments. The statements of revenues, expenses and changes in net position report all of Metropolitan's revenues and expenses during the periods indicated. The statements of cash flows show the amount of cash received and paid out for operating activities, as well as cash received from taxes and investment income, and cash used for construction projects, State Water Project (SWP) costs and principal and interest payments on borrowed money. Certain amounts reported in fiscal year 2021 have been reclassified to conform to the fiscal year 2022 presentation. Such reclassification had no effect on the previously reported change in net position.

During the fiscal year ended June 30, 2021, Metropolitan implemented GASB Statement No. 84 (GASB 84), *Fiduciary Activities*, which resulted in fiduciary activity that is reported separately from Metropolitan's proprietary balances. To maintain comparability of data for the periods presented, balances for restricted current and non-current cash, and current and non-current customer deposits and trust funds, as of March 31, 2021, were adjusted as detailed in Note 1(s) of the basic financial statements. Balances as of March 31, 2020 within this Management's Discussion and Analysis were not adjusted for the implementation of this GASB statement.

On July 1, 2021, Metropolitan implemented GASB Statement No. 89 (GASB 89), *Accounting for Interest Incurred before the End of a Construction Period*. GASB 89 requires all interest incurred during the construction period to be expensed and no longer allows for capitalization of such interest costs. The requirements of GASB 89 are applied prospectively in the year of implementation. As such, the March 31, 2021 and 2020 balances were not adjusted as a result of implementation.

CONDENSED FINANCIAL INFORMATION

Condensed Schedule of Net Position

(Dollars in millions)	March 31, **2022**	2021 As adjusted	2020
Assets and deferred outflows of resources			
Capital assets, net	**$ 10,561.8**	$ 10,580.2	$ 10,560.8
Other assets	**2,291.4**	2,125.8	1,914.6
Total assets	**12,853.2**	12,706.0	12,475.4
Deferred outflows of resources	**159.7**	150.8	190.9
Total assets and deferred outflows of resources	**13,012.9**	12,856.8	12,666.3
Liabilities and deferred inflows of resources			
Long-term liabilities, net of current portion	**4,902.5**	4,567.2	5,106.1
Other liabilities	**691.2**	1,153.5	571.4
Total liabilities	**5,593.7**	5,720.7	5,677.5
Deferred inflows of resources	**64.7**	74.8	31.5
Total liabilities and deferred inflows of resources	**5,658.4**	5,795.5	5,709.0
Net position			
Net investment in capital assets, including State Water Project costs	**6,333.4**	6,143.9	6,198.3
Restricted	**512.6**	490.7	425.7
Unrestricted	**508.5**	426.7	333.3
Total net position	**$ 7,354.5**	$ 7,061.3	$ 6,957.3

Capital Assets, Net

Net capital assets include plant, participation rights, and construction work in progress, net of accumulated depreciation and amortization.

Third Quarter Fiscal 2022 Compared to Third Quarter Fiscal 2021. At March 31, 2022, net capital assets totaled $10.6 billion, or 81.2 percent of total assets and deferred outflows of resources, and were $18.4 million lower than the prior year. The decrease included depreciation and amortization of $360.8 million and $11.5 million retirements of capital assets, offset by Metropolitan's continued expenditures on the capital investment plan of $200.3 million and a net increase of $153.6 million in participation rights in SWP. See the capital assets section on pages 15-16 for additional information.

Third Quarter Fiscal 2021 Compared to Third Quarter Fiscal 2020. At March 31, 2021, net capital assets totaled $10.6 billion, or 82.3 percent of total assets and deferred outflows of resources, and were $19.4 million higher than the prior year. The increase included Metropolitan's continued expenditures on the capital investment plan of $301.9 million (including $7.4 million of capitalized interest) and a net increase of $141.7 million in participation rights in SWP, offset by depreciation and amortization of $344.4 million and $79.8 million retirements of capital assets and write-off of construction in progress related to a recalculation of previously capitalized interest on construction. See the capital assets section on pages 15-16 for additional information.

Other Assets

Other assets include accounts receivable, inventories, prepaid costs, and cash and investments.

Third Quarter Fiscal 2022 Compared to Third Quarter Fiscal 2021. At March 31, 2022, other assets totaled $2.3 billion and were $165.6 million higher than the prior year. The increase included $70.2 million higher cash and investments primarily due to $53.3 million proceeds from bond refunding transaction as the new debt issued was more than the amount of debt refunded. Deposits, prepaid costs and other was $41.0 million higher than prior year, which included $25.0 million funding for the Delta Conveyance Project planning and pre-construction costs and $13.3 million prepaid labor benefits due to higher pension and Other Post Employment Benefits (OPEB) contributions. Also contributing to the increase in other assets was $30.7 million more water revenues receivable due to 22.1 thousand acre feet (TAF) higher water transactions in February and March 2022 than prior year's comparable months and $16.6 million more water inventory due to higher per unit cost of water in storage.

Third Quarter Fiscal 2021 Compared to Third Quarter Fiscal 2020. At March 31, 2021, other assets totaled $2.1 billion and were $211.2 million higher than the prior year. The increase included $155.8 million higher cash and investments primarily due to $188.9 million proceeds from the Water Revenue Bonds 2021 Series A. Water revenues receivable also increased $34.6 million as fiscal year 2021 February and March water transactions were higher than prior year comparable months. Deposits, prepaid costs and other was $22.1 million higher than prior year. The increase included $25.0 million funding for the Delta Conveyance Project planning and pre-construction costs and $12.0 million higher High Desert Bank Program costs, which was operational for nine months in fiscal year 2021 compared to three months in the prior year, offset by $18.7 million lower prepaid water costs due to 86.7 TAF less supply in various storage programs.

Deferred Outflows of Resources

Deferred outflows of resources include deferred outflows related to loss on bond refundings and swap terminations, deferred outflows related to the net pension liability and net OPEB liability, and deferred outflows for effective interest rate swaps.

Third Quarter Fiscal 2022 Compared to Third Quarter Fiscal 2021. At March 31, 2022, deferred outflows totaled $159.7 million and were $8.9 million higher than the prior year. The increase was primarily due to $18.0 million higher deferred outflows related to pension, which included $13.1 million higher deferred outflows related to the net difference between projected and actual earnings on pension plan investments, $8.2 million higher deferred outflows related to pension contributions subsequent to the measurement date, and $4.5 million higher difference between actual and expected experience, partially offset by $7.8 million lower deferred outflows due to changes of actuarial assumption. The increase was offset by $6.7 million lower deferred loss on bond refundings due to $6.2 million of refunding transactions and $0.5 million of scheduled amortization and $1.7 million lower deferred loss on swap terminations due to amortization.

Third Quarter Fiscal 2021 Compared to Third Quarter Fiscal 2020. At March 31, 2021, deferred outflows totaled $150.8 million and were $40.1 million lower than the prior year. The decrease was primarily due to $21.7 million lower deferred outflows related to pension, which included $39.3 million lower deferred outflows due to changes of actuarial assumptions and $3.3 million lower deferred outflows related to the net difference between projected and actual earnings on pension plan investments, offset by $11.3 million higher difference between actual and expected experience and $9.6 million higher deferred outflows related to pension contributions subsequent to the measurement date. In addition, deferred outflows of effective swaps were $14.6 million lower due to higher interest rates and deferred loss on bond refundings was $7.0 million lower due to $4.0 million of refunding transactions and $3.0 million of scheduled amortization.

Long-term Liabilities, Net of Current Portion

Long-term liabilities, net of current portion include long-term debt, revolving notes, customer deposits and trust funds, net pension liability, net OPEB liability, accrued compensated absences, workers' compensation and third party claims, fair value of interest rate swaps, and other long-term obligations.

Third Quarter Fiscal 2022 Compared to Third Quarter Fiscal 2021. At March 31, 2022, long-term liabilities, net of current portion totaled $4.9 billion and were $335.3 million higher than the prior year primarily due to $314.6 million increase in long-term debt, net of current portion, which included $459.6 million less current portion of long-term debt as compared to prior year and $53.4 million of bond refundings, as the new debt issued was more than the amount of debt refunded, offset by $158.7 million of scheduled principal payments and $39.7 million decrease in premiums and discounts. For additional information, see other liabilities and long-term debt sections on pages 7 and 17, respectively. In addition, net pension liability was $55.6 million higher due to $175.0 million interest on the total pension liability and $37.2 million in service costs, offset by $90.1 million of pension plan investment earnings and $66.1 million employer contributions to the pension plan. These increases in long-term liabilities, net of current portion was offset by $23.9 million decrease in fair value of interest rate swaps due to higher interest rates as compared to prior year.

Third Quarter Fiscal 2021 Compared to Third Quarter Fiscal 2020. At March 31, 2021, long-term liabilities, net of current portion, totaled $4.6 billion and were $538.9 million lower than the prior year primarily due to $451.6 million decrease in long-term debt, net of current portion, which included $518.3 million more current portion of long-term debt as compared to prior year, $133.9 million principal payments and $128.3 million of bond refundings, as the new debt issued was less than the amount of debt refunded, offset by $188.9 million in new revenue bonds and $139.9 million higher premiums and discounts. For additional information, see other liabilities and long-term debt sections on pages 7 and 17, respectively. Further contributing to the decrease in long-term debt net of current portion was $60.0 million lower net OPEB liability primarily due to $50.1 million difference between expected and actual experience, $32.1 million of employer contributions to the OPEB plan and $16.2 million of OPEB plan investment earnings, offset by $31.6 million of interest on the total OPEB liability and $10.6 million of service costs. Long-term revolving notes also decreased by $46.8 million due to the reclassification of the Bank of America, N.A. notes (BANA notes) which were due in August 2021 and fair value of interest rate swaps decreased $20.8 million due to higher interest rates than prior year. These decreases were offset by $35.0 million higher net pension liability primarily due to $168.1 million interest on the total pension liability and $35.7 million in service costs, offset by $114.2 million of pension plan investment earnings and $56.5 million employer contributions to the pension plan.

Other Liabilities

Other liabilities represent current liabilities that are due within one year. Current liabilities include accounts payable, accrued liabilities, and the current portion of long-term liabilities.

Third Quarter Fiscal 2022 Compared to Third Quarter Fiscal 2021. At March 31, 2022, other liabilities totaled $691.2 million and were $462.3 million lower than the prior year. Current portion of long-term debt decreased $459.6 million due to the extension of mandatory tender dates to fiscal year 2024 for the $191.2 million Subordinate Water Revenue Refunding Bonds (SWRRB), 2017 Series D and E and $80.0 million Subordinate Water Revenue Bonds (SWRB), 2017 Series C. Also contributing to the decrease in current portion of long-term debt was the refunding of $175.0 million SWRB, 2016 Series A and an extension of the Standby Bond Purchase Agreements (SBPA) for $90.1 million Special Variable Rate Water Revenue Refunding Bond (SVRWRRB), 2018 Series A-1 and A-2 and $82.9 million Water Revenue Refunding Bonds (WRRB), 2016 Series B-1 and B-2 from June and July 2021, respectively, to June 2024, offset by $80.0 million and $78.9 million of Water Revenue Bonds, 2017 Series A and 2000 Series B-3, respectively, which have SBPAs that expire within one year. Also contributing to the decrease in other liabilities was $46.8 million lower revolving notes as the BANA notes issued for the CWF advance were repaid. These decreases were offset by $36.6 million higher accounts payable and accrued expenses primarily due to $45.3 million or 170.8 TAF draw from DWR's Flexible Storage Program and $5.4 million more accrued water in Semitropic and Kern-Delta storage programs, offset by $18.7 million lower SWP variable costs resulting from lower water deliveries.

Third Quarter Fiscal 2021 Compared to Third Quarter Fiscal 2020. At March 31, 2021, other liabilities totaled $1.2 billion and were $582.1 million higher than the prior year primarily due to $518.3 million more current portion of long-term debt primarily due to mandatory tender dates within one year for the outstanding SWRRB, 2017 Series D and E in the amount of $191.2 million, the SWRB, 2016 Series A in the amount of $175.0 million, and the SWRB, 2017 Series C in the amount of $80.0 million. Further contributing to the increase in current portion of long-term debt was the SVRWRRB, 2018 Series A-1 and A-2 in the amount of $90.1 million and the WRRB, 2016 Series B-1 and B-2 in the amount of $82.9 million, both of which were supported by SBPA that expired within one year. These increases were offset by the WRRB, 2015 Series A-1 and A-2 which were refunded and reduced the current portion by $114.8 million. Additionally, the current portion of long-term debt increased by $46.8 million due to the reclassification of the BANA notes which were due in August 2021 and accounts payable and accrued expenses were $13.8 million higher primarily due to higher SWP variable costs resulting from the purchase of carryover allocations from prior year.

Deferred Inflows of Resources

Deferred inflows of resources represent deferred inflows related to the net pension liability, net OPEB liability and deferred inflows for effective interest rate swaps.

Third Quarter Fiscal 2022 Compared to Third Quarter Fiscal 2021. At March 31, 2022, deferred inflows of resources totaled $64.7 million and were $10.1 million lower than the prior year primarily due to $19.7 million lower deferred inflows related to pension, which included $10.8 million lower net difference between projected and actual earnings on pension plan investments, $4.8 million lower changes of assumptions, and $4.1 million lower difference between expected and actual experience. Additionally, deferred inflows related to OPEB decreased $14.3 million, which included $9.8 million lower differences between expected and actual experience and $3.7 million net difference between projected and actual earnings on OPEB plan investments. These decreases were offset by $23.9 million higher deferred inflows on effective swaps due to higher interest rates.

Third Quarter Fiscal 2021 Compared to Third Quarter Fiscal 2020. At March 31, 2021, deferred inflows of resources totaled $74.8 million and were $43.3 million higher than the prior year primarily due to a $40.0 million increase in deferred inflows related to OPEB, which included $40.3 million higher differences between expected and actual experience. In addition, deferred inflows related to effective swaps decreased $6.2 million due to higher interest rates. This increase was partially offset by $2.9 million lower deferred inflows related to pension, which included $8.9 million lower differences between expected and actual experience and $4.8 million lower changes of assumptions offset by $10.8 million higher net difference between projected and actual earnings on pension plan investments.

Net Investment in Capital Assets, including State Water Project Costs

Net investment in capital assets, including State Water Project costs, include amounts expended for capital improvements and SWP, offset by accumulated depreciation and amortization and outstanding debt issued for these purposes and related deferred outflows of resources.

Third Quarter Fiscal 2022 Compared to Third Quarter Fiscal 2021. At March 31, 2022, net investment in capital assets, including State Water Project costs totaled $6.3 billion and was $189.5 million higher than the prior year. The increase included $207.9 million decrease in outstanding debt and related deferred outflows of resources, partially offset by $18.4 million net decrease in capital assets. See discussions of these items in the capital assets and long-term debt sections on pages 15-16 and 17, respectively.

Third Quarter Fiscal 2021 Compared to Third Quarter Fiscal 2020. At March 31, 2021, net investment in capital assets, including State Water Project costs totaled $6.1 billion and was $54.4 million lower than the prior year. The decrease included $73.8 million increase in outstanding debt and related deferred outflows of resources partially offset by $19.4 million net increase in capital assets. See discussions of these items in the capital assets and long-term debt sections on pages 15-16 and 17, respectively.

Restricted Net Position

Restricted net position includes amounts restricted for debt service payments, capital projects and operating expenses, all of which are required by bond covenants.

Third Quarter Fiscal 2022 Compared to Third Quarter Fiscal 2021. At March 31, 2022, restricted net position totaled $512.6 million which was $21.9 million higher than prior year. The increase included $32.9 million higher restricted for operating expenses primarily due to higher pension and OPEB contribution requirements for fiscal year 2022 offset by $11.0 million lower restricted for debt service resulting from lower principal and interest payment requirements.

Third Quarter Fiscal 2021 Compared to Third Quarter Fiscal 2020. At March 31, 2021, restricted net position totaled $490.7 million which was $65.0 million higher than prior year. The increase included $35.4 million higher restricted for operating expenses as labor and benefit costs were estimated to be higher in fiscal year 2021 due to negotiated labor increases, higher pension contribution requirement and increase in benefit premiums and $29.6 million higher restricted for debt service resulting from higher principal and interest payment requirements.

Unrestricted Net Position

Unrestricted net position consists of net position items that do not meet the definition of "restricted" or "net investment in capital assets, including State Water Project costs." Certain unrestricted net position items have been designated for purposes authorized by the Board.

Third Quarter Fiscal 2022 Compared to Third Quarter Fiscal 2021. Unrestricted net position of $508.5 million at March 31, 2022, was $81.8 million higher than prior year which included changes in net position of $293.2 million for the twelve months ended March 31, 2022, offset by $189.5 million higher net investment in capital assets, including State Water Project costs and $21.9 million higher restricted for debt service and operating expenses.

Third Quarter Fiscal 2021 Compared to Third Quarter Fiscal 2020. Unrestricted net position of $426.7 million at March 31, 2021, was $93.4 million higher than the prior year which included changes in net position of $104.0 million for the twelve months ended March 31, 2021 and $54.4 million lower net investment in capital assets, including State Water Project costs, offset by $65.0 million higher restricted for debt service and operating expenses.

CHANGES IN NET POSITION

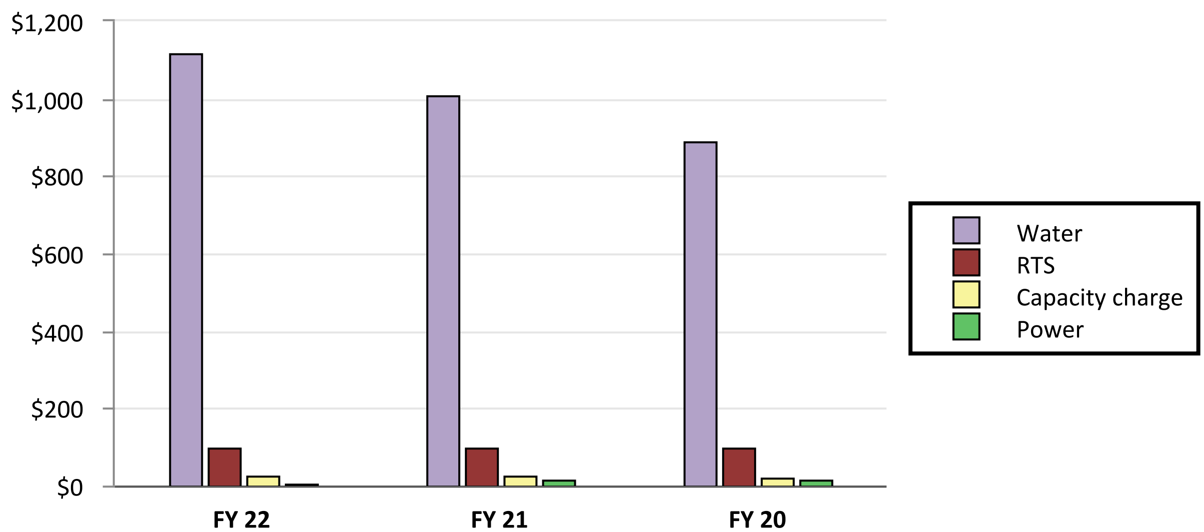
Condensed Schedule of Revenues, Expenses, and Changes in Net Position

(Dollars in millions)	Nine Months Ended March 31, 2022	2021	2020
Water revenues	**$ 1,118.1**	$ 1,008.2	$ 891.0
Readiness-to-serve charges	**100.0**	100.5	100.5
Capacity charge	**27.1**	23.8	22.8
Power sales	**6.6**	16.7	14.9
Operating revenues	**1,251.8**	1,149.2	1,029.2
Taxes, net	**123.3**	114.5	107.4
Investment income, net	**—**	2.7	20.5
Other	**15.7**	6.4	14.4
Nonoperating revenues	**139.0**	123.6	142.3
Total revenues	**1,390.8**	1,272.8	1,171.5
Power and water costs	**(434.4)**	(365.3)	(322.5)
Operations and maintenance	**(395.2)**	(386.8)	(387.6)
Litigation payments	**(50.5)**	(44.4)	—
Depreciation and amortization	**(265.0)**	(269.5)	(258.0)
Operating expenses	**(1,145.1)**	(1,066.0)	(968.1)
Bond interest, net of amount capitalized	**(70.2)**	(68.5)	(77.9)
Investment expense, net	**(10.1)**	—	—
Loss on disposal of plant assets	**—**	(13.2)	(0.2)
Other	**(5.3)**	(3.3)	(4.2)
Nonoperating expenses	**(85.6)**	(85.0)	(82.3)
Total expenses	**(1,230.7)**	(1,151.0)	(1,050.4)
Changes in net position	**160.1**	121.8	121.1
Net position at June 30,	**7,194.4**	6,939.5	6,836.2
Net position at March 31,	**$ 7,354.5**	$ 7,061.3	$ 6,957.3

Operating Revenues

Metropolitan's principal source of revenue is derived from the sale and availability of water, including water rates and other exchange and wheeling transactions, which typically account for approximately 85 percent of operating revenues. Metropolitan's primary sources of water supply are the Colorado River and the State Water Project.

Third Quarter
OPERATING REVENUES
(Dollars in millions)



Analytical Review of Operating Revenues

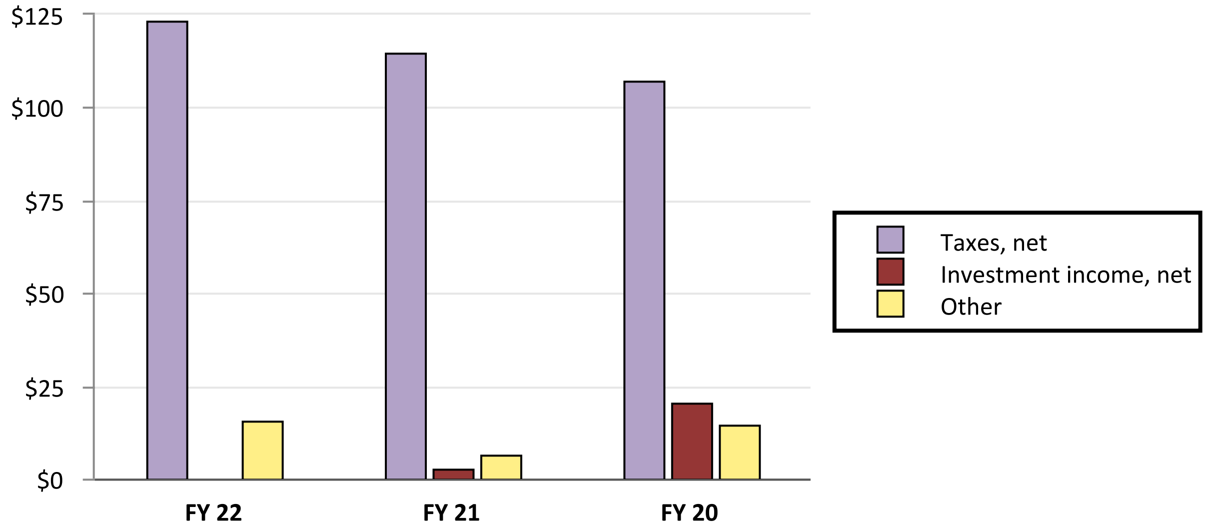
Third Quarter Fiscal 2022 Compared to Third Quarter Fiscal 2021. For the nine months ended March 31, 2022, operating revenues were $1.3 billion or $102.6 million more than the prior year. The increase was primarily due to $109.9 million of higher water revenues, which included $76.7 million or 87.0 TAF of higher volumes sold and $33.2 million of higher price. The increase in water revenues was partially offset by $10.1 million of lower power sales primarily due to lower Colorado River Aqueduct deliveries as compared to prior year.

Third Quarter Fiscal 2021 Compared to Third Quarter Fiscal 2020. For the nine months ended March 31, 2021, operating revenues were $1.1 billion or $120.0 million more than the prior year. The increase was primarily due to $117.2 million of higher water revenues, which included $85.1 million or 99.8 TAF of higher volumes sold and $32.1 million of higher price.

Nonoperating Revenues

The primary source of nonoperating revenues is property taxes.

Third Quarter
NONOPERATING REVENUES
(Dollars in millions)



Analytical Review of Nonoperating Revenues

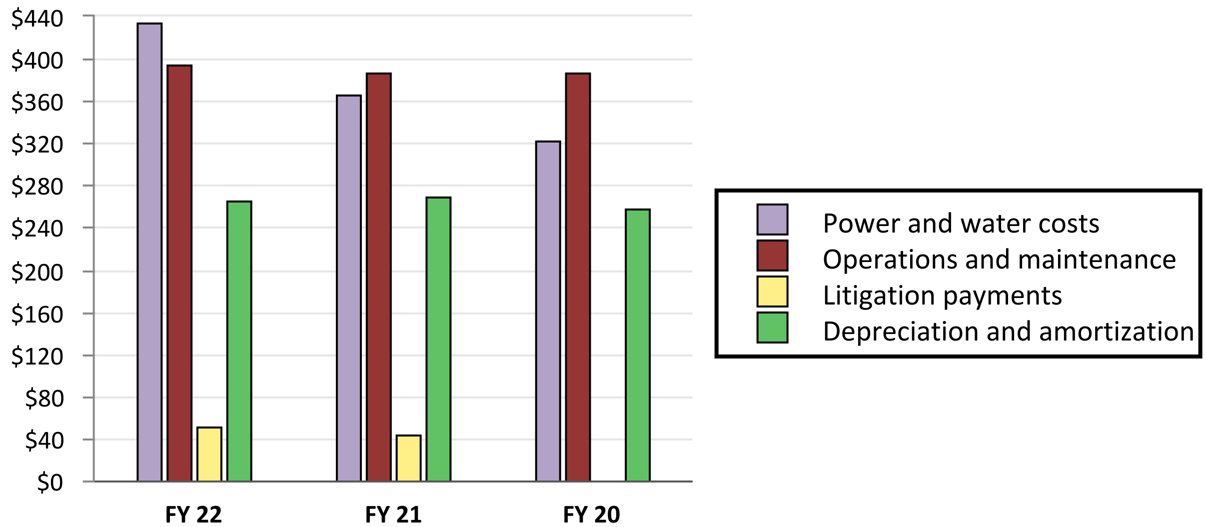
Third Quarter Fiscal 2022 Compared to Third Quarter Fiscal 2021. Nonoperating revenues for the nine months ended March 31, 2022, totaled $139.0 million and were $15.4 million higher than the prior year. The increase included $9.3 million more other revenues primarily due to $8.8 million of proceeds on land sale and $8.8 million higher property tax revenues resulting from higher assessed values. These increases were offset by $2.7 million lower investment income, which included $4.3 million lower rate of return and $8.5 million unfavorable change in fair value of investments which resulted in a $10.1 million investment loss reported in nonoperating expenses.

Third Quarter Fiscal 2021 Compared to Third Quarter Fiscal 2020. Nonoperating revenues for the nine months ended March 31, 2021, totaled $123.6 million and were $18.7 million lower than the prior year primarily due to $17.8 million lower investment income which included a $11.2 million unfavorable change in fair value of investments and $6.3 million lower rate of return. In addition, other revenues were $8.0 million lower as the $6.4 million adjustment related to an overstatement of depreciation expense in fiscal year 2020 did not occur in fiscal year 2021. These decreases were offset by $7.1 million higher property tax revenues resulting from higher assessed values.

Operating Expenses

Operating expenses fall into three primary cost areas: power and water, operations and maintenance (O&M), depreciation and amortization, and litigation payments.

Third Quarter
OPERATING EXPENSES
(Dollars in millions)



Analytical Review of Operating Expenses

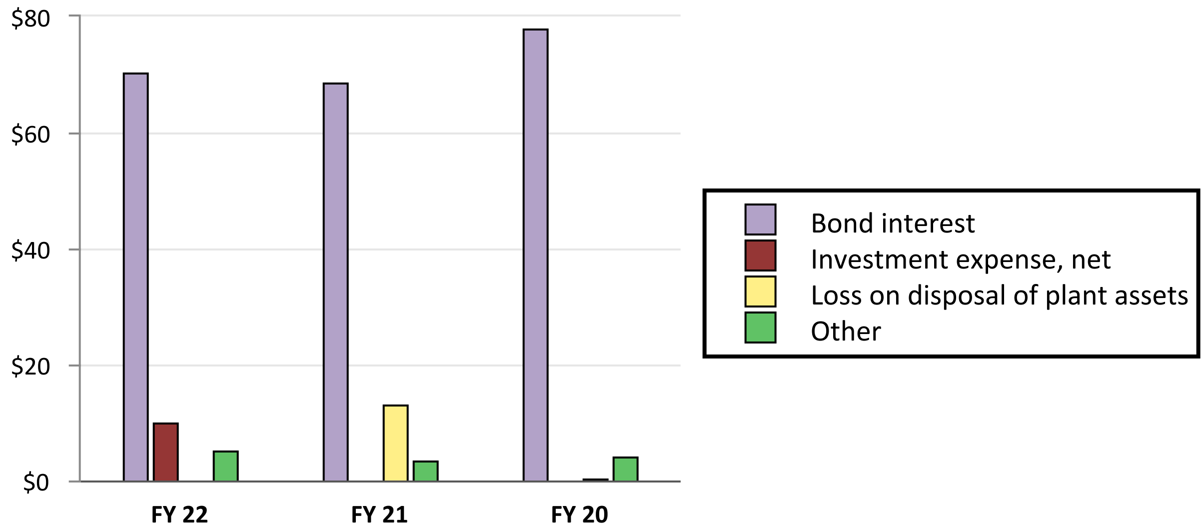
Third Quarter Fiscal 2022 Compared to Third Quarter Fiscal 2021. For the nine months ended March 31, 2022, operating expenses of $1.1 billion were $79.1 million higher than the prior year primarily due to a $69.1 million increase in power and water costs as a result of an increase in the per unit cost of water. In addition, O&M costs were $8.4 million higher due to higher pension and OPEB expenses and litigation payment to the San Diego County Water Authority was $6.1 million higher, see Note 6(g) for additional information. These increases were partially offset by $4.5 million lower depreciation and amortization expense due to a net decrease in capital assets of $18.4 million.

Third Quarter Fiscal 2021 Compared to Third Quarter Fiscal 2020. For the nine months ended March 31, 2021, operating expenses of $1.1 billion were $97.9 million higher than the prior year. The increase included $44.4 million litigation payment to the San Diego County Water Authority, see Note 6(g) for additional information, and $42.8 million higher power and water expenses, as the credit for over collection of prior year's charges on SWP minimum OMP&R costs did not occur in fiscal year 2021. Additionally, depreciation and amortization expense increased $11.5 million due to a net increase in capital assets of $19.4 million.

Nonoperating Expenses

The primary sources of nonoperating expenses are interest expense on bonds, loss on disposal of plant assets and other.

Third Quarter
NONOPERATING EXPENSES
(Dollars in millions)



Analytical Review of Nonoperating Expenses

Third Quarter Fiscal 2022 Compared to Third Quarter Fiscal 2021. For the nine months ended March 31, 2022, nonoperating expenses of $85.6 million were $0.6 million higher than the prior year. The increase was due to $10.1 million more investment expense primarily due to an unfavorable change in fair value of investments, $2.0 million more other miscellaneous expenses and $1.7 million more bond interest expense due to the implementation of GASB 89 at the beginning of fiscal year 2022. This accounting statement no longer allows for the capitalization of interest cost during the construction period. These increases were offset by $13.2 million less loss on disposal of plant assets as the recalculation of previously capitalized interest on construction did not occur in the first three quarters of fiscal year 2022.

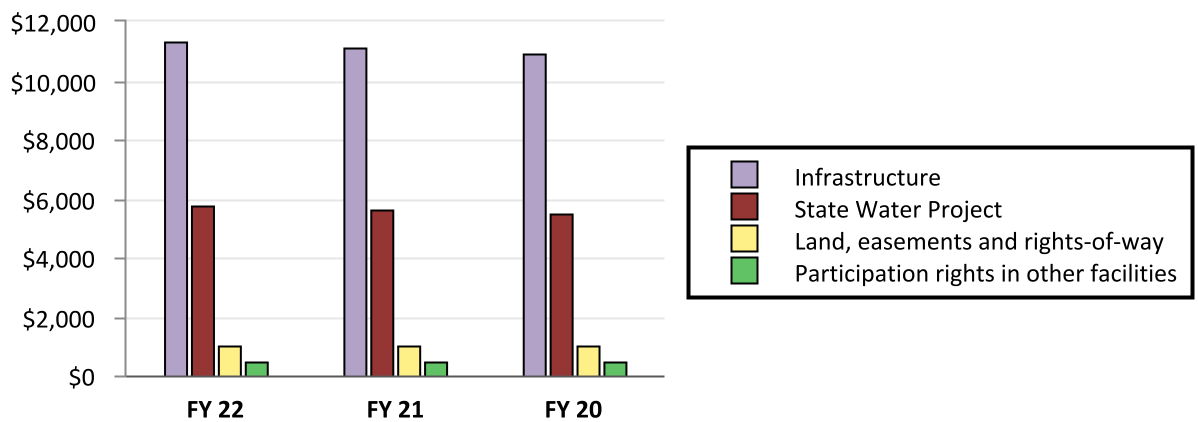
Third Quarter Fiscal 2021 Compared to Third Quarter Fiscal 2020. For the nine months ended March 31, 2021, nonoperating expenses of $85.0 million were $2.7 million higher than the prior year. The increase was primarily due $13.0 million of construction in progress costs written-off as a result of the recalculation of previously capitalized interest on construction partially offset by $9.4 million reduction of bond interest, net of amount capitalized due to bond refunding transactions to take advantage of lower interest rates.

CAPITAL ASSETS

Capital assets include Metropolitan's water infrastructure, land and buildings, as well as participation rights in SWP and various other water programs. More detailed information on commitments for construction contracts are presented in Note 6(f) to the basic financial statements.

Metropolitan's fiscal year 2022 capital investment plan includes $250.0 million principally for the Colorado River Aqueduct (CRA) reliability programs, systems and information technology improvements, distribution system rehabilitation projects, water treatment plants reliability program, system flexibility and supply reliability projects and the pre-stressed concrete cylinder pipe reliability (PCCP) rehabilitation program.

Third Quarter
GROSS CAPITAL ASSETS
(Dollars in millions)



Schedule of Capital Assets	March 31,		
(Dollars in millions)	**2022**	2021	2020
Land, easements and rights of way	**$ 988.3**	$ 985.2	$ 984.7
Construction in progress	**799.8**	760.5	779.9
Parker power plant and dam	**13.0**	13.0	13.0
Power recovery plants	**220.7**	220.7	210.6
Other dams and reservoirs	**1,615.4**	1,613.5	1,568.3
Water transportation facilities	**4,003.1**	4,003.7	3,892.6
Pumping plants and facilities	**360.2**	360.2	303.0
Treatment plants and facilities	**3,139.5**	3,133.5	3,185.8
Buildings	**179.1**	179.1	187.4
Other plant assets	**916.3**	795.4	750.2
Pre-operating expenses of original aqueduct	**44.6**	44.6	44.6
Participation rights in State Water Project	**5,764.4**	5,610.8	5,469.1
Participation rights in other facilities	**459.0**	459.0	459.0
Gross capital assets	**18,503.4**	18,179.2	17,848.2
Less accumulated depreciation and amortization	**(7,941.6)**	(7,599.0)	(7,287.4)
Total capital assets, net	**$ 10,561.8**	$ 10,580.2	$ 10,560.8
Net increase (decrease) from prior year	**$ (18.4)**	$ 19.4	$ 117.6
Percent change	**(0.2%)**	0.2%	1.1%

Third Quarter Fiscal 2022 Compared to Third Quarter Fiscal 2021. Net capital assets totaled approximately $10.6 billion and decreased $18.4 million over the prior year. The decrease included depreciation and amortization of $360.8 million and $11.5 million retirements of capital assets, offset by $200.3 million of construction spending and a net increase of $153.6 million in participation rights in SWP.

The major capital asset additions for the twelve months ended March 31, 2022:

- $40.8 million for the distribution system's rehabilitation program; this program will replace or refurbish existing facilities within Metropolitan's distribution system including reservoirs, pressure control structures, hydroelectric power plants, and pipelines in order to reliably meet water demands.
- $40.7 million for the system reliability program, which is designed to improve or modify facilities throughout Metropolitan's service area in order to utilize new processes and/or technologies, and to improve facility safety and overall reliability.
- $34.7 million for the CRA supply reliability and system expansion program; this program is designed to improve the reliability and flexibility of delivering Colorado River water during drought or other SWP delivery constraints.
- $27.6 million for the improvements in infrastructure reliability at the treatment plants; this program will replace or refurbish facilities and components at Metropolitan's five water treatment plants in order to continue to reliably meet water demands.
- $18.3 million for the PCCP program; this program identifies pipelines whose age, location and condition warrant refurbishment/replacement to ensure long-term reliability of Metropolitan's PCCP lines water delivery.

Third Quarter Fiscal 2021 Compared to Third Quarter Fiscal 2020. Net capital assets totaled approximately $10.6 billion and increased $19.4 million over the prior year. This increase included $301.9 million of construction spending and a net increase of $141.7 million in participation rights in SWP, offset by depreciation and amortization of $344.4 million and $79.8 million retirements of capital assets and write-off of construction in progress related to a recalculation of previously capitalized interest on construction.

The major capital asset additions for the twelve months ended March 31, 2021, excluding capitalized interest, included:

- $53.1 million for the improvements in infrastructure reliability at the treatment plants program.
- $49.0 million for the CRA supply reliability and system expansion program.
- $43.1 million for the system reliability program.
- $37.8 million for the distribution system's rehabilitation program.
- $29.1 million for the PCCP program.
- $17.5 million for system flexibility/supply reliability program; this program aims to increase the capacity and flexibility of Metropolitan's water supply and delivery infrastructure to meet service demands.

DEBT ADMINISTRATION – LONG-TERM DEBT

Schedule of Long-term Debt, Including Current Portion

(Dollars in millions)	March 31, 2022	2021	2020
General obligation bonds *(a)*	**$ 20.2**	$ 26.8	$ 37.3
Revenue bonds *(a)*	**3,848.4**	3,947.1	4,009.9
Revolving notes	**—**	46.8	46.8
Other, net *(b)*	**438.2**	477.9	338.0
	$ 4,306.8	$ 4,498.6	$ 4,432.0
Increase (decrease) from prior year	**$ (191.8)**	$ 66.6	$ 62.6
Percent change	**(4.3%)**	1.5%	1.4%

(a) Includes refunding bonds.
(b) Consists of unamortized bond discounts and premiums.

Third Quarter Fiscal 2022 Compared to Third Quarter Fiscal 2021. At March 31, 2022, outstanding bonds and other long-term obligations totaled $4.3 billion, a net decrease of $191.8 million or 4.3 percent from the prior year. The decrease included $158.7 million of scheduled principal payments, $46.8 million decrease in revolving notes due to repayment of the BANA notes, and $39.7 million decrease in premiums and discounts, which included $53.0 million related to scheduled amortization, offset by $13.3 million increase related to bond refundings, as the premiums on new debt issued were more than the premiums outstanding on the debt refunded. These decreases were partially offset by $53.4 million of bond refundings, as the new debt issued was more than the amount of debt refunded.

Third Quarter Fiscal 2021 Compared to Third Quarter Fiscal 2020. At March 31, 2021, outstanding bonds and other long-term obligations totaled $4.5 billion, a net increase of $66.6 million or 1.5 percent from the prior year. The increase included $188.9 million in new revenue bonds and $139.9 million increase in premiums and discounts, which included $192.3 million increase related to bond refundings, as the premiums on new debt issued were more than the premiums outstanding on the debt refunded, offset by $52.4 million related to scheduled amortization. These increases were offset by $133.9 million of scheduled principal payments and $128.3 million of bond refundings, as the new debt issued was less than the amount of debt refunded.

Additional information on Metropolitan's long-term debt can be found in Note 3 to the basic financial statements.

CREDIT RATINGS

Metropolitan's credit ratings at March 31, 2022 are shown below.

	Moody's Investors Service	Standard & Poor's Global	Fitch Ratings
General obligation bonds	Aaa	AAA	AA+
Water revenue bonds-fixed rate	Aa1	AAA	AA+
Water revenue bonds-variable rate	VMIG 1	A-1+	F1+
Subordinate water revenue bonds-fixed rate	N/A	AA+	AA+
Subordinate water revenue bonds-variable rate	N/A	A-1+	F1+

COVID-19 PANDEMIC

The late 2019 outbreak of the novel highly transmissible strain of coronavirus (and variants thereof) and the disease it causes (known as COVID-19), has had significant negative impacts throughout the world, including in California. The World Health Organization declared the outbreak of COVID-19 to be a pandemic in 2020, and states of emergency were declared in the United States, the State of California, and numerous counties throughout the State, including in the six counties all or portions of which comprise the service area of Metropolitan. The purpose behind these declarations was to coordinate and formalize emergency actions across federal, state, and local governmental agencies.

The Governor of California lifted most statewide COVID-19 restrictions on June 15, 2021. Restrictions, however, may be re-imposed in various jurisdictions from time to time as local conditions warrant. The negative effects of the COVID-19 pandemic and its aftermath on global, national and local economies are expected to continue at least for the foreseeable future.

Metropolitan continues to respond to the COVID-19 pandemic and ongoing developments surrounding it. Metropolitan has taken a number of steps to maintain continuity of its critical and essential business functions and avoid widespread impacts to its workforce from the COVID-19 outbreak. Metropolitan has transitioned to a formal hybrid working environment with employees reporting to work facilities for a minimum of two days a week. Metropolitan will be working with its labor and management association representatives to adopt a formal teleworking operating policy and to develop other specifics of return to work protocols.

COVID-19 is not believed to present a threat to the safety of Metropolitan's treated water supplies. During the pandemic, Metropolitan's ability to treat and deliver water has not been interrupted or impaired. While Metropolitan initially paused certain construction work on non-essential capital projects at the onset of the COVID 19 outbreak, such activity has generally resumed. Metropolitan continues to advance a variety of infrastructure and system reliability projects, although some projects continue to be delayed due to supply chain issues and other geopolitical conditions. As of the date of issuance of these financial statements, Metropolitan has not experienced a material adverse impacts to its finances or operations as a result of COVID-19.

Metropolitan also proactively responded to the anticipated effects of the ongoing COVID-19 pandemic likely to be experienced by its member agencies. Following the onset of the pandemic and response actions, many water service providers serving residential, commercial and industrial end-use customers (referred to herein as "retail water service providers"), which includes some Metropolitan member agencies, implemented measures to assist their customers facing financial hardship as a result of the COVID-19 outbreak. In December 2020, Metropolitan's Board adopted and made available to its member agencies a COVID-19 Member Agency Payment Deferment Program for water transactions occurring from January 1, 2021 to June 30, 2021. No member agency utilized the COVID-19 Member Agency Payment Deferment Program.

Metropolitan cannot predict whether any reinstatement of stay-at-home orders and travel restrictions or other measures meant to suppress increases in COVID-19 cases from time-to-time will occur or the pace at which a full economic recovery will be achieved. Given the remaining uncertainties surrounding the COVID-19 pandemic and its aftermath, there can be no assurances that COVID-19 will not materially adversely impact the financial condition of Metropolitan in the future. There are many variables that will continue to contribute to the economic impact of the

COVID-19 pandemic and the recovery therefrom, including the extent to which and length of time social distancing measures are in place, the effectiveness of State and federal government relief programs, the emergence of new variants of the coronavirus, and the ultimate effectiveness of vaccinations efforts.

To date, Metropolitan does not believe the impacts of the COVID-19 pandemic will have a material adverse impact on its ability to pay debt service on its bonds or other debt obligations.

STATEMENTS OF NET POSITION

(Dollars in thousands)	March 31, 2022	2021 As adjusted Note 1s
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	(Unaudited)	
Current Assets:		
Cash and investments, at fair value (Notes 1d and 2):		
Unrestricted (cost: $447,464 and $400,186 for fiscal years 2022 and 2021, respectively)	**$ 443,149**	$ 401,071
Restricted (cost: $524,932 and $527,076 for fiscal years 2022 and 2021, respectively)	**519,870**	528,242
Total cash and investments	**963,019**	929,313
Receivables:		
Water revenues	**214,358**	183,674
Interest on investments	**2,330**	2,195
Other, net (Note 1f)	**95,183**	88,127
Total receivables	**311,871**	273,996
Inventories (Note 1g)	**128,228**	111,617
Deposits, prepaid costs, and other (Note 8)	**127,121**	59,665
Total current assets	**1,530,239**	1,374,591
Noncurrent Assets:		
Cash and investments, at fair value (Notes 1d and 2):		
Unrestricted (cost: $358,104 and $317,188 for fiscal years 2022 and 2021, respectively)	**354,651**	317,890
Restricted (cost: $44,094 and $43,765 for fiscal years 2022 and 2021, respectively)	**43,761**	44,015
Total cash and investments	**398,412**	361,905
Capital assets:		
Plant and equipment - non depreciable (Notes 1h and 6f)	**1,788,135**	1,745,683
Plant and equipment - depreciable (Notes 1h and 6f)	**10,491,791**	10,363,740
Participation rights in State Water Project (Notes 1i and 7)	**5,764,397**	5,610,783
Participation rights in other facilities (Note 1i)	**459,049**	459,049
Total capital assets	**18,503,372**	18,179,255
Less accumulated depreciation and amortization	**(7,941,618)**	(7,599,045)
Total capital assets, net	**10,561,754**	10,580,210
Other assets, net of current portion:		
Deposits, prepaid costs, and other (Note 8)	**362,835**	389,297
Total other assets	**362,835**	389,297
Total noncurrent assets	**11,323,001**	11,331,412
Total assets	**12,853,240**	12,706,003
Deferred Outflows of Resources (Note 1n):		
Loss on bond refundings	**7,120**	13,860
Loss on swap terminations	**16,457**	18,175
Pension related (Notes 1l, and 4)	**103,220**	85,243
OPEB related (Notes 1m, and 5)	**32,897**	33,506
Total deferred outflows of resources	**159,694**	150,784
Total Assets and Deferred Outflows of Resources	**$ 13,012,934**	$ 12,856,787

See accompanying notes to basic financial statements.

STATEMENTS OF NET POSITION

(Dollars in thousands)	March 31, 2022	2021 As adjusted Note 1s
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	(Unaudited)	
Current Liabilities:		
Accounts payable and accrued expenses (Note 1j)	**$ 145,121**	$ 108,567
Revolving notes (Note 3a)	**—**	46,800
Current portion of long-term debt	**383,418**	843,034
Current portion of accrued compensated absences (Note 1k)	**25,800**	24,700
Current portion of customer deposits and trust funds	**2,748**	4,995
Current portion of workers' compensation and third party claims (Note 11)	**4,792**	4,122
Current portion of other long-term liabilities	**86,211**	79,279
Accrued bond interest	**41,402**	40,313
Matured bonds and coupons not presented for payment	**1,702**	1,702
Total current liabilities	**691,194**	1,153,512
Noncurrent Liabilities:		
Long-term debt, net of current portion	**3,923,380**	3,608,818
Accrued compensated absences, net of current portion (Note 1k)	**33,267**	32,966
Customer deposits and trust funds, net of current portion	**41,802**	43,386
Net pension liability (Note 4)	**724,587**	668,995
Net OPEB liability (Note 5)	**144,002**	147,974
Workers' compensation and third party claims, net of current portion (Note 11)	**6,485**	12,120
Fair value of interest rate swaps (Note 3e)	**26,843**	50,711
Other long-term liabilities, net of current portion	**2,175**	2,186
Total noncurrent liabilities	**4,902,541**	4,567,156
Total liabilities	**5,593,735**	5,720,668
Commitments and Contingencies (Note 6)	**—**	—
Deferred Inflows of Resources (Note 1n):		
Effective swaps	**30,056**	6,188
Pension related (Notes 1l, and 4)	**1,589**	21,298
OPEB related (Notes 1m, and 5)	**33,025**	47,337
Total deferred inflows of resources	**64,670**	74,823
Total Liabilities and Deferred Inflows of Resources	**5,658,405**	5,795,491
Net Position (Note 10):		
Net investment in capital assets, including State Water Project costs	**6,333,389**	6,143,876
Restricted for:		
Debt service	**205,034**	216,033
Other	**307,611**	274,718
Unrestricted	**508,495**	426,669
Total net position	**7,354,529**	7,061,296
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$ 13,012,934**	$ 12,856,787

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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(Dollars in thousands)	Nine Months Ended March 31, 2022	2021
Operating Revenues (Note 1c):	(Unaudited)	
Water revenues	**$ 1,118,103**	$ 1,008,239
Readiness-to-serve charges	**100,000**	100,500
Capacity charge	**27,063**	23,787
Power sales	**6,603**	16,700
Total operating revenues	**1,251,769**	1,149,226
Operating Expenses:		
Power and water costs	**434,419**	365,357
Operations and maintenance	**395,227**	386,888
Litigation payments (Note 6g)	**50,520**	44,374
Total operating expenses	**880,166**	796,619
Operating income before depreciation and amortization	**371,603**	352,607
Less depreciation and amortization	**(264,990)**	(269,507)
Operating income	**106,613**	83,100
Nonoperating Revenues (Expenses) (Note 1p):		
Taxes, net (Note 1e)	**123,323**	114,514
Bond interest, net of $— and $5,200 of interest capitalized in fiscal years 2022 and 2021 (Note 1h)	**(70,155)**	(68,510)
Investment income, net	**(10,102)**	2,728
Loss on disposal of plant assets	**—**	(13,170)
Other, net	**10,415**	3,129
Total nonoperating revenues, net	**53,481**	38,691
Changes in Net Position	**160,094**	121,791
Net position at June 30, 2021 and 2020	**7,194,435**	6,939,505
Net position at March 31, 2022 and 2021	**$ 7,354,529**	$ 7,061,296

See accompanying notes to basic financial statements.

STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Nine Months Ended March 31, 2022	2021
	(Unaudited)	
Cash Flows from Operating Activities:		
Cash received from water sales	**$ 1,061,706**	$ 924,841
Cash received from readiness-to-serve charges	**80,235**	82,299
Cash received from capacity charge	**20,828**	18,981
Cash received from power sales	**6,579**	12,100
Cash received from other exchange transactions	**116,494**	123,464
Cash paid for operations and maintenance expenses	**(218,054)**	(192,364)
Cash paid to employees for services	**(211,266)**	(205,956)
Cash paid for power and water costs	**(396,804)**	(350,726)
Cash paid for litigation	**(50,520)**	(44,374)
Other cash flows for operating activities	**1,456**	1,225
Net cash provided by operating activities	**410,654**	369,490
Cash Flows from Noncapital Financing Activities:		
Proceeds from other collections	**7,987**	6,144
Net cash provided by noncapital financing activities	**7,987**	6,144
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	**(150,668)**	(196,667)
Payments for State Water Project costs	**(194,701)**	(181,635)
Proceeds from short and long-term debt	**—**	255,000
Payments for bond issuance costs	**(1,922)**	(1,294)
Principal paid on debt	**(158,710)**	(169,470)
Interest paid on debt	**(103,812)**	(97,390)
Proceeds from tax levy	**102,855**	96,531
Transfer to escrow trust accounts	**(30,361)**	(39,312)
Proceeds from sale of capital assets	**14,612**	—
Net cash used by capital and related financing activities	**(522,707)**	(334,237)
Cash Flows from Investing Activities:		
Purchase of investment securities	**(2,394,022)**	(2,464,980)
Proceeds from sales and maturities of investment securities	**2,483,880**	2,413,059
Investment income	**9,523**	10,628
Net cash provided (used) by investing activities	**99,381**	(41,293)
Net change in cash	**(4,685)**	104
Cash at July 1, 2021 and 2020	**5,009**	161
Cash at March 31, 2022 and 2021 (Notes 1b and 2)	**$ 324**	$ 265

See accompanying notes to basic financial statements.

STATEMENTS OF CASH FLOWS

(Dollars in thousands)	Nine Months Ended March 31, 2022	2021
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	(Unaudited)	
Operating Income	**$ 106,613**	$ 83,100
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and amortization expense	**264,990**	269,507
Decrease in accounts receivable	**56,882**	45,271
Decrease in inventories	**6,132**	6,848
Increase in deposits, prepaid costs, and other	**(38,204)**	(45,529)
(Decrease) increase in accounts payable, and accrued expenses	**(3,819)**	3,061
Increase in other items	**18,060**	7,232
Total Adjustments	**304,041**	286,390
Net cash provided by operating activities	**$ 410,654**	$ 369,490
Significant Noncash Investing, Capital and Financing Activities		
Refunding bonds proceeds received in escrow trust fund	**$ 130,482**	$ 370,417
Debt defeased through escrow trust fund with refunding debt	**$ (92,195)**	$ (333,290)
Redemption of notes through transfer from paying agent	**$ (35,645)**	$ (35,645)
RECONCILIATION OF CASH AND INVESTMENTS TO CASH		
Unrestricted cash and investments (at March 31, 2022 and 2021 includes $324 and $265 of cash, respectively)	**$ 797,800**	$ 718,961
Restricted cash and investments	**563,631**	572,257
Total cash and investments, at fair value	**1,361,431**	1,291,218
Less: carrying value of investments	**(1,361,107)**	(1,290,953)
Total Cash (Notes 1b and 2)	**$ 324**	$ 265

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1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Metropolitan Water District of Southern California (Metropolitan), a special district of the State of California, was organized in 1928 by vote of the electorates of several Southern California cities following adoption of the Metropolitan Water District Act (Act) by the California Legislature. Metropolitan's primary purposes under the Act are to develop, store, and distribute water, at wholesale, to its member public agencies for domestic and municipal purposes. Surplus water is sold for other beneficial uses, including agricultural use. Metropolitan's service area comprises approximately 5,200 square miles and includes portions of the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura. There are 26 independent member agencies of Metropolitan, consisting of 14 cities, 11 municipal water districts, and one county water authority. Metropolitan has no financial accountability for its member agencies. Metropolitan is governed by a 38-member Board of Directors (Board) comprised of representatives of the member agencies. Representation and voting rights are based on assessed valuations of property pursuant to Sections 52 and 55 of the Act. Each member agency is entitled to have at least one representative on the Board plus an additional representative for each full five percent of the assessed valuation of real property within the jurisdictional boundary of each member agency. Changes in relative assessed valuation do not terminate any director's term. Accordingly, the Board may, from time to time, have more or fewer than 38 directors. However, effective January 1, 2020, no member agency shall have fewer than the number of representatives the agency had as of January 1, 2019. No single member agency has a voting majority.

The Metropolitan Water District Asset Financing Corporation (MWDAFC) was incorporated on June 19, 1996. The MWDAFC is a California nonprofit public benefit corporation formed to assist Metropolitan by acquiring, constructing, operating and maintaining facilities, equipment, or other property needed by Metropolitan and leasing or selling such property to Metropolitan. The MWDAFC is governed by a board of five directors, each of whom must be a member of Metropolitan's Board. MWDAFC had no financial operations during the nine months ended March 31, 2022 or 2021. MWDAFC is a component unit of Metropolitan and its activities will be blended with those of Metropolitan for financial reporting purposes should it commence operations.

Fiduciary funds are not included in Metropolitan's proprietary financial statements because the assets of these funds are not available to Metropolitan.

(b) Principles of Presentation

Metropolitan operates as an enterprise fund and applies all applicable GASB pronouncements in its accounting and reporting. The accompanying basic financial statements reflect the flow of economic resources measurement focus and the full accrual basis of accounting. Under full accrual accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred regardless of the timing of related cash flows.

For purposes of the statements of cash flows, Metropolitan defines cash as demand account balances and cash on hand.

Fiduciary funds are used to account for assets held in a trustee or custodial capacity and cannot be used to support Metropolitan's own purpose. Fiduciary funds are accounted for using the economic resources measurement focus and accrual basis of accounting.

(c) Revenue Policies

Water revenues, which include funds received from charges for the sale and availability of water, including water rates and other exchange and wheeling transactions, are the principal source of Metropolitan's revenues. Other sources of operating revenue include readiness-to-serve charges, capacity charge, and hydroelectric power sales. Other revenues include ad valorem property taxes and investment income.

Water rates are established by the Board on a biennial basis. Water rates are supported by cost of service studies. Water rates are not subject to regulation by the California Public Utilities Commission or by any other local, state, or federal agency. Water is delivered to the member agencies on demand and revenue is recognized at the time of sale.

Metropolitan's rate structure consists of unbundled rate elements (supply, treatment, conveyance and distribution, power, and demand management) designed to provide transparency regarding the cost of specific functions to member agencies. It is designed to improve regional water resources management and accommodate a water transfer market. The rate structure also includes tiered pricing for supply, a capacity charge, and a readiness-to-serve charge.

(d) Fair Value Measurements

Metropolitan categorizes the fair value measurements for assets and liabilities within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs of assets and liabilities as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date; Level 2 inputs are inputs—other than quoted prices—that are observable for identical assets or liabilities, either directly or indirectly; and Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. Metropolitan reports its investments and liabilities using valuation techniques consistent with market and cost approaches to determine the fair value.

(e) Taxing Authority

Metropolitan is expressly empowered under the Act to levy and collect taxes on all taxable property within its boundaries for the purpose of carrying on its operations and paying its obligations, subject to certain limitations in the Act, the California Revenue and Taxation Code, and the California Constitution. Property taxes are levied annually by the Board effective as of July 1, using a lien date of January 1, and are payable by property owners in two equal installments that are due on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Property taxes levied by Metropolitan are billed and collected by the counties in its service area and are remitted to Metropolitan periodically throughout the year.

Property tax revenue is used to pay Metropolitan's general obligation bond debt service and a portion of its obligations under its contract with the state for a water supply and participation in the SWP (the State Water Contract). In setting the annual levy, Metropolitan takes into account potential delinquencies, tax allocations to the successor agencies of former redevelopment agencies, and supplemental tax collections. Metropolitan recognizes property taxes receivable on July 1 of each fiscal year and recognizes revenue over the following 12-month period beginning July 1 through June 30 (the period for which the tax is levied).

As a result of legislation enacted in 1984, commencing with the fiscal year ended June 30, 1991, tax levies, other than annexation taxes, are limited to the amount needed to pay debt service on Metropolitan's general obligation bonds and Metropolitan's proportionate share of general obligation bond debt service of the state under the State Water Contract. However, under the terms of the 1984 legislation, the Board may suspend this particular restriction upon a finding that doing so is essential to Metropolitan's fiscal integrity. The Board made such a finding for fiscal years ended June 30, 2014 through 2022, and maintained the tax rate for those fiscal years at the rate levied during fiscal year ended June 30, 2013 to pay a portion of State Water Contract costs other than general obligation debt service.

(f) Other Receivables

Other receivables include amounts for taxes, hydroelectric power sales, readiness-to-serve charges, and other billings.

(g) Inventories

Metropolitan's inventories are valued based on a moving-average cost. Expenses are recorded when inventories are used. Components of inventories at March 31, 2022 and 2021 were as follows:

	March 31,			
(Dollars in thousands)		**2022**		2021
Water in storage	**$**	**109,118**	$	95,633
Operating supplies		**19,110**		15,984
Total inventories	**$**	**128,228**	$	111,617

(h) Capital Assets

Metropolitan's capital assets include plant and equipment, which are recorded at cost. Construction costs are capitalized if they exceed $50,000 and the asset has a useful life of at least five years. The cost of constructed assets may include labor, materials, certain general and administrative expenses, and interest incurred during construction periods prior to July 1, 2021. Beginning July 1, 2021 and thereafter, interest incurred during construction is no longer capitalized in accordance with GASB 89. Depreciation is calculated using the straight-line method based on the estimated average useful lives of the assets, which are 10 to 80 years for buildings, storage, distribution facilities, and miscellaneous assets and 10 to 50 years for treatment plants and hydroelectric power recovery facilities. Improvements or refurbishments with aggregated costs that meet capitalization thresholds and that extend the useful life of an existing asset by at least 5 years are capitalized.

Major computer systems software, whether purchased or internally developed, is capitalized if the cost exceeds $250,000 and the useful life is at least three years. Vehicles and operating equipment are capitalized if the cost equals or exceeds $5,000 and the useful life is at least four years. Depreciation is calculated using the straight-line method based on the estimated useful lives and ranges from 3 to 10 years for major computer systems software and 4 to 10 years for vehicles and operating equipment.

(i) Participation Rights

Metropolitan participates in various storage and water management programs entitling it to certain water rights. Projects include the SWP and various storage and water management programs. Metropolitan's participation in these projects is through cash payments. The value of participation rights is equal to the amounts spent for the construction of capital assets, such as pipelines, pumping facilities, and storage facilities, and amortized over the life of the agreements. These assets are not owned by Metropolitan. Certain projects also require payments for ongoing maintenance; those payments are charged to expense as incurred. (See Note 7.)

(j) Disaggregation of Payable Balances

Accounts payable and accrued expenses at March 31, 2022 and 2021 were as follows:

	March 31,	
(Dollars in thousands)	**2022**	2021
Department of Water Resources (SWP):		
Capital, operating, maintenance, power, replacement, and variable power	**$ 99,011**	$ 69,299
Vendors	**29,208**	28,300
Accrued power costs	**1,695**	2,067
Accrued salaries	**8,139**	6,842
Conservation credits	**7,068**	2,059
Total accounts payable and accrued expenses	**$ 145,121**	$ 108,567

(k) Compensated Absences

Metropolitan's employees earn vacation, sick, and compensatory leave in varying amounts depending primarily on length of service. Upon termination from Metropolitan service, employees are entitled to full payment for accrued vacation and compensatory leave at their final pay rates, and are entitled to payment for approximately one-half of their accrued sick leave at such rates. Metropolitan records its obligations for vacation, sick, and compensatory leave earned by eligible employees based on current pay rates. The allocations to the current and long-term portions of these vested obligations were based on experience and projections of turnover.

(l) Pension Accounting

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the California Public Employees' Retirement System (CalPERS) Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD): June 30, 2019
Measurement Date (MD): June 30, 2020
Measurement Period: July 1, 2019 to June 30, 2020

(m) OPEB Accounting

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of Metropolitan's plan (OPEB Plan), the assets of which are held by the California Employer's Retiree Benefit Trust (CERBT), and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD): June 30, 2019
Measurement Date (MD): June 30, 2020
Measurement Period: July 1, 2019 to June 30, 2020

(n) Deferred Outflows/Inflows of Resources

The net investment in capital assets, including State Water Project costs of $6.3 billion and $6.1 billion at March 31, 2022 and 2021, respectively, includes the effect of deferring the recognition of losses from bond refundings. The deferred outflows from losses on bond refundings at March 31, 2022 and 2021 were $7.1 million and $13.9 million, respectively. This is amortized and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old or the new debt, whichever is shorter.

The unrestricted net position amount of $508.5 million and $426.7 million at March 31, 2022 and 2021, respectively, includes the effect of deferring the recognition of losses from swap terminations resulting in defeasance of debt, the increase or decrease in fair value of Metropolitan's effective interest rate swaps, and deferred amounts related to pension and OPEB.

The deferred outflows from losses on swap terminations resulting in debt defeasance at March 31, 2022 and 2021, respectively, were $16.5 million and $18.2 million. These deferred outflows of resources are amortized and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

The deferred outflows related to pension at March 31, 2022 and 2021 were $103.2 million and $85.2 million, respectively. The deferred inflows related to pension at March 31, 2022 and 2021 were $1.6 million and $21.3 million, respectively.

The deferred outflows related to OPEB at March 31, 2022 and 2021 were $32.9 million and $33.5 million, respectively. The deferred inflows related to OPEB at March 31, 2022 and 2021 were $33.0 million and $47.3 million, respectively.

Deferred outflows and inflows of resources related to the net difference between projected and actual earnings on pension and OPEB plan investments are amortized on a straight-line basis over five years. All other deferred outflows and inflows of resources related to pension and OPEB are amortized on a straight-line basis over the expected average remaining service lives of all members with benefits as of the beginning of the measurement period.

The deferred inflows from the increase in fair value of interest rate swaps of $30.1 million and $6.2 million at March 31, 2022 and 2021, respectively, would be recognized as an investment gain upon the early termination of the swaps. Metropolitan will only terminate its interest rate swap agreements in advance of the contractual termination dates if market conditions permit. The deferred inflows would also be recognized as an investment gain if the swaps were determined no longer to be effective hedges. Finally, if the bond associated with a swap is refunded, the deferred inflows would be reduced and the deferred gain on refunding would be increased by the same amount. The deferred gain would be amortized as a component of interest expense over the life of the old debt or the new debt, whichever is shorter.

(o) Capital Contributions

Capital contributions are comprised of federal, state, and private grants. These grants are typically of a reimbursable nature: Metropolitan first pays for the project and then the granting agency reimburses Metropolitan for its eligible expenses. The portion of the grants restricted for capital purposes are reflected as capital contributions in the Statements of Revenues, Expenses and Changes in Net Position when they are earned, irrespective of the timing of the receipts. Examples of capital projects where grants are received include water treatment plant improvements, such as fluoridation and water storage programs.

(p) Operating and Nonoperating Revenues and Expenses

Metropolitan's primary purpose is to provide a supplemental supply of water for domestic and municipal uses. Accordingly, Metropolitan defines operating revenues as revenues derived from the sale and availability of water, including water rates and other exchange and wheeling transactions. It also includes readiness-to-serve charges, capacity charge, and hydroelectric power sales. Operating expenses include the cost of sales and services, administrative expenses, and depreciation and amortization of capital assets.

Revenues from property taxes and investment income, as well as interest expense on outstanding debt, are related to capital and financing activities and are defined as nonoperating revenues and expenses.

(q) Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is Metropolitan's practice to use restricted resources first, then unrestricted resources as they are needed.

(r) Use of Estimates

The preparation of basic financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(s) New Accounting Pronouncements

Metropolitan implemented the following GASB Statement in fiscal year 2022:

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period (GASB 89).* This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Accordingly, Metropolitan ceased capitalizing interest incurred during construction beginning July 1, 2021.

Metropolitan implemented the following GASB Statements in fiscal year 2021:

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities (GASB 84).* This statement establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this statement were effective for fiscal year 2021 and must be applied retroactively to the earliest year presented. There was no impact to beginning net position. Balances for Metropolitan were adjusted as follows for March 2021:

(Dollars in thousands)	March 2021 previously reported	GASB 84 adjustment	March 2021 adjusted
Current Assets:			
Restricted cash and investments	$ 530,900	$ (2,658)	$ 528,242
Noncurrent Assets:			
Restricted cash and investments	46,886	(2,871)	44,015
Total change in assets		$ (5,529)	
Current Liabilities:			
Customer deposits and trust funds	$ 7,653	$ (2,658)	$ 4,995
Noncurrent Liabilities:			
Customer deposits and trust funds	46,257	(2,871)	43,386
Total change in liabilities		$ (5,529)	

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*. This statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization and for reporting component units if a government acquires a 100 percent equity interest in that component unit. The requirements of this statement were effective for fiscal year 2021 but since Metropolitan's only component unit, MWDAFC, had no financial activity, there was no impact on previously reported balances in the statements of net position or the statements of revenues, expenses and changes in net position and there was no impact on note disclosures for the current year.

Metropolitan is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB Statements that will be implemented in a future fiscal year:

- GASB Statement No. 87, *Leases* (effective for fiscal year 2022).
- GASB Statement No. 92*, Omnibus 2020* (effective for fiscal year 2022).
- GASB Statement No. 93*, Replacement of Interbank Offered Rates* (effective for fiscal year 2022).
- GASB Statement No. 94*, Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (effective for fiscal year 2023).
- GASB Statement No. 96*, Subscription-Based Information Technology Arrangements* (effective for fiscal year 2023).
- GASB Statement No. 97*, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* (effective for fiscal year 2022).

The following pronouncements were issued by GASB but were determined to not be applicable to Metropolitan's financial statements:

- GASB Statement No. 91*, Conduit Debt Obligations.*

2. CASH AND INVESTMENTS

As a public agency, Metropolitan's investment practices are prescribed by various provisions of the California Government Code and the Act, as well as by administrative policies. Metropolitan's statement of investment policy is approved annually by the Board and describes the Treasurer's investment authority, practices, and limitations. The basic investment policy objectives, in order of importance, are safety of principal, liquidity, and return on investment.

Cash and investments may or may not be restricted as to use, depending on the specific purposes for which such assets are held (see Notes 2d and 10).

Metropolitan's total deposits and investments were reported at fair value in the following funds:

	March 31,	
(Dollars in thousands)	**2022**	2021
Proprietary Funds	**$ 1,361,431**	$ 1,291,218
Fiduciary Funds	**5,262**	5,529
Total deposits and investments	**$ 1,366,693**	$ 1,296,747
Deposits	**$ 324**	$ 265
Investments	**1,366,369**	1,296,482
Total deposits and investments	**$ 1,366,693**	$ 1,296,747

A summary of Metropolitan's deposit and investment policies, information on interest and credit risks, and restricted cash and investments is provided below.

(a) Deposits

The California Government Code requires California banks and savings and loan associations to secure a local government agency's deposits by pledging government securities as collateral.

As of March 31, 2022 and 2021, Metropolitan's cash balance with financial institutions were $319,400 and $259,900, respectively, and cash on hand was $5,000 at each year-end.

(b) Investments

Metropolitan is permitted by State law and Board policy to invest in a variety of instruments including U.S. Treasury securities, federal agencies, Supranationals, asset-backed, repurchase agreements, negotiable certificates of deposit, bankers' acceptances, prime commercial paper, Government-sponsored enterprise (GSE), California local agency securities, including securities issued by Metropolitan, medium-term corporate notes, time deposits, investment contracts, money market funds, California Asset Management Program (CAMP), and Local Agency Investment Fund (LAIF).

As of March 31, 2022 and 2021, Metropolitan had the following investments at fair value:

	March 31,	
(Dollars in thousands)	**2022**	2021
Asset-backed securities	**$ 97,751**	$ 41,134
CAMP	**162,923**	214,879
Federal agency securities	**41,031**	34,731
GSE	**15,808**	35,858
LAIF	**75,000**	75,000
Medium-term corporate notes	**219,311**	206,183
Money market funds	**2,058**	3,590
Municipal bonds	**3,163**	7,329
Negotiable certificates of deposit	**243,539**	249,170
Prime commercial paper	**141,775**	230,071
Supranationals	**69,134**	67,355
U.S. Treasury securities	**294,876**	131,182
Total investments	**$ 1,366,369**	$ 1,296,482

Metropolitan categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is the summary of the fair value hierarchy of the fair value of investments of Metropolitan as of March 31, 2022 and 2021:

	Fair Value Measurement Using					
(Dollars in thousands)	**3/31/2022**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	3/31/2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level:						
Asset-backed securities	**$ 97,751**	**$ 97,751**	**$ —**	$ 41,134	$ 41,134	$ —
Federal agency securities	**41,031**	**41,031**	**—**	34,731	34,731	—
GSE	**15,808**	**15,808**	**—**	35,858	35,858	—
Medium-term corporate notes	**219,311**	**219,311**	**—**	206,183	206,183	—
Municipal bonds	**3,163**	**3,163**	**—**	7,329	7,329	—
Negotiable certificates of deposit	**243,539**	**—**	**243,539**	249,170	249,170	—
Prime commercial paper	**141,775**	**19,925**	**121,850**	230,071	39,963	190,108
Supranationals	**69,134**	**69,134**	**—**	67,355	67,355	—
U.S. Treasury securities	**294,876**	**294,876**	**—**	131,182	131,182	—
Total investments by fair value level	**$ 1,126,388**	**$ 760,999**	**$ 365,389**	$ 1,003,013	$ 812,905	$ 190,108
Investments not subject to fair value level:						
CAMP	**162,923**			214,879		
LAIF	**75,000**			75,000		
Money market funds [(1)]	**2,058**			3,590		
Total investments	**$ 1,366,369**			$ 1,296,482		

[(1)] *As of March 31, 2022 and 2021, the balance was invested in Dreyfus Government Cash Management, Dreyfus AMT-Free Tax-Exempt Cash Management (DGCXX & DEIXX) and as of March 31, 2021, the balance was also invested in BlackRock Treasury Trust (TTTXX).*

Investments classified in Level 1 of the fair value hierarchy, valued at $761.0 million and $812.9 million as of March 31, 2022 and 2021, respectively, were valued using quoted prices in active markets.

Prime commercial paper totaling $121.9 million and $190.1 million as of March 31, 2022 and 2021, respectively, and negotiable certificates of deposit totaling $243.6 million as of March 31, 2022, classified in Level 2 of the fair value hierarchy, were valued using matrix pricing.

Metropolitan owns investments utilizing a stable one dollar per-share value. These investment assets are exempt from reporting under the fair value measurement levels. There are no redemption restrictions for the investments reported at a value of one dollar per share.

CAMP and LAIF are carried at fair value, or the value of each participating dollar as provided by CAMP and LAIF, respectively. The fair value of Metropolitan's position in CAMP and LAIF is the same as the value of the pool shares. The pooled funds are not subject to Levels 1, 2, or 3 of the fair value hierarchy.

Interest rate risk. In accordance with Metropolitan's investment policy, interest rate risk was managed by limiting the duration of the various portfolio segments. Each segment has limitations on the amount of duration exposure (see the following for specific durations).

Liquidity Segment

This segment of the portfolio was managed against the Intercontinental Exchange Bank of America Merrill Lynch (ICE BoAML) 3-Month Treasury Bill Index, approved by the Finance and Insurance Committee. The benchmark durations as of March 31, 2022 and 2021 were 0.25 and 0.23, respectively, and the portfolio duration was permitted to vary from the benchmark by plus or minus 0.50. As of March 31, 2022 and 2021, Metropolitan's investments and portfolio durations for this segment were as follows:

	March 31,			
	2022		2021	
(Dollars in thousands)	**Fair value**	**Duration**	Fair value	Duration
Asset-backed securities	**$ 90,670**	**0.56**	$ 39,987	1.77
CAMP	**162,923**	**—**	214,879	—
Federal agency securities	**39,060**	**0.99**	32,071	1.85
LAIF	**75,000**	**—**	75,000	—
Medium-term corporate notes	**175,619**	**0.59**	151,452	0.68
Money market funds	**1**	**—**	2,086	—
Municipal bonds	**—**	**—**	6,105	0.67
Negotiable certificates of deposit	**243,539**	**0.41**	249,170	0.60
Prime commercial paper	**141,775**	**0.27**	230,071	0.25
Supranationals	**58,408**	**0.75**	59,881	1.11
U.S. Treasury securities	**185,030**	**0.69**	34,750	0.32
Total portfolio segment	**$ 1,172,025**		$ 1,095,452	
Portfolio duration		**0.43**		0.48

Core Segment

This segment of the portfolio was managed against the ICE BoAML, U.S. Corporate and Government, one to five years, A-Rated and above index approved by the Finance and Insurance Committee. The benchmark durations as of March 31, 2022 and 2021 were 2.64 and 2.69 and the portfolio duration was permitted to vary from the benchmark by plus or minus 1.50. As of March 31, 2022 and 2021, Metropolitan's investments and portfolio durations for this segment were as follows:

	March 31,			
	2022		2021	
(Dollars in thousands)	**Fair value**	**Duration**	Fair value	Duration
Asset-backed securities	**$ 7,081**	**1.78**	$ 1,147	2.01
GSE	**15,808**	**1.47**	35,858	1.77
Medium-term corporate notes	**43,692**	**2.74**	54,731	2.61
Money market funds	**1,362**	**—**	1,059	—
Municipal Bonds	**2,153**	**3.84**	—	—
Supranationals	**10,726**	**2.06**	7,474	3.10
U.S. Treasury securities	**108,258**	**2.37**	95,303	2.92
Total portfolio segment	**$ 189,080**		$ 195,572	
Portfolio duration		**2.34**		2.61

Bond Reserves and Lake Mathews Segment

Investments in the bond reserves were managed based on the requirements of each of the bond issues. The Lake Mathews trust funds were managed in a manner that preserved the principal and provided the necessary liquidity to pay its operating expenses. Per Board authorization, the Treasurer was authorized to invest these monies in excess of five years.

As of March 31, 2022 and 2021, Metropolitan's investments and portfolio durations for this segment were as follows:

	March 31,			
	2022		2021	
(Dollars in thousands)	**Fair value**	**Duration**	Fair value	Duration
Federal agency securities	**$ 1,971**	**0.85**	$ 2,660	1.53
Money market funds	**695**	**—**	445	—
Municipal bonds	**1,010**	**2.31**	1,224	2.92
U.S. Treasury securities	**1,588**	**2.83**	1,129	0.30
Total portfolio segment	**$ 5,264**		$ 5,458	
Weighted average duration		**1.62**		1.46

Credit risk. Credit risk was managed by purchasing investments with the nationally recognized credit ratings specified in Metropolitan's investment policy. Additionally, the policy required monitoring the credit ratings of securities held in the portfolio, and if the securities' credit ratings were downgraded, evaluating for potential sale. For certain securities, additional requirements included consideration of net worth, length of time in business, and specified fair values.

Presented in the following table is the minimum rating required, if applicable, by investment type pursuant to Metropolitan's investment policy and State law:

Investment Type	**Minimum Rating**
U.S. Treasury Federal Agency Obligations GSE	Not applicable.
Bankers' acceptances	A-1 or its equivalent or better by a nationally recognized rating agency (NRSRO).
Prime commercial paper	Highest ranking or highest letter and number rating as provided by a NRSRO.
Negotiable certificates of deposit	A (long-term) or A-1 (short-term) or their equivalent or better by a NRSRO.
Bank deposits	All deposits must be collateralized as required by California Government Code Sections 53630 et seq. The Treasurer may waive collateral for the portion of any deposits that is insured pursuant to federal law.
Asset-backed securities	Rating category of at least 'AA' or equivalent or better by a NRSRO.
Supranationals	Rating category of at least 'AA' or equivalent or better by a NRSRO.
CAMP	Rating category of 'AAAm' or its equivalent or better by a NRSRO.
Repurchase agreements	Limited to primary dealers or financial institutions in a rating category of 'A' or its equivalent or better by a NRSRO.
Medium-term corporate notes	Rating category of 'A' or its equivalent or better by a NRSRO.
LAIF	Not applicable.
Money market funds	Highest ranking by not less than two NRSROs or must retain an investment advisor that meets specified requirements.
Municipal bonds	A (long-term) or A-1 (short-term) or their equivalent or better by a NRSRO.

On March 31, 2022 and 2021, Metropolitan's portfolio was invested in the following securities by rating:

		March 31,	
		2022	2021
(Dollars in thousands)	Rating[(1)]	**Fair value**	Fair value
Asset-backed securities	AAA[(2)]	**$ 97,751**	$ 41,134
CAMP	AAAm[(3)]	**162,923**	214,879
Federal agency securities	N/A[(4)]	**41,031**	34,731
GSE	N/A[(4)]	**15,808**	35,858
LAIF	N/A[(5)]	**75,000**	75,000
Medium-term corporate notes	A-[(3)]	**219,311**	206,183
Money market funds	AAAmmf[(6)]	**2,058**	3,590
Municipal bonds	AA[(3)]	**3,163**	7,329
Negotiable certificates of deposit	A-1[(3)]	**243,539**	249,170
Prime commercial paper	A-1[(3)]	**141,775**	230,071
Supranationals	AAA[(2)]	**69,134**	67,355
U.S. Treasury securities	N/A[(4)]	**294,876**	131,182
Total portfolio		**$ 1,366,369**	$ 1,296,482

[(1)]*Minimum actual ratings by sector as of March 31, 2022.*
[(2)]*Standard & Poor's Global Ratings and Moody's Investor Services.*
[(3)]*Standard & Poor's Global Ratings.*
[(4)]*Credit rating disclosures are not applicable to obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government.*
[(5)]*LAIF is not rated.*
[(6)]*Fitch Ratings.*

Concentration of credit risk. In accordance with Metropolitan's investment policy, the minimum requirements for limiting concentration of credit risk defined the maximum percent allowable for investment in each security type as well as the percent allowable for investment by issuer per type. Generally, the maximum allowable for investment by security type varied from 20 percent for asset-backed securities and money market funds, to 100 percent for federal agency securities, GSE, and U.S. Treasury securities. The percentages of investments that can be purchased by a single issuer are limited to 5 percent for asset-backed securities, banker's acceptances, medium-term corporate notes, municipal bonds, negotiable certificates of deposit, and prime commercial paper.

The following table identifies Metropolitan's limits and the percent invested by security type based on fair value, as of March 31, 2022 and 2021.

	Investment Policy Limits	Percent of Portfolio 2022	2021
Asset-backed securities	20 %	**7.1 %**	3.2 %
CAMP	40 %	**11.9 %**	16.6 %
Federal agency securities	100 %	**3.0 %**	2.7 %
GSE	100 %	**1.2 %**	2.8 %
LAIF	N/A	**5.5 %**	5.8 %
Medium-term corporate notes	30 %	**16.1 %**	15.9 %
Money market funds	20 %	**0.1 %**	0.3 %
Municipal bonds	30 %	**0.2 %**	0.5 %
Negotiable certificates of deposit	30 %	**17.8 %**	19.2 %
Prime commercial paper	40 %	**10.4 %**	17.7 %
Supranationals	30 %	**5.1 %**	5.2 %
U.S. Treasury securities	100 %	**21.6 %**	10.1 %
Total portfolio		**100.0 %**	100.0 %

On March 31, 2022 and 2021, Metropolitan had the following investments (obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government not listed) representing five percent or more of its investments:

(Dollars in thousands)	**2022**	
CAMP	**$ 162,923**	**11.9 %**
LAIF	**$ 75,000**	**5.5 %**

(Dollars in thousands)	2021	
CAMP	$ 214,879	16.6 %
LAIF	$ 75,000	5.8 %

Custodial credit risk. On March 31, 2022 and 2021, Metropolitan's investments were insured, registered, or held, in Metropolitan's name, in safekeeping at Metropolitan's bank, which was not a counterparty to the investment transactions. The exceptions were $162.9 million and $214.9 million in deposit in the CAMP as of March 31, 2022 and 2021, respectively, and $75.0 million in deposit in LAIF as of March 31, 2022 and 2021.

CAMP is a program created through a joint powers agency as a pooled short-term portfolio and cash management vehicle for California public agencies under California Government Code Section 53601(p). CAMP is governed by a seven-member Board of Trustees comprised of finance directors and treasurers of California public agencies. The total amount invested by all public agencies in CAMP was $5.4 billion and $5.6 billion as of March 31, 2022 and 2021, respectively. Of the amount invested in CAMP, 41.1 percent and 41.7 percent were invested in medium-term and short-term notes and asset-backed securities on March 31, 2022 and 2021, respectively. The average maturity of CAMP investments was 38 days and 51 days as of such dates.

The LAIF, created by California statute, is part of a pooled money investment account (PMIA). The LAIF has oversight by the Local Investment Advisory Board, which consists of five members designated by statute. The Chairwoman is the State Treasurer or her designated representative.

The total amount invested by all public agencies in LAIF as of March 31, 2022 and 2021 was $36.0 billion and $34.5 billion, respectively. On March 31, 2022 and 2021, the PMIA had a balance of $207.9 billion and $126.7 billion, respectively, of which, 1.57 percent and 2.72 percent, respectively, were invested in medium-term and short-term notes and asset-backed securities. The average maturity of LAIF investments as of March 31, 2022 and 2021 was 310 days and 220 days, respectively.

(c) Reverse Repurchase Agreements

Metropolitan is permitted, subject to conditions imposed by State law, to sell securities owned under written agreements and to buy back the securities on or before a specified date for a specified amount. No such reverse repurchase agreements were entered into during the twelve months ended March 31, 2022 and 2021.

(d) Restricted Cash and Investments

Metropolitan has established a number of separate accounts, also referred to as funds, to provide for specific activities in accordance with special regulations, bond covenants, and trust arrangements. The accounts are classified as "restricted." Most restricted accounts have the minimum cash and investment balance requirements and all are nondiscretionary in terms of the use of assets. Among other things, the restricted amounts provide for payments of debt service on Metropolitan's bonds; reserves for principal and interest on outstanding bonds; payments for arbitrage tax rebate; construction of capital assets; payment of Metropolitan's operations and maintenance expenses; and payment of the costs related to the closure and postclosure maintenance of Metropolitan's solid waste landfill facility.

3. SHORT-TERM AND LONG-TERM DEBT

Metropolitan's enabling Act specifies that its indebtedness shall be limited to 15 percent of the assessed value of all taxable property within Metropolitan's service area. Existing outstanding debt of $4.307 billion and $4.499 billion at March 31, 2022 and 2021, respectively, represents less than one percent of the fiscal year 2022 and 2021 total taxable assessed valuation of $3,392 billion and $3,263 billion, respectively.

Metropolitan's long-term debt consists of general obligation and revenue bond issues as well as other obligations. The general obligation bonds are secured by Metropolitan's authority to levy ad valorem property taxes. The revenue bond obligations are special limited obligations of Metropolitan and are secured by a pledge of Metropolitan's net operating revenues. Such obligations contain certain restrictive covenants, with which Metropolitan has complied. Substantially all of the bond issues contain call provisions. Substantially all of the debt proceeds have been, and are expected to continue to be, utilized to fund new facilities, improvements and betterments, and to refund outstanding bonds.

(a) Commercial Paper and Revolving Notes

Metropolitan may issue up to $200.0 million in commercial paper to fund a portion of its capital investment plan, as approved by Metropolitan's Board. There was no commercial paper issued through March 31, 2022 and 2021 and no commercial paper was outstanding at March 31, 2022 and 2021. Metropolitan may also issue other forms of short-term debt such as variable rate water revenue bonds and revolving notes (see Notes 3c and 3f).

Short-term note issued and repaid during the twelve months ended March 31, 2022 was as follows:

- On June 30, 2021, Metropolitan issued certain notes evidencing a draw of $35.6 million from the Royal Bank of Canada (RBC) Short Term Credit Facility for the purpose of refunding a portion of Metropolitan's then outstanding subordinate lien bonds. On July 8, 2021, the draw was refunded with proceeds of the Water Revenue Refunding Bonds, 2021 Series B.

Short-term note issued and repaid during the twelve months ended March 31, 2021 was as follows:

- On June 30, 2020, Metropolitan issued certain notes evidencing a draw of $35.6 million from the RBC Short Term Credit Facility for the purpose of refunding a portion of Metropolitan's then outstanding subordinate lien bonds. On July 1, 2020, the draw was refunded with proceeds of the Water Revenue Refunding Bonds, 2020 Series C.

There were no short-term notes outstanding at March 31, 2022 or 2021. There were no long-term revolving notes outstanding at March 31, 2022 and a total of $46.8 million of short-term revolving notes were outstanding at March 31, 2021.

(b) General Obligation Bonds

In 1966, voters authorized Metropolitan to incur up to $850.0 million of general obligation bond indebtedness to finance a portion of Metropolitan's capital investment plan. The original amounts, issued as Series A through H under the 1966 authorization, totaled $850.0 million. Metropolitan has refunded a portion of these general obligation bond issues through the issuance of refunding bonds. A total of $20.2 million and $26.8 million in general obligation refunding bonds were outstanding at March 31, 2022 and 2021, respectively.

The general obligation refunding bond issues include both serial and term bonds that mature in varying amounts through March 2037 at interest rates of 5.0 percent. The term bonds are subject to mandatory redemption prior to maturity. All general obligation bonds maturing on or after the earliest applicable call date are subject to optional redemption prior to maturity, callable on interest payment dates, and subject to early redemption.

There were no general obligation bonds issued during the twelve months ended March 31, 2022. General obligation bond issued during the twelve months ended March 31, 2021 was as follows:

- On September 1, 2020, Metropolitan issued $13.7 million, Waterworks General Obligation Refunding Bonds, 2020 Series A, which refunded $18.7 million of Waterworks General Obligation Refunding Bonds, 2010 Series A and the cost of issuance. This refunding resulted in projected present value savings of $7.6 million. The true interest cost is 1.64% with a final maturity of March 1, 2037. The bonds are subject to optional redemption provisions.

(c) Revenue Bonds

Pursuant to a 1974 voter authorization, additional funds, primarily for funding the capital investment plan, are obtained through the sale of water revenue bonds. Revenue bonds may be issued subject to certain conditions, including a requirement that the total of revenue bonds outstanding does not exceed the equity (net position) of Metropolitan as of the fiscal year end prior to such issuance. Metropolitan has refunded some of these revenue bonds through the issuance of refunding bonds. A total of $3.848 billion and $3.947 billion of revenue bonds and revenue refunding bonds were outstanding at March 31, 2022 and 2021, respectively.

Each fixed rate revenue and revenue refunding bond issue consists of either serial or term bonds or both that mature in varying amounts through July 2051 at interest rates ranging from .46 percent to 5.0 percent at March 31, 2022 and 2021. The term bonds are subject to mandatory redemption prior to maturity. Substantially all revenue bonds maturing on or after the earliest applicable call date are subject to optional redemption prior to maturity, callable on any interest payment dates, and subject to early redemption.

There was no revenue bond issued during the twelve months ended March 31, 2022 and the revenue bond issued during the twelve months ended March 31, 2021 was as follows:

- On February 4, 2021, Metropolitan issued $188.9 million of Water Revenue Bonds, Series 2021 A, at a true interest cost of 2.77 percent. Proceeds were used to fund a portion of Metropolitan's Capital Investment Plan and costs of issuance. The maturities extend to October 1, 2051 and are subject to mandatory and optional redemption provisions.

(d) Bond Refundings and Defeasances

Metropolitan has issued Waterworks General Obligation Refunding Bonds, Water Revenue Refunding Bonds, Special Variable Rate Water Revenue Refunding Bonds, and short-term notes to refund various issues of Waterworks General Obligation Bonds, Waterworks General Obligation Refunding Bonds, Water Revenue Bonds, Water Revenue Refunding Bonds, Special Variable Rate Water Revenue Refunding Bonds, and revolving notes previously issued. The net proceeds from these sales were used to redeem the refunded bonds and fund certain swap termination payments or to purchase U.S. Treasury securities that were deposited in irrevocable escrow trust accounts with a bank acting as an independent fiscal agent to provide for all future debt service on the bonds being refunded. As a result, those bonds are considered defeased and the related liabilities have been excluded from Metropolitan's basic financial statements.

(e) Interest Rate Swaps

Metropolitan has eight outstanding interest rate swap agreements as of March 31, 2022. These agreements require that Metropolitan pay fixed interest rates and receive interest at variable interest rates which are Metropolitan's hedging derivative instruments.

Pay-Fixed, Receive-Variable

Objective of the Swaps: In order to take advantage of low interest rates in the marketplace, Metropolitan entered into separate pay-fixed, receive-variable interest rate swaps at costs that were less than what Metropolitan otherwise would have paid to issue fixed rate debt in the tax-exempt municipal bond market. At March 31, 2022 and 2021, there are/were eight pay-fixed, receive-variable interest rate swaps outstanding.

Terms: The notional amounts of the swaps match the principal amounts of the associated debt in total. Metropolitan's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated long-term debt.

Fair Values: At March 31, 2022, all pay-fixed, receive-variable swaps had a negative fair value. Because the coupons on Metropolitan's variable rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value changes. The fair values of the swaps were estimated using the zero-coupon method and exclude accrued interest. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Credit Risks: As of March 31, 2022, Metropolitan was not exposed to credit risk on the outstanding pay-fixed, receive-variable swaps that had negative fair values. However, should interest rates change and the fair values of the swaps become positive, Metropolitan would be exposed to credit risk to each swap counterparty in the amount of the derivatives' fair value. Should the counterparties to the transactions fail to perform according to the terms of the swap contract, Metropolitan would face a maximum possible loss equal to the fair value of these swaps.

All swap agreements contain specific collateral requirements that are in effect for Metropolitan and the counterparties. The swaps require different collateral levels based on credit ratings and the fair value of the swap. Generally, the fair value threshold levels are also reduced as the credit ratings are reduced. Collateral on all swaps is to be in the form of U.S. government securities that may be held by the party posting the collateral. Metropolitan had no posted collateral as of March 31, 2022.

Each swap contains cross-default provisions that allow the nondefaulting party to accelerate and terminate all outstanding transactions and to net the transactions' fair values into a single sum to be owed by, or owed to, the non-defaulting party.

As of March 31, 2022, Metropolitan has pay-fixed, receive-variable swap transactions with one counterparty in the amount of $184.6 million or 45.5 percent of the notional amount of Metropolitan's outstanding pay-fixed, receive-variable swap transactions. This counterparty is rated Aa2/A+/AA by Moody's, Standard & Poor's Global, and Fitch Ratings, respectively.

Basis Risk: The interest rates on Metropolitan's variable rate bonds are expected to be equivalent, but not necessarily equal to the variable rate payments received from counterparties on pay-fixed, receive-variable interest rate swaps. To the extent these variable payments differ, Metropolitan is exposed to basis risk. When the rates received from the counterparties are less than the rates on variable rate bonds associated with the respective swap transactions there is a basis loss. When the rates received from the counterparties are greater than the rates on variable rate bonds associated with the respective swap transactions there is a basis gain. As of March 31, 2022, the interest rates of the variable rate debt associated with these swap transactions range from .33 percent to .65 percent. Metropolitan's variable rate payments received from the counterparties of these swaps ranged from .13 percent to .35 percent.

Termination Risk: Metropolitan may terminate any of the swaps if the other party fails to perform under the terms of the swap agreements. If any of the swaps are terminated, the associated variable rate bonds would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a negative fair value, Metropolitan would be liable to the counterparty for a payment equal to the swap's fair value.

Tax Risk: As with other forms of variable rate exposure and the relationship between the taxable and tax-exempt markets, Metropolitan is exposed to tax risk should tax-exempt interest rates on variable rate debt issued in conjunction with the swaps rise faster than taxable interest rates received by the swap counterparties, due particularly to reduced federal or state income tax rates, over the term of the swap agreement.

(f) Variable Rate Bonds

The variable rate bonds bear interest at daily and weekly rates ranging from .33 percent to .65 percent as of March 31, 2022 and .04 percent to .44 percent as of March 31, 2021. Metropolitan can elect to change the interest rate period of the bonds with certain limitations.

Metropolitan has entered into standby bond purchase agreements (SBPA) with commercial banks to provide liquidity for seven separate variable rate bond issues listed in the table below. Bondholders have the right to tender such variable rate bonds to the paying agent on any business day with same day notice. In the event that tendered bonds are not remarketed, the paying agent will draw on the SBPA to pay such bondholders. The draw on the SBPA creates a new debt obligation between Metropolitan and the Bank, called a Bank Bond.

The Bank Bonds that would be issued under the SBPA would initially bear interest at a per annum interest rate equal to, depending on the applicable SBPA, a Base Rate of either: (a) the highest of the (i) Prime Rate plus one percent, (ii) Federal Funds Rate plus two percent, and (iii) seven percent; or (b) the highest of the (i) Prime Rate, (ii) Federal Funds Rate plus one half of one percent, and (iii) seven and one half percent (with the Base Rate increasing in the case of each of (i), (ii) and (iii) of this clause (b) after 90 days, by one percent). To the extent such bank bonds have not been remarketed or otherwise retired as of the earlier of the 90th day following the draw on the SBPA or the stated expiration date of the related SBPA, Metropolitan's obligation to repay the principal of the Bank Bonds would be payable in semi-annual installments over a period of approximately three or five years, depending on the applicable SBPA. Metropolitan has secured its obligation to repay principal and interest under the SBPAs as a senior lien obligation.

In addition, such bonds are subject to mandatory tender for purchase under certain circumstances, including upon the expiration of the SBPA. Metropolitan intends to either renew the facility or exercise its right to remarket the debt as a long-term financing. The portion that would be due in the next fiscal year in the event that the outstanding variable rate bonds were tendered and purchased by the commercial banks under the standby agreements was $51.0 million and $26.5 million at March 31, 2022 and 2021, respectively.

Metropolitan has seven and six variable rate bonds that are supported by a SBPA as of March 31, 2022 and 2021, respectively:

(Dollars in thousands)

	Amount		Expiration	Interest	Current Amount	
Bond Issue	**3/31/2022**	3/31/2021	**Date**	**Rate**	**3/31/2022**	3/31/2021
Water Revenue Bonds						
2000 Series B-3	**$ 78,900**	$ 78,900	3/20/23	Reset Daily	**$ 78,900**	$ —
2017 Series A	**80,000**	80,000	3/20/23	Reset Daily	**80,000**	—
Water Revenue Refunding Bonds						
2018 Series A-1, A-2	**90,070**	90,070	6/4/24 (1)	Reset Daily	**—**	90,070
2016 Series B-1, B-2	**82,905**	82,905	6/4/24 (2)	Reset Daily	**—**	82,905
Subordinate Water Revenue Refunding Bonds						
2021 Series A (Taxable)	**222,160**	—	6/13/25	Reset Weekly	**—**	—
Total	**$ 554,035**	$ 331,875			**$ 158,900**	$ 172,975

(1) At 03/31/21, the SBPA associated with the 2018 Series A-1 and A-2 Water Revenue Refunding Bonds expired 6/25/21.

(2) At 03/31/21, the SBPA associated with the 2016 Series B-1 and B-2 Water Revenue Refunding Bonds expired 7/19/21.

Metropolitan has three and four variable rate bonds that are not supported by a SBPA as of March 31, 2022 and 2021, respectively:

(Dollars in thousands)

Bond Issue	03/31/2022	03/31/2021	Interest Rate
Subordinate Water Revenue Bonds			
2016 Series A	**$ —**	$ 175,000	1M LIBOR plus % spread
2017 Series C	**80,000**	80,000	SIFMA Index plus % spread
Subordinate Water Revenue Refunding Bonds			
2017 Series D	**95,630**	95,630	SIFMA Index plus % spread
2017 Series E	**95,625**	95,625	SIFMA Index plus % spread
Total	**$ 271,255**	$ 446,255	

The current terms of the Subordinate Water Revenue Refunding Bonds, 2017 Series D and Series E (SIFMA Index Mode), and the Subordinate Water Revenue Bonds, 2017 Series C (SIFMA Index Mode), require bondholders to tender their bonds for purchase on the scheduled mandatory tender date of May 21, 2024. A failure by Metropolitan to pay the purchase price from the proceeds of remarketing or other funds, for a period of five business days following written notice by any owner of such bonds, will constitute an event of default under Metropolitan's Subordinate Debt Resolutions. Upon the occurrence and continuance of such events of default, the owners of 25 percent in aggregate principal amount of the Subordinate Revenue Bonds then outstanding may elect a bondholders' committee to exercise rights and powers of such owners under the Subordinate Debt Resolutions, including the right to declare the entire unpaid principal of the Subordinate Revenue Bonds then outstanding to be immediately due and payable.

