THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Office of the General Manager

VIA EMAIL

May 8, 2017

Director Michael T. Hogan
Director Keith Lewinger
Director Elsa Saxod
Director Fern Steiner
San Diego County Water Authority
4677 Overland Avenue
San Diego, CA 92123

Dear Directors:

Your letter dated April 30, 2017 regarding Draft Preliminary Official Statement dated 4/26/17

This letter addresses your comments, received April 30, 2017, regarding the Board Distribution Draft of the Draft Preliminary Official Statement dated April 26, 2017 (Attachment 1)**.**

Appendix A provides material financial and operating information about Metropolitan to potential investors. Appendix A is prepared by Metropolitan staff and reviewed by Metropolitan's Board of Directors. Metropolitan's objective is to provide complete and accurate disclosure regarding the bonds being offered and their security and source of payment to potential investors. Appendix A is updated periodically to provide current information. Forward-looking statements or projections are based on current information such as the facts and assumptions contained within the biennial budget and ten-year financial forecast.

In this letter, you resubmit your prior comments on the 2017 Appendix A and incorporate by reference your letters dated February 12 and 14, 2017, which were addressed in Metropolitan's response letter dated February 17, 2017 ("February 2017 Response"). Metropolitan's February 2017 Response (see Attachment 2) was electronically provided to all SDCWA directors and copied to Metropolitan's Board of Directors on February 17, 2017.

SDCWA Comment: "*General and continuing objection to new process for preparation and review of Appendix A.* We have objected previously to the new process the CFO is following of having a "biannual" Appendix A, updated only in the manner used here, i.e., a statement of "recent events," without describing how those recent "events" impact disclosures and assessments by management in other parts of the Appendix A. If "recent events" are important enough to be disclosed, then they are important enough for management to address in other relevant and related sections of Appendix A."

> **Metropolitan Response:** The comment does not accurately describe Metropolitan's disclosure procedures. All interim updates to Appendix A disclosures are provided to the Board for review and comment prior to distribution in a public offering, as has happened in connection with this financing. At times, interim updates may be in the form of a full update of Appendix A. Other times, it may be appropriate and Metropolitan may elect to incorporate the existing Appendix A from a prior offering document by reference and provide recent updates in the forepart of the bond offering statement. Incorporating a prior disclosure document by reference is expressly permitted under federal securities law. As a frequent issuer, Metropolitan has utilized this approach and provided recent updates in the forepart of the new offering document when very little new, material information is available between the distribution of offering documents in connection with the sale of bonds and with due consideration of the recent updates in the context of the disclosure. Regardless of the method selected, all updates to the disclosure documents are provided to the Board for review and comment before distribution. As always, Metropolitan and its disclosure counsel have taken the necessary steps to ensure that all material financial and operating information regarding Metropolitan is disclosed accurately in the offering document. For more information regarding Metropolitan's disclosure procedures, please see Metropolitan's Response to SDCWA Comment Letters, dated June 11, 2016 and February 17, 2017.

SDCWA Comment: "*Oroville Dam*. The updates with regard to Oroville Dam fail to tie back to any water supply or financial impacts on MWD. This information should be provided and all related sections of Appendix A updated, accordingly."

> **Metropolitan Response:** The recent update with regard to Oroville Dam updates, and refers the reader to, the section in Appendix A describing the incident in detail. All available, confirmed information about repair costs and other financial or water supply impacts of the incident on Metropolitan have been disclosed. Metropolitan continues to monitor the situation closely and will make further updates as more information becomes available.

SDCWA Comment: "*State Water Project (SWP) allocation*. The update reports the increase in MWD's calendar year 2017 SWP supply allocation to 85% (to 1,624,775 acre-feet), but does not note that the increase represents a 25% increase over the 60% SWP supply allocation contained in the 2017 Appendix A. MWD does not address or describe the additional cost and operating impacts of such an increase in SWP supplies in other relevant sections of Appendix A, and we request that it do so."

> **Metropolitan Response:** Significant portions of the State Water Contract costs do not vary with volumes delivered. Metropolitan anticipates that any change to Variable

Transportation costs on the State Water Project will be offset by reductions in power costs on the Colorado River Aqueduct, and that the higher allocation will not result in any risk to Metropolitan of adverse financial, water supply or operating impacts at this time.

SDCWA Comment: "*Agreement with City of Los Angeles.* MWD has failed to disclose its recent agreement with the City of Los Angeles, purportedly executed under the authority of the General Manager. Involving use of MWD's facilities, including as much as 200,000 acre-feet of its storage capacity, this transaction should be disclosed, and MWD should describe the water supply, cost and operating impacts on MWD."

Metropolitan Response: Under the terms of the agreement with LADWP, there is no risk to Metropolitan of adverse financial, water supply or operating impacts, and the possible savings to Metropolitan, if any, are not anticipated to be material. As a result, the agreement has not been described in the offering statement.

SDCWA Comment: "*Reserves*. The brief mention of the "need" for $50 million additional borrowing to be deposited to MWD's unrestricted cash reserves should tie back in to other relevant disclosures and updates, including discussion of the minimum cash reserve balance required to be on hand at the fiscal year end of June 30, 2017. It appears that MWD will only meet its minimum cash reserve requirement by borrowing money (either $250 million of the $338 million in projected reserves, or, $300 million of the $388 million in projected reserves). In addition, as noted earlier, MWD presumably must incur SWP power costs to store the 25 percent increase in its SWP supply allocation. Given its cash situation, MWD should disclose if additional borrowings are anticipated in order to store SWP water (the cost of which was not included in the budget), or if not, what the expected source of funds will be. We also request confirmation 1) that the Water Authority's security deposit is no longer commingled with these unrestricted cash reserves, as reported by MWD; and 2) the amount of the current balance being held in what MWD has reported as its "Exchange Agreement Set-Aside" fund."

Metropolitan Response: Appendix A and the related recent update accurately describe all material information regarding Metropolitan's reserve policy, its unrestricted reserves, deposits to unrestricted reserves from short-term credit facilities (including the referenced possible additional deposit), and all currently anticipated future borrowing. As explained above, Metropolitan does not anticipate that the costs of transporting and storing the additional state project water will have a material impact on financial reserves and no additional borrowings are anticipated at this time to cover any costs associated with the increased State Water Project allocation.

Also as described in Appendix A and previously explained in response to comment letters, Metropolitan established the Exchange Agreement Set-Aside Fund and transfers all disputed amounts under the Exchange Agreement to this account. The reported amount of unrestricted financial reserves in Appendix A and the Recent Developments sections does not include the amounts held in the Exchange Agreement Set-Aside Fund.

The amount held in the Exchange Agreement Set-Aside Fund as of April 30, 2017 is $295.1 million.

SDCWA Comment: "*Failed board effort to implement a fixed charge for recovery of some portion of MWD's treatment costs*. MWD has failed to include disclosure of the board's recent action on a proposed fixed charge to recover some portion of MWD's treatment costs. MWD's water sales are declining; see Water Authority delegates' letter dated January 10, 2016 RE Memo 8-3: Adopt the 2015 Integrated Resources Plan Update – REQUEST TO DEFER BOARD ACTION ADOPTING 2015 IRP UPDATE, OR IN THE ALTERNATIVE, OPPOSE, which was previously provided to all MWD board members, introduced into the record of MWD committee and board proceedings and is incorporated herein by reference. Given the focus rating agencies place on the willingness of the MWD board to raise rates, we believe there should be disclosure that, after a year of additional effort, the MWD board of directors once again voted against implementation of even a small increment of additional fixed cost recovery. We have been told many times that the MWD member agencies and its board "like things the way they are," with 85% to 90% of revenues coming from MWD's volumetric water rates (many of which have been declared illegal). However, this approach is not fiscally sustainable in an environment where MWD is facing substantially increased costs and a continuing and significant decline in the demand for MWD water. Investors should be informed that in the face of this decline, MWD's board is unwilling to impose fixed charges to pay for sunk costs and stranded investments; as a result, water rates and charges can be expected to increase substantially."

Metropolitan Response: On April 12, 2016, Metropolitan's Board of Directors adopted the biennial budget for fiscal years (FY) 2016/17 and 2017/18, water rates for calendar years (CY) 2017 and 2018, and charges for CY 2017. In response to a Board request, staff reviewed and presented alternatives to the 100% volumetric treatment surcharge, which recovers all revenue requirements allocable to Metropolitan's treatment function. Staff, with consultation provided by Raftelis Financial Consultants, Inc., proposed that the Board adopt a two-part Treated Water Fixed Charge based upon the cost of service report which was included in Board Letter 8-1 dated April 12, 2016.

The Board voted instead to continue the 100% volumetric Treatment Surcharge and to: (1) define objectives of a new treated water charge, (2) further analyze alternatives to bring back to the Board for further discussion in fall 2016, and (3) bring a possible recommendation to the Board for a new treated water charge effective January 1, 2018.

Staff proposed a process to the Executive Committee to achieve those objectives, which included the formation of a Workgroup of member agencies to address identified policy issues. The process, which proceeded from September 2016 to February 2017, was detailed and thoroughly studied the policy issues, culminating in a proposal for policy principles, recommendations and implementation considerations, with the result that in April 2016 the Board, in its discretion, adopted the policy principles.

> The Treatment Surcharge continues to recover 100% of allocated treatment service function costs. As such, there is no risk to Metropolitan of adverse financial or operating impacts.

SDCWA Comment: "The Water Authority has commented many times that we believe MWD reports about the projected demand for MWD water are misleading. For example, the chart at page A-83 of the 2017 Appendix A purports to show "Historic Water Sales" of MWD water from 1997 to 2016, inclusive. However, MWD is masking its lower sales in this chart by improperly including the Water Authority's QSA local supplies as its own water sales. This is even further misleading to investors by MWD comparing water sales in 1997-2002, inclusive -- when there were no Water Authority QSA supplies -- with 2003-2016, when the availability of a significant volume of the Water Authority's QSA supplies reduced its demand for MWD water. Unless MWD changes its disclosures to properly account for the Water Authority's QSA water as local supplies (as it is contractually obligated to do), this method of reporting will grow more and more misleading, as the Water Authority's QSA supplies increase to 280,000 AF annually by 2021. MWD's actual water sales were lower by the following amounts in each of the following fiscal years: [Table not included].

By mischaracterizing the Water Authority's wheeling payments as "MWD Water Sales," MWD materially overstates its water sales. The chart on page A-83 should be modified to deduct the volumes of Water Authority QSA supplies, as noted above. MWD has also failed in both its IRP and Urban Water Management Plan to account for a substantial amount of water supplies now being developed by its member agencies that will also permanently reduce the demand for MWD water. See January 10, 2016 letter RE Memo 8-3: Adopt the 2015 Integrated Resources Plan Update, noted above at page two, paragraph three; and May 8, 2016 letter RE Board Memo 8-6: Adopt the 2015 Urban Water Management Plan and resolution for submittal to the State of California.

> **Metropolitan Response:** To clarify, revenues generated as a result of the exchange agreement between SDCWA and MWD are not wheeling revenues. As noted in previous response letters, Appendix A describes Metropolitan's water sold and water sales in aggregate and expressly states that the table titled SUMMARY OF WATER SOLD AND WATER SALES "sets forth the acre-feet of water sold and water sales (including sales from water wheeling and exchanges) for the five fiscal years ended June 30, 2016." Investors, if interested, are aware that the reported water sales include water transfers to SDCWA made pursuant the Exchange Agreement.

SDCWA Comment: "We have previously commented on why MWD "Purchase Orders" are similarly misleading to the extent intended to assure investors about the future demand for MWD water; see letters dated October 8, 2012, December 27, 2012, January 14, 2013, October 13, 2014 and November 17, 2014, previously provided to all MWD board members, introduced into the record of MWD committee and board proceedings and which are incorporated herein by reference."

Metropolitan Response: The description of Member Agency Purchase Orders is accurate as stated in Appendix A.

Thank you for your comments on Metropolitan's Appendix A. We have carefully reviewed and considered them and circulated them to our finance team, including disclosure counsel and financial advisor.

Sincerely,

Gary Breaux
Assistant General Manager/Chief Financial Officer

cc: J. Kightlinger
MWD Board Members
SDCWA Board of Directors and Member Agencies

Attachment 1— Board Distribution Draft Preliminary Official Statement dated April 26, 2017.
Attachment 2— Metropolitan's February 17, 2017 response to SDCWA's February 12 and 14, 2017 letters

PRELIMINARY OFFICIAL STATEMENT DATED MAY __, 2017

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

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the 2017A Subordinate Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2017A Subordinate Bonds is exempt from State of California personal income tax. See "TAX MATTERS."

[MWD Logo]

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THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
Subordinate Water Revenue Refunding Bonds, 2017 Series A

Dated: Date of Delivery **Due: July 1, as shown on the inside cover page**

The Metropolitan Water District of Southern California ("Metropolitan") is issuing its $____________* Subordinate Water Revenue Refunding Bonds, 2017 Series A (the "2017A Subordinate Bonds") for the purpose of refunding a portion of its outstanding Senior Bonds and other debt, and paying the costs of issuance of the 2017A Subordinate Bonds. See "PLAN OF REFUNDING." Capitalized terms not otherwise defined on this cover page are defined herein and in APPENDIX 1–"SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE RESOLUTIONS."

The 2017A Subordinate Bonds will mature in the principal amounts on the dates and in the years, and will bear interest at the respective rates of interest per annum, as set forth on the inside cover page hereof. The 2017A Subordinate Bonds are being issued as fully registered bonds, in book-entry only form, in denominations of $5,000 principal amount or any integral multiple thereof. Interest on the 2017A Subordinate Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2018.

The 2017A Subordinate Bonds are <u>not</u> subject to redemption prior to their maturity.

The 2017A Subordinate 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, subordinate to the lien thereon of the Senior Debt (which includes Senior Bonds and Senior Obligations) heretofore or hereafter issued or incurred by Metropolitan and on parity with other Subordinate Bonds and First Tier Parity Obligations heretofore or hereafter issued or incurred by Metropolitan as described herein. Net Operating Revenues are revenues received by Metropolitan from charges for the sale or availability of water after payment of Operating Expenses as described herein. As of May 1, 2017, Metropolitan had outstanding $4.14 billion aggregate principal amount of Senior Bonds (including the Senior Bonds to be refunded from the proceeds of the 2017A Subordinate Bonds), as well as certain other Senior Obligations, payable from Net Operating Revenues prior to the payment of the 2017A Subordinate Bonds. As of May 1, 2017, Metropolitan had outstanding $175 million aggregate principal amount of Subordinate Bonds, as well as certain other Subordinate Obligations (including a CSDWRF Loan to be refunded from the proceeds of the 2017A Subordinate Bonds), payable from Net Operating Revenues on parity with the 2017A Subordinate Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2017A SUBORDINATE BONDS." See also "PLAN OF REFUNDING."

The 2017A Subordinate 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 2017A Subordinate Bonds or the interest thereon. The obligation to pay the principal of and interest on the 2017A Subordinate 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. Metropolitan will not fund a reserve fund for the 2017A Subordinate Bonds.

