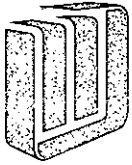


FILED by order
of the Board of Directors of
The Metropolitan Water District
of Southern California
at its meeting held JAN 14 1992

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CORRECTED January 8, 1992



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

[Handwritten Signature]
Executive Secretary

December 30, 1991

To: Board of Directors (Finance and Insurance Committee--Information)
Board of Directors (Water Problems Committee--Information)

From: General Manager

Subject: Progress Report on the Water Standby/Availability of Service Charge Study

Background

In December 1991, the General Manager informed your Board that staff is considering two alternative methods of developing a new source or sources of firm revenue. One proposal would be to impose parcel charges on all property within the District's service area to produce \$50 million in firm revenue. The second alternative would be to collect \$50 million in firm revenue from a combination of parcel charges together with a service charge directly on the member agencies. These latter charges would be structured to collect \$25 million from each source. A third alternative to collect \$50 million in firm revenue from a service charge on the member agencies was presented in a previous Board letter. This alternative has been excluded due to the significant negative response expressed by the member agencies.

Imposition of a parcel charge will be subject annually to the Board's prerogative to substitute a connection fee to raise similar amounts of revenue once the District attains the legal right to impose such a charge. Staff expects that authority to impose connections fees will be available within two years.

Progress Report

This letter transmits a progress report (Attachment A) on the development of the parcel charges and estimates of the amounts that would be collected from each member agency under both alternatives. The progress report was prepared by the consulting firm of Reiter-Lowry-Consultants. The consultants are currently in the process of collecting parcel data on all property within the District's service area. They are also

preparing an engineering report to identify benefits to be associated with the proposed parcel charges. This report will accompany the resolution of intention to levy parcel charges. It is expected that the resolution will be presented to your Board for consideration in February 1992.

Staff, special financial counsel and the consultants are reviewing the various authorities for imposing parcel charges and will recommend a specific procedure with the resolution of intention.

Schedule

Attachment B is the current schedule for implementation of the parcel charges. After adoption of the resolution of intent, and subsequent publication and mailing of public notices to all property owners, a series of hearings will need to be held by your Board late April and early May to receive public comment on the proposed charges. These hearings will be held in various locations throughout the service area to provide adequate opportunity to be heard by the public. The final adoption of the parcel charges by your Board would occur in May. The parcel data would be transmitted to the county assessors in July, and the parcel charges would then be listed on the tax bills prepared by the counties for fiscal year 1992-93.

Cost Estimate

Attachment C to this letter is the current estimate of the costs of implementing and administering the parcel charge program. Total implementation costs are estimated to be approximately \$1.7 million. The major cost components are printing and mailing of the public notices; acquisition of parcel data tapes from the county assessors; and consulting charges for processing the data, preparing the notices, assisting in preparation of the resolution and engineer's report, and assisting in the hearing process. Your Board will be asked to appropriate funds for implementation of parcel charges at your February 1992 meeting.

Staff proposes to enter into a new agreement with the firm of Reiter-Lowry-Consultants to administer the ongoing parcel charge program. This firm has extensive experience in the administration of similar programs for public agencies such as San Diego County Water Authority, Central and West Basin

Municipal Water Districts, and Castaic Lake Water Agency. The estimated recurring annual cost of this service is approximately \$1.9 million, and includes printing and mailing of annual notices, purchase of parcel data from the counties, consulting costs, and escalation and contingencies. The annual costs would be considerably less if the parcel charge or charges remain the same as the previous year, in which case the printing and mailing of notices may not be required.

Estimated Collections

The final attachments to this letter are estimates of the amounts to be collected from each member agency under the proposed charges. Attachment D shows the amounts to be collected if parcel charges are levied to collect \$50 million of firm revenue, net of program costs. For the second alternative, Attachment E shows the amounts to be collected if the parcel charges are levied to collect a net amount of \$25 million, and Attachment F shows the amounts to be collected under a service charge to collect a total of \$25 million based on each agencies' purchases of water from the District during the last four years.

Board Committee Assignments


This letter was referred to:

The Finance and Insurance Committee pursuant to its authority to determine revenues to be obtained through sales of water, water standby or availability of services charges, and taxes under Administrative Code Section 2441(e).

The Water Problems Committee pursuant to its authority to make determinations regarding water standby or availability of service charges under Administrative Code Sections 2481(e) and (f).

Recommendation

For information only.