4. PENSION PLAN

(a) General Information about the Pension Plan

Plan Description

All full-time Metropolitan employees are required to participate in Metropolitan's Miscellaneous Plan with CalPERS, an agent multiple-employer public employee defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employee's Retirement Law. Metropolitan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board approval. CalPERS issues a separate comprehensive annual report. Copies of CalPERS' annual financial report may be obtained from its Executive Office, 400 Q Street, Sacramento, CA 95811.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Employees hired prior to January 1, 2013 (Classic members) with five years of total service are eligible to retire at age 50 with statutorily reduced benefits; employees hired after January 1, 2013 (PEPRA members) with at least five years of credited service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for improved non-industrial disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit.

5. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

(a) Plan Description and Benefits Provided

Through CalPERS, Metropolitan offers medical insurance to active and retired employees, as well as their qualified dependents under the Public Employees' Medical and Hospital Care Act (PEMHCA). Under PEMHCA, health coverage for the employee continues into retirement. Current plans offered are two PPO plans: PERS Gold and PERS Platinum; and eleven HMO plans through Anthem Blue Cross, Blue Shield, Health Net, Kaiser, Sharp, SmartCare, United Healthcare and Western Health. Metropolitan participates in the CERBT Fund, which is an agent multiple-employer plan available to employers to pre-fund OPEB benefits. Benefit provisions are established through negotiations between Metropolitan and its various bargaining units, which also apply to retirees. For employees hired on or after January 1, 2012, retirees must have a minimum of 10 years of PERS service and no less than five years of Metropolitan service in order to receive post-employment health benefits in accordance with PERS as per Government Code Section 22893. For employees hired prior to January 1, 2012, retirees are not required to meet the eligibility criteria. CalPERS issues a separate comprehensive annual report that includes financial statements for its CERBT Fund. Copies of CalPERS' annual financial report may be obtained from its Executive Office, 400 Q Street, Sacramento, CA 95811.

6. COMMITMENTS AND CONTINGENCIES

(a) State Water Contract (see Note 7)

Estimates of Metropolitan's share of the projected fixed costs of the SWP are provided annually by the State. The estimates are subject to future increases or decreases resulting from changes in planned facilities, refinements in cost estimates, and inflation. During the next five years, payments under the State Water Contract, exclusive of variable power costs, are currently estimated by the State to be as follows:

(Dollars in thousands)		State Water Contract Payments
Year ending June 30:		
2023	$	495,194
2024		531,966
2025		522,470
2026		527,034
2027		518,193

Metropolitan intends to exercise its option to extend its agreement with the State through 2085, which will result in annual minimum operations and maintenance costs through 2085. In addition, the amounts shown above do not contain any escalation for inflation, are subject to significant variation over time because the amounts are based on a number of assumptions, and are contingent on future events. None of the estimated long-term commitments are recorded as liabilities in the accompanying basic financial statements.

(b) Bay/Delta Regulatory and Planning Activities

The State Water Resources Control Board (State Board) is the agency responsible for setting water quality standards and administering water rights throughout California. Decisions of the State Board can affect the availability of water to Metropolitan and other water users throughout California. The State Board exercises its regulatory authority over Bay/Delta watershed supplies by means of public proceedings leading to regulations and decisions.

The Delta Stewardship Council (Council) is the California State agency tasked with creating and implementing a comprehensive management plan for the Delta. The Council, created by the 2009 Sacramento-San Joaquin Delta Reform Act, serves as an independent voice for science and policy in the Delta to achieve the state mandated coequal goals for the Delta of ecosystem restoration and water supply reliability. To accomplish its mission, the Council adopted and implements the Delta Plan, which is the state's long-term management plan for the Delta to further the coequal goals, including facilitating, coordinating, and integrating the activities of hundreds of local, state, and federal agencies that have responsibilities directly related to water, ecosystems, land use, recreation, flood control and other functions in the legally defined Delta. The Council is conducting updates to its Delta Plan, including a strategic levee investment policy, and updates to the Ecosystem chapter and associated policies and recommendations. The Council is also working on amendments to its administrative procedures governing the appeals process for certifications of consistency with the Delta Plan. In addition, the Council is developing a draft climate change adaption plan for the Delta and Suisun Marsh as part of their Delta Adapts: Creating a Climate Resilient Future initiative. The Delta Adapts plan is intended to help inform and assess specific climate risks and vulnerabilities in the Delta and, in coordination with other agencies and stakeholders, develop adaptation strategies to address those vulnerabilities.

To avoid endangering State or federally listed species or adversely modifying their critical habitat, the Department of Water Resources (DWR) consults with the California Department of Fish and Wildlife (CDFW) and its federal agency counterparts under the California Endangered Species Act (ESA) and federal ESA, respectively, regarding the operation of the SWP. If a project may adversely affect a listed species, a formal consultation is held with the state and federal regulatory agencies. The regulatory agency(ies) then issue operating permits under the state and federal ESA jurisdiction, being a federal biological opinion and a state permit that is either a consistency determination or an Incidental Take Permit (ITP). Updated federal biological opinions were approved in February 2020 and CDFW issued a State ITP in March 2020. Both the federal and state permits have been challenged in court by multiple parties including water agencies and non-governmental organization groups. Metropolitan is involved in the federal permit litigation as part of the State Water Contractors, and in the State ITP litigation as Metropolitan, in order to protect its interests that the permits be based on the best available science and granted pursuant to correct legal standards. The litigation on the State ITP includes eight cases and has been ordered to be coordinated in Sacramento County Superior Court.

The Bay Delta Conservation Plan (BDCP) planning process, which began in 2007, was a voluntary collaboration of state, federal, and local water agencies, state and federal fish agencies, environmental organizations, and other interested parties to provide a comprehensive habitat conservation and restoration program for the Delta, including new Delta conveyance infrastructure as one of the conservation measures consisting of multiple new intakes on the Sacramento River connected to existing SWP and Central Valley Project water facilities in the south Delta by two main tunnels. In addition, the BDCP would have provided the basis for long-term permits under federal and state endangered species laws for activities covered by the plan based on the best available science, identified sources of funding, and an adaptive management and monitoring program, and it would have been incorporated into the Delta Plan if it met the requirements of the federal and state ESAs for a Habitat Conservation Plan/Natural Communities Conservation Plan (HCP/NCCP).

On April 30, 2015, the State announced its intent to study three new conveyance-only alternatives that would not be part of an HCP/NCCP, separating the conveyance facilities and habitat restoration measures into two separate efforts namely: CWF and California EcoRestore. Under the CWF, the new water conveyance facilities with proposed design changes would be constructed and operated, with federal ESA compliance achieved through section 7 consultation. State and Federal ESA permits were issued in June and July 2017, and the DWR approved CWF on July 21, 2017. Metropolitan and other State Water Contractors approved their respective participation in CWF in 2017 and 2018. On February 12, 2019, Governor Newsom announced that he did not support a two-tunnel Delta Conveyance project, but supports a single tunnel project. On April 29, 2019, Governor Newsom issued Executive Order N-10-19, directing several agencies to, among other things, "inventory and assess current planning to modernize conveyance through the Bay Delta with a new single tunnel project." On May 2, 2019, the DWR rescinded its approval of CWF and decertified the Environmental Impact Report (EIR). The DWR is continuing to develop a public Draft Environmental Impact Report (EIR) under the California Environmental Quality Act for the Delta Conveyance Project.

Eighteen SWP contractors have taken action in November and December 2020 and approved their participation in the planning and pre-construction costs for the Delta Conveyance Project and authorized the execution of a funding agreement with the DWR for such purpose. At its December 8, 2020, Board meeting, Metropolitan's Board authorized the General Manager to execute a funding agreement and committed funding for a Metropolitan participation level of 47.2 percent of the costs of preliminary design, environmental planning and other pre-construction activities to assist in the environmental process for the proposed Delta Conveyance Project. At a 47.2 percent participation level for Metropolitan, its forecasted funding agreement costs will be $160.6 million for calendar years 2021 through 2024. A range of reasonable alternatives to consider and analyze in the EIR has been identified and current efforts are focused on analyzing the alternatives' potential impacts on environmental resources. DWR also conducted interviews with stakeholders in February and early March of 2021 on the concept of incorporating a Community Benefits Program as part of the Delta Conveyance Project to help protect and enhance the cultural, recreational, natural resource and agricultural values of the Delta. DWR is also conducting a tribal consultation process as part of its environmental planning, consistent with State statutes and policies.

(c) Imperial Irrigation District

As of March 31, 2022, Metropolitan had advanced a total of $370.1 million to the Imperial Irrigation District (IID) for construction costs, operations and maintenance costs, and indirect costs of the conservation projects. Metropolitan remains obligated to pay IID for actual operation and maintenance costs for the remainder of this agreement through at least 2041. In return, Metropolitan will receive between 85.0 TAF to 105.0 TAF in 2022 and annually thereafter depending upon the amount used by the Coachella Valley Water District (CVWD). A total of at least 85.0 TAF to 105.0 TAF will be/was available in calendar years 2022 and 2021, respectively, for diversion by Metropolitan.

(d) Sale of Water by the Imperial Irrigation District to San Diego County Water Authority

In April 1998, the San Diego County Water Authority (SDCWA) and IID executed an agreement (Transfer Agreement) for SDCWA's purchase from IID of Colorado River water that is conserved within IID. SDCWA is a Metropolitan member agency and one of the largest water purchasers from Metropolitan. In October 2003 the Transfer Agreement was revised as part of the Quantification Settlement Agreement (see Note 6e). The amended Transfer Agreement sets the maximum transfer amount at 205.0 TAF in 2021, with the transfer gradually ramping up to that amount over an approximately twenty-year period, stabilizing at 200.0 TAF per year beginning in 2023.

No facilities exist to provide for delivery of water from IID to SDCWA. In 1998, Metropolitan and SDCWA entered into an agreement for the exchange of the IID water to be acquired by SDCWA under the Transfer Agreement, with water to be delivered by Metropolitan. In 2003, the boards of directors of Metropolitan and SDCWA agreed to an increase in the price that SDCWA would pay to Metropolitan for this exchange of water, in return for Metropolitan's assignment to SDCWA of Metropolitan's rights to water conserved as a result of the lining of the All-American and Coachella Canals and $235.0 million, as set forth in an amended exchange agreement (Exchange Agreement) and an Allocation Agreement. Under the Exchange Agreement, SDCWA makes available to Metropolitan at its intake at Lake Havasu on the Colorado River the conserved Colorado River water acquired by SDCWA from IID and the conserved canal lining water allocated to SDCWA. In exchange, Metropolitan delivers an equal volume of water from its own sources of supply through its delivery system to SDCWA. The deliveries to both Metropolitan and SDCWA are deemed to be made in equal monthly increments. SDCWA pays Metropolitan a volumetric price for each delivery by Metropolitan. The price payable by SDCWA is calculated using the charges set by Metropolitan's Board from time to time to be paid by its member agencies for the conveyance of water through Metropolitan's facilities (see Note 1c). SDCWA has challenged the validity of Metropolitan's charges for conveyance of water that became effective January 1, 2011 and January 1, 2012, in San Diego County Water Authority v. Metropolitan Water District of Southern California; et al. On June 8, 2012, SDCWA filed a separate lawsuit challenging the rates adopted by Metropolitan's Board on April 10, 2012 and effective on January 1, 2013 and January 1, 2014. On May 30, 2014, SDCWA filed a separate lawsuit challenging the rates adopted by Metropolitan's Board on April 8, 2014 and effective on January 1, 2015 and January 1, 2016. On April 13, 2016, SDCWA filed a separate lawsuit challenging the rates and charges adopted by Metropolitan's Board on April 12, 2016 and effective on January 1, 2017 and January 1, 2018. On June 8, 2018, SDCWA filed a separate lawsuit challenging the rates and charges adopted by Metropolitan's Board on April 10, 2018 and effective on January 1, 2019 and January 1, 2020. The Exchange Agreement requires Metropolitan to pay the disputed portion of the amount paid by SDCWA under the Exchange Agreement and interest thereon to

SDCWA, if SDCWA prevails in a dispute over the price payable by SDCWA under the Exchange Agreement. See Claims and Litigation, Note 6g.

(e) Quantification Settlement Agreement

The Quantification Settlement Agreement (QSA) is part of the California Plan, which is a plan to reduce California's use of Colorado River water to its basic apportionment of 4.4 million acre-feet per year when necessary through water conservation, transfers from higher priority agricultural users to Metropolitan's service area, and storage programs. The QSA was executed in October 2003 and establishes Colorado River water use limits for IID and the CVWD. It also provides for specific acquisitions of conserved water and water supply arrangements and restores the opportunity for Metropolitan to receive any special surplus water.

(f) Construction Programs and Contracts

The estimated cost, excluding contingencies, of Metropolitan's capital program for fiscal years 2021 through 2025 totals approximately $1.4 billion. However, due to various uncertainties such as lower than anticipated construction bids, permitting delays, and facility shutdowns constraints, capital spending was planned at $250.0 million each for fiscal years 2021 and 2022, and $300.0 million per year for fiscal years 2023 through 2025.

Over the next three years, Capital Investment Plan budget totals approximately $855.0 million with over $155.2 million for refurbishment and replacement (R&R) work at Metropolitan's water treatment plants; $146.3 million targeted for R&R projects for the Colorado River Aqueduct; $139.7 million on R&R work at pressure control facilities and pipelines throughout the distribution system; $114.9 million to continue relining of the Prestressed Concrete Cylinder Pipe portions of the Second Lower and Sepulveda feeders; and $92.1 million on a variety of information technology projects such as the Supervisory Control and Data Acquisition system, plus several headquarters building improvements including the ongoing fire alarm and smoke controls and physical security.

(g) Claims and Litigation

Through several lawsuits filed by SDCWA since 2010, SDCWA has challenged the rates adopted by Metropolitan's Board in 2010, 2012, 2014, 2016 and 2018. Each of these lawsuits and the status thereof are briefly described below.

The 2010 and 2012 Cases. SDCWA filed San Diego County Water Authority v. Metropolitan Water District of Southern California, et al. on June 11, 2010 challenging the rates adopted by the Board on April 13, 2010, which became effective January 1, 2011 and January 1, 2012 (the "2010 Case"). The complaint requested a court order invalidating the rates adopted April 13, 2010, and that Metropolitan be mandated to allocate certain costs associated with the State Water Contract and the Water Stewardship Rate to water supply rates and not to transportation rates.

The contract price payable by SDCWA under the Exchange Agreement between Metropolitan and SDCWA is Metropolitan's transportation rates. Therefore, SDCWA also alleged that Metropolitan breached the Exchange Agreement by allocating certain costs related to the State Water Contract and the Water Stewardship Rate to its transportation rates because it resulted in an overcharge to SDCWA for water delivered pursuant to the Exchange Agreement.

On June 8, 2012, SDCWA filed a new lawsuit challenging the rates adopted by Metropolitan on April 10, 2012 and effective on January 1, 2013 and January 1, 2014 (the "2012 Case") based on similar claims, and further alleging that Metropolitan's rates adopted in 2012 violated Proposition 26.

Following a trial of both lawsuits in two phases and subsequent trial court ruling, the parties appealed. On June 21, 2017, the California Court of Appeal ruled that Metropolitan may lawfully include its State Water Project transportation costs in the System Access Rate and System Power Rate that are part of the Exchange Agreement's price term, and that Metropolitan may also lawfully include the System Access Rate in its wheeling rate, reversing the trial court decision on this issue. The court held Metropolitan's allocation of the State Water Project transportation costs as its own transportation costs is proper and does not violate the wheeling statutes (Water Code, § 1810, et seq.), Proposition 26 (Cal. Const., Article XIIIC, §1, subd.(e)), whether or not that Proposition applies to Metropolitan's rates, California Government Code section 54999.7, the common law, or the terms of the parties' Exchange Agreement.

The Court of Appeal also ruled that the record did not support Metropolitan's inclusion of its Water Stewardship Rate as a transportation cost in the Exchange Agreement price or the wheeling rate, under the common law and the wheeling statutes. The court noted that its holding does not preclude Metropolitan from including the Water Stewardship Rate in Metropolitan's full-service rate.

The Court of Appeal held that because the Water Stewardship Rate was included in the Exchange Agreement price, there was a breach by Metropolitan of the Exchange Agreement in 2011 through 2014 and remanded the case to the trial court for a redetermination of damages in light of its ruling concerning the Water Stewardship Rate. The Court of Appeal also found that the Exchange Agreement may entitle the prevailing party to attorneys' fees for both phases of the case, and directed the trial court on remand to make a new determination of the prevailing party, if any.

On September 27, 2017, the California Supreme Court denied SDCWA's petition for review, declining to consider the Court of Appeal's decision. The Court of Appeal's decision is therefore final.

In February 2021 Metropolitan paid to SDCWA the amount of $44.4 million for contract damages for SDCWA's Water Stewardship Rate payments from 2011 to 2014 and pre-judgment and post-judgment interest. In September 2021, following a 2021 Court of Appeal opinion clarifying that its Water Stewardship Rate ruling applies to later years, Metropolitan paid to SDCWA the amount of $35.9 million for SDCWA's Water Stewardship Rate payments from 2015 to 2017 and pre-judgment interest. These payments include all amounts sought related to breach of the Exchange Agreement resulting from the inclusion of the Water Stewardship Rate in the contract price for Exchange Agreement transactions occurring from 2010 until the Water Stewardship Rate was no longer charged in the contract price for Exchange Agreement transactions, beginning in 2018. The payment included $58.1 million withdrawn from the Exchange Agreement Set-Aside Fund and $22.1 million withdrawn from reserves (the remainder of the statutory interest).

The Superior Court also issued an order finding SDCWA is the prevailing party on the contract in the 2010 and 2012 cases and is therefore entitled to its attorneys' fees and costs under the contract, and to statutory costs. On February 25, 2021, Metropolitan appealed both prevailing party determinations. The parties stipulated to $13,397,575.66 as the amount of SDCWA's attorneys' fees that may be awarded under the Exchange Agreement, in the event Metropolitan's appeal is unsuccessful. On March 17, 2022, the Court of Appeal held that SDCWA is the prevailing party in the 2010 and 2012 cases and is therefore entitled to attorney's fees under the parties' Exchange Agreement and litigation costs. On March 21, 2022, Metropolitan paid to SDCWA $14,296,864.99 for attorneys' fees and $352,247.79 for costs, including interest.

The 2014, 2016 and 2018 Cases. SDCWA has also filed lawsuits challenging the rates adopted in 2014, 2016 and 2018 and asserting breach of the Exchange Agreement. Metropolitan filed cross-complaints in the three cases, asserting claims relating to rates and the Exchange Agreement, including reformation.

The operative Petitions for Writ of Mandate and Complaints allege the same Water Stewardship Rate claim and breach of the Exchange Agreement as in the 2010 and 2012 cases, but because Metropolitan paid the amounts sought to SDCWA, and the writ in the 2010 and 2012 cases encompasses these claims, these claims and cross claims are moot. They also claim Metropolitan's wheeling rate fails to provide wheelers a reasonable credit for "offsetting benefits" pursuant to Water Code Section 1810, et seq., and that Metropolitan has breached the Exchange Agreement by failing to reduce the price for an "offsetting benefits" credit. The cases also alleged that in 2020 and 2021, Metropolitan misallocated its CWF costs as transportation costs and breached the Exchange Agreement by including those costs in the transportation rates charged. In April 2022, the parties requested the court's dismissal with prejudice of the claims and cross-claims relating to California WaterFix. The cases also request a judicial declaration that Proposition 26 applies to Metropolitan's rates and charges, and a judicial declaration that SDCWA is not required to pay any portion of a judgment in the litigation. Metropolitan filed cross-complaints in each of these cases, asserting claims against relating to rates and the Exchange Agreement.

The cases were stayed pending resolution of the 2010 and 2012 cases, but the stays have been lifted and the cases have been consolidated in the San Francisco Superior Court. The court set a trial date in the three cases for May 16 through May 27, 2022.

Metropolitan is unable to assess at this time the likelihood of success of the pending cases, any possible appeals, settlements or any future claims.

(h) Drinking Water Quality Standards

Under the Safe Drinking Water Act Amendments of 1996, Congress required the United States Environmental Protection Agency to set new drinking water quality standards. New standards to control microbial pathogens and disinfection byproducts (DBPs) became effective in 2002. These rules are known as the Interim Enhanced Surface Water Treatment Rule and the Stage 1 Disinfectants/Disinfection By-Product Rule. These standards became more stringent in a second set of regulations effective 2006. The second set of regulations (the Stage 2 Disinfectants/ Disinfection Byproducts Rule and the Long-Term 2 Enhanced Surface Water Treatment Rule) did not require additional capital investment by Metropolitan.

Metropolitan identified ozone disinfection as the most cost-effective option to minimize the production of DBPs and achieve other water quality objectives. Ozone is now used as the primary disinfectant at Diemer, Jensen, Mills, Skinner and Weymouth plants. The cost of implementing ozone treatment at all five plants was approximately $1.1 billion.

(i) Reid Gardner Generating Station

Reid Gardner Generating Station (Plant) is a 557 megawatt coal-fired plant located near Moapa, Nevada. The Plant is owned and operated by Nevada Energy (NE). In 1983, DWR entered into a Participation Agreement to import power from the Plant to serve the SWP energy needs. DWR's interest in the Plant terminated on July 25, 2013. DWR and NE negotiated the terms of the divestiture including DWR's obligations to mitigate any environmental impacts associated with the electricity generated for DWR over the past thirty years. Metropolitan paid approximately 75.0 percent of DWR's costs associated with the generation of electricity at the Plant and will pay this proportion of DWR's assigned mitigation costs.

(j) Landfill Obligation

Federal and State laws and regulations require that Metropolitan perform certain maintenance and monitoring functions at its sole landfill site for 30 years after closure. They further require that a separate funding mechanism be established to ensure that sufficient funds are available for closure and postclosure costs. In October 1995, the landfill was closed and management's estimate of closure and postclosure costs for this site totaled approximately $2.0 million. The required thirty-year postclosure maintenance and monitoring of the landfill officially started in January 1998; after the installation of the landfill's final cover was completed. Approximately $6,200 and $18,100 was expended for post closure maintenance and monitoring activities during the nine months ended March 31, 2022 and 2021, respectively.

The actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws or regulations. Funding of these costs has been derived from a separate trust account that has been established for closure and postclosure costs. The balance of the trust account is sufficient to cover the landfill liability.

7. PARTICIPATION RIGHTS IN STATE WATER PROJECT

Metropolitan is one of 29 water suppliers contracting with the State of California for a system to provide water throughout much of California. Under the terms of the State Water Contract, as amended, Metropolitan is obligated to pay allocable portions of the cost of construction of the system and ongoing operations and maintenance costs through at least the year 2035, regardless of the quantities of water available from the project (see Note 6a). Metropolitan and the other contractors may also be responsible to the State for certain obligations of any contractor who defaults on its payments to the State.

Approximately 34 percent and 37 percent of Metropolitan's total expenditures during the nine months ended March 31, 2022 and 2021 pertained to its net payment obligations for the State Water Project. These payments were primarily based on the contractual water delivery request, the annually requested and actual deliveries received, and the cost of power required for such deliveries, offset by credits received from the project.

The State Water Contract provides Metropolitan rights to water through 2052 but Management's present intention is to exercise Metropolitan's option to extend the contractual period to at least 2085, under similar terms, based on the Agreement in Principle reached in 2014. This corresponds to an estimated 125-year service life for the original facilities. The State is obligated to provide specified quantities of water throughout the life of the contract, subject to certain conditions.

The State has power generation facilities associated with its reservoirs and aqueducts. The power generated is utilized by the system for water transportation purposes. Power generated in excess of system needs is marketed to various utilities and California's power market. The revenues resulting from sales of excess power reduce the costs of pumping. Metropolitan and the other water contractors are responsible for repaying the capital and operating costs of the power facilities regardless of the amount of power generated.
Metropolitan capitalizes its share of system construction costs as participation rights when such costs are billed by the State (see Notes 1i and 6a). Metropolitan's share of system operations and maintenance costs is charged to expense.

Metropolitan amortizes a portion of capitalized participation rights each month using a formula that considers the total estimated cost of the project, the estimated useful life, and estimated production capacity of the assets based upon maximum annual contracted deliveries provided by the State of California. Amortization expense totaled $111.0 million and $107.0 million for the nine months ended March 31, 2022 and 2021, respectively.

8. DEPOSITS, PREPAID COSTS, AND OTHER

Balances at March 31, 2022 and 2021 were as follows:

	March 31,	
(Dollars in thousands)	**2022**	2021
Prepaid water costs	**$ 235,074**	$ 239,657
Prepaid costs-Delta Habitat Conservation and Conveyance	**58,627**	58,627
Prepaid costs-California WaterFix	**7,494**	7,494
Prepaid costs-Delta Conveyance Project	**50,000**	25,000
Prepaid expenses	**19,986**	25,109
Preliminary design/reimbursable projects	**23,223**	16,996
Other	**95,552**	76,079
Total deposits, prepaid costs, and other	**489,956**	448,962
Less current portion	**(127,121)**	(59,665)
Noncurrent portion	**$ 362,835**	$ 389,297

(a) Prepaid Water Costs

Metropolitan has entered into several water exchange and storage agreements with other agencies. These agreements provide Metropolitan with additional reliable water supplies to supplement deliveries of Colorado River and SWP water. Metropolitan is also actively pursuing other agreements, both within and outside its service area, to provide additional water supplies. The exchange and storage agreements generally provide for advance delivery of water during periods when water is available. At a later time when water is needed, these programs can then return water to improve Metropolitan's reliability. Expenditures associated with these agreements have been recorded as prepaid costs and are charged to cost of water as the water is withdrawn. At March 31, 2022 and 2021, prepaid water costs totaled approximately $235.1 million and $239.7 million, respectively, based on volumes of 890 TAF and 1,072 TAF, as of such dates.

(b) Prepaid Costs—Delta Habitat Conservation and Conveyance

In March 2009, Metropolitan, other SWP contractors, federal Central Valley Project contractors, and the U.S. Department of Interior's Bureau of Reclamation entered into funding agreements with DWR. The agreements are known collectively as the Delta Habitat Conservation and Conveyance Program (DHCCP) Funding Agreement and the Bay Delta Conservation Plan and Delta Habitat Conservation and Conveyance Plan (BDCP - DHCCP) Supplemental Funding Agreement. Metropolitan's three-year DHCCP agreement provides funding of approximately $35.0 million for Metropolitan's share (24 percent). Metropolitan's two-year BDCP-DHCCP agreement provides funding of approximately $25.0 million (25 percent). The funding provided by both agreements supports development of the BDCP which was later on adapted as CWF (see Note 6b) through environmental analysis, planning and design of Delta conservation measures including Delta water conveyance options. The two-tunnel CWF project shifted to a single tunnel project referred to as the Delta Conveyance Project with the announcement of Governor Newsom on February 12, 2019. Total prepaid costs at March 31, 2022 and 2021 were $58.6 million.

(c) Prepaid Costs—California WaterFix

In fiscal year 2021, Metropolitan disbursed a total of $41.5 million to DWR for preconstruction planning costs of the CWF in accordance with the advance funding agreement entered into in August 2018. The $41.5 million was Metropolitan's share (31 percent) of the funding and DWR intends to refund Metropolitan for funds advanced through this agreement through bond financing actions. However, as a result of the shift to a single tunnel project and DWR's withdrawal of approval of the CWF Project as well as the rescission of other permitting applications (see Note 8b), Metropolitan has requested, on June 27, 2019, that DWR return its contributions that have not been spent as of May 2, 2019. In fiscal year 2020, DWR remitted $34.0 million of unspent funds and $.5 million of interest. Total prepaid costs at March 31, 2022 and 2021 were $7.5 million.

(d) Prepaid Costs—Delta Conveyance Project

The Board approved a 47.2 percent funding commitment for planning and pre-construction costs for the Delta Conveyance Project on December 18, 2020. As a result, Metropolitan remitted $25.0 million to DWR in January 2021, $2.4 million each in July and October 2021 and $20.2 million in January 2022. Total prepaid costs for the Delta Conveyance Project as of March 31, 2022 and 2021 was $50.0 million and $25.0 million, respectively.

(e) Preliminary Design/Reimbursable Projects

Metropolitan engages in preliminary design activities prior to obtaining Board approval of capital projects. The costs of these designs are recorded as prepaid costs. Once Board approval is obtained, these costs are added to the cost of the relevant construction project.

Reimbursable projects include work Metropolitan is contracted to perform for outside, non-related parties, and is subsequently billed for reimbursement.

9. DEFERRED COMPENSATION AND SAVINGS PLANS

For the benefit of its employees, Metropolitan has adopted a deferred compensation plan in accordance with Section 457 of the Internal Revenue Code. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death, or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Metropolitan has established another compensation deferral arrangement in accordance with Section 401(k) of the Internal Revenue Code. The 401(k) Savings Plan (savings plan) is available to substantially all employees. Metropolitan has established a matching contribution program, subject to a maximum of 4.5 percent of the employee's total cash compensation, on behalf of each participating employee in the savings plan. Amounts deferred by participants, Metropolitan matching contributions, and accumulated earnings thereon are fully vested.

Deferred amounts and matching contributions, if any, for both plans are transferred by Metropolitan each pay period to a third-party administrator who coordinates the investment of such proceeds in a variety of investment vehicles in accordance with the instructions of each participant. Accordingly, neither the assets nor the related liability of each plans were included in the accompanying basic financial statements at March 31, 2022 and 2021.

Metropolitan is not liable to its employees for any losses that may be incurred in connection with their participation in the plans.

10. NET POSITION

Net position is classified as either restricted, unrestricted, or net investment in capital assets, including State Water Project Costs.

Net investment in capital assets, including State Water Project costs consist of capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, notes, or other borrowings attributable to the acquisition or construction of those assets and deferred outflows and inflows of resources related to debt. Metropolitan's capital assets, including State Water Project costs include plant and equipment (Note 1h), participation rights in State Water Project (Notes 1i and 7), and participation rights in other facilities. Net investment in capital assets, including State Water Project costs were approximately $6.3 billion and $6.1 billion at March 31, 2022 and 2021, respectively.

The restricted component of net position are those items that have external constraints placed on them by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions of enabling legislation. Restricted net position totaled $512.6 million and $490.7 million at March 31, 2022 and 2021, respectively, of which $205.0 million and $216.0 million, respectively, represents principal and interest payments on outstanding debt. The remaining $307.6 million and $274.7 million as of such dates relates to estimated operating and maintenance expense for April and May 2022 and 2021, respectively. Each of these requirements are related to bond covenants.

The unrestricted component of net position are those items that do not meet the definition of "restricted" or "net investment in capital assets, including State Water Project costs." Unlike the restricted net position, the Board has discretion in determining the use and establishing minimum/maximum balance requirements for the unrestricted cash and investment portion of net position. The Board may at any time change or eliminate amounts established for these purposes. Unrestricted net position totaled $508.5 million and $426.7 million at March 31, 2022 and 2021, respectively.

11. RISK MANAGEMENT

Metropolitan is exposed to various risks of loss related to the design, construction, treatment, and delivery of water resources. Metropolitan self-insures most of its property losses, the first $25.0 million for general liability, fiduciary liability and directors' and officers' liability, and $5.0 million for workers' compensation. Metropolitan supplements its self-insurance program with $75.0 million excess general liability coverage, $60.0 million excess fiduciary liability coverage, $65.0 million excess for directors' and officers' liability coverage, and statutory limits excess workers' compensation coverage. Special insurance policies carried include aircraft hull and liability, a limited property damage policy, crime insurance, specialty crime coverage, and travel accident coverage. Coverage types and limits for fiscal year 2022 were unchanged from fiscal year 2021. Settlement amounts did not exceed the self-insurance or insurance coverage limits in any of the past three years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. The present value of liabilities for unpaid claims is based on a 1.5 percent annual interest rate over the life of the claims.

12. COVID-19 PANDEMIC

Metropolitan continues to monitor and respond to the COVID-19 pandemic and ongoing developments surrounding it. Potential fiscal impacts to Metropolitan related to COVID-19, include, but are not limited to, reduced economic activity in the State and region and its associated impacts, such as job losses, income losses, business closures and housing foreclosures or vacancies; declines in assessed valuations in Metropolitan's service area and/or increases in property tax delinquencies resulting in reduced tax levy receipts.

Economic conditions affect aggregate levels of retail water use and may reduce demands in the region and Metropolitan's water transactions and revenues. A protracted disruption in the manufacturing or construction industry may affect supply chains or delay construction schedules for, or the implementation of, Metropolitan's capital improvement programs and projects, and may increase the costs of such projects or program or Metropolitan's operations. A sustained deterioration in global stock market values may impact the market value of assets held to fund Metropolitan's pension and other post-employment benefit plans, which could result in future increases in required plan contributions. There are many variables that will continue to contribute to the economic impact of the COVID-19 pandemic and the recovery therefrom, including the effectiveness of State and federal government relief programs, the emergence of new variants of the coronavirus, and the ultimate effectiveness of vaccinations efforts.

13. SUBSEQUENT EVENTS

(a) Claims and Litigation

In connection with the 2014, 2016, and 2018 SDCWA v. Metropolitan cases, on May 4, 2022, the San Francisco Superior Court issued an order granting Metropolitan's motion for summary adjudication on its cross-claim for declaratory relief that the conveyance facility owner, Metropolitan, determines fair compensation, including any offsetting benefits; and denying its motion on certain other cross-claims and an affirmative defense.

On May 11, 2022, the San Francisco Superior Court issued an order granting SDCWA's motion for summary adjudication on: Metropolitan's cross-claim in the 2018 case for a declaration with respect to the lawfulness of the Water Stewardship Rate's inclusion in the wheeling rate and transportation rates in 2019-2020; certain Metropolitan cross-claims and affirmative defenses on the ground that Metropolitan has a duty to charge no more than fair compensation, which includes reasonable credit for any offsetting benefits pursuant to Water Code section 1811(c), with the court also stating that whether that duty arose and whether Metropolitan breached that duty are issues to be resolved at trial; Metropolitan's affirmative defenses that SDCWA's claims are untimely and SDCWA has not satisfied claims presentation requirements; Metropolitan's affirmative defense in the 2018 case that SDCWA has not satisfied dispute resolution requirements under the Exchange Agreement; SDCWA's claim, Metropolitan's cross-claims, and Metropolitan's affirmative defenses regarding the applicability of Proposition 26, finding that Proposition 26 applies to Metropolitan's rates and charges, with the court also stating that whether Metropolitan violated Proposition 26 is a separate issue; and Metropolitan's cross-claims and affirmative defenses regarding the applicability of Government Code section 54999.7, finding that section 54999.7 applies to Metropolitan's rates. The court denied SDCWA's motion on certain other Metropolitan cross-claims and affirmative defenses.

Metropolitan is unable to assess at this time the likelihood of success of the pending cases, any possible appeals, settlements or any future claims.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS AND THE PAYING AGENT AGREEMENTS

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTIONS AND THE PAYING AGENT AGREEMENTS

The following is a summary of certain provisions of the Master Resolution and the Nineteenth Supplemental Resolution, together with a summary of certain definitions and provisions of the Paying Agent Agreements. References to the Paying Agent Agreement and the 2022C Bonds in this Summary refer to each Paying Agent Agreement and the 2022C-1 Bonds and the 2022C-2 Bonds, respectively, unless the context is otherwise. This summary does not purport to be complete and is qualified in its entirety by reference to the foregoing documents for a complete statement of the provisions of such documents.

MASTER RESOLUTION AND NINETEENTH SUPPLEMENTAL RESOLUTION

Definitions

The following are definitions of terms used in this Summary. Such definitions also apply to terms used in the Official Statement to the extent such terms are not otherwise defined in the Official Statement. Terms used in this summary but not defined herein have the meanings specified in the Resolutions or the Paying Agent Agreement, as applicable.

"**Accreted Value**" means, with respect to any Capital Appreciation Bond or Capital Appreciation Parity Obligation, the principal amount thereof plus the interest accrued thereon from its delivery date, compounded at the approximate interest rate thereof on each date specified therein. With respect to any Capital Appreciation Bonds, the Accreted Value at any date to which reference is made will be the amount set forth in the Accreted Value Table as of such date, if such date is a compounding date, and if not, shall be determined by straight-line interpolation with reference to such Accreted Value Table.

"**Accreted Value Table**" means the table denominated as such, and to which reference is made in, a Supplemental Resolution for any Capital Appreciation Bonds issued pursuant to such Supplemental Resolution.

"**Act**" means the Metropolitan Water District Act, California Statutes 1969, Chapter 209, as amended and as supplemented by Article 11 of Chapter 3 (Section 53580 *et seq*.) and Chapter 6, of Part 1, Division 2, Title 5 (Section 54300 *et seq*.) of the Government Code of the State of California, as further amended from time to time.

"**Additional Revenues**" means, for any period of calculation, all interest, profits and other income received from the investment of any moneys of Metropolitan and any other revenues (other than Operating Revenues) of Metropolitan, in each case to the extent available to pay principal and Accreted Value of and interest on the Bonds during such period.

"**Assumed Debt Service**" means, with respect to any Excluded Principal Payment for any Fiscal Year (or other designated 12 month period) on or after the Excluded Principal Payment date the sum of the amount of principal and interest which would be payable in each such Fiscal Year (or other designated 12 month period) if that Excluded Principal Payment were amortized for a period specified by Metropolitan at the time of issuance of such Bonds or Parity Obligations (no greater than thirty (30) years from the date of such Excluded Principal Payment) on a substantially level debt service basis, calculated based on a fixed interest rate equal to the rate at which Metropolitan could borrow (as of the time of calculation) for such period, as certified by a certificate of a financial advisor or investment banker delivered to Metropolitan at the time of issuance of such Bonds or Parity Obligations, which may rely conclusively on such certificate, within thirty (30) days of the date of calculation.

"**Board**" or "**Board of Directors**" means the Board of Directors of Metropolitan.

"**Bond Obligation**" means, as of any date of calculation, (1) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond, and (2) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof as of the date on which interest on such Capital Appreciation Bond is compounded next preceding such date of calculation (unless such date of calculation is a date on which such interest is compounded, in which case, as of such date).

"**Bond Reserve Requirement**" means, subject to the provisions of the Nineteenth Supplemental Resolution permitting deposit of a Reserve Fund Credit Policy, the amount, if any, to be deposited in a Reserve Fund established for a Series of Refunding Bonds, which will be set forth in the terms of the Bond Purchase Contract pursuant to the terms of the Nineteenth Supplemental Resolution.

"**Bond Service Fund**" means the Water Revenue Bonds, Bond Service Fund established pursuant to the Master Resolution.

"**Bonds**" means The Metropolitan Water District of Southern California Water Revenue Bonds authorized by, and at any time Outstanding pursuant to, the Resolution.

"**Business Day**" means any day other than (1) a Saturday, Sunday, or a day on which banking institutions in the State of California or the State of New York are authorized or obligated by law or executive order to be closed, (2) for purposes of payments and other actions relating to credit or liquidity enhanced Bonds, a day upon which commercial banks in the city in which is located the office of the credit or liquidity enhancer at which demands for payment under the credit document with respect to the credit or liquidity enhancement are to be presented are authorized or obligated by law or executive order to be closed, and, (3) if specified in a Supplemental Resolution, a day upon which the principal office of Metropolitan is authorized to be closed.

"**Capital Appreciation Bonds**" means any Bonds the interest on which is compounded and not scheduled to be paid until maturity, prior redemption or conversion thereof.

"**Capital Appreciation Parity Obligations**" means any Parity Obligations the interest with respect to which is compounded and not scheduled to be paid until maturity, prior redemption or conversion thereof.

"**Code**" means the Internal Revenue Code of 1986, as amended, and the regulations applicable thereto or issued thereunder or any successor statute thereto.

"**Controller**" means the Controller of Metropolitan, who may also be a Fiscal Agent for a Series of Bonds if so designated in the Supplemental Resolution authorizing the issuance of such Series.

"**Credit Facility**" means a letter of credit, line of credit, liquidity facility or other credit facility issued by a financial institution or other form of credit enhancement, including, but not limited to, municipal bond insurance and guarantees, delivered to the Treasurer or the Fiscal Agent for a Series or portion of a Series of Bonds, which provides for payment, in accordance with the terms of such Credit Facility, of principal or Accreted Value, premium and/or interest of such Series or portion of such Series of Bonds and/or the purchase price of such Series of Bonds or portion thereof. A Credit Facility may be comprised of one or more credit facilities issued by one or more financial institutions.

"**Current Interest Bonds**" means the Bonds of any Series, other than Capital Appreciation Bonds, which pay interest at least annually to the Owners thereof excluding the first payment of interest thereon.

"**Excess Earnings Fund**" means the Water Revenue Refunding Bonds Excess Earnings Fund established for a Series of Refunding Bonds pursuant to the Nineteenth Supplemental Resolution.

"**Excluded Principal Payment**" means each payment of principal of Bonds or Parity Obligations which Metropolitan designates (in the Supplemental Resolution or other document delivered on a date not later than the date of issuance of such Bonds or Parity Obligations) to be an Excluded Principal Payment. No such determination will affect the security for such Bonds or Parity Obligations or the obligation of Metropolitan to pay such payments from Net Operating Revenues or from the applicable reserve fund or account, if any.

"**Expenditures**" means cash disbursements of Metropolitan.

"**Federal Securities**" means direct obligations of, or obligations the timely payment of which are unconditionally guaranteed by, the United States of America or the Treasury Department of the United States of America or securities or receipts evidencing direct ownership interests in the foregoing obligations or specific portions (such as principal or interest) of the foregoing obligations which are held in safekeeping by a custodian on behalf of the owners of such receipts.

"**Fiscal Agent**" means, with respect to any Series of Bonds issued pursuant to the Nineteenth Supplemental Resolution, the Treasurer. With respect to any other Series of Bonds, "Fiscal Agent" means the fiscal agent appointed pursuant to the Supplemental Resolution authorizing the issuance of such Series (which may be the Treasurer or the Controller of Metropolitan).

"**Fiscal Year**" means the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year, or such other period as Metropolitan designates as its fiscal year.

"**Fixed Rate Bonds**" means 2022C Bonds other than Variable Rate Bonds.

"**Information Services**" means, in accordance with then-current guidelines of the Securities and Exchange Commission, one or more bond redemption information services as Metropolitan may designate in a certificate of Metropolitan delivered to the Paying Agent. Unless hereafter otherwise designated by Metropolitan, the Information Services shall be EMMA, a facility of the Municipal Securities Rulemaking Board, at www.emma.msrb.org.

"**Mandatory Sinking Account Payment**" means, with respect to Bonds of any Series and maturity, the amount required by the Resolution to be deposited by the Treasurer in the Bond Service Fund for the payment of Term Bonds of such Series and maturity.

"**Master Resolution**" means Resolution 8329 adopted by Metropolitan on July 9, 1991, as amended and supplemented.

"**Maximum Annual Debt Service**" means, as of any date of calculation, the greatest amount of principal and interest becoming due and payable on all Bonds and Parity Obligations in any Fiscal Year including the Fiscal Year in which the calculation is made or any subsequent Fiscal Year, *provided*, *however*, that for the purposes of computing Maximum Annual Debt Service:

(a) Excluded Principal Payments will be excluded from such calculation and Assumed Debt Service will be included in such calculation;

(b) if the Parity Obligations or Bonds are Variable Rate Indebtedness and (i) are secured pursuant to a Credit Facility which, if drawn upon, could create a repayment obligation which has a lien on Net Operating Revenues subordinate to the lien of the Parity Obligations or Bonds or (ii) are not secured by any Credit Facility, the interest rate on such Parity Obligations or Bonds for periods when the actual interest rate cannot yet be determined will be assumed to be equal to an interest rate calculated by multiplying 1.20 times the interest rate on the Parity Obligations or Bonds on the date of calculation or, if such Parity Obligations or Bonds are not currently Outstanding, 1.20 times the interest rate that such Parity Obligations or Bonds would bear if they were Outstanding on such date, as certified by a certificate of a financial advisor or investment banker delivered to Metropolitan;

(c) if the Parity Obligations or Bonds are Variable Rate Indebtedness and are secured pursuant to a Credit Facility which, if drawn upon, could create a repayment obligation which has a lien on Net Operating Revenues on parity with the lien of the Parity Obligations or Bonds, the interest rate on such Parity Obligations or Bonds for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to the lesser of (i) the then current “prime rate” of the provider of the Credit Facility and (ii) the maximum rate permitted on the Parity Obligations or Bonds;

(d) principal and interest payments on Parity Obligations and Bonds shall be excluded to the extent such payments are to be paid from amounts on deposit (and investment earnings thereon) as of the date of calculation with the Treasurer, any Fiscal Agent or any other fiduciary in an escrow irrevocably dedicated therefor and to the extent that such interest payments are to be paid from the proceeds of Parity Obligations or Bonds held by the Treasurer, the Fiscal Agent or any other fiduciary as capitalized interest specifically to pay such interest;

(e) if the Bonds or Parity Obligations are Paired Obligations, the interest rate on such Bonds or Parity Obligations shall be the collective fixed interest rate to be paid by Metropolitan with respect to such Paired Obligations;

(f) in determining the principal amount due in each Fiscal Year, payment (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) shall be assumed to be made in accordance with any amortization schedule established for such debt, including any Mandatory Sinking Account Payments or any scheduled redemption or payment of Bonds or Parity Obligations on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed an interest payment due on the scheduled redemption or payment date; and

(g) with respect to each interest rate swap agreement constituting a Parity Obligation then in effect, if any, there shall be added into the calculation of Maximum Annual Debt Service an amount equal to the greater of:

i. 0, and

ii. (a) if the swap rate applicable to Metropolitan under such interest rate swap agreement is fixed, an amount equal to (1) (x) such fixed swap rate less (y) the variable swap rate applicable to the counterparty to such interest rate swap agreement at such date of determination, times (2) the notional amount of such interest rate swap agreement, or

(b) if the swap rate applicable to Metropolitan under such interest rate swap agreement is variable, an amount equal to (1) (x) 1.20 times the variable swap rate at such date of determination less (y) the fixed swap rate applicable to the counterparty to such interest rate swap agreement, times (2) the notional amount of such interest rate swap agreement, in each case the notional amount of, and swap rates applicable to each party on such date of determination under, such interest rate swap agreement shall be as set forth in a certificate of a financial advisor or investment banker delivered to Metropolitan.

Notwithstanding any other subsection of this definition of Maximum Annual Debt Service, except as set forth in subsection (g) above, no amounts payable under any interest rate swap agreement constituting a Parity Obligation shall be included in the calculation of Maximum Annual Debt Service.

"**Municipal Obligations**" means municipal obligations, rated in the highest Rating Category by any Rating Agencies, meeting the following conditions:

(a) the municipal obligations are not to be redeemable prior to maturity, or the trustee with respect to such obligations has been given irrevocable instructions concerning their calling and redemption;

(b) the municipal obligations are secured by Federal Securities, which Federal Securities, except for provisions relating to surplus moneys not required for the payment of the municipal obligations and the substitution of such Federal Securities for other Federal Securities satisfying all criteria for Federal Securities, may be applied only to interest, principal and premium payments of such municipal obligations;

(c) the principal of and interest on the Federal Securities (plus any cash in the escrow fund) are sufficient, without reinvestment, to meet the liabilities of the municipal obligations; and

(d) the Federal Securities serving as security for the municipal obligations are held by an escrow agent or trustee.

"**Net Operating Revenues**" means Operating Revenues less Operation and Maintenance Expenditures paid from Operating Revenues.

"**Nineteenth Supplemental Resolution**" means Resolution 9104 adopted by Metropolitan on December 8, 2009, and any amendments, modifications or supplements thereto.

"**Operating Revenues**" means all revenues received by Metropolitan from charges for the sale and availability of water, including, without limitation, Metropolitan's water rates, readiness-to-serve charge, standby charge, new demand charge, connection maintenance charge, and treated water peaking charge.

"**Operation and Maintenance Expenditures**" means the necessary Expenditures for operating and maintaining the properties, works, and facilities of Metropolitan and shall include (i) Expenditures for such charges as may be payable by Metropolitan under the State Water Contract and under that certain contract entitled "The Devil Canyon-Castaic Contract" between Metropolitan and certain other Southern California public agencies, dated June 23, 1972, as amended from time to time, which charges constitute operation, maintenance, power and replacement charges, (ii) any necessary contributions to medical, health, retirement or other similar benefits of Metropolitan employees and annuitants and (iii) such other Expenditures of Metropolitan generally classified as operating and maintenance Expenditures, excluding any charges for depreciation or amortization. Notwithstanding the preceding sentence, for purposes of payment of Operation and Maintenance Expenditures only (see the caption "THE MASTER RESOLUTION—Water Revenue Fund—Operation and Maintenance Expenditures"), Operation and Maintenance Expenditures shall not include a portion of any payment calculated pursuant to Section 25(d) of the first aforementioned contract which Metropolitan determines is attributable to the capital costs of off-aqueduct power facilities, as such facilities are defined in Article (1)(i)(2) of such contract.