The 2017A Subordinate Bonds will be sold by competitive sale on or about May 10, 2017 pursuant to the Official Notice Inviting Bids dated May ___, 2017. The 2017A Subordinate Bonds will be offered when, as and if sold and received by the Initial Purchaser, subject to the approval of validity by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for Metropolitan by its General Counsel. Public Resources Advisory Group is serving as Municipal Advisor to Metropolitan in connection with the issuance of the 2017A Subordinate Bonds. Metropolitan anticipates that the 2017A Subordinate Bonds will be available for delivery through the facilities of The Depository Trust Company on or about June 1, 2017.

Dated: May_, 2017

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* Preliminary, subject to change.

MATURITY SCHEDULE*

$___________*
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
SUBORDINATE WATER REVENUE REFUNDING BONDS,
2017 SERIES A

Maturity (July 1)*	Principal Amount*	Interest Rate	Yield	Price	CUSIP No.† (_____)
	$	%	%		

* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with Metropolitan and are included solely for the convenience of the holders of the 2017A Subordinate Bonds. Metropolitan is not responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the 2017A Subordinate Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2017A Subordinate 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 2017A Subordinate Bonds.

MAJOR WATER CONVEYANCE FACILITIES TO SOUTHERN CALIFORNIA

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THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
Officers of the Board of Directors

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RANDY A. RECORD

Vice Chair
LINDA ACKERMAN

Vice Chair
DAVID D. DE JESUS

Vice Chair
JOHN W. MURRAY JR.

Secretary
STEVE BLOIS

REPRESENTATIVES OF MEMBER PUBLIC AGENCIES

Anaheim
STEPHEN J. FAESSEL

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ROBERT WUNDERLICH

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MARSHA RAMOS

Compton
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Fullerton
PETER BEARD

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LORRAINE A. PASKETT
JESÚS E. QUIÑONEZ

Pasadena
CYNTHIA KURTZ

San Fernando
SYLVIA BALLIN

San Marino
JOHN T. MORRIS

Santa Ana
MICHELE MARTINEZ

Santa Monica
JUDY ABDO

Torrance
RUSSELL LEFEVRE

Calleguas Municipal Water District
STEVE BLOIS

Central Basin Municipal Water District
WILLIAM GEDNEY
LETICIA VÁSQUEZ-WILSON

Eastern Municipal Water District
RANDY A. RECORD

Foothill Municipal Water District
RICHARD W. ATWATER

Inland Empire Utilities Agency
MICHAEL CAMACHO

Las Virgenes Municipal Water District
GLEN D. PETERSON

Municipal Water District of Orange County
LINDA ACKERMAN
BRETT R. BARBRE
LARRY D. DICK
LARRY MCKENNEY

San Diego County Water Authority
MICHAEL T. HOGAN
KEITH LEWINGER
ELSA SAXOD
FERN STEINER

Three Valleys Municipal Water District
DAVID D. DE JESUS

Upper San Gabriel Valley Municipal Water District
CHARLES M. TREVIÑO

West Basin Municipal Water District
DONALD L. DEAR
GLORIA D. GRAY

Western Municipal Water District of Riverside County
DONALD GALLEANO

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Management

JEFFREY KIGHTLINGER
General Manager

MARCIA SCULLY
General Counsel

GERALD C. RISS
General Auditor

DEENA GHALY
Ethics Officer

DEBRA C. MAN[(1)]
Assistant General Manager/Chief Operating Officer

FIDENCIO M. MARES
Interim Assistant General Manager/Chief Administrative Officer

GARY BREAUX
Assistant General Manager/Chief Financial Officer

ROGER K. PATTERSON
Assistant General Manager/Strategic Water Initiatives

DEE ZINKE
Assistant General Manager/Chief External Affairs Officer

OCTAVIA TUCKER
Interim Board Executive Secretary

Special Services

Bond Counsel

Stradling, Yocca, Carlson & Rauth,
a Professional Corporation
Newport Beach, California

Disclosure Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Municipal Advisor

Public Resources Advisory Group
Los Angeles, California

Fiscal Agent

Roger N. Marumoto
Metropolitan Treasurer

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

(1) Ms. Man has announced her retirement, which is planned for June 2017.

This Official Statement does not constitute an offer to sell the 2017A Subordinate 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 2017A Subordinate 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 2017A Subordinate 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.

In connection with this offering, the Initial Purchaser may overallot or effect transactions which stabilize or maintain the market price of the 2017A Subordinate Bonds at a level above that which might otherwise prevail on the open market. Such stabilizing, if commenced, may be discontinued at any time. The Initial Purchaser may offer and sell 2017A Subordinate Bonds to certain dealers and others at prices lower or yields higher than the offering prices or yields shown on the inside cover page hereof and such public offering prices or yields may be changed from time to time by the Initial Purchaser.

CUSIP data herein are provided by CUSIP Global Services, managed by S&P Capital IQ 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 Initial Purchaser 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.

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") website.

Metropolitan maintains a website. 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 2017A Subordinate Bonds.

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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 1–"SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE RESOLUTIONS" or the Subordinate Resolutions. Investors must read the entire Official Statement, including the Appendices hereto and the Referenced Appendices incorporated herein, 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 public agencies. There are 26 member public agencies of Metropolitan, 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.

Incorporation by Reference of 2017 Official Statement

Metropolitan has described its finances and operations in detail and has presented certain economic and demographic information in its Official Statement dated February 24, 2017, relating to its Water Revenue Bonds, 2017 Authorization Series A (the "2017 Official Statement"), which includes the following:

1. APPENDIX A – "THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA" (referred to herein as "Referenced Appendix A");

2. APPENDIX B – "THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA INDEPENDENT AUDITOR'S REPORT AND BASIC FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015 AND BASIC FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2016 AND 2015 (UNAUDITED)" (referred to herein as "Referenced Appendix B"); and

3. APPENDIX E – "SELECTED DEMOGRAPHIC AND ECONOMIC INFORMATION FOR METROPOLITAN'S SERVICE AREA" (referred to herein as "Referenced Appendix E").

Metropolitan includes by this specific reference into this Official Statement the Referenced Appendix A, the Referenced Appendix B and the Referenced Appendix E. The 2017 Official Statement is on file with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System (the "EMMA System") and can be accessed at http://emma.msrb.org/.

Recent Developments

Metropolitan has updated selected portions of Referenced Appendix A to reflect certain recent developments that have occurred since the date of the 2017 Official Statement. See "THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA – Recent Developments."

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 Referenced Appendix E.

Authorization for the 2017A Subordinate Bonds

Metropolitan is issuing its Subordinate Water Revenue Refunding Bonds, 2017 Series A (the "2017A Subordinate 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 Articles 9 and 11 of Chapter 3 (commencing with Section 53550 and Section 53580, respectively) and Chapter 6 (commencing with Section 54300) of Part 1 of Division 2 of Title 5 (the "Act"), and Resolution 9199 adopted on March 8, 2016, as amended and supplemented (the "Master Subordinate Resolution"), including by Resolution 9200 adopted on March 8, 2016 (the "First Supplemental Subordinate Resolution" and, together with the Master Subordinate Resolution, the "Subordinate Resolutions"). 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. Subordinate Bonds issued by Metropolitan pursuant to the Subordinate Resolutions are referred to in this Official Statement as the "Subordinate Bonds." The 2017A Subordinate Bonds when issued will be payable as to principal thereof and interest thereon on a parity with Metropolitan's outstanding Subordinate Water Revenue Bonds and any additional Subordinate Water Revenue Bonds issued by Metropolitan under the Master Subordinate Resolution ("Subordinate Bonds") and with other outstanding and future obligations of Metropolitan payable on parity with the Subordinate Bonds ("First Tier Parity Obligations" and collectively with the Subordinate Bonds, "Subordinate Obligations").

Metropolitan adopted Resolution 8329 on July 9, 1991, as amended and supplemented (the "Senior Debt Resolution"), authorizing the issuance of water revenue bonds (the "Senior Bonds") and parity obligations (the "Senior Obligations" and together with the Senior Bonds, "Senior Debt") payable and secured on a senior basis to the Subordinate Bonds to finance, or in connection with the financing of, the costs or improvements to the Water System or to refund any bond or other indebtedness of Metropolitan, subject to the limitations, term and conditions of the Senior Debt Resolution. The 2017A Subordinate Bonds when issued will be payable as to principal thereof and interest thereon on a basis subordinate to Metropolitan's outstanding Senior Bonds and any additional Senior Bonds issued by Metropolitan under the Senior Debt Resolution and with other outstanding and future Senior Obligations of Metropolitan payable on parity with the Senior Bonds.

Purpose of the 2017A Subordinate Bonds

Metropolitan is issuing its 2017A Subordinate Bonds to refund a portion of its outstanding Senior Bonds and other debt and to pay the costs of issuance of the 2017A Subordinate Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS."

General Terms of the 2017A Subordinate Bonds

The 2017A Subordinate Bonds will be dated the date of their delivery. The 2017A Subordinate Bonds will mature in the principal amounts on the dates and in the years, and will bear interest at the respective rates of interest per annum, all as set forth on the inside cover page hereof. Metropolitan will issue the 2017A Subordinate Bonds as fully registered bonds in denominations of $5,000 or any integral multiple thereof. Metropolitan will pay interest on the 2017A Subordinate Bonds on January 1 and July 1 of each year, commencing January 1, 2018. See "DESCRIPTION OF THE 2017A SUBORDINATE BONDS."

The 2017A Subordinate Bonds are not subject to redemption prior to maturity.

Book-Entry Only System

Metropolitan will issue the 2017A Subordinate Bonds as fully registered bonds and will register the 2017A Subordinate 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 2017A Subordinate Bonds. Purchasers will not receive certificates representing the 2017A Subordinate Bonds purchased by them. Metropolitan will pay principal of and interest on the 2017A Subordinate Bonds directly to DTC as the registered owner of the 2017A Subordinate 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 3–"BOOK-ENTRY ONLY SYSTEM") for subsequent disbursement to the ownership interest of each actual purchaser of each 2017A Subordinate Bond ("Beneficial Owner"). See APPENDIX 3–"BOOK-ENTRY ONLY SYSTEM."

Security for the 2017A Subordinate Bonds

The 2017A Subordinate Bonds are special limited obligations of Metropolitan payable as to principal and interest thereon solely from and secured solely by a pledge of and a lien and charge upon the Net Operating Revenues, subordinate to the lien thereon of the Senior Debt and on parity with other Subordinate Bonds and First Tier Parity Obligations. Net Operating Revenues are revenues received by Metropolitan from charges for the sale or availability of water after payment of Operating Expenses as described herein. As of May 1, 2017, Metropolitan had outstanding $4.14 billion aggregate principal amount of Senior Bonds (including the Senior Bonds to be refunded from the proceeds of the 2017A Subordinate Bonds), as well as certain other Senior Obligations, payable from Net Operating Revenues prior to the payment of the 2017A Subordinate Bonds. As of May 1, 2017, Metropolitan had outstanding $175 million aggregate principal amount of Subordinate Bonds, as well as certain other Subordinate Obligations (including a CSDWRF Loan to be refunded from the proceeds of the 2017A Subordinate Bonds), payable from Net Operating Revenues on parity with the 2017A Subordinate Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2017A SUBORDINATE BONDS."

The 2017A Subordinate 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 2017A Subordinate Bonds or the interest thereon. The obligation to pay the principal of and interest on the 2017A Subordinate Bonds does not constitute a pledge, charge, lien or encumbrance upon any of Metropolitan's property or its income, receipts or revenues except as described in this Official Statement.

Metropolitan will not fund a reserve fund for the 2017A Subordinate Bonds.

Rate Covenant

Metropolitan covenants under the Master Subordinate Resolution that it will prescribe, revise and collect rates and charges for the services, facilities, availability and water of the Water System which will provide Operating Revenues, together with any other revenues of Metropolitan and any amounts available in any Unrestricted Reserves of Metropolitan, at least sufficient to pay the following amounts: (1) Operating Expenses; (2) from and after any Pledge Change Designation, SWC Capital Payments; (3) the Bond Obligation (as such term is defined in the Senior Debt Resolution) and interest on Senior Debt as the same shall become due and payable; and (4) the interest on and Bond Obligation (including Mandatory Sinking Account Payment) of the Outstanding Subordinate Bonds (whether Serial or Term Bonds) and amounts payable on First Tier Parity Obligations and Second Tier Subordinate Obligations as they become due and payable. 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 2017A Subordinate Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2017A SUBORDINATE BONDS – Rate Covenant."

Additional Indebtedness

Metropolitan covenants in the Master Subordinate Resolution that except for Senior Debt, 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 Outstanding Subordinate Bonds or First Tier Parity Obligations.

As provided in the Subordinate Resolutions, Metropolitan may issue additional Subordinate Bonds and First Tier Parity Obligations payable and secured on parity with the Outstanding Subordinate Bonds and the 2017A Subordinate Bonds, to finance the costs of improvements to the Water System or to refund any bond or other indebtedness of Metropolitan, subject to the limitations, terms and conditions of the Master Subordinate Resolution. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2017A Subordinate Bonds – Additional Indebtedness under the Master Subordinate Resolution."

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 a senior basis to the 2017A Subordinate Bonds, other Subordinate Bonds and Subordinate Obligations. See Referenced Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations – Variable Rate and Swap Obligations."

See "PLAN OF REFUNDING – Additional Financings Expected to be Undertaken by Metropolitan" and "OPERATING REVENUES, DEBT SERVICE AND INVESTMENT PORTFOLIO – Anticipated Financings" for a discussion of potential additional Senior Debt and Subordinate Bonds that Metropolitan currently expects to issue or incur.

Continuing Disclosure

Metropolitan has agreed, in connection with the issuance of the 2017A Subordinate Bonds, to provide or to cause to be provided to the Municipal Securities Rulemaking Board ("MSRB"), through the MSRB's EMMA System, certain annual financial information and operating data relating to Metropolitan and, in a timely manner, notice of certain events with respect to the 2017A Subordinate Bonds. These covenants have been made in order to assist the Initial Purchaser in complying with Rule 15c2-12 (the "Rule") adopted by the U.S. Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended. See "CONTINUING DISCLOSURE" and APPENDIX 5–"FORM OF CONTINUING DISCLOSURE UNDERTAKING."

Metropolitan has not failed in the previous five years to comply in all material respects with any previous undertaking to provide annual reports or notices of certain events in accordance with the Rule.

Miscellaneous

The summaries of and references to the Act, the Senior Debt Resolution, the Subordinate Resolutions 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/Chief Financial Officer of The Metropolitan Water District of Southern California at 700 North Alameda Street, Los Angeles, California 90012; telephone (213) 217-7121.

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OFFICIAL STATEMENT

$___________[*]
THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
Subordinate Water Revenue Refunding Bonds, 2017 Series A

INTRODUCTION

General; Purpose

This Official Statement (which includes the cover page and inside cover page hereof, the Summary Statement and appendices hereto, and the Referenced Appendix A, Referenced Appendix B and Referenced Appendix E incorporated herein) provides information concerning The Metropolitan Water District of Southern California ("Metropolitan") in connection with the sale by Metropolitan of its $____________[*] aggregate principal amount of Subordinate Water Revenue Refunding Bonds, 2017 Series A (the "2017A Subordinate Bonds").