Carl Boronkay

CGP:lg
042CGP

Attachments

Reiter·Lowry·Consultants

10650 Treena Street • Suite 308 • San Diego, CA 92131 • 619-578-6400 • Fax 619-578-6403

Progress Report

Three phases of the project are progressing concurrently. The phases include the development of the foundation for the engineer's report, i.e. justification of the charge; the refinement of the database; and, selection of the appropriate code section to be used to implement the charge.

MWD staff is in the process of furnishing information concerning existing District facilities which could provide the legal justification for a uniform parcel charge over the entire MWD service area.

The development of a parcel charge for a large, multi-county agency which operates only as a wholesale entity presents unique problems in the selection of District facilities which can form the basis for the charge. Our objective is to select capital facilities (1) that are easy for the public to understand and appreciate, and (2) which clearly benefit property on a long-term basis.

At this time, it appears that more than enough projects will be identified to justify a \$25-\$50 million annual revenue stream to be generated by a standby charge program. A draft engineer's report showing such justification is scheduled for completion prior to the February Board of Directors Meeting.

We are working closely with District staff to develop a sound legal basis for the proposed charges as well as to select of the appropriate code section for implementation of the charges.

At this point it is anticipated that the parcel charge will be a uniform charge on all parcels of less than one acre and an acreage charge on parcels of greater than one acre. We are continuing our effort to obtain accurate acreage figures from the various county assessors. After reviewing relevant parcel records, we are reasonably satisfied with the apparent completeness and accuracy of county "parcel data" except acreage data.

It is recognized that Board members may have suggestions for modifications to the proposed charges. Our plan is to present draft materials on proposed charges and supporting data for discussion to MWD staff in sufficient time for appropriate circulation and Board action.

It is proposed that the public hearings occur in the latter part of April and beginning of May. However, the hearings can occur as late as May and still meet the legal requirements to submit computer tapes to the affected counties no later than August 10 (Ventura July 15).

Suggestions on a format for the public hearings will be submitted shortly for your review.

January 4, 1992

Reiter • Lowry • Consultants

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Metropolitan Water District Standby Charge Program

BUDGET

| CATEGORY OF WORK | 1/92 THRU 9/92 |
|--|--------------------|
| ESTIMATED COSTS THRU 12/91 | \$205,000 |
| REAL PROPERTY DATABASE (9 MONTHS) | \$313,000 |
| PUBLIC HEARING/ENGINEER'S REPORT | \$35,000 |
| MAILED NOTICE | \$1,000,000 |
| PREPARATION OF STANDBY CHARGE | \$163,000 |
| 9 MONTHS THRU SEPT 1992 | \$1,716,000 |

| CATEGORY OF WORK | 10/92 THRU 9/93 |
|--|--------------------|
| REAL PROPERTY DATABASE (12 MONTHS) | \$424,000 |
| Following submission of standby charges in Aug 92, work needs to begin on changes in assessor's data. This includes research on parcels that have been deleted and added since Mar 92. | |
| Estimated Cost of Data From Counties | \$100,000 |
| Contingency | \$160,000 |
| PUBLIC HEARING/ENGINEER'S REPORT | \$37,000 |
| MAILED NOTICE | \$1,000,000 |
| PREPARATION OF STANDBY CHARGE | \$174,000 |
| 12 MONTHS TOTAL OCT 1992 THRU SEPT 1993 | \$1,895,000 |

Reiter·Lowry·C Consultants

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STANDBY CHARGE REVENUE MODEL