"**Operation and Maintenance Fund**" means the fund of that name established and continued pursuant to the Master Resolution.

"**Outstanding**" means (1) when used as of any particular time with reference to Bonds (excluding, solely for the purpose of determining whether the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, or waiver, those Bonds which are owned by or held by or for the account of Metropolitan), all Bonds theretofore, or thereupon being, authenticated and delivered by the Fiscal Agent for that Series under the Master Resolution except (A) Bonds theretofore cancelled by the Fiscal Agent for that Series or surrendered to the Fiscal Agent for that Series for cancellation; (B) Bonds with respect to which all liability of Metropolitan shall have been discharged in accordance with the Master Resolution; (C) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Fiscal Agent for that Series pursuant to the Master Resolution; and (D) Bonds no longer deemed to be outstanding under the Resolutions as provided in the Supplemental Resolution pursuant to which such Bonds were issued; and (2) when used as of any particular time with reference to Parity Obligations, all Parity Obligations deemed outstanding or not satisfied within the meaning of the documents authorizing such Parity Obligations.

"**Owner**" or "**Bondholder**" whenever used with respect to a Bond, means the person in whose name such Bond is registered.

"**Paired Obligations**" means any one or more Series (or portion thereof) of Bonds or Parity Obligations, designated as Paired Obligations in the Supplemental Resolution or other document authorizing the issuance or incurrence thereof, which are simultaneously issued or incurred (i) the principal of which is of equal amount maturing and to be retired on the same dates and in the same amounts, and (ii) the interest rates on which, taken together, result in an irrevocably fixed interest rate obligation of Metropolitan for the term of such Bonds or Parity Obligations.

"**Parity Obligations**" means (1) any indebtedness or other obligation of Metropolitan for borrowed money, (2) any obligations of Metropolitan for deferred purchase price, (3) any lease obligation of Metropolitan, or (4) any other obligation of Metropolitan, in each case having a lien and charge upon, or being payable from, the Net Operating Revenues on parity with the Bonds.

"**Person**" means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"**Rating Category**" means (1) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (2) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"**Redemption Fund**" means the Water Revenue Bonds, Redemption Fund established and maintained by the Master Resolution with respect to the Bonds.

"**Redemption Price**" means, with respect to any 2022C Bond or portion thereof to be redeemed, a price equal to the principal amount of a 2022C Bond or portion thereof, plus premium, if applicable.

"**Refunding Bonds**" means Bonds authorized by the Nineteenth Supplemental Resolution to be issued pursuant to the Act and the Master Resolution, which Bonds are designated as "The Metropolitan Water District of Southern California Water Revenue Refunding Bonds."

"**Request**" of Metropolitan means a written request signed by an authorized representative of Metropolitan.

"**Reserve Fund**" means, with respect to a Series of Refunding Bonds, a Water Revenue Refunding Bonds Reserve Fund established for such Series of Refunding Bonds pursuant to the Nineteenth Supplemental Resolution.

"**Reserve Fund Credit Policy**" means, with respect to a Series of 2022C Bonds, an insurance policy, surety bond, letter of credit or other credit facility deposited with the Fiscal Agent pursuant to the Nineteenth Supplemental Resolution.

"**Resolution**" means the Master Resolution as supplemented, modified or amended by each Supplemental Resolution, including without limitation, the Nineteenth Supplemental Resolution.

"**Revenue Remainder Fund**" means the fund of that name established and continued pursuant to the Master Resolution.

"**Securities Depositories**" means The Depository Trust Company, 55 Water Street, New York, New York 10041, Facsimile transmission: (212) 855-5004, or any successor agency.

"**Serial Bonds**" means Bonds, maturing in specified years, for which no Mandatory Sinking Account Payments are provided.

"**Series**" whenever used with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Resolution.

"**Special Variable Rate Refunding Bonds**" means Bonds authorized by the Nineteenth Supplemental Resolution to be issued pursuant to the Act and the Master Resolution, which Bonds are designated as "The Metropolitan Water District of Southern California Special Variable Rate Water Revenue Refunding Bonds."

"**State Water Contract**" means that certain contract entitled "A contract between the State of California Department of Water Resources and The Metropolitan Water District of Southern California for a Supply of Water," dated November 4, 1960, as amended from time to time.

"**Supplemental Resolution**" means any resolution duly adopted by the Board, supplementing, modifying or amending the Master Resolution in accordance with the Master Resolution.

"**Tax Certificate**" means, with respect to a Series of Refunding Bonds, the Tax and Nonarbitrage Certificate of Metropolitan delivered by Metropolitan in connection with the issuance of such Series of Refunding Bonds.

"**Term Bonds**" means Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

"**Treasurer**" means the Treasurer of Metropolitan, who may also be the Fiscal Agent for a Series of Bonds if so designated in the Supplemental Resolution authorizing the issuance of such Series.

"**Variable Rate Indebtedness**" means any indebtedness or obligation, other than Paired Obligations, the interest rate on, or amount of, which is not fixed at the time of incurrence of such indebtedness or obligation, and has not at some subsequent date been fixed, at a single numerical rate for the entire remaining term of the indebtedness or obligation.

"**Water Revenue Fund**" means the fund of that name established and continued pursuant to the Master Resolution.

"**Water System**" means the properties, works and facilities of Metropolitan necessary for the supply, availability, development, storage, transportation, treatment or sale of water.

THE MASTER RESOLUTION

General

The Master Resolution authorizes the creation of "The Metropolitan Water District of Southern California Water Revenue Bonds," which Bonds may be issued in the aggregate principal amount set forth under the Act and the Resolutions as described in the Official Statement, and will be issued in Series pursuant to Supplemental Resolutions adopted under the terms and conditions provided in the Master Resolution. Metropolitan will not fund a reserve fund for the 2022C Bonds.

Supplemental Resolutions; Additional Bonds

The Bonds of each Series will bear interest, if any, at such rate or rates or determined in such manner (not to exceed the maximum rate of interest permitted by law) and payable at such intervals as may be determined by Metropolitan at the time of issuance thereof (pursuant to the Supplemental Resolution under which such Series are issued), and will mature and become payable on such date or dates and in such year or years as Metropolitan may determine (pursuant to the Supplemental Resolution creating such Series). The Bonds of each Series may be subject to mandatory or optional purchase and/or redemption upon such terms and conditions and upon such notice and with such effect as provided in the Supplemental Resolution creating such Series.

The Bonds of any Series may be issued in such denominations as may be authorized by the Supplemental Resolution creating such Series in fully registered or bearer form, with or without coupons or in fully registered book-entry form.

Redemption of Bonds

Terms of Redemption. Each Series of Bonds may be made subject to redemption prior to its respective stated maturities, as a whole or in part, at such time or times, upon such terms and conditions and upon such notice and with such effect as may be provided in the Supplemental Resolution creating such Series of Bonds. The 2022C Bonds are subject to redemption prior to their maturity as described in the Official Statement.

Payment of Redeemed Bonds. Notice having been given in the manner provided in the Master Resolution, the Bonds or portions thereof so called for redemption will become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at the office specified in such notice, such Bonds, or portions thereof, will be paid at the Redemption Price, plus interest accrued and unpaid to the redemption date. If a portion of a Bond is drawn for redemption, Metropolitan will execute and the Fiscal Agent for that Bond will authenticate and deliver, upon the surrender of such Bond, without charge to the Owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, a Bond of like Series and maturity in any authorized denomination. If, on the redemption date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the redemption dates, will be available therefor on said date and if notice of redemption will have been given as aforesaid, then, from and after the redemption date interest on the Bonds or portion thereof of such Series and maturity so called for redemption will cease to accrue and become payable. If said moneys is not available on the redemption date, such Bonds or portions thereof will continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Pledge of Net Operating Revenues

The Bonds of each Series are special limited obligations of Metropolitan and are secured by a pledge of and are a charge upon and are payable, as to the principal and Accreted Value thereof, interest thereon, and any premiums upon redemption thereof, solely from and secured by a lien upon (i) the Net Operating Revenues and (ii) the other funds, assets and security described in the Master Resolution and under the Supplemental Resolution creating that Series. Under the Master Resolution, Metropolitan pledges and places a charge upon all Net Operating Revenues to secure the payment of the principal and Accreted Value of, premium, if any, and interest on the Bonds and Parity Obligations in accordance with their respective terms without priority or distinction of one over the other, subject only to the provisions of the Master Resolution permitting the application thereof for the purposes and on the terms and conditions set forth therein, and the Net Operating Revenues constitute a trust for the security and payment of the interest and any premium on and principal and Accreted Value of the Bonds and Parity Obligations. There are thereby pledged to secure the payment of the principal and Accreted Value of and premium, if any, and interest on the Bonds in accordance with their terms all amounts (including proceeds of the Bonds) held by the Treasurer in the Bond Service Fund, subject only to the provisions of the Master Resolution permitting the application thereof for the purpose and on the terms and conditions set forth therein. The pledge of Net Operating Revenues therein made will be irrevocable until there are no Bonds Outstanding.

Equality of Security

The Master Resolution constitutes a contract between Metropolitan and the Owners from time to time of the Bonds. The covenants and agreements set forth in the Master Resolution to be performed by or on behalf of Metropolitan are for the equal and proportionate benefit, security and protection of all Owners of the Bonds, without preference, priority or distinction as to security or otherwise of any Bond over any other Bond by reason of the Series, time of issue, sale or negotiation thereof or for any cause whatsoever, except as expressly provided therein or in the Master Resolution. Nothing in the Master Resolution prevents additional security being provided to particular Series of Bonds under any Supplemental Resolution.

Water Revenue Fund

Metropolitan will allocate all Operating Revenues to the Water Revenue Fund, and will effect transfers from the Water Revenue Fund to the other funds held by it or by the Fiscal Agent in the amounts and in the following order of priority:

<u>Operation and Maintenance Expenditures</u>. As soon as practicable in each calendar month, Metropolitan will transfer to the Operation and Maintenance Fund from the Water Revenue Fund an amount sufficient, together with any other revenues lawfully available therefor, to provide for the estimated Operation and Maintenance Expenditures during the current calendar month and the next succeeding calendar month. The Operation and Maintenance Fund will be used for no other purpose than the payment of Operation and Maintenance Expenditures.

<u>Bond Service Fund</u>. As soon as practicable in each calendar month, there will be set aside and transferred to the Bond Service Fund an amount equal to (A) (i) with respect to the Outstanding Current

Interest Bonds of each Series (except for Bonds constituting Variable Rate Indebtedness or Paired Obligations), such amount as is sufficient on a monthly pro rata basis to pay the aggregate amount of interest becoming due and payable on the next interest payment date for all such Outstanding Current Interest Bonds of such Series (excluding any interest for which there are moneys deposited in the Bond Service Fund from the proceeds of such Series of bonds or other source and reserved as capitalized interest to pay such interest until the next interest payment date), until the requisite amount of interest becoming due on the next interest payment date on all such Outstanding Current Interest Bonds of such Series (except for Bonds constituting Variable Rate Indebtedness or Paired Obligations) is on deposit in such account, (ii) 110 percent of the aggregate amount of interest, estimated by the Treasurer in his or her reasonable judgment, to accrue during that month on the Outstanding Variable Rate Indebtedness; *provided*, *however*, that the amount of such deposit into the Bond Service Fund for any month may be reduced by the amount by which the deposit in the prior month for interest estimated to accrue on Outstanding Variable Rate Indebtedness exceeded the actual amount of interest accrued during that month on said Outstanding Variable Rate Indebtedness and further provided that the amount of such deposit into the Bond Service Fund for any month will be increased by the amount by which the deposit in the prior month for interest estimated to accrue on Outstanding Variable Rate Indebtedness was less than the actual amount of interest accrued during that month on said Outstanding Variable Rate Indebtedness, and (iii) with respect to Outstanding Paired Obligations, such amount as will be sufficient on a monthly pro rata basis to pay the aggregate of the collective fixed interest obligation of Metropolitan for such Paired Obligations coming due and payable on the next interest payment date for such Paired Obligations, and (B) (i) one- sixth of the aggregate semi-annual amount of any Bond Obligation becoming due and payable on the Outstanding Bonds of all Series having semi-annual maturity dates or semi-annual Mandatory Sinking Account Payments due within the next six months, plus (ii) one-twelfth of the aggregate yearly amount of any Bond Obligation becoming due and payable on the Outstanding Bonds of all Series having annual maturity dates or annual Mandatory Sinking Account Payments due within the next twelve months; provided that if the Board irrevocably determines by resolution that any principal payments on the Bonds of any Series will be refunded on or prior to their respective due dates or paid from amounts on deposit in a reserve account established and maintained for Bonds of that Series, no amounts need be set aside toward such principal to be so refunded or paid. If, during the twelve-month period (or six-month period with respect to Bonds having semi-annual Mandatory Sinking Account Payments) immediately preceding a Mandatory Sinking Account Payment date, the Treasurer has purchased Term Bonds of a Series and maturity subject to such Mandatory Sinking Account Payment with moneys in the Bond Service Fund, or, during said period and prior to giving said notice of redemption, Metropolitan has deposited Term Bonds of such Series and maturity with the Fiscal Agent for such Series for cancellation, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Treasurer or the Fiscal Agent for such Series from the Redemption Fund, such Term Bonds so purchased or deposited or redeemed will be applied, to the extent of the full principal amount thereof, to reduce amounts required to be deposited in the Bond Service Fund. All Term Bonds purchased from the Bond Service Fund or deposited by Metropolitan with the Fiscal Agent for such Series will be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Term Bonds, then as a credit against such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a request of Metropolitan. All Term Bonds redeemed by the Treasurer or the Fiscal Agent for such Series from amounts in the Redemption Fund will be credited to such future Mandatory Sinking Account Payments for such Series and maturity of Term Bonds as may be specified in a request of Metropolitan.

No deposit need be made into the Bond Service Fund if (i) the amount contained therein is at least equal to the interest to become due and payable on the estimated interest payment dates falling within the next six months upon all of the Bonds issued under the Master Resolution and then Outstanding but excluding any moneys on deposit in the Interest Account from the proceeds of any Series of Bonds or other source and reserved as capitalized interest to pay interest on any future interest payment dates following such interest payment dates), and (ii) there will be in such fund moneys sufficient to pay the Bond

Obligations of all Bonds issued under the Master Resolution and then Outstanding and maturing by their terms or subject to mandatory redemption within the next twelve months. If Metropolitan issues or incurs any Parity Obligations, the payments required to be placed in any debt service fund or sinking fund to pay the principal or Accreted Value of, or mandatory sinking fund payments or interest with respect to, such Parity Obligations will rank and be made on a parity with the payments required to be placed in the Bond Service Fund.

In no event will the amounts set aside as provided above in connection with the Outstanding Bonds of each Series remain unspent for more than twelve months after the date on which such amounts are deposited in the Bond Service Fund, with the exception of a reasonable carry-over amount not to exceed the greater of twelve-months' earnings on such amounts or one-twelfth of the annual debt service on the Outstanding Bonds of such Series. At least once each year, on a date to be set forth in the Tax Certificate prepared in connection with each Series of Bonds, any amount remaining in the Bond Service Fund in connection with each Series of Bonds that exceeds the reasonable carry-over amount described above will be transferred to the Water Revenue Fund.

Reserve Funds. Metropolitan will deposit as soon as practicable in each calendar month in any reserve fund or account established under a Supplemental Resolution for a Series of Bonds and in any reserve fund or account established for any Parity Obligations, upon the occurrence of any deficiency therein, one-sixth (1/6th) of the aggregate amount of each unreplenished prior withdrawal from such reserve fund or account and the full amount of any deficiency due to any required valuations of the investments in such reserve fund or account until the balance in such reserve fund or account is at least equal to the amount required pursuant to the Supplemental Resolution or other document creating such reserve fund or account. If there is a deficiency of Operating Revenues to make the deposits required by this paragraph, such Operating Revenues will be deposited into each reserve fund or account on a pro rata basis based on the amount of each such deficiency. **The 2022C Bonds are not secured by a reserve fund or account.**

Excess Earnings Funds. Metropolitan will deposit in any excess earnings or rebate fund or account established in the Excess Earnings Fund pursuant to a Supplemental Resolution for a Series of Bonds such amounts at such times as required pursuant to the Supplemental Resolution or other document creating such account.

Payment of Other Obligations. In each calendar month Metropolitan will make any required transfer or deposit for the payments of any obligations of Metropolitan with a lien on, or payable from, Net Operating Revenues junior to the lien thereon of the Bonds and any Parity Obligations.

Revenue Remainder Fund. Any amounts remaining in the Water Revenue Fund after the foregoing transfers, except as otherwise provided in a Supplemental Resolution, will be transferred to the Revenue Remainder Fund. Provided Metropolitan is in compliance with all covenants contained in the Master Resolution, moneys in the Revenue Remainder Fund may be used for any lawful purpose of Metropolitan.

Establishment, Funding and Application of Redemption Fund

Metropolitan will establish and the Treasurer will maintain and hold in trust a special fund designated as the "Water Revenue Bonds, Redemption Fund." All moneys deposited with the Treasurer for the purpose of optionally redeeming Bonds will, unless otherwise directed by Metropolitan, be deposited in the Redemption Fund. All amounts deposited in the Redemption Fund will be used and withdrawn by the Treasurer solely for the purpose of redeeming Bonds of any Series, in the manner, at the times and upon the terms and conditions specified in the Supplemental Resolution pursuant to which the Series of Bonds was created; *provided* that, at any time prior to the Fiscal Agent for such Series giving notice of redemption, the Treasurer may apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding, in the case of Current Interest Bonds, accrued interest, which is payable from the Bond Service Fund) as is directed by Metropolitan except that the purchase price (exclusive of such accrued interest) may not exceed the Redemption Price or Accreted Value then applicable to such Bonds. All Term Bonds purchased or redeemed from amounts in the Redemption Fund will be allocated to Mandatory Sinking Account Payments applicable to such Series and maturity of Term Bonds as may be specified in a request of Metropolitan.

Investment of Moneys in Funds and Accounts

All moneys in any of the funds and accounts held by the Treasurer or any Fiscal Agent under the Resolution will be invested solely in any securities in which Metropolitan may legally invest funds subject to its control; *provided* that such securities must mature or be available on demand not later than the date on which it is estimated that such moneys will be required by the Treasurer or any Fiscal Agent.

Unless otherwise provided in a Supplemental Resolution, all interest, profits and other income received from the investment of moneys in any fund or account will be credited to such fund or account.

Covenants

Under the Master Resolution, Metropolitan makes the following covenants with the Owners; *provided*, *however*, that said covenants do not require or obligate Metropolitan to use any of its moneys other than the Operating Revenues. The following covenants will be in effect so long as any of the Bonds issued under the Master Resolution are Outstanding and unpaid, or so long as provision for the full payment and discharge thereof at maturity or upon redemption thereof prior to maturity through the setting apart in the Bond Service Fund or in the Redemption Fund or in a special trust fund to insure the payment or redemption thereof (as the case may be) of money sufficient for that purpose has not been made.

Punctual Payment. Metropolitan covenants that it will duly and punctually pay or cause to be paid the principal and Accreted Value of and interest on every Bond issued under the Master Resolution, together with the premium thereon, if any, on the date, at the place and in the manner mentioned in the Bonds in accordance with the Master Resolution, and that the payments into the Bond Service Fund and any reserve fund or account will be made, all in strict conformity with the terms of said Bonds and of the Master Resolution and any Supplemental Resolutions, and that it will faithfully observe and perform all of the conditions, covenants and requirements of the Master Resolution and any Supplemental Resolutions and of the Bonds issued thereunder, and that time of such payment and performance is of the essence of Metropolitan’s contract with the Owners of the Bonds.

Discharge Claims. Metropolitan covenants that in order to fully preserve and protect the priority and security of the Bonds Metropolitan will pay and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Water System which, if unpaid, may become a lien or charge upon the Operating Revenues prior or superior to the lien of the Bonds and impair the security of the Bonds. Metropolitan will also pay all taxes and assessments or other governmental charges lawfully levied or assessed upon or in respect of the Water System or upon any part thereof or upon any of the Operating Revenues therefrom.

Against Sale; Eminent Domain. Metropolitan covenants that the Water System will not be mortgaged or otherwise encumbered, sold, leased, pledged, any charge placed thereon, or disposed of as a whole or substantially as a whole unless such sale or other disposition be so arranged as to provide for a continuance of payments into the Water Revenue Fund sufficient in amount to permit payment therefrom of the principal and Accreted Value of and interest on and the premiums, if any, due upon the call and redemption thereof, of the Bonds and any Parity Obligations, and also to provide for such payments into any reserve fund or account as are required under the terms of the Master Resolution or any Supplemental Resolutions or any Parity Obligations documents. The Operating Revenues will not be mortgaged, encumbered, sold, leased, pledged, any charge placed thereon, or disposed of or used, nor will any charge be placed thereon, except as authorized by the terms of the Master Resolution or any Supplemental Resolutions. Metropolitan further covenants that it will not enter into any agreement which impairs the operation of the Water System or any part of it necessary to secure adequate Net Operating Revenues to pay the principal and Accreted Value of and interest on the Bonds or any Parity Obligations or which otherwise would impair the rights of the Owners with respect to the Operating Revenues or the operation of the Water System. If any part of the Water System is sold and such sale adversely affect the adequacy of Net Operating Revenues to pay principal and Accreted Value of and interest on the Bonds or any Parity Obligations, the payment therefor will, at the option of the Board, either be used for the acquisition, construction and financing of additions to and extension and improvements of the Water System or will be used to pay or call and redeem Outstanding Bonds in the manner provided in the Master Resolution or any Supplemental Resolutions.

Metropolitan covenants that any amounts received as awards as a result of the taking of all or any part of the Water System by the lawful exercise of eminent domain or sale under threat thereof which adversely affect the adequacy of Net Operating Revenues to pay principal and Accreted Value of and interest on the Bonds or any Parity Obligations will either be used for the acquisition and/or construction of improvements and extensions of the Water System or will be placed in the Bond Service Fund or the Redemption Fund and will be used to pay or call and redeem Outstanding Bonds in the manner provided in the Master Resolution.

Insurance. Metropolitan covenants that it will at all times maintain with responsible insurers, to the extent available from responsible insurers at reasonable rates, or through a program of self-insurance (or a combination thereof) all such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. If any useful part of the Water System is damaged or destroyed, such part will be restored to use. The money collected from insurance against accident to or destruction of the Water System will be used for repairing or rebuilding the damaged or destroyed Water System, and to the extent not so applied, will be applied to the retirement of any Outstanding Bonds.

Metropolitan will (by self-insuring or by maintenance with responsible insurers, to the extent available from responsible insurers at reasonable rates, or by a combination thereof) provide for workers' compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect Metropolitan and the Owners.

Records and Accounts. Metropolitan will keep proper books of records and accounts of the Water System separate from all other records and accounts in which complete and correct entries will be made of all transactions relating to the Water System. Such books will at all times be subject to the inspection of the Owners of not less than 10 percent of the Outstanding Bonds and any Parity Obligations, or their representatives authorized in writing.

Metropolitan will cause the books and accounts of the Water System to be audited annually by an independent certified public accountant or firm of certified public accountants, and will make available for inspection by the Owners at the principal office of Metropolitan and at the office of each Fiscal Agent, a copy of the report of such accountant or accountants.

Rates and Charges. Metropolitan will prescribe, revise and collect such rates and charges for the services, facilities, availability and water of the Water System which, after making allowances for contingencies and error in estimates, will provide Operating Revenues, together with any Additional

Revenues, at least sufficient to pay the following amounts in the order set forth: (a) Operation and Maintenance Expenditures; (b) the interest on and Bond Obligation (including Mandatory Sinking Account Payment) of the Outstanding Bonds (whether Serial or Term Bonds) and Parity Obligations as they become due and payable; (c) all other payments required for compliance with the Master Resolution or any Supplemental Resolutions; and (d) all other payments required to meet any other obligations of Metropolitan which are charges, liens or encumbrances upon or payable from Net Operating Revenues.

No Priority for Additional Bonds. No additional bonds, notes or other evidences of indebtedness payable out of the Operating Revenues will be issued having any priority in payment of principal, premium, if any, or interest over the Outstanding Bonds or Parity Obligations.

Limits on Additional Debt. Except Refunding Bonds or Parity Obligations to the extent incurred to pay or discharge Outstanding Bonds or Parity Obligations and which do not result in an increase in the average annual debt service on all Bonds or Parity Obligations to be Outstanding after the issuance of such Refunding Bonds or Parity Obligations, no additional Bonds or Parity Obligations will be created or incurred unless:

First: Metropolitan is not in default under the terms of the Master Resolution; and

Second: Either (i) the Net Operating Revenues as shown by the books and records of Metropolitan for the latest Fiscal Year or for any 12 consecutive month period within the last completed 24-month period ended not more than one month before the issuance of or incurrence of such additional Bonds or Parity Obligations as set forth in a certificate of Metropolitan or (ii) the estimated Net Operating Revenues for the first complete Fiscal Year when the improvements to the Water System financed with the proceeds of the additional Bonds or Parity Obligations will be in operation as estimated by and set forth in a certificate of Metropolitan, plus, at the option of Metropolitan, any or all of the items hereinafter in this covenant designated (a), (b), (c) and (d), will have amounted to not less than 1.20 times the Maximum Annual Debt Service in any Fiscal Year thereafter on all Bonds and Parity Obligations to be Outstanding immediately subsequent to the incurring of such additional Bonds or Parity Obligations.

The items any or all of which may be added to such Net Operating Revenues for the purpose of meeting the requirement set forth in this covenant are the following:

(a) An allowance for any increase in Net Operating Revenues (including, without limitation, a reduction in Operation and Maintenance Expenditures) which may arise from any additions to and extensions and improvements of the Water System to be made or acquired with the proceeds of such additional Bonds or Parity Obligations or with the proceeds of bonds previously issued, and also for net revenues from any such additions, extensions or improvements which have been made or acquired with moneys from any source but which, during all or any part of such Fiscal Year or such 12 consecutive month period within the last completed 24-month period, were not in service, all in an amount equal to the estimated additional average annual net revenues to be derived from such additions, extensions and improvements for the first 36-month period in which each addition, extension or improvement is respectively to be in operation, all as shown by the certificate of Metropolitan.

(b) An allowance for earnings arising from any increase in the charges made for the use of the Water System which has become effective prior to the incurring of such additional Bonds or Parity Obligations but which, during all or any part of such Fiscal Year or such 12 consecutive month period within the last completed 24-month period, was not in effect, in an amount equal to the amount by which the Net Operating Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or such 12 consecutive month period within the last completed 24-month period, as shown by the certificate of Metropolitan.

(c) Any Additional Revenues.

(d) Any other moneys of Metropolitan reasonably expected to be available to pay principal and Accreted Value of and interest on the Bonds or Parity Obligations, as evidenced by a certificate of Metropolitan.

Third: On the date of delivery of and payment for such additional Bonds or Parity Obligations, the amount in any reserve fund or account for any Bonds or Parity Obligations established will be not less than an amount required to be maintained in such fund pursuant to the Supplemental Resolution or other document creating such fund.

Nothing in the Master Resolution will limit the ability of Metropolitan to issue or incur obligations which are junior and subordinate to the payment of the principal, premium, interest and reserve fund requirements for the Bonds and all Parity Obligations and which subordinated obligations are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Net Operating Revenues after the prior payment of all amounts then due required to be paid or set aside under the Master Resolution from Net Operating Revenues for principal, premium, interest and reserve fund requirements for the Bonds and all Parity Obligations, as the same become due and payable and at the times and in the manner as required in the Master Resolution or any Parity Obligations documents.

Operation in an Efficient and Economical Manner. Metropolitan covenants and agrees to conduct the operations of the Water System in an efficient and economical manner and to maintain and preserve the Water System in good repair and working order.

Amendments to Master Resolution

The Master Resolution and the rights and obligations of Metropolitan, the Owners of the Bonds and any Fiscal Agent may be modified or amended from time to time and at any time by filing with each Fiscal Agent (or if such modification or amendment is only applicable to a Series of Bonds, to such Fiscal Agent) a Supplemental Resolution, adopted by the Board with the written consent of the Owners of a majority in aggregate amount of Bond Obligation of the Bonds (or, if such Supplemental Resolution is only applicable to a Series of Bonds, the Bonds of that Series) then Outstanding; *provided* that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, the consent of the Owners of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Bonds Outstanding in connection with amendments to the Master Resolution.

No such modification or amendment will (1) extend the fixed maturity of any Bond, or reduce the amount of Bond Obligation thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Owner of each Bond so affected, (2) reduce the percentage of Bond Obligation the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Net Operating Revenues and other assets pledged under the Master Resolution prior to or on parity with the lien created by the Master Resolution, or deprive the Owners of the Bonds of the lien created by the Master Resolution on such Net Operating Revenues and other assets (in each case, except as expressly provided in the Master Resolution), without the consent of the Owners of all of the Bonds then Outstanding or (3) modify any rights or duties of the Fiscal Agent without its consent.

The Master Resolution and the rights and obligations of Metropolitan of each Fiscal Agent and of the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Resolution, which the Board may adopt without the consent of any Bondholders but only to the extent permitted by law and only for any one or more of the following purposes: (1) to add to the covenants and agreements of Metropolitan to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), to surrender any right or power reserved to or conferred upon Metropolitan, each of which will not materially and adversely affect the interests of the Owners of the Bonds, (2) to cure any ambiguity, inconsistency or omission, or to cure or correct any defective provision, contained in the Master Resolution, or in regard to matters or questions arising under the Master Resolution, and which will not materially and adversely affect the interests of the Owners of the Bonds, (3) to modify, amend or supplement the Master Resolution to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which will not materially and adversely affect the interests of the Owners of the Bonds, (4) to provide for the issuance of a Series of Bonds with such interest rate, payment, maturity and other terms as Metropolitan may deem desirable, subject to certain limitations under the Master Resolution with respect to the issuance of Bonds, (5) to provide for the issuance of Bonds in book-entry form or bearer form, *provided* that no such provision will materially and adversely affect the interests of the Owners of the Bonds, (6) if Metropolitan has covenanted in a Supplemental Resolution to maintain the exclusion of interest on any Series of Bonds from gross income for purposes of federal income taxation, to make such provisions as are necessary or appropriate to ensure such exclusion, and (7) for any other purpose that does not materially and adversely affect the interests of the Owners of the Bonds.

Defeasance

Except as may be provided in any Supplemental Resolution creating a Series of Bonds, Bonds of any Series may be paid by Metropolitan in any of the following ways:

(a) by paying or causing to be paid the Bond Obligations of and interest on all Bonds Outstanding of the Series, as and when the same become due and payable;

(b) by depositing with the Treasurer, the Fiscal Agent for such Series, an escrow agent or other fiduciary, in trust, at or before maturity, money or securities in the necessary amount to pay or redeem all Bonds Outstanding of the Series; or

(c) by delivering to the Fiscal Agent for such Series, for cancellation by it, all Bonds then Outstanding of the Series.

Discharge of Liability on Bonds. Upon the deposit with the Treasurer, the Fiscal Agent for a Series, an escrow agent or other fiduciary, in trust, at or before maturity, of money or securities in the necessary amount to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), then, after irrevocable notice or provision therefor to the Owners in the case of a redemption prior to maturity, all liability of Metropolitan in respect of such Bond will cease, terminate and be completely discharged, *provided* that the Owner thereof will thereafter be entitled to the payment of the principal of and premium, if any, and interest on such Bond, and Metropolitan will remain liable for such payment, but only out of such money or securities deposited as aforesaid for their payment.

The money or securities referenced above must be one or more of the following:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bond Obligation and all unpaid interest thereon to maturity or the Redemption Price and unpaid interest thereon to the redemption date, as the case may be; or

(b) direct non-callable Federal Securities or Municipal Obligations, the principal of and interest on which when due will, in the opinion of an independent certified public accountant delivered to the Fiscal Agent (upon which opinion the Fiscal Agent may conclusively rely), provide money sufficient to pay the Bond Obligation or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed.

Payment of Bonds After Discharge of the Master Resolution

Any moneys held by the Fiscal Agent of a Series, an escrow agent or other fiduciary in trust for the payment of the principal or Accreted Value of, premium, if any, or interest on, any Bond of such Series and remaining unclaimed for two years after such principal or Accreted Value of, premium, if any, or interest on such Bond of such Series has become due and payable (whether at maturity or upon call for redemption as provided in the Master Resolution), if such moneys were so held at such date, or two years after the date of deposit of such moneys if deposited after said date when such Bond became so due and payable, will, upon Request of Metropolitan, be released from the trusts created by the Master Resolution and transferred to the Treasurer, and all liability of the Fiscal Agent for such Series, an escrow agent or other fiduciary with respect to such moneys will thereupon cease; *provided*, *however*, that before the release of such trust as aforesaid, such Fiscal Agent may (at the cost of Metropolitan) first mail to the Owners of any Bonds of such Series remaining unpaid at the addresses shown on the registration books maintained by such Fiscal Agent a notice, in such form as may be deemed appropriate by such Fiscal Agent, with respect to the Bonds of such Series so payable and not presented and with respect to the provisions relating to the repayment to the Treasurer of the moneys held for the payment thereof. All moneys held by or on behalf of the Treasurer, the Fiscal Agent for such Series, an escrow agent or other fiduciary for the payment of Bond Obligation of or interest or premium on Bonds of such Series, whether at redemption or maturity, will be held in trust for the account of the Owners thereof and the Treasurer, the Fiscal Agent for such Series, an escrow agent or other fiduciary will not be required to pay Owners any interest on, or be liable to the Owners or any other person (other than Metropolitan) for any interest earned on, moneys so held. Any interest earned thereon and not needed to pay principal or Accreted Value of or interest on the Bonds will be promptly released to Metropolitan and will be promptly deposited into the Water Revenue Fund.

Defaults and Remedies under the Master Resolution

<u>Events of Default</u>. Each of the following events is an "**Event of Default**":

(a) Default by Metropolitan in the due and punctual payment of the principal of, premium, if any, or Accreted Value of any Bond (whether at maturity, by acceleration, call for redemption or otherwise);

(b) Default by Metropolitan in the due and punctual payment of the interest on any Bond;

(c) Failure of Metropolitan to observe and perform any of its other covenants, conditions or agreements under the Master Resolution or in the Bonds for a period of 90 days after written notice from the Owners of 25 percent in aggregate amount of Bond Obligation of the Bonds then Outstanding, specifying such failure and requesting that it be remedied, or in the case of any such default that cannot with due diligence be cured within such 90 day period, failure of Metropolitan to proceed promptly to cure the same and thereafter prosecute the curing of such default with due diligence;

(d) (1) Failure of Metropolitan generally to pay its debts as the same become due, (2) commencement by Metropolitan of a voluntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or state bankruptcy, insolvency or other similar law, (3) consent by Metropolitan to the appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official for Metropolitan, the Water System or any substantial part of Metropolitan's property, or to the taking possession by any such official of the Water System or any substantial part of Metropolitan's property, (4) making by Metropolitan of any assignment for the benefit of creditors, or (5) taking of corporate action by Metropolitan in furtherance of any of the foregoing;

(e) The entry of any (1) decree or order for relief by a court having jurisdiction over Metropolitan or its property in an involuntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or state bankruptcy, insolvency or other similar law, (2) appointment of a receiver, liquidator, assignee, trustee, custodian, sequestrator or similar official for Metropolitan, the Water System or any substantial part of Metropolitan's property, or (3) order for the termination or liquidation of Metropolitan or its affairs; or

(f) Failure of Metropolitan within 90 days after the commencement of any proceedings against it under the Federal bankruptcy laws or any other applicable Federal or state bankruptcy, insolvency or similar law, to have such proceedings dismissed or stayed.

The provisions of subsection (c) above are subject to the limitation that if by reason of force majeure Metropolitan is unable in whole or in part to observe and perform any of its covenants, conditions or agreements under the Master Resolution, Metropolitan will not be deemed in default during the continuance of such disability. The term "force majeure" as used in the Master Resolution includes without limitation acts of God, strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States of America or of the State of California or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; epidemics; landslides; lightning; earthquakes; fires; riots; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people, civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of Metropolitan. Metropolitan will, however, remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements, provided that the settlement of strikes, lockouts and other industrial disturbances will be entirely within the discretion of Metropolitan, and Metropolitan will not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties.

Bondholders' Committee. If an Event of Default occurred and be continuing, the Owners of 25 percent in aggregate amount of Bond Obligation of the Bonds then Outstanding may call a meeting of the Owners for the purpose of electing a Bondholders' committee (a "**Bondholders' Committee**"). At such meeting the Owners of not less than a majority in aggregate amount of Bond Obligation must be present in person or by proxy in order to constitute a quorum for the transaction of business, less than a quorum, however, having power to adjourn from time to time without any other notice than the announcement thereof at the meeting. A quorum being present at such meeting, the Owners present in person or by proxy may, by a majority of the votes cast, elect one or more persons, who may or may not be Owners, to the Bondholders' Committee. The Owners present in person or by proxy at such meeting, or at any adjourned meeting thereof (a) will prescribe the manner in which the successors of the persons elected to the Bondholders' Committee will be elected or appointed, (b) may prescribe rules and regulations governing the exercise by the Bondholders' Committee of the power conferred upon it herein, and (c) may provide for the termination of the existence of the Bondholders' Committee. The Bondholders' Committee is declared to be trustee for the Owners of all Bonds then Outstanding, and is empowered to exercise in the name of the Bondholders' Committee as trustee all the rights and powers conferred in the Master Resolution on any Owner, *provided*, *however*, that whenever any provision thereof requires the consent, approval or concurrence of the Owners of a specified percentage of Bond Obligation, in order to exercise the right or power conferred in the Master Resolution on the Owners to which such percentage obtains, the

Bondholders' Committee either will have been elected by or their election will have been approved by or concurred in, and such committee will then represent, the Owners of such specified percentage of the Bond Obligation.

Acceleration. Upon the occurrence and continuation of an Event of Default specified in subsection (d), (e) or (f) of "Events of Default" above, the Bondholders' Committee or, if there is none, the Owners of 25 percent in aggregate amount of Bond Obligation of the Bonds then Outstanding may, by written notice to Metropolitan, declare the entire unpaid principal and Accreted Value of the Bonds due and payable and, thereupon, the entire unpaid principal and Accreted Value of the Bonds will become due and payable. Upon any such declaration Metropolitan will pay to the Owners of the Bonds the entire unpaid principal and Accreted Value of, premium, if any, and accrued interest on the Bonds, but only from Net Operating Revenues and other moneys specifically pledged in the Master Resolution for such purpose. If at any time after such a declaration and before the entry of a final judgment or decree in any suit, action or proceeding instituted on account of such default or before the completion of the enforcement of any other remedy under the Master Resolution, the principal and Accreted Value of all Bonds that have matured or been called for redemption pursuant to any sinking fund provision and all arrears of interest have been paid and any other Events of Default which may have occurred have been remedied, then the Bondholders' Committee or, if there is none, the Owners of 25 percent in aggregate amount of Bond Obligation of the Bonds then Outstanding may, by written notice to Metropolitan, rescind or annul such declaration and its consequence. No such rescission or annulment will extend to or affect any subsequent default or impair any right consequent thereon.

Receiver. Upon the occurrence and continuation of an Event of Default for a period of 60 days, the Bondholders' Committee or, if there is none, the Owners of 25 percent in aggregate amount of Bond Obligation of the Bonds then Outstanding will be entitled to the appointment of a receiver upon application to any court of competent jurisdiction in the State of California. Any receiver so appointed may enter and take possession of the Water System, operate, maintain and repair the same, to the extent permitted by law impose and prescribe rates fees and other charges, and receive and apply all Net Operating Revenues thereafter arising therefrom in the same manner as Metropolitan itself might do.

Other Remedies; Rights of Bondholders. Upon the occurrence and continuation of an Event of Default the Owners may proceed to protect and enforce their rights by mandamus or other suit, action or proceeding at law or in equity, including an action for specific performance of any agreement contained in the Master Resolution. No remedy conferred by the Master Resolution upon or reserved to the Owners is intended to be exclusive of any other remedy, but each such remedy is cumulative and is in addition to any other remedy given to the Bondholders thereunder or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default or Event of Default will impair any such right or power or will be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

Unconditional Rights to Receive Principal, Accreted Value, Premium and Interest. Nothing in the Master Resolution will affect or impair the right of any Owner to enforce, by action at law, payment of the principal and Accreted Value of, premium, if any, or interest on any Bond at and after the maturity thereof, or on the date fixed for redemption or upon the same being declared due prior to maturity as provided in the Master Resolution, or the obligation of Metropolitan to pay the principal and Accreted Value of, premium, if any, and interest on each of the Bonds issued thereunder to the respective holders thereof at the time and place, from the source and in the manner therein and in the Bonds expressed.

THE NINETEENTH SUPPLEMENTAL RESOLUTION

The Nineteenth Supplemental Resolution authorizes the issuance of Special Variable Rate Refunding Bonds in one or more Series from time to time for the purpose of refunding Bonds issued pursuant to the Master Resolution. The provisions of the Nineteenth Supplemental Resolution include, but are not limited to, the following provisions.

General

The Treasurer has been appointed as Fiscal Agent to act as the agent of Metropolitan with respect to each Series of Special Variable Rate Refunding Bonds. The Fiscal Agent will perform such duties and only such duties as are specifically set forth in the Resolutions.

The terms and conditions of the paying agent agreement relating to any Series of Special Variable Rate Refunding Bonds may provide (a) that Metropolitan is obligated to pay the purchase price in connection with any tender of Special Variable Rate Refunding Bonds of such Series, (b) the terms and conditions relating to the security and source of payment for any obligation of Metropolitan to pay such purchase price, and (c) that Metropolitan may change or convert the interest rate mode or determination of the Special Variable Rate Refunding Bonds of such Series to a different interest rate mode or determination, including, but not limited to, a weekly or daily variable interest rate mode, a commercial paper interest rate mode, a short-term interest rate mode, a long-term interest rate mode or a fixed interest rate mode.

Conditional Notice of Redemption.

In addition to the notice requirements for redemption included in the Master Resolution, each such notice may also state that the proposed redemption is conditioned on there being on deposit in the applicable fund or account on the Redemption Date sufficient money to pay the full Redemption Price of the Special Variable Rate Refunding Bonds to be redeemed. Upon deposit of sufficient money to pay the full Redemption Price and provision of irrevocable instructions to the Fiscal Agent or Paying Agent to apply such money to the payment of the Redemption Prince and interest with respect to the Special Variable Rate Refunding Bonds to be redeemed, all liability of Metropolitan in respect of such Special Variable Rate Refunding Bonds will be discharged as provided in the Master Resolution.

Reserve Fund

In connection with the issuance of a Series of Special Variable Rate Refunding Bonds, Metropolitan will establish and the Treasurer will maintain and hold in trust a fund separate from any other fund established or maintained under the Master Resolution and designated as the "Special Variable Rate Water Revenue Refunding Bonds Reserve Fund" and will bear such additional designation as determined by Metropolitan. Each such reserve fund will be funded as set forth in the Nineteenth Supplemental Resolution. All amounts held by the Treasurer in the reserve fund established with respect to such Series of Special Variable Rate Refunding Bonds are pledged to secure the payment of the principal of and interest on such Series of Special Variable Rate Refunding Bonds in accordance with their terms.

Metropolitan will at all times maintain an amount equal to the applicable Bond Reserve Requirement in the reserve fund established with respect to a Series of Special Variable Rate Refunding Bonds until such Series is discharged in accordance with the provisions of the Master Resolution. The amount of the Bond Reserve Requirement applicable to a designated Series of Special Variable Rate Refunding Bonds is set forth in the Bond Purchase Contract for such Series. In the event of any deficiency in a reserve fund established with respect to a Series of Special Variable Rate Refunding Bonds, the Treasurer will replenish such deficiency in accordance with the provisions of the Master Resolution.

All amounts in the reserve fund established with respect to a Series of Special Variable Rate Refunding Bonds will be used and withdrawn by the Treasurer, as provided in the Resolutions, solely for the purpose of (i) paying principal of and interest on such Series of Special Variable Rate Refunding Bonds in the event moneys in the Bond Service Fund established for such Series are insufficient, or (ii) for the payment of the final principal and interest payment on such Series of Special Variable Rate Refunding Bonds. Any amounts in the reserve fund established with respect to a Series of Special Variable Rate Refunding Bonds in excess of the Bond Reserve Requirement for such Series will be transferred to the Bond Service Fund established for such Series unless otherwise specified in a certificate of Metropolitan.

Metropolitan has determined that the Bond Reserve Requirement for the 2022C Bonds will be established at $0 and no Reserve Fund for the 2022C Bonds will be established or maintained.

Excess Earnings Funds

To ensure proper compliance with the tax covenants contained in the Nineteenth Supplemental Resolution, if required by the related Tax and Nonarbitrage Certificate, Metropolitan will establish and the Treasurer will maintain a fund for each Series of Special Variable Rate Refunding Bonds issued under the Nineteenth Supplemental Resolution, which fund will be separate from any other fund or account established and maintained thereunder or under the Master Resolution and will be designated as the "Special Variable Rate Water Revenue Refunding Bonds Excess Earnings Fund" and will bear such additional designation as ascribed thereto by Metropolitan. All money at any time deposited in the Excess Earnings Fund with respect to a Series of Special Variable Rate Refunding Bonds in accordance with the provisions of the Tax and Nonarbitrage Certificate applicable to such Series will be held by the Treasurer for the account of Metropolitan in trust for payment to the federal government of the United States of America, and neither Metropolitan nor the Owner of any Special Variable Rate Refunding Bonds of such Series will have any rights in or claim to such money. All amounts deposited into or on deposit in any such Excess Earnings Fund is governed by the Nineteenth Supplemental Resolution and by the applicable Tax and Nonarbitrage Certificate. The Treasurer will invest all amounts held in any such Excess Earnings Fund in accordance with the applicable Tax and Nonarbitrage

Certificate. Money will not be transferred from the Excess Earnings Fund established for a Series of Special Variable Rate Refunding Bonds except in accordance with the Tax and Nonarbitrage Certificate with respect to such Series.

Tax Covenants

In order to maintain the exclusion from gross income of the interest on the Special Variable Rate Refunding Bonds for federal income tax purposes, Metropolitan covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code and Metropolitan agrees to comply with the covenants contained in, and the instructions given pursuant to, the Tax and Nonarbitrage Certificate, as a source of guidance for compliance with such provisions.

Notwithstanding any other provisions of the Master Resolution or the Nineteenth Supplemental Resolution to the contrary, upon Metropolitan's failure to observe, or refusal to comply with, these tax covenants, no Person other than the Owners of the Special Variable Rate Refunding Bonds of the related Series are entitled to exercise any right or remedy provided to the Owners under the Master Resolution or the Nineteenth Supplemental Resolution on the basis of Metropolitan's failure to observe, or refusal to comply with, such covenants.

Metropolitan's Sale of Special Variable Rate Refunding Bonds

Unless otherwise specified in the paying agent agreement for such Series of Special Variable Rate Refunding Bonds, if the paying agent agreement for any Series of Special Variable Rate Refunding Bonds obligates Metropolitan to purchase Special Variable Rate Refunding Bonds tendered for purchase by the Owner thereof, then, other than through a remarketing, Metropolitan will not sell or otherwise dispose of any such Special Variable Rate Refunding Bonds it purchases from a tendering Owner. Except for any sale through a remarketing, any purported sale by Metropolitan of Special Variable Rate Refunding Bonds so purchased by Metropolitan from a tendering Owner will be invalid and void *ab initio*.

PAYING AGENT AGREEMENT

The following is a summary of certain provisions of each Paying Agent Agreement. References to the Paying Agent Agreement herein refer to each Payment Agent Agreement unless the context is otherwise. This summary is not to be considered a full statement of the terms of the Paying Agent Agreements and accordingly is qualified by reference thereto and is subject to the full text thereof.

Definitions

"**Account**" means any account established pursuant to the Paying Agent Agreement.

"**Adjustable Interest Rate**" means a rate of interest payable with respect to any 2022C Bonds prior to the Fixed Rate Date, determined pursuant to the Paying Agent Agreement.

"**Alternate Liquidity Facility**" means a letter of credit and related reimbursement agreement, line of credit, standby bond purchase agreement or similar agreement providing for the purchase of all or a portion of the 2022C Bonds tendered pursuant to the Paying Agent Agreement that Metropolitan delivers to the Paying Agent pursuant to the Paying Agent Agreement in substitution of any Liquidity Facility then in effect, including any renewal or extension of the term thereof, as each such agreement may be amended, supplemented or otherwise modified from time to time, issued and delivered to the Paying Agent.

"**Authorized Denominations**" means: (a) with respect to any 2022C Bonds bearing interest in the Long Mode or at a Fixed Interest Rate, $5,000 and any integral multiple thereof; and (b) with respect to any 2022C Bonds bearing interest in the Flexible Index Mode, the Index Mode, the Daily Mode, the Weekly Mode or the Short-Term Mode, $100,000 and any integral multiple of $5,000 in excess thereof.

"**Authorized District Representative**" means the Assistant General Manager, Finance & Administration and Treasurer of Metropolitan or any officer authorized to act on behalf of either of such officers.