Metropolitan is issuing the 2017A Subordinate 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 Articles 9 and 11 of Chapter 3 (commencing with Section 53550 and Section 53580, respectively) and Chapter 6 (commencing with Section 54300) of Part 1 of Division 2 of Title 5 (the "Act"), and Resolution 9199 adopted on March 8, 2016, as amended and supplemented (the "Master Subordinate Resolution"), including by Resolution 9200 adopted on March 8, 2016 (the "First Supplemental Subordinate Resolution" and, together with the Master Subordinate Resolution, the "Subordinate Resolutions"). 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. Subordinate Bonds issued by Metropolitan pursuant to the Subordinate Resolutions are referred to in this Official Statement as the "Subordinate Bonds."

Metropolitan adopted Resolution 8329 on July 9, 1991, as amended and supplemented (the "Senior Debt Resolution"), authorizing the issuance of water revenue bonds (the "Senior Bonds") and parity obligations (the "Senior Obligations" and together with the Senior Bonds, the "Senior Debt") payable and secured on a senior basis to the Subordinate Bonds to finance, or in connection with the financing of, the costs or improvements to the Water System (defined as the properties, works and facilities of Metropolitan necessary for the supply, availability, development, storage, transportation, treatment or sale of water) or to refund any bond or other indebtedness of Metropolitan, subject to the limitations, term and conditions of the Senior Debt Resolution.

Metropolitan is issuing the 2017A Subordinate Bonds to refund a portion of its outstanding Senior Debt and a California Safe Drinking Water Revolving Fund Loan and to pay the costs of issuance of the 2017A Subordinate Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS."

Security for the 2017A Subordinate Bonds

The 2017A Subordinate Bonds are special limited obligations of Metropolitan and will be payable as to principal and interest thereon solely from and secured solely by a pledge of and a lien and charge upon the Net Operating Revenues, subordinate to the lien thereon of Metropolitan's outstanding Senior Bonds and any additional Senior Bonds issued by Metropolitan under the Senior Debt Resolution and with other outstanding and future Senior Obligations of Metropolitan payable on parity with the

[*] Preliminary, subject to change.

Senior Bonds. The 2017A Subordinate Bonds will be payable on parity with Metropolitan's other outstanding and future Subordinate Bonds and First Tier Parity Obligations. Net Operating Revenues are revenues received by Metropolitan from charges for the sale or availability of water after payment of Operating Expenses as described in this Official Statement.

As of May 1, 2017, Metropolitan had outstanding $4.14 billion aggregate principal amount of Senior Bonds (including the Senior Bonds to be refunded from the proceeds of the 2017A Subordinate Bonds), as well as certain other Senior Obligations, payable from Net Operating Revenues prior to the payment of the 2017A Subordinate Bonds. Metropolitan's outstanding Senior Bonds and Senior Parity Obligations as of February 1, 2017 are described in Referenced Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations." As of May 1, 2017, Metropolitan had outstanding $175 million aggregate principal amount of Subordinate Bonds, as well as certain other Subordinate Obligations (including a CSDWRF Loan to be refunded from the proceeds of the 2017A Subordinate Bonds), payable from Net Operating Revenues on parity with the 2017A Subordinate Bonds. Metropolitan's outstanding Subordinate Bonds and Subordinate Obligations as of February 1, 2017 are described in Referenced Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Subordinate Revenue Bonds and Subordinate Parity Obligations." See also "PLAN OF REFUNDING."

Under the Master Subordinate Resolution, Metropolitan is not prohibited from issuing additional Senior Bonds and Senior Obligations payable and secured on a senior basis to the Outstanding Subordinate Bonds and the 2017A Subordinate Bonds, except subject to the limitations, terms and conditions of the Senior Debt Resolution. As provided in the Subordinate Resolutions, Metropolitan may issue additional Subordinate Bonds and First Tier Parity Obligations payable and secured on parity with the Outstanding Subordinate Bonds and the 2017A Subordinate Bonds, to finance the costs of improvements to the Water System or to refund any bond or other indebtedness of Metropolitan, subject to the limitations, terms and conditions of the Master Subordinate Resolution. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2017A Subordinate Bonds – Additional Indebtedness under the Master Subordinate Resolution."

See "OPERATING REVENUES, DEBT SERVICE AND INVESTMENT PORTFOLIO – Anticipated Financings" for a discussion of potential additional Senior Debt and Subordinate Bonds that Metropolitan expects to issue or incur.

The 2017A Subordinate 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 2017A Subordinate Bonds or the interest thereon. The obligation to pay the principal of, redemption premium, if any, and interest on the 2017A Subordinate Bonds does not constitute a pledge, charge, lien or encumbrance upon any of Metropolitan's property or its income, receipts or revenues except as described in this Official Statement.

Metropolitan will not fund a reserve fund for the 2017A Subordinate Bonds.

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 (the "State"), including the Act, and any resolutions and documents referred to herein 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 Subordinate Resolutions. A summary of certain provisions of the Subordinate Resolutions and a list of selected defined terms are set forth in APPENDIX 1–"SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE RESOLUTIONS."

DESCRIPTION OF THE 2017A SUBORDINATE BONDS

General

The 2017A Subordinate Bonds will be dated the date of their delivery. The 2017A Subordinate Bonds will mature in the principal amounts on the dates and in the years and bear interest at the respective rates of interest per annum, as set forth on the inside cover page hereof. Interest on the 2017A Subordinate Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Metropolitan will issue the 2017A Subordinate Bonds as fully registered bonds in denominations of $5,000 or any integral multiple thereof, in book-entry only form, and will register the 2017A Subordinate Bonds in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). See "– Book-Entry Only System" below and APPENDIX 3–"BOOK–ENTRY ONLY SYSTEM."

Metropolitan will pay interest on the 2017A Subordinate Bonds on January 1 and July 1 of each year, commencing on January 1, 2018. Metropolitan will pay interest on the 2017A Subordinate Bonds on each interest payment date to the registered owners thereof as of the close of business on the Record Date. "Record Date" means, with respect to the 2017A Subordinate Bonds, the close of business on the fifteenth (15th) day of each month preceding an interest payment date.

Book-Entry Only System

Metropolitan will issue the 2017A Subordinate Bonds as fully registered bonds in the name of Cede & Co., as nominee of DTC. The 2017A Subordinate Bonds will be available to Beneficial Owners (as defined in APPENDIX 3–"BOOK–ENTRY ONLY SYSTEM") only under the book-entry system maintained by DTC. Beneficial Owners of 2017A Subordinate Bonds will not receive physical certificates representing their interests in the 2017A Subordinate Bonds. So long as the 2017A Subordinate 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 of the 2017A Subordinate Bonds. Metropolitan will pay principal of and redemption premium, if any, and interest on the 2017A Subordinate Bonds directly to DTC or Cede & Co. so long as DTC or Cede & Co. is the registered owner of the 2017A Subordinate 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 ("Participants"). See APPENDIX 3–"BOOK–ENTRY ONLY SYSTEM."

Metropolitan and the Fiscal Agent will have no responsibility or obligation with respect to: (i) the accuracy of the records of DTC, its nominee or any Participant with respect to any beneficial ownership interest in the 2017A Subordinate Bonds; (ii) the delivery to any Participant, Beneficial Owner or other Person, other than DTC, of any notice with respect to the 2017A Subordinate Bonds; (iii) the payment to any Participant, Beneficial Owner or other Person, other than DTC, of any amount with respect to the principal of or interest on, the 2017A Subordinate Bonds; (iv) any consent given by DTC or its nominee as Owner; or (v) if applicable, the selection by DTC or any Participant of any Beneficial Owners to receive payment if the 2017A Subordinate Bonds are redeemed in part. See APPENDIX 3–"BOOK–ENTRY ONLY SYSTEM."

No Redemption

The 2017A Subordinate Bonds are not subject to call and redemption prior to maturity.

SECURITY AND SOURCES OF PAYMENT FOR THE 2017A SUBORDINATE BONDS

Security for the 2017A Subordinate Bonds

The 2017A Subordinate Bonds are special limited obligations of Metropolitan 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, subordinate to the lien thereon of the Senior Debt and on parity with other Subordinate Bonds and First Tier Parity Obligations. Under the Master Subordinate Resolution, Metropolitan has further pledged to secure the payment of the principal, redemption premium, if any, and interest on the Subordinate Bonds, including the 2017A Subordinate Bonds, all amounts (including proceeds of the Subordinate Bonds) held by the Treasurer of Metropolitan in the Subordinate Bond Service Fund, subject only to the provisions of the Master Subordinate Resolution permitting the application of such amounts for the purposes and on the terms and conditions set forth in the Master Subordinate Resolution. See APPENDIX 1–"SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE RESOLUTIONS." See also "– Subordinate Bond Service Fund" below.

As defined in the Master Subordinate Resolution:

"Net Operating Revenues" are initially the Operating Revenues less Operating Expenses paid from Operating Revenues.

"Operating Revenues" are all revenues received by Metropolitan from charges for the sale and availability of water as determined in accordance with generally accepted accounting principles, as in effect in the United States with respect to governmental entities similar to Metropolitan ("GAAP").

"Operating Expenses" are the operating expenses of Metropolitan as determined by GAAP, provided that (1) Operating Expenses does not include expenses attributable to amortization, depreciation, and debt service, and any amounts recognized as operating expenses of Metropolitan according to GAAP that are attributable to pension benefits that constitute non-cash items and post-employment benefits other than pensions that constitute non-cash items, and (2) the cost of any acquisition of water shall be recognized as an operating expense of Metropolitan at a time that Metropolitan determines, but shall not be recognized at any time later than the time Metropolitan sells such water. As described herein, for purposes of the Master Subordinate Resolution, and consistent with the modified accrual basis of accounting methodology Metropolitan uses for budgetary and budgetary financial reporting purposes, revenues are recognized in the fiscal year in which they are earned and expenses are recognized when incurred. Thus, water sales revenues are recognized in the month the water is sold and expenses, including the costs of any acquisition of water, are recognized when goods have been received and services have been rendered. See "ACCOUNTING AND BUDGET MATTERS."

As described herein, Metropolitan has adopted the Senior Debt Resolution authorizing the issuance of Senior Bonds and Senior Obligations (collectively referred to herein as Senior Debt) payable and secured on a senior basis to the Subordinate Bonds for the purpose of financing, or in connection with the financing of, the costs or improvements to the Water System or to refund any bond or other indebtedness of Metropolitan, subject to the limitations, term and conditions of the Senior Debt Resolution. See Referenced Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations" for a description of Metropolitan's outstanding Senior Debt as of February 1, 2017. See also APPENDIX 2–"SUMMARY OF CERTAIN

PROVISIONS OF THE SENIOR DEBT RESOLUTION" for a summary of the terms of the Senior Debt Resolution.

The Master Subordinate Resolution permits Metropolitan to change the definition of Net Operating Revenues at such time as Metropolitan is no longer permitted to issue or incur any additional Senior Debt under the Senior Debt Resolution. The Master Subordinate Resolution refers to this as a "Pledge Change Designation." After a Pledge Change Designation, the definition of "Net Operating Revenues" will be changed to mean "Operating Revenues less (i) Operating Expenses paid from Operating Revenues and (ii) SWC Capital Payments paid from Operating Revenues." "SWC Capital Payments" are any payments made by Metropolitan under its State Water Contract that do not constitute Operating Expenses. Metropolitan's State Water Contract is discussed in Referenced Appendix A under the caption "METROPOLITAN EXPENSES – State Water Contract Obligations." To effect a Pledge Change Designation, Metropolitan must deliver a certificate electing to effect a Pledge Change Designation and pursuant to which it certifies that (1) it is prohibited from issuing or incurring any additional Senior Debt under the terms of the Senior Debt Resolution and (2) after giving effect to the Pledge Change Designation, it can satisfy the additional bonds test under the Master Subordinate Resolution as though it were issuing all Subordinate Bonds and First Tier Parity Obligations Outstanding on such date. See "APPENDIX 1–"SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE RESOLUTIONS."

The 2017A Subordinate 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 2017A Subordinate Bonds or the interest thereon. The obligation to pay the principal of, redemption premium, if any, and interest on the 2017A Subordinate Bonds does not constitute a pledge, charge, lien or encumbrance upon any of Metropolitan's property or its income, receipts or revenues except as described in this Official Statement.

Rate Covenant

Metropolitan covenants in the Master Subordinate Resolution that it will prescribe, revise and collect such rates and charges for the services, facilities, availability and water of the Water System which will provide Operating Revenues, together with any other revenues of Metropolitan and any amounts available in any Unrestricted Reserves of Metropolitan, at least sufficient to pay the following amounts:

1. Operating Expenses;

2. From and after any Pledge Change Designation, SWC Capital Payments;

3. The Bond Obligation (as such term is defined in the Senior Debt Resolution) and interest on Senior Debt as the same shall become due and payable; and

4. The interest on and Bond Obligation (including Mandatory Sinking Account Payment) of the Outstanding Bonds (whether Serial or Term Bonds) and amounts payable on First Tier Parity Obligations and Second Tier Subordinate Obligations as they become due and payable;

provided, however, that, in determining the amounts payable with respect to any of the amounts described in items 1. through 4. above and the amounts of rates and charges, Metropolitan may make such allowances for contingencies and errors in estimates and may incorporate and use such assumptions as Metropolitan determines are appropriate and reasonable.

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 Public Utilities Commission of California 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. Nevertheless, 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 Referenced Appendix A under the caption "METROPOLITAN REVENUES – California Ballot Initiatives."

No Reserve Fund

Metropolitan will not fund a reserve fund for the 2017A Subordinate Bonds. **Amounts held or to be held in a reserve fund or account established for any Senior Bonds or any other Series of Subordinate Bonds or any insurance policy, surety bond, letter of credit or other credit facility credited to a reserve fund or account established for any Senior Bonds or any other Series of Subordinate Bonds will not be available or drawn upon to pay principal of or interest on the 2017A Subordinate Bonds.**

Outstanding Senior Bonds and Senior Obligations

Following the issuance of the 2017A Subordinate Bonds and the payment or defeasance of the Senior Bonds to be refunded thereby as described under "PLAN OF REFUNDING," Metropolitan will have outstanding $_____[*] billion aggregate principal amount of Senior Bonds issued under the Senior Debt Resolution. Metropolitan's outstanding Senior Bonds include, among other things, Index Tender Bonds, Term Mode Bonds, Self-Liquidity Bonds and Build America Bonds, as more fully described in Referenced Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations – Variable Rate and Swap Obligations" and "– Term Mode Bonds" and "– Build America Bonds." The Senior Bonds, including any Senior Bonds hereafter issued in accordance with the Senior Debt Resolution, and all Senior Obligations of Metropolitan on parity therewith are payable from Net Operating Revenues prior to the payment of Metropolitan's Subordinate Bonds, including the 2017A Subordinate Bonds, and Subordinate Obligations.