\$9.25 per AC or PARCEL IMPROVED

\$9.25 per AC or PARCEL UNIMPROVED

| | MEMBER | UNIMPR | IMPR | TOTAL | % Total | Bv County | % Total |
|----|------------------------|--------------|--------------|--------------|---------|--------------|---------|
| 1 | Beverly Hills | \$8,085 | \$66,498 | \$74,583 | 0.14% | | |
| 2 | Burbank | \$27,380 | \$225,247 | \$252,627 | 0.48% | | |
| 3 | Compton | \$12,469 | \$102,638 | \$115,107 | 0.22% | | |
| 4 | Glendale | \$48,498 | \$398,980 | \$447,478 | 0.85% | | |
| 5 | Long Beach | \$79,541 | \$654,327 | \$733,867 | 1.40% | | |
| 6 | Los Angeles | \$737,882 | \$6,070,155 | \$6,808,037 | 12.95% | | |
| 7 | Pasadena | \$36,103 | \$296,999 | \$333,102 | 0.63% | | |
| 8 | San Fernando | \$3,793 | \$31,145 | \$34,937 | 0.07% | | |
| 9 | San Marino | \$5,994 | \$49,284 | \$55,278 | 0.11% | | |
| 10 | Santa Monica | \$12,858 | \$105,792 | \$118,650 | 0.23% | | |
| 11 | Torrance | \$31,210 | \$256,789 | \$287,999 | 0.55% | | |
| 12 | West Basin MWD | \$264,717 | \$2,177,709 | \$2,442,426 | 4.64% | | |
| 13 | Three Valleys MWD | \$212,944 | \$1,751,793 | \$1,964,737 | 3.74% | | |
| 14 | Foothill MWD | \$34,512 | \$283,864 | \$318,376 | 0.61% | | |
| 15 | Central Basin MWD | \$285,936 | \$2,352,229 | \$2,638,165 | 5.02% | | |
| 16 | Las Virgenes MWD | \$194,740 | \$1,601,980 | \$1,796,720 | 3.42% | | |
| 17 | Upper San Gabriel MWD | \$229,576 | \$1,888,591 | \$2,118,167 | 4.03% | \$20,540,254 | 39.06% |
| 18 | Anaheim | \$49,691 | \$394,374 | \$444,065 | 0.84% | | |
| 19 | Fullerton | \$24,494 | \$194,417 | \$218,911 | 0.42% | | |
| 20 | Santa Anna | \$30,349 | \$240,870 | \$271,219 | 0.52% | | |
| 21 | Coastal MWD | \$65,398 | \$519,064 | \$584,461 | 1.11% | | |
| 22 | Municipal WD of Orange | \$598,836 | \$4,752,706 | \$5,351,541 | 10.18% | \$6,870,197 | 13.06% |
| 23 | San Diego CWA | \$3,463,882 | \$8,523,079 | \$11,986,960 | 22.79% | \$11,986,960 | 22.79% |
| 24 | Eastern MWD | \$2,271,500 | \$1,738,752 | \$4,010,252 | 7.63% | | |
| 25 | Western MWD | \$2,272,401 | \$2,284,381 | \$4,556,782 | 8.66% | \$8,567,034 | 16.29% |
| 26 | Chino Basin MWD | \$713,949 | \$759,118 | \$1,473,067 | 2.80% | \$1,473,067 | 2.80% |
| 27 | Calleguas | \$1,455,615 | \$1,696,131 | \$3,151,746 | 5.99% | \$3,151,746 | 5.99% |
| | | \$13,172,349 | \$39,416,910 | \$52,589,259 | 100.00% | | |

ASSUMPTION: NUMBER OF PARCELS AND ACREAGES IS ESTIMATED ON THE BASIS OF MEMBER ACREAGE AND RESPECTIVE COUNTY DENSITY. Therefore, the revenues are only an estimate. Revenue projections will change as more accurate acreage data is obtained in LA County.

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STANDBY CHARGE REVENUE MODEL