"**Bank Bond**" or "**Bank Bonds**" means any 2022C Bond or 2022C Bonds purchased with moneys provided under any Liquidity Facility and any 2022C Bonds issued in exchange for or in replacement or substitution thereof.

"**Bank Bond Rate**" means, at any date of determination, the rate of interest then borne by Bank Bonds as determined under the applicable Liquidity Facility then in effect.

"**Beneficial Owner**" means, wherever used with respect to a 2022C Bond, the person in whose name such 2022C Bond is recorded as the beneficial owner of such 2022C Bond by a Participant on the records of such Participant, or such person's subrogee.

"**Bond Counsel**" means a firm of attorneys nationally recognized as experts in the area of municipal finance who are familiar with the transactions contemplated under the Paying Agent Agreement and acceptable to Metropolitan.

"**Bond Interest Term**" means, with respect to any 2022C Bond, a period established in accordance with the Paying Agent Agreement during which such 2022C Bond bears interest at a Bond Interest Term Rate.

"**Bond Interest Term Rate**" means, with respect to any 2022C Bond, a rate of interest per annum on such 2022C Bond, established periodically in accordance with the Paying Agent Agreement.

"**Bond Register**" means the bond register that the Paying Agent maintains pursuant to the Paying Agent Agreement.

"**Book-Entry Bonds**" means the 2022C Bonds held by DTC (or its nominee) as the Owner thereof pursuant to the terms and provisions of the Paying Agent Agreement.

"**Business Day**" means a day: (a) other than a Saturday or Sunday; (b) other than a day on which banks located in the City of New York, New York or the cities in which the respective principal offices of the Fiscal Agent, the Liquidity Provider, if any, or the Remarketing Agent, or the Corporate Trust Office of the Paying Agent, are located, are required or authorized by law or executive order to close; and (c) on which the New York Stock Exchange is open.

"**Call Protection Date**" means the Standard Call Protection Date, unless Metropolitan determines a different date pursuant to the provisions of the Paying Agent Agreement, as applicable.

"**Closing Date**" means July 27, 2022.

"**Code**" means the Internal Revenue Code of 1986, as amended, and the regulations applicable thereto or issued thereunder or any successor statute thereto.

"**Corporate Trust Office**" means with respect to the initial Paying Agent its corporate trust office located at 600 S. 4th Street, 7th Floor, Minneapolis, Minnesota 55415, or, solely for purposes of the presentation of the 2022C Bonds for payment, transfer or exchange, the corporate trust operations or agency office designated by the Paying Agent. The Paying Agent may designate alternate Corporate Trust Offices and any successor Paying Agent will designate its Corporate Trust Office by written notice delivered to the Notice Parties.

"**Daily Mode**" means an Interest Mode in which the interest rate payable with respect to the 2022C Bonds is determined on each Business Day by the Remarketing Agent pursuant to the Paying Agent Agreement.

"**Daily Rate**" means a rate of interest payable with respect to the 2022C Bonds in a Daily Mode, established by the Remarketing Agent in accordance with the Paying Agent Agreement.

"**Daily Rate Period**" means each period during which a Daily Rate for the 2022C Bonds is in effect.

“**District Account**” means the Account of the Purchase Fund so designated and established under and pursuant to the Paying Agent Agreement.

“**District Bond Payments**” means all amounts that the Paying Agent receives from Metropolitan as a payment of principal of and interest on any District Bonds. For the avoidance of doubt, any amounts that Metropolitan delivers to the Paying Agent will only constitute District Bond Payments if Metropolitan identifies such amounts either by Electronic Notice or otherwise as being payments of principal or interest on District Bonds.

“**District Bond Rate”** means, as to any District Bonds, the applicable Revolving Credit Facility Rate. If no Revolving Credit Facility is in effect, then the District Bond Rate will be equal to SIFMA. If SIFMA is no longer available, then the District Bond Rate will equal 2.00%.

“**District Bond Received Amounts**” means, collectively, all District Bond Payments and District Bond Remarketing Proceeds that the Paying Agent receives.

“**District Bond Remarketing Proceeds**” means any proceeds that the Paying Agent receives from the remarketing of District Bonds pursuant to the Paying Agent Agreement.

“**District Bonds**” means Self-Liquidity Bonds or beneficial interests therein that Metropolitan purchases pursuant to the Paying Agent Agreement and the 2022C Bonds issued in exchange for and in replacement or substitution thereof; *provided*, *however*, that “District Bonds” do not include any Liquidity Supported Bonds that Metropolitan owns or any Self-Liquidity Bonds that Metropolitan purchases for its own account outside of and other than the purchase of 2022C Bonds tendered pursuant to the optional or mandatory tender provisions of the Paying Agent Agreement (other than in connection with the Flexible Index Mode or Index Mode).

“**DTC**” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“**Electronic Notice**” means notice through telecopy, facsimile transmission, e-mail or other electronic means of communication.

“**Event of Default**” has the meaning given such term in the Paying Agent Agreement.

“**EMMA**” means the Electronic Municipal Market Access system, a centralized online database operated by the Municipal Securities Rulemaking Board.

“**Failed Tender**” has the meaning given such term in the Paying Agent Agreement. For avoidance of doubt, a Failed Tender does not include any failure of Metropolitan to pay the Purchase Price of 2022C Bonds tendered for purchase pursuant to the optional or mandatory provisions of the Paying Agent Agreement in connection with the Flexible Index Mode or the Index Mode.

“**Favorable Opinion of Bond Counsel**” means, with respect to any action the occurrence of which requires such an opinion, an unqualified opinion of Bond Counsel to the effect that such action is authorized and permitted under the Act, the Resolutions and the Paying Agent Agreement, complies with the Resolutions and the Paying Agent Agreement and will not impair the exclusion of interest on the 2022C Bonds from personal income taxation under the laws of the State (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the 2022C Bonds).

“**Fiscal Year**” means the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year, or such other period as Metropolitan designates as its fiscal year.

“**Fitch**” means Fitch, Inc., doing business as Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns and, if such corporation for any reason no longer performs the functions of a securities rating agency, “Fitch” will be deemed to refer to any other nationally recognized rating agency designated by Metropolitan.

“**Fixed Interest Rate**” means an annual rate of interest payable with respect to the 2022C Bonds from and after the Fixed Rate Date upon conversion to a Fixed Interest Rate, established by the Remarketing Agent pursuant to the Paying Agent Agreement.

“**Fixed Rate Date**” means the date on which the annual rate of interest with respect to the 2022C Bonds becomes fixed and determined for the remainder of the term of the 2022C Bonds pursuant to the terms of the Paying Agent Agreement.

“**Flexible Index Mode**” means an Interest Mode in which the interest rate payable with respect to the Bonds is adjusted pursuant to the Paying Agent Agreement, and the Tender Period of which does not exceed 270 days.

“**Flexible Index Mode Scheduled Mandatory Tender**” means the mandatory tender for purchase of 2022C Bonds in the Flexible Index Mode pursuant to the provisions of the Paying Agent Agreement.

“**Flexible Index Mode Scheduled Mandatory Tender Failure**” means the failure of Metropolitan to pay or provide for the payment of the Purchase Price of all 2022C Bonds tendered pursuant to a Flexible Index Mode Scheduled Mandatory Tender on a Scheduled Mandatory Tender Date.

“**Flexible Index Mode Unscheduled Mandatory Tender**” means any mandatory tender for purchase of 2022 C Bonds in the Flexible Index Mode pursuant to the provisions of the Paying Agent Agreement and excludes any mandatory tender of 2022C Bonds in the Flexible Index Mode pursuant to the provision of the Paying Agent Agreement.

“**Fund**” means any fund established pursuant to the Paying Agent Agreement.

“**Holder**” or “**Owner**” means the registered owner of any 2022C Bonds as indicated in the Bond Register maintained under the Paying Agent Agreement, including DTC or its nominee as the sole registered owner of Book-Entry Bonds.

“**Index Mode**” means an Interest Mode in which the interest rate payable with respect to the 2022C Bonds is adjusted pursuant to the Paying Agent Agreement, and the Tender Period of which may exceed 270 days.

“**Index Mode Scheduled Mandatory Tender**” means the mandatory tender for purchase of 2022C Bonds in the Index Mode pursuant to the provisions of the Paying Agent Agreement.

“**Index Mode Scheduled Mandatory Tender Failure**” means the failure of Metropolitan to pay or provide for the payment of the Purchase Price of all 2022C Bonds tendered pursuant to an Index Mode Scheduled Mandatory Tender on a Scheduled Mandatory Tender Date.

“**Index Mode Unscheduled Mandatory Tender**” means any mandatory tender for purchase of 2022C Bonds in the Index Mode pursuant to the provisions of Paying Agent Agreement and excludes any mandatory tender of 2022C Bonds in the Index Mode pursuant to the provisions of the Paying Agent Agreement.

"**Index Rate Accrual Period**" means, for 2022C Bonds in a Flexible Index Mode or an Index Mode, the period from each Interest Accrual Date to and including: (a) the day next preceding the next Interest Payment Date for such 2022C Bonds; and (b) the day next preceding any Redemption Date, as applicable.

"**Index Spread**" means, with respect to each Tender Period for 2022C Bonds in a Flexible Index Mode or an Index Mode, a fixed per annum rate determined by the Remarketing Agent in accordance with the Paying Agent Agreement.

"**Index Tender Rate**" means, with respect to 2022C Bonds bearing interest in the Flexible Index Mode or the Index Mode, the per annum rate of interest, determined for any Index Rate Accrual Period, equal to the sum of: (a) the SIFMA Average Index Rate calculated for such Index Rate Accrual Period; and (b) the Index Spread applicable for the related Tender Period.

"**Information Services**" means, in accordance with then-current guidelines of the Securities and Exchange Commission, one or more bond redemption information services as Metropolitan may designate in a certificate of Metropolitan delivered to the Paying Agent. Unless hereafter otherwise designated by Metropolitan, the Information Services will be EMMA, a facility of the Municipal Securities Rulemaking Board, at www.emma.msrb.org.

"**Initial Liquidity Facility**" means the Standby Bond Purchase Agreement, dated as of July 1, 2022, by and between Metropolitan and the Initial Liquidity Provider as the same may be amended, restated, supplemented or otherwise modified from time to time.

"**Initial Liquidity Provider**" means TD Bank, N.A., related to the 2022C-1 Bonds and PNC Bank, related to the 2022C-2 Bonds.

"**Interest Accrual Date**" means, with respect to any period during which the 2022C Bonds are in the Daily Mode or Weekly Mode, the effective date of the change in Interest Mode to the Daily Mode or Weekly Mode (or, in the case of the 2022C Bonds which shall initially be issued in a Weekly Mode, the date of delivery of the 2022C Bonds) and, thereafter, each Interest Payment Date while the 2022C Bonds are in the Daily Mode or Weekly Mode, as the case may be.

"**Interest Mode**" means, at any time, the mode in which the 2022C Bonds bear interest at an Adjustable Interest Rate and includes the Flexible Index Mode, the Index Mode, the Daily Mode, the Weekly Mode, the Short-Term Mode and the Long Mode.

"**Interest Payment Date**" means: (i) during such time as the 2022C Bonds are in a Flexible Index Mode or an Index Mode (including during any Purchase Default Period), the first Business Day of each calendar month, each Mandatory Purchase Date in connection with a Flexible Index Mode Unscheduled Mandatory Tender or an Index Mode Unscheduled Mandatory Tender, as the case may be, and each Scheduled Mandatory Tender Date (without duplication); (ii) during such time as the 2022C Bonds bear interest in the Daily Mode or Weekly Mode, the first Business Day of each calendar month, commencing on September 1, 2022; (iii) during such time as the 2022C Bonds are in the Short-Term Mode, the day next succeeding the last day of each Bond Interest Term; (iv) with respect to any Long Period or period in which the 2022C Bonds bear interest at the Fixed Interest Rate, each January 1 and July 1 (subject to certain limitations in in the Paying Agent Agreement); (v) the effective date of a change in Interest Mode (or the day that would have been the effective date of a change in Interest Mode (or date of commencement of a new Long Period) had one of the events specified in the Paying Agent Agreement not occurred) (without duplication); (vi) the Fixed Rate Date (without duplication); (vi) the date of final maturity of the 2022C Bonds (without duplication); (vii) with respect to any Bank Bonds, the dates provided in the applicable Liquidity Facility; and (viii) with respect to any District Bonds, the first Business Day of each calendar month.

"**Interest Rate Period**" includes any period during which 2022C Bonds bear interest in a Flexible Index Mode or an Index Mode, and any Daily Rate Period, any Weekly Rate Period, any Short-Term Rate Period and any Long Period.

"**Liquidity Facility**" means the Initial Liquidity Facility and any other letter of credit and related reimbursement agreement, line of credit, standby bond purchase agreement or similar agreement which provides for the payment of the Purchase Price of the 2022C Bonds tendered for purchase pursuant to the Paying Agent Agreement that Metropolitan delivers to the Paying Agent pursuant to the Paying Agent Agreement in connection with a change in the Interest Mode of the 2022C Bonds to a Weekly Mode, a Short-Term Mode or a Long Mode or a change in the designation of the 2022C Bonds in any such Interest Mode from Self-Liquidity Bonds to Liquidity Supported Bonds, including any renewal or extension of the term of each such agreement, as each such agreement may be amended, supplemented or otherwise modified from time to time, issued and delivered to the Paying Agent, and upon the issuance of any Alternate Liquidity Facility, such Alternate Liquidity Facility.

"**Liquidity Provider**" means the Initial Liquidity Provider and any other issuer or provider of any other Liquidity Facility.

"**Liquidity Supported Bonds**" means with respect to 2022C Bonds bearing interest in the Daily Mode, Weekly Mode, Short-Term Mode or Long Mode, the 2022C Bonds bearing interest in such Interest Mode that Metropolitan designates as Liquidity Supported Bonds pursuant to the Paying Agent Agreement.

"**Long Mode**" means an Interest Mode in which the interest rate payable with respect to the 2022C Bonds is adjusted at the intervals determined by the Remarketing Agent pursuant to the Paying Agent Agreement.

"**Long Period**" means each period during which a Long Rate for the 2022C Bonds is in effect.

"**Long Rate**" means a rate of interest payable with respect to the 2022C Bonds in a Long Mode, established by the Remarketing Agent in accordance with the Paying Agent Agreement.

"**Mail**" means by first-class United States mail, postage prepaid.

"**Mandatory Purchase Date"** means any date upon which any 2022C Bonds have been called for mandatory tender for purchase in accordance with the Paying Agent Agreement.

"**Master Note**" means, in connection with a change in the Interest Mode of the 2022C Bonds to the Flexible Index Mode, the Municipal Commercial Paper - TECP Master Note dated the effective date of the change in Interest Mode to the Flexible Index Mode, executed by Metropolitan and authenticated by the Paying Agent, in substantially the form attached to the Paying Agent Agreement.

"**Maximum Interest Rate**" means: (a) with respect to 2022C Bonds (other than Bank Bonds and District Bonds) the lesser of: (i) 12% per annum; or (ii) the maximum interest rate permitted by federal law and the laws of the State of California; (b) with respect to Bank Bonds, the maximum interest rate permitted under federal law and the laws of the State of California with respect to any obligation incurred by

Metropolitan under any Liquidity Facility; *provided*, *however*, that in no event will the "Maximum Interest Rate" exceed 18%; and (c) with respect to District Bonds, the maximum interest rate permitted by federal law and the laws of the State of California.

"**MMI Procedures**" means, with respect to 2022C Bonds while in the Flexible Index Mode, DTC's Operational Arrangements and the Issuing/Paying Agent General Operating Procedures for Money Market Instruments as the same may be amended and modified from time to time.

"**Monthly Report**" has the meaning given such term in the Paying Agent Agreement.

"**Notice Parties**" means Metropolitan, the Fiscal Agent, the Remarketing Agent, the Paying Agent and the Liquidity Provider, if any.

"**Participant**" means the participants of DTC which include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations.

"**Paying Agent"** means Computershare Trust Company, N.A., as appointed under the Paying Agent Agreement and any successor appointed pursuant to the Paying Agent Agreement.

"**Prime Rate**" means the rate per annum equal to the "prime rate" listed daily in the "Money Rate" section of The Wall Street Journal. If The Wall Street Journal is not published on any Business Day or if The Wall Street Journal does not publish a "prime rate" for any Business Day, then the "Prime Rate" for that Business Day will be the "prime rate" published on the display designated as page "PRIMBB" on the Bloomberg Financial Markets News Service until the next Business Day on which The Wall Street Journal publishes the "prime rate." If neither The Wall Street Journal nor the Bloomberg Financial Markets News Service publish a "prime rate" for a Business Day, then the "Prime Rate" means the "prime rate" most recently published in The Wall Street Journal or the Bloomberg Financial Markets News Service.

"**Purchase Account**" means the Account of the Purchase Fund so designated and established in the Paying Agent Agreement.

"**Purchase Default Period**" means, for 2022C Bonds while in the Flexible Index Mode or the Index Mode, the period from and after the Scheduled Mandatory Tender Date on which a Flexible Index Mode Scheduled Mandatory Tender Failure or an Index Mode Scheduled Mandatory Tender Failure occurs, as the case may be, until the date next preceding the date on which the earlier of the following occurs: (a) the purchase by Metropolitan of all then-Outstanding 2022C Bonds pursuant to the Paying Agent Agreement; and (b) the redemption of all then-Outstanding 2022C Bonds pursuant to the Paying Agent Agreement.

"**Purchase Default Period Purchase Date**" has the meaning given such term in the Paying Agent Agreement.

"**Purchase Default Rate**" means a per annum rate equal to the lower of: (a) 12%; and (b) the higher of: (i) 8%; and (ii) the Prime Rate plus 3%.

"**Purchase Fund**" means each Fund so designated and established in the Paying Agent Agreement.

"**Purchase Price**" means, with respect to any 2022C Bonds purchased pursuant to the Paying Agent Agreement, an amount equal to the principal amount of such 2022C Bonds, plus accrued and unpaid interest to the purchase date (unless the purchase date is otherwise an Interest Payment Date, in which case the Purchase Price will not include accrued interest, which will be paid in the normal course). With respect to any 2022C Bonds purchased during any Purchase Default Period, the "Purchase Price" will mean an amount equal to the principal amount of such 2022C Bonds, plus accrued and unpaid interest to the Purchase Default Period Purchase Date (unless such Purchase Default Period Purchase Date is an Interest Payment Date, in which case the Purchase Price does not include accrued interest, which will be paid in the normal course).

"**Rating Agency**" means S&P (if then rating the 2022C Bonds) or Fitch (if then rating the 2022C Bonds).

"**Record Date**" means with respect to 2022C Bonds bearing interest at a Weekly Rate, the Business Day immediately preceding each Interest Payment Date.

"**Redemption Date**" means the date fixed for redemption of any 2022C Bonds prior to maturity pursuant to the Paying Agent Agreement.

"**Redemption Price**" means, with respect to any 2022C Bond or portion thereof to be redeemed, a price equal to the principal amount of a 2022C Bond or portion thereof, plus premium, if applicable.

"**Remarketing Agent**" means TD Securities (USA) LLC, related to the 2022C-1 Bonds and Goldman Sachs & Co. LLC, related to the 2022C-2 Bonds, or any successor appointed pursuant to the Paying Agent Agreement.

"**Remarketing Agreement**" means, initially, the Remarketing Agreement, dated as of July 1, 2022, by and between Metropolitan and the Remarketing Agent, relating to the 2022C Bonds as it may be amended, supplemented or otherwise modified from time to time, and, subsequently, any similar agreement between Metropolitan and any successor Remarketing Agent, as any such agreement may be amended, supplemented or otherwise modified from time to time.

"**Remarketing Proceeds Account**" means the Account of the Purchase Fund so designated and established in the Paying Agent Agreement.

"**Representation Letter**" means the Letter of Representations from Metropolitan to DTC with respect to its book-entry obligations, including the 2022C Bonds.

"**Resolutions**" means, collectively, the Master Resolution and the Nineteenth Supplemental Resolution.

"**Revolving Credit Facility**" means any revolving credit facility or agreement or any other credit facility or agreement with one or more banks or other financial institutions pursuant to which such banks or financial institutions commit to lend a maximum amount that Metropolitan may borrow from time to time for the purpose of providing Metropolitan funds to pay the Purchase Price of any tendered Self-Liquidity Bonds or to reimburse itself for the payment of the Purchase Price of any tendered Self-Liquidity Bonds.

"**Revolving Credit Facility Bank**" means any bank or financial institution that issues or provides a Revolving Credit Facility.

"**Revolving Credit Facility Purchase Source**" means, in connection with any purchase of District Bonds by Metropolitan pursuant to the Paying Agent Agreement, any Revolving Credit Facility that Metropolitan identifies in its notification pursuant to the Paying Agent Agreement as a source of funds Metropolitan used to purchase such District Bonds or to reimburse itself for the purchase of such District Bonds.

“**Revolving Credit Facility Purchase Source Bank**” means, with respect to any Revolving Credit Facility Purchase Source, the applicable Revolving Credit Facility Bank.

“**Revolving Credit Facility Rate**” means, with respect to any District Bonds and for any period of determination, the weighted average effective rate of interest accruing during such period of determination on amounts Metropolitan has borrowed under the applicable Revolving Credit Facility Purchase Source. If, on any Business Day, Metropolitan borrows amounts under more than one Revolving Credit Facility Purchase Source to purchase District Bonds pursuant to the Paying Agent Agreement, then the Revolving Credit Facility Rate will be equal to the weighted average of the effective rates of interest accruing on all such Revolving Credit Facility Purchase Sources with respect to such borrowed amounts.

“**2022C Bonds**” means the bonds issued under the Paying Agent Agreement and designated as “Special Variable Rate Water Revenue Refunding Bonds, 2022 Series C” consisting of 2022C-1 Bonds and 2022C-2 Bonds.

“**S&P**” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, and its successors, and if such company for any reason no longer performs the functions of a securities rating agency, “S&P” will be deemed to refer to any other nationally recognized securities rating agency designated by Metropolitan.

“**Scheduled Mandatory Tender Date**” means, for 2022C Bonds while in the Flexible Index Mode or the Index Mode, and with respect to each Tender Period, the date determined by Metropolitan pursuant to the Paying Agent Agreement.

“**Securities Depository**” means The Depository Trust Company or any successor agency.

“**Self-Liquidity Bonds**” means with respect to 2022C Bonds bearing interest in the Daily Mode, the 2022C Bonds bearing interest in such Interest Mode that Metropolitan designates as Self-Liquidity Bonds pursuant to the Paying Agent Agreement.

“**Short-Term Mode**” means an Interest Mode in which the interest rate payable with respect to the 2022C Bonds is adjusted at the intervals determined by the Remarketing Agent pursuant the Paying Agent Agreement.

“**Short-Term Rate Period**” means each period, comprised of Bond Interest Terms, during which Bond Interest Term Rates are in effect.

“**SIFMA**” means, as of any date, the per annum rate published or reported by Municipal Market Data on its SIFMA Municipal Swap Index most recently available, or if the SIFMA Municipal Swap Index is no longer published or reported, the rate per annum published or reported on the S&P Weekly High Grade Index (formerly the J.J. Kenny Index), or if neither the SIFMA Municipal Swap Index nor the S&P Weekly High Grade Index is published, a per annum rate equal to 60% of the yield of the three-month U.S. Treasury note as reported as of the end of each trading day.

“**SIFMA Average Index Rate**” means, during each Index Rate Accrual Period, the per annum rate equal to the average of SIFMA in effect for each day in such Index Rate Accrual Period.

“**Special Mandatory Redemption Amount**” means, with respect to special mandatory redemption during any Purchase Default Period pursuant to the Paying Agent Agreement, the aggregate principal amount of 2022C Bonds Outstanding on the Scheduled Mandatory Tender Date on which such Purchase Default Period commenced.

"**Special Mandatory Redemption Payments**" means, with respect to 2022C Bonds bearing interest in a Flexible Index Mode or an Index Mode, the amount required by the Paying Agent Agreement to be deposited by the Treasurer in the Bond Service Fund for the payment of 2022C Bonds.

"**Standard Call Protection Date**" means: (a) with respect to 2022C Bonds bearing interest in a Flexible Index Mode: (i) if the duration from the beginning of the applicable Tender Period until the Scheduled Mandatory Tender Date is 180 days or less, the Tender Period Halfway Date; and (ii) if the duration from the beginning of the applicable Tender Period until the Scheduled Mandatory Tender Date is more than 180 days, the date that is 180 days before the Scheduled Mandatory Tender Date; and (b) with respect to 2022C Bonds bearing interest in an Index Mode: (i) if the duration from the beginning of the applicable Tender Period until the Scheduled Mandatory Tender Date is one year or less, the Tender Period Halfway Date and (b) if the duration from the beginning of the applicable Tender Period until the Scheduled Mandatory Tender Date is more than one year, the date that is 180 days before the Scheduled Mandatory Tender Date.

"**State**" means the State of California.

"**Substitution Date**" means the date on which an Alternate Liquidity Facility is substituted for the Liquidity Facility.

"**Supplemental Agreement**" means any agreement supplemental to the Paying Agent Agreement that is duly authorized by Metropolitan and entered into by Metropolitan and the Paying Agent in accordance with the provisions of Paying Agent Agreement.

"**Tender Period**" means, with respect to 2022C Bonds bearing interest in a Flexible Index Mode or an Index Mode, the period determined pursuant to the Paying Agent Agreement).

"**Tender Period Halfway Date**" means, with respect to any Tender Period, the date occurring halfway between the commencement of such Tender Period and the Scheduled Mandatory Tender Date for such Tender Period, which will be calculated by: (a) dividing the number of days from and including the date on which such Tender Period commences to and not including the Scheduled Mandatory Tender Date by two and, if necessary, rounding the result down to the nearest whole number; and (b) adding the resulting number of days to the commencement date of such Tender Period.

"**Treasurer**" means the Treasurer or the Assistant Treasurer of Metropolitan.

"**Undelivered Bond**" means any 2022C Bond that has not been delivered by its Owner to the Paying Agent in the place, at the time or in the manner specified in the Paying Agent Agreement, in connection with a purchase of 2022C Bonds pursuant to the Paying Agent Agreement.

"**Weekly Mode**" means an Interest Mode in which the interest rate payable with respect to the 2022C Bonds is determined weekly by the Remarketing Agent pursuant to the Paying Agent Agreement.

"**Weekly Rate**" means a rate of interest payable with respect to 2022C Bonds in a Weekly Mode, established by the Remarketing Agent in accordance with the Paying Agent Agreement.

"**Weekly Rate Period**" means each period during which a Weekly Rate for the 2022C Bonds is in effect.

Appointment of Paying Agent. The Paying Agent has been appointed and engaged to act as agent to the Fiscal Agent for the purpose of authentication and transfer of the 2022C Bonds in accordance with the Master Resolution, as amended and supplemented, and to perform certain other functions all as provided in the Paying Agent Agreement. By executing and delivering the Paying Agent Agreement, the Paying Agent has accepted the duties and obligations provided therein, but only upon the terms and conditions set forth therein.

New York City Time. Except as otherwise provided in the Paying Agent Agreement, whenever any time of day is set forth therein, it is understood and agreed that such time means New York City time.

THE 2022C BONDS

Interest Rates

Election of Flexible Index Mode or Index Mode. Metropolitan, by written direction to the other Notice Parties, may elect, subject to the provisions of the Paying Agent Agreement, that the 2022C Bonds will bear interest at an Index Tender Rate in either the Flexible Index Mode or the Index Mode. Such direction of Metropolitan will specify:

(i) The election of either the Flexible Index Mode or the Index Mode;

(ii) the effective date of the change in Interest Mode to the Flexible Index Mode or the Index Mode, as the case may be, which date will be a Business Day not earlier than the eighth day following the date such direction is given, and: (x) in the case of a change from a Long Mode, the day immediately following the last day of the then- current Long Period or a day on which the 2022C Bonds would otherwise be subject to optional redemption pursuant to the Paying Agent Agreement if such change did not occur; or (y) in the case of a change from the Flexible Index Mode to the Index Mode or from the Index Mode to a Flexible Index Mode, a Business Day occurring on or after the Call Protection Date of the Tender Period then in effect for the 2022C Bonds;

(iii) the related Mandatory Purchase Date; and

(iv) the Business Day that Metropolitan elects to be the Scheduled Mandatory Tender Date of the Tender Period commencing on the effective date of the change in Interest Mode to a Flexible Index Mode or an Index Mode (*provided*, that the Scheduled Mandatory Tender Date will not be earlier than three months after the commencement of the Tender Period).

With respect to any Tender Period commencing on the effective date of a change in Interest Mode to the Flexible Interest Mode or the Index Mode or any Tender Period commencing on the effective date of a Flexible Index Mode or an Index Mode immediately following a Purchase Default Period, the Call Protection Date for such Tender Period will be the Standard Call Protection Date. In addition, the direction of Metropolitan will be accompanied by a form of notice to be given to the Owners of the 2022C Bonds by the Paying Agent as provided in the Paying Agent Agreement. During the period beginning with the first day on which the 2022C Bonds bear interest in a Flexible Index Mode or an Index Mode and ending on the effective date of a change to an Interest Mode other than the Flexible Index Mode or the Index Mode, the interest rate borne by the 2022C Bonds will be an Index Tender Rate.

If the 2022C Bonds in the Flexible Index Mode will be supported by a commercial paper program, the following additional conditions must be satisfied before a conversion to a Flexible Index Mode may become effective:

(A) Metropolitan must engage, at its expense, a commercial paper issuing and paying agent, reasonably acceptable to the Paying Agent, having access to DTC's MMI Procedures and otherwise eligible to serve as an issuing and paying agent under DTC's policies and procedures for the issuance and payment of commercial paper;

(B) The Remarketing Agent must arrange for the execution and delivery to DTC of the Master Note to make the 2022C Bonds in the Flexible Interest Mode eligible for DTC's book entry system, and for the provision of any needed CUSIP numbers;

(C) Metropolitan will take all other action that is required to comply with DTC requirements that are applicable to the issuance and payment of the 2022C Bonds while in the Flexible Index Mode; and

(D) Metropolitan will enter into any amendment of the Paying Agent Agreement that is required to comply with DTC's or any Rating Agency's requirements concerning the issuance and payment of the 2022C Bonds in the Flexible Index Mode.

Notice of Election of Flexible Index Mode or Index Mode. The Paying Agent will give notice, together with the notice required by the Paying Agent Agreement, by Mail to the Owners of the 2022C Bonds (or, if the 2022C Bonds are then Book-Entry Bonds, then to DTC by Mail or by Electronic Notice), of a change in Interest Mode to the Flexible Index Mode or the Index Mode not less than seven days prior to the effective date of the change to the Flexible Index Mode or the Index Mode, as the case may be. Such notice will state: (i) that the interest rate on the 2022C Bonds will be changed to an Index Tender Rate and that the 2022C Bonds will bear interest in the Flexible Index Mode or the Index Mode (as the case may be), unless, in the case of a change from a Long Rate, Bond Counsel fails to deliver to the Notice Parties a Favorable Opinion of Bond Counsel as to such change on the effective date of such change, in which case the 2022C Bonds will continue to bear interest at the Long Rate in effect immediately prior to such proposed change in Interest Mode; (ii) the effective date of the change to the Flexible Index Mode or the Index Mode, as the case may be; (iii) that the 2022C Bonds are subject to mandatory tender for purchase on the effective date, setting forth the applicable Purchase Price; and (iv) if the 2022C Bonds are no longer in book-entry form, information with respect to the required delivery of bond certificates and payment of the Purchase Price under the Paying Agent Agreement.

Election of Daily Mode. Metropolitan, by written direction to the other Notice Parties, may elect, subject to the provisions of the Paying Agent Agreement, to change the Interest Mode of the 2022C Bonds to the Daily Mode. Such direction of Metropolitan will specify: (i) the effective date of such change to a Daily Mode, which shall be a Business Day not earlier than the eighth day following the date such direction is given, and: (x) in the case of a change from a Long Mode, the day immediately following the last day of the then-current Long Period or a day on which the 2022C Bonds would otherwise be subject to optional redemption pursuant to the Paying Agent Agreement if such change did not occur; or (y) in the case of a change from a Flexible Index Mode or an Index Mode, a Business Day occurring on or after the Call Protection Date of the Tender Period then in effect; (ii) whether, upon the change to the Daily Mode, the 2022C Bonds will be Liquidity Supported Bonds or Self-Liquidity Bonds; and (iii) if applicable, the Mandatory Purchase Date. In addition, the direction of Metropolitan shall be accompanied by a form of notice to be given to the Owners of the 2022C Bonds by the Paying Agent as provided in the Paying Agent Agreement. During the period beginning with the first day on which the 2022C Bonds bear interest in the Daily Mode and ending on the effective date of a change to an Interest Mode other than the Daily Mode, the interest rate borne by the 2022C Bonds shall be a Daily Rate.

Notice of Election of Daily Mode. Paying Agent shall give notice, together with the notice required by the Paying Agent Agreement, by Mail to the Owners of the 2022C Bonds (or, if the 2022C Bonds are then Book-Entry Bonds, then to DTC by Mail or by Electronic Notice), of a change in Interest Mode to a Daily Mode not less than seven days prior to the effective date of the change to the Daily Mode.

Such notice shall state: (i) that the interest rate on the 2022C Bonds will be changed to a Daily Rate unless, in the case of a change from a Long Rate, Bond Counsel fails to deliver to the Notice Parties a Favorable Opinion of Bond Counsel as to such change on the effective date of such change, in which case the 2022C Bonds shall continue to bear interest at the Long Rate in effect immediately prior to such proposed change in Interest Mode; (ii) the effective date of the change to the Daily Mode; (iii) whether, upon the change to the Daily Mode, the 2022C Bonds will be Liquidity Supported Bonds or Self-Liquidity Bonds, and if the 2022C Bonds will be Liquidity Supported Bonds following the change to the Daily Mode, the name of the Liquidity Provider; (iv) if applicable, that the 2022C Bonds are subject to mandatory tender for purchase on the effective date, setting forth the applicable Purchase Price; and (v) if the 2022C Bonds are no longer in book-entry form, information with respect to the required delivery of bond certificates and payment of the Purchase Price under the Paying Agent Agreement.

Election of Weekly Mode. Metropolitan, by written direction to the other Notice Parties, may elect, subject to the provisions of the Paying Agent Agreement, to change the Interest Mode of the 2022C Bonds to the Weekly Mode. Such direction of Metropolitan will specify: (i) the effective date of such change to a Weekly Mode, which will be a Business Day not earlier than the eighth day following the date such direction is given, and: (x) in the case of a change from a Long Mode, the day immediately following the last day of the then- current Long Period or a day on which the 2022C Bonds would otherwise be subject to optional redemption pursuant to the Paying Agent Agreement if such change did not occur; or (y) in the case of a change from a Flexible Index Mode or an Index Mode, a Business Day occurring on or after the Call Protection Date of the Tender Period then in effect; (ii) whether, upon the change to the Weekly Mode, the 2022C Bonds will be Liquidity Supported Bonds or Self-Liquidity Bonds; and (iii) if applicable, the Mandatory Purchase Date. In addition, the direction of Metropolitan will be accompanied by a form of notice to be given to the Owners of the 2022C Bonds by the Paying Agent as provided in the Paying Agent Agreement. During the period beginning with the first day on which the 2022C Bonds bear interest in the Weekly Mode and ending on the effective date of a change to an Interest Mode other than the Weekly Mode, the interest rate borne by the 2022C Bonds will be a Weekly Rate.

Notice of Election of Weekly Mode. The Paying Agent will give notice, together with the notice required by the Paying Agent Agreement, by Mail to the Owners of the 2022C Bonds (or, if the 2022C Bonds are then Book-Entry Bonds, then to DTC by Mail or by Electronic Notice), of a change in Interest Mode to a Weekly Mode not less than seven days prior to the effective date of the change to the Weekly Mode. Such notice will state: (i) that the interest rate on the 2022C Bonds will be changed to a Weekly Rate unless, in the case of a change from a Long Rate, Bond Counsel fails to deliver to the Notice Parties a Favorable Opinion of Bond Counsel as to such change on the effective date of such change, in which case the 2022C Bonds will continue to bear interest at the Long Rate in effect immediately prior to such proposed change in Interest Mode; (ii) the effective date of the change to the Weekly Mode; (iii) whether, upon the change to the Weekly Mode, the 2022C Bonds will be Liquidity Supported Bonds or Self-Liquidity Bonds, and if the 2022C Bonds will be Liquidity Supported Bonds following the change to the Weekly Mode, the name of the Liquidity Provider; (iv) if applicable, that the 2022C Bonds are subject to mandatory tender for purchase on the effective date, setting forth the applicable Purchase Price; and (v) if the 2022C Bonds are no longer in book-entry form, information with respect to the required delivery of bond certificates and payment of the Purchase Price under the Paying Agent Agreement.

Election of Short-Term Mode. Metropolitan, by written direction to the other Notice Parties, may elect, subject to the provisions of the Paying Agent Agreement, to change the Interest Mode of the 2022C Bonds to the Short-Term Mode. Such direction of Metropolitan will specify: (i) the effective date of the change to a Short-Term Mode, which will be a Business Day not earlier than the eighth day following the date such direction is given; and (x) in the case of a change from a Long Mode, the day immediately following the last day of the then-current Long Period or a day on which the 2022C Bonds would otherwise be subject to optional redemption pursuant to the Paying Agent Agreement if such change did not occur; or (y) in the case of a change from a Flexible Index Mode or an Index Mode, a Business Day occurring on or after the Call Protection Date of the Tender Period then in effect; (ii) whether, upon the change to the Short-Term Mode, the 2022C Bonds will be Liquidity Supported Bonds or Self-Liquidity Bonds; and (iii) the Mandatory Purchase Date. In addition, the direction of Metropolitan will be accompanied by a form of the notice to be given by the Paying Agent to the Owners of the 2022C Bonds as provided in the Paying Agent Agreement. During the period beginning with the first day on which the 2022C Bonds bear interest in the Short-Term Mode and ending on the effective date of a change to an Interest Mode other than the Short-Term Mode, each 2022C Bond will bear interest at a Bond Interest Term Rate during each Bond Interest Term for such 2022C Bond.

Notice of Election of Short-Term Mode. The Paying Agent will give notice, together with the notice required by the Paying Agent Agreement, by Mail to the Owners of the 2022C Bonds (or, if the 2022C Bonds are then Book-Entry Bonds, then to DTC by Mail or by Electronic Notice), of a change in Interest Mode to the Short-Term Mode not less than seven days prior to the effective date of the change to the Short-Term Mode. Such notice will state: (i) that the interest rate on the 2022C Bonds will be changed to Bond Interest Term Rates, unless in the case of a change from a Long Rate, Bond Counsel fails to deliver to the Notice Parties a Favorable Opinion of Bond Counsel as to such change on the effective date of such change, in which case the 2022C Bonds will continue to bear interest at the Long Rate in effect immediately prior to such proposed change in Interest Mode; (ii) that during such Short-Term Rate Period, each 2022C Bond will have one or more consecutive Bond Interest Terms during each of which such 2022C Bond will bear a Bond Interest Term Rate; (iii) the effective date of the change to such Short-Term Rate Period; (iv) whether, upon the change to the Short-Term Mode, the 2022C Bonds will be Liquidity Supported Bonds or Self-Liquidity Bonds, and if the 2022C Bonds will be Liquidity Supported Bonds following the change to the Short-Term Mode, the name of the Liquidity Provider; (v) that the 2022C Bonds are subject to mandatory tender for purchase on the effective date of such Short-Term Rate Period, setting forth the applicable Purchase Price; and (vi) if the 2022C Bonds are no longer in book-entry form, information with respect to the required delivery of bond certificates and payment of the Purchase Price under the Paying Agent Agreement.

Election of Long Mode. Metropolitan, by written direction to the other Notice Parties, may elect, subject to the provisions of the Paying Agent Agreement, to change the Interest Mode of the 2022C Bonds to the Long Mode. Metropolitan may not change the Interest Mode of the 2022C Bonds to a Long Mode unless, as of the effective date of the change, the 2022C Bonds will be Self-Liquidity Bonds or, if the 2022C Bonds will be Liquidity Supported Bonds, a Liquidity Facility is in effect for the 2022C Bonds in a stated amount sufficient to pay the principal amount of the 2022C Bonds plus an amount sufficient to pay at least 184 days of interest coverage at the Long Rate then in effect. The direction of Metropolitan: (A) will specify the duration of the Long Period (which will be one year or any integral multiple thereof (or as near thereto as reasonably practicable to ensure that the last day of the Long Period complies with clause (C) below)) during which the 2022C Bonds will bear interest at a Long Rate; (B) will specify the effective date of such Long Period, which date will be a Business Day not earlier than the eighth day following the date such direction is given; (C) will specify the last day of such Long Period (which last day will be either the day prior to the maturity date, or a day which both immediately precedes a Business Day and is at least 365 days after the effective date thereof); (D) will specify whether, upon the change to the Long Mode or the commencement of the new Long Period, the 2022C Bonds will be Liquidity Supported Bonds or Self-Liquidity Bonds; and (E) the Mandatory Purchase Date. Such direction of Metropolitan will be accompanied by a form of the notice to be given by the Paying Agent to the Owners as provided in the Fiscal Agent Agreement.

Notice of Election to or Continuation of Long Mode. The Paying Agent will give notice, together with the notice required by the Paying Agent Agreement, by Mail to the Owners of the 2022C Bonds (or, if the 2022C Bonds are then Book-Entry Bonds, then to DTC by Mail or by Electronic Notice), of a change in Interest Mode to a (or the establishment of another) Long Period not less than seven days prior to the effective date of the change to the Long Mode. Such notice will state: (i) that the interest rate on the 2022C Bonds will be changed to a Long Rate unless Bond Counsel fails to deliver to the Notice Parties a Favorable Opinion of Bond Counsel as to such change in the Interest Mode or establishment of a new Long Period, in which case: (a) the 2022C Bonds if being changed from a Daily Mode, will continue to bear interest at the Index Tender Rate, Daily Rate, Weekly Rate or Bond Interest Term Rate as in effect immediately prior to such change in Interest Mode; and (b) the 2022C Bonds if already bearing interest at a Long Rate will continue to bear interest at the Long Rate as in effect immediately prior to such proposed establishment of a new Long Period; (ii) the effective date of the change to the Long Period and the last day of such Long Period; (iii) whether, upon the change to the Long Mode, the 2022C Bonds will be Liquidity Supported Bonds or Self-Liquidity Bonds, and if the 2022C Bonds will be Liquidity Supported Bonds following the change to the Long Mode, the name of the Liquidity Provider; (iv) that the 2022C Bonds are subject to mandatory tender for purchase on such effective date and the Purchase Price applicable thereto; and (v) if the 2022C Bonds are no longer in book-entry form, information with respect to the required delivery of bond certificates and payment of the Purchase Price under the Paying Agent Agreement.

Fixed Interest Rate. On and after the Fixed Rate Date, the 2022C Bonds will bear interest at the Fixed Interest Rate. Not later than the Business Day prior to the Fixed Rate Date (or if such day is not a Business Day, then on the immediately preceding Business Day), the Remarketing Agent will determine the interest rate which in its judgment, having due regard for prevailing financial market conditions, is the interest rate, but not in excess of the interest rate, which would enable the Remarketing Agent to sell all 2022C Bonds on the Fixed Rate Date with a Fixed Interest Rate until maturity at 100% of the principal amount thereof plus accrued interest, if any, with respect thereto, plus a premium; *provided*, *however*, that if Metropolitan exercises its option pursuant to the Paying Agent Agreement to have 2022C Bonds remarketed on the Fixed Rate Date at a discount, the Remarketing Agent will establish the Fixed Interest Rate taking into account any such discount specified by Metropolitan. The Remarketing Agent will promptly give telephonic notice to Metropolitan and the Fiscal Agent and Electronic Notice to the Paying Agent of the Fixed Interest Rate.

Bank Bonds. Any Bank Bonds will bear interest at the Bank Bond Rate for the period from the date that the Liquidity Provider purchases such Bank Bonds and continuing until the Bank Bonds have been remarketed or the Liquidity Provider has otherwise elected not to sell the Bank Bonds pursuant to the Paying Agent Agreement. Notwithstanding anything in the Paying Agent Agreement to the contrary, Metropolitan will pay the Liquidity Provider interest on Bank Bonds by wire transfer, on the date on which such interest is due, in accordance with the wire transfer instructions that the Liquidity Provider provides Metropolitan. The Liquidity Provider may sell, assign or dispose of Bank Bonds as more fully provided in the Liquidity Facility. The Paying Agent will note on the Bank Bonds and the Bond Register the requirement of such authorization and the applicability of the provisions of the Paying Agent Agreement to subsequent Owners of the Bank Bonds. Anything in the Paying Agent Agreement to the contrary notwithstanding, Metropolitan will pay principal of and interest on Bank Bonds in the manner, in the amounts and on the dates set forth in the applicable Liquidity Facility.

District Bonds. Any District Bonds will bear interest at the District Bond Rate for the period from the date that Metropolitan has purchased such District Bond pursuant to the Paying Agent Agreement and continuing until the District Bonds have been remarketed or Metropolitan has otherwise elected not to sell the District Bonds pursuant to the Paying Agent Agreement. Notwithstanding anything in the Paying Agent Agreement to the contrary, Metropolitan will pay all principal and interest on the District Bonds to the Paying Agent on the date on which such principal or interest is due and payable in accordance with the wire transfer instructions that the Paying Agent provides Metropolitan before such Interest Payment Date. The Paying Agent will hold all District Bond Received Amounts in trust for Metropolitan and apply all District Bond Received Amounts as provided in the Paying Agent Agreement.

Metropolitan will not sell, assign or otherwise dispose of any District Bonds other than through a remarketing of the District Bonds pursuant to the Paying Agent Agreement; *provided*, *however*, that Metropolitan will be permitted to cancel any District Bonds at any time by surrendering such District Bonds to the Fiscal Agent for cancellation pursuant to the terms of the Master Resolution. The District Bonds and the Bond Register maintained by the Paying Agent will be noted indicating the requirement of such prohibition.

Method of Notice of Election to Change Interest Mode. If Metropolitan elects to change the Interest Mode on the 2022C Bonds to a Flexible Index Mode, an Index Mode, a Weekly Mode, a Short-Term Mode or a Long Mode as provided in the Paying Agent Agreement, then the written direction furnished by Metropolitan to the other Notice Parties as required by the Paying Agent Agreement will be made by registered or certified mail or by Electronic Notice. Any such direction of Metropolitan will specify whether the 2022C Bonds are to bear interest at an Index Tender Rate (and in such case, whether in the Flexible Index Mode or the Index Mode), a Weekly Rate, Bond Interest Term Rates or a Long Rate and will be accompanied by the form of the notice required to be given by the Paying Agent pursuant to the Paying Agent Agreement. Notwithstanding anything in the Paying Agent Agreement to the contrary, following the conversion of the 2022C Bonds to a Fixed Interest Rate, Metropolitan may not elect to adjust the interest rate on the 2022C Bonds from a Fixed Interest Rate to any other Interest Mode.

Accrual of Interest

Except as provided in the Paying Agent Agreement with respect to Bank Bonds and District Bonds, each 2022C Bond will bear interest from and including the Interest Accrual Date immediately preceding the date of authentication thereof, or, if such date of authentication is an Interest Accrual Date to which interest on the 2022C Bonds has been paid in full or duly provided for or the date of initial authentication of the 2022C Bonds, from such date of authentication; *provided*, *however*, that if, as shown by the records of the Paying Agent, interest on the 2022C Bonds is in default, 2022C Bonds issued in exchange for their respective 2022C Bonds surrendered for registration of transfer or exchange will bear interest from the date to which interest has been paid in full on the 2022C Bonds or, if no interest has been paid on the 2022C Bonds, from the date of the first authentication of 2022C Bonds under the Paying Agent Agreement. Interest on the 2022C Bonds will be payable on each Interest Payment Date for the period commencing on the immediately preceding Interest Accrual Date or otherwise as provided in the Paying Agent Agreement and ending on the day immediately preceding such Interest Payment Date. In any event, interest on the 2022C Bonds will be payable for the final Interest Rate Period to the date on which the 2022C Bonds have been paid in full. Interest will be computed, in the case of 2022C Bonds bearing interest at the Fixed Interest Rate or in the Long Mode, on the basis of a 360-day year consisting of twelve 30-day months, and in the case of 2022C Bonds bearing interest in any other Interest Mode, on the basis of a 365 or 366-day year, as appropriate, for the actual number of days elapsed.

Conversion to Fixed Interest Rate

If the Remarketing Agent fails, refuses or is unable to determine the Fixed Interest Rate prior to the Fixed Rate Date, then the 2022C Bonds will bear interest in the Interest Mode in effect prior to the Fixed Rate Date until such time as Metropolitan elects a new Interest Mode as provided in the Paying Agent Agreement or again exercises its option to convert to a Fixed Interest Rate. If, at the direction of Metropolitan, the Remarketing Agent resumes determination of the Fixed Interest Rate pursuant to the Paying Agent Agreement, the foregoing provisions will apply as if there had been no prior invalidation or failure by the Remarketing Agent to determine the Fixed Interest Rate.