Metropolitan has entered into two short-term revolving credit facilities that it secured as Senior Obligations. Under the short-term revolving credit facilities, Metropolitan may borrow, pay down and re-borrow an aggregate amount outstanding at any time of $400 million. As of May 1, 2017, an aggregate principal amount of $250 million was outstanding under the short-term revolving credit facilities. A draw of approximately $12 million is expected to be made concurrently with the delivery of the 2017A Subordinate Bonds to provide temporary financing for a portion of the outstanding Senior Bonds that are being refunded. Such draw is expected to be thereafter refunded by Subordinate Bonds anticipated to be issued by Metropolitan in July of 2017. See "PLAN OF REFUNDING – Additional Financings Expected to be Undertaken by Metropolitan." See Referenced Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations – Senior Parity Obligations – Short-Term Revolving Credit Facilities" for a description of these short-term revolving credit facilities.

Metropolitan has, and may in the future, enter into one or more revolving credit agreements for purposes of paying the purchase price of any Self-Liquidity Bonds. Metropolitan has secured, and may in

[*] Preliminary, subject to change.

the future secure, its obligation to pay principal and interest under any revolving credit agreement as a Senior Obligation pursuant to the Senior Debt Resolution. See Referenced Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations – Senior Parity Obligations – Wells Fargo Revolving Credit Agreement" for information regarding the revolving credit agreement to which Metropolitan is a party. Metropolitan also 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 a parity with Metropolitan's obligation to pay principal of and interest on the Senior Bonds and other Senior Obligations. The payments by Metropolitan are secured as described in, and the interest rate swap agreements entail risks to Metropolitan as described in, Referenced Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations – Variable Rate and Swap Obligations – Interest Rate Swap Transactions."

See also "PLAN OF REFUNDING – Additional Financings Expected to be Undertaken by Metropolitan" and "OPERATING REVENUES, DEBT SERVICE AND INVESTMENT PORTFOLIO – Anticipated Financings." See also Referenced Appendix A under the caption "CAPITAL INVESTMENT PLAN – Capital Investment Plan Financing" for a discussion of certain additional financings projected to be undertaken by Metropolitan as of the date of this Official Statement.

As provided in the Senior Debt Resolution, Metropolitan may issue additional Senior Bonds and Senior Obligations payable and secured on a basis senior and prior to the payment of the Subordinate Bonds, including the 2017A Subordinate Bonds, and Subordinate Obligations, subject to the limitations, terms and conditions of the Senior Debt Resolution. See APPENDIX 2 – "SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR DEBT RESOLUTION – Covenants – Limits on Additional Debt."

Outstanding Subordinate Obligations

Upon the issuance of the 2017A Subordinate Bonds, Metropolitan will have outstanding, in addition to the 2017A Subordinate Bonds, its $175 million Subordinate Water Revenue Bonds, 2016 Authorization Series A (the "2016A Subordinate Bonds"), which was the first series of Subordinate Bonds issued under the Master Subordinate Resolution. The 2016A Subordinate Bonds are Index Tender Bonds. Metropolitan entered into a Continuing Covenant Agreement (the "2016 BANA Agreement") with Bank of America, N.A. ("BANA") in connection with the issuance of the 2016A Subordinate Bonds for the purchase by BANA of the 2016A Subordinate Bonds. Metropolitan has secured its obligation to pay principal and interest under the 2016 BANA Agreement as a First Tier Parity Obligation payable on parity with the Subordinate Bonds. See Referenced Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Subordinate Revenue Bonds and Subordinate Parity Obligations" for a description of the 2016A Subordinate Bonds and the 2016 BANA Agreement.

In connection with the issuance of the 2017A Subordinate Bonds, Metropolitan is refunding in full an outstanding California Safe Drinking Water Revolving Fund Loan in the principal amount of $8.6 million, which is payable as a Subordinate Obligation. See Referenced Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Subordinate Revenue Bonds and Subordinate Parity Obligations." See also "PLAN OF REFUNDING."

Under some circumstances, the interest rate swap agreements referred to under "– Outstanding Senior Bonds and Senior 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 senior in payment priority to, the Subordinate Bonds, including the 2017A Subordinate Bonds, and the Subordinate Obligations. See Referenced Appendix A under the caption METROPOLITAN EXPENSES –

Outstanding Senior Revenue Bonds and Senior Parity Obligations – Variable Rate and Swap Obligations."

Additional Indebtedness under the Master Subordinate Resolution

Metropolitan covenants in the Master Subordinate Resolution that, except for existing and future Senior Debt, 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 Subordinate Bonds, including the 2017A Subordinate Bonds, and First Tier Parity Obligations.

In addition, Metropolitan covenants in the Master Subordinate Resolution that, except Subordinate Bonds and First Tier Parity Obligations to the extent incurred to pay or discharge Outstanding Senior Debt, Subordinate Bonds or First Tier Parity Obligations and which do not result in an increase in the Average Annual Debt Service on all Senior Debt, Subordinate Bonds or First Tier Parity Obligations to be Outstanding after the issuance of such Subordinate Bonds or First Tier Parity Obligations, and except for any Subordinate Bonds or First Tier Parity Obligations issued or incurred in connection with any Commercial Paper Program or Revolving Credit Agreement, Metropolitan shall not issue or incur any additional Subordinate Bonds or First Tier Parity Obligations unless, among other things, Metropolitan delivers a Certificate to the Fiscal Agent, to the effect that, as of the Calculation Date (which date shall not be any earlier than 60 days preceding the date of delivery of the Subordinate Bonds or incurrence of First Tier Parity Obligations):

FIRST: Metropolitan is not in default under the terms of the Subordinate Resolutions (including as supplemented, modified or amended by any supplemental resolution); and

SECOND: The sum obtained from (A) at the option of Metropolitan either the amount of (1) the Net Operating Revenues as shown by the books and records of Metropolitan for either the latest Fiscal Year or for any 12 consecutive month period within the last completed 24-month period ended not more than two months before the applicable Calculation Date, or (2) 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 Subordinate Bonds or First Tier Parity Obligations shall be in operation, as estimated by and set forth in a Certificate of Metropolitan, plus (B) at the option of Metropolitan, any or all of certain other items permitted by the Subordinate Resolutions, shall have amounted to not less than Average Annual Debt Service on all Senior Debt, Subordinate Bonds and First Tier Parity Obligations to be Outstanding immediately after the issuance or incurrence of such additional Subordinate Bonds or First Tier Parity Obligations. In making this calculation, Metropolitan may take into consideration any increases in water rates or charges which have been adopted by the Board before the issuance or incurrence of such additional Subordinate Bonds or First Tier Parity Obligations; any increase in Net Operating Revenues which may arise from additions, extensions or improvements to the Water System to be made or acquired with the proceeds of such additional Subordinate Bonds or First Tier Parity Obligations or using the proceeds of Senior Debt, Subordinate Bonds, First Tier Parity Obligations or Second Tier Subordinate Obligations previously issued, or from additions recently placed in service; and Additional Revenues and other moneys of Metropolitan reasonably expected to be available to pay principal or and interest on Senior Debt, Subordinate Bonds and First Tier Parity Obligations as specified in the Resolutions.

Under the Subordinate Resolutions, Metropolitan may issue or incur Second Tier Subordinate obligations and obligations which are junior and subordinate to the payment of the principal, premium, interest and reserve fund requirements for the Subordinate Bonds and all First Tier Parity Obligations and Second Tier Subordinate 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 Subordinate Resolutions from Net Operating Revenues for principal, premium, interest and reserve fund requirements for the Subordinate Bonds and all First Tier Parity Obligations and Second Tier Subordinate Obligations, as the same become due and payable and at the times and in the manner as required in the Subordinate Resolutions or the instruments creating any First Tier Parity Obligations and Second Tier Subordinate Obligations.

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 May 1, 2017, Metropolitan's outstanding bonds and other indebtedness, in the aggregate amount of $4.64 billion, constituted approximately 0.18% of the fiscal year 2016-17 taxable assessed valuation of $2,583 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, 2016 were $6.68 billion. The aggregate amount of revenue bonds outstanding as of May 1, 2017 was $4.31 billion.

Subordinate Bond Service Fund

So long as any Subordinate Bonds are Outstanding, Metropolitan is required to transfer into the following funds and accounts in the following amounts and in the following order of priority, the requirements of each such fund or account at the time of deposit to be satisfied before any deposit is made to any fund or account subsequent in priority; provided that (i) Metropolitan may set aside or transfer, on a parity with such deposits, amounts with respect to First Tier Parity Obligations (which shall be proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Subordinate Bonds and such First Tier Parity Obligations); (ii) in the event any of the deposits or transfers requires more than one such deposit or payment and there are insufficient moneys to make all such deposits and payments, then such deposits and payments shall be made *pro rata* (based on the total amount of such deposits and payments then due) to the extent of available moneys:

(1) ***First Priority – Interest Account.*** No later than the Business Day before each Interest Payment Date, Metropolitan is required to transfer to the Interest Account an amount equal to the aggregate amount of interest becoming due and payable on the Outstanding Subordinate Bonds on such Interest Payment Date (excluding any interest for which there are moneys deposited in the Interest Account from the proceeds of any Series of Subordinate Bonds or other source and reserved as capitalized interest to pay such interest on the Interest Payment Date). No deposit need be made into the Interest Account with respect to any Subordinate Bonds if the amount contained therein is at least equal to the interest to become due and payable on the Interest Payment Date. On each Interest Payment Date or as soon as practicable thereafter, any excess amounts in the Interest Account not needed to pay interest on Subordinate Bonds on such Interest Payment Date shall be transferred to the Water Revenue Fund.

(2) ***Second Priority – Principal Account.*** No later than the Business Day before each Principal Payment Date, Metropolitan shall transfer to the Principal Account an amount equal to (a) the aggregate amount of Subordinate Bond Obligation becoming due and payable on such Principal Payment Date plus (b) the aggregate of the Mandatory Sinking Account Payments to be paid on such Principal Payment Date.

No deposit need be made into the Principal Account on any date so long as there shall be in such fund moneys sufficient to pay the Subordinate Bond Obligations and Mandatory Sinking Account Payments required to be made on such Principal Payment Date. On each Principal Payment Date or as soon as practicable thereafter, any excess amounts in the Principal Account not needed to pay Subordinate Bond Obligation or Mandatory Sinking Account Payments on such Principal Payment Date shall be transferred to the Water Revenue Fund.

PLAN OF REFUNDING

Refunded Obligations

The proceeds of the 2017A Subordinate Bonds will be applied, together with certain other available funds (a) to refund all or portions of certain maturities of Metropolitan's outstanding Senior Bonds, consisting of the following: (i) Metropolitan's outstanding Water Revenue Bonds, 2006 Authorization Series A (the "2006 Series A Senior Bonds"), (ii) Metropolitan's outstanding Water Revenue Refunding Bonds, 2009 Series A-2 (the "2009 Series A-2 Senior Bonds"), (iii) Metropolitan's outstanding Water Revenue Refunding Bonds, 2011 Series A-1 (the "2011 Series A-1 Senior Bonds"), (iv) Metropolitan's outstanding Water Revenue Refunding Bonds, 2011 Series A-3 (the "2011 Series A-3 Senior Bonds"), and (v) Metropolitan's Special Variable Rate Water Revenue Refunding Bonds, 2013 Series E (the "2013 Series E Senior Bonds"); (b) to prepay a California Safe Drinking Water Revolving Fund Loan (hereafter, the "CSDWRF Loan"); and (c) to pay the costs of issuance of the 2017A Subordinate Bonds. The 2006 Series A Senior Bonds, 2009 Series A-2 Senior Bonds, 2011 Series A-1 Senior Bonds, 2011 Series A-3 Senior Bonds and 2013 Series E Senior Bonds being refunded are referred to collectively as the "Refunded Senior Bonds." See also "ESTIMATED SOURCES AND USES OF FUNDS."

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

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Refunded Senior Bonds

Series	Issue Date	CUSIP (Base No. 59266)	Maturity Date (July 1)	Principal Amount Outstanding	Principal Amount to be Redeemed	Redemption Date
Water Revenue Bonds, 2006 Authorization Series A	May 23, 2007	33Z9	2023	$ 7,045,000	$ 7,045,000	July 1, 2017
		34A3	2024	7,290,000	7,290,000	July 1, 2017
		34B1	2025	7,550,000	7,550,000	July 1, 2017
		34C9	2026	7,790,000	7,790,000	July 1, 2017
		34D7	2027	8,095,000	8,095,000	July 1, 2017
				$ 37,770,000	$37,770,000	
Water Revenue Refunding Bonds, 2009 Series A-2	May 20, 2009	TAC5	2030(1)	$104,180,000	$92,010,000	June 1, 2017
Water Revenue Refunding Bonds, 2011 Series A-1	June 2, 2011	TEK3	2036(2)	$ 64,305,000	$ 6,015,000	June 1, 2017
Water Revenue Refunding Bonds, 2011 Series A-3	June 2, 2011	TEH0	2036(3)	$ 64,300,000	$ 6,015,000	June 1, 2017
Special Variable Rate Water Revenue Refunding Bonds, 2013 Series E	July 1, 2013	SAF0	2030	$104,820,000	$104,820,000	June 1, 2017

(1) Portion of the Term Bond being redeemed to be credited against the mandatory sinking account payments due on July 1, 2020 through July 1, 2027.

(2) Portion of the Term Bond being redeemed to be credited against the mandatory sinking account payments due on July 1, 2018 through July 1, 2027.

(3) Portion of the Term Bond being redeemed to be credited against the mandatory sinking account payments due on July 1, 2018 through July 1, 2027.

The 2009 Series A-2 Senior Bonds, 2011 Series A-1 Senior Bonds, 2011 Series A-3 Senior Bonds and 2013 Series E Senior Bonds to be refunded as identified in the table above (collectively, the Refunded Variable Rate Senior Bonds") are expected to be redeemed on or about June 1, 2017, at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date, without premium.

Pursuant to the terms of the Senior Debt Resolution and the paying agent agreements for the Refunded Variable Rate Senior Bonds, the refunding of the Refunded Variable Rate Senior Bonds will be effected by depositing in the respective Redemption Funds created and established under the paying agent agreements for the Refunded Variable Rate Senior Bonds a portion of the proceeds of the 2017A Subordinate Bonds, together with other available monies (including the proceeds of a $12 million temporary draw to be made on Metropolitan's existing short-term revolving credit facilities as described under "–Additional Financings Expected to be Undertaken by Metropolitan" below). The amounts so deposited in the Redemption Funds will be applied on the date of delivery of the 2017A Subordinate Bonds to pay the redemption prices of the related series of Refunded Variable Rate Senior Bonds (*i.e.*, 100% of the principal amount thereof), plus any interest accrued and unpaid thereon.