\$5.00 per AC or PARCEL IMPROVED

\$5.00 per AC or PARCEL UNIMPROVED

| | MEMBER | UNIMPR | IMPR | TOTAL | % Total | Bv County | % Total |
|----|------------------------|-------------|--------------|--------------|---------|--------------|---------|
| 1 | Beverly Hills | \$4,370 | \$35,945 | \$40,315 | 0.14% | | |
| 2 | Burbank | \$14,800 | \$121,755 | \$136,555 | 0.48% | | |
| 3 | Compton | \$6,740 | \$55,480 | \$62,220 | 0.22% | | |
| 4 | Glendale | \$26,215 | \$215,665 | \$241,880 | 0.85% | | |
| 5 | Long Beach | \$42,995 | \$353,690 | \$396,685 | 1.40% | | |
| 6 | Los Angeles | \$398,855 | \$3,281,165 | \$3,680,020 | 12.95% | | |
| 7 | Pasadena | \$19,515 | \$160,540 | \$180,055 | 0.63% | | |
| 8 | San Fernando | \$2,050 | \$16,835 | \$18,885 | 0.07% | | |
| 9 | San Marino | \$3,240 | \$26,640 | \$29,880 | 0.11% | | |
| 10 | Santa Monica | \$6,950 | \$57,185 | \$64,135 | 0.23% | | |
| 11 | Torrance | \$16,870 | \$138,805 | \$155,675 | 0.55% | | |
| 12 | West Basin MWD | \$143,090 | \$1,177,140 | \$1,320,230 | 4.64% | | |
| 13 | Three Valleys MWD | \$115,105 | \$946,915 | \$1,062,020 | 3.74% | | |
| 14 | Foothill MWD | \$18,655 | \$153,440 | \$172,095 | 0.61% | | |
| 15 | Central Basin MWD | \$154,560 | \$1,271,475 | \$1,426,035 | 5.02% | | |
| 16 | Las Virgenes MWD | \$105,265 | \$865,935 | \$971,200 | 3.42% | | |
| 17 | Upper San Gabriel MWD | \$124,095 | \$1,020,860 | \$1,144,955 | 4.03% | \$11,102,840 | 39.06% |
| 18 | Anaheim | \$26,860 | \$213,175 | \$240,035 | 0.84% | | |
| 19 | Fullerton | \$13,240 | \$105,090 | \$118,330 | 0.42% | | |
| 20 | Santa Anna | \$16,405 | \$130,200 | \$146,605 | 0.52% | | |
| 21 | Coastal MWD | \$35,350 | \$280,575 | \$315,925 | 1.11% | | |
| 22 | Municipal WD of Orange | \$323,695 | \$2,569,030 | \$2,892,725 | 10.18% | \$3,713,620 | 13.06% |
| 23 | San Diego CWA | \$1,872,368 | \$4,607,070 | \$6,479,438 | 22.79% | \$6,479,438 | 22.79% |
| 24 | Eastern MWD | \$1,227,838 | \$939,866 | \$2,167,704 | 7.63% | | |
| 25 | Western MWD | \$1,228,325 | \$1,234,801 | \$2,463,125 | 8.66% | \$4,630,829 | 16.29% |
| 26 | Chino Basin MWD | \$385,918 | \$410,334 | \$796,253 | 2.80% | \$796,253 | 2.80% |
| 27 | Calleguas | \$786,819 | \$916,827 | \$1,703,647 | 5.99% | \$1,703,647 | 5.99% |
| | | \$7,120,189 | \$21,306,438 | \$28,426,626 | 100.00% | | |

ASSUMPTION: NUMBER OF PARCELS AND ACREAGES IS ESTIMATED ON THE BASIS OF MEMBER ACREAGE AND RESPECTIVE COUNTY DENSITY. Therefore, the revenues are only an estimate. Revenue projections will change as more accurate acreage data is obtained in LA County.

ATTACHMENT F

SERVICE CHARGE ALLOCATED ON LAST 4 YEARS WATER PURCHASES
(Estimated)

| MEMBER AGENCIES | Acre-feet Purchased From MWD 1988-1991 | Percent of Total | Allocation of \$25 Million Service Charge |
|---------------------------|---|------------------------|--|
| LOS ANGELES CO. | | | |
| Beverly Hills | \$57,726 | 0.7% | \$163,800 |
| Burbank | 88,660 | 1.0% | 251,577 |
| Central Basin | 563,460 | 6.4% | 1,598,845 |
| Compton | 19,250 | 0.2% | 54,623 |
| Foothill MWD | 41,800 | 0.5% | 118,610 |
| Glendale | 108,163 | 1.2% | 306,918 |
| Las Virgenes | 90,060 | 1.0% | 255,550 |
| Long Beach | 193,599 | 2.2% | 549,347 |
| Los Angeles | 1,183,519 | 13.4% | 3,358,293 |
| Pasadena | 97,107 | 1.1% | 275,546 |
| San Fernando | 5,724 | 0.1% | 16,242 |
| San Marino | 4,059 | 0.0% | 11,518 |
| Santa Monica | 42,390 | 0.5% | 120,284 |
| Three Valleys | 282,135 | 3.2% | 800,572 |
| Torrance | 85,971 | 1.0% | 243,947 |
| Upper San Gabriel | 247,168 | 2.8% | 701,351 |
| West Basin | 738,864 | 8.4% | 2,096,563 |
| ORANGE CO. | | | |
| Anaheim | 110,469 | 1.3% | 313,461 |
| Coastal | 179,401 | 2.0% | 509,059 |
| Fullerton | 62,258 | 0.7% | 176,660 |
| Santa Ana | 69,407 | 0.8% | 196,946 |
| MWD of Orange Co. | 1,066,369 | 12.1% | 3,025,874 |
| RIVERSIDE CO. | | | |
| Eastern MWD | 195,736 | 2.2% | 555,410 |
| Western MWD | 306,860 | 3.5% | 870,730 |
| SAN BERNARDINO CO. | | | |
| Chino Basin MWD | 202,976 | 2.3% | 575,954 |
| SAN DIEGO CO. | | | |
| San Diego CWA | 2,352,929 | 26.7% | 6,676,551 |
| VENTURA CO. | | | |
| Calleguas MWD | 414,361 | 4.7% | 1,175,770 |
| Total | 8,810,421 | 100.0% | \$25,000,000 |