Notice of Conversion to Fixed Interest Rate

If Metropolitan exercises its option to convert the 2022C Bonds to the Fixed Interest Rate, the Paying Agent will give notice of such conversion to the Rating Agencies, any Liquidity Provider, the Remarketing Agent and, as required by the Paying Agent Agreement, by Mail to the Owners of the 2022C Bonds (or, if the 2022C Bonds are then Book-Entry Bonds, then to DTC by Mail or by Electronic Notice) not less than seven days prior to the Fixed Rate Date. Such notice will state: (i) that the interest rate with respect to the 2022C Bonds will be converted to the Fixed Interest Rate; (ii) the Fixed Rate Date; (iii) the date the Fixed Interest Rate is to be established; (iv) that interest on the 2022C Bonds will be payable on each January 1 and July 1 after the Fixed Rate Date; (v) that subsequent to the Fixed Rate Date, the Owners will no longer have the right to deliver the 2022C Bonds to the Paying Agent for purchase; (vi) that all Outstanding 2022C Bonds will be purchased on the Fixed Rate Date, setting forth the applicable Purchase Price; and (vii) that on and after the Fixed Rate Date, the Owners of the 2022C Bonds immediately preceding the Fixed Rate Date will be deemed to have tendered their 2022C Bonds as of the Fixed Rate Date to the Paying Agent. From and after the Fixed Rate Date, such Owners will not be entitled to any payment (including any interest to accrue from and after the Fixed Rate Date) other than the Purchase Price for such 2022C Bonds which will be an amount equal to the principal amount thereof plus accrued interest, if any, with respect thereto, calculated as of the Fixed Rate Date. From and after the Fixed Rate Date, such 2022C Bonds will no longer otherwise be entitled to the specified benefits of the Paying Agent Agreement as further provided therein. The 2022C Bonds will be purchased on the Fixed Rate Date in accordance with and from the sources of funds specified in the Paying Agent Agreement.

Interest Mode Following the Termination of a Purchase Default Period

Upon the termination of a Purchase Default Period, Metropolitan may deliver the 2022C Bonds to new Owners in any Interest Mode that Metropolitan elects (including the Flexible Index Mode and the Index Mode) upon delivery by Metropolitan to the Paying Agent of a Favorable Opinion of Bond Counsel. Metropolitan will evidence its election by delivering to the other Notice Parties the written direction described in the Paying Agent Agreement, which direction will be effective immediately upon delivery without regard to any notice requirement contained therein.

Conversion of 2022C Bonds to Fixed Interest Rate following the Termination of a Purchase Default Period

Upon the termination of a Purchase Default Period, Metropolitan may elect to deliver the 2022C Bonds to new Owners such that they bear interest at a Fixed Interest Rate upon delivery by Metropolitan to the Paying Agent of a Favorable Opinion of Bond Counsel. Metropolitan will evidence its election by delivering to the other Notice Parties the written direction described in the Paying Agent Agreement, which direction will be effective immediately upon delivery without regard to any notice requirement contained therein.

BOOK-ENTRY BONDS

Book-Entry System; Limited Obligation

(a) Except as otherwise provided in the Paying Agent Agreement, the 2022C Bonds will be registered in the form of one fully registered bond in the name of the Securities Depository or its nominee and ownership thereof will be maintained in book-entry form by the Securities Depository for the account of the Participants thereof. Initially, the 2022C Bonds will be registered in the name of Cede & Co., as the nominee of the Securities Depository, and payment of principal and interest for any 2022C Bonds registered in the name of Cede & Co. will be made as provided in the Representation Letter. Except as provided in the Paying Agent Agreement, the 2022C Bonds may be transferred, in whole but not in part, only to the Securities Depository or a nominee of the Securities Depository, or to a successor Securities Depository selected by Metropolitan or to a nominee of such successor Securities Depository. Each global bond will bear a legend substantially to the following effect: "Unless this Bond is presented by an authorized representative of the Securities Depository (as defined in the Master Resolution) to the Paying Agent for registration of transfer, exchange, or payment, and any 2022C Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of the Securities Depository (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of the Securities Depository), any transfer, pledge, or other use hereof for value or otherwise by or to any person is wrongful inasmuch as the registered owner hereof, Cede & Co., has an interest herein."

(b) Metropolitan and the Paying Agent have no responsibility or obligation with respect to: (i) the accuracy of the records of the Securities Depository, its nominee or any Participant with respect to any beneficial ownership interest in the 2022C Bonds; (ii) the delivery to any Participant, Beneficial Owner or other Person, other than the Securities Depository, of any notice with respect to the 2022C Bonds; (iii) the payment to any Participant, Beneficial Owner or other Person, other than the Securities Depository, of any amount with respect to the principal of, premium, if any, or interest on, the 2022C Bonds; (iv) any consent given by the Securities Depository or its nominee as Owner; or (v) the selection by the Securities Depository or any Participant of any Beneficial Owners to receive payment if the 2022C Bonds are redeemed in part.

So long as the certificates for the 2022C Bonds issued pursuant to the Resolutions, as supplemented, including by, among other things, the Paying Agent Agreement, are not issued pursuant to clause (c) below, Metropolitan and the Paying Agent may treat the Securities Depository as, and deem the Securities Depository to be, the absolute Owner of such 2022C Bonds for all purposes whatsoever, including without limitation: (i) the payment of principal, premium, if any, and interest on or Purchase Price of such 2022C Bonds; (ii) giving notices of redemption or mandatory tenders and other matters with respect to such 2022C Bonds; and (iii) registering transfers with respect to such 2022C Bonds.

(c) If at any time the Securities Depository notifies Metropolitan that it is unwilling or unable to continue as Securities Depository with respect to the 2022C Bonds or if at any time the Securities Depository is no longer registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation, and a successor Securities Depository is not appointed by Metropolitan within 90 days after Metropolitan receives notice or becomes aware of such condition, as the case may be, clauses (a) and (b) above will no longer be applicable and Metropolitan will execute and the Paying Agent will authenticate and deliver certificates representing the 2022C Bonds as provided below. In addition, Metropolitan may determine at any time that the 2022C Bonds will no longer be represented by global certificates and that the provisions of clauses (a) and (b) above will no longer apply to such 2022C Bonds. In any such event Metropolitan will execute and the Paying Agent will authenticate and deliver certificates representing the 2022C Bonds as provided below. Certificates for the 2022C Bonds issued in exchange for a global certificate pursuant to the Paying Agent Agreement will be registered in such names and authorized denominations as the Securities Depository, pursuant to instructions from the Participants or otherwise, instructs Metropolitan and the Paying Agent.

(d) Notwithstanding any other provision of the Paying Agent Agreement to the contrary, so long as any 2022C Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal or Redemption Price of and interest on or the Purchase Price of such 2022C Bonds and all notices with respect to such 2022C Bonds will be made and given, respectively, to DTC as provided in the Representation Letter.

(e) In connection with any notice or other communication to be provided to Owners of the 2022C Bonds pursuant to the Paying Agent Agreement by Metropolitan or the Paying Agent with respect to any consent or other action to be taken by Owners of 2022C Bonds, Metropolitan or the Paying Agent, as the case may be, will establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible. Notice to DTC will be given only when DTC is the Owner of the 2022C Bonds.

(f) If Metropolitan purchases, or causes the Paying Agent to purchase, any of the 2022C Bonds, such purchase of the 2022C Bonds is deemed to have occurred upon Metropolitan's purchase of beneficial ownership interests in the 2022C Bonds from a Participant. If Metropolitan so directs DTC in writing, upon receipt by DTC of notice from Metropolitan and a Participant that a purchase of beneficial ownership interests in the 2022C Bonds has been made by Metropolitan from such Participant, DTC will surrender to the Paying Agent such 2022C Bonds referenced in such notice and, if the principal amount referenced in such notice is less than the principal amount of the 2022C Bonds so surrendered, the Paying Agent will authenticate and deliver to DTC, in exchange for the 2022C Bonds so surrendered, a new 2022C Bond or 2022C Bonds, in Authorized Denominations and in a principal amount equal to the difference between: (i) the principal amount of the 2022C Bonds so surrendered; and (ii) the principal amount referenced in such notice; *provided*, *however*, that the foregoing provisions will not apply to any District Bonds and Metropolitan's ownership and disposition of District Bonds will be governed by the Paying Agent Agreement.

(g) Notwithstanding any provision in the Paying Agent Agreement to the contrary, Metropolitan and the Paying Agent may agree to allow DTC, or its nominee, Cede & Co., to make a notation on any 2022C Bond redeemed or defeased in part to reflect, for informational purposes only, the principal amount and date of any such redemption or defeasance.

(h) Notwithstanding any provision in the Paying Agent Agreement to the contrary, so long as the 2022C Bonds are subject to a system of book-entry transfers pursuant to the Paying Agent Agreement, any requirement for the delivery of the 2022C Bonds to the Paying Agent in connection with a tender pursuant to the Paying Agent Agreement will be deemed satisfied upon the transfer, on the registration books of DTC, of the beneficial ownership interests in such 2022C Bonds tendered for purchase to the account of the Paying Agent, or a Participant acting on behalf of or at the direction of such Paying Agent.

(i) Notwithstanding anything in the Paying Agent Agreement to the contrary, in no event will DTC be permitted to substitute a new nominee in place of Cede & Co. while the 2022C Bonds and a Master Note are outstanding unless DTC substitutes the same nominee in place of Cede & Co. with respect to both the 2022C Bonds and such Master Note. Neither the 2022C Bonds nor any Master Note is subject to transfer by Cede & Co. unless the 2022C Bonds and such Master Note are assigned together to the same transferee.

Transfers Outside Book-Entry System

If at any time ownership of the 2022C Bonds is no longer maintained in book-entry form, the transfer and exchange of the 2022C Bonds will be governed by the provisions of the Resolutions.

Bond Register

The Paying Agent, as agent of the Fiscal Agent with respect to the 2022C Bonds, will keep or cause to be kept at its Corporate Trust Office sufficient books for the registration of, and registration of transfer of, the 2022C Bonds which books will at all times during regular business hours be open to inspection by Metropolitan upon prior reasonable notice. Upon presentation for registration of transfer, the Paying Agent will, as provided in the Resolutions and under such reasonable regulations as it may prescribe, subject to the provisions of the Resolutions and the Paying Agent Agreement, register or register the transfer of the 2022C Bonds, or cause the same to be registered or cause the registration of the same to be transferred, on such books.

REDEMPTION OF 2022C BONDS

Redemption of Bank Bonds

Bank Bonds will be subject to optional and mandatory redemption by Metropolitan on the dates, at the times, in the amounts and in the manner as provided in the applicable Liquidity Facility, if any.

Partial Redemption of 2022C Bonds

Upon surrender of any 2022C Bond to be redeemed in part only, the Paying Agent will issue to the Owner thereof a new bond or bonds representing the unredeemed principal amount of such 2022C Bond surrendered.

REMARKETING AGENT; PAYING AGENT

Remarketing Agent for 2022C Bonds; Qualifications; Resignation and Removal

(a) The initial Remarketing Agent for the 2022C-1 Bonds will be TD Securities (USA) LLC, with its principal office at 1 Vanderbilt Avenue, New York, New York 10017, Attention: Municipal Bond Department Short-Term Desk, and for the 2022C-2 Bonds will be Goldman Sachs & Co. LLC, with its principal office at 200 West Street, 5th Floor, New York, New York 10282-2198, Attention: Municipal Money Market Sales and Trading. The Remarketing Agent will perform its duties and obligations as provided in the Remarketing Agreement. Metropolitan will appoint any successor Remarketing Agent for the 2022C Bonds subject to the conditions set forth in the Paying Agent Agreement. Each successor Remarketing Agent will designate its principal office and signify its acceptance of the duties and obligations imposed upon it under the Paying Agent Agreement by a written instrument of acceptance delivered to Metropolitan (which acceptance may be included in the Remarketing Agreement) under which the Remarketing Agent will agree, particularly, to keep such books and records as are consistent with prudent industry practice and to make such books and records available for inspection by Metropolitan at all reasonable times.

(b) The Remarketing Agent will be a member of the Financial Industry Regulatory Authority having a combined capital stock, surplus and undivided profits of at least $100,000,000 and authorized by law to perform all the duties imposed upon it by the Paying Agent Agreement. The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by the Paying Agent Agreement by giving notice to Metropolitan, the Fiscal Agent, the Paying Agent and any Liquidity Provider. Such resignation will take effect on the 60^{th} day after the receipt by Metropolitan of the notice of resignation. Notwithstanding the foregoing, the Remarketing Agent may not resign or be discharged of the duties and obligations created by the Paying Agent Agreement on any date that is less than 30 days before a Scheduled Mandatory Tender Date. The Remarketing Agent may be removed for any reason by Metropolitan upon 30 days' notice to the Remarketing Agent and the other Notice Parties; *provided*, *however*, if the Remarketing Agent is in default under the Remarketing Agreement, Metropolitan may immediately remove the Remarketing Agent at any time by written notice given by Metropolitan and delivered to the Remarketing Agent and the other Notice Parties.

Paying Agent for 2022C Bonds; Qualifications of Paying Agent

(a) The initial Paying Agent for the 2022C Bonds will be Computershare Trust Company, N.A., through its Corporate Trust Office at 600 S. 4th Street, 7th Floor, Minneapolis, Minnesota 55415. Metropolitan will appoint any successor Paying Agent for the 2022C Bonds, subject to the conditions set forth in the Paying Agent Agreement. Each successor Paying Agent will designate its Corporate Trust Office(s) for delivery of notices and delivery of 2022C Bonds and signify its acceptance of the duties and obligations imposed upon it under the Paying Agent Agreement by a written instrument of acceptance delivered to the Fiscal Agent, Metropolitan, the Liquidity Provider, if any, and the Remarketing Agent. By acceptance of its appointment under the Paying Agent Agreement, the Paying Agent has agreed:

(i) to hold all 2022C Bonds delivered to it pursuant to the Paying Agent Agreement, as agent and bailee of, and in escrow for the benefit of, the respective Owners which have so delivered such 2022C Bonds until moneys representing the Purchase Price of such 2022C Bonds have been delivered to or for the account of or to the order of such Owners;

(ii) if 2022C Bonds bear interest in a Flexible Index Mode or an Index Mode, to perform the actions set forth in or contemplated by the Paying Agent Agreement to be performed by it;

(iii) to establish and maintain a separate segregated trust fund designated as the "Purchase Fund" containing a Remarketing Proceeds Account (the "**Remarketing Proceeds Account**"), a Purchase Account (the "**Purchase Account**") and a District Account (the "**District Account**") in accordance with the Paying Agent Agreement until such time as it has been discharged from its duties as Paying Agent under the Paying Agent Agreement;

(iv) to hold all moneys (without investment or commingling thereof) delivered to it under the Paying Agent Agreement in the Purchase Fund for the purchase of the 2022C Bonds pursuant to the Paying Agent Agreement, as agent and bailee of, and in escrow for the benefit of, the person or entity which will have so delivered such moneys until the 2022C Bonds purchased with such moneys have been delivered to or for the account of such person or entity;

(v) to hold all moneys that any Liquidity Provider delivers to it pursuant to the Paying Agent Agreement and that Metropolitan delivers to it pursuant to the Paying Agent Agreement for the purchase of 2022C Bonds pursuant to the Paying Agent Agreement, as agent and bailee of, and in escrow for the benefit of, the Owners or former Owners who tender 2022C Bonds to it for purchase until the 2022C Bonds purchased with such moneys have been delivered to or for the account of the Liquidity Provider or Metropolitan, as applicable;

(vi) to establish and maintain a separate segregated trust fund designated as the "**Redemption Fund**" to hold and invest moneys for the redemption of the 2022C Bonds pursuant to the Paying Agent Agreement until such time as it has been discharged from its duties as Paying Agent;

(vii) to establish and maintain such additional funds and accounts as it may be directed by Metropolitan to carry out its duties and responsibilities under the Paying Agent Agreement, or as it may deem appropriate;

(viii) to hold all 2022C Bonds registered in the name of the new Owners thereof for delivery to the Remarketing Agent; and

(ix) to keep such books and records as are consistent with corporate trust industry practice and to make such books and records available for inspection by Metropolitan, the Fiscal Agent, the Liquidity Provider, if any, and the Remarketing Agent at all reasonable times upon prior reasonable notice.

Metropolitan will cooperate with the Paying Agent to cause the necessary arrangements to be made and to be thereafter continued to enable the Paying Agent to perform its duties and obligations described above. The Paying Agent undertakes to perform such duties and only such duties as are specifically set forth in the Paying Agent Agreement.

(b) The Paying Agent will be a banking association or corporation with trust powers duly organized under the laws of the United States of America or any state or territory thereof, and authorized by law to perform all the duties imposed upon it by the Paying Agent Agreement, having a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000 and will be subject to supervision or examination by a federal or State banking authority. If such bank, banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Paying Agent Agreement, the combined capital and surplus of such bank, banking association or trust company will be deemed to be its combined capital and surplus set forth in its most recent report of condition so published. Notwithstanding the foregoing, a bank, banking association or trust company which does not have a combined capital and surplus of at least $50,000,000 may become a Paying Agent under the Paying Agent Agreement if its obligations thereunder are guaranteed by an affiliate which meets the qualifications of a Paying Agent thereunder and such guaranty is acceptable in form and substance to Metropolitan.

Compensation of Paying Agent

Subject to the terms of any compensation agreement, Metropolitan will from time to time, on demand, pay to the Paying Agent reasonable compensation for its services and reimburse the Paying Agent for all of its advances and expenditures, including but not limited to advances to and reasonable fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties under the Paying Agent Agreement; *provided*, that the fees of the initial Paying Agent will be paid in accordance with the schedule set forth in the Paying Agent Agreement.

Removal of Paying Agent

Metropolitan may, so long as no Event of Default under the Paying Agent Agreement or an "Event of Default" under the Master Resolution has occurred and is continuing, upon 30 days' notice to the Paying Agent, or the Owners of a majority of the 2022C Bonds Outstanding may by written request at any time upon 30 days' notice to Metropolitan and the Paying Agent and for any reason, remove the Paying Agent and any successor thereto, and Metropolitan will thereupon appoint a successor or successors thereto, subject to the qualifications set forth in the Paying Agent Agreement. Any removal of the Paying Agent will become effective upon acceptance of appointment by the successor Paying Agent and the transfer of any Liquidity Facility. Upon the effective date of removal of the Paying Agent, the Paying Agent will deliver any 2022C Bonds and moneys held by it in such capacity to its successor.

Resignation of Paying Agent

The Paying Agent or any successor may at any time resign by giving at least 60 days' written notice to Metropolitan, the Fiscal Agent, any Liquidity Provider and the Remarketing Agent, and by giving notice by Mail to the Owners of its intention to resign and of the proposed date of resignation. Upon receiving such notice of resignation, Metropolitan will promptly appoint a successor Paying Agent by an instrument in writing; *provided*, *however*, that in the event Metropolitan fails to appoint a successor Paying Agent within 45 days following receipt of such written notice of resignation, the resigning Paying Agent may petition the appropriate court having jurisdiction to appoint a successor paying agent. Any resignation of the Paying Agent will become effective upon acceptance of appointment by the successor Paying Agent and the transfer of any Liquidity Facility. Upon the effective date of resignation of the Paying Agent, the Paying Agent will deliver any 2022C Bonds and moneys held by it in such capacity to its successor.

Merger or Consolidation

Any company into which the Paying Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it is a party or any company to which the Paying Agent may sell or transfer all or substantially all of its corporate trust business (*provided* that such company is eligible under the Paying Agent Agreement), will be the successor to the Paying Agent without the execution or filing of any papers or further act, anything in the Paying Agent Agreement to the contrary notwithstanding.

Protection and Rights of the Paying Agent

The Paying Agent will be protected and will incur no liability in acting upon or processing in good faith any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it in good faith believes to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of the Paying Agent Agreement, and the Paying Agent is under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Paying Agent may consult with counsel, who may or may not be counsel to Metropolitan, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it in good faith reliance thereon; *provided*, *however*, that the Paying Agent will receive Metropolitan's prior written consent (which consent will not be unreasonably withheld) prior to incurring legal fees and expenses estimated in good faith in excess of $2,500.

The Paying Agent will not be liable for any error in judgment made by a responsible officer of the Paying Agent, unless it is proved that the Paying Agent was negligent in ascertaining the pertinent facts. The Paying Agent will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the written direction of the Owners of not less than a majority of the Outstanding 2022C Bonds relating to the exercise of any trust or power conferred upon the Paying Agent under the Paying Agent Agreement.

Whenever in the administration of its duties under the Paying Agent Agreement the Paying Agent deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof is specifically prescribed) will be deemed to be conclusively proved and established by a certificate of an Authorized District Representative and such certificate will be full warranty to the Paying Agent for any action taken or suffered under the provisions of the Paying Agent Agreement in good faith reliance thereon, but in its discretion the Paying Agent may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

The Paying Agent may become an Owner of 2022C Bonds with the same rights it would have if it were not the Paying Agent; may acquire and dispose of 2022C Bonds or other evidences of indebtedness of Metropolitan and enforce its rights as Owner thereof to the same extent as if it were not the Paying Agent; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of 2022C Bonds, whether or not such committee represents the Owners of a majority of the 2022C Bonds Outstanding.

No provision in the Paying Agent Agreement requires the Paying Agent to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder if it has reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it.

In accepting the appointment as Paying Agent under the Paying Agent Agreement, the Paying Agent acts solely as an agent for Metropolitan and not in its individual capacity and all persons, including without limitation the Owners and Metropolitan, having any claim against the Paying Agent arising from the Paying Agent Agreement will look only to the funds and accounts held by the Paying Agent thereunder for payment except as otherwise provided therein. The Paying Agent does not assume any obligation or relationship of agency or trust for the Owners, except that all funds held by the Paying Agent for the payment of principal of, or premium, if any, or interest on the 2022C Bonds or for the payment of the Purchase Price for the 2022C Bonds will be held in trust for such Owners as set forth in the Paying Agent Agreement and in the 2022C Bonds. Under no circumstances will the Paying Agent be liable in its individual capacity for the obligations evidenced by the 2022C Bonds.

The Paying Agent will not be deemed to have knowledge of any Event of Default under the Paying Agent Agreement or under the Master Resolution unless and until the corporate trust department of the Paying Agent has actual knowledge thereof. Upon the occurrence of any Event of Default the Paying Agent will have no duty or obligation to exercise any right, power or remedy under the Paying Agent Agreement.

The recitals contained in the Paying Agent Agreement and in the 2022C Bonds, except the Paying Agent's certificates of authentication, will be taken as the recitals of Metropolitan, and the Paying Agent assumes no responsibility for the correctness of the same or for the accuracy or completeness of any information set forth or required to be set forth in any offering material, including any Official Statement or other disclosure document, used in connection with the offering for sale or the sale of the 2022C Bonds. The Paying Agent will not be accountable for the use or application by Metropolitan or any other person of any funds which the Paying Agent has released under the Paying Agent Agreement.

The Paying Agent: (i) may execute any of the trusts or powers of the Paying Agent Agreement and perform the duties required of it thereunder by or through attorneys, agents or receivers; (ii) will be entitled to advice of counsel concerning all matters of trust and concerning its duties thereunder and rely conclusively on such advice; and (iii) will not be answerable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care.

The Paying Agent has the right to accept and act upon instructions, including funds transfer instructions ("**Instructions**") given pursuant to the Paying Agent Agreement and delivered using Electronic Means. "Electronic Means" means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Paying Agent, or another method or system specified by the Paying Agent as available for use in connection with its services under the Paying Agent Agreement); *provided*, *however*, that Metropolitan will provide to the Paying Agent an incumbency certificate listing officers with the authority to provide such Instructions ("**Authorized Officers**") and containing specimen signatures of such Authorized Officers, which incumbency certificate will be amended by Metropolitan, whenever a person is to be added or deleted from the listing. If Metropolitan elects to give the Paying Agent Instructions using Electronic Means and the Paying Agent in its discretion elects to act upon such Instructions, the Paying Agent's understanding of such Instructions will be deemed controlling. Metropolitan has understood and agreed that the Paying Agent cannot determine the identity of the actual sender of such Instructions and that the Paying Agent will conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Paying Agent have been sent by such Authorized Officer. Metropolitan will be responsible for ensuring that only Authorized Officers transmit such Instructions to the Paying Agent and that Metropolitan and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by Metropolitan. The Paying Agent will not be liable for any losses, costs or expenses arising directly or indirectly from the Paying Agent's reliance upon and compliance with such Instructions notwithstanding the fact that such directions conflict or are inconsistent with a subsequent written instruction. Metropolitan agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Paying Agent, including without limitation the risk of the Paying Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Paying Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by Metropolitan; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Paying Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

Paying Agent to Act as Set Forth in the Paying Agent Agreement

The Paying Agent has the power to receive, to hold and to disburse moneys in accordance with the terms of the Paying Agent Agreement. The Paying Agent has no power to vary, alter or substitute the corpus of any trust created pursuant to the Paying Agent Agreement at any time, except as specifically authorized therein.

Indemnification

To the extent permitted by law, Metropolitan has agreed to indemnify and save the Paying Agent and its officers, directors, agents and employees harmless from and against all liabilities, costs, suits, judgments, claims, suits and actions brought against it, or to which it is made a party, and from all losses and damages (including the reasonable fees and expenses of counsel) suffered by it as a result thereof, or in connection with or arising from any other document executed in connection with the Paying Agent Agreement, including where and to the extent such claim, suit or action arises out of the actions of any other party to the Paying Agent Agreement, except to the extent such claims arise from the negligence or willful misconduct of the Paying Agent. The foregoing sentence will survive the termination of the Paying Agent Agreement and the earlier removal or resignation of the Paying Agent. If Metropolitan is required to indemnify the Paying Agent as provided in the Paying Agent Agreement, Metropolitan will be subrogated to the rights of the Paying Agent to recover such losses or damages from any other person or entity.

REMARKETING AND PURCHASE OF 2022C BONDS DURING INTEREST MODES OTHER THAN FLEXIBLE INDEX MODE OR INDEX MODE

Notice of 2022C Bonds Delivered for Purchase; Purchase of 2022C Bonds

The Fiscal Agent or Paying Agent will authenticate a new 2022C Bond or 2022C Bonds in an aggregate principal amount equal to the principal amount of 2022C Bonds purchased in accordance with the Paying Agent Agreement, whether or not the 2022C Bonds so purchased are presented by the Owners thereof on the purchase date therefor, bearing a number or numbers not contemporaneously outstanding. Every 2022C Bond authenticated and delivered as provided in the Paying Agent Agreement will be entitled to all of the benefits of the Paying Agent Agreement equally and proportionately with any and all other

2022C Bonds duly issued and authenticated thereunder. The Fiscal Agent or Paying Agent will maintain a record of the 2022C Bonds purchased as provided in the Paying Agent Agreement, together with the names and addresses of the former Owners thereof. The Paying Agent will make the notation on the Bond Register designating as Bank Bonds any 2022C Bonds purchased with moneys from the Liquidity Facility held in trust pursuant to the Paying Agent Agreement or as District Bonds any 2022C Bonds purchased with moneys from Metropolitan held in trust pursuant to the Paying Agent Agreement.

If any 2022C Bonds purchased as provided in the Paying Agent Agreement are not presented to the Paying Agent, the Paying Agent will segregate and hold the moneys for the Purchase Price of such 2022C Bonds in trust for the benefit of the former Owners of such 2022C Bonds, who will, except as provided in the following sentence, thereafter be restricted exclusively to such moneys for the satisfaction of any claim for the Purchase Price of such 2022C Bonds, and such 2022C Bonds will no longer be deemed Outstanding. Any moneys which the Paying Agent will segregate and hold in trust for the payment of the Purchase Price of any 2022C Bond and remaining unclaimed for two years after the date of purchase will, upon Metropolitan's written request to the Paying Agent, be paid to Metropolitan (without liability for interest). After the payment of such unclaimed moneys to Metropolitan, the former Owner of such 2022C Bond will look only to Metropolitan for the payment thereof, and Metropolitan will not be liable for any interest thereon and will not be regarded as a trustee of such moneys.

Remarketing of 2022C Bonds; Notice of Interest Rates

(a) Notice of Interest Rates and Purchasers. The Remarketing Agent will determine the rate of interest (or, in the case of a tender for purchase in connection with a change of Interest Mode to the Flexible Index Mode or the Index Mode, the minimum fixed per annum interest rate spread to SIFMA) to be borne by the 2022C Bonds during each Interest Rate Period (other than for Bank Bonds and District Bonds) and will furnish to Metropolitan, the Paying Agent and the Fiscal Agent on the Business Day immediately after the date of determination each rate of interest (or interest rate spread) so determined by Electronic Notice; *provided*, that, during the Daily Mode, the Remarketing Agent may provide each effective Daily Rate relating to each day in a weekly report prepared and provided on the last Business Day of each week to the Notice Parties.

(b) Notice of Purchasers. In the case of: (i) 2022C Bonds tendered pursuant to the Paying Agent Agreement, the Remarketing Agent will give notice to the Fiscal Agent and the Paying Agent by Electronic Notice no later than 4:00 p.m. (New York City time) on the Business Day preceding the purchase date therefor; and (ii) (A) Liquidity Supported Bonds tendered pursuant to the Paying Agent Agreement; and (B) Self-Liquidity Bonds in the Daily Mode tendered pursuant to the Paying Agent Agreement, the Remarketing Agent will give notice to the Fiscal Agent and the Paying Agent by Electronic Notice no later than 11:30 a.m. (New York City time) on the purchase date therefor, in each case: (x) specifying the aggregate principal amount of 2022C Bonds, if any, sold by it; and (y) for 2022C Bonds that are not Book-Entry Bonds, if any, providing a list of such purchasers showing the names and denominations in which the Paying Agent will register such 2022C Bonds in the Bond Register.

Delivery of 2022C Bonds

2022C Bonds purchased with remarketing proceeds will be made available by the Paying Agent to the Remarketing Agent for delivery to the purchasers thereof against payment therefor. Unless otherwise provided in the applicable Liquidity Facility, the Paying Agent will hold 2022C Bonds purchased with from the Liquidity Facility as agent of any Liquidity Provider. Unless Metropolitan otherwise specifies in a written direction, the Paying Agent will hold 2022C Bonds purchased with moneys from Metropolitan as agent of Metropolitan. Except as provided in the Paying Agent Agreement, 2022C Bonds delivered as provided in the Paying Agent Agreement will be registered in the manner directed by the recipient thereof.

Delivery of Proceeds of Sale

The proceeds of the sale by the Remarketing Agent of any 2022C Bonds delivered to it by, or held by it for the account of, the Fiscal Agent or the Liquidity Provider, will be turned over to the Paying Agent by 11:30 a.m. (New York City time), on the Business Day on which 2022C Bonds are to be purchased pursuant to the Paying Agent Agreement.

Demand of Metropolitan to Purchase Self-Liquidity Bonds

By 11:30 a.m. (New York City time) on the purchase date, the Paying Agent will notify Metropolitan by Electronic Notice as to the aggregate Purchase Price of tendered Self-Liquidity Bonds that Metropolitan is required to purchase and to make a demand for the purchase of such Self-Liquidity Bonds such that the Paying Agent will receive amounts sufficient to pay the Purchase Price of all tendered Self-Liquidity Bonds no later than 12:30 p.m. (New York City time) on the purchase date. If Metropolitan receives from the Paying Agent by Electronic Notice a demand for the purchase of Self-Liquidity Bonds pursuant to the Paying Agent Agreement no later than 11:30 a.m. (New York City time) on a purchase date, then Metropolitan has covenanted that it will deliver to the Paying Agent amounts sufficient for the Paying Agent to pay the Purchase Price of all tendered Self-Liquidity Bonds no later than 12:30 p.m. (New York City time) on the purchase date. Upon the receipt of amounts from Metropolitan, the Paying Agent will deposit an amount equal to the Purchase Price of all tendered Self-Liquidity Bonds in the District Account of the Purchase Fund. In determining the amount of any such Purchase Price then due, the Paying Agent will not take into consideration any Purchase Price due on any District Bonds to the extent identified to the Paying Agent and the Paying Agent will make no demand to Metropolitan to pay the Purchase Price of any District Bonds to the extent identified to the Paying Agent. By 2:30 p.m. (New York City time) the Paying Agent will purchase the tendered Self-Liquidity Bonds, and remit to Metropolitan such funds in the District Account which the Paying Agent did not use to purchase the tendered 2022C Bonds. The foregoing provision does not apply to any Liquidity Supported Bonds.

Notice of Remarketing of Bank Bonds or District Bonds; Election Not to Sell Bank Bonds or District Bonds

From and after the date on which 2022C Bonds become Bank Bonds or District Bonds, the Remarketing Agent will continue to use its best efforts to remarket the Bank Bonds or District Bonds, as applicable, at a price which will equal the principal amount thereof plus accrued and unpaid interest thereon to such date. The Liquidity Provider (or any subsequent Owner of a Bank Bond), in the case of Bank Bonds, and Metropolitan, in the case of District Bonds, will have the right, by written notice or by telephonic notice, promptly confirmed in writing to the Remarketing Agent, the Fiscal Agent and the Paying Agent, to elect not to sell the Bank Bonds or the District Bonds, as applicable, or any portion thereof. If: (a) the Remarketing Agent sells Bank Bonds or District Bonds or the Liquidity Provider or Metropolitan elects not to sell Bank Bonds or District Bonds, as applicable, in each case, pursuant to the Paying Agent Agreement; (b) the Paying Agent, on behalf of the Liquidity Provider or Metropolitan, as applicable, receives the Purchase Price for such Bank Bonds or District Bonds (unless the Liquidity Provider or Metropolitan elect not to sell such Bank Bonds or District Bonds); and (c) solely in the case of Bank Bonds, the Liquidity Provider provides written notice the Paying Agent that it reinstates the Liquidity Facility then in effect in the principal amount equal to such Bank Bonds, then such 2022C Bonds will cease to be Bank Bonds or District Bonds, as applicable, and will bear interest as provided in the Paying Agent Agreement for 2022C Bonds other than Bank Bonds or District Bonds. Notwithstanding anything in the Paying Agent Agreement to the contrary, if Metropolitan purchased any District Bonds in whole or in part from proceeds from any Revolving Credit Facility, Metropolitan has no right to elect not to sell District Bonds pursuant to the Paying Agent Agreement unless Metropolitan delivers a certificate to the Paying Agent (which certificate will be dated no earlier than five days before the date on which District Bonds are to be sold pursuant to the Paying

Agent Agreement) that, as of the date of the certificate, there were no amounts then outstanding under any such Revolving Credit Facility.

LIQUIDITY FACILITIES AND ALTERNATE LIQUIDITY FACILITIES

Liquidity Facilities and Alternate Liquidity Facilities for the 2022C Bonds Designated as Liquidity Supported Bonds

On the effective date of any designation of the 2022C Bonds as Liquidity Supported Bonds (either in connection with a change in the Interest Mode of the 2022C Bonds to the Weekly Mode, Short-Term Mode or Long Mode or pursuant to a change from Self-Liquidity Bonds to Liquidity Supported Bonds), Metropolitan will cause to be executed and delivered to the Paying Agent a Liquidity Facility providing for the purchase, in accordance with the terms thereof, of the 2022C Bonds, which are tendered for purchase as provided in the Paying Agent Agreement and not remarketed. In connection with the execution and delivery of a Liquidity Facility, Metropolitan will satisfy all of the conditions set forth in the Paying Agent Agreement. Notwithstanding the foregoing, any Liquidity Facility (and any Alternate Liquidity Facility) may provide for conditions under which the Liquidity Provider's obligation to purchase Liquidity Supported Bonds are automatically terminated or suspended. Metropolitan has directed the Paying Agent to take such actions under any Liquidity Facility then in effect as may be required to cause the Liquidity Provider to purchase tendered 2022C Bonds which are Liquidity Supported Bonds for which there are not sufficient remarketing proceeds from the sale of such 2022C Bonds to purchase such tendered 2022C Bonds. During any Flexible Index Mode or Index Mode or at any time on or after the Fixed Rate Date, Metropolitan will have no obligation to provide or to maintain a Liquidity Facility. Further, Metropolitan has no obligation to provide or maintain a Liquidity Facility for the 2022C Bonds during any Daily Mode in which the 2022C Bonds have been designated as Self-Liquidity Bonds.

(a) At any time during which any Liquidity Facility is in force and effect, Metropolitan may deliver an Alternate Liquidity Facility satisfying the requirements of the Paying Agent Agreement; *provided*, *however*, that Metropolitan delivers any Alternate Liquidity Facility no later than five days before the scheduled expiration date of the Liquidity Facility then in effect. In connection with the execution and delivery of an Alternate Liquidity Facility, Metropolitan will satisfy all of the conditions set forth in the Paying Agent Agreement.

(b) If during any period in which the 2022C Bonds bear interest in the Daily Mode: (i) Metropolitan changes the then applicable designation of the 2022C Bonds from Liquidity Supported Bonds to Self-Liquidity Bonds (either in connection with a change in the Interest Mode of the 2022C Bonds to a Weekly Mode, Short-Term Mode or Long Mode or pursuant to Paying Agent Agreement); or (ii) Metropolitan delivers an Alternate Liquidity Facility and otherwise satisfies the requirements of the Paying Agent Agreement; or (iii) Metropolitan changes the Interest Mode of the 2022C Bonds to the Flexible Index Mode or the Index Mode or converts the 2022C Bonds to a Fixed Interest Rate, then Metropolitan will surrender the Liquidity Facility previously in effect on the effective date of the change, the effective date of the Alternate Liquidity Facility or the conversion, as applicable; *provided*, *however*, that if the 2022C Bonds are subject to mandatory tender for purchase under the Paying Agent Agreement upon such change or upon the effectiveness of such Alternate Liquidity Facility, then the Paying Agent will surrender such Liquidity Facility only after the Purchase Price of all 2022C Bonds tendered on such date has been fully paid. The Paying Agent will comply with the procedure set forth in the Liquidity Facility relating to the termination thereof.

Conditions to the Effectiveness of Liquidity Facilities and Alternate Liquidity Facilities for the 2022C Bonds

If: (a) in connection with a change in the Interest Mode for the 2022C Bonds to the Weekly Mode, Short-Term Mode or Long Mode; or (b) at any time while the 2022C Bonds bear interest in the Daily Mode and are designated as Liquidity Supported Bonds; or (c) upon a change in the then applicable designation of 2022C Bonds in the Daily Mode from Self-Liquidity Bonds to Liquidity Supported Bonds, there will be delivered to the Paying Agent: (i) a Liquidity Facility or an Alternate Liquidity Facility covering the 2022C Bonds which contains administrative provisions reasonably satisfactory to the Paying Agent; (ii) a Favorable Opinion of Bond Counsel; (iii) an opinion of counsel satisfactory to the Remarketing Agent to the effect that such Liquidity Facility or such Alternate Liquidity Facility is a valid and enforceable obligation of the proposed issuer or provider thereof; and (iv) all information required to give the notice of mandatory tender for purchase of the 2022C Bonds as and if required by the Paying Agent Agreement, then the Paying Agent will accept such Liquidity Facility or such Alternate Liquidity Facility.

Notice by Paying Agent to Reduce Liquidity Facility

If any Liquidity Supported Bonds are redeemed, defeased or otherwise retired in whole or in part, the Paying Agent, at the written direction of Metropolitan, will give notice to the Liquidity Provider in the manner required by the Liquidity Facility to reflect such reduction in the principal amount of the 2022C Bonds as a result of such redemption, defeasance or retirement and no notice to the Owners of the 2022C Bonds of such reduction, nor any purchase thereof under the Paying Agent Agreement will occur as a result thereof.

LIQUIDITY SUPPORTED BONDS AND SELF-LIQUIDITY BONDS

Designation and Consequences of 2022C Bonds as Liquidity Supported Bonds or Self-Liquidity Bonds

(a) While the 2022C Bonds bear interest in the Daily Mode, such 2022C Bonds are Variable Rate Bonds under the Nineteenth Supplemental Indenture. Metropolitan will designate all 2022C Bonds bearing interest in the Daily Mode to be either Self-Liquidity Bonds or Liquidity Supported Bonds. As provided in the Paying Agent Agreement, upon the date of delivery of the 2022C Bonds in the Daily Mode, Metropolitan has initially designated the 2022C Bonds to be Liquidity Supported Bonds. The 2022C Bonds will continue to be Liquidity Supported Bonds unless and until: (i) Metropolitan changes the 2022C Bonds to Self-Liquidity Supported Bonds either pursuant to the Paying Agent Agreement or in connection with a change in the Interest Mode on the 2022C Bonds to the Weekly Mode, Short-Term Mode or Long Mode; (ii) Metropolitan changes the Interest Mode of the 2022C Bonds to the Flexible Index Mode or the Index Mode; or (iii) Metropolitan converts the interest rate on the 2022C Bonds to a Fixed Interest Rate. In connection with any change in the Interest Mode of the 2022C Bonds to the Weekly Mode, Daily Mode (from a subsequent different Interest Mode), Short-Term Mode or Long Mode, Metropolitan will designate the 2022C Bonds either as Liquidity Supported Bonds or as Self-Liquidity Bonds in the written direction required pursuant to the Paying Agent Agreement.

(b) While 2022C Bonds bear interest in the Daily Mode and are Liquidity Supported Bonds: (i) Metropolitan has no liability to purchase Liquidity Supported Bonds tendered pursuant to the Paying Agent Agreement from any of its assets other than remarketing proceeds or amounts drawn upon the Liquidity Facility; and (ii) the 2022C Bonds will be subject to the provisions that are described under the caption "LIQUIDITY FACILITIES AND ALTERNATE LIQUIDITY FACILITIES."

(c) While 2022C Bonds bear interest in the Daily Mode and are Self-Liquidity Bonds: (i) Metropolitan will be irrevocably committed and obligated to pay the Purchase Price of all 2022C Bonds tendered pursuant to the Paying Agent Agreement on the applicable purchase date therefor; (ii) the 2022C Bonds will not be subject to the provisions that are described under the caption "LIQUIDITY FACILITIES AND ALTERNATE LIQUIDITY FACILITIES;" and (iii) the 2022C Bonds will be subject to the provisions that are described in the Paying Agent Agreement.

Change of 2022C Bonds from Liquidity Supported Bonds to Self-Liquidity Bonds

(a) With respect to any 2022C Bonds bearing interest in the Daily Mode that are at that time designated as Liquidity Supported Bonds, Metropolitan may elect to change the 2022C Bonds from Liquidity Supported Bonds to Self-Liquidity Bonds by delivering a written direction to the other Notice Parties not later than ten days before the effective date of the change to Self-Liquidity Bonds. The effective date of the change to Self-Liquidity Bonds must be a Business Day. The written direction of Metropolitan will specify: (1) the effective date of the change to Self-Liquidity Bonds; and (2) if applicable, the date of delivery for the 2022C Bonds to be purchased (if other than the effective date) pursuant to the Paying Agent Agreement. In addition, together with any such written direction, Metropolitan will include a form of notice that the Paying Agent is required to give to the Owners of the Bonds as provided in the Paying Agent Agreement. From and after the effective date of the change to Self-Liquidity Bonds, the 2022C Bonds will be Self-Liquidity Bonds unless and until: (i) Metropolitan changes the 2022C Bonds to Liquidity Supported Bonds; (ii) Metropolitan changes the Interest Mode for the 2022C Bonds to the Flexible Index Mode or the Index Mode; or (iii) the Fixed Rate Date.

(b) If Metropolitan elects to change 2022C Bonds in the Daily Mode from Liquidity Supported Bonds to Self-Liquidity Bonds, then on or before the effective date of the change, Metropolitan will cause to be provided to the other Notice Parties written confirmation from each of the Rating Agencies that the change from Liquidity Supported Bonds to Self-Liquidity Bonds, in and ot itself, will not result in the withdrawal or reduction of the rating of the short-term rating(s) then applicable to the 2022C Bonds. If Metropolitan fails to deliver such written confirmation from each of the Rating Agencies, then the 2022C Bonds will continue to be subject to mandatory tender for purchase on the date which would have been the effective date of such change as provided in the Paying Agent Agreement; *provided*, *however*, that, notwithstanding anything in the Paying Agent Agreement to the contrary, Metropolitan has no liability or obligation to pay the Purchase Price of 2022C Bonds so tendered.

(c) The Paying Agent will give notice by Mail to the Owners of the 2022C Bonds (or, if the 2022C Bonds are then Book-Entry Bonds, then to DTC by Mail or by Electronic Notice), together with the notice required by the Paying Agent Agreement, of a change to Self-Liquidity Bonds not less than seven days before the effective date of the change. The notice will state: (i) the effective date of the change from Liquidity Supported Bonds to Self-Liquidity Bonds; and (ii) if applicable, that the 2022C Bonds are subject to mandatory tender for purchase on such effective date, setting forth the applicable Purchase Price.

EVENT OF DEFAULT AND PURCHASE DEFAULT PERIOD

Event of Default

If Metropolitan fails to pay the Purchase Price of 2022C Bonds under the Paying Agent Agreement, then such failure will be an "Event of Default" under the Paying Agent Agreement and a Purchase Default Period will commence. Notwithstanding the foregoing, the failure of Metropolitan to pay the Purchase Price of 2022C Bonds under the Paying Agent Agreement will not constitute an "Event of Default" under the Master Resolution or under any other provision of the Resolutions.

Purchase Default Period

During a Purchase Default Period, the following will apply: (a) all of the 2022C Bonds will bear interest at the Purchase Default Rate; (b) the 2022C Bonds will not be subject to optional redemption pursuant to the Paying Agent Agreement; (c) the 2022C Bonds will remain subject to redemption from Mandatory Sinking Account Payments pursuant to the Paying Agent Agreement; (d) the 2022C Bonds will be subject to special mandatory redemption on the dates and in the principal amounts set forth in the Paying Agent Agreement; (e) Metropolitan may not require the Owners to tender 2022C Bonds for purchase pursuant to the provisions of the Paying Agent Agreement; (f) Metropolitan will continue to be obligated to purchase all of the 2022C Bonds tendered on the Scheduled Mandatory Tender Date at the Purchase Price, notwithstanding, and in addition to, the obligation of Metropolitan to redeem Outstanding 2022C Bonds from Special Mandatory Redemption Payments pursuant to the Paying Agent Agreement; and (g) if Metropolitan pays the Purchase Price, on any date, of all or any portion of the 2022C Bonds, the Owners of such 2022C Bonds will be obligated to sell and deliver such 2022C Bonds to Metropolitan as set forth in the Paying Agent Agreement.

Purchase and Sale of 2022C Bonds During Purchase Default Period

During a Purchase Default Period, Metropolitan will pay the Purchase Price of any 2022C Bonds by delivering the Purchase Price for 2022C Bonds to be purchased to the Paying Agent at its Corporate Trust Office on any Business Day.

If on any Business Day Metropolitan pays the Purchase Price with respect to only a portion of the 2022C Bonds, then Metropolitan will purchase 2022C Bonds from each of the Owners on a pro rata basis, calculated based on the Outstanding principal amount of the 2022C Bonds held by each Owner compared to the total amount of 2022C Bonds Outstanding on such Business Day.

From and after the Business Day on which Metropolitan delivers the Purchase Price of all or any portion of the 2022C Bonds to the Paying Agent (each such date, a "**Purchase Default Period Purchase Date**"), such 2022C Bonds will be deemed purchased by Metropolitan, no interest will accrue on such 2022C Bonds and the Owners thereof will have no rights under the Resolutions other than to receive payment of the Purchase Price thereof.

Termination of Purchase Default Period

During any Purchase Default Period, upon the purchase by Metropolitan of all 2022C Bonds, the Event of Default under the Paying Agent Agreement will be cured and the Purchase Default Period attributable to such Event of Default will terminate on the date next preceding the date on which such purchase occurs.

Bondholders' Committee

In addition to any rights that the Owners of the 2022C Bonds may have under the Resolutions, if an Event of Default has occurred and is continuing under the Paying Agent Agreement, the Owners of 25% in aggregate principal amount of the 2022C Bonds then Outstanding may call a meeting of the Owners of the 2022C Bonds for the purpose of electing a Bondholders' committee (a "**Bondholders' Committee**"). At such meeting, the Owners of not less than a majority in aggregate principal amount of 2022C Bonds must be present in person or by proxy in order to constitute a quorum for the transaction of business, less than a quorum, however, having power to adjourn from time to time without any other notice than the announcement thereof at the meeting. A quorum being present at such meeting, the Owners present in person or by proxy may, by a majority of the votes cast, elect one or more persons, who may or may not be

Owners, to the Bondholders' Committee. The Owners present in person or by proxy at such meeting, or at any adjourned meeting thereof: (a) will prescribe the manner in which the successors of the persons elected to the Bondholders' Committee will be elected or appointed; (b) may prescribe rules and regulations governing the exercise by the Bondholders' Committee of the power conferred upon it in the Paying Agent Agreement; and (c) may provide for the termination of the existence of the Bondholders' Committee. The Bondholders' Committee has been declared to be trustee for the Owners of all of the 2022C Bonds then Outstanding, and is empowered to exercise in the name of the Bondholders' Committee as trustee all the rights and powers conferred in the Paying Agent Agreement on any Owner, *provided*, *however*, that whenever any provision of the Paying Agent Agreement requires the consent, approval or concurrence of the Owners of a specified percentage of principal of the Outstanding 2022C Bonds, in order to exercise the right or power conferred in the Paying Agent Agreement on the Owners to which such percentage obtains, the Bondholders' Committee either will have been elected by or their election will have been approved by or concurred by, and such committee will then represent, the Owners of such specified percentage of the principal amount of the Outstanding 2022C Bonds. A certificate of the election of the Bondholders' Committee, including the names and addresses of its chair and other members, will be filed with the Authorized Representative.