The 2006 Series A Senior Bonds to be refunded (the "Refunded Fixed Rate Senior Bonds") are expected to be redeemed on or about July 1, 2017 at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date, without premium. Pursuant to the terms of the Senior Debt Resolution, the refunding of the Refunded Fixed Rate Senior Bonds will be effected by depositing a portion of the proceeds of the 2017A Subordinate Bonds, together with other available monies, in the escrow fund (the "Escrow Fund") created and established under the Escrow Agreement (2006A Bonds), dated as of June 1, 2017 (the "Escrow Agreement"), by and between Metropolitan and _______________, as escrow agent, as provided in the Senior Debt Resolution. Such proceeds and other monies deposited by Metropolitan in the Escrow Fund will be used to purchase Federal Securities the principal and interest on which when due will provide monies, together with amounts held as cash in the Escrow Fund, which will be sufficient to pay on the date of payment therefor the redemption price of such Refunded Fixed Rate Senior Bonds (*i.e.*, 100% of the principal amount thereof) plus any interest accrued and unpaid thereon. Upon such deposit and compliance with or provision for compliance with certain notice requirements set forth in the Senior Debt Resolution, the liability of Metropolitan with respect to the Refunded Fixed Rate Senior Bonds will cease and the Refunded Fixed Rate Senior Bonds will no longer be outstanding under the Senior Debt Resolution except that the Owners of the Refunded Fixed Rate Senior Bonds will be entitled to payment thereof solely from the amounts on deposit in the Escrow Fund held by the escrow agent therefor. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Metropolitan obtained the CSDWRF Loan in 2003 in the aggregate amount of $20 million. The loan payment obligation is a Subordinate Obligation payable on parity with the Subordinate Bonds. The outstanding principal balance of the CSDWRF Loan as of May 1, 2017 was $8.6 million, amortizing annually with a final payment scheduled for January 1, 2025. A portion of the proceeds of the 2017A Subordinate Bonds, together with other available monies, will be applied to refund and prepay on or about June 1, 2017 the full principal balance of the CSDWRF Loan, together with accrued and unpaid interest thereon.

Additional Financings Expected to be Undertaken by Metropolitan

On or about June 1, 2017, Metropolitan expects to make a draw of approximately $12 million under its existing short-term revolving credit facilities, which constitute Senior Obligations, to provide temporary financing for a portion of the outstanding 2013 Series E Senior Bonds being refunded as described above. Such draw is expected thereafter to be refunded by Subordinate Bonds anticipated to be issued by Metropolitan in July of 2017 as described below.

On or about July 3, 2017, Metropolitan expects to issue Subordinate Bonds to refund the balance of the outstanding 2006 Series A Senior Bonds, 2009 Series A-2 Senior Bonds, 2011 Series A-1 Senior Bonds and 2011 Series A-3 Senior Bonds, to refund Metropolitan's outstanding Water Revenue Refunding Bonds, 2014 Series G-2, and to refund the notes issued by Metropolitan evidencing the $12 million draw made under its short-term revolving credit facilities for the interim refinancing of a portion of the 2013 Series E Senior Bonds. Concurrently with the delivery of such refunding Subordinate Bonds, Metropolitan expects to issue approximately $80 million of additional Subordinate Bonds to finance a portion of its capital expenditures. See also "OPERATING REVENUES, DEBT SERVICE AND INVESTMENT PORTFOLIO – Anticipated Financings."

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of proceeds of the 2017A Subordinate Bonds, and other available moneys, are shown below:

Estimated Sources of Funds:	
Principal Amount of 2017A Subordinate Bonds	$
Net Original Issue Premium/Discount	
Draw from Short-Term Revolving Credit Facilities	
Release from Reserve Fund and Bond Service Fund Relating to the Refunded Bonds	
Total	$
Estimated Uses of Funds:	
Redemption of the Refunded Senior Bonds	$
Prepayment of the CSDWRF Loan	
Costs of Issuance[(1)]	
Total	$

[(1)] Includes Initial Purchaser's discount, rating agency fees, municipal advisory fees, verification agent fees, legal fees, printing costs and other costs of issuance.

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 of Metropolitan, see Referenced Appendix A under the caption "INTRODUCTION – Member Agencies."

Metropolitan has described its finances and operations in detail in Referenced Appendix A and Referenced Appendix B. In addition, Metropolitan has presented selected demographic and economic information for its service area in Referenced Appendix E. Metropolitan includes by specific reference into this Official Statement each of Referenced Appendix A, Referenced Appendix B and Referenced Appendix E. The 2017 Official Statement, including Referenced Appendix A, Referenced Appendix B and Referenced Appendix E, is on file with the EMMA System and can be accessed at http://emma.msrb.org/. To obtain information essential to making an informed investment decision, potential investors must read the entire Official Statement, including the appendices, Referenced Appendix A, Referenced Appendix B and Referenced Appendix E in their entirety, together with the information contained below under the caption "– Recent Developments."

Recent Developments

The following updates information provided in Referenced Appendix A under the caption "METROPOLITAN'S WATER SUPPLY – Recent Events at Oroville Dam" (which begins on page A-7 in Referenced Appendix A).

Use of the emergency spillway and damaged main spillway at Oroville Dam during the period following the initial February 7, 2017 damage scoured the hillsides adjacent and below these facilities depositing debris into the Feather River below and limited the ability of DWR to manage Lake Oroville operations. The spillways are a separate structure from the dam itself, which is safe. With a break in the weather during the first half of March, DWR took advantage of the lower inflows into the reservoir and ceased water flows through the damaged main spillway, allowing removal of debris from the diversion pool at the base of the spillway. To date, DWR has removed 1.6 million cubic yards of debris. As a result, DWR is now able to better manage lake levels by utilizing a combination of the damaged spillway and the Hyatt Powerplant. This flexibility will be needed during the anticipated higher reservoir inflows due to the spring snowmelt and later in the year for water supply deliveries.

State, federal, and local agencies are working collectively to help manage Lake Oroville operations, assess the cause of the damage and address needed repairs as rapidly as possible. Dam experts with the U.S. Army Corps of Engineers, Federal Energy Regulatory Commission, the State Division of Safety of Dams and independent dam safety engineers remain actively engaged in managing the situation. Work is being done around the clock and will continue to be expedited through the summer to ensure the spillways are safe by the next winter season.

On April 6, 2017, DWR released details of a recovery plan designed to ensure that by November 1, 2017, a system is in place that can safely accommodate heavy inflows at the Feather River watershed and Lake Oroville next winter (including in the event of a delay resulting in construction work on some components of the repairs and improvements extending beyond November 1). The complete recovery or replacement of both damaged spillway structures will be done in multiple phases due to enormity of the project and the time limitations of the construction season. The plan is to restore the gated flood control spillway to a capacity almost twice its highest historical outflow, up to approximately 270,000 cubic feet per second (cfs). On April 17, 2017, DWR awarded a contract to Kiewit Infrastructure West Co. ("Kiewit") for the main portions of the repair work on the spillways. Kiewit's construction bid of $275.4 million was determined by DWR to be the lowest responsive bid. Although the full extent of the repair costs are unknown at this time, DWR has indicated that costs expended as of mid-April are approximately $200 million. In April, DWR arranged for a separate series of up to $500 million in commercial paper notes to be made available to provide capital funding for the Oroville Spillway recovery and repair effort.

The following updates information provided in Referenced Appendix A under the caption "METROPOLITAN'S WATER SUPPLY – State Water Project – State Water Contract" (which begins on page A-10 in Referenced Appendix A).

On April 14, 2017, DWR notified State Water Contractors that it had increased its calendar year 2017 allocation estimate of State Water Project water to 85 percent of contracted amounts, or 1,624,775 acre-feet for Metropolitan.

The following updates information provided in Referenced Appendix A under the caption "METROPOLITAN REVENUES – Financial Reserve Policy" (which begins on page A-51 in Referenced Appendix A).

The need for an additional draw of $50 million on the Short-Term Revolving Credit Facilities (expected to be deposited in Metropolitan's unrestricted financial reserves if made) will be reviewed prior to June 30, 2017. Metropolitan projects that its unrestricted reserves as of June 30, 2017 will be in the range of approximately $338 to $388 million.

The following updates information provided in Referenced Appendix A under the caption "METROPOLITAN REVENUES – Litigation Challenging Rate Structure" (which begins on page A-53 in Referenced Appendix A).

Oral arguments in the appeals of the trial court decisions in *San Diego County Water Authority v. Metropolitan Water District of Southern California, et al.*, Case Nos. CPF-10-510830 and CPF-12-512466, are scheduled for May 10, 2017. The court of appeal has 90 days after the matter is submitted, which is typically the date of oral argument, to issue a decision. For a full description of all litigation filed by SDCWA challenging Metropolitan's rates and asserting additional claims, see "METROPOLITAN REVENUES – Litigation Challenging Rate Structure" in Referenced Appendix A."

The following updates information provided in Referenced Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations" (which begins on page A-60 in Referenced Appendix A).

On March 1, 2017, Metropolitan issued its $80,000,000 Water Revenue Bonds, 2017 Authorization Series A (the "2017A Senior Bonds") to finance certain costs of acquisition, construction and improvements to the Water System. The 2017A Senior Bonds are variable rate demand obligations with liquidity support for the purchase of tendered 2017A Senior Bonds in the event of a failed remarketing provided under a Standby Bond Purchase Agreement between Metropolitan and Citibank, N.A. The Standby Bond Purchase Agreement for the 2017A Senior Bonds has a scheduled expiration date of March 27, 2020.

On March 29, 2017, Metropolitan replaced the liquidity facility for its $88,800,000 Water Revenue Bonds, 2000 Authorization, Series B-3 (the "2000 B-3 Senior Bonds"). As of March 29, 2017, liquidity support for the purchase of tendered 2000 B-3 Senior Bonds in the event of a failed remarketing is being provided under a Standby Bond Purchase Agreement between Metropolitan and Citibank, N.A. The current Standby Bond Purchase Agreement for the 2000 B-3 Senior Bonds has a scheduled expiration date of March 27, 2020.

The following updates information provided in Referenced Appendix A under the caption "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES – Water Sales Projections" (which begins on page A-83 in Referenced Appendix A)

As of April 10, 2017, the water sales forecast for fiscal year 2016-17 is 1.56 million acre-feet, 137 thousand acre feet under budget. Financial projections for fiscal year 2016-17, based on preliminary financial results through March 31, 2017 and revised projections for the balance of fiscal year 2016-17, reflect lower water sales revenues that are estimated to be $139 million, or 11 percent, below budget, based on the revised water sales projection. Overall projected expenses for the twelve months ending July 30, 2017 are $1.7 billion. This is $175 million, or 9 percent, less than budgeted expenses. The combination of lower than budgeted water sales revenue and expenses has resulted in projected fiscal year 2016-17 revenue bond debt service coverage to be 1.49x and fixed charge coverage to be 1.28x, compared to budgeted debt service coverage of 1.55x and budgeted fixed charge coverage of 1.27x. Metropolitan's unrestricted reserves are projected to be in the range of approximately $338 to $388 million at June 30, 2017.

OPERATING REVENUES, DEBT SERVICE AND INVESTMENT PORTFOLIO

Operating Revenues

Water sales comprise Metropolitan's principal source of revenues. Water sales revenues include 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, and capacity charge. Metropolitan describes its water sales revenues in more detail in Referenced Appendix A under the captions "METROPOLITAN REVENUES – Water Sales Revenues," "– Rate Structure" and "– Other Charges." In meeting the requirements of the Subordinate 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 existing and future "Build America Bonds." Metropolitan previously issued and designated three series of Senior Bonds in the aggregate principal amount of $578,385,000 as "Build America Bonds" under the provisions of the American Recovery and Reinvestment Act of 2009. No assurances are provided that Metropolitan will receive all or any portion of the Interest Subsidy Payments, which are subject to legislative changes by the United States Congress and conditioned upon Metropolitan's compliance with certain covenants with respect to the Build America Bonds, including the use and investment of proceeds thereof and the use of property financed thereby. For a description of Metropolitan's outstanding Build America Bonds, including reductions that have occurred in the amount of Interest Subsidy Payments Metropolitan had expected to receive from the United States Treasury as a result of sequestration, see Referenced Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations – Build America Bonds." *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 2017A Subordinate Bonds. For a description of "Operating Revenues" and the effect of Operating Expenses on the amount of revenues available for payment of the 2017A Subordinate Bonds, see "SECURITY AND SOURCES OF PAYMENT FOR THE 2017A SUBORDINATE BONDS." See also APPENDIX 1–"SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE RESOLUTIONS." For information on Metropolitan's revenues and expenses, including historical and projected revenues and expenses, see Referenced Appendix A under the captions "METROPOLITAN REVENUES," "METROPOLITAN EXPENSES," and "HISTORICAL AND PROJECTED REVENUES AND EXPENSES." See also Metropolitan's financial statements contained in Referenced Appendix B.

Existing Bonds and Obligations Payable from Net Operating Revenues

Metropolitan covenants in the Master Subordinate Resolution that except for Senior Debt, 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 Outstanding Subordinate Bonds or First Tier Parity Obligations. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2017A SUBORDINATE BONDS – Additional Indebtedness Under the Master Subordinate Resolution."

Metropolitan has issued and incurred Senior Debt, including Senior Bonds pursuant to the Senior Debt Resolution which were outstanding as of February 1, 2017 in the amounts listed in Referenced Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations – Senior Revenue Bonds," and certain Senior Obligations which are described in Referenced Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations." Principal of and interest on the 2017A Subordinate Bonds will be payable from Net Operating Revenues on a basis subordinate to the Senior Bonds and Senior Obligations.

Metropolitan has issued Subordinate Bonds (which will include the 2017A Subordinate Bonds) pursuant to the applicable Subordinate Resolutions which were outstanding as of February 1, 2017 in the amounts listed in Referenced Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Subordinate Revenue Bonds and Subordinate Parity Obligations – Subordinate Revenue Bonds," and has incurred certain First Tier Parity Obligations which are described in Referenced Appendix A under the caption METROPOLITAN EXPENSES – Outstanding Subordinate Revenue Bonds and Subordinate Parity Obligations." Principal of and interest on the 2017A Subordinate Bonds will be payable from Net Operating Revenues on parity with the other Subordinate Bonds and First Tier Parity Obligations.

Anticipated Financings

Metropolitan currently expects to issue additional Subordinate Bonds to refund certain outstanding Senior Bonds and to finance capital improvements. See "PLAN OF REFUNDING – Additional Financings Expected to be Undertaken by Metropolitan."

Metropolitan anticipates that it will issue bonds, notes or other evidences of indebtedness under the Senior Debt Resolution in addition to the outstanding Senior Bonds and Senior Obligations to finance improvements to its Water System and to refund outstanding revenue bonds or general obligation bonds from time to time depending on market conditions and other factors. Metropolitan has and anticipates it will also issue or incur Subordinate Bonds and other First Tier Parity Obligations under the Subordinate Master Resolution in addition to the 2017A Subordinate Bonds and the outstanding Subordinate Bonds, subject to the limitations in the Act. Metropolitan's current Capital Investment Plan is described in Referenced Appendix A under the caption "CAPITAL INVESTMENT PLAN."

The Senior Debt Resolution and Subordinate Master Resolution each permit subsequent authorizations of additional bonds as described herein. The Senior Debt Resolution and Subordinate Master Resolution establish limitations on the issuance of additional obligations payable from Net Operating Revenues senior to and on parity with the 2017A Subordinate Bonds as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2017A SUBORDINATE BONDS."

On October 13, 2015, Metropolitan's Board adopted Ordinance 149 (the "2015 Revenue Bond Ordinance") 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. In December 2015, Metropolitan issued $208,255,000 principal amount of its Water Revenue Bonds, 2015 Authorization Series A pursuant to the Senior Debt Resolution and Resolution 9197 adopted by the Board on November 10, 2015, utilizing a portion of the authorization under the 2015 Revenue Bond Ordinance. In December 2016, Metropolitan issued the $175,000,000 2016A Subordinate Bonds pursuant to the Master Subordinate Resolution and Resolution 9216 adopted by the Board on December 13, 2016, utilizing a portion of the authorization under the 2015 Revenue Bond Ordinance. On March 1, 2017, Metropolitan issued $80,000,000 principal amount of its Water Revenue Bonds, 2017 Authorization A pursuant to the Senior Debt Resolution and Resolution 9217 adopted by the Board on January 10, 2017, utilizing a portion of the authorization under the 2015 Revenue Bond Ordinance. In June 2017, the Board will consider the adoption of an ordinance determining that the interests of Metropolitan require the use of revenue bonds in the aggregate principal amount of $400,000,000 to finance a portion of Metropolitan's capital expenditures. The Board may from time to time in the future adopt other ordinances supporting the authorization of the issuance of additional revenue bonds, including Senior Bonds and/or Subordinate Bonds. The issuance of bonds under the authorization provided by such ordinances is subject to board approval in future supplemental bond authorizations.

From time to time Metropolitan may enter into synthetic interest rate swaps, pursuant to which, for example, fixed rate obligations are converted to variable rate obligations or vice versa. See Referenced 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 Senior Bonds, Subordinate Bonds and the 2017A Subordinate Bonds."

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

Fiscal Year Ending June 30	Outstanding Senior Debt Service (1)(2)(3)	Outstanding Subordinate Bonds Debt Service (4)	2017A Subordinate Bonds Principal	2017A Subordinate Bonds Interest	Total (5)
2018	$ 325,717,440	$ 3,150,000			$ 328,867,440
2019	319,668,876	3,150,000			322,818,876
2020	313,677,437	3,150,000			316,827,437
2021	304,678,733	3,150,000			307,828,733
2022	300,686,212	3,150,000			303,836,212
2023	295,689,702	3,150,000			298,839,702
2024	295,695,801	3,150,000			298,845,801
2025	289,694,505	3,150,000			292,844,505
2026	288,978,742	3,150,000			292,128,742
2027	288,979,707	3,150,000			292,129,707
2028	284,991,724	3,150,000			288,141,724
2029	264,711,082	3,150,000			267,861,082
2030	258,546,589	3,150,000			261,696,589
2031	250,103,351	3,150,000			253,253,351
2032	251,078,525	3,150,000			254,228,525
2033	253,464,324	3,150,000			256,614,324
2034	253,716,380	3,150,000			256,866,380
2035	253,976,620	3,150,000			257,126,620
2036	253,553,702	3,150,000			256,703,702
2037	252,511,683	3,150,000			255,661,683
2038	193,939,670	3,150,000			197,089,670
2039	129,319,595	3,150,000			132,469,595
2040	127,326,198	3,150,000			130,476,198
2041	126,327,145	3,150,000			129,477,145
2042	15,529,150	35,856,293			51,385,443
2043	15,528,463	36,093,678			51,622,140
2044	15,528,025	36,340,350			51,868,375
2045	15,527,455	36,586,025			52,113,480
2046	15,526,463	36,845,185			52,371,648
2047	15,526,928	--			15,526,928
2048	15,528,258	--			15,528,258
Total (5)	$6,285,728,483	$257,321,530			$6,543,050,013

Source: Metropolitan

(1) Includes the Refunded Senior Bonds. For the $493.6 million of variable rate bonds associated with particular interest rate swap agreements, interest is calculated at the assumed fixed payor rates of interest to be paid under their respective interest rate swap agreements. For the remaining $630 million of variable rate bonds, interest is calculated at an assumed interest rate of 1.80% per annum. Actual rates may differ from those set forth in this footnote. Does not include any debt service for the Revolving Credit Agreements and Short-Term Revolving Credit Facilities. See Referenced Appendix A under the captions "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations – Senior Parity Obligations – Short-Term Revolving Credit Facilities" and "– Wells Fargo Revolving Credit Agreement."

(2) Indicated amounts reflect the stated interest rate on Metropolitan's Water Revenue Bonds 2008 Authorization, Series C (Taxable Build America Bonds), Metropolitan's Water Revenue Bonds 2008 Authorization, Series D (Taxable Build America Bonds) and Metropolitan's Water Revenue Bonds 2010 Authorization, Series A (Taxable Build America Bonds), and have not been reduced to reflect the Interest Subsidy Payments Metropolitan expects to receive from the United States Treasury in connection with such Bonds.

(3) Assumes each Series of Term Mode Bonds are remarketed to a variable rate after the initial call protection date for such Series. Interest after the initial call protection date is calculated at an assumed interest rate of 1.80% per annum.

(4) Interest on the outstanding Subordinate Bonds, which are variable rate bonds, is calculated at an assumed interest rate of 1.80% per annum.

(5) Totals are rounded.

Summary of Net Operating Revenues

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

Debt Service Coverage

For a summary of actual and projected debt service coverage on the outstanding Senior Bonds and Subordinate Bonds, see the table included under the caption "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" in Referenced Appendix A. See also "THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA – Recent Developments" above.

Financial Reserve Policy

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

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 Referenced Appendix A under the caption "METROPOLITAN REVENUES – Summary of Receipts by Source." Metropolitan's investment portfolio also includes amounts held as collateral, from time to time, by Metropolitan's swap counterparties. See Referenced Appendix A under the caption "METROPOLITAN EXPENSES – Outstanding Senior Revenue Bonds and Senior Parity Obligations – Variable Rate and Swap Obligations."

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

ACCOUNTING AND BUDGET MATTERS

Accounting Policies

Metropolitan operates as a utility enterprise. 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, 2016 and June 30, 2015. See Referenced Appendix B.

Budgetary Accounting Method

Metropolitan's budgeting and budgetary financial reporting is presented using a modified accrual basis. The modified accrual basis of accounting that Metropolitan uses varies from the full accrual basis of accounting utilized in Metropolitan's audited annual financial statements in the following respects: depreciation and amortization are not recorded and payments of debt service are recorded when due and payable. Under this 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 sales revenues are recognized in the month the water is sold and expenses are recognized when goods have been received and services have been rendered. See Referenced Appendix A under the captions "HISTORICAL AND PROJECTED REVENUES AND EXPENSES" and "MANAGEMENT'S DISCUSSION OF HISTORICAL AND PROJECTED REVENUES AND EXPENSES."

Financial Statements

The Basic Financial Statements of Metropolitan for the Fiscal Years ended June 30, 2016 and June 30, 2015 and Basic Financial Statements for the Six Months Ended December 31, 2016 and 2015 (Unaudited) are included in Referenced Appendix B. Metropolitan's Basic Financial Statements for the Nine Months Ended March 31, 2017 and 2016 (Unaudited) are expected to be completed in mid-May 2017. Such unaudited quarterly financial statements, when available, will be filed with the MSRB's EMMA System and can be accessed at http://emma.msrb.org/. The Financial Statements for the Fiscal Years ended June 30, 2016 and June 30, 2015 have been audited by Macias Gini & O'Connell LLP, Metropolitan's independent auditor (the "Auditor"), as stated in its Independent Auditor's Report, dated October 14, 2016, which is included in Referenced Appendix B. Metropolitan has not requested the consent of the Auditor, nor has the Auditor consented, to the inclusion of the Financial Statements or the Independent Auditor's Report in Referenced Appendix B. The Auditor has not been engaged to perform, and has not performed, since the date of its Independent Auditor's Report, any procedures on the Financial Statements addressed in that report. The Auditor also has not performed any procedures relating to this Official Statement.

The financial and statistical information contained and incorporated in this Official Statement is included herein for informational purposes only and a complete review of the financial statements and the notes to such financial statements set forth in Referenced Appendix B is integral to an understanding of such information. No independent auditor has audited the financial tables or other data included in this Official Statement, other than the audited financial statements for the Fiscal Years ended June 30, 2016 and June 30, 2015 included in Referenced 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 2017A Subordinate Bonds depends primarily upon Metropolitan's receipt of Net Operating Revenues. Some of the 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 2017A Subordinate Bonds are summarized below. The following description of risks is not an exhaustive list of the risks associated with the purchase of the 2017A Subordinate Bonds and the order of the risks does not necessarily reflect the relative importance of the various risks. Investors must read the entire Official Statement, including the Referenced Appendix A, Referenced Appendix B and Referenced Appendix E incorporated herein and the appendices hereto, to obtain information essential to making an informed investment decision.

Limited Obligations

The 2017A Subordinate Bonds are special limited obligations of Metropolitan 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, subordinate to the lien thereon of the Senior Debt and on parity with other Subordinate Bonds and First Tier Parity Obligations. The 2017A Subordinate 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 2017A Subordinate Bonds or the interest thereon. The obligation to pay the principal of, redemption premium, if any, and interest on the 2017A Subordinate Bonds does not constitute a pledge, charge, lien or encumbrance upon any of Metropolitan's property or its income, receipts or revenues except as described in this Official Statement.

Net Operating Revenues may not be realized by Metropolitan in amounts sufficient to pay principal of, and interest on the 2017A Subordinate Bonds and all other Senior Debt, Subordinate Bonds and Subordinate Obligations. Among other matters, water supply and demand, general and southern California economic conditions 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 Operating Expenses and debt service.

2017A Subordinate Bonds Subordinate to Senior Debt

The pledge and lien securing the 2017A Subordinate Bonds and other Subordinate Obligations is subordinate to the pledge and lien securing the Senior Debt. In addition, under the Senior Debt Resolution, Metropolitan is required to make monthly deposits from Net Operating Revenues into funds and accounts created under the Senior Debt Resolution equal to estimates of future principal and interest payments before Metropolitan may use Net Operating Revenues to pay principal of, interest on the 2017A Subordinate Bonds and other Subordinate Obligations.

A Portion of Senior Debt and Subordinate Obligations May Be Subject to Acceleration

Metropolitan has entered into revolving credit facilities, short-term credit facilities and standby bond purchase facilities which provide, upon the occurrence of events of default, that the providers thereof may declare any outstanding Senior Debt to be immediately due and payable. In addition, the terms of the Master Subordinate Resolution permit any Bank Obligation to be subject to acceleration. If any Senior Debt or Subordinate Obligations are accelerated, it may substantially reduce the amount of Net Operating Revenues available to pay debt service on the 2017A Subordinate Bonds and other Subordinate Obligations.

Risks Relating to Water Sales

Metropolitan's primary purpose is to provide a supplemental supply of imported water to its member public agencies. Metropolitan's water supply is described in more detail in Referenced 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 water. Consumer demand and locally supplied water vary from year to year, resulting in variability in water sales. See Referenced Appendix A under the caption "REGIONAL WATER RESOURCES – Local Water Supplies." 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 below. Future water sales will be subject to variability due to these and other factors.

Water Supply Shortages. Metropolitan's principal sources of water are the State Water Project and the Colorado River, both of which are subject to drought conditions that in recent years have contributed to lower overall water deliveries to Metropolitan. While Metropolitan plans and manages its supplies to account for normal occurrences of drought conditions, recent 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 Referenced Appendix A under the caption "METROPOLITAN'S WATER SUPPLY – State Water Project – *Endangered Species Act Considerations*." For additional information regarding the impact of drought conditions on Metropolitan's water supply, see Referenced 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 Referenced 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. See Referenced Appendix A under the caption "CONSERVATION AND WATER SHORTAGE MEASURES – Water Supply Allocation Plan."

Economic Conditions. Retail level water use is affected by economic conditions. Economic recession and its associated impacts, such as job losses, income losses, and housing foreclosures or vacancies, affect aggregate levels of water use and Metropolitan's water sales. See Referenced Appendix E.

Weather Conditions. Metropolitan provides a supplemental supply of water to its member agencies, most of whom have other sources of water. Regional water supplies are described in Referenced Appendix A under the caption "REGIONAL WATER RESOURCES." Climatic conditions in Metropolitan's service area (including wet weather, as well as drought and the effects of actions taken in response thereto), and availability of local supplies affect demands for imported water purchased 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 sales. See Referenced Appendix A under the caption "METROPOLITAN REVENUES – Financial Reserve Policy."

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 Referenced Appendix A under the captions "METROPOLITAN'S WATER SUPPLY – Endangered Species Act and Other Environmental Considerations."

Actions to Manage Risks Relating to Water Sales. Drought, weather conditions, regional economy 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 prolonged drought conditions and 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 2017A SUBORDINATE BONDS – Rate Covenant." See also Referenced Appendix A under the captions "METROPOLITAN'S WATER SUPPLY" and "CAPITAL INVESTMENT PLAN." 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 2017A SUBORDINATE BONDS – Rate Covenant."

Earthquakes, Wildfires and Other Natural Disasters

Southern California is subject to geotechnical and extreme weather conditions which represent potential safety hazards, including expansive soils, wildfires, high winds and areas of potential liquefaction and landslide. Earthquakes, wildfires, high winds or other natural disasters could interrupt operation of the Water System and thereby interrupt the ability of Metropolitan to generate sufficient Net Operating Revenues and may require Metropolitan to increase its rates and charges. See Referenced Appendix A under the caption "METROPOLITAN'S WATER DELIVERY SYSTEM – Seismic Considerations."

Limitations on Remedies

Upon the occurrence and continuance of an Event of Default under the Subordinate Resolutions, the Owners of the Subordinate Bonds (including the 2017A Subordinate Bonds) have limited remedies and, except for limited circumstances, the Owners of the Subordinate Bonds do not have the right to accelerate the payment of principal of or interest on the 2017A Subordinate Bonds. See APPENDIX 1– "SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE RESOLUTIONS – THE MASTER SUBORDINATE RESOLUTION – Defaults and Remedies under the Master Subordinate Resolution."

In addition, the rights of the Owners of the 2017A Subordinate Bonds are subject to the limitations on legal remedies against public entities in the State, including a limitation on enforcement obligations against funds needed to serve the public welfare and interest.

Tax Law Proposals

Existing law may change so as to reduce or eliminate the benefit to Beneficial Owners of the 2017A Subordinate Bonds of the exclusion of interest thereon from gross income for federal income tax purposes. See the caption "TAX MATTERS."

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 2017A Subordinate Bonds or the power and authority of Metropolitan to issue the 2017A Subordinate Bonds, or (c) the authority of Metropolitan to fix, charge and collect rates for the sale of water by Metropolitan as provided in the Subordinate Resolutions.

For a discussion of litigation challenging the allocation of costs to certain water rates, see Referenced 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 Referenced Appendix A–"THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA", including information under the captions and "METROPOLITAN'S WATER SUPPLY – State Water Project – Related Litigation," and "– Colorado River Aqueduct – Related Litigation" and "METROPOLITAN EXPENSES – Power Sources and Costs."

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 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

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the 2017A Subordinate Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2017A Subordinate Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the 2017A Subordinate Bonds may be included as an adjustment in calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the 2017A Subordinate Bonds is based upon certain representations of fact and certifications made by Metropolitan, the Initial Purchaser and others and is subject to the condition that Metropolitan complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the 2017A Subordinate Bonds to assure that interest (and original issue discount) on the 2017A Subordinate Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the 2017A Subordinate Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2017A Subordinate Bonds. Metropolitan will covenant to comply with all such requirements.