Other Remedies, Rights of Owners of the 2022C Bonds

Upon the occurrence and continuation of an Event of Default, the Owners of the 2022C Bonds may proceed to protect and enforce their rights by mandamus or other suit, action or proceeding at law or in equity, including an action for specific performance of any agreement contained in the Paying Agent Agreement.

The rights of the Owners of the 2022C Bonds pursuant to the Paying Agent Agreement are in addition to any rights that the Owners of the 2022C Bonds may have under the Resolutions.

Notwithstanding anything in the Paying Agent Agreement to the contrary, no Owner of 2022C Bonds have the right to declare the principal and accrued interest on any 2022C Bonds to be immediately due and payable except as provided in the Resolutions.

No remedy conferred by the Paying Agent Agreement upon or reserved to the Owners is intended to be exclusive of any other remedy, but each such remedy will be cumulative and will be in addition to any other remedy given to the Owners of the 2022C Bonds under the Paying Agent Agreement and under the Resolutions or now or later existing at law or in equity or by statute.

No delay or omission to exercise any right or power accruing upon any default or Event of Default will impair any such right or power or be construed to be a waiver of any such default or Event of Default or acquiescence in the Paying Agent Agreement, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default under the Paying Agent Agreement by the Owners of the 2022C Bonds will extend to or affect any subsequent default or Event of Default or impair any rights or remedies consequent thereon.

MODIFICATION OR AMENDMENT OF PAYING AGENT AGREEMENT

Amendments Permitted with Consent of the Owners

(a) The Paying Agent Agreement and the rights and obligations of Metropolitan, the Owners of the 2022C Bonds, the Paying Agent and the Fiscal Agent may be modified or amended from time to time and at any time by the execution and delivery by Metropolitan and the Paying Agent of a Supplemental Agreement so long as the Owners of a majority in aggregate principal amount of the 2022C Bonds then Outstanding consent to such Supplemental Agreement in writing; *provided*, *however*, that if such modification or amendment will, by its terms, not take effect so long as any 2022C Bonds of any particular maturity remain Outstanding, the consent of the Owners of such 2022C Bonds will not be required and such 2022C Bonds will not be deemed to be Outstanding for the purpose of any calculation of 2022C Bonds Outstanding under the Paying Agent Agreement.

(b) No such modification or amendment may: (i) extend the fixed maturity of any 2022C Bond, reduce the principal amount thereof, extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided for the payment of any 2022C Bond, reduce the rate of interest thereon, extend the time of payment of interest thereon or reduce any premium payable upon the redemption thereof, without the consent of the Owner of each 2022C Bond so affected; (ii) reduce the aforesaid percentage of principal amount the consent of the Owners of which is required to effect any such modification or amendment, without the consent of the Owners of all of the 2022C Bonds then Outstanding; or (iii) modify any rights or duties of the Paying Agent or the Fiscal Agent without its consent.

(c) It is not necessary for the consent of the Owners to approve the particular form of any Supplemental Agreement, but it will be sufficient if such consent approves the substance thereof. Promptly after the execution and delivery of any Supplemental Agreement pursuant to the Paying Agent Agreement, the Paying Agent will mail a notice provided by Metropolitan, setting forth in general terms the substance of any Supplemental Agreement to the Owners of the 2022C Bonds at the addresses shown on the Bond Register. Any failure to give such notice, or any defect therein, will not, however, in any way impair or affect the validity or effectiveness of any such Supplemental Agreement.

Amendments Not Requiring Owner Consent

(a) The Paying Agent Agreement and the rights and obligations of Metropolitan, the Paying Agent, the Fiscal Agent and the Owners of the 2022C Bonds may also be modified or amended from time to time and at any time by a Supplemental Agreement, which Metropolitan and the Paying Agent may execute and deliver without the consent of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of Metropolitan in the Paying Agent Agreement thereafter to be observed, to pledge or assign additional security for the 2022C Bonds (or any portion thereof) or to surrender any right or power therein reserved to or conferred upon Metropolitan, in each case which do not materially and adversely affect the interests of the Owners of any of the 2022C Bonds;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Paying Agent Agreement, or in regard to matters or questions arising under the Paying Agent Agreement, as Metropolitan may deem necessary or desirable, and which will not materially and adversely affect the interests of the Owners of any of the 2022C Bonds;

(iii) to modify, amend or supplement the Paying Agent Agreement in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute later in effect, and to add do other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which do not materially and adversely affect the interests of the Owners of any of the 2022C Bonds;

(iv) *reserved*; and

(v) for any other purpose that does not materially and adversely affect the interests of the Owners of any of the 2022C Bonds.

(b) Notwithstanding any provision of the Paying Agent Agreement to the contrary, any provision or term of the Paying Agent Agreement may be modified or amended without the consent of the Owners of the 2022C Bonds if: (a) such amendment becomes effective upon the Mandatory Purchase Date in connection with any mandatory tender for purchase of the 2022C Bonds pursuant to the Paying Agent Agreement; (b) such amendment does not affect the right of the tendering Owners to receive the payment of the Purchase Price payable upon such mandatory tender for purchase of the 2022C Bonds; and (c) the content of the amendment is included in a notice of mandatory tender for purchase which the Paying Agent delivers to the Owners pursuant to the Paying Agent Agreement. In executing, or accepting the additional trusts created by, any amendment permitted by the Paying Agent Agreement, the Paying Agent will be entitled to receive, and will be fully protected in relying upon, an opinion of counsel stating that the execution of such amendment is authorized or permitted by the Paying Agent Agreement and complies with the terms thereof. The Paying Agent may, but is not obligated to, enter into any such amendment which affects the Paying Agent's own rights, duties or immunities under the Paying Agent Agreement or otherwise.

Effect of Supplemental Agreement

From and after the time any Supplemental Agreement becomes effective pursuant to the Paying Agent Agreement, the Paying Agent Agreement will be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Paying Agent Agreement of Metropolitan, the Paying Agent, the Fiscal Agent, the Remarketing Agent and all Owners of 2022C Bonds Outstanding will thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all of the terms and conditions of any such Supplemental Agreement will be deemed to be part of the terms and conditions of the Paying Agent Agreement for any and all purposes.

Endorsement of Bonds; Preparation of New Bonds

2022C Bonds delivered after any Supplemental Agreement becomes effective pursuant to the Paying Agent Agreement may, and if the Paying Agent so determines will, bear a notation by endorsement or otherwise in form approved by Metropolitan and the Paying Agent as to any modification or amendment provided for in such Supplemental Agreement, and, in that case, upon demand of the Owner of any 2022C Bond Outstanding at the time of such execution and presentation of such Owner's 2022C Bond for such purpose at the Corporate Trust Office of the Paying Agent, a suitable notation will be made on such 2022C Bond. If a Supplemental Agreement so provides, new 2022C Bonds so modified as to conform, in the opinion of Metropolitan and the Paying Agent, to any modification or amendment contained in such Supplemental Agreement, will be prepared and executed by Metropolitan and authenticated by the Paying Agent, and upon demand of the Owners of any 2022C Bonds then Outstanding will be exchanged at the Corporate Trust Office of the Paying Agent, without cost to any Owner, for 2022C Bonds then Outstanding, upon surrender for cancellation of such 2022C Bonds, in equal aggregate principal amounts, tenor and maturity.

Amendment of Particular Bond

The provisions of the Paying Agent Agreement do not prevent any Owner from accepting any amendment as to the particular 2022C Bonds held by such Owner, provided that due notation thereof is made on such 2022C Bonds.

MISCELLANEOUS

Liability of Metropolitan Limited to Net Operating Revenues

(a) Notwithstanding anything contained in the Paying Agent Agreement to the contrary, Metropolitan is not required to advance any moneys derived from any source other than the Net Operating Revenues for any of the purposes in the Paying Agent Agreement mentioned, whether for the payment of the Purchase Price, principal, or Redemption Price of or interest on the 2022C Bonds or for any other purpose of the Paying Agent Agreement. If the 2022C Bonds are in the Flexible Index Mode, the Master Note will evidence Metropolitan's obligation to make payment of the Purchase Price, principal, or Redemption Price of or interest on the 2022C Bonds from the sources and to the extent described in the Paying Agent Agreement, but will not constitute a separate obligation of Metropolitan to make such payment. Any payments by Metropolitan of the Purchase Price, principal, or Redemption Price of or interest on the 2022C Bonds will constitute a payment under and pursuant to the Master Note, and Metropolitan will be credited for such payments under the Master Note. In no event will Metropolitan be obligated to make payments under the Master Note other than the payments Metropolitan is obligated to make pursuant to and in accordance with the terms of the 2022C Bonds.

(b) The general fund of Metropolitan is not liable for the payment of any Purchase Price, principal, or Redemption Price of or interest on the 2022C Bonds or the Master Note, nor is the credit or taxing power of Metropolitan pledged for the payment of any Purchase Price, principal, or Redemption Price of or interest on the 2022C Bonds or the Master Note. No Owner of any 2022C Bond or holder of the Master Note may compel the exercise of the taxing power by Metropolitan or the forfeiture of any of its property.

Investment of Amounts Held under Paying Agent Agreement

(a) Moneys held in Funds and Accounts (other than moneys held in the Purchase Fund, which will be held uninvested) will be invested and reinvested as directed in writing by the Treasurer solely in Authorized Investments and consistent with Metropolitan's investment policy then in effect, subject to the restrictions set forth in the Master Resolution and the Paying Agent Agreement and subject to the investment restrictions imposed upon Metropolitan by the laws of the State. The Treasurer will direct such investments by written certificate. The Paying Agent has no responsibility or liability in respect of the selection of any investment made in accordance with the instructions of the Treasurer or his authorized designee.

The Paying Agent has no obligation to invest and reinvest any cash held by it under the Paying Agent Agreement in the absence of timely and specific written investment direction from Metropolitan. In no event will the Paying Agent be liable for investment losses incurred thereon. The Paying Agent may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Paying Agent Agreement. The Paying Agent may rely on the investment directions of Metropolitan as to both the suitability and legality of the directed investments. Metropolitan acknowledges that regulations of the

Comptroller of the Currency grant Metropolitan the right to receive brokerage confirmations of the security transactions as they occur, at no additional cost. To the extent permitted by law, Metropolitan has specifically waived compliance with 12 C.F.R. 12 and has notified the Paying Agent that no brokerage confirmations need be sent relating to the security transactions as they occur.

(b) Investments in any Fund or Account will be deemed at all times to be a part of such Fund or Account, and the interest accruing thereon and any profit realized from such investment will be credited to such Fund or Account and any loss resulting from such investment will be charged to such Fund or Account.

Defeasance

The 2022C Bonds may be defeased in whole or in part upon satisfaction of the provisions of the Master Resolution, *provided* that, in addition to the requirements of such provisions, in connection with the defeasance of the 2022C Bonds bearing interest at a Daily Mode or a Weekly Mode there will be provided to the Paying Agent written evidence from each Rating Agency to the effect that the defeasance of such 2022C Bonds, in and of itself, will not result in the withdrawal or reduction of the rating short-term rating then assigned to such 2022C Bonds. During any period in which the 2022C Bonds are in the Flexible Index Mode and a Master Note is in effect to evidence the 2022C Bonds, a defeasance of all or any portion of the 2022C Bonds will result in a like defeasance of the Master Note (in whole or in part) evidencing such 2022C Bonds.

Parties in Interest

Except as otherwise specifically provided in the Paying Agent Agreement, nothing in the Paying Agent Agreement expressed or implied is intended or will be construed to confer upon any person, firm or corporation other than Metropolitan, the Paying Agent, the Fiscal Agent, the Remarketing Agent, any Liquidity Provider and the Owners any right, remedy or claim under or by reason of the Paying Agent Agreement, which is intended to be for the sole and exclusive benefit of Metropolitan, the Paying Agent, the Fiscal Agent, the Remarketing Agent, any Liquidity Provider and the Owners.

Severability

In case any one or more of the provisions of the Paying Agent Agreement, or of any 2022C Bonds issued thereunder will, for any reason, be held to be illegal or invalid, such illegality or invalidity will not affect any other provisions of the Paying Agent Agreement, or of the 2022C Bonds, and the Paying Agent Agreement and any 2022C Bonds issued thereunder will be construed and enforced as if such illegal or invalid provisions had not been contained therein.

No Personal Liability of Metropolitan Officials; Limited Liability of Metropolitan to Owners of 2022C Bonds

No covenant or agreement contained in the 2022C Bonds or in the Paying Agent Agreement will be deemed to be the covenant or agreement of any present or future official, officer, agent or employee of Metropolitan in his individual capacity, and neither the members of the Board of Directors of Metropolitan nor any person executing the 2022C Bonds will be liable personally on the 2022C Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

(a) Except for the payment when due of the payments required under the Paying Agent Agreement and the observance and performance of the other agreements, conditions, covenants and terms required to be performed by it contained in the Paying Agent Agreement, Metropolitan has no obligation or liability to the Owners with respect to the Paying Agent Agreement or the preparation, execution, delivery, transfer, exchange or cancellation of the 2022C Bonds or the receipt, deposit or disbursement of the payments by the Paying Agent, or with respect to the performance by the Paying Agent of any obligation required to be performed by it contained in the Paying Agent Agreement.

(b) Metropolitan has no obligation or liability to the Owners with respect to the Paying Agent Agreement, including, but not limited to, the payment of principal of and interest on the 2022C Bonds and the payment of the Purchase Price of any Self-Liquidity Bonds, other than from Net Operating Revenues.

Execution of Instruments; Proof of Ownership

(a) Any request, direction, consent or other instrument in writing required or permitted by the Paying Agent Agreement to be signed or executed by Owners or on their behalf by an attorney-in-fact may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Owners in person or by an agent or attorney-in-fact appointed by an instrument in writing or as provided in the 2022C Bonds. Proof of the execution of any such instrument and of the ownership of the 2022C Bonds will be sufficient for any purpose of the Paying Agent Agreement and will be conclusive in favor of the Paying Agent with regard to any action taken by it under such instrument if made in the following manner: (i) the fact and date of the execution by any person of any such instrument may be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments within such jurisdiction, to the effect that the person signing such instrument acknowledged before him the execution thereof, or by an affidavit of a witness to such execution; and (ii) the ownership of 2022C Bonds will be proved by the registration books kept under the provisions of the Paying Agent Agreement;

(b) Nothing contained in the Paying Agent Agreement will be construed as limiting the Paying Agent to such proof. The Paying Agent may accept any other evidence of matters stated in the Paying Agent Agreement which it may deem sufficient. Any request, consent of, or assignment by any Owner of a Bond will bind every future Owner of the same 2022C Bond issued in lieu thereof in respect of anything done by the Paying Agent or Metropolitan in pursuance of such request or consent.

Governing Law

The internal laws of the State (without regard to conflicts of laws principles) will govern the construction and enforcement of the Paying Agent Agreement and of all 2022C Bonds issued thereunder.

Notices

(a) Any notice, request, direction, designation, consent, acknowledgment, certification, appointment, waiver or other communication required or permitted by the Paying Agent Agreement or the 2022C Bonds must be in writing except as expressly provided otherwise therein or in the 2022C Bonds.

(b) The Paying Agent will give written notice to the Rating Agencies and the Liquidity Provider, if any, as soon as reasonably practicable, of the occurrence of any of the following events: (i) appointment of a successor Paying Agent or Remarketing Agent; (ii) amendment to the Paying Agent Agreement, or, upon notice thereof from Metropolitan, any amendment of any Liquidity Facility then in effect or the Resolutions; (iii) redemption of the 2022C Bonds; (iv) change in the Interest Mode of the 2022C Bonds or conversion to a Fixed Interest Rate; (v) change in the designation of any 2022C Bonds as Liquidity Supported Bonds or Self-Liquidity Bonds; (vi) removal or resignation of the Fiscal Agent, the Paying Agent or the Remarketing Agent; (vii) expiration, termination, suspension, extension or substitution of a Liquidity Facility; (viii) mandatory tender for purchase of the 2022C Bonds; (ix) defeasance of the 2022C Bonds; (x) acceleration of the 2022C Bonds; or (xi) the 2022C Bonds are no longer Book-Entry

Bonds. Notice in the case of an event referred to in clause (ii) above will include a copy of any such amendment.

Information to Rating Agencies

Metropolitan will provide to any Rating Agency such information relating to the 2022C Bonds or Metropolitan as reasonably requested by such Rating Agency, within a reasonable period following the request therefor.

Non-Business Days

If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Paying Agent Agreement, is not a Business Day, such payment may, unless otherwise provided in the Paying Agent Agreement, be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the stated date provided in the Paying Agent Agreement, and no interest will accrue for the period from and after such stated date.

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APPENDIX D

BOOK-ENTRY ONLY SYSTEM

Introduction

Unless otherwise noted, the information contained under "– General" below has been provided by DTC. Metropolitan makes no representations as to the accuracy or completeness of such information. Further, Metropolitan undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on DTC's website as described under "– General," including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned website. The Beneficial Owners of the 2022C Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NONE OF METROPOLITAN, THE FISCAL AGENT OR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2022C BONDS UNDER THE RESOLUTIONS; (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2022C BONDS, IF APPLICABLE; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT TO THE OWNERS OF THE 2022C BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF 2022C BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2022C Bonds. The 2022C Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each Series of the 2022C Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to DTC's system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a

Direct Participant, either directly or indirectly ("Indirect Participants"). S&P Global Ratings has rated DTC "AA+." DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at *www.dtcc.com*. The information set forth on such website is not incorporated herein by reference.

Purchases of the 2022C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2022C Bonds on DTC's records. The ownership interest of each actual purchaser of each 2022C Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2022C Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2022C Bonds, except in the event that use of the book-entry system for the 2022C Bonds is discontinued.

To facilitate subsequent transfers, all 2022C Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2022C Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2022C Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such 2022C Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2022C Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2022C Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2022C Bonds documents. For example, Beneficial Owners of the 2022C Bonds may wish to ascertain that the nominee holding the 2022C Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2022C Bonds of like maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2022C Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Metropolitan as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2022C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the 2022C Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Metropolitan, the Fiscal Agent or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent, the Paying Agent or Metropolitan, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest on the 2022C Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Metropolitan or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NONE OF METROPOLITAN, THE FISCAL AGENT OR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

Metropolitan, the Fiscal Agent, the Paying Agent and the Underwriter cannot and do not give any assurances that DTC, the DTC Participants or others will distribute payments of principal or interest on the 2022C Bonds paid to DTC or its nominee as the registered owner, or will distribute any notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. None of Metropolitan, the Fiscal Agent, the Paying Agent or the Underwriter is responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the 2022C Bonds or for an error or delay relating thereto.

A Beneficial Owner shall give notice to elect to have its 2022C Bonds purchased or tendered, if applicable, through its Direct Participant, to the Paying Agent, and shall effect delivery of such 2022C Bonds by causing the Direct Participant to transfer the Direct Participant's interest in the 2022C Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of 2022C Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2022C Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2022C Bonds to the Paying Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the 2022C Bonds at any time by giving reasonable notice to Metropolitan or the Fiscal Agent. Under such circumstances, in the event that a successor depository is not obtained, 2022C Bond certificates are required to be printed and delivered.

Metropolitan may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, 2022C Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Metropolitan believes to be reliable, but Metropolitan takes no responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF 2022C BONDS AND WILL NOT BE RECOGNIZED BY THE FISCAL AGENT OR THE PAYING AGENT AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE DTC PARTICIPANTS.

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APPENDIX E

SELECTED DEMOGRAPHIC AND ECONOMIC INFORMATION FOR METROPOLITAN'S SERVICE AREA

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APPENDIX E

SELECTED DEMOGRAPHIC AND ECONOMIC INFORMATION FOR METROPOLITAN'S SERVICE AREA

This Appendix E has been prepared by the Center for Continuing Study of the California Economy ("CCSCE"). Forward looking statements are those of the CCSCE. Neither the CCSCE nor Metropolitan is obligated to issue any updates or revisions to the data set forth in this Appendix E.

General

The map contained in the body of the Official Statement or Remarketing Statement to which this Appendix E is attached shows the area served by Metropolitan. It includes parts of six of the ten counties that comprise Southern California. The area served by Metropolitan represents the most densely populated and heavily industrialized portions of Southern California.

In this Appendix E, the economy of the area served by Metropolitan is generally described in terms of data for the area consisting of Los Angeles, Orange, Riverside, San Bernardino, San Diego, and Ventura counties ("Six County Area"). Although these counties comprise Metropolitan's service area, Metropolitan's territory does not encompass all of the geographic area within each of the six counties. In 2021, the economy of the Six County Area was larger than all but eleven nations of the world. The Six County Area economy ranked between the Russian Federation ($1.776 trillion) and Brazil ($1.605 trillion), with an estimated gross domestic product ("GDP") of $1.707 trillion. The Six County Area's gross domestic product in 2021 was larger than all U.S. states except California, Texas and New York.

RANKING OF AREAS BY GROSS DOMESTIC PRODUCT
(Dollars in Billions)
2021

United States	$22,996
China	17,734
Japan	4,937
Germany	4,223
California	3,357
United Kingdom	3,187
India	3,174
France	2,937
Italy	2,099
Texas	1,985
Canada	1,991
New York	1,854
South Korea	1,798
Russian Federation	1,776
Six County Area	**1,707**
Brazil	1,605
Australia	1,527
Spain	1,425
Mexico	1,294

Source: Countries–World Bank; U.S-- Bureau of Economic Analysis; California and Six County Area–U.S. Department of Commerce

Summary of Recent Trends and Outlook for the Six County Area Economy

This appendix has two main sections. The first section, starting on page 3, presents data available in May 2022 on recent trends in the national, state and Six County Area economies including the pace of recovery from pandemic-related job losses. The second section, starting on page 7, presents Six County Area data through the end of 2021, or the indicated earlier date when 2021 annual data is not available.

At the time this appendix was prepared in early July 2022, the Russian invasion of Ukraine had been going for four months and is creating great and ongoing economic uncertainty, particularly as to the magnitude and duration of economic impacts globally and on the nation, state and Six County Area economies. There are disruptions in the global economy that are slowing economic growth and creating upward pressures on prices resulting in an 8.6% increase in the Consumer Price Index for the year ending in May 2022. The Federal Reserve Bank has announced plans for a series of increases in the federal funds rate and a third increase of 0.75% was announced on June 15, 2022. The Fed release and meeting minutes from June 15, 2022 also anticipated that ongoing increases will be appropriate.

The number of COVID cases began increasing in April, May and June 2022 after a substantial decline from 2020 and 2021 levels. COVID-related mask and activity restrictions are being eased. Job growth has been strong in recent months and the infrastructure spending approved by Congress is working its way down to the local economy. Many companies announced plans to reopen offices in March and April 2022 and asked workers to return to the office at least part-time. In response to the severe supply chain backlog, there have been recent announcements from companies including Intel, Ford and General Motors about major domestic investment plans.

Job growth in the nation and Six County Area accelerated in 2021 and continued into 2022. Between May 2021 and May 2022 jobs increased by 5.3% in the Six County Area compared to gains of 4.5% in the nation and 5.2% in California. Unemployment rates declined to near pre-pandemic levels. Through May 2022, the Six County Area had recovered 92.0% of the jobs lost between February and April of 2020. This is below the 96.1% recovery rate for the nation and slightly below the 93.0% job recovery rate in the state.

The U.C.L.A. Anderson School's economic forecast released on June 1, 2022 forecasts California nonfarm payroll jobs growing by 5.1% in 2022 and 2.3% in 2023 compared to projected national gains of 4.0% and 1.1% for those periods. The forecast has unemployment rates falling from 7.4% in California in 2021 to 4.5% in 2022 and 4.1% in 2023, still higher than the forecast rates of 3.5% in 2022 and 3.8% in 2023 for the nation. The Consumer Price Index is forecast to increase 7.3% in California in 2022 and 3.5% in 2023 compared to increases of 8.0% in 2022 and 3.6% in 2023 for the nation.

The Six County Area has outpaced the nation in nonfarm wage and salary job growth since 2000. The Six County Area job growth outpaces the nation in periods of economic growth such as the 2015 through 2019 period and 2021. The Six County Area lags the nation in job growth during recession periods such as the 2007 through 2010 period and 2020. Recent growth forecasts through 2050 from the Southern California Association of Governments (SCAG) and the San Diego Association of Governments (SANDAG) have job growth in the Six County Area slightly outpacing the nation during this timeframe.

The Six County Area economy maintains several areas of long-term economic strength and competitive advantage. One area of strength is the connection to Pacific Rim trade and tourism. Trade volumes reached record highs in 2021 and support continuing job growth in warehousing, wholesale trade and trucking. The Los Angeles region accounted for a record $24.1 billion in new venture capital ("VC") funding in 2021 supporting a growing tech sector. The VC funding and growth in the life sciences sector in San Diego County will provide new jobs in professional and information services and manufacturing. The entertainment sector remains strong with growth in filming days and related jobs in 2021 and solid long-term growth prospects.

Tourism has benefited from the Six County Area's Pacific Rim location and continuing expansion and renovation in the Area's leading tourist sites. Air travel in 2021 and the first five months of 2022 in the Six County Area was still below pre-pandemic highs but all of the major airports in the Six County Area have expanded capacity and airport access in anticipation of long-term growth. Air travel in the first five months of 2022 was up 100.1% over 2021 levels.

Population growth has slowed in the Six County Area since 2010 and declined slightly between 2018 and 2021 as birth rates and foreign immigration fell, deaths rose from the pandemic and out-migration continued, partially as a result of high housing prices and a shortage of new housing. In response to the rising home prices and shortage of new housing units, the state legislature has passed legislation and financial assistance to expand the housing supply statewide. In addition, the state Department of Housing and Community Development (HCD) gave SCAG and SANDAG goals to substantially increase annual housing construction. In turn, SCAG and SANDAG allocated the regional housing goals to local jurisdictions and adopted policies to support additional housing growth. The amount of success in meeting these housing goals will affect the rate of future growth in the Six County Area and is one of the long-term risks for the Six County Area economy.

The Pace of Economic Recovery through April 2022

The U.S. and Six County Area economies had job losses and unemployment rate increases in 2020 associated with activity restrictions related to the coronavirus epidemic. The U.S. economy experienced strong growth in 2021 as shown in the table below. Real GDP expanded by 5.6% between Q4-2020 and Q4-2021. The number of payroll jobs increased by nearly 7 million for a 4.7% gain and the unemployment rate fell from 6.7% in December 2020 to 3.9% in December 2021. At the same time, the Consumer Price Index (CPI) increased by 7.0%.

U.S. ECONOMIC INDICATORS 2021

	Q4-2020	Q4-2021	% Change	Dec 2020	Dec 2021	% Change
Real GDP	$18,767.8	$19,810.6	5.6%			
Payroll Jobs (Thousands)				142,503	149,162	4.7%
Unemployment Rate				6.7%	3.9%	-2.8%
CPI				260.5	278.8	7.0%

Source: GDP in billions, BEA; payroll jobs, CPI Index and UE rate, BLS

U.S. economic growth continued in the first five months of 2022. The economy added 2.4 million payroll jobs in the first five months of the year and the number of residents working grew by 2.1 million. Real GDP in Q1-2022 (the latest data) was above pre-pandemic levels. The number of unemployed residents was 5,950,000 in May 2022, down from 23,038,000 in April 2020 and close to the pre-pandemic levels in February 2020.

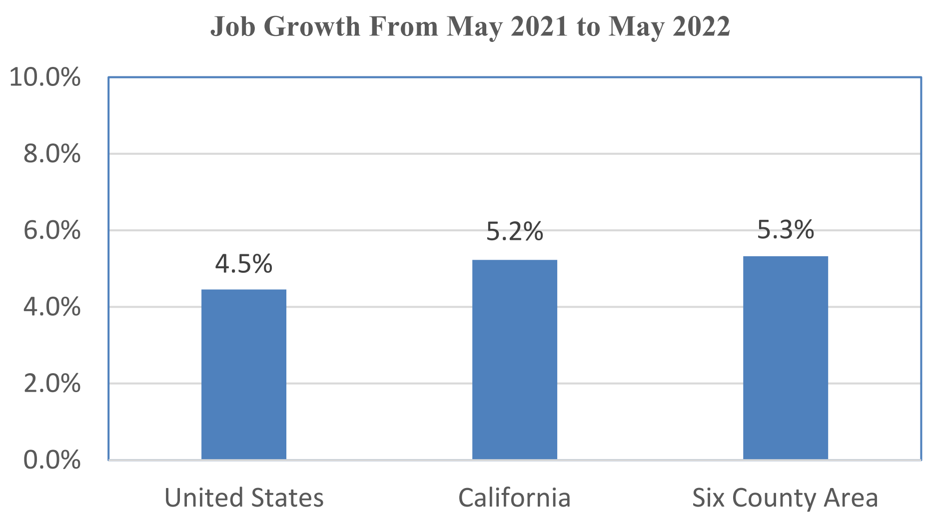
The number of payroll jobs and workers in May 2022 was within 1/2% of pre-pandemic levels. The national unemployment rate was 3.6%, above the pre-pandemic level of 3.5% but down from 14.7% in April 2020 right after the COVID pandemic started.

U.S. ECONOMIC RECOVERY FROM PRE-PANDEMIC LEVELS

	Feb 2020	April 2020	May 2022
Real GDP	$19,202.30	$17,258.20	$19,735.90
Payroll Jobs (Thousands)	152,463	130,303	151,608
Labor Force (Thousands)	164,583	156,358	164,376
Employed Residents (Thousands)	158,866	133,320	158,426
Unemployment (Thousands)	5,717	23,038	5,950
Unemployment Rate	3.5%	14.7%	3.6%

Source: Real GDP Billions of 2012$, BEA; Payroll Job. Labor Force, Employed Residents, Unemployment and Unemployment Rate, BLS

The first wave of job losses in the Six County Area occurred in March 2020 and accelerated in April 2020. The Six County Area saw a decline in jobs of nearly 1.6 million or 16.3% between February and April 2020. In the latest 12 months, the Six County Area economy outpaced the nation and state in job growth with a 5.3% increase between May 2021 and May 2022 compared to a 4.5% gain in the United States and 5.2% in California.



The Six County Area added 485,900 jobs between May 2021 and May 2022. There were large gains in every metro area in the Six County Area except Ventura during this period. Jobs in the Riverside—San Bernardino metro area have now exceeded the pre-pandemic job level.

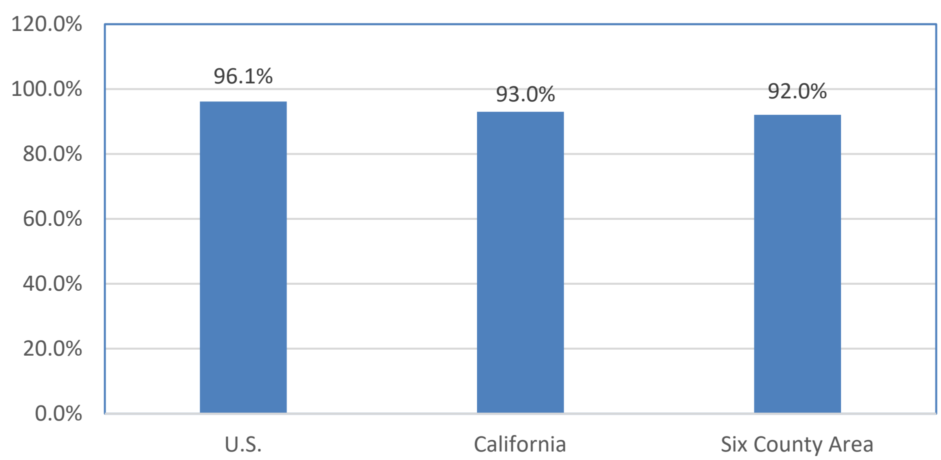
RECENT EMPLOYMENT TRENDS BY METRO AREA
(Non-Farm Wage and Salary Jobs in Thousands)

	Feb 20	April 20	May 21	May 22	Change May 21-22	% Recovered
Los Angeles	4,625.0	3,846.9	4,269.2	4,499.9	230.7	83.9%
Orange	1,686.8	1,412.1	1,576.6	1,649.6	73.0	86.5%
Riv.-San Ber.	1,593.8	1,365.1	1,558.3	1,647.3	89.0	123.4%
San Diego	1,521.8	1,266.7	1,428.2	1,514.5	86.3	97.1%
Ventura	317.0	265.1	299.6	306.5	6.9	79.8%
Six County Area	9,744.4	8,155.9	9,131.9	9,617.8	485.9	92.0%

(1) The % jobs recovered is calculated as a ratio of the change in jobs from April 2020 to May 2022 to the job losses from February 2020 to April 2020.
Source: California Employment Development Department (EDD); data are seasonally adjusted

As a result of the strong job growth through May 2022, the Six County Area had recovered 92.0% of the jobs lost between February and April of 2020. This is slightly below the 93.0% recovery for the state and the 96.1% job recovery in the nation.

Jobs Recovered by May 2022 as % of Feb 20--Apr 20 Losses



Source: U.S. Department of Labor and the California Employment Development Department (EDD)

Recovery of the jobs lost between February and April 2020 in the Six County Area was restrained in 2020 by the more severe reopening restrictions in California and the above-average concentration of tourism and motion picture production jobs in the Six County Area. Job recovery accelerated in 2021 and 2022 as shown below in the job recovery rates for major industry sectors in the Six County Area. Note that data in this table is not seasonally-adjusted.

Job levels increased in all major industry sectors between May 2021 and May 2022. The largest gain (219,800 jobs) was in the Leisure and Hospitality sector concentrated in the restaurant sector with smaller gains from amusements and hotels. This industry had the largest job losses between February and April 2020. The transportation and warehousing sector added jobs during the pandemic from the increase in online shopping and the strong port activity. The Professional and Business Services, Education and Health Care Services and Construction sectors also recovered all their job losses by May 2022. Government sector jobs fell slightly after April 2020 while other sectors were adding back jobs.

SIX COUNTY AREA JOB TRENDS BY SECTOR

	Feb 2020	Apr 2020	May 2021	May 2022	% Recovered[1]
Construction	469,900	403,800	463,200	473,500	105.4%
Manufacturing	741,600	660,200	692,000	711,300	62.8%
Wholesale Trade	422,500	367,100	398,000	409,400	76.4%
Retail Trade	918,700	729,800	878,600	901,600	90.9%
Transp. & Wareh.	415,600	383,300	443,700	487,700	323.2%
Information	302,700	226,400	259,900	291,200	84.9%
Financial Activities	482,700	450,800	465,100	467,000	50.8%
Prof& Bus Serv.	1,448,400	1,265,800	1,415,400	1,475,300	114.7%
Educ & Health Serv.	1,638,200	1,471,200	1,594,500	1,647,600	105.6%
Leisure & Hosp.	1,188,900	647,800	914,600	1,134,400	89.9%
Government	1,329,800	1,294,800	1,242,600	1,288,000	-19.4%
Total Non-Farm	9,721,400	8,148,200	9,073,300	9,627,500	94.0%

(1) The % jobs recovered is calculated as a ratio of the change in jobs from April 2020 to May 2022 to the job losses from February 2020 to April 2020.

Source: EDD, not seasonally adjusted

Unemployment rates increased in March and April 2020 throughout the Six County Area. By May 2022 unemployment rates had declined and were below February 2020 levels in each of the Six County Area metro areas except Los Angeles County. Unemployment rates in each metro area fell by between 3.8% and 5.0% in the metro areas of the Six County Area between May 2021 and 2022.

UNEMPLOYMENT RATES BY METRO AREA

	Feb 20	April 20	May 21	May 22
Los Angeles	4.3%	17.5%	9.5%	4.5%
Orange	2.8%	14.2%	6.2%	2.4%
Riverside-San Bernardino	3.9%	15.0%	7.5%	3.4%
San Diego	3.2%	15.7%	6.6%	2.7%
Ventura	3.7%	14.3%	6.6%	2.7%

Source: EDD

Container volumes at the ports of Los Angeles and Long Beach (the "ports") reached record levels in 2021 despite the COVID pandemic and congestion at the ports toward year-end. Container volumes were up 16% in 2021 and posted a 1.5% year-over-year gain in the first five months of 2022. The federal and state governments, as well as the ports, are working to reduce congestion into and out of the ports. At the same time, air passenger volumes remain substantially down with the largest declines in international travel.

The U.C.L.A. Anderson School economic forecast released on June 1, 2022 forecasts increased job growth and reduced unemployment rates in California for 2022. Job growth in the state is forecast to outpace national growth rates while the state's unemployment rate, while declining, is forecast to remain above the national rate. Job growth in the state and nation are forecast to decline in 2023 and 2024 from 2022 levels.

The Consumer Price Index (CPI) in both the state and nation is forecast to increase in 2022 more than in 2021 and then the annual increases are forecast to taper off in both 2023 and 2024.

U.C.L.A. ECONOMIC FORECAST
June 2022

		2021	2022	2023	2024
Job Growth					
	California	3.2%	5.1%	2.3%	1.2%
	U.S.	2.8%	4.0%	1.1%	0.4%
Unemployment Rate					
	California	7.4%	4.5%	4.1%	4.5%
	U.S.	5.4%	3.5%	3.8%	3.9%
CPI					
	California	4.2%	7.3%	3.5%	2.3%
	U.S.	4.7%	8.0%	3.6%	2.1%

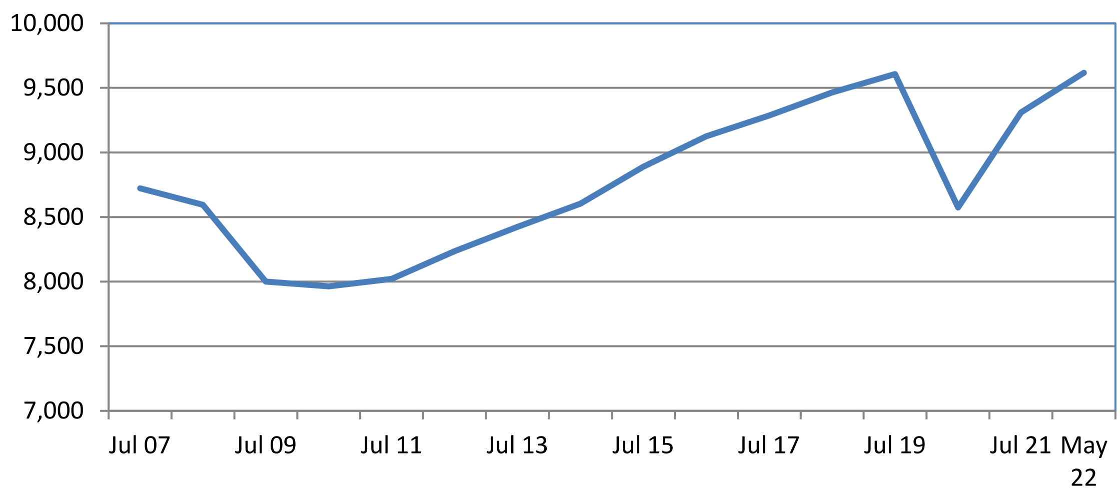
The following pages describe historical economic trends in the Six County Area. As noted above, this section reflects data through the end of 2021 where available.

Six County Area Long-Term Trends Through 2019 and 2021

Long-term trends through 2021 are updated in this section when 2021 data is available. For two indicators—income and metro area GDP—2021 data is not available and the trend analysis ends in 2019.

The Six County Area moved from substantial job losses during the 2008-2009 recession to sustained job growth during the 7 years from 2013 through 2019 (see the following figure). The Six County Area slightly outpaced the nation in nonfarm wage and salary job growth since the beginning of 2013. Job levels declined substantially after February 2020 but by May 2022, Six County Area job levels were close to the pre-pandemic high.

Six County Area Jobs (Thousands)



Source: EDD; data are seasonally adjusted

Job growth for the entire Six County Area in 2021 was 309,000 jobs or a gain of 3.5% compared to a 3.2% increase in jobs for the state and 2.7% for the nation for the comparable period. The annual data understate the amount of job recovery in the Six County Area as of April 2022 as shown on the chart above and the table on page E-5.

EMPLOYMENT TRENDS THROUGH 2021 BY METRO AREA
(Non-Farm Wage and Salary Jobs in Thousands)

	2007	2010	2019	2020	2021
Los Angeles	4,255.3	3,926.0	4,561.8	4,167.3	4,295.4
Orange	1,528.2	1,372.3	1,673.4	1,530.8	1,578.4
Riverside-San Bernardino	1,289.8	1,151.0	1,552.8	1,495.2	1,569.1
San Diego	1,322.3	1,240.5	1,503.1	1,385.8	1,438.5
Ventura	298.9	276.1	312.1	290.2	296.9
Total Six County Area	8,694.5	7,965.9	9,603.2	8,869.3	9,178.3

Source: California Employment Development Department (EDD)

Unemployment rates in the Six County Area declined sharply between 2010 and 2019 (see the following table). In 2019, unemployment rates ranged from a low of 2.8% in Orange County to a high of 4.4% in Los Angeles County. Unemployment rates rose sharply in 2020 as a result of the COVID pandemic. Annual data for 2021 showed some improvement and the data for April 2022 shown on page E-6 show additional improvement in Six County Area unemployment rates.

UNEMPLOYMENT RATES

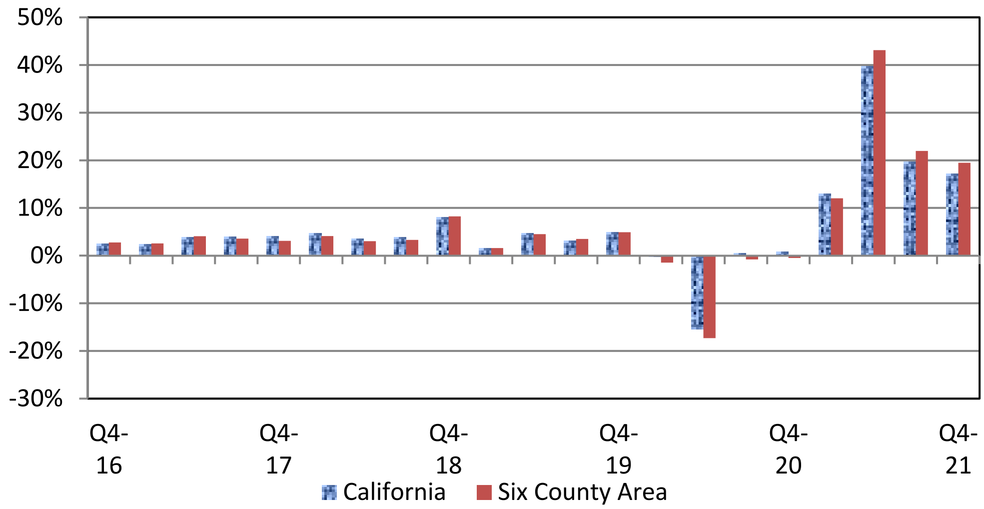
	2000	2006	2010	2019	2020	2021
Los Angeles County	5.4%	4.8%	12.6%	4.4%	12.3%	8.9%
Orange County	3.5%	3.4%	10.0%	2.8%	9.0%	6.0%
Riverside County	5.3%	5.0%	14.2%	4.3%	10.2%	7.3%
San Bernardino County	4.7%	4.8%	13.9%	3.9%	9.7%	7.4%
San Diego County	3.9%	4.0%	11.0%	3.3%	9.5%	6.5%
Ventura County	4.5%	4.3%	11.1%	3.7%	8.8%	6.2%
United States	4.0%	4.6%	9.6%	3.7%	8.1%	5.3%
State of California	4.9%	4.9%	12.5%	4.1%	10.2%	7.3%

Source: U.S. Bureau of Labor Statistics and EDD

Taxable Sales and Income

The Six County Area accounts for 55% of statewide taxable sales and the pattern of growth is similar to the state average. Taxable sales have grown more slowly than personal income as a higher share of spending is on services and other non-taxable items. Taxable sales declined in 2020 as a result of the pandemic restrictions and rebounded sharply in 2021 to record levels as shown below reflecting strong income growth from the Federal pandemic support payments to residents in the Six County Area.

Change in Taxable Sales From Year Earlier



Source: California Department of Tax and Fee Administration

Taxable sales in the Six County Area grew by 17% between 2019 and 2021 outpacing the 7% increase in the Consumer Price Index. Taxable sales also rose faster than inflation in all counties between 2000 and 2021 led by strong growth in Riverside and San Bernardino counties.

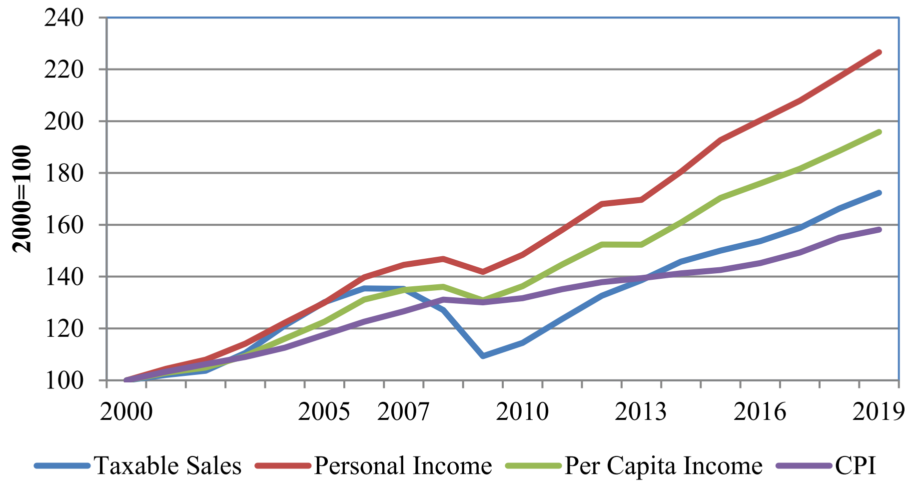
TAXABLE SALES
(Dollars in Billions)

	2000	2006	2010	2019	2021	% Change 2000 - 21	% Change 2019 - 21
Los Angeles County	$106.7	$136.2	$116.9	$172.3	$192.3	80%	12%
Orange County	44.5	57.2	47.7	69.7	78.1	76%	12%
Riverside County	17.0	29.8	23.2	40.6	55.5	226%	37%
San Bernardino County	18.9	31.3	24.7	41.8	55.3	193%	32%
San Diego County	36.2	47.8	41.6	61.4	71.6	98%	17%
Ventura County	9.1	12.3	10.2	14.8	17.3	90%	17%
Total Six County Area	$232.4	$314.6	$264.3	$400.6	$470.1	102%	17%
Los Angeles Area Consumer Price Index (1982-84 = 100.0)	171.6	210.4	225.9	271.4	289.2	69%	7%

Source: Taxable Sales–California Department of Tax and Fee Administration, Consumer Price Index–U.S. Bureau of Labor Statistics

This paragraph and the graph below were not updated as more current comparable annual income data was not available. Total personal income reached a record $1.35 trillion in 2019 in the Six County Area. Per capita personal income reached a record level of $60,362 in 2019 and the gain in per capita income between 2000 and 2019 far exceeded the increase in consumer prices. Taxable sales growth kept pace with total income growth through 2005 but lagged far behind income for the period from 2000 through 2019, although it exceeded the increase in consumer prices as shown below. The growth in income and taxable sales is expected to outpace the increase in consumer prices for most future years.

Growth in Taxable Sales, Income and Consumer Prices in Six County Area



Sources: California Board of Equalization, U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics

Construction Activity Through 2021

Residential building permit levels in the Six County Area declined sharply after 2004 falling from 108,322 to 17,932 units in 2009. Permit levels rebounded since 2009 reaching 58,113 in 2021. Permit levels increased 15.5% in 2021 compared to 2020. Multi-family residential permits are the majority in Los Angeles, Orange and San Diego counties while most permits in Riverside and San Bernardino are for single-family homes.

The California Department of Housing and Community Development (HCD) has given all regions in California goals for housing that both plan for future population growth but also plan to reduce existing housing shortages. The Southern California and San Diego regional planning agencies (SCAG and SANDAG) have allocated these regional goals to local jurisdictions and developed strategies to meet these goals that imply much higher levels of residential construction than in recent years.