In the opinion of Bond Counsel, the difference between the issue price of a 2017A Subordinate Bond (the first price at which a substantial amount of the 2017A Subordinate Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity of such 2017A Subordinate Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner's basis in the applicable 2017A Subordinate Bond. The amount of original issue discount that accrues to the Beneficial Owner of a 2017A Subordinate Bond is excluded from the gross income of such Beneficial Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

The amount by which an Owner's original basis for determining loss on sale or exchange in the applicable 2017A Subordinate Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Owner's basis in the applicable 2017A Subordinate Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in an Owner realizing a taxable gain when a 2017A Subordinate Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2017A Subordinate Bond to the Owner. Purchasers of the 2017A Subordinate Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The IRS has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2017A Subordinate Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2017A Subordinate Bonds might be affected as a result of such an audit of the 2017A Subordinate Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2017A Subordinate Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the 2017A Subordinate Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE 2017A SUBORDINATE BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE INTEREST (AND ORIGINAL ISSUE DISCOUNT) ON THE 2017A SUBORDINATE BONDS OR THE MARKET VALUE OF THE 2017A SUBORDINATE BONDS. TAX REFORM PROPOSALS ARE BEING CONSIDERED BY CONGRESS. IT IS POSSIBLE THAT LEGISLATIVE CHANGES MIGHT BE INTRODUCED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX OR STATE TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2017A SUBORDINATE BONDS. THE INTRODUCTION OR ENACTMENT OF ANY OF SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2017A SUBORDINATE BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE 2017A SUBORDINATE BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR THAT SUCH INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE 2017A SUBORDINATE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2017A SUBORDINATE BONDS.

Bond Counsel's opinion may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Subordinate Resolutions and the Tax Certificate relating to the 2017A Subordinate Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (and original issue discount) with respect to any 2017A Subordinate Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the 2017A Subordinate Bonds is excluded from gross income for federal income tax purposes provided that

Metropolitan continues to comply with certain requirements of the Code, the accrual or receipt of interest (and original issue discount) on the 2017A Subordinate Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2017A Subordinate Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2017A Subordinate Bonds.

A copy of the proposed form of opinion of Bond Counsel for the 2017A Subordinate Bonds is set forth in Appendix 4.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore P.C., Denver, Colorado, certified public accountants (the "Verification Agent"), will deliver a report stating that the firm has verified the accuracy of mathematical computations concerning the adequacy of the maturing principal amounts of, and interest to be earned on, the Federal Securities to be deposited to the Escrow Fund established for the Refunded Fixed Rate Senior Bonds, together with amounts held as cash in the Escrow Fund, to pay on the applicable date of payment therefor, the redemption price of the Refunded Fixed Rate Bonds, together with accrued interest thereon to the redemption date.

The report of the Verification Agent will include the statement that the scope of their engagement was limited to verifying the mathematical accuracy of the computations contained in the schedules provided to them and that they have no obligations to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

PURCHASE AND REOFFERING

________________ (the "Initial Purchaser") purchased the 2017A Subordinate Bonds from Metropolitan at a competitive sale at a purchase price of $______, representing the $_________ aggregate principal amount of the 2017A Subordinate Bonds, less an Initial Purchaser's discount of $__________, [plus/less original issue premium/discount of $____________].

The public offering prices or yields may be changed from time to time by the Initial Purchaser. The Initial Purchaser may offer and sell 2017A Subordinate Bonds to certain dealers and others at prices lower or yields higher than the offering prices or yields shown on the inside cover page hereof.

MUNICIPAL ADVISOR

Metropolitan has retained Public Resources Advisory Group, Los Angeles, California, as municipal advisor (the "Municipal Advisor") in connection with the issuance of the 2017A Subordinate 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.

LEGAL MATTERS

Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel to Metropolitan, will render its opinion with respect to the 2017A Subordinate Bonds, substantially in the form set forth in APPENDIX 4–"FORM OF BOND COUNSEL OPINION." Bond Counsel undertakes 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. Norton Rose Fulbright US LLP is acting as Disclosure Counsel to Metropolitan in connection with the issuance of the 2017A Subordinate Bonds.

RATINGS

Metropolitan expects that S&P Global Ratings and Fitch Ratings will assign the 2017A Subordinate Bonds their long-term ratings of "[___]" and "[___]," respectively. Such credit ratings reflect only the views of such organizations and any desired explanation of the significance of such credit ratings 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. Such credit ratings may not continue for any given period and may be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any downward revision or withdrawal of such credit ratings could have an adverse effect on the market price of the 2017A Subordinate 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 2017A Subordinate Bonds remain Outstanding. Under the Continuing Disclosure Undertaking, Metropolitan will covenant for the benefit of Owners and Beneficial Owners of the 2017A Subordinate 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 Initial Purchaser of the 2017A Subordinate Bonds in complying with the Rule. See APPENDIX 5–"FORM OF CONTINUING DISCLOSURE UNDERTAKING." The Continuing Disclosure Undertaking includes the following change in the description of the Annual Financial Information (as defined in Appendix 5) to be included in Metropolitan's Annual Reports with respect to the 2017A Subordinate Bonds from that included in Metropolitan's prior continuing disclosure undertakings: the two tables entitled "Summary of Receipts by Source" and "Summary of Expenditures by Source" have been renamed "Summary of Revenues by Source" and "Summary of Expenses by Source," respectively, to reflect the current presentation of such tables in Appendix A on a modified accrual basis (rather than a cash basis) consistent with the modified accrual basis of accounting utilized in other tables of financial information in Referenced Appendix A.

Metropolitan has not failed in the previous five years to comply in any material respect with any previous undertaking to provide annual reports or notices of certain events in accordance with the Rule.

MISCELLANEOUS

The terms of the 2017A Subordinate Bonds are set forth in the Subordinate Resolutions and the Official Notice Inviting Bids. Copies of such documents may be obtained from the office of the Assistant General Manager/Chief Financial Officer 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/Chief Financial Officer.

The attached appendices, Referenced Appendix A, Referenced Appendix B and Referenced Appendix E 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: ______________________________
General Manager

APPENDIX 1

SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATE RESOLUTIONS

APPENDIX 2

SUMMARY OF CERTAIN PROVISIONS OF THE SENIOR DEBT RESOLUTION

APPENDIX 3

BOOK-ENTRY ONLY SYSTEM

APPENDIX 3

BOOK-ENTRY ONLY SYSTEM

Introduction

Unless otherwise noted, the information contained under the caption "– 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 websites as described under the caption "– General," including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites. The beneficial owners of the 2017A Subordinate Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER METROPOLITAN NOR THE FISCAL 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 2017A SUBORDINATE BONDS UNDER THE SUBORDINATE 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 2017A SUBORDINATE BONDS, IF APPLICABLE; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT TO THE OWNERS OF THE 2017A SUBORDINATE BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF 2017A SUBORDINATE BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2017A Subordinate Bonds. The 2017A Subordinate 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 maturity of the 2017A Subordinate 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"). Standard & Poor's 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 2017A Subordinate Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2017A Subordinate Bonds on DTC's records. The ownership interest of each actual purchaser of each 2017A Subordinate 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 2017A Subordinate 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 2017A Subordinate Bonds, except in the event that use of the book-entry system for the 2017A Subordinate Bonds is discontinued.

To facilitate subsequent transfers, all 2017A Subordinate 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 2017A Subordinate Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2017A Subordinate Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such 2017A Subordinate 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 2017A Subordinate Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2017A Subordinate Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2017A Subordinate Bonds documents. For example, Beneficial Owners of the 2017A Subordinate Bonds may wish to ascertain that the nominee holding the 2017A Subordinate 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 2017A Subordinate 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 issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2017A Subordinate 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 2017A Subordinate 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 2017A Subordinate 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 or the Fiscal Agent, on 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 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 2017A Subordinate 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.

NEITHER METROPOLITAN NOR THE FISCAL 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 and the Fiscal Agent cannot and do not give any assurances that DTC, the DTC Participants or others will distribute payments of principal or interest on the 2017A Subordinate 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. Metropolitan and the Fiscal Agent are not 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 2017A Subordinate Bonds or for an error or delay relating thereto.

DTC may discontinue providing its services as depository with respect to the 2017A Subordinate 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, 2017A Subordinate 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, 2017A Subordinate 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 2017A SUBORDINATE BONDS AND WILL NOT BE RECOGNIZED BY THE FISCAL AGENT AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE DTC PARTICIPANTS.

APPENDIX 4

FORM OF BOND COUNSEL OPINION

APPENDIX 4

FORM OF BOND COUNSEL OPINION

Upon issuance of the 2017A Subordinate Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion with respect to the 2017A Subordinate Bonds in substantially the following form:

June 1, 2017

The Metropolitan Water District of Southern California
700 Alameda Street
Los Angeles, California 90012

Re: $_____ The Metropolitan Water District of Southern California
Subordinate Water Revenue Refunding Bonds, 2017 Authorization Series A

Members of the Board of Directors:

We have acted as Bond Counsel to The Metropolitan Water District of Southern California ("Metropolitan") in connection with the issuance of $_____ aggregate principal amount of Subordinate Water Revenue Refunding Bonds, 2017 Authorization Series A (the "Bonds"). The Bonds have been issued by Metropolitan pursuant to the Metropolitan Water District Act, California Statutes 1969, Chapter 209, as amended and supplemented (the "Act"), in accordance with Resolution 9199 of the Board adopted on March 8, 2016, as amended and supplemented (the "Master Resolution"), including by Resolution 9200 of the Board adopted on March 8, 2016 (together with the Master Resolution, the "Resolutions"). 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 limited obligations of Metropolitan payable solely from Net Operating Revenues (as such term is defined in the Resolutions) subordinate to the lien thereon of the Senior Debt (as such term is defined in the Resolutions) pursuant to the Resolutions, and from certain funds and accounts established under the Resolutions. The Bonds mature in the amounts and in the years and bear interest in accordance with the terms of the Resolutions and as described in the Official Notice Inviting Bids relating to the Bonds, dated May 2, 2017, together with the accepted Parity Bid of ______, dated May 10, 2017.

In connection with our role as Bond Counsel, we have examined the record of proceedings relating to the Bonds. As to questions of fact material to our opinion, we have relied upon these proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigations.

Based upon the foregoing and after examination of such questions of law as we have deemed relevant in the circumstances, but subject to the limitations set forth herein, we are of the opinion that:

1. The proceedings of Metropolitan show lawful authority for the issuance and sale by Metropolitan of the Bonds under the laws of the State of California (the "State") now in force, and the

Bonds and the Resolutions are valid and binding obligations of Metropolitan enforceable against Metropolitan in accordance with their respective terms.

2. The obligation of Metropolitan to make the payments of principal of and interest on the Bonds from Net Operating Revenues is an enforceable obligation of Metropolitan and does not constitute an indebtedness of Metropolitan in contravention of any constitutional or statutory debt limit or restriction.

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. It should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

4. Interest (and original issue discount) on the Bonds is exempt from State personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State personal income tax.

6. The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions expressed herein as to the exclusion from gross income of interest on the Bonds are based upon certain representations of fact and certifications made by Metropolitan and are subject to the condition that Metropolitan comply with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Metropolitan has covenanted to comply with all such requirements.

On the date of delivery of the Bonds, Metropolitan will execute a Tax Certificate (the "Tax Certificate") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Resolutions and other documents in connection with the issuance of the Bonds, Metropolitan covenants that Metropolitan will comply with the provisions and procedures set forth therein and that Metropolitan will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinions set forth herein, we have relied upon and assumed: (a) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate, the Resolutions and other documents in connection with the issuance of the Bonds with respect to matters affecting the status of interest paid on the Bonds; and (b) compliance by Metropolitan with the procedures and covenants set forth in such documents as to such tax matters.

The Resolutions and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of bond counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the Bonds.

Our opinion is limited to matters governed by the laws of the State and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. 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 facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; 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.

We call attention to the fact that the rights and obligations under the Resolutions and the Bonds are subject to bankruptcy, insolvency, debt adjustment, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and expressly disclaim any duty to advise the Owners of the Bonds with respect to matters contained in the Official Statement.

We further call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur). Our engagement with respect to the Bonds terminates upon their issuance, and we disclaim any obligation to update the matters set forth herein.

Respectfully submitted,

APPENDIX 5

FORM OF CONTINUING DISCLOSURE UNDERTAKING

APPENDIX 5

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the "Undertaking") is dated as of June 1, 2017 by The Metropolitan Water District of Southern California ("Metropolitan") in connection with the issuance of its $_________ aggregate principal amount of Subordinate Water Revenue Refunding Bonds, 2017 Series A (the "Bonds"). The Bonds are being issued under and 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 Articles 9 and 11 of Chapter 3 (commencing with Section 53550 and Section 53580, respectively) and Chapter 6 (commencing with Section 54300) of Part 1 of Division 2 of Title 5 (the "Act"), and Resolution 9199 adopted on March 8, 2016, as amended and supplemented (the "Master Subordinate Resolution"), including by Resolution 9200 adopted on March 8, 2016 (the "First Supplemental Subordinate Resolution" and, together with the Master Subordinate Resolution, the "Subordinate Resolutions"). Capitalized terms used in this Undertaking which are not otherwise defined in the Subordinate 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 Referenced Appendix A incorporated by reference in the Official Statement, the table "Metropolitan's Water Storage Capacity and Water in Storage"; (iii) under the caption "METROPOLITAN REVENUES" in Referenced Appendix A incorporated by reference in the Official Statement, the tables "Summary of Revenues by Source", "Summary of Water Sold and Water Sales", "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 in Referenced Appendix A incorporated by reference in 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 Referenced Appendix A incorporated by reference in 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 Referenced Appendix A incorporated by reference in 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 Referenced Appendix A incorporated by reference in the Official Statement, the percentage of operation and maintenance expenses to total costs; and (viii) under the caption "METROPOLITAN EXPENSES – Power Sources and Costs" in Referenced Appendix A incorporated by reference in the Official Statement, the expenditures 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 Subordinate 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) "GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board.

(7) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

(8) "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 notice of 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; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(9) "Official Statement" means the Official Statement dated May [__], 2017, of Metropolitan relating to the Bonds.

(10) "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.

(11) "SEC" means the United States Securities and Exchange Commission.

(12) "State" means State of California.

(13) "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 2016-17, 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 title, date and 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 Subordinate 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 Subordinate Resolutions with consent of holders of Bonds, pursuant to the Subordinate 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 the 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 Subordinate Resolutions and shall not result in any acceleration of payment of the Bonds, and the rights and remedies provided by the Subordinate 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: ___________________________________

Gary Breaux

Assistant General Manager/Chief Financial Officer

APPROVED AS TO FORM:

MARCIA SCULLY, General Counsel

By: ___________________________________

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Office of the General Manager

VIA EMAIL

February 17, 2017

Director Michael T. Hogan
Director Keith Lewinger
Director Elsa Saxod
Director Fern Steiner
San Diego County Water Authority
4677 Overland Avenue
San Diego, CA 92123

Dear Directors:

Re: Your letters dated February 12 and February 14, 2017 regarding Draft Appendix A dated February 1, 2017

This letter addresses your comments, received February 12 and February 14, 2017, regarding the Board Distribution Draft of Appendix A dated February 1, 2017 (Attachment 1)**.**

Appendix A provides material financial and operating information about Metropolitan to potential investors. Appendix A is prepared by Metropolitan staff and reviewed by Metropolitan's Board of Directors. Metropolitan's objective is to provide complete and accurate disclosure regarding the bonds being offered and their security and source of payment to potential investors. Appendix A is updated periodically to provide current information. Forward-looking statements or projections are based on current information such as the facts and assumptions contained within the biennial budget and ten-year financial forecast.

The General Comments in your letter incorporate by reference all of the comments and objections contained in your delegation's past letters relating to Metropolitan's authorization, execution, and distribution of Appendix A in connection with the issuance of bonds which were most recently addressed in Metropolitan's response letter dated February 13, 2017 to SDCWA's Comment Letter dated February 8, 2017. SDCWA's February 8, 2017 letter requesting information was received at 4:08 p.m. on Wednesday, and Metropolitan's offices were closed for most staff on Friday. The information requested, which is consistent with what is disclosed in the Draft Appendix A dated February 1, 2017, was provided to your delegation and the rest of the Board on Monday morning, two business days later and a day prior to the Board's vote to approve and authorize distribution of Appendix A on Tuesday, February 14, 2017.

SDCWA Comments, Letter dated February 12, 2017

SDCWA Comment: "First, we renew our request for copies of the water supply purchase assumptions management has made for each of MWD's 26 member agencies in order to compute MWD's cumulative sales for the fiscal years ending 6/30/17, 6/30/18 and 6/30/19-6/30/21, respectively. We requested this information last Wednesday, February 8, 2017 (Attachment 1) in order to complete our review of the Appendix A and prepare for this board meeting, but did not receive any response from any of the management staff we copied on the letter. We presume staff has this information available, and we would appreciate receiving it at or immediately following tomorrow's Finance and Insurance Committee meeting (or, confirm that it has not been requested and is not available)."

> **Metropolitan Response:** See above. The information requested was provided to the Board before the F&I Committee meeting on Monday, February 13, 2017 (Attachment 2).

SDCWA Comment: "We also renew our objection to the recently changed MWD process purporting to limit board review of draft Appendix A to a "biannual" review; a copy of our June 11, 2016 letter on this point is attached (Attachment 2).

It is readily apparent from this month's Board Memo 8-1 and attached Appendix A that the new process has already caused a great deal of confusion since it was adopted last June and should not be followed. From our point of view, the changed process has made it more difficult for board members to know when MWD staff is issuing bonds, why it is issuing bonds and what disclosures are being made to the public. It is not apparent from Board Memo 8-1 whether MWD has a scheduled bond issuance or remarketing in process. We renew the ***standing request*** we made in June, as members of the board of directors, to receive a redline Appendix A associated with the sale of any and all bonds, in a timely fashion with a reasonable opportunity for review and comment before MWD proceeds with the sale of bonds."

> **Metropolitan Response:** MWD's disclosure procedures do not limit the Board's review of Appendix A to a "biannual" review. The Board reviews and approves Appendix A biannually and also reviews and provides comment on Appendix A in the interim period when financial transactions require an update to the document. Material updates made to Appendix A in connection with the sale or remarketing of bonds in the interim period between biannual approvals are provided to the Board via email prior to the distribution of the offering document for such sale or remarketing of bonds. These distributions include a redline of Appendix A and occur far enough in advance of printing to give Board members ample time for review and comment. Additionally, the Board approves each new money revenue bond issuance upon receipt of a Board Letter explaining the reasons for the recommendation to issue bonds. Thus, Board members not only know when and why revenue bonds are being issued, they approve them before they are issued.

In the case of refunding and remarketing of bonds, regular updates are provided to the F&I Committee of the Board in advance of such financings. Please also see a copy of Metropolitan's June 14, 2016 response to SDCWA's June 11, 2016 letter addressing Metropolitan's disclosure procedures (Attachment 3).

SDCWA Comment: "In regard to this month's action, the redline Appendix A attached to Board Memo 8-1 dated 7/6/16 is not the most recent version of Appendix A that was actually used by MWD in connection with the sale of bonds. In fact, the 7/6/16 draft was never finalized and used in connection with any bond offering that we or our staff could locate. The last Appendix A that was actually used by MWD in connection with any bond offering is the June 22, 2016 version, used in connection with MWD's June 22 Water Revenue Refunding Bonds, 2016 Series A. This June 22 version was also incorporated by reference in connection with the issuance of Special Variable Rate Water Revenue Refunding Bonds, 2016 Series B, on September 14, 2016 (Attachment 3). As a result, the Appendix A used in the September bond issuance did not reflect the updating edits staff itself had made earlier, including disclosure of important information relating to MWD's acquisition of the Delta Wetlands. Had the Appendix A been distributed to the board, as it has been in the past, we do not believe this error would have been made. The General Counsel provided assurances to us at the June 14 board meeting that all future proposed changes to Appendix A disclosures would continue to be provided to us for review prior to preparation of any preliminary official statement or sale, or remarketing of bonds. We are disappointed that did not happen last September and must and do require that this oversight not be repeated."

Metropolitan Response: The redline Appendix A attached to this month's Board Letter for Item 8-1 provided a comparison of the current draft Appendix A against the interim update of Appendix A dated July 6, 2016, which was the last draft provided to the Board for review and comment. The July 6, 2016 draft was provided to the Board during the interim period of the biannual approval process in connection with the anticipated printing of the Preliminary Official Statement for Metropolitan's Subordinate Water Revenue Refunding Bonds, 2016 Series A and Series B. Those transactions were cancelled and that July 6, 2016 draft Appendix A was not distributed in connection with any financial transaction. The next financial transaction that did take place was the issuance of Special Variable Rate Water Revenue Refunding Bonds, 2016 Series B, on September 14, 2016. As you note, Metropolitan incorporated the June 22, 2016 Appendix A by reference in connection with the September 14, 2016 issuance, and not the July 6, 2016 draft, therefore, there was no redline to provide the Board for this financing as there were no changes to the Board approved Appendix A. After consulting with bond counsel and underwriter's counsel, it was decided that no material changes had taken place since the June 22, 2016 distribution. Specifically with respect to the description of the purchase from Delta Wetlands Properties (Delta Islands), the June 22, 2016 Appendix A described the purchase of the property, the stay pending at the time, and that in the event that the stay was lifted and purchase completed, Metropolitan's plan to issue bonds under the Master Subordinate Resolution in an aggregate principal amount of $175 million to reimburse itself for the purchase. When that Appendix A was incorporated by reference in connection with the September 14, 2016 issuance, the stay had been lifted, the purchase was completed and Metropolitan still expected to issue bonds under the Master Subordinate Resolution in an aggregate principal amount of $175 million to reimburse itself for the purchase. Nothing that happened had deviated from what was described in the June 22, 2016 Appendix A and, therefore, it was determined that the lift of the stay and finalization of the purchase of the properties were not material changes. Because no material changes had taken place since the June 22, 2016 disclosure, Metropolitan, after consulting with bond counsel and underwriter's counsel, decided that creating another interim update would not be a worthwhile use of resources and decided instead to incorporate the previously printed and Board approved June 22, 2016 Appendix A by reference. Nonetheless, the completion of the purchase of the Delta Wetlands Properties was disclosed to investors in the September offering document (see pages 46 and 48 of September 14, 2016 Official Statement). We note that changes to Appendix A have been provided to the Board, either through Board letters for biannual approval or through email distribution of interim updates for comment, as discussed at the June 14 board meeting and as required by Metropolitan's disclosure procedures.

SDCWA Comment: "There are two issues we would like to raise now for board discussion, because they are both obvious and important. First, MWD's water sales projections have not been updated to reflect current information, including hydrology and the reality that many member agencies will be buying substantially less water in FY 2017 and 2018 than planned. We believe this will result in a significant budget shortfall that we must deliberate as a board, and which must be reflected in any sales projections included in an updated Appendix A.

Similarly, there is virtually no information provided in the Appendix A redline regarding current information on the Delta Wetlands. Worse yet, the draft says at page A-47 that the property is part of the CIP, but the property is not included in the board presentation this month on the status of the CIP budget. The only other mention of this $175 million property is at page A-79, which states only that bond proceeds were used to reimburse MWD reserves. We must provide some explanation for the acquisition of this property, and, discuss and disclose any risks associated with it."

Metropolitan Response: Please see the response to these comments below.

SDCWA Comments, Letter Dated February 14, 2017

SDCWA Comment: **"**We have questioned MWD sales projections in prior letters for a number of reasons, including but not limited to MWD's practice of reporting wheeled water as MWD water sales and, the fact that MWD has neglected to include in its long term water supply projections (IRP, Appendix A or otherwise), the evolving reality of ***permanently reduced demand*** for MWD water. MWD has current, available information it is consciously choosing to disregard in making its long term sales projections, including placing undue reliance on ***historical*** numbers that are unlikely to be repeated.

In the current Appendix A, MWD is taking a similar approach, in relying on "average" numbers rather than focusing specifically on information that is readily available to demonstrate that water sales for fiscal years ending 2017 and 2018 are likely to be substantially under budget, potentially by hundreds of thousands of acre-feet (AF) of water sales, due to the current hydrology and 1.7 million AF (MAF) sales projection the current budget is based on. Mr. Breaux's statement at yesterday's Finance and Insurance Committee meeting that the "averages" used to make sales projections for fiscal years 2017 and 2018 will be reduced to 1.57 MAF and 1.5 MAF, respectively, will have a material impact on MWD's reserves. Moreover, this month's Water Surplus and Drought Management Plan report forecasted member agency "demands" (inclusive of replenishment and Water Authority's wheeled water) of 1.3 MAF and 1.4 MAF strongly suggesting that Mr. Breaux' revised forecast does not go far enough and in fact is not based on currently available information."

Metropolitan Response: The 2015 IRP Update provided the basis for the water sales forecast used in the Biennial Budget and Ten-Year Financial Forecast. Demand for Metropolitan supplies was forecasted to remain relatively flat over the ten-year period, from 1.70 million acre-feet in 2016-17 to 1.85 million acre-feet by 2025-26. This forecast included the San Diego County Water Authority exchange agreement water deliveries, which is not wheeled water. The 2015 IRP Update contemplates continued investment in local resources and retail and regional conservation measures to meet state policy regarding water use efficiency.

Long-term, Metropolitan's sales have averaged just under 2.0 million acre-feet. As noted above, expected sales are forecast to be below this average at 1.85 million acre-feet by 2025-26. Under changed economic, climatic, and hydrologic conditions, sales over the next ten years could range between 1.5 million acre-feet and 2.0 million acre-feet 80 percent of the time. The sales forecast Metropolitan used in the ten-year forecast period is the average of these varied economic, climatic, and hydrologic conditions.

The methodology used to determine demands on Metropolitan is found in "Section 3 – Outlook of Demands and Supplies" of the 2015 IRP update. Please also see Metropolitan's Biennial Budget for Fiscal Years 2016-17 and 2017-18 for more information.

Periodically, Metropolitan also revises water sales forecasts during a fiscal year to account for updated actual and current conditions. As stated in its response letter dated February 13, 2017 to SDCWA's Comment Letter dated February 8, 2017, and as reported to the Board at this month's F&I Committee meeting, it was Metropolitan's intent to revise its water sales forecasts reported in Appendix A for fiscal years 2016-17 and 2017-18 prior to printing to take into account the most current available information at that time. The revised water sales forecasts for the current fiscal year 2016-17 were updated by adding actual fiscal year water sales to date with projected water sales for the remainder of the fiscal year. This update to the water sales forecast in the Appendix A distributed to the Board on February 1, 2017 reflects the wetter-than-usual hydrology in recent weeks. This increased precipitation has had the effect of reducing retail demands and increasing local supplies. The revised water sales forecast for fiscal year 2017-18 also reflects the wetter-than-usual hydrology for calendar year 2017, followed by a more normal demand pattern for the first six months of calendar year 2018. The impacts of these revised forecasts on other disclosed financial information, including reserves, will also be updated and distributed to the Board prior to printing.

SDCWA Comment: **"**Appendix A states (at page A-45) that the adopted biennial CIP budget for fiscal years 2016-17 and 2017-18 is $200 million annually. Appendix A also states that the Delta Wetlands are included in the CIP financing plan. At yesterday's Engineering and Operations Committee, a report was provided by staff stating that the CIP budget for the current fiscal year is $246 million, not the $200 million actually included in the budget, as described in Appendix A. Staff also reported that CIP expenditures to date are $212M. If the Delta Wetlands are included in the CIP, and the actual budget number is used, the result is that CIP expenditures to date are $187 million over budget. This should be disclosed."

Metropolitan Response: Appendix A does not state that the purchase of the Delta Islands from Delta Wetlands Properties was included in the Capital Investment Plan financing. While the description of the purchase appears in the section with that heading, the purchase of the Delta Islands (like the July 14, 2015 purchase of the properties in Riverside and Imperial Counties) was a capital expenditure approved by the Board that was not part of the Capital Investment Plan. To avoid confusion on this point, Metropolitan has added a subsection to the section titled "Capital Investment Plan" in Appendix A that will describe capital expenses approved by the Board that were not part of the Capital Investment Plan or the projected CIP expenditures for the biennial budget.

As noted in Appendix A, the adopted biennial budget sets forth the projected CIP expenditures. This estimate is updated every two years as a result of the periodic review and adoption of the capital budget by Metropolitan's Board of Directors. The CIP budget as developed by Engineering and presented in the Capital Expenditures section of the budget book is estimated to be $246 million for fiscal year 2016-17 and $240 million for fiscal year 2017-18. Over the last five years, actual expenditures have been about 20 percent below budget due to factors such as bids coming in lower than budgeted and delays in receiving permitting approvals. In keeping with that trend, the current proposal for the two years is 80 percent of planned engineering expenditures or $200 million in each fiscal year. Please also see Metropolitan's Biennial Budget for Fiscal Years 2016-17 and 2017-18 for more information.

SDCWA Comment: "The only information provided about the Delta Wetlands property is the cost of acquiring it. No information is provided about how the property will be used, or, what risks are associated with MWD's ownership. This should be disclosed, even if MWD's position is that there are no risks associated with this property, including risks associated with levee failures."

Metropolitan Response: As noted in Appendix A, Metropolitan is self-insured for loss or damage to its property and also carries excess general commercial liability insurance.

As it does with all land it plans to purchase, Metropolitan evaluated risks associated with the Delta Islands in light of this insurance policy, and determined that current coverage is adequate based on the risks associated with the purchase. While Metropolitan believes that all material information related to the Delta Islands was disclosed in the Draft Appendix A distributed to the Board, additional information about potential uses for the property as discussed with the Board prior to the purchase will be added prior to printing.

Thank you for your comments on Metropolitan's Appendix A. We have carefully reviewed and considered them, and circulated them to our finance team, including disclosure counsel, financial advisor, and underwriters.

Sincerely,

Gary Breaux
Assistant General Manager/Chief Financial Officer

cc: J. Kightlinger
MWD Board Members
SDCWA Board of Directors and Member Agencies

Attachment 1— Board Distribution Draft of Appendix A dated February 1, 2017
Attachment 2— Metropolitan's response letter dated February 13, 2017 to SDCWA's Comment Letter dated February 8, 2017
Attachment 3— Metropolitan's June 14, 2016 response to SDCWA's June 11, 2016 letter