RESIDENTIAL BUILDING PERMITS

	2004	2009	2018	2019	2020	2021
Los Angeles County	26,395	5,653	23,222	21,622	20,253	23,552
Orange County	9,322	2,200	8,105	10,294	5,895	7,472
Riverside County	34,226	4,190	9,168	8,361	9,166	8,506
San Bernardino County	18,470	2,495	5,086	5,980	4,541	6,990
San Diego County	17,306	2,990	9,570	7,450	9,486	10,181
Ventura County	2,603	404	1,249	1,428	970	1,412
Total Six County Area	108,322	17,932	56,400	55,135	50,311	58,113

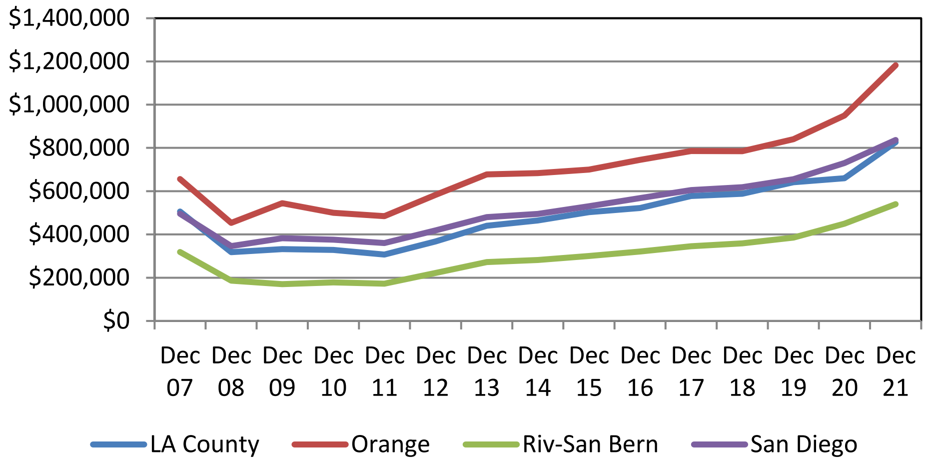
Source: Construction Industry Research Board and California Homebuilding Foundation

Housing Price and Affordability Trends in the Six County Area Economy

Housing prices surged to record highs in 2020 and 2021 as a result of strong demand, very low inventories of homes for sale by historic standards according to the California Association of Realtors

("CAR"), historically low interest rates, and job and income growth. Median resale housing prices in Six County Area markets have risen substantially in recent years, In the seven years ending December 2021 median resale prices rose 78% in Los Angeles County, 73% in Orange County, 92% in the Riverside-San Bernardino County area and 69% in San Diego County (see the figure below).

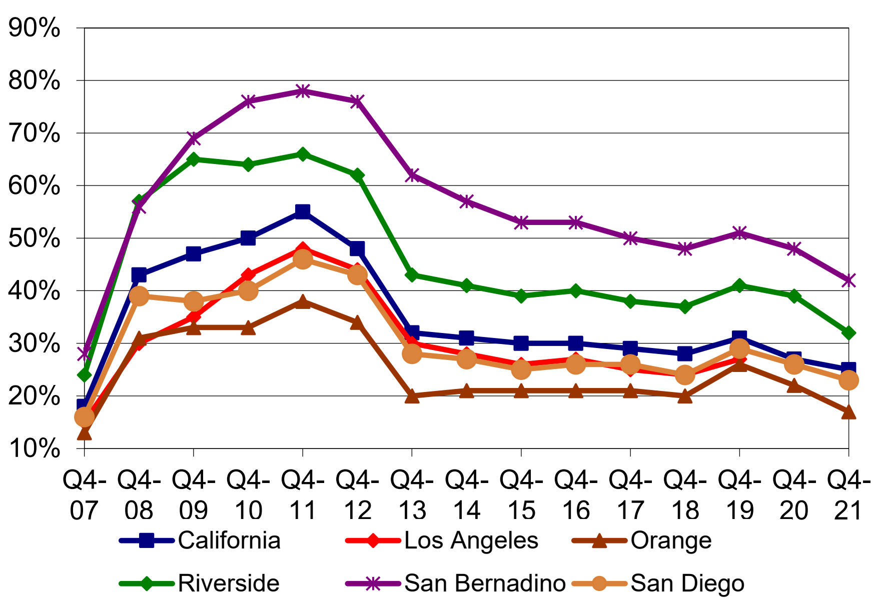
Median Resale Housing Prices



Source: California Association of Realtors

The rise in home prices has led to a decline in housing affordability for homebuyers throughout the Six County Area after 2013 as measured by CAR. Affordability declined in both 2020 and 2021 as home prices surged. Affordability is at the lowest level since the record lows right before the foreclosure crisis in 2008.

Home Buyer Affordability Index



Source: California Association of Realtors

Nonresidential Construction Through 2021

Nonresidential construction permit levels reached a record $15.6 billion in 2018, declined slightly in 2019 and then fell sharply in both 2020 and 2021 as the COVID pandemic and related recession reduced construction activity. The largest declines were in Los Angeles and Orange counties.

TOTAL NONRESIDENTIAL CONSTRUCTION PERMIT VALUATION
(Dollars in Billions)

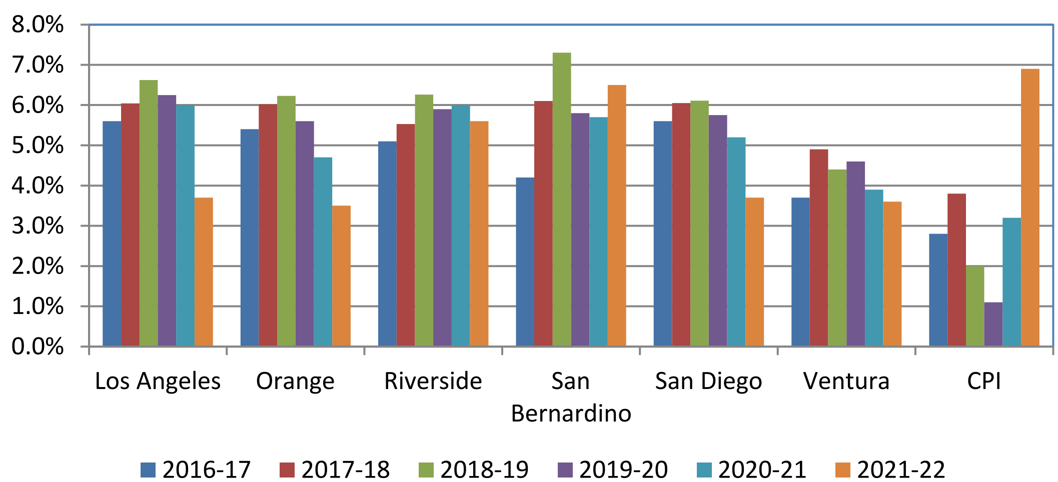
	2007	2009	2018	2019	2020	2021
Los Angeles County	$4.7	$2.7	$6.7	$6.6	$3.5	$1.8
Orange County	2.0	1.0	3.5	3.2	2.0	1.8
Riverside County	1.5	0.4	2.0	1.3	1.2	1.4
San Bernardino County	1.4	0.3	1.1	1.3	1.1	1.1
San Diego County	1.4	0.6	1.9	2.4	2.0	2.5
Ventura County	0.3	0.2	0.4	0.2	0.3	0.2
Total Six County Area	$11.3	$5.1	$15.6	$15.1	$10.1	$ 8.8

Source: Construction Industry Research Board and California Homebuilding Foundation

Assessed Valuation

Assessed valuation in the Six County Area rebounded and outpaced inflation (except for 2021) in recent years after a long downturn during the last recession that was a source of fiscal pressure on local communities throughout the Six County Area. Assessed values increased again for the 2021-22 year despite the COVID pandemic effects on construction with gains ranging from 3.6% in Ventura County to 6.5% in San Bernardino County compared to a 6.9% increase in the Consumer Price Index (CPI) (see figure below).

Change in Assessed Value

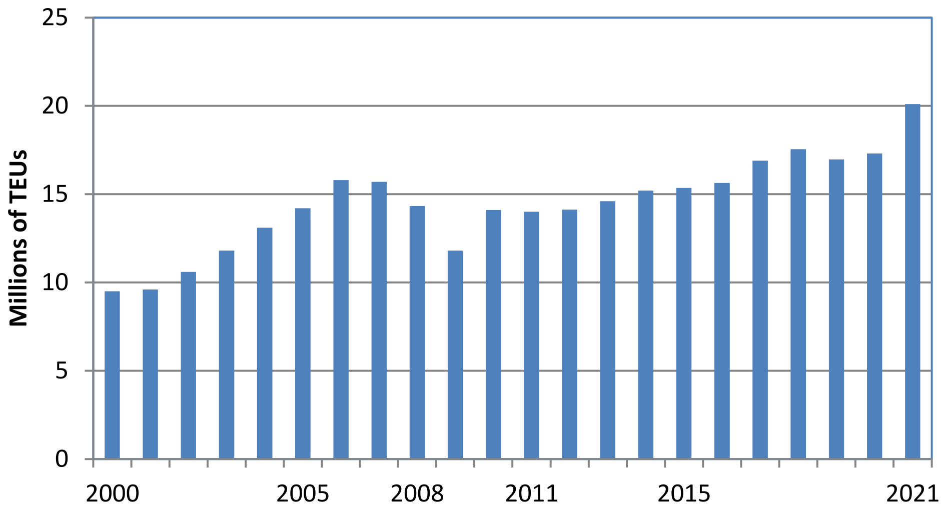


Source: County Assessors' Offices and Bureau of Labor Statistics

International Trade

Container volumes reached record levels in 2021 despite congestion at the ports toward year end and the COVID pandemic. Container volumes were up 16% in 2021 and posted a small gain in January 2022. The state government and the ports are working to reduce congestion into and out of the ports.

Container Shipments
Los Angeles and Long Beach Ports



Source: Ports of Los Angeles and Long Beach

Over the longer term, international trade has been a leading growth sector in the Six County Area. Container volume rose 112% between 2000 and 2021. This growth supports jobs and economic activity in the transportation, wholesale trade and warehousing industries as the Six County Area is a gateway for U.S. trade with Pacific Rim countries. For example, in the Riverside-San Bernardino metro area, where many imports are stored and shipped from, warehousing jobs increased from 16,900 in 2007 to 121,500 in 2021, along with jobs added in trucking and wholesale trade. Since 2019, all three sectors added 49,500 jobs.

Long-term growth in the United States and its trading partners can boost international trade levels of activity in the coming years as will new trade agreements.

Income, Wages and Poverty Rates

Counties in the Six County Area have income and wage levels and poverty rates that range from below the national average to above the national average. Orange and Ventura counties have the highest household income levels within the Six County Area. Los Angeles, Orange and San Diego counties have the highest wage levels, well above the national average. San Diego County income levels are also above the national average. Riverside and San Bernardino counties have per capita income and wage levels that are below the national average. Median household income in 2019 was above the national average in each of the counties in the Six County Area. Due to COVID disruptions the data for 2020 was deemed to be experimental by the data source and data for 2021 is not yet available.

Per capita income and median household income measures are affected by demographic trends. Per capita income measures in the region are pushed downward by the above-average percent of children versus total population in the Six County Area population compared to the national average, while median household income measures are pushed upward by the above-average number of wage earners per household in the Six County Area. Income and wage trends in the Six County Area have been comparable to national trends since 2000. Poverty rates exceeded the national average in 2019 in Los Angeles and San Bernardino counties and were below the national average elsewhere in the Six County Area.

Per capita income is based on total personal income divided by population while median household income is based on money income, which is lower than total personal income. The table below shows median household income, per capita income, wage levels and poverty rates for each of the counties in the Six County Area, as well as for California and the United States, in 2019.

Income and poverty levels improved in 2019 throughout the Six County Area (see the following table). Median household income grew faster than inflation throughout the Six County Area. Average wage growth outpaced inflation and met or exceeded the national growth rate throughout the Six County Area. Poverty rates fell throughout the Six County Area although these rates do not take into account the rapid rise in rents and home prices throughout the Six County Area.

INCOME AND WAGES 2019

	Per Capita Income	Median Household Income	Average Wage	Poverty Rate
Los Angeles County	$65,094	$72,797	$67,123	13.4%
Orange County	$71,711	$95,934	$64,775	9.4%
Riverside County	$42,418	$73,260	$46,832	11.3%
San Bernardino County	$42,043	$67,903	$48,952	13.3%
San Diego County	$63,729	$83,985	$64,211	10.3%
Ventura County	$64,715	$92,236	$57,848	7.9%
California	$66,619	$80,440	$71,351	12.3%
United States	$56,490	$65,712	$59,209	11.8%

Source: Per Capita Income–U.S. Department of Commerce; Median Household Income and Poverty Rate–U.S. Census Bureau (American Community Survey); Average Wage–U.S. Bureau of Labor Statistics

CHANGE IN INCOME AND WAGES 2018-19

	Per Capita Income	Median Household Income	Average Wage	Poverty Rate
Los Angeles County	4.5%	6.9%	3.4%	-0.7%
Orange County	4.1%	6.9%	3.8%	-1.1%
Riverside County	4.5%	9.4%	3.8%	-1.4%
San Bernardino County	4.7%	6.3%	4.4%	-1.6%
San Diego County	4.2%	6.2%	3.7%	-1.1%
Ventura County	4.5%	9.1%	4.7%	-1.0%
California	4.5%	6.9%	4.2%	-0.5%
United States	3.5%	6.1%	3.4%	-1.3%

Source: Per Capita Income–U.S. Department of Commerce; Median Household Income and Poverty Rate–U.S. Census Bureau (American Community Survey); Average Wage–U.S. Bureau of Labor Statistics

Population

Population growth in California and the Six County Area has been slowing since 2000 compared with previous decades. Population growth averaged 174,100 per year between 2000 and 2010 compared to 219,300 between 1990 and 2000. Population growth slowed after 2005 as high housing prices and large job losses contributed to larger levels of out-migration to other areas of California and other states.

Annual population growth averaged 73,700 between 2010 and 2021 according to the revised DOF estimates, and growth slowed further in the past five years and declined by 102,900 in 2021 as birth and immigration levels fell and deaths increased from the COVID pandemic. The Six County Area had 21.8 million residents in 2021, approximately 55% of the State's population.

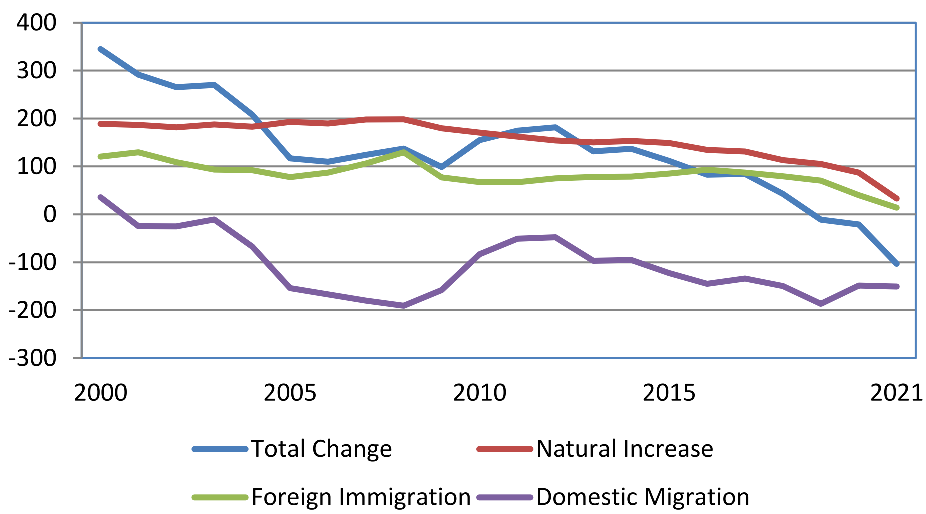
SIX COUNTY AREA POPULATION
(In Thousands)

	1990	2000	2010	2018	2019	2020	2021
Los Angeles County	8,860	9,544	9,846	10,101	10,064	10,012	9,945
Orange County	2,412	2,854	3,017	3,193	3,191	3,185	3,162
Riverside County	1,188	1,557	2,198	2,384	2,401	2,421	2,432
San Bernardino County	1,432	1,719	2,045	2,160	2,174	2,182	2,181
San Diego County	2,505	2,828	3,105	3,293	3,294	3,304	3,288
Ventura County	669	757	825	850	845	845	838
Total Six County Area	17,067	19,260	21,036	21,981	21,970	21,949	21,846

Source: California Department of Finance as of July 1

Six County Area population growth is determined by three major components—natural increase, which is the number of births minus the number of deaths, net foreign immigration, which is the number of people moving to the region from abroad minus the number moving abroad, and net domestic migration, which is the number of people moving from other regions of the state and nation minus the number moving out to these areas. Natural increase was the largest component of population growth from 2010 through 2021 averaging near 124,800 per year. Declining birth rates in recent years and an increase in deaths due to COVID reduced natural increase to just 33,300 in 2021.

Components of Change in Six County Area Population
(Thousands)

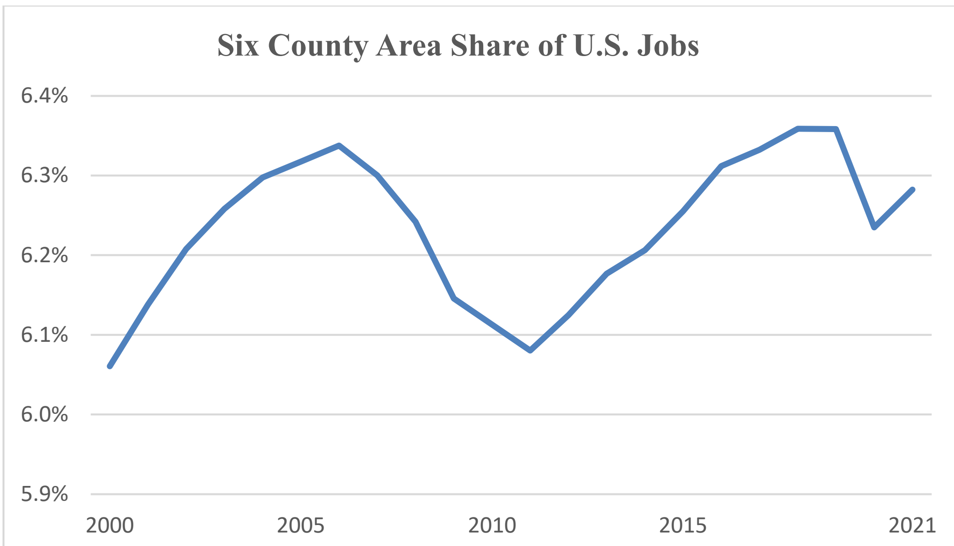


Source: California Department of Finance as of July 1

Net foreign immigration averaged 69,900 per year between 2010 and 2021, while net domestic migration has been negative since 2010, averaging -120,600 per year. Foreign immigration declined during the past 2 years as COVID and restrictive immigration policies restricted travel into the country. Net out-migration averaged 120,600 between 2010 and 2021 with higher levels since 2016.

Economic Structure of the Six County Area and Long-Term Prospects

The Six County Area has increased its share of national jobs since 2000. In 2019, the Six County Area accounted for more than 6.3% of the nation's non-farm wage and salary jobs, the highest share since 2000. The Six County Area economy usually outpaces the nation in growth periods and lags behind in recessions as in the periods after 2007 and 2020. The Six County Area share rebounded in 2021 and should participate in the above-average state job growth forecast by the U.C.L.A. Anderson forecast for 2022, 2023**,** and 2024. Recent SCAG and SANDAG growth forecasts to 2050 have job growth outpacing the nation.



Sources: EDD, Bureau of Labor Statistics, U.S. Dept. Of Labor, CCSCE

In 2021, Education and Health Services was the largest major industry sector in the Six County Area measured by jobs, with nearly 1.6 million jobs or 17% of the Six County Area total (see table on the following page).

The next largest sectors in 2021 were Professional and Business Services and Government followed by Leisure and Hospitality, Retail Trade, and Manufacturing. Six County Area job levels in 2021 were more than 1.1 million above 2000 levels despite large losses in Manufacturing, smaller declines in other sectors and pandemic related job losses in 2020. The Transportation, Warehousing and Utilities sector added jobs between 2019 and 2021 while most sectors except for Educational and Health Services remained below 2019 job levels.

Long-term job growth is driven by the Six County Area's economic base—those sectors that sell most of their goods and services in national and world markets outside of the Six County Area. Recent projections by CCSCE, SCAG and SANDAG report that the Six County Area will see job growth that slightly exceeds the national average during the next 10 to 30 years, led by gains in Professional and Business Services, Wholesale Trade, Information and the tourism component of Leisure and Hospitality.

SIX COUNTY AREA
EMPLOYMENT BY MAJOR SECTOR
(In Thousands)

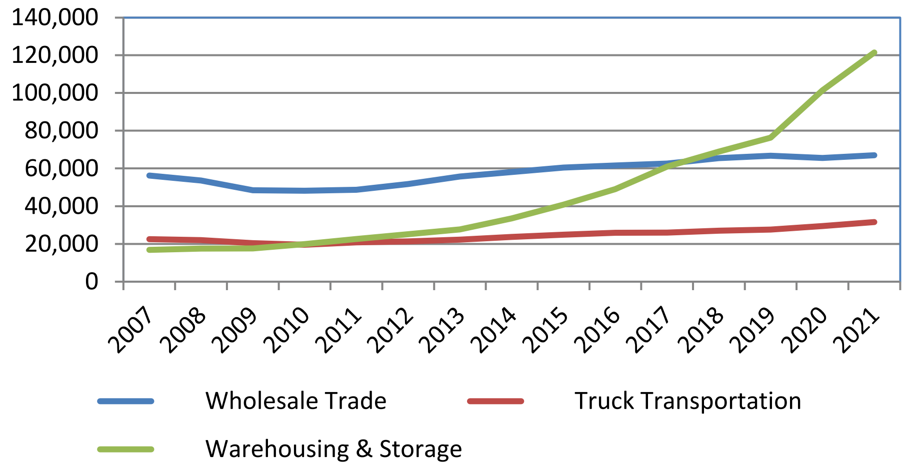
	2000	2007	2019	2020	2021	Change 2007-2021
Farm	67.7	63.8	56.1	54.6	52.6	-11.2
Natural Resources and Mining	4.6	6.4	4.9	4.6	4.6	-1.8
Construction	373.8	478.7	464.2	450.8	460.9	-17.8
Manufacturing	1,113.6	888.4	743.4	698.9	694.0	-194.4
Wholesale Trade	383.7	426.1	424.1	393.7	398.0	-28.1
Retail Trade	835.7	949.8	932.9	854.9	896.9	-52.9
Transp, Warehousing and Utilities	298.0	304.4	429.6	449.3	487.0	182.6
Information	345.0	292.3	281.5	250.6	272.7	-19.6
Financial Activities	449.5	524.3	478.6	463.1	462.8	-61.5
Professional and Business Services	1,182.7	1,289.5	1,434.6	1,356.2	1,427.4	137.9
Educational and Health Services	831.1	1,097.9	1,589.5	1,554.0	1,593.7	495.8
Leisure and Hospitality	741.0	895.0	1,191.0	871.6	961.8	66.8
Other Services	271.4	293.9	322.7	266.1	280.2	-13.7
Government	1,171.1	1,245.8	1,306.3	1,256.1	1,238.7	-7.1
Total Wage and Salary Jobs	8,068.9	8,756.3	9,659.4	8,924.5	9,231.3	475.0

Source: EDD

The Six County Area economy has an economic base that is diversified and well positioned to participate in U.S. and world economic growth over the next ten years. Job levels are expected to grow in the high-wage and fast-growing professional, scientific, technical and information services sectors, which include architecture, design, computer, research and development, advertising, legal, accounting, and internet-related and management services. Other fast-growing sectors over the next ten years include entertainment and tourism industries and health care.

The expansion of foreign trade and the growth of distribution centers such as that of Amazon in the Inland Empire have contributed to a surge in logistics (wholesale trade, warehouse and trucking) jobs in the Riverside-San Bernardino metro area (see following figure). Between 2007 and 2021 these jobs increased by 124,500 or 130% including a gain of 49,500 jobs in 2020 and 2021 led by a surge in warehousing jobs.

Logistics Jobs in the Riverside-San Bernardino Metro Area



Source: EDD

The diversity of the Six County Area economy has led to GDP growth that slightly exceeded the national average in 2019. Average GDP growth in nominal dollars in 2019 was 4.9% and real GDP growth was 2.7% compared to 2.2% for the nation and 3.4% for the state. In 2019, the Six County Area GDP was just under $1.6 trillion.

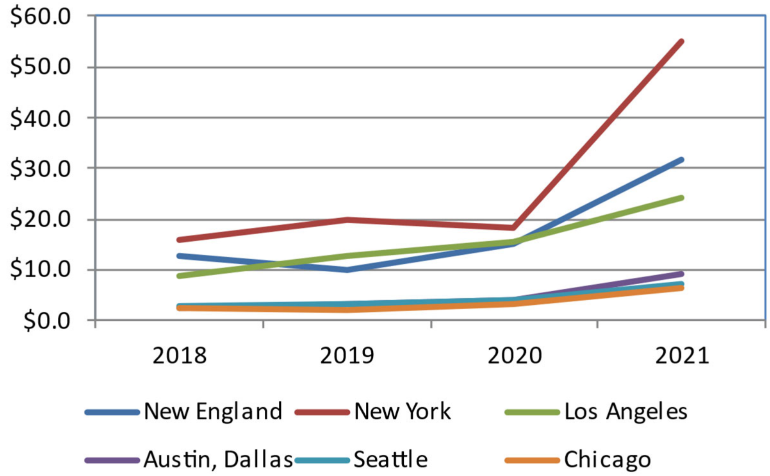
SIX COUNTY AREA GDP
(Billions of Current Dollars)

Metro Area	2016	2017	2018	2019	% Change Current $ 2018-19	% Change Real $ 2018-19
LA-Orange	$953.3	$1,002.9	$1,041.7	$1,088.7	4.5%	2.5%
Ventura	49.9	50.6	52.2	54.8	4.9%	2.8%
Riv.-San Bern.	169.1	177.2	186.0	199.6	7.3%	4.5%
San Diego	220.3	230.6	242.2	253.1	4.5%	2.2%
Six County Area	$1,392.6	$1,461.4	$1,522.2	$1,596.2	4.9%	2.7%

Source: U.S. Department of Commerce; 2019 estimates are preliminary

The San Francisco Bay Area is by far the largest recipient of new venture capital funding in the United States with a record $105.3 billion in 2021 funding. The Six County Area has been one of the top three VC markets behind the Bay Area for the past decade, outpacing the Chicago, Seattle and Austin, Dallas regional markets in total funding as shown below. In 2019, the Six County Area accounted for $24.1 billion (a record high VC funding level) behind New York and New England regional markets.

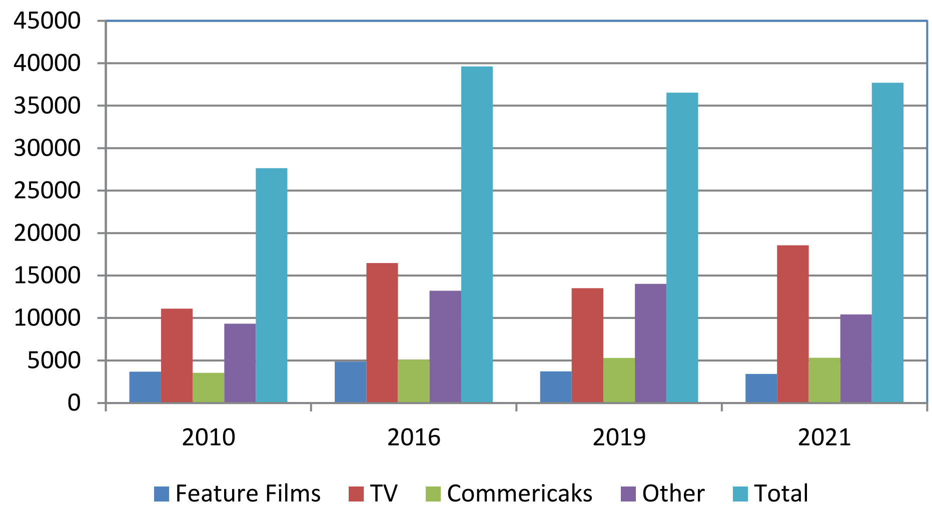
Regional VC Funding ($Billions)



Source: CB Insights

The motion picture and tourism sectors are two major components of the Six County Area economic base. Through the end of 2021, Film LA reports an increase in the number of filming shoot days since 2010 (see the chart below). However, the mix of production days changed over time with long-term losses in the production of major feature films (though levels have been relatively flat since 2010). TV and commercial shoot days have increased. In September 2014, California approved an increase in the state film tax credit to $330 million per year from $100 million starting in 2015. Production days set a recent record in 2016 of 39,627 production days. Production levels in 2021 increased 3.2% from the pre-pandemic level in 2019 with a strong increase in TV shoot days.

Filming Shoot Days in Los Angeles Area

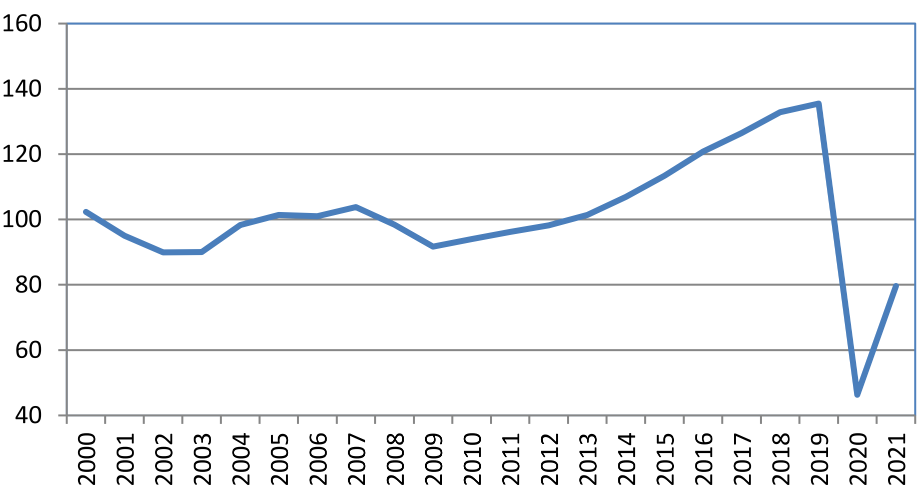


Source: Film LA

As of the end of 2019, California and the Six County Area were experiencing growth in both domestic and foreign visitors. Hotel rates and occupancy were increasing in the Six County Area and the same was true for employment in the hotel and amusement park sectors. In 2018, Los Angeles County set tourism records for the fourth year in a row for visitors, 50 million, up 3.1% over 2017, according to data from the Los Angeles Tourism and Convention Board. Foreign travel to the region in 2018 also surged with gains of 6.9% from China, 4.5% from Canada and 3.0% from the UK. In 2018, passenger travel at Los Angeles International Airport was up 3.5% to 87.5 million trips to set an all-time record. Air passenger travel at the major airports in the Six County Area reached record levels in 2019 up 2.0% over 2018 to 135.5 million trips led by gains at Burbank, Ontario and San Diego airports (see the chart below.)

The COVID pandemic and travel restrictions resulted in a sharp decline in air travel in 2020 followed by some recovery in 2021. The U.S. and other countries began reducing travel restrictions in late 2021 and air travel in the first three months of 2022 increased by 145% compared to the first three months of 2021 though it still remains below pre-pandemic levels. Capacity expansions and programs to increase airport access and reduce ground congestion have been completed and are still ongoing, respectively, in the Six County Area.

Passengers at Major Airports in the Six County Area



Source: Airport websites—Los Angeles International, Burbank, John Wayne, Ontario and San Diego

The positives for long-term economic growth include the strength of the region as a center for knowledge-based and creative activities and international trade, tourism and investment with the Pacific Rim. For example, the Six County Area does not have a large number of automotive industry production jobs but nearly all large worldwide auto companies have a major design studio in the Six County Area.

Risks for the Long-Term Forecast

The long-term impact, if any, of the Russian invasion of Ukraine on the Six County Area economy cannot be known at this time. Both the short-term impact and any longer-term impacts will depend on the duration and magnitude of the war.

The risks and challenges described in the following paragraphs were present in March 2022 and are expected to continue to pose challenges over the long-term.

Housing and transportation challenges pose risks to the long-term economic competitiveness and quality of life in the Six County Area. Recent housing shortages have contributed to relatively large increases in home prices and rents. If more housing is not built, continuing increases in housing costs could affect the location decisions of firms and families.

The state Department of Housing and Community Development has recently released the Regional Housing Needs Assessment (RHNA) goals for SCAG and SANDAG. The total goal for the Six County Area for the period from 2021 to 2029 is 1.5 million units or nearly three times the recent annual permit levels. More than half of the units are for residents making less than 120% of the area median income. Roughly half of the units are to make up for current shortages and half for projected growth. SCAG and SANDAG have set housing goals for local jurisdictions and adopted policies in addition to the state policies to provide incentives for more housing to be proposed and approved.

In the past three years, the State legislature passed housing legislation to ease development restrictions and to set aside money for subsidized housing. In 2022, the State legislature will consider additional legislation that will make it easier to build housing at all income levels with special attention to housing barriers in jurisdictions that are not meeting the housing targets in their plans.

In addition, the Six County Area needs substantial transportation investment, of at least $500 billion by 2040, to serve the growing number of residents and businesses. The two major planning agencies serving the Six County Area, SANDAG and SCAG, have plans to address these housing and transportation challenges. These plans require cooperation from local jurisdictions to locate housing and provide funding for both transportation and below-market housing projects. Additionally, these plans require state and local laws that reduce barriers to and costs of building housing and transportation improvements.

The Six County Area economy is connected to the national and world economies, especially the Pacific Rim, and is subject to fluctuations and changes in long-term demographic trends around the world and changes in national policies that affect the global economy.

Immigration has contributed, until recently, to population and economic growth in the Six County Area. Continuing low levels of immigration would restrain growth in the nation and Six County Area, which historically has been the location for a relatively high share of national immigration.

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APPENDIX F

FORM OF OPINIONS OF CO-BOND COUNSEL

Upon issuance of the 2022C Bonds, Norton Rose Fulbright US LLP and Amira Jackmon, Attorney at Law, Co-Bond Counsel to The Metropolitan Water District of Southern California, will render their approving opinions with respect to the 2022C Bonds in substantially the following form:

[Closing Date]

The Metropolitan Water District
of Southern California
Los Angeles, California

Re: The Metropolitan Water District of Southern California Special Variable Rate Water Revenue Refunding Bonds, 2022 Series C (Federally Taxable)

Ladies and Gentlemen:

We have acted as Co-Bond Counsel to The Metropolitan Water District of Southern California (the "District") in connection with the authorization, issuance, sale and delivery of $282,275,000 aggregate principal amount of its Special Variable Rate Water Revenue Refunding Bonds, 2022 Series C (Federally Taxable) (the "Bonds"), consisting of $147,650,000 principal amount of 2022 Series C-1 Bonds (the "2022C-1 Bonds") and $134,625,000 principal amount of 2022 Series C-2 Bonds (the "2022C-2 Bonds"). The Bonds are being issued by the District pursuant to the Metropolitan Water District Act, California Statutes 1969, Chapter 209, as amended and supplemented (the "Act"). The voters in Metropolitan's service area approved Metropolitan's issuance of revenue bonds at a special election held on June 4, 1974, as required by the Act. The Bonds are also issued pursuant to Resolution 8329 adopted by the Board of Directors of the District (the "Board") on July 9, 1991, as amended and supplemented (the "Master Resolution"), including as amended and supplemented by Resolution 9104 adopted by the Board on December 8, 2009 (the "Nineteenth Supplemental Resolution" and, together with the Master Resolution, the "Resolutions"). The 2022C-1 Bonds are further described in the Paying Agent Agreement for the 2022C-1 Bonds, dated as of July 1, 2022 (the "2022C-1 Paying Agent Agreement"), by and between the District and Computershare Trust Company, National Association, as paying agent (the "Paying Agent"). The 2022C-2 Bonds are further described in the Paying Agent Agreement for the 2022C-2 Bonds, dated as of July 1, 2022 (the "2022C-2 Paying Agent Agreement", together with the 2022C-1 Paying Agent Agreement, the "Paying Agent Agreements" and each a "Paying Agent Agreement"), by and between the District and the Paying Agent. All terms used herein and not otherwise defined shall have the meanings given such terms in the Resolutions.

As co-bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the District in connection with the issuance of the Bonds. We have also examined such certificates of officers of the District and others as we have considered necessary for the purposes of this opinion.

Based upon the foregoing, we are of the opinion that:

1. The Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State of California and constitute the legally valid and binding obligations

of the District, enforceable in accordance with their terms, payable solely from the Net Operating Revenues and the other sources provided therefor in the Resolutions.

2. The District is obligated by law and the Master Resolution to prescribe, revise and collect rates and charges for the services, facilities, availability and water of the Water System, which, after making allowances for contingencies and error in estimates, shall provide Operating Revenues, together with any Additional Revenues, at least sufficient to pay, in the following order of priority, (a) Operation and Maintenance Expenditures, (b) interest on any Bond Obligation (including Mandatory Sinking Account Payments) of the Outstanding Bonds (including principal of and interest on the Bonds) and Parity Obligations as the same shall become due and payable, (c) all other payments required for compliance with the Master Resolution or any Supplemental Resolution, and (d) all other payments required to meet any other obligations of the District that are charges, liens or encumbrances upon or payable from Net Operating Revenues.

3. The agreements and covenants contained in the Resolutions are authorized by the laws of the State of California and are legally valid and binding obligations of the District, enforceable in accordance with their terms.

4. Interest on the Bonds is exempt from personal income taxes of the State of California.

Except as stated in paragraph 4, we express no opinion as to any federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences in connection with the Bonds of any action taken or not taken after the date hereof without our approval.

The opinions expressed in paragraphs 1 through 3 above are qualified to the extent the enforceability of the Bonds and the Resolutions may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. The enforceability of the Bonds and the Resolutions is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against municipal corporations and charter cities in the State of California. The opinions set forth in paragraphs 1 and 3 above assumes that the Paying Agent has duly authenticated the Bonds.

We also express no opinion as to any provision in the Resolutions or the Bonds with respect to the priority of any pledge or security interest, indemnification, or governing law. No opinion is expressed herein on the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any fact or circumstance that may hereafter come to our attention or to reflect any change in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above. With your permission, we have relied on an opinion dated the date hereof by the General Counsel to the District, with respect to the due adoption of the Resolutions and the due authorization of the execution and delivery of the Bonds.

Respectfully submitted,

APPENDIX G

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Undertaking") is dated as of July 1, 2022 by The Metropolitan Water District of Southern California ("Metropolitan") in connection with the issuance of its $282,275,000 Special Variable Rate Water Revenue Refunding Bonds, 2022 Series C (Federally Taxable) (the "2022C Bonds"), consisting of $147,650,000 principal amount of 2022 Series C-1 Bonds and $134,625,000 principal amount of 2022 Series C-2 Bonds. The Bonds are being issued under and pursuant to Resolution 8329 adopted by the Board of Directors of Metropolitan (the "Board") on July 9, 1991, as amended and supplemented (the "Master Resolution"), including as amended and supplemented by Resolution 9104 adopted by the Board on December 8, 2009 (the "Nineteenth Supplemental Resolution" and, together with the Master Resolution, the "Resolutions"). Capitalized terms used in this Undertaking which are not otherwise defined in the Resolutions shall have the respective meanings specified above or in Article I hereof. In accordance with the requirements of the Rule (as hereinafter defined), Metropolitan agrees as follows:

ARTICLE I
Definitions

Section 1.1. Definitions. The following terms used in this Undertaking shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (A) the financial information and operating data with respect to Metropolitan, for each fiscal year of Metropolitan, substantially in the form presented in the Official Statement as follows: (i) the table under the caption "OPERATING REVENUES, DEBT SERVICE AND INVESTMENT PORTFOLIO – Debt Service Requirements" in the forepart of the Official Statement; (ii) under the caption "METROPOLITAN'S WATER SUPPLY" in Appendix A to the Official Statement, the table "Metropolitan's Water Storage Capacity and Water in Storage"; (iii) under the caption "METROPOLITAN REVENUES" in Appendix A to the Official Statement, the tables "Summary of Revenues by Source", "Summary of Water Transactions and Revenues", "Summary of Water Rates", and "Ten Largest Water Customers"; the water standby charge for the fiscal year; revenues for the fiscal year resulting from wheeling and exchange transactions; and the total power revenues for the fiscal year; (iv) under the caption "METROPOLITAN REVENUES – Investment of Moneys in Funds and Accounts" in Appendix A to the Official Statement, the total market value of all Metropolitan funds, earnings on investments and the minimum month-end balance of Metropolitan's investment portfolio; (v) under the caption "METROPOLITAN EXPENSES" in Appendix A to the Official Statement, the table "Summary of Expenses"; outstanding indebtedness (including revenue bonds, subordinate revenue obligations, variable rate and swap obligations, other revenue obligations and general obligation bonds), the payment obligation under the State Water Contract, a description of other long-term commitments, and the information described under the sub-caption "Defined Benefit Pension Plan and Other Post-Employment Benefits"; (vi) under the caption "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in Appendix A to the Official Statement, historical revenues and expenses for the then immediately past fiscal year, as presented in the table "Historical and Projected Revenues and Expenses"; (vii) under the caption "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in Appendix A to the Official Statement, the percentage of operation and maintenance expenses to total costs; and (viii) under the caption "METROPOLITAN EXPENSES – Power Sources and Costs; Related Long-Term Commitments" in Appendix A to the Official Statement, the expenses for electric power, for so long as such information shall be

deemed to be material by Metropolitan and (B) the information regarding amendments to this Undertaking required pursuant to Sections 4.2(c) and (d) of this Undertaking. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in clause (1) above of financial information and operating data constituting Annual Financial Information are of general categories or types of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, or due to changes in accounting practices, or legislative or organizational changes, a statement to that effect shall be provided in lieu of such information. Comparable information shall be provided if available.

(2) "Audited Financial Statements" means the annual financial statements, if any, of Metropolitan, audited by such auditor as shall then be required or permitted by State law or the Resolutions. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that Metropolitan may from time to time, if required by Federal or State legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 4.2(d) hereof shall include a reference to the specific Federal or State law or regulation describing such accounting principles.

(3) "Counsel" means a nationally recognized bond counsel or counsel expert in federal securities laws, in each case acceptable to Metropolitan.

(4) "EMMA System" means the MSRB's Electronic Municipal Market Access system or any successor nationally recognized municipal securities information repositories recognized by the SEC for the purposes referred to in the Rule.

(5) "Event Notice" means written or electronic notice of a Notice Event.

(6) "Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "Financial Obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

(7) "GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board.

(8) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

(9) "Notice Event" means any of the following events with respect to the Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of any Bonds;

(vii) modifications to rights of security holders, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the securities, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of Metropolitan (such event being considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for Metropolitan in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of Metropolitan, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of Metropolitan);

(xiii) the consummation of a merger, consolidation, or acquisition involving Metropolitan or the sale of all or substantially all of the assets of Metropolitan, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) incurrence of a Financial Obligation of Metropolitan, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of Metropolitan, any of which affect holders of the Bonds, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of Metropolitan, any of which reflect financial difficulties (it being understood that for purposes of Section 2.4 hereof, Metropolitan intends to comply with the provisions of this Undertaking for the Notice Events described in this subparagraph (xvi) and subparagraph (xv) of this paragraph (9) and the definition of "Financial Obligation" in paragraph (6) of this Section 1.1, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Commission in its Release No. 34-83885 dated August 20, 2018 (the "2018 Release"), and any further amendments or written guidance provided by the Commission or its staff with respect to the amendments to the Rule effected by the 2018 Release).

(10) "Official Statement" means the Official Statement dated July 20, 2022, of Metropolitan relating to the Bonds.

(11) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended, as in effect on the date of this Undertaking, including any official interpretations thereof issued either before or after the effective date of this Undertaking which are applicable to this Undertaking.

(12) "SEC" means the United States Securities and Exchange Commission.

(13) "State" means State of California.

(14) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

ARTICLE II
The Undertaking

Section 2.1. Purpose. This Undertaking shall constitute a written undertaking for the benefit of the holders of the Bonds and is being executed and delivered solely to assist the underwriter(s) of the Bonds in complying with subsection (b)(5) of the Rule.

Section 2.2. Annual Financial Information.

(a) Metropolitan shall provide Annual Financial Information with respect to each fiscal year of Metropolitan, commencing with such information with respect to fiscal year 2021-22, by no later than 180 days after the end of the respective fiscal year, to the EMMA System.

(b) Metropolitan shall provide, in a timely manner, notice of any failure of Metropolitan to provide the Annual Financial Information by the dates specified in subsection (a) above to the EMMA System.

Section 2.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 2.2(a) hereof, Metropolitan shall provide Audited Financial Statements, when and if available, to the EMMA System.

Section 2.4. Event Notices. If a Notice Event occurs, Metropolitan shall provide or cause to be provided, in a timely manner not in excess of ten (10) Business Days after the occurrence of such Notice Event, an Event Notice to the EMMA System.

Section 2.5. Additional Information. Nothing in this Undertaking shall be deemed to prevent Metropolitan from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any

Annual Financial Information or Event Notice, in addition to that which is required by this Undertaking. If Metropolitan chooses to include any information in any Annual Financial Information or Event Notice in addition to that which is specifically required by this Undertaking, Metropolitan shall have no obligation under this Undertaking to update such information or include it in any future Annual Financial Information or Event Notice.

ARTICLE III
Operating Rules

Section 3.1. Reference to Other Documents. It shall be sufficient for purposes of Section 2.2 hereof if Metropolitan provides Annual Financial Information by specific reference to documents (i) either (1) provided to the EMMA System, or (2) filed with the SEC, or (ii) if such document is a "final official statement," as defined in paragraph (f)(3) of the Rule, available from the MSRB or the EMMA System.

Section 3.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 3.3. Event Notices. Each Event Notice shall be so captioned and shall prominently state the Notice Event and date, and be filed with the applicable CUSIP numbers of the Bonds.

Section 3.4. Transmission of Information and Notices. Any filing under this Undertaking may be made solely by transmitting such filing to (i) the MSRB through the EMMA System or (ii) as otherwise specified in the relevant rules and interpretive advice provided by the SEC. Unless otherwise required by law and, in Metropolitan's sole determination, subject to technical and economic feasibility, Metropolitan shall employ such methods of information and notice transmission as shall be requested or recommended by the herein designated recipients of Metropolitan's information and notices.

Section 3.5. Fiscal Year. Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. Metropolitan's current fiscal year is July 1 to June 30, and Metropolitan shall promptly notify the EMMA System of each change in its fiscal year.

ARTICLE IV
Termination, Amendment and Enforcement

Section 4.1. Effective Date; Termination.

(a) This Undertaking and the provisions hereof shall be effective upon the issuance of the Bonds.

(b) Metropolitan's obligations under this Undertaking shall terminate upon a legal defeasance pursuant to Section 9.02 of the Master Resolution, prior redemption or payment in full of all of the Bonds.

(c) This Undertaking, or any provision hereof, shall be null and void in the event that Metropolitan (1) receives an opinion of Counsel, addressed to Metropolitan, to the effect that those portions of the Rule which require this Undertaking, or any of the provisions hereof, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the EMMA System.

Section 4.2. Amendment.

(a) This Undertaking may be amended by Metropolitan, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of Metropolitan or the type of business conducted thereby, (2) this Undertaking as so amended would have complied with the requirements of the Rule as of the date of this Undertaking, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) Metropolitan shall have received an opinion of Counsel, addressed to Metropolitan, to the same effect as set forth in clause (2) above, (4) either (i) Metropolitan shall have received an opinion of Counsel or a determination by a person, in each case unaffiliated with Metropolitan (such as bond counsel) and acceptable to Metropolitan, addressed to Metropolitan, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Undertaking pursuant to the same procedures as are required for amendments to the Resolutions with consent of holders of Bonds, pursuant to the Resolutions as in effect on the date of this Undertaking, and (5) Metropolitan shall have delivered copies of such opinion(s) and amendment to the EMMA System.

(b) In addition to subsection (a) above, this Undertaking may be amended and any provision of this Undertaking may be waived by Metropolitan, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Undertaking which is applicable to this Undertaking, (2) Metropolitan shall have received an opinion of Counsel, addressed to Metropolitan, to the effect that performance by Metropolitan under this Undertaking as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule and (3) Metropolitan shall have delivered copies of such opinion and amendment to the EMMA System.

(c) To the extent any amendment to this Undertaking results in a change in the type of financial information or operating data provided pursuant to this Undertaking, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. Notice of such amendment shall be provided by Metropolitan to the EMMA System.

Section 4.3. Contract; Benefit; Third-Party Beneficiaries; Enforcement.

(a) The provisions of this Undertaking shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Undertaking.

(b) Except as provided in this subsection (b), the provisions of this Undertaking shall create no rights in any person or entity. The obligations of Metropolitan to comply with the provisions of this Undertaking shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Bonds, or

(ii) in the case of challenges to the adequacy of any financial statements, financial information and operating data so provided, by the holders of 25 percent in aggregate amount of Outstanding Bonds. The holders' rights to enforce the provisions of this Undertaking shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of Metropolitan's obligations under this Undertaking. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by Metropolitan to perform in accordance with this Undertaking shall not constitute a default or an Event of Default under the Resolutions and shall not result in any acceleration of payment of the Bonds, and the rights and remedies provided by the Resolutions upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Undertaking shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Undertaking addresses matters of Federal securities laws, including the Rule, this Undertaking shall be construed in accordance with such Federal securities laws and official interpretations thereof.

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

By: ___________________________________

Katano Kasaine
Assistant General Manager,
Finance & Administration

APPROVED AS TO FORM:

MARCIA SCULLY, General Counsel

By: ___________________________________

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THